

2023



台聚集團

China General Plastics Corp.

Investor Conference

2023/08/14





China General Plastics Corp. Investor Conference

2023/08/14

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	Review for Q2 & Outlook for Q3	Otto Hu, Executive Vice President
	Finance Information for H1	C C Kuo, Manager
15:00~ 15:30	Q&A	H F Lin, Vice Chairman



Reported by: Otto Hu
Executive Vice President

2023 Q2 Review & Q3 Outlook

August 14, 2023

Q2 2023 Review: PVC feedstocks

- ◆ **Ethylene** China's economy is showing signs of fatigue, with the manufacturing PMI contracting for consecutive months. This has led to a decline in China domestic ethylene price. The Asia market is also facing the influx of deep-sea cargoes, causing ethylene prices to hover below USD 800/mt.
- ◆ **EDC** Major producers have lowered the C/A rate due to the ongoing decrease in caustic soda price and weak demand for chlorine derivatives. In addition, planned maintenance has further resulted in the reduction of EDC production. While suppliers were unwilling to sell at low, buyers were also cautiously purchasing. As a result, the trade has reached a deadlock.
- ◆ **VCM** In Q2, Japan, the major supplier of VCM, experienced a 17% quarterly decline in production, while export volume decreased by 23% due to weakened demand from China, both reaching the lowest levels since 2014. Towards the end of Q2, extended maintenance periods and frequent equipment malfunctions further contributed to reduced production and tightened supply.

Q2 2023 Review: PVC

- ◆ **The Chinese PVC imports in Q1 increased a lot, but the demand was not good as expected. The producers have to lower down PVC OP rate and allocated more quantities for export . The situation had not much improved even after Labor holidays.**
- ◆ **The Indian imported PVC of 900kt reached the record high in Q1. But it declined sharply in Q2 and led the market prices going down. The slow sentiment spread to other markets finally and forced the market prices going down to the bottom.**
- ◆ **The US PVC producers continued the same strategy as Q1 to compete with the lowest prices in China, India, Vietnam and Middle East to maintain the market share. The competitions gradually eased after end June.**

Q2 2023 Review:

