



# 華夏海灣塑膠股份有限公司

## China General Plastics Corp.

### Investor Conference

2020/3/25

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2019 Review & 2020 Outlook	胡吉宏 副總經理 Otto Hu, VP
	2019 Finance Information	郭建洲 經理 C C Kuo, Manager
15:00~ 15:30	Q & A	林漢福 副董事長 H F Lin, Vice Chairman



# **China General Plastics Corp. 2019 Review & 2020 Outlook**

**Reported by; Otto Hu  
March 25, 2020**

## **2019 Review: Ethylene & EDC**

- ◆ **Due to the US shale gas based C2 supported by low cost and the Asian C2 from new crackers, the Asian C2 prices had been moving with down trend even though the unexpected S/D or speculations.**
- ◆ **The EDC prices continued going up in 1Q 2019 and reached \$400 CFR NEA or above in April. The market prices went down in Q2, but it moved up again especially in Q4 for low operating rate of chlor-alkali plants globally.**

## **2019 Review: PVC**

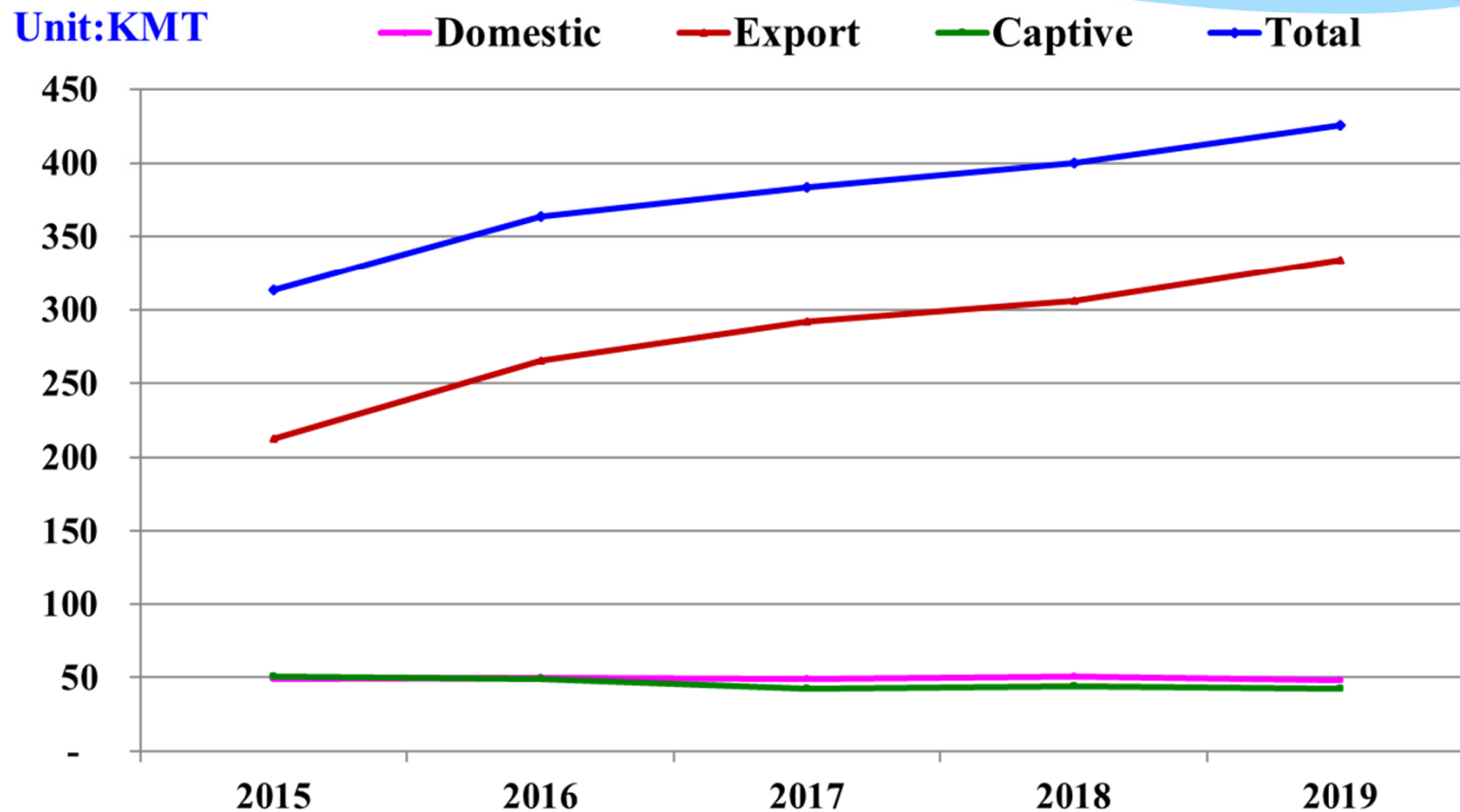
- ◆ **Owing to the trade war and the economic uncertainty, the 2019 PVC demand in China and S/E Asia were weak. However the Indian purchases of deep-sea cargos with cheaper prices were not bad. The prices were low especially in Q3. The market prices improved finally in end 2019.**
- ◆ **The average PVC prices in Asia went down by \$60 against 2018. However, the overall demand were improving in China, Bangladesh, India and S/E Asia.**

