

February 27, 2024

Subject Management Discussion and Analysis for the three months and the year ended Dec 31, 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 year ended December 31, 2023. The details are as follows:

A summary of the key financial information for the three months and the year ended December 31, 2023

Financial information	For the three months ended December 31,		Change		For the year ended December 31,		Change	
	2022 M THB	2023 M THB	M THB	%	2022 M THB	2023 M THB	M THB	%
Total Revenue	3,014.1	3,064.4	50.3	1.7	13,204.4	12,257.2	(947.2)	(7.2)
Gross Profit	292.1	353.6	61.4	21.0	1,534.9	1,364.5	(170.4)	(11.1)
Net Profit	62.2	102.8	40.7	65.4	546.4	427.5	(118.8)	(21.7)
Comprehensive income	50.2	90.4	40.2	80.1	533.5	415.5	(118.0)	(22.1)

Total Revenue

Total revenue of the Company for the three-month period ending December 31, 2023, was THB 3,064.4 million, increasing THB 50.3 million or 1.7% 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 353.6 million increased THB 61.4 million or 21.0% from the previous year.

The company revenue from sales was THB 2,941.9 million, increasing THB 91.5 million or 3.2%, mainly from an increase in Sales volume, both local and export markets. However, the average selling price per unit slightly lower than the same period last year. The company gross profit from sales THB 309.6 million increased by THB 76.4 million or 32.8%.

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The total revenue of the Company for the year ended December 31, 2022, and 2023 were THB 13,204.4 million and THB 12,257.2 million, respectively, equivalent to a decrease of 7.2%. 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 year 2023, the Company total revenues dropped according to the decrease in revenues from sales. It decreased from THB 12,632.9 million in 2022 to THB 11,713.5 million in 2023, equivalent to a decrease of 7.3% as a result of a decline in sales volume for both domestic and overseas, mainly due to (1) a decrease in customers' purchase orders of both lubricant and grease products due to market conditions, and higher competition. Regarding the decrease in grease sales volume, this is partly due to supply shortages and an increase in cost of Lithium, one of grease production raw materials. Moreover, it is also a result of the company sales volume in lubricant products were higher than normal level in the first half of 2022. (2) a decrease in sales volume of the trading business of raw materials both domestic and international as customers delayed their purchase orders.

Profitability Ratio

Financial Ratio	For the three months ended December 31,		For the year ended December 31,	
	2022	2023	2022	2023
Gross Profit Margin (%) ¹	9.7	11.5	11.6	11.1
Net Profit Margin (%) ²	2.1	3.4	4.1	3.5
Total Comprehensive Income Margin (%) ³	1.7	3.0	4.0	3.4

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

The Company gross profit increased from THB 292.1 million for the three months ended December 31, 2022, to THB 353.6 million for the three months ended December 31, 2023, representing an increase of 21.0%. The Company gross profit margin also increased from 9.7% to 11.5% for the three months ended December 31, 2023.

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The increase in gross profit and gross profit margin are mainly due to the lower price of newly purchased raw materials, and subsequent decrease in production cost and cost of goods sold.

The Company gross profit decreased from THB 1,534.9 million in 2022, to THB 1,364.5 million in 2023, representing a decrease of 11.1%. The Company gross profit margin also decreased from 11.6% in 2022, to 11.1% in 2023.

The decrease in gross profit and gross profit margin are mainly due to the high cost of raw materials in the first half of 2023. However, it gradually decreased in the second half, resulting in a slightly lower of gross profit margins.

Profit for the period and Net Profit Margin

In the three-month period ending December 31, 2022, and 2023, the Company had net profits of THB 62.2 million and THB 102.8 million, respectively, equivalent to net profit margins of 2.1% and 3.4%, respectively. Furthermore, the Company had total comprehensive incomes of THB 50.2 million and THB 90.4 million, respectively, resulting in total comprehensive income margins of 1.7% and 3.0%, respectively.

For the three-month period ending December 31, 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, and decreased selling expenses, financial costs, which are offset by an increase in administration expenses, including a decrease in gain from exchange rate.

In 2022, and 2023, the Company had net profits of THB 546.4 million and THB 427.5 million, respectively, equivalent to net profit margins of 4.1% and 3.5%, respectively. Furthermore, the Company had total comprehensive incomes of THB 533.5 million and THB 415.5 million, respectively, resulting in total comprehensive income margins of 4.0% and 3.4%, respectively.

2023 Company net profit and total comprehensive income decreased from year 2022 primarily due to the decrease in total revenue and gross profit, including the increase in financial costs from loans for working capital, M&A transaction (UCM) and dividend payments before IPO in 2022. However, selling expenses decreased due to the decrease in sales volume and transportation costs per unit. As such, net profit margin and total comprehensive income margin decreased from 4.1% and 4.0% in 2022, respectively, to 3.5% and 3.4% in 2023, respectively.

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Financial Positions

Financial Information	As of December 31,	As of December 31,	Change	
	2022 M THB	2023 M THB	M THB	%
Total Assets	7,326.2	7,061.6	(264.6)	(3.6)
Total Liabilities	6,883.5	3,776.2	(3,107.2)	(45.1)
Equity	442.7	3,285.3	2,842.6	642.1

Total Assets

On December 31, 2022, and 2023, the Company total assets were THB 7,326.2 million and THB 7,061.6 million, respectively. The total assets of the Company primarily consist of trade receivables, inventory, property, plant and equipment.

Total assets of the Company decreased in 2023, mainly due to a decrease in inventory level of raw materials from last year. Meanwhile, cash and cash equivalents, and financial assets measured at fair value through profit or loss increased by THB 673.46 million and additional investment in lands.

Total Liabilities

As of December 31, 2022, and 2023, the total liabilities of the Company were THB 6,883.5 million, and THB 3,776.2 million, respectively. The total liabilities consist primarily of loans from financial institutions and trade payables.

Total liabilities decreased during year 2023, mainly from the decrease in short-term and long-term loans from financial institutions of THB 2,619.26 million from repayment to financial institutions, which was partly offset by the increase in contractual liabilities of THB 119.84 million from the advance payment by customers.

Equity

As of December 31, 2022, and 2023, the Company total equity was THB 442.7 million, and THB 3,285.3 million, respectively.

In 2023, total equity increased from a capital increase of THB 650 million from issuing common shares (THB 300.0 million from existing shareholders, and THB 350.0 million from the IPO), resulting in a surplus on common shares amount THB 1,777.1 million; and from 2023 total comprehensive income of THB 415.5 million. The company has an additional legal reserve of THB 19.8 million to THB 94.8 million.

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

Financial Ratio	As of December 31,	
	2022	2023
Total Liabilities to Equity Ratio (times) ¹	15.6	1.2
Interest bearing debt-to-equity Ratio (times) ²	11.5	0.6

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 1.2 times as of December 31, 2022, and 2023, respectively. The interest-bearing debt-to-equity ratio followed the same trend, which were 11.5 times and 0.6 times as of December 31, 2022, and 2023, respectively.

As of December 31, 2023, the debt-to-equity ratio of 1.2 times and an interest-bearing debt-to-equity ratio of 0.6 times, sharply dropped from the previous year. This was mainly due to the decrease in interest bearing liabilities and the increase in shareholders' equity. The debt-to-equity ratio was 1.2 times, which is less than the financial institution's financial covenant of not exceeding 2.5 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Piya Techapichetvanich)

Chief Financial Officer

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