# Masteel

MALAYSIA STEEL WORKS (KL) BHD

## Corporate Presentation

2Q13 Results & Corporate Update

**Presented by:**

**Dato' Sri Tai Hean Leng, Managing Director/CEO**

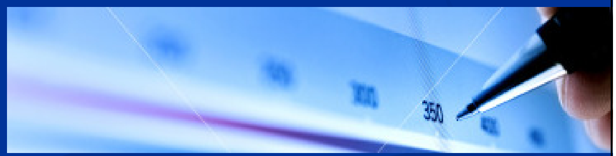
**11th Sept, 2013**

# CONTENTS

- 2Q13 Financial Highlights
- Industry Highlights
- Growth Strategies
- Investment Merits
- Appendix
  - Corporate Profile

# Financial Highlights

*Regaining Momentum*





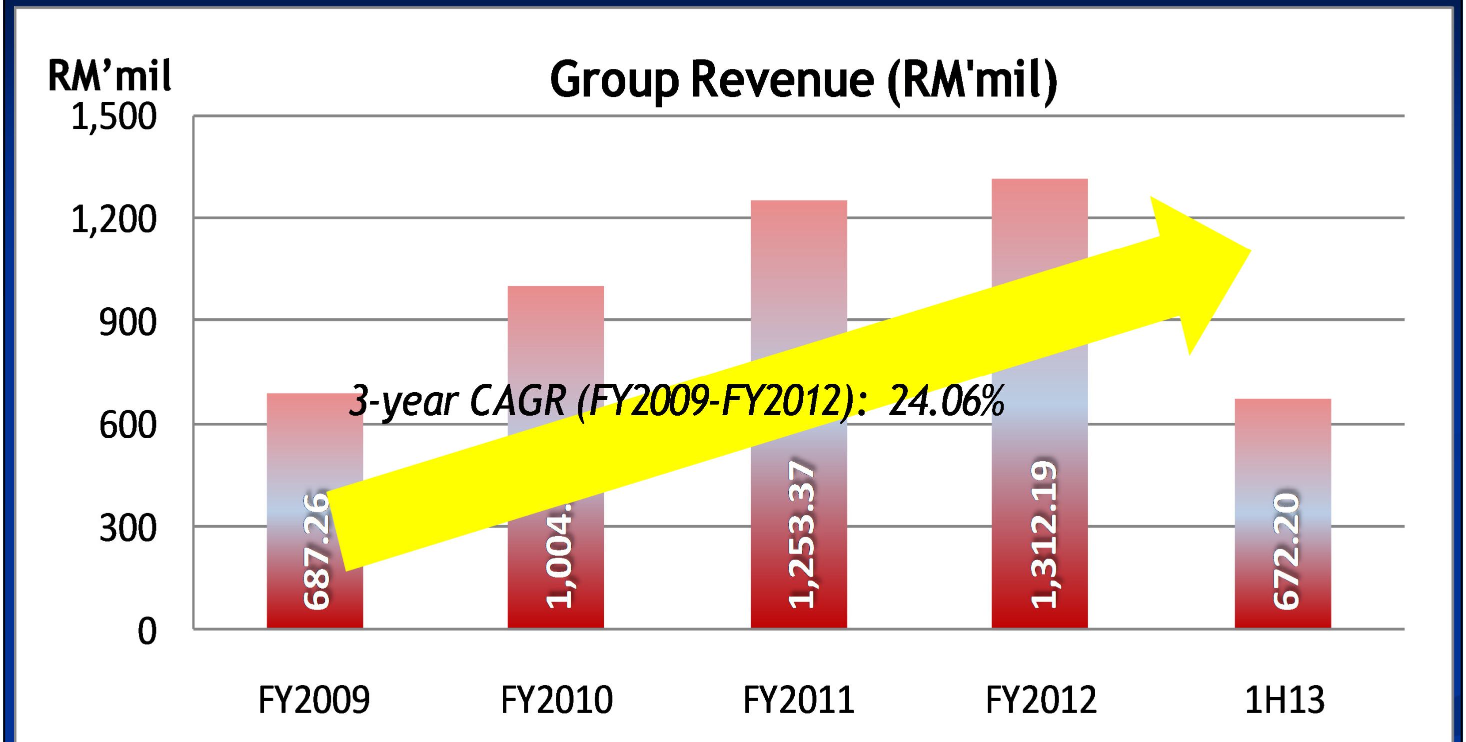
# Financial Summary

| RM'(Million) | 2Q13 | 2Q12 | 1Q13 | Q-o-Q (%) | Y-o-Y (%) | Remarks |
|---|---|---|---|---|---|---|
| Revenue | 342.2 | 344.1 | 330.0 | 3.7% | -0.6% | Q-o-Q higher due to stronger sales demand, Y-o-Y lower-due to lower ASP. |
| | | | | | | |
