

Huchems Fine Chemical Corp.
2020 IR Presentation_1Q20

Huchems at a glance

Company Overview

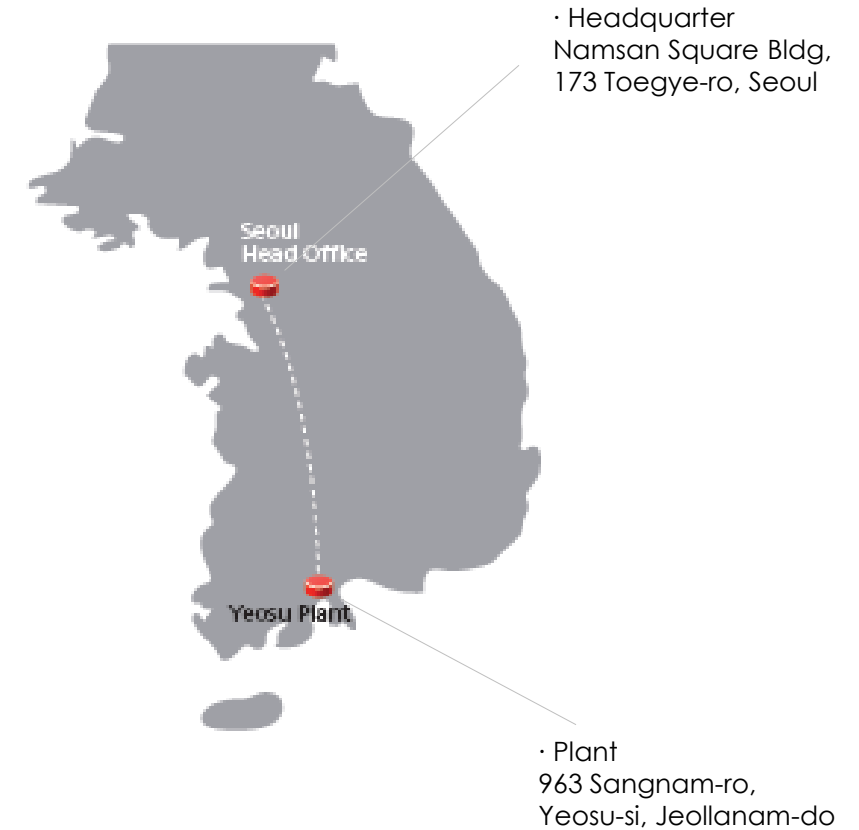
Key Takeaways

- Ticker: 069260 KS (Bloomberg)
- Established: Sep, 2002 (spun off from Namhae Chemical Corp.)
- Listed: Oct, 2002 (acquired by TK Ind. in 2006)
- Market Cap: W604bn (as of end-Mar 2020)



Source: Company data

Location



Source: Company data

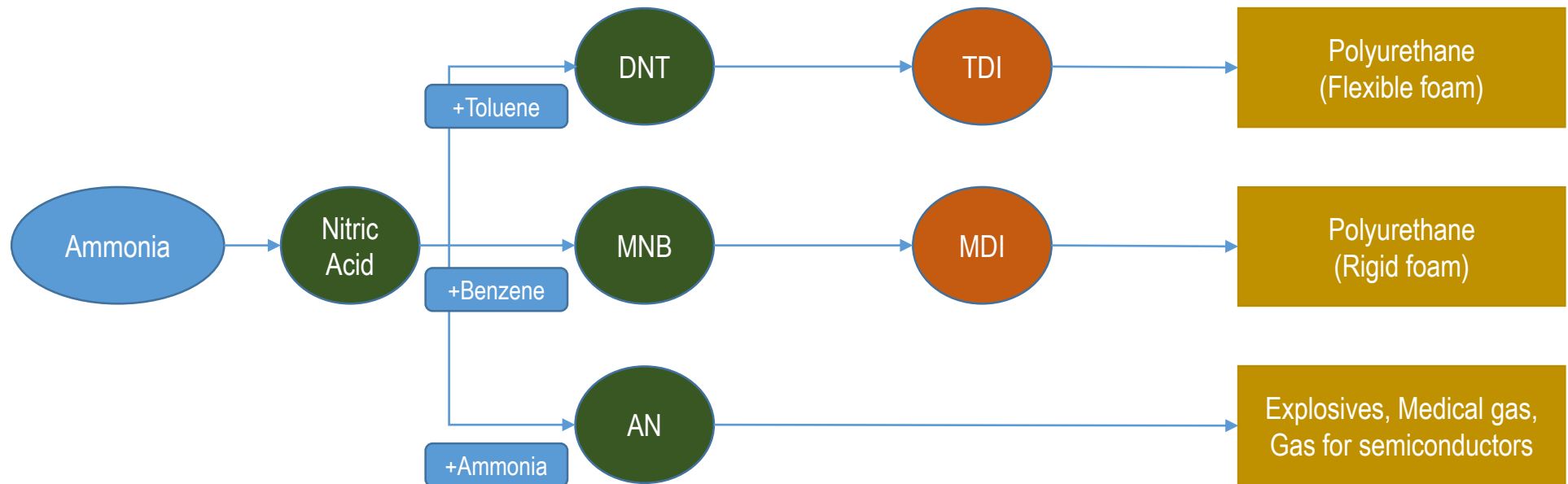
Product Portfolio

Long-term supply contract

- Stable product supply through long-term contracts
- Ensuring client's investment potential and competitiveness

Stable profit structure

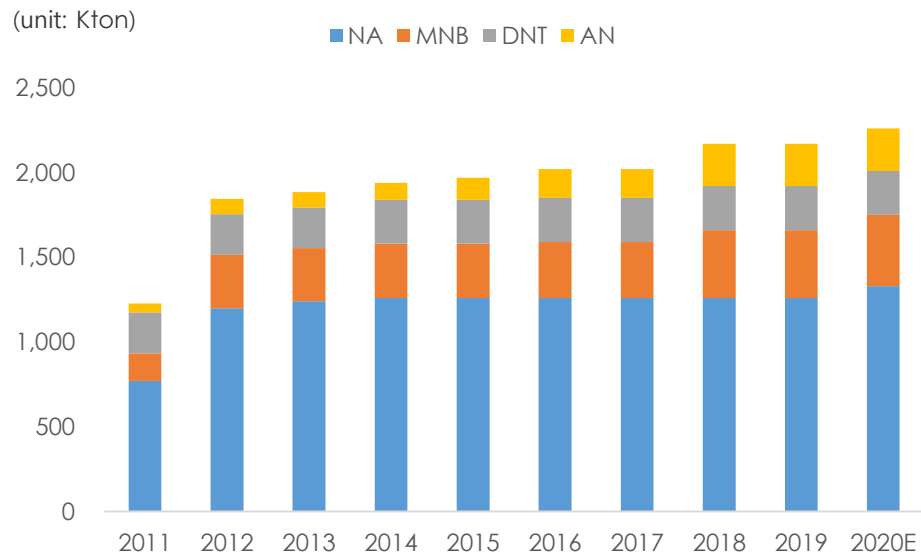
- Formula-based contract reflects price changes and exchange rates in raw materials as well as inflation rate
- DNT sales price links to TDI-Toluene spread as well



