

# STA

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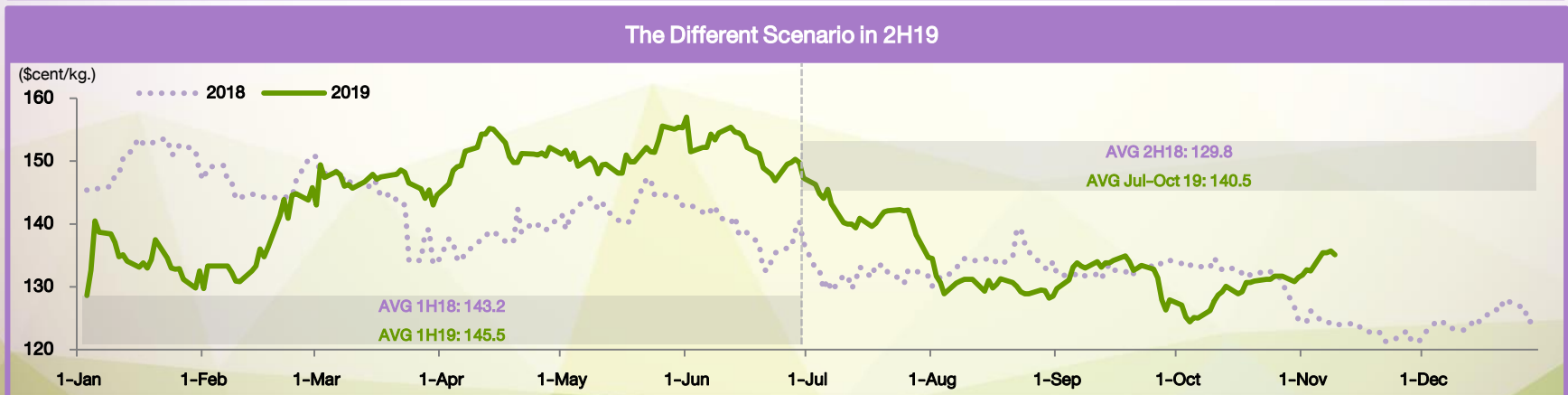
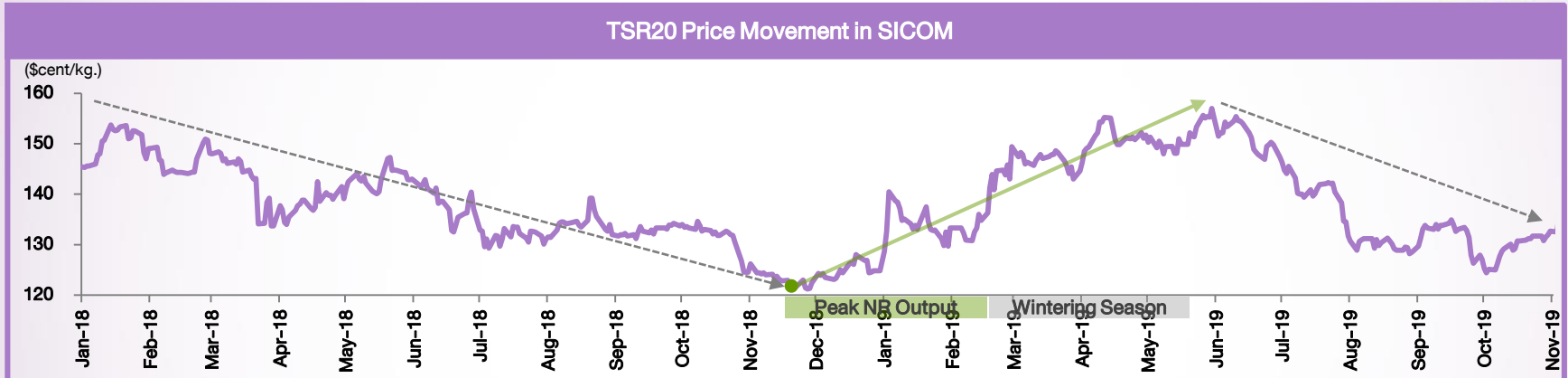
## 3. Natural Rubber Market Situation

