

2024



Investors Conference

2024/5/13





China General Plastics Corp. Investor Conference

2024/5/13

Time	Itinerary	Reporter
14:00~14:30	VIP Registration	
14:30~15:00	Review for Q1 & Outlook for Q2	J H Wu, Manager
	Finance Information for Q1	C C Kuo, Manager
15:00~15:30	Q&A	Otto Hu, President

China General Plastics Corp.

2024 Q1 Review & Q2 Outlook

May 13, 2024

Reporter : J.H. Wu

2024 Q1 Review: PVC Feedstocks

- ◆ **Ethylene** Crude prices have risen gradually under the extended production cuts on the supply side and the tense situation in the Middle East. Asian crackers have maintained low operating rates due to poor profitability, and the limited regional spot supply has pushed C2 prices in NEA to near a one-year high. However, derivative demand has not shown significant improvement, and C2 prices have seen corrections as buyers have become more cautious.
- ◆ **EDC** Global industrial activity and caustic soda demand have warmed up after the Lunar New Year. Caustic soda prices in Asia have rebounded by nearly 20%, supporting caustic soda and EDC production rates. Both Asia and the US have released EDC spot supply due to downstream Vinyl production issues. By the end of Q1, the tightness in EDC supply has improved.
- ◆ **VCM** China's PVC demand remains constrained by the sluggish real estate market. VCM buyers have a conservative demand outlook and are cautious in their procurement. VCM imports in Q1 fell 45.1% year-on-year. Producers have gradually reduced production in response, and VCM prices have fluctuated in line with the PVC trend.

2024 Q1 Review: PVC

- ◆ The recovery of downstream plastic processing demand in China was still slow. Sales and investment in real estate continued to decline, suppressing domestic PVC demand. PVC producers maintained high operating rates during the Chinese New Year period, leading to a build-up of inventories and increasing pressure for exports. However, the Red Sea crisis, regional elections, and holiday factors disrupted exports. China exported 620k tons of PVC in Q1, down 4.1% year-on-year. The high inventory levels and increasing export volumes have continued to weigh on the Asian PVC market.
- ◆ Infrastructure and PVC demand in India were delayed due to the annual fiscal settlement and upcoming local elections. India import 660k tons in Q1, a year-on-year reduction of 26.7%. Buying appetite remained at average levels on the back of ample supply. The price comparison effect in surrounding Bangladesh and Southeast Asian markets has also reduced the PVC price increase.
- ◆ The strong US economy, some PVC plant turnarounds, and high raw material costs have resulted in stable domestic and export PVC prices. However, exports have been weakened by the impact of the Suez Canal crisis on Asia shipments, and demand in the main Atlantic and Mediterranean coastal markets has also been sluggish. By the end of Q1, US PVC inventory remained around 380,000 tons.

2024 Q1 Review: Consolidated Sales

- ◆ The consolidated sales in 2024 Q1 was NT\$ 2.905B, which decreased by 0.875B YOY(23%↓)。

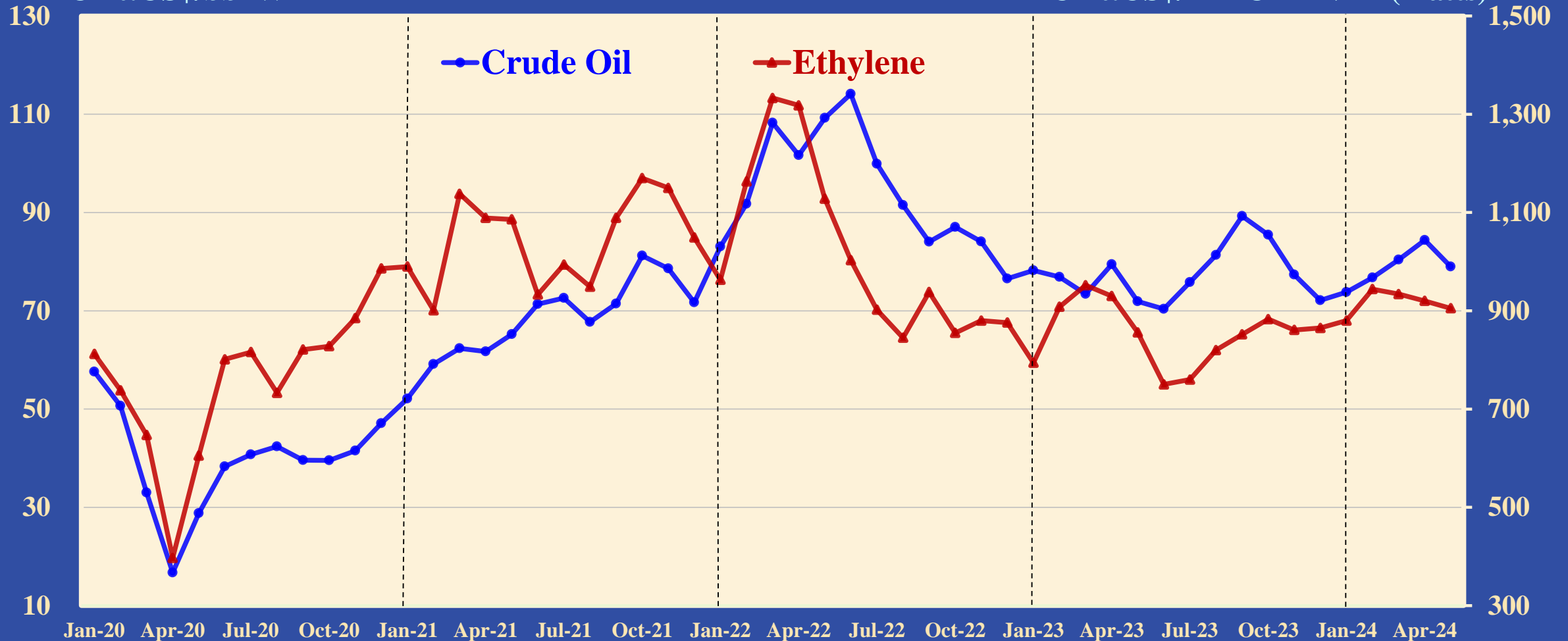
Sales Quantities(KT)

