



Hiap Teck Venture Berhad 协德集团

ANALYSTS' BRIEFING 2Q FY2022 PERFORMANCE REVIEW

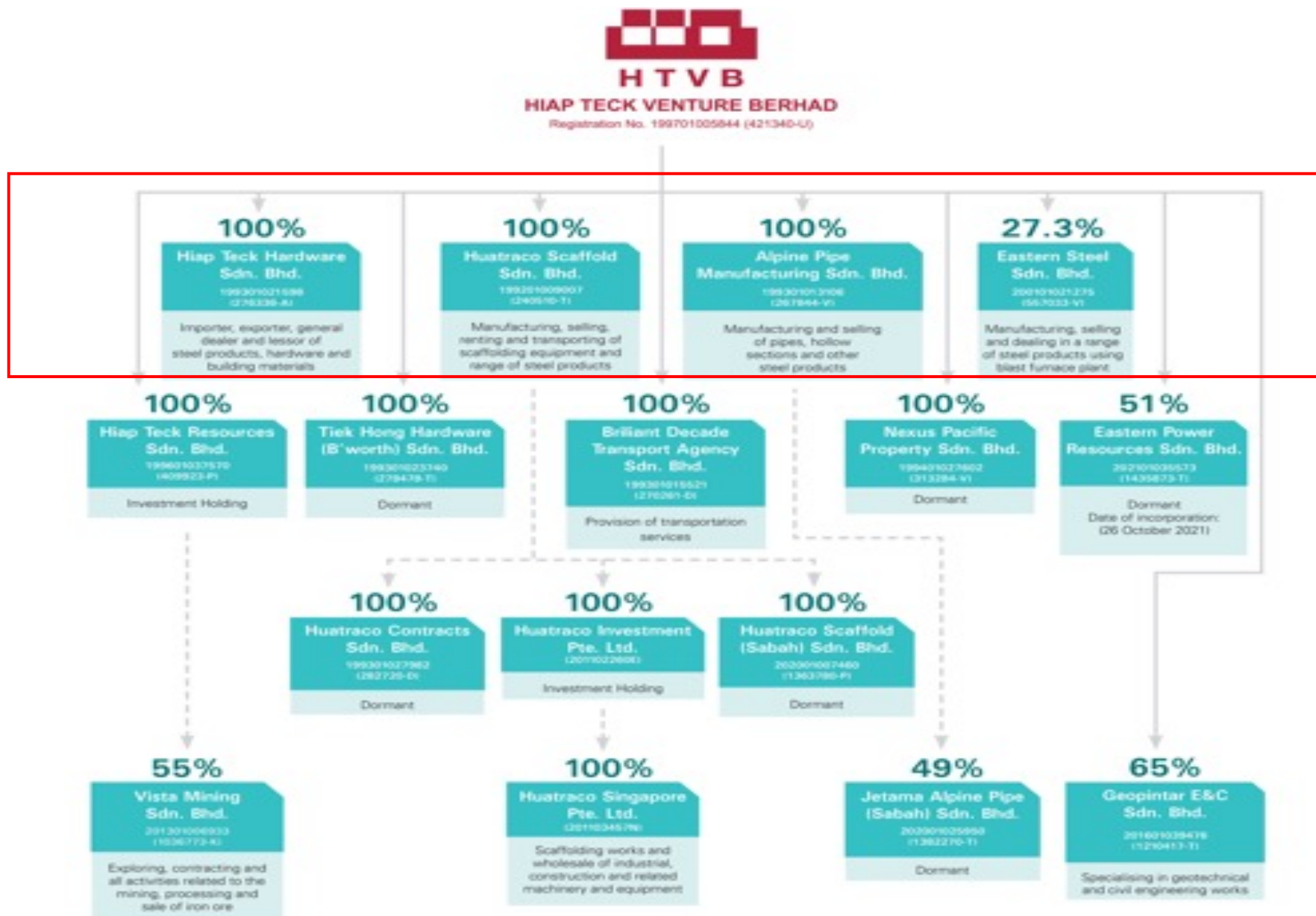
30 March 2022



CORPORATE STRUCTURE

(31 January 2022)

