



29TH ANNUAL GENERAL MEETING

Briefing on FYE2019 Financial Results

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The background of the slide consists of a wood-grain pattern. The top and bottom portions are dark brown wood panels. A horizontal band of lighter, yellowish-brown wood paneling runs across the center, serving as a backdrop for the title text.

About EVERGREEN

EVERGREEN – A Quick Snapshot



- Started in **1972** as a timber trading and veneer manufacturing company
- Across **48** years of track record, the Group has grown from a single product unit to a **multi-product entity** (e.g. veneer to laminates, to medium density fibreboard (MDF) and particleboard (PB), and then to ready-to-assemble furniture)
- Manufacturing facilities in **Malaysia, Thailand** and **Indonesia**. Employs approx. **2,500** workers
- Market presence in **>40** countries with **over 600** customers
- **>60%** MDF market share in Malaysia
- **70%** export market (all denominated in US\$)

Equity Information @ 23 July 2020

Shares Outstanding	846 million
Share Price	RM 0.20
Market Cap	RM 169 million
Listing Board	Main Market
Listing Date	10 March 2005

Major Shareholders @ 31 December 2019


Kuo Family	36%
Institutional	27%

Financial Summary @ FYE 31 December 2019

Revenue	RM 968 million
Gross Profits	RM 120 million
EBITDA	RM 43 million
Loss after Tax	RM 42 million

Net Asset Analysis @ 31 December 2019

Net Assets	RM 1,164 million
Net Assets/Share	RM 1.38
Net Gearing	0.12x

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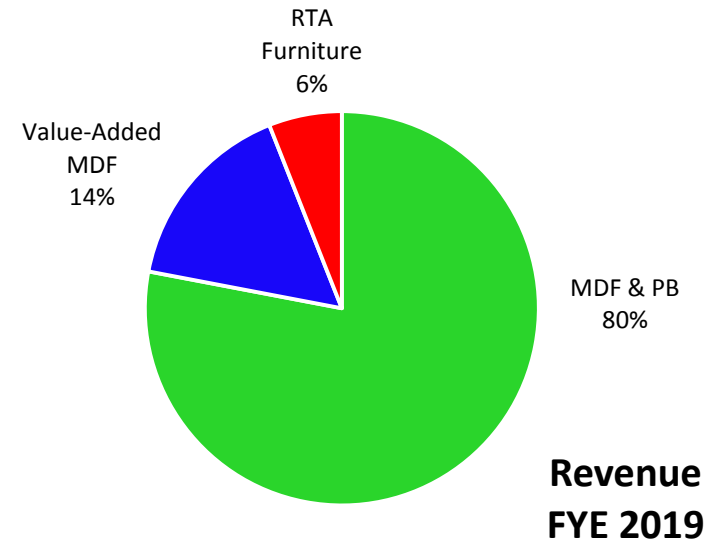
Business Overview

What We Do

Medium Density Fibreboard (MDF)



Manufacturing of MDF, an engineered wood product made by breaking down hardwood or softwood residuals into wood fibres, combining it with wax and resin binder to form panels. Value-added products include melamine, veneered laminated board, embossed MDF, paper or PVC overlay MDF and direct print board



Particleboard (PB)



