

25 February 2021

Subject Management Discussion and Analysis for 2020

Dear President

The Stock Exchange of Thailand

With respect to the financial statements for 2020 which has been audited by the external auditor, considered by the Audit Committee, and approved by the Company's Board of Directors on 25 February 2021, the Company wishes to report as follows:

1. Summary of Operating Results of the Group

The Group's total operating result for the year 2020 compared with year 2019 improved significantly with lower loss. Revenues amounted to Baht 6,873 million, decreased by Baht 1,973 million or 22.3% YoY from Baht 8,846 million due mainly to the Covid-19 pandemic, which directly affected on the performance of the Group.

Gross profit amounted to Baht 714 million, dropped by Baht 50 million or 6.5% YoY while gross profit margin

increased from 8.6% to 10.4%. Increase in gross profit margin resulted from the Group's restructuring, the reduction of costs and expenses, the improvement of production efficiency, and the reduction of personnel matched with lower production utilization. The Group's operating loss amounting to Baht 44 million represents negative 0.6% of revenues, compared with operating loss of 2.1% of revenues in 2019.

Earnings before interest, tax, depreciation and amortization ("EBITDA") in 2020 amounted to Baht 745 million or EBITDA margin of 10.8%, increased by Baht 122 million. In 2020, the Group had a net loss of Baht 100 million (Year 2019: net loss of Baht 212 million) with a loss attributable to the equity holders of the Company being Baht 92 million (Year 2019: loss of Baht 215 million). This represents a Loss Per Share of Baht 0.034, a decrease from a Loss Per Share of

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	2020	2019	% YoY	
			+ / (-)	%
Revenues	6,873	8,846	(1,973)	(22.3%)
Gross Profit	714	764	(50)	(6.5%)
Gross Profit (%)	10.4%	8.6%	1.8%	20.3%
Operating profit (loss)	(44)	(190)	146	76.8%
Operating profit (loss) margin (%)	(0.6%)	(2.1%)	1.5%	70.2%
EBITDA*	745	623	122	19.6%
EBITDA Margin (%)	10.8%	7.0%	3.8%	53.9%
Net profit (loss) for the period	(100)	(212)	112	52.8%
Net profit (loss) on sales (%)	(1.5%)	(2.4%)	0.9%	39.3%
Profit (loss) attributable to equity holders of the Company	(92)	(215)	123	57.2%
Earning (loss) per share (Baht)	(0.034)	(0.079)	0.045	57.0%

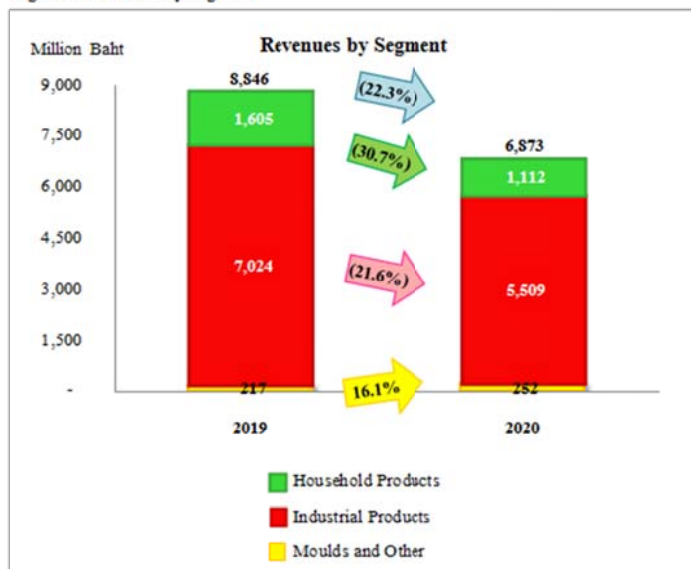
Note:

*EBITDA excluding share of profit from investments in associates

Baht 0.079 in 2019.

