

# STA

## 4Q2018 & FY2018 Analyst Presentation



THE WORLD'S LEADING FULLY INTEGRATED GREEN RUBBER COMPANY



The Stock Exchange of Thailand

**SET100 Index**



The Stock Exchange of Thailand

**SETTHSI Index**

SRI TRANG AGRO-INDUSTRY PUBLIC COMPANY LIMITED

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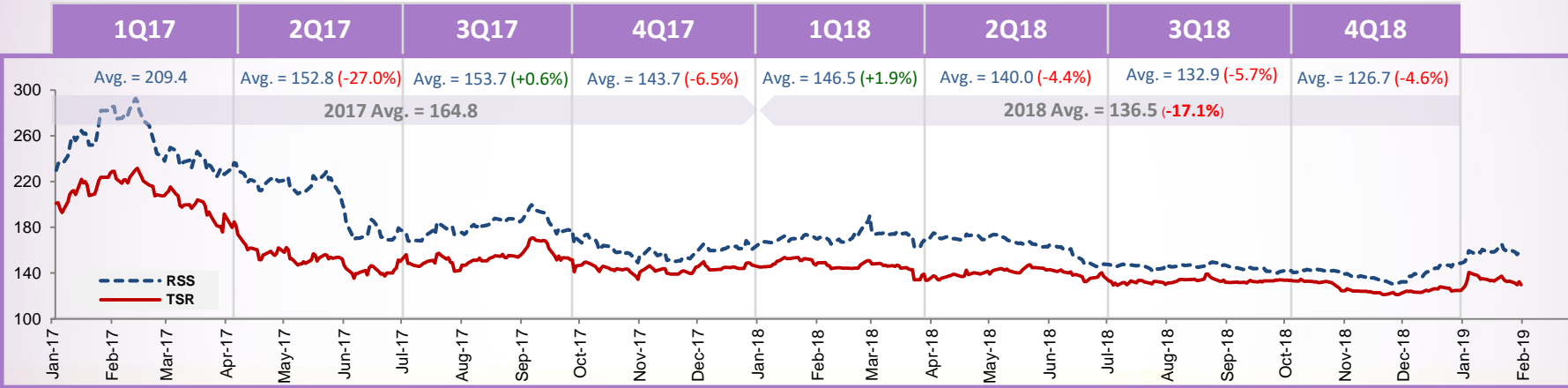
## 3. Natural Rubber Market Situation

**1**

## ***FINANCIAL PERFORMANCE***

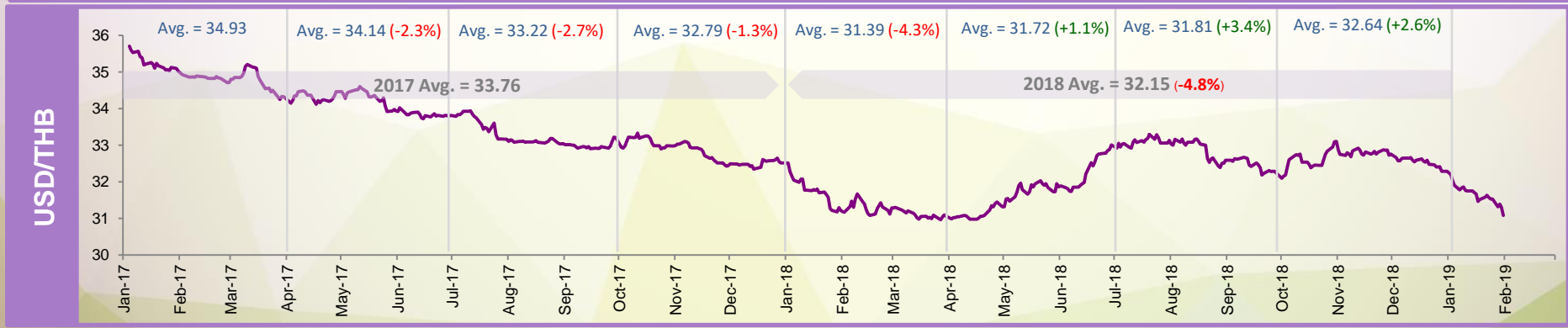
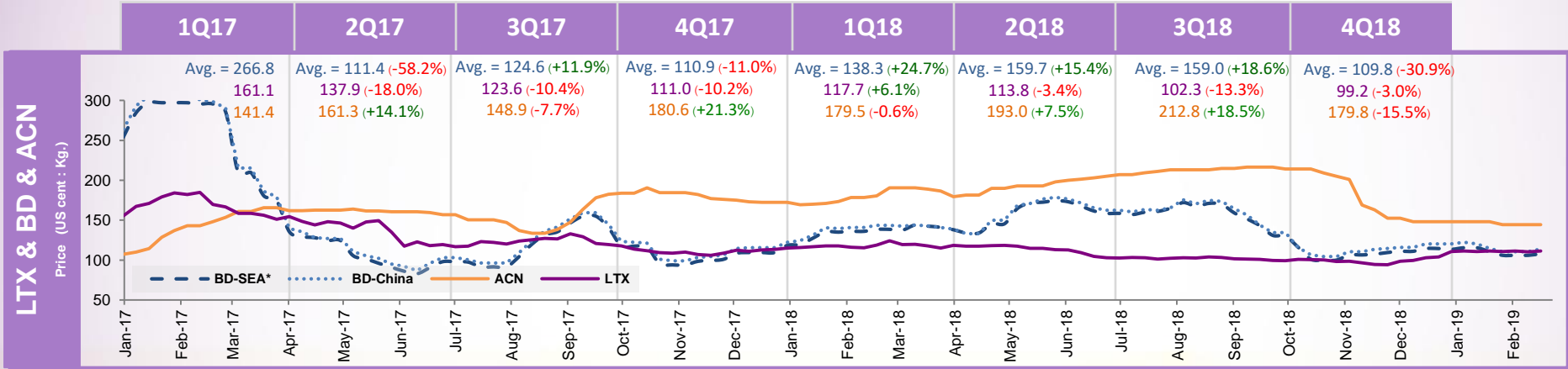


