金力永磁
JLMAG

2024Q1 Results Update

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April 2024

用稀土创造美好生活

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Company Overview

Company Overview

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- JL MAG is a high-tech enterprise engaging in the R&D, production and sales of high-performance NdFeB Permanent Magnets (PMs), magnetic components and the recycling and comprehensive utilization of Rare Earth Permanent Magnets (REPMs), and a leading supplier of high-performance REPMs in the fields of new energy, energy conservation and environmental protection

Downstream Applications of Our Products

- JL MAG's products are widely used in the fields such as New energy vehicles (NEVs) and automotive parts, energy-saving variable frequency air-conditioners (VFACs), wind power generation, 3C, robots and industrial servo motors, energy-saving elevators and rail transit
- We have established long-term and stable cooperative relationships with leading domestic and foreign companies in various sectors

NEVs

Energy-saving VFACs

Energy-saving Elevators

3C

Robots and Industrial Servo Motors

PM Wind Turbine Generators

Rail Transit

Contributing to Carbon Neutrality and the Era of Intelligence and Electrification

- High-performance REPM is essential core materials in the fields of clean energy, energy conservation and environmental protection. They help reduce the power consumption of various motors and have significant energy-saving effects. The downstream applications of REPMs are broad, and in line with the energy-saving and environmental protection principles vigorously advocated by the nation and are of great significance to the nation's realization of energy-saving and emission reduction goals, making outstanding contributions to the early realization of reaching “carbon peak and carbon neutrality” in the world
- Artificial intelligence (AI) is increasingly becoming the core technology driving the new round of technological revolution and industrial transformation, with tremendous potential to empower various industries. Products in various industries such as 3C, VR, AI, and humanoid robot are thriving towards intelligent upgrading, which is expected to expand market size for REPMs

Source: Company Filings, Xinhua News

Company Products

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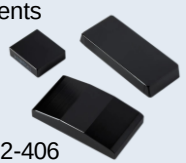
NEVs and Automotive Parts

- The use of REPMs in NEV drive motors, ABS (anti-lock braking system), EPS (electronic steering system) and automotive parts can increase the power density of the motors and improve their operating efficiency
- Magnet Series: H, SH, UH and EH
- Remanence range (T): 1.14-1.46
- Coercivity range (kA/M): 1,352-2,706
- Maximum energy product (KJ/m3): 247-422
- Maximum working temperature (°C): 120-200
- Major clinets: the world's top ten new energy vehicle manufacturers

PM Wind Turbine Generators

- REPMs are used in PM wind turbines, which feature simple structure, low operation and maintenance costs, long service life, good grid-connected performance and high-power generation efficiency, and are more suitable for operation in low wind speed environments
- Magnet Series: H and SH
- Remanence range (T): 1.28-1.44
- Coercivity range (kA/M): 1,273-1,752
- Maximum energy product (KJ/m3): 302-406
- Maximum working temperature (°C): 60-120
- Major clients: four of the world's top five wind power generator manufacturers

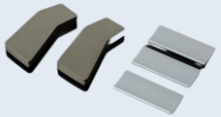


Energy-saving VFACs

- Using REPMs in the motors of household appliances enables them to run at different speeds, improves their operational efficiency, reliability and performance and reduces their operating costs
- Magnet Series: SH and UH
- Remanence range (T): 1.28-1.46
- Coercivity range (kA/M): 1,592-2,149
- Maximum energy product (KJ/m3): 302-422
- Maximum working temperature (°C): 120-150
- Major clients: eight of the world's top ten VFAC compressor manufacturers

Energy-saving Elevators

- Using REPMs, elevator manufacturers can produce elevator traction machines of higher power, smaller size, lower noise and less operating costs
- Magnet Series: H and SH
- Remanence range (T): 1.22-1.42
- Coercivity range (kA/M): 1,352-1,910
- Maximum energy product (KJ/m3): 287-398
- Maximum working temperature (°C): 80-120



Robotics and Industrial Servo Motors

- Using REPMs in the servomotors of industrial robots helps to improve the power density and performance of relevant parts of the servomotors while reducing their sizes
- Magnet Series: N, M, H and SH
- Remanence range (T): 1.14-1.48
- Coercivity range (kA/M): 955-1,990
- Maximum energy product (KJ/m3): 247-438
- Maximum working temperature (°C): 60-120

Source: Company Filings

Production Bases and Production Workflow

- The company's REPM blank production capacity has reached **23,000 tons** annually. The Baotou Phase II, Ningbo Project, and Ganzhou II Project are currently under construction as scheduled and are expected to commence operation progressively in 2024
- The company is expected to achieve **40,000 ton** of production capacity of high-performance REPMs and establish advanced production line of magnetic components by 2025

Ganzhou Production Base

- NdFeB PM blanks production capacity: **15,000 tons/year**
- High-efficiency and Energy-saving Motors Magnets Base Project (Ganzhou II) is under construction

