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# Prepared and Resilient

Corporate Presentation  
28 April 2023

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# Presentation outline

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- Who are we?
- Our achievements and performance
- How have we invested?
- Financial performance and highlights for 2022
- Taiga Building Products
- Key challenges ahead
- Q&A



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# Who are we?

# Who are we?

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- Our mission is to optimise Return on Equity through building sustainable value for our shareholders
- We adopt a disciplined approach to evaluating investments, risks and opportunities, led by an entrepreneurial and experienced management team
- We build business models that are long-term, focusing on competitive advantages, good management and innovation
- We operate in five countries with revenue of S\$2.4 billion and assets of S\$726 million in 2022
- These businesses generate sustainable cash flows, progressively diverting into other investments

# Our core businesses

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AVARGA  
LIMITED

71.8%



Taiga Building  
Products Ltd

Wholesale distribution of building  
materials in Canada & USA

Listed on Toronto Stock Exchange

100%



UPP Pulp & Paper  
(M) Sdn Bhd

Paper manufacturing in  
Ijok, Selangor, Malaysia

100%



UPP Power  
(Myanmar) Ltd

50 MW power plant  
in Yangon, Myanmar

# Our core businesses

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## **Building Materials Distribution**

- Taiga Building Products is Canada's largest wholesale distributor of building material products, with annual sales of C\$2.2 billion in 2021-2022
- Our wood preservation plants, distribution centres and reload stations are strategically located across Canada and USA

## **Paper Manufacturing**

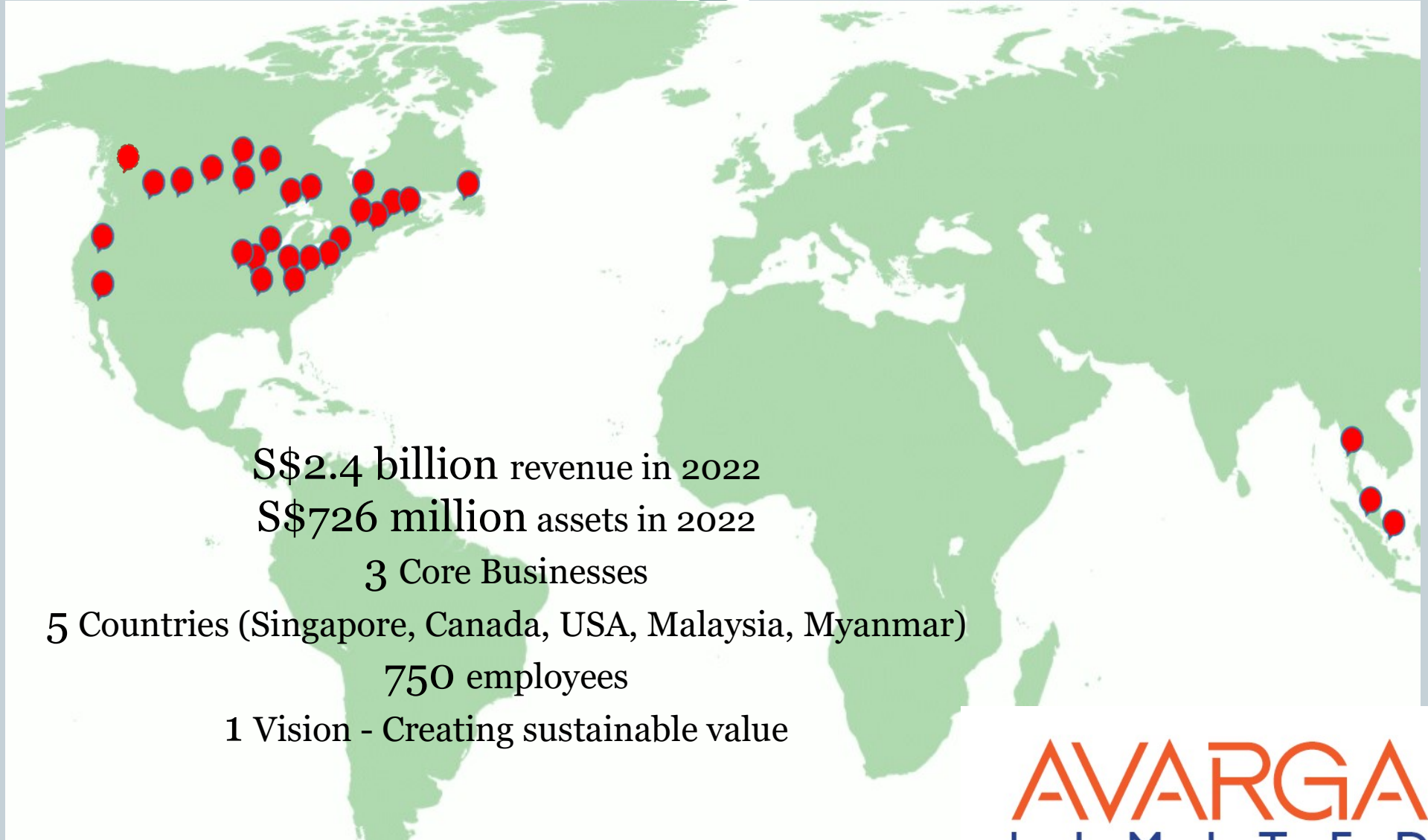
- UPP Pulp & Paper (M) is an upstream paper mill in Ijok, Selangor, Malaysia, producing coreboard and industrial packaging paper with recycled paper
- We are re-strategizing our business to meet the increasingly competitive environment

## **Power Generation**

- One of Myanmar's first foreign IPPs, UPP Power (Myanmar) owns a 50 MW gas fired plant in Yangon, Myanmar, operating under a 30 year PPA, expiring 2044
- Our IPP started in Feb 2014, and is currently in its 10<sup>th</sup> year of operations

# Where are we?

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S\$2.4 billion revenue in 2022

S\$726 million assets in 2022

3 Core Businesses

5 Countries (Singapore, Canada, USA, Malaysia, Myanmar)

750 employees

1 Vision - Creating sustainable value



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# Our achievements and performance

# A decade of achievements

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- In 2012, Avarga embarked on a new strategic direction, following the entry of Tong Kooi Ong as its major shareholder and Executive Chairman
- What have we achieved for your company since then?
  - We have acquired significant assets, improved their operations and achieved substantial growth in earnings and shareholder equity
  - We have transformed from a single business (paper manufacturing) to three core businesses, adding power generation and building materials distribution
  - We have expanded our footprint from Malaysia and Singapore, to include Canada, USA and Myanmar
  - We have built more sustainable and diversified income streams without stretching the balance sheet, in fact increasing net cash over the past decade