Consolidated Sales

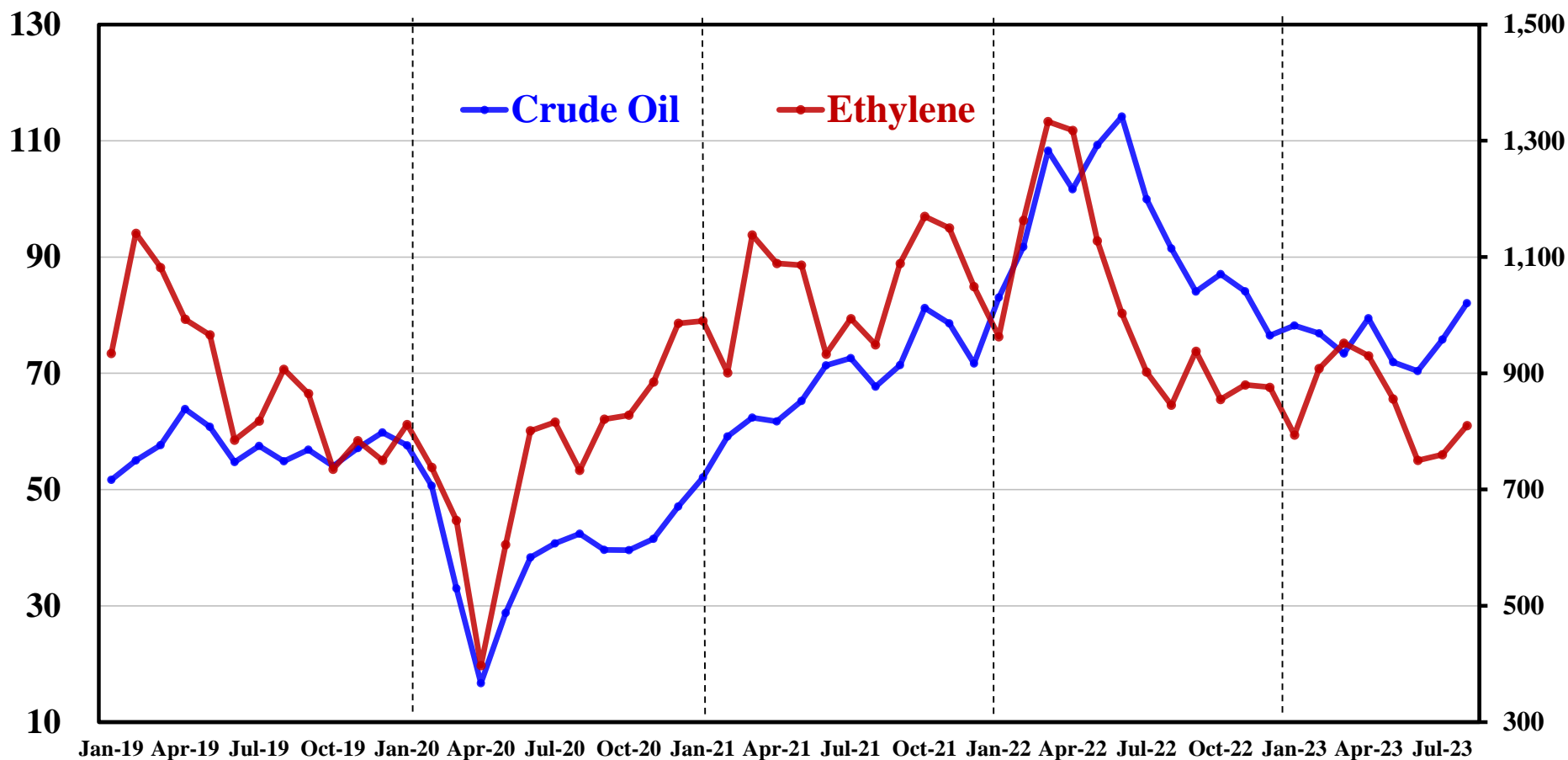
- ◆ The consolidated sales in H1 2023 was NT\$7.120B, which decreased by NT\$3.027B YoY (30%↓) .
- ◆ Sales Quantities (KT)

Products	2023 H1	2022 H1	Growth
VCM/PVC	199	193	6
PVC Products	23	26	(3)
Alkaline	27	29	(2)
Total	249	248	1

