



Management Discussion and Analysis For the Operating Results of Q3/2022

SRITHAI SUPERWARE PUBLIC COMPANY LIMITED

SITHAI-1101/65

7 November 2022

Subject Management Discussion and Analysis for Q3/2022

Dear President

The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) wishes to report the operating results of Q3/2022 as follows:

1. Summary of Operating Results of the Group

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Q2/2022	Q3/2022	Q3/2021	QoQ		YoY		9 months	9 months	YoY	
				+/(−)	%	+/(−)	%	2022	2021	+/(−)	%
Sales	2,438	2,416	1,727	(22)	(0.9%)	689	39.9%	6,988	5,422	1,566	28.9%
Gross Profit	313	341	185	28	8.9%	156	84.3%	933	633	300	47.4%
Gross Profit (%)	12.8%	14.1%	10.7%	1.3%	-	3.4%	-	13.4%	11.7%	1.7%	-
Operating profit (loss)	103	129	8	26	25.2%	121	1,512.5%	314	86	228	265.1%
Operating profit (loss) margin (%)	4.2%	5.3%	0.5%	1.1%	-	4.9%	-	4.5%	1.6%	2.9%	-
EBITDA*	289	325	214	36	12.5%	111	51.9%	877	680	197	29.0%
EBITDA Margin (%)	11.9%	13.5%	12.4%	1.6%	-	1.1%	-	12.6%	12.5%	0.0%	-
Net profit (loss) for the period	99	129	23	30	30.3%	106	460.9%	301	122	179	146.7%
Net profit (loss) on sales (%)	4.1%	5.3%	1.3%	1.3%	-	4.0%	-	4.3%	2.3%	2.1%	-
Profit (loss) attributable to equity holders of the Company	103	120	25	17	16.5%	95	380.0%	293	120	173	144.2%
Earning (loss) per share (Baht)	0.038	0.044	0.009	0.006	-	0.035	-	0.108	0.035	0.073	-

Note:

*EBITDA excluding share of profit from investments in associates

In Q3/2022, the Group’s total operating result has steadily improved from Q2/2022 and markedly outstanding compared with the same period of last year. Sales of Baht 2,416 million in Q3/2022 increased by Baht 689 million (+39.9%) YoY despite a small decrease by Baht 22 million (-0.9%) QoQ. This was mainly attributable to the sales growth of industrial products particularly beverage packaging products and household products in Vietnam, as Vietnam’s economy has quickly recovered from COVID-19 pandemic, while Q3/2021 one of the subsidiaries in Vietnam faced temporary lockdown impacting on its revenue and higher administrative expenses.

Gross profit in Q3/2022 amounted to Baht 341 million, increased by Baht 156 million (+84.3%) YoY and Baht 28 million (+8.9%) QoQ. Gross profit margin of 14.1% increased from 10.7% in Q3/2021 and 12.8% in Q2/2022 due to higher utilization, production process improvement as well as lower raw material prices.

Operating profit in Q3/2022 amounted to Baht 129 million, representing 5.3% of sales, compared with Baht 8 million or 0.5% of sales in Q3/2021 and Baht 103 million or 4.2% of sales in Q2/2022. Management and control of costs and expenses led to improved operating profit.

Earnings before interest, tax, depreciation and amortization (“EBITDA”) in Q3/2022 amounted to Baht 325

million, increased from Baht 214 million in Q3/2021 and Baht 289 million in Q2/2022. EBITDA margin of 13.5% increased from 12.4% in Q3/2021, and 11.9% in Q2/2022. Profit attributable to the equity holders of the Company increased to Baht 120 million from Baht 25 million in Q3/2021 (+380.0% YoY), and from Baht 103 million in Q2/2022 (+16.5% QoQ). Profit Per Share was Baht 0.044 in Q3/2022, an increase from a Profit Per Share of Baht 0.009 in Q3/2021 and an increase from a Profit Per Share of Baht 0.038 in Q2/2022, respectively.

