

Management Discussion and Analysis

For the Operating Results of 2021



Srithai Superware Public Company Limited



SITHAI-0201/65

22 February 2022

Subject Management Discussion and Analysis for 2021

Dear President
The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) wishes to report the operating results of 2021 as follows:

1. Summary of Operating Results of the Group

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Jan -Dec	Jan -Dec	YoY	
	2021	2020	+ / (-)	%
Sales	7,510	6,873	637	9.3%
Gross Profit	927	714	213	29.8%
Gross Profit (%)	12.3%	10.4%	2.0%	-
Operating profit (loss)	157	(44)	201	456.8%
Operating profit (loss) margin (%)	2.1%	(0.6%)	2.7%	-
EBITDA*	926	745	181	24.3%
EBITDA Margin (%)	12.3%	10.8%	1.5%	-
Net profit (loss) for the period	183	(100)	283	283.0%
Net profit (loss) on sales (%)	2.4%	(1.5%)	3.9%	-
Profit (loss) attributable to equity holders of the Company	181	(92)	273	296.7%
Earning (loss) per share (Baht)	0.067	(0.034)	0.101	-

Note:

*EBITDA excluding share of profit from investments in associates

This year, the Group’s total operating result improved significantly compared with last year, net profit attributable to the equity holders of the Company of Baht recorded 181 million (2020: net loss of Baht 92 million), increased by 296.7% YoY. The Group’s revenues also increased by Baht 637 million (+9.3%) to Baht 7,510 million from last year. This was primarily attributable to sales improvement in industrial and household products from both domestic and overseas operations, the recovery of exports and economic activities & events as well as further easing of Covid-19 measures in Vietnam and India backing 4th quarter performance. As a result, income of the Group increased.

Gross profit for 2021 amounted to Baht 927 million, increased by Baht 213 million (+29.8%) YoY and gross profit margin increased from 10.4% in 2020 to 12.3%. This resulted from the Group’s internal restructuring, better costs and expenses management including raw material procurement planning and improvement of production efficiency, despite the surge in price of raw materials compared with the previous year.

The Group's operating profit for 2021 amounted to Baht 157 million, representing 2.1% of revenues, compared with operating loss amounting to Baht 44 million or negative 0.6% of revenues in 2020.

Earnings before interest, tax, depreciation and amortization ("EBITDA") in 2021 amounted to Baht 926 million or EBITDA margin of 12.3%, increased by Baht 181 million (+24.3%) YoY (2020: EBITDA margin of 10.8%). Profit Per Share was Baht 0.067 for 2021, an increase from a Loss Per Share of Baht 0.034 in 2020.