| PBT | 10.9 | 18.8 | 3.7 | >100 | -42% | Q-o-Q increased due to lower production costs, Y-o-Y, decreased due to lower ASP and higher raw material costs. |
| Tax | (0.7) | 0.1 | (0.2) | | | |
| PAT | 10.2 | 18.9 | 3.5 | >100 | -46% | |

# Financial Summary

| RM'(Million) | YTD FY13 | YTD FY12 | Y-o-Y (%) | Remarks |
|---|---|---|---|---|
| Revenue | 672.2 | 684.0 | -1.7% | Lower ASP but higher volume demanded |
| | | | | |
| PBT | 14.6 | 14.0 | 4.3% | Improved due to higher plant utilisation |
| Tax | (0.9) | 0.1 | | |
| PAT | 13.7 | 14.1 | -2.8% | |
| EPS (Cent) | 6.29 | 6.7 | -6.1% | |

*Riding on the domestic construction boom…*




## Revenue Trend

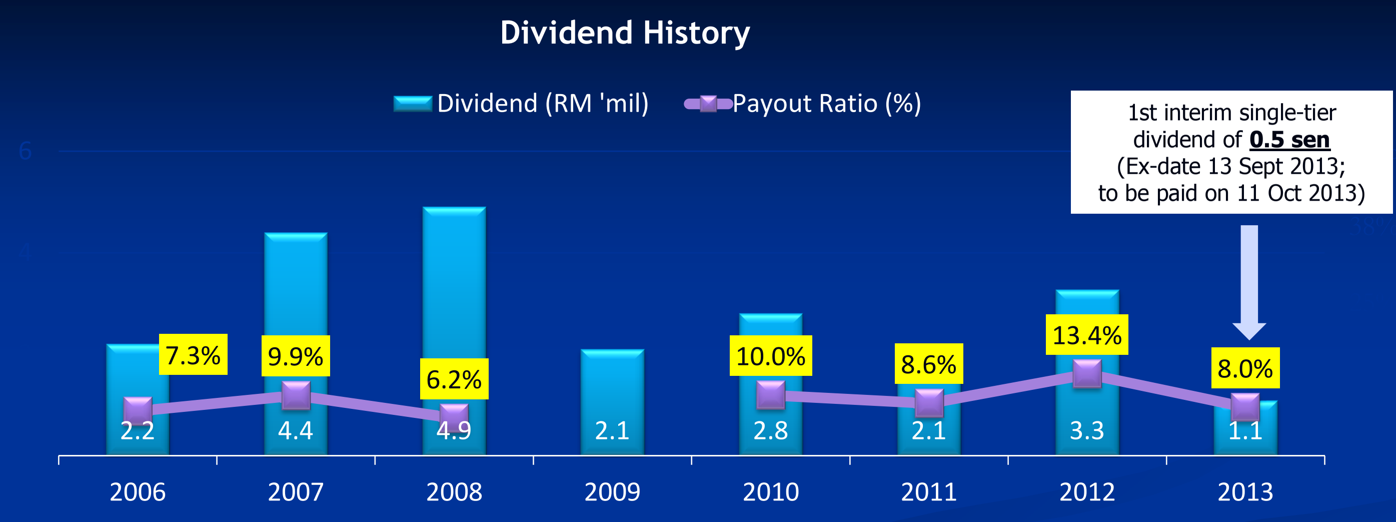
*Net gearing still within manageable level… borrowings mainly to finance working capital and factory expansion*

