

# Analyst Conference call Q2 2021

We Aspire to Create Nonwoven Innovations to Enhance Quality of Life

# **Analyst Conference | Disclaimer**



מצגת זו הוכנה ע"י חברת אבגול תעשיות 1953 בע"מ (להלן – "החברה"). המידע הכלול במצגת וכל מידע אחר שיימסר במהלך הצגת המצגת (להלן – "המידע") אינו מהווה בסיס לקבלת החלטת השקעה, ואינו מהווה המלצה או חוות דעת, וכן לא מהווה תחליף לשיקול דעת של משקיע פוטנציאלי. המידע ניתן לצורך הנוחות בהצגת הנתונים והחברה אינה חייבת להמשיך לתת את הנתונים ו/או לעדכנם. האמור במצגת בכל הקשור לניתוח הפעילות של החברה הינו תמצית בלבד, ועל מנת לקבל תמונה מלאה של פעילות החברה ושל הסיכונים עימם מתמודדת החברה, יש לעיין בדיווחים המלאים של החברה לרשות לני"ע ולבורסה.

■ המצגת כוללת מידע צופה פני עתיד, כהגדרתו בחוק ניירות ערך, של תחזיות, מטרות, הערכות ואומדנים המתייחסים לאירועים או עניינים עתידיים, אשר התממשותם אינה ודאית ואינה בשליטת החברה, והוא מבוסס רק על הערכתה הסובייקטיבית של החברה.

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.
- This presentation is provided for information and as a matter of record only. It does not constitute an offer to sell or a solicitation of an offer to buy or sell securities or other financial instruments in any jurisdiction or any advice or recommendation with respect to such securities or other financial instruments of the company.

# **Analyst Conference | Presenters**





**CFO** Mr. Sivan Yedidsion



**CEO** Mr. Tommi Bjornman

© AVGOL Nonwovens 2020

# **Analyst Conference I Business Updates Q2/2021**



- 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.
- Since 2020, the Company has been manufacturing and selling fabrics used to manufacture masks, gowns and additional medical and hygiene products used to contend with the Covid-19 crisis ("Coronavirus").

