

3Q18

**ANALYST
PRESENTATION**

19 November 2018



The Stock Exchange of Thailand

SET100 Index



The Stock Exchange of Thailand

SETTHSI Index

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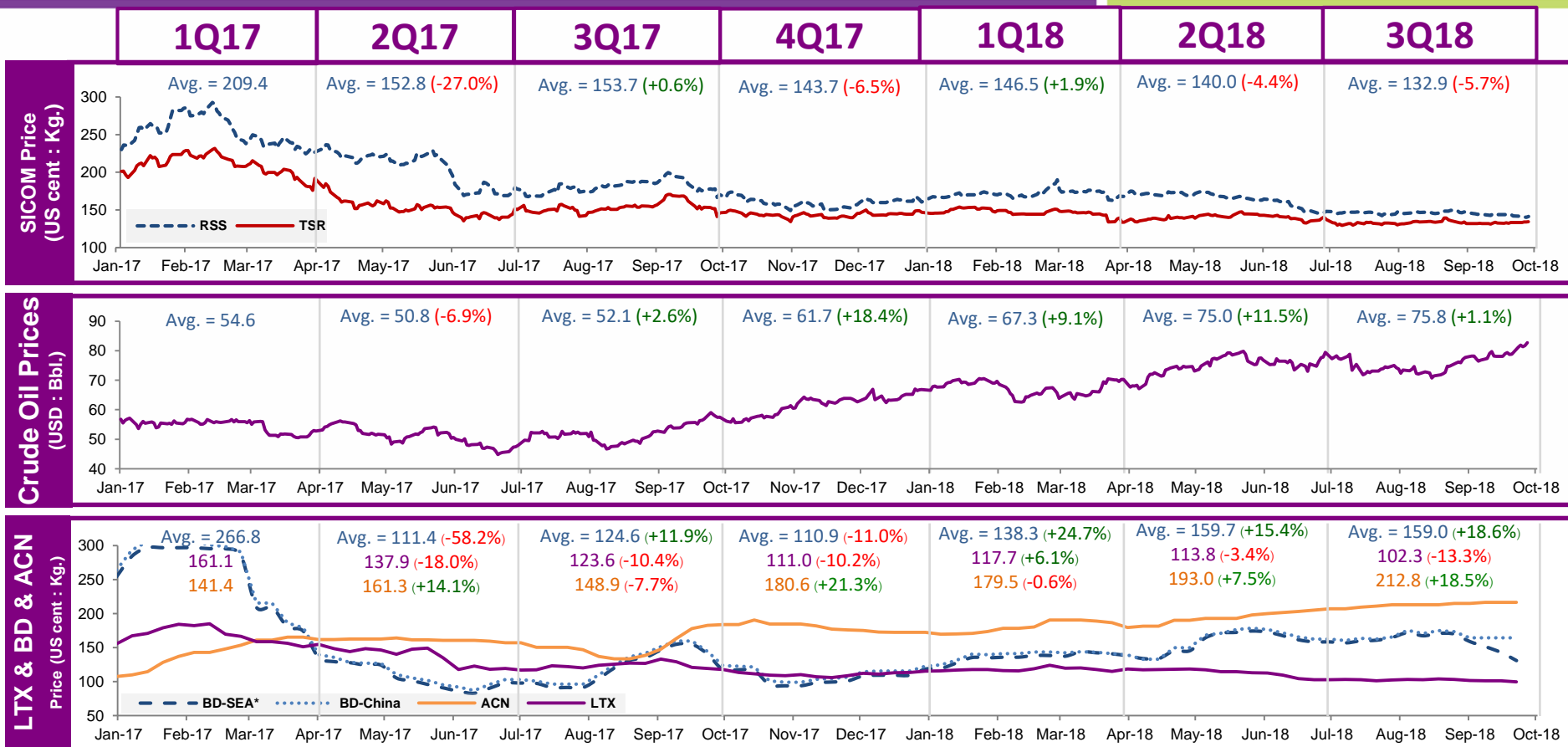


3. Natural Rubber Market Situation

1. 3Q18 & 9M18 PERFORMANCE



SICOM – Oil Prices – Butadiene – Acrylonitrile



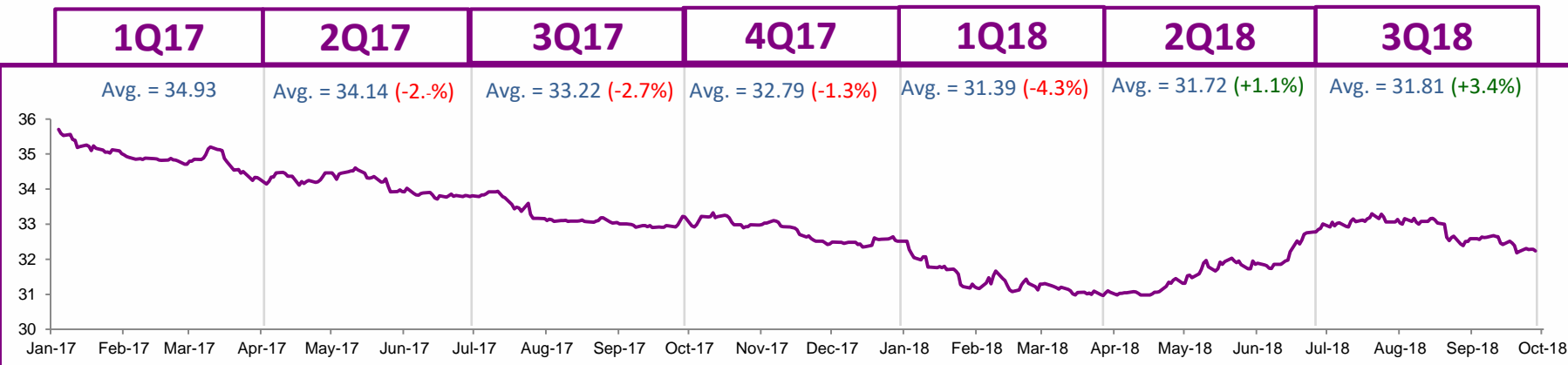
ABBREVIATIONS

ACN - Acrylonitrile
LTX - Liquid latex with a dry rubber content of approximately 60.0%
SEA - South East Asia

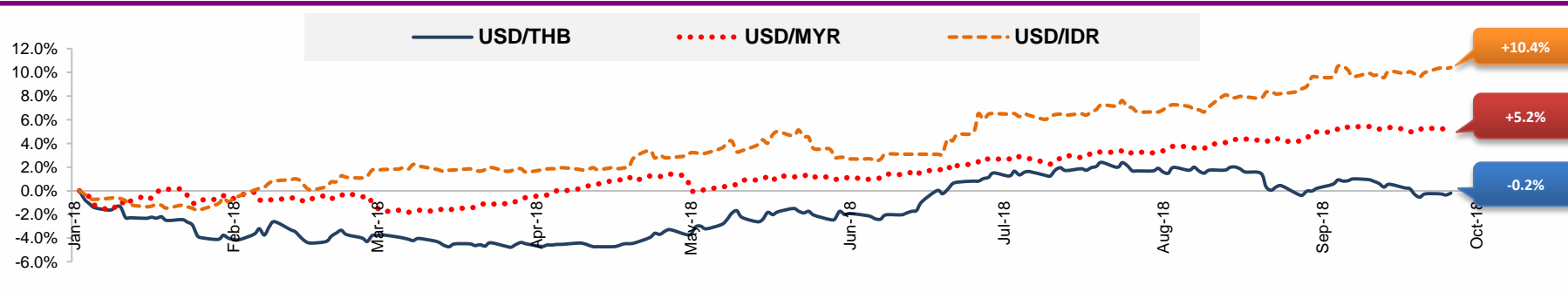
BD - Butadiene
RSS - Ribbed smoked sheet
TSR - Technically specified rubber, which includes STR and SIR

