



## **IT Tech Packaging, Inc.**

**First Quarter 2020**

**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

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# KEY HIGHLIGHTS

## Key Highlights for Q1 2020

Revenue decreased by 49.9% YoY to \$8.7 million, primarily due to the decrease in both sales volume and ASPs of CMP and tissue paper products, which was impacted by the COVID-19.

Gross loss down 11.8% YoY to \$0.17 million, primarily due to the increase in total cost of sales, which resulted from 49.5% decrease in cost of sales and material costs. Gross loss margin down 0.84 percentage points to 1.94%.

Net loss was \$2.44 million, or loss per share of \$0.11, compared to net loss of \$2.72 million, or loss per share of \$0.12, for the same period of last year.

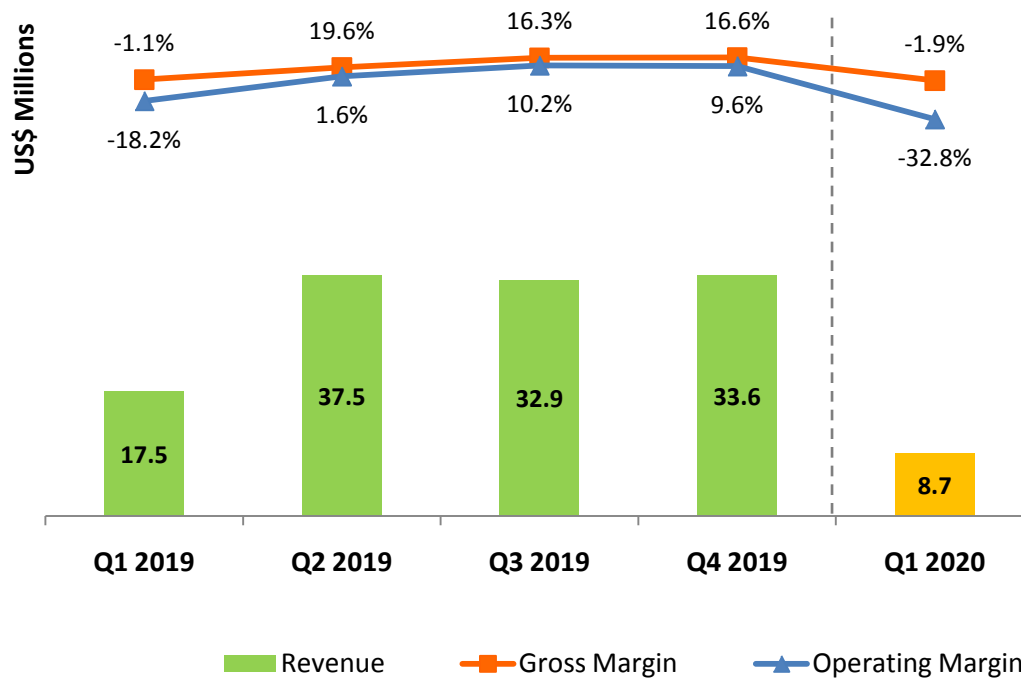
Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$1.06 million.



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# **FINANCIAL & BUSINESS REVIEW**

