



An Indorama Ventures Company

Analyst Conference call Q3/2020

We Aspire to Create Nonwoven Innovations to Enhance Quality of Life

Analyst Conference | Disclaimer



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Analyst Conference | Presenters



CFO and VP Operations
Mr. Itzik Eliav



CEO
Mr. Shachar Rachim



CCO
Mr. Tommi Bjornman

Analyst Conference | Who We Are



Our Vision: We Aspire to Create Nonwoven Innovations to Enhance Quality of Life



Our team

~850 employees in the Group
Global commercial and technical team ,around the world



Global

6 production sites around the world in Israel , USA, China, Russia and India supplying more than 30 countries



Quality

Committed to serve our customers so they can stay one step ahead when producing high quality products mainly to the hygiene markets



Strategy

Global leader in Nonwoven area, mainly to Hygiene market

Indorama Ventures LTD
65.97%

+

The Public
34.03%

=

AVGOL
Nonwovens

Analyst Conference | What We Do



Hygiene Market

Targeting the Hygiene market, covering Baby, Feminine Care and the growing Adult Incontinence markets



Raw material

Main raw material, Polypropylene



Technology

Spunmelt

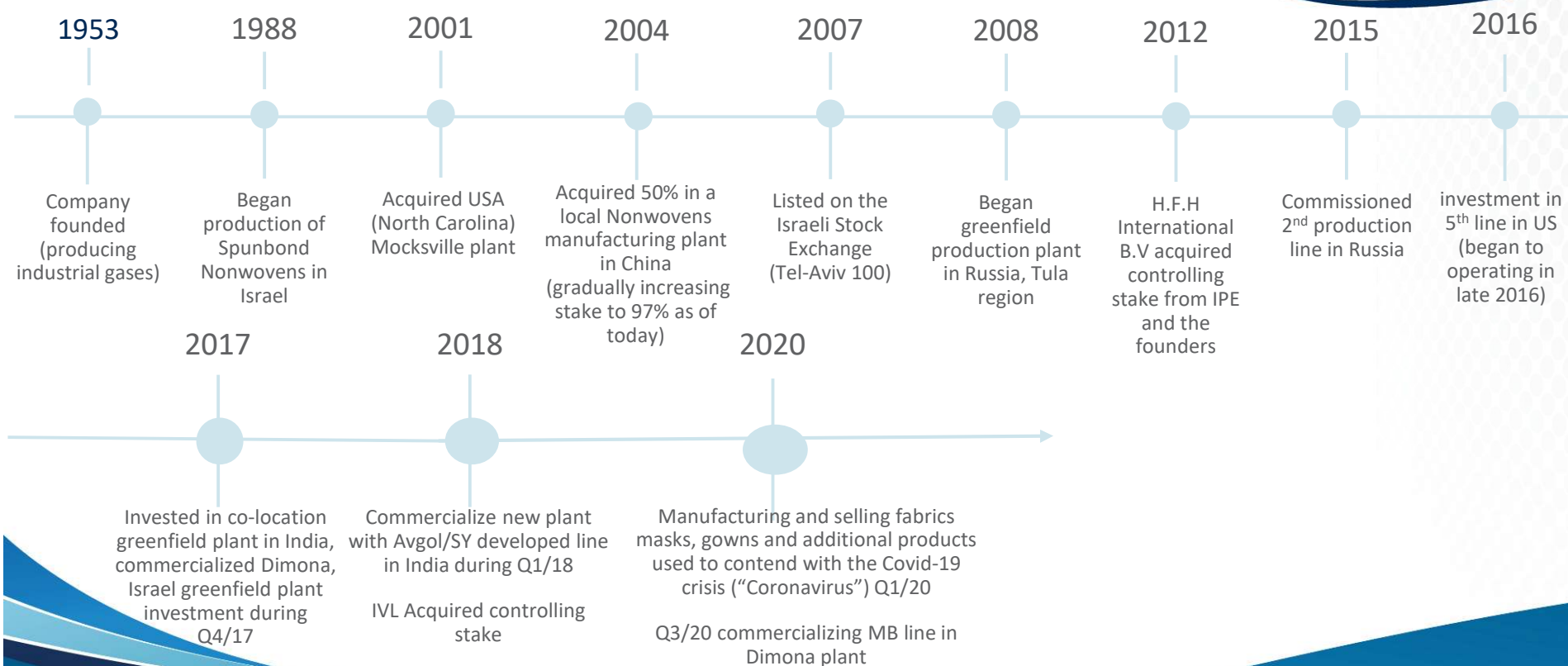


Consumer Focus

Working together with our customer to bring innovative solutions to the consumers mainly in the hygiene market

