



Hiap Teck Venture Berhad
协德集团

ANALYSTS' BRIEFING

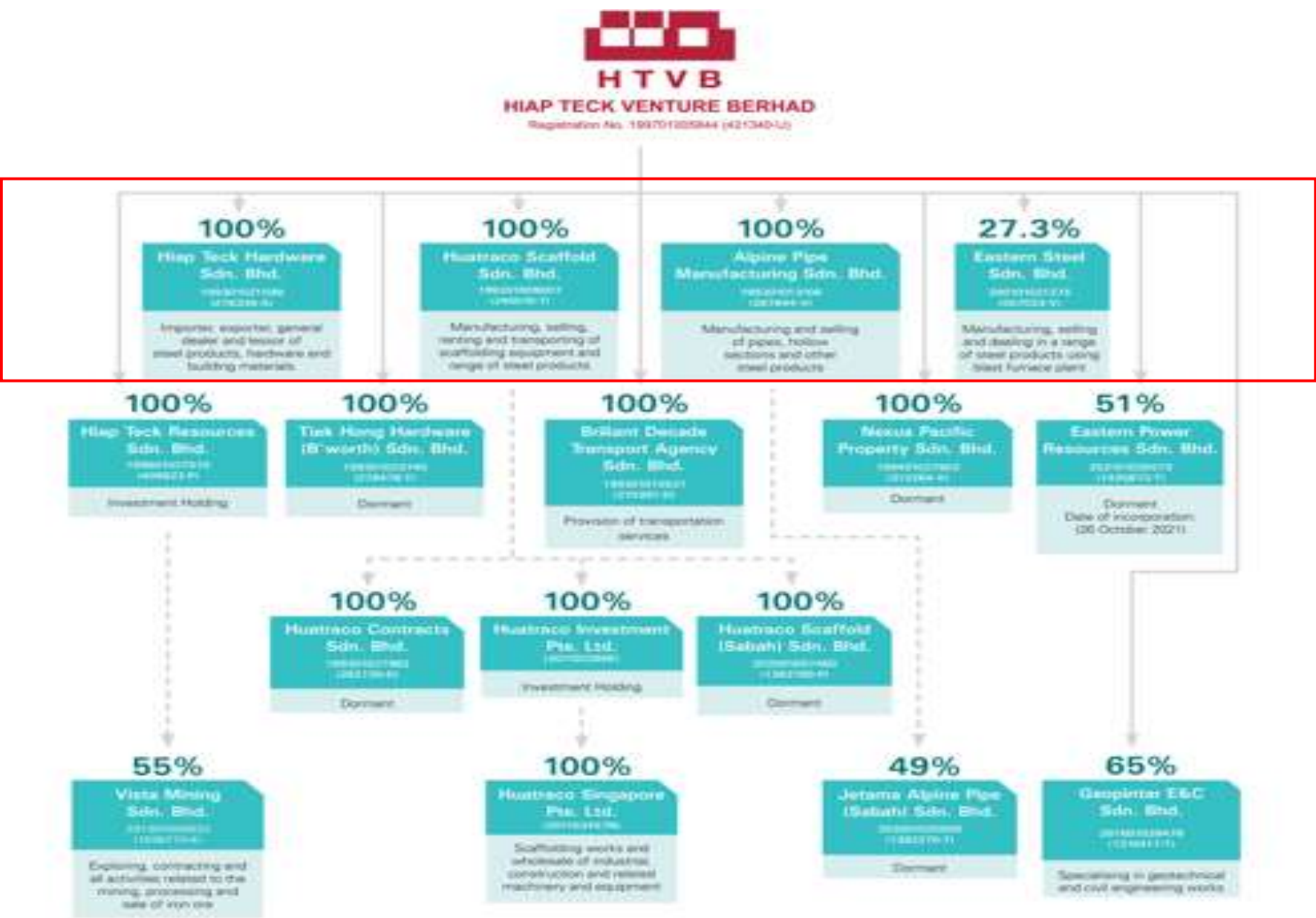
4Q FY2022 PERFORMANCE REVIEW

30 September 2022



CORPORATE STRUCTURE

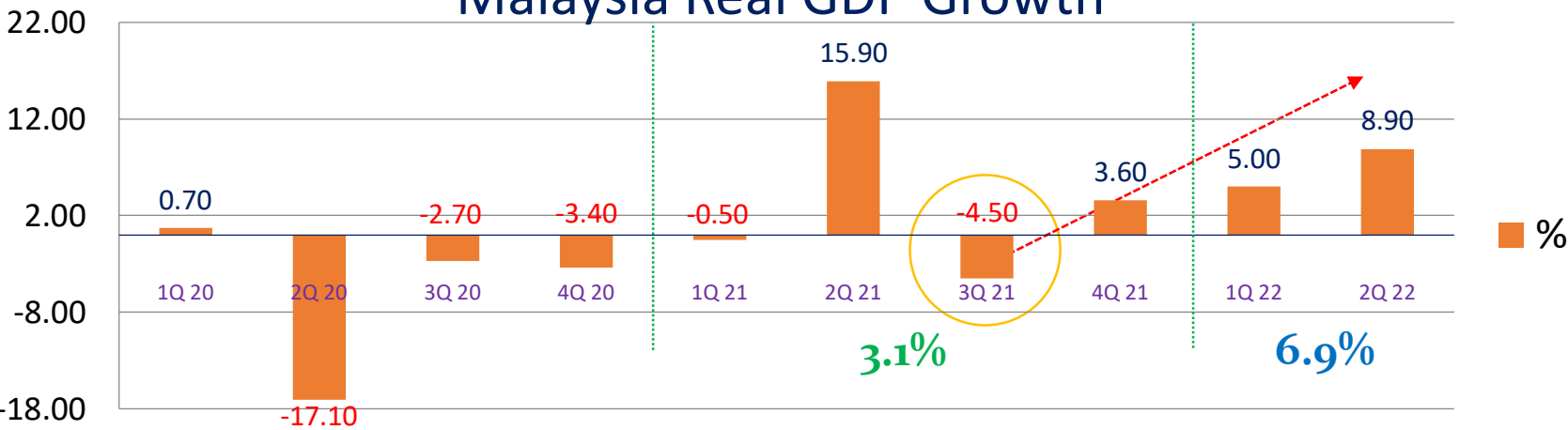
(31 July 2022)



The Macro Environment



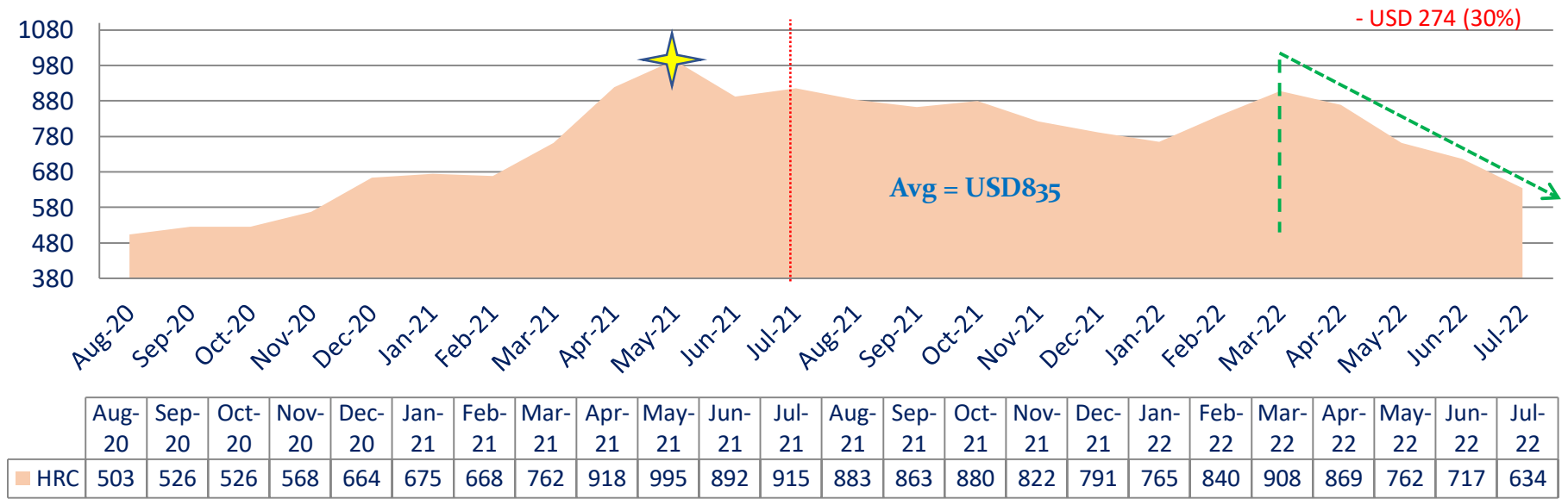
Malaysia Real GDP Growth



Malaysia’s GDP expanded further 8.9% in 2Q 22 as compared to 5.0% in the previous quarter, which was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021. Overall, the economy posted a growth of 6.9% (1H 2021: 7.0%) for the first half year of 2022