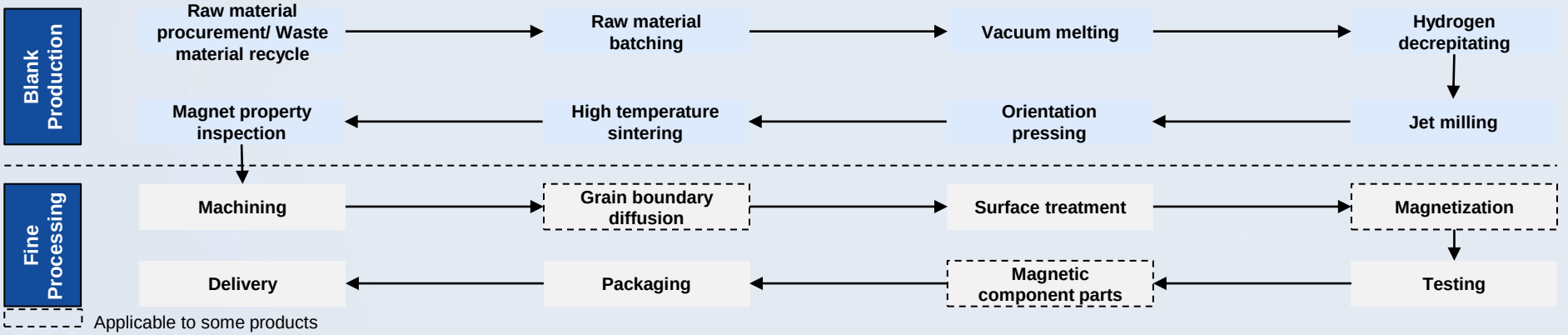
Baotou Production Base

- NdFeB PM blanks production capacity: **8,000 tons/year (Phase I)**
- Baotou Phase II project with an annual capacity of **12,000 tons**, is expected to gradually ramp up production in 2024

Ningbo Production Base

- Ningbo Project with an annual output of **3,000 tons** of high-end Magnets and **100 million units/sets** of components, is expected to be progressively put into operation in 2024

Production Workflow Chart



Top 10 Shareholders of the Company

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Top Ten Shareholders (As of March 31, 2024)

Name	Shareholder Type	Shareholding Percentage
Jiangxi Ruide Venture Investment Co., Ltd.	Domestic Non-state Owned Legal Person	28.79%
HKSCC NOMINEES LIMITED	Overseas Legal Person	14.93%
Ganzhou Industrial Investment Holding Group Co., Ltd.	State-owned Legal Person	5.14%
Goldwind Investment Holding Co., Ltd.	Domestic Non-state Owned Legal Person	4.98%
Shaanxi Coal Industry Company Limited	State-owned Legal Person	3.99%
Ganzhou Xinsheng Investment Management Center (Limited Partnership)	Domestic Non-state Owned Legal Person	1.75%
Industrial and Commercial Bank of China Limited-E Fund GEM Trading Open-end Index Securities Investment Fund	Others	0.92%
Hong Kong Securities Clearing Company Limited	Overseas Legal Person	0.83%
Ganzhou Geshuo Investment Management Center (Limited Partnership)	Domestic Non-state Owned Legal Person	0.64%
National Social Security Fund Portfolio 104	Others	0.56%

Development History

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2008.08 — Was incorporated as a limited liability company in the PRC under the name of "Jiangxi Jinli Yongci Technology Co., Ltd."

2009.06 — Started trial production of REPMs and the research and development of wind power products

2010.03 — Became a supplier for Goldwind Technology, and became involved in the wind power field

2011.12 — Became a supplier for Shanghai Haili's energy-saving VFACs, and became involved in the energy-saving VFAC field

2012.07 — Became a supplier of Bosch, and became involved in the automobile field

2013.10 — Was awarded the title of "Key High-tech Enterprise of the National Torch Program" by the Ministry of Science and Technology of the PRC

2015.06 — Was converted into a joint stock company

2018.09 — Listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300748.SZ)

深圳证券交易所 SHENZHEN STOCK EXCHANGE

2019.11 — Issued 4,350,000 convertible bonds and raised approximately RMB 435 million

2021.01 — Issued 15,725,922 A-shares to specified investors and raised approximately RMB 521 million

2022.01 — Successfully listed on HKEX (6680.HK) and has become the A+H listed company

HKEX 香港交易所

2022.06 — Awarded the first Certificate of PAS 2060 Declaration of Achievement of Carbon Neutrality by SGS

Source: Company Filings

Operation Updates

Sufficient Orders, with Newly Released Capacity

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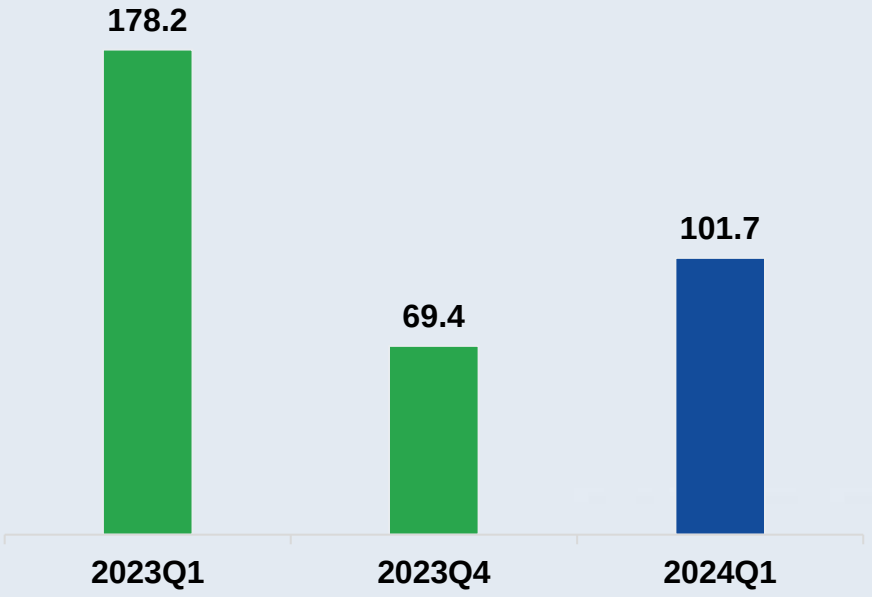
- In 2024Q1, despite declining RE raw material prices and intensified industry competition, the Company secured sufficient orders from downstream clients and progressively commenced the construction of new projects
- The Company's new capacity gradually ramped up, with the capacity utilization rate exceeding 90%. Orders and demand from major clients in the NEVs and auto parts remained stable
- The Company also accelerated the digitalization and automation of production management, strengthened ESG initiatives and actively collaborated with globally renowned clients in terms of R&D of magnetic components for humanoid robots
- During the Reporting Period, the Company achieved RMB1,536.2 million revenue, a decrease of 6.93% YoY

