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Date:

The Board of Directors
CUCKOO International (MAL) Berhad
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Dear Sirs / Madams,

Independent Market Research Report on the Rental Industry for Home Appliances and Household Goods in Malaysia


We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Independent Market Research Report on the Rental Industry for Home Appliances and Household Goods in Malaysia ("**IMR Report**") for inclusion in CUCKOO International (MAL) Berhad's ("**Company**") prospectus for the listing and quotation of the entire enlarged issued shares in the Company on the Main Market of Bursa Malaysia Securities Berhad ("**Prospectus**").

We are aware that this IMR Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to either cause this IMR Report to be updated for the changes and, where applicable, cause the Company to issue a supplementary prospectus, or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

Frost & Sullivan has prepared this IMR Report in an independent and objective manner, and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:



Narciso Podda
Director
Business & Financial Services

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Methodology

For the purpose of preparing this report, Frost & Sullivan has conducted primary research encompassing interviews with industry experts and industry players¹, and secondary research, which included reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/international organisations, and information from Frost & Sullivan research database. Unless made available in the publicly available sources, projected data was derived by Frost & Sullivan using historical data analysis with the consideration of the social, economic, and political environments for the forecasted period.

Comparable key industry players identified in this report have been selected from a long list of companies developed by screening directories in Malaysia as well as discussion with industry players. Subsequently, the list was presented and discussed with industry players and experts that agreed to be interviewed for the purpose of the analysis. Information were further validated via public information through secondary research (which covers reviews of company reports, official websites/social media channels, independent research reports, information from industry associations/authorities/internal organisations, as well as information from Frost & Sullivan research database) and fine-tuned by contacting identified companies (e.g., telephonic method, and official social media platforms).

Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

FROST & SULLIVAN is a global independent industry research and consulting organisation headquartered in the United States of America with over 60 years of establishment. In Malaysia, FROST & SULLIVAN's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Selangor and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. FROST & SULLIVAN is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR signee, Narciso Podda

Narciso Podda is the Director, Business & Financial Services division, for Frost & Sullivan GIC Malaysia Sdn Bhd. Narciso Podda possesses over 15 years of experience in market research and consulting, including over eight years in independent market research and due diligence exercise for capital markets across the Asia Pacific region. Narciso Podda holds a Bachelor in Business Administration from Bocconi University, Italy, and a Master in International Economics and Finance from Chulalongkorn University, Thailand.

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¹ Industry experts are individuals with in-depth knowledge on the industry (e.g., industry analysts). Industry players are individuals currently or previously working in the rental industry for home appliances and household goods.

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1 INTRODUCTION TO THE RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS

The home appliances and household goods industry in Malaysia is growing, driven by factors such as population growth, resilient economic outlook, and greater product variety. Within this industry, the rental of such products is growing at a faster pace compared to outright purchases. The lower monthly payment of the rental model makes this option more attractive compared to the upfront outright purchase, particularly low- and middle-income groups. The high household debt, and the greater availability of rental packages with hassle-free maintenance, are among the other factors supporting the growth of the industry.


The Company is the second largest player in Malaysia in the rental industry for home appliances and household goods, by revenue for the financial year ended 31 December 2023 and number of active orders as at 31 December 2023. The Company is the market leader based on the number of outlets as at 31 December 2023. By leveraging on its variety of instalment payment options for rental plans, the Company is able to provide flexibility to meet the budget of a broad category of consumers. Its wide range of products, aftersales maintenance services and its omni-channel distribution strategy, enable the Company to expand its customer base and cross-sell to existing customers to achieve higher revenue per customer. These competitive advantages help to solidify the Company's leading position in the market. Accordingly, the Company is well-positioned to capture the future growth potential of the rental industry for home appliances and household goods in Malaysia.

"Home appliances" are electrical or non-electrical devices primarily used within households, but generally also in commercial settings, to perform routine chores and tasks such as cleaning, cooking, cooling, and etc. Electrical home appliances can range from bigger appliances such as cookware, air conditioners, refrigerators, washing machines, massage chairs and treadmills, to smaller appliances such as rice cookers, water purifiers, and air purifiers. Non-electrical household appliances include a manual juicer, egg beater, coffee grinder, food processor, and kettle. "Household goods" encompass a diverse range of items primarily used within households, but generally also in commercial settings, to enhance comfort, organisation, daily living, etc. These widely include furniture like mattresses, sofas, chairs, tables, cupboards, and other home furnishings like curtains and bed linens.

Consumers have two main options to acquire home appliances and household goods, i.e. outright purchase and via rental plans. Both options can involve monthly payments, but rental plans usually offer longer payment periods and lower monthly payments compared to outright purchases.

Table 1-1: Key options for consumers to acquire home appliances and household goods in Malaysia

	Payment timeline	Ownership	Product service
Outright purchase	Full payment at the time of the purchase	Immediate	Generally not included or included for a limited period
	Monthly payments based on the options provided by the bank		
Rental plan	Monthly payments based on the options provided by the seller	After the end of the contract with no outstanding payment	Included for the whole duration of the rental plan

Note:  refers to the Company's range of rental plans, which offers both CUCKOO Rental Plan and the CUCKOO GOODPLAN™.

