

# STA

## 4Q19 & FY19 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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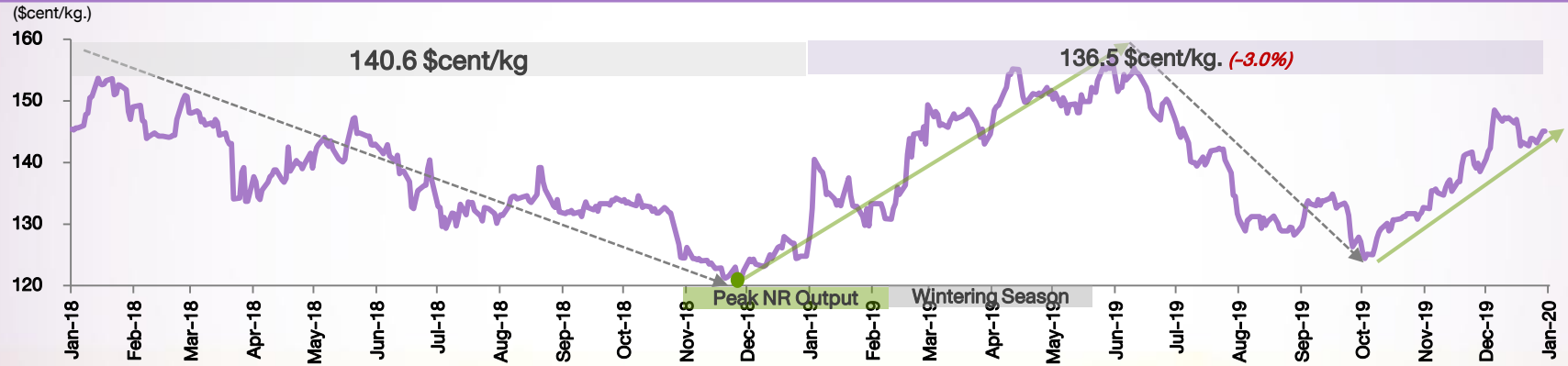
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## *FINANCIAL PERFORMANCE*



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

TSR20 Price Movement in SICOM

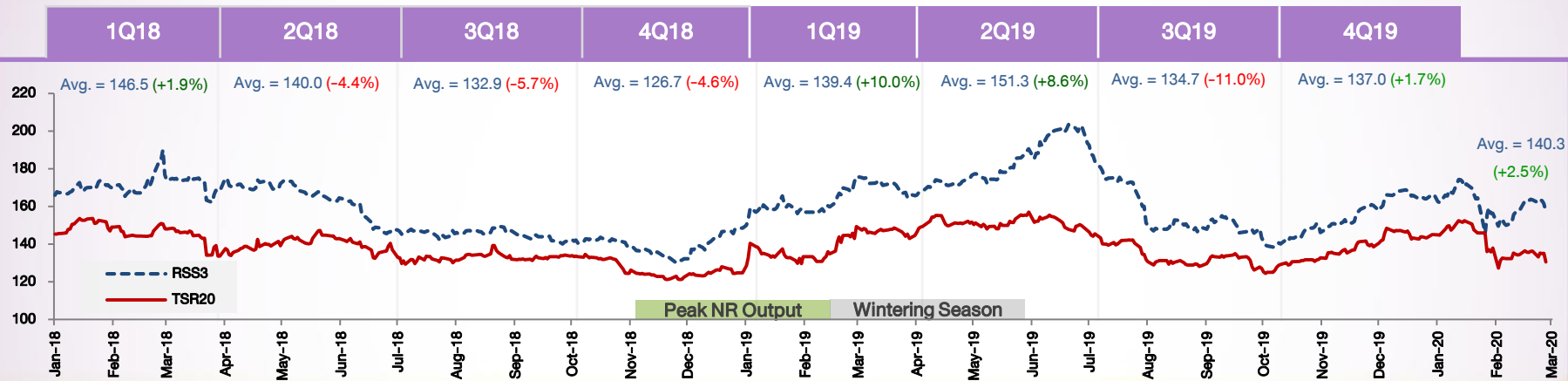


We have the **lowest D/E ratio** in the “**Rubber Processing Industry.**”



# SICOM – Oil Prices

SICOM Price  
(US cent : Kg.)



Crude Oil Prices  
(USD : Bbl.)



## ABBREVIATIONS

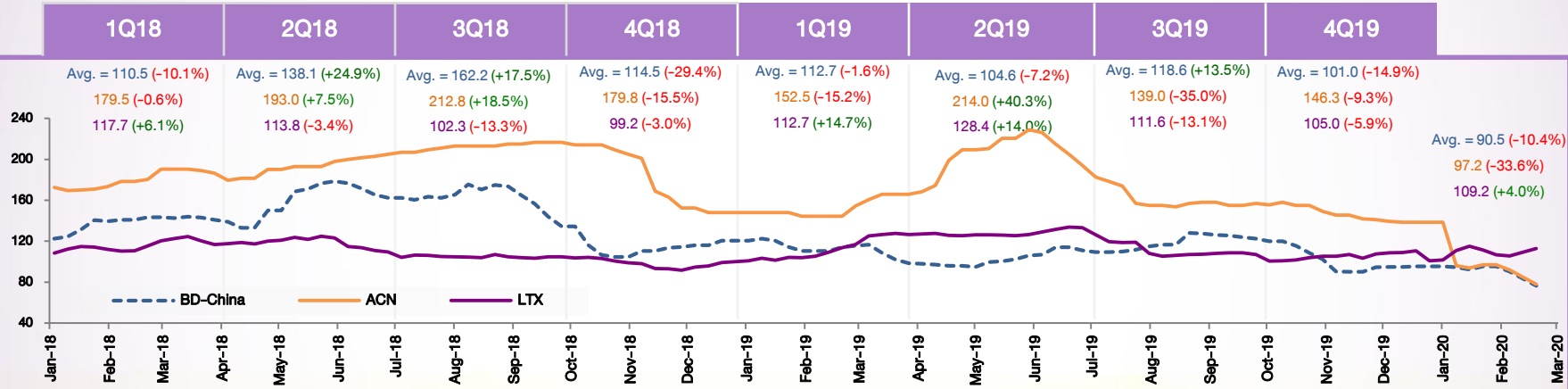
RSS : Ribbed smoked sheet  
TSR : Technically specified rubber, which includes STR and SiR