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## *FINANCIAL PERFORMANCE*



# The Different Scenario in 2H19



# Being the **SURVIVOR** & Gaining **CUSTOMER CONFIDENCE**



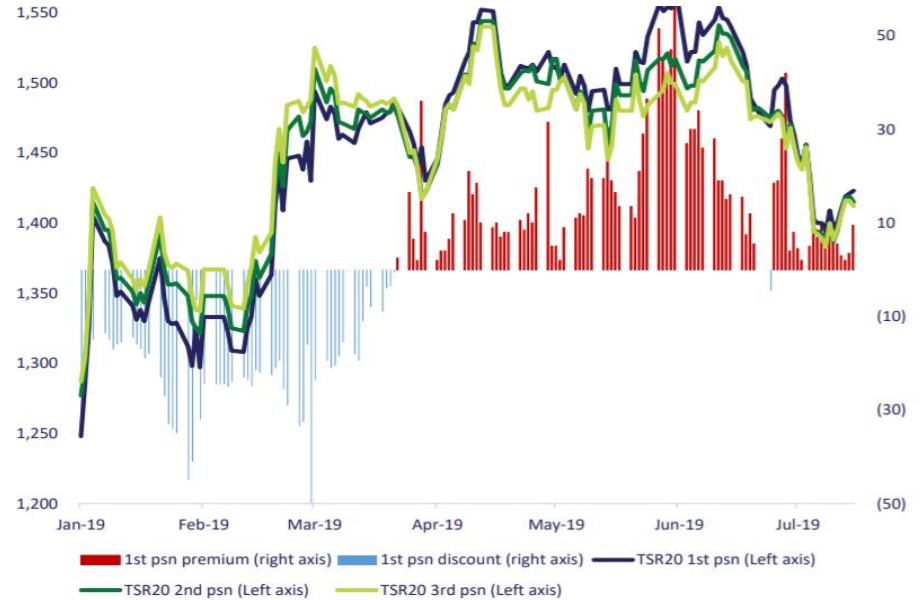
**MAXXIS®**



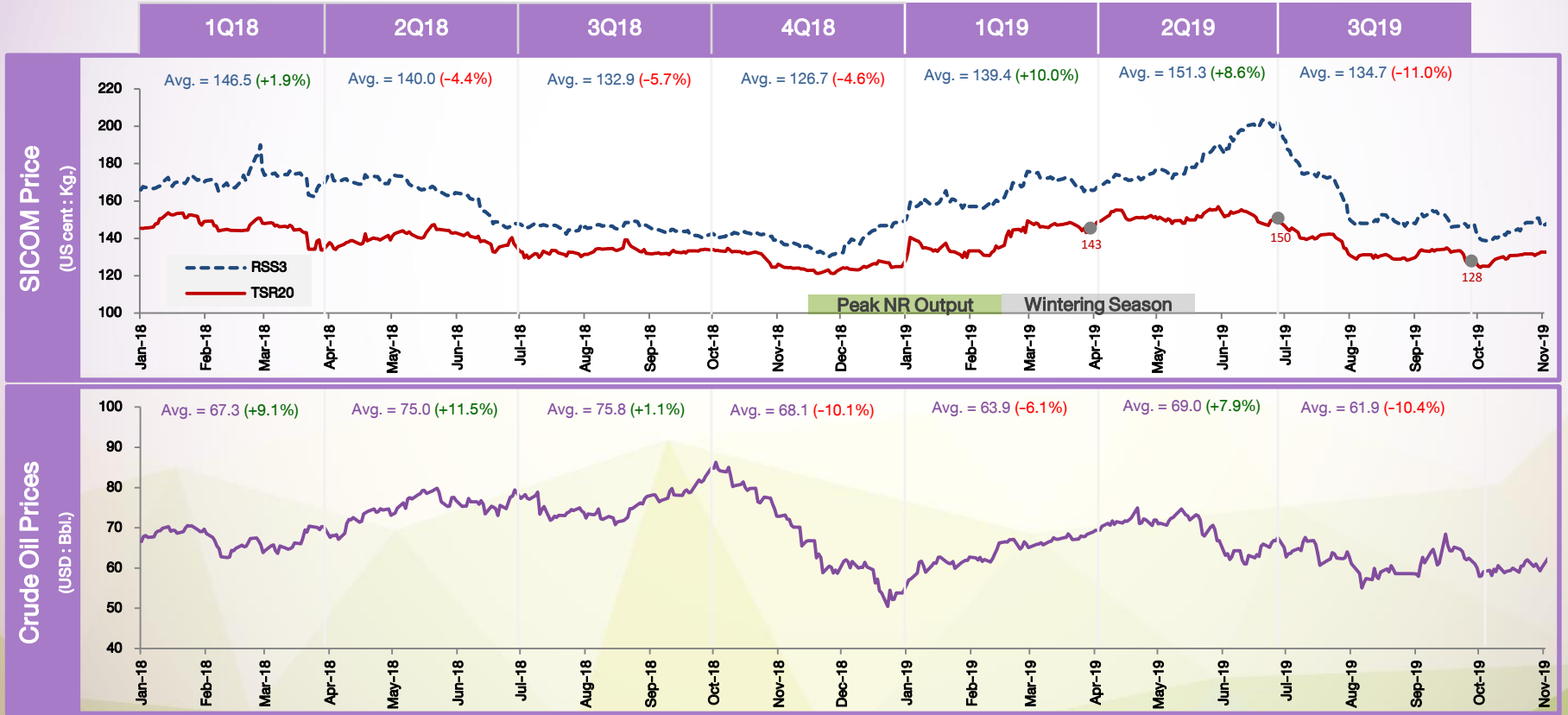
**IRC**

**OTANI**  
Confidence of Driving

The Inversion of TSR20 Contract in SICOM  
During April – July 2019



# SICOM – Oil Prices

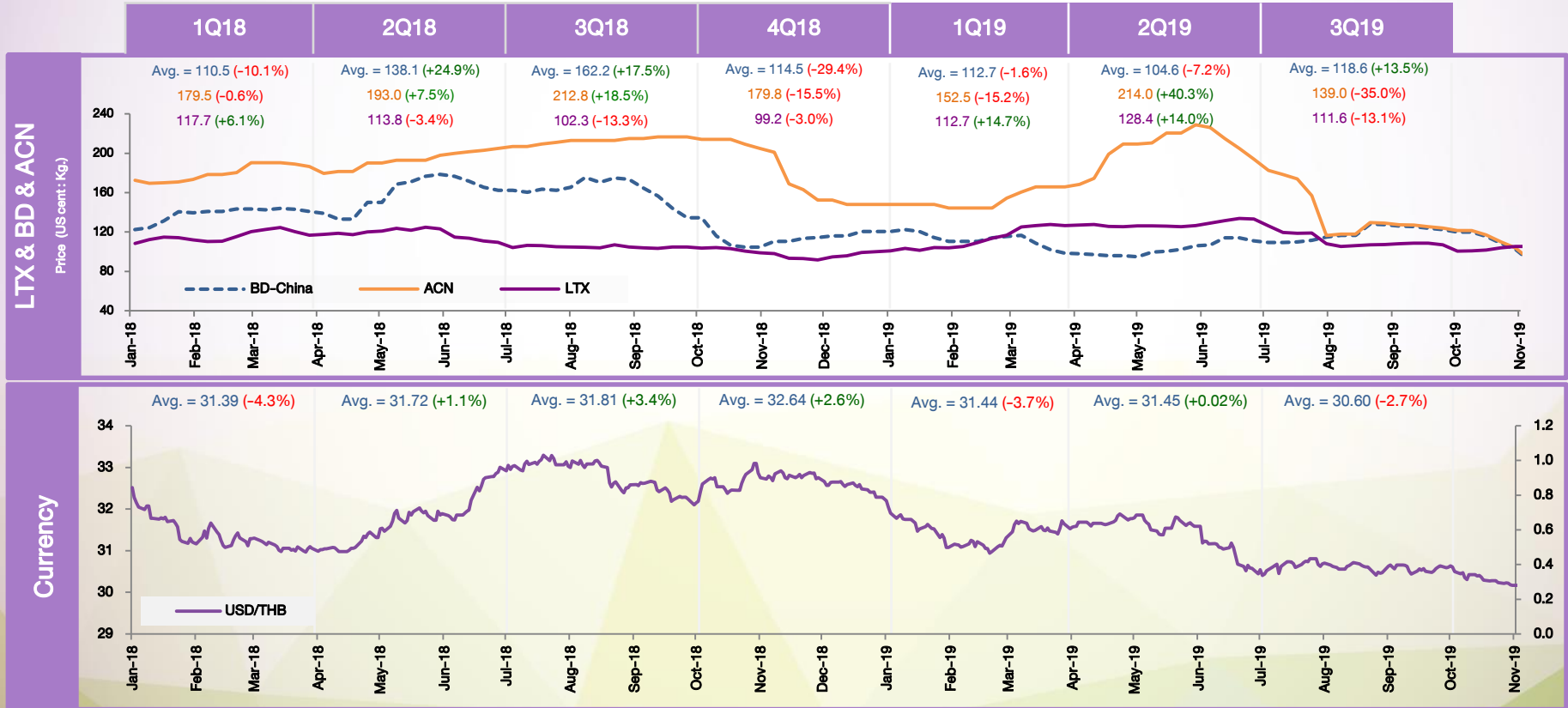


**ABBREVIATIONS**

RSS : Ribbed smoked sheet  
TSR : Technically specified rubber, which includes STR and S1R

LTX: Concentrated Latex

# Latex – Butadiene – Acrylonitrile – Forex



# Financial Highlight



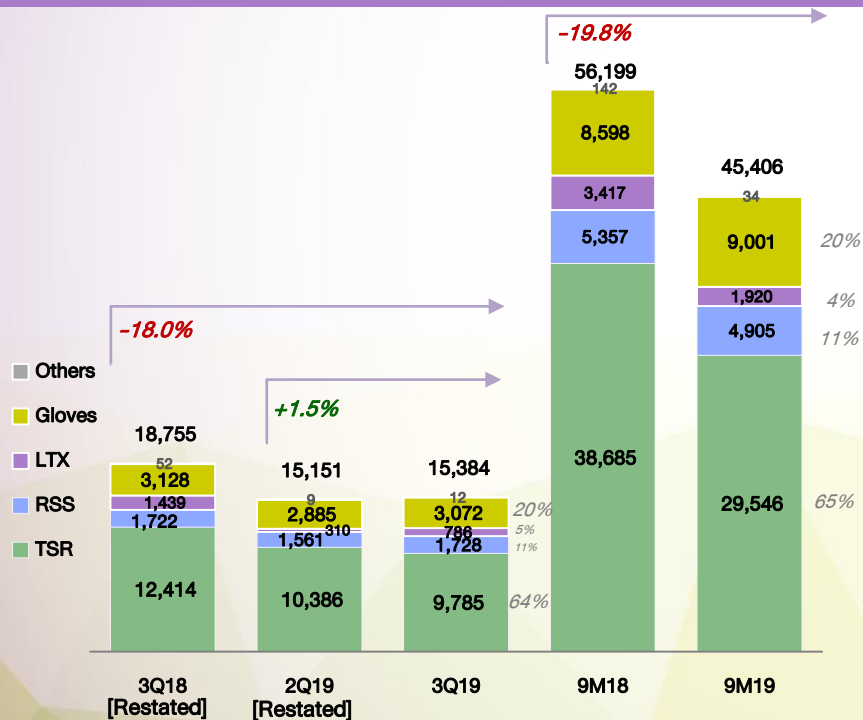
(Unit : THB million)	3Q19	3Q18 [Restated]	%YoY	2Q19 [Restated]	%QoQ	9M19	9M18	%YoY	FY18
Revenue	15,384	18,755	-18.0%	15,151	1.5%	45,406	55,199	-17.7%	73,493
Sales volume (tons)	272,223	341,203	-20.2%	260,783	4.4%	818,340	1,016,673	-19.5%	1,336,649
Avg. selling price (Baht per ton)	45,181	47,593	-5.1%	47,000	-3.9%	44,444	46,681	-4.8%	45,907
Gross profit	970	1,993	-51.3%	1,453	-33.3%	3,476	5,497	-36.8%	7,108
Adj. gross profit*	1,402	2,025	-30.8%	1,303	7.6%	3,326	6,656	-50.0%	8,254
SG&A	(1,081)	(1,339)	-19.3%	(1,120)	-3.5%	(3,366)	(3,905)	-13.8%	(5,248)
Gains (loss) on exchange rate, net	107	(103)	N/A	178	-39.9%	242	(244)	N/A	(252)
Other gains, net	308	257	20.2%	(67)	N/A	(207)	1,047	N/A	1,203
Operating profit (loss)	352	844	-58.3%	552	-36.2%	470	2,840	-83.4%	3,050
Share of profit (loss) from investments in JV	22	60	-63.4%	36	-39.6%	95	197	-51.6%	224
EBITDA	998	1,493	-33.2%	1,239	-19.5%	2,417	4,754	-49.2%	5,657
EBIT	374	904	-58.6%	588	-36.4%	566	3,072	-81.6%	3,274
Finance costs, net	(204)	(223)	-8.6%	(235)	-13.3%	(667)	(731)	-8.8%	(887)
Net profit	135	502	-73.1%	270	N/A	(223)	1,925	N/A	2,064
GP margin	6.3%	10.6%	-432.39	9.6%	-328.72	7.7%	10.0%	-230.33	9.7%
Adj. GP margin*	9.1%	13.3%	-418.65	8.6%	51.35	7.3%	12.1%	-473.26	11.2%
Operating profit margin	2.3%	4.5%	-221.05	3.6%	-135.20	1.0%	5.1%	-410.93	4.2%
EBITDA margin	6.5%	8.0%	-147.31	8.2%	-169.43	5.3%	8.6%	-328.89	7.7%
Net profit margin	0.9%	2.7%	-179.61	1.8%	-90.42	-0.5%	3.5%	-397.80	2.8%

