



CHEMEMAN PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For Fourth Quarter and Full Year 2022

Fourth Quarter 2022 Highlights

- Thailand business unit performance improved in the fourth quarter of 2022. Our domestic revenues equaled THB 317 million, up 8.1% and 29.2% compared to the previous quarter and the fourth quarter of last year, respectively. This was driven by strong demand in several industries, including building and construction, pulp and paper, feed mills, and iron and steel, and the start of the annual sugar harvesting season that will continue through March 2023.
- Our international revenues for the fourth quarter of 2022 dropped 19.9% and 19.2% from the previous quarter and the fourth quarter of last year, respectively. International revenues were THB 465 million.
- Consolidated revenues equaled THB 866 million, a 9.7% and 2.5% decrease compared to the previous quarter and the fourth quarter of last year, respectively. This was primarily due to softer demand from some but not all mining industries in international markets and weaker USD/THB exchange rates in the second half of 2022.
- We continued to face high energy costs, especially for coal in this quarter. Costs of coal for our Thailand and Vietnam production facilities rose 1% and 25%, respectively over the previous quarter, and rose 120% and 25%, respectively over the fourth quarter of last year.
- EBITDA equaled THB 157 million, down 23.0% but up 24.2% over the previous quarter and the same quarter of last year, respectively. The EBITDA decrease was due primarily to lower gross margins, which were adversely affected by high inflation and energy costs.
- Operations of our Hope Valley Distribution Center (“Hope Valley”) in Western Australia continued its cost efficiency improvements while maintaining high capacity utilization.
- While net profit of our Thailand business unit equaled THB 27 million in the fourth quarter, our Australia business unit generated net losses of THB 13 million, in which the write-off of deferred tax assets accounted for THB 12.5 million. Without such non-cash item, the Australia business unit had a net loss of THB 0.5 million, continuing the trend of gradual performance improvements.



- Ha Long QN Lime, our Vietnam business unit, reported THB 14 million of net losses due to lower production following a planned kiln shut down for maintenance, softer international demand, the Vietnamese Dong appreciation, and higher maintenance costs.
- As a result of our three main business units, consolidated net profits attributable to shareholders of CMAN were THB 0.2 million.
- Chememan Lao Company Limited, a non-active subsidiary of the Company, was dissolved. However, the dissolution of the aforesaid subsidiary does not affect the operations of the Company.

Full Year 2022 Highlights

- Consolidated revenues equaled THB 3,660 million, a 21.9% increase from 2021 and also the highest ever recorded by the company. As a group, we sold over 800,000 tons of lime products to more than 300 customers in various industries across the Asia-Pacific region. This is unmistakable evidence that our customer portfolio development strategies have limited the downside effects of the global economic slowdown.
- As global energy market conditions remained high and volatile, total energy costs at our Thailand and Vietnam production facilities remained high. Total energy costs, which includes coal and natural gas, rose 65% compared to 2021. Even though average selling prices increased 49.3%, higher energy costs reduced our gross margins of lime product sales to 32.1% in 2022 compared to 36.5% in 2021.
- With lower freight rates and well-controlled administrative expenses, adjusted EBITDA equaled THB 745 million, a 28.1% increase from 2021.
- Annual net income attributable to CMAN's shareholders equaled THB 152 million, a 54.4% increase from 2021. Earnings per share rose to Baht 0.16 per share compared to THB 0.10 per share in 2021.
- In 2022, net debt decreased to THB 3,647 million, a 3.9% decrease from 2021. We repaid short-term debt by Baht 95 million and long-term debt by Baht 462 million, while borrowing Baht 120 million to finance the solar farm project. Our Vietnam business unit also borrowed Baht 75 million of short-term debt to finance its working capital. As a result, our balance sheet was substantially deleveraged and our debt to equity and long-term debt to EBITDA ratios were 1.88x and 4.02x at the end of 2022.