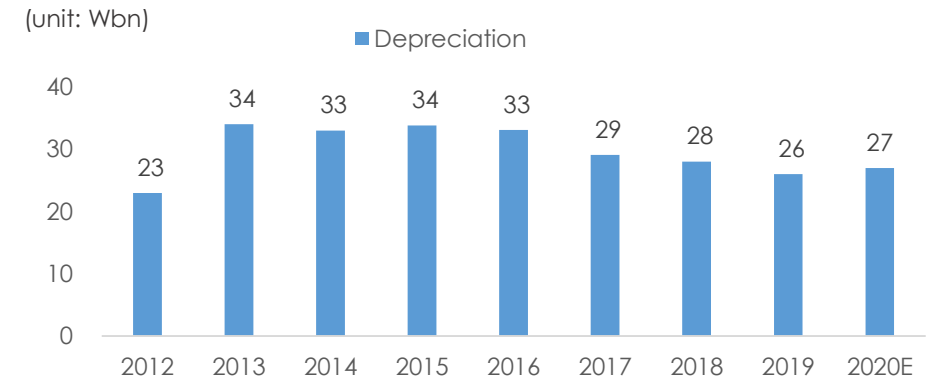
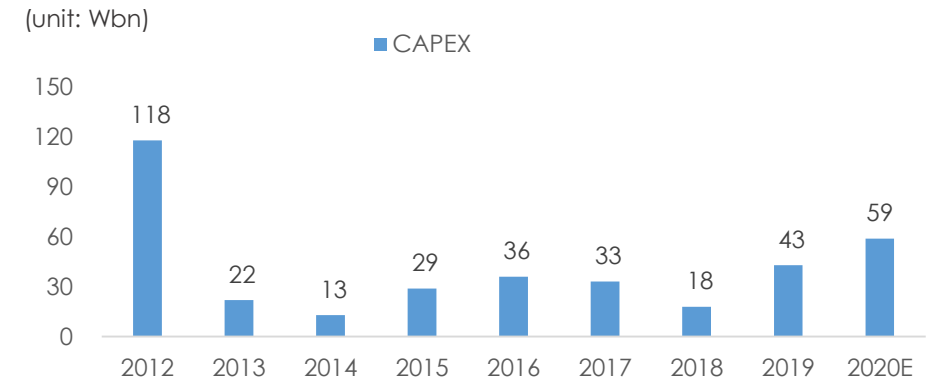
Production Capacity

Capacity by product

(Unit: Kton)		2015	2016	2017	2018	2019	2020E
NT	DNT	260	260	260	260	260	260
	MNB	320	330	330	400	400	420
NA	NA	1,260	1,260	1,260	1,260	1,260	1,330
	AN	130	170	170	250	250	250
Total		1,970	2,020	2,020	2,170	2,170	2,260

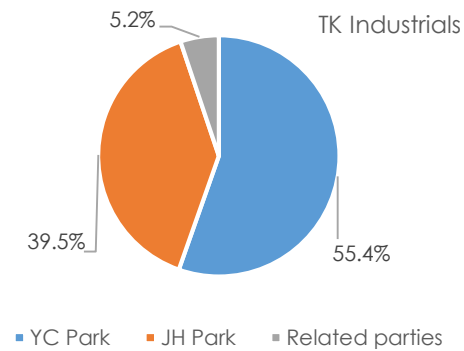
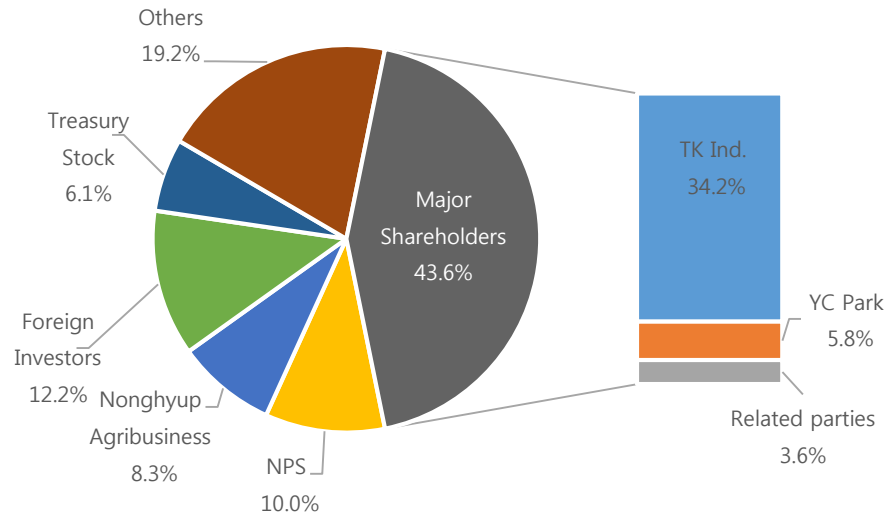


