




# 華夏海灣塑膠股份有限公司

## China General Plastics Corp.

### Investor Conference

2021/8/18

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2021 H1 Review & H2 Outlook	胡吉宏 副總經理 Otto Hu, Vice President
	2021 H1 Finance Information	郭建洲 經理 C C Kuo, Manager
15:00~ 15:30	Wrap up / Q & A	林漢福 副董事長 H F Lin, Vice Chairman



# China General Plastics Corp.

## 2021 H1 Review & H2 Outlook

Reported by: Otto Hu  
August 18, 2021



## H1 2021 Review: PVC feedstocks

- ◆ **Ethylene** The polar storm paralyzed Texas's almost every energy source on mid Feb., dramatically disrupted petrochemical supplies. US ethylene supply was extremely tight driving prices sharply higher. The Asia and European ethylene price also strengthened amid a perception of global supply restricted. North East Asia ethylene price hit a two-year high. Subsequently, North East Asia ethylene price declined due to supply recovery, the start-up of new supply and demand sluggish on derivatives .
- ◆ **EDC** Global weak demand of caustic soda since last year led US chlor-alkali OP rate below 80% in 2020 and influenced EDC production to less than normal. In mid Feb., the record cold winter storm severed the US Gulf region and further weighing on EDC supply. EDC price is firming. During the month of May and June, several US chlor-alkali producers had operational issues. US chlor-alkali OP rate of Q2 was lower than expected. Global EDC availability continued to be limited. <sub>3</sub>

## 2021 H1 Review: PVC

- ◆ **The Chinese PVC demand was good enough in Q1 and pushed the selling price at high end. The market price started going down then. The huge of 200kt of PVC was exported in March and continued in later months, which also forced PVC prices going down in major overseas markets.**
- ◆ **The Covid-19 pandemic happened again since April in South America, which much cooled down the PVC demand. The most serious Covid-19 pandemic happened in India later. The Indian buyers almost stopped purchasing suddenly, and the global PVC buyers took wait and see manner as well. The PVC producers tried big price reductions especially in May to lower down the PVC inventories.**



