



Smelling The Roses

Corporate Presentation
23 April 2021

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Shareholder Questions



- Following Taiga's special dividend this year, please comment on the company's gearing level, debt headroom, and ability to pursue growth opportunities.
- How does management provide effective leadership and guidance to Taiga given the border restrictions related to Covid-19?
- Please elaborate on the scope of Taiga's internal audit function. Did internal audit evaluate Exterior Wood during the acquisition in 2018?
- Is 3D building construction technology disruptive to the building construction industry, and what is the potential impact on Taiga?
- Please elaborate on the opportunities and threats to the Paper Manufacturing business in relation to China's import ban of solid waste material?
- Please provide an update on the IPO process of the Paper Manufacturing business.
- What measures and policies have been implemented to ensure the staff safety at our Power Plant in Myanmar?
- What is the level of communication between Avarga's management team and the operational team at the Power Plant?
- Has there been any material changes or events at the Power Plant, and have we continued to receive our payments?
- Do the Group's internal audit plans include the Paper Manufacturing and Power Plant operations in Malaysia and Myanmar respectively?
- Please elaborate on the Group's investment into Straits Inter Logistics Berhad and how it will contribute to Avarga.

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Our Group

Who are we?



- Our mission is to optimise Return on Equity through building sustainable value for our shareholders
- We adopt a disciplined approach to evaluating investments, risks and opportunities, led by an entrepreneurial and experienced management team
- We build business models that are long-term, focusing on competitive advantages, good management and innovation
- We operate in five countries with annual revenue surpassing S\$1.5b
- These businesses generate sustainable cash flows, progressively diverting into other investments

Our core businesses



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100%



UPP Pulp & Paper
(M) Sdn Bhd

Paper manufacturing
in Ijok, Selangor,
Malaysia

100%



UPP Power
(Myanmar) Ltd

50 MW power plant
in Yangon, Myanmar

71.9%



Taiga Building
Products Ltd

Wholesale distribution of building
materials in Canada & USA

Listed on Toronto Stock Exchange

Our core businesses



Building Materials Distribution

- Taiga Building Products is Canada's largest wholesale distributor of building material products by sales, with a fast-growing presence in USA
- Our wood preservation plants, distribution centres and reload stations are strategically located across Canada and USA

Paper Manufacturing

- UPP Pulp & Paper (M) is one of Malaysia's few upstream paper mills, producing testliner, corrugated medium and coreboard from recycled paper
- Beneficiary of the growing e-commerce (parcels shipped in Malaysia grew 69.4% annually from 2016 to 2019, from 23.7m to 115m parcels)

Power Generation

- UPP Power (Myanmar) owns a 50 MW gas fired plant in Yangon, Myanmar, operating under a 30 year PPA with the Government of Myanmar, until 2044
- Myanmar has a low electrification rate of 50%, one of Myanmar's first IPPs

Where are we?



Over S\$1.5 billion revenue

3 Core Businesses

5 Countries (Singapore, Canada, USA,
Malaysia, Myanmar)

1 Vision - Creating sustainable value

Dividend policy



- We aim to provide an annual dividend payout that strives to achieve 30% of net profit
- The dividends will continue to be paid on a quarterly basis
- We will endeavour to maintain a balance between meeting shareholders' expectations and prudent capital management
- We view share buybacks as part of shareholder value creation process, through share purchases that are EPS-accretive



2020 Key Highlights

Key highlights for 2020



- Revenue: S\$1.7b (+21%)
- EBITDA S\$130m (+90%)
- Pre-tax profit: S\$102m (+92%)
- Net profit after MI: S\$55m (+68%)
- EPS: 5.79 cents
- NAV per share: 25.8 cents
- DPS: 1.5 cents
- Group net debt (excl. lease liabilities) reduced from S\$92m to S\$60m
- Group net gearing ratio (excl. lease liabilities) reduced from 36% to 20%
- Increased stake in Taiga from 69.7% to 71.9%
- Spent S\$11m on Avarga and Taiga share buybacks & share purchases
- First major overhaul exercise for power plant fully completed in July 2020
- Taiga declared first special dividend of C\$30m

Key highlights for 2020



- **Key earnings drivers:**

- Segmental Pre-tax profit: Building Materials (+ 189%), Power (+10%), Paper (-37%)

- **Building Materials (Taiga):**

- High lumber prices, strong housing markets in USA and Canada, shift from cities to suburbs
- EBITDA doubled from C\$57.7m to C\$116.9m, EBITDA margins rose from 4.4% to 7.4%
- Exterior Wood's pre-tax profit almost doubled to US\$13m from US\$6.8m

- **Paper:**

- Demand supported by e-Commerce. Sales volume fell only 4.9% to 77,009 tonnes despite lockdown but EBITDA margins fell from 21.3% to 16.9% due to higher costs and output
- Advisor appointed for potential IPO exercise, evaluation ongoing

- **Power:**

- Output up 5.2% to 390m kWh, 11.4% above 350m kWh min off-take
- Major overhauls undertaken in 2019-2H2020, fully completed in July 2020
- No major operational impact from recent developments, we are closely monitoring



How have we performed?

Our financial performance

FY Dec (\$ million)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue	1,693.3	1,403.9	1,572.7	1,455.2	63.3	61.1	116.9	48.1	50.0	51.1
EBITDA	129.9	68.4	58.2	61.3	14.1	12.1	10.7	4.4	5.4	2.4
Pre-tax Profit	102.2	53.3	31.1	25.1	13.1	13.3	9.7	1.5	2.4	(0.4)
Net Profit after MI	54.8	32.6	11.2	13.7	12.6	12.8	9.0	0.9	2.0	(0.6)
Net Cashflow from Operations	60.9	59.8	56.7	56.5	18.4	18.8	14.0	2.4	3.7	1.4
Total Assets	651.0	575.3	512.2	505.1	190.1	189.0	189.0	182.1	183.1	129.3
Total Equity	306.9	252.8	258.1	259.7	183.7	183.4	182.6	174.4	172.8	119.1
EPS (cents)	5.79	3.44	1.25	1.58	1.5	1.53	1.07	0.11	0.30	(0.11)
Net Asset Value per share (cents)	25.8	21.3	22.2	22.3	21.4	21.3	21.1	20.0	20.9	19.4
Dividend per share (cents)	1.5	2.0	3.50	1.00	1.00	1.00	0.50	0.15	0.15	0.10
ROE	17.9%	12.9%	4.3%	5.3%	6.8%	7.0%	4.9%	0.5%	1.2%	-0.5%
ROA	8.4%	5.7%	2.2%	2.7%	6.6%	6.8%	4.7%	0.5%	1.1%	-0.5%

Notes:

PBT for 2017 includes one off net charges of \$7.1m in relation to Taiga and notes restructuring

PBT includes amortisation of intangibles relating to Taiga of \$4.3m for 2017, \$4.8m for 2018, \$5.2m for 2019 & 2020

