



Nico Steel Holdings Limited

The Specialist in Ferrous & Non-ferrous Metal Alloys

(Stock Code – **SGX: 5GF** | **Bloomberg: NICO SP** | **Reuters: NICO.SI**)



Corporate Presentation

September 2018

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Nico Steel is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) under the stock code 5GF.

Agenda



Smart Living

- Evolving Trends
- Making Technology Work for Us



Overview

- About Nico Steel Group
- Financial Highlights



Competitive Strengths

- Competitive Advantage
- Business Model

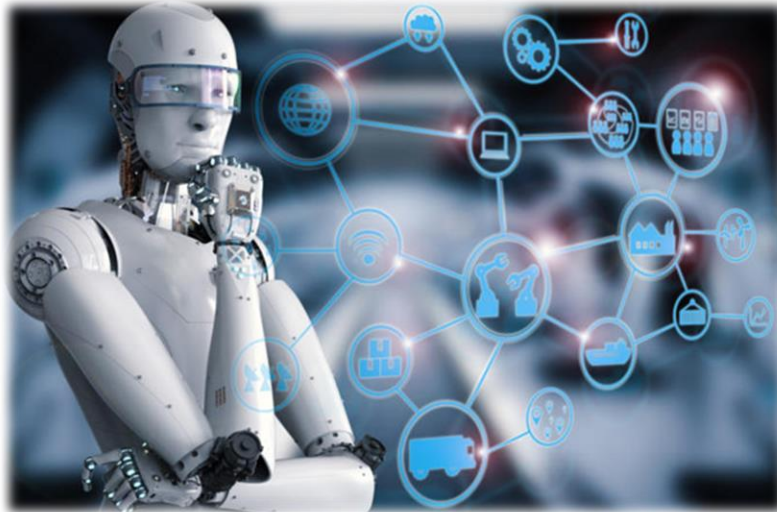


Prospects

- Business Strategies & Future Plans
- Beneficiary of the Evolving Technology Trends

Smart Living

❖ Evolving Trends



- We will need more sophisticated and reliable digital devices to carry out activities in our daily lives.

