



# Chemical Company of Malaysia Berhad ("CCM")

## Corporate Overview

02 May 2019



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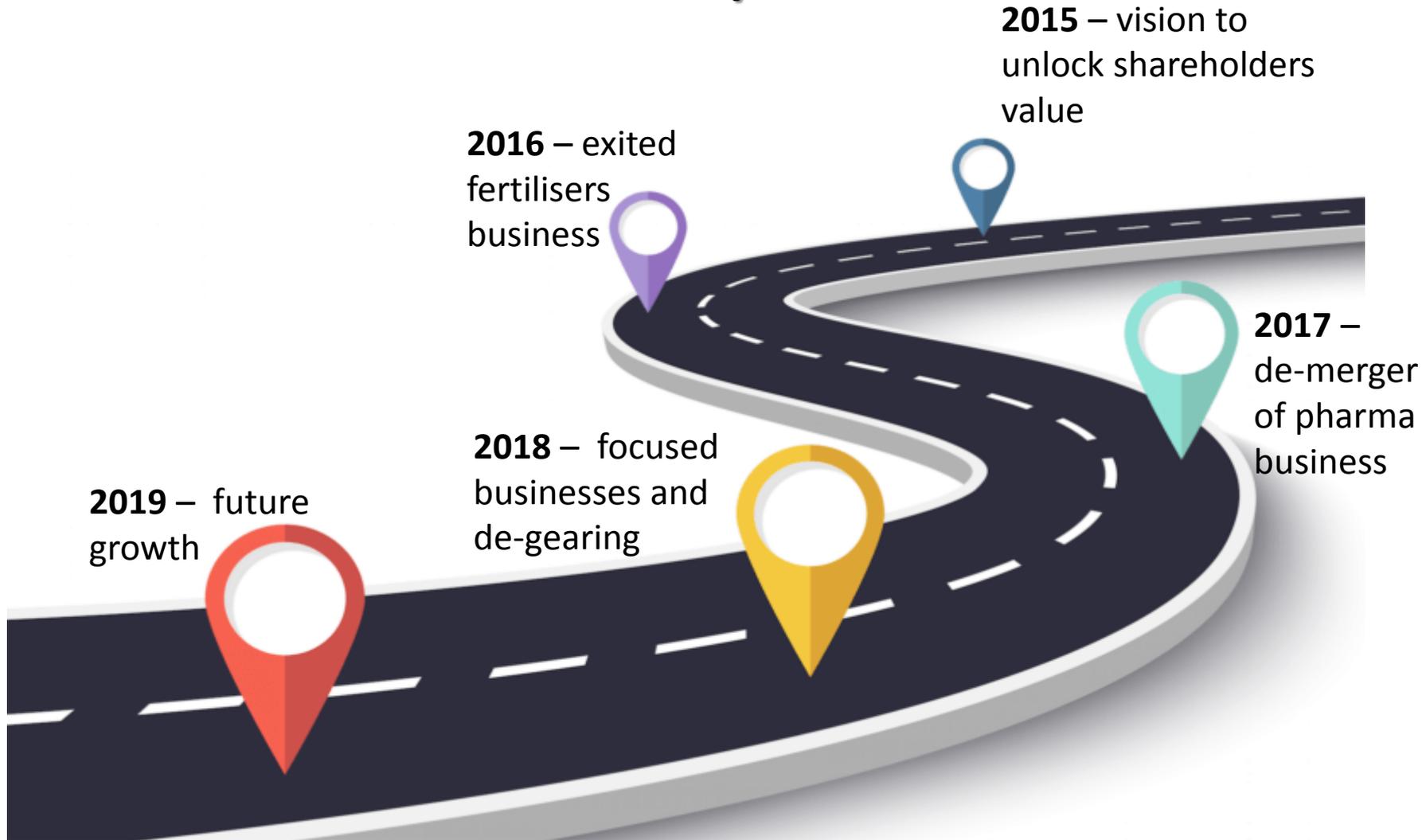
1. Overview of CCM
2. Our Chemicals Business
3. Our Polymers Business
4. Strategic Growth Plan



# OVERVIEW OF CCM



# THE JOURNEY - CCM Berhad today



# WHO WE ARE – Dynamic chemical company under PNB

1

A reputable manufacturer of chlor-alkali and polymer coating products in Malaysia and Southeast Asia and; one of the strategic companies under Permodalan Nasional Berhad (PNB).

2

One of the 2 manufacturers of Chlor Alkali products in Malaysian market. Market share of key products:

- ❖ Caustic soda (25%)
- ❖ Chlorine (41%)

3

Top 3 market position for Polymer Coatings in the gloves industry. Solid with long term client base inclusive of major gloves producers.

4

Current production capacity :

- ❖ Chlor Alkali: 40,000 ECU
- ❖ Polymers: 18,000 MT

All plants operate at maximum capacity.

5

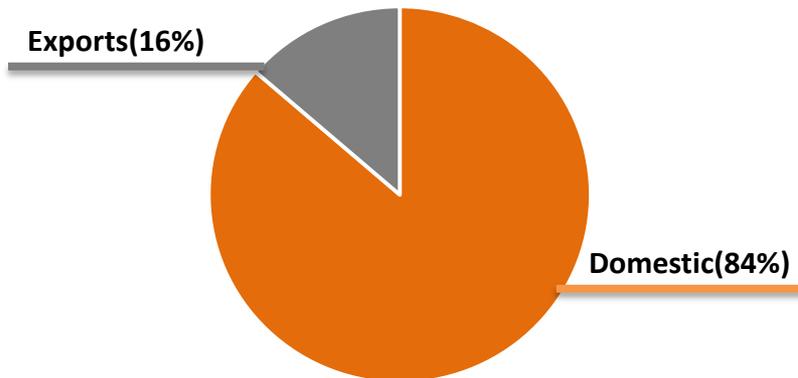
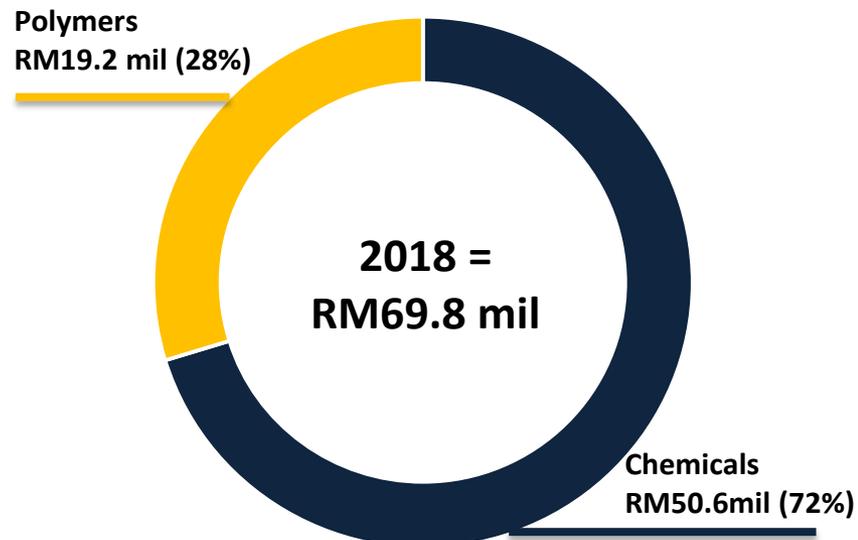
Best practices in Safety & Environment Standards with strong R&D capabilities.

