

STA

1Q20 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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2. STA Business Highlights



3. Natural Rubber Market Situation

1

FINANCIAL PERFORMANCE



STA is the **TRUE SURVIVOR**

with the lowest D/E ratio in the rubber industry at 1.27 times



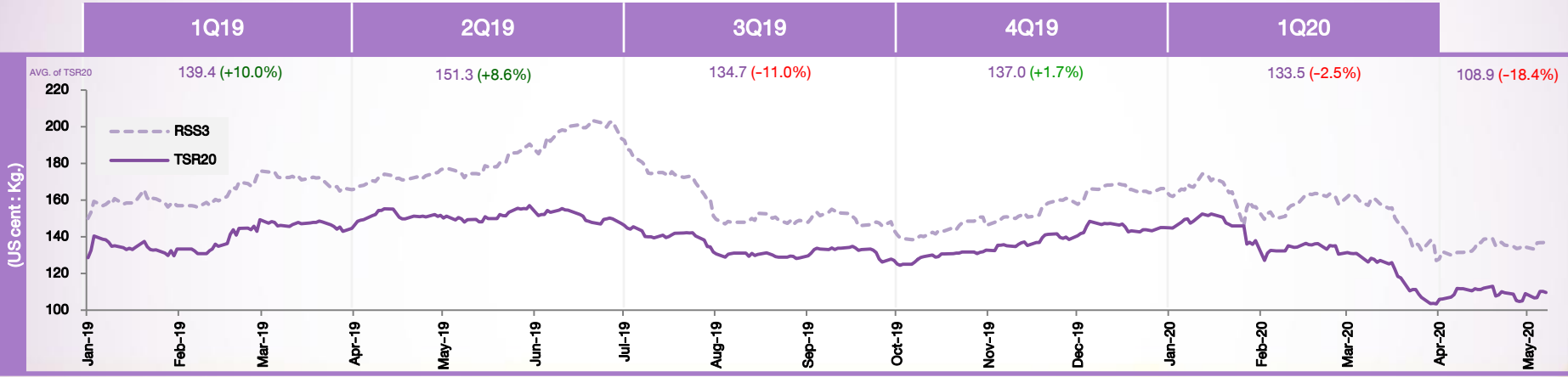
TSR20 Historical Price Movement [2004 – May 2020] (US cent : Kg.)



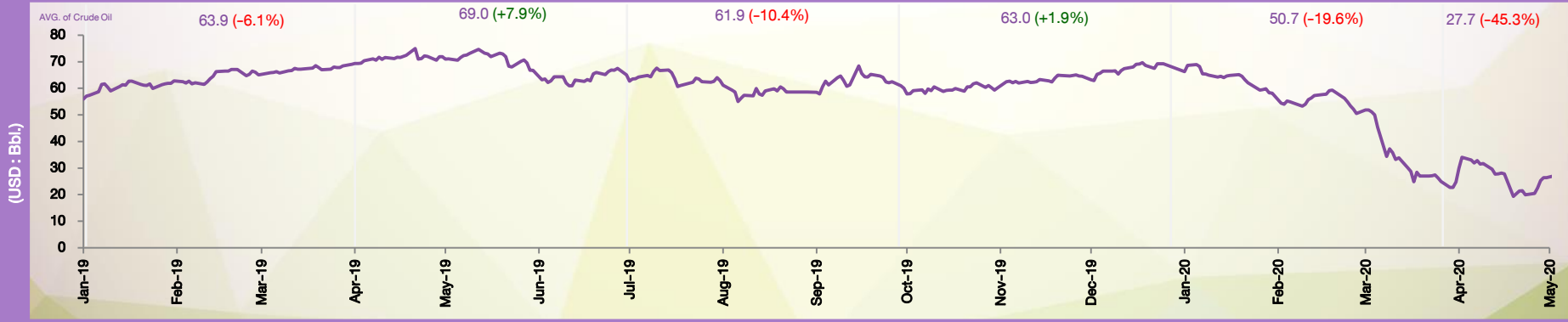
SICOM – Oil Prices



SICOM Price



Crude Oil Prices



ABBREVIATIONS

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

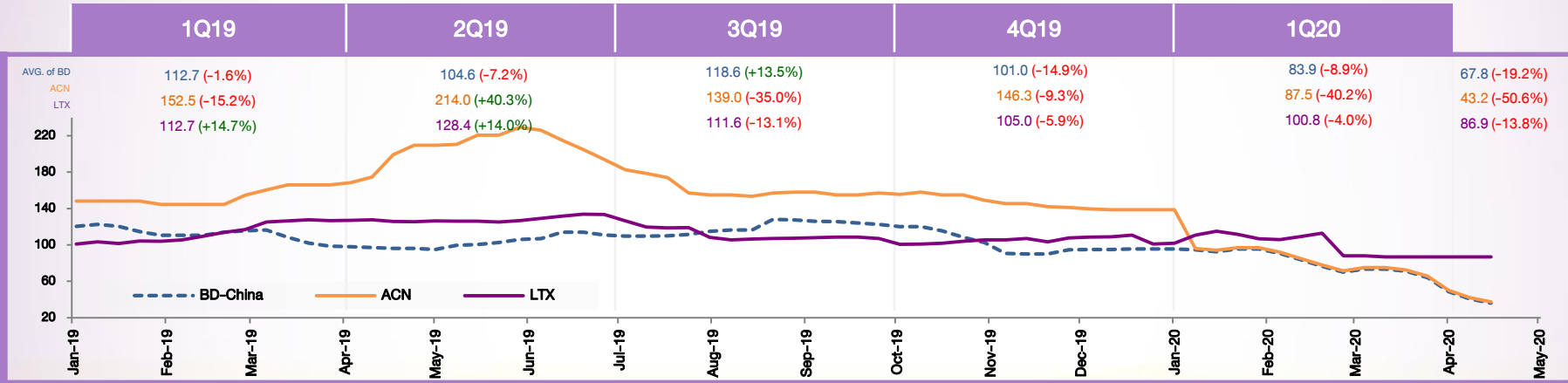
LTX: Concentrated Latex

Latex – Butadiene – Acrylonitrile – Forex

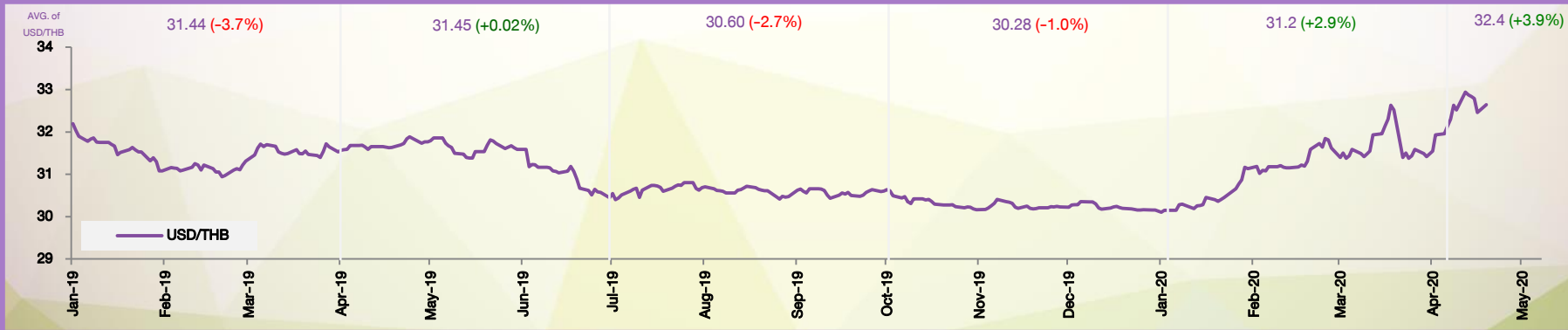


LTX & BD & ACN

Price (US cent: Kg.)



Currency



ABBREVIATIONS

LTX: Concentrated Latex BD: Butadiene ACN: Acrylonitrile SEA: South East Asia

Financial Highlight



(Unit : THB million)	1Q20	1Q19 [Restated]	%YoY	4Q19	%QoQ	FY19
Revenue	17,481	14,871	17.6%	14,881	17.5%	60,286
<i>Sales volume (tons)</i>	<i>304,721</i>	<i>285,334</i>	<i>6.8%</i>	<i>285,594</i>	<i>6.7%</i>	<i>1,103,934</i>
<i>Avg. selling price (Baht per ton)</i>	<i>44,729</i>	<i>41,404</i>	<i>8.0%</i>	<i>40,875</i>	<i>9.4%</i>	<i>43,520</i>
Gross profit	2,466	1,053	134.2%	1,379	78.8%	4,854
Adj. gross profit*	2,861	622	360.3%	1,307	118.8%	4,635
SG&A	(1,258)	(1,165)	-19.3%	(1,205)	4.4%	(4,571)
Gains (loss) on exchange rate, net**	(37)	132	N/A	185	N/A	569
Other gains (loss)***	(92)	(482.7)	N/A	(247)	-62.6%	(478)
Operating profit (loss)	1,109	(434)	N/A	185	498.1%	656
Share of profit (loss) from investments in JV	99	37	167.5%	37	171.1%	132
EBITDA	1,871	180	940.4%	857	118.2%	3,274
EBIT	1,208	(397)	-404.6%	222	444.0%	788
Finance costs, net	(200)	(228)	-12.0%	(188)	6.3%	(856)
Net profit	854	(628)	N/A	74	1053.9%	(149)
GP margin	14.1%	7.1%	702.5	9.3%	484.0	8.1%
Adj. GP margin*	16.4%	4.2%	1,218.6	8.8%	758.0	7.7%
Operating profit margin	6.3%	-2.9%	925.9	1.2%	510.0	1.1%
EBITDA margin	10.7%	1.2%	949.2	5.8%	494.0	5.4%
Net profit margin	4.9%	-4.2%	910.7	0.5%	438.9	-0.2%

