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# Bracing for headwinds

Corporate Presentation  
18 April 2024

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# Financial highlights for 2023

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| S\$                                                                                                                                                                                      | 2023     | 2022     | change |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|--------|
| • Revenue:                                                                                                                                                                               | \$1,700m | \$2,368m | (28%)  |
| • EBITDA:                                                                                                                                                                                | \$93.3m  | \$147.8m | (37%)  |
| • Pre-tax profit:                                                                                                                                                                        | \$39.1m  | \$109.9m | (64%)  |
| • Net profit :                                                                                                                                                                           | \$10.9m  | \$50.9m  | (79%)  |
| • EPS (cents):                                                                                                                                                                           | 1.2      | 5.60     | (78%)  |
| • NAV per share (cents):                                                                                                                                                                 | 37.0     | 36.2     | 2%     |
| • DPS (cents):                                                                                                                                                                           | nil      | nil      | N/A    |
| • Decline in revenue and profitability due to:                                                                                                                                           |          |          |        |
| ○ Primarily, lower revenue and earnings contributions from Taiga, due to lower commodity prices                                                                                          |          |          |        |
| ○ One-off impairments totaling S\$28.2m, comprising S\$14.5m for the paper division and S\$13.7m for the power division                                                                  |          |          |        |
| ○ Before impairments, earnings for the power division fell to lower output arising from gas shortages, while operational losses for the paper division narrowed due to our restructuring |          |          |        |
| • No dividend declared for 2023                                                                                                                                                          |          |          |        |

# Segmental performance

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|                                 |             |             |             |             |             |             |             |             |             |             |             |             |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Segmental Revenue</b>        |             |             |             |             |             |             |             |             |             |             |             |             |             |
| <b>FY Dec (\$ million)</b>      | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Paper Manufacturing (Malaysia)  | 22.1        | 35.8        | 46.8        | 44.8        | 48.1        | 55.9        | 54.3        | 50.0        | 49.2        | 47.9        | 46.8        | 48.7        | 49.8        |
| Power plant (Myanmar)           | 8.4         | 9.9         | 10.8        | 16.4        | 18.7        | 10.5        | 11.7        | 13.3        | 11.9        | 68.3        | -           | -           | -           |
| Taiga (Canada & USA)            | 1,669.5     | 2,322.6     | 2,377.8     | 1,632.0     | 1,337.1     | 1,506.3     | 1,389.2     | -           | -           | -           | -           | -           | -           |
| Others                          | -           | -           | -           | -           | -           | -           | -           | -           | -           | 0.7         | 1.3         | 1.3         | 1.3         |
| Total revenue                   | 1,700.0     | 2,368.3     | 2,435.4     | 1,693.3     | 1,403.9     | 1,572.7     | 1,455.2     | 63.3        | 61.1        | 117.0       | 48.1        | 50.0        | 51.1        |
| <b>Segmental Pre-tax profit</b> |             |             |             |             |             |             |             |             |             |             |             |             |             |
| <b>FY Dec (\$ million)</b>      | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Paper Manufacturing (Malaysia)  | (18.7)      | (12.7)      | 2.7         | 5.1         | 8.1         | 10.3        | 8.3         | 7.9         | 6.4         | 4.9         | 3.8         | 3.7         | 1.4         |
| Power plant (Myanmar)           | (10.2)      | 4.3         | 5.4         | 6.6         | 6.0         | 5.7         | 6.9         | 8.1         | 7.8         | 6.3         | -           | -           | -           |
| Taiga (Canada & USA)            | 72.0        | 123.9       | 130.1       | 94.7        | 32.7        | 25.5        | 18.5        | -           | -           | -           | -           | -           | -           |
| Others                          | (4.0)       | (5.6)       | (1.8)       | (4.2)       | 6.5         | (10.4)      | (8.6)       | (2.9)       | (0.9)       | (1.5)       | (2.3)       | (1.3)       | (1.8)       |
| Total pre-tax profit            | 39.1        | 109.9       | 136.4       | 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*