# BUSINESS PROFILE – Focused businesses

## Revenue by Business



## Aggregate PBT



# MARKET EXPOSURE – application by major industries

Percentage of sales for 2018 by Industry



Water treatment

14%



Oleochemicals #

21%



Rubber

31%



Oil & Gas

5%



Steel

4%



Others (Chemicals\*)

25%

\* Specialty, Petrochemicals and mix

# FINANCIAL PERFORMANCE – resilient performance

	FY2018	FY2017	y-o-y %
<b>Profitability &amp; return</b>			
Revenue (RM mil)	<b>395.9</b>	370.7	↑ 7%
EBITDA (RM mil)	<b>88.1</b>	80.6	↑ 9%
Profit before tax (RM mil)	<b>51.6</b>	14.7	↑ >250%
Profit after tax (RM mil)	<b>30.7</b>	(2.6)	↑ >1,000%
PAT Margin (%)	<b>7.7</b>	(0.7)	↑ >1,000%
EPS (sen)	<b>15.32</b>	(1.13)	↑ >1,000%
<b>Financial position</b>			
Net Asset per share (RM)	<b>1.89</b>	1.68	↑ 13%
Debt/Equity ratio (x)	<b>0.61</b>	1.67	↓ 63%
Dividend per share (sen)	<b>9.0</b>	2.5	↑ >250%

*\*Financial Performance for continuing business only.*

**DIVIDEND YIELD**



**PRICE EARNING RATIO**



**PRICE-TO-BOOK**



# OUR CHEMICALS BUSINESS



# AN OVERVIEW OF CCM CHEMICALS BUSINESS



1

CCM Chemicals chlor-alkali products consist of caustic soda liquid (CSL/NaOH), hydrochloric acid (HCl), chlorine (Cl<sub>2</sub>), and sodium hypochlorite (NaOCl).

2

Pasir Gudang Asset Capacity (at 40,000 ECU) – or (MT/annum):

- ❖ 90,000MT of Caustic Soda Liquid (CSL)
- ❖ 50,000MT of Hydrochloric Acid (HCl)
- ❖ 24,000MT of Chlorine (Cl<sub>2</sub>)
- ❖ 30,000MT of Sodium Hypochlorite (NaOCl)

3

Calcium Nitrate Plant - production capacity of 22,800MT.

4

CCM is one of only two Chlor Alkali players/manufacturer in Malaysia.

5

All our plants are running at full capacity.

6

Meeting the market needs through locally manufactured products and imported products.

# MAJOR CAPACITY EXPANSION PROJECTS IN THE PIPELINE



## Reactivation of PGW1

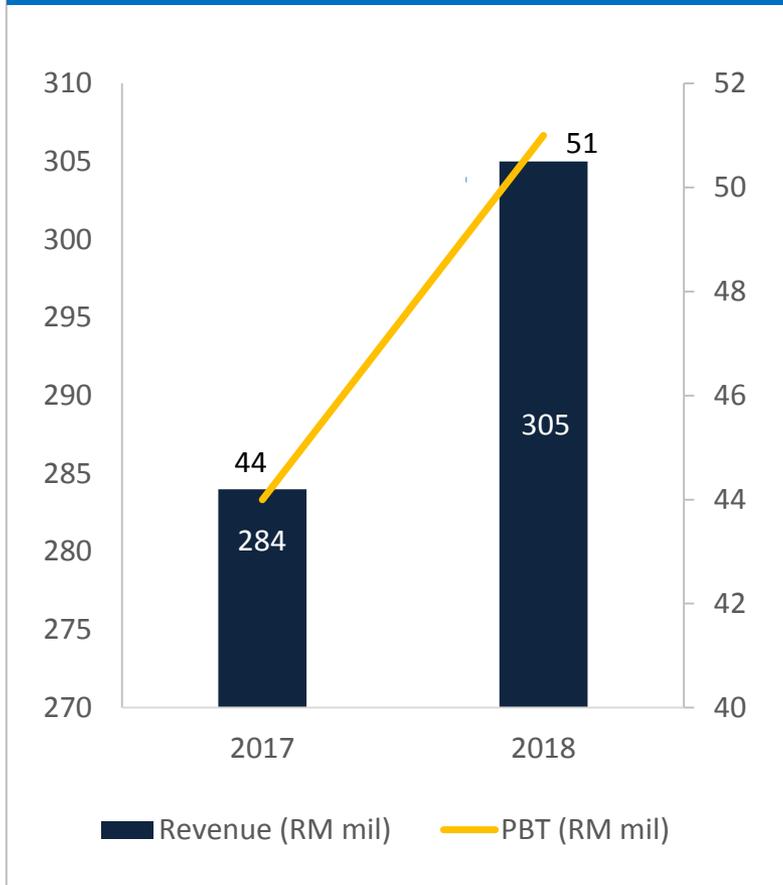
- 1 Additional capacity for our Chlor Alkali Pasir Gudang Works (additional 20,000 ECU) - total production to be 60,000 ECU. Pasir Gudang 1 (PGW1) Reactivation project is at a total CAPEX of RM76.5M, and it is at 80% completion.
- 2 Planned commissioning will be in July 2019.

## Calcium Nitrate

- 1 New and expanded calcium nitrate plant in Shah Alam -1,900MT per month (22,800 MT per annum) vis-à-vis current 1,000 MT per month (12,000 MT per annum). CAPEX approved for the project is RM10.5M, and fully completed.
- 2 Commissioned in April 2019.

# FINANCIAL PERFORMANCE TREND – Commendable growth

## Revenue and PBT



1

### Revenue development (2018 vs 2017)

- Caustic Soda Liquid
- Chlorine

### Volumes (MT)

- ↑ 15%
- ↑ 7%

2018 saw a slightly higher average caustic soda selling price vs 2017.

2

Operational efficiency plan materialised – lower TCOP by 3%.

3

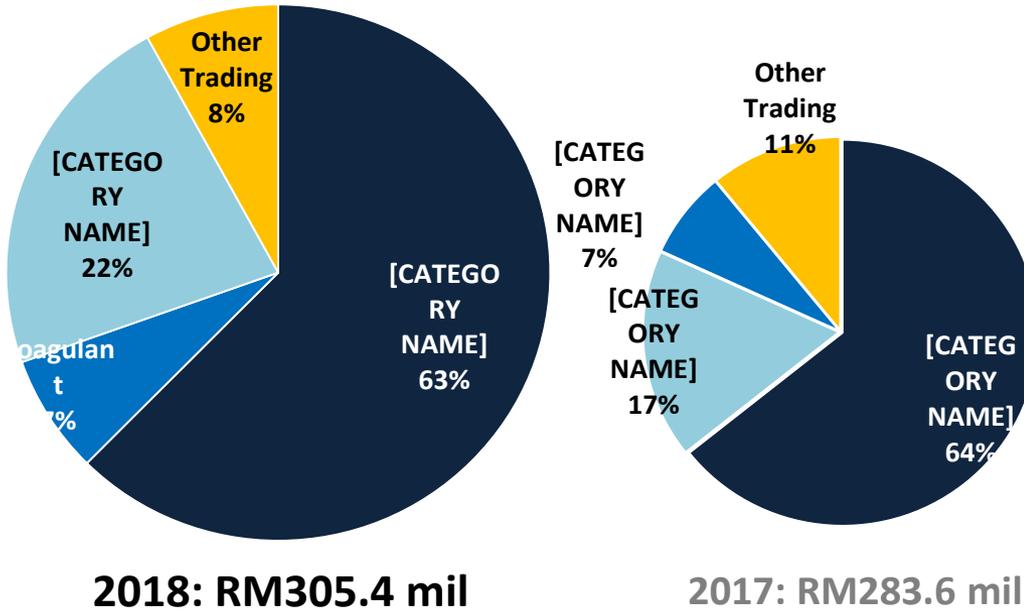
All plants running at/close to maximum capacity.

4

Lower net finance cost and cost control effectiveness.

