

# **POSCO Holdings Inc. (PKX) Q2 2024 Earnings Call Transcript**

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**Body**

POSCO Holdings Inc. (PKX)

Q2 2024 Earnings Conference Call

July 25, 2024 02:00 AM ET

Company Participants

Ki-Seop Jeong - Chief Strategy Officer

Conference Call Participants

Park Hyun-Wook - Hyundai Motor Company

Kim Yoon Sang - HI Investment Securities

Eugene Lee - Eugene Securities

Presentation

Operator

Good afternoon. Thank you for joining us for the POSCO Holdings Earnings Call for Q2 2024. We will have a presentation of POSCO Holdings followed by Q&A with the participants. [Operator Instructions]

Now, we'll begin the POSCO Holdings earnings call for its Q2 2024.

Ki-Seop Jeong

Greetings. I'm CSO of POSCO Holdings, my name is Ki-Seop Jeong. Earlier this month, we hosted events in Seoul, Hong Kong, and Singapore for POSCO Group's Rechargeable Battery Materials Business Day. In this the uncertain business environment, how we plan to continue to grow and to achieve shareholder return was the strategy we shared at these venues.

The group's new management vision and the buyback and cancellation of treasury stocks comprised the shareholder policy message that was announced. Taking advantage of the market chasm, the Rechargeable Battery Materials business will take firm hold as the second growth engine for the group. This is the strong commitment that we communicated.

In this process, investors have offered feedback from multiple perspectives. First, on the plan to buy back and cancel treasury stocks. We shared that going forward, treasury stocks would be canceled immediately upon buyback. On this principle, many investors mentioned that they heard a more shareholder-friendly policy from the Board and the management.

Next, on our restructuring plans, investors urge that the impact of restructuring will translate into substantive performance outcomes through additional funds that will speak into generating future growth and for shareholder returns.

The industry of EV Battery Materials test soured. During this time, we are closely monitoring demand, fluctuations, and adjusting the speed of our investments. For essential resources such as lithium, we will not lose out on the opportunity to invest.

With this new strategy, the predominant share of investors offered their buy-in. Through this communication with shareholders, we firmed up our strategy and our management activities, we intend to make sure to meet investor expectations with integrity and determination.

Despite that only about two weeks have passed since our last Value Day event, large-scale events that impact the sentiment surrounding the EV industry have happened, and they continue to service.

Changes are happening in the makeup of the U.S. presidential election. On the very far end of the EV business value chain, major OEMs are shifting their strategies. These events are expanding the breadth of uncertainty and unpredictability, providing us to be relentless in our reexamination of our own strategies.

While we continue to examine and reexamine the specifics of our tactics, such as adjusting our investment schedule, the core essence of our strategy, which is to seek growth in the EV Battery Materials business remains unchanged. We'll move forward undeterred.

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In steel, we have built the electric smelting furnace [indiscernible] facility, which is an essential part of the hydrogen-based steelmaking technology. The first batch of molten iron was produced in April, which is a clear proof that we are on schedule to be ready to make future low-carbon steel.

We are not alone in having to deliver on the mandate to offer decarbonized steel based on the belief that hydrogen-based steelmaking should be a national technology interest, we're making efforts to develop this technology with government partnership.

Therefore, we are working with multi-MSIT and other government agencies to seek close consultation. We must also work hard to generate more profit in steel by addressing the lackluster market. Through multiple efforts, we have hit the bottom in Q4 and now we're making a slow, but steady recovery.

In the Rechargeable Battery Materials business for facilities that have been constructed or close to completion, we continue to gas the pedal to enhance operational rate for reliable plant operations.

In our Infrastructure business, we have businesses that are pulling the weight for the group by generating civil process, which is natural gas production. We're on schedule to expand that facility.

In particular, the Stage 4 Myanmar gas field development business is the first project where a Korean company is managing a deep sea development project. We'll acquire our own and own our know-how gains, which we hope to have application for in future projects.

I'll stop here and allow the Head of IR to deliver more detail on our key business activities as well as our second quarter performance.

Unidentified Company Representative

Good afternoon. I'd like to share with you our earnings for the second quarter, which is on page 4 of the presentation. In Q2 of 2024, revenue increased 2.5% from previous quarter to KRW 18.51 trillion and operating profit 29% to KRW 752 billion, driven by higher profits at our steel subsidiary POSCO, and improved infrastructure performance.

