



SRI TRANG GLOVES (THAILAND) PUBLIC COMPANY LIMITED

Management Discussion and Analysis 2Q24 as of 30 June 2024 | 14 August 2024

STGT

OUR VISION IS TO DELIVER 'Touch Of Life™' ON A GLOBAL SCALE

Financial Result Overview

Net profit for the first 6 months of 2024 grew by more than 2 times compared with the same period of the previous year and net profit in 2Q/2024 grew by more than 1.5 times compared with 1Q/2024 in the face of increasing raw material costs and shipping disruption that has led to substantially higher freight rates and adverse impact on exports.

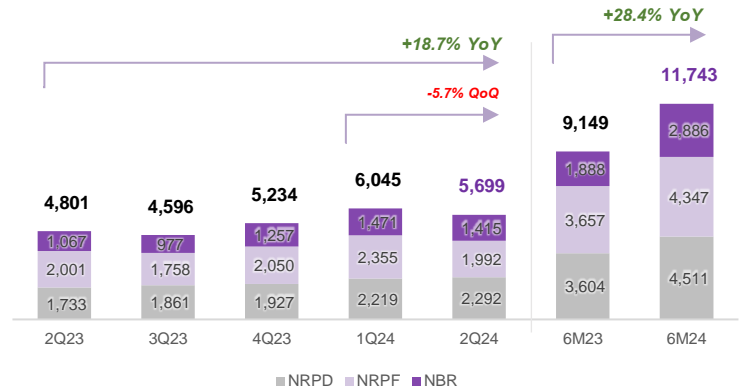
Profit & Loss Analysis

In 2Q/2024, STGT recorded a net profit of THB 378.4 million, up 157.8% QoQ and 2,393% YoY, with a net profit margin of 6.6%.

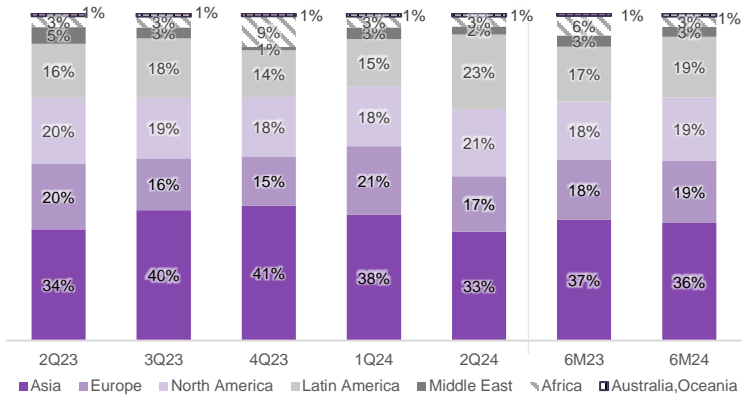
- Total revenue in 2Q/2024 amounted to THB 5,735.6 million, decreasing 5.2% QoQ but growing 13.9% YoY. 40% of sales revenue came from latex powdered gloves (NRPD), 35% from latex powder-free gloves (NRPF) and 25% from nitrile gloves (NBR).
- The ASP in 2Q/2024 was THB 676 (USD 18.50) per 1,000 pieces, increasing 9.6% QoQ and 1.3% YoY following raw material costs rise. THB depreciated 2.9% QoQ against USD. However, price competition remained as the global glove industry is gradually shaking off the oversupply.
- Sales volume in 2Q/2024 totaled 8,429 million pieces, declining 16.5% QoQ but growing 10.0% YoY. NRPD sales volume declined 14.6% QoQ but increased 13.3% YoY. NRPF sales volume declined 23.7% QoQ and 7.0% YoY. NBR sales volume decreased 9.0% QoQ but grew 34.3% YoY. The decline in sales volume can be attributed to the seaport congestion that was caused by the Red Sea Crisis, which has led to longer travel time across many routes. Freight rates have also rapidly increased, prompting customers to delay delivery. Nevertheless, we are convinced that global demand for gloves has recovered and is growing at its usual pace as inventories of major distributors across all regions have returned to normal levels.
- Utilization rate in 2Q/2024 stood at 81.3%, the second consecutive quarter that utilization rate exceeded 80% amid the oversupply of the past 2 years. Utilization rate of the first 6 months of 2024 increased over 20% compared with the same period in 2023.
- COGS in 2Q/2024 totaled THB 4,962.0 million, decreasing 10.4% QoQ alongside sales volume but increasing 9.9% YoY. NR latex costs increased 27.9% QoQ and 46.4% YoY, while NBR latex costs increased 10.5% QoQ and 1.9% YoY.
- Gross profit in 2Q/2024 totaled THB 773.6 million, increasing 51.5% QoQ and 48.3% YoY, with a gross profit margin of 13.5%, up from 8.4% in 1Q/2024 because raw material costs increased less than the ASP as a result of the sales of inventory partially carried over at lower cost from 1Q/2024, even though QoQ raw material costs increased more than the increase in ASP.