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

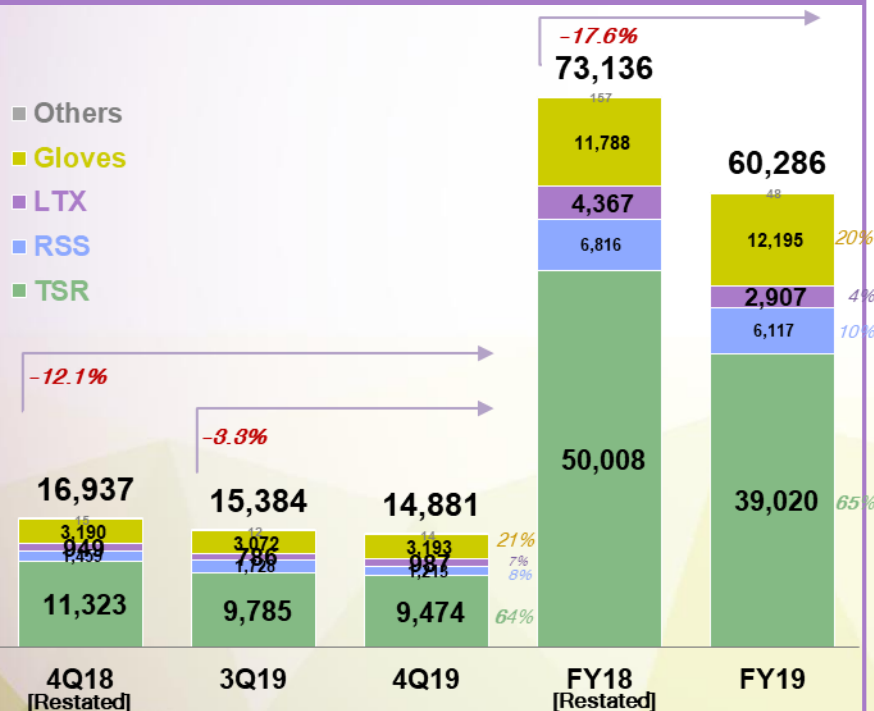


(Unit : THB million)	FY19	FY18 [Restated]	%YoY	4Q19	3Q19	%QoQ	4Q18 [Restated]	%YoY
Revenue	60,286	73,136	-17.6%	14,881	15,384	-3.3%	16,937	-12.1%
Sales volume (tons)	1,103,934	1,330,849	-17.1%	285,594	272,223	4.9%	314,176	-9.1%
Avg. selling price (Baht per ton)	43,520	45,979	-5.3%	40,875	45,181	-9.5%	43,704	-6.5%
Gross profit	4,854	7,161	-32.2%	1,379	970	42.2%	1,490	-7.5%
Adj. gross profit*	4,635	8,307	-44.2%	1,307	1,402	-6.7%	1,651	-20.8%
SG&A	(4,571)	(5,259)	-19.3%	(1,205)	(1,081)	11.4%	(1,355)	-11.1%
Gains (loss) on exchange rate, net	569	(252)	N/A	186	107	74.5%	40	361.6%
Other gains, net	(478)	1,203	N/A	(271)	308	N/A	156	N/A
Operating profit (loss)	656	3,088	-78.8%	185	352	-83.4%	297	-37.6%
Share of profit (loss) from investments in JV	132	224	-40.8%	37	22	66.9%	27	38.5%
EBITDA	3,274	5,716	-42.7%	858	998	-14.0%	1,053	-18.5%
EBIT	788	3,312	-76.2%	222	374	-40.7%	240	-7.4%
Finance costs, net	(856)	(906)	-5.5%	(188)	(204)	-7.7%	(223)	-15.6%
Net profit	(149)	2,064	N/A	74	135	-45.2%	139	-46.8%
GP margin	8.1%	9.8%	-173.97	9.3%	6.3%	296.15	8.8%	46.53
Adj. GP margin*	7.7%	11.4%	-366.99	8.8%	9.1%	-32.58	9.7%	-96.27
Operating profit margin	1.1%	4.2%	-313.51	1.2%	2.3%	-104.43	1.8%	-50.73
EBITDA margin	5.4%	7.8%	-238.37	5.8%	6.5%	-72.15	6.2%	-45.16
Net profit margin	-0.2%	2.8%	-306.90	0.5%	0.9%	-38.08	0.8%	-32.37

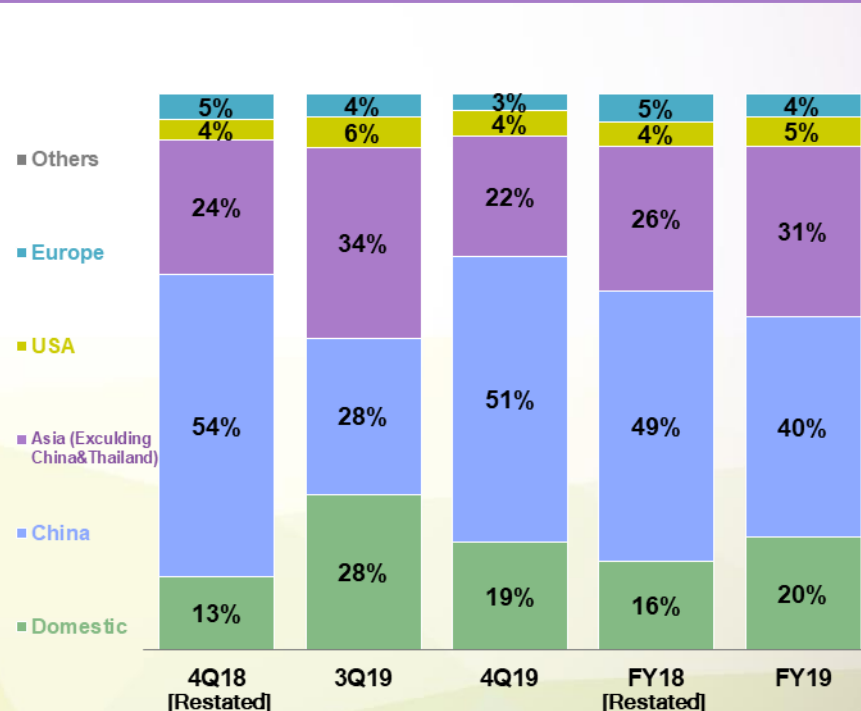
\*Adjusting for (reversal) allowance of inventory and realized gains /(losses) from hedging activities

# Sales Revenue

## Sales Revenue by Product (THB million)



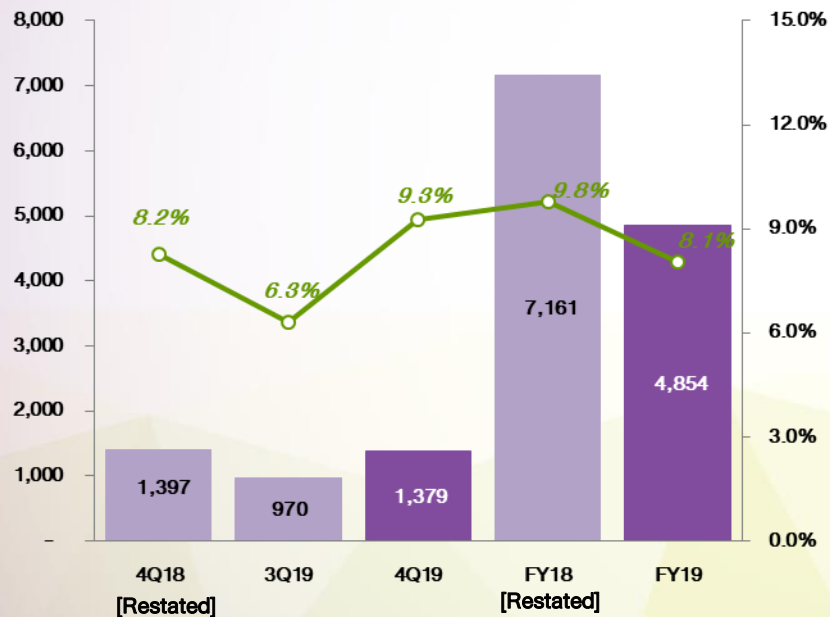
## Sales Revenue by Geography



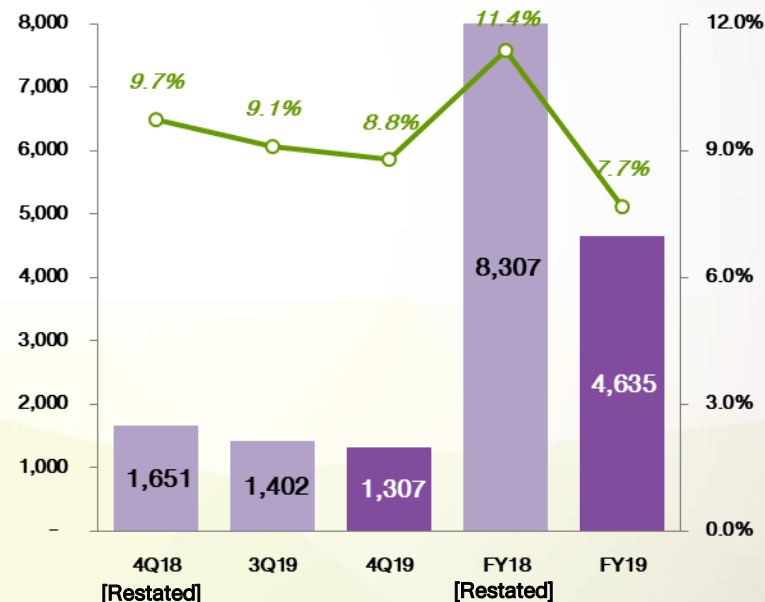


# Gross Profit

Gross Profit (THB million)

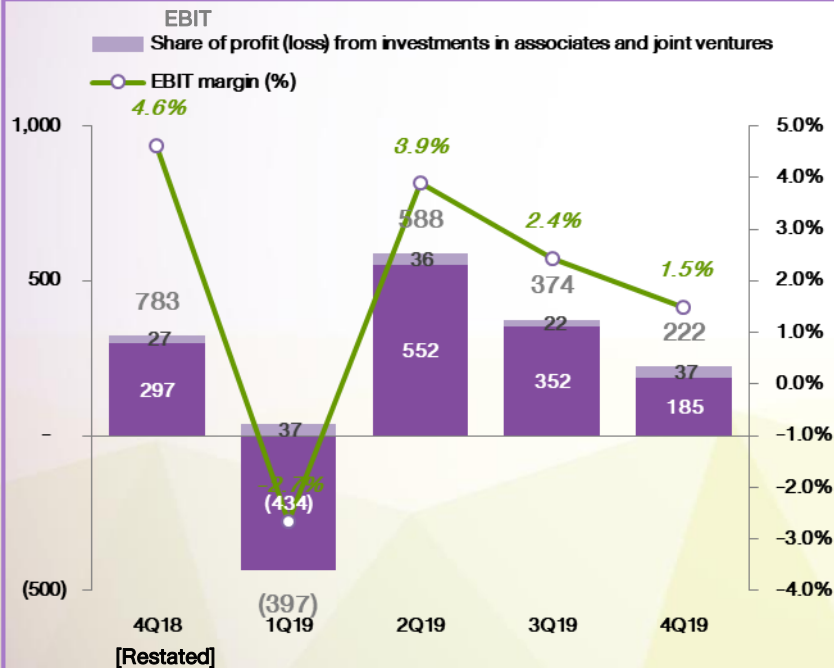


Gross Profit – Adjusted (THB million)

