



# 1Q23 Results Presentation

May 2023



濟南大自然新材料股份有限公司  
Jinan Acetate Chemical Co., LTD.

# AGENDA

- 1. Introduction
- 2. ESG/  
Sustainable Environment
- 3. 1Q23 Results
- 4. Outlook

# Jinan Acetate Chemical @ a Glance

- **Ticker:** 4763 TT
- **Market Cap – 22 May 2023:** NT\$42,597 mn
- **2022 Revenue:** NT\$4,269 mn
- **ROE:** Averaged 29% in 2018 through 2022
- **2022 Cash Dividend&Stock Dividend:**  
NT\$9.7&NT\$1.5per share
- **Business Scope:** Exports to more than 50 countries

Jinan Acetate



- Jinan, Shandong
- Acetate Tow Production
- Employees: 225

Acetek Environmental



- Jinan, Shandong (Started production in March 2023)
- Acetate Tow Production
- Employees: 79

Acetek Material



- Zaozhung, Shandong
- Acetate Flake Production
- Employees: 157

Acetek Momentun



- Zaozhung, Shandong
- Cellulose Anhydride
- Employees: 44

## Products - Applications

Fiber Grade  
Diacetate  
Flake

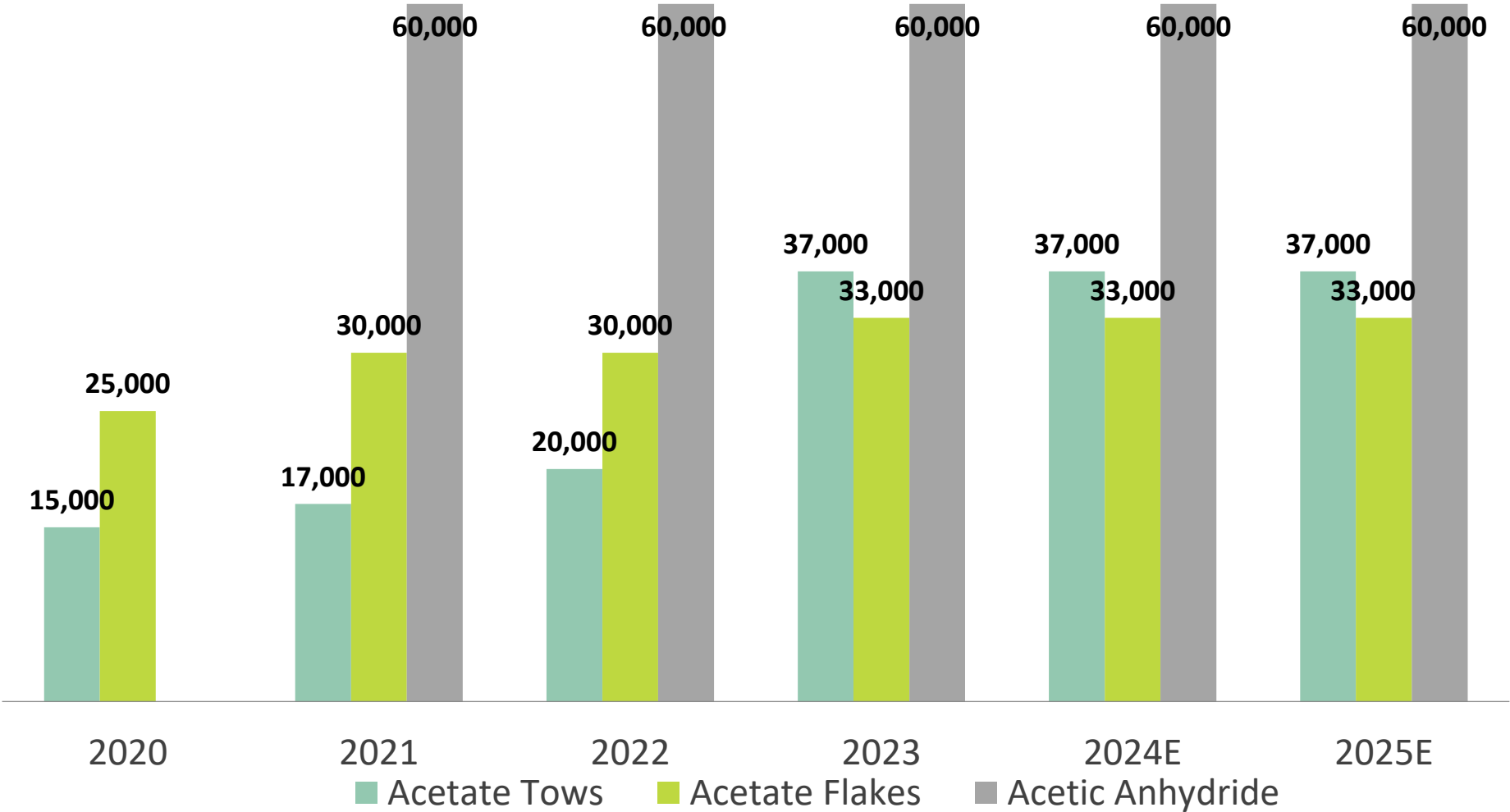
Acetate  
Tow

Filter

Plastic Grade  
Diacetate Flake

Optical Frames

## Capacity Growth through New Lines and Debottleneck



Note: the capacity refers on this page is actual capacity.

# Key Highlights

## ✓ **The double-digit growth momentum expected to extend to next year**

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With strong demand and continuous capacity expansion, Optimistic about 2023 annual revenue reaching a new high. Growing above industry average leads to market share gain and strengthens our position in the industry.

## ✓ **Structurally improved margins**

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With falling raw material costs, 1Q23 gross margin was around 54%, higher than the average level in the past five years of 31% due to vertical integration. Vertical integration into the production of acetic anhydride should improve our cost structure. Due to the supply and demand issues, we will continue to communicate with customers to adjust the price. The substantial expansion of our production capacity over the past several years has helped Acetek achieve greater economies of scale. We expect 2023 core business profitability be better than 2022.

