



Ref. TPBI-EXC 028/2019

11 November 2019

Subject: Interim Management Discussion & Analysis of financial statements for the third quarter of 2019

To: The President & Directors  
The Stock Exchange of Thailand

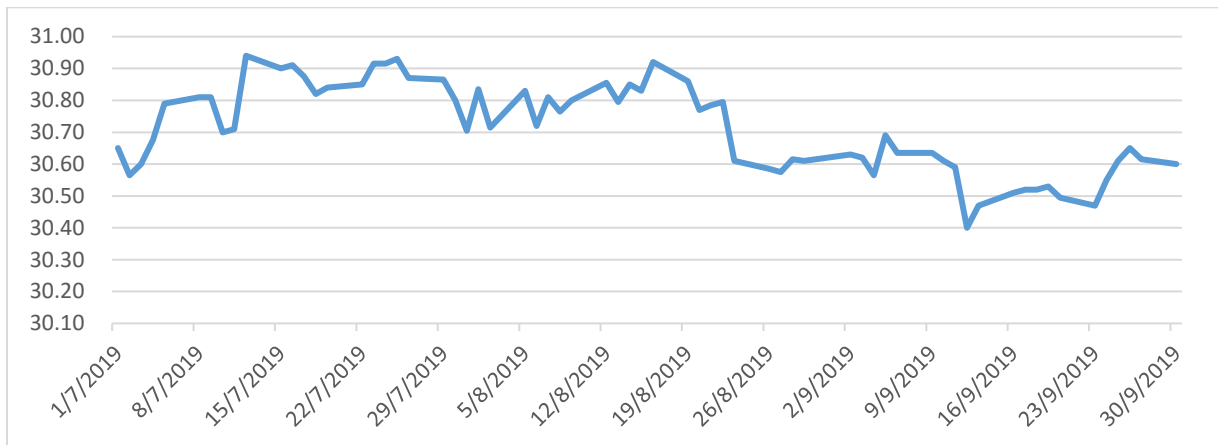
In compliance with the regulations of the SET, dated 19 November 1993, TPBI Public Company Limited (the “Company”) would like to present the operating results and financial position of the Company for the third quarter ended September 30, 2019 as follows.

Respectfully yours,

(Mr. Kamol Borrisuttanakul)

Chief Financial Officer

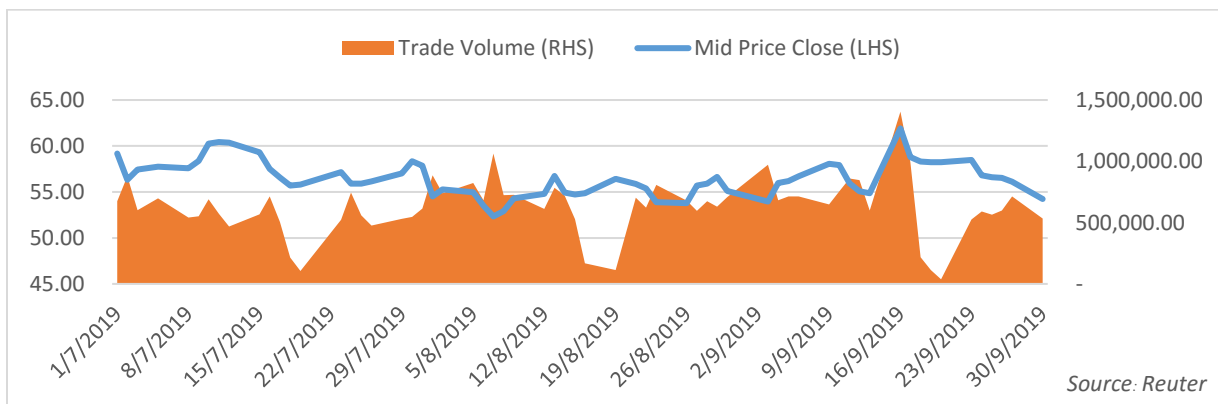
In the third quarter of 2019, the Thai exchange rate had been fluctuated; it had been depreciated against US-dollar floating in the early quarter and appreciated against US- dollar floating in the end of the quarter between THB/USD 30.40 – 30.94, with an average of THB 30.71 which is slightly decrease comparing to 31.61 THB/USD in the second quarter:



Source: Reuter

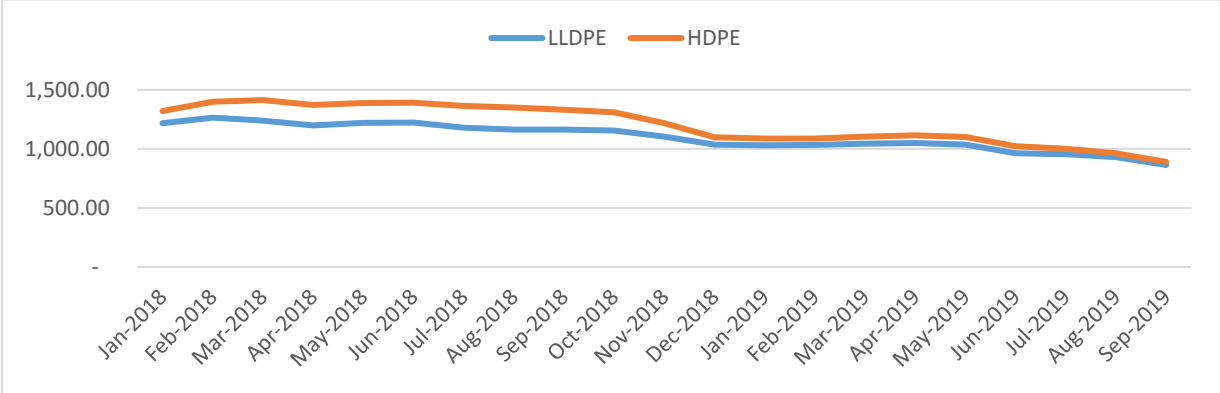
As most of the Company’s income and costs are predominantly denominated in USD, so we do have partly natural hedged. However, to manage and minimize the impact from exchange rate, the company still maintain policy to buy the forward contract in accordance with market condition.

The global crude oil price fluctuated compared to the last quarter in the range of USD 52.34-61.91 per barrel at an average of USD 56.43 per barrel, which the decrease was USD 12.04 per barrel compared to last quarter



Source: Reuter

The price of HDPE was slightly decreased from USD 1,000 per MT to USD 890 USD per MT or 11% decrease. In addition, LLDPE's price slightly decreased from USD 950 per MT to USD 864 per MT or 9.05% decrease. The average price of HDPE and LLDPE was USD 951 and 916.67 per MT respectively during the third quarter of 2019.