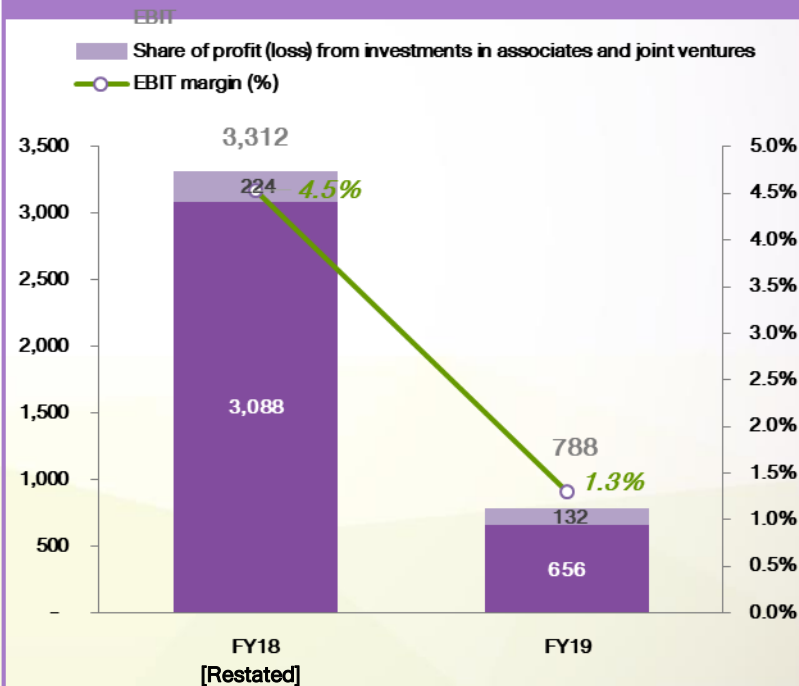


# EBIT

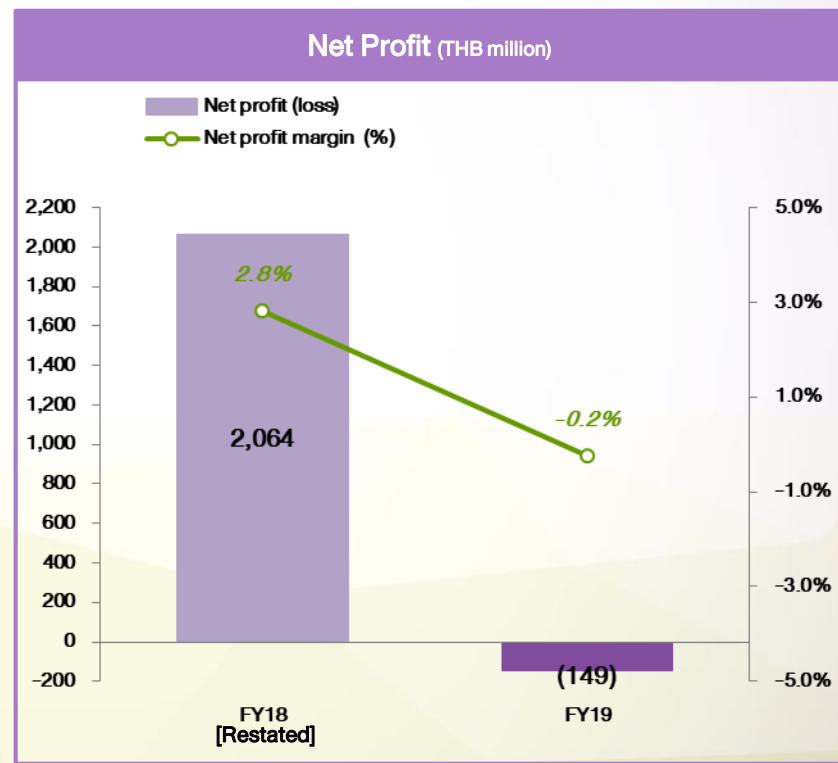
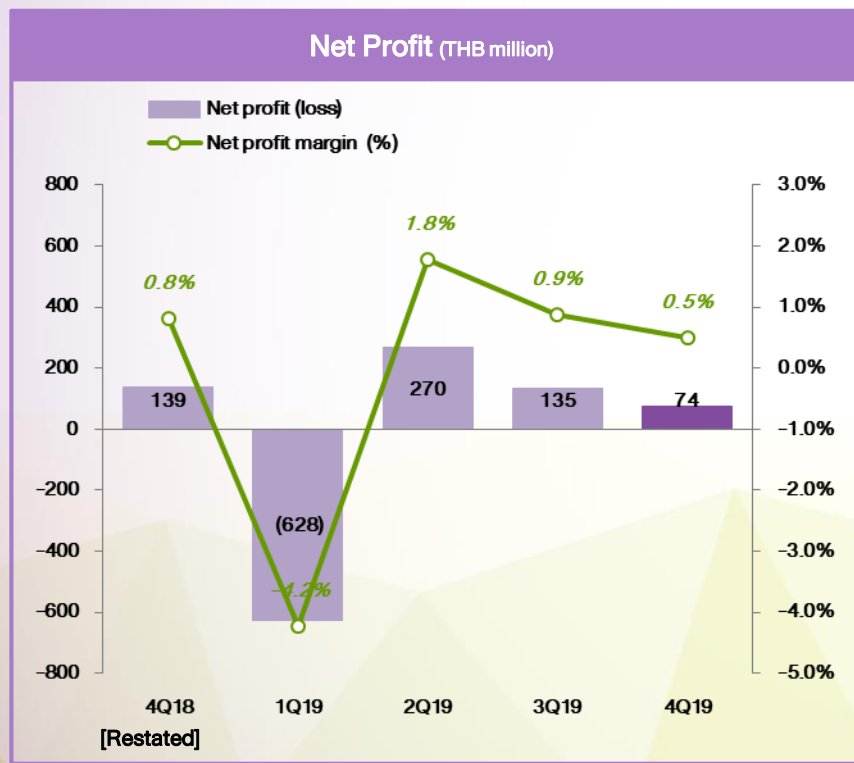
EBIT (THB million)



EBIT (THB million)



# Net Profit



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

## 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



**46**

procurement centers

**> 3,000**

Rubber farmers and dealers  
being members of STA Friend  
mobile application

## STA's Global Presence



Thailand



USA



Myanmar



Indonesia



Singapore

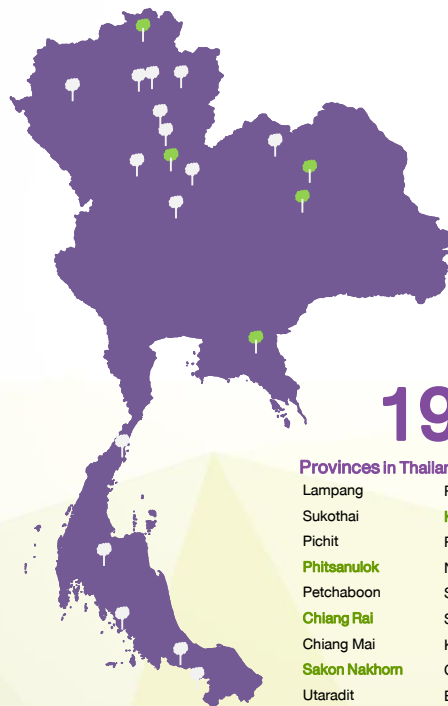


China

# Upstream Operations – Rubber Plantations

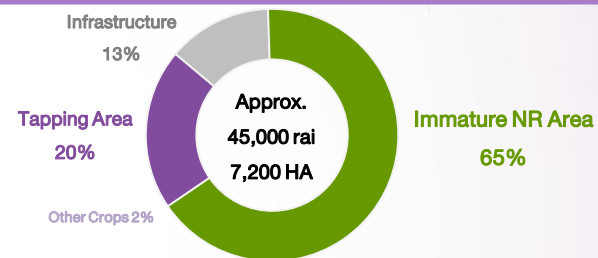


Increase number of tapping area from 1,500 rai in 2018 to 4,400 rai in 2019 [+193%]

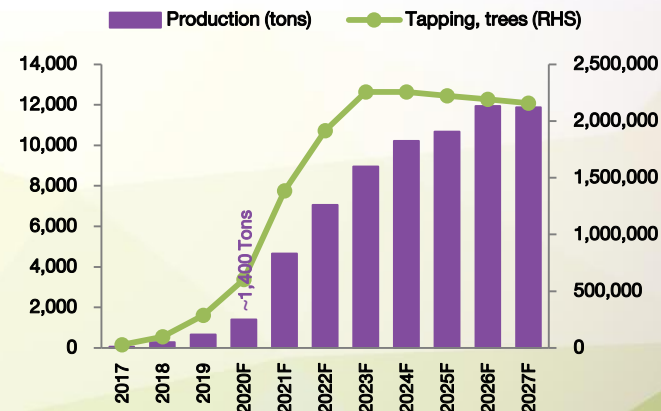


Note: The green provinces are where our factories located in.

