



HTVB

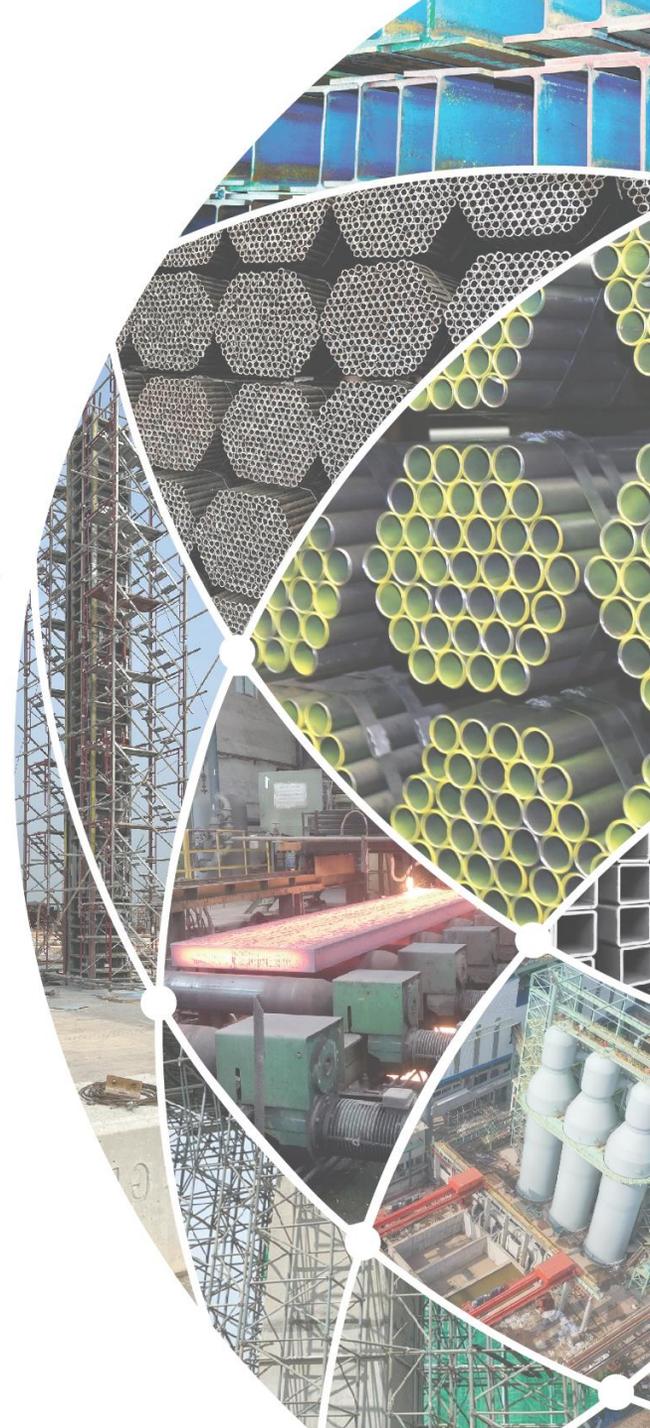
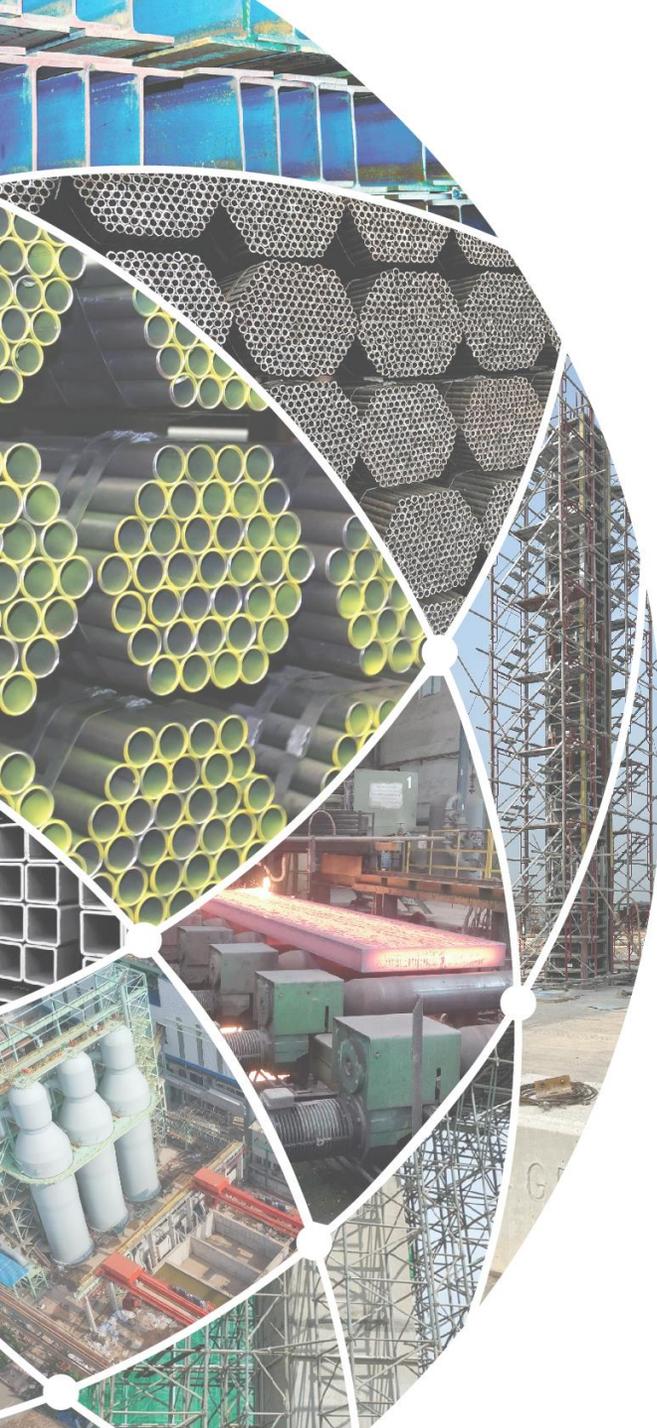
HIAP TECK VENTURE BERHAD

