



Ref. TPBI-EXC 029/2021

09 August 2021

Subject: Interim Management Discussion & Analysis of financial statements for the second quarter of 2021

To: The President & Directors
The Stock Exchange of Thailand

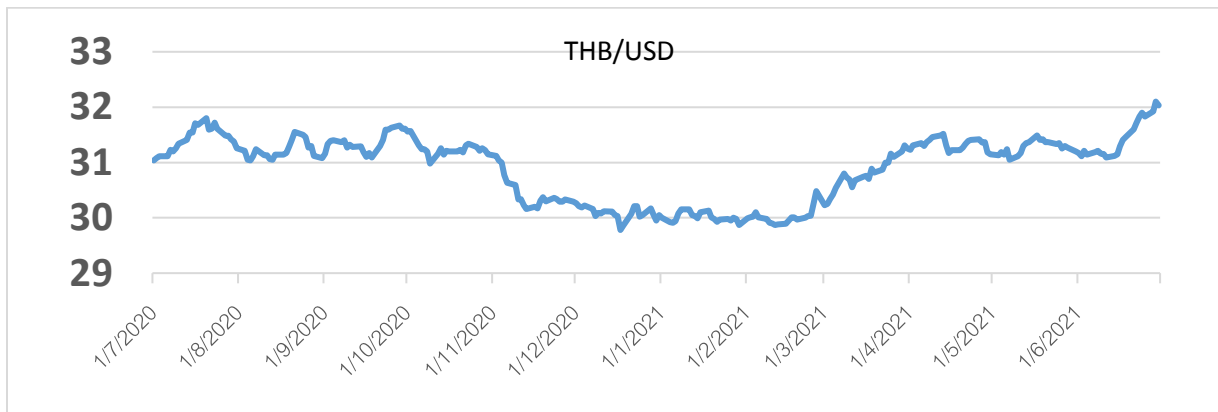
In compliance with the regulations of the SET, dated 19 November 1993, TPBI Public Company Limited (the “Company”) would like to present the operating results and financial position of the Company for the second quarter ended June 30, 2021 as follows.

Respectfully yours,

(Mr. Kamol Borrisuttanakul)

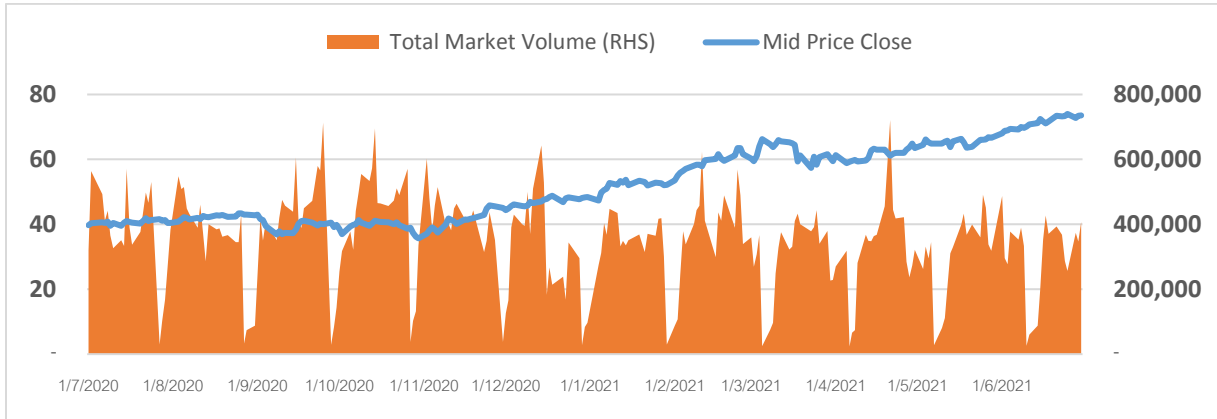
Chief Financial Officer

In the second quarter of 2021, the Thai exchange rate had been stable during the beginning of the quarter and tended to be depreciated against US-dollar, during the last month of the quarter, floating between THB/USD 31.05-32.10, with an average of THB/USD 31.35, which slightly increase from an average of THB/USD 30.29 in the last quarter.:



As most of the Company’s income and costs are predominantly denominated in USD, so we do have partly natural hedged to manage and minimize the impact from exchange rate in accordance with market condition. Nonetheless, the company has policy to manage and minimize the risk by buying the forward contract in an appropriate amount accordance with market condition. However, foreign exchange rate has been effected by the pandemic of Corona virus 19 (Covid-19) and the fluctuation of economy, saying that Thai exchange rate had been continually depreciated against US-dollar at the end of the quarter. This situation impact to forward contract that the Company previously entered into and the Company has to record loss from mark to market value of such forward contract due to the application of International Financial Reporting Standard (IFRS-9).