FOREX

USD/THB
Movement



Baht and the region



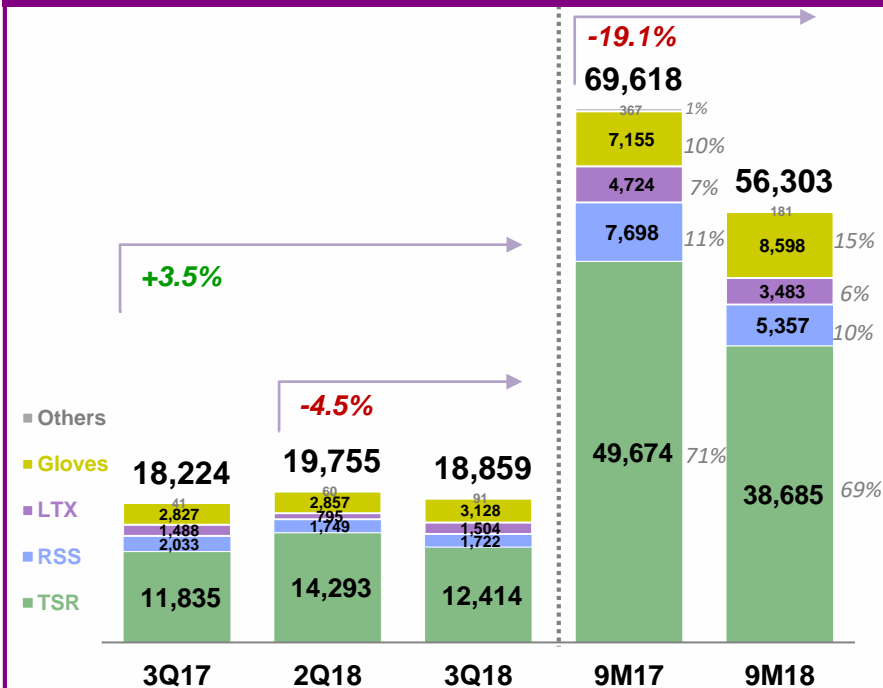
Financial Highlight

(THB million)	3Q18	3Q17	%YoY	2Q18	%QoQ	9M18	9M17	%YoY	FY17
Revenue	18,859	18,224	3.5%	19,755	-4.5%	56,303	69,618	-19.1%	89,387
Sales volume (tons)	343,303	296,482	15.8%	353,773	-3.0%	1,018,774	982,600	3.7%	1,323,873
Avg. selling price (Baht per ton)	45,559	51,793	-12.0%	47,622	-4.3%	46,648.4	63,196	-26.2%	59,765
Gross profit	1,970	1,314	49.9%	2,261	-12.9%	5,741	2,402	139.0%	3,776
Adj. gross profit*	2,017	(550)	-466.7%	2,639	-23.6%	6,851	3,241	111.4%	4,143
SG&A	(1,332)	(1,124)	18.5%	(1,338)	-0.5%	(3,897)	(4,526)	-13.9%	(5,859)
Operating profit (loss)	934	629	48.5%	943	-1.0%	3,061	(1,060)	N/A	(332)
EBITDA	1,562	1,220	28.0%	1,581	-1.2%	4,955	325	1423.8%	1,650
EBIT	994	712	39.7%	1,000	-0.6%	3,258	(977)	N/A	(202)
Net profit	502	167	201.0%	592	-15.3%	1,925	(1,906)	N/A	(1,437)
GP margin	10.4%	7.2%	324bps	11.4%	-100bps	10.2%	2.1%	808bps	4.2%
Adj. GP margin*	10.7%	-3.0%	1,374bps	13.4%	-266bps	12.2%	7.4%	479bps	4.6%
Net profit margin	2.7%	0.9%	174bps	3.0%	-34bps	3.4%	-2.7%	616bps	-1.6%

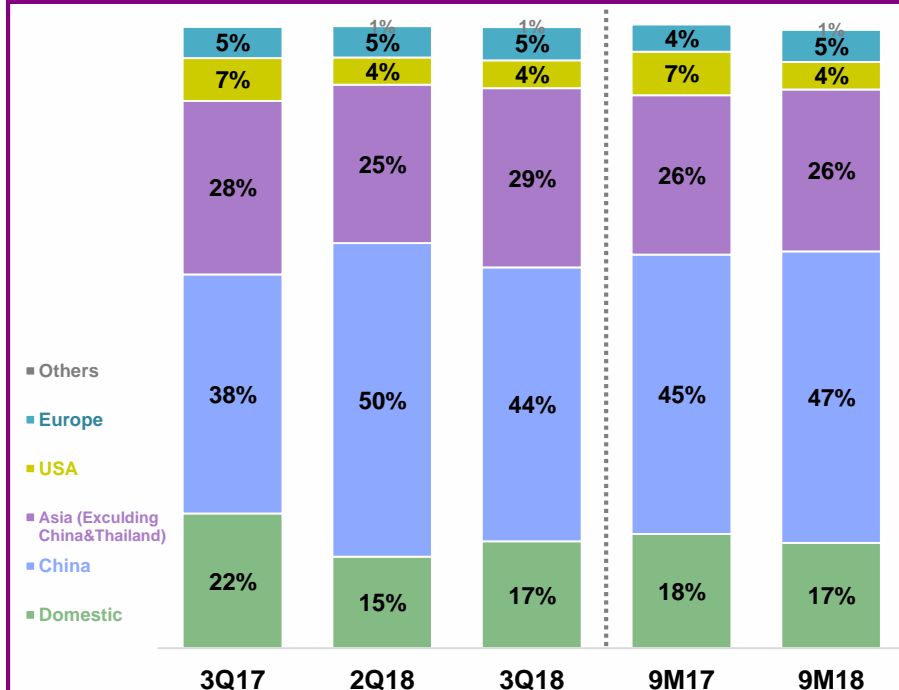
*Adjusting for (reversal) allowance of inventory and realized gains /(losses) from hedging activities

Sales Revenue

Sales Revenue by Product (THB million)

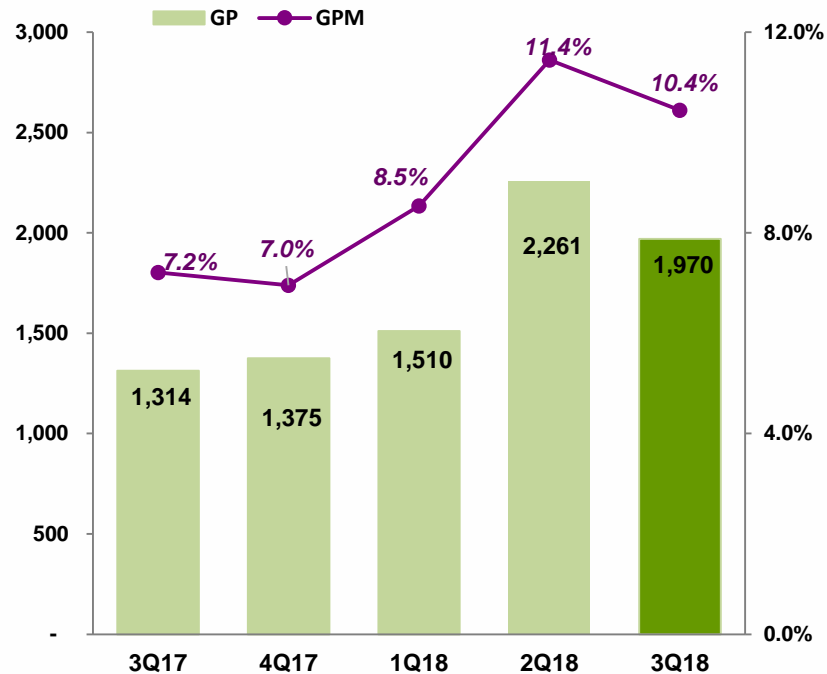


Sales Revenue by Geography (THB million)

