

# Asia Polymer Corporation

(No. : 1308)

## Legal Person Conference

2019.5.28

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The information in this presentation is not for investment advices.

# Presentation Outline



**General Status of APC  
Business Review and Outlook**

**Finance Information**

**Q&A**

# General Status of APC

**Reported By: Kevin Huang    Manager of Sales Dept.**

**Established Date :**

**Jan. 25, 1977**

**Capital**

**NT \$5,540M**

**No. of Employees**

**236 (2019.5.16)**

**Revenue (2018)**

**Individual : NT \$6,100M**  
**Consolidated : NT \$6,380M**

## Production Facility

- 4 sets of High-Pressure autoclave production lines

## Annual Capacity

- Total at 150KMT

## Main Products

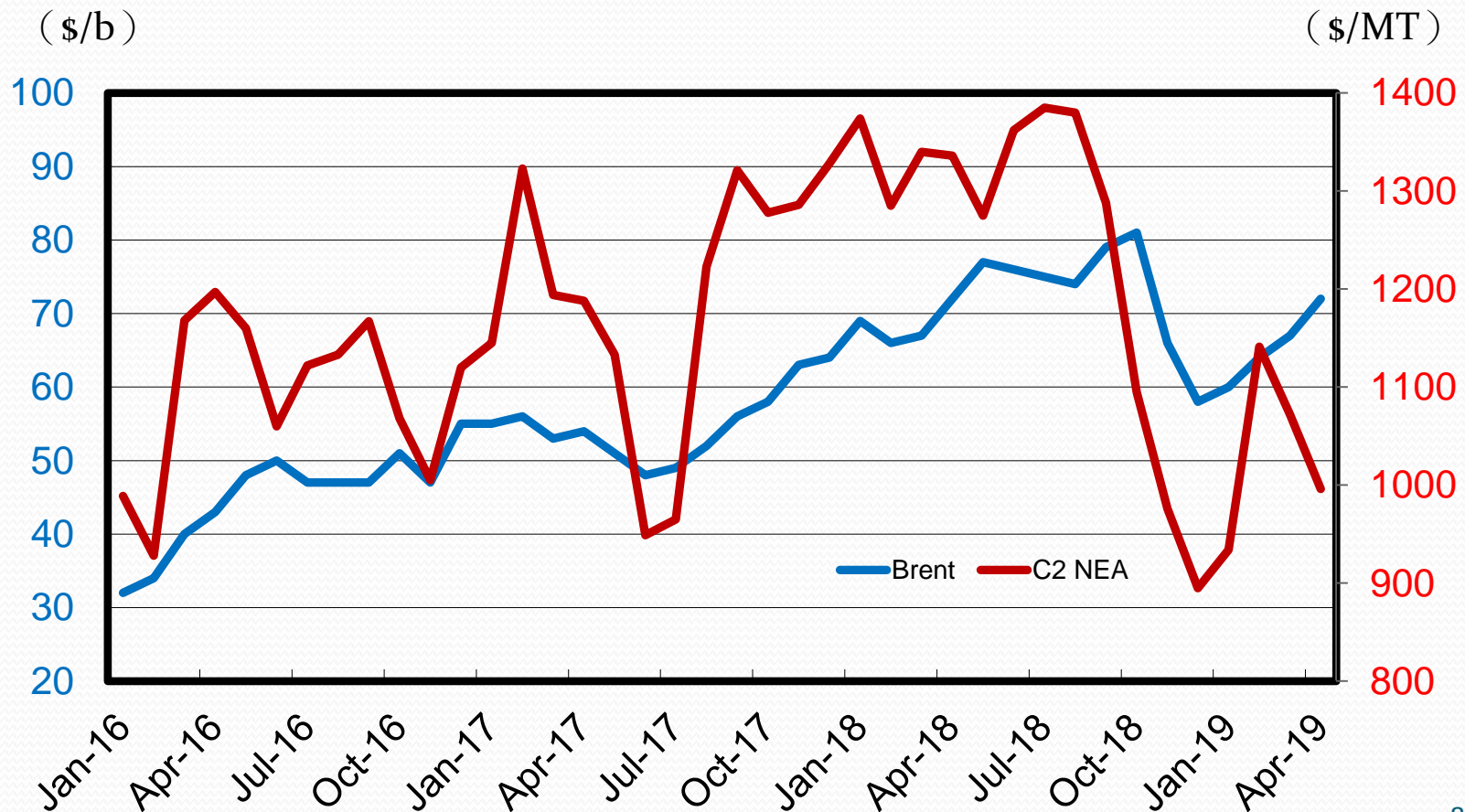
- Low Density Polyethylene Resin (LDPE Resin) (Coating/Injection/Film Grades)
- Ethylene-Vinyl Acetate Copolymer Resin (EVA Resin) (High-End Foaming/Lamination/PV/W&C Grades)

