EVERGREEN FIBREBOARD BERHAD

31ST ANNUAL GENERAL MEETING

Briefing on FYE2021 Financial Results

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About EVERGREEN

EVERGREEN – A Quick Snapshot

- Started in **1972** as a timber trading and veneer manufacturing company
- Over **50** 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. **2,200** 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 @ 27 May 2022	
Shares Outstanding	846 million
Share Price	RM 0.62
Market Cap	RM 525 million
Listing Board	Main Market
Listing Date	10 March 2005

Major Shareholders @ 31 December 2021	
Kuo Family	42%
Institutional	15%

Financial Summary @ FYE 31 December 2021	
Revenue	RM 935 million
Gross Profits	RM 193 million
Profit Before Tax	RM 40 million
Profit after Tax	RM 34 million

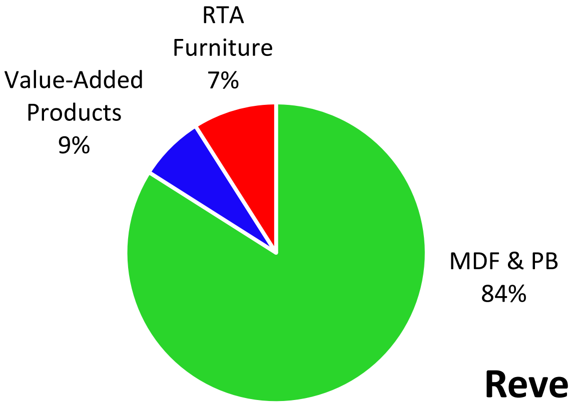
Net Asset Analysis @ 31 December 2021	
Net Assets	RM 1,038 million
Net Assets/Share	RM 1.23
Net Gearing	0.07x

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 2021

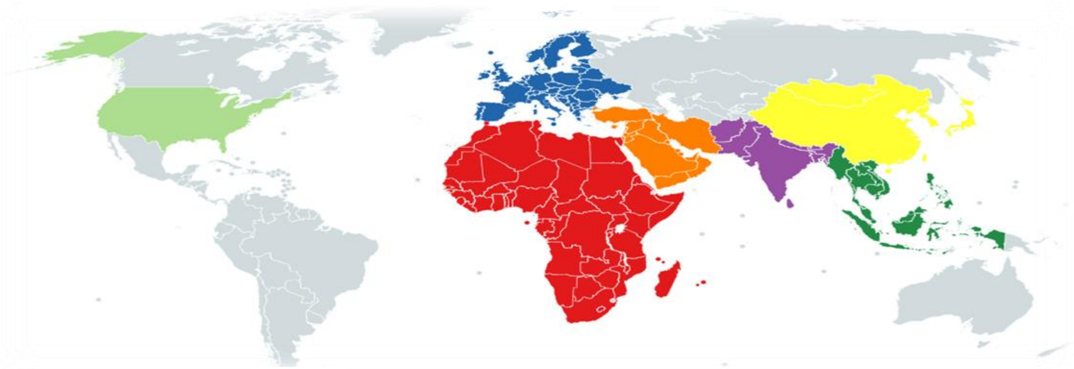
Particleboard (PB)

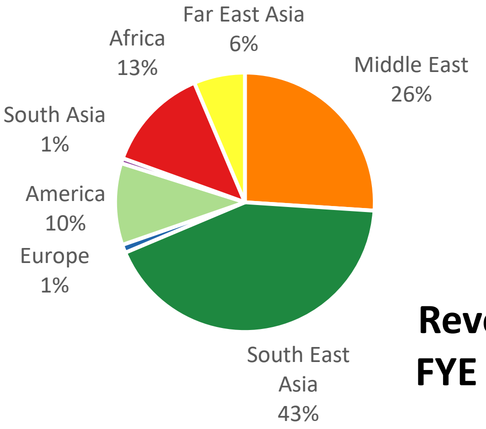
Manufacturing of PB, or chipboard, an engineered wood product manufactured from wood chips, sawmill shavings or sawdust, binded with synthetic resin

Ready-to-Assemble (RTA) Furniture

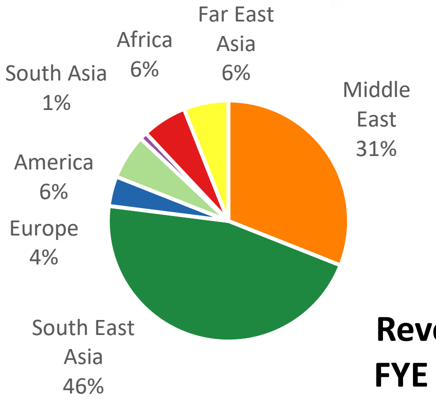
Manufacturing of RTA furniture, or knock-down furniture, a form of furniture that requires assembly by the consumer, in which the main components are value-added MDF & PB