# 2018 FINANCIAL PERFORMANCE

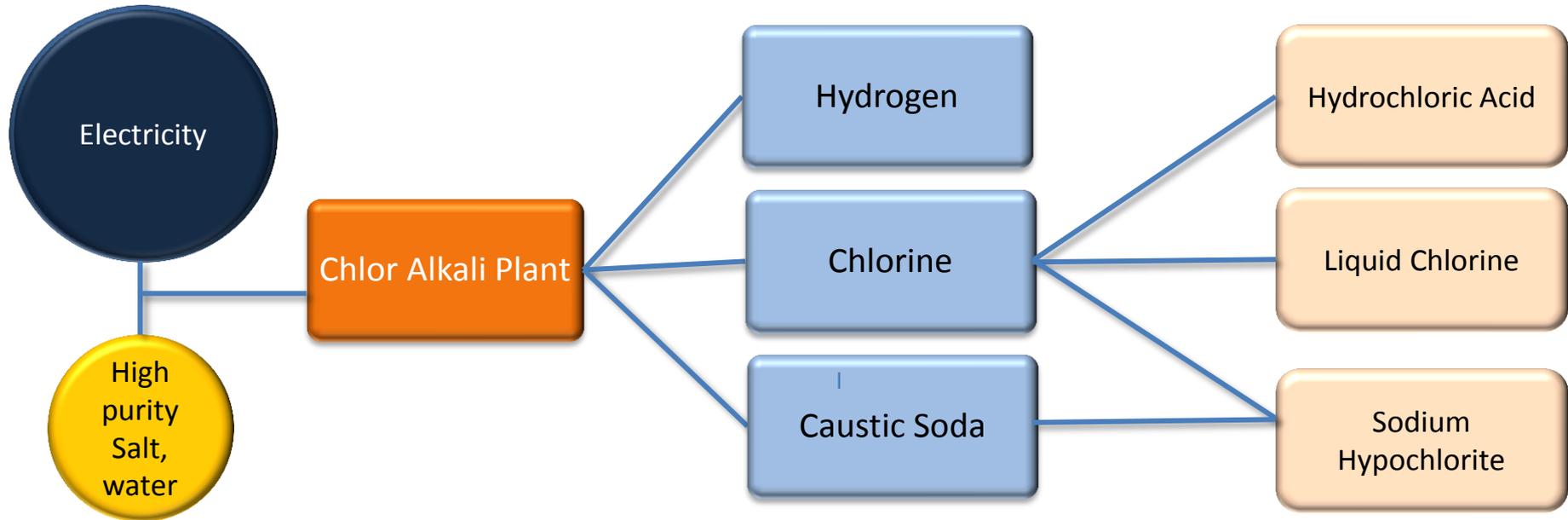
## Revenue



- 1 Chlor Alkali (domestic and Exports) contributes almost 63% of CCMC revenue.
- 2 Increased revenue from Traded Caustic – took opportunity of the reasonably high caustic Soda price in 2018.
- 3 Business is local-centric – small export portion.

	2018	2017
Gross Profit Margin [%]	26%	26%
PBT [RM mil]	50.6	44.0

# AN OVERVIEW OF MANUFACTURING PROCESS & ITS PRODUCTS

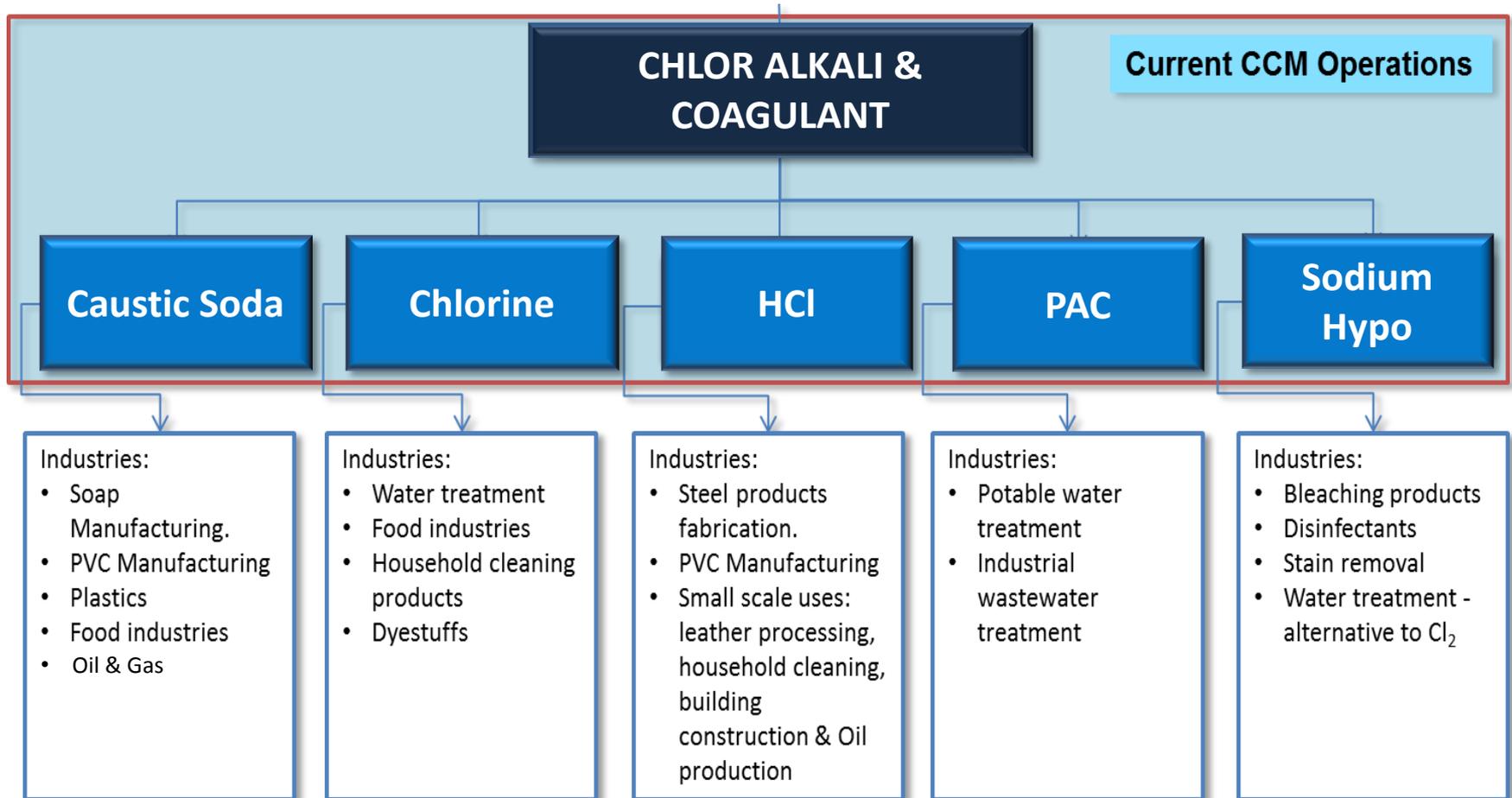


❖ The chemical reaction:



- ❖ Chemically not possible to choose product/s, hence overall plant economics takes precedence over individual product returns.
- ❖ The Chlor Alkali plant operates continuously – 3 shifts/day, 365 days/year.