CAPEX and Depreciation history

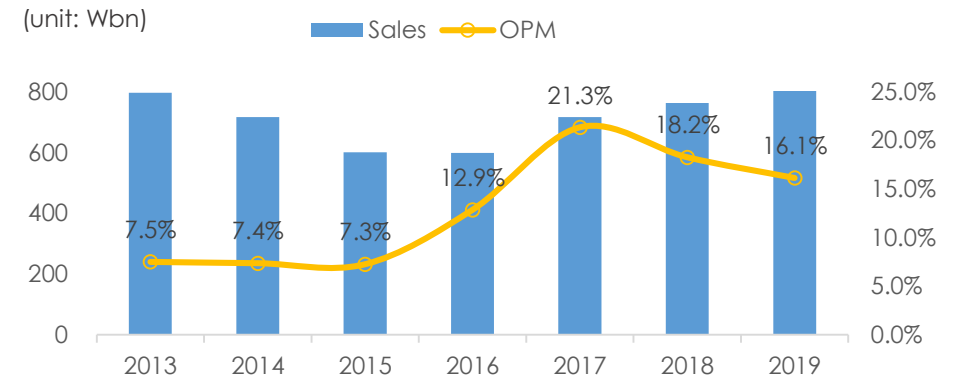
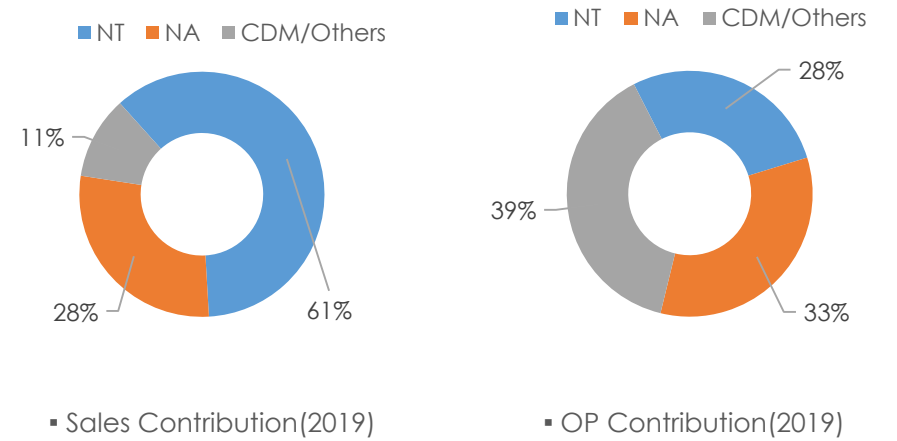


Stock Information

Shareholding Structure



Key Financials



Core Business

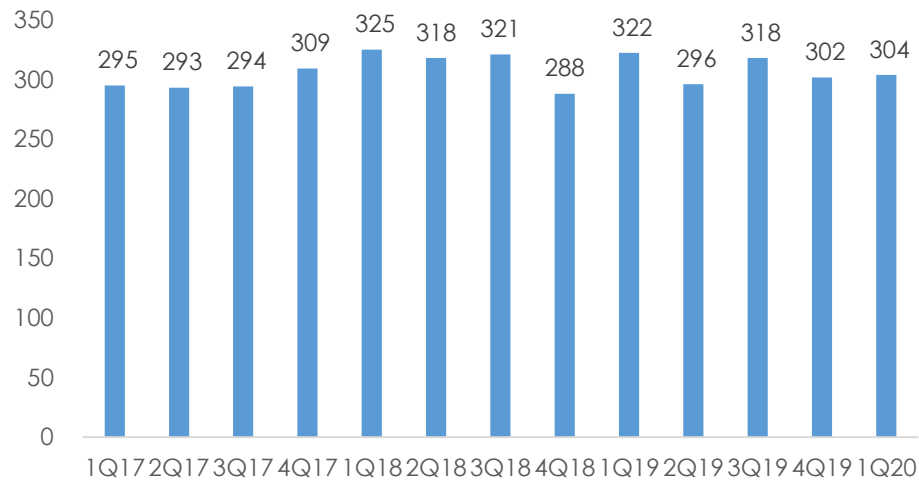
Nitric Acid

Contract and Production Volume

Client	Contract Period		Usage
BASF Korea	10yrs	2018~2028	TDI, MDI
C*****	5yrs	2020~2027	

▪ Sales price is fully tied to raw material prices

(unit: Kton)

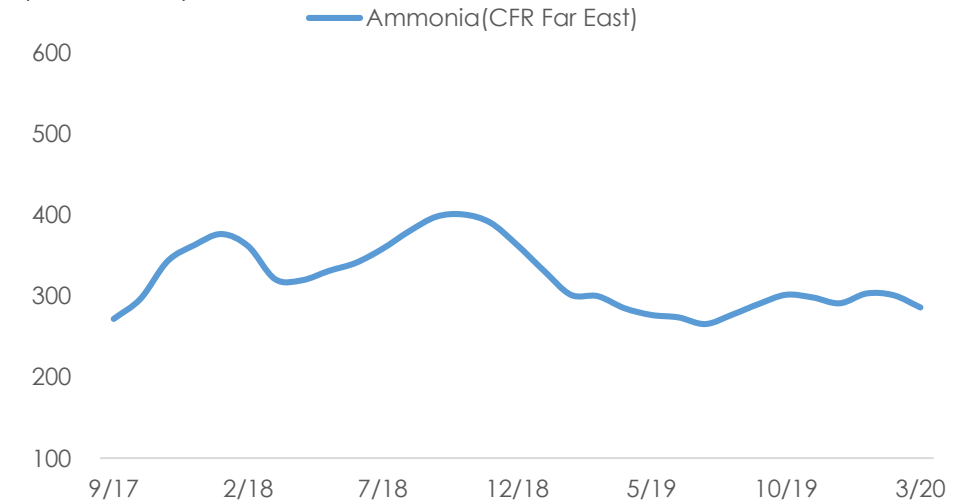


Source: Company data

Ammonia price trend

(USD/ton)	'15	'16	'17	'18	'19	'20. Mar	Avg.
Ammonia	476	330	312	362	291	297	345

(unit: USD/ton)



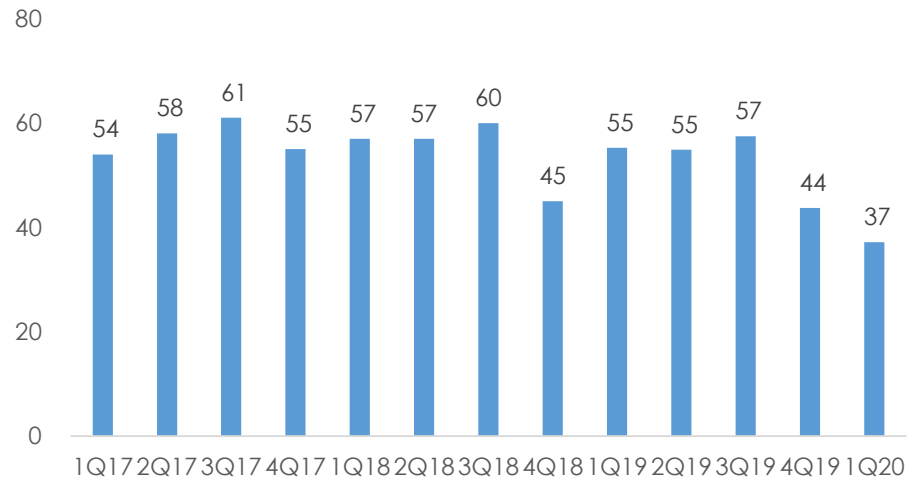
Source: Fertecon

Contract and Production Volume

Client	Contract Period		Usage
Hanwha Chem.	18yrs	2014~2032	TDI
OCI	10yrs	2014~2024	