2. Operating Results by Segment

Figure 1: Proportion of sales by segment in Q3/2022

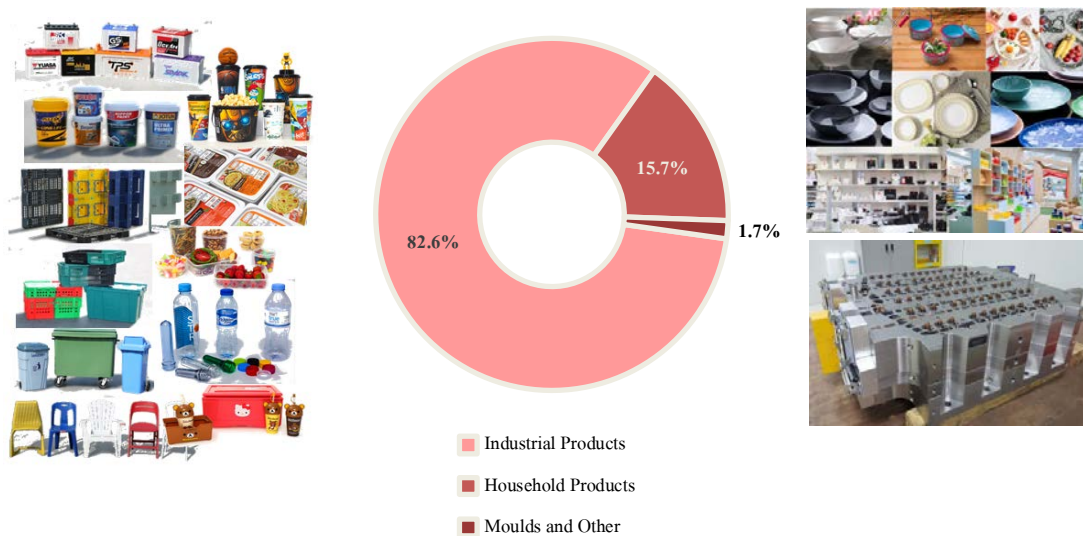
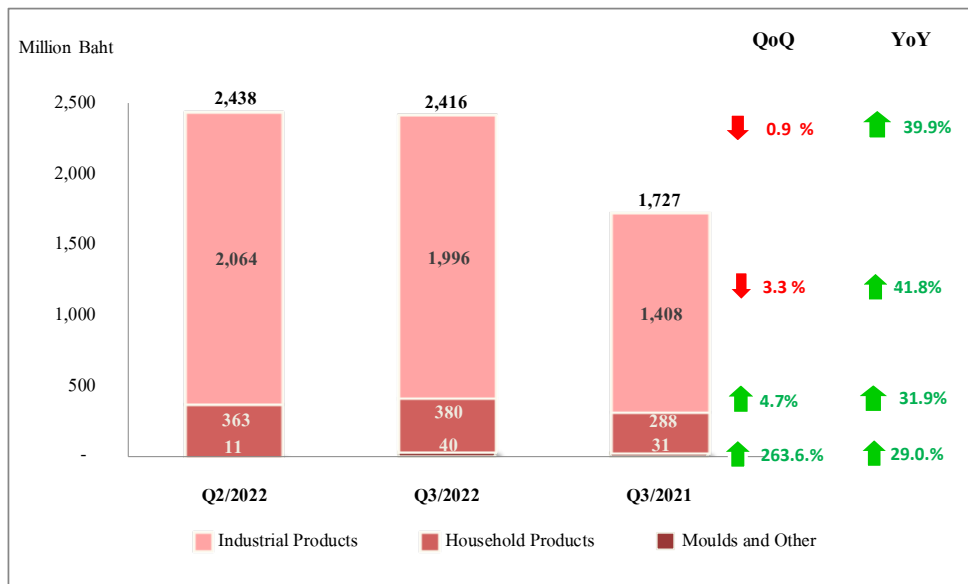


Figure 2: Sales by Segment



2.1 Household Products

Table 2: Summary of Operating Results of Household Products

(Unit: Million Baht)	Q2/2022	Q3/2022	Q3/2021	QoQ		YoY		9 months 2022	9 months 2021	YoY	
				+ / (-)	%	+ / (-)	%			+ / (-)	%
Sales	363	380	288	17	4.7%	92	31.9%	1,043	843	200	23.7%
Domestic operations	243	241	232	(2)	(0.8%)	9	3.9%	699	671	28	4.2%
Overseas operations	120	139	56	19	15.8%	83	148.2%	344	172	172	100.0%
Operating profit (loss)	41	51	13	10	24.4%	38	292.3%	116	14	102	728.6%
Operating profit (loss) margin (%)	11.3%	13.4%	4.5%	2.1%	-	8.9%	-	11.1%	1.7%	9.5%	-
EBITDA*	57	68	30	11	19.3%	38	126.7%	165	65	100	153.8%
EBITDA Margin (%)	15.7%	17.9%	10.4%	2.2%	-	7.5%	-	15.8%	7.7%	8.1%	-

