

7. IMR REPORT



15 September 2023

The Board of Directors
BWYS Group Berhad
1571, Jalan Serunai
Kawasan Perindustrian Valdor
Mukim 12, 14200 Sungai Bakap
Seberang Perai Selatan, Penang

Dear Sirs and Madams

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Independent Assessment of the Sheet Metal Product Industry in Malaysia

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of BWYS Group Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad

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Date of Report: 15 September 2023

INDEPENDENT ASSESSMENT OF THE SHEET METAL PRODUCT INDUSTRY IN MALAYSIA

1. INTRODUCTION

- BWYS Group Berhad together with its subsidiaries, (herein referred to as BWYS Group) is mainly involved in the manufacture of sheet metal products and the supply of scaffoldings, including sales and rental. BWYS Group is also involved in the trading of steel materials and steel related products. The focus of this report will be on sheet metal products in Malaysia.
- In this report, gross domestic product (GDP) refers to nominal GDP and all information and data refer to Malaysia, unless stated otherwise. Metal in this report refers to carbon steel taken to mean non-stainless steel. This report primarily discusses the 3-year compound annual growth rate (CAGR) data as it represents a more recent industry performance compared to the 5-year CAGR. Nevertheless, 3-year and 5-year CAGR data are provided.

2. SHEET METAL PRODUCT INDUSTRY

- Sheet metal products are flat products that are manufactured from metal sheets and coils. Metal sheets are in large rectangular format while coils are long rectangular sheets rolled into a coil. The main processes carried out in the manufacturing of sheet metal products include the following:
 - **Forming**, which refers to changing the shape of sheet metal without adding or removing materials from it, includes roll forming, bending and deep drawing;
 - **Cutting**, which refers to the removal or separation of materials from the main workpiece, is performed using various methods including shearing, blanking, piercing and notching;
 - **Assembly and joining**, which involves combining metal parts mainly through welding, soldering, brazing and riveting into a single, larger piece of metal work; and
 - **Finishing**, which refers to surface preparations such as deburring, blasting and coating to improve surface protection, corrosion resistance and appearance, includes anodising, galvanising, electroplating, powder coating and painting.
- Metal plates and metal sheets are similar except that metal plates are thicker. They are often used for structural applications where strength and support are essential. Metal plates are commonly used as base plates, load-bearing components and equipment subjected to high heat, pressure or wear and tear, and in applications where rigidity and durability are required. This report does not cover metal plates or metal plate products.



2.1 Applications of sheet metal products

- The formability and ductility of sheet metal enable it to be manufactured into various parts and products, where some of their areas of application include the following:
 - **Construction**, where sheet metal products are used as building materials and support structures. They include, among others, roofing and wall cladding sheets, floor decking,

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trusses, building frames, scaffoldings, pipes and tubes for plumbing, electrical conduit and gas supply, ducting for air-conditioning and ventilation systems, and cable trays;

- **Warehousing and storage**, including, among others, racking systems and containers used for storage of goods;

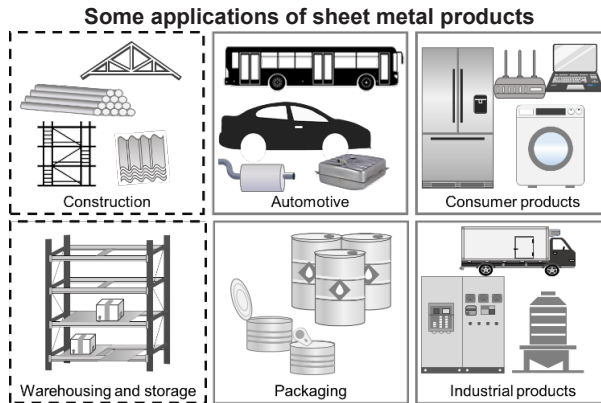
- **Automotive**, including, among others, car, bus and truck bodies, parts and components;

- **Packaging**, including, among others, primary packaging for food and beverages, drums and other metal containers;

- **Consumer products**, including, among others, furniture, utensils, cutleries, household appliances, and electronic equipment and devices; and

- **Industrial products**, including, among others, enclosures of equipment, machines, apparatus and devices, equipment and machine body frames, and hoppers.