## ✓ **Taking advantage of the circular-economy opportunities while aiming to be more vertically integrated**

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We will increase investment in research and development of green, environmentally friendly materials. We see some encouraging results in the biodegradable fibers that we are developing. We are promoting the products and evaluating the investment for production expansion. We also aim to increase our exposure to alternative cigarette products and continue to look for opportunities to integrate vertically further.

## ✓ Environmental management

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Our company introduced and established the ISO14001 environmental management system, and passed the verification of the third-party Shanghai Ingle Certification Co., Ltd. in 2018, demonstrating its determination to spare no effort in environmental management. Among them, the cost of wastewater treatment and the cost of new and renovated environmental protection facilities are the most important, and these two items account for 97.7% of the environmental protection expenditure, which shows that the Company attaches great importance to environmental management.

## ✓ Water Resources and Wastewater Treatment

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Our company's recycled water volume in 2021 will reach 378,449 tons, accounting for 64.24% of the total annual water consumption; in the use of water resources, the water consumption in 2021 will drop significantly compared with the previous year, mainly due to the water storage of Jinan Acetate and Acetek Material. The measures are mature. Only when the amount of recycled water reaches the expected effect can the water consumption in the company's operations be effectively reduced.

## ✓ Raw material management/recycling

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Instructions for the recovery of acetic acid by Acetek Material : 30% dilute acid is produced in the production process of the finished product line of acetate, which is fed into the acetic acid recovery system. After filtration, extraction and rectification, 99.5% acetic acid is obtained into the storage tank, and enters the cellulose acetate as a raw material The production line is reused to reduce material consumption.



