



## IT Tech Packaging, Inc.

### Fourth Quarter and Fiscal Year 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 production and sales from the tissue 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 shot of an open book. The pages are fanned out, creating a sense of depth and movement. A semi-transparent green rectangular box is positioned in the center-left of the image, serving as a backdrop for the text.

# KEY HIGHLIGHTS

# Key Highlights for Q4 2019

**Revenue increased by 34.5% YoY to \$33.6 million, primarily due to the increase in sales volume of CMP, offset printing paper and tissue paper products, partially offset by the decreases in ASP for both CMP.**

**Gross profit increased 149.9% YoY to \$5.6 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 products. Gross Margin was 16.7%, compared to 9.0% for the Q4 2018**

**Income from Operations increased 162.8% YoY to \$3.2 million, compared to loss from operations of \$5.1 million. Operating margin was 9.5%, compared to operating loss margin of 20.3% for the Q4 2018**

**Net income was \$2.2 million, or earnings per share of \$0.10, compared to net loss of \$5.2 million, or loss per share of \$0.24, for the same period of last year.**

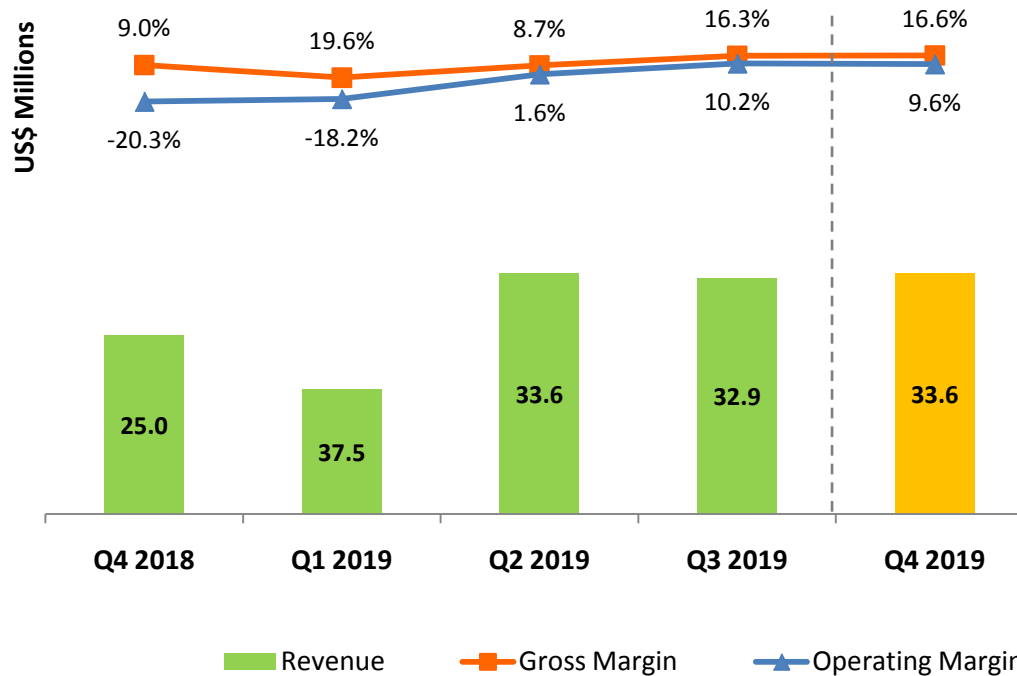
**Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$7 million, compared to negative \$1.7 million for the Q4 2018**



The background of the slide features a close-up, artistic shot of an open book. The pages are a warm, light brown color and are fanned out, creating a sense of depth and movement. A semi-transparent green rectangular box is positioned horizontally across the middle of the image, serving as a backdrop for the title text.