# 2021 1 Review: Consolidated Sales

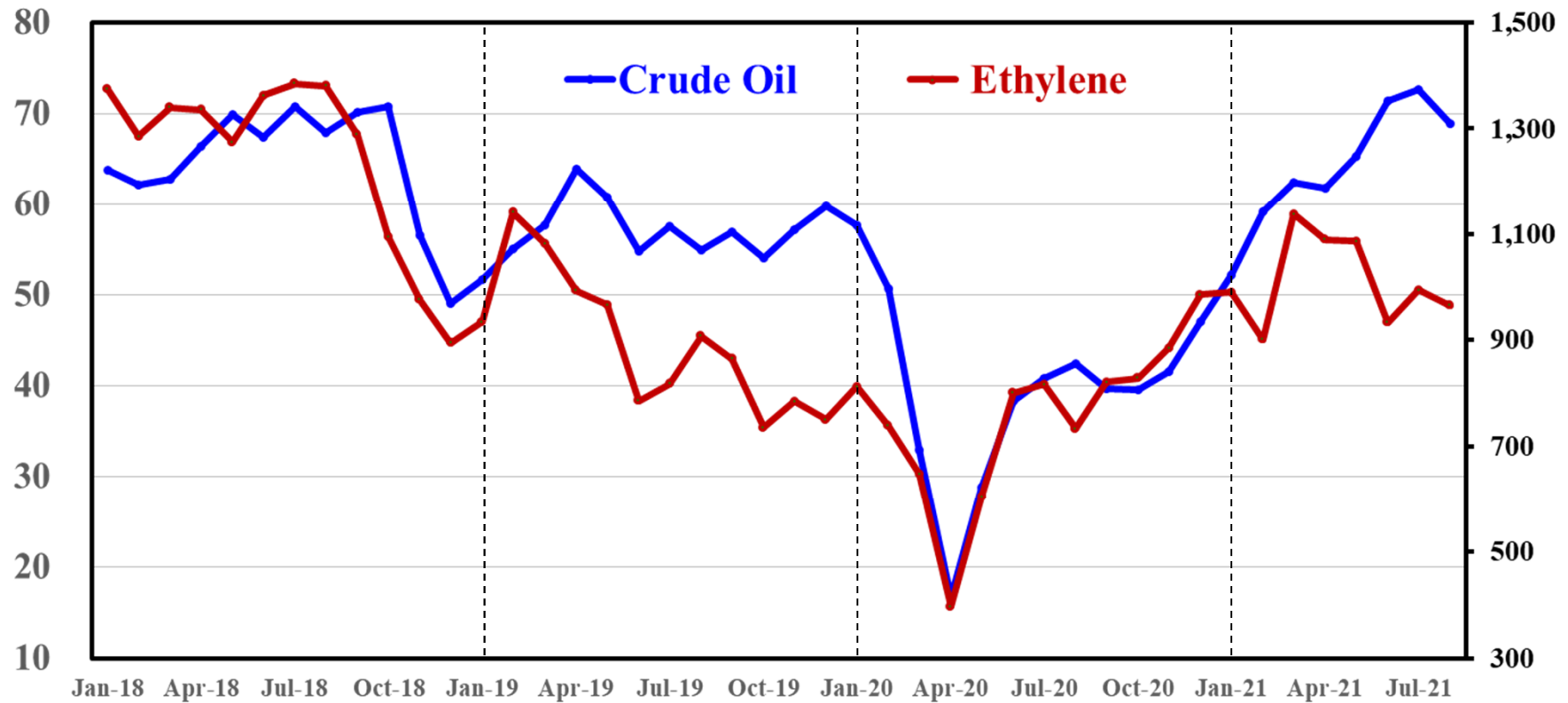
- ◆ The consolidated sales in 2021 H1 was NT\$9.555B, which increased by **3.677B** YoY.
- ◆ Sales Quantities(KT)

