



Management Discussion and Analysis For the Operating Results of Q2/2022

SRITHAI SUPERWARE PUBLIC COMPANY LIMITED

SITHAI-0801/65

9 August 2022

Subject Management Discussion and Analysis for Q2/2022

Dear President
The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) wishes to report the operating results of Q2/2022 as follows:

1. Summary of Operating Results of the Group

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Q2/2021	Q1/2022	Q2/2022	YoY		QoQ		6 months		YoY	
				+/(-)	%	+/(-)	%	2021	2022	+/(-)	%
Sales	1,840	2,134	2,438	598	32.5%	304	14.2%	3,695	4,572	877	23.7%
Gross Profit	203	279	313	110	54.2%	34	12.2%	448	592	144	32.1%
Gross Profit (%)	11.0%	13.1%	12.8%	1.8%	-	(0.2%)	-	12.1%	12.9%	0.8%	-
Operating profit (loss)	19	82	103	84	442.1%	21	25.6%	78	185	107	137.2%
Operating profit (loss) margin (%)	1.0%	3.8%	4.2%	3.2%	-	0.4%	-	2.1%	4.0%	1.9%	-
EBITDA*	216	263	289	73	33.8%	26	9.9%	466	552	86	18.5%
EBITDA Margin (%)	11.7%	12.3%	11.9%	0.1%	-	(0.5%)	-	12.6%	12.1%	(0.5%)	-
Net profit (loss) for the period	31	73	99	68	219.4%	26	35.6%	99	172	73	73.7%
Net profit (loss) on sales (%)	1.7%	3.4%	4.1%	2.4%	-	0.6%	-	2.7%	3.8%	1.1%	-
Profit (loss) attributable to equity holders of the Company	32	70	103	71	221.9%	33	47.1%	95	173	78	82.1%
Earning (loss) per share (Baht)	0.012	0.026	0.038	0.026	-	0.012	-	0.035	0.064	0.029	-

Note:

*EBITDA excluding share of profit from investments in associates

In Q2/2022, the Group’s total operating result improved significantly compared with the same period of last year and Q1/2022. Sales increased by Baht 598 million (+32.5%) YoY and increased by Baht 304 million (+14.2%) QoQ to Baht 2,438 million. This was primarily attributable to the sales growth of industrial products especially from beverage packaging products as well as the rise in sales of household products in Vietnam, as Vietnam’s economy has recovered strongly from COVID-19 pandemic, supported by the 31st SEA Games held in May, which resulted in substantial increase in consumption.

Gross profit in Q2/2022 amounted to Baht 313 million, increased by Baht 110 million (+54.2%) YoY and Baht 34 million (+12.2%) QoQ. Gross profit margin of 12.8% increased from 11.0% in Q2/2021 and slightly decreased from 13.1% in Q1/2022 due to higher utilization and further production process improvement.

Operating profit in Q2/2022 amounted to Baht 103 million, representing 4.2% of sales, compared with Baht 19

million or 1.0% of sales in Q2/2021 and Baht 82 million or 3.8% of sales in Q1/2022. Management and control of costs and expenses led to improved operating profit.

Earnings before interest, tax, depreciation and amortization (“EBITDA”) in Q2/2022 amounted to Baht 289 million, increased from Baht 216 million in Q2/2021 and Baht 263 million in Q1/2022. EBITDA margin of 11.9% increased from 11.7% in Q2/2021, but decreased from 12.3% in Q1/2022. Profit attributable to the equity holders of the Company increased to Baht 103 million from Baht 32 million in Q2/2021 (+221.9% YoY), and from Baht 70 million in Q1/2022 (+47.1% QoQ). Profit Per Share was Baht 0.038 in Q2/2022, an increase from a Profit Per Share of Baht 0.012 in Q2/2021 and an increase from a Profit Per Share of Baht 0.026 in Q1/2022, respectively.