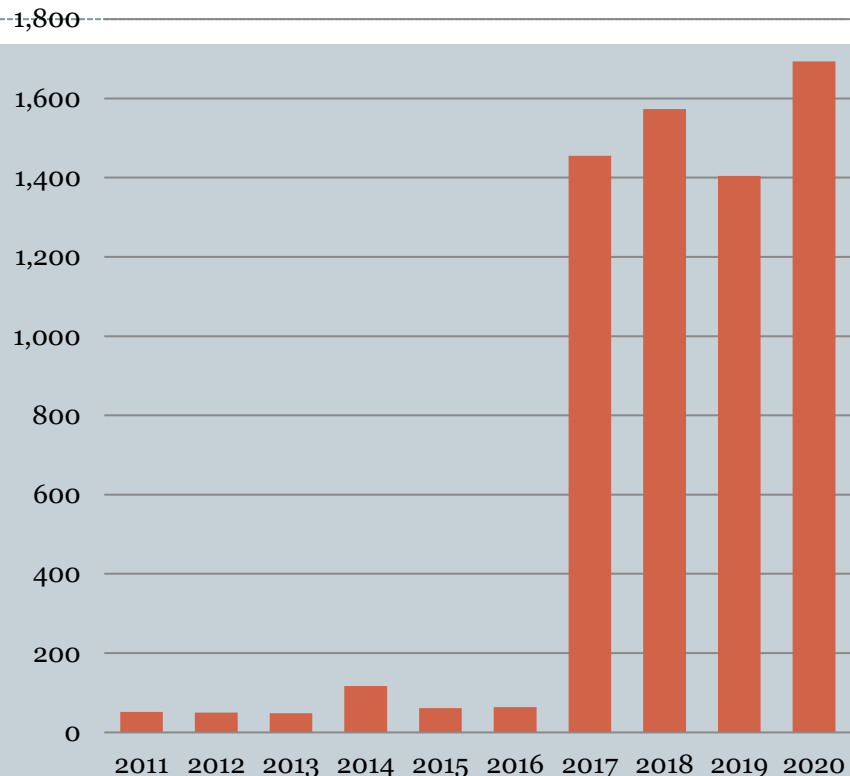
PBT for 2019 includes one off gain of \$10.9m from sale of Tuas property

Segmental performance

Segmental Revenue										
FY Dec (S\$ million)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Paper Manufacturing (Malaysia)	44.8	48.1	55.9	54.3	50.0	49.2	47.9	46.8	48.7	49.8
Power plant (Myanmar)	16.4	18.7	10.5	11.7	13.3	11.9	68.3	-	-	-
Taiga (Canada & USA)	1,632.0	1,337.1	1,506.3	1,389.2	-	-	-	-	-	-
Others	-	-	-	-	-	-	0.7	1.3	1.3	1.3
Total revenue	1,693.3	1,403.9	1,572.7	1,455.2	63.3	61.1	117.0	48.1	50.0	51.1
Segmental Pre-tax profit										
FY Dec (S\$ million)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Paper Manufacturing (Malaysia)	5.1	8.1	10.3	8.3	7.9	6.4	4.9	3.8	3.7	1.4
Power plant (Myanmar)	6.6	6.0	5.7	6.9	8.1	7.8	6.3	-	-	-
Taiga (Canada & USA)	94.7	32.7	25.5	18.5	-	-	-	-	-	-
Others	(4.2)	6.5	(10.4)	(8.6)	(2.9)	(0.9)	(1.5)	(2.3)	(1.3)	(1.8)
Total pre-tax profit	102.2	53.3	31.1	25.1	13.1	13.3	9.7	1.5	2.4	(0.4)

Note: Segmental breakdown as per annual report, with earnings from power plant recognized in accordance with SFRS (I) INT 112 Accounting Standards for Service Concessions

Revenue



Revenue jumped from \$51m in 2011 to \$1,693m in 2020

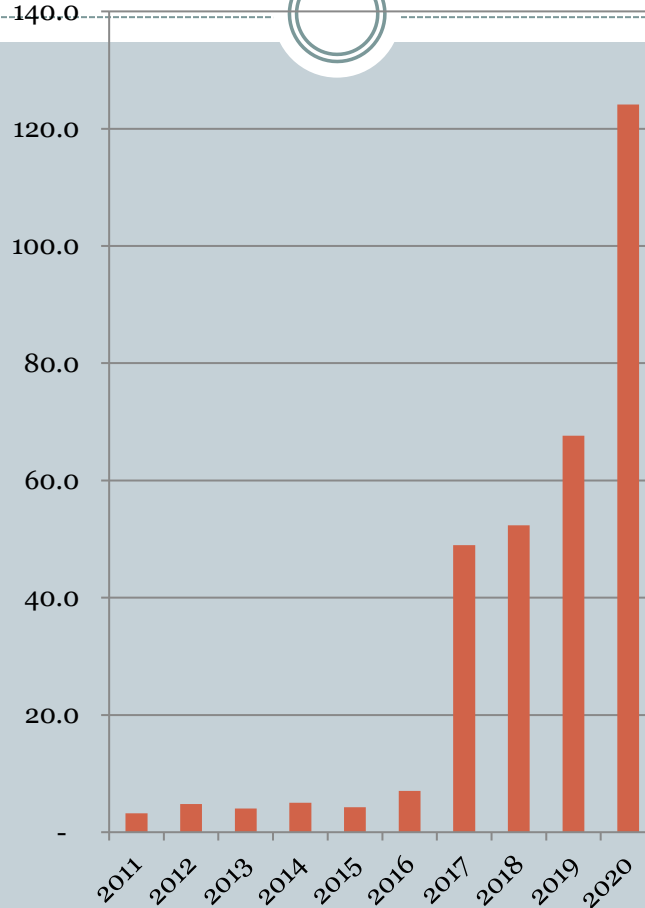
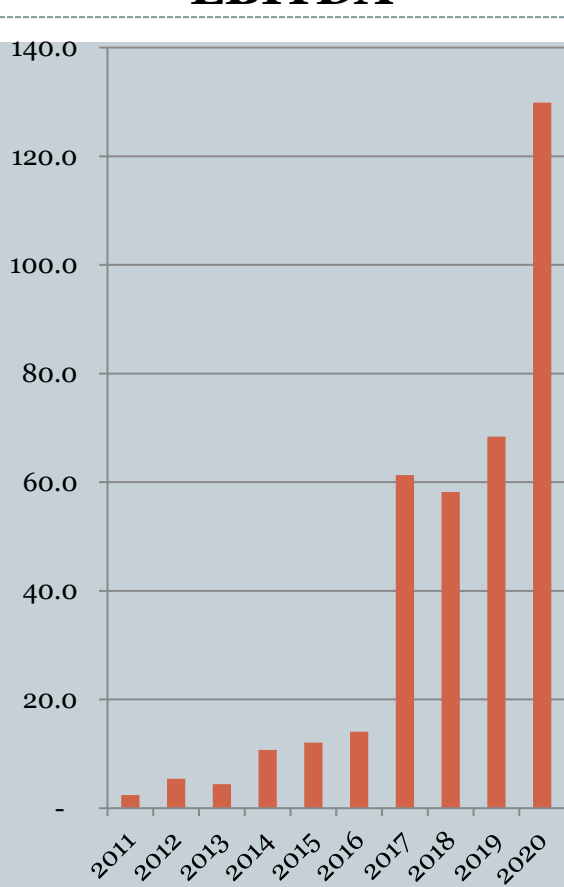
Pre-tax and net profit