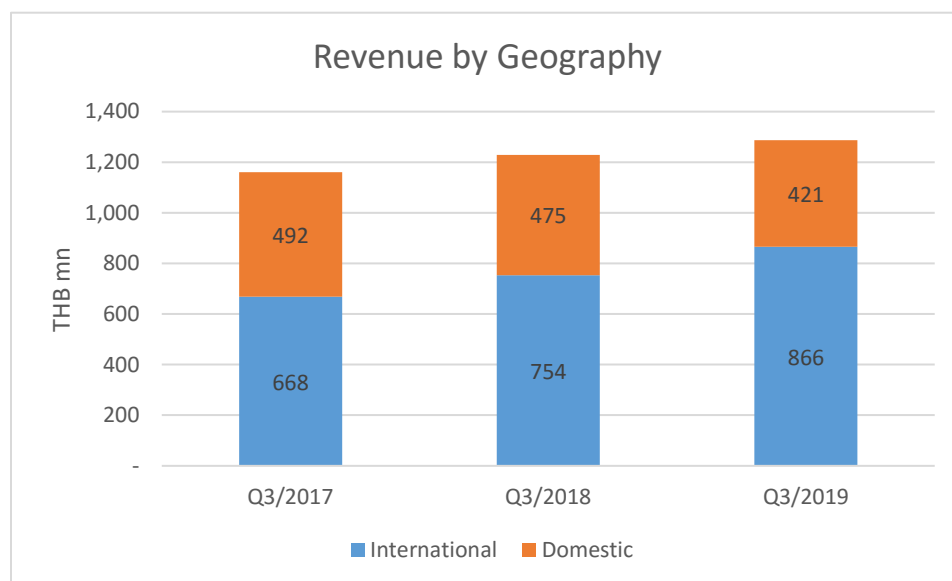


Source: Reuter

Due to continuous garbage bags' purchase orders from a new foreign customer have been achieved since the second quarter, such factor leads to continually use the Company's capacity, and production cost of the Company has been reduced. However, the Company as an exporter had been affected by the continuous appreciation of THB/USD exchange rate. Furthermore, production expenses of Flexibles and Paper are still high because the Company's subsidiary still cannot fully utilize capacity of the factory due to the machines relocation to the new factory, which also causes non-recurring cost to the Company. Although profitability of this third quarter is better than the same period of previous year (having less loss), the Company's performance still be affected especially profitability. The details of operating results are illustrated in the next section.

### Sales

In 3Q19, the Company recorded THB 1,286.91 million in sales, increased by THB 57.95 million or 4.72 % from the same period last year. Majority of sales (67.29%) still came from exports to international markets and sales from foreign subsidiaries of the Company (Myanmar, United Kingdom and Australia).

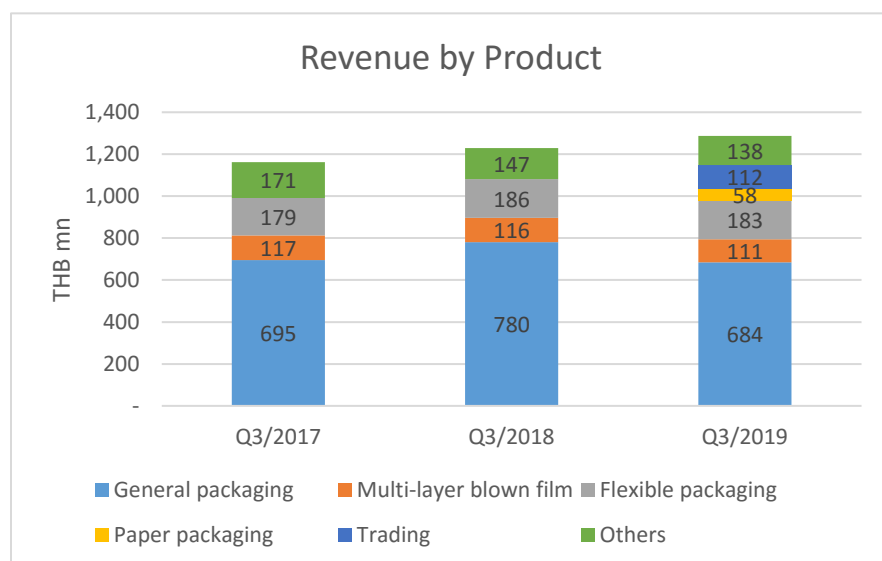


Summary of sales performance of the Company in 3Q19 – The sales of Vest carriers/ t-shirt bags dwindled because of transformation policy of the Company. However, the Company has a significant increase in sales of

garbage bags. Moreover, the Company has realized revenue from TPBI UK, TPBI Paper and TPBI Australia which causes the increasing of the total sales of the Company comparing to the same period of last year. The sales of vest carriers/ t-shirt declined by THB 71.76 million or 31.31% from THB 229.20 million in third quarter last year to THB 157.43 million this quarter. Thus, vest carriers/ t-shirt could contribute 12.23% of the total revenue, dropped from 18.65 % in 3Q18. On the other hand, the sales of garbage bags significantly increased by THB 89.83 million or 26.99 % from THB 332.81 million to THB 422.65 million compared to the same period last year. The proportion of garbage bags was 32.84 % of total sales revenue, rose from 27.08% in 3Q18. The sales of fruit & vegetable bag were THB 47.68, increased by THB 42.99 million or 47.41 % from the same period last year.