Source: Frost & Sullivan

This report focuses on the rental industry for home appliances and household goods, to both households and businesses, which the Company's CUCKOO-branded and CUCKOO Co-Created brands fall under. These players typically offer periodic and ad-hoc aftersales maintenance services². Some of the industry players in Malaysia include the Company, Coway (Malaysia) Sdn Bhd ("**Coway**"), SK Magic Retail Malaysia Sdn Bhd ("**SK Magic**"), and Chungho (M) Sdn Bhd ("**Chungho Nais**").

This report excludes companies that primarily generate revenue by selling these products outright, such as department stores (Aeon Co. (M) Berhad ("**AEON**") and Parkson Holdings Berhad ("**Parkson**")), specialty stores like home furnishing (SSF Home Group Berhad) and electrical appliances and electronics stores (Senheng New Retail Berhad ("**SenHeng**") and Elitetrax Marketing Sdn Bhd ("**Harvey Norman**").

² Aftersales maintenance service mainly refers to when the service team goes to the customer's house to service their products, instead of the customer bringing the product to a service center.

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While some brands like LG and Khind provide rental plans for their products, they do not generate majority of their revenue from rental, hence they are excluded in this report.

2 MACROECONOMIC OVERVIEW OF MALAYSIA

The Malaysian economy grew from 2018 to 2023 at a compound annual growth rate (“CAGR”) of 2.8%.³ However, there was a setback in 2020 with a recorded decline of -5.5% due to the initial political uncertainty at the beginning of the year and the economic impact of the coronavirus disease 2019 (“COVID-19”) pandemic. In 2021, the Malaysian economy rebounded by 3.3% and this positive trend continued into 2022, with the easing of COVID-19 restrictions and strong trading activity, contributing to a higher average monthly household income. With higher household income, consumers may seek to upgrade their lifestyle by renting or purchasing home appliances and household goods that they previously could not afford.

Household expenditure in Malaysia grew in tandem with household income. From 2019 to 2022, the total average monthly household expenditure increased from RM4,609 to RM5,150 at a CAGR of 3.8%.⁴ In particular, the total average monthly household expenditure for furnishings, household equipment and routine household maintenance increased from RM200 to RM242 at a CAGR of 6.6% during the same period.

The Malaysian economy proved to be resilient in 2023, growing by 3.7%. This robust performance can be attributed to the continued strength of domestic demand, which has played a significant role in driving this growth.⁵ The Malaysian economy is forecasted to grow by 4.4% in 2024⁶, supported by government initiatives such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan.⁷ The Malaysian economy is forecasted to grow at a CAGR of 4.2% from 2023 to 2028.⁸

The Malaysian population grew at a CAGR of 0.4% from 2018 to 2023 and is forecasted to expand at a CAGR of 1.1% from 2023 to 2028.⁹ With the expectations of a larger Malaysian population, the rental industry for home appliances and household goods will also expand further due to the increased consumer base.

3 ANALYSIS OF RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS IN MALAYSIA

3.1 MARKET SIZE

The estimated revenue of the companies offering rental of home appliances and household goods in Malaysia was RM5.9 billion in 2023. In the same year, it is estimated that there are 4.6 million active orders in Malaysia.

In 2019, this market grew rapidly due to the entrance of SK Magic and Chungho Nais in 2018. In 2020 and 2021, the industry grew further, contributed by the increased demand for home appliances and household goods amidst the COVID-19 outbreak as consumers spent more time at home. In 2022 and 2023, the industry stabilised after the strong growth achieved in the prior years. From 2018 to 2023, the rental industry for home appliances and household goods grew at a CAGR of 24.2%, a faster pace compared to the industry of outright purchases, which grew at a CAGR of less than 10.0% during the same period.

In 2023, the revenue of the rental industry for home appliances and household goods (excluding revenue from aftersales maintenance services) is estimated to range between 10% to 15% of the total home appliances and household goods industry. This indicates the opportunity for the rental model to expand within the home appliances and household goods industry in the coming years.

The rental of home appliances and household goods in Malaysia is a growing industry that is resilient, and is forecasted to continue to grow in the period from 2023 to 2028, at a CAGR of 10.0%. The growth of the rental industry for home appliances and household goods will be driven by newer products such as mattresses and air conditioners, and availability of attractive packages from industry players. The rental

³ International Monetary Fund (“IMF”) World Economic Outlook (“WEO”) April 2024

⁴ DOSM, Household Expenditure Survey Report Malaysia 2022

⁵ Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, February 2024

⁶ IMF, WEO April 2024

⁷ Ministry of Finance, Economic Outlook 2024

⁸ IMF, WEO April 2024

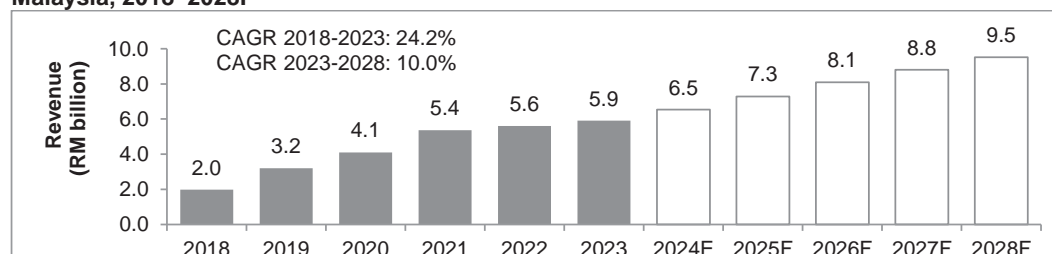
⁹ IMF, WEO April 2024

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packages provide financial flexibility for households due to the convenience of monthly payments, while bundled services such as repair and maintenance provide a hassle-free experience.

