30TH ANNUAL GENERAL MEETING

Briefing on FYE2020 Financial Results

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About EVERGREEN

EVERGREEN – A Quick Snapshot

- Started in **1972** as a timber trading and veneer manufacturing company
- Over **49** years, the Group has grown 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 with more than **70%** of Group's revenue from export market

Equity Information @ 13 August 2021	
Shares Outstanding	846 million
Share Price	RM 0.365
Market Cap	RM 309 million
Listing Board	Main Market
Listing Date	10 March 2005

Major Shareholders @ 31 December 2020	
Kuo Family	42%
Institutional	23%

Financial Summary @ FYE 31 December 2020	
Revenue	RM 860 million
Gross Profits	RM 135 million
Adjusted EBITDA	RM 92 million
Loss after Tax	RM 101 million

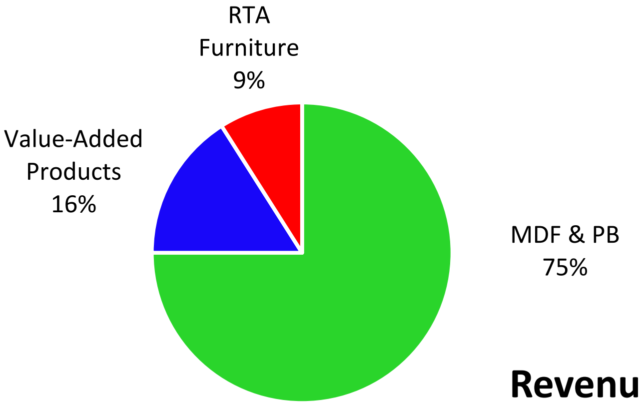
Net Asset Analysis @ 31 December 2020	
Net Assets	RM 1,022 million
Net Assets/Share	RM 1.21
Net Gearing	0.14x

Business Overview

What We Do

Medium Density Fibreboard (MDF)

Manufacturing of MDF, an engineered wood product made by breaking down wood residual 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.



Revenue FYE 2020

Particleboard (PB)

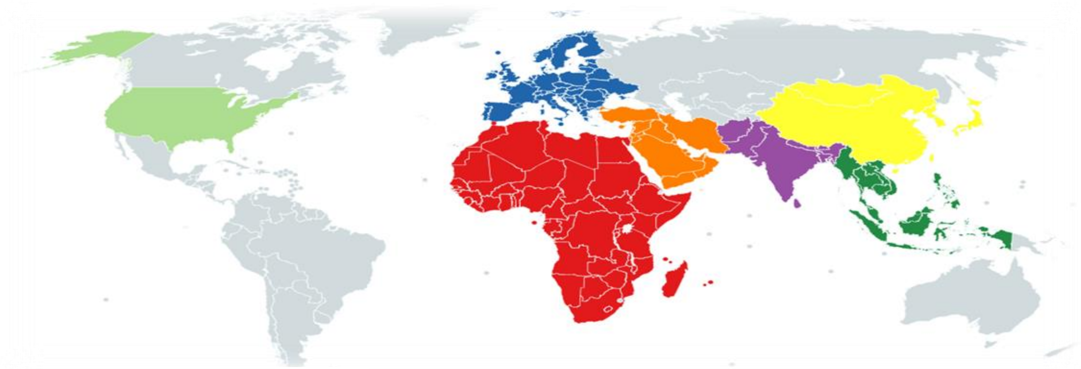
Manufacturing of PB, or chipboard, an engineered wood product manufactured from wood chips, sawmill shavings or sawdust, binded with synthetic resin