▪ Sales price is fully tied to raw material prices

(unit: Kton)

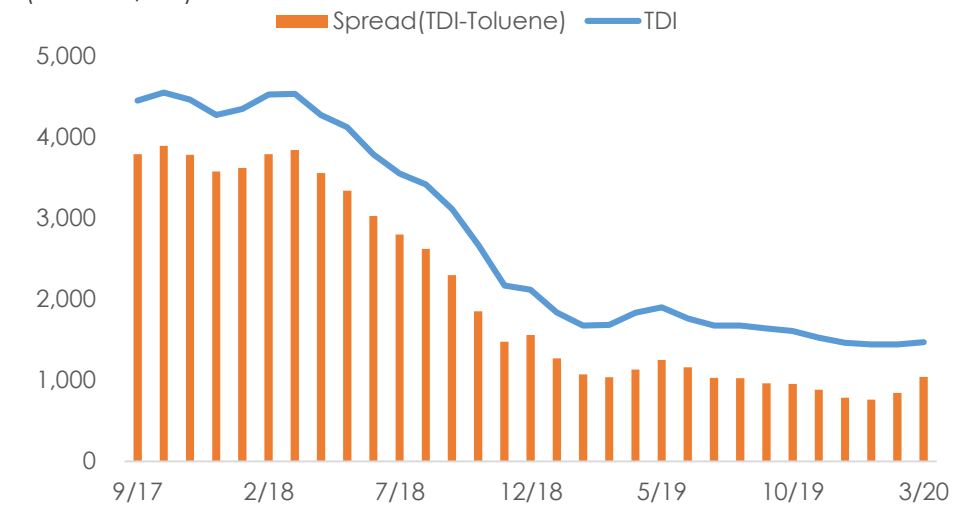


Source: Company data

TDI price and Spread trend

(USD/ton)	'15	'16	'17	'18	'19	'20. Mar	Avg.
TDI	1,658	2,310	3,794	3,552	1,690	1,450	2,409
Toluene	662	591	656	738	643	567	643
Spread	997	1,719	3,139	2,815	1,046	883	1,766

(unit: USD/ton)



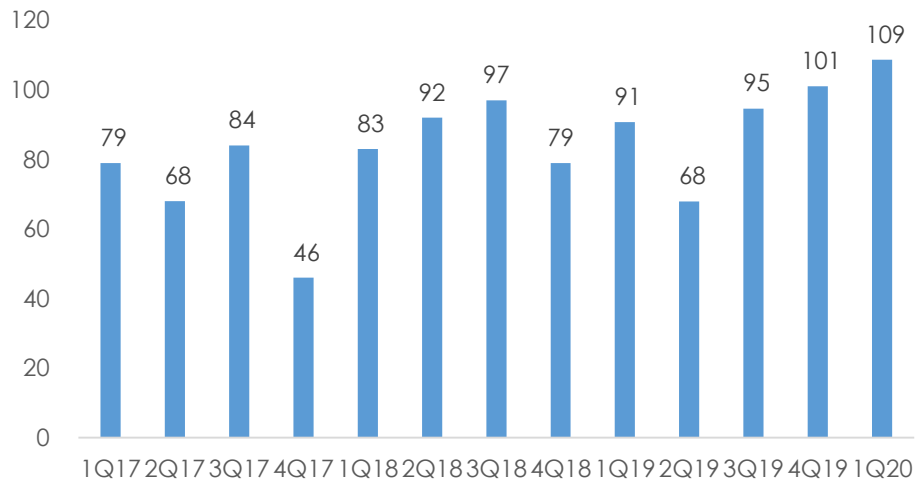
Source: ICIS, Platts

Contract and Production Volume

Client	Contract Period	Usage
Kumho Mitsui Chemical	2009~2024	MDI
	15yrs 2012~2027	
	2018~2032	

▪ Sales price is fully tied to raw material prices

(unit: Kton)

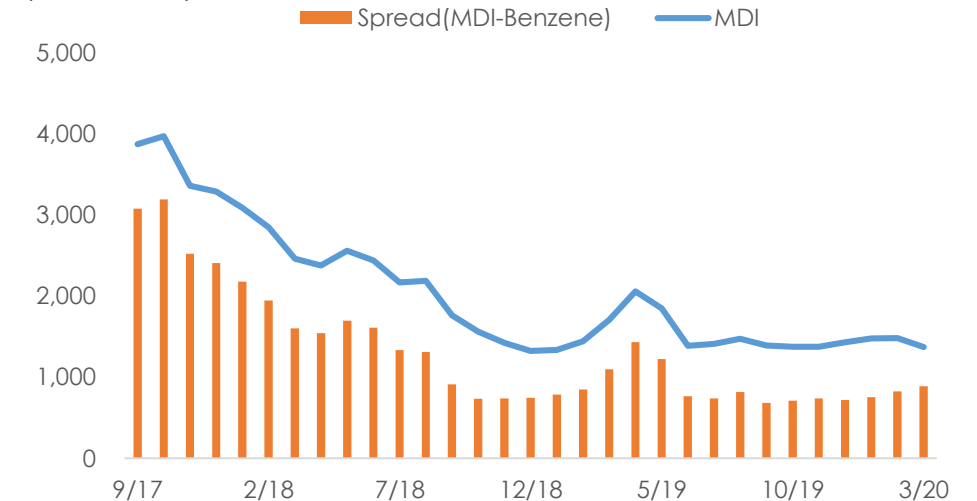


Source: Company data

MDI price and Spread trend

(USD/ton)	'15	'16	'17	'18	'19	'20. Mar	Avg.
MDI	1,415	1,564	2,983	2,185	1,521	1,445	1,852
Benzene	686	638	823	822	640	621	705
Spread	729	926	2,160	1,364	881	824	1,147

(unit: USD/ton)