Revenue

(RMB Million)

Net Profit Attributable to Owners of the Parent

(RMB Million)



Higher Inventory Cost under Weighted Average Method Resulted in Lower GPM

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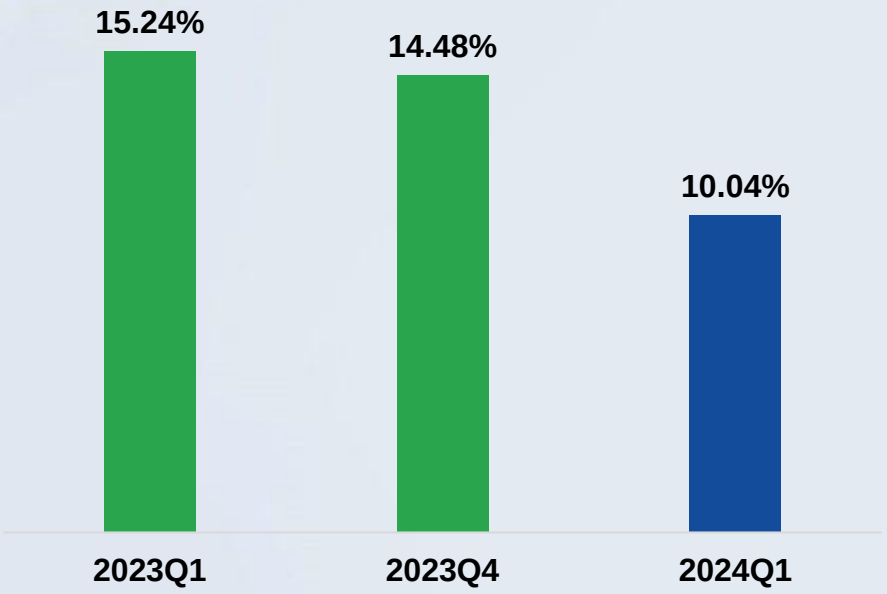
- In 2024Q1, the gross margin was 10.04%, down 5.2 percentage points from 15.24% in the same period of 2023
- On the one hand, major rare earth raw material priced continued declining in 2024Q1. The average price of Pr-Nd (tax included) was RMB473,700 per ton[1], about 42.03% lower than the average price of RMB817,100 per ton in the same period of 2023. Similarly, the average price in Jan 2024 was RMB504,500 per ton, which decreased to RMB431,900 per ton by March 2024
- The significant fluctuations in rare earth raw material prices since the beginning of the year have had a downward pressure on the gross profit margin due to the short-term transmission differences between costs and selling prices
- On the other hand, the Company procured RE raw material with a production-on-demand strategy and used the weighted average method for inventory valuation. The Company was particularly affected by below two contracts that had not been fulfilled, resulting in higher cost of inventory under weighted average method, which in turn lowered the gross profit margin

Gross Profit Margin



Client A:

- Prepaid for procurement of rare earth materials in 2023
- Reflected in the contract liabilities at the end of 2023
- The Company made purchase as per the contract
- The fixed-price contract was not executed in 2024Q1

Client B:

- Changed the delivery schedule for a portion of the order
- The Company purchased RE materials as per contract
- Affected about 600 tons of procured RE metals
- The fixed-price contract was not executed in 2024 Q1

- Above two contracts affected c.4 ppts of gross margin in 2024Q1
- No impairment loss of these RE materials as covered by orders
- Corresponding profits will be realized upon contract execution

Note: 1. According to data published by Asian Metal Net and the Association Of China Rare Earth Industry

Company Strategy

Ramp-up Production Capacity of REPMs

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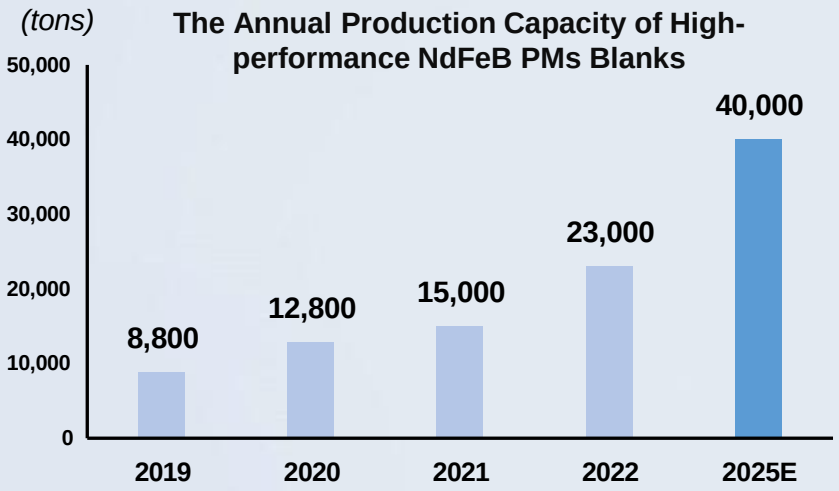
Expanding Production Capacity Meets the Increasing Downstream Demand

1	By the end of 2023, the Company's total annual production capacity of high-performance NdFeB PMs blanks amounts to 23,000 tons, with a capacity utilization rate exceeding 90%
2	The Baotou Phase II, Ningbo project, and Ganzhou High-efficiency and Energy-saving Motors Magnets Base Project are currently under construction as scheduled, which are expected to operate progressively in 2024
3	The Company is expected to achieve 40,000 tons annual production capacity of high-performance REPM blanks and establish advanced production line of magnetic components by the end of 2025
4	The construction of “Mexico Project: an annual output of 1 million units/sets of magnetic components” has commenced

