

April 7, 2022

InNature Bhd (INNATURE MK)

In-to ONE with Nature

BUY

Share Price MYR 0.67
12m Price Target MYR 0.80 (+23%)

Initiate with a BUY and MYR0.80 TP

We initiate coverage on InNature with a BUY and MYR0.80 target price premised on 20x FY23E PER, with FY23 being an earnings recovery year, continuing on from FY22. We forecast a +60% YoY rebound in core net profit in FY22E, and a more gradual +16% in FY23E and +10% in FY24E as sales at its physical stores recover from the pandemic impact, and as it continues on its new store openings in Malaysia, Vietnam and Cambodia.

International border reopening as near-term driver

InNature has an extensive *The Body Shop (TBS)* store network in Malaysia (77 end-2021) and Vietnam (39), primely located in major shopping malls and high-streets; the brand also has an established online presence (since 2012). The full reopening of international borders should further help revive sales as inbound tourists return; TBS stores located in high tourist traffic areas had previously contributed c.15% to total revenue. Vietnam and Cambodia meanwhile are long-term growth drivers due to the former's population size and their tourism offerings.

ESG across all levels of operations

Besides sustainability embedded in its products (natural + eco-friendly + sustainably sourced), InNature also integrates ESG into all levels of its operations. It aims for 'net zero' by 2030, in-line with its franchisor's commitment. It has also been very visible on its ethical stance. In terms of diversity, 4 (out of 5, or 80%) of its Board members are women. The company's Code of Conduct and Business Ethics was updated in Feb 2020.

Run-away costs, FX fluctuation are some key risks

High commodity prices have a knock-on effect on production and logistic costs. Run-away costs and high inflation will impact not just pricing for InNature's products, the latter may also affect demand. The sourcing of its product inventories from the UK (denominated in GBP) and Brazil (in USD), alongside its operations in Vietnam and Cambodia mean that InNature is exposed to currency fluctuation which may impact product pricing and/or profit margins, and reporting currency FX losses/gains.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	155	132	170	193	215
EBITDA	51	42	51	58	65
Core net profit	21	15	24	28	31
Core EPS (sen)	3.0	2.1	3.4	4.0	4.4
Core EPS growth (%)	(37.3)	(29.0)	59.6	16.4	10.1
Net DPS (sen)	2.0	2.0	2.0	2.0	2.0
Core P/E (x)	17.7	31.7	19.6	16.8	15.3
P/BV (x)	2.7	3.3	3.0	2.8	2.5
Net dividend yield (%)	3.8	3.0	3.0	3.0	3.0
ROAE (%)	17.9	10.6	16.1	17.4	17.5
ROAA (%)	12.3	8.1	12.3	13.0	13.0
EV/EBITDA (x)	7.3	11.6	9.3	8.0	7.0
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	27	30	32
MKE vs. Consensus (%)	-	-	(11.2)	(6.3)	(4.6)

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Company Description

InNature retails and distributes *The Body Shop* and *Natura* products in M'sia, Vietnam and Cambodia.

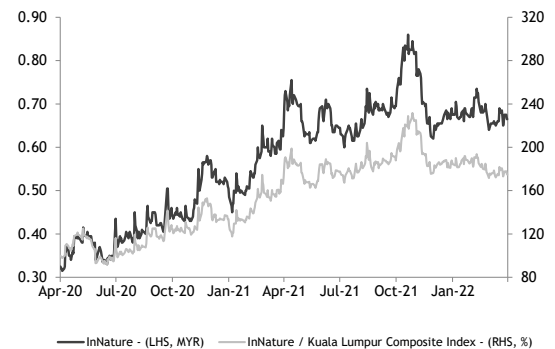
Statistics

52w high/low (MYR)	0.86/0.60
3m avg turnover (USDm)	0.1
Free float (%)	22.2
Issued shares (m)	706
Market capitalisation	MYR469.4M USD111M

Major shareholders:

Etheco Sdn. Bhd.	51.0%
Bluplanet Sdn. Bhd.	17.9%
Permodalan Nasional Bhd.	3.6%

Price Performance



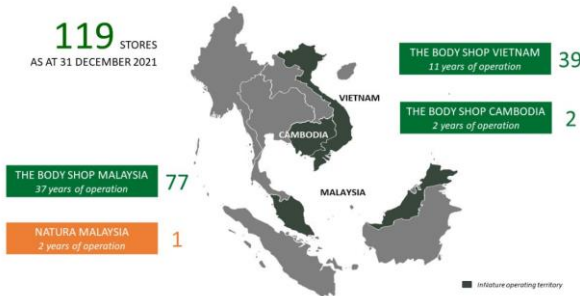
	-1M	-3M	-12M
Absolute (%)	(1)	(1)	3
Relative to index (%)	(0)	(5)	2

Source: FactSet

Value Proposition

- Leading regional retailer of cosmetics and personal care products carrying *The Body Shop* and *Natura* brands.
- Experienced franchisee with 38 years of experience (since 1984) operating *The Body Shop* franchise business.
- Its long track record in the franchise business has enabled InNature to expand into Vietnam and Cambodia.
- ESG across all levels of its operations.

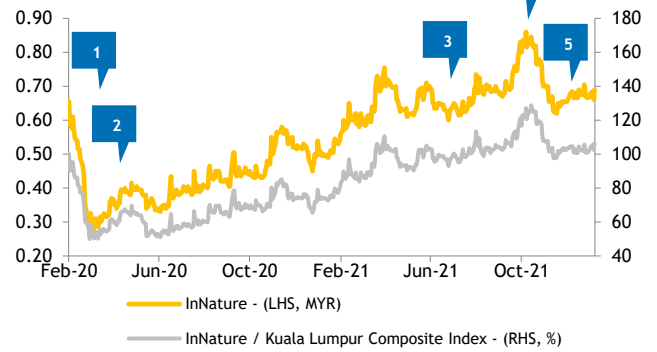
Current number of stores in each region



Note: 118 *The Body Shop* + 1 *Natura* stores; Source: Company

Price Drivers

Historical share price trend



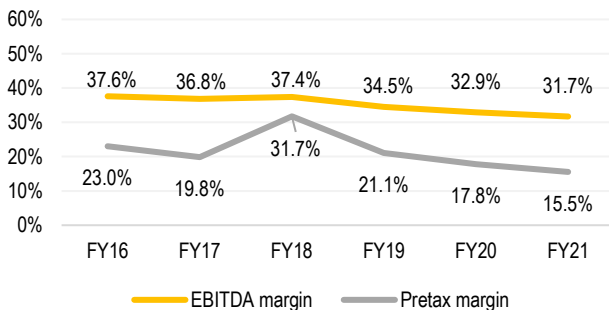
Source: Company, Maybank IBG Research

1. Debut on Main Market of Bursa Malaysia (20 Feb 2020).
2. Start of Movement Control Order in M'sia (18 Mar 2020).
3. Malaysia moves into Full MCO phase (from 1 Jun 2021).
4. Malaysia enters National Recovery Plan Phase 4 (from 18 Oct 2021); reopening of most economic sectors lifts foot traffic in shopping malls.
5. Weak 3Q21 results (net profit of MYR0.7m) announced on 19 Nov 2021.

Financial Metrics

- Revenue fall in FY20-21 was due to the pandemic; our projected 2-year (FY21-23E) revenue CAGR of 21% implies a return to pre-pandemic FY19 revenue in FY23E.
- Stable product inventory costs, rental support, support from its brand principals, and cost management had cushioned the negative revenue impact on net profit in FY20-21. We project 36% FY21-FY23E net profit CAGR.
- The internal target is to open at least 8 stores p.a. (2 in Malaysia, 5-6 in Vietnam, 1-2 in Cambodia).
- Net cash position of MYR10.6m as at end-Dec 2021; also has near cash / short-term investments of MYR42.5m.
- Dividend policy is a payout of at least 30% of net profit.

EBITDA and Pretax margins



Source: Company

Swing Factors

Upside

- Multiple online or 'remote' sales channels - *The Body Shop* and *Natura* websites, 3rd party market places, conversational commerce, and social selling - could surprise in sales contribution.
- Higher-than-expected contribution from its Vietnam and Cambodia ops, supported by high population base (for Vietnam) and tourism offerings (by both).

Downside

- High inflation impacting consumers' wallet size and consequently, changing their spending pattern.
- High inflation will also affect *The Body Shop* and *Natura* product pricing and InNature's profitability.
- Currency fluctuation, as InNature is exposed to GBP, USD, VND and KHR.

