

2023



Investor Conference

2023/11/14





China General Plastics Corp.

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Time	Itinerary	Reporter
14:00~14:30	VIP Registration	
14:30~15:00	Review for Q3 & Outlook for Q4	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

China General Plastics Corp.



Q3 Review & Q4 Outlook

November 14, 2023

Reported by: Otto Hu

Q3 2023 Review: PVC feedstocks

- ◆ **Ethylene** Driven by rising oil prices, keep the Asia ethylene market on steady upward trend. However, the downstream derivative demand was sluggish and China's stimulus measures has limited effect. As a result, spot ethylene prices in Asia have been volatile.
- ◆ **EDC** In the end of Q2, US Vinyl upstream producer restarted the production once. However, VCM production was not smooth. The surplus EDC resulted in price declining to the lowest price of 2023. However, due to the Panama Canal congestion, the EDC price in Asia still high. Moreover, Global Chlor-alkali industry is still facing profit challenges, and the overall operating rates was low. Under the condition of limited quantity, which supported the EDC market.
- ◆ **VCM** China's housing market continues to be sluggish, with developers mired in debt crises, which suppressed the PVC demand. China, the largest VCM import market in Asia, its VCM import decline by 21% in Q3 from the previous quarter, marking the second consecutive quarter of decline and the lowest quarterly import volume since 2014.

Q3 2023 Review: PVC

- ◆ Chinese PVC demand was still not good as expected in Q3. More sales shifted to overseas markets and forced the prices going lower. The exports till Q3 was 6% increase YoY. The PVC inventory in China had been high.
- ◆ The PVC demand in India had been getting better in Q3. But the buyers aimed at the cheap cargoes mainly from China and US. The downward prices also influenced any other markets. The Indian buyers ignored the upcoming peak season and stopped purchases even though in peak season after monsoon.
- ◆ US T/A and technical problems happened in VCM plants led the PVC supply short in 1st half of Q3. However, the supply had been improved after later Q3 and more PVC cargoes with cheap prices had been released. The Asian PVC producers were forced to reduce prices so as to compete.

Q3 2023 Review: Consolidated Sales

- ◆ The YTD consolidated sales till Q3 was NT\$10.486B, which decreased by 3.645B YoY (26%↓).

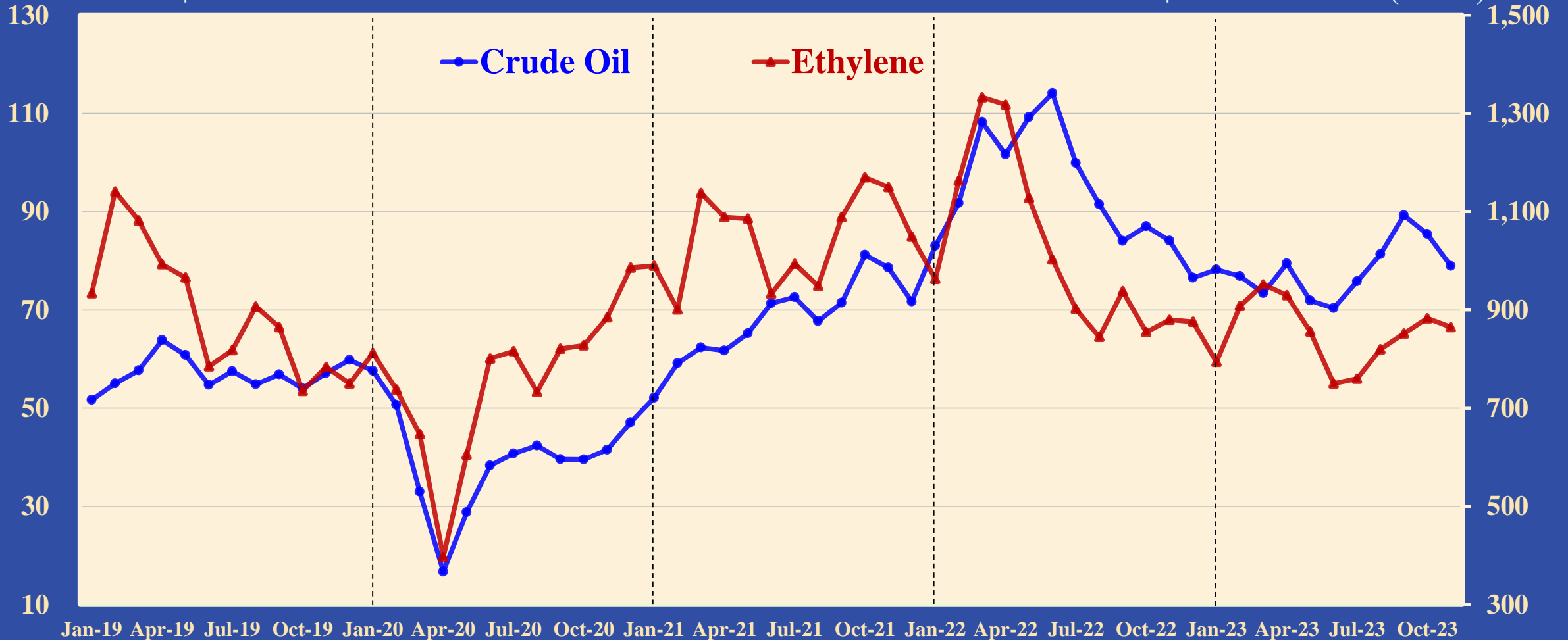
Q1~Q3 Sales Quantities (KT)