2. Operating Results by Segment

Figure 1: Proportion of sales by segment in Q2/2022

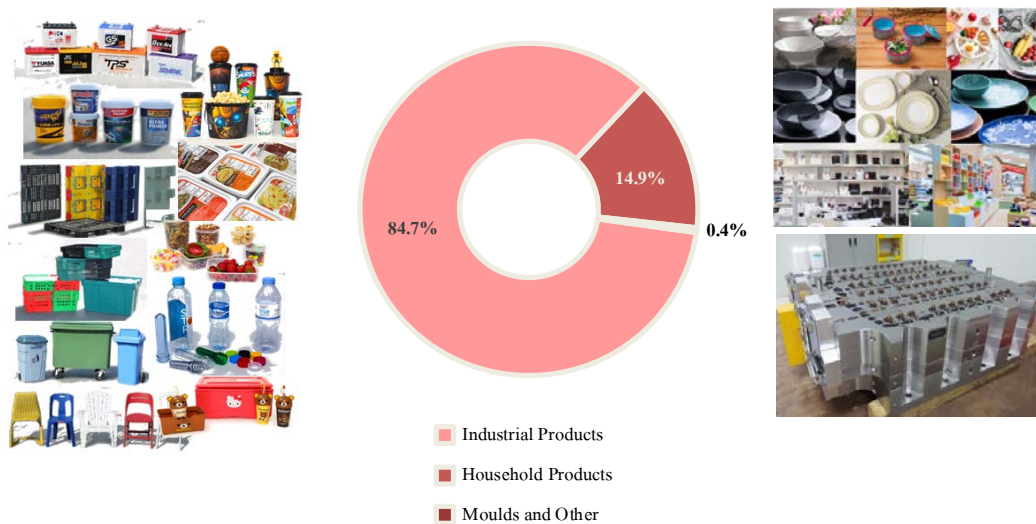
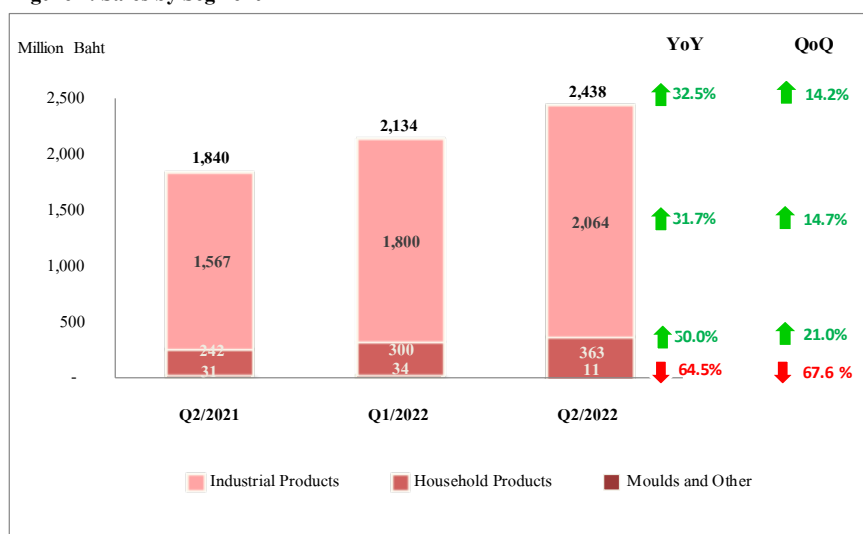


Figure 2: Sales by Segment



2.1 Plastic Business Line

2.1.1 Household Products

Table 2: Summary of Operating Results of Household Products

(Unit: Million Baht)	Q2/2021	Q1/2022	Q2/2022	YoY		QoQ		6 months	6 months	YoY	
				+ / (-)	%	+ / (-)	%	2021	2022	+ / (-)	%
Sales	242	300	363	121	50.0%	63	21.0%	555	663	108	19.5%
Domestic operations	199	215	243	44	22.1%	28	13.0%	439	458	19	4.3%
Overseas operations	43	85	120	77	179.1%	35	41.2%	116	205	89	76.7%
Operating profit (loss)	(5)	24	41	46	920.0%	17	70.8%	1	65	64	6,400.0%
Operating profit (loss) margin (%)	(2.1%)	8.0%	11.3%	13.4%	-	3.3%	-	0.2%	9.8%	9.6%	-
EBITDA*	11	40	57	46	418.2%	17	42.5%	35	97	62	177.1%
EBITDA Margin (%)	4.5%	13.3%	15.7%	11.2%	-	2.4%	-	6.3%	14.6%	8.3%	-

Note:

*EBITDA excluding other income and share of profit from investments in associates