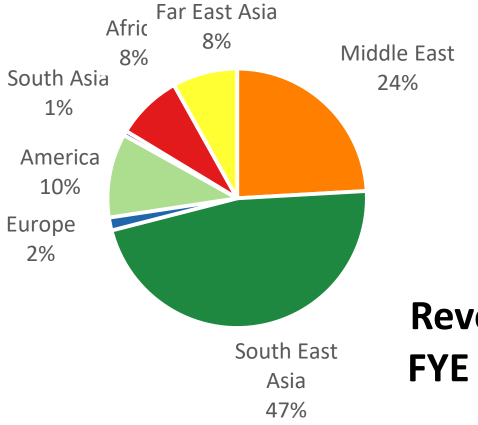
Ready-to-Assemble (RTA) Furniture

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

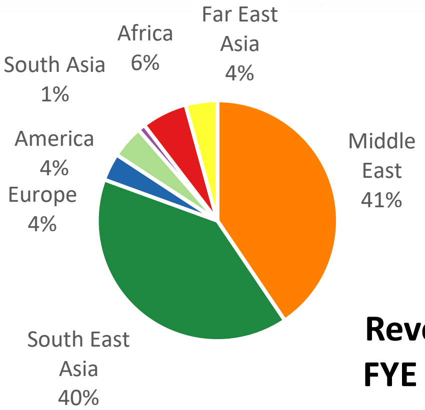
Global Footprint

EVERGREEN FIBREBOARD BERHAD

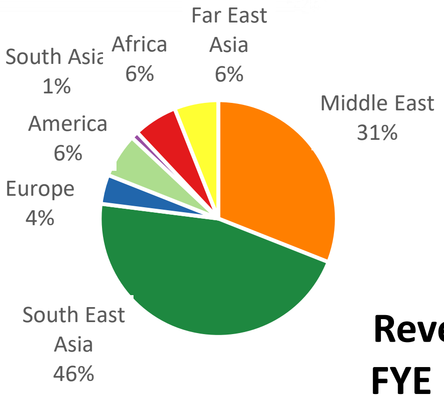




Revenue FYE 2020



Revenue FYE 2018



Revenue FYE 2019

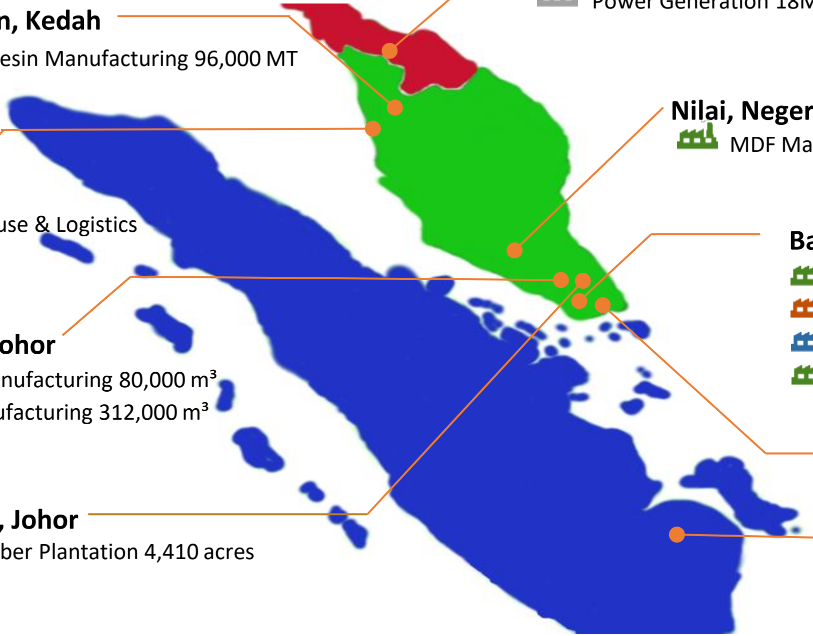
No customer concentration risk with no single customer accounts for > 5% of group revenue

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

78%



FINANCIALS

FY20 Financial Performance Review

RM'm	FY 2019	FY 2020	1Q 2021
Revenue	967.9	859.8	233.2
Gross Profit	125.4	134.5	40.6
Adjusted EBITDA	52.2	91.8	31.0
PBT	(42.2)	(99.0)	11.4
PATAMI	(42.0)	(102.8)	9.6
EPS (cent)	(4.96)	(12.15)	1.14
GP Margin	12.4%	15.6%	17.4%
Adj EBITDA Margin	5.4%	10.7%	13.3%
PBT Margin	(4.4%)	(11.5%)	4.9%
PATAMI Margin	(4.3%)	(12.0%)	4.1%

- Group revenue in FY2020 dropped due to MCO lockdown and movement restrictions.
- GP Margin has improved due to higher average selling price and improved overhead cost control.
- Significant FY2020 losses before tax due to one-off non-cash event of impairment of certain assets, as recommended by auditor during year end audit in view of uncertain market conditions due to pandemic. Excluding the impact from the one-off non-cash event, the Group actually reported better operational results since the 3Q2020.
- As per Group's 1Q2021 announced result, the Group has positive PATAMI of **RM9.6million**. Despite higher raw material prices, this better performance was achieved on the back higher average selling price, better overhead cost control

Resilient Financial Position to Face Challenges

RM'm	2019	2020
PPE	1,022.1	925.6
Non-Current Assets	87.8	85.5
Current Assets ex Cash	363.2	318.4
Cash	104.8	122.5
Total Assets	**1,577.9**	**1,452.0**
Current Liabilities	282.9	315.2
Non Current Liabilities	130.6	115.3
Total Liabilities	**413.5**	**430.5**
Total Equity	1,164.4	1,021.5
Total Equity & Liabilities	**1,577.9**	**1,452.0**
Net Asset/Share (RM)	*1.38*	*1.21*
Net Gearing	*0.12x*	*0.14x*
Current Ratio	*1.65x*	*1.40x*

