

SCG DECOR PUBLIC COMPANY LIMITED

Management Discussion and Analysis

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

In Q1/2024, both domestic and regional purchasing power has not yet recovered, with the number of newly completed houses in Thailand remaining high. Meanwhile, after its new year festival (TET) in this quarter, Vietnam is awaiting the enforcement of new land laws approved at the beginning of this year, effective from January 1, 2025. Currently, Vietnam's ministries and relevant government agencies are in the process of issuing detailed regulations to strengthen land reform, including relevant land management processes, and establish nationally aligned land databases. As for the Philippines and Indonesia, purchasing power remains weak in Q1/2024.

Nevertheless, driven by a persistent dedication to continuous development and adaptation, including the development of new products, the creation of value-added products and services through innovation and solutions to meet rapidly changing consumer demands, and portfolio adjustments, the company has maintained ceramic tile, sanitary ware and fitting selling prices close to those of the previous quarter. Additionally, the company has

consistently invested in cost reduction and efficiency improvement projects. These efforts, combined with improved energy costs in Q1/2024, have enabled the company to increase its profitability.

Based on the aforementioned circumstances, the company's Revenue from Sales for Q1/2024 was 6,784 million baht, a decrease of 6 percent compared to Revenue from Sales excluding the impact from restructuring in the same period of the previous year, and remained stable compared to the previous quarter. Meanwhile, the company's Profit attributable to owners of the company for Q1/2024 was 258 million baht, an increase of 28 percent and 44 percent compared to Profit attributable to owners of the company to shareholders if excluding the impact from restructuring and other Non-Recurring items in the same period of the previous year and the previous quarter, respectively.

Key additional investment projects of the company in the Q1/2024

In addition to the investment projects that have been disclosed and implemented in the past year, the Company remains committed to cost reduction, efficiency improvement, and process optimization to strengthen competitiveness. This commitment is further demonstrated through key additional investment projects in Q1/2024, outlined as follows

1. Additional installation of 5.5 megawatts solar power to increase usage of renewable energy and reduce energy cost with total investment approximately of 140 million baht. It is expected that 4.0 megawatts will be completed by Q1/2025, with the remaining 1.5 megawatts scheduled for completion by Q2/2025.
2. The machines and technology improvement for Glazed Porcelain tile production at the Nong Khae 2 plant project in Thailand. The total investment is approximately 80 million baht, and commercial production is expected to commence by the end of 2024.
3. The warehouse management efficiency improvement project through Warehouse Management System Installation (one-WMS) and Smart Forklift project investment. The total investment is approximately 70 million baht, and commercial production is expected to commence by June 2025.

Leveraging the strength of the distribution channels in the Decor surfaces business to expand the Bathroom business in ASEAN

To accelerate the expansion of the Bathroom business in ASEAN, the Company has expanded its distribution channels in the region by leveraging the robust distribution channels of the Decor surfaces business. For example, in Q1/2024, the number of bathroom distributors in Vietnam has been increased to 39 distributors,

along with adjustments made to various showrooms to align with the current product positioning. Similar initiatives have been carried out in the Philippines and Indonesia, resulting in the company currently having a total of 85 and 37 wellness product distributors, respectively.

Investing in and continuously developing new products in line with sustainable development principles (ESG)

In addition to implementing solar cell installation projects to increase the proportion of renewable energy usage, as well as investing in process improvements to enhance the use of alternative fuels, the Company remains committed to conducting business in accordance with ESG principles through the development of new products. In the first quarter of 2024, the company was awarded the Thai Green Design Award (TGDA2024) for its ECO-SCHIZZO tiles, recognized for their efficient resource utilization in the tile category



Operating result, Financial status and key financial ratio

The Company was restructured by transferring companies that were not part of the Company's restructuring plan out of the Company's group and completing an IPO in 2023. Therefore, the past financial performance and financial status of the Company have been impacted by performance of those companies which were not part of the Company's restructuring plan, profit/loss from transferring those companies out from the Company's group, as well as expenses related to the IPO.

Thus, the Company also presents the financial performance without the aforementioned impact for the purpose of analysis and calculation of financial ratio as follows.

Financial and Operating result	Units	Q1		Q4	%YoY	%QoQ
		2024	2023	2023		
Total Assets	Million Baht	43,003	40,350	41,651	7%	3%
Total Liabilities	Million Baht	20,926	21,805	20,339	-4%	3%
Total Shareholders' Equity	Million Baht	22,077	18,545	21,312	19%	4%
Revenues from Sales	Million Baht	6,784	7,264	6,802	-7%	0%
Revenues from Sales (Exclude Impact from restructuring and other Non-Recurring items)	Million Baht	6,784	7,227	6,802	-6%	0%
Total Revenue	Million Baht	6,943	7,411	6,955	-6%	0%
Total Revenue (Exclude Impact from restructuring and other Non-Recurring items)	Million Baht	6,943	7,374	6,955	-6%	0%
EBITDA ⁽¹⁾	Million Baht	854	590	790	45%	8%
EBITDA (Exclude Impact from restructuring and other Non-Recurring items)	Million Baht	854	835	832	2%	3%
EBITDA Margin (Exclude Impact from restructuring and other Non-Recurring items)	%	13%	12%	12%		
Net Profit	Million Baht	257	-132	171	294%	50%

