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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: shopper360 Limited

Security: shopper360 Limited

Meeting details:
Date: 27 September 2018
Time: 11.00 a.m.
Venue: 8 Robinson Road, #03-00 ASO Building, Singapore 048544

Company Description

shopper360 Limited, an investment holding company, provides shopper marketing services in the retail and consumer goods industries. It operates through three segments: In-Store Advertising and Digital Marketing, Field Force Management, and Sampling Activities and Events Management. The In-Store Advertising and Digital Marketing segment offers digital and non-digital in-store advertising mediums in retail chains establishment; and creative campaign development and mobile marketing services through its proprietary loyalty mobile application platform. The Field Force Management segment offers merchandiser, sales force and supervisory, and talent management services. The Sampling Activities and Events Management segment provides in-store promoter services, such as sampling and events management for product launches, roadshows, seminars, and annual dinners; and marketing programs, marketing intelligence and analysis, and consumer relationship management services. The company also engages in the trading of computer hardware and software; and provision of project management and manpower outsourcing services, as well as in the subletting of property and related activities. It serves local and multi-national customers. The company provides its services to approximately 1,900 hypermarkets, supermarkets, pharmacies, and convenience chain stores across 183 towns in Malaysia. shopper360 Limited was founded in 1986 and is based in Petaling Jaya, Malaysia. shopper360 Limited is a subsidiary of Rekaweb.Com Sdn. Bhd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1F0)

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1. In FY2018, the group reported a record high revenue of RM142.4 million, more than double the revenue achieved in FY2014. Net profit attributable to equity holders (after normalisation) slipped to RM6.0 million from RM10.4 million a year ago.

The fall in gross profit margin from 31.8% to 26.7% in the financial year was attributed to changes in the revenue mix, specifically lower revenue from media business, higher revenue from new creative and marketing campaigns and lower revenue from sampling activities.

In the Chairman's Statement (pages 20 & 21 of the annual report), both milestones and challenges were highlighted, including:

- Acquisition of media reseller rights for Spotify
- New "on-the-go"channel and enlarged convenience stores channel reach
- First mover advantage for in-store media advertising in Myanmar
- Major customer "contracting their investments in promoter sampling services and events"
- Poor consumer sentiments prior to the election
- Halting the active promotion of Shopwave (mobile loyalty program)

(i) Would management elaborate further on the prospects of some of the positive developments in the year and quantify the opportunities/potential? For instance, how big is the media reseller market for Spotify? Would the group be able to leverage the experience/track record in Malaysia and expand to other cities, such as Singapore? What is the impact of the acquisition of the new channels on the group's profitability?

Based on the disclosure in Note 28 (pages 126 to 129 – Segment information), the segment performance of (a) In-store advertising and digital marketing; (b) Field force management and (c) Sampling activities and events management is summarised in the table below:

	Segment revenue		Segment profit	
	2018 RM	2017 RM	2018 RM	2017 RM
In-store advertising and digital marketing	35,369,020	34,551,078	1,699,888	6,228,527
Field Force Management	91,081,291	79,652,053	4,241,427	4,274,405
Sampling activities and events management	17,428,214	18,296,023	374,504	3,464,778

(Source: Company annual report; emphasis added)

Despite rather stable revenue in the "In-store advertising and digital marketing" and "Sampling activities and events management" segments, segment profit dropped from RM6.2 million to RM1.7 million and RM3.5 million to RM0.4 million respectively.

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(ii) **Other than the reasons already mentioned, what are the other major factors that contributed to the steep drop in segment profits for these two segments? How much of it was temporary (e.g. the impact of the general election)?**

(iii) As mentioned in the Chairman's statement and in the disclosure of the group's major customers (page 129), revenue from Customer 1, the group's largest customer, revenue in the "Sampling activities and events management" fell by nearly a quarter to RM13.5 million as a result of the shift in the customers' strategy. **Going forward, does the group have any visibility of the customer's demand? Given that Customer 1 accounted for 90% of the segment revenue in 2017, what are the group's strategies to maintain/increase revenue and profitability in this segment?**

2. As disclosed in the Offer document dated 21 June 2017, the group's business strategies/future plans include the expansion into new geographical locations. The group currently provides creative and media services in Singapore while it has formed a 60%:40% joint venture with the Pahtama Group in Myanmar providing in-store media advertising, activation and merchandising services mainly to City Mart and City Express stores.

(i) Would management provide a breakdown of the group's revenue by country to help shareholders understand the progress made in each of the countries?

(ii) Would management elaborate further on the competitive advantage/value proposition of ShopperPlus Singapore? How successful has the group been in acquiring new customers in Singapore?

(iii) **As the group has first mover advantage in Myanmar, what are some of the priorities/milestones (both financial and non-financial) for the new joint venture in Myanmar? What is the estimated gestation period for the new JV to achieve breakeven?**

Also, the group has targeted the growth of its non-FMCG business. **What are some of the priorities and targets for management in the next 2-3 years?**

3. On 2 July 2018, the group announced the strengthening of the management team with the appointment of Mr Ooi Chee Kee as its new CEO for Jump Retail and the appointment of Ms Lee Jun Ling as General Manager of Business Development of Retail Galaxy. On 30 August 2018, Mr Michael Tan Swee Seng was appointed as chief executive officer of Pos Ad and ShopperPlus Malaysia.

The board was also strengthened with the appointment of Mr James Ling Wan Chye on 8 January 2018 as executive director in charge of corporate finance and strategy.

In the past year, the group also saw the resignation of Mr Ravichandran K Moorthy as a non-executive non-independent director in January 2018, the resignation of Mr Samuel

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Chan as CEO of Pos Ad, ShopperPlus Malaysiaand Gazelle (due to allegation of misconduct) in April 2018 and the cessation of Ms Cheah Boon Chin as CEO of Retail Galaxy in June 2018.

(i) **Have the changes in the senior management team disrupted the group's operations?**

(ii) **Does the group currently have the management team required to lead the group in overcoming the challenges?**

(iii) The company has disclosed that it was conducting an internal investigation into the alleged misconduct of Mr Samuel Chan (company's SGX announcement dated 17 April 2018). **Would the board help shareholders understand if it has concluded its investigation? If so, what are the findings?**

A copy of the questions for the Annual Report for the financial year ended 31 May 2017 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=shopper360%20Ltd

The company's response could be found here:

https://sias.org.sg/media/qareport/1512966068_3-Questions--shopper360-Limited----Answer.pdf