



# **28<sup>TH</sup> ANNUAL GENERAL MEETING**

**Briefing on FYE2018 Financial Results**

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# **About EVERGREEN**

# EVERGREEN – A Quick Snapshot



- Started in **1972** as a timber trading and veneer manufacturing company
- Across **47** 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 May 2019

Shares Outstanding	846 million
Share Price	RM 0.325
Market Cap	RM 274 million
Listing Board	Main Market
Listing Date	10 March 2005

## Major Shareholders @ 31 December 2018

Kuo Family	36%
Institutional	33%

## Financial Summary @ FYE 31 December 2018

Revenue	RM 1,106 million
Gross Profits	RM 191 million
EBITDA	RM 106 million
Profit after Tax	RM 16 million

## Net Asset Analysis @ 31 December 2018

Net Assets	RM 1,186 million
Net Assets/Share	RM 1.40
Net Gearing	0.09x

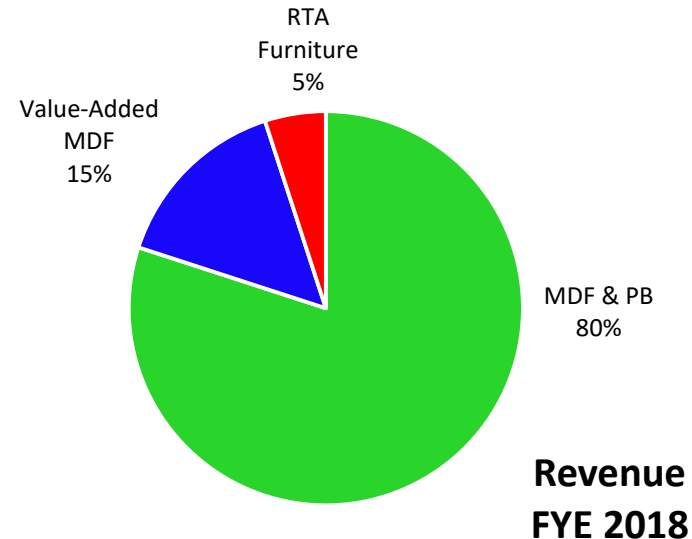


# **Business Overview**

## 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)



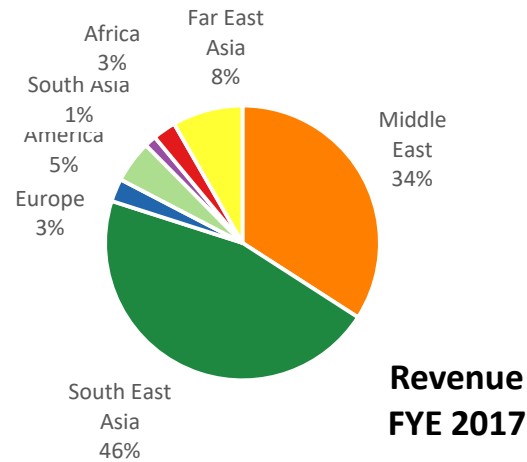
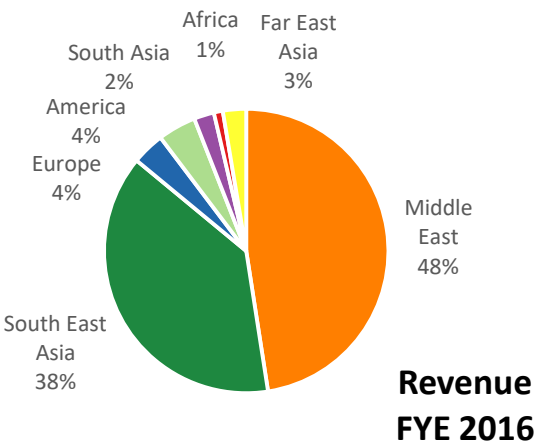
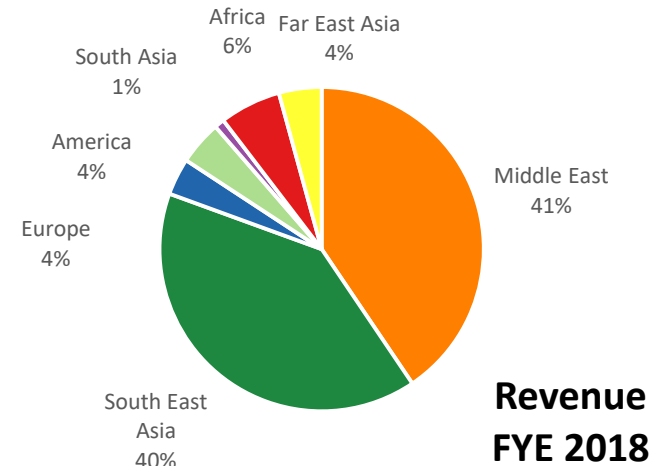
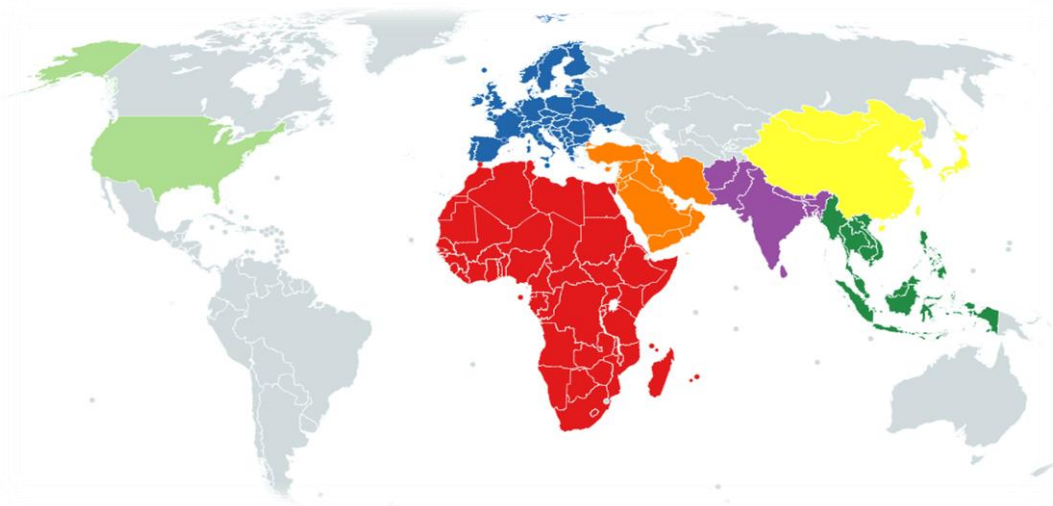
Manufacturing of PB, or chipboard, an engineered wood product manufactured from wood chips, sawmill shavings or sawdust, binded with synthetic resin