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1. Investment thesis

1.1 Strong brand presence and track record

InNature has an extensive *TBS* store network in Malaysia (77 end-2021), primarily located in major shopping malls in the urban/suburban areas. In Vietnam, close to one-third of its stores (of total 39) are also high-street stand-alone stores. It has a large customer base, and has built a strong track record and working relationship (since 1984) with its franchisor.

1.2 Established online retail presence

2022 marks the 11th year of InNature's online presence - via its brand websites, 3rd party online market places like Lazada, Shopee and Zalora, social platforms like Facebook and Instagram, conversational commerce, and social selling. Online sales contributed 29% to total sales in FY21 (FY16-19: 1-3%, FY20: 8%). We expect online sales to remain prominent due to life-style changes and preferences.

1.3 Border re-openings kicker; VN and CAM for LT

The full reopening of Malaysia's international borders from 1 Apr 2022 and Vietnam from 15 Mar 2022 should further revive retail sales as inbound tourists return, albeit gradually. InNature's stores located in high tourist traffic areas (including at the airports) had previously contributed c.15% to total revenue (c.5% were from its airport stores). Vietnam and Cambodia meanwhile offer long-term growth potential due to the former's growing middle-income population and their tourism offerings.

1.4 ESG across all levels of operations

Besides sustainability embedded in its products (natural + eco-friendly + sustainably sourced), InNature also integrates ESG into all levels of its operations. It aims for 'net zero' by 2030, in-line with its franchisor's commitment. It has also been very visible on its ethical stance. In terms of diversity, 4 (out of 5, or 80%) of its Board members are women. The company's Code of Conduct and Business Ethics was updated in Feb 2020.

1.5 Earnings to rebound; healthy balance sheet

Our forecast is for a +60% YoY rebound in core net profit in FY22, which implies a recovery in earnings to above FY20's level, but still below pre-pandemic FY19's. We expect more gradual growth thereafter, projecting +16% YoY in FY23 and +10% in FY24E. InNature's consolidated balance sheet is healthy with net cash of MYR10.6m end-FY21, and short-term investments of MYR42.5m. Imputing expansion capex over FY22-24E derives positive free cash flow still.

1.6 Initiate with a BUY and MYR0.80 TP

Compared to its peers in the Consumer Discretionary sector, we believe that 20x PER on FY23E earnings best reflect its prospects, with FY23E being still an earnings recovery year from the pandemic. At 20x PER, it is also in-line with its mean (since early-2020) of 21x.

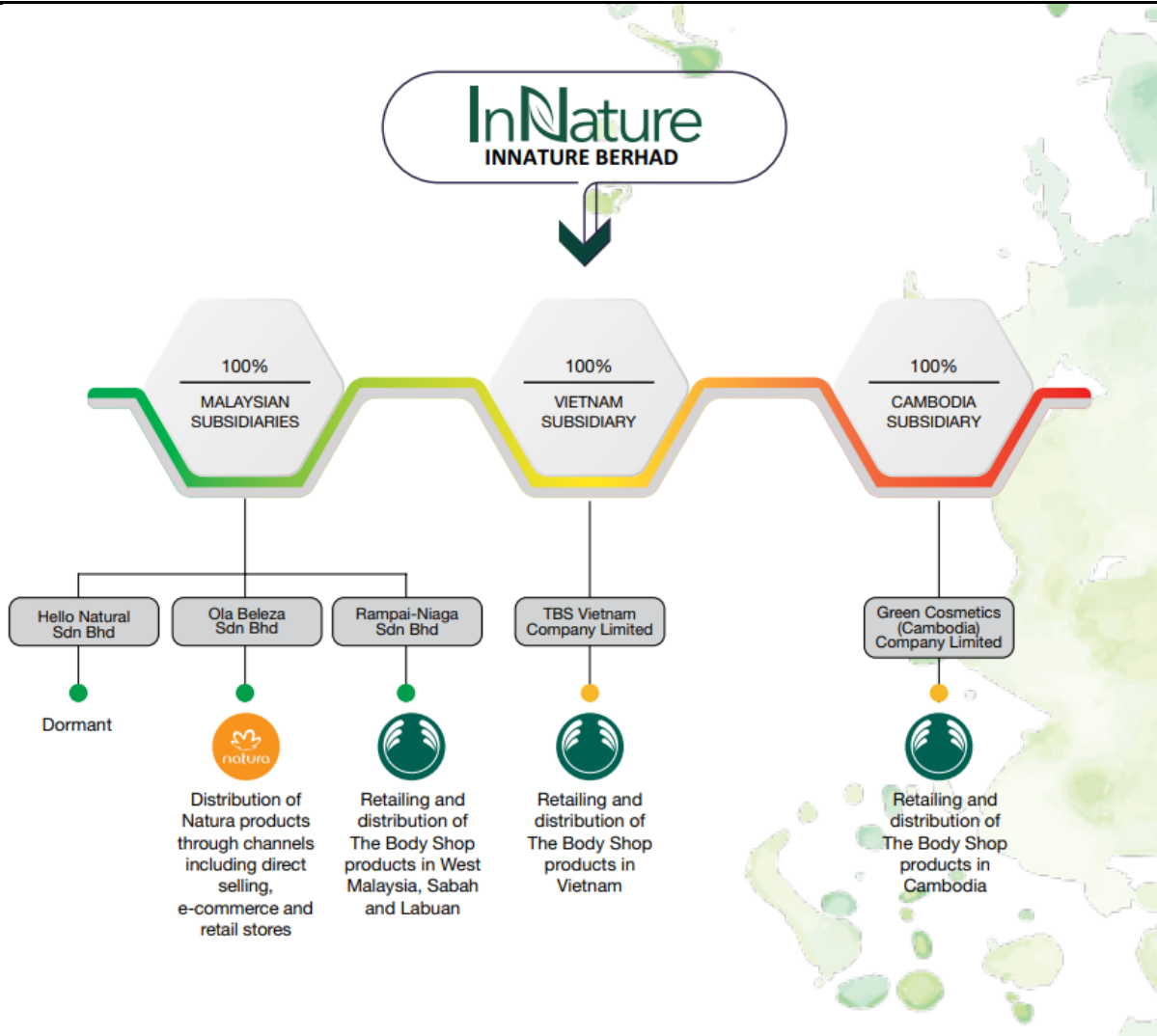
2. Corporate Information

2.1 Brief history

InNature has garnered some 38 years of experience operating *The Body Shop (TBS)* franchise. Its first store was opened back in 1984 in KL (Plaza Yow Chuan) and since then, InNature has expanded its operations across West Malaysia, Sabah, Labuan, Vietnam and Cambodia. It has an extensive network of 118 *TBS* stores as of end-2021: 77 in Malaysia, 39 in Vietnam, 2 in Cambodia. InNature’s core business remains as a retailer of cosmetics and personal care products of *The Body Shop* and the addition of *Natura* brand products in 2019 (currently one store in Malaysia). It now carries approximately 1,000 SKU (stock keeping unit) products across the region.