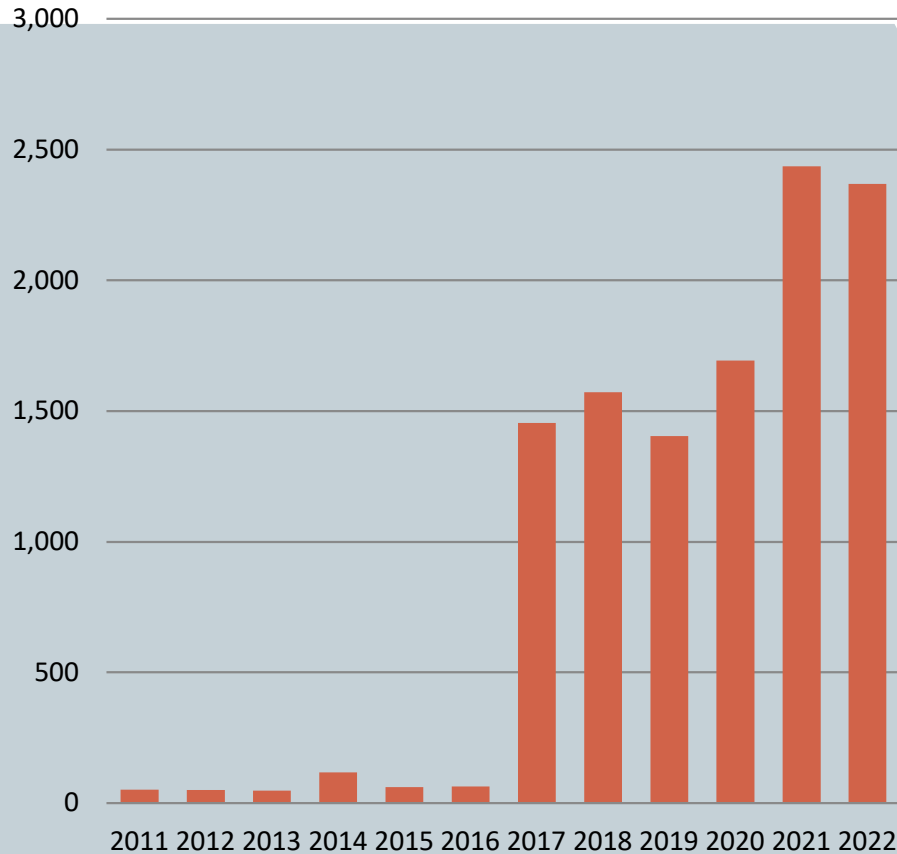
# Our journey so far

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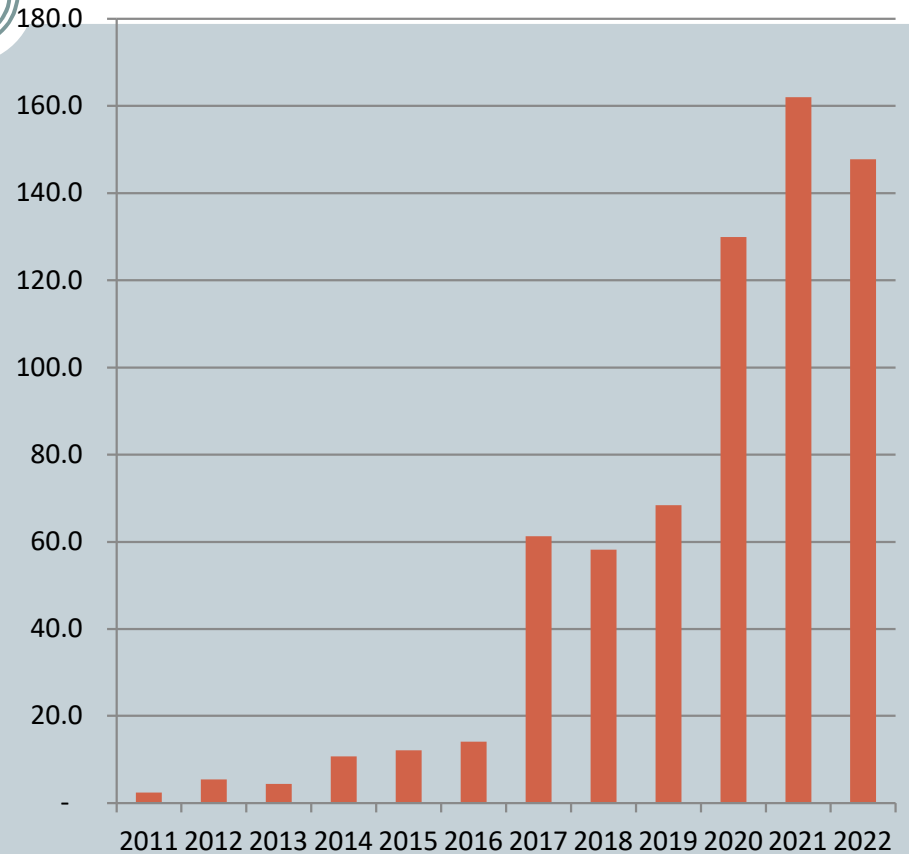
- 1967: Established in Singapore as United Pulp & Paper Co Ltd
- 1971: Paper mill started operations in Singapore
- 1980: Listed on Singapore Stock Exchange
- 1998: Paper mill operations relocated to Malaysia (1998-2000)
- 2010: Company name changed to UPP Holdings Ltd
- **2012: Tong Kooi Ong acquired substantial stake, set new strategic direction**
- Private placement exercise raised S\$40.3m, MOU signed for Myanmar IPP
- 2014: Myanmar IPP PPA signed, started commercial operations
- 2015: Paper mill upgrading exercise adds 7% to total capacity
- 2017: Acquired minorities' remaining 7.2% stake in paper mill, Kajang property sold
- Acquired substantial stake and loan notes in Taiga Building Products Ltd for C\$72m
- Private placement exercise raised S\$10m
- Taiga undertook loan notes restructuring, loan notes converted to shares
- 2018: Acquired Kublai for C\$27.7m, raising our stake in Taiga from 49% to 65.5%
- UPP Holdings Ltd renamed Avarga Ltd
- Taiga acquired Exterior Wood for C\$55m, extending our footprint in USA
- 2019: Tuas property in Singapore sold for S\$18.6m, paid dividends of 4.5 cents per share
- 2020: Increased stake in Taiga from 69.7% to 71.8%

## Revenue

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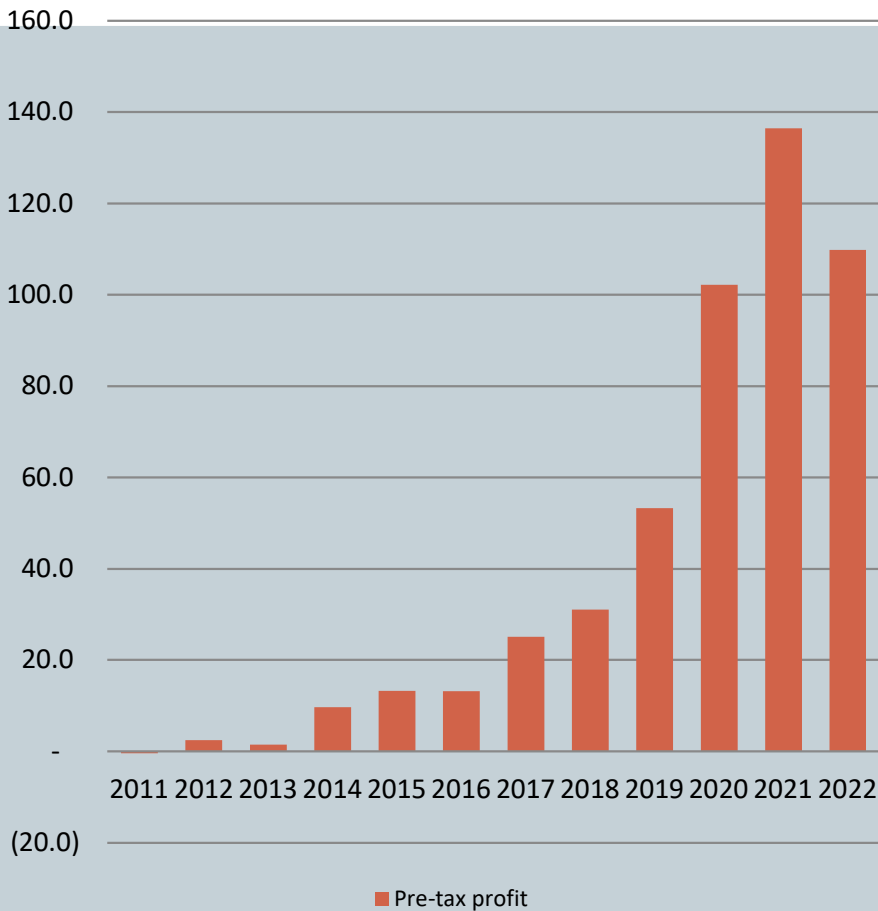