# SICOM – Oil Prices



**ABBREVIATIONS**  
 RSS: Ribbed smoked sheet  
 TSR: Technically specified rubber, which includes STR and SIR

# Latex - Butadiene - Acrylonitrile - Forex



**ABBREVIATIONS**  
 RSS: Ribbed smoked sheet  
 TSR: Technically specified rubber, which includes STR and SIR

# Financial Highlight

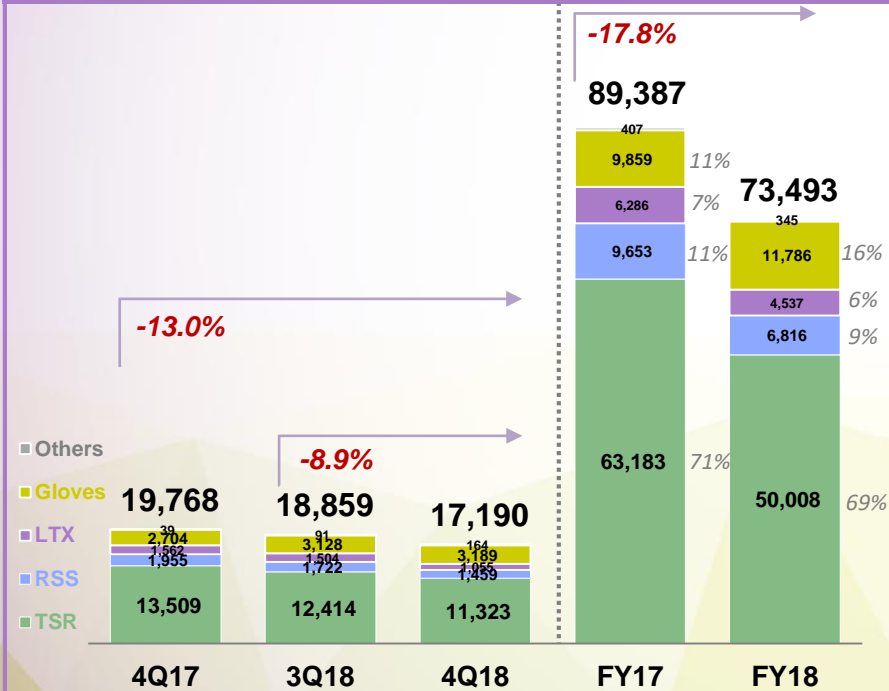


(Unit : THB million)	FY18	FY17	%YoY	4Q18	3Q18	%QoQ	4Q17	%YoY
Revenue	73,492.8	89,387.0	-17.8%	17,189.6	18,859.4	-8.9%	19,768.4	-13.0%
Sales volume (tons)	1,336,649	1,323,873	1.0%	317,876	343,303	-7.4%	341,272	-6.9%
Avg. selling price (Baht per ton)	45,907	59,765	-12.7%	43,529.8	45,558.5	-4.5%	49,888.5	-12.7%
Gross profit	7,107.5	3,776.4	88.2%	1,366.7	1,969.8	-30.6%	1,374.5	-0.6%
Adj. gross profit*	8,254.2	4,844.1	70.4%	1,622.4	2,001.2	-18.9%	1,604.1	1.1%
SG&A	(5,247.9)	(5,859.1)	-10.4%	(1,350.5)	(1,332.0)	1.4%	(1,332.6)	1.3%
Other income	237.7	685.5	-65.3%	67.2	31.8	111.1%	398.0	-83.1%
Gains (loss) on exchange rate, net	(252.2)	522.1	N/A	40.3	(103.5)	-138.9%	157.4	-74.4%
Other gains, net	1,203.3	147.4	716.3%	156.0	256.6	-39.2%	112.4	38.9%
Operating profit (loss)	3,050.2	371.6	720.8%	279.8	823.1	-66.0%	709.7	-60.6%
Share of profit (loss) from investments in JV	223.7	129.8	72.3%	26.5	60.0	-55.9%	46.6	-43.1%
EBITDA	5,657.4	731.8	673.0%	993.5	1,451.7	-31.6%	1,325.1	-25.0%
EBIT	3,273.9	394.4	730.2%	306.3	883.2	-65.3%	756.2	-59.5%
Finance costs (net)	(887.0)	(1,156.4)	236.2%	(211.2)	(216.5)	-2.4%	(274.7)	-23.1%
Net profit	2,064.4	(1,437.1)	N/A	139.1	501.6	-72.3%	468.5	-70.3%
GP margin	9.7%	4.2%	544.62	8.0%	10.4%	-249.41	7.0%	46.99
Adj. GP margin*	11.2%	5.4%	581.21	9.4%	10.6%	-117.29	8.1%	1325.35
Operating profit margin	4.2%	0.4%	373.46	1.6%	4.4%	-273.67	3.6%	756.79
EBITDA margin	7.7%	0.8%	687.92	5.8%	7.7%	-191.76	6.7%	-274.47
Net profit margin	2.8%	-1.6%	441.66	0.8%	2.7%	-185.05	2.4%	469.20

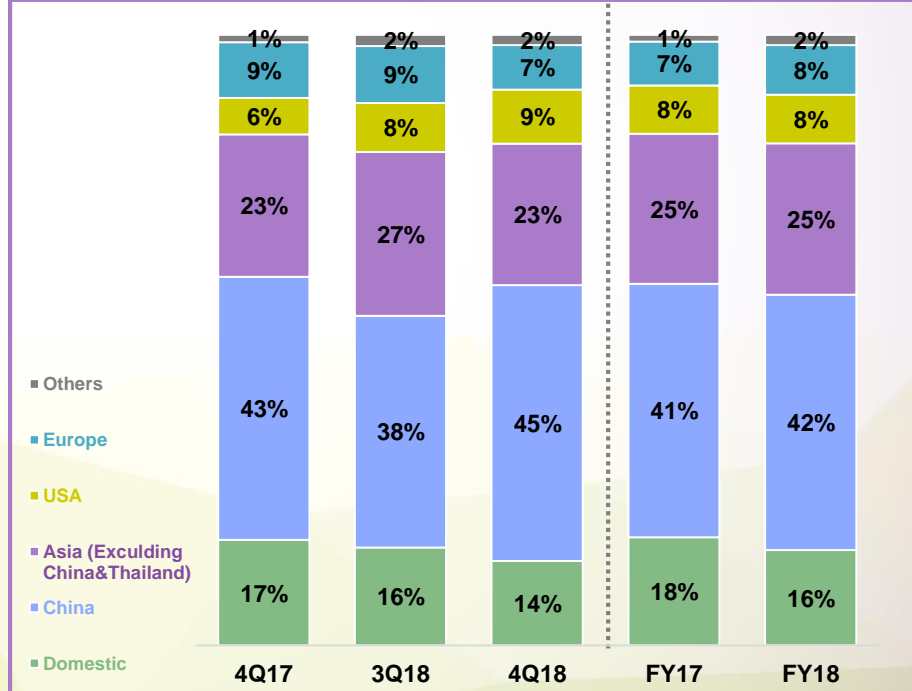
\*Adjusting for (reversal) allowance of inventory and realized gains/(losses) from hedging activities

# Sales Revenue

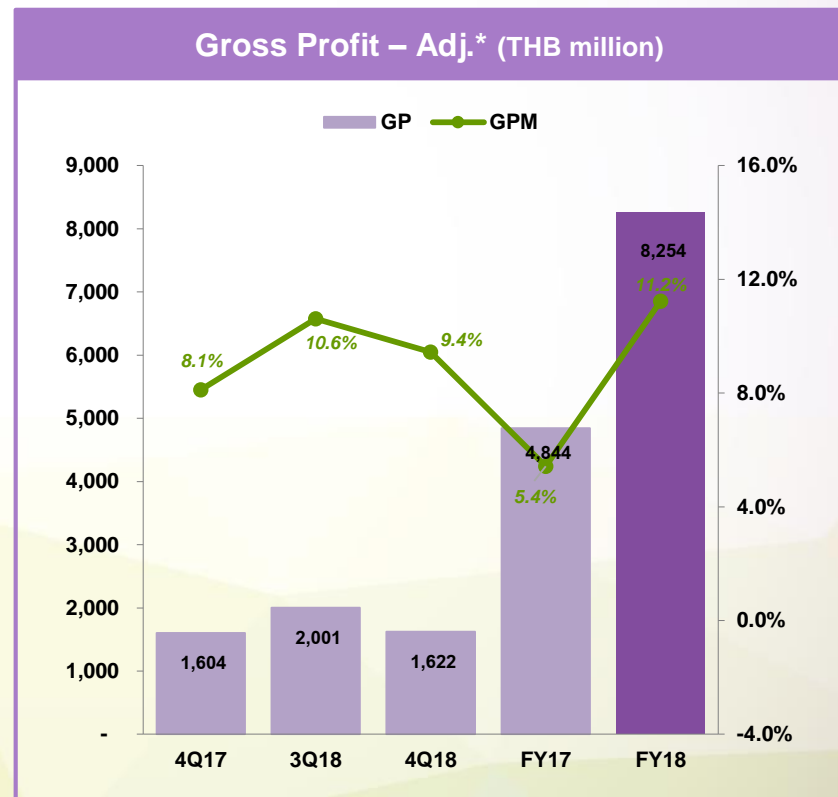
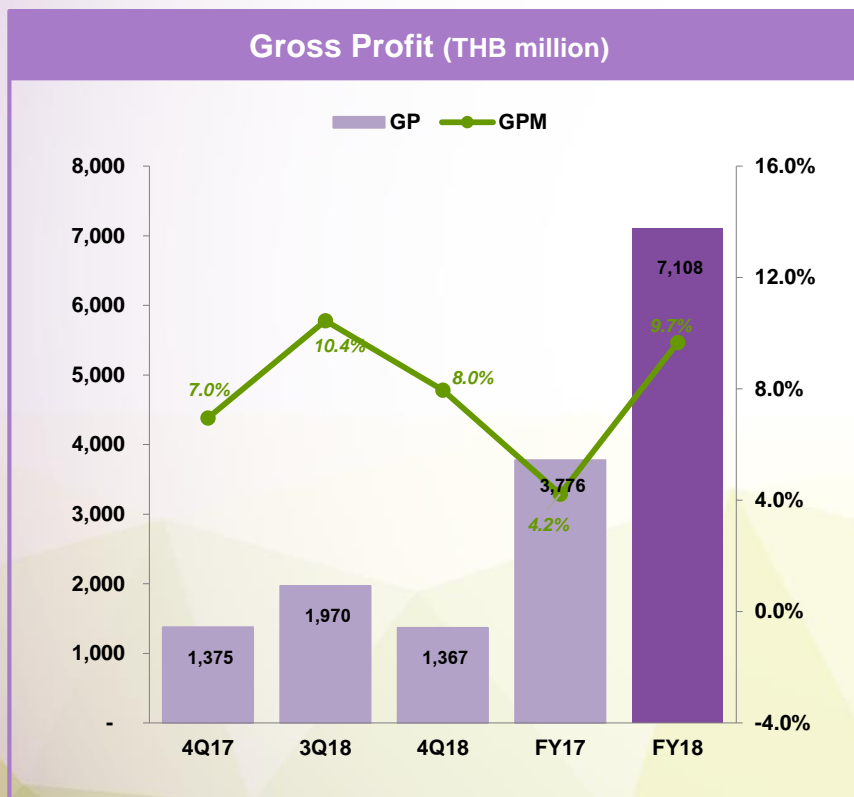
## Sales Revenue by Product (THB million)



