



# IT Tech Packaging, Inc.

Second 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 a slight texture. 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 Q2 2022

**Revenue decreased by 31.7% YoY to \$31.8 million, primarily due to the decrease in sales volume of corrugating medium paper ("CMP"), offset Printing Paper and tissue paper products.**

**Gross profit down 79.1% YoY to \$0.6 million, primarily due to the decrease in sales volume of CMP, offset printing paper and tissue paper products. Overall gross margin down 4.5 percentage points to 2.0%.**

**Loss from operations was \$1.2 million, compared to loss from operations of \$0.4 million for the same period of last year.**

**Net loss was \$0.3 million, or loss per share of \$0.003, compared to net loss of \$0.5 million, or loss per share of \$0.01, for the same period of last year.**

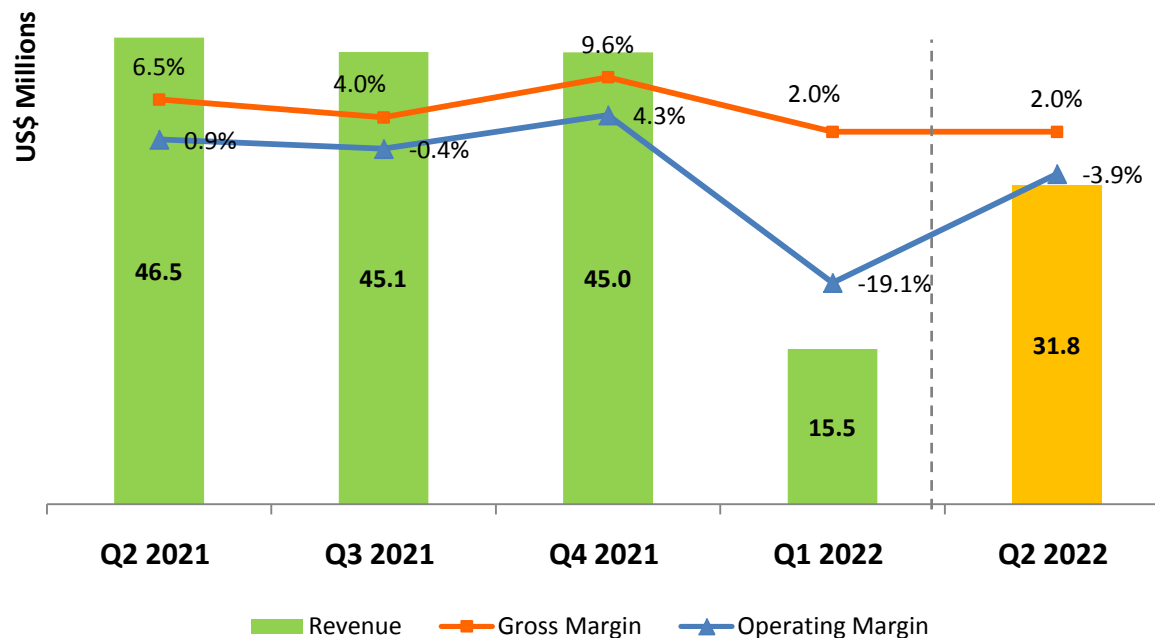
**Earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$3.6 million, compared to EBITDA of \$9.0 million for the same period of last year.**



The background of the slide features a close-up, artistic shot of an open book. The pages are a warm, aged cream 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