If you look at the EBITDA in Q2, it was KRW 1.74 trillion, up by KRW 201 billion. CapEx invested amounted to KRW 2.6 trillion on a consolidated basis. Despite the continued investment with lowering working capital and sell-up of non-core assets, net borrowings increased by KRW 115 billion from the previous quarter end, resulting in a net debt-to-equity ratio of 15.9%, down 0.4 percentage points from Q1.

Next, performance by key business segments. OP of the steel business went from KRW 339 billion in Q1 to KRW 497 billion in Q2, up KRW 150 billion. POSCO improved by KRW 123 billion to record KRW 418 billion. And as sales of high-margin products like automotive steel plates increased at its rolling mills and processing centers in Mexico, Thailand and Turkey, overseas steel profits also improved.

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The business -- Infrastructure business went up KRW 89 billion from Q1 to post KRW 429 billion. Recertification of Phase 3, 4 reserves in Myanmar's gas field and higher selling prices resulted in improved energy profits. Rechargeable Battery Materials posted a loss of KRW 28 billion. POSCO Future M profit narrowed due to initial start-up costs and inventory valuation losses for artificial graphite, while expenses continued to be incurred for projects in its final construction phase, including ramp-up and so forth, including the lithium business in POSCO, Argentina.

Next, I'd like to briefly highlight key business activities by segment in Q2 of 2024. First is HyREX. The HyREX technology under development was designated as a national strategic technology in January this year and was selected for a prefeasibility study by the Ministry of Trade Industry Energy in March.

In May, the project to develop raw materials for HyREX was selected as a global R&D flagship project by the Ministry of Science and ICT. So we're promoting the technology development in earnest aligned with National R&D demo program.

In April, the first batch of molten IR from electric smelting furnace or ESS, a part of the HyREX facility was produced, leveraging the experience of operating two of the world's largest ESF subsidiary, SNNC. POSCO completed the production capacity of achieving a maximum molten iron production capacity of 1 ton per hour over a 7-month period. So with this initial output from the test facility, we can say that POSCO has officially begun preparing for the demo of HyREX technology.

Next is page 6, highlighting the progress of lithium and nickel production. POSCO Pilbara Lithium Solutions, which produces lithium hydroxide from ore, achieved a daily plant operation rate of up to 76% in June. And leveraging the experience from operating the demo plant, efforts are being made to shorten the ramp-up period and obtain certification.

Plant 1 is targeting full operation by February next year, and Plant 2 by September next year. POSCO Argentina, which is based on brine, completed the construction of Phase I as scheduled this month. And to train operations workers and stabilize the facility early, the operational know-how from POSCO Pilbara Lithium Solutions in Gwangyang is being utilized, targeting full-scale operation by April next year.

As for recycling subsidiary, POSCO HY Clean Metal, following plant completion in July last year, achieved 100% qualified product rate as of January this year, and a 92% plant operation rate of June. So you can say that currently quality certification is underway with POSCO Future M, local cathode material, electrolyte manufacturers.

The nickel business involves melting and refining operation with a capacity of about 20,000 tons that goes from SNNC to POSCO. The refinery plans successfully completed the trial run and shipments are expected to begin in third quarter. Indonesia nickel project, it reached 69% construction progress by the end of Q2 and is on track for completion by Q2 of next year.

Next is the natural gas upstream expansion. The development of the Myanmar offshore gas field Stage 3 has been completed and finally began commercial production in April. Also, the Stage 4 expansion is underway. This year the main construction began in July, and once drilling starts in January 2026, we expect full-scale gas production to begin in July 2027.

The Stage 4 is the first Deep Sea development project to be carried out by a Korean company as the main operator, which is different from other stages, which we believe is significant in terms of enhancing and internalizing, our capabilities in natural gas upstream business.

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If you look on the right, in June of this year, in Australia, Senex obtained final approval and this is a very good news. So it obtained final approval from the Australian federal government for its project to triple production capacity. So with this approval, development is expected to accelerate, and new contracts for the increased gas production have also been signed. Senex in Australia plans to secure an annual production capacity of 1 million tons by 2026 by progressively ramping up production.