HRC Price In USD/MT

Steel prices remained relatively firm (albeit on a declining trend) in 1H FY2022 and reacted strongly to the Russia-Ukraine war in February 2022 rising up to USD 908 but thereafter couldn’t be sustained and declined by 30% to USD 634 in July 2022



HIGHER SALES VOLUMES BUT DECLINING AVERAGE SELLING PRICE (ASP)

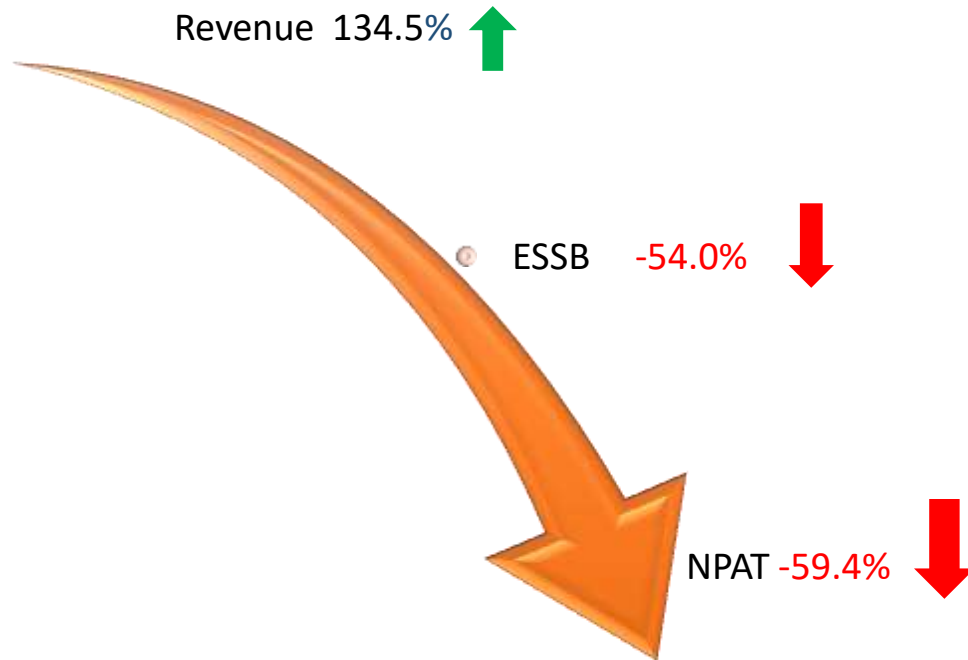
- ❑ Sales volumes is higher in 4Q 2022 vs same quarter last year partly due to low base effect but overall was in declining trend vs 3Q 2022.
- ❑ Downward trend of ASP coupled with higher cost of materials impacted the margin for both the JV and downstream operating entities
- ❑ Steel prices fell sharply towards end of the financial year. The Group wrote down inventories to NRV by RM20.3m for the quarter under review (FY2022: RM28.9m; FY2021:RM5.8m).



Performance Review – 4Q FY22 vs 4Q FY21 (corresponding quarter)



The Group's NPAT is lower at RM24.5m mainly due to higher costs of goods sold as a consequent of write-down of inventories to net realisable value.

