



# IT Tech Packaging, Inc.

First Quarter 2022

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 shot of an open book. The pages are a warm, off-white or light beige color, showing the texture of the paper and the way they are bound together. The book is open, with the pages fanning out from the center. A semi-transparent green rectangular overlay is positioned horizontally across the middle of the image, partially covering the book's pages. The text 'KEY HIGHLIGHTS' is written in white, bold, sans-serif capital letters on this green background.

# KEY HIGHLIGHTS

# Key Highlights for Q1 2022

**Revenue decreased by 36.1% YoY to \$15.5 million, primarily due to the decrease in sales volume of regular corrugating medium paper ("CMP"), offset printing paper and tissue paper products.**

**Gross profit down 83.0% YoY to \$0.3 million, primarily due to the decrease in sales volume of regular CMP, offset printing paper and tissue paper products. Overall gross margin down 5.6 percentage points to 2.0%.**

**Loss from operations was \$3.0 million, compared to loss from operations of \$0.7 million for the same period of last year.**

**Net loss was \$2.5 million, or loss per share of \$0.03, compared to net loss of \$4.3 million, or loss per share of \$0.12, for the same period of last year.**

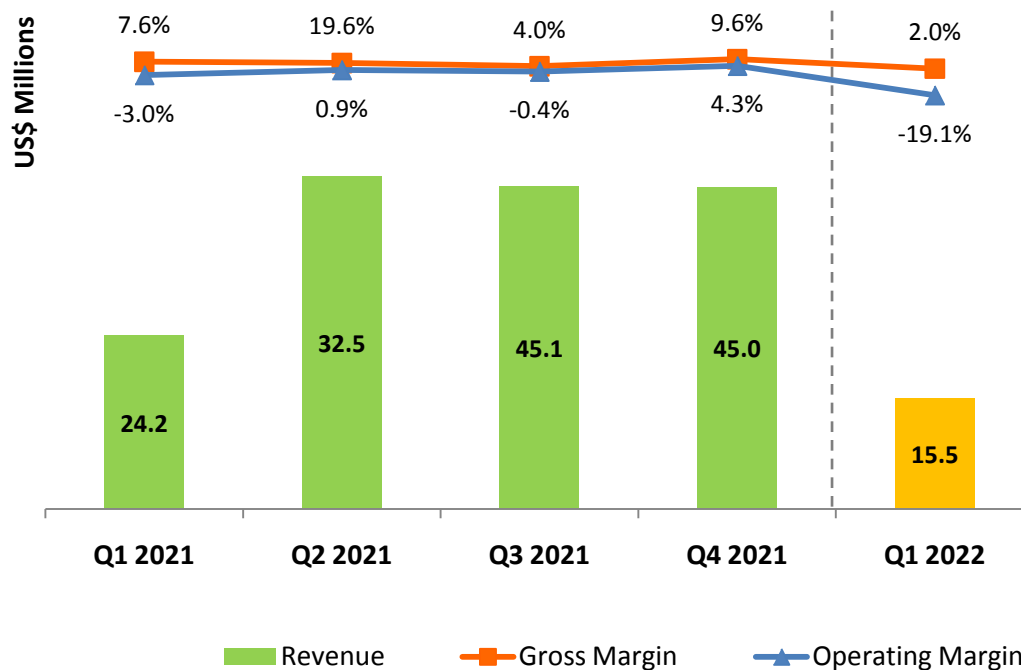
**Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$1.2 million, compared to EBITDA of negative \$0.07 million for the same period of last year.**



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# **FINANCIAL & BUSINESS REVIEW**