Note:

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

Operating results Q3/2022 vs. Q3/2021

- Overall sales increased by Baht 92 million (+31.9%) mainly from overseas operations both subsidiaries in Vietnam and India. Vietnam's economy has quickly rebounded backed by tourism after improved Covid-19 situation and resilient economic activities led by trade, consumption and tourism. Traditional trade via wholesale and retail channels increased in line with the market demand, while sales from modern trade and HORECA channels increased after Covid-19 restrictions were removed and returned to normal, resulting in more spending and consumption. In addition, the subsidiary received a large number of new orders from private sector for several events. Sales of Indian operation also increased due to improved Covid-19 situation, a launch of new products in the market as well as more orders in preparation for the upcoming Diwali festival. Simultaneously, sales from domestic operations increased slightly from domestic sales through modern trade channel. Export sales began to decline despite the depreciation of the Thai Baht against the US dollar since the end of last year (as shown in Figure 3) due mainly to the world's economic slowdown affected by rising energy costs, interest rates and inflation, compared with Q3/2021 a domestic subsidiary receiving higher orders than usual from the relaxed lockdown in the US and many countries in the world.

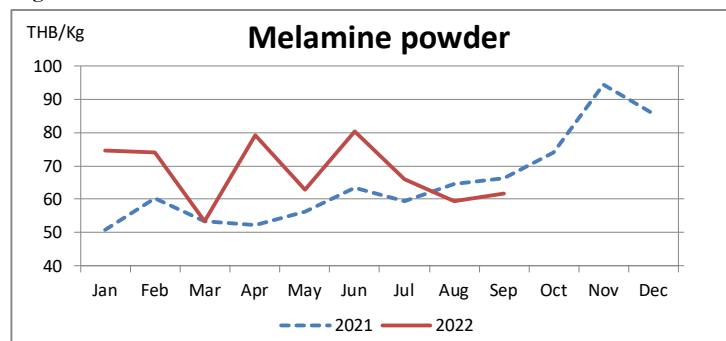
Figure 3: Exchange rate trend (Baht per US Dollar)



Source: REUTERS

- EBITDA increased by Baht 38 million (+126.7%) from improved operating results. The raw material prices were volatile but lower compared with last year as shown in Figure 4, as the Group had adjusted selling prices to be in line with raw material price increase since the previous year, along with further sourcing of raw materials from domestic producers, and managing raw materials sufficiently for future orders, in addition to improved production process to reduce waste and better control over the operating expenses. All of these resulted in improved operating profit and higher EBITDA compared with the previous year.

Figure 4: Price trend of main raw material since 2021



Source: The Company's research

Operating results Q3/2022 vs. Q2/2022

- Sales increased by Baht 17 million (+4.7%) mainly from overseas operations particularly from the subsidiary in India in the preparation for the upcoming Diwali festival, and from the subsidiary in Vietnam with the recovery of consumption, trade and tourism.
- EBITDA increased by Baht 11 million (+19.3%) from improved operating results. This was due to the decline in raw material prices compared with the previous quarter, coupled with tighter control of operating expenses and sharp Thai Baht depreciation, resulted in higher operating profit and EBITDA compared with Q2/2022.

2.2 Industrial Products

Table 3: Summary of Operating Results of Industrial Products

(Unit: Million Baht)	Q2/2022	Q3/2022	Q3/2021	QoQ		YoY		9 months 2022	9 months 2021	YoY	
				+ / (-)	%	+ / (-)	%			+ / (-)	%
Sales	2,064	1,996	1,408	(68)	(3.3%)	588	41.8%	5,860	4,475	1,385	30.9%
Domestic operations	1,122	1,092	917	(30)	(2.7%)	175	19.1%	3,335	2,902	433	14.9%
Overseas operations	942	904	491	(38)	(4.0%)	413	84.1%	2,525	1,573	952	60.5%
Operating profit (loss)	69	82	(4)	13	18.8%	86	2,150.0%	215	84	131	156.0%
Operating profit (loss) margin (%)	3.3%	4.1%	(0.3%)	0.8%	-	4.4%	-	3.7%	1.9%	1.8%	-
EBITDA*	205	220	141	15	7.3%	79	56.0%	629	517	112	21.7%
EBITDA Margin (%)	9.9%	11.0%	10.0%	1.1%	-	1.0%	-	10.7%	11.6%	(0.8%)	-