## Sales Revenue by Geography (THB million)



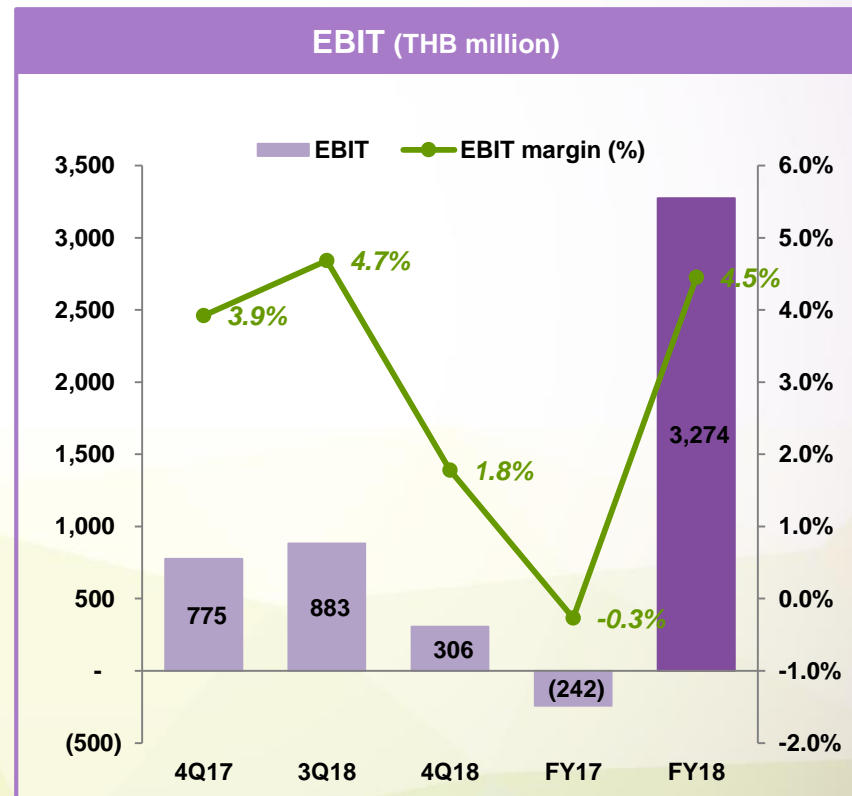
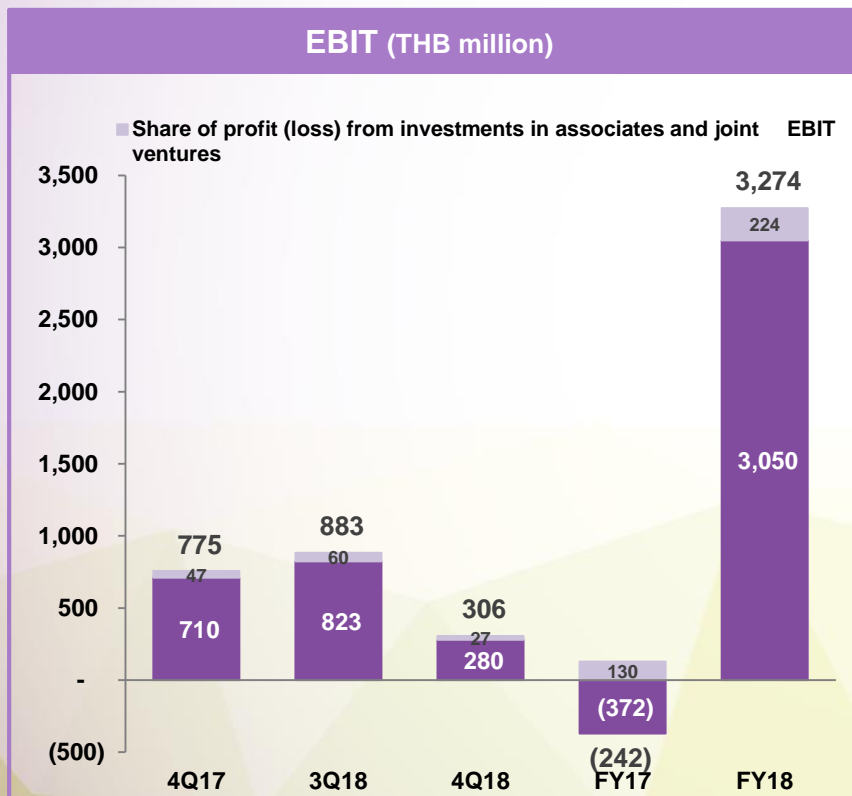
# Gross Profit



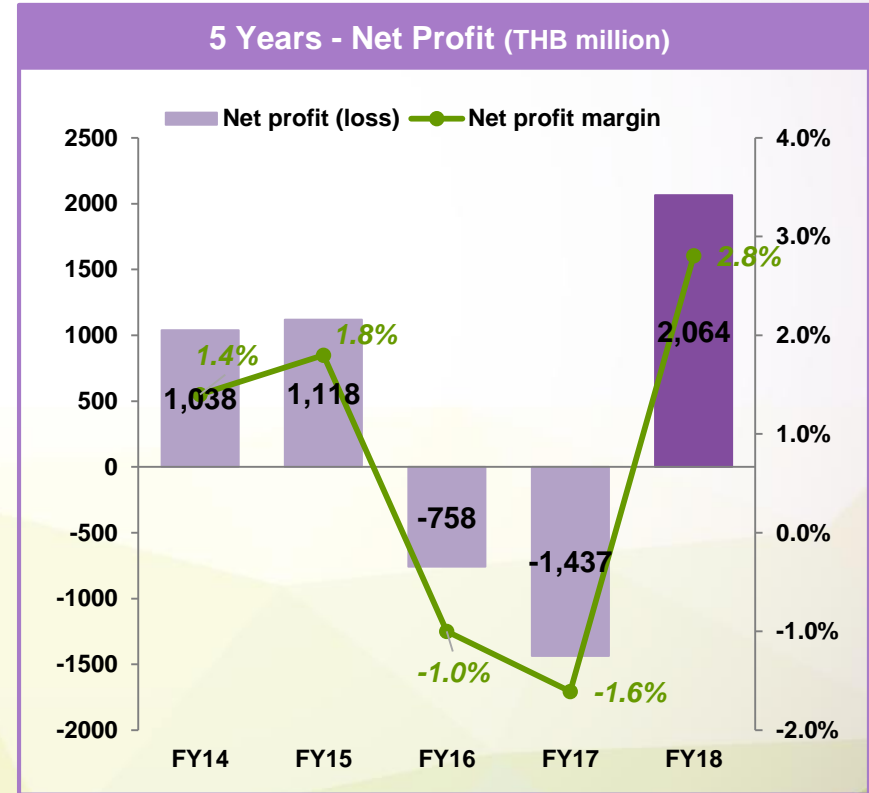
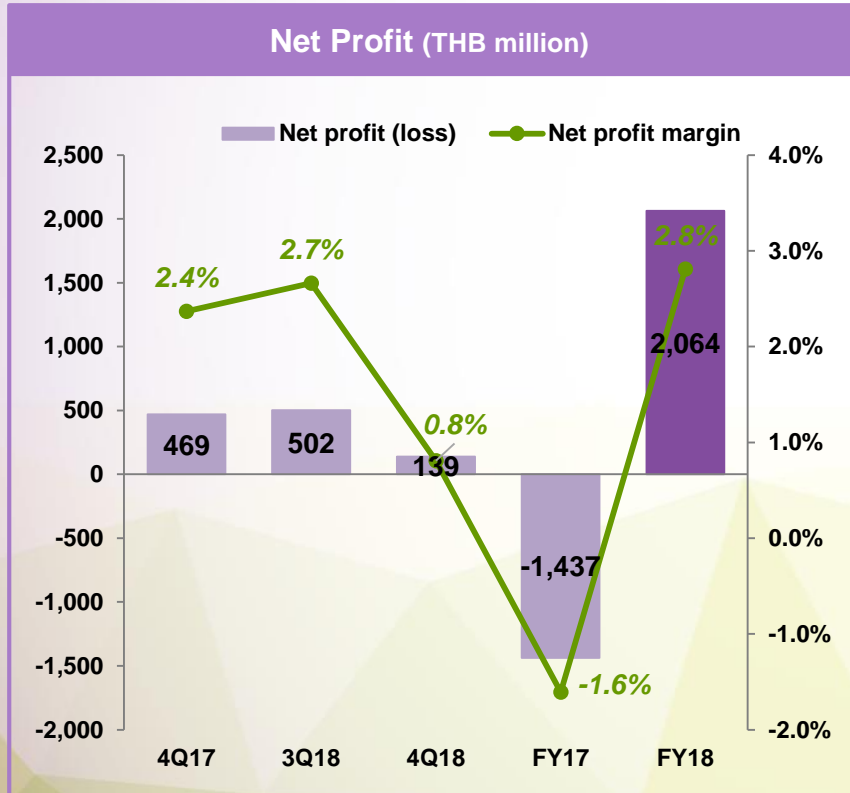
Note: \* Adjusting for (reversal) allowance of inventory cost and realised items from hedging activities