# ESG-Sustainable Environment

**DIN CERTCO**  
Gesellschaft für Konformitätsbewertung mbH


## REGISTRIERBESCHEID

<b>Inhaber</b>	JINAN ACETATE CHEMICAL CO., LTD Room 409, Unit 2, Building 7 Shangang Xintiandi No.61 Gongye South Road, Lixia District Jinan City 250101 SHANDONG CHINA
<b>Produkt</b>	Kompostierbare Halbzeuge
<b>Typ, Modell</b>	Diacetate
<b>Prüfgrundlage(n)</b>	DIN EN 13432:2000-12 ASTM D 6400:2019-01 Zertifizierungsprogramm Produkte aus kompostierbaren Werkstoffen (2020-01)
<b>Konformitätszeichen</b>	
<b>Registernummer</b>	7H0157
<b>Gültig bis</b>	2027-04-30
<b>Nutzungsrecht</b>	Mit diesem Registrierbescheid wird dem Inhaber ein Sondernutzungsrecht für Werbezwecke gemäß § 8 (5) der zugrundeliegenden Markensatzung und der Markenbenutzungsrichtlinie für das oben abgebildete Konformitätszeichen in Verbindung mit der genannten Registernummer erteilt.  Weitere Angaben siehe Anhang.

2021-04-01  
Dipl.-Phys. Carlo Seiser  
Leiter der Zertifizierungsstelle

\* DIN CERTCO Gesellschaft für Konformitätsbewertung mbH · Albrechtstraße 58 · D-12103 Berlin · www.dincertco.de


  
*Ministero dello Sviluppo Economico*

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Ricevuta di presentazione  
per  
Brevetto per invenzione industriale

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Domanda numero: 102022[REDACTED]55  
Data di presentazione: 11/11/2022

  
*Ministero dello Sviluppo Economico*

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Ricevuta di presentazione  
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Domanda numero: 102022[REDACTED]52  
Data di presentazione: 11/11/2022

• ESG-Sustainable Environment  
Photovoltaic power station

表 4-1 本项目屋顶光伏电站节能减排计算表

年限	运行 25 年				年平均值			
厂区名称	济南厂	孟玄厂	中峰厂	汇总	济南厂	孟玄厂	中峰厂	汇总
发电量 (万 kWh)	1066.46	589.43	1382.90	3038.79	42.66	23.58	55.32	121.56
节省标煤 (吨)	3476.67	1921.55	4508.25	9906.47	139.07	76.86	180.33	396.26
减排 SO <sub>2</sub> (吨)	319.94	176.83	414.87	911.64	12.80	7.07	16.59	36.46
减排 Nox (吨)	159.97	88.41	207.43	455.81	6.40	3.54	8.30	18.24
减排 CO <sub>2</sub> (吨)	10632.62	5876.64	13787.49	30296.75	425.31	235.07	551.50	1211.88
减排碳粉尘 (吨)	2900.77	1603.25	3761.48	8265.50	116.03	64.13	150.46	330.62