Lastly, let me update you on the ESG matters. If you go to our website, there is a Sustainability Management Report that was published at the end of June. So the report includes climate change response strategies and measures to address physical and transitional risks required by global disclosure standards for major operating companies with high carbon emissions like POSCO, POSCO International, POSCO Future M and not only that, we have made efforts to transparently and comprehensively disclose status of major controversies surrounding the group and we expanded the scope of ESG data consolidation to include 10 Korean and major overseas group entities.

So we have made such improvements. And with regards to the ESG direction and performance of POSCO Group, please refer to this report.

Our efforts to enhance the information disclosure have been recognized by external agencies. We're seeing an uptick in our ratings. So as a result, in April, we obtained MSCI ESG rating of A, enabling us to achieve the highest levels in various domestic and international ESG evaluations. So if you have any inquiries, please let us know, and we'll get back to you.

Next, I would like to share with you in detail our business performance by key areas. POSCO's crude steel output was significantly affected by the refurbishment of the po long blast furnace 4, leading to a decrease of 650,000 tonnes Q-o-Q, recording a total of 8 million tonnes. Consequently, product sales also fell and the revenue also dropped to KRW 9.27 trillion.

Despite the output cut, usually when the output is cut, the fixed cost goes up. But the March operating profit improved due to the rise in product sales prices and the decline in raw materials input costs. So the operating profit increased by KRW 123 billion won Q-o-Q, totaling KRW 418 billion. So you can see that if you break down the increase, the unit price hike and FX impact contributed KRW 15,000 per ton, and the changes in product composition also accounted for KRW 4,000 per ton. And as for the raw material cost, it went slightly down. So you can see that the raw materials cost dropped, and it was covered by the sales price increase.

Now if you look at the Q3, the sales environment for Q3, and also the prices, all of these environments for Q3 appear to be challenging. Yet, there is a completion of the blast furnace and downstream refurbishment, which is expected to restore production levels to at least that of the first quarter. And second, the continued decline in the cost of major raw materials is anticipated to lower input costs in the third quarter. So if we are to consider all of these different factors, we are cautiously optimistic about achieving further profit improvement in Q3 compared to Q2.

Now let's look at page 10. As for the overseas steel business, there's been an influx of cheap imports in the East and Southeast Asia that has significantly impacted operations. So our major integrated mill subsidiaries, PTKP in Indonesia and PYB9 in Vietnam, recorded about a 6% decrease in sales, thus turning into the right red. For the master in India, it saw a 3% decrease in sales as well. But the profits actually increased because there was an increasing sales of high-margin products like automotive steel sheets at the rolling mills and processing centers in Mexico, Thailand and Turkey. So the overall profit from overseas steel has improved.

Now POSCO International, revenue fell by about 7% Q-o-Q, but OP rose by 32%. In the energy sector, the E&P business saw an increase in operating profit due to the effect of lower depreciation costs from the recertification of gas oil reserves and increase in the cost recovery ratio. Meanwhile, for the power generation, gas power plants entered the off season. So it's due to the seasonal factor, operating profits. The trading business for major materials like store generated stable profits, thanks to strong sales of high-tense steel bound for Europe Americas and green and distributed products.

Next is POSCO E&C. The overall construction sector is not doing very well. But through rigorous management, but revenue and OP have been stably maintained. And we have secured sufficient cash reserves and you are seeing also that we have sufficient cash reserves of KRW1.2 trillion to manage risk and operating by conducting monthly reviews of all of our projects.

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Now let's look at POSCO Future M. Its revenue and operating profit decreased by 20% and 92%, respectively, Q-o-Q. As for the cathode materials, if we exclude the inventory valuation launch, you can see that the situation has improved. So the low operating rate of M65 production line led to a decline in sales of volume, although sales volume and margins for high nickel products increased.

And as for the anode materials, revenue and profits from natural graphite remained similar to the previous quarter, but the initial operation cost of artificial graphite were accounted for shifting to a loss.

So this concludes the brief overview of POSCO Holdings' Q2 earnings. We'll now proceed to the Q&A session. Thank you.

Question-and-Answer Session

Operator

We will begin the Q&A. [Operator Instructions] The first question is from Hyundai Motor Company, Park Hyun-Wook.

