



IT Tech Packaging, Inc.

Third Quarter 2019

Financial Results Presentation



Safe Harbor Statement



This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact in this announcement are forward-looking statements, including but not limited to, anticipated revenues from the digital photo paper business segment; the actions and initiatives of current and potential competitors; the Company's ability to introduce new products; the Company's ability to implement the planned capacity expansion of corrugate medium paper; market acceptance of new products; general economic and business conditions; the ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed in the Company's filings with the Securities and Exchange Commission. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations, assumptions, estimates and projections about the companies and the industry. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, it cannot assure you that its expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results.

Agenda



- Key Highlights
- Financial & Business Review
- Operational & Business Updates

The background of the slide features a close-up, artistic photograph of an open book. The pages are a warm, aged cream color, and the focus is on the texture and curvature of the paper. A semi-transparent green rectangular overlay is positioned horizontally across the middle of the image, serving as a backdrop for the title text.

KEY HIGHLIGHTS

Key Highlights for Q3 2019



Revenue increased by 23.3% YoY to \$32.9 million, primarily due to the increase in sales volume of CMP, offset printing paper and tissue paper products, partially offset by the decrease in ASP for both CMP and offset printing paper products.

Gross profit increased 326.8% YoY to \$5.4 million, primarily due to the lower average unit purchase costs of raw materials such as recycled paper board and recycled white scrap paper for CMP and offset printing paper. Gross Margin was 16.3%, compared to 4.7% for the Q3 2018

Income from Operations increased 313.3% YoY to \$3.3 million, compared to loss from operations of \$1.6 million. Operating margin was 10.2%, compared to operating loss margin of 5.9% for the Q3 2018

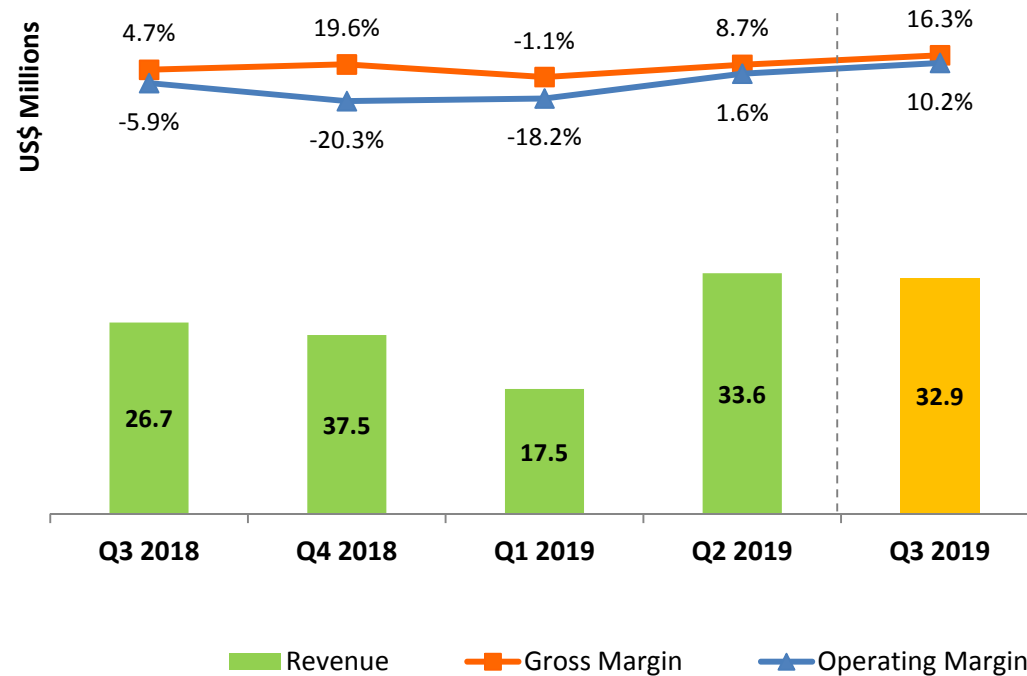
Net income was \$2.3 million, or earnings per share of \$0.11, compared to net loss of \$1.4 million, or loss per share of \$0.07, for the same period of last year.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$7.1 million, compared to \$1.9 million for the Q3 2018

