



**Solus Advanced  
Materials**

# **Solus Advanced Materials Co., Ltd. 3Q24 Earnings Report**

**October 23, 2024**



# Disclaimer

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Investor Relations 2024

The information herein has been prepared based on unaudited financial statements for your information purposes only and contains preliminary figures which may change depending on the external audit results.

All information about the company's financial performance contained in this material is based on consolidated financial statements in accordance with Korean IFRS.

This material also contains “forecasts” based on predictions, forecasts, plans and expectations for the future, and these “forecasts” may differ significantly from the company’s actual performance to be provided in the future due to their uncertain nature.

## **I. 3Q24 Earnings Report**

## **II. Summary Financial Statements**

## **III. Appendix**

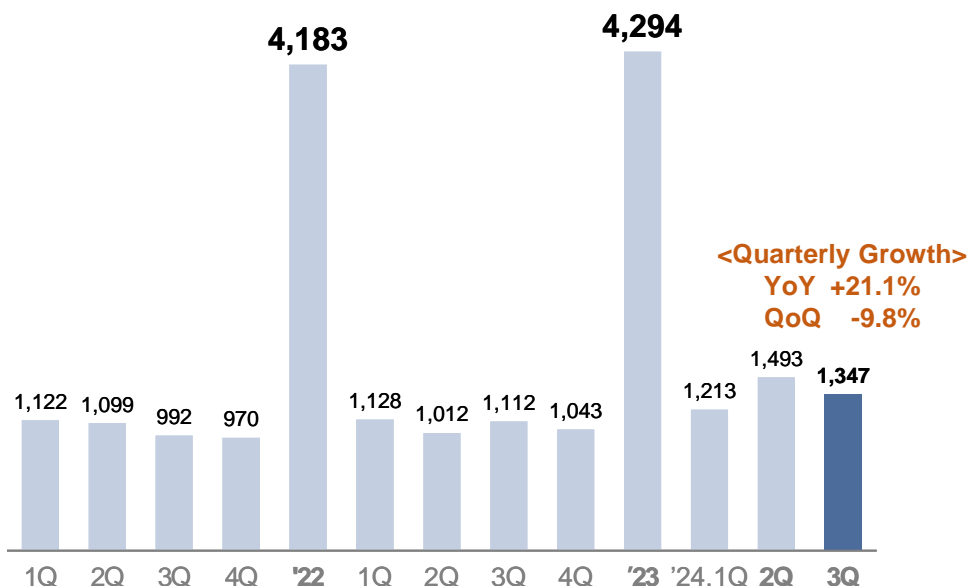
# 3Q 2024 Consolidated Performance

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- **Sales:** Due to inventory adjustments by major elecfoil customers, a slight decrease in demand for copper foil in Europe, and a temporary decrease in demand for electronic materials from major overseas customers, sales increased 21.1% compared to the same period last year, but recorded 134.7 billion won, down 9.8% compared to the previous quarter.
- **EBIDTA:** In the elecfoil/copper foil/electronic materials business, the fixed cost burden increased due to a decrease in sales following a decrease in supply to major customers, so EBITDA increased 6.8% compared to the same period last year but turned into a deficit compared to the previous quarter.

