



# **Broadway Industrial Group Limited**

## **FY2023 Results Presentation**

1 March 2024

# Contents

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## Business Overview

Tan Choon Hoong  
Chief Executive Officer

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## FY2023 Performance Review

Tiong Chi Sieng  
Chief Financial Officer

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## Key Investment Highlights

Lew Syn Pau  
Chairman

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## Q&A

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## Business Overview

-  Corporate Profile
-  HDD Industry Outlook
-  Precision Engineering Business Update & Industry Outlook



## Core Businesses

### HDD Business

- A leading manufacturer of precision components and assemblies
- Key provider of actuator arms, assemblies and other related parts
- Customers include the world's two largest HDD suppliers who together account for a significant share of the global market
- Headquartered in Singapore with 5 manufacturing facilities in China, Thailand and Vietnam with a total built-up area of 84,000m<sup>2</sup>

### Precision Engineering

- Newly established in late 2022 / early 2023 following a joint venture with a Korea-based company
- Involved in the manufacture and distribution of precision diecasting and machining parts primarily for the telecommunications equipment, industrial applications and automotive industries, as well as precision process toolings
- Leverages the Group's strong machining competencies
- Sales office in South Korea with manufacturing facilities in Vietnam and within existing Thailand factory

*Starting 2024 with a renewed focus on growth segments*

**Award is final and binding on all parties**

## Receipt of Arbitral Award

China International Economic and Trade Arbitration Commission rejected all arbitration claims against the Group in relation to the termination of the proposed disposal of its HDD business