- Avgol aspires to continue to grow and strengthen its market position by expanding production capacity to meet the continues growth of the hygiene market.
- Our aspiration is to base our growth on developing nonwoven innovative products that will bring a solution to the fast changes in trend and preferences, which the ultimate goal is to enhance the quality of life.
- Avgol will continue to focus on the Hygiene segment but will explore other niches and interesting area in other nonwoven field which are synergetic to our current expertise and technology as the medical arena.

Analyst Conference | Milestones in Avgol's Growth



Analyst Conference | Global Footprint



Analyst Conference | Business Updates Q3/2020



- **Avgol** is a world leader in the development, manufacturing and marketing of nonwoven fabrics for diapers, adult incontinence products, disposable feminine hygiene products, disposable medical products, wipes, etc. The Company also manufactures nonwoven fabrics used as raw material in various non-hygiene products, such as agriculture, furniture and upholstery, disposable apparel, disposable cloths, the construction industry, filtration products and other technical applications.
- During 2020, the Company began manufacturing and selling fabrics used to manufacture PPE (Personal Protective Equipment) materials such as face masks, gowns and other medical and hygiene products used to contend with the COVID-19 crisis (“coronavirus”).
- During the second quarter of 2020, the Company recorded significantly higher profitability than the Company’s usual profitability and continue to present very favourable outcome also in Q3.

Analyst Conference I Business Updates Q3/2020



- The volume of the demands and the prices and/or the profitability of these products moderated during the third quarter of 2020, as a result of a substantial ramp-up in the global manufacturing of fabrics used in the manufacture of medical products. Nevertheless, the demands for hygiene and medical products are still high, and the Company is taking action to continue and maximize its profits by improving and expanding the supply and variety of products that it manufactures at its sites worldwide during this period.
- Avgol continues to demonstrate in the third quarter its resilience and strength during the crisis period. Avgol's main goal is to continue and maximize value to its shareholders and to commit for stability and growth in different market conditions. Avgol is aiming to continue to be one of the Hygiene market leaders and to keep exploring new strategic segments and markets to create diversification and establish adjacent expertise.

Analyst Conference | Business Updates Q3/2020



- Avgol entered into the production of fabrics for PPE applications along with other segments for medical field, with the intention to continue and focus on Hygiene but to further develop our offering to the medical market.
- Avgol is facing, along with other businesses and industries, the market uncertainties and unpredictable dynamics, and using all its resources and efforts to react fast accordingly. This approach will enhance the Company's penetration into new markets, will strengthen the relationship with its legacy customers, and will create new possibilities with new potential local and global leading companies.

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- The company strategy is to secure our customers business continuity, during regular and crisis time and we are demonstrating it continuously, and will continue to demonstrate it in the coming years by growing with our customers through supporting their market share growth in the end market.
- The long-term partnerships are based, strongly on Avgol innovation activities to allow our customers competitiveness in the sustainability arena (bio-degradable, circularity and other friendly environmental solutions, antibacterial/viral products) as well as improving current products characteristics to allow superiority.

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- During the period, Avgol increased its capabilities to produce MB products in house, Further to the Company's decision to exit the Barkan plant by the end of 2020, the Company decided to relocate the Melt Blown part of one of its Hygiene lines from Barkan to Dimona plant. The line will produce MB fabric for Face Masks and other MB applications (medical and non-medical). This relocation project is already completed and begun producing commercially these days. Another line (SMMS with production capabilities of approximately 10,000MT), from Barkan, will be relocated to India to support the growing demand for our products in India and to establish stronger footprint for the Company in southeast Asia and in India particularly.
- During the Covid-19 crisis, we managed to continue to fully and efficiently operate all our production lines worldwide, while all our employees stayed safe and healthy.