# 2019 Review: Consolidated Sales

- ◆ The consolidated net revenue was NT\$15.118B, which decreased by NT\$74M YoY.
- ◆ Sales Quantities (KMT)

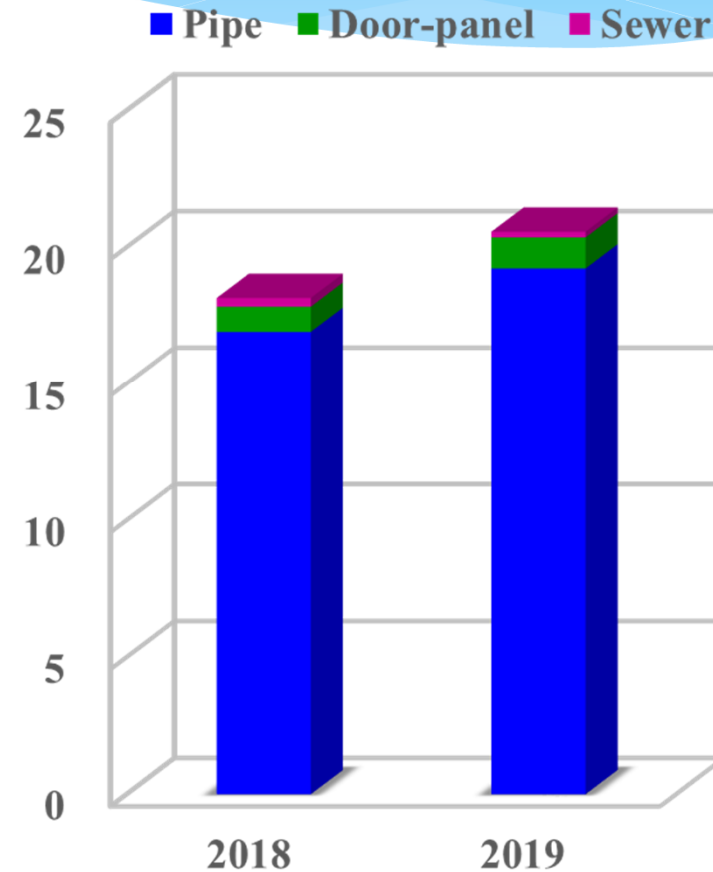
	2019	2018	Growth
VCM	39	49	(10)
PVC	383	357	26
PVC products	65	69	(4)
Alkaline	58	63	(5)
Total	545	538	7

# 2019 Review : PVC Sales Mix



# 2019 Review: Construction Products

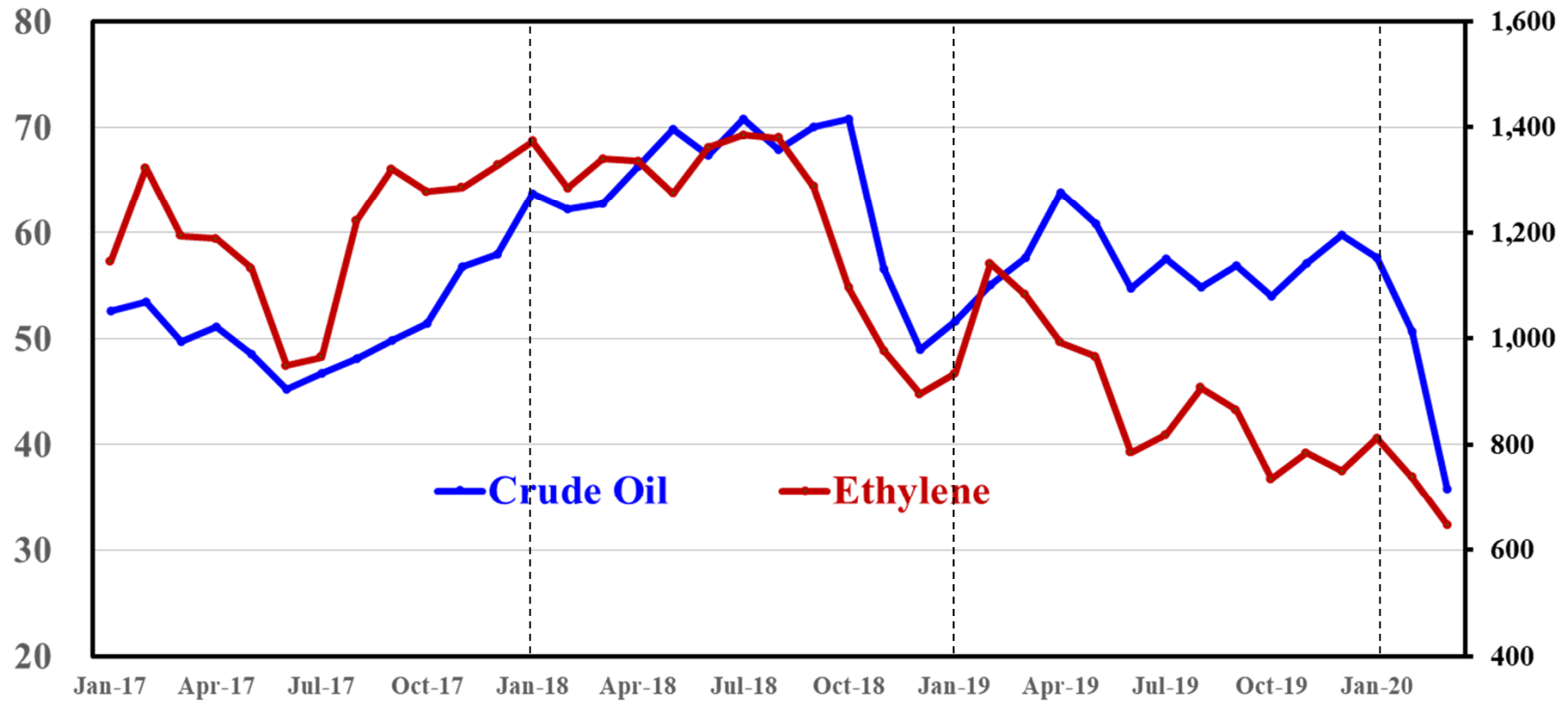
- ◆ The pipe quantity sold in 2019 was 14% increase YoY because of the major purposes for new city land, waste water, main pipes from water works and electrical pipe for windmill.
- ◆ The quantity of door panel sold in 2019 was 23%, which was also contributed by the product mix of foam panel.



