



An Indorama Ventures Company

A collage of three images: an elderly couple walking in a park, a woman holding a baby, and a warehouse aisle filled with bags of nonwoven material.

## Analyst Conference call Q4/2020

*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

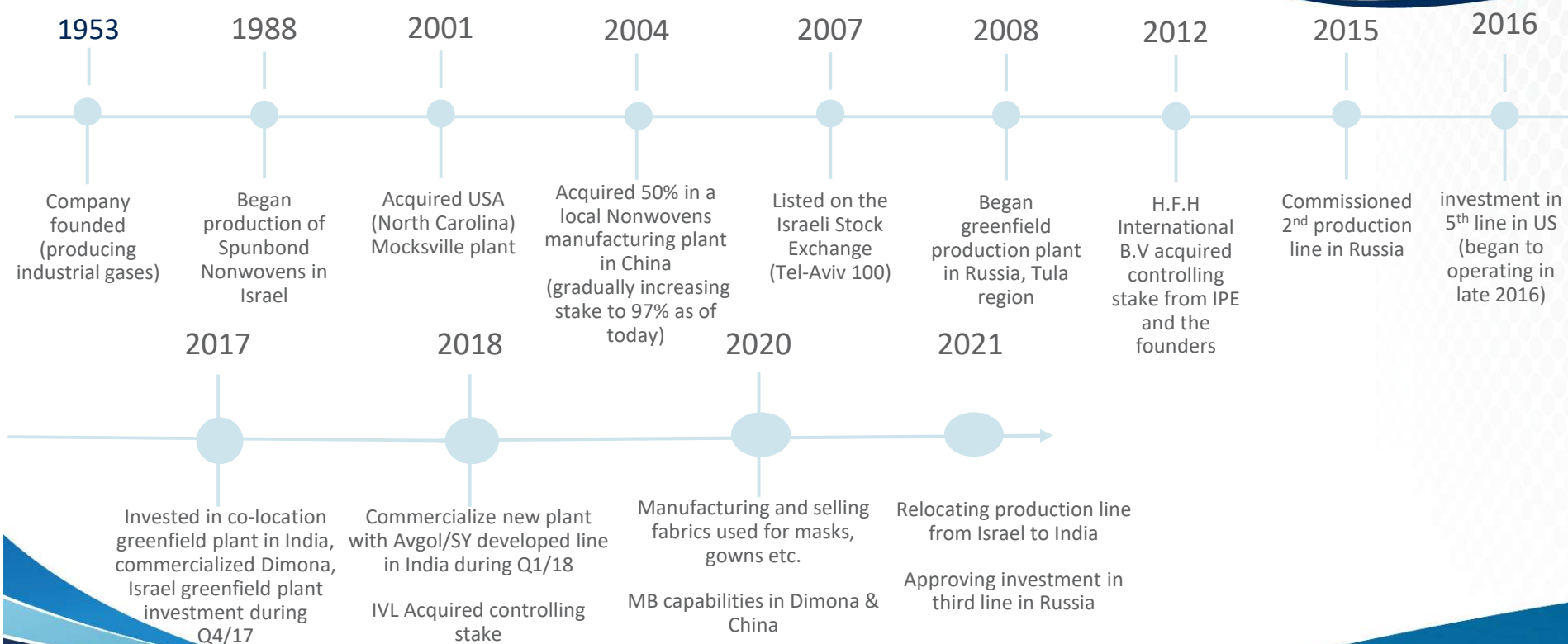


### Consumer Focus

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 Q4/2020



- **Avgol** is a world leader in the development, manufacture and marketing of nonwoven fabrics for diapers, adult incontinence products, disposable feminine hygiene products, disposable medical products, wipes, etc. The Company also manufactures nonwoven fabric 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 materials for masks, gowns and medical and hygiene products used to contend with the Covid-19 crisis (“**coronavirus**”).
- 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 I Business Updates Q4/2020



- During the period, the global demand for Hygiene and Medical products continues to be significant and supports high sales and production volumes with better product mix. All Avgol facilities have been producing with very high efficiency. As a result, the Company' overall performance in 2020 was affected positively. Although demands continued to be strong during the year, the prices and the profitability of fabrics for PPE products stabilized gradually as a result of the substantial increase in supply.
- Avgol continues to demonstrate in the fourth quarter, as it has all year long, its resilience and strength during the coronavirus crisis. Avgol presented during the year its commitment for stability and growth in changing 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. Avgol will continue to explore new innovative areas and products within the Hygiene market and beyond it.