# CHLOR-ALKALI PRODUCTS AND APPLICATION – Diverse application



# ANOTHER BUSINESS PORTFOLIO - CHEMICALS TRADING

Represents leading Principals for various basic and specialty chemicals offered:

## Food & Pharmaceuticals



- Pharmaceuticals actives
- Food chemicals

## Industrial, Health & Hygiene



- Electronic Chemicals
- Pulp & Paper Chemicals
- Glass & Ceramic Chemicals
- Surfactant
- Disinfectant
- Biocides

## Surface Coating



- Coating Chemicals
- Plastic Chemicals

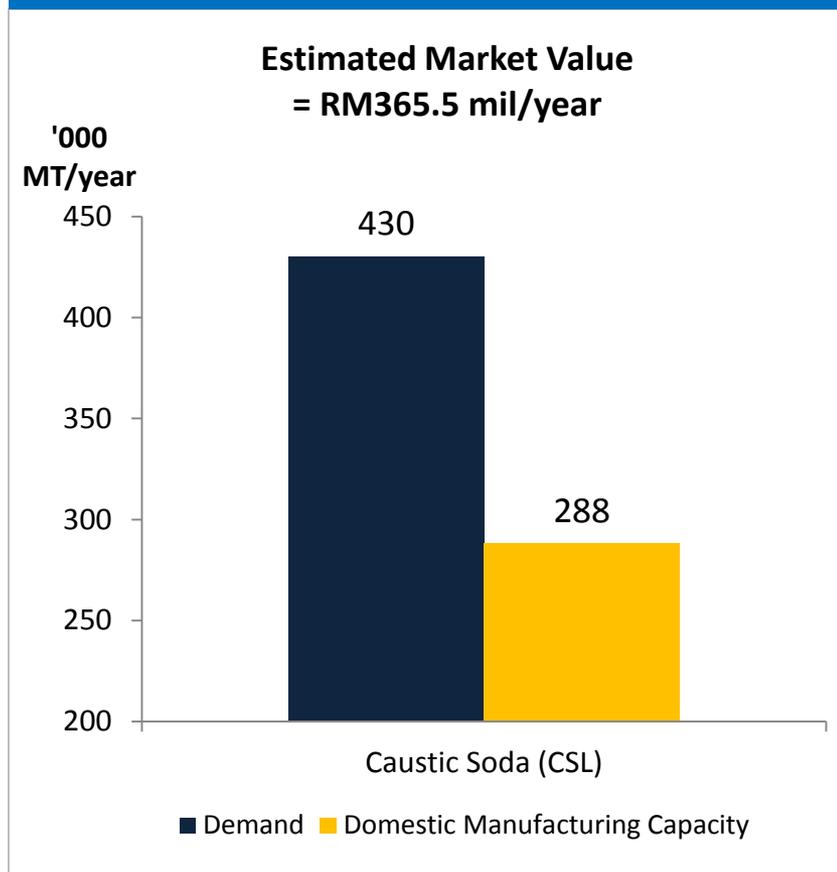
## Rubber Chemicals



- Calcium Nitrate (Latex Dipping Coagulant)
- Nitric Acid

# CAUSTIC SODA MARKET – Demand Outstrip Domestic Capacity (close to 33%)

## Market Supply-Demand Balance Caustic Soda (CSL)



1

There is a gap of ~140,000MT/year for the supply of CSL in Malaysia. Gap is expected to widen to 245,000mt/year with the commissioning of Petronas Rapid project.

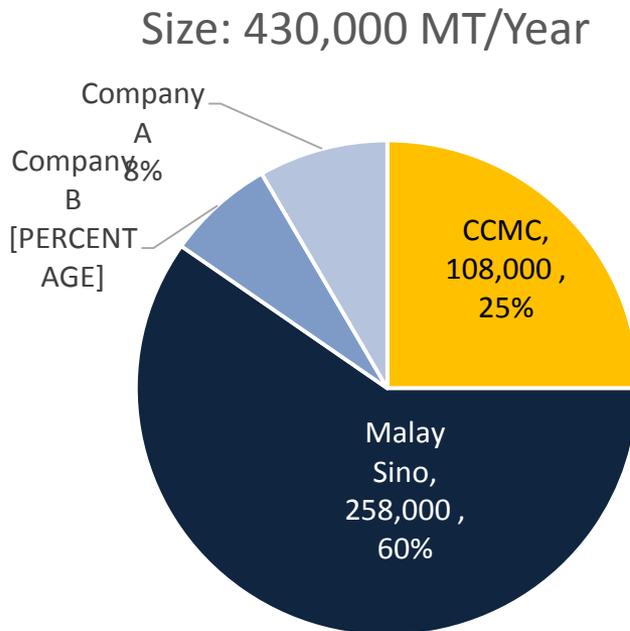
- Current domestic manufacturers only account for ~67% of total demand.
- Gap in local supply currently filled by imports, mainly from Japan/Korea and China.
- Local supply capacities are not growing due to limitations of the chlorine market.

2

Caustic soda is mainly used in Oleo Chemicals, Oil & Gas and Other chemical industries

# CAUSTIC SODA COMPETITIVE LANDSCAPE – key players

Caustic Soda Liquid Total Market Size:  
430,000 MT/Year



1

The two largest players are Malay Sino Chemicals Industry (MSCI) and CCMC with market shares of 60% and 25% respectively.

2

Both MSCI and CCMC are meeting the market needs through locally manufactured products and imported products – all domestic plants are running at full capacity.

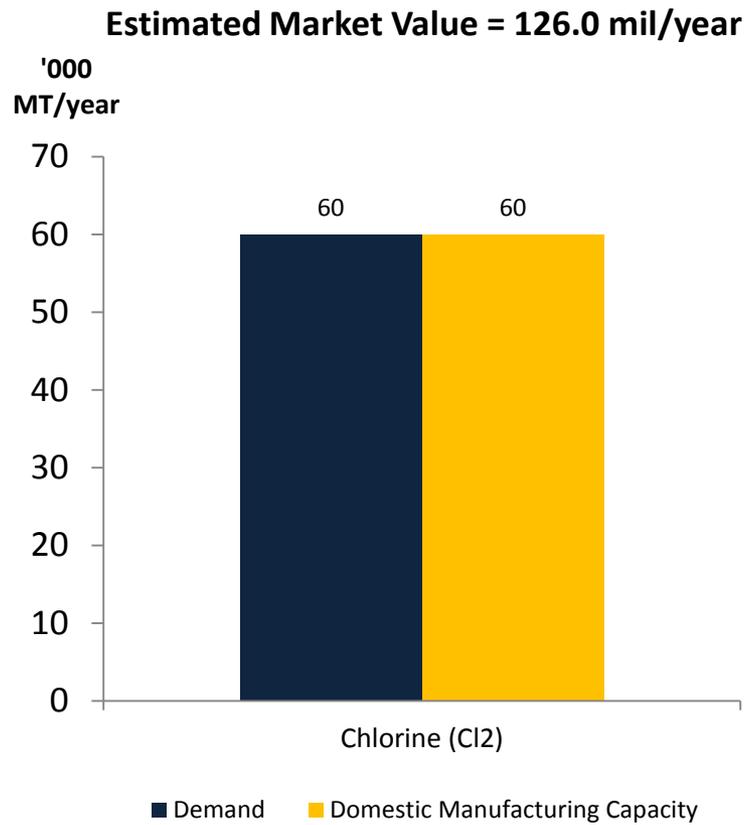
3

Key users generally prefer to purchase from local manufacturers to ensure security of supply.

Room to grow in the CSL market - either locally manufactured product or traded

# CHLORINE MARKET – Market is Balanced

## Market Supply-Demand Balance Chlorine (Cl<sub>2</sub>)

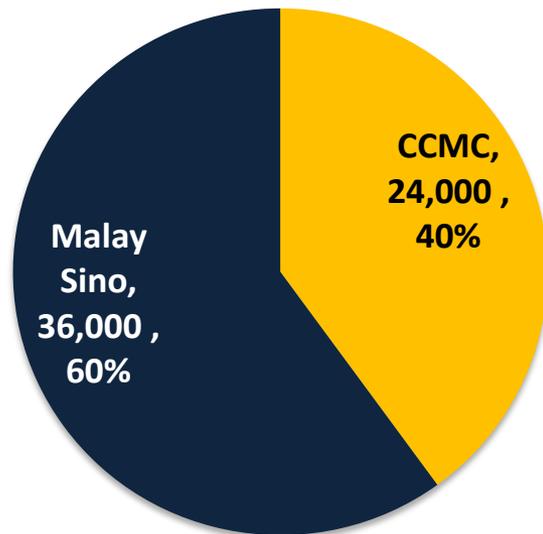


- 1 Small volumes are exported (~240 MT/year) & imported to and from neighbouring countries. (i.e. Indonesia, Singapore, Thailand, Sri Lanka, and Brunei)
- 2 Majority demand is from municipal water treatment segment (~70% of total demand)
- 3 Industrial applications, particularly in rubber gloves manufacturing and aquaculture cater for the balance 30% demand.
- 4 Growth of chlorine market is primarily dependent on growth in demand in treated water and rubber glove segment demand – 3% and 7% annually respectively.