Financial Results

| <i>Unit: Million Baht, Except per share amounts</i> | 4Q22 | 3Q22 | 4Q21 | %QoQ | %YoY | 2022 | 2021 | %YoY |
|---|---------------|------|--------|---------|---------|-------|-------|--------|
| Revenues | 866 | 960 | 888 | -9.7% | -2.5% | 3,660 | 3,002 | +21.9% |
| Net income (loss) attributable to CMAN | 0.2 | 72 | (13) | -99.7% | +101.4% | 152 | 98 | +54.4% |
| Earnings (loss) per share attributable to CMAN | 0.00 | 0.07 | (0.01) | -99.7% | +101.4% | 0.16 | 0.10 | +54.4% |
| Adjusted net income (loss) attributable to CMAN (*) | (128) | 177 | (36) | -172.5% | -260.5% | 172 | 204 | -15.7% |
| Adjusted earnings (loss) per share (*) | (0.13) | 0.18 | (0.04) | -172.5% | -260.5% | 0.18 | 0.21 | -15.7% |
| Adjusted EBITDA excluding special items (*) | 34 | 311 | 95 | -89.1% | -64.4% | 745 | 582 | +28.1% |

(*) 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

“As Chememan celebrates 20 years of existence in 2023, our journey to become one of Asia’s leading lime companies has come true. We enter this year with well-defined strategic priorities to propel Chememan into one of the world’s leading lime companies in the coming years.

Our 2022 results were achieved as a result of our business and risk management strategies. We have developed strong customer relationships across the Asia-Pacific region and managed to increase prices across the portfolio of lime sales and distribution center services to partially cover higher cost of goods sold and operating expenses. The depreciation of both Thai Baht and Vietnamese Dong against the US Dollar for the first three quarters of 2022 further supported our performance improvement, as most of the sales out of our Thailand and Vietnam businesses are denominated in US Dollars.

We did not make any significant capital investments in 2022, other than a 5 MW solar farm project in Kangkoi, and purposely chose to reduce our balance sheet leverage in the face of a global economic slowdown. We continue to optimize our production costs at all locations. Although we continue to experience high energy prices and volatile exchange rates, the outlook for the lime business remains strong. Newly announced projects in various industries, including bioplastics, nickel, and lithium, are creating higher lime demand over the next few years. With our high-quality limestone quarries and production technologies, we are confident that Chememan can successfully deliver better performance and sustainability in this challenging environment”, said Chememan CEO Adisak Lowjun.



Fourth Quarter 2022 Results

- **Revenues:** Sales revenues dropped 9.8% quarter-on-quarter primarily due to lower demand from certain mining industries and lower USD/THB exchange rates. Similarly, the company had a 3.4% sales revenue decrease over the same quarter of last year to THB 794 million. As 48% of our Thai production was exported, the Thai Baht appreciation also had a negative impact on our sales revenues.
- **Product Pricing:** Per unit prices for domestic sales of both quicklime and hydrated lime increased by 2%-4% over the previous quarter. Per unit prices for international sales of quicklime decreased by 6%, while per unit prices for international sales of hydrated lime increased by 4%, including foreign exchange impacts.
- **Service Revenues:** Service revenues equaled THB 73 million, a 9.3% decrease from the previous quarter, but a 9.5% increase from the same quarter of last year. This increase was supported by higher service volumes and a 2% increase in service fees from our key customer.
- **Shipments (domestic and exports):** For quicklime, customer shipment volumes increased 1.5% from the previous quarter, driven by strong demand across our entire portfolio of customers. However, customer shipment volumes for hydrated lime decreased 35.3% from the previous quarter, due to softer demand from certain mining industries.
- **Cost of Goods Sold and Service:** Per-unit cost of goods sold increased by 20.2% from the previous quarter due to lower production volumes following planned maintenance shutdowns at Ha Long QN Lime plant as well as the increasing cost of coal. In addition, in the fourth quarter, shipping costs of our Vietnam Business Unit were reclassified from selling expenses to cost of goods sold due to its prevailing commercial terms that include shipping costs in the sales price.
- **Selling & Administrative Expenses:** Selling expenses decreased because of the reclassification of shipping costs to cost of goods sold, while administrative expenses remained stable. Selling and administrative expenses in proportion to sales and service revenues improved from 28.7% in the previous quarter to 12.5% in this quarter.
- **Tax Expenses:** Tax benefits from our solar farm investment in Thailand led to lower tax expenses.
- **Finance Costs:** The company reported THB 49 million of finance costs, higher than the previous quarter, due to higher loan interest rates. The average loan interest rate increased to 4.05%, compared to 3.49% in the previous quarter.
- **Net Profits (Losses) attributable to CMAN** of THB 0.2 million, or THB 0.00 per share, down 99.7% from the previous quarter's net profit of THB 72 million, or THB 0.07 per share.