## EBITDA



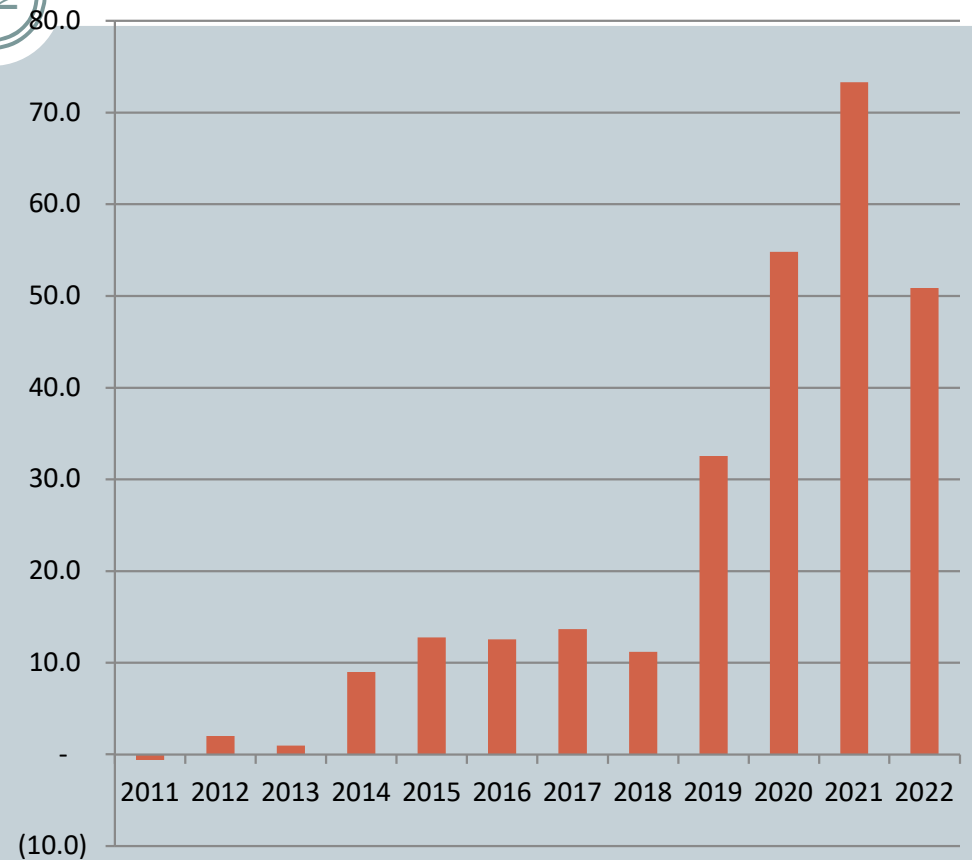
Revenue increased from \$51.1m in 2011 to \$2,368m in 2022  
EBITDA increased from \$2.4m in 2011 to \$147.8m in 2022

## Pre-tax profit



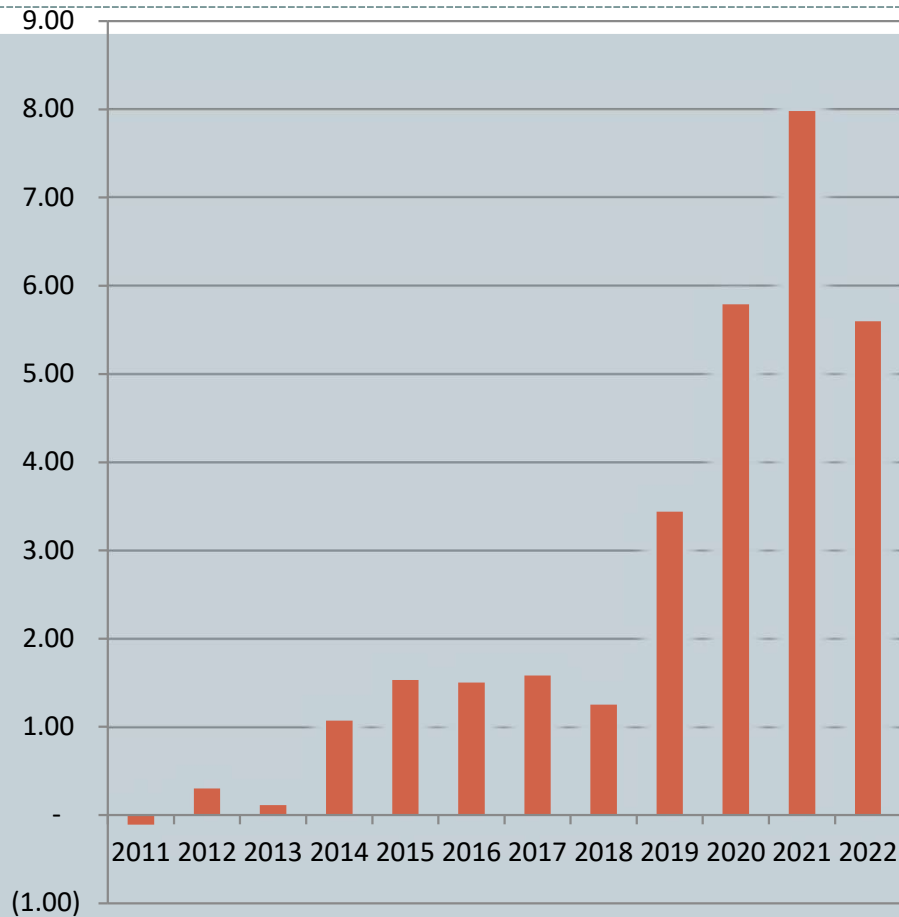
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## Net profit



Pre-tax profit increased from (loss of \$0.4m) in 2011 to \$109.9m in 2022  
 Net profit increased from (loss of \$0.6m) in 2011 to \$50.9m in 2022

## Earnings per share (cents)



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## Net assets per share (cents)



EPS increased to 5.6 cents in 2022 from loss per share of 0.1 cent in 2011  
 Net assets per share increased from 19.4 cents in 2011 to 36.2 cents in 2022