2. Operating Results by Segment

Figure 1: Proportion of sales by segment in 2021

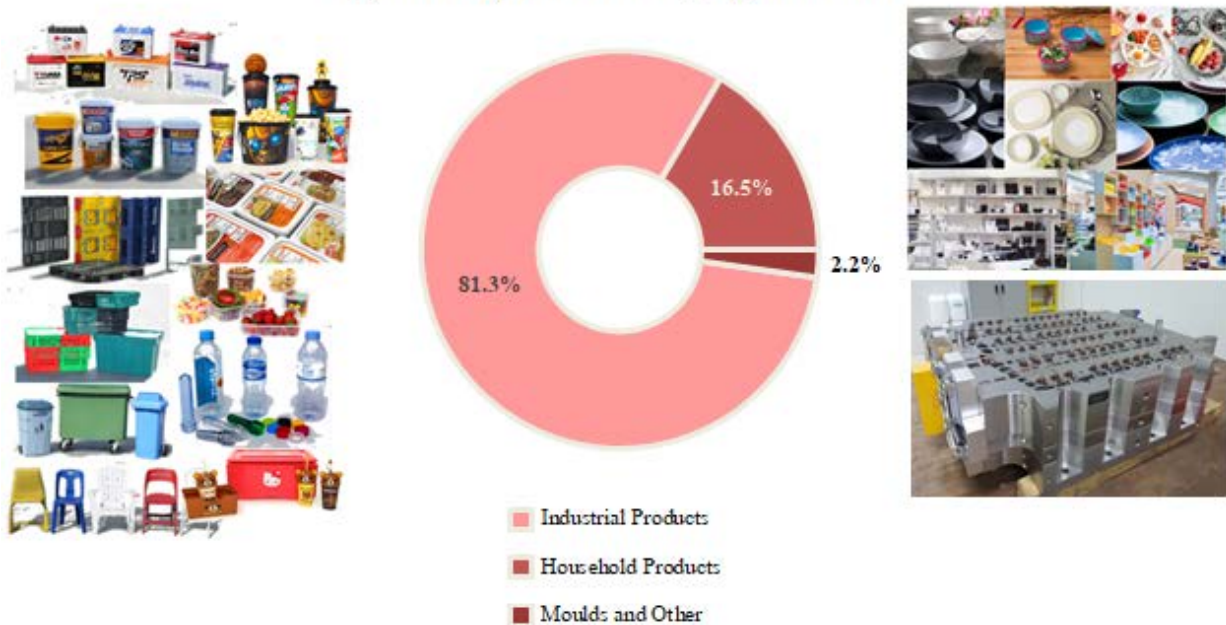
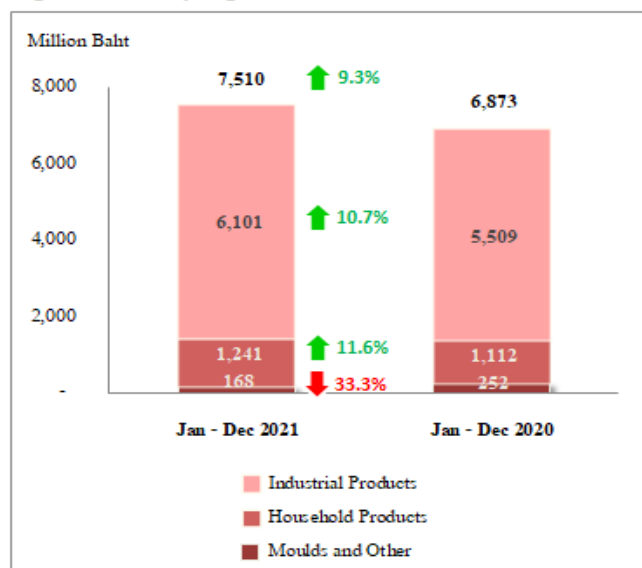


Figure 2: Sales by Segment



2.1 Plastic Business Line

2.1.1 Household Products

Table 2: Summary of Operating Results of Household Products

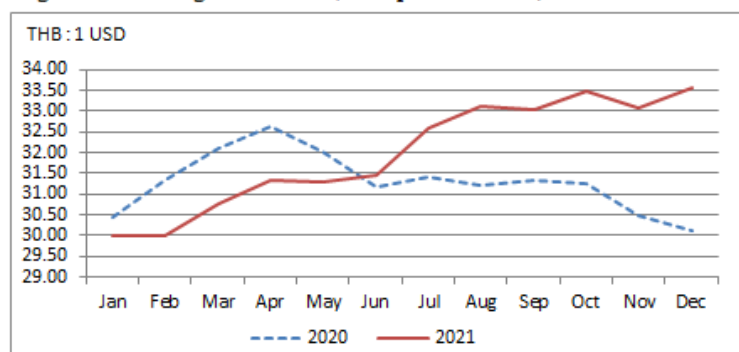
(Unit: Million Baht)	Jan -Dec	Jan -Dec	YoY	
	2021	2020	+ / (-)	%
Sales	1,241	1,112	129	11.6%
Domestic operations	963	887	76	8.6%
Overseas operations	278	225	53	23.6%
Operating profit (loss)	57	(101)	158	156.4%
Operating profit (loss) margin (%)	4.6%	(9.1%)	13.7%	-
EBITDA*	125	(18)	143	794.4%
EBITDA Margin (%)	10.1%	(1.6%)	11.7%	-