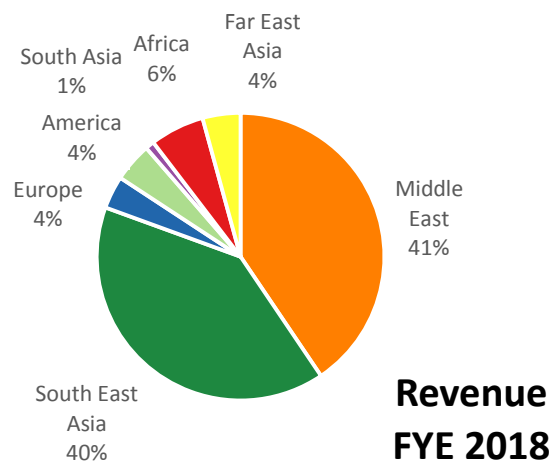
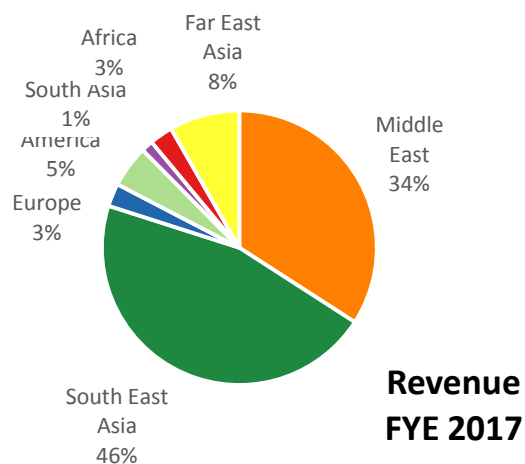
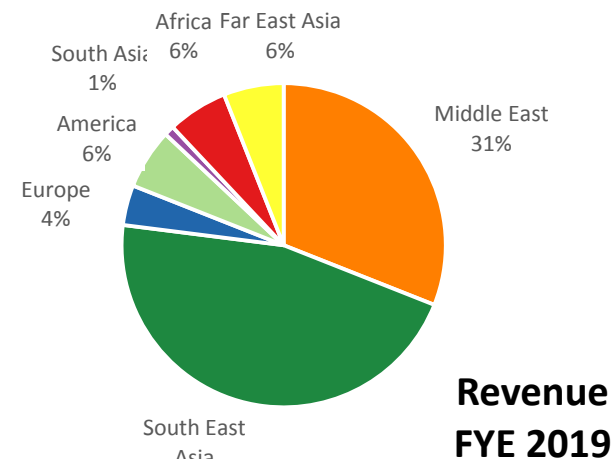
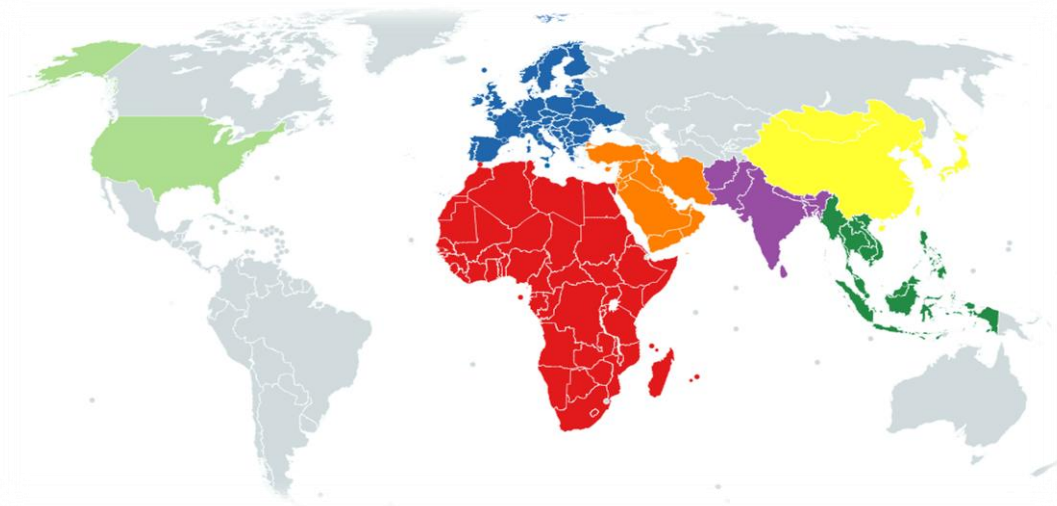
Manufacturing of PB, or chipboard, an engineered wood product manufactured from wood chips, sawmill shavings or sawdust, binded with synthetic resin

