

USI CORPORATION

(Stock Code : 1304)

Investor Conference

2023.03.21

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The information in this presentation is not for investment advices.

Presentation Outline



**General Information of USI
Business Review and Outlook**



Finance Information



Q&A

General Information of USI

Reported By: Mark Wu

(Vice President of Sales & Marketing Dept.)

Established Date

May 26, 1965

Capital

NT\$11,888M (up to Dec. 31, 2022)

No. of Employees

451 (up to Feb. 28, 2023)

Revenue (2022)

**Individual : NT\$15,600M
Consolidated : NT\$66,400M**

High Pressure LDPE/EVA Plant

Production Facility

- **4 sets of High-Pressure Autoclave Production Lines**

Annual Capacity

- **LDPE/EVA Total at 150KMT**

Main Products

- **Low Density Polyethylene Resins (Injection / Film Grades)**
- **Ethylene Vinyl Acetate Copolymer Resins (Foaming / HMA / PV Grades)**

Low Pressure HDPE/LLDPE Plant

Production Facility

- 1 set of Gas Phase Production Line

Annual Capacity

- HDPE/LLDPE Total at 130KMT

Main Products

- High Density Polyethylene Resins
(Injection / Yarn / Rotation Grades)
- Linear Low Density Polyethylene Resins
(Blown Film / Casting Grades)

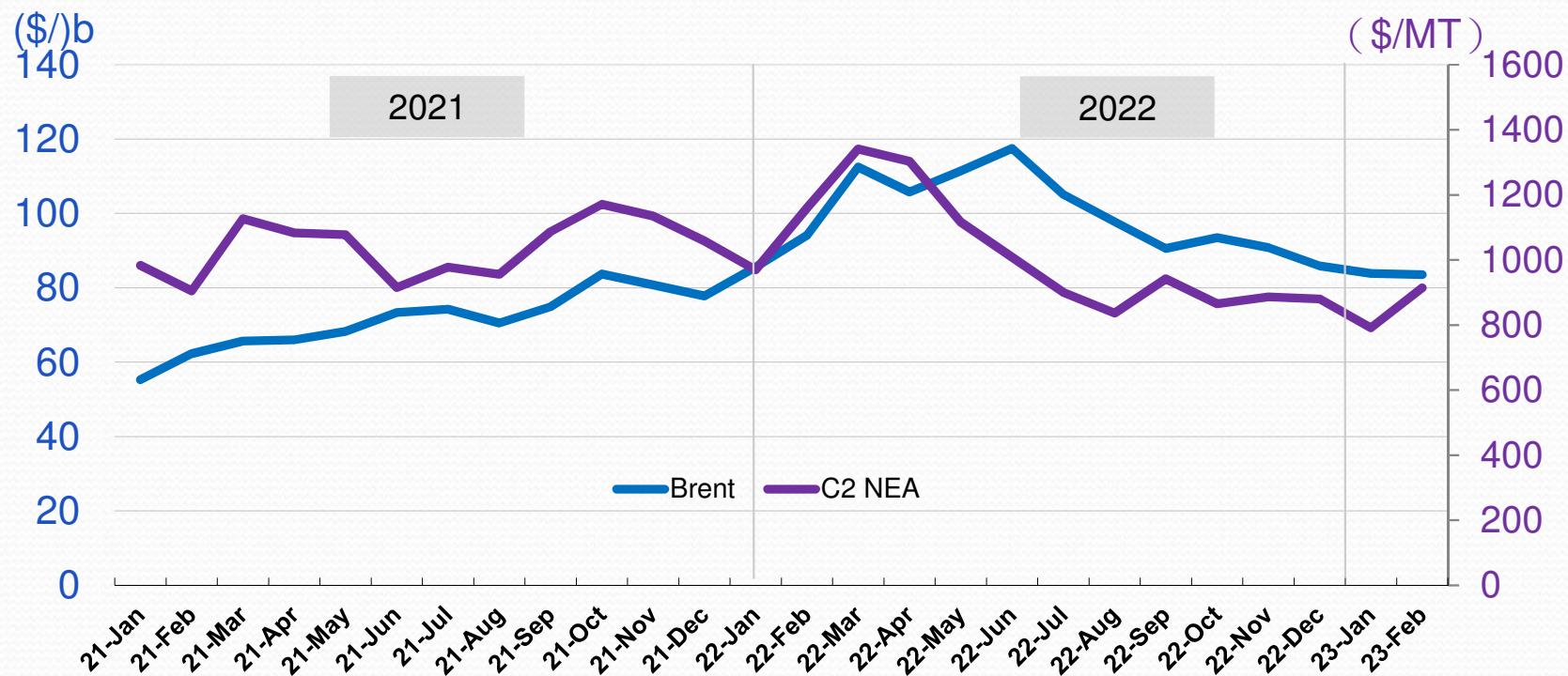
Business Review and Outlook

Reported By: Mark Wu

(Vice President of Sales & Marketing Dept.)