Park Hyun-Wook

Hello. My name is Park. Thank you for this opportunity to pose a question. I have three questions. The first is about the steel market situation. So you mentioned that you had hit rock bottom in terms of the global steel market. But how do you expect to see the steel business performing for POSCO? And how do you see the customers behaving in the future?

In Europe, CSDD [ph] was passed as a law in Europe. So the requirements for carbon neutrality has become more intense. So what are the impacts for us? And what kind of countermeasures are you preparing?

The third question is At the EV battery materials value Day, we heard about some of your strategies going forward. So first of all, HyREX development, of course, that needs to succeed, but there are some other things that you are planning in parallel. And I think this is a positive development.

But HyREX happening in Korea, while in the United States and in India, you're planning to take some upstream processes. So some of the upstream processes seem to be happening overseas.

If you have more specifics on this, I would like to hear more about that. And something that is a concern to all of us is -- when will green product demand become more readily realized, because that timing has to come in sync with when we are able to offer those green products. If they are out of sync, then the opportunity to earn from the green premium price to be able to put that back into our development cost, that needs to offset each other. But I'm not so sure that these time lines are going to be in sync. Looking at some of the projections, the demo plant will be completed in 2027 and the commercialization begins in 2030. And after that point, that's when some of the products will be rolling off the plant. But some of the ED plants have been pushed out to 2035. So of course, these are mid to long-term goals, but the schedules don't seem to be aligning to be thinking. So what are your thoughts on how to align these time lines and schedules? Thank you.

Ki-Seop Jeong

So on the question about the steel market, I would like to ask the marketing strategy Chief of POSCO to respond, Mr. Jeong. And then the second question about the supply chain and Europe. We will have Mr. Henri Do [ph], who is the Head of ITA at POSCO Respond and Pasco's development strategies and schedules. We will ask Ms. [indiscernible], Head of Carbon Neutrology Strategy at POSCO Holdings.

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Unidentified Company Representative

My name is Hong. I'm in charge of marketing strategy. In construction and many other industries, we are seeing a slowdown in some of the iron ore and coal prices are also falling, and that's why the market is slow. Because some of these stringent measures are becoming more prolonged, there are projections that trade issues will become more intense, and that's why we think the market is going to continue to post challenges. But there are chances of the interest rates coming down in the United States and then some of the steel policies will become more concrete. So these are some of the positive aspects that we're looking forward to. And these are all going into our strategies so to speak briefly about our strategy. For automotive companies, of course, there are some differences between companies, but because our contracts are based on their EV rollout plan, we do believe that there's going to be a slight increase in some areas and some slight declines in other areas.

Looking at shipbuilding, looking at both the demand and supply side -- there are some differences in opinions. And so I think we need to watch this a little bit further and take a little more time to devise strategies there. In home electronics as well as other markets, we are in negotiations about price for the third quarter. But we believe that price will not budge too much from the current situation? Thank you.

Unidentified Company Representative

I'm in charge of ITA. I'd like to give you my thoughts about the European market. CSDDT was passed in May of 2024 and it went into effect as of 25th of July 2024. So it went through many stages and this has now finally gone into effect and the full breadth of this policy will become evident in 2027. So it will have a broad impact on many supply chains. First, I'd like to explain a little bit about this policy. Some of the supply chains will be negatively impacted. And some of the processing systems, they will have to be offset by getting buy-in from our shareholders. And so we will have to disclose a lot more. Are we preparing as a group from 2027, we will begin a disclosure.

And we will also revise some of our practices. And to do that, we will be conducting some due diligence in our own site. France and Germany are performing their due diligences now. So with BMW and Volkswagen, we will be renegotiating some of our contracts with them. And so our ESG principles and policies will become part of the assessment.

In October 2022, responsible steel was a batch that we earned as an exemplary still making company. So this is a start in the right direction of our certification as an exemplar steelmaker. And so through many internal controls as well as improvements, we will address all of the policies, global trade policies that are coming to for Thank you.

My response to number 3, question number 3 is not only HyREX, but also, we have decided to use the shaft method as an option as well. And HPI, a much more eco-friendly material will be considered as well, especially from Australia and from the Middle East, because they have a lot of renewable energy offerings, we will be considering all of those and evaluating what we need to do going forward.