Registration No. 199701005844 (421340-U)

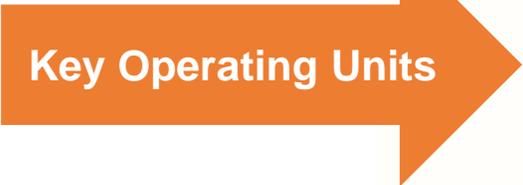
协德集团

**ANALYSTS' BRIEFING
Q1 / FY 2024
PERFORMANCE REVIEW**

15 DECEMBER 2023



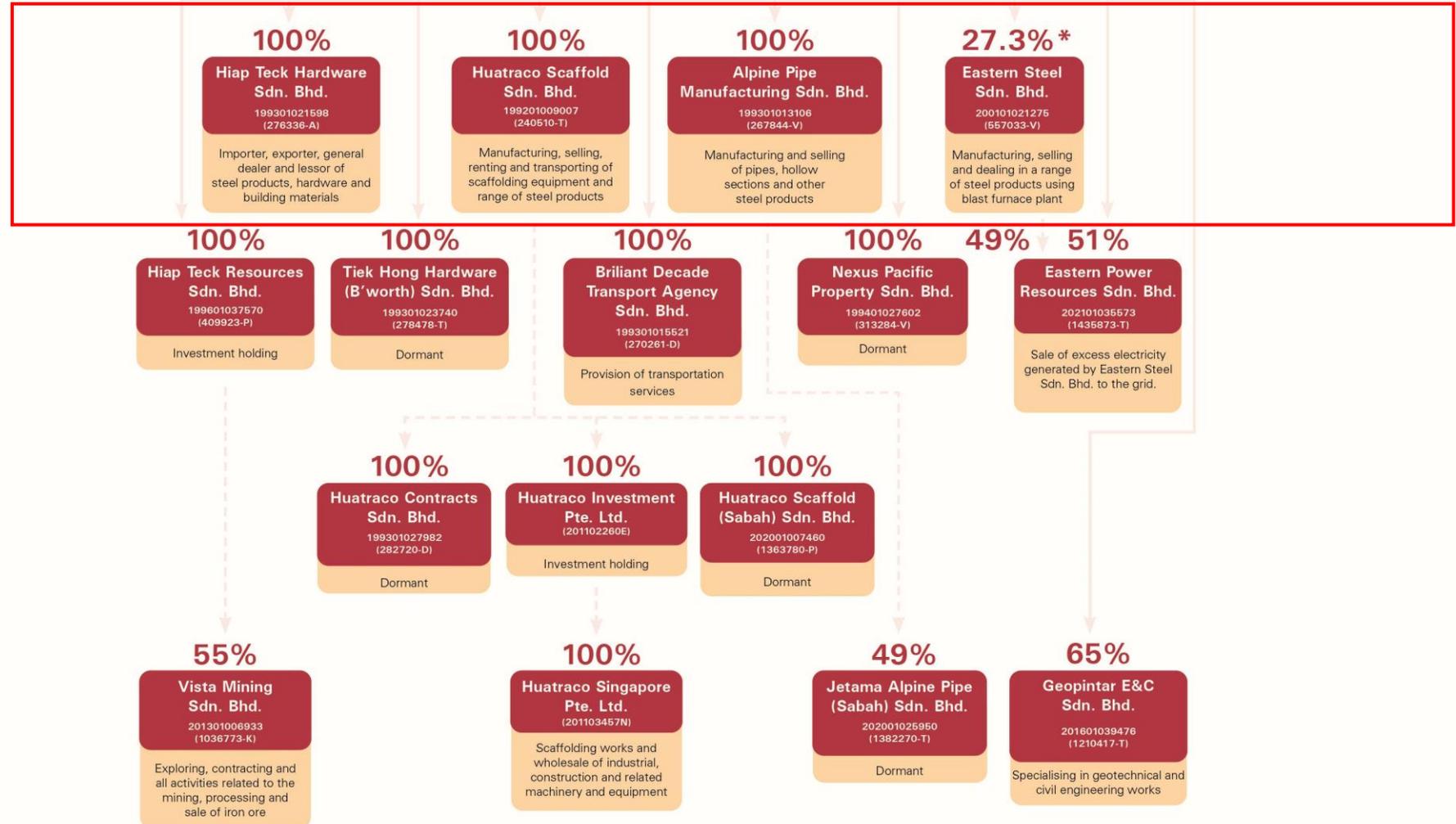
