

SCG DECOR PUBLIC COMPANY LIMITED

Management Discussion and Analysis

Management Discussion and Analysis: MD&A**Executive Summary**

In 2023, the ASEAN region was affected by various situations, such as the conflict between Russia and Ukraine, conflicts in the Middle East, which led to volatile energy prices, rising interest rates, and inflation, as well as the situation in Vietnam's real estate sector. These factors impacted both the cost of production and also led to a decrease in overall purchasing power.

In Q4/2023, SCG Decor Public Company Limited (the Company) reported Revenue from Sales of 6,802 MB, a decrease of 8% YoY. The Company recorded Revenue from Sales for the year 2023 at 28,312 MB, which is a decrease of 6% YoY

In Q4/2023, the Company reported a Profit attributable to owners of the company of 146 MB and Profit attributable to owners of the company for the year 2023 of 328 MB. However, if exclude the Company's restructuring cost, the year-to-date performance of the companies transferred out of the group due to not being part of the Company's restructuring plan, and expenses related to the listing of the Company in the Stock Exchange of Thailand which are not regular course of business (Non-Recurring items) the Company reported a Profit attributable to owners of the company in Q4/2023 and for the year 2023 will be 179 MB and 817 MB, 8% and 30% decrease YoY. The main impacts were from the decrease in sales in regional markets and the volatility of energy costs. However, energy costs showed an improving trend in the second half of the year 2023

Recently, the Board of Directors of the Company resolved to propose to the Annual General Meeting of Shareholders the approval of a dividend payment for the year 2023 at the rate of 0.15 Baht per share, totalling 247.5 million Baht. The dividend shall be paid on Monday, 22nd April 2024 to the shareholders entitled to receive dividend in accordance with the Company's Articles of Association, of record as of Tuesday, 2nd April 2024 (The Stock Exchange of Thailand shall post the "XD" sign or the date on which the buyers of securities shall have no rights to receive dividend on Monday, 1st April 2024).

The Company's Restructuring to be a flagship company of SCC group for Floor Tiles, Wall Tiles and Bathroom business and IPO

In 2023, the company underwent a business restructuring and successfully completed its listing on the Stock Exchange of Thailand on December 20, 2023. The IPO had a total value of 5,049.6 MB, divided into (a) IPO shares for the COTTO Share Swap portion amounting to 2,341.3 MB, and (b) IPO shares in cash portion amounting

2,708.3 MB. This transaction is considered a significant success that will enhance competitiveness by creating synergies among businesses in both Thailand and ASEAN

Moreover, the business restructuring and IPO have also strengthened the company's financial position with cash and cash equivalent balance exceeding 10,000 MB. This enables the Company to expand its business and proceed with its strategies as follows.

(1) Expand Bathroom Business to ASEAN by leveraging the strength and leadership position of the decor surfaces, utilizing a robust production base in Thailand, sourcing products from China and Vietnam, and offering innovative products such as smart toilet and premium products under the Quil brand.

(2) Fortify Leading Position of Decor Surfaces business in ASEAN through the development of products that meet customer needs, particularly innovative products, including the expansion of SPC (Stone Plastic Composite) vinyl tile and LVT (Luxury Vinyl Tile) in Thailand, Vietnam, the Philippines, and Indonesia.

(3) Expand to related products and services to reinforce leadership in providing total solution in decor surfaces and bathroom businesses through the collaboration with strategic partners in ASEAN.

(4) Maximize Profit through Regional Optimization and Global Sourcing including for example utilizing the factories in Vietnam, which has a cost advantage, as an export base, a co-sourcing of products, utilizing research and development capabilities, quality control, and improving production efficiency towards a Smart & Green Factory, to maintain leadership in the ASEAN region.

