



# Global Ferronickel Holdings, Inc.

## FY2018 Analysts' Briefing

March 22, 2019

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# Discussion Flow

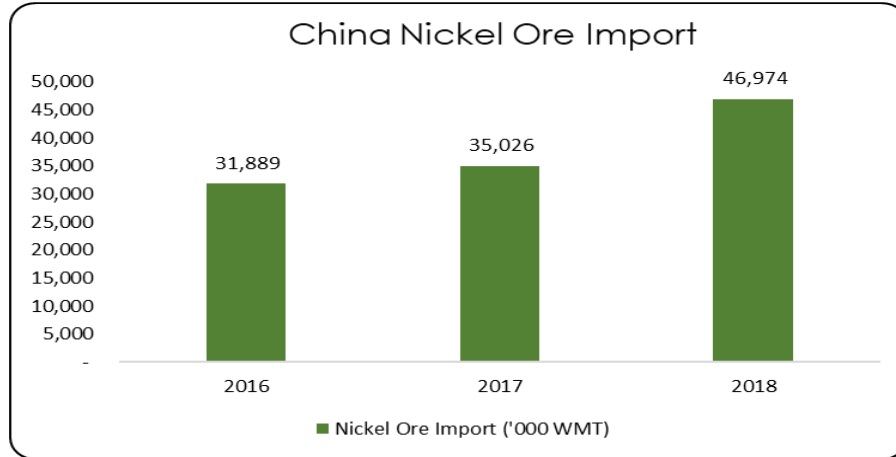
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- Market Review
  - Demand for Nickel ore remains robust amidst strong demand on stainless steel and electric vehicles
  - Increase in supply Nickel ore puts negative pressure on price
- Operations Review and Financial Highlights
  - Better product mix due to improvements in the mining operations drove the company's revenue
  - Increase in taxation and new mining regulations affected income margins
- Exploration

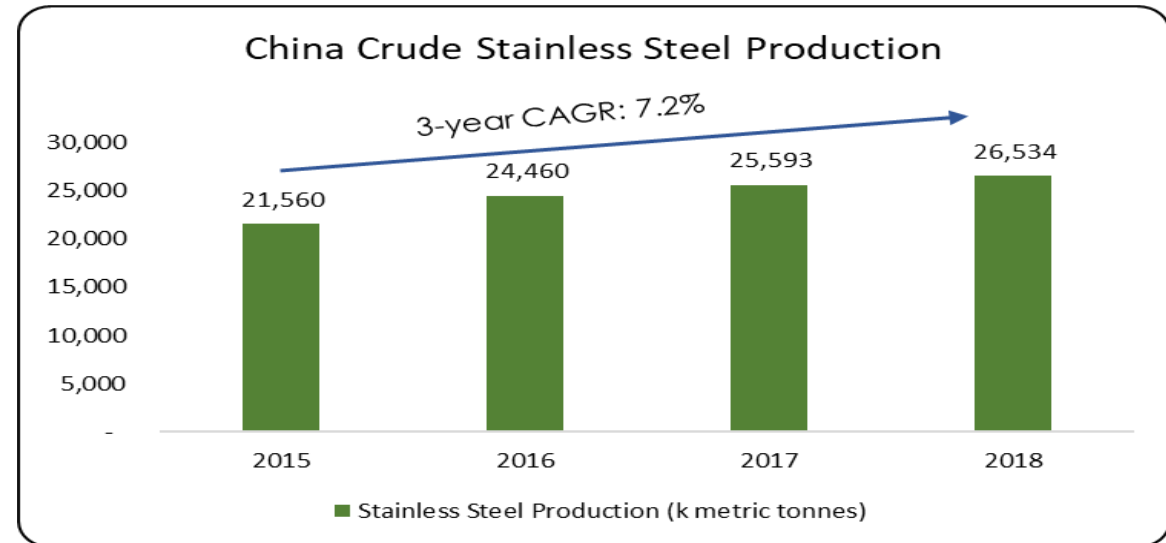
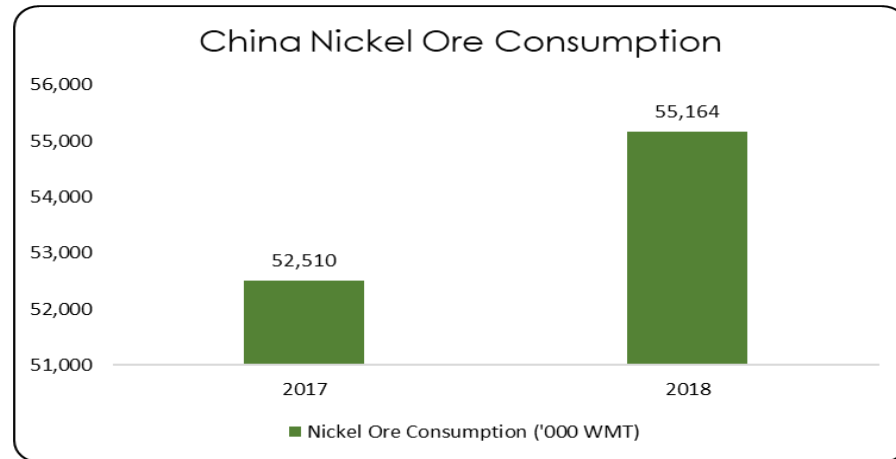
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# 2018 Market Review