# CHLORINE MARKET COMPETITIVE LANDSCAPE – key players

**Liquid Chlorine Total Market Size:  
60,000 MT/Year**

**Liquid Chlorine Total Market Size:  
60,000 MT/Year**



1

Only 2 chlorine manufacturers in Malaysia – MSCI and CCM. Both manufactures plants are fully loaded.

- Market shares are reflective of plants capacities
- Some small volumes are being imported into Malaysia from Singapore

2

Transportation of Chlorine is a major challenge, highly regulated in most countries and expensive – this put a limit on size of importation.

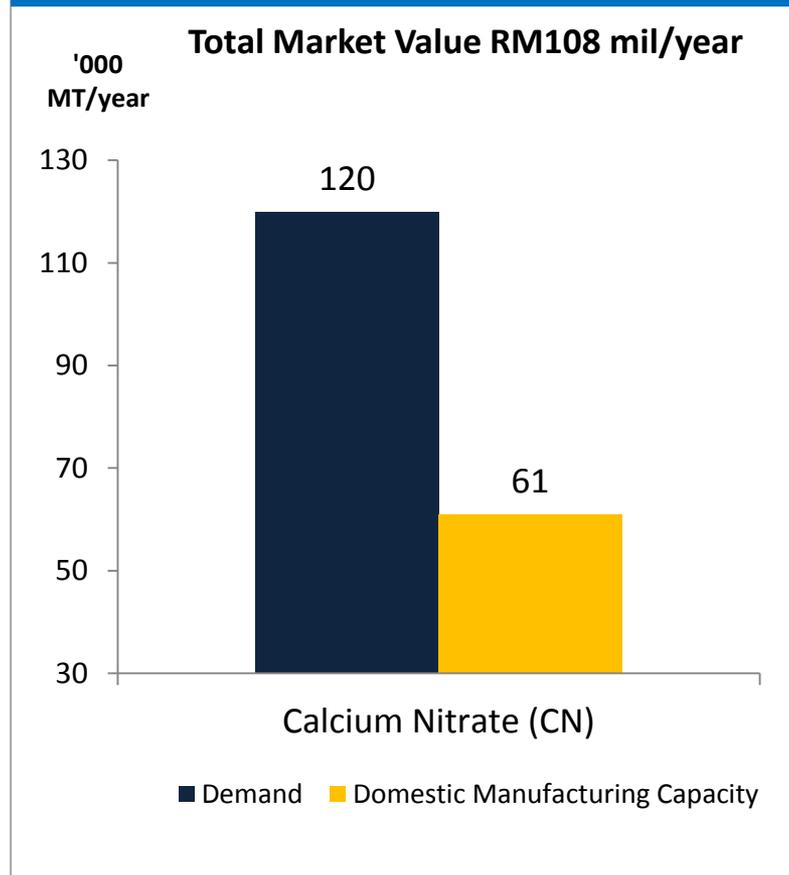
3

Chlorine is typically sold on contract to treated water and shrimp farm segments and is sold on monthly spot basis to rubber glove segment.

**Markets of Chlorine are relatively mature and finite.**

# CALCIUM NITRATE MARKET – Demand is Almost Double Available Capacity

## Market Supply-Demand Balance Calcium Nitrate (CN)



1

Local production of Calcium Nitrate (CN) account for only 51% of total market demand.

- The gap in supply is currently being fulfilled by imported CN crystals that are diluted into liquid form.

2

The typical gross margins for manufactured CN is approximately 15 – 20%.

- Imported CN gross margins are between 8 – 10%

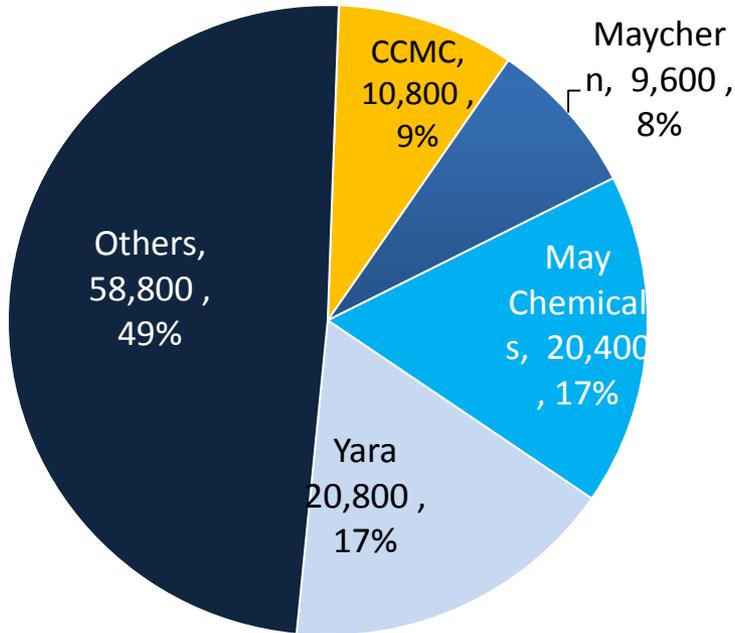
3

CN is primarily used as a coagulant for latex in the rubber gloves manufacturing industry.

- The market is expected to grow at a rate of 9% per year until 2020 – tied to the expected growth of the rubber gloves manufacturing industry.

# CALCIUM NITRATE COMPETITIVE LANDSCAPE – key players

Calcium Nitrate (CN) Total Market Size:  
120,000 MT/Year



1

There are 3 other manufacturers of CN in Malaysia.

- Yara International (M) Sdn Bhd – a subsidiary of a Norwegian chemical company
- May Chemicals and Meychern – local mid size companies

2

Imported Crystal CN market is dominated by small to medium sized traders. A number of end users also import their own crystal CN for their in-house dilution.

3

We are the only supplier who are able to package 5 key products (CN, NA, CSL, PAC, and Chlorine) to rubber gloves players –distinct competitive edge over others.

# OUR POLYMERS BUSINESS



# AN OVERVIEW OF CCM POLYMERS BUSINESS



1

A one stop centre in providing a range of High Performance Polymer Coatings and Rubber Chemical Solutions for the gloves industry to produce powder-free medical, surgical and examination gloves.

2

Customised solution and process support to all stages of glove manufacturing production.

3

Capable of custom-design product to meet specific needs and requirement.

# PRODUCTION CAPACITIES – Located in Bangi



## Bangi Plant

Leasehold land up to 2098, Area – 2.2k sqm

- Establish: 2009
- Capacity: 18,000 MT p.a.
- Type of products:
  - ✓ Anti-tacking Coagulant
    - Cyclaron, Tyclaron
  - ✓ Alkaline Solution
    - Kleener
  - ✓ Polymer Coating
    - Ayclaron
  - ✓ Others
    - Ryclaron
    - Nyclaron
    - Bacfree
    - Calcium Nitrate



## New Plant

Located Seksyen 10  
Bandar Baru Bangi

- House Polymers  
Corporate Office &  
Centralized  
Warehouse

# MAJOR CAPACITY EXPANSION PROJECTS IN THE PIPELINE



## Advanced & Innovative Lab

- 3.3X increased in total area.
- Expands on application and development capabilities, from gloves to non-gloves, specialty and polymerization laboratory.
- Focused on existing and new market segment, up to backward integration initiatives i.e. polymerization and saponification.
- Upgrade and new equipment and testing apparatus for better analytical and technical service support.

