

Senheng acquires Central Distribution Centre for RM75.8 million to enhance omnichannel operations

- *Securing direct ownership of CDC for improved supply chain management and gross rental cost savings of RM4.2 million per annum*
- *Complements Territory Champion expansion and Online-Merge-Offline strategies*

Kuala Lumpur, Malaysia, 25 September 2023 - Senheng New Retail Berhad (Senheng or the Group; Bloomberg: SENHENG MK; 新兴集团) aims to strengthen the Group's supply chain management in the country by acquiring its currently leased Central Distribution Centre (CDC) for a purchase consideration of RM75.8 million.

Through its wholly-owned subsidiary Senheng Electric (KL) Sdn Bhd, the Group has entered into a Sale and Purchase Agreement with SDM Assets III Sdn Bhd (SDM), a wholly-owned subsidiary of Sime Darby Property MIT Development Sdn Bhd, to secure ownership of CDC. The acquisition will result in significant annual gross rental savings of RM4.2 million for the Group.

The CDC, purpose-built by SDM and tenanted by Senheng since 2020, is integral to the Group's supply chain management, optimizing logistics and enhancing customer experience. Situated in Klang, Selangor, the CDC functions as the main distribution hub for Senheng, where products from suppliers are received, stored, and subsequently distributed to regional hubs and customers in the Central region of Peninsular Malaysia.

Since 2018, Senheng has adopted a centralized logistics model, minimising store disruptions through once-daily deliveries, ensuring nationwide stock availability, and reducing logistics costs across the value chain. Suppliers share the logistics costs savings through discounts to the Group, ultimately benefitting its customers. This synergy fosters a cost-efficient environment where consumers enjoy better prices and a seamless shopping experience.

“The CDC is a key enabler of Senheng's omnichannel shopping experience, enabling us to seamlessly serve our online and offline customers throughout Malaysia, while ensuring timely product deliveries and diverse offerings within our physical stores.

The CDC acquisition strengthens our operational reliability, complementing our ongoing Territory Champion store expansion and upgrade strategy. It also supports our latest Online-Merge-Offline (OMO) initiative that provides online customers personalised service by sales personnel from across the country, as well as seamless delivery and in-store pick up options.

We are committed to ensuring that households across Malaysia have ready access to comprehensive ranges of consumer electronics essential to their daily lives. We are reshaping the retail experience and setting benchmarks in omnichannel excellence.”

Mr Lim Kim Heng (“林金兴”)
Executive Chairman, Senheng New Retail Berhad

The CDC encompasses a built-up area of 200,035 square feet (sq. ft.), comprising a warehouse, offices, and ancillary buildings on a 6.6-acre freehold industrial land. Securing direct ownership of the CDC will also reinforce the Group's business continuity by ensuring uninterrupted operations and insulating it from operational uncertainties.

To finance the RM75.8 million CDC acquisition, the Group will procure bank borrowings of RM45.8 million and reallocate RM30 million from its Initial Public Offer (IPO) initially designated for its Territory Champion expansion strategy. The acquisition is expected to complete in the fourth quarter of 2023.

As at 30 June 2023, the Group had an unutilized allocation of RM117.7 million from its IPO proceeds for the Territory Champion strategy. After reallocating the RM30 million, which was initially intended for store acquisitions, the unutilized allocation will be adjusted to RM87.7 million. The reallocation will not disrupt the Group's expansion strategy, as it can identify and secure rental properties as an alternative to store acquisitions.

Senheng's ongoing Territory Champion strategy involves expanding and upgrading 61 stores nationwide from 2022-2024, providing its customers with an unparalleled brand experience. The enhanced outlets, such as Grand Senheng, Grand Senheng Elite, Grand senQ, and senQ Elite stores, measure approximately 10,000 sq. ft. to 30,000 sq. ft. in size, designed to meet latest consumer preferences. As at 30 June 2023, the Group operates a total of 121 stores nationwide.

Furthermore, its OMO initiative seamlessly connects its online customer base with 1,200 in-store sales personnel throughout the country, delivering a highly personalised shopping experience. The innovative approach is complemented by a comprehensive range of services, including efficient delivery, professional installation, and the convenience of in-store pick up options.

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About Senheng New Retail Berhad

Senheng is Malaysia's leading consumer electrical and electronics retailer. Founded in 1989, the Group has grown its retail network to over 100 physical stores across Peninsular and East Malaysia, and is supported by various online retail platforms.

The Group's stores carry more than 280 renowned consumer E&E brands, featuring a comprehensive range of digital gadgets, audio visuals, home appliances and related products.

An early adopter of digitalisation and business transformation, Senheng continues to deliver excellent customer satisfaction via its seamless New Retail Model. The Group has a growing customer base, with over 3 million PlusOne loyalty members to-date.

Issued for and on behalf of SENHENG NEW RETAIL BERHAD by Aquilas Advisory (Malaysia) Sdn Bhd

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