

Portfolio Manager's Views

Why we like Malaysia Smelting Corp?



15 June 2026

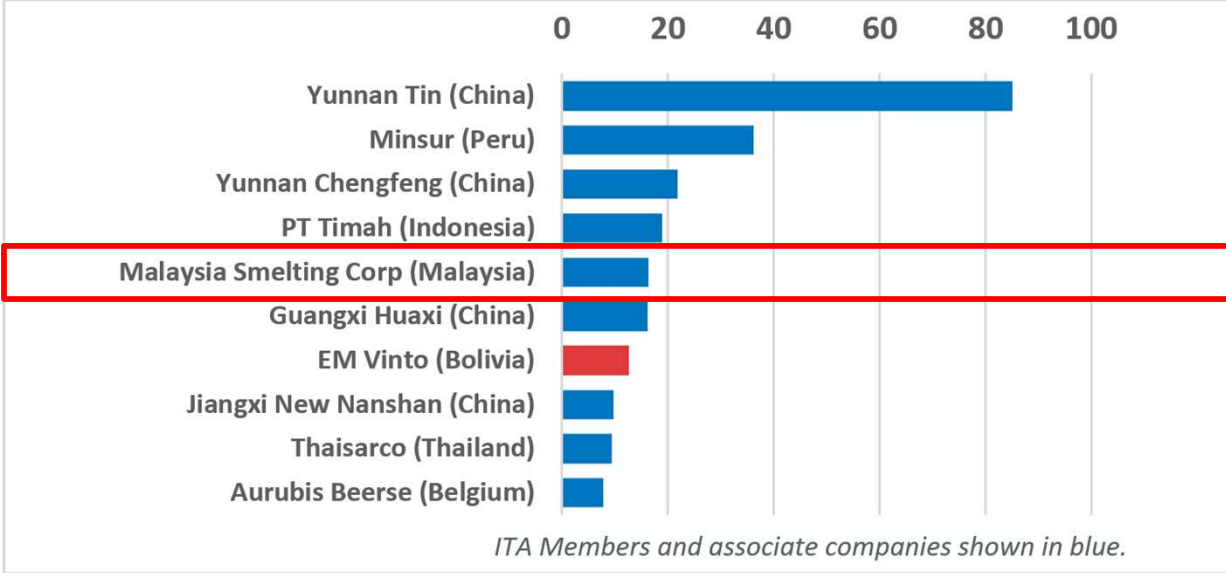
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1. Executive Summary

- 1 Special Feature: Why do we like MSC?** (Refer to pages 3-5)
- 2 Global equity markets advanced strongly in May 2026**, led by a robust US earnings season and sustained AI demand. The S&P 500 rose 5.3% MoM with technology surging 15.6% as US 1Q26 earnings grew 30% YoY. Emerging markets were the bigger story as the MSCI EM Index gained 9.7% with Korea (+33%) and Taiwan (+14%) repricing their role in the global AI supply chain. Macro conditions remain resilient though April CPI at 3.8% YoY signals central banks will stay cautious on rate cuts.
- 3 The FBMKLCI declined 2.3% MoM to 1,683 in May 2026**, weighed down by RM3.7bn in foreign outflows as foreign shareholding fell to a record low of 18.6%. The 1Q26 earnings season disappointed with weakness concentrated in consumer, property and construction sectors. The standout was technology gaining 19% MoM which is a sector largely absent from the KLCI and underpins our preference for the FTSE Bursa Malaysia 70 Index.
- 4 FBM KLCI valuations remain undemanding**, with FY27 PER of 13.8x (10Y range 12.2x–15.5x), PBR of 1.4x (10Y range 1.2x–1.5x), and a forecast DY of 4.7% (10Y range 3.9%–4.8%) [Source: Bloomberg]. We are net buyers on weakness and look to deploy capital opportunistically.

Feature: Malaysia Smelting Corporation (MSC)

Exhibit 1: Top 10 global tin producers of 2024 (Refined tin production, '000 tonnes)



Source: International Tin Association Ltd.