Ready-to-Assemble (RTA) Furniture



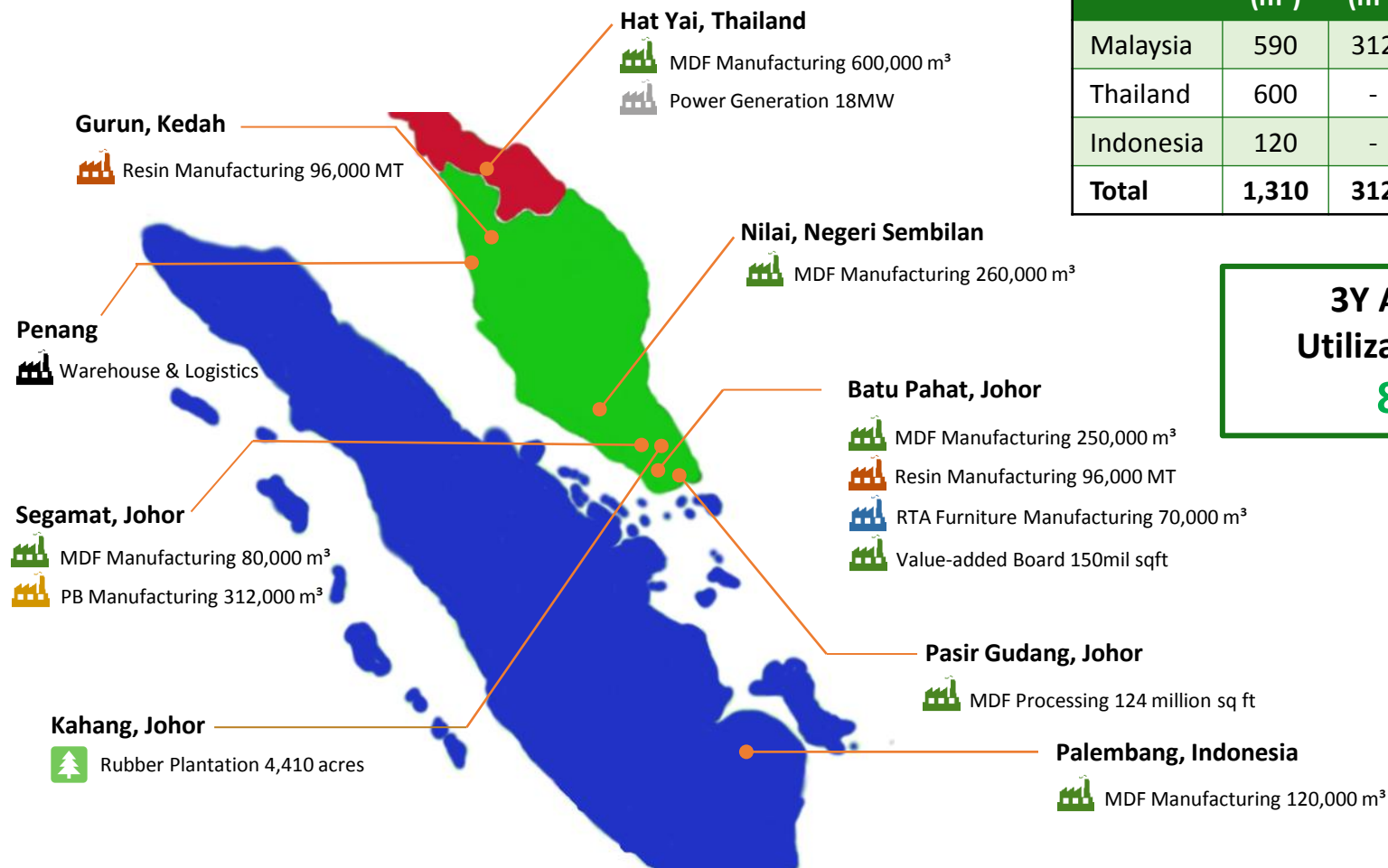
Manufacturing of RTA furniture, or knock-down furniture, a form of furniture that requires assembly by the consumer, in which the main components are value-added MDF & PB

Global Footprint




No geographical or customer concentration risk with no single customer accounts for > 5% of group revenue

Leading MDF Producer in ASEAN



('000)	MDF (m³)	PB (m³)	Resin (MT)	RTA (m³)
Malaysia	590	312	192	70
Thailand	600	-	-	-
Indonesia	120	-	-	-
Total	1,310	312	192	70

**3Y Average
Utilization Rate**
80%

The background of the slide features a vertical wood grain pattern. A horizontal band of lighter, yellowish-gold color runs across the middle, creating a frame for the title. The wood panels are arranged in a staggered, brick-like pattern.