	2021 H1	2020 H1	Growth
VCM/PVC	181	165	16
PVC Products	31	31	0
Alkaline	29	28	1
Total	241	224	17

# Crude Oil & Ethylene Price Trend

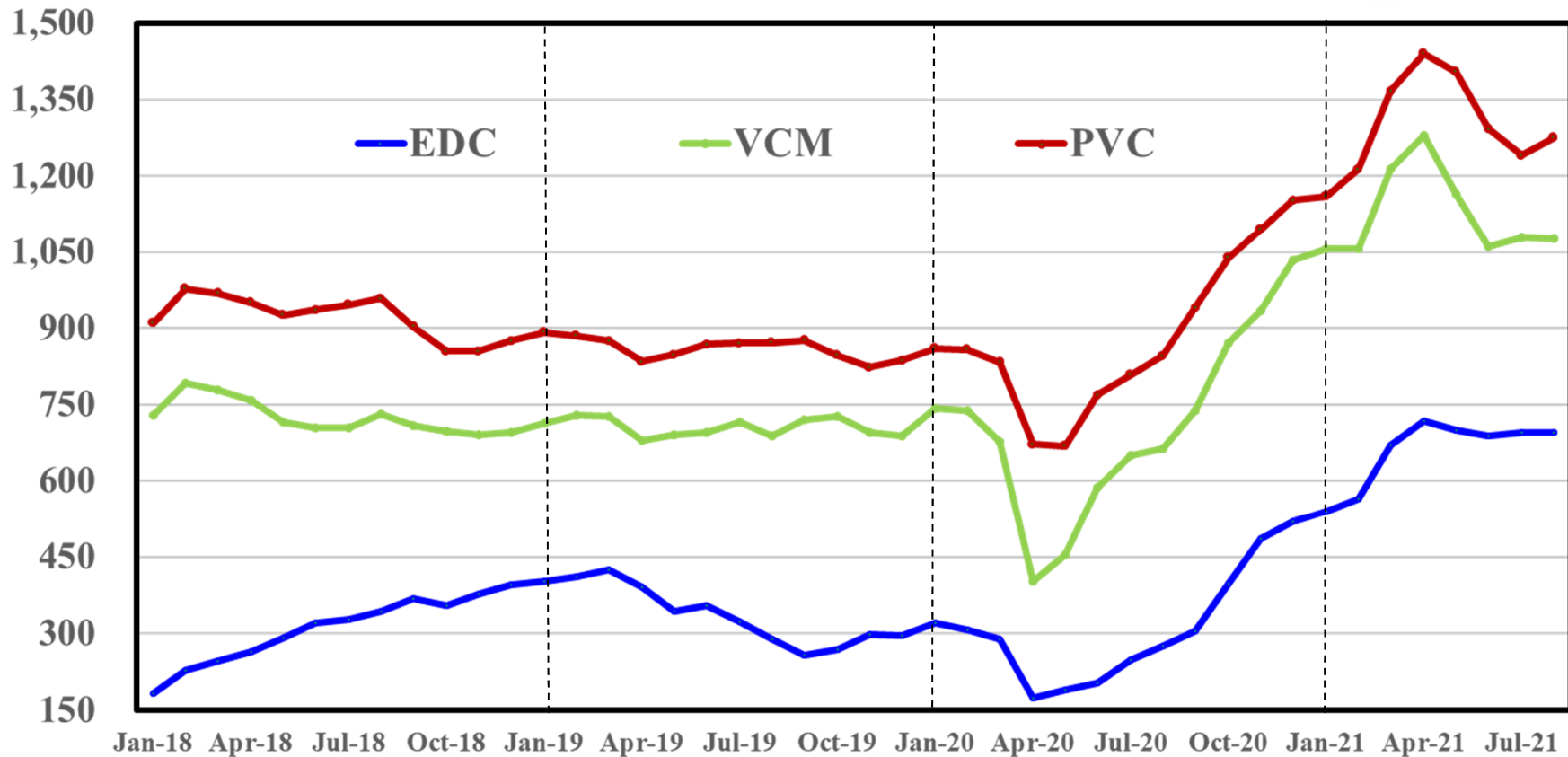
Unit:US\$/bbl WTI

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



# PVC/VCM/EDC Price Trend

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





## H2 2021 outlook: Ethylene

- ◆ During H1, Asian ethylene capacity raised around 4.45 million t/yr and over 70% of new capacity is in China. More than 5 million t/y ethylene capacity expected to come online in H2. Overall Asia ethylene supply is getting loose amid the rapid expansion. North East Asia ethylene price is below \$1,000/mt in recent two years.
- ◆ Global crude oil price has increased more than 50% YoY amid OPEC+ production limit regulation and oil demand recovery. Naphtha price move in uptrends, which propped the ethylene price.
- ◆ H2 2021 outlook: ethylene prices are fluctuating in a tug of war between the huge increase in new supply and rising costs of raw material.



## H2 2021 outlook: EDC

- ◆ **Brazil's EDC import in H1 2021 fell 18% YoY. Furthermore, Brazil's EDC import in June and July was sharply down to zero. Showing that the restart of Braskem's chlor-alkali plant has reduced the EDC import.**
- ◆ **US EDC production in Q2 2021 raised 12% QoQ, EDC production in H1 decreased almost 10% amid huge production losses in Q1. US EDC export was also impacted by production issues and led EDC export in H1 fell around 50% YoY.**
- ◆ **US chlor-alkali OP rates is anticipated to raise due to the strong demand of both caustic soda and chlorine derivatives, which would drive US EDC production increasing. Then, Brazil's EDC import decreased. Global EDC supply is looking forward to be more sufficient and price would expect to gradually fall.**

## 2021 H2 Outlook: PVC Supply (I)

- ◆ **The Chinese PVC OP rate in H1 was about 80% with the output increase of 16% YoY. The good local demand and net export of one million tons in H1, the overall PVC inventory at present in China is low and healthy. The PVC OP rate is expected not high due to the power restriction and high carbide cost.**
- ◆ **The serious Covid-19 pandemic in India was a big impact in Q2 on overall Asian PVC demand. So, the PVC producers had lowered down the PVC inventory. However, the on going T/A of the producers in Taiwan, Japan and SEA will result in PVC supply tight again in Q3.**