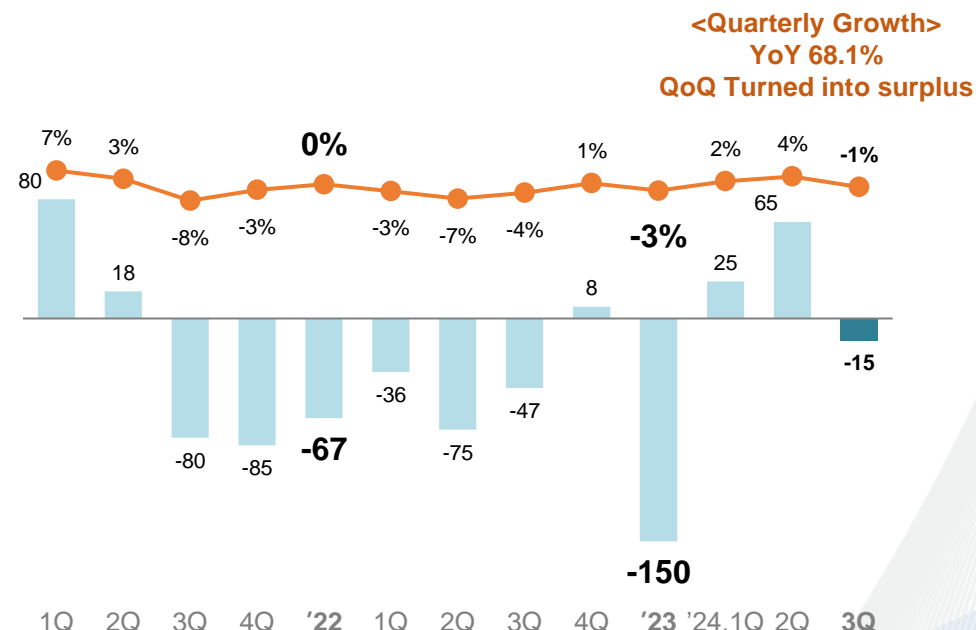
## Sales Trend

(KRW 100 million)



## EBIDTA (rate) Trend

(KRW 100 million)



# 3Q 24 Performance & 4Q Plan by Business division

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## 3Q 2024 Performance

- **Elecfoil:** Sales QoQ -17.7%, YoY +34.5% due to decrease in sales volume following temporary inventory adjustment by major customers
- **Copper foil:** Sales QoQ -1.8%, YoY +14.7% due to a slight decrease in supply to Europe following the decreased demand attributed to economic instability in Europe
- **Electronic materials:** Sales QoQ -5.9%, YoY +11.4% due to temporary decrease in demand from major overseas customers

## 4Q 2024 Plan

- **Elecfoil:** Plan to expand supply by increasing shipments of existing products and promoting adoption of high value-added products
- **Coper foil:** Plan to expand supply of high-end copper foil to AI markets and big tech customers
- **Electronic materials:** Plan to promote product portfolio diversification to customers

(KRW 100 million)

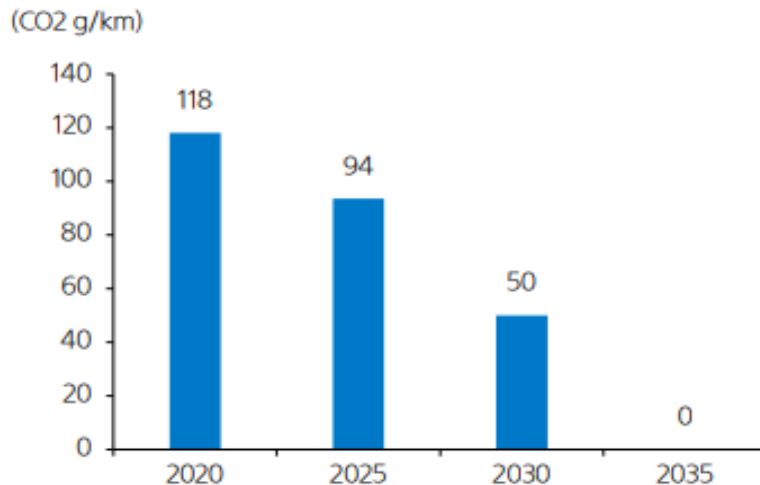
| Type                 | 3Q '24       | 2Q '24       | QoQ          | 3Q '23       | YoY           |
|----------------------|--------------|--------------|--------------|--------------|---------------|
| <b>Sales</b>         | <b>1,347</b> | <b>1,493</b> | <b>-9.8%</b> | <b>1,112</b> | <b>+21.1%</b> |
| Battery Copper Foil  | 550          | 668          | -17.7%       | 409          | +34.5%        |
| Copper Foil          | 493          | 502          | -1.8%        | 430          | +14.7%        |
| Electronic Materials | 304          | 323          | -5.9%        | 273          | +11.4%        |

## Market prospect

### ● EV demand recovery expected due to policies in Europe and U.S.

- 1) Interest rate cut by U.S. Federal Reserve Board
- 2) EV policy changes expected
  - ① European CO<sub>2</sub> emission regulations
  - ② U.S. fuel efficiency regulations
  - ③ Re-emerging subsidies in some European countries

### < EU CO<sub>2</sub> emission regulation (WLTP standard) >



\* ACFA, Samsung Securities

## Elecfoil business plan

To diversify major global OEMs and battery cell customers by leveraging the advantage of local supply

To continue to secure supply through mid- to long-term contracts with major key customers

To continue to increase profitability by differentiating high-end elecfoil technology and increasing its share of volume