Crude Oil & Ethylene Price Trend

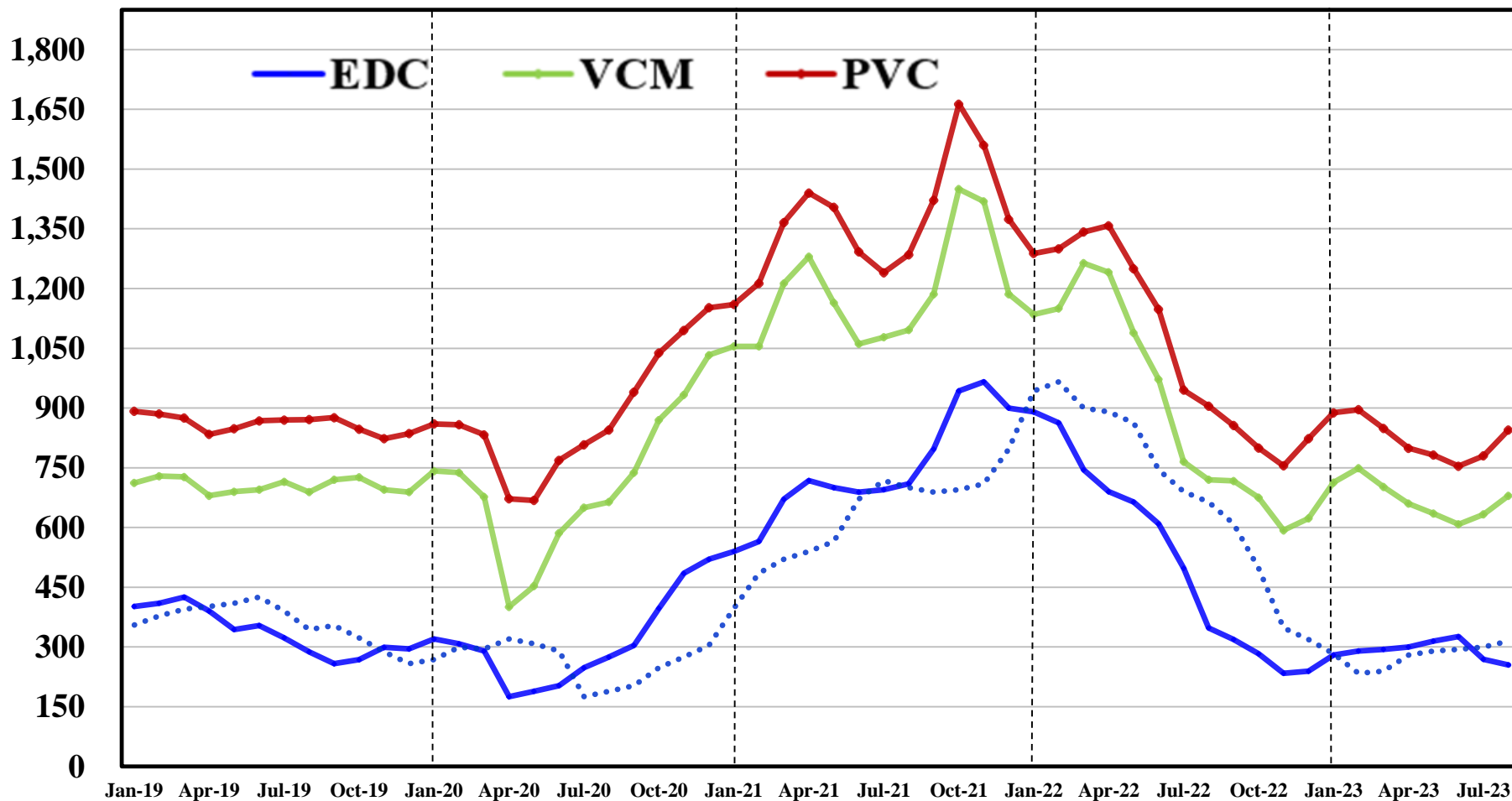
Unit: US\$/bbl WTI

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



PVC / VCM / EDC Price Trend

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



Q3 2023 Outlook: Ethylene

- ◆ **Global crude oil prices have been gradually increasing as OPEC+ keeps production cut and additional voluntary output cut by Saudi Arabia and Russia. These actions have reduced the supply to a two-year low, providing support for naphtha prices and the upward movement of ethylene prices.**
- ◆ **US ethylene production reached a record high in Q2, which was about 10% increase QoQ, Furthermore, US is set to expand the capacity of ethylene export terminal in H2 to 1.5 million mt/yr, which could potentially impact future market prices.**
- ◆ **High oil prices and low operating rate of Crackers in Asian have led Asian ethylene price upward. However, around 6.5 million mt/yr of ethylene capacity is expected to start up in East Asia, and continuous influx of deep-sea cargoes, it is anticipated that the oversupply situation in the ethylene market may persist in Q3. Moreover, the uncertain recovery in China may limit the ethylene prices.**

Q3 2023 Outlook: EDC / VCM

◆ EDC:

In Q2, US EDC production declined by 14.6% on a quarterly basis due to the peak maintenance season. However, a legal dispute among US vinyl producers unexpectedly resulted in a surplus release of EDC, causing price fluctuations. Looking ahead to Q3, demand for vinyl products has been recovering, and once the dispute is resolved, it is forecasted that the EDC market will probably have a change.

◆ VCM:

With the recent recovery of the PVC market, the production reduction effects at the end of Q2 have made VCM spot availability scarce. In addition, the dispute between US producers also exacerbated the tight supply concern in the market. In the short term, the VCM price trend is expected to be stronger than PVC.

