Transcript of the Corporate Presentation for Avarga Limited's 55th Annual General Meeting held on 29 April 2021

Thank you, Chairman.

Slide 1 - Start

Dear fellow shareholders, as always, I wish all of you good health and safety. Thank you for taking the time to join us via this webcast.

As per SGX guidelines, we have compiled the substantial and relevant questions that were submitted and published them along with management responses on the 24th of April.

If you have additional questions following this meeting, please email them to us and we will endeavour to respond. The webcast recording, presentation transcript, and an expanded slide deck will also be made available on our website.

Slide 2 – 2021 highlights

Our Group produced record profitability in 2021, largely driven by Taiga's performance in the first half of the year. Compared to 2020, revenue increased by 44% to $2.4 billion, EBITDA increased by 25% to $162 million, pre-tax profit increased by 34% to $136 million, and net profit increased 34% to $73 million. On our balance sheet, we recorded group net cash of $25 million compared to net debt of $60 million at end 2020.

We returned $17.6 million to Avarga shareholders in 2021. Of that amount, $9.9 million was utilized for share buybacks and a further $7.7 million was paid out as dividends.

Slide 3 – Award recognition

Avarga was the proud recipient of multiple corporate awards in 2021. We were recognized as having the fastest profit growth in our sector at The Edge Singapore Centurion Club Awards and received two runner up awards from the Securities Investors Association Singapore's Investors' Choice Awards for corporate governance and transparency.

Slide 4 – Segmental performance

I will now move on a breakdown of our 3 core businesses.

Pre-tax profit for our paper manufacturing business in Malaysia decreased by 47% to $2.7 million in 2021, despite revenue increasing by 6%. Margins continue to be challenged as the industry works through increased market competition, logistics issues, and supply chain disruption. Management is exploring various avenues to improve our market share and better optimize our operations.

For our power generation business, pre-tax profit decreased to $5.4 million from $6.6 million in 2020. Our plant successfully produced 368 million kilowatt hours, 5% over our minimum off-take as stipulated in our power purchase agreement. The plant's operations have not been affected by political events. So far, all payments due from EPGE have been paid on schedule.

Taiga was the main growth driver of our group, contributing $130 million of our reported $136 million pre-tax profit, up 31% from 2020. Given its significance, I will review its performance in more detail now.

Slide 5 – Lumber prices

Lumber prices were extremely volatile in 2021, in line with the broader economic environment. This is represented in the chart, with all the prices in US dollars. The year began with lumber around $900 per thousand board feet, rallying to $1,700 in May, crashing back down to $450, then ending the year around $1,000.

We have repeatedly warned about the price volatility and the potential for inventory losses. True enough, the crash to $450 per thousand board feet led to a material inventory loss in the third quarter of 2021. However, Taiga took advantage of the strong run-up in prices during the first half of the year, more than offsetting the decline. Our superior market positioning and operational capabilities also allowed us to minimize losses during the downtrend, ultimately resulting in the company's record financial performance.

Commodity prices have continued to be volatile so far in 2022. Year-to-date, we've witnessed a high of $1,450 and a low of $900 per thousand board feet. Management will continue to be cautious in our approach, focusing on our operational capabilities and risk mitigation.

Slide 6 – Taiga highlights

As we have often discussed, Taiga is a wholesale distributor of building materials with a wide geographic network, rather than simply a commodity trading business. On average, half of our revenues are derived from manufactured products such as flooring, insulation, moldings, et cetera, which range in the thousands of SKUs. Next year, Taiga will celebrate its 50th anniversary and owns a long track record of sustainable profitability through many commodity cycles. For additional discussion on the business, please refer to the Q&A announcement.

As you can see, all of Taiga's profitability metrics grew in 2021 compared to 2020, except for margin percentages, which declined slightly. In Canadian dollar terms, revenue increased 40% to $2.2 billion, EBITDA increased 24% to $145 million, and net profit increased 31% to $93 million.

Slide 7 – Capital allocation strategy

With regards to Taiga, this seems a good segue to talk about capital allocation. From the shareholder feedback we have received, there seems to be some confusion over how our balance sheet should be understood. I would like to reiterate that Avarga consolidates Taiga's accounts as its subsidiary company, such as its assets and liabilities and earnings. However, this is only from an accounting perspective. It is

not operational control as Avarga does not wholly own Taiga, which is listed on the Toronto Stock Exchange, with its own separate management and board, and is accountable to all its shareholders, not just Avarga.

For example, our consolidated balance sheet shows cash and cash equivalents of $88.3 million as of 31st December 2021. The actual cash held by Avarga at that time was actually $14.3 million, with the balance of $74 million being cash available to Taiga. Similarly, our group balance sheet shows a subordinated notes liability of $13 million, but that is Taiga's obligation and not Avarga's.

It is for this reason that we have a challenge in paying out a dividend policy based on profits of the group. Since a substantial part of profits come from Taiga, and we do not have 100% ownership and control, we cannot dictate their dividend policy.

Given this, it is not possible for Avarga to commit to a dividend policy to its shareholders. Therefore, we are of the view that it is more sensible to terminate the previous policy in the interest of clarity and transparency to all shareholders.

Please refer to the CEO statement in our annual report and the Q&A announcement for further discussion on this.

Slide 8 - End

I hope you have found this presentation useful. Please contact us if you wish to follow up, keeping in mind that we cannot divulge sensitive information. The transcript from this presentation and expanded presentation deck will be uploaded onto our website shortly after this meeting as well for your review. Thank you again for your participation today and your continued support in us.