Singamas Container Holdings Limited

2024 Annual Results (18 March 2025)

Investor Presentation – Actual QAs

1. **How come the sales volume of tank containers dropped so much?**
   - The sales of tank container is highly related to the global economy, especially the automobile and energy industries in Europe.
   - The Russian Ukraine war has impacted Europe’s energy prices, in turn their automobile industry, plus the overall European economy and transportation facilities have also been notably impacted, resulting in a decline in demand for tank containers.

2. **For ESS containers, is the group only responsible for the assembly of components, not the production of the batteries? What is the cooperation model between the company and other parties? And where are the key customers from?**
   - We only produce the ESS container body. The batteries, the PCS, the firewall systems, insulation systems and others are all provided by the customers themselves, after that be transported to our factories for installation;
   - We have some plants for handling more detailed assembly works. When batteries are sent to our factory, we provide the cables and connections, and complete the overall assembly works;
   - As our engineering technology was improved significantly in the past year, after completing the assembly works, we also provide additional services including computer-based electrical testing; and
   - We established a company ‘Green Tenaga’ in Singapore, which bringing together experienced industry professionals from companies like Schneider and ABB. They have extensive experience in operating solar power plants in overseas markets, which will help us expand our service scope. Green Tenaga can bring the group's experience from China to overseas markets, in addition, the competition in overseas markets is not as fierce as in China, and the pricing is more advantageous than the China market, that is why we are actively building our overseas sales networks.

3. **For 2025, if the Red Sea Crisis is resolved later this year, many shipping companies are expected to make loss, as there is an oversupply of new vessels. For container manufacturing industry, there were over production in 2021 and 2024, and it is believed that in 2025 will be a very challenging time, which may last for up to 10 years. In view of that, what contingency plan does the group have? Will dry freight business incur loss? Will there be plans to allocate all resources to the ESS containers? What expectations should investors have for the group's mid-term performance in the next 3-5 years?**

   We are certainly concerned about this issue. The new tariffs imposed by Trump will seriously impact global trade in 2025, which in turn affecting consumption and inflation. In view of that, our contingency plans include:

   - Our production capacity is maintained at around 270,000 TEUs. In good times, large manufacturers make high profit, while during economic downturns, they suffer greater loss. We have our own factories in Shanghai, Xiamen and Huizhou, that can flexibly cooperate with individual factories in Qingdao, Yangzhou and Ningbo, allowing us to take on more orders while keeping operating costs low;
   - Although dry freight business accounted for more than 70% of the company's revenue last year, we are very confident in the growth of our new businesses. In the leasing business, GCI was recently acquired by Triton at a favorable price; Textainer and Triton, the world's top two leasing companies, are both held by funds, and the funds focuses on income prospects, so we believe this business has good potential. In addition, as a small leasing company, we have secured major clients like MSC, Evergreen and Hapag-Lloyd with our flexibility and quality services. In Asia, there is a need for small but specialized local leasing companies like Singamas to meet the demands of large shipping companies, especially for those like us that operate its own factories;
   - For ESS containers, we used our existing factories and workers to start customized containers production business five years ago, and have developed a complete ecosystem. The threshold for the customized container business is very high and it requires a complete ecosystem to develop successfully. It is impossible to enter simply and become our competitor by having a simple factory. We are proud to have renowned customers such as ABB, China Huaneng and Sungrow Power, and we are actively developing the Southeast Asian market.
   - The Singapore government is focusing on developing new energy, with the goal of importing about 6GW of electricity from Southeast Asia, which needs to be converted and stored. Green Tenaga, the group's subsidiary in Singapore, seized the opportunity and leverage the foundation established by Singamas in China (including relationships with suppliers and production factories) to provide new energy solutions for Southeast Asian customers;