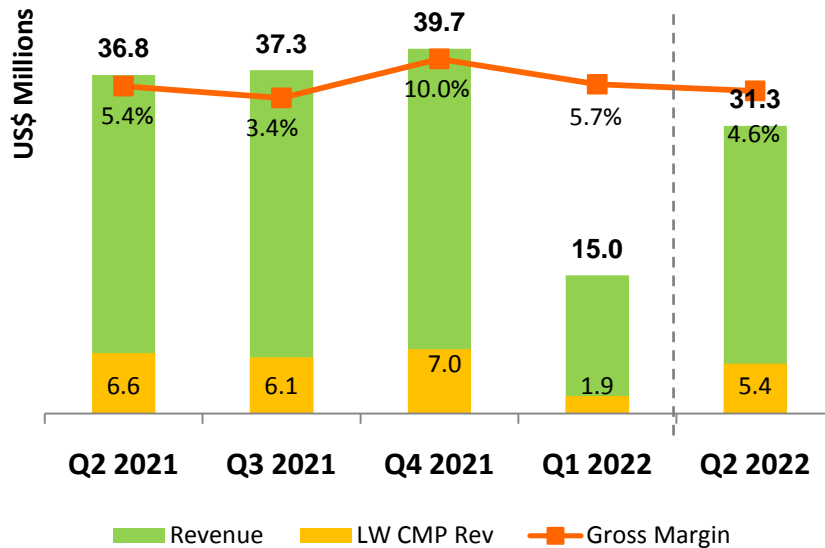


## Q2 2022

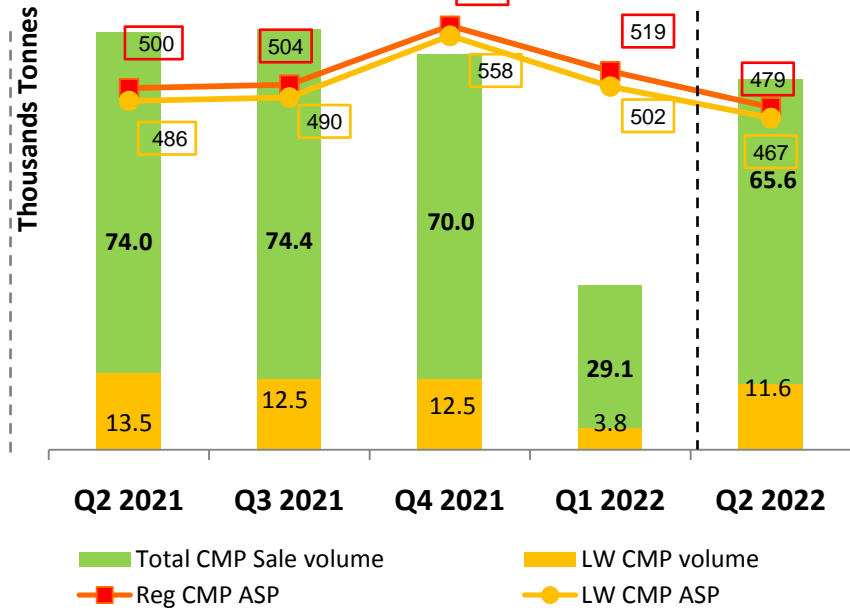
- Revenue decreased by 31.7% YoY to \$31.8 million, primarily due to the decrease in sales volume of corrugating medium paper (“CMP”), offset Printing Paper and tissue paper products.
- Overall gross margin down 4.5 percentage points to 2.0%.
- Operating loss margin down by 4.8 percentage points YoY to 3.9%.

# Corrugating Medium Paper (CMP)

## Revenue and Gross Margin



## Sales Volume and ASP



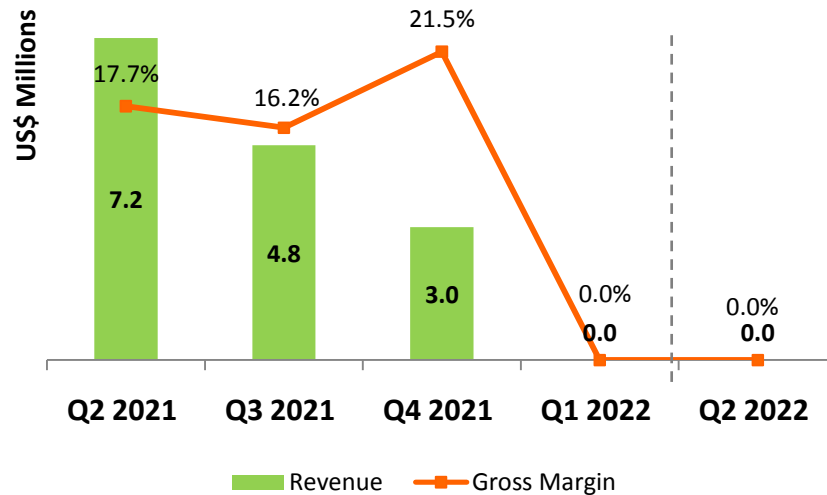
### Q2 2022 CMP (includes both Regular and Light-Weight CMP)

- Revenue: down 15.0% YoY to \$31.3 million, accounted for 98.4% of total revenue.
- Sales volume: down 11.4% YoY to 65,585 tonnes.
- ASP: Regular CMP down 4.2% to \$479/tonne.
- ASP: Light-Weight CMP down 3.9% to \$467/tonne.