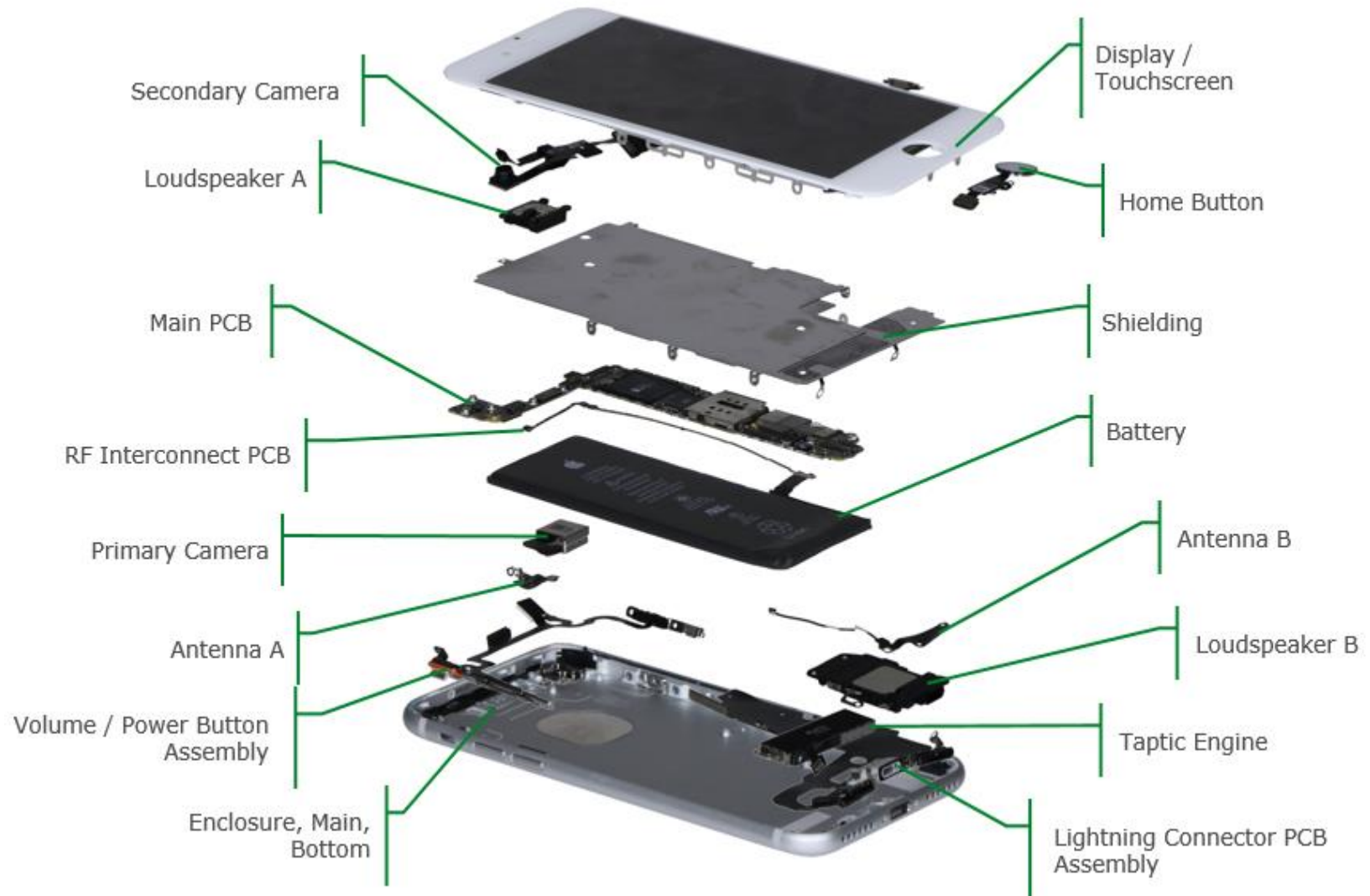
Smart Living

❖ Making Technology Work for Us



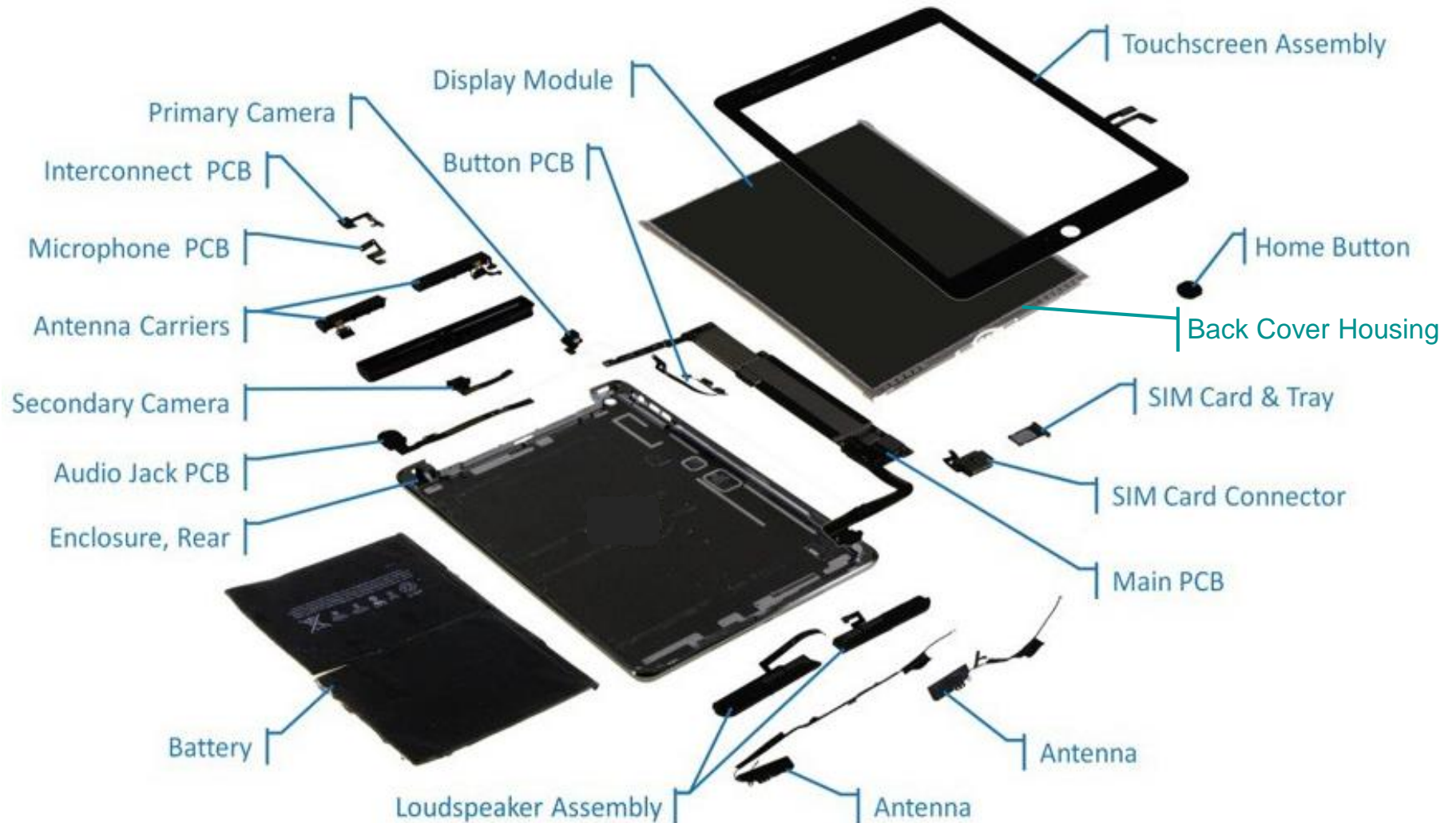
Exploded View

❖ Mobile Communications – Smartphone



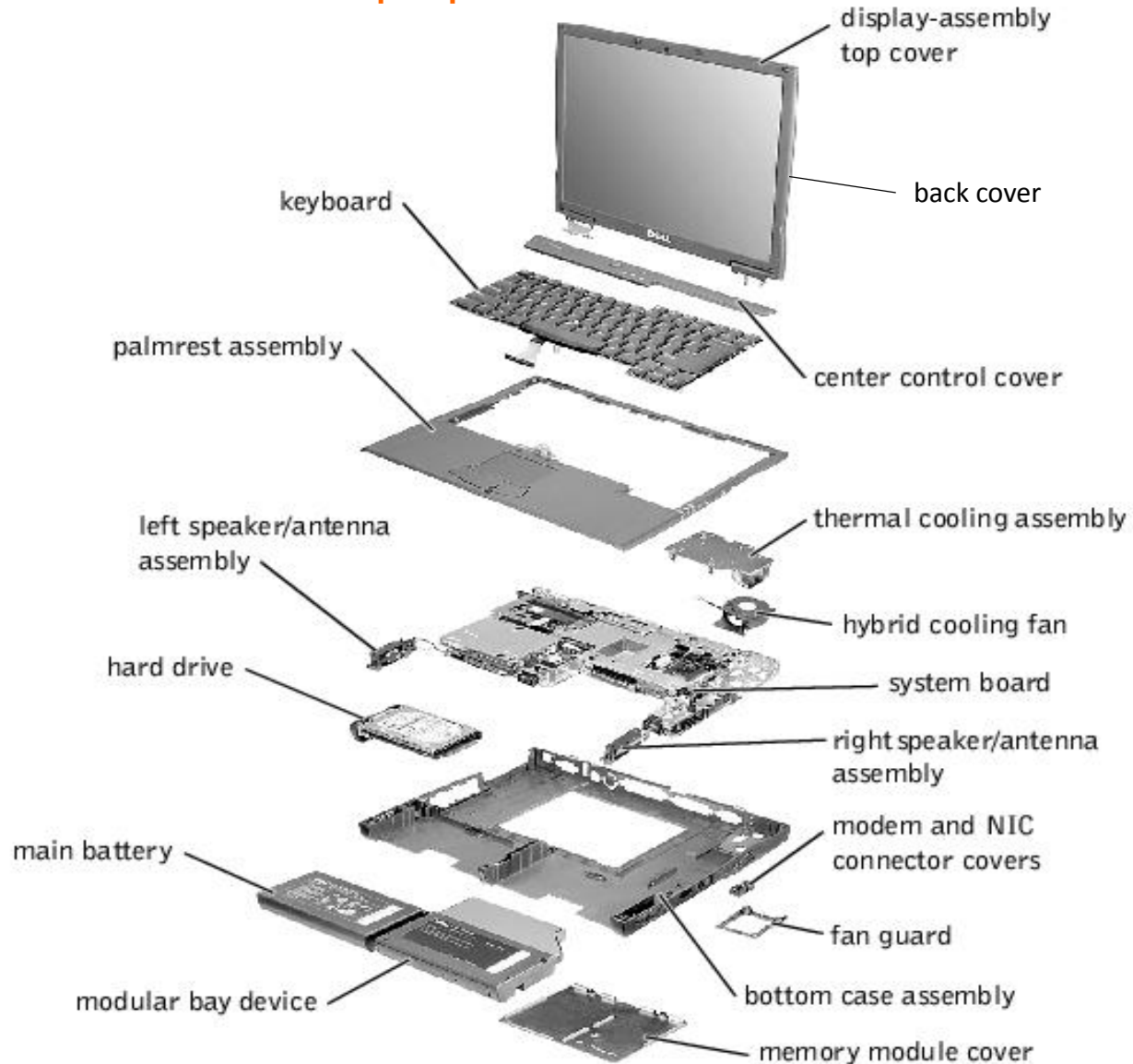
Exploded View

❖ Consumer Electronics – Tablet



Exploded View

❖ Consumer Electronics – Laptop



Overview of Nico Steel Group



❖ The Specialist in Ferrous and Non-ferrous Metal Alloys

- Nico Steel is a **specialist in both ferrous and non-ferrous metal alloys** with a **focus on mass customisation**:
 - ☑ develop patented production technology
 - ☑ customise metallurgical solutions
 - ☑ provide customised services to enhance features of metal materials for OEMs
 - ☑ produce specialised metal alloy products under own Nico brand
- Listed on the Sesdaq Board of the Singapore Exchange in April 2005, Nico Steel was upgraded to the Mainboard in January 2009
- The Group's manufacturing facilities are located in China and Thailand, whilst the Singapore headquarter acts as an R&D centre and corporate office
 - ☑ total staff strength: 115

