



An Indorama Ventures Company

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

## Analyst Conference call Q1/2021

*We Aspire to Create Nonwoven Innovations to Enhance Quality of Life*

## Analyst Conference | Disclaimer



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■ התממשותו ו/או אי התממשותו של המידע הצופה פני עתיד תושפע מגורמים אשר לא ניתן להעריכם מראש והם אינם מצויים בשליטת החברה ולפיכך על אף שהחברה מאמינה שציפיותיה, כמוצג במצגת, הינן סבירות, הרי שאין כל וודאות כי תוצאותיה בפועל של החברה בעתיד תהיינה בהתאם לציפיות אלה והן עשויות להיות שונות מאלו שהוצגו במידע צופה פני עתיד.

- This information is forward-looking information, which is based on the information known by the Company at the time of this report is being published. This information might not materialize or might materialize in a way that differs from that anticipated, inter alia, if a material change in trend occurs, or due to other parameters that affect the Company's manufacturing costs or the Company's selling prices.
- This presentation is based on the Company financial reports.
- There is no data in this presentation that isn't presented in the public financial reports.
- If there is any discrepancy between this presentation and the data in the financial report that was issued to the Israeli SEC and the TASE, the valid data is the one which appears in the formal reports.
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## Analyst Conference | Presenters



**CFO**  
Mr. Sivan Yedidsion



**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

~800 employees in the Group  
Global commercial and technical team ,around the world



### Global

5 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 diapers, Feminine Care, Adult Incontinence, PPE and medical



### Raw material

Main raw material, Polypropylene



### Technology

Spunmelt  
Meltblown

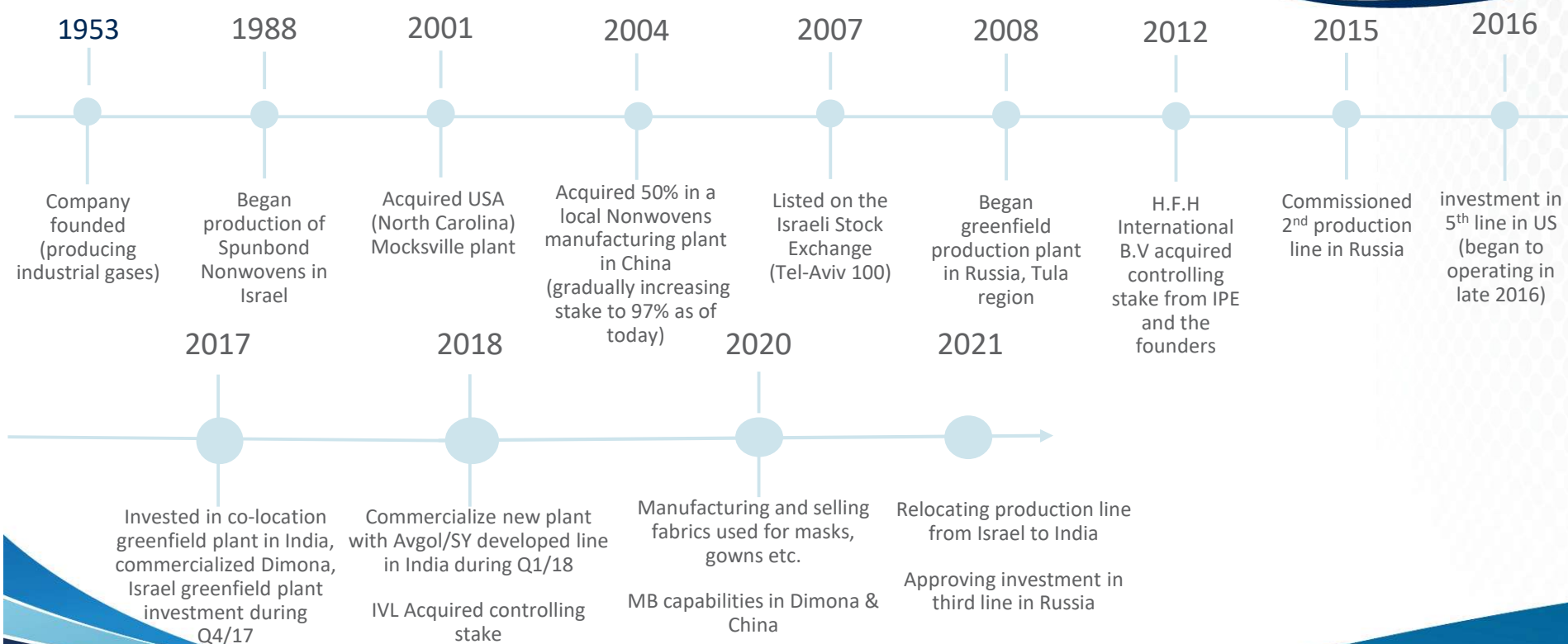


### Consumer Focus

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.