# EBIT



# Net Profit

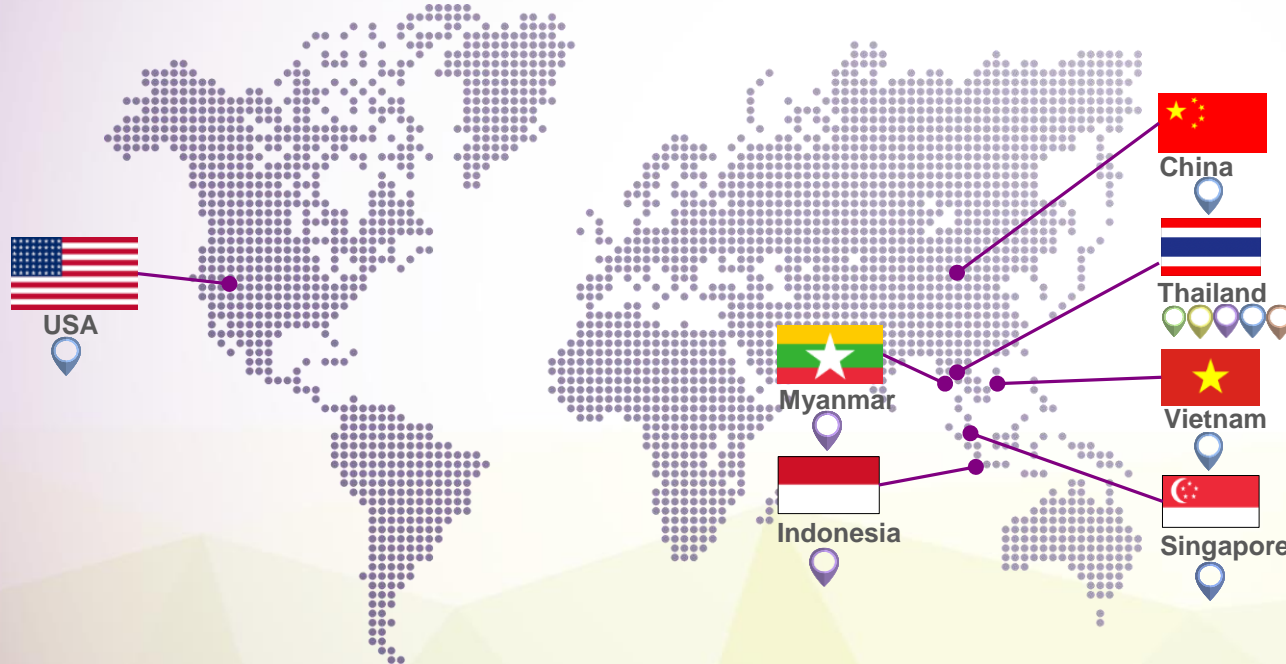




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## ***STA Business Highlights***

# STA's Global Presence



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

**1,336,649**  
tons in NR's sales volume in FY18

**26%**  
of NR production in Thailand

**10%** share of global  
NR consumption in FY18

**16,937** m.pcs.in  
Glove's sales volume in FY18

**6%** share of global  
glove consumption in FY18

# Upstream Operations – Rubber Plantations



**Thoen 1,  
Lampang**

2018-03-22

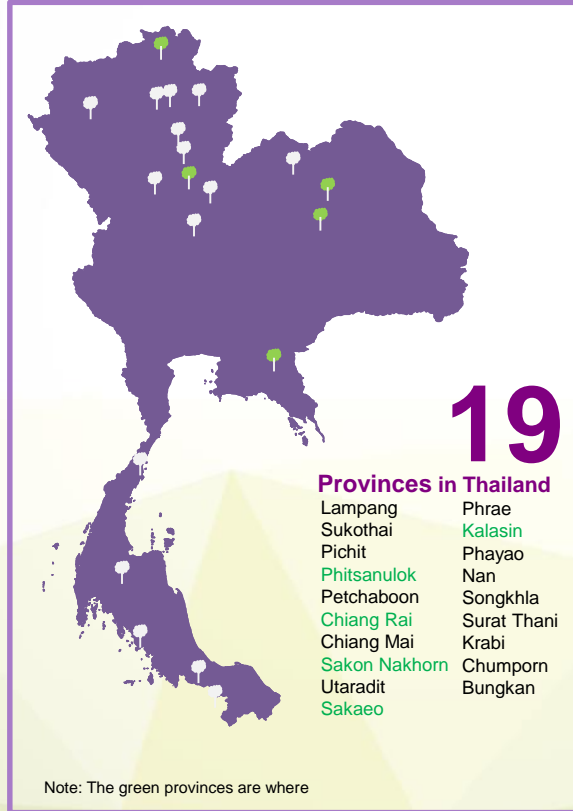


**Watbot,  
Phitsanulok**

2018-07-04 AM  
sri Trang Agro-Industry

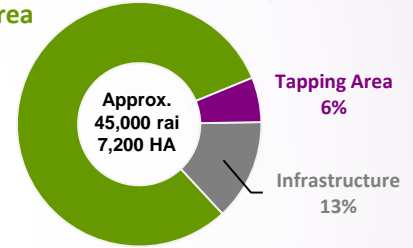


**Mae Khao  
Tom,  
Chiang Rai**

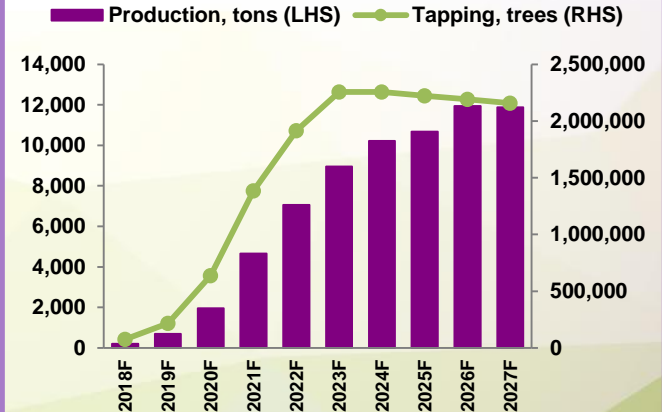


## Area of Rubber Plantations

**Immature Area**  
81%



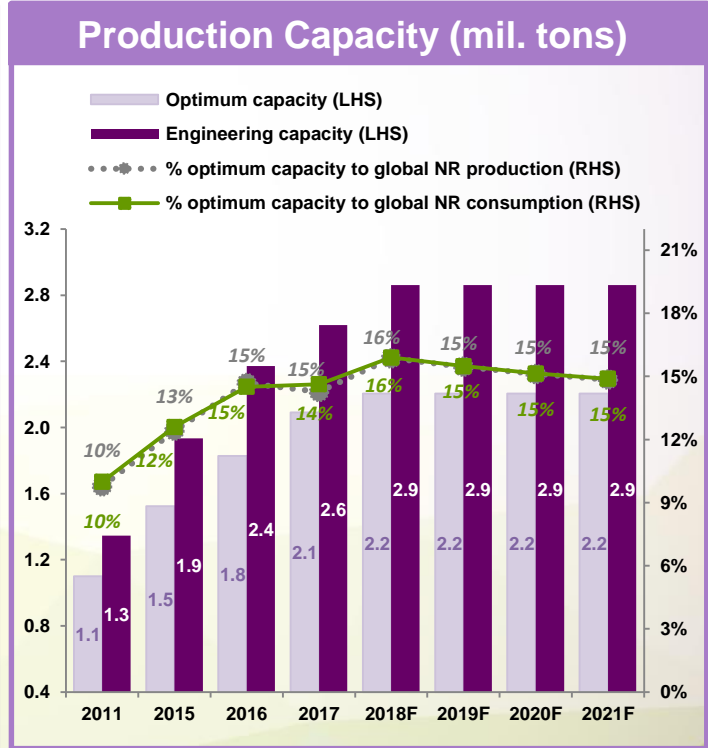
## Estimated Mature Plantations



# Midstream Operations – NR Processing



Note: \*Total engineering capacity



[Information as at 31 December 2018]

# STA's Tire Manufacturer Customers



# Downstream Operations – Finished Products



OUR VISION IS TO DELIVER  
「Touch Of Life™」  
ON A GLOBAL SCALE

Since  
**1989**

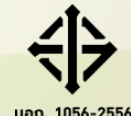
**17.2**  
billion pieces  
per annum in  
production  
capacity

