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The Edge Singapore 12 – 18 June 2017

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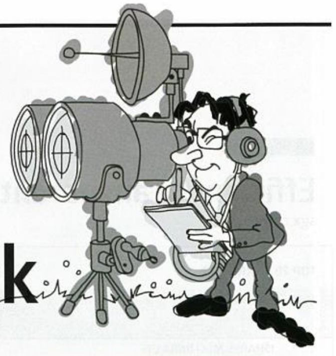

Malaysia Smelting Corp paying out dividend after five-year break

| BY TRINITY CHUA |

Malaysia Smelting Corp (MSC) will go ex-dividend on June 13 and pay a final dividend of eight sen on July 11, its first dividend payout since 2012. The world's second-largest tin supplier had paid out a total of 30 sen in FY2011 ended December, comprising an interim dividend of 12 sen and a final dividend of 18 sen.

The stock now has a 2% dividend yield, based on its June 6 closing price of RM4.14 on Bursa Malaysia. MSC has a secondary listing on the Singapore Exchange, where its shares closed at $1.35.

This dividend comes after the firm returned to profitability following two consecutive years of losses. It reported RM37.5 million ($12.1 million) in earnings for FY2016, compared with the previous year's net loss of RM4.8 million. Revenue increased marginally by 1% to RM1.5 billion. The better results were attributed to a stronger US dollar and a recovery in tin prices. During the year, MSC also reduced its net gearing ratio from 1.6 times to 1.2 times.

Investors initially responded to MSC's results announcement by sending the shares down 11% to RM3.63 on Bursa Malaysia. The volume traded on Feb 28, the day after the earnings release, was 1.3 million — a big jump from the daily average traded volume of 89,400 over the past year. The SGX-listed shares fell 8%.

Since then, however, shares in MSC have recovered. The SGX-listed shares are up 10% this year, while those on Bursa Malaysia have gained 5%.

MSC is 54.8% owned by locally listed conglomerate **Straits Trading Co**. It operates a smelting plant in Butterworth, Malaysia with a production capacity of some 40,000 tonnes of refined tin a year. It also runs a mining operation at Rahman Hydraulic Tin, Malaysia's largest tin mine.

The company's business is built around the entire value chain of tin production. It is involved in exploration, onshore dredging, open-pit alluvial mining, smelting and refining, solder products manufacturing, and the trading of tin and tin-based products.

Tin smelting is MSC's largest business, recording revenue of RM1.5 billion and pre-tax earnings of RM64.4 million in FY2016. The tin mining business recorded revenue of RM174.4 million and pre-tax earnings of RM41 million.

The tin producer went through a board and management shake-up last year, with the appointment of a new CEO, chairman and some directors. Patrick Yong, managing director of MSC's subsidiary M Smelt, took over as CEO following the resignation of MSC veteran Chua Cheong Yong. Chew Gek Khim, chairman of Straits Trading, was appointed as non-independent non-executive chairman of MSC. Her appointment was widely seen as a move by Straits Trading to take a more active role in MSC.

Chew took over the role of chairman from Ng Jui Sia, the former CEO of Malaysia-listed **Fraser and Neave Holdings**. Ng had been appointed to MSC's board as independent non-executive director in September 2012. He was redesignated as independent non-executive chairman on March 23, 2016, after the former chairman Razman Ariffin resigned on March 18, 2016.

The outlook for tin has improved this year, with tin prices up more than 40% over the last 18 months to above US$20,000 per tonne. Pre-tax earnings at MSC's tin mining segment have more than doubled y-o-y in the first quarter of this year, to RM14.7 million. But the group was affected by hefty currency exchange losses and lower production from its tin smelting business. As a result, MSC's revenue dipped 0.4% to RM406.6 million while earnings declined 30% to RM17.4 million.

MSC expects tin prices to remain higher than last year, but is not sounding an optimistic note. "Because of the uncertain global economic and political outlook, we are cautiously anticipating annual refined tin consumption growth of just under 1% this year and in the years ahead," the company says in its latest annual report.

However, the 130-year-old company is investing in technology to boost its bottomline. It acquired a production facility in Klang, Malaysia for RM50 million last year. The facility has more advanced manufacturing technology than the current smelter in Butterworth, which should help reduce costs. MSC is also exploring new deposits in Malaysia, with plans to start operations in mines in Pahang held by subsidiary SL Tin. The mines are expected to produce 100 tonnes of refined tin per year within the next couple of years.

The game changer for MSC could be the redevelopment of the land its Butterworth smelter currently sits on. *The Edge Financial Daily* reported in October last year that Straits Trading intends for smeltering operations to be relocated to Klang, while the land in Penang will be turned into a mixed development. The report, which quoted sources familiar with the situation, said the resignations of the former chairman and CEO as well as two directors may have been due to disagreements concerning the fate of the Butterworth site. E

Malaysia Smelting Corp

Market cap	June 6, 2017	$135 mil
52-week high	Nov 24, 2016	$1.385
52-week low	July 4, 2016	85.5 cents
PER		NA
Gross dividend yield		2%
Earnings	FY2016 ended Dec 31	RM37.5 mil
Net loss	FY2015 ended Dec 31	RM4.8 mil