

2023



台聚集團

China General Plastics Corp.

# Investor Conference

2023/05/18





# China General Plastics Corp. Investor Conference

2023/05/18

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	Review for Q1 & Outlook for Q2	Otto Hu, Executive Vice President
	Finance Information for Q1~Q3	C C Kuo, Manager
15:00~ 15:30	Q&A	H F Lin, Vice Chairman



**Reported by: Otto Hu**  
**Executive Vice President**

## 2023 Q1 Review & Q2 Outlook

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**May 18, 2023**

# Q1 2023 Review: PVC feedstock

- ◆ **Ethylene** Poor margin have resulted in low operating rates of the crackers and demand fall further due to Chinese New Year. The sell-off in regional spot market constrained NEA C2 prices to fall below \$800/ton. However, with the closing of the US-Asia arbitrage window and the expectation of China's demand recovery, ethylene prices rebounded.
- ◆ **EDC** EDC supply tighten amid global caustic soda prices fall and main EDC suppliers' planned maintenance. Although the increase in PVC prices stimulated a revival in the EDC market, downstream buyers have little willingness to chase prices higher.
- ◆ **VCM** At the beginning of the year, the lifting of the COVID-19 restrictions in China stimulated a surge in VCM imports, which exceeded 120 KMT in Feb., a new high in past three years. The supply tension was further exacerbated by planned and unplanned shutdowns in Asia. As PVC market weakened, the VCM purchasing sentiment was also turning weak.

# Q1 2023 Review: PVC

- ◆ Chinese PVC demand had been improving as the lifting controls for Covid since early 2023. The market price had been increasing from the bottom happened in last Q4. However, the demand was not strong as expected, and the huge PVC quantity was forced to export in Q1 to balance the overstocked inventory.
- ◆ India was the strongest market early this year and led the PVC import quantity reach the record high in Q1. The PVC demand in other Asian markets had been improved as well later.
- ◆ The huge quantity of PVC exported from China had almost been absorbed by overseas markets and kept well balance in Q1. However, the PVC market prices started falling in India and spread to other markets. The price rebound had ceased earlier than we expected.