Chart 3-1: Market Size of the Rental Industry for Home Appliances and Household Goods in Malaysia, 2018–2028F



Note: Estimated market size based on the revenue of companies primarily engaged in the rental of home appliances and household goods. To note that some revenue may be derived from other activities, other than the rental and/or sales of home appliances and household goods, such as through selling products outright, and aftersales maintenance services after the end of the rental period.

Source: Frost & Sullivan

3.2 DEMAND DRIVERS AND MARKET TRENDS

3.2.1 Demand Drivers

The rental industry for home appliances and household goods is generally driven by consumers seeking to minimise upfront costs, particularly consumers living in urban areas with a high cost of living, and households with budget constraints. Key drivers that contribute to the growth of the rental industry for home appliances and household goods in Malaysia include the following:

Growing number of households and household debt: The number of Malaysian households grew at a CAGR of 2.8% from 7.3 million in 2019 to 7.9 million in 2022¹⁰, outpacing population growth at a CAGR of 0.1% over the same period¹¹. This is due to the lower number of persons per household caused by more individuals living on their own. The growing number of households is expected to benefit the rental industry for home appliances and household goods by expanding the base of potential consumers.

The aggregate household debt in Malaysia increased at a CAGR of 5.1% from around RM1.19 trillion in 2018 to RM1.53 trillion in 2023, with the household debt-to-GDP ratio increasing from 82.0% to 84.2% during the same period.¹² This indicates that consumers allocate a significant portion of household income toward debt repayment, potentially reducing discretionary purchases. As home appliances and household goods in Malaysia are generally considered big-ticket purchases, options for the rental of home appliances or household goods with lower monthly payments will appeal to the low- and middle-income groups whom are generally more value-conscious and seek products with lower price points. This is expected to contribute to the growth of the rental industry for home appliances and household goods.

Attractive instalment payment options for rental plans offering financial flexibility: Budget and affordability are primary considerations for consumers when making purchasing decisions. Rental plans offering lower upfront costs continue to attract consumers with smaller budgets for home appliances or household goods. Additionally, companies typically cover repair and maintenance costs during the rental period, thus alleviating the financial burden on consumers in case of breakdowns or replacements. In addition to affordability, unique designs, features, and functions of rental products also stimulate consumer demand. Rental plans that provide financial flexibility along with a variety of home appliances and household goods, are well-positioned to appeal to cost-conscious consumers while offering access to different products.

Continuous demand from commercial establishments: Businesses often choose to rent appliances such as water purifiers with hassle-free service. Some appliances such as air purifiers are also commonly provided within business premises, for the benefit of workers and guests alike. Public venues like airports, healthcare facilities, food and hospitality businesses, as well as offices in both the commercial and industrial sectors, among others, may also use appliances like water filters and air purifiers. Large businesses may spend more than household users as they purchase larger quantities and/or higher value

¹⁰ DOSM, Household Income Survey Report Malaysia 2022

¹¹ IMF, WEO April 2024

¹² Free Malaysia Today, Household debt at RM1.53 trillion as of last year, March 2024

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appliances such as water purifiers with higher capacity to cater to a larger number of users within commercial premises compared to the average number of users within a household.

3.2.2 Market Trends

Awareness of healthy living and lifestyle: Consumers are increasingly aware of the importance of healthy living driven by greater access to information regarding this topic. The COVID-19 pandemic has further heightened health consciousness among Malaysians.¹³ As a result, consumers are seeking a more holistic approach to achieving healthy living and lifestyle, including the use of home appliances and household goods that they perceive are able to provide such benefits.

Home care services to cater to different consumer lifestyles: Home care services allow consumers to free up time and energy required for general home maintenance and cleaning, yet achieving a cleaner home environment. On top of meeting the demanding schedules of consumers by providing convenience, the services usually come with in-depth cleaning that requires technical knowledge and tools, beyond the regular cleaning methods.

Online channels and social media influence: The number of social media users in Malaysia increased by 4.8 million or about 20.0% between early 2023 and the beginning of 2024.¹⁴ As at 2023, average conversion rates for selected social platforms range between 0.54% and 9.21%.¹⁵ Social media allows brands to increase their exposure and create brand awareness, serving as part of their pull marketing strategy. On top of that, customer product testimonies via online reviews can influence consumers' purchase decisions.

Collaboration with local manufacturers/producers and institutions: Companies may source their products from different countries with different quality production. However, there is a growing trend where some companies collaborate with local partners to produce home appliances such as air conditioners, and household goods such as beds. Beyond production, companies also engage in partnerships with local institutions for research and development, focusing on areas such as water and sleep quality research. These collaborations aim to deliver products that are of high quality in addition to consideration for lifestyles, ultimately benefiting consumers.

Seasonality of the industry: The rental industry for home appliances and household goods exhibits subtle seasonal fluctuations. Demand for these products tends to increase slightly during special occasions like Parents' Day, as consumers often purchase them as gifts. Consumers also tend to replace these items during festive seasons such as Hari Raya Aidilfitri or Chinese New Year. For example, air conditioners are among the top products to shop for during Hari Raya Aidilfitri.¹⁶ Additionally, certain products experience heightened demand during specific weather conditions; for instance, sales of air conditioners and coolers on Shopee increased by 22% during hot weather in May 2023 compared to the previous year.¹⁷ Similarly, sales of air conditioners by the Company peaked in May 2023. The usage of air purifiers increased during hazy periods such as during the transboundary haze event in 2019¹⁸, as evidenced by the Company's higher sales of air purifiers in September 2019, surpassing those of other months in the same year. To adapt to these seasonal variations, companies typically adjust their promotional packages accordingly, taking into account both seasonal trends and prevailing weather conditions.

