

Management Discussion and Analysis

For the Operating Results of Q3/2021



Srithai Superware Public Company Limited



SITHAI-1101/64

11 November 2021

Subject Management Discussion and Analysis for Q3/2021

Dear President
The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) wishes to report the operating results of Q3/2021 and the first 9 months of 2021 as follows:

1. Summary of Operating Results of the Group

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Q3/2021	Q3/2020	YoY		Jan -Sep 2021	Jan -Sep 2020	YoY	
			+ / (-)	%			+ / (-)	%
Sales	1,727	1,698	29	1.7%	5,422	5,168	254	4.9%
Gross Profit	185	164	21	12.8%	633	535	98	18.3%
Gross Profit (%)	10.7%	9.7%	1.1%	-	11.7%	10.4%	1.3%	-
Operating profit (loss)	8	(18)	26	144.4%	86	(24)	110	458.3%
Operating profit (loss) margin (%)	0.5%	(1.1%)	1.5%	-	1.6%	(0.5%)	2.1%	-
EBITDA*	214	179	35	19.6%	680	579	101	17.4%
EBITDA Margin (%)	12.4%	10.5%	1.8%	-	12.5%	11.2%	1.3%	-
Net profit (loss) for the period	23	(34)	57	167.6%	122	(60)	182	303.3%
Net profit (loss) on sales (%)	1.3%	(2.0%)	3.3%	-	2.3%	(1.2%)	3.4%	-
Profit (loss) attributable to equity holders of the Company	25	(31)	56	180.6%	120	(53)	173	326.4%
Earning (loss) per share (Baht)	0.009	(0.012)	0.021	-	0.044	(0.020)	0.064	-

Note:

*EBITDA excluding share of profit from investments in associates

Overall, the Group’s total operating result for Q3/2021 compared with Q3/2020 improved significantly with profit attributable to the equity holders of the Company of Baht 25 million (Q3/2020: net loss of Baht 31 million), increased by 180.6% YoY. The Group’s revenues for Q3/2021 amounted to Baht 1,727 million, an increase of Baht 29 million (+1.7%) from Q3/2020. In addition, revenues for 9M/2021 were Baht 5,422 million, an increase of Baht 254 million (+4.9%) YoY. This was primarily attributable to the improvement of industrial products from domestic operations, the recovery of exports and continued orders received, amid the impact on the operations of the Group in Thailand, Vietnam, and India from the Covid-19 pandemic.

Gross profit for Q3/2021 amounted to Baht 185 million, increased by Baht 21 million (+12.8%) YoY and gross profit margin increased from 9.7% in Q3/2020 to 10.7%. Gross profit for 9M/2021 amounted to Baht 633 million, an increase of 18.3% YoY, with gross profit margin increased from 10.4% in 9M/2020 to 11.7%. This resulted from the Group’s internal restructuring, better costs and expenses management including improvement of production efficiency,

despite the surge in price of raw materials compared with the previous year.

The Group's operating profit for Q3/2021 amounted to Baht 8 million, representing 0.5% of revenues, compared with operating loss amounting to Baht 18 million or negative 1.1% of revenues in Q3/2020. Operating profit for 9M/2021 amounting to Baht 86 million, representing 1.6% of revenues, improved from operating loss 0.5% of revenues in 9M/2020.

Earnings before interest, tax, depreciation and amortization ("EBITDA") in Q3/2021 amounted to Baht 214 million or EBITDA margin of 12.4%, increased by Baht 35 million (Q3/2020: EBITDA margin of 10.5%), and EBITDA for 9M/2021 amounting to Baht 680 million or EBITDA margin of 12.5% improved from 11.2% of 9M/2020. Profit Per Share was Baht 0.009 for Q3/2021 and Baht 0.044 for 9M/2021, an increase from a Loss Per Share of Baht 0.012 in Q3/2020 and a Loss Per Share of Baht 0.020 in 9M/2020, respectively.