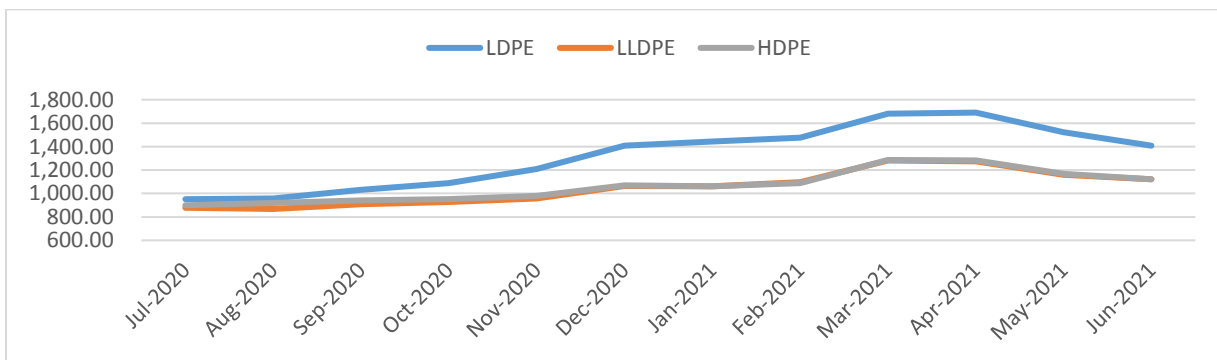
The global crude oil price has continuously increased from the last quarter and continuously increased at the end of the quarter, moving in the range of USD 58.81 – 74.00 per barrel at an average of USD 66.18 per barrel, which the increase was USD 8.11 per barrel compared to last quarter.



The prices of resins; i.e., HDPE, LLDPE and LDPE were explicitly decreased as following details;

- HDPE’s price was decreased from USD 1,285.63 per MT to USD 1,121.25 per MT or 12.79% decrease.
- LLDPE’s price was decreased from USD 1,281.25 per MT to USD 1,120.00 per MT or 12.59% decrease.
- LDPE’s price was decreased from USD 1,680.00 per MT to USD 1,408.75 per MT or 16.15% decrease.

The average prices of HDPE, LLDPE and LDPE were USD 1,190.58, 1,184.67 and 1,540.00 per MT respectively during the second quarter of 2021.





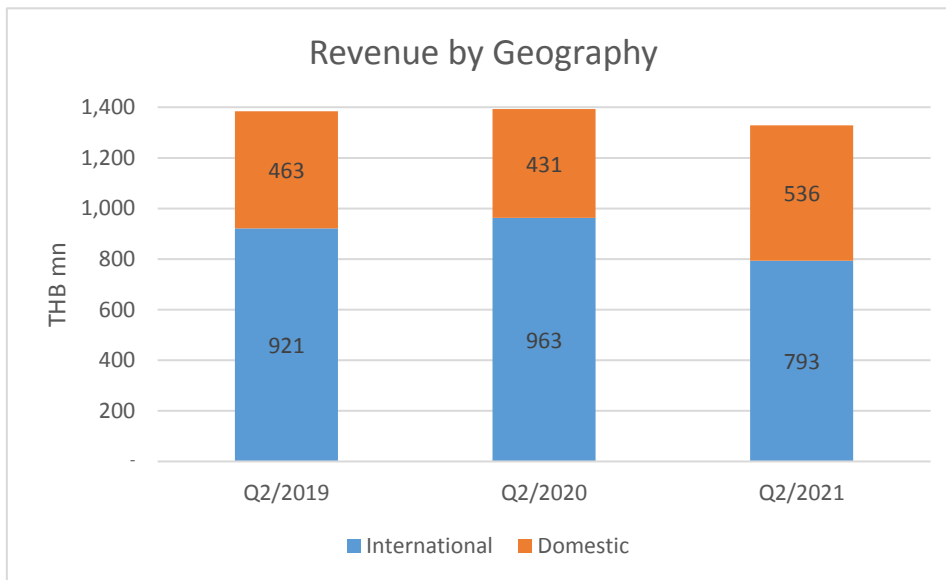
Operating Results *(For second quarter of 2021 compared with second quarter of 2020)*