## 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

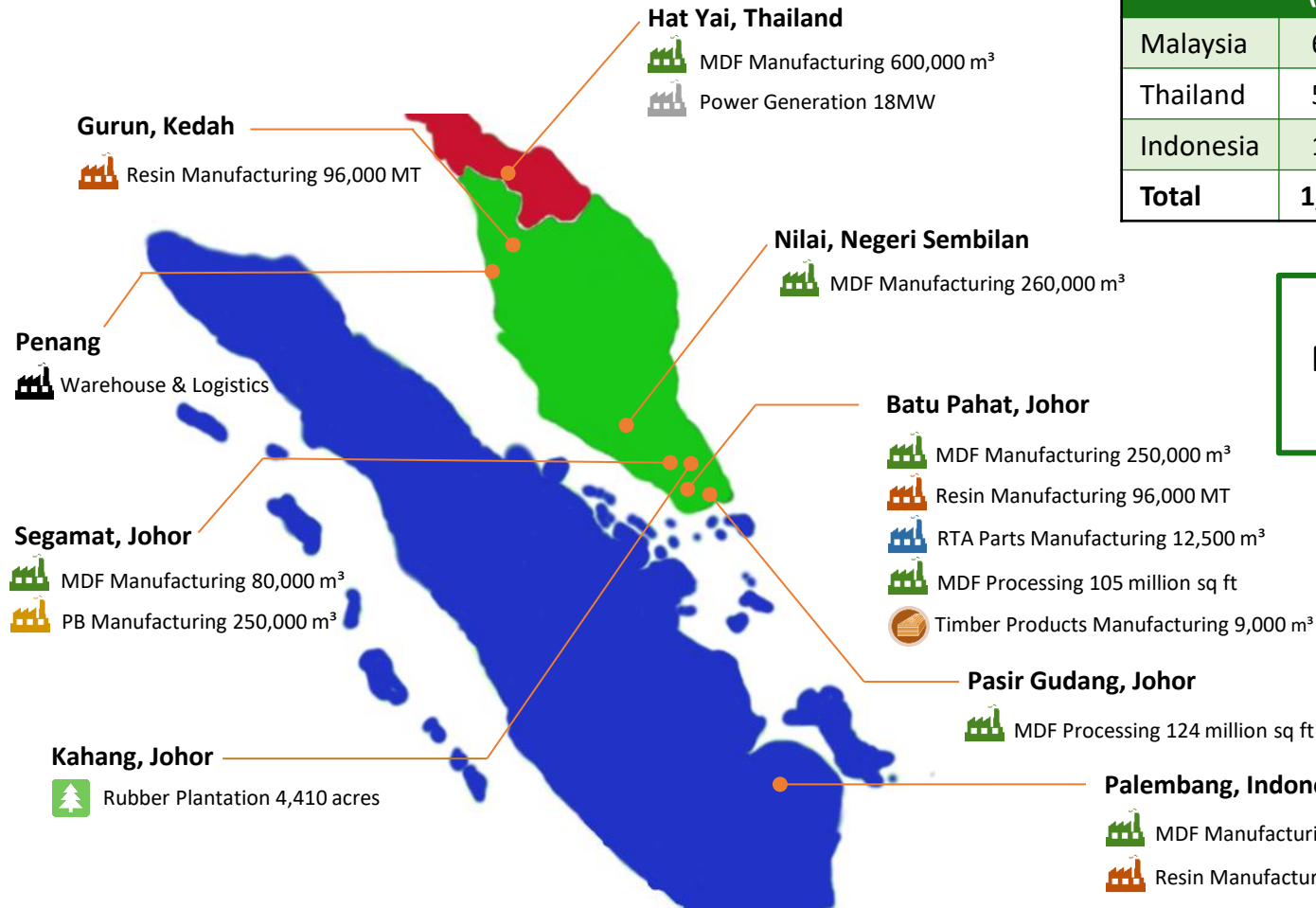
# Global Footprint



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



# Largest MDF Producer in ASEAN



('000)	MDF (m <sup>3</sup> )	PB (m <sup>3</sup> )	Resin (MT)	RTA (m <sup>3</sup> )
Malaysia	620	250	192	12.5
Thailand	570	-	-	-
Indonesia	120	-	60	-
<b>Total</b>	<b>1,310</b>	<b>250</b>	<b>252</b>	<b>12.5</b>

**3Y Average  
MDF Utilisation Rate  
81%**

# **FINANCIALS**

# FY18 Financial Performance Review

RM'm	FY 2016	FY 2017	FY 2018
Revenue	997.8	1,024.1	1,105.5
Gross Profit	267.6	225.5	190.6
EBITDA	164.0	136.8	105.9
PBT	93.4	67.8	25.8
PATAMI	71.7	45.0	16.4
EPS (cent)	8.66	5.31	1.93
GP Margin	26.8%	22.0%	17.2%
EBITDA Margin	16.4%	13.4%	9.6%
PBT Margin	9.4%	6.6%	2.3%
PATAMI Margin	7.2%	4.4%	1.5%

- Group revenue in FY2018 improved due to full-year output volume from PB as well as higher MDF output.
- Margins declined due to MDF and PB pricing under pressure from increased capacities and weaker USD vs RM.
- Additional MDF and PB manufacturing plants in Thailand and Vietnam resulted in stiffer competition for sales and for raw material.
- Overall world trade affected by US-China trade war and sanctions; disrupting established supply-chains and reducing buying confidence.
- Locally, the change of government resulted in policy changes such as GST/SST, cancellation or reduction in big projects and general uncertainty affected consumer spending.
- In accordance with dividend policy, propose final dividend of **0.48 sen per share** for FY2018