Full Year 2022 Results

- **Revenues:** Consolidated revenues increased 21.9% year-on-year to THB 3,660 million contributed by higher sales volume across our entire portfolio of customers and higher average USD/THB exchange rates. Our average selling prices of quicklime and hydrated lime rose 14.0% and 15.2% compared to 2021.
- **Other Revenues:** Revenues from sales of excess pulverized coal were 16 million, coming from a by-product of our production capacity improvement project.
- **Cost of Goods Sold and Service:** Per-unit cost of goods sold increased due to higher energy costs. Cost of coal at our Thailand business unit rose 106% when compared to last year. Cost of coal at Vietnam business unit rose 50% compared to last year. However, Hope Valley's cost of service improved from continuous operating cost optimization.
- **Selling & Administrative Expenses:** The administrative expenses increased 29.4% from 2021, as COVID restrictions eased and more onsite activities occurred. However, selling expenses decreased 15.2% from the reclassification of shipping items mentioned above. These factors resulted in lower selling and administrative expenses to 25.4% of revenues.
- **Net Income Attributable to CMAN:** THB 152 million, or THB 0.16 per share, an improvement from last year's net profit of THB 98 million, or THB 0.10 per share.
- **Cash:** CMAN finished the year with a balance of THB 123 million cash on hand. Cash flow from operations was THB 618 million. Cash flow for investing activities was THB (256) million, primarily to invest in the 5 MW solar farm project and capacity and efficiency improvements. Cash flow from financing activities was THB (452) million, as we repaid both short-term and long-term loans.
- **Assets:** Total assets as of 31 December 2022 were THB 6,768 million, a decrease of THB 254 million from the end of 2021, from lower cash, inventories, and net book value of PPE.
- **Debt:** Total interest-bearing debt as of 31 December 2022 was THB 3,769 million, a 4.2% decrease from 31 December 2021.
- **Working Capital:** The Company reported 39 days of working capital, lower than the previous quarter and the same quarter of last year by 10 days and 9 days, respectively. The decrease in working capital is due primarily to lower inventories and stretching out payables where possible.
- **Dividends:** CMAN has proposed for shareholder approval a cash dividend payment of Baht 0.04 per share from our 2022 business results.



2023 Outlook

As the global economy has entered a recessionary environment, lime demand and supply should become more volatile in the short term due to a wide range of factors, including supply chain, energy, exchange rates, interest rates, etc.

Chememan projects that lime sales will increase in the first half of 2023. Chememan's focus will continue to be improvement of business fundamentals to operate in this highly volatile environment. The risks of operating in a recessionary environment remain high and may impact short-term business performance and financial results. So, we remain laser focused to deliver our key strategic priorities.

Chememan will focus on export sales, production process and energy cost optimization, financial cost management and controls, and further improvements in our Vietnam business unit to deliver better business results. Our Thailand business unit will make ongoing investments to maintain its high availability, performance, and quality levels. There will be planned maintenance shutdowns for two kilns in our Thailand business unit during the non-peak season in 2023.

Our Australia business unit will focus on higher operating efficiency at Hope Valley and strengthen customer relationships in the growing Western Australia region. At the same time, our India joint ventures will continue to grow in their targeted markets and study product expansion opportunities in other parts of India. We are discussing new joint venture projects in specific countries to increase our business footprint and improve our long-term competitive advantages in the fast-growing Asia Pacific region.

Chememan is also working on various initiatives to improve our financial position. For the next 12 months, Chememan has scheduled long-term loan repayments of THB 571 million, but higher interest rates will undoubtedly lead to higher finance costs. In addition, Chememan closely monitors exchange rate movements and executes some foreign exchange forward contracts to protect our profit margins. We closely monitor weekly cash flows to ensure that we can operate effectively during this economic slowdown.

As Chememan will turn 20 years old this year, we are preparing for our next phase of growth through organizational transformation, development of internal talent, and recruitment of the right outside talent to complement our internal capabilities. Modern industrial and digital technologies will be fully utilized through strong collaboration between Chememan and key partners to enable this transformation.

In the long-term, Chememan is committed to promoting sustainability. Our first 5 MW solar farm project in Kangkoi has been a remarkable success, reducing monthly electricity costs by more than Baht 3 million and CO₂ emissions, and we look to develop similar projects at other production locations. Apart from the solar farm project, we trialed electric trucks and wheel loaders and will seek to roll more of them out after their proven record of accomplishment in 2022. Electric vehicles represent only one aspect of our CO₂ reduction roadmap and framework.



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 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.