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

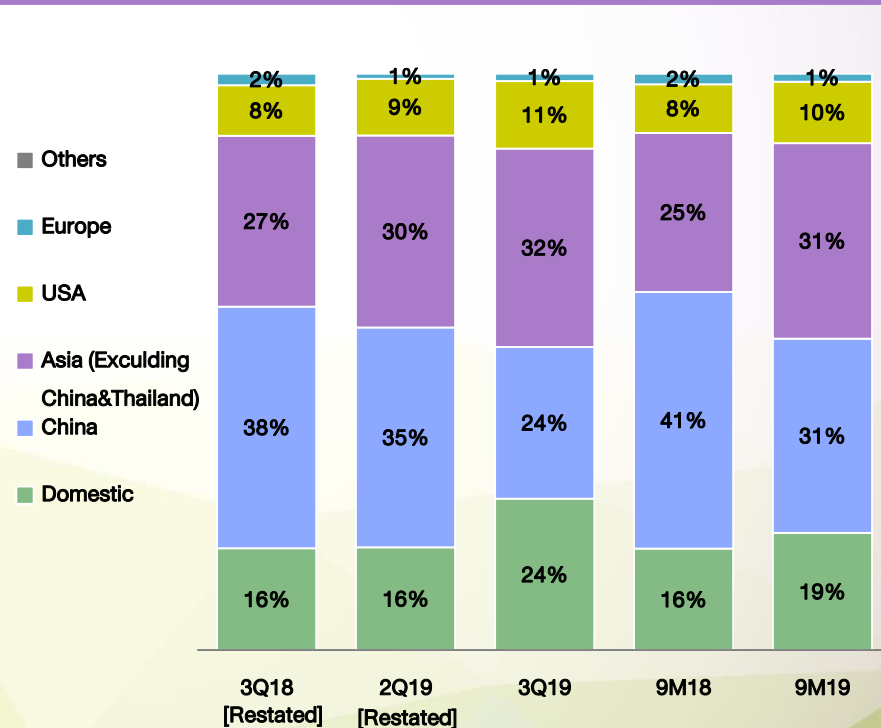


# Sales Revenue

## Sales Revenue by Product (THB million)

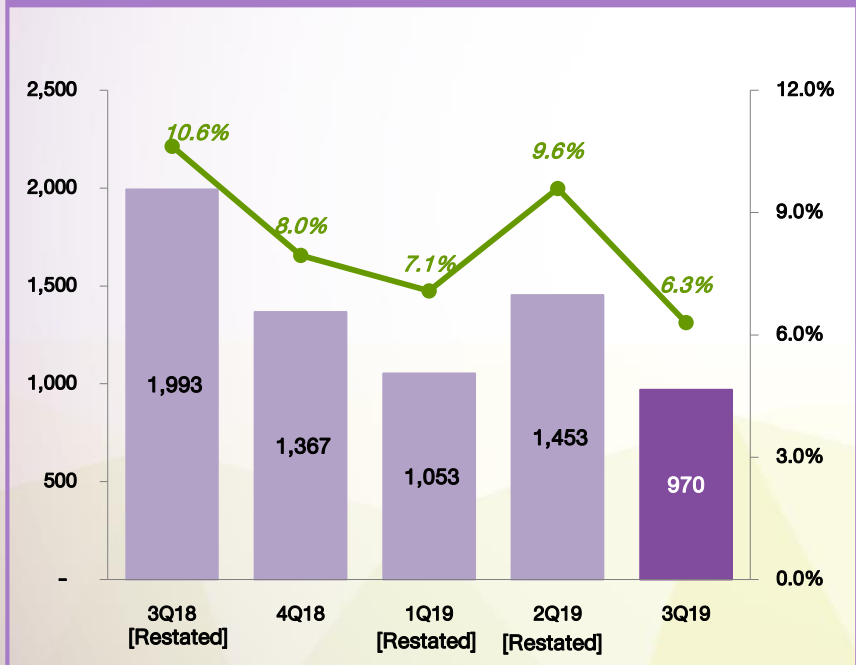


## Sales Revenue by Geography

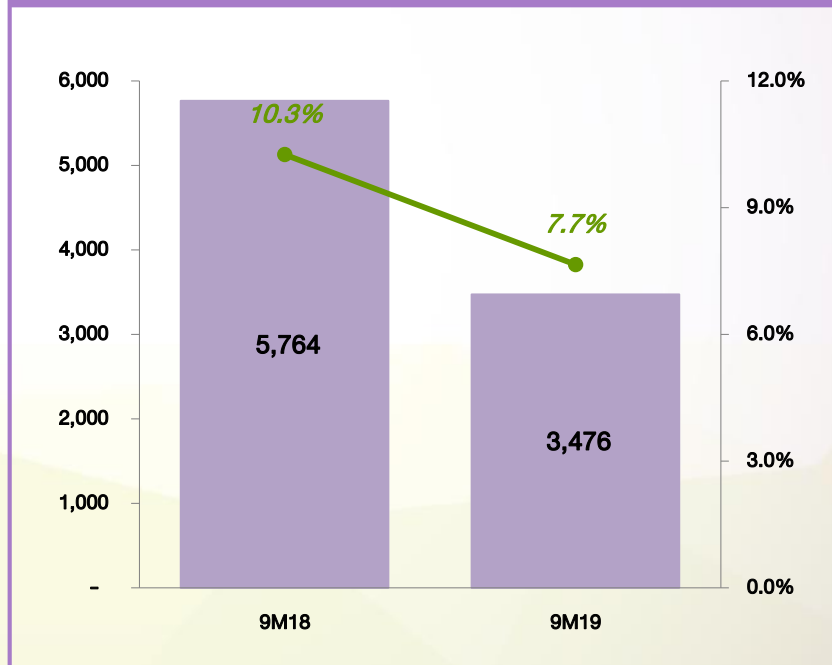


# Gross Profit

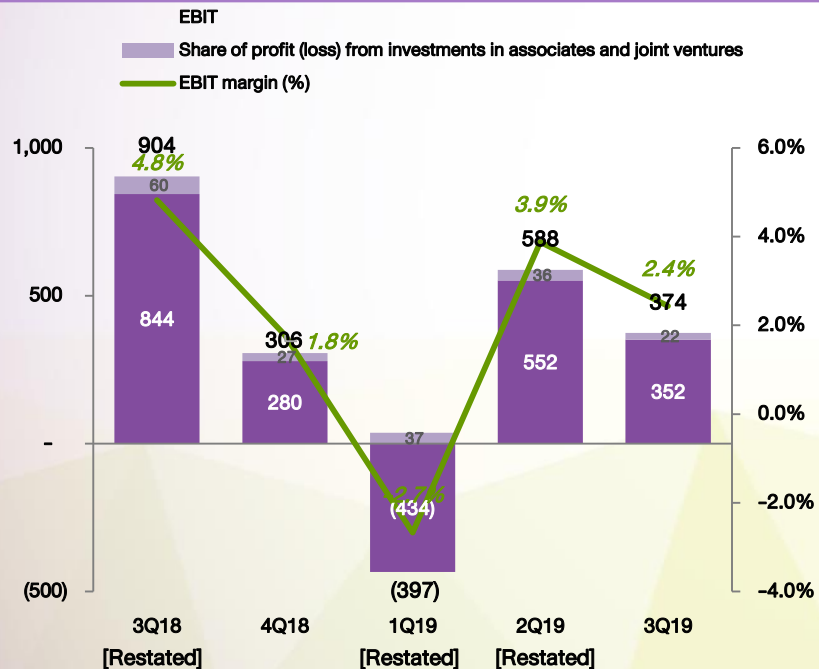
### Gross Profit (THB million) – 3Q19



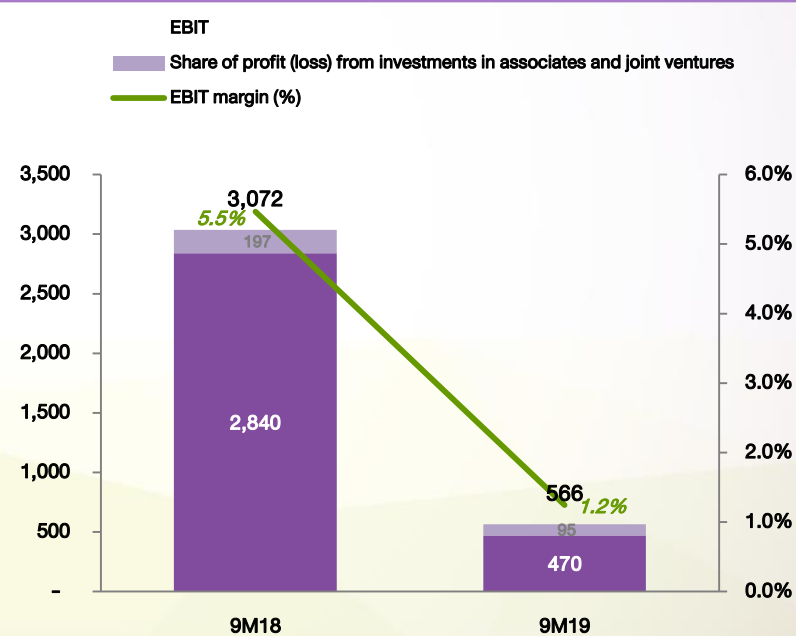