Analyst Conference | Business Updates Q3/2020



- The revenues for Q3-2020 totalled approximately USD 93.4 million, compared to approximately USD 102.9 million for the corresponding period last year. The revenues during the period include revenues from fabrics for Medical Products at profitability that is higher than the average profitability from fabrics for hygiene products.
- During the period, the average selling prices decreased as a result of the decrease in the raw materials price indices, and discounts given to the Company's principal customers which also affected the Company's revenues. During the quarter, the quantity sold decreased by about 1.3% compared to corresponding period. The decrease in the quantity sold during the period derived mainly from the downsizing of the operations at the Company's site in Barkan.
- During the first quarter, Avgol signed supply agreement renewals with its principal customers. Some of the agreements are for a one-year period and others are for a two-year period. The agreements include expected growth in the volume of sales, in exchange for discounts. The Company succeeded in offsetting a portion of this impact by improving the raw materials purchase agreements that were signed for 2020 and by the continuing improvement in the Company's operating efficiency.

Analyst Conference I Business Updates Q3/2020



- Gross profit for Q3-2020 totalled USD 23.4 million, and constitutes about 25.1% of the total income, compared to a gross profit of approximately USD 17.6 million for the corresponding period last year, which constituted about 17.1% of the total income for that period.
- The gross profit during the quarter as compared to the corresponding period last year, after neutralizing the impact of changes in the raw materials price indices between the periods, is higher by about USD 7.9 million. It derived from sales of fabrics for Medical Products, as well as from the increase in profitability from hygiene products in China from spot business customers, coupled with the continuing trend of improvement in operating efficiency at the Company's sites. The increase in profitability as stated, was offset mainly by price discounts given to the Company's principal customers.

Analyst Conference I Business Updates Q3/2020



- Most of the increase in the gross profit resulted from excess demands at high prices for nonwoven fabrics used to manufacture medical and hygiene products that are used to contend with the coronavirus crisis. The Company identified the potential and the manufacturing shortage of nonwoven fabrics used to manufacture these products and took action accordingly to adjust its production lines to provide the market needs. It should be noted that, as of the third quarter of 2020, the volume of demands and the prices and/or the profitability of these products have been moderating.
- **During the fourth quarter of 2020 and correct to the publication date of this report, the raw materials price indices began to rise. Insofar as this trend does not change, the Company expects this to have a negative impact on the results of the fourth quarter of 2020.**

Analyst Conference I Business Updates Q3/2020



- The Company is recording gross profitability during the first nine months of 2020 that is higher than the average profitability for the rest of the Company's sales, which derived mainly from sales of fabrics that are used in the manufacture of Medical Products that were executed during the second and third quarters of 2020. These sales were achieved through the Company's rapid seizing of an opportunity to respond to the growing demand due to the global spread of the coronavirus and the significant increase in the prices of these products throughout the world during the period of the coronavirus. The continuation of these margins depends on the behaviour of the markets and the volume of demand and supply.

Analyst Conference | Business Updates Q3/2020



- EBITDA in Q3-2020 totaled USD 22 million, 6.2M\$ more than the corresponding period last year. After neutralizing the changes in the raw materials prices (both the purchase prices and the selling-price adjustments), the Underlying EBITDA in Q3-2020 amounts to USD 23.5 million, 8.3M\$ more than the corresponding period last year.
- EBITDA in 9M-2020 totaled USD 71.8 million, USD 23.9 million more than the corresponding period last year. After neutralizing the changes in the raw materials prices the Underlying EBITDA in 9M-2020 sums up to USD 68.6 million, 27.1M\$ more than the corresponding period last year.

Analyst Conference I Business Updates Q3/2020



- The cash flow provided by operating activities during the third quarter totalled about USD 11.8 million, compared to about USD 17.5 million during the corresponding quarter last year.
- The decrease derived mainly from the increase in the balance of the Company's trade receivables as a result of the decrease in the nonrecourse factoring in respect of the Company's other trade receivables by about USD 3.1 million during the period (during the corresponding period last year, the balances of factoring increased by about USD 2.9 million).
- Upon neutralizing the changes in the volumes of factoring of the balance of trade receivables during the period and during the corresponding period last year, the cash flow provided by operating activities during the period totalled about USD 14.9 million, compared to about USD 14.6 million during the corresponding period last year.

