



# WORLD FLEX PUBLIC COMPANY LIMITED

บริษัท เวิลด์เฟล็กซ์ จำกัด (มหาชน)

OFFICE : 17 BANGNA THANI BLDG. 3<sup>rd</sup> FL, ROOM 3B SOI BANGNA-TRAD 34, BANGNA TAI, BANGNA, BANGKOK 10260, THAILAND.

สำนักงาน : 17 อาคารบางนาธานี ชั้นที่ 3 ห้องเลขที่ 3B ซอยบางนา-ตราด 34 แขวงบางนาใต้ เขตบางนา กรุงเทพมหานคร 10260

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FACTORY : 59/1 MOO 5, MANAM KOO, PLUAKDAENG, RAYONG 21140 THAILAND.

โรงงาน : 59/1 หมู่ที่ 5 ตำบลถนนี่ห้า อำเภอลำลูกเกด จังหวัดระยอง 21140 TEL : (038) 637-559 FAX : (038) 637-560



ISO 9001 : 2015

December 22, 2021

Subject: Management Discussion and Analysis for the 9-month period ended 30 September 2021

To: President  
The Stock Exchange of Thailand

World Flex Public Company Limited ("the Company") would like to submit the Management Discussion and Analysis for the 9-month period ended 30 September 2021 as follows:

## Statement of Income

Item	For the 9-Month Period Ended					
	30 September 2020		30 September 2021		Change Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales of goods	1,709.67	99.66	2,583.52	99.77	873.84	51.11
Cost of sales of goods	1,569.19	91.47	2,171.06	83.84	601.87	38.36
<b>Gross profit</b>	<b>140.49</b>	<b>8.19</b>	<b>412.46</b>	<b>15.93</b>	<b>271.97</b>	<b>193.59</b>
Other income	4.55	0.26	6.00	0.23	1.46	32.07
Gains on foreign exchange	1.27	0.07	-	-	(1.27)	(100.00)
Distribution costs	19.30	1.13	23.80	0.92	4.50	23.32
Administrative expenses	38.21	2.23	115.04	4.44	76.83	201.07
Losses on foreign exchange	-	-	31.41	1.21	31.41	100.00
Finance costs	16.30	0.95	20.18	0.78	3.89	23.84
Tax expense	13.31	0.78	39.78	1.54	26.47	198.85
<b>Profit for the period</b>	<b>59.19</b>	<b>3.45</b>	<b>188.24</b>	<b>7.27</b>	<b>129.05</b>	<b>218.04</b>
Item	For the 9-Month Period of 2020		For the 9-Month Period of 2021		Change Increase / (Decrease)	
Gross profit margin (%)	8.22		15.96		7.74	
Net profit margin (%)	3.45		7.27		3.82	
Basic EPS (Baht per share)	0.19		0.58		0.39	

## Revenue from sales of goods

For the first 9 months of 2021, the Company's revenue from sales of goods amounted to 2,583.52 million Baht or 99.77% of total income. Analysis of the revenue classified by product characteristics are as follows:



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## 1. Revenue from sales of rubber thread

For the first 9 months of 2021, the Company's revenue from the sale of rubber thread amounted to 2,581.12 million Baht, increased by 872.95 million Baht or 51.10% from the same period of the previous year because in the first 9 months of 2021, the average price of concentrated latex rose up 9.32 Baht per kilogram or 26.86% higher than the same period of the previous year. As a result, there was an increase in the selling price of the rubber thread in accordance with the higher raw material price. In addition, the Company sold 25,279 tons of rubber thread, increased by 2,731 tons or 12.11% from the same period of the previous year because the Company has expanded the production capacity of Talcum-coated elastic thread by 3,240 tons and 1,440 tons, respectively in January and August 2021 whereby the utilization rate also increased from 89.41% to 95.46%, resulting in the ability to produce and sell more diversified rubber thread in terms of size and quality, thus supporting the different needs of rubber thread both from the existing customer base and the new customer base. Moreover, the Company's revenue proportion of selling products to end-user customers increased from 20.74% to 31.27% compared to the same period of the previous year whereby the Company could sell products to the end-user with a higher price than those selling to distributor. In addition to the situation of the pandemic of COVID-19, resulting in a partial increase in demand for Talcum-coated rubber thread, which are components of medical devices, such as cloth mask straps, PPE bandage elastics, and medical headgear, etc.

