

# STA

## 2Q19 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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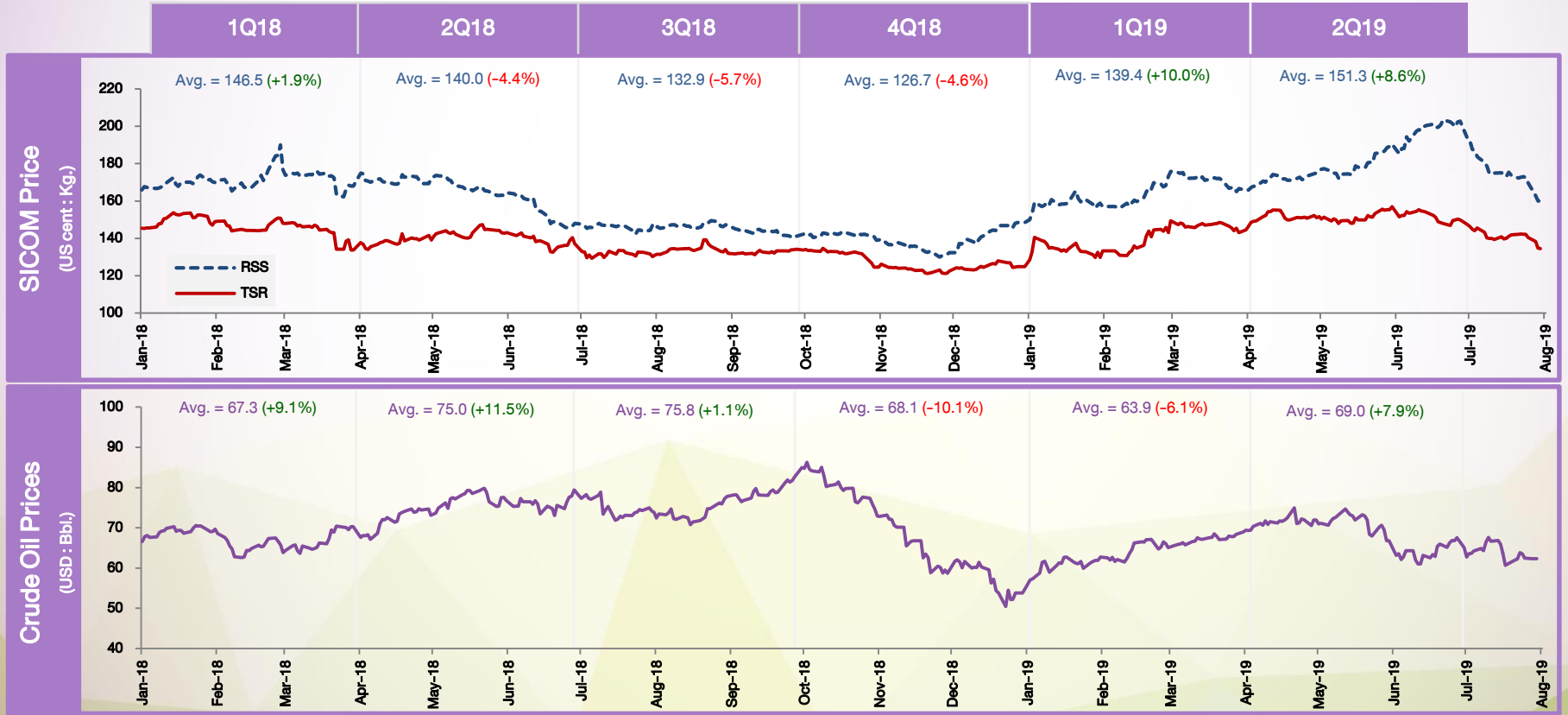
## 3. Natural Rubber Market Situation