Global Footprint

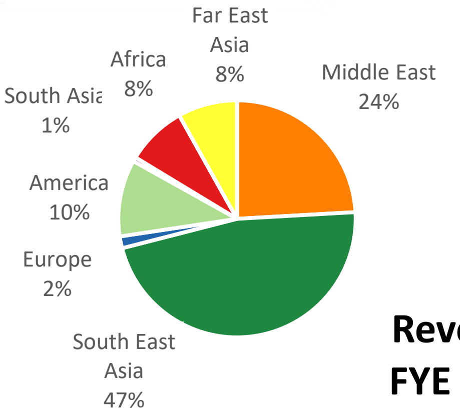




Revenue FYE 2021



Revenue FYE 2019



Revenue FYE 2020

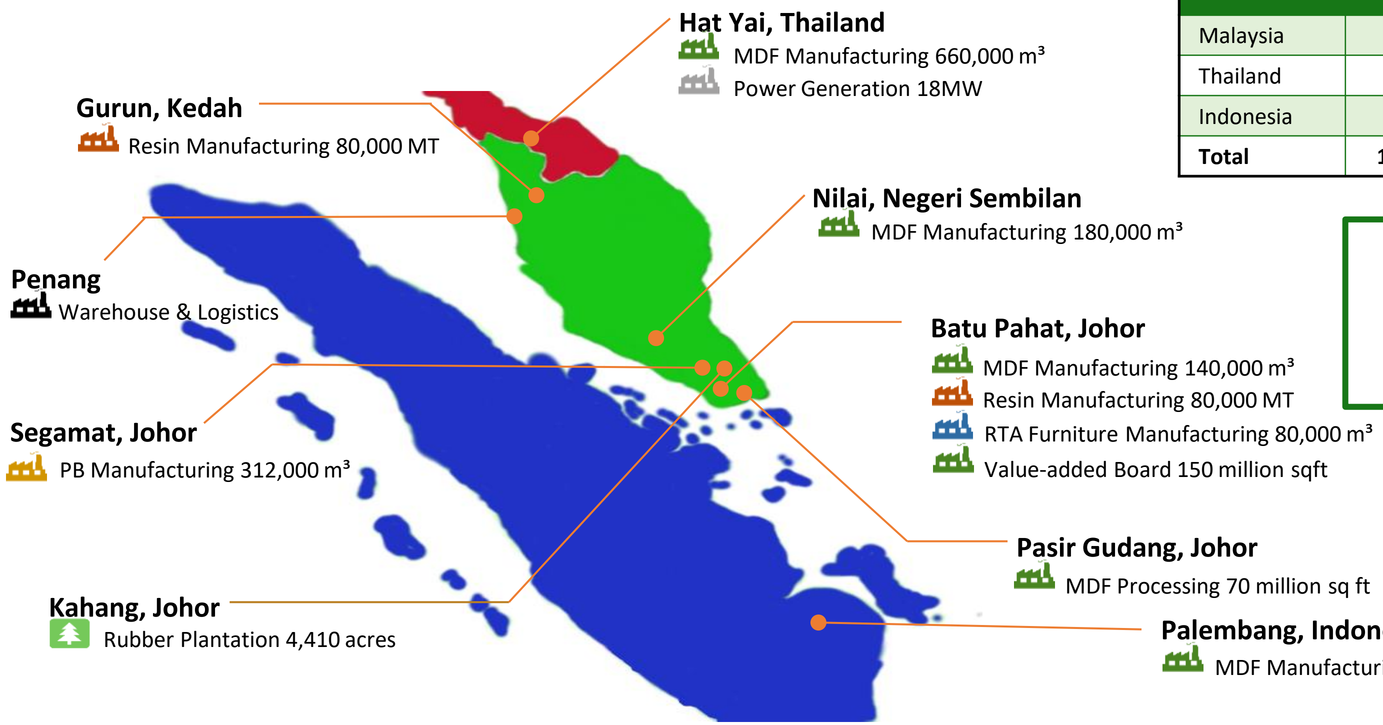
No customer concentration risk with no single customer accounts for > 5% of group revenue

Leading MDF Producer in ASEAN

('000)	MDF (m³)	PB (m³)	Resin (MT)	RTA (m³)
Malaysia	320	312	160	80
Thailand	660	-	-	-
Indonesia	120	-	-	-
Total	**1,100**	**312**	**160**	**80**