# **FINANCIAL & BUSINESS REVIEW**

# Revenue

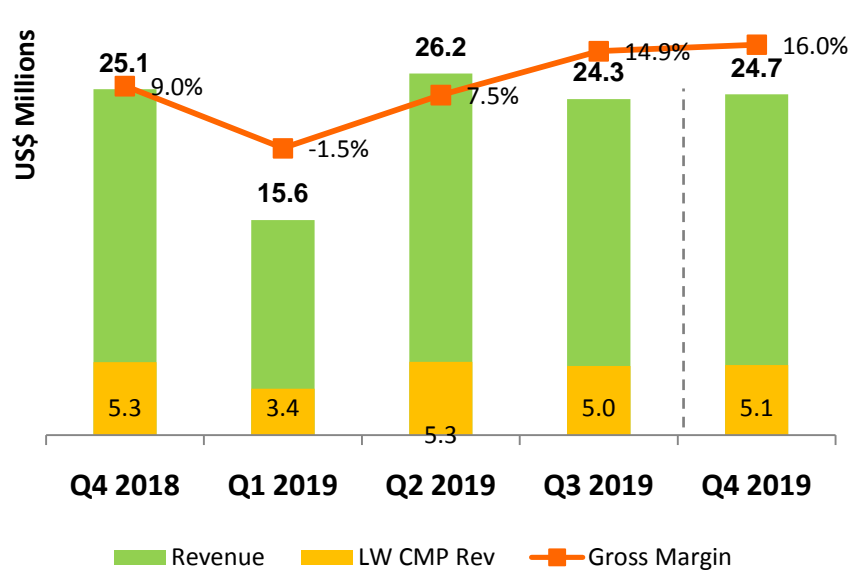


## Q4 2019

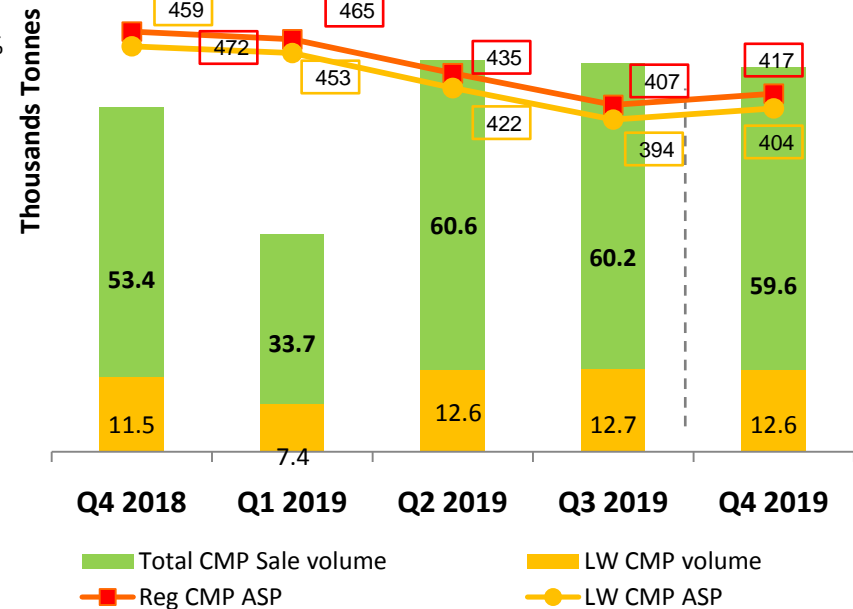
- Revenue increases 34.5% YoY to \$33.6 million, due to increase in sales volume of both CMP, offset printing paper and tissue paper products, partially offset by the decrease in ASP for both CMP.
- Overall gross margin increased by 7.7 percentage points YoY to 16.7%.
- Operating margin increased by 30 percentage points YoY to 9.5%.

# Corrugating Medium Paper (CMP)

## Revenue and Gross Margin



## Sales Volume and ASP



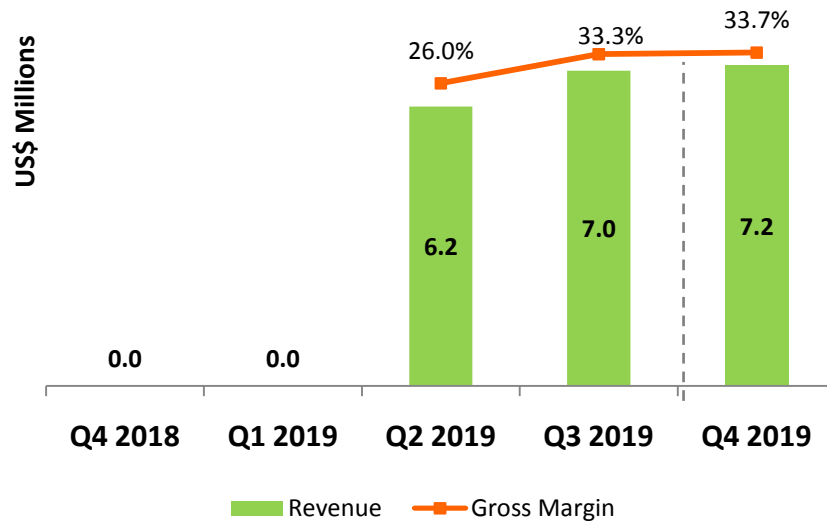
### Q4 2019 CMP (includes both Regular and Light-Weight CMP)

- Revenue: down 1.5% YoY to \$24.7 million, accounted for 73.5% of total revenue.
- Sales volume: up 11.7% YoY to 59,646 tonnes.
- ASP: Regular CMP down 11.7% to \$417/tonne.
- ASP: Light-Weight CMP down 12% to \$404/tonne.

