

2024



# Investor Conference

2024/3/14





# China General Plastics Corp.

## Investor Conference

2024/3/14

Time	Itinerary	Reporter
14:00~14:30	VIP Registration	
14:30~15:00	Review for 2023 & Outlook for Q1 2024	Otto Hu, Executive Vice President
	Finance Information for 2023	C C Kuo, Manager
15:00~15:30	Q&A	H F Lin, Vice Chairman

# China General Plastics Corp.



## 2023 Review & 2024 Q1 Outlook

March 14, 2024

Reported by: Otto Hu

# 2023 Review: PVC feedstocks

- ◆ **Ethylene** Crude oil demand is being suppressed by weak recovery in China and high interest rates in Europe and US. However, ethylene production capacity continues to expand rapidly, forcing producers to adjust operating rates in response, but still struggling to support Asian ethylene prices, which have once fallen below US\$800 per tones.
- ◆ **EDC** Global caustic soda prices continue to decline, and the operating rates of chlor-alkali plants have been adjusted accordingly, leading to a decrease in EDC supply. In Q3, due to the disputes between two vinyl companies in the United States, VCM production was disrupted and additional EDC was released, which caused the price to loosen temporarily. In Q4, shipping restrictions pushed up freight rates, and some EDC were diverted to more profitable markets, leading to a high prices and shortage of EDC arrivals in Asia.
- ◆ **VCM** In 2023 Q1, VCM and PVC prices reached the annual highs, driven by the lifted restricted of COVID-19 in China. However, as PVC demand weakened, VCM prices also fell, dragging down the market. Even though producers have responded by cutting production, the buying sentiment remains sluggish during the year.

# 2023 Review: PVC

- ◆ As Chinese PVC demand was not good as expected, more than 2.2 million tons of PVC cargoes had been shifted to overseas markets. The continuous PVC exports with cheap prices just cooled down the market prices every time when price increased in 2023.
- ◆ The PVC demand was strong in India. The buyers purchased most cargoes with cheap prices from China and US even though the record high imports of 2.8 million tons. However, the demand was poor in Q3, the Indian peak season. The situation influenced any other markets and lowed down the prices.
- ◆ US T/A and technical problems happened in VCM plants led the PVC supply short end of Q2. However, more PVC cargoes with cheap prices had been exported once the problems were fixed later Q3. The Asian PVC producers were forced to reduce prices so as to compete.