# Resilient Financial Position to Face Challenges

RM'm	2017	2018
PPE	1,012.0	1,014.2
Non-Current Assets	99.4	80.3
Current Assets ex Cash	358.4	388.0
Cash	120.9	106.9
<b>Total Assets</b>	<b>1,590.7</b>	<b>1,589.4</b>
Current Liabilities	242.7	262.7
Non Current Liabilities	179.2	140.4
<b>Total Liabilities</b>	<b>421.9</b>	<b>403.1</b>
Total Equity	1,168.8	1,186.3
<b>Total Equity &amp; Liabilities</b>	<b>1,590.7</b>	<b>1,589.4</b>
<i>Net Asset/Share (RM)</i>	<i>1.38</i>	<i>1.40</i>
<i>Net Gearing</i>	<i>0.08x</i>	<i>0.09x</i>
<i>Current Ratio</i>	<i>1.98x</i>	<i>1.88x</i>

- Cash of **RM107m** reinforces the ability to fund business expansion and dividend
- Drop in cash balance due to payment of dividends and repayment of bank facilities as can be seen from reduction of liabilities
- Higher Current Assets due to increased inventory holding due to higher sales and output volume
- Stronger equity balance due to profits from operations
- 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	2017	2018
Operating cash flows before working capital changes	160.4	103.1
Changes in working capital and other operating activities	(46.5)	(58.0)
<b>Net cash from OPERATING ACTIVITIES</b>	<b>113.9</b>	<b>45.1</b>
Net cash used in INVESTING ACTIVITIES	(131.4)	(42.7)
Net cash used in FINANCING ACTIVITIES	(2.8)	(19.5)
<b>Net movement in CASH</b>	<b>(20.3)</b>	<b>(17.1)</b>
Effects of foreign exchange rate changes	(6.6)	3.1
Beginning Cash Balance	146.9	120.0
<b>Cash Balance at end of Financial Year</b>	<b>120.0</b>	<b>106.0</b>