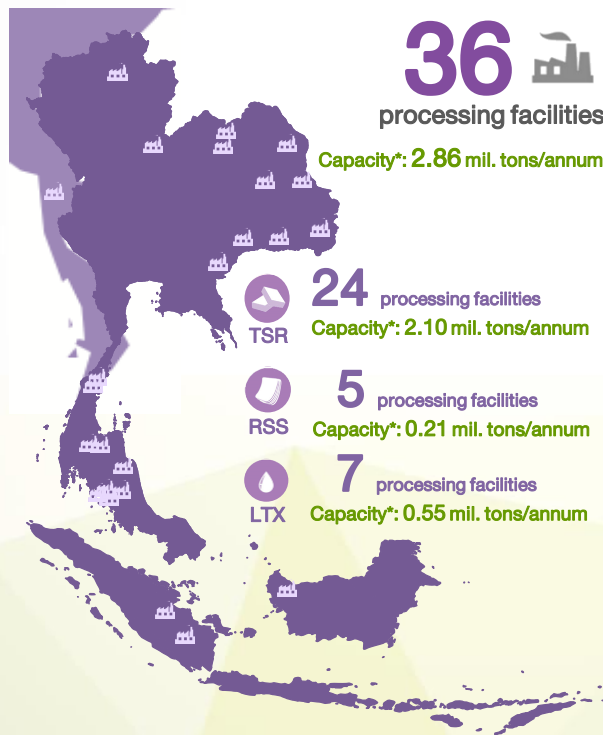
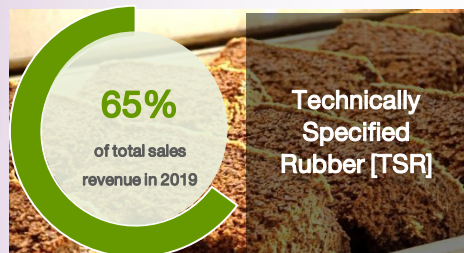
## Area of Rubber Plantations (2020F)



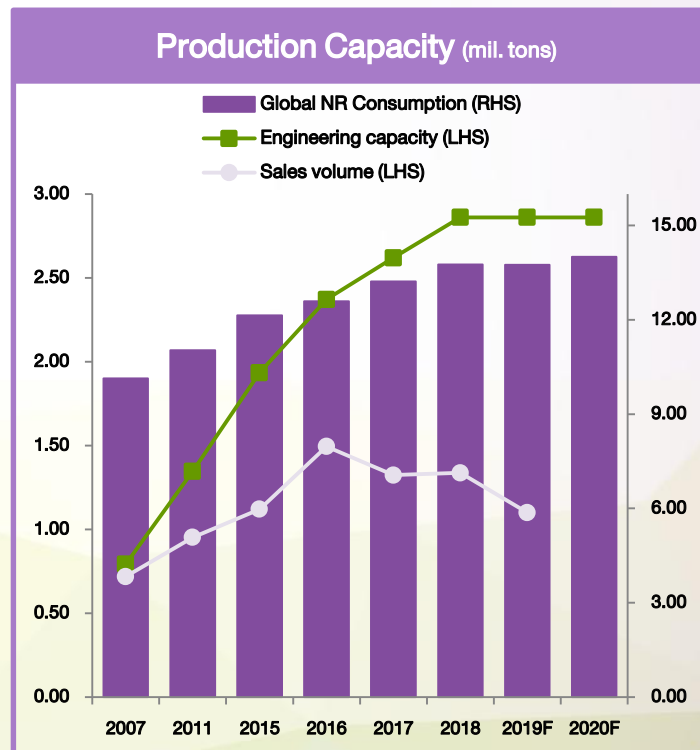
## Estimated Mature Plantations



# Midstream Operations – NR Processing



Note: \*Total engineering capacity



[Information as at 31 December 2019]



# STA's Tire Manufacturer Customers



Global Brands





# Mobile Application STA FRIENDS



Objective: To buy raw materials from rubber farmers and dealers in Thailand

anywhere and anytime [launched Oct-19]

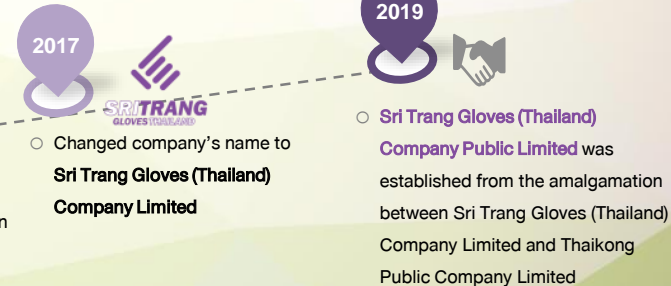
No. of Members: > 3,000 rubber farmers & dealers in STA network