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## *FINANCIAL PERFORMANCE*



# SICOM – Oil Prices

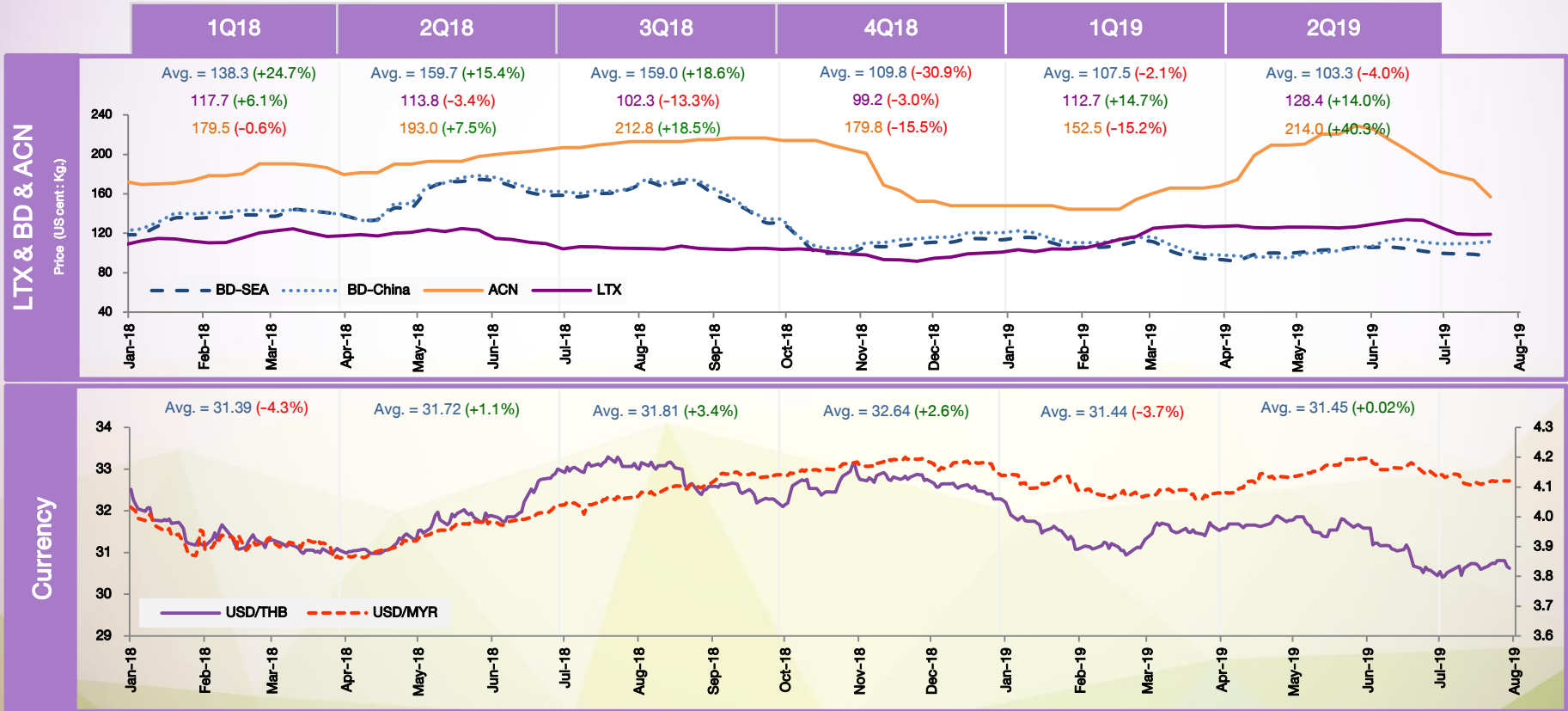


**ABBREVIATIONS**

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

LTX: Concentrated Latex

# Latex – Butadiene – Acrylonitrile – Forex



ABBREVIATIONS  
LTX: Concentrated Latex

BD: Butadiene

ACN: Acrylonitrile

SEA: South East Asia

# Financial Highlight

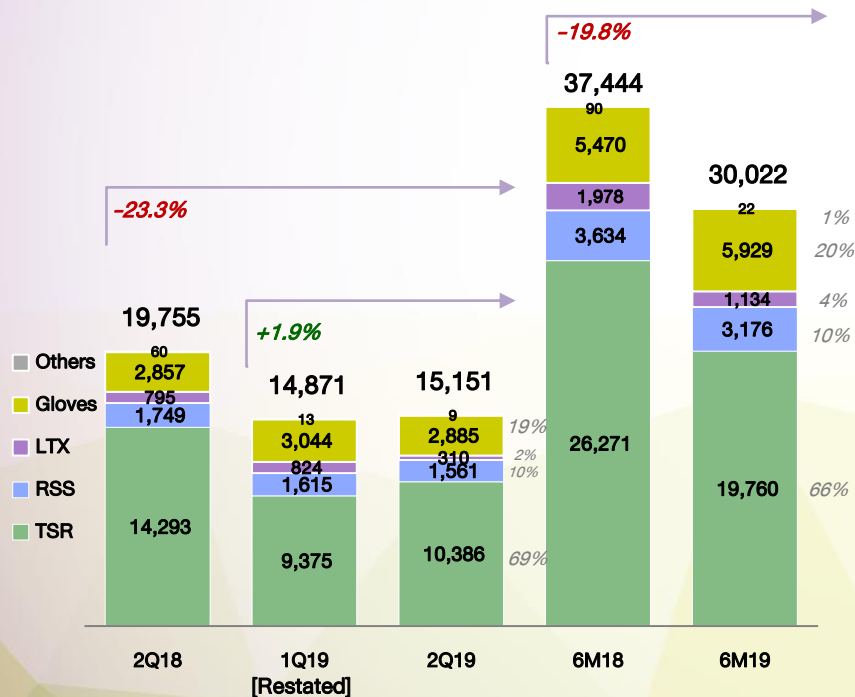


(Unit : THB million)	2Q19	2Q18	%YoY	1Q19 [Restated]	%QoQ	FY18
Revenue	15,151.1	19,754.8	-23.3%	14,870.7	1.9%	73,492.8
<i>Sales volume (tons)</i>	<i>260,783</i>	<i>353,773</i>	<i>-26.3%</i>	<i>285,334</i>	<i>-8.6%</i>	<i>1,336,649</i>
<i>Avg. selling price (Baht per ton)</i>	<i>47,000</i>	<i>47,593</i>	<i>-1.2%</i>	<i>41,404</i>	<i>13.5%</i>	<i>45,907</i>
Gross profit	1,453.1	2,260.6	-35.7%	1,052.9	38.0%	7,107.5
Adj. gross profit*	1,193.4	2,638.8	-54.8%	620.9	92.2%	8,254.2
SG&A	(1,120.1)	(1,338.1)	-16.3%	(1,164.9)	-3.8%	(5,247.9)
Gains (loss) on exchange rate, net	175.5	(443.8)	N/A	97.8	79.4%	(252.2)
Other gains, net	(64.9)	289.2	N/A	(448.7)	-85.5%	1,203.3
Operating profit (loss)	551.8	812.1	-32.1%	(433.8)	N/A	3,050.2
Share of profit (loss) from investments in JV	36.4	57.0	-36.1%	37.0	-1.5%	223.7
EBITDA	1,239.3	1,449.7	-14.5%	179.8	589.3%	5,657.4
EBIT	588.2	869.2	-32.3%	(396.6)	N/A	3,273.9
Finance costs	(235.3)	(224.4)	4.9%	(227.7)	3.3%	(887.0)
Net profit	270.0	591.9	-54.4%	(627.7)	N/A	2,064.4
GP margin	9.6%	11.4%	-185.26	7.1%	251.03	9.7%
Adj. GP margin*	8.6%	13.3%	-470.00	4.2%	370.12	11.2%
Operating profit margin	3.6%	4.1%	-46.91	-2.9%	655.91	4.2%
EBITDA margin	8.2%	7.3%	84.11	1.2%	697.05	7.7%
Net profit margin	1.8%	3.0%	-121.40	-4.2%	600.34	2.8%

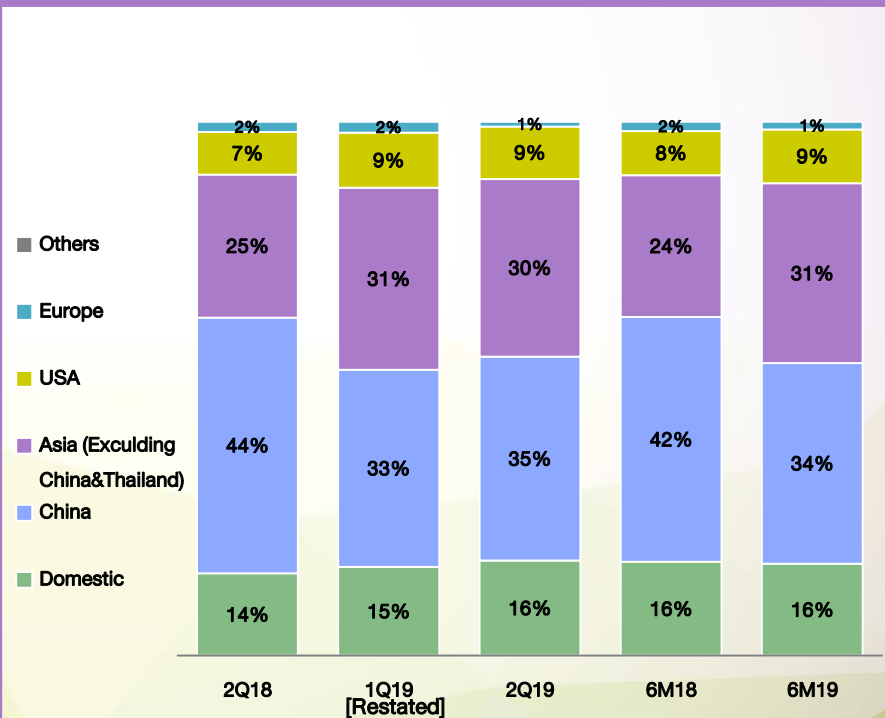
\*Adjusting for (reversal) allowance of inventory and realized gains /(losses) from hedging activities

# Sales Revenue

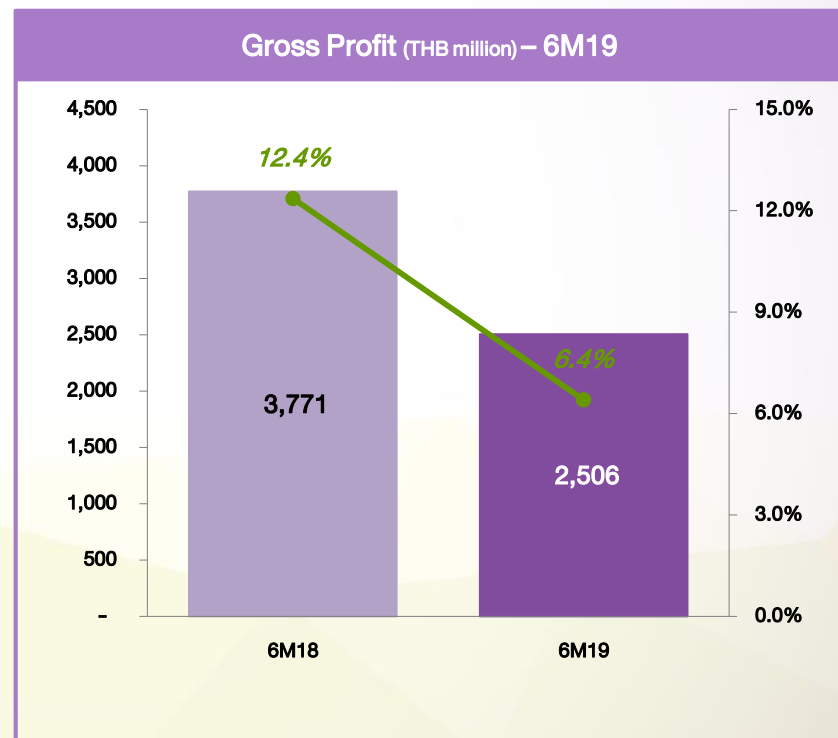
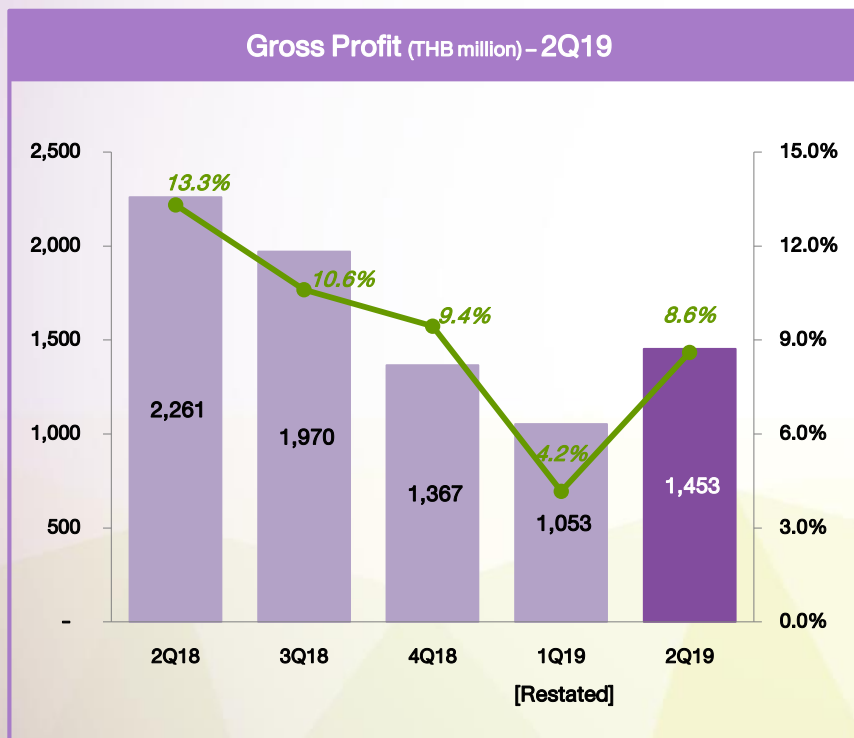
## Sales Revenue by Product (THB million)