### < Status and plan for elecfoil production capacity >



#### ● Total 100,000 tons planned for Hungary (Europe)

- PH1 (15,000 tons): First shipment in November 2020
- PH2 (23,000 tons): Start of mass production within the 4<sup>th</sup> quarter of 2024
- PH3 (62,000 tons): Time demand is expected to increase



#### ● Canada (North America) 63,000 tons per year planned

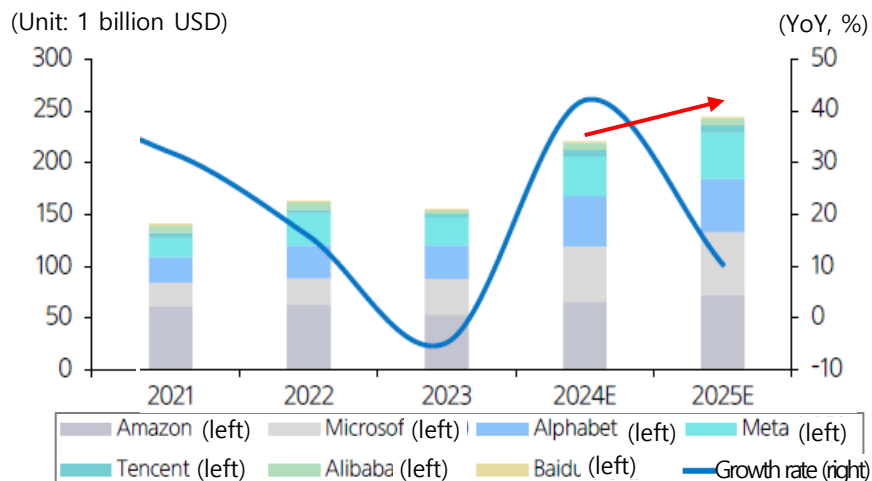
- PH1 (25,000 tons): Start of mass production in 2026
- PH2 (38,000 tons): Time demand is expected to increase
- Secured an incentive worth 150 billion won from Government of Quebec, Canada (October 2024)

## Market prospect

### ● AI demand expected to remain strong

- 1) AI commercialization expected to accelerate due to increased demand for paid service model use
- 2) Capex expected to increase due to increased demand for cloud and AI
- 3) AI ecosystem expected to expand through collaboration and easing of supply chain

## < Trends and prospects of Capex in major cloud industries >



\* FactSet, Samsung Securities

## Copper foil business plan

Focus on securing approval for next-generation copper foil products

Expand production/manufacturing facilities to respond to increasing demand for high-end copper foil

Dominate the leading market and continue R&D for high value-added products

- Supply of customized copper foil optimized for product characteristics in various industries, including AI semiconductors, smartphones, self-driving cars, communication equipment, aircraft, and spacecraft.
- Dominate the high-end copper foil market, including ultra-low-illuminance copper foil (low signal loss) and ultra-thin copper foil.





## Market prospect

### ● Display market expected to recover

- Market size (sales) expected to grow by 13% and area by 6% YoY in 2024
- Market size (sales) expected to grow by 7% and area by 9% YoY in 2025

(Source: Omdia)

### ● China in the display market

- Announcement of China's policy of display subsidy payment
- U.S. House of Representatives requests regulation of Chinese displays

### ● AI application to display expected to expand

- Adoption of AI in the display industry is expected to increase significantly
- Adoption of OLED panels for high-end IT products is expected to increase

