




# 華夏海灣塑膠股份有限公司

## China General Plastics Corp.

### Investor Conference

2020/8/17

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2020 H1 Review & 2020 H2 Outlook	胡吉宏 副總經理 Otto Hu, VP
	2020 H1 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.

## 2020 H1 Review & 2020 H2 Outlook

Reported by: Otto Hu  
August 17, 2020

# 2020 H1 Review: Ethylene & EDC

- ◆ **The lockdowns on Covid-19 lowered down the ethylene demand and resulted in price drop in Q1. The situation continued in early Q2 and led the market price hit the bottom in NEA. Most crackers cut operations to prevent further loss. However, the demand recovered after the lockdowns were gradually lifted after middle Q2.**
- ◆ **The EDC price was stable high in Q1 because of good PVC business. The US chlor-alkali also ran with high OP rate. PVC demand suddenly disappeared due to lockdowns in major markets. The oversupply of EDC led US EDC price dropped to record low in early Q2. The EDC prices finally rebounded in later Q2 in line with PVC.**

## 2020 H1 Review: PVC

- ◆ **The trade war and Covid-19 much impacted Chinese PVC demand in middle Q1. However, the demand outside China was still not bad. The overall Asian PVC demand started getting worse after the bankruptcy for Yes Bank happened in India.**
- ◆ **The lockdowns in India, Bangladesh and other countries made PVC prices crashed in line with crude and ethylene. Most producers shut down or decreased the operations for VCM and PVC in early Q2. The situation fortunately changed from May. The PVC converters in China, India and other Asian countries returned to work. The demand improved and price went up as well.**

# 2020 H1 Review: Consolidated Sales

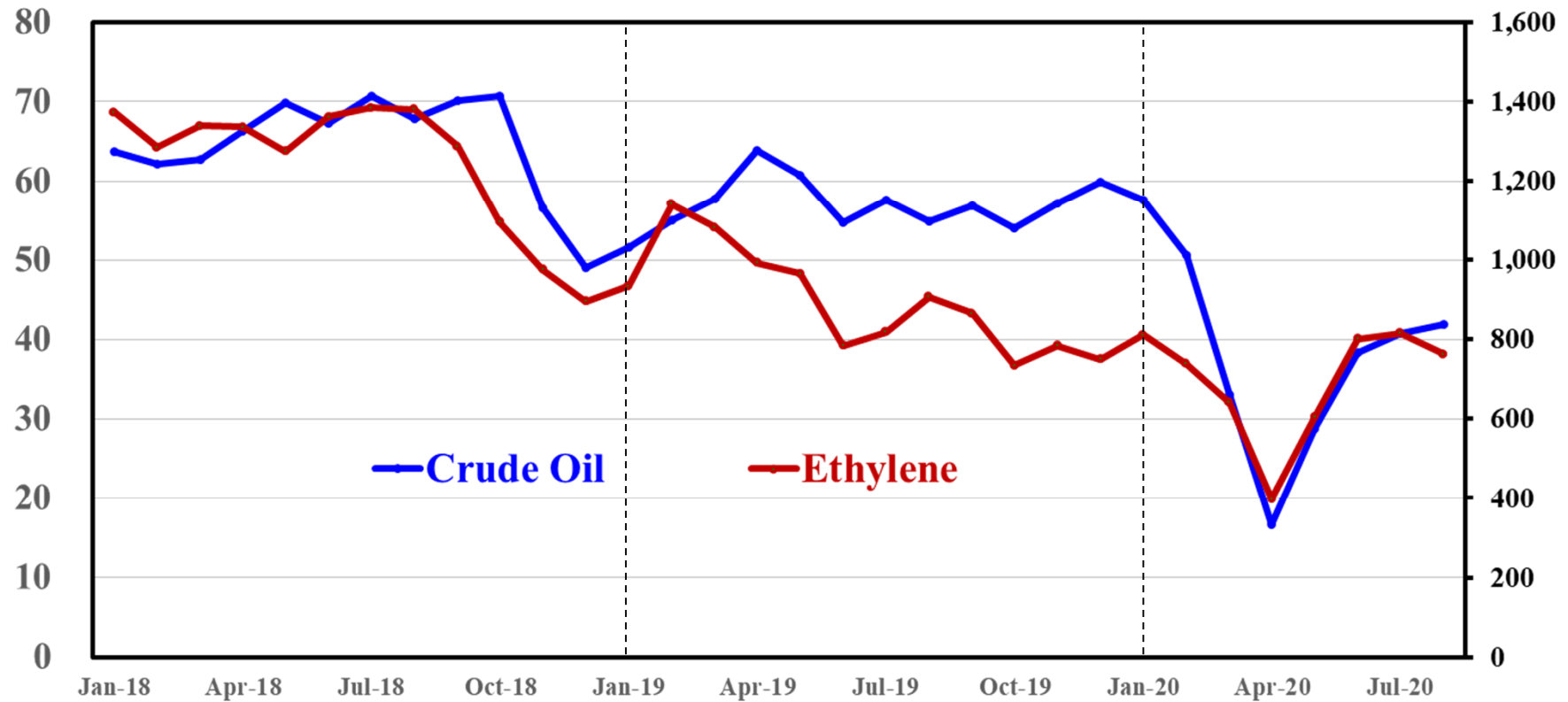
- ◆ The consolidated net revenue was NT\$5.878B, which decreased by NT\$1.74B YoY.
- ◆ Sales Quantities (KMT)