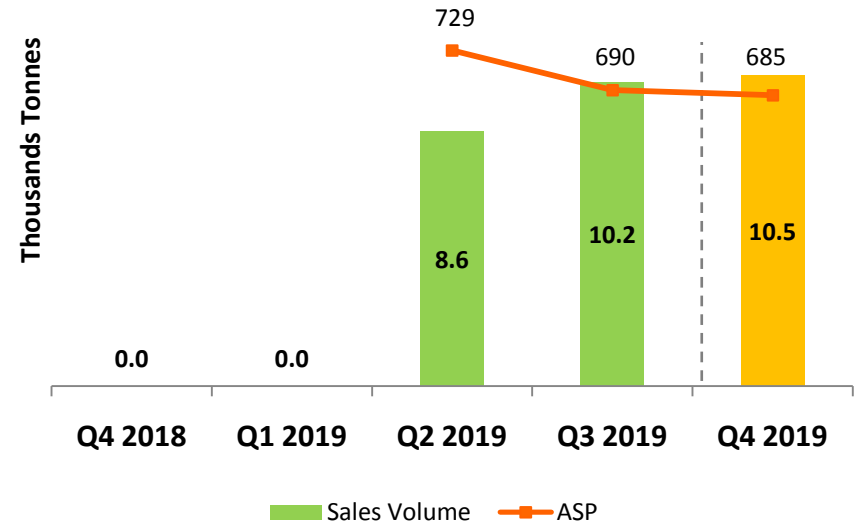


# Offset Printing Paper

## Revenue and Gross Margin



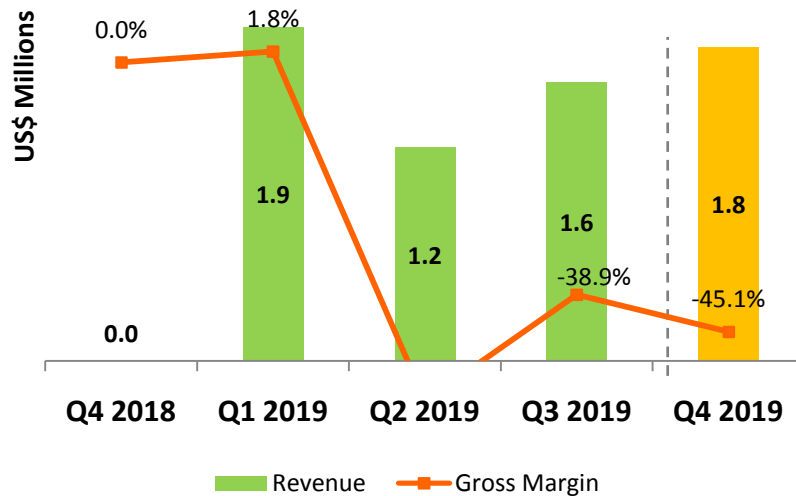
## Sales Volume and ASP



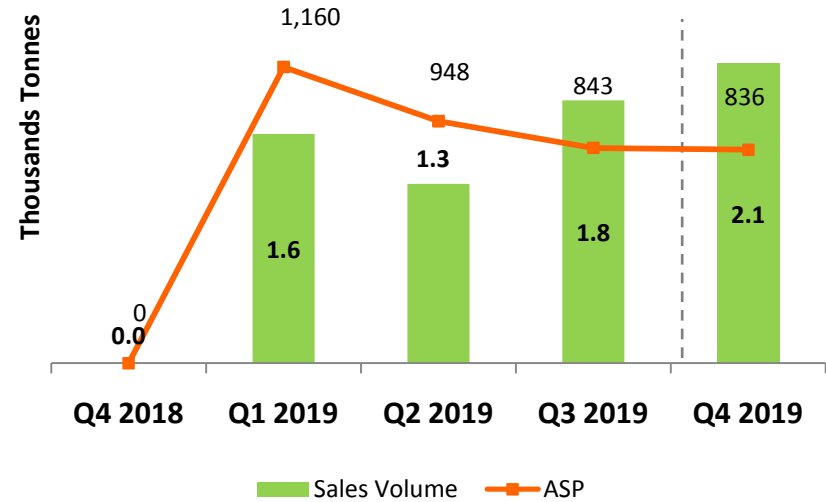
### Q4 2019 Offset Printing Paper

- Revenue: \$7.2 million, accounted for 21.3 % of total revenue.
- Sales volume: 10,450 tonnes
- ASP: \$685/tonne

## Revenue and Gross Margin



## Sales Volume and ASP

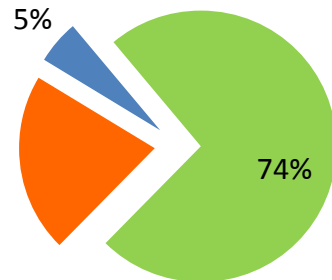


### Q4 2019 Tissue Paper

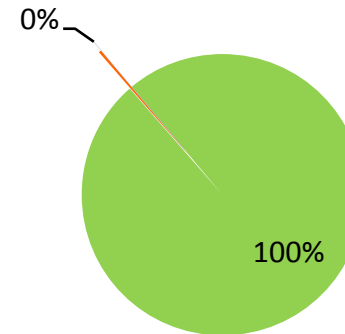
- We recorded \$1.8 million revenue from tissue paper products, resulting from sales of 2,558 tonnes at an ASP of \$684/tonne, for Q4 2019.
- With the completion of installation and trial operation of PM8 and PM9, the production and sales of tissue paper products have increased steadily in 2019.