CORPORATE STRUCTURE (31 OCTOBER 2023)



HTVB

HIAP TECK VENTURE BERHAD

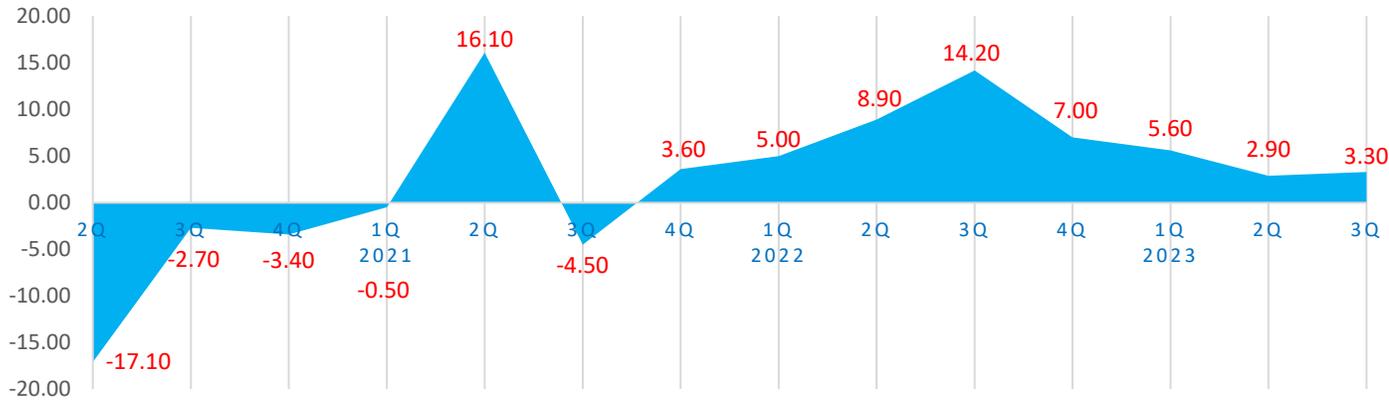
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THE MACRO ENVIRONMENT



