



HOMERITZ CORPORATION BERHAD

(805792-X)

Investors' Briefing
FY10 Financial Results & Corporate Update
1 November 2010

- About Homeritz
- Business Strategies
- FY10 Financial Review
- Investment Case



Best of its kind...


HOMERITZ

ABOUT HOMERITZ

A homegrown story par excellence...



High-quality upholstered home furniture manufacturer...

- Founded in 1997, **Homeritz** manufactures a full range of quality upholstered furniture
 - Sofas, dining chairs & dining tables, and bed frames
 - Undertakes Original Design Manufacturing (ODM) and Original Equipment Manufacturing (OEM)
 - Created own brand  in 2008
- 4 manufacturing facilities in Muar, Johor
 - Total built-up area of 348,000 sq ft
 - Employee workforce of about 500
- **Homeritz's** products are exported to >50 countries
 - Europe (with its highly-discerning consumers) the largest market for the Group
 - The Americas posted fastest growth in revenue contribution year-on-year



Best of its kind...

Fully-focused on manufacturing of upholstered furniture...

HOMERITZ CORPORATION BERHAD

Home Upholstery
Industries Sdn Bhd
(‘HUI’)

(100%)

Research & Development /
Design, Manufacturing and Distribution

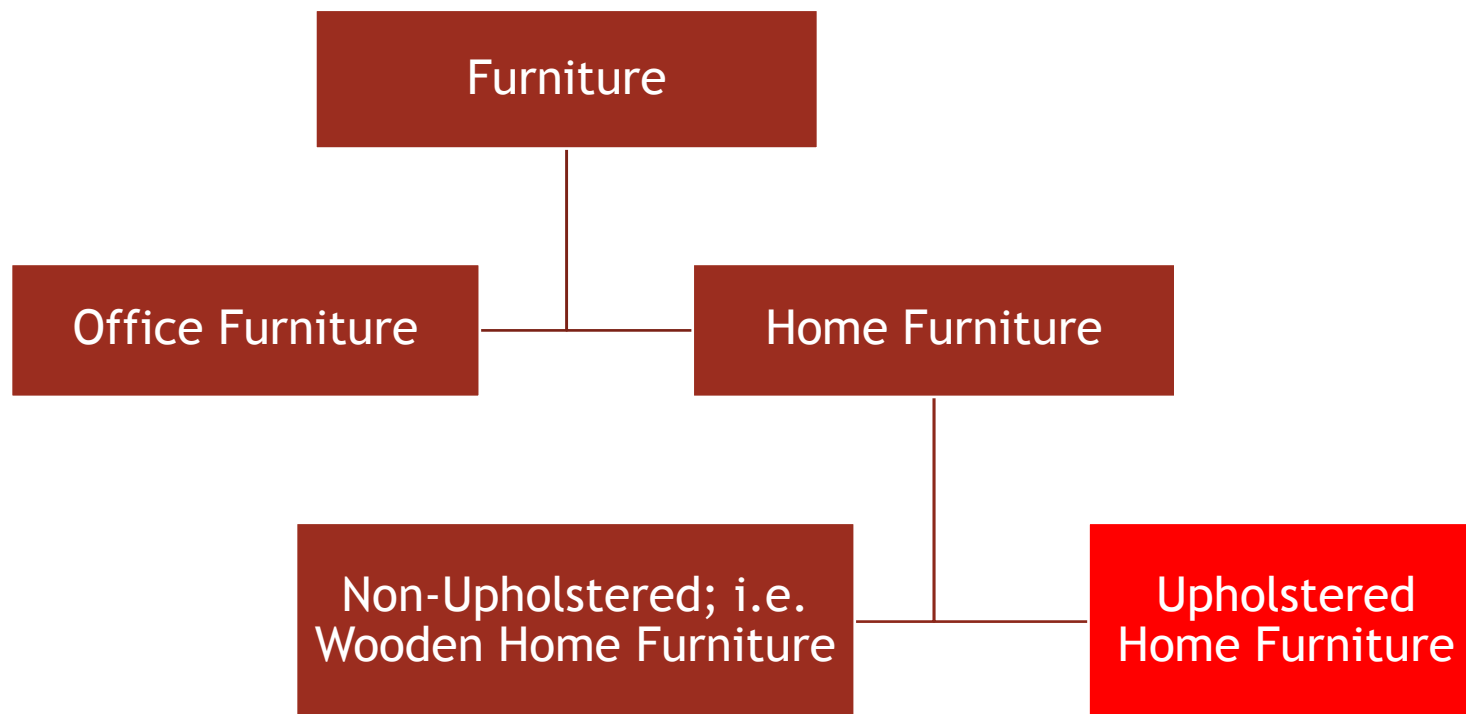
U.S. Furniture
Manufacturing Sdn Bhd
(‘USF’)

(100%)

Holding company for the Group’s
manufacturing properties

Best of its kind...

Upholstered furniture of higher-value add in the industry...



Best of its kind...

Marking founder's vision of being a global and growing player in the premium home furniture industry

1997

- Commenced manufacturing of upholstered sofas in rented factory · Began maiden exports to Singapore

1999

- Penetrated into Europe, Australasia and Middle East

2000

- Penetrated into South America

2002

- Introduced upholstered dining chairs · Penetrated into North America

2004

- Penetrated into Africa

2005

- Relocated manufacturing operations into Factory A · Introduced upholstered bed frames

2006

- Commissioning of Factory B with built-up area of 47,300 sq ft

2007

- Commissioning of Factory C with built up area of 185,300 sq ft; rented Factory D of 18,000 sq ft
- Ventured into upstream manufacturing of wooden chair frames to integrate with production of upholstered dining chairs

2008

- Introduced wooden dining tables to complement upholstered dining chairs
- Created own brand "Eritz", and applied for trademarks in Malaysia, Australia and New Zealand
- Attained ISO 9001:2000 certification

2009

- Introduced sofa beds to Australia

2010

- Listed on the Main Market of Bursa Malaysia Securities Berhad

Best of its kind...

Corporate awards cement our reputation in the market...