# Q1 2023 Review:

## Consolidated Sales

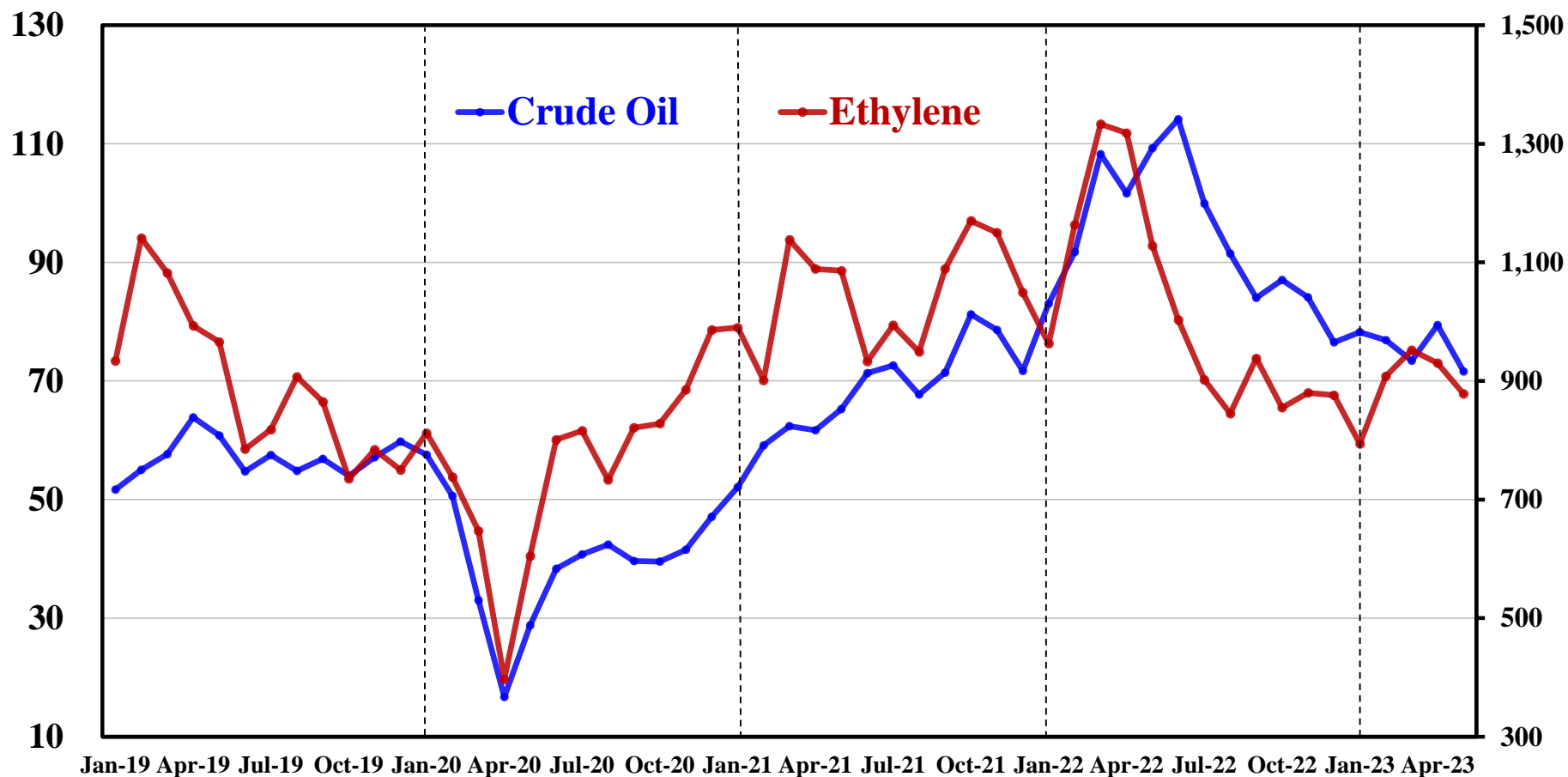
- ◆ The consolidated sales in Q1 2023 was NT\$3.78B, which decreased by NT\$1.527B YoY (28%↓) .
- ◆ Sales Quantities (KT)

Products	2023 Q1	2022 Q1	Growth
VCM/PVC	103	105	(2)
PVC Products	12	13	(1)
Alkaline	14	14	(0)
Total	130	133	(3)