# Increasing Trend of Stainless Steel Production

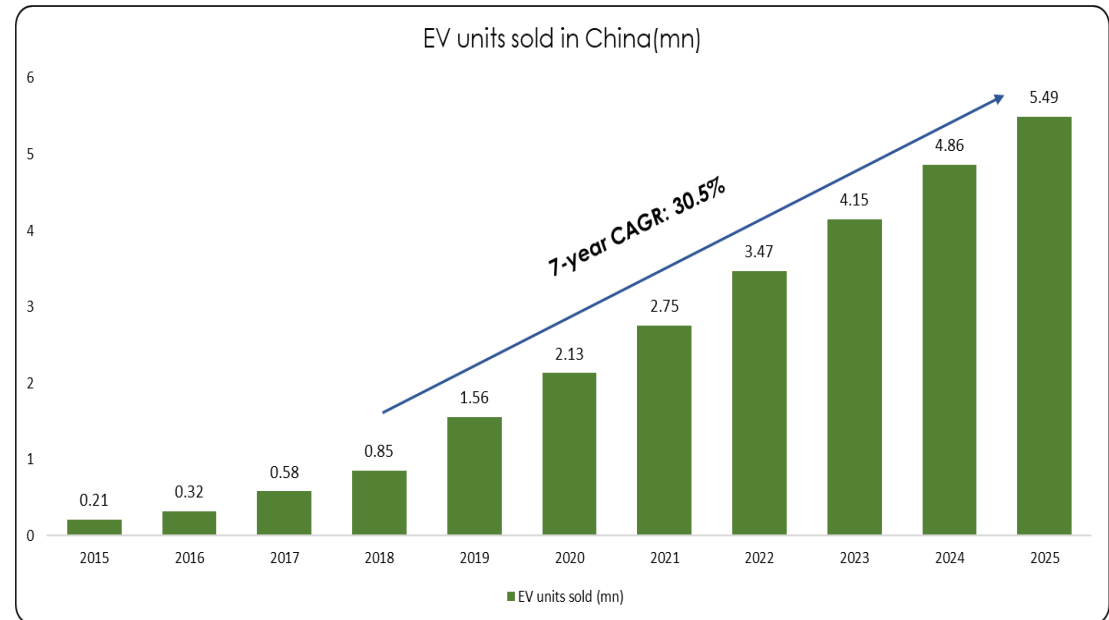


- China's Stainless Steel production remains robust, increasing by 3.7% year-on-year in 2018, evident on its continuously growing Nickel Ore import
- On nickel demand, CRU forecasts a global deficit of 34,000 tonnes in 2019 and 44,000 tonnes in 2020 due to increasing stainless steel production in Indonesia and China coupled with new Nickel demand in EVs.



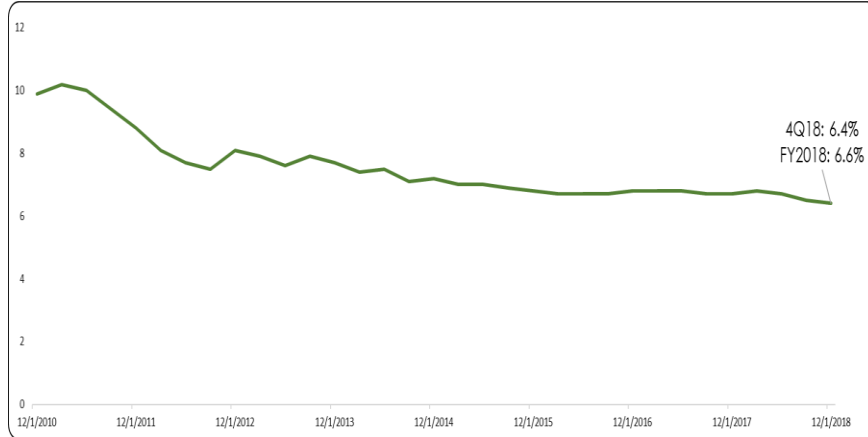
# The Growth of Electric Vehicles

- With the China government's advocacy to reduce pollution and decrease their dependency on imported fuels, the electronic vehicle industry expects a tremendous growth for the next succeeding years.
- According to Vale, with the accelerating growth EV production, Nickel consumption by EVs is expected to demand an additional 350,000 to 500,000 tonnes by 2025.
- With the focus of manufacturers to produce cheap EVs, Nickel remains to be the top pick as a material for the production of EV batteries.
- For 2020, China targets to sell 2 million electric and hybrid vehicles annually. With the foreign company's appetite in penetrating the growing Chinese EV market, China is poised to be a hot spot for the world investment in electric vehicles.