Dec 2023



## Exited Robotics Business

Disposed of investment in China and ceased robotics operations in Southeast Asia

**To focus on core HDD Business and new PE Business**

Jan 2024



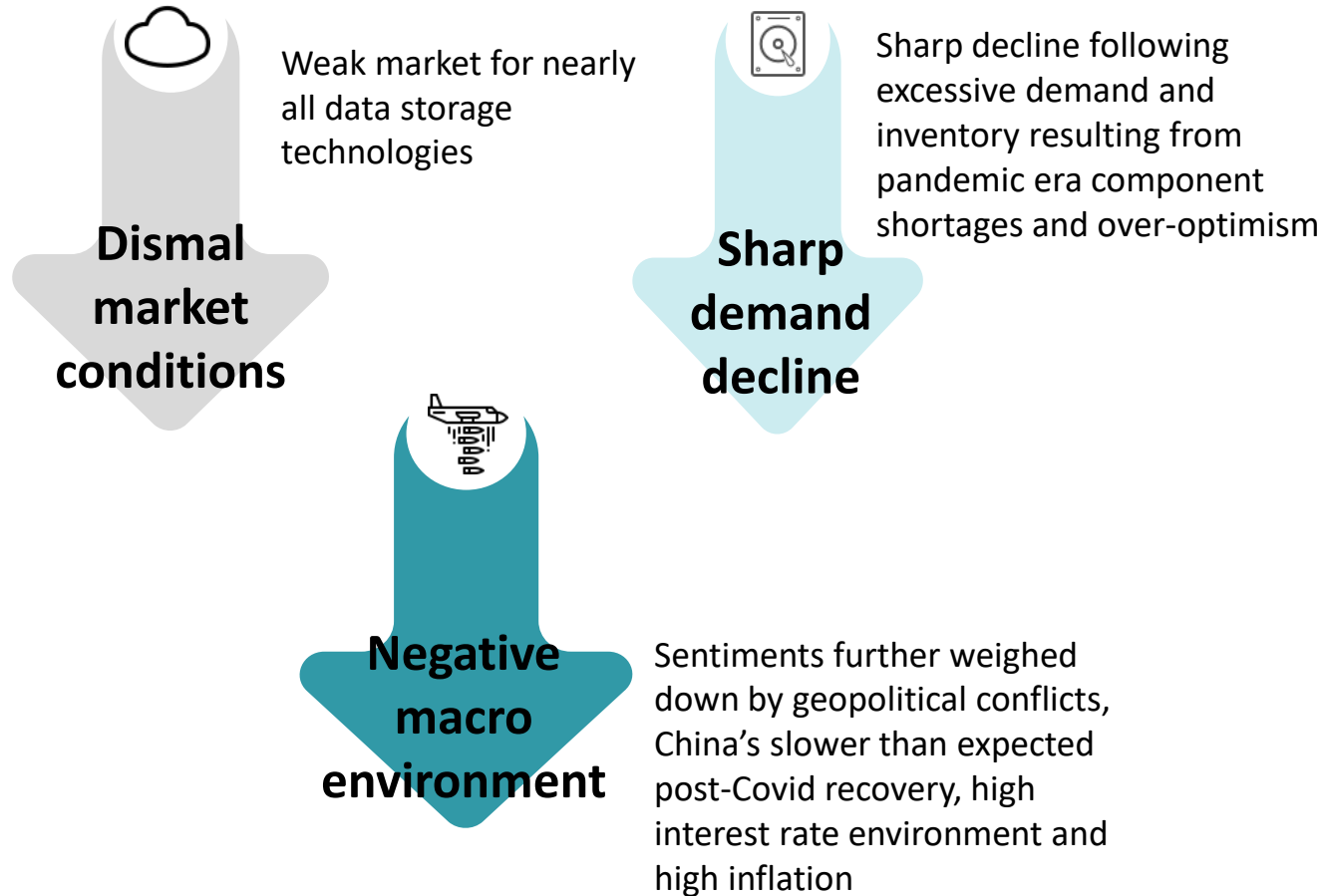


**HDD**

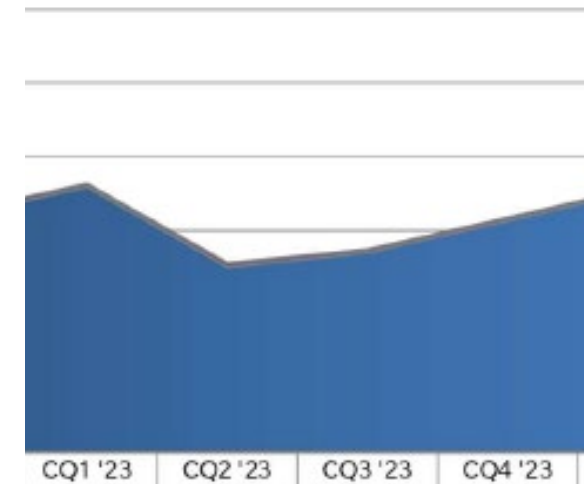
# **Industry Outlook**

# HDD Industry – 2023 in Review

*Weak operating environment for the most part of the year...*



*...with signs of recovery towards end 2023 led by Enterprise segment*



**Total HDD Enterprise Exabyte Shipment History**

- Enterprise HDD continued to out-perform other HDD segments
- Driven mainly by heightened interest in generative AI

Sources: Trendfocus reports

- "SDAS: HDD Information Service/Storage Interlinks, Jan 31, 2024
- Seagate Revenue Rises 7% Q-Q to \$1.56 Billion

## KEY GROWTH DRIVERS

Sources: Trendfocus reports

- "SDAS: HDD Information Service/Storage Interlinks, Jan 31, 2024
- Seagate Revenue Rises 7% Q-Q to \$1.56 Billion

### #1

#### Recovery of hyperscale demand

- Early signs of hyperscale demand recovery with aggregate storage growth extending through the year
- Cloud purchases will continue to rise
- Spending to recover from cuts over past 18 months

### #3

#### Potential of generative AI

- Increased use of generative AI technologies to create data-heavy and rich media content expected to create tailwind to HDD storage demand

