NanPao Resins Chemical Group

4766 TT

Investor Presentation

Integrity ❖ Teamwork ❖ Innovation ❖ Efficiency

April 2022

NanPao by the Numbers

NT$18.0bn
2021 Global Sales

NT$15.7bn
2022/03 market cap

3,000+
Employees

23 factories
in **7** countries

2.7% of sales
invested in R&D

63% of
revenue from green
products

AGENDA

1. 4Q21 & 2021 Financial Results
2. Company Outlook & Strategy
3. Company Introduction:
   A World Class Chemical Materials Supplier

4Q21 & 2021 Financial Results

Consolidated Income Statements – 4Q21

NANPAO

NT$ million	4Q21	3Q21	4Q20	QoQ	YoY
Net Revenue	4,880	4,208	4,461	16%	9%
Gross Profit	975	916	1,275	6%	-24%
Gross Margin	20.0%	21.8%	28.6%		
Operating Expenses	774	750	780	3%	-1%
SG&A percent of Sales	15.9%	17.8%	17.5%		
Operating Income	201	167	495	21%	-59%
Operating Margin	4.1%	4.0%	11.1%		
Net Non-Operating Income (Loss)	34	22	7	53%	396%
Pre-Tax Income	236	189	502	25%	-53%
Income Tax Expense	71	63	139		
Minority Interest	23	10	15		
Net Income to Parent	142	116	348	22%	-59%
Net Margin	2.9%	2.8%	7.8%		
EPS (NT$)	1.17	0.96	2.89	22%	-60%

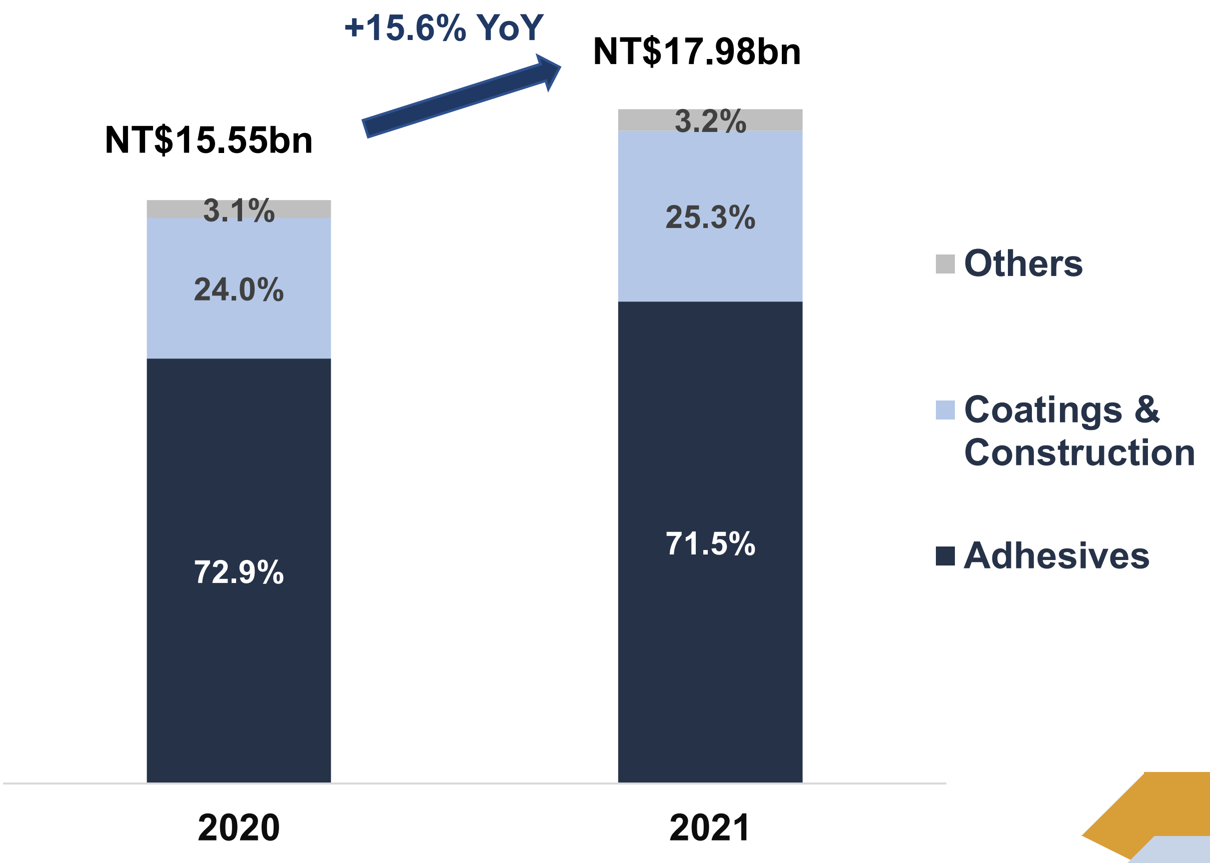
ROE – not annualized	1.0%	0.8%	3.5%
Depreciation and Amortization	117	120	114
CAPEX	160	164	171

