



Nico Steel Holdings Limited

The Specialist in Ferrous & Non-ferrous Metal Alloys

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



HY2019 Results Briefing

15 October 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.

Corporate Update

- ❖ Registered trademarks for three Nico brand materials
 - ☑ N20M } For design parts that require strength, corrosion resistance and
 - ☑ N20 } non-magnetic permeability
 - ☑ NICO CA2 : focuses on thermal management

- ❖ Termination of non-binding Memorandum of Understanding on proposed investment in Jiangsu Kaixinfenxiang Green Finance Co., Ltd
 - ☑ Focus on building Group's core business in metal material solutions

- ❖ Termination of Redeemable Convertible Bonds (“RCB”)
 - ☑ No penalty for early termination and no expenses related to RCB going forward

- ❖ Commence Mass Production of Nico brand metal alloys on shielding solutions for
 - ☑ two new laptop models for the world's largest software company
 - ☑ latest available drone model for the world's largest drone manufacturer
 - ▶ sole supplier for the metal alloy materials for shielding solutions of these three electronics devices

Financial Highlights

FYE Feb (US\$'000)	HY19	HY18	YoY Change	FY18
Income Statement				
Revenue	8,022	6,135	+ 30.8%	13,216
Gross profit	2,378	1,533	+ 55.1%	3,448
<i>Gross margin</i>	<i>29.6%</i>	<i>25.0%</i>	<i>+ 4.6pp</i>	<i>26.1%</i>
Profit before tax	257	49	> 100%	209
Net profit⁽¹⁾	121	1	> 100%	34
Balance Sheet				
	As at 31-Aug-18		As at 28-Feb-18	
Non-current assets	3,365		3,517	
Current assets	17,467		15,728	
Cash at bank	4,440		2,204	
Current liabilities	4,925		4,856	
Financial liabilities	2,257		2,488	
Shareholders' Equity	15,897		14,379	
NAVPS ⁽²⁾ (US cents)	0.62		2.28	
NAVPS ⁽³⁾ – fully diluted (US cents)	0.34		0.31	

Notes: (1) Profit attributable to owners of the Company.

(2) Net asset value per share (“NAVPS”) were computed based on weighted average share capital of 2,579.0m shares for HY19 and 629.7m for HY18.

(3) NAVPS were computed based on share capital of 4,692.2m shares.