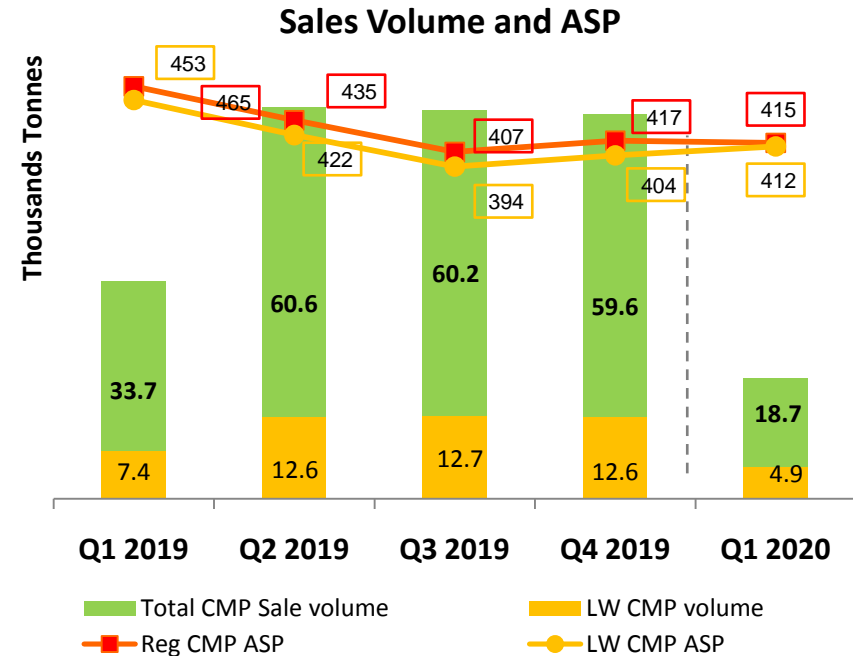
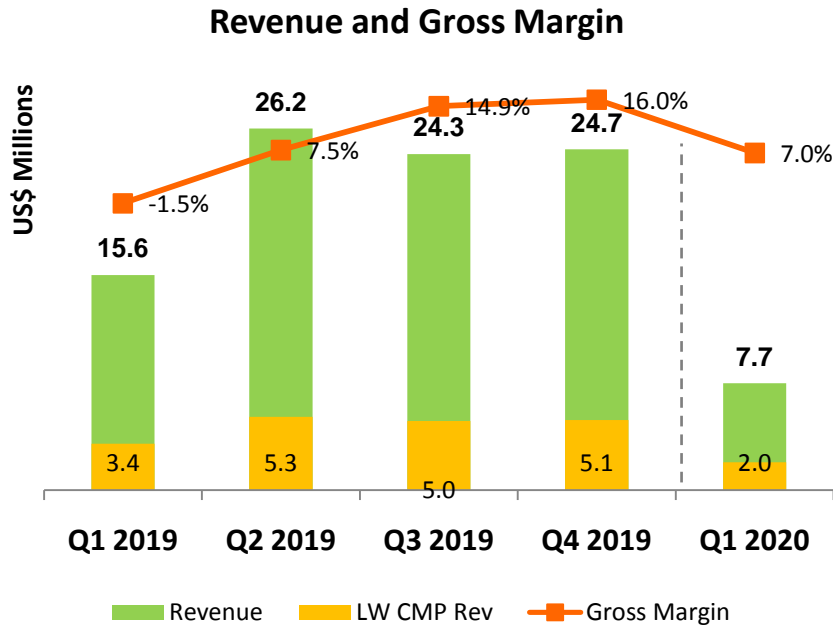
# Revenue



## Q1 2020

- Revenue decreased by 49.9% YoY to \$8.7 million, due to decreases in both sales volume and ASP of CMP and tissue paper products.
- Overall gross loss margin increased by 0.8 percentage points YoY to 1.9%.
- Operating loss margin increased by 14.6 percentage points YoY to 32.8%.

# Corrugating Medium Paper (CMP)

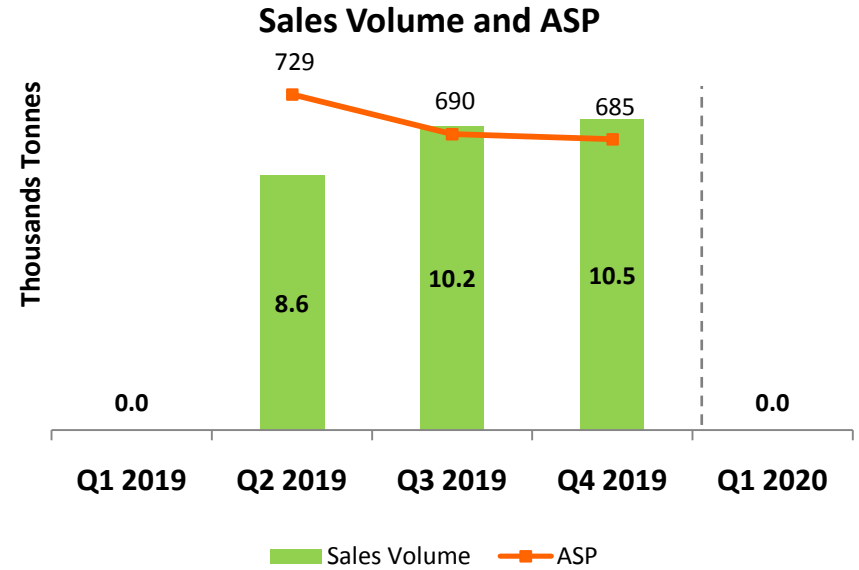
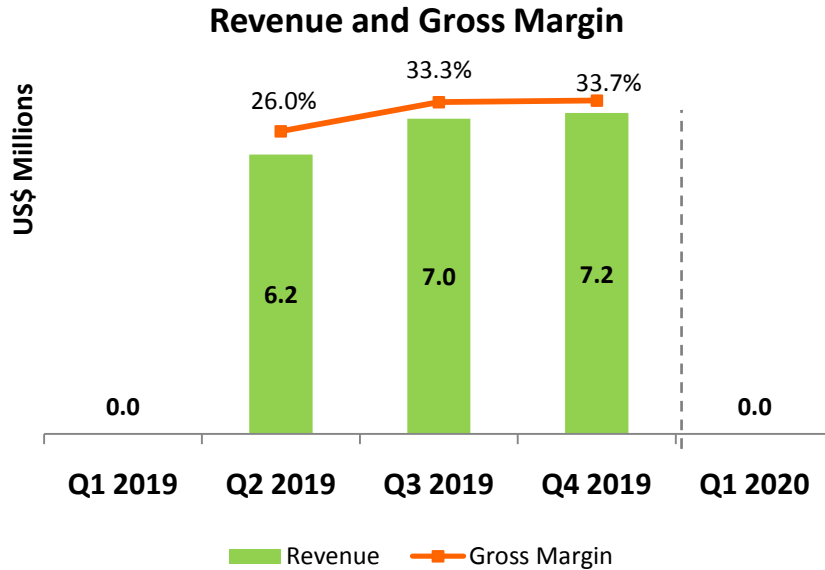