- Cash of **RM122m** 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 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	2019	2020
Operating cash flows before working capital changes	52.2	91.8
Changes in working capital and other operating activities	(18.2)	(26.6)
Net cash from OPERATING ACTIVITIES	**34.0**	**65.2**
Net cash used in INVESTING ACTIVITIES	(71.7)	(69.3)
Net cash used in FINANCING ACTIVITIES	22.6	22.5
Net movement in CASH	**(15.1)**	**18.4**
Effects of foreign exchange rate changes	3.9	(0.9)
Beginning Cash Balance	106.0	94.8
Cash Balance at end of Financial Year	94.8	112.3

- The Group almost doubled the **INFLOW** of operating cashflow of **RM92mil** before working capital changes despite challenging environment.
- In FY2020, the Group acquired the remaining 49% of the shares that it did not previously own in the Indonesia operations, PT Hijau Lestari Raya Fibreboard for an amount of RM33mil. PT Hijau is profitable and continues to positively contribute to the Group result especially when Malaysia is in FMCO lockdown.
- Financing activities see increased usage of short term facilities which gives lower interest than long term term facilities. Net gearing level remains low.
- **INCREASED** Cash balance at year end to **RM112mil** provides a comfortable buffer for the Group's operational requirements.

CHALLENGES

Challenges in 2021

MACROECONOMICS & POLICIES

- **Restrictions due to Covid-19**
  - Lockdowns resulted in factories not allowed to operate and reduced consumer due to less income
  - Malaysia imposed FMCO, affecting Group's operations since June 1st, 2021.
- **Logistical challenges**
  - Shortage of containers and ships remain a concern, made worse by Suez Canal blockage
  - Additional FMCO SOPs implemented in Malaysia further increase the challenge
- **Limited labor supply**
  - Unable to bring in new foreign workers for Malaysian operations
  - Difficult to hire locals as factories are perceived as Covid19 clusters
- **Higher oil and raw material prices**
  - Oil prices have breached the USD70/barrel level
  - Increases cost of glue and transportation
  - Log prices are relatively high in view of longer rainy season in Indonesia and supply shortage in Malaysia due to FMCO and other movement control orders

CHALLENGE MANAGEMENT

MANAGING CHALLENGES

STRATEGIES & TEAM EFFORTS

- **Responding to Covid-19**
  - The Group is cautious and practices prescribed SOPs to prevent Covid19 clusters in its premises
  - Facilitate vaccination exercises for all employees who want to participate
  - To increase production MDF output from Thailand to compensate for disruptions in Malaysia
- **Responding to logistical challenges**
  - Focus on local markets to reduce dependence on international shipments.
  - Work closely with export customers to leverage on each other's strengths to secure shipments
- **Responding to limited labor supply**
  - Restructure manufacturing processes to streamline operations
  - Automate to reduce reliance on manual processes
- **Responding to higher oil and raw material prices**
  - Improve glue and wood consumption ratio via process improvement and in new technologies
  - Reduce cost of glue via R&D on glue manufacturing in our own glue plant

OPPORTUNITIES

Opportunities in 2021

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 we can supply MDF and PB boards as raw materials to these new factories.
  - US furniture importers are sourcing from SEA, benefiting the Group's RTA furniture segment
- **Improving US economy**
  - US is the largest furniture consumer which will drive increased demand for furniture
  - US Senate has passed a US1 trillion infrastructure bill which will further boost the US economy
- **Lower Interest Rate**
  - Lower interest rate to spur domestic consumer spending
  - Lower the Group's interest expense