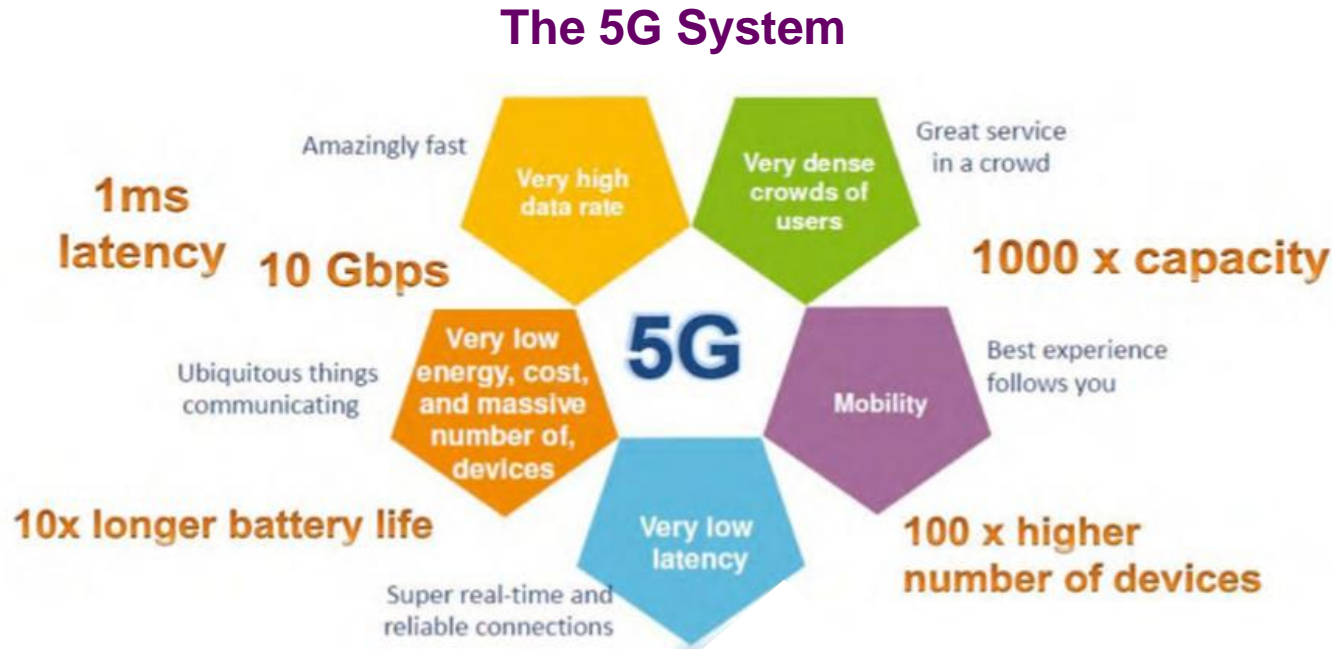
Analysis by Product Segments

FYE 28 Feb	HY19		HY18		YoY Change	FY18	
	US\$'000	% of revenue	US\$'000	% of revenue		US\$'000	% of revenue
Customised Solutions	5,431	67.7	4,631	75.5	+ 17.3%	10,155	76.8
Nico Brand of Metal Alloys	2,591	32.3	1,504	24.5	+ 72.3%	3,061	23.2
Total Revenue	8,022	100.0	6,135	100.0	+ 30.8%	13,216	100.0
Gross Profit	2,378		1,533		+ 55.1%	3,448	
Gross Margin	29.6%		25.0%			26.1%	

Source: Company announcements

- ❖ The Group will continue to **focus on broadening its portfolio of customers with its customised metal material solutions**, phasing out the lower value-add processing services
 - **to further improve gross margin**

The Challenges for 5G-Capable Devices



- Speed Connection : At least 100 times of 4G
- CPU : At least 2.5 times faster than 4G
- Heat : At least 30 – 50% hotter
- Frequency Band : Wider range as compared to 4G

The above concerns are **challenges to be resolved within a single component of an electronic device.**

Opportunities for Nico Steel

- ❖ The Group believes a single metal material with limited properties will not be able to cover the spectrum of requirements in the next generation of electronic devices. At Nico, we aim to create a **Single Metal with “Cross or Multi-properties”** to **resolve design limitations and overcome potential concerns** arising from these designs.

- ❖ Nico targets to resolve:-
 - ☑ **Thermal Management** ⇒ heat transfer is crucial for all digital devices with increasing bandwidth and speed
 - ☑ **Electromagnetic Interference (“EMI”) Management / Shielding** ⇒ enable the receiving and sending of dedicated signals to communicate and execute actions/commands concurrently
 - ☑ **Insulation or Surface Conductive Management** ⇒ reduction of heat transfer between objects of thermal contact
 - ☑ **Weight Management** ⇒ lighter and slimmer digital devices lead to thinner and compact components
 - ☑ **Strength Management** ⇒ hardness, toughness and strength of materials to enhance functionality of the digital devices

Nico's Metal Material Solutions



a) Proprietary Copper Alloy

- CA1 = Mid Strength, Good Thermal Conductive
- CA2 = High Strength, High Thermal Conductive
- CuN = Extra High Strength, Good Thermal Conductive
- CA = Super High Strength, Mid Thermal Conductive

Proprietary Aluminum Alloy

- AL35 = Mid Strength, Good Thermal Conductive, Super Weight Management
- AL50 = High Strength, Good Thermal Conductive, Super Weight Management
- ALN500 = Super High Strength, Good Thermal Conductive, Super Weight Management

b) N-Clad Solutions (put 2 or 3 different metals together to form one single piece of material)

- S/A/S = High Strength, Good Thermal Conductive and Good Weight Management
- C/A/C = Mid Strength, High Thermal Conductive and Good Weight Management
- C/A/C(H) = High Strength, High Thermal Conductive and Good Weight Management

c) N-Plate Solutions (process to deposit a layer of metal on material by electrolysis)

