Maybank Investment Bank

Industrials

Malaysia

Press Metal Aluminium (PMAH MK)

Largest aluminium producer in Southeast Asia

BUY

Share Price	MYR 4.90
12m Price Target	MYR 5.65 (+17%)

Initiate at BUY

We initiate coverage on Press Metal with a BUY and SOTP-based TP of MYR5.65. Its entrenched position as the largest aluminium smelter in Southeast Asia (SEA), strategically located within close proximity to raw materials and having significant energy cost advantage via its hydro-powered facility in Sarawak are its strong attributes. Coupled with sustained projected aluminium price of USD2,500/t due to ongoing supply-demand tightness, we believe this could anchor our 12.9% FY22-25E 3-year earnings CAGR.

Largest aluminium producer in SEA

Press Metal is the largest aluminium producer in SEA with a total extrusion and smelting capacity of 1.29m metric tonnes p.a. It has energy cost advantage over larger players, mainly due to 100% of its smelting operations being hydro-powered, while its strategic holdings in Japan Alumina Associates and PT Bintan also provide more stable and cheaper alumina supply.

Tight supply to support elevated aluminium price

Elevated energy costs since 2H21 have resulted in the reduction of aluminium output, mostly across EU smelters as closures prolonged. Additionally, the crackdown on Chinese coal-powered smelters - as the country moves to more sustainable energy - has also capped supply influx. This, combined with steady annual demand growth of 3-4% for aluminium products should support aluminium price of c.USD2,500/t in FY23-25E, in our view. Aluminium is also a key metal component for electric vehicles (EV), solar energy and recyclable packaging, thus ensuring rising demand as sustainable products become more prevalent.

Solid earnings trajectory

We project a 3-year earnings CAGR of 12.9% in FY22-25E, to be driven by: 1) sustained spot aluminium price of USD2.5k/t on the back of prolonged tight supply; 2) growing sales from its value-added products; 3) improved cost structure from higher alumina in-house supply and declining carbon anode price; and 4) strong FCF to drive down gearing levels to 4% by FY25E. The stock is trading at a relatively palatable 26x FY23E PER, which is 1SD below its 5-year average of 33x.

FYE Dec (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	10,994	15,692	14,823	14,915	14,975
EBITDA	1,965	2,600	2,614	2,764	2,944
Core net profit	1,009	1,418	1,537	1,775	2,041
Core EPS (sen)	12.5	17.2	18.6	21.5	24.8
Core EPS growth (%)	132.1	37.7	8.4	15.5	15.0
Net DPS (sen)	3.8	6.8	7.0	8.0	9.0
Core P/E (x)	46.3	28.4	26.3	22.8	19.8
P/BV (x)	12.1	6.0	5.3	4.6	4.0
Net dividend yield (%)	0.6	1.4	1.4	1.6	1.8
ROAE (%)	25.5	27.0	21.6	21.7	21.8
ROAA (%)	7.7	9.6	10.0	11.3	12.7
EV/EBITDA (x)	27.2	17.6	17.2	15.9	14.5
Net gearing (%) (incl perps)	115.8	53.1	33.0	17.2	3.7
Consensus net profit	-	-	1,785	1,990	2,096
MIBG vs. Consensus (%)	-	-	(13.9)	(10.8)	(2.6)

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Company Description

Press Metal is a local integrated aluminium producer with an extensive global market reach.

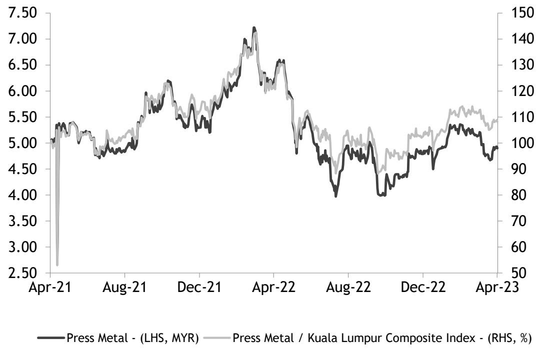
Statistics

52w high/low (MYR)	6.60/3.97
3m avg turnover (USDm)	7.0
Free float (%)	39.5
Issued shares (m)	8,240
Market capitalisation	MYR40.4B
	USD9.2B

Major shareholders:

Paul Koon Pte Ltd.	33.8%
KOON POH MING	6.2%
KOON POH WENG	5.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(4)	(1)	(21)
Relative to index (%)	(3)	3	(12)

Source: FactSet

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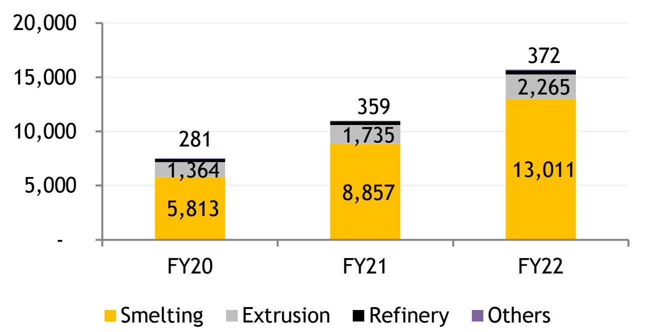
Tear Sheet Insert

PP16832/01/2013 (031128)

Value Proposition

- Press Metal is the largest aluminium smelter in SEA, and the 10th biggest globally – by capacity.
- It operates in a fairly matured and stable aluminium industry where barriers to entry are very high due to massive upfront cost and limited access to substantial power capacity necessary to support the smelting operations.
- Press Metal is planning to penetrate further into the downstream, value-added industry, especially for EVs and solar energy.
- Its hydro-powered smelting plants, combined with strategic holdings in alumina producers, provide greater stability and predictability to its cost structure over other players.

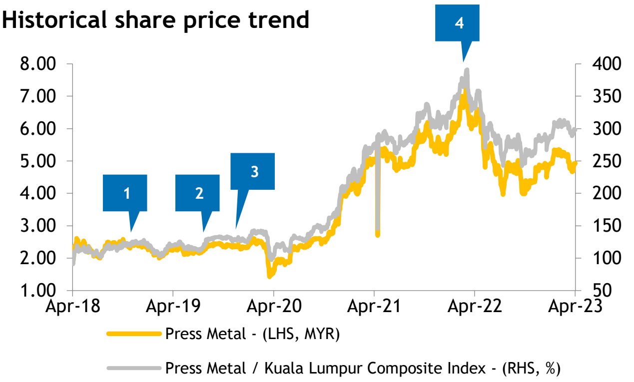
Revenue breakdown by segments (FY20-22, MYRm)



Source: Company

Price Drivers

Historical share price trend



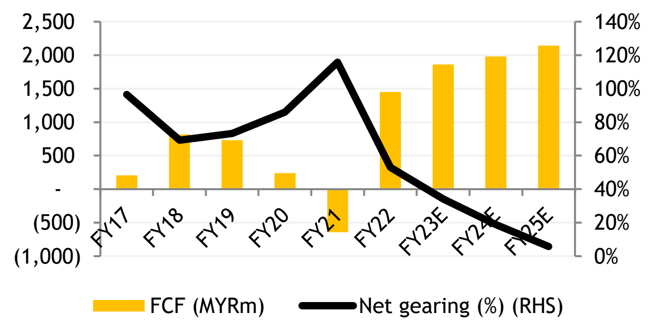
Source: Company, Maybank IBG Research

1. Acquisition of Japan Alumina Associates for MYR738m.
2. Secured a 15-year power purchase agreement (500MW pa) to power an additional 320,000 tonnes of smelting capacity pa.
3. Acquisition of 25% of PT Bintan Alumina for MYR333m.
4. Aluminium price rose to a peak of USD3,700/tonne due to energy cost surge and supply instability in the EU and China.

Financial Metrics

- Press Metal's financial performance strongly correlates with the movement in aluminium price. That said, it also benefits from its fairly stable energy cost structure amid volatile coal prices.
- The group's free cash flow has been rising ever since the completion of the smelting expansion in late 2021.
- With improved plant utilisation to the optimal level, coupled with sustained high aluminium price as a result of tight global supply, we project FCF to grow further to c.MYR2b in FY23-25E, FCF yield to rise from an average of 3% in FY16-19 to 5-6% in FY23-25E, and net gearing to fall from 58% in FY22 to 4% by FY25E.

Capex and free cash flow trend (MYRm)



Source: Company

Swing Factors

Upside

- Sustained high aluminium price due to prolonged tight supply as more plants are shut down.
- Stronger growth in its downstream/value-added products.
- Capacity expansion of its smelting plants.

Downside

- Depressed aluminium price due to increase in supply and/or decline in the overall demand.
- Inability to increase its market share in the downstream industry due to intensifying competition.
- Inability to further increase smelting capacity in the longer run due to lack of access to sufficient power capacity.

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Risk Rating & Score[1]	30.1
Score Momentum[2]	+0.1
Last Updated	05 Feb 2023
Controversy Score[3] (Updated: 24 May 2022)	1 - Negligible risks

Business Model & Industry Issues

- Press Metal produces aluminium products and by-products. Being both an energy and material-intensive manufacturer, Press Metal is heavily exposed to the environment. Press Metal's memberships include Aluminium Stewardship Initiative and United Nations Global Compact, and it's aligned with TCFD and SASB frameworks.
- The largest risk is the massive financing required to build and expand its smelting and extrusion plants, as well as upstream acquisitions of material extraction, which tend to be detrimental to the environment.
- Disclosures on its ESG practices have been commendable, and it has set near-term and long-term sustainability targets, providing a visible ESG roadmap. Its heavy reliant on hydropower for its smelting facility also provides additional ESG advantage through a much lower carbon footprint, versus its global peers, which tend to be fossil fuel-powered.
- Press Metal's MSCI ESG Rating was recently upgraded to BBB from BB. Achieving its carbon footprint reduction and other waste targets could further improve Press Metal's ESG profile over its competitors.

Material E issues

- A member of the Aluminium Stewardship Initiative and United Nations Global Compact, and it's part of the BMCC Climate Action Pledge to raise awareness and implement climate-related initiatives.
- It achieved reduction in GHG emissions through use of solar energy and post-consumer aluminium scrap. The group also recorded zero biodiversity related impact and zero significant spills in 2019-21.
- It has also set medium and long-term targets, namely: 1) 15% reduction in GHG emissions by 2025, 30% reduction by 2030, and carbon neutrality by 2050; 2) achieve 95% waste recycling by 2026 and zero waste sent to landfills by 2030; and 3) 5% reduction in water withdrawal by 2023 and 10% reduction by 2030.

Material S issues

- The group had 7,230 staff as at end-2021, with the split of 88%:12% between male and female. On the managerial level, 24.2% of the roles were held by women. In terms of locality, 79% of the employees are local, while 21% are foreign. Attrition rate was 13.4% in 2021.
- Staff training and upskilling is a continuous effort, with total 61,816 training hours recorded in FY21, or 8.55 hours per employee.
- The group complies with all safety regulations and site certifications. There were zero fatalities recorded in FY21, while lost-time injury frequency rate improved from 4.95 in FY19 to 4.77 in FY21.
- MYR5.8m was invested in local communities in 2021, with around half allocated for COVID-19 related funds, while the rest were for the community, education and sports.

Key G metrics and issues

- Press Metal has 10 board members, of which 3 are independent non-executive directors, and 3 are female directors.
- 4 directors sit on each of the audit, nomination and risk management committees, while 3 directors sit on the remuneration committee.
- The board is also largely represented by the major shareholders, where 5 directors are from the family that owns c.57% of the group.
- The total remuneration for the directors in FY21 was MYR11.5m, which represented 1.1% of the group's FY21 headline PATAMI.
- Messrs KPMG PLT was the auditor for Press Metal in FY21 and has been the auditor for the company since 1999.
- There were neither significant related-party transactions, operational issues nor any reprimands from the regulators or any other bodies.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

1. Investment thesis

1.1 A leading aluminium producer in SEA

Press Metal is the largest aluminium producer in SEA with a total extrusion and smelting capacity of 1.29m metric tonnes p.a. It has presence across the supply chain, from upstream (alumina supply), midstream (smelting) to downstream (extrusion and fabrication), with 5 plants in Sarawak, Selangor and China.

1.2 Supply-demand tightness to support elevated aluminium price

New capacity into global aluminium supply could be inhibited by high energy cost and patchy power supply stability. According to ENTSO-e, the wholesale electricity price surged to as high as EUR500/MWh in mid-2022 in some EU countries. This has subsequently receded to c.EUR100-150/MWh in early 2023, although still relatively higher vis-a-vis pre-2021 levels of EUR40-80/MWh. The higher energy cost should impede expansion activities and prolong closure of several smelters. Furthermore, we expect demand for aluminium to steadily rise due to EV adoption and other applications, whereas the resumption of China's manufacturing activities may also boost near-term demand.

1.3 Cost advantage through long-term PPAs

One of Press Metal's main advantages over other global producers is its 15 to 25-year PPAs that were secured with Sarawak Energy Bhd, which provides stability and predictability to its electricity supply and tariff. With energy cost typically making up 30-40% of the total cost of operations, Press Metal is well-insulated from the rising energy cost that has impeded the profitability of other coal-powered producers as a result of rising commodity prices.

1.4 Samalaju Phase 3 adding an additional 42% capacity

The completion of Press Metal's Samalaju Phase 3 expansion in end-2021 has added a further 320k MT, or 42% of ~~its~~ annual capacity to its smelting production. This will, in turn, provide a significant boost to its production volumes. We expect production to be sustained at its optimal utilisation rate of >95% from FY23E onward.

1.5 Strong cashflow improves capital structure

We estimate free cash flow of MYR1.9-2.2b p.a., translating to FCF yield of 5.0-5.6% in FY23-25E. On the back of staggered expansion initiatives on its production facilities, we believe Press Metal will be able to gradually reduce its borrowings. At 58% net gearing as at end-FY22, the strong FCF generation could bring down net gearing to c.4% by FY25E.