- The Group was able to maintain a stable **INFLOW** of operating cashflow of **RM103mil** before working capital changes despite challenging environment.
- Reduction in cash used in investing activities by **67%** to **RM42.7mil** reflects prudent management to conserve cash.
- Cash used in financing activities mainly due to dividend paid out for FY2017 and repayment of bank facilities to maintain low gearing position
- Cash balance at year end of **RM106mil** provides a comfortable buffer for the Group's operational requirements.



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# **CHALLENGES**

## MACROECONOMICS & POLICIES

### ○ Heightened competition

- More MDF and PB capacities coming online in SEA region, oversupply situation
- Worsen competition for raw material which may drive up costs
- Selling price comes under more pressure

### ○ Volatile USD

- USD might weaken if American central bank, under pressure of the US President, drops interest rates

### ○ Higher oil prices

- Oil prices are 25% higher now than at end 2018
- Increases cost of glue and transportation
- Indirectly strengthens RM

### ○ Increase in minimum wage

- Indonesia's minimum wage has been increasing and looks set to continue to rise further
- PH's election manifesto targets minimum wage level of RM1,500/month

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# **CHALLENGE MANAGEMENT**



## STRATEGIES & TEAM EFFORTS

### ○ Responding to heightened competition

- Continue to promote, grow and strengthen downstream activities
- Shift away from generic products to more technically sophisticated products (low emissions, thin boards, humidity or fire resistant boards)
- Consolidate 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

- Continue focusing on the local market in Malaysia
- Continue to reduce net exposure to USD via natural hedging

### ○ Responding to higher oil prices (and higher glue prices)

- By focusing on local markets, reduce impact of higher transport charges
- Improve glue consumption via process improvement and investing in technologies to reduce glue usage in MDF and PB manufacturing process
- Reduce cost of glue via R&D on glue manufacturing

### ○ 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

### ○ **Weaker Ringgit Outlook**

- Bank Negara's interest rate reduction has triggered Ringgit selling and could result in a weaker Ringgit over the longer term.

### ○ **Lower Interest Rate**

- Lower interest rate could spur domestic consumer spending, benefiting the local furniture market.

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

- Various schemes from government in the forms of duty exemptions, launches of affordable homes, home financing schemes etc
- These new homes will spur Malaysians to buy more furniture

### ○ **Companies Moving Out from China**

- US-China trade wars have made it impossible for Chinese manufacturers to sell to US markets
- Many Chinese firms are moving out from China to setup furniture plants in South East Asia
- 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)

# **STRENGTHS**

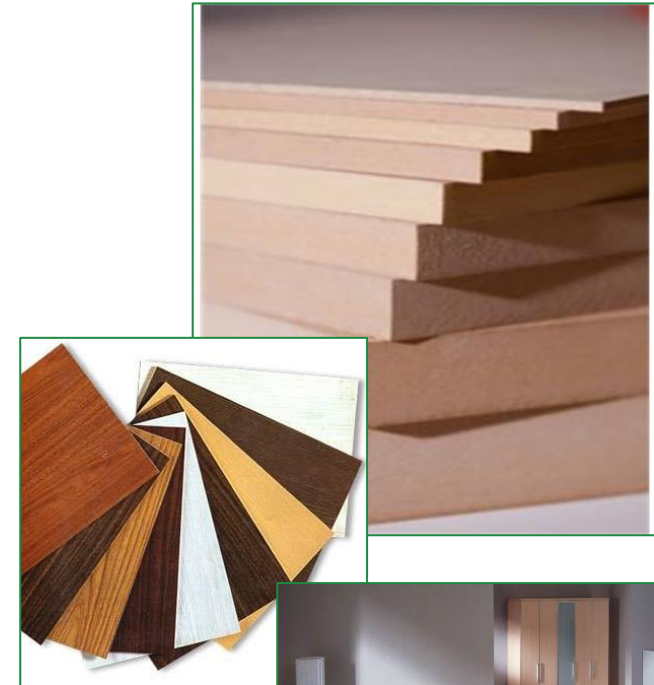
## Vertically Integrated Operations & Wide Customer Base

### ○ 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





## 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
  - Thailand – Top rubber producer, plentiful raw material
  - Indonesia – Top 2 rubber producer, plentiful raw material, fast growing local market
  - 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 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
- Low gearing lesser cashflow pressure





**Thank You**