# Crude Oil & Ethylene

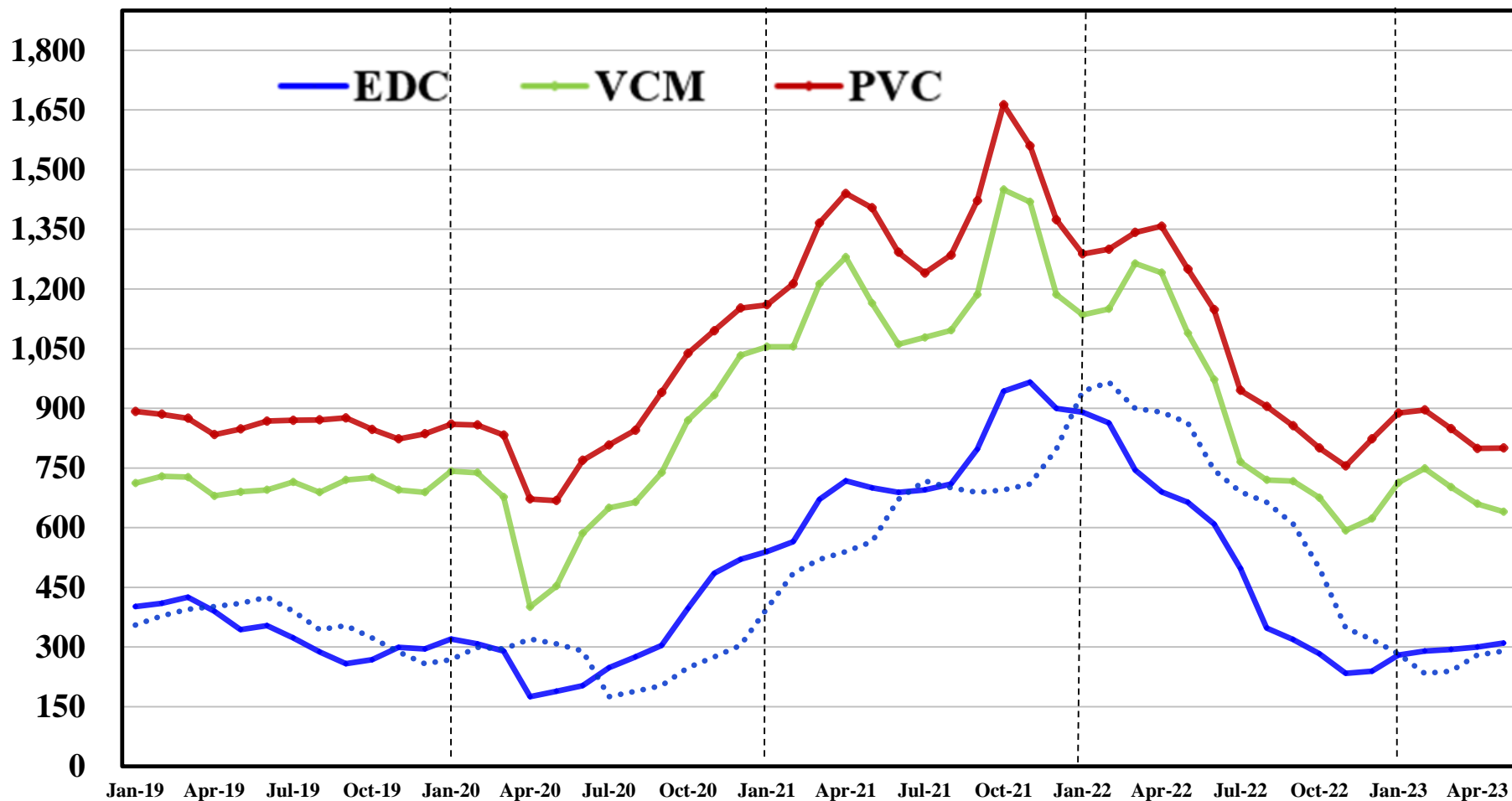
Unit: US\$/bbl WTI

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



# PVC / VCM / EDC

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



## Q2 2023 Outlook: Ethylene

- ◆ In April, OPEC+ announced another crude production cut, which made a short-term return of oil prices to \$80/barrel. The conservative outlook on macroeconomic prospects made it difficult to sustain the upward trend. Some C2-derivatives prices fall due to weak demand, which limits the support for ethylene prices.
- ◆ The rebound of ethylene prices led to a recovery in the operating rate of the crackers. The recovery of demand in China was not as expected after CNY, leading to high inventories and poor profitability of C2-derivatives. As a result, the ethylene market price returned to fluctuations.
- ◆ The global resin market is experiencing a downturn, with upstream raw material prices such as naphtha and ethane being weak. The global ethylene prices go down despite the heavy turnaround and production rate cut of crackers. The sluggish demand in China, coupled with the operation of new production capacity, limits the upside potential for ethylene prices.

## Q2 2023 Outlook: EDC/VCM

- ◆ **EDC** Recent declines in PVC and ethylene market price might led to a down trend of EDC prices. The market is expected that the global decline in energy costs will benefit the C/A rates and EDC production. This may lead to a reasonable correction of EDC prices.
- ◆ **VCM** The operating rate of China's C2-based PVC plants did not decrease with the PVC market. Stable buying sentiment has upheld VCM prices in Asia. Asia VCM producers are considering further production cuts due to the poor margin and there are several planned maintenance in Q2. The supply of VCM is expected to remain tight, which may support VCM prices.