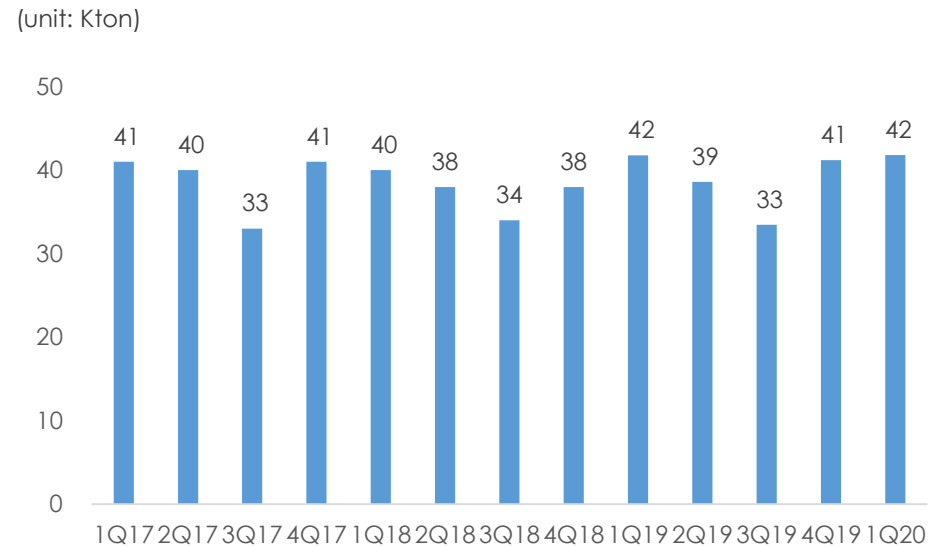
Source: ICIS, Platts

Ammonium Nitrate

Contract and Production Volume

Client	Contract Period	Usage
Koryo Nobel Explosives	5yrs	2011~2015
		2015~2020
Hanwha Corp.	5yrs	2006~

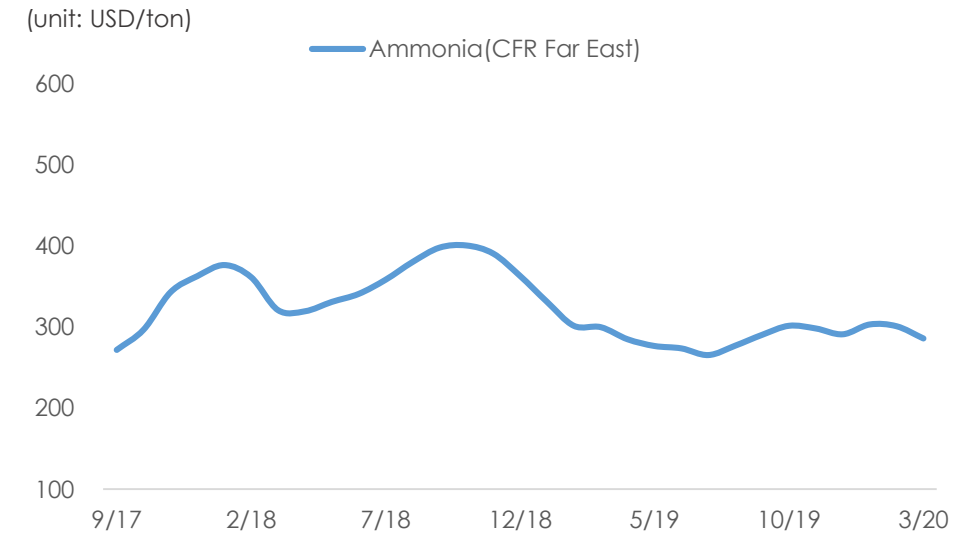
▪ Sales price is fully tied to raw material prices



Source: Company data

Ammonia price trend

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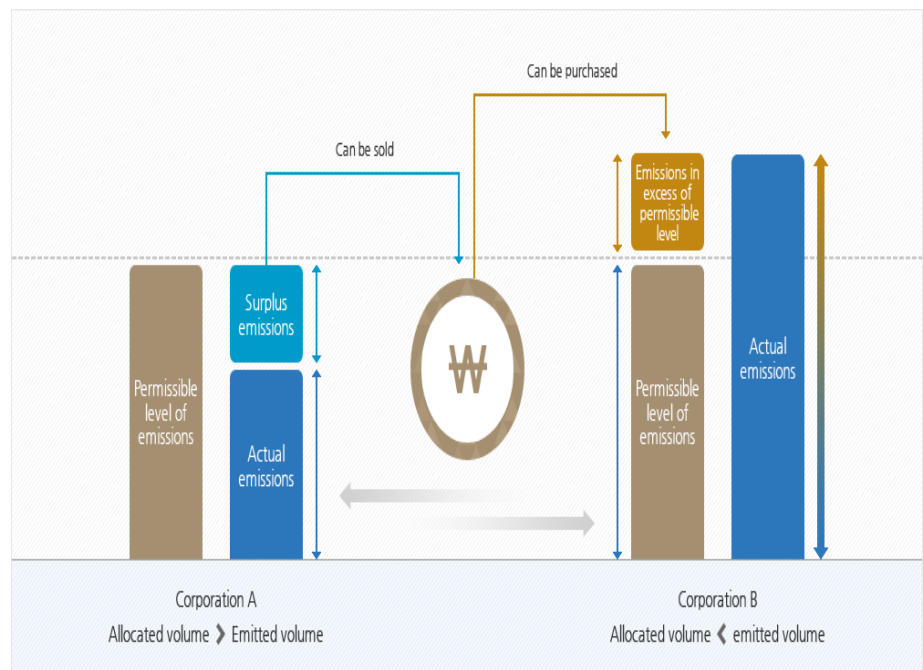


Source: Fertecon

Overviews of the Korea Emissions Market

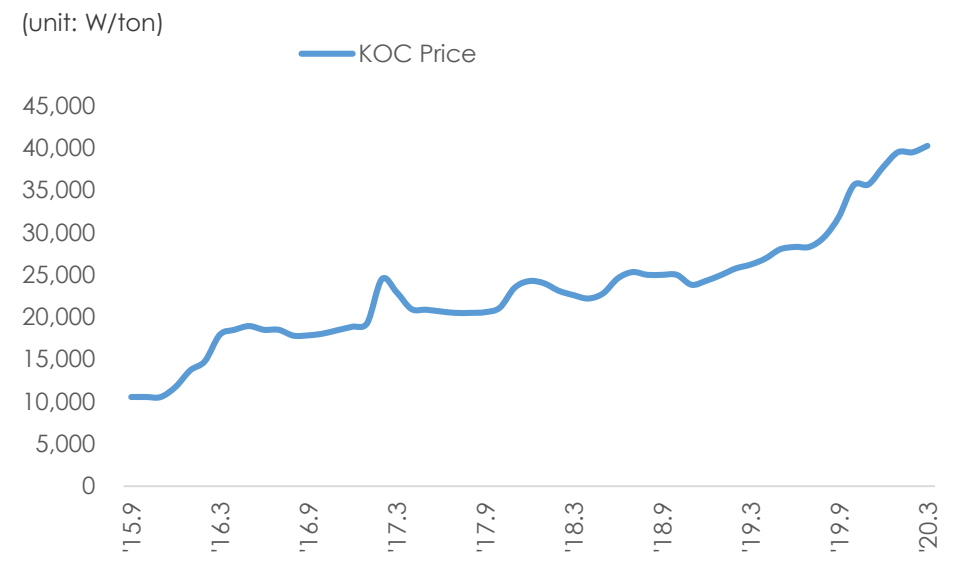
Emissions trading scheme

- Progress of the Emissions Trading Scheme in Korea
 1. Kyoto Protocol took effect (Feb. 2005)
 2. Emissions Trading Act was enacted (May 2012)
 3. The trading of emissions permits commenced (Jan. 2015)