### Gross Profit (THB million) – 9M19



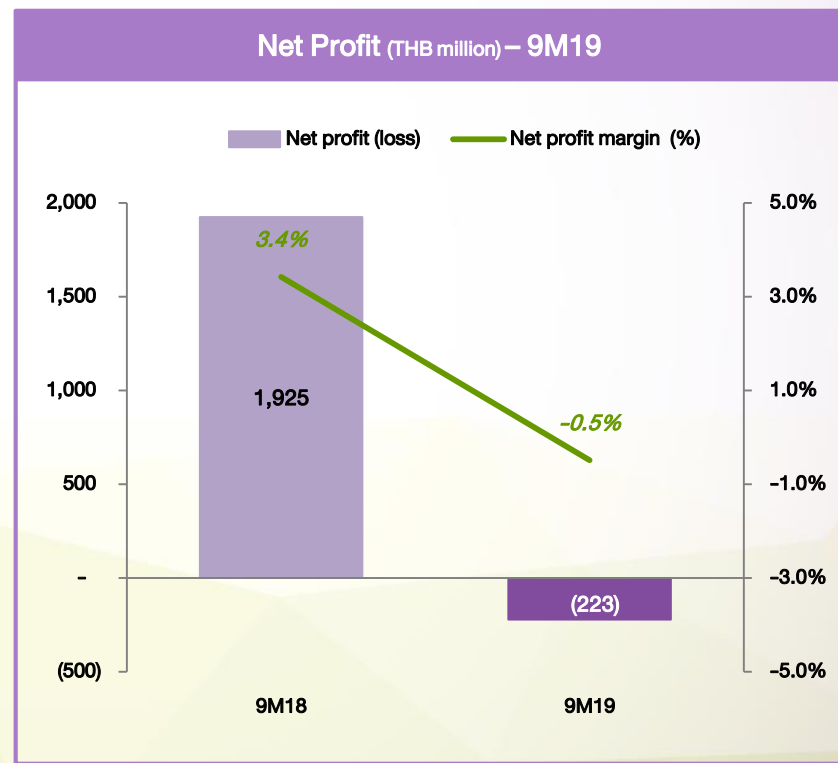
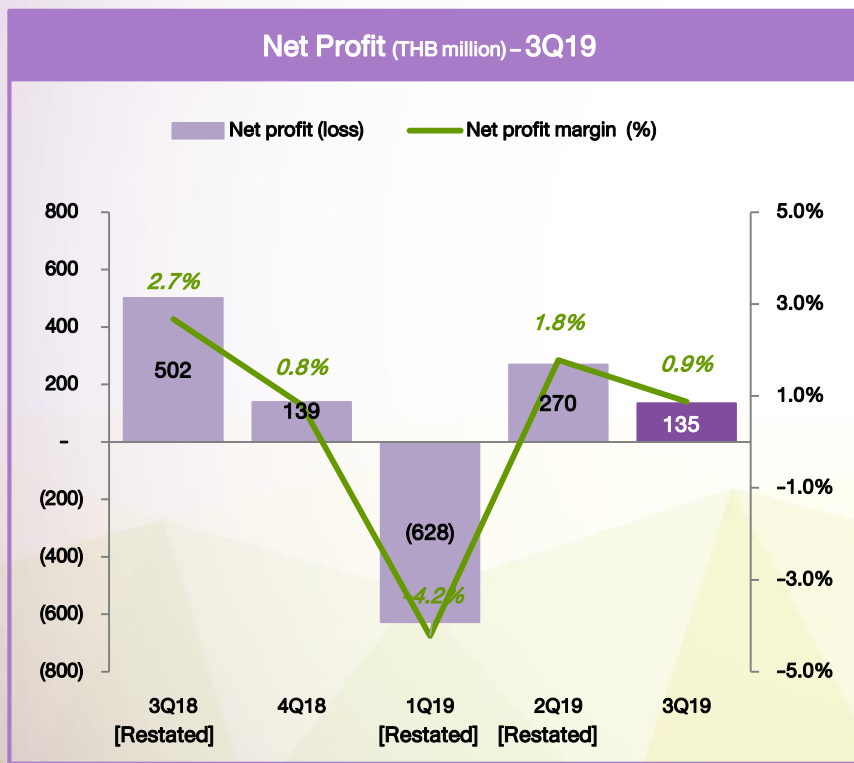
## EBIT (THB million) – 3Q19



## EBIT (THB million) – 9M19



# Net Profit

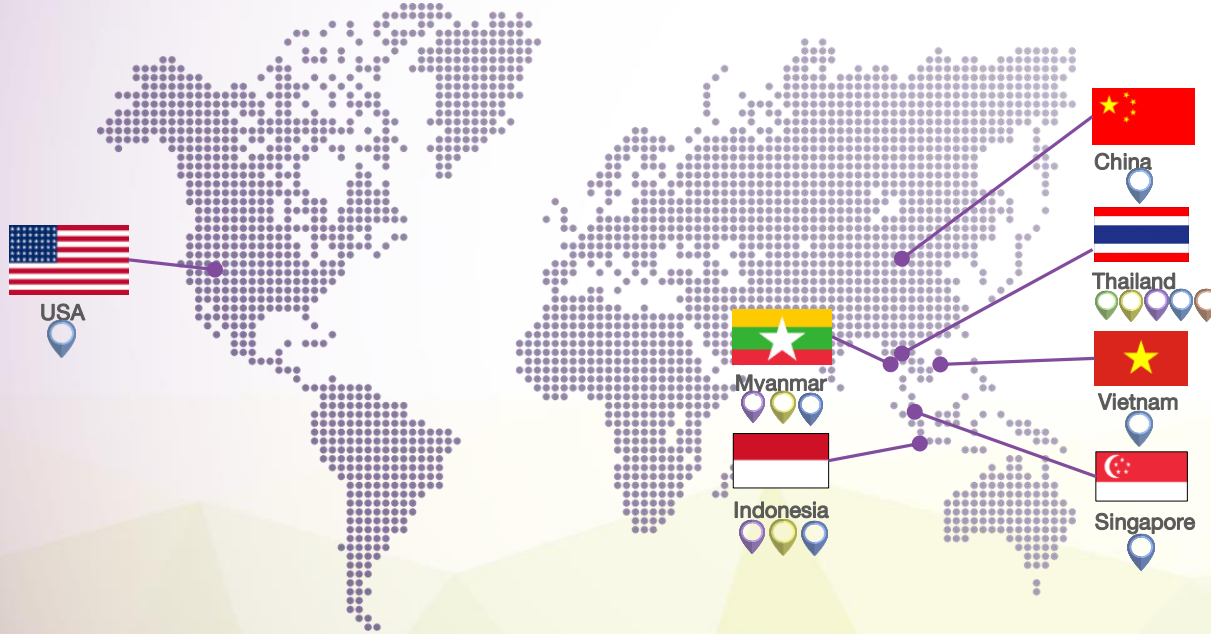


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## ***STA Business Highlights***