1.6 Initiate at BUY

We initiate coverage on Press Metal with a BUY and SOTP-derived TP of MYR5.65. Its share price has weakened by 32% from its peak in early 2022, in tandem with the sharp correction in aluminium price. Downside support should be sustained by the stable aluminium price, while re-rating catalyst could come from declining operating costs and higher volume tonnage as Press Metal garners higher market share in the value-added products.

2. Corporate information

2.1 History of Press Metal

Press Metal was incorporated in 1986 and started off as a local aluminium extrusion company. In 1993, it was listed on the Second Board of Bursa Malaysia, and was subsequently transferred to the Main Board in 1999.

Press Metal gradually expanded its extrusion capacity and its marketing offices beyond Malaysia. By 2003, Press Metal's extrusion capacity reached 40k MT p.a. and became the largest producer of aluminium extrusion products in Malaysia. In 2005 it established a new extrusion plant in Foshan, China with a capacity of 120k MT p.a., and a year after, it acquired a 90k MT p.a.-capacity aluminium smelter in Hubei, China.

In 2007, Press Metal commenced the development of Malaysia's first-ever aluminium smelting plant in Mukah, Sarawak with a capacity of 120k MT p.a. Total capacity continued to expand with the development of Phase 2 aluminium smelting plant in Samalaju Industrial Park, Sarawak in 2011 (+320k MT p.a.), followed by the 3rd smelting plant (+320k MT p.a.), also in Samalaju. In 2014, its PMB brand aluminium ingots were listed on the London Metal Exchange (LME) as high-grade primary aluminium.

Fig 1: Corporate structure

Subsidiaries	% of ownership	Business segment	Annual capacity	Products	Location
Press Metal Bintulu S/B	80%	Upstream smelting	960,000 MT	Primary aluminium ingots P1020 (LME certified) Value-added products such as alloy ingots (A356.2), billets and aluminium wire rods	Samalaju, Sarawak
PMS	80%	Upstream smelting	120,000 MT	Value-added products - Aluminium billets	Mukah, Sarawak
PMAR	80%	Midstream casting	100,000 MT	Value-added products - Aluminium wire rods	Johor Bahru, Johor
PMBTU	100%	Downstream extrusion	50,000 MT	Aluminium extrusion products	Klang, Selangor
PMI	100%	Downstream extrusion	160,000 MT	Aluminium extrusion products	Foshan, Guangzhou

Source: Company

2.2 Key management and shareholders

Key management

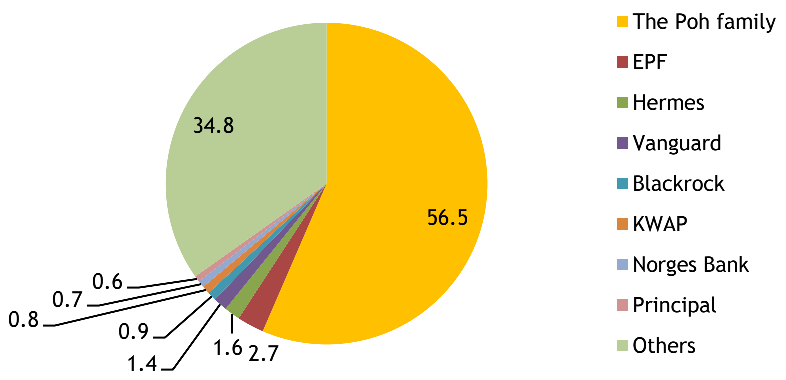
Tan Sri Dato' Paul Koon Poh Keong is the Group Chief Executive Officer (GCEO) of Press Metal and is also one of the founding members of the group, having being with the group since 1993. He has more than 30 years of experience in the aluminium industry and is one of the major shareholders, owning a direct stake of 14.5% in Press Metal. He is also the Executive Chairman of PMB Technology Bhd (PMB MK, CP: MYR4.40, Not Rated), a 20%-associate of Press Metal, which is currently listed on the Main Market of Bursa Malaysia.

Koon Poh Ming is the Executive Vice Chairman of Press Metal and has also been with the group since its inception in 1986, being a founding board member. He has an active role in the management and business direction of the group, and also holds a position as Chief Executive Officer of PMB Technology Bhd. He is the brother to Tan Sri Dato' Koon Poh Keong, and holds a significant direct stake of 6.8% in Press Metal.

Major shareholders

The largest shareholder of Press Metal is the founding family members of the Poh family, led by Tan Sri Dato' Paul Koon Poh Keong at 37.8% total stake (direct and indirect through KPK Holdings L Ltd/Alpha Milestone), followed by the other Poh family members, which collectively own 18.7% stake. Together, the Poh family owns 56.5% stake in Press Metal. Other institutional holders include EPF (2.7%), Hermes Investment (1.4%), Vanguard (1.4%) and KWAP (0.8%). Its foreign shareholding has grown over the years, from below 7% in 2020, to c.12% in Jan 2022, and eventually to c.15% as at end-Feb 2023.

Fig 2: Key major shareholders of Press Metal (%)



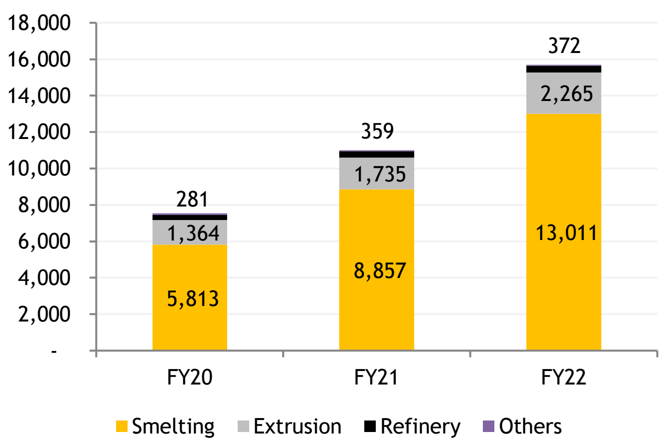
Source: Bloomberg

2.3 Key business segments

Segmental breakdown

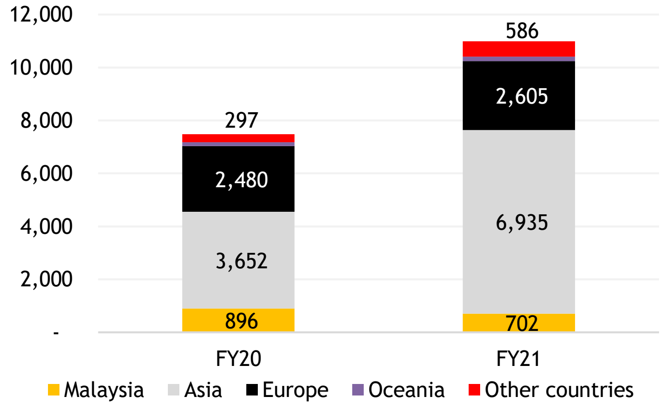
PMB operates through four key segments, which can be split into: 1) refinery of bauxite and alumina (upstream); 2) aluminium smelting (midstream); 3) casting and extrusion of aluminium products (downstream); and 4) contracting and others. The smelting segment contributed the largest portion to Press Metal's FY22 revenue at 81%. The extrusion segment contributed 16%, while Refinery, and Contracting & others made up 3% and 1% respectively, to Press Metal's FY22 revenue.

Fig 3: Revenue breakdown by business segment (MYRm)



Source: Company

Fig 4: Segmental revenue by geography (MYRm)



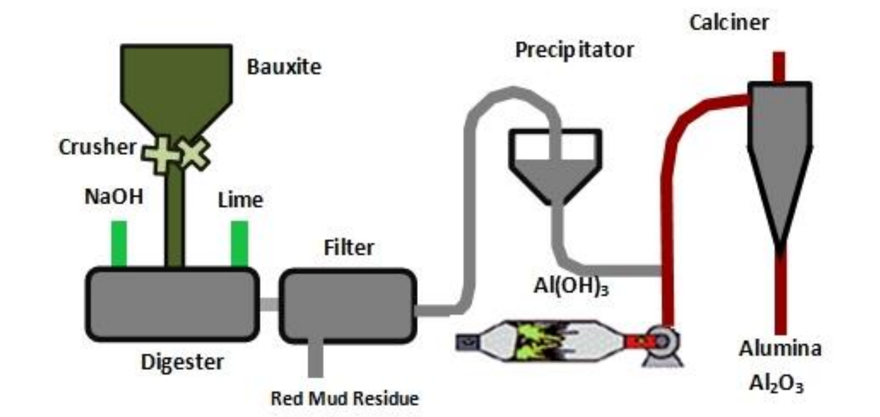
Source: Company

Smelting

The smelting of aluminium products is Press Metal's main business in the upstream and midstream chain of the industry. It has the largest production capacity at 1.08m tonnes p.a. of combined output for aluminium ingots as well as value-added products such as alloy ingots, billets and wire rods. Press Metal produces these products at 3 different smelting and extrusion plants in Samalaju Industrial Park, Sarawak, which houses the largest smelting plant in Malaysia, as well as in Johor Bahru, Johor and Klang, Selangor.

There are two main processes of aluminium smelting – the first stage is the Bayer process that uses bauxite ore as the main raw material to obtain aluminium oxide, also known as alumina. The alumina produced then undergoes the Hall-Heroult process of smelting the aluminium oxide with electricity power to release pure aluminium. The smelting process is often highly energy intensive and requires roughly 15MWh of electricity to produce a tonne of aluminium.

Fig 5: Smelting process of aluminium



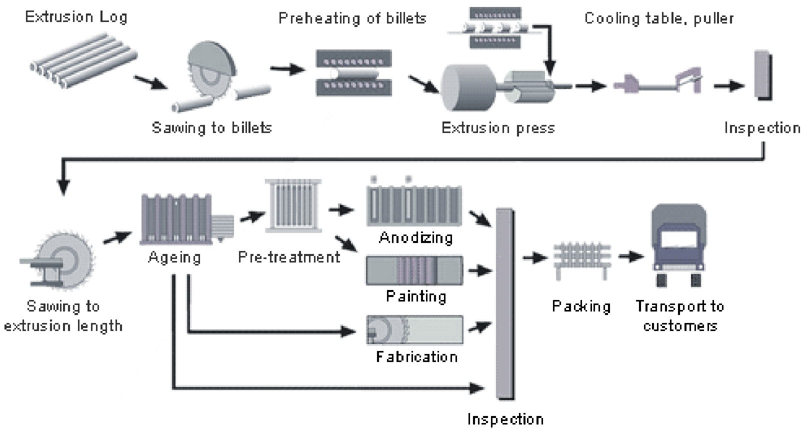
Source: Company, various

Extrusion

Extrusion is the process of profiling the aluminium alloy material into specific shapes and dimension. The aluminium alloy is forced through a die with specific cross-sectional profile, and the entire process is largely mechanical. The primary product of the extrusion process is aluminium alloy ingots, which have certain grades, with A356 being the most common one. Press Metal's extrusion process also outputs value-added products such as billets, wire rods, and LME certified aluminium ingots (Code P1020) through several different machineries inside its extrusion facilities.

Press Metal has 2 extrusion plants in Klang, Malaysia and Guangzhou province, China, with an annual capacity of 50k MT and 160k MT, respectively.

Fig 6: Output of the extrusion process, plus value-added products



Source: Company, Various

Refinery

The refinery segment is the upstream portion of the supply chain, which is involved in the supply of key raw materials such as alumina. Following years of operating in the mid and downstream segments, the group began making several investments i.e. 50% stake in Japan Alumina Associates (Australia) Ptd Ltd (JAA) in Feb 2019 and 25% equity interest in PT Bintan Alumina Indonesia (PT BAI) in Nov 2019. The investment in JAA provides an entitlement to 230k MT worth of alumina supply p.a. for Press Metal, while the investment in PT BAI grants the group a supply security of up to c.80% of its alumina requirement for its smelting plants.

Additionally, Press Metal also made an investment into the supply of carbon anode, which is another key raw material for the production of aluminium, through an agreement with Sunstone Development Co Ltd in Sept 2016. Through the agreement, Press Metal established an entity named Shandong Sunstone & PMB Carbon Co Ltd that manufactures pre-baked carbon anode, with an annual capacity of 300k MT. The group is entitled to purchase up to 160k MT p.a., with an option to purchase an additional 60k MT. It secures c.40% of its carbon anode requirements from this entity.

Fig 7: PT Bintan Alumina refinery

Source: Company

Contracting and others

This business segment pertains to the contracting and fabrication of aluminium and stainless steel products, as well as other services related to project management consultation and site operations, through Press Metal's 100%-owned subsidiary Angkasa Jasa Sdn Bhd. Revenue contribution is very minimal at ~1%.

3. Investment Focus

3.1 Prolonged tight supply in Europe and China's decarbonisation could cap aluminium price downside risk

Aluminium price hit its recent high of USD3,675/tonne in early 2022 due to market concerns on worsening tight supply as a result of production cuts. This was due to elevated energy cost in key producing markets such as Europe, as well the power supply crunch in the southwest region of China. Between mid-2021 and end-2022, the announced production cuts have amounted to over 1MT, or c.20% of the region's total capacity output of c.4.8MT, and this may prolong until early 2024, according to the producers.