	2023	2022	+/-
VCM/PVC	294	286	8
PVC Products	34	39	-5
Alkaline	41	44	-3
Total	369	369	0

Crude Oil & Ethylene Price Trend

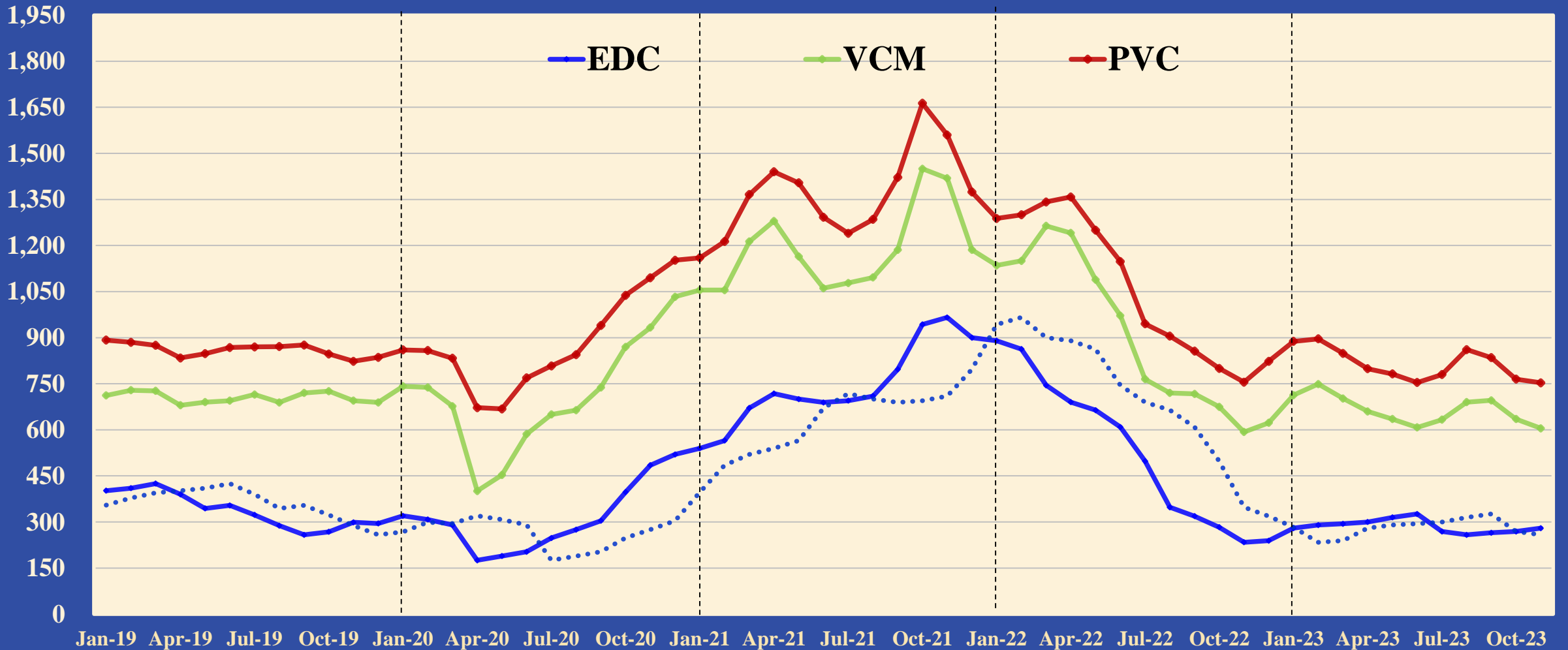
Unit:US\$/bbl WTI

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



PVC / VCM / EDC Price Trend

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



Q4 2023 Outlook: Ethylene

- ◆ Recently, crude oil prices have fluctuated sharply due to the escalation of the Middle East situation. The market believes that the possibility of the war expanding in the short term is relatively low, and it coincides with the demand off-season, oil prices have fallen back to the starting point of war. The bullish sentiment for ethylene has faded.
- ◆ The US ethylene production from Q1 to Q3 of 2023 increased by 2% year-on-year, and exports volumes also increased by 2% compared to the same period of 2022, at historical highs. It is estimated that the export capacity of ethylene in US would continue to increase in the future, which would add to the competitive pressure for ethylene in Asia.
- ◆ Under the influence of global economic headwinds and the slow recovery of China, the outlook for downstream derivatives is flat. Under the continued expansion of ethylene capacity in Asia and the competitive US supply, ethylene is expected to be in oversupply before the end of the year, and prices are unlikely to sharply rise.

Q4 2023 Outlook: EDC / VCM

- ◆ **EDC:** In Q3, the EDC production in US increased by 20% from the previous quarter, reaching a highest volumes of the past two years, and the supply seems to be easing. However, major EDC producer in the Middle East have reduced contract supply due to production issues. In addition, major vinyl upstream manufacturer in US have announced that they will cut production, and the sellers reluctance to sell at lower price. In the short term, the EDC market are about to move.