# STA's Global Presence



**1.34** mill. tons in  
NR's sales volume in FY18

**17** bn..pcs. in Glove's  
sales volume in FY18

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

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

**818,340** tons in  
NR's sales volume in 9M19

**14.4** bn..pcs. in  
Glove's sales volume in 9M19

**45,000** rai  
(7,200 hectares) of rubber plantations

**36**  
NR processing plants

**48**  
procurement centers

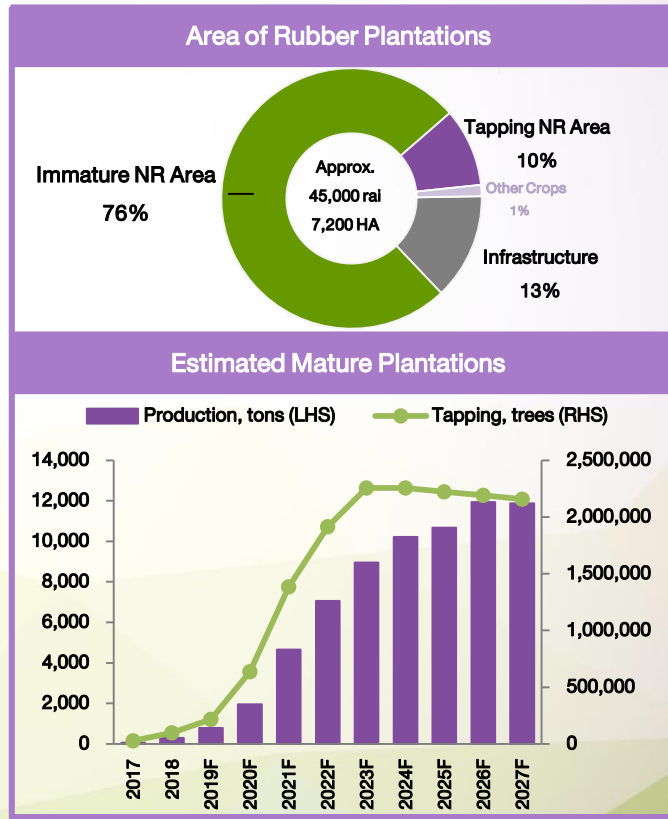
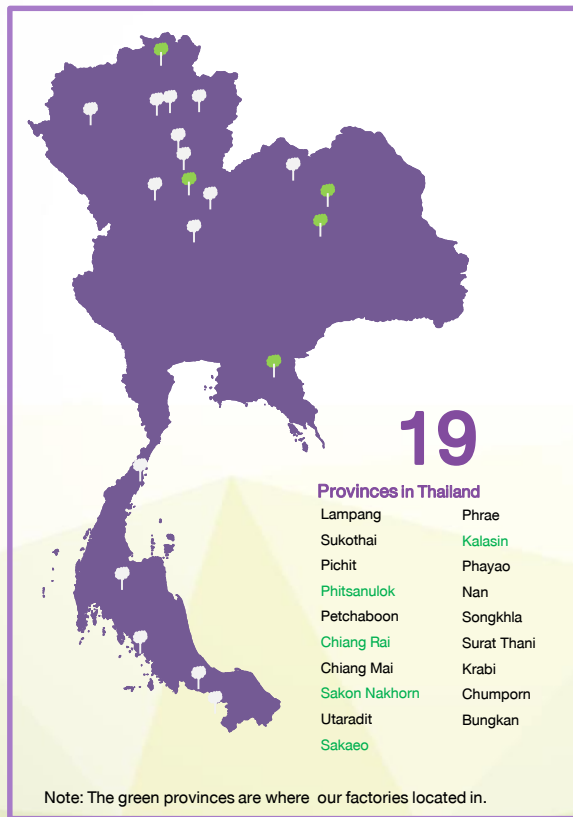
**5**  
Gloves production facilities  
in Thailand

**7**  
sales & distribution centers

# Upstream Operations - Rubber Plantations



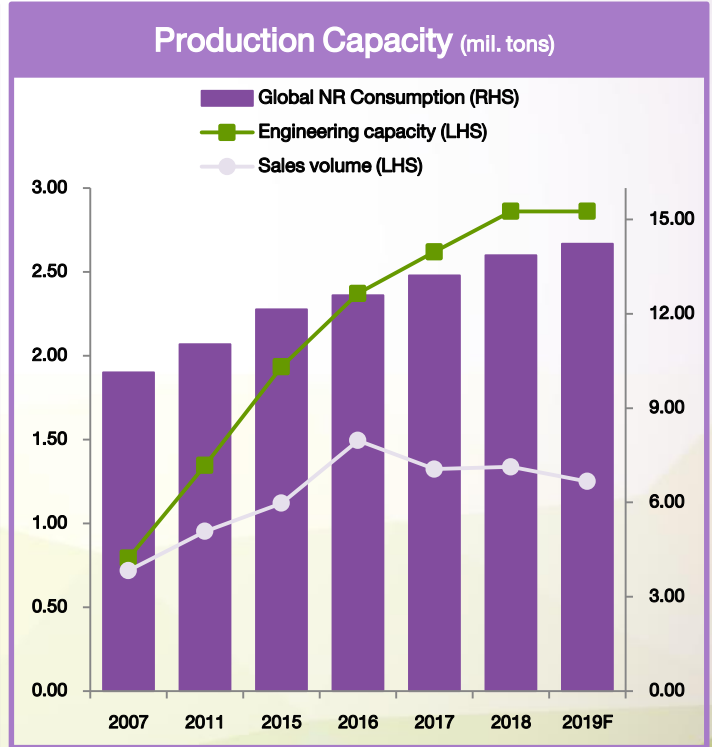
Increase number of tapping area from 1,500 rai in 2018 to 4,400 rai in 2019 [+193%]



# Midstream Operations – NR Processing



Note: \*Total engineering capacity



[Information as at 30 September 2019]



