

CHEMEMAN PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For three-month period ended 30 September 2022

Third Quarter 2022 Highlights

- Our international revenues out of Thailand in the third quarter of 2022 equaled THB 581 million, up 13.9% and 21.8% compared to the third quarter of last year and the previous quarter, respectively, due mainly to strong demand from the mining industry, especially aluminum and nickel.
- Overall Thailand performance was stable from the previous quarter. Our domestic revenues were THB 299 million compared to THB 300 million in the second quarter. On the other hand, domestic revenues rose 35.4% compared to the third quarter of last year. This was driven by higher lime selling prices and sales of pulverized coal, which is a by-product from our production process.
- Gross margins on overall product sales improved to 37.9% in the third quarter of 2022, compared to 30.3% and 30.1% in the previous quarter and the same quarter of last year, respectively.
- Lime operations were affected by higher coal and energy costs; cost of coal for our Thailand and Vietnam production facilities rose 2.4% and 19.7%, respectively over the previous quarter, and rose 2.4% and -3.0%, respectively over the third quarter of last year, while cost of natural gas for our Prabuddhabaht production facility rose 46.9% over the previous quarter and 8.8% over the third quarter of last year.
- Consolidated revenues equaled THB 960 million, up 12.8% and 22.8% compared to the previous quarter and the third quarter of last year, respectively; sales revenues rose 13.2% and 20.4% over the previous quarter and the same quarter of last year, respectively and service revenues rose 8.9% and 56.3% over the previous quarter and the same quarter of last year, respectively.
- Adjusted EBITDA equaled THB 311 million, up 64.1% and 93.8% over the previous quarter and the same quarter of last year, respectively. The adjusted EBITDA increase was due to higher sales and service revenues and the stronger US Dollar exchange rate.
- Capacity utilization of quicklime at our main Kangkoi production facility was 87% in this quarter, up 6% over the second quarter to support demand from mining, building and construction, and pulp and paper sectors.
- Capacity utilization of our Rayong hydrated lime production facility dropped to 69%, compared to 88% in the previous quarter, as demand from bioplastics and chemicals decreased. However, sales volumes of hydrated lime were partially offset by demand from a few mining industries thanks to customer shipments of our subsidiary in Vietnam.



- Operations of our Hope Valley Distribution Center (“Hope Valley”) in Western Australia continued its cost efficiency improvements while maintaining a 78% capacity utilization in September 2022, which was at the same rate as the previous quarter.
- While net profit of our overall Thailand business unit equaled THB 107 million in the third quarter, Chememan Australia generated net losses of THB 3 million, in which unrealized losses from exchange rates were THB 4 million. Without such losses, the business had a net profit of THB 1 million, continuing the trend of performance improvements.
- Ha Long QN Lime reported THB 46 million of net losses, even though gross margins improved 17.1% from the previous quarter to THB 80 million due to Vietnamese Dong depreciation and lower maintenance costs. Unrealized losses on exchange rates for the third quarter were THB 28 million.
- Consolidated net profit for the quarter was THB 72 million, in which unrealized foreign exchange losses amounted to THB 105 million as a result of the US Dollar strengthening against the Australian Dollar and Vietnamese Dong.
- Without the unrealized foreign exchange losses, adjusted net income attributable to CMAN would have been THB 177 million, up 209.5% from the previous quarter.

Financial Results

<i>Unit: Million Baht, Except per share amounts</i>	3Q22	2Q22	3Q21	%QoQ	%YoY
Revenues	960	851	782	+12.8%	+22.8%
Net income (loss) attributable to CMAN	72	(4)	5	+2,086.2%	+1,235.1%
Earnings (loss) per share attributable to CMAN	0.07	(0.00)	0.01	+2,086.2%	+1,235.1%
Adjusted net income (loss) attributable to CMAN (*)	177	57	57	+209.5%	+207.4%
Adjusted earnings (loss) per share (*)	0.18	0.06	0.06	+209.5%	+207.4%
Adjusted EBITDA excluding special items (*)	311	190	161	+64.1%	+93.8%

(*) Excludes all significant non-cash items, such as unrealized foreign exchange gains/losses from translation adjustments and mark-to-market gains/losses from forward contracts



“Chememan’s results improved, as we managed to increase prices across the portfolio of lime sales and distribution center services to cover the higher cost of goods sold and operating expenses. The depreciation of both Thai Baht and Vietnamese Dong against the US Dollar further supported our performance improvement, as most of the production out of our Thailand and Vietnam businesses is exported in US Dollars. At the same time, we continue to optimize our production costs by upgrading our coal grinding machine to use less energy and sell excess pulverized coal to customers. Although developed countries have increased interest rates and reduced money supply to combat hyperinflation and slow down economic growth, we still are confident that Chememan can successfully navigate this slower business environment to achieve our business goals”, said Chememan CEO Adisak Lowjun.