## Q1 2020 CMP (includes both Regular and Light-Weight CMP)

- Revenue: down 50.4% YoY to \$7.74 million, accounted for 88.5% of total revenue.
- Sales volume: down 44.6% YoY to 18,677 tonnes.
- ASP: Regular CMP down 10.8% to \$415/tonne.
- ASP: Light-Weight CMP down 9.1% to \$412/tonne.



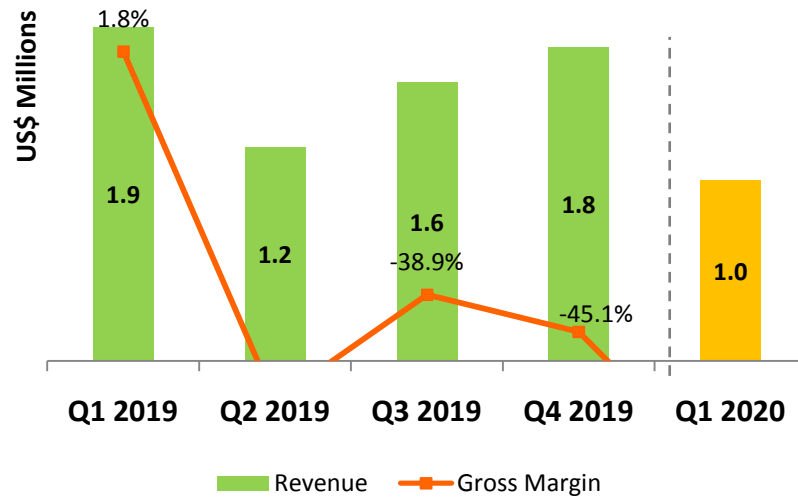
# Offset Printing Paper



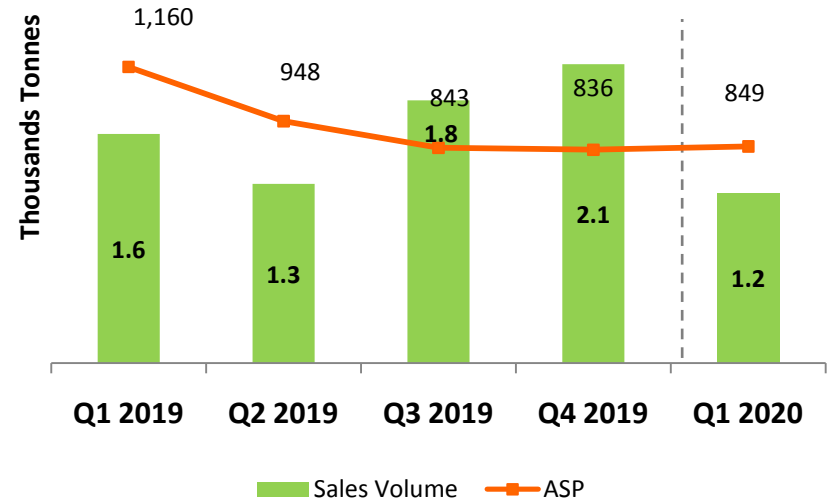
## Q1 2020 Offset Printing Paper

- Revenue: down 100% YoY to \$0 million.
- Sales volume: down 100% YoY to 0 tonne.
- ASP: N/A.