- In addition, the gross margin of ESS containers is more stable and higher than that of dry containers, and sales volume continues to grow. Although the sales proportion has decreased in 2024, total revenue has increased, indicating that our ESS containers business is in a phase of sustained growth no matter the fluctuation performance of dry freight containers market;
- For most of our ESS container customers, if the existing suppliers' products can meet their technical and safety requirements, switching to a new supplier is costly. Thus, even there are lower-priced supplier on the market, our customers will tend to continue working with us. In other words, Singamas's brand, quality and solutions developed with customers are difficult for our rivals to replicate;
- We are always prepared for various market conditions. We know that a single business cannot withstand market fluctuations, thus Singamas have been diversifying its business since the past few years to explore new revenue streams. In fact, it has been proven that Singamas' new businesses are all profitable. Over the past three years in the leasing business, we still have many contracts with a term of more than five years, which continue to provide stable profits for the group, optimize Singamas' profit and revenue structure, and effectively mitigates the fluctuations caused by the manufacturing industry's cycle. As shown in the announcement, the transaction volume of the leasing business in 2024 is more than twice that of 2023. Even there are no new leasing contracts in the coming year, the group can still maintain a monthly revenue of approximately US$1 million, which will help stabilize the fluctuations in the dry container manufacturing business.

Considering all the above factors, and given Singamas's advantages such as strong balance sheet and self-owned factories, we are confident that Singamas will be able to get over this crisis.

4. What is the proportion of manufacturing revenue and leasing revenue?

In 2024, leasing business accounted for about 1.5% of the group's total revenue.

5. How does the company compete with its peers in the manufacturing business? What is the company's competitive advantage? Regarding Sino-US issues, how does the company reduce the relevant risks?

- In terms of competitive advantage, while pricing and location are certainly important, but the one thing we excel in the competition is reliability. All our orders normally are delivered as promised to our customers, which is very valuable to them.
- When customers intend to order containers, we will first evaluate the production schedule based on the customer's requirements to avoid delayed delivery that affects their operations. This approach is obviously more reliable than other companies.

- Another advantage is that we can provide a one-stop service to our customers. As we operate both leasing and sales businesses, we have sufficient inventory to meet customers' urgent needs, which is highly attractive to them.
- Regarding Sino-US issue is a global issue. We will be more prudent in planning purchasing, allocating capacity and managing credit risk.
- We have been in this industry for many years and competing with certain large manufacturers for 30 years. Even though they are in large business scale, we know that what customers need is flexibility and reliability. As mentioned above, we have collaborated with some factories partners. This approach saves Singamas from having to build factories in every port, and also our partners from having to build factories in Shanghai, Xiamen or Huizhou, but can receive more orders from new customers. This "asset-light" arrangement has gradually shown results since it had been launched in May last year, such as Hapag-Lloyd and Maersk, major customers who hadn't placed orders with us in the many years, but now has become our customers again.
- Singamas has advantages over large manufacturers. Although large manufacturers have a unit cost advantage in scale, they also face greater pressure from operating expenses when large orders are insufficient.
- Our diversified businesses, including leasing and ESS containers businesses have been developing robustly. Ms. Winnie Siu, our Chief Operating Officer, has brought many customers to Singamas with her professional leasing background.

6. **ESS is a conventional technology, so why should it be stored in the container? Why does ESS need containerization?**
   - The obvious advantage of containerized ESS containers is that they are easy to move and can be loaded and unloaded anywhere. When the ESS container is delivered to the site, work can start while the ESS container can be transported away after completion. One of Singamas' solar energy storage containers can directly collect solar energy through photovoltaic panels installed on the top of the container, storing energy during the day and discharging it at night to provide electricity directly.
   - In addition, after containerization, the container can protect the energy storage batteries and parts. For example, the ESS containers shipped to Tibet and Xinjiang by Singamas that use a double-layer insulation design to address environmental factors such as high altitude, low temperature, low pressure, condensation, and sandstorms. Moreover, the outer layer of the ESS container also adopts a foam-integrated process to make the doors and openings dust- and sand-proof, ensuring the container structure remains tight and can operate normally in extreme environments.