Capacity Expansion Plan by 2025



- In Jan 2023, the Company established a wholly-owned subsidiary, JLMAG MEXICO, S.A. DE C.V., in Mexico. The company has planned an investment in Mexico to construct the “Project of an annual output of 1 million units/sets of magnetic components”, which will have an annual output capacity of 1 million sets of magnetic components upon completion
- The company adheres to an international development strategy and will actively promote the projects’ implementation and enhance market competitiveness in sectors such as humanoid robots and new energy vehicles, providing more favorable conditions for expanding into overseas markets

Continuously Invest in R&D

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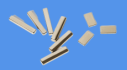
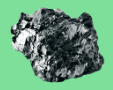
- Further invest in R&D/innovation to enhance production technology, enrich existing product portfolio, and foster cooperation with downstream industry leaders

Continue R&D projects to solidify the Company's existing technology and optimize formulations, launch new products and technologies of high-performance REPMs , promptly meet client demands for PMs upgrades and humanoid robot magnetic component, and lead technological innovation in the industry

Maintain the Company's technological edge in the production of high-performance NdFeB PMs, incorporate the latest international technological advancements and best practices for improvement, and further upgrade proprietary technology



Increase R&D investment, including further reducing the use of medium and heavy rare earths in the production of more widely used high-performance NdFeB PMs



Expand the Company's R&D team by recruiting industry experts and talents, and strengthen the Company's internal training and talent development

Enhance the Company's production facilities by improving automation levels, to promote capacity enhancement while ensuring product quality and consistency

Expand Global Footprints

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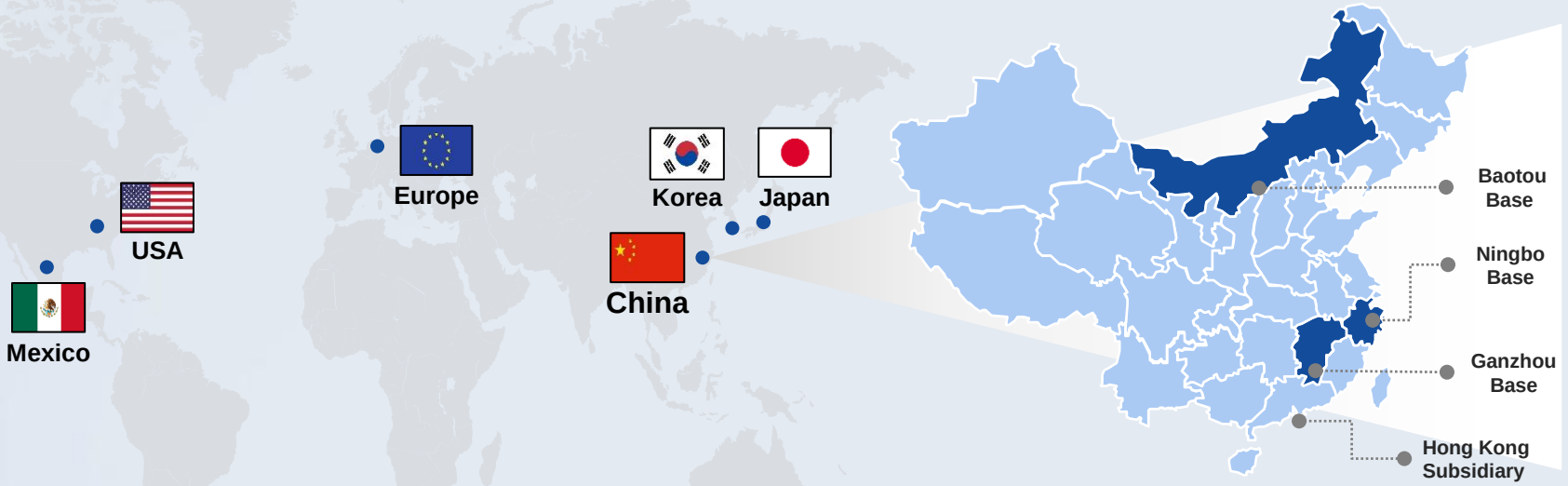
- Due to REPMs' energy-saving advantage and robust performance, we are experiencing a robust demand growth of REPMs globally, especially under the backdrop of global initiative of achieving carbon neutrality
- JL MAG has subsidiaries in Hong Kong SAR, Europe, Japan, Korea, US, and Mexico and is devoted to further expand global footprint to more countries/regions, serving the global demand for REPMs

Serving the Global Demand with Chinese Production Efficiency



Commit to Social Responsibility and Sustainable Development

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- The Company is dedicated to the global mission of achieving carbon neutrality and has taken initiatives including constructing photovoltaic power stations, adopting lean production, saving energy in production, innovating in new technology, upgrading high energy consumption equipment, improving process efficiency and switching to “green electricity”

Construction of “Ningbo Green Sponge Factory”

