



# 3Q23 Results Presentation

November 2023

Ace-tek 



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

# AGENDA



**1. Introduction**



**2. 3Q23 Results**



**3. Outlook**

# Jinan Acetate Chemical @ a Glance

- **Ticker:** 4763 TT
- **Market Cap – 15 Nov 2023:** NT\$82,662 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
- **First half of 2023 Cash Dividend:**NT\$5.0
- **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



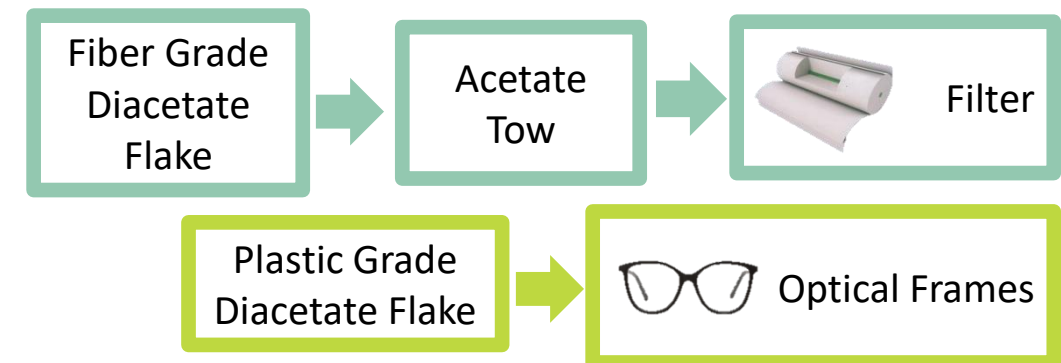
- Zaozhung, Shandong
- Acetate Flake Production
- Employees: 157