3.3 SUBSTITUTE PRODUCTS/SERVICES

There are several substitutes for home appliances, but they may vary depending on functionality and features. Consumers often consider the efficiencies and costs of these substitutes. Consumers may choose cheaper alternatives such as fans or air coolers to regulate room temperature. Consumers may also spend on other alternatives such as purchasing bottled water instead of using a water purifier. In terms of home care service, consumers may try to carry out the indoor disinfection themselves without specialised equipment.

Alternatively, consumers may also consider borrowing these items from friends or family members, or opting for services such as cooking, cleaning and laundry services. However, certain home appliances or household goods may be difficult to transport and install as they may require professional installation.

¹³ Herbalife, Improving Overall Health, Eating Habits, and Mental Health Ranked as Top Three Health Goals by Increasingly Health-Conscious Malaysians, August 2023

¹⁴ DataReportal, Digital 2024: Malaysia

¹⁵ BusinessDIT, Here's the Average Conversion Rate Benchmark for Major Advertising Platform, Updated July 2024

¹⁶ SenHeng, Malaysians Spend MORE Time Seeking Raya Deals in 2024 and Save Big with Senheng, May 2024

¹⁷ Malay Mail, Heatwave: Air-conditioners most sought after items on e-commerce platforms, June 2023

¹⁸ CNA, As haze season approaches, businesses prepare for surge in demand of masks, air purifiers, June 2023

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3.4 COMPETITIVE LANDSCAPE

In Malaysia, there are more companies that offer home appliances and household goods through outright purchases compared to those that offer rental plans for such products. The rental industry for home appliances and household goods in Malaysia is dominated by a few large players, with a number of smaller competitors that primarily generate revenue from the monthly rent paid by customers. These brands have branches/offices with sales personnel and technical teams located in various states across Malaysia.

The majority of the companies that offer rental plans also offer end-to-end services, from installation to aftersales maintenance services. Some may extend their services to include home care services on top of the product-related services. These companies face competition not only from companies that primarily generate revenue by selling these products outright, but also from specialised providers that focus solely on product maintenance and home care services. They also face competition from companies that primarily offer business-to-business services to commercial establishments, through rental packages of water dispensers and bundles of large bottled water, as the Company also serves the same segment.

3.4.1 Barriers to Entry

Difficulty in gaining market share in the competitive market: The rental industry for home appliances and household goods in Malaysia mainly comprises a few large companies and a few smaller companies, each offering a range of products bundled with aftersales maintenance services. The competition is intense where the key players compete on, amongst others, product differentiation, technology innovation, and product service. Established players with industry know-how are poised to maintain a competitive advantage, leveraging their experience, resources, and customer base to navigate the competitive environment. As the existing brands are well-established and recognised by Malaysian consumers, it may prove challenging for new entrants to penetrate the market.

High upfront investments required: This industry requires significant upfront capital investment to fund amongst others, product purchases, staff training and sales commissions, whilst customers may make monthly payments for such products over periods ranging from a few months to several years. This makes it challenging for new players to break even in a short period of time compared to large players due to the negative impact to the cash flows associated with offering rental plans.

3.4.2 Key Success Factors

Strong brands and established customer relationship: Companies build their brand by renting out quality products with unique designs, features, and functions to cater to the evolving needs and lifestyle of local consumers at an acceptable price point. Further, on-time aftersales maintenance services and prompt customer support for maintenance and troubleshooting help to build customer loyalty. Companies may also engage brand ambassadors to increase brand awareness, while the rental contract model with a duration of a few years helps engaging with the customer base. These approaches foster strong customer relationships and loyalty, creating customer stickiness and contributing to overall success.

Broad range of products and services targeted at consumers' needs: Companies with a broad range of products sold at different price points are able to consistently build excitement and meet consumers' evolving needs, thereby expanding the addressable market. Further, leveraging on a good track record and customer satisfaction from previous product sales and aftersales maintenance services, these companies can engage in cross-selling across their diverse product categories, sustaining future revenue streams. Additionally, companies that stay abreast of the latest market preferences and understand consumer behaviours can remain competitive by launching new products and services to address changing consumer preferences.

Targeted marketing strategy to attract new and retain existing customers: A well-trained and knowledgeable sales, marketing and service team can further implement targeted marketing efforts by effectively communicating product benefits to specific customer segments. For instance, companies can promote suitable products that have not yet been used by the customer when carrying out the routine product service or other home care services. Companies that frequently launch creative campaigns or initiatives, featuring attractive deals with great value such as bundled packages of products and aftersales maintenance service, have higher success rates to draw in and retain customers. Additionally, some companies establish their own experience centres to educate potential customers and provide comprehensive product knowledge.