OIL / ETHYLENE MARKET REVIEW

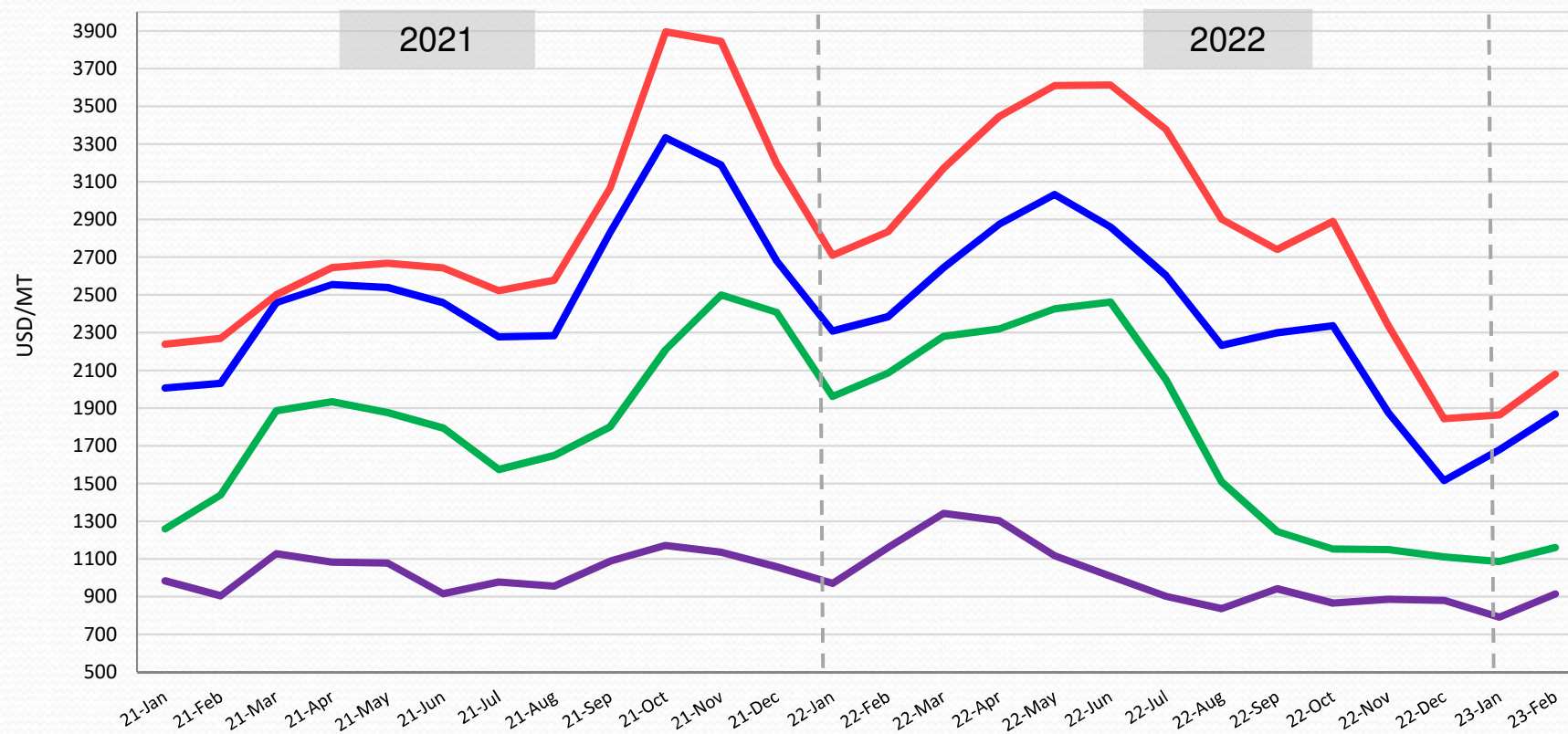
Affected by the Ukrainian-Russian War, crude oil and ethylene rose the same slope in Q1 2022. From Q2 onwards, ethylene price fell due to weak downstream derivatives demand. In H2 2022, due to inflation and interest rate hikes, finished goods demand shrank causing both crude oil and ethylene fell simultaneously.



