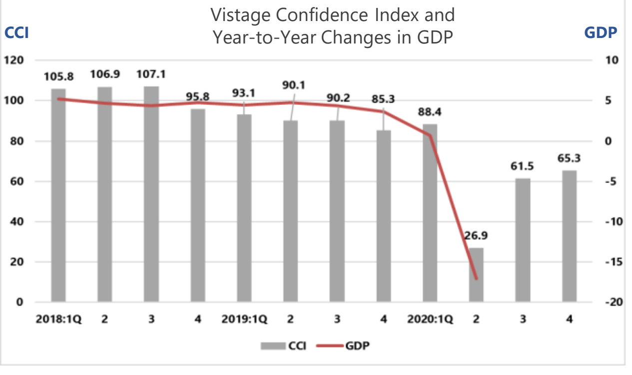
CONFIDENCE REMAINS IN REMISSION

CEOs are ending the year 2020 on a low note as the Covid-19 pandemic continues to impose unrelenting challenges on both the domestic and global economies, exerting incessant strain on businesses going forward.

Reflecting this is the latest Vistage-MIER CEO Confidence Index (CCI) which, at 65.3, remains as gloomy as the prior quarter's 61.5. Notwithstanding the 3.8-point improvement on the quarter, this is the ninth consecutive quarter that the CCI has stayed below the optimism threshold and its third lowest reading since 3Q2018, denoting a continuing lack of confidence amongst CEOs for more than two years now.



Note: 3Q2020 GDP will be released in mid November 2020

	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020
VISTAGE-MIER CEO CONFIDENCE INDEX	90.2	85.3	88.4	26.9	61.5	65.3
Current Economic Conditions	71	62	66	6	14	15
Expected Economic Conditions	109	92	88	15	65	62
Expected Change in Employment	127	126	126	65	109	115
Planned Fixed Investment	124	118	123	46	91	96
Expected Revenue Growth	132	129	139	35	97	107
Expected Profit Growth	119	118	126	36	89	99

Note: All component questions are scored as the percent giving favorable replies minus the percent for unfavorable plus 100. The VISTAGE-MIER CEO Confidence Index is the sum of the components calculated as a percentage of the level recorded in 2nd quarter 2003 survey.

Vistage CEO Confidence Index Highlights

Economy

CEOs continued to give the economy in recent months the thumbs down. This is shown by the index for current economic conditions which stood at only 15 in 4Q2020, far below the 100-point demarcation level of optimism. 87% of the 797 CEOs opined that economic conditions have deteriorated lately, while only 2% saw an improvement.

The expected index for economic conditions lost three points from last quarter to 62 in 4Q2020, an indication that the economy is expected to perform poorly in the near term as well. Most (55%) CEOs believed the economy will take a turn for the worse in the coming months, while 17% thought otherwise.

Prospects

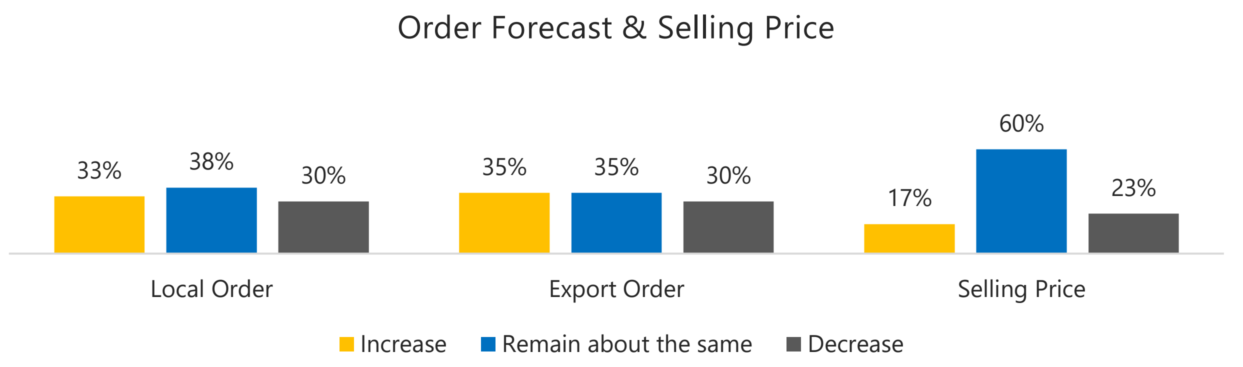
CEOs' prognosis for their business prospects in the next few months is better than previously. All the forward-looking indexes improved quarter-on-quarter, especially revenue and profitability, an implication that CEOs are hopeful of their businesses turning the corner soon. The expected index for revenue picked up ten points from last quarter to 97, with 39% of the CEOs looking forward to earning higher revenues soon, up from 34% in 3Q2020.