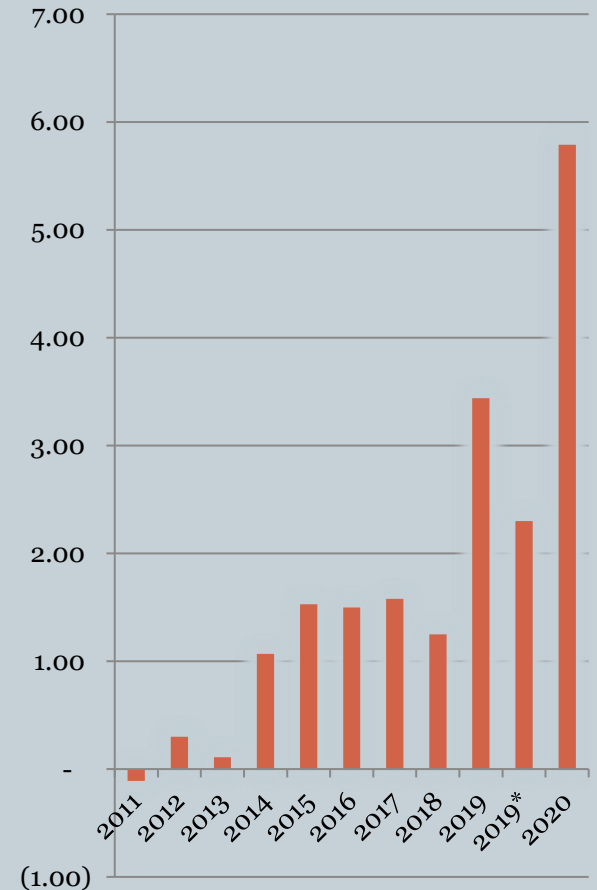
Pre-tax profit improved to \$102.2m in 2020 from loss of \$0.4m in 2011
 Net profit increased to \$54.8m in 2020 from net loss of \$0.6m in 2011

Operating cashflows before WC changes

EBITDA



EPS (cents)



EBITDA increased from \$2.4m in 2011 to \$129.9m in 2020

Operating cashflows before WC changes rose from \$3.2m in 2011 to \$124.1m in 2020

EPS increased to 5.79 cents in 2020 from a loss per share of 0.11 cent in 2011



How have we invested?

How did we use our cash from 2012-2020?



	S\$m
Net excess cash from operating activities	262.1
<u>What did we use it for?</u>	
Capex - PPE (net)	(19.7)
Investment in Myanmar Power Plant	(58.7)
Acquisition of non-controlling interests in UPP Pulp & Paper	(4.9)
Acquisition of Taiga shares and notes	(89.1)
Investing activities made by Taiga (Exterior Wood etc)	(80.3)
Changes in Taiga RCF	(67.0)
Portfolio investments	(3.3)
Share buyback: Avarga treasury shares	(2.2)
Dividends to Avarga shareholders	(91.7)
Others	1.4
Subtotal	(415.5)
Deficit	(153.4)
<u>How did we finance this?</u>	
Sale of Kajang land	1.9
Sale of Tuas factory	18.4
Share placements - 2012 & 2017	50.3
Proceeds from conversion of warrants - 2012-2013	17.4
Sale of corporate bonds	6.5
Use of cash & borrowings (net change in cash / debt)	58.9
Sub-total	153.4

We started with \$20.7m net cash at end-2011 and ended 2020 with net debt of S\$38.2m

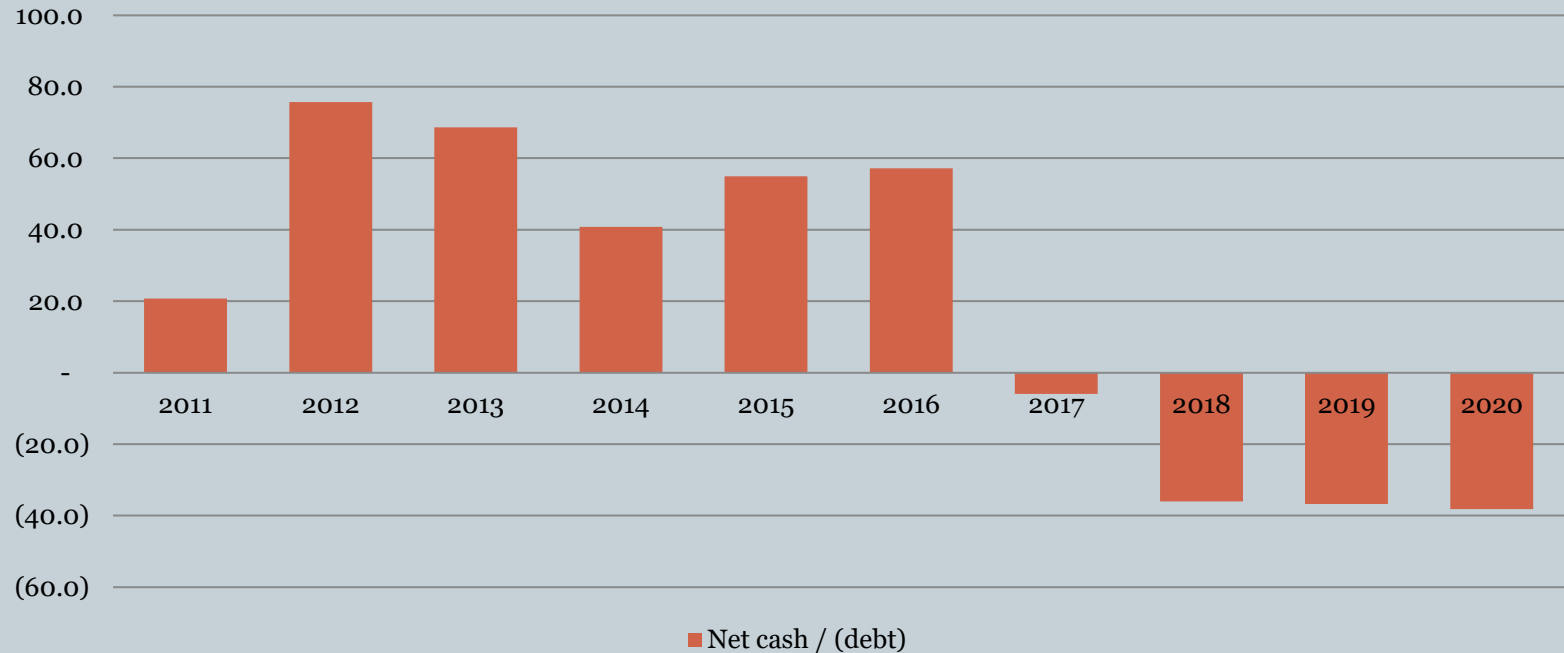
From 2012-2020, with borrowings of \$38.2m and after returning net \$41.4m to shareholders (dividends less placements), for total cash consideration of just **\$17.5m**, we have expanded from paper to also owning the IPP, Taiga and Exterior Wood