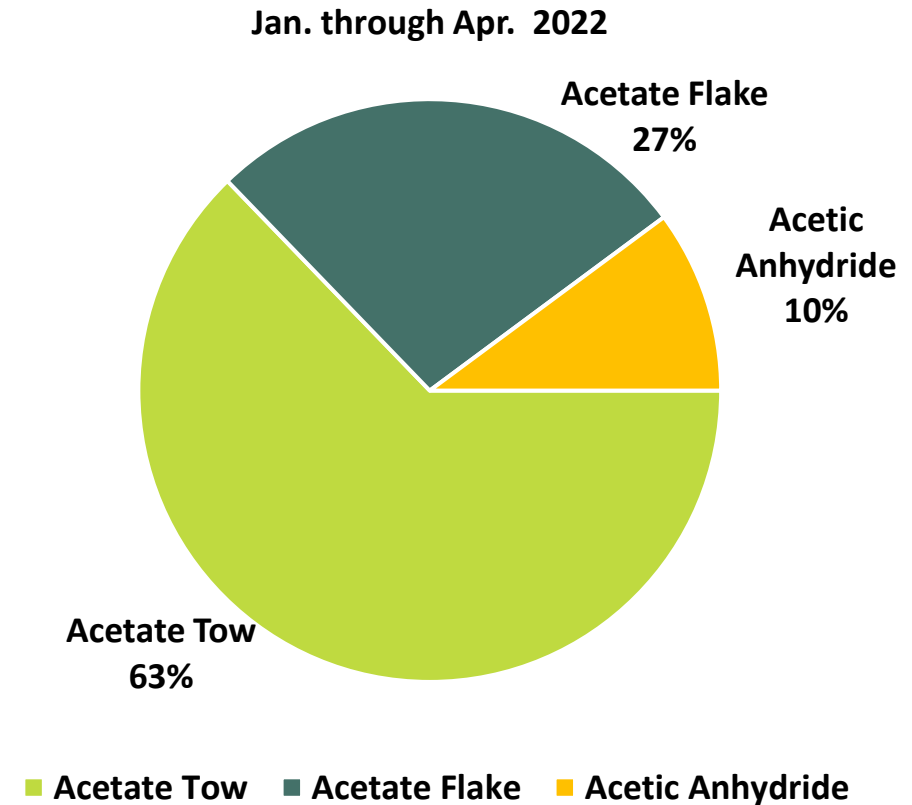
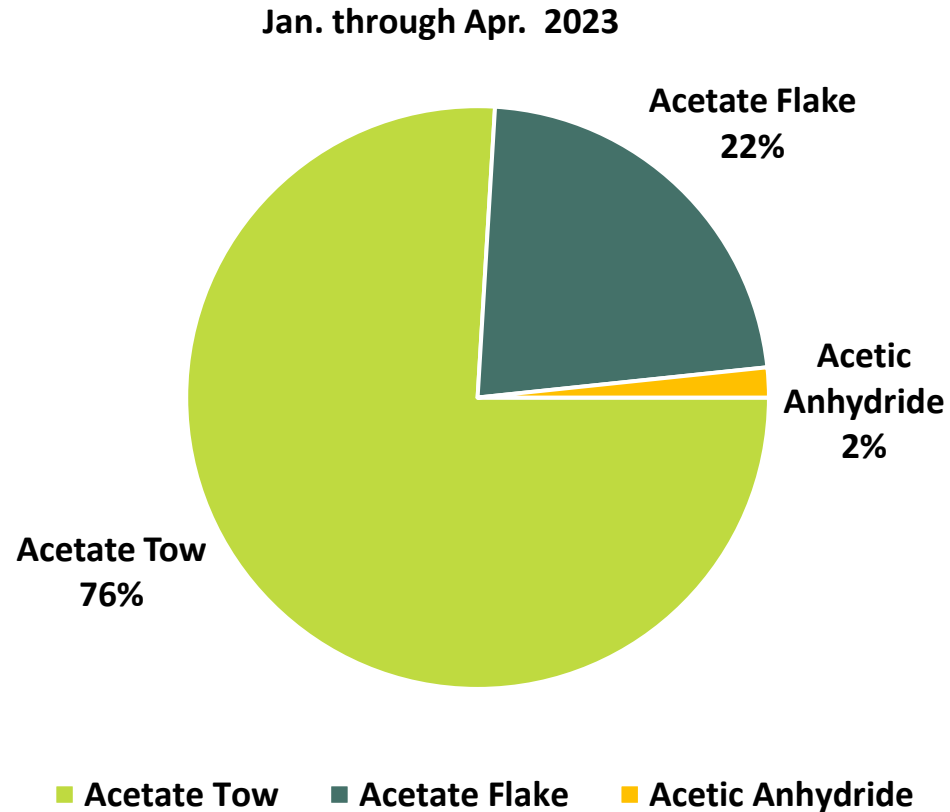
表 5-6 光伏电站在寿命期内各厂区每年的发电量统计表