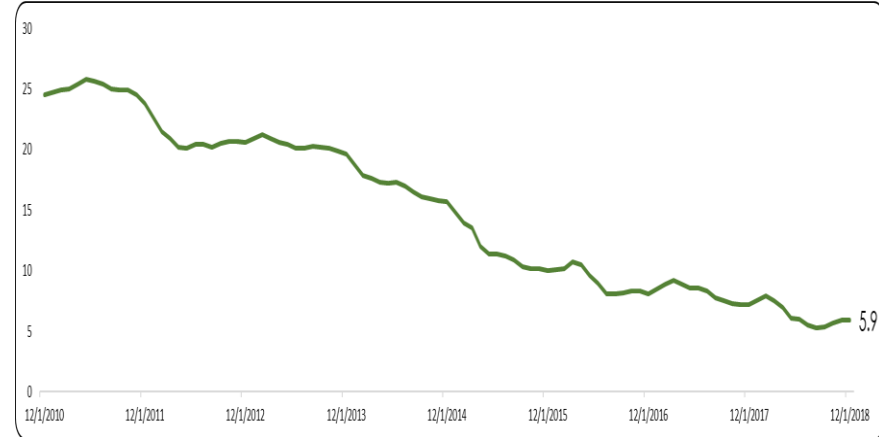


# Tempering China Economy

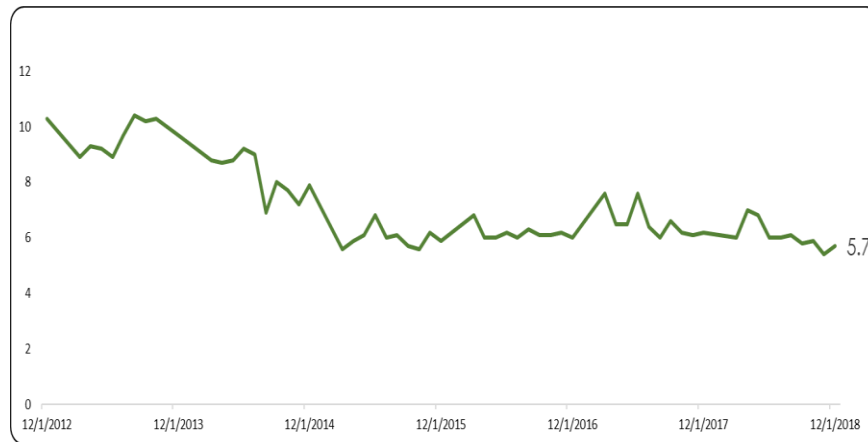
China GDP Growth (%)



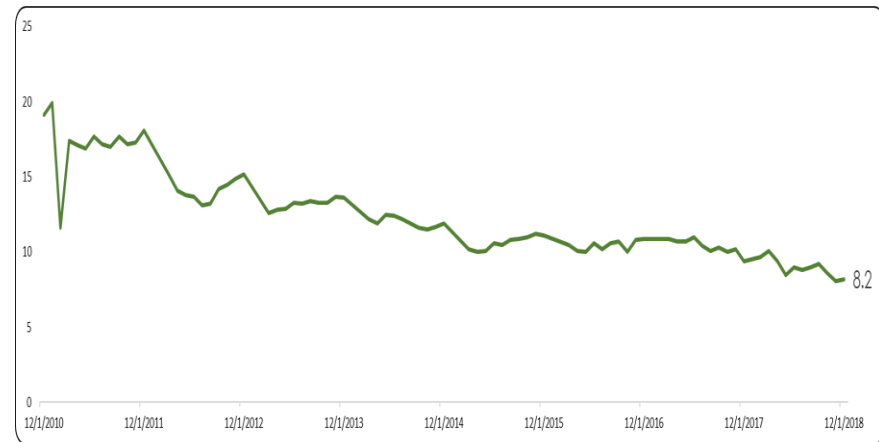
Fixed Asset Investment Growth (%)



China Industrial Production YoY Growth (%)



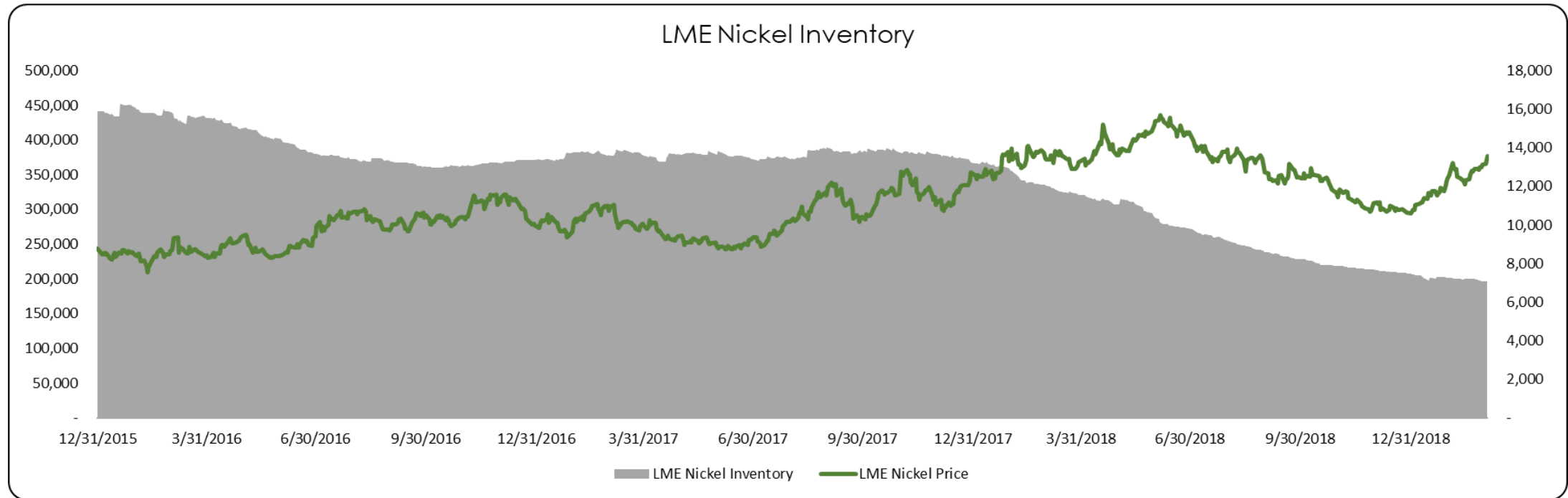
China Retail Sales YoY Growth (%)