	2024 Q1	2023 Q1	+/-
VCM/PVC	83	103	-20
PVC Products	10	12	-2
Alkaline	15	14	1
Total	108	129	-21

Crude Oil & Ethylene Price Trend

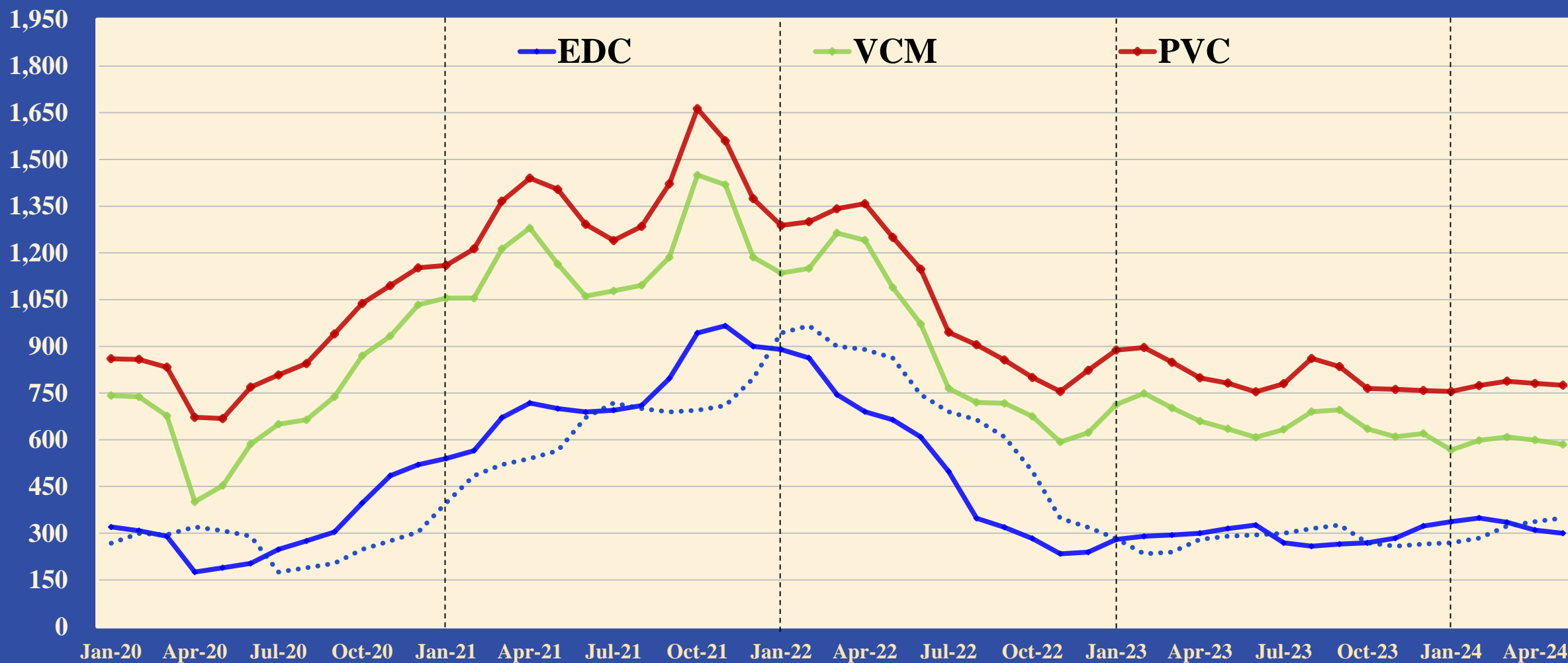
Unit:US\$/bbl WTI

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



PVC / VCM / EDC Price Trend

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



2024 Q2 Outlook: Ethylene

- ◆ OPEC+ maintains a firm stance on defending crude prices, and market sentiment is still driven by the situation in the Middle East. Crude prices have become more volatile and returned above \$90/barrel briefly, a new high for the year. Asian crackers continue to monitor upstream cost changes and adjust their operating rates cautiously.
- ◆ US ethylene exports fell 15.6% YOY in Q1 2024. However, as local crackers gradually resume normal production after issues and heavy turnarounds, coupled with the easing of restrictions in the Panama Canal, the C2 supply of overseas cargoes is expected to increase. The pricing pressure on Asian C2 remains heavy.
- ◆ Global plastic demand is weak, with margins of ethylene and its downstream derivatives being squeezed. Europe and Japan have reported news of capacity closures. But China's ethylene capacity is still expanding and it's estimated that the oversupply situation in NEA will remain in Q2, and a downward market trend may be hard to avoid.

2024 Q2 Outlook: EDC / VCM

- ◆ **EDC:** Both alumina and paper industry have shown signs of recovery, driving caustic soda demand and chlorine output in Q2. Major US Vinyl upstream producer is planning to restart idle C/A capacity, and Middle East producers have supply resuming plan, so the market's spot EDC supply is expected to increase compared to previous years. Additionally, the recent decline in PVC market conditions has affected purchasing sentiment, putting downward pressure on EDC prices.
- ◆ **VCM:** Asian VCM plants will still have turnarounds in Q2. C2-based PVC producers in China only briefly lowered the operating rates due to maintenance. It is expected to show the support of VCM demand. Regional shipping freight have soared, putting upward pressure on landed prices of mainstream PVC in Asia. Additionally, demand has heated up in Southeast Asia after the Eid al- fitr and ahead of India's rainy season. If this can drive overall inventory depletion, it will help the Vinyl market to bottom out.

2024 Q2 Outlook: PVC Supply