2. Operating Results by Segment

Figure 1: Proportion of sales by segment in Q3/2021

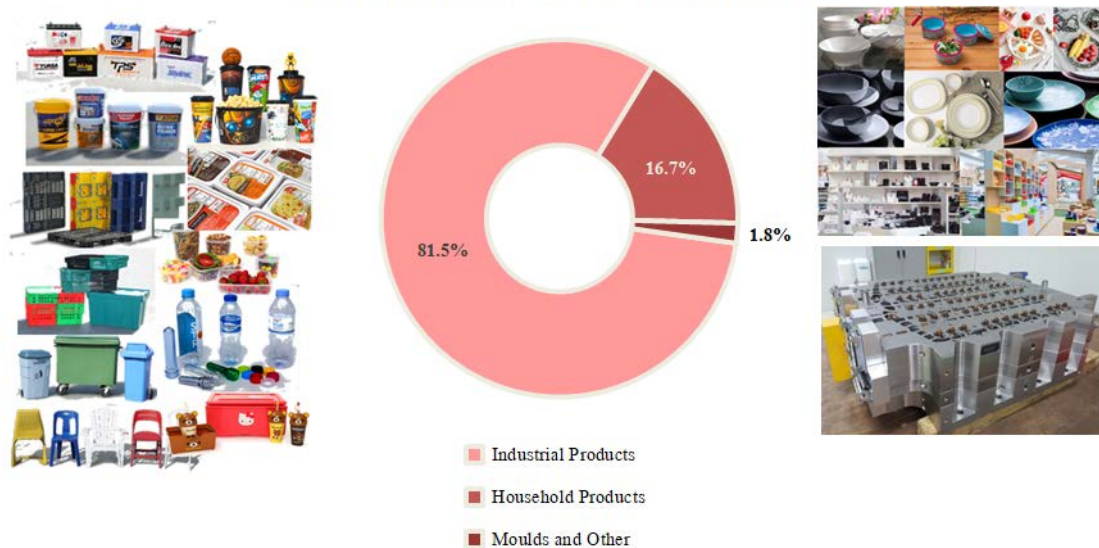
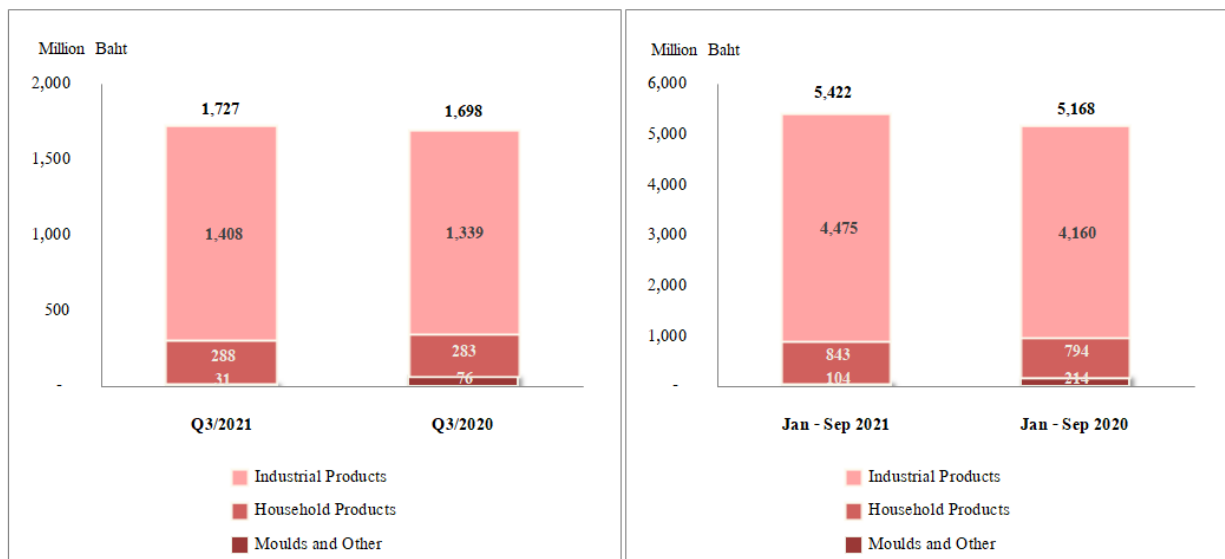