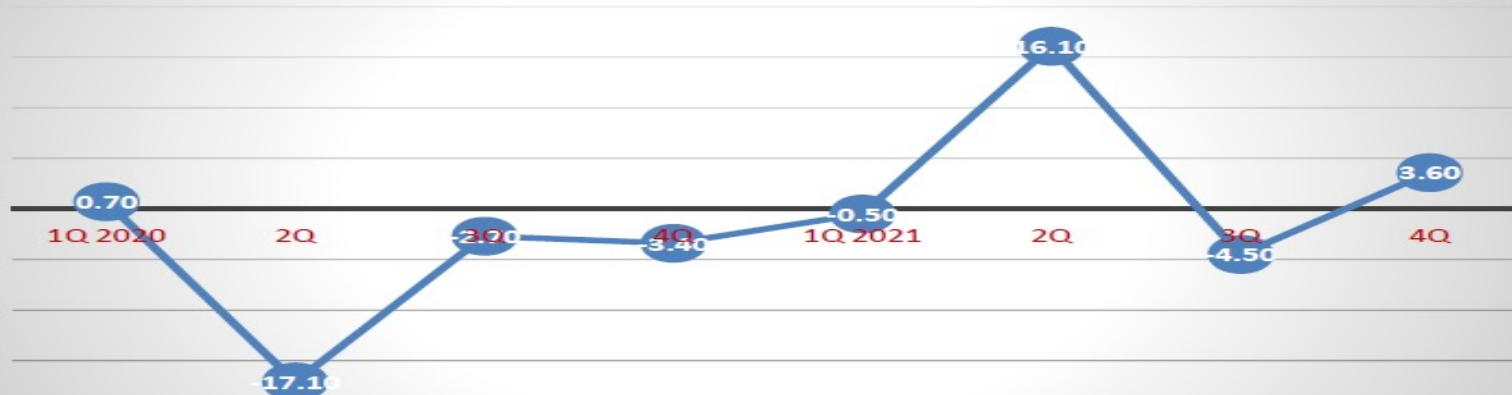
Key Operating Units



The Macro Environment



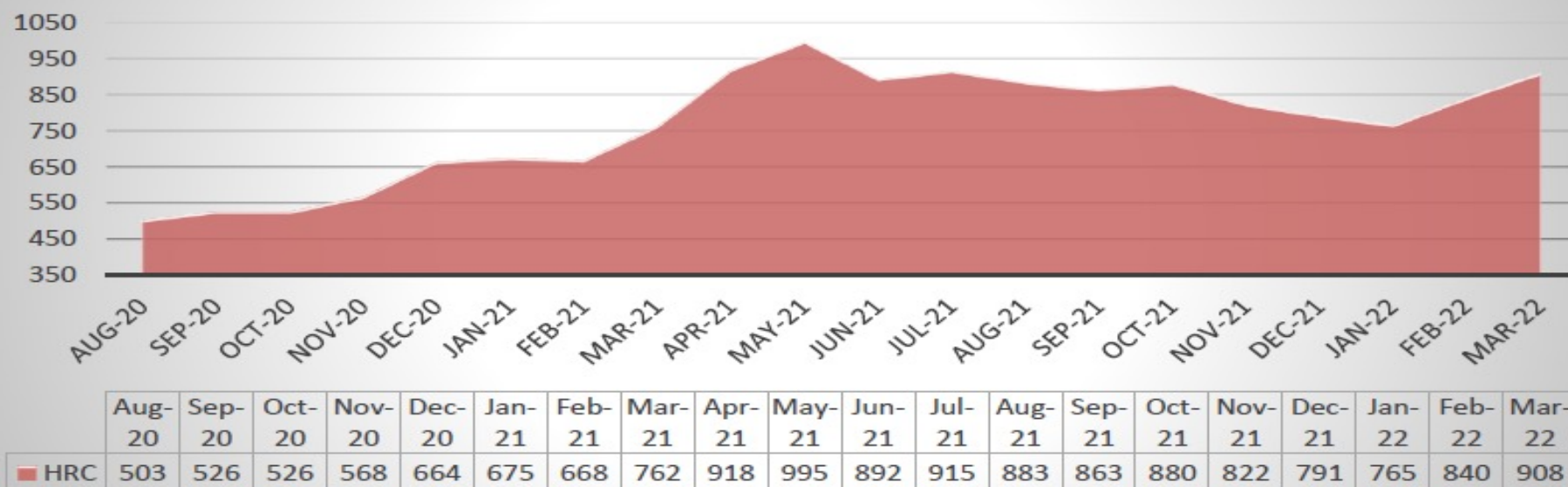
Malaysia Real GDP Growth



Malaysian economy recovered in 4Q2021 at a nominal growth rate of 3.6% to post a full year expansion of 3.1% in 2021.

- Steel prices peaked in May 2021 at USD995 and thereafter started its downtrend to reach USD765 in January 2022.
- Due to supply disruption caused by the Ukraine war, price resumed its climb at USD908 currently.

HRC Price In USD/MT



DECLINING STEEL PRICES AND LOWER SALES VOLUMES