EVA Prices Review

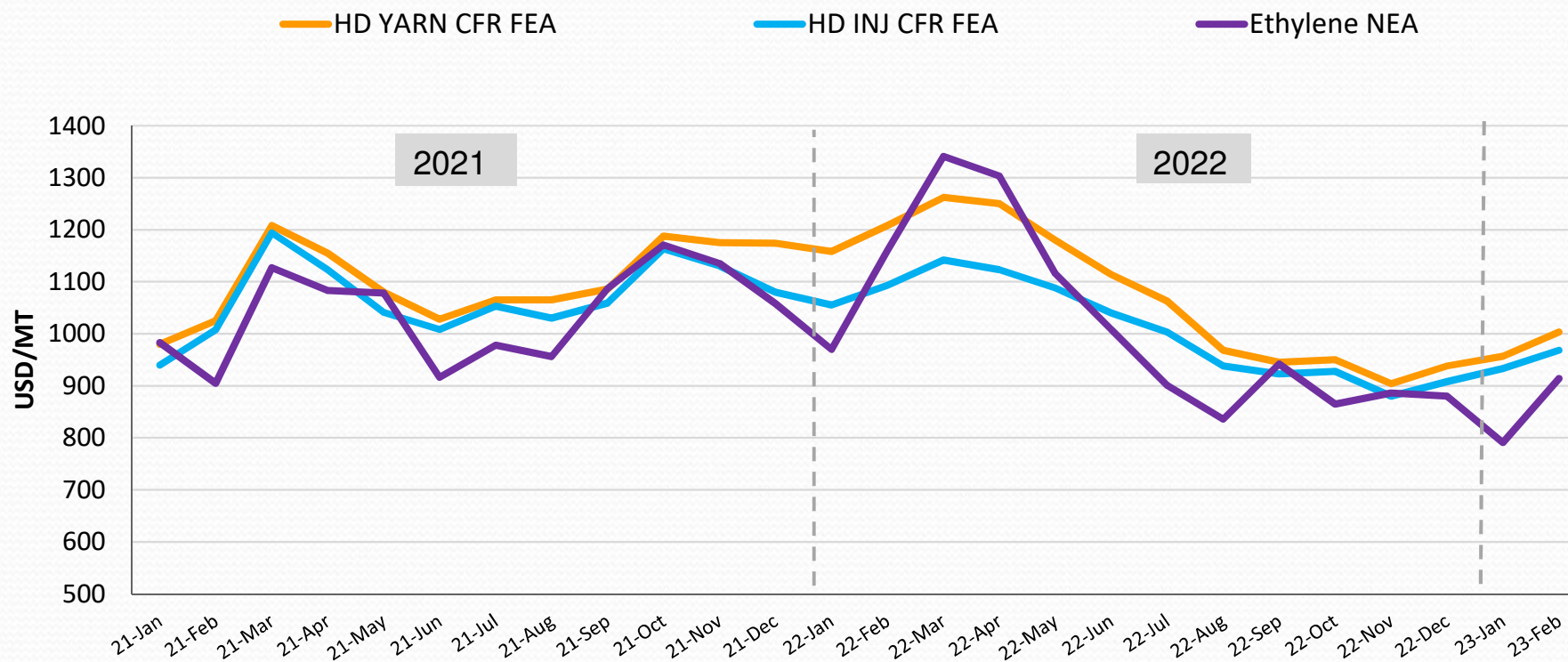
EVA Price Trend

- EVA 14%~20% CFR CMP
- EVA 22%~30% CFR NEA
- Ethylene CFR NEA
- VAM

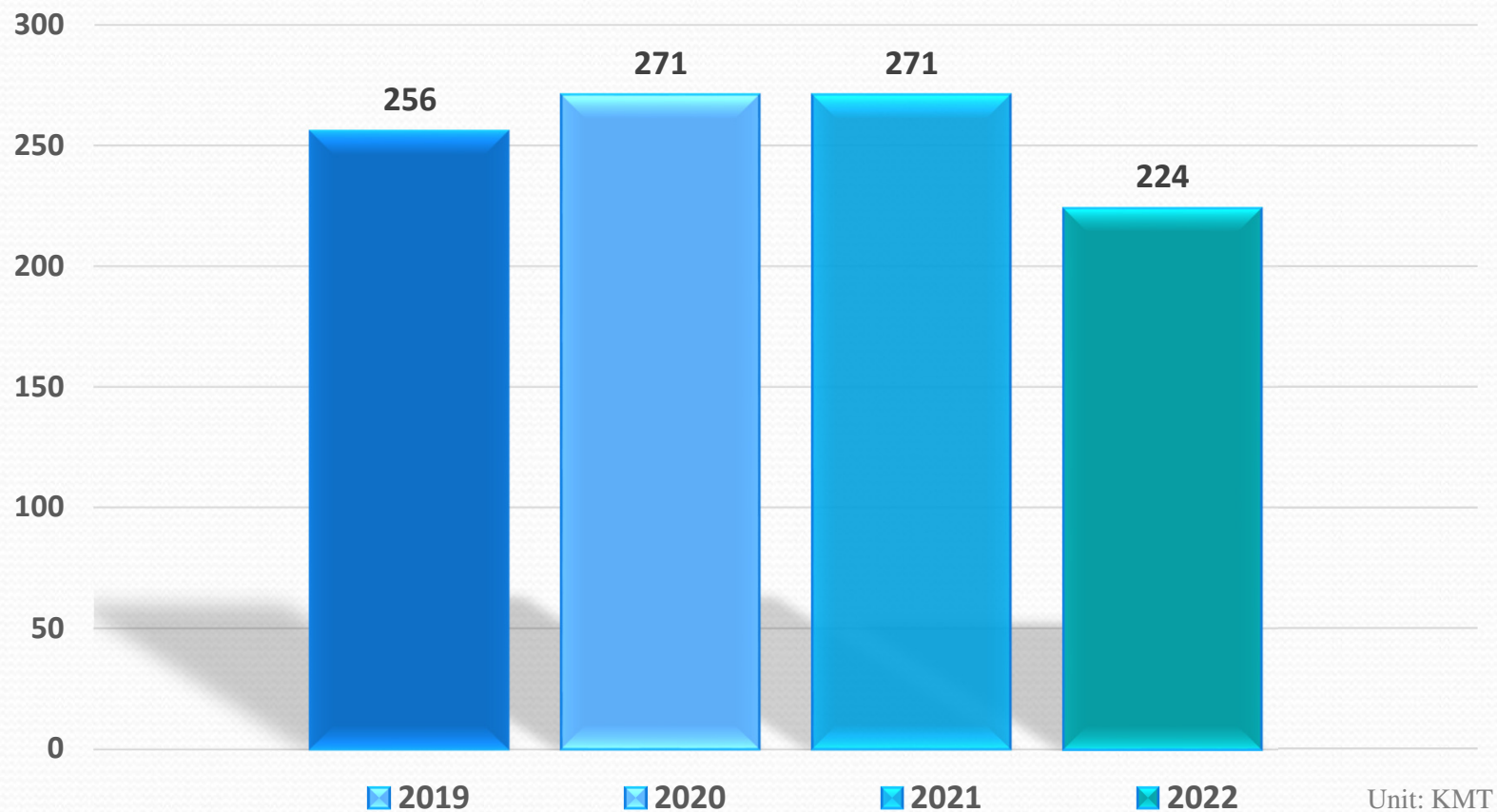


PE Prices Review

PE Price Trend



Business Review of 2019 to 2022



OPERATION REVIEW : JAN. – DEC. 2022

- Affected by factors such as high inflation, monetary tightening policy, economic slowdown, the continuation of epidemic, and the war between Russia and Ukraine, worldwide market demand dropped significantly. Prices of upstream and downstream raw materials came down synchronously in H2 2022.
- Due to robust PV market demand in H1 2022, it pushed the EVA prices to the highest level in the mid of the year. Later the PV demand got weaker. With the pale demand from shoes factories, the prices of EVA dropped down. Although in September the market seems rebounded a little bit, subsequent demand did not catch up. The prices reversed and fell again until December it stabilized.