Consolidated Income Statements – 2021

NT$ million	2021	2020	YoY
Net Revenue	17,980	15,551	16%
Gross Profit	4,102	4,370	-6%
Gross Margin	22.8%	28.1%	
Operating Expenses	3,050	2,869	6%
SG&A percent of Sales	17.0%	18.4%	
Operating Income	1,052	1,502	-30%
Operating Margin	5.9%	9.7%	
Net Non-Operating Income (Loss)	150	104	
Pre-Tax Income	1,203	1,606	-25%
Income Tax Expense	273	339	
Minority Interest	54	47	
Net Income to Parent	876	1,220	-28%
Net Margin	4.9%	7.8%	
EPS (NT$)	7.26	10.12	-28%

ROE – not annualized	6.9%	12.2%
Depreciation and Amortization	471	425
CAPEX	653	873

2021 Revenue Breakdown – By Business



Consolidated Balance Sheet

NANPAO

NT$ million	2021/12/31		2021/9/30		2020/12/31	
	$	%	$	%	$	%
Cash and Cash Equivalents	4,296	17%	3,998	17%	4,614	24%
Notes & Accounts Receivable, Net	4,377	17%	3,880	16%	3,915	20%
Inventories	2,949	11%	2,987	12%	2,177	11%
Other Current Assets	1,029	4%	633	3%	538	3%
Long-term Investments	6,466	25%	5,728	24%	1,620	9%
Fixed Assets	4,932	19%	4,845	20%	4,515	23%
Other Long-term Assets	1,879	7%	1,905	8%	1,967	10%
Total Assets	**25,928**	**100%**	**23,976**	**100%**	**19,346**	**100%**
Current Liabilities	6,362	25%	5,681	24%	5,082	26%
LT Debt	1,935	7%	2,050	9%	1,669	9%
Other Non-Current Liabilities	1,361	5%	1,304	5%	1,399	7%
Total Liabilities	**9,658**	**37%**	**9,035**	**38%**	**8,150**	**42%**
Common Stock	1,206		1,206		1,206	
Total Equity	**16,270**	**63%**	**14,942**	**62%**	**11,196**	**58%**
Book Value per Share (NT$)	126.7		116.2		85.2	

Current Ratio	199%		202%		221%
Net Cash (Debt) to Equity	0.1%		-2%		14%

Cash Dividend Payout

The Board of Directors has declared a 2021 cash dividend of NT$6.0/share, subject to approval at the upcoming AGM.

NT$ million	2017	2018	2019	2020	2021
Net Profit	882	673	1,228	1,220	876
Cash Dividends Paid	543	603	723	844	723
DPS (NT$)	5.0	5.0	6.0	7.0	6.0
Payout Ratio	62%	90%	59%	69%	83%
Dividend Yield[1]	3.5%	3.8%	4.6%	5.4%	4.6%

Notes:

1. Based on NanPao market capitalization as of market close on 31 March 2022.

Company Outlook & Strategy

2022 Outlook

Based on our current business outlook, management targets:

- **2022 Revenue: Strive to reach another record high**
  - The footwear adhesives business has gradually recovered from the pandemic in Vietnam. Sportswear brands' inventory level is still not high while the end market demand remains strong. We expect to see the peak season throughout the year.
  - We are also optimistic about the outlook for other products as the global consumer market and economic activities continue to expand.
- **Given the volatility in raw materials prices, we still target to deliver better earnings in 2022 vs. 2021**
  - As there is a time lag for the price increase, our product prices are expected to increase gradually this year. NanPao will continue to pay close attention to raw material prices volatility and make concerted effort to reflect cost push across our product lines to stabilize profitability.

