



2023

Sesoda Corporation Investor Conference

2023/12/18

SESODA
www.sesoda.com.tw

Disclaimer

Disclaimer of outlook and financial reports



OUTLOOK

We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.



IFRS

The financial numbers herewith are based on International Financial Reporting Standards(IFRS).



CPA

Cumulative consolidated numbers have been reviewed by the CPA.



Company Profile

In 1957, Sesoda Corporation was established in collaboration with the government's chemical industry projects.

Main Businesses

Potassium Sulfate (SOP)
Soda Ash, Sodium Bicarbonate & other trading products
Bulk vessel shipping

Employees

Total : 185
Average Year of Service : 11.25 years



SESODA SUAO

ENVIRONMENT



Capacity

14 production lines with an annual capacity of 140,000mt. By-products include Hydrochloric Acid (HCl) and Liquid Calcium Chloride (CaCl²).

Strategy

98% of the output is for exports. Diversification of export markets avoids the pitfall of concentrating on any single market.

2023 Overview

- Market prices have been finally stabilizing, and buying momentum also recovering.
- Raw material prices have been decreasing sharply, exacerbating the intense pressure on profits due to high-cost MOP inventory.

Potassium Sulfate (SOP)

Potassium Sulfate (SOP)

▶ In 1H 2023, the continued significant drop in MOP prices directly impacted SOP sales and prices, creating a cautious and subdued buying mood. High inventory of previously purchased expensive MOP not only unfavorably influenced SOP prices but also had a substantial impact on profits due to the clearance of high-priced MOP inventory. From Q3 onward, global SOP demand gradually increased, and prices stabilized, bringing a long-awaited positive atmosphere to overall sales. The October conflict in the Gaza Strip did not disrupt global potash supply and demand, but geopolitical conflict influences remain critical for future SOP sales.

SOP sales in 2024 will navigate challenges with prudence, aiming to dispel the shadows of 2023.

▶ Emerging from the shadow of the pandemic in 2023, international container rates have normalized after experiencing significant fluctuations in recent years. A relatively balanced supply and demand, favoring exports.

▶ In 2H 2023, Pakistan, a major export market, stabilized economically with IMF assistance, recovering from severe inflation and flood impacts in the previous year, leading to SOP procurement for autumn-winter fertilization.

▶ The future direction of China's fertilizer export restrictions policy, implemented since October 2021, remains unclear. It is anticipated that when China's SOP exports return to normal, it will inevitably impact Taiwan's SOP exports to a certain extent.

▶ Extreme weather conditions due to global climate change, including sudden heavy rainfall, floods, or severe droughts, have spoiled many major agricultural lands, disrupting fertilizer application timing and quantities, indirectly affecting potash demand.

Domestic Sales Overview

Outlook

Soda Ash & Other Products

In 2023, as the pandemic era concluded, the global economic landscape in the post-pandemic period fell below anticipated levels. Major economies have been contending with the ramifications of inflation and recession. Although there has been a gradual stabilization of raw material price and container rate, demand continued to lag behind pre-pandemic levels. This has posed a significant challenge in clearing high-priced inventory, subsequently affecting sales performance and profits.

Stable Supply with Market Expansion

In 2023, significant reduction in market prices compared to the previous year led suppliers to sell at a loss to clear high-priced inventory, resulting in intense price war. The company's performance in the first three quarters was affected by high-priced inventory, although Q4 showed a gradual return to profitability, it couldn't reverse the overall annual downturn. Looking ahead to 2024, as product prices trend towards stability, the company aims for steady growth through flexible procurement strategies and actively market consolidation.

Sodium Bicarbonate Production

Sodium Bicarbonate production line, one of the Company's sustainability milestones in line with carbon neutrality and reducing carbon footprints, started in mid 2023; with ongoing optimization for efficiency, local customer focus, and international market expansion.