# Business Review and Outlook

**Reported By: Kevin Huang    Manager of Sales Dept.**

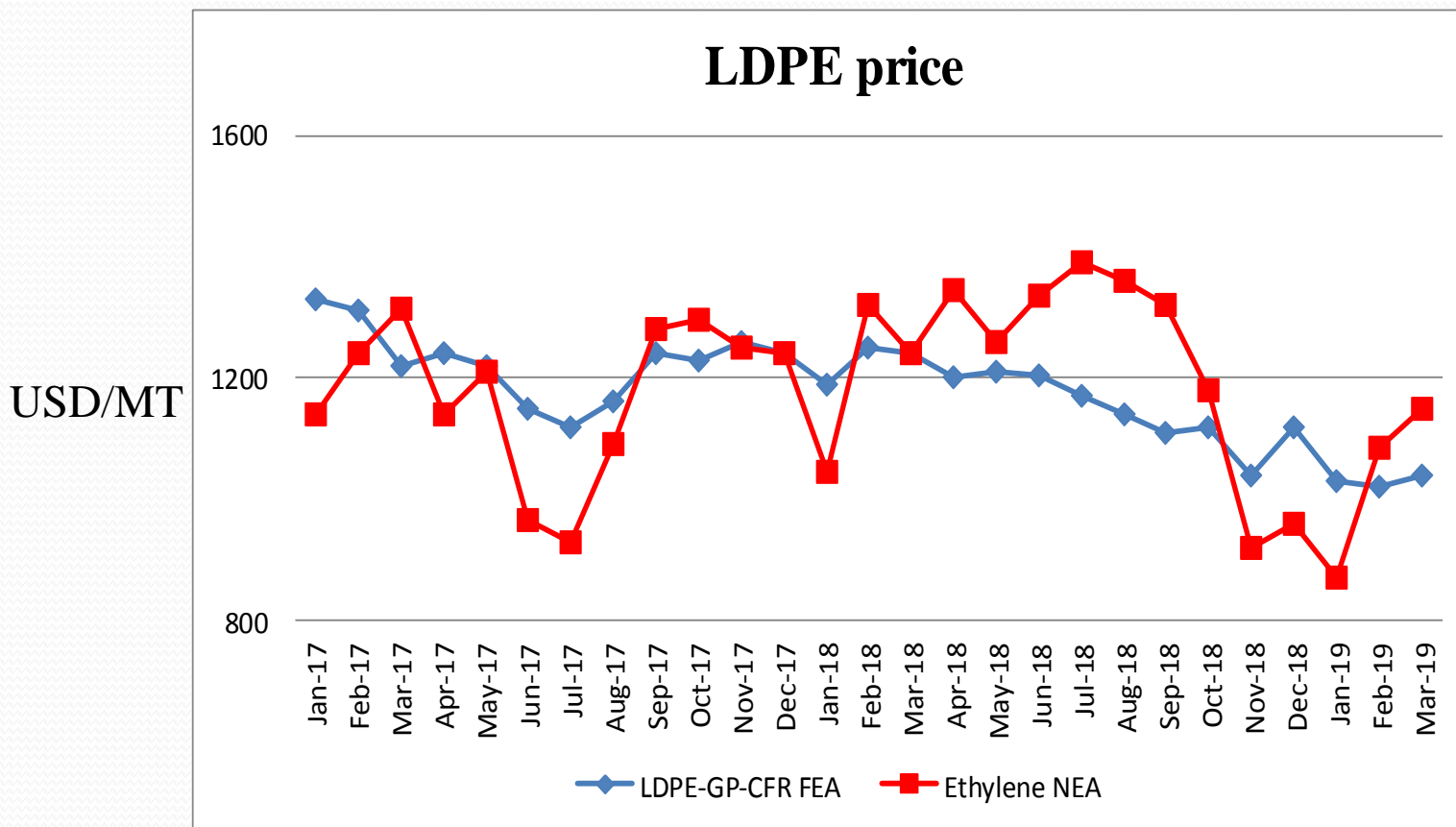
# Crude Oil / Ethylene Monomer

- Ethylene: Price stayed high during Q1 to Q3 of 2018 due to tight supply and high demand of other C2 derivatives in Asia. The supply turned to ease in Q4 of 2018 because of China-US trade dispute and US new capacity on stream.