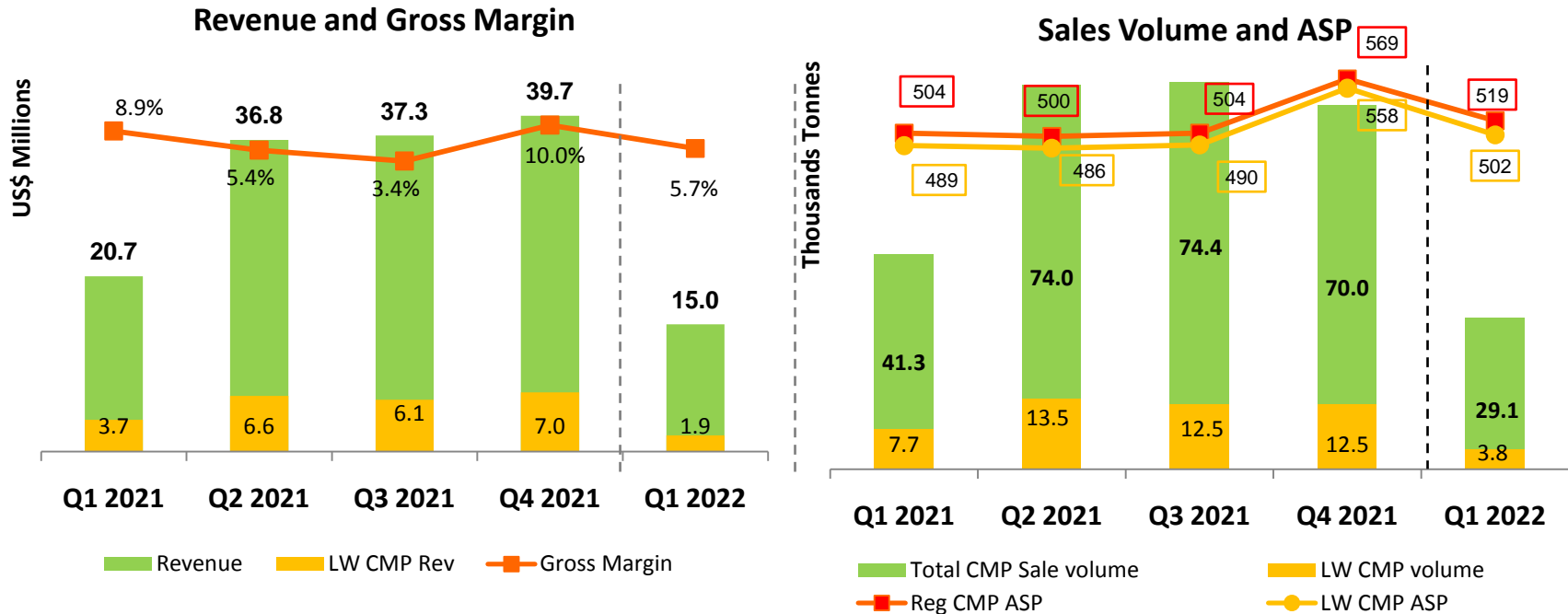
# Revenue



## Q1 2022

- Revenue decreased by 36.1% YoY to \$15.5 million, due to the decrease in sales volume of regular CMP, offset printing paper and tissue paper products.
- Overall gross margin decreased by 5.6 percentage points YoY to 2.0%.
- Operating loss margin decreased by 16.1 percentage points YoY to 19.1%.

# Corrugating Medium Paper (CMP)



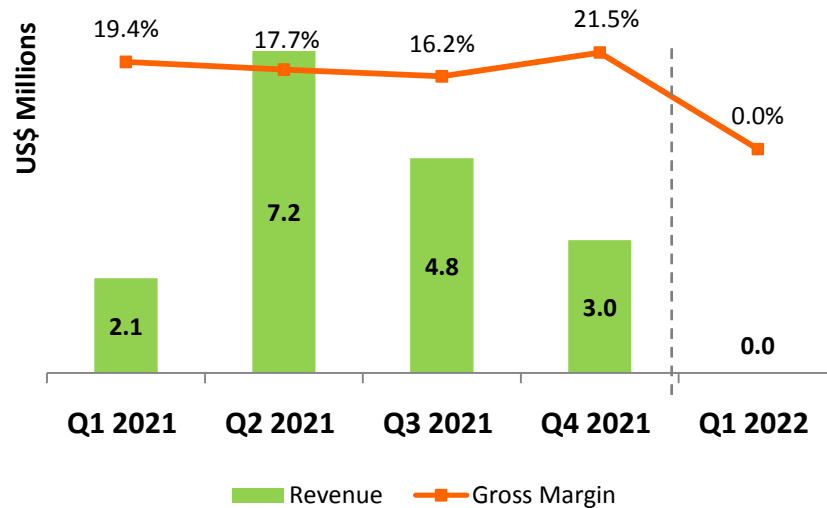
## Q1 2022 CMP (includes both Regular and Light-Weight CMP)