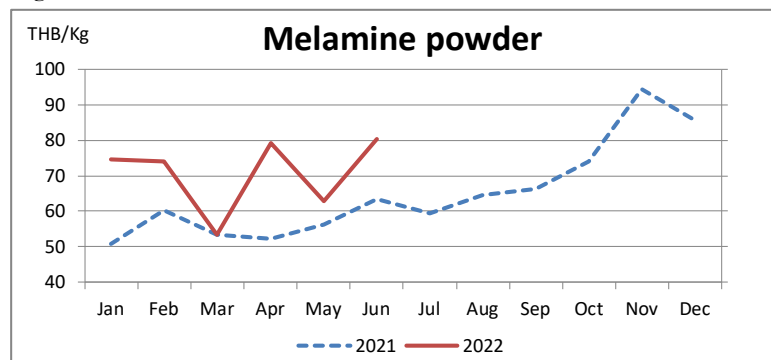
Operating results Q2/2022 vs. Q2/2021

- Overall, sales increased by Baht 121 million (+50.0%) mainly from overseas operations both subsidiaries in Vietnam and India. Vietnam's economic recovery and hosting the 31st SEA Games in Hanoi during May contributed to the stimulation of economic activities both trade and tourism. Traditional trade via wholesale and retail channels increased in line with the market demand during the long summer holidays and the SEA Games. Meanwhile, sales from HORECA channel increased after Covid-19 situation was manageably controlled, resulting from more new restaurant openings, more popularity of eating out, and a return to normal. Sales of Indian operation also increased due to improved Covid-19 situation, new products launched and product price adjustment. Simultaneously, sales from domestic operations increased especially export sales due to consistent orders from European and American customers, and rebound orders from major customers in the AEC market. In addition, the Thai Baht significantly depreciated against the US dollar since the end of last year (as shown in Figure 3), contributing to the surge in export sales.

Figure 3: Exchange rate trend (Baht per US Dollar)


Source: REUTERS

- EBITDA increased by Baht 46 million (+418.2%) from improved operating results, despite volatile and higher raw material prices compared with last year as shown in Figure 4, as the Group had adjusted selling prices to be in line with raw material price increase since the previous year, along with further sourcing of raw materials from domestic producers, and managing raw materials sufficiently for future orders, in addition to improved production process to reduce waste and better control over the operating expenses. All of these resulted in improved operating profit and higher EBITDA compared with the previous year.

Figure 4: Price trend of main raw material since 2021


Source: The Company's research

Operating results Q2/2022 vs. Q1/2022

- Sales increased by Baht 63 million (+21.0%) mainly from overseas operations particularly from the subsidiary in Vietnam with its economic recovery and hosting of 31st SEA Games.
- EBITDA increased by Baht 17 million (+42.5%) from improved operating results. The management of raw material procurement during the price volatility, coupled with tighter control of operating expenses and sharp Thai Baht depreciation, resulted in higher operating profit and EBITDA compared with Q1/2022.

2.1.2 Industrial Products

Table 3: Summary of Operating Results of Industrial Products

(Unit: Million Baht)	Q2/2021	Q1/2022	Q2/2022	YoY		QoQ		6 months	6 months	YoY	
				+ / (-)	%	+ / (-)	%	2021	2022	+ / (-)	%
Sales	1,567	1,800	2,064	497	31.7%	264	14.7%	3,067	3,864	797	26.0%
Domestic operations	945	1,121	1,122	177	18.7%	1	0.1%	1,985	2,243	258	13.0%
Overseas operations	622	679	942	320	51.4%	263	38.7%	1,082	1,621	539	49.8%
Operating profit (loss)	31	64	69	38	122.6%	5	7.8%	88	133	45	51.1%
Operating profit (loss) margin (%)	2.0%	3.6%	3.3%	1.4%	-	(0.2%)	-	2.9%	3.4%	0.6%	-
EBITDA*	175	204	205	30	17.1%	1	0.5%	376	409	33	8.8%
EBITDA Margin (%)	11.2%	11.3%	9.9%	(1.2%)	-	(1.4%)	-	12.3%	10.6%	(1.7%)	-

Note:

*EBITDA excluding other income and share of profit from investments in associates

