



## Management Discussion and Analysis For the Operating Results of Q2/2023

**Srithai Superware Public Company Limited**

10 August 2023

Subject Management Discussion and Analysis for Q2/2023

Dear President  
The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) hereby presents a summary of the operating results for Q2/2023 as follows:

## 1. Summary of Operating Results of the Group

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Q1/2023	Q2/2023	Q2/2022	QoQ		YoY		Jan - Jun 2023	Jan - Jun 2022	YoY	
				+ / (-)	%	+ / (-)	%			+ / (-)	%
Sales	2,190	2,226	2,438	36	1.6%	(212)	(8.7%)	4,416	4,572	(156)	(3.4%)
Gross Profit	302	292	313	(10)	(3.3%)	(21)	(6.7%)	594	592	2	0.3%
Gross Profit (%)	13.8%	13.1%	12.8%	(0.7%)	-	0.3%	-	13.5%	12.9%	0.5%	-
Operating profit	103	84	103	(19)	(18.4%)	(19)	(18.4%)	187	185	2	1.1%
Operating profit margin (%)	4.7%	3.8%	4.2%	(0.9%)	-	(0.5%)	-	4.2%	4.0%	0.2%	-
Gain (loss) on exchange rate	(2)	6	8	8	400.0%	(2)	(25.0%)	4	7	(3)	(42.9%)
EBITDA*	275	274	289	(1)	(0.4%)	(15)	(5.2%)	549	552	(3)	(0.5%)
EBITDA Margin (%)	12.6%	12.3%	11.9%	(0.2%)	-	0.5%	-	12.4%	12.1%	0.4%	-
Net profit for the period	85	88	99	3	3.5%	(11)	(11.1%)	173	172	1	0.6%
Net profit on sales (%)	3.9%	4.0%	4.1%	0.1%	-	(0.1%)	-	3.9%	3.8%	0.2%	-
Profit attributable to equity holders of the Company	82	90	103	8	9.8%	(13)	(12.6%)	172	173	(1)	(0.6%)
Earning per share (Baht)	0.03	0.03	0.04	0.00	-	(0.01)	-	0.06	0.06	0.00	-

Note:

\*EBITDA excluding share of profit from investments in associates

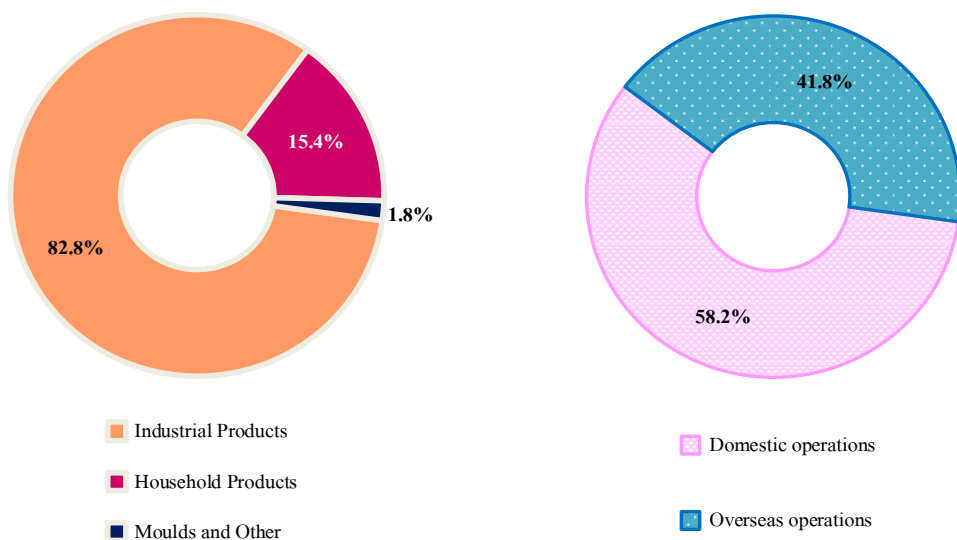
In Q2/2023, the Group generated revenue from sales of Baht 2,226 million, an increase of Baht 36 million or 1.6% QoQ. It primarily came from beverage packaging products of Vietnam operations and household products of domestic operation. EBITDA amounted to Baht 274 million, a slight decrease of 0.4% from the previous quarter. Net profit attributable to equity holders of the Company was Baht 90 million, representing an increase of 9.8%. The profit per share was 0.03 Baht, similar to Q1/2023, which had a profit per share of 0.03 Baht.