- BWYS Group is involved in the manufacture of sheet metal products comprising roofing sheets and trusses, and welded pipes for construction applications, as well as industrial racking systems for warehousing and storage applications. In addition, BWYS Group is also involved in the supply of scaffoldings used in among others, the construction industry.

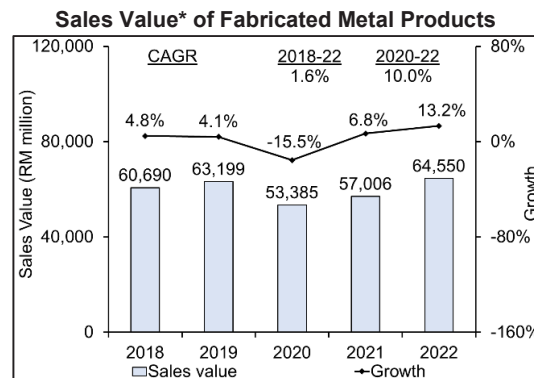


BWYS Group mainly operates in these segments.

3. PERFORMANCE OF SHEET METAL PRODUCTS IN MALAYSIA

3.1 Performance of fabricated metal products

- BWYS Group is involved in the manufacture of sheet metal products including roofing sheets and trusses, industrial racking systems and scaffoldings, which are part of the overall fabricated metal product industry.
- Between 2020 and 2022, the sales value of the manufacture of fabricated metal products grew at a CAGR of 10.0% to RM64.6 billion in 2022, exceeding its pre-COVID-19 level in 2019.



* Refers to domestic production. (Source: Department of Statistics Malaysia (DOSM))

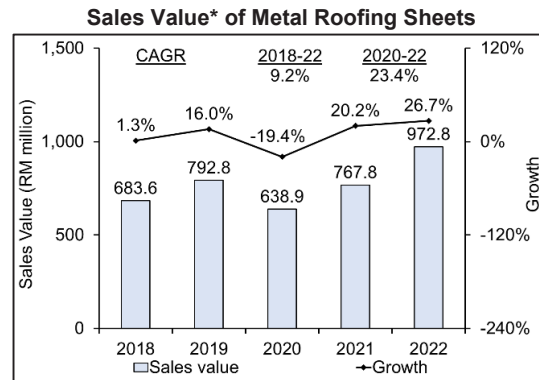
- In the first half (H1) of 2023, the sales value of the manufacture of fabricated metal products grew by 7.0% compared to H1 2022 (Source: DOSM).

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3.1.1 Metal roofing sheets

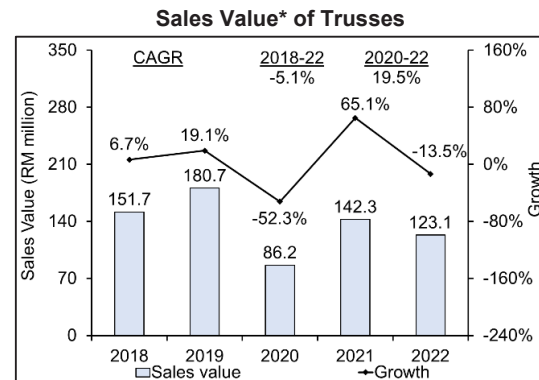
- Metal roofing sheets are used in building construction for residential, commercial, institutional and industrial buildings.
- Between 2020 and 2022, the sales value of the manufacture of metal roofing sheets experienced a CAGR of 23.4%. This was reflected in the non-residential building construction segment, where the value of construction work completed grew at a CAGR of 9.4% over the same period (Source: DOSM).



* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

3.1.2 Trusses

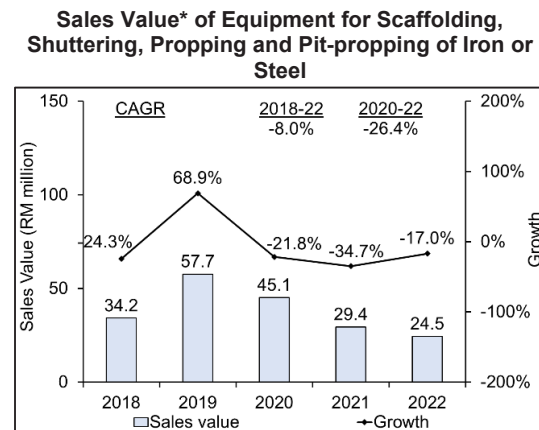
- Trusses are commonly used in the construction industry to provide support for various types of structures such as roofs.
- In 2022, the sales value of the manufacture of trusses declined by 13.5%, which may be partly due to the decline in input prices. This followed a growth of 65.1% in 2021.



* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

3.1.3 Equipment for scaffolding, shuttering, propping and pit-propping of iron or steel

- Equipment for scaffolding, shuttering, propping and pit-propping of iron or steel is commonly used in the construction industry to support and facilitate various construction activities. Construction companies and contractors may purchase or rent such equipment. Rental is common as storage and maintenance of such equipment in between projects incur costs. Additionally, the quantity usage of such equipment will depend on the size of the projects. BWYS Group is involved in the sales and rental of scaffoldings.
- Between 2020 and 2022, the sales value of equipment for scaffolding, shuttering, propping and pit-propping of iron or steel has been declining at an average annual rate of 26.4%, indicating lower purchases of such equipment.



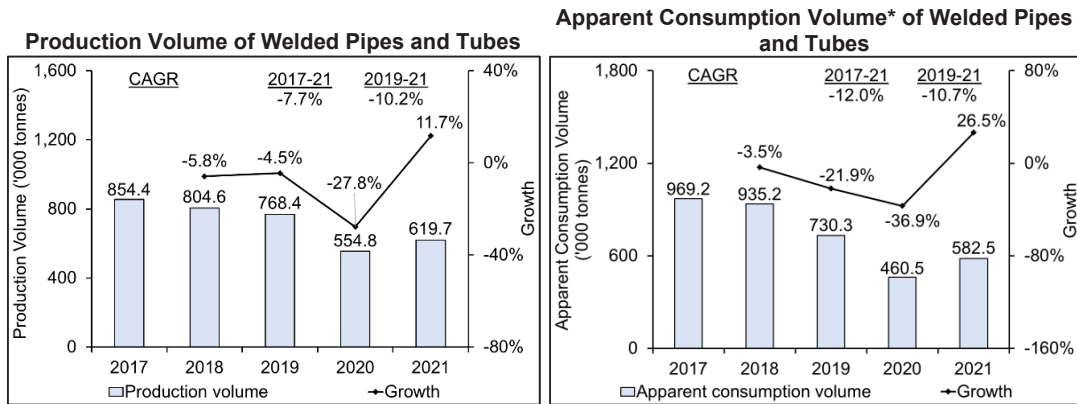
* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

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3.2 Performance of welded pipes and tubes

- BWYS Group is involved in the manufacture of welded pipes that are mainly used for the protection and routing of electrical wiring in a building or structure in the construction industry, as well as structural welded pipes used for scaffoldings and other structural applications.
- Between 2019 and 2021, being the latest available statistics, the production and apparent consumption volume of welded pipes and tubes (structural and non-structural) declined at an average annual rate of 10.2% and 10.7% respectively, mainly attributed to the impact of the COVID-19 pandemic. Nevertheless, growth of 11.7% and 26.5% in the production and apparent consumption volume in 2021 indicated signs of recovery albeit not reaching the pre-COVID-19 levels in 2019.

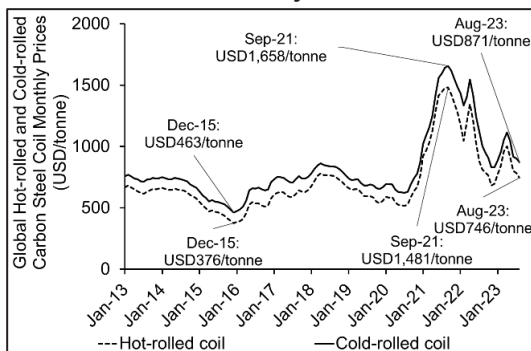


Latest available information. * Apparent consumption volume = Production volume + Import volume – Export volume (Source: Vital Factor analysis)

4 SUPPLY DEPENDENCIES

4.1 Global steel price

Global Hot-rolled and Cold-rolled Carbon Steel Coil Monthly Prices



(Source: Vital Factor analysis)