3Y Average Utilization Rate

75%



FINANCIALS

FY21 Financial Performance Review

RM'm	FY 2020	FY 2021	1Q 2022
Revenue	859.8	935.0	319.3
Gross Profit	134.5	193.3	79.4
Adjusted EBITDA	90.9	111.6	42.6
PBT	(99.0)	39.8	22.1
PATAMI	(102.8)	34.4	17.5
EPS (cent)	(12.15)	4.06	2.07
GP Margin	15.6%	20.7%	24.9%
Adj EBITDA Margin	10.6%	11.9%	13.3%
PBT Margin	(11.5%)	4.3%	6.9%
PATAMI Margin	(12.0%)	3.7%	5.4%

- Despite longer periods of operational shutdown in Malaysia in FY2021 compared to FY2020 due to FMCO vs MCO 1.0, the Group's revenue in FY2021 increased **RM75.2mil** due to higher selling price and shifting of Malaysian orders to Thailand.
- Gross Profit has improved **44%** due to higher average selling price and improved overhead cost control.
- Despite the lockdown was even more severe in FY2021, the Group was able to report **PATAMI** of **RM34.4million** due to much improved contributions from Thailand and Indonesia which benefited from increased selling price and overhead cost control. Resilience via **diversification**.
- As per Group's **1Q2022** announced result, the Group has positive PATAMI of **RM17.5million**. Despite higher raw material prices, this improved result was achieved on the back higher average selling price and higher volume due to recovery in Malaysia and improved orders from Mid East.

Resilient Financial Position to Face Challenges

RM'm	2020	2021
PPE	925.6	863.2
Non-Current Assets	85.5	89.6
Current Assets ex Cash	318.4	367.2
Cash	122.5	101.8
Total Assets	**1,452.0**	**1,421.8**
Current Liabilities	315.2	287.3
Non Current Liabilities	115.3	97.0
Total Liabilities	**430.5**	**384.3**
Total Equity	1,021.5	1,037.5
Total Equity & Liabilities	**1,452.0**	**1,421.8**
Net Asset/Share (RM)	*1.21*	*1.23*
Net Gearing	*0.14x*	*0.07x*
Current Ratio	*1.40x*	*1.63x*

- Cash of **RM102m** reinforces the sustainability of the Group
- Drop in cash was due to repayment in bank borrowings to reduce interest expense. As a result, net gearing has **improved by 50%** from 0.14x in FY20 to 0.07x in FY21
- Lower current and non-current liabilities mainly due to reduction in bank borrowings.
- Shareholders equity exceeding **RM1 Billion**
- Net asset per share increased to RM1.23 per share
- Low net gearing reflects prudent management in response to uncertain environment
- Current ratio has improved, ensuring sufficient asset liquidity to meet current obligations

Financial Flexibility to Pursue Growth

RM'm	2020	2021
Operating cash flows before working capital changes	90.9	111.6
Changes in working capital and other operating activities	(25.7)	(29.0)
Net cash from OPERATING ACTIVITIES	**65.2**	**82.6**
Net cash used in INVESTING ACTIVITIES	(69.3)	(21.1)
Net cash used in FINANCING ACTIVITIES	22.5	(83.0)
Net movement in CASH	**18.4**	**(21.5)**
Effects of foreign exchange rate changes	(0.9)	0.7
Beginning Cash Balance	94.8	112.3
Cash Balance at end of Financial Year	112.3	91.5

- The Group increased the **INFLOW** of operating cashflow to **RM112mil** before working capital changes despite longer lockdown due to FMCO in FY21.
- 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. The improved performance in PT Hijau since the acquisition and the absence of minority interest allowed the Group to report better results.
- Due to strong cashflow generation abilities and lesser investing activities, the Group pared down its bank borrowings to reduce the interest cost as to counter rising raw material prices. Higher **DIVIDEND** potential.

CHALLENGES

Challenges in 2022

MACROECONOMICS & POLICIES

- **Higher oil, raw material prices and cost of operations**
  - Ukraine-Russia War, trade sanctions against Russia and lockdown in China due to resurgence of Covid19
  - Higher oil prices increases the cost of glue and logistics
  - Insufficient log supply especially in Malaysia due to foreign labor shortages and pro-longed wet weather
  - Malaysia’s minimum wage increased by 25% and cost of electricity also increased
  - Inflationary pressures resulted in major central banks to increase interest rates

- **Logistical challenges**
  - Shortage of containers and ships remain a concern, made worse by Ukraine-Russia War and China lockdown

- **Limited labor supply**
  - Unable to bring in new foreign workers for Malaysian operations, also affect log supply in Malaysia
  - Group continues to hire locals but has faced difficulties in retaining them