- Received the **Golden Bull Award** in 2008, ranking 1st out of 100 outstanding SMEs
- Won the **Malaysia Top 50 Enterprise Award** for 2 consecutive years in 2008 and 2009
- Received the 'Product Excellence Award' and 'Asian Furniture Leadership Award' at the Malaysian Furniture Leadership Awards in 2009
- **Export Furniture Exhibition (EFE) Best Booth Design Award 2010 - 3rd Prize**



Best of its kind...

Setting sights to be a formidable player in the global playing field...

VISION

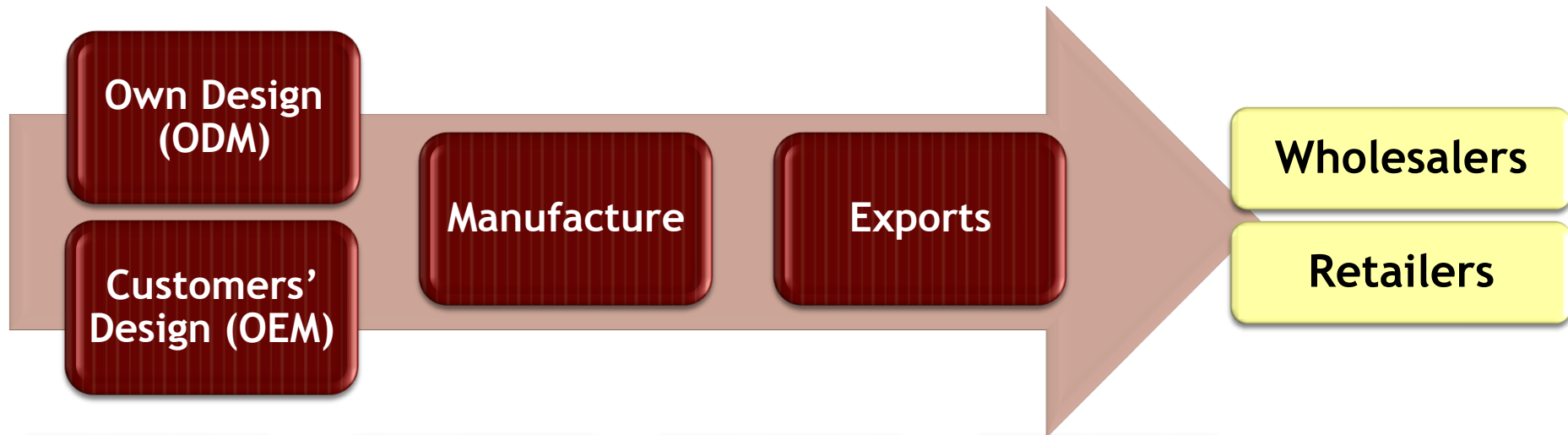
- To be one of the top 10 Asian players in supply of conceptualized lifestyle home furniture worldwide; recognized for its brands, design innovations and quality commitment

MISSION

- ▶ To strengthen our R&D to continue improving existing designs and developing new innovative designs
- ▶ To continually upgrade our equipment & machinery to boost efficiency and productivity, as well as enhance product quality
- ▶ To diligently seek new raw materials to produce quality products at competitive costs
- ▶ To build upon and strengthen our own brand of home furniture
- ▶ To adopt aggressive marketing strategies
- ▶ To continually motivate our staff to achieve highest level of performance

Best of its kind...

Integrated operations within close proximity result in quicker time-to-market... new capacity to be on board in 2Q11



FACTORY A (2005)

- Built-up area: 97,400 sq ft
- Showroom, administration, storage of raw materials, and Draw & Cut sections



FACTORY B (2006)

- Built-up area: 47,300 sq ft
- Sewing section



FACTORY C (2007)

- Built-up area: 185,300 sq ft
- Assembly, woodworking, storage of raw materials and finished goods, training centre, prototyping lab & design workshop.



FACTORY D (Rented - 2007)

- Built-up area: 18,000 sq ft
- Woodworking for dining chairs and dining tables



FACTORY E

(Under Construction)

- Built-up area: 100,000 sq ft
- To replace Factory D's functions
- Upstream venture into spraying process of upholstered chairs.
- Expected to commence operations in 2Q FY2011

Best of its kind...