# Crude Oil & Ethylene Monthly Ave. Prices

Unit:US\$/bbl WTI

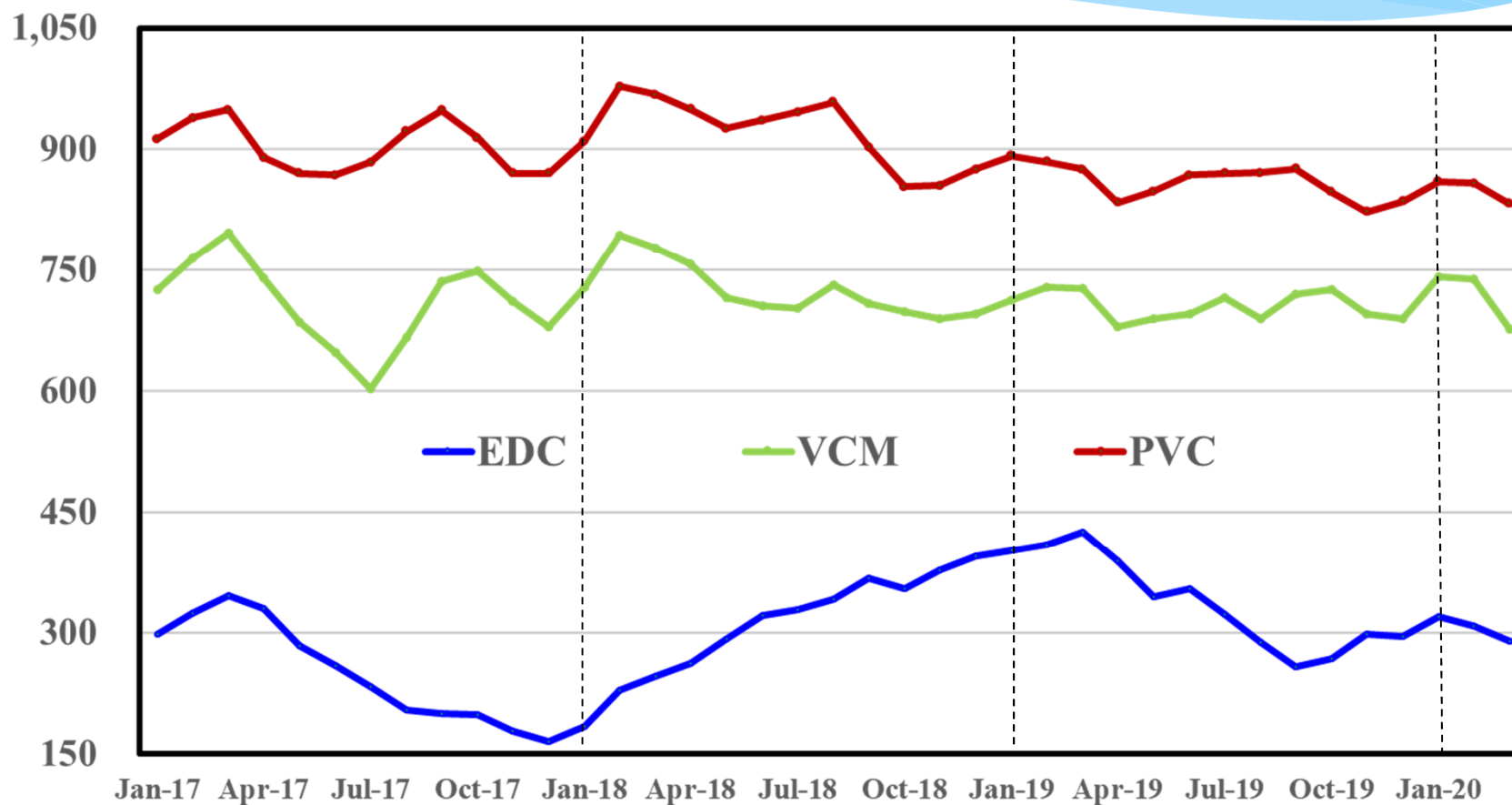
Unit:US\$/MT CFR NEA (Platts)