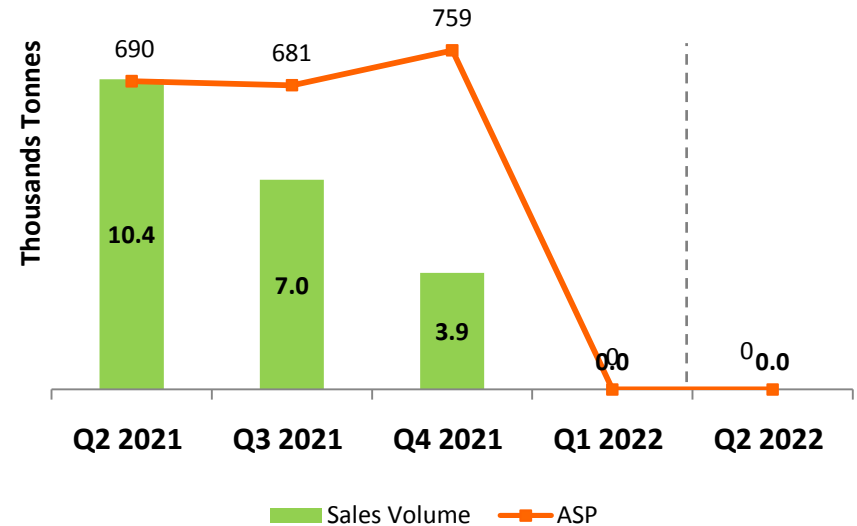


# Offset Printing Paper

## Revenue and Gross Margin



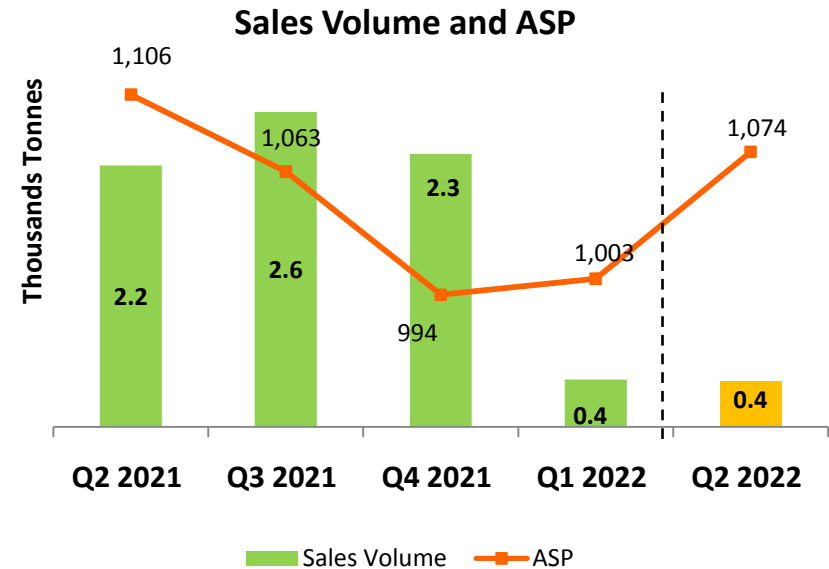
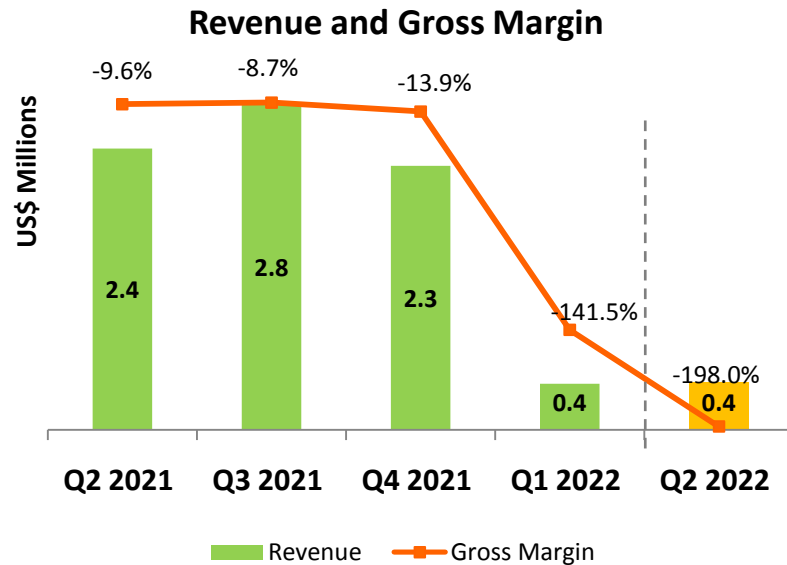
## Sales Volume and ASP