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FINANCIAL & BUSINESS REVIEW

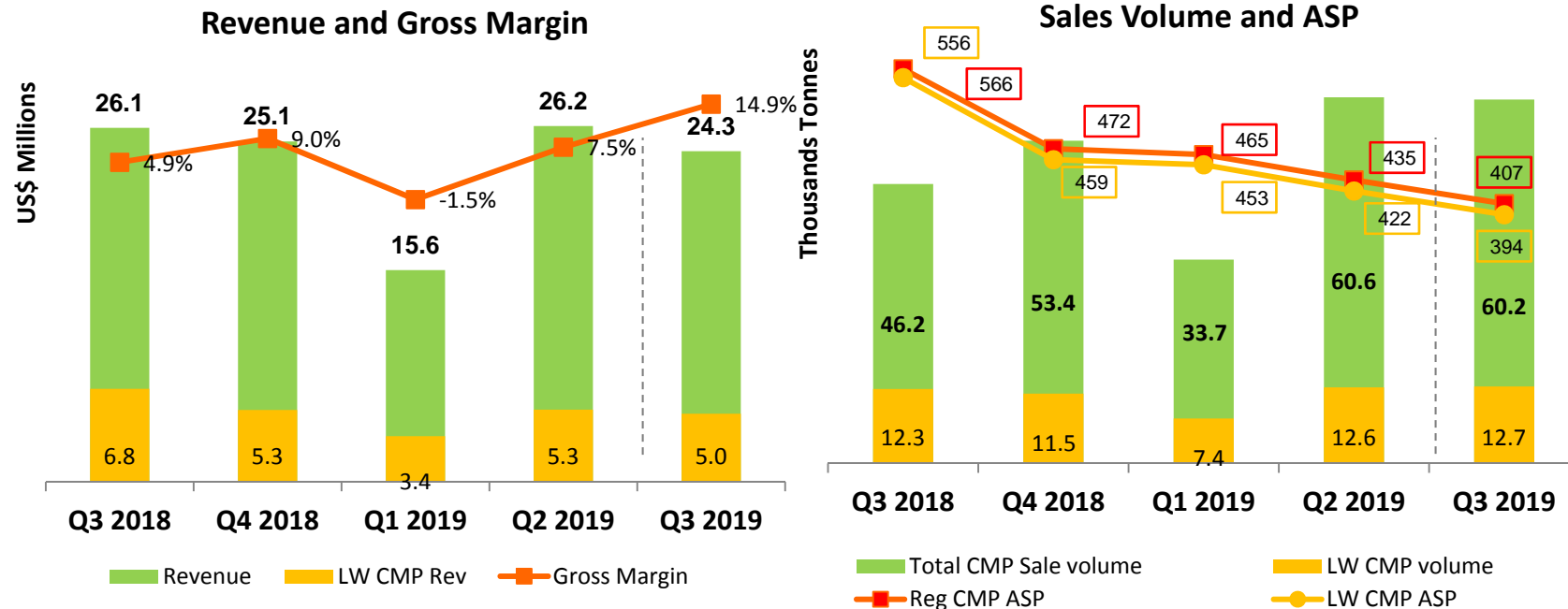
Revenue



Q3 2019

- Revenue increases 23.3% YoY to \$32.9 million, due to increase in sales volume of CMP, offset printing paper and tissue paper products, partially offset by the decrease in ASPs for both CMP and offset printing paper products.
- Overall gross margin increased by 11.6 percentage points YoY to 16.3%.
- Operating margin increased by 4.3 percentage points YoY to 10.2%.