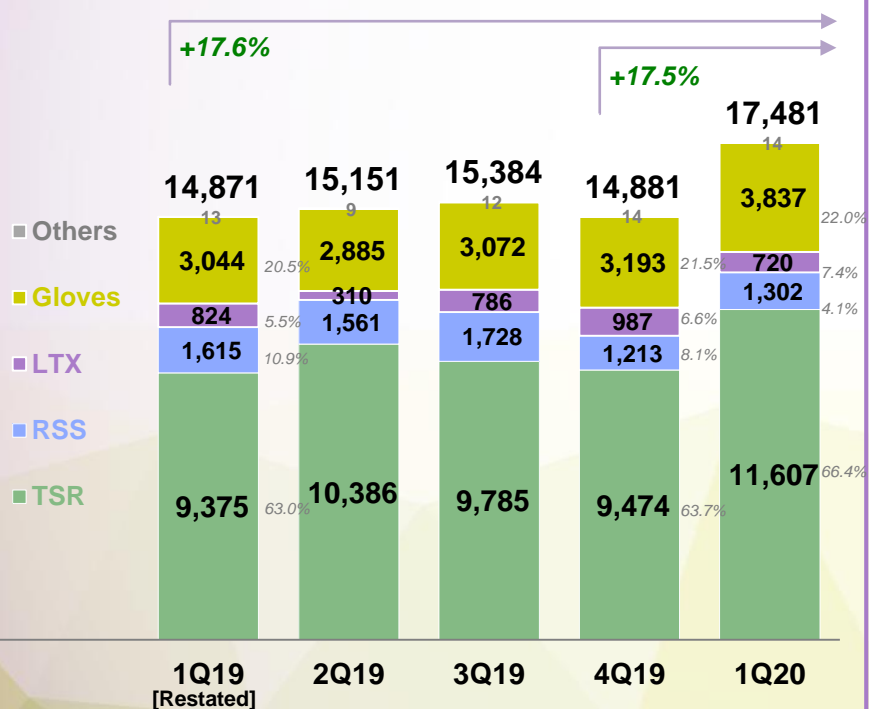
*Adjusting for (reversal) allowance of inventory and realized gains /(losses) from hedging activities

**Reclassified according to TFRS 7-- Just only FX gains/ (losses) related to AP, AR, loans can be shown in this item

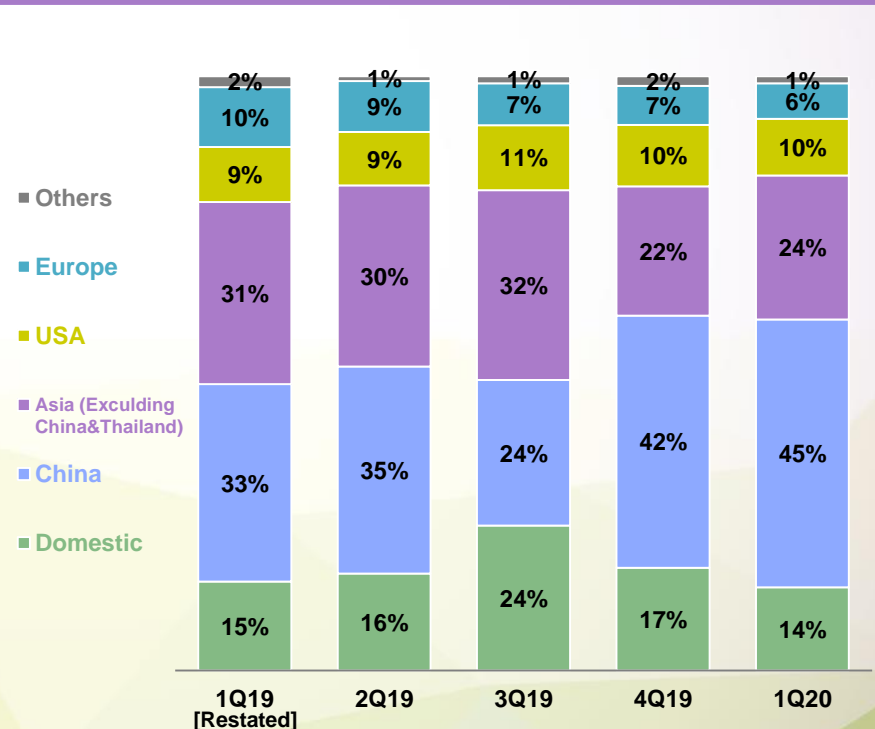
***Reclassified according to TFRS related to financial instruments of currency and commodities

Sales Revenue

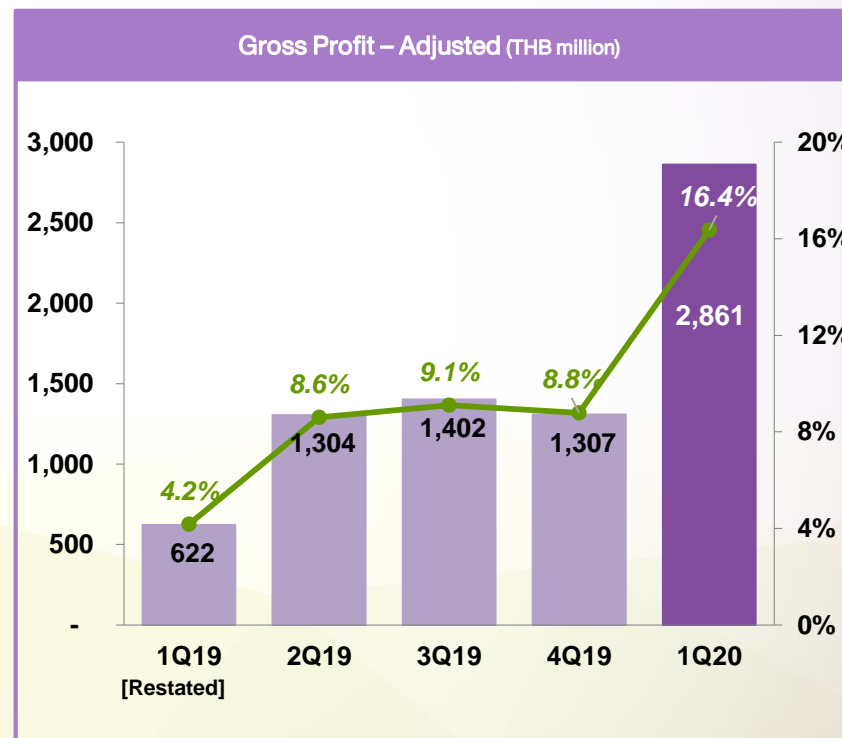
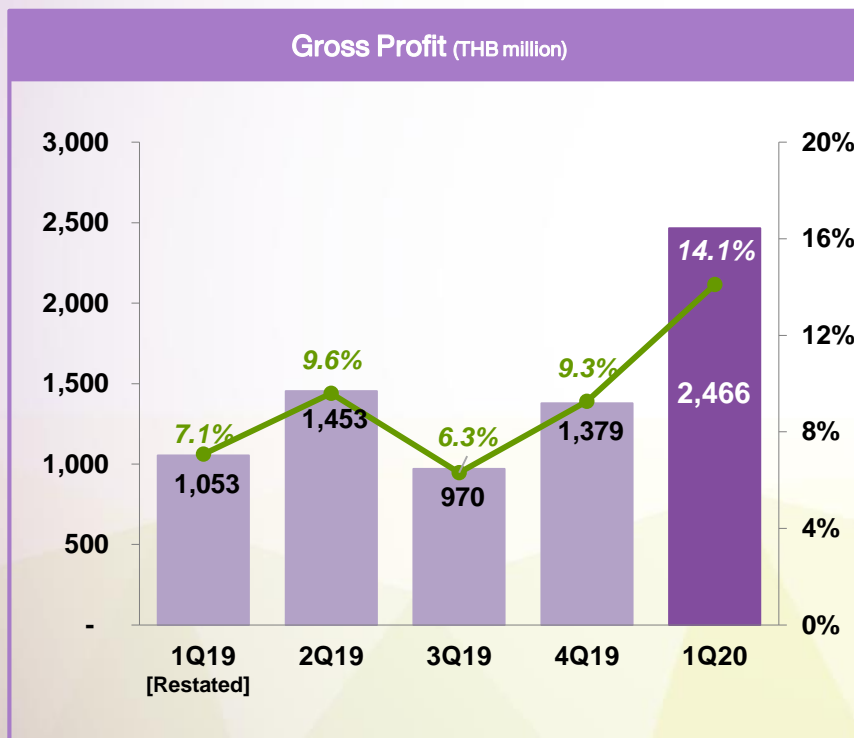
Sales Revenue by Product (THB million)



