

CEOMORNINGBRIEF

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KUALA LUMPUR (July 20): Demand for steel racking systems is expected to be robust on the back of soaring e-commerce growth propelled by the Covid-19 pandemic, according to Eonmetall Group Bhd managing director and chief executive officer Yeoh Cheng Chye.

Yeoh said e-commerce has been growing “like nobody’s business” and such businesses would need to set up more warehouses.

“Gone are the days when people talked about centralised warehouses. People are talking about decentralisation as you need the speed of delivery. With the emerging growth of online internet business, definitely more warehouses will need to be built.

“In addition, space is getting more expensive everywhere in the world. People have started to elevate and go higher and this can be done through racking. As such, the growth looks to be huge,” he told *The Edge* after an investors briefing on Wednesday.

The Penang-based company’s principal activity is in the manufacture of steel storage and racking systems, metalwork and industrial process machinery and equipment.

Yeoh pointed out that this industry has been further boosted by the capacity expansion of logistics and home improvement companies, as well as real estate investment trusts (REITs) which have also been expanding their warehouses.

“We are seeing a slowdown on the shelving but the racking [of] warehouses, [and] online business are actually booming and as online business continues to boom, more warehouses need to be built.

Eonmetall CEO: Demand for steel racking systems robust as e-commerce fuels warehouse expansion

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“That’s why you see the demand for warehouses keep on increasing. REITs are buying properties and converting them into warehouses and renting them out. As they grow, demand for racking grows,” he said.

Eonmetall exports its products almost worldwide. It exports to countries in Asia, Asean, Asia-Pacific, Middle East, North Africa, and Europe but has not entered South America.

Yeoh said while the group’s racking business is expected to remain resilient, its shelving business is seeing a slowdown especially in terms of the consumer market as high inflation has left consumers with less money to spend.

“Shelving for the consumer market is not a mandatory thing that one needs to buy. But it is nice to have such an item,” he said.

Looking ahead, Yeoh said having obtained the rights to manufacture the “Constructor” brand of static racking products from Norway’s Gonvarri Material Handling AS in 2018, he hopes it will contribute towards Eonmetall’s racking business after a challenging start because of the pandemic.

The brand’s contribution to the company’s total racking business last year was 2% to 3%, and is projected to double to 5% to 6% this year, and to 10% next year.

Yeoh said the ongoing Russian-Ukraine war has not had a significant impact on demand for Eonmetall’s products; the group also has not encountered any supply chain disruptions for its raw materials which it sources mainly from Vietnam, Taiwan and Japan.

But he said a slowdown in the United States and European markets could affect its coming quarters.

Eonmetall posted a 77% rise in profit to RM11.2 million in the first quarter ended March 31, 2022 (1QFY22) from RM6.34 million in the same period last year on the back of a 25% jump in revenue to RM70.61 million from RM56.54 million a year ago.

Eonmetall’s share price finished Wednesday 1.75% or one sen lower to 56 sen, for a market capitalisation of RM156.6 million.