# LME Nickel positioned for recovery

LME Nickel price shows a continuous recovery since the slump of 2016 as the demand for stainless steel remains strong and as the gap between Nickel demand and supply increases.

For early 2019, Nickel price shows a consistent uptrend buoyed by strong demand and diminishing Nickel inventory.



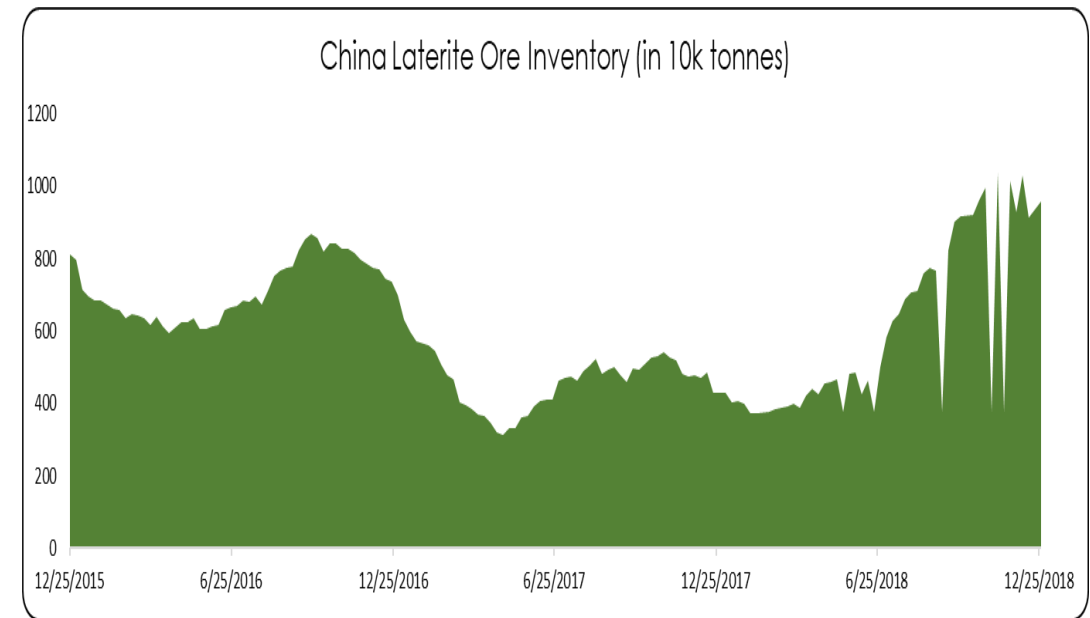
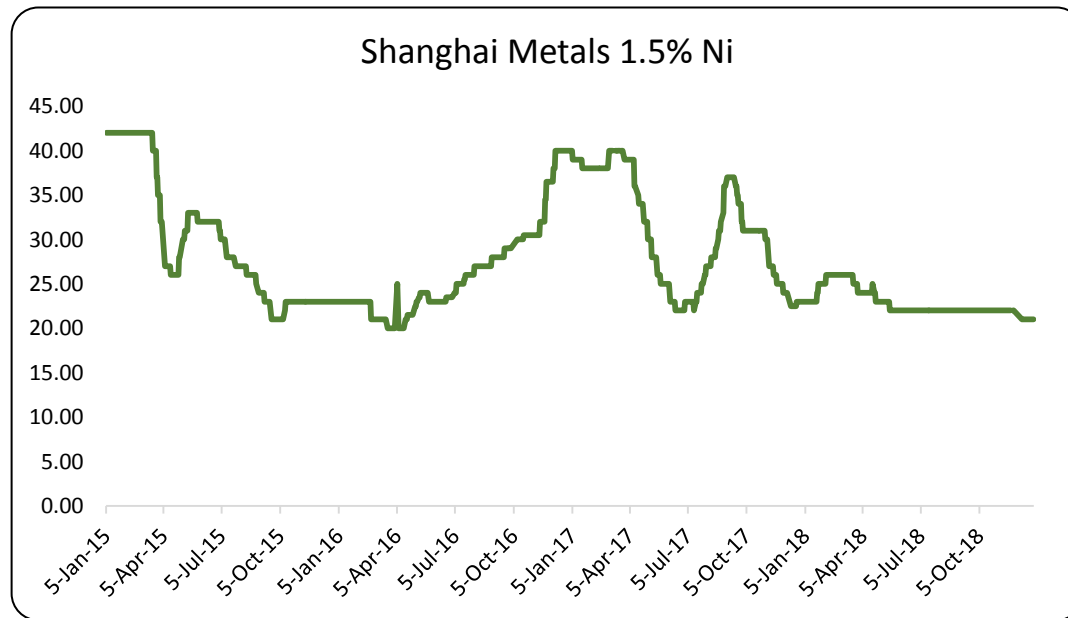
	2017	2018	Change (%)
Average LME Nickel Price (US\$)	10,414	13,118	26.0%
LME Nickel Inventory (MT)	367,776	207,330	(43.6)%



