

member of  
**SRITRANG**  
GROUP



Investor Day Presentation

15 May 2014

A World Leading Natural Rubber Player

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# Our Directors Present for the Investor Day 2014

**Dr. Viyavood Sincharoenkul**  
Chairman & Managing Director



- ❑ Founding member of Sri Trang and appointed as Chairman in 2010
- ❑ 27 years of experience in the natural rubber industry

**Kitichai Sincharoenkul**  
Executive Director



- ❑ Joined Sri Trang in 1988 and has served as a Director since 1995
- ❑ 24 years of experience in the natural rubber industry

**Paul Sumade Lee**  
Executive Director



- ❑ Joined Sri Trang in 2004 and appointed as a Director in 2010
- ❑ 9 years of experience in the natural rubber industry

**Prakob Visitkitjakarn**  
Chairman of Audit Committee



- ❑ Appointed as an independent director since 1993

**Neo Ah Chap**  
Independent Director



- ❑ Appointed as an independent director since 2010

**Veerasith Sinchareonkul**  
Chairman of Risk Management Committee

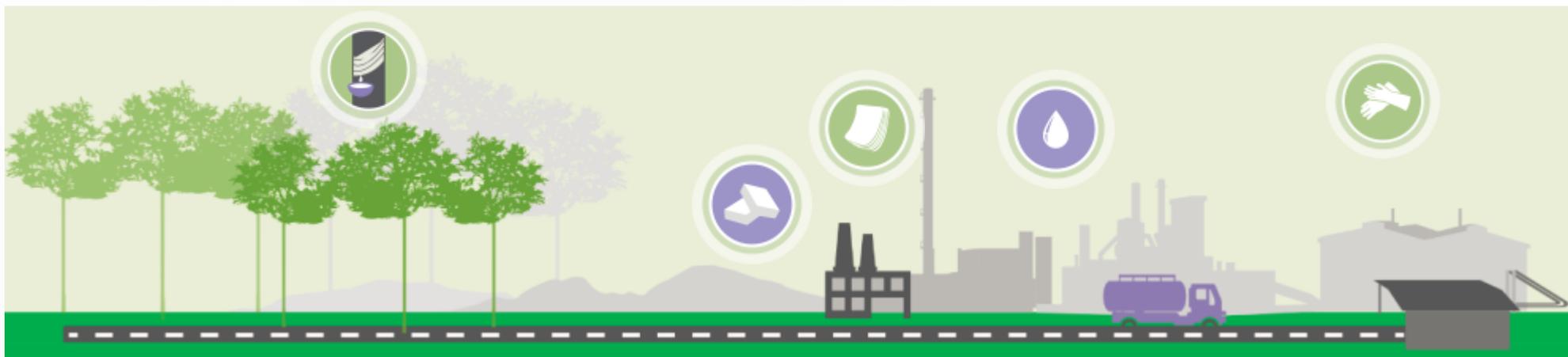


- ❑ Appointed as a Director since 2010

# AGENDA

- I. Sri Trang Business Highlights
- II. Natural Rubber Industry Snapshot
- III. Financial Highlights
- IV. Business Strategy & Growth Plan

# Fully Integrated and Globally Natural Rubber Supply Chain



Rubber Plantation	Procurement	Processing	Sales & Distribution	Finished Products
<ul style="list-style-type: none"> <li>Own <b>6,000</b> hectares for rubber plantation in 17 provinces of Thailand</li> </ul>	<ul style="list-style-type: none"> <li><b>64</b> raw materials procurement centers in Thailand and Indonesia</li> </ul>	<ul style="list-style-type: none"> <li><b>1,300,000</b> tons capacity per annum</li> <li><b>23</b> processing facilities in Thailand and Indonesia</li> <li>Cover full range of products from RSS, TSR and Concentrated Latex</li> </ul>	<ul style="list-style-type: none"> <li>Established trading and distribution company in key strategic countries, namely China, Singapore, Thailand, Indonesia, USA, and Vietnam</li> </ul>	<ul style="list-style-type: none"> <li><b>14</b> billion pieces capacity of glove production per annum</li> <li>Produce both latex and nitrile examination gloves</li> </ul>