- CNI = Pre-Nickel Plated on Metals
- CCU = Pre-Copper Plated on Metals
- CNT = Pre-Tin Plated on Metals

d) N-Coat Solutions (apply layer of organic or non-organic coat on the surface of material)

- D Coat = Pre or Selected Coated on Single or Both Surface to provide Insulation and Radiational Transfer
- N-Shield = Pre or Post coat to enhance wide range of EMI shielding and Radiational Transfer

Some applications of Nico's Metal Materials Nico Steel Solutions Think Innovation

- Display Module Rear Cover

- ▶ N10 / N20 / AL50

- Mid Plate

- ▶ N10 / N20 / AL50 / CA2 / N-Clad

- Shielding Cans – BLS

- ▶ CNI-AL50 / CNT-AL50 / N10

- Antenna

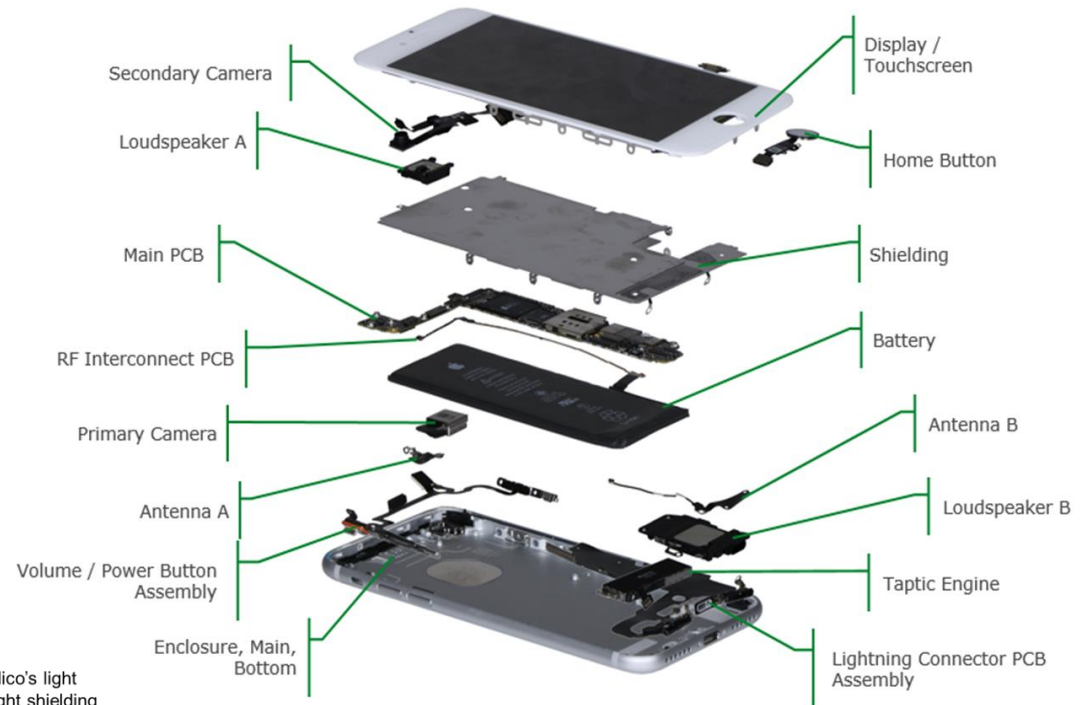
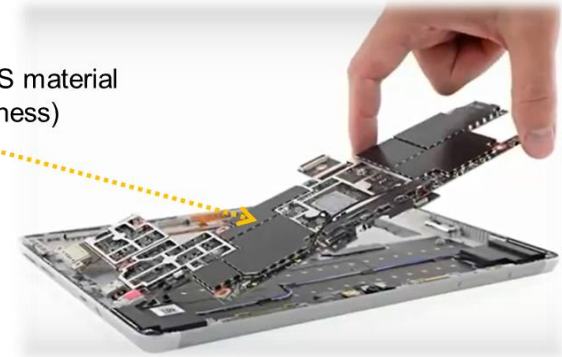
- ▶ CNI-AL50 / CCU-AL50