运行年份	济南厂光伏电站 发电量 (万 kWh)	孟玄厂光伏电站 发电量 (万 kWh)	中峰厂光伏 电站发电量 (万 kWh)	汇总
第 1 年	45.72	25.27	59.29	130.28
第 2 年	45.45	25.12	58.94	129.51
第 3 年	45.20	24.98	58.61	128.79
第 4 年	44.94	24.84	58.28	128.06
第 5 年	44.69	24.70	57.95	127.34
第 6 年	44.43	24.56	57.62	126.61
第 7 年	44.18	24.42	57.29	125.89
第 8 年	43.93	24.28	56.96	125.17
第 9 年	43.67	24.14	56.63	124.44
第 10 年	43.42	24.00	56.30	123.72
第 11 年	43.16	23.86	55.97	122.99
第 12 年	42.91	23.72	55.64	122.27
第 13 年	42.66	23.58	55.32	121.56
第 14 年	42.40	23.44	54.99	120.83
第 15 年	42.15	23.30	54.66	120.11
第 16 年	41.90	23.16	54.33	119.39
第 17 年	41.64	23.02	54.00	118.66
第 18 年	41.39	22.88	53.67	117.94
第 19 年	41.13	22.73	53.34	117.20
第 20 年	40.88	22.59	53.01	116.48
第 21 年	40.63	22.45	52.68	115.76
第 22 年	40.37	22.31	52.35	115.03
第 23 年	40.12	22.17	52.02	114.31
第 24 年	39.86	22.03	51.69	113.58
第 25 年	39.61	21.89	51.36	112.86
总计	1066.46	589.43	1382.90	3038.79
平均值	42.66	23.58	55.32	121.56



# Sales Breakdown

Sales in 2023 1~4 was **NT\$2,317 million**, better **103%** than 2022 1~4



## Key 1Q23 Performance Metrics

- ✓ Sales grew 94% YoY to NT\$1,569mn in 1Q23, reaching a record high for a single quarter.
- ✓ 1Q23 Tow sales grew 115% YoY and Flake sales grew 95% YoY.
- ✓ Key Performance Highlights were:
  - 1Q23 gross profit grew 235% YoY to NT\$848m.
  - 1Q23 gross margin was 54.3%, higher than the average of about 31% in the past five years.
  - Net profit was NT\$522m, and net profit margin was 33%.
  - Earnings per share were NT\$7.44

## Key Observations

- ✓ The sales in the 1Q23 was due to the substantial in acetate tow revenue, and the demand for spinning-grade vinegar tablets and plastic-grade vinegar tablets for eyeglasses remained strong. Supply and demand issues lead to price increases.
- ✓ Capacity expansion of 8,000 tons of tow to 28,000 tons per year.
- ✓ The gross profit margin rebounded in 1Q23, Because
  - The price of raw material acetic acid continued to decline, and the average price of acetic acid in the 1Q23 was about RMB2,850/ton.
  - Adjust the selling price.

# Outlook: Sales in the Q1 was better than the same period last year.

## Growth momentum is expected to continue

### Acetate Tow

1Q23 Tow sales grew 115% YoY. As the US and many European countries have started to ease down lockdown restrictions, duty-free shops affected by travel restrictions are expected to gradually recover, driving demand for tows. In addition, Tow is expected to continue to benefit from the supply shortage caused by trade war and changing geopolitical conditions, resulting in an increase in sales prices. Due to the reordering of the global supply chain, the current material orders in 2023 have exceeded the existing production capacity. In order to meet customer demand, Acetek Environmental was completed in March 2023, and the production capacity of 8,000 tons and 9,000 tons of tow was launched in March and April respectively, with an annual production capacity of 37,000 tons. The long-term trend of supply chain changes is expected to continue to support the company growing up.