	2020 H1	2019 H1	Growth
VCM/PVC	165	212	(47)
PVC products	31	32	(1)
Alkaline	28	28	0
Total	224	272	(48)

# Crude Oil & Ethylene Price Trend

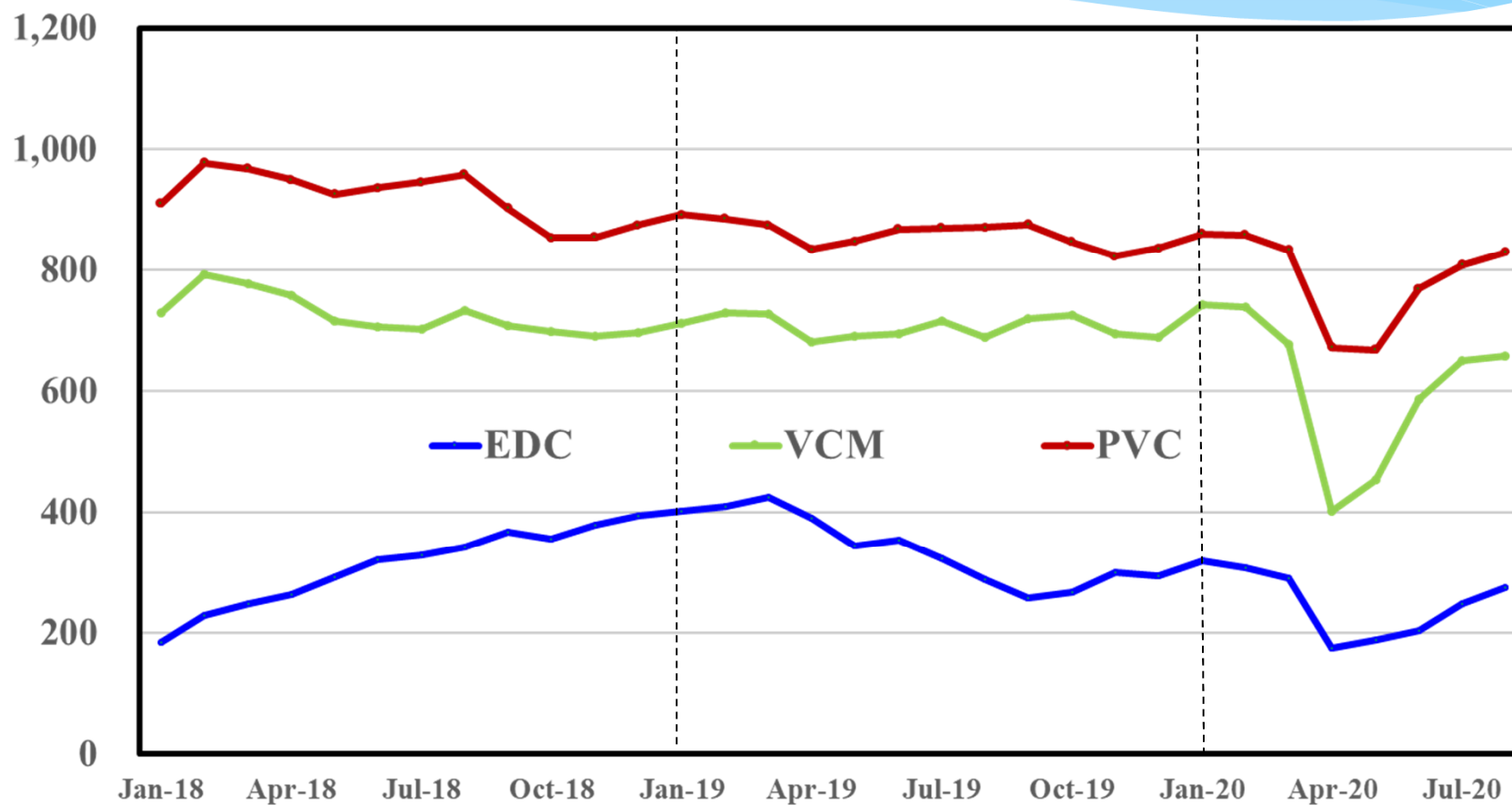
Unit:US\$/bbl WTI

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



# PVC/VCM/EDC Price Trend

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



## 2020 H2 Outlook: Ethylene

- ◆ **The successful oil production cut deals put both crude and naphtha prices rebounded in May. The global ethylene hit the bottom and went up as well.**
- ◆ **The 8,250kta of ethylene from new crackers were planned to start in 2020. However, 2,900kta is running now, 3,800kta is about to start by end 2020 and the others will further delay due to Covid-19.**
- ◆ **US exported 237kt of ethylene in H1, which is 67% increase YoY. The global ethylene is obviously in oversupply situation. The Asian ethylene prices in H2 are expected to stay at current price level.**



## 2020 H2 Outlook: EDC

- ◆ **The US OP rate of chlor-alkali was 72% in Q2 vs 86% in last Q2, which lowered down from 89% in Q1 this year. The reason was due to global PVC demand decrease. The exported US EDC increased by 17.5% YoY in H1 mainly for Asia and Brazil.**
- ◆ **The global PVC demand has been booming since H2. EDC prices are going up in line with PVC. The US spot EDC is not available at present owing to low inventory and low production. However, the situation is expected to ease once US producers raise operation on chlor-alkali or the facilities of T/A finish on schedule.**

## **2020 H2 Outlook: PVC Supply (I)**

- ◆ **The carbide-based PVC contains about 80% of Chinese output. As the cost of carbide dropped just a little in Q2 and rebounded recently to high level again, the high cost will support carbide-based PVC price. The Chinese PVC demand is expected to grow and support higher domestic prices in 2020. So, the local producers are expected to keep overall PVC mainly for domestic market for better profit.**
- ◆ **PVC producers in Asia had cut outputs and reduced inventories in early Q2 to avoid the Covid-19 risk. The producers have maximized the productions since June in order to fulfill the strong demand after the lockdown lifting. The strong demand is pushing the prices going up.**

## **2020 H2 Outlook: PVC Supply (II)**

- ◆ **The Covid-19 pandemic is always serious since Q2 in US. However, the PVC has been sold well for both domestic and export so far this year. The US PVC inventory in end July was about 150 KT, the lowest in these years. The producers had increased prices for June and July and announced price increases for both August and September. The PVC demand in post-Covid should be stronger. The low inventory is expected not much available for export till end of this year.**
- ◆ **The PVC supply shortages are reported in major producers located in US, Taiwan, Korea, Europe, India, Brazil and Russia. The problems include T/A, S/D and material shortage. The situation is not expected to ease in a short time.**