### #2

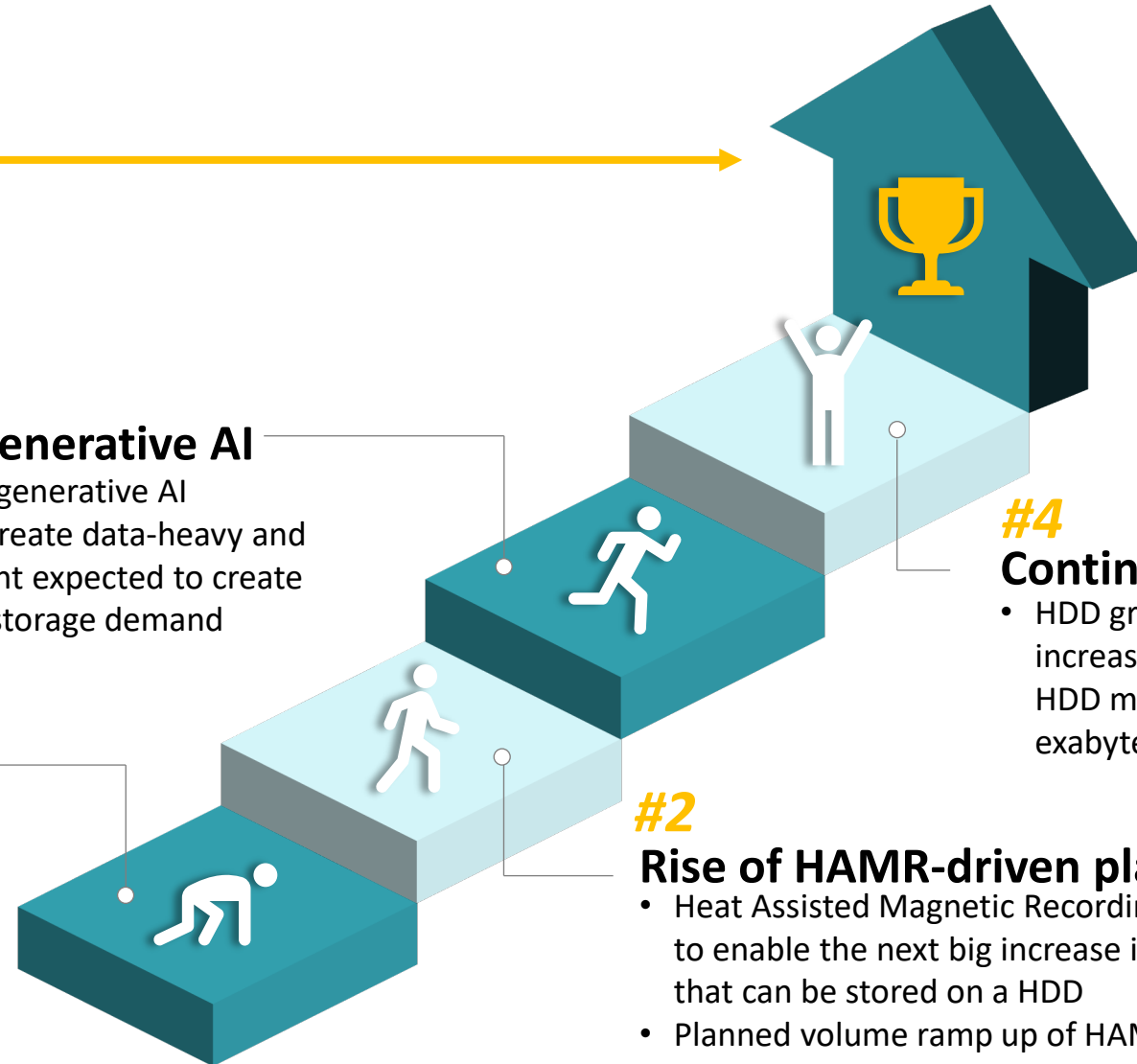
#### Rise of HAMR-driven platforms

- Heat Assisted Magnetic Recording (HAMR) designed to enable the next big increase in amount of data that can be stored on a HDD
- Planned volume ramp up of HAMR products by major customer

### #4

#### Continued thrust until 2028

- HDD growth segments and overall increase in capacity mix across all HDD markets expected to fuel exabyte expansion





# Long Term Forecast for Enterprise Segment



By Units	Actuals		Long-Term Forecast				CAGR
	2023	2024	2025	2026	2027	2028	
Total Computing/CE	77.16	72.45	76.94	74.99	72.33	70.60	-1.8%
%	-24.7%	-6.1%	6.2%	-2.5%	-3.5%	-2.4%	
Total Enterprise	45.23	54.74	68.30	81.50	84.05	88.69	14.4%
%	-35.1%	21.0%	24.8%	19.3%	3.1%	5.5%	
Total Units (M)	122.39	127.19	145.24	156.49	156.38	159.29	5.4%
%	-28.9%	-3.9%	14.2%	7.7%	-0.1%	1.9%	
Revenue (\$M)	\$13,012.26	\$16,863.14	\$20,600.33	\$24,108.71	\$25,306.30	\$27,658.07	16.3%
%	-29.2%	29.6%	22.2%	17.0%	5.0%	9.3%	

Expectations of sustained recovery in hyperscale demand (CAGR of 14.4% between 2024 and 2028), supported by major cloud customer demands, expected improvements in the global economy and the race to build infrastructure to support growing usage of generative AI.

Enterprise HDD expected to outperform other HDD segments over the forecast period.

By Exabytes	2023	2024	2025	2026	2027	2028	CAGR
Total Computing/CE	230.84	251.01	301.50	320.57	327.63	336.15	7.8%
%	-11.0%	8.7%	20.1%	6.3%	2.2%	2.6%	
Total Enterprise	605.93	864.56	1,288.43	1,775.38	2,123.14	2,596.77	33.8%
%	-32.2%	42.7%	49.0%	37.8%	19.6%	22.3%	
Total Exabytes	836.77	1,115.58	1,589.93	2,095.95	2,450.77	2,932.92	28.5%
%	-27.5%	33.3%	42.5%	31.8%	16.9%	19.7%	

Total exabyte expected to increase at a CAGR of 28.5% between 2024 and 2028 driven largely by Enterprise segment, which is expected to increase at a faster CAGR of 33.8% over the same period.