2. Operating Results by Segment

Figure 1: Revenues by Segment



2.1 Plastic Business Line

2.1.1 Household Products

Revenues of Household Products in 2020 amounted to Baht 1,112 million, decreased 30.7% YoY, which can be summarized according to the following operating business bases:

➤ Domestic operations

Domestic sales significantly dropped from the devastating effect of Covid-19 pandemic, more business shutdowns led to

layoffs and unemployment, and high household debt problems. These reduced purchasing power of consumers and customers. In addition, export sales were also directly affected by the global spread of Covid-19. The export recovery in Q4/2020 was slow following returning waves of Covid-19 pandemic and impositions of targeted lockdowns in various key trading partner countries, particularly in Europe and the US. The Thai Baht depreciated against the US Dollar in 2020 compared with last year, but tended to appreciate at the end of the year as can be seen from the movement of the

Table 2: Summary of Operating Results of Household Products

(Unit: Million Baht)	2020	2019	% YoY	
			+ / (-)	%
Revenues	1,112	1,605	(493)	(30.7%)
Domestic operations	887	1,252	(365)	(29.2%)
Overseas operations	225	353	(128)	(36.3%)
Operating profit (loss)	(101)	(126)	25	19.8%
Operating profit (loss) margin (%)	(9.1%)	(7.9%)	(1.2%)	(15.7%)
EBITDA*	(18)	(40)	22	55.0%
EBITDA Margin (%)	(1.6%)	(2.5%)	0.9%	35.0%

Note:

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

Baht/USD (shown in Figure 2). All of these resulted in the decrease in overall domestic and export sales compared with last year.

Figure 2: Exchange rate trend Baht per US Dollar



Source: <https://tradingeconomics.com/thailand/currency>

➤ Overseas operations

Revenues from subsidiaries both in Vietnam and India decreased from 2019 due to the Covid-19 pandemic which affected to distributors and wholesalers in traditional trade groups, and Modern Trade channels. Especially in India where the number of people infected is still high, resulting in a drop in marketing activities and drop in sales.

The decrease in revenues of Household Products led to the operating loss in 2020 amounting to Baht 101 million, a decrease of the loss compared with 2019 with operating loss amounting to Baht 126 million, but operating loss margin increased from 7.9% to 9.1%. EBITDA margin was negative 1.6% lower than negative 2.5% in 2019. The subsidiaries in India hurt by the lockdown. The production had to be stopped during lockdown, whereas other fixed costs were incurred. However, the Group has the better control of operating expenses from the business restructuring. The partial business transfer of production line for wholesale and export distribution channels of household products business unit to a subsidiary with the aim to centralize the main production base of the household products business unit in Thailand (under a single company) has improved efficiency in management. Selling and administrative expenses decreased from diminishing export expenses, the closure of a number of non-profitable branches of direct sales business, the staff cost reduction, and unnecessary costs and expenses cutting. As a result, the EBITDA margin improved and the loss reduced.

2.1.2 Industrial Products

Revenues of Industrial Products in 2020 amounted to Baht 5,509 million, decreasing 21.6% YoY. It can be summarized according to the following operating business bases:

➤ Domestic operations

Revenues decreased from 2019 mainly due to both industrial and beverage packaging products. The Covid-19

Table 3: Summary of Operating Results of Industrial Products

(Unit: Million Baht)	2020	2019	% YoY	
			+ / (-)	%
Revenues	5,509	7,024	(1,515)	(21.6%)
Domestic operations	3,717	4,786	(1,069)	(22.3%)
Overseas operations	1,792	2,238	(446)	(19.9%)
Operating profit (loss)	90	(32)	122	381.3%
Operating profit (loss) margin (%)	1.6%	(0.5%)	2.1%	458.6%
EBITDA*	698	628	70	11.1%
EBITDA Margin (%)	12.7%	8.9%	3.7%	41.7%

Note:

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

pandemic has caused the drop in sales of the following industrial products:

- Battery cases and automotive parts products sales decreased from supply chain disruption. Shortage of main raw material parts from manufacturers located in Covid-19 outbreak countries put a halt to production lines and resulted in temporary factories closures. It also significantly decreased in Q2/2020 as the automakers in Thailand announced more holidays during the long weekend in order to reduce labor costs, and the slowdown in the automotive industry.
- Food packaging products made for the cinema business suffered by Covid-19 resulting in the decrease in sales. On the contrary, sales of food boxes surged.
- Garbage bins sales decreased from the delay of government spending as well as the reduced budget for garbage bins.
- Furniture sales decreased from the slowdown in ordering.
- Paint pails sales decreased during Q2/2020 with tightened Covid-19 controls, and sales rebounded in the second half of 2020 after more easing of disease control measures.
- Pallets, containers, and crates sales were comparable to the previous year. Although the orders were delayed from customers in the second and third quarters, sales quickly recovered in the last quarter which more disease control measures were relaxed.