- ◆ **VCM:** In response to the low-price competition between China and US, the Asia benchmark price have fallen sharply. The transaction prices hit bottom. In addition, China has continued to introduce economic stimulus measures, while helping local governments with disaster relief, reconstruction, and market rescue, which has helped to improve the overall demand for the vinyl chain in China. As the rigid demand for PVC and VCM emerges, it is expected that VCM supply would not be ease to ramp up in short-term, which will lead sellers to raise prices accordingly.

Q4 2023 Outlook: PVC Supply

- ◆ The carbide prices have been going down after Chinese Golden Holidays in October. However, the bottom of ¥2,700 looks strong support on PVC prices. The PVC OP rate is staying at 74~77% and PVC inventory in East Coast is 420kt. The inventory is high than last year but not out of control.
- ◆ The major PVC producers in Asia had cut the OP rates for both PVC and upstream productions due to low profit margin. Once the demand recovers, the temporal PVC supply is expected short because of the lower inventories in Taiwan, Japan and Korea.
- ◆ US PVC inventory in end Q3 was 350kt after the continuous increases in past four months. The high mortgage rate is not good for housing and PVC demand at all. However, the further T/A in Q4 and exports are expected to keep the PVC inventory healthy comparing with the 400kt happened in last year end.

Q4 2023 Outlook: PVC Demand

- ◆ The Chinese economics had not improved as expected even though the actions taken by the government. However, the situation looks change after the Chinese debt of RMB one trillion was announced to run in Q4. The sales for domestic markets have been better and price for export has also raised by \$30~50 per ton.
- ◆ The Indian buyers had purchased the PVC cargoes to deliver in November even though the 700kt of PVC imports revealed by the customs. The PVC demand is expected better after the Diwali holidays. The demand in the markets outside India looks even better. The buyers are aggressive to accept higher prices to take cargoes in time before the prices moving up again.
- ◆ US producers have slow down the steps for further sales. So, some buyers are unable to buy cheaper PVC from US and are trying to look for other sources. The purpose is to target the sales in Q1 2024 for S. America, Mid. East and Africa.