Outlook & Strategy – Adhesives

NANPAO

Sportswear	❑ Last year, shipments were delayed due to the pandemic in Vietnam. However, end-market demand remains strong, while brands continue to replenish inventory due to low inventory levels. There will probably be no off-season for the footwear adhesives business this year. We expect to see the peak season throughout the year. ❑ Under the current inflationary environment, sportswear brands are expected to adjust retail prices.
Industrial & Tech & Other Consumers Goods	❑ NanPao continues to develop product applications in the electronics and the semiconductor industry. ➢ NanPao Optoelectronic Materials (Kunshan) Co., Ltd. was established in 2021, focusing on product applications in the electronics industry. ➢ NanPao has developed PSA for LCD polarizer plate and touch panel. ❑ In Adhesives, we will focus on the product lines with sizeable addressable markets and growth opportunities for NanPao, including technology and food packaging.

Outlook & Strategy – Coatings & Construction

NANPAO

Coatings & Construction

- We plan to increase the production capacity of powder coatings by 20% this year, which will be able to accelerate delivery to customers and get more orders.
- Green Industry Opportunities:
  - NanPao launched powder coatings for tap water pipes, which can prevent the pipes from releasing chemical substances into tap water. The product help make drinking tap water safer in Taiwan and provide better quality and more sustainable water.
  - We also launched salt-resistant and corrosion-resistant construction materials and coating products this year for the solar industry.
- Integrating current teams and re-organizing offerings to provide better and more complete solutions.

Commitment to Sustainability

Green Products & Green Manufacturing:

Raw materials account for **70%** of GHG Emissions during the product life cycle. NanPao has converted adhesive products from solvent to water-based, which can **reduce GHG emissions by 50%** and reduce volatile organic compounds (VOC) containing in the products.

NanPao is actively developing **bio-based and recyclable materials** to reduce reliance on fossil raw materials and lower carbon emissions. NanPao has also developed **high-performance products that contribute positively to the environment**, supporting our customers to achieve sustainability goals.

In addition to developing green products, NanPao is also committed to green manufacturing. NanPao has built a fractionation distillation system that allows **more than 70% of waste solvents to be recycled and reused**, creating a circular economy.

A World Class Chemical Materials Supplier

Executive Summary

- We are the World No. 1 producer of adhesives for athletic footwear, and a leading Asian supplier of chemical resins for specialty adhesives, coatings and construction products.
- We excel at providing a customized total product solution to our clients, including precision resin compound engineering and sophisticated spraying, automation & application support.
- During the past decade, we broadened the horizons of our R&D efforts, looking beyond OEM client needs to the materials science-based products that would be required by the consumers of the future.
- A rich pipeline of new products is emerging from our R&D work, which we expect will usher NanPao into its next stage of sustained, robust top and bottom-line growth.