## Sales Revenue by Geography

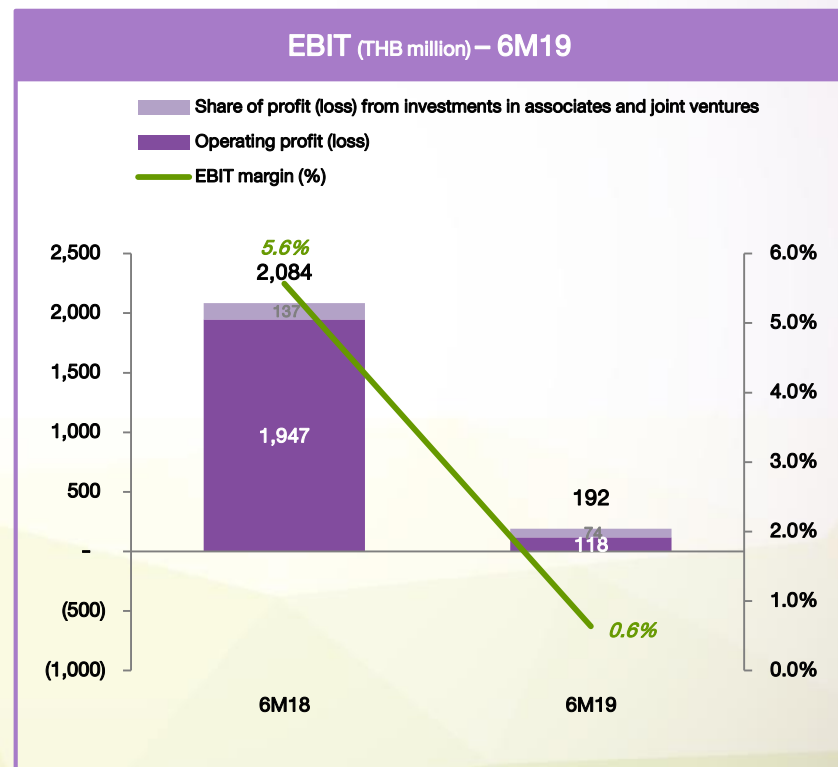
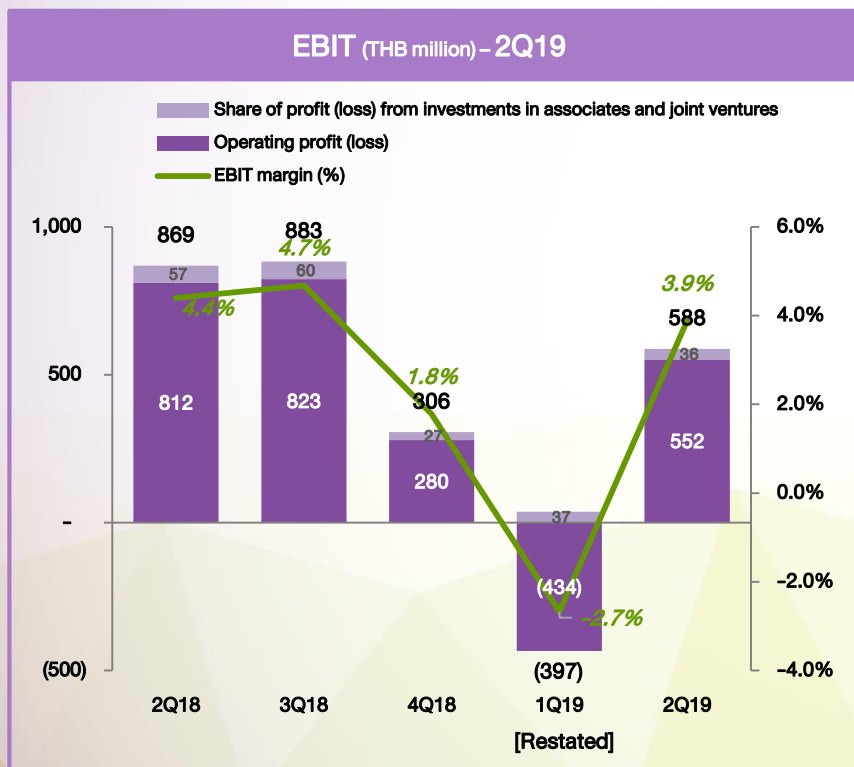


# Gross Profit

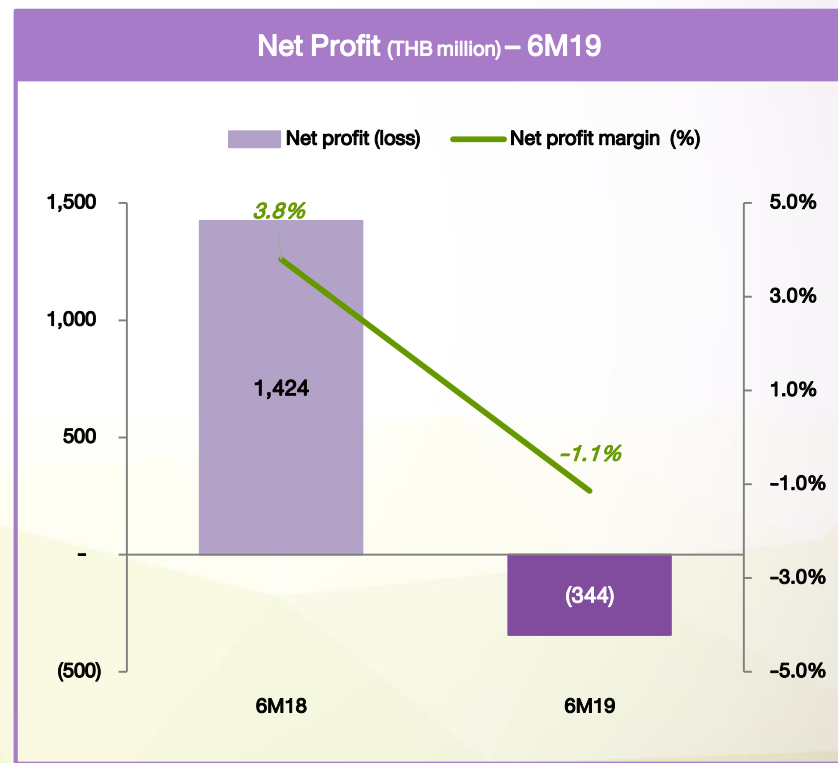
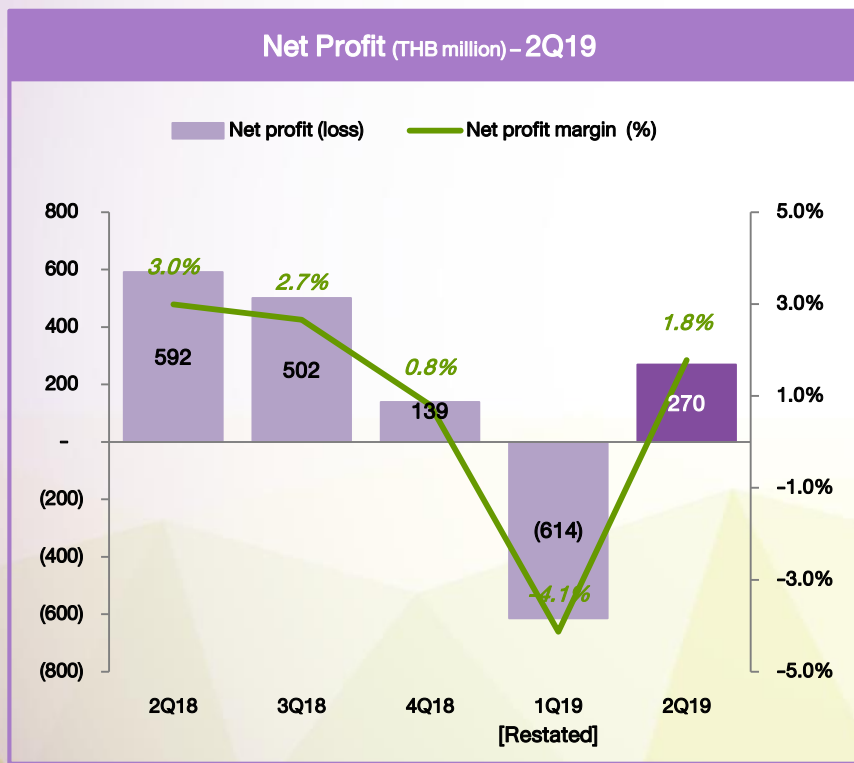