# PVC/VCM/EDC Monthly Avg. Prices (Platts)

Unit:US\$/MT CFR NEA (Platts)



# 2020 Outlook: Ethylene

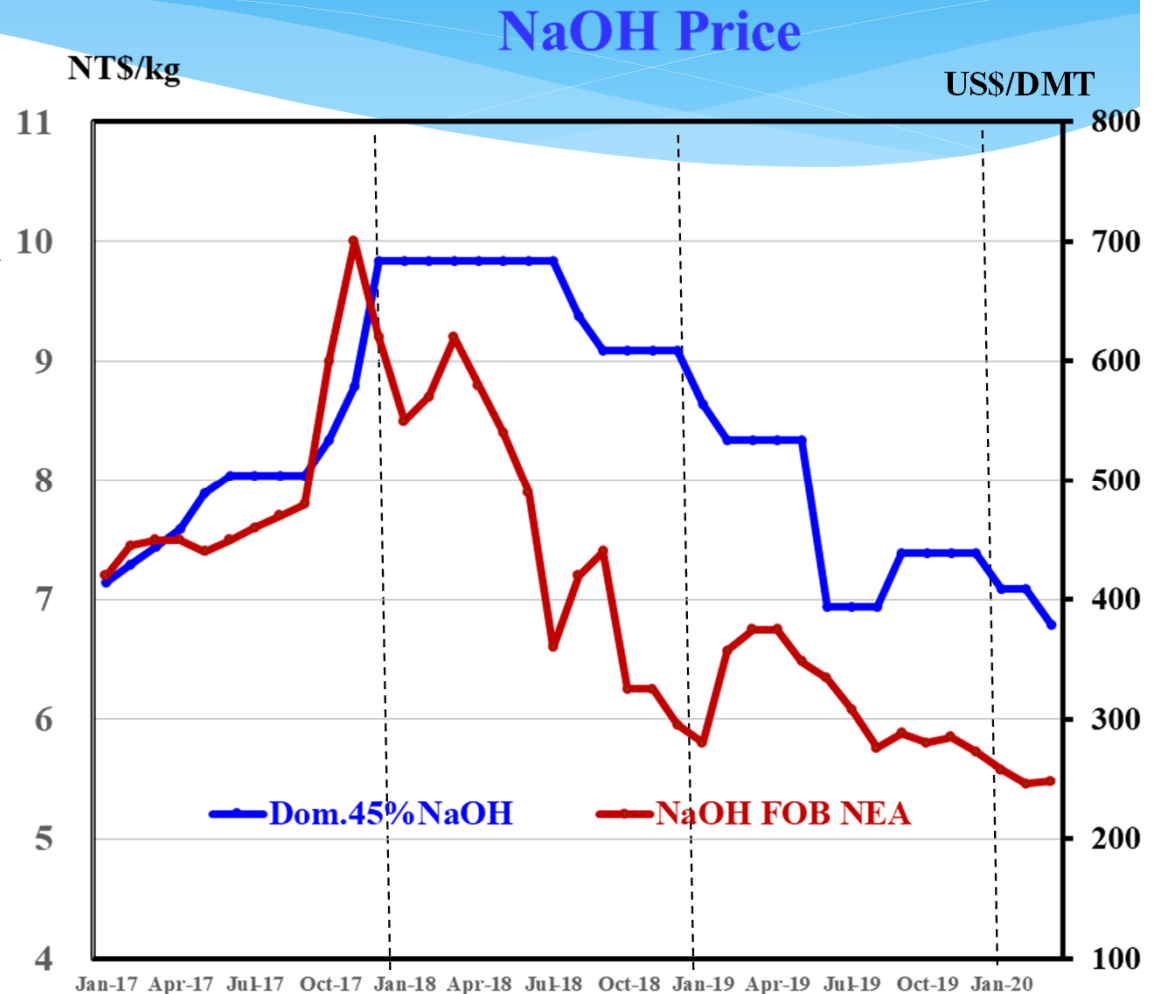
- ◆ **The ethylene demand and prices in Asia were heavily impacted by Covid-19 and big price drop of crude oil in Q1.**
- ◆ **The new crackers in Asia usually equip with the facilities for downstream derivatives and consume the ethylene internally. They usually have strong ability to compete in the market and remain no room for other small competitors. So, there are not so much overall ethylene demand increase in Asia.**