# Q2 2023 Outlook: PVC Supply

- ◆ The carbide price in China has been stable high, which results in operating loss in most of medium and small size of PVC producers. The tight supply of EDC and VCM also makes the spread for ethylene-base PVC producers to be narrow. As the PVC OP rate is up and down in line with the PVC price, the PVC inventory in market place is about 450kt, which is still under control.
- ◆ The profit margin is also thin in the PVC producers in Taiwan, Japan and Korea. The T/A and production cut make the PVC inventory stable. The price decreases are limited so far even though the demand is slow.
- ◆ The US domestic PVC sales has recovered to 350kt from the bottom happened in last December with 270kt. As the continuous T/A since March, the current PVC inventory is 20% less than last Q4. There is no hurry to export with huge quantity to lower the inventory because the hurricane season is coming in near future.

# Q2 2023 Outlook: PVC Demand

- ◆ The lifting controls for Covid in China since early this year, the overall economic situation is still slow so far. The current PVC future price is stable at ¥5,850~5,900, the low level in the last 6 months. However, the buyers are looking forward to a good change under the encourage manners provided by the government.
- ◆ The PVC buying sentiment in India had been cooling down since March due to the huge import cargoes. However, some users are still looking for PVC with prompt shipment. The demand in Bangladesh is stable because of dollar shortage problem has been much improved. The demand in SEA countries is still good because of the order shifting for the trade war between US and China.
- ◆ The PVC demand in M. East and Africa has slowly improving after the Ramadan. Owing to the T/A of Braskem running in Q2, the PVC imports for S. American countries have been increasing. The demand for infrastructure in Brazil is especially strong.

# Q2 2023 Outlook:

## PVC Products

- ◆ The real estate sales in Taiwan has declined since Q3 2022. However, the new house presales value of NT\$150B will be open soon in end of May, which is 20% increase YoY. CGPC will aim at the pipe business for both new housing business and on going public infrastructure. And we will run with the equipment upgrade with AI applications, recycling materials, energy saving etc., in order to improve the operation again and again.
- ◆ The high inflation is still lowering down the demand on PVC film and artificial leather. However, the outlook for the artificial leather for car and marine in N. America and the PVC packaging materials in SEA have been much improving. The on going machine improving projects for both film and leather plants will be completed by H1. This will be helpful in efficiency improving, energy saving, carbon reduction and new product developments.

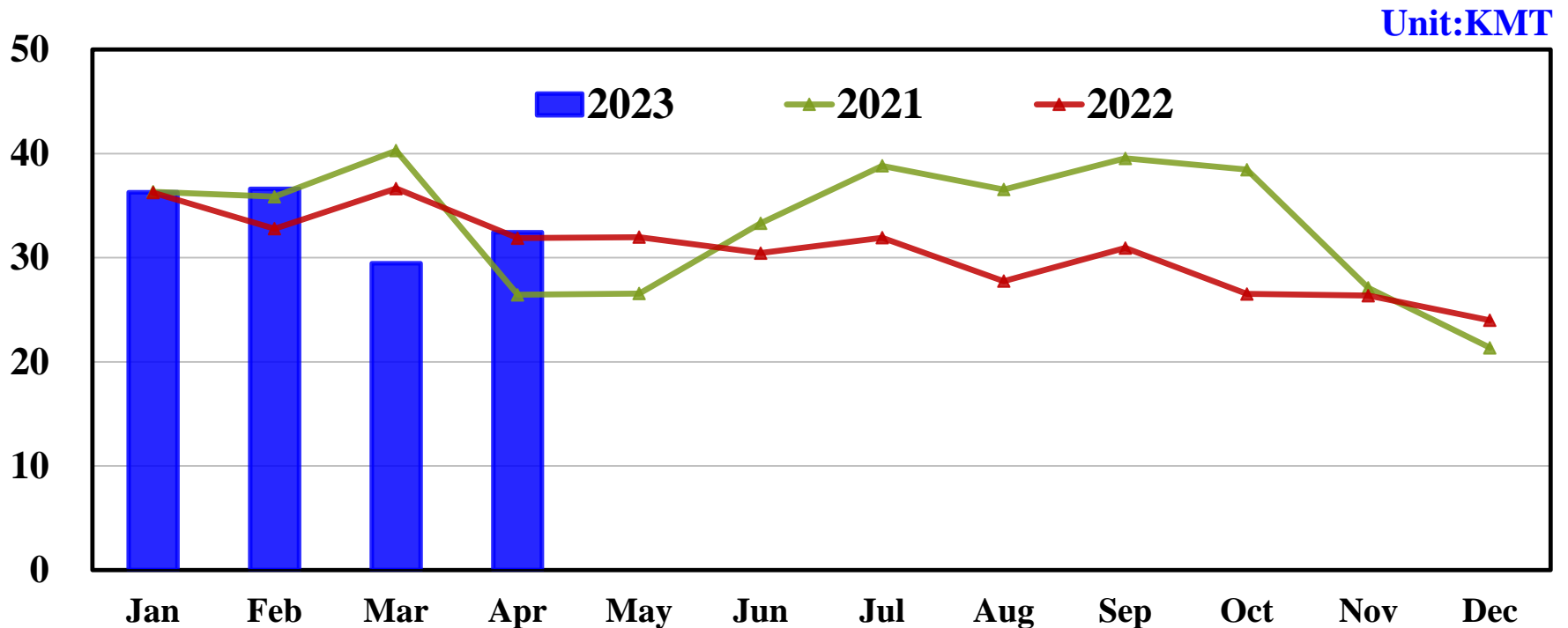
# 2023 Outlook :