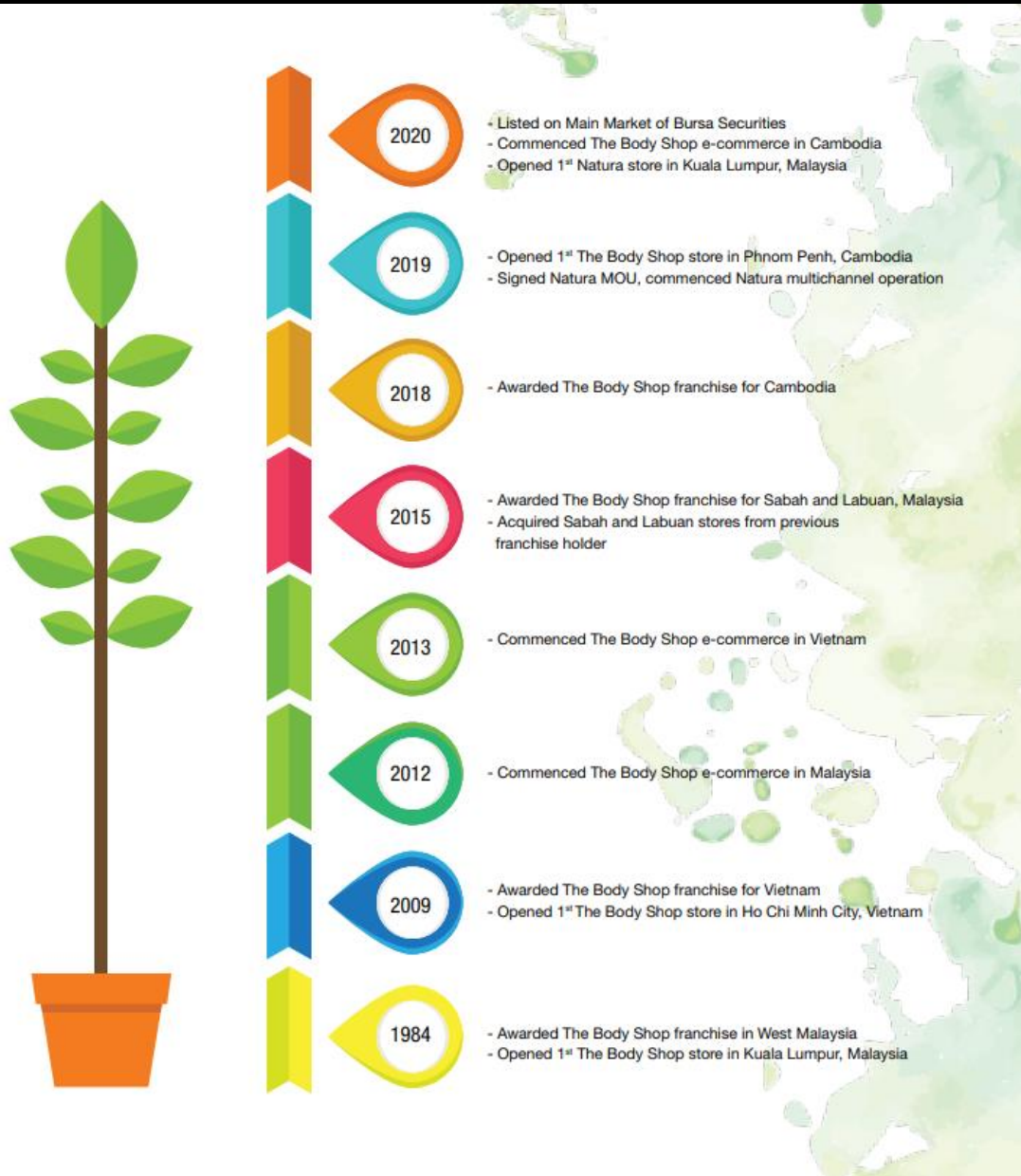
InNature was listed on Bursa’s Main Market on 20 Feb 2020.

Fig 1: Corporate structure - key subsidiaries



Source: Company (2020 Annual Report)

Fig 2: Major milestones



Source: Company (2020 Annual Report)

2.2 Key management and shareholders

Dato’ Simon Foong Choong Heng was formerly a Director at Rampai-Niaga S/B which was disposed to Kejora Harta Bhd, a company involved in investment holdings and property development, in which he held a position of Executive Director. He resumed his role as a Director of Rampai-Niaga after Kejora Harta disposed its shares in Rampai-Niaga to InNature; he has held the position till today. Dato’ Simon currently serves as a Non-Independent Non-Executive Chairman on InNature’s Board.

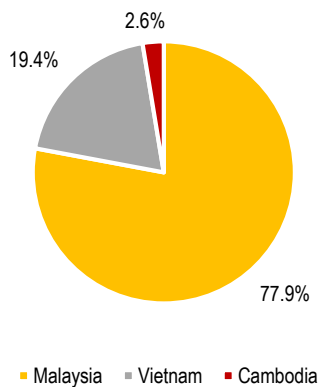
Datin Mina Cheah Kim Choo is the founder of InNature and was responsible for opening the first *The Body Shop* franchise in Malaysia. She has over 30 years of experience in the retail and cosmetics & toiletries industry. Datin Mina is currently a Non-Independent Executive Director and Managing Director of InNature and plays a pivotal role in providing strategic vision and growth strategies for the Company.

Dato’ Simon and Datin Mina hold a combined 74.9% shareholding in InNature as of 31 Mar 2021 (based on InNature’s 2020 Annual Report) mainly via two private companies - Etheco (51%) and BluPlanet (17.9%).

2.3 Geographical contribution

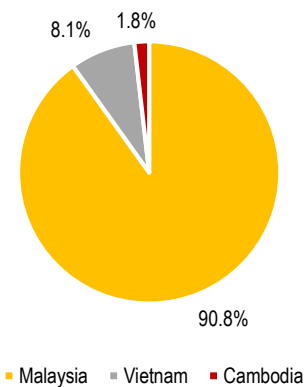
InNature does not report product sales by segments as the group’s principal activities are essentially the sale and marketing of products under *The Body Shop* franchise and *Natura* supply arrangement. It does report by geography: 1) Malaysia, 2) Vietnam, 3) Cambodia. In terms of revenue contribution, Malaysia remained as the largest contributor in FY21, at 78%. Vietnam and Cambodia made up 19% and 3%, respectively.

Fig 3: FY21 revenue breakdown



Source: Company data, Maybank IBG Research (chart)

Fig 4: FY21 net profit breakdown



Source: Company data, Maybank IBG Research (chart)

2.4 Franchise with TBSI

The Body Shop (TBS) franchise is held by InNature's 100%-subsidiaries - Rampai-Niaga (franchise to operate in West Malaysia, Sabah and Labuan), TBS Vietnam (Vietnam) and Green Cosmetics (Cambodia). The franchisor is The Body Shop International (TBSI), a global manufacturer and retailer, based in the UK, with >3,000 stores globally in 70 countries. TBSI is, in turn, owned by Natura Cosméticos S.A. which also owns the *Natura* and *Aesop* brands. InNature's current franchises, which started in 19 Jun 2019, are for a 10-year period with a 5-year extension option for its operating franchisees in Malaysia, Vietnam and Cambodia.

In return for the use of TBSI's systems (which include standard operating procedures, technology and advertising, among others) and proprietary marks, the three franchisees under InNature pay a fee equivalent to 1% of their annual retail sales to TBSI, which is due at end-January each year.

Fig 5: TBS franchise agreements - key terms

Subsidiary	Territory	Distribution channels	Exclusivity
Rampai-Niaga	West M'sia, Sabah & Labuan	Retail point-of-sales and online channel.	TBSI will not appoint any other 3 rd party as franchisee in the territories or grant equivalent rights to any 3 rd party in the territories under the respective franchise agreements.
TBS Vietnam	Vietnam	Subject to TBSI's approval, InNature has the right to operate via the following reserved and non-exclusive distribution channels:	
Green Cosmetics	Cambodia	<ul style="list-style-type: none"> • Mail order catalogues; • Direct selling in the home or at other non-retail locations; • Hotel chains. 	

Note:

- 1) Rampai-Niaga's franchise has been renewed 3x from the original 2002 - in 2007, 2015 and 2019.
- 2) TBS Vietnam's franchise was first awarded in 2009, renewed in 2019.
- 3) Green Cosmetic's maiden franchise was in Jun 2019.
- 4) The rights to distribute TBS products in Sarawak is not held by InNature, but by a separate franchisee.

Source: InNature IPO Prospectus

Apart from the Franchise Agreements, a Franchise Framework Agreement is also in place with TBSI; the key terms are: 1) Dato' Simon, Datin Mina and the Directors appointed by them shall comprise the majority of InNature's Board - and, they must be Executive Directors; 2) Dato' Simon and Datin Mina must own 100% of Etheco, which must own at least 51% of InNature; 3) InNature must own 100% of the TBS franchisees.

The *Natura* supply arrangement meanwhile is under 100%-subsidiary, Ola Beleza S/B (Malaysia based). The terms are outlined under a Memorandum of Understanding (MoU) and a Supply Arrangement with Natura Cosméticos S.A. inked in Apr 2019 and Nov 2019, respectively. Plans are for a definitive agreement for an established commercial relationship. The original MoU, expired on 30 Mar 2020, has been extended to 30 Apr 2022.