## 2021 H2 Outlook: PVC Supply (II)

- ◆ **The last F/M caused by the snow storm in US had been lifted in early July. However, the outages of PVC and upstream facilities happened in Q3, which forced PVC output and feedstock to reduce and lead inventory going down. July is the only one month in 2021 to keep domestic PVC price stable. The price for August was announced to increase again.**
- ◆ **The PVC supply in Europe had been tight in end H1. The situation has been worse after the facility damages and transportation problems caused by the flooding events which happened in July in West Europe. The PVC markets in Turkey, Middle East and Africa will definitely be impacted till Q4.**

## 2021 H2 Outlook: PVC Demand (I)

- ◆ **The PVC inventory in China is low now because sales both domestic and export were good in H1. Q3 used to be the peak season for PVC in China. The high domestic PVC price will logically support more PVC imports. So, this will be the advantages of exports from Taiwan, Japan and Korea.**
- ◆ **The Covid-19 has been well controlled, and the lockdowns had been lifted in July. The PVC demand is recovering, and buyers are asking more import cargoes because of the shortage in India. The market price went up by \$100 more from the price bottom in July. The demand is expected stronger after monsoon closes.**

## 2021 H2 Outlook: PVC Demand (II)

- ◆ **The PVC demand in Middle East, Africa and Bangladesh is warming up after the Muslim holidays. Due to the limited supplies from US and Europe, the buyers started inquiring and is trying to place orders before the Asian PVC formal offering in August.**
- ◆ **Even though the partial lockdowns in South America and SEA for Covid-19 pandemic are still the impacts on PVC demand, some buyers are very concerned about the current PVC shortages happened in major markets and are taking precautions to secure some import cargoes.**