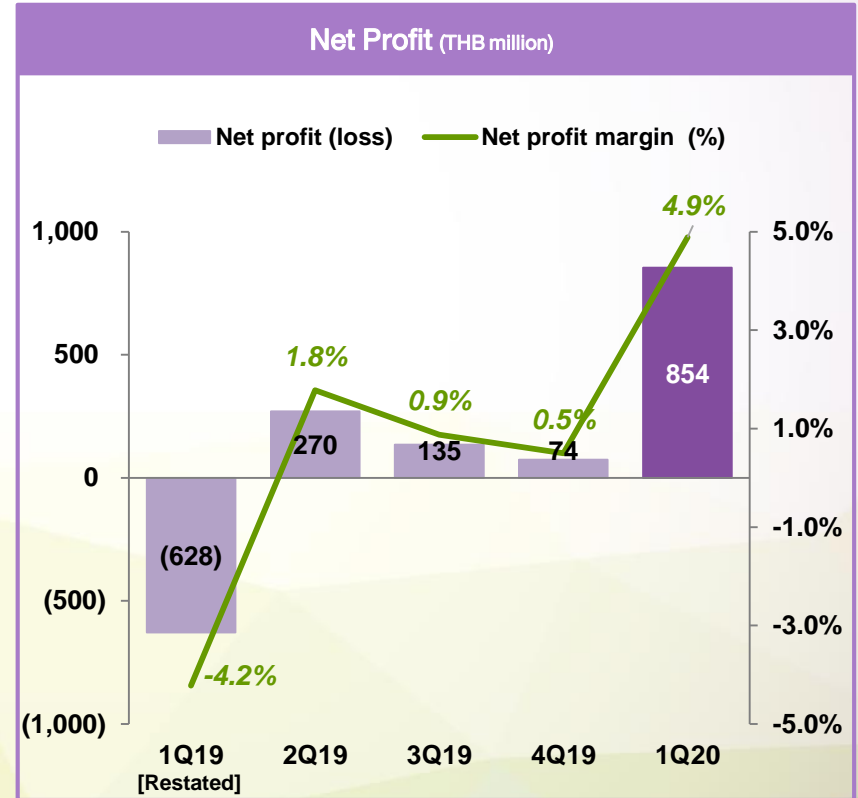
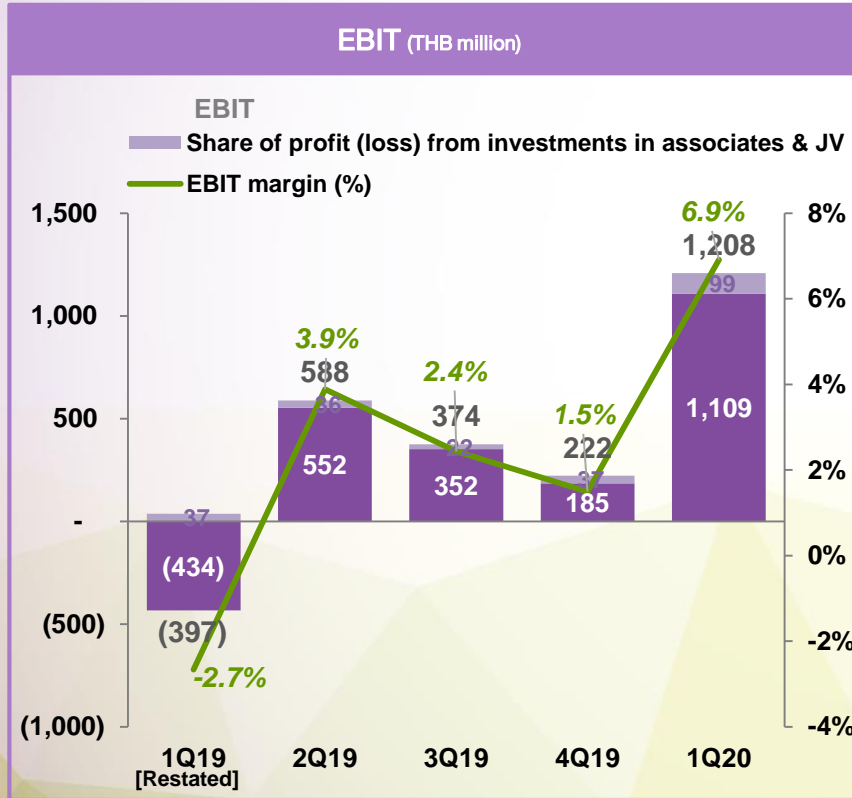
Sales Revenue by Geography



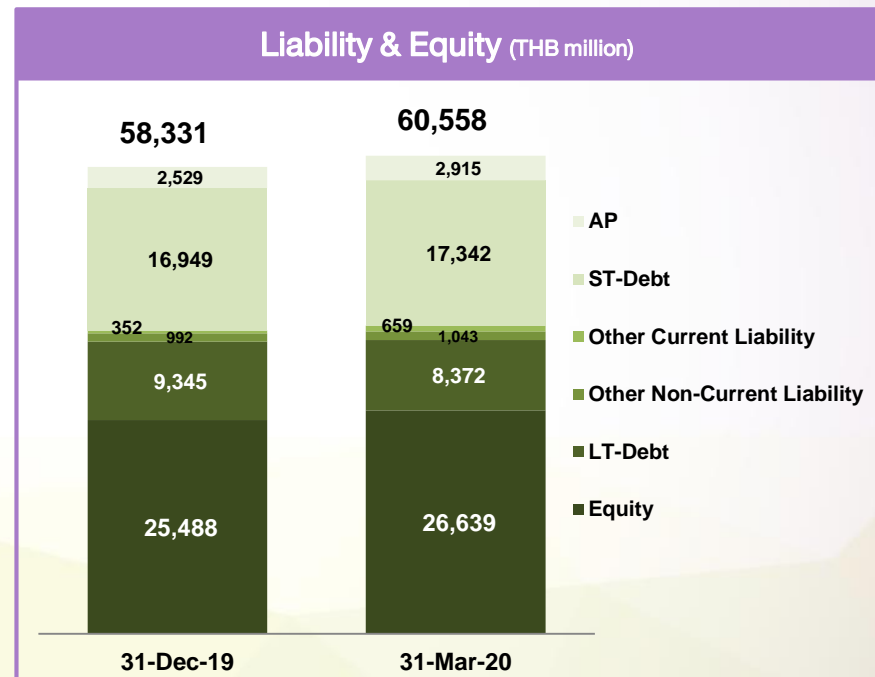
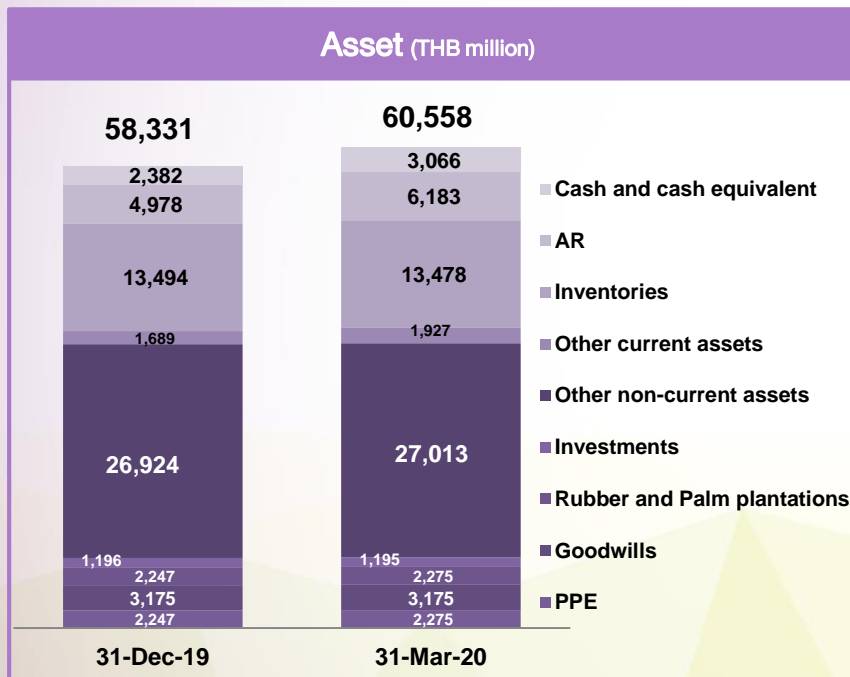
Gross Profit