Global Hot-rolled and Cold-rolled Carbon Steel Coil Prices

As at	USD/tonne		Average for the year	USD/tonne	
	HR	CR		HR	CR
Jan-13	669	759	2013	648	740
Jan-14	662	750	2014	633	721
Jan-15	548	632	2015	460	547
Jan-16	385	475	2016	493	609
Jan-17	608	735	2017	619	738
Jan-18	677	782	2018	739	824
Jan-19	659	740	2019	605	697
Jan-20	591	695	2020	589	694
Jan-21	924	1,022	2021	1,269	1,422
Jan-22	1,176	1,435	2022	970	1,170
Jan-23	773	885			

HR= Hot-rolled; CR= Cold-rolled. (Source: Vital Factor analysis)

- Steel sheets and coils are commonly used as input materials for various sheet metal products. Generally, in an integrated mill, molten steel is first formed into slabs, which are then rolled into plates, sheets and coils before being cooled to ambient temperature. These are known as hot-rolled products. Hot-rolled products can be further rolled at ambient temperature to become cold-rolled products to obtain various desired sheet thicknesses,

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and at the same time provide lower thickness variances across the entire length of the sheet or coil. Increases in global hot-rolled and/or cold-rolled carbon steel prices will result in an increase in input material prices for manufacturers of sheet metal products.

- In 2021, global hot-rolled and cold-rolled carbon steel coil prices have been trending upwards, reaching USD1,481/tonne and USD1,658/tonne respectively in September 2021 before tapering in the fourth quarter of 2021. The increase in 2021 was mainly due to higher demand resulting from the global economic recovery and increasing raw material prices such as iron ore and coal. In 2022, global hot-rolled and cold-rolled carbon steel coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 amid supply concerns resulting from geopolitical tensions and subsequently declined to USD746/tonne and USD871/tonne respectively in August 2023.
- BWYS Group uses hot-rolled coil for their welded pipes and industrial racking systems, and coated cold-rolled coils for their roofing sheets and trusses, as well as industrial racking systems.

4.2 Labour supply and cost

- As the manufacture of sheet metal products relies on labour for its factory floor operations, operators in the industry may depend on foreign workers to meet their labour needs. Various factors including the freeze on the hiring of foreign labour during the COVID-19 pandemic have contributed to a shortage of labour across various sectors including plantation and agriculture, construction and manufacturing.
- To ease the labour needs across various sectors, the Government had in January 2023 introduced the Foreign Worker Employment Relaxation Plan (FWERP) to expedite the application and approval of foreign workers for selected industries including manufacturing until 31 March 2023. In March 2023, the foreign worker quota application and approval, including the FWERP, was temporarily halted by the Government. In September 2023, the Government agreed to allocate a quota of 7,500 foreign workers for barbershop, goldsmith and textile sectors. The continued suspension of quota applications and approvals for the other sectors, including the manufacturing industry, may affect the availability of labour in Malaysia.
- Labour costs represent a significant proportion of the total cost of manufacturing sheet metal products given the reliance on factory floor labour. Effective May 2022, the minimum monthly wage had increased from RM1,200 to RM1,500 for employers with 5 or more employees or those who carry out a professional activity. For employers with less than five employees, the increase took effect from July 2023 onwards (*Source: Ministry of Human Resources (MOHR)*). This will result in an increase in the cost of manufacturing for operators in the industry, including BWYS Group.

5 DEMAND DEPENDENCIES

5.1 Overall demand dependencies

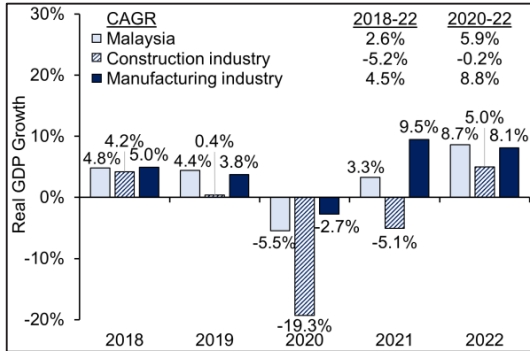
- Sheet metal products are manufactured and used domestically, and as such, their performance will depend to a large extent on the general economic well-being of Malaysia, as well as the construction and manufacturing industries serving as the overall main user industries.