- Battery Heat Plate / Cover

- ▶ CA2 / AL50

- Housing

- ▶ N-Clad



Sole Supplier Achievement

- ❖ Group took the initiative to **consistently innovate** its metal materials solutions to **achieve customers' evolving requirements** for their electronic devices
 - emphasis on **creating values for customers**:
 - ✓ cost savings arising from replacement of traditional materials
 - ✓ improve performance of electronic devices
- ❖ Group filed **patents on its technological processes** and **registered trademarks** for its Nico brand of metal alloys
 - **intellectual property and valuable business assets**:
 - ✓ **12** existing patents and **7** in applications
 - ✓ **18** registered trademarks
 - the **“fingerless slitting method”** is the Group's latest technological invention and the first of its kind in the metal processing industry
 - ✓ a critical process for all metal materials that are looking to **achieve near zero defect** on the **surface finishing**



Selected Projects & Status

- ❖ The Group's **mass customisation of technologically innovative metal alloy materials** under our own Nico brand continues to **cultivate demand from both new and existing customers**

Brand Owners	End Customer Products / Nico Brand Solutions	Status
The 1st trillion-dollar market capitalisation company	<ul style="list-style-type: none"> • laptops, tablets ➤ display module rear cover 	- mass production for ongoing models
	<ul style="list-style-type: none"> • smartphones (launched) ➤ shielding solutions 	- testing N-Clad solutions for new models
	<ul style="list-style-type: none"> • smartphones (new) ➤ shielding solutions and thermal management • laptops (new) ➤ thermal management 	- trial production
World's largest provider for the TOP500 supercomputers in 2018	<ul style="list-style-type: none"> • laptops, desktops ➤ thermal & weight management 	- ongoing mass production
	<ul style="list-style-type: none"> • CPU plate ➤ thermal management 	- ongoing mass production
	<ul style="list-style-type: none"> • keyboards ➤ shielding solutions and thermal management 	- prototype ⇔ development verification testing

Selected Projects & Status (cont'd)

Brand Owners	End Customer Products / Nico Brand Solutions	Status
<p>World's largest software company</p>	<ul style="list-style-type: none"> • laptops, tablets ➤ shielding solutions • tablets ➤ shielding solutions • touchscreen ➤ shielding solutions for thermal module • hololens ➤ shielding solutions • CPU plate ➤ thermal management 	<ul style="list-style-type: none"> • sole supplier - mass production for two newly launched models - testing metal alloys on next generation - trial production - prototype submitted - product design
<p>World's largest drone manufacturer</p>	<ul style="list-style-type: none"> • drones ➤ lightweight shielding solutions ➤ materials selected for new model 	<ul style="list-style-type: none"> • sole supplier - mass production for a newly launched model - prototype submitted for new model
<p>World's largest telecommunications equipment manufacturer</p>	<ul style="list-style-type: none"> • smartphones, tablets ➤ shielding solutions 	<ul style="list-style-type: none"> - testing proposed metal alloy

Selected Projects & Status (cont'd)

Brand Owners	End Customer Products / Nico Brand Solutions	Status
World's largest LCD panel maker	<ul style="list-style-type: none"> • LED display panels ➤ display module rear cover 	<ul style="list-style-type: none"> • sole supplier - ongoing mass production
Leading Chinese IoT Company	<ul style="list-style-type: none"> • LED display panels ➤ display module rear cover 	<ul style="list-style-type: none"> - testing proposed metal alloy
Taiwanese largest LCD panel maker	<ul style="list-style-type: none"> • LED display panels ➤ display module rear cover 	<ul style="list-style-type: none"> - testing proposed metal alloy
Largest Japanese smartphone manufacturer	<ul style="list-style-type: none"> • smartphones – mid plate ➤ shielding and thermal management 	<ul style="list-style-type: none"> • sole supplier - ongoing mass production
Japanese multinational consumer electronics and video game company	<ul style="list-style-type: none"> • LED display panels ➤ display module rear cover • heat plate cum antenna ➤ shielding solutions and thermal management 	<ul style="list-style-type: none"> - testing proposed metal alloy - waiting for design approval on proposed single metal with multi-properties