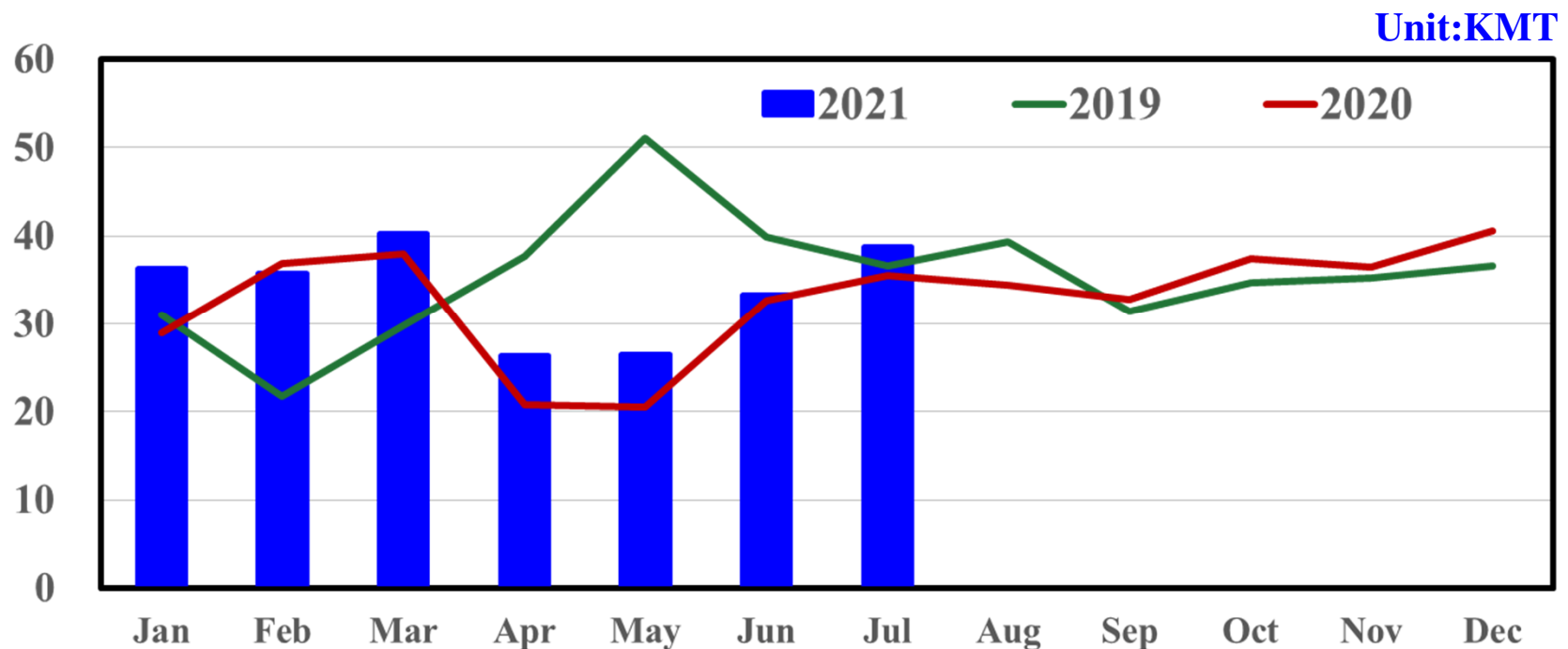
## 2021 H2 Outlook: PVC Products

- ◆ **Although chips shortage will reduce car production, the used cars have been in good selling in market. So, the overall demand for harness tapes are expected stable. As for the general demand for stationery, construction, furniture and ceiling in US and European countries have been improving since Q2. The outlook is even better in Q3.**
- ◆ **We have been increasing the product mix in Enduralex of artificial leathers for US market. The H1 sales in this market increased by 60% YoY approx. In line with the further strong demand, we have strengthened the key sales channel expansion and the supply chains with more capacity, technical supports and new product developments.**