# EBIT



# Net Profit

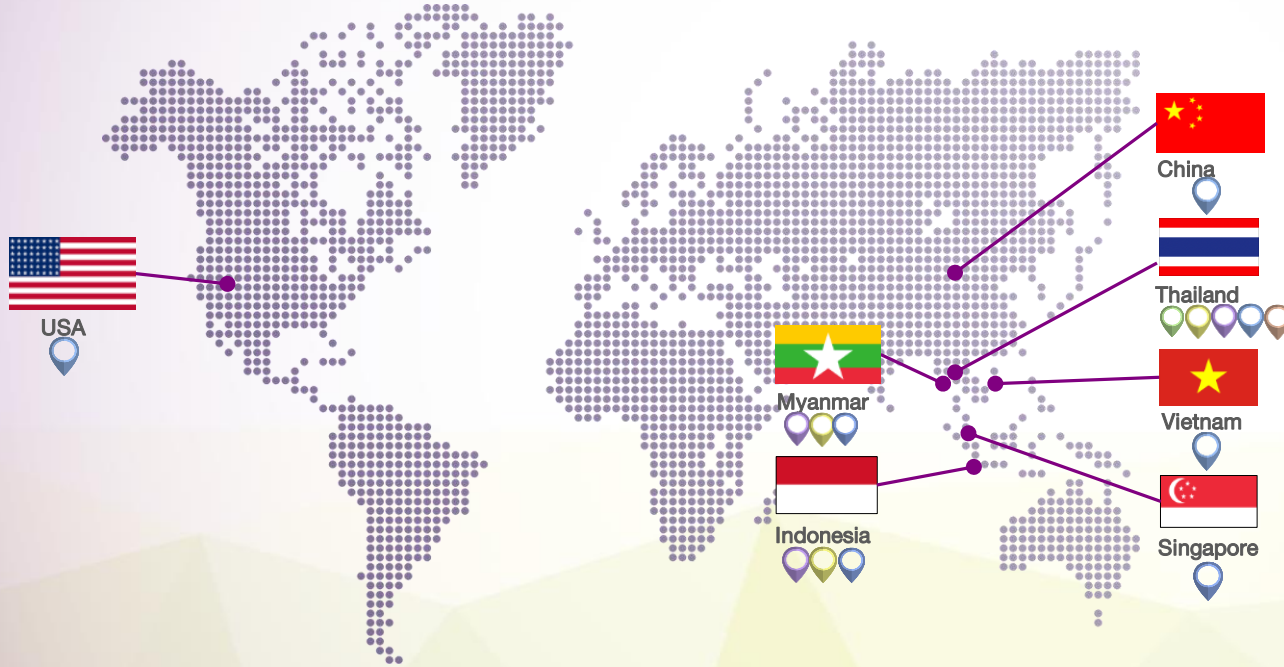


**2**

## ***STA Business Highlights***



# STA's Global Presence



# Upstream Operations - Rubber Plantations



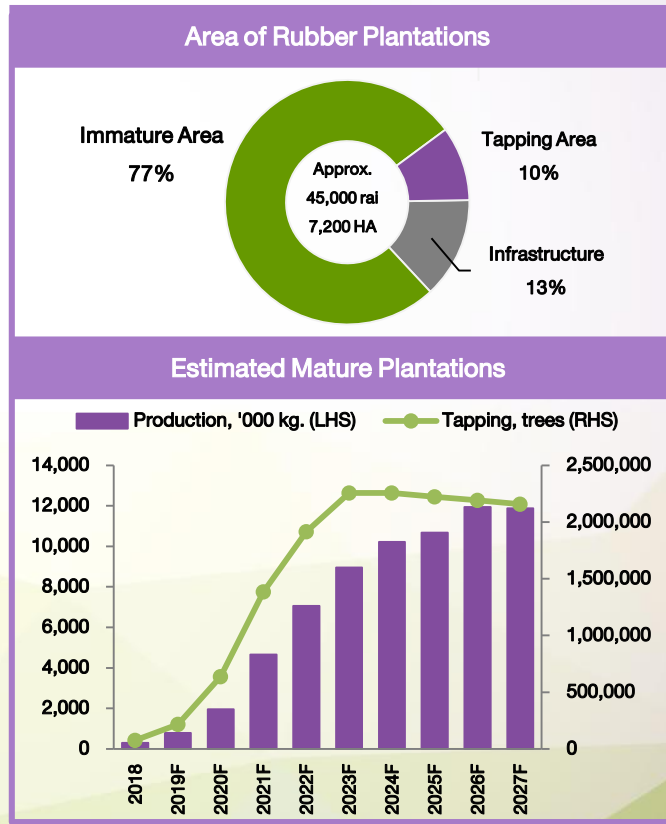
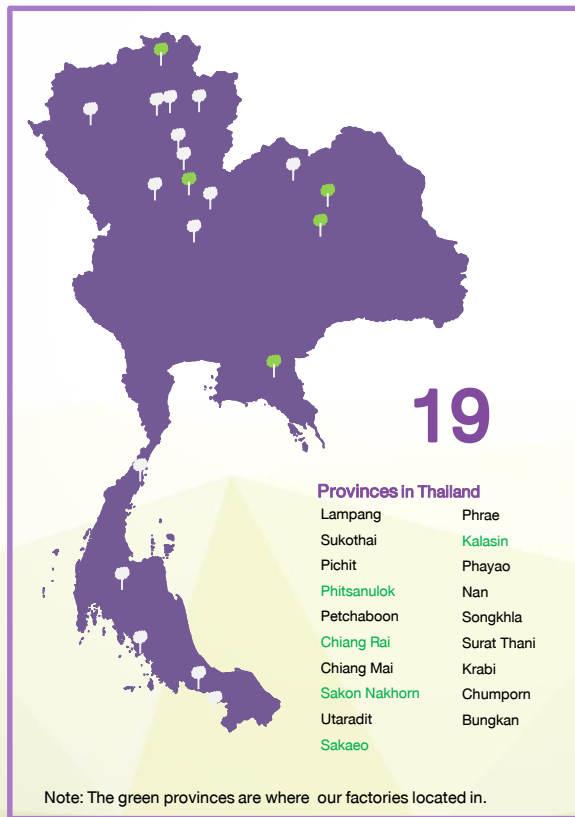
Thoen 1,  
Lampang

2018-03-22

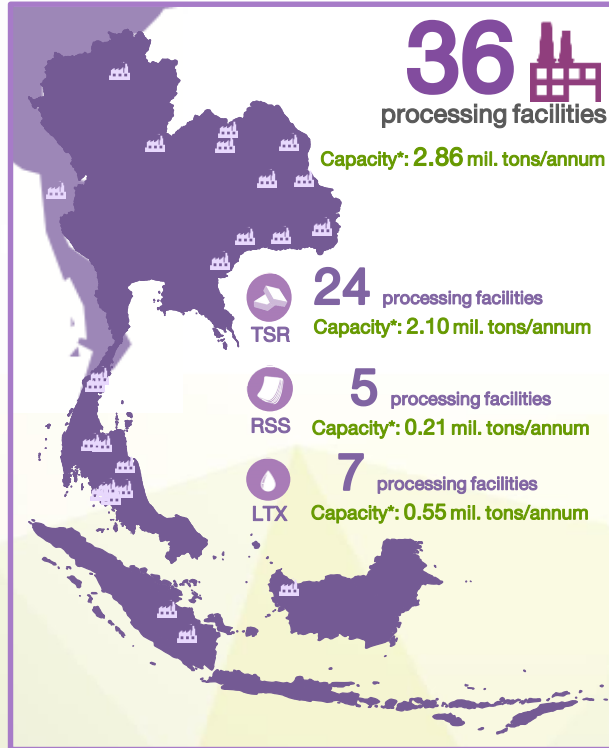


Watbot,  
Phitsanulok

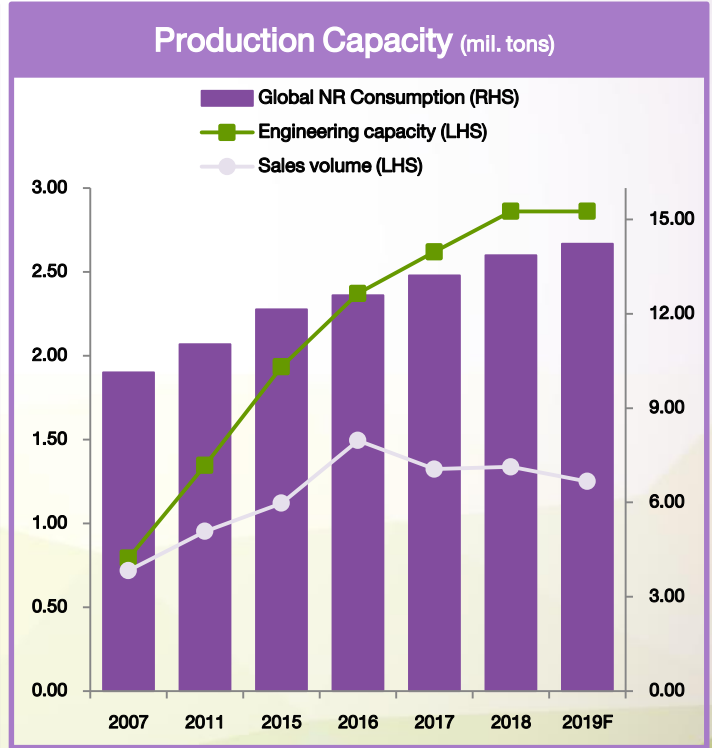
2018-07-14-14:44



# Midstream Operations – NR Processing



Note: \*Total engineering capacity



[Information as at 30 June 2019]