On a YoY basis, the Group experienced a decrease in sales by Baht 212 million or 8.7%, deriving from both the industrial products of both domestic and overseas operations, and the household products of Vietnam operation. The main contributing factor was the decrease in selling price due to the decline in main raw material costs. Despite a 5.2% decrease in EBITDA from the same period of the previous year, the EBITDA margin increased from 11.9% to 12.3% due to decreased sales, coupled with increased energy and labor costs. This led to a 12.6% reduction in net profit attributable to the equity holders of the Company and a decrease in earnings per share from 0.04 Baht in Q2/2022.

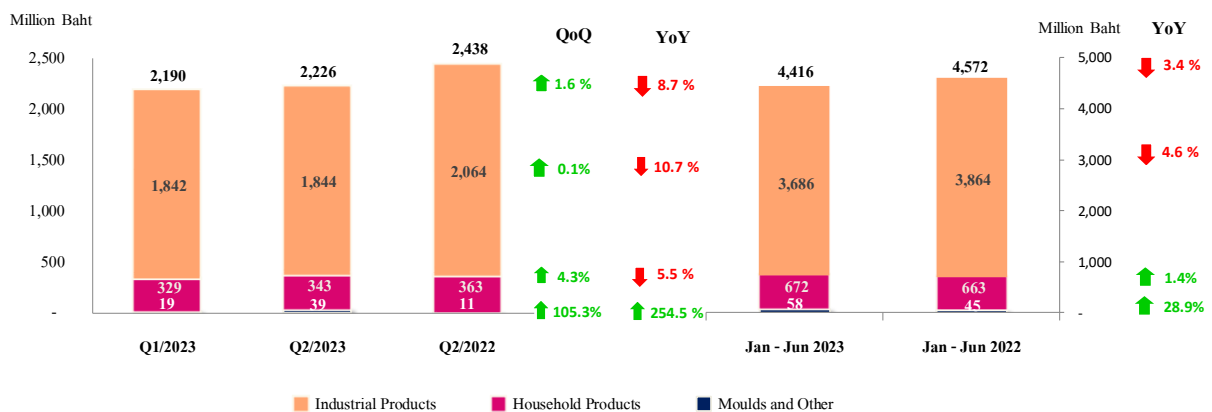
An overview of the performance for the first half of 2023 reveals that the Group generated revenue from sales amounting to Baht 4,416 million, a decrease of Baht 156 million or 3.4% compared with the same period of the previous year. This decline primarily stemmed from the industrial products of domestic operations, which was affected by various factors including economic conditions, while the international market faced uncertainties due to the Russia-Ukraine conflict, interest rates, inflation rates, and energy costs affecting consumer purchasing power. Nevertheless, the EBITDA for the first half of the year amounted to Baht 549 million, experiencing a slight decrease of 0.5% compared to the previous year. The net profit attributable to the equity holders of the Company stood at Baht 172 million, and the earnings per share remained unchanged at 0.06 Baht, consistent with the previous year.

## 2. Operating Results by Segment

**Figure 1: Proportion of sales by segment and operation in Q2/2023**



**Figure 2: Sales by Segment**



## 2.1 Household Products

Table 2: Summary of Operating Results of Household Products

(Unit: Million Baht)	Q1/2023	Q2/2023	Q2/2022	QoQ		YoY		Jan - Jun 2023	Jan - Jun 2022	YoY	
				+ / (-)	%	+ / (-)	%			+ / (-)	%
Sales	329	343	363	14	4.3%	(20)	(5.5%)	672	663	9	1.4%
Domestic operations	234	246	243	12	5.1%	3	1.2%	480	458	22	4.8%
Overseas operations	95	97	120	2	2.1%	(23)	(19.2%)	192	205	(13)	(6.3%)
Operating profit	51	54	41	3	5.9%	13	31.7%	105	65	40	61.5%
Operating profit margin (%)	15.5%	15.7%	11.3%	0.2%	-	4.4%	-	15.6%	9.8%	5.8%	-
EBITDA*	67	70	57	3	4.5%	13	22.8%	137	97	40	41.2%
EBITDA Margin (%)	20.4%	20.4%	15.7%	0.0%	-	4.7%	-	20.4%	14.6%	5.8%	-