1 MSC is the 5th largest global tin producer.

MSC is one of the biggest tin producers in the world, producing 16.3 tonnes of refined tin in 2024.

Exhibit 2: MSC – An integrated tin mining and smelting group

TIN MINING

Rahman Hydraulic Tin Mine in Klian Intan, Perak
(Mining lease until Nov-34)

Malaysia's largest hard-rock open-pit tin mine

Supplies ~20% of MSC's smelting intake of tin ore

TIN SMELTING

Smelting facilities in Pulau Indah, Port Klang & Butterworth, Penang (Decommissioning Stage)

World's largest custom toll tin smelter

- Smelting capacity of 40,000 MT/year (Gross tin ore)

Source: Malaysia Smelting Corporation Berhad.

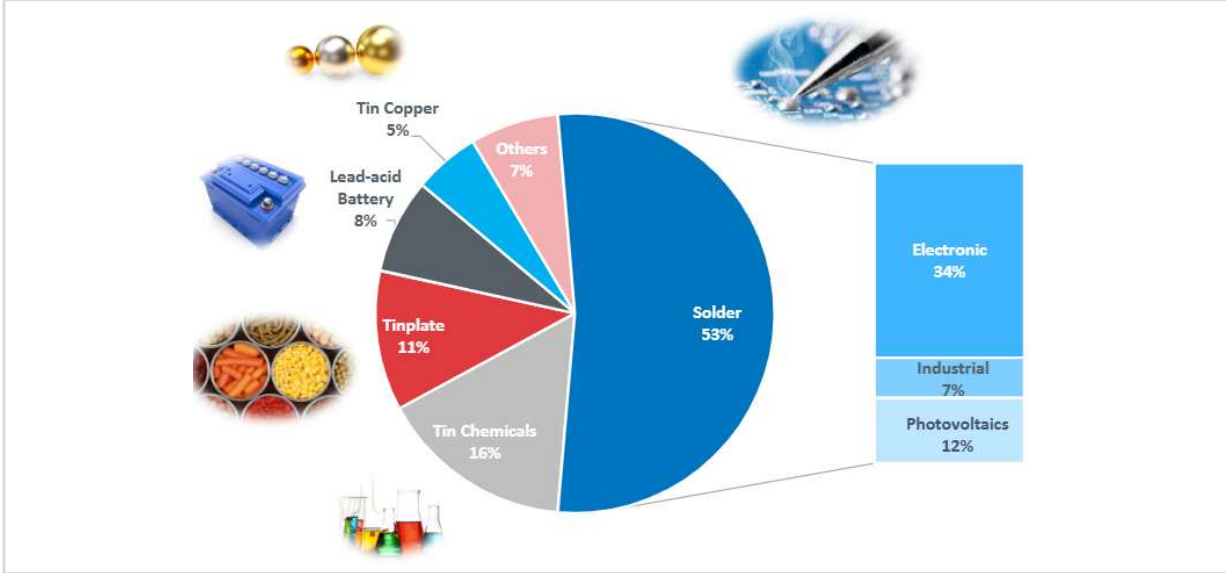
2 MSC runs the whole tin business, not just one part of it.

MSC operates across the full value chain, from mining the ore to smelting.

It mines tin ore from its own land in Perak. It then smelts and refines the ore into pure tin metal at its Port Klang plant. The finished tin is sold to manufacturers around the world.