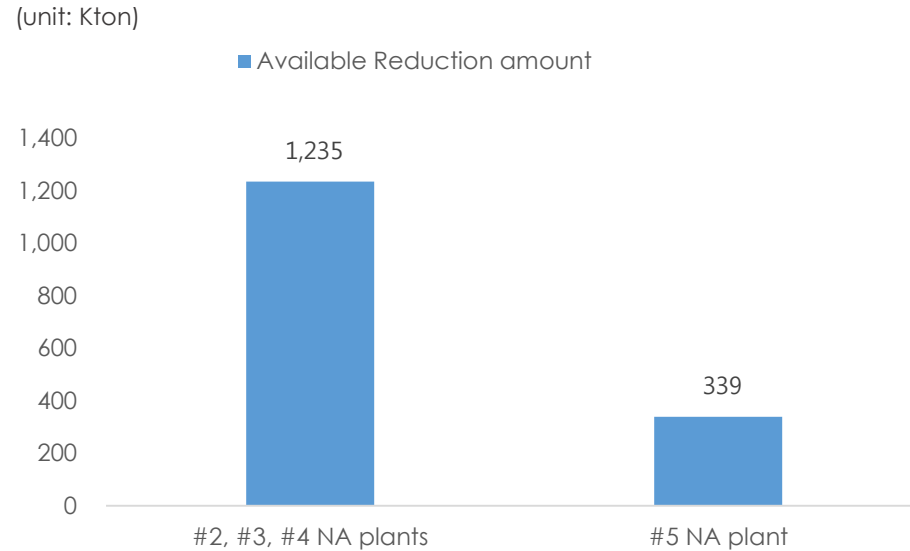
KOC Price trend

- KAU(Korean Allowance Unit)
- KCU(Korean Credit Unit) and KOC(Korean Offset Credit)
 - Under the credit offset system, the ministry will issue Korean Offset Credit(KOC) to the amount of emissions reduced by methods which comply with the international standards and convert KOC to KCU for companies to utilize.



What we have now

Reduction amount by plant



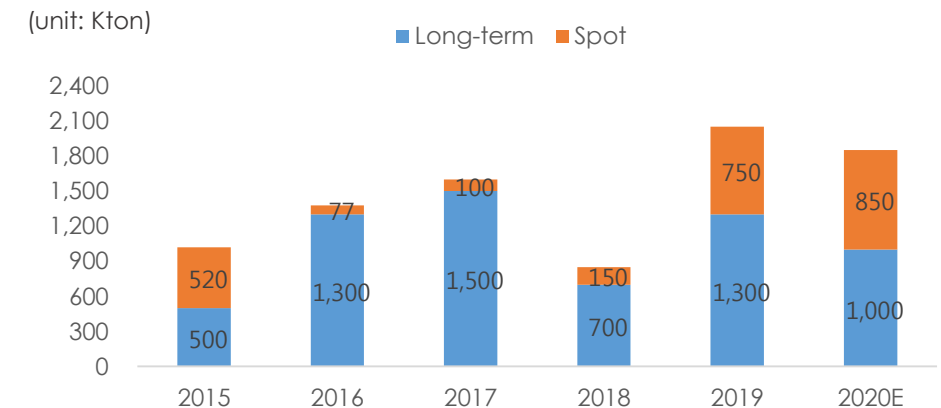
- #2, #3, #4 Plants(1.235Kton)
 - crediting period: 2007~2021
 - can be extended once for another 7yrs
- #5 Plant(339Kton)
 - crediting period: 2013~2023

Source: Company data

Long-term contract

Agreement by contract

No.	#1	#2	#3
Period	5yrs ('16~'20)	5yrs ('16~'20)	4yrs ('17~'20)
Volume (ton/year)	500K	300K	200K
Price (Floor~Cap)	W8K ~W18K	W15K ~W22K	W15.5K ~W22K



Source: Company data

Overseas Business

Vietnam Fertilizer Project

Project Details

- July, 2016 : Construction started
- Dec, 2017 : Commercial production started

KVF(Korea-Vietnam Fertilizer)

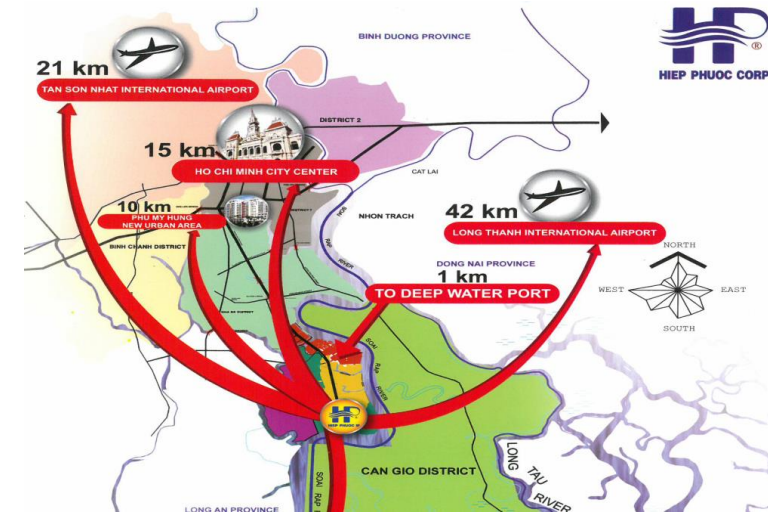
Location	Hochimin city, Vietnam
Capacity	NPK Compound Fertilizer, 360Kton/year
CAPEX	USD65mn(Equity 33%, Borrowed 67%)
Equity Structure	Huchems(49%), TK Ind.(51%)

Target Products

Usage	Produce every kind of NPK fertilizer
Domestic	For rice, general crops, coffee, pepper, rubber, sugarcane, etc
Export	South East Asia, Australia, New Zealand