## 2. Revenue from sales of rubber scraps

Revenue from rubber scraps is the sales of rubber scraps obtained from the production of rubber threads or rubber threads whose quality does not meet the specified standards. The rubber scrap will be sold to domestic customers for further usage such as shoe soles and low-quality rubber wheels etc.

For the first 9 months of 2021, the Company had revenue from the sales of rubber scraps amounted to 1.22 million Baht, or 0.05% of total income. In accounting, rubber scrap is a product obtained from a manufacturing process in which its production costs are recorded in cost of goods sold as well as rubber thread production. Therefore, revenue from rubber scrap is recorded in revenue from sales of goods in order to reflect the actual operating results of the Company.

## 3. Revenue from sales of Chemicals

Revenue from chemicals is the sales of chemicals used in the production to related companies since the Company has ordered chemicals from manufacturers and distributors in large quantities, resulting in the Company's bargaining power whereby the Company's selling price of chemicals is based on the average cost of chemicals plus an appropriate level of profit margin.

For the first 9 months of 2021, the Company had revenue from the sales of chemicals amounted to 1.18 million Baht or 0.05% of total income. In accounting, chemicals are ingredient used in the manufacture of rubber thread which are recorded in cost of goods sold. Therefore, revenue from chemicals is recorded in revenue from sales of goods in order to reflect the actual operating results of the Company.



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### **Cost of sales of goods and Gross profit**

For the first 9 months of 2021, the Company had cost of sales of 2,171.06 million Baht, increased by 601.87 million Baht or 38.36% from the same period of the previous year. This corresponds to the increase in revenue from the sales of rubber thread, which mainly was the cost of concentrated latex and chemicals amounting to 1,765.96 million Baht, accounting for 81.34 of the total cost of sales of goods. The production cost of 155.84 million Baht increased in accordance with the increase in the production of rubber thread, including the labor cost of 120.16 million Baht, increased from the same period of the previous year 26.95 million Baht due to the increasing in number of employees in rubber thread factory and maintenance department for the production capacity expansion as well as the higher volume in production. Also, the increasing in depreciation of 48.25 million Baht. As a result, the Company had gross profit of 412.46 million Baht, representing a gross margin of 15.96% which is a significant increase in gross profit margin. This was mainly due to the capacity expansion in January and August 2021 that enabling the Company to produce a wider variety of products in terms of size and quality. Therefore, the Company was able to meet the needs of more customers in more various industries with the products with higher margin. In addition, the Company had an increased proportion of revenue from selling products to end-user customers from 20.74% to 31.27% with generating a higher profit margin than the distributor customers. Combined with the situation of the pandemic of the COVID-19 that has caused some manufacturers and distributors of rubber thread in some countries to close their production factories due to the COVID-19, resulting in shortages of products in the market at certain periods still the demand presenting in the market, so the Company was able to set selling prices with higher profit margins. Furthermore, the Company produced and sold rubber thread more than 2,700 tons from the same period of the previous year. The increase in production volume has contributed to lower production costs per unit of the Company and resulting in economies of scale. As a result, gross profit and gross profit margin for the first 9 months of 2021 increased significantly.

### **Other income**

For the first 9 months of 2021, the Company had other income of 6.00 million Baht, increased by 1.46 million Baht or 32.07% from the same period of the previous year. This was mainly due to tax coupon income 3.27 million Baht, increased by 1.07 million Baht which was in line with revenue from selling products abroad.

Moreover, for the first 9 months of 2021, the Company had losses on foreign exchange of 33.41 million Baht, which was a result of entering into forward contracts and options to prevent exchange rate fluctuations whereby the Baht value on the delivery date was depreciated more than the Baht on the date of forward contract and option date.

### **Distribution costs**

For the first 9 months of 2021, the Company had distribution costs of 23.80 million Baht, increased by 4.50 million Baht or 23.32% from the same period of the previous year. This was mainly due to increasing in shipping



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expenses by 1.78 million Baht from the same period of the previous year which was in accordance with the overseas selling volume. Also, an increase in the remuneration of employees of the customs clearance department of 2.84 million Baht, which was recorded in administrative expenses for the same period of the previous year but have been reclassified to be recorded in the distribution costs to reflect the actual cost of distributing the product.