The expected profitability index also rose. At 99, the index had also grown ten points from 3Q2020, with 33% of the CEOs forecasting higher profits in early 2021.

Expansion

Employment prospects for 1Q2021 are expected to improve, as shown by the latest expected employment index which had risen six points from the prior quarter's 109. Most (49%) CEOs are planning to put hiring and retrenchment on hold for now, while 33% will likely increase their headcount soon.

With the expected capital expenditure index jumping five points on the quarter to 96, it implies that a steady or rise in CAPEX is possible in the coming months. 28% of the CEOs are considering increasing their CAPEX budgets soon, while 40% are maintaining their status quo and 32% are revising theirs lower for the next quarter or two.

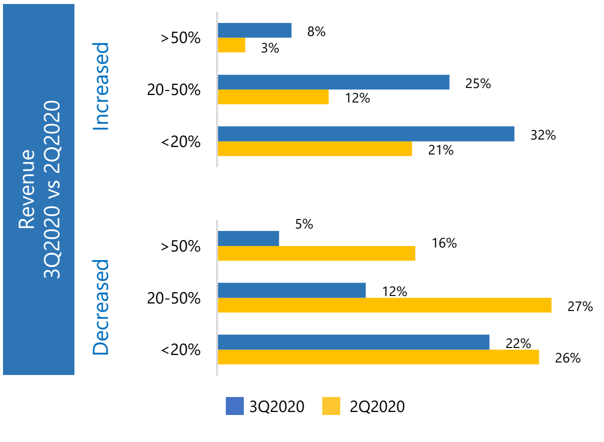


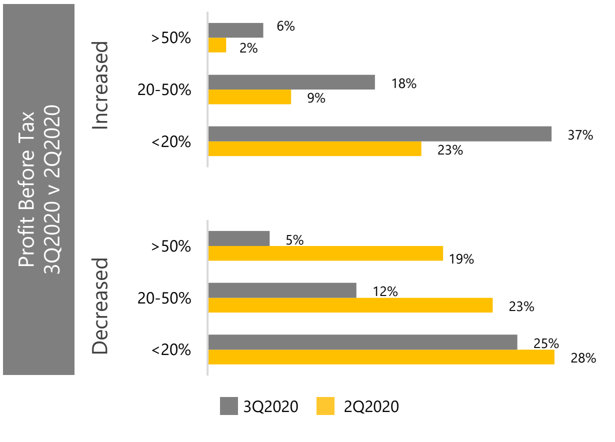
The proportion of CEOs expecting an increase in local orders (33%) is somewhat parallel to those anticipating higher export orders (35%) by year-end, suggesting that the local market is affected by the current pandemic as much as the export market.

Local selling prices are trending up. For the second quarter in a row, more (17%) CEOs are planning to hike their prices soon, up from 15% and 11% in 3Q2020 and 2Q2020, respectively. Most (60%) will retain their existing prices and only 23% are contemplating lowering theirs in the next few months.

REVENUE AND PROFIT: 3Q2020 vs 2Q2020

Compared to 2Q2020 vis-à-vis 1Q2020, revenues and profits of most CEOs improved further in 3Q2020 vis-à-vis 2Q2020. In terms of revenue, most (32%) CEOs reported an increase in 3Q2020 vis-a-vis 2Q2020 with a percentage change of less than 20%, up from 21% who reported the same quantum in 2Q2020 compared to 1Q2020. Another 25% reported higher revenues of 20-50% in 3Q2020 vis-à-vis 2Q2020, doubling those who reported a similar change in percentage in 2Q2020 vis-à-vis 1Q2020. An increase in revenues of more than 50% in 3Q2020 vis-à-vis 2Q2020 was revealed by 8% of the CEOs, up from 3% a quarter ago. Of those affected with lower revenues recently, most (22%) noted a percentage change of less than 20%, down from 26% previously (2Q2020 vs 1Q2020).