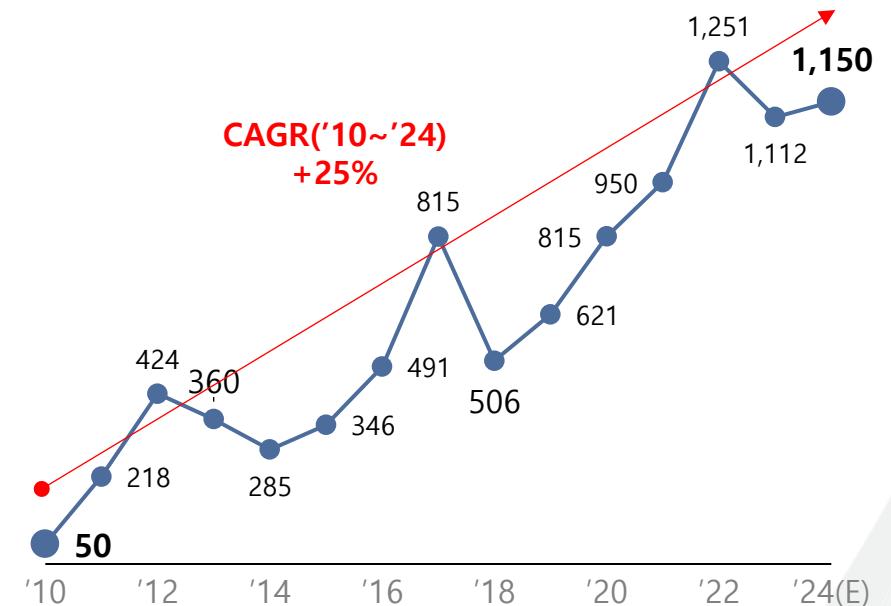
## Electronic materials business plan

Obtain approval for mass production of new products in addition to existing products for major customers

Develop future technology products to proactively respond to next-generation display technology

### < Electronic materials division sales trend >

(Unit: 100 million won)





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# Summary Consolidated Statement of Financial Position

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(KRW 100 million)

| Classification                    | Dec. 2020    | Dec. 2021     | Dec. 2022     | Dec. 2023     | Sep. 2024     |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Current assets                    | 4,504        | 3,945         | 5,080         | 5,643         | 4,965         |
| Non-current assets                | 3,908        | 6,171         | 9,530         | 11,424        | 12,926        |
| <b>Total assets</b>               | <b>8,412</b> | <b>10,116</b> | <b>14,610</b> | <b>17,067</b> | <b>17,891</b> |
| Current liabilities               | 1,674        | 2,926         | 4,221         | 5,680         | 4,989         |
| Non-current liabilities           | 1,839        | 1,968         | 1,208         | 805           | 2,735         |
| <b>Total liabilities</b>          | <b>3,513</b> | <b>4,894</b>  | <b>5,429</b>  | <b>6,485</b>  | <b>7,724</b>  |
| Capital stock                     | 40           | 40            | 45            | 45            | 91            |
| <b>Total shareholders' equity</b> | <b>4,899</b> | <b>5,222</b>  | <b>9,181</b>  | <b>10,582</b> | <b>10,167</b> |
| Debt ratio                        | 72%          | 94%           | 59%           | 61%           | 76%           |
| [Borrowings]                      |              |               |               |               |               |
| Borrowings                        | 2,484        | 2,995         | 3,520         | 3,746         | 5,893         |
| Cash                              | 3,056        | 1,396         | 1,628         | 2,741         | 1,583         |
| <b>Net borrowings</b>             | <b>-572</b>  | <b>1,599</b>  | <b>1,893</b>  | <b>1,006</b>  | <b>4,311</b>  |

※ The current quarter data is based on unaudited financial statements.