# STA's Tire Manufacturer Customers



# Downstream Operations – Finished Products

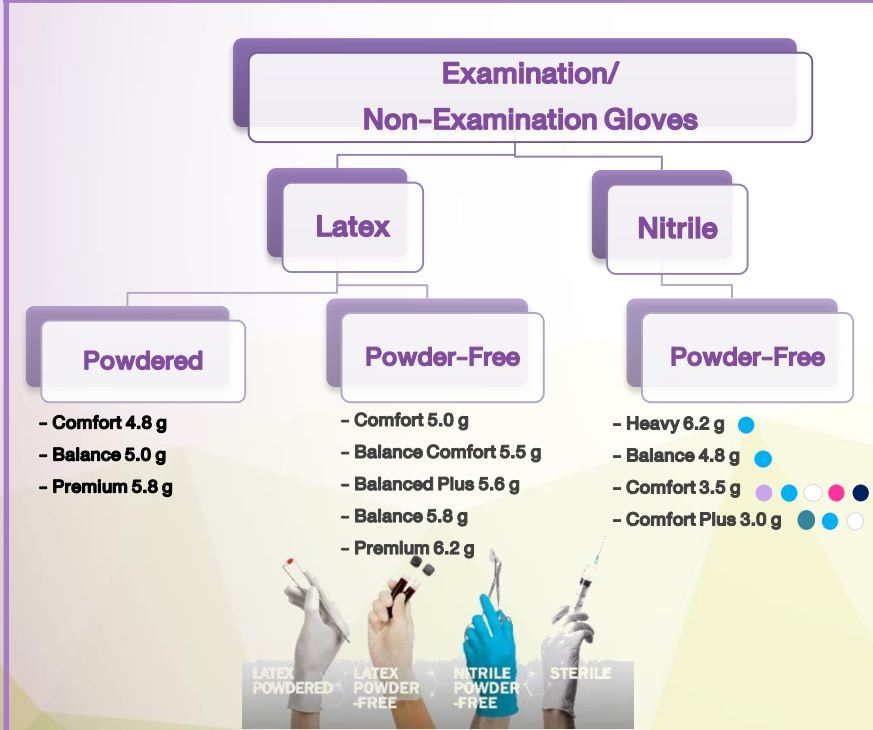


OUR VISION IS TO DELIVER  
 「Touch Of Life™」  
 ON A GLOBAL SCALE

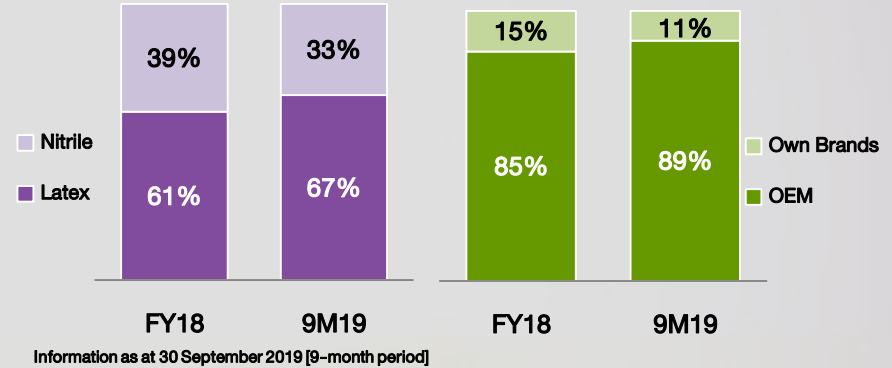


# Our Gloves Products

## Product Range



## Product Mix by Volume

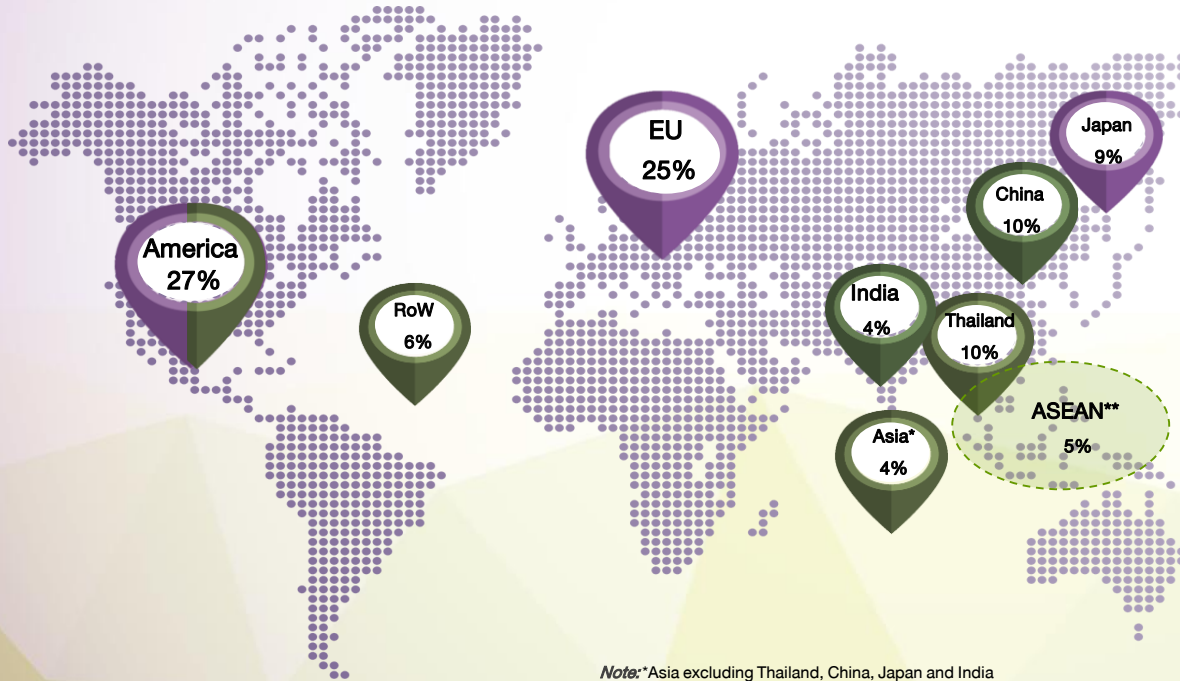


## Our Brands



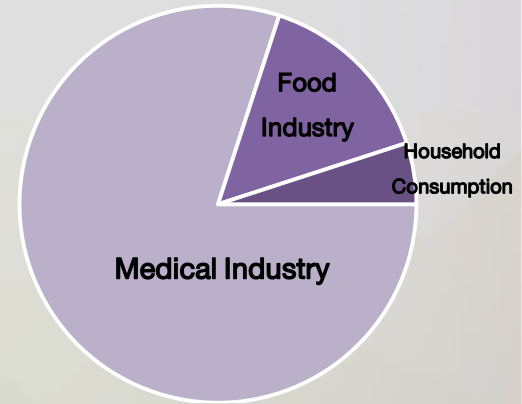
# Our Footprint in Emerging Markets

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



*Encourage*

*a wide variety of applications*



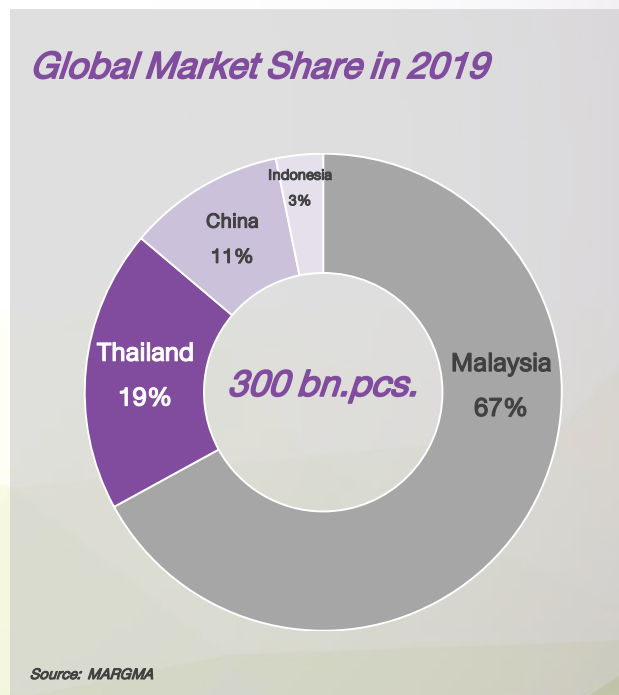
Information as at 30 September 2019 [9-month period]

*Notes:*\*Asia excluding Thailand, China, Japan and India

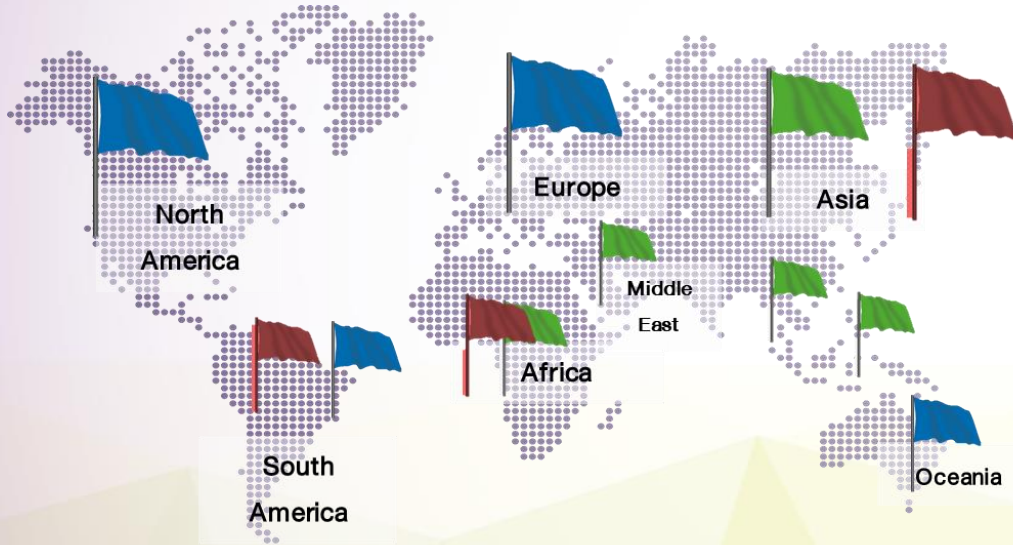
\*\*ASEAN excluding Thailand

# Global Glove Market Outlook

*Demand Keeps Growing & Hidden Consumption in Emerging Markets*



# Key Drivers for Glove Consumption by Region



## Our Latest Activities



www.medica.de

Leading International Trade Fair

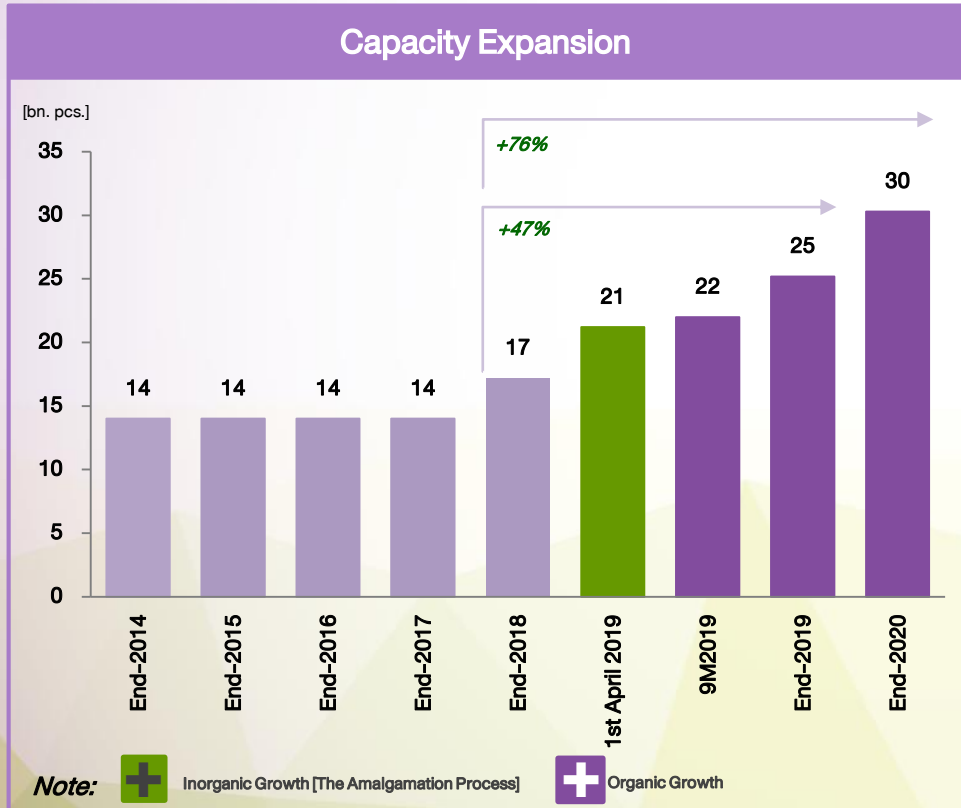
**DÜSSELDORF, GERMANY**  
**18-21 NOVEMBER 2019**

Member of  **MEDICAlliance**



*Latex Powdered and Powdered-Free Examination Gloves*

# Aggressively Expand to Capture Market demand



### 5 Processing Facilities

- 1 facility in Suratthani
- 1 facility in Trang
- 3 facilities in Songkhla

# The Completion of The Amalgamation

TOP VIEW OF STGT-TG, TRANG, THAILAND



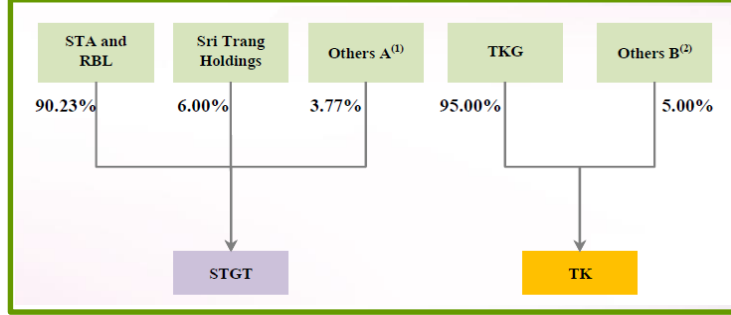
**Location:** 85 Moo 6, Khuan Thani, Kantang District, Trang, Thailand

