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TDM Berhad

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TDM REPORTS STRONG EBITDA GROWTH AND PROFIT TURNAROUND IN 3QFY2023

Key Highlights:

- **Plantation Division: Remarkable recovery in 3QFY2023 YoY with 10% higher crops and better Oil Extraction Rate ("OER") at 20.19% (Q3FY2022: 19.11%).**
- **Healthcare Division: Steady progress with improved Bed Occupancy Rate ("BOR") by 30% and higher average revenue per inpatient and no. of inpatients by 9% and 8% YoY respectively.**

Kuala Terengganu, 27 November 2023 –TDM Berhad ("TDM" or "the Group") announced its financial results for the third quarter ended 30 September 2023 ("3QFY2023") today.

In 3QFY2023, the Group experienced a 7% increase in revenue compared to the same quarter last year, primarily driven by a 14% rise in Healthcare Division revenue (RM10.9 million). This growth was partially offset by a 1% decrease in revenue from the Plantation Division (RM0.8 million). The Group's financial performance improved significantly, shifting from a Loss Before Tax ("LBT") of RM12.4 million in the previous corresponding quarter to a Profit Before Tax ("PBT") of RM17.8 million. For the nine months ending 30 September 2023 ("9MFY2023"), the Group's overall revenue declined by 7%, primarily due to a marked decrease of 28% in revenue from the Plantation Division (RM72.2 million). However, this decline was partially offset by a strong 20% increase in revenue from the Healthcare Division (RM39.6 million).

	Q3 2023 RM'000	Q3 2022 RM'000	Var %	9M 2023 RM'000	9M 2022 RM'000	Var %
Revenue:						
Plantation	74,345	75,148	(1)	184,721	256,919	(28)
Healthcare	89,045	78,140	14	239,027	199,394	20
Investment holding and others	-	-	-	-	-	-
Total Revenue	163,390	153,288	7	423,748	456,313	(7)
PBT/(LBT):						
Plantation	17,237	(9,217)	>100	(3,074)	33,804	>(100)
Healthcare	8,256	7,891	5	17,474	7,703	>100
Investment holding and others	(7,722)	(11,046)	30	(23,647)	(32,260)	27
Total PBT/(LBT)	17,771	(12,372)	>100	(9,247)	9,247	>(100)
EBITDA:						
Plantation	34,620	7,819	>100	48,536	83,454	(42)
Healthcare	13,691	12,879	6	33,749	22,021	53
Investment holding and others	(4,992)	(8,284)	40	(14,636)	(22,746)	36
Total EBITDA	43,319	12,414	>100	67,649	82,729	(18)

Malaysia Plantation Division

In 3QFY2023, our Plantation Division demonstrated a remarkable performance, with EBITDA surging from RM7.8 million to RM34.6 million, marking a 4.4 times improvement. The division also turned around its Profit Before Tax ("PBT") from a Loss Before Tax ("LBT") of RM9.2 million to a PBT of RM17.2 million.

The increase in Plantation Division PBT can be attributed by a 10% rise in Fresh Fruit Bunch (FFB) production and a 5% increase in Crude Palm Oil (CPO) sales volume. This improvement was supported by a 6% increase in Oil Extraction Rate (OER) and a 3% increase in Kernel Extraction Rate (KER) compared to the corresponding quarter of the previous year. However, revenue slightly decreased by 1% due to a 6% and 15% decline in average prices of Crude Palm Oil (CPO) and Palm Kernel (PK), respectively. PK sales volume also decreased by 7% during the quarter.

For 9MFY2023, the Plantation Division reported a 28% decrease in revenue, primarily due to lower CPO and PK prices. CPO and PK traded at an average of RM3,990/mt and RM2,194/mt, down from RM5,384/mt and RM3,624/mt YoY. The lower revenue was also resulted from a 10% decrease in PK sales volume, offset by a 1% improvement in CPO sales volume, driven by a 3% improvement in OER.

The palm oil market is expected to strengthen towards the end of 2023 and into Q1 FY2024 as palm oil production enters a low cycle as well as the impact from El Nino weather condition. The immediate support level on the Bursa Malaysia Derivatives Exchange is at RM3,800, with a likelihood of trading within an ascending wedge in the short term.

The rise of the El Niño event, evolving global weather patterns, shifts in the US Federal Reserve's monetary policy, developments in China's stimulus program, Indonesia's domestic biodiesel mandate, the war between Israel against Palestine, and the ongoing Russia-Ukraine geopolitical tensions are pivotal factors to observe throughout Q4 of FY2023 and Q1 of FY2024.