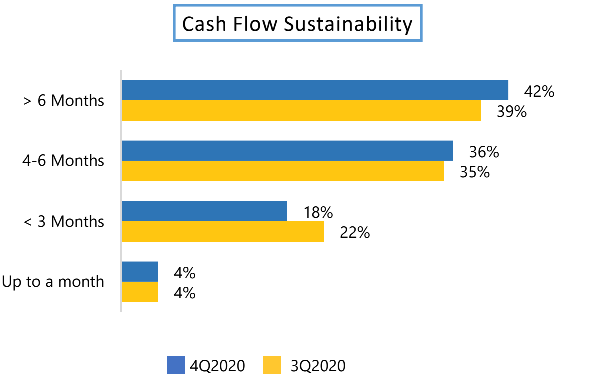
Quarter-on-quarter, a higher proportion of CEOs reported an increase in gross profits, while those who reported otherwise have shrunk this time around.

37% estimated their increase in gross profits at less than 20% in 3Q2020 vis-à-vis 2Q2020, up from 23% in 2Q2020 vis-à-vis 1Q2020. An increase of 20-50% was gained by 18% of the CEOs in 3Q2020 compared to 2Q2020, doubling that of last quarter (2Q2020 vs 1Q2020). Those reporting an increase of more than 50% in 3Q2020 vis-à-vis 2Q2020 also tripled the 2% who said the same in the previous survey.

Lower gross profits with a percentage change of less than 20% in 3Q2020 vis-à-vis 2Q2020 were reported by 25% of the CEOs, down from 28% previously. 12% assessed their decrease at 20-50%, while 5% evaluated theirs at more than 50%, compared to 23% and 19% in the prior survey, respectively.

CASHFLOW TO SUSTAIN BUSINESS OPERATIONS

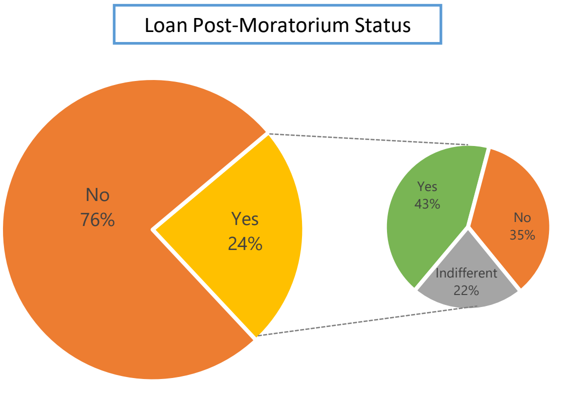
CEOs are in a better cashflow position now than they were before. Most (42%) believed that their current cashflow will be able to sustain their business operations by more than six months, up from 39% in 3Q2020 and 24% in 2Q2020. 36% estimated their cashflow sustainability at 4-6 months, up marginally from 35% a quarter ago, while those who could only sustain their business for up to a month have remained the same as the prior quarter's 4%.



RESTRUCTURING AND RESCHEDULING OF LOAN POST-MORATORIUM

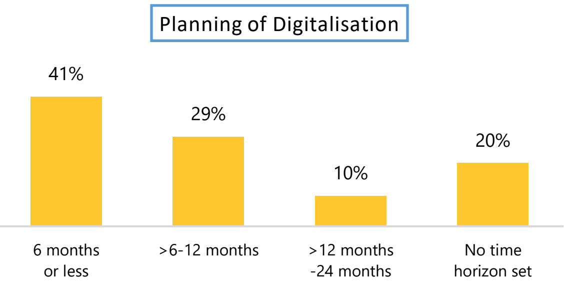
With the ending of the loan moratorium in September 2020, CEOs were asked if they have applied to restructure and reschedule their loans, to which three quarters replied that they have not.

Of the 24% who applied, most (43%) were satisfied with the outcome, while 35% were not and 22% were indifferent.

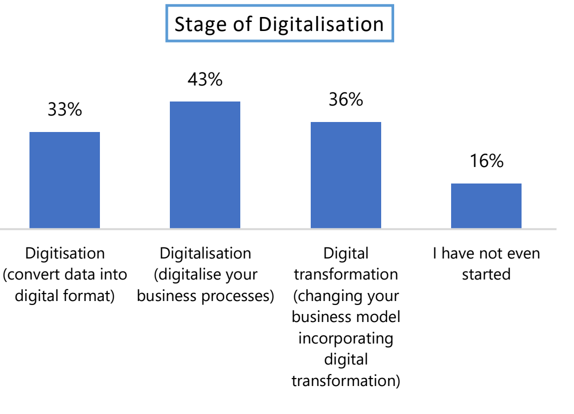


INVESTMENT IN TECHNOLOGY AND STAGE OF DIGITALISATION

To ensure the sustainability and viability of CEOs' companies, technology, with specific emphasis on digitalisation, will be a top priority. Attesting to this are 70% of the CEOs who hope to go digital within a year. Among them, 41% are planning a time horizon of up to six months, while 29% are looking at 6-12 months and 10% are estimating a period of more than 12-24 months. 20% are not setting any time horizon to achieve this objective.