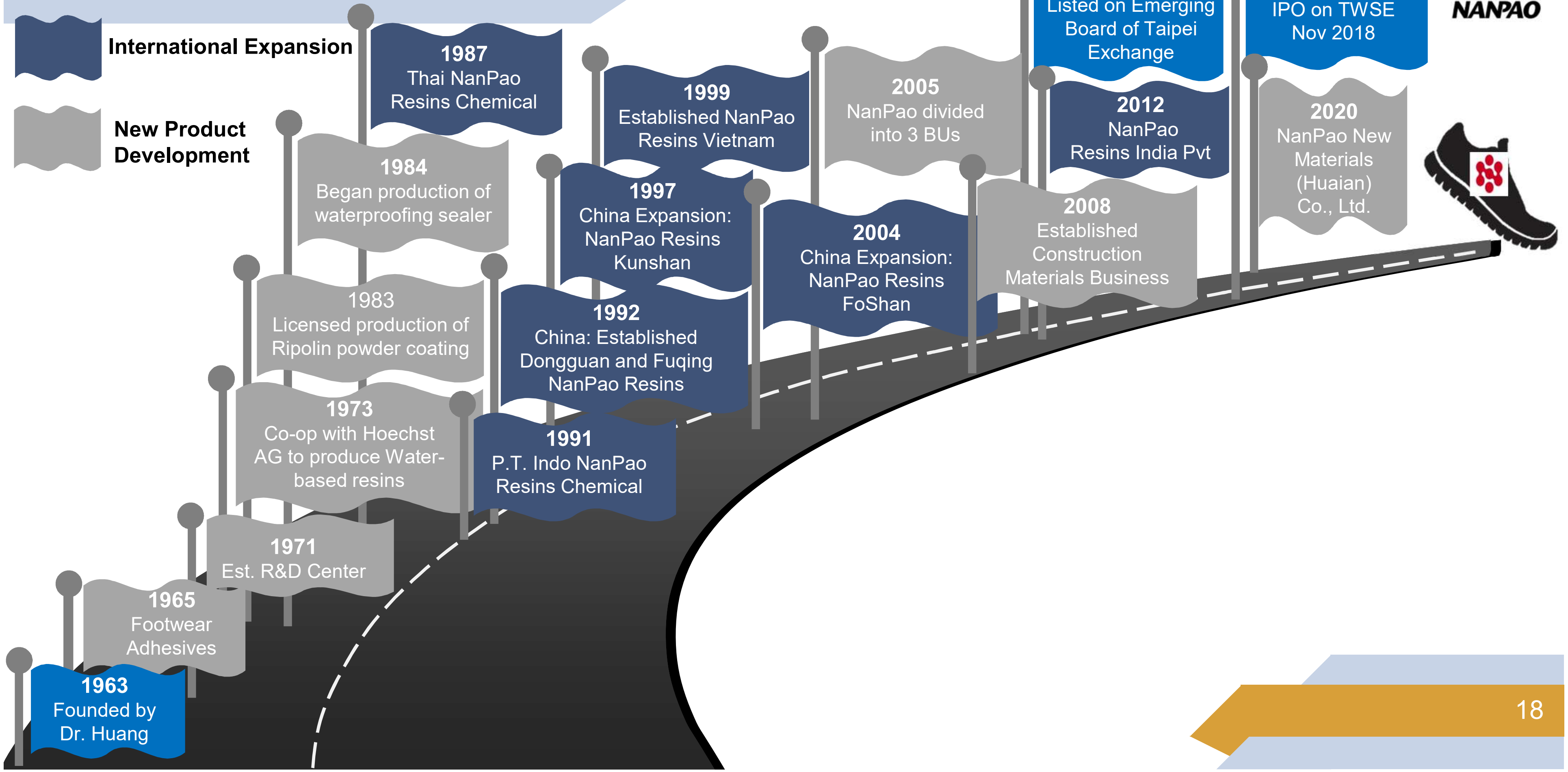
Our Products & Applications

Resins and Specialty Adhesives

Coatings

Construction Materials

Company Milestones



Our Geographic Reach

Plants in Mainland China:
Foshan, Kunshan,
Dongguan, Fuqing, Huaian

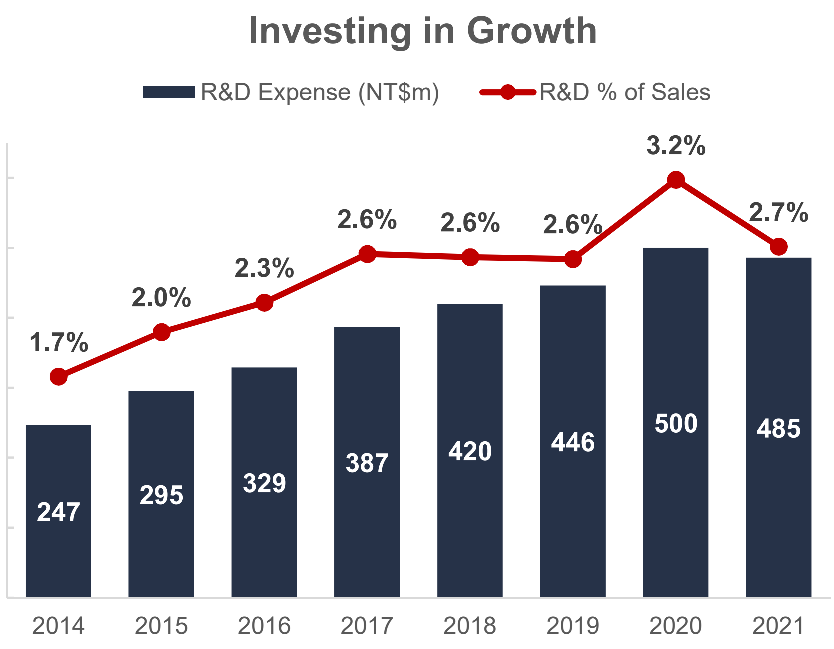
NanPao Competitive Edge

NANPAO

- **Tier One Know-How:** We are involved at the design-in stage with Tier 1 athletic shoe producers, producing purpose-engineered resin adhesives, and advising on application, automation and spraying technology. In the fragmented adhesives market, these skills give us an edge over smaller, cost-focused players who compete with us in other product segments.
- **Customized & Localized Total Solution:** Precision resin engineering capability at the local level combined with sales technicians with deep customer knowledge allow NanPao to provide an integrated and specialized customer solution in all core geographies it competes in.
- **High Switching Costs:** Our products are integral to product durability.
- **Operational Efficiency:** Every single NanPao plant is profitable.
- **Strong Cash Flow and Healthy Margins:** Supports re-investment in the business.
- **New Blood and Competitor Intel:** As it has spread into new geographies and new product categories, NanPao has hired staff with specialized knowledge and experience in competing firms.

Investing in Growth

- NanPao has been increasing R&D investment over the years.
- Major areas of R&D spending are:
  - ✓ High performance footwear adhesives
  - ✓ Functional textile glue
  - ✓ Non-woven adhesives for sanitary and medical
  - ✓ Hot melt-based construction-use compounds
  - ✓ Adhesives for flexible packaging
  - ✓ PSA for optical films



Industry Characteristics

High Value-Added Chemical Resins are an Attractive Market Segment

- **Opportunities for Growth** – The global adhesives market size is expected to expand at a CAGR of 6% from 2021 to 2028 and reach US$95.4bn by 2028.