### Acetate Flake

1Q23 Flake revenues grew 95% YoY. Mainly due to the gradual unblocking of Europe and the United States, the terminal demand for frames will remain strong, and the reorganization of the industrial chain will intensify due to the escalation of the trade war. We are optimistic about the domestic demand market for vinegar films in China, It is expected to complete the capacity expansion of 3,000 tons of flake in June 2023. The total designed annual production capacity of flake is 33,000 tons. At present, the production Acetate Flake is fully loaded, and the prices of some takeaways have been gradually adjusted.

### Acetic Anhydride

Acetic anhydride revenue was stable in 1Q23, accounting for 2% of consolidated revenue. The new acetic anhydride plant has a designed production capacity of 60,000 tons. In addition to reducing and stabilizing production costs for self-use, batch take-out has been started .

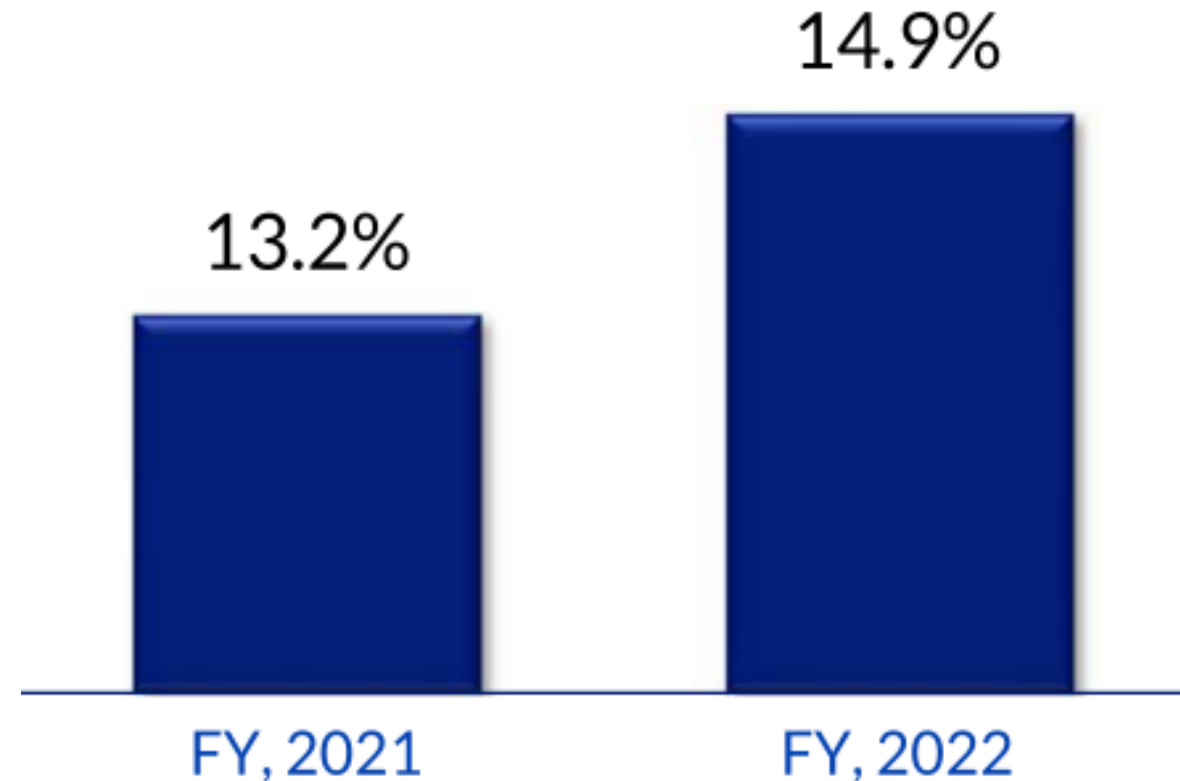
## **Sales Growth & Profitability**

- Optimistically, this year's revenue will hit a new high and achieve double-digit growth. At present, the visibility of orders is quite good. This year's orders have been negotiated, and the revenue growth is expected to continue to hit the best since its listing.
- Demand for tows and flakes is strong. Since the third quarter of last year, the product price adjustment with customers has been carried out. With the continuous increase in production capacity, the economic scale has been expanded, and upstream integration has been carried out, and factors such as maintaining low raw material prices will help increase gross profit margin growth.
- The world's four major tobacco manufacturers have all become customers of the company. In March and April 2023, the production capacity expansion of 8,000 tons and 9,000 tons of tow has been completed respectively to meet the strong market demand. It is also expected to complete 3,000 tons of flakes capacity expansion in June 2023. Generally speaking, we are optimistic about the revenue growth in 2023!

# HNB(IQOS) Prospects

- The output of FY2021 heat-not-burn pods was about 95 billion, accounting for about 13.2% of the total shipments.
