

InNature Records Higher QoQ Profit in 2Q2020 Despite Covid-19 Related Operational Challenges

SUBANG JAYA, 17 AUGUST 2020 – InNature Berhad (“**InNature**” or “**Company**”, together with its subsidiaries, the “**Group**”), a leading regional retailer of cosmetics and personal care products carrying The Body Shop and Natura brands, announced today a profit after tax (“**PAT**”) of RM3.1 million on the back of RM31.4 million revenue in the 2nd Quarter ended 30 June 2020 (“**2Q2020**”). This represents a 14% increase from the preceding quarter ended 31 March 2020 (“**1Q2020**”).

Performance Review

The business environment of the Group had been affected by the Covid-19 outbreak since the beginning of 2020. In Malaysia and Vietnam, the virus pandemic triggered the implementation of movement control orders (“**MCO**”) affecting the months of March 2020 and April 2020. The MCO had led to the unprecedented closure of all stores in both countries, albeit with varying durations. The lockdown measures were lifted gradually since 23 April 2020 in Vietnam and 4 May 2020 in Malaysia, although monitoring, sanitisation and social-distancing rules remain in place as a pre-condition for business re-opening.

With 121 retail stores as at 30 June 2020, the Group was inevitably affected by the impact of Covid-19, where revenue took a year-on-year decline of 29% in 2Q2020, and 25% in the 6-month period ended 30 June 2020 (“**6M2020**”). Fortunately, the decline was mitigated by the contribution from Vietnam’s new stores (net opening of 8 in 2019) and the Group’s new businesses in Cambodia and Malaysia, as well as the surge in revenue from e-commerce channels.

The Group remains profitable with the reported PAT of RM3.1 million for 2Q2020, and RM5.9 million for 6M2020. The Group recorded overall lesser operating expenses in 2Q2020 and 6M2020 on reduced variable expenses, strict operational discipline on spending, and assistance from landlords and government in the forms of rental rebates and wage subsidy. Tax expenses had correspondingly reduced, and the Group recognised lesser listing-related expenses in both 2Q2020 and 6M2020.

In terms of segment performance, the Group’s existing businesses in Malaysia and Vietnam continue to be profitable in 2Q2020 and 6M2020. The new business in Cambodia is now contributing to the Group’s profitability, whereas start-up losses from Natura Malaysia had reduced from RM0.8 million in 1Q2020 to RM0.5 million in 2Q2020.

On quarter-to-quarter performance, revenue of the Group declined 16% in 2Q2020 from the impact of Covid-19 induced MCO. Nevertheless, quarterly PAT was 14% higher largely as a result of lesser listing-related expenses recorded.

Commenting on the performance, Group Managing Director Datin Mina Cheah-Foong (“**Datin Mina**”) said, “2Q2020 had been extraordinarily eventful as we braced ourselves for the major impact of MCO with all our stores shuttered amid an ever-evolving operating environment. Our early investments in omnichannel rewarded us the much-needed uplift during this challenging time, where we saw e-commerce channels recording exponential growth of 431% to RM6.9 million in 2Q2020, and 241% to RM8.8 million in 6M2020. While approximately 51% of e-commerce revenue in 2Q2020 was generated in the month of April 2020, i.e. during the apex of MCO, we are happy to note that subsequent to April 2020, our daily e-commerce revenue

remains elevated at RM56,000 for the months of May 2020 and June 2020, vis-à-vis RM20,000 for 1Q2020.”

“Social selling represents our latest distribution channel introduced in December 2019 for Natura in Malaysia. The contribution from this channel has grown to approximately 38% of total Natura revenue in the month of June 2020, and is the reason why the new business continues to grow despite the tough conditions presented by the Covid-19 pandemic. 77% of the social selling revenue was generated in 2Q2020, i.e. consistent with the accelerated expansion of our beauty consultant network where 73% of our 146 beauty consultants as at 30 June 2020 were recruited in the same financial quarter,” she added.

“This pandemic spotlights the importance of digitalisation and distance selling. Our results for 2Q2020 and 6M2020 showcased the extent of return yielded from our readiness in omnichannel capabilities, and we expect to be able to continue capitalising on the new opportunities presented by this situation for our e-commerce and social selling channels. We will continue to invest in enhancing and accelerating our omnichannel capabilities as well as in developing our social selling channel to future-proof our business,” Datin Mina shared.

As for the Group’s store expansion plan, Datin Mina said, “We adopt a precautionary approach given the evolving situation. As this juncture, we expect there will only be 5 new openings (4 in Vietnam, 1 in Cambodia) for The Body Shop operations in the second half of 2020.”

Healthy Balance Sheet and Cash Flow

The Group’s financial position remains healthy with a working capital of RM47.0 million and total equity of RM132.8 million as at 30 June 2020. Despite facing challenging environments, the Group generated net cash from operations of RM9.2 million in 6M2020, and maintained a healthy cash balance (including fixed deposits and fixed income funds under Other Investments) of RM36.8 million as at 30 June 2020.

Outlook

Commenting on the Group’s outlook for 2020, Datin Mina said, “We expect consumers to remain cautious, as long as efforts to contain the virus is still a work-in-progress. As such, it may take a while to rebuild footfall to the Malls. We believe that our Omnichannel strength will continue to prove resilience in the light of the Covid-19 pandemic. We note increasing signs of recovery as shown by the gradual narrowing of monthly revenue differences vs last year since our stores’ re-opening. If there is no reintroduction of lockdown measures, and consumer sentiments continue to revive, we believe our Group will remain profitable for the financial year ending 31 December 2020.”

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Issued by: InNature Berhad

Date: 17 August 2020

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About InNature Berhad

InNature is a leading regional retailer of cosmetics and personal care products carrying The Body Shop and Natura brands, with an extensive network of 121 stores across West Malaysia, Sabah, Labuan, Vietnam and Cambodia as at 30 June 2020.

The Group has garnered over 36 years of experience operating The Body Shop franchise business since its founder, Datin Mina opened the first store in 1984 in Kuala Lumpur, Malaysia. The Group was subsequently awarded the franchise for Vietnam in 2009, and for Cambodia in 2019.

In collaboration with Natura Cosmetics SA, the Group introduced the Natura beauty brand to Malaysia in 2019 to expand its brand portfolio as well as to strengthen its leadership and market share in the naturals sector of the cosmetics and personal care industry.

For more information, please visit www.innature.com.my

Disclaimer

This document shall be read in conjunction with the Company's interim financial report for the 2nd Quarter ended 30 June 2020, as announced to Bursa Malaysia Securities Berhad on 17 August 2020. Statements included herein may include "forward-looking statements" relating to the Group's business and the sector in which the Group operates. These forward-looking statements include statements relating to the Group's performance. These statements reflect the current views of the Group with respect to future events and are subject to certain risks, uncertainties and assumptions. It is important to note that actual results may differ materially from those anticipated in these forward-looking statements, and there can be no assurance on the occurrence of certain events, achievability of projections or accuracy of assumptions made by the Group.