## Analyst Conference | Milestones in Avgol's Growth



## Analyst Conference | Global Footprint



 Sales Delivery Points

### *Avgol Production Sites*

-  Avgol America Inc.
-  Avgol Rus LLC
-  Hubei Gold Dragon Nonwoven Fabrics Co. Ltd.
-  Avgol India Private Ltd.
-  Avgol Industries 1953 Ltd. (Dimona)

## Analyst Conference | Business Updates Q1/2021



- During the first quarter, Avgol succeeded to achieve globally an excellent performance by producing at full capacity in all plants with extraordinary efficiency and quality parameters. Avgol continues to operate and to deliver to its customers continuously, while retaining its employees safe and healthy.
- Avgol's Q1-2021 underlying EBITDA amounts to approximately USD 20 million, 6M\$ more than the corresponding period last year. Q1-2021 was extremely challenging in terms of global PP supply and prices.
- During the quarter, the raw materials prices rose significantly, mainly in the United States, due to the continuing demands for products relating to coping with the coronavirus pandemic and due to the recovery of manufacturing in the United States and its return to routine operations.
- In February 2021, Ice Storm "Uri" hit the Gulf Coast of the United States and caused shutdowns to about 80% of the raw materials manufacturing plants, and delays in the transport and supply of goods to raw materials suppliers in this region, which triggered another hike in raw materials prices.
- During this period, despite tightness and supply disruptions, our lines continue to operate in full capacity and our ability to deliver on time was not affected.



## Analyst Conference | Business Updates Q1/2021



- Avgol continued to fulfil its strategy and innovation efforts to lead the nonwoven market towards sustainable unique solutions, among others:
  - Signing an exclusive partnership with Polymateria (<https://www.polymateria.com>) - Avgol and Polymateria, a British start-up, developed and intend to commercialize globally biodegradable nonwoven fabrics for diverse applications in the fields of hygiene, wipes and PPE and in fields non-related to hygiene, such as agriculture, industry, etc. The development of biodegradable nonwoven fabric is based on an additive that will be integrated into Avgol's current manufacturing processes and on creating a biotransformation process for polypropylene or any other polyolefin raw material which, upon contact with air and without any active intervention, will result in rapid biodegradation of a few months to a few years, without leaving microplastics or any harm whatsoever to the environment.
  - Established collaboration with Algalife to utilize Avgol's nonwoven fabric and Algae technology to produce sustainable component materials and bring color, as well as the skin wellness attributes of algae, into personal care items.

## Analyst Conference I Business Updates Q1/2021



- Avgol's plans to conclude the relocation of a production line from Israel to India, by end of 2021, to support a fast-growing market for our fabrics, is ongoing.
- The investment in a new state of the art manufacturing line in Russia has begun, Russia and the CIS is growing market in which we already have a strong footprint at. With the new R5 technology and our dominance in that market, we expect to continue to lead and to support the CIS market with the newest and most developed products.
- On 12 May, 2021, the Company's CEO, Mr. Shachar Rachim, gave notice of his resignation as the Company's CEO as of July 1, 2021. Mr. Rachim will continue serving as a director of the Company. As of July 1st 2021, Shachar Rachim will be managing the Hygiene Vertical in IVL, the company's major shareholder, which Avgol is a part of this Vertical. The main aim of Avgol's participation in the vertical is to benefit from synergies within IVL group, which will contribute to Avgol's growth and development.