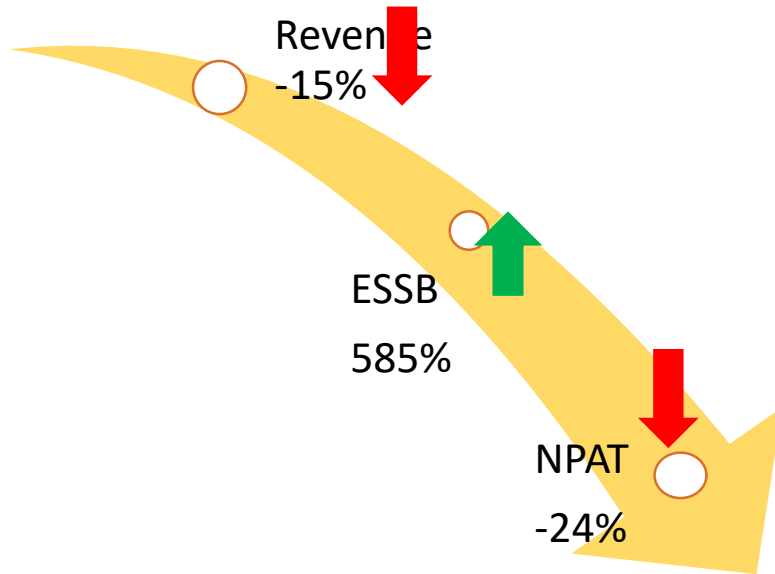


(RM'M)	4Q FY21	4Q FY22	Variance	Remark
Revenue	164.8	386.5	134.5%	Higher volume and Average Selling Price
Gross Profit	34.0	17.0		
GPM	20.6%	4.4%		Due to write down of inventories to net realisable value
PBT	18.6	2.9	-84.4%	
ESSB	49.5	22.7	-54.0%	Due to drop in steel price and higher costs of raw materials
NPBT	68.1	25.6	-62.3%	
NPAT	60.5	24.5	-59.4%	
EPS (sen)	4.27	1.41		
NTA (RM)	0.65	0.73		

Performance Review – 4Q FY22 vs 3Q FY22 (preceding quarter)



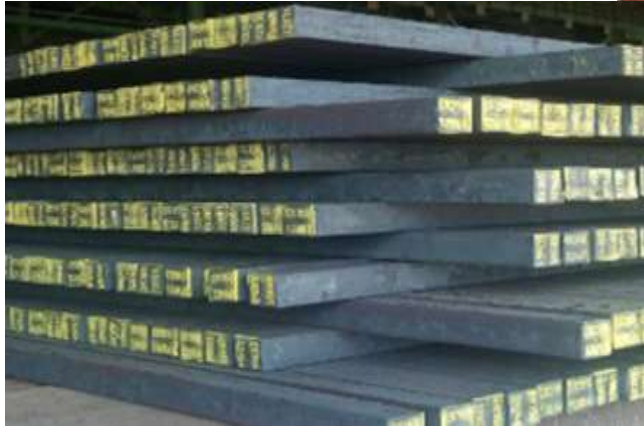
Lower revenue than preceding quarter due to lower sales volume and declining steel prices. Costs of goods sold was higher due to write-down of inventories to net realisable value.



(RM'M)	3Q FY22	4Q FY22	Variance	Remark
Revenue	457.0	386.5	-15%	Lower sales volume
Gross Profit	50.7	17.0		
<i>GPM</i>	<i>11.1%</i>	<i>4.4%</i>		<i>Due to write down of inventories to net realisable value</i>
PBT	38.0	2.9	-91%	
<i>ESSB</i>	<i>3.3</i>	<i>22.7</i>	<i>585%</i>	<i>Due to reversal of impairment on PPE</i>
NPBT	41.3	25.6	-38%	
<i>NPAT</i>	<i>32.5</i>	<i>24.5</i>	<i>-24%</i>	Lower margin
EPS (sen)	1.85	1.41		
NTA (RM)	0.72	0.73		



Eastern Steel Sdn. Bhd.



ESSB Performance Review – 4Q FY22 vs 3Q FY22 (preceding quarter)