# Downstream Operations – Finished Products

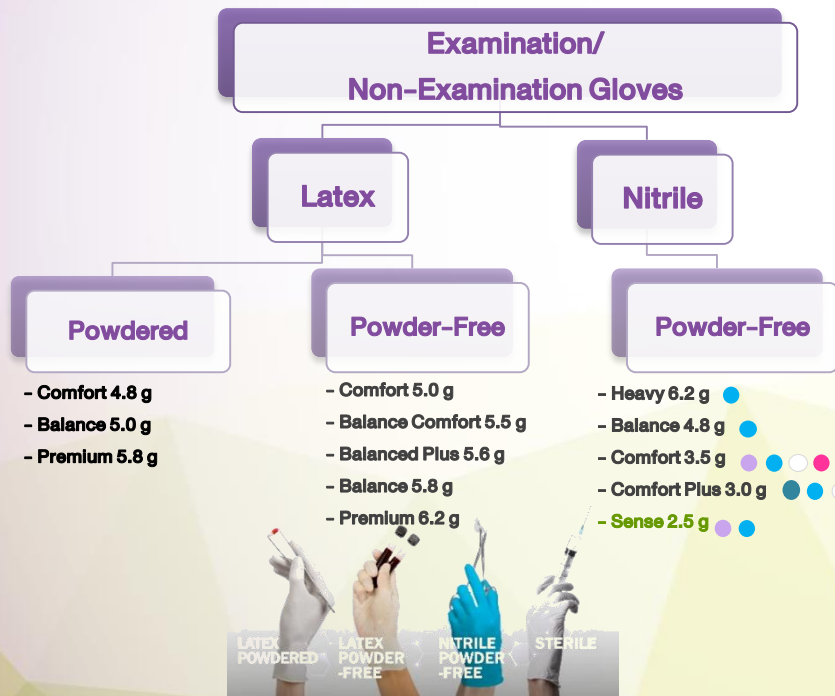


**STGT** Targeting to achieve  
**50 bn. pcs. of gloves per annum by 2025**

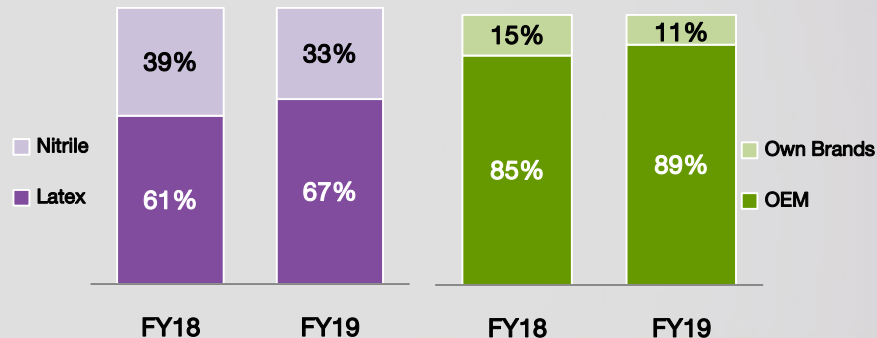



# Our Gloves Products

## Product Range



## Product Mix by Volume



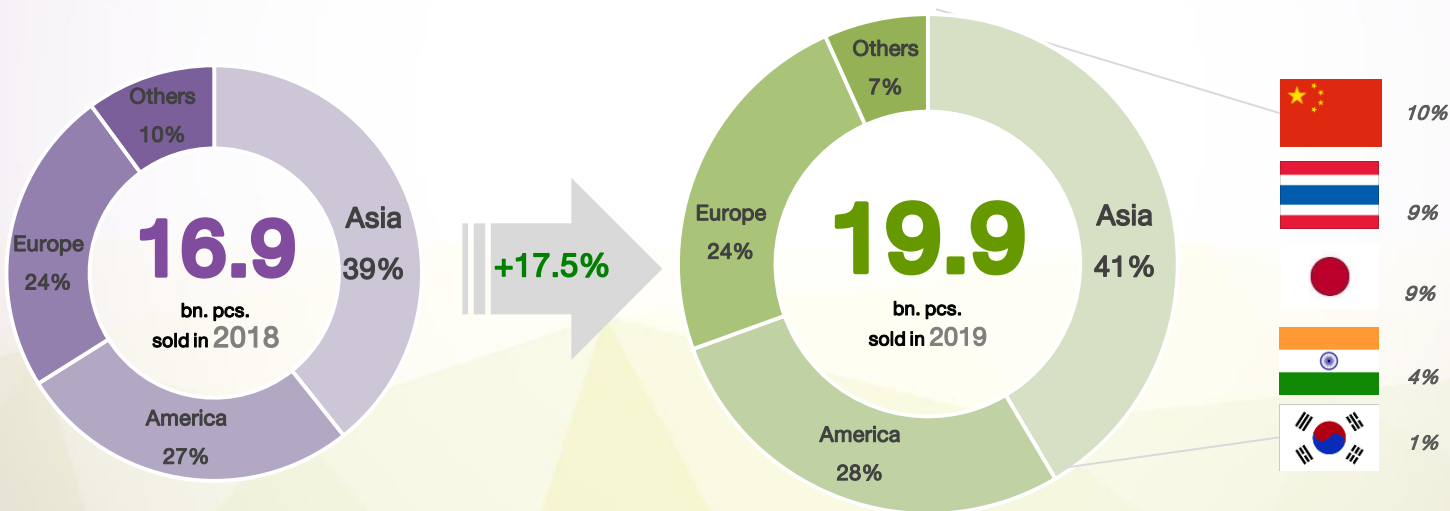
Information as at 31 December 2019

## Our Brands



# Sales Volume Breakdown by Region

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



Information as at 31 December 2019



# Global Glove Market Outlook

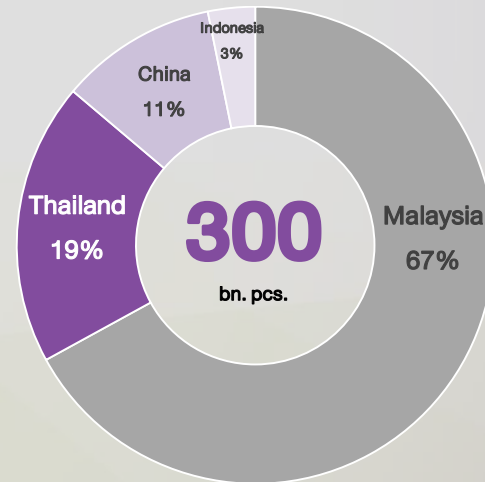
*Demand Keeps Growing & Hidden Consumption in Emerging Markets*

Global Glove Demand



Source: MARGMA and Company

Global Market Share in 2019

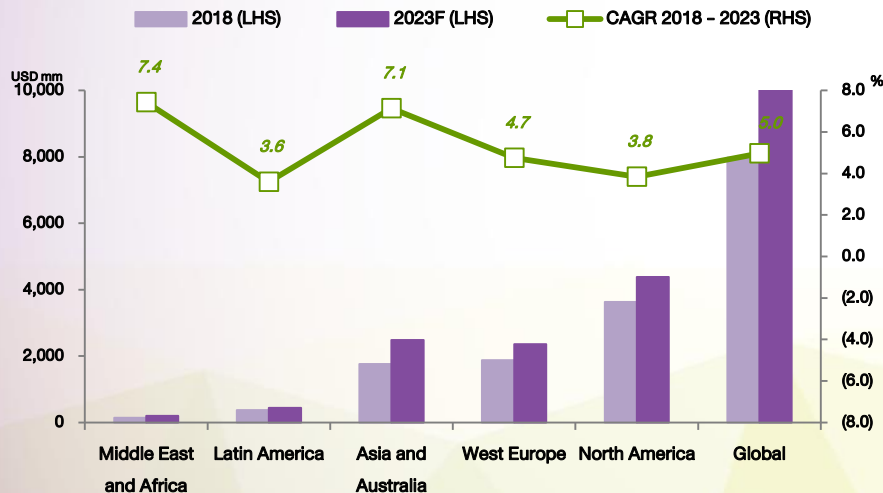


Source: MARGMA

# Key Drivers in Rubber Glove Consumption

## Growth in Healthcare Industry around the World

### Healthcare Spending in Each Region in 2018 and 2023



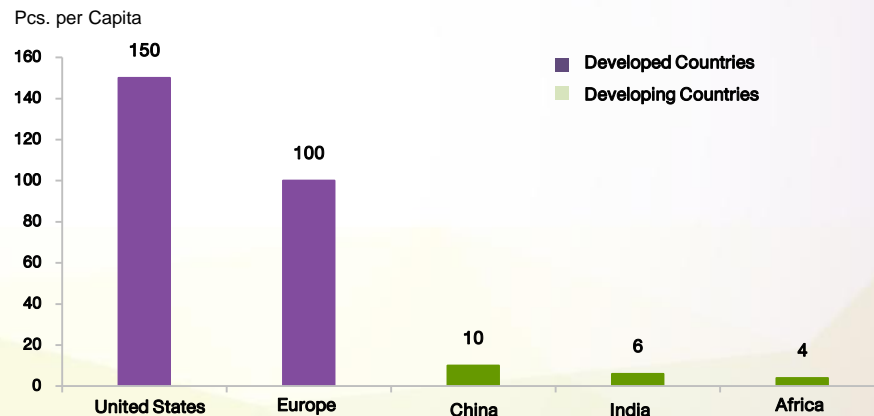
#### Key Drivers:

- (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

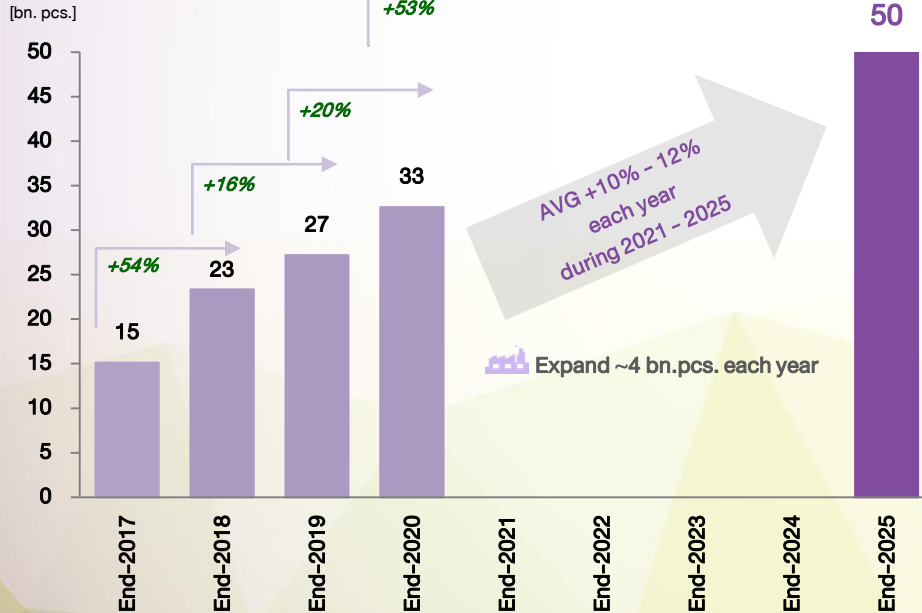


Potential growth of rubber glove demand in developing countries is supported by accelerated economic growth in such countries, increase in awareness in the importance of hygiene and potential current low rate of rubber glove usage per capita in such countries

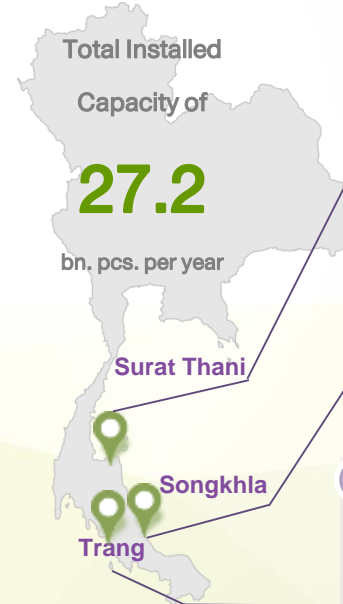
Source: MARGMA Industry Brief 2019 on the Rubber Glove Industry