### Q2 2022 Offset Printing Paper

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

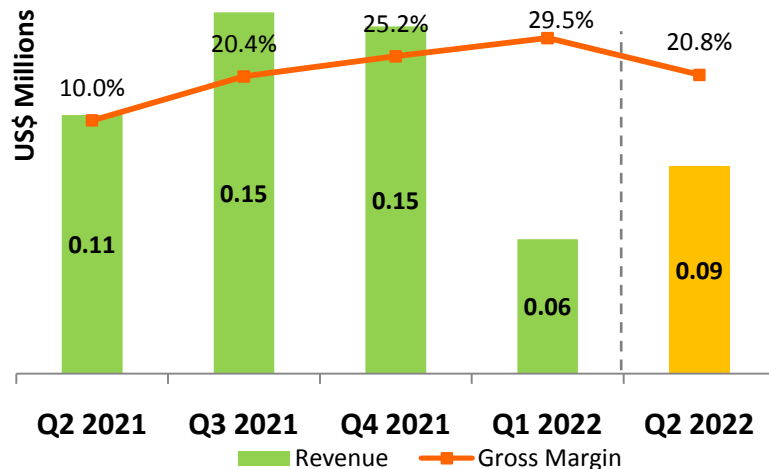
# Tissue Paper



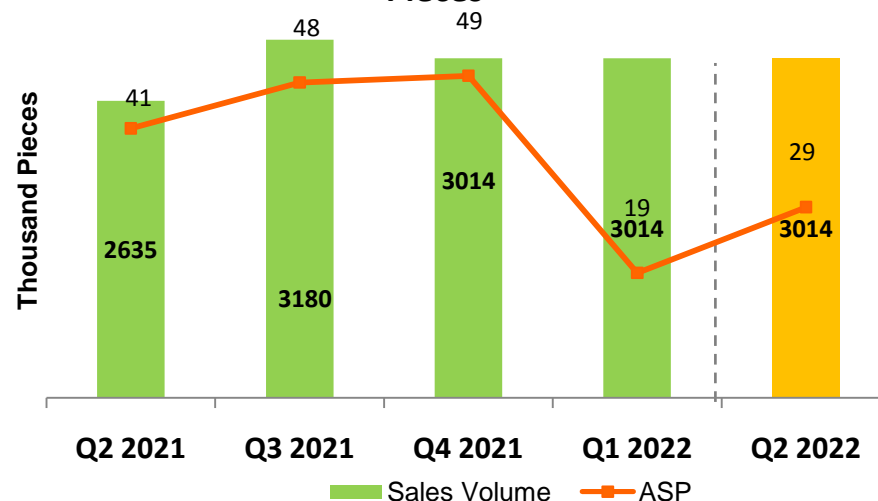
## Q2 2022 Tissue Paper

- Revenue: down 83.1% YoY to \$0.4 million, accounted for 1.3% of total revenue.
- Sales volume: down 82.6% YoY to 383 tonnes.
- ASP: down 2.9% YoY to \$1,074/tonne.