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Exhibit 3: Top 10 global tin producers of 2024 (Refined tin production, '000 tonnes)



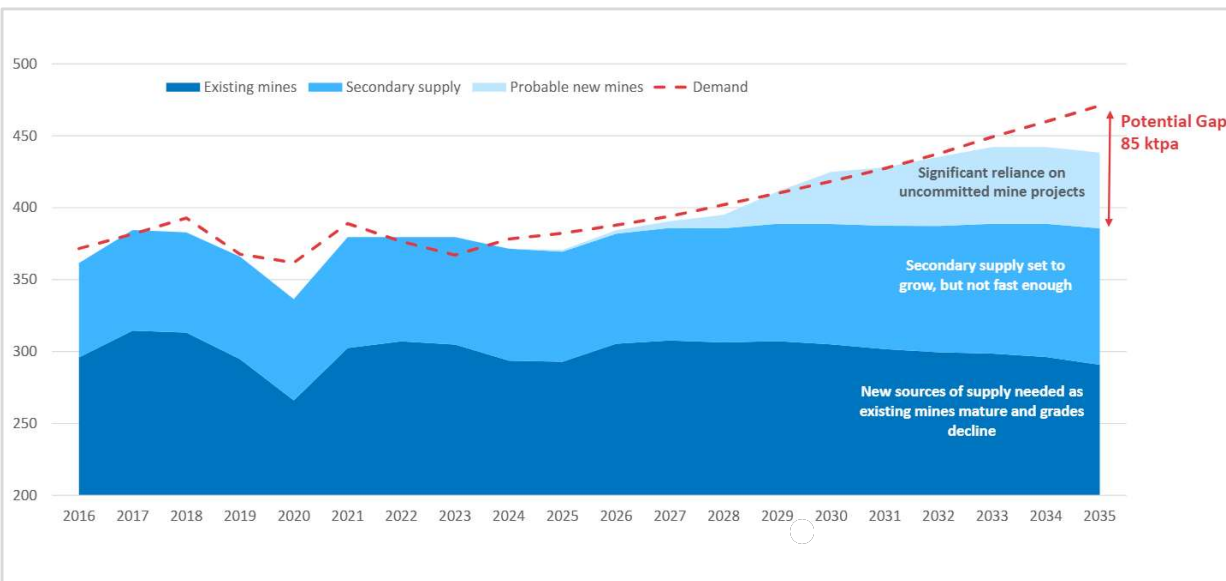
Source: International Tin Association Ltd

3 Tin is in almost everything you use.

More than half of global tin demand comes from solder. Solder is the glue that holds together electronic components in smartphones, computers and cars.

Demand is growing further as the world builds more data centres, solar panels and electric vehicles.

Exhibit 4: Refine tin supply forecast, kilo tonnes



Source: International Tin Association Ltd

4 The world is running short of tin.

Tin supply is not growing fast enough to meet demand. Investment in new tin supply is rising but remains insufficient to meet future demand.

By 2035, the supply gap could reach 85,000 tonnes. A tighter market keeps tin prices elevated.

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Exhibit 5: Top 10 global tin producers of 2024 (Refined tin production, '000 tonnes)



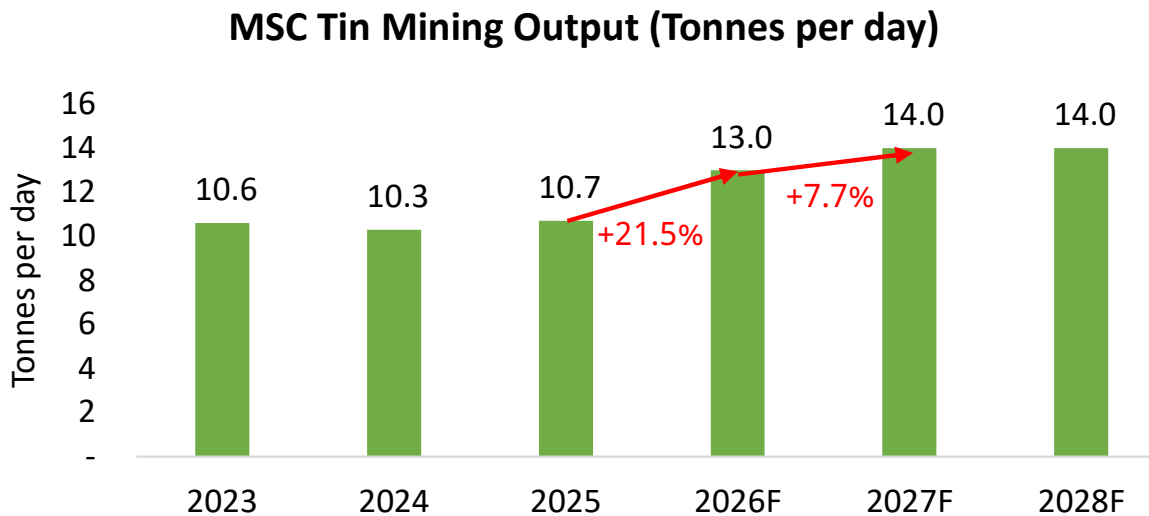
Source: International Tin Association Ltd