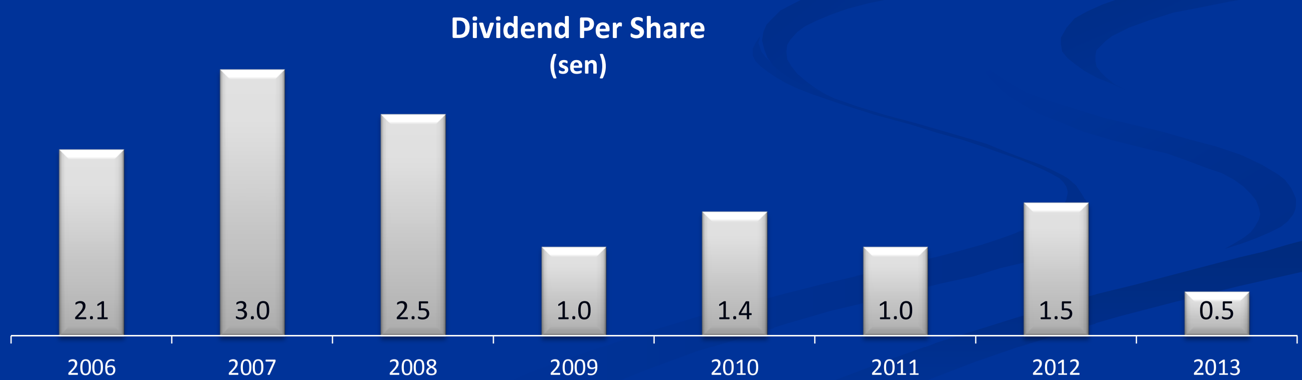
| Balance Sheet ('mil) | As at 30.6.2013 | As at 31.12.2012 |
|---|---|---|
| Property, Plant & Equipment | 486.5 | 460.1 |
| Current Assets | 476.6 | 461.8 |
| Current Liabilities | 403.8 | 368.6 |
| Non-Current Liabilities | 29.7 | 35.4 |
| Shareholders' Equity | 538.3 | 525.9 |
| | | |
| Borrowings (ST+LT) | 288.8 | 283.7 |
| Cash & Cash Equivalents | 48.6 | 54.7 |
| Gearing (net of cash) | 0.45X | 0.44x |

## Balance Sheet



*Has consistently paid dividends since listing…*




## Dividend History

## Industry Highlights

*Powered by the Domestic Market*



## Overall steel industry has improved

- In the US, manufacturing activities have started to gain momentum based on Institute of Supply Management (ISM) survey.
- In China, inventories for rebar have declined due to lower steel production, limiting oversupply issue but consumption remains strong as indicated by uptrend in Purchasing Manager's Index (PMI) data.
- China's growth momentum accelerated due to speedy implementation of fiscal programmes and mini stimulus package such as infrastructure projects like railway investment (USD86.5b).

Source: CRU steels

## Local steel demand underpinned by strong activity in local construction industry

- Construction industry expected to achieve approximately RM110b in 2013 *(Construction Industry Development Board, 2013)*