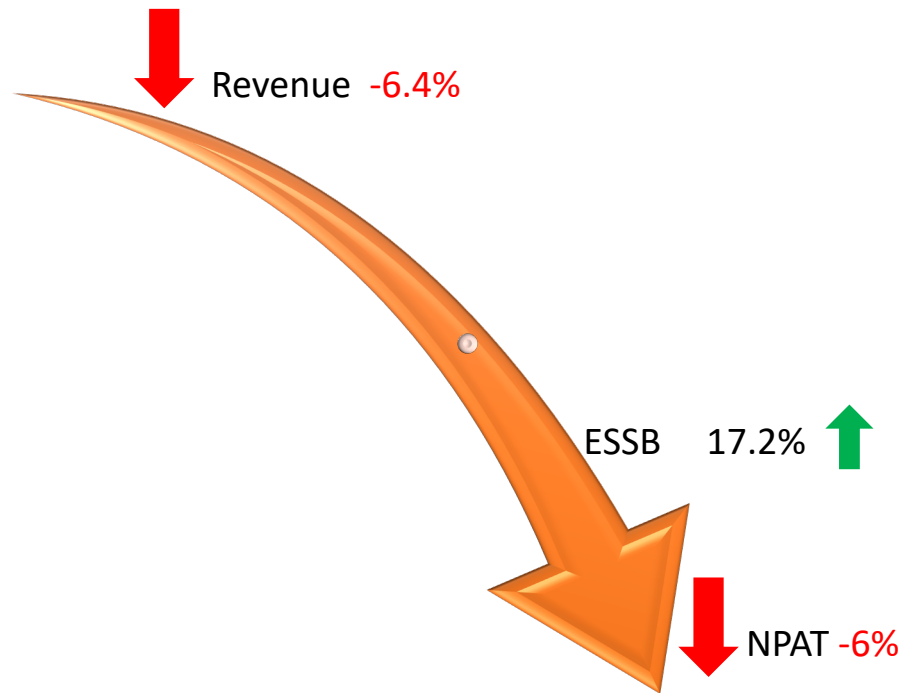
- ❑ Steel prices peaked in May 2021 and on downtrend during the quarter.
- ❑ Downward steel prices impacted the margin for both the JV and downstream operating entities.
- ❑ Sales volume stabilised in first two months of the quarter but declined in January 2022 due to slowdown in economic activities towards Chinese New Year.



Performance Review – 2Q FY22 vs 2Q FY21 (corresponding quarter)



The Group's NPAT is lower marginally at RM28.3m mainly due to lower sales volumes despite higher selling price.