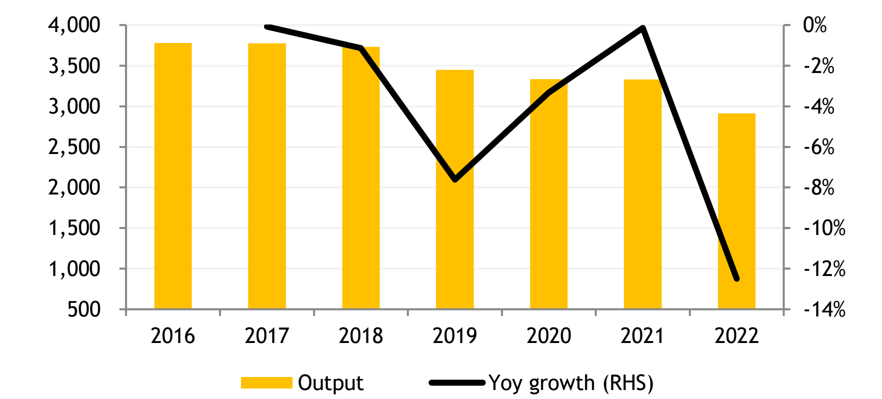
Fig 8: Summary of planned production cuts by the global aluminium producers

Company	Smelter	Country	Capacity (MT)	Cuts
Alcoa	San Caprian	Spain	228,000	Ceased production in Dec-21
Aloft Holdings	Delfzijl	Holland	110,000	Ceased production in Oct-21
ALRO	Slatina	Romania	265,000	60% production cut in early 2022
Liberty House	Dunkirk	France	285,000	15% production cut in Jan-22
Norsk Hydro	Slovalco	Slovakia	175,000	Ceased production in Sep-22
Spiera	Rheinwerk	Germany	140,000	50% production cut in Oct-22, 100% in Mar-23
Talum	Talum	Slovenia	84,000	80% production cut in Aug-22, 100% in Mar-23
TRIMET	Essen	Germany	165,000	50% production cut in Mar-22
TRIMET	Hamburg	Germany	135,000	30% production cut in Oct-21
TRIMET	Voerde	Germany	95,000	30% production cut in Oct-21
UNIPROM	Podgorica	Montenegro	61,000	Ceased production in Dec-21

Source: Various

As a result of the cut, Europe's total primary aluminium production output fell by 12.5% to 2.9MT in 2022, according to IAI.

Fig 9: Europe's primary aluminium production output ('000 MT)



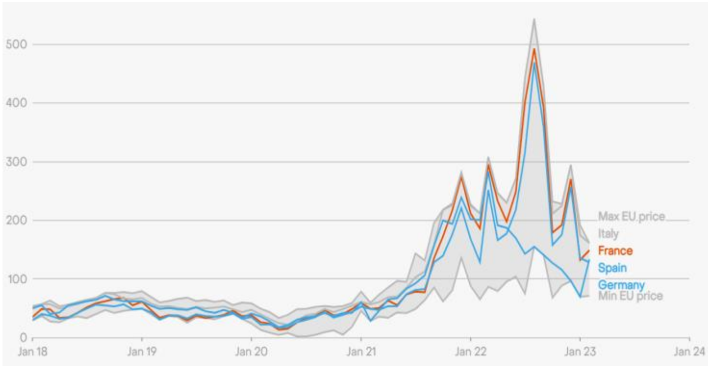
Source: IAI

Electricity prices have soared considerably since early 2021, driven by rising commodity prices. The wholesale electricity price in Europe surged to as high as EUR500/MWh in mid-2022 in some countries. This has subsequently receded to c.EUR100-150/MWh levels in early 2023, although still relatively higher vis-a-vis pre-2021 levels of EUR40-80/MWh. Considering energy cost makes up about 30-40% of the total cost of operations, an environment where energy prices are elevated is detrimental for new supply capacity to come into the market. This could lead to very limited new capacity into the market, hence also capping downside risk to aluminium price as global aluminium supply remains tight.

Fig 10: XW1 Comdty (coal price reference, in USD/t)

Source: Bloomberg

Fig 11: Wholesale electricity prices in Europe (EUR/MWh)



Source: European Network of Transmission System Operators for Electricity (ENTSO-e)

In China, there are continuous decarbonisation efforts of its aluminium industry as the government is pushing for more ‘green’ hydro-powered smelters over coal-powered smelters. As part of meeting its 2060 carbon neutrality targets, the Chinese government is encouraging aluminium companies to reallocate their production to the southwest region of China such as Yunnan, which houses a higher proportion of renewable-powered grids such as hydropower. The government is also making carbon-intensive power generation, such as coal power, more expensive in a bid to encourage the switch to the low-carbon grid power.

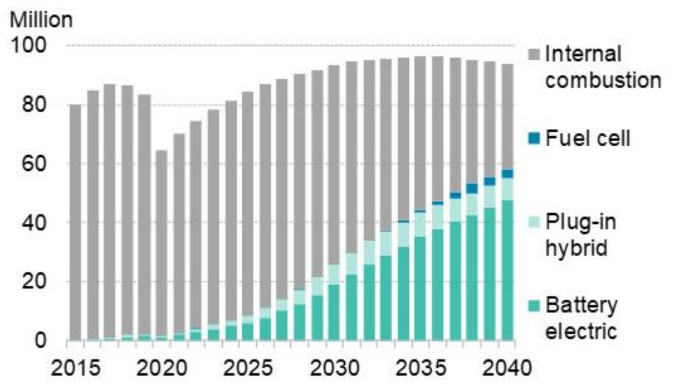
That said, the seasonality and rapid change in general weather conditions typically result in less reliable and consistent power supply to the grid, as the hydroelectricity could not produce ample power. Power-intensive industries such as aluminium smelters are more often than not, one of the first industries to scale down their operations in order to stabilise the grid. This instability may discourage industry smelting capacity expansion in China, while expanding in carbon intensive-powered region would be against the decarbonisation trend in the long run.

3.2 Green technology-led demand for aluminium

Specific industries such as automotive and renewable energy are driving the demand for aluminium products as the adoption of green technology rises. For automotive, the rapid adoption of EVs is a key driver for higher aluminium demand, primarily on the back of higher aluminium content per vehicle and higher EV shares, out of the total vehicles being sold.

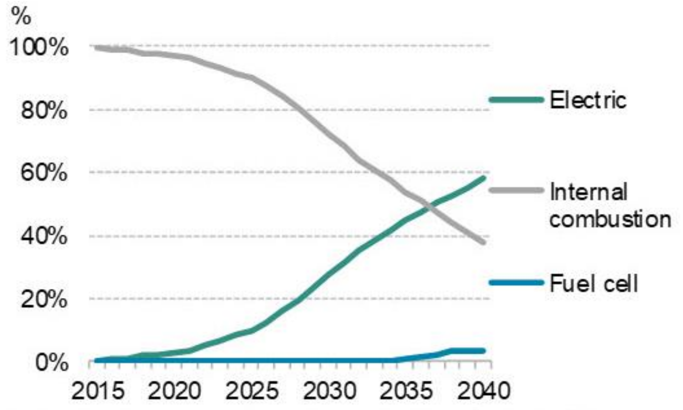
A study made by DuckerFrontier has found that there has been a steady rise of the average aluminium content per vehicle, from 186kg in 2016 to 208kg by 2020, and it expects this to further grow by 12% to 222kg per vehicle by 2026. The application of aluminium can be seen in the construction of the structural components, body sheet, as well as the casting and extrusion of the EV batteries as part of the EV’s powertrain system. In addition, the EV capacity battery is also expected to improve going forward as part of the continuous innovation in battery technology, hence adding to the demand for aluminium application.

Fig 12: Global annual passenger vehicle sales by drivetrain



Source: Bloomberg NEF

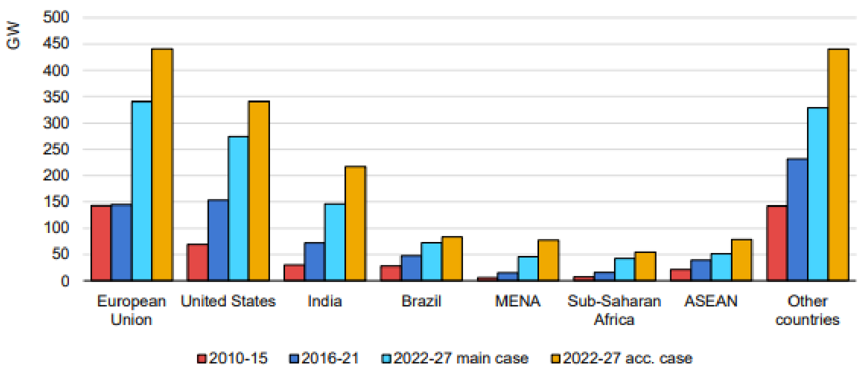
Fig 13: Global share of annual passenger vehicle sales by drivetrain



Source: Bloomberg NEF

The International Energy Agency (IEA) has also projected that the global renewable energy capacity could likely accelerate from 2022 onward, led by policy incentives, declining investment costs and increasing awareness for sustainable energy production. Out of this projected capacity additions, solar PV accounts for more than 60% of all renewable capacity expansion.

Fig 14: Renewable capacity growth, 2010-2027



Source: International Energy Agency, 2020

For Press Metal, the group has already been involved in the supply of fabricated aluminium products to one of the largest EV player in China, through its Foshan aluminium extrusion plant. This is also part of its strategy to move up the value chain by being directly involved in the application of lithium battery production through supplying the end-product of the battery casing for the EVs. The relatively close proximity of its plant with the Chinese EV's manufacturing plants also provides additional strategic advantage for the group to ride on the strong growth of EV adoption in China.

3.3 Strong cost advantage from long-term PPA security

Press Metal has signed multiple long-term PPAs with Syarikat SESCO Bhd, a wholly-owned subsidiary of Sarawak Energy Bhd for the supply of electricity to power its smelting operations in Samalaju. These PPAs, signed in 2011, 2014 and the latest in 2019, provide long-term visibility on power security, as well as locking in at competitive rates for the duration of the agreement. The PPAs, which began upon the operational commencement of the plants, last for either 15 or 25 years, expiring in 2038, 2041 and 2036 respectively.

Additionally, as the electricity supply comes predominantly from hydropower, the PPA provides a stable and predictive electricity tariff for Press Metal's operations, and is insulated from the fluctuations of the energy cost, which tend to come from volatile coal prices. Further out, this also enhances the competitiveness of Press Metal given its cost advantage over its peers.

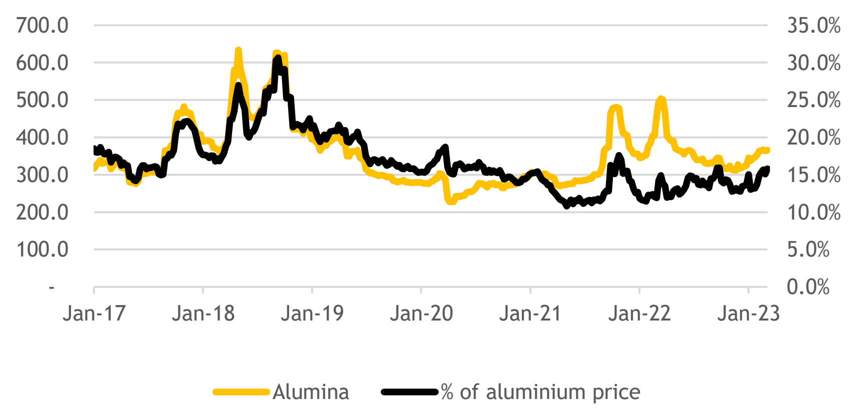
3.4 Vertical expansion to lead to margin expansion

In 2019, Press Metal invested USD80.2m (MYR333.4m) for a 25% stake in PT Bintan Alumina Indonesia as part of its vertical expansion strategy across the supply chain. PT Bintan has an alumina production facility located in Bintan island, Indonesia. It recently completed the doubling of its production capacity to 2m tonnes p.a. in 4Q22.

Following the recent capacity expansion, and combined with the existing Japan Alumina Associates, Press Metal is able to secure up to 80% of its alumina supply needs from these two entities, further securing its supply chain position. This is imperative for the group, as it protects the group from any potential bauxite supply disruption that could emerge from any supply shocks, such as the upcoming export ban on bauxite by the Indonesian government by June 2023. Indonesia is the world's 6th largest bauxite producer.

Aside from greater supply security for Press Metal's smelting operations, it could also generate cost savings from the logistics, given the closer proximity of Bintan island to its Samalaju smelting plants, in comparison to sourcing from other countries such as Australia.

Fig 15: Alumina price trend (USD/t)



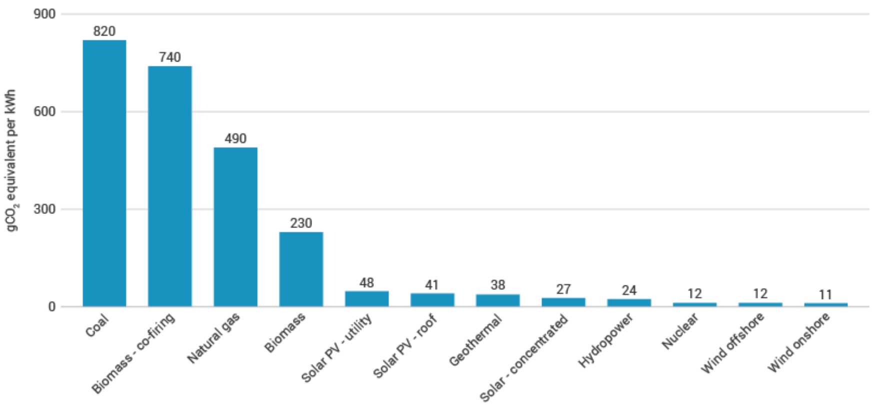
Source: Bloomberg

3.5 Aligning operations with de-carbonisation policies

Press Metal's sustainability roadmap is decent compared with its peers, having ranked at the 33rd percentile in Sustainalytics's Aluminium sub-industry category (1st = lowest risk), with visible short-term and long-term deliverables and targets being set, as the group embarks on its de-carbonisation plans.

As a start, 100% of its smelting operations, which are located in Sarawak, are powered via hydroelectricity, a key component that produces much less carbon footprint over the traditional coal and natural gas-powered power plants. According to Intergovernmental Panel on Climate Change (IPCC), hydropower plants produce an average of 24 gCO2 equivalent emission per kWh over its life cycle, which is a multitude times lower vs coal-based (820 gCO2) and natural gas (490 gCO2).