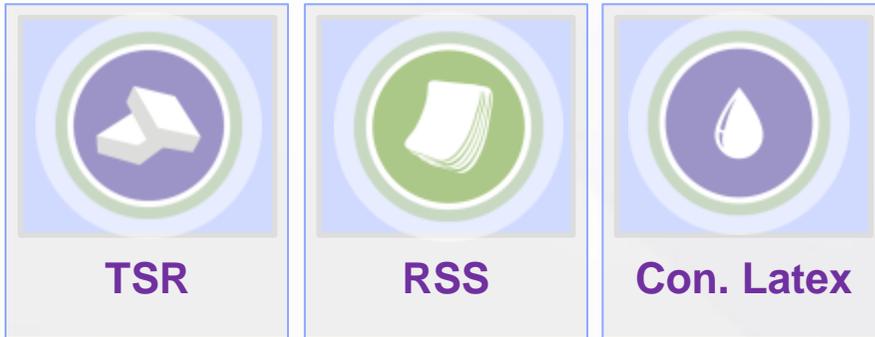
Note: Information as of 31 December 2013

## Sri Trang - Dominant Natural Rubber Processors

	2012	2013
Market share of world consumption	9%	10%
Market share of Thailand's production volume	18%	21%
Market share of China import contributed by Sri Trang	13%	15%
Sales volume (tons)	975,600	1,126,500

# Our Midstream Business Strategy

## Full range of natural rubber products



- Serve all downstream businesses & capture all possible market segments
- Create production efficiency

## Strategic Production base



- Excellent diversification
- More than sufficient raw material to secure from world largest Natural Rubber producing countries
- Well-balanced seasonal management

Type of Product	No. of plant	Total production capacity
TSR	12	872,827
RSS	5	233,141
LTX	6	191,488
<b>Total</b>	<b>23</b>	<b>1,297,456</b>

Note: Information as of 31 December 2013

# 2013 Capacity Expansion Project

## Palembang, Indonesia



### Palembang – Capacity expansion

- Additional capacity 60,000 ton per annum
- Current capacity 166,000 tons per annum
- Started production in January 2013