- Revenue: down 27.4% YoY to \$15.0 million, accounted for 97.1% of total revenue.
- Sales volume: down 29.6% YoY to 29,086 tonnes.
- ASP: Regular CMP up 2.9% to \$519/tonne.
- ASP: Light-Weight CMP up 2.7% to \$502/tonne.

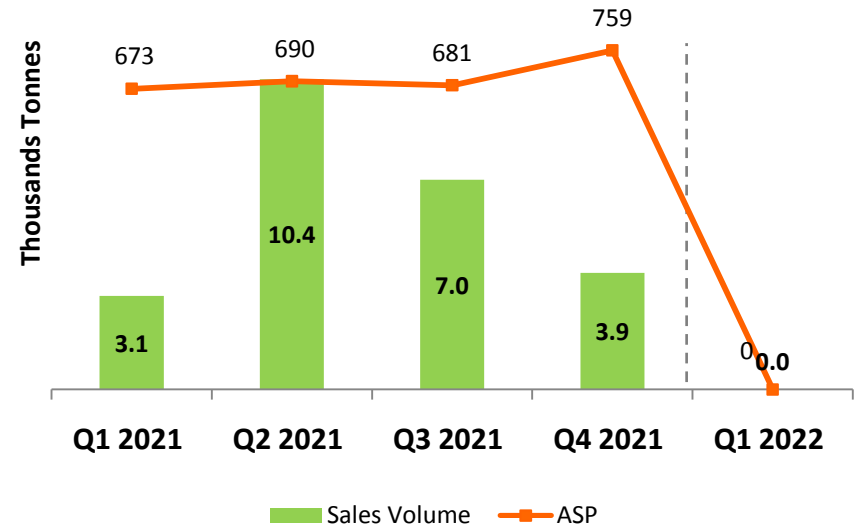