In addition, the Company has a decrease in its sales of multi-layer blown films from THB 115.53 million in 3Q18 to THB 110.53 million. This decreased its revenue contribution from 9.4 % to 8.59 % of total sales. For flexible packaging sales have been decreased by 1.48 % compared to the same period last year to THB 183.43 million in 3Q19. The proportion of the flexible packaging of the total sale revenue decreased from 15.15% in 3Q18 to 14.25% in 3Q19. While other products, the sales decreased from THB 146.59 million to THB 137.97 million, a decrease of THB 8.62 million or 5.88% YoY compared to the same period last year.

In addition, the Company also have additional sales from new products compared to the same period last year which enhance total sales of the Company. The Company has sales revenue from sales revenue of TPBI UK, TPBI Paper and TPBI Australia which divided into sales from paper packaging products of THB 58.34 million and trading business of THB 112.09 million.

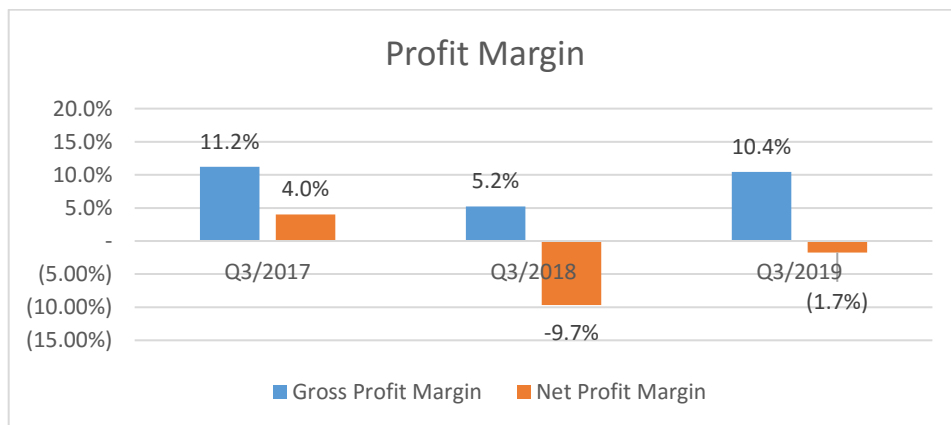


## Profit Margins

In 3Q19, the Company has better profit margin, saying that the Company has less loss, compare to the same period last year. The profit margins in 3Q19 mainly affected by the following factors:

- The Company received continuous garbage bag orders from a new foreign customers since the beginning of the second quarter which cause positive effect to the Company. This is also in line with business transformation policy of the Company as a result of change in customer's demand of global packaging industry
- The exchange rate of Thai Baht against US Dollar had been continuously appreciated
- The weaken GBP due to the uncertain of Brexit.
- The exchange rate of Myanmar Kyat against US Dollar had been stable, and the Company had a policy to manage risk on such exchange rate. Therefore, the loss from such had been limited.
- Non-recurring expenses occurred from relocating of all production capacity to new factory of the Company's subsidiary for lower production cost in longer term (T.A.K. packaging and Paper).

The increase of sales of the Company compare to the same period of previous year partly was a result from selling various products; i.e. garbage bags, Multilayer blown film and flexibles, and realizing sales revenue from TPBI UK, TPBI Paper and TPBI Australia which is in line with the company's business transformation.



The 3Q19 net profit was THB (22.66) million improved by THB 119.83 million from 3Q18. In term of net profit margin, it has improved to (1.74) % compare to the same period last year which is (9.66) %. 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 3Q19 was THB 1,152.52 million, decreasing from a year earlier THB 12.38 million or 1.06%. Cost of sales is 89.56% of sales revenue decreased from 94.79% from the same quarter last year as a result of higher sales in higher value-added products; i.e., garbage bags as well as a recognition of gross profit from an investment in TPBI UK, TPBI Paper and TPBI Australia in 3Q19 compare to same quarter last year, even though the Company has an increase in cost and expenses from the relocation of all production capacity to new factory in this quarter (Flexibles and Paper).

SG&A in 3Q19 has decreased from the same period in the year earlier from THB 187.06 million to THB 161.02 million by THB 25.86 million or 13.83 %. SG&A in 3Q19 was 12.40 % of total revenue, decreased from the same period last year which was 15.08%. The lower SG&A mainly came from the policy regarding manage risk on exchange rate of Myanmar Kyat (MMK) which could limit loss from fluctuation of such exchange rate.