Fig 16: Average life-cycle CO^2 equivalent emissions



Source: IPCC

Additionally, the group is aligned with TCFD and SASB framework for its sustainability reporting, and has pledged support to BMCC Climate Change Support. It has also seen its sustainability ranking improved from BBB to BB in the MSCI Sustainability ESG Rating in 2021. Furthermore, its 4 main sustainability pillars are linked to 8 UNSDGs in tackling various goals and priorities.

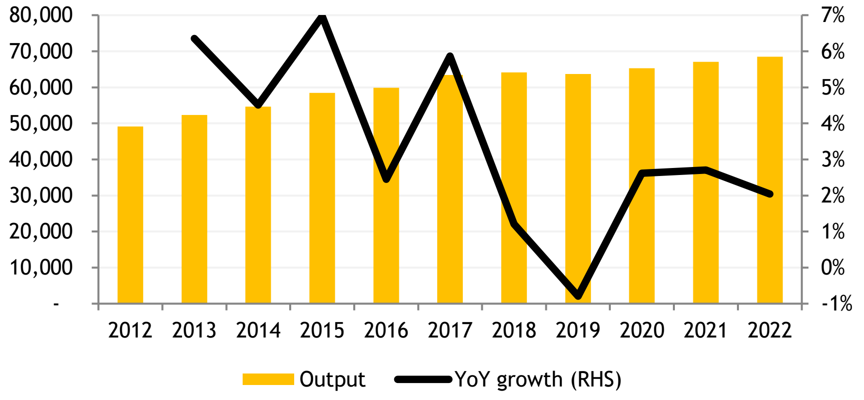
4. Competitive landscape and positioning

4.1 Applications of aluminium

Steady rise in global demand

Aluminium has a wide scope of applications throughout a lot of industries, namely in electronics, automotive, aeronautics, transportation, household and industrial appliances. The wide application can be attributed to its desirable physical properties i.e. high tensile strength and durability, abundance of heat capacity and less density/weight. According to International Aluminium Institute (IAI), the global production output of primary aluminium has grown by a CAGR of 3.4% between 2012 and 2022 to reach 68.5m metric tonnes. Out of this, China consumes roughly 60% of the total global output.

Fig 17: Global aluminium production output (in thousand metric tonne)

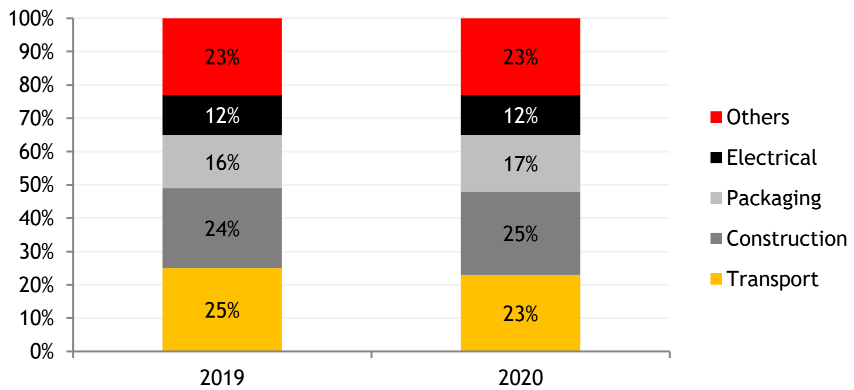


Source: International Aluminium Institute

Use of aluminium

According to CRU Group, the automotive and construction industries make up the largest consumption/demand for aluminium, at around 25% of the total demand each. This is followed by the packaging industry at 16-17%, and electrical industry at c.12%. The utilisation of aluminium in automotive is mainly on the main body of vehicles as an alternative for steel due to it being more lightweight. In the construction industry, the utility of aluminium can be found in various external facades, roofs, walls, windows and doors, as well as staircase railings. Within the electrical applications, due to excellent heat transfer properties and conductivity, it is a more cost efficient material over other metals such as copper.

Fig 18: Consumption of aluminium by end-user



Source: CRU Group

Green technology is driving demand for aluminium

With more and more countries committed to carbon neutrality by 2050, there have been increasing utilisations of aluminium in various industries as aluminium producers are actively adopting more sustainable practices into their manufacturing processes. Among some of the most significant megatrends are electric vehicles, Can 2.0 revolution, renewable energy, as well as adoption of green buildings and sustainable cities. According to United Nations, more than 110 countries have pledged to be net zero carbon by 2050, while there are also increasing number of global corporations that have announced their commitments on carbon neutrality.

- **Automotive lightweight trend and production recovery** – Roughly 2kg of steel or cast iron can be replaced with 1kg aluminium, which translates to lighter and more energy-efficient vehicles. Therefore, vehicle manufacturers are pushing for more aluminium content on the vehicles. That said, the production of vehicles has been hit by chips and other component shortages, hence a recovery in global vehicle production, likely by 2024, could provide further uplift on the aluminium demand.

- **Aluminium Can Revolution 2.0** – The fast-moving consumer goods (FMCG) industry, as part of their sustainable packaging initiatives, is substituting plastic-based drink packages to aluminium in the retail market. Several large beverage companies such as Coca-Cola have announced the substitute of some of its drinking products packaging such as Dasani drinking water into aluminium packaging. PepsiCo is also offering its Aquafina branded water in aluminium cans to US food service outlets.

- **Renewable energy** – Aluminium is typically found in solar panel frames due to its malleability, durability and lightweight properties that are more advantageous over stainless steel. Moreover, its unique reflectivity also enhances the efficiency of solar panels over any other metal.

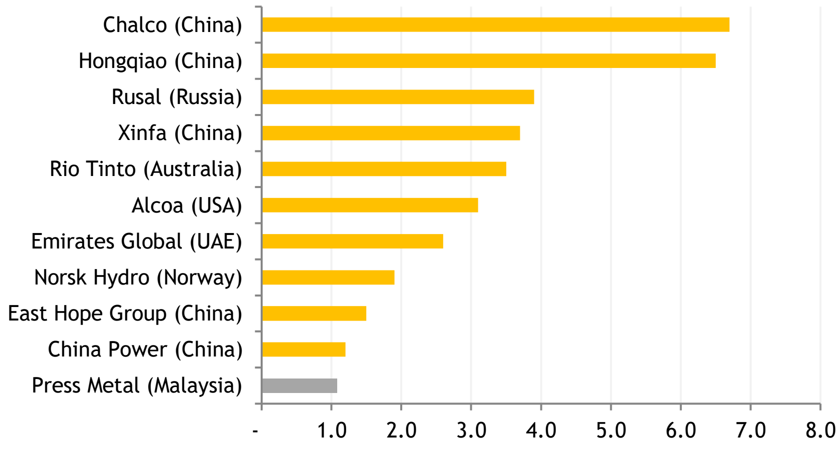
- **Green building -** According to The Aluminium Association, aluminium has high scrap value and ease of recycling, thus making it one of the main materials used for the construction of green building. Coupled with its lightweight and strong properties, this material has become one of the centrepieces in the architecture and built environment of sustainable cities.

4.2 Suppliers of aluminium

Producers of aluminium

Press Metal is the largest producer of aluminium in SEA in terms of total smelting and extrusion capacity, at 1.29m MT p.a. In comparison to the global aluminium players, Press Metal ranks as the 11th largest by capacity, with the top producers largely centred in countries that also house key raw materials such as alumina, bauxite and carbon anode. Per Fig 19, the top 10 producers are dominated by the Chinese companies. According to IAI, China produced 55-58% of the global primary aluminium production output in 2016-21, while 5-6% came from Europe during the same period.

Fig 19: List of the largest aluminium producers by production capacity (mil MT)



Source: Various

4.3 Understanding the dynamics of aluminium price movement

There are various factors that influence the movement of aluminium price, though it tends to be more commonly influenced by the frantic change in the global supply of either the raw materials (bauxite and alumina), or the end-output of aluminium by the producers. The annual demand changes in aluminium tend to be relatively stable at low-to-mid single digit growth.

Bauxite supply disruption could distort aluminium price

The main raw material to produce alumina is bauxite. According to NS Energy Business, the five largest country suppliers of bauxite in 2020 were Australia (29% or ~105m metric tonnes), China (19% or 68m metric tonnes), Guinea (17% or 64m metric tonnes), Brazil (8% or 30m metric tonnes) and India (7% or 26m metric tonnes). These countries combined have a stable market share of around 80% of the bauxite production over the past decade.

Bauxite supply stability is imperative to ensure the price of alumina remains stable, as any potential disruption in the global bauxite supply may cause a spike in alumina's pricing. A recent bauxite supply risk happened in Sep 2021 when a military coup occurred in Guinea, the third largest supplier of bauxite. Guinea exports about half of its bauxite to China, whereas for China, about 60% of its bauxite consumption comes from imported markets, with Guinea being the largest mix of its import at c.47%. This led to a sharp spike in alumina price from USD300/t in Aug

2021 to USD480/t by Oct 2021, though the situation subsequently receded, which saw alumina price retracted back to USD350/t levels by Jan 2022.

Power-related smelter curtailment in China and Europe

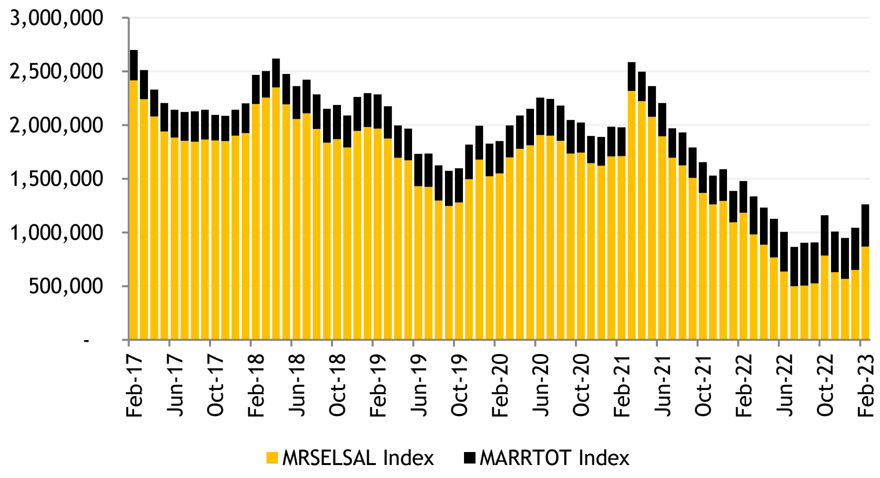
Towards the end of 2021 and early 2022, production of alumina in China was significantly impacted by the surge in Covid-19 cases in certain provinces in China, as well as the Chinese government's efforts to rein in power consumption amongst the industrial players. China's strict 'zero-COVID' policy has led to the closure of several manufacturing provinces, hence impacting both the demand and supply of alumina and aluminium. Furthermore, the curtailment of aluminium production facilities due to China's decarbonisation initiatives had also led to weaker aluminium production.

In Europe, there have been some power crunch issues due to higher energy cost that had impacted the production levels of European aluminium smelters. The forward energy prices have surged to new highs on the back of elevated coal and natural gas prices, and this has led to the reduction of more than 1 million tonnes of annualised production capacity, or c.20% of annualised production in West Europe.

Inventory of aluminium

The global primary aluminium inventory has declined considerably since mid-2021, as a result of smelting plant closures of several producers. This was further exacerbated by the economic restrictions in China due to its 'zero-COVID' policy and the Russia-Ukraine geopolitical tension in 2022. The current inventory levels are the lowest ever since the early 2000s, and thus we believe this could provide some downside support to the aluminium price, given the prolonged supply tightness.

Fig 20: Global primary aluminium inventory (tonnes)



Source: Bloomberg

5. Financial analysis

5.1 Solid and steady historical performance

FY16-19: Solid financials anchored by stable aluminium prices

Press Metal has generated stable financial performance between FY16 and FY19, dropped noticeably in FY20, and recorded a significant growth in FY21 which extended into FY22. Between FY16 and FY19, the revenue trended between MYR7.48b and MYR9.17b, while core earnings had also remained between MYR481m and MYR593m. Aluminium prices were relatively stable across this period, recording an average of USD1,985/t in FY17, USD2,110/t in FY18 and USD1,813/t in FY19.

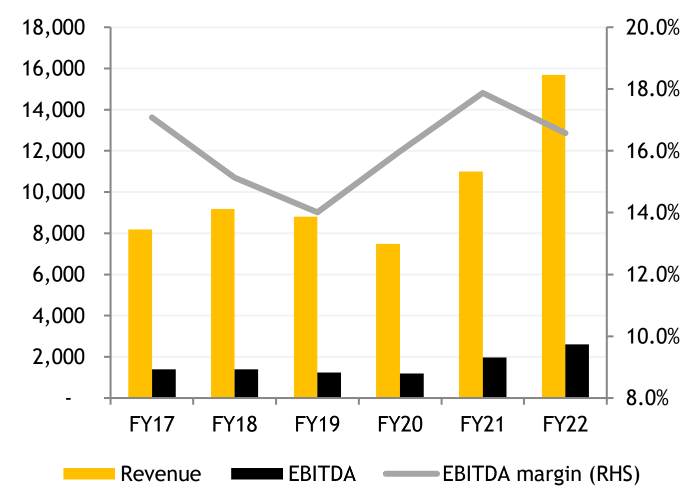
Impacted by COVID-19 pandemic in FY20

In FY20, both revenue and core net profit declined by 15% and 10% YoY respectively due to a combination of aluminium price correction and lower production output, primarily driven by the COVID-19 situation. The average aluminium price weakened by 5% to USD1,728/t.