Note:

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

### Operating results of Q2/2023 vs. Q1/2023

- The Household Products generated sales of Baht 343 million, an increase of Baht 14 million (+4.3%), from both domestic and overseas operations. Domestic sales of domestic operation saw an increase due to OEM orders of new customers and the mid-year grand sales event held at Suksawat factory, contrasting the absence of such event in Q1/2023. Meanwhile, overseas operations saw increased sales from subsidiary in India due to intensified sales promotion activities during this 2<sup>nd</sup> quarter.

- EBITDA amounted to Baht 70 million, with an EBITDA margin of approximately 20.4%, closely resembling the previous quarter, due to stable raw material prices. Even though labor costs increased, costs and expenses were well managed.

### Operating results of Q2/2023 vs. Q2/2022

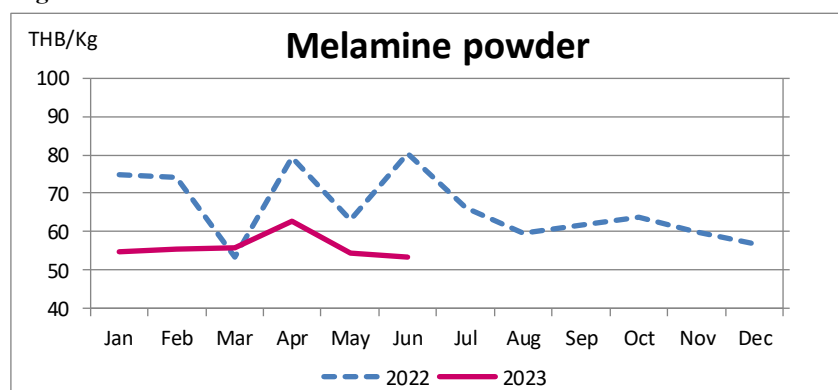
- The Household Products sales decreased by Baht 20 million (-5.5%) YoY, primarily attributed to overseas operation, especially subsidiary in Vietnam. This was due to Vietnam hosting the 31<sup>st</sup> SEA Games in Hanoi in Q2/2022, which stimulated economic activities in both trade and tourism. This led to increased sales from traditional trade channel through wholesale and retail, driven by market demands during the summer holidays and the SEA Games, while there were no such special events this year. However, domestic sales of domestic operation increased from sales promotion programs and received OEM orders from new customers. Additionally, export sales slightly rose, mainly from consistent orders of major customers in Europe and Southeast Asia. The trend of the Thai Baht exchange rate against the US dollar in Q2/2023 was quite similar to Q2/2022 (as shown in Figure 3).

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



- EBITDA increased by Baht 13 million (+22.8%), and the EBITDA margin improved from 15.7% (+4.7%), as a result of decreased prices of main raw materials compared with the same quarter last year (as shown in Figure 4) together with effective cost control and expense management.