## **2020 H2 Outlook: PVC Demand (I)**

- ◆ **The PVC converters in China returned from Covid-19 pandemic and ran first for domestic business in early April. The re-export PVC demand followed the trend later. According to Chinese custom for H1 PVC, the export was 10% lower YoY and the import was 20% more YoY. The buyers bought cheap deep-sea cargos in H1, are also trying to build up an inventory for post-Covid converting demand.**
- ◆ **The PVC demand has been jumping up after the lockdown lifting for markets in South Asia. The PVC inventory in India is quite low due to H1 import with 30% decrease YoY. The post-monsoon is expected the peak season. Bangladesh and neighbors cannot get consistent PVC supply in the past. So, a stronger PVC demand is expected there in H2.**

## **2020 H2 Outlook: PVC Demand (II)**

- ◆ **The PVC demand in Middle East, Turkey and North Africa is improving after the holidays in end July. Due to the limited supplies from Europe and US, Asian cargos are more interested and available for them. Even though the Covid-19 is serious in South America, most of PVC convertors are eager to buy PVC for construction applications. As lack of supplies from local PVC producers, buyers are looking for import cargos.**
- ◆ **Overall PVC outlook in H2:**
  - **PVC demand for infrastructure never disappear**
  - **PVC demand recovers soon once lockdown lifting**
  - **The lack of production and inventory are good for producers**
  - **More money from QE will support long term of PVC business**

## **2020 H2 Outlook: PVC Products**

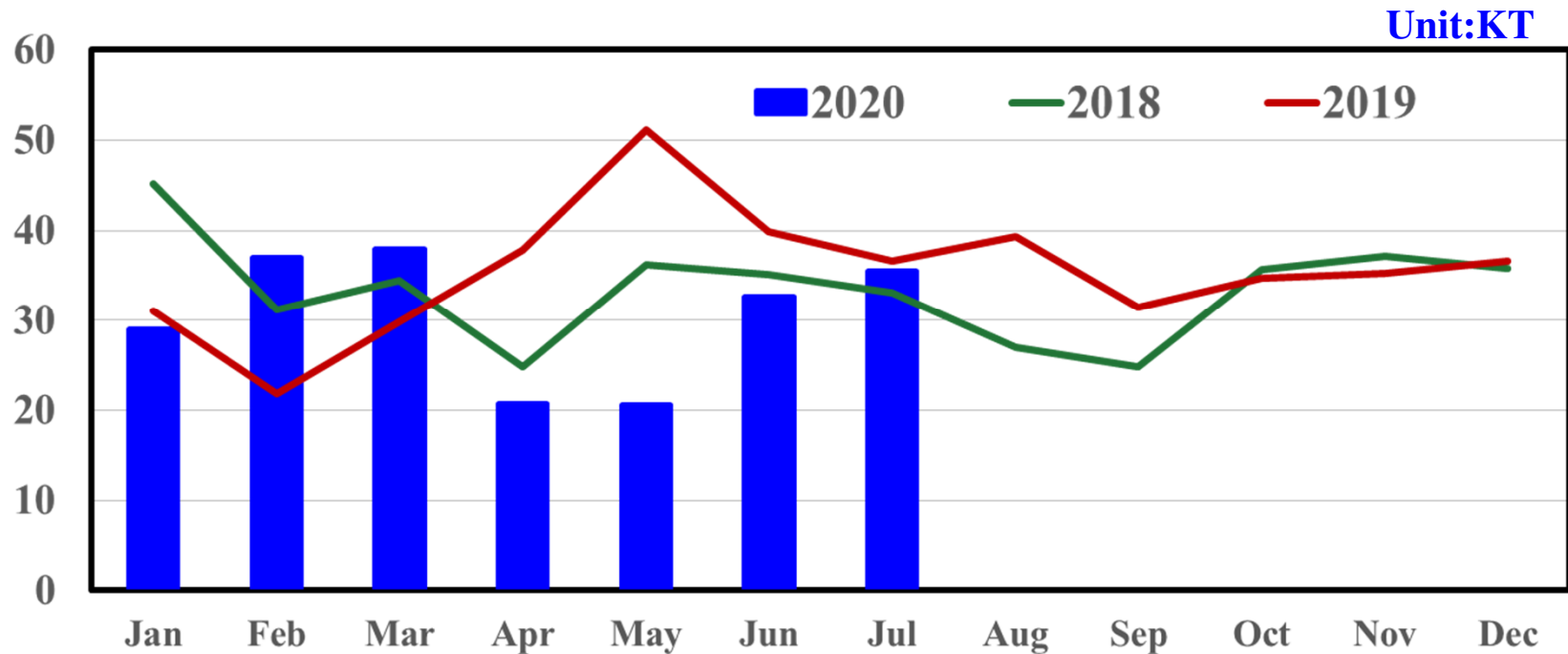
- ◆ **The low interest rate, more local investments and the post-Covid encourage, the real estate in Taiwan has been hot in H2. And the infrastructures handled by government are expected to continue till end of this year. The pipes, door panels and other construction products are expected selling well in H2.**
- ◆ **Due to Covid-19 and lockdowns in US, the PVC leather imported from India and Mexico cannot run smoothly. CGPC supplying with the Taiwan made products for US market and focusing on the applications for auto, truck, marine and farm cars, the 2020 YTD sales performance is even better than in 2019. The post-Covid demand in H2 is expected much better.**

