

NICO STEEL HOLDINGS LIMITED

尼尔金属控股有限公司

(Incorporated in Singapore with Unique Entity No. 200104166D)

(SGX Stock Code: 5GF)



Nico Steel reports lower revenue for HY2020 as US-China trade dispute led to disruptions in project pipeline for global market leaders

- Group continues to work on various electronics and mobile devices, with its range of metallurgical solutions at different stages of product development for global market leaders
- Group is poised to benefit from the imminent rollout of 5G mobile networks globally, as higher speed transmission requires innovative metallurgical solutions to support the next generation of mobile and electronic devices

Key Financial Highlights:

FYE 28 Feb (US\$'000)	HY2020	HY2019	YoY Change	FY2019
Revenue	7,115	8,022	- 11.3%	15,094
Gross profit	1,615	2,378	- 32.1%	4,537
<i>Gross profit margin</i>	<i>22.7%</i>	<i>29.6%</i>	<i>- 6.9 pp</i>	<i>30.1%</i>
Profit before tax	(228)	257	<i>N.M.</i>	469
Net profit ⁽¹⁾	(283)	121	<i>N.M.</i>	243

*HY denotes six months ended 31 August and FY denotes 12 months ended 28 February.

(1) Profit attributable to owners of the Company

FOR IMMEDIATE RELEASE

SINGAPORE, 10 October 2019 – Mainboard-listed Nico Steel Holdings Limited (“Nico Steel” and together with its subsidiaries, the “Group”), a metallurgical and materials solutions specialist, reported lower revenue of US\$7.1 million and a net loss of US\$0.3 million for the six months ended 31 August 2019 (“HY2020”). The Group’s financial performance was mainly undermined by the protracted trade dispute between the United States and China, and the fluctuations in commodity prices and currencies.

“We faced a lot of disruptions in our project pipeline with our customers who are market leaders in the mobile communications and industrial sectors as the trade dispute intensified. While we did not lose any customer and we continue to work with them on the metallurgical and material solutions for their devices, the uncertainties arising from trade tariffs as well as the delays in the rollout of 5G mobile networks affected the progress and intended timelines were extended. This inevitably had a negative impact on us as everyone took a wait-and-see approach and become more price-sensitive,” said Mr. Danny Tan (陈志强), Executive Chairman and President of Nico Steel.

The Group’s revenue declined by 11.3% from US\$8.0 million in HY2019 to US\$7.1 million in HY2020, mainly due to lower demand for the Group’s proprietary Nico brand of metal alloys. As these higher-margin proprietary metal alloys are mainly for the high-end electronics and mobile devices of global

market leaders, gross profit decreased 32.1% from US\$2.4 million in HY2019 to US\$1.6 million in HY2020. Correspondingly, gross profit margin decreased from 29.6% in HY2019 to 22.7% in HY2020.

Revenue analysis by product segments

	HY2020		HY2019		YoY Change
	USD'000	% of revenue	USD'000	% of revenue	
Customised Solutions	5,751	80.8	5,431	67.7	+ 5.9%
Nico Brand of Metal Alloys	1,364	19.2	2,591	32.3	- 47.4%
	7,115	100.0	8,022	100.0	- 11.3%

Business outlook

5G revolution and its ability to interconnect everything is set to become the new wireless network standard that will change our daily living.¹

“Despite the economic slowdown and ongoing trade dispute, we are still working on various metallurgical and material solutions with our new and existing customers, for their electronics and mobile devices. Our customers took the leap of faith to test our “single metal with cross or multi-properties” metal alloys for their upcoming sophisticated mobile devices and electronic products. The delays we are facing are due to various factors, including the increase in tariffs and functionality of the devices with different 5G standards.

Our proprietary Nico brand of metal alloys and patented electroplating processes have to undergo stringent stages of tests to qualify as an approved metallurgical and material solution for these global market leaders. It is a lot of hard work and patience, but we are on track to be involved in the mobile and electronic devices for the 5G revolution.” said Mr. Steven Tang, Executive Director of Nico Steel, who heads the Group’s marketing and product innovation division.