## Demand underpinned by infrastructural activities from ETP

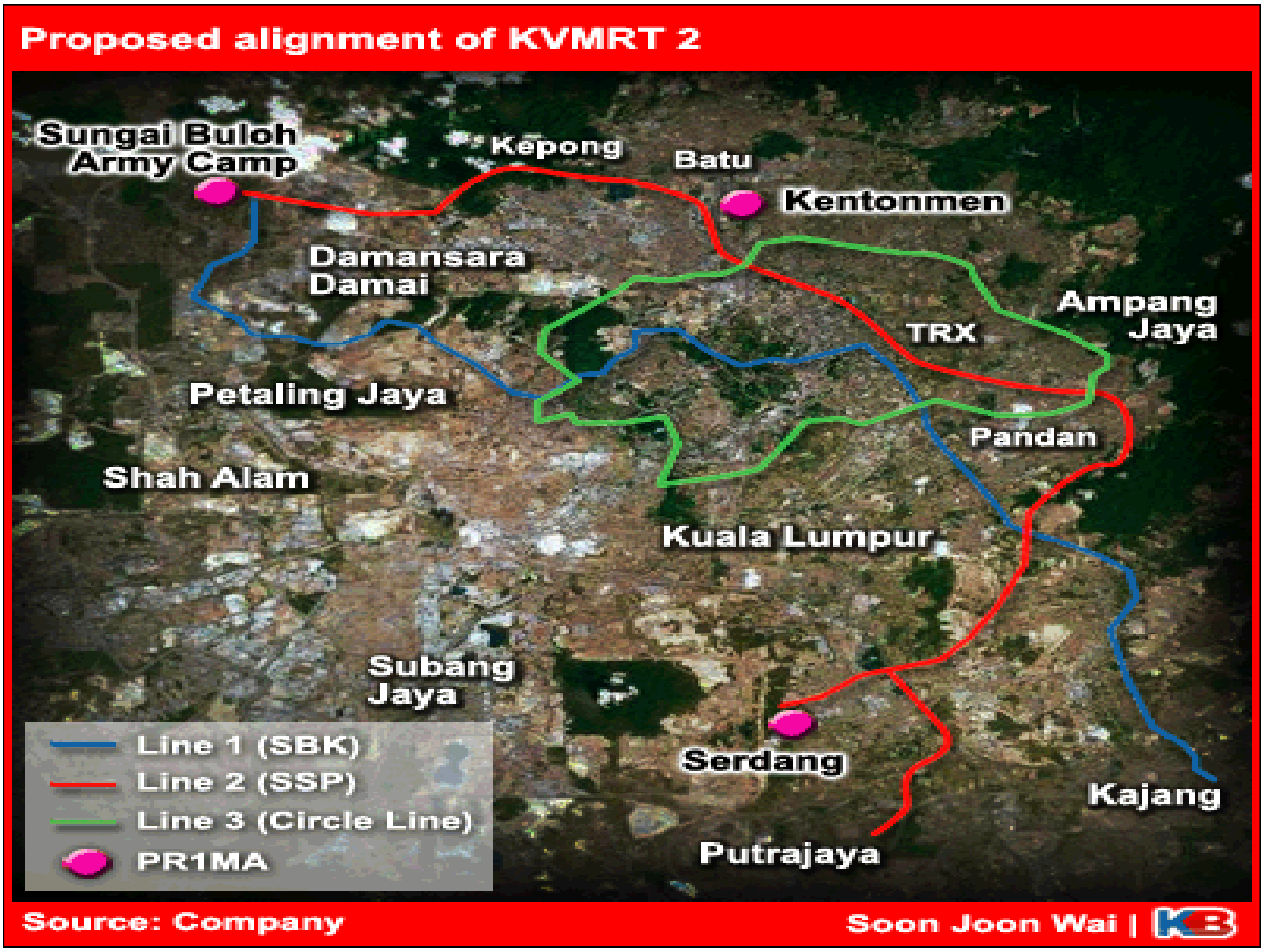
- **Examples of mega-projects:**
  KVMRT 1 Sungai Buloh – Kajang
- MRT2 -North South Line
- MRT3- Circle Line
  Klang Valley LRT extensions
  Uptrend in residential property construction

Industry Highlights



# Development of the KVMRT 1,2 & 3

- The Prime Minister has announced that MRT Line 1, 2 & 3 will proceed as planned.
- The KLMRT 1 is expected to be completed by July, 2017. It will cost RM23 billion.
- The KLMRT – Line 2 (North-South) expects to commence immediately after completion of Line 1 and will complete by 2020(Phase 1)/2030 (Phase 2). The estimated cost will be RM24.9 billion . The line will cover from Sg.Buloh and end at Serdang Raya.
- The KLMRT – Line 3 (Circle Line) expects to commence and complete by 2020(Phase 1)/2030 (Phase 2). The line will cover KLCC, Ampang, TRX, MidValley and Sentul.
- KLMRT 1,2,3 lines will cover a total distance of 150km