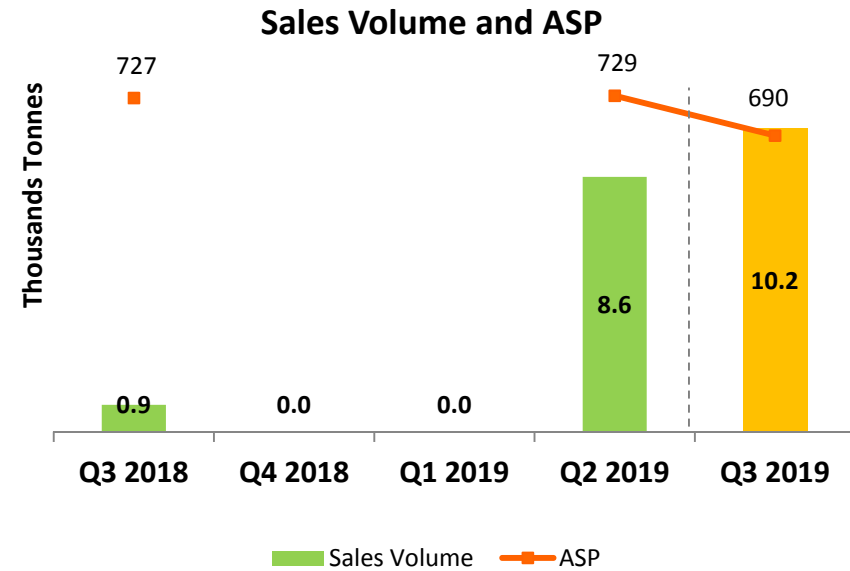
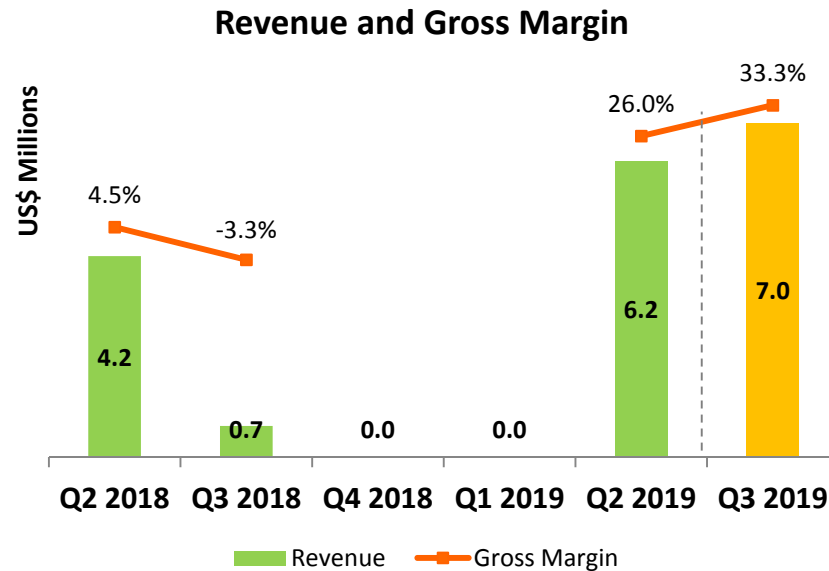
Corrugating Medium Paper (CMP)



Q3 2019 CMP (includes both Regular and Light-Weight CMP)

- Revenue: down 6.6% YoY to \$24.3 million, accounted for 73.9% of total revenue.
- Sales volume: up 30.2% YoY to 60,208 tonnes.
- ASP: Regular CMP down 28.1% to \$407/tonne.
- ASP: Light-Weight CMP down 29.1% to \$394/tonne.

