



## CHEMEMAN PUBLIC COMPANY LIMITED

### Management Discussion and Analysis

#### For Full Year 2023

#### *Business Overview*



*Chememan Public Company Limited (SET: CMAN) is one of the world's ten largest lime producers, with more than 1.2 million tons of annual production capacity. Lime is one of the world's most vital and versatile chemicals and is regularly used in various industries and production applications. With high chemical-grade limestone quarries in Thailand and Vietnam, modern lime production facilities in Thailand, Vietnam, and India, and a state-of-the-art distribution center in Australia, CMAN has successfully developed a highly diversified customer portfolio that focuses on high-value-added end users in its targeted industries, especially mining (alumina, gold, copper, nickel, lithium, rare earth), iron & steel, construction (lightweight concrete blocks), pulp & paper, precipitated calcium carbonate (PCC), chemicals & derivative chemicals, sugar, bioplastics, glass & bottles, feedmills, flue gas treatment, and waste & wastewater treatment. CMAN exports around 60% of its capacity across 30 countries in Asia, Australia, and Africa. With clear business strategies and a team of experienced and dedicated professionals, CMAN aims to expand sustainably in its next decade and strengthen its position as the leading lime company in the growing Asia-Pacific region.*





## Discussion and Analysis

2023 can be divided into two distinct halves. The first half of 2023 was a period of rising interest rates and low business confidence. The second half of 2023 was a period of declining inflation, peak interest rates, and low but increasing business confidence.

Under such volatile conditions, CMAN prioritized risk management and profitability over business expansion and sales volumes. CMAN's 2023 results demonstrated this business discipline, with higher underlying business performance versus 2022. CMAN delivered THB 3,505 million in revenues, THB 1,116 million in gross profits, and THB 136 million in net profits in 2023. Financial results were significantly impacted by the final settlement of two shipping disputes from two years ago that was in arbitration. Without the THB 73 million final settlement amount which is the majority of the special expenses, adjusted net profits would have been THB 220 million.

CMAN continues to execute its long-term business strategies, including the development of target countries and customers to achieve a growing and well-diversified customer portfolio, continuous capacity management and improvement of operating efficiencies, high product quality standards and timely deliveries, and profit margin optimization by leveraging business partnerships.

## Full Year 2023 Performance

<i>Unit: Million Baht, Except per share amounts</i>	<b>Y23</b>	<b>Y22</b>	<b>%YoY</b>
Revenues	<b>3,505</b>	3,660	-4.2%
Net income (loss) attributable to CMAN	<b>136</b>	152	-10.3%
Earnings (loss) per share attributable to CMAN	<b>0.14</b>	0.16	-10.3%
Adjusted net income (loss) attributable to CMAN (*)	<b>220</b>	172	+27.7%
Adjusted earnings (loss) per share (*)	<b>0.23</b>	0.18	+27.7%
Adjusted EBITDA excluding special items (*)	<b>820</b>	745	+10.0%

(\*) 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, and one-time extraordinary revenues or expenses

- Domestic Revenues:** Domestic revenues equaled THB 1,331 million, up 6.9% compared to last year. This increase was driven by securing higher market share in the sugar industry and higher demand from greater expansion in the building and construction industry. On the other hand, intense price competition from other lime producers resulted in lower sales from some industries, including iron and steel and pulp and paper.



- **International Revenues:** International revenues equaled THB 1,874 million, down 12.0% compared to last year. The drop in international revenues was driven by decreased lime demand in line with the global economic slowdown, particularly in the mining, iron and steel and pulp and paper industries.
- **Service Revenues:** Service revenues equaled THB 275 million, up 2.1% compared to last year. Service revenues are directly correlated to throughput volumes at Hope Valley Distribution Center, which services a global mining company based in Western Australia.
- **Cost of Goods Sold and Service:** CMAN shut down some lime kilns in both Thailand and Vietnam for planned major maintenance routines. As global energy prices decreased, the cost of goods sold equaled THB 2,151 million, down 9.1% compared to the previous year. The gross margin on lime product sales was THB 1,079 million, equal to a 33.4% gross margin, which was 5.3% higher than in 2022. The cost of services equaled THB 239 million, down 32.6% from last year. The gross margin on handling services was THB 37 million, equal to a 13.3% gross margin, which was 143.1% higher than in 2022. As a result, overall gross margins increased to 31.8% in 2023, compared to 25.7% in 2022.

**Adjusted EBITDA:** Adjusted EBITDA equaled THB 820 million, up 10.0% from the previous year, and equal to a 23.4% adjusted EBITDA margin. The majority of the adjustments included the final settlement costs of two shipping disputes that were in arbitration of THB 73 million.

- **Finance Costs:** Finance costs were THB 217 million, up 38.3% from the previous year. Even though total interest-bearing debt decreased 9.4% in 2023, higher US Dollar and Thai Baht interest rates adversely impacted finance costs.
- **Adjusted Net Profits Attributable to CMAN:** For the year 2023, consolidated net profit attributable to shareholders of CMAN was THB 136 million. Without the above-mentioned adjustments, consolidated net profits would have been THB 220 million, equal to an adjusted net profit margin of 6.2%.
- **Cash:** CMAN ended the quarter with a balance of THB 165 million cash on hand. In 2023, cash flow from operations was THB 734 million. Cash flow for investing activities was THB (114) million, mainly due to solar farm projects, major maintenance costs, and improvement at Hope Valley Distribution Center. Cash flow from financing activities was THB (622) million, as CMAN repaid THB 601 million of long-term loans and leases year to date.
- **Assets:** Total assets as of 31 December 2023 were THB 6,395 million, a 5.5% decrease from the end of 2022, due to lower outstanding account receivables, inventories, and net-PPE after depreciation.



- Liabilities:** Total liabilities decreased to THB 3,975 million, down 10.0% from the end of 2022, primarily due to long-term loan repayments.

## Financial Ratios

	Y23	Y22
Gross Profit Margin	31.83%	25.69%
Net Profit Margin	3.81%	3.92%
Return on Equity	5.87%	6.80%
Debt to Equity	1.68X	1.94X
Interest Bearing Debt to Equity	1.44X	1.66X

## 2024 Outlook

The foreseeable business outlook remains highly cautious, due to significant geopolitical concerns, such as the Russia-Ukraine and Israel-Hamas wars, volatile commodity prices, and uncertainty over interest rate reductions. These factors have reduced global demand for many goods and services. Chememan continues to prioritize longer-term partnerships with our customers and business partners by offering total solutions, cost optimization, and sustainability.

Chememan's overall performance in 2024 is expected to improve, as overall business strategies have succeeded. As a result, all business operations in Thailand, Vietnam, India and Australia are projected to increase their revenues and profits.

Chememan recently concluded a long-term strategic partnership to design, build, and operate a modern lime manufacturing facility in Rajasthan, India. This partnership will significantly strengthen Chememan's market penetration in India. Along with its existing two joint ventures, these three companies can cover most of India, which remains one of the world's growing lime markets.

Overall financial strength is expected to improve, as scheduled loan repayments of more than THB 544 million will be made in 2024. Liquidity is also expected to increase from higher business performance. As Chememan continues a multi-year transition to its next generation of talent, its business strategies will be dynamic and adjust to rapid changes in its business environment. Management believes that its business strategies will positively support long-term sustainability.