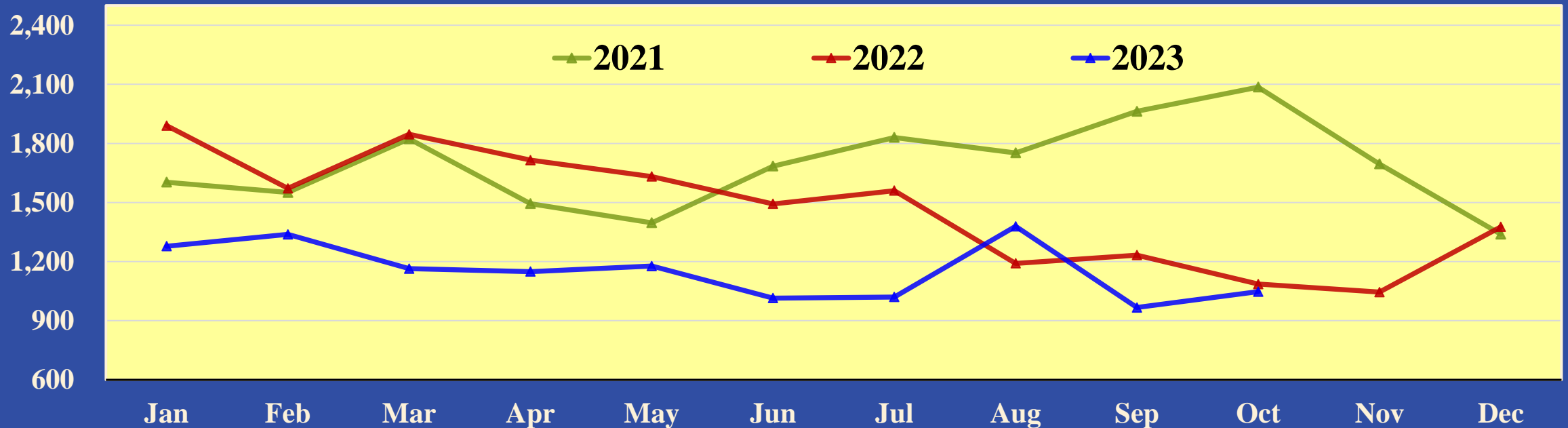
Q4 2023 Outlook: PVC Products

- ◆ **Existing Products:** **Pipe** demand is expected stable in Q4. The promotion and sales will focus on new housing, power plant, sewage disposal pipeline, MRT station expansions. **Film** business is still slow due to high inflation. CGPC has been strengthening and won good market share of the films for adhesive applications for such as electrical engineering, packing, automotive, advertising and labeling. **Artificial leather** demand for the seat covers and decorations in restaurant, hotel, marine and automotive have much improved for post Covid in US markets.
- ◆ **New & Niche Products:** The continuous development and promotion for cool leather, green materials for buggy, car seats and pad, recycling materials for shoes and fire retardant materials, which will have better competitiveness and hot trend with energy saving and carbon reduction.

2023 Outlook: Consolidated Sales

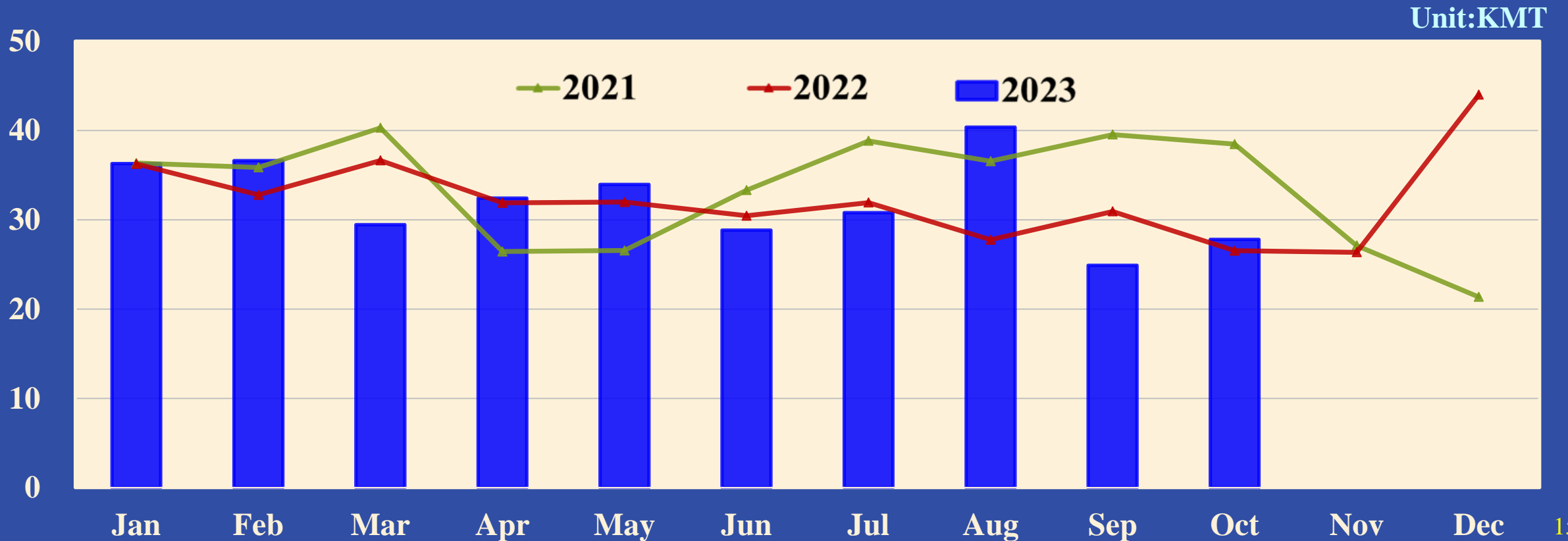
The YTD consolidated net revenue till October was NT\$11.532B, which decreased by 24%. The net revenue for October increased by 8% MoM, which was close to the level of last year.