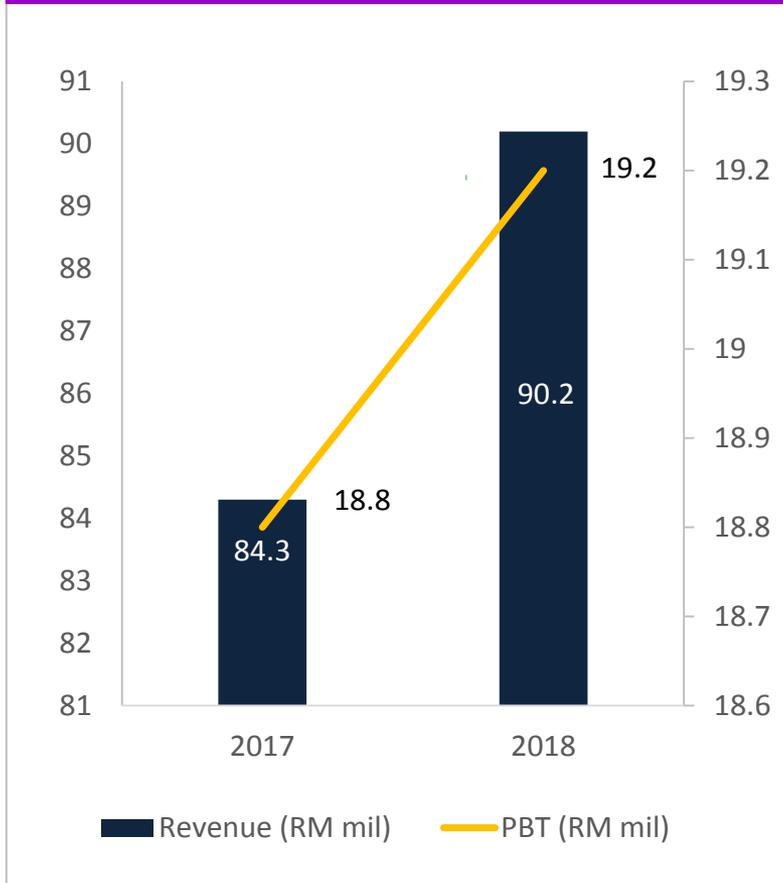


## New Cleaner Production Site

- A fully integrated semi-automated cleaner production line to be constructed in Lot 69.
- Additional 9,000 mt for cleaner production capacity.

# FINANCIAL PERFORMANCE TREND – Growing revenue

## Revenue and PBT



1

Revenue from Polymer Coatings grew by 9.6% to RM77.4 million in 2018.

2

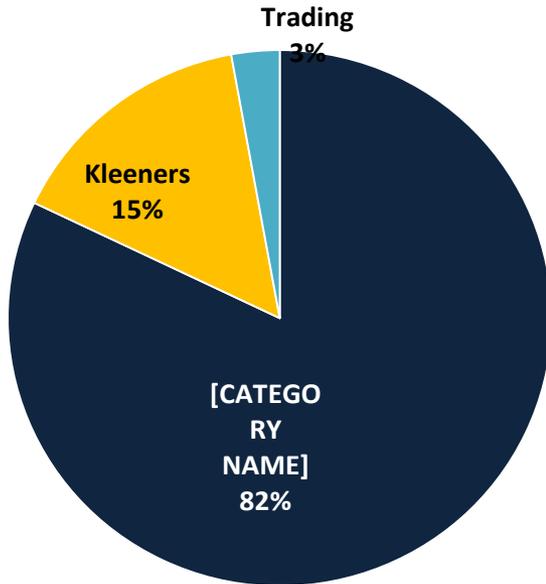
Good revenue growth from Kleeners by 26% to RM14.2 million in 2018.

3

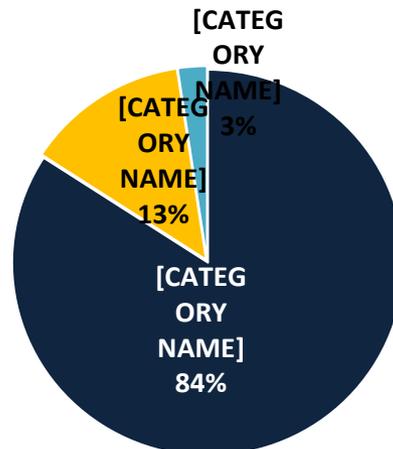
Despite a competitive landscape – managed to maintain PBT margin of circa 20%.

# 2018 FINANCIAL PERFORMANCE

## Revenue



2018: RM90.1 mil

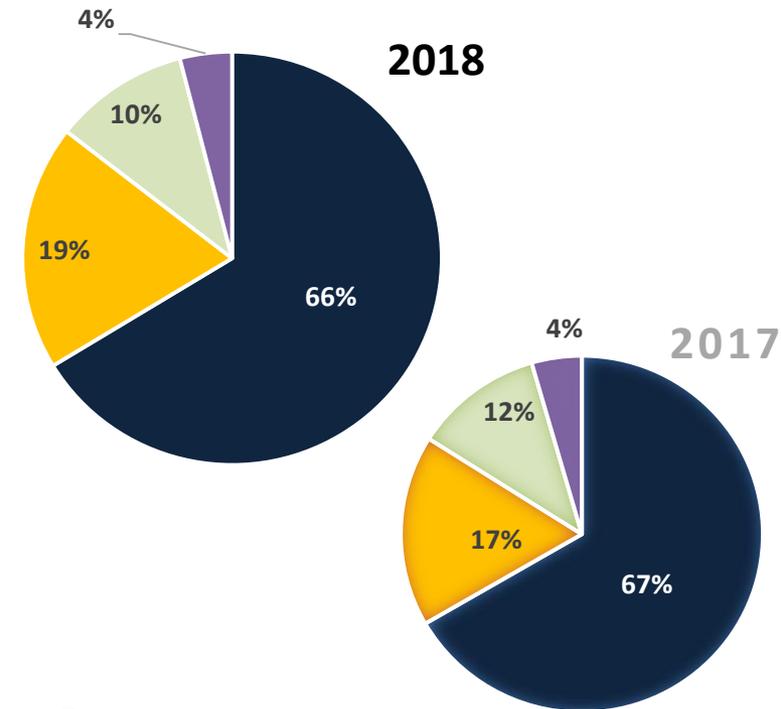
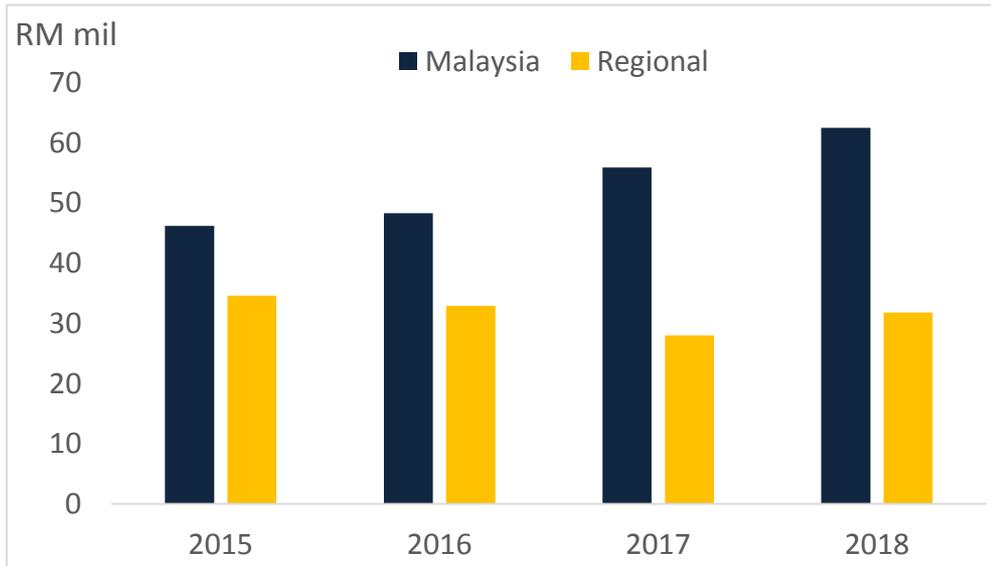


2017: RM84.3 mil

- 1 Polymers coating contributes almost 82% of CCMP revenue.
- 2 Remain consistent in defending key accounts and gain new accounts, though the market was competitive.
- 3 Sales demographic - is 66% Malaysian and 44% regional.