# 2020 PVC Sales Quantity

**PVC total quantity sold in 2020:**

**YTD: more than 213 kt**

**YoY increase: -16%**

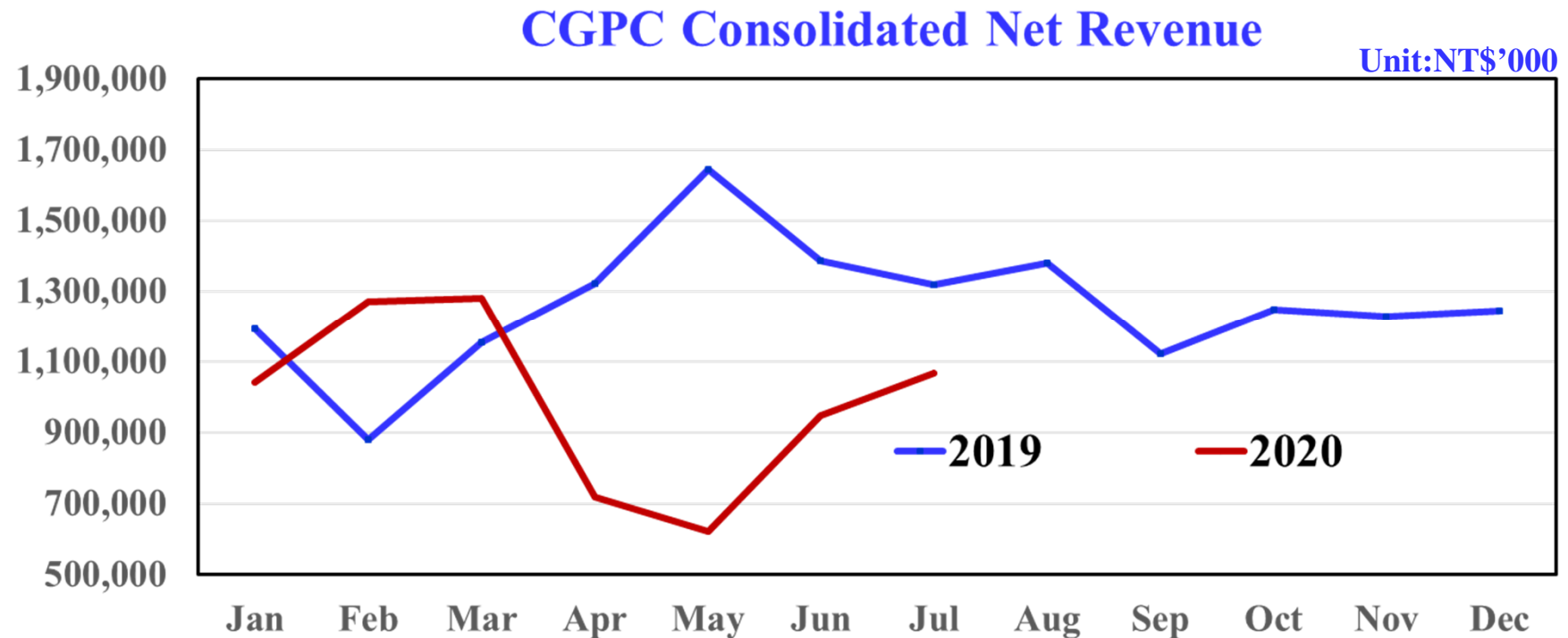


# 2020 Consolidated Sales

**CGPC consolidated