# STA's Tire Manufacturer Customers



COOPERTIRES®



MAXXIS® Firestone



KUMHO TYRES



# Downstream Operations – Finished Products



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

Since  
**1989**

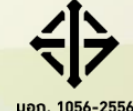
**21.2**  
billion pieces  
per annum in  
production  
capacity

**17**  
billion pieces of  
gloves sold in  
2018

Exporting  
to  
**120+**  
Countries

**6%**  
Global Market  
Share

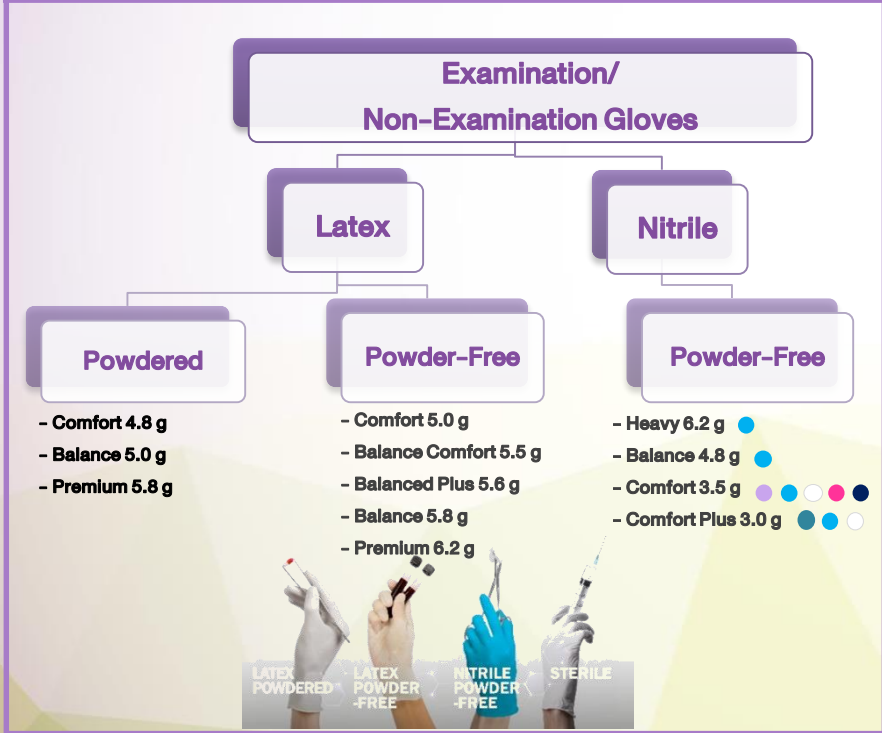
**3**  
locations in  
the South of  
Thailand



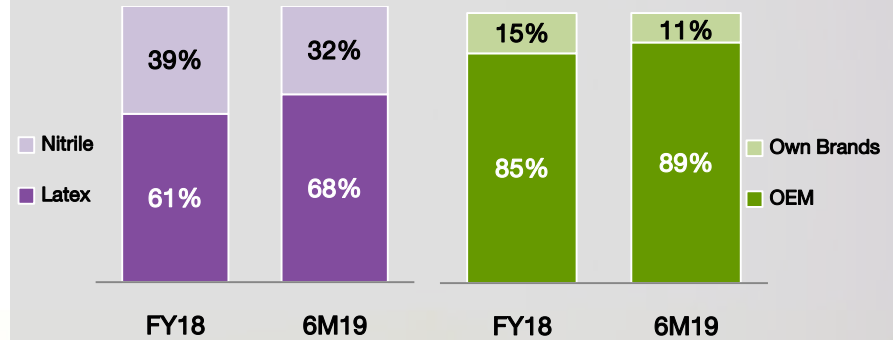


# STA's Gloves Products

## Product Range



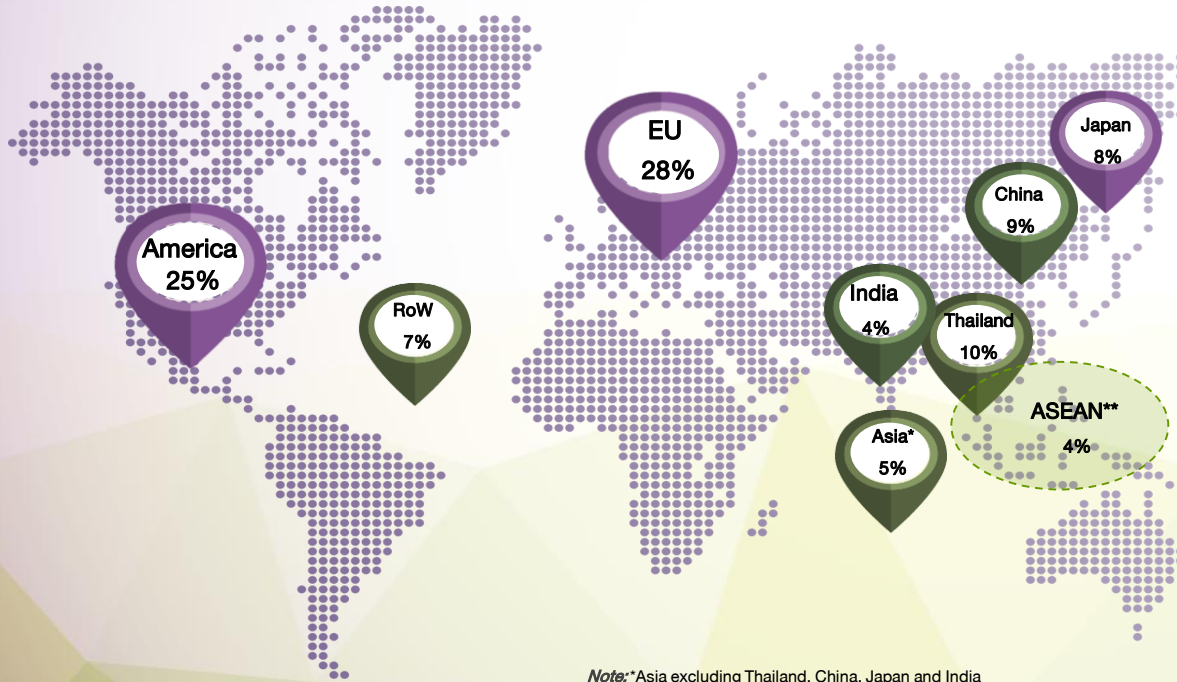
## Product Mix by Volume



Information as at 30 June 2019 [6-month period]