FINANCIALS

FY19 Financial Performance Review

RM'm	FY 2017	FY 2018	FY 2019
Revenue	1,024.1	1,105.5	967.9
Gross Profit	225.5	190.6	120.4
EBITDA	136.8	105.9	43.3
PBT	67.8	25.8	(42.2)
PATAMI	45.0	16.4	(42.0)
EPS (cent)	5.31	1.93	(4.96)
GP Margin	22.0%	17.2%	12.4%
EBITDA Margin	13.4%	9.6%	4.5%
PBT Margin	6.6%	2.3%	(4.4%)
PATAMI Margin	4.4%	1.5%	(4.3%)

- Group revenue in FY2019 dropped mainly due to reduced MDF output and reduced ASP due to over-capacity of the industry.
- Margins declined due to MDF and PB pricing under pressure from over-capacities.
- Over-capacity is more pronounced in MDF as new manufacturing plants in Thailand and Vietnam resulted in stiffer competition.
- MDF is dependent on export market and used more in premium products with higher price point
- In a market downtrend, consumers go for lower priced products which uses more PB which are also produced by Malaysian furniture manufacturers
- During such times, online buying increase in popularity due to its low cost and online channels favor PB furniture which are lighter and those which can be flat-packed (RTA).
- Group's response is to avoid the most competitive MDF markets, aggressively reduce MDF cost structure and focus more on PB, RTA furniture and value-added boards.

Resilient Financial Position to Face Challenges

RM'm	2018	2019
PPE	1,014.2	1,022.1
Non-Current Assets	80.3	87.8
Current Assets ex Cash	388.0	363.2
Cash	106.9	104.8
Total Assets	1,589.4	1,577.9
Current Liabilities	262.7	282.9
Non Current Liabilities	140.4	130.6
Total Liabilities	403.1	413.5
Total Equity	1,186.3	1,164.4
Total Equity & Liabilities	1,589.4	1,577.9
<i>Net Asset/Share (RM)</i>	<i>1.40</i>	<i>1.38</i>
<i>Net Gearing</i>	<i>0.08x</i>	<i>0.12x</i>
<i>Current Ratio</i>	<i>1.88x</i>	<i>1.65x</i>

- Cash of **RM105m** reinforces the sustainability of the Group
- Drop in current assets due to reduction in inventories and receivables to improve cashflow
- Higher current liabilities offset against lower non-current liabilities
- Shareholders equity still strong, exceeding **RM1 Billion**
- Net asset per share remained sizable
- Low net gearing reflects prudent management in response to competitive environment
- Current ratio remained healthy, ensuring sufficient asset liquidity to meet current obligations

Financial Flexibility to Pursue Growth

RM'm	2018	2019
Operating cash flows before working capital changes	103.1	52.2
Changes in working capital and other operating activities	(58.2)	(18.2)
Net cash from OPERATING ACTIVITIES	44.9	34.0
Net cash used in INVESTING ACTIVITIES	(42.5)	(71.7)
Net cash used in FINANCING ACTIVITIES	(19.5)	22.6
Net movement in CASH	(17.1)	(15.1)
Effects of foreign exchange rate changes	3.1	3.9
Beginning Cash Balance	120.0	106.0
Cash Balance at end of Financial Year	106.0	94.8

- The Group continues to maintain a stable **INFLOW** of operating cashflow of **RM52mil** before working capital changes despite challenging environment.
- In FY2018, cash used in investing activities include RM20mil proceeds from sale of land. If exclude this extraordinary item, investing cashflow in FY2019 would be similar to FY2018 as in FY2019 there was a placement of RM9mil into short term funds
- Financing activities see increased usage of short term facilities which gives lower interest than long term term facilities. Net gearing level remains low.
- Cash balance at year end of **RM95mil** provides a comfortable buffer for the Group's operational requirements.