Sales of beverage packaging products declined due to the economic slowdown, no event activities, unemployment and low purchasing power of consumers. These make people cautious in their spending, and resulted in lower consumption.

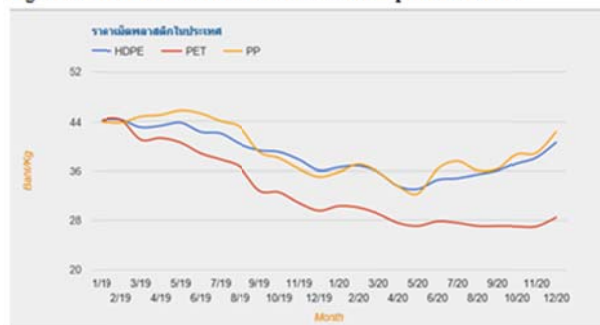
➤ Overseas operations

Revenues decreased from 2019 mainly due to the beverage packaging products of the subsidiaries in Vietnam. This was affected by the Covid-19 pandemic as well as the selling prices adjustment in line with the decrease in raw material price. However, sales of other industrial products increased from last year since a new motorcycle production company in

Vietnam began its operation, resulting in the increase in sales of battery cases. Real estate business was growing in Vietnam, resulting in more paint pails sales. In addition, orders for shopping basket containers from modern trade and super market stores increased.

Although, revenues of Industrial Products decreased, operating profit increased. The operating profit in 2020 accounted for 1.6%, increasing from operating loss 0.5% in 2019. EBITDA margin accounted for 12.7%, which increased from 8.9% in 2019 due to lower raw material prices compared with the previous year (shown in Figure 3) and the improvement of production efficiency. In addition, the selling and administrative expenses dropped because of the reduction of sales and promotion expenses and personnel expenses. As a result, operating profit increased from the previous year.

Figure 3: Trend of main raw materials historical price from 2019



Source: <http://plastic.oie.go.th/>

2.2 Moulds and Others Business Line

Revenues of the Moulds and Others Business Line in 2020 amounted to Baht 252 million, increasing 16.1% YoY due to the delivery of moulds by the subsidiaries. While there were no sales from Network Business as it became part of direct sales business at the end of 2019.

Operating loss of Moulds and Others Business Line amounted to Baht 33 million,

and operating loss margin accounted for 13.1%, which loss decreased from operating loss margin of 14.7% in 2019. EBITDA margin was negative 8.7%, which loss decreased from negative 8.8% in 2019 due to the lower gross profit from the adjustment of the selling price to compete in the market, although the personnel expenses decreased from the previous year.

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

(Unit: Million Baht)	2020	2019	% YoY	
			+/(−)	%
Revenues	252	217	35	16.1%
Moulds	252	210	42	20.0%
Others	0	7	(7)	(100.0%)
Operating profit (loss)	(33)	(32)	(1)	(3.1%)
Operating profit (loss) margin (%)	(13.1%)	(14.7%)	1.7%	11.2%
EBITDA*	(22)	(19)	(3)	(15.8%)
EBITDA Margin (%)	(8.7%)	(8.8%)	0.0%	0.3%

Note:

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

3. Financial Position

As at 31 December 2020, compared with the end of 2019, the Group had total assets of Baht 7,659 million, a decrease of Baht 813 million, which comprised the following key items:

➤ Trade receivables amounted to Baht 1,330 million, decreased by Baht 407 million from close monitoring of debt collection and corresponding with the decrease in sales.