OPERATION REVIEW : JAN. – DEC. 2022

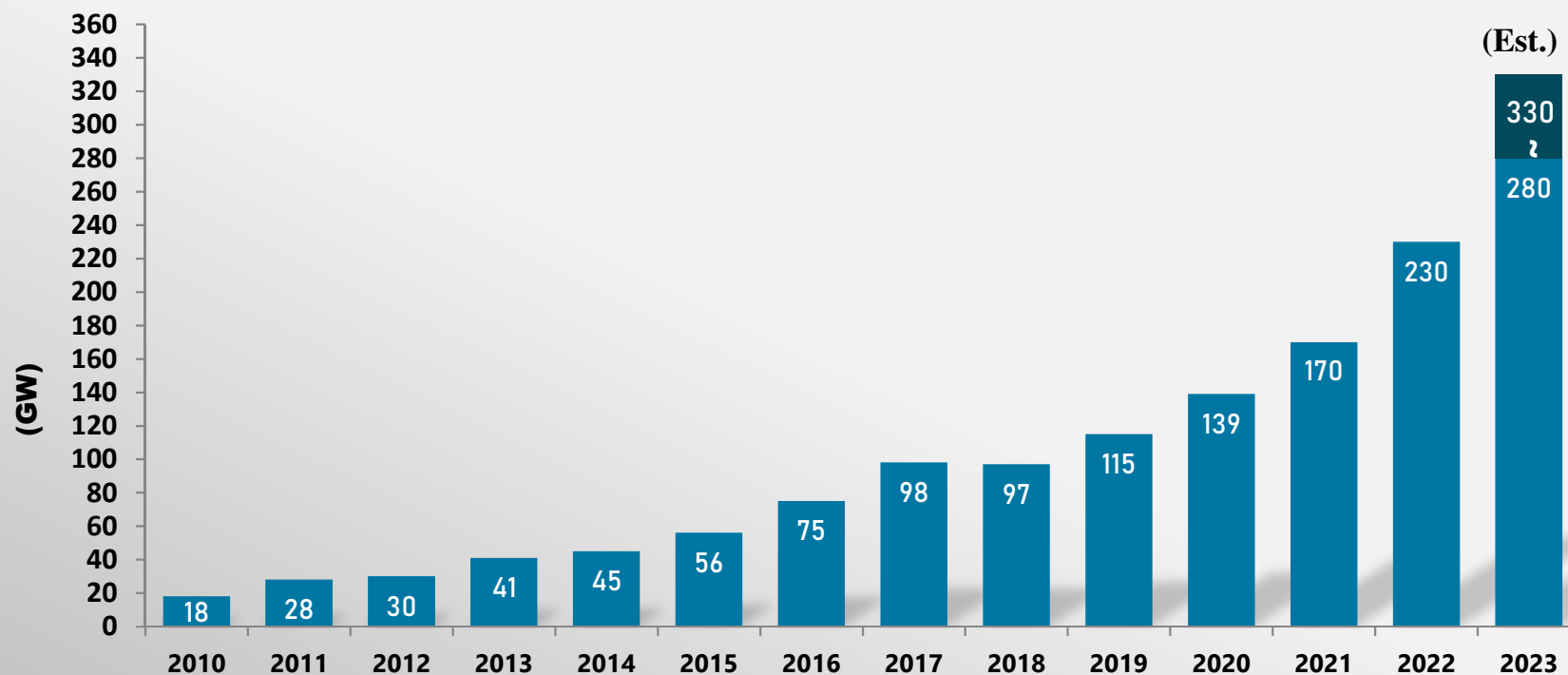
- Affected by the Ukrainian-Russian War, the cost of raw materials soared. Coupled with the epidemic and inflation impacted end users' consumption that resulted in weak downstream demand. The sales of PE dropped significantly.
- Macroeconomy is not good thus overall demand for PE decreased. Besides, USI Kaohsiung plant experienced unexpected shutdown in March and July which affected EVA production capacity. The sales volume in 2022 dropped by 17% compared with last year.