Note:

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

Operating results Q3/2022 vs. Q3/2021

- Sales increased by Baht 588 million (+41.8%) from

Beverage Packaging Products:

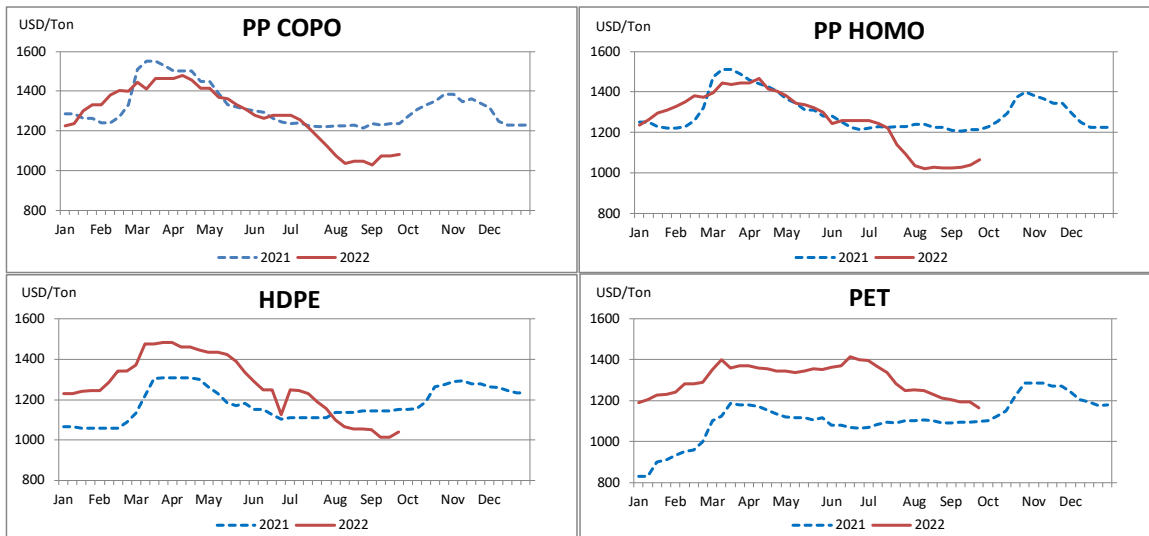
- Domestic operation: sales increased from the relaxation of outbreak control measures, the measures to reopen the country for international tourism, and the recovery of restaurants, shops and service businesses. Beverage customers also organized marketing campaigns to boost sales and more exports to overseas countries, resulted in the increase in sales.
- Overseas operation: sales increased from the economic recovery of Vietnam and a return to normal. Moreover, a new product was launched, compared with Q3/2021 the operation in the south of Vietnam was temporarily shut down under the strict Covid-19 outbreak control measures.

Industrial Plastic Products:

- Domestic operation:
 - Food packaging: sales increased from new products for movie theaters, while frozen food and beverage manufacturers arranged promotional activities to stimulate sales after restrictions of Covid-19 situation were removed.
 - Pails increased from more orders in line with the higher construction activities than last year.
 - Automotive parts of subsidiaries: orders from customers increased due to the recovery of the automotive industry.
- Overseas operation: sales increased from paint pails, battery cases, and containers products in response to the growth of Vietnam's economy in the real estates, automotive, and retail sectors, while in Q3/2021 the operation in south of Vietnam was temporarily shut down under the strict Covid-19 outbreak control measures.

In Q3/2022, when compared with last year, the raw material prices had declined, particularly HDPE, PP COPO and PP HOMO, while PET remained higher. The main raw material prices have tended to decline in Q3/2022 (shown in Figure 5).

Figure 5: Price trend of main raw materials since 2021



Source: ICIS

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

- 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 increased by Baht 79 million (+56.0%) mainly from the operating result of subsidiaries in Vietnam. The operating profit margin increased due to the efficient capacity utilization, the better cost control, and the advantage from declining price of raw materials.

Operating results Q3/2022 vs. Q2/2022

● Sales decreased by Baht 68 million (-3.3%) mainly from both domestic and overseas operations especially the beverage packaging products of the Company due to the rainy season and more unusual raining and flooding in many areas in Thailand this year. The sales of industrial plastic products of a subsidiary in Vietnam also decreased due to the rainy season affecting the slowdown in the construction sector as well as a decline in sales of pail products.