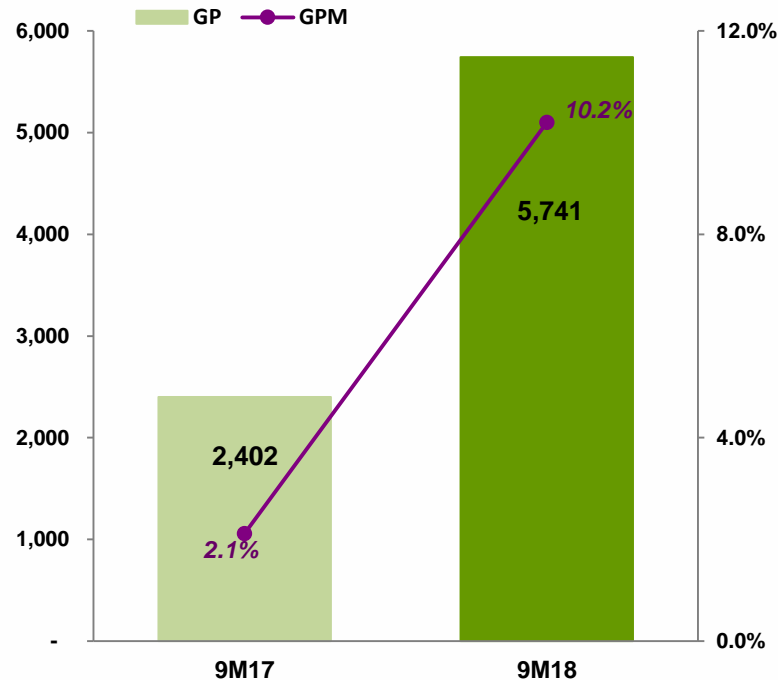


Gross Profit

Gross Profit (THB million) - 3Q18

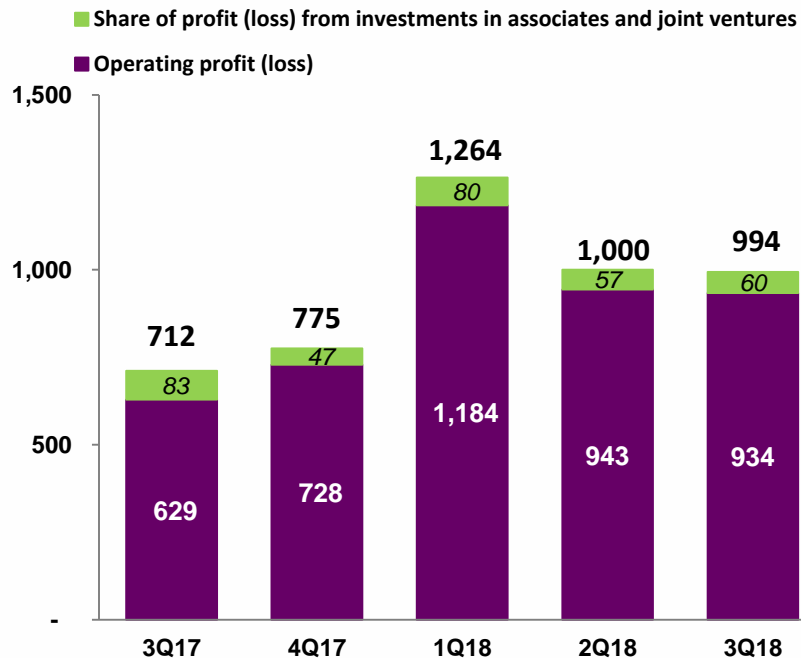


Gross Profit (THB million) - 9M18

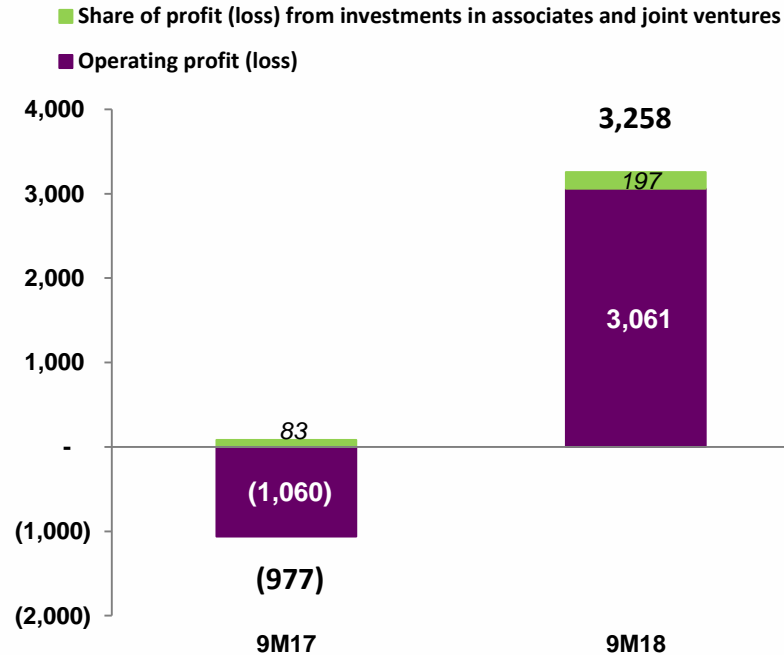


EBIT

EBIT (THB million) - 3Q18

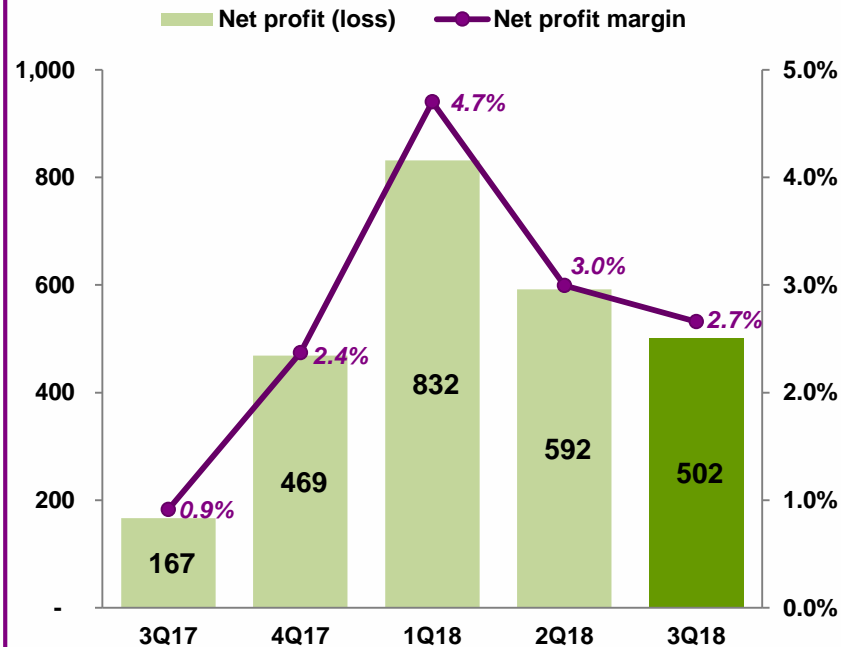


EBIT (THB million) - 9M18

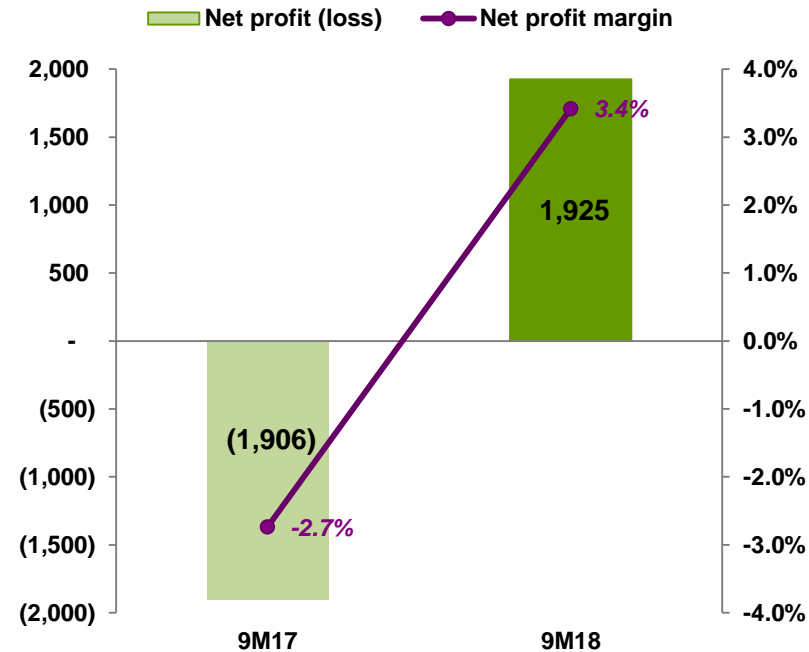


Net Profit

Net Profit (THB million) - 3Q18



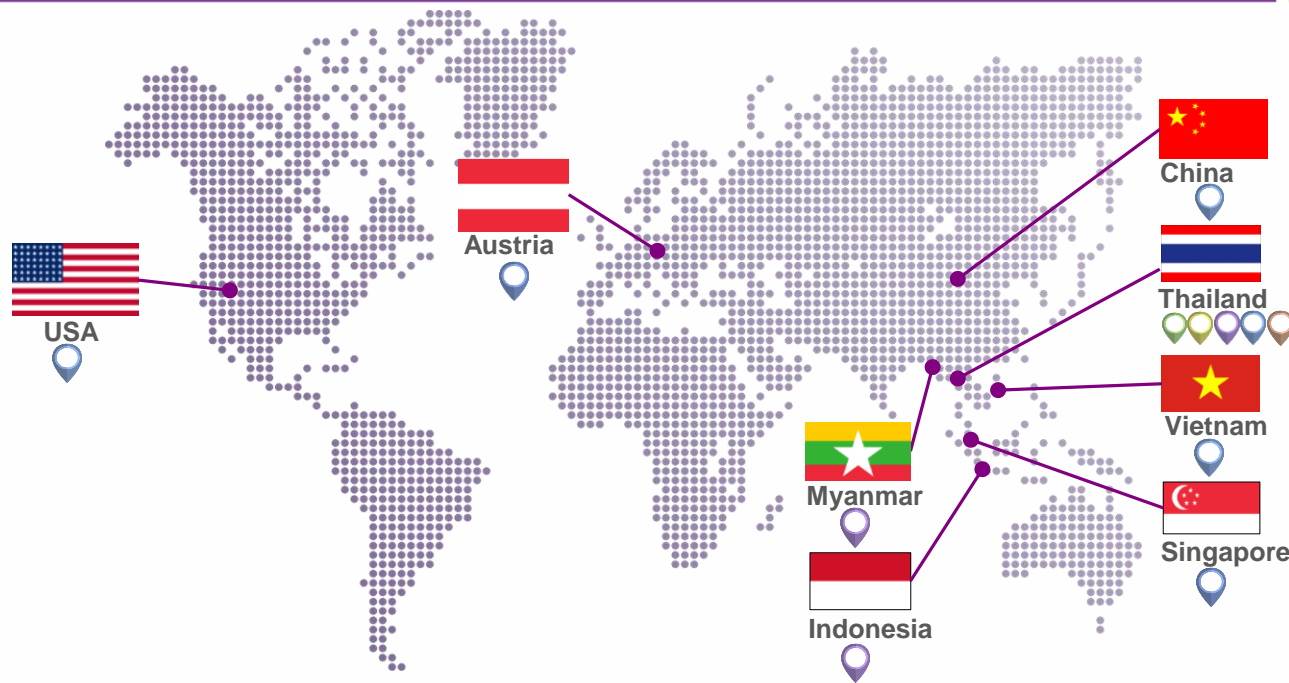
Net Profit (THB million) - 9M18



2. *STA BUSINESS HIGHLIGHTS*



Our Global Presence



-  **45,000** rai
(7,200 hectares) of rubber plantations
-  **54**
procurement centers
-  **36**
NR processing plants
-  **4**
Gloves production facilities in Thailand
-  **6**
sales & distribution centers