Financial and Operating result	Units	Q1		Q4	%YoY	%QoQ
		2024	2023	2023		
Net Profit (Exclude Impact from restructuring and other Non-Recurring items)	Million Baht	270	251	204	7%	32%
Net Profit Margin (Exclude Impact from restructuring and other Non-Recurring items) ⁽²⁾	%	4%	3%	3%		
Profit attributable to owners of the company excluding the companies which were not in the SCG Decor's restructuring and IPO plan but not yet completely transferred out	Million Baht	258	-182	146	242%	77%
Profit attributable to owners of the company	Million Baht	258	-182	146	242%	77%
Profit attributable to owners of the company (Exclude Impact from restructuring and other Non-Recurring items)	Million Baht	258	201	179	28%	44%
Profit margin which attributable to owners of the company (Exclude Impact from restructuring and other Non-Recurring items) ⁽³⁾	%	4%	3%	3%		
Return on Equity (Exclude Impact from restructuring and other Non-Recurring items) ⁽⁴⁾	%	5%	N/A	5%		
Return on Total Assets (Exclude Impact from restructuring and other Non-Recurring items) ⁽⁵⁾	%	2%	N/A	2%		
Debt to Equity ⁽⁶⁾	Times	0.95	1.18	0.95		

Remarks

- (1) EBITDA was calculated from Earnings before finance cost, tax, depreciation and amortization (excluded dividend from associates and included FX gain/loss from loans).
- (2) Net profit margin was calculated by dividing Net Profit (loss) of the year/ period by Total Revenue respectively.
- (3) 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.
- (4) Return on Equity was calculated by dividing Net Profit of the year/ period by average shareholder's equity respectively.
- (5) Return of Asset was calculated by dividing Net Profit of the year/ period by average Total Asset respectively
- (6) Debt to Equity ratio was calculated by dividing Total liability by Total shareholder equity.

- (7) Impact from restructuring for instance year-to-date performance of the companies which were not part of the Company's restructuring plan including Profit/Loss from transferring the companies out of the Company's group. Non-Recurring items for instance expenses related to the IPO

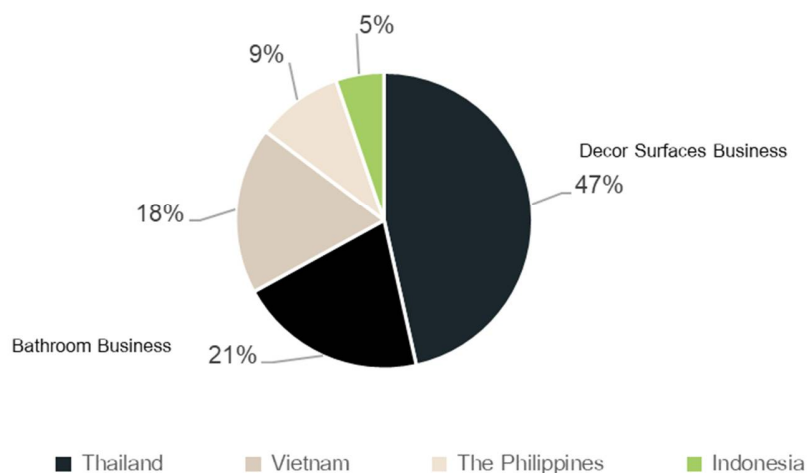
Revenues from Sales

In Q1/2024, the Company reported Revenues from Sales of 6,784 million baht. This represented a decrease of 6% compared to Revenue from Sales excluding the impact from restructuring in the same period of the previous year. The main reason for this decrease is the slow recovery in purchasing power both in Thailand and in the region. The number of newly completed houses in Thailand is still high, while Vietnam is still waiting for the approval of the new land law, which will be effective from January 1, 2025. Currently, the ministries and related government agencies in Vietnam are in the process of issuing detailed regulations to strengthen the land management reform and establish a national land database.

Apart from that, in Q1/2024, the Revenue from Sales in Thailand remained strong. However, Vietnam had a long New Year holiday (TET festival), so the company had lower sales revenue compared to the previous quarter. As for the Philippines and Indonesia, their purchasing power remains weak.

In Q1/2024, the majority of sales came from the surface decoration and other businesses, as well as the bathroom business, in Thailand. The remaining sales came from Vietnam, the Philippines, and Indonesia.

Proportion of Sales (%) in Q1/2024



EBITDA and Profit attributable to owners of the company

In Q1/2024, the Company's EBITDA was 854 million baht which represented an increase of 2% and 3% from the EBITDA excluding impact from restructuring and other Non-Recurring items in the same period last year and the previous quarter respectively as a result of the cost reduction and efficiency improvement efforts including the improved energy costs. The Company's EBITDA margin in Q1/2024 was 13% while the EBITDA margin in Q1/2023 and Q4/2023 were at 12%

Profit attributable to owners of the company in Q1/2024 was 258 million baht which increased 28% and 44% from the Profit attributable to owners of the company excluding impact from restructuring and other Non-Recurring items in the same period last year and the previous quarter respectively.



Total Assets

As of March 31, 2024, the Company had total assets of 43,003 million baht which was cash and cash equivalents, of 11,043 million baht.

Total liabilities and Shareholders' equity

As of March 31, 2024, the Company had total liabilities of 20,926 million baht which was loan bearing interest of 15,477 million baht while the Company had Shareholders' equity of 22,077 million baht which considered as Net Interest Bearing Debt to Equity ratio at 0.2 times.