# Our financial performance

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FY Dec (\$\$ million)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue	2,368.3	2,435.4	1,693.3	1,403.9	1,572.7	1,455.2	63.3	61.1	116.9	48.1	50.0	51.1
EBITDA	147.8	162.0	129.9	68.4	58.2	61.3	14.1	12.1	10.7	4.4	5.4	2.4
Pre-tax Profit	109.9	136.4	102.2	53.3	31.1	25.1	13.1	13.3	9.7	1.5	2.4	(0.4)
Net Profit after MI	50.9	73.3	54.8	32.6	11.2	13.7	12.6	12.8	9.0	0.9	2.0	(0.6)
Net Cashflow from Operations	54.6	128.2	60.9	59.8	56.7	56.5	18.4	18.8	14.0	2.4	3.7	1.4
Total Assets	725.8	768.0	651.0	575.3	512.2	505.1	190.1	189.0	189.0	182.1	183.1	129.3
Total Equity	432.5	376.9	306.9	252.8	258.1	259.7	183.7	183.4	182.6	174.4	172.8	119.1
EPS (cents)	5.60	7.98	5.79	3.44	1.25	1.58	1.5	1.53	1.07	0.11	0.30	(0.11)
NAV per share (cents)	36.23	32.35	25.8	21.3	22.2	22.3	21.4	21.3	21.1	20.0	20.9	19.4
Dividend per share (cents)	0	0.84	1.5	2.0	3.50	1.00	1.00	1.00	0.50	0.15	0.15	0.10

## Notes:

*PBT for 2017 includes one off net charges of \$7.1m in relation to Taiga and notes restructuring*

*PBT for 2019 includes one off gain of \$10.9m from sale of Tuas property*

# Segmental performance

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<b>Segmental Revenue</b>												
<b>FY Dec (\$ million)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Paper Manufacturing (Malaysia)	35.8	46.8	44.8	48.1	55.9	54.3	50.0	49.2	47.9	46.8	48.7	49.8
Power plant (Myanmar)	9.9	10.8	16.4	18.7	10.5	11.7	13.3	11.9	68.3	-	-	-
Taiga (Canada & USA)	2,322.6	2,377.8	1,632.0	1,337.1	1,506.3	1,389.2	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	0.7	1.3	1.3	1.3
<b>Total revenue</b>	<b>2,368.3</b>	<b>2,435.4</b>	<b>1,693.3</b>	<b>1,403.9</b>	<b>1,572.7</b>	<b>1,455.2</b>	<b>63.3</b>	<b>61.1</b>	<b>117.0</b>	<b>48.1</b>	<b>50.0</b>	<b>51.1</b>
<b>Segmental Pre-tax profit</b>												
<b>FY Dec (\$ million)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Paper Manufacturing (Malaysia)	(12.7)	2.7	5.1	8.1	10.3	8.3	7.9	6.4	4.9	3.8	3.7	1.4
Power plant (Myanmar)	4.3	5.4	6.6	6.0	5.7	6.9	8.1	7.8	6.3	-	-	-
Taiga (Canada & USA)	123.9	130.1	94.7	32.7	25.5	18.5	-	-	-	-	-	-
Others	(5.6)	(1.8)	(4.2)	6.5	(10.4)	(8.6)	(2.9)	(0.9)	(1.5)	(2.3)	(1.3)	(1.8)
<b>Total pre-tax profit</b>	<b>109.9</b>	<b>136.4</b>	<b>102.2</b>	<b>53.3</b>	<b>31.1</b>	<b>25.1</b>	<b>13.1</b>	<b>13.3</b>	<b>9.7</b>	<b>1.5</b>	<b>2.4</b>	<b>(0.4)</b>

*Note: Segmental breakdown as per annual report, with earnings from power plant recognized in accordance with SFRS (I) INT 112 Accounting Standards for Service Concessions*

# How have we invested?

# How did we use our cash from 2012- 2022?

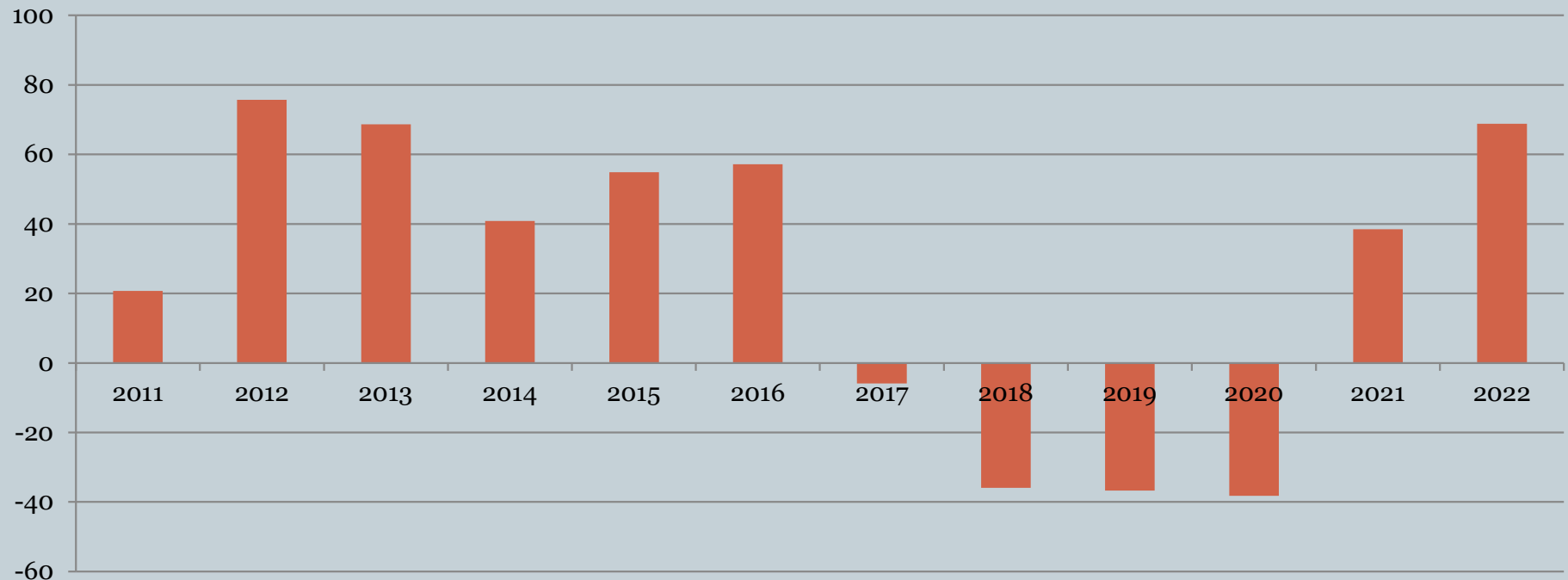
	2012-2022
<b>From 2012-2022, we have generated cumulative:</b>	<b>S\$m</b>
<b>Net excess cash from operating activities</b>	<b>429.3</b>
<b><u>What did we use it for?</u></b>	
Capex - PPE (net)	(29.4)
Investment in Myanmar Power Plant	(58.7)
Acquisition of non-controlling interests in UPP Pulp & Paper	(4.9)
Acquisition of Taiga	(89.1)
- Taiga ordinary shares	
- Taiga subordinated notes (later converted to shares)	
- additional Taiga stake via Kublai Canada	
Investing activities made by Taiga	(168.3)
- redemption of outstanding Taiga 14% notes	
- redemption of subordinated notes	
- acquisition of Exterior Wood by Taiga	
- share buyback: Taiga treasury shares	
- changes in Taiga RCF	
Portfolio investments	(7.8)
Share buyback: Avarga treasury shares	(12.1)
Dividends to Avarga shareholders	(106.6)
Dividends to Taiga non-controlling interest	(9.2)
Others	3.2
<b>Subtotal</b>	<b>(482.9)</b>
<b>Deficit</b>	<b>(53.6)</b>
<b><u>How did we finance this?</u></b>	
Sale of Kajang land	1.9
Sale of Tuas factory	18.4
Share placements - 2012 & 2017	50.3
Proceeds from conversion of warrants - 2012-2013	17.4
Proceeds from disposal of listed equity security	7.2
Sale of corporate bonds	6.5
Use of cash & borrowings (net change in cash / debt)	(48.1)
<b>Sub-total</b>	<b>53.6</b>