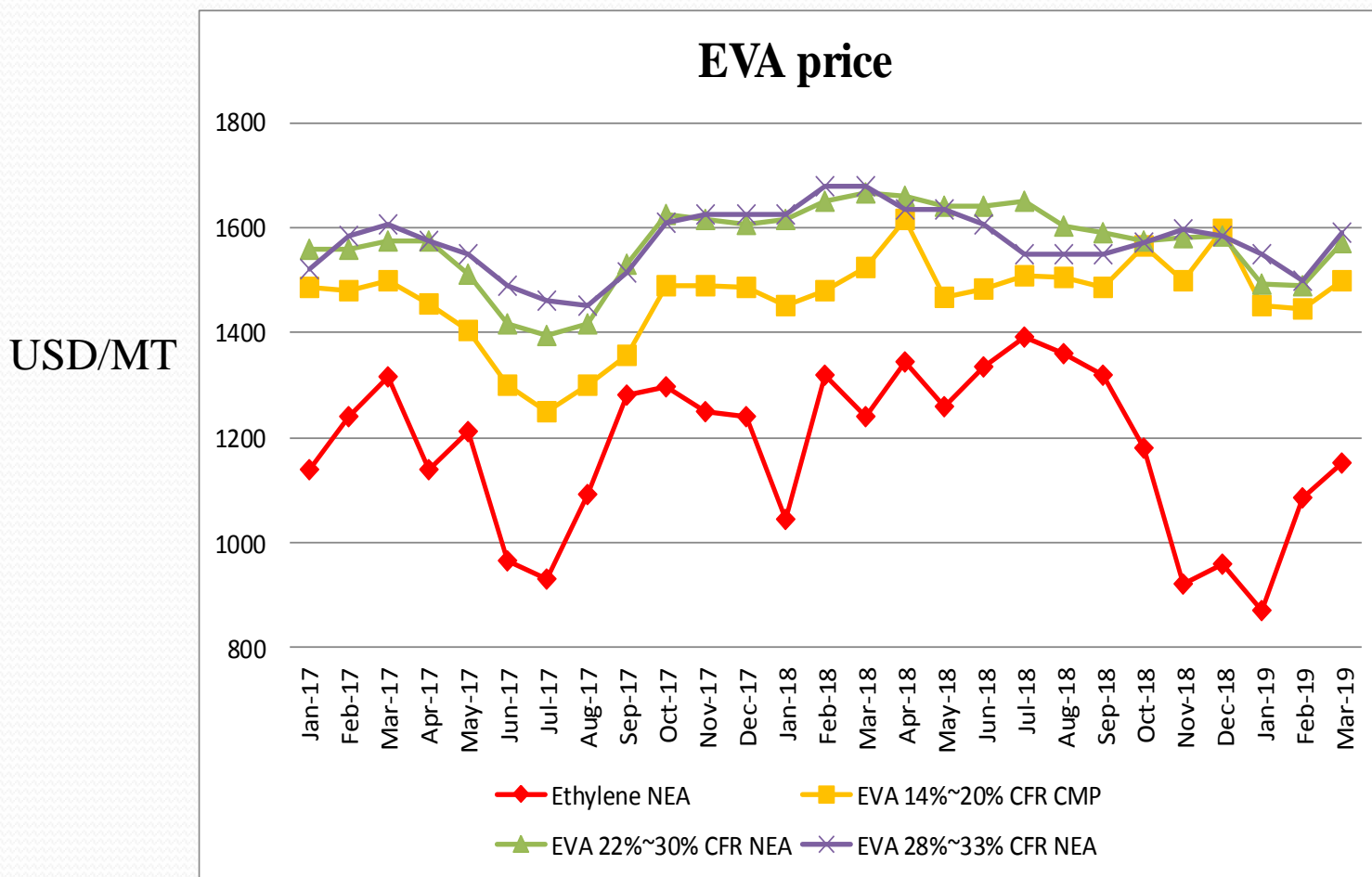


# PE Market Review



Reference: ICIS, Platts

# EVA Market Review



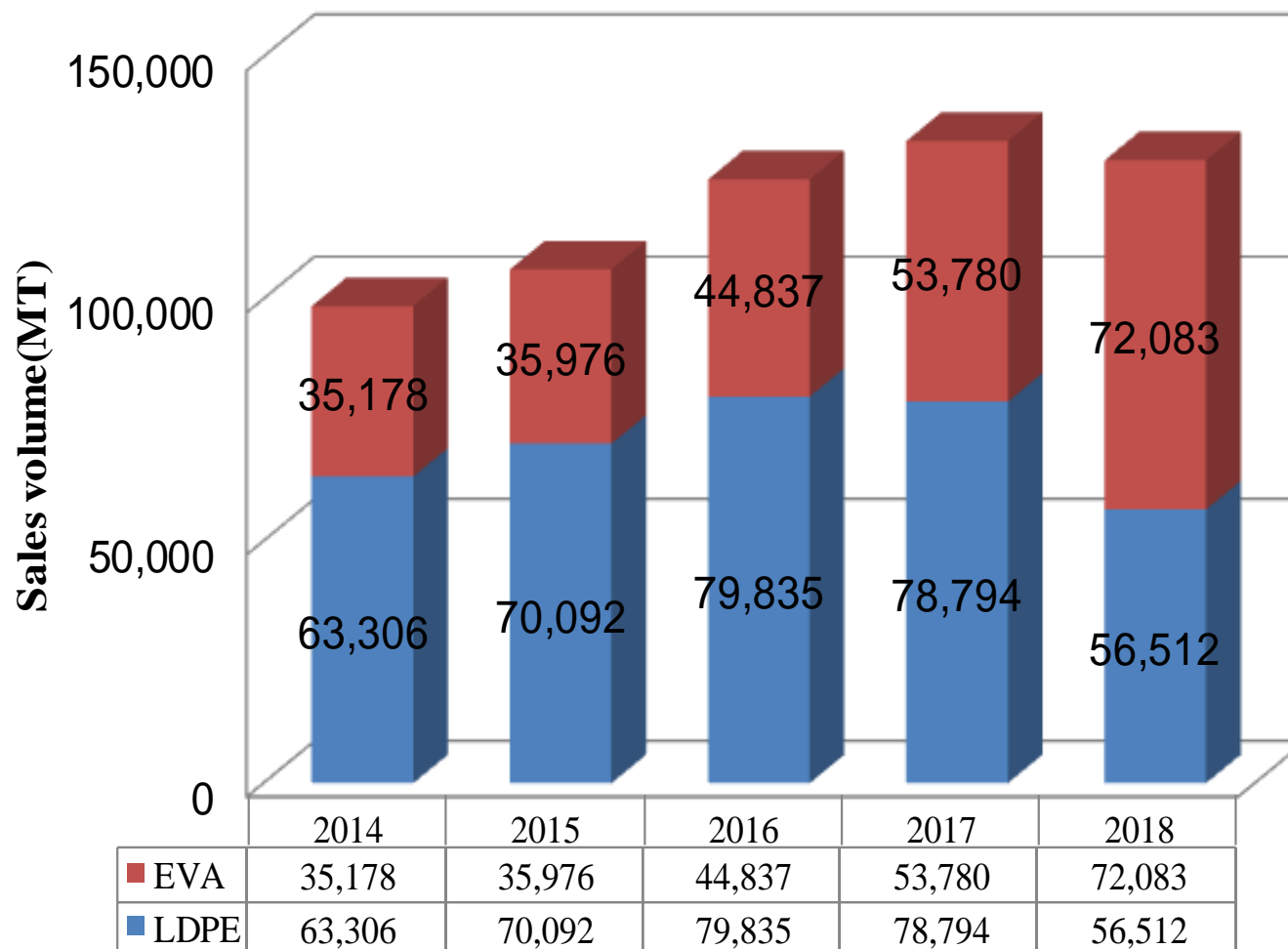
Reference: ICIS, Platts

# Business Review of 2018

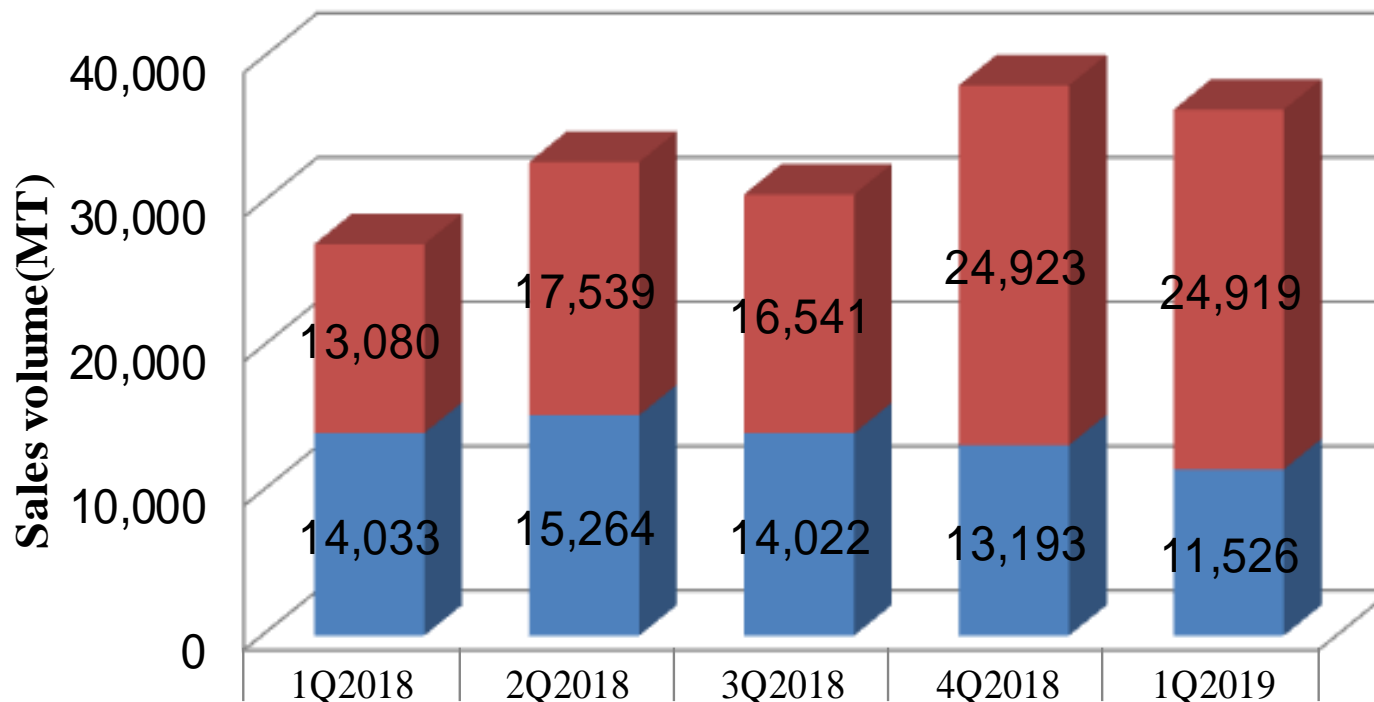
## \* LDPE/EVA Sales Volume Comparison

Sales Volume (KMT)	2017	2018	Increase (Decrease)
LDPE	79	57	(22)
EVA	54	72	18
Total	133	129	(4)

# Sales volume in past five years



# 2018~2019 Q1 Sales Volume Comparison



EVA	13,080	17,539	16,541	24,923	24,919
LDPE	14,033	15,264	14,022	13,193	11,526

# Business Review of 2018—LDPE

- From Q1 to Q3 of 2018, the spot ethylene price was even higher than general purpose LDPE report price due to tight supply of ethylene. The spread between LDPE and ethylene was highly squeezed, even though our products have better brand reputation.

In 2018 Q4, the ethylene price dropped significantly. We increased EVA production and sales volume with better margin of EVA.

→ That resulted in LDPE sales volume decreased by 28%.

## Coating Grade

- We lost some LDPE coating market share because of severe competition from Thailand and Middle East suppliers.

## Microfiber Grade

- High ethylene cost and competition from Korean supplier led to sales drop.

# Business Review of 2018 —EVA

- EVA sales increased by 33% in 2018 because of better spread between EVA and ethylene and also the sales volume of Lamination grade EVA increased significantly.

## Foam Grade

- In spite of ethylene price was high, ample supply of foam grade EVA in China market led to depression of EVA selling price.
- The EVA price was supported by tight local supply since Oct. 2018.
- New trend of sports shoes with softer, higher resilience led to high-end foam grade growth.