# Summary Consolidated Comprehensive Income Statement

Investor Relations 2024

| (KRW 100 million)                              |              |              |              |               |               |               |              |               |               |              |               |
|--|--------------|--------------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| Classification                                 | '20          | '21          | '22          | '23           |               |               |              |               | '24           |              |               |
|  |              |              |              | 1Q            | 2Q            | 3Q            | 4Q           | Total         | 1Q            | 2Q           | 3Q            |
| <b>Sales</b>                                   | <b>2,902</b> | <b>3,803</b> | <b>4,612</b> | <b>1,128</b>  | <b>1,012</b>  | <b>1,112</b>  | <b>1,043</b> | <b>4,294</b>  | <b>1,213</b>  | <b>1,493</b> | <b>1,347</b>  |
| Battery foil                                   | 9            | 378          | 1,127        | 402           | 367           | 409           | 369          | 1,546         | 463           | 668          | 550           |
| Copper foil                                    | 1,655        | 2,036        | 1,805        | 452           | 369           | 430           | 384          | 1,636         | 437           | 502          | 493           |
| Electronic materials                           | 815          | 950          | 1,251        | 274           | 276           | 273           | 290          | 1,112         | 313           | 323          | 304           |
| Bio  | 423          | 440          | 429          | -             | -             | -             | -            | -             | -             | -            | -             |
| Cost of sales                                  | 1,934        | 3,028        | 4,158        | 1,081         | 1,047         | 1,089         | 905          | 4,122         | 1,108         | 1,379        | 1,286         |
| Gross profit                                   | 967          | 775          | 454          | 47            | -36           | 24            | 138          | 172           | 105           | 114          | 61            |
| SG&A   | 664          | 725          | 906          | 237           | 202           | 227           | 238          | 904           | 245           | 218          | 247           |
| <b>Operating profit</b>                        | <b>304</b>   | <b>50</b>    | <b>-452</b>  | <b>-190</b>   | <b>-238</b>   | <b>-203</b>   | <b>-100</b>  | <b>-732</b>   | <b>-140</b>   | <b>-105</b>  | <b>-186</b>   |
| <b>(%)</b>                                     | <b>10.5%</b> | <b>1.3%</b>  | <b>-9.8%</b> | <b>-16.9%</b> | <b>-23.5%</b> | <b>-18.3%</b> | <b>-9.6%</b> | <b>-17.0%</b> | <b>-11.5%</b> | <b>-7.0%</b> | <b>-13.9%</b> |
| Gains (losses) on interest                     | -58          | -45          | -67          | -34           | -55           | -41           | -34          | -163          | -41           | -50          | -43           |
| Gain (losses) on foreign currency transactions | -70          | 81           | 113          | 2             | -2            | 4             | -6           | -3            | -5            | 2            | -3            |
| Gain (losses) on foreign currency translation  | -163         | 15           | 58           | 1             | 6             | 97            | -111         | -7            | 121           | 82           | -183          |
| <b>Net income before corporate tax</b>         | <b>-23</b>   | <b>36</b>    | <b>-367</b>  | <b>-230</b>   | <b>-301</b>   | <b>2,953</b>  | <b>-537</b>  | <b>1,884</b>  | <b>-73</b>    | <b>-81</b>   | <b>-423</b>   |
| Corporate tax                                  | 87           | 9            | 71           | -16           | -43           | 792           | -108         | 625           | 17            | 18           | -60           |
| Profit (losses) from continuing operations     | -            | 27           | -438         | -213          | -258          | 2,161         | -430         | 1,259         | -91           | -99          | -363          |
| Profit (losses) from discontinued operations   | -            | -25          | -34          | -1            | 8             | 0             | 1            | 9             | -             | -            | -             |
| <b>Net income</b>                              | <b>-110</b>  | <b>2</b>     | <b>-472</b>  | <b>-214</b>   | <b>-250</b>   | <b>2,161</b>  | <b>-429</b>  | <b>1,268</b>  | <b>-91</b>    | <b>-99</b>   | <b>-363</b>   |
| Net Income of controlling shareholders         | <b>-110</b>  | <b>119</b>   | <b>-113</b>  | <b>-110</b>   | <b>-132</b>   | <b>2,273</b>  | <b>-156</b>  | <b>1,875</b>  | <b>17</b>     | <b>3</b>     | <b>-217</b>   |

※ The current quarter data is based on unaudited financial statements.

※ Due to the disposal of Solus Biotech, discontinued business (bio) was excluded from sales from 1Q 2023 and classified as discontinued operating profit (losses).

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# Company & Business Introduction

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## [Company Overview]

|                               |   |
|-------------------------------|---|
| <u>Company Name</u>           | <b>Solus Advanced Materials Co., Ltd.</b>   |
| <u>CEO</u>                    | <b>Daeje Chin &amp; Keunman Kwak</b>  |
| <u>Established</u>            | <b>October 1, 2019</b>  |
| <u>Listed</u>                 | <b>October 18, 2019 (KOSPI)</b>   |
| <u>Total Assets</u>           | <b>KRW 1,789.1 billion (As of end of September '24)</b>                                   |
| <u>Employees</u>              | <b>1,129 (As of end of September '24)</b>   |
| <u>Headquarters</u>           | <b>627 Seodong-ro, Iksan-si, Jeollabuk-do</b>   |
| - <u>Battery foil</u>         | <b>Hungary and Canada (development, production and sales)</b>                             |
| - <u>Copper foil</u>          | <b>Luxembourg (development, production and sales)</b>                                     |
| - <u>Electronic materials</u> | <b>Seongnam (development and sales), Iksan (production), China (production and sales)</b> |

## [Business Introduction]



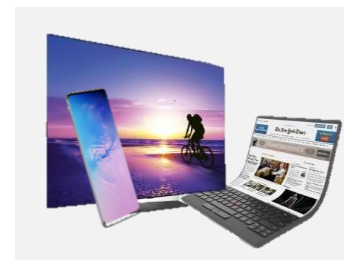
**EV battery  
Core materials**



**Electronic circuit boards  
for semiconductors,  
communication  
equipment,  
smartphones, self-  
driving cars, aircraft, etc.  
Core materials**