Aluminium price rally uplifted FY21 performance

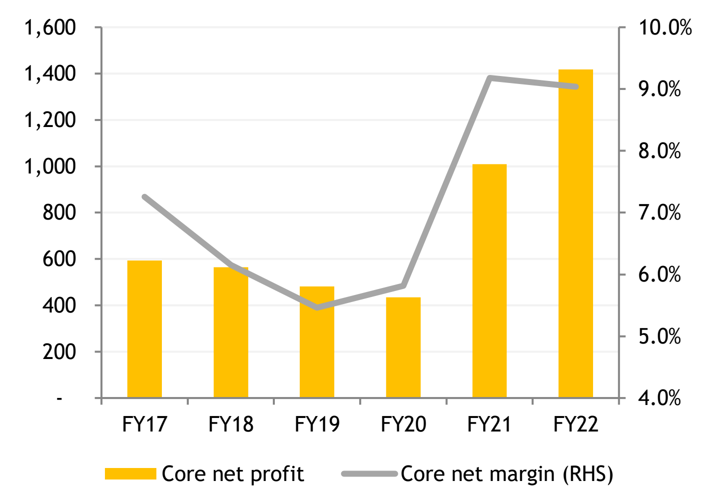
In FY21, Press Metal benefited from the strong rally in aluminium price, which went up to as high as USD3,180/t in Oct 2021 and averaged USD2,485/t for the year, which was 44% higher vs 2020. Revenue and EBITDA grew by 47% and 65% respectively in FY21, with operating margins expanded by 350 percentage points to 14.0% on the back of higher spread between aluminium and alumina prices. Net profit in FY21 also grew by a strong 139%. The strong performance was however partially negated by the planned plant maintenance shutdown in its smelting facility in Sarawak, which had affected production volume.

Fig 21: Revenue and EBITDA trend (MYRm)



Source: Bloomberg

Fig 22: Net profit trend (MYRm)



Source: Company

5.2 FY22 results review

Fig 23: Quarterly earnings trend

	Quarterly results					Cumulative		
FYE Dec (MYR m)	4Q22	3Q22	%QoQ	4Q21	%YoY	FY22	FY21	%YoY
Turnover	**3,918.4**	**3,365.9**	***16***	**3,845.2**	***2***	**15,692.1**	**10,994.2**	***43***
EBITDA	505.1	512.4	*(1)*	618.0	*(18)*	2,600.3	1,967.0	*32*
Depreciation & amortisation	(151.9)	(129.3)	*17*	(144.1)	*5*	(576.1)	(430.8)	*34*
EBIT	**353.2**	**383.1**	***(8)***	**473.9**	***(25)***	**2,024.2**	**1,536.2**	***32***
Interest expense	(63.6)	(47.7)	*33*	(57.6)	*10*	(241.6)	(168.2)	*44*
Interest income	2.5	1.7	*46*	3.8	*(33)*	10.3	5.8	*77*
Associates	41.8	51.2	*(18)*	35.5	*18*	177.9	82.2	*116*
Exceptional items	12.6	1.3	*866*	(6.1)	*(308)*	0.2	(7.4)	*(103)*
Pre-tax profit	**346.5**	**389.7**	***(11)***	**449.5**	***(23)***	**1,970.9**	**1,448.7**	***36***
Tax	(4.1)	(24.1)	*(83)*	(57.3)	*(93)*	(190.2)	(116.2)	*64*
Minority interest	(70.2)	(79.7)	*(12)*	(76.4)	*(8)*	(362.5)	(302.0)	*20*
Net profit	**272.2**	**285.8**	***(5)***	**315.8**	***(14)***	**1,418.2**	**1,030.4**	***38***
Core net profit	**259.6**	**284.5**	***(9)***	**321.9**	***(19)***	**1,418.0**	**1,037.8**	***37***
	4Q22	3Q22	*+/-ppt*	4Q21	*%YoY*	FY22	FY21	*+/-ppt*
EBITDA margin (%)	12.9%	15.2%	*-2.3%*	16.1%	*-3.2%*	16.6%	17.9%	*-1.3%*
Core NP margin (%)	6.6%	8.5%	*-1.8%*	8.4%	*-1.7%*	9.0%	9.4%	*-0.4%*
Tax rate (%)	1.2%	6.2%	*-5.0%*	12.8%	*-11.6%*	9.6%	8.0%	*1.6%*
Segmental breakdown	**4Q22**	**3Q22**	**%QoQ**	**4Q21**	**%YoY**	**FY22**	**FY21**	**%YoY**
Smelting	3,288.9	2,749.3	*20*	3,210.3	*2*	13,010.9	8,856.9	*47*
Extrusion	500.5	506.3	*(1)*	553.2	*(10)*	2,264.6	1,734.7	*31*
Refinery	115.6	98.3	*18*	69.7	*66*	372.4	359.2	*4*
Contracting and others	13.3	12.0	*11*	11.9	*12*	44.2	43.5	*2*
Total revenue	**3,918.4**	**3,365.9**	*16*	**3,845.2**	*2*	**15,692.1**	**10,994.2**	*43*

Source: Company

FY22 revenue grew by 43% YoY to MYR15.7b, driven by higher aluminium price and production output. Aluminium price averaged USD2,717/tonne in FY22, an increase of 9.4% vs USD2,485/tonne in 9M21, while it also saw higher sales tonnage due to the commissioning of Samalaju Phase 3 plant in Oct 2021.

EBITDA grew at a slower pace of 32% YoY in FY22 as the realised input cost was higher. Alumina cost was higher vs market price as 50% of its alumina input cost was hedged to the aluminium price. It also realised higher carbon anode cost as prices were up 46% on average in FY22, as well as higher logistics cost due to higher oil price. Press Metal however saw higher associates contribution (+166% to MYR178m) due to stronger performance from PMB Technologies Bhd, also due to surging aluminium price.

FY22 core net profit rose by 37% to MYR1,418m. The group declared a total dividend of 6.75 sen for FY22 vs 3.75 sen for FY21 as it also increased the total payout ratio to 39%, from 30% in the previous year. Net gearing also improved to 58% in 4Q22, from 116% in 4Q21 on the back of better operating cashflows, moderating capex, and supported by the equity fund raising in 1H22.

5.3 Earnings forecasts

Projecting revenue to decline in FY23E, and remain flattish till FY25E

We project Press Metal to record a revenue decline of 6% in FY23E, and to remain flattish through FY25E. The following summarises our key assumptions that derive our revenue projection:

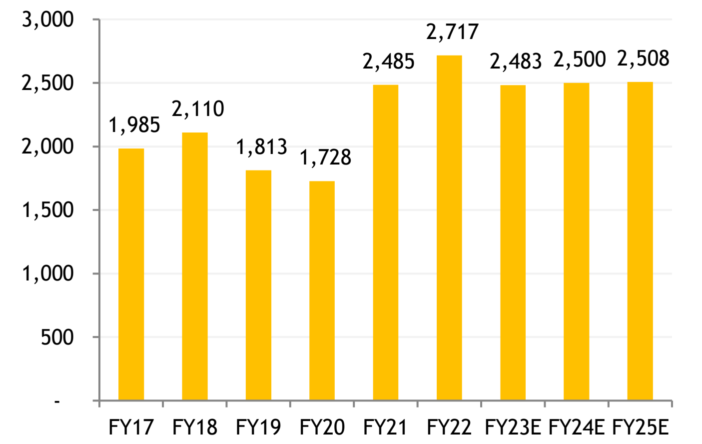
- A flattish sales tonnage of 1.05mil for the smelting business in FY23-25E, similar to FY22, translating to 97% utilisation rate. This reflects no additional capacity until FY25E.

- Effective ASP to decline from USD2,823/t in FY22 to USD2,607-2,658/t in FY23-25E, which implies an 8% decline in FY23E and a gradual increase in FY24-25E. This is due to the assumption that the average aluminium spot price would fall from USD2,717/t in FY22 to USD2,500/t in FY23-25E, which tracks the projection from Fitch Rating's metal price outlook. The marginally higher effective ASP in FY24-25E also reflects 1) the increase in sales mix from value-added products, and 2) Press Metal's hedging policy of locking in certain mix of forward sales at a price higher than the spot price.

- The average USD/MYR FX to gradually decline from 4.40 in FY23E to 4.35/4.30 in FY24/25E. We expect this to negatively impact the sales performance as sales are transacted in USD.

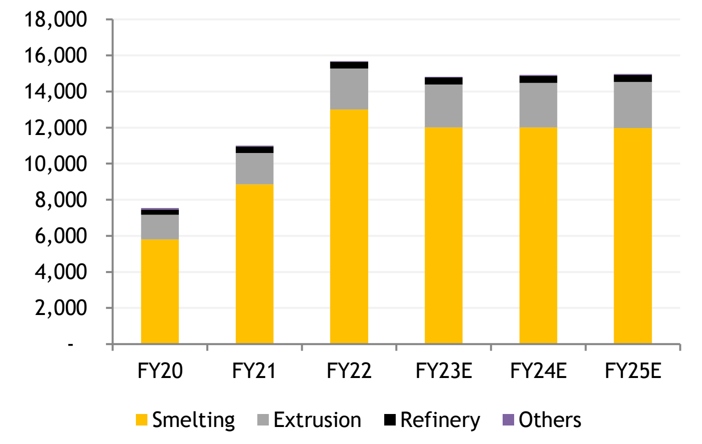
- We expect the extrusion segment to record a revenue growth of 4.8/3.3/4.0% in FY23/24/25E on the back of increasing sales into the niche segments i.e. electric vehicles and solar PV.

Fig 24: Blended aluminium price assumption (USD/t)



Source: Company, Maybank IBG Research

Fig 25: Revenue by business segment (MYRm)



Source: Company, Maybank IBG Research

Raw material cost usually tracks aluminium price

Press Metal's total raw material cost typically makes up around 32-33% of the total revenue, and usually tracks the movement of the aluminium price. This is followed by energy at c.25%, logistics at c.9%, and other administrative costs at 14-16%.

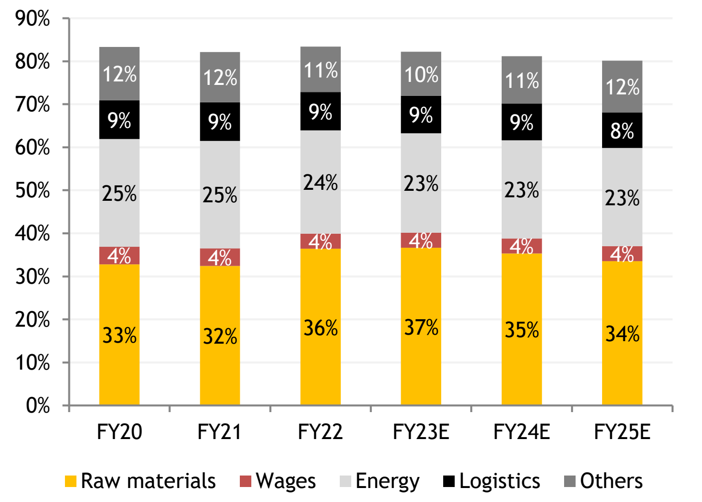
That said, we estimated that raw material expense have spiked to c.36% of revenue in FY22 on the back of elevated carbon anode prices, where the average price increased by 44% YoY to RMB7,050/t in 2022 due to rising oil prices and stricter environmental control in China. The other component is alumina, which typically makes up 21-24% of total revenue.

We expect alumina cost, as a percentage of revenue, to rise marginally from c.22.0% in FY22 to eventually reach 23.0% by FY25E as we assume the alumina-to-aluminium cost ratio could rise from 13.3% in FY22 to 14.0-14.5% in FY23-25E. This translates to USD357/375/378 per tonne for FY23/24/25E.

For carbon anode, we project average price to decline from RMB7,050/t in FY22 to RMB6,250/5,750/5,000 per tonne in FY23/24/25E as the price trajectory has started to stage a moderate decline since the beginning of 2023. Therefore, we project carbon anode cost to fall from 14.4% of revenue in FY22 to 13.1/12.0/10.3% in FY23/24/25E. This compares to an average of 10.0% of revenue in FY20-21, where prices were relatively more manageable.

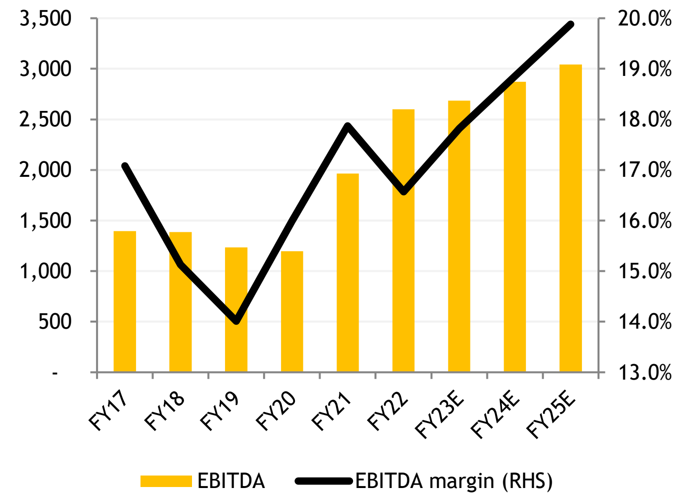
We also expect logistic cost as a percentage of revenue to reduce gradually from c.9.0% in FY22 to 8.0% by FY25E as we factor in cost savings from moderating oil prices, as well as the increasing mix of in-house alumina being sourced from Indonesia, relative to other farther countries such as Australia. Lastly, we project the energy cost to remain steady at c.23% of revenue for FY23-25E.