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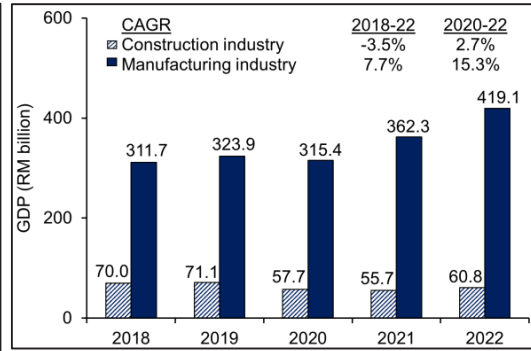
- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP is a measure of “real” changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices due to inflation or deflation. Nominal GDP is the value without any adjustments.

Real GDP of Malaysia, and the Construction and Manufacturing Industries



(Source: DOSM)

Nominal GDP of the Construction and Manufacturing Industries



(Source: DOSM)

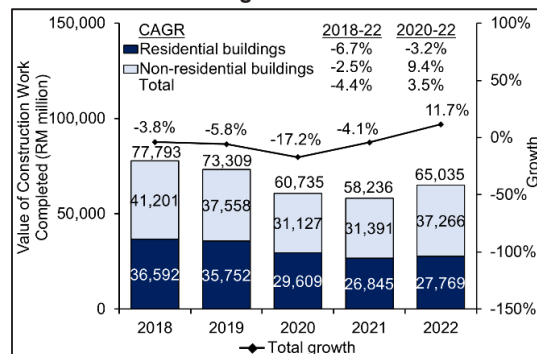
- Between 2020 and 2022, the real GDP of Malaysia and its manufacturing industry experienced a CAGR of 5.9% and 8.8% respectively, mainly attributed to the economic recovery from the COVID-19 pandemic. Growth in 2021 was mainly attributed to the lower base in 2020. As for the construction industry, real GDP declined at an average annual rate of 0.2% during the same period. While there was a recovery growth of 5.0% in 2022, the nominal GDP of the construction industry has yet to reach the pre-COVID-19 level in 2019. In H1 2023, the real GDP of Malaysia, as well as its construction and manufacturing industries grew by 4.2%, 6.8% and 1.7% respectively, compared to H1 2022 (Source: DOSM).
- In 2022, growth in the real GDP of the construction industry was mainly due to an improvement in the non-residential building and specialised construction segments, while growth in that of the manufacturing industry was mainly attributed to stronger global and domestic demand (Source: DOSM and Bank Negara Malaysia (BNM)). In nominal terms, the construction and manufacturing industries represented 3.4% and 23.4% of the total GDP of Malaysia.

5.2 Demand dependencies of roofing sheets and trusses, scaffoldings and welded pipes

5.2.1 Performance of the building construction industry

- BWYS Group manufactures sheet metal products and supplies scaffoldings primarily for use in the building construction industry.
- In 2022, the building construction segment recovered from the impact of the COVID-19 pandemic with a growth of 11.7% in the value of construction work completed. This was mainly attributed to the growth of 18.7% in the non-residential subsector in 2022 as a result of the faster progress of large commercial and industrial projects (Source: BNM). As for the residential

Value of Construction Work Completed for Building Construction



(Source: DOSM)

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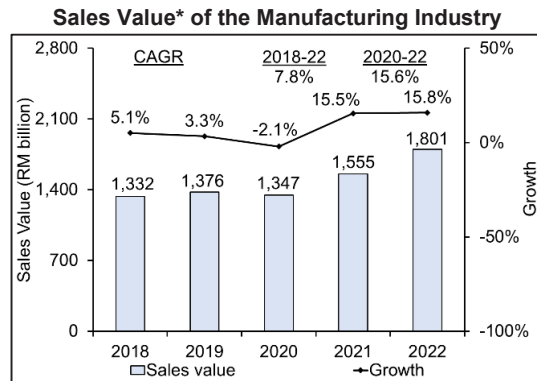
subsector, the segment registered a growth of 3.4% in the value of construction work completed in 2022. In H1 2023, the value of construction work completed for the non-residential building segment grew by 7.6%, while the residential building segment grew by 2.3%, compared to H1 2022 (Source: DOSM).