- The output of FY2022 heat-not-burn pods was about 109.2billion, accounting for about 14.9% of the total shipments.
- According to data from the PMI market research institute, heated tobacco units (HTU, Heated Tobacco Units) are the category with the highest user conversion rate among harm-reduced tobacco products, and the IQOS series of heated tobacco equipment and related pods are the largest market share in the multi-country heated tobacco market.
- According to a new research report, the global e-cigarette market is valued at US\$17.301 billion and is expected to reach US\$94.317 billion in 2031, with a CAGR of 16.8% from 2022 to 2031.

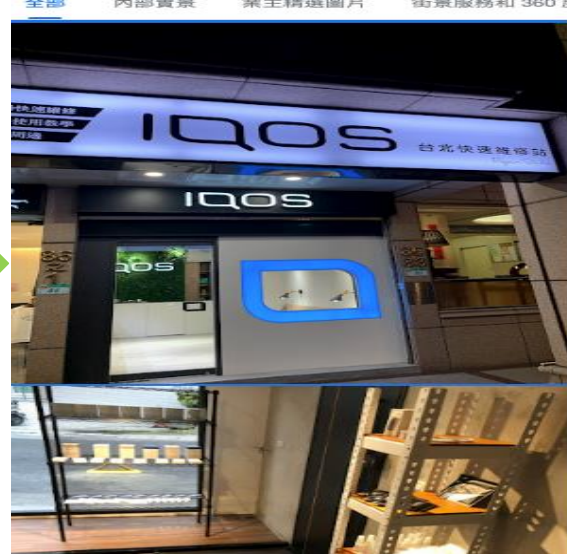
## HTU Volume Contribution<sup>(a)</sup> (As a % of PMI Total Shipment Volume)



Source : PMI



HNB(IQOS)  
There are many stores  
in Taipei



## Outlook—Prospects of Cullulose Acetate

### To diversify product categories and expand the downstream customer base

- Acetate women's clothing continues to increase and brand advantage.
- Biodegradable use of consumer goods and packaging materials.
- New applications for electronic products (Inculding HNB and cooperation with first-tier mobile phone manufacturers).

### Construction Status and Investment Plan-Acetate Tow

- In the first quarter of 2022, the project will be approved by the local government.
- Land acquisition in the first quarter of 2022.
- Construction of the plant in the second half of 2022 is expected to start production in March 2023 with a capacity of 8,000 tons and an additional 9,000 tons in April of the same year
- The total investment is about 100 million RMB (plant + equipment).



# Our 5-Year Targets



**01**

**Expand our global market share in acetate tows to 7%**

**02**

**Be an industry leader in the development of biodegradable acetate flakes, and recyclable acetate flakes for optical frames, aiming to take advantage of circular-economy opportunities**

**03**

**Sustain ROE in excess of 20%**

**04**

**Continue to perform well and strengthen the commitment and practice of environmental sustainability**

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