Figure 2: Sales by Segment



2.1 Plastic Business Line

2.1.1 Household Products

Table 2: Summary of Operating Results of Household Products

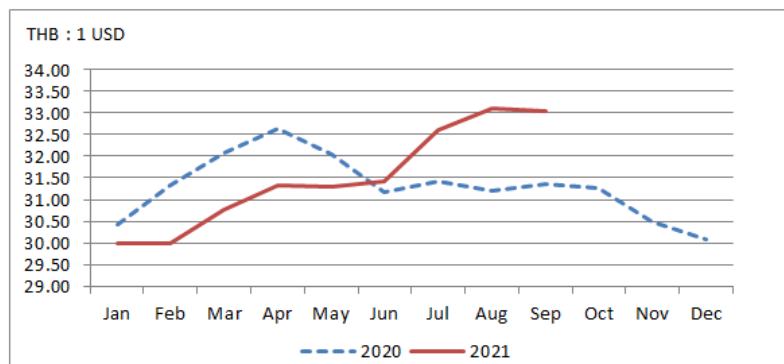
(Unit: Million Baht)	Q3/2021	Q3/2020	YoY		Jan -Sep 2021	Jan -Sep 2020	YoY	
			+ / (-)	%			+ / (-)	%
Sales	288	283	5	1.8%	843	794	49	6.2%
Domestic operations	232	216	16	7.4%	671	627	44	7.0%
Overseas operations	56	67	(11)	(16.4%)	172	167	5	3.0%
Operating profit (loss)	13	(21)	34	161.9%	14	(102)	116	113.7%
Operating profit (loss) margin (%)	4.5%	(7.4%)	11.9%	-	1.7%	(12.8%)	14.5%	-
EBITDA*	30	(2)	32	1,600.0%	65	(37)	102	275.7%
EBITDA Margin (%)	10.4%	(0.7%)	11.1%	-	7.7%	(4.7%)	12.4%	-

Note:

*EBITDA excluding other income and share of profit from investments in associates

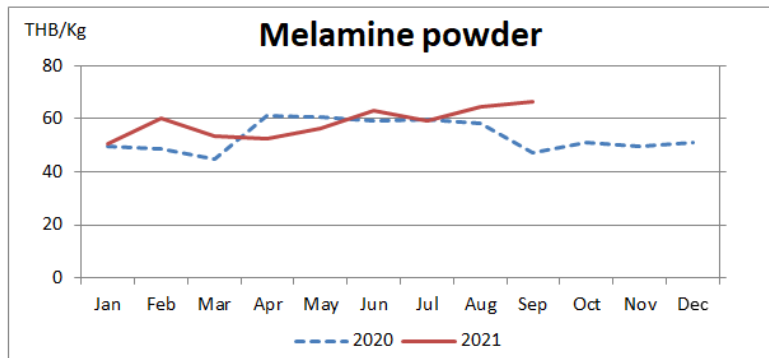
Operating results Q3/2021 vs. Q3/2020 and 9M/2021 vs. 9M/2020

- Revenues increased by Baht 5 million (+1.8%) for the quarter and increased by Baht 49 million (+6.2%) for the 9 month period. This was mainly due to the improvement in domestic operation with export sales increase, as further orders continued from Q2/2021, especially from Europe and the US markets where the Covid-19 pandemic is tapering off. The Group has also co-developed new products with the customers since the beginning of the second quarter. In addition, in Q3/2021 the Thai Baht markedly depreciated against the US dollar (as shown in Figure 3). Meanwhile, the overseas operations had lower revenue in Q3/2021 from a subsidiary in Vietnam due to the control measures of the Covid-19 second wave in southern Vietnam. Many cities were locked down and residents were banned from leaving their homes during the third quarter, resulting in the lower sales through the traditional markets and HORECA channels. Compared with the first 9 months of 2020, 9M/2021 shows the increase in revenues of subsidiaries in India with the recovery of the Covid-19 and upcoming Diwali festival.

Figure 3: Exchange rate trend (Baht per US Dollar)


Source: BOT

- EBITDA increased by Baht 32 million (+1,600.0%) for the quarter and increased by Baht 102 million (+275.7%) for the 9 month period from improved operating results, despite rising raw material prices compared with the same period last year as shown in Figure 4. In addition, as a result of the internal restructuring, the Group had better control over the operating expenses and adjusted selling prices correspondingly with rising raw material prices, turning the operating loss and negative EBITDA in the previous year into operating profit and positive EBITDA this year.