## Ubon Ratchathani, Thailand



### Ubon Ratchathani – New factory

- Capacity 60,000 ton per annum
- Started production in July 2013

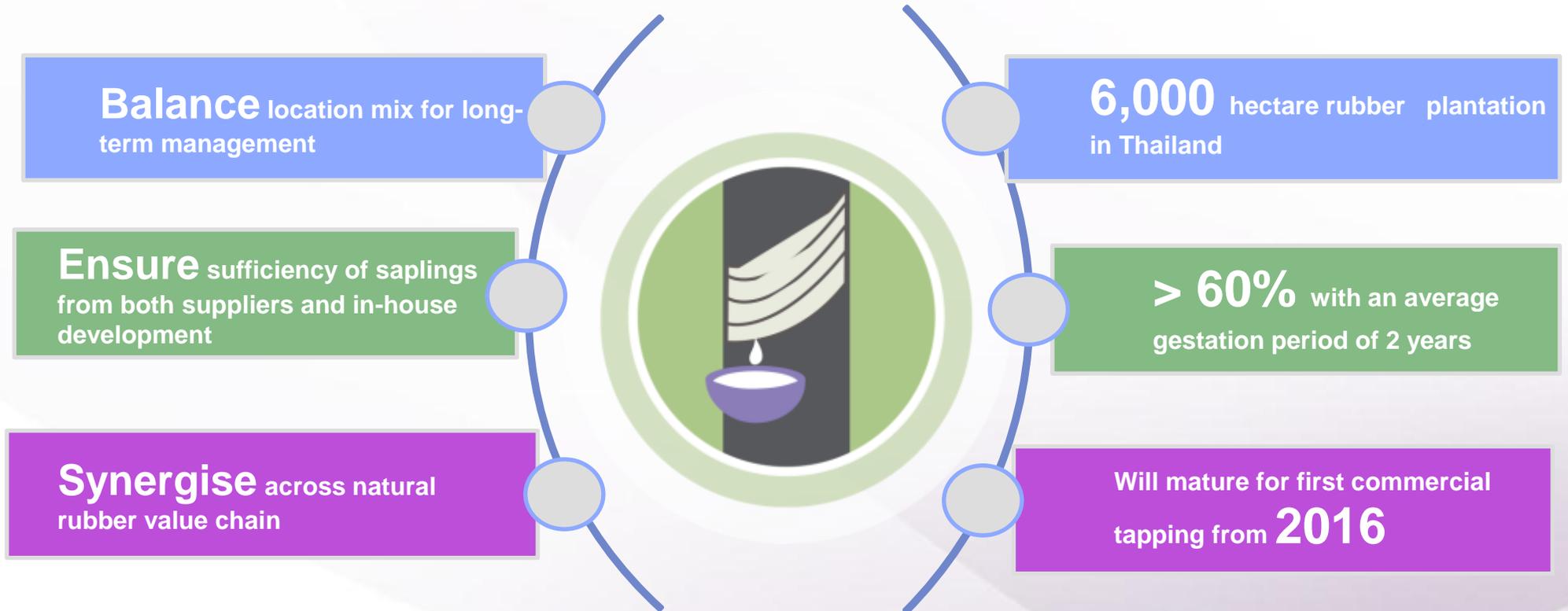
## Trang, Thailand



### Sikao – Capacity expansion

- Additional capacity 50,000 ton per annum
- After the expansion, total capacity will be 148,000 ton per annum
- Started production in December 2013

# Upstream Rubber Plantation



## Income Diversification through Investment in Downstream Business



Examination Gloves

- ❑ Latex / nitrile examination gloves for medical and industrial purposes
- ❑ Operated through 40.2% owned associate SSC
- ❑ World top and Thailand largest glove manufacturer
- ❑ Production capacity of 14 billion pieces per annum



High-pressure hydraulic hoses

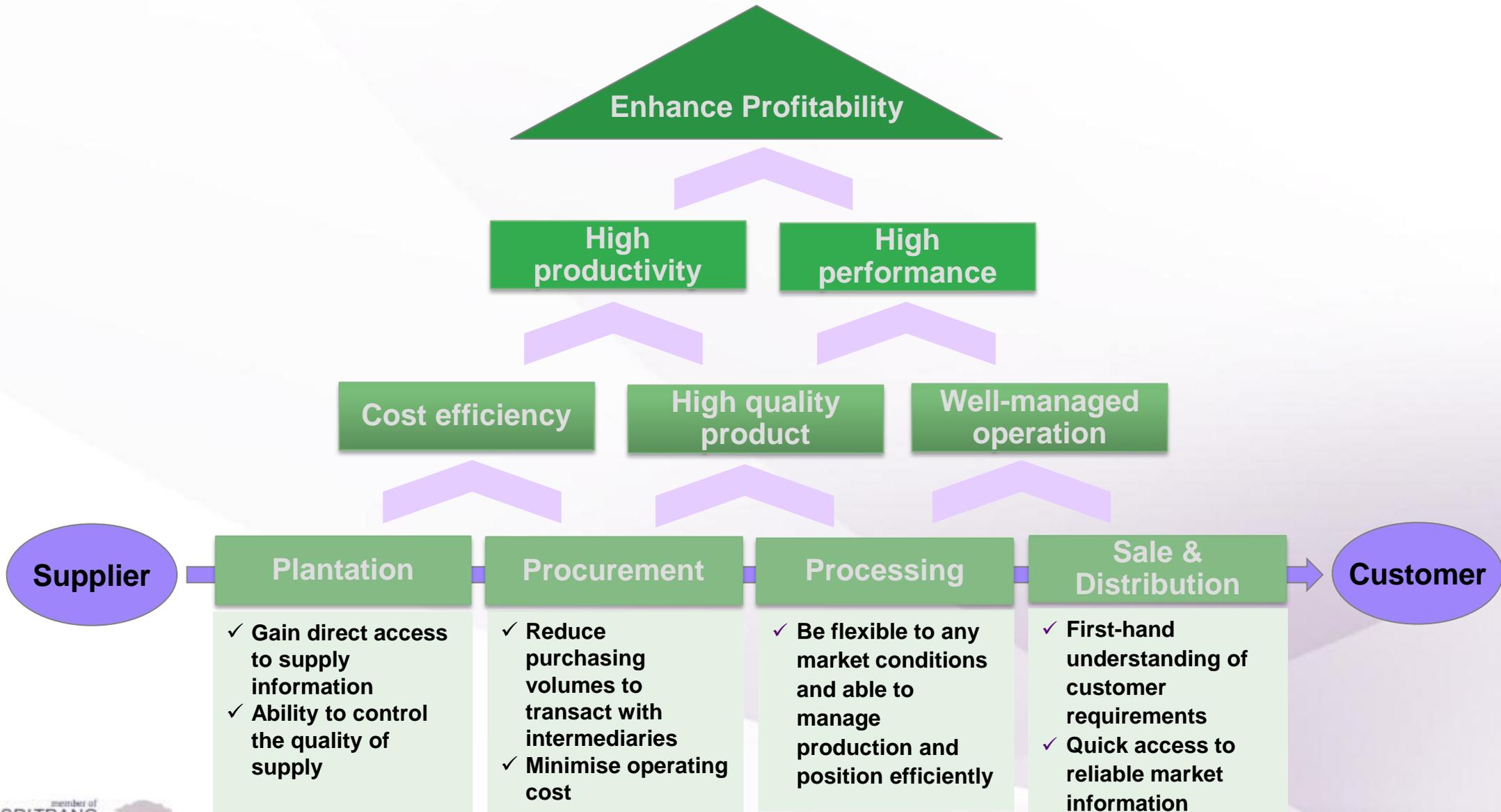
- ❑ Operated through 42.5%-owned associate in Thailand and 50%-owned associate in PRC
- ❑ Largest hydraulic hoses producer in Thailand
- ❑ Production capacity of 42.5 million meter per annum