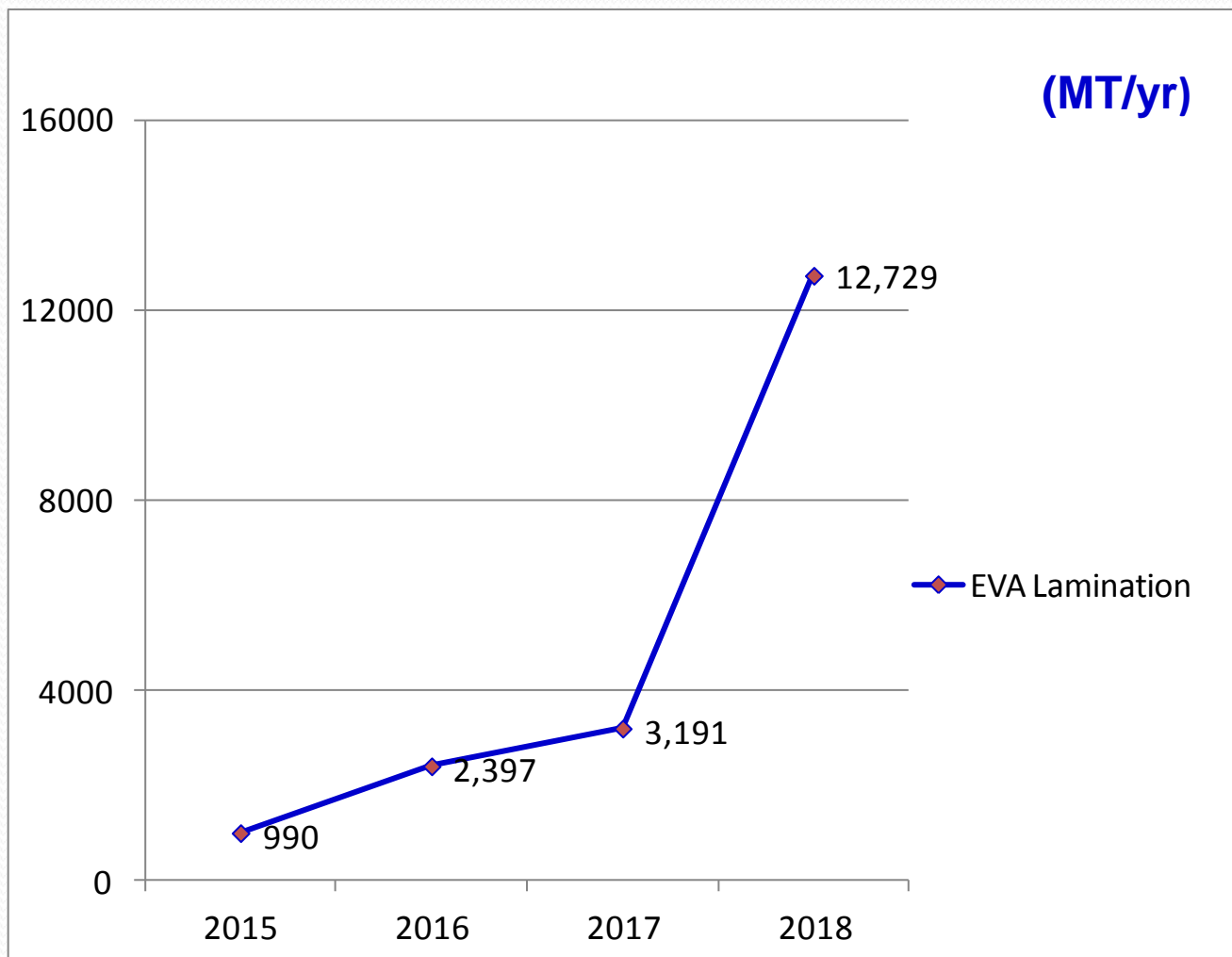
## Solar Grade

- Solar demand was good from Jan. to May, while declined sharply after mid-June because of China new policy deployment on June 1<sup>st</sup>. And it recovered to normal level since Oct. 2018.

## Lamination Grade

- Lamination grade sales volume increased significantly because of manufacturing technology breakthrough and the quality was soon approved by our customers.