Figure 4: Price trend of main raw material from 2020


Source: The Company's research

2.1.2 Industrial Products

Table 3: Summary of Operating Results of Industrial Products

(Unit: Million Baht)	Q3/2021	Q3/2020	YoY		Jan -Sep	Jan -Sep	YoY	
			+ / (-)	%	2021	2020	+ / (-)	%
Sales	1,408	1,339	69	5.2%	4,475	4,160	315	7.6%
Domestic operations	917	871	46	5.3%	2,902	2,763	139	5.0%
Overseas operations	491	468	23	4.9%	1,573	1,397	176	12.6%
Operating profit (loss)	(4)	26	(30)	(115.4%)	84	82	2	2.4%
Operating profit (loss) margin (%)	(0.3%)	1.9%	(2.2%)	-	1.9%	2.0%	(0.1%)	-
EBITDA*	141	177	(36)	(20.3%)	517	541	(24)	(4.4%)
EBITDA Margin (%)	10.0%	13.2%	(3.2%)	-	11.6%	13.0%	(1.5%)	-

Note:

*EBITDA excluding other income and share of profit from investments in associates

Operating results Q3/2021 vs. Q3/2020 and 9M/2021 vs. 9M/2020

- Revenues increased by Baht 69 million (+5.2%) for the quarter and increased by Baht 315 million (+7.6%) for the 9 month period from Industrial products of domestic operations, as follows:

- Material handling equipment such as pallets and containers: orders from customers increased especially pallet export due to the manufacturing issues in neighboring countries, while container orders came from the automotive makers and retailers.
- Garbage bins: orders received from the government for red bins used for infectious waste increased consistently.

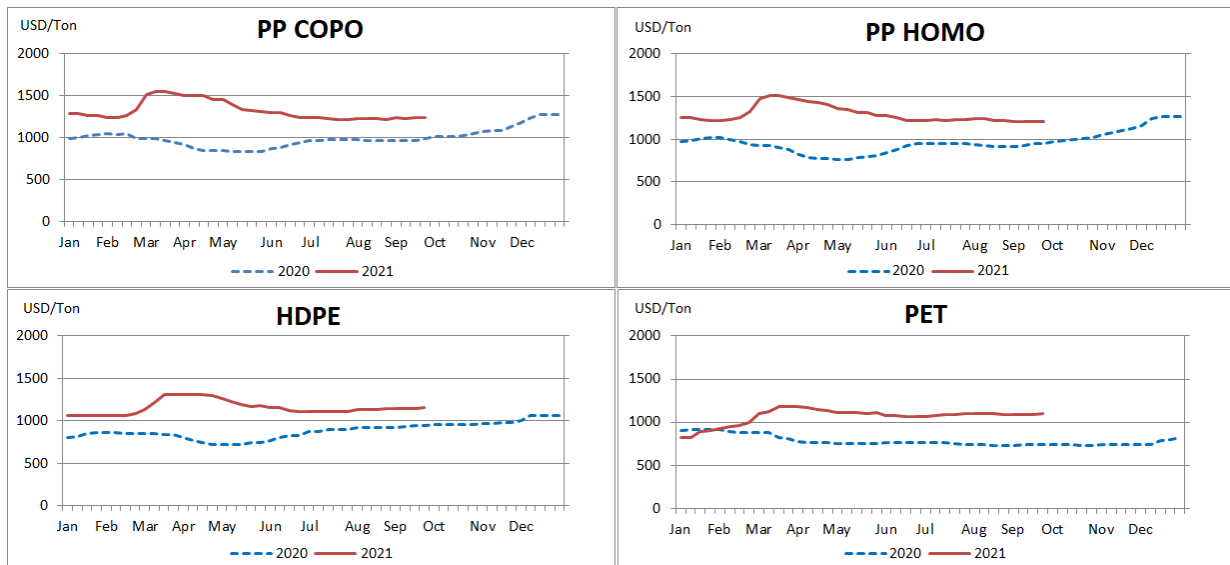
- Food packaging: sales increased in line with the gaining popularity of food delivery services.

For the beverage packaging products, sales increased from the previous year due to the expansion of new local customer bases and more exports as well as the new product orders of a subsidiary in northern Vietnam. Meanwhile, a subsidiary in southern Vietnam had been heavily hit by the Covid-19 pandemic, many cities were locked down and residents were temporarily banned from leaving their homes, affecting to the transportation and delivery of goods.

In Q3/2021, raw material prices remained relatively high compared with the previous year (shown in Figure 5).

Each type of raw materials is used to produce the following products.