**Electronic devices for  
mobile devices and TVs  
OLED display  
Core materials**

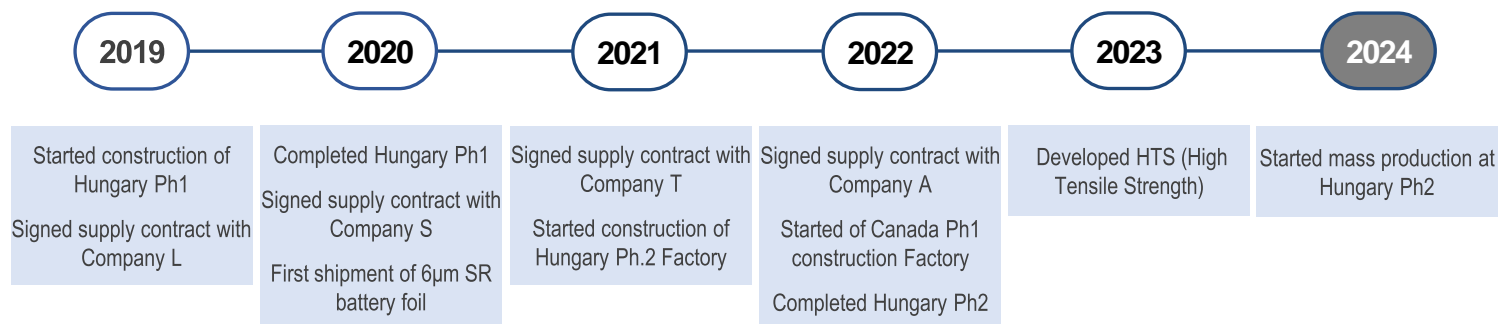


※ Asset size is based on unaudited financial statements.

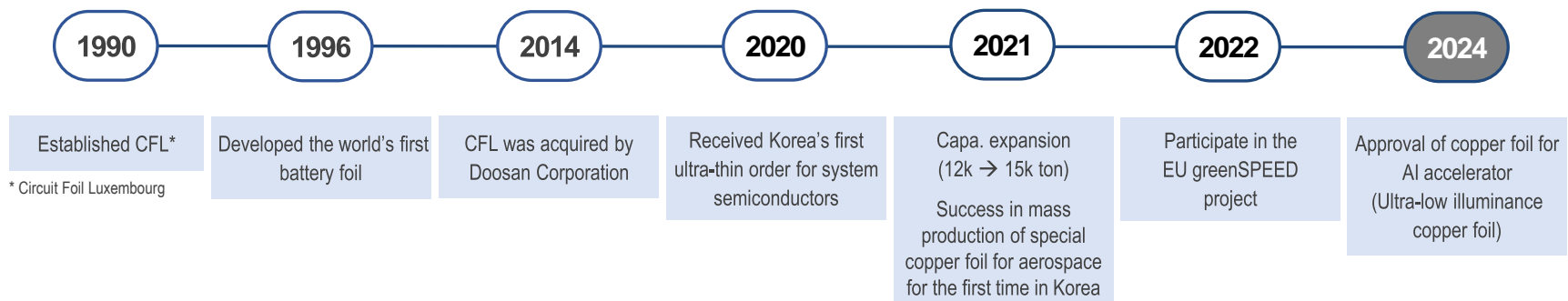
# Company History

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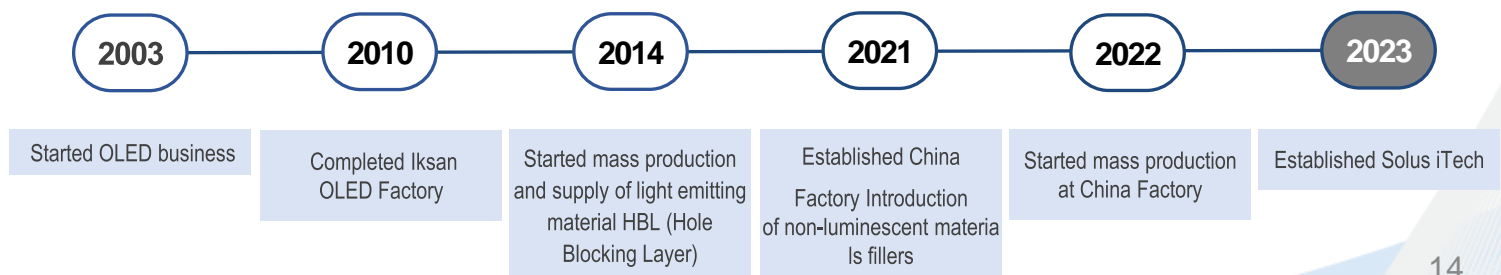
## Battery foil