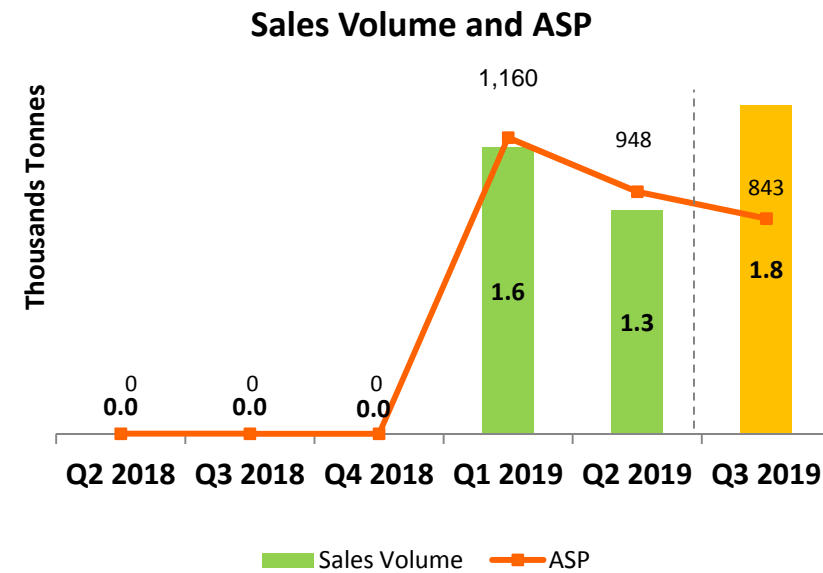
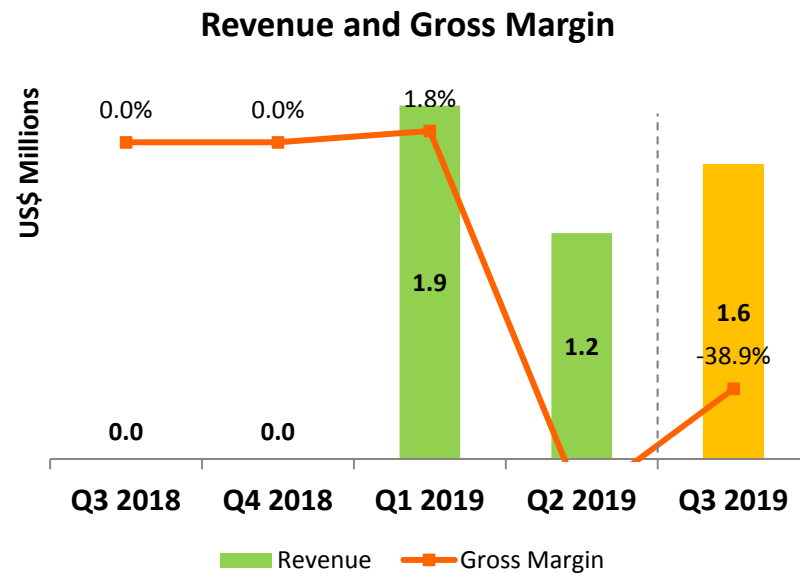
Offset Printing Paper



Q3 2019 Offset Printing Paper

- Revenue: up 973.5% YoY to \$7 million, accounted for 21.4 % of total revenue.
- Sales volume: up 1030.6% YoY to 10,198 tonnes.
- ASP: down 5.1% to \$690/tonne

Tissue Paper



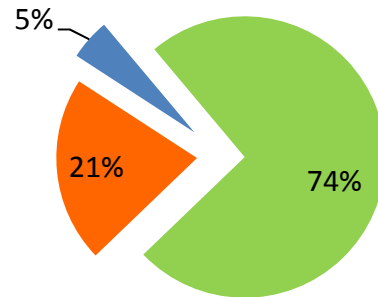
Q3 2019 Tissue Paper

- Revenue: \$1.6 million, accounted for 4.7 % of total revenue.
- Sales volume: 1,840 tonnes.
- ASP: \$843/tonne.