## Analyst Conference I Business Updates Q1/2021



- On May 12, 2021, the Company's Board of Directors appointed Mr. Tommi Bjornman, the Company's CCO in the last 2 years, as the Company's CEO. Tommi has a vast experience in the nonwoven industry globally as a senior manager in Ahlstrom Oyj and as a CEO of Mada Nonwovens.
- Mr. Bjornman has a global perspective and, during his career, he has managed plants in the United States, Latin America, Europe and Asia. Mr. Bjornman also has considerable experience in operations, as well as in correlating between R&D, manufacturing, the supply chain and raw materials manufacturers and led the development of market penetration strategies and designed marketing and sales plans.
- Mr. Bjornman has been holding office as the CCO since the beginning of 2019 and, during his incumbency, he was a partner in leading the continuing growth and improvement of the Company's results and operations. As part of his role, Mr. Bjornman was also responsible for strengthening the relations and cooperative efforts with the Company's customers. During the period of his incumbency, Mr. Bjornman played a significant role in strategic processes that the Company implemented to advance innovation and sustainability.

## Analyst Conference | Business Updates Q1/2021



- The Company's revenues for Q1-2021 totalled approximately USD 96 million, compared to approximately USD 90.6 million for the corresponding period last year. The increase in revenues is about 5.9%, which derives mainly from the upward revision of the average selling prices during the period, due to the increase in the raw materials price indices. Additionally, the Company renewed the contracts with one of its principal customers, which included an increase in the selling prices. The quantity sold decreased during the period by about 0.6% compared to the corresponding period last year.
- During the period, the Company ended its operations and presence in its Barkan site, which impacts the comparison to its result in the first quarter of 2020, when this site was still active.
- Gross profit for Q1-2021 totalled USD 10.4 million and constitutes approximately 10.9% of the total income, compared to a gross profit of USD 17.9 million for the corresponding period last year, which constituted approximately 19.8% of the total income for that period. The gross profit during the quarter was extremely affected by the sharp increase in raw material prices. After neutralizing the impact of changes in the raw materials price indices between the periods, the gross profit in Q1-2021 was higher by approximately USD 6.5 million compared to the corresponding period last year.

## Analyst Conference I Business Updates Q1/2021



- Due to the sharp increase in the raw materials prices, an expense of approximately USD 11.7 million was recorded in the spread in the raw materials price indices, net, (the difference between the index price when setting the selling prices and the index price when purchasing raw materials) compared to an income of approximately USD 2.3 million during the corresponding quarter last year (total negative impact of approximately USD 14 million compared to the corresponding period last year).
- The increase in the gross profit during the first quarter of 2021, after neutralizing the impact of the raw materials price indices, derived mainly from the improvement in operating efficiency compared to the corresponding quarter last year across all the Company's sites, which contributed to increasing the profitability (apart from the Barkan site; which still operated during corresponding period last year). Additionally, the Company renewed the contracts with one of its principal customers during the period, which included an increase in the selling prices and improved the product mix, including higher profitability, compared to the corresponding period last year.



## Analyst Conference I Business Updates Q1/2021



- The trend of rising Raw material prices that began during the fourth quarter of 2020, continued into the first quarter of 2021 (as stated, the uptrend during the period was significant, mainly in North America). During the second quarter of 2021 and as of the publication date of this report, a downtrend has begun in the raw materials price indices. However, due to the significant increase in the first quarter of 2021 and its impact on the raw materials price indices mechanism, net, the Company expects it will have a negative impact on the results of the second quarter of 2021, albeit to a lesser extent than its impact on the first quarter as stated. We anticipate a recovery of the lag impact to start in Q3-2021.

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## Analyst Conference | Business Updates Q1/2021



- EBITDA in Q1-2021 was approximately USD 8.2M, USD 8.1M less 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 Q1-2021 amounts to approximately USD 20M, USD 6M more than the corresponding period last year.
- The increase in the underlying EBITDA during the period compared to the corresponding period last year derives from an improvement in our operating efficiency across all the Company's sites (apart from the Barkan site) and from the renewal of contracts with one of the Company's principal customers as well as an improvement of the product mix, which contributed to increasing the profitability. The Company is continuing to take action to achieve its objectives, including its contending with the coronavirus pandemic, adapting production lines and improving and expanding the supply and variety of its products to satisfy the market needs.