***Comprehensive range of products for mid- to high-end homes...
premium furniture the precursor to premium margins***

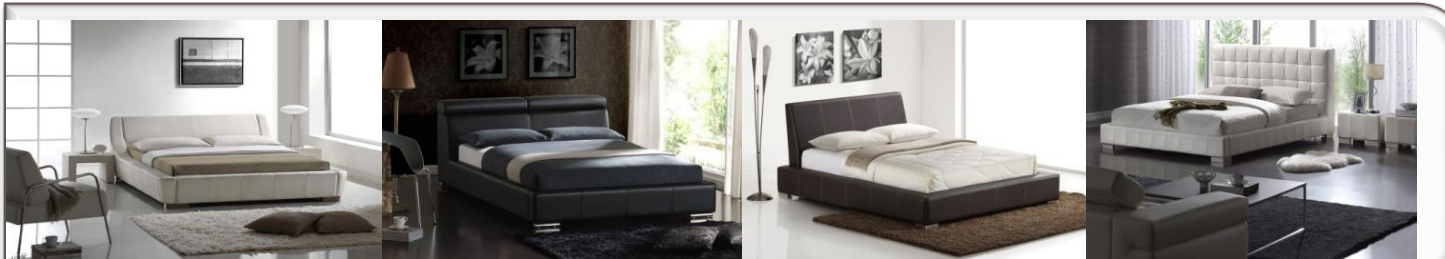
Upholstered Sofas



Upholstered Dining Chairs & Dining Tables

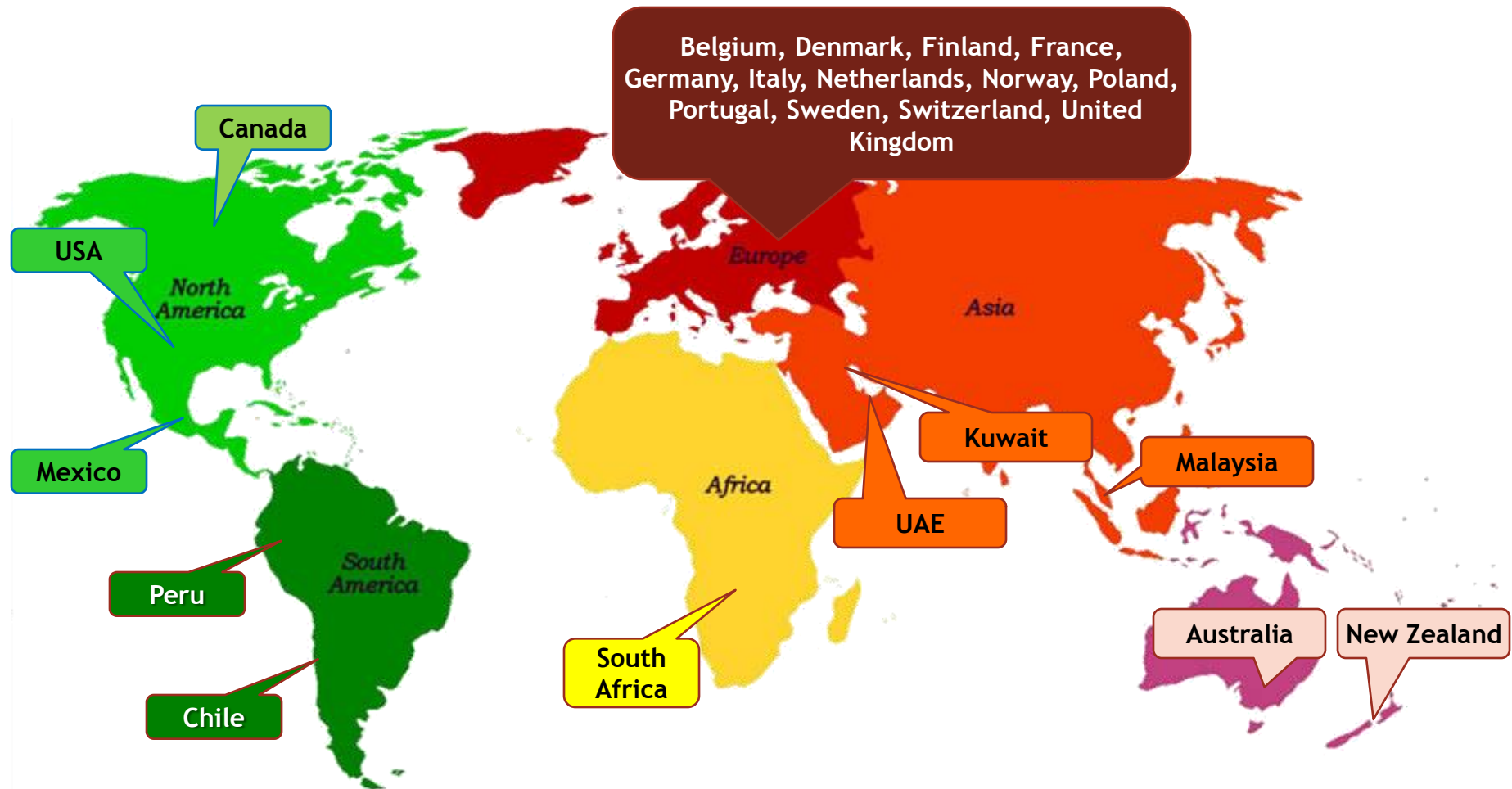


Upholstered Bed Frames



Best of its kind...

Attained global clientele in just over a decade... innovation and dedication to quality the key success factors



Best of its kind...

Expertise in product & design innovation...

Mr. Chua Fen Fatt

Managing Director

- Founder of the Group with 23 years' hands-on experience in the upholstered furniture industry
- Primarily responsible for the overall business, strategic planning, design and development; instrumental in the success, growth and development of the Group

Ms. Tee Hwee Ing

Executive Director

- Co-founder of the Group with 13 years' experience in the upholstered furniture industry
- Oversees the overall corporate and administrative functions of the Group

Mr. Tan Yang Song

Chief Designer

- Has >20 years' experience in furniture design and development in Malaysia and Singapore
- Assists the MD in overseeing the entire spectrum of R&D, primary roles comprise designing and introducing new models and designs

Mr. Pua Yu Heng

Marketing Manager

- BSc in Science (Human Development) from Univ Putra Malaysia
- Primarily responsible for the sales and marketing strategies as well as business development of the Group

Ms. Wee See Yee

Group Accountant

- BA (Hons) in Accountancy from Univ Putra Malaysia and member of the Malaysian Institute of Accountants
- Primarily responsible for Group accounts and finance

Ms. Wong Seah Wei

Group Admin & HR Manager

- Graduated with professional certificate in secretarial studies from Stamford Ladies College
- Primarily responsible for office administration and human resource management

Best of its kind...

Founders still holding majority stakes... shareholders include key institutional shareholders

As at 31 October 2010	No. of Shares	%
Chua Fen Fatt <i>Managing Director</i>	71.8 mil	35.9%
Tee Hwee Ing <i>Executive Director</i>	71.8 mil	35.9%

Best of its kind...