# Offset Printing Paper

## Revenue and Gross Margin

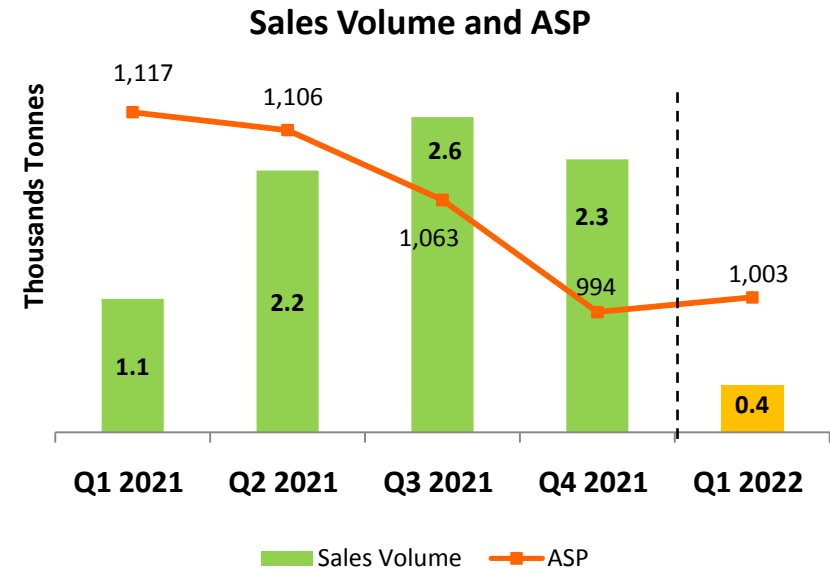
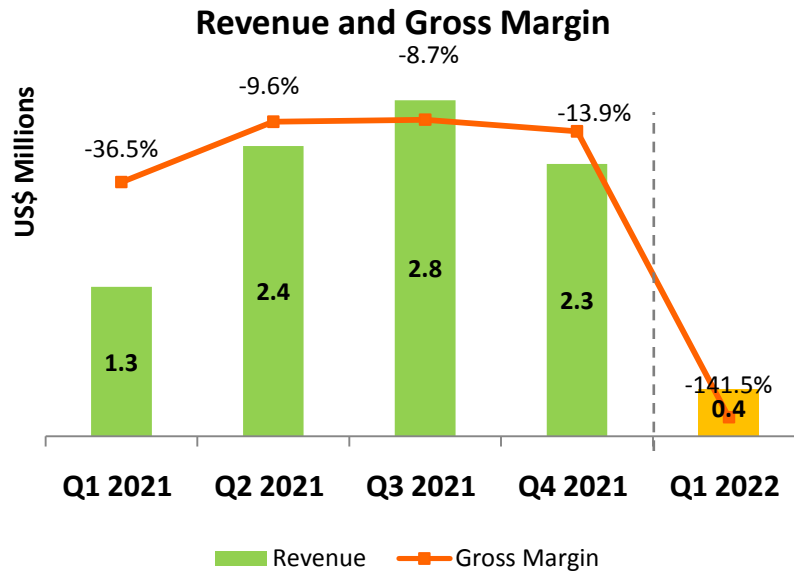


## Sales Volume and ASP



### Q1 2022 Offset Printing Paper

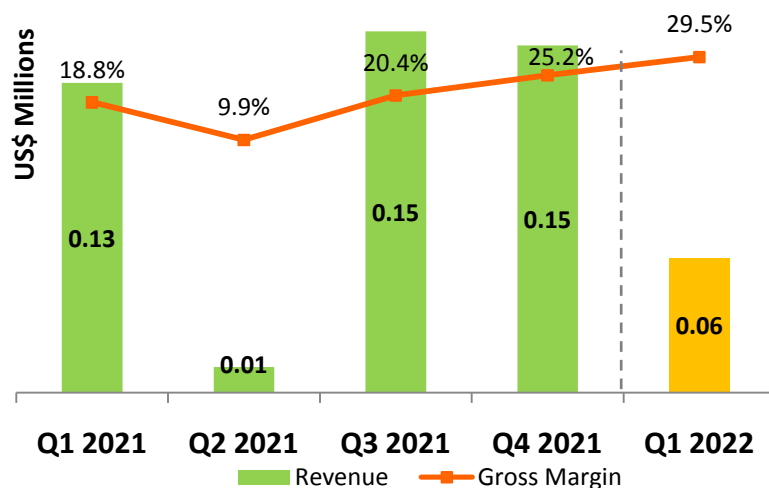
- Revenue: was \$nil.
- Sales volume: was \$nil.
- ASP: was \$nil.