We started with \$20.7m net cash at end-2011 and ended 2022 with net cash of S\$68.8m, despite \$106.6m in dividends to shareholders and investing in additional businesses – the power plant, Taiga and Exterior Wood

# Without stretching our balance sheet

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## Net cash / (debt)



- From paper manufacturing, we have added businesses in power generation and building materials distribution, using operational cash flows and minimal debt throughout the years
- We have now improved the balance sheet further, with net cash rising to S\$68.8m at end-2022 from \$20.7m at end-2011
- Note: Net debt excludes lease liabilities and revolving credit at Taiga (nil for 2021-2022)

# Financial performance and highlights for 2022

# Financial highlights for 2022

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S\$	2022	2021	change
• Revenue:	\$2,368m	\$2,435m	(2.8%)
• EBITDA	\$147.8m	\$162.0m	(8.8%)
• Pre-tax profit:	\$109.9m	\$136.4m	(19.5%)
• Net profit :	\$50.9m	\$73.3m	(30.6%)
• EPS (cents):	5.60	7.98	(29.8%)
• NAV per share (cents):	36.2	32.4	+12.0%
• DPS (cents):	nil	0.84	N/A
<ul style="list-style-type: none"> <li>• Decline in financial performance driven primarily by losses from UPP Pulp &amp; Paper and currency losses due to the strong SGD. Taiga maintained its performance in 2022</li> <li>• Revenue for 2022 sustained at \$2.4b</li> <li>• Third consecutive year of strong pre-tax profit and EBITDA, exceeding \$100m</li> <li>• Group net cash of \$68.8m at end-2022</li> <li>• No dividend declared for 2022</li> </ul>			

# Key highlights for 2022

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- **Building Materials (Canada and USA):**

- Taiga maintained its strong performance in 2022, despite the sharp decline in lumber prices
- Sales sustained at C\$2.2b. EBITDA fell 4% to C\$139.3m, pre-tax profit fell 4% to C\$120.5m
- Third consecutive year of strong profits, with triple digit EBITDA and pre-tax profit
- Minimal impact from volatile lumber prices due to fast turnover, risk management controls

- **Paper Manufacturing (Malaysia):**

- Challenging year due to intense competition from the large Chinese players and higher costs, especially gas, electricity and labour
- Revenue declined 21.1% to RM113.8m, with LBITDA of RM8.8m
- Pre-tax loss of RM41.1m vs pre-tax profit of RM9.3m in 2021, after including impairments and write-downs of RM23.1m. We are restructuring the business to face rising competition

- **Power (Myanmar):**

- Produced 343.4m kWh in 2022, down from 368.1m kWh of electricity in 2021
- Decline due to gas supply issues, namely gas supply disruptions and pipeline maintenance
- We continue to closely monitor political developments

# Taiga Building Products

# Avarga's acquisition of Taiga

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## **Taiga acquisition and restructuring**

- We acquired a substantial stake in Taiga shares and loan notes for C\$72m in 2017
- Taiga then undertook a restructuring exercise by converting the loan notes to shares, significantly strengthening its balance sheet and earnings, with annual interest savings of C\$18m
- In 2018, we acquired more shares in Taiga through Kublai Canada for C\$27.7m, raising our stake in Taiga from 49% to 65.5%
- These acquisitions were made on a valuation of only 4x then EBITDA
- Through additional share purchases by Avarga and share buybacks by Taiga, we have increased our stake further to 69.7% at end-2019 and 71.8% at end-2020
- Earnings have risen substantially since our acquisition, with EBITDA rising from C\$40m in FY Mar 2017 to C\$57.7m in FY Dec 2019, C\$116.9m in FY 2020, C\$145.2m in FY2021 and C\$139.3m in FY2022

# Taiga's acquisition of Exterior Wood

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## Taiga's Exterior Wood acquisition

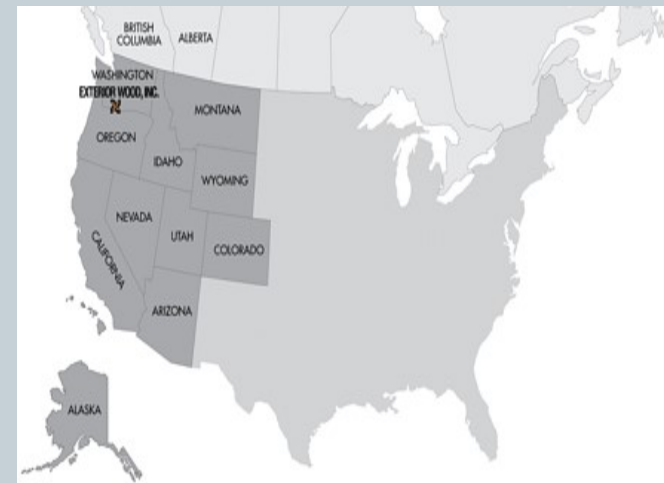
- Part of our strategy to further expand our operations in the West Coast of USA
- Acquired by Taiga in 2018 for C\$55m (US\$42m) at then EV/EBITDA of 6x
- Supplies to 13 states in the US West Coast, significantly extending Taiga's USA distribution footprint. Also expands Taiga's wood treatment operations to USA
- Leveraging on Taiga's wide product range, Exterior Wood's sales and product offerings to the US market have expanded significantly