Company has received higher orders for reusable bags and fruit and vegetable bags from both domestic and foreign customers. However, Sales of Consumables have been decreased comparing to 2Q20 because demand was normalized after extra demand form Covid-19 in 2Q20. There were many important factors that impacted to operating result of consumables, which is the main business of the Company, during 2Q21, i. e., the fluctuation of foreign exchange, the increase of resin prices which is our main material and shipping container shortage. Flexibles started to see increasing orders. Whereas, Paper and Global Trading had been still impacted by the uncertainty from pandemic of Corona virus 19 (Covid-19) but orders in the UK tended to increase during 2Q21. The fluctuation of Thai exchange rate which was stable during the beginning of the quarter and tended to depreciated against US dollar during the last month of the quarter which is benefit to the Company as an exporter, however, such depreciation also creates negative effect to forward contracts that the Company previously entered into, and the Company has to record loss from mark to market value of such forward contract due to the application of International Financial Reporting Standard (IFRS-9). As aforementioned factors are negative to the operation of the Company, operating results in the second quarter of the year has loss. The details of operating results are illustrated in the next section.



Sales

In 2Q21, the Company recorded THB 1,329.84 million in sales, decreased by THB 63.72 million or 4.57% from the same period last year. Majority of sales (59.63%) still came from exports to international markets and sale in foreign countries contributed by foreign subsidiaries of the Company (Myanmar, UK and Australia).



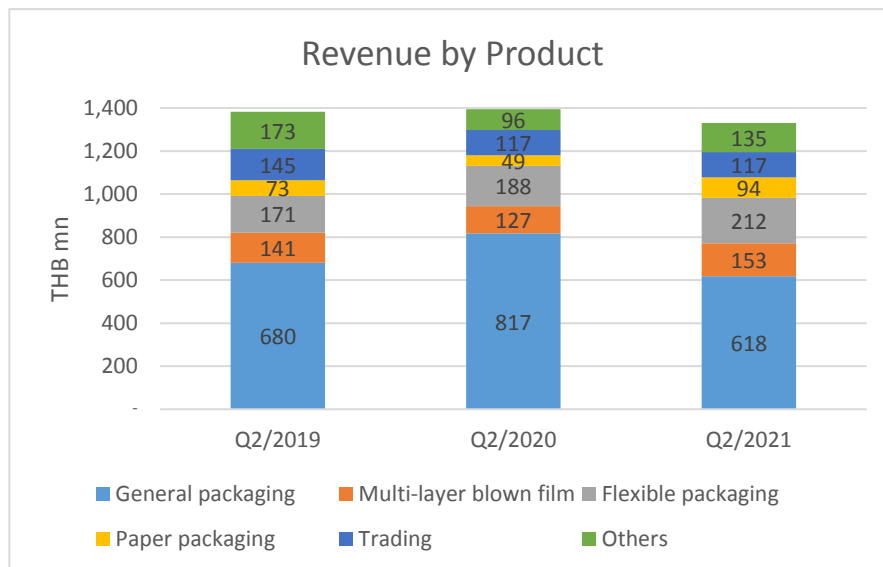
Summary of sales performance of the Company in 2Q21. The sales of fruit & vegetable bag, reusable bags, multilayer blown film and flexible packaging were increased. Vest carriers/t-shirt bags was decreased, driven by a significantly decrease in sales of single used plastic bags which is in line with global environmental trend and demand normalization. The sales of vest carriers/ t-shirt decreased by THB 76.07 million or 51.54% from THB 147.61 million in second quarter last year to THB 71.53 million this quarter. Thus, vest carriers/ t-shirt could contribute 5.38% of total sales revenue, declined from 10.59% in 2Q20.

The sales of garbage bags decreased by THB 150.50 million or 32.50% from THB 463.14 million to THB 312.64 million compared to the same period last year. The proportion of garbage bags was 23.51% of total sales revenue, dropped from 33.23% in 2Q20. The sales of fruit & vegetable bag were THB 73.97 million, increased by THB 7.15 million or 10.69% from the same period last year.



In addition, the Company has an increase in its sales of multi-layer blown films from THB 126.9 million in 2Q20 to THB 153.42 million, counting for 20.90% YoY. Its revenue contribution was 11.54% increase from 9.11% of total sales revenue in 2Q20. For flexible packaging, sales have been increased by THB 24.35 million or 12.96% YOY compared to the same period last year to THB 212.25 million in 2Q21. The proportion of the flexible packaging of the total sale revenue was 15.96% in 2Q21 increased from 13.48% in 2Q20. Shipping container shortage impacted to the delay of products delivery to foreign customers and lead to the lower sales of some products. However, sales of reusable bags had increases from THB 89.00 million to THB 111.10 million in 2Q21, increase by THB 22.10 million or 24.83% YOY. While flat cut bags, the sales decreased from THB 50.79 million to THB 48.34 million, a decrease of THB 2.45 million or 4.83% YoY compared to the same period last year.