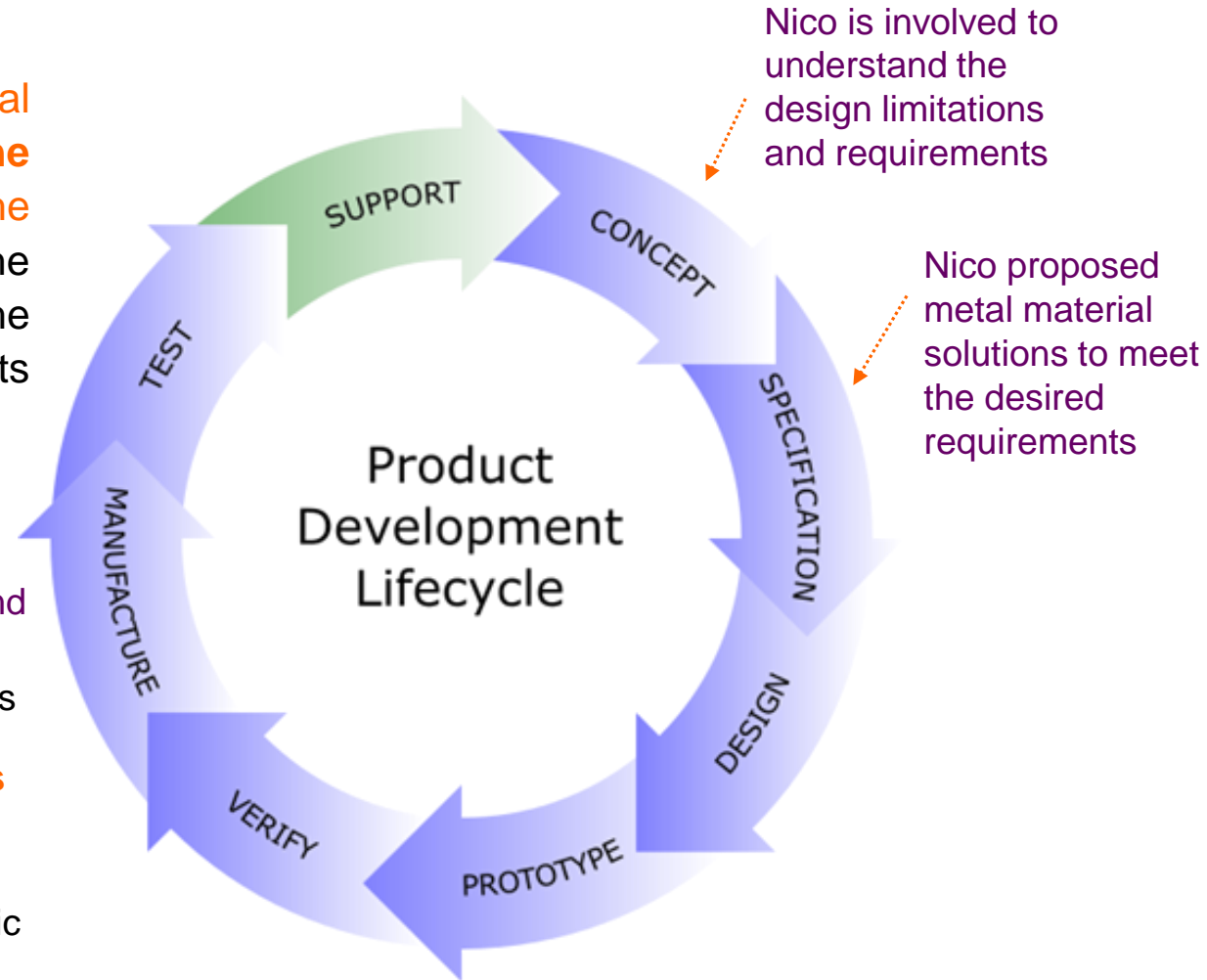
- ❖ Group looks to **strengthen earnings base through product scalability and economies of scale** for our Nico brand of material products
 - **build on the growth momentum and recognition by global brand owners**

Product Development Lifecycle

❖ Product development usually **takes 6 to 18 months** from concept to mass production for product launches.