Exporting to  
**120+**  
Countries

**6%**  
Global  
Market Share

The world's  
**5<sup>th</sup>**  
Largest

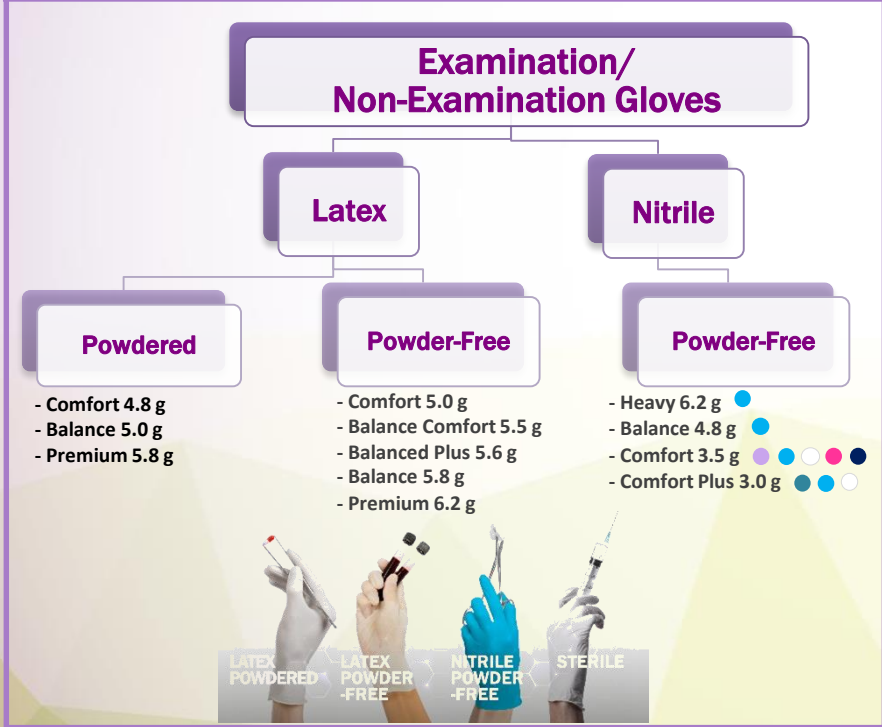
No.  
**1**  
in Thailand



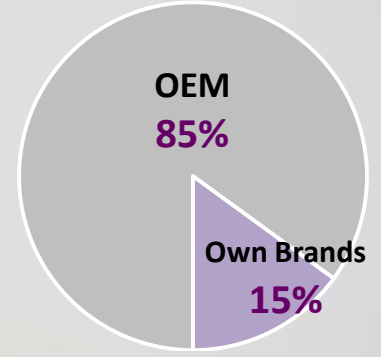
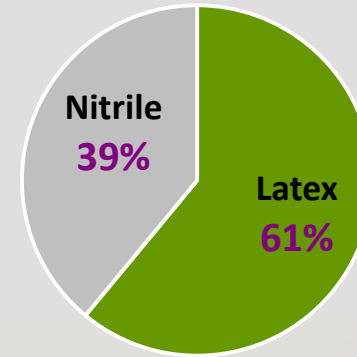


# STA's Gloves Products

## Product Range



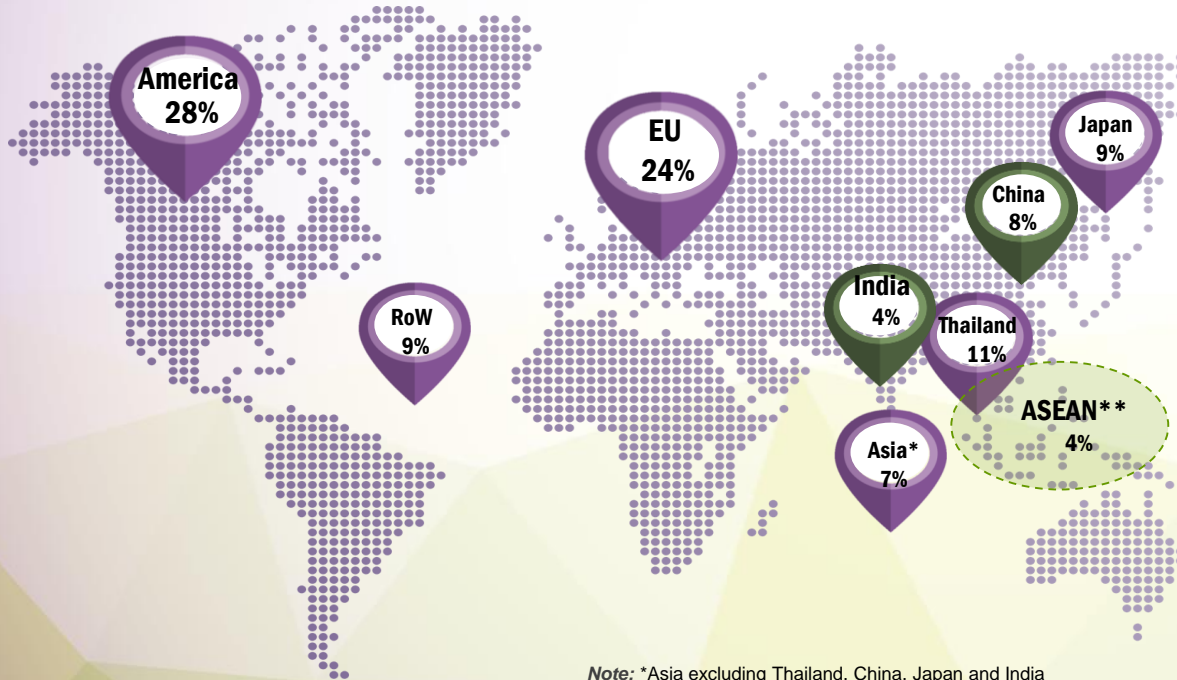
## Product Mix



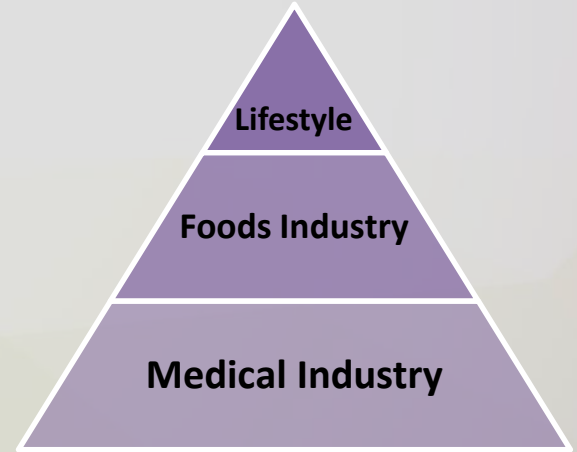
Remark: FY2018 data

# STA's Glove Markets by Volume

*Widely Used in Developed Markets, Gaining Ground in Emerging Markets*



*Encourage  
a wide variety of applications*

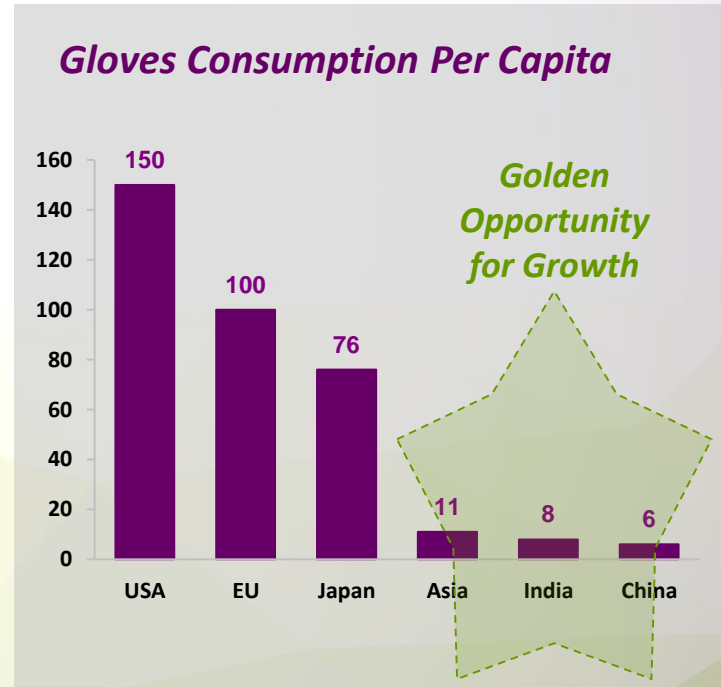
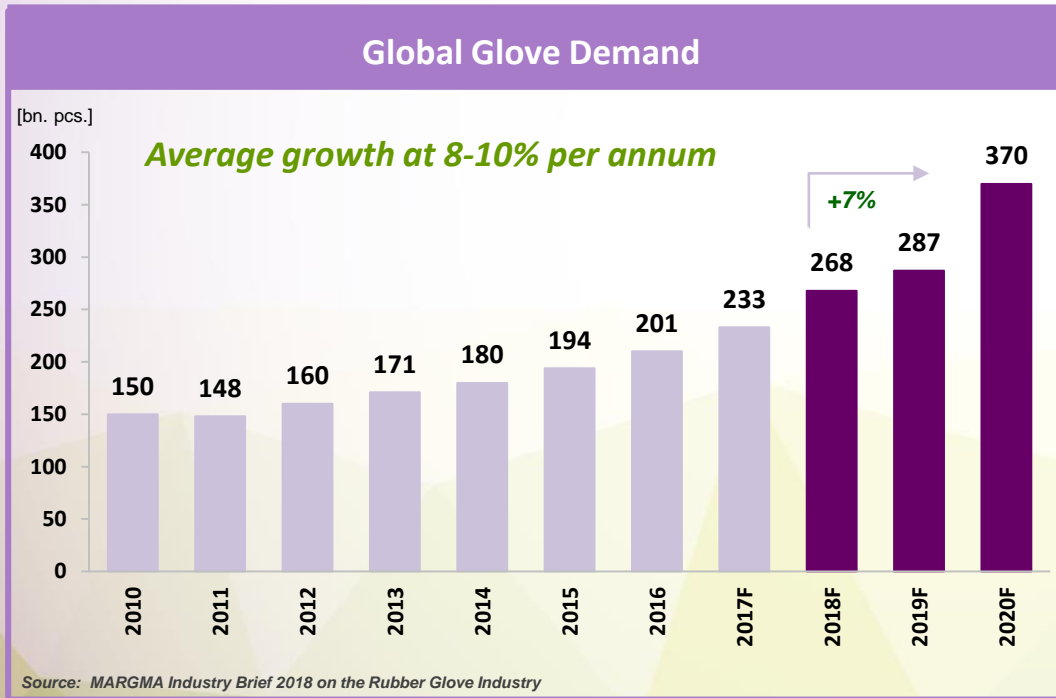