net revenue:**

**YTD: NT\$6.947B**

**YoY increase: -22%**







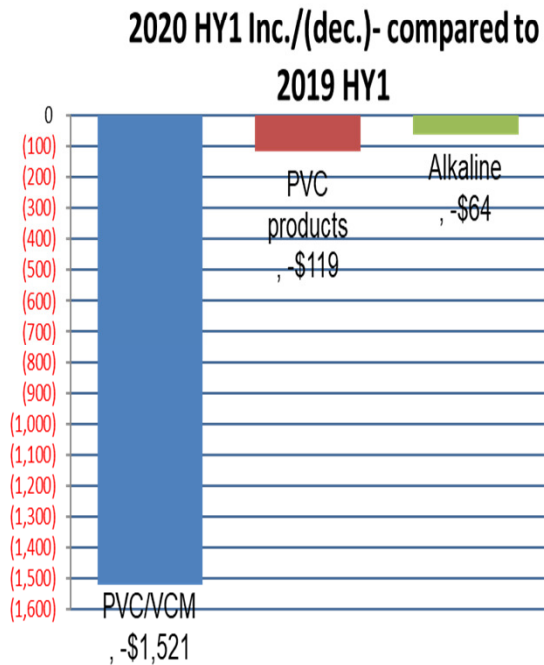
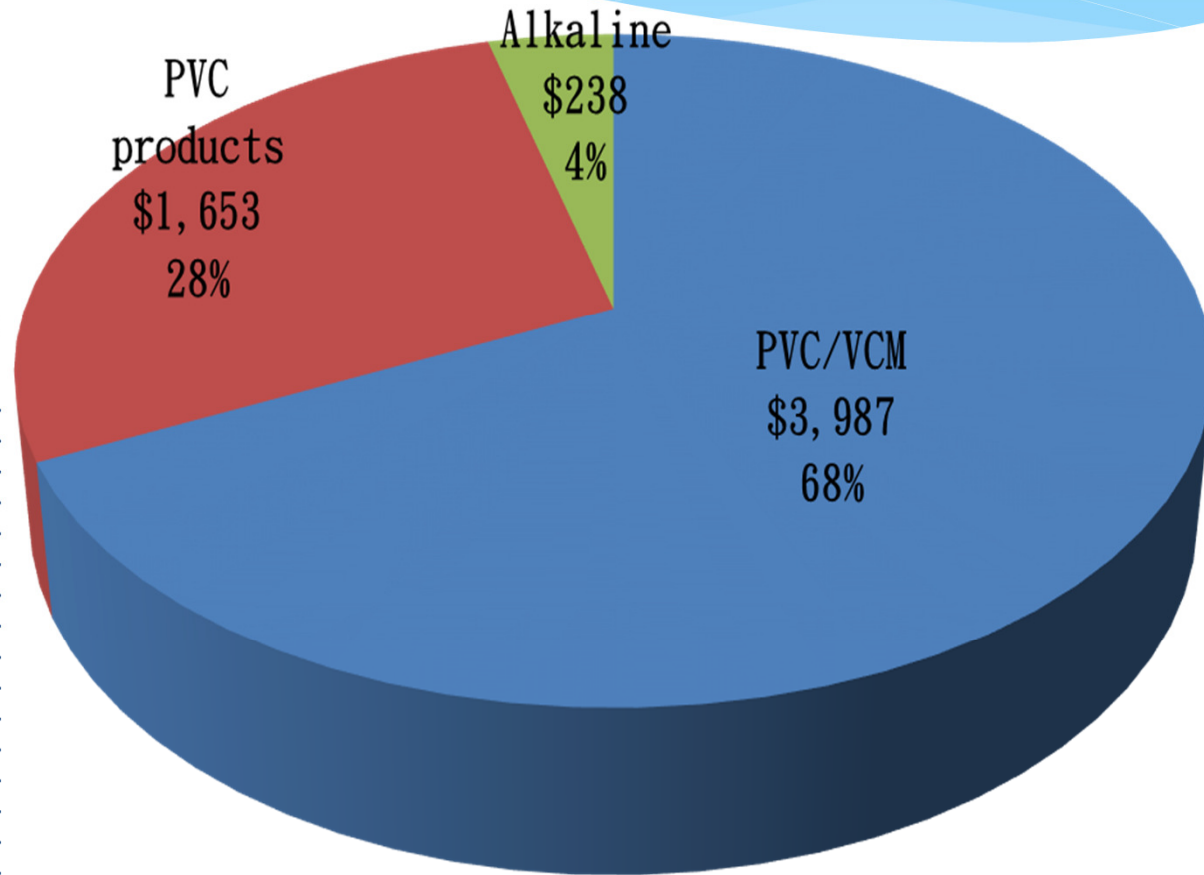
# **China General Plastics Corporation and Subsidiaries**