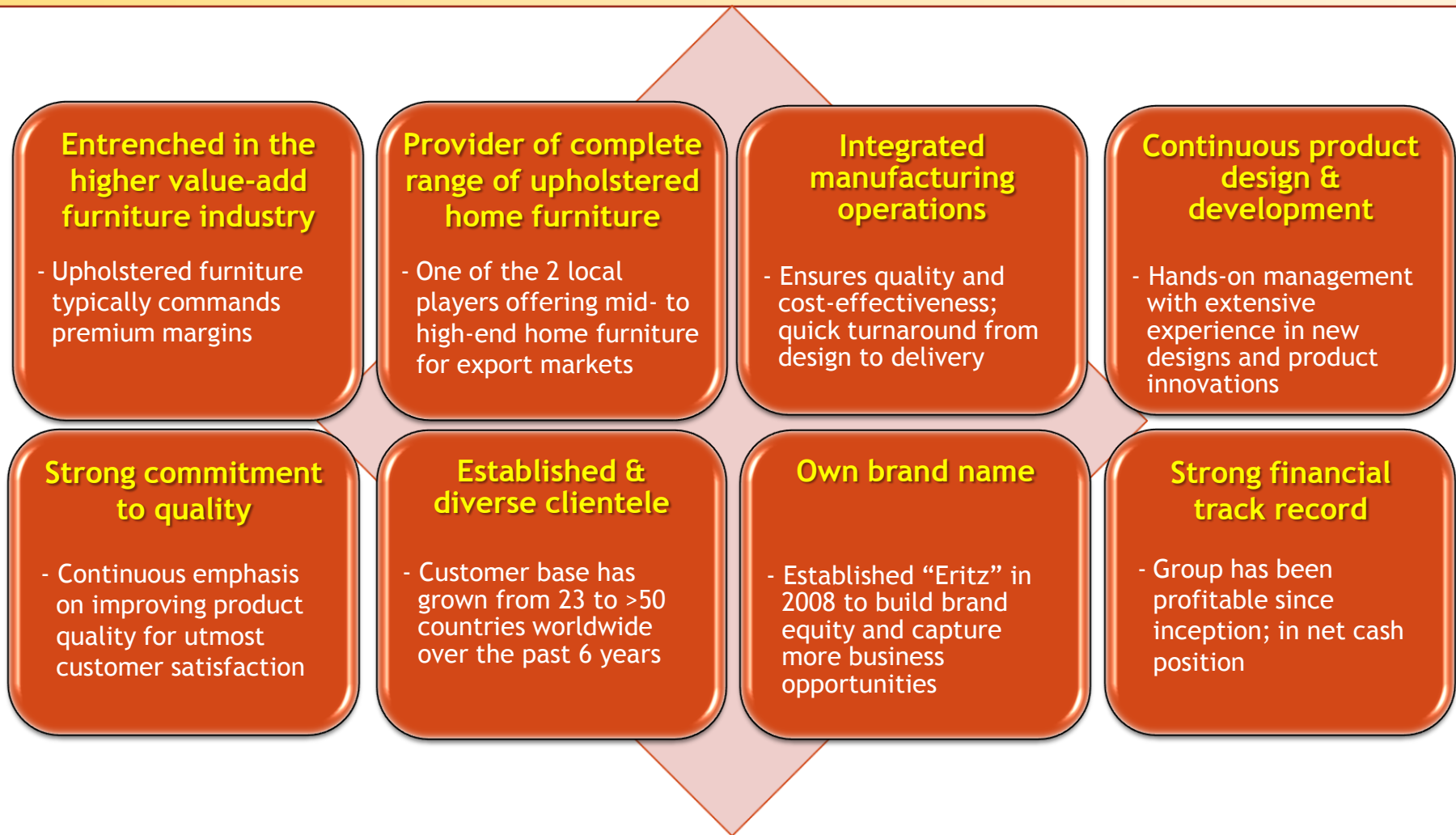
HOMERITZ

BUSINESS STRATEGIES

Engaging on expansion mode...



Entrenched in the higher value-add furniture sector... Group to embark on new growth phase with own brand



Best of its kind...

Focused on broadening our Group's revenue base...

To continue undertaking product development

- To design approx 250 new models of products in FYE2011
- To invest at least 1% of annual revenue for R&D activities

To penetrate deeper into overseas markets

- To target more revenue contributions from North & South America
- To market our products in international furniture fairs and furniture-buyers' magazines

To expand production capacity

- New plant in Muar to commence operations in 2Q11

Best of its kind...