## Acetek Momentun

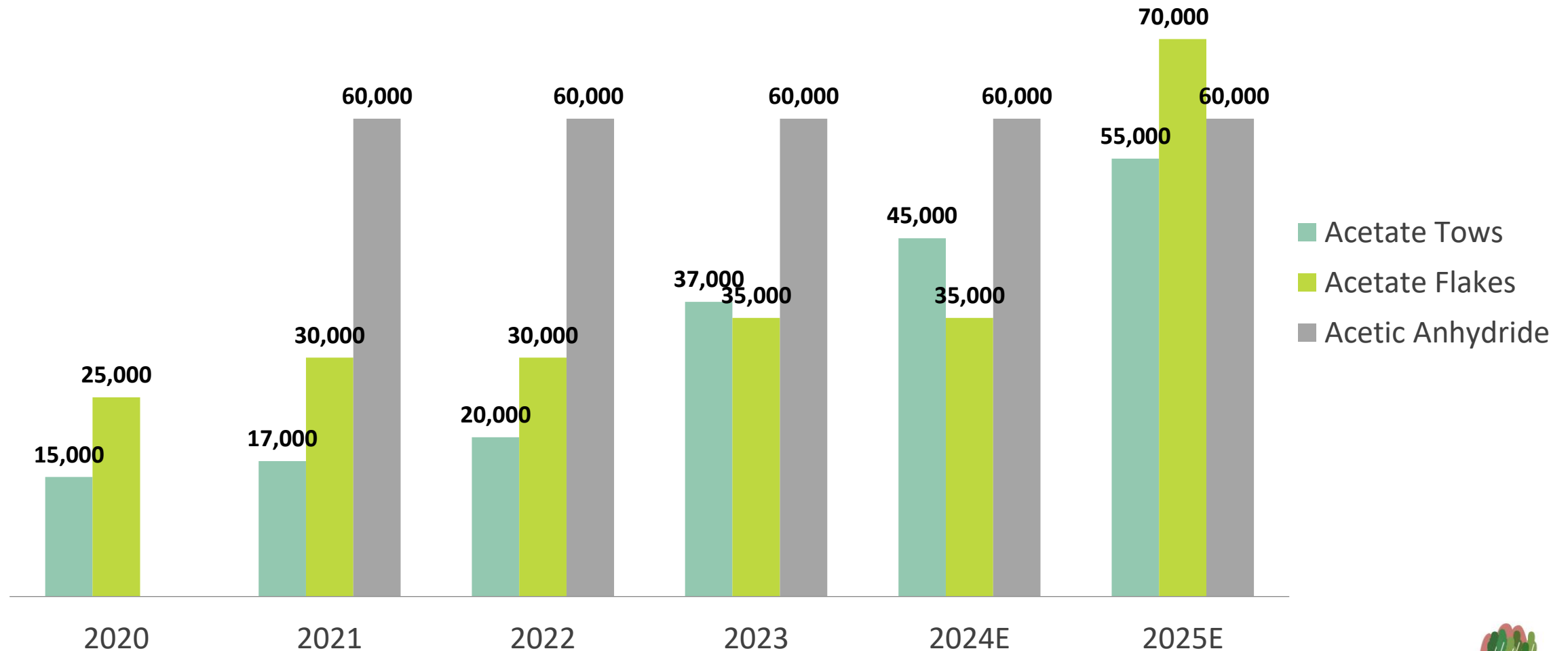


- Zaozhung, Shandong
- Cellulose Anhydride
- Employees: 44

## Products - Applications



## Capacity Growth through New Lines and Debottleneck



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

## Key 3Q23 Performance Metrics

- ✓ Sales grew 173% YoY to NT\$3,261mn in 3Q23, reaching a record high for a single quarter.
- ✓ 3Q23 Tow sales grew 265% YoY and Flake sales grew 11% YoY.
- ✓ Key Performance Highlights were:
  - 3Q23 gross profit grew 339% YoY to NT\$2,024m.
  - 3Q23 gross margin was 62.1%, increase of 23.5% compared with the same period last year.
  - Net profit was NT\$1,639m, and net profit margin was 50%.
  - Earnings per share were NT\$19.70

## Key Observations

- ✓ The sales in the 3Q23 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.
- ✓ In April 2023, the production expansion of 17,000 tons of tow will be completed respectively, with an annual production capacity of 37,000 tons.
- ✓ The gross profit margin rebounded in 3Q23, Because.
  - Adjust the selling price.

# Business result : Earnings per share\_Q3

	(A)			(B)	(C)=(A)/(B)	(D)=(B)* $\frac{1+(E)/10}{10}$	(F)=(A)/(D)	(E)
	Net Income (In thousand of NTD)	Gross margin	Net Income Margin	Weighted average number of shares (before traceback) (Unit: Thousand Shares)	EPS (before traceback) (In thousand of NTD)	Weighted average number of shares (After traceback) (Unit: Thousand Shares)	EPS (After traceback) (In thousand of NTD)	Payout Ratio
2023 Q1	521,759	54.31%	34.18%	70,160	7.44	79,884	6.53	1.4102597
2023 Q2	1,078,879	60.64%	46.04%	70,757	15.25	80,561	13.39	1.4102597
2023 Q3	1,639,544	62.05%	50.79%			83,218	19.70	
Total	<u>3,240,182</u>						<u>39.63</u>	

The calculation of earnings per share for September 2012 and previous periods is based on the number of new shares after retrospective adjustment in accordance with paragraph 694 of International Accounting Standards No. 33 "Earnings per share"

# Business result : Earnings per share\_Q3 each month

	(A)		(B)	(C)=(A)/(B)	(D)	(F)=(A)/(D)	(E)
	Net Income (In thousand of NTD)	Net Income Margin	Weighted average number of shares (before traceback) (Unit: Thousand Shares)	EPS (before traceback) (In thousand of NTD)	Weighted average number of shares (After traceback) (Unit: Thousand Shares)	EPS (After traceback) (In thousand of NTD)	Payout Ratio
2023.07	441,343	48.78%	70,513	6.26	83,218	5.30	1.4102597
2023.08	563,641	50.38%	71,198	7.92	83,218	6.77	1.4102597
2023.09	634,560	52.70%			83,218	7.63	
Total	<u>1,639,544</u>					<u>19.70</u>	