5.3 Demand dependencies of industrial racking systems

- Industrial racking systems are commonly used in the manufacturing, and wholesale and retail trade industries for the storage of goods. The continued growth in these industries will thus provide opportunities and create demand for industrial racking systems. The following section focuses on the performance of these user industries.

5.3.1 Performance of the manufacturing industry

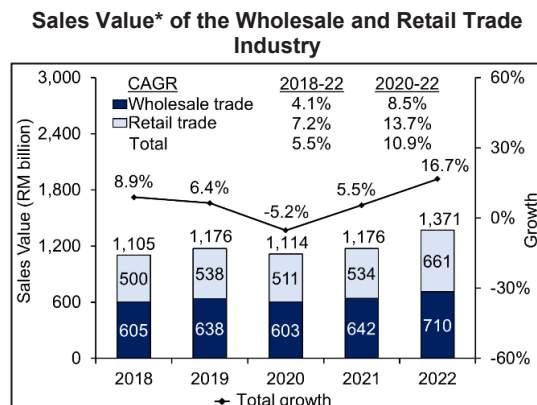
- The sales value of the manufacturing industry in Malaysia grew at a CAGR of 15.6% between 2020 and 2022, mainly due to the recovery in global and domestic demand. In 2022, growth of 15.8% was mainly supported by electrical and electronics (E&E), primary and consumer-related clusters (Source: BNM).
- In H1 2023, the sales value of the manufacturing industry in Malaysia grew by 3.5% compared to H1 2022. This was mainly due to a growth of 8.2% in the first quarter of 2023 primarily attributed to the fulfilment of motor vehicle backlogs and continued growth in E&E production, as well as a decline of 1.0% in the second quarter of 2023 mainly due to weaker E&E production and lower refined petroleum production amid a decline in mining output (Sources: DOSM and BNM).



* Refers to domestic production. (Source: DOSM)

5.3.2 Performance of the wholesale and retail trade industry

- The sales value of the wholesale and retail trade industry in Malaysia grew at a CAGR of 10.9% between 2020 and 2022. In 2022, growth of 16.7% was mainly supported by an increase in household spending following an improvement in the labour market and consumer sentiments.
- In H1 2023, the sales value of the wholesale and retail trade industry in Malaysia grew by 8.7% compared to H1 2022 (Source: DOSM).



* Refers to domestic production. (Source: DOSM)

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- The following list of Malaysian companies serves to indicate the performance of companies with activities that compete with BWYS Group and it is not an exhaustive list. The criteria for selecting them are as follows:
 - involved in the manufacture of sheet metal products, including one or more of the following, namely roofing sheets, trusses, industrial racking systems, welded pipes, and sales and/or rental of scaffoldings;
 - operations in Malaysia; and
 - availability of relatively recent financial information.

Company	Activities				FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP ⁽²⁾ (RM mil)	NP/NL ⁽²⁾ (RM mil)	GP Margin ⁽²⁾	NP/NL Margin ⁽²⁾
	RT	IR	P	S						
Public listed companies including their subsidiaries										
Alpine Pipe Manufacturing S/B ⁽³⁾			✓		Jul-22	704.3	110.5	67.5	15.7%	9.6%
Astino Bhd ⁽⁴⁾	✓		✓	✓	Jul-22	613.0	113.2	48.5	18.5%	7.9%
Ajiya Bhd ⁽⁵⁾	✓				Nov-22	294.0	56.8	30.9	19.3%	10.5%
Asteel Group Bhd ⁽⁶⁾	✓				Dec-22	276.7	34.5	-5.2	12.5%	-1.9%
BWYS Group	✓	✓	✓	✓	Dec-22	236.2	56.5	23.5	23.9%	10.0%
Prestar Storage System S/B ⁽⁷⁾		✓			Dec-22	94.9	8.5	-0.9	9.0%	-0.9%
SKB Shutters Corporation Bhd ⁽⁸⁾		✓			Jun-22	74.5	18.2	9.6	24.4%	12.9%
NS BlueScope Lysaght ⁽⁹⁾	✓				Jun-22	56.7	n.a.	0.1	n.a.	0.2%
Eonmetall Systems S/B ⁽¹⁰⁾		✓			Dec-22	48.4	5.3	2.2	10.9%	4.6%
Huatraco Scaffold S/B ⁽¹¹⁾				✓	Jul-22	30.3	5.4	1.4	17.8%	4.6%
Duro Metal Industrial (M) S/B ⁽¹²⁾	✓				Jun-22	23.9	n.a.	1.2	n.a.	5.2%
Private companies										
Le Nam Megasheet (M) S/B ⁽¹³⁾	✓				Oct-22	217.6	30.9	15.3	14.2%	7.0%
PERI Formwork Malaysia S/B ⁽¹⁴⁾				✓	Dec-22	97.1	64.5	12.7	66.4%	13.1%
Dscuff Engineering S/B ⁽¹⁵⁾				✓	Dec-22	77.5	24.1	10.1	31.1%	13.0%
City Top Enterprise S/B ⁽¹⁶⁾	✓				Dec-21	29.7	2.7	-0.1	9.2%	-0.5%
Evergold Metal Roofing S/B ⁽¹⁷⁾	✓				Jun-22	29.5	2.5	0.3	8.5%	0.9%
JCH Steel (M) S/B ⁽¹⁸⁾	✓				Dec-21	23.5	8.6	2.9	36.7%	12.1%

