

3Q FY2019

Financial Performance

2019. 11. 1





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I. 2019 3Q Earnings

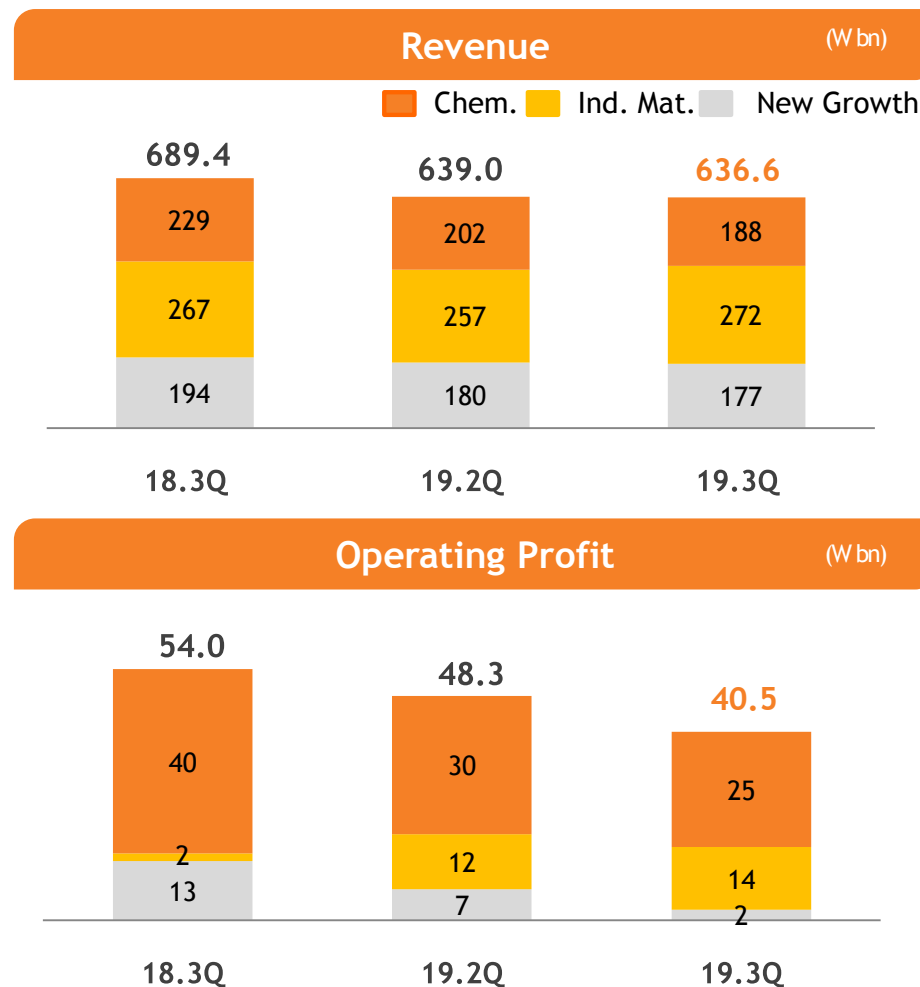
1. Consolidated Earnings
2. Consolidated Financial Position
3. Results and Outlook by Business
4. ESM Agenda

1. Consolidated Earnings

Industry Materials profit recovery continued, while overall profitability was adversely impacted by global macro slowdown

Consolidated Earnings					
(W bn, %)	18.3Q	19.2Q	19.3Q	YoY	QoQ
Revenue	689.4	639.0	636.6	△7.7%	△0.4%
Operating Profit (%)	54.0 (7.8%)	48.3 (7.6%)	40.5 (6.4%)	△25.0%	△16.1%
Financial Income	15.6	12.9	11.0	+29.5%	+14.7%
Net Profit	43.5	15.0 ¹⁾	22.6	△48.0%	+50.7%
EBITDA (%)	85.8 (12.4%)	84.3 (13.2%)	76.6 (12.0%)	△10.7%	△9.1%

Note 1) One-off items △9.8bn (SKC Kolon PI △7.8bn, SKC Solmics △2.0bn)