Although revenue and earnings were not ideal in HY2020, the Group is cautiously optimistic about its outlook as the seasonal demand for electronics which usually picks up in the second half of the calendar year is starting off at a relatively slower pace this year. While the monthly tonnage of secured orders required by its customers is picking up, the Group remains cautious for the financial year ended 29 February 2020 amid the global economic slowdown.

As the Group has yet to receive notice from the city government relating to the land acquisition of its current operations in Suzhou, China, it will continue its operations there while deliberating the cost-benefits of shifting to the northern region of Jiangsu Province (also known as Subei).

¹ Huawei 5G: How the new wireless network standard will change the way we work and play
<https://www.channelnewsasia.com/news/advertorial/huawei-5g-how-the-new-wireless-network-standard-will-change-the-11902796>

The Group will update shareholders on its corporate developments as and when appropriate.

Financial period under review

Other income increased from US\$13,000 in HY2019 to US\$16,000 in HY2020, mainly due to the interest income recognised in HY2020.

Total operating expenses decreased 9.6% from US\$1.9 million in HY2019 to US\$1.7 million in HY2020. This was mainly due to (i) the reduction of transaction costs arising from the redeemable convertible bonds which was terminated in September 2018, and (ii) the classification of certain operating lease expenses as right-of-use assets and lease liabilities with the adoption of SFRS(I) 16 Lease (“**SFRS(I) 16**”) for the financial year starting on or after 1 March 2019. The Group maintained stringent cost management despite its continuous marketing efforts to promote its Nico brand of metal alloys to new and existing customers.

Other expenses decreased 70.3% from US\$145,000 in HY2019 to US\$43,000 in HY2020 due to lower exchange loss as Renminbi depreciated against the US Dollar during the financial period under review.

Finance costs increased 17.5% from US\$63,000 in HY2019 to US\$74,000 in HY2020, due to (i) the increase in interest rate of trade facilities for raw material purchases, and (ii) interest expense on lease liabilities arising from the adoption of SFRS(I) 16.

Taking into account the operational expenses, the Group reported a net loss of US\$283,000 in HY2020, a reversal from a net profit of US\$121,000 in HY2019. Net asset value decreased 3.8% from US\$16.7 million as at 28 February 2019 to US\$16.0 million as at 31 August 2019. The Group’s balance sheet remains sound and it is currently in a net cash position.

The financial liabilities of US\$1.4 million as at 31 August 2019 were mainly trade facilities that are secured against trade receivables, which in turn are insured.

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Note: This media release is to be read in conjunction with the Company’s results announcement on the SGX website on the same date.

About NICO STEEL HOLDINGS LIMITED 尼尔金属控股有限公司
(Stock Codes – SGX: 5GF | Bloomberg: NICO SP | Reuters: NICO.SI)

Nico Steel Holdings Limited (“Nico Steel” and together with its subsidiaries, the “Group”), is a metallurgical and materials solutions specialist with a focus on customising technologically innovative metal alloy materials and processes under its proprietary “NICO” brand.

The Group’s proprietary patented production technology allows it to customise metallurgical solutions to meet the evolving requirements of its broad base of customers, particularly in the mobile communications, consumer electronics, industrial and automotive sectors.

Well-established in the upstream metal materials industry, the Group drives growth through (i) providing customised solutions as value-added services to component and contract manufacturers to meet their metal fabrication requirements, and (ii) cultivating demand from brand owners and leaders of mobile communications, consumer electronics, industrial and automotive sectors for its NICO brand of specialised metal alloy materials that will meet the evolving and stringent requirements of new electronic mobile devices.

Headquartered in Singapore, the Group owns and operates processing and production facilities in Suzhou, China, and Thailand, while the production facility in Singapore acts as its R&D centre.

For more information, please visit the company’s website at www.nicosteel.com.

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