# Revenue Mix

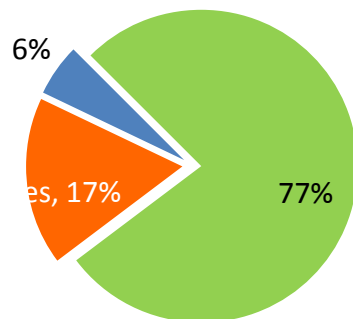
**Q4 2019**



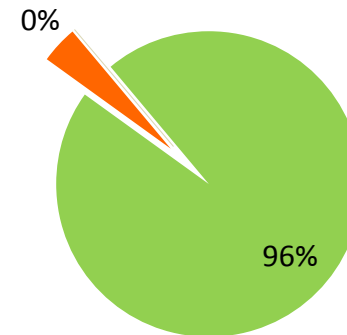
**Q4 2018**



**12-Mon 2019**



**12-Mon 2018**



- Corrugating Medium Paper
- Offset Printing Paper
- Tissue Paper

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

# Key Highlights for FY 2019

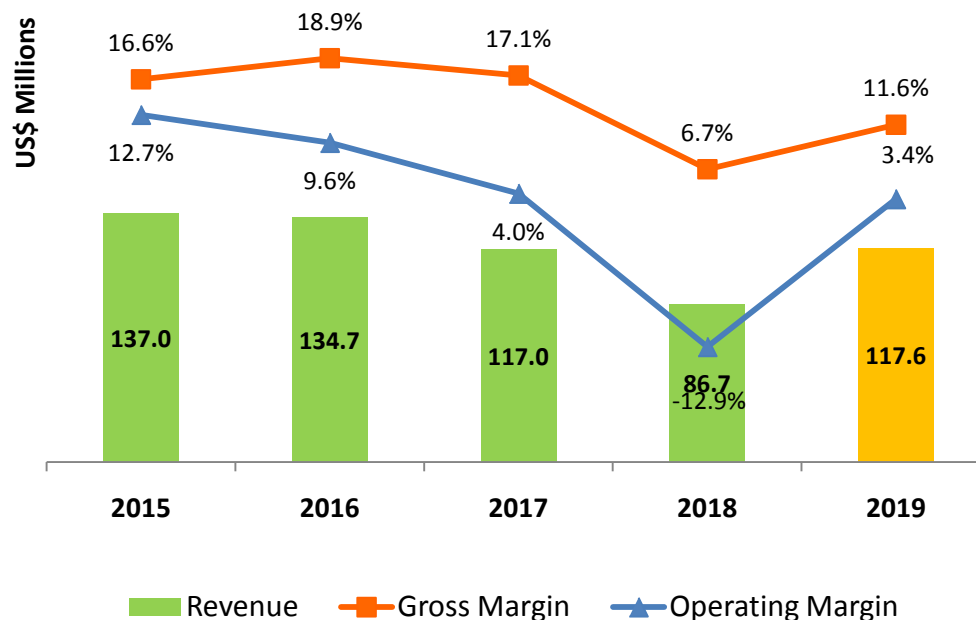
Revenue increased by 35.6% YoY to \$117.6 million, primarily due to the increase in sales volume of CMP, offset printing paper and tissue paper products, which was partially offset by the decrease in ASP of CMP and offset printing paper products.

Gross profit up 135.1% YoY to \$13.6 million, primarily due to i) the increase in sales volume of CMP, offset printing paper, tissue paper and ii) the decrease of material purchase price of CMP and offset printing paper, partially offset by the decrease of ASP of these products. Gross margin up 4.9 percentage points to 11.6%.

Income from Operations increased 134.9% YoY to \$3.9 million, compared to loss from operations of \$11.2 million. Operating margin was 3.3%, compared to operating loss margin of 12.9% for 2018

Net Income was \$2.2 million, or \$0.10 per basic and diluted share, compared to net loss of \$10.5 million, or loss per basic and diluted share of \$0.49, for the same period of the prior year.