2. Consolidated Financial Position

Financial indicators showed weakness due to BM innovation related CAPEX and bond issuance

Consolidated Balance Sheet

(W bn)	FY18	19.3Q	Chg.
Assets	3,833.1	4,055.2	+222.1
Cash & CE	160.4	156.5	△3.9
Liabilities	2,138.3	2,318.0	+179.7
Net Debt	1,275.5	1,461.4	+185.9
Equity	1,694.8	1,737.2	+42.4
Issued Capital	187.7	187.7	-
Retained Earnings	1,325.4	1,343.6	+18.2

Key Financial Indicators

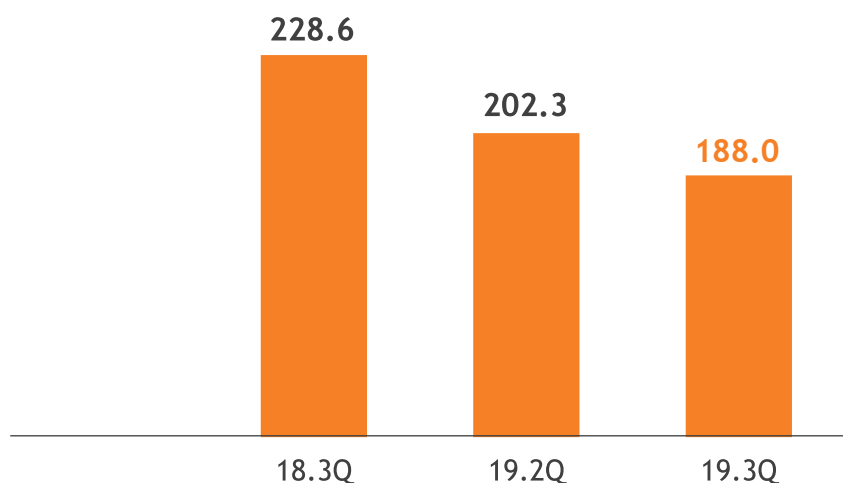
(W bn)	FY17	FY18	19.3Q
Gearing Ratio	130.1%	126.2%	133.4%
Debt-to-Asset	36.8%	37.5%	39.9%
Interest Coverage Ratio	3.8x	3.9x	2.9x
Credit Rating	A0	A+	A+

3. Results and Outlook by Business (1) Chemical

Revenue / Profit

(W bn)

Revenue



Operating Profit

OP	39.7	29.8	24.8
OP Margin	17.4%	14.7%	13.2%

Results / Outlook

2019 3Q Results

- Demonstrated solid profitability, while revenue declined on seasonality and delayed global economic recovery
 - PO : Maintained stable sales volume
 - PG : Increased marketing efforts in new location, targeting a global major customer

2019 4Q Outlook

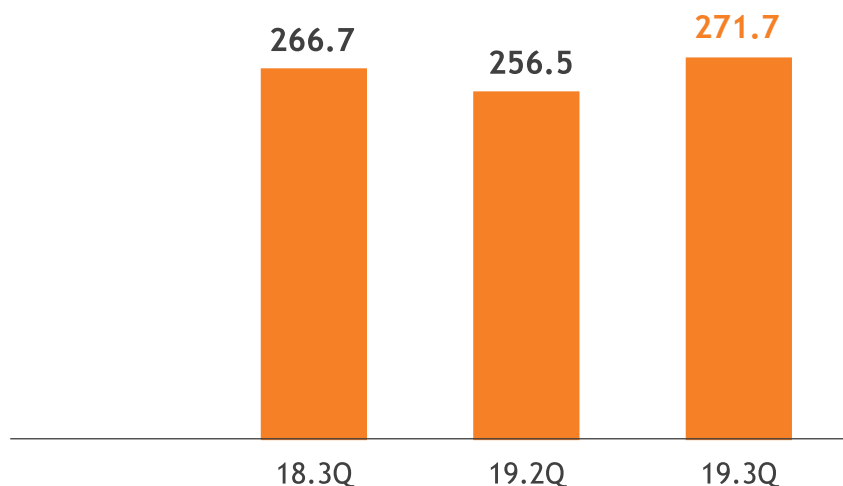
- Price competition expected to continue among makers amid continuing global uncertainty
- Drive aggressive sales volume growth
 - Respond to seasonal demand growth (PG)
 - Continue to drive new application sales