CHALLENGE MANAGEMENT

MANAGING CHALLENGES

STRATEGIES & TEAM EFFORTS

- **Responding to higher oil, raw material prices and cost of operations**
  - Work with customers to optimize selling price in view of higher input costs and to focus on premium products
  - Improve glue and wood consumption ratio via process improvement and investing in new technologies
  - Reduce cost of glue via R&D on glue manufacturing in our own glue plant
  - Install solar panels in Malaysia under zero-capex with fixed tariff arrangement
  - With Southwest Monsoon, there should be less rain which should improve log supply in Malaysia
- **Responding to logistical challenges**
  - Focus on local markets to reduce dependence on international shipments.
  - Work closely with export customers to pool our resources to secure shipments
- **Responding to limited labor supply**
  - Restructure manufacturing processes to streamline operations
  - Automate to reduce reliance on manual processes and provide training to improve worker productivity

OPPORTUNITIES

Opportunities in 2022

MACROECONOMICS & POLICIES

- **US-China Trade War**
  - US-China trade war strongly discouraged US furniture buyers to source from China
  - Many Chinese firms are moving out from China to setup furniture plants in SEA
  - This has benefited the Group as we can supply MDF and PB boards as raw materials to these new factories.
  - US furniture importers are sourcing from SEA, directly benefiting the Group's RTA furniture segment
- **Improving US and Middle East economies**
  - US is the largest furniture consumer which will drive increased demand for furniture
  - Stronger US Dollar due to interest rate hike in US will improve Group's export revenue
  - Higher oil prices have rejuvenated Middle East spending power resulting in higher demand for furniture
- **Lifting of movement restrictions**
  - To spur domestic economy thereby increasing disposable income
  - Overall improvement in economic growth has correlation with improved housing and furniture demand

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 panel board 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 the furniture sector

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

Expected Improvements in 2H2022

UPCOMING IMPROVEMENTS

- **Improving weather in Malaysia**
  - With Southwest Monsoon, the coming dry weather will improve log supply
- **Increased capacities and demand for value-added boards**
  - Group expanding capacities of its non-raw board products which are backed by new orders
- **Inflow of foreign manpower with opening of borders**
  - To improve capacity and performance of RTA and other value-added products
- **Lifting of Lockdown in China**
  - With lower new Covid19 cases, it is expected China will lift or loosen the lockdown there
- **Positive developments in MDF Export Market**
  - Average selling prices of MDF has been improving due to strong demand from Middle East
- **Raw Material prices to come off its peak levels**
  - Once China lifts its lockdown, markets adjust to Ukraine-Russia War and improvement in weather, supply chain issues should improve and cost of materials will normalize

SALIENT POINTS

SALIENT POINTS

Why revenue increased in 1Q2022?

- **Revenue increase mainly due to reactivation of idle line in Thailand and general relaxation of movement control rules in Malaysia**
  - Thailand running all 3 lines since November 2021. Cater for demand from Middle East
  - FMCO in Malaysia was lifted in September 2021 and in FY2022, remaining restrictions gradually removed
  - Malaysian furniture producers who are major consumers of panel boards able to operate & resume buying
  - Recovery could have been even better if not for limited logistics capacity, high cost of shipping and labor supply
  - Improved ASPs due to better demand profile from the furniture and construction industries
  - Group continued efforts to improve product mix resulted in higher composition from premium boards
  - Continuous improvement on cost control and efficiency. To improve further on energy efficiency with solar power project in Malaysia under the zero-capex arrangement. Target to have annual power savings of more than RM2mil from FY2023 onwards
  - Fixed solar tariff provide buffer against future increases in TNB tariff.

SALIENT POINTS

THAILAND OPERATION – A turn-around

- **Previously:**
  - In 2020, Thailand's MDF operation faced high wood cost due to tight supply which impacted productivity and cost. Low prices from Middle East made it more practical to shutdown 1 line than sell at a loss.
  - 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 was to:**
  - Thailand's MDF cost structure significantly improved with log prices normalizing and with better productivity
  - Rebound in Middle East ASPs allowed reactivation of idle line and run in full capacity
  - Significantly higher average selling price from better product mix improved financial result

SALIENT POINTS

ACROSS-BOARD IMPROVEMENT

- **Improved prospect of MDF**
  - MDF export market has seen marked improvement which continued since 2nd half of 2021
  - Higher average selling prices and stronger USD vs RM and THB have helped the Group's financial performance
  - Diversified base of operations allowed the Group to cushion adverse effects of lockdown.

- **Prospect of Normalizing Raw Material Cost**
  - Prices have come off its peak

- **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

SALIENT POINTS

Balance sheet and Liquidity Management

To ensure sufficient financial liquidity:

- Manage receivables and inventories to improve cash inflow
- Receivables on average maintain within 30-40 days collection period via constant monitoring
- Paying down both trade payables and bank facilities to reduce interest cost
- Payables paid off early to enjoy early payment discounts
- Limit capital expenditure in FY2022 to build up cash pile for **higher potential dividend payout**

Thank You