



August 29, 2023

Subject Management Discussion and Analysis for the year ended December 31, 2022

Attention President
The Stock Exchange of Thailand

P.S.P. Specialties Public Company Limited and subsidiaries (collectively called the "Company") would like to inform the analysis of financial performance, financial positions and financial ratio for the year ended December 31, 2022. The details are as follows:

A summary of the key financial information for the year ended December 31, 2022

THB mm	For the year ended December 31,		Change	
	2021	2022	THB mm	%
Total Revenue	10,783.7	13,204.4	2,420.7	22.4
Gross Profit	1,361.7	1,534.9	173.2	12.7
Net Profit	547.6	546.4	(1.2)	(0.2)
Comprehensive Income	551.4	533.5	(17.9)	(3.3)

Total Revenue

The total revenues of the Company were THB 10,783.7 million and THB 13,204.4 million for the year 2021 and 2022 respectively, equivalent to an increase of 22.4%.

In 2022, the Company's total revenues increased from an increase in revenues from sales, which increased significantly from THB 10,367.2 million in 2021 to THB 12,632.9 million in 2022, equivalent to a growth rate of 21.9%. The increase was mainly due to the increase in the average selling price per unit, which rose by 18.2%, while the price of base oil in the global market rose by 1.3%. Additionally, sales volume (including sales volume in the trading business of raw materials and products) increased by approximately 3.1%, compared to the previous year. This growth was driven by an increase in sales volume both domestically and internationally.

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Profitability Ratio

Ratios	For the year ended December 31,	
	2021	2022
Gross Profit Margin (%) ¹	12.6	11.6
Net Profit Margin (%) ²	5.1	4.1
Comprehensive Income Margin (%) ³	5.1	4.0

Remark:

¹ Calculated as gross profit divided by total revenue

² Calculated as net profit for the period divided by total revenue

³ Calculated as comprehensive income for the period divided by total revenue

Gross Profit and Gross Profit Margin

In 2022, the Company's gross profit was THB 1,534.9 million, increased from THB 1,361.7 million in 2021, representing an increase of 12.7%, and in line with the increase in total revenue. However, the increase in gross profit is lower than the increase in total revenue. This is mainly from higher Base oil and Additive prices in the global markets during the first half of 2021 and the slower decrease in the average raw material costs compared to the decrease in selling prices in the second half of 2022.

Additionally, the shortage of Lithium (one of our raw materials) in global market in the mid-year 2022, driven by the higher demand from battery production, leads to higher cost of goods sold of the company.

Net Profit for the period and Net Profit Margin

In 2021, and 2022, the Company had net profits of THB 547.6 million, and THB 546.4 million, which correspond to net profit margins of 5.1%, and 4.1% respectively. The Company had total comprehensive income of THB 551.4 million and THB 533.5 million, resulting in total comprehensive income margins of 5.1%, and 4.0% respectively.

For the year 2022, the Company's net profit and total comprehensive income slightly decreased compared to the previous year from THB 547.6 million and THB 551.4 million, to THB 546.4 million and THB 533.5 million, respectively. The decrease was mainly a result of the significant increase in the gross profit margin, which is in line with the increase in revenue from sales and services. This is partly due to the recovery of the economy from the easing of the COVID-19 pandemic situation, resulting in increased demand for the company's products and services. Factories have resumed operations and there has been an increase in vehicle usage and electricity demand compared to the previous year. However, these positive factors were offset by an increase in (1) sales expenses, primarily due to transportation costs that increased with the growth of revenue from sales and services, as well as the rise in global oil prices affecting transportation costs, (2) administrative expenses, primarily due to an increase in commission fees and consulting fees in line with the increased revenue from foreign sales, and expenses related to security testing

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technology, and (3) financial costs increased from an increase in working capital for business operations, including funds used for the acquisition of a subsidiary company, U.C. Marketing, amounting to THB 1,372.0 million.