# 2023 Review: Consolidated Sales

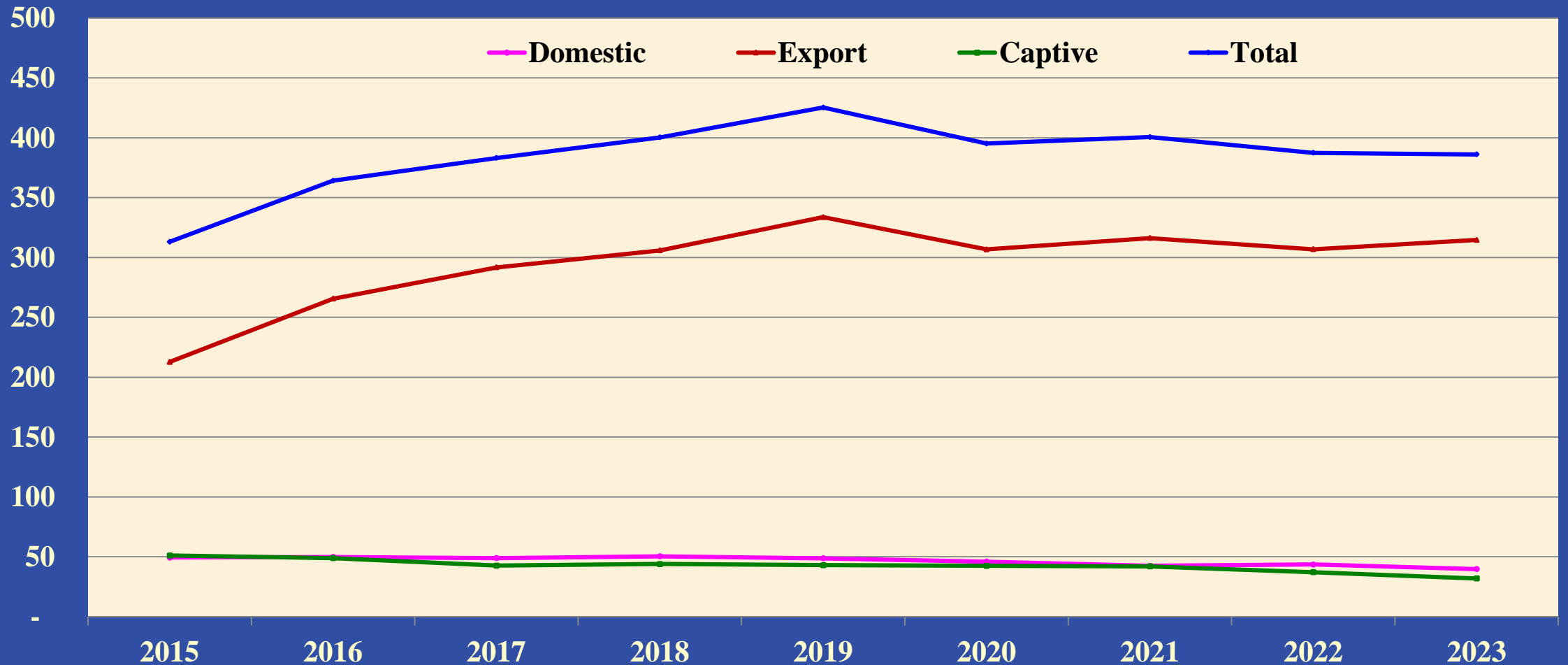
- ◆ The consolidated sales in 2023 was NT\$13.707B, which decreased by 3.93B YoY (22%↓).

## Sales Quantities (KT)

	Y2023	Y2022	+/-
VCM/PVC	384	382	2
PVC Products	46	53	-7
Alkaline	55	60	-5
<b>Total</b>	<b>485</b>	<b>495</b>	<b>(10)</b>