● EBITDA increased by Baht 15 million (+7.3%) mainly from the improvement in operating result of the Group, as a result of the decline of raw material prices and better expenses control.

3. Financial Position

Unit: Million Baht

Cash and cash equivalents	591	1,148	672	962	Trade Payables
Trade receivables	1,787	1,110	1,540	1,187	Short-term loans
Inventories	1,388	921	1,107	1,059	Long-term loans
		858		695	Other liabilities
Property, plant and equipment	3,623	4,470	3,651	4,143	Shareholders' equity
Other assets	1,118		1,076		
	30 September 2022		31 December 2021		
	8,507 Million Baht		8,046 Million Baht		

As at 30 September 2022, compared with the end of 2021, the Group had total assets of Baht 8,507 million, an increase by Baht 461 million, which comprised the following key items:

- Cash and cash equivalents amounted to Baht 591 million, decreased by Baht 81 million.
- Trade receivables amounted to Baht 1,787 million, increased by Baht 247 million, especially from receivables of beverage packaging products in line with an increase in sales of subsidiaries in Vietnam.
- Inventories amounted to Baht 1,388 million, increased by Baht 281 million, from stocking raw materials of operations in Vietnam in order to support orders in the fourth quarter and year-end and new year festivals.
- Property, Plant and Equipment amounted to Baht 3,623 million, decreased by Baht 28 million due mainly to depreciation netted with the fixed assets acquisition.

Total liabilities amounted to Baht 4,037 million, increased by Baht 134 million which comprised the key items as follows:

- Trade payables amounted to Baht 1,148 million, increased by Baht 186 million from the increase in purchase orders of raw materials of operations in Vietnam in order to support the production volumes and sales orders for the next quarter.
- Total loans amounted to Baht 2,031 million, decreased by Baht 215 million, consisted of the decrease in short-term loans by Baht 77 million and the decrease in long-term loans by Baht 138 million. This was due principally to scheduled repayment of loans by domestic operations, offset by some additional borrowings of overseas subsidiaries.

Total shareholders' equity showed Baht 4,470 million, increased by Baht 327 million, deriving from the improvement in operating profit of the Group, netting the dividend payment in May of Baht 81 million.

4. Cash flow

For the nine month period of year 2022 compared with the same period of year 2021, the Group had a decrease in cash and cash equivalents by Baht 57 million, consisting of:

➤ Cash flow from operating activities

amounted to Baht 594 million, increased from prior year due mainly to the improved operating results and working capital management.

➤ Cash flow used in investment activities amounted to Baht 306 million, increased from prior year due to the investment in fixed assets, especially machines and the construction of a new melamine factory in Vietnam.

➤ Cash flow used in financing activities amounted to Baht 345 million, higher than the prior year due to the increase in scheduled repayment of long-term loans with small increase in long term loan drawdowns and dividend payment.

Table 4: Cash flow statement

(Unit: Million Baht)	9 months 2022	9 months 2021	Change
Net cash flows from operating activities	594	473	121
Net cash flows used in investing activities	(306)	(217)	(89)
Net cash flows used in financing activities	(345)	(155)	(190)
Net increase (decrease) in cash and cash equivalents	(57)	101	(158)

5. Key Financial Ratios

Table 5: Key Financial Ratios

Description	Unit	Q2/2022	Q3/2022	Q3/2021
Liquidity Ratio				
Current Ratio	Times	1.2	1.3	1.2
Working Capital Ratios				
Collection Period	Days	70.5	66.6	71.7
Inventory Turnover Period	Days	58.8	60.2	66.4
Payment Period	Days	54.8	49.8	47.9
Cash Cycle	Days	74.5	77.0	90.2
Profitability Ratios				
Return on Equity	%	2.3	2.9	0.6
Return on Operating Assets	%	2.6	3.4	0.6
Financial Structure Ratios				
Debt to Equity	Times	1.0	0.9	1.0
Net Interest Bearing Debt to Equity	Times	0.4	0.3	0.4

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, our business emphasizes social responsibility and promotes good corporate governance, transparency, verification as well as the interest of all stakeholders. As such, the Company has received 5-star award or scoring of "Excellent" in the corporate governance assessment (CGR) for seven consecutive years (2016-2022) from the Thai Institute of Directors (IOD).

Please be informed accordingly.


Yours faithfully,


Srithai Superware Public Company Limited

Chaiwat Kulphattaravanich

Director and Company Secretary

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