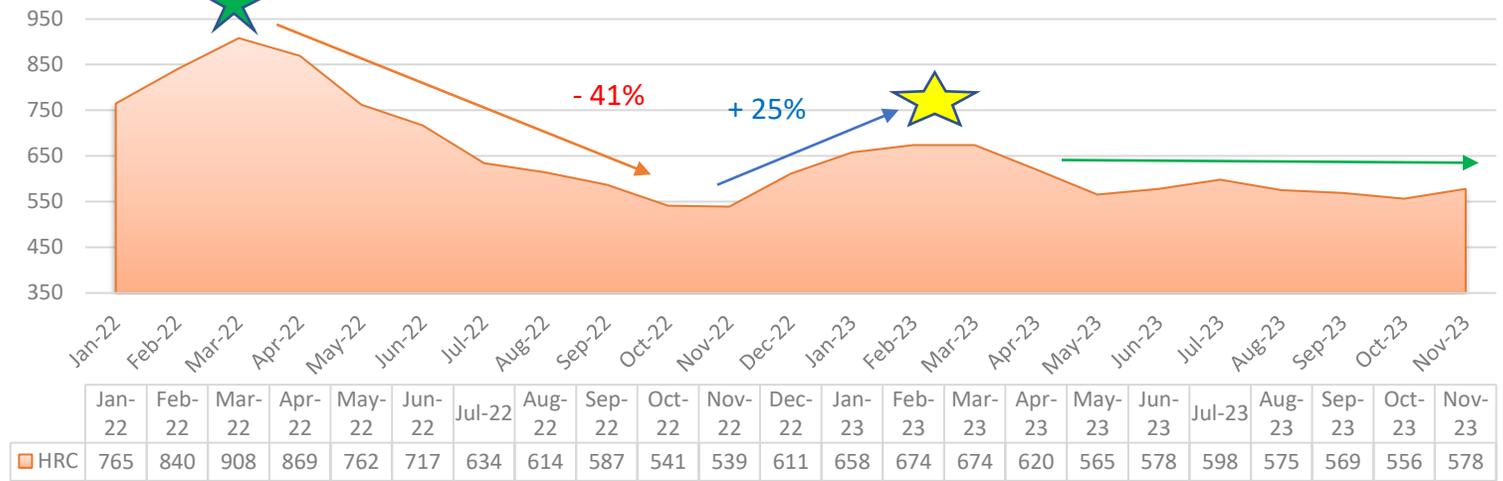
MALAYSIA REAL GDP GROWTH



The Malaysian economy remained sluggish with growth of 3.3% in 3Q 2023 after expanding of 2.9% in 2Q, as resilient domestic demand offset continued export weakness. The sluggish momentum has led BNM to project the full year growth to be at 4.0% (the lower end of the earlier 4%-5% forecast), vs a growth of 8.7% in 2022.

After spiking in March 2022 on news of the Ukraine War, prices declined 41% till Nov 2022. Thereafter, on news of USA peaked inflation and China's opening, prices rebounded to reach USD674 in March 2023 but reversed its trend on China's lack luster growth. Prices have been relatively stable at the USD 580 level in 3Q 2023.