➤ Inventories amounted to Baht 860 million, decreased by Baht 317 million, due to the established policy of production based on orders received from

customers, in order to reduce stocks and clear excess inventories of the Group to increase liquidity and working capital, together with the delivery of moulds of subsidiaries.

➤ Property, Plant and Equipment amounted to Baht 3,782 million, decreased by Baht 403 million due mainly to depreciation and amortization. While subsidiaries in Vietnam invested in additional machinery in order to expand the market.

Total liabilities amounted to Baht 3,866 million, decreased by Baht 660 million which comprised the key items as follows:

➤ Trade payable amounted to Baht 798 million, decreased by Baht 118 million from the management of supply chain with the policy to issue purchase orders when needed.

➤ Total loans amounted to Baht 2,380 million, decreased by Baht 470 million, consisted of the decrease in short-term loans by Baht 57 million and the decrease in long-term loans by Baht 413 million due principally to repayment of long term loans as scheduled.

Total shareholders' equity amounted to Baht 3,793 million, decreased by Baht 153 million, deriving from operating loss as well as the impact of changes in accounting policies from adoption of financial reporting standards for financial instruments.

Table 5: Key items in Statement of financial position

(Unit: Million Baht)	31 Dec 20	31 Dec 19	Increase (Decrease)
Trade receivables	1,330	1,737	(407)
Inventories	860	1,177	(317)
Property, plant and equipment	3,782	4,185	(403)
Total assets*	7,659	8,472	(813)
Trade payables	798	916	(118)
Short-term loans	1,646	1,703	(57)
Long-term loans	734	1,147	(413)
Total liabilities*	3,866	4,526	(660)
Total shareholders' equity*	3,793	3,946	(153)

Note:

*Total lines extracted from Statements of Financial Position

4. Cash flow

The Group had an increase in cash and cash equivalents by Baht 286 million, consisting of:

➤ Cash flow from operating activities amounted to Baht 1,064 million lower than last year mainly from the decrease in trade

receivables and inventories, the payment of employee benefits, and the decrease in trade payables and other payables due to the policy to control raw material orders.

➤ Cash flow used in investment activities amounted to Baht 284 million, increased from prior year due to additional purchase of fixed assets to increase production capacity of subsidiaries in Vietnam.

➤ Cash flow used in financing activities amounted to Baht 494 million, lower than prior year due to reduced principal repayment of long term loans as scheduled and additional drawdown of long term loans by subsidiaries in Vietnam, as well as short term loan by a local subsidiary for further working capital.

As at 31 December 2020, the Group still had available unused credit facilities totaling more than Baht 4 billion comprising overdraft facilities, working capital and long term loan credit lines. As such, the Group had sufficient cash flow for its operations.

Table 6: Cash flow statement

(Unit: Million Baht)	12 months	12 months
	2020	2019
Net cash flows from operating activities	1,064	1,330
Net cash flows used in investing activities	(284)	(120)
Net cash flows used in financing activities	(494)	(1,301)
Net increase (decrease) in cash and cash equivalents	286	(91)

5. Key Financial Ratios

Liquidity Ratio

Liquidity ratio as at the end of 2020 accounted for 1.0 time, relatively comparable with that in 2019 being 1.0 time. This is due to the policy on collection of trade receivables and the release of aged inventories. Simultaneously, the interest-bearing debt decreased together with the extension of payment terms with trade payables helped increase the liquidity of the Group.

Table 7: Key Financial Ratios

Description	Unit	2020	2019
Liquidity Ratio			
Current Ratio	Times	1.0	1.0
Working Capital Ratios			
Collection Period	Days	69.7	70.7
Inventory Turnover Period	Days	50.3	52.4
Payment Period	Days	46.6	40.8
Cash Cycle	Days	73.3	82.3
Profitability Ratios			
Return on Equity	%	(2.6)	(5.4)
Return on Operating Assets	%	(2.5)	(5.0)
Financial Structure Ratios			
Debt to Equity	Times	1.0	1.1
Net Interest Bearing Debt to Equity	Times	0.5	0.6