# Price jitters in Shanghai Metals

Shanghai Metals showed weakness for the whole of 2018 with prices of Nickel laterite ores dropping by 24.9%, year-on-year, based on average price of 1.5% Ni; Fe <20%; 33% water.

The drop in price is due to the market's concern on the imposition of higher tariffs by US to China due to the trade war and the increase in China Laterite ore inventory.

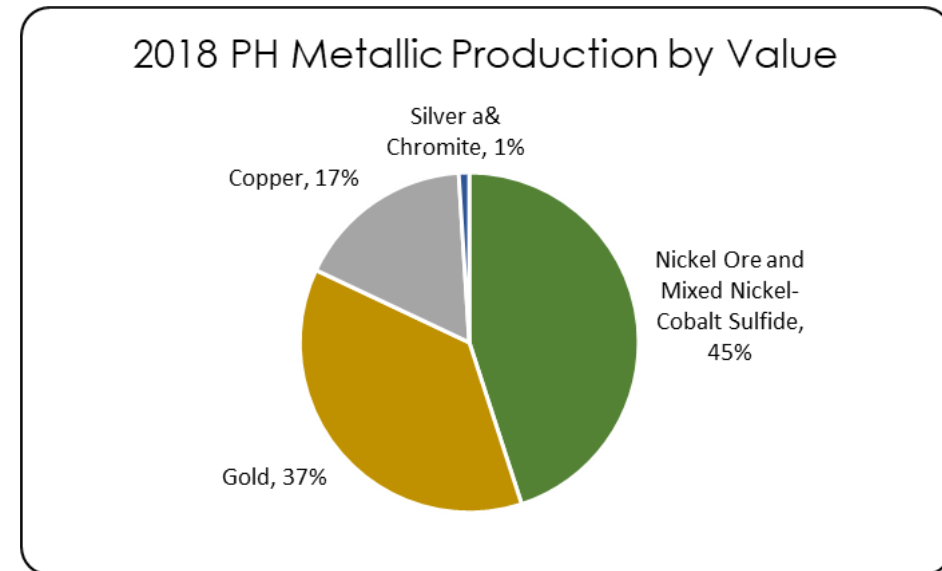
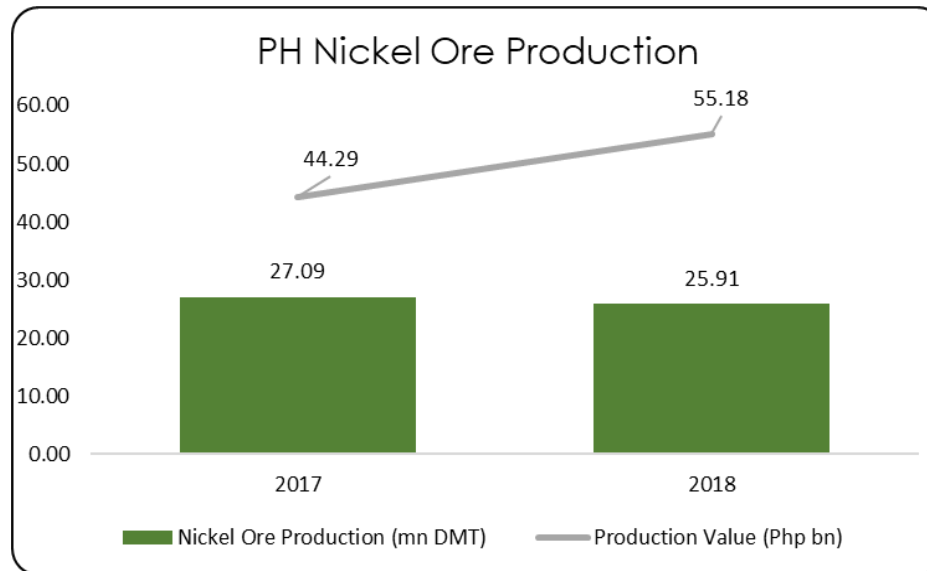


Average Nickel Ore Price (US\$)  
China Laterite Ore Inventory (in 10k tonnes)

2017	2018	Change (%)
30.42	22.84	(24.9)%
430	956	122.3%

# Robust Contribution despite cut in Supply

- Philippines remains to be one of the top Nickel-producers in the world despite local challenges and external competitions. For 2018, Philippine produced 27.09mn DMT of Nickel ore, down by 4.5% year-on-year.
- Despite the halt in operations of 10 Nickel mining companies in the Philippines, resulting to a decline in the country's total Nickel production, 2018 Nickel export value remained resilient at Php 55.18bn vs Php 44.29bn the previous year.