3. Results and Outlook by Business (2) Industry Material

Revenue / Profit

(W bn)

Revenue



Operating Profit

OP	1.6	11.8	13.5
OP Margin	0.6%	4.6%	5.0%

Results / Outlook

2019 3Q Results

- Continued improvement of business results
 - Specialty sales improving amid favorable raw material pricing environ.
- Product mix enhancement on-going
 - Eco-Label¹⁾ : Certification on-going from global 1st tier drink maker
 - Expand PLA film application : Bakery wrap → vegetable wrap
- Anti dumping duty increase/extension for imported PET (CN, India)
 - Expect domestic demand stabilization

2019 4Q Outlook

- Transparent PI test run, targeting 1H 2020 mass production
 - Focusing on yield enhancement, aiming to secure high quality production platform
- Continued specialty product mix enhancement efforts

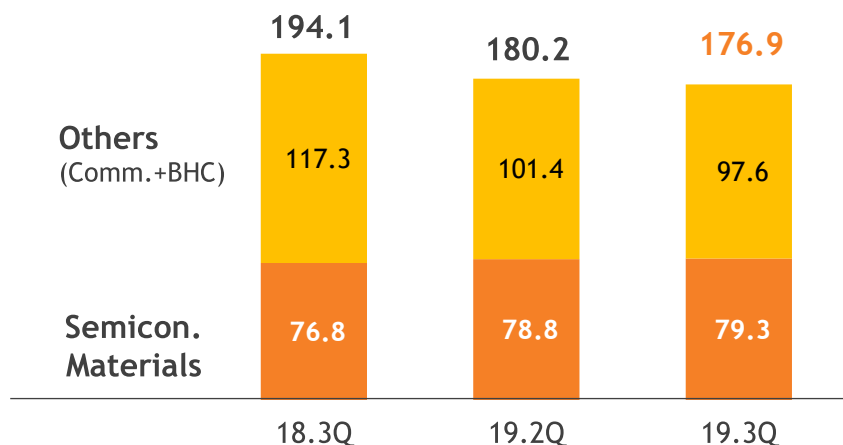
Note1: eco-friendly PET label

3. Results and Outlook by Business (3) New Biz.

Revenue / Profit

(W bn)

Revenue



Operating Profit

Total	12.7	6.7	2.2
Semicon. Mat.	4.4	0.7	△3.3
Others (Comm.+BHC)	8.3	6.0	5.5

Results / Outlook

2019 3Q Results

- **Semicon. Materials**
 - Demand declined for ceramic parts on semi. industry slowdown
 - CMP materials ramping up revenue (QoQ +35%)
- **Comm. Equipment**
 - Revenue declined YoY on 4G capex decline and slow ramp-up of 5G CAPEX
- **BHC Materials**
 - Revenue/OP declined QoQ on weak China market demand

2019 4Q Outlook

- **Semicon. Materials**
 - Ceramic parts demand recovery likely in early 2020
 - CMP material contribution to increase
 - China Wet. Chem.: Product sales gradually to increase
- **Comm. Equipment**
 - Initial sales of 5G repeaters in Oct., with volume increase to follow
- **BHC Materials**
 - Drive profit recovery from new product launch (B2C Soft Landing)

4. ESM Agenda



ESM Overview

- Date : 2019 Nov. 11 (M) 10AM
- Venue: 6fl auditorium, The K-Twin Tower-B, 50, Jongno 1-gil, Jongno-gu, Seoul
- Matters to be reported - Reporting on audit
- Matters to be resolved - Approval of the Division Plan
- Regarding voting
 - 1) e-Voting available
 PC → <http://evote.ksd.or.kr>
 Mobile → <http://evote.ksd.or.kr/m>
 ※ e-voting period : 2019 Nov. 1 (F) ~ 10 (Sun.)
 - 2) Authorize an agent
 - 3) Attend the meeting
- ※ Notice
 - 1) Refer to appendix
 “section 1. Global Expansion of Chem. Division”
 - 2) Refer to DART(<http://dart.fss.or.kr>) disclosure 2019 Aug. 7