### Administrative expenses

For the first 9 months of 2021, the Company administrative expenses of 115.04 million Baht, increased by 76.83 million Baht or 201.07% from the same period of the previous year, which is a significant increase. This was mainly because of the employees' salaries amounting to 74.74 million Baht, increased by 43.61 million Baht from the same period of the previous year since the Company increased the number of employees in accounting, finance and sales departments for supporting the business growth, including an increase in the salary of employees and an increase in accrued bonuses in order to reward the morale of the Company's personnel thanks to the leaping performance of the Company and the cooperation in listing on the Stock Exchange of Thailand. However, the provision for such bonus has been approved and approved by the Nomination and Remuneration Committee Meeting No. 1/2021 and the Board of Directors Meeting No. 7/2021. Moreover, the Company had losses on disposal of discontinued assets of 20.68 million Baht because the Company has disposed of discontinued assets such as building and machine etc., in order to utilize such area for the construction of the rubber thread factory expansion whereby the Company has appraised the assets in 2020, causing a surplus from the appraisal of the assets which was recorded in the shareholders' equity. However, in the first 9 months of 2021, the Company sold some of the discontinued assets, resulting in the Company realizing losses on disposal of discontinued assets as administrative expenses. In addition, the Company had professional fees expenses of 4.45 million Baht, increased by 4.18 million Baht from the same period of the previous year, which was a professional fee in preparation for listing on the Stock Exchange of Thailand.

### Net profit

For the first 9 months of 2021, the Company had net profit of 188.24 million Baht and net profit margin of 7.27%, increased by 129.05 million Baht or 218.04% from the same period of the previous year, which is a significant increase because the Company has increased installed capacity which made the Company to be able to produce more variety of products in terms of size and quality, and able to meet the needs of customers in a various industries, which is a product that the Company could set selling prices with higher profit margins, including the Company's revenue proportion from selling products to end-user customers with a higher profit margin than distributor customers. Combined with the situation of the pandemic of COVID-19 that caused some manufacturers and distributors of rubber thread in some countries to shut down their production factories due to the COVID-19, resulting in shortage of products in the market while the demand for rubber thread continues to exist. Moreover, the Company produced and sold rubber thread in an increase of more than 2,700 tons from



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the same period of the previous year, while the utilization rate was also increasing. The increase in production volume contributes to lower production cost per unit and the larger production led to economy of scale Thus, making gross profit and profit margin increased significantly. Despite an increase in administrative expenses from the increase in personnel expenses of the Company, loss from disposal of discontinued assets and net loss on foreign exchange of 31.41 million Baht, as a result of entering into forward contracts and options to prevent exchange rate fluctuations whereby the Baht value on the delivery date was depreciated more than the Baht on the date of forward contract and option date, however the Company still had net significantly increased net profit and net profit margin compared to the same period of the previous year.

### Statement of Financial Position

Statement of Financial Position	For the 9-Month Period Ended					
	30 September 2020		30 September 2021		Change Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total Assets	1,687.93	100.00	2,071.51	100.00	383.58	22.73
Total Liabilities	860.07	50.95	1,095.68	52.89	235.62	27.40
Total Shareholders' Equity	827.86	49.05	975.83	47.11	147.97	17.87

As of September 30 2021, the Company's total assets amounted to 2,071.51 million Baht, increased from the previous year. This was mainly due to an increase in property plant and equipment because the Company purchased land and buildings from TRUBB to be used as the location of the rubber thread factory, including an increase in assets under construction.

As of September 30 2021, the Company's total liabilities amounted to 1,095.68 million Baht, increased from the previous year due to an increase in other payables. Most of which are payables arising from the purchase of materials, equipment and tools for the construction of the rubber thread factory expansion, including advance receipts for products which correspond to the increased sales volume. Along with the increase in long-term borrowing from a financial institution, which the first instalment of the loan was drawn up in September 2021.

As of September 30 2021, the Company's shareholders' equity amounted to 975.83 million Baht, increased from the previous year. This was due to an increase in retained earnings, including the increase of the registered and paid-up capital from the offering of shares to directors, executives and employees of the Company and private placement in 2020.



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Please be informed accordingly.

Yours Sincerely,

(Mr. Chawalit Tiyadechachai)

Chief Executive Director

World Flex Public Company Limited



บริษัท เวิลด์เฟล็กซ์ จำกัด (มหาชน)

WORLD FLEX PUBLIC COMPANY LIMITED

Yours Sincerely,

(Mr. Nat Vongsasuttikul)

Managing Director

World Flex Public Company Limited