Without stretching our balance sheet



Using minimal debt to expand from paper to adding the IPP, Taiga and Exterior Wood

Net cash / (debt)



- Excluding Taiga's revolving credit facilities (RCF) and finance lease obligations, our net debt is just \$38.2m
- From paper, we have added businesses in power and building materials distribution, with the balance sheet moving from net cash of \$20.7m in end-2011 to minimal net debt of \$38.2m in end-2020

Return on capital employed



	ROCE (Pre-tax profit)			ROCE (Net profit)		
	2020	2019	2018	2020	2019	2018
Paper	10.6%	12.1%	15.3%	7.9%	9.2%	10.9%
Power	10.4%	14.7%	18.0%	8.1%	12.3%	18.0%
Building Materials	46.9%	25.7%	24.5%	34.5%	18.5%	17.1%
Avarga Group	33.3%	21.1%	12.1%	17.9%	12.9%	4.3%

Our three core businesses generate high returns on capital employed

ROCE based on accounts of the respective subsidiaries in local currencies, without group SFRS adjustments

Our transformation



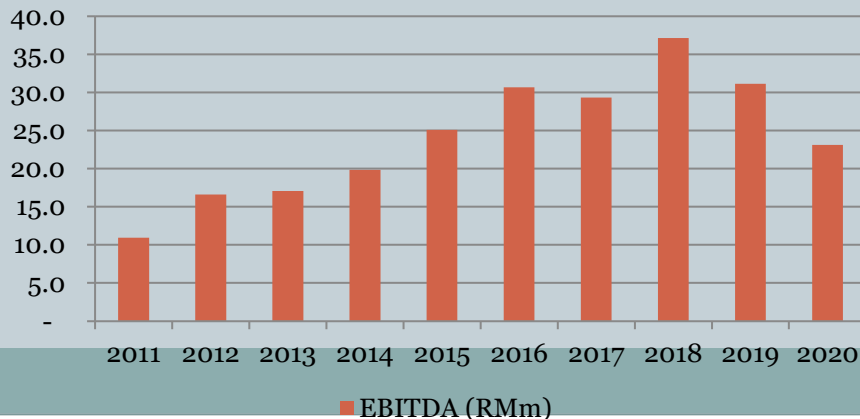
- 1967: Established in Singapore as United Pulp & Paper Co Ltd
- 1971: Paper mill started operations in Singapore
- 1980: Listed on Singapore Stock Exchange
- 1998: Paper mill operations relocated to Malaysia (1998-2000)
- 2010: Company name changed to UPP Holdings Ltd
- 2012: Tong Kooi Ong acquired substantial stake, set new strategic direction
- Private placement exercise raised S\$40.3m, MOU signed for Myanmar IPP
- 2014: Myanmar IPP PPA signed, started commercial operations
- 2015: Paper mill upgrading exercise adds 7% to total capacity
- 2017: Acquired minorities' remaining 7.2% stake in paper mill, Kajang property sold
- Acquired substantial stake and loan notes in Taiga for C\$72m
- Private placement exercise raised S\$10m
- Taiga undertook loan notes restructuring, loan notes converted to shares
- 2018: Acquired Kublai for C\$27.7m, raising our stake in Taiga from 49% to 65.5%
- UPP Holdings renamed Avarga Ltd
- Taiga acquired Exterior Wood for C\$55m, extending our footprint in USA
- 2019: Tuas property in Singapore sold for S\$18.6m, paid dividends of 4.5 cents per share
- 2020: Increased stake in Taiga from 69.7% to 71.9%
- Acquired 10% stake in Bursa-listed Straits Inter Logistics Bhd

Key phases of our transformation

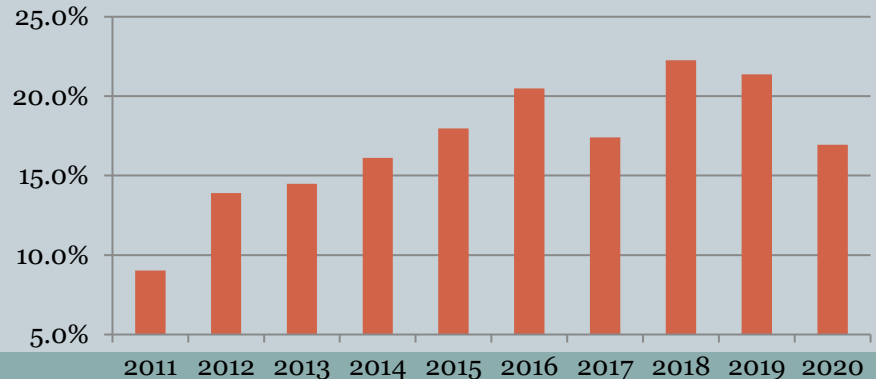
Improving the Paper business

- Pre-tax profit was just RM3m in 2011
- We strengthened internal processes, workflows , controls and efficiency
- We upgraded the plant in 2015, increasing capacity by 7%
- In 2017, we divested Kajang land and acquired remaining 7.2% minority interests
- Pre-tax profit fell from RM24.6m in 2019 to RM16.6m in 2020 due to higher costs caused by Covid-19, although demand supported by e-commerce
- Evaluating possible IPO exercise for investment in co-gen plant, future growth

EBITDA



EBITDA margin



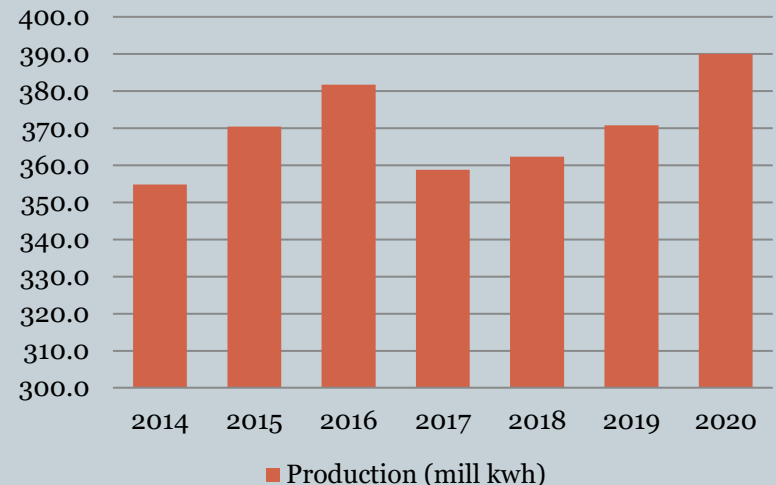
Key phases of our transformation



Investment in Myanmar power plant

- We invested US\$46.5m in the IPP, using our existing cash reserves and the private placement proceeds of S\$40.3m
- MOU signed in 2012, PPA and commercial operations in 2014
- 30 year PPA with Electricity Power Generation Enterprise (EPGE), Government of Myanmar, expiring Feb 2044
- We have exceeded the annual minimum take-up rate of 350m kWh each year, record high of 390m kWh in 2019
- First major overhauls in 2019-1H2020, fully completed in July 2020
- No operational impact from recent events, but we are closely monitoring developments