As to the stage of the digital journey CEOs are currently at, 43% affirmed that their business processes are digitalised, and 33% have also converted their data into digital format. While 36% are into digital transformation (changing business model incorporating digital transformation), 16% have not embarked on their digital journey yet.



On the digitalisation grant by the government, 61% of the CEOs have not applied for it. Of the 22% who did, 70% are still awaiting response, while 24% have their application approved and only 6% were unsuccessful.

CURRENT RISKS TO BUSINESS GROWTH

Risks that pose as impediments to the growth of CEOs' businesses were generally perceived as moderate. On a scale of 1 to 10 (with 10 being the highest risk), most CEOs rated each of these risks with an average of 5: operational, cash flow, supply chain, technology and talent. Other risks that were similarly rated by CEOs include, among others, price war, closure of borders, Covid-19 pandemic and, in particular, political instability.

THREATS TO BUSINESS CLOSURE

The biggest threat to businesses resulting in their closure, according to most CEOs, is another lockdown (Movement Control Order) due to the Covid-19 pandemic, resulting in lower productivity, production, sales, demand, revenue, capacity utilization, as well as delay in loan disbursement, poor cash flow and shortage of raw materials.

PIVOT AND PROSPER

The popular call amidst the current pandemic is for businesses to "Pivot and Prosper". In line with this, 53% of the CEOs claimed to have pivoted, while 47% do not see any reason to do so. The industries, products, services and processes that CEOs had pivoted from and into are widely varied and diverse. While some have pivoted from industries to processes or vice-versa, there were others who pivoted from products to services and processes to products.

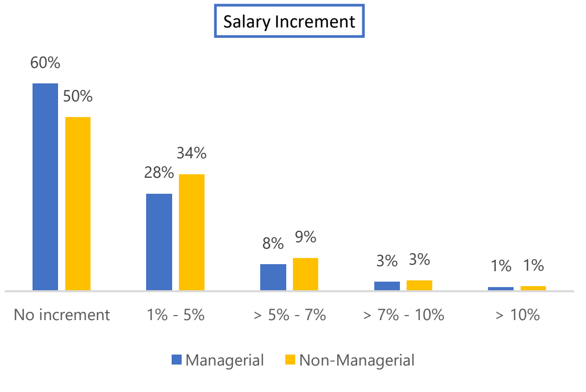
Most of those who pivoted are mainly from sectors related to industry (machinery and electrical products, pharmaceuticals, chemicals, plastic products), construction and property, ICT (software, telecommunications) and consumer products (food and beverage, health and beauty, household products, textiles and clothing). Majority of them have either gone online/virtual in conducting their businesses or they have pivoted within their own industry such as from property development to construction and renovation, from uniforms to lifestyle clothing, from hardware sales and services to technology solutions and services, from feed commodities to feed supplements, from event management to TV production and from foreign worker management services provider to local labour management services provider.

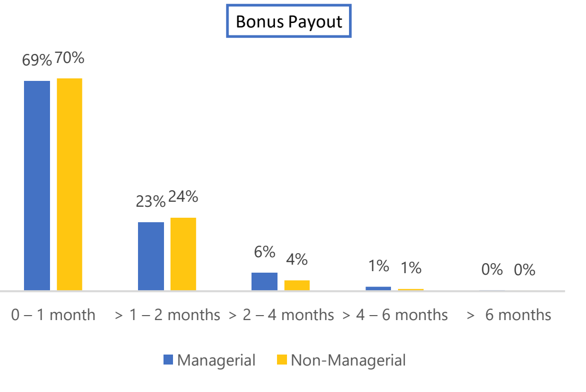
Only a few were more resourceful by venturing into areas different from their traditional businesses: from steel fabrication to real estate rental, from furniture retail to cleansing and sanitizing services, from design and manufacture of aviation and automotive equipment to design and manufacture of equipment for the glove industry and from tourism to insect feed farming for livestock.