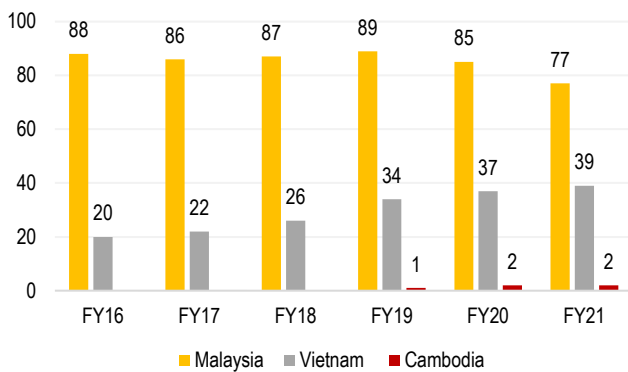
3. Investment Focus

3.1 Extensive and primely located store presence

InNature has an extensive TBS store network in Malaysia, with a presence in every state, except Perlis and Sarawak. Its retail stores are also primely located in major shopping malls in the urban/suburban areas which have high shopper traffic. In Vietnam, close to one-third of its stores are also high-street, stand-alone stores. InNature continuously monitors its store performance - opening new stores and closing underperforming stores - for optimal profitability. During the pandemic, it closed all its airport stores in Malaysia. Total number of stores in Malaysia was down by 12 (closed 13, opened one) in 2020-21 to 77 as of end-2021. By contrast, it added 5 new stores in Vietnam over the past 2 years to 39 as of end-2021, and one new store in Cambodia to 2 as of end-2021.

Moving forward, InNature plans to continue building brand awareness in Vietnam, targeting 5-6 new stores p.a. In Malaysia, it targets 2 new stores p.a. and similarly, 1-2 stores p.a. in Cambodia.

Fig 6: No. of TBS stores at year-end (FY16-21) by country



Source: Company data, Maybank IBG Research (chart)

Fig 7: TBS store format end-2021

	Malaysia	Vietnam	Cambodia	Total
Mall store	74	24	2	100
High street store	1	12	-	13
Airport store	-	3	-	3
Department stores ('shop-in-shop')	2	-	-	2
Total	77	39	2	118

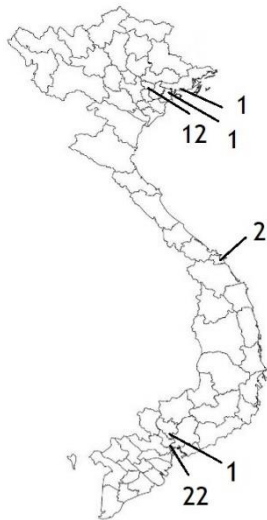
Source: Company

Fig 8: Location of TBS stores in Malaysia - 77 as of end-FY21



Source: Website (mapsofworld.com); Maybank IBG Research

Fig 9: Location of TBS stores in Vietnam



Source: Website (mapsofworld.com), MIBG Res

Fig 10: Location of TBS stores in Cambodia



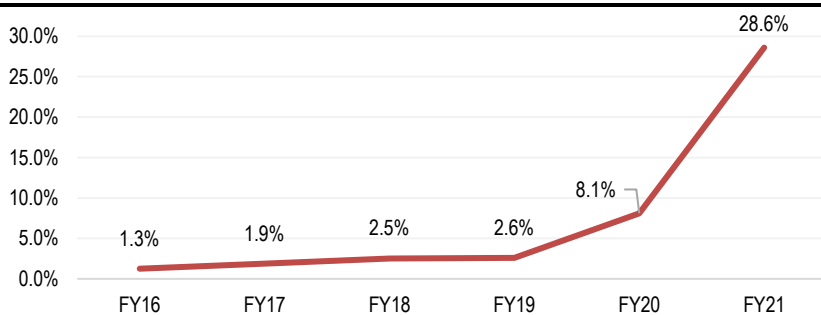
Source: Website (mapsofworld.com), Maybank IBG Research

3.2 A decade of online or ‘remote’ presence

InNature was one of the first cosmetic personal care brands in Malaysia to launch its online platform through the *TBS* website in Feb 2012. In Mar 2013, it launched its online sales in Vietnam; Apr 2020 in Cambodia. Besides its *TBS* website (and *Natura* website since Sep 2019), InNature also retails via 3rd party online market places such as Lazada, Shopee, Zalora and Hermo in Malaysia, and Lazada and Tiki in Vietnam. Both *TBS* and *Natura* brands are active on social platforms like Facebook and Instagram, including their collaboration with social influencers.

InNature’s early foothold in the online retail channel paid off during the COVID-19 movement restrictions. Online or ‘remote’ sales contributed 29% to total sales in FY21 (it reached a high of 64% in 3Q21 when most *TBS* stores in Malaysia and Vietnam were closed for the large part of the quarter) vs. 1-3% in FY16-19 (8% in FY20). While we expect online sales (as a %-age of total sales) to taper as movement restrictions are not expected to recur, online sales should remain prominent due to life-style changes and preferences brought on by the pandemic.

Fig 11: Online sales as a %-age of total sales (FY16-21)



Source: Company data, Maybank IBG Research (chart)

3.3 International border re-openings to be a kicker

Pre-pandemic, InNature's SSSG (same-store sales growth) in Malaysia was mid-single digit (in FY19) and a strong 35% in Vietnam. Its mid-single digit SSSG in Malaysia was in-line with the country's real GDP growth of +4.4% in 2019, supported by private consumption growth of +7.7%. In Vietnam, the country expanded at a rate of +7% (real GDP) in 2019, with private consumption growing at +7.7%. The pandemic in 2020-21 had not just led to ad-hoc and permanent store closures, it also hit hard on tourism activities (especially inbound arrivals).

The full reopening of Malaysia's international borders from 1 Apr 2022 and Vietnam from 15 Mar 2022 is likely to further help revive retail sales as inbound tourists and international travellers return, albeit gradually, we expect. InNature's stores located in high tourist traffic areas (including at the airports) had previously contributed c.15% to total revenue (of which, c.5% was from its airport stores).

Fig 12: TBS stores located in high in-bound tourist traffic areas in Malaysia

Location	State	Location	State	Location	State
Suria KLCC	Klang Valley	Mahkota Parade	Melaka	Suria Sabah, K.Kinabalu	Sabah
Pavilion KL	Klang Valley	South Key, Johor Bahru	Johor	1BORNEO, K.Kinabalu	Sabah
Sunway Pyramid	Klang Valley	Queensbay Mall	Penang	Harbour Mall, Sandakan	Sabah
KLIA2 Gateway	Klang Valley	Gurney Plaza	Penang		
Genting Highlands	Pahang	Cenang Mall, Langkawi	Kedah		

Source: Company data, Maybank IBG Research (screening)

3.4 Vietnam and Cambodia to provide the long-term growth

InNature opened its 1st TBS store in Vietnam (in HCMC) in 2009; its store network has since grown to 39 as of end-2021 with a presence in 6 cities - HCMC, Hanoi, Binh Duong, Danang, Hai Phong and Ha Long. InNature's operations in Vietnam has been a top-line growth contributor to the group in recent years, with its Vietnam revenue having expanded at a CAGR of 22% over FY16-19; it still grew at a small 5% in FY20 despite 2020 being a largely pandemic year, before falling by 18% YoY in FY21. The Vietnam operations contributed 19% to group revenue in FY21, 8% to group net profit. In addition to physical stores located in shopping malls (24), high streets (12) and 3rd party airport retail stores (3), the TBS brand name is also visible on the online retail channel and social platform.

In Cambodia, InNature's 1st store was opened in Nov 2019 in Phnom Penh (Aeon Mall); its 2nd store, also in Phnom Penh, opened towards end-2020.

Vietnam, with a population base of 99.2m (source: World Bank), offers long-term growth prospects for InNature due to its growing middle-income base (approximately 10% presently). Cambodia has a smaller population of 16.7m, but its tourism industry offers long-term growth potential.

3.5 *Natura* to support the growing maturity of its M'sia ops

With a fairly well-represented *TBS* store presence in Malaysia, the longer-term growth prospect for InNature is in the *Natura* brand of products which it brought into the country fairly recently. InNature opened its 1st *Natura* physical store in the Mid-Valley Megamall in Jun 2020; the *Natura* e-commerce website was earlier launched in Aug 2019. InNature targets to grow the brand via a combination of physical store presence and online channel which includes social selling with individuals (or 'consultants' aka product distributors) leveraging on their social network and selling *Natura* products to their family and friends for a commission.

The *Natura* business posted a gestation loss of MYR3m in FY20.

3.6 Refreshing M'sia *TBS* stores with 'work-shop' concept

To refresh the look-and-feel of its physical *TBS* stores in Malaysia, InNature will refurbish a few of its main stores towards a 'work-shop'-type concept which will see a larger floor space to provide enhanced customer experience. This 'work-shop' concept is driven by its franchisor, TBSI, with materials for store renovation to comprise largely recycled materials. InNature will start with its Sunway Pyramid (Klang Valley) store and subsequently roll out the concept to the other larger stores.