## Analyst Conference | Business Updates Q4/2020



- 2020 was defined as a year in which maintaining business continuity was essential, both for us globally and for our customers. At the beginning of 2021 Avgol continued to observe a continuous high demand for our fabrics. At the same time due to the high demand for PP based fabrics, and certain weather events, there are global PP supply events that create price increase that begun in the fourth quarter of 2020 and continue in an extensive way on January and February 2021, which the highest increase happens in US. The company continue to follow on a daily basis to ensure that the lines will continue to work continuously.
- During 2021 Avgol plan to conclude the relocation of a production line from Israel to India in order to support a fast-growing market for our fabrics.
- The company approved yesterday an investment in Avgol plant in Russia of a new and most advanced production line, as well as other equipment which will enhance the company capabilities in the fabric production to the medical market. Russia is another growing market in which we already have a strong footprint in. With this new technology and our dominance in the Russian market, Avgol expect to continue to lead and to support Russia the CIS market with the newest and most developed products.

## Analyst Conference | Business Updates Q4/2020



- The Company's revenues in FY2020 and for the fourth quarter includes revenues from fabrics for medical products with higher profitability than the average profitability from fabrics of hygiene products. Excluding Barkan (the downsizing of the operations at the Company's site in Barkan during FY2020) the quantity sold in FY2020 and for the fourth quarter increased compared to corresponding periods.
- Gross profit for Q4-2020 totalled USD 19.3 million and constitutes approximately 20.1% of the total income, compared to a gross profit of USD 18.7 million for the corresponding period last year, which constituted approximately 18.3% of the total income for that period.
- The gross profit during the quarter as compared to the corresponding period last year, and after neutralizing the impact of changes in the raw materials price indices between the periods, is higher by approximately USD 4.9 million. As a result of the increase in the raw materials prices, a loss of approximately USD 3.6 million was recorded in the spread in the raw materials price indices, net compared to a profit of approximately USD 0.7 million during the corresponding quarter last year (total negative impact of approximately USD 4.3 million compared to the corresponding period last year).

## Analyst Conference I Business Updates Q4/2020



- The increase in the gross profit for the fourth quarter of 2020 compared to the corresponding period last year, after neutralizing the impact of the raw materials price indices, derived mainly from the high gross profit that 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.
- 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 second half of 2020, the volume of demands and the prices and/or the profitability of these products have been stabilizing downward.

## Analyst Conference | Business Updates Q4/2020



- In 2020 the Company recorded gross profitability that is higher than the average profitability for other years , which derived mainly from sales of fabrics that are used in the manufacture of medical products that were executed as of the second quarter of 2020. These sales were achieved through the Company's rapid response to the growing demand for its products as a result of the global spread of the coronavirus and the significant increase in the global prices of these products during the coronavirus crisis. Sustaining these profit margins depends largely on the conduct of the markets and the volumes of supply and demand.
- EBITDA in Q4-2020 was approximately USD 17.6 million, 1.5M\$ 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 Q4-2020 amounts to approximately USD 21.2 million, 5.8M\$ more than the corresponding period last year.
- EBITDA in FY2020 totaled at approximately USD 89.4 million, 25.4M\$ more than the corresponding period last year. After neutralizing the changes in the raw materials prices, the Underlying EBITDA in FY2020 amounts to USD 89.8 million, 32.9M\$ more than the corresponding period last year.



## Analyst Conference | Business Updates Q4/2020



- The cash flow provided by operating activities in FY2020 approximately USD 101.5 million, compared to USD 20.8 million in the corresponding period last year. The increase derived mainly from the reduction in the balance of the Company's trade receivables as a result of the increase in the nonrecourse factoring in respect of the Company's other trade receivables by approximately USD 12.2 million during the period (during the corresponding period last year, the balances of factoring decreased by approximately USD 39.3 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 approximately USD 89.3 million, compared to approximately USD 60.1 million during the corresponding period last year.

## Analyst Conference I Business Updates Q4/2020



- **Net Financing Expenses-** in Q4-2020 totalled USD 6.6 million, compared to USD 4.1 million in the corresponding period last year. The increase in the net financing expenses during the fourth quarter derived mainly from net exchange-rate differential expenses of approximately USD 3.9 million, compared to net exchange-rate differential expenses of USD 0.5 million during the corresponding quarter last year. The exchange-rate differentials as stated are largely attributed to the unhedged portion of the Series C bonds. This increase was partially offset by the reduction of approximately USD 0.7 million in financing expenses in respect of long-term loans and bonds 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).
- Net Profit for Q4-2020 totalled USD 2.4 million, compared to net profit of USD 3.6 million for the corresponding quarter last year.
- Net Profit for FY2020 totalled USD 36.9 million, compared to a net profit of USD 12.3 million for the corresponding period last year.