In response to these dynamic factors, TDM remains committed to cost rationalization efforts. Additionally, the company is strategically focusing on boosting sales of Certified Sustainable Palm Oil (CSPO) and Certified Sustainable Palm Kernel (CSPK) to capitalize on higher CSPO and CSPK premiums anticipated in 2023. This proactive approach aims to mitigate potential negative impacts stemming from anticipated price fluctuations.

Healthcare Division

Our Healthcare Division continued showing strong performance with a higher revenue of 14%, from RM78.1 million to RM89.0 million during the quarter, compared to the previous corresponding quarter. There was also an increase of PBT and EBITDA in Healthcare Division by 5% and 6% respectively during the quarter.

This was primarily due to an increase in the number of inpatients by 8%, higher inpatient days, bed occupancy rate and average revenue per inpatient by 4%, 30% and 9% respectively. However, there is a decrease in the number of outpatients by 6%, compared to the previous corresponding quarter.

For the period under review, revenue came in stronger by 20% at RM239.0 million, as compared to RM199.4 million from the previous corresponding period. The top-line growth was attributed to a higher number of inpatients (up 14% YoY), inpatient days (up 15% YoY), bed occupancy rate (up 16% YoY) and average revenue per inpatient (up 9% YoY) respectively. Furthermore, EBITDA for the division recorded an improvement of 1.5 times from the previous corresponding period, reaching RM33.7 million. PBT stood significantly higher at RM17.5 million, from a PBT of RM7.7 million in 9MFY2022.

The Group achieved substantial growth during 9MFY2023 fuelled by rising demand for healthcare services. The Group plans to initiate a service expansion program, creating additional revenue streams as its major hospitals transition to tertiary care providers. This strategic program, aligned with Business Continuity and Value Creation Plans, aims to ensure sustained revenue growth in the future.

Elevated inflation and interest rate coupled with the weakening Ringgit warrant a more rigorous cost management strategy to withstand the unfavourable impact.

The Group aims to leverage the Government's Budget 2024 to boost private consumption, anticipating a spillover effect that will increase public demand for healthcare services. The recent acquisition of Hospital Bersalin Razif strengthens the Group's presence in the Central Region, complementing its two existing medical centers in the same geographical area. This acquisition aligns with the Group's inorganic growth plan, contributing positively through the creation of revenue streams to better serve the local community.

Divestment of Plantation Indonesia Division

The Conditional Share Purchase Agreement ("CSPA") for the disposal of PT Rafi Kamajaya Abadi ("PT RKA") and PT Sawit Rezki Abadi ("PT SRA") was signed between TDM and Ikhasas Sawit Sdn. Bhd. on 29 July 2022. PT RKA continues to be fully managed by PT Ikhasas Sawit Indo Makmur through a management services arrangement starting 1 August 2022.

The Conditions Precedent are being fulfilled as at Initial Stop Date of 1 August 2023 and as per the CSPA, the disposal process is extended to Long Stop Date of additional 1-year to 1 August 2024.

Comments from TDM Executive Director, Haji Najman Kamaruddin

"We affirm our unwavering commitment to enhance both the sustainability and profitability of our Plantation Division, as evidenced by its remarkable recovery in the recent quarter compared to the previous year. This division contributed 79% of the Group's EBITDA, amounting to RM41.6 million. Simultaneously, our Healthcare Division maintains its growth trajectory, delivering consistent profits and EBITDA, while ensuring the provision of quality and affordable healthcare services to the community. Overall, the Group maintains an optimistic outlook for achieving satisfactory operating performance in the current financial year and beyond."

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About TDM Berhad

Incorporated in 1965, TDM Berhad is one of the Shariah-compliant securities listed on the Main Market of Bursa Malaysia's with core businesses in oil palm plantation and healthcare services.

The Group's plantation arm, TDM Plantation Sdn. Bhd. (TDMP) is a premium producer of Certified Sustainable Palm Oil (CSPO) and Certified Sustainable Palm Kernel (CSPK) with the Malaysian Sustainable Palm Oil (MSPO) and Roundtable on Sustainable Palm Oil (RSPO). It manages 13 oil palm estates and two (2) palm oil mills, two (2) Bio-Composting plants and two (2) Biogas plants located in Terengganu.

Under Kumpulan Medic Iman Sdn. Bhd. (KMI Healthcare), TDM owns five (5) community specialist hospitals that provide quality and affordable secondary healthcare services. The hospitals are KMI Kelana Jaya Medical Centre, Petaling Jaya, Selangor, KMI Kuantan Medical Centre, Kuantan, Pahang, KMI Kuala Terengganu Medical Centre, Kuala Terengganu, KMI Taman Desa Medical Centre, Kuala Lumpur and KMI Tawau Medical Centre, Sabah.

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