5 Tin prices are near multi-year highs.

The LME tin spot price averaged USD49,907 per tonne so far in 2026. In ringgit terms, the price MSC receives rose ~36% compared to a year ago.

A strong tin price flows almost directly into MSC's profits.

Exhibit 6: MSC Tin Mining Production (Tonnes per day)



Source: Astute Fund Research

6 MSC is increasing its tin mining output by ~40-50% in 2QFY26.

A new processing plant started operating in April 2026. It extracts tin from sandy mine waste that was previously discarded. This alone grows daily ore output from 11 tonnes to 14-15 tonnes.

MSC also closed an older smelting plant in Butterworth. That saves RM1-2 million every month.

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Exhibit 7: Astute Fund Research's financial forecasts (2023-2027f)

FYE Dec (RM'm)	Annual				
	2023	2024	2025	2026F	2027F
Core Profit	82.0	81.7	84.3	206.6	224.9
Core EPS (Sen)	9.75	9.72	10.02	24.58	26.75
Core Profit Growth YoY	-20%	0%	3%	145%	9%
Core Profit Margins %	6%	5%	5%	9%	8%
DPS	7.0	15.5	8.0	19.7	21.4
Dividend yield %	6.9%	13.8%	4.4%	9.3%	10.2%
Dividend payout ratio	72%	159%	80%	80%	80%
Operating Statistics	Annual				
	2023	2024	2025	2026F	2027F
Mining - Production of tin-in-concentrates ('000 tonnes) nett	2.6	2.5	2.5	3.2	3.4
Smelting - Production of refined tin ('000 tonnes)	20.7	16.3	14.2	18.6	20.6
Average tin market price (RM'000/MT)	118.1	138.5	146.1	193.6	194.0
Average tin market price (USD'000/MT)	25.9	30.3	34.1	49.0	49.7

Source: Astute Fund Research

7 We forecast a FY26 profit of RM206.6 mil, +145% earnings growth.

We forecast MSC to earn RM206.6 million in core profit this year. This is based on an average tin price of USD49,000 per tonne.

We expect MSC to pay a dividend of 19.7 sen per share, a yield of 9.3%.

Exhibit 8: MSC's Peer Comparison

Company/Index	Mkt Cap (LC Mil)	EPS Growth (%)		P/E (x)		Div Yld (%)		P/B(x)		ROE (%)	
		1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Bursa Industrial	265.1	32.0	0.3	22.8	22.9	1.8	1.9	2.1	2.0	9.7	9.0
KLCI	1,200.6	8.3	5.7	14.6	13.8	4.4	4.6	1.5	1.4	10.2	10.4
Selected Tin Companies											
Malaysia Smelting Co	1,772.4	145.3	8.8	8.6	7.9	9.3	10.1	2.0	1.9	18.1	20.0
Yunnan Tin Co	68,153.8	86.6	8.8	19.6	18.0	1.2	1.3	2.8	2.6	14.9	14.2
PT Timah	25,918,182	66.4	31.5	11.2	8.6	1.9	2.8	2.5	2.0	23.7	24.9
Average		99.4	16.4	13.2	11.5	4.1	4.8	2.5	2.2	18.9	19.7

Source: Bloomberg

8 MSC's valuations are undemanding relative to its peers.

MSC trades at a FY26 PE ratio of 8.6x. The average among global tin producers is 13.2x.