(5) Grow Sustainably with Green Products and Processes

Operating result by key business segments and key financial ratio

Financial and Operating result	Unit	As of and for the year ended December 31,		Quarter 4
		2022	2023	2023
Total Asset	Million Baht	40,550	41,651	41,651
Total Debt	Million Baht	21,726	20,339	20,339
Total Equity	Million Baht	18,825	21,312	21,312
Revenues from Sales	Million Baht	35,228	28,312	6,802
Revenues from Sales (Exclude Non-Recurring items)	Million Baht	30,254	28,312	6,802

Financial and Operating result	Unit	As of and for the year ended December 31,		Quarter 4
		2022	2023	2023
Total Revenue	Million Baht	36,153	28,941	6,955
Total Revenue (Exclude Non-Recurring items)	Million Baht	31,179	28,941	6,955
EBITDA	Million Baht	2,514	3,014	790
EBITDA (Exclude Non-Recurring items)	Million Baht	3,727	3,350	832
EBITDA Margin (Exclude Non-Recurring items)	%	12%	12%	12%
Net Profit	Million Baht	315	474	171
Net Profit (Exclude Non-Recurring items)	Million Baht	1,240	963	204
Net Profit Margin (Exclude Non-Recurring items) ⁽¹⁾	%	4%	3%	3%
Profit attributable to owners of the company	Million Baht	238	328	146
Profit attributable to owners of the company (Exclude Non-Recurring items)	Million Baht	1,163	817	179
Profit margin which attributable to owners of the company (Exclude Non-Recurring items) ⁽²⁾	%	4%	3%	3%
Return on Equity (Exclude Non-Recurring items) ⁽³⁾	%	4% ⁽⁶⁾	4% ⁽⁶⁾	4% ⁽⁶⁾
Return on Total Assets (Exclude Non-Recurring items) ⁽⁴⁾	%	3% ⁽⁶⁾	2% ⁽⁶⁾	2% ⁽⁶⁾
Debt to Equity ⁽⁵⁾	Times	1.15 ⁽⁶⁾	0.95	0.95

Remarks

- (1) Net profit margin was calculated by dividing Net Profit (loss) of the year/ period by Total Revenue respectively.
- (2) Profit margin which attributable to owners of the company was calculated by dividing Profit attributable to owners of the company by Revenues from Sales respectively.
- (3) Return on Equity was calculated by dividing Profit attributable to owners of the company of the year/ period by average shareholder's equity respectively.
- (4) Return of Asset was calculated by dividing Net Profit of the year/ period by average Total Asset respectively
- (5) Debt to Equity ratio was calculated by dividing Total liability by Total shareholder equity.
- (6) Total Asset value and Total liability by end of 2021 and 2022 still included some asset and liability of the company that not being a part of the Company's restructuring plan.
- (7) Non-Recurring items for instance Company's restructuring cost, the year-to-date performance of the companies transferred out of the group due to not being part of the Company's restructuring plan, and expenses related to the listing of the Company in the Stock Exchange of Thailand.

Revenues from Sales

The following table shows the Company's Revenue from Sales, segmented by business group, for the fiscal years ending on December 31, 2022, and 2023, and for the three-month periods ending on December 31, 2022, and 2023

Revenue from Sales	As of and for the year ended				Quarter 4			
	December 31,							
	2021		2022		2021		2022	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Decor Surfaces Business	24,418	69.3	21,794	77.0	5,820	72.6	5,140	75.6
Thailand	12,421	35.3	12,247	43.3	2,887	36.0	2,850	41.9
Vietnam	7,909	22.5	6,085	21.5	1,991	24.8	1,478	21.7
The Philippines and Indonesia	4,559	12.9	3,957	14.0	1,005	12.5	927	13.6
(Less) Cross-country elimination	-471	-1.3	-495	-1.7	-64	-0.8	-114	-1.7
Bathroom Business	4,996	14.2	5,238	18.5	1,256	15.7	1,291	19.0
Other Business ⁽¹⁾	5,814	16.5	1,280	4.5	940	11.7	372	5.5
Total Revenue from Sales	35,228	100	28,312	100	8,016	100	6,802	100
Revenue from Sales of the companies transferred out of the group	-4,794	-	-	-	-611	-	-	-
Total Revenue from Sales (Exclude Non-Recurring items)	30,254	-	28,312	-	7,404	-	6,802	-