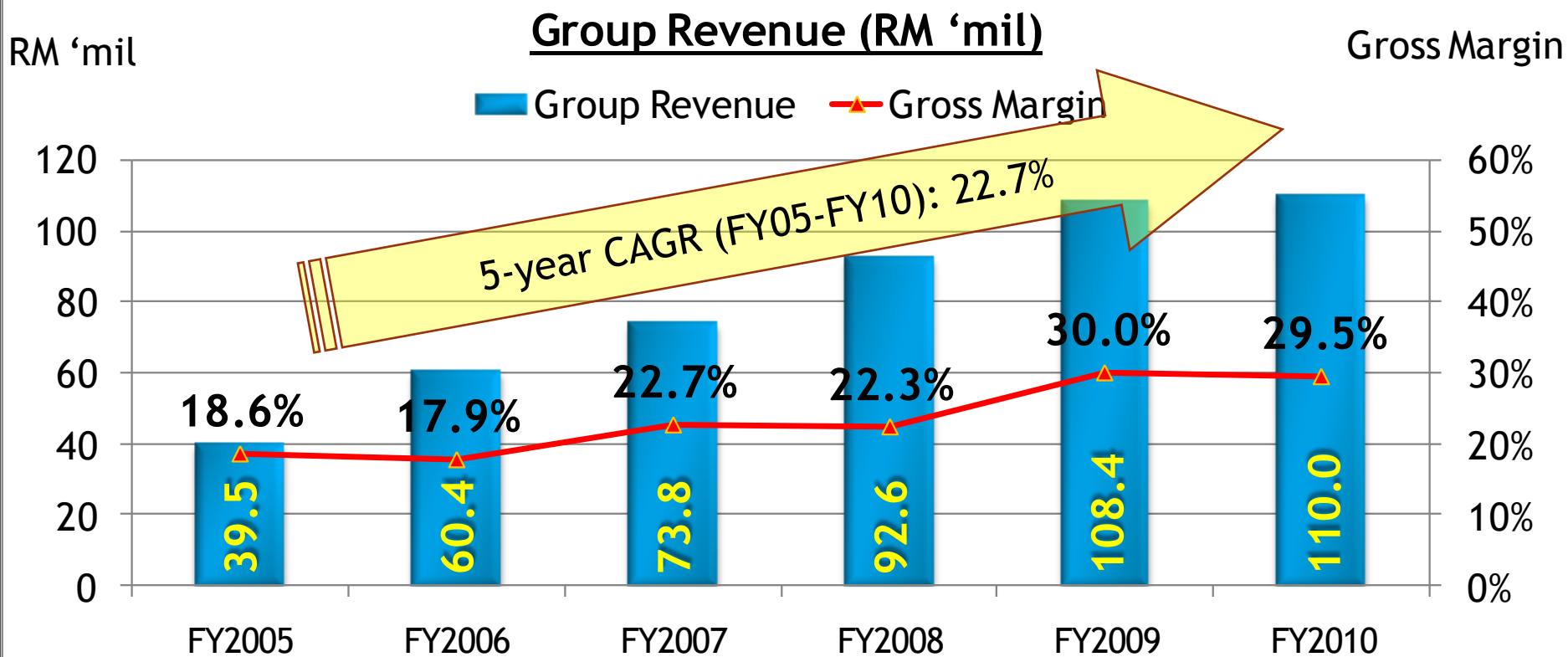
HOMERITZ

FY10 FINANCIAL REVIEW

Decent financial track record...



Maintenance of high profit margins proof of high value-add in products...

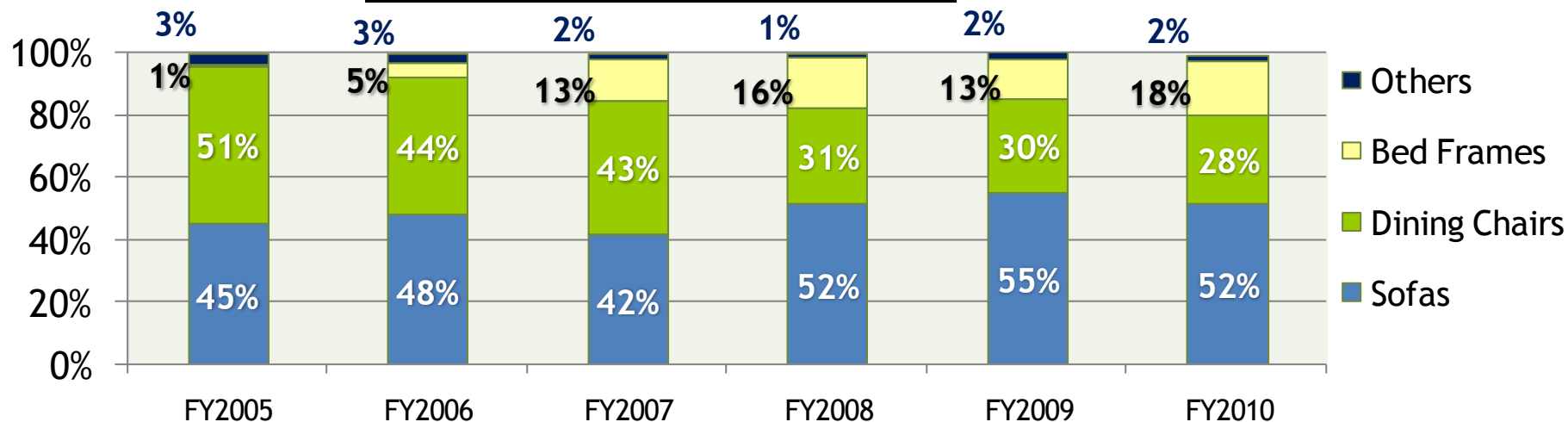


FY - Financial Year ended 31 August

Best of its kind...

Upholstered home furniture remaining major contributors...