MSC is also trading below its own 5-year average of 12.8x. We believe this gap should close as earnings grow.

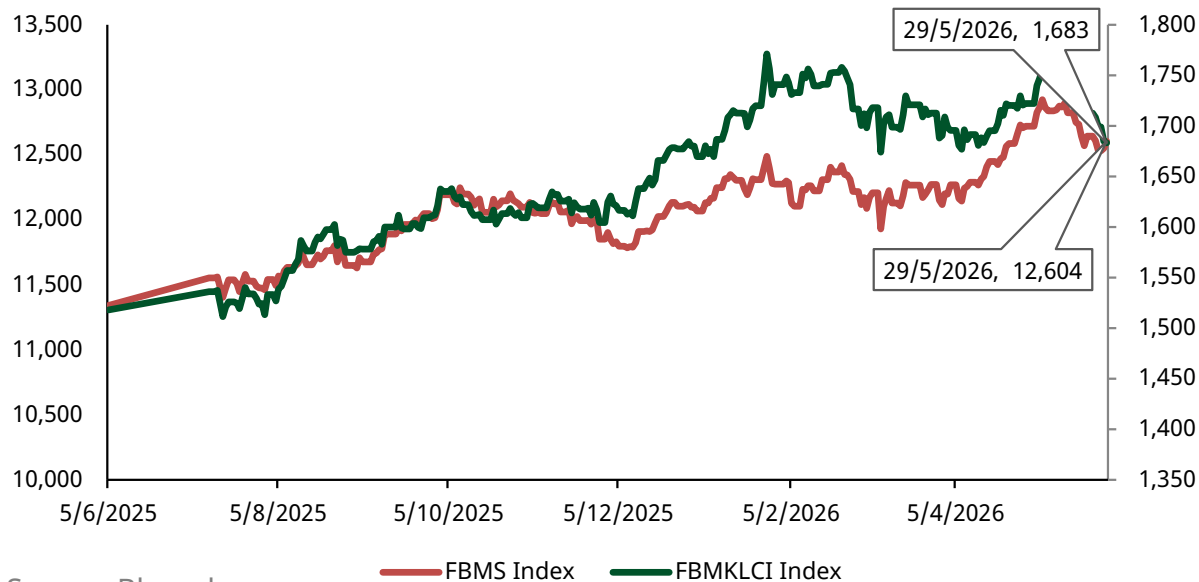
Appendices

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Appendices

Exhibit 9: KLCI & Shariah Index

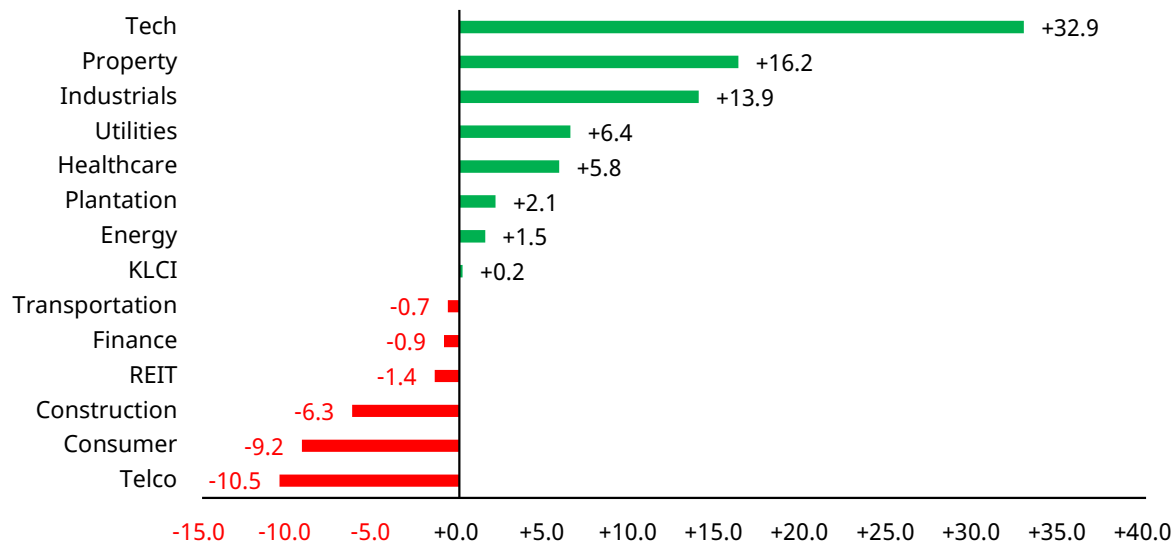


Source: Bloomberg

1 KLCI rebounded in April as sentiment recovers on stronger Tech stocks performance.