## PVC Sold by Month

**PVC total quantity sold in 2023:**

**YTD in April : more than 134kt**

**YoY decrease : 2%**



# 2023 Outlook : Consolidated Sales

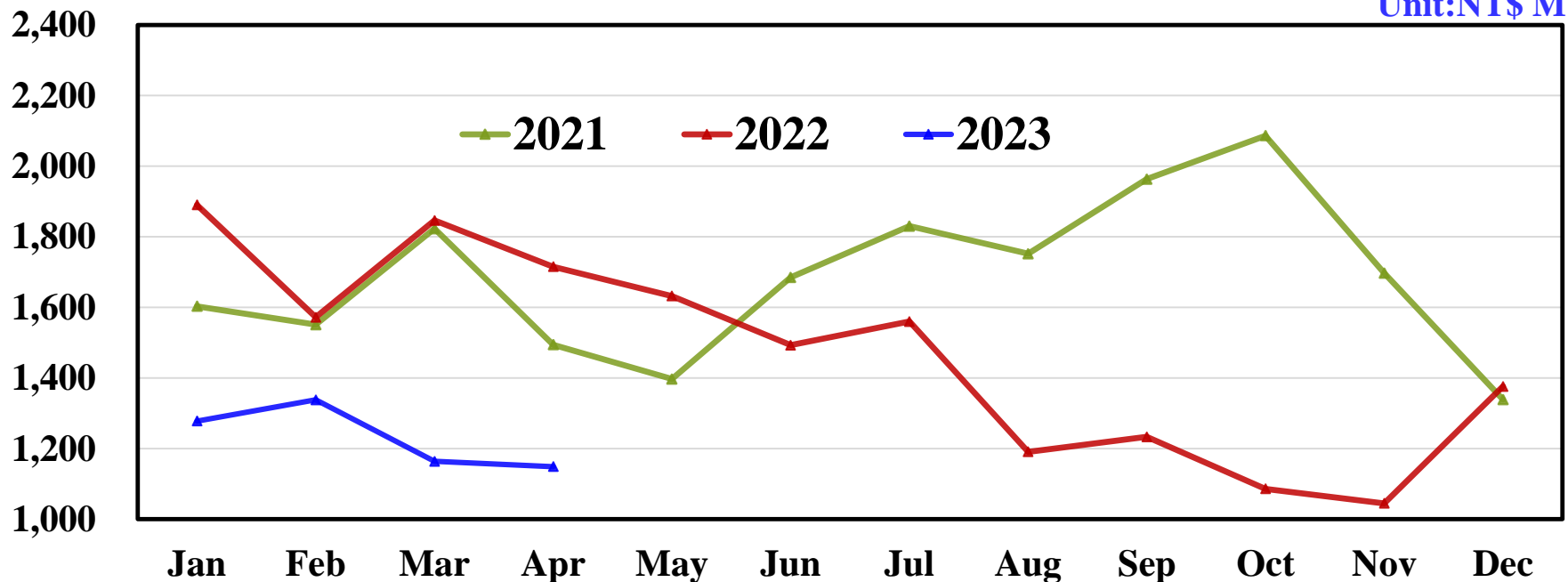
**CGPC consolidated net revenue:**

**YTD in April : 4.929B**

**YoY decrease: 29%**

## CGPC Consolidated Net Revenue

Unit:NT\$ M



# China General Plastics Corporation



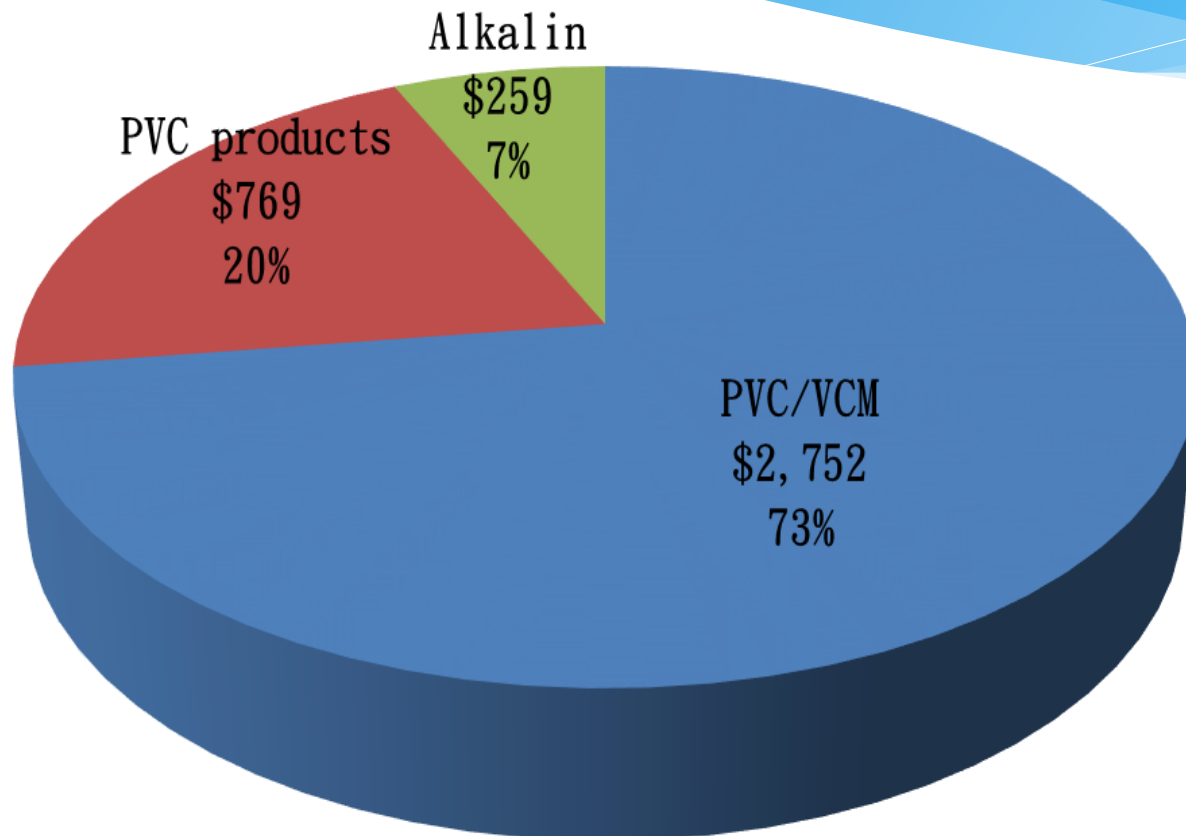
**Reporter:**  
**C.C.Kuo Manager**

## 2023 Q1 Finance Information

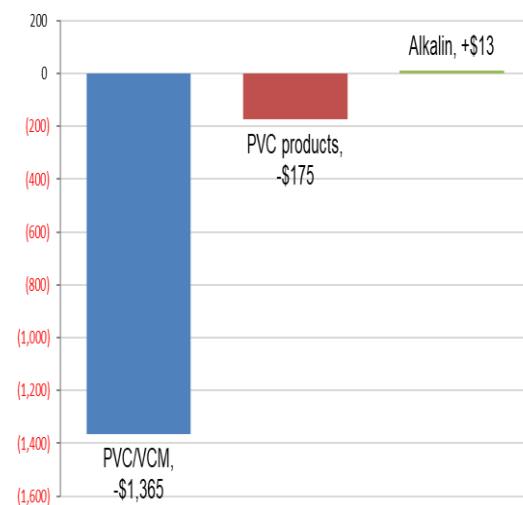
**Date: May 18, 2023**

# 2023 Q1 Sales by product

(NT\$million)



2023 Q1 Inc./dec.- compared to 2022 Q1



# Consolidated Statements of Income

(In millions of NTD, except per share data)

	2023 Jan. -Mar.	2022 Jan. -Mar.	YoY%	2022 FY	2021 FY	2020 FY