# Aggressively Expand to Capture Market Demand

## Capacity Expansion



## 3 Production Facilities



### 1 5.7 bn. pcs. per annum



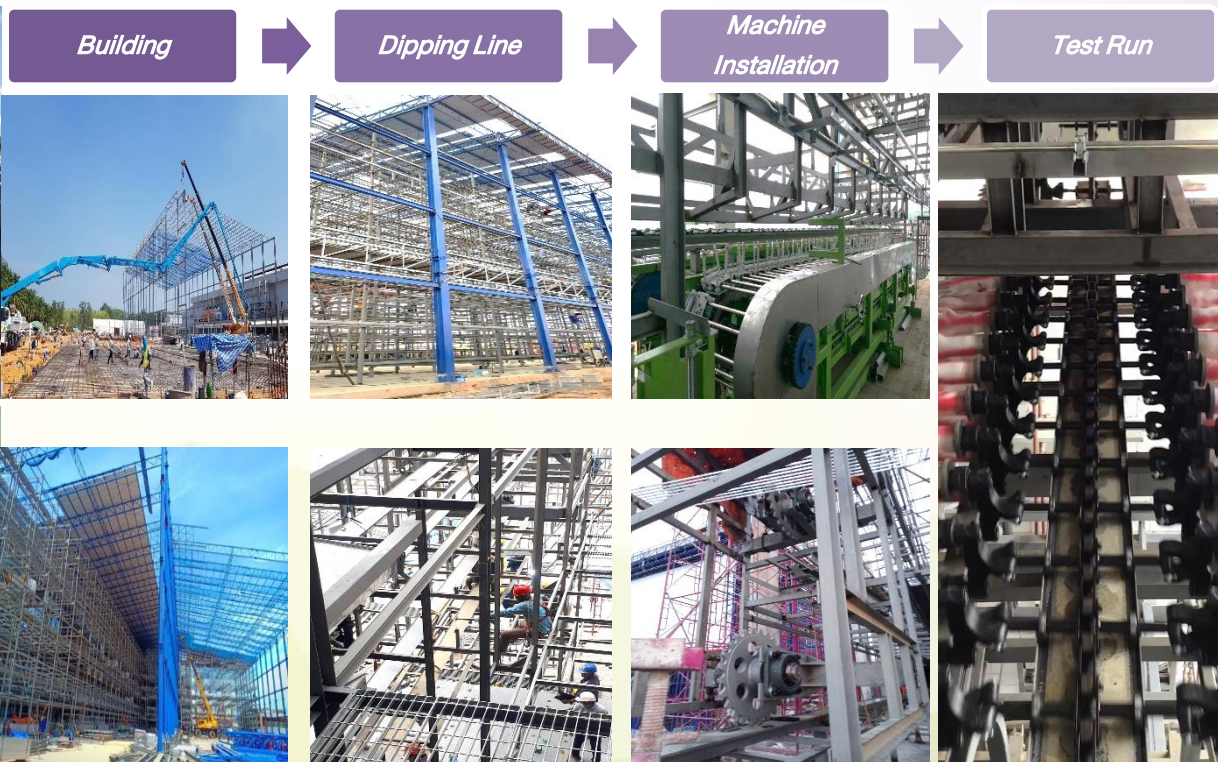
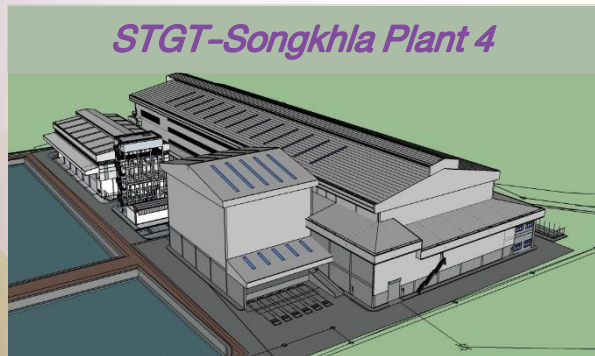
### 2 14.9 bn. pcs. per annum



### 3 6.6 bn. pcs. per annum



# Capacity Expansion Progress





# STGT's IPO Plan

## Pre-IPO

STA and RBL <sup>(1)</sup>	STH <sup>(2)</sup>	Dr. Viyavood	Sincharoenkul Family <sup>(3)</sup>	Others
81.08%	5.39%	7.09%	1.93%	4.51%



Remark:

(1) Rubberland Products Company Limited

(2) Sri Trang Holdings Company Limited

(3) Including 1) Mr. Kitichai Sincharoenkul, 2) Mr. Lee Paul Sumade, 3) Ms. Voradi Sincharoenkul, 4) Mr. Somwang Sincharoenkul, and 5) Mr. Veerasith Sincharoenkul

## Post-IPO

STA and RBL <sup>(1)</sup>	STH <sup>(2)</sup>	Dr. Viyavood	Sincharoenkul Family <sup>(3)</sup>	Others	Public
55.95%	3.72%	4.89%	1.33%	3.11%	31.00%



Number of newly-issued ordinary shares **not exceeding 31.00% of total paid-up capital of STGT**

## 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 subsidize the interest rate **not over than 3%** for the expansion.