**Area:** 487 rai

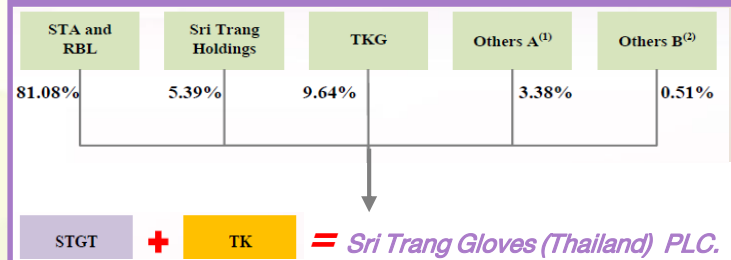
**Production Capacity:** 4 billion pieces per annum

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

Pre-Amalgamation Shareholding Structure



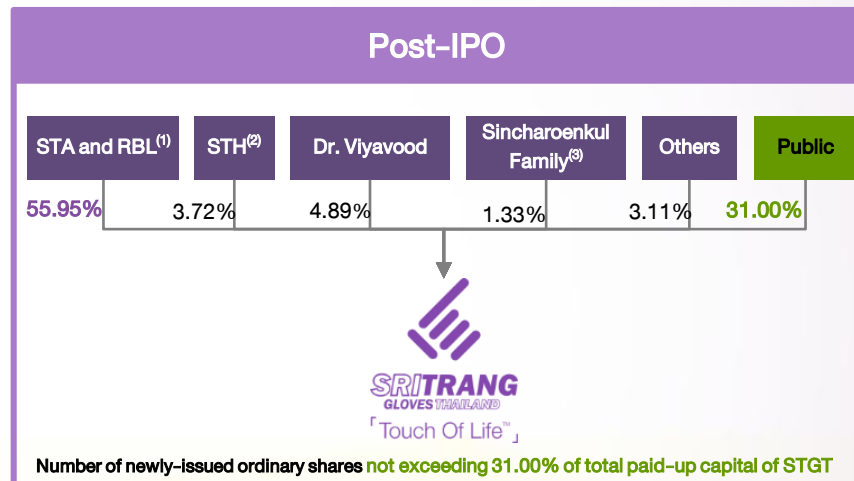
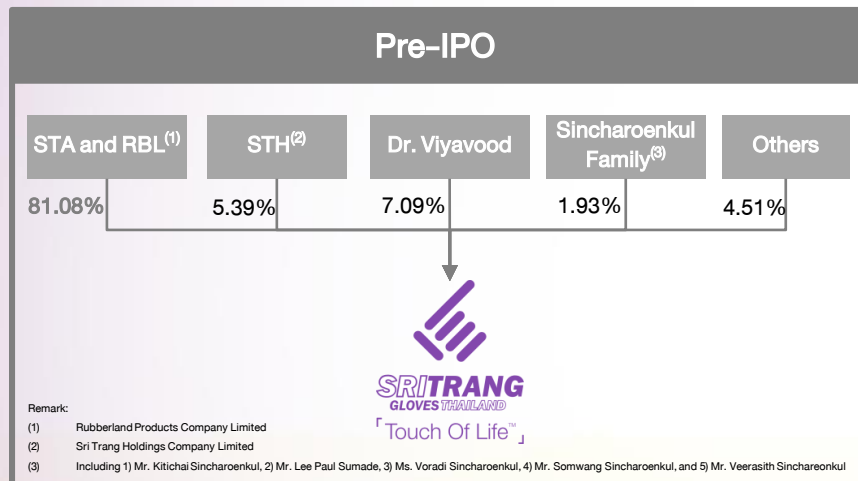
Post-Amalgamation Shareholding Structure



The amalgamation of STGT and TK was completed as of **1 April 2019**.



# 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.

# 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.

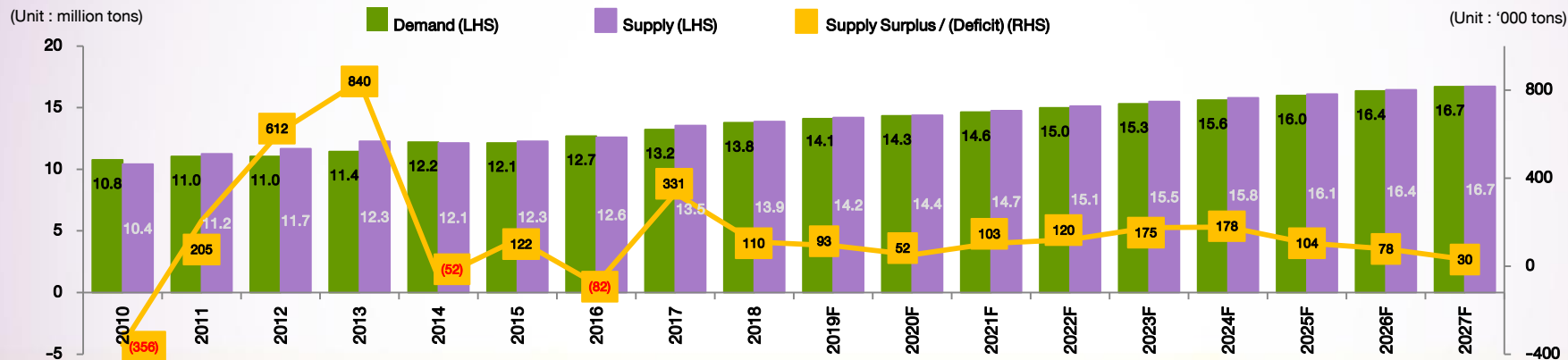
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## *NATURAL RUBBER MARKET SITUATION*



# 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

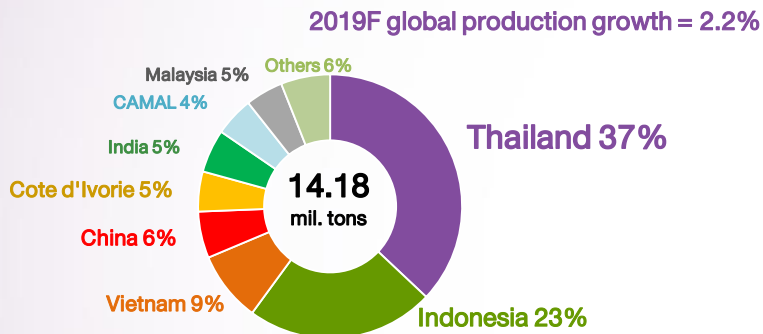
### Demand

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

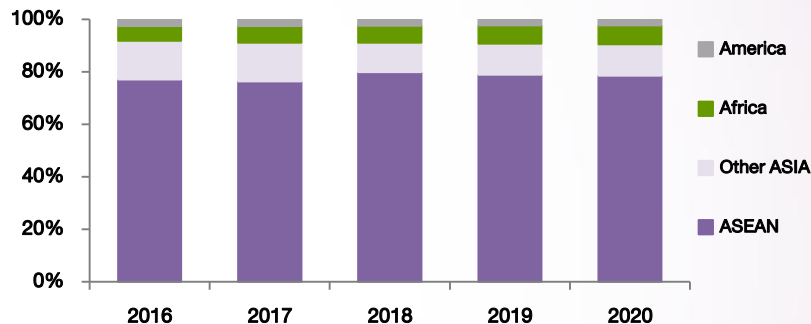
- 71% of NR consumption comes from the tire industry, whose demand is expected to grow by 1.3% in 2019, in line with global tire production.
- 29% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 4.9% in 2019, driven by increased consumption by gloves producers.