Working Capital Ratios

Cash Cycle as at the end of 2020 was 73.3 days, significantly improved from the end of 2019 being 82.3 days due to:

- The average number of days for Trade Receivables equaled to 69.7 days, improved from 70.7 days of 2019. This is due to the decrease in trade receivables in higher proportion than the decrease in sales.
- The average number of days for Inventories equaled to 50.3 days, improved from 52.4 days of 2019. This is due to the management of storing raw materials and finished goods as needed and the delivery of goods.
- The average number of days for Trade Payables equaled to 46.6 days, increased from 40.8 days of 2019. This is due to the extension of payment terms with certain suppliers to strengthen the Company's liquidity and the control of purchase orders issuance.

Profitability Ratios

- Return on Equity, as at the end of 2020 was a loss of 2.6%, lower loss compared with 2019 being loss 5.4%.
- Return on Operating Assets, as at the end of 2020 was a loss of 2.5%, lower loss compared with 2019 being loss 5.0%, while operating assets decreased mainly from depreciation and amortization.

Financial Structure Ratios

- The Group had Debt to Equity ratio as at the end of 2020 of 1.0 time, decreased from 1.1 times of 2019. This is due to an overall decrease in debts especially interest-bearing debts mainly from the scheduled repayment of long term loans, while the shareholders' equity decreased in lower portion.
- Net interest bearing debts to equity of the Group at the end of 2020 was 0.5 times, decreased from 0.6 times of 2019, as a result of the decrease of interest-bearing debts in higher proportion than the decrease in shareholders' equity.

6. Business outlook in the year 2021

6.1 Plastic Business Line

Household Products

Thailand's economy for 2021 has been forecast to have risks affected by Covid-19 which depends on the containment of the disease, the Covid-19 vaccination in Thailand, and various easing measures issued to support all the sectors to recover gradually and further drive the economy. The Group expects both domestic and export sales of domestic operations in 2021 to increase under the improved Covid-19 situation and more easing measures coupled with more efficient management which will result in better profits.

For overseas operations, Vietnam is one of the countries with better economies than other Asian countries, having more investment in infrastructure and growth in the service sector. While the economy in India will begin to gradually recover. Therefore, it is expected that sales and profits for overseas businesses will improve with the expansion of

customer base and the launch of new products.

Industrial Products

Sales of Beverage packaging products in 2021 are forecast to increase compared with year 2020 due to the expansion of the market into the bottled water market along with the launch of new products to meet the increase in number of customers. For operations in Vietnam, there will be more investments in machinery and moulds to support more orders following the continued economic expansion. In addition, the adjustment in selling prices of the products in line with the rising trend of raw material prices will enlarge sales.

Sales of other product groups of domestic and overseas operations, categorized by product groups, are forecast as follows:

- Food packaging products sales in 2021 are expected to increase from single-use food packaging due to the growth of take away channel for food businesses. In addition, the Company plans to develop new products with innovation to meet the use of processed food manufacturers.
- Pail and furniture products sales in 2021 will grow up in Vietnam due to the expansion of its economy and new projects.
- Pallets, containers, and crates products sales in 2021 are expected to increase from aggressive market expansion.

6.2 Moulds and Others Business Line

Sales of moulds in 2021 are expected to increase from 2020, because the Group has continuously monitored to deliver moulds to the customers and expanded the customer bases of moulds, apart from the automotive industry.

In summary, the continued implementation of organizational restructuring, the consolidation of certain job functions as well as the closure of unprofitable branches of Direct Sales have all contributed to the Group's cost savings. External factors particularly Covid-19 since the beginning of the year, may cause significant drop in sales. However, the Group has closely monitored this situation, and adjusted the strategies to accommodate and minimize various impacts, while controlling costs and expenses and focusing on liquidity and working capital management, and cash flow including supply chain management. This resulted in the improvement of the performance of 2020. Simultaneously, the Company is looking for new business opportunities to enhance the Company's potential and growth in the future. The Company believes that it will have a better prospect in 2021.

Please be informed accordingly.

Yours faithfully,

Srithai Superware Public Company Limited

Chaiwat Kulphattaravanich

Director and Company Secretary