Fig 26: Cost breakdown assumption as a % of revenue



Source: Company, Maybank IBG Research

Fig 27: EBITDA (MYRm) and EBITDA margin trend



Source: Various

Fig 28: Key assumptions

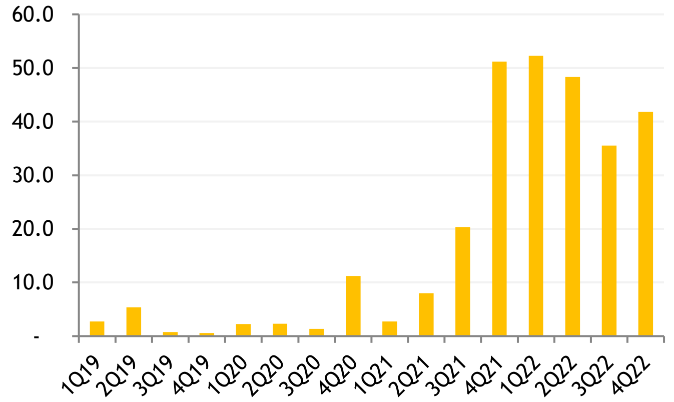
FYE Dec	FY22	FY23E	FY24E	FY25E
Spot aluminium price (USD/t)	2,717	2,500	2,500	2,500
Hedged aluminium price (USD/t)	na	2,450	2,500	2,550
Percentage of sales hedged	na	35%	25%	15%
Blended aluminium price (USD/t)	2,717	2,483	2,500	2,508
Effective ASP (USD/t)	2,823	2,607	2,638	2,658
Premium over spot price	*3.9%*	*5.0%*	*5.5%*	*6.0%*
USD/MYR	4.40	4.40	4.35	4.30
Smelting sales tonnage (mil tonnes)	1.05	1.05	1.05	1.05
Total smelting revenue (MYRm)	**13,011**	**12,015**	**12,019**	**11,973**
Alumina cost (USD/t)	361.2	362.5	362.5	362.5
Alumina to aluminium cost ratio	13.3%	14.5%	14.5%	14.5%
Carbon anode cost (RMB/t)	7,050	6,250	5,750	5,000

Source: Company, Maybank IBG Research

Associate PMB Tech to benefit from elevated aluminium price

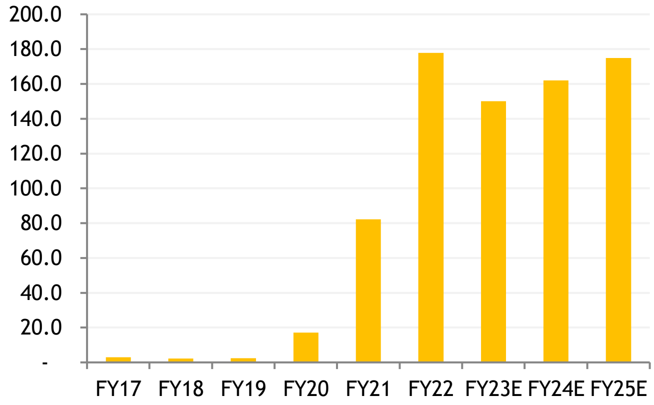
Press Metal's 20%-owned associate PMB Technology Bhd also benefits from the rising aluminium price. It has an annual 72,000-tonne silicon metal smelting and a 14,000-tonne aluminium extrusion and fabrication capacity, also located in Bintulu, Sarawak. Its revenue rose by 29% YoY in FY22 on the back of stronger aluminium price. The associate profits recognised by Press Metal also surged by 116% YoY to MYR178m during the same period, partially due to sustained performance from PMB Tech, as well as higher profit contribution from PT Bintan and JAA. That being said, we project associate profits to fall to MYR150m in FY23E on the back of falling aluminium prices, before gradually rising by c.8% to MYR162m/175m in FY24/25E.

Fig 29: Quarterly associates profits (MYRm)



Source: Company

Fig 30: Projected yearly associates profits (MYRm)



Source: Company, Maybank IBG Research

Net profit

We project Press Metal's net profit to grow by 9% YoY in FY23E, and a further 15% p.a. in FY24E and FY25E. Despite projecting lower revenues vs FY22, we estimate higher net margins to be recognised in FY23-25E on the back of falling carbon anode and logistics costs, as well as declining interest expense. We also expect the higher mix of value-added products to increase the overall margin.

Fig 31: Profit & loss summary

FYE Dec (MYRm)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	7,476.3	10,994.2	15,692.1	14,822.6	14,914.8	14,975.3
Operating expense	(6,281.0)	(9,029.1)	(13,091.8)	(12,208.8)	(12,150.3)	(12,031.1)
EBITDA	**1,195.3**	**1,965.1**	**2,600.3**	**2,613.8**	**2,764.5**	**2,944.2**
Depreciation & amortisation	(409.7)	(434.7)	(576.1)	(586.1)	(583.2)	(580.5)
EBIT	**785.6**	**1,530.3**	**2,024.2**	**2,027.7**	**2,181.3**	**2,363.8**
Interest expense	(181.2)	(168.2)	(241.6)	(217.7)	(167.7)	(117.7)
Interest income	8.1	5.8	10.3	14.1	18.6	24.6
Associates & JV	17.1	82.2	177.9	150.0	162.0	175.0
Exceptional items	25.1	(7.4)	0.2	-	-	-
Pre-tax profit	**654.6**	**1,442.8**	**1,970.9**	**1,974.1**	**2,194.1**	**2,445.6**
Tax	(67.7)	(147.7)	(190.2)	(197.4)	(219.4)	(244.6)
Minority interest	(127.1)	(293.3)	(362.5)	(240.0)	(200.0)	(160.0)
Net profit	**459.9**	**1,001.9**	**1,418.2**	**1,536.7**	**1,774.7**	**2,041.0**
Core net profit	**434.8**	**1,009.3**	**1,418.0**	**1,536.7**	**1,774.7**	**2,041.0**

Source: Company, Maybank IBG Research

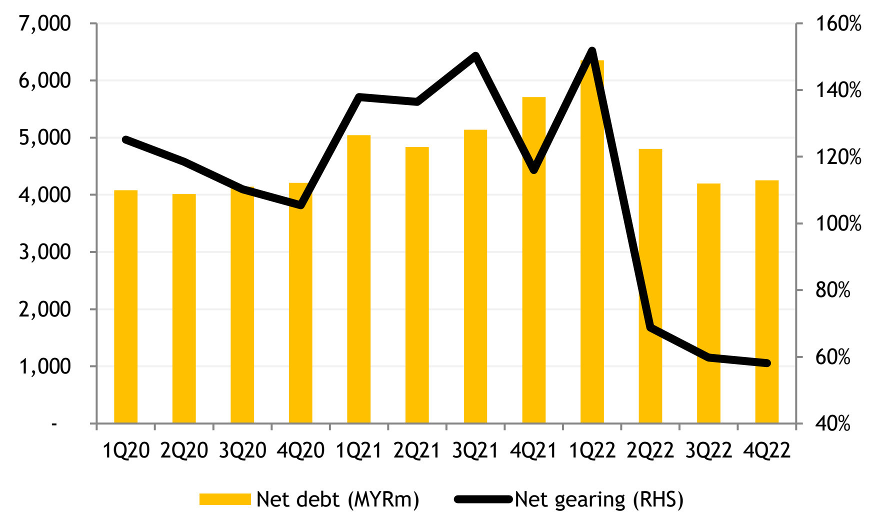
5.4 Balance sheet

Gearing has fallen following Samalaju Phase 3 operational commencement

Press Metal's borrowings have risen steadily throughout the years, increasing from MYR3.1b as at end-FY18 to a high of MYR6.4b as at 1Q22. The increase can be mainly attributed to its aggressive business expansions, both horizontally (larger smelting capacity) and vertically (acquisition of alumina producer PT Bintan). Capex intensity also climbed noticeably from 4% in FY18 to 12% in FY21, reflecting its organic expansion initiatives, as well as the higher maintenance capex that came along with the enlarged operations.

Gearing however has improved considerably, following the commencement of Samalaju's Phase 3 operations, which provided a boost to the group's total sales tonnage. From a net gearing peak of 152% in 1Q22, it has declined to 58% as at 4Q22 as the group's net debt also moderated to MYR4.3b.

Fig 32: Net debt and net gearing position



Source: Company

Borrowings profile

Press Metal has a mixture of various currencies under its borrowing profile. As at Dec 2022, about 91.5% of its total borrowings (MYR4.19b) were denominated in US Dollar, while 6.5% were in Chinese Renminbi, and the balance in EUR, GBP and AUD. Any sharp fluctuations in the US Dollar against the MYR would impact the headline earnings due to mark-to-market.

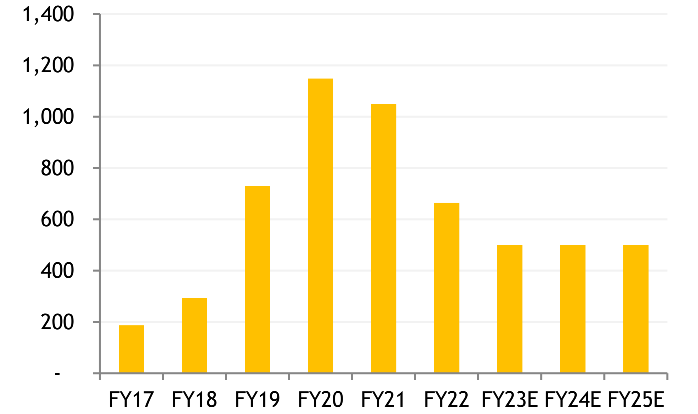
Fund raising through private placement

In March 2022, the group raised MYR971m through a private placement of 163.4m new shares at MYR5.94/shr. The placement was completed in 2Q22 and the proceeds were used to fund capex and working capital requirements, as well as reducing its borrowings. Its net debt position subsequently fell from MYR5.7b in 1Q22 to MYR4.3b by 4Q22, while its net gearing also fell substantially from 116% to 58% across the same period.

Capex levels likely to moderate in FY23-24E

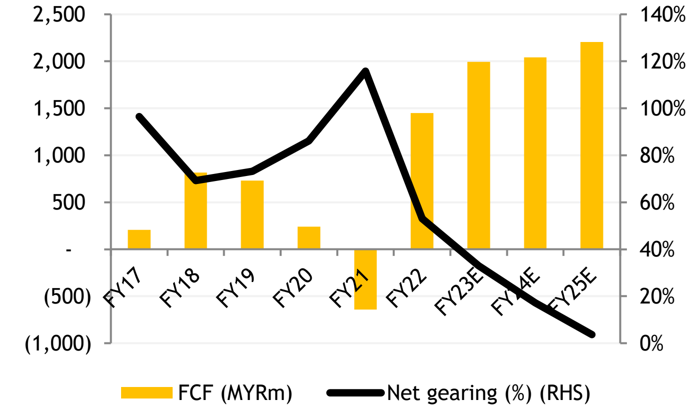
Following the recent slew of expansionary exercises undertaken since FY20, we believe Press Metal's capex trajectory could continue to moderate in FY23-25E as the focus shifts towards optimising its current operations. The capex-to-revenue ratio had fallen sharply from 19% in FY20-21 (including investment in associates) to just 4% in FY22, and we expect this to continue in FY23-25E. We impute an annual capex of MYR500m in FY23-25E and no further investments to be made for stake acquisitions of other companies. That said, per the group's previous expansion cycle, Press Metal tends to embark on a sizeable smelting capacity growth every 3-5 years, hence the next capex upcycle could likely happen by FY25E.

Fig 33: Capex projection (MYRm)



Source: Company, Maybank IBG Research

Fig 34: FCF generation could lead to lower gearing levels



Source: Company, Maybank IBG Research

Fig 35: Cash flow summary

FYE Dec (MYRm)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net cash from operating activities	**1,387.8**	**407.9**	**2,115.3**	**2,493.0**	**2,541.4**	**2,706.1**
Net capex	(1,149.1)	(1,049.3)	(664.7)	(500.0)	(500.0)	(500.0)
Others	(884.6)	(273.2)	(20.3)	14.1	18.6	24.6
Net cash from investment activities	**(2,033.7)**	**(1,322.4)**	**(685.0)**	**(485.9)**	**(481.4)**	**(475.4)**
Dividends	(131.2)	(370.4)	(628.6)	(576.8)	(659.2)	(741.6)
Proceeds from debt	6,733.0	1,223.0	-	-	-	-
Repayment of debt	(5,447.6)	-	(1,485.8)	(1,000.0)	(1,000.0)	(1,000.0)
Funds raised from equity	-	-	964.3	-	-	-
Others	(274.6)	(121.6)	(265.1)	(217.7)	(167.7)	(117.7)
Net cash from financing activities	**879.5**	**731.1**	**(1,415.3)**	**(1,794.5)**	**(1,826.9)**	**(1,859.3)**
Net increase/(decrease) in cash	**233.6**	**(183.5)**	**15.0**	**212.6**	**233.0**	**371.4**
Free cash flow	**238.6**	**(641.4)**	**1,450.6**	**1,993.0**	**2,041.4**	**2,206.1**