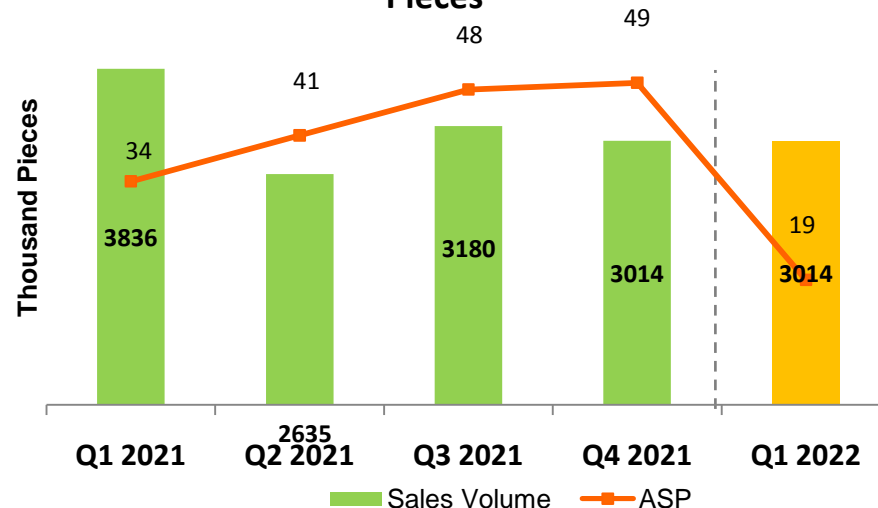
## Q1 2022 Tissue Paper

- Revenue: down 68.2% YoY to \$0.4 million, accounted for 2.6% of total revenue.
- Sales volume: down 64.6% YoY to 397 tonnes.
- ASP: down 10.2% YoY to \$1,003/tonne.

## Revenue and Gross Margin



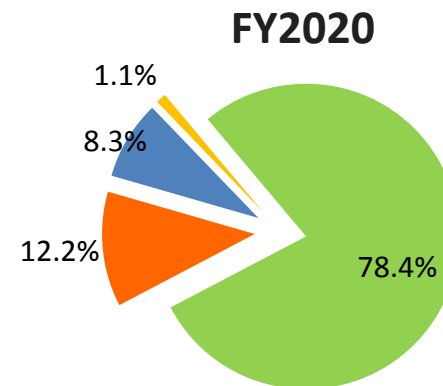
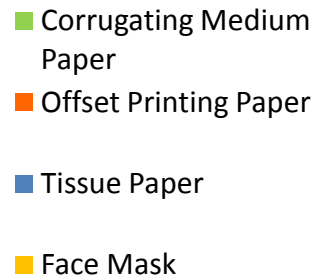
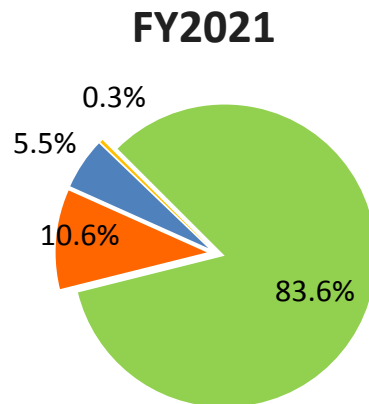
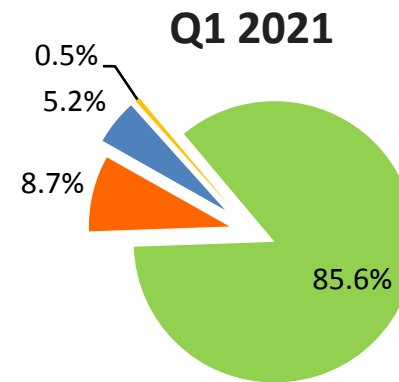
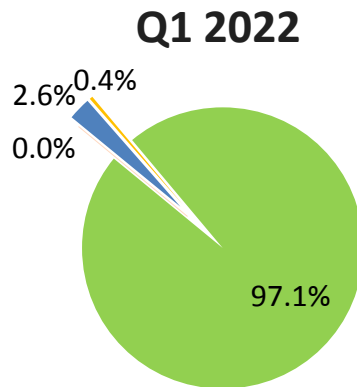
## Sales Volume and Selling Price (\$) Per Thousand Pieces



