

Sesoda Corporation 2020 Investor Conference

2020.12.07



Disclaimer



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



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



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 and other trading products
- Bulk vessel shipping



Total Employees

160



Average Seniority

14.76 years

Potassium Sulfate (SOP)



1

Capacity

- There are 14 production lines with an annual capacity of 140,000 MT. Our main product is potassium sulfate(SOP), by-products include Hydrochloric Acid(HCl) and Liquid Calcium Chloride(CaCl₂).

2

Sales Strategy

- 98% of the output is for exports
- Diversification of export markets avoids the pitfall of concentrating on one single market; no single market accounts for more than 15% of the total volume



Market Update

1 Growing by 2~3% p.a.

According to IFA, global demand of Potash in terms of K₂O is 43-46 million tons per year; SOP is 7.0 million tons per year, growing by 2-3% annually

2 High inventory and low Demand

In 2020, fertilizers faced high inventory and low demand, due to weak world economy caused by the pandemic, which in term pushed the prices down

Market Update

4

COVID-19

The COVID-19 pandemic has caused an abnormally slow global containers turnover, thus shortage in containers supply and container space. Globally ocean freight rates have skyrocketed to a ten-year high since October this year. The incredibly high freight rates have rendered our price uncompetitive and impacted our bottom line.

5

Moving forward

The fierce price war in the SOP market is expected to continue in 2021. We will adjust our pricing strategy according to market dynamics, actively develop and solidify the export markets.

3

China Remove export tariff

China removed its export tariff on SOP in 2019. As a result, Chinese SOP exports increased substantially. It reached 324,000 tons in 2019, and over 290,000 tons at end of Q3 2020. The same has impacted on the SOP price competition globally, which we have to price down our offers from time to time to stay competitive



Soda Ash and Other Trading Products

Overview

The series of products include Soda Ash and Sodium Bicarbonate, among other trading products, contribute to around 15% in sales revenues ; which offered stable contribution to sales revenues and profits previously.

Starting early 2020, customer demands have been weakened substantially due to the pandemic, which was further complicated by fierce price competition from competitors. To secure orders we have to lower our prices from time to time.



Soda Ash Industry



Covid-19

In early 2020, Soda Ash sales dropped due to the pandemic induced economic downturn; with customers in the textile, dyeing and finishing industry suffered the most with ensuing massive factory closedowns and cutting back on production.



Competitors from China and Turkey

Starting in Q2, Chinese Soda Ash suppliers started cut-throat price war in the face of heavy inventory and deteriorated demand; which in terms led to the price collapse for Soda Ash in Taiwan market.



Challenges

The market finally seemed to gain some lost ground in October. With the forthcoming launches of vaccine for COVID-19, we look forward to a brighter future for the global economy in 2021. With end customer's businesses getting back on track, hopefully the price and sales of soda ash will eventually bounce back.

Operational Overview



Because of the pandemic, coupled with a sluggish economy, 2020 has been the worst year since the financial crisis. Soda Ash orders from various industries have shrunk substantially. Market was chaotic with suppliers vying for fewer orders with ever increasingly lower prices.



Besides the fall in sales volume, overall Soda Ash profit was lower than expected mainly due to low pricing tactics in exchange for market share from Turkish and Chinese suppliers.



The chemical market will be even more competitive in 2021. The Soda Ash market is anticipated to be more challenging.

Outlook

01

Looking forward, there are many uncertainties even with the promise of the vaccine launches. The future of the global economy is gloomy. It is difficult to envisage a prosperous 2021 from the demand sides.

02

Other than working more closely with suppliers for more supports, we will also engage in aggressive attacks on our competitors to gain customers and effectively increase our sales volume in 2021.



Shipping



1

15 Bulk vessels

Currently, we have 15 handy-size (10,000DWT~40,000DWT) vessels in operation. Our shipping business accounts for approximately 32% of the company's total revenue until the 3rd quarter of this year.

2

Short or Long terms

Basically, all vessels are chartered either by short or long terms to balance seasonal and business cycle impacts!

Shipping



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

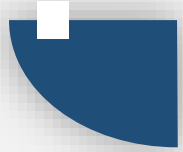


Profits in shipping business in 2020 dropped because the US-China trade war and the COVID-19 lockdown caused decline in demand of shipping capacity and rise in operating cost.



We forecast a recovery in shipping market in 2021, as we believe the global economy will be slowly improved according to the abatement of the above-mentioned issue

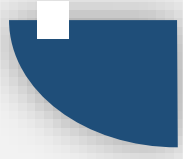




Statements of Comprehensive Income

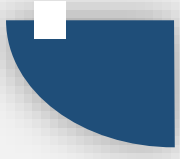
Selected Items from Statements of Comprehensive Income	2020 Q1~Q3	2019	2018
(In NT\$ millions unless otherwise noted)			
Net Revenue	3,068	4,343	4,069
Gross Margin	20%	23%	26%
Operating Expenses	440	570	523
Operating Margin	6%	10%	13%
Non-Operating Items	(57)	(127)	(96)
Net Income to Shareholders of the Parent Company	101	275	351
Net Profit Margin	3%	6%	9%
EPS(NT Dollar)	0.44	1.20	1.54
ROE	2%	5%	6%
Annual Production of SOP(Ton)	99,242	116,624	94,859

- The weighted average number of shares outstanding were 212 m shares at 9/30/19.
- ROE is based on average equity attributable to shareholders of parent company.



Balance Sheets

Selected Items from Balance Sheets	2020.9.30		2019.12.31	
(in NT\$ millions)	Amount	%	Amount	%
Cash & Marketable Securities	828	7	721	6
Accounts & Notes Receivable	477	4	853	5
inventories	351	3	423	3
Long-term Investments	666	6	670	6
NET PP&E	9,528	79	9,976	79
Others	213	1	203	1
Total Assets	12,063	100	12,576	100
Current Liabilities	2,342	19	2,025	16
Non-current Liabilities	3,949	33	4,619	37
Total Liabilities	6,291	52	6,644	53
Total Shareholders' Equity	5,772	48	5,932	47



Statements of Cash Flows

(in NT\$ millions)	2020 Q1~Q3	2019 Q1~Q3
Beginning Balance	721	1,118
Cash from operating activities	510	332
Capital expenditures	(156)	(1,171)
Cash dividends	(169)	(101)
Short-term borrowings	516	(113)
Long-term debts	(598)	617
Investments and Others	4	14
Ending Balance	828	696



Q&A



Q&A

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Green Promise, Sustainable Development

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