Chemical Division Spin-off

- Purpose : Enhance shareholder value by growing into a global major in the industry. Shift focus from “stable Cash Cow” → “Global expansion focused on high value products”
- Method : SKC Chemical Business → Split-off (2020 Jan. 1)
 - -> Sell 49% of new entity to PIC (SKC 51% : PIC 49%)
- Financial Status Summary

[W bn]

[As of Mar. 2019]	Before	SKC	New Co.
Asset	2,940.8	2,520.7	516.7
Current Asset	491.1	329.0	162.1
Non-Current Asset	2,449.7	2,191.7	354.6
Liabilities	1,398.3	978.2	421.6
Current Liabilities	478.4	273.6	204.8
Non-Current Liabilities	919.9	704.6	216.8
Equity	1,542.5	1,542.5	95.1
Capital	187.7	187.7	10.0
Capital Surplus	146.7	146.7	85.1
Others	1,208.1	1,208.1	-

II . Appendix

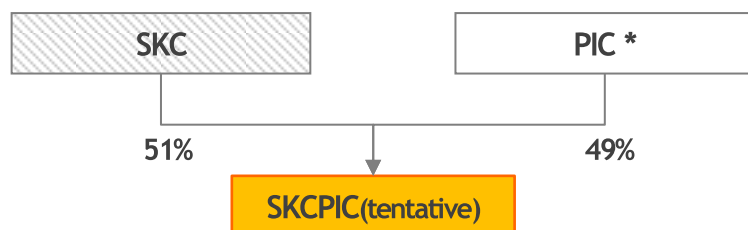
1. Global Expansion of Chemical Division
2. Entry into Copper Foil Biz.
(Decision to Acquire KCFT)
3. Quarterly Earnings Trend
4. Consolidated Financial Statements
5. Consolidated Cash Flow and Debt

1. Global Expansion of Chemical Division (1) Spin-off & J/V

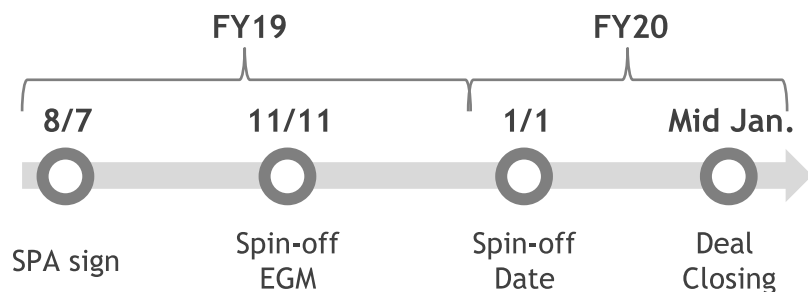
Spin-off & J/V

Spin-off & J/V Overview

- ▶ Spin-off of Chemical Division
- ▶ Off-load 49% of spin-off to establish a J/V company



Key Milestones



Chem. Div. Overview & Valuation

Chem. Div. Overview (as of Mar. 2019)

Asset	Liability	Net Asset
W516.6bn	W421.6bn	W95.1bn

PO	PG	SM
		
310 KTA	180 KTA	409 KTA

Valuation for 49% Stake

EV ¹⁾ (A)	Net Debt (B)	Adjustment ²⁾ (C)	49% Stake (A-B-C) X 49%
\$1,195M (W1.4t5m)	\$246.5M (W299.3bn)	\$13.8M (W16.7bn)	\$458.0M (W556.1bn)

1) EV/EBITDA 7.9X

2) Pension appropriation fund(W9bn), unpaid taxes (W5.3bn), etc.