7. **Does the company have an advantage in specific regions? In which ports do the company and its partners have a larger regional market share?**
   - We have advantages in regions where we have our own factories and partners. In East China, we have partner in Yangzhou, and cover Nanjing, Zhangjiagang, Wuhu and Yangzhou where there are few factories.
   - On the other hand, we are also a market leader in Xiamen, where most of the local business has already taken up by Singamas.

8. **Regarding the leasing business, the company mentioned that it can stabilize your performance during market fluctuations. Can explain more about this?**
   - Our customers' contracts are all long-term lease contracts. Most of them own many vessels. The demand for five-year leasing contracts is prevalent and there are no signs of customers stopping leasing. Therefore, Singamas faces the operational risks are limited, and the leasing business can make Singamas more resilient.
   - Most leasing companies around the world have been profitable for a long time.
   - Containers are standardized products, the steel used is highly standardized, making them highly liquid. They can be used as local currency in any country and also for financing. Their disposal prices are also very favorable. For example, in China, a 14-year-old second-hand 40'HC container can be sold for US$2,200, while a new container costs only just over US$3,000.
   - Singamas has capital, containers, its own factories, and research and development capability, which give it an advantage over other leasing companies.

9. **Apart from the special dividend distributed in 2023, the dividend payout ratio has been around 30%-60%, however, the ratio increased to 75% in 2024. Can the company explain for that? What is the policy moving forward?**
   - Our dividend payout ratio is typically around 30%-50%. Given the stability of our cash flow over the past two years, the Board has determined to increase shareholders returns through higher dividend distributions. Excluding special dividends distributed in 2023, the dividend payout ratio reached 78% in 2023 and 72% in 2024.
   - Moving forward, we will continue to assess CAPEX requirements and cash flow performance, we will distribute higher returns to shareholders where feasible.

10. What is the CAPEX plan for the next 1-2 years?

- Leasing business is one of our major CAPEX as it generates ongoing future revenue. Singamas will reserve part of its cash flow for it, and also will raise funds to expand its scale.
- Another major CAPEX is to add ESS production facilities to the factories, as ESS containers are also a major business growth area for Singamas.

11. What is the amount of CAPEX for 2025?

The projected CAPEX for 2025 will be more than US$100 million. Of course, if there are high-quality investment project, this would be the best time to invest.

12. Was tax provision for financial year 2024 elevated? The provision for deferred tax is higher than usual, what are the reasons behind?

- The effective tax rate for PRC company is 25%. With an additional 5% withholding tax for the dividend payout, resulting in the normal tax rate of around 30%.
- As one of our subsidiaries is a high-tech company, it benefits a preferential tax rate of 15%. Further, as the ongoing loss in our tank operation, the effective tax rate is slightly higher.

13. What are the expectations for next year?

- The market is expected to be very difficult next year, but Singamas can still be able to maintain profitable.
- Singamas operates with an asset-light model and has a strong balance sheet, which enables it to keep operating costs low despite its limited production scale.

14. Inventory increased by approximately US$42 million at year-end compared to 2023 year-end. Is this due to an increase in finished goods?

The increase in inventories was mainly from an increase in finished goods. Since some leasing orders were confirmed at the end of 2024, and these containers need to be delivered to customers in 2025, which are classified as inventory at the end of 2024.

Wrap up by Mr. Teo:

Thank you all for participating and questions.

The container business is not easy to run as it follows the economic cycle. According to market reports, nearly 8,000,000 containers were produced worldwide last year, which were unexpected. From another perspective, the global containers production capacity is very flexible and the keen competition among industry peers. I often tell my team that although Singamas should strive for orders, we should not be complacent when the market is too sluggish and accept orders at low prices, which would lead to vicious competition. I think, so far, Singamas is managing a good overall performance.

I am confident that Singamas will maintain profitability this year. The investors who have followed us for a long time understand that it is a case of "either starve or eat stagnantly" in the container industry. However, I believe Singamas's leasing business and new energy business will effectively help the company navigate through these challenging times.