3.7 ESG integrated into all levels of operations

Besides sustainability embedded in its products - see Para 4.2 '*Product differentiation*' in this report - InNature also integrates ESG into all levels of its operations. It aims for 'net zero-carbon' by 2030, in-line with its franchisor's commitment [*Climate change commitment statement* - [link](#)]. InNature has also been very visible on its ethical stance; the latest is the '*My Vote, My Right 18*' campaign - see Para 4.4 '*Ethical stance*' in this report. In terms of diversity, 4 (out of 5, or 80%) of its Board members are women. The company's Code of Conduct and Business Ethics - which cover whistle blowing, bribery & corruption, gifts, equal opportunity and non-discrimination at workplace, amongst others - was reviewed and updated in Feb 2020.

3.8 Experienced key management

At the helm of InNature is Managing Director, Datin Mina Cheah, who is also the founder and a major shareholder with more than 30 years of experience in the retail, cosmetics and toiletries industry. Datin has been instrumental in shaping the strategic direction and development of InNature's business, and promote values relating to environment, human rights and women's rights. Chief Executive Officer is Ms Molly Fong who joined Rampai-Niaga in 1995 as a Communications Executive; she assumed her present role in Jan 2019. InNature's key management has built a long relationship with franchisor, TBSI; this is a key asset, in our view.

4. Competitive landscape and positioning

4.1 No. 1 positioning in M'sia, 3% market share in Vietnam

From an independent market research by Frost & Sullivan based on data as of Dec 2019, InNature's *TBS* brand enjoyed a market share of 11% (based on total market sales) in the 'mono-brand' beauty segment in Malaysia, in 2019. 'Mono-brand' retailers are those that exclusively sell one specific brand. At 11% market share and with 89 stores as of end-2019, this put *TBS* in the pole position. Its brand positioning in Malaysia may not have changed much since, as new store opening by its peers may have been hampered by the 2020-21 pandemic lockdowns; conversely, there should have been store closures too, inflicted by the pandemic.

In Vietnam, the *TBS* brand was ranked 3rd in terms of number of stores as of end-2019, and it had a 3.5% share of total market sales in 2019 in the 'mono-brand' beauty sub-segment (of the cosmetic and personal care retail segment).

Fig 13: Key mono-brand beauty retailers in Malaysia, Dec 2019

Brand	Launch year in M'sia	Franchisee in M'sia	Brand HQ	No. of physical stores in M'sia	Market share (based on total market sales of MYR1.48b in 2018)
The Body Shop	1984	Rampai-Niaga	UK	89	11%
Shiseido	1959	Shiseido M'sia	Japan	52	7.5%
The Face Shop	2006	LG Household & Health Care	S. Korea	50	3.9% ¹
Elianto	2005	Elianto Make Up	M'sia	46	1.9%
L'Occitane	2004	L'Occitane	France	23	5.0% ²
Bath & Body Works	2014	Naresh Global Concepts	US	19	2.9%
Innisfree	2014	AmorePacific M'sia	S. Korea	16	9.8% ³

¹ Comprises *The Face Shop*, *The History of Whoo*, *Belif* brands held by LG Household & Health Care

² Comprises *L'Occitane* and *Melvita* brands held by L'Occitane Malaysia

³ Comprises *Innisfree*, *Laneige*, *Sulwhasoo*, *Etude House* and *Mamonde* brands held by AmorePacific M'sia

Source: InNature IPO Prospectus (independent market research report by Frost & Sullivan, Jan 2020)

Fig 14: Key mono-brand beauty retailers in Vietnam, Dec 2019

Brand	Launch year in Vietnam	Franchisee in Vietnam	Brand HQ	No. of physical stores in Vietnam	Market share (based on total market sales of VND3.46tr in 2018)
The Face Shop	2005	Hoa Sen Viet Group	S. Korea	81	14.8%
Yves Rocher	2007	Botanical Cosmetic	France	50	6.9%
The Body Shop	2009	TBS Vietnam	UK	34	3.5%
O HUI	N/A	LG Vina Cosmetics	S. Korea	34	6.5% ¹
Shiseido	1997	Shiseido Cosmetics Vietnam	Japan	30	13.8% ²
Innisfree	N/A	Amore Pacific Vietnam	S. Korea	12	10.0% ³

¹ Comprises *O HUI*, *The History of Whoo*, *Isa Knox*, *SU:M37*, *Belif* Cosmetics brands held by LG Vina Cosmetics

² Comprises *Shiseido*, *NARS*, *Cle de Peau Beaute* brands held by Shiseido Cosmetics Vietnam

³ Comprises *Laneige*, *Sulwhasoo* and *Innisfree* brands held by Amore Pacific Vietnam

Source: InNature IPO Prospectus (independent market research report by Frost & Sullivan, Jan 2020)

4.2 Product differentiation - natural + eco-friendly + sustainably sourced + high quality

TBS products are 100% vegetarian and certified ‘cruelty free’ by Cruelty Free International, with none of the products tested on animals. Production is guided by the Cosmetics Good Manufacturing Practice (ISO 22716) and an internal charter, setting out strict procedures for sourcing of raw materials, components and finished products (including packaging). Natural, eco-friendly, sustainably sourced and high product quality differentiate TBS from the other cosmetics personal care products, enabling brand loyalty among its customers. TBS offers cosmetic and personal care products (under c.1,000 SKUs) from head to toe - skincare, bodycare, bath & shower, fragrance, make-up, haircare, etc. - catering to both men and women. Natura products meanwhile is 100%-vegan.

4.3 Price positioning - at mid level = value-for-money

In terms of pricing, TBS products are positioned at the ‘masstige’ level - between mass and prestige - according to an independent market research report by Frost & Sullivan dated Jan 2020. ‘Masstige’ products offer value-added benefits compared to mass products, but are priced at a lower level compared to prestige products. This price positioning has been a growth enabler, as TBS products appeal largely to the middle-income wage earners, whom are also increasingly seeking sustainability in lifestyle (including eco-friendly products for consumption) and their surroundings.

4.4 Ethical stance builds onto brand following

InNature seeks to maximise shared values for its stakeholders (which include its customers and the society), by upholding the ethical values of its franchisor that “business can be a force for good”. InNature’s social and environmental commitments and public campaigns over the years - against animal testing, empowerment for women, ‘My Vote, My Right 18’ - had helped on its brand following and loyalty by customers. Its customer loyalty programme, ‘Love Your Body’ had 298,999 active members in Malaysia, 43,352 in Vietnam and 875 in Cambodia as of early-2020, and they had contributed 70%-71% to FY16-FY18 pre-pandemic year sales in Malaysia, 59%-66% in Vietnam.

Fig 15: Activism has been part of InNature’s DNA since Day One



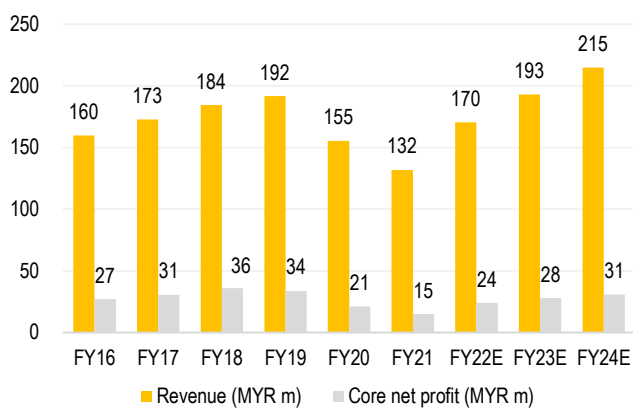
Source: Company

5. Financial analysis

5.1 FY22E earnings to recover to above FY20's, below FY19's

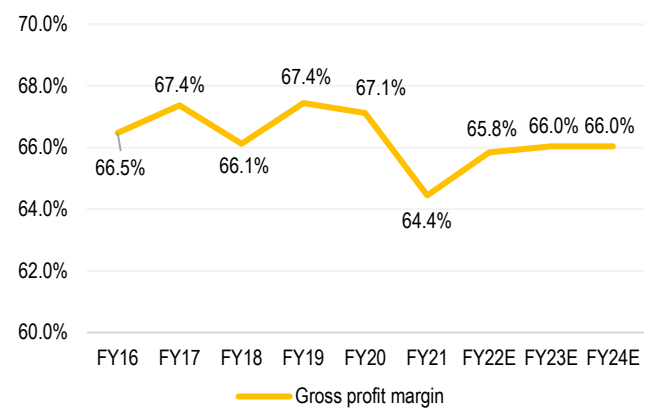
InNature's consolidated core net profit dropped from MYR34m in FY19 to MYR21m in FY20 and FY15m in FY21 as revenue fell from MYR192m (FY19) to MYR155m (FY20) and MYR132m (FY21). Pandemic induced ad-hoc and permanent store closures, and slow shopper traffic contributed to the fall. While its online sales have grown, they were not sufficient to offset the fall in sales from the physical stores. Positively, inventory product cost has been stable (save for write-offs in FY21 due to shelf-life expiration and above-normal discounts to clear inventories), while rental support by owners of its leased stores, support from its principal brands and cost management have helped to cushion the impact on earnings.