In addition, sales revenue from TPBI UK, TPBI Paper and TPBI Australia increased from THB 165.85 million to THB 211.51 million in 2Q21, increase by THB 45.66 million or 27.53% YOY.



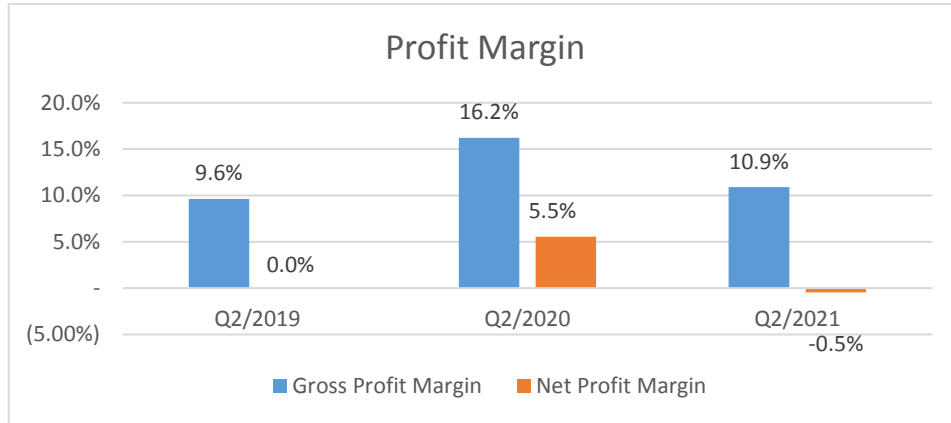


Profit Margins

In 2Q21, the Company has less profit margin compared to the same period last year mainly due to following factors:

- Although, the Company received more orders of reusable bags and fruit and vegetable bags from foreign customers, the shortage of shipping container impacted the revenue of the Company due to the delayed delivery of products.
- the fluctuation of Thai exchange rate which was stable during the beginning of the quarter and tended to be depreciated against US dollar, during the last month of the quarter. Such depreciation creates negative effect to forward contracts that the Company previously entered into, and the Company has to record loss from mark to market value of such forward contract due to the application of International Financial Reporting Standard (IFRS-9).
- Coup and Covid-19 situation in Myanmar effected to delivery of raw material and demand in Myanmar.
- The orders of high cost raw material from 1Q21 effected to high production cost of Consumables in 2Q21.

Therefore, these factors cause net loss for the Company in this quarter. However, the increased sales of some products compared to the same period last year was a result from searching new customers and increase new products in portfolio of the Company; for example, reusable bags which was manufactured from recycled resins and complied with international standard and its sales were continually growing. The Company views that this is in line with business transformation policy. Further, the Company has a confident that we are on the right direction. For TPBI UK, TPBI Paper and TPBI Australia, the Company realized higher sales revenue in this quarter, total amount of THB 211.51 million



The 2Q21 net profit (loss) was THB (6.32) million decreased from net profit (loss) of THB 78.91 million in 2Q20. In terms of net profit (loss) margin, it has decreased to be (0.47)% compare to the same period last year which is 5.54%. Nonetheless, the Company has always been focusing on a potential mitigation for those effect from above factors and will continue to focus on research and development of new products to support the company’s performance.

Cost and Expenses

Cost of Sales of 2Q21 was THB 1,185.01 million, increasing from a year earlier THB 17.41 million or 1.49%. Cost of sales is 89.11% of sales revenue increased from 83.79% from the same quarter last year as a result of higher prices of raw materials and fluctuation of foreign exchange.