Sources:  
\* Trendfocus, "SDAS: HDD Information Service, CQ4'23 Quarterly Update and Long-Term Focus", 31 January 2024



# Precision Engineering Business Update & Outlook

# Rapid Progress of PE Business



- **Nov 2022:** Signed SHA and secured factory lease
- **Dec 2022:** Incorporated BIGL Korea
- **Jan 2023:** Incorporated BIGL Vietnam
- **Feb 2023:** Started renovations at Vietnam factory
- **May 2023:** Commenced machining operations

- **Jul to Sep 2023:** Customer qualification activities
- **By Sep 2023:**
  - Obtained all the necessary regulatory certifications including fire-fighting
  - Received ISO and environmental certifications and more
  - Completed installation of diecasting equipment

- Completed customer qualification for 3 key customers
- Commenced diecasting operations
- **Contributed maiden revenue of S\$1.8 million in FY2023**
- **Ability to scale up quickly to meet customer demands**

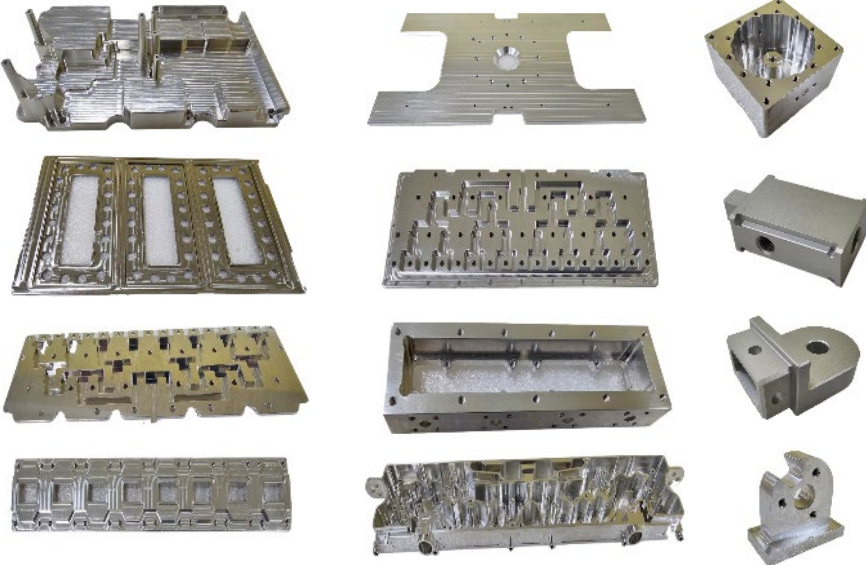
- Target customer base for precision diecasting and machining parts: Diversified customer base across **telecommunications equipment, industrial applications and automotive industries**
- Target geographical reach: **Korea, Vietnam, China, Europe and North America**
- **PE Business to contribute full-year revenue**

