

Ref. STARK002/2021

February 23, 2021

Subject: Management Discussion and Analysis for the Year 2020 Ending December 31, 2020  
(Audited)

Attention: President  
The Stock Exchange of Thailand

Stark Corporation Public Company Limited (“the Company”) would like to clarify the Company's operating results for the Year 2020 Ending December 31, 2020 with important details as follows:

**Key summaries (2020 according to financial statement):**

- **Higher operating results from Business synergies** after investing in Vietnam such as consolidation of raw materials, Knowledge & Techniques exchange to developing and improving production processes for lower costs and higher efficiency, Especially reducing the loss rate in the production process (Scrap rate) etc.
- **The core revenue adjusted strategy to focus on the high margin product segment**, the core revenue from sale wire and cable in 2020 equal to 16,858 million baht or growth approximately +46.2% due to known performance of invested at Vietnam. In addition, the company has the policy to reduction sale the low margin products such as raw material and move to focus on high margin products. Especially, Medium - Extra High Voltage to support high growth in various of government and private projects
- **Core EBITDA margin increase to 15.6%** in 2020 and increase from 9.8% in 2019 due to the focus on the High Margin product as well as the policy to efficiently control costs and expenses, and systematically management of the group. (Integrated Supply Chain Management)
- **Net profit (2020) equal to 1,609 million baht**, an increase from 124 million baht in 2019 equals to +1,198.1% and **Net profit margin equal to 9.5%** in 2020, an increase from 1.1% in 2019.
- **Strong financial position with Net Debt / Equity(adjusted) of 0.8x**
- **Business growth strategy in the future**
  1. **Strategies to focus on the high margin products**, such as a Medium / High / Extra High voltage with growing continuously and cables for solar power generation systems (Photovoltaic cable) that has received world-class standards as well as improving submarine cables which growing demand from renewable energy projects such as offshore wind turbines and solar panels (Floating solar), etc.

2. Cost reduction and increased productivity in Thailand and Vietnam Manufacturers continuously.
3. Opportunities of international marketing in 2020, The Company has export revenues 8.0% from export approximately 40 countries. The Company expects the export revenues will increase to 10 - 12% from export approximately 50 countries.

## 1. Summary of key performance

Key Performance summary according to profit and loss statement Ending December 31, 2020

Unit : Million Baht	2020	2019	%Chg
Core revenues <sup>(1)</sup>	16,858	11,529	46.2%
Core EBITDA <sup>(2)</sup>	2,629	1,127	133.2%
%Core EBITDA <sup>(3)</sup>	15.6%	9.8%	n.m.
Net profit	1,609	124	1,198.1%
%Net profit <sup>(3)</sup>	9.5%	1.1%	n.m.

Remark (1) Core revenues consist of revenue of sales, revenue of services and revenue from rental

(2) Calculated by core revenue minus (i) core costs are costs of goods sold, costs of services and costs of rental (ii) distribution costs and administrative expenses plus depreciation and amortization expenses and non-recurring expense.

(3) Calculate ratio based on core revenues

n.m. = No Meaning

The company grown up by leaps and bounds due to known performance of invested in Vietnam since April 1, 2020 effected core revenues equal to 16,858 million baht in 2020 or 46.2% from 11,529 million baht in 2019 and focus on High margin product, especially Medium to Extra High Voltage cables to support high growth in various of government and private projects effect to net profit in 2020 equal to 1,609 million baht, an increased 1,198% from 124 million baht in 2019.

Due to the Company has control over TPC and DVN, wire and cable business in Vietnam since March 31, 2020, and TCI, wire and cable small business since April 1, 2020. Thus, profit and loss statement ending December 31, 2020 will show the operating results from April 1, 2020 to December 31, 2020 (9 Months) only.

Therefore, the Company's operating results hereinafter prepared as a similar the Company has significant control over the company since January 1, 2019. In order to be able to compare the performance for the 12 months in 2019 and 2020 correctly.

Unit : Million Baht	2020	2019	%Chg
Core revenues <sup>(1)</sup>	18,012	23,672	(23.9%)
- Core revenues - wire and cable	16,598	16,921	(1.9%)
- Core revenues - sale raw material	1,414	6,751	(79.0%)
Core EBITDA <sup>(2)</sup>	2,725	2,158	26.3%
%Core EBITDA <sup>(3)</sup>	15.1%	9.1%	n.m.

Net profit	1,625	865	87.6%
%Net profit <sup>(3)</sup>	9.0%	3.7%	n.m.