Distribution centre



Treated wood plant



Distribution market

# Taiga's financial performance

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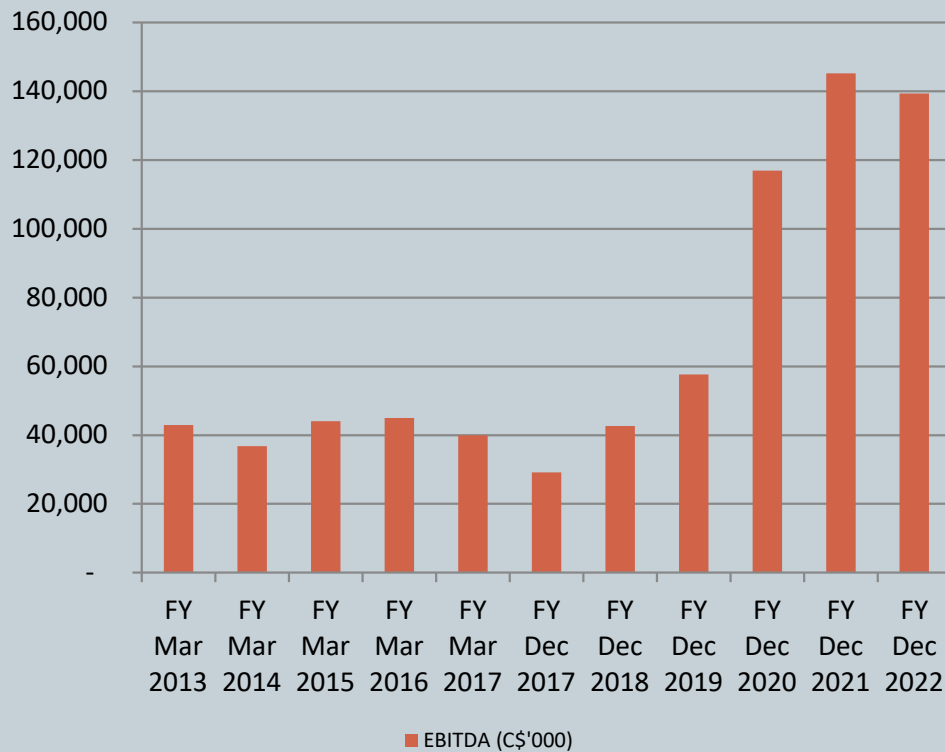
Taiga Building Products (C\$'000)	FY Dec 2022	FY Dec 2021	FY Dec 2020	FY Dec 2019	FY Dec 2018	Jan- Dec 2017	FY March 2017	FY March 2016	FY March 2015	FY March 2014	FY March 2013	FY March 2012
Sales	2,192,705	2,219,674	1,589,123	1,299,122	1,450,985	1,392,263	1,223,978	1,364,322	1,348,718	1,194,259	1,132,743	971,625
Gross Margin	291,153	300,192	225,170	129,456	122,031	123,020	107,267	117,015	114,998	96,810	102,815	95,811
EBITDA	139,299	145,181	116,904	57,674	42,670	29,164	40,029	45,035	44,057	36,824	42,934	34,555
Pre-tax profit	120,508	125,662	96,210	35,851	28,972	3,039	13,799	19,008	17,311	9,165	15,231	7,237
Net Profit/(loss)	88,628	92,686	70,826	25,905	20,267	(3,938)	7,990	11,720	11,080	5,076	10,434	3,724
Total assets	617,832	583,004	474,164	395,022	326,001	270,829	324,058	305,612	347,383	315,840	346,446	298,649
Gross margin	13.3%	13.5%	14.2%	10.0%	8.4%	8.8%	8.8%	8.6%	8.5%	8.1%	9.1%	9.9%
EBITDA margin	6.4%	6.5%	7.4%	4.4%	2.9%	2.1%	3.3%	3.3%	3.3%	3.1%	3.8%	3.6%

*Note: Jan-Dec 2017 EBITDA includes a one-off exceptional accounting charge of C\$18.6m in relation to the notes restructuring exercise. Excluding this, normalised EBITDA was C\$47.8m*