# 2023 Review: PVC Sales Mix

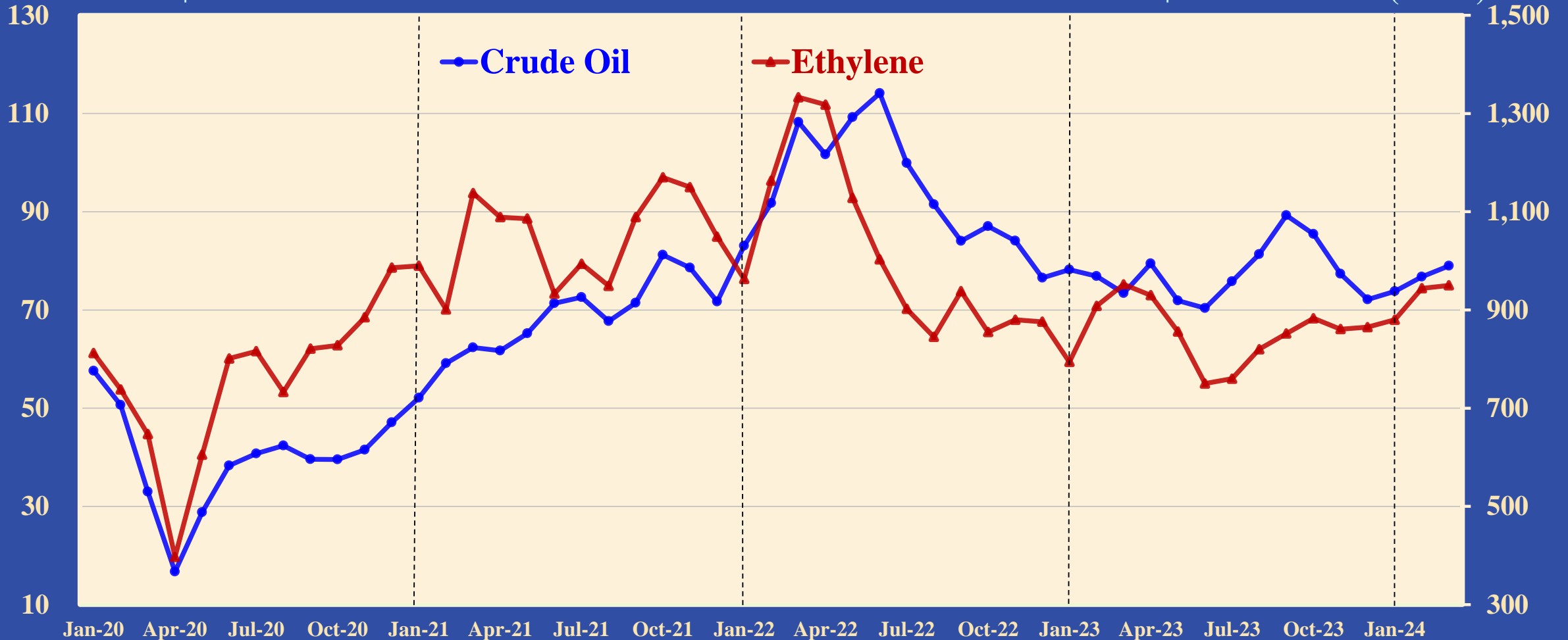
Unit:KT



# Crude Oil & Ethylene Price Trend

Unit:US\$/bbl WTI

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

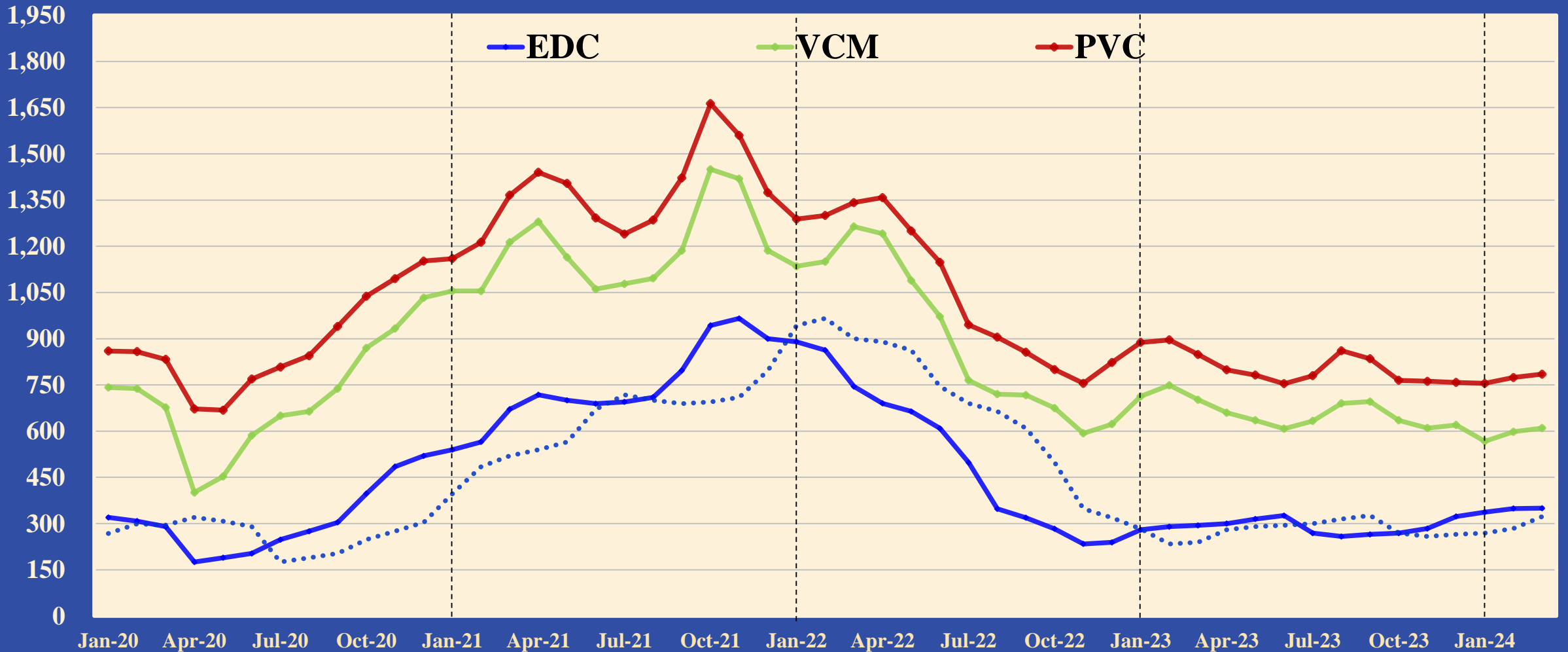






# PVC / VCM / EDC Price Trend

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



# Q1 2024 Outlook: Ethylene

- ◆ OPEC<sup>+</sup> and Russia extended their oil output cuts to the end of Q2, suggests that they believe demand recovery will be limited recently. This has led to a lukewarm trend in global oil prices, which would limit the upward momentum of ethylene costs side in the short term.
- ◆ Driven by the low regional crackers operating rates, extended freight delivery times, and surging restocking demand, Asian ethylene prices have recently broken through US\$900 per tones. The further price increases would depend on the strength of demand growth.
- ◆ Looking forward, ethylene and petrochemical product demand are expected to improve with the better economic outlook, and the growth of new ethylene capacity is significantly slower in 2024 than the past few years, which would expect to help the ethylene market to rise steadily.

# Q1 2024 Outlook: EDC / VCM

- ◆ **EDC:** Global caustic soda prices have been lingering at a low level for a long time. After the Chinese's holiday, the restocking demand has led to an increase in Asian caustic soda prices, which is expected to boost the operating rate of chlor-alkali and increase the supply of EDC. Recently, the management of a major US vinyl producer has planned a change. Thus, The current policy of reducing chlor-alkali production to support the high-priced EDC is possibly adjusted. Middle Eastern producers are expected to gradually resume normal supply, which will also help to ease the tighten supply situation.