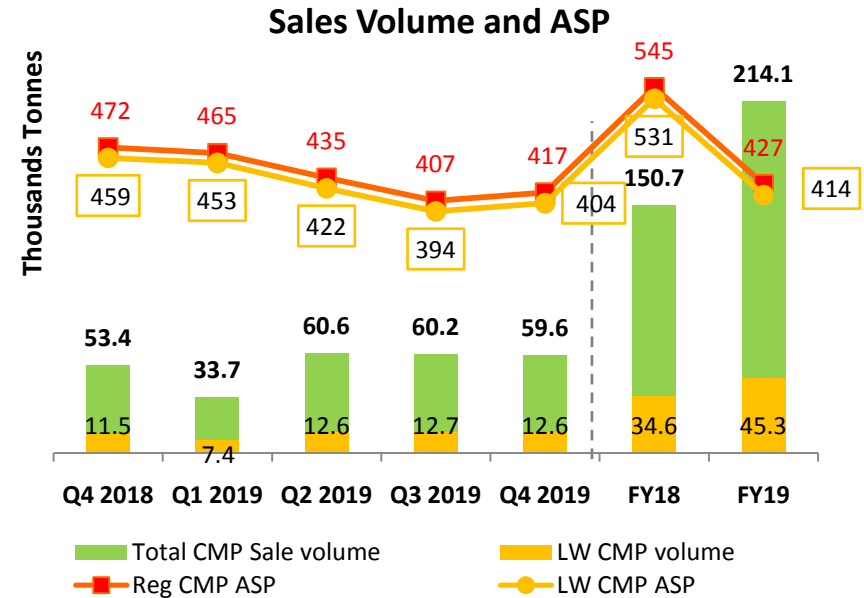
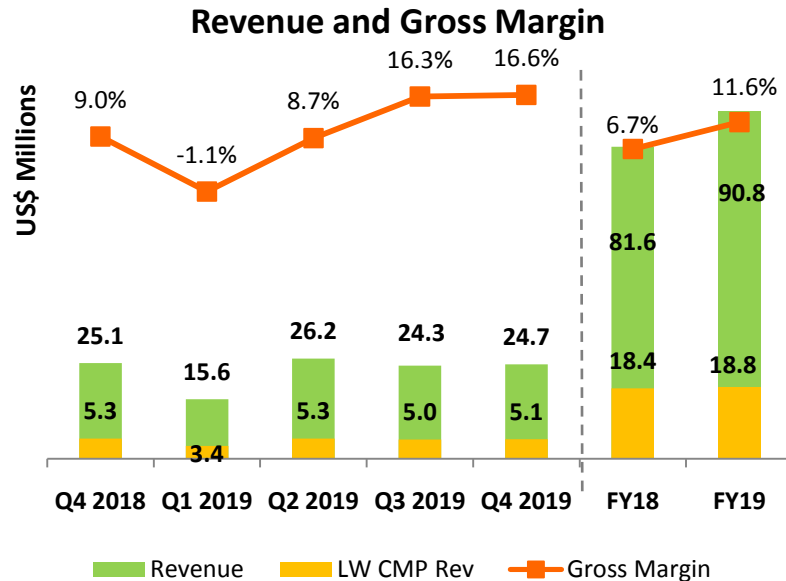
Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased by 476.4% YoY to \$19.5 million.



## FY 2019

- Revenue up 35.6% YoY to \$117.6 million, due to increase in sales volume of CMP, offset printing paper and tissue paper products, partially offset by the decrease in ASP of CMP and offset printing paper products.
- Overall gross margin increased by 4.9 percentage points YoY to 11.6%.
- Operating margin increase 16.2 percentage points YoY to 3.3%.

# Corrugating Medium Paper (CMP)



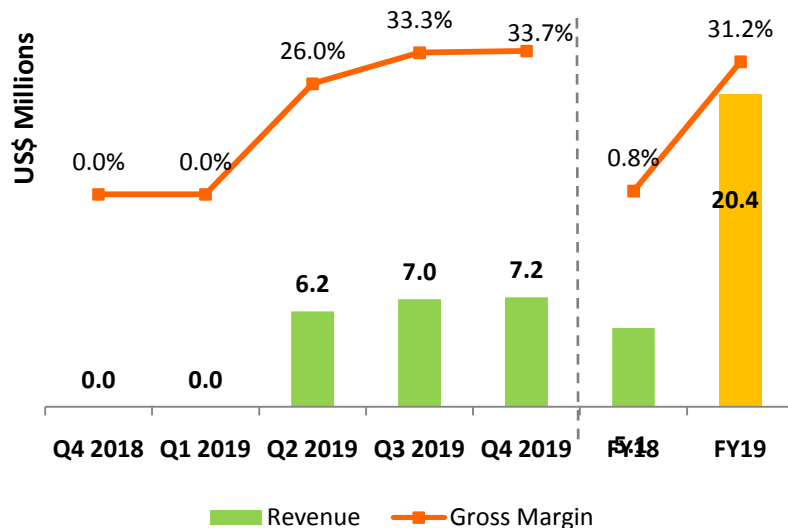
## FY 2019 CMP (includes both Regular and Light-Weight CMP)