EBITDA increased by THB 110.86 million or by 203.13 % YoY from THB (54.57) million to THB 56.28 million as a result of an increase in total revenue and gross profit margin as mentioned above, including restatement of the consolidated financial statements for the year ended 31 December 2018 and for the three-month and nine-month periods ended 30 September 2018, to reflect the fair value of TPBI UK, TPBI Paper and TPBI Australia’s as at the acquisition date.

<i>In THB mm</i>	3Q19	3Q18	YoY	
			THB mm	%
Sales	1,300.38	1,240.45	59.93	4.83%
Cost of Sales	1,152.52	1,164.90	(12.38)	(1.06)%
Other income	13.47	11.49	1.97	17.22%
SG&A	161.20	187.06	(25.86)	(13.83)%
EBITDA	56.28	(54.57)	110.86	(203.13)%

<i>In THB mm</i>	3Q19	3Q18	YoY	
			THB mm	%
NPAT	(22.66)	(119.83)	97.17	(81.09%)
EPS (THB)	(0.040)	(0.277)	0.0237	(85.56%)

### Operating Results (For 3Q19 compared to 2Q19)

#### Profit Margins

To clearly reflect operating results of the Company during the transformation period, the Company intends to compare operating results between the current quarter and the previous quarter (between 3Q19 and 2Q19). the Company has less profit margin compare to 2Q19 due to following factors:

- The Company had lower sales in 3Q19 compare to 2Q19 due to lower sales of Paper because of factory relocation and lower sales of TPBI UK because of weaken GBP.
- The exchange rate of Thai Baht against US Dollar had been continuously appreciated since 2Q19.
- The weaken GBP due to the uncertain of Brexit.
- Non-recurring expenses from T.A.K. packaging and Paper's factory relocation expenses.

#### Sales

In 3Q19, the Company recorded THB 1,286.91 million in sales, decreased by THB 96.41 million or 6.97% from 2Q19.

#### Cost and Expenses

Cost of Sales of 3Q19 was THB 1,152.52 million, decreasing from 2Q19 THB 85.15 million or 6.88%. Cost of sales is 89.56% of sales revenue increased from 89.47 % from 2Q19.

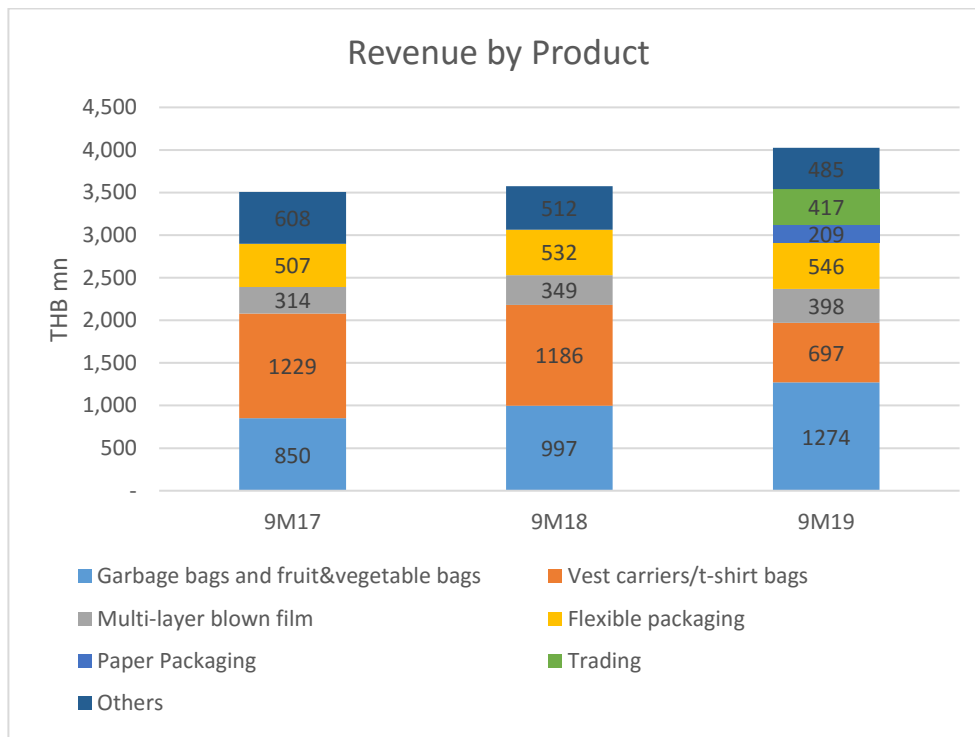
SG&A in 3Q19 has increased from 2Q19 from THB 149.57 million to THB 161.20 million by THB 11.63 million or 7.78 %. SG&A in 3Q19 was 12.40 % of total revenue, increased from 2Q19 which was 10.67 %.