Fig 16: Revenue and net profit (FY16-24E)



Source: Company data, Maybank IBG Research (FY22-24E)

Fig 17: Gross profit margin (revenue less cost of goods sold)



Source: Company data, Maybank IBG Research (FY22-24E)

Our forecast is for a +60% YoY rebound in core net profit in FY22 to MYR24m, which implies a recovery in earnings to above FY20's level, but still below FY19's level. Our main assumptions are:

- 5 new stores in FY22E (1 in Malaysia, 3 in Vietnam, 1 in Cambodia) to 123 by end-2022E (vs. 124 end-2019/2020) as we impute cautiousness in store expansion amid 1) the anticipated occasional outbreak of new COVID-19 variances impacting shopper traffic, and 2) moderate levels of inflation in the three markets that InNature operates in.
- Average sales per store in FY22E to be 20% below FY19's level (9% above FY20's) in anticipation for a gradual (and not a full) recovery in shoppers traffic especially for its stores located in high tourist areas.
- Online sales of MYR6m in 4Q21 to sustain, adjusted for year-end seasonality (online sales reached a high of MYR14m in 3Q21; MYR38m in FY21). 4Q21 is a full quarter where movement restrictions were eased in both Malaysia and Vietnam, thus a reasonable gauge of consumer spending behaviour in a post-lockdown 'era'.
- 65.8% gross profit (GP) margin in FY22E, below the 66-67% level in FY19-20, but above FY21's 64.4% (due to write-offs for inventories crossing their shelf-lives, and above-normal discounts given to clear its inventories). Our GP margin assumption impute a small buffer for higher imported product inventory costs to be absorbed by InNature.

Sensitivity analysis:

Every 1ppt deviation from our base case of FY22E avg. sales per store to be 20% below FY19's level will impact our FY22E net profit by 2%, ceteris paribus.

- A higher wage bill in FY22E, by 29% YoY, bringing FY22E wage bill to be similar to FY19's. This considers the hiring of new staff for its store expansion and Malaysia's new minimum wage policy from 1 May 2022 (to MYR1,500 p.m. from MYR1,200) which may have a cascading effect on InNature's workforce in Malaysia now earning up to MYR3,000 p.m., in our view. Currently, 95% of its staff-force in Malaysia are already paid above the new MYR1,500 minimum wage.
- Other cost items and FX rates to remain stable.

5.2 A note on product pricing revision

Our FY22 forecasts have also considered higher selling price points - by an average of +15% on about 30% of its product lines - via products reformulation and repackaging, with the new product launches to reflect higher product inventory costs from its franchisor. The product pricing revision is expected to occur progressively throughout 2022. InNature last reviewed its product pricing 3 years ago, in 2019.

5.3 More gradual earnings recovery in FY23-24E

Our financial model imputes conservative assumptions for the subsequent two years to derive a projected +16% YoY growth in core net profit in FY23E and +10% in FY24E. Key assumptions are:

- 8 new stores in FY23E (2 in Malaysia, 5 in Vietnam, 1 in Cambodia) to 131 by end-2023; 9 new stores in FY24E (2 in Malaysia, 5 in Vietnam, 2 in Cambodia) to 140 by end-2024.
- Average sales per store to expand by 8%/5% respectively in FY23/24E; online sales to grow by 8%/5% respectively too.
- 66% GP margin in FY23/FY24E, a higher wage bill by 13%/11% respectively; other cost items and FX rates to remain stable.

Sensitivity analysis:

Every 1ppt deviation from our base case of 8%/5% avg. sales per store growth for FY23/24E will impact our FY23/FY24E net profit by 1%/1% respectively, ceteris paribus.

5.4 Balance sheet to remain net cash amid store expansion

InNature's consolidated balance sheet is healthy as of end-FY21 with 1) a net cash balance of MYR10.6m (short-term borrowings was just MYR0.2m), 2) short-term investments of MYR42.5m (in banks fixed deposit and fixed income funds; these are remaining proceeds from its IPO in early-2020 which were earmarked for store expansion and refurbishments), and 3) quick/current ratios of 2.1/3.4x respectively. Imputing MYR9m-MYR10m in capex p.a. over FY22-24E derives positive free cash flow still. We expect InNature's net cash balance to build to MYR35m by end-FY24E.

5.5 Imputing modest dividend expectation

Since its listing on Bursa's Main Market, InNature has paid a DPS of 2sen p.a. for FY20 and FY21, representing DPRs (dividend payout ratio) of 67% and 94% of net profit. InNature's dividend policy is a DPR of at least 30% of net profit. We expect FY21's 2sen DPS to be the minimum moving forward, which implies DPRs of 59%/51%/46% for FY22/FY23/FY24E. Under its Franchise Framework Agreement with TBSI, InNature needs to take into account its business plans and funding needs to meet its agreed targets and performance objectives before declaring dividends. Presently, InNature declares and pays its yearly dividend twice a year.

6. Valuation

6.1 PER as valuation methodology

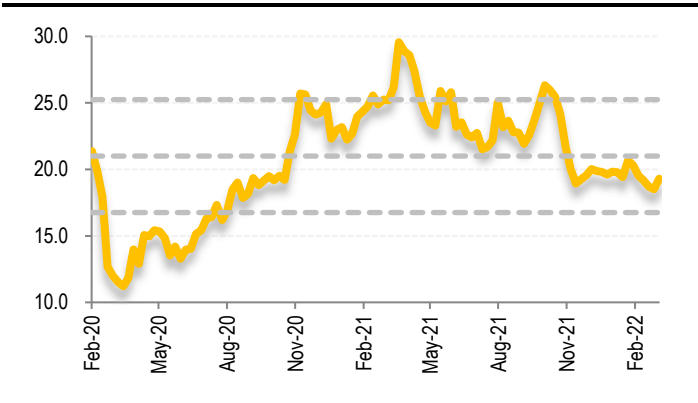
We believe a PER valuation methodology is best to derive InNature’s equity value considering 1) its growth potential in 2 growth markets - Vietnam and Cambodia - alongside 2) the maturity of its TBS brand in Malaysia. This considers also the ‘single-product’ nature of its operations, compared to ‘multi-sector’ exposure offered by some PLCs. PER valuation is also consistent with our methodology for many of the other Consumer Discretionary stocks under our research universe.

6.2 MYR0.80 target price

Against historical, InNature’s PER (on 1-year forward earnings) since its listing in Feb 2020 ranged from 11x to 30x. With almost all of InNature’s listed period being in the pandemic years of 2020-21, its historical PERs are insufficient comparison. Compared to its peers in the Consumer Discretionary sector, we think that 20x PER on FY23E earnings best reflect InNature’s prospects, with FY23E being still an earnings recovery year from the pandemic. At 20x PER target, this is within our valuation target range for Consumer Discretionary stocks under our research coverage; it is also in-line with InNature’s (short) historical mean of 21x (1SD = 4x).

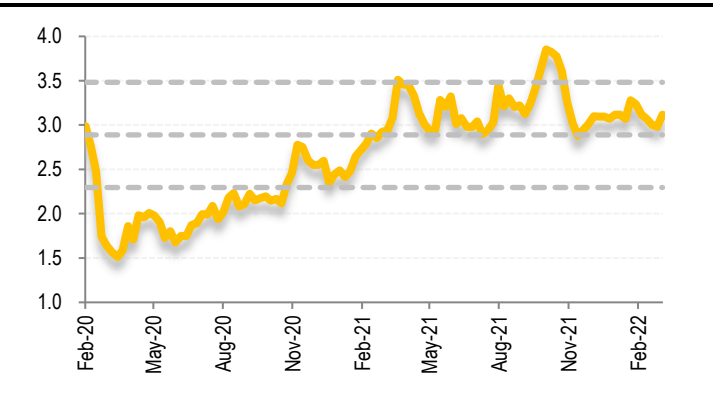
On this basis, we derive a TP of MYR0.80.