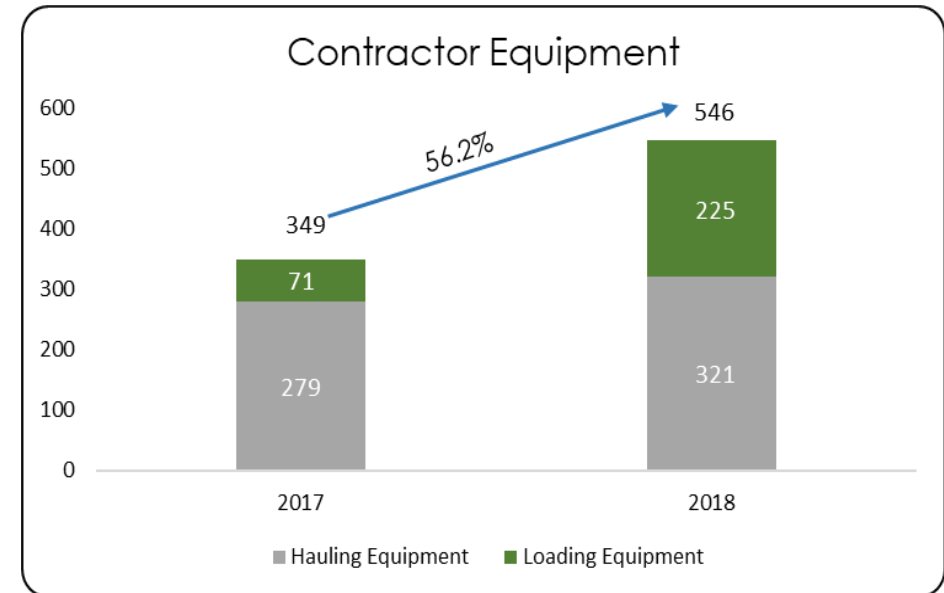
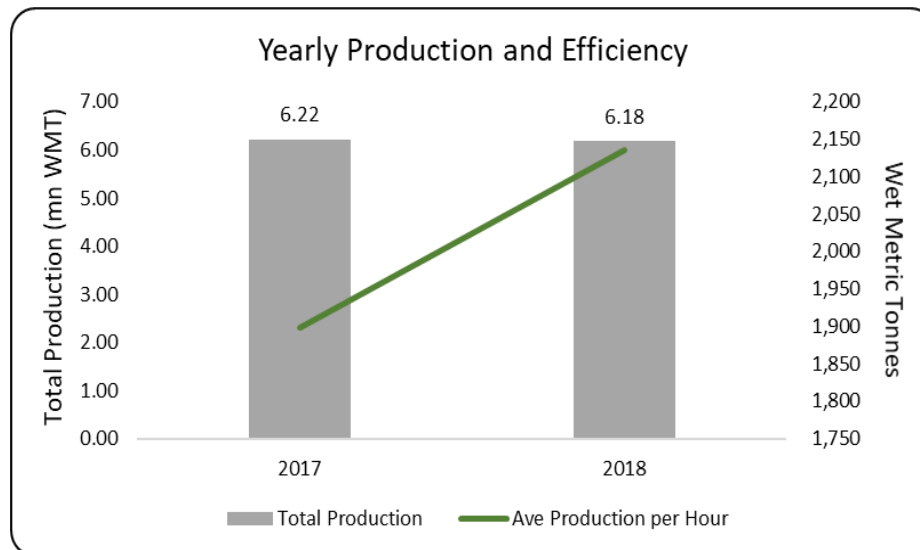


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# Operations Overview

# Leveraging on Contractor as Operational Strength

Capitalizing on our contractor helps us improve production efficiency without financial burden



	2017	2018	Change (%)
Total Production (WMT)	6,223,131	6,176,404	(0.8)%
Ave Production per Hour (WMT/hour)	1,899	2,136	12.5%

# Improvements in Operations as Growth Driver

## Average Daily Production Capacity

34,183<sup>WMT</sup> vs 39,113<sup>WMT</sup>  
2017 2018

## Shipments for the Year

103<sup>Vessels</sup> → 5.709<sup>WMT</sup>

## Highest Number of Operating Equipment

412<sup>Equipment</sup> vs 607<sup>Equipment</sup>  
2017 2018

## Diverse Customer Base

11<sup>Direct Clients</sup> vs 22<sup>Direct Clients</sup>  
2017 2018

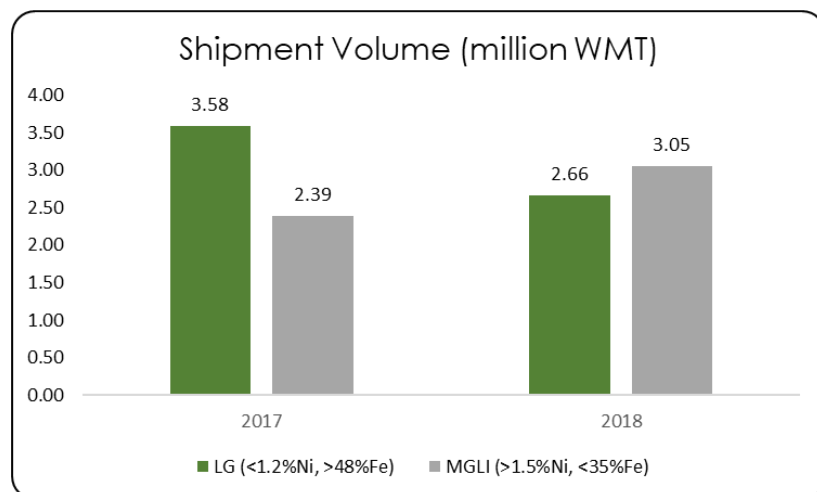
51,206<sup>WMT</sup> Maximum Daily Production 40% Less Rainfall 15% Less Rainy Days