Note:

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

Operating results 2021 vs. 2020

- Revenues increased by Baht 129 million (+11.6%) from both domestic and overseas operations. The export sales of domestic operation increased from the recovery of overseas markets after the improved Covid-19 situation. New products were launched by the end of the year for European customers following the co-development with certain customers since the beginning of the second quarter. The shortage of containers along with increase of transportation costs and raw materials had an impact on certain foreign competitors not being able to deliver goods, which as a result gave us an advantage for customers in the US market. In addition, the Thai Baht markedly depreciated against the US dollar since the second half of the year (as shown in Figure 3). Domestic sales through wholesale channel improved after the new melamine container law became effective late last year, causing a decrease in imported non-standard products and raising customers' awareness on container safety. Meanwhile, sales through direct sales and retail channels decreased from the previous year due to the Covid-19 situation, as marketing events were stopped, coupled with a contraction of purchasing power of consumers.

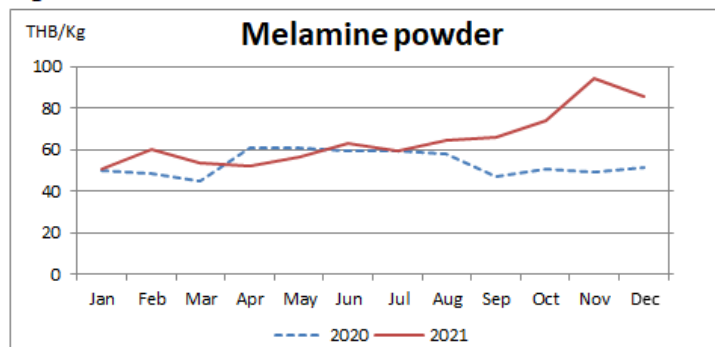
Figure 3: Exchange rate trend (Baht per US Dollar)


Source: BOT

The overseas operations had higher revenue in 2021 mainly from subsidiaries in India due to the relaxed Covid-19 situation compared with last year. Sales from HORECA and modern trade grew after the easing lockdown. More consumer spending during the Diwali festival contributed to more sales. Meanwhile, sales of a subsidiary in Vietnam decreased from the previous year 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. However, the outbreak in Vietnam continued to taper off in Q4/2021, resulted in the increase in Q4 sales for new products through modern trade channel.

- EBITDA increased by Baht 143 million (+794.4%) from improved operating results, despite rising raw material prices compared with the last year as shown in Figure 4. During the year, the Group had managed and ensured sufficient raw materials for future orders to mitigate the impact of continued rising prices, in addition to adjusted selling prices correspondingly with rising raw material prices. Furthermore, as a result of internal restructuring, apart from improving production process to reduce waste, the Group had better control over the operating expenses, 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)	Jan -Dec	Jan -Dec	YoY	
	2021	2020	+ / (-)	%
Sales	6,101	5,509	592	10.7%
Domestic operations	3,939	3,717	222	6.0%
Overseas operations	2,162	1,792	370	20.6%
Operating profit (loss)	111	90	21	23.3%
Operating profit (loss) margin (%)	1.8%	1.6%	0.2%	-
EBITDA*	680	698	(18)	(2.6%)
EBITDA Margin (%)	11.1%	12.7%	(1.5%)	-

Note:

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

Operating results 2021 vs. 2020

- Revenues increased by Baht 592 million (+10.7%) from

Sales of Industrial products of domestic operations increased, as follows:

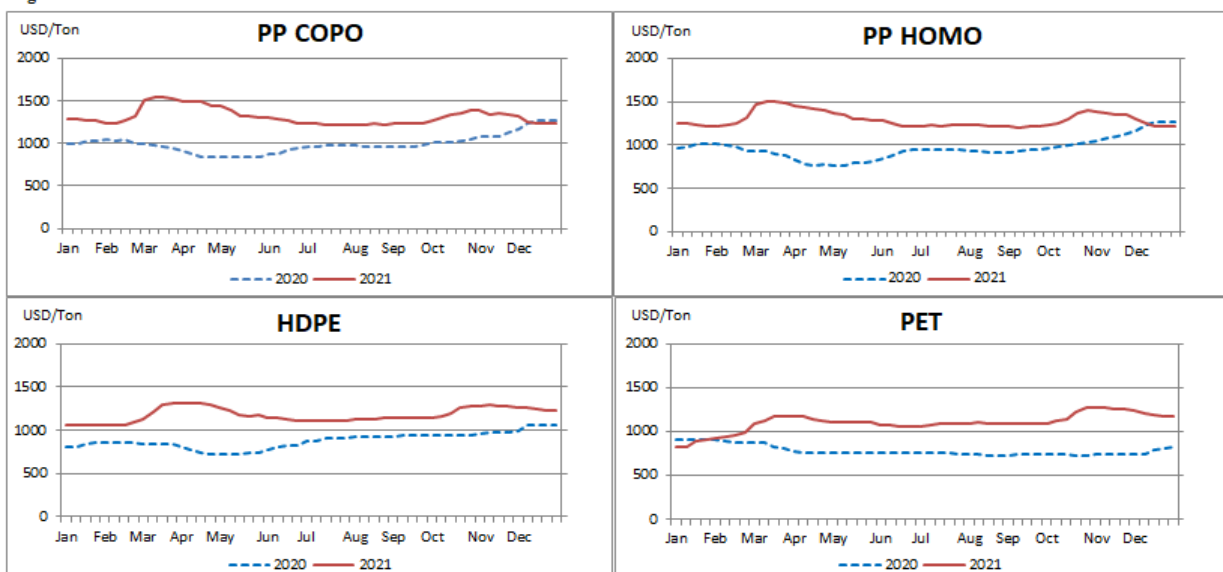
- Material handling equipment such as pallets and containers: orders from customers increased especially pallet export due to the manufacturing issues in neighboring countries, while container orders came from the automotive makers and retailers.
- Battery cases: orders from customers increased in line with the recovery of the automotive industry.
- Garbage bins: orders received from the government for red bins used for infectious waste.
- Food packaging: sales increased in line with the gaining popularity of food delivery services.

Sales of Industrial products of overseas operation increased from crates, pallets, pails, and battery cases products due to the expansion of customer bases and markets, the growth of Vietnam’s economy in the real estate business, automotive business, and retail business which are constantly expanding.

For the beverage packaging products, sales of domestic and overseas operations increased from the previous year due to the expansion of new local customer bases and more exports together with developing and presenting new innovative products in response to future environmental conservation trends as well as the adjustment of selling prices in line with rising raw material prices.

In 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 18 million (-2.6%) mainly from the operating result of a subsidiary in southern Vietnam which had been heavily affected by the government's outbreak control measures. 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. On the contrary, the performance of the domestic operation improved due to the improvement of the production process and better cost control, amid higher cost of raw materials.

2.2 Moulds and Others Business Line

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

(Unit: Million Baht)	Jan -Dec	Jan -Dec	YoY	
	2021	2020	+ / (-)	%
Sales	168	252	(84)	(33.3%)
Moulds	168	252	(84)	(33.3%)
Operating profit (loss)	(11)	(33)	22	66.7%
Operating profit (loss) margin (%)	(6.5%)	(13.1%)	6.5%	-
EBITDA*	0	(22)	22	100.0%
EBITDA Margin (%)	0.0%	(8.7%)	8.7%	-

Note:

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

Operating results 2021 vs. 2020

- Revenues decreased by Baht 84 million (-33.3%) due to the delay in delivery of moulds by domestic subsidiaries, as the automotive manufacturers temporarily ceased their operation last year, resulting in orders the reduction of moulds production, leading to the decrease in delivery and recognition of revenues this year. As the automotive industry started to recover, most orders returned.
- EBITDA increased by Baht 22 million (+100.0%) due to the better cost control management.