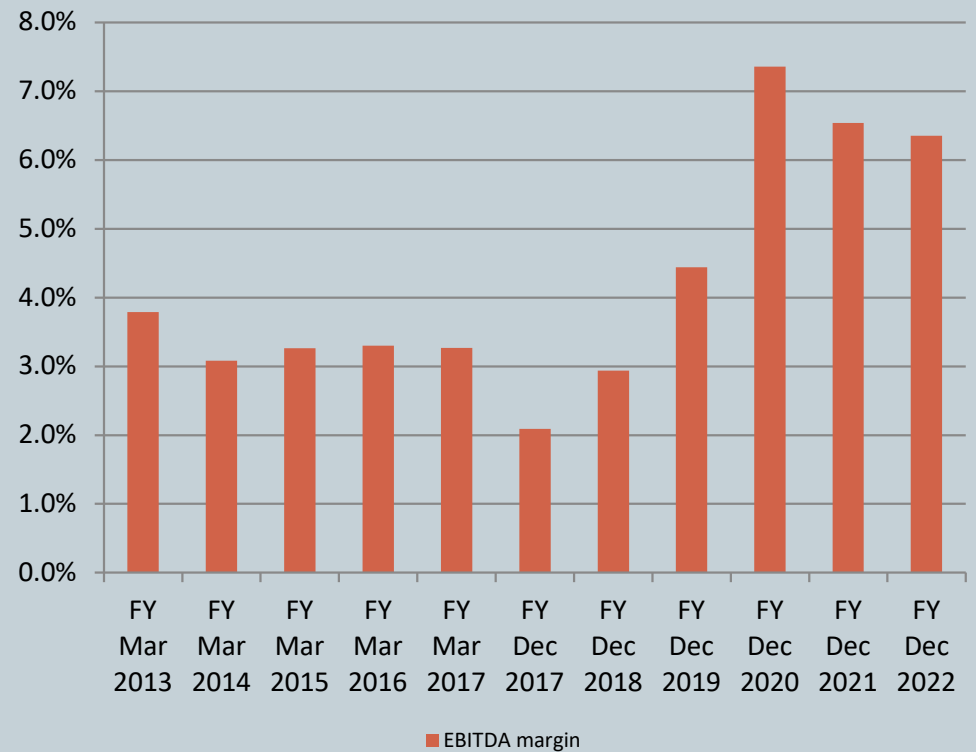
# Taiga's EBITDA and margins

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## Taiga's EBITDA



## Taiga's EBITDA margin



# Taiga Building Products

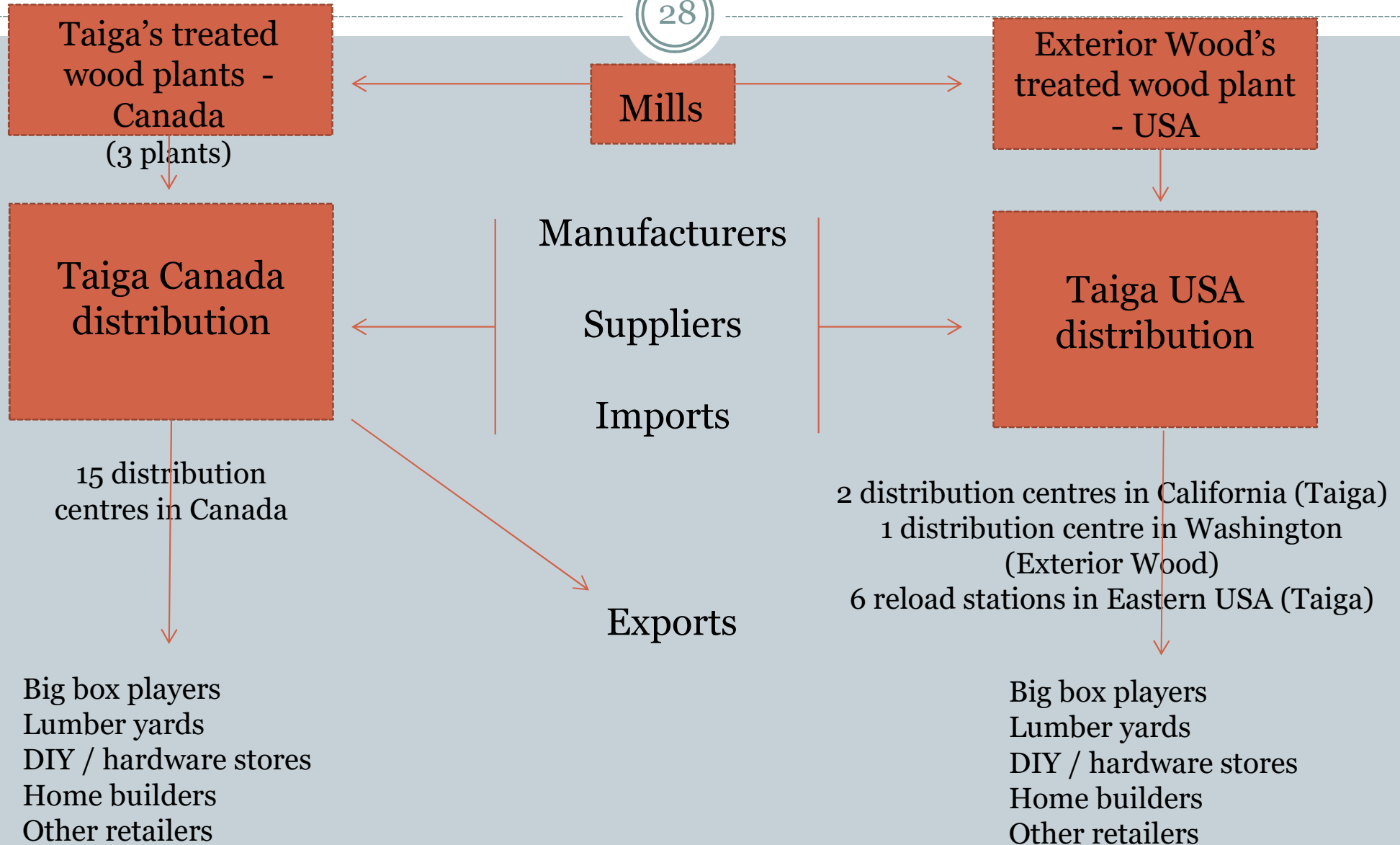
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- Canada's largest wholesale distributor of building material products with annual sales of C\$2.2 billion in 2021 and 2022
- Established since 1973 and listed on Toronto Stock Exchange
- Wide footprint in Canada and growing network in the USA:
  - 3 wood preservation plants in Canada
  - 15 distribution centres across Canada
  - 1 wood preservation plant in USA (Exterior Wood)
  - 1 distribution centre in Washington, USA (Exterior Wood)
  - 2 distribution centres in California
  - 6 reload stations in Eastern USA