## Analyst Conference I Quarterly Financials Highlights



USD Mln	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	12M/20	12M/19
Revenue, net	96.0	93.4	103.0	90.6	102.2	102.9	101.5	383.0	413.9
Gross Profit	19.3	23.4	34.5	17.9	18.7	17.6	17.6	95.1	73.4
	20.1%	25.1%	33.4%	19.8%	18.3%	17.1%	17.3%	24.8%	17.7%
Net Profit	2.4	8.3	18.0	8.3	3.6	2.2	2.5	36.9	12.3
	2.5%	8.9%	17.5%	9.1%	3.5%	2.1%	2.5%	9.6%	3.0%
EBITDA	17.6	22.0	33.5	16.3	16.1	15.8	15.2	89.4	64.0
	18.4%	23.6%	32.5%	18.0%	15.8%	15.4%	15.0%	23.3%	15.5%
EBITDA Underlying	21.2	23.5	31.1	14.0	15.4	15.2	14.1	89.8	56.9
	22.1%	25.1%	30.2%	15.5%	15.1%	14.8%	13.9%	23.5%	13.7%
EBITDA Underlying exl. One time	21.2	23.5	31.1	14.0	16.6	15.4	14.8	89.8	59.9
	22.1%	25.1%	30.2%	15.5%	16.3%	15.0%	14.5%	23.5%	14.5%

Net Debt/EBITDA (1.41) (1.47) (1.69) (2.86) (3.31) (3.40) (3.67) (1.41) (3.31)

## Analyst Conference I Balance Sheet Highlights



	As on Dec 31 2020 USD thousands	As on Dec 31 2019 USD thousands
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	75,471	36,497
Trade receivables	31,744	58,245
Other receivables and debit balances	4,132	6,463
Current tax assets	5,042	2,806
Derivatives	2,547	1,945
Inventories	41,453	44,177
<b>Total Current Assets</b>	<b>160,389</b>	<b>150,133</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment, net	292,463	315,454
Derivatives	7,031	7,034
Deferred tax assets	555	1,513
Intangible assets	2,836	2,916
Long-term debit balances	557	681
<b>Total Non-current Assets</b>	<b>303,442</b>	<b>327,598</b>
<b>TOTAL ASSETS</b>	<b>463,831</b>	<b>477,731</b>

	As on Dec 31 2020 USD thousands	As on Dec 31 2019 USD thousands
<b>CURRENT LIABILITIES</b>		
Short-term credit and current maturities of long-term loans from banking corporations	10,866	30,333
Current maturities of long-term bonds	36,481	23,867
Trade payables	27,309	28,413
Current tax liabilities	1,565	1,517
Other payables and credit balances	24,545	19,976
<b>Total Current Liabilities</b>	<b>100,766</b>	<b>104,106</b>
<b>NON-CURRENT LIABILITIES</b>		
long term payables	5,386	6,111
Long-term loans from banking corporations	41,869	52,734
Bonds	120,658	149,907
Employee benefit liabilities	172	183
Deferred tax liabilities	20,188	21,165
<b>Total Non-current Liabilities</b>	<b>188,273</b>	<b>230,100</b>
<b>EQUITY</b>		
Equity attributable to shareholders of the parent company	174,385	143,112
Noncontrolling interests	407	413
<b>Total Equity</b>	<b>174,792</b>	<b>143,525</b>
<b>Total LIABILITIES AND EQUITY</b>	<b>463,831</b>	<b>477,731</b>

## Analyst Conference I Cash Flow



	Q4/20	Q4/19
	USD thousands	USD thousands
Net cash provided by (used for) operating activities	6,487	11,143
Net cash used for investing activities	(2,041)	(3,010)
Net cash, provided by (used for) financing activities	(28,061)	(17,738)
Increase (decrease) in cash and cash equivalents	(23,615)	(9,605)
Balance of cash and cash equivalents at the end of the period	75,471	36,497

	YTD 2020	YTD 2019
	USD thousands	USD thousands
	101,550	20,843
	(6,021)	(9,056)
	(56,808)	(17,292)
	38,721	(5,505)
	75,471	36,497





## 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](http://avgol.com) or contact us at: [avgolinfo@avgol.com](mailto:avgolinfo@avgol.com)

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**INDORAMA**  
VENTURES

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