Manufacturing Capabilities



Electroplating Facility in Suzhou



Slitting and Shearing Processes



Polishing

Geographical Presence

❖ Asia Pacific

THAILAND

Nico Steel Center (Thailand) Co., Ltd

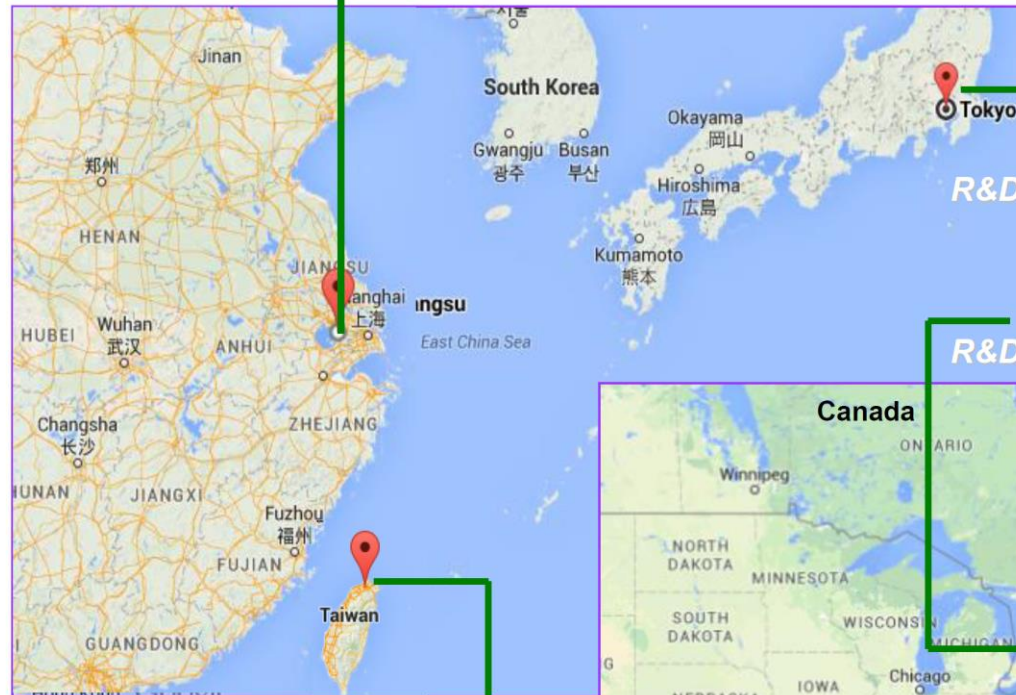


SINGAPORE

Nico Steel Holdings Limited
Nico Steel Solutions (S) Pte Ltd

CHINA

Nico Steel Center (Suzhou) Co., Ltd
Nico Steel Solutions (Suzhou) Pte Ltd
Nico Steel Technology (Suzhou) Co., Ltd



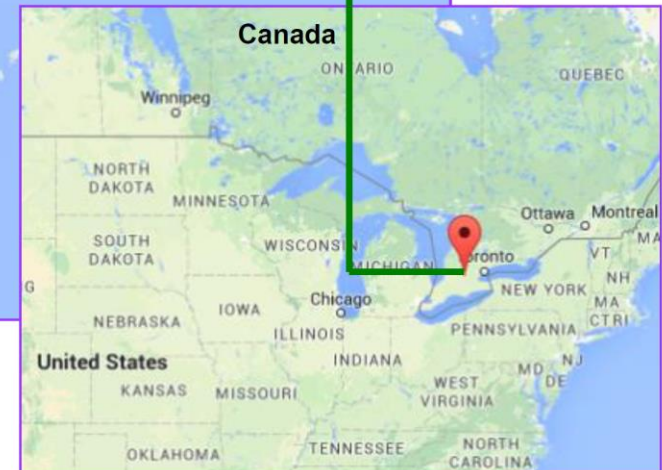
TAIWAN

R&D Support Center

JAPAN

R&D Support Center

US / Canada
R&D Support Center



Financial Highlights

❖ Profit & Loss Statement

Financial year ending 28 Feb (in US\$'000)	FY2016	FY2017	FY2018
Revenue	19,155	13,293	13,216
Cost of goods sold	(15,510)	(10,705)	(9,767)
Gross profit	3,645	2,588	3,448
<i>Gross margin</i>	<i>19.0%</i>	<i>19.5%</i>	<i>26.1%</i>
Other income	66	99	345
Distribution expenses	(465)	(265)	(176)
Administrative expenses	(5,863)	(4,177)	(3,252)
Finance costs	(247)	(135)	(156)
Profit/(Loss) before tax	(2,863)	(1,890)	209
Tax expense	(41)	(12)	(144)
Profit/(Loss) after tax	(2,905)	(1,902)	65
Loss from discontinued operations	(161)	-	-
Minority interest	(77)	(27)	31
Net profit	(2,989)	(1,875)	34

Nico Steel reversed losses to profit with increasing demand for its Nico brand of metal alloys