1,323,873

tons in sales volume in FY17

1,018,773 tons

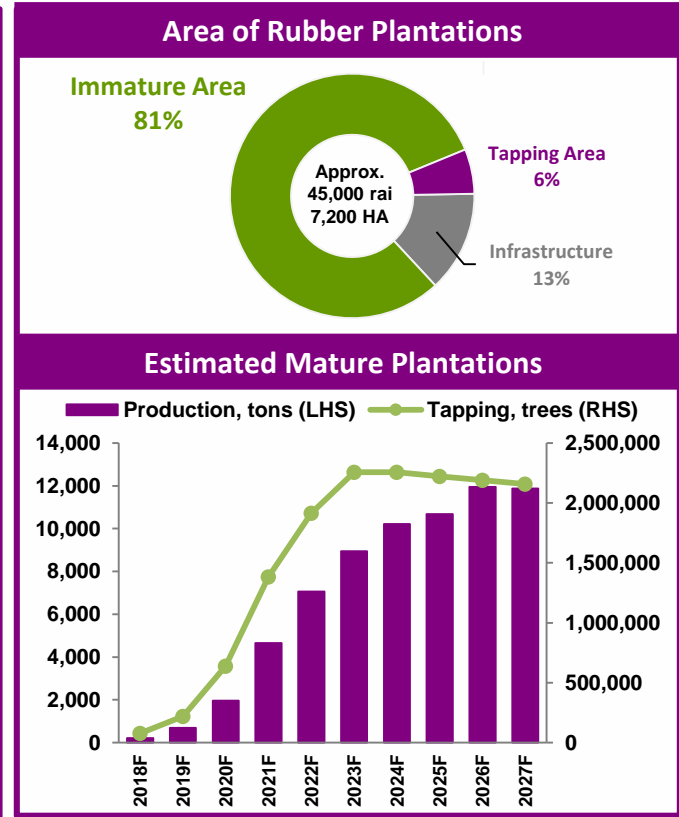
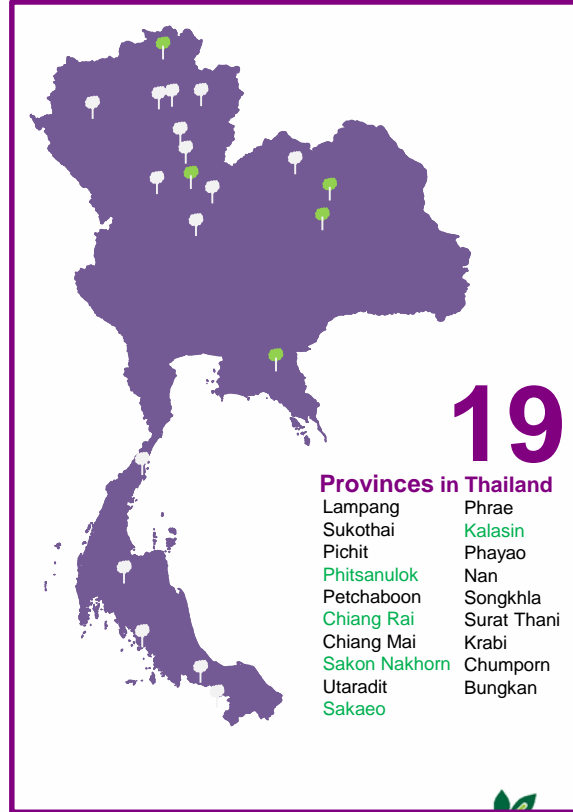
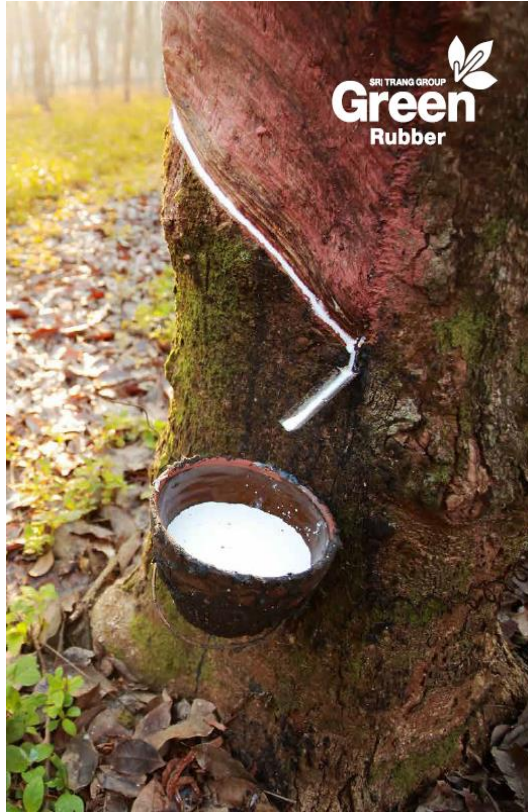
in sales volume in 9M18

10% share of global
NR consumption in FY17

8% share of global glove
consumption in FY17

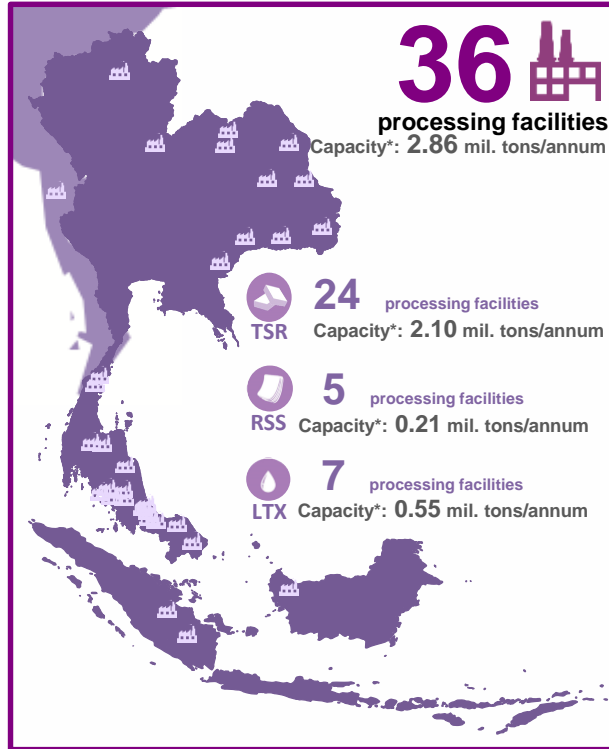
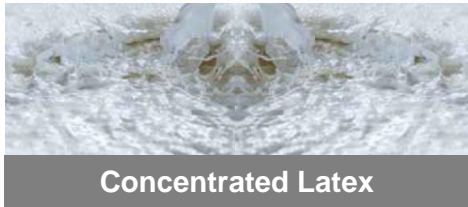


Upstream Operations – Rubber Plantations



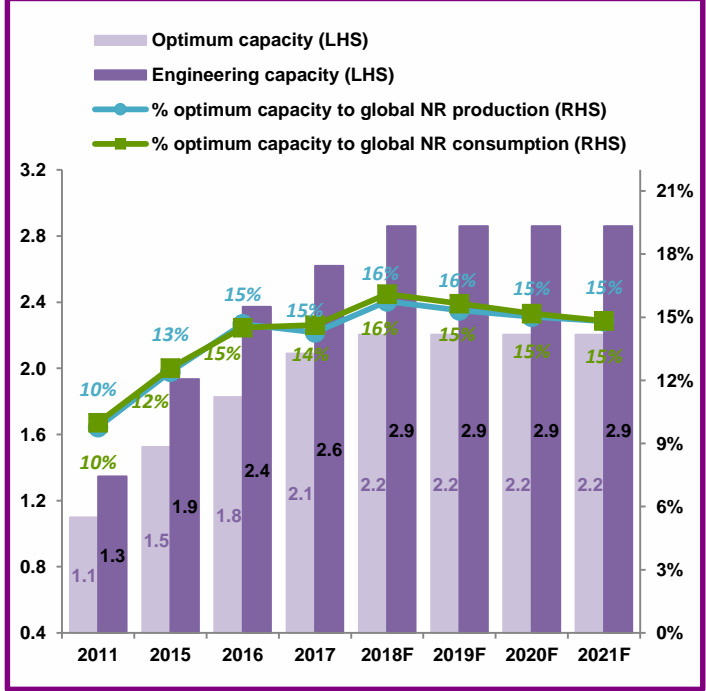
Note: Information as of 30 June 2018

Midstream Operations – NR Processing



Note: *Total engineering capacity

Production Capacity (mil. tons)