<i>In THB mm</i>	3Q19	2Q19	YoY	
			THB mm	%
Sales	1,300.38	1,401.82	(101.44)	(7.24%)
Cost of Sales	1,152.52	1,237.68	(85.15)	(6.88)
Other income	13.47	18.50	(5.02)	(27.18%)
SG&A	161.20	149.57	11.63	7.78%
EBITDA	56.28	85.70	(29.42)	(34.33%)
NPAT	(22.66)	0.84	(23.49)	(2,804.06%)
EPS ( <i>THB</i> )	(0.040)	0.017	(0.057)	(335.29%)

For nine-month of 2019, cost per sales ratio of the Company decreased comparing to the same period of the year earlier. This leads to less loss of the Company, which is THB (42.11) million, comparing to nine-month of 2018, decreasing THB 56.77 million or 57.41 %. The key drivers for nine-month 2019 performance are as the following factors;

- The Company received continuous garbage bags' orders from a new foreign customer since the beginning of the second quarter which cause positive effect to the Company. This is also in line with business transformation policy of the Company as a result of change in customer's demand of global packaging industry
- The exchange rate of Thai Baht against US Dollar had been continuously appreciated
- Non-recurring expenses from T.A.K. packaging and Paper's factory relocation expenses.
- An increase in depreciation expenses as a result of new product capacity expansion in Consumables and an increase in production capacity of Flexibles and Paper
- An increase in interest expense from an increase in bank loans as a result of an expansion in production capacity of Consumables and Flexibles

In terms of top line, the Company's total revenue increased to THB 4,075.02 million from THB 3,599.25 million, or 13.22% increased. However, the cost of sales increased to THB 3,613.69 million from THB 3,354.31 million in the year earlier while SG&A is at THB 466.83 in nine-month of 2019, increased from THB 321.62 million in the same period of 2018. EBITDA increased by THB 137.73 million or 186 % YoY from THB 74.05 million to THB 211.78 million, compared to 2018.