Electricity generation



Key phases of our transformation



Taiga acquisition and restructuring

- We acquired a substantial stake in Taiga shares and loan notes for C\$72m in 2017
- Taiga then undertook a restructuring exercise by converting the loan notes to shares, significantly strengthening its balance sheet and earnings, with annual interest savings of C\$18m
- In 2018, we acquired more shares in Taiga through Kublai Canada for C\$27.7m, raising our stake in Taiga from 49% to 65.5%
- These acquisitions were made on a valuation of only 4x then EBITDA
- Through additional share purchases by Avarga and share buybacks by Taiga, we have increased our stake further to 69.7% at end-2019 and 71.9% at end-2020
- Taiga's earnings have risen substantially, with EBITDA rising from C\$40m in FY Mar 2017 to C\$57.7m in FY Dec 2019 and C\$116.9m in FY Dec 2020
- Taiga declared a C\$30m special dividend, paid on 19 March 2021

Key phases of our transformation



Taiga's Exterior Wood acquisition

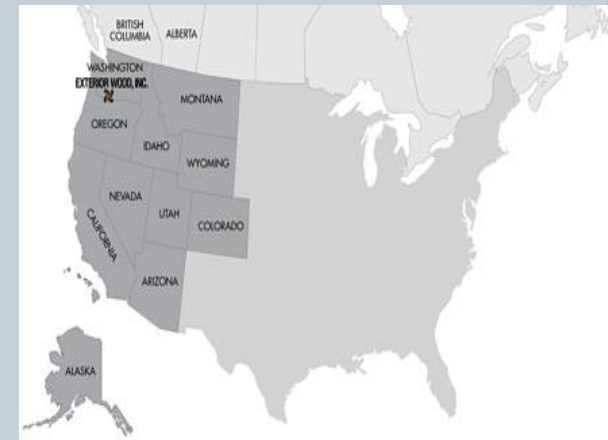
- Acquired by Taiga in 2018 for US\$42m at then EV/EBITDA of 6x
- Pre-tax profit almost doubled from US\$6.8m in 2019 to US\$13m in 2020
- Supplies to 13 states in the US West Coast, significantly extending Taiga's USA distribution footprint. Also expands Taiga's wood treatment operations to USA
- Leveraging on Taiga's wide product range, Exterior Wood's sales and product offerings to the US market have expanded significantly



Distribution centre



Treated wood plant



Distribution market

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Taiga Building Products

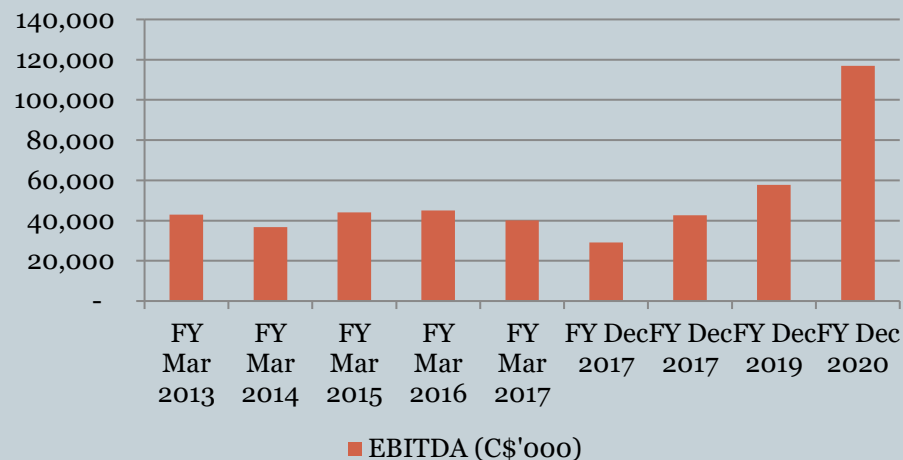
Taiga highlights

- Revenue: C\$1.59b (+22%)
- EBITDA C\$116.9m (+103%)
- Pre-tax profit: C\$96.2m (+168%)
- Net profit: C\$70.8m (+173%)
- EBITDA margin: 7.4% (vs 4.4%)

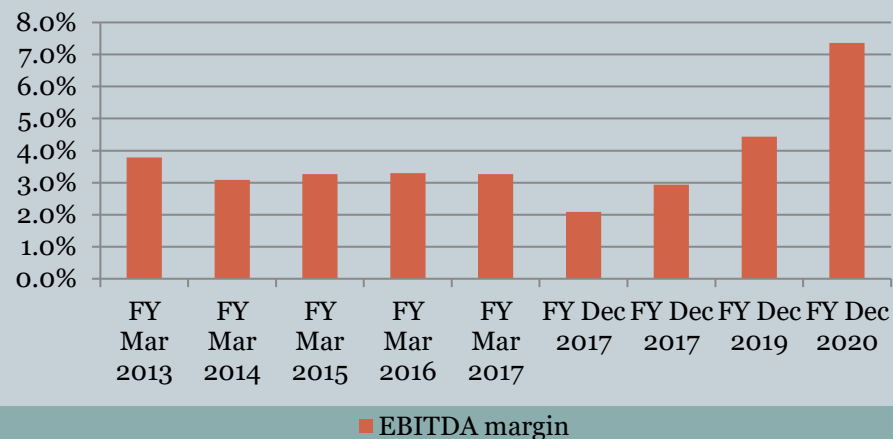
5-year Lumber chart



Taiga's EBITDA



Taiga's EBITDA margin



Taiga's financial performance

Taiga Building Products Ltd							
	FY Dec	FY Dec	FY Dec	Jan- Dec	FY 31 March	FY 31 March	FY 31 March
(C\$'000)	2020	2019	2018	2017	2017	2016	2015
Sales	1,589,123	1,299,122	1,450,985	1,392,263	1,223,978	1,364,322	1,348,718
Gross Margin	225,170	129,456	122,031	123,020	107,267	117,015	114,998
EBITDA	116,900	57,674	42,670	29,164	40,029	45,035	44,057
Pre-tax profit	96,210	35,851	28,972	3,039	13,799	19,008	17,311
Net Profit/(loss)	70,826	25,905	20,267	(3,938)	7,990	11,720	11,080
Total assets	474,164	395,022	326,001	270,829	324,058	305,612	347,383
Gross margin	14.2%	10.0%	8.4%	8.8%	8.8%	8.6%	8.5%
EBITDA margin	7.4%	4.4%	2.9%	2.1%	3.3%	3.3%	3.3%

Note: Jan-Dec 2017 EBITDA includes a one-off exceptional accounting charge of C\$18.6m in relation to the notes restructuring exercise. Excluding this, normalised EBITDA was C\$47.8m