[Information as at 30 September 2018]

ABBREVIATIONS

LTX : Liquid latex with a dry rubber content of approximately 60.0%
RSS : Ribbed smoked sheet
TSR : Technically specified rubber, which includes STR and SIR



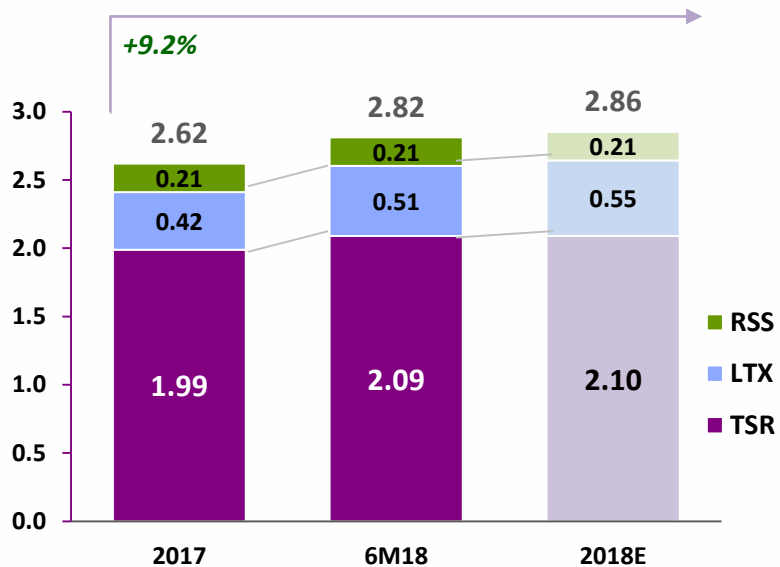
© 2015 Sri Trang Agro-Industry Plc.

Our Tire Manufacturer Customers



2018 Target – NR Production Capacity

Production Capacity [mil. tons/annum]



TSR ↑0.11 mil. tons

- A new TSR plant in **Sakon Nakorn** commenced operation in 2Q18.



LTX ↑0.13 mil. tons

- Capacity expansion at existing LTX plants in **Suratthani**, **Songkhla**, and **Ubon Ratchathani**



Downstream Operations – Finished Products



STGT

aiming to be among **the world's top three glove producers**

「Touch Of Life™」



30 years in operation, since 1989.

STGT takes meticulous attention to detail at every stage of production, from the careful selection of raw materials to R&D.



4 production facilities in Thailand,
the world's largest source of concentrated latex



17.2 billion pieces per annum
in production capacity as at 30 September 2018



8% market share
of global glove consumption in 2017

Product Range

Examination/ Non-Examination Gloves

Latex

Nitrile

Powdered

- Premium 5.8 g
- Balance 5.0 g
- Comfort 4.8 g

Powder-Free

- Premium 6.2 g
- Balance 5.8 g
- Balanced plus 5.6 g
- Balance Comfort 5.5 g
- Comfort 5.0 g

Powder-Free

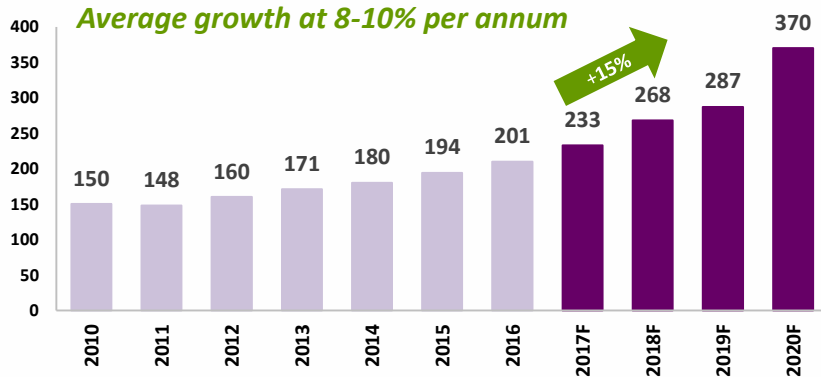
- Heavy 6.2 g
- Balance 4.8 g
- Comfort 3.5 g
- Comfort plus 3.0 g

Our Brands



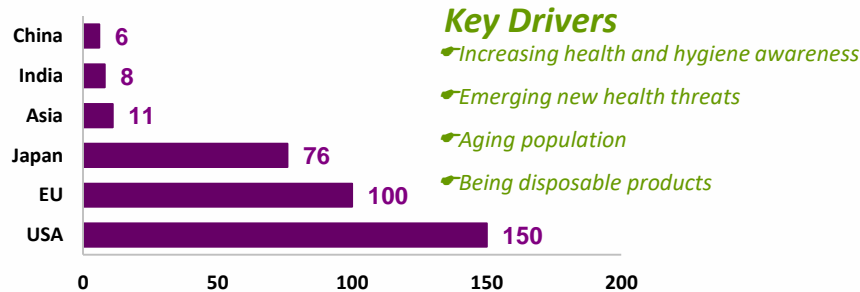
Global Glove Consumption & STA's Glove Markets

Global Glove Demand [bn pcs.]

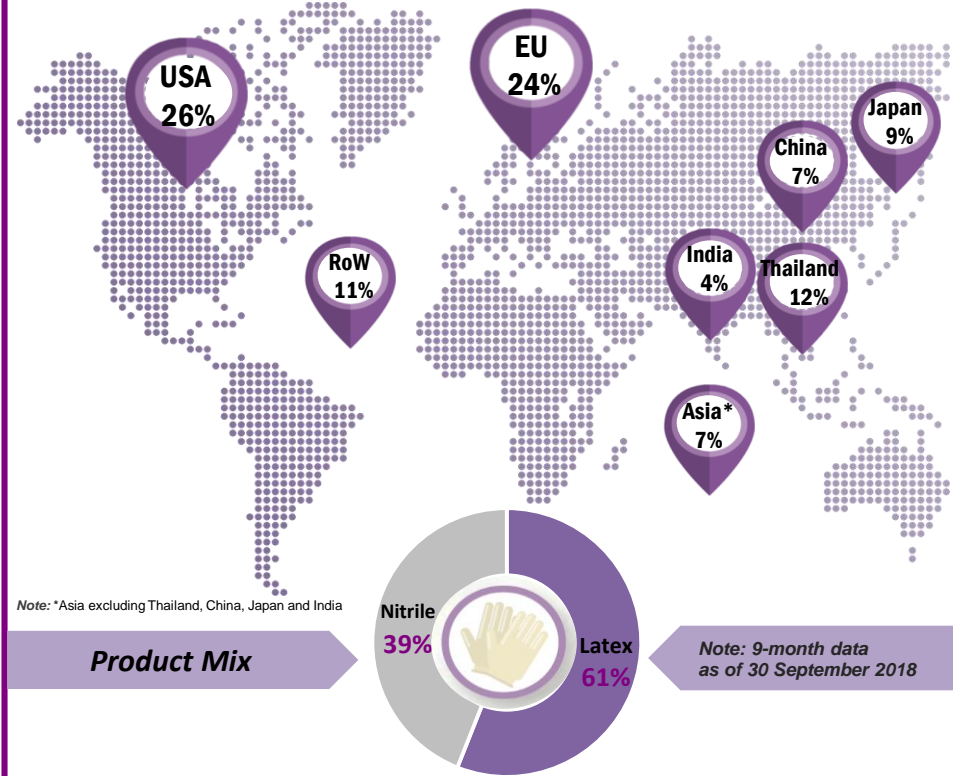


Source: MARGMA Industry Brief 2018 on the Rubber Glove Industry

Gloves Consumption Per Capita [2017]



STA Sales Volume by Market



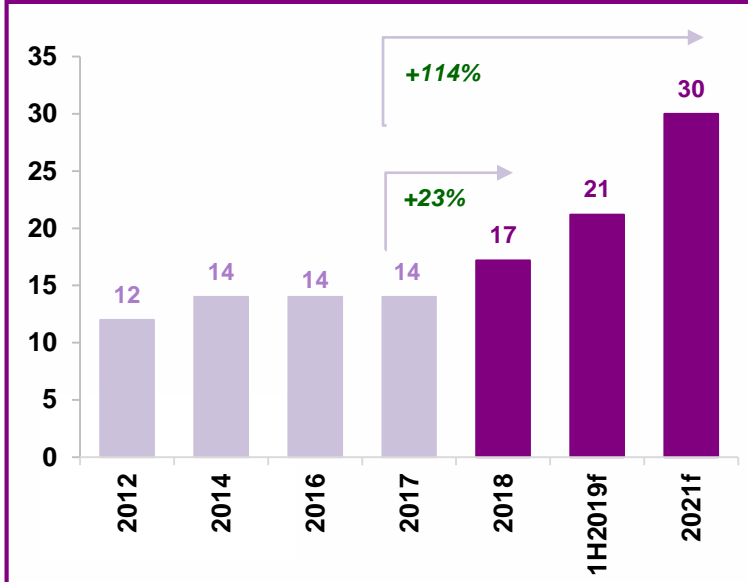
Capacity Expansion

Robust growth in demand
provides large producers with opportunities for expansion.