Q3 2023 Outlook: PVC Supply

- ◆ **The stable price of carbide and the tight supply of VCM support PVC price going up. As most of PVC T/As have been finished in H1, the overall PVC OP rate is running at 73~75%. The PVC inventory in market places is about 450kt, which is still under control.**
- ◆ **As PVC price had been going down, the producers in Asia had run with T/A and production cuts in Q2. There are some T/As under going at present. Current inventory is not high at all, and the price is easily raised by any abnormal events.**
- ◆ **The US PVC inventory has been lowering down to 250kt since end May due to T/A and VCM outages. The inventory is the lowest in the past 18 months. Further more, the upcoming T/A in August and September and the possible hurricane attacking lead PVC producers aim at domestic sales first, the export allocations for Q3 is expected limited.**

- ◆ **Even though the post-COVID demand in China is still slow, the PVC future price has strongly rebounded from ¥5,700 because of encourage manners provided by the government and the global positive market situations. This encourages the spot market and pushes the price to ¥6,200.**
- ◆ **Even though the Indian PVC imports have decreased since Q2, the buyers are eager to look for import cargoes recently because of price rebounding so as to implement part of inventory. The sentiment is spreading soon to any other Asian markets.**
- ◆ **The low PVC inventory recently in US is unable to fulfill it's main markets such as S. America, Middle East, Turkey and Africa. Some market prices have been increasing by \$150/ton or more since July. The price upward is expected to go further in the near future.**

- ◆ Although the real estate business in Taiwan is still slow, CGPC has secured the new house opens for both released cases and planned new cases. We get deep involve with the building companies for the house designs so as to promote well our construction products. In addition, we have been supplying more products in public infrastructure areas. The H1 sales volumes of construction products increased by 5% YoY. The increase trend is expected to continue in H2.
- ◆ The high inflation is still negative for demand in US. However, the industries in farm vehicles and marines have much improved. As CGPC has joined with supply chains, our sales of artificial leather has been improving quarter by quarter. As for the machine improving project for film products, we have completed and are running with the niche products for advertising, labeling, decoration and show event, This will help for product mix and profit contribution.

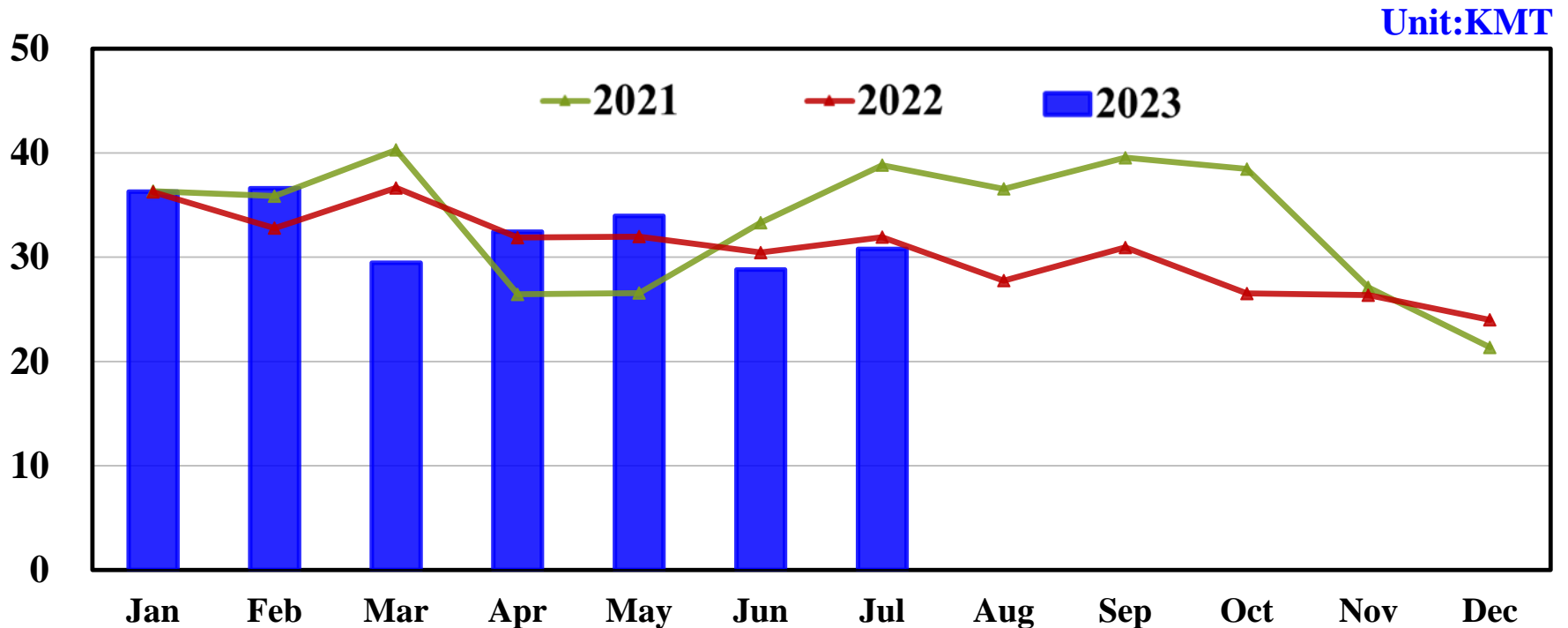
2023 Outlook :