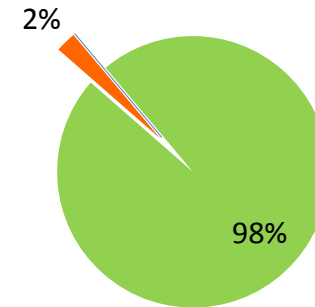
Revenue Mix



Q3 2019

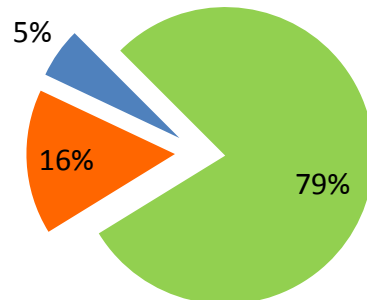


Q3 2018

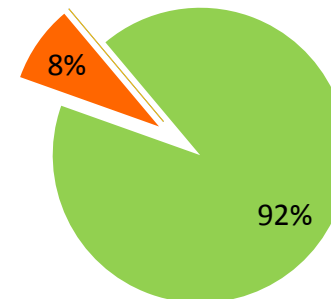


9-Mon 2019

- Corrugating Medium Paper
- Offset Printing Paper
- Tissue Paper



9-Mon 2018

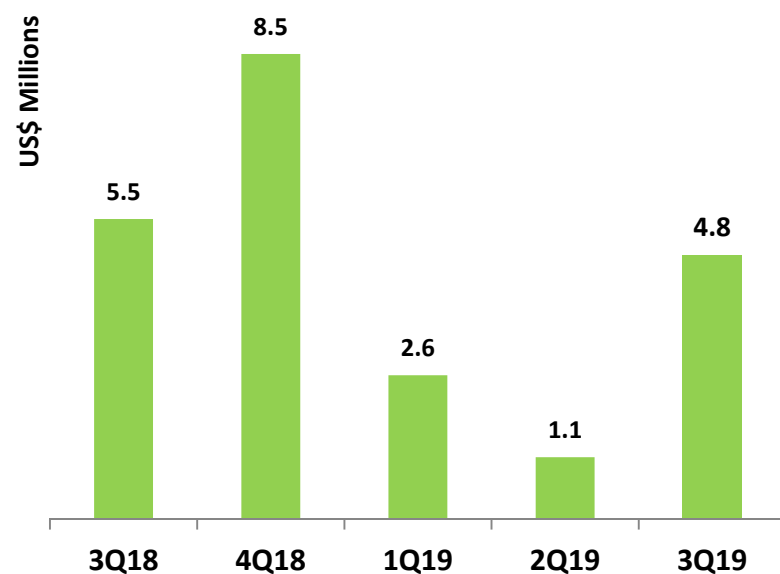


•Corrugating Medium Paper includes both Light-Weight CMP and Regular CMP

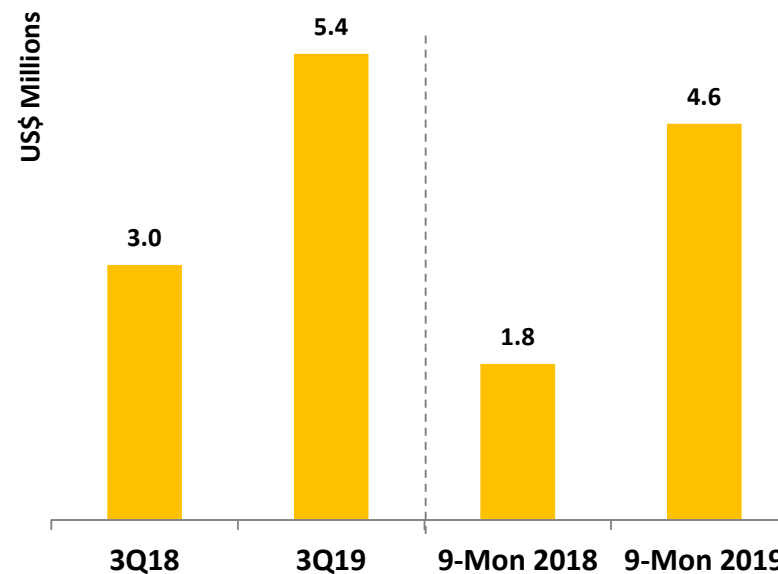
Cash Flow



Cash and Cash Equivalents



Cash Flow from Operating Activities



3Q 2019

- Cash position at \$4.8M as of September 30, 2019.
- Net cash provided by operating activities was \$4.6 million for the nine months ended September 30, 2019, as compared to \$1.8 million provided by operating activities for the same period of last year.

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OPERATIONAL & BUSINESS UPDATES

Tissue Paper Project Progress Update

– On Site Photos (Taken in April, 2019)



Planned Capacity

25K tonnes/year

Recent Progress

In December 2018, we completed the construction and installation and test of operation of PM8 and announced the commercial launch of tissue paper production. The production and sales of tissue paper products have increased steadily in year 2019.

