

Executive Deputy Chairman's Management Discussion and Analysis



DEAR STAKEHOLDERS,

In Financial Year 2023 (FY2023) as the world transitioned into endemicity with the easing of COVID-19 related restrictions, reopening of borders and safe normalisation of business activities, the orders for ePassports and smart cards have begun to recover. At IRIS, our diligent and resilient team worked together with our partners and suppliers throughout this recovery period to ensure successful delivery of our products and solutions to our customers around the world. As a result, the Group delivered Profit Before Tax (PBT) of RM32.8 million in FY2023, a 681% increase compared to FY2022 PBT of RM4.2 million.

Our board, management and employees continued our relentless focus in FY2023 on top 3 priorities:

1. Ensure the health, safety and wellbeing of our employees
2. Manage cash flow by implementing prudent cost-saving measures
3. Ensure business sustainability

The Group endeavours to create a safe, healthy and trusting environment for our employees to motivate productivity and performance. Both our Safety, Health and Environment (SHE) and Fire Safety Organisation (FSO) teams are trained to respond to crisis and set safe standards for our working environment. During the year, numerous company-wide employee engagement activities were organised including a Health Fair where employees received free health check-ups.

Another core focus is cost-saving measures to further improve our cash flow, productivity and efficiency. Our action plans included an emphasis on manufacturing improvements, optimising infrastructure costs by adopting cloud technology and reducing the consumption of materials, energy and water.

The Group remains steadfast to ensure business sustainability by continuing to raise Environmental, Social and Governance (ESG) standards. In September 2022, we committed to the Malaysia Digital Climate Action Pledge (MDCAP) to strengthen our focus on sustainability while pursuing a smaller carbon footprint. MDCAP is an initiative

by MDEC to accelerate the number of commitments made by businesses across the digital economy and deliver a measurable reduction in the impact of climate change.

We successfully maintained our ISO Environmental Management System (EMS), ISO Information Security Management System (ISMS) and ISO Quality Management System (QMS) certifications. In FY2023, IRIS achieved new industry standard certifications by being the first company in Malaysia that obtained both Intergraf Certified Security Printer and Certified Security Supplier certifications. Intergraf is the globally recognised trade association promoting and protecting the interests of the security printing industry.

During the year, the Group also focused on optimising our human capital potential. We invest in the learning and development of our employees by offering various skill enhancement courses including Leadership Development and Scrum Master certification Programmes. Our dedicated and passionate employees are the driving force of IRIS and are committed to deliver our existing projects successfully.

We recognise that having a solid governance framework is key to rebuilding trust, transparency and creating long-term sustainable value. Today, we have implemented the Anti-Bribery and Anti-Corruption Policy, No Gift Policy and Whistleblowing-Policy and Fit and Proper Policy to enhance business integrity and strengthen corporate governance.

GROUP FINANCIAL PERFORMANCE

Our relentless focus on delivering ePassports and electronic Identification (eID) cards for overseas projects, and smart cards domestically paid off resulting in revenue of RM349 million in FY2023, a 65% increase compared to RM211 million in FY2022. The Group's Profit After Tax (PAT) recorded a 544% increase to RM21.9 million in FY2023 compared to RM3.4 million in FY2022. As a result of better revenue and PAT, we have strengthened our financial position. In addition, the Group's Total Equity Attributable to the Owners of the Company improved by 7% to RM347.1 million from RM325.3 million in FY2022.

Trusted ID posted a higher revenue of RM344.2 million in FY2023 as compared to FY2022 revenue of RM206.8 million due to the increased demand for ePassports and eID cards arising from post COVID-19 recovery.

Profit After Tax (PAT) for the division increased by 34% to RM28.1 million compared to PAT of RM21 million in FY2022.

The Sustainable Development division posted a higher revenue of RM4.7 million in FY2023 compared to FY2022's RM4.2 million. This non-core business division contributed PAT of RM22.8 million in FY2023 compared to PAT of RM6.2 million in FY2022 mainly due to the recovery and cost savings arising from settlement of accounts with stakeholders.

We aim to position the Group for sustainable growth over the long term by managing risks effectively, optimising costs and reinventing IRIS suite of products and solutions. Moving forward, IRIS is expected to continue to derive revenues from the on-going Trusted ID projects in Africa and Asia regions and gain new revenue streams by pursuing new business opportunities.