EBIT & Net profit



Balance Sheet



1Q20

5.75X

13.11X

1.27X

1.16X

ROA

ROE

D/E

Net Interest Bearing

FY19

-0.25X

--0.57X

1.29X

Debt/ Equity

1.20X

2

STA Business Highlights



About STA: The World's Leading Fully Integrated Natural Rubber Company

Established in 1987



Rubber Plantations



45,000 rai

(7,200 hectares) of rubber plantations

Rubber Processing



36 NR processing plants in Thailand, Indonesia and Myanmar

2.9 million tons in production capacity per year

1.1 million tons sold in 2019

8% market share of global natural rubber consumption in 2019

304,721 tons sold in 1Q20

Rubber Gloves



3 locations of glove factories in Thailand

27 billion pieces of gloves in production capacity per year

19.9 billion pieces of gloves sold in 2019

7% market share of global gloves consumption in 2019

6.3 billion pieces of gloves sold in 1Q20



45 procurement centers

> 3,000

Rubber farmers and dealers being members of STA Friend mobile application

STA's Global Presence



Thailand



USA



Myanmar



Indonesia



Singapore

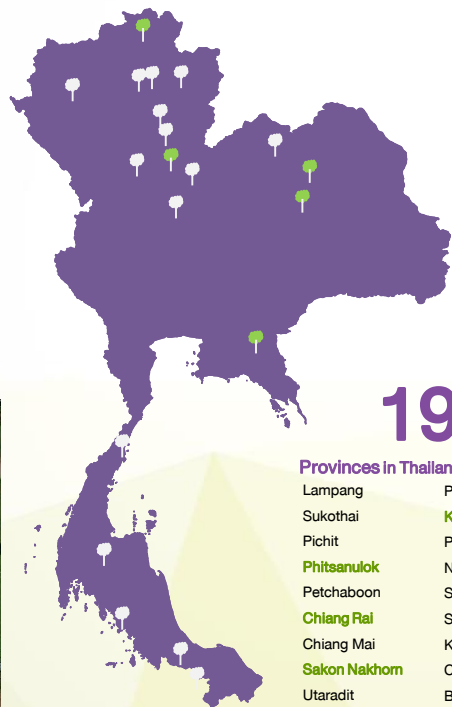


China

Upstream Operations - Rubber Plantations

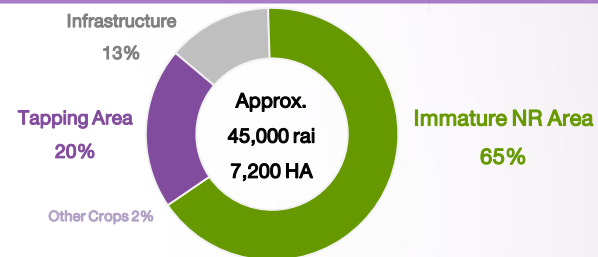


Increase number of tapping area from 4,400 rai in 2019 to 9,300 rai in 2020 [+193%]

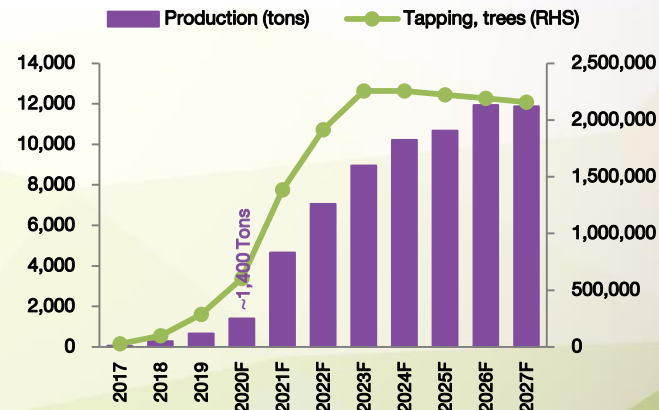


Note: The green provinces are where our factories located in.

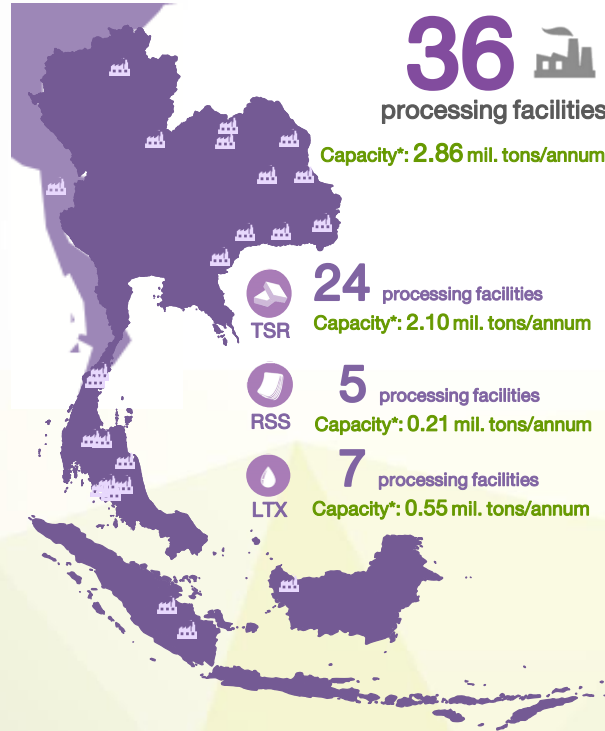
Area of Rubber Plantations (2020F)



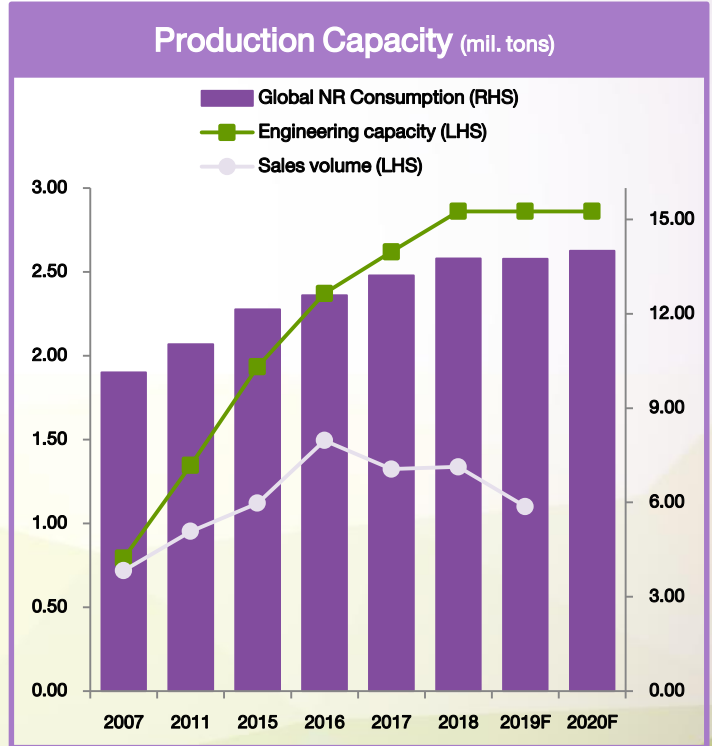
Estimated Mature Plantations



Midstream Operations – NR Processing



Note: *Total engineering capacity



STA's Tire Manufacturer Customers



Global Brands



Firestone



CEAT Apollo



BKT



Hankook



KUMHO TYRES



SENTURY
森麒麟轮胎

CST



DEESTONE



THUNDERER



Vee Rubber



TRIANGLE MAXXIS HFT

Mobile Application STA FRIENDS



Objective: To buy raw materials from rubber farmers and dealers in Thailand anywhere and anytime [launched Oct-19]
 No. of Members: > 3,000 rubber farmers & dealers in STA network



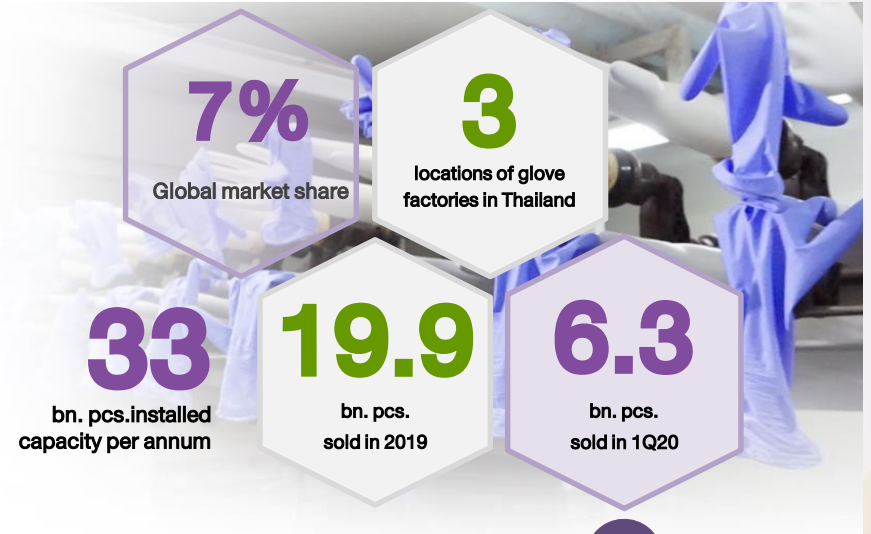
Downstream Operations – Finished Products



SRITRANG GLOVES THAILAND

Touch Of Life™

STGT Targeting to achieve an annual installed capacity of **50 bn. pcs. by 2025 & 65 bn. pcs. by 2028**



- Established Songkhla Plant
- Songkhla Plant started Natural Rubber Powdered Gloves production

1989

1999

- Started Nitrile Gloves production and distribution

2011

- Surat Thani Plant started commercial production

2017

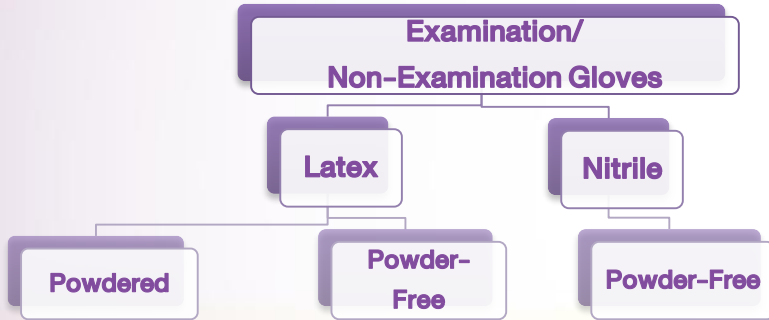
- Changed company's name to **Sri Trang Gloves (Thailand) Company Limited**

2019

- **Sri Trang Gloves (Thailand) Company Public Limited** was established from the amalgamation between Sri Trang Gloves (Thailand) Company Limited and Thaihong Public Company Limited