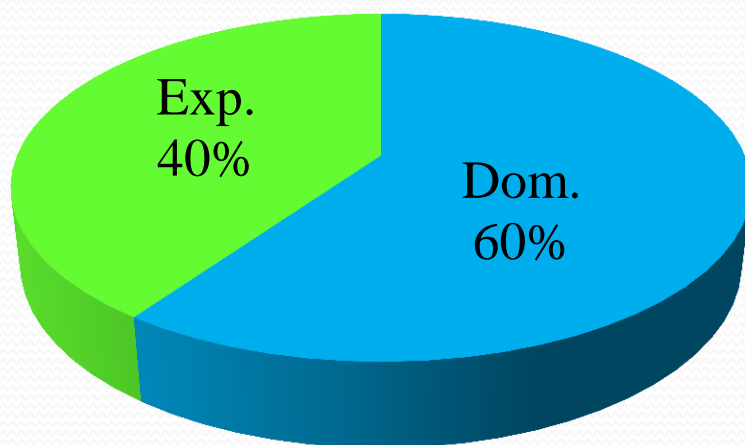
# Sales volume of V18161





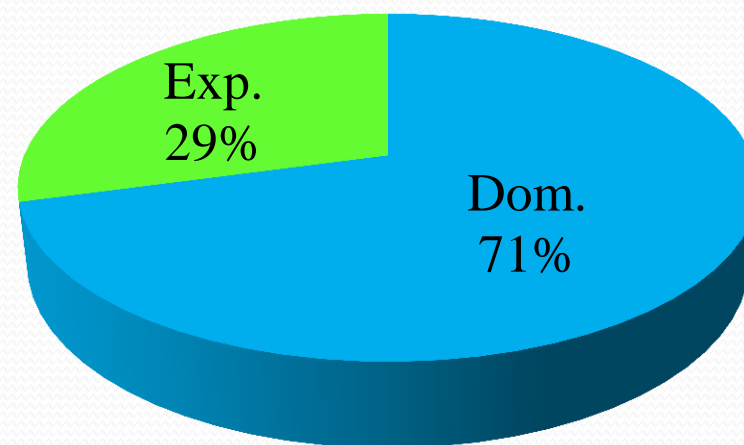
# Ratio of LDPE Dom./Exp. Sales

**2017**



Exp. :31.7KMT; Dom. :47.1KMT

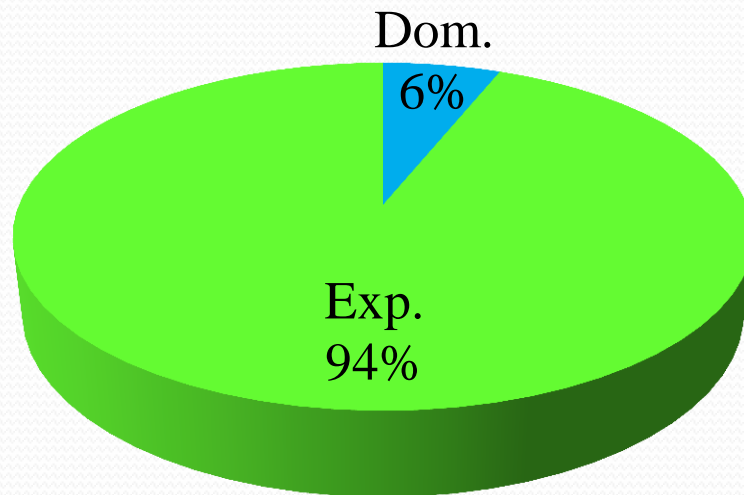
**2018**



Exp. :16.53KMT; Dom. :39.98KMT

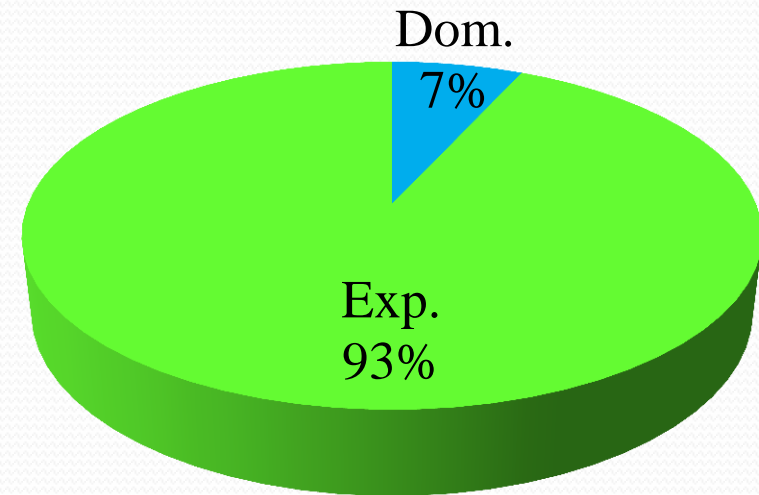
# Ratio of EVA Dom./Exp. Sales

**2017**



Exp. :50.5KMT; Dom. :3.3KMT

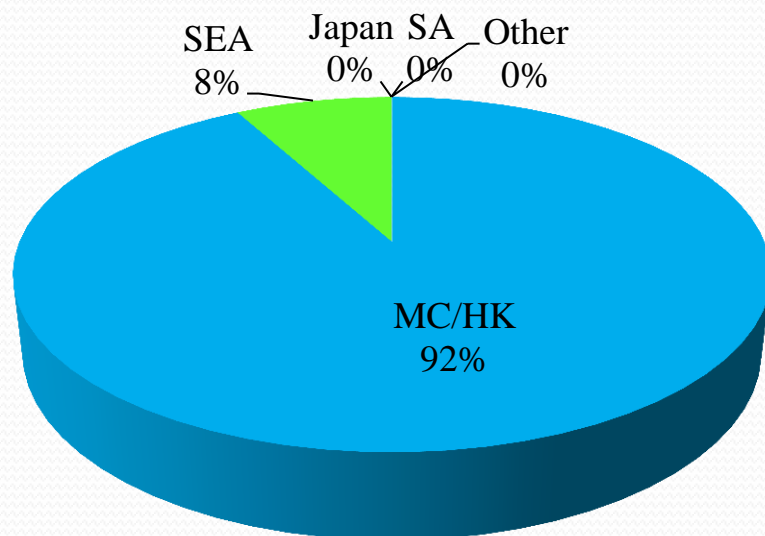
**2018**



Exp. :67.1KMT; Dom. :4.924KMT

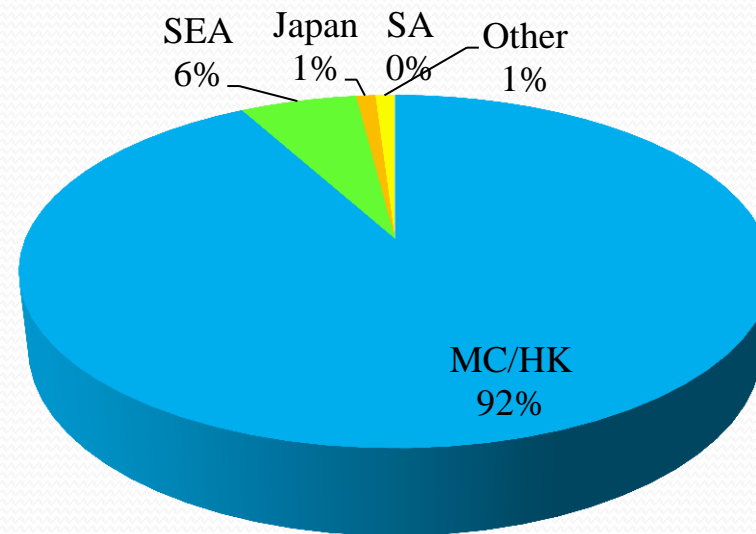
# LDPE Export Sales by Area

**2017**



MC/HK: 29.2KMT; SEA: 2.5KMT

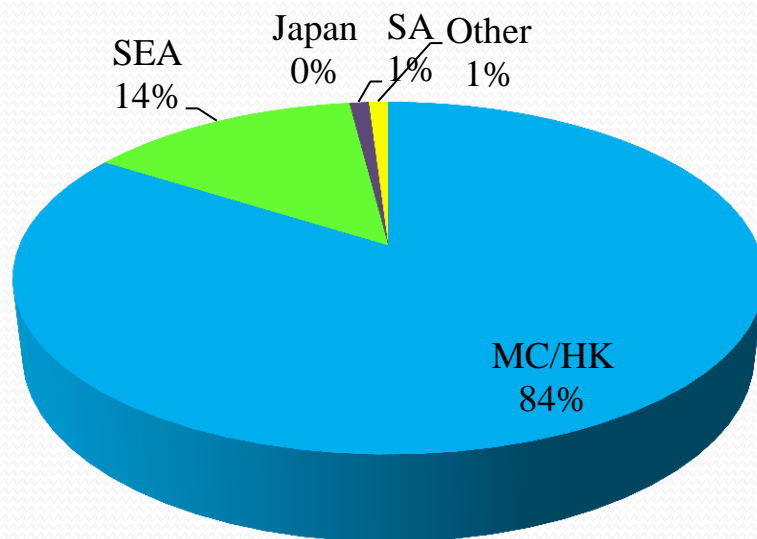
**2018**



MC/HK: 15.1KMT; SEA: 1.0KMT

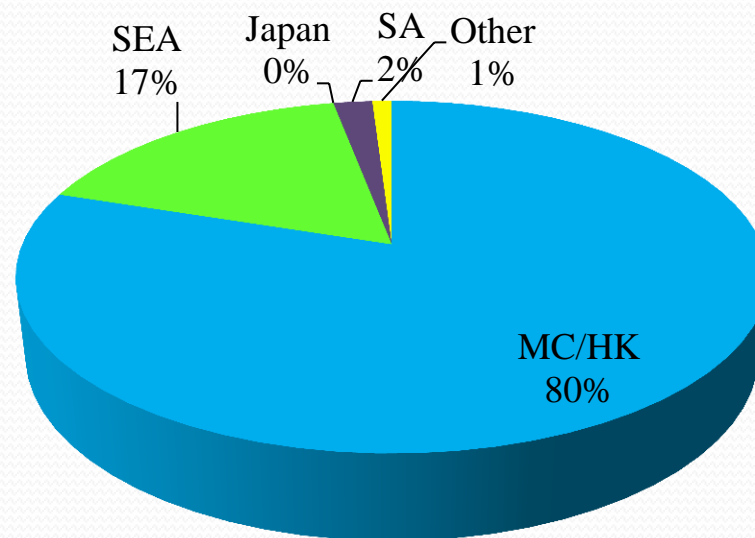
# EVA Export Sales by Area

**2017**



MC/HK: 42.4KMT; SEA: 7.1KMT

**2018**



MC/HK: 53.6KMT; SEA: 11.5KMT

# Business Outlook of 2019

## ■ Overview :

According to the feedbacks of our customers, the Trade Disputes between China & USA would not affect APC's clients significantly, however we will still pay close attention to the fluctuation of Asian currencies, the supply/demand situations of ethylene, PE, and EVA, as well as the economic situations of China and other Asian countries.

## ■ Ethylene monomer :

Tight ethylene supply could be eased slightly, demands of other ethylene derivatives are slower than that of 2018, in spite of a series of turnarounds scheduled from Mar. to May in Asia, sharp demands no longer existed; there would be some turnarounds during Jul. to Aug., but ethylene capacity loss is limited. Supply in 2019 would be ampler than that was in 2018.