GROUP REVENUE

+65%

(FY 2022: RM211 MILLION ▷ FY 2023: RM349 MILLION)



GROUP PAT (PROFIT AFTER TAXATION)

+544%

(FY 2022: RM3.4 MILLION ▷ FY 2023: RM21.9 MILLION)



GROUP'S TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

+7%

(FY 2022: RM325 MILLION ▷ FY 2023: RM347 MILLION)

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*Continued***SUMMARY OF FINANCIAL INFORMATION**

		2023 RM'000	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000
REVENUE		348,871	210,987	106,618	229,587	229,237
Profit/(Loss) before taxation		32,840	4,192	(9,569)	18,393	40,816
Profit/(Loss) after taxation		21,890	3,405	(12,865)	9,974	37,507
Total Equity attributable to owners of the Company		347,121	325,350	314,123	282,557	272,581
Current assets		330,915	280,000	234,353	247,772	266,416
Non-current assets		197,601	229,011	229,532	236,547	249,247
Total assets		528,516	509,011	463,885	484,319	515,663
Current liabilities		173,226	170,066	152,957	193,154	231,072
Non-current liabilities		10,011	15,447	19,504	29,464	34,607
Total liabilities		183,237	185,513	172,461	222,618	265,679
Net assets		345,279	323,498	291,424	261,701	249,984
KEY RATIO	BASIS					
Pre-tax profit/(loss) margin	(%)	9.41	1.99	(8.98)	8.01	17.81
Post-tax profit/(loss) margin	(%)	6.27	1.61	(12.07)	4.34	16.36
Basic earnings/(loss) per share	(sen)	0.67	0.11	(0.37)	0.46	1.40
Net assets per ordinary share attributable to owners of the Company	(sen)	10.64	9.97	10.20	9.65	9.19
Total borrowings to equity ratio	(%)	0.81	2.31	5.97	11.06	19.80

Note: Revenue, profit/(loss) before taxation and profit/(loss) after taxation represent performance of continuing operations only.

STRENGTHENING TRUSTED ID

Trusted ID is what IRIS does best. Throughout the past 28 years, IRIS has delivered more than 103 million passports and more than 170 million eIDs and driving license cards around the world. In FY2023, we continue our focus and efforts to further strengthen our position in Trusted ID industry by:

- Leveraging on our global footprint in 34 countries
- Increasing our global market share in Trusted ID products and solutions
- Expanding our domestic market share in Malaysia

As government around the world seek solutions to protect and provide secure identities to their citizens, we continue seeking opportunities to leverage on our global footprint and expand our market share globally.

According to a market research study published by CDI (Contrive Datum Insights), the Global ePassport market is expected to expand at a CAGR (Compound Annual Growth Rate) of 23% to USD213.65 billion by 2030. Key factors driving the growth of this market include emphasizing on innovative verification techniques to detect identity frauds and the increasing number of individuals traveling across borders.

In tandem with ePassports, the Automated Border Control (ABC) market is also growing. Emergen Research projected that the global ABC market size would reach USD 6.74 Billion by 2032, registering a CAGR of 13.5%. ABC has emerged as a solution to enhance the traveler experience of passengers around the world. According to International Air Transport Association (IATA), 8.2 billion air travelers are expected worldwide by 2037. This increase in number of international passengers leads to increase in demand for effective seamless ABC solution to speed up the border control process.

To capture this growing ABC and ePassport markets, we are aligning our skill sets and leveraging on our expertise in delivering border control and ePassport solutions to Guinea, Nigeria, Solomon Islands, Senegal and India, to further enhance our solutions with AI, data analytics and advance multi-modal biometrics.

In addition to delivering ePassports and border control solutions, we also continue our focus to deliver various types of ID cards to Malaysia, Brunei, Canada, Tanzania, Bhutan, Senegal, Zanzibar and Sri Lanka.

IRIS has over 28 years of experience and expertise in deploying Trusted ID solutions to 34 countries to date. We are not just suppliers, we are partners of growth to our clients around the world including our home market, Malaysia.

In addition to deploying IRIS Smart Devices to banks, hospitals, insurance companies and retail outlets, we continued delivery of loyalty and payment smart cards, including Touch 'n Go cards.

Throughout FY2023, our resourceful and dedicated teams delivered on our reputation for excellence in project delivery and meeting customers' needs. In today's competitive environment, our teams continue to find new ways to innovate, control costs and deliver more value to our clients.

IRIS Trusted ID products and solutions are customer-centric and fit-for-purpose in the digital age. We will continue to focus on delivering our projects while pursuing new growth opportunities to help IRIS maximize shareholders' value.

CORPORATE DEVELOPMENTS

I would like to report that IRIS had on 10 February 2023 entered into a Shares Sale Agreement with Tass Tech Technologies Sdn. Bhd, a company incorporated in Malaysia, for the disposal of 80% equity interest in its wholly owned subsidiary, IRIS Information Technology Systems Sdn Bhd ("IITS") for a total cash consideration of RM70,000,000.00 only ("Disposal Consideration").