- ◆ **VCM:** Asian's VCM plants have bring forward or postponed the turnaround due to the weak PVC demand in Q1, leading to a tightening of VCM supply in the short term, which is favorable for price increases. In addition, China has announced the housing stimulus policies to boost the economy, which would help to improve VCM and PVC demand to overcome the difficult situation.

# Q1 2024 Outlook: PVC Supply

- ◆ The Chinese PVC prices had been going down early this year. The sales both domestic and export was poor during the holidays of Lunar New Year, but the PVC OP rate was still at high. So, the overall PVC inventory in China is high.
- ◆ The major PVC producers in Asia had cut the OP rates for both PVC and up stream productions due to low profit margin. Some T/As are also put into schedule in Q1. The PVC supply is not long at all. So, producers are trying to raise selling prices at present.
- ◆ As one of US producers shut down vinyl plants for precaution of cold weather. The US PVC inventory went down unexpectedly in January. So, the US PVC producers have announced price increases for export and domestic since early this year , the increases are more than the figures happened in Asia.

# Q4 2023 Outlook: PVC Demand

- ◆ The PVC prices in China have been stable during Lunar New Year holidays. In addition, Chinese government just announced the interest reduction for 5-year loan and stimulative actions for buying house and infrastructure. Those are expected to help the PVC demand.
- ◆ The Indian buyers replenished PVC with cheap cargoes. However, the imports in recent months keep 200kt above per month. The demand in Bangladesh has been improving after the election finish in January. The PVC demand in SEA is the best one because of the good order-intake of finished goods for US market .
- ◆ US economic situation is better than expected, and the PVC inventory went down unexpectedly in January. The US PVC exports to S. America, Mid. East and Africa are foreseen less. So, the buyers are trying to split some orders to Asia for upcoming purchases.