Financial Highlights

❖ Sound Balance Sheet

As at 28 February (in US\$'000)	FY2016	FY2017	FY2018
Non-current assets	3,767	3,487	3,518
Current assets	16,273	12,751	15,728
Non-current liabilities	16	10	10
Current liabilities	9,371	4,711	4,857
Shareholders' equity	11,295	12,155	15,040
Net asset value (" NAV ")	10,652	11,517	14,379
Net tangible asset (" NTA ")	10,647	11,513	14,375
Cash & cash equivalents	1,944	1,224	2,204
Net loans and borrowings	1,240	817	284
Net gearing	11.0%	6.7%	1.9%
NAV per share (US cents)	8.40	2.34	0.75
NTA per share (US cents)	8.40	2.34	0.75
No. of shares ('000)	126,814	492,166	1,912,166

Nico Steel trading at P/B of 0.45x on fully diluted basis

Assuming maximum conversion by Bondholder, number of shares would increase to 5.14bn, the NAV and NTA per share would be US\$0.0033 (equivalent to S\$0.0044 based on exchange rate of 1 USD : 1.36 SGD)

Financial Highlights

❖ Breakdown by Product Segments

FYE 28 Feb (US\$'000)	FY2017	FY2018	YoY Change
Customised Solutions	10,895 [82.0%]	10,155 [76.8%]	- 6.8%
Nico Brand Metal Alloys	2,398 [18.0%]	3,061 [23.2%]	+ 27.6%
Total Revenue	13,293	13,216	- 0.6%
Gross Profit	2,588	3,448	+ 33.3%
Gross Margin	19.5%	26.1%	

- ❖ The Group has been phasing out low value-add processing services gradually to customised solutions, and towards own Nico brand of specialised metal alloy materials
 - Nico Steel is well-positioned as a premium specialist in metal alloys materials

Reinventing Growth

- ❖ **Nico Steel emphasises on creating values for our customers through**
 - ☑ **understanding the unique features and evolving requirements** of customers' products at their product design and development stages
 - ☑ **providing our expertise** on our integrated and innovative ferrous and non-ferrous metal alloy materials
 - ☑ **collaborating with customers to customise metal alloy material solutions** to achieve the desired performance of their end products
 - ☑ **exceeding customers' requirements** with consistent R&D to continue to innovate **new high performance materials**

- ❖ While this approach placed Nico Steel at the forefront of the metal alloy materials industry, the Group has to **invest on the lead time for new product developments and market reception to innovative materials**

❖ Increasing Sophistication of Digital Devices

- More stringent requirements on the five key factors of basic metal materials:

☑ **Thickness** – lighter digital devices lead to thinner and compact components

☑ **Strength** – hardness, toughness and strength of materials to enhance functionality of the digital devices

☑ **Shielding** – enable the receiving and sending of dedicated signals to communicate and execute actions/commands concurrently

☑ **Heat Dispersion** – heat transfer is crucial for all digital devices with increasing bandwidth and speed

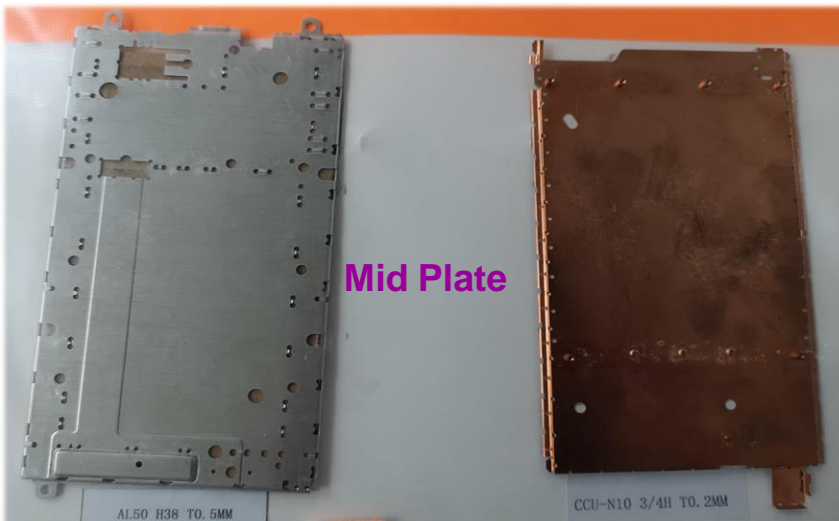
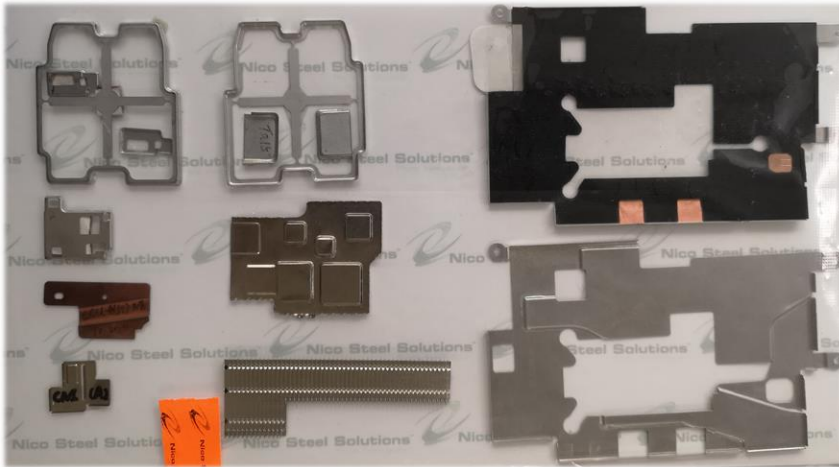
☑ **Weight** – innovative and customised solutions on metal alloy materials to achieve functionality, durability and mobility