Mixed sales channels and broad geographical coverage: The availability of a variety of sales channels provides convenience and flexibility for customers. For example, online platforms became particularly beneficial during the COVID-19 lockdown, allowing consumers to make purchases without needing to physically visit a store. Companies have continued to embrace online sales channels and/or omni-channels

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to attract customers even after the pandemic. Additionally, companies that have broad geographical presence offer customers easy access to experience and test home appliances and household goods before purchasing. A widespread presence can enhance brand recognition and customer loyalty by increasing brand visibility and awareness. This widespread presence, often supported by a network of warehouses and/or regional distribution centres, ensures wider geographic reach, efficient product delivery, and the ability to adapt to seasonal demands or new product launches.

3.4.3 Profiles of Key Players

The Company has outlets¹⁹ in all states and Federal Territories, except Perlis. The Company has a notably stronger presence in the central region in Malaysia. Specifically, one CUCKOO outlet serves roughly 91,100 people (or about 22,900 households) in the central region, which translates to 11.0 outlets per million people (or 43.7 outlets per million households).

Table 3-1: Estimated Population and Population Density by Region²⁰ as at 30 June 2024 vs CUCKOO Outlets as at 15 August 2024

Malaysia	Population (thousand) (Jun 2024) ⁽¹⁾	Area (kilometer ("km") ²)	Population Density (people/ km ²)	CUCKOO outlets count (Aug 2024) ⁽²⁾	CUCKOO outlets penetration (outlet / million population) ⁽³⁾	CUCKOO outlets population coverage (population (thousand) / outlet) ⁽³⁾
Peninsular Malaysia	27,211	132,492	205	218	8.0	124.8
Central	9,383	8,233	1,140	103	11.0	91.1
East Coast	4,705	64,124	73	18	3.8	261.4
Northern	6,763	32,504	208	49	7.2	138.0
Southern	6,360	27,631	230	48	7.5	132.5
East Malaysia	6,249	198,363	32	44	7.0	142.0

Note: Latest available data as at 15 August 2024. (1) Estimated population data as at 30 June 2024; (2) CUCKOO outlets count as at 15 August 2024; (3) Calculated based on the population data as at 30 June 2024 and CUCKOO outlets count as at 15 August 2024.

Source: DOSM; IMF; Frost & Sullivan

Table 3-2: Number of Malaysian Households by State as at 31 December 2022 vs CUCKOO Outlets as at 15 August 2024

Malaysia	Number of households ('000) (Dec 2022) ⁽¹⁾	Area (km ²)	Households / area in km ²	CUCKOO outlets count (Aug 2024) ⁽²⁾	CUCKOO outlets penetration (outlet / million households) ⁽³⁾	CUCKOO outlets household coverage (households (thousand) / outlet) ⁽³⁾
Peninsular Malaysia	6,689.4	132,492	50.5	218	32.6	30.7
Central	2,358.7	8,233	286.5	103	43.7	22.9
East Coast	1,021.8	64,124	15.9	18	17.6	56.8
Northern	1,738.2	32,504	53.5	49	28.2	35.5
Southern	1,570.7	27,631	56.8	48	30.6	32.7
East Malaysia	1,219.7	198,363	6.1	44	36.1	27.7
Total Malaysia	7,909.2	330,855	23.9	262	33.1	30.2

Note: Latest available data as at 15 August 2024. (1) Number of Malaysian households as at 31 December 2022, total may not add up due to rounding; (2) CUCKOO outlets count as at 15 August 2024; (3) Calculated based on the number of households as at 31 December 2022 and CUCKOO outlets count as at 15 August 2024.

Source: DOSM; Frost & Sullivan

Among the selected players, the Company has the largest number of outlets in Malaysia as at 15 August 2024. With its wide geographical presence in Malaysia, the Company is able to capture a large number of customers. The other two selected key players hold a direct selling license and are therefore required to comply with laws and regulations applicable to direct selling companies. However, these restrictions are not applicable to the Company. Hence, the Company has greater flexibility to adjust its commission schemes to attract and retain sales agents and service staff. The Company can also adapt sales channels, product pricing, and marketing plans, among others, to respond to changing market conditions.

As at 15 August 2024, among the selected key players, the Company has a wide range of product categories for home appliances and household goods under its CUCKOO-branded products and CUCKOO Co-Created segments. Only the Company, through its brand, WonderKlean, provides home care services for products which it doesn't sell, such as indoor disinfection services, and cleaning services for air conditioners, washing machines, kitchen appliances and mattresses of other brands.

¹⁹ CUCKOO outlets refer to CUCKOO Brandstores, CUCKOO Brandkiosks, and CUCKOO Brand Gallery

²⁰ Central region: state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. East Coast region: state of Kelantan, Terengganu and Pahang. Northern region: state of Perlis, Kedah, Pulau Pinang and Perak. Southern region: state of Johor, Melaka and Negeri Sembilan. East Malaysia: state of Sabah and Sarawak and the Federal Territory of Labuan.