Taiga's EBITDA rose to new heights of C\$116.9m in 2020 and C\$57.7m in 2019 from around C\$40-48m per year previously, despite volatility in commodity prices and housing markets

Taiga Building Products

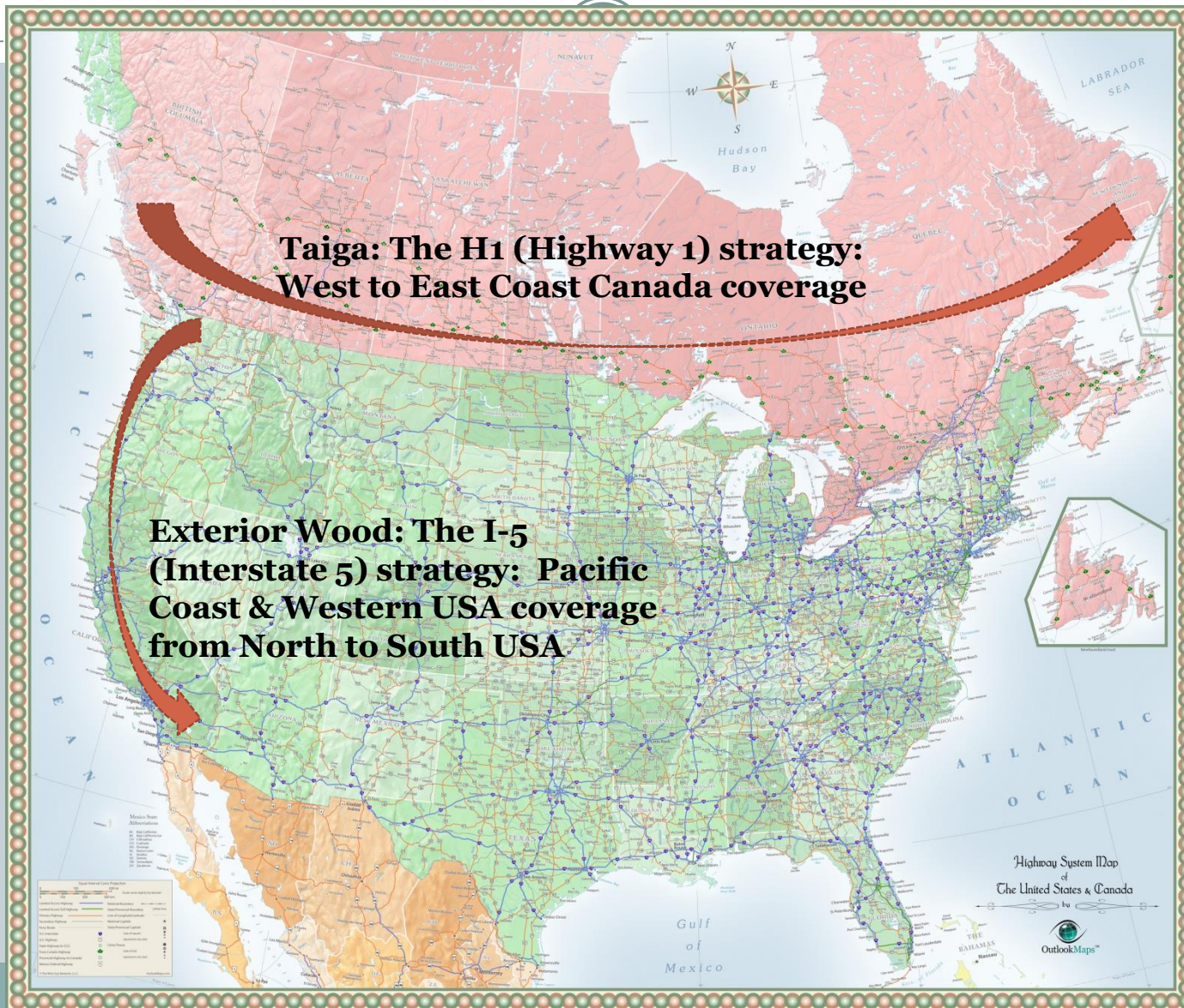
- Canada's largest wholesale distributor of building material products with annual sales of well over C\$1 billion
- Established since 1973 and listed on Toronto Stock Exchange
- Wide footprint in Canada and growing network in the USA:
 - 3 wood preservation plants in Canada
 - 15 distribution centres across Canada
 - 1 wood preservation plant in USA (Exterior Wood)
 - 1 distribution centre in Washington, USA (Exterior Wood)
 - 2 distribution centres in California
 - 6 reload stations in Eastern USA