Source: Company, Maybank IBG Research

Fig 36: Balance sheet summary

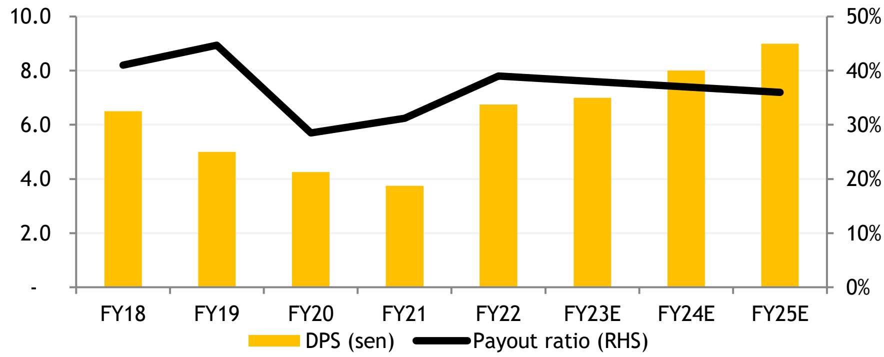
FYE Dec (MYRm)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Inventories	1,562.5	2,733.5	2,794.8	2,675.9	2,663.1	2,636.9
Receivables	1,054.2	1,416.1	1,598.0	1,624.4	1,634.5	1,641.1
Cash/ST investments	692.2	458.5	598.8	811.4	1,044.4	1,415.7
Other current assets	139.4	410.9	596.9	596.9	596.9	596.9
Total current assets	**3,448.3**	**5,019.0**	**5,588.5**	**5,708.6**	**5,938.9**	**6,290.7**
PPE	6,448.3	7,108.9	7,182.9	7,096.8	7,013.7	6,933.2
Right-of-use assets	536.3	499.1	501.0	501.0	501.0	501.0
Intangible assets	63.9	63.5	66.9	66.9	66.9	66.9
Other non-current assets	1,437.6	1,520.4	2,004.9	2,154.9	2,316.9	2,491.9
Total non-current assets	**8,486.1**	**9,191.9**	**9,755.7**	**9,819.6**	**9,898.4**	**9,992.9**
Total assets	**11,934.4**	**14,210.9**	**15,344.2**	**15,528.2**	**15,837.3**	**16,283.6**
ST borrowings	1,600.6	2,583.0	1,553.6	1,553.6	1,553.6	1,553.6
Payables	1,041.8	1,390.6	1,353.8	1,338.0	1,331.5	1,318.5
Lease liabilities	25.2	21.9	22.3	22.3	22.3	22.3
Other current liabilities	195.8	578.7	225.9	225.9	225.9	225.9
Total current liabilities	**2,863.5**	**4,574.3**	**3,155.6**	**3,139.8**	**3,133.4**	**3,120.3**
LT borrowings	3,303.3	3,573.2	3,301.0	2,301.0	1,301.0	301.0
Lease liabilities	219.2	192.1	195.3	195.3	195.3	195.3
Other non-current liabilities	658.5	951.5	672.2	672.2	672.2	672.2
Total non-current liabilities	**4,181.0**	**4,716.8**	**4,168.5**	**3,168.5**	**2,168.5**	**1,168.5**
Total liabilities	**7,044.5**	**9,291.1**	**7,324.2**	**6,308.3**	**5,301.9**	**4,288.8**
Share capital	1,088.5	1,088.5	2,052.7	2,052.7	2,052.7	2,052.7
Reserves	150.9	(693.9)	178.0	178.0	178.0	178.0
Retained earnings	2,755.7	3,477.9	4,418.2	5,378.1	6,493.6	7,793.0
Shareholder's equity	**3,995.0**	**3,872.6**	**6,649.0**	**7,608.8**	**8,724.3**	**10,023.8**
Minority interest	894.9	1,047.3	1,371.1	1,611.1	1,811.1	1,971.1
Total liabilities and shareholder's equity	**11,934.4**	**14,210.9**	**15,344.2**	**15,528.2**	**15,837.3**	**16,283.6**

Source: Company, Maybank IBG Research

5.5 Dividends

We expect Press Metal to pay out dividends of 7.0/8.0/9.0 sen for FY23/24/25E, translating to payout ratios of 36-38%. While the group does not have a dividend policy, it usually follows a guideline of paying out 30-50% of its net profit annually. The group paid out 29-45% of its headline PATAMI for FY18-22.

Fig 37: Dividend per share and payout ratio



Source: Company, Maybank IBG Research

6. Valuation

6.1 Initiate with BUY and MYR5.65 SOTP-based TP

We initiate our coverage on Press Metal with a BUY and a sum-of-the-parts-derived TP of MYR5.65. We use DCF methodology for its core aluminium business, given its mature business stage and relatively stable and predictable cashflow generation. We use a WACC of 7.8%, and long-term growth of 3.5% for our DCF valuation on the core business. We also value its associates - PMB Technology Bhd, using mark-to-market method, and PT Bintan and Shangdong Sunstone at 20x their respective FY22 profits.

Fig 38: SOTP-derived target price

1.0 Core business - DCF						
Year (MYRm)	**FY23E**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**
Net operating profit after tax	1,743.9	1,929.0	2,140.8	2,247.9	2,360.3	2,478.3
Add: Depreciation & amortisation	586.1	583.2	580.5	595.0	609.9	625.1
Less: Capex	(500.0)	(500.0)	(500.0)	(700.0)	(700.0)	(700.0)
Less: Change in working capital	76.6	(3.7)	6.4	(50.0)	(50.0)	(50.0)
Free cash flow	**1,906.7**	**2,008.4**	**2,227.7**	**2,092.9**	**2,220.1**	**2,353.4**
Discount factor	0.93	0.86	0.80	0.74	0.69	0.64
PV of FCF	**1,767.9**	**1,726.8**	**1,776.0**	**1,547.0**	**1,521.7**	**1,495.7**
Terminal FCF						56,026.8
PV of terminal FCF						**35,607.0**
WACC	7.8%					
Long-term growth	3.5%					
Enterprise value of core business	**45,442.1**					
Less: Net debt (FY23E)	3,043.2					
Equity value of core business	**42,398.8**					
2.0 Associates	**Value**	**Stake**	**Remarks**			
PMB Technology	1,040.8	20%	Market value			
Shangdong Sunstone	1,028.2	20%	20x FY22 net profit			
PT Bintan Indonesia	2,056.4	25%	20x FY22 net profit			
Total equity value of Press Metal	**46,524.2**					
Shares outstanding (m)	8,240.0					
Target price (MYR)	**5.65**					

Source: Company, Maybank IBG Research

Our WACC assumption

Our 7.8% WACC assumption is based on: 1) 45:55 debt-to-equity ratio, which is in reference to FY18-22's average debt-to-equity ratio of 45:55; 2) 3.75% cost of debt (net of tax); and 3) 11.2% cost of equity, which is, in turn, is based on 4.0% risk-free rate, 10% market return, and 1.2 beta. We believe a 1.2 beta is fair due to Press Metal's exposure to industry-specific risks, such as supply and demand disruptions, but mitigated by its fairly resilient operational performances.

Our 3.5% long-term growth assumption

This considers expected demand growth of 3-4% anticipated by commodity research house CM Group. Every 1-ppt change in our long-term growth assumption will impact our SOTP-based TP by 74 sen.

6.2 Back-testing our MYR5.65 SOTP-based TP

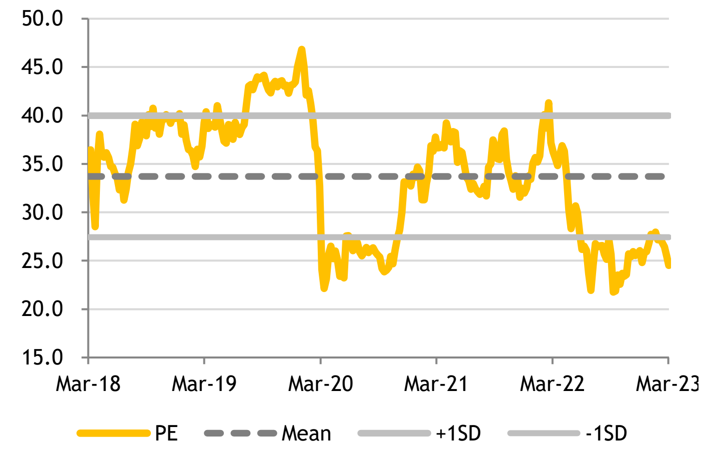
The share price has weakened by 32% from its recent peak in early 2022 due to the substantial pullback in aluminium price. Understandably, its earnings outlook should be impacted by the trend, though we believe

Press Metal's competitive advantage from its cost structure and strategic location could play well into its strength in order to outperform its peers.

The stock is trading at 26x FY23E PER vs its 5-year average of 33x, and 4x FY23E PBV vs 5-year average of 4.9x. We think the current valuation may have adequately reflected the bottoming of aluminium price. Our MYR5.65 TP implies 30x FY23E PER (near 5-year average PER), which is not too demanding, in our view, considering its long-term growth potential.

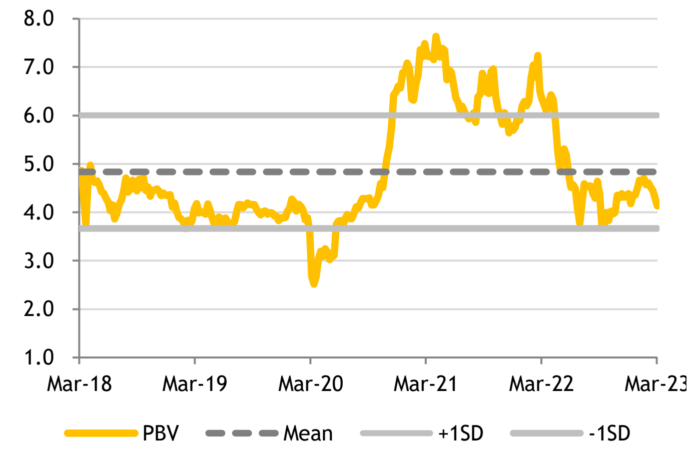
Downside support should be sustained by the stable aluminium price, while re-rating catalyst could come from declining operating costs and higher volume tonnage as Press Metal garners higher market share in the value-added products.

Fig 39: 12M forward PE



Source: Bloomberg, Maybank IBG Research

Fig 40: 12M forward PBV



Source: Bloomberg, Maybank IBG Research

6.3 Peer comparison

The other aluminium producers are trading at much lower forward PER and PBV multiples of 4-20x and 0.6-2.3x, respectively. Understandably, these are within their respective historical averages, thus may not properly reflect the floor valuation for Press Metal, in our view. In addition, we believe Press Metal deserves a premium over its peers due to scarcity of a large and stable industry player in the region, as well as its strong (and clean) energy cost advantage.

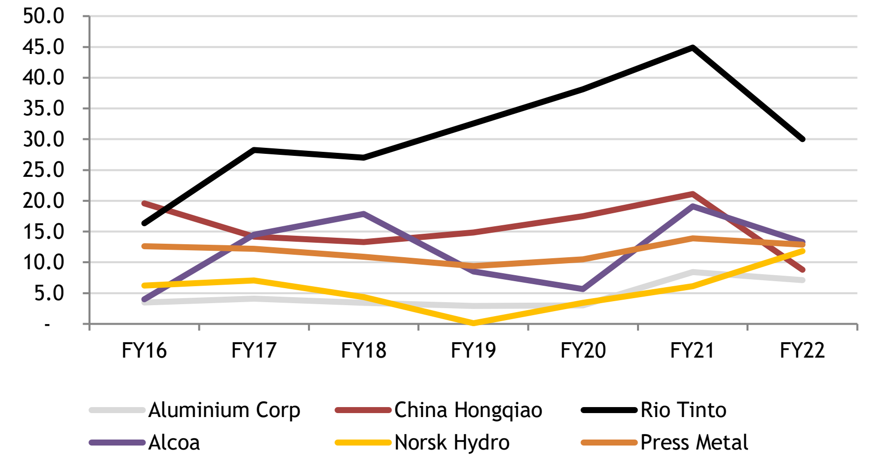
Fig 41: Peer comparison

Company	Ticker	Mkt Cap	Shr px	PE (x)		PBV (x)		EV/EBITDA (x)		Yield (%)		ROE (%)	
		(USDm)	(Local)	YR1	YR2	YR1	YR2	YR1	YR2	YR1	YR2	YR1	YR2
Aluminium Corp	2600 HK	12,819	4.0	9.7	7.8	0.9	0.8	7.1	6.6	0.9	1.3	9.4	10.6
China Hongqiao	1378 HK	9,796	8.1	4.5	3.7	0.6	0.6	3.0	2.6	10.4	12.7	15.1	16.1
Rio Tinto	RIO AU	113,329	117.5	10.7	10.8	2.3	2.2	5.0	5.0	5.7	5.6	21.6	19.3
Alcoa	AA US	7,974	44.7	20.5	8.4	1.5	1.3	6.8	3.5	0.8	0.7	7.5	12.3
Norsk Hydro	NHY NO	14,621	74.8	11.6	10.0	1.5	1.4	5.5	4.9	5.8	6.4	12.6	14.4
Press Metal	PMAH MK	8,970	4.9	26.4	22.9	4.4	3.8	17.3	16.0	1.4	1.6	16.8	17.0
Average				**13.9**	**10.6**	**1.8**	**1.6**	**7.0**	**6.1**	**4.2**	**4.7**	**13.9**	**15.0**

Source: Bloomberg, Maybank IBG Research

Press Metal also exhibits a much more stable and resilient earnings profile due to its fairly stable cost structure. Fig 42 reflects the operating margin profile of the aluminium producers, where Press Metal exhibited much more consistent operating margin of 9.4-13.9% between FY16 till FY22 vis-à-vis its peers, which tended to be more volatile across the same period.

Fig 42: Operating margin trend (%)



Source: Company, FactSet

7. Risks

7.1 Aggressive capacity expansion by competitors

A huge influx of capacity expansion of aluminium smelting could result in narrowing spread of the global aluminium supply-demand gap, resulting in a decline of aluminium prices. A lower aluminium selling price for both its midstream (ingots) and downstream (billets, extrusion) products would translate to lower earnings for Press Metal.

7.2 High transportation cost

Logistics makes up around 10% of the total cost of operations. Press Metal relies on shipping to receive its raw materials, as well as to deliver its aluminium goods to its customers worldwide. Shipping cost tends to correlate with the movement in oil price, hence an environment of elevated oil price could dampen operating margins.

7.3 Suspension of industrial activities again in China

China represents around 60% of the global consumption of aluminium, being the centre of various manufacturing goods utilising aluminium as the material. China's strict zero-COVID policy had negatively impacted industrial and manufacturing activities due to the intermittent lockdown measures imposed across 2021-22. A return in the curtailment of manufacturing activities in China could impede overall demand, thus dampening the aluminium price.