- Revenue: up 11.3% YoY to \$90.8 million, accounted for 77.2% of total revenue
- Sales volume: up 42.1% YoY to 214,147 tonnes
- ASP: Regular CMP down 21.7% to \$ 427 /tonne
- ASP: Light-Weight CMP down 22% to \$414/tonne

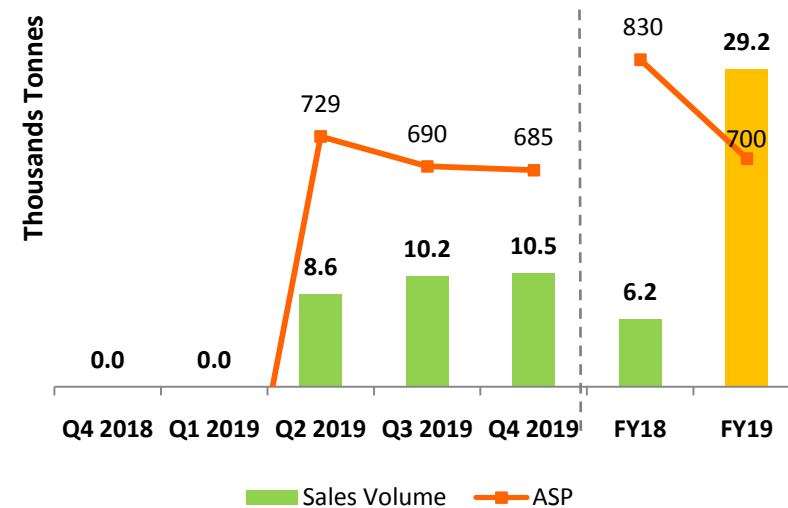


# Offset Printing Paper

## Revenue and Gross Margin



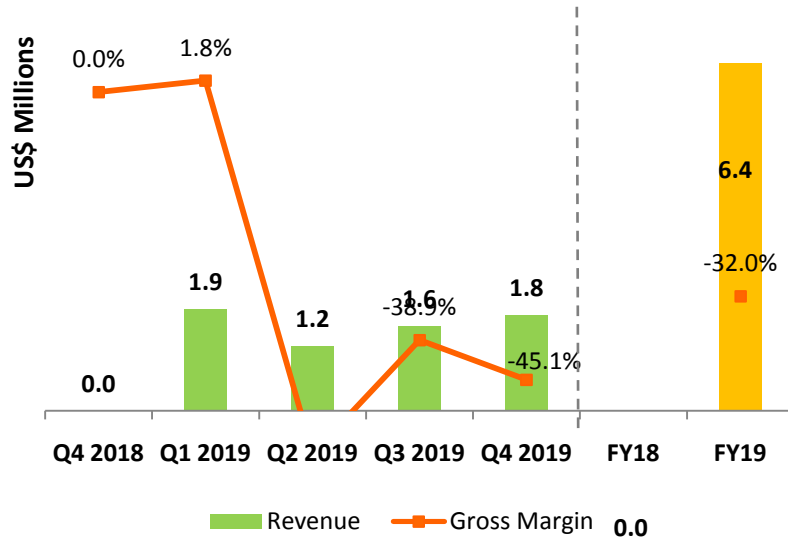
## Sales Volume and ASP



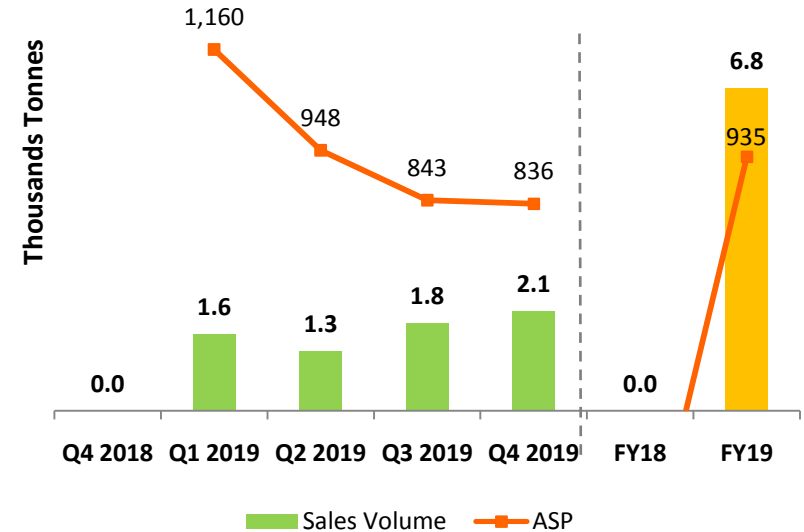
### FY 2019 Offset Printing Paper

- Revenue: up 297.8% YoY to \$20.4 million and accounted for 17.4% of total revenue
- Sales volume: up 371.8% YoY to 29,207 tonnes
- ASP: down 15.7% to \$700/tonne