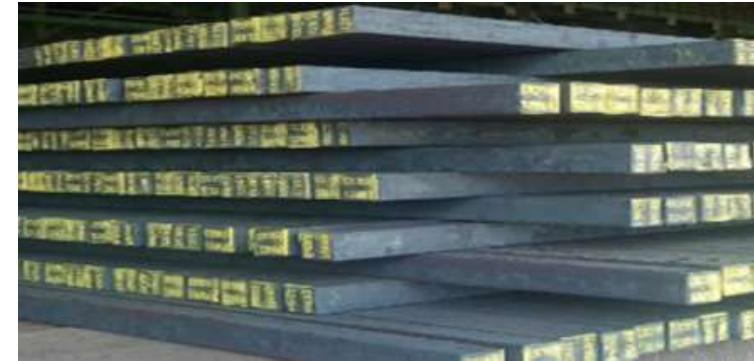
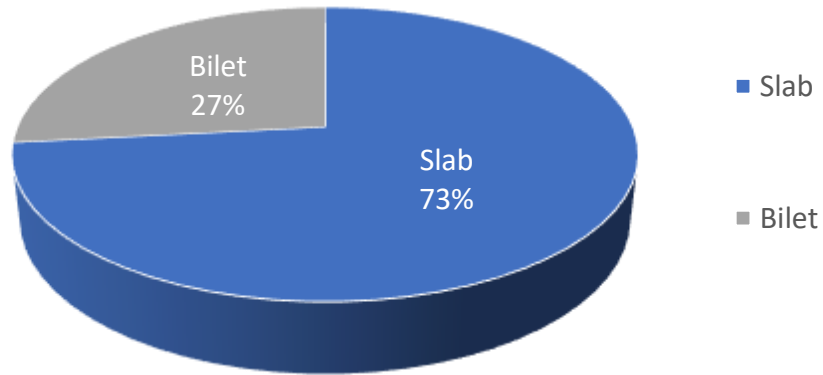


(RM'M)	3QFY22 Feb 22-Apr 22	4QFY22 May 22-Jul 22	Variance	Remarks
Volume (MT)	184.2	182.6	-1%	↓ Marginally lower due to competition in the market and slower demand
Revenue	575.0	609.2	6%	↑ Higher ASP
Gross Profit	54.1	25.2	-47%	
<i>GPM</i>	<i>9%</i>	<i>4%</i>		↓ Lower margin due to write down of inventories of RM 25 million during the quarter.
<i>NPBT</i>	<i>12.3</i>	<i>83.3</i>	<i>577%</i>	Reversal of impairment loss on PPE (RM100 million)
NPM	2.1%	13.7%		
NPAT	12.2	83.3	583%	
NET ASSETS	2,031	2,344		
NET GEARING	0.04x	0.06x		= Minimal Gearing

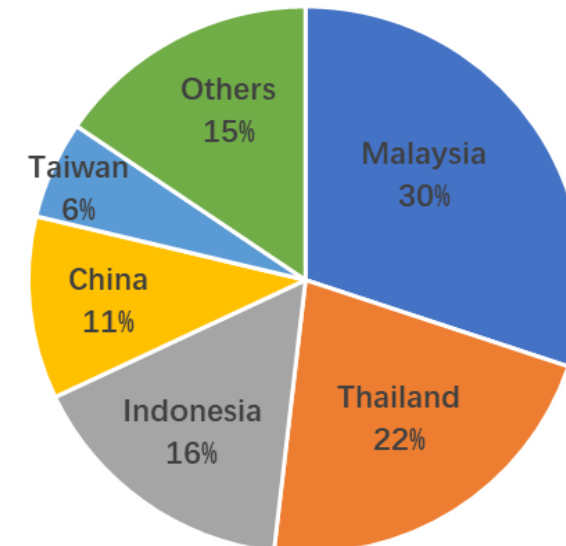
ESSB Performance Review – 4Q FY22



Product Mix



MARKET DISTRIBUTION YTD2022



OUTLOOK – CAUTIOUS DUE TO DECLINING STEEL PRICES



- ✓ GROUP RECORDED A COMMENDABLE PERFORMANCE FOR FY2022 TO POST A NPAT OF **RM156.4 MILLION**, A **4%** LOWER COMPARED TO THE PRECEDING YEAR'S RESULT.
- ✓ THE GROUP TAKES COGNIZANCE OF THE CHALLENGES AND HEIGHTENED VOLATILITY IN STEEL PRICES AND FINANCIAL MARKETS.
- ✓ THE GROUP WILL CONTINUE TO ADOPT PRUDENT PROCUREMENT STRATEGIES AND INVENTORY MANAGEMENT TO OPTIMISE FINANCIAL PERFORMANCE AND PRESERVE BALANCE SHEET STRENGTH (GEARING RATIO AS AT YEAR END : 0.35x)
- ✓ GIVEN THE HIGHER COST OF INVENTORIES, MANAGEMENT IS HIGHLY CAUTIOUS ON THE GROUP'S PERFORMANCE IN THE COMING QUARTER AS THE RECENT DECLINE IN STEEL PRICES WILL HAVE ADVERSE EFFECT ON THE GROUP'S MARGIN.





THANK YOU