Figure 5: Price trend of main raw materials from 2020



Source: ICIS

- PP COPO for paint pails, containers, and battery cases
- PP HOMO for furniture
- HDPE for pallets, garbage bins, crates, and closures
- PET for preform

- EBITDA decreased by Baht 36 million (-20.3%) for the quarter and decreased by Baht 24 million (-4.4%) for the 9 month period mainly from the operating result of a subsidiary in southern Vietnam which had been heavily affected by the government's outbreak control measures. In addition, there were increasing costs and expenses associated with hard lockdown of staff living and working in the factory under the Bubble & Seal measures and regular screening and testing of Covid-19 for employees.

2.2 Moulds and Others Business Line

Table 4: Summary of Operating Results of Moulds and Others Business Line

(Unit: Million Baht)	Q3/2021	Q3/2020	YoY		Jan -Sep 2021	Jan -Sep 2020	YoY	
			+ / (-)	%			+ / (-)	%
Sales	31	76	(45)	(59.2%)	104	214	(110)	(51.4%)
Moulds	31	76	(45)	(59.2%)	104	214	(110)	(51.4%)
Operating profit (loss)	(1)	(22)	21	95.5%	(12)	(4)	(8)	(200.0%)
Operating profit (loss) margin (%)	(3.2%)	(28.9%)	25.7%	-	(11.5%)	(1.9%)	(9.7%)	-
EBITDA*	1	(19)	20	105.3%	(3)	4	(7)	(175.0%)
EBITDA Margin (%)	3.2%	(25.0%)	28.2%	-	(2.9%)	1.9%	(4.8%)	-

Note:

*EBITDA excluding other income and share of profit from investments in associates

Operating results Q3/2021 vs. Q3/2020 and 9M/2021 vs. 9M/2020

- Revenues decreased by Baht 45 million (-59.2%) for the quarter and decreased by Baht 110 million (-51.4%) for the 9 month period due to the delay in delivery of moulds by domestic subsidiaries, as the automotive manufacturers temporarily ceased their operation last year, resulting in orders for moulds production were reduced, leading to the decrease in delivery and recognition of revenues this year. As the automotive industry started to recover, the orders have returned this year and expected to deliver to customers by the end of this year and next year.
- EBITDA increased by Baht 20 million (+105.3%) for the quarter and decreased by Baht 7 million (-175.0%) for the 9 month period due to the better cost control management. However, most sales in this year came from the electrical appliances and other small moulds which generated low profit margin, causing a decrease in the 9 month period performance compared with the previous year.

3. Financial Position

Table 5: Key items in Statement of financial position

(Unit: Million Baht)	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20	Increase (Decrease)
Cash and cash equivalents	668	827	718	583	85
Trade receivables	1,376	1,483	1,541	1,330	46
Inventories	1,138	1,062	906	860	278
Property, plant and equipment	3,740	3,665	3,724	3,782	(42)
Total assets*	8,032	8,158	7,950	7,659	373
Trade payables	821	1,052	995	798	23
Short-term loans	1,208	1,603	1,579	1,646	(438)
Long-term loans	1,075	738	715	734	341
Total liabilities*	3,915	4,168	4,040	3,866	49
Total shareholders' equity*	4,117	3,990	3,910	3,793	324

Note:

*Total lines extracted from Statements of Financial Position

As at 30 September 2021, compared with the end of 2020, the Group had total assets of Baht 8,032 million, an increase of Baht 373 million, which comprised the following key items:

- Cash and cash equivalents amounted to Baht 668 million, increased by Baht 85 million.
- Trade receivables amounted to Baht 1,376 million, increased by Baht 46 million, especially from receivables of beverage packaging products in line with an increase in sales of a subsidiary in northern Vietnam.
- Inventories amounted to Baht 1,138 million, increased by Baht 278 million, from stocking both raw materials in order to mitigate the impact of elevated raw material prices, and finished goods to support orders received from customers.
- Property, Plant and Equipment amounted to Baht 3,740 million, decreased by Baht 42 million due mainly to depreciation netted with the fixed assets acquisition.

Total liabilities amounted to Baht 3,915 million, increased by Baht 49 million which comprised the key items as follows:

- Trade payables amounted to Baht 821 million, increased by Baht 23 million from the increase in purchase orders of raw materials of subsidiary in northern Vietnam in order to support the production volumes and sales orders.
- Total loans amounted to Baht 2,283 million, decreased by Baht 97 million from converting short-term loans into long-term loans of Baht 400 million to increase the liquidity and reduce risks as well as partial repayment of loans. As a result, short-term loans decreased by Baht 438 million and long-term loans increased by Baht 341 million.