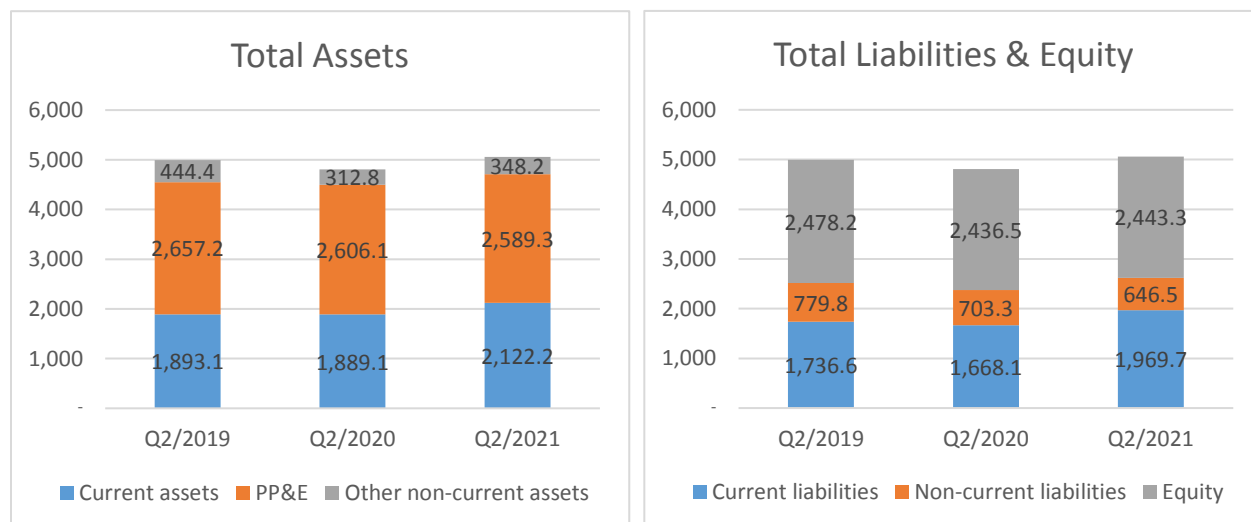
SG&A in 2Q21 has increased from the same period in the year earlier from THB 140.06 million to THB 146.82 million by THB 6.76 million or 4.83%. SG&A in 2Q21 was 10.96% of total revenue, increased from the same period last year which was 9.83%.

EBITDA decreased by THB 105.13 million or by 52.61% YoY from THB 197.10 million to THB 94.70 million as a result of a decrease in gross profit margin as mentioned above.



<i>In THB mm</i>	2Q21	2Q20	YoY	
			THB mm	%
Revenue	1,339.79	1,424.99	(85.20)	(5.98%)
Cost of Sales	1,185.01	1,167.60	17.41	1.49%
Other income	9.78	6.46	3.32	51.31%
SG&A	146.82	140.06	6.76	4.83%
EBITDA	94.70	197.10	(102.40)	(51.95%)
NPAT	(6.32)	78.91	(85.24)	(108.01%)
EPS (<i>THB</i>)	(0.001)	0.196	(0.197)	(100.51%)

Assets



Total assets of the Company as of 2Q21 was THB 5,059.60 million increased by THB 251.67 million or 5.23% from 2Q20. The Company had total current assets of THB 2,122.15 million increased by THB 233.08 million or 12.34%, decrease in trade and other receivable of THB 28.11 million or 3.36% and increase in inventories of THB 220.83 million or 25.33%. In addition, the Company has increased in cash and cash equivalent of THB 54.68 million or 40.74%. On the other hand, the Company had increased in non-current assets of THB 18.59 million or 0.64% mainly Total assets increase came from an increase in inventories of the Company by THB 220.83 million or 25.33%.

Liabilities and Shareholders' Equity

As of 2Q21, total liabilities of the Company were THB 2,616.27 million, increased by THB 244.87 million or 10.33% from 2Q20 due to the increase in short-term borrowing composed of promissory note, trustee payable, and packing creditor from financial institution of THB 247.49 million or 35.41% and trade payable and other payable by THB 14.13 million or 1.96% and derivatives debt increased by THB 19.17 million respectively.



Shareholders' equity as of 2Q21 amounts to THB 2,443.34 million increased by THB 6.80 million, due to a decrease of retained earnings by THB 25.69 million, other factors of shareholders' equity increase THB 42.27 million.

Cash flow

Cash flow received from operation in 2Q21 was THB 20.74 million, decreased from cash flow received from operation in 2Q20 which was THB 248.38 million.

Cash flow used in investing activities was recorded at THB 35.00 million, which THB 34.25 million was spent on PP&E to enhance its capacity and productivity.

The reported cash flow received financing activities was THB 19.17 million, resulted from an increase in short-term borrowing from financial institution by THB 114.41 million, an increase in long-term borrowing from financial institution by THB 145.29 million, repayment of long-term borrowing from financial institution amounting to THB 107.79 million and dividend payment 104.01 million.

To conclude, the net ending cash for the Company as of 2Q21 was THB 188.90 million increased from THB 54.68 million from 2Q20.

Key Financial Ratios

	2Q21	2Q20
Gross Profit Margin (%)	10.89%	16.21%
Net Profit Margin (%)	(0.48)%	5.66%
Current Ratio (x)	1.08x	1.13x
Quick Ratio (x)	0.52x	0.61x
D/E Ratio (x)	1.07x	0.97x
EPS (THB/SHARE)	(0.001)	0.196
BVPS (THB/SHARE)	5.86	5.84