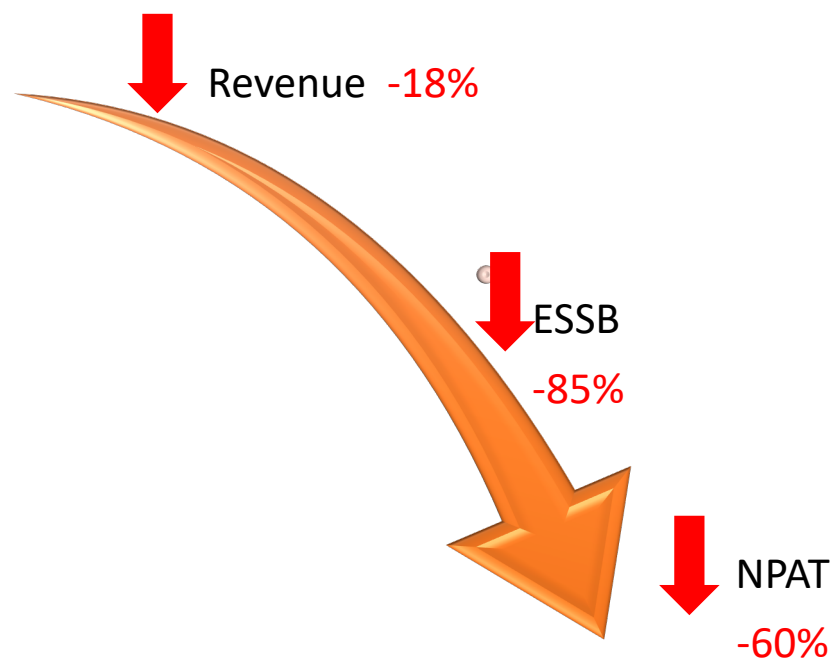


(RM'M)	2Q FY21	2Q FY22	Variance	Remark
Revenue	356.0	333.2	-6.4%	lower volume
Gross Profit	46.3	44.5		
<i>GPM</i>	<i>13.0%</i>	<i>13.4%</i>		<i>Margin sustained</i>
PBT	34.5	33.2	-3.8%	
ESSB	2.9	3.4	17.2%	Due to one-off net negative impact of RM4.9m
NPBT	37.4	36.6	-2.1%	
NPAT	30.1	28.3	-6.0%	
EPS (sen)	2.21	1.63		
NTA (RM)	0.65	0.70		

Performance Review – 2Q FY22 vs 1Q FY22 (preceding quarter)