# Q4 2023 Outlook: PVC Products

- ◆ **Existing Products:** The once a year new housing open for end March is the 2<sup>nd</sup> large in six years. And the infrastructure is expected to start after the election. So, **pipe** demand is expected getting better. Except tape, **film** business is still slow. However, CGPC will concentrate the niche products for the purposes such as housing, packing, automotive, advertising and labeling. **Artificial leather** sales is foreseen with high growth in Q1 because of the strong demand recovery in US market. The products mainly for the seat covers in restaurant, hotel, marine and automotive.
- ◆ **New Development Products:** High end new developments are our strategy for fabricated products. The on-going and upgrading leather items include Chroma cool, green materials for buggy & car, homogenized materials for recycling. The new developments in 2024 project cover the materials for anti-virus, luminaire, green fire retardant.

# China General Plastics Corporation



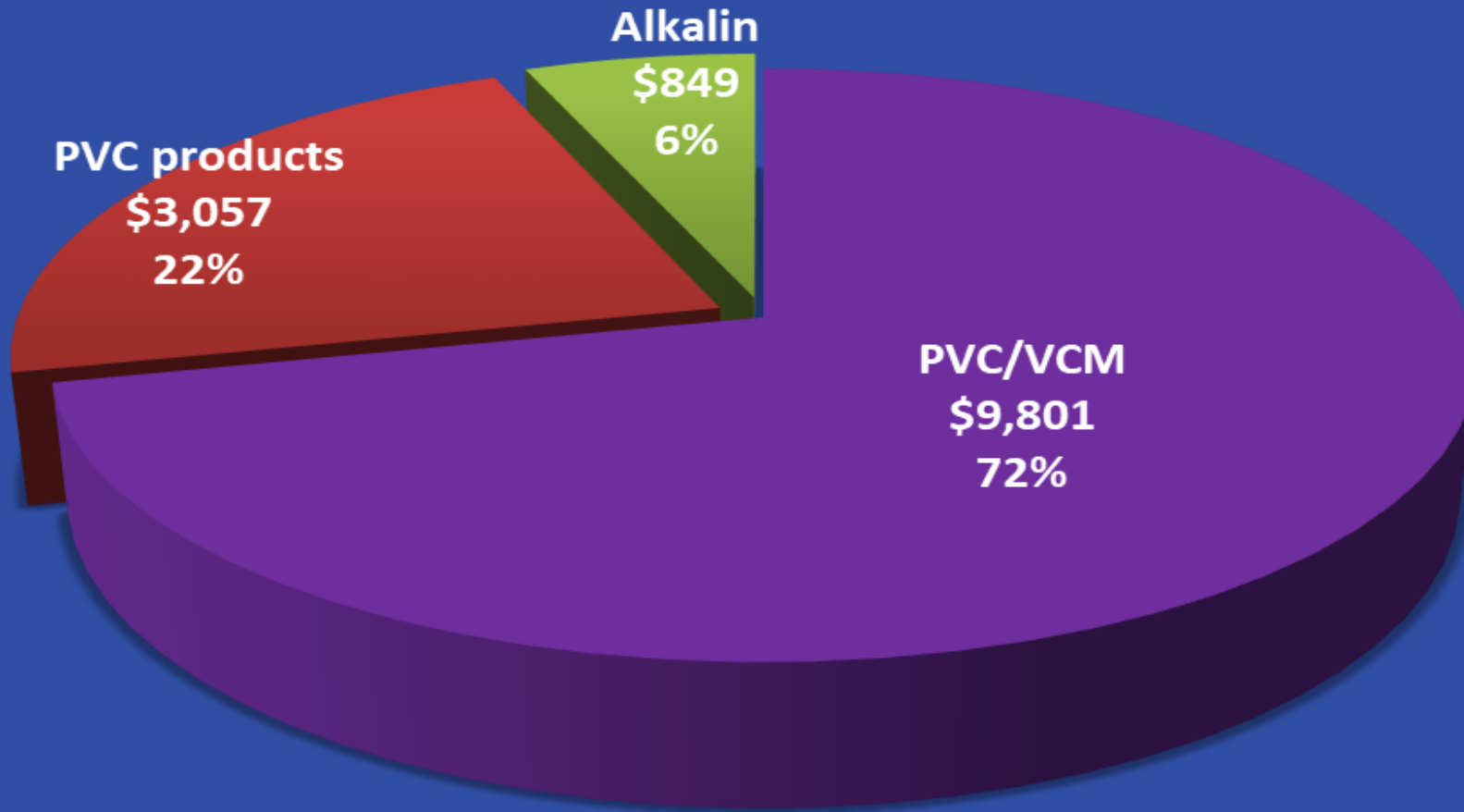
2023

Finance information

Date : 2024, Mar. 14

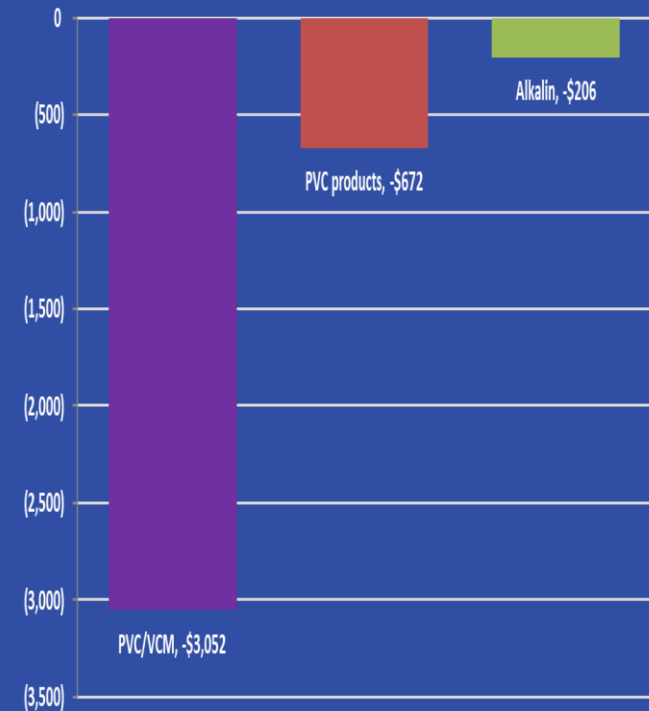
Reporter: C. C. Kuo Manager

# 2023 Sales by product



(NT\$million)