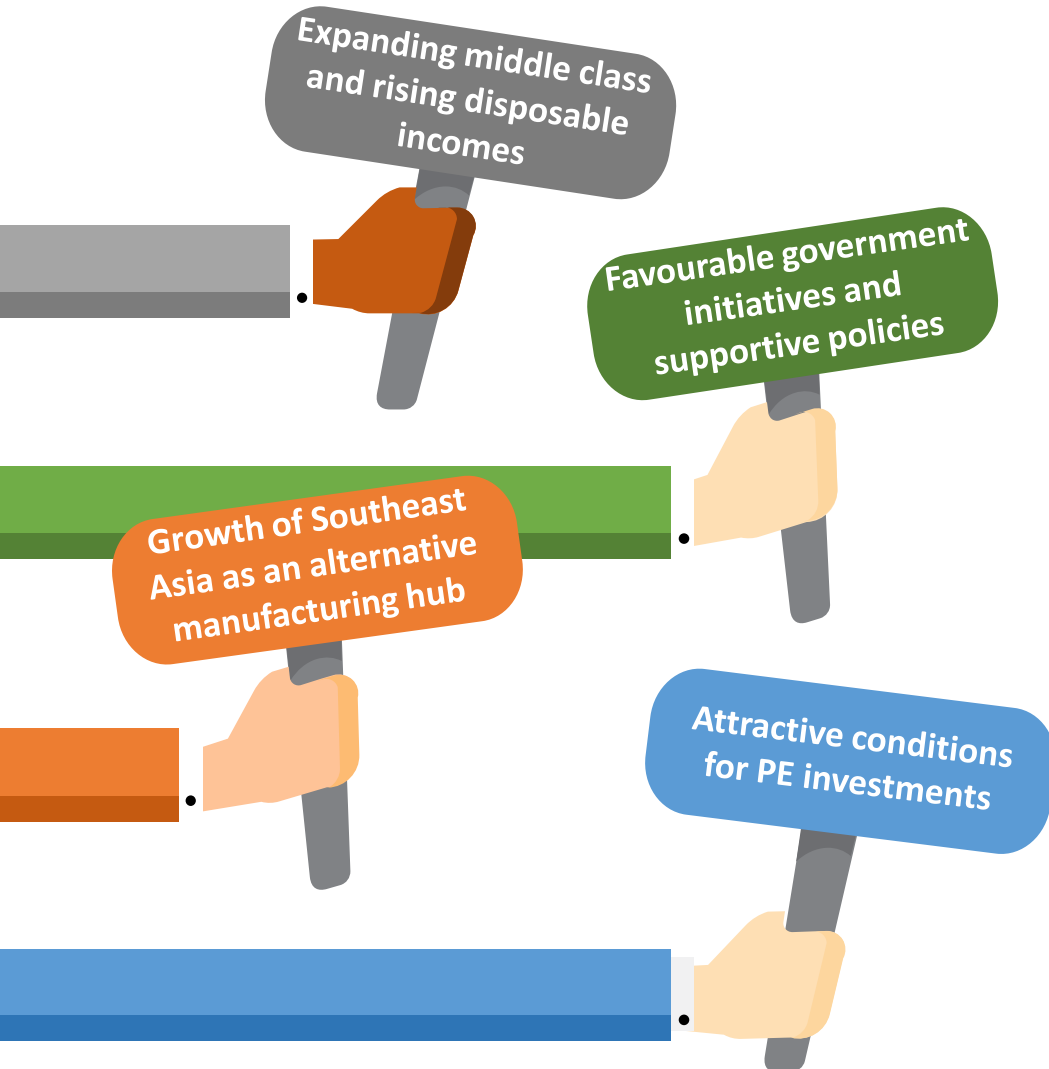
# Our PE Products

Machined parts for telecommunications equipment



Machined parts for consumer electronics and industrial engineering products



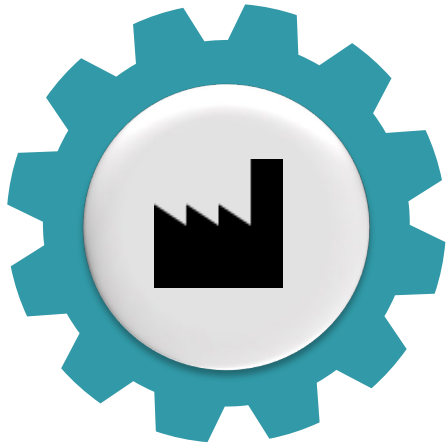


## Key growth drivers in Asia:

- 👁️ **Expanding middle class and rising disposable incomes** fueling demand for high-precision components across various industries such as aerospace, automotive, electronics and medical devices
- 👁️ **Favourable government initiatives and supportive policies** have played pivotal role in attracting investments and driving growth and rapid development for the PE sector especially in Southeast Asia
- 👁️ **Growth of Southeast Asia as an alternative manufacturing hub to China.** Vietnam, Malaysia and Thailand have benefitted from this move
- 👁️ **Attractive strategic geographic location, well established infrastructure, skilled workforce and low cost of operations** have made Southeast Asia attractive for PE investments

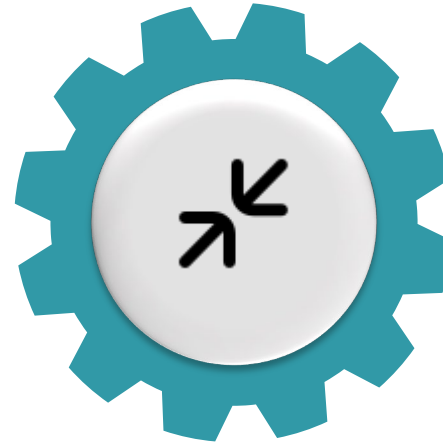
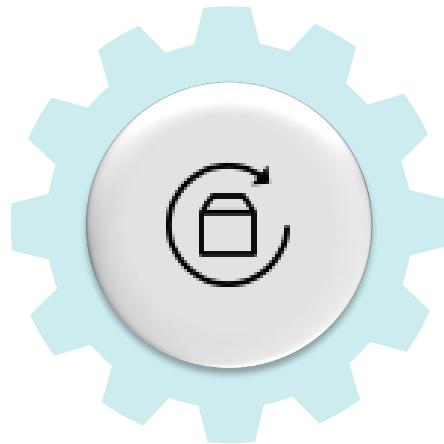
***BIGL's PE Business is well positioned to capture regional growth opportunities***

# Opportunities for BIGL



Greater economies of scale through shared manufacturing facilities and resources with core HDD business

Potential to expand the value-add supply chain into upstream die casting and positions BIGL as a full turnkey machining solution provider



Reduces dependence on HDD demand and increases diversification of industry and customer base

Provides new revenue and profit stream from non-HDD customers



Paves the way to high growth sectors such as telecommunications equipment, industrial applications and automotive industries



**FY2023**

# **Performance Review**

# FY2023 Performance Review



- FY2023 performance affected by a weak first half and partially offset by a much improved second half. Performance affected by sharp decline in overall HDD demand in FY2023
- Early signs of recovery in HDD demand towards the end of 2H2023 driven mainly by growing nearline HDD and hyperscale demand.
- Maiden revenue contribution of S\$1.8 million from new PE Business.
- Reverses a net loss of S\$1.5 million in 2H2022 to achieve net profit of S\$3.9 million in 2H2023.