Figure 4: Price trend of main raw material since 2022



Source: The Company's research

## 2.2 Industrial Products

Table 3: Summary of Operating Results of Industrial Products

(Unit: Million Baht)	Q1/2023	Q2/2023	Q2/2022	QoQ		YoY		Jan - Jun	Jan - Jun	YoY	
				+ / (-)	%	+ / (-)	%	2023	2022	+ / (-)	%
Sales	1,842	1,844	2,064	2	0.1%	(220)	(10.7%)	3,686	3,864	(178)	(4.6%)
Domestic operations	1,063	1,010	1,122	(53)	(5.0%)	(112)	(10.0%)	2,073	2,243	(170)	(7.6%)
Overseas operations	779	834	942	55	7.1%	(108)	(11.5%)	1,613	1,621	(8)	(0.5%)
Operating profit	56	34	69	(22)	(39.3%)	(35)	(50.7%)	90	133	(43)	(32.3%)
Operating profit margin (%)	3.0%	1.8%	3.3%	(1.2%)	-	(1.5%)	-	2.4%	3.4%	(1.0%)	-
EBITDA*	191	170	205	(21)	(11.0%)	(35)	(17.1%)	361	409	(48)	(11.7%)
EBITDA Margin (%)	10.4%	9.2%	9.9%	(1.2%)	-	(0.7%)	-	9.8%	10.6%	(0.8%)	-

Note:

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

#### Operating results of Q2/2023 vs. Q1/2023

- The Industrial Products generated sales of Baht 1,844 million, increasing by Baht 2 million (+0.1%). This growth stemmed from overseas operations, particularly in beverage packaging products, as it coincided with the high season in the 2<sup>nd</sup> quarter when consumption rises. This aligns with the demand for products in the food and beverage group, which grows in response to improved tourism activities. However, sales from domestic operations declined due to a decrease in industrial plastic products sales, especially in the battery cases products, attributed to the closure of a business unit of a major customer as well as a change in products by certain customers. Similarly, sales of pail products were affected due to the approaching rainy season and reduced promotional sales activities. Furthermore, sales of container products also faced a contraction in the retail market.

- EBITDA amounted to Baht 170 million, with an EBITDA margin of 9.2%. EBITDA decreased by Baht 21 million (-11.0%), deriving from domestic operations due to declining sales compounded by the upward adjustment of annual labor costs within the Group in the 2<sup>nd</sup> quarter, resulting in increased fixed costs.

#### Operating results of Q2/2023 vs. Q2/2022

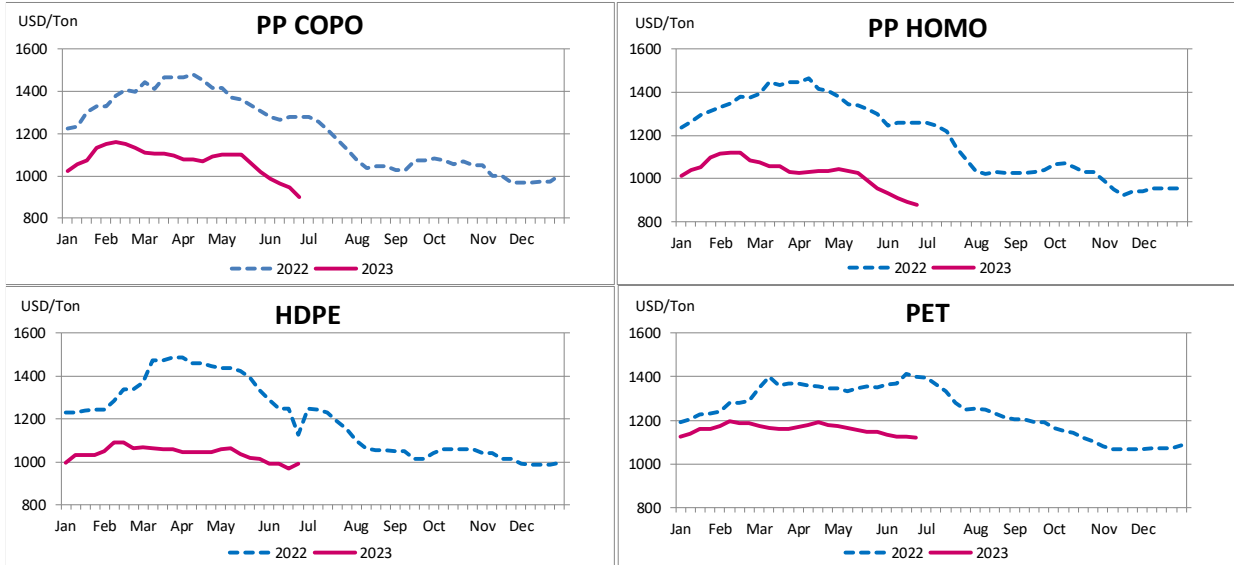
- Sales of Industrial Products decreased by Baht 220 million (-10.7%), stemming from both domestic and overseas operations. The product groups with reduced revenue are as follows:

- Sales of Beverage Packaging Products of the Company and subsidiaries in Vietnam decreased, attributed to lower selling prices adjusted based on decreased raw material costs compared to the previous year. Additionally, sales of domestic operations declined due to decreased orders from major customer. Nevertheless, the Company has undertaken innovation and introduced new products to continually expand the customer base to offset the decreased orders.
- Sales of Industrial Plastic Products of the Company and a subsidiary in Vietnam also declined, mainly from decreased sales of domestic operations of container products due to market contraction in the retail and automotive industries. Sales of pallet products were impacted by price competition. Sales of battery case products were affected by the closure of key customer's business unit. Meanwhile, decreased sales of overseas operation came from pail products, influenced by the slowdown in the real estate sector in Vietnam.

- EBITDA decreased by Baht 35 million (-17.1%), and EBITDA margin declined from 9.9% (-0.7%). This decline primarily originated from domestic operations due to reduced sales and heightened price competition in the Industrial Plastic Products. Additionally, the Company faced increased labor and energy costs in line with government announcements, which began impacting from Q4/2022, resulting in a decrease in profitability.

In Q2/2023, main raw material prices adjusted downward compared with the same quarter of the previous year, and there is a decreasing trend since Q1/2023. (shown in Figure 5).

Figure 5: Price trend of main raw materials since 2022

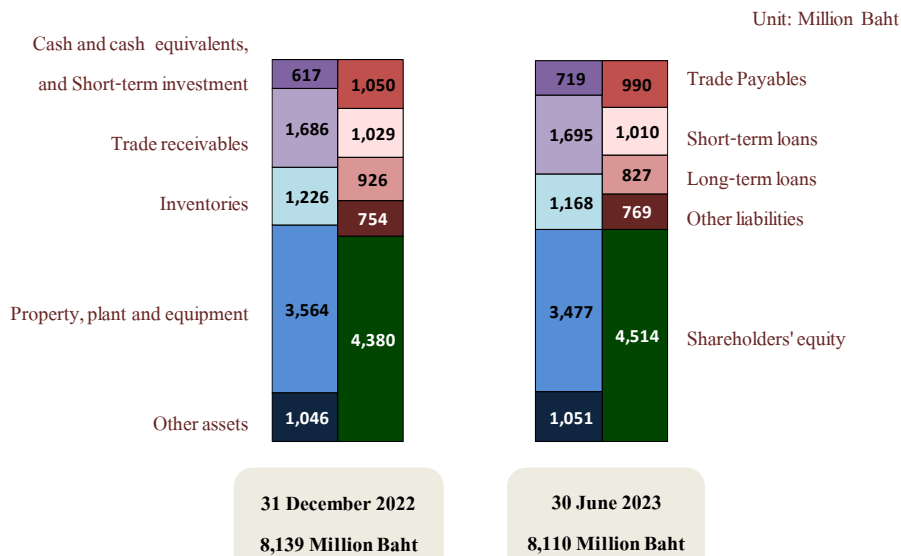


Source: ICIS

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

### 3. Financial Position



Compared with the year end of 2022, as at 30 June 2023, the Group had

**Total assets of Baht 8,110 million**, decreased by Baht 29 million, which comprised the following key items:

- Cash and cash equivalents, and short-term investment of Baht 719 million, increased by Baht 102 million.
- Trade receivables of Baht 1,695 million, increased by Baht 9 million, primarily attributed to trade receivables from the increased sales of beverage packaging products by subsidiaries in Vietnam.
- Inventories of Baht 1,168 million, decreased by Baht 58 million, resulting from the sales of products during the high season of beverage packaging products of subsidiaries in Vietnam.
- Property, Plant and Equipment of Baht 3,477 million, decreased by Baht 87 million, mainly due to depreciation netted with the fixed assets acquisition.