161 Operating days 104% Percent of Target Shipment 11 Contractors

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# Financial Highlights

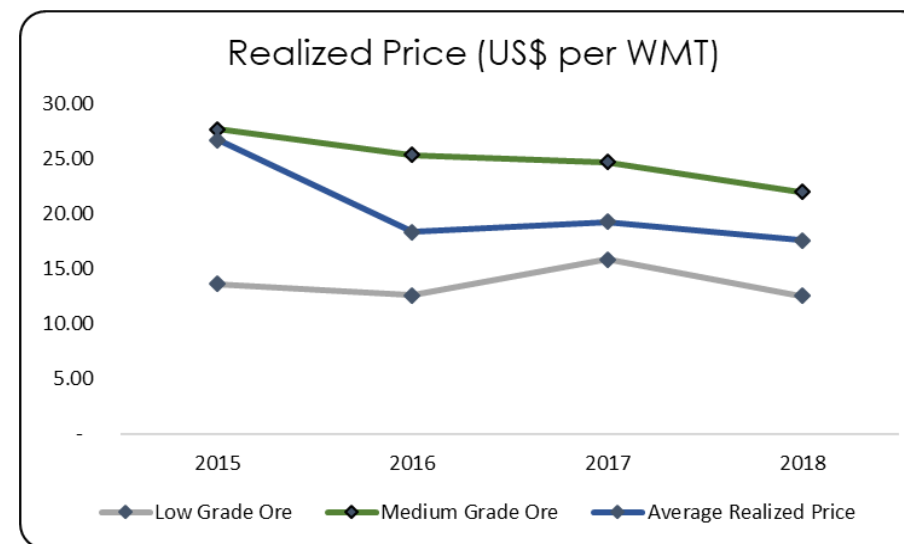
# Flexible Product Offering Boosts Revenue



Company's capacity to shift its sales focus to higher grade ore helped cushion the revenue amidst the softening Nickel price

Despite an 8.7% and 18.4% year-on-year decline in the price of medium-grade Nickel ore and low-grade Nickel ore respectively, the company's average realized price only declined by 6.3%

	2017	2018	Change (US\$)	Change (%)
MG - 1.65%	\$ 30.87	\$ 30.87		
MG	\$ 24.70	\$ 20.51	\$ (4.19)	(17.0)%
LG	\$ 15.83	\$ 12.92	\$ (2.91)	(18.4)%
Total	\$ 19.29	\$ 18.07	\$ (1.22)	(6.3)%

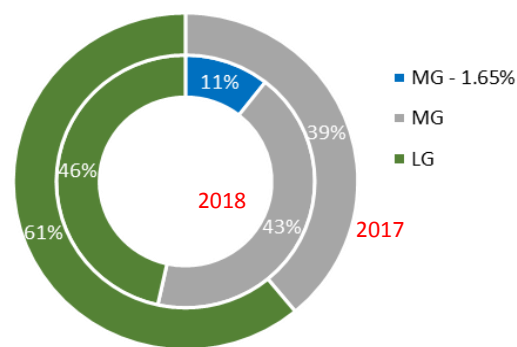


# Income Statement Analysis

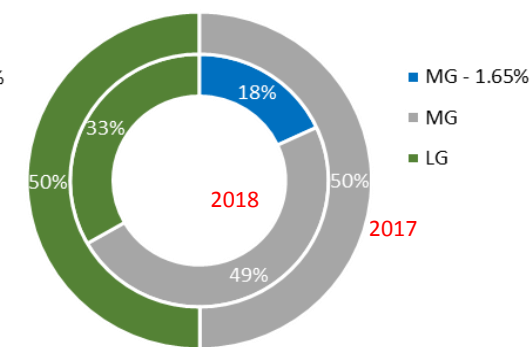
Income Statement (in Php mn)	2017	2018	Change (%)
SALE OF NICKEL ORE	5,816	5,487	(5.7)%
GROSS PROFIT	3,047	2,824	(7.3)%
<b>Gross Profit Margin</b>	<b>52.4%</b>	<b>51.5%</b>	
OPERATING INCOME	1,111	868	(21.8)%
<b>Operating Profit Margin</b>	<b>19.1%</b>	<b>15.8%</b>	
EBITDA	1,824	1,381	(24.3)%
<b>EBITDA Margin</b>	<b>31.4%</b>	<b>25.2%</b>	
NET INCOME	780	510	(34.6)%
<b>Net Income Margin</b>	<b>13.4%</b>	<b>9.3%</b>	

per WMT (in Php)	2017	2018	Change (%)
Cost of Sales	464	466	0.6%
Contract Hire	329	322	(2.1)%
Operating Expenses			
Excise taxes and royalties	120	127	6.5%
General Administrative expense	140	139	(0.1)%
Shipping and Distribution	65	76	16.4%