PVC Sold by Month

PVC total quantity sold in 2023:

YTD in July: more than 228kt

YoY decrease: 2%





2023 Outlook : Consolidated Sales

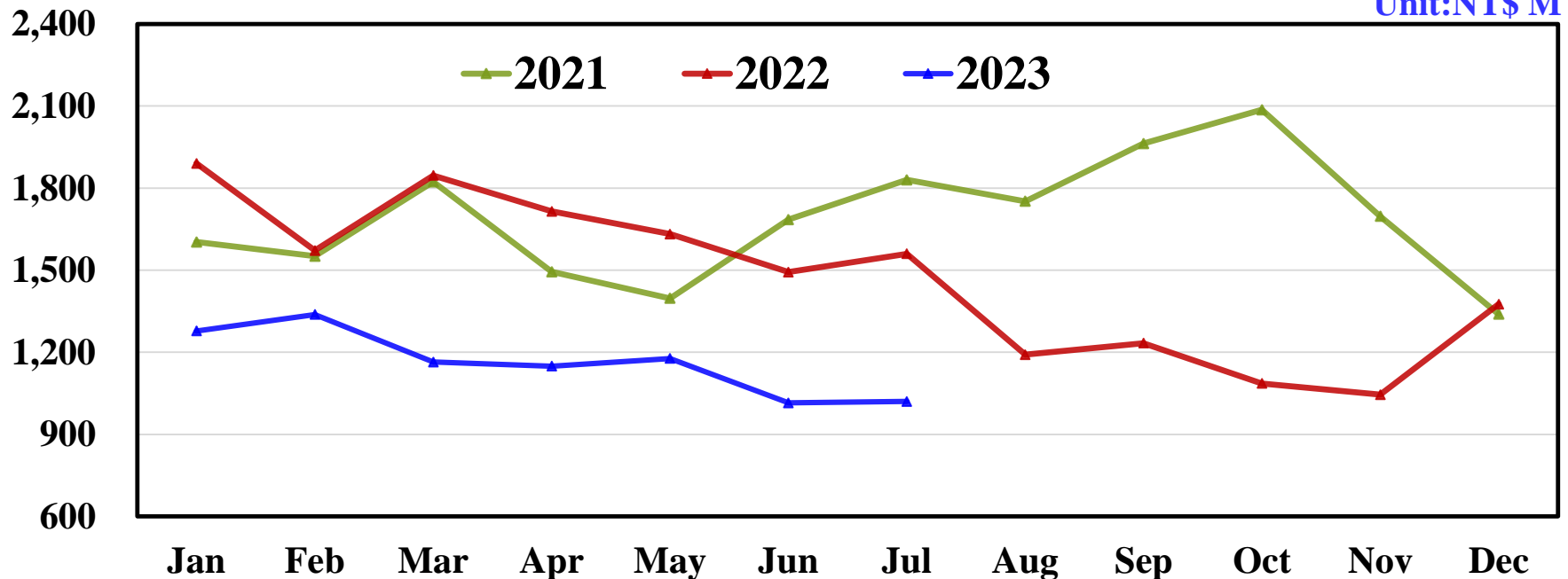
CGPC consolidated net revenue:

YTD in July: 8.141B

YoY decrease: 30%

CGPC Consolidated Net Revenue

Unit:NT\$ M



China General Plastics Corporation



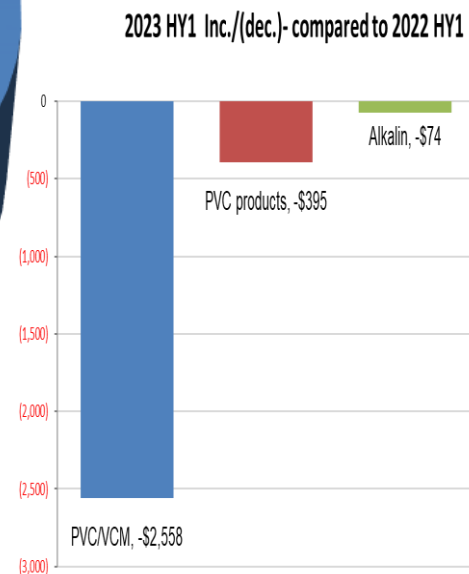
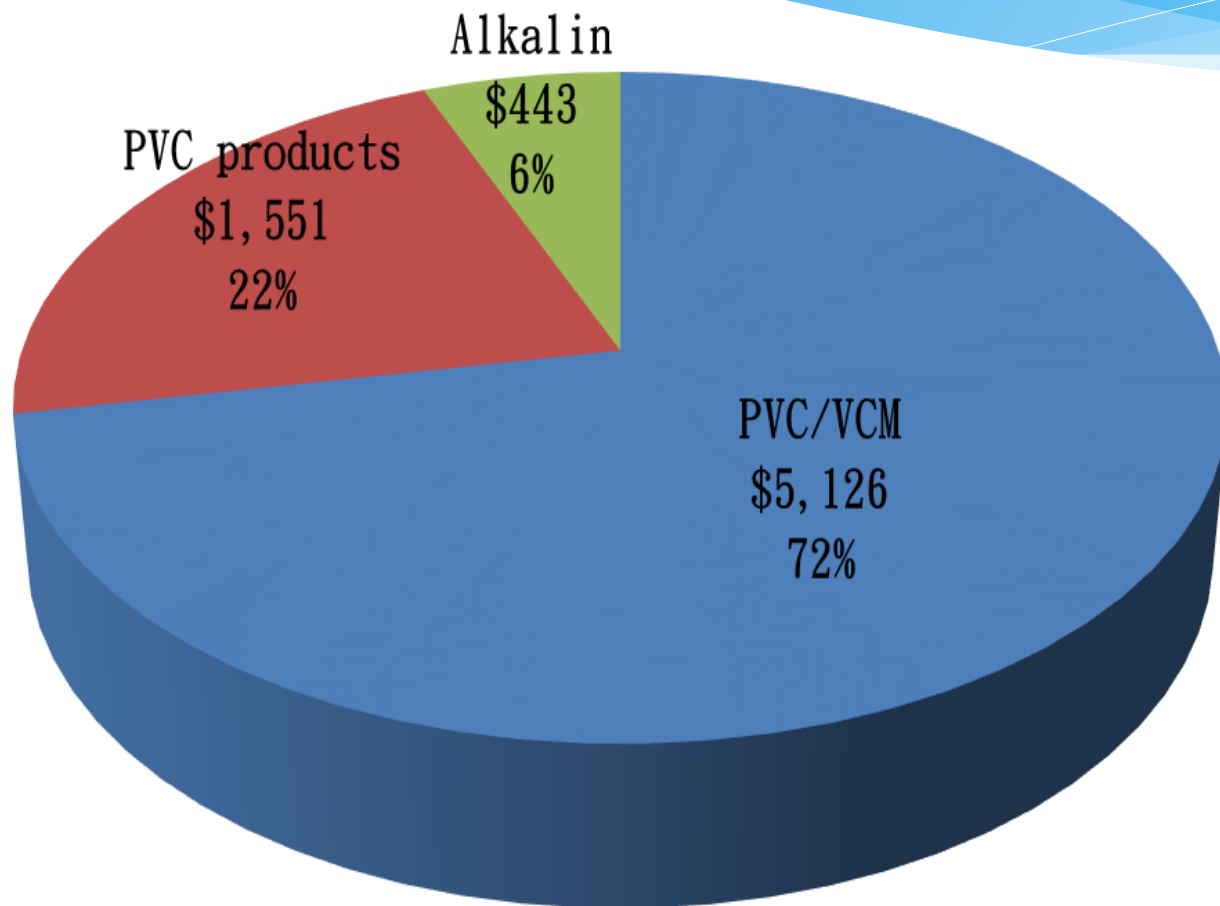
Reporter:
C.C.Kuo Manager