Escalator handrails

- ❑ 10%-owned entity in PRC
- ❑ Production capacity of 1.4 million meter per annum

# Distinctive Advantage - Capture Value throughout the Supply Chain



# Sri Trang's Key Strengths

## 1 A world largest NR processing Company (10% market share)

- Capture all possible market segments with full range of Natural Rubber products
- Benefit from economies of scale
- Balance the bargaining power with suppliers and customers
- Enhance accessibility to different sources of fund to support operation and expansion

## 2 Fully-integrated NR supply chain business model

- Gain direct access to supply and demand information
- Enables us to respond to changes in market conditions and manage our production and position efficiently
- Maximise competitive edge and cost efficiency
- Create potential for business expansion in the future

## 3 Well-balanced portfolio for coverage of sales and distribution

- Cover all class of customers to serve all demand from every corner of the world
- Good risk diversification as no single customer accounts more than 6% of our total sale volume
- Get direct access to end-users to gain demand flow and market sentiment

## 4 Having production base in major NR producing countries

- Advantage in secure raw material as Thailand and Indonesia collectively contributed about 60% of global production
- Flexible production management from different seasonal period throughout the year
- Having a rich number of raw material procurement centers to reduce the reliance on intermediaries

## 5 Captained by highly experienced managements

- Led by a group of seasoned managements with over 25-year experience in Natural Rubber industry

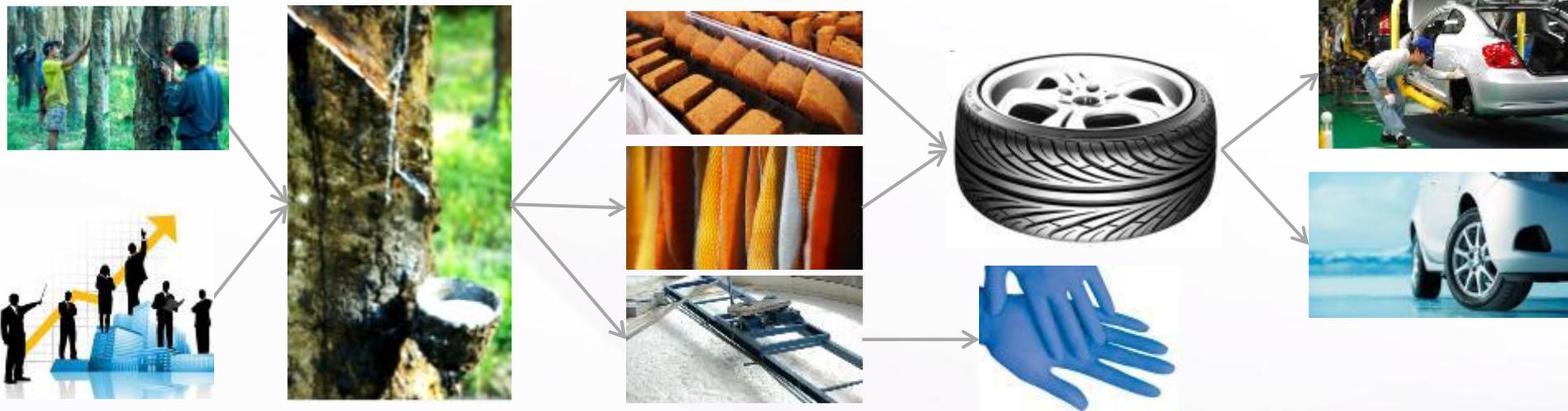
## 6 Continually expand business to the new territories