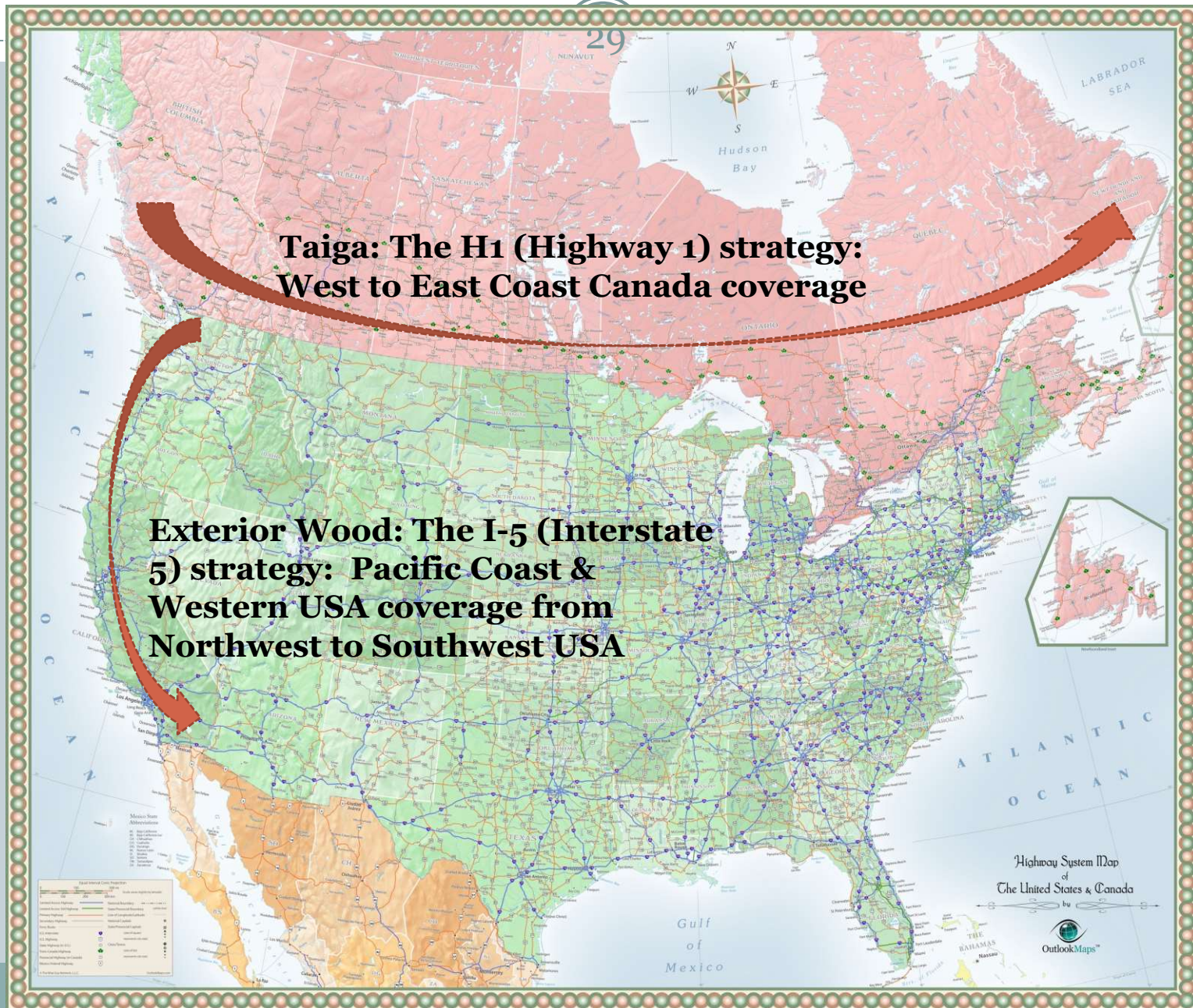


# Taiga's distribution process

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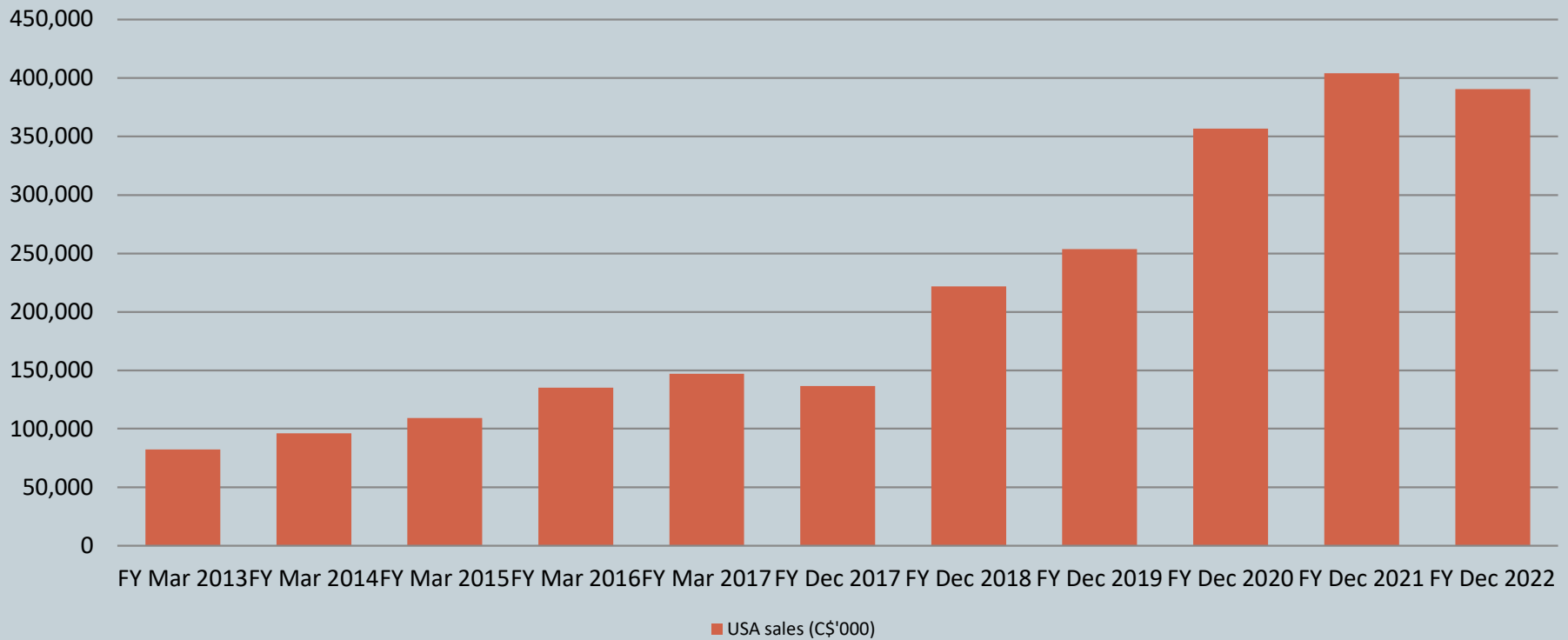
# Our “Highway” penetration strategy



# Taiga's growing USA sales

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## Taiga's growing USA sales



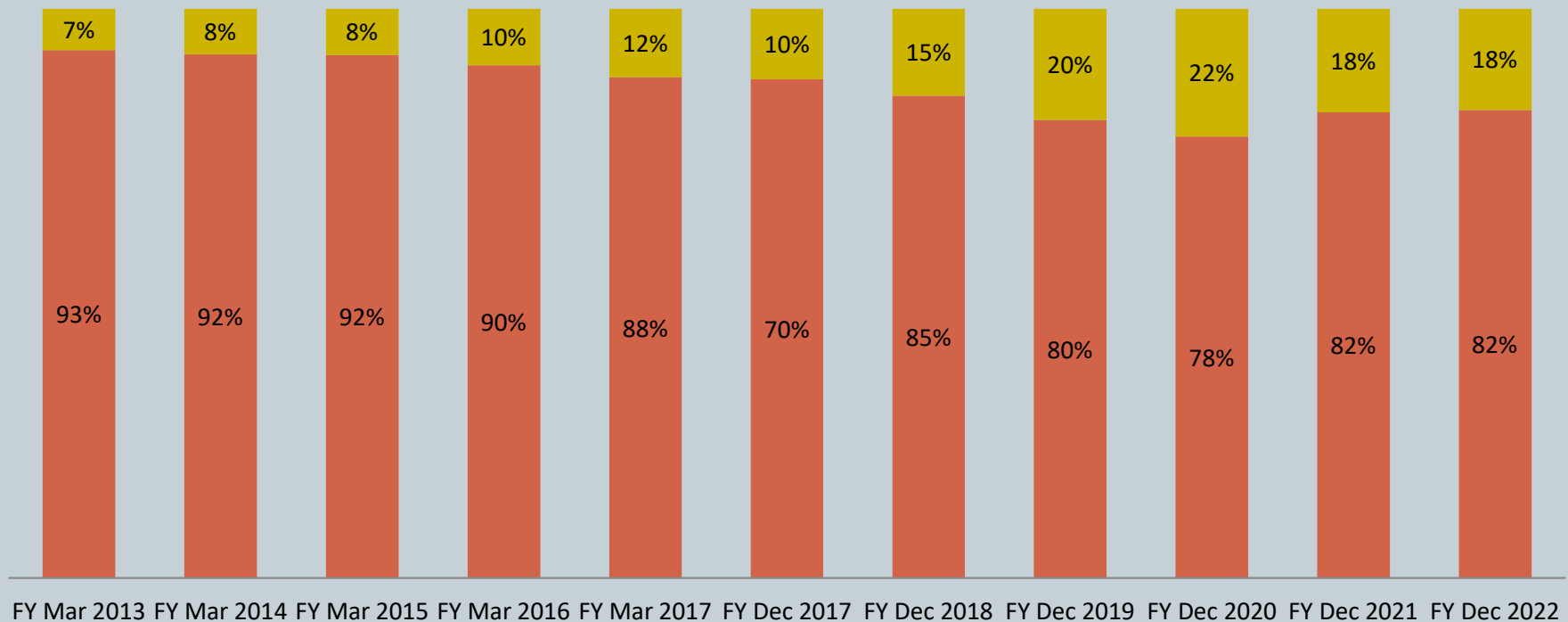
**Taiga's USA sales have surged to C\$390m in 2022 from C\$137m in 2017.  
By comparison, USA sales were just C\$64m back in 2012**

# Taiga's growing USA sales

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## Share of sales to Canada and USA

■ Canada sales ■ USA sales



USA accounted for 18% of Taiga's sales in 2022, up from 10% in 2017

# Key challenges ahead

# Key challenges ahead

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- Risks are increasing from geopolitical tensions, high inflation and interest rates, and slowing global economy
- There will be increasing challenges to our businesses:
  - Taiga: Volatile lumber prices, slowing housing demand as interest rates rise, increasing recession risks in North America
  - Paper Plant: Increased competition, especially from the big Chinese players, high energy costs
  - Power Plant: Political tensions in Myanmar, gas supply disruptions

# Navigating the challenges

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- Managing our capital, people, and market dynamics across our Group will continue to be our operational priority
- The Group has a strong balance sheet, with net cash of \$68.8m
- Challenges will also bring opportunities, especially if M&A valuations weaken
- Taiga has a dominant market positioning in Canada and is expanding in the USA, with a more diversified geographical exposure. Taiga caters to both the new homes and renovation segments, mitigating any slowdown in new home sales due to interest rate hikes
- We are restructuring the paper manufacturing operations, with a focus on our core strengths and product differentiation
- For our power plant, we will continue to closely monitor developments in Myanmar
- In view of these, no dividends were declared for 2022 and we do not have a dividend policy going forward

# Thank you

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*“Seven years of abundance are coming throughout the land of Egypt, but seven years of famine will follow them.”*

*Genesis 41:29-30 of The Holy Bible (New International Version)*

**AVARGA**  
LIMITED

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