Unit:NT\$ M



2023 Outlook: PVC Sold by Month

The YTD PVC sold till October was about 320kt, which increased by 1% YoY. The quantity sold in October increased by 12% MoM, which was also better than last year.



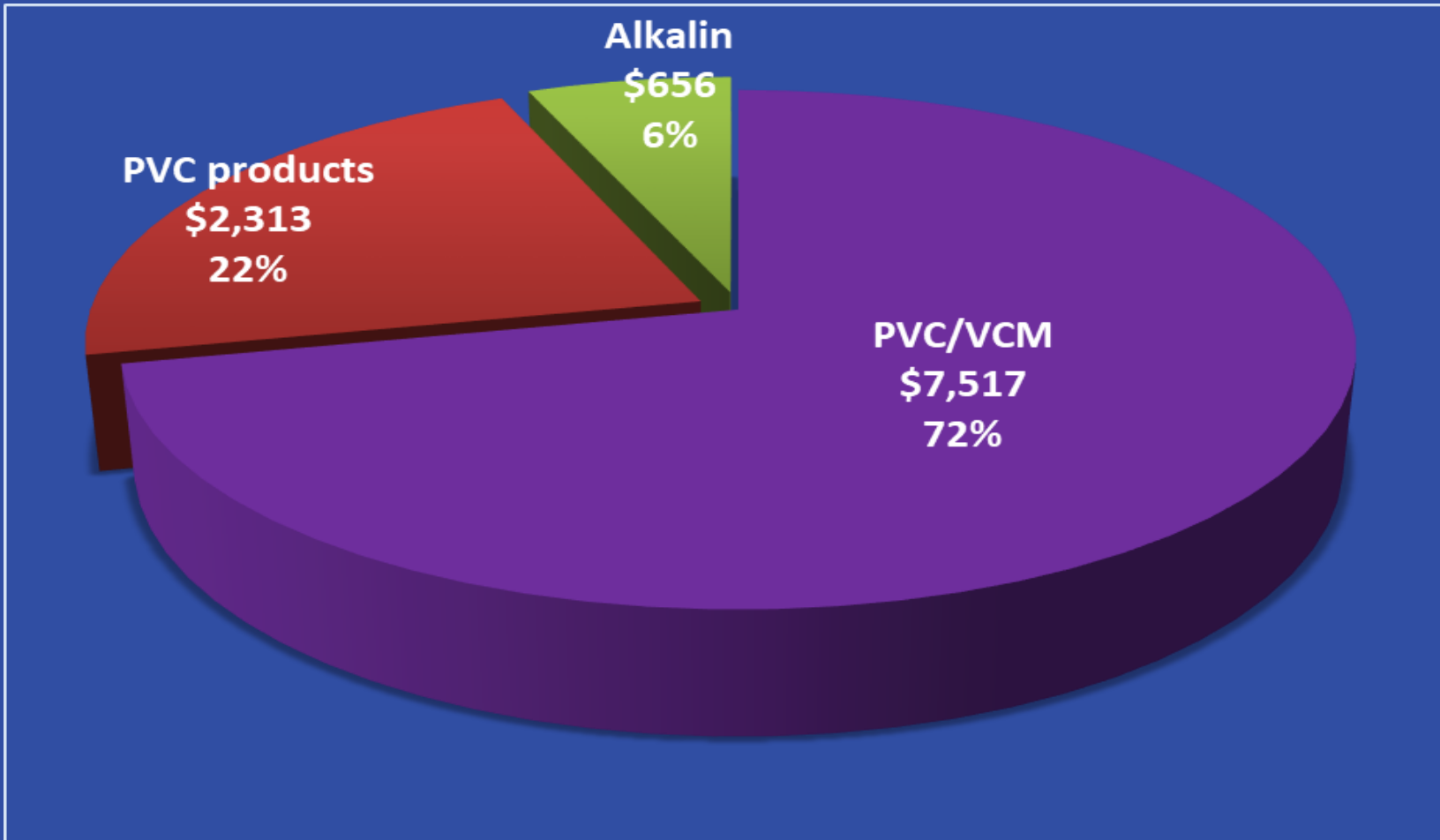


2023 Jan. – Sep. Finance information

Date : 2023, Nov. 14

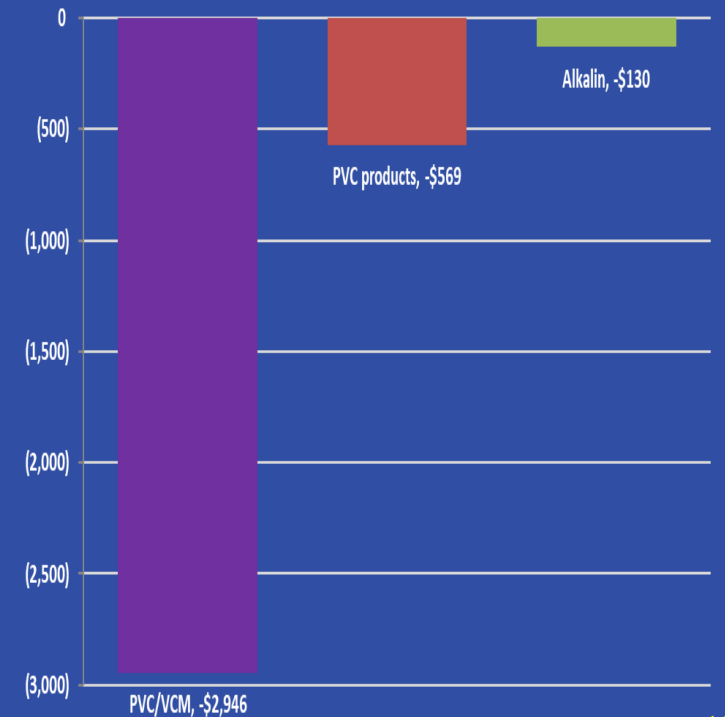
Reporter: C. C. Kuo Manager

2023 Jan. – Sep. Sales by product



(NT\$million)

2023 Jan.-Sep. Inc./dec.- compared to 2022 Jan.-Sep.



Consolidated Statements of Income

(In millions of NTD, except per share data)

	2023 Jan. -Sep.	2022 Jan. -Sep.	YoY%	2022 FY	2021 FY	2020 FY
Sales	10,486	14,131	-25.8%	17,637	20,222	13,733
Cost of goods sold	9,040	13,715	-34.1%	16,959	15,181	10,374
Gross profit	1,446	416	247.6%	678	5,040	3,359
gross profit ratio	13.8%	2.9%		3.8%	24.9%	24.5%
Operating expenses	921	1,327	-30.6%	1,662	1,723	1,215
Operating income(loss)	525	(911)	-157.6%	(984)	3,317	2,144
operating income ratio	5.0%	-6.4%		-5.6%	16.4%	15.6%
Non-operating income(loss)	57	477	-88.1%	467	(10)	21