## **Finance information**

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

**Date : 2020, Aug. 17**

# 2020 HY1 Sales by product (NT\$million)



# China General Plastics Corporation and Subsidiaries

## Consolidated Statements of Income

(In millions of NTD, except per share data)

	2020 HY1	2019 HY1	YoY%	2019 FY	2018 FY	2017 FY
Sales	5,878	7,582	-22.5%	15,118	15,193	14,702
Cost of goods sold	5,044	6,778	-25.6%	13,148	12,490	11,925
Gross profit	834	804	3.7%	1,969	2,703	2,777
gross profit ratio	14%	11%		13%	18%	19%
Operating expenses	512	590	-13.3%	1,196	1,130	1,126
Operating income	322	214	50.6%	774	1,573	1,651
operating income ratio	5%	3%		5%	10%	11%
Non-operating income(loss) *	27	80	-66.7%	84	89	(37)
Income before income taxes	348	294	18.7%	858	1,662	1,614
Income taxes	64	55	17.6%	160	306	275
Net income	284	239	19.0%	698	1,356	1,339
net income ratio	5%	3%		5%	9%	9%
Net income attributable to						
- China General Plastics Corporation	256	234	9.5%	643	1,276	1,270
- noncontrolling interest	28	5	470.3%	55	80	69
Earnings per share	0.46	0.44	3.7%	1.22	2.52	2.58
adjusted		0.42		0.00	2.31	2.51

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

# China General Plastics Corporation and Subsidiaries

## Financial ratio analysis

	2020 HY1	2019 HY1	2019 FY	2018 FY	2017 FY
Operating income margin(%)	5.5	2.8	5.1	10.4	11.2
Net income margin(%)	4.8	3.2	4.6	8.9	9.1
Debt ratio(%)	30	37	29	33	35
Current ratio(%)	260	222	288	300	336
Quick ratio(%)	192	146	193	215	229
Accounts receivable turnover	40	46	40	42	39
Inventory turnover days	49	49	44	52	55

# Disclaimer

- ◆ **This presentation includes the Company's current information and any development or adjustments thereof will be published according to laws, regulations or rulings. The Company is not obligated to update or revise this presentation.**
- ◆ **The information in this presentation is not for investment advices.**





# Thank You





# Q & A