Utilization of Green Power

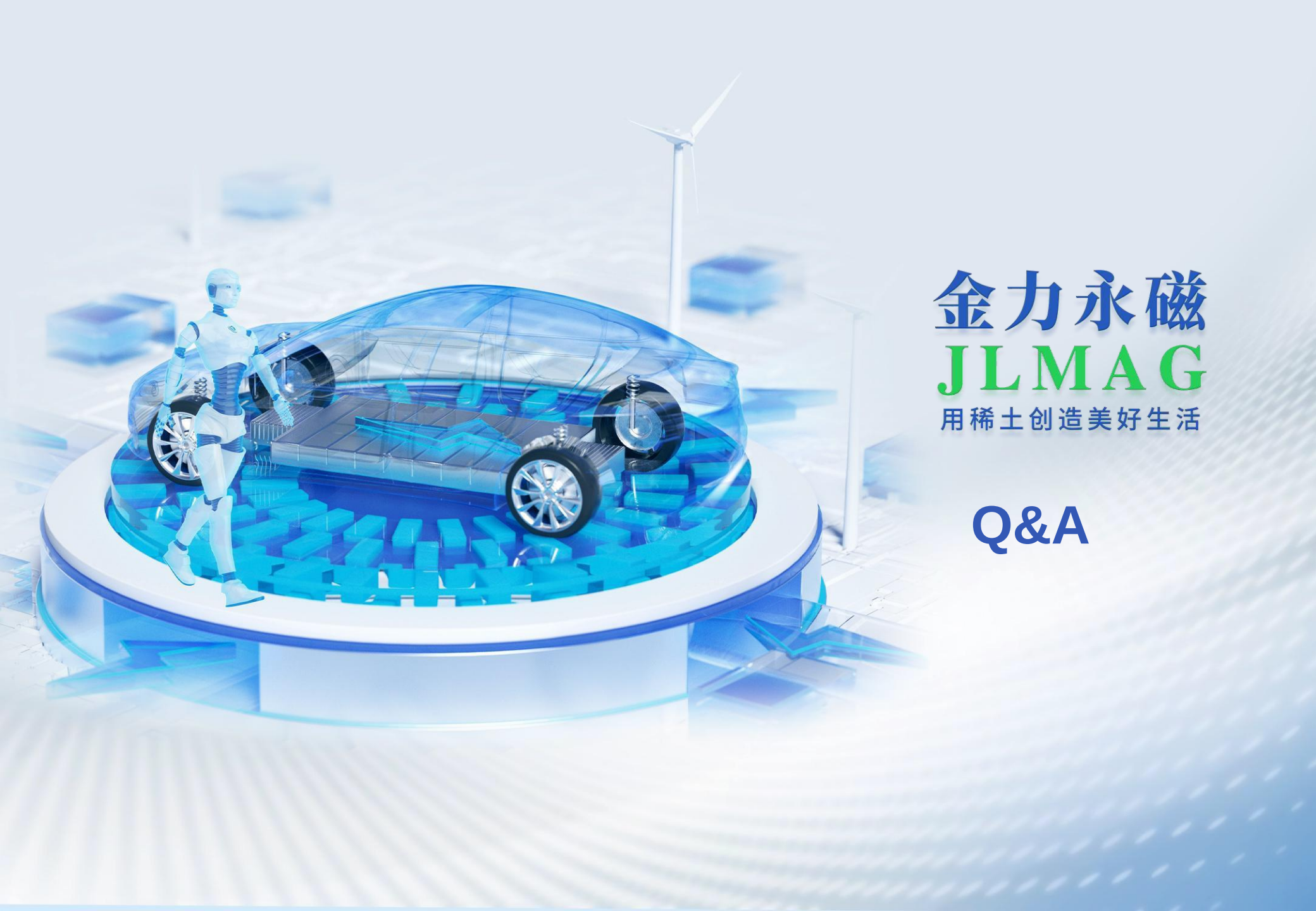
- ✓ In 2023, the total amount of green electricity used by the Company reached 115.65 million kWh, accounting for 41% of annual electricity consumption, of which Baotou Company's green electricity usage totalled 43.36 million kWh, achieving a green electricity usage ratio of 58%
- ✓ During the reporting period, the "Rooftop Distributed Photovoltaic Power Station Project" in cooperation with Ganzhou Tiancheng Tongchuang Intelligent Energy, a subsidiary of Goldwind Technology, has been completed and connected to the grid, with the total installed capacity reached 2.61 MW. It generated 2.42 million kWh of rooftop photovoltaic power in 2023, covering an area of 16,000 square meters, and reducing carbon emissions by an average of 1,735 tons per year
- ✓ The joint project of the 3.2 MW distributed photovoltaic power generation between JL MAG (Baotou) and China Resources New Energy Investment have published government announcement, and is expected to be integrated into the power grid in 2024

The Company's products contributed to a total carbon reduction of about 34.02 million tons in 2023

The proportion of environmentally friendly materials used in product packaging reached 54.5%

The Ganzhou Base continues to hold ISO14064 and PAS2060 carbon neutrality certificates

The use of recycled rare earth raw materials accounted for 29.4% of the total rare earth raw materials used in 2023