ESG Carbon Reduction Explanation

Completed Energy Saving and Carbon Reduction Project

- Apply to the Ministry of Economic Affairs for the 'Large With Small' Manufacturing Industry Low-Carbonization Project, and obtain government subsidies.
- Established the first domestic factory for recycling CO² into production of baking soda.
- Improved the combustion efficiency of the reaction furnace, reducing fuel consumption.
- Gradual replacement of LED lighting and high-efficiency equipment in different zones.

Carbon Reduction Plan under Consideration

- Capturing CO² from calcium chloride manufacturing process and converting it into liquid carbon dioxide.
- Evaluating the installation of solar panels and energy storage equipment.

Shipping

Sesoda established Sesoda Steamship Corporation in 1995. Sesoda Steamship Corporation is a 100% owned subsidiary and also the holding company of the shipping business.

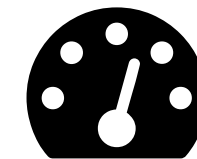
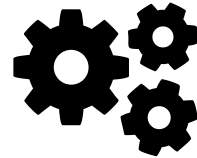
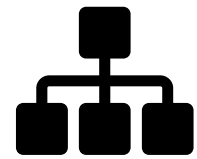
Short or long terms

All vessels are charter out by time charter. Basically, we try to fix a long-time charter when the market benefit us and fix it a short-term on the contrary.

Currently, we have 15 handy-size (28,000DWT~38,000DWT) vessels in operation. Our shipping business accounts for approximately 31% of the company's total revenues until the 3rd quarter of this year.



Shipping Outlook



Generally the hire level for handy-size is more stable than other bulkers such as Capesize/Panamax.

Revenue

Average hire price decrease due to lower demands on haul because of high level of inventory storage and slowing down of economic growth.

Costs

Interest cost rise a lot due to interest rate hikes 525b.p. by FED from 2022 March up to now. And this is the major increasing cost after pandemics because Shipping is capital intensive business.

IMF forecast the global economy to grow by 3% in 2024. However, the stimulus of every country will be an uncertain issues. Based on IMF's forecast, there is a growing demand for efficient and flexible vessels to transport smaller bulk cargoes. And we estimate the handy-size bulker carrier shipping market will keep stable or little slit down in 2024.

Statement of Comprehensive Income

Selected Items from Statements of Comprehensive Income	2023 Q1~Q3	2022 Q1~Q3
Net Revenue	4,406	6,130
Gross Margin	10%	39%
Operating Expenses	464	838
Operating Margin	(1%)	25%
Non-Operating Items	(73)	(54)
Net Income to Shareholders of the Parent Company	(124)	1,159
Net Profit Margin	(3%)	19%
EPS(NT Dollar)	(0.5)	4.65
ROE	(2%)	17%

- In NT\$ millions unless otherwise noted.
- The weighted average number of shares outstanding were 249 m shares at 9/30/23.
- ROE is based on average equity attributable to shareholders of parent company.

Balance Sheets

Selected Items from Balance Sheets	2023 Q3	2022 Q3
Cash & Marketable Securities	1,598	1,232
Accounts & Notes Receivable	665	1,196
Inventories	694	1,505
Long-term Investments	356	410
NET PP&E	9,708	9,749
Others	629	548
Total Assets	13,650	14,640
Current Liabilities	4,250	4,355
Non-current Liabilities	2,912	3,062
Total Liabilities	7,162	7,417
Total Shareholders' Equity	6,488	7,223

● In NT\$ millions.

Statement of Cash Flows

Selected item from Statements of Cash Flows	2023 Q1~Q3	2022 Q1~Q3
Beginning Balance	<i>1,295</i>	956
Cash from operating activities	<i>627</i>	921
Capital expenditures	<i>(279)</i>	(296)
Cash dividends	<i>(747)</i>	(498)
Short-term borrowings	<i>993</i>	504
Long-term debts	<i>(359)</i>	(424)
Investments and Others	<i>65</i>	68
Ending Balance	<i>1,595</i>	1,231


● In NT\$ millions.



Sesoda Corporation

Q & A

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