The KLCI stabilised in May 2026, while the FBM Shariah recovered on the back of tech outperformance.

Exhibit 10: Sector Performances 2026 (%)



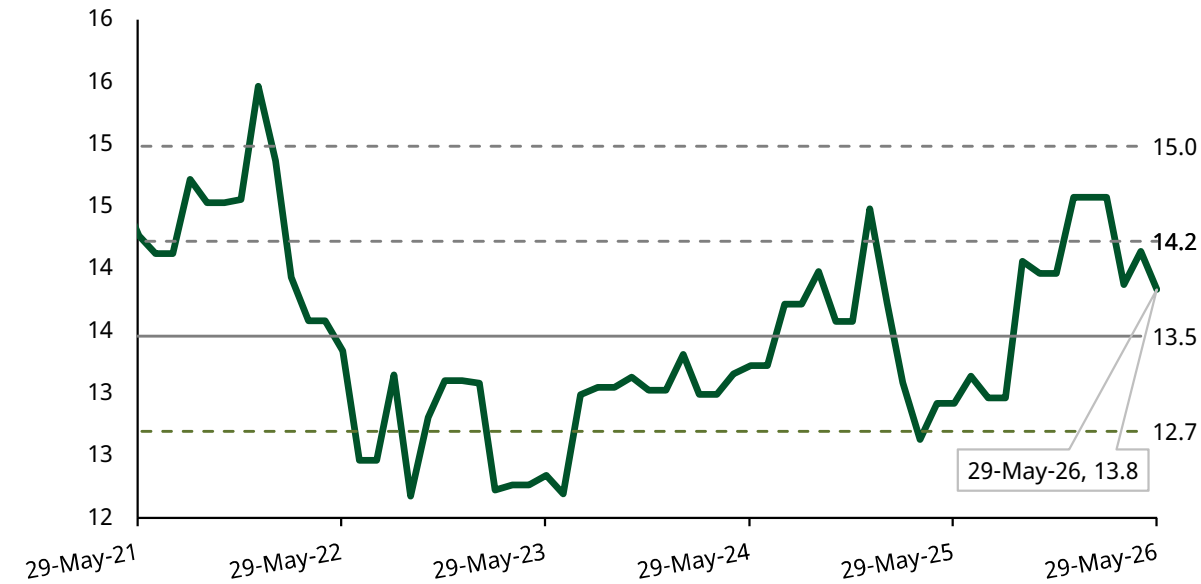
Source: Bloomberg

2 Sector Performance YTD-26 - Tech Leads, Telco Lags

Tech (+32.9%) and Property (+16.2%) were top performers YTD-26, while Telco (-10.5%) has underperformed the market.