Our Gloves Products

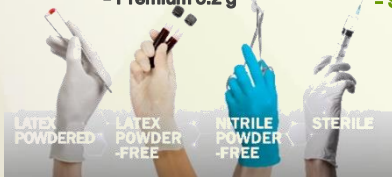
Product Range



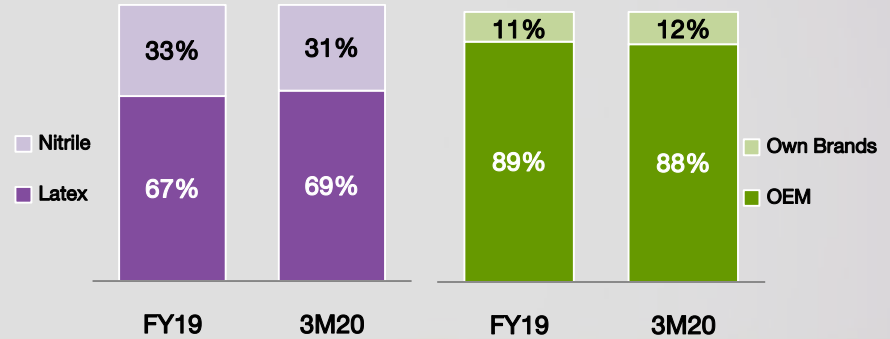
- Comfort 4.8 g
- Balance 5.0 g
- Premium 5.8 g

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

- Heavy 6.2 g ●
- Balance 4.8 g ●
- Comfort 3.5 g ●●●●●
- Comfort Plus 3.0 g ●●●●●
- Sense 2.5 g ●●



Product Mix by Volume



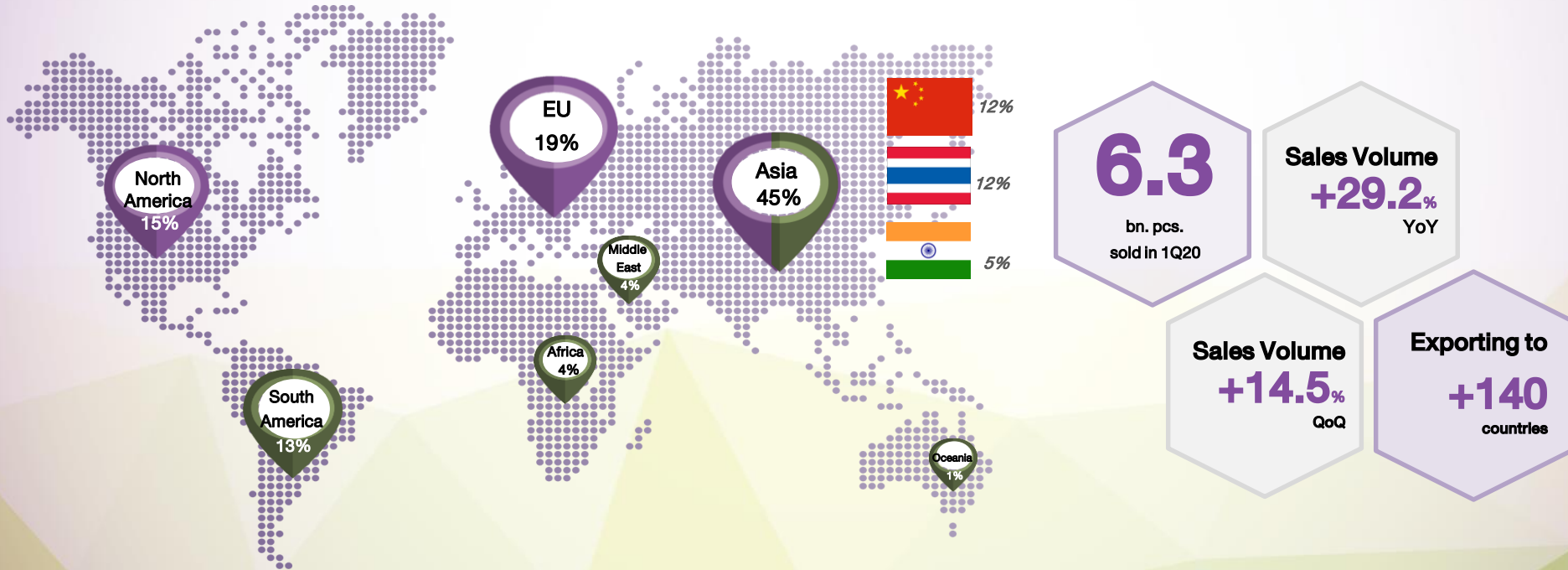
Information as at 31 March 2020

Our Brands



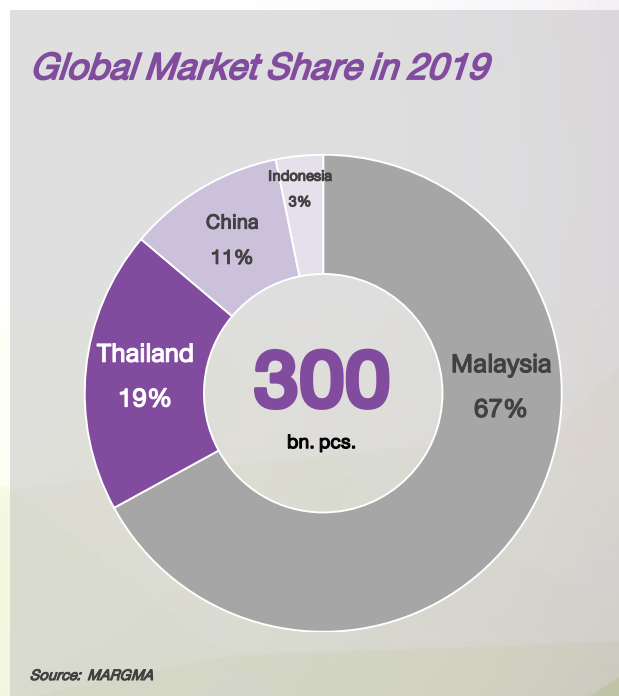
Sales Volume Breakdown by Region

Maintain our market share in developed markets & Aggressively expand to high growth countries



Global Glove Market Outlook

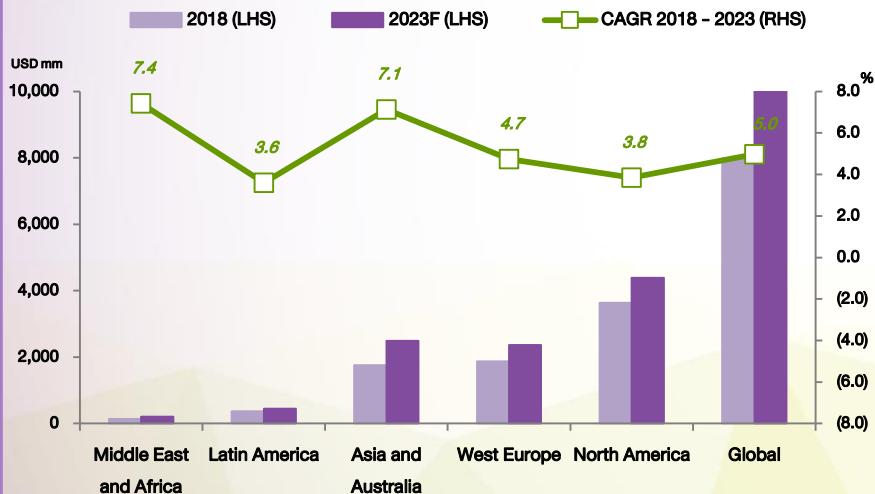
Demand Keeps Growing & Hidden Consumption in Emerging Markets



Key Drivers in Rubber Glove Consumption

Growth in Healthcare Industry around the World

Healthcare Spending in Each Region in 2018 and 2023



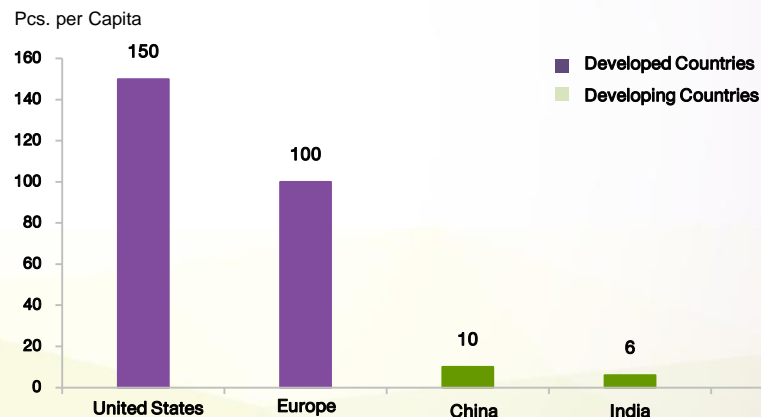
Key Drivers:

- (1) Increase in aging population
- (2) Supportive government policies and access to medical services
- (3) Increase in Non-communicable Diseases