❖ Some of Nico's range of Metal Alloy Materials for smartphones and tablets

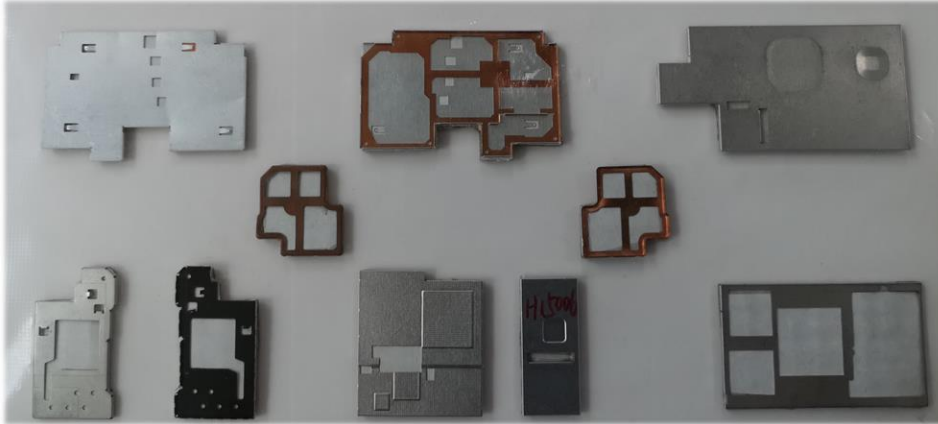
- Display Module Rear Cover
 - ▶ N10 / N20 / AL50
- Mid Plate
 - ▶ N10 / N20 / AL50 / CA2 / N-Clad
- Shielding Cans – BLS
 - ▶ CNI-AL50 / CNT-AL50 / N10
- Antenna
 - ▶ CNI-AL50 / CCU-AL50
- Battery Heat Plate / Cover
 - ▶ CA2 / AL50
- Housing
 - ▶ N-Clad

Selected Samples of Component Products

- ❖ The Group only provides metal alloy materials to the appointed component and contract manufacturers of the global brand owners