Indicative HRC Price In USD/MT



HTVB GROUP PERFORMANCE REVIEW - 1Q FY24 vs 1Q FY23 (corresponding quarter)



(RM'M)	1Q FY24	1Q FY23	Variance
Revenue	407.5	397.8	2%
Gross Profit	20.4	(37.1)	155%
GPM/(GLM)	5.0%	-9.3%	
Profit before Interest	13.8	(44.3)	131%
Finance Costs	(5.4)	(5.0)	
PBT/(LBT)	8.4	(49.3)	117%
ESSB	(16.6)	1.3	-1,367%
NLBT	(8.2)	(48.0)	83%
NLAT	(9.4)	(48.8)	81%
Net Gearing Ratio	0.37	0.31	
EPS (sen)	(0.54)	(2.82)	
NTA (RM)	0.73	0.70	

- Revenue rose by 2%, driven mainly by an 11% increase in sales volumes despite a drop in average selling prices.
- Gross profit showed a positive turnaround from the previous year's loss, which included a RM27.4 million inventory write-down.
- The Group incurred an overall loss primarily due to a RM16.6 million loss from the Joint Venture (JV) entity, offsetting positive contributions from downstream operating subsidiaries.
- Despite the JV entity reporting a positive operating profit of about RM60 million, it recorded a net loss in the current quarter, mainly due to significant foreign exchange translation losses (approximately RM123.4 million) caused by unfavorable exchange rate movements.

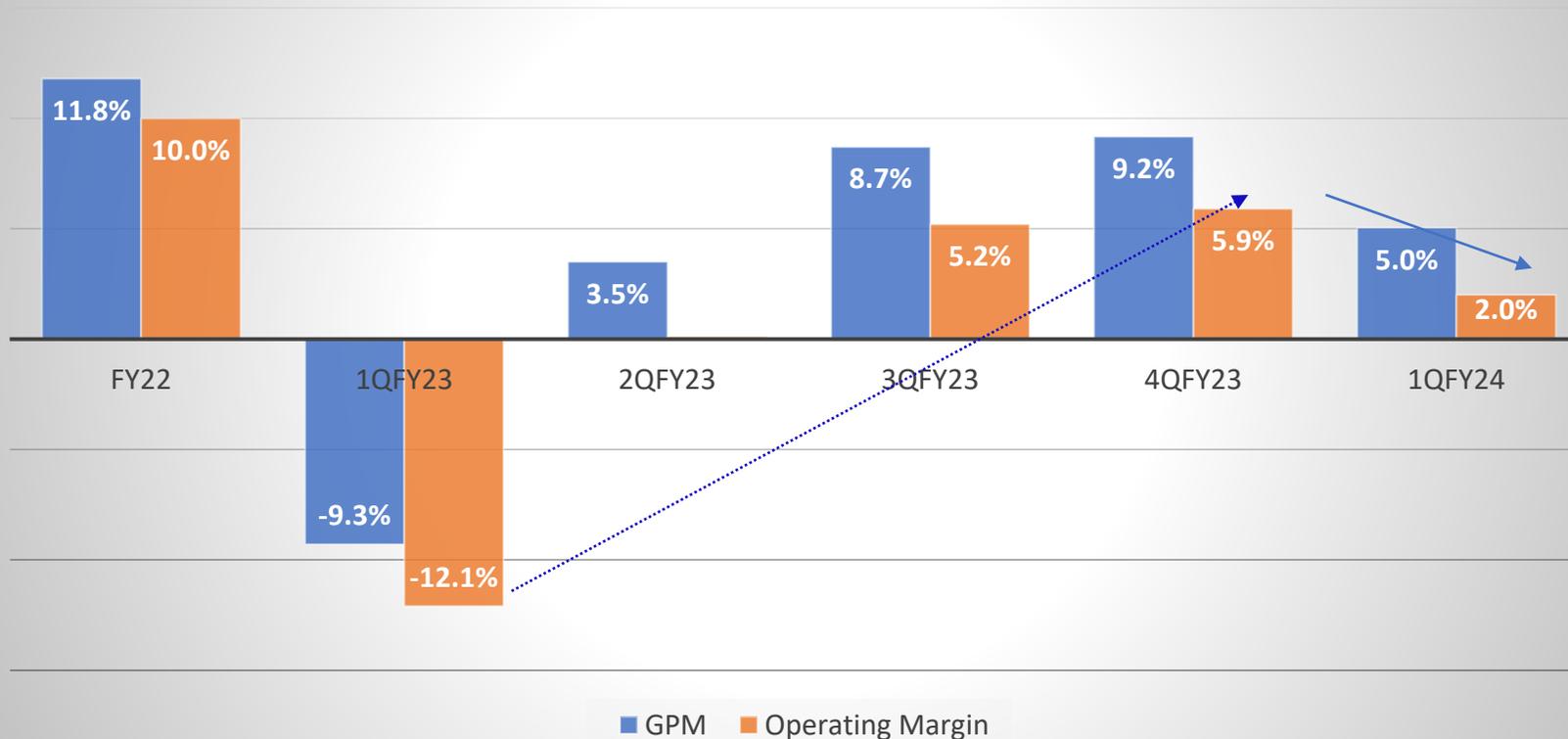
HTVB GROUP PERFORMANCE REVIEW - 1Q FY2024 vs 4Q FY2023 (preceding quarter)