RT= Manufacture of roofing sheets and/or trusses; IR= Manufacture of industrial racking systems; P= Manufacture of welded pipes; S= Sales and/or rental of scaffoldings; FYE= Financial Year Ended; Rev= Revenue; GP= Gross Profit; NP= Net Profit; NL= Net Loss; Bhd= Berhad; S/B= Sendirian Berhad; mil= million; n.a.= not available.

Notes:

- (1) Latest available audited financial information from annual reports for public listed companies, Companies Commission of Malaysia for private companies, and BWYS Group.
- (2) At Group or company level, which may include other business activities, products or services.
- (3) Involved in the manufacture and sale of pipes, hollow sections and other steel products. A subsidiary of Hiap Teck Venture Bhd, a company listed on the Main Market of Bursa Securities.
- (4) Involved in the manufacture and sale of metal building-related products including metal roofing sheets, purlins, trusses, battens, pipes and scaffoldings. Listed on the Main Market of Bursa Securities.
- (5) Involved in the manufacture and trading of roofing materials and all kinds of glass, as well as trading of building materials. Listed on the Main Market of Bursa Securities.

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- (6) Involved in the manufacture of coated steel products and processing of metal roofing, wall cladding, fencing, metal floor decking, light gauge structural components, purlins and framing systems, and trading of building materials. Formerly known as YKGI Holdings Berhad (Bhd). Listed on the Main Market of Bursa Securities.
- (7) Involved in the manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking systems. A subsidiary of Prestar Resources Bhd, listed on the Main Market of Bursa Securities.
- (8) Involved in the manufacture of roller shutters, steel doors as well as storage and handling systems. Listed on the Main Market of Bursa Securities.
- (9) NS BlueScope Lysaght Malaysia Sdn Bhd: Involved in the manufacture of roll-formed steel roofing, wall cladding and accessories. A subsidiary of BlueScope Steel Limited, a company listed on the Australian Securities Exchange.
- (10) Involved in the manufacture and sale of steel racking systems and other steel related products. A subsidiary of Eonmetall Group Bhd, a company listed on the Main Market of Bursa Securities.
- (11) Involved in the manufacture, sale, rental and transportation of scaffolding equipment and a range of steel products. A subsidiary of Hiap Teck Venture Bhd, a company listed on the Main Market of Bursa Securities.
- (12) Involved in the manufacture of steel roofing, wall cladding sheets and other steel related products, and provision of related services. A subsidiary of Mayu Global Group Bhd (formerly known as ATTA Global Group Bhd), a company listed on the Main Market of Bursa Securities.
- (13) Involved in the design, manufacture and distribution of rooftops and C-channel purlin.
- (14) Involved in trading and hiring out of formwork systems, scaffolding and related parts as well as provision of related engineering services.
- (15) Involved In the engineering and trading of scaffolding materials and equipment related to the construction, and oil and gas industries.
- (16) Involved in the manufacture, supply under contract and sale of roofing products, metal battens and frames for doors and walls.
- (17) Involved in the manufacture of metal roofing and general construction.
- (18) Involved in the manufacture of steel and roofing products.