S\$'million	FY2023	FY2022*	% Change	1H2023*	1H2022*	% Change	2H2023	2H2022*	% Change
<b>Revenue</b>	<b>258.7</b>	352.3	(26.6)	<b>126.3</b>	228.3	(44.7)	<b>132.3</b>	124.0	6.7
<b>Gross Profit</b>	<b>14.0</b>	21.1	(33.6)	<b>4.1</b>	15.6	(73.6)	<b>9.9</b>	5.5	79.5
<b>Operating Profit</b>	<b>4.6</b>	10.1	(54.4)	<b>(0.1)</b>	9.3	n.m.	<b>4.7</b>	0.8	468.9
<b>NPAT</b>	<b>2.4</b>	5.7	(58.3)	<b>(1.5)</b>	7.2	n.m.	<b>3.9</b>	(1.5)	n.m.
– Continuing Operations	2.9	7.4	(60.3)	(1.1)	8.0	n.m.	4.0	(0.6)	n.m.
– Discontinued Operations	(0.5)	(1.7)	67.0	(0.4)	(0.8)	50.3	(0.1)	(0.9)	85.3
<b>EBITDA</b>	<b>16.1</b>	23.2	(30.6)	<b>5.6</b>	16.0	(66.3)	<b>10.5</b>	7.2	46.0
<b>EPS (Singapore cents)</b>	<b>0.68</b>	1.38	(50.7)	<b>(0.27)</b>	1.64	n.m.	<b>0.94</b>	(0.26)	n.m.
<b>Annualised RoE (%)</b>	<b>3.5</b>	7.2							

\*The information has been re-presented due to discontinued operations



# Summary of Balance Sheet

S\$'million	31 December				
	2019	2020	2021	2022	2023
Cash & bank balances	8.7	29.0	27.7	29.4	33.9
Net current assets	(26.2)	9.0	22.6	24.8	28.5
Net non-current assets	88.1	67.2	65.2	63.2	60.3
Total net assets	61.9	76.2	87.7	88.0	88.9
Shareholders' equity	61.8	74.5	86.9	87.2	88.8
Non-controlling interests	0.0	1.7	0.9	0.8	0.1
Total Equity	61.9	76.2	87.7	88.0	88.9
NAV per share (S'pore cents)	13.2	15.9	19.0	19.2	19.5

## Key Highlights:

- Balance sheet continued to strengthen in FY2023.
- Increase in net current assets as a result of higher trade and other receivables and an increase in cash and cash equivalents, offset a reduction in inventories.
- Increase in cash and cash equivalents mainly due to reduction in cash used for financing activities.

# Key Financial Ratios

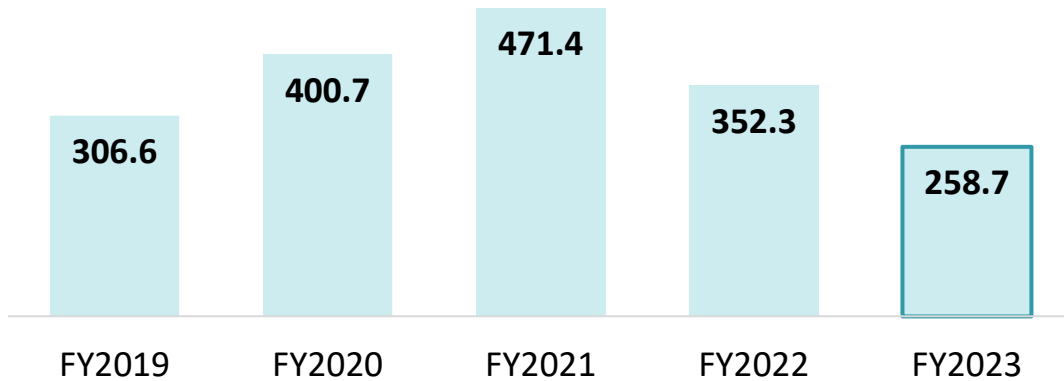
- Key financial matrices remain relatively healthy despite reduced profits, increased industry headwinds and challenging macroeconomic environment.