# Business Outlook of 2019

## ■ Sales of LDPE/EVA :

- EVA supply was slightly tight because of an accident of a Korean EVA manufacturer and several Asian EVA plants turnarounds. EVA price went upward even when ethylene price dropped after Chinese Lunar New Year.
- PV demand was strong in Q1 and the heat could be extended to Q2, the PV industry outlook of the second is optimistic.
- The competition of EVA lamination grade is relatively limited because of high quality requirement, and that meets APC's developing strategy, therefore, we will keep expanding our market share.
- PE new capacity expansion by utilizing shale gas from North America has strong cost advantage. General-purpose LDPE grades could be under the pressure of oversupply constantly. We will keep being alert of low-price competition by imported materials in domestic market.
- Tailor-made, niche-based products and joint-development with customers will be our consistent policy.

# Gulei Petrochemical Project

## Items

Ethylene, Propylene, Butadiene, Ethylene Vinyl Acetate copolymers (EVA), Ethylene Oxide (EO), Ethylene Glycol (EG), etc.

## Fujian Gulei Petrochemical Co. Ltd

Taiwan and China each holds 50% of the joint venture company's shares.

## Investment

- Total investment (Taiwan and China) : approximately 30.39 billion RMB
- According to APC Board's FID (March 2016), APC will indirectly invest the Gulei Project in Fujian Province, China via a third place. The amount of investment will not exceed NT\$ 6 billion. Capital will be in place consecutively after government's approval.



## Milestone

- Shareholders of Taiwan and China co-signed the JV agreement and corporate charter in May 2016.
- Registration of Fujian Gulei Petrochemical Co. Ltd. was complete in Zhangzhou in December 2017.
- Commencement ceremony of Gulei Project in August 2018.