### Q1 2022 Face Mask

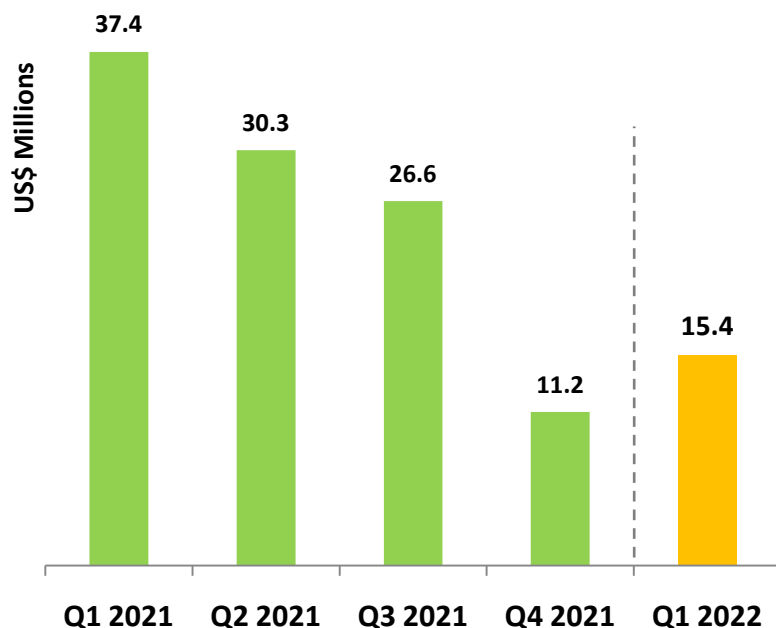
- Revenue: down 56.6% YoY to \$0.06 million, accounted for 0.4% of total revenue.
- Sales volume: down 21.4% YoY to 3,014 thousand pieces.
- ASP: down 44.1% YoY to \$19/ thousand pieces.

# Revenue Mix

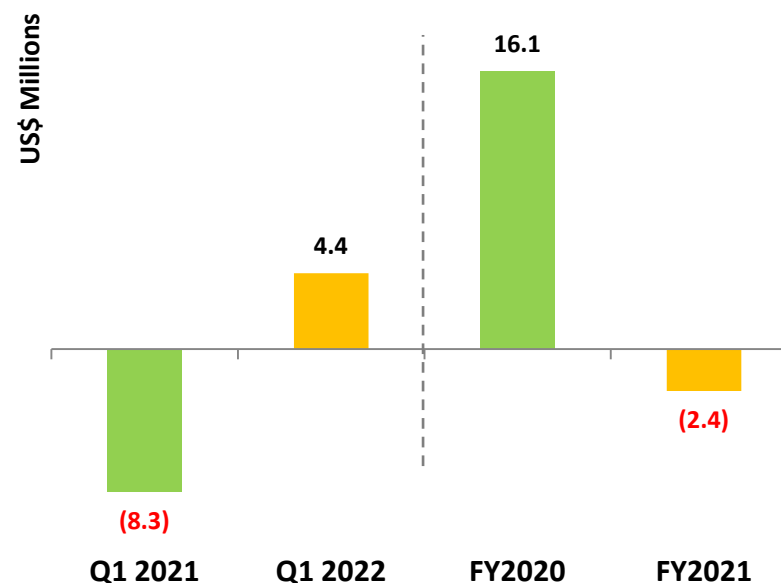


•Corrugating Medium Paper includes both Light-Weight CMP and Regular CMP

## Cash and Cash Equivalents




## Cash Flow from Operating Activities



### Q1 2022

- Cash position at \$15.4 million as of March 31, 2022.
- Net cash provided by operating activities was \$4.4 million for the first quarter of 2022, as compared to net cash used in operating activities of \$8.3 million 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)



<b>Planned Capacity</b>	30K tonnes/year
<b>Recent Progress</b>	On May 5, 2020, the Company announced it planned the commercial launch of a new tissue paper production line (the "PM10"). The Company has signed an agreement to purchase paper machine with paper machine supplier and expects to launch commercial production of the PM10 following the success of its trial run.