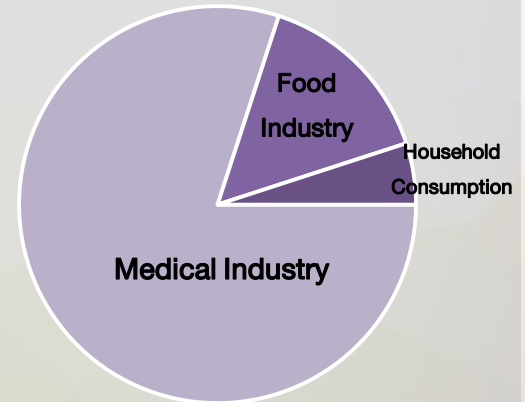
# STA's Glove Markets by Volume

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

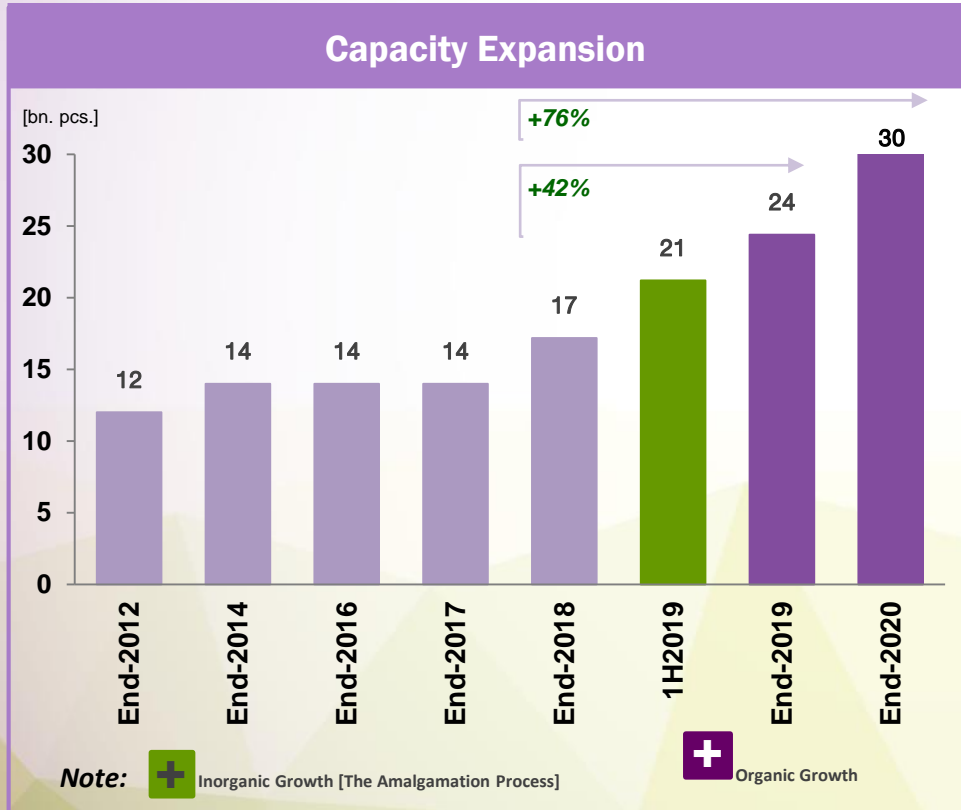


*Encourage*

*a wide variety of applications*



# STA's Glove Capacity Expansion Plan



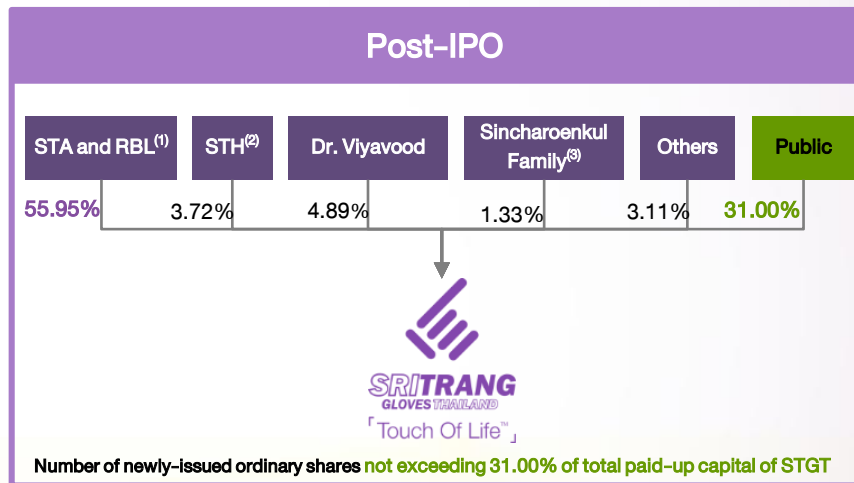
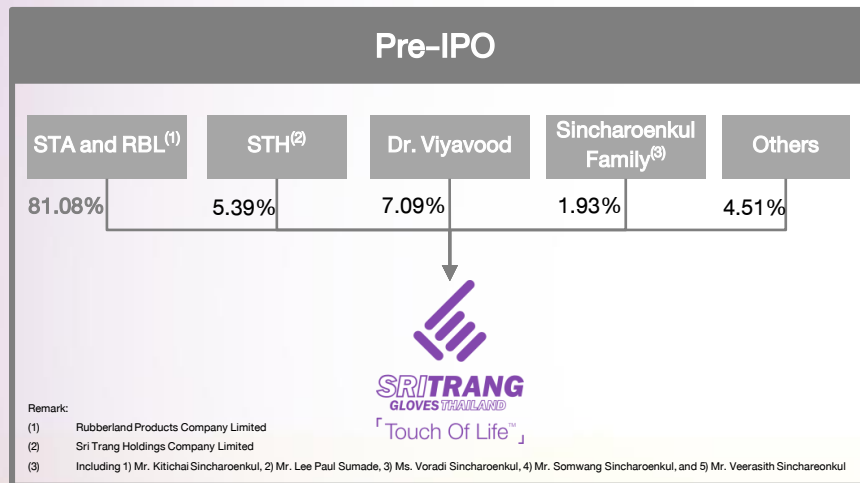
# The Completion of the Amalgamation



The amalgamation of STGT and TK was completed as of **1 April 2019**.  
The new company is named **"Sri Trang Gloves (Thailand) Public Company Limited,"**  
which was **81.08% hold by STA**.



# STGT's IPO Plan



## Expected Benefits to STA

1. Lessening STA's burden in providing financial support to STGT
2. Lowering STA's overall financial costs in the long run
3. The business structure of STA will be clearly delineated.
4. The value of STGT's shares will be fully reflected in STA's share prices.

## Expected Benefits to STGT

1. STGT will be able to independently raise funds for business expansion.
2. Being a listed company will help to lower STGT's financial costs in the long run
3. The IPO will enhance the public awareness of STGT.
4. STGT's shares will have more liquidity and its share prices can be used as a reference price in the future.

# Global Glove Market Outlook

*Demand Keeps Growing & Hidden Consumption in Emerging Markets*

## Global Glove Demand



Source: MARGMA Industry Brief 2018 on the Rubber Glove Industry

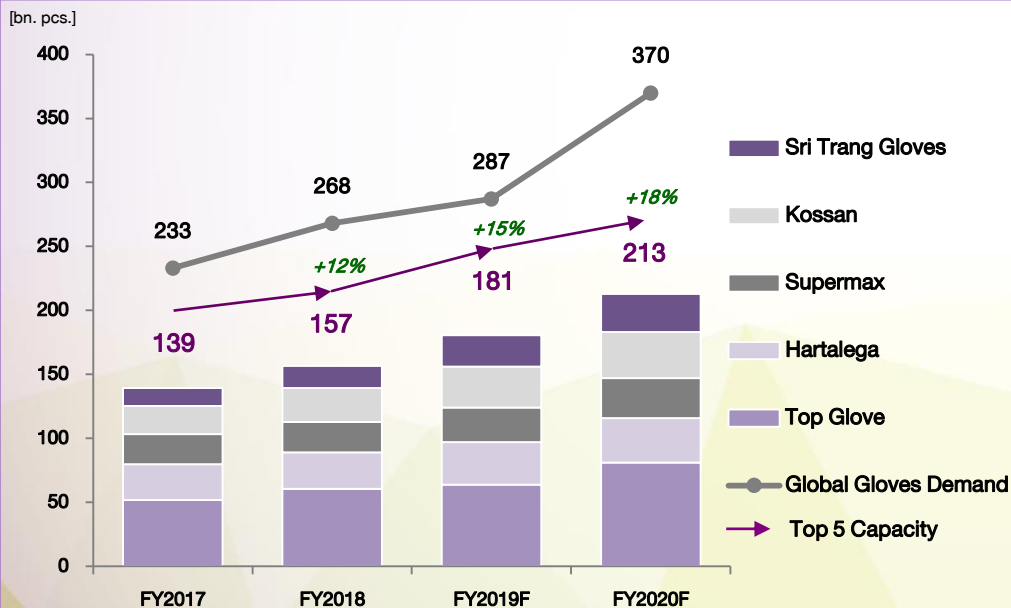
## Gloves Consumption Per Capita



# Glove Capacity Expansion

## Robust growth in demand

provides large producers with opportunities for expansion.



Note: Information as disclosed by each company

## Highlights:

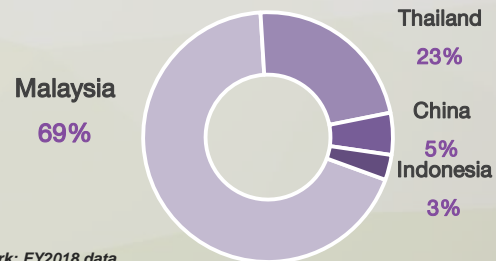


- The expansion will focus on “Nitrile Gloves.”
- Old & inefficient machines will be decommissioned and replaced by new capacity.
- The publicly-listed glove producers together account for 70% of Malaysia’s glove production capacity.