## Revenue and Gross Margin



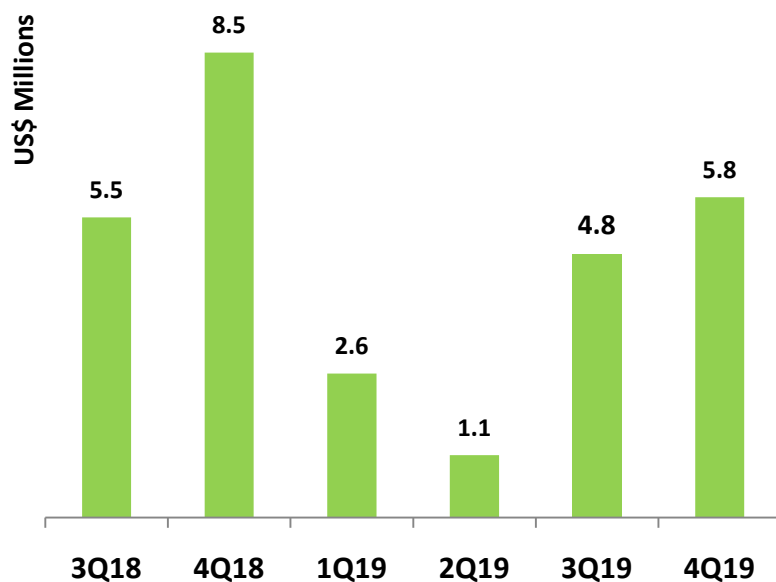
## Sales Volume and ASP



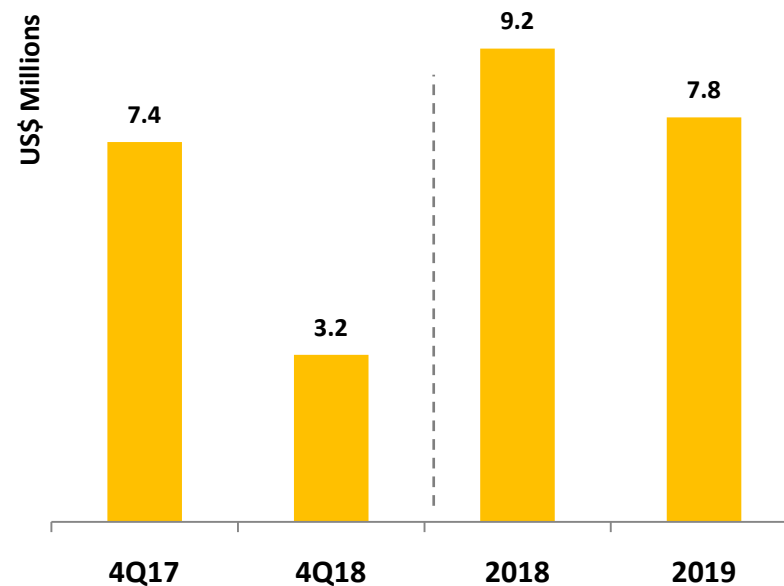
### FY 2019 Tissue Paper

- Revenue: \$6.4 million, accounted for 5.4% of total revenue
- Sales volume: 6,790 tonnes
- ASP: \$935/tonne

## Cash and Cash Equivalents




## Cash Flow from Operating Activities



### Full Year 2019

- Cash position at \$5.8M as of December 31, 2019.
- Net cash provided by operating activities was \$7.5 million for the twelve months ended December 31, 2019, as compared to \$9.2 million provided by operating activities for the same period of last year.

The background of the slide features a close-up, artistic shot of an open book. The pages are fanned out, creating a sense of depth and movement. A semi-transparent green rectangular overlay is positioned in the center of the image, serving as a backdrop for the text.

# **OPERATIONAL & BUSINESS UPDATES**

# Tissue Paper Project Progress Update

## – On Site Photos (Taken in April, 2019)



<b>Planned Capacity</b>	30K tonnes/year
<b>Recent Progress</b>	In December 2018 and November 2019, we completed the construction, installation and test of operation of our PM8 and PM9 production lines.



The background of the image is a close-up, artistic shot of an open book. The pages are fanned out, creating a sense of depth and movement. A vibrant green rectangular overlay is positioned in the center of the image, partially covering the book's pages. The text "THANK YOU" is written in white, bold, sans-serif capital letters on this green background.

**THANK YOU**



The background of the slide features a close-up, artistic shot of an open book. The pages are fanned out, creating a sense of depth and movement. A semi-transparent green rectangular overlay is positioned in the center-left of the image, serving as a backdrop for the title text.