**SRI TRANG**  
GLOVES THAILAND

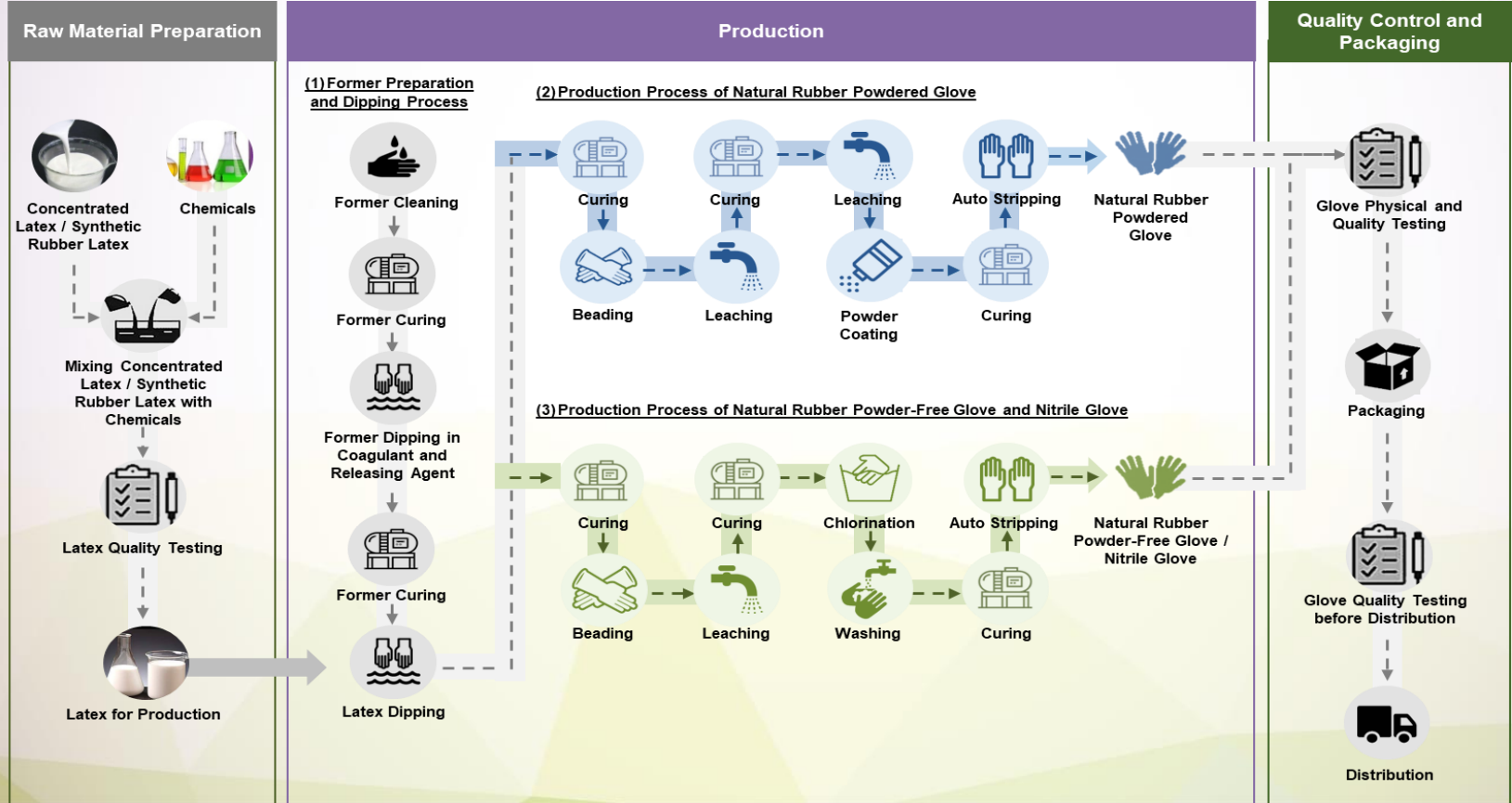
## Tariff benefits

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



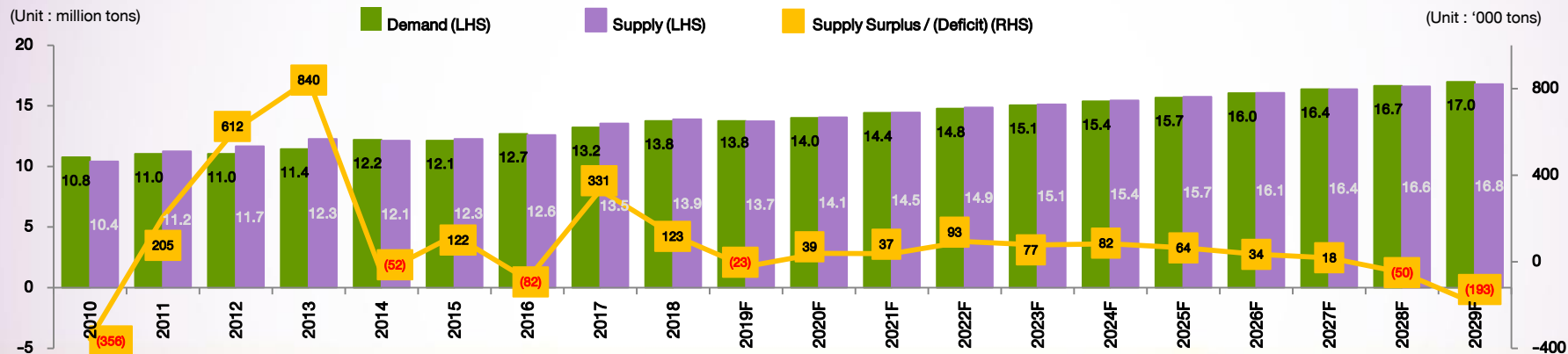
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## *NATURAL RUBBER MARKET SITUATION*



# Global NR Situation

## 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

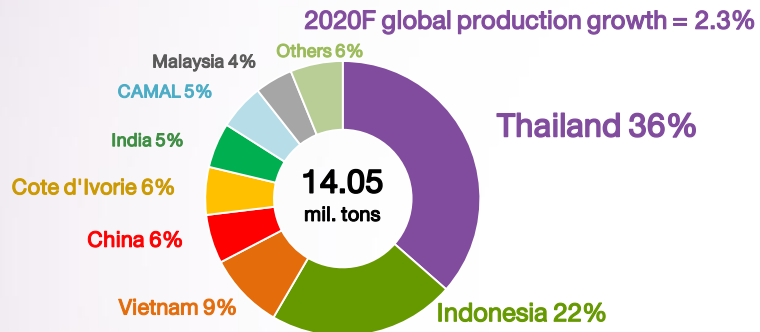
### Demand

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% .

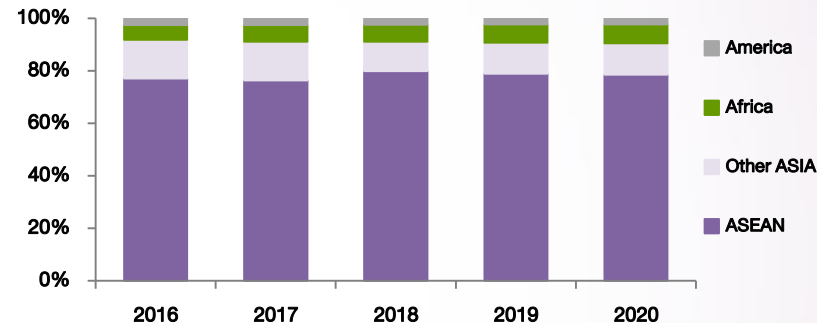
- 71% of NR consumption comes from the tire industry, whose demand is expected to have no growth in 2020, in line with global tire production.
- 29% of NR consumption comes from non-tire consumers, whose demand is expected to increase sharply by 5.2% in 2020, driven by increased consumption by gloves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