	YEAR 2021	YEAR 2022	Difference
Total	270,584	223,820	-46,764

Unit : Ton

Global PV Demand

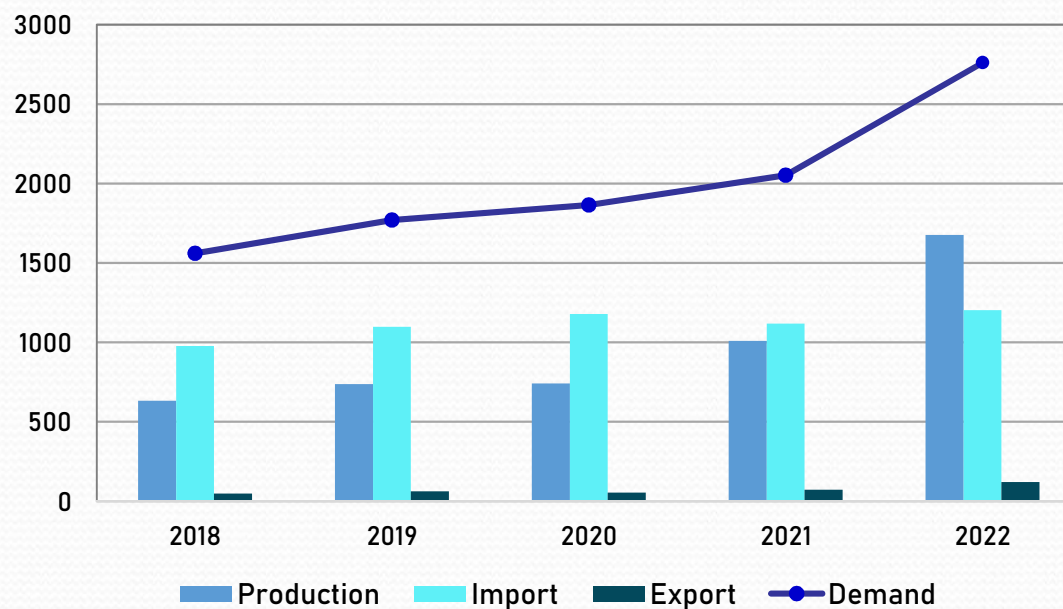
2010~2023 Global PV Installations



Source from :
IHS、Trend Force、CPIA、
BNEF、Wood Mackenzie

China EVA Demand

Year	Production	Import	Export	Apparent Demand	Self-sufficiency rate (%)
2018	632	975	46	1,561	40%
2019	736	1,096	60	1,771	42%
2020	741	1,177	54	1,864	40%
2021	1,007	1,117	71	2,053	49%
2022	1,676	1,202	119	2,760	61%



Reference: Chem99,
China Customs Data

The Proportion of EVA Applications in China

Year	Foam	PV Film	HMA	W&C	Coating	Agricultural	Other	Apparent Demand
2015	45	18	9	16	7	3	2	1,175
2016	40	21	9	16	8	2	4	1,303
2017	35	27	7.5	16.5	8	2	4	1,526
2018	34	30.5	7	17	8	1	2.5	1,561
2019	32	32	7	17	7	2	3	1,771
2020	30	34	8	17	7	1	4	1,864
2021	28	37	7	17	7	1	3	2,053
2022	22	47	6	15	6	1	3	2,760

Source from: Chem99
Unit of applications ratio: %
Unit of apparent demand: KMT



China EVA Capacity

Company	Annual Capacity	Start Date	Product Application
BEIJING DONGFANG PC	40	1995	film/packaging
BEIJING HUA MEI POLYMER COMPANY LIMITED	60	2010	HMA
SINOPEC YANSHAN COMPANY	200	2011	film/foam/lamination
BASF-YPC COMPANY LIMITED	200	2005	film/foam(contain high VA)/W&C
LEVIMA ADVANCED MATERIALS TECHNOLOGY	100	2015	foam(contain high VA)/W&C/PV
FORMOSA PLASTICS CORP.NINGBO	72	2016	foam(contain high VA)/W&C/PV
JIANGSU SAILBOAT PETROCHEMICAL	300	2017	foam(contain high VA)/W&C/PV/HMA
SHAANXI YANCHANG COAL YULIN EN. AND CH.	300	2021	film/foam/W&C/PV
SINOPEC YANGZI PC	100	2021	foam(contain high VA)/PV/HMA
SINOCHM QUANZHOU PETROCHEMICAL	100	2021	foam/W&C
ZHEJIANG PETROLEUM & CHEMICAL CO., LTD.	300	2021	PV
SINOPEC ZHONGKE (GUANGDONG) REF.& CH.	100	2022	foam/W&C/PV
LEVIMA ADVANCED MATERIALS TECHNOLOGY (DEBOTTLENECK)	50	2022	foam(contain high VA)/W&C/PV
XINJIANG DUSHANZI TIANLI HIGH&NEW TECH	200	2022	foam/PV
FORMOSA PLASTICS CORP.NINGBO (DEBOTTLENECK)	28	2022	foam(contain high VA)/W&C/PV
Total(already start-up)	2150		
FUJIAN GULEI PETROCHEMICAL	300	2023	
NINGXIA BAOFENG ENERGY	250	2023	
ZHEJIANG PETROLEUM & CHEMICAL CO., LTD. (Phase II)	400	2024	
SINOCHM QUANZHOU PETROCHEMICAL (DEBOTTLENECK)	40	2024	
JIANGSU SAILBOAT PETROCHEMICAL (Phase II)	700	2024~2025	
ABUNDANT DRAGON GROUP	300	2025	
FUJIAN BILLION PETROCHEMICAL	350	2025	
LEVIMA GREEN(SHANDONG) NEW MATERIALS CO., LTD	200	2025	
GUANGXI PETROCHEMICAL OF CHINA PETROLEUM	400	2025	
SINOPEC ZHONGKE (GUANGDONG) REF.& CH. (Phase II)	100	2025	
Total (New Capacity)	3040		

OPERATION OUTLOOK IN Q1

■ OIL :

Short-term oil price dropped because of recent financial woes. Yet it is optimistic due to China's demand expected to be gradually recovered. Sanction on Russia export will lead to tighter supply in oil. Oil price to be modified while short-term financial instability concern eliminates.