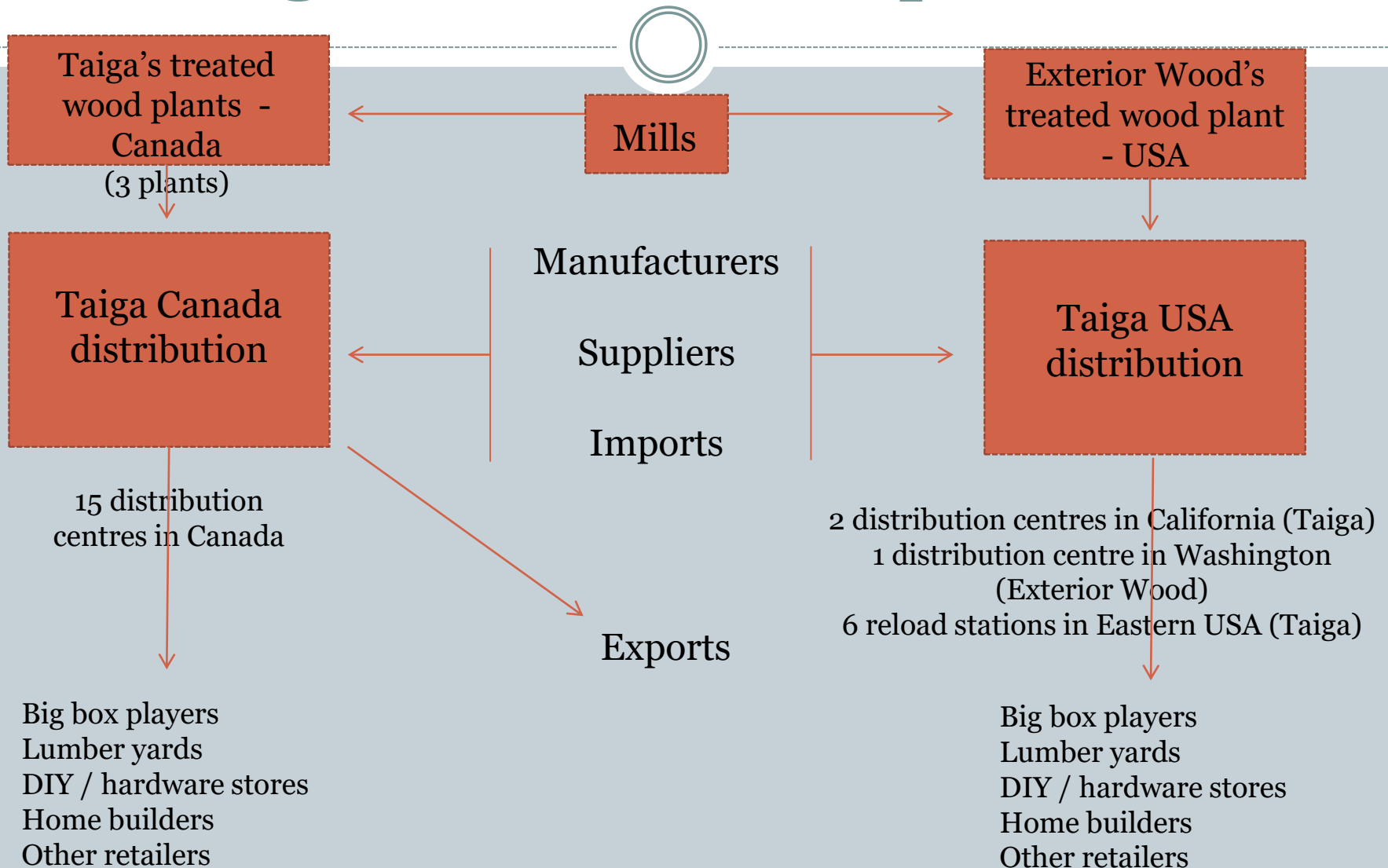
taiga
building products



Our “Highway” penetration strategy



Taiga's distribution process



Sustainability: What if lumber prices fall?



- Taiga has weathered through volatilities in housing cycles and commodity prices
- Volatility in housing market conditions is buffered by our exposure to the new homes and renovation markets, and wide geographical reach across North America

- **Earnings growth drivers:**
 - Growing sales in the US through Exterior Wood
 - Stronger growth in single-family vs multi-family homes
 - Growing margins through product mix: high-margin Allied vs Commodities

- **Lumber volatility risks are low:**
 - Lumber is a fast-moving product, with inventory turns of 2 times per week
 - Inventory risk is largely in treated wood, which accounts for just 15% of sales
 - The risk for treated wood is seasonal. The risk lies over the winter season, where wood is purchased, treated and stored for sale in spring

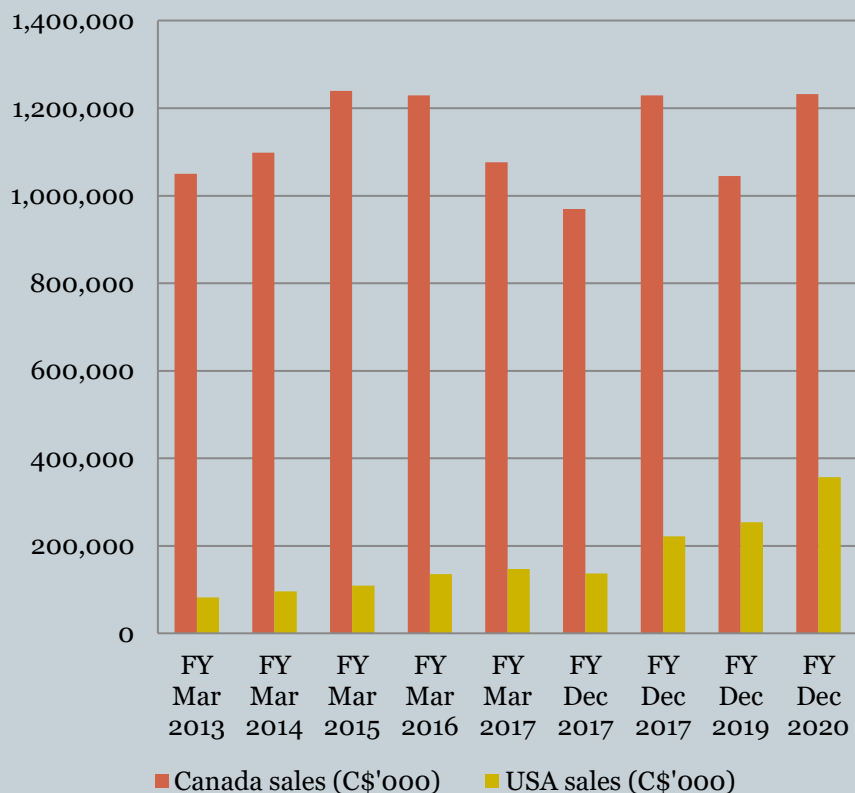
Penetration into USA yielding results



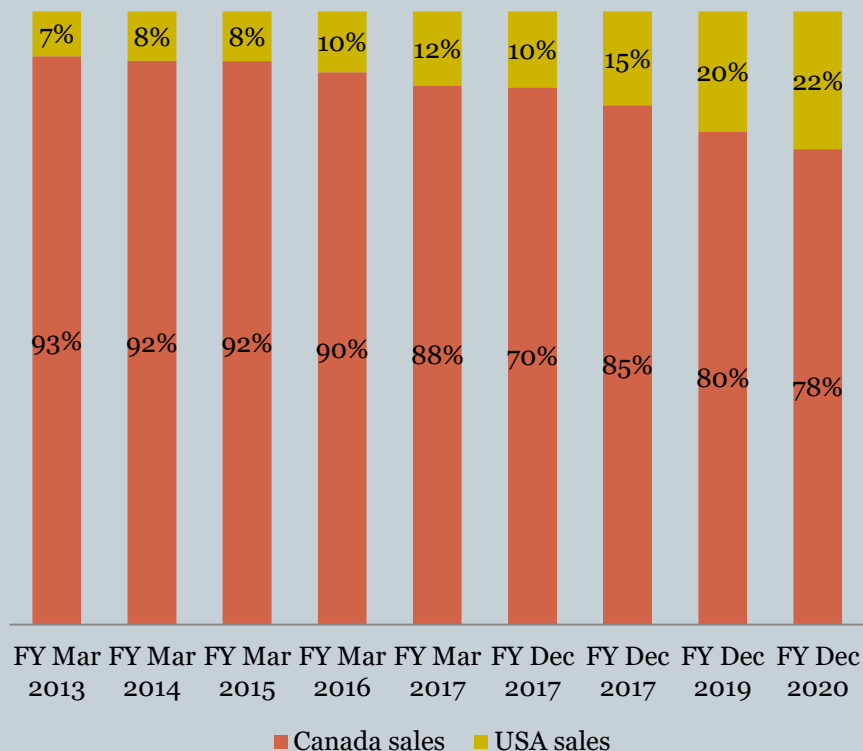
- Exterior Wood acquired in 2018 for US\$42m, to further expand our operations in the West Coast of USA
- Pre-tax profit for Exterior Wood grew to US\$13.0m in 2020 from US\$6.8m in 2019
- Taiga's USA sales surged 41% in 2020 from C\$254m to C\$357m, and up 160% from C\$137m in 2017, Back in 2012, USA sales were just C\$64m
- USA accounted for 22% of Taiga's sales in 2020, up from 10% in 2017
- The USA housing market is over 6x larger than Canada's in annual housing starts, with a population almost 9x larger
- In 2020, USA housing starts were 1.38m units vs Canada's 217,000 units