- A newly established company in Vietnam will enable us to expand market coverage in Indochina and gain direct access to Vietnam, the world's third largest Natural Rubber producer
- Having a block rubber factory in Myanmar will create a business opportunity in highly growing country for Natural Rubber

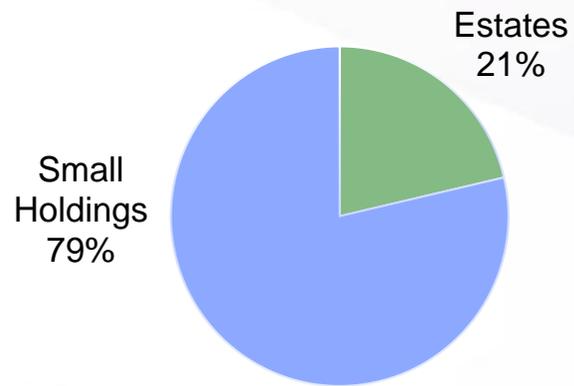
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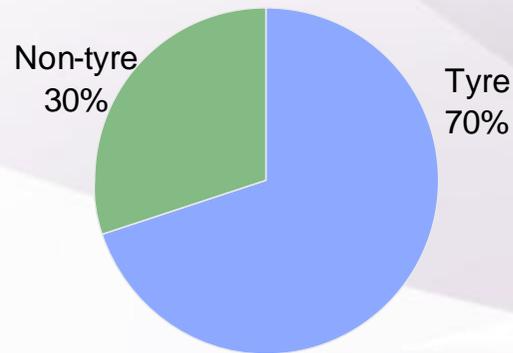
# Natural Rubber Industry Supply Chain