S\$ Mil	31 December				
	2019	2020	2021	2022*	2023
<b>Working Capital Ratio (Current Assets / Current Liabilities)</b>	<b>0.79</b>	<b>1.08</b>	<b>1.17</b>	<b>1.42</b>	<b>1.28</b>
Current Assets	95.8	115.8	152.0	84.2	129.6
Current Liabilities	122.0	106.8	129.4	59.4	101.0
<b>Net Gearing Ratio ([Total borrowings - Cash at Bank] / Equity)</b>	<b>32.0%</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Net borrowings / (Cash)	19.8	(15.8)	(16.4)	(22.6)	(30.1)
Equity	61.9	74.5	86.9	87.2	88.8
<b>Interest Coverage Ratio ([EBITDA - CAPEX payment] / Interest expense)</b>	<b>(3.63)</b>	<b>22.20</b>	<b>21.41</b>	<b>11.12</b>	<b>3.50</b>
EBITDA	(0.5)	29.9	29.7	23.2	16.1
CAPEX Payment	(6.7)	(3.7)	(5.6)	(4.7)	(7.0)
Interest Expenses	2.0	1.2	1.1	1.7	2.6
<b>Annualised Return on Equity (%) (Net Profit / Average Equity)</b>	<b>-29.4%</b>	<b>20.7%</b>	<b>18.9%</b>	<b>7.2%</b>	<b>3.5%</b>
Net Profit	(21.4)	14.1	15.3	6.3	3.1
Average Equity	72.8	68.2	80.7	87.0	87.7
<b>Annualised Return on Assets (%) (Net Profit / Total Assets)</b>	<b>-11.0%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>4.1%</b>	<b>1.6%</b>
Net Profit	(21.4)	14.1	15.3	6.3	3.1
Total Assets	193.6	201.8	228.7	153.5	197.2

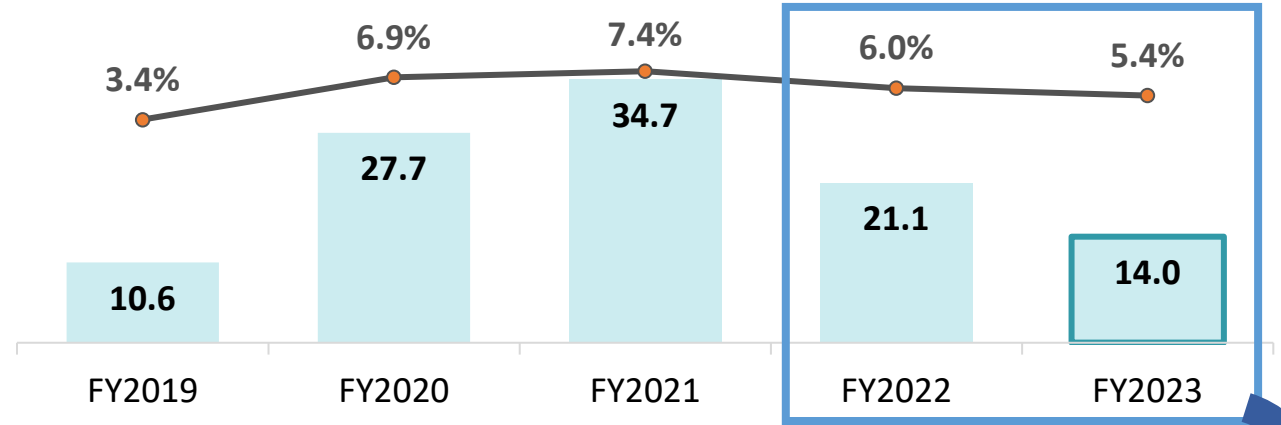
\*The information has been re-presented due to discontinued operations

# 5-year Historical Performance

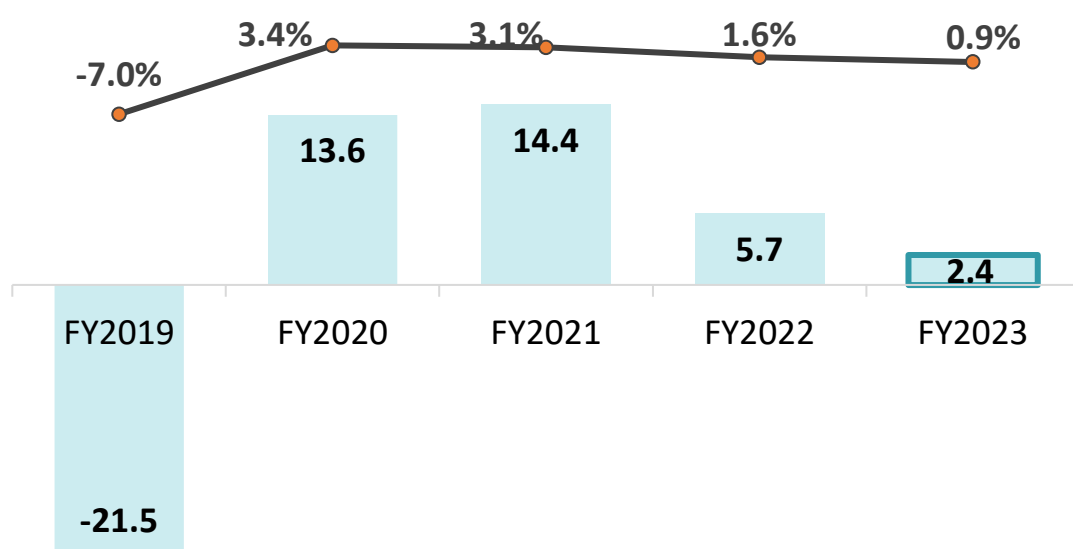
### Revenue (\$\$'m)