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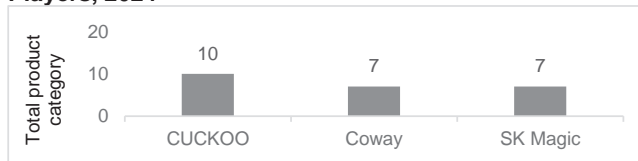
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Table 3-3: Selected Key Players in the Rental Industry for Home Appliances and Household Goods in Malaysia, 2024

Brand Name ⁽¹⁾	Number of States and Federal Territories where the brand is present ⁽²⁾	Products	Outlets ⁽³⁾	Number of sales individuals/ personnel	Number of service individuals/ personnel ⁽⁴⁾	Customer details	Number of active orders in 2023
CUCKOO	15	Home appliances and household goods	262	6,085	3,556 include homecare specialist	~1.1 mil active orders ⁽⁵⁾	~1.1 mil ⁽⁵⁾
Coway	15	Home appliances and household goods	174 ⁽⁶⁾	5k-8k ⁽⁷⁾	~9k ⁽⁸⁾	3.09 mil accounts, of which 2.96 mil are rental accounts and ~125k are membership accounts ⁽⁹⁾	2.7 mil (estimated)
SK Magic	14	Home appliances	64	1-2k	~500	~220k accounts ⁽¹⁰⁾	0.2 mil (estimated)

Notes: Data for each company is provided on a best-effort basis based on publicly available information; (1) The brands listed are selected key players that have at least 50 outlets in Malaysia as at 15 August 2024. The brands are sorted based on the total number of outlets in Malaysia; (2) Refers to the 13 states and 3 Federal Territories in Malaysia; (3) Include retail stores and kiosks. Outlets count is as at 15 August 2024; (4) Staff may engage in cross-selling when providing services; (5) Include CUCKOO-branded and CUCKOO Co-Created active orders for better comparison with other brands; (6) Include sales office and roadshow; (7) Refer to active sales organisation members per month in 2023; (8) Number of service people refer to Coway Lady only; (9) Exclude non-performing, 5-year maturity pending and free membership accounts. A rental account is converted to a membership account after the end of the rental contract period; (10) Accounts are based on products rented/sold.

Source: Respective Company Websites; Frost & Sullivan

Chart 3-2: Total Product Category among Selected Key Players, 2024

Notes: Includes products under the brand and co-branded or affiliate products. Data collected as at 15 August 2024. (1) Washer and dryer are counted as one product category. Outdoor water filter counted as separate product category from indoor filtration and shower head.

Source: Respective companies' website; Frost & Sullivan

The Company's products are generally priced competitively (without consideration for product features) compared to its competitors in the home appliance and household goods rental industry in Malaysia as at 15 August 2024.

Table 3-4: Comparison of Key Product Category among Selected Key Players in the Rental Industry for Home Appliances and Household Goods in Malaysia, 2024

	CUCKOO	Coway	SK Magic
Water Purifier			
Total # of water purifier ⁽¹⁾	12	12	8
Price range for rental (RM per month) ^{(2) (3)}	65 – 123 (1 st – 3 rd year) 60 – 118 (4 th – 5 th year)	69 – 190	80 – 185 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	1,999 – 4,500	2,490 – 8,000 (except one model without outright option)	2,400 – 6,500 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years (or flexible period from 3 to 7 years under CUCKOO GOODPLAN™ for selected model)	5 years (except two models up to 7 years)	3, 5 or 7 years
Air Purifier			
Total # of air purifier ⁽¹⁾	7	4	5
Price range for rental (RM per month) ^{(2) (3)}	70 – 130 (1 st – 3 rd year) 65 – 125 (4 th – 5 th year)	98 – 142 ⁽⁴⁾	100 – 140 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	1,800 – 4,000	3,190 – 4,700	3,500 – 4,800 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years	5 years	3, 5 or 7 years
Outdoor filter			
Total # of outdoor filter ⁽¹⁾	1	1	1
Price range for rental (RM per month) ^{(2) (3)}	85	100	105 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	2,400	3,500	3,000 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years	5 years	3 or 5 years

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	CUCKOO	Coway	SK Magic
Air conditioner			
Total # of air conditioner ⁽¹⁾	2	2	3 (2 series)
Price range for rental (RM per month) ^{(2) (3)}	98 – 108	100 – 110	150 – 190 (without service)
Price range for outright (RM) ⁽²⁾	NA	NA	NA
Rental period ⁽⁵⁾	5 years	5 years	5 years
Massage chair			
Total # of massage chair ⁽¹⁾	1	1	NA
Price range for rental (RM per month) ^{(2) (3)}	139	145	NA
Price range for outright (RM) ⁽²⁾	7,999	8,199	NA
Rental period ⁽⁵⁾	5 years	5 years	NA
Mattress			
Total # of mattress ⁽¹⁾	4 (2 series)	12 (4 series)	NA
Price range for rental (RM per month) ^{(2) (3)}	99 – 129 (queen) 119 – 149 (king)	109 -139 (queen) 129 – 159 (king)	NA
Price range for outright (RM) ⁽²⁾	3,699 – 5,199 (queen) 3,999 – 5,499 (king)	4,500 – 5,780 (queen) 5,200 – 6,380 (king)	NA
Rental period ⁽⁵⁾	3 – 7 years (CUCKOO GOODPLAN™)	5 years	NA

Notes: Product categories selected based on the categories available among at least two of the selected key players. Includes products under the brand and co-branded or affiliate products. The data for each company is provided on a best-effort basis based on publicly available information. “N/A” indicates that data/information is not available. Data collected as at 15 August 2024; (1) The number of products includes the calculation of different models of products in a series, and excludes bedframe, filter and replacement parts and regardless of the colour; (2) The price range may not be directly comparable for the same category between different key players, due to different product features, and terms and conditions of the rental or outright plan. Price range is extracted based on the standard pricing and excludes seasonal promotion plans and trade-in promotions, unless otherwise stated; (3) If different rental periods are available, the price points for 5 years or “5+0” are taken as reference; (4) Price for products with 4-month regular servicing where applicable; (5) Refer to the standard rental period unless otherwise stated.