Fig 18: INNATURE’s 12M forward PER



Source: Bloomberg, Company data, Maybank IBG Research

Fig 19: INNATURE’s 12M forward P/B



Source: Bloomberg, Company data, Maybank IBG Research

Fig 20: Peer comparison

Stock	Bberg code	Mkt cap (LCY; m)	Rating	Shr px (LCY)	TP (LCY)	FYE	PER (x) FY21	PER (x) FY22E	PER (x) FY23E	P/B (x) FY22E	DY (%) FY22E
<u>Malaysia</u>											
Padini	PAD MK	2,250	Buy	3.42	4.10	Jun	40.2	23.3	18.7	2.6	2.9%
MyNews	MNHB MK	478	Hold	0.70	0.80	Oct	NA	24.1	20.6	1.9	1.1%
7-Eleven	SEM MK	1,611	Buy	1.43	1.80	Dec	36.7	22.3	20.4	14.3	2.4%
Aeon Co. (M)	AEON MK	2,216	Buy	1.61	2.20	Dec	24.0	18.5	17.5	1.3	2.5%
Mr D.I.Y	MRDIY MK	21,375	Buy	3.44	4.20	Dec	49.9	32.8	28.2	14.0	1.3%
Bonia Corp	BON MK	409	N.R.	2.04	-	Jun	28.7	15.7	12.8	1.1	3.2%
InNature	INNATURE MK	469	Buy	0.665	0.80	Dec	31.3	19.6	16.8	3.0	3.0%
<u>Ex-Malaysia</u>											
Natura	NTCO3 BZ	38,439	N.R.	27.86	-	Dec	37.1	39.5	22.3	1.4	0.4%
Bath & Body Works	BBWI US	11,188	N.R.	46.91	-	Jan	10.4	10.1	8.7	(5.7)	1.7%
Amorepacific	090430 KS	9,768,164	N.R.	167,000	-	Dec	50.4	32.5	25.7	2.2	0.7%
L'occitane	973 HK	37,663	N.R.	25.5	-	Mar	26.7	22.2	17.8	3.3	1.4%
SSI Group	SSI PM	3,628	N.R.	1.10	-	Dec	NA	10.2	3.4	0.3	0.0%

Source: Maybank IBG Research, Bloomberg

6.3 TP implies 9.1% discount factor (ke = WACC)

As a check, our MYR0.80 target price implies 16.7x PER on pre-pandemic FY19 core EPS. On discounting FY22-FY24E free cash flows and assuming a modest 5% growth p.a. for the subsequent 5-years (FY25-FY29E) and 2% perpetual growth, this implies a discount factor (ke = WACC due to marginal debt) of 9.1% to arrive at our TP. This is before considering its net cash and near-cash position of MYR53.2m or 8sen/shr as of end-FY21.

7. Risks

7.1 Continuity of franchise agreements

InNature's Franchise Agreements will expire in Jun 2029 (another 7 years), with an option to renew until Jun 2034 (i.e. 10 + 5 years). The key risk is non-renewal of its franchise on expiry or an early termination. Besides breaches in the terms of the Franchise Agreements, changes in senior management, ownership or control in InNature Group without the franchisor's prior approval, also constitute grounds for non-renewal or an early termination. The continuity of the Franchise Agreements is also quite dependent on the continued involvement of Dato' Simon and Datin Mina, as stipulated in the Franchise Framework Agreement.

7.2 Rising production costs impacting product inventory cost

Commodity prices (+ production + logistic costs) have been rising globally since 2021, earlier brought on by supply chain issues and re-opening of economies after closures during the height of the COVID-19 pandemic, and most recently, as a fall-out from Russia's invasion into Ukraine. Crude oil price has risen by 51% (for dated Brent) in 2021, and a further 37% in 2022-YTD; this has a knock-on effect on production and logistic costs. Run-away costs (and a cost-push inflation) will impact not just pricing for InNature's *TBS* and *Natura* products, it will also affect demand, potentially tweaking the consumption preference / behaviour.

7.3 Higher minimum wage

InNature has a total headcount of 591 pax as of end-2021, which include Headquarters (HQ) staff and that in its Vietnam and Cambodia operations (= 393 in M'sia + 183 in Vietnam + 15 in Cambodia). 95% of InNature's staff force in Malaysia are already paid above the new MYR1,500 monthly minimum wage; the new policy will come into force on 1 May 2022. We estimate the impact of the new minimum wage to have just a small impact on its earnings, based on its total wage bill of MYR24m in Malaysia in FY21. The new minimum wage policy may have a cascading effect on its workforce currently earning below MYR3,000, in our view.

7.4 FX exposure

InNature's *TBS* product inventories are sourced from the UK, denominated in GBP, while its *Natura* product inventories are imported from Brazil and are denominated in USD. Meanwhile, InNature's operations in Vietnam and Cambodia expose the group to fluctuation in the VND, KHR and USD. Weakness in the MYR against GBP and USD may either 1) affect InNature's product pricing in Malaysia (in the event that higher inventory cost in MYR terms is passed on), thus eroding its product competitiveness; or 2) affect profit margins if InNature decides to absorb the weak MYR impact. In addition, fluctuations in the VND and KHR may lead to FX losses/gains with MYR being the reporting currency for the Group.

7.5 Pandemic risk

The emergence of more easily transmittable and aggressive variants of the COVID-19 virus remains a key risk affecting not just InNature but the retail industry and the economy as a whole. While the Malaysian Government has given its assurance of no further nationwide lock-downs, shoppers traffic at the malls and retail outlets will inevitably dampen. Positively, high vaccination rate in Malaysia should cushion the impact. As of 5 Apr 2022, at least 84.3% of the Malaysian population has received the 1st dose vaccination, 79.1% the 2nd dose and 48.6% the booster dose (source: www.covidnow.gov.my).

8. Appendix

8.1 Board of Directors

Name	Date of Appointment	Designation	Experience
Dato' Simon Foong Choong Heng (age: 67)	21 October 1994	Non-Independent Non-Executive Chairman	<ul style="list-style-type: none"> Dato' Simon holds a Bachelor of Arts (Honours) degree in Business Studies, from Ulster Polytechnic, now part of Ulster University, UK. He has wide and varied business experience throughout his career ranging from sales & marketing, franchising, and property development. He is a member of InNature's Audit and Risk Management Committee, and Nominating and Remuneration Committee.
Datin Mina Cheah Kim Choo (age: 62)	21 October 1994	Non-Independent Executive Director / Managing Director	<ul style="list-style-type: none"> Datin Mina holds a Bachelor of Science (Honours) degree in Computational Science and Management Studies from University of Leeds in UK. She has more than 30 years of experience in retail, cosmetics and toiletries industry. She is also the founder of InNature Bhd.
Dato' Maznah Binti Abdul Jalil (age: 68)	NA	Senior Independent Non-Executive Director	<ul style="list-style-type: none"> Dato' Masnah was previously a Director in DRB-Hicom, Head of Corporate Finance and Principal Investment in Hong Leong Financial Group, and Executive Vice President (Corporate Finance Advisory) in Kenanga Investment Bank. Presently, she is a non-executive board member of Lembaga Tabung Angkatan Tentera and Independent Non-Executive Director of Opus Asset Management S/B and Pavilion REIT.
Tengku Datin Paduka Setia Zatahah Binti Sultan Sharafuddin Idris Shah (age: 48)	NA	Independent Non-Executive Director	<ul style="list-style-type: none"> Tengku Zatahah holds a Bachelor of Arts (Honours) degree in Spanish with French Studies from Middlesex University, UK and obtained a Master's degree in International Relations and Diplomacy from the American Graduate School, France. She is the Chairperson of Light Cibles Sdn Bhd and Senior Advisor of Klareco Communications.
Molly Fong Hui Sain (age: 50)	27 February 2019	Non-Independent Executive Director / Chief Executive Officer	<ul style="list-style-type: none"> Molly is a member of the Institute of Chartered Secretaries and Administrator (ICSA) and holds a Master of Business Administration degree from The University of Nottingham. She has worked in various departments within Rampai-Niaga - in marketing and commercial, brand management, visual merchandising and store development, retail operations, sales management and business development - prior to her promotion as General Manager in 2003. She is currently the Chief Executive Officer of InNature.
Daryl Foong Chuen Hoe (age: 35)	NA	Non-Independent Non-Executive Director (Alternate Director to Dato' Simon)	<ul style="list-style-type: none"> Daryl Foong holds a Bachelor's degree in Marketing from RMIT University in Australia. He has 10 years of experience working in the fast-moving consumer goods, retail and entertainment industries. Daryl Foong is currently an Alternate Director to Dato' Simon.