## Analyst Conference | Business Updates Q1/2021



- The cash flows used for operating activities during Q1-2021 totalled approximately USD 6.3M, compared to approximately USD 37.9M that were provided by operating activities during the corresponding period last year. The decrease during the current period derived mainly from the lower profitability as well as an increase in working capital balances, both resulted mainly by the hike in raw materials prices.
- Net Financing Expenses in Q1-2021 totalled USD 0.4M, compared to USD 0.6M in the corresponding period last year. The financing expenses in respect of long-term loans and bonds decreased by approximately USD 0.6M compared to the corresponding period last year mainly due to reduction in debt and the decrease in the LIBOR rate. The financing expenses during the current quarter included income from exchange-rate differentials totalling approximately USD 2M, compared to income from exchange-rate differentials totalling approximately USD 2.5M during the corresponding quarter last year. These exchange-rate differentials derived mainly from the revaluation of half of the Series C bonds, which were not hedged against the Company's functional currency, the USD.

## Analyst Conference I Quarterly Financials Highlights



USD Mn	Q1'21	Q4'20	Q3'20	Q2'20	Q1'20
Revenues, net	96.0	96.0	93.4	103.0	90.6
Gross Profit	10.4	19.3	23.4	34.5	17.9
	10.9%	20.1%	25.1%	33.4%	19.8%
Net Profit	0.2	2.4	8.3	18.0	8.3
	0.2%	2.5%	8.9%	17.5%	9.1%
EBITDA	8.2	17.6	22.0	33.5	16.3
	8.6%	18.4%	23.6%	32.5%	18.0%
EBITDA Underlying	20.0	21.2	23.5	31.1	14.0
	20.8%	22.1%	25.1%	30.2%	15.5%
Net Debt/EBITDA	(1.70)	(1.41)	(1.47)	(1.69)	(2.86)

## Analyst Conference I Balance Sheet



	As on Mar 31 2021 USD thousands	As on Dec 31 2020 USD thousands
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	62,221	75,471
Trade receivables	36,845	31,744
Other receivables and debit balances	5,008	4,132
Current tax assets	5,651	5,042
Derivatives	1,980	2,547
Inventories	50,541	41,453
<b>Total Current Assets</b>	<b>162,246</b>	<b>160,389</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment, net	288,440	292,463
Derivatives	5,467	7,031
Deferred tax assets	709	555
Intangible assets	2,629	2,836
Long-term debit balances	530	557
<b>Total Non-current Assets</b>	<b>297,775</b>	<b>303,442</b>
<b>TOTAL ASSETS</b>	<b>460,021</b>	<b>463,831</b>

	As on Mar 31 2021 USD thousands	As on Dec 31 2020 USD thousands
<b>CURRENT LIABILITIES</b>		
Short-term credit and current maturities of long-term loans from banks	10,889	10,866
Liabilities in respect of derivatives	36	-
Current maturities of long-term bonds	35,571	36,481
Trade payables	33,436	27,309
Current tax liabilities	2,291	1,565
Other payables and credit balances	22,201	24,545
<b>Total Current Liabilities</b>	<b>104,424</b>	<b>100,766</b>
<b>NON-CURRENT LIABILITIES</b>		
long term payables	5,122	5,386
Long-term loans from banking corporations	39,549	41,869
Bonds	117,942	120,658
Employee benefit liabilities	166	172
Deferred tax liabilities	19,942	20,188
<b>Total Non-current Liabilities</b>	<b>182,721</b>	<b>188,273</b>
<b>EQUITY</b>		
Equity attributable to shareholders of the parent company	172,468	174,385
Noncontrolling interests	408	407
<b>Total Equity</b>	<b>172,876</b>	<b>174,792</b>
<b>Total LIABILITIES AND EQUITY</b>	<b>460,021</b>	<b>463,831</b>



## Analyst Conference I Cash Flow



	For the period of three months ending March 31	
	2021	2020
	USD thousands	USD thousands
Net cash provided (used for) operating activities	(6,327)	37,912
Net cash used for investing activities	(3,766)	(3,162)
Net cash used for financing activities	(2,999)	(19,378)
Increase (decrease) in cash and cash equivalents	(13,092)	15,372
<b>Balance of cash and cash equivalents at end of period</b>	<b>62,221</b>	<b>50,919</b>



## 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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to Enhance Quality of Life

**INDORAMA**  
VENTURES

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