# NR Supply

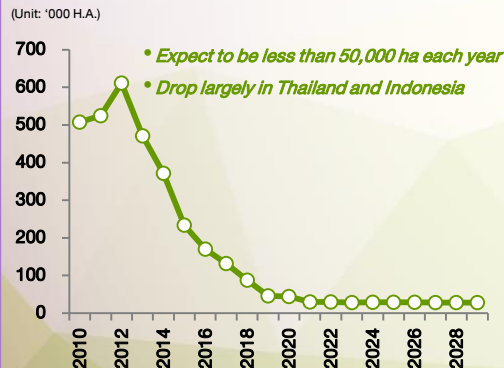
## 2020F Major Producers



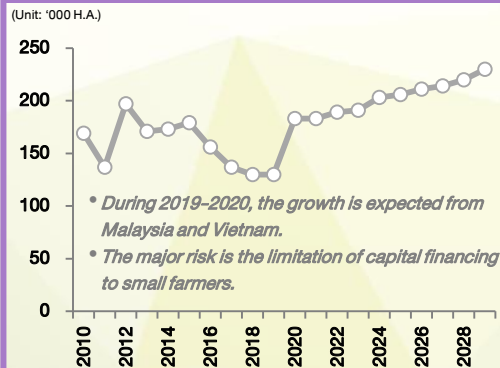
## ~80% of NR output came from ASEAN



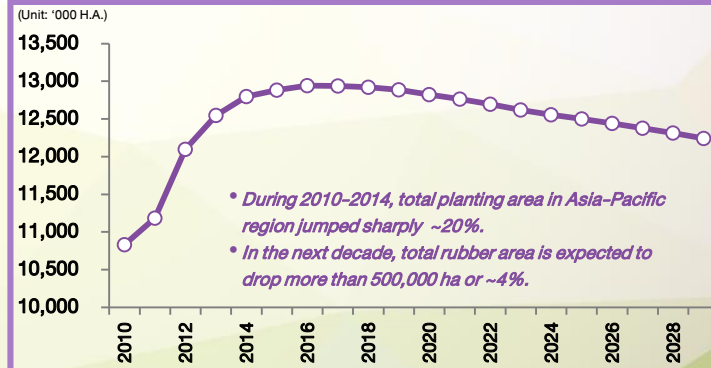
## New Planting Area



## Re-Planting Area

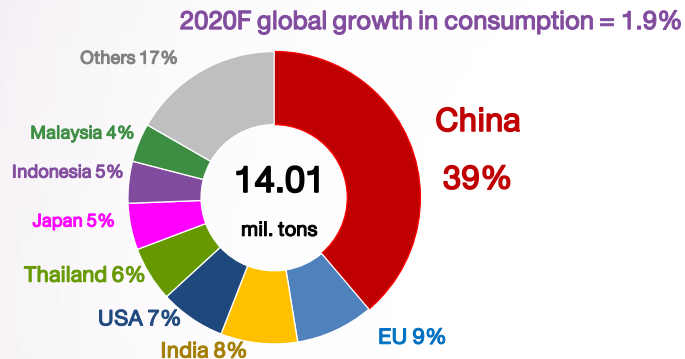


## Total Area

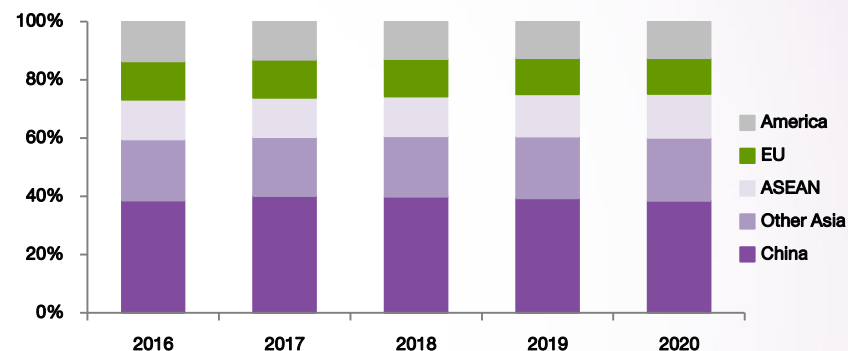


# NR Demand

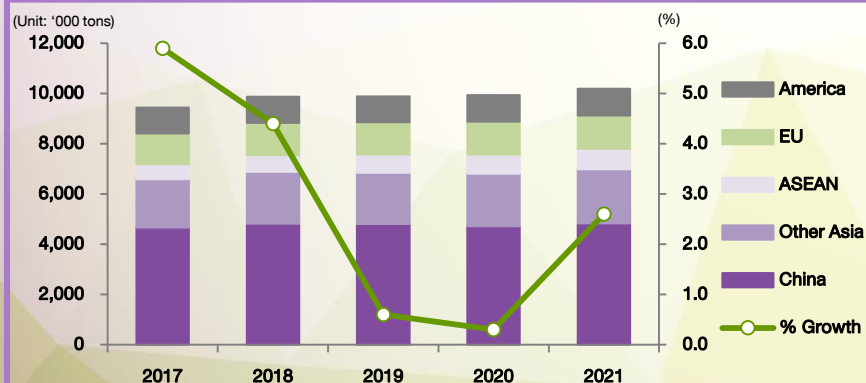
## 2020F Major NR Consumers



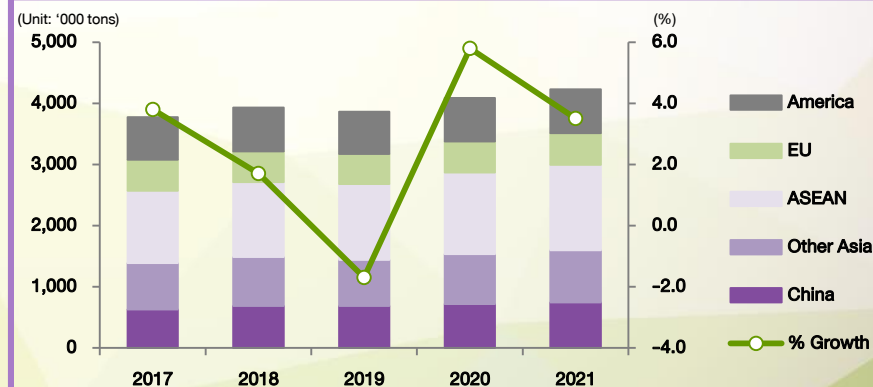
## NR Consumption Diversification



## NR Consumption in Tire Industry

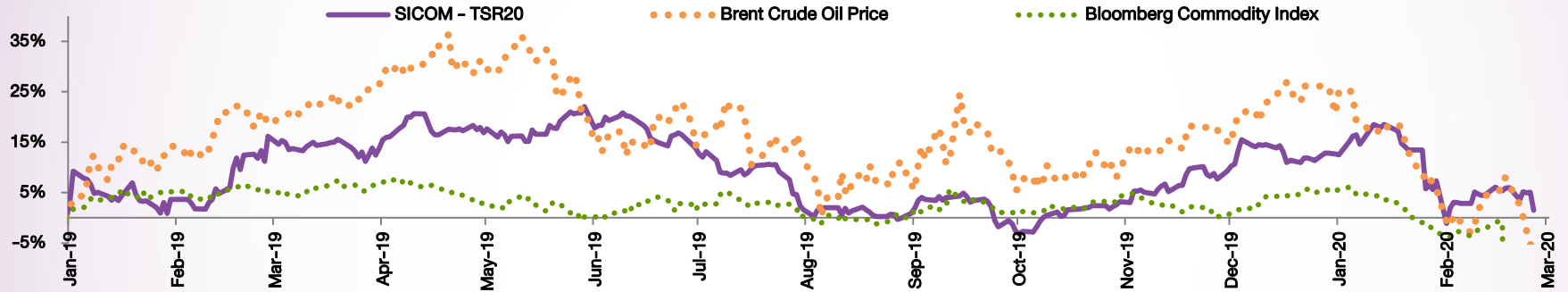


## NR Consumption in Non-Tire Industry

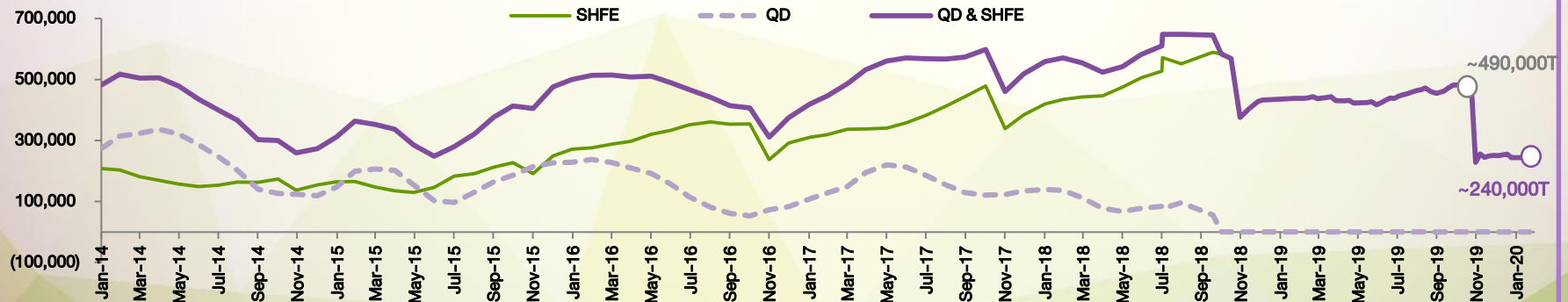


# Commodity Price Movement & SHFE Stocks

## Commodity Price Movement



## Qingdao & SHFE Stocks, China [tons]





# TSR20 Historical Price Movement [2004 – 2020]



# APPENDIX

## ESG Policy

### GREEN RUBBER COMPANY

For over 30 years, Sri Trang Group has been operating in a socially and environmentally responsible manner and the symbol "Green" signifies our commitment to sustainability and transparency.

"Taking a Step Forward as the Green Rubber Company"



SRI TRANG GROUP  
**Green**  
Rubber

#### Green Company

In every aspect of our operations, we are guided by the belief that transparency is key to building trust and achieving long-term success. We also seek to make a positive difference to the local communities and foster long-lasting relationships through various forms of community engagement.

#### Green Procurement

We source raw materials from ethical suppliers with sustainable practices and strive to guide rubber farmers toward the sustainable management of rubber plantations.



#### Green Process

The production process for every one of our products is based on the concept of sustainability and energy efficiency. Our production facilities do not generate hazardous substances that cause adverse impact on the environment and the neighboring communities.



#### Green Products

We produce high-quality products that are free of chemical substances that detrimentally affect the health and safety of end-users.



# Profile



Symbol



STA



NC12

2017 CG Score



Excellence

Anti-Corruption



Certified by Thai CAC

Closing Price  
52-Week High/Low

Baht 11.80 per share [28/02/2020]  
Baht 16.90 per share  
Baht 9.45 per share

Outstanding Shares

1,535,999,998 shares  
@ 1 Baht per share

Market Capitalization

Baht 18.12 billion [28/02/2020]

P/E [times]

N/A

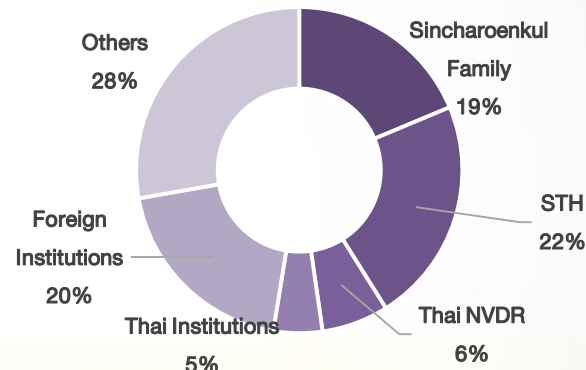
% Free Float

55.06% [Total shareholders : 11,014 Shareholders as of  
[28/02/2020]

Dividend Policy

Approximately **30% of net profit** in a financial year but not  
in excess of retained earnings (with additional conditions)

## Shareholding Structure



Top 10 Shareholders [as at 28/02/2020]

		%
1	Sri Trang Holding ("STH")	22.38
2	Sincharoenkul family	18.70
3	Thai NVDR Co., Ltd	6.63
4	Mrs. Promsuk Sincharoenkul	2.93
5	CITIBANK NOMS SPORE PTE LTD	2.63
6	Thai R.T.N. Holding Co., Ltd.	2.46
7	CITIGROUP GLOBAL MARKETS LIMITED-PB CLIENT-NRBS COLLATERAL	1.72
8	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	1.62
9	UOB KAY HIAN PRIVATE LIMITED	1.47
10	BANK JULIUS BAER & CO. LTD, SINGAPORE	1.21

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



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