Source: Company Data (2020 Annual Report)

8.2 Senior management

Name	Date of Appointment	Designation	Experience
Jesse Siew Lai Leng (age: 49)	2019	Chief Operations Officer	<ul style="list-style-type: none"> Jesse holds a First Class Honours in Bachelor of Business Administration degree in marketing from the National University of Malaysia, and a Master of Business degree from University of Nottingham, UK. Prior to her current designation, she was the Chief Operations Officer in Rampai-Niaga; she started at Rampai-Niaga as Public Relations and Communications Executive.
Mae Chan Nian Mei (age: 50)	2019	Chief Revenue Officer	<ul style="list-style-type: none"> Mae has extensive experience in the retail business from her 29 years of working in Rampai-Niaga's shop operations and staff training. She holds a Diploma in Professional Training and Development from University of Malaya and Advanced Certificate in Marketing from Sunway College.
Chia Cang Yang (age: 39)	2019	Chief Financial Officer	<ul style="list-style-type: none"> Cang Yang has 15 years of experience in the field of finance and accounting. He started his career with Ernst & Young Malaysia and left as an Audit Manager. Prior to joining InNature, Cang Yang was the Chief Financial Officer of Parkson. He holds a Bachelor's Degree in Accountancy from Universiti Utara Malaysia, and is a member of CPA Australia; he is also a Chartered Accountant with the Malaysian Institute of Accountants.
Nguyen Thi Ngoc Hue (Lily) (age: 46)	2020	Senior General Manager of TBS Vietnam	<ul style="list-style-type: none"> Lily holds a Bachelor of Economics and Mathematics Degree from University of Economics, HCMC, Vietnam, obtained a Chief Accountant Certificate as well as a Master of Business Administration (Executive MBA) from University of Hawaii. She has wide and varied experience in many fields ranging from data analytics and toys distribution, to aesthetic pharmaceutical and cosmeceutical products distribution. Her current role as Senior General Manager covers <i>The Body Shop</i> in both Vietnam and Cambodia.
Julie Wong Sook Hing (age: 45)	2019	General Manager of the <i>Natura</i> business in Malaysia	<ul style="list-style-type: none"> Julie holds a Bachelor of Business Administration degree from University of Nottingham Trent, UK, a Diploma in Professional Makeup by Robin Makeup Academy and Advanced Professional Makeup certification from Yves Saint Laurent, France. Julie has extensive experience in the cosmetics industry with majority of her career being cosmetics related. Prior to her current appointment, Julie was the General Manager of Marketing of <i>The Body Shop</i>, responsible for leading the marketing and digital division of the brand.

Source: Company Data (2020 Annual Report)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	14.8	30.6	19.6	16.8	15.3
Core P/E (x)	17.7	31.7	19.6	16.8	15.3
P/BV (x)	2.7	3.3	3.0	2.8	2.5
P/NTA (x)	4.3	5.2	4.6	4.1	3.5
Net dividend yield (%)	3.8	3.0	3.0	3.0	3.0
FCF yield (%)	7.6	6.3	6.1	7.0	7.9
EV/EBITDA (x)	7.3	11.6	9.3	8.0	7.0
EV/EBIT (x)	12.7	22.9	14.2	11.9	10.5
INCOME STATEMENT (MYR m)					
Revenue	155.4	131.9	170.5	193.0	214.8
EBITDA	51.1	41.8	51.1	58.2	64.7
Depreciation	(5.6)	(5.4)	(4.0)	(5.6)	(8.3)
Amortisation	(16.1)	(15.1)	(13.7)	(13.4)	(13.4)
EBIT	29.4	21.2	33.3	39.1	43.1
Net interest income / (exp)	(1.3)	(0.7)	(0.5)	(0.9)	(1.0)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(1.0)	0.0	0.0	0.0	0.0
Other pretax income	0.5	(0.0)	0.0	0.0	0.0
Pretax profit	27.6	20.5	32.8	38.2	42.1
Income tax	(7.4)	(5.5)	(8.9)	(10.3)	(11.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	20.2	15.0	24.0	27.9	30.7
Core net profit	21.1	15.0	24.0	27.9	30.7
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	24.0	10.8	15.5	23.5	35.3
Accounts receivable	5.6	7.0	9.0	10.2	11.3
Inventory	34.4	35.0	46.4	52.4	58.3
Property, Plant & Equip (net)	12.9	8.9	12.5	18.5	22.9
Intangible assets	52.7	52.7	52.3	52.0	51.7
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	58.7	69.5	69.1	69.0	69.0
Total assets	188.2	183.9	204.9	225.6	248.5
ST interest bearing debt	0.2	0.2	0.2	0.2	0.2
Accounts payable	14.4	13.9	18.4	20.8	23.1
LT interest bearing debt	0.2	0.0	0.0	0.0	0.0
Other liabilities	35.0	26.0	32.0	37.0	41.0
Total Liabilities	49.6	39.8	51.0	57.8	64.2
Shareholders Equity	138.7	144.1	154.0	167.8	184.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	138.7	144.1	154.0	167.8	184.4
Total liabilities and equity	188.2	183.9	204.9	225.6	248.5
CASH FLOW (MYR m)					
Pretax profit	27.6	20.5	32.8	38.2	42.1
Depreciation & amortisation	21.7	20.6	17.7	19.1	21.7
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(7.1)	(4.1)	(5.3)	(2.7)	(2.7)
Cash taxes paid	(9.0)	(5.3)	(8.6)	(9.6)	(11.0)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	32.9	31.4	36.3	44.7	49.8
Capex	(4.5)	(1.5)	(7.6)	(11.6)	(12.7)
Free cash flow	28.4	29.9	28.7	33.1	37.1
Dividends paid	(7.1)	(21.2)	(14.1)	(14.1)	(14.1)
Equity raised / (purchased)	45.9	0.0	0.0	0.0	0.0
Change in Debt	(16.2)	(0.2)	0.0	0.0	0.0
Other invest/financing cash flow	(44.5)	(21.8)	(9.8)	(11.0)	(11.1)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	6.5	(13.2)	4.7	7.9	11.9

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(19.0)	(15.1)	29.2	13.2	11.3
EBITDA growth	(22.6)	(18.2)	22.2	13.9	11.3
EBIT growth	(34.4)	(27.7)	56.9	17.3	10.1
Pretax growth	(31.6)	(25.8)	60.2	16.4	10.1
Reported net profit growth	(33.1)	(25.6)	59.6	16.4	10.1
Core net profit growth	(37.3)	(29.0)	59.6	16.4	10.1
Profitability ratios (%)					
EBITDA margin	32.9	31.7	30.0	30.2	30.1
EBIT margin	18.9	16.1	19.6	20.3	20.1
Pretax profit margin	17.8	15.5	19.3	19.8	19.6
Payout ratio	69.9	94.0	58.9	50.6	45.9
DuPont analysis					
Net profit margin (%)	13.0	11.4	14.1	14.5	14.3
Revenue/Assets (x)	0.8	0.7	0.8	0.9	0.9
Assets/Equity (x)	1.4	1.3	1.3	1.3	1.3
ROAE (%)	17.9	10.6	16.1	17.4	17.5
ROAA (%)	12.3	8.1	12.3	13.0	13.0
Liquidity & Efficiency					
Cash conversion cycle	135.4	175.1	168.8	181.8	183.0
Days receivable outstanding	13.2	17.2	16.8	17.9	18.0
Days inventory outstanding	240.3	266.6	251.8	271.5	273.3
Days payables outstanding	118.2	108.7	99.8	107.6	108.4
Dividend cover (x)	1.4	1.1	1.7	2.0	2.2
Current ratio (x)	2.5	3.4	3.1	3.1	3.2
Leverage & Expense Analysis					
Asset/Liability (x)	3.8	4.6	4.0	3.9	3.9
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	22.7	29.6	67.6	44.8	44.0
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	2.9	1.1	4.5	6.0	5.9
Net debt/ (net cash)	(23.6)	(10.6)	(15.3)	(23.3)	(35.2)

Source: Company; Maybank IBG Research

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