### Revenue and Gross Margin



### Sales Volume and ASP

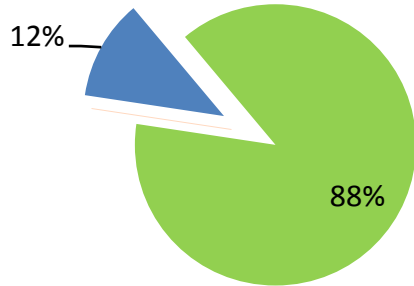


#### Q1 2020 Tissue Paper

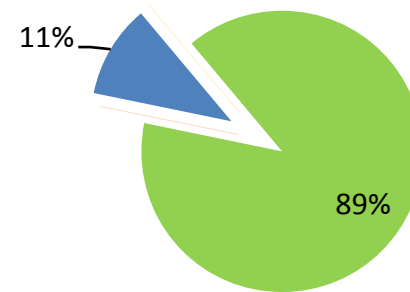
- Revenue: \$1.01 million, accounted for 11.5 % of total revenue.
- Sales volume: 1,185 tonnes.
- ASP: \$849/tonne.

# Revenue Mix

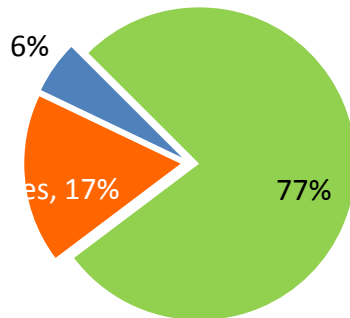
### Q1 2020



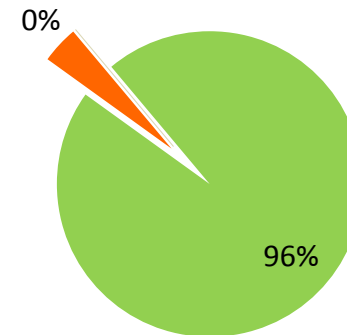
### Q1 2019



### 12-Mon 2019



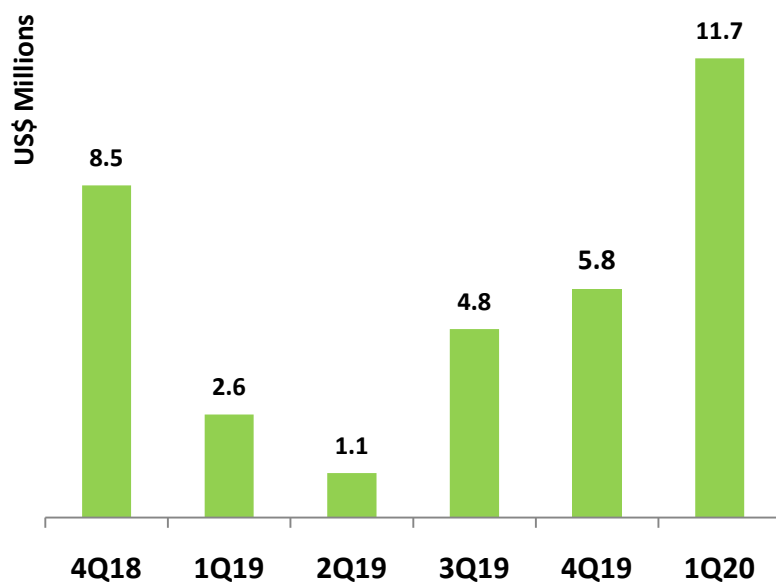
### 12-Mon 2018



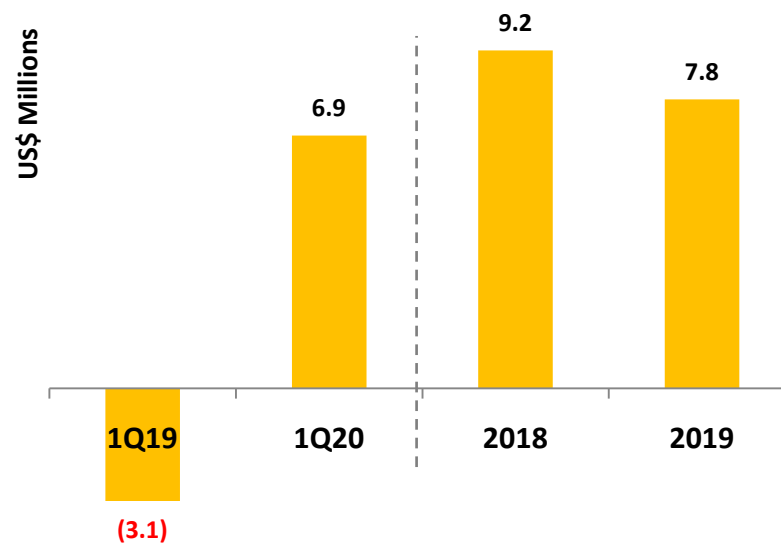
- Corrugating Medium Paper
- Offset Printing Paper
- Tissue Paper