**Total liabilities of Baht 3,596 million**, decreased by Baht 163 million which comprised the key items as follows:

- Trade payables of Baht 990 million, decreased by Baht 60 million from trade payables of domestic operations due to a reduction in quantity of purchase orders and storing raw materials to monitor future raw material price.
- Total loans of Baht 1,837 million, decreased by Baht 118 million, comprising a decrease of Baht 19 million in short-term loans and Baht 99 million in long-term loans. This was due principally to additional repayment of loans, along with some additional borrowings. Furthermore, the Company has provided short-term loan to its subsidiary in Vietnam during 2023 amounting to Baht 480 million, aimed at alleviating the interest burden in Vietnam and enhancing its competitiveness. Nevertheless, these related party transactions have been eliminated in the consolidated financial statements.

**Total shareholders' equity of Baht 4,514 million**, increased by Baht 134 million, deriving from the improvement in operating profit of the Group netted with dividend payment during the year.

#### 4. Cash flow

For the 6-month period of year 2023 compared with the same period of year 2022, the Group had an increase in cash and cash equivalents of Baht 153 million, derived from the following:

**Table 4: Cash flow statement**

(Unit: Million Baht)	6 months 2023	6 months 2022	Change
Net cash flows from operating activities	596	308	288
Net cash flows used in investing activities	(188)	(206)	18
Net cash flows used in financing activities	(255)	(106)	(149)
Net increase (decrease) in cash and cash equivalents	153	(4)	157

- Cash flow from operating activities amounted to Baht 596 million, increased from the prior year due to the improved operating results and effective working capital management.
- Cash flow used in investment activities amounted to Baht 188 million, slightly decreased from the prior year. The Group has continued to invest and improve machinery and equipment.

➤ Cash flow used in financing activities amounted to Baht 255 million, higher than the prior year due to the higher repayments and necessary loan drawdowns in order to reduce debts and interest expenses. Additionally, dividend was paid higher than the previous year.

## 5. Key Financial Ratios

**Table 5: Key Financial Ratios**

Description	Unit	Q1/2023	Q2/2023	Q2/2022
<b>Liquidity Ratio</b>				
Current Ratio	Times	1.4	1.4	1.2
<b>Working Capital Ratios</b>				
Collection Period	Days	71.1	68.5	70.5
Inventory Turnover Period	Days	59.1	54.4	58.8
Payment Period	Days	51.2	46.1	54.8
Cash Cycle	Days	79.0	76.8	74.5
<b>Profitability Ratios</b>				
Return on Equity	%	1.9	1.9	2.3
Return on Operating Assets	%	2.3	2.4	2.6
<b>Financial Structure Ratios</b>				
Debt to Equity	Times	0.8	0.8	1.0
Net Interest Bearing Debt to Equity	Times	0.3	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. Significant Events in Q2/2023

➤ On 26 May 2023, there was an inauguration ceremony for a new Melamine factory of Srithai (Vietnam) Company Limited, located at the VSIP 2 Industrial Park in Binh Duong Province, Vietnam. This factory produces high-quality household products made from melamine and will enhance future production capacity.

➤ The Company has been re-certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC), a joint initiative of the Thai private sector to combat corruption. In 2023, the Company's membership was renewed for the second time, with the certification valid for another 3 years (2023-2026), demonstrating the Company's commitment to adhering to policies and practices in anti-corruption as part of its sustainability organizational development.

➤ The Company's Board of Directors approved payment of interim dividend based on the first half performance of 2023 at a rate of 0.02 Baht per share, totaling Baht 54 million, to the shareholders. This interim dividend is paid from retained earnings and is scheduled to be distributed on Thursday 7 September 2023. The record date for dividend entitlement is determined on Friday 25 August 2023.

Please be informed accordingly.

Yours faithfully,

**Srithai Superware Public Company Limited**

Chaiwat Kulphattaravanich

Director and Company Secretary

Company Secretary Office



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