Remark: 12-month data as of 31 December 2018

Note: \*Asia excluding Thailand, China, Japan and India  
\*\*ASEAN excluding Thailand

# Global Glove Market Outlook

*Demand Keeps Growing & Hidden Consumption in Emerging Markets*



# Key Drivers

## *Increasing awareness of health and hygiene around the world*

*Emerging and lower-income countries will drive the rise in health care expenditures through 2020 as well as the expansion of services in **developed countries.***

USA



**USP800:** Double gloves usage  
**US-China Trade war**

Peru



The Government passed the **Seguro Integral de Salud (SIS)** – to provide free basic health care

Saudi Arabia



**Saudi Food & Drug Authority Strategic Plan 2018-2022** – to protect & promote public health

India



**National Health Protection Scheme** – to provide coverage over 100 mill. vulnerable families.

China



**Impose tariffs on Nitrile Rubber from Korea and Japan** – a boon to Latex Gloves

**Vision: Universal health coverage by 2020** – to establish an effective social health security system & speed up public hospital reform

Japan



**The world's largest elderly population**

South Korea



**Increased usage in non-medical sectors**

Indonesia



**The Ministry of Health launched a new regulation** – to define the minimum standard of services

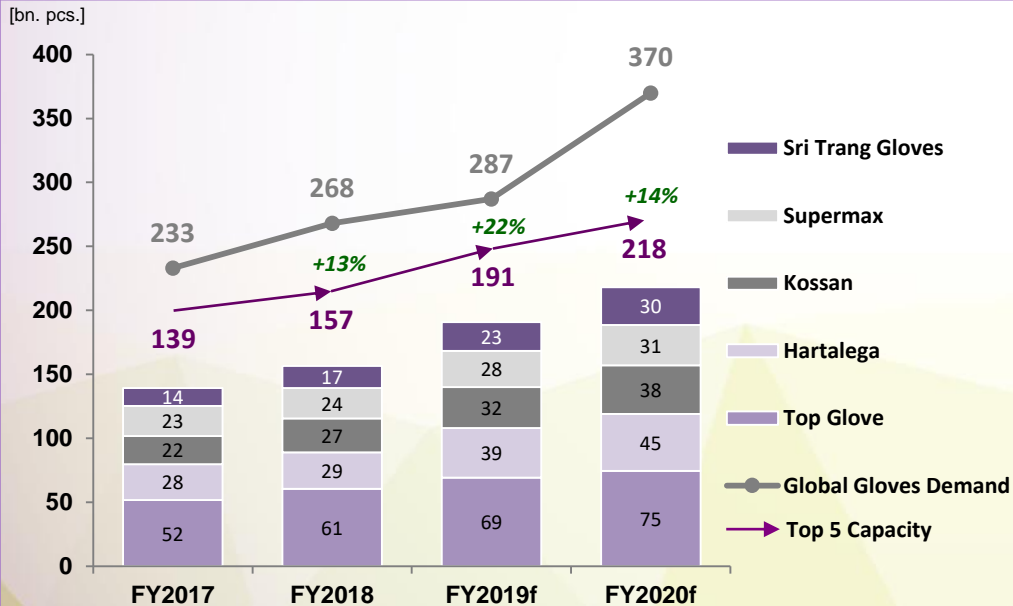
Cambodia



**Health Strategic Plan 2016-2020** – to improve coverage, quality, equity

# Capacity Expansion

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



Note: Information as disclosed by each company

## Highlights:

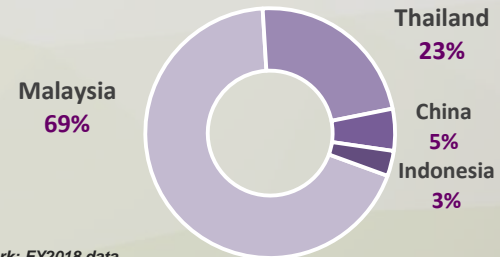


- The expansion will focus on “Nitrile Gloves.”
- Old & inefficient machines will be decommissioned and replaced by new capacity.
- The publicly-listed glove producers together account for 70% of Malaysia’s glove production capacity.



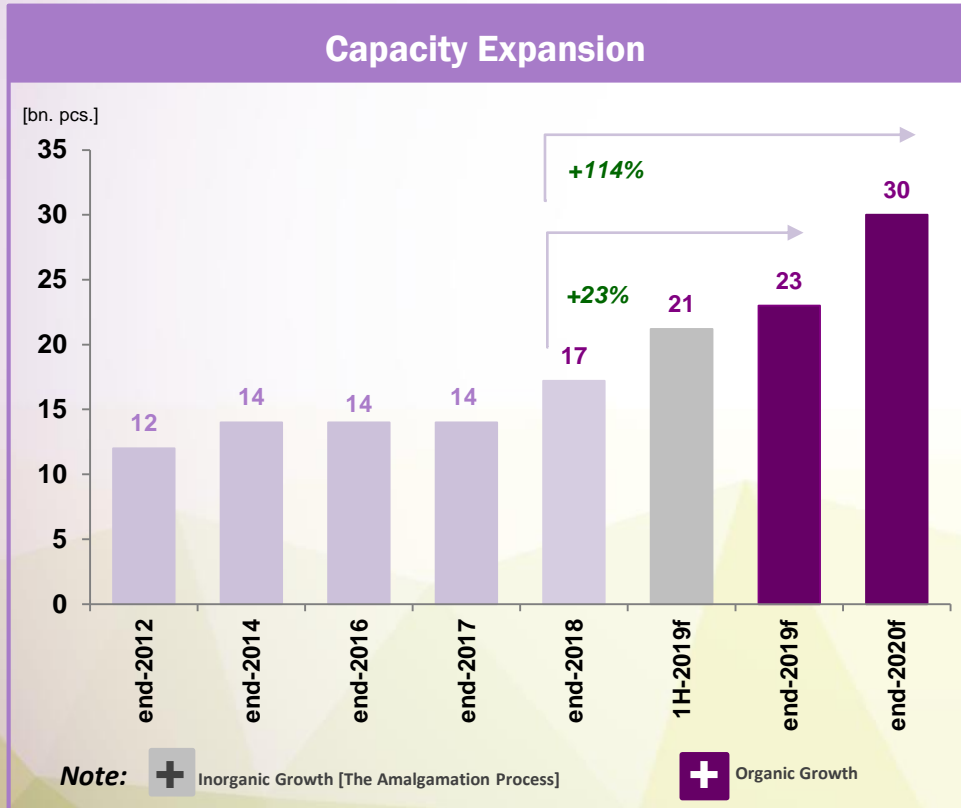
- Thailand has a competitive advantage in the production of “Latex Gloves” as it is the source of the main raw material.
- The Gov’t promotes domestic consumption of natural rubber by giving 3% in interest rate subsidy to any manufacturers consuming more natural rubber, including glove producers.