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Q&A

Appendix:
Industry Overview

Broad Applications and Rapid Demand Growth of High-Performance REPMs

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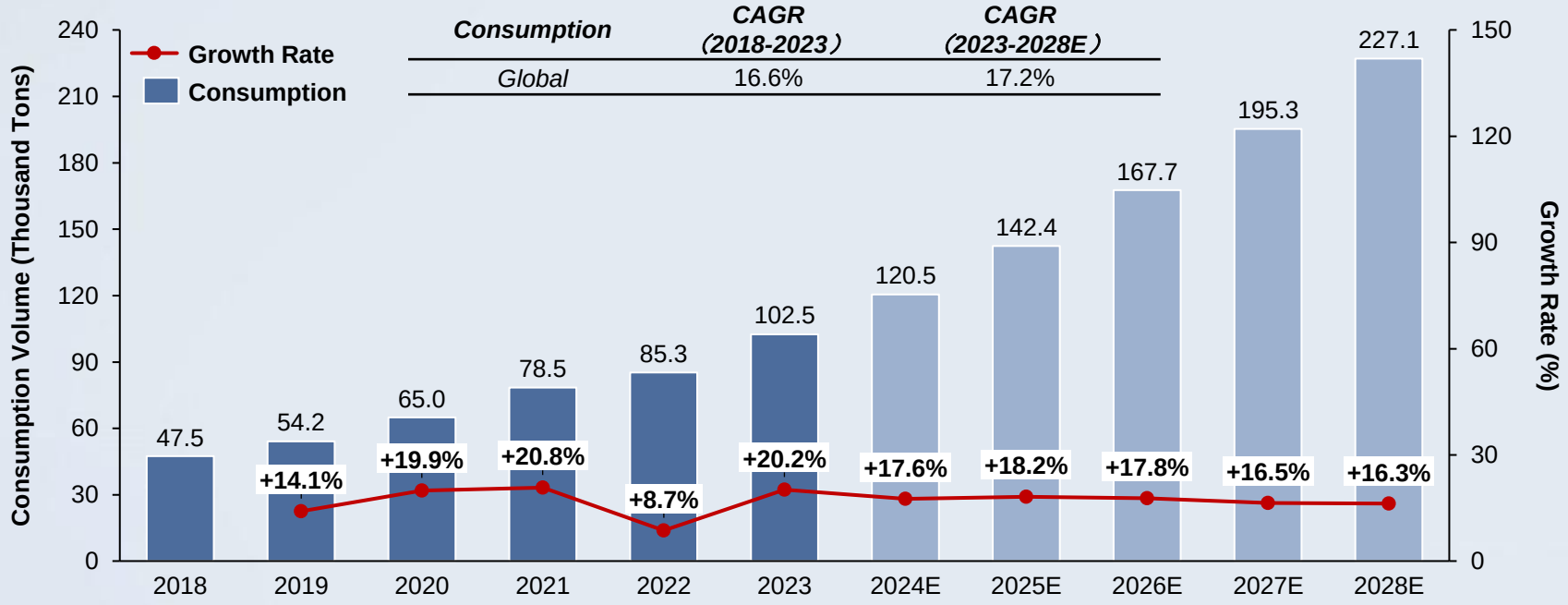
- According to the report by Frost & Sullivan, over 50% of global electricity consumption is attributed to motors. Compared to traditional motors, REPMs motors can save up to 15% to 20% of energy. Furthermore, the application of REPMs enables the miniaturization and lightweight design of variable-frequency household appliances, NEVs and automotive parts, 3C products, aligning with consumer preferences
- The global consumption of high-performance REPMs increased from 47,500 tons in 2018 to 102,500 tons in 2023, with a CAGR of approximately 16.6%. By 2028, the global consumption of high-performance REPMs is expected to reach 227,100 tons, with a CAGR of 17.2% from 2023 to 2028

Global Consumption of High-Performance REPMs - from 2018 to 2028E

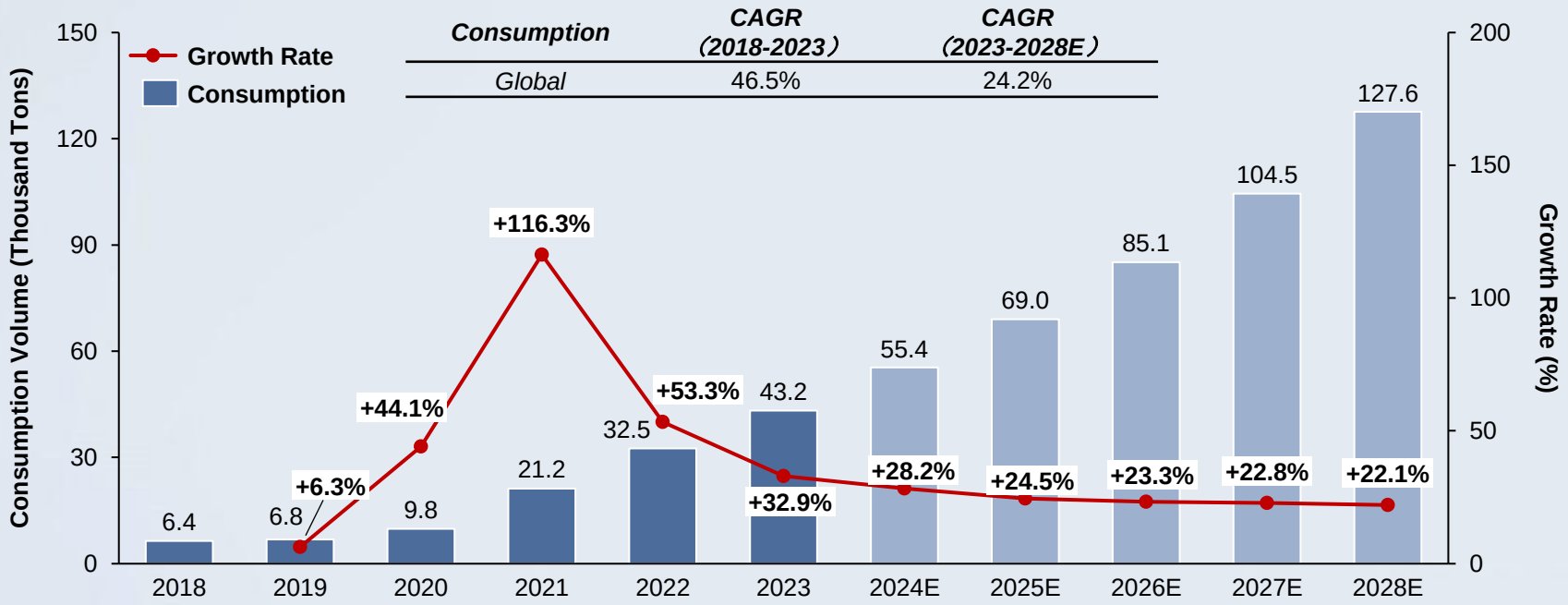


Source: Frost & Sullivan

NEVs Sector

- Currently, numerous global automakers have announced their plans for NEVs and are actively expanding their NEVs production capacities. High-performance NdFeB PMs, as core components of NEV drive motors, are expected to continue experiencing strong demand in the future
- According to a report by Frost & Sullivan, the global consumption of REPMs in the NEVs market increased from 6,400 tons in 2018 to 43,200 tons in 2023, with a CAGR of approximately 46.5%. By 2028, the consumption of REPMs in the global NEV market is expected to reach 127,600 tons, with a CAGR of 24.2% from 2023 to 2028