Consequently, the net profit margin and the comprehensive income margin decreased from 5.1% and 5.1% in 2021, respectively, to 4.1% and 4.0% in 2022, respectively, mainly due to the slower decrease in the average raw material costs compared to the decrease in selling prices. Furthermore, a portion of this decrease can be attributed to the decrease in the proportion of administrative expense to revenue, including the cost of managing overall revenue.

Financial Positions

THB mm	As of December 31,		Change	
	2021	2022	THB mm	%
Total Assets	6,369.1	7,326.2	957.1	15.0
Total Liabilities	2,424.9	6,883.5	4,458.6	183.9
Total Equity	3,944.3	442.7	(3,501.6)	(88.8)

Total Assets

On December 31, 2021 and 2022, the Company's total assets were THB 6,369.1 million, THB 7,326.2 million, respectively. The total assets of the Company primarily consist of trade receivables, inventory, property, plant and equipment.

In the year 2022, the Company's total assets increased due to the increase in inventory. This increase was driven by the increase in prices of both the finished products and raw materials according to increased base oil prices in the global market. The Company also purchased a significant quantity of raw materials during the third quarter of 2022 as there was a shortage of raw materials at that time whereby the prices of raw materials were increasing, as the Company aimed to manage the raw material costs. The increased in inventory level also resulted from lower sales volume than expected. However, this increase was partially offset by a decrease in trade receivables because the Company constantly monitored and efficiently followed up on customer payments.

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Total Liabilities

As of December 31, 2021 and 2022, total liabilities of the Company were THB 2,424.9 million, THB 6,883.5 million, respectively. In 2021, total liabilities consist primarily of short-term loans from financial institutions and trade payables.

In 2022, the total liabilities increased mainly due to the increase in short-term loans from financial institutions which was primarily used for working capital to support operational activities. Dividend payments before IPO totaling THB 3,105.1 million and the acquisition of a subsidiary company, U.C. Marketing, amounting to THB 1,372.0 million, were the major factors of increased liabilities. The increase in trade payables and other payables was a result of an increase in inventory level, including logistics costs for raw materials, and other import-related expenses.

Total Equity

As of 31 December 2021 and 2022, the Company total equity were THB 3,944.3 million, and THB 442.7 million, respectively.

Total equity of the Company decreased from THB 3,944.3 million as of December 31, 2021 to THB 442.7 million as of December 31, 2022. This decrease was primarily due to the decrease in the total equity, resulting from recognition of the discount from business combination under common control of THB 1,173.8 million, according to the related Accounting standard. Total equity was additionally impacted by dividend payments before IPO, totaling THB 3,105.1 million in the year 2022, as mentioned above. However, this decrease was partially offset by the increase in paid-up capital of the Company of THB 522.0 million, from THB 228.0 million to THB 750.0 million, and the recognition of 2022 net profit amounted to THB 533.5 million.

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Total Liabilities to Equity Ratio and Interest bearing debt-to-equity Ratio

Financial Ratio	As of December 31,	
	2021	2022
Total Liabilities to Equity Ratio (times) ¹	0.6	15.5
Interest-bearing debt to equity Ratio (times) ²	0.2	11.5

Remark:

/1 Calculated as total liabilities divided by total equity

/2 Calculated as interest bearing debt divided by total equity

As of December 31, 2022, total liabilities to equity ratio and interest-bearing debt to equity ratio rose to 15.5X and 11.5X, respectively. This is mainly due to the increase in Loans from Financial Institutions THB 4,264.2 million, in order to support the acquisition of subsidiary company (U.C. Marketing Co., Ltd.), dividend payment before IPO THB 3,105.1 million, and for working capital. Total equity also decreased from both dividend payment and the discount from business combination under common control (U.C. Marketing Co., Ltd.) THB 1,173.8 million, as mentioned above.

Please be informed accordingly.

Sincerely yours,



(Mr. Piya Techapichetvanich)
Chief Financial Officer

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