## Revenue and Gross Margin



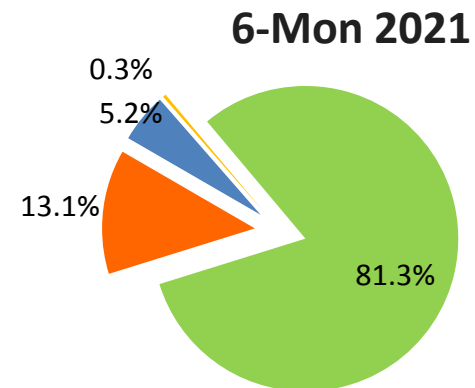
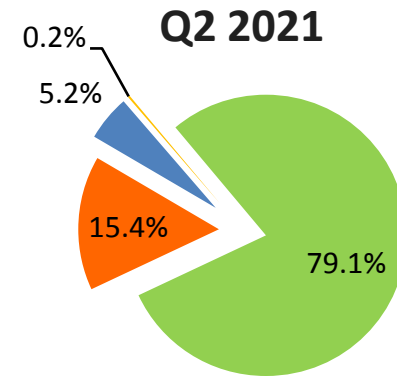
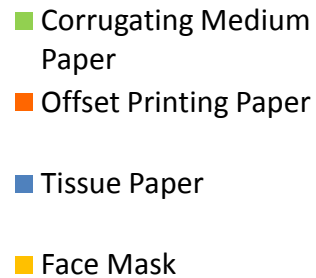
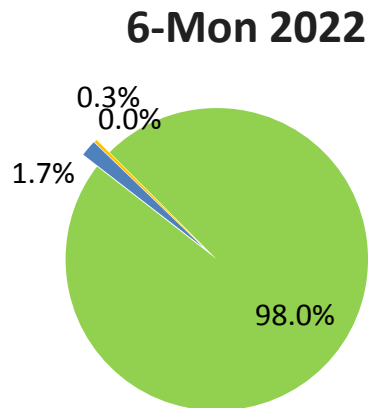
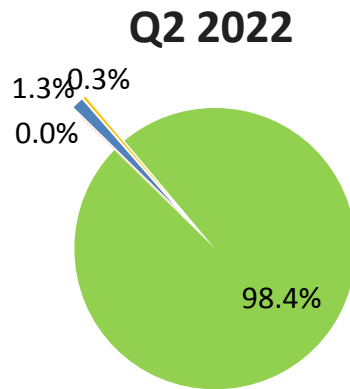
## Sales Volume and Selling Price (\$) Per Thousand Pieces



### Q2 2022 Face Mask

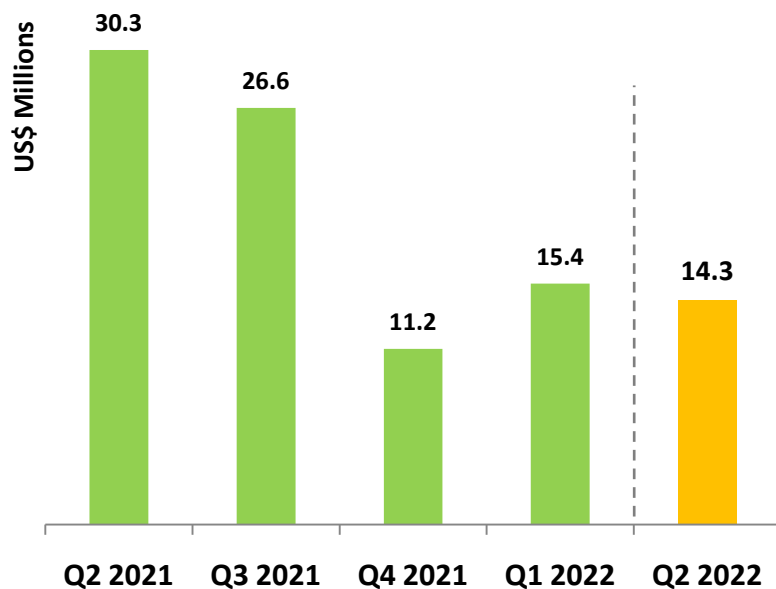
- Revenue: down 19.6% YoY to \$0.09 million, accounted for 0.3% of total revenue.
- Sales volume: up 14.4% YoY to 3,014 thousand pieces.
- ASP: down 29.3% YoY to \$29/ thousand pieces.