On the timing of Green Steel offers, rather than wanting 100% Green Steel, what customers want is decarbonized deal, that's what they want by 2030. Major customers such as automotive OEMs as well as energy companies. These are our key clients. What they want is basically what we can offer. So we are negotiating price at the moment for various clients in Europe, because premium pricing is possible, we are in the process of creating a green premium system.

Operator

Moving on to the next question. Next question will be from Kim Yoon Sang of HI Investment Securities.

Kim Yoon Sang

Yes, I am Kim Yoon Sang. I would like to ask you three questions. First is regarding the East Asia. So there is a rising concern. There's a massive expert coming from China, and it's very difficult increasingly to export to Europe, so and to Southeast Asia. So in the mid to long-term, what are your plans? Is my first question.

And as for this year, so still profits or still revenue, I would like to know if you have any guidance to give us. And Nippon still is also seeing some changes and there is a high likely chance that Trump will be elected in the United States. So there is this changing dynamic. So with regards to the Americas, I would like to know what kind of steel strategy or steel business strategy you have vis-à-vis, the Americas.

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And the third question is, recently, when it comes to IRA, there's also an expanding trend in Australia as well, where there is a decreased investment in nickel as well. So when it comes to the nickel prices, I would like to know your outlook.

And there are nickel prices going down and there are lots of restructuring of sale companies going on in China, regarding the stainless steel sales. So I would like to know your outlook on stainless steel.

Unidentified Company Representative

So regarding the three questions, I think that it can be addressed by Ki-Seop Jeong of the Marketing Strategy Office. So that's a very difficult question to answer. So yes, Southeast Asia, our market situation is challenging, it's becoming very difficult to export to Europe.

And also it will be very difficult in the future to sell like Chinese sales, maybe there's going to be a shift taking place towards Southeast Asia. But when it comes to Southeast Asia, there's lots of trade barrier issues and the prices are already very low.

So it is very -- there is a formation of prices that are under the unit prices of China. So there are limitations for additional overflow in Southeast Asia. But we believe that there is going to be a volume coming to South Korea that will progressively increase.

And in the future, we believe there is going to be additional volume coming to Korea. So we are taking many active measures to address unfair trading. Now regarding the second question about the American region and the reelection chances of Trump, we're very cautious to confirm that yet.

But as for the U.S., there are a lot of the trade areas that are very high. And we believe that we are limiting our direct supplies to the U.S. or direct sales to U.S. So we are not very much directly impacted by the U.S. So we're leveraging like Mexico and other countries to promote our sales in that region.

And when it comes to the increasing trade barriers for Mexico that were implemented by the U.S., there is a high chance that there will still be more imposed on Mexican scale still. But our still going to the U.S. or Mexico is not very high. And when it comes to the supplies that are directly provided in Mexico, they're not subject to the regulation. So I think that will have a minimal impact on POSCO Holdings at POSCO.

If Trump is reelected, of course, it's going to have an impact on the exports, and we have to be very preemptive in addressing the import-related risk as well, and we will promote organic collaboration with the overseas entities so that we can collectively respond to trade risk coming from the U.S.

And when it comes to the seamless outlook or nickel prices, it is very difficult to predict or forecast the prices. So nickel prices have gone under USD 16,000 and the nickel stock or inventory is more than 30 months. Inventory turnover is more than 30 months old.

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So, we believe that their prices will not go lower. But in the first half though in the first half, the stainless prices were improved, but we believe that it will be lowered slightly and nickel prices will stabilize at around $16,000. In Q3, it's not going to be that good, but we believe that the nickel prices or the stocks will be used and the stainless prices will improve in Q4.

Unidentified Company Representative

I am in charge of the nickel operations. So, I would like to answer a question about the IRA. As for the company, AMP in Australia shut down their businesses, and there's only a company and that is in operation. So, regarding the nickel sources related with IRA is very limited. And yet when it comes to Indonesia, Chinese players are engaged in a lot of projects, especially [indiscernible]. Looking at [indiscernible] alone, there are ongoing or project -- and nickel projects that exceed 1 million tonnes. So, there are upsides regarding to IRA. But when it comes to supply, nickel prices, the increase will be quite limited.

Operator

I hope that answered your questions. We'll wait for the next question. Next is from Eugene Securities. Ms. Eugene. Please proceed.