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CHALLENGES

MACROECONOMICS & POLICIES

- **Major economies crippled by Covid-19**
 - Lockdowns resulted in factories not allowed to operate
 - Consumer reduced spending due to less income and limited by movement control
 - Malaysia imposed MCO, affecting Group's operations from end March to May 2020.
- **Heightened competition in Panel Board segment**
 - MDF capacities especially in Thailand and Vietnam remain in oversupply situation
 - Selling price comes under more pressure
- **Volatile USD**
 - USD might weaken as Central Bank is on an accommodative policy footing
- **Higher oil prices**
 - Oil prices are 50% higher now than at the weakest when Saudi-Russia had a price war
 - Increases cost of glue and transportation
 - Indirectly strengthens RM
- **Increase in minimum wage**
 - With Malaysia revising its poverty line, this might result in higher minimum wage being set

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CHALLENGE MANAGEMENT

STRATEGIES & TEAM EFFORTS

○ **Responding to Covid-19**

- Diversify markets to avoid geography concentration risk
- Increase presence on online channels especially in RTA furniture segment

○ **Responding to heightened competition in Panel Board segment**

- Continue to increase capacities of downstream which uses own panel boards
- Consolidate MDF operating lines to improve capacity utilization rates of newer, more efficient lines. Although total output volume drops, only less profitable orders are forgone.

○ **Responding to weaker USD and higher oil prices**

- Focus on Malaysia market to take advantage of stronger RM and lower transport costs
- Enter into hedging contracts if there are longer dated sales contracts
- Improve glue consumption via process improvement and in new technologies
- Reduce cost of glue via R&D on glue manufacturing in our own glue plant

○ **Responding to increase in minimum wage**

- Improve on process flows so as to improve manufacturing procedures and manpower needs
- Maximise productivity and optimize overtime expenses

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OPPORTUNITIES

MACROECONOMICS & POLICIES

○ **US-China Trade War**

- US-China trade wars made it impossible for Chinese manufacturers to sell to US
- Many Chinese firms are moving out from China to setup furniture plants in SEA
- This will benefit the Group as the Group can supply MDF and PB boards as raw materials to these new factories. (The Chinese local market is protected by VAT)
- US furniture importers are sourcing from SEA, benefiting the Group's RTA furniture segment

○ **Lower Interest Rate**

- Lower interest rate to spur domestic consumer spending, benefiting the local furniture market.
- Lower the Group's interest expense

○ **Various Government Initiatives to Encourage Home Ownership**

- Various schemes from duty exemptions, affordable homes, home financing schemes etc
- These new homes will spur Malaysians to buy more furniture

The background of the image consists of vertical wood panels. A horizontal band of lighter, yellowish light is centered across the middle, creating a gradient effect. The word "WEAKNESS" is printed in bold black letters within this light band.

WEAKNESS

OVERCAPCITIES IN THAILAND

○ **Over-expansion of MDF capacities**

- Many new capacities added during the last 3 years, originally targeting Iran market opened by Obama administration
- After Trump administration sanctioned Iran, loss of market result in over capacity
- Over-capacity resulted in pressure on selling price and competition for raw material

○ **Competition for Raw Material**


- Although Thailand has plenty of rubber plantation, users of rubber wood are increasing
- From increased MDF capacities to rubber glove manufacturers using wood as boiler fuel
- This has resulted in competition for rubber wood, driving up the wood price

○ **No local downstream, depend on export market**

- Thailand has an under-developed downstream market for panel board utilisation
- This makes Thai MDF manufacturers rely on export markets which is very competitive

○ **Strong Thai Baht**

- Factories in Thailand have costs (logs, salary, utilities, etc) denominated in Thai baht
- Export income translated to lesser Thai baht