- 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

**3**

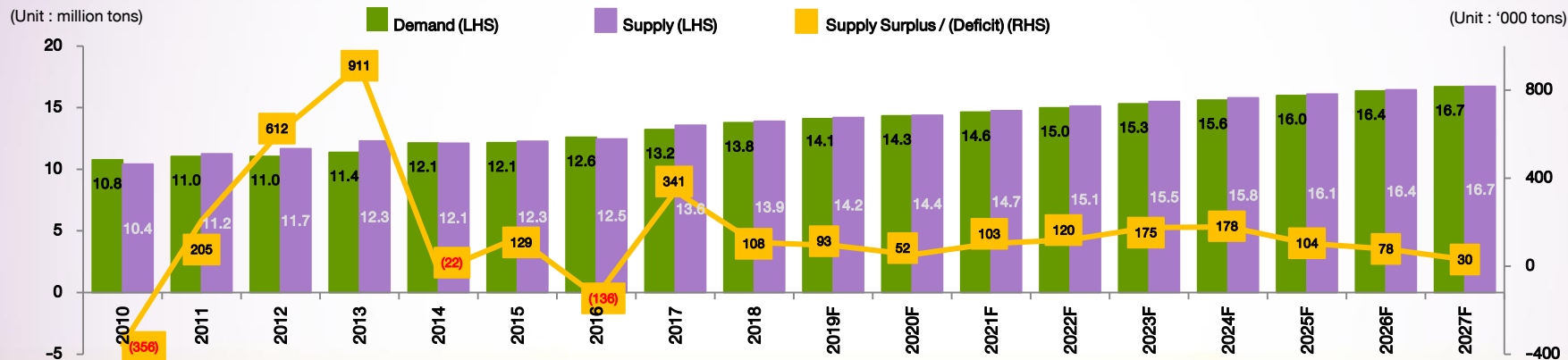
## ***NATURAL RUBBER MARKET SITUATION***





# Global NR Situation

## Natural Rubber Demand & Supply



### Supply

Global NR supply is expected to be 14.18 million tons, +2.2% 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

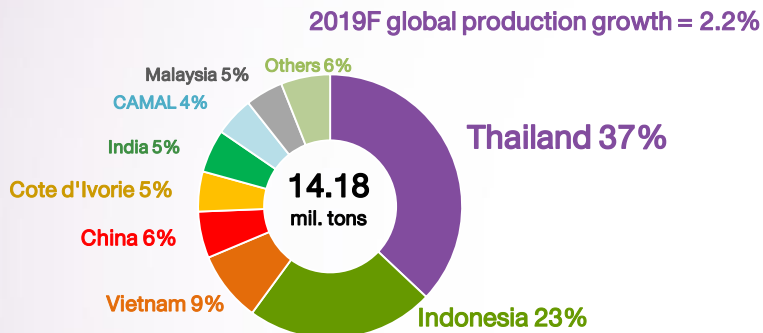
### Demand

Global NR demand is expected to be 14.09 million tons, +2.3% in 2019 and average +2.1% in the next 3 years

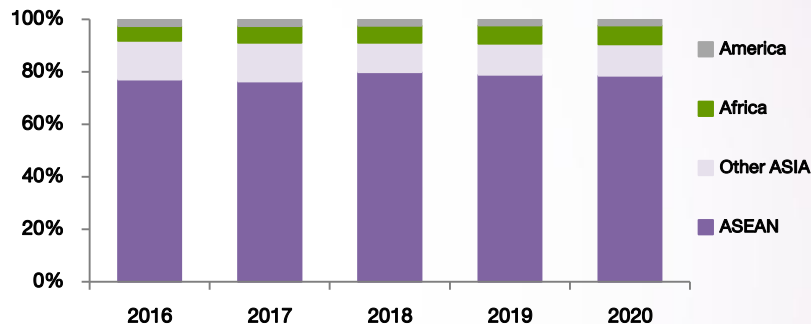
- 71% of NR consumption comes from the tire industry, whose demand is expected to grow by 1.3% in 2019, in line with global tire production.
- 29% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 4.9% in 2019, driven by increased consumption by gloves producers.