Source: Respective companies’ website; Frost & Sullivan

3.4.4 Financial Benchmarking Versus Selected Key Players

The Company and its subsidiaries (“the Group”) has among the highest profit before tax (“PBT”) margin, profit after tax (“PAT”) margin and positive current ratio as compared to the selected key players, indicating that the Group is efficient in managing its costs and generating profits from its operations. The Group also has a positive net cashflow from operating activities, which is important for the sustainability of the business.

Table 3-5: Financial Benchmarking of Selected Key Players, Home Appliances and Household Goods Industry in Malaysia, 2023

Company	Financial year ended	Revenue (RM mil) ⁽¹⁾	PBT Margin ⁽²⁾	PAT Margin ⁽³⁾	Current Ratio ⁽⁴⁾	Net cash from/ (used in) operating activities (RM mil)
Companies that primarily generate revenue by rental						
The Group	31 December 2023	1,116.6	12.4%	7.8%	1.1	103.4
Coway (Malaysia) Sdn Bhd	31 December 2023	3,795.5	13.4%	9.9%	0.8	(330.6)
SK Magic Retail Malaysia Sdn Bhd	31 December 2023	332.5	-8.2%	-8.2%	0.9	(76.6)
Companies that primarily generate revenue by selling products outright ⁽⁵⁾						
Aeon Co. (M) Berhad	31 December 2023	4,129.0	4.7%	2.8%	0.5	629.9
Parkson Holdings Berhad	31 December 2023	3,126.0	3.7% ⁽⁶⁾	1.4% ⁽⁶⁾	1.0	688.8
Senheng New Retail Berhad	31 December 2023	1,315.0	2.6%	1.9%	2.1	65.1
LG Electronics (M) Sdn Bhd	31 December 2023	619.1	3.0%	2.3%	0.7	(45.6)

Note: Information based on the latest available financial data reported by selected players as at 15 August 2024. The list of selected players may not be exhaustive and the information is provided for reference only. The selected players have reported a revenue of more than RM200 million in the latest financial statement available as at 15 August 2024; (1) The revenue reported may be derived from other activities, other than rental and/or sales of home appliances and household goods; (2) Computed based on PBT divided by revenue; (3) Computed based on PAT divided by revenue; (4) Computed based on current assets divided by current liabilities; (5) Aeon, Parkson and Senheng carry multiple brands of home appliances and household goods while LG Electronics (M) Sdn Bhd carries its own branded products and distributes them through other outlets. (6) Value refers to PBT / PAT from continuing operations.

Source: Respective companies’ audited financial statements; Frost & Sullivan

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3.4.5 Market Share

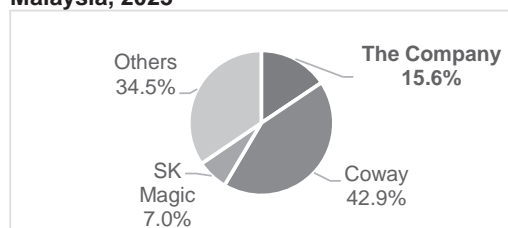
The Company is the second largest player for the rental of home appliances and household goods in Malaysia based on revenue, with a market share estimated at 18.6% for the financial year ended 2023.²¹ The Company is also the second largest player based on the number of active orders, with a market share estimated at 23.4% as at 31 December 2023.²² Coway is the largest player in the rental industry for home appliances and household goods in Malaysia based on revenue and number of active orders, with a market share estimated at 64.2% and 58.7% respectively in 2023.²³ Its growth has been supported by its variety of rental plans to meet the budget of a broad category of consumers. Its growth has also been supported by its wide range of products, and aftersales maintenance services, that enable the Company to expand the customer base and cross-sell. With these factors in place, the Company is well-positioned to gain a strong foothold and grow in the period forecasted in this report.

4 OVERVIEW OF THE MARKET FOR WATER PURIFIERS IN MALAYSIA

Within the rental industry for home appliances and household goods, water purifiers represent the product category with the highest sales in Malaysia as at 2023. Water purifiers in Malaysia are available not only through players in the rental industry (e.g. the Company, Coway and SK Magic), but also through, amongst others, direct selling companies (e.g. Amway (Malaysia) Holdings Berhad and Cosway (M) Sdn Bhd), electrical appliances and electronics stores (e.g. Senheng and Harvey Norman), department stores (e.g. Aeon and Parkson). The sales of water purifiers in Malaysia by all types of retailers, are estimated at around 859,900 units in 2023.²⁴

The Company is estimated to hold 15.6% of the market share based on the number of water purifiers rented and sold in Malaysia in 2023, making the Company one of key industry players in this space²⁵. This is supported by the variety of models available to meet the demand of consumers.

Chart 4-1: The Company's Market Share by Number of Water Purifiers Rented and Sold in Malaysia, 2023



Notes: (1) Market share estimates estimation of units of water purifiers rented from selected players for 2023 based on info collected as at 15 August 2024; (2) The category labelled as "Others" includes players primarily engaged in the rental of home appliances and household goods to households and businesses with a market share that is estimated to be less than 5.0% in 2023, players in the home appliances and household goods industry regardless of their market share, and other players for which unit rented and/or sold cannot be estimated.