## Copper foil



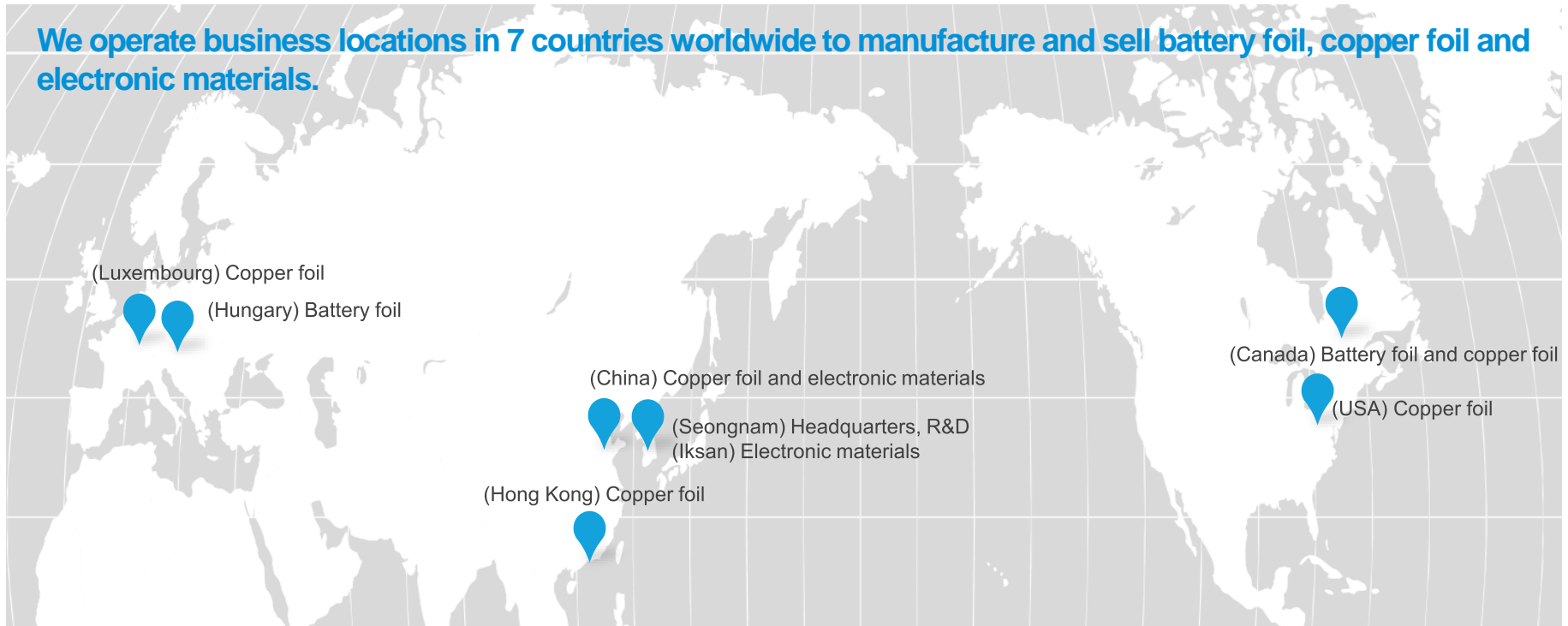
## Electronic materials



# Main Business Locations

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We operate business locations in 7 countries worldwide to manufacture and sell battery foil, copper foil and electronic materials.