Third Quarter 2022 Results

- **Revenues:** sales revenues rose 13.2% quarter-on-quarter primarily due to strong demand from building and construction and a few mining industries including aluminum and nickel, and higher selling prices. Similarly, the company had a 20.4% increase over the same quarter of last year to THB 880 million. Revenues from sales of excess pulverized coal were also recognized in this quarter. As 41% of our Thai production was exported, the Thai Baht depreciation also had a significant positive impact on our sales revenue.
- **Service Revenues:** Service revenues equaled THB 80 million, a 8.9% and 56.3% increase from the previous quarter and the same quarter last year, respectively. This was supported by a 2% increase in the service fees for the customer.
- **Shipments (domestic and exports):** For quicklime, customer shipment volumes decreased 9.3% from the previous quarter, driven by lower demand from some industries due to price increases upon contract renewal. However, the drop was partially offset by strong demand from nickel, building and construction customers. As for hydrated lime, customer shipment volumes increased 6.5% from the previous quarter, mainly driven by higher export shipments of Ha Long QN Lime.
- **Cost of Goods Sold and Service:** Per-unit cost of goods sold decreased 6.7% from the previous quarter due to a higher proportion of limestone sales. Similarly, per-unit cost of service significantly decreased due to effective cost optimization management at Hope Valley.
- **Production:** Capacity utilization at our main Kangkoi production facility and the production facility in Vietnam rose to 87% and 71%, respectively, as 2 kilns from Thailand and Vietnam have been resumed normal operation after their planned maintenance shutdowns.



- **Selling & Administrative Expenses:** These expenses increased mainly due to higher transportation and logistics costs, as well as export tax of the subsidiary in Vietnam as sales volume increased. In overall, these expenses in proportion to sales and service revenues improved from 30.1% in the previous quarter to 28.7% in this quarter due to better cost optimization across all business units.
- **Finance Costs:** The company reported THB 42 million of finance costs, slightly higher than the previous quarter, due to higher loan interest rates.
- **Net Profits (Losses) attributable to CMAN** of THB 72 million, or THB 0.07 per share, up 2,086.2% from the previous quarter's net loss of THB 4 million, or THB 0.00 per share.
- **Cash:** The company ended the quarter with cash in hand of THB 250 million. Year-to date, cash flow from operations was THB 708 million. Cash flow from investing activities was THB (167) million, primarily to improve the capacity and efficiency of machinery and equipment. Cash flow from financing activities was THB (371) million, as we repaid both short-term and long-term loans.
- **Debt:** Total interest-bearing debt as of 30 September 2022 was THB 3,936 million, a 3.2% increase from the previous quarter from new project financing. We repaid THB 816 million of bank debt and drew down THB 588 million of new bank debt year-to date.
- **Working Capital:** The company reported 49 days of working capital, higher from the previous quarter by 5 days, but lower from the same quarter of last year by 22 days. The decrease in working capital is due primarily to shorter collection periods and inventory days.

2022 Outlook

The global economy has entered a recessionary environment, with many countries reporting negative economic growth. Due to high prices of many basic commodities (particularly energy), supply chain constraints, and knock-on effects from the Russia-Ukraine war, the global economy is now experiencing its highest inflation in 30-40 years. This hyperinflation situation and multiple shocks have forced major developed countries, including the United States of America, the United Kingdom, and Australia, to raise interest rates quickly to achieve a more balanced supply-demand situation. While interest rates are expected to peak in 2023, they will remain at elevated levels until inflation decreases to acceptable levels. We expect the recessionary environment and heightened uncertainties to continue over the next 12 months.

As a result of the economic recession, we have been experiencing lower prices in many other commodities, such as steel, aluminum, and gold, which could adversely impact our customer orderbook in 2023.

Ocean freight rates continue to decrease, as demand for shipping weakens.



In this highly volatile environment, Chememan anticipates that lime demand will remain high for certain sectors, especially “green” industries, as more pressure is exerted on environmental care and sustainability.

In the fourth quarter of 2022, Chememan projects that both quicklime and hydrated lime capacity utilization at our Thai production facilities will increase, as our peak season is approaching. For Vietnam, quicklime capacity utilization as compared to the third quarter is expected to decrease primarily due to kiln maintenance.

For the next 12 months, Chememan has scheduled long-term loan repayments of THB 540 million, but higher interest rates will lead to higher finance costs.

For long-term growth prospects, Chememan continues to focus on a series of strategic initiatives to drive cost optimization in many areas, adopt modern technology and innovation to enhance production efficiency and enable the company to provide the best product solutions and retain our leading position in this volatile market.

Uncertainty around the global business environment and the COVID-19 pandemic’s continuing impact on the company’s business, financial condition, operating results, and cash flows could cause actual results to differ from this outlook.

About Chememan Public Company Limited

Chememan Public Company Limited (SET: CMAN) is one of the world’s ten largest lime companies with more than 1 million tons of annual production capacity. With high chemical-grade limestone quarries in Thailand and Vietnam and modern production facilities in Thailand, Vietnam, and India, Chememan can focus on high value-added end users, particularly in the mining sector (aluminum, gold, copper, nickel, lithium), pulp and paper, sugar, and bioplastics. Chememan exports around 55% of its capacity across 30 countries in Asia, Australia, and Africa. With over 500 experienced and dedicated professionals, Chememan plans to expand further in the coming years with a goal to become the leading lime company in the Asia-Pacific region.