Volume of Nickel Ores sold



Sales Value of Nickel Ores sold

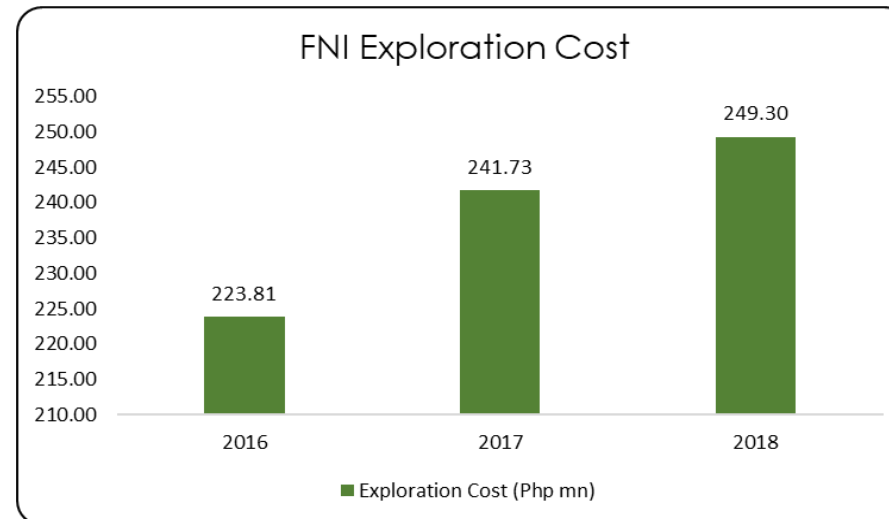
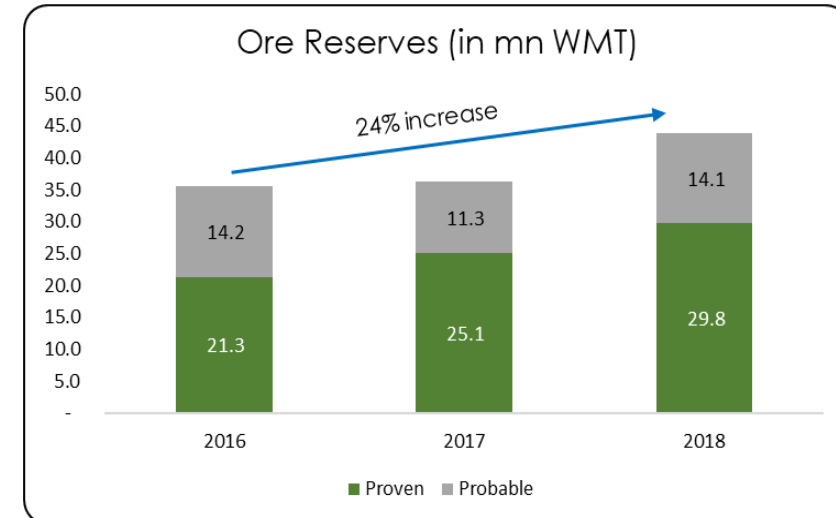
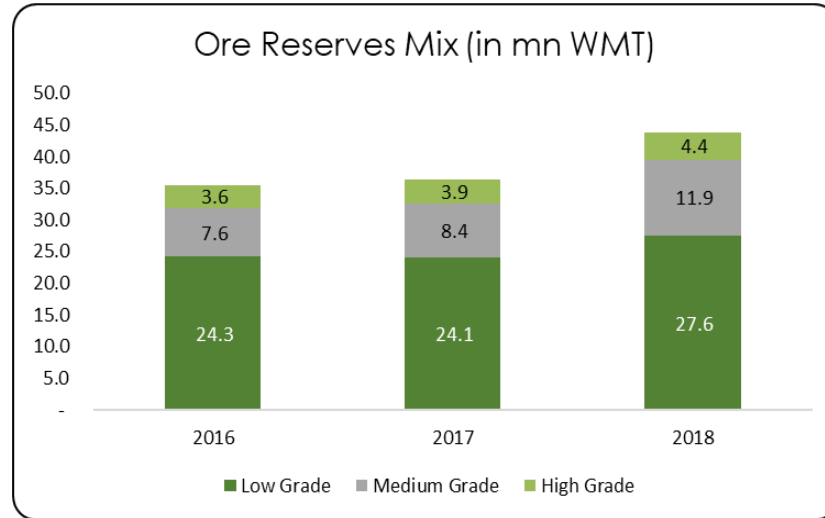




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# Exploration Updates

# Exploration Increased Our Reserves and Strengthened Our Confidence in Continuous Mining Operations



Source: Company data



# Sources

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<https://www.businessinsider.com/china-continues-push-into-ev-industry-2018-7>

<http://www.mining.com/web/vale-doubles-nickel-ahead-ev-revolution/>

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# End of the Presentation

Thank you