Source: The Economist Intelligence Unit as of September 2019

Increasing Usage of Hygienic Products in Developing Countries

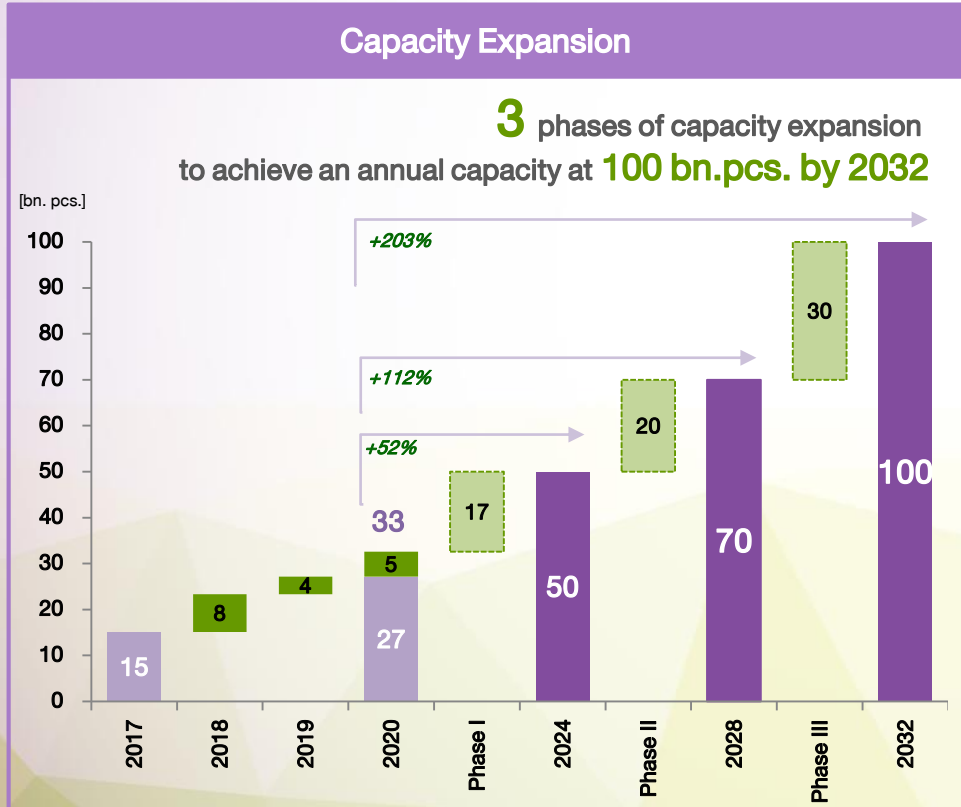
Forecasted Rubber Glove Consumption per Capita in Developed and Developing Countries in 2019



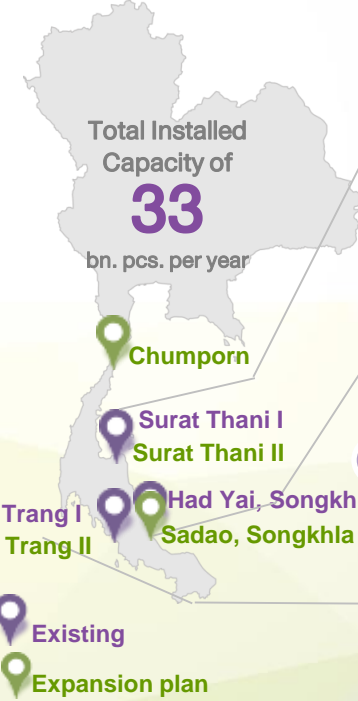
Potential growth of rubber glove demand in developing countries is supported by accelerated economic growth in such countries, increase in awareness in the importance of hygiene and potential current low rate of rubber glove usage per capita in such countries

Source: MARGMA Industry Brief 2019 on the Rubber Glove Industry

Aggressively Expand to Capture Market Demand



3 Existing Production Facilities

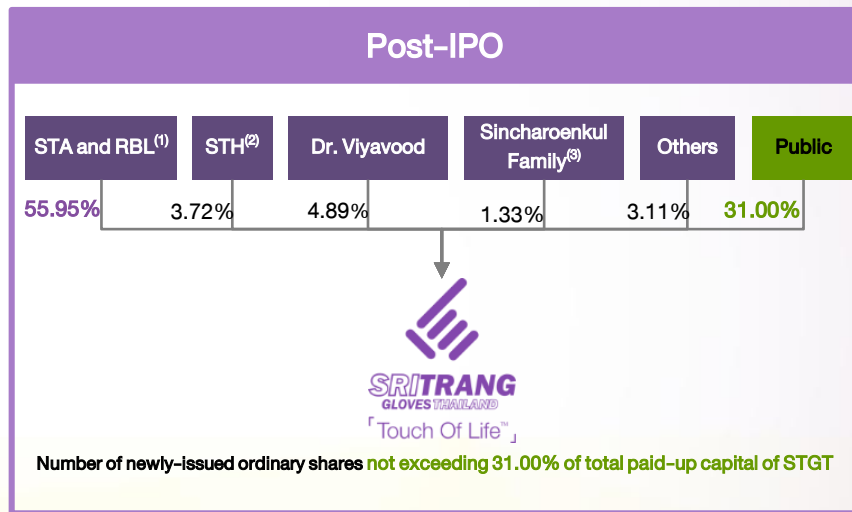
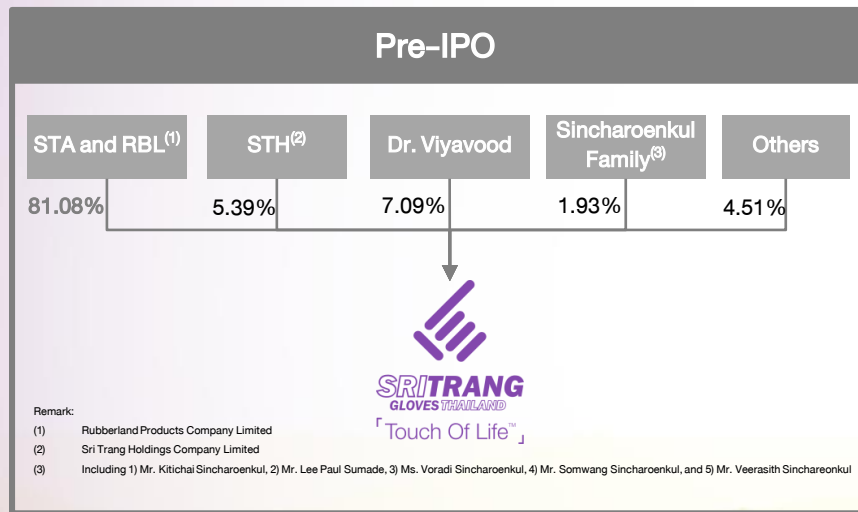


1 6 bn. pcs. per annum

2 17 bn. pcs. per annum

3 10 bn. pcs. per annum

STGT's IPO Plan



Type of Business	Manufacturing and marketing business of natural rubber gloves and nitrile gloves
Secondary Market	The Stock Exchange of Thailand (SET)
Industry Group / Sector	Consumer Products / Personal products & Pharmaceuticals
Status	Approved
No. of IPO	No more than 444,780,000 newly issued shares divided into (1) 432,780,000 newly issued shares to general public, institutional investors and sponsors (2) 2,000,000 newly issued shares to directors, executives and employees of Sri Trang Agro-Industry PCL and its subsidiaries (3) STGT's ESOP Program separated to 4,000,000 newly issued shares offered to directors, executives and employees of STGT and its subsidiaries on the IPO date, the other 6,000,000 newly issued shares will be offered 1-2 years after IPO
Financial Advisor	Finansa Securities Limited

Our Competitive Edges

Raw Material / Latex Supply

Closed to the biggest source of latex which is the main raw material for **“Latex Gloves”**

No export tax charged [No CESS expense]

This makes **our latex cost 1.2 Baht/Kg. cheaper** than other players outside Thailand.

No concern over gas price : Our production facilities are run by woodchip.



No labor issue as most of our workers are local people & we complying with **BSCI standard**.

Lower cost for capacity expansion

Thai Government introduced **an interest subsidy program** to anyone who consumes more rubber domestically.

The Government will subsidy the interest rate **not over than 3%** for the expansion.

