

NEWS RELEASE**ELK-Desa Delivers RM22.07 million Profit Before Tax for 1H2025, Declares 2.00 sen Dividend**

KUALA LUMPUR, 13 November 2024 – ELK-Desa Resources Berhad, a non-bank lender focused in the used-car segment, today announced its financial results for the second quarter ended 30 September 2024.

The Group's revenue for the quarter increased by 18% to RM46.44 million compared to the corresponding quarter a year ago. This was due to higher revenue contribution from both its hire purchase and furniture segments. Nevertheless, profit before tax for the quarter decreased by 6% to RM11.08 million as compared to a year ago due to higher impairment cost.

As at 30 September 2024, the Group's hire purchase receivables stood at RM693.97 million, which is 18% higher than the previous year. This marked the highest hire purchase receivables level recorded for ELK-Desa.

In order to support the expansion of its hire purchase receivables, the Group's bank borrowings had increased by 26% to RM312.07 million. Nevertheless, the Group's gearing remains at a manageable level of 0.64 times.

For the hire purchase segment, revenue increased by 16% to RM31.76 million during the quarter, primarily as a result of the growth of the Group's hire purchase portfolio.

Impairment allowance increased by 97% to RM10.91 million while credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 0.90% to 1.54%. The higher impairment allowance and credit loss charge were mainly due to the slower repayment from hirers.

As at 30 September 2024, net impaired loans ratio decreased from 0.52% as at 30 June 2024 to 0.44% due to the higher level of impairment provision for the impaired loans. However, the higher impairment allowances resulted in 9% decline in profit before tax for the segment to RM10.74 million against RM11.76 million a year ago.

For the Group's furniture segment, revenue increased by a notable 25% to RM14.68 million in this quarter as compared to the previous corresponding quarter. This was mainly due to higher furniture sales, especially in Sabah and Sarawak and was reflective of the Group's continued focus in growing its presence in East Malaysia. Gross profit margin had decreased marginally from 35% to 33% due to higher purchase cost for imported goods that stemmed from higher shipping cost. Overall, the segment recorded a profit before tax of RM0.34 million compared to RM0.07 million compared to the corresponding quarter a year ago as a result of improved sales and lower impairment allowance.

From a six-month perspective, the Group's revenue increased by 18% to RM92.32 million, mainly due to higher contribution from both its hire purchase segment and furniture segment. However, the Group's profit before tax decreased slightly by 4% to RM22.07 million as a result of higher impairment allowance.

The Board of Directors has declared a single tier interim dividend of 2.00 sen per share (Q2FY2024: 2.00 sen per share) in respect of the financial year ending 31 March 2025. The dividend will be paid on 18 December 2024.

Teoh Seng Hee, the Executive Director and Chief Financial Officer of ELK-Desa Resources Berhad, said, “Our performance in the first half of the year was supported by the overall growth of the Malaysian economy, manageable inflation rate and improved consumer confidence.”

“Moving forward, we expect the domestic economy to remain resilient but we are also mindful that consumer spending as well as our customers’ ability to service their loans on time may be affected by the rationalisation of subsidies and price controls along with potential fluctuations in commodity prices.”

“ELK-Desa will be striving towards reducing its impaired loans ratio further by sustaining an active loan recovery effort while at the same time, carefully expanding our hire purchase receivables in a strategic and sustainable manner,” he concluded.

About ELK-Desa Resources Berhad

ELK-Desa Resources Berhad (Stock Code: 5228/Sector: Finance) started its hire purchase financing operations in 2004. The Group's core focus area is in the under-served hire purchase financing for used motor vehicles. The Group also cross-sells general insurance products to its hire purchase customers. ELK-Desa currently employs more than 200 individuals for its hire purchase division and its business activities are centered within the Klang Valley. In addition, the Group is also involved in the trading of home furniture products. For more information, please visit <https://elk-desa.com.my>

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