Source: KVF

Plant Site and Panorama



Source: KVF

Business Results

1Q 2020 Result

Earnings Result

Consolidated

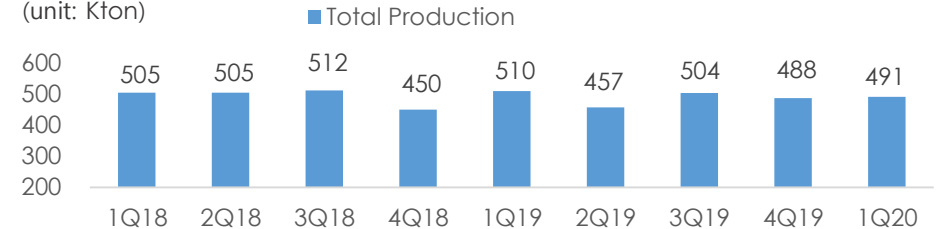
(unit: Wbn)	1Q20	YoY	1Q19	4Q19	QoQ
Sales	179.7	7.3%	167.5	163.0	10.3%
OP	31.1	7.9%	28.8	14.2	118.6%
Opmargin	17.3%	0.1%pt	17.2%	8.7%	8.6%pt
EBT	31.9	11.8%	28.5	8.2	289.8%
NP	23.7	12.3%	21.1	1.1	1996.8%
Npmargin	13.2%	0.6%pt	12.6%	0.7%	12.5%pt

Non-consolidated

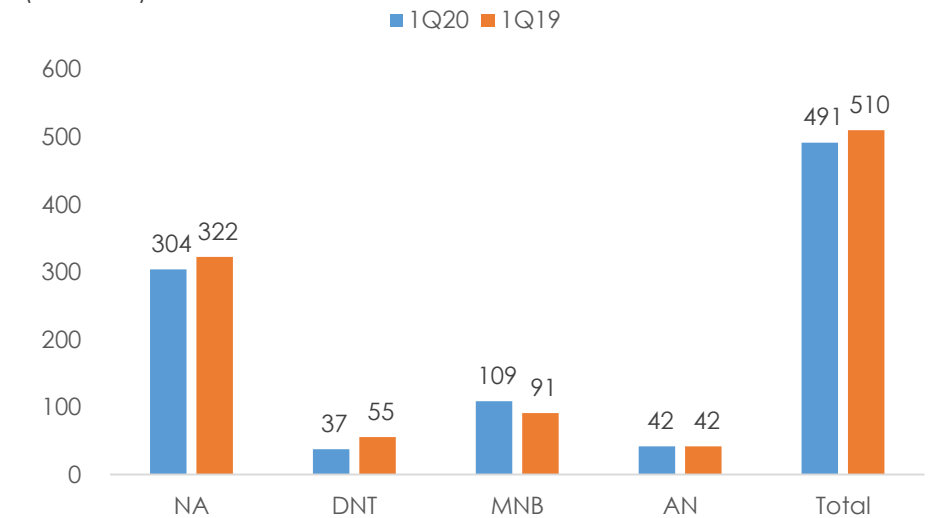
(unit: Wbn)	1Q20	YoY	1Q19	4Q19	QoQ
Sales	179.7	7.3%	167.5	163.0	10.3%
OP	31.1	7.5%	28.9	14.2	119.1%
Opmargin	17.3%	0.0%pt	17.3%	8.7%	8.6%pt
EBT	31.8	11.1%	28.6	8.4	277.2%
NP	23.6	11.4%	21.2	1.4	1640.2%
Npmargin	13.2%	0.5%pt	12.7%	0.8%	12.3%pt

Production Volume

(unit: Kton)

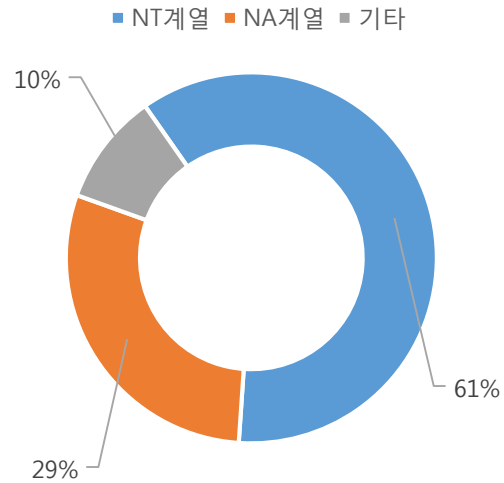


(unit: kton)