Remark (1) Core revenues consist of revenue of sales, revenue of services and revenue from rental

(2) Calculated by core revenue minus (i) core costs are costs of goods sold, costs of services and costs of rental (ii) distribution costs and administrative expenses plus depreciation and amortization expenses and non-recurring expense.

(3) Calculate ratio based on core revenues

n.m. = No Meaning

- The Company has core revenues of 18,012 million baht in 2020, a decrease of 23,672 million baht or a decrease equal to 23.9% as designated by the company's policy to reduction the low margin products such as raw material and move to focus on high margin products. Especially, Medium - Extra High Voltage to support high growth in various of government and private projects, the core revenues from sale wire and cable in 2020 equal to 16,598 million baht almost the same with in 2019 equal to 16,921 million baht
- The Company has a core EBITDA of 2,725 million baht in 2020 and equal to 2,158 million baht in 2019 or increased 26.3% and %Core EBITDA margin in 2020 equal to 15.1%, an increase from 9.1% from the same period last year. These is mainly due to the strategies to focus on the high margin products, especially Medium to Extra High Voltage cables to support high growth in various of government and private projects. Moreover, the Company has implemented a plan to reduce cost and expense (Lean management) continuously.

Detail of the Core EBITDA of key subsidiaries is as follows:

Core EBITDA	2020		2019	
	Million Baht	Margin <sup>(1)</sup>	Million Baht	Margin <sup>(1)</sup>
PDITL	1,850	19.6%	1,056	10.4%
TPC / DVN	468	9.2%	691	7.6%
ADS	293	17.2%	165	12.0%

Note: Separated financial statement

(1) Calculate ratio core revenues by intercompany eliminations

- The Company has net profit equals to 1,625 million baht in 2020 and 865 million baht in 2019. Net profit margin in 2020 equals to 9.0%, an increase from 3.7% from same period last year.

## 2. Important Financial Summary

Unit: Million Baht	Q4/2020	Q3/2020
Total Assets	27,316	25,565
Net interest bearing debt	11,204	12,508
Total Equities (Equities - Adjusted) <sup>(1)</sup>	14,306	13,937
Net Debt / Equity (Adjusted)	0.8x	0.9x

Net Debt / EBITDA	3.5x <sup>(2)</sup>	3.9x <sup>(3)</sup>
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- Remark (1) Comprised of equities plus Reverse Take Over (RTO) adjustment (amount THB 10,542 million)
- (2) EBITDA in 2020 seem recognition TPC and DVN performance full year and after improve the business integration will be show in period 2H2563 onward
- (3) Annualized from EBITDA in Q3/2020

- The company's total assets equals 27,316 million baht in Q4/2020, a 1,751 million baht increased from Q3/2020 as a result of company's revenue growth.
- The company's net interest bearing debt equals 11,204 million baht in Q4/2020, a decrease of THB 1,304 million baht from Q3/2019 due to the company's performance was improved after the acquisition of TPC and DVN as resulted from PDITL's strategy and action plan that success in cost reduction and increased productivity to use with TPC and DVN. In this regard, the company got the financial institution to acquire TPC and DVN, some of loan was considered to be short-term loan (approximately THB 6,000 million) or bridging loan to acquire business only. After the end of the loan term, the Company is in the process of converting such loan into long-term loan.

Unit : Million THB	Q4/2020	Q3/2020
Short term loan	7,107	8,532
Long-term loan due within 1 year	1,785	1,056
Long-term loan (Net)	3,469	3,409
<u>Include</u> Interest bearing debt	12,361	12,997
<u>Exclude</u> Cash and guarantee deposit	(1,158)	(489)
Interest bearing debt exclude cash	11,204	12,508

- As a result of Reverse Takeover (RTO) in 2019, the Company has to record adjusted RTO amount 10,542 million baht in accordance with accounting standards (TFRS3 : Business combination). Therefore, Owner's equities will not reflect the actual financial position.

In this regard, if the company include this special transaction, Owner's equities (adjusted) will be 14,306 million baht in Q4/2020 which will reflect the actual Company's financial position. The Company's has interest bearing debt exclude cash per net debt to EBITDA (Adj.) equals to 0.8 time

- The Company's has net debt to EBITDA approximately 3.5 times due to concentration mainly on High Margin products as well as effective cost and expense management and integrated



supply chain management. The Company expects appropriate level of Net debt to EBITDA to be 2.3 - 2.5 times.

Please be informed accordingly.

Sincerely yours,

*-Mr. Sathar Chantrasettalead-*

(Mr. Sathar Chantrasettalead)

Director