Gloves' Revenues by Product (THB million)

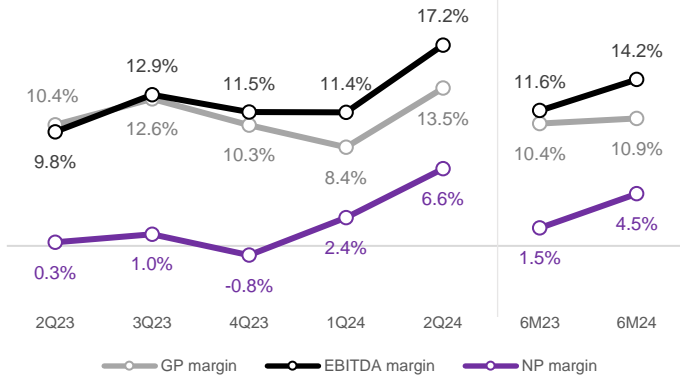


Glove's Revenues by Geography (%)

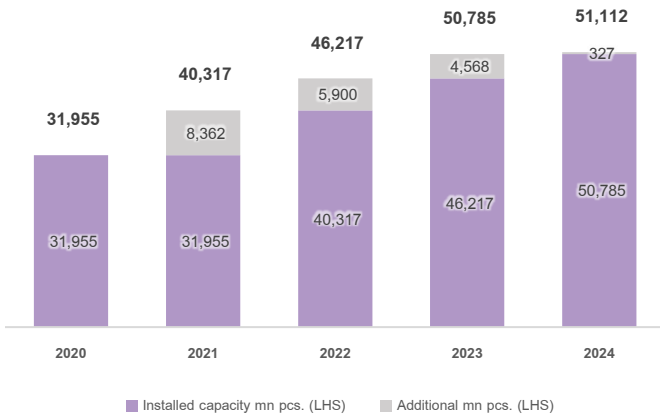


- SG&A in 2Q/2024 totaled THB 421.5 million, slightly down 0.4% QoQ but up 5.1% YoY. Selling expenses decreased QoQ because of the lower proportion of sales on CIF terms, despite an increase in freight rates and the allowance of doubtful debts, which have partially been repaid as of now. The percentage of SG&A to sales revenue increased to 7.3% in 2Q/2024 from 7.0% in 1Q/2024.
- In 2Q/2024, we recorded THB 6.8 million in gains on foreign exchange, decreasing THB 22.5 million QoQ from THB 29.4 million in 1Q/2024.
- Finance costs in 2Q/2024 totaled THB 73.3 million, increasing 1.2% QoQ because of an increase in short-term borrowing, despite the repayment of long-term borrowing. But finance costs decreased 7.0% YoY because long-term borrowing had gradually been repaid in each financial quarter.
- Tax expenses in 2Q/2024 THB 37.8 million, increasing in tandem with the pre-tax profit. The effective tax rate decreased from 11.6% in 1Q/2024 to 9.1% in 2Q/2024.
- EBITDA in 2Q/2024 totaled THB 985.4 million, increasing 42.4% QoQ and 100.4% YoY. EBITDA margin was 17.2%, up from 11.4% in 2Q/2024 and 9.8% in 2Q/2023.

Margin (%)



Installed Capacity (Million pcs.)