4

# **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%



# **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

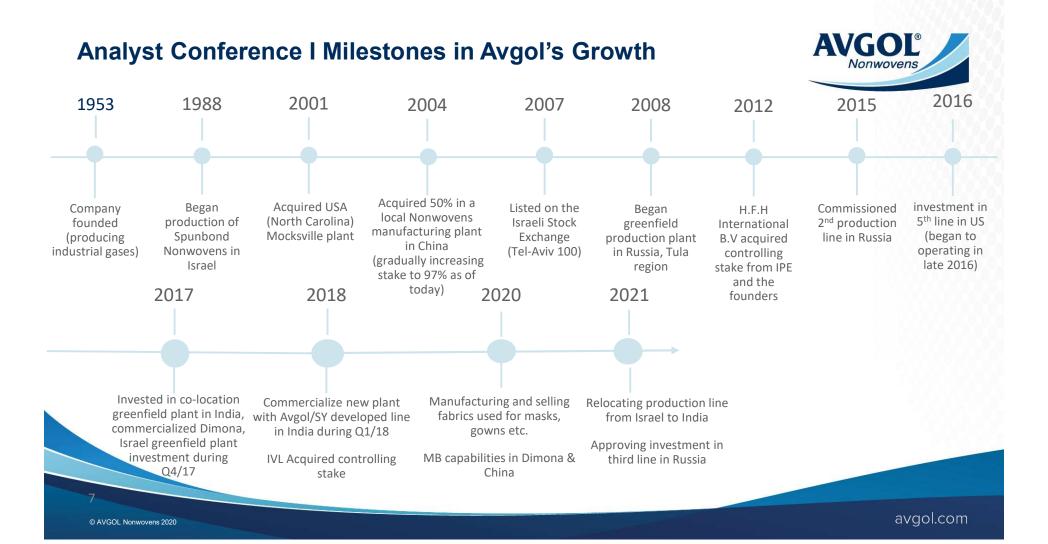


**Technology**Spunmelt
Meltblown



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 I Global Footprint**





## **Analyst Conference I Business Updates Q2/2021**



- Throughout the first half of 2021, Avgol achieved an excellent operational performance by producing with extraordinary efficiency and quality parameters across all plants. Avgol continued to operate and to deliver to its customers continuously, while retaining its employees safe and healthy.
- Since the beginning of the year the demand in the nonwoven market, especially in the Hygiene, is trending down back to pre-Covid time. This trend is happening quicker in APAC and more gradually in other regions. While the demand is trending down, RM prices are still picking up, negatively affecting our margins. That said, Avgol succeeded in improving its underlying profitability compared to pre-Covid periods through better product mix, improved pricing with one of its principal customers, high operational efficiency and diligent cost control.
- Avgol's Q2-2021 underlying EBITDA totaled approximately USD 21.8 million, compared to USD 31.1 million in the corresponding quarter last year, which was the highest quarter in Avgol's history.
- As previously disclosed, Q2-2020 was significantly strong as a result of extremely high demands for products relating to coping with the coronavirus pandemic as well as a strong demand for hygiene products, which resulted in very high profitability during that period.

In comparison to Q1-2021, Avgol's Underlying results improved by USD 1.8 million.

9

# **Analyst Conference I India Project Update**





During the second quarter of 2021, the company continued to focus on its strategic growth plans to construct a new plant in India. Despite complications related to the Covid-19 situation in India, the construction phase is underway and the relocation of the production line from Israel to India is due at the beginning of 2022.

© AVGOL Nonwovens 2020

# **Analyst Conference I Russia Project Update**





At the same time, the company started with its latest investment in a new state of the art manufacturing line in Russia, another growing market in which its already have a strong footprint. With this new technology and its position as the market leader in the Russian market, Avgol aim to continue to grow and support the CIS market with the newest and most developed products. The line is suppose to start commissioning during 2023.

© AVGOL Nonwovens 2020

# **Analyst Conference I Sustainability Updates**



- 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 (<a href="https://www.polymateria.com">https://www.polymateria.com</a>). 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.

12



- The Company's revenues in the second quarter of 2021 totaled approximately USD 111.9 million, compared to approximately USD 103.0 million in the corresponding quarter last year, an increase of about 8.6%.
- The increase in revenues derived from the increase in the raw materials price indices, which triggered an upward revision of the average selling prices, and from a contract renewal with one of the Company's principal customers, which included an increase in the selling prices.
- The quantity sold decreased during the quarter by about 5.7% compared to the corresponding quarter last year. The decrease is related mainly to the Company's decision to vacate the site in Barkan. Although our capacity was reduced, our profitability was not affected.



- The gross profit for the second quarter of 2021 totaled approximately USD 15.2 million and constitutes about 13.5% of the total income, compared to gross profit of approximately USD 34.5 million for the corresponding quarter last year, which constituted about 33.4% of the total income for that quarter.
- The gross profit during the quarter was significantly affected by the sharp rise in raw material prices. As a result, an expense of approximately USD 9.0 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 2.4 million during the corresponding quarter last year.
- After neutralizing the impact of the changes in the raw materials price indices between the periods, the gross profit for Q2-2021 was approximately USD 7.9 million lower compared to the corresponding quarter last year.
- The decrease in the gross profit during the second quarter of 2021, also resulted from the exceptional profitability in the corresponding period last year mainly related to COVID crisis.

14



- Avgol's Q2-2021 actual EBITDA totaled approximately USD 12.8 million, compared to approximately USD 33.5 million in the corresponding quarter last year.
- Due to the continuing trend of increasing prices of raw materials to date, the Company expects it will have a negative impact on the results of the third quarter of 2021, albeit to a lesser extent than its impact on the first and second quarters as stated. We anticipate a recovery of the lag impact to start in Q4-2021.

This information is forward-looking information, which is based on the information known by the Company at the time 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.



- As stated, the EBITDA in Q2-2021 totaled approximately USD 12.8M. After neutralizing the changes in the raw materials prices (both the purchase prices and the selling-price adjustments), the Underlying EBITDA in Q2-2021 amounts to approximately USD 21.8M, USD 9.3M less than the corresponding period last year.
- EBITDA in H1-2021 totaled approximately USD 21.0 million. After neutralizing the changes in the raw materials prices the Underlying EBITDA in H1-2021 is approximately USD 41.8 million, USD 3.3M less than the corresponding period last year.