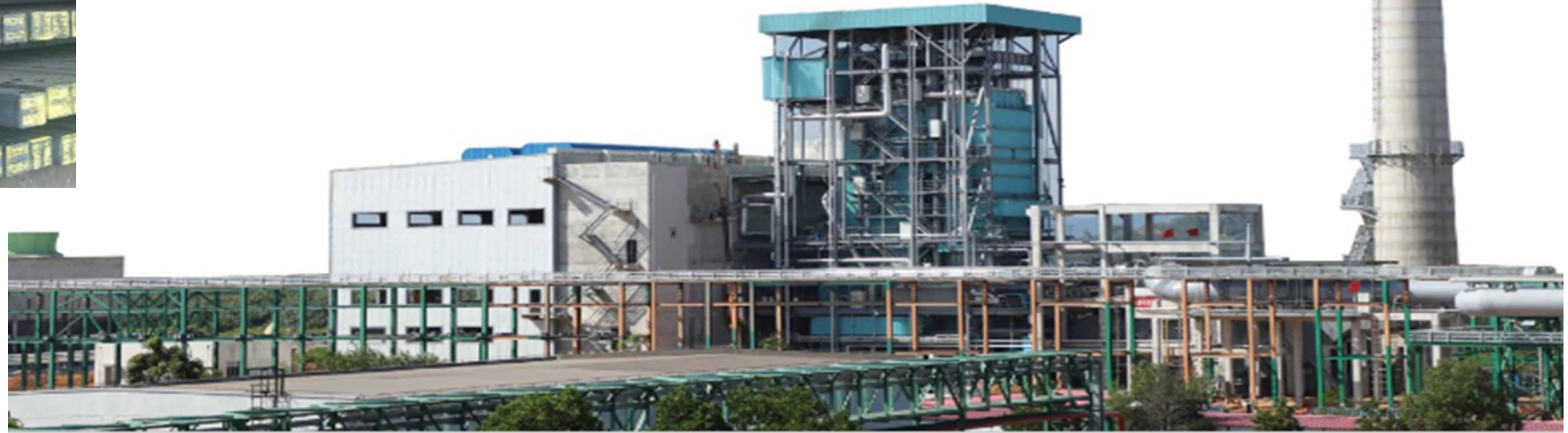
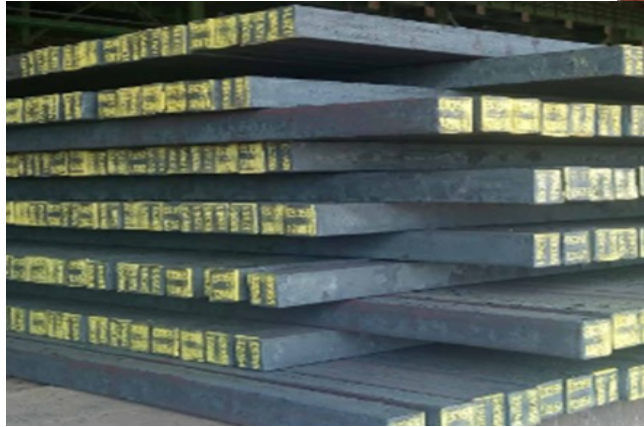
Lower revenue and NPAT than preceding quarter due to declining selling price which impacted profit margin.



(RM'M)	1Q FY22	2Q FY22	Variance	Remark
Revenue	406.6	333.2	-18%	Lower volume & price
Gross Profit	74.5	44.5		
<i>GPM</i>	<i>18.3%</i>	<i>13.4%</i>		<i>Lower margin as declining steel prices</i>
PBT	63.1	33.2	-47%	
ESSB	23.3	3.4	-85%	One-off impact and reduction of shareholding
NPBT	86.3	36.6	-58%	
NPAT	71.1	28.3	-60%	Downward price movement of steel prices
EPS (sen)	4.1	1.63		
NTA (RM)	0.69	0.70		



Eastern Steel Sdn. Bhd.



ESSB Performance Review – 2Q FY22 vs 1Q FY22 (preceding quarter)

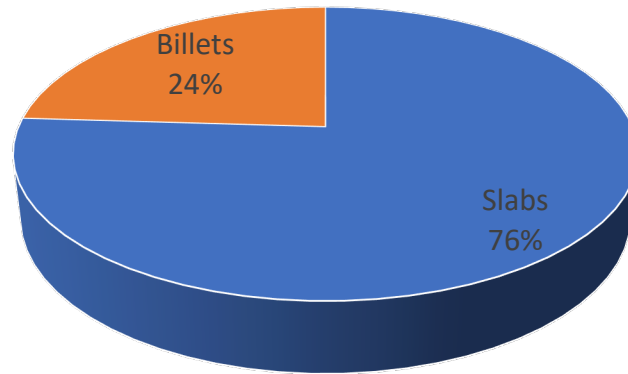


(RM'M)	1QFY22 Aug-Oct 21	2QFY22 Nov 21-Jan 22	Variance	Remarks
Volume (MT)	201.6	226.0	12%	↑ Higher volume
Revenue	687.3	668.5	-3%	↓ Lower selling prices
Gross Profit	109.2	65.0	-40%	
<i>GPM</i>	<i>15.9%</i>	<i>9.7%</i>		↓ Lower margin due to declining steel prices
<i>NPBT</i>	<i>66.5</i>	<i>30.3</i>	<i>-54%</i>	
NPM	9.7%	4.5%		
NPAT	66.5	30.3	-54%	
NET ASSETS	1,563	1,919		
NET GEARING	0.02x	0.02x		= Minimal Gearing