- ◆ Operating rates of China PVC plants are expected to decrease in April-May due to the annual maintenance. The PVC inventory buildup from Q1 has started to be destocking. Although there are variables in terms of rising export freight rates and the May Day holiday, there are signs of gradual improvement in demand from Asian markets, accelerating the pace of inventory destocking.
- ◆ Northeast Asian PVC producers have been cutting production due to high raw material costs and squeezed margins. Southeast Asian producers have also been forced to reduce production and experience supply shortages due to raw material constraints. In the short term, they are mainly adopting a strategy of controlling output through pricing.
- ◆ Some US PVC producers will continue their maintenance in April, leading to a decline in output. The Fed's decision on interest rates, along with inflation, will influence demand in the US construction sectors. Before the Suez Canal crisis fully cools down, overseas cargos will find it difficult to compete with Chinese exports. Exports are expected to primarily focus on nearby regional markets.

2024 Q2 Outlook: PVC Demand

- ◆ China's manufacturing PMI has shown an upward trend, with GDP and industrial production posting year-on-year increases. The government continues to introduce policies to stimulate the property market, relax home purchase limits, and lower the interest rate. The issuance of trillions in super-long-term government bonds is also expected to support infrastructure. Domestic PVC spot and futures prices remained stable, which is beneficial for improving long term PVC demand.
- ◆ After Ramadan, PVC demand is set to pick up in South Asia's agriculture, pipe, and public construction sectors, as well as in Southeast Asia's processing industries. India is still maintaining PVC imports of over 200k tons per month, while Bangladesh's economic improvement has triggered restocking demand. Vietnam and Thailand are benefiting from growing export orders to Europe and the US, leading to a recovery in PVC demand and stabilizing market prices.
- ◆ The stronger-than-expected US economy has made the interest rate cut discussions less prominent. In addition to stable domestic consumption, the post-maintenance high inventory levels will drive more PVC exports, primarily targeting Latin American, Middle Eastern, and African markets. And as the Suez Canal crisis is yet to fully subside, and the market is waiting for the progress of implementing India's BIS import certification, the threat of US PVC cargoes competing in Asia has diminished.