SRI TRANG
GLOVES THAILAND

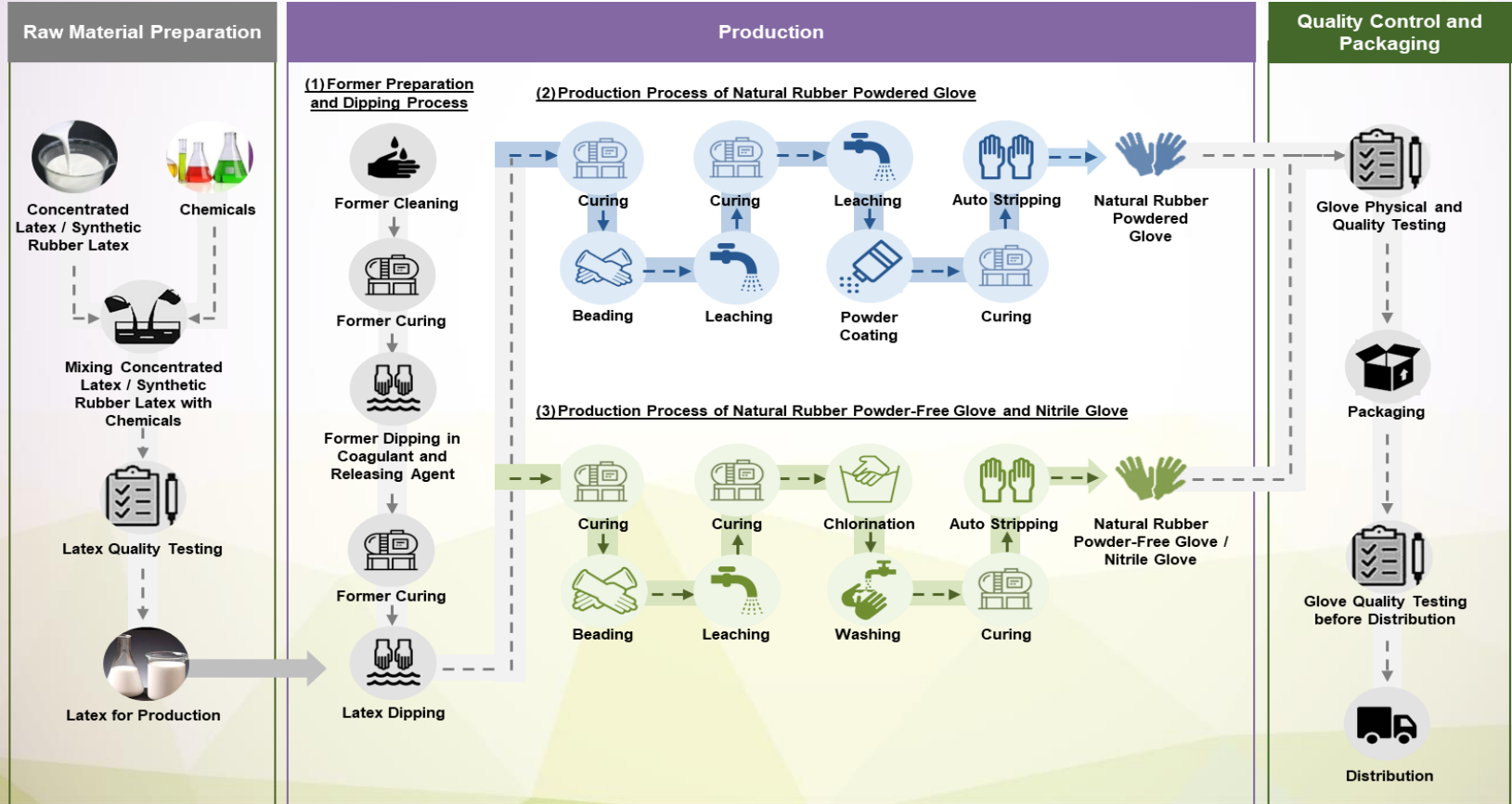
Tariff benefits

The US's Tariff Schedule for Gloves

Product	Country of Origin			
	Thailand	Malaysia	China	
Before 1 Sep 2019			1 Sep 2019	
Latex & Nitrile				
Medical	Free	Free	Free	15%
Non-Medical	GSP	3%	3% + 25%=28%	

Note: GSP, Generalized System of Preferences, is a tariff system that allows exemptions or more favorable customs duties for certain products and countries.

Rubber Glove Business Flow



3

NATURAL RUBBER MARKET SITUATION



Drop in the global NR consumption

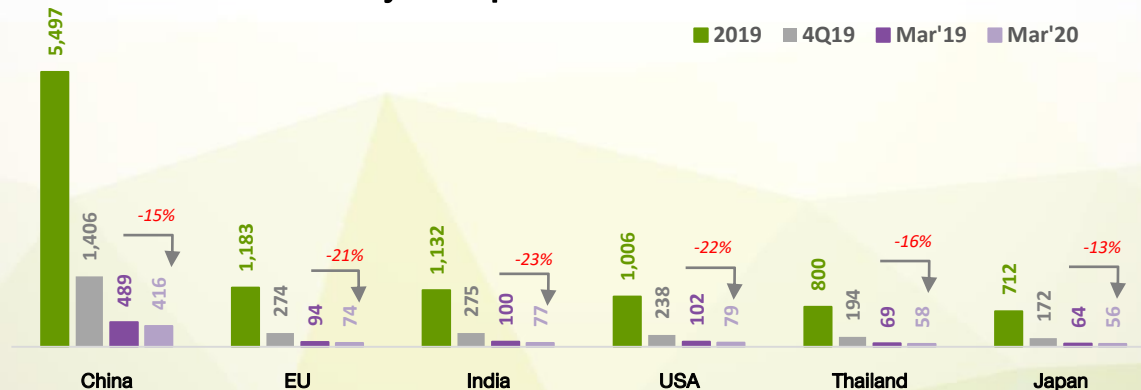


Association of Natural Rubber Producing Countries [ANRPC] released that

- In 1Q20, the global NR consumption is expected to fell **19.6%YoY**.
- In 2Q20, the global NR consumption is expected to fell **1.5%YoY**.
- In 2020, the global NR consumption is revised down to **13.02 million tons, down 5.1%** from the previous year.
- The COVID-19 also generates additional demand for NR used in glove manufacturing and other rubber-based healthcare products partly offsetting the fall in demand from auto-tire makers.

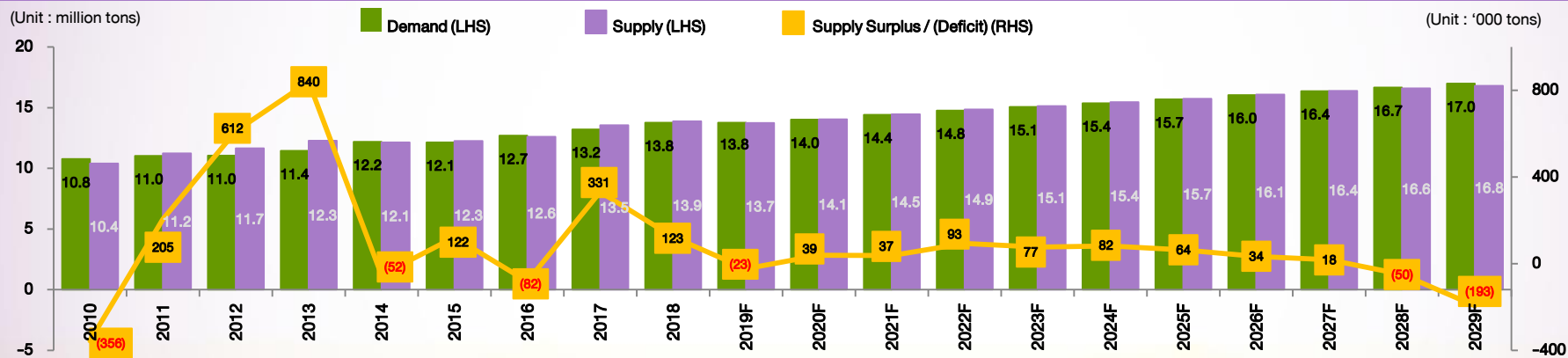


International Rubber Study Group



Global NR Situation [Before COVID-19]

Natural Rubber Demand & Supply



Supply

Global NR supply in 2020 is expected to be 14.05 million tons, +2.3% YoY. The average growth in the next 3 years is expected at +2.7%.

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

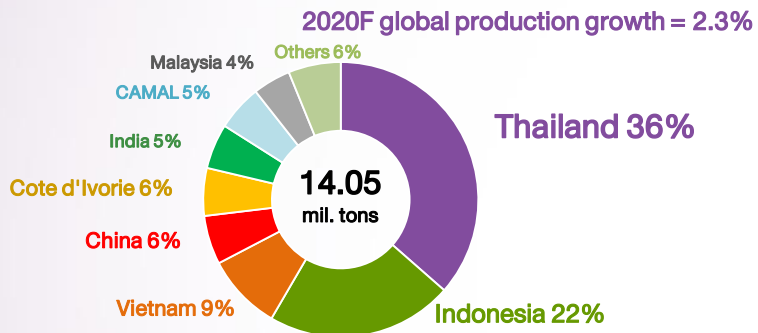
Demand

Global NR demand in 2020 is expected to be 14.01 million tons, +1.9% YoY. The average growth in the next 3 years is expected at +2.4%.

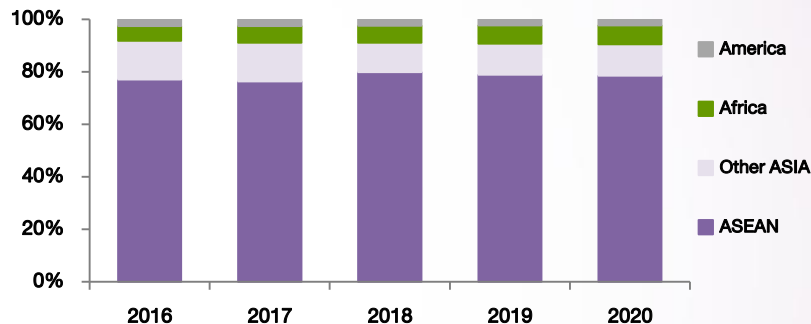
- 71% of NR consumption comes from the tire industry, whose demand is expected to have no growth in 2020, in line with global tire production.
- 29% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 5.2% in 2020, driven by increased consumption by gloves producers.