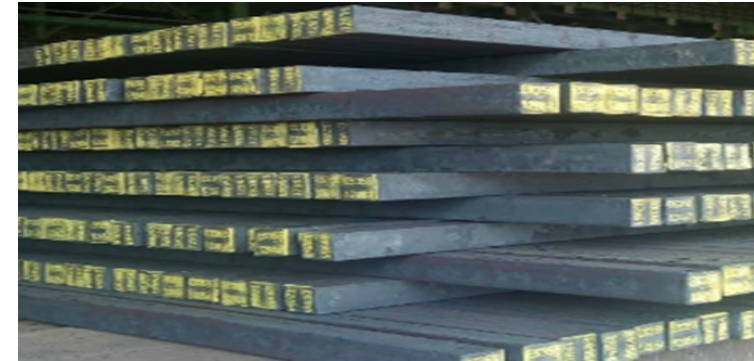
ESSB Performance Review – 2Q FY22



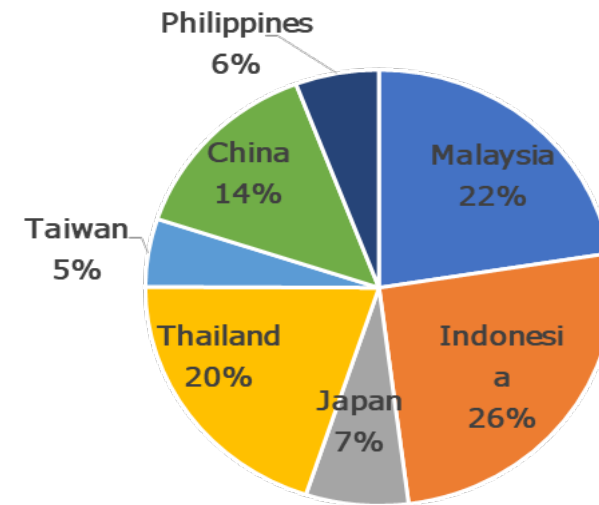
Product Mix



■ Slabs ■ Billets



MARKET DISTRIBUTION 2Q2022



Outlook – POSITIVE



- ✓ GROUP RECORDED A REMARKABLE 6 MONTHS PERFORMANCE TO DATE WITH A NPAT OF **RM99.4 MILLION** A **167%** INCREASED OVER THE PRECEDING YEAR CORRESPONDING PERIOD.
- ✓ OUTLOOK FOR COMING QUARTER REMAINS **SUBDUED** WITH MARGINS UNDER PRESSURE FROM THE DECLINE IN STEEL PRICES AND HIGHER INVENTORY COSTS.
- ✓ ECONOMIC ACTIVITIES (WHICH APPEAR TO BE PICKING UP) AND STEEL PRICES (CURRENTLY REVERSING FROM THE DOWN TREND, DUE TO SUPPLY DISRUPTION CAUSED BY UKRAINE WAR), MAY BENEFIT THE GROUP IN SUBSEQUENT QUARTERS.
- ✓ FURTHER COST SAVINGS EXPECTED WITH COMPLETION OF 2nd 200K MT COKE OVEN PLANT TARGETTED BY JUNE 2022 AND ESSB WILL ALSO BENEFIT FROM FASTER CORRECTION OF ORE PRICES
- ✓ PROJECTED GLOBAL STEEL DEMAND GROWTH AND CHINA'S STEEL PRODUCTION CAPACITY RESTRICTIONS WILL CONTINUE TO PROVIDE OPPORTUNITIES AND SUPPORT FOR STEEL PRICES
- ✓ STRONG BALANCE SHEET





THANK YOU