Company	Capacity in 2017 [bn. pcs.]	Capacity expansion in 2018F [bn. pcs.]	% Increase
Top Glove	51.9	8.6	16.6%
Hartalega	28.0	4.7	16.8%
Supermax	23.4	2.0	8.5%
Kossan	22.0	4.5	20.5%
Sri Trang Gloves	14.0	3.2	22.9%
Total	139.3	23.0	16.5%

Note: Information as disclosed by each company

STA capacity expansion plan
[bn. pcs.]



The Amalgamation in **Gloves Business**

Background of Thaikong Co.,Ltd.



Location: 85 Moo 6, Khuan Thani, Kantang District, Trang, Thailand

Production Capacity: 4 billion pieces per annum

Product Type: Natural Rubber Gloves - Powdered

Revenue from Sales in FY2017: Baht 1,508.62 million

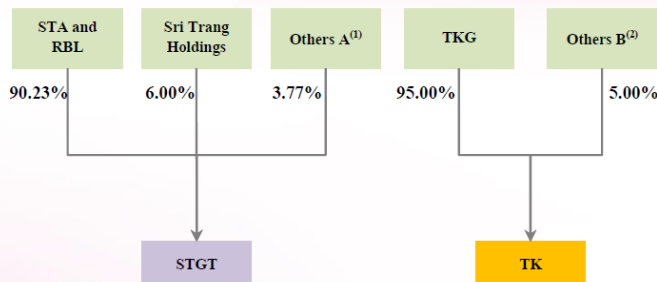
Net Profit in FY2017: Baht 66.35 million

Benefits of The Amalgamation

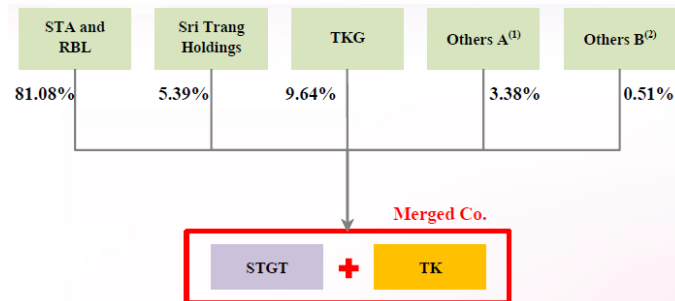
Positive growth potential in Rubber Gloves Industry

- ✓ **Instant increase in production capacity** [It would normally take 18-24 months to achieve the current production capacity of TK.]
- ✓ **Opportunity for further capacity expansion** [The current production capacity of TK can be increased further.]
- ✓ **Lower cost of investment**
- ✓ **Synergy** [TK being STA's main supplier, bringing in TK to be part of STA reduces supply risk and creates synergy.]
- ✓ **Reinforcement of competitiveness** [If TK were to fall into the hands competitors, STA's competitiveness would be detrimentally affected.]

Pre-Amalgamation Shareholding Structure



Post-Amalgamation Shareholding Structure



Total Production Capacity: 21,200 million pieces per annum

The amalgamation is expected to be completed by **1 April 2019**.

Our Gloves Marketing Communications

Encourage a wide variety of applications



Our Gloves Marketing Activities



Food & Hotel Thailand 2018



Medical Fair India 2018



MEDICA 2018, Germany



9th International Rubber Glove Conference and Exhibition 2018, Malaysia



Medical Fair Asia, Singapore



Africa Health Exhibition, South Africa



Hospitalar Fair, Brazil

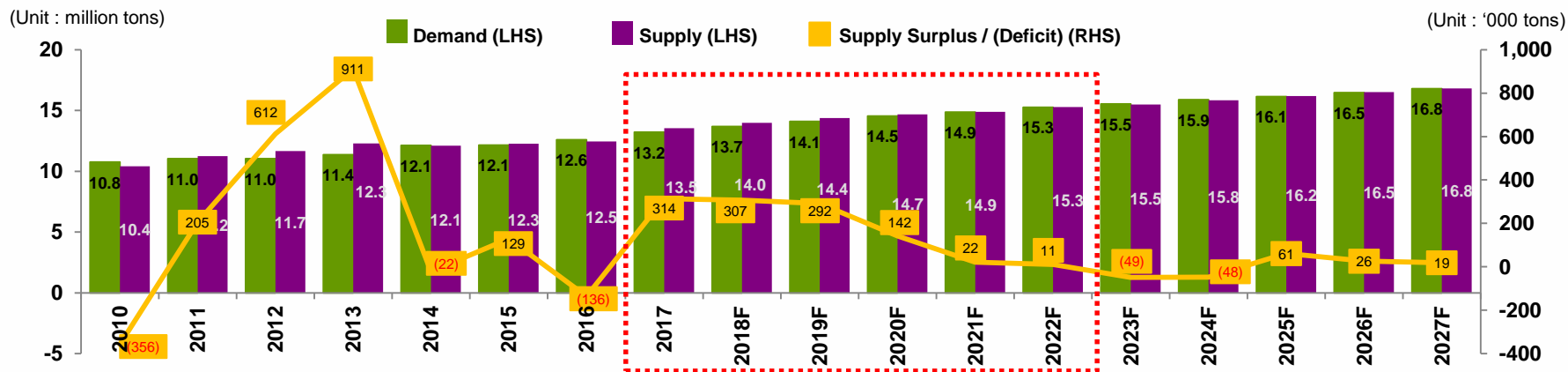


3. ***NATURAL RUBBER MARKET SITUATION***



Global NR Situation

Natural Rubber Demand & Supply



Supply

Global NR supply is expected to be 14.0 million tons, +3.3% in 2018 and average +2.1% in the next 3 years.

Short-term impact

- Increased tapping frequency to maintain the same levels of income
- Increased untapped mature trees
- Lack of good agro-management
- Skilled labour shortages [shifting from rubber farming to other jobs]

Long-term impact

- Discouragement of new planting
- Delay of replanting schedule
- Uprooting of rubber trees & replacing with other crops

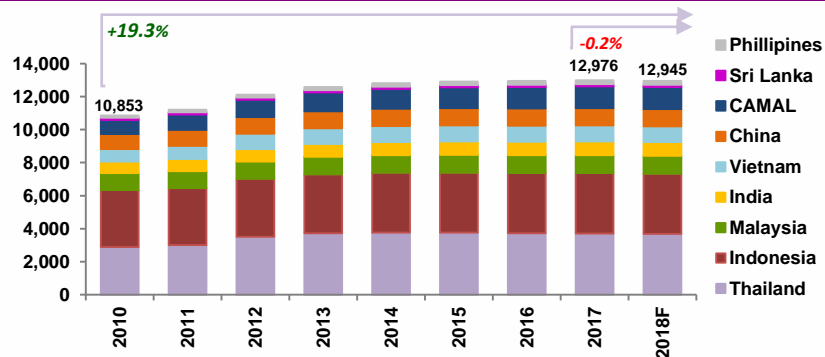
Demand

Global NR demand is expected to be 13.7 million tons, +3.5% in 2018 and average +2.8% in the next 3 years

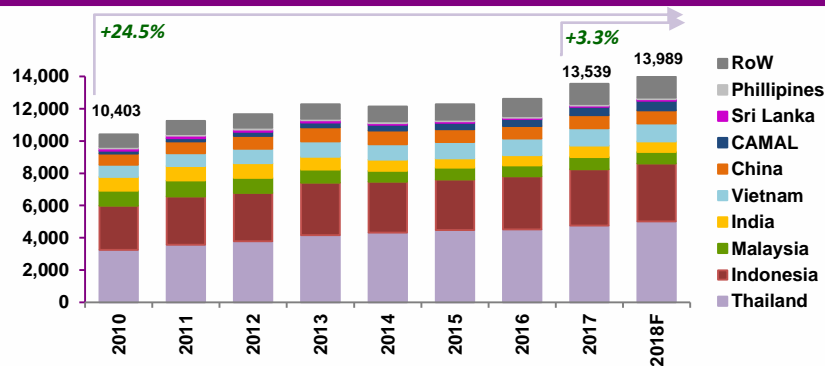
- 71% of NR consumption comes from the tire industry, whose demand is expected to grow by 4.0% in 2018, in line with global tire production.
- 29% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 5.2%, driven by increased consumption by gloves producers.
- Some SR consumption in 1Q18 was substituted by NR consumption during a period of low NR prices.