# Finance information

**Speaker : Nicolás Chen Manager**



# Consolidated Statements of Income

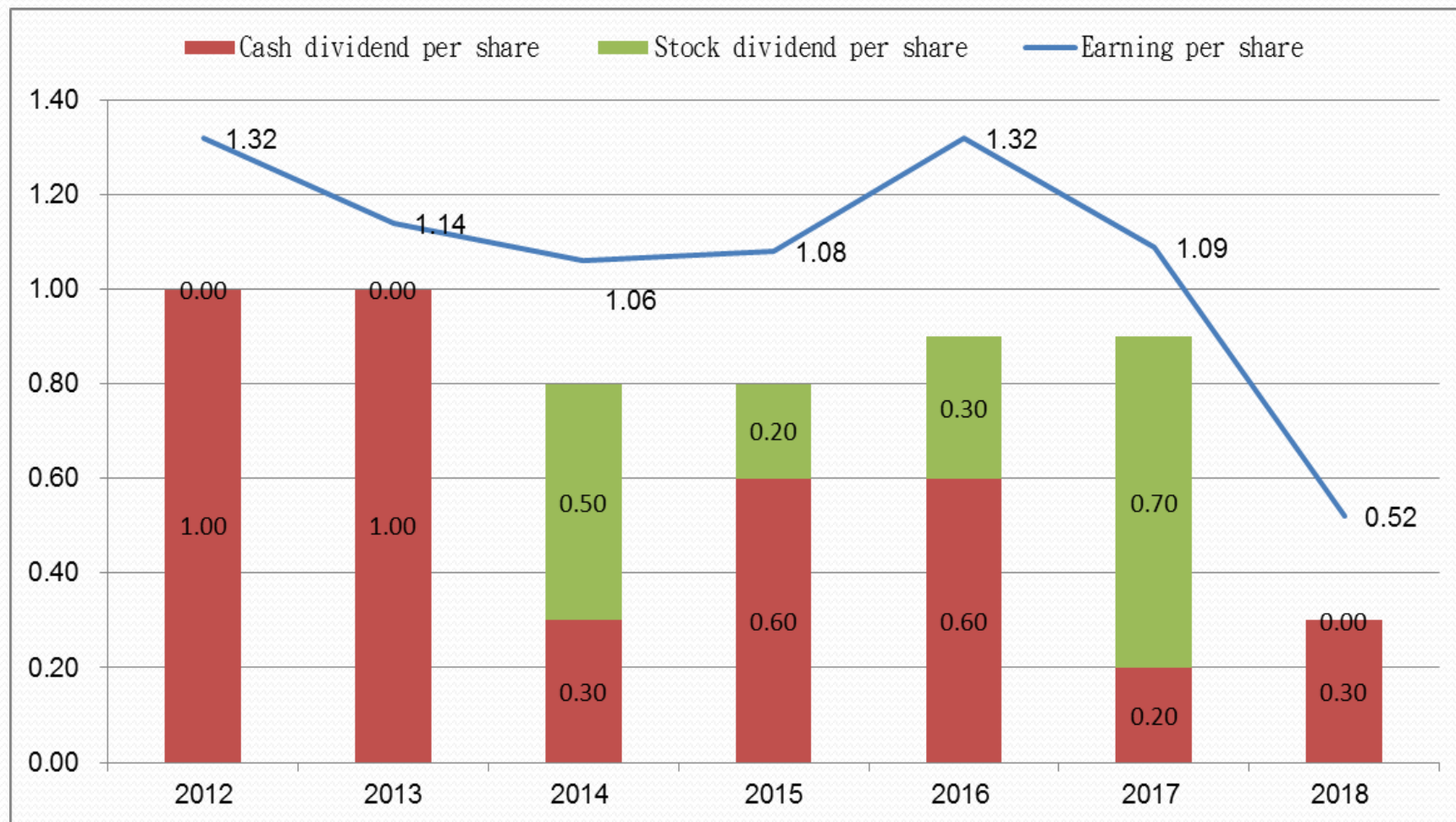
(In millions of NTD, except per share data)

	2019Q1	2018Q1	QoQ%	2018	2017	YoY%	2016
Sales	1,710	1,326	29%	6,375	6,404	0%	5,893
Cost of goods sold	1,533	1,248	23%	6,091	5,707	7%	5,113
Gross profit	177	78	127%	284	697	-59%	780
gross profit ratio	10%	6%		4%	11%		13%
Operating expenses	58	51	14%	212	226	-6%	212
Operating income	119	27	340%	72	471	-85%	568
operating income ratio	7%	2%		1%	7%		10%
Non-operating income(loss)	43	59		245	185		225
Income before income taxes	162	86	88%	317	656	-52%	793
Income taxes	25	3	713%	30	90	-67%	122
Net income	137	83	65%	287	565	-49%	671
net income ratio	8%	6%		4%	9%		11%
Net income attributable to							
- APC	137	83		287	565		666
- former owner	-	-		-	-		5
EPS	0.25	0.16		0.52	1.09		1.32
Adjusted EPS		0.15			1.02		1.21

# Financial ratio analysis

	2019Q1	2018Q1	2018	2017	2016
Operating income margin(%)	7.0	2.0	1.1	7.4	9.6
Net income margin(%)	8.0	6.2	4.5	8.8	11.4
Debt ratio(%)	41	34	38	34	35
Current ratio(%)	205	225	177	220	256
Quick ratio(%)	176	179	142	182	222
Accounts receivable turnover days	46	38	43	43	43
Inventory turnover days	43	62	46	46	52

# EPS vs DPS





Thanks for coming and kindly appreciate your support.

Company Website : <https://www.apc.com.tw>