

November 10, 2023

Subject Management Discussion and Analysis for the three months and the nine months ended Sep 30, 2023

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 ratios for the three months and the nine months ended September 30, 2023. The details are as follows:

A summary of the key financial information for the three months and the nine months ended September 30, 2023

Financial information	For the three months ended September 30,		Change		For the nine months ended September 30,		Change	
	2022 M THB	2023 M THB	M THB	%	2022 M THB	2023 M THB	M THB	%
Total Revenue	3,389.4	3,146.2	(243.2)	(7.2)	10,190.3	9,192.8	(997.5)	(9.8)
Gross Profit	369.1	377.0	7.9	2.1	1,242.8	1,010.9	(231.9)	(18.7)
Net Profit	112.9	139.5	26.6	23.5	484.2	324.7	(159.5)	(32.9)
Comprehensive income	111.5	139.7	28.1	25.2	483.3	325.1	(158.2)	(32.7)

Total Revenue

Total revenue of the Company for the three-month period ending September 30, 2023, was THB 3,146.2 million, decreasing THB 243.2 million or 7.2% from the same period of 2022. Revenue from sales accounts for 96% of total revenue, while the remaining 4% is from service revenues. Therefore, the change in total revenue is mainly from the change in revenue from sales. The company gross profit of THB 377.0 million increased THB 7.9 million or 2.1% from the previous year.

The company revenue from sales was THB 3,033.5 million, decreasing THB 221.5 million or 6.8% from previous year, mainly from a decrease in the average selling price per unit, both domestic and export. However, the sales volume increased by 2% compared to the same period last year. Total Cost was THB 2,707.4 million, decreased THB 214.2 million or 7.3%, which is higher than the decrease

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rate in revenue, resulting in an increase of gross profit margin. The company gross profit from sales THB 326.1 million decreased by THB 7.3 million or 2.2% with gross profit margin of 10.8% an increase of 0.5%, reflecting from the reduction in newly purchased cost of raw materials.

The total revenue of the Company for the nine-month period ending on September 30, 2022, and 2023 were THB 10,190.3 million and THB 9,192.8 million, respectively, equivalent to a decrease of 9.8%. The total revenues comprise revenues from sales approximately 95-96% and revenues from services approximately 4-5%. Therefore, changes in the Company revenues primarily attributable to changes in revenue from sales.

In the nine-month period ending on September 30, 2023, the Company total revenues decreased according to the decrease in revenues from sales. It decreased from THB 9,782.5 million for the nine-month period ending on September 30, 2022, to THB 8,771.6 million for the nine-month period ending on September 30, 2023, equivalent to a decrease of 10.3% as a result of a decline in sales volume for both domestic and overseas, mainly due to (1) a decrease in customers' purchase orders in the integrated business of developing and manufacturing products as a result of a decrease in sales volume of lubricant products. In addition, the sales volume in the first half of 2022 was relatively high, compared to sales volume of the previous year and the decrease in sales volume of greases, partly due to supply shortages and cost increase as demands of Lithium, one of grease production raw materials (2) a decrease in sales volume in the trading business of raw materials both domestic and international as customers delayed their purchase orders. Such decrease was offset by an increase in average selling price per unit.

Profitability Ratio

Financial Ratio	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2023	2022	2023
Gross Profit Margin (%) ¹	10.9	12.0	12.2	11.0
Net Profit Margin (%) ²	3.3	4.4	4.8	3.5
Total Comprehensive Income Margin (%) ³	3.3	4.4	4.7	3.5

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

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Gross profit and Gross Profit Margin

The Company gross profit increased from THB 369.1 million for the three months ended September 30, 2022, to THB 377.0 million for the three months ended September 30, 2023, representing an increase of 2.1%. The Company gross profit margin also increased from 10.9% for the three months ended September 30, 2022, to 12.0% for the three months ended September 30, 2023.

The increase in gross profit and gross profit margin mainly due to the decrease in the price of newly purchased raw materials, including the decrease in overhead costs of production.

The Company gross profit decreased from THB 1,242.8 million for the nine months ended September 30, 2022, to THB 1,010.9 million for the nine months ended September 30, 2023, representing a decrease of 18.7%. The Company gross profit margin also decreased from 12.2% for the nine months ended September 30, 2022, to 11.0% for the nine months ended September 30, 2023.

The decrease in gross profit and gross profit margin mainly due to higher costs per unit primarily from increases in base oil and additive costs.

Profit for the period and Net Profit Margin

In the three-month period ending on September 30, 2022, and 2023, the Company had net profits of THB 112.9 million and THB 139.5 million, respectively, equivalent to net profit margins of 3.3% and 4.4%, respectively. Furthermore, the Company had total comprehensive incomes of THB 111.5 million and THB 139.7 million, respectively, resulting in total comprehensive income margins of 3.3% and 4.4%, respectively.