NR Supply

NR Plantations Area, in 11 countries ['000 HA]

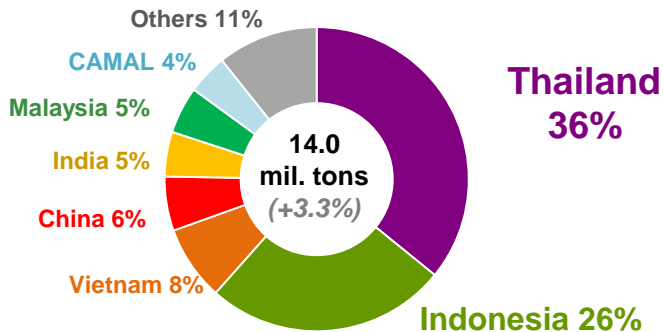


NR Production [mil. tons]

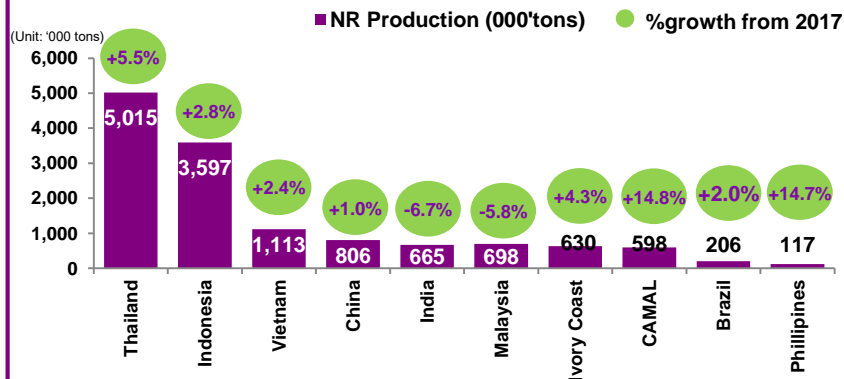


2018F Major Producers by Country

2018F global production growth = 3.3%



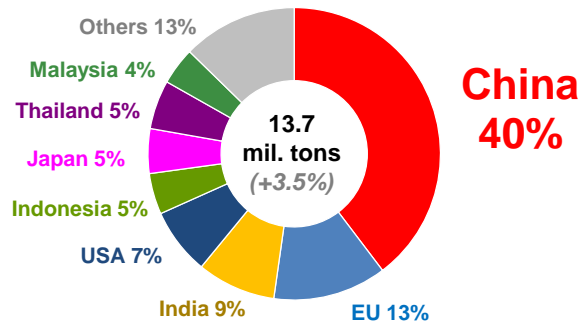
2018F NR Production



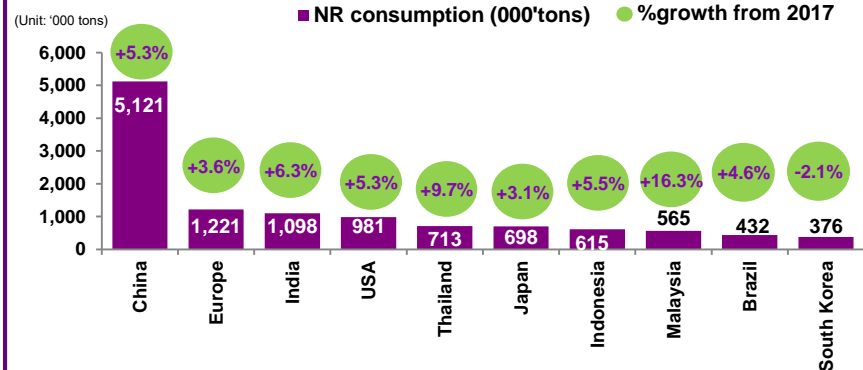
NR Demand

2018F Major NR Consumers

2018F global growth in consumption = 3.5%

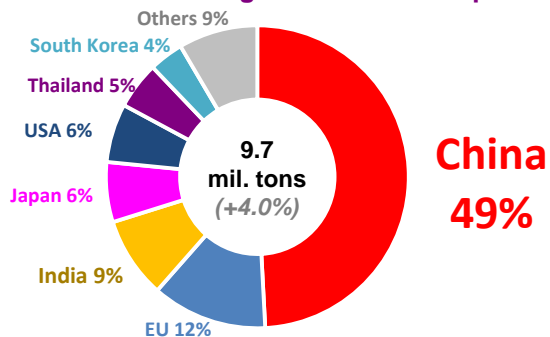


2018F NR Consumption



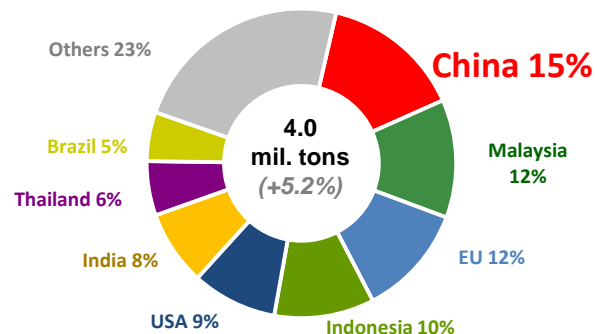
2018F NR Consumption in Tire Industry

71% of global NR consumption in 2018F



2018F NR Consumption in Non-Tire Industries

29% of global NR consumption in 2018F



NR Situation in Thailand in 2018F

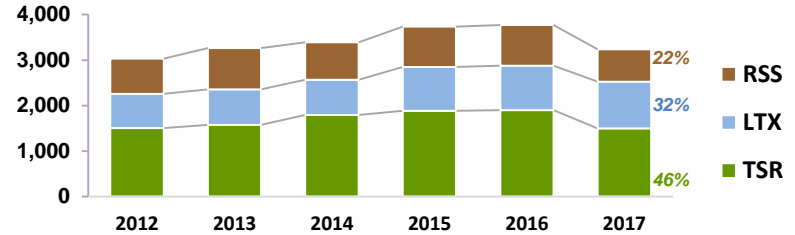


-  **22 mil. rai** of plantation area
-  **28%** of the world's total plantation area
-  **36%** of global production
-  **5.0 mil. tons** in production
-  **0.74 mil. tons** in consumption