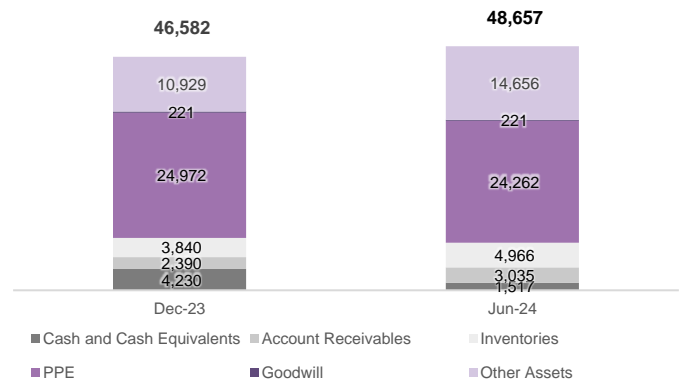


Financial Positions Analysis

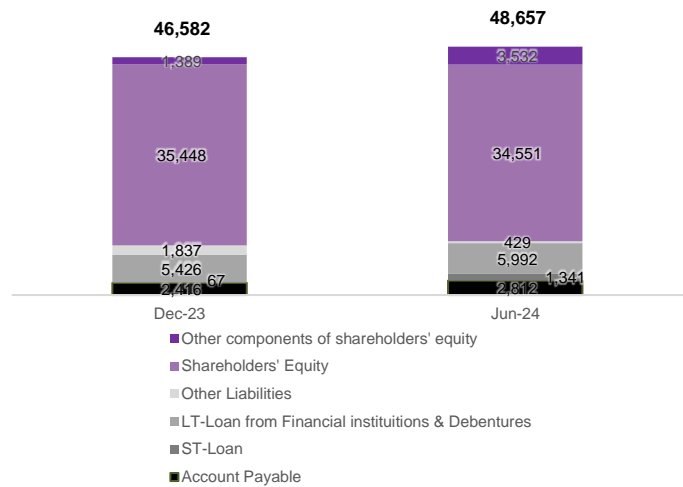
- As of 30 June 2024, total assets stood at THB 48,657.2 million, increasing 4.5% from 31 December 2023, and chiefly consisted of THB 1,517.0 million in cash, THB 4,468.3 million in current financial assets (fixed deposits of over 3 months), THB 1,289.9 million in advance payment for equity investments, THB 4,966.3 million in inventory, THB 3,035.2 million in accounts receivable, THB 7,659.3 million in non-current financial assets and THB 24,427.0 million in property, plant and equipment (PPE).
- The increase in total assets is attributable to an increase in investments and non-current financial assets. Inventory also increased because the shipping disruption affected many routes and customers delayed shipment delivery owing to higher freight rates. Accounts receivable increased in tandem with higher sales revenue and production.
- Total liabilities stood at THB 10,574.3 million, increasing 8.5% from 31 December 2023, and mainly consisted of THB 2,811.5 million in accounts payable, THB 1,341.1 million in short-term loans, THB 4,479.5 million in long-term loans under the interest rate subsidy program of the RAOT* and THB 1,512.9 million in debentures.
- Total equity stood at THB 38,082.9 million, increasing 3.4% from 31 December 2023 from net profit, the difference in the conversion of financial statements denominated in foreign currencies and profit from investments in financial assets which are recorded in other comprehensive income (OCI).

*Long-term loans for capacity expansion under the interest rate subsidy program of the Rubber Authority of Thailand (RAOT), under which up to 3% of interest rate is subsidized.

Assets (THB million)



Liabilities & Shareholders' Equity (THB million)



Cash Flows Analysis

In the first 6 months of 2024, our cash flows consisted of:

- THB 244.7 million in cash flow from operations, mainly from THB 728.0 million in operating income, an increase of THB 476.6 million in operating liabilities, THB 208.8 million in received interests, minus THB 1,695.4 million in an increase in operating assets, THB 153.9 million in interest payments and THB 8.9 million in tax expenses.
- THB 2,324.6 million in cash flow from investments, which consisted of THB 1,808.1 million in investments in financial assets including advance payment for equity investments, and THB 538.7 million in investments in PPE and non-tangible assets; and
- THB 1,110.2 million in cash flow from financing, for THB 932.6 million in short-term and long-term loan repayment and THB 1,432.5 million in dividend payment, minus THB 1,270.6 million in short-term borrowing. As a result, cash and cash equivalents as of 30 June 2024 stood at THB 2,806.8 million.

Key Financial Ratios

Interest Coverage Ratio in 2Q/2024 stood at 1.19, decreasing from 4.97 in 1Q/2024 because of a decrease in cash flow from operations.

Current Ratio as of 30 June 2024 stood at 2.32, decreasing from 3.63 as of 31 December 2023, because of a decrease in current assets, which went down because of a decrease in cash following investments in financial assets and advance payment for equity investments, offset with

an increase in inventory. Current liabilities, on the other hand, increased because of an increase in short-term borrowing, accounts payable and derivatives.

Cash Conversion Cycle in 2Q/2024 stood at 54.71 days, increasing from 44.31 days in 1Q/2024 because days inventory outstanding (DIO) increased from the average inventory that was higher than in the previous quarter, lower COGS and days sales outstanding (DSO) that increased because of higher accounts receivable and lower revenue. Days payables outstanding (DPO) increased in tandem with the proportion of raw materials with long payment terms.