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





# Consolidated Statements of Income

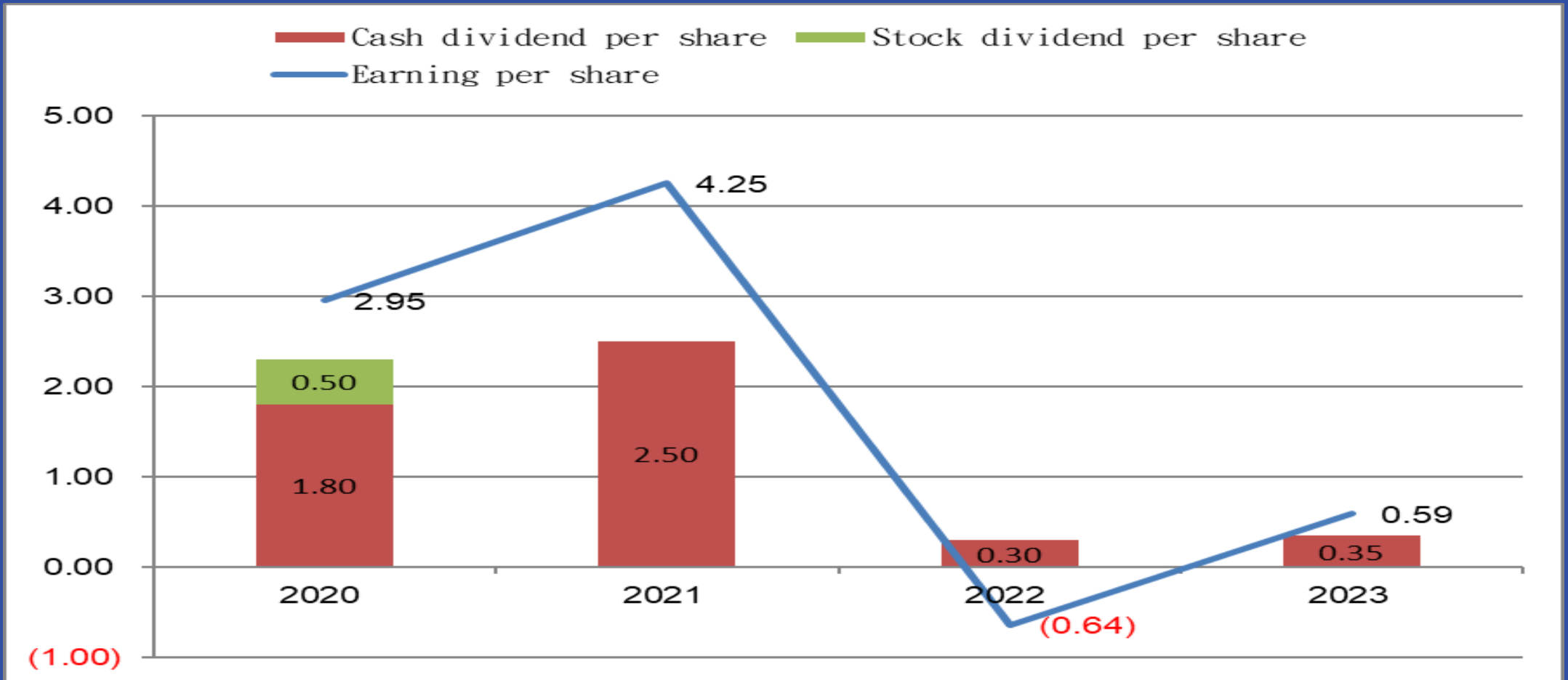
(In millions of NTD, except per share data)

	2023 FY	2022 FY	YoY%	2021 FY	2020 FY
Sales	13,707	17,637	-22.3%	20,222	13,733
Cost of goods sold	12,030	16,959	-29.1%	15,181	10,374
Gross profit	1,677	678	147.3%	5,040	3,359
gross profit ratio	12.2%	3.8%		24.9%	24.5%
Operating expenses	1,217	1,662	-26.8%	1,723	1,215
Operating income(loss)	460	(984)	-146.7%	3,317	2,144
operating income ratio	3.4%	-5.6%		16.4%	15.6%
Non-operating income(loss)	7	467	-98.5%	(10)	21
Income(Loss) before income taxes	467	(517)	-190.3%	3,307	2,165
Income taxes expense(benefit)	73	(179)	-140.8%	676	374
Net income(loss)	394	(338)	-216.6%	2,631	1,792
net income ratio	2.9%	-1.9%		13.0%	13.0%
Net income(loss) attributable to					
- China General Plastics Corporati	342	(370)	-192.3%	2,469	1,634
- noncontrolling interest	52	32	61.5%	163	158
Earnings(loss) per share	0.59	(0.64)	-192.6%	4.25	2.95
adjusted		(0.64)		4.25	2.81

# Financial ratio analysis

	2023 FY	2022 FY	2021 FY	2020 FY
<b>Operating income margin(%)</b>	3.4	(5.6)	16.4	15.6
<b>Net income margin(%)</b>	2.9	(1.9)	13.0	13.1
<b>Debt ratio(%)</b>	42	40	30	26
<b>Current ratio(%)</b>	204	217	264	265
<b>Quick ratio(%)</b>	127	129	152	208
<b>Accounts receivable turnover days</b>	34	36	36	45
<b>Inventory turnover days</b>	77	61	52	47

# EPS vs DPS





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The End  
Thank You



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**Work together to create prosperity**



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### Q & A



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