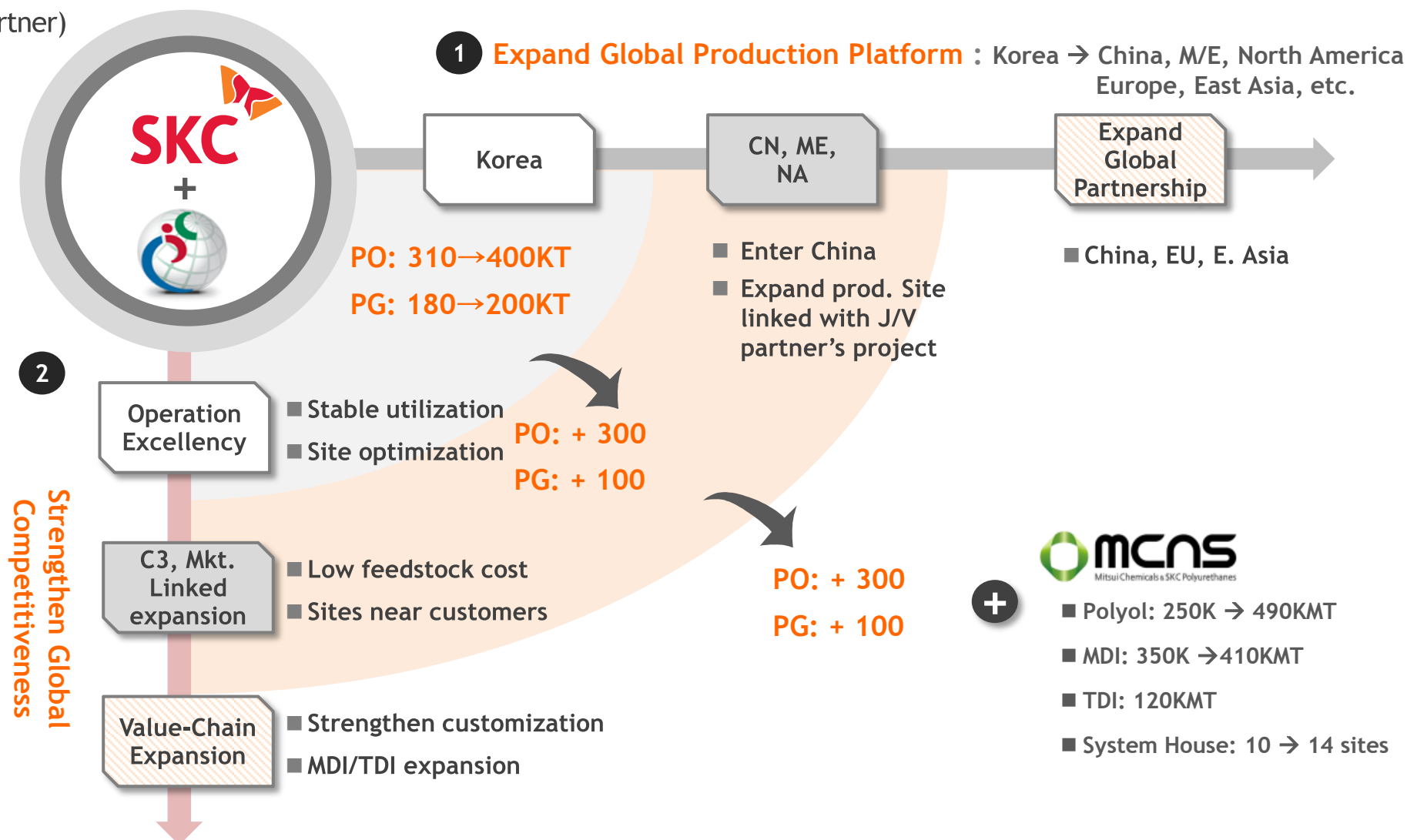
3) FX 1,214.3W/\$ (8/7, opening rate)

* PIC(Petrochemical Industries Company K.S.C) : Chemical subsidiary of KPC (www.pic.com.kw/index.html)

1. Global Expansion of Chemical Division (2) J/V, Growth Roadmap



Build 1,000 KT PO capacity through Global J/V (in areas competitive feedstock sourcing is viable through J/V partner)