Sales	3,780	5,307	-28.8%	17,637	20,222	13,733
Cost of goods sold	3,080	4,556	-32.4%	16,959	15,181	10,374
Gross profit	700	751	-6.8%	678	5,040	3,359
gross profit ratio	18.5%	14.2%		3.8%	24.9%	24.5%
Operating expenses	322	509	-36.7%	1,662	1,723	1,215
Operating income(loss)	378	242	56.2%	(984)	3,317	2,144
operating income ratio	10.0%	4.6%		-5.6%	16.4%	15.6%
Non-operating income(loss)	(18)	322	-105.6%	467	(10)	21
Income(Loss) before income taxes	360	564	-36.2%	(517)	3,307	2,165
Income taxes expense(benefit)	106	65	63.1%	(179)	676	374
Net income(loss)	254	499	-49.1%	(338)	2,631	1,792
net income ratio	6.7%	9.4%		-1.9%	13.0%	13.0%
Net income(loss) attributable to						
- China General Plastics Corporation	232	451	-48.5%	(370)	2,469	1,634
- noncontrolling interest	22	48	-55.1%	32	163	158
Earnings(loss) per share	0.40	0.78	-48.4%	(0.64)	4.25	2.95
adjusted		0.78		(0.64)	4.25	2.81

# Financial ratio analysis

	2023 Jan.-Mar.	2022 Jan.-Mar.
Operating income margin(%)	10.0	4.6
Net income margin(%)	6.7	9.4
Debt ratio(%)	40	28
Current ratio(%)	261	295
Quick ratio(%)	155	163
Accounts receivable turnover	34	32
Inventory turnover days	78	66

2022 FY	2021 FY	2020 FY
(5.6)	16.4	15.6
(1.9)	13.0	13.1
40	30	26
217	264	265
129	152	208
36	36	45
61	52	47

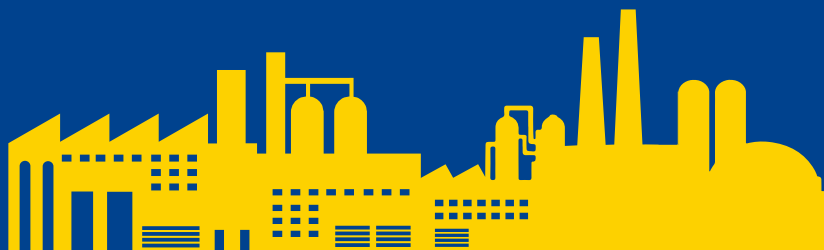
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## The End Thank You



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## Investor Conference

# Q & A

**May 18, 2023**



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