Total shareholders' equity amounted to Baht 4,117 million, increased by Baht 324 million, deriving from the improvement in operating profit.

4. Cash flow

The Group had an increase in cash and cash equivalents by Baht 101 million, consisting of:

➤ Cash flow from operating activities amounted to Baht 474 million, decreased from prior year mainly due to the increase in operating assets especially for inventories.

➤ Cash flow used in investment activities amounted to Baht 218 million, increased from prior year due to the investment in fixed assets and lower dividend received.

➤ Cash flow used in financing activities amounted to Baht 155 million, lower than the prior year due to the decrease in scheduled principal repayment of long term loans.

As at 30 September 2021, the Group had available unused credit facilities totaling more than Baht 3 billion comprising overdraft facilities, working capital and long term loan credit lines.

Table 6: Cash flow statement

(Unit: Million Baht)	9 months	9 months
	2021	2020
Net cash flows from operating activities	474	888
Net cash flows used in investing activities	(218)	(209)
Net cash flows used in financing activities	(155)	(386)
Net increase (decrease) in cash and cash equivalents	101	293

5. Key Financial Ratios

Table 7: Key Financial Ratios

Description	Unit	Q3/2021	Q3/2020	Jan -Sep 2021	Jan -Sep 2020
Liquidity Ratio					
Current Ratio	Times	1.2	1.0	1.2	1.0
Working Capital Ratios					
Collection Period	Days	71.7	70.7	68.5	69.7
Inventory Turnover Period	Days	66.4	55.1	64.2	54.7
Payment Period	Days	47.9	43.2	46.3	42.9
Cash Cycle	Days	90.2	82.6	86.4	81.5
Profitability Ratios					
Return on Equity	%	0.6	(0.9)	3.0	(1.5)
Return on Operating Assets	%	0.6	(0.8)	3.1	(1.4)
Financial Structure Ratios					
Debt to Equity	Times	1.0	1.0	1.0	1.0
Net Interest Bearing Debt to Equity	Times	0.4	0.5	0.4	0.5

Note:

Current Ratio	=	Total current assets / Total current liabilities
Collection Period	=	Trade receivables / Sales x average period days
Inventory Turnover Period	=	Inventories / Cost of sales x average period days
Payment Period	=	Trade payables / Cost of sales x average period days
Cash Cycle	=	Collection Period + Inventory Turnover Period - Payment Period
Return on Equity	=	Net profit for the period / Total shareholders' equity x 100
Return on Operating Assets	=	Net profit for the period / Property, plant and equipment, Intangible assets and Right-of-use assets x 100
Debt to Equity	=	Total debt / Total shareholders' equity
Net Interest Bearing Debt to Equity	=	Interest Bearing Debt net - (cash and cash equivalents + short-term investments) / Total shareholders' equity

6. Sustainability Management

The Company places great importance on the sustainability of our business operations by adhering to transparent, fair and verifiable business operations for the benefit of our partners, suppliers, customers, employees, shareholders, communities and all stakeholders. With regard to the environmental dimension, the Company has participated in the organization's carbon footprint projects which give management direction and guidelines to reduce greenhouse gas emissions effectively, and received the certificate from the Thailand Greenhouse Gas Management Organization (Public Organization) in this quarter. The Company also operates in the collaboration with partners through waste segregation projects, the recycling of PET bottles projects, as well as the production of products from recycled materials for environment. On the social dimension, during this Covid-19 pandemic, the Company has cooperated with the Bangkok Metropolitan Administration to establish a Community Isolation Center of the Rasburana District Office at the Company's warehouse to support and serve Covid-19 patients with 200 beds. This corresponds with our business practices which emphasize social responsibility and promote good corporate governance, transparency, verification and taking the interest of all stakeholders into consideration. As such, the Company has received 5-star award or scoring of "Excellent" in the corporate governance assessment (CGR) for six consecutive years (2016-2021) from the Thai Institute of Directors (IOD).

Please be informed accordingly.

Yours faithfully,

Srithai Superware Public Company Limited

Chaiwat Kulphattaravanich

Director and Company Secretary

Company Secretary Office



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