(RM'M)	1Q FY24	4Q FY23	Variance
Revenue	407.5	453.8	-10%
Gross Profit	20.4	41.4	-51%
GPM	5.0%	9.1%	
Profit before Interest	13.8	26.2	-47%
Finance Costs	(5.4)	(6.6)	
PBT	8.4	19.6	-57%
ESSB	(16.6)	17.1	
NPBT/(NLBT)	(8.2)	36.8	-122%
NPAT/(NLAT)	(9.4)	42.0	-122%
Net Gearing Ratio	0.37	0.31	
EPS (sen)	(0.54)	2.45	
NTA (RM)	0.73	0.74	

- Revenue dropped by 10% due to weak demand for steel products, leading to lower sales.
- Gross profit declined because of both reduced revenue and lower profit margins.
- The change in overall profitability was mainly driven by a loss of RM 16.6 million from JV entity, as opposed to the previous profit of RM 17.1 million.
- The JV loss was due to adverse foreign exchange translation impacts during the current quarter.
- Despite challenges, the Balance Sheet remains strong, with a Net Gearing Ratio of 0.37X.

HTVB GROUP : GPM & OPERATING MARGIN



- Negative GPM in 1Q FY2023 was due to higher cost of inventory and RM27.3m write-down of inventories to NRV.
- After 3 consecutive quarters of upward trend for GPM, the margin drop for current quarter (1QFY2024) due to sluggish market conditions.



Eastern Steel Sdn. Bhd.



ESSB PERFORMANCE REVIEW – 1Q FY2024 vs 4Q FY2023 (preceding quarter)



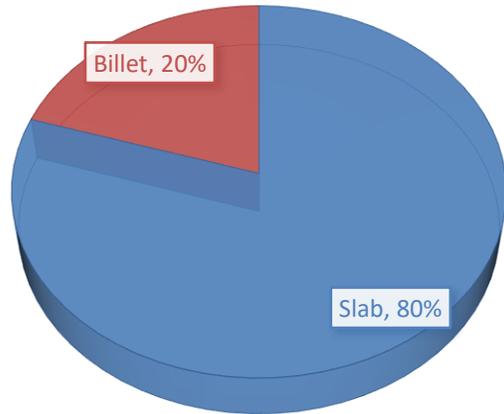
(RM'M)	1Q FY24	4Q FY23	Variance
Volume (kMT)	237.5	219.9	8%
Revenue	611.6	673.4	-9%
Gross Profit	73.1	136.2	-46%
GPM	12%	20.2%	
Profit before Interest/Adjustments	65	96.8	-33%
Finance Costs	(2.4)	(5.4)	
Unrealized FX	(123.4)	13.9	
Adjustment	-	(42.5)	
NPAT	(60.8)	62.8	

- 9% revenue drop linked to lower average selling prices.
- Gross Profit Margin (GPM) decline due to an overall reduction in the average selling price.
- FX translation resulted in a loss of RM123.4 million, contrasting with a profit of RM13.9 million in the preceding quarter.
- ESSB reported a Net Loss After Tax (NLAT) of RM60.8 million for 1Q FY24, compared to a profit of RM62.8 million in the preceding quarter.