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

## Cash and Cash Equivalents




## Cash Flow from Operating Activities



### 1Q 2020

- Cash position at \$11.7M as of March 31, 2020.
- Net cash provided by operating activities was \$6.9 million for the three months ended March 31, 2020, as compared to \$3.1 million used in 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**

30K 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**

The background features an open book with its pages fanned out, creating a sense of depth and movement. A vibrant green rectangular overlay is positioned across the middle of the image, partially covering the book's pages. The word "APPENDIX" is written in white, bold, uppercase letters on the left side of this green overlay.

# 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]: 14.86% utilization rate in Q1 FY2020; vs. 28.79% in Q1 FY2019.

[c]: The production and sales of tissue paper products have increased steadily 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 2020.

# Income Statement Summary

	For the Three Months Ended March 31,		YoY Change
	2020	2019	
US\$			
<b>Revenue</b>	<b>8,743,851</b>	<b>17,450,292</b>	<b>-49.9%</b>
Cost of sales	(8,913,570)	(17,642,758)	49.5%
<b>Gross loss</b>	<b>(169,719)</b>	<b>(192,466)</b>	<b>11.8%</b>
Gross loss margin	-1.9%	-1.1%	-0.8pp
Selling, general and administrative expenses	(2,696,963)	(2,981,473)	-9.5%
<b>Loss from operations</b>	<b>(2,866,682)</b>	<b>(3,173,939)</b>	<b>-9.7%</b>
Operating loss margin	-32.8%	-18.2%	14.6pp
<b>Net loss</b>	<b>(2,436,287)</b>	<b>(2,722,595)</b>	<b>-10.5%</b>
Net loss margin	-27.9%	-15.6%	12.3pp
<b>Total comprehensive (loss) income</b>	<b>(5,026,041)</b>	<b>571,085</b>	<b>-980.1%</b>
<b>Loss per share – basic and diluted</b>	<b>(0.11)</b>	<b>(0.12)</b>	<b>-10.6%</b>

# Selected Balance Sheet Items

(US\$)	March 31, 2020	December 31, 2019
Current Assets		
Cash and cash equivalents	11,712,152	5,837,745
Restricted cash	-	-
Accounts receivable	1,795,671	3,119,311
Inventories	1,951,376	1,607,463
Other current assets	6,174,840	13,476,720
<b>Total current assets</b>	<b>21,634,039</b>	<b>24,041,239</b>
Property, plant, and equipment	145,805,724	151,616,852
Other non-current assets	14,816,535	14,540,339
<b>Total Assets</b>	<b>182,256,298</b>	<b>190,198,430</b>
Current Liabilities		
Short-term bank loans	6,069,075	6,163,814
Current obligations under capital lease	1,580,782	1,605,459
Accounts Payable	205,769	250,486
Notes payable	-	-
Other current liabilities	6,176,990	8,815,701
<b>Total current liabilities</b>	<b>14,032,616</b>	<b>16,835,460</b>
Loans from credit union	7,254,661	7,367,908
Loans from a related party	-	-
Deferred gain on sale-leaseback	-	-
Long-term obligations under capital lease	-	-
<b>Total Liabilities</b>	<b>21,287,277</b>	<b>24,203,368</b>
<b>Total Stockholders' equity</b>	<b>160,969,021</b>	<b>165,995,062</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>182,256,298</b>	<b>190,198,430</b>

# Solid Operating Cash Flows to Support Continued Investment



(US\$)	Three Months Ended March 31,	
	2020	2019
Net Cash Provided by (Used in) Operating Activities	6,860,307	(3,052,152)
Net Cash Provided by (Used in) Investing Activities	(756,514)	(1,415,761)
Net Cash Provided by( Used in) Financing Activities	-	(5,366,166)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(229,386)	341,713
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>5,874,407</b>	<b>(9,492,366)</b>
Cash and Cash Equivalents – Beginning of Period	5,837,745	12,117,425
<b>Cash and Cash Equivalents – End of Period</b>	<b>11,712,152</b>	<b>2,625,059</b>