Analyst Conference | Business Updates Q3/2020



- **Net Financing Expenses** in Q3-2020 totalled USD 3.2 million, compared to USD 6.3 million in the corresponding period last year. During the third quarter of 2020, the financing expenses in respect of long-term loans and bonds were reduced by about USD 0.7 million compared to the corresponding quarter last year (repayments of principal according to the repayment schedule; the Company did not obtain new long-term loans and/or bonds). Additionally, during the corresponding quarter last year, the Company incurred exchange-rate differential expenses totalling about USD 2.5 million, mainly as a result of the strengthening of the shekel versus the dollar, which affected the valuation of half of the Series C shekel bonds, which were not hedged against the Company's functional currency, which is the USD, while during the current quarter, the Company incurred exchange-rate differential expenses in respect of this valuation totalling only about USD 0.4 million.
- Net Profit for Q3-2020 totalled USD 8.3 million, compared to net profit of USD 2.2 million for the corresponding quarter last year.
- Net Profit for 9M-2020 totalled USD 34.5 million, compared to a net profit of USD 8.7 million for the corresponding period last year.

Analyst Conference I Quarterly Financials Highlights



USD Mln	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	9M/20	9M/19
Revenue, net	93.4	103.0	90.6	102.2	102.9	287.0	311.7
Gross Profit	23.4 25.1%	34.5 33.4%	17.9 19.8%	18.7 18.3%	17.6 17.1%	75.8 26.4%	54.7 17.5%
Net Profit	8.3 8.9%	18.0 17.5%	8.3 9.1%	3.6 3.5%	2.2 2.1%	34.5 12.0%	8.7 2.8%
EBITDA	22.0 23.6%	33.5 32.5%	16.3 18.0%	16.1 15.8%	15.8 15.4%	71.8 25.0%	47.9 15.4%
Underlying EBITDA	23.5 25.1%	31.1 30.2%	14.0 15.5%	15.4 15.1%	15.2 14.8%	68.6 23.9%	41.5 13.3%
Underlying EBITDA exl. one timers	23.5 25.1%	31.1 30.2%	14.0 15.5%	16.6 16.3%	15.4 15.0%	68.6 23.9%	43.3 13.9%
Net Debt/EBITDA	(1.47)	(1.69)	(2.86)	(3.31)	(3.40)	(1.47)	(3.40)

Analyst Conference I Balance Sheet Highlights



	As on Sep 30 2020 000' USD	As on Dec 31 2019 000' USD
CURRENT ASSETS		
Cash and cash equivalents	97,799	36,497
Trade receivables	28,515	58,245
Other receivables and debit balances	5,137	6,463
Current tax assets	3,875	2,806
Derivatives	1,711	1,945
Inventories	36,458	44,177
Total Current Assets	173,495	150,133
NON-CURRENT ASSETS		
Property, plant and equipment, net	291,107	315,454
Derivatives	5,588	7,034
Deferred tax assets	2,606	1,513
Intangible assets	3,094	2,916
Long-term debit balances	625	681
Total Non-current Assets	303,020	327,598
TOTAL ASSETS	476,515	477,731

	As on Sep 30 2020 000' USD	As on Dec 31 2019 000' USD
CURRENT LIABILITIES		
Short-term credit and current maturities of long-term loans from banking corporations	11,233	30,333
Current maturities of long-term bonds	23,992	23,867
Trade payables	24,603	28,413
Current tax liabilities	2,977	1,517
Other payables and credit balances	26,492	19,976
Total Current Liabilities	89,297	104,106
NON-CURRENT LIABILITIES		
long term payables	5,375	6,111
Long-term loans from banking corporations	45,000	52,734
Bonds	150,554	149,907
Employee benefit liabilities	159	183
Deferred tax liabilities	20,876	21,165
Total Non-current Liabilities	221,964	230,100
EQUITY		
Equity attributable to shareholders of the parent company	164,823	143,112
Noncontrolling interests	431	413
Total Equity	165,254	143,525
Total LIABILITIES AND EQUITY	476,515	477,731

Analyst Conference I Cash Flow



	Q3/20	Q3/19
	USD thousands	USD thousands
Net cash provided by (used for) operating activities	11,786	17,507
Net cash used for investing activities	2,459	(1,877)
Net cash, provided by (used for) financing activities	(2,586)	(2,181)
Increase (decrease) in cash and cash equivalents	11,659	13,449
Balance of cash and cash equivalents at the end of the period	97,799	45,858

	9M 2020	9M 2019
	USD thousands	USD thousands
	95,063	9,700
	(3,980)	(6,047)
	(28,747)	446
	62,336	4,099
	97,799	45,858



SAY HELLO!

Avgol is proud to support our clients with outstanding technical service and support

To find out more about how Avgol can support your baby care diaper range developments, please visit avgol.com or contact us at: avgolinfo@avgol.com

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