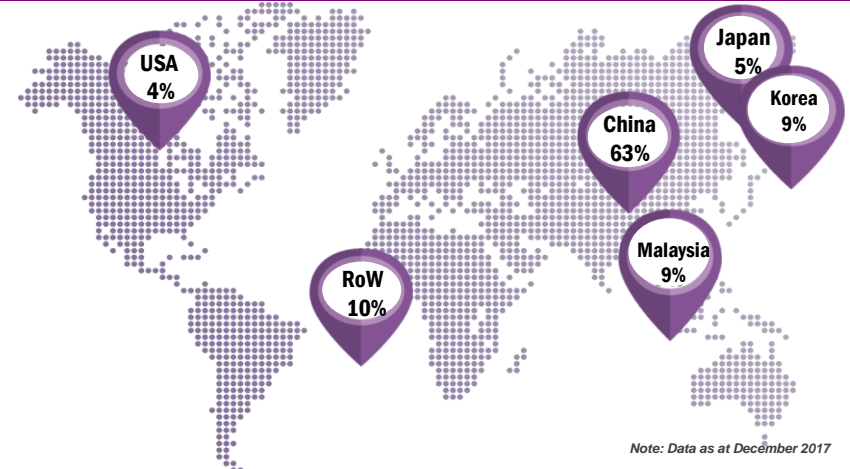
Tire Consumption, 66%

Non-tire Consumption, 34%

Thailand NR Production by Type



Thailand's Major Export Markets

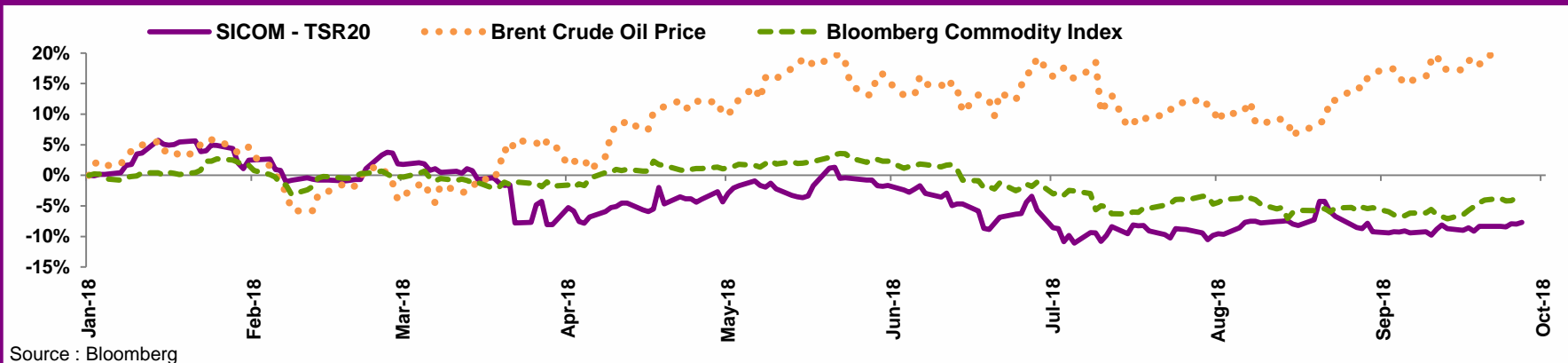


Note: Data as at December 2017

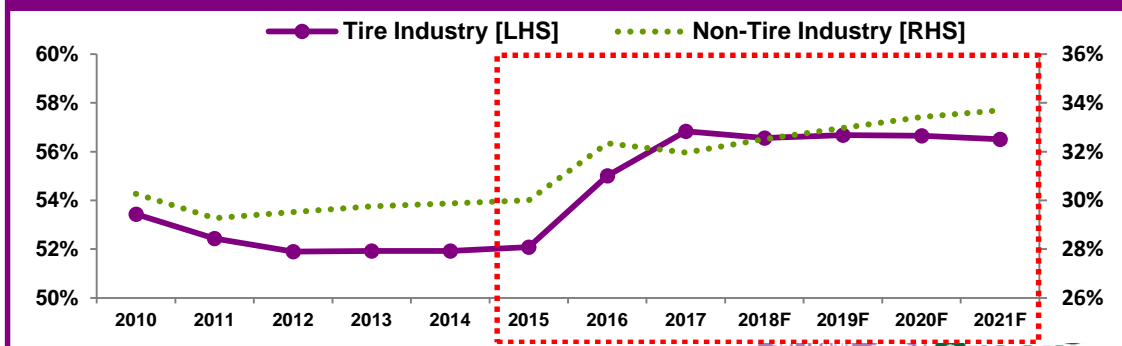


Commodity Price Movements & Share of NR in Rubber Consumption

Commodity Price Movement

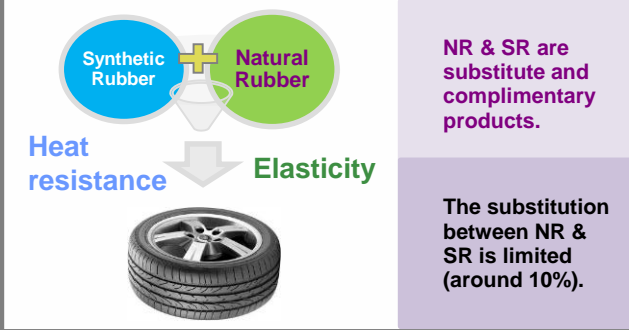


Share of NR in Rubber Consumption (%)



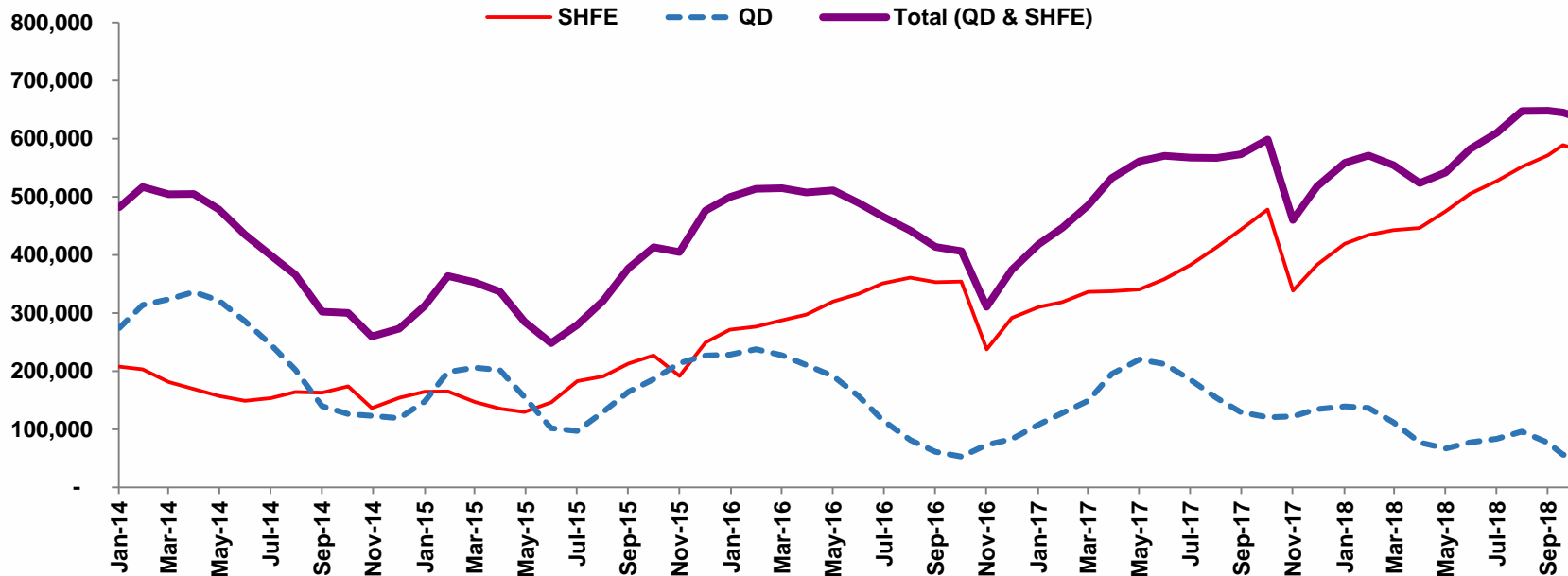
Source : IRSG, June 2018

Consistent demand for NR



Qingdao & SHFE Stocks

Qingdao & SHFE Stocks, China [tons]

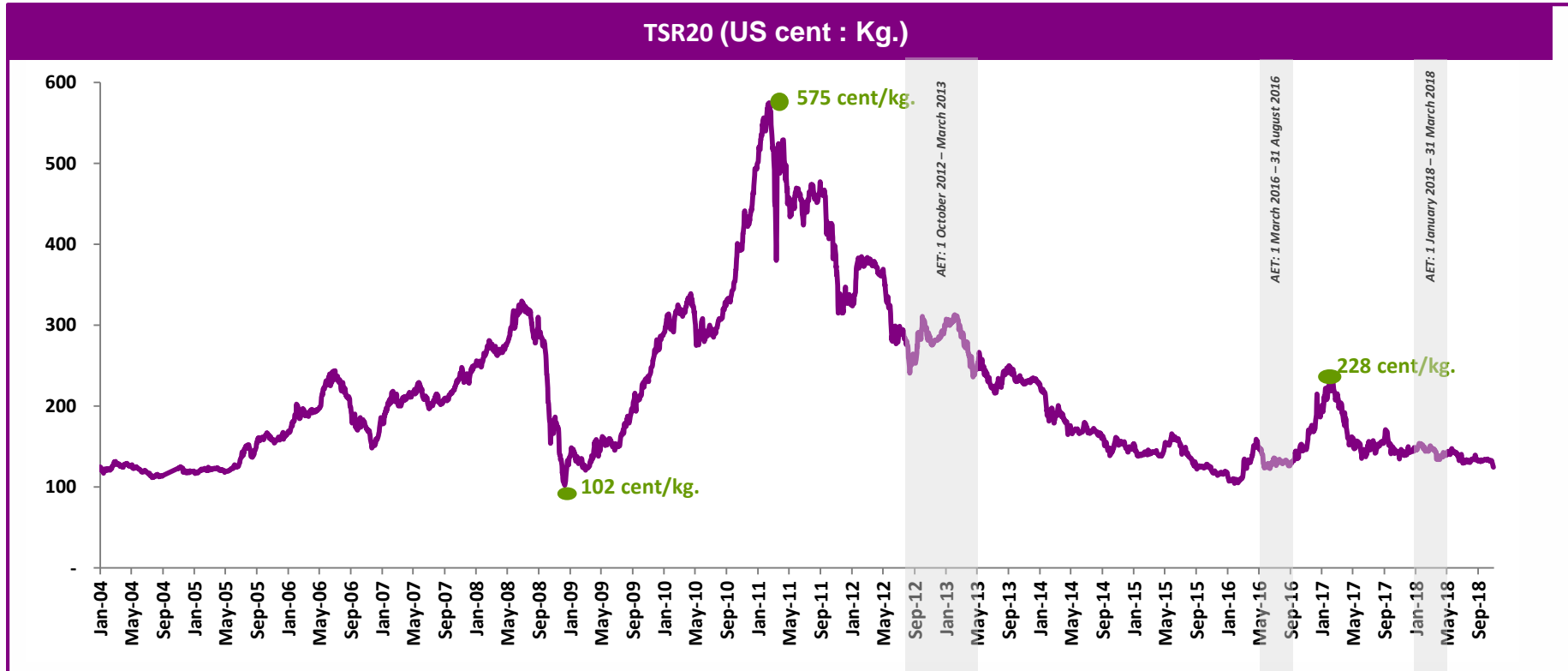


Source : Bloomberg and STA



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TSR20 Historical Prices Movement [2004 – 2018]



ABBREVIATION

AET : Agreed Export Tonnage Scheme

Source : Bloomberg



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SRI TRANG GROUP Green Rubber

Move Forward to the Green Rubber Company with over 30 years of our extensive experience and our commitment to sustainably developing natural rubber industry, we have initiated the concept of “The Green Rubber Company”



Thank you



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