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THANK YOU

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APPENDIX

Production Facilities of IT Tech Packaging



PM#	Paper Product	Designed Capacity (tonnes/year)	Location
PM1	Corrugating medium paper	60,000	Xushui District, Baoding city, Hebei province
PM2	Offset printing paper	50,000	
PM3	Offset printing paper	40,000	
PM4 ^[a]	Digital photo paper	2,500	Xushui District, Baoding city, Hebei province
PM5 ^[a]	Digital photo paper	2,500	
PM6 ^[b]	Corrugating medium paper	360,000	Xushui District, Baoding city, Hebei province
PM7	Specialty paper	10,000	
PM8 ^[c]	Tissue paper	25,000	Economic Development Zone in Wei County, Hebei Province
PM9 ^[d]	Tissue paper	15,000	

[a]: PM4 and 5 have been suspended in June 2016 due to low market demand

[b]: 53.19% utilization rate in Q FY32019; vs. 38.79% in Q3 FY2018.

[c]: In December 2018, we completed the construction and installation and test of operation of PM8 and announced the commercial launch of tissue paper production. The production and sales of tissue paper products have increased steadily in year 2019.

[d]: In trial production

Income Statement Summary



	For the Three Months Ended September 30,		YoY Change	For the Nine Months Ended September 30,		YoY Change
US\$	2019	2018		2019	2018	
Revenue	32,973,917	26,723,657	23.3%	84,008,157	61,761,041	36%
Cost of sales	(27,563,185)	(25,464,314)	8.2%	(75,917,762)	(58,181,584)	30.5%
Gross profit	5,374,732	1,259,343	326.8%	8,090,395	3,579,457	126%
Gross profit margin	16.3%	4.7%	11.6pp	9.6%	5.8%	3.8pp
Selling, general and administrative expenses	(2,024,547)	(2,829,933)	-28.5%	(7,413,879)	(9,670,992)	23.3%
Income from operations	3,349,306	(1,570,353)	313.3%	707,034	(6,101,561)	111.6%
Operating margin	10.2%	-5.9%	16.1pp	0.8%	-9.9%	10.7pp
Net income	2,338,027	(1,404,962)	266.4%	65,502	(5,381,244)	101.2%
Net margin	7.1%	-5.3%	12.4pp	0.1%	-8.7%	8.8pp
Total comprehensive income	(2,472,352)	(8,399.059)	67.4%	(4,999,880)	(14,603,357)	65.8%
EPS – basic and diluted	0.11	-0.07	257.1%	(0.003)	(0.25)	101.2%

Selected Balance Sheet Items



(US\$)	September 30, 2019	December 31, 2018
Current Assets		
Cash and cash equivalents	4,805,861	8,474,809
Restricted cash	-	3,642,616
Accounts receivable	2,775,304	2,876,632
Inventories	7,010,419	2,923,516
Prepayment and other current assets	5,982,730	6,241,299
Total current assets	20,574,314	24,158,872
Property, plant, and equipment	153,108,508	167,829,716
Other non-current assets (including deferred tax asset non-current and VAT recoverable)	57,721,823	11,087,422
Total Assets	231,404,645	203,076,010
Current Liabilities		
Short-term bank loans	6,362,312	11,802,075
Current portion of long-term loans from credit union	311,046	2,491,549
Accounts Payable	857,218	629,054
Notes payable	-	3,642,616
Other current liabilities	53,484,076	11,068,973
Total current liabilities	61,014,652	29,634,267
Loans from credit union	6,701,636	4,706,259
Loans from a related party	2,120,771	2,185,569
Deferred gain on sale-leaseback	-	-
Long-term obligations under capital lease	-	-
Total Liabilities	69,837,059	36,526,095
Total Stockholders' equity	161,567,586	166,549,915
Total Liabilities and Stockholders' Equity	231,404,645	203,076,010

Solid Operating Cash Flows to Support Continued Investment



(US\$)	Nine Months Ended September 30,	
	2019	2018
Net Cash Provided by (Used in) Operating Activities	4,599,034	1,809,724
Net Cash Provided by (Used in) Investing Activities	(6,449,181)	(1,812,280)
Net Cash Provided by (Used in) Financing Activities	(5,224,295)	764,760
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(237,122)	(677,172)
Net (Decrease)/Increase in Cash and Cash Equivalents	(7,311,564)	85,032
Cash and Cash Equivalents – Beginning of Period	12,117,425	9,017,427
Cash and Cash Equivalents – End of Period	4,805,861	9,102,459