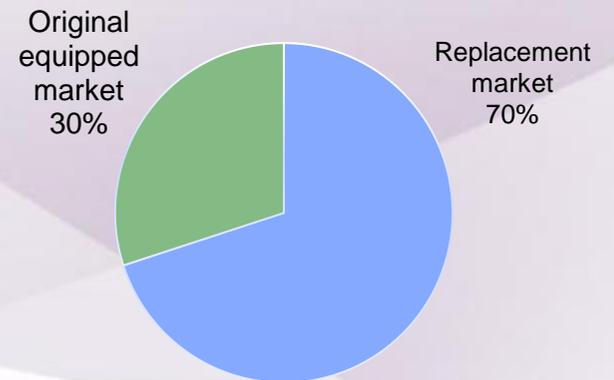
NR supply by type of plantation



NR demand by end use



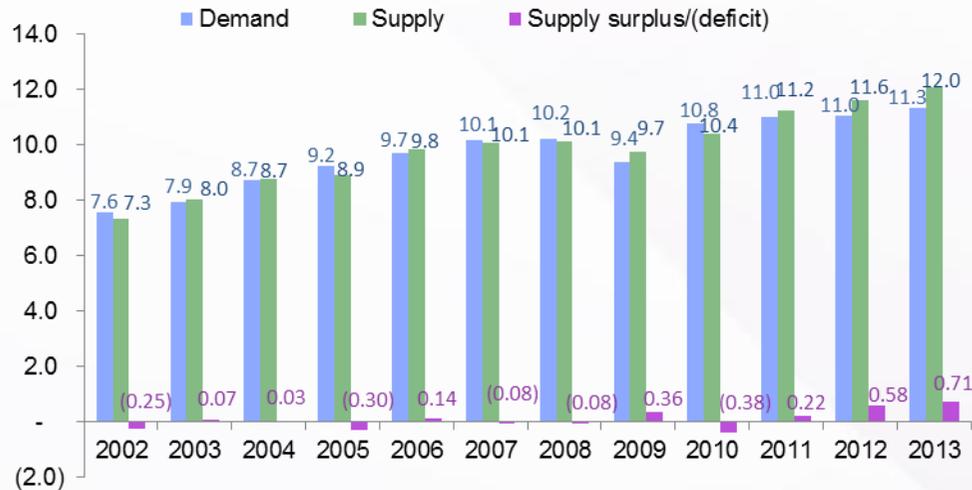
Market Segmentation



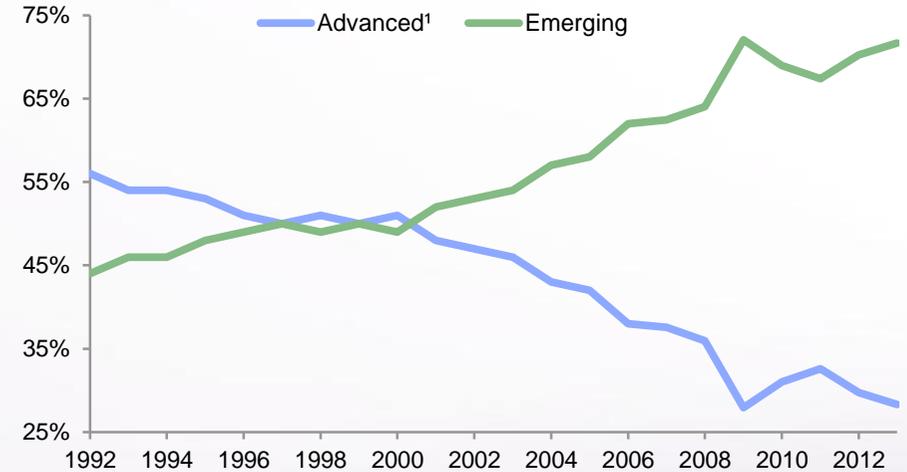
# World Major NR Producing and Consuming Countries

## Overall NR demand and supply

Unit : million tons

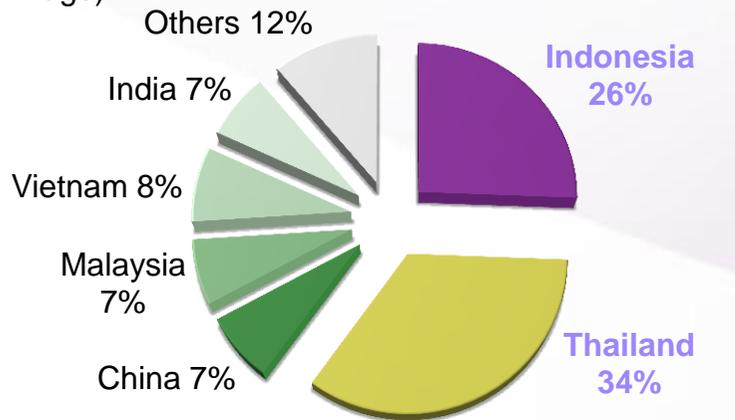


## Demand trend moves to emerging market



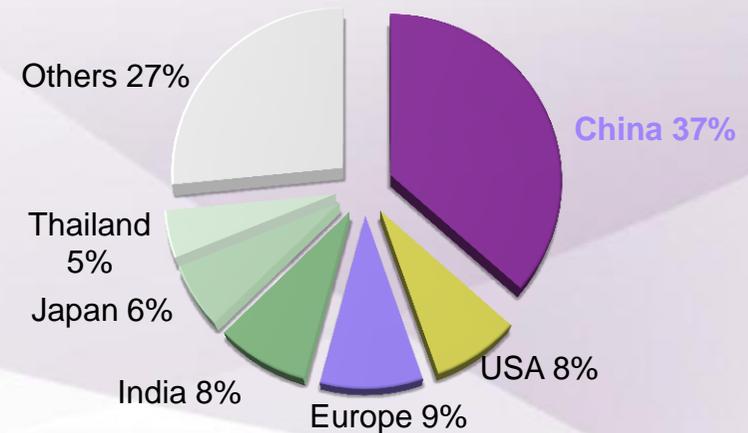
## Major suppliers of Natural Rubber

(by tonnage)