# Key challenges ahead

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- **Macro (Global):**
  - Slow economy, high inflation, geopolitical tensions
- **Building Materials (Canada and USA):**
  - Commodity market (interest rates and housing market)
- **Paper Manufacturing (Malaysia):**
  - Continued competition from the large Chinese players (cost pressures)
  - Early efforts have mitigated operating losses
- **Power (Myanmar):**
  - Produced 241.7m kWh in 2023, down 30% from 343.4m kWh, due to gas supply issues
  - Political risks

# Navigating the challenges

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- Balance sheet strength
- Low debt in a high interest-rate environment
- Financial flexibility
- Strategic decision-making
- Opportunities and threats

# Thank you

The logo for AVARGA LIMITED, featuring the word "AVARGA" in a bold, orange, sans-serif font, with "LIMITED" in a smaller, blue, sans-serif font directly below it.

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## **Transcript of the Corporate Presentation for Avarga Limited's 57<sup>th</sup> Annual General Meeting held on 18 April 2024**

### **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 physical AGM.

The presentation transcript and an expanded slide deck will also be made available on SGXnet and our Company's website after the meeting today.

### **Slide 2 – 2023 highlights**

2023 was a challenging year for our Group, as all our businesses performed worse than the previous year financially. Revenue decreased by 28% to \$1.7 billion, EBITDA decreased by 37% to \$93 million, pre-tax profit decreased by 64% to \$39 million, and net profit decreased 79% to \$11 million.

The decline in financial performance was driven primarily by impairment losses from our paper and power businesses, as well as weaker sales for Taiga. However, our balance sheet has strengthened as net cash increased and we paid down debt obligations at our Group level.

I will now move on to reviewing our main businesses and their respective performances.

### **Slide 3 – Segmental performance**

Our paper manufacturing business in Malaysia recognized a pre-tax loss of \$18.7 million in 2023, which included an impairment loss of \$14.5 million. From an operating cashflow perspective, the business was almost breakeven. Revenue decreased to \$22.1 million from \$35.8 million in 2022, as part of the company's turnaround strategy.

Management communicated last year that we were restructuring the business model, given the impact of the large Chinese manufacturers. We stopped production of our corrugated medium and test liner products, focusing on the core board market. We have impaired the carrying values of our plant and equipment as our production process has shrunk. However, we have had relative success in narrowing our losses and working back towards profitability.

For our power generation business, we booked a pre-tax loss of \$10.2 million. This included a write-down of our receivables of \$13.7 million. Excluding the write-down, the business generated pre-tax profits of \$3.5 million, down from \$4.3 million in 2022. The write-downs represent the estimated reduction in future earnings given the continued uncertainty of gas supply.

Taiga recorded revenue of \$1.7 billion, down from \$2.3 billion in 2022. The decline was largely due to weaker commodity lumber prices. Pre-tax profits fell to \$72 million, down 42% from \$124 million. Its performance was generally consistent with the rest of the industry.

#### **Slide 4 – Key challenges ahead**

There are some clear challenges ahead. The global economy continues to move slowly as high inflationary pressures persist and geopolitical tensions remain.

As a result, weaker commodity prices and housing demand will continue to be a challenge for Taiga to navigate through.

For paper manufacturing, competition from the large Chinese manufacturers will continue to put pressure on our sales and costs. While our strategic change has improved performance, it is still early, and we must continue to adapt to regain profitability.

Gas supply disruptions to our power plant in Myanmar resulted in a 30% decrease in our production for 2023. As discussed, we have taken this risk into consideration and made impairments to our receivables. Political risks are a further challenge that should be acknowledged.

#### **Slide 5 – Navigating the challenges**

Our focus continues to be on the management of our capital and people. Our balance sheet continues to improve, and our debt levels are relatively low, providing us flexibility as we brace through soft and uncertain markets.

Management will continue to evaluate a wide range of strategic options for all the assets and different businesses under our group to optimize value for shareholders. We must continue to be thoughtful with our capital and ready for both opportunities and threats.

#### **Slide 6 - 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.