The proposed disposal is expected to be completed in November 2023 upon full settlement of Disposal Consideration.

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NAVIGATING CHALLENGES AHEAD

The future still carries significant risks. Although the worst of the COVID-19 pandemic is behind us, we are cognizant of the challenging global environment amid elevated geopolitical tensions, rapid rise in interest rates to quell escalating inflation and heightened trade conflict between the big economies.

According to the World Economic Outlook update by the International Monetary Fund "The global growth is projected to fall from 3.4% in 2022 to 2.8% in 2023, before settling at 3.0% in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7% in 2022 to 1.3% in 2023."

In times of uncertainty and challenges in FY2024, the Group will continue to focus on cost optimisation efforts to ensure the Group remains competitive and deliver sustainable growth in the long term.

In this regard, we are cautiously optimistic as IRIS is poised to benefit from the opening of international borders resulting in increased demand for ePassports and Automated Border Control (ABC) solution. In addition, with international travel returning to normalcy, our international sales and marketing teams have resumed our participation in overseas exhibitions and events to meet with existing and potential partners / customers to grow our business and to strengthen IRIS brand.

Moving forward, we will continue our efforts to keep clients at the core of everything we do and reshape our customer-centric Trusted ID and Adjacent IT portfolios to build an optimal mix of products and solutions that meet the demands for digitalisation by incorporating innovations in AI (Artificial Intelligence), big data and related IT services. Plans are underway to build a new Strategy and Innovation Department to deliver innovative and customised solutions through synergies with business partners namely clients, technology partners and suppliers.

New solutions slated for launch and deployment in the coming years include IRIS Smart Kiosks (a smart kiosk is an interactive digital screen that provides users with essential information and services through an intuitive interface) and IRISeal, a cutting-edge encrypted Visible Digital Seal with biometrics to ensure data authenticity and integrity.

Sustainability will continue to be our focus in FY2024 to ensure that Economic, Environmental and Social (EES) considerations are integrated into the Group's business strategies to deliver value to all our stakeholders. The Group is committed to intensify our initiatives towards achieving a net zero greenhouse gas emissions by 2050, in line with the Paris Agreement.

We will continue to manage our environmental responsibilities systematically via the ISO EMS certification which includes the management of energy, water and waste. In our ongoing efforts to minimise the Group's carbon footprint, we are considering the installation of solar panels on our building rooftop.

In addition, we will maintain all our ISO certifications, implement more sustainable business practices and act responsibly to ensure we create positive impacts for all our stakeholders.

We are well positioned to develop new growth opportunities by capitalising on IRIS' inherent strengths to support government's digital aspirations around the world. Barring any unforeseen circumstances, we are looking forward to accelerating growth, remaining competitive and increasing both top-line and bottom-line in FY2024.

THE BOARD AND KEY MANAGEMENT POSITIONS

On behalf of the Board, I extend my heartfelt gratitude to Tan Sri Nik Mohamed Bin Nik Yaacob, our former Chairman and Mr Shaiful Subhan, our former Group CEO and Non Independent Executive Director, who resigned from the Board on 31 January 2023 and 31 December 2022 respectively.

We deeply appreciate both Tan Sri Nik's and Mr Shaiful's contributions during their tenure in IRIS. Their visionary leadership has been instrumental in the strength of IRIS' business performance. We wish them every success in their future endeavours.

I wish to welcome our new Acting CEO, Mr Chia Jen Wen who was appointed on 1 January 2023. Mr Chia has been with IRIS since February 2022 as Chief Operating Officer, Special Projects. He brings with him valuable experience and expertise, which we are confident will contribute positively to the Group.

NOTE OF APPRECIATION

Although we faced numerous challenges in FY2023, we managed to deliver our targets and achieve positive results. This would not have been possible without the full support of all our stakeholders – my fellow Board members, Key Management, IRIS employees, business partners, clients, suppliers, shareholders and the communities in which we operate. Thank you for being a part of our journey.

My deepest appreciation to all our clients, business partners and suppliers for your support and for continuing to place your trust in our relationships as we embark on a new journey of recovery and resilient growth.

On behalf of the Board and management, I would like to thank all IRIS employees who have demonstrated incredible resilience in delivering quality solutions and support to our customers by pulling through the recovery period remarkably.

We face a challenging but exciting future, full of opportunities. I am confident that we have the right strategic focus, people and resources to deliver sustainable growth and to strengthen IRIS as one of the leading global companies in Trusted ID.

DR. POH SOON SIM

EXECUTIVE DEPUTY CHAIRMAN