Eugene Lee

My name is Eugene Lee from Eugene Securities. I have a few questions. First of all, EV demand industry is slowing and I'd like to know how you're addressing the impact in steel? China has some energy-related regulations, and I'd like to know how you're addressing that?

Another question on nickel. So, you spoke about IRA premium, Indonesia and the United States just like Japan, I think, are being considered as FDA partners. So, I'd like to know what kind of risk we may have?

And in the United States, I believe there are two nickel companies that are being built out, how will they impact us, if any?

And finally, about iron ore and coking coal, do you have any investment plans for coking coal? Thank you for this opportunity.

Ki-Seop Jeong

On the EV market slowdown, let me address that question. Recently, whether it's Tesla, Volkswagen, GM or Ford, they have delayed some of their timelines -- investment timelines and even Altium [ph] recently has been impacted, and they have announced a slowdown, whether it's cathodes or anodes.

When we build new plants, we make sure that we have customer orders. Same is true for our lithium plants and nickel plants. So, of course, there are concerns about the market slowdown. But because our plants are based on customer orders, and we did not expand our facilities unless there are additional orders, we're not as concerned, but there is an EV market slowdown. And because of that, asset prices are falling. And so we think this is an important opportunity for us to acquire new blue-chip assets for next-generation battery materials, we want to be better prepared.

On the second question about steel in China and energy efficiency rules that have come into play, in May, the Chinese government announced its decarbonization strategy. So this was supposed to be a 14 Phase five-year plan, but three years have transpired. So between next year and the year after that, they have to come up with something more specific. Per GDP, they need to be able to calculate how much energy has been saved. And carbon emissions reduction also fares into this equation, and that's why they announced some of those goals.

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So the Chinese government in the past, when it came to environmental regulations, they have announced that many policies and plans. And I think this is part of that, especially in steel, they've talked about adjusting their steel production capacity. In regions where they are unable to meet carbon emissions reduction targets, they won't limit facilities. And in restructuring steelmakers, they want to be able to increase the ratio of electric furnaces. So about 53 million tons of carbon dioxide emissions reduction is what they're targeting for next year.

But how realizable is this? If we talk about 53 million tons of CO2 and comparing that to the production volume of crude steel, it equates to about 10 million tons of crude steel. So in a way, because they have adjusted their production capacity and maybe reduce their production capacity to buy about 10 million tons, perhaps this is realized through that reduced capacity. But how much possible -- how feasible is this without production capacity adjustment, I don't think that's big.

So looking at the current market situation, I think we have to continue to look at what will happen in the Chinese market. I think they will continue to try and reduce emissions. But what's more important is to look at what kind of products are leaving the shores of China and what kind of inexpensive cheaper steel products will be coming into the Korean market, and we need to strengthen our regulations to block that from continuing.

Unidentified Company Representative

I'd like to answer the third question. So between Indonesia and the United States, if FTA is fine, then I think we can trade more volume, but the many players in the Indonesian market, the market is China, and so this has to be exhausted first before it can have any positive impact on us. A lot of the projects that are going on in Indonesia, it's very hard to find one that is not owned by China. So there may be Vale and then there might be Westin [ph], which is a Japanese project.

Vale does about 30,000 tons. Most of it is first metal. And so very little of that is used for our battery material. And most of this enters the Chinese market as metal. So even if FDA signed with Indonesia, is the volume of nickel that is SEOC waste that may not be a huge amount of volume. There is a partner we're working with. And nickel, they produce a lot nickel sulfides, and they are experiencing a lot of difficulty acquiring material that is IRA compliant. So conclusively, I think we can say that IRA compliant nickel is very difficult to come by, and there are only a few companies that are remaining, and production volume is very limited. I hope this answers your question.

On iron ore and coal investments, so to achieve carbon neutrality, we need certain types of iron ore and coal, and so we're working continuously to acquire this. Through Roy Hill, we already have reliable supply, and most of it is based on hematite.

On HBI project-linked plans, DRI pellets and investments for that project is continuously under investigation for coking coal, because we foresee a shortage in high-grade hard coking coal, we are looking for opportunities for hard coking coal, high-grade hard coking coal.