## Major consumers of Natural Rubber

(by tonnage)



Source: IRSG and LMC

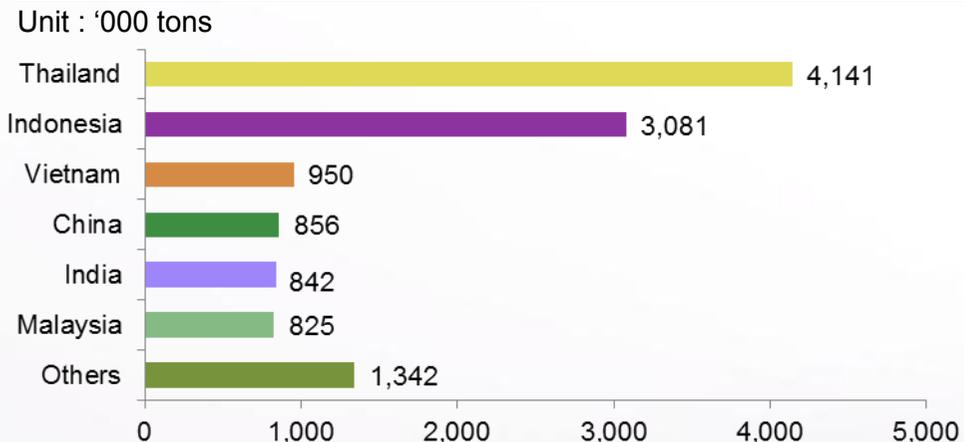
<sup>1</sup> Advanced markets include USA, Canada, Western Europe and East Asia

# Supply Limited in Equator Countries

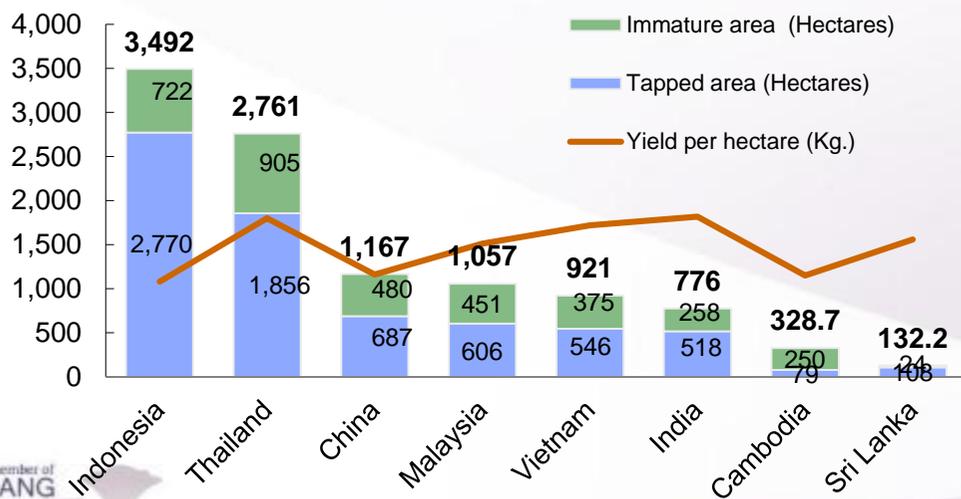
## Rubber tree grows well in tropical area