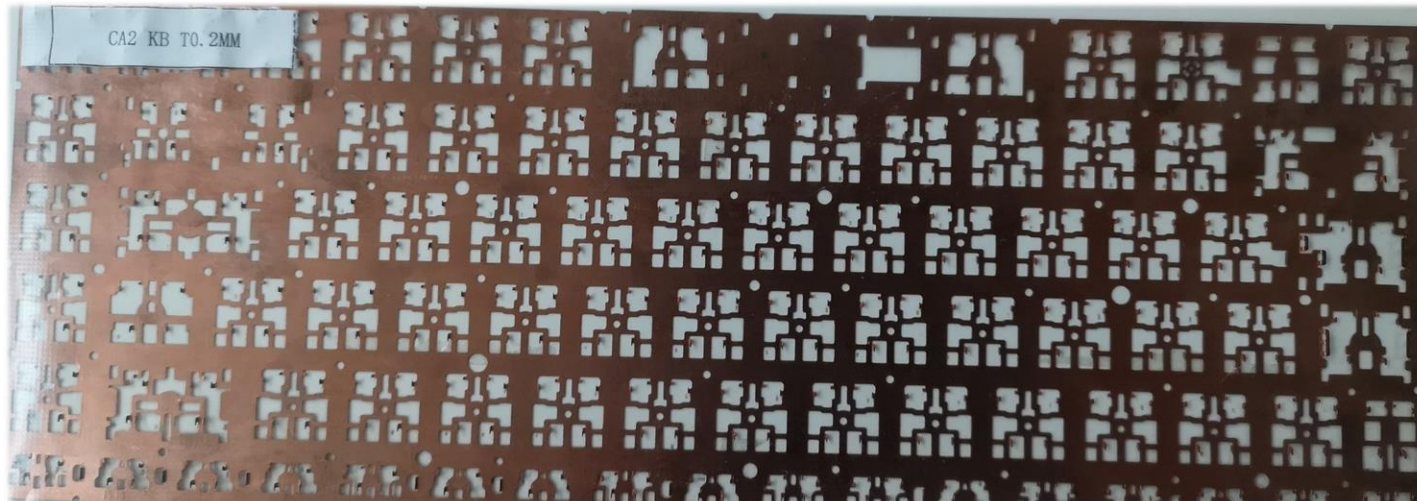
Selected Samples of Component Products



Shielding Can



Thermal Moudel

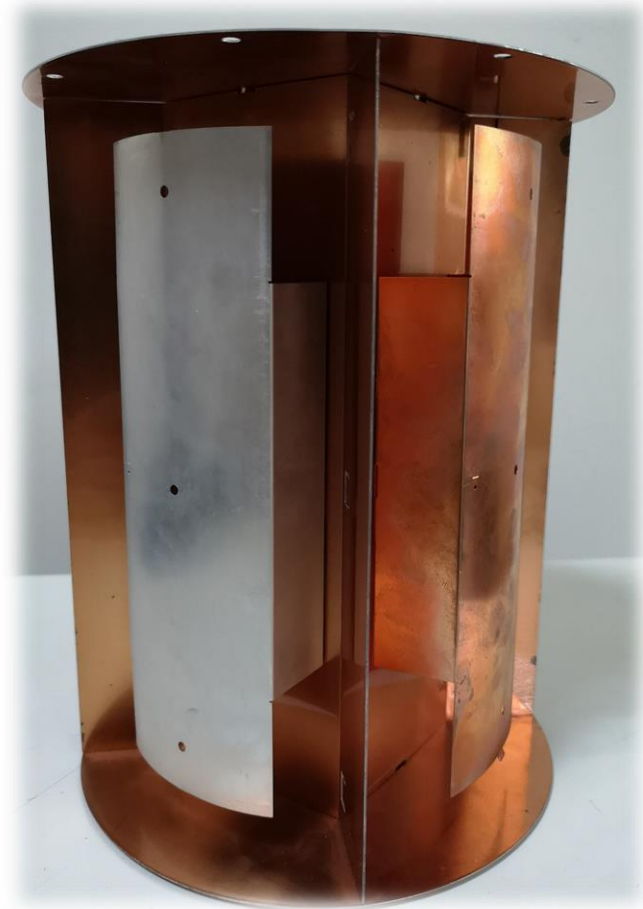


Internal Product – Keyboard

Selected Samples of Component Products



Laptop Cover



Base Station Server Can

Credentials

❖ Intellectual property, trademark, and licensing



Recent Achievements

- ❖ The Group has successfully registered another three trademarks for its Nico brand metal alloy products



➤ **N2OM** and **N20** are catered for design parts that require strength, corrosion resistance and non-magnetic permeability

➤ **Nico CA2** focuses on heat solutions, eg. heat dispersion plate

Business Model

❖ Two-pronged approach to **build sustainable and stable earnings** for the long-term

- Provides customised solutions as value-added services to component and contract manufacturers to meet their metal fabrication requirements
- coating
 - polishing
 - slitting and shearing
 - levelling



- Cultivates demand from brand owners to meet the evolving and stringent requirements of new digital devices (at design stage)
- Nico Solderite™
 - Nico N10 (Austenitic Stainless Steel)
 - Nico AL50 (High Strength Aluminium)
 - Nico N-Laminate
 - Nico N-Clad



- product validation process**
- ✓ testing of materials at the R&D design phase
 - ✓ production in small quantity
 - ✓ commercial production

Competitive Advantage



Notable Achievements

- ❖ The Group's **transformation** from a low value-add processing service provider to mass customisation of technological innovative metal alloy materials under our own Nico brand, is **bearing fruits**

Selected Brand Owners and their Products

Global Brand Owner	End Customer Products / Nico Brand Products
The 1 st trillion-dollar market capitalisation company	<ul style="list-style-type: none"> • laptops, tablets and smartphones ➤ customised metal alloys: CCU-BR / CA2
World's largest software maker by revenue	<ul style="list-style-type: none"> • laptops ➤ standard Shielding BLS (sole supplier)
World's largest provider for the TOP500 supercomputers in 2018	<ul style="list-style-type: none"> • laptop and desktop/CPU ➤ standard Ultra Thin Fins Stack / CPU Plate / Light Weight Fins Stack
World's largest drone manufacturer	<ul style="list-style-type: none"> • drones ➤ Light Weight Shielding BLS (sole supplier for new models)
World's largest LCD panel maker	<ul style="list-style-type: none"> • display panels ➤ Aluminium 5182 (sole supplier)
Largest Japanese smartphone manufacturer	<ul style="list-style-type: none"> • smartphones ➤ Mid Plate (sole supplier)