## 2020 Outlook: EDC

- ◆ **The EDC prices in Q1 were softer than we saw in last year end. The long supplies due to PVC and VCM T/A in US and new start of EDC expansion in LG Korea, which lowered the EDC prices.**
- ◆ **The operating rate for US chlor-alkali is expected going up due to stronger demand in caustic soda after cold winter. Braskem is maintaining the regular EDC purchase and will support US chlor-alkali to keep normal operating rate to get the balance for both caustic soda and EDC. EDC price is expected reasonable in long term.**

# 2020 Outlook: Alkaline

- ◆ The Asian caustic soda price was low but stable and demand was weak in Q1 because of production delays in downstream users for Covid-19. However the users in US were building up the inventories and pushed price up by \$30~40/dst. So, the outlook of caustic soda is expected getting better.



## 2020 Outlook: PVC (1/2)

- ◆ **2019 China PVC import decreased by 9%, the gap was filled by export decrease of 10%. However, the domestic PVC prices were higher than any market in Asia. The Covid-19 did impact the PVC consumption in Q1. In long term the carbide PVC output is expected to limit due to the issues of safety and environment and the higher cost comparing with ethylene-base PVC.**
- ◆ **The GDP growth in India was not good in 2019. But the PVC import still hit the record at 2 million tons. As the huge demand of application for irrigation pipes after the ease in Covid-19 outbreak, PVC outlook in India is still optimistic in 2020.**

## 2020 Outlook: PVC (2/2)

- ◆ **The GDP growth is much better in S/E Asia especially in Vietnam, Philippines and Indonesia. The PVC demand in Vietnam is about 700kt after some production bases moved from China due to the trade war. The trend is on going and will change the PVC trade flow and offers a good opportunity in the future.**
- ◆ **The fabricators for pipe, film & sheeting, compound and wire & cable in Bangladesh, Myanmar, Sri Lanka and Cambodia are potential. The PVC imports are expected to continue increasing and replace part of roles played in China and India.**

# 2020 Outlook: PVC Products

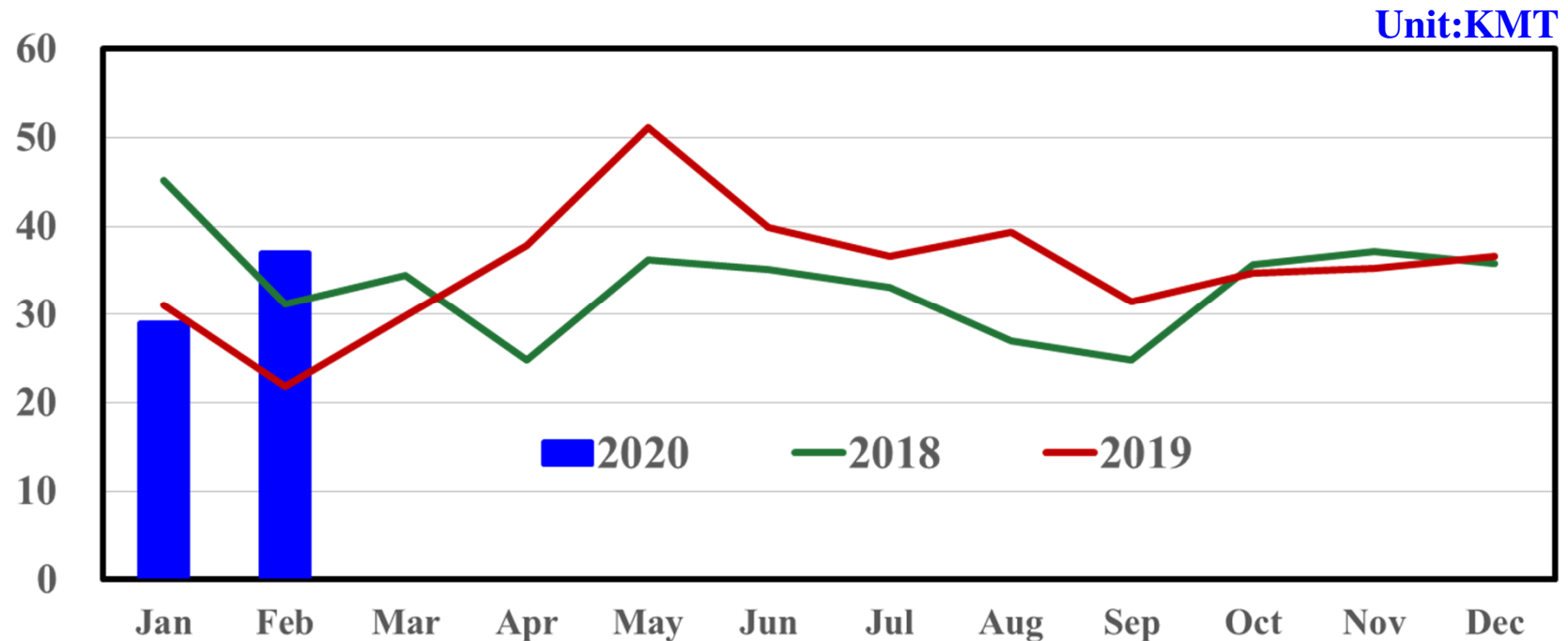
- ◆ **Taiwan government is aiming at the infrastructures to improve the overall economic situation. The housing and real estate outlook seem stable based on the house transactions, housing start, investors' return from China. PVC pipe and door panel business have been good so far and expect to continue.**
- ◆ **CGPC year to date PVC film and leather business in US is much improved. The increased business is partly transferred from China because of trade war and Covid-19. We are watching and taking the actions for the influences on the further disease outbreak in any other markets.**