3. Financial Position

Table 5: Key items in Statement of financial position

(Unit: Million Baht)	31 Dec 2021	31 Dec 2020	Increase (Decrease)
Cash and cash equivalents	672	583	89
Trade receivables	1,540	1,330	210
Inventories	1,107	860	247
Property, plant and equipment	3,651	3,782	(131)
Total assets*	8,046	7,659	387
Trade payables	962	798	164
Short-term loans	1,187	1,646	(459)
Long-term loans	1,059	734	325
Total liabilities*	3,903	3,866	37
Total shareholders' equity*	4,143	3,793	350

Note:

*Total lines extracted from Statements of Financial Position

As at 31 December 2021, compared with the end of 2020, the Group had total assets of Baht 8,046 million, an increase of Baht 387 million, which comprised the following key items:

- Cash and cash equivalents amounted to Baht 672 million, increased by Baht 89 million.
- Trade receivables amounted to Baht 1,540 million, increased by Baht 210 million, especially from receivables of beverage packaging products in line with an increase in sales of subsidiaries in Vietnam.
- Inventories amounted to Baht 1,107 million, increased by Baht 247 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 3,651 million, decreased by Baht 131 million due mainly to depreciation netted with the fixed assets acquisition.

Total liabilities amounted to Baht 3,903 million, increased by Baht 37 million which comprised the key items as follows:

- Trade payables amounted to Baht 962 million, increased by Baht 164 million from the increase in purchase orders of raw materials of the Group in order to support the production volumes and sales orders.
- Total loans amounted to Baht 2,246 million, decreased by Baht 134 million from converting short-term loans into long-term loans of Baht 400 million to increase the liquidity and reduce risks, and more borrowing net of partial repayment of loans. As a result, short-term loans decreased by Baht 459 million and long-term loans increased by Baht 325 million.

Total shareholders' equity showed Baht 4,143 million, increased by Baht 350 million, deriving from the improvement in operating profit.

4. Cash flow

The Group had an increase in cash and cash equivalents by Baht 105 million, consisting of:

➤ Cash flow from operating activities amounted to Baht 622 million, decreased from prior year mainly due to the increase in operating

assets especially for inventories as a result of the stocking raw material and finished goods, and trade receivables in line with the increase in sales.

➤ Cash flow used in investment activities amounted to Baht 325 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 192 million, lower than the prior year due to the decrease in scheduled principal repayment, with small increase in long term loans.

As at 31 December 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)	12 months	12 months	Change
	2021	2020	
Net cash flows from operating activities	622	1,064	(442)
Net cash flows used in investing activities	(325)	(284)	(41)
Net cash flows used in financing activities	(192)	(494)	302
Net increase (decrease) in cash and cash equivalents	105	286	(181)

5. Key Financial Ratios

Table 7: Key Financial Ratios

Description	Unit	Jan -Dec	Jan -Dec
		2021	2020
Liquidity Ratio			
Current Ratio	Times	1.2	1.0
Working Capital Ratios			
Collection Period	Days	73.8	69.7
Inventory Turnover Period	Days	60.6	50.3
Payment Period	Days	52.6	46.6
Cash Cycle	Days	81.8	73.3
Profitability Ratios			
Return on Equity	%	4.4	(2.6)
Return on Operating Assets	%	4.7	(2.5)
Financial Structure Ratios			
Debt to Equity	Times	0.9	1.0
Net Interest Bearing Debt to Equity	Times	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 2021. 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

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