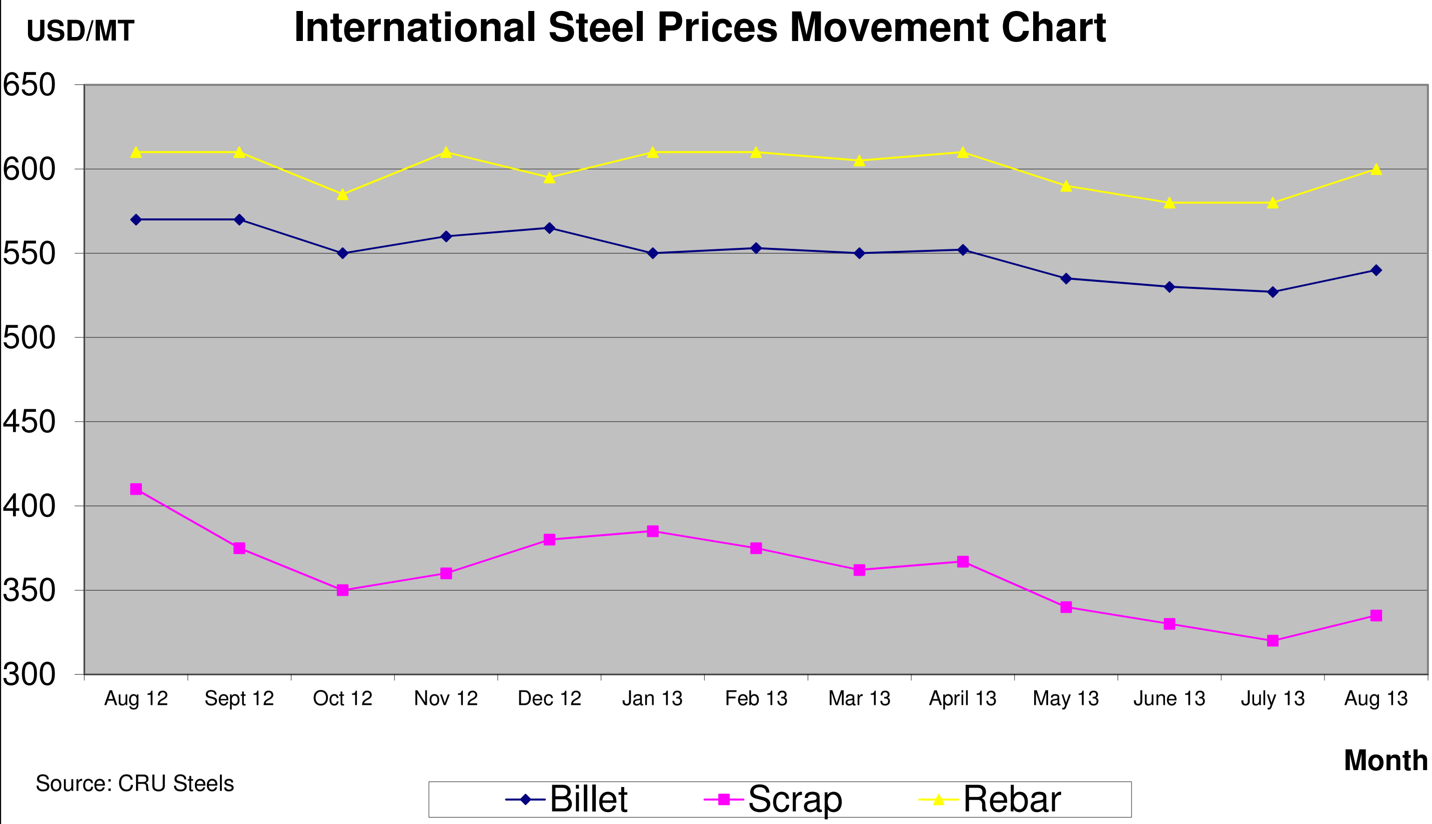

Proposed alignment of KVMRT 2
Sungai Buloh Army Camp
Kepong
Batu
Kentonmen
Damansara Damai
Ampang Jaya
TRX
Petaling Jaya
Pandan
Shah Alam
Kuala Lumpur
Subang Jaya
Serdang
Kajang
Putrajaya
Line 1 (SBK)
Line 2 (SSP)
Line 3 (Circle Line)
PR1MA
Source: Company
Soon Joon Wai | KB