## Global Market Share



Remark: FY2018 data

# STA's Capacity Expansion Plan



# The Amalgamation in **Gloves Business**



## *Background of Thaikong Co.,Ltd.*

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

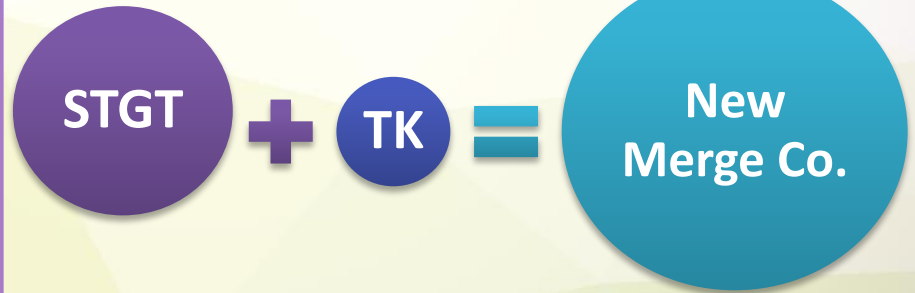
**Production Capacity:** 4 billion pieces per annum

**Product Type:** Natural Rubber Gloves - Powdered

**Revenue from Sales in FY2017:** Baht 1,508.62 million

**Net Profit in FY2017:** Baht 66.35 million

## The Amalgamation by Share Swap



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

# STA's Gloves Marketing Activities



**Food & Hotel Thailand 2018**



**MEDICA 2018, Germany**



**9th International Rubber Glove Conference and Exhibition 2018, Malaysia**



**Africa Health Exhibition, South Africa**



**Medical Fair India 2018**



**Medical Fair Asia, Singapore**



**Hospitalar Fair, Brazil**



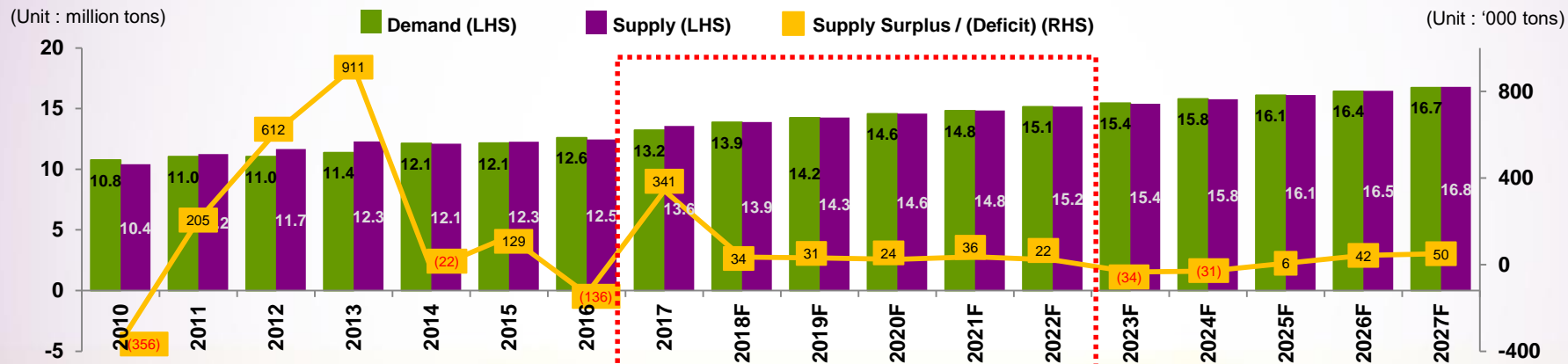
**3**

## ***NATURAL RUBBER MARKET SITUATION***



# Global NR Situation

## Natural Rubber Demand & Supply



### Supply

Global NR supply is expected to be 14.26 million tons, +2.6% in 2018 and average +2.2% 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

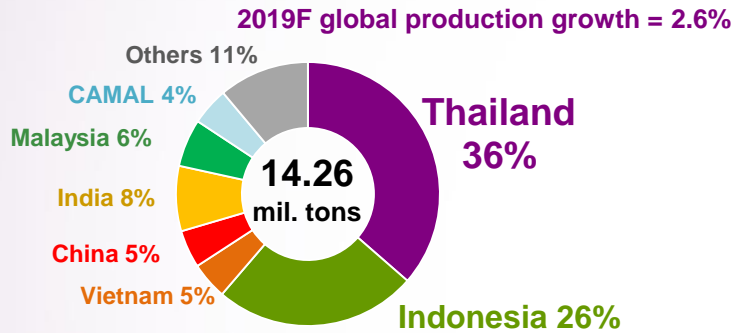
### Demand

Global NR demand is expected to be 14.23 million tons, +2.6% in 2019 and average +2.2% in the next 3 years

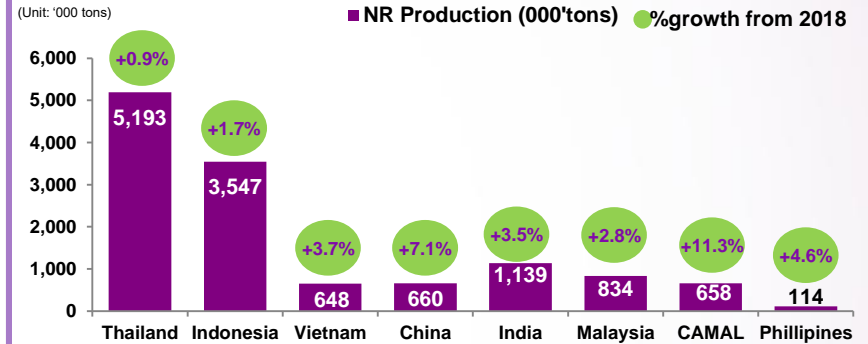
- 74% of NR consumption comes from the tire industry, whose demand is expected to grow by 1.9% in 2019, in line with global tire production.
- 26% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 4.4% in 2019, driven by increased consumption by gloves producers.

# NR Supply

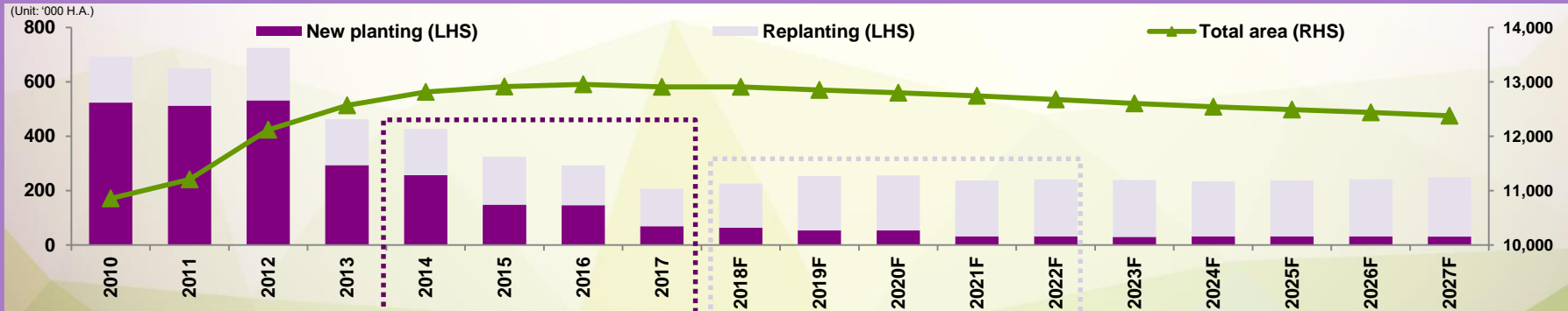
## 2019F Major Producers by Country



## 2019F NR Production



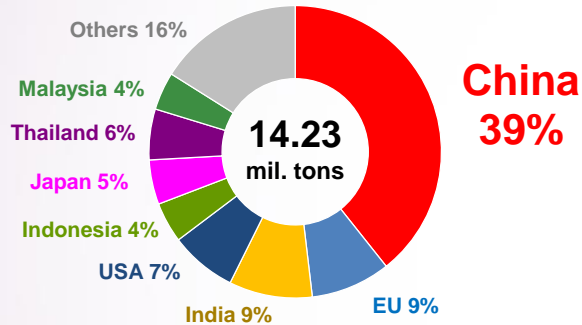
## NR Plantations Area, in 11 countries



# NR Demand

## 2019F Major NR Consumers

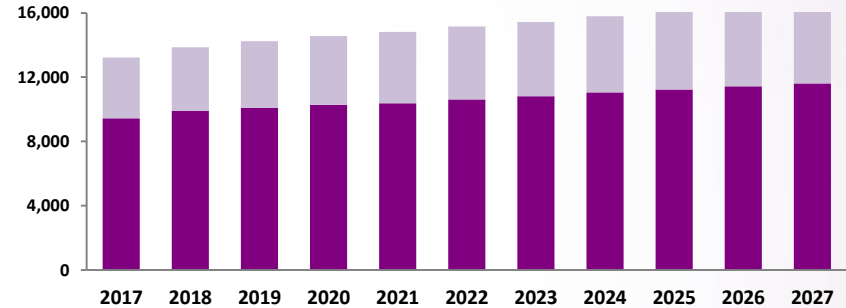
2019F global growth in consumption = 2.6%



## NR Consumption [2017-2027F]

(Unit: '000 tons)