Net Interest Bearing Debt to Equity "IBD" Ratio to Equity as of 30 June 2024 was 0.04, improving from (0.07)* as of 31 December 2023, largely because of an increase in short-term borrowing and a decrease long-term loans that were payable in the first 6 months of 2024, a decrease in cash that was used for investments in financial assets, advance payment for equity investments and fixed assets as well as increased dividend payment, while equity increased by 3.4%.

*Including other current financial assets of fixed deposits over than 3 months that included as short-term investment.

Business strategy

- With our unique product mix (NR/NBR), production lines that can efficiently alternate between producing NRPF and NBR gloves, and a production base in Thailand, a prime location for quality NR latex, we are well positioned to deliver high quality gloves to consumers worldwide.
- Cost-saving initiatives as such the use of automation and technology and artificial intelligence (AI) to achieve economies of scale and improve efficiency to create higher profit and return to shareholders will continue to be in our focus.

Our business strategy will focus on:

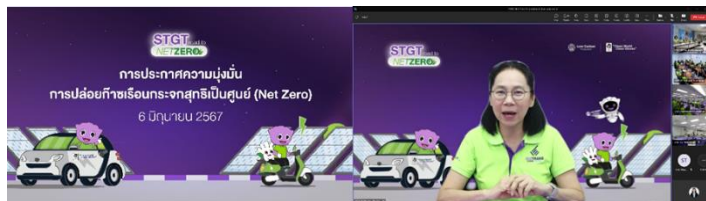
- **Maintaining our position as a leading producer and distributor of natural rubber gloves**, capitalizing on our competitive advantage over competitors in access to quality NR latex at lower costs.
- **Increasing production of specialty gloves that respond to specific customer demand**, e.g., non-detectable protein gloves, surgical gloves, diamond-textured gloves that are used in the industrial sector.
- **Expansion of margin through value-adding activities** with regard to off-grade products at our overseas subsidiaries to maximize the benefit.
- **Growing our customer base** from currently 175 countries to over 190 countries within the next 2 years.
- **Managing utilization rate and profitability** to create reasonable returns in the long run while the glove industry is going through the normalization period.
- **Improving efficiency with the use of automation and technology including AI** to minimize costs and labor.
- **Maintaining our ESG leadership** and commitment to social and environmental responsibility and corporate governance with a view to long-term growth.

We are strongly committed to environmental, social and governance issues (ESG)

STGT gives the importance to sustainable business operations throughout the business value chain with the concept of "**Clean World Clean Gloves**" which focuses on product quality, taking ESG into consideration and dealing with business and emerging risks, and determine to create business values and trust for customers, consumers, and stakeholders. STGT operates its sustainable business through "**SHARE**" Approach which is comprised of 1) Sustainability for supply chain and fair trade 2) Human rights 3) Animal welfare 4) Responsibility & sharing touch of love and 5) Environmentally friendly technologies. For 2Q/2024, STGT had significant ESG operations as the following.

Environmental

- STGT announced "Commitment to Achieving Net Zero Emissions" . This announcement aimed to communicate and promote the company's sustainability intentions to its employees, ensuring they are aware of and ready to adhere to STGT's goal of becoming a "Carbon Neutral Company" by 2030 and achieving Net Zero by 2050. Furthermore, The company's commitment in heading Net Zero Commitment has also been announced on the company's website .
- STGT is actively installing EV chargers in factories nationwide to support employees



in using clean energy and help reduce greenhouse gas emissions. The pilot installation has already been completed at the Hat Yai branch factory in Songkhla province.

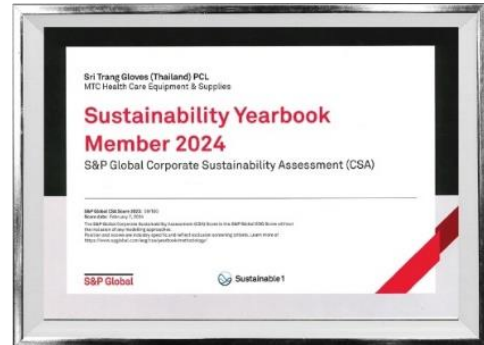


Social

- STGT, which Hat Yai and Sadao P.S. factory branches of the company have been certified with an A grade under the amfori BSCI (Business Social Compliance Initiative) standards. The Hat Yai branch has maintained an A grade for seven consecutive years, while the Sadao P.S. branch has also continued an A grade for two consecutive years. In total, five of the company's factory branches have been certified with an A grade under the amfori BSCI standards, and one newly opened factory is currently undergoing the certification process.