	2018	2017
Gross Profit Margin [%]	29%	30%
PBT [RM mil]	19.2	18.8

# REVENUE CONTRIBUTION BY REGION – Large growth in Malaysia



- 1 CAGR revenue from 2013 - 2018 is 8.34% where Malaysia & Regional business ratio is at 66% vs 34%.
- 2 New business contribution from Vietnam, India & China has grown by 126% compare to 2017 (RM 1 mil to RM 2.7 mil).
- 3 Glove Manufacturing Business outlook remain strong and highly competitive.

■ Malaysia  
■ Thailand  
■ Indonesia  
■ Others

*\*Others inclusive of Sri Lanka, China, India and Vietnam*

# POLYMERS PRODUCTS AND USES – Our products

## AYCLARON

Online Polymer  
Coating For Glove  
(Donning side)

Suitable For  
Natural Rubber,  
Nitrile And Other  
Synthetic Gloves

## CYCLARON

Coagulant Powder  
Free For Ease  
Stripping Purpose

Cost Effective  
Compare To  
Offline Process

## KLEEN

Special Formulated  
Alkaline Mould  
Cleaner

Cleaning Agent  
For Glove /  
Former Mold

## NYCLARON

Water Based  
Offline System

To Eliminate  
Tackiness And  
Anti-blocking  
Properties

## TYCLARON

Special  
Designed  
Surfactant

Smoothness  
Enhancer

## RYCLARON

Powder  
Reducing Agent

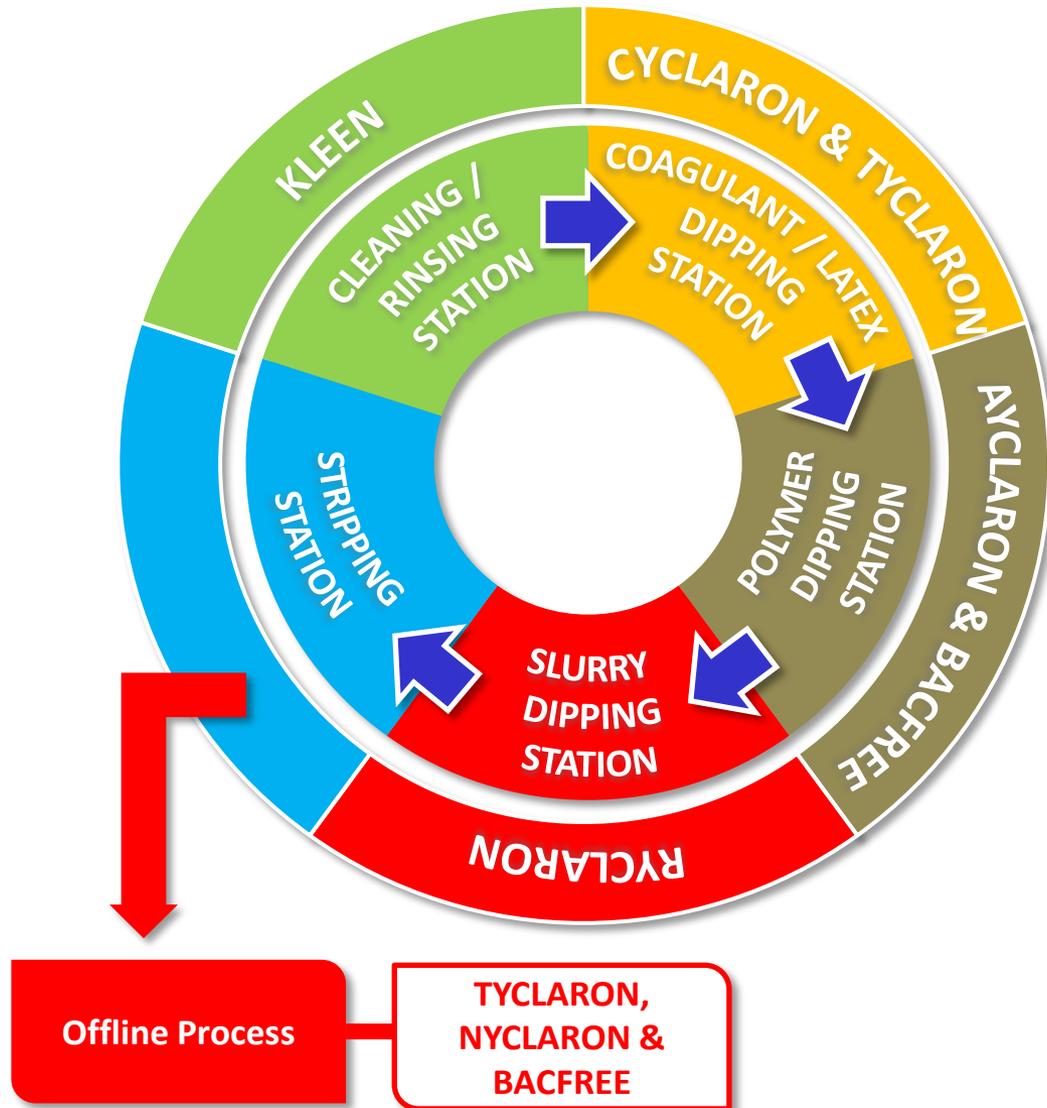
To Optimize  
Powder Usage  
In Slurry Tank