Revenue Segmentation: Products

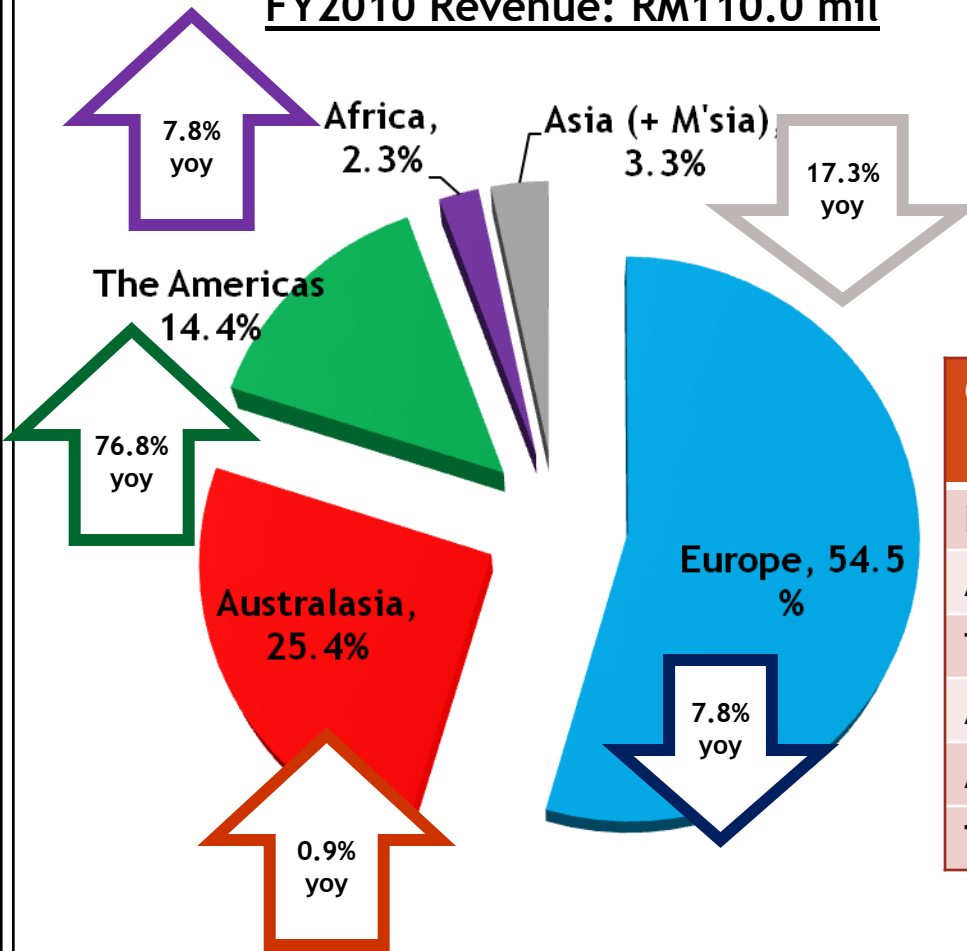


Revenue (RM'mil)	FY2005		FY2006		FY2007		FY2008		FY2009		FY2010	
Upholstered Sofas	17.86	45%	29.11	48%	31.03	42%	47.92	52%	60.06	55%	57.26	52%
Upholstered Dining Chairs	20.17	51%	26.54	44%	31.74	43%	28.68	31%	31.94	30%	31.33	28%
Upholstered Bed Frames	0.24	1%	3.15	5%	9.80	13%	14.70	16%	14.05	13%	19.41	18%
Others	1.28	3%	1.62	3%	1.24	2%	1.25	1%	2.39	2%	1.97	2%
Total	39.55	100%	60.42	100%	73.80	100%	92.55	100%	108.44	100%	109.97	100%

Best of its kind...

Fastest growth from the Americas from targeted strategies...

FY2010 Revenue: RM110.0 mil



Country	FY2010		FY2009	
	RM' mil	%	RM' mil	%
Europe	59.91	54.5%	64.95	59.9%
Australasia	27.98	25.4%	27.73	25.6%
The Americas	15.89	14.4%	8.99	8.3%
Africa	2.54	2.3%	2.36	2.2%
Asia (+ M'sia)	3.65	3.3%	4.41	4.1%
Total	109.97	100%	108.44	100%

Best of its kind...

Commendable profit despite forex challenges and uncertainty in end-markets...

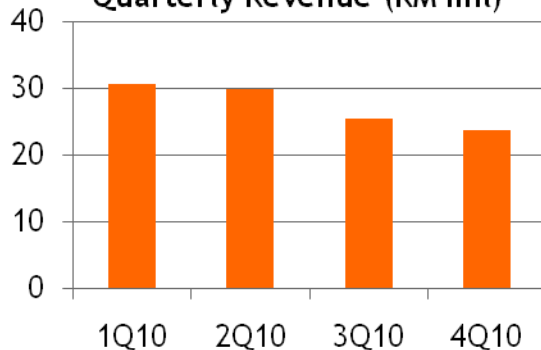
RM'mil	FY10	FY09	Chg
Revenue	109.97	108.44	1.4%
EBITDA	23.56	26.81	-12.1%
EBITDA margin	21.42	24.73	-3.31 pts
PBT	21.69	25.00	-13.2%
PBT margin	19.72	23.02	-3.30 pts
PATMI	20.06	22.68	-11.6%
Net margin	18.24	20.91	-2.67 pts
EPS (sen)	12.15	13.00	-6.5%

Operations Review:

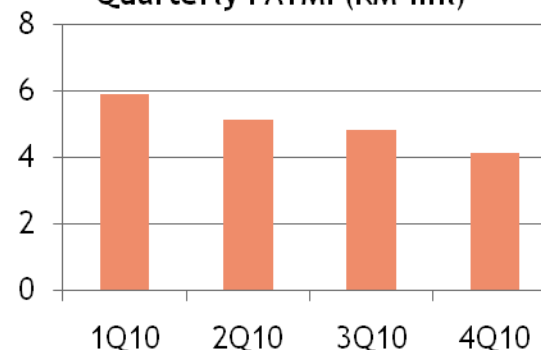
- 1) Revenue in USD increased 8% due to increased volume, & overall upward adjustment of average selling prices of products as a result of stronger RM.
- 2) EBITDA declined due to:
 - i. Higher selling and distribution expenses to promote "Eritz" brand (+RM1.0mil)
 - ii. Increased staff costs (+RM1.0mil)
 - iii. Forex loss due to USD depreciation (~RM0.4mil)
 - iv. One-off listing expenses (~RM0.6mil)
 EBITDA margins would have been maintained at 24% if not for the above factors

Note: 99% of sales are in denominated in USD. Approx 55% of purchases are in USD, and balance 45% largely in RM.

Quarterly Revenue (RM'mil)