2023 H1 Finance Information

Date: August 14, 2023

2023 HY1 Sales by product

(NT\$million)



Consolidated Statements of Income

(In millions of NTD, except per share data)

	2023 Jan. - Jun.	2022 Jan. - Jun.	YoY%	2022 FY	2021 FY	2020 FY
Sales	7,120	10,147	-29.8%	17,637	20,222	13,733
Cost of goods sold	6,146	9,147	-32.8%	16,959	15,181	10,374
Gross profit	974	1,000	-2.6%	678	5,040	3,359
gross profit ratio	13.7%	9.9%		3.8%	24.9%	24.5%
Operating expenses	593	937	-36.7%	1,662	1,723	1,215
Operating income(loss)	381	63	504.8%	(984)	3,317	2,144
operating income ratio	5.4%	0.6%		-5.6%	16.4%	15.6%
Non-operating income(loss)	13	391	-96.7%	467	(10)	21
Income(Loss) before income taxes	394	454	-13.2%	(517)	3,307	2,165
Income taxes expense(benefit)	120	42	185.7%	(179)	676	374
Net income(loss)	274	412	-33.5%	(338)	2,631	1,792
net income ratio	3.8%	4.1%		-1.9%	13.0%	13.0%
Net income(loss) attributable to						
- China General Plastics Corporation	233	363	-35.8%	(370)	2,469	1,634
- noncontrolling interest	41	49	-16.4%	32	163	158
Earnings(loss) per share	0.40	0.62	-36.0%	(0.64)	4.25	2.95
adjusted		0.62		(0.64)	4.25	2.81

Financial ratio analysis

	2023 Jan.-Jun.	2022 Jan.-Jun.	2022 FY	2021 FY	2020 FY
Operating income margin(%)	5.4	0.6	(5.6)	16.4	15.6
Net income margin(%)	3.9	4.1	(1.9)	13.0	13.1
Debt ratio(%)	43	37	40	30	26
Current ratio(%)	252	191	217	264	265
Quick ratio(%)	164	95	129	152	208
Accounts receivable turnover days	37	33	36	36	45
Inventory turnover days	75	67	61	52	47

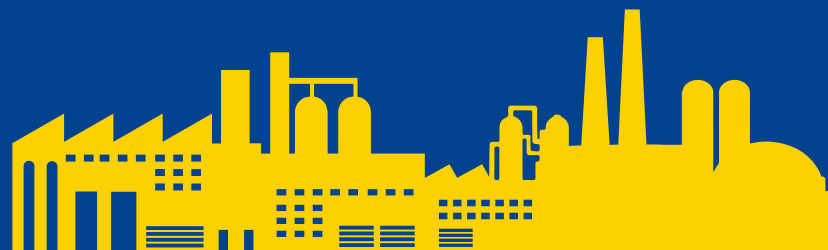
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China General Plastics Corp.

The End Thank You



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Q & A

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