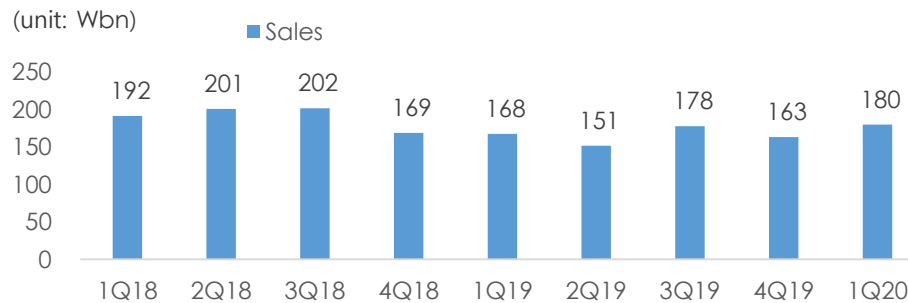


1Q20 Result by product

Sales by product

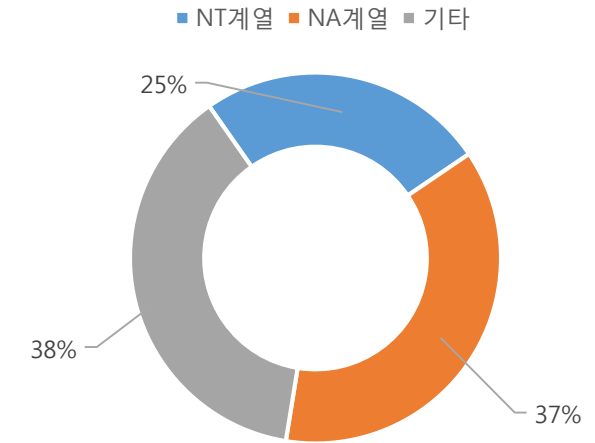


1Q 2020

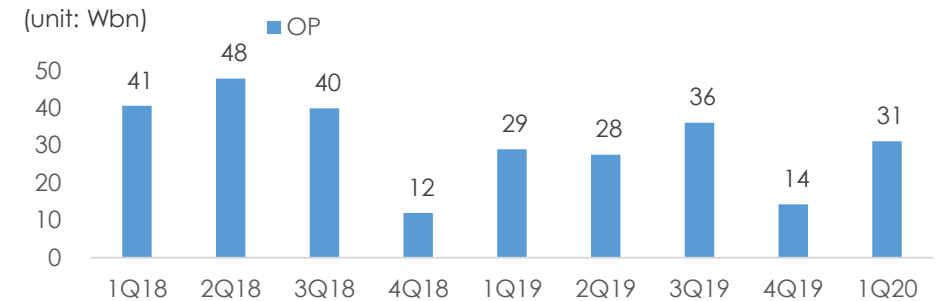


Source: Company data
Note: Based on non-consolidated I/S

OP by product



1Q 2020



Source: Company data
Note: Based on non-consolidated I/S

Dividend and Financials

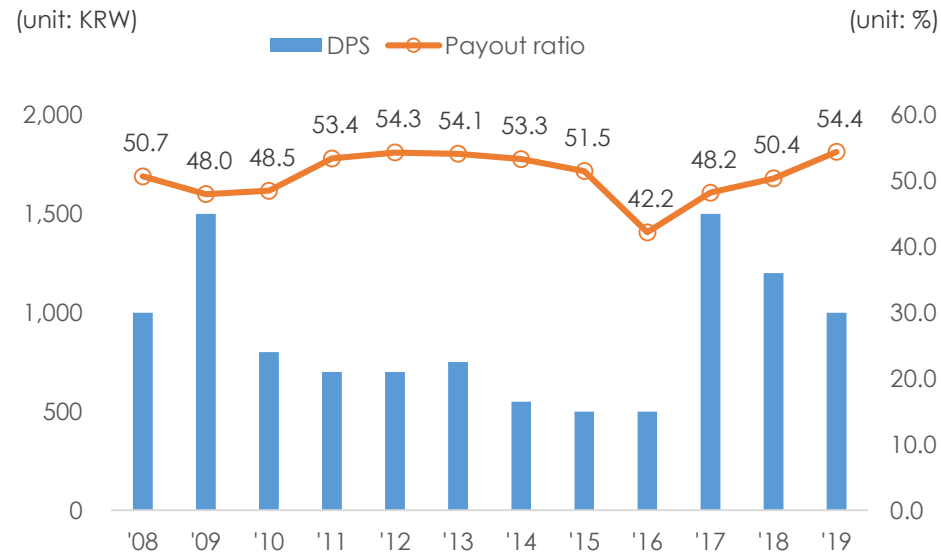
Payout Ratio and Dividend Yield

Payout ratio and DPS

▪ Huchems vs. KOSPI payout ratio

	'14	'15	'16	'17	'18	'19	평균
Huchems	53.3%	51.5%	42.2%	48.2%	50.4%	54.4%	50.0%
KOSPI	22.1%	21.3%	28.9%	17.5%	18.3%		21.6%

Source: KOSIS, KRX



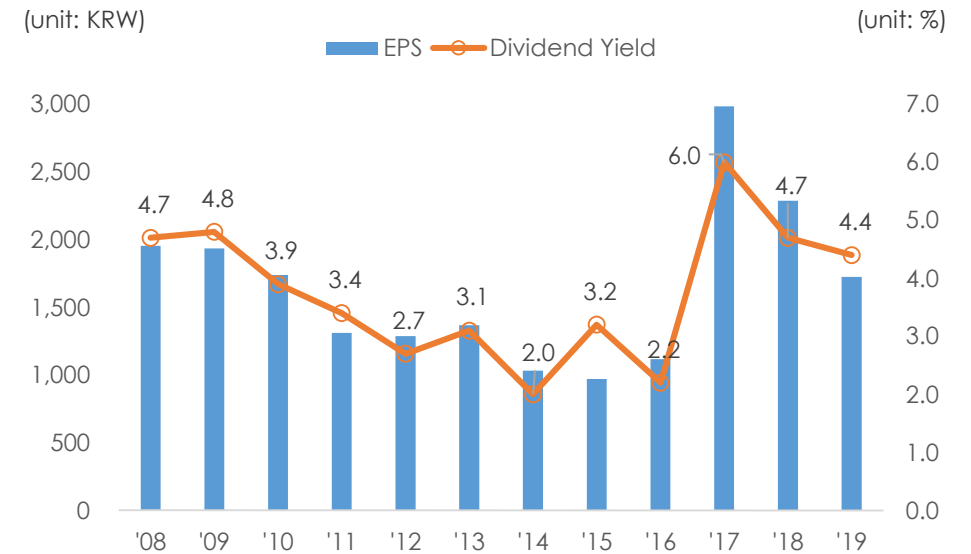
Source: Company data

Dividend Yield

▪ Huchems vs. KOSPI dividend yield

	'14	'15	'16	'17	'18	'19	평균
Huchems	2.0%	3.2%	2.2%	6.0%	4.7%	4.4%	3.8%
KOSPI	1.1%	1.3%	1.5%	1.4%	1.9%		1.5%

Source: KOSIS, KRX



Source: Company data

Credit and Ratio Analysis

Credit Analysis

(unit: Wbn)	2019	2018	2017	2016	2015
Debt total	121.6	94.1	142.1	140.5	167.8
Short-term debt	36.1	9.6	6.5	22.3	26.2
Current portion of long-term debt	35.6	0.0	30.0	7.2	25.7
Long-term debt	49.9	84.5	105.6	111.0	115.9
Current liquidity	445.4	402.8	371.6	185.4	243.7
Cash and Cash equivalents	21.7	37.3	14.7	14.5	8.7
Current financial assets	423.7	365.5	356.9	170.9	235.0
Net debt(cash)	(323.8)	(308.7)	(229.5)	(44.9)	(75.9)

Corporate Bond	
Total amount	W80bn
Issuance date	Aug. 2015
Repayment date	7yrs(2022)
Interest rate	7yrs(3.31%)

Ratio Analysis

Stability	2019	2018	2017	2016	2015
Interest coverage ratio	31.8	38.0	18.6%	10.4%	5.6%
Liquidity ratio	254.0%	525.9%	292.5%	229.5%	316.7%
Reserve ratio	1622.5%	1560.6%	1442.8%	1214.3%	1162.3%
Debt to equity ratio	36.1%	29.8%	47.2%	51.8%	50.3%

Profitability	2019	2018	2017	2016	2015
OPM	16.1%	18.2%	21.3%	12.9%	7.3%
ROE	10.8%	17.0%	21.3%	8.9%	7.8%
ROA	7.9%	12.0%	13.5%	5.5%	4.7%

Growth	2019	2018	2017	2016	2015
Sales	-13.5%	6.6%	19.7%	-0.4%	-16.2%
OP	-23.6%	-8.8%	98.5%	76.4%	-17.4%
NP	-33.1%	-4.5%	175.8%	16.6%	-10.0%
EPS	-32.7%	-9.8%	165.3%	17.7%	-9.7%

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Huchems Fine Chemical Corp.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here.

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.

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