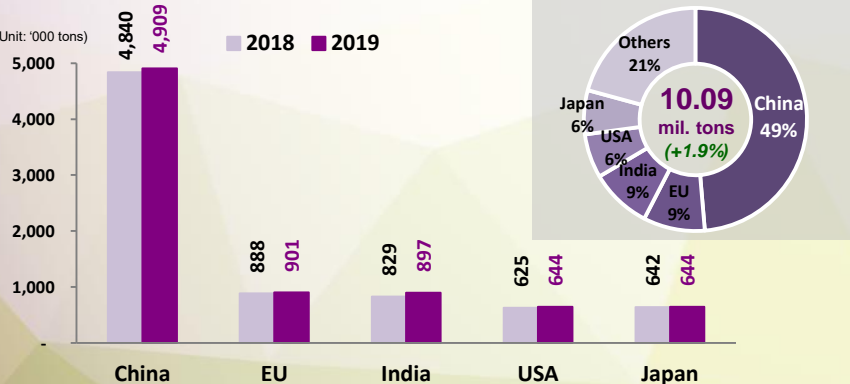
■ NR:Tire ■ NR: Non-Tire



## NR Consumption in Tire Industry

(Unit: '000 tons)

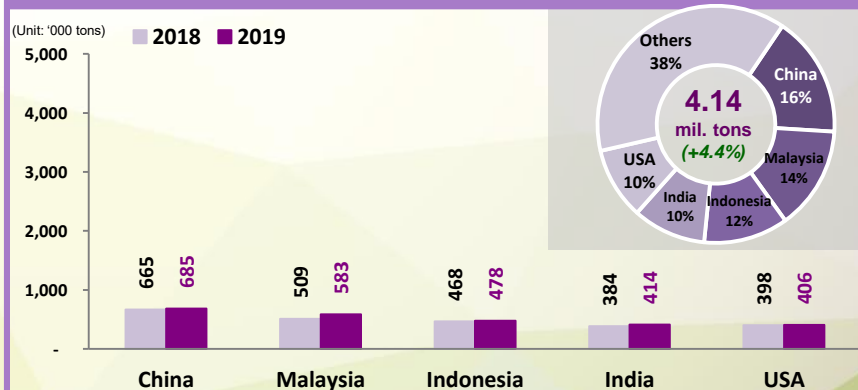
■ 2018 ■ 2019



## NR Consumption in Tire Industry

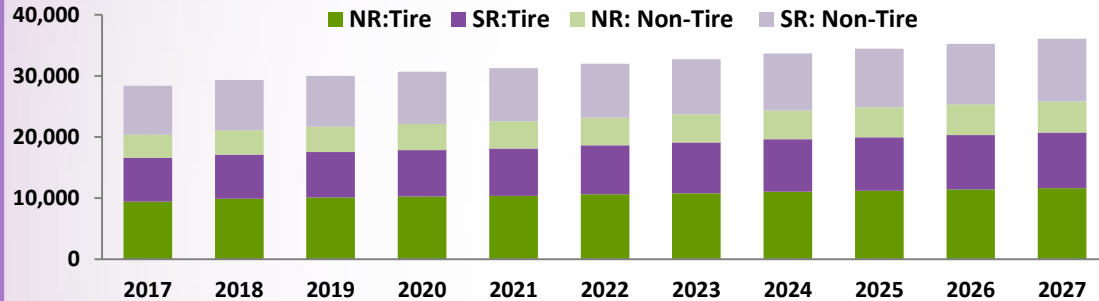
(Unit: '000 tons)

■ 2018 ■ 2019

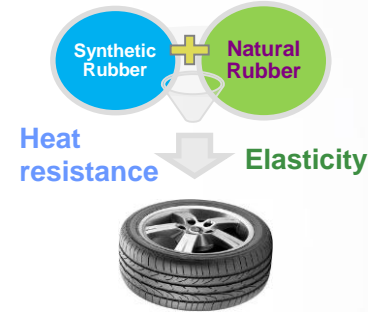


# Rubber Consumption Trend & Qingdao and SHFE Stocks

## Rubber Consumption Trend



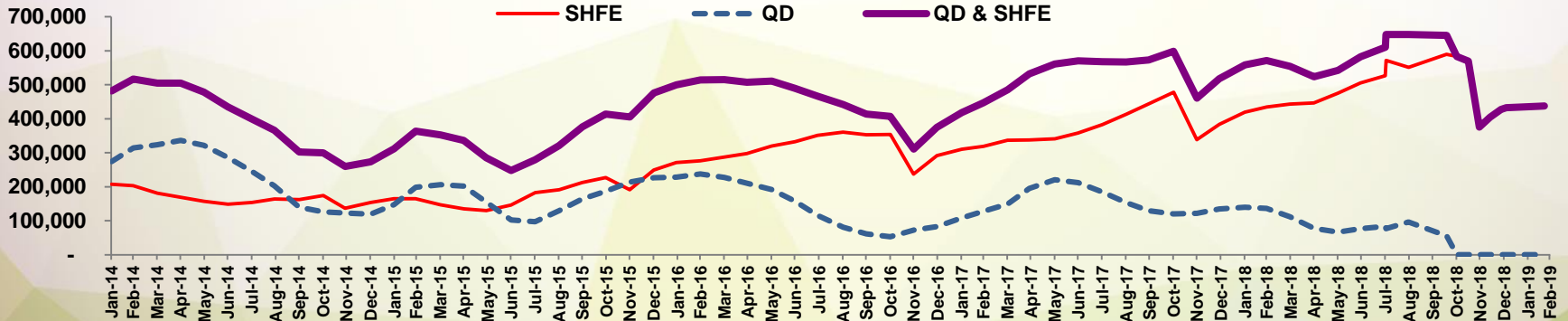
## Consistent demand for NR



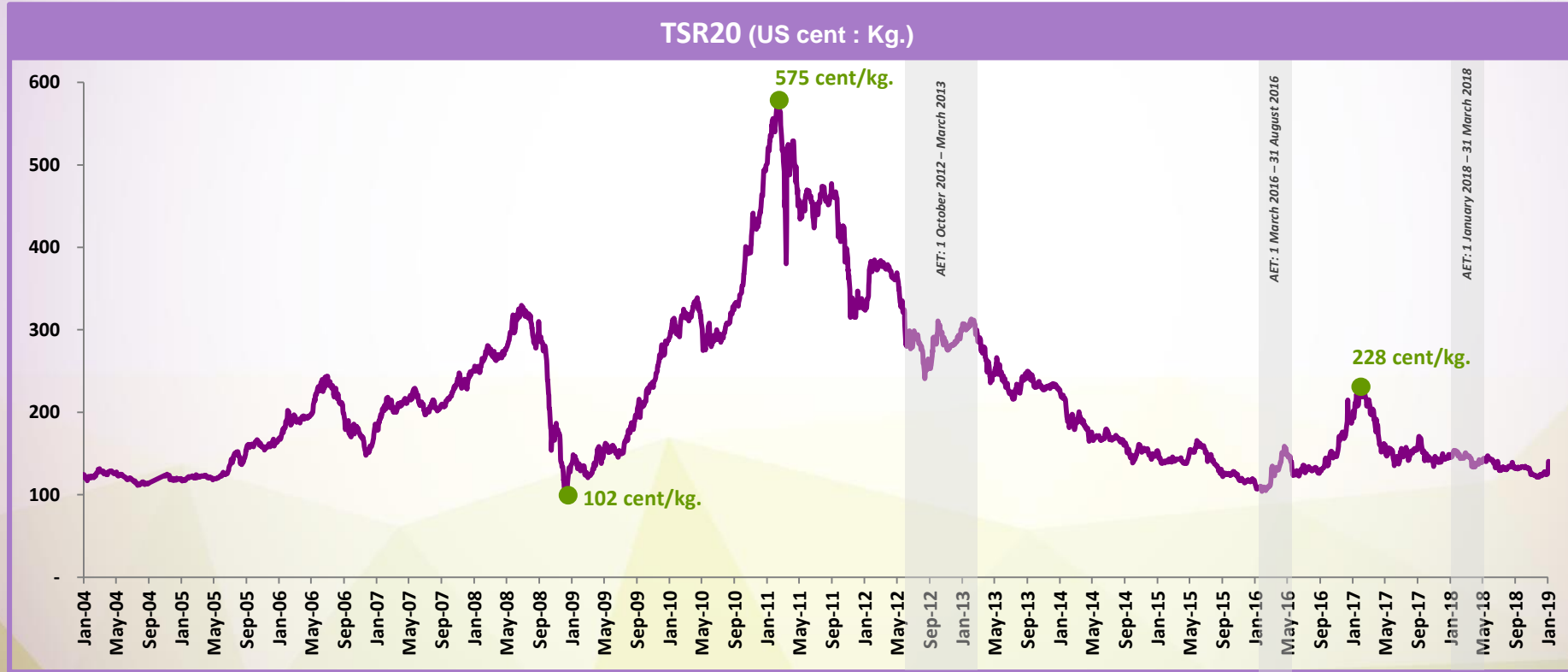
NR & SR are substitute and complimentary products.

The substitution between NR & SR is limited (around 10%).

## Qingdao & SHFE Stocks, China [tons]



# TSR20 Historical Prices Movement [2004 - 2019]



## ABBREVIATION

AET : Agreed Export Tonnage Scheme

Source : Bloomberg

# THE WORLD'S LEADING FULLY INTEGRATED NATURAL RUBBER PROCESSING COMPANY



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