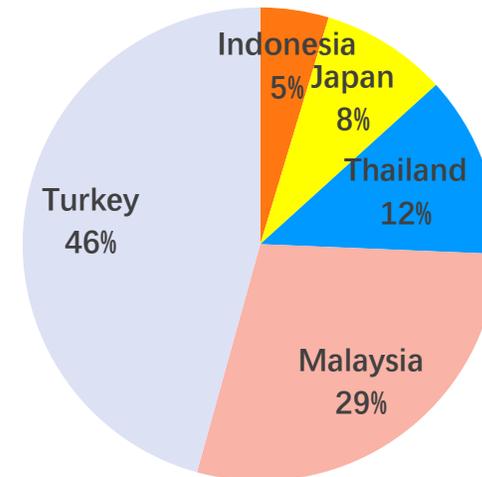
ESSB PERFORMANCE REVIEW – 1Q FY234



Q1FY2024 PRODUCT MIX



MARKET DISTRIBUTION Q1FY2024



OUTLOOK – CAUTIOUS BUT OPTIMISTIC



- ❑ THE GROUP REPORTED A NET LOSS OF RM 9.4 MILLION IN 1Q FY2024, ATTRIBUTED TO SHARING JV ENTITY ESSB'S LOSSES, PRIMARILY DUE TO SIGNIFICANT ADVERSE IMPACT ON FOREX TRANSLATION, DESPITE A REMARKABLE OPERATING PROFIT.
- ❑ ESSB REACHED A SIGNIFICANT MILESTONE, SUCCESSFULLY IGNITING ITS NEW 2.0 MILLION MT BLAST FURNACE IN AUGUST 2023 AND INITIATING PRODUCTION IN OCTOBER 2023, ELEVATING ITS RATED CAPACITY FROM 700K MT TO 2.7 MILLION MT PER ANNUM.
- ❑ THIS CAPACITY EXPANSION, COUPLED WITH THE ONGOING DEVELOPMENT OF AUXILIARY FACILITIES, IS POISED TO GENERATE A SUBSTANTIAL INCREASE IN THE JV ENTITY'S REVENUE, ACCOMPANIED BY NOTABLE COST SAVINGS DERIVED FROM GREATER ECONOMIES OF SCALE
- ❑ THE RECENT CAPITAL INJECTION , WITH THE INTENTION OF STRENGTHENING THE JV ENTITY'S CAPITAL BASE, WILL BE APPLIED TO CAPITAL EXPENDITURE, INCLUDING THE CONSTRUCTION OF A 1450 MM HOT ROLLING MILL, AND MEETING WORKING CAPITAL REQUIREMENTS. BARRING UNFORESEEN CIRCUMSTANCES, THE GROUP EXPECTS SIGNIFICANT FUTURE CONTRIBUTIONS AND POSITIVE OUTCOMES FROM THE JV.
- ❑ THE GROUP RECOGNISES THE ANTICIPATED ECONOMIC TRENDS AND POTENTIAL FUTURE PROSPECTS WHILE EXERCISING CAUTION IN THE CURRENT BUSINESS LANDSCAPE. THIS INCLUDES NAVIGATING THROUGH FLUCTUATIONS IN STEEL PRICES, UNCERTAINTIES IN FINANCIAL MARKETS, AND GEOPOLITICAL TENSIONS.
- ❑ THE MANANGEMENT COMMITTED TO IMPLEMENTING PRUDENT PROCUREMENT STRATEGIES AND EFFECTIVE INVENTORY MANAGEMENT, THE GROUP AIMS TO ENHANCE FINANCIAL PERFORMANCE AND SUSTAIN A ROBUST BALANCE SHEET, DEMONSTRATING VIGILANCE AND ADEPT NAVIGATION DURING CHALLENGING PERIODS. (GEARING RATIO AS AT QUARTER END: 0.37x).





THANK YOU