7.4 Energy supply disruption

The aluminium smelting process is very energy intensive and requires a huge drawdown of electricity to achieve a high level of temperature. As such, any disruption in the power/energy supply could have a detrimental impact on the production of aluminium. Re-commissioning the smelting process that has faced unplanned downtime could be very costly. Mitigating this, Press Metal has an insurance coverage to protect various causes of damages and disruptions to its operations.

7.5 Raw material supply disruption

Alumina and carbon anode are the two main raw materials used to manufacture aluminium. A supply disruption in both materials could greatly impede Press Metal's ability to produce aluminium. Press Metal sources its alumina requirement from its associates in Indonesia and Japan, as well as from Australia.

7.6 Exchange rate fluctuations

Press Metal has a sizeable exposure in foreign currency fluctuations. Its exposure to Chinese Renminbi is through its carbon anode expense, while its exposure to US dollar is through its revenue and alumina cost. We estimate that Press Metal's FY23-25E bottom line could be impacted by 9-11% for each 10% change in the average USD/MYR FX, and 5-6% for each 10% change in the average RMB/MYR FX.

8. Appendix

8.1 Board of Directors

Name	Date of Appointment	Designation	Experience
Datuk Yvonne Chia (Malaysian, Female) (Age: 69)	27 May 2021	Independent Non-Executive Chairman	• Datuk Yvonne has more than 40 years' experience in the financial services industry, having held leading positions including CEO of RHB Bank Bhd in 1996-2002 and Hong Leong Bank Bhd in 2003-13. • She is a Council Member of the Asian Institute of Chartered Bankers and an Honorary Professor of the University of Nottingham School of Economics.
Koon Poh Ming **(Malaysian, Male)** (Age: 67)	4 July 2017	Executive Vice Chairman	• Mr. Koon Poh Ming holds a Degree in Engineering from University of Wales, UK. • He started his career with an international consulting engineering firm based in Kuala Lumpur, and is currently a professional engineer registered with the Board of Engineers and The Institutions of Engineers, Malaysia. • He is a founding board member of Press Metal since inception in 1986, and is also the CEO of PMB Technologies Bhd.
Tan Sri Dato' Paul Koon Poh Keong **(Malaysian, Male)** (Age: 62)	4 July 2017	Group Chief Executive Officer	• Tan Sri Dato' Koon Poh Keong holds a Bachelor of Science in Electrical Engineering from University of Oklahoma, US. • He has more than 30 years of experience in the aluminium industry and is one of the founding members of Press Metal. • He was appointed as the GCEO of Press Metal on July 2017 and also acts as the Executive Chairman of PMB Technology Bhd.
Dato' Koon Poh Tat **(Malaysian, Male)** (Age: 63)	4 July 2017	Executive Director	• Dato' Koon Poh Tat is a co-founder of Press Metal and has been actively involved in the operations and is instrumental in broadening Press Metal's network and market share across domestic and regional markets. • He is currently the Executive Director of PMB Technology Bhd.
Koon Poh Weng **(Malaysian, Male)** (Age: 67)	4 July 2017	Executive Director	• Koon Poh Weng has an extensive experience in project management, including the design, engineering and development of system solutions for a variety of projects i.e. commercial buildings, government complexes and hotels. • He is also the Executive Director of PMB Technology Berhad and Managing Director of Angkasa Jasa Sdn Bhd.
Koon Poh Kong **(Malaysian, Male)** (Age: 70)	4 July 2017	Executive Director	• He is a key founder of Press Metal with experiences in the management of major projects throughout the country. • He is also the Executive Director of Angkasa Jasa Sdn Bhd.
Chong Kin Leong **(Malaysian, Male)** (Age: 63)	4 July 2017	Independent Non-Executive Director	• Mr. Chong is a Chartered Accountant and is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He has a Bachelor of Accounting (Hons) from the University of Malaya. • He has more than 40 years of experience in financial and business management, holding various senior roles such as Finance Director in RHB Bhd and CFO in Genting Bhd.

8.2 Board of Directors (continued)

Name	Date of Appointment	Designation	Experience
Noor Alina binti Mohamad Faiz (Malaysian, Female) (Age: 48)	4 July 2017	Independent Non-Executive Director	• Puan Noor Alina read law at the University of Leichester, UK and was called to the Bar of England and Wales in 1998. • She began her career in 1999 with Messrs Lee, Perara & Tan, specialising mainly in Corporate Law. She subsequently worked as in-house council at Media Prima Bhd and Peremba (Malaysia Sdn Bhd), before returning to Messrs Lee, Perara & Tan as a Partner in 2021.
Lim Hun Soon @ David Lim (Malaysian, Male) (Age: 67)	15 August 2018	Independent Non-Executive Director	• Mr. David obtained a Bachelor of Arts in Economics from University of Leeds, UK. He is the member of various taxation and accountant institutions in both UK and Malaysia. • He has more than 30 years of experience as an auditor, in which all are spent serving for KPMG. He also sits on the Board of several public listed companies.
Susan Yuen Su Min (Malaysian, Female) (Age: 63)	1 July 2020	Independent Non-Executive Director	• Ms. Susan has a Bachelor in Computer Science (Honors) from University of London. She has over 30 years of experience in the banking industry and has served several well-established banks in various capacities. • She was the CEO of ANZ Banking Group in HK and the country CEO of National Bank of Abu Dhabi Malaysia Bhd in 2009-18.

Source: Company

8.3 Senior Management

Name	Age	Designation	Experience
Tan Sri Dato' Paul Koon Poh Keong	62	Group Chief Executive Officer	• Tan Sri Dato' Koon Poh Keong holds a Bachelor of Science in Electrical Engineering from University of Oklahoma, US. • He has more than 30 years of experience in the aluminium industry and is one of the founding members of Press Metal. • He was appointed as the GCEO of Press Metal on July 2017 and also acts as the Executive Chairman of PMB Technology Bhd.
David Tan Hung Hoe	58	Head of Corporate Affairs	• David holds a Master's degree in Business Administration from University of Georgia and a Bachelor of Science Degree (Banking & Finance) from University of Arkansas. • He started his career as corporate finance analyst and advisor both locally and overseas. Prior to joining Press Metal, he was the Corporate Affairs General Manager of a public listed company, overseeing various corporate developments and expansion.
Loo Tai Choong	55	Group Financial Controller	• Loo is a qualified Chartered Accountant and a member of the Malaysian Institute of Certified Public Accountants. • He started his career as an auditor, involved in a wide range of audit and tax consultation, as well as corporate investigation works, specialising particularly in manufacturing, banking and insurance industries.

8.4 Senior Management (continued)

Name	Age	Designation	Experience
Choa Wei Keong	50	Group General Manager (Smelting Division)	• Choa holds a Bachelor of Science Degree in Business Administration (Marketing) with Honours from University of Wales. • He started his career with the banking industry, specialising in trade financing and credit management. He was the Vice President of Group Special Asset Management of a Singapore bank prior to joining Press Metal.
Lim Heng Kam	52	Chief Operating Officer (Extrusion Business Unit)	• Lim joined Press Metal in 2003 and was promoted as the Manufacturing Director of Press Metal International Limited (“PMI”) in 2006. He was then appointed as the Executive Director of PMI in 2012. In 2020, Mr. Lim was appointed as the Chief Operating Officer of Extrusion Business Unit • Prior to joining Press Metal, Lim was the Production Engineer of a local aluminium company

Source: Company

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	41.2	30.5	26.3	22.8	19.8
Core P/E (x)	46.3	28.4	26.3	22.8	19.8
P/BV (x)	12.1	6.0	5.3	4.6	4.0
P/NTA (x)	3.3	2.6	2.6	2.6	2.5
Net dividend yield (%)	0.6	1.4	1.4	1.6	1.8
FCF yield (%)	nm	3.6	4.9	5.1	5.5
EV/EBITDA (x)	27.2	17.6	17.2	15.9	14.5
EV/EBIT (x)	34.9	22.6	22.2	20.2	18.1
INCOME STATEMENT (MYR m)					
Revenue	10,994.2	15,692.1	14,822.6	14,914.8	14,975.3
EBITDA	1,965.1	2,600.3	2,613.8	2,764.5	2,944.2
Depreciation	(434.7)	(576.1)	(586.1)	(583.2)	(580.5)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,530.3	2,024.2	2,027.7	2,181.3	2,363.8
Net interest income /(exp)	(162.4)	(231.3)	(203.6)	(149.2)	(93.1)
Associates & JV	82.2	177.9	150.0	162.0	175.0
Exceptionals	(7.4)	0.2	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	1,442.8	1,970.9	1,974.1	2,194.1	2,445.6
Income tax	(147.7)	(190.2)	(197.4)	(219.4)	(244.6)
Minorities	(293.3)	(362.5)	(240.0)	(200.0)	(160.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,001.9	1,418.2	1,536.7	1,774.7	2,041.0
Core net profit	1,009.3	1,418.0	1,536.7	1,774.7	2,041.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	458.5	598.8	811.4	1,044.4	1,415.7
Accounts receivable	1,416.1	1,598.0	1,624.4	1,634.5	1,641.1
Inventory	2,733.5	2,794.8	2,675.9	2,663.1	2,636.9
Property, Plant & Equip (net)	7,108.9	7,182.9	7,096.8	7,013.7	6,933.2
Intangible assets	63.5	66.9	66.9	66.9	66.9
Investment in Associates & JVs	1,341.7	1,547.1	1,697.1	1,859.1	2,034.0
Other assets	1,088.7	1,555.7	1,555.7	1,555.7	1,555.7
Total assets	**14,210.9**	**15,344.2**	**15,528.2**	**15,837.3**	**16,283.6**
ST interest bearing debt	2,583.0	1,553.6	1,553.6	1,553.6	1,553.6
Accounts payable	1,390.6	1,353.8	1,338.0	1,331.5	1,318.5
LT interest bearing debt	3,573.2	3,301.0	2,301.0	1,301.0	301.0
Other liabilities	1,744.0	1,116.0	1,116.0	1,116.0	1,116.0
Total Liabilities	**9,291.1**	**7,324.2**	**6,308.3**	**5,301.9**	**4,288.8**
Shareholders Equity	3,872.6	6,649.0	7,608.8	8,724.3	10,023.8
Minority Interest	1,047.3	1,371.1	1,611.1	1,811.1	1,971.1
Total shareholder equity	**4,919.9**	**8,020.0**	**9,219.9**	**10,535.4**	**11,994.8**
Total liabilities and equity	**14,210.9**	**15,344.2**	**15,528.2**	**15,837.3**	**16,283.6**
CASH FLOW (MYR m)					
Pretax profit	1,442.8	1,970.9	1,974.1	2,194.1	2,445.6
Depreciation & amortisation	434.7	576.1	586.1	583.2	580.5
Adj net interest (income)/exp	162.4	231.3	203.6	149.2	93.1
Change in working capital	(1,538.0)	(337.0)	76.6	(3.7)	6.4
Cash taxes paid	(31.7)	(162.0)	(197.4)	(219.4)	(244.6)
Other operating cash flow	(62.4)	(164.2)	(150.0)	(162.0)	(175.0)
Cash flow from operations	407.9	2,115.3	2,493.0	2,541.4	2,706.1
Capex	(1,049.3)	(664.7)	(500.0)	(500.0)	(500.0)
Free cash flow	(641.4)	1,450.6	1,993.0	2,041.4	2,206.1
Dividends paid	(370.4)	(628.6)	(576.8)	(659.2)	(741.6)
Equity raised / (purchased)	0.0	964.3	0.0	0.0	0.0
Change in Debt	1,223.0	(1,485.8)	(1,000.0)	(1,000.0)	(1,000.0)
Other invest/financing cash flow	(394.7)	(285.4)	(203.6)	(149.2)	(93.1)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(183.5)	15.0	212.6	233.0	371.4

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	47.1	42.7	(5.5)	0.6	0.4
EBITDA growth	64.4	32.3	0.5	5.8	6.5
EBIT growth	94.8	32.3	0.2	7.6	8.4
Pretax growth	120.4	36.6	0.2	11.1	11.5
Reported net profit growth	117.9	41.6	8.4	15.5	15.0
Core net profit growth	132.1	40.5	8.4	15.5	15.0
Profitability ratios (%)					
EBITDA margin	17.9	16.6	17.6	18.5	19.7
EBIT margin	13.9	12.9	13.7	14.6	15.8
Pretax profit margin	13.1	12.6	13.3	14.7	16.3
Payout ratio	30.2	39.2	37.5	37.1	36.3
DuPont analysis					
Net profit margin (%)	9.1	9.0	10.4	11.9	13.6
Revenue/Assets (x)	0.8	1.0	1.0	0.9	0.9
Assets/Equity (x)	3.7	2.3	2.0	1.8	1.6
ROAE (%)	25.5	27.0	21.6	21.7	21.8
ROAA (%)	7.7	9.6	10.0	11.3	12.7
Liquidity & Efficiency					
Cash conversion cycle	79.6	74.5	81.9	80.7	80.8
Days receivable outstanding	40.4	34.6	39.1	39.3	39.4
Days inventory outstanding	90.2	79.3	84.2	82.6	82.9
Days payables outstanding	51.0	39.4	41.4	41.3	41.5
Dividend cover (x)	3.3	2.5	2.7	2.7	2.8
Current ratio (x)	1.1	1.8	1.8	1.9	2.0
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	2.1	2.5	3.0	3.8
Net gearing (%) (incl perps)	115.8	53.1	33.0	17.2	3.7
Net gearing (%) (excl. perps)	115.8	53.1	33.0	17.2	3.7
Net interest cover (x)	9.4	8.7	10.0	14.6	25.4
Debt/EBITDA (x)	3.1	1.9	1.5	1.0	0.6
Capex/revenue (%)	9.5	4.2	3.4	3.4	3.3
Net debt/ (net cash)	5,697.7	4,255.8	3,043.2	1,810.2	438.9

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