# 2020 Outlook : PVC Sold by Month

**PVC total quantity sold in 2020:**

**YTD in February: more than 65 kt**

**YoY increase: 25%**





# 2020 Outlook : Consolidated Sales

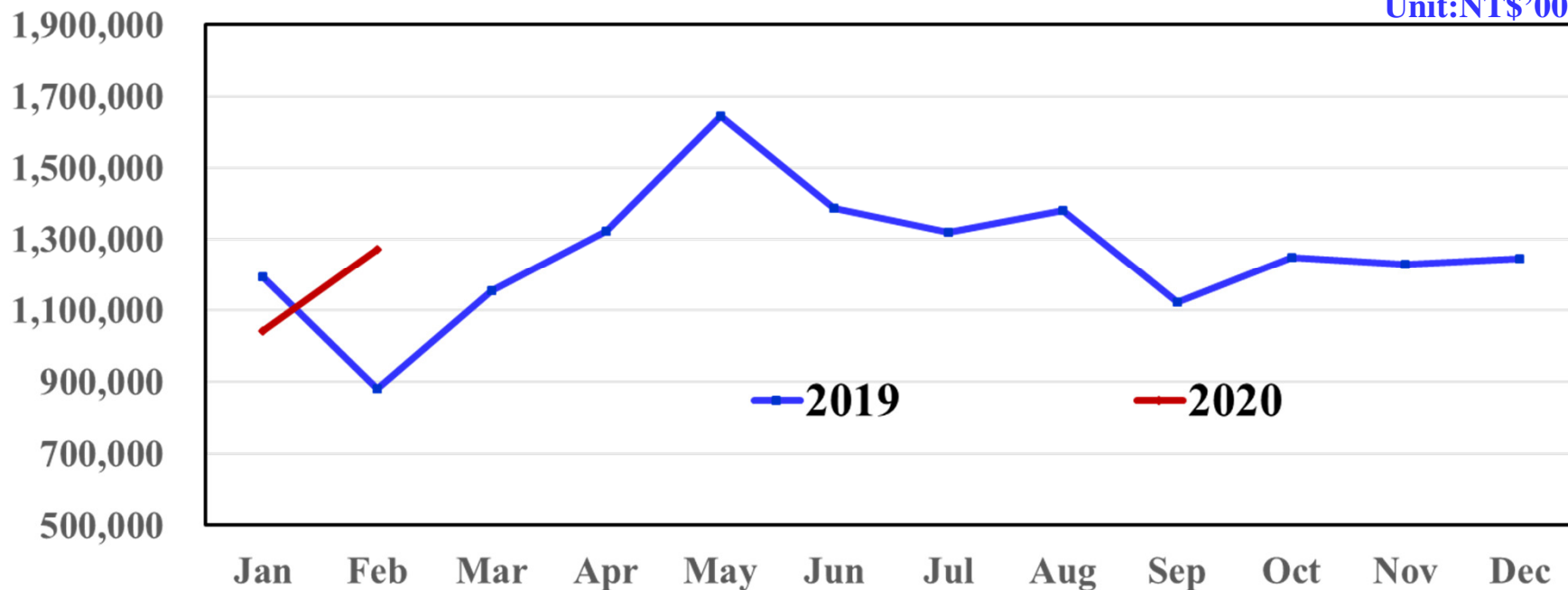
**CGPC consolidated net revenue:**

**YTD in February: NT\$2.311B**

**YoY increase: 11.43%**

**CGPC Consolidated Net Revenue**

Unit:NT\$'000





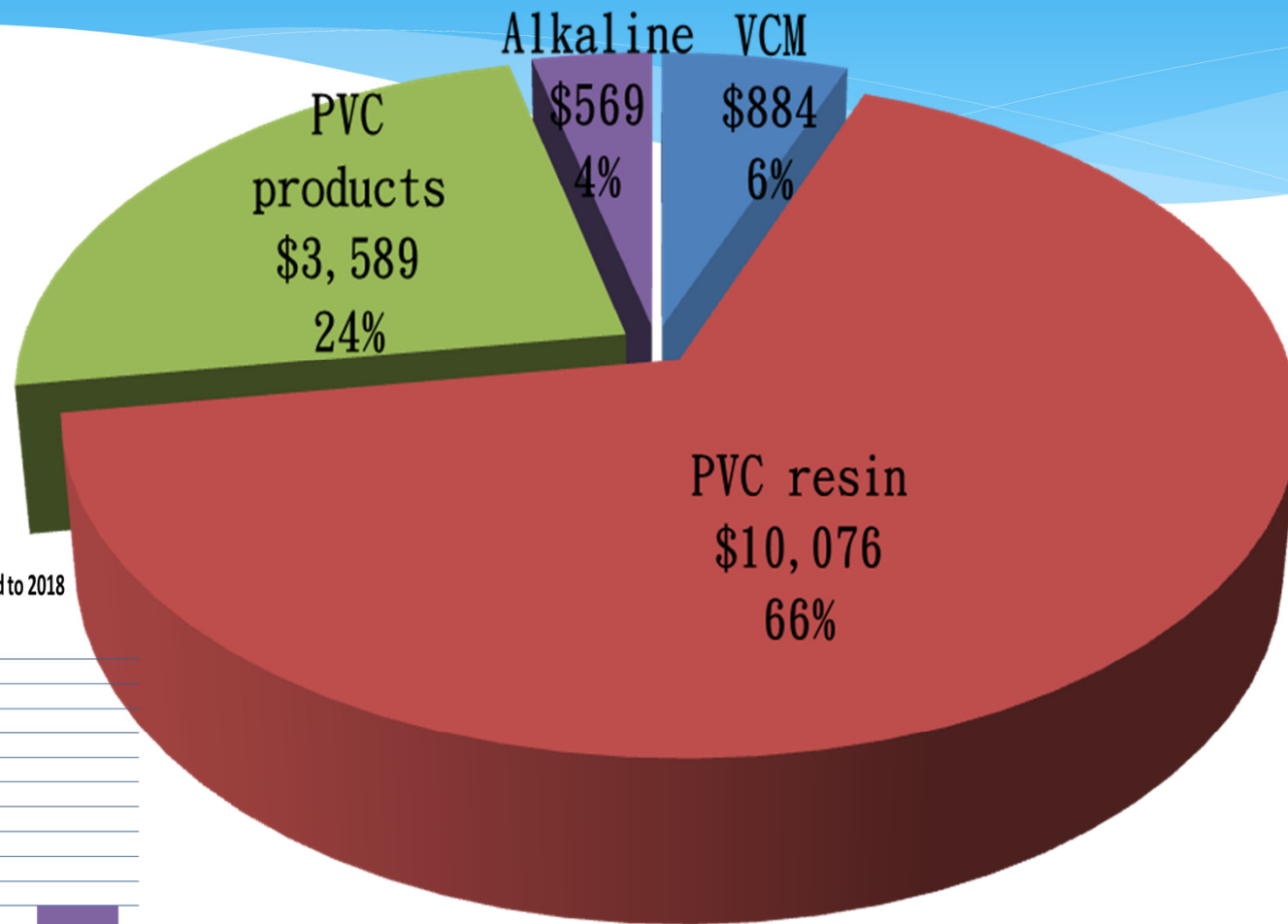
# **China General Plastics Corporation and Subsidiaries**

## **Finance information**

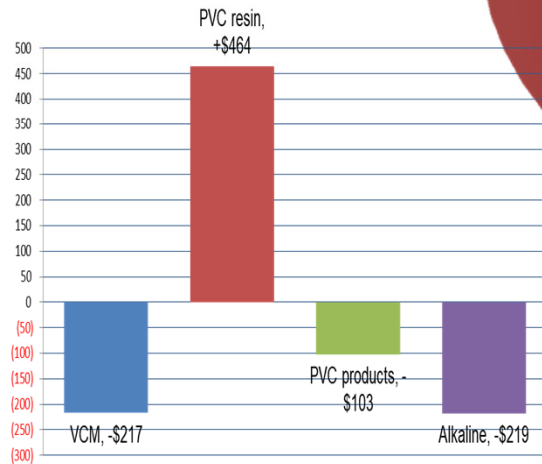
**Reporter : C.C.Kuo Manager**

**Date : 2020, Mar. 25**

# 2019 Sales by product (NT\$million)



2019 FY Inc./ (dec.)- compared to 2018



# China General Plastics Corporation and Subsidiaries

## Consolidated Statements of Income

(In millions of NTD, except per share data)

	2019 FY	2018 FY	YoY%	2017 FY	2016 FY
Sales	15,118	15,193	-0.5%	14,702	14,157
Cost of goods sold	13,148	12,490	5.3%	11,925	11,217
Gross profit	1,969	2,703	-27.1%	2,777	2,940
gross profit ratio	13%	18%		19%	21%
Operating expenses	1,196	1,130	5.8%	1,126	1,066
Operating income	774	1,573	-50.8%	1,651	1,874
operating income ratio	5%	10%		11%	13%
Non-operating income(loss) *	84	89	-5.2%	(37)	(52)
Income before income taxes	858	1,662	-48.4%	1,614	1,823
Income taxes	160	306	-47.6%	275	280
Net income	698	1,356	-48.5%	1,339	1,543
net income ratio	5%	9%		9%	11%
Net income attributable to					
- China General Plastics Corporation	643	1,276	-49.6%	1,270	1,443
- noncontrolling interest	55	45	23.3%	69	100
Earnings per share	1.22	2.52	-51.6%	2.58	3.02
adjusted		2.42		2.51	2.85