And for the time being, blast furnaces need to continue to operate, but we need to be able to reduce the carbon that is emitted from these blast furnaces, and that's why we need decarbonization technologies. And to make that happen, we need premium-grade coking coal, and that's why we need to acquire more hard coking coal. However, there are ESG issues, and we need to be able to trust our partners. So we are examining investments on those that are aligned to our ESG strategy only.

Operator

Next question is Yeonsoo [ph] from Yuanta Securities.

Unidentified Analyst

Hello, I am Yeonsoo from Yuanta Securities. I would like to ask you two questions. First is, I read that Hyundai Steel has filed an anti-dumping complaint against China. That's what I read in the morning in the newspaper. So when it comes to filing the anti-dumping complaint, I would like to know if there are some prior negotiations that take place between the different entities and negotiating parties. And I would like to know if POSCO actually discussed with Hyundai Steel not to file a complaint. I would like to know the process that is taking place, not only for the steel plate, but as for the hot-rolled and low priced steel, I would like to know your plans when it comes to anti-dumping issues. So I'd like to know what kind of strategies that you have.

And second is in the beginning of July, the chairman during the Town Hall meeting said that, the steel and the secondary battery materials will be important business portfolio, but he also mentioned about the new growth news businesses, so that he plans to promote these new industries for new materials. So I don't really understand exactly the meaning of the new materials or the advanced materials. So can you elaborate more on the definition of new or advanced materials?

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Ki-Seop Jeong

Yes, so regarding the two questions, the first question will be addressed by Kyung-Han Kim [ph], who is the Head of the International Trade Affairs Office regarding the steel plates anti-dumping and regarding the advanced materials, it will be by Lee Ju-tae [ph], Head of the Business Strategy.

Yes, regarding the steel plate and also the Hyundai's complaint, yes, so of course, we discuss about these matters among different countries. And regarding the response to the steel plate imports, yes, regarding the anti-dumping complaint, it was addressed in the media and it was solely based on the Hyundai Steel decision. And as for ourselves -- and there is going to be also a government response to that matter, so we at POSCO will also give our opinion to the government later on.

Regarding the new materials, I would like to address your question. So during the panel meeting, our Chairman, as he mentioned, mentioned about how to promote the new materials and POSCO is trying to enhance competitiveness in steelmaking and also further develop the EV materials business and that have been the main pillars of our business operations. So the business portfolio that we promote or seek as it's outlined in our vision is to open up the future with materials. And when it comes to materials, there is of course the steel and the EV of other materials, but other than these, we can also consider other materials that are somehow associated with these fields, areas. So that was the gist of his comment during the panel meeting.

So other than the steel and the EV materials that we are currently exploring what kind of other materials can create synergies and what kind of materials can be established as a true business domain of POSCO. And in the latter half of this year, we will review these potential domains to make a decision as to what kind of domains we should enter going forward.

The review is currently underway and I cannot elaborate on the specific matters, but mostly as you saw in the steel and the EV materials, the new materials or the advanced materials will be related with our existing business operations. So I can largely name like advanced materials related with mobility or related with the green energy and green infrastructure. It may sound a little bit abstract, but we would like to focus exploring new materials in these areas so that they can become our main domains of business. Thank you.

Operator

Next question. Park Yoo Shin [ph] from HSBC. Please proceed.

Unidentified Analyst

Thank you for this opportunity. I have two questions. First is about CapEx. So how much of it has been administered this year? And are there any adjustments based on the guidance that was released earlier and updates on some next year CapEx plans as well? And next, you mentioned during value day about some of the cash reserves and so based on the cash reserves that you intend to make available, how does CapEx change?

Next is on lithium. We -- the market is flooded, so there's oversupply. And there was, why the price is falling. Of course, there are various variables, but when do you intend to meet BEP? Thank you.

Ki-Seop Jeong

So question about CapEx and investments. Let me address that portion. This year, what we're planning is, or investment that is, is in consideration of the market CASM as well as the steel market outlook, because the situation is much more depressed than we had originally projected. Our investment plans are also being reduced.

So we have reduced our original CapEx by about KRW 200 million and about KRW 100 billion has already been executed. Infrastructure had about 0.5%. EV battery materials received more than 30-some percent. And so we rarely execute as much CapEx as we planned. They are usually a little bit shy of the plan. And so we believe that is how it will proceed this year as well.