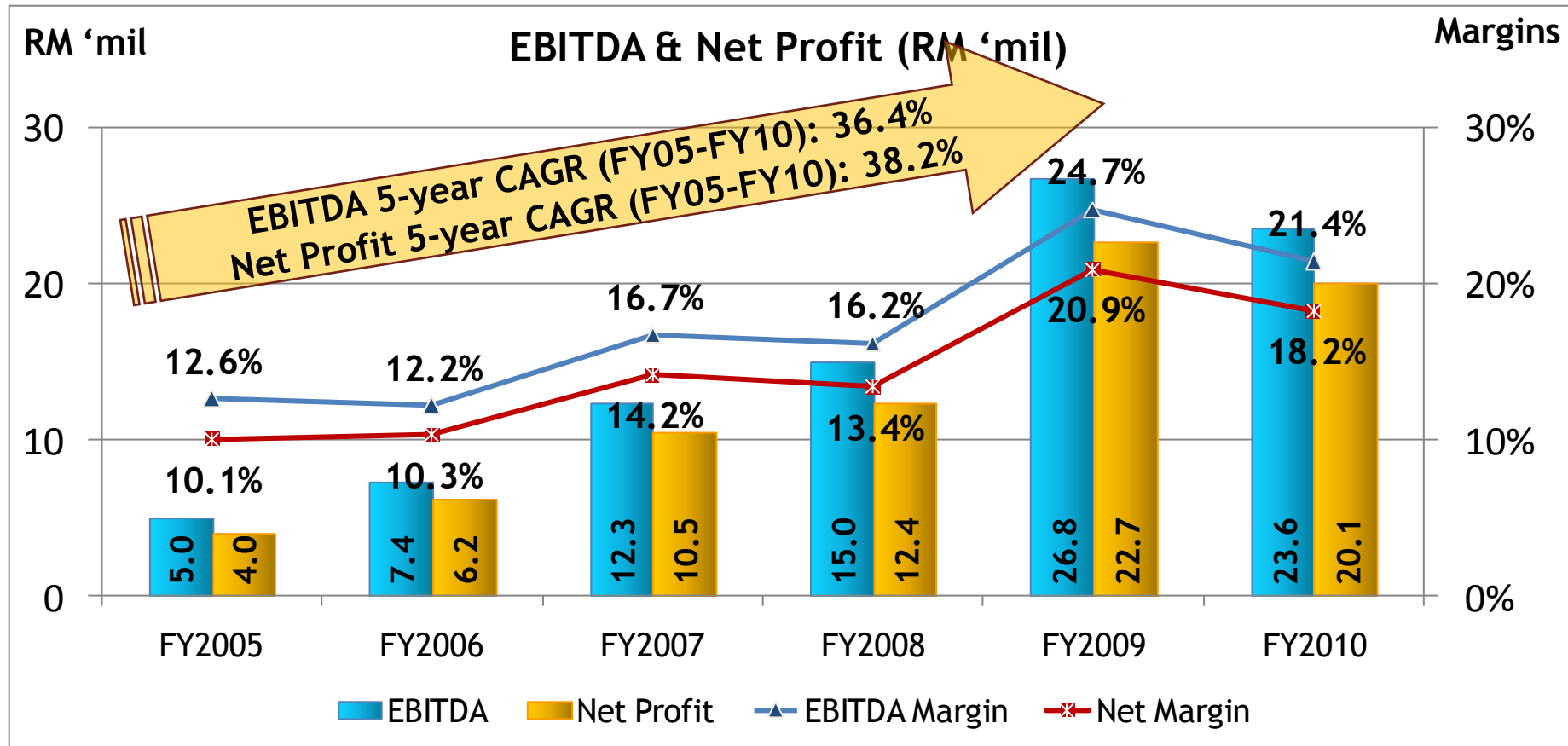
Quarterly PATMI (RM'mil)



	FY10	FY09	Chg
ROE (Avg Equity)	42.9%	60.0%	-17.1pts
ROA (Avg Assets)	28.3%	36.6%	-8.3pts

Best of its kind...

Margins still higher than FY2008 levels...

*Best of its kind...*

Healthy net cash position grants the Group ample flexibility...

Proforma Balance Sheet ('000)	As at 31 Aug 2009	As at 31 Aug 2010
PPE & Prepaid Lease Payments	28,094	28,300
Current Assets	40,567	44,545
Current Liabilities	24,854	10,161
Non-Current Liabilities	7,456	5,440
Shareholders' Equity	36,351	57,244
Borrowings (ST + LT)	7,762	3,677
Cash & Cash Equivalents	20,704	19,594
Gearing (net of cash)	Net Cash	Net Cash
Net Tangible Assets / Share (RM)	0.20 ⁽¹⁾	0.29 ⁽²⁾

(1) Based on 180,897,385 ordinary shares of RM0.20 each

(2) Based on 200,000,000 ordinary shares of RM0.20 each

Best of its kind...

Maintained commendable degree of operational efficiency...

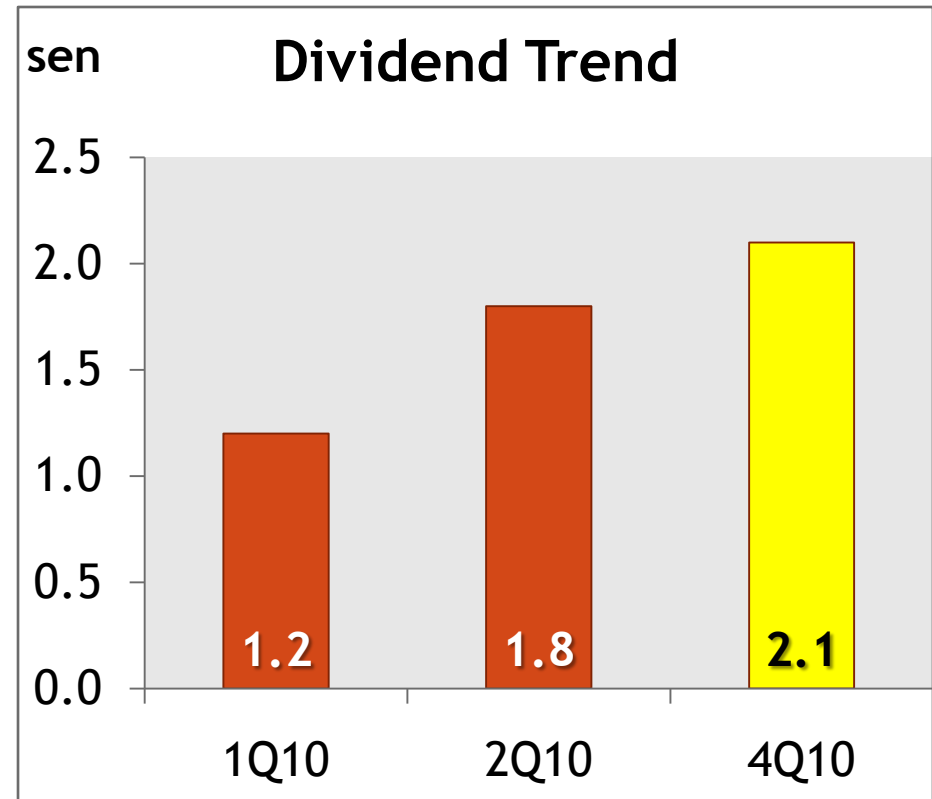
	FY2009	FY2010
Return on Average Equity	60.0%	42.9%
Return on Average Assets	36.6%	28.3%
Average Inventory Turnover	57.3 days	68.1 days
Average Debtor Days	18.9 days	19.2 days
Average Creditor Days	31.5 days	28.5 days
Cash Conversion	44.7 days	58.8 days
Free Cash Flow *	RM20.91 mil	RM14.22 mil
PAT	RM22.68 mil	RM20.06 mil

* Free Cash Flow = Cash Flow from operating activities less capex

Best of its kind...