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**THANK YOU**



The background of the slide features a close-up, artistic shot of an open book. The pages are a warm, off-white or light beige color. The top half of the image shows the book's pages fanned out, creating a radial pattern. The bottom half shows the dense, stacked edges of the pages. A semi-transparent green rectangular box is positioned in the center-left, 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	
PM10 <sup>[e]</sup>	Tissue Paper	20,000	

[a]: PM4 and PM5 have been suspended in June 2016 due to low market demand

[b]: 23.04% utilization rate in Q1 FY2022; vs. 38.42% in Q1 FY2021.

[c]: The production and sales of tissue paper products have increased steadily since 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.

[e] In May 2020, we planned commercial launch of a new tissue paper production line PM10 and the Company expects the new tissue paper production line to be launched after the success of its trial run.

# Income Statement Summary

	For the Three Months Ended March 31		YoY Change
(US\$)	2022	2021	
<b>Revenue</b>	<b>15,481,618</b>	<b>24,209,427</b>	<b>-36.1%</b>
Cost of sales	(15,171,173)	(22,378,422)	-32.2%
<b>Gross Profit</b>	<b>310,445</b>	<b>1,831,005</b>	<b>-83.0%</b>
Gross profit margin	2.0%	7.6%	5.6pp
Selling, general and administrative expenses	(3,300,881)	(2,555,318)	29.2%
<b>Income (Loss) from operations</b>	<b>(2,956,433)</b>	<b>(724,313)</b>	<b>-308.2%</b>
Operating margin	-19.1%	-3.0%	-16.1pp
<b>Net Income (Loss)</b>	<b>(2,488,214)</b>	<b>(4,338,856)</b>	<b>42.7%</b>
Net (loss) margin	-16.1%	-17.9%	1.8pp
<b>Loss per share – basic and diluted</b>	<b>(0.03)</b>	<b>(0.12)</b>	<b>75.0%</b>

# Selected Balance Sheet Items

(US\$)	March 31, 2022	December 31, 2021
Current Assets		
Cash and cash equivalents	15,358,443	11,201,612
Restricted cash	-	-
Accounts receivable	4,984,738	4,868,934
Inventories	4,354,676	5,844,895
Other current assets	23,917,932	33,600,708
<b>Total current assets</b>	<b>48,615,789</b>	<b>55,516,149</b>
Property, plant, and equipment	174,077,916	126,587,428
Other non-current assets	16,317,783	59,431,625
<b>Total Assets</b>	<b>239,011,488</b>	<b>241,535,202</b>
Current Liabilities		
Short-term bank loans	5,984,374	5,958,561
Current portion of long-term loans from credit union	6,868,089	6,838,465
Lease Liability	228,051	210,161
Accounts Payable	72,616	10,255
Other current liabilities	6,785,217	7,416,910
<b>Total current liabilities</b>	<b>19,938,347</b>	<b>20,434,352</b>
Loans from credit union	2,992,974	2,980,065
Deferred gain on sale-leaseback	131,185	155,110
Lease Liability non-current	84,204	152,233
Derivative liability	1,676,946	2,063,534
<b>Total Liabilities</b>	<b>24,823,656</b>	<b>25,785,294</b>
<b>Total Stockholders' equity</b>	<b>214,187,832</b>	<b>215,749,908</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>239,011,488</b>	<b>241,535,202</b>



# Solid Operating Cash Flows to Support Continued Investment

(US\$)	Three Months Ended March 31,	
	2022	2021
Net Cash Provided by (Used in) Operating Activities	4,411,418	(8,280,332)
Net Cash Provided by (Used in) Investing Activities	(7,175,972)	(44,599)
Net Cash Provided by( Used in) Financing Activities	6,893,314	41,794,323
Effect of Exchange Rate Changes on Cash and Cash Equivalents	28,071	(170,838)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>4,156,831</b>	<b>33,298,554</b>
Cash and Cash Equivalents – Beginning of Period	11,201,612	4,142,437
<b>Cash and Cash Equivalents – End of Period</b>	<b>15,358,443</b>	<b>37,440,991</b>