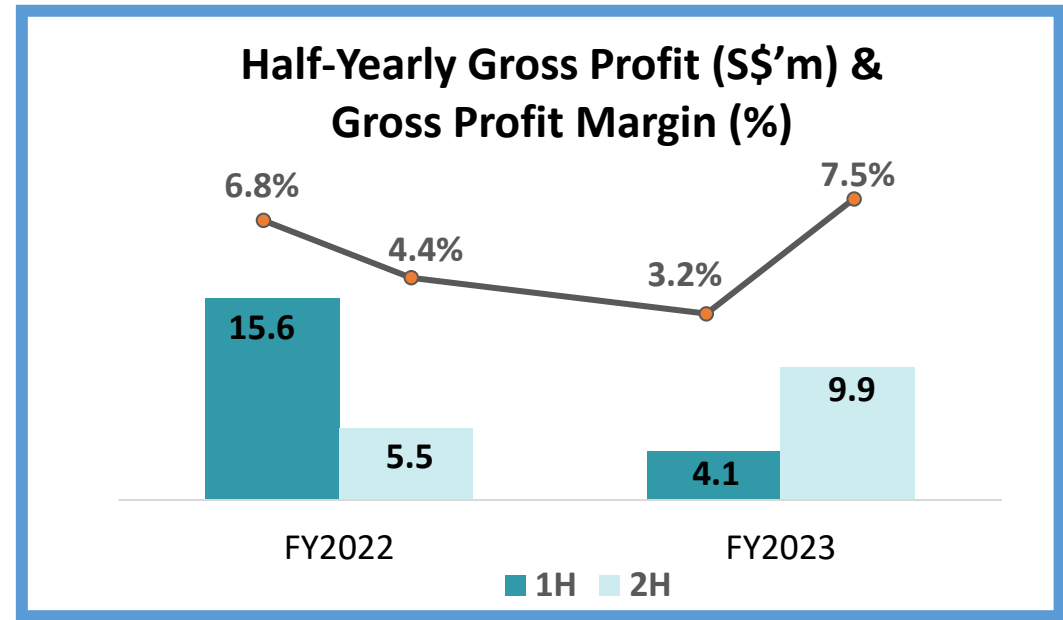
### Gross Profit (\$\$'m) & Gross Profit Margin (%)



### Net Profit (\$\$'m) & Net Profit Margin (%)



### Half-Yearly Gross Profit (\$\$'m) & Gross Profit Margin (%)





# Investment Highlights



- Proposes final ordinary dividend of 0.5 Singapore cents per share
- Resumption of dividend payment reflects the Group's business confidence

*\* Subject to the Group's operating results, financial conditions such as cash position and retained earnings, other cash requirements including capital expenditure, restrictions on payment of dividends imposed on the Group by financing arrangements (if any) and other factors deemed relevant by the Directors.*

## **HDD Business:**

- Continued focus on the growing high value, high performance enterprise segment of HDDs, which is expected from the relentless growth in enterprise usage such as data centres and cloud storage

## **Precision Engineering Business:**

- Helps to cushion some volatility in HDD demand
- Leverages machining competencies of the HDD business to expand into high growth industries such as telecommunications equipment, industrial applications and automotive industries
- Diversified customer base, industries and markets
- Potential expansion into upstream value add die casting operations
- Expect to benefit from strategic geographical location in Southeast Asia and close proximity to growth markets
- Expect full year contribution in FY2024

## **Diversification Strategy:**

- Keen on M&A targets in high growth industries that leverages our expertise in the manufacture of precision components for electronics and other industries

## **Strong balance sheet:**

- Healthy financial footing and ability to navigate economic uncertainties
- Intention to resume dividend payment as business conditions improve \*

*\* Subject to conditions stated on slide 21*



Thank You

Questions please?