Remark:

(1) Other business comprises of Industrial Estate business and Solar cell business

For the fiscal year ending on December 31, 2023, the Company reported Revenues from Sales in Q4/23 of 6,802 MB and Revenues from Sales for the year 2023 of 28,312 MB. This represents a decrease of 8% and 6% respectively from the same period of the previous year. The decline was impacted by reduced sales in regional markets, such as the real estate situation in Vietnam and the declining purchasing power in the Philippines and Indonesia

Profit the year / Period

In Q4/2023, the Company reported a Profit attributable to owners of the company of 146 MB and Profit attributable to owners of the company for the year 2023 of 328 MB. However, if exclude Non-Recurring items, the Company reported a Profit attributable to owners of the company in Q4/2023 and for the year 2023 will be 179 MB and 817 MB, 8% and 30% decrease YoY. The main impacts were from the decrease in sales in regional markets and the volatility of energy costs. However, energy costs showed an improving trend in the second half of the year 2023

Total Assets

As of December 31, 2022, and 2023, the company had total assets of 40,550.4 MB and 41,650.8 MB, respectively. The Company's major assets consisted of land, buildings and equipment, inventories, short-term investments, trade and other current receivables, and cash and cash equivalents, which accounted for 79.0% and 81.4% of the total assets, respectively.

The increase in total assets between December 31, 2023, and 2022, was primarily due to an increase in cash and cash equivalents from the capital raised through the IPO, and from land, buildings, and equipment, mainly from the construction of a 60x60 cm tile production line and the installation of a solar power generation system in Thailand, as well as investment in expanding the production capacity of Glazed porcelain tiles in Vietnam.

Total liabilities

As of December 31, 2022, and 2023, the company had total liabilities of 21,725.8 MB and 20,338.9 MB, respectively. The majority of the company's liabilities consisted of short-term loans and trade and other current payables, which accounted for 86.2% and 86.8% of the total liabilities, respectively.

Shareholders' equity

As of December 31, 2022, and 2023, the company's equity amounted to 18,824.6 MB and 21,311.9 MB, respectively.

The shareholders' equity as of December 31, 2023, increased by 2,487.3 MB from December 31, 2022, primarily due to an increase in registered capital, while retained earnings decreased due to dividend payments

The assets and liabilities at the end of 2022 included assets and liabilities of the companies that were not in the Company's restructuring plan and not yet completely transferred out of SCG Decor's Group.

The Company's key business highlights in 2023

The company is focused on cost reduction, efficiency improvement, and enhancing production processes to enhance a competitiveness through investments in various key projects as follows

1. A new SPC (Stone Plastic Composite) vinyl tile production line project in Thailand, in response to the growing consumer demand, which will be completed in mid-2024.
2. The glazed porcelain tiles, semi-porcelain tiles, and large-size tiles production expansion investment in Vietnam, expected to be completed within 2024.
3. Hot Air Generator project investment in Thailand, which will be completed in 2024.
4. Additional 14.3 megawatts of solar power in 2023.

Dedicated to operate with a focus on sustainable development, following ESG principles

The Company is committed to operating in line with ESG guidelines. In 2023, the Company achieved a net greenhouse gas emission of 1.03 million tons, a reduction of 0.32 million tons or 24% from the base year (2020), through the installation of an additional 14.3 megawatts of solar cells, increasing the renewable energy usage from 3.2% to 5.6%, and increasing the proportion of alternative fuel usage from 9.0% to 15.6%.

Based on the aforementioned operations, the Company is confident that it will be able to enhance its competitiveness in various aspects and achieve a sustainable business growth.