For the three-month period ending on September 30, 2023, the company net profit and total comprehensive income increased from the same period of last year; as a result of an increase in gross profit, gain from exchange rate, including a decrease in cost of sales and services, which is offset by an increase in financial costs.

In the nine-month period ending on September 30, 2022, and 2023, the Company had net profits of THB 484.2 million and THB 324.7 million, respectively, equivalent to net profit margins of 4.8% and 3.5%, respectively. Furthermore, the Company had total comprehensive incomes of THB 483.3 million and THB 325.1 million, respectively, resulting in total comprehensive income margins of 4.7% and 3.5%, respectively.

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For the nine-month period ending on September 30, 2022, the Company net profit and total comprehensive income decreased significantly from THB 484.2 million and THB 483.3 million for the nine-month period ending on September 30, 2022, respectively, to THB 324.7 million and THB 325.1 million for the nine-month period ending on September 30, 2023, respectively. This decrease in profitability was primarily due to: (1) significant decrease in gross profit which was a result of the decrease in sales volume of lubricants and greases and sales volume in the trading business of raw materials as aforementioned. However, the decrease in gross profit was partially offset by a decrease in selling and administrative expenses, resulting from the decrease in sales volume and transportation costs. (2) increase in financial costs which was increased due to increased borrowing for working capital M&A costs and dividend payments before IPO in 2022. As such, net profit margin and total comprehensive income margin decreased from 4.8% and 4.7% for the nine-month period ending on September 30, 2022, respectively, to 3.5% and 3.5% for the nine-month period ending on September 30, 2023, respectively.

Financial Positions

Financial Information	As of December 31,	As of September 30,	Change	
	2022 M THB	2023 M THB	M THB	%
Total Assets	7,326.2	7,217.0	(109.2)	(1.5)
Total Liabilities	6,883.5	4,022.1	(2,861.4)	(41.6)
Equity	442.7	3,194.9	2,752.2	621.7

Total Assets

On December 31, 2022, and September 30, 2023, the Company total assets were THB 7,326.2 million and THB 7,217.0 million, respectively. The total assets of the Company primarily consist of trade receivables, inventory, property, plant and equipment.

The total assets of the Company decreased in the nine-month period ending on September 30, 2023, due to a decrease in inventory which was in line with the decrease in the quantity of base oil raw material, as well as the lower average price of raw materials purchased during the nine-month period ending on September 30, 2023.

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Total Liabilities

As of December 31, 2022, and September 30, 2023, the total liabilities of the Company were THB 6,883.5 million, and THB 4,022.1 million, respectively. The total liabilities consist primarily of loans from financial institutions and trade payables.

The total liabilities decreased during the nine-month period ending on September 30, 2023, mainly from the decrease in loan from financial institutions as a result of the Company loan payment by using IPO proceeds.

Equity

As of December 31, 2022, and September 30, 2023, the Company total equity were THB 442.7 million, and THB 3,194.9 million, respectively.

On September 30, 2023 total equity increased from THB 3,194.9 million as of December 31, 2022 to THB442.7 million. This increase was primarily due to the issuance of new common shares to existing shareholders through a right offering, totaling THB 300.0 million in February 2023. In August 2023, the Company offered additional 350.0 million common shares to the general public for the first time (IPO), an offering price THB 6.2 per share, resulting in a surplus on common shares amount THB 1,777.1 million. Additionally, there was an increase in retained earnings from the net profit for the nine-month period ending on September 30,2023, which amounted to THB 325.1 million.

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

Financial Ratio	As of December 31,	As of
	2022	September 30, 2023
Total Liabilities to Equity Ratio (times) ¹	15.6	1.3
Interest bearing debt-to-equity Ratio (times) ²	11.5	0.7

Remark:

/1 Calculated as total liabilities divided by total equity

/2 Calculated as interest bearing debt divided by total equity

The debt-to-equity ratios of the Company were 15.6 times and 1.3 times as of December 31, 2022, and September 30, 2023, respectively. The interest-bearing debt-to-equity ratio followed the same trend, which were 11.5 times and 0.7 times as of December 31, 2022, and September 30, 2023, respectively.

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As of September 30, 2023, the debt-to-equity ratio of the Company significantly decreased from the previous year, mainly attributable to an increase in company equity from its capital raising through a right offering in February, and an IPO in August, including the surplus on common shares and an increase in retained earnings; together with , a decrease in company liabilities from loan payments by using cash flows from Initial Public Offering, as mentioned above. As a result, company debt-to-equity ratio of 1.3 times is less than the financial institution's financial covenant of not exceeding 3.0 times as of September 30, 2023.

Please be informed accordingly.

Sincerely yours,

(Mr. Piya Techapichetvanich)

Chief Financial Officer

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