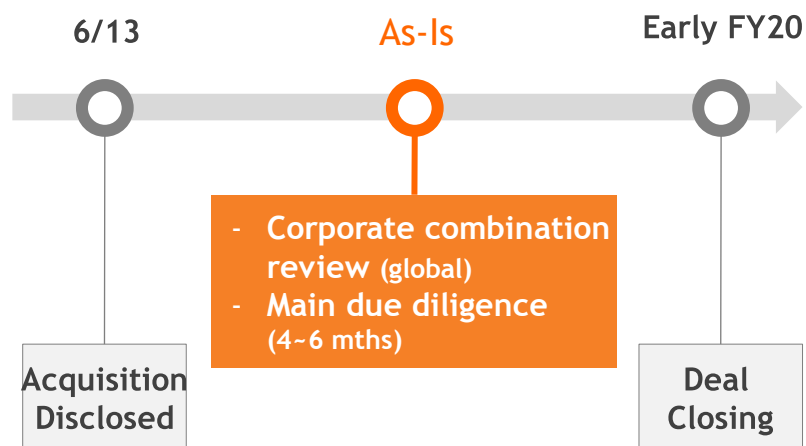
2. Entry into Copper Foil Biz. (Decision to Acquire KCFT)

KCFT is a global Top-tier Cu. foil producer that supplies to global major battery makers.

SKC will speed-up growth of KCFT through timely capacity expansion, including global expansion, and synergy creation with film technology

KCFT Acquisition Milestones

- Due diligence on-going, aiming for deal closing within the year
- Initiated negotiation with financial institutions for optimal funding structure (Aug.)



Growth Strategy Post Acquisition

- **KCFT competitiveness,**
 - Global Top-tier production technology
 - highest productivity, holds c. 250 global patents
 - World first production of 6 μ m foil(FY13), 4.0 μ m developed(FY19)
 - Supplies to Global Major battery makers
 - Over 80% of revenue generated from sales to top 6 Li-ION majors
- **Synergy with SKC to drive growth**
 - Timely expansion to capture Cu. Foil demand growth(CAGR +30%)
 - FY20 32KMT \rightarrow FY25 Target 130KMT(Korea 60KMT, global 70KMT)
 - Build global production platform (near customer sites)
 - Expand to 70KMT capa. utilizing sites in US(Georgia), EU(Poland)
 - Enhance productivity utilizing SKC Film technology (Roll to Roll, etc.)
 - Potential to enhance yield/profitability