For next year, we don't have a business plan for next year yet, that will come in about September, October time frame, and that's when we will start to read into some specifics, but for steel, infrastructure and EV battery materials some of the investments that we have already planned, of course, there will be small adjustments, but they will move forward and deterred. So based on this year's original plan, we have upped that a little bit, so they have increased a little bit.

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About KRW 10 trillion is what we believe will be executed next year. And some of the cash that will become available through restructuring, what we intend to do with that? Yes. Through our value day event, we explained some of what we plan to do.

First of all, shareholder return is what we will expend some of that for. And most of the available cash will of course, go into investment and some of the investments that we're making are not small, whether it's EV Battery Materials or other growth businesses and that includes steel. So whatever other growth businesses that we believe require extra investments -- additional investments.

Second question, I'd like to address that lithium prices, as you all know, especially hard rock lithium prices is determined by the hard rock itself. So that's why it's very challenging to answer this question. Lithium prices, we believe, have hit rock bottom. That's what we believe. And of course, there are various different perspectives about when this will begin to rebound. Some people look out to 2028, others pull it into 2026. So BEP is when price will recover.

But one positive point is Argentina as well as PPLS in Argentina, they have each entered ramp-up stage and production volume is incremental. And while the prices stay low, we want to be able to firm up our facility and to incrementally increase operation rate and to certify our products. So we are kind of waiting for prices to rebound, so that we can pull that into a higher gear.

Ki-Seop Jeong

Next question, please.

Operator

Next question is from [indiscernible].

Unidentified Analyst

Hello. I'm [indiscernible]. I have a question about the iron ore industry. So in the latter half, we see that the sales will go up. But what is your sales outlook for the latter half of this year? And when it comes to the steel prices, it's sort of recovering, but do you believe that the profit will be on par with the increase in profits in the second half. So I would like to know what will be the outlook for the latter half.

And during the Value Day, you mentioned about the restructuring of the non-core assets, and I would like to know in the process of restructuring these assets, there could be some losses that could be generated and it could actually lead to increase volatility in the short-term. Is that also of your concerns?

Unidentified Company Representative

Regarding the steel business, in the second half, the overall sales and the operating profit outlook, I think that was the gist of the question. So I think that we'll be able to see an increasing -- increase of about 1 million tons of sales in the second half, because there's been a restructuring of BS, and we are going to expand a high profit or high-margin products in the second half as well. So we believe that will lead to a reduced fixed cost and increasing sales prices, so that will contribute greatly to increasing the overall profits.

But in Q3, the global steel prices will go down and the overall raw material prices are declining. So, we believe that the steel prices will continue to go down in Q3 as well. As I mentioned before, in Q4, there is a production cut or output cut scheduled by China. So there is a high chance also that the prices could go up. But we believe that in Q3, the price will go down and slightly go up in Q4.

But as for the mill margins, there is the reduced fixed cost and also compared to the steel prices cut, the raw materials prices will go much down. So we believe that will lead to increased profit or a slight increase of profits.

So the losses that could be incurred during the restructuring process was regarding the second question. So yes, 120 assets will be restructured if they are not aligned with our strategy, we will go ahead with this progressively. So this year as well as next year, and we will set up about restructure by 97% of the assets by 2027. So as we restructure our noncore assets, there could be live underperforming assets included as well. So of course, there could be losses temporarily incurred.

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However, the temporary sale of losses could be spread out evenly across over different years. And in that process, there will be cash generated. And every year, the consolidated earnings will also improve. So they will be accounted for on an accumulated basis. So in the short term, we'll be able to fully cover the losses. So in the mid to long term, we'll be able to implement this restructuring well. So each one year, these losses will not be accounted for one specific year. So it's not going to have a huge impact on the earnings is what we believe.

Unidentified Analyst

And to add some comments, when it comes to operating profit, once the restructuring is complete, the losses will go to profit, shift to profits and the losses that you're talking about probably is about some of the operating profit losses that could happen on the balance sheet. So is there additional question...

Ki-Seop Jeong

No other questions have come up. [Operator Instructions]

Ki-Seop Jeong

I believe all the questions have been asked. I'd like to wrap this up. I'd like to thank everyone for participating, and I hereby close the second quarter earnings release reporting session. Thank you very much.

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