Taiga's growing USA sales

Taiga's sales



Taiga's sales by percentage



A bigger slice of the American pie



Annual housing starts: USA vs Canada

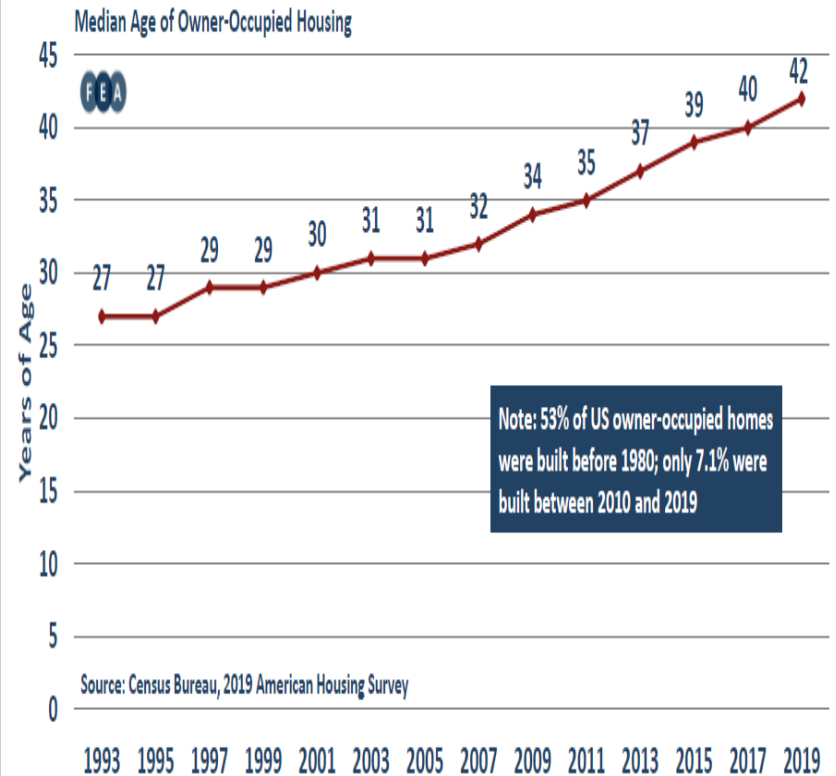
Year	<u>USA</u> ('000 units)	<u>Growth</u> (%)	<u>Canada</u> ('000 units)	<u>Growth</u> (%)
2015	1,112	10.9	196	3.3
2016	1,174	5.6	198	1.2
2017	1,203	2.5	220	11.0
2018	1,250	3.9	213	(3.1)
2019	1,290	3.2	209	(2.0)
2020	1,380	7.0	218	4.4
Jan 2021 (annualised)	1,584		284	
Feb 2021 (annualised)	1,421		246	

USA housing growth catalysts

Existing home inventories at rock bottom



Housing stock has aged considerably, replacement cycles coming up?

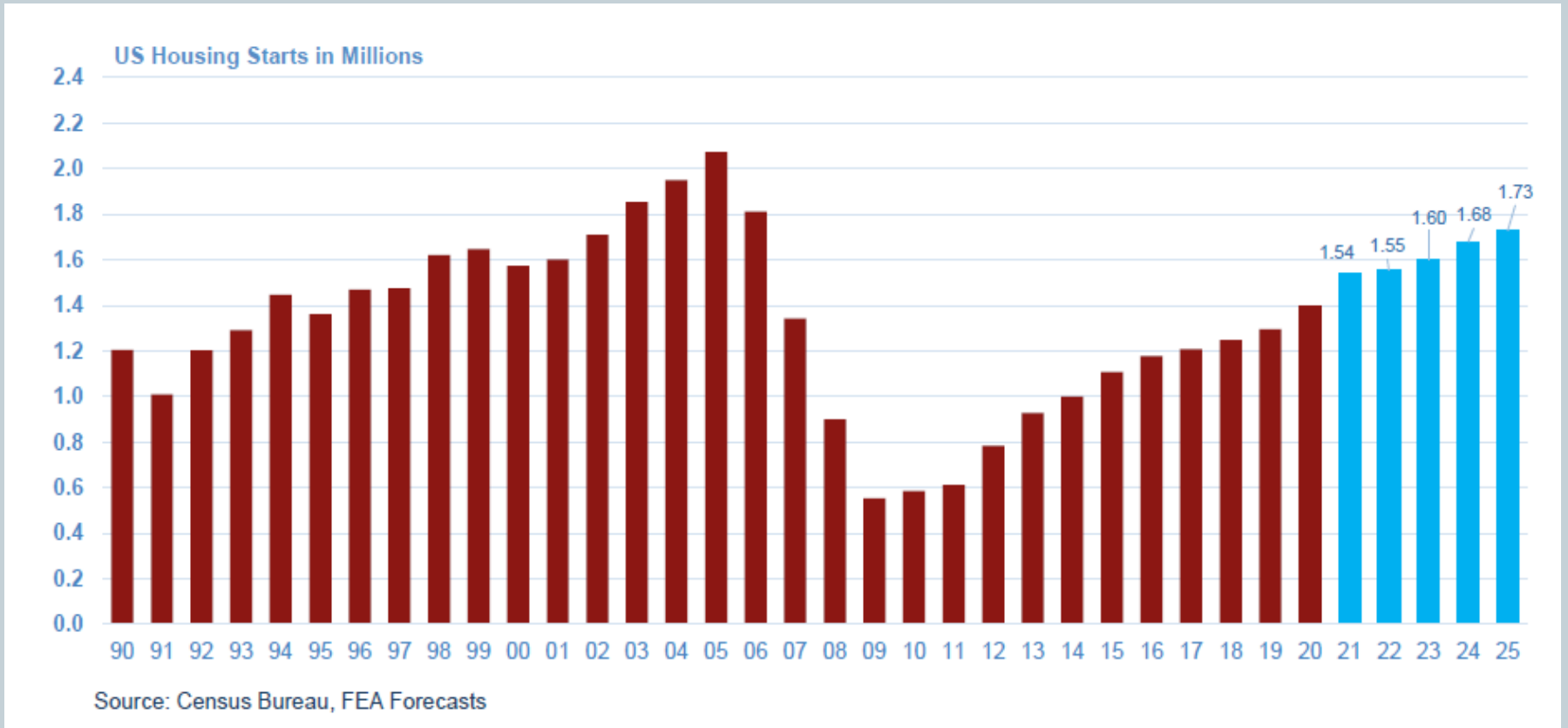


- Source: National Association of Realtors, Census Bureau, 2019 American Housing Survey, Forest Economic Advisors

USA housing growth catalysts



New residential housing construction is the midst of a multi-year boom



- Source: Census Bureau, Forest Economic Advisors forecasts

Thank you



“If you’re walking down the right path and you’re willing to keep walking, eventually you’ll make progress” - Barack Obama

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