Masteel
Masteel
Masteel
Masteel
Masteel
05.07.2013 13:59

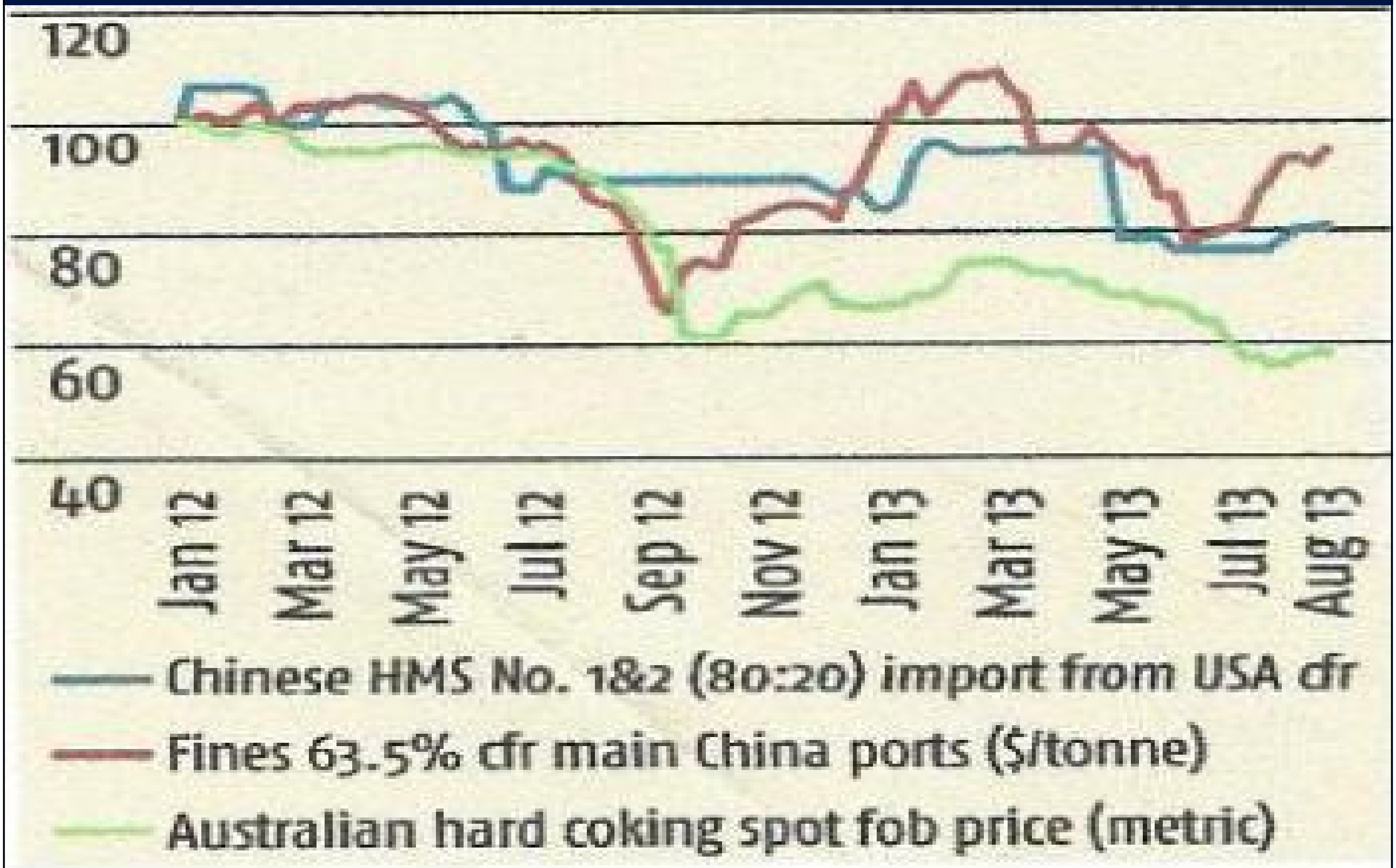




# Global Steel Prices Rebounded From Lows




## Steel Prices Rebound




Source: Metal Bulletin


Source: Metal Bulletin



# Growth Strategies

*Building on core competencies*

# 2012/2013 Accomplishments

- Signed RM500 million offtake agreement with Trafigura Pte Ltd (27 June 2012)
- Secured RM6.7m contract from Mass Rapid Transportation Corporation to supply high tensile steel bars to several Klang Valley MRT sites (9 November 2012)
- Declared 1st Interim dividend payments in 2013, of 0.5 sen per share in respect of FY2013.
- Net profit rebounded to RM10.2 million in 2nd quarter 2013
- Awarded "Best Brands in Manufacturing-Steel" by The BrandLaureate
- MD/CEO of Masteel Bhd, Dato' Sri Tai Hean Leng awarded the "Best Personality Awards 2012-2013" by The BrandLaureate