NR Supply [Before COVID-19]

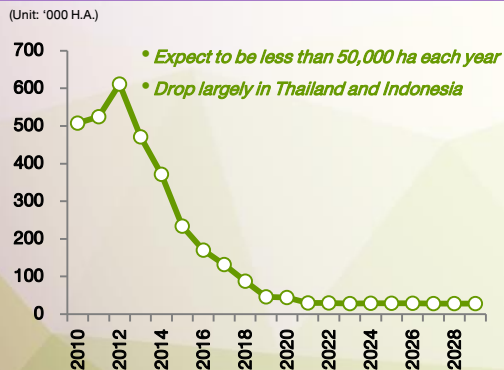
2020F Major Producers



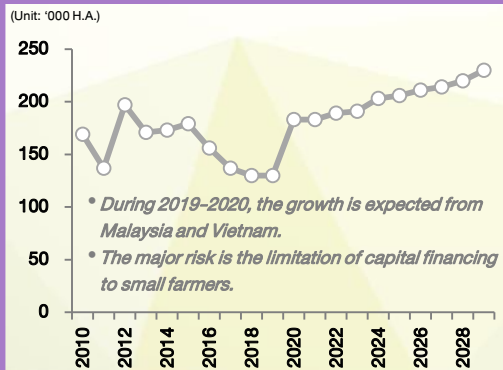
~80% of NR output came from ASEAN



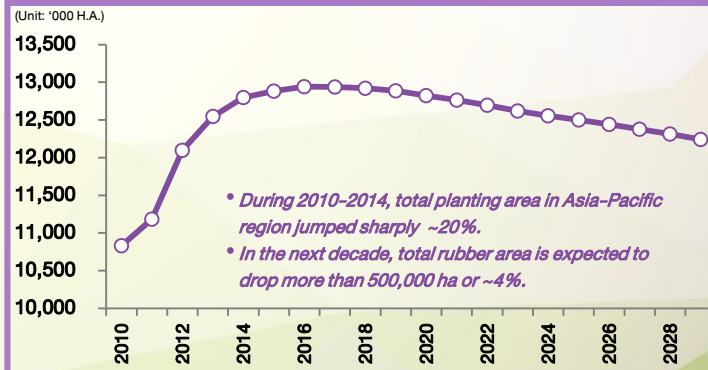
New Planting Area



Re-Planting Area

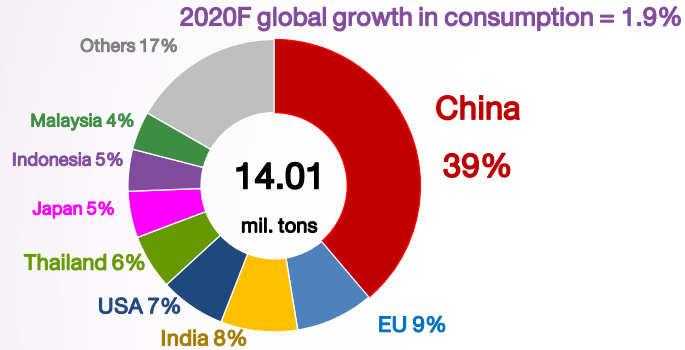


Total Area

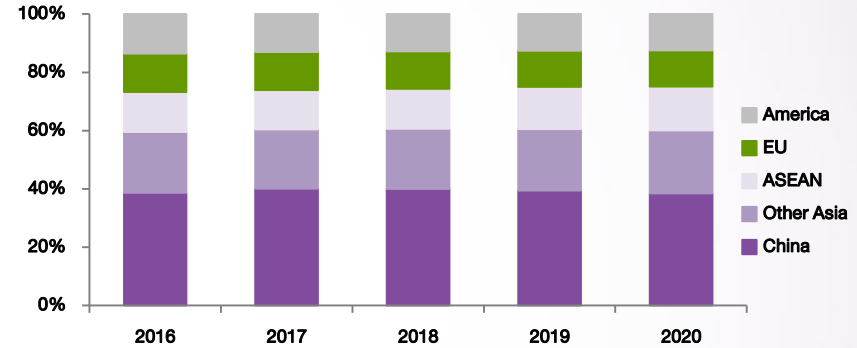


NR Demand [Before COVID-19]

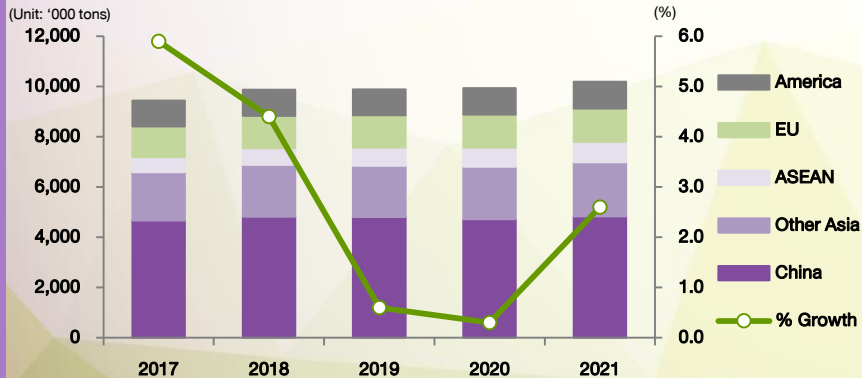
2020F Major NR Consumers



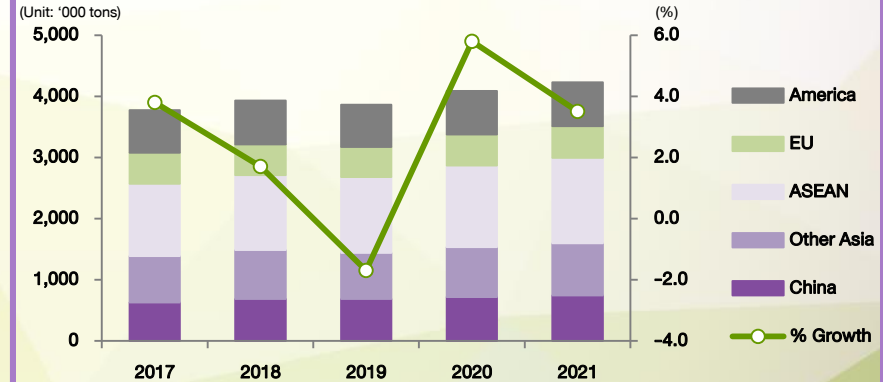
NR Consumption Diversification



NR Consumption in Tire Industry

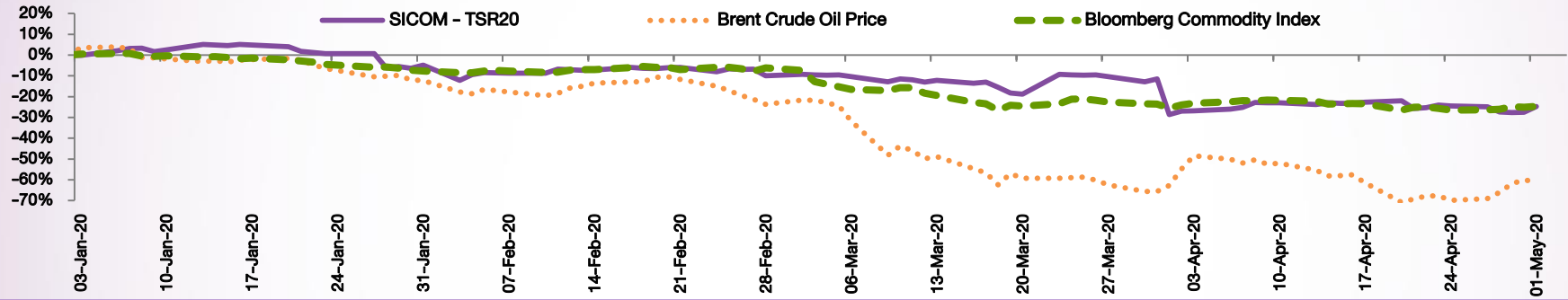


NR Consumption in Non-Tire Industry

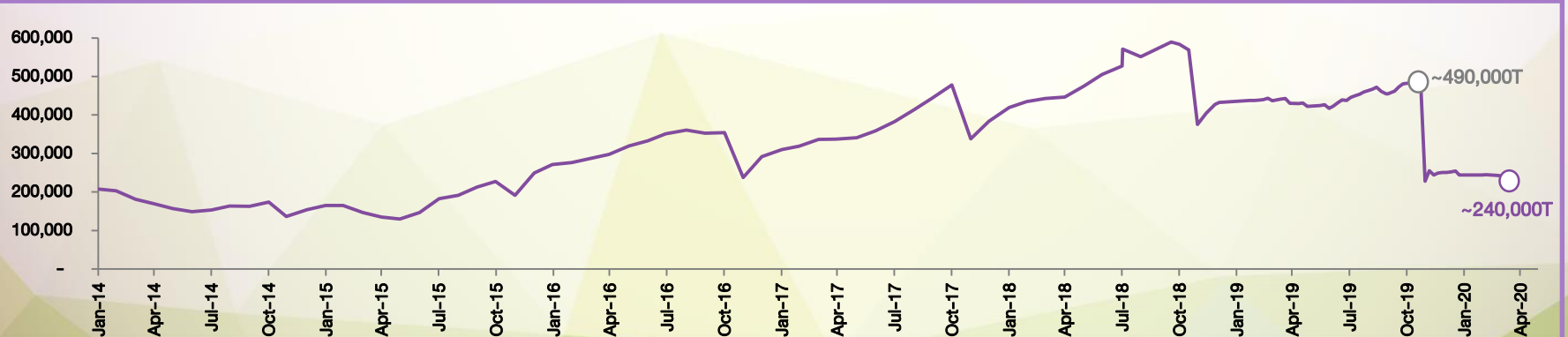


Commodity Price Movement & SHFE Stocks

Commodity Price Movement



Shanghai Futures Exchange [SHFE] Stocks, China [tons]



THE WORLD'S LEADING FULLY INTEGRATED NATURAL RUBBER PROCESSING COMPANY



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