Global Consumption of REPMs in the NEVs Market - from 2018 to 2028E



Source: Frost & Sullivan

Energy-saving VFCs Sector

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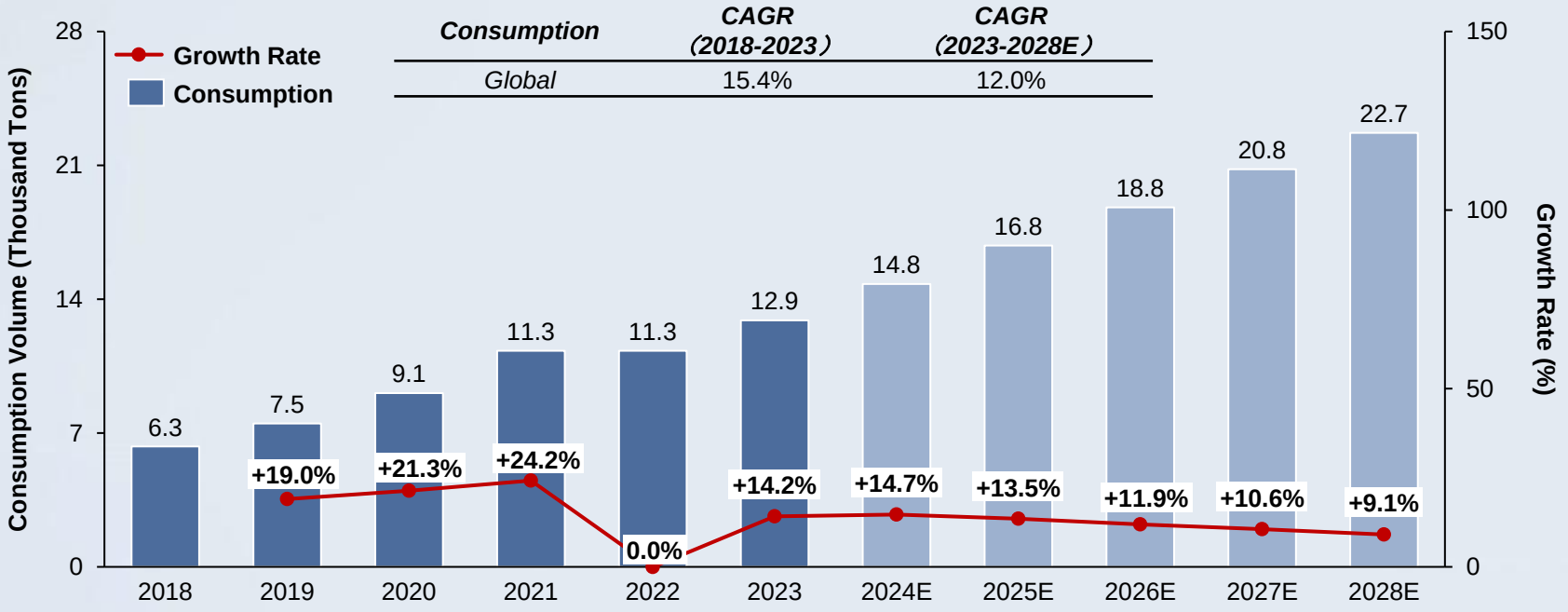
- With the official implementation of the "Room Air Conditioners Energy Efficiency Limits and Grades" on July 1, 2020, fixed-frequency air conditioning have been phased out, and high-efficiency VFACs have become the market mainstream. High-performance NdFeB magnetic steel, as core material for VFAC compressors, is expected to see a significant increase in demand in the future
- According to a report by Frost & Sullivan, the global consumption of REPMs in the energy-saving VFAC market increased from 6,300 tons in 2018 to 12,900 tons in 2023, with a CAGR of approximately 15.4%. By 2028, the global consumption of REPMs in energy-saving VFACs is expected to reach 22,700 tons, with a CAGR of about 12.0% from 2023 to 2028