- STGT has been ranked as a Sustainability Yearbook Member and honored as an Industry Mover in the Healthcare Equipment & Supplies sector by the S&P Global Sustainability Yearbook 2024. This accolade underscores STGT's exceptional performance in sustainability, reflecting its unwavering commitment to conducting business sustainably. The company's vision, "Protect every TOUCH with CARE" extends globally, showcasing its dedication to sustainability.



Governance & Economic

- STGT received the prestigious "Good Person, Earth Care" award for 2024. This award was presented by the Senate Committee on Religion, Morality, Ethics, Arts, and Culture to honor organizations with exemplary principles and practices in driving and raising awareness about the importance of natural resource conservation. The ceremony was held at the Parliament Building.





2Q24 Key Financial Information (unit: million THB)

	2Q24	1Q24	%QoQ	2Q23	%YoY	6M24	6M23	%YoY
Volume (in million pcs)	8,429.2	10,091.0	-16.5%	7,659.7	10.0%	18,520.3	14,946.8	23.9%
Sales Revenue	5,735.6	6,050.4	-5.2%	5,036.9	13.9%	11,786.0	9,618.1	22.5%
COGS	(4,962.0)	(5,539.9)	-10.4%	(4,515.3)	9.9%	(10,501.9)	8,613.0)	21.9%
Gross profit	773.6	510.5	51.5%	521.7	48.3%	1,284.1	1,005.1	27.8%
Other income	39.8	29.8	33.7%	37.2	7.0%	69.5	72.9	-4.6%
SG&A	(421.5)	(423.4)	-0.4%	(555.5)	-24.1%	(844.9)	(956.7)	-11.7%
Gain (loss) on exchange rate, net	23.3	145.1	-83.9%	84.4	-72.4%	168.4	70.9	137.5%
Other gains, net	(16.5)	(115.8)	-85.7%	(94.2)	-82.5%	(132.3)	(37.7)	251.1%
Operating profit (loss)	398.7	146.3	172.6%	(6.5)	-6263.4%	544.9	154.5	252.6%
EBITDA	985.4	691.8	42.4%	491.8	100.4%	1,677.2	1,113.1	50.7%
EBIT	489.5	238.5	105.2%	75.8	545.6%	728.0	476.9	52.7%
Finance income	90.8	92.2	-1.5%	82.3	10.4%	183.1	149.7	22.3%
Finance costs	(73.3)	(72.4)	1.2%	(78.8)	-7.0%	(145.7)	(150.3)	-3.1%
EBT	416.2	166.1	150.6%	(3.0)	NM	582.3	154.0	278.3%
Tax	(37.8)	(19.3)	95.7%	18.1	NM	(57.2)	(6.4)	788.2%
Net profit	378.4	146.8	157.8%	15.2	2392.6%	525.2	147.5	256.0%
GP margin	13.5%	8.4%	5.0%	10.4%	3.1%	10.9%	10.4%	0.4%
EBITDA margin	17.2%	11.4%	5.7%	9.8%	7.4%	14.2%	11.6%	2.7%
Net profit margin	6.6%	2.4%	4.2%	0.3%	6.3%	4.5%	1.5%	2.9%
Financial Ratio								
Current ratio	2.32	3.25	-28.6%	4.10	-43.5%	2.32	4.10	-43.5%
Cash cycle (days)	54.71	44.31	23.5%	58.21	-6.0%	50.99	56.54	-9.8%
IBD/E	0.04	(0.04)	NM	0.22	-83.1%	0.04	(0.08)	NM
Interest coverage ratio	1.19	4.97	-76.0%	3.67	-67.5%	3.07	3.19	-3.5%
ROA	3.1%	1.2%	1.9%	0.1%	3.0%	2.2%	0.6%	1.6%
ROE	3.9%	1.5%	2.4%	0.2%	3.7%	2.8%	0.8%	2.0%

Sri Trang Gloves (Thailand) Public Company Limited (“STGT”) is one of the world’s largest producers of examination gloves. STGT located in strategic raw material locations in Thailand. STGT offers a wide range of high-quality examination gloves for medical and non-medical purposes including Natural Rubber Powdered (NRPD), Natural Rubber Powdered-Free (NRPF) and Nitrile Butadiene Rubber (NBR) gloves that are distributed to 175 countries worldwide. As of 30 June 2024, STGT employed around 10,900 people in all operating units worldwide including in Thailand, USA, the PRC, Singapore, Vietnam, Indonesia, and Philippines. STGT is listed on the Stock Exchange of Thailand under Consumer Products/Personal Products & Pharmaceuticals sector and on the Singapore Exchange under healthcare services and medical equipment, supplies & distribution sector. For more information, please visit www.sritranggloves.com

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