- **The APAC region is the fastest growing user of adhesives globally**
- **Secular Trend Towards Urbanization** – the growing middle class in emerging market countries is moving to and living in cities and increasingly buying manufactured goods.
- **Consolidation** – Larger players are taking advantage of industry fragmentation to buy entry into product groups and geographies.
- **Limited Cyclicality** – Adhesives and coatings are direct inputs into downstream consumer discretionary and consumer staple products, offering greater opportunity for differentiation and value-add than for middle and upstream chemical producers.
- **Low Capital Intensity** – The capex-to-sales of key global players ranges from 2-6%.

How We Will Reach Our Targets – Organic Growth

NANPAO

Footwear

- Market share gain amongst Global Tier 1 athletic footwear brands.
- Strong focus on increasing our share with Mainland China Tier 1 and Global Tier 2 & 3 athletic footwear brands.
- Target domestic brands in India and South Asia
- Longer term, increase our share of the athletic footwear BOM

Other BUs

- Focus on the product lines with sizeable addressable markets and growth opportunities for NanPao, including textiles, technology, flexible packaging, woodworking and non-woven hygiene products.
- Integrate current coatings and construction teams and re-organize offerings to provide better and more complete solutions.
- Green products and industry opportunities

How We Will Reach Our Targets

Innovation

- Spend 2-3% of sales on R&D
- Systematic search to apply existing core technology to new product opportunities.
- R&D team composed of polymer experts with knowledge beyond resins

Acquisition

- Channel or MFG players in targeted areas for Geographic expansion – US, EMEA & India
- Target young companies with new & green technologies.
- Horizontal & vertical extension of existing business lines