3. Quarterly Earnings Trend

(W bn)		17.1Q	17.2Q	17.3Q	17.4Q	18.1Q	18.2Q	18.3Q	18.4Q	19.1Q	19.2Q	19.3Q
Company Total	Rev.	587.0	615.1	740.8	710.6	638.7	726.0	689.4	713.7	604.0	639.0	636.6
	OP	37.8	44.2	48.2	45.5	41.2	53.1	54.0	52.8	36.2	48.3	40.5
1. Chem.	Rev.	198.4	191.8	202.0	193.1	210.2	229.3	228.6	202.7	192.0	202.3	188.0
	OP	31.8	32.9	33.1	28.5	36.8	40.7	39.7	32.2	27.1	29.8	24.8
2. Industry Mat.	Rev.	225.2	221.4	305.3	257.9	273.5	290.5	266.7	253.3	249.4	256.5	271.7
	OP	△1.4	2.5	1.7	△4.5	△4.0	2.0	1.6	△1.6	3.6	11.8	13.5
1) SKC	Rev.	152.8	147.0	152.9	127.0	1,31.5	131.9	133.0	127.1	130.4	126.8	120.3
	OP	4.1	9.7	8.8	0.7	△2.0	0.2	△1.9	△7.0	△5.2	4.2	5.3
2) SKC inc.	Rev.	75.9	77.6	89.1	73.7	73.6	85.2	54.9	48.1	45.6	47.0	45.7
	OP	△6.7	△6.6	△6.6	△8.4	△3.2	△2.5	△2.0	△0.3	0.7	1.3	1.0
3) SKC jiangsu	Rev.	21.0	20.6	23.9	22.8	21.5	23.7	24.5	25.1	22.7	27.7	27.7
	OP	△0.1	0.2	1.3	0.7	0.2	0.3	△0.2	0.4	0.4	1.3	2.4
4) SKC ht&m	Rev.	-	-	78.2	73.1	80.0	86.2	94.5	86.4	87.3	86.9	104.0
	OP	-	-	△0.4	1.7	2.3	5.0	6.0	5.9	8.2	5.8	5.9
5) Cons. Adj.	Rev.	△24.5	△23.8	△38.8	△38.7	△33.1	△36.5	△40.2	△33.4	△36.6	△31.9	△26.0
	OP	1.3	△0.8	△1.4	0.8	△1.3	△1.0	△0.3	△0.6	△0.5	△0.8	△1.1
3. New Biz	Rev.	163.4	201.9	233.5	259.6	155.0	206.2	194.1	257.7	162.6	180.2	1,76.9
	OP	7.4	8.8	13.4	21.5	8.4	10.4	12.7	22.2	5.5	6.7	2.2
1) Semicon. Mat.	Rev.	57.5	67.2	73.4	70.0	70.8	81.5	76.8	87.0	81.0	78.8	79.3
	OP	2.5	4.7	6.4	5.5	3.7	4.9	4.4	9.4	1.8	0.7	△3.3
2) BHC Mat.	Rev.	105.9	134.7	160.1	189.6	84.2	124.7	117.3	170.7	81.6	101.4	97.6
	OP	4.9	4.1	7.0	16.0	4.7	5.5	8.3	12.8	3.7	6.0	5.5

4. Consolidated Financial Statements

Balance Sheet

(W bn)	FY18	19.3Q
Assets	3,833.1	4,055.2
Current assets	910.1	999.1
Non-current assets	2,923.0	3,056.1
Liabilities	2,138.3	2,318.0
Current liabilities	1,081.5	1,065.7
Non-current liabilities	1,056.8	1,252.3
Equity	1,694.8	1,737.2
Equity attributable to parent	1,532.7	1,570.6
Issued capital	187.7	187.7
Capital surplus	140.3	140.7
Capital adjustments	△108.2	△108.2
Accumulated other comprehensive income	△12.5	6.8
Retained earnings	1,325.4	1,343.6
Non-controlling interests	162.1	166.6

Income Statement

(W bn)	18.3Q	19.2Q	19.3Q
Revenue	689.4	639.0	636.6
Operating profit	54.0	48.3	40.5
Equity method gain	18.2	△2.4	1.3
Other income	△0.5	△9.3	△0.1
Financial income	△15.6	△12.9	△11.0
Pre-tax profit	56.1	23.7	30.7
Net Profit	43.5	15.0	22.6
Net Profit attributable to own shares	39.8	13.3	21.6

5. Consolidated Cash Flow and Debt

Cash Flow

(W bn)	FY18	19.3Q
Beginning Cash	176.0	160.4
CF from Operation	231.6	69.6
Operating Profit	201.1	40.5
Depreciation	126.8	106.5
Chg. in WC & others	△96.3	△77.4
CF from Investing	△212.7	△199.2
Acquisition of Subsidiaries	△9.5	-
Chg. In FA & others	△203.2	△199.2
CF from Finance	△34.8	118.7
Net Borrowing	0.6	157.4
Dividend & others	△35.4	△38.7
Others	0.3	7.0
Ending Cash	160.4	156.5

Debt Profile

(W bn)	FY18	19.3Q	증 감
ST Debt	247.3	292.0	+44.7
LT Debt	1,188.6	1,325.9	+137.3
Cash	160.4	156.5	△3.9
Net Debt	1,275.5	1,461.4	+185.9

※ Parent Basis

(W bn)	FY18	19.3Q	증 감
ST Debt	3.1	-	△3.1
LT Debt	767.1	837.1	+70.0
Cash	21.2	75.8	+54.6
Net Debt	749.0	761.3	+12.3

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