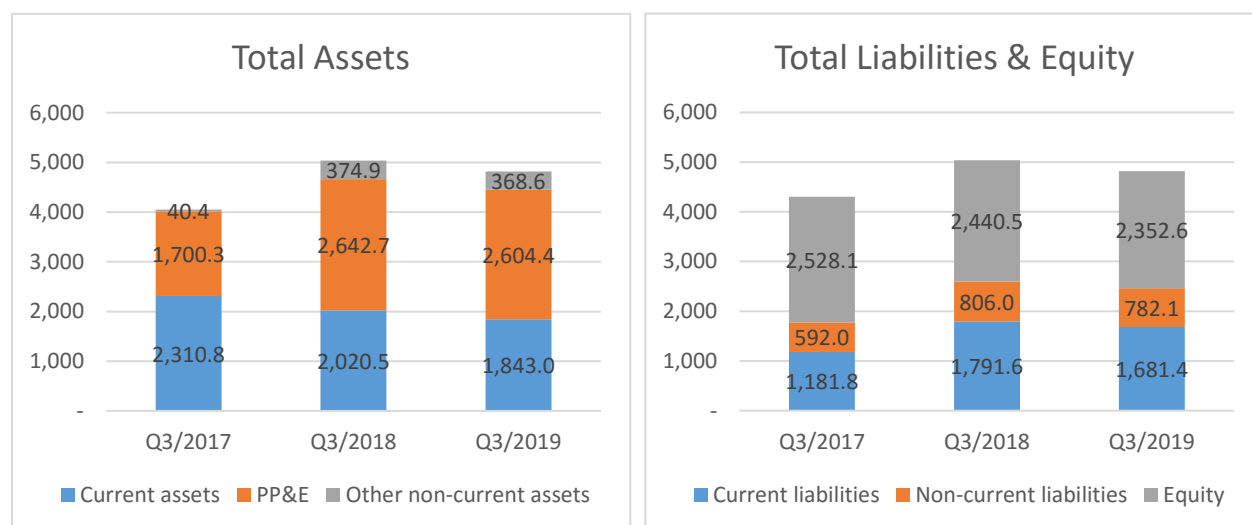


The product composition is still in line with the Company's plan to increase the contribution from value-added and sustainable products over the time as shown in the above revenue breakdown by product in 9M19; the Company has a significant increase in sales of garbage bags due to an increase in demand from international market as well as the increase revenue from paper packaging and trading.

In THB mm	9M19	9M18	YoY	
			THB mm	%
Sales	4,026.33	3,575.58	450.75	12.61%
Cost of Sales	3,613.69	3,354.31	259.37	7.73%
Other income	48.69	23.67	25.01	105.65%
SG&A	466.38	321.61	145.22	45.15%
EBITDA	211.77	74.05	137.73	186.00%
NPAT	(42.11)	(98.88)	56.76	(57.41%)
EPS (THB)	(0.063)	(0.235)	0.172	(73.19%)

## Financial Position

### Assets



Total assets of the Company as of 3Q19 was THB 4,815.98 million decreased by THB 222.14 million or 4.41 % from the end of year 2018. The Company had total current assets of THB 1,842.99 million decreased by THB 177.51 million or 8.79% composed of a decrease in trade and other receivable of THB 112.57 million or 12.98 % an increase of inventories of THB 35.15 million or 4.03 % and a decrease in cash and cash equivalents of THB 100.20 million or 40.43%. Besides, the Company had a decrease in non-current assets of THB 6.36 million or 1.70 %, an decrease in PP&E of the Company by THB 38.2 million or 1.45 %.

### Liabilities and Shareholders' Equity

As of 3Q19, total liabilities of the Company were THB 2,463.47 million, decreased by THB 134.15 million or 5.16 % from end of 2018 due to the decrease in short-term borrowing composed of promissory note, trustee payable, and packing creditor from financial institution of THB 38.81 million or 4.44% and trade payable and other payable decreased by THB 38.61 million or 5.89%. and long-term loan from financial institution of THB 37.31 million or 16.49%

Shareholders' equity as of 3Q19 amounts to THB 2,352.51 million decreased by THB 87.99 million from end of 2018, due to a reduction of retained earnings by THB 25.94 million, other components of shareholders' equity by THB 42.94 million, and non-controlling interests of subsidiaries by THB 19.10 million.

## Cash flow

Cash flow received from operation in 9M19 was THB 241.56 million, increased from cash flow received from operation in 2018 which was THB 18.16 million. The Company's earnings (loss) before tax was presented at THB (49.89) million. The increase in cash flow from depreciation and amortization of THB 227.84 million, and trade receivables and other receivables THB 113.63 million.

Cash flow used in investing activities was recorded at THB (189.62) million, which THB (173.79) million was spent on PP&E to enhance its capacity and productivity.

The reported cash flow used in financing activities was THB (144.96) million, resulted from a repayment of long-term borrowing from financial institution THB (158.26) million.

To conclude, the net ending cash for the Company as of 3Q19 was THB 147.62 million decreased from THB 151.09 million from the end of 2018.

## Key Financial Ratios

	3Q19	3Q18
Gross Profit Margin (%)	10.25%	6.19%
Net Profit Margin (%)	(1.03%)	(2.75%)
Current Ratio (x)	1.10x	1.03x
Quick Ratio (x)	0.56x	0.61x
D/E Ratio (x)	1.05x	0.53x
EPS (THB/SHARE)	(0.040)	(0.120)
BVPS (THB/SHARE)	5.64	6.32