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Exhibit 11: KLCI's FY26 PER (x)

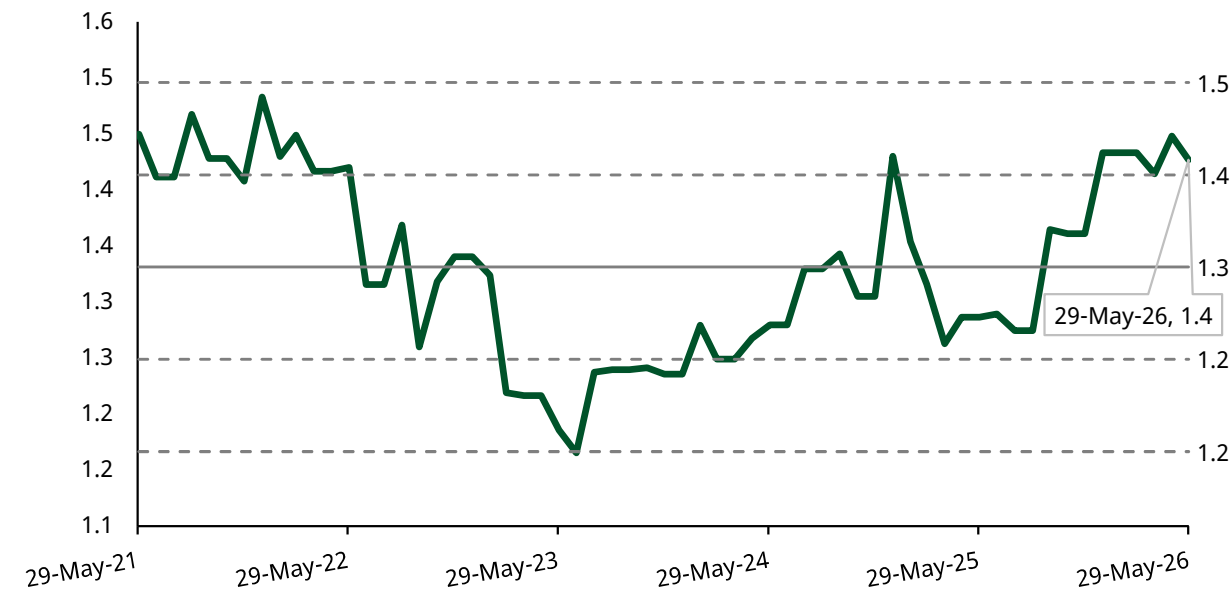


Source: Bloomberg

3 The KLCI's valuation is valued above the 5-year mean.

The KLCI trades at a FY27 PER of 13.8x (5Y range 12.2x to 15.5x, 5Y mean of 13.5x).

Exhibit 12: KLCI's FY26 PBR (x)