2024 Q2 Outlook: PVC Products

- ◆ **Existing Products:** **Pipe** demand is expected to remain stable and trend upward in the medium term. This is mainly due to a 31.4% year-on-year increase in private housing sales from January to April. Housing project launches in the second quarter are expected to see further momentum. After the new government took office, the execution of budgets for new and ongoing public works projects has accelerated. Our **tape** products have benefited from a recovery in downstream demand, with a surge of urgent orders, as well as improvements in our production lines. For the **artificial leather** business is seeing increased demand for outdoor leisure and tourism applications in North America, such as in hotels, yachts, and vehicles, which is expected to drive a substantial sales growth in Q2.
- ◆ **New Development Products:** We have already begun production and delivery to the market of various applications, including cool-touch leather, eco-friendly materials for baby seats and automotive interiors, fully recyclable shoe materials, transparent materials for boats and vehicles, and anti-viral medical bed pads. By driving these product upgrades and innovations, we aim to elevate our product positioning, strengthen our competitive advantages, and capture growing demand for sustainable materials across different industries. This strategic focus on high-end, eco-friendly solutions is key to our continued growth and market leadership.

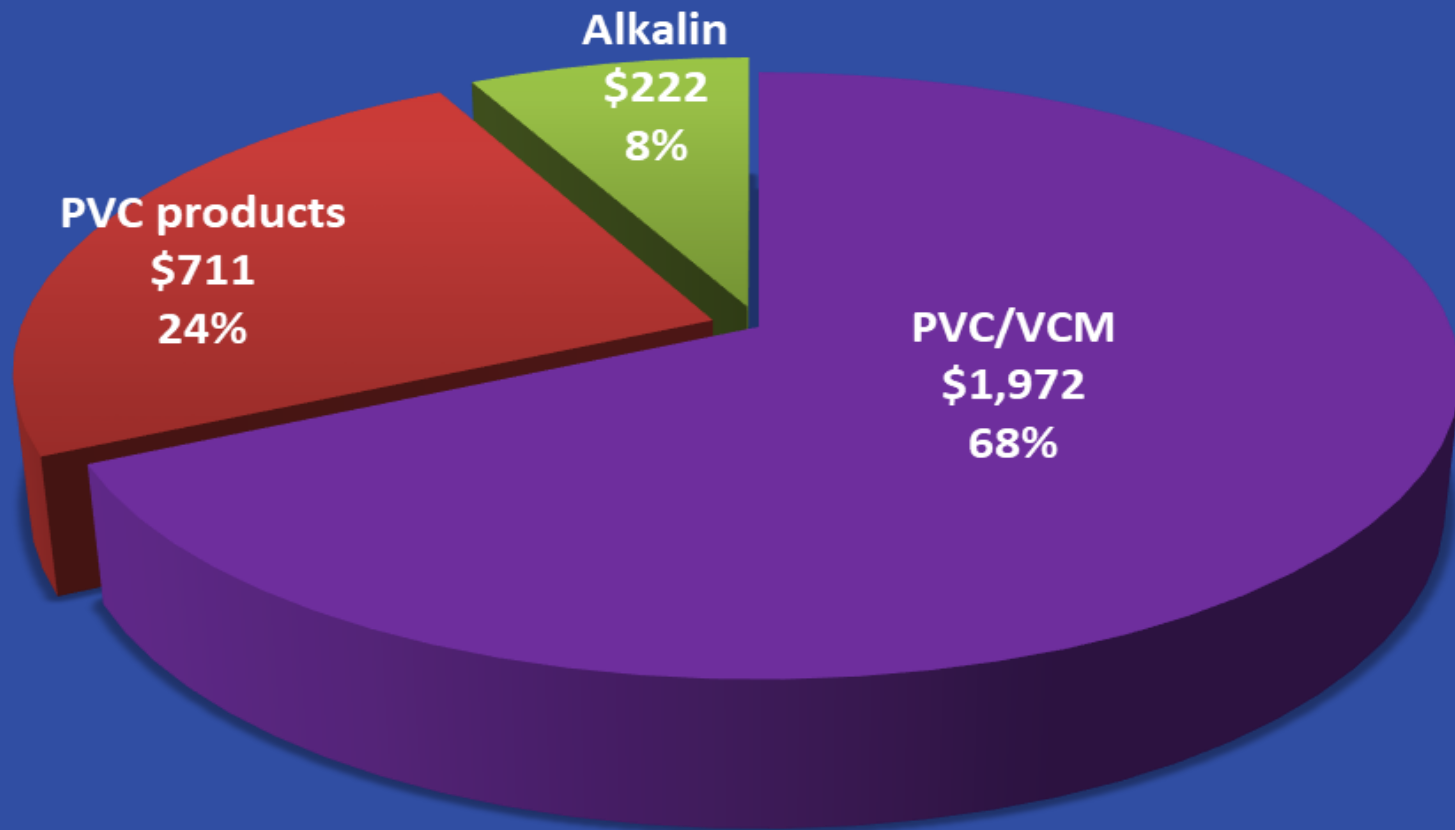
China General Plastics Corp.