## Strategic Position of Factories

- Factories in Petaling Jaya and Klang, proximity to main market which result in minimum transport costs.
- Excellent geographical position to be one of the key suppliers of steel bars for all mega projects in the Greater Klang Valley Region
- Examples: KVMRT1, 2 & 3, LRT extensions, KLIA 2 Terminal, PR1MA, Menara Warisan Merdeka, Tun Razak Xchange and growth in infrastructure and housing construction sectors

## Sizeable market for core products

- Steel bars consumption forms highest component of total apparent steel consumption in Malaysia (2.49 million MT, approx. 28%) *(Malaysian Iron & Steel Industry Federation, 2012)*

# Growth Strategies

# Steel Import

Production, Imports, Exports and Consumption of Selected Steel Products (mt) 2012

| Item | Production | Import | Export | Consumption |
|---|---|---|---|---|
| Bars | 2,444,049 | 163,545 | 114,749 | 2,492,845 |
| Wire rods | 1,140,618 | 673,829 | 123,912 | 1,690,535 |
| Sections | 114,802 | 577,458 | 25,779 | 666,481 |
| HR Sheets & Strips | 1,032,974 | 1,007,912 | 26,865 | 2,014,021 |
| Plates | 151,871 | 331,052 | 41,563 | 441,360 |
| Pipes & Tubes | 787,983 | 876,712 | 872,608 | 792,087 |
| | | | | |

Source: MISIF

Note: There are no significant imports of steel bars into Malaysia



## *Building up capacity in our core steel business to meet local & export demand…*

- Investing RM100 million in CAPEX in FY13/14 to increase steel bar capacity
- Already invested RM80 million to grow steel billet capacity
  - New capacities will allow Group to benefit from economies of scale & meet domestic/regional demand for steel billets & bars

| Installed Capacity | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Billet Plant | 600,000 | 650,000 | 700,000 | 700,000 |
| Rolling Mill | 350,000 | 400,000 | 450,000 | 550,000 |

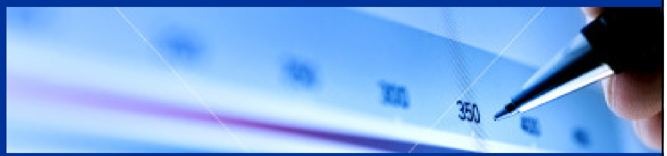
+50,000 +50,000 +100,000

- Trafigura deal will partially contribute towards the usage of the new capacities
- To grow sales in existing export markets in Asean, which require steel for infrastructure works
- To continue to grow in the regional & export markets
- Tapping into ETP and 10MP projects like the Klang Valley MRT and LRT extension

# Growth Strategies

# Investment Merits

*Standing tall in the crowd*





## *Remains an attractive investment case to the domestic steel market for investors…*

### BUSINESS

Core business continues to provide Group's baseline growth; annual revenues have grown at a CAGR of >20% over the past few years

Strong competitive edge of Group's mill due to more stable inputs of scrap metal and energy (vs peers' mills that use iron ore, gas and coking coal)

Benefits from strategic Klang Valley location

### INDUSTRY

Domestic industry spurred by ETP & 10MP rollouts; construction/infrastructure works require long steel

Long steel production sector not impacted by any Chinese steel surplus.

Regional opportunities plentiful due to construction and infrastructure works undertaken by many Asean & Asian economies

### VALUATION

Currently trading at P/E (ttm) of 7.4x

Low P/Book value of 0.38x. Book value per share of RM2.47 (2Q13) vs share price of 0.94 sen (9/9/13)

### GROWTH

Expanded capacity at Bukit Raja meltshop to 650,000 MT from 600,000 MT in 2013

Building new 200,000 MT rolling mill - ready by end-2014; takes total capacity to 650,000 MT when fully operational

Spare capacity to tap into more markets

# Investment Merits


# THANK YOU

http://www.masteel.com.my


## IR Contacts

| | | |
|---|---|---|
| Tommy Sim | E: tommysim@masteel.com.my | T: +603-7781 1611 / 016-289 2078 |
| Terence Loo | E: terence@aquilas.com.my | T: +603-2711 1391 / 012-629 5618 |