Income(Loss) before income taxes	582	(434)	-234.1%	(517)	3,307	2,165
Income taxes expense(benefit)	156	(134)	-216.4%	(179)	676	374
Net income(loss)	426	(300)	-242.0%	(338)	2,631	1,792
net income ratio	4.1%	-2.1%		-1.9%	13.0%	13.0%
Net income(loss) attributable to						
- China General Plastics Corporation	380	(318)	-219.7%	(370)	2,469	1,634
- noncontrolling interest	46	18	154.6%	32	163	158
Earnings(loss) per share	0.65	(0.55)	-218.8%	(0.64)	4.25	2.95
adjusted		(0.55)		(0.64)	4.25	2.81

Financial ratio analysis

	2023 Jan.-Sep.	2022 Jan.-Sep.	2022 FY	2021 FY	2020 FY
Operating income margin(%)	5.0	(6.4)	(5.6)	16.4	15.6
Net income margin(%)	4.1	(2.1)	(1.9)	13.0	13.1
Debt ratio(%)	41	39	40	30	26
Current ratio(%)	222	221	217	264	265
Quick ratio(%)	139	126	129	152	208
Accounts receivable turnover days	36	34	36	36	45
Inventory turnover days	75	58	61	52	47

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.**



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The End
Thank You



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Q & A



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