Source: Frost & Sullivan

²¹ The Company's market positioning in 2023 is confirmed by comparing its revenue in 2023 against the actual and estimated revenue of other similar key players including those reported in the Table 3-3. The revenue data may not have been available for all players at the time of the research. Therefore, Frost & Sullivan has estimated their revenue based on various factors, including industry news, and the industry average growth rate. The market share is calculated based on the Company's revenue generated in Malaysia of RM1,097.6 million for the financial year ended 2023 over the estimated market size of the rental industry for home appliances and household goods in Malaysia of RM5,911.1 million in 2023.

²² The number of active orders refers to orders from customers who (i) have made outright purchases and are receiving aftersales maintenance services; (ii) have active rental contracts; or (iii) have active subscription contracts for maintenance services or home care services. The Company's market positioning in 2023 is confirmed by comparing its active orders in 2023 against the estimated active orders of other similar key players including those reported in the Table 3-3. The active orders data may not have been available for all players. Therefore, Frost & Sullivan has estimated their active orders based on various factors, including publicly available historical information, and proportion of total rental accounts, among others. The market share is calculated based on the Company's active order of around 1.1 million over the estimated number of total active orders in the rental industry for home appliances and household goods in Malaysia of 4.6 million in 2023.

²³ The market share for Coway is calculated based on Coway (Malaysia) Sdn Bhd's revenue of RM3,795.5 million over the estimated market size of the rental industry for home appliances and household goods in Malaysia in 2023 of RM5,911.1 million, and Coway's estimated active orders of around 2.7 million in 2023 over the estimated total active orders in the rental industry for home appliances and household goods in Malaysia of 4.6 million in 2023.

²⁴ F&S estimation

²⁵ The Company's market positioning in 2023 is confirmed by comparing its water purifiers units rented and sold in 2023 against the total estimated units rented and sold in Malaysia in 2023. The units rented and/or sold data may not have been available for all players. Therefore, Frost & Sullivan has estimated the total units rented and/or sold based on publicly available information by industry players and statistical proxy data, among others.

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5 MACROECONOMIC OVERVIEW OF SINGAPORE AND OUTLOOK OF THE RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS

Singapore boasts a robust economy. Its GDP grew from Singaporean dollars (“SGD”) 474.6 billion in 2018 to SGD532.3 billion in 2023 at a CAGR of 2.3%. The economy is forecasted to reach SGD598.6 billion in 2028, growing at a CAGR of 2.4% from 2023. Singapore is the wealthiest country in Southeast Asia in terms of GDP per capita. Singapore’s GDP per capita grew from SGD84,161.5 in 2018 to SGD89,944.4 in 2023, at a CAGR of 1.3%, and it is forecasted to grow at a CAGR of 1.7% from 2023 to reach SGD97,9740.5 by 2028.²⁶ With a high income per capita, Singaporeans are prone to seek convenience and comfort with hassle-free maintenance for their home appliances and household goods. The rental model for these products caters well to these needs. Singapore’s total population stood at 5.6 million in 2018, and has reached 5.9 million in 2023. The population is expected to reach 6.1 million by 2028 at a CAGR of 0.6%. With a land area of only 735.6km²,²⁷ Singapore has a population density of 8,072 people/km² as at June 2024. This facilitates the service of rented home appliances and household goods, and minimise the need to establish a broad network of sales and services centres by industry players interested in penetrating this market. Singapore’s growing economy and population contribute to a positive outlook for the rental industry for home appliances and household goods.

Most companies operating in Singapore’s rental market offer both household goods and home appliances to cater to a diverse range of customer needs. These companies leverage different business models in their operations, including rental (e.g. Cuckoo, Coway, Expats Furniture Rental), leasing (e.g. Lian Huat Furniture Rental, Singapore Furniture Rental) or subscription (e.g. Electrolux via their Levande platform). These business models mainly differ based on the ownership at the conclusion of the contract. Their services for various home appliances and household goods during the contract period, contribute to the growth and diversity of the rental industry in Singapore.

6 SUMMARY PROSPECTS AND OUTLOOK FOR THE COMPANY

The Company is the second largest player in the industry for the rental of home appliances and household goods in Malaysia based on revenue and number of active orders in 2023. The Company is the market leader based on the number of outlets in 2023.

The Company has successfully implemented the rental business model, gaining traction through attractive rental packages while also providing options for consumers to purchase products outright. This business model offers flexibility for consumers without imposing high upfront costs. Offering a wide range of products and services catering to various consumer needs, including home care services, the Company has formed strategic partnerships with local manufacturers and producers to leverage their expertise in delivering quality products. The Company plans to include more product categories as well as introduce new products within existing categories to cater to a wider group of consumers. In addition to home appliances and household goods, the Company also offers skincare and nutritional food products through its WonderLab and WonderDewi brands.

Furthermore, the Company provides customer service through a team that focuses on aftersales support including installation, maintenance, and servicing of products. This customer-centric approach fosters trust and loyalty, driving positive word-of-mouth referrals and opportunities for cross-selling. The Company’s dedication to innovation and technology, supported by its business partners such as OGAWA Malaysia, LSK and Fujiare, helps solidify the position of the company in the market.

With its extensive geographical coverage in Malaysia, the Company ensures access to its products nationwide, reaching a diverse range of customers. To bolster its omni-channel presence, the Company launched its e-commerce site in May 2024. With its industry positioning benefitting from competitive strengths, and unique strategies; the Company is well-positioned for future growth.

²⁶ IMF, WEO April 2024

²⁷ Singstat, Environment, Latest Data for June 2024