❖ Nico focuses on providing metal materials solutions to **achieve the desired performance** of the electronic devices designed by the brand owners and meet the requirements of the components manufacturers

- i) **early involvement at the concept stage** allows the Group to offer its innovative metal material solutions and participates effectively in the design and functions of the electronic devices
- li) **replacement of current materials used in the electronic devices** as a more cost efficient substitute and enhance performance of the electronic devices



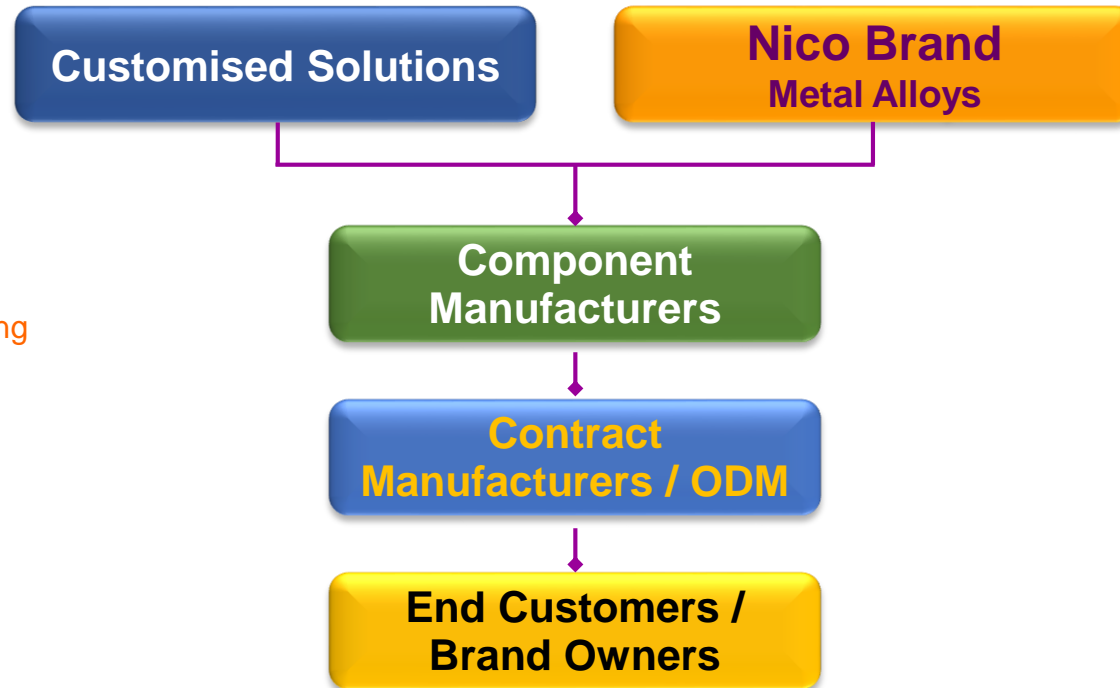
Business Model

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

Materials from Worldwide Mills



- ▶ 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 electronic devices (at design stage) with Nico’s metal material solutions:

- Proprietary Metal Alloys
- N-Clad Solutions
- N-Plate Solutions
- N-Coat Solutions



product validation process

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

Investment Merits



- **Accelerating growth and improving profitability** with a strong pipeline of projects
 - riding on the growing demand for 5G-capable electronic devices



- **Sound balance sheet** to support future expansion
 - net cash position



- Continually **innovates processes and metal material solutions** to be at the forefront of the metal alloy industry
 - patented technological processes and registered trademarks to mitigate competition



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Thank You!

For more information, please contact:



Octave Communications (S) Pte Ltd
远璟通讯（新加坡）私人有限公司

Ms. Rosalina Soh 苏沛熙
Email: general@octavecomms.com