# Revenue Mix

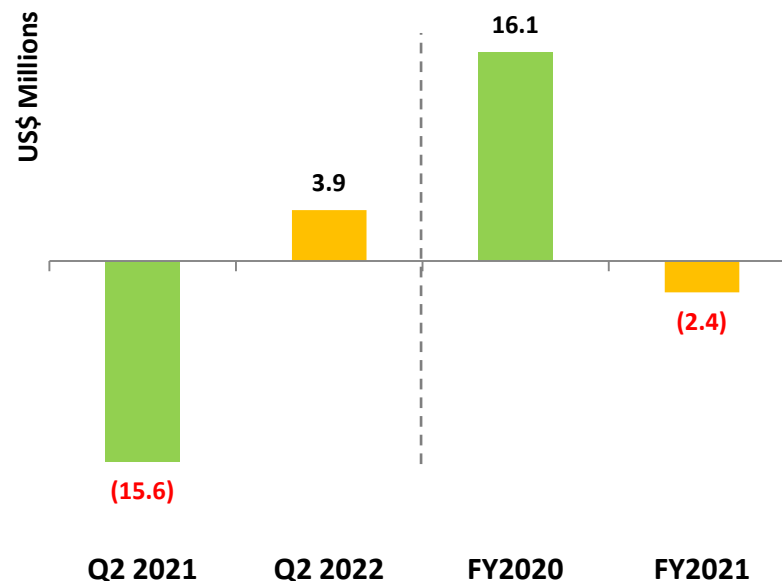


•Corrugating Medium Paper includes both Light-Weight CMP and Regular CMP

## Cash and Cash Equivalents




## Cash Flow from Operating Activities



### Q2 2022

- Cash position at \$14.3 million as of June 30, 2022.
- Net cash provided by operating activities was \$3.9 million for the first half of 2022, as compared to net cash used in operating activities of \$15.6 million 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 box is positioned in the center, serving as a backdrop for the title text. The text is in a bold, white, sans-serif font, which stands out clearly against the green background.

# **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>	<p>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.</p> <p>As of June 30, 2022, we had approximately \$4.5 million in capital expenditure commitments that were mainly related to the purchase of paper machine of PM10. The infrastructure work of PM10 has been completed and the associated ancillary facilities are working in progress. These commitments are expected to be financed by bank loans and cash flows generated from our business operations.</p>

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.

**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	
PM10 <sup>[e]</sup>	Tissue Paper	20,000	

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

[b]: 58.98% utilization rate in Q2 FY2022; vs. 68.20% in Q2 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 June 30		YoY Change
(US\$)	2022	2021	
<b>Revenue</b>	<b>31,788,884</b>	<b>46,534,915</b>	<b>-31.7%</b>
Cost of sales	(31,154,847)	(43,505,895)	-28.4%
<b>Gross Profit</b>	<b>634,037</b>	<b>3,029,019</b>	<b>-79.1%</b>
Gross profit margin	2.0%	6.5%	-4.5pp
Selling, general and administrative expenses	(1,869,802)	(2,597,611)	-28.0%
<b>Income (Loss) from operations</b>	<b>(1,237,605)</b>	<b>431,408</b>	<b>-386.9%</b>
Operating margin	-3.9%	0.9%	-4.8pp
<b>Net Income (Loss)</b>	<b>(287,913)</b>	<b>(453,248)</b>	<b>-36.5%</b>
Net (loss) margin	-0.9%	-1.0%	0.1pp
<b>Loss per share – basic and diluted</b>	<b>(0.003)</b>	<b>(0.01)</b>	<b>70.1%</b>

# Selected Balance Sheet Items

(US\$)	June 30, 2022	December 31, 2021
Current Assets		
Cash and cash equivalents	14,344,077	11,201,612
Restricted cash	-	-
Accounts receivable	3,820,123	4,868,934
Inventories	6,629,657	5,844,895
Other current assets	23,651,731	33,600,708
<b>Total current assets</b>	<b>48,445,588</b>	<b>55,516,149</b>
Property, plant, and equipment	161,195,384	126,587,428
Other non-current assets	15,820,421	59,431,625
<b>Total Assets</b>	<b>225,461,393</b>	<b>241,535,202</b>
Current Liabilities		
Short-term bank loans	5,958,518	5,958,561
Current portion of long-term loans from credit union	4,410,406	6,838,465
Lease Liability	224,219	210,161
Accounts Payable	17,098	10,255
Other current liabilities	6,720,953	7,416,910
<b>Total current liabilities</b>	<b>17,331,194</b>	<b>20,434,352</b>
Loans from credit union	4,917,007	2,980,065
Deferred gain on sale-leaseback	100,820	155,110
Lease Liability non-current	20,299	152,233
Derivative liability	716,901	2,063,534
<b>Total Liabilities</b>	<b>23,086,221</b>	<b>25,785,294</b>
<b>Total Stockholders' equity</b>	<b>202,375,172</b>	<b>215,749,908</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>225,461,393</b>	<b>241,535,202</b>



# Solid Operating Cash Flows to Support Continued Investment

(US\$)	Six Months Ended June 30,	
	2022	2021
Net Cash Provided by (Used in) Operating Activities	3,949,782	(15,570,363)
Net Cash Provided by (Used in) Investing Activities	(7,324,305)	(171,541)
Net Cash Provided by( Used in) Financing Activities	6,673,987	41,671,591
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(156,999)	201,419
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>3,142,465</b>	<b>26,131,106</b>
Cash and Cash Equivalents – Beginning of Period	11,201,612	4,142,437
<b>Cash and Cash Equivalents – End of Period</b>	<b>14,344,077</b>	<b>30,273,543</b>