(Luxembourg) Copper foil

(Hungary) Battery foil

(China) Copper foil and electronic materials

(Seongnam) Headquarters, R&D  
(Iksan) Electronic materials

(Hong Kong) Copper foil

(Canada) Battery foil and copper foil

(USA) Copper foil



Iksan, Korea (Electronic materials)



(Luxembourg) Copper foil



Hungary (Battery foil)

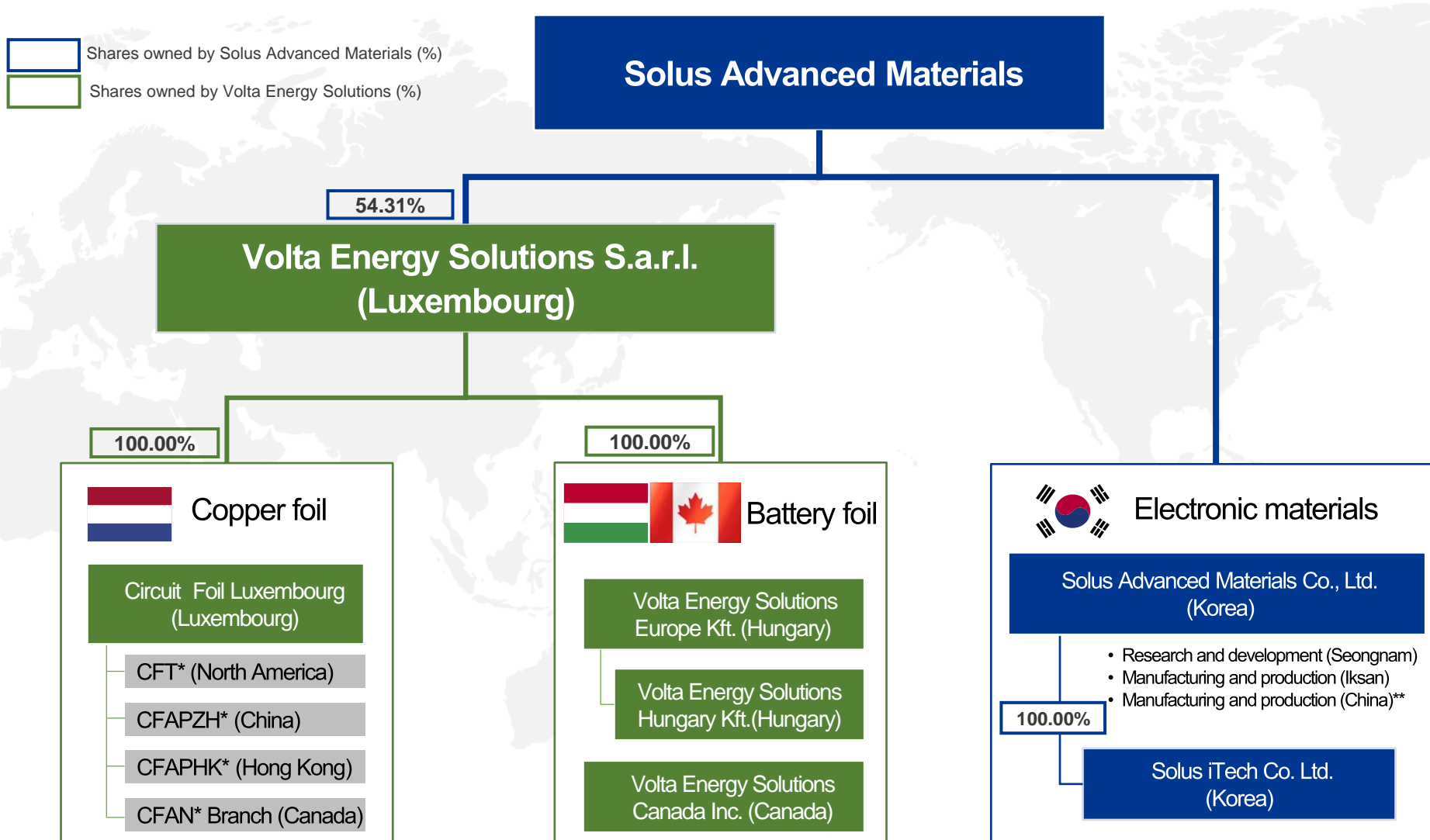


Canada (Battery foil)



# Korean and Overseas Subsidiaries

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\* CFT(Circuit Foil Trading Inc.) / CFAPZH(Circuit Foil Asia Pacific Zhangjiagang) / CFAPHK(Circuit Foil Asia Pacific Hong Kong) / CFAN(Circuit Foil d'Amérique du Nord)

\*\* Solus Advanced Materials (Changshu) Co., Ltd.

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