■ ETHYLENE :

In H1 2023, a lot of cracker annual maintenance caused capacity lost but it is compensated by new production capacity gradually released in China. The price of ethylene rebounded from bottom since the beginning of 2023. However, due to insufficient downstream undertaking so the price remained weak and volatile.

■ VAM :

Shenghong Petrochemical's new capacity launched in Q1 and the supply is more than last year. However, the annual maintenance in Japan and South Korea with the demand increased from China's have supported the price.

OPERATION OUTLOOK IN Q1

■ PE and EVA :

- So many uncertainty caused by factors such as inflation, interest rate hikes, monetary policy tightening, and economic slowdown, the future economy outlook is not optimistic.
- With the cost of silicon wafers and EVA dropped, PV demand rebounded in the beginning of the year. EVA prices rose from January to February and its slop became mild in March. EVA market outlook is still optimistic.
- Under the interference of global inflation, interest rate hikes, the demand for PE market continues to be sluggish. In addition, new production capacity released in China resulted in fierce price competition, PE sales are more and more difficult.
- Continuously developing niche market customers by promoting high-performance EVA products and improving the quality of HD/LLD products.

Gulei Petrochemical Project

Shareholders

- Taiwan and China each holds 50%
- Total investment (Taiwan & China) : 30.39 Billion RMB

Items

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

Developments

- 2016/11 Fujian Gulei Petrochemical Co. Ltd. was established.
- 2017/12 Opening ceremony of Fujian Gulei Petrochemical Co. Ltd. was launched.
- 2018/08 Overall design of Gulei Petrochemical Project was approval.
- 2019/05 The Land Usage Proposal and Infrastructure Plan were reviewed.
- 2019/06 Project construction was started.
- 2021/03 Test-run of PP item was successfully performed.
- 2021/08 Test-run of Steam cracker 、SM 、EO/EG item was successfully performed.
- 2021/10 Test-run of SBS item was successfully performed.
- 2021/12 Fujian Gulei Petrochemical Co. Ltd. started commercial operations.
- 2022/10 EVA item achieved mechanical completion.

USI Corporation and Subsidiaries

Financial Information

Reported By :Amy Kuo,

(Manager of Accounting Dept.)

USI Corporation

Statements of Income

(In millions of NTD, except per share data)