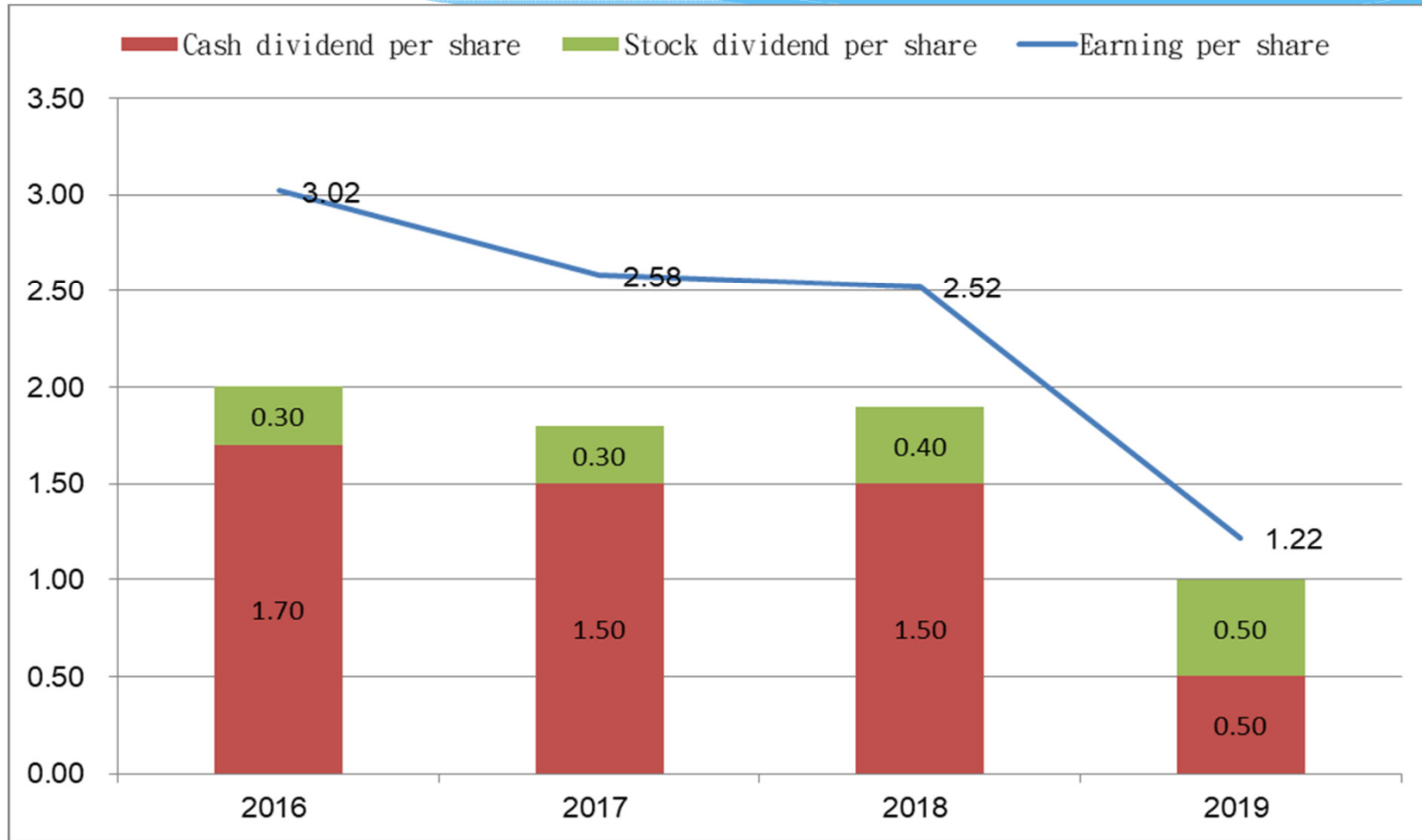
\*note: Non-operating income(loss) included discontinued operations income(loss)

# China General Plastics Corporation and Subsidiaries

## Financial ratio analysis

	2019 FY	2018 FY	2017 FY	2016 FY
Operating income margin(%)	5.1	10.4	11.2	13.2
Net income margin(%)	4.6	8.9	9.1	10.9
Debt ratio(%)	29	33	35	42
Current ratio(%)	288	300	336	290
Quick ratio(%)	193	215	229	218
Accounts receivable turnover	40	42	39	36
Inventory turnover days	44	52	55	58

# EPS vs DPS







# Thank You





# Q & A