50% of FY10 net profits to be paid out as dividends...

- **Homeritz** has a dividend policy of paying 40% of net profits to shareholders
- FY2010 would see special dividend payout of 50% of net profits
 - Paid interim tax-exempt dividends totaling 3 sen so far
 - 4Q10 to pay final tax-exempt dividend of 2.1 sen per share



Best of its kind...

HOMERITZ

Investment Case



Much upside given impressive dividend yield and maintained high net margins...

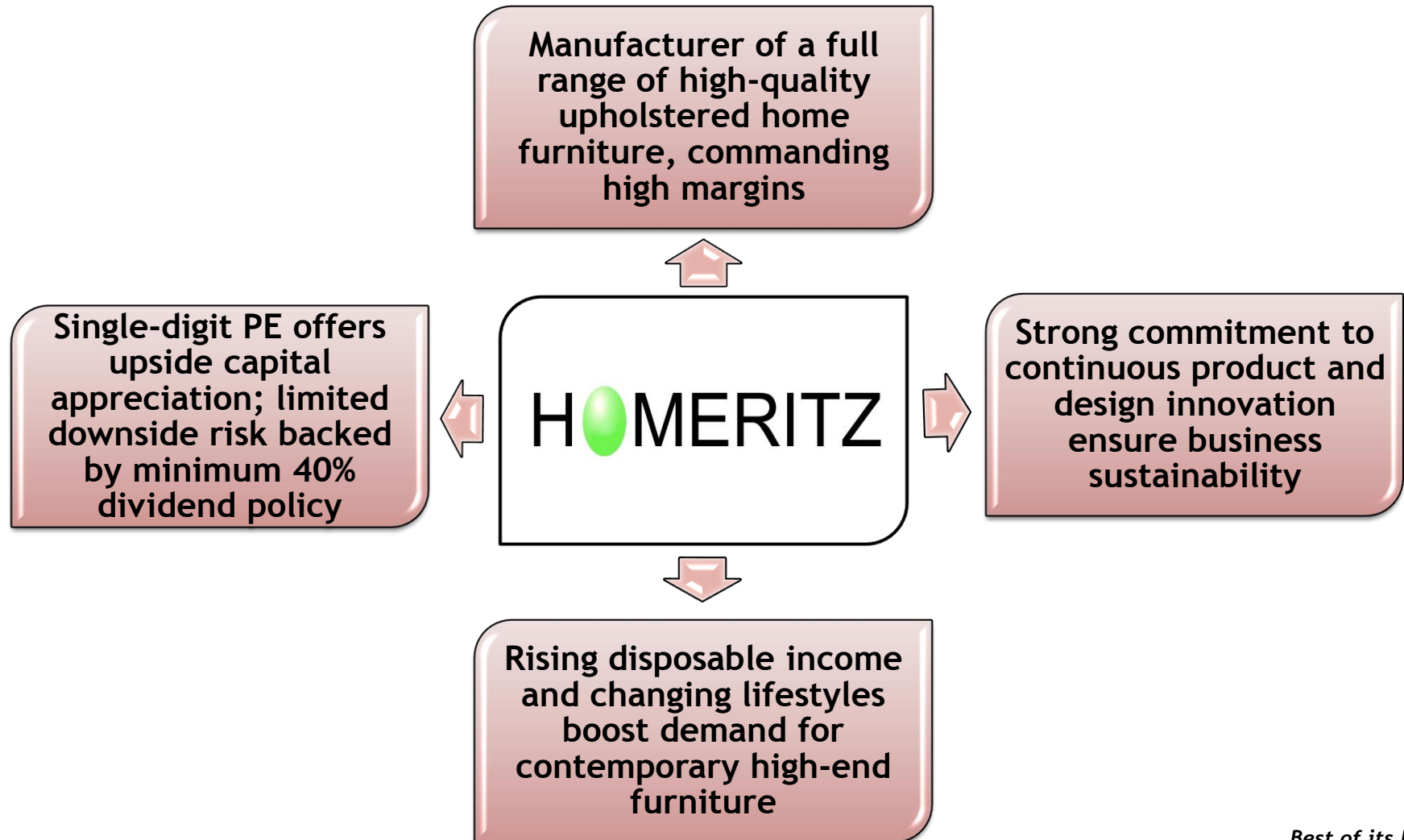
Company	Ticker	Last Price	Market Cap ('mil)	Historical PE (x)	Annualised PE (x)	FY Div Yield @ 27.10.10	Net Margin
			Local currency @ 27.10.10				
Eurospan Holdings Bhd	EURO:MK	1.37	55.43	154.2	N/A	5.8%	5.4%
Lorenzo International	LOREN:SP	0.17	33.17	25.9	6.4	3.0%	1.4%
HTL International Holdings	HWA:SP	0.69	285.35	5.9	8.1	5.8%	8.0%
Latitude Tree	LATI:MK	1.67	108.22	3.70	-	6.0%	5.7%
Average (ex Eurospan)				11.8	7.3	5.0%	5.0%
HOMERITZ	HMCB:MK	0.61	122.00	6.1	-	8.4%	18.2%

* Source: Bloomberg, Aquilas

** Note: Homeritz's dividend yield is cum final single-tier tax-exempt dividend of 2.1 sen per share (subject to shareholders' approval at upcoming AGM)

Best of its kind...

Homeritz: Gem in an unappreciated industry... minimum 40% payout dividend policy already put in place



Best of its kind...



Thank You

Contacts:

Tee Hwee Ing

E: tee@eritz.com.my

T: +606 - 9865 000

Wee See Yee

E: wee@eritz.com.my

T: +606 - 9865 000

Julia Pong

E: julia@aquilas.com.my

T: +6012- 3909 258