2024 Q1 Finance Information

May 13, 2024

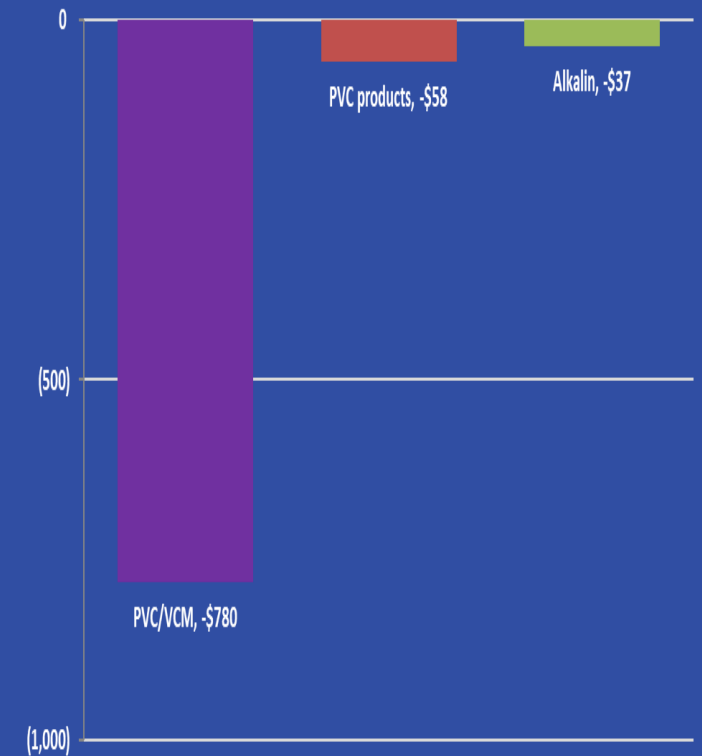
Reporter : C.C.Kuo Manager

2024 Q1 Sales by product



(NT\$million)

2024 Q1 Inc./dec.- compared to 2023 Q1



Consolidated Statements of Income

(In millions of NTD, except per share data)

	2024 Jan. -Mar.	2023 Jan. -Mar.	YoY%	2023 FY	2022 FY	2021 FY
Sales	2,905	3,780	-23.1%	13,707	17,637	20,222
Cost of goods sold	2,732	3,080	-11.3%	12,030	16,959	15,181
Gross profit	173	700	-75.3%	1,677	678	5,040
gross profit ratio	6.0%	18.5%		12.2%	3.8%	24.9%
Operating expenses	273	322	-15.2%	1,217	1,662	1,723
Operating income(loss)	(100)	378	-126.5%	460	(984)	3,317
operating income ratio	-3.4%	10.0%		3.4%	-5.6%	16.4%
Non-operating income(loss)	40	(18)	-322.2%	7	467	(10)
Income(Loss) before income taxes	(60)	360	-116.7%	467	(517)	3,307
Income taxes expense(benefit)	(18)	106	-117.0%	73	(179)	676
Net income(loss)	(42)	254	-116.5%	394	(338)	2,631
net income ratio	-1.4%	6.7%		2.9%	-1.9%	13.0%
Net income(loss) attributable to						
- China General Plastics Corporati	(32)	232	-113.6%	342	(370)	2,469
- noncontrolling interest	(10)	22	-147.7%	52	32	163
Earnings(loss) per share	(0.05)	0.40	-112.5%	0.59	(0.64)	4.25
adjusted		0.40		0.00	(0.64)	4.25

Financial ratio analysis

	2024 Jan.-Mar.	2023 Jan.-Mar.		2023 FY	2022 FY	2021 FY
Operating income margin(%)	(3.4)	10.0		3.4	(5.6)	16.4
Net income margin(%)	(1.5)	6.7		2.9	(1.9)	13.0
Debt ratio(%)	44	40		42	40	30
Current ratio(%)	177	261		204	217	264
Quick ratio(%)	110	155		127	129	152
Accounts receivable turnover days	36	34		34	36	36
Inventory turnover days	87	78		77	61	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.



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The End
Thank You



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Q & A



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