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STRENGTHS

Vertically Integrated Operations & Wide Customer Base

○ Sustainably Integrated Operations

- Manufacture **adhesives** for in-house needs
- Experienced in managing **rubber wood log harvesting** concessions
- Produce different kinds of **engineered wood** (e.g. MDF, PB, sawntimber)
- Value-add **veneering, coating, laminating** processes
- Manufacture finished **furniture** products
- Wood wastes are either **recycled** for production use or as bio-mass boiler fuel

○ Wide Customer Base

- Over 600 individual customers
- Customers are geographically diverse
- Presence in all 5 major trading continents
- Better able to spread risks of market lockdown due to pandemic



Stability through diversity

Diversified base of operations

- **Manufacturing presence in Malaysia, Thailand and Indonesia**
- **Each country allows access to different markets**
 - Malaysia – Great infrastructure, top 10 furniture exporter in world, provide big market for panel board
 - Thailand – Top rubber producer, plentiful raw material
 - Indonesia – Top 2 rubber producer, plentiful raw material, fast growing local market, lowest cost structure
 - ASEAN and Asia is a major and still growing MDF/PB consumer. AEC will allow for better business integration
- **Avoid concentration of geographic risk**
 - Spreading of political risks
 - Avoid over-exposure to excessive raw material price fluctuations from any single country



Centre of Malaysian Furniture Industry is Literally in Our Backyard

○ Large Captive Local Market

- Evergreen is a long established Malaysian MDF supplier with a strong reputation
- Malaysia is among the top 10 furniture exporting countries in the world
- The furniture industry continues to receive support from the Malaysian government which indirectly benefits the Group
- Muar is the furniture hub of Malaysia and is near to 3 of the Group's production locations giving the Group significant benefits in terms of lower logistics costs, faster response and faster order cycle times.

○ Home Ground Advantages

- A weak Ringgit is a natural barrier against imports
- Southern Malaysia location increases transport costs for imports especially those from Thailand
- Preferred choice of international buyers looking for alternative to China sources
- US-China trade war benefits our RTA



Future Potential in Indonesian Market

Local Presence in Indonesia

○ Domestic Indonesian Market

- Indonesia has big potential as its middle class is growing rapidly, resulting in more furniture buying
- Local furniture industry is largely undeveloped giving rise to significant future growth potential for panel boards
- Sheltered from international competition due to low port handling capacities and other weak infrastructures


○ Abundant Raw Materials

- The largest land area of planted rubber trees, resulting in ample sources of rubber wood
- With ample supply and an under-developed panel board industries, rubber wood prices is the lowest among the 3

○ Home Ground Advantage

- Benefit from lowest wood and labour cost
- Developed local contacts resulting in better servicing and understanding of Indonesian customer needs
- Shorter order cycle by use of both land and sea routes
- Weak Rupiah is a natural barrier against imports
- Own jetty allows direct loading at more efficient logistics cost for the export market



The background of the slide consists of a dark wood panel texture. A horizontal band of lighter, yellowish-gold color runs across the middle of the image, serving as a backdrop for the text.

LOOKING AHEAD

IMPROVEMENTS MADE

- **15% increase in efficiency in Indonesia plant**
 - Due to investments made in 1H2020, Indonesia plant is more efficient to meet local demand which commands a much higher price than international panel board prices
- **Positive developments in Furniture Market and increased RTA capacity**
 - Much higher orders from US and European buyers who are switching from China
 - RTA has boosted its output by 60% in 2H2020 and running at full capacity to meet these orders
- **Positive developments in Particle Board Market**
 - Furniture makers in Johor are seeing much increased orders, increasing demand for PB
 - Our PB factory has improved output capacity by 30% in 2H2020 and running at full capacity with a majority of its products shifted to low-emission and thinner PB boards
 - Optimistic to see higher ASPs in 2H2020 due to better product mix and better market demand
- **Increased capacities and demand for non-raw boards products**
 - Group expanding capacities of its non-raw board products which are backed by new orders
 - Developing new products which are targeted to launch by 4Q2020 and early FY2021
 - New products are developed by in-house R&D in conjunction with our customers and includes additional offerings of value-added boards

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SALIENT POINTS

Why revenue decreased by 12% for FY2019 ?