NanPao Vision for 2025

Aim to Achieve Consistent Annual Top Line Growth

Raise Eco-Friendly Product Sales to 80%+

Convert R&D Spending into New High-Margin Products

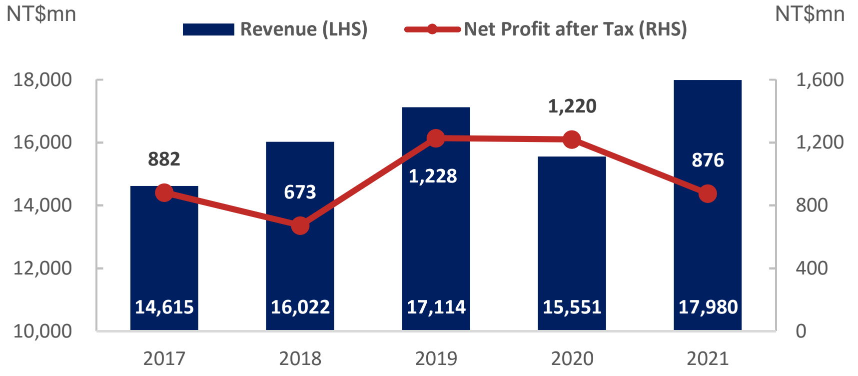
Pay at Least NT$6/Share Cash Dividend Annually

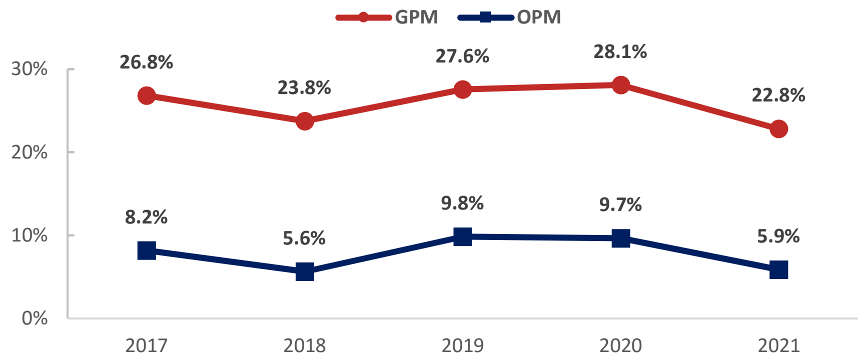
Become the Benchmark Asian Chemical Resins Producer

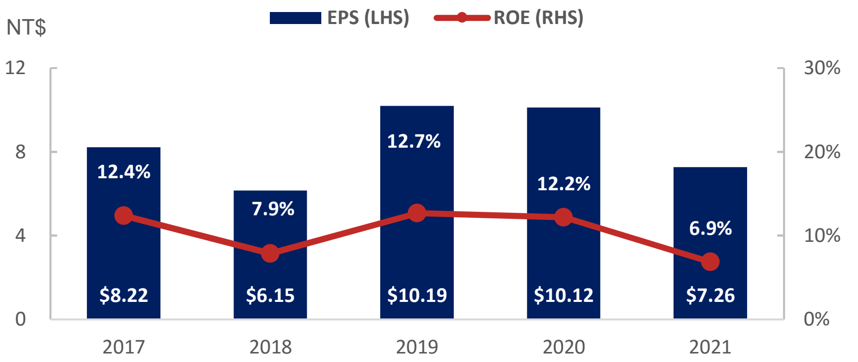
Annual Historical Financials 2017 to 2021