## Sales Growth & Profitability

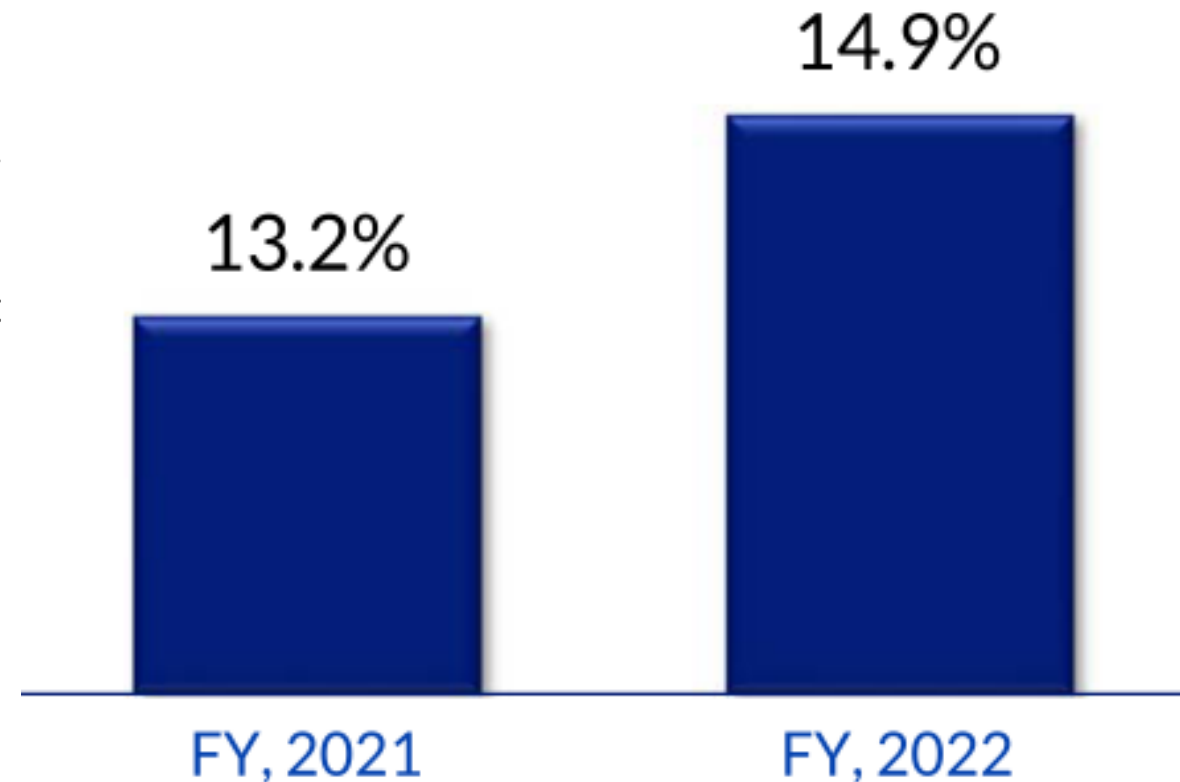
- The demand for tows and flakes is strong. In the third quarter of last year, we began to gradually adjust the product prices with customers. The demand this year is still strong, and we continue to negotiate with customers to increase prices. The estimated sales prices in 2024 are expected to be this year, plus the continued production capacity. Continued growth has expanded the economic scale, and the prices of raw materials (southeast, wood pulp) have remained low. The growth in sales and gross profit margins is expected.
- The company expects to complete the expansion of 9,000 tons of tow production capacity in mid-July 2024, and to expand another 9,000 tons of tow production capacity in January 2025, for a total of 18,000 tons of tow production capacity. After the expansion, the tow production capacity will reach 55,000 tons to meet the needs of Strong market demand. It is also expected to complete the expansion of flake production capacity by 35,000 tons in the second quarter of 2025, bringing the flake production capacity to 70,000 tons to cope with the expansion of tow production capacity and meet the strong market demand. In general, we are optimistic about the growth of revenue and profits in 2024!
- In addition, the plan to set up a factory (tow) in Southeast Asia is currently proceeding step by step, including negotiating a joint venture with the largest local cigarette factory.



# 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.
- PMI currently occupies more than 70% of the HNB market. IQOS has grown rapidly in recent years under the intensive cultivation of PMI. It is currently sold in dozens of countries and will account for one-third of PMI's total sales in 2022. PMI is expected to account for 20% of PMI's total sales in 2025. More than half of revenue.

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



Source : PMI

# HNB(IQOS) Prospects

## Amazing growth rate

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- According to the "World Tobacco Development Report", HNB (Heat Not Burn), as one of the mainstream categories of new cigarette products, was approximately US\$15.321 billion in 2019. By 2022, the global market will reach US\$31.3 billion, more than doubling in three years.
- The global HNB market size in 2019 was US\$15.321 billion, a year-on-year increase of 28%, achieving rapid growth from scratch. The growth in the past five years has been mainly driven by the Japanese market. In 2019, the Japanese market's HNB revenue accounted for 56.4% of the global market. As the largest consumer country, South Korea accounts for 10.5%, making it the second largest consumer country, and Russia becomes the third largest consumer country, accounting for 7%.
- The global cigarette output value growth rate is about 1~2% per year. According to statistics, the global cigarette product market will have an output value of approximately US\$912 billion in 2022, but HNB only accounts for 3.43%.

## The annual compound growth rate exceeds 20%

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- According to "PRNewswire", a U.S. consulting company recently released the future development trends of the global heated tobacco products market. The report pointed out that by 2025, the compound annual growth rate of the global heat-not-burn tobacco products market will exceed 22%. The consulting firm's analysis believes that the popularity of heated tobacco products in the United States, Japan and South Korea in recent years has caused such products to grow at an alarming rate.

## In the future, major countries will open their markets and have full potential.

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- Currently, there are only 63 countries open to the market. The main markets are Japan, South Korea and the European Union. Big Mac markets such as the United States (only open in some areas), China, India, and Brazil are not yet open. Therefore, the market for heat-not-burn smoke is still open. Space is still developing.



# Q&A



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