# 2021 Outlook : PVC Sold by Month

Quantity sold in July: 9% up YoY

Quantity sold January ~ July: 11% up YoY





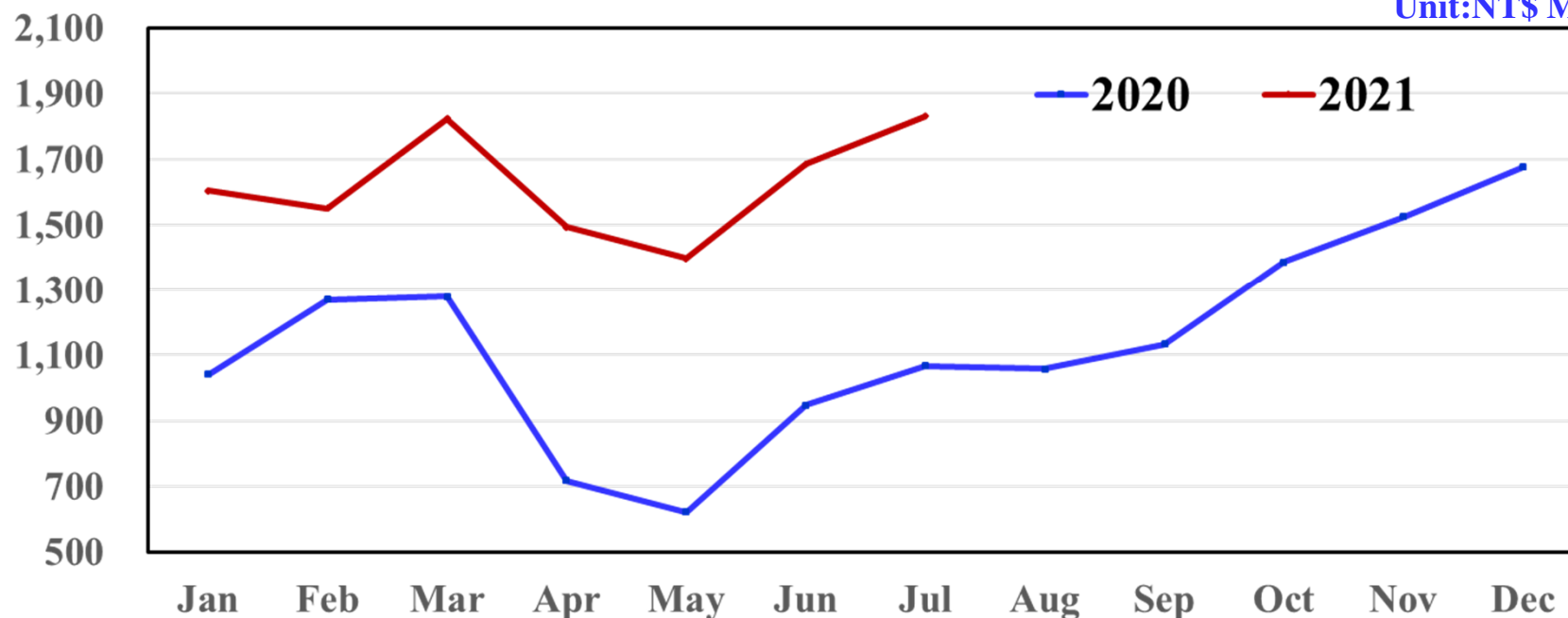
# 2021 Outlook : Consolidated Sales

Revenue in July: 71% up YoY

Revenue January ~ July: 64% up YoY

CGPC Consolidated Net Revenue

Unit:NT\$ M





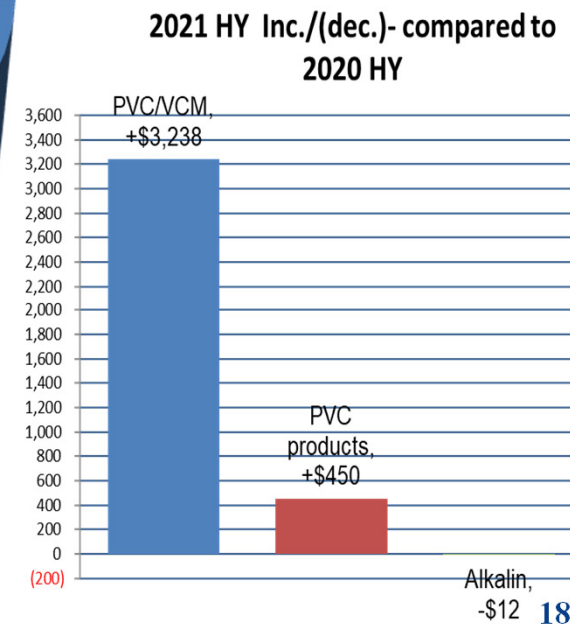
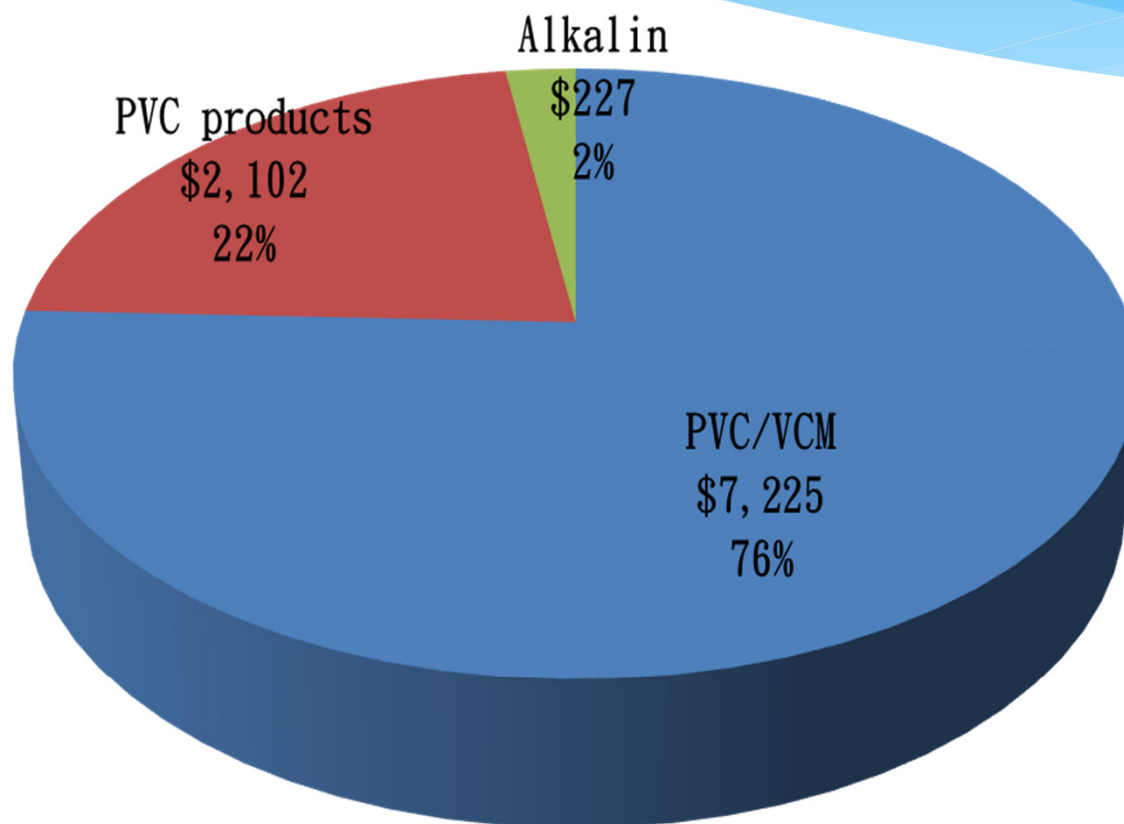
# **China General Plastics Corporation and Subsidiaries**