Business Strategies and Future Plans



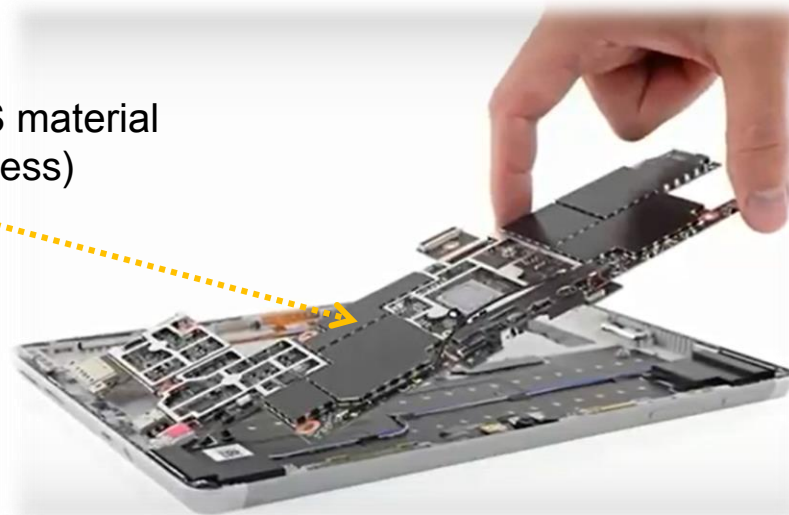
- ★ Leverage on our competitive advantage to build on the growth momentum for our Nico brand of material products
 - continuous innovation for new solutions on materials
- ★ Potential for capacity expansion in anticipation of new products pipeline indicated by various global brand owners
 - current production capacity would be running at optimal
 - increase in capex is negligible as compared with the potential growth in productivity
- ★ Strengthen earnings base through broadening customer base
 - product scalability
 - recognition by global brand owners is a strong testament
- ★ To exit from both the Financial and MTP Watch-lists

Selected Project Pipeline

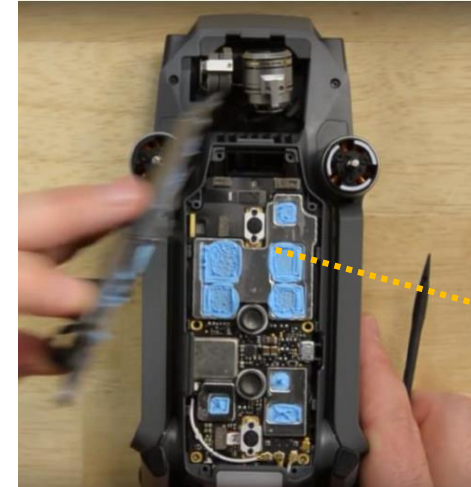
- **World's largest software maker by revenue**
 - ☑ sole supplier for shielding BLS material for its new budget-friendly tablet
 - first deliveries of the tablets to end users only started from late August 2018
- ➔ potential increase in volume with good market response for the tablets



Nico's shielding BLS material
(0.15mm thickness)



Selected Project Pipeline



Nico's light weight shielding BLS material

- **World's largest drone manufacturer**
 - ☑ sole supplier for light weight shielding BLS materials for all new models going forward
 - launched its two sequels recently ▶ both models have an improved flight time of 31 minutes over its predecessors

Source: <https://www.trustedreviews.com/news/dji-mavic-2-release-date-3506012>

Selected Project Pipeline

- **1st trillion-dollar market capitalisation company**

- supplying housing LED panel of tablets

- ongoing project

- to supply heat dispersion plate for 2019 smartphone model

- launch event is scheduled on 12 Sep 2018

- to supply fins for 2019 laptop series

- passed trial and in negotiation

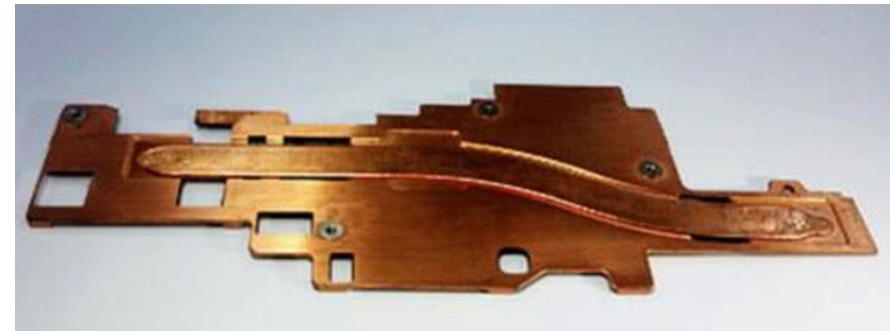


❖ Beneficiary of the Evolving Technology Trends

- **5G platform** is expected to provide enhanced device- and network-level capabilities essential for multi-connectivity
 - ☑ the Internet of things (“IoT”) – eg. smart home solutions
 - ☑ artificial intelligence
 - ☑ driverless vehicles
 - ➔ expected to spur demand for more sophisticated digital devices to meet multifunctional capabilities
- Nico Steel to benefit from the increasing demand for specialised metal alloy materials
 - ☑ global brand owners are expanding their usage of Nico brand of metal alloy materials in both their existing and upcoming products
 - ☑ other brand owners may also look to switch to Nico brand of metal alloy materials

5G Smartphones

- ❖ Huawei plans to launch its 5G smartphone in June 2019



- ▶ Huawei has appointed Auras Technology (双鸿) as the exclusive solution provider for the cooling module
 - copper material
 - 0.4mm thickness
 - 300,000 monthly capacity
- ▶ Company announced that 5G chip is expected to consume 2.5 times more power than 4G chips.
 - requires a bigger piece of heat dispersion plate

Source: 腾讯科技讯

<https://www.techradar.com/sg/news/huawei-5g-phone-coming-next-year>



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Thank You!

For more information, please contact:



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