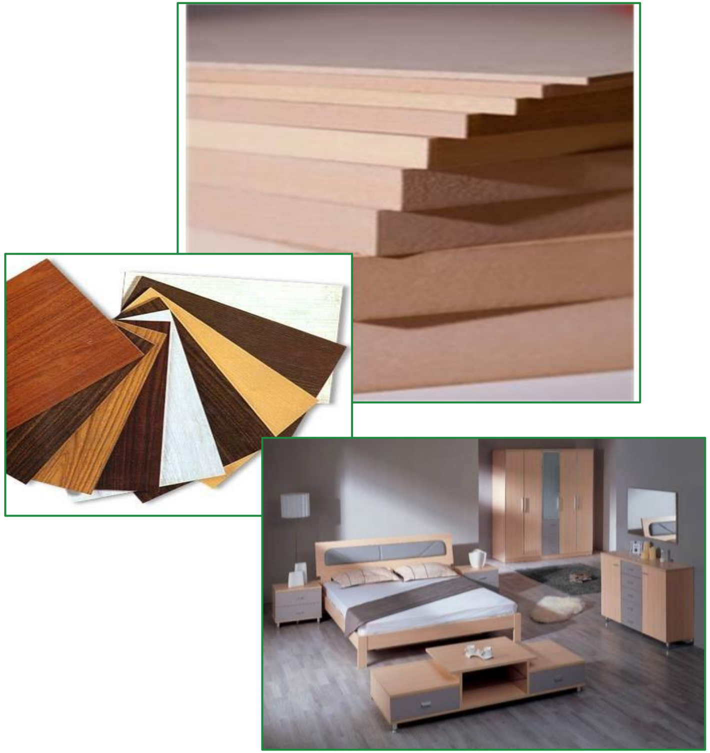
STRENGTHS

Stability through diversity

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
  - Spreading risk of nationwide lockdowns
  - Avoid over-exposure to excessive raw material price fluctuations from any single country

Captive Market over Malaysian Furniture Industry

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 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
- 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
- Rubber wood prices is the lowest among the 3 countries

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

LOOKING AHEAD

Continued Enhancements in 2H2021

UPCOMING ENHANCEMENTS

- **Improve Capacity utilization rate in Thailand**
  - Management expects MDF capacity utilization rate to improve by the fourth quarter of FY2021 to meet increasing demand and to act as back-up against future production disruptions in Malaysia
- **Refurbishment of Power Plant in Thailand**
  - Thailand's power plant has been under-going major refurbishment since end of FY2020
  - Completion of refurbishment by third quarter of FY2021 will result in improved performance
- **Positive developments in MDF Export Market**
  - After sustained increases in raw material and logistics costs, selling price of MDF has been improving
  - Overseas buyers are stocking up to hedge against supply disruptions due to logistical delays
- **Increased capacities and demand for value-added boards**
  - Group expanding capacities of its non-raw board products which are backed by new orders
  - Developing new products which are targeted to launch by 4Q2021
  - New products are developed by in-house R&D in conjunction with our customers and includes additional offerings of value-added boards

SALIENT POINTS

SALIENT POINTS

Why revenue decreased by 11% for FY2020 ?

- **Revenue drop mainly due to production disruption in Malaysia from MCO**
  - MCO and other variants of movement control orders in Malaysia resulted in production disruptions ranging from complete stoppage to running at reduced capacities
  - Malaysian furniture producers who are major consumers of panel boards also faces production disruptions which in turn reduced buying volume
  - Export sales impacted by high logistics costs and tight shipping capacities

- **Group's response to this in FY2021 is to:**
  - Complying with government issued SOPs to reduce Covid19 cluster incidence within the Group's premises
  - Encourage employees to go for vaccination and to facilitate vaccination exercises for its employees who want to be vaccinated
  - To improve MDF production capacity utilization in Thailand
  - Increase export sales and work with overseas buyers to leverage on each other's network and contacts to better secure more shipping facilities to reduce logistics disruptions

SALIENT POINTS

THAILAND OPERATION – A turn-around

- **Group's losses after tax are due to:**
  - One-off non-cash impairment write-down of assets mainly from its solid wood furniture operations in Thailand whose sole target market was China. As China's economy was at a stand-still in the first half of FY2020 due to Covid19, the operations switched from China to Thailand's furniture market via online platform
  - Due to the uncertainty from Covid19 in FY2020 and the change to a new market, auditor recommend to impair the assets until the situation shows improvements in future
  - Thailand's MDF operation faced high wood cost due to tight supply which impacted productivity and cost.
  - Thailand's power plant suffered from inefficiency due to breakdowns. Efforts to refurbish were delayed significantly due to restriction of bringing in foreign engineers to effect repairs.

- **Group's response to this in FY2021 is to:**
  - Scale down solid wood operations from its peak to reduce losses and adopt a more effective business model
  - Thailand's MDF cost structure significantly improved with better productivity
  - Higher average selling price from better product mix will improve financial result
  - To complete refurbishment of power plant to increase efficiency and reduce cost

SALIENT POINTS

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 FY2021 to conserve cash
- Ensure EBITDA to remain positive and target to improve in FY2021

SALIENT POINTS

ACROSS-BOARD IMPROVEMENT

- **Improved prospect of MDF**
  - MDF export market has seen marked improvement especially since beginning 2021
  - Higher average selling prices and stronger USD vs RM and THB have helped the Group’s financial performance by cushioning against FMCO lockdown.

- **Continued contribution from non-panel board products**
  - Value-added boards continue to positively contribute to the Group’s financial result
  - RTA operation in Malaysia has raised sales volume to US market with healthy profit margins
  - Looking forward, after FMCO is lifted and overall situation stabilises, the Group aims to launch new value-added products to meet market demand and improve margins.

Thank You