## **Finance information**

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

**Date : 2021, Aug. 18**

# 2021 HY Sales by product (NT\$million)



# China General Plastics Corporation and Subsidiaries

## Consolidated Statements of Income

(In millions of NTD, except per share data)

	2021 Jan. – Jun.	2020 Jan. – Jun.	YoY%	2020 FY	2019 FY	2018 FY
Sales	9,555	5,878	62.5%	13,733	15,118	15,193
Cost of goods sold	6,772	5,044	34.2%	10,374	13,148	12,490
Gross profit	2,783	834	233.8%	3,359	1,969	2,703
gross profit ratio	29.1%	14.2%		24.5%	13.0%	17.8%
Operating expenses	847	516	64.0%	1,206	1,196	1,130
Operating income	1,936	317	509.8%	2,154	774	1,573
operating income ratio	20.3%	5.4%		15.7%	5.1%	10.4%
Non-operating income(loss) *	(79)	31	-353.2%	12	84	89
Income before income taxes	1,858	348	433.0%	2,165	858	1,662
Income taxes	377	64	485.5%	374	160	306
Net income	1,480	284	421.1%	1,792	698	1,356
net income ratio	15.5%	4.8%		13.0%	4.6%	8.9%
Net income attributable to						
– China General Plastics Corporation	1,373	256	436.8%	1,634	643	1,276
– noncontrolling interest	107	28	278.9%	158	55	80
Earnings per share	2.36	0.46	410.4%	2.95	1.22	2.52
adjusted		0.44		2.81	1.11	2.20

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

# China General Plastics Corporation and Subsidiaries

## Financial ratio analysis

	2021 Jan.-Jun.	2020 Jan.-Jun.	2020 FY	2019 FY	2018 FY
Operating income margin(%)	20.3	5.5	15.7	5.1	10.4
Net income margin(%)	15.5	4.8	13.1	4.6	8.9
Debt ratio(%)	32	30	26	29	33
Current ratio(%)	192	260	265	288	300
Quick ratio(%)	131	192	208	193	215
Accounts receivable turnover	40	40	45	40	42
Inventory turnover days	44	49	47	44	52

# 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







# Wrap Up

## Q & A