○ Revenue drop mainly due to reduced MDF output and lower ASP

- Lower MDF output due to stiff competition from oversupply at Thailand and Vietnam
- Margins declined also due to MDF and PB pricing under pressure from over-capacities.
- MDF is dependent on export market and more in premium products with higher price point
- In a market downtrend, consumers go for lower priced products which uses more PB which are also produced by Malaysian furniture manufacturers
- During such times, online buying increase in popularity due to its low cost and online channels favor PB furniture which are lighter and those which can be flat-packed (RTA).

○ Group's response to this in FY2020 is to:

- Reduce reliance on MDF export market and focus on Malaysia and Indonesia local markets
- Improved capacities in PB, RTA and downstream products to meet higher demands
- RTA has boosted its output by 60% in 2H2020 and running at full capacity to meet these orders
- PB factory has improved output capacity by 30% in 2H2020 and running at full capacity with a majority of its products shifted to low-emission and thinner PB boards
- Developing new products in conjunction with our customers

THAILAND OPERATION – A challenge

○ **Thailand is very MDF focused whose losses are due to:**

- Oversupply of MDF at Thailand
- Thailand has limited down-stream industry to consume MDF, hence majority of panel board produced are exported, resulting in further competition with manufacturers eg Vietnam
- Competing aggressively for wood sources, thereby driving up wood price
- Too reliant on obtaining rubber wood log as wood material

○ **Group's response to this in FY2020 is to:**

- Revamp the cost structure with significant cost cut
- Consolidate production lines to extract optimal efficient
- Eliminate unprofitable orders, thereby reducing pressure to obtain more wood
- Control and diversify wood sources (tropical wood, stumps etc) to reduce cost of wood
- Diversify product offering to increase proportion of thin and low emission boards

MCO impact on 1H2020

- **Affected operations of the Group from March 2020 to May 2020:**
 - MDF production volume was reduced from between 3% to 21% during the period
 - PB production volume was reduced from between 16% to 100% during the period
 - PB stopped production for month of April 2020 due to MCO guidelines from local authorities
 - Operations also curtailed by limited wood supply as loggers were not allowed to operate
 - Operations are largely normalized by end June 2020

- **Group's response to this in 2H2020:**
 - To ensure high productivity to catch up on pending orders
 - Divert resources to boost capacity and output of PB, RTA and value-added boards
 - Prioritize higher margin products such as low-emission products
 - Capture the lion's share of local PB market from a resurgent Malaysian furniture industry
 - Seize new orders from western furniture buyers looking for non-China sources

BRIGHT SPOTS IN PB and RTA in 2H2020

('000)	MDF (m ³)	PB (m ³)	Resin (MT)	RTA (m ³)
Malaysia	590	312	192	70
Thailand	600	-	-	-
Indonesia	120	-	-	-
Total	1,310	312	192	70

○ MDF current utilization is around 60%

○ PB current utilization is at **100%**

○ RTA current utilization is at **100%**

○ PB capacity increased by **30%** from 240,000m³ in FY2019

- To take advantage of strong market demand especially from local market
- Majority of output is for low emission boards and thinner boards

○ RTA capacity increased by **60%** from 44,000m³ in FY2019

- To meet very high demand from European and US buyers
- To continue to diversify to other markets especially towards East Asia

Balance sheet and Liquidity Management

To ensure sufficient financial liquidity:

- Reduced receivables and inventories to improve cash inflow
- Receivables on average maintain within 30-40 days collection period via constant monitoring
- Increased utilization of trade facilities while paying down payables
- Payables paid off early to enjoy early payment discounts
- Limit capital expenditure in FY2020 to conserve cash
- Ensure EBITDA to remain positive and target to improve in FY2020

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Thank You