6.2 Barriers to entry

- There are few barriers to entry for the manufacture of sheet metal products including roofing sheets and trusses, industrial racking systems and welded pipes, as well as the sales and rental of scaffoldings. There are no onerous licences, regulations or restrictions governing the entry of new players. Additionally, there are no material impediments to purchasing, selling, importing (some input materials may be subjected to tariffs) or exporting these steel products.
- However, some of the barriers to entry include compliance with building material standards from the Construction Industry Development Board (CIDB) and/or various standards for selected steel products such as roof trusses, scaffoldings and structural welded pipes, the capital investment required in purchasing manufacturing machinery and equipment, and sufficient working capital to purchase input materials and stocking work-in-progress and finished products. As an indication of the level of barriers to entry, there were 273 iron and steel-based product manufacturers registered with the Department of Mineral and Geoscience Malaysia in 2021.

7 MARKET SIZE AND SHARE

Manufacturing	Malaysia Market Size	BWYS Group ⁽¹⁾ Rev/ Vol	Market Share ⁽²⁾
2022 - Metal roofing sheets and trusses (RM million)	1,096 ⁽³⁾	115.3	11%
2021* - Welded pipes and tubes (tonnes)	582,472 ⁽⁴⁾	6,575	1%

* Latest available information. Available in tonnage only; Rev= Revenue; Vol= Volume.

Notes:

- (1) BWYS Group's revenue for the financial year ended 31 December (FYE) 2022 and sales volume of welded pipes for FYE 2021. (Source: BWYS Group)
- (2) (BWYS Group's revenue for FYE 2022 and sales volume of welded pipes for FYE 2021 divided by their respective market size) x 100%. (Source: BWYS Group and Vital Factor analysis)
- (3) Based on 2022 sales value of manufactured metal roofing sheets and trusses. (Source: DOSM)
- (4) Based on 2021 apparent consumption (production + import - export) volume of welded pipes and tubes. (Source Vital Factor analysis)

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8 INDUSTRY CONSIDERATION FACTORS

- Some of the consideration factors that may affect the performance of the sheet metal product industry in Malaysia include, among others:
 - **domestic factors** particularly the building construction and manufacturing industries that drive domestic demand, supply of materials and labour that affects the cost of production, and socio-economic factors affecting GDP, inflation, consumer sentiments and business confidence; and
 - **global factors** such as steel prices, supply chains, geopolitical events, currency fluctuations, and trade wars and sanctions.

Drivers of growth and opportunities

- In 2023, the **Malaysian economy** is projected to expand close to the lower end of the 4.0% to 5.0% range. Growth will continue to be supported by domestic demand amid improving employment and income, as well as the continued implementation of multi-year investment projects. (Source: BNM)
- **Growth in user industries** including building construction, manufacturing as well as wholesale and retail trade industries will serve as a platform for continuing demand for sheet metal products.
 - In 2023, real GDP of the construction industry is forecasted to grow by 6.3% (Source: BNM). Continuing growth in the building construction industry will provide more opportunities for operators involved in the manufacture of sheet metal products such as roofing sheets and trusses, welded pipes, as well as supply of scaffoldings.
 - In 2023, the manufacturing industry is forecasted to grow by 4.0%, supported by growth in the E&E, consumer, construction and primary-related clusters (Source: BNM).
 - The sales value of the wholesale and retail trade industry grew by 16.7% in 2022, and 8.7% in H1 2023 compared to H1 2022 (Source: DOSM).
- In 2023, the Ministry of Investment, Trade and Industry (MITI) launched the **New Industrial Master Plan (NIMP) 2030** for the manufacturing and manufacturing-related service sectors, including the metal sector. The NIMP 2030 is expected to drive growth in Malaysia's manufacturing value-added with a targeted CAGR of 6.5% between 2022 and 2030.

Threats and challenges

- **Sustained increases in steel prices** may adversely affect the demand for sheet metal products, as steel is the main raw material. Any rise in its price would directly impact the cost of production which may lead to higher prices for users, thus potentially reducing the demand for sheet metal products.
- **Shortage and the rising cost of labour** may lead to increased production costs caused by competition for the available workforce and a fall in production, which ultimately result in higher product prices. This may, in turn, reduce the demand for sheet metal products.
- **Potential downturn in the domestic and global economy** that affects domestic demand for the construction and manufacturing industries, and foreign demand for the manufacturing industry.