# NR Supply

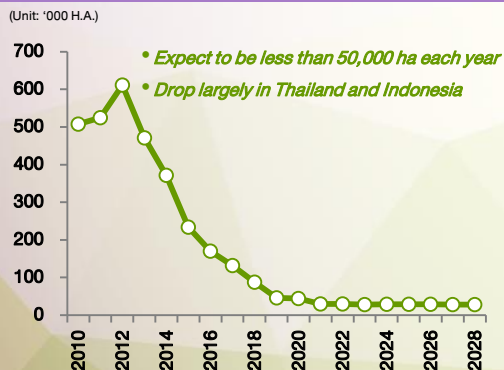
## 2019F Major Producers by Country



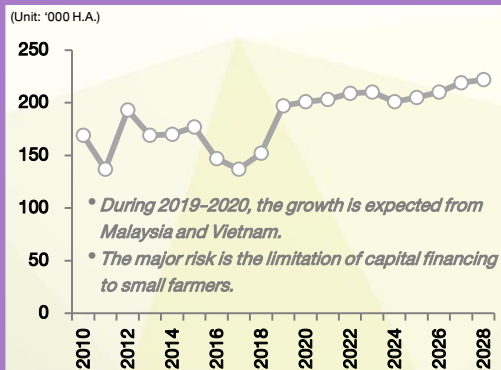
## ~80% of NR output came from ASEAN



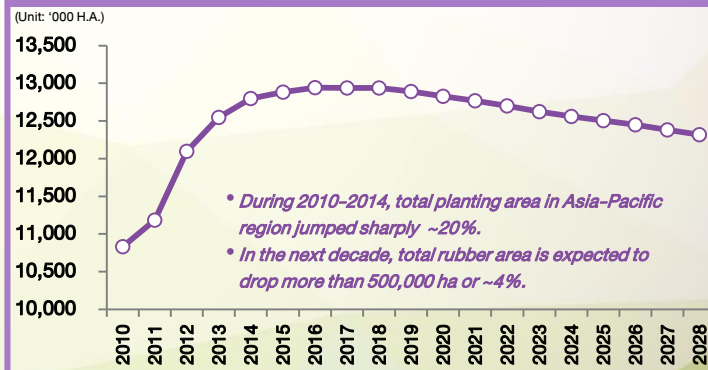
## New Planting Area



## Re-Planting Area

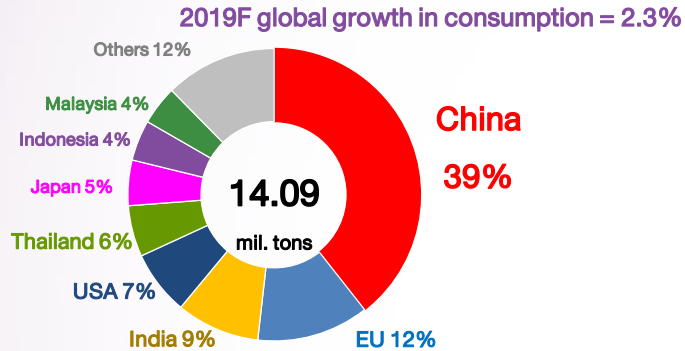


## Total Area

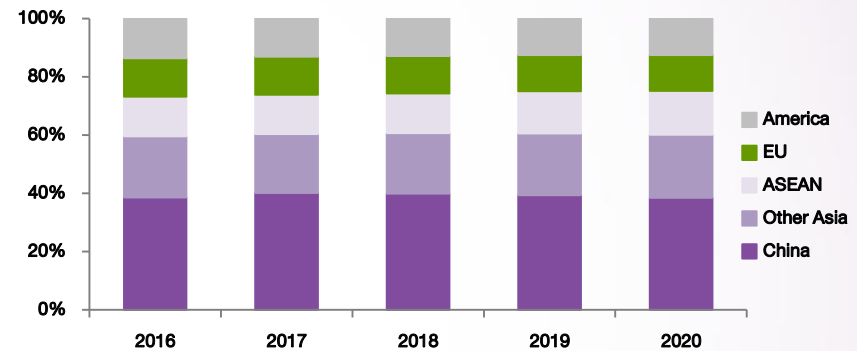


# NR Demand

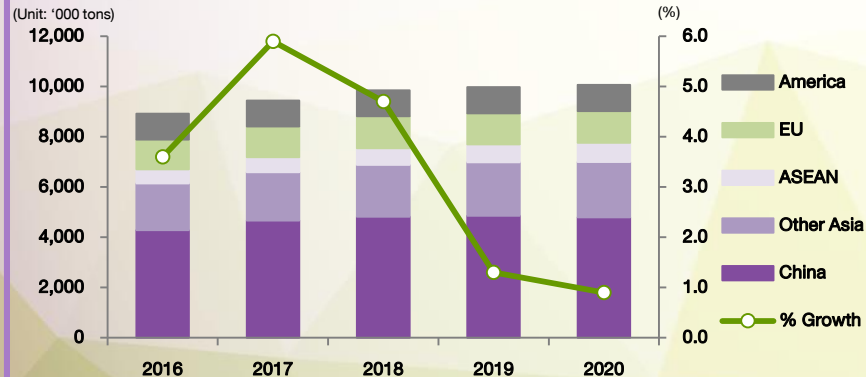
## 2019F Major NR Consumers



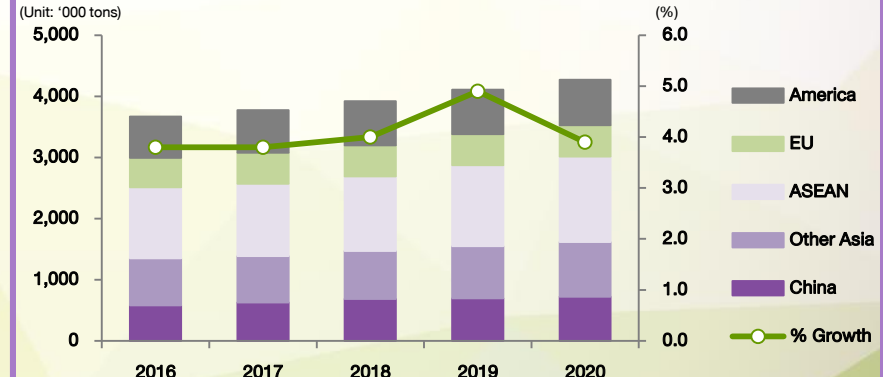
## NR Consumption Diversification



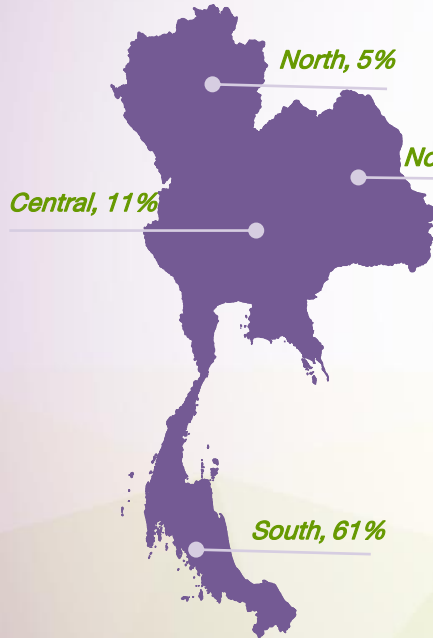
## NR Consumption in Tire Industry



## NR Consumption in Non-Tire Industry



# Thailand NR Situation



**22** mil. rai  
of plantation area



**28%**  
of global plantation



**37%**  
of global production

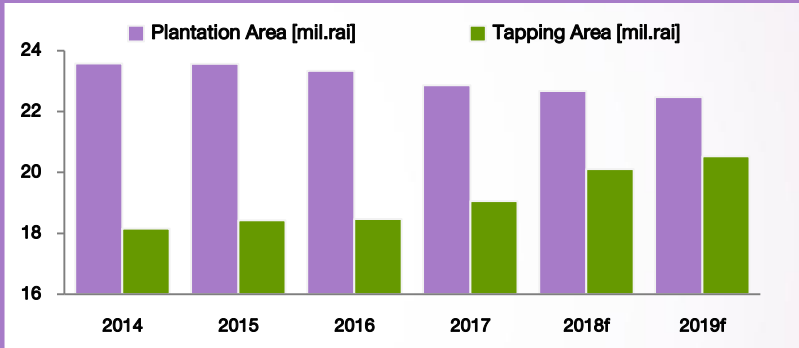


**5.25** mil. tons  
in production

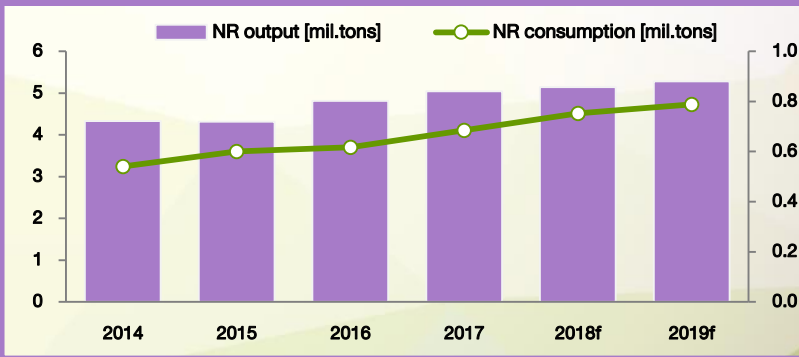


**0.80** mil. tons  
in consumption

## NR Plantation Area

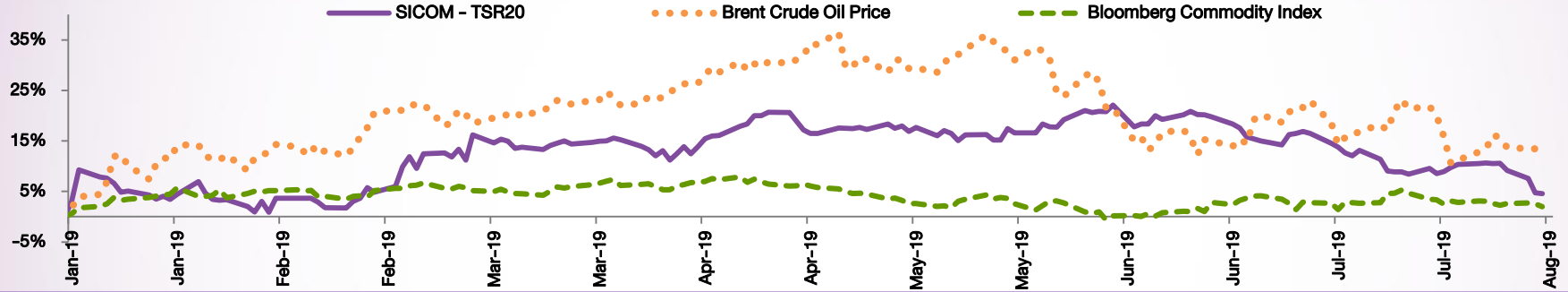


## Production & Consumption

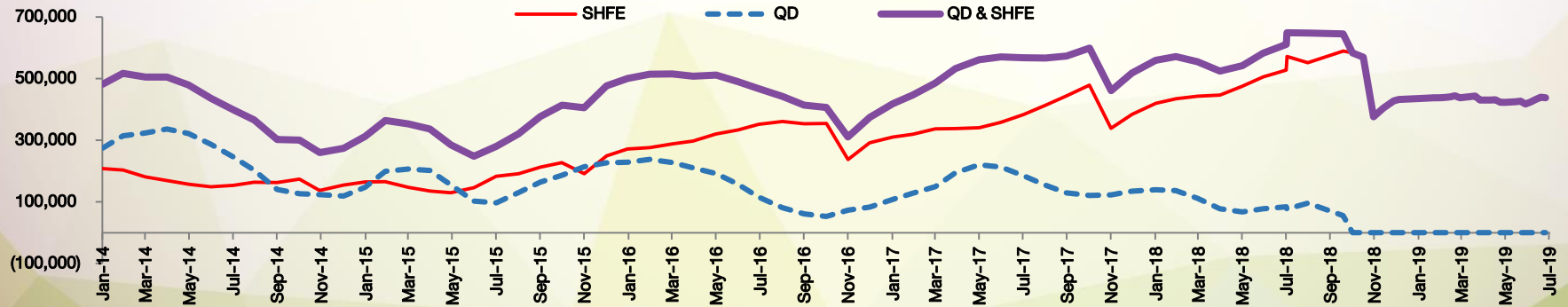


# Commodity Price Movement & Qingdao and SHFE Stocks

## Commodity Price Movement



## Qingdao & SHFE Stocks, China [tons]



# TSR20 Historical Prices Movement [2004 – 2019]

TSR20 (US cent : Kg.)



## ABBREVIATION

AET : Agreed Export Tonnage Scheme

Source : Bloomberg

# News Update

6th of Agreed Exports  
Tonnage Scheme (AETS):

**Cut Exports of  
NR ~240,000T**



The US announced an increase in tariff on rubber products imported from China, from **10% to 25%**, effective from **10 May 2019 onwards**.

Export Quota [tons]	Jan'18-Mar'18 [3 Months]	Apr'19-Aug'19 [4 Months]	Period
<b>Total Reduction</b>	<b>350,000</b>	<b>240,000</b>	
<b>Thailand</b>	230,000	126,000	20 May 19 – 19 August 19
<b>Indonesia</b>	95,000	98,000	1 April 19 – 31 July 19
<b>Malaysia</b>	20,000	16,000	

## The US's Tariff Schedule for Gloves

Product	Country of Origin		
	Thailand	Malaysia	China
<b>Latex &amp; Nitrile</b>			
Medical	Free	Free	Free
Non-Medical	GSP	3%	3% + 25%*
<b>Vinyl</b>			
Medical	Free	Free	Free
Non-Medical	Free	Free	Free

Note: \*It was increased from 10%.

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



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