Global Consumption of REPMs in the VAFCs Market - from 2018 to 2028E

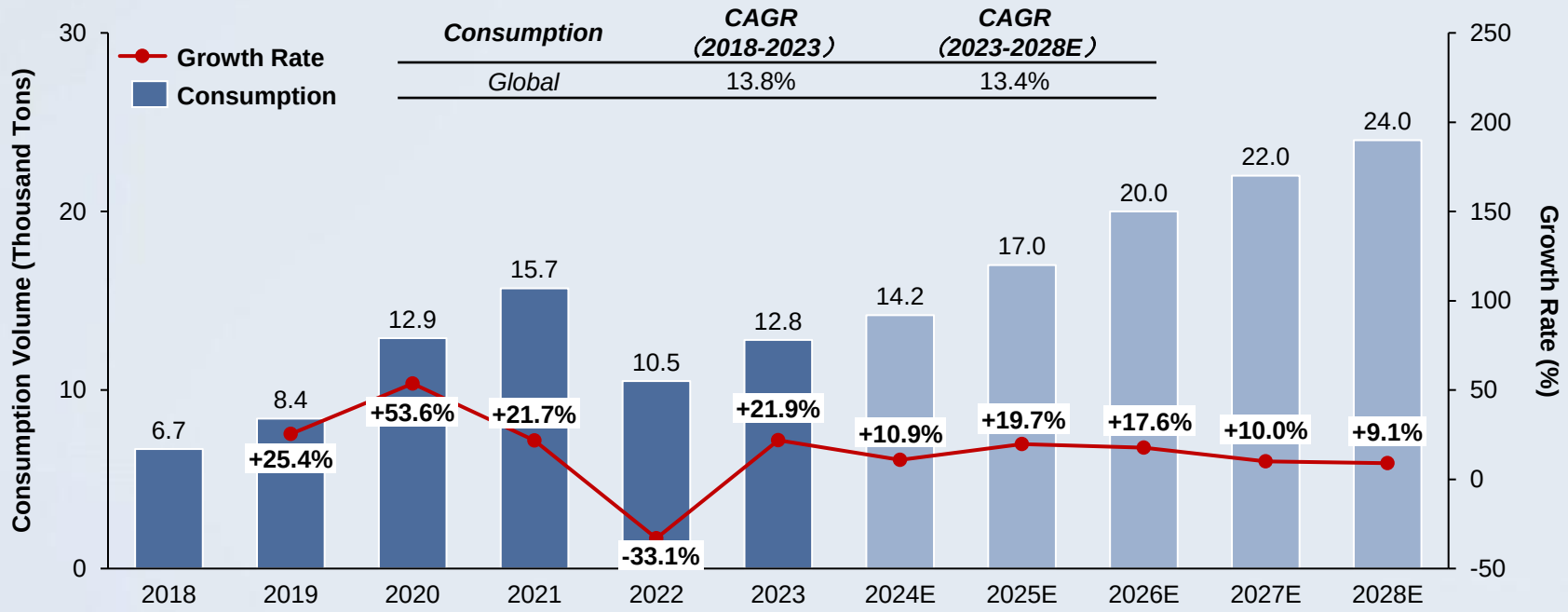


Source: Frost & Sullivan

Wind Power Sector

- In the future, as turbine units become larger, especially with the rapid increase in the proportion of offshore wind power installations, the market share of PM motors will further increase, which will in turn further promote the growth in consumption of high-performance NdFeB PMs
- According to a report by Frost & Sullivan, the consumption of REPMs in the global wind power market increased from 6,700 tons in 2018 to 12,800 tons in 2023, with a CAGR of approximately 13.8%. By 2028, the consumption of REPMs in the global wind power market is expected to reach 24,000 tons, with a CAGR of 13.4% from 2023 to 2028

Global Consumption of REPMs in the Wind Power Market - from 2018 to 2028E



Source: Frost & Sullivan

Robots and Industrial Servo Motors Sector

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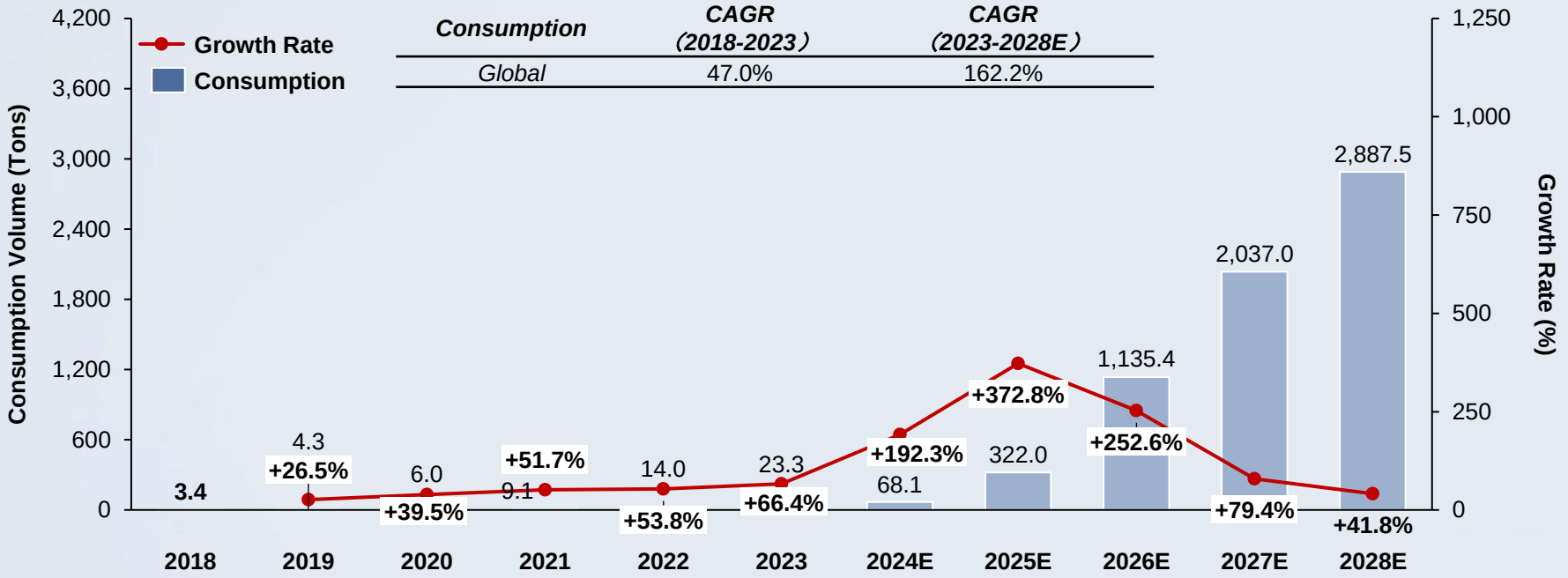
- In October 2023, the Ministry of Industry and Information Technology issued the “Guidelines for the Innovative Development of Humanoid Robots”, elevating the humanoid robot industry to a national level for the first time. The guidelines aim to establish an innovation system by 2025, achieve breakthroughs in core technologies, and ensure the supply of core components. By 2027, humanoid robots are expected to form a strong industrial chain and competitiveness, reaching a world-leading level
- According to a report by Frost & Sullivan, by 2028, the global industrial robot market's consumption of REPMs is expected to reach 6,600 tons, with a CAGR of 13.5% from 2023 to 2028. The global humanoid robot market's consumption of REPMs is projected to reach 2,887.5 tons, with a CAGR of approximately 162.2% from 2023 to 2028

Global Consumption of REPMs in the Humanoid Robot Market - from 2018 to 2028E



Source: Frost & Sullivan