## BACFREE

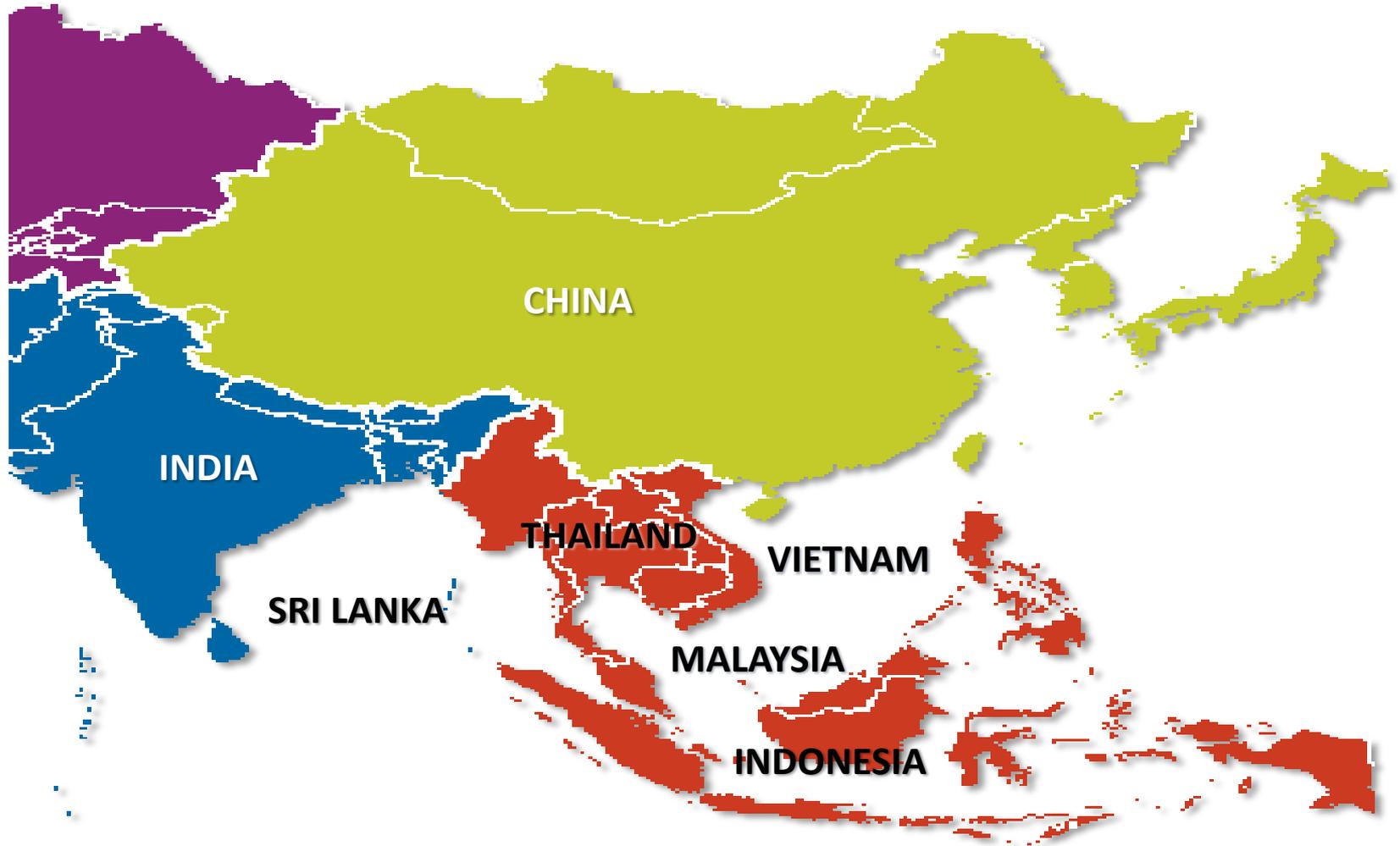
Broad Spectrum  
Water-based  
Biocides

Effective  
Against A Host  
Of Microbial  
Activity

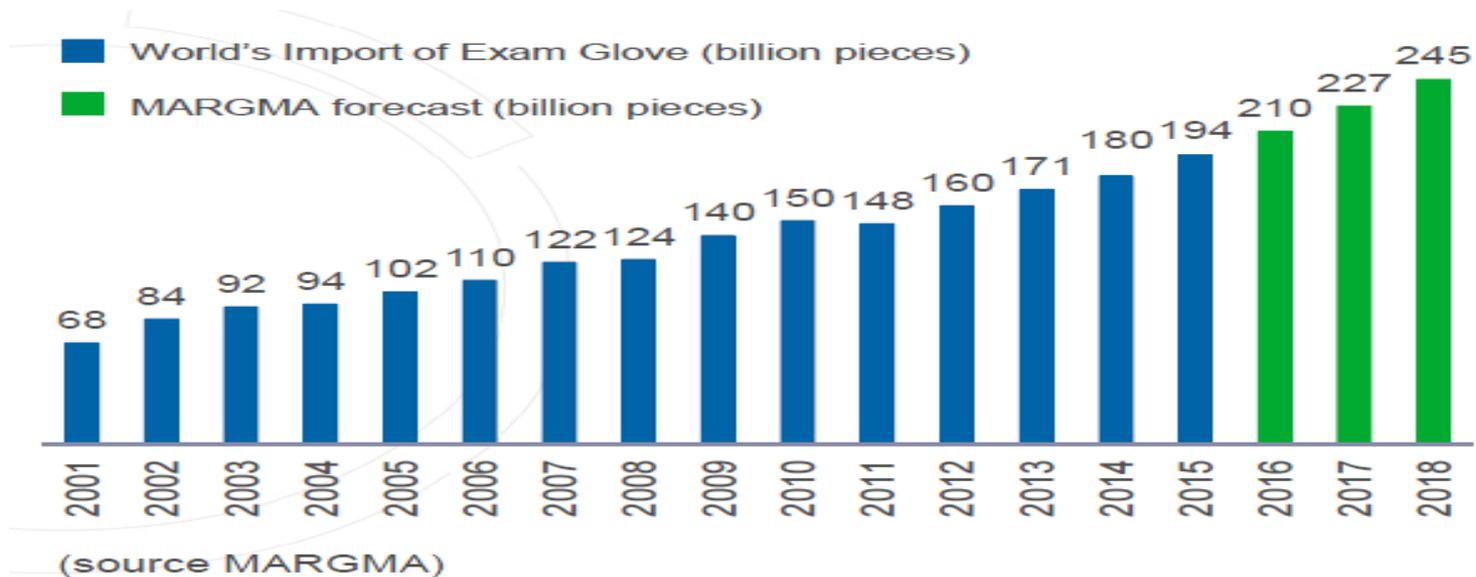
# GLOVES MANUFACTURING PROCESS – Where our products are used



## CUSTOMER BASE – Well positioned in Asia



# MARKET OVERVIEW – Growing global glove demand



- 1 World demand for rubber gloves grow at an average of 8% - 10% per annum.
- 2 Malaysia is the largest supplier of rubber gloves to the world.
- 3 Malaysia Rubber Glove Export dominates around 63% global share (as at 2016).
- 4 Expecting a positive trend to be continue due to the global healthcare growth, higher hygiene awareness and as the basic needs for doctors and dentist.
- 5 This is supported by continuous plant expansion plan taken by glove manufacturers.

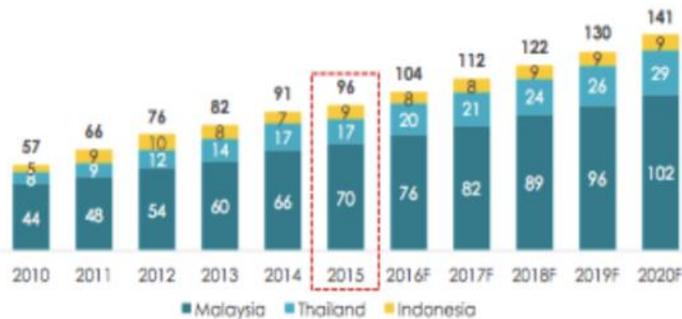
# MARKET OVERVIEW – Polymers market demand

## Global Market Share (estimation for year 2017)

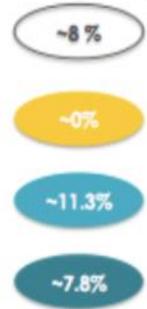


- 1 Total Addressable Market from market analysis study carried out by Solidiance Research & Analysis in 2016.
- 2 Market analysis study covered world key glove manufacturing countries i.e. Malaysia, Thailand and Indonesia.
- 3 Key products used in the glove manufacturing process i.e. on-line polymer (Ayclaron), former cleaner (Kleen) and coagulant powder free (Cyclaron) were included in the study.

Total Addressable Market by Country (US\$ Mn)



CAGR (2015-20)



# STRATEGIC GROWTH PLAN



# ACTION FOR STRATEGIC GROWTH – Value creation plan

1 **Swift completion of deleveraging**

**Interest savings of  
RM13-14 mill p.a**

2 **Investments in capacity expansions**

**Chemicals + 50%  
Polymers +30 - 50%**

3 **Seize opportunities in growth pockets**

**RAPID Pengerang,  
Southern region growth &  
gloves sector growth (8%  
to 10% CAGR)**

4 **Operational efficiency & enhance R&D**

5 **Continuously seeking for strategic venture**

**Diversification of product  
Portfolio (e.g. Chlorine  
derivatives etc)**

**THANK  
YOU**