# **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 <sup>[a]</sup>	Digital photo paper	2,500	Xushui District, Baoding city, Hebei province
PM5 <sup>[a]</sup>	Digital photo paper	2,500	
PM6 <sup>[b]</sup>	Corrugating medium paper	360,000	Xushui District, Baoding city, Hebei province
PM7	Specialty paper	10,000	
PM8 <sup>[c]</sup>	Tissue paper	15,000	Economic Development Zone in Wei County, Hebei Province
PM9 <sup>[d]</sup>	Tissue paper	15,000	

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

[b]: 46.68% utilization rate in FY2019; vs. 32.54% in 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. We expect to commence the full operation of production and sales of tissue paper products in year 2019.

[d]: In November 2019, we completed the commercial launch of a new tissue paper production line the PM9 following the success of its trial production. We expect to commence the full operation of production and sales of tissue paper products in year 2019.

# Income Statement Summary

	For the Three Months Ended December 31,		YoY Change	For the Twelve Months Ended December 31,		YoY Change
US\$	2019	2018		2019	2018	
<b>Revenue</b>	<b>33,606,729</b>	<b>24,985,717</b>	<b>34.5%</b>	<b>117,614,886</b>	<b>86,746,758</b>	<b>35.6%</b>
Cost of sales	(28,017,606)	(22,744,773)	23.3%	(103,935,368)	(80,926,357)	28.5%
<b>Gross profit</b>	<b>5,589,123</b>	<b>2,240,944</b>	<b>147.9%</b>	<b>13,679,518</b>	<b>5,820,401</b>	<b>135.1%</b>
Gross profit margin	16.7%	9.0%	7.7pp	11.6%	6.7%	4.9pp
Selling, general and administrative expenses	(2,367,840)	(3,427,381)	-33.1%	(9,781,719)	(13,098,373)	25.3%
<b>Income from operations</b>	<b>3,190,765</b>	<b>(5,080,753)</b>	<b>162.8%</b>	<b>3,897,799</b>	<b>(11,182,314)</b>	<b>134.9%</b>
Operating margin	9.5%	-20.3%	30pp	3.3%	-12.9%	16.2pp
<b>Net income</b>	<b>2,155,680</b>	<b>(5,164,440)</b>	<b>119.4%</b>	<b>2,221,182</b>	<b>(10,545,684)</b>	<b>121.1%</b>
Net margin	6.4%	-20.7%	27.1pp	1.9%	-12.2%	14.1pp
<b>Total comprehensive income</b>	<b>4,427,477</b>	<b>(4,675,078)</b>	<b>194.7%</b>	<b>(572,403)</b>	<b>(19,278,435)</b>	<b>97.0%</b>
<b>EPS – basic and diluted</b>	<b>0.10</b>	<b>(0.24)</b>	<b>142.1%</b>	<b>0.10</b>	<b>(0.49)</b>	<b>120.4%</b>

# Selected Balance Sheet Items

(US\$)	December 31, 2019	December 31, 2018
Current Assets		
Cash and cash equivalents	5,837,745	8,474,809
Restricted cash	-	3,642,616
Accounts receivable	3,119,311	2,876,632
Inventories	1,607,463	2,923,516
Other current assets	13,476,720	6,241,299
<b>Total current assets</b>	<b>24,041,239</b>	<b>24,158,872</b>
Property, plant, and equipment	151,616,852	167,829,716
Other non-current assets	14,540,339	11,087,422
<b>Total Assets</b>	<b>190,198,430</b>	<b>203,076,010</b>
Current Liabilities		
Short-term bank loans	6,163,814	11,802,075
Current obligations under capital lease	1,605,459	2,491,549
Notes payable	-	3,642,616
Other current liabilities	9,066,187	11,698,027
<b>Total current liabilities</b>	<b>16,835,460</b>	<b>29,634,267</b>
Loans from credit union	7,367,908	4,706,259
Loans from a related party	-	2,185,569
Long-term obligations under capital lease	-	-
<b>Total Liabilities</b>	<b>24,203,368</b>	<b>36,526,095</b>
<b>Total Stockholders' equity</b>	<b>165,995,062</b>	<b>166,549,915</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>190,198,430</b>	<b>203,076,010</b>

# Solid Operating Cash Flows to Support Continued Investment

(US\$)	Twelve Months Ended December 31,	
	2019	2018
Net Cash Provided by (Used in) Operating Activities	7,530,474	9,170,374
Net Cash Provided by (Used in) Investing Activities	(7,866,849)	(2,198,852)
Net Cash Provided by( Used in) Financing Activities	(5,772,467)	(3,165,607)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(170,838)	(705,917)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(6,279,680)</b>	<b>3,099,998</b>
Cash and Cash Equivalents – Beginning of Period	12,117,425	9,017,427
<b>Cash and Cash Equivalents – End of Period</b>	<b>5,837,745</b>	<b>12,117,425</b>