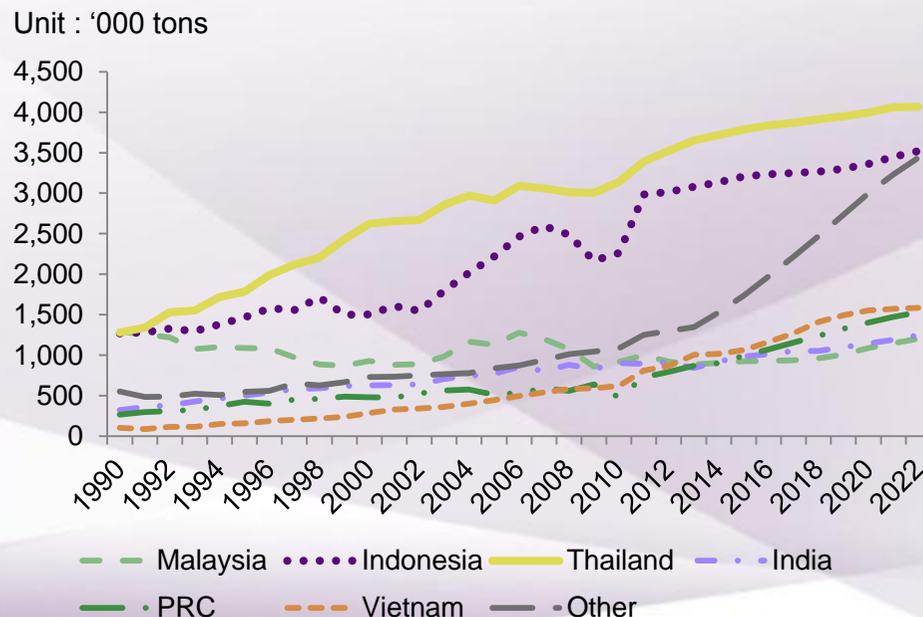
## Thailand - the world largest NR supplier



## Area for rubber plantation



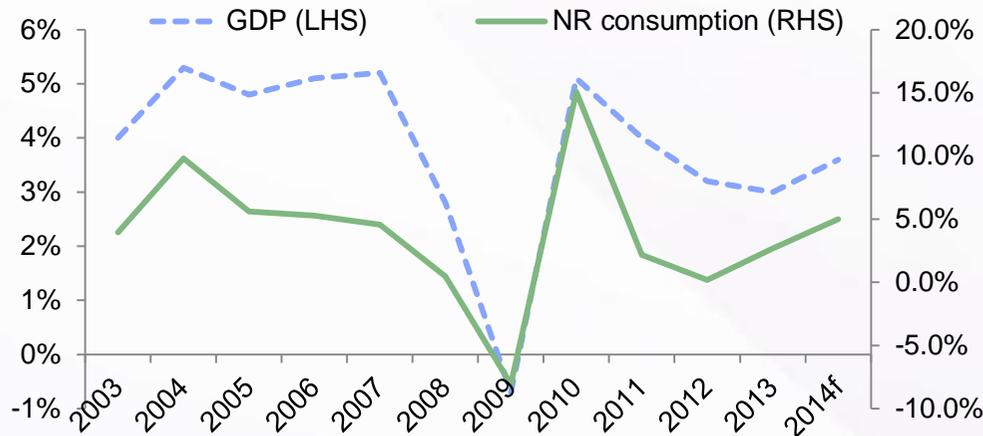
## Global natural rubber production by country



Source: IRSG, ANRPC,

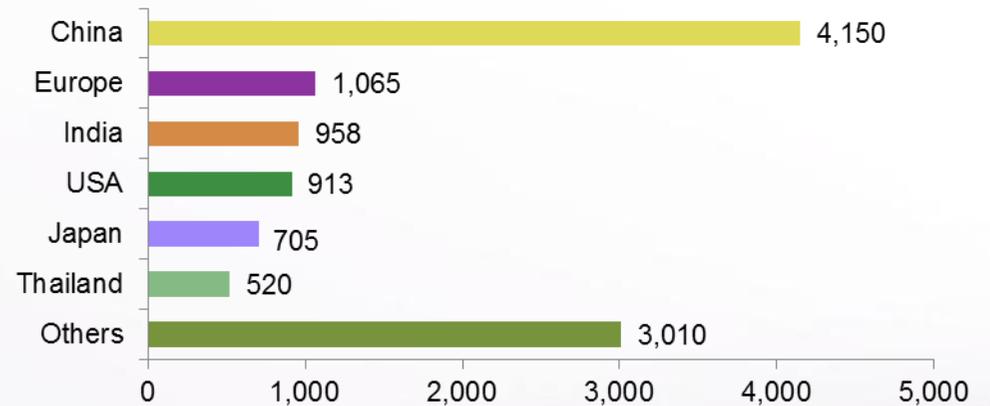
# Demand Driven by Tyre Industry

## NR Demand mainly driven by world activities