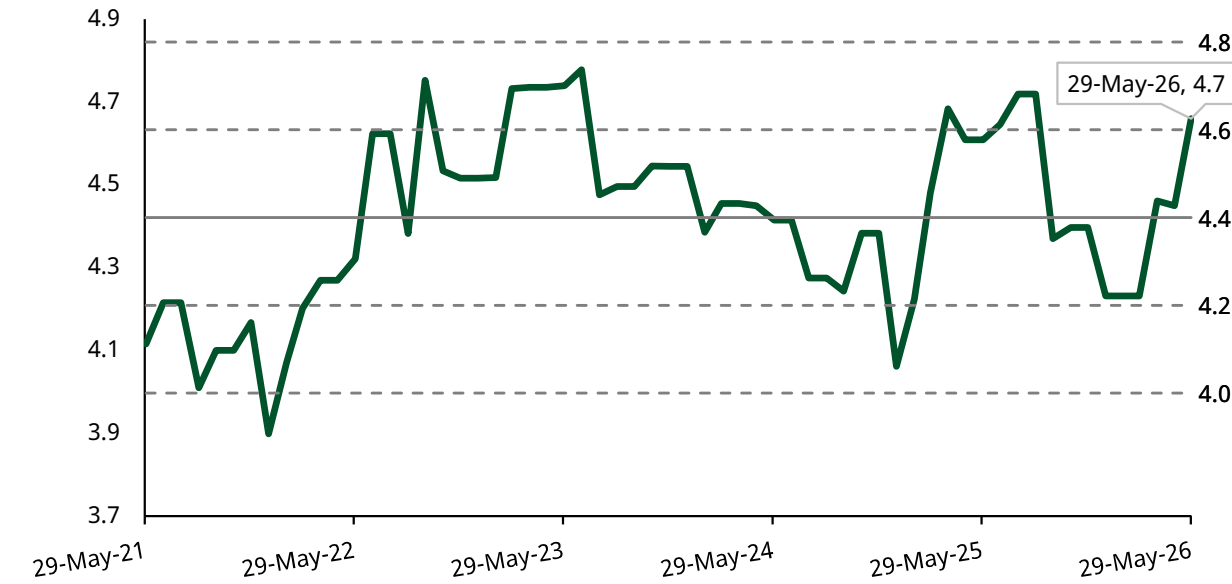
Source: Bloomberg

4 This is the same for KLCI's PBR.

The KLCI trades at a FY27 PBR of 1.4x (5Y range 1.2x to 1.5x, 5Y mean 1.3x).

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Exhibit 13: KLCI's FY26 DY (%)

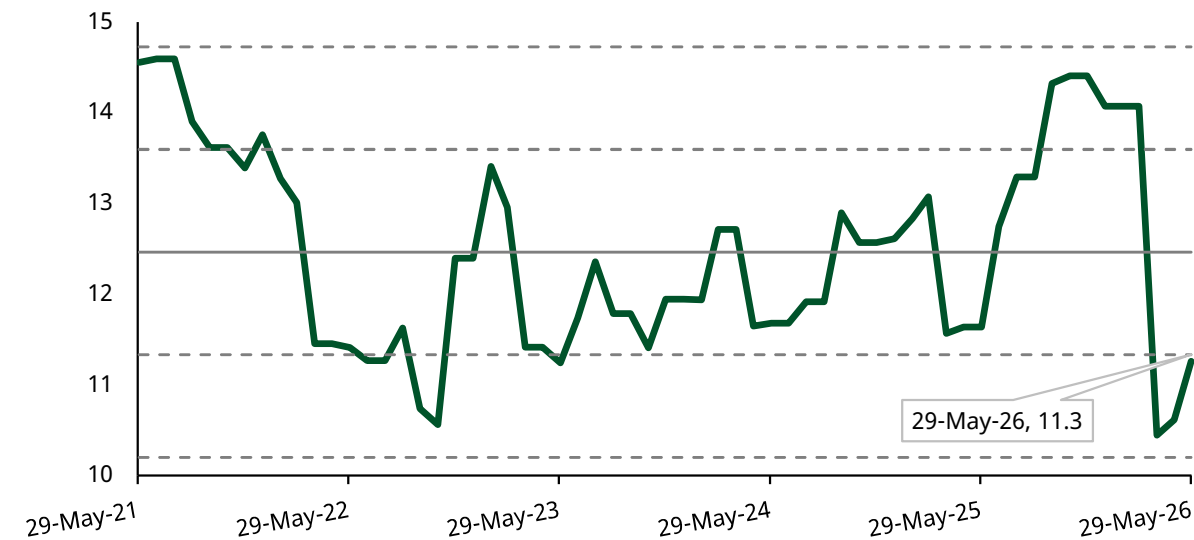


Source: Bloomberg

5 The KLCI dividend yield is attractive.

The KLCI trades at a FY27 DY of 4.7% (5Y range 3.9% to 4.8%, mean of 4.4%). The appealing dividend yield is likely to support share prices.

Exhibit 14: MSCI AxJ Index's FY26 PER (x)



Source: Bloomberg

6 Asia ex Japan has corrected below historical averages.

The MSCI AC Asia ex Japan index trades at a FY27 PE of 11.3x (5Y range 10.4x to 14.7x, mean of 12.5x).

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