# NR Supply

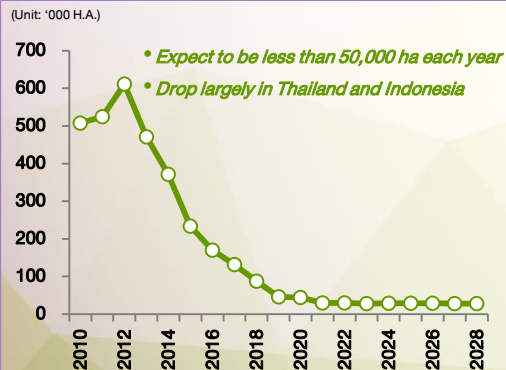
## 2019F Major Producers by Country



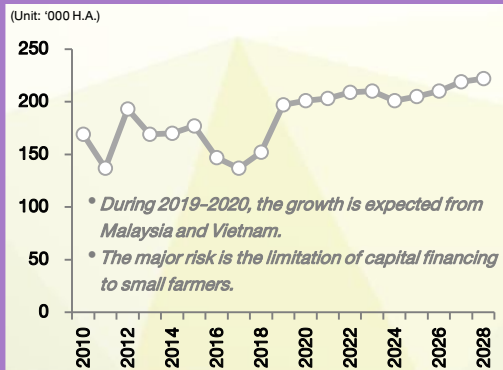
## ~80% of NR output came from ASEAN



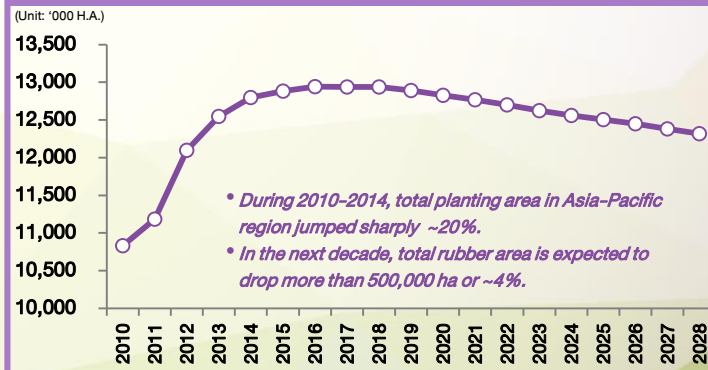
## New Planting Area



## Re-Planting Area

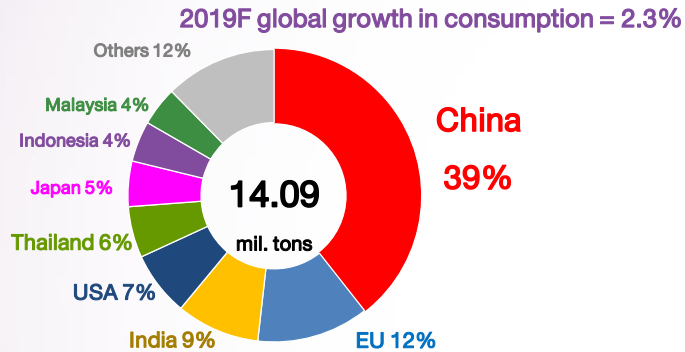


## Total Area

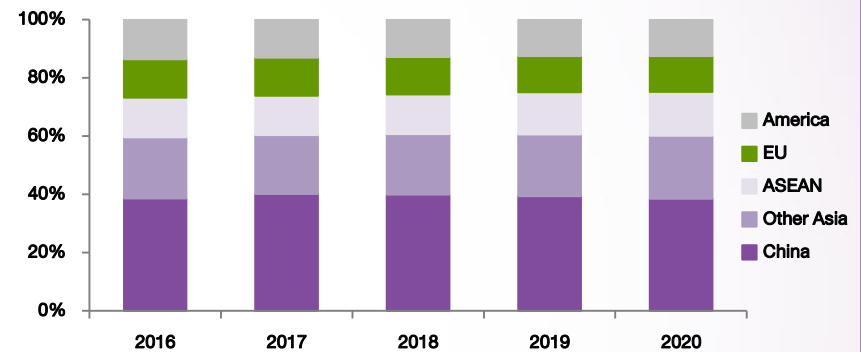


# NR Demand

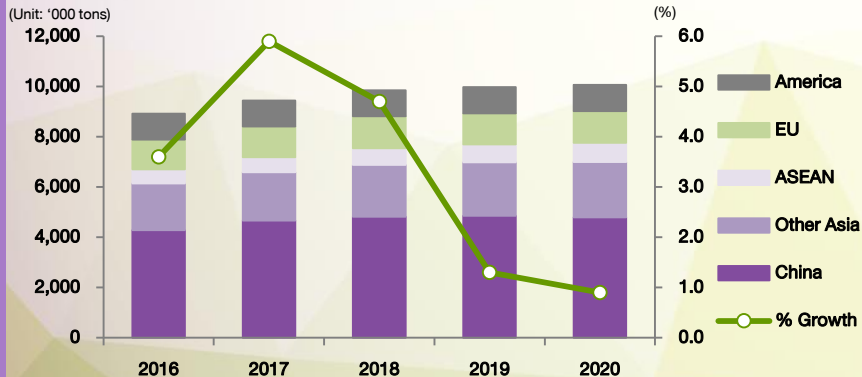
## 2019F Major NR Consumers



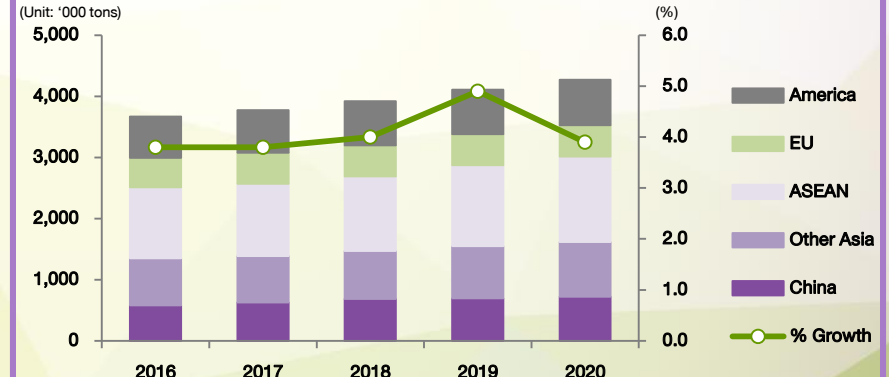
## NR Consumption Diversification



## NR Consumption in Tire Industry



## NR Consumption in Non-Tire Industry



# The Recent Government Policy Aims to Absorb 1.1 Mil.Tons of NR Output

## Rubber Price Guarantees for Farmers



RSS3

**60 Baht/Kg.**



Fresh Latex

**57 Baht/Kg.**



Cup Lump

**50 Baht/Kg.**

Period:

**6 Months**

[Starting from 1  
October 2019]

Condition:

**25 Rai/Person**

## Reduce NR Plantation Area

**400,000 Rai/Year**

by support them to  
plant other trees &  
provide **16,000**

**Baht/Rai**

to proceed.

## Promote Sustainable Management of NR Plantation



Forest  
Stewardship  
Council®

## Interest Subsidy Program

To support buying dry rubber [Midstream]

Period: October 2019 – September 2021

Condition: Not over than 3% or 600 mil.Baht

To support capacity expansion to consume  
more rubber [Downstream]

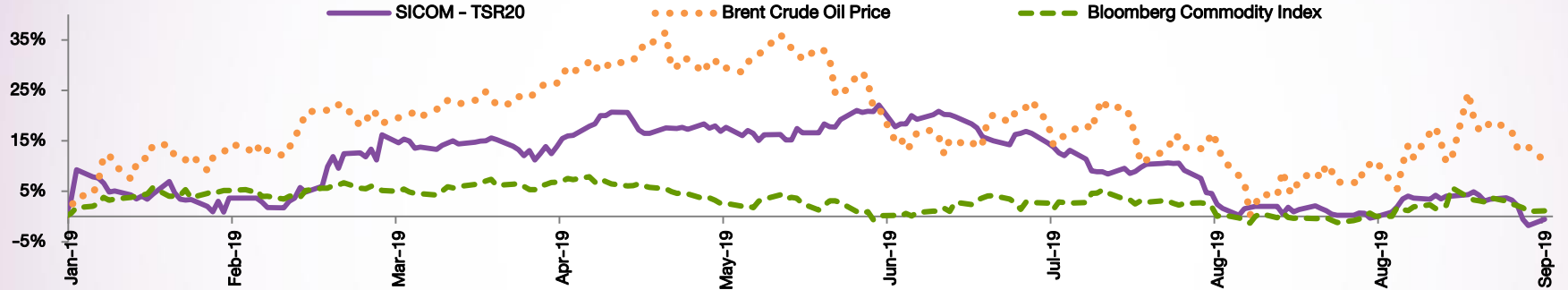
Period: N/A

Condition: Not over than 3%

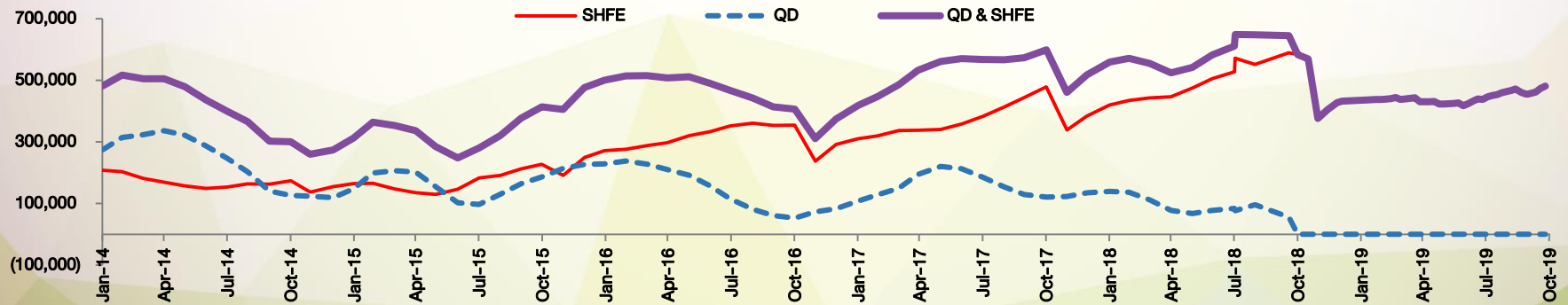
Target **400,000 Rai** to be certified FSC standard

# 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

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



Contact Investor Relations

Tel: (+66)2-207-4500 Ext. 1402

E-Mail: [IR@sritranggroup.com](mailto:IR@sritranggroup.com)