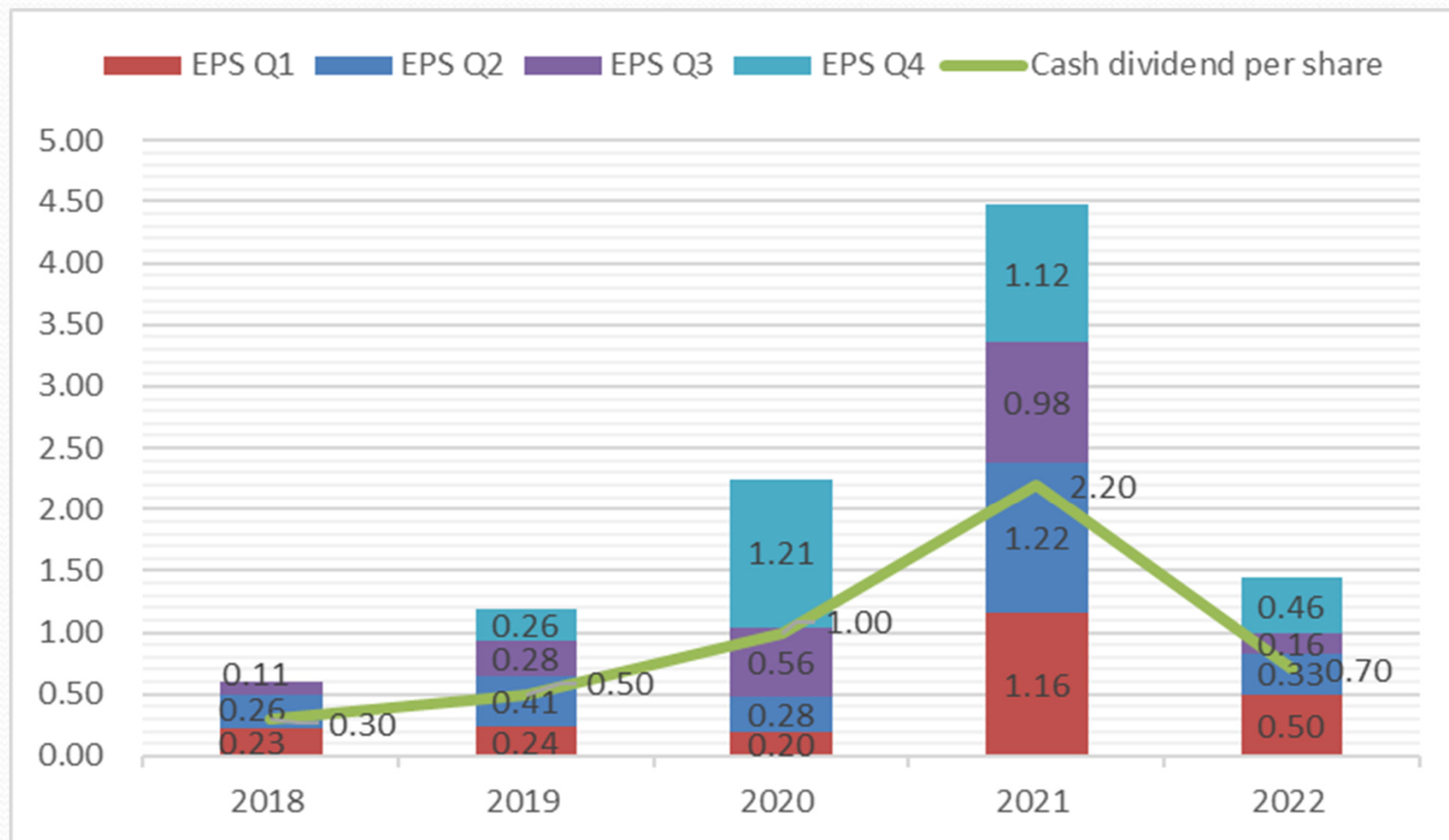
	2022 FY (Parent Company Only)	2022 FY (Consolidated)	YoY%	2021 FY (Consolidated)	2020 FY (Consolidated)	2019 FY (Consolidated)	2018 FY (Consolidated)
Sales	15,632	66,437	-76.5%	71,756	50,201	55,657	60,893
Cost of goods sold	11,438	55,497	-79.4%	54,002	39,721	48,924	55,098
Gross profit	4,194	10,940	-61.7%	17,754	10,480	6,732	5,795
gross profit ratio	27%	16%		25%	21%	12%	10%
Selling and administrative expenses	574	4,767	-88.0%	4,441	3,221	3,385	3,440
R&D expenses	151	437	-65.5%	430	363	416	422
Operating income	3,469	5,736	-39.5%	12,883	6,896	2,932	1,933
operating income ratio	22%	9%		18%	14%	5%	3%
Non-operating income(loss)	(1,537)	(5,039)	-69.5%	(130)	227	434	597
Income before income taxes	1,932	697	177.2%	12,752	7,123	3,366	2,530
Income taxes	377	758	-50.3%	2,673	1,440	820	654
Net income	1,555	(61)	-2641.5%	10,079	5,683	2,545	1,876
net income ratio	10%	0%		14%	11%	5%	3%
Net income attributable to							
- USI Corporation	1,555	1,555	0.0%	5,191	2,410	1,281	540
- non-controlling interests	0	(1,616)	-100.0%	4,888	3,273	1,264	1,336
Basic Earnings Per Share	1.45	1.45		4.84	2.25	1.19	0.50

USI Corporation

Financial ratio analysis-Consolidated

	2022 FY	2021 FY	2020 FY	2019 FY	2018 FY
Operating income margin(%)	9	18	14	5	3
Net income margin(%)	- 0	14	11	5	3
Debt ratio(%)	34	34	37	45	47
Current ratio(%)	293	227	225	222	205
Quick ratio(%)	215	172	185	177	155
Accounts receivable turnover days	48	43	54	52	50
Inventory turnover days	49	40	42	43	45

EPS vs DPS





Thanks for attending the conference and your kind support.

Company Website : <http://www.usife.com.tw>