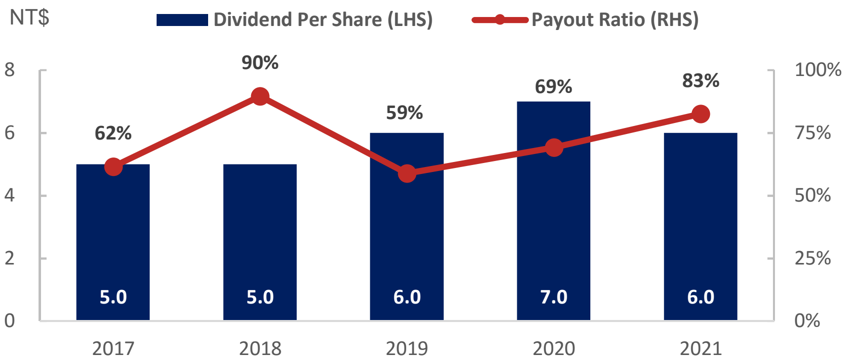
NANPAO

Key Financial Performance









Income Statement Highlights

NANPAO

NT$ million	2017	2018	2019	2020	2021
Sales Revenue	14,615	16,022	17,114	15,551	17,980
Cost of Goods Sold	10,692	12,215	12,396	11,181	13,878
Gross Profit	3,923	3,807	4,718	4,370	4,102
Operating Expense	2,730	2,906	3,036	2,869	3,050
Operating Profit	1,193	901	1,682	1,502	1,052
Income before tax	1,161	1,036	1,793	1,606	1,203
Net Income	882	673	1,228	1,220	876
EPS (NT$)	$8.22	$6.15	$10.19	$10.12	$7.26

YoY (%)				
2017	2018	2019	2020	2021
1%	10%	7%	-9%	16%
8%	14%	1%	-10%	24%
-15%	-3%	24%	-7%	-6%
-1%	6%	4%	-5%	6%
-36%	-24%	87%	-11%	-30%
-38%	-11%	73%	-10%	-25%
-33%	-24%	83%	-1%	-28%
-38%	-25%	66%	-1%	-28%

Gross Margin	26.8%	23.8%	27.6%	28.1%	22.8%
Opex/Sales	18.7%	18.1%	17.7%	18.4%	17.0%
Operating Margin	8.2%	5.6%	9.8%	9.7%	5.9%
Net Margin	6.0%	4.2%	7.2%	7.8%	4.9%
ROE	12.4%	7.9%	12.7%	12.2%	6.9%

Balance Sheet Highlights

NT$ million	2017	2018	2019	2020	2021
TOTAL ASSETS	**15,199**	**17,363**	**18,398**	**19,346**	**25,928**
Cash	3,867	3,679	3,743	3,321	3,231
NR & AR	3,284	3,764	3,810	3,915	4,377
Inventory	2,252	2,347	2,241	2,177	2,949
Fixed Asset	3,347	3,960	4,097	4,515	4,932
TOTAL LIABILITIES	**7,083**	**7,008**	**7,842**	**8,150**	**9,658**
Long-Term Debt	1,604	1,392	1,524	1,669	1,935
AP	2,001	1,959	1,949	2,302	2,591
TOTAL EQUITY	**8,116**	**10,355**	**10,557**	**11,196**	**16,270**

% of Total Assets				
2017	2018	2019	2020	2021
100%	**100%**	**100%**	**100%**	**100%**
25%	21%	20%	17%	12%
22%	22%	21%	20%	17%
15%	14%	12%	11%	11%
22%	23%	22%	23%	17%
47%	**40%**	**43%**	**42%**	**37%**
11%	8%	8%	9%	7%
13%	11%	11%	12%	10%
53%	**60%**	**57%**	**58%**	**63%**

A/R turnover days	80	80	81	91	84
Inv turnover days	68	69	68	72	67
A/P turnover days	64	59	58	69	64
Cash conversion cycle	84	90	91	94	87

NANPAO

Disclaimer

•The information contained in this confidential document ("Presentation") has been prepared by Nanpao Resins Chemical Group (the "Company"). It has not been fully verified and is subject to material updating, revision and further amendment. While the information contained herein has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers gives, has given or has authority to give, any representations or warranties (express or implied) as to, or in relation to, the accuracy, reliability or completeness of the information in this Presentation, or any revision or supplement thereof, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as "Information") and liability therefore is expressly disclaimed. Accordingly, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers takes any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness or injury of the Information or for any of the opinions contained herein or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this Presentation or the information.

•Neither the issue of this Presentation nor any part of its contents is to be taken as any form of commitment on the part of the Company to proceed with any transaction and the right is reserved by the Company to terminate any discussions or negotiations with any prospective investors. In no circumstances will the Company be responsible for any costs, losses or expenses incurred in connection with any appraisal or investigation of the Company. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the recipient with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation which may become apparent.

•This Presentation should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumptions and each recipient should satisfy itself in relation to such matters.

•This Presentation includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, general economic, market or business conditions and other unforeseen events. Prospective Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.

Thank You!

Our Website: www.nanpao.com