16



Net Financing Expenses in Q2-2021 totalled USD 4.6M, compared to USD 3.5M in the corresponding quarter last year. The difference of USD 1.1 million is mainly due to an interest subsidy of USD 0.9M granted by the government in India in the corresponding period, as well as slightly higher expenses from exchange-rate differentials derived mainly from the revaluation of half of Series C bonds, which were not hedged against the Company's functional currency, the USD.

17





USD Mn	Q2′21	Q1′21	Q4'20	Q3'20	Q2'20
Revenues, net	112.0	96.0	96.0	93.4	103.0
Cross Drofit	15.2	10.4	19.3	23.4	34.5
Gross Profit	13.6%	10.9%	20.1%	25.1%	33.4%
Net Profit	0.6	0.2	2.4	8.3	18.0
Net Profit	0.5%	0.2%	2.5%	8.9%	17.5%
EBITDA	12.8	8.2	17.6	22.0	33.5
EDITUA	11.4%	8.6%	18.4%	23.6%	32.5%
EBITDA Underlying	21.8	20.0	21.2	23.5	31.1
EDITUA UNGENYING	19.5%	20.8%	22.1%	25.1%	30.2%
Net Debt/EBITDA	(2.46)	(1.70)	(1.41)	(1.47)	(1.69)

© AVGOL Nonwovens 2020

# **Analyst Conference I Cash Flows**



	For the period of 3 months ending June 30		For the period of 6 months ending June 30	
	2021	2020	2021	2020
	USD thousands		USD thousands	
Net cash provided (used for) operating activities	339	45,365	(5,988)	83,277
Net cash used for investing activities	(12,830)	(3,277)	(16,596)	(6,439)
Net cash used for financing activities	(2,909)	(6,783)	(5,908)	(26,161)
Increase (decrease) in cash and cash equivalents	(15,400)	35,305	(28,492)	50,677
Balance of cash and cash equivalents at end of period	47,146	86,641	47,146	86,641

- The cash flows provided by operating activities during Q2-2021 totalled approximately USD 0.3M, compared to approximately USD 45.4M during the corresponding period last year.
- The decrease during the current period derived mainly from the lower profitability, as explained before, and due to increase in working capital balances, affected mainly by the hike in raw materials prices.

19

# **Analyst Conference I Balance Sheet**



	As on June 30	As on Dec 31
	2021	2020
	USD thousands	USD thousands
CURRENT ASSETS		
Cash and cash equivalents	47,146	75,471
Trade receivables	36,037	31,744
Other receivables and debit balances	6,695	4,132
Current tax assets	6,778	5,042
Derivatives	2,027	2,547
Inventories	57,945	41,453
Total Current Assets	156,628	160,389
NON-CURRENT ASSETS		
Property, plant and equipment, net	297,074	292,463
Derivatives	6,639	7,031
Deferred tax assets	852	555
Intangible assets	2,430	2,836
Long-term debit balances	524	557
Total Non-current Assets	307,519	303,442
TOTAL ASSETS	464,147	463,831

	As on June 30 2021 USD thousands	As on Dec 31 2020 USD thousands
CURRENT LIABILITIES		
Short-term credit and current maturities of long-term loans from banks	11,539	10,866
Liabilities in respect of derivatives	-	
Current maturities of long-term bonds	36,154	36,481
Trade payables	37,643	27,309
Current tax liabilities	1,323	1,565
Other payables and credit balances	19,698	24,545
Total Current Liabilities	106,357	100,766
NON-CURRENT LIABILITIES		
ong term payables	4,977	5,386
ong-term loans from banking corporations	36,400	41,869
Bonds	119,708	120,658
Employee benefit liabilities	107	172
Deferred tax liabilities	19,499	20,188
Total Non-current Liabilities	180,691	188,273
EQUITY		
Equity attributable to shareholders of the parent company	176,662	174,385
Noncontrolling interests	437	407
Total Equity	177,099	174,792
Total LIABILITIES AND EQUITY	464,147	463,831

20

# **Analyst Conference I Other Updates Q2/2021**



- As previously disclosed, 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. 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. Shachar Rachim has moved to the position of the CEO of the Hygiene Vertical in IVL, the company's major shareholder.
- Avgol is a part of the Hygiene Vertical. The main aim of Avgol's participation in the vertical is to benefit from synergies within IVL group, which are excepted to support Avgol's growth and development.

21