SALARY INCREMENT AND BONUS PAYOUT 2020

For financial year ending 31 December 2020, there will be no salary increment or bonus payout for all staff from most CEOs. 50%-60% of the CEOs do not plan to increase the salaries of all their employees, while 69%-70% are also putting bonus payouts on hold for now.

For managerial staff, the biggest salary increment will be in the range of 1%-5% which 28% of the CEOs are contemplating, while non-managers of 34% of the CEOs may also expect the same rate. Like salary increment, the highest bonus payout, if any, will also be up to one month only. 23% and 24% of the CEOs are planning this quantum for their managers and non-managers, respectively.





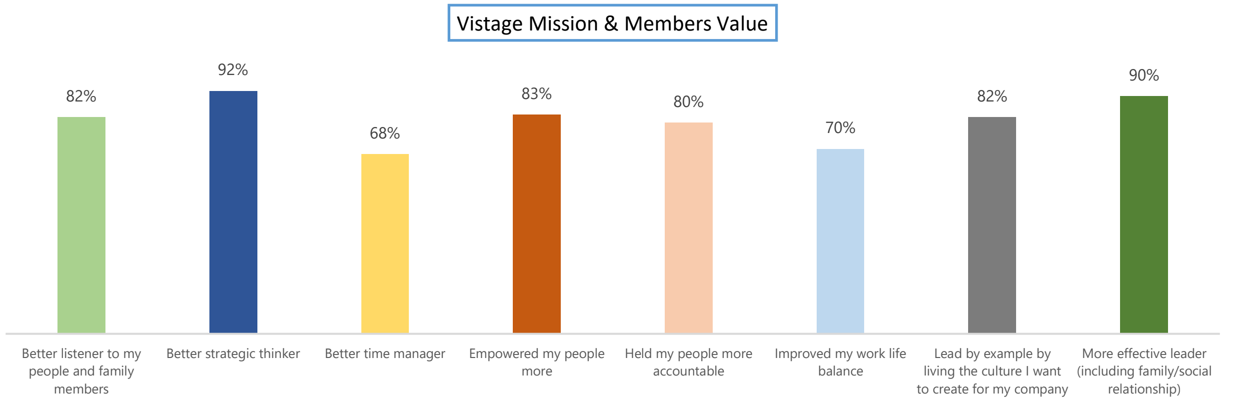
FITNESS AND HEALTH

The survey seeks to obtain a scorecard on CEOs' personal health lately. The top three health issues faced by most CEOs were mental stress (37% responses), being overweight (36%) and high cholesterol (29%). A year ago, being overweight topped the list with 44% responses, while high cholesterol and hypertension ranked second and third with 35% and 24% responses, respectively.

REFLECTION OF VISTAGE'S MISSION

Results of the latest survey show that Vistage has continued to accomplish its mission of increasing the effectiveness and enhancing the lives of CEOs and their key executives. Compared to 4Q2019, higher proportions of positive responses were recorded across-the-board this quarter.

The biggest increase was observed for those who saw an improvement in their work life balance, with 70% saying so this quarter, up from 62% last year. 82% of the CEOs believed in leading by example by living the culture they want to create for their companies, up from 78% a year ago. Those who believe they have become better strategic thinkers since joining Vistage have increased to 92% from 4Q2019's 89%, while 90% have become more effective leaders (including family/social relationship), up from 87% last year. While 83% are now able to further empower their people, 82% have become better listeners to their people and family members. Not only have 80% of the CEOs been able to hold their people more accountable, 68% are now better time managers as well.



ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's most trusted resource for CEOs, business owners and key executives of small and medium sized businesses to help them become better leaders, make better decisions and deliver better results, providing unparalleled access to issue resolution and better performance through monthly peer advisory group meetings, one-on-one business coaching, expert speaker presentations, and extensive online connectivity spread over 1,800 cities in 22 countries with more than 24,000 members worldwide.

Vistage Malaysia has more than 800 members with combined annual revenue of RM70 billion and employing over 120,000 employees. Vistage member companies grow, on average, 2.2 times faster than they did prior to joining Vistage. In 4Q2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index. MIER is an independent, private, non-profit organization, devoted to economic, financial, and business research that would serve as a think-tank for the government and private sector by providing an objective and impartial understanding of socioeconomic issues of national, regional and global importance.