Operating results Q2/2022 vs. Q2/2021

- Sales increased by Baht 497 million (+31.7%) from

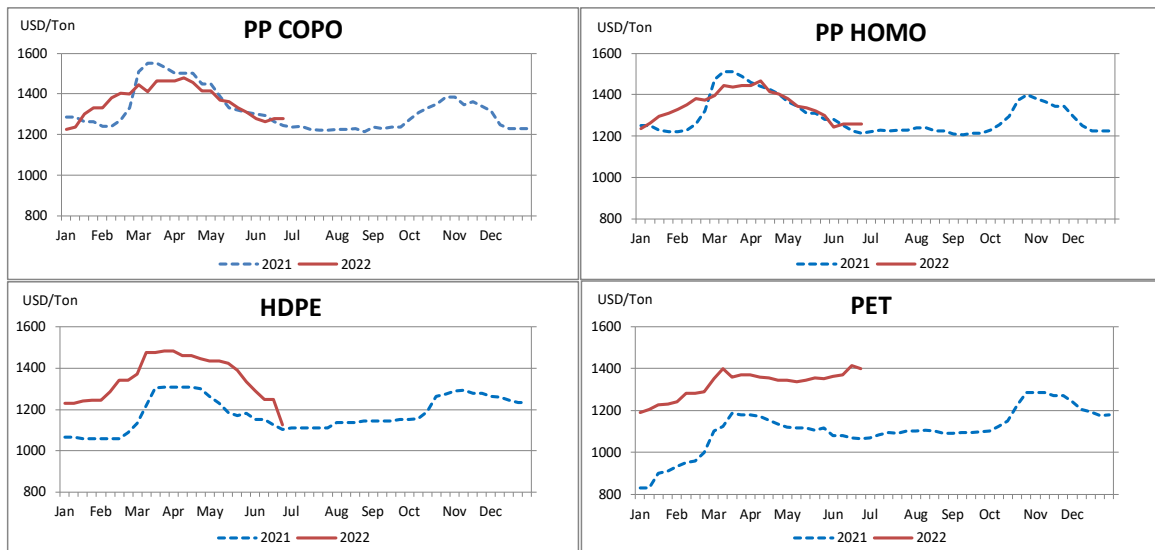
Beverage Packaging Products:

- Domestic operation: sales increased from the relaxation of outbreak control measures, the measures to reopen the country for international tourism, and the recovery of restaurants, shops and service businesses. Beverage customers also organized marketing campaigns to boost sales, resulted in the increase in sales.
- Overseas operation: sales increased from the economic recovery of Vietnam and relaxed COVID-19 situation, which helped Vietnamese people return to normal. The hosting of 31st SEA Games by Vietnam and the introduction of new products also contributed to higher consumption.

Industrial Plastic Products:

- Domestic operation:
 - Material handling equipment such as pallets and containers: orders from customers increased due to the expansion of new customer bases and the recovery of exports.
 - Food packaging: sales increased from expanding the domestic market and movie theater business has reopened as usual with more new movies released.
 - Pails increased from new customers for new products.
 - Automotive parts of subsidiaries: orders from customers increased due to the recovery of the automotive industry.
- Overseas operation: sales increased from paint pails, battery cases, and containers products in response to the growth of Vietnam's economy in the real estates, automotive, and retail sectors. Continued development and the launch of new products also played a significant role in an increase of revenue.

In Q2/2022, raw material prices have continued to rise since last year, particularly HDPE and PET, while PP COPO and PP HOMO prices were relatively comparable to last year and have tended to decline in Q2/2022 (shown in Figure 5).

Figure 5: Price trend of main raw materials since 2021


Source: ICIS

Each type of raw materials is used to produce the following products.

- PP COPO for paint pails, containers, and battery cases
- PP HOMO for furniture
- HDPE for pallets, garbage bins, crates, and closures
- PET for preform

- EBITDA increased by Baht 30 million (+17.1%) mainly from the operating result of subsidiaries in Vietnam. The operating profit margin increased due to the efficient capacity utilization and better cost control.

Operating results Q2/2022 vs. Q1/2022

- Sales increased by Baht 264 million (+14.7%) mainly from overseas operations especially the beverage packaging products of subsidiaries in Vietnam. The economic recovery in Vietnam and the hosting of the 31st SEA Games resulted in more spending and higher consumption.

- EBITDA increased by Baht 1 million (+0.5%) mainly from the improvement in operating result of subsidiaries in Vietnam, whereas the domestic business was still affected by the rising raw material prices.

2.2 Moulds and Others Business Line

Table 4: Summary of Operating Results of Moulds and Others Business Line

(Unit: Million Baht)	Q2/2021	Q1/2022	Q2/2022	YoY		QoQ		6 months	6 months	YoY	
				+ / (-)	%	+ / (-)	%	2021	2022	+ / (-)	%
Sales	31	34	11	(20)	(64.5%)	(23)	(67.6%)	73	45	(28)	(38.4%)
Moulds	31	34	11	(20)	(64.5%)	(23)	(67.6%)	73	45	(28)	(38.4%)
Operating profit (loss)	(7)	(6)	(7)	0	0.0%	(1)	(16.7%)	(11)	(13)	(2)	(18.2%)
Operating profit (loss) margin (%)	(22.6%)	(17.6%)	(63.6%)	(41.1%)	-	(46.0%)	-	(15.1%)	(28.9%)	(13.8%)	-
EBITDA*	(3)	(4)	(4)	(1)	(33.3%)	0	0.0%	(5)	(7)	(2)	(40.0%)
EBITDA Margin (%)	(9.7%)	(11.8%)	(36.4%)	(26.7%)	-	(24.6%)	-	(6.8%)	(15.6%)	(8.7%)	-

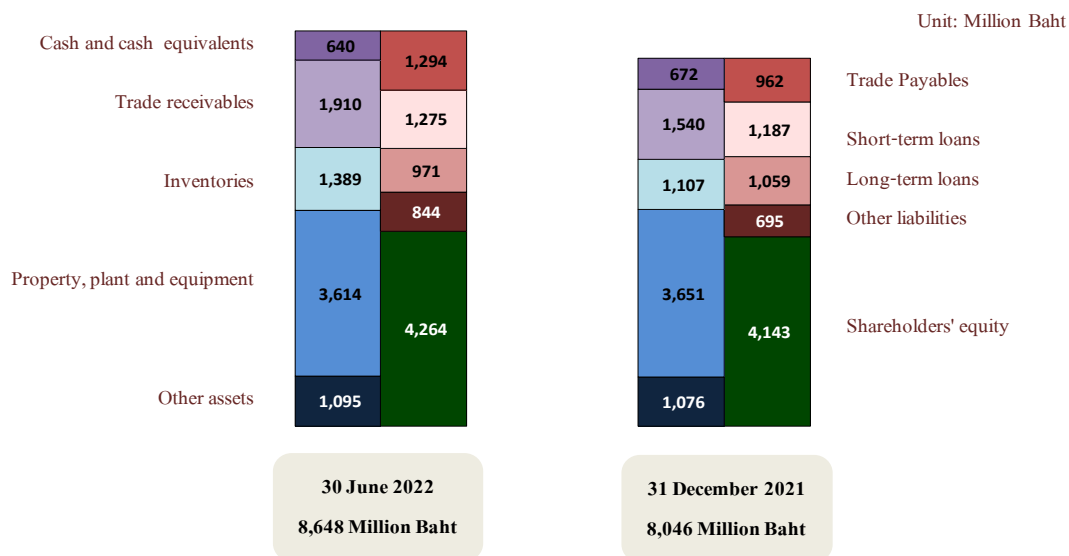
Note:

*EBITDA excluding other income and share of profit from investments in associates

Operating results Q2/2022 vs. Q2/2021 and Q1/2022

- Sales decreased by Baht 20 million (-64.5%) YoY and decreased by Baht 23 million (-67.6%) QoQ due mainly to the downsizing of moulds business by a domestic subsidiary which was affected by market price competition.
- EBITDA decreased by Baht 1 million (-33.3%) YoY and was close to Q1/2022 from lower gross margin due to the decrease in sales, intense competition, and incurred fixed operating expenses. All of which resulted in operating losses.

3. Financial Position



As at 30 June 2022, compared with the end of 2021, the Group had total assets of Baht 8,648 million, an increase by Baht 602 million, which comprised the following key items:

- Cash and cash equivalents amounted to Baht 640 million, decreased by Baht 32 million.
- Trade receivables amounted to Baht 1,910 million, increased by Baht 370 million, especially from receivables of beverage packaging products in line with an increase in sales of subsidiaries in Vietnam.

➤ Inventories amounted to Baht 1,389 million, increased by Baht 282 million, from stocking raw materials of operations in Vietnam in order to mitigate the impact of elevated raw material prices, and support orders received from customers.

➤ Property, Plant and Equipment amounted to Baht 3,614 million, decreased by Baht 37 million due mainly to depreciation netted with the fixed assets acquisition.

Total liabilities amounted to Baht 4,384 million, increased by Baht 481 million which comprised the key items as follows:

➤ Trade payables amounted to Baht 1,294 million, increased by Baht 332 million from the increase in purchase orders of raw materials of operations in Vietnam in order to support the production volumes and sales orders for the next quarter.

➤ Total loans amounted to Baht 2,246 million, unchanged from the end of 2021, consisted of the increase in short-term loans by Baht 88 million and the decrease in long-term loans by Baht 88 million. This was due principally to scheduled repayment of loans by domestic operations, offset by some additional borrowings of overseas subsidiaries.

Total shareholders' equity showed Baht 4,264 million, increased by Baht 121 million, deriving from the improvement in operating profit of the Group, netting the dividend payment in May of Baht 81 million.

4. Cash flow

For the six month period of year 2022 compared with the same period of year 2021, the Group had a decrease in cash and cash equivalents by Baht 4 million, consisting of:

➤ Cash flow from operating activities

amounted to Baht 308 million, decreased from prior year due mainly to the increase in operating assets especially from trade receivables in line with the increase in sales and inventories as a result of raw materials stocking.

➤ Cash flow used in investment activities amounted to Baht 206 million, increased from prior year due to the investment in fixed assets, especially machines and the construction of a new melamine factory in Vietnam.

➤ Cash flow used in financing activities amounted to Baht 106 million, higher than the prior year due to the increase in scheduled repayment of long-term loans with small increase in long term loan drawdowns and dividend payment.

As at 30 June 2022, the Group had available unused credit facilities totaling more than Baht 3 billion comprising overdraft facilities, working capital and long term loan credit lines.

Table 6: Cash flow statement

(Unit: Million Baht)	6 months		Change
	2021	2022	
Net cash flows from operating activities	436	308	(128)
Net cash flows used in investing activities	(96)	(206)	(110)
Net cash flows used in financing activities	(70)	(106)	(36)
Net increase (decrease) in cash and cash equivalents	270	(4)	(274)

5. Key Financial Ratios

Table 7: Key Financial Ratios

Description	Unit	Q2/2021	Q1/2022	Q2/2022
Liquidity Ratio				
Current Ratio	Times	1.1	1.2	1.2
Working Capital Ratios				
Collection Period	Days	72.6	73.5	70.5
Inventory Turnover Period	Days	58.4	60.5	58.8
Payment Period	Days	57.9	56.9	54.8
Cash Cycle	Days	73.1	77.1	74.5
Profitability Ratios				
Return on Equity	%	0.8	1.7	2.3
Return on Operating Assets	%	0.8	1.9	2.6
Financial Structure Ratios				
Debt to Equity	Times	1.0	1.0	1.0
Net Interest Bearing Debt to Equity	Times	0.4	0.4	0.4

Note:

Current Ratio	=	Total current assets / Total current liabilities
Collection Period	=	Trade receivables / Sales x average period days
Inventory Turnover Period	=	Inventories / Cost of sales x average period days
Payment Period	=	Trade payables / Cost of sales x average period days
Cash Cycle	=	Collection Period + Inventory Turnover Period - Payment Period
Return on Equity	=	Net profit for the period / Total shareholders' equity x 100
Return on Operating Assets	=	Net profit for the period / Property, plant and equipment, Intangible assets and Right-of-use assets x 100
Debt to Equity	=	Total debt / Total shareholders' equity
Net Interest Bearing Debt to Equity	=	Interest Bearing Debt net - (cash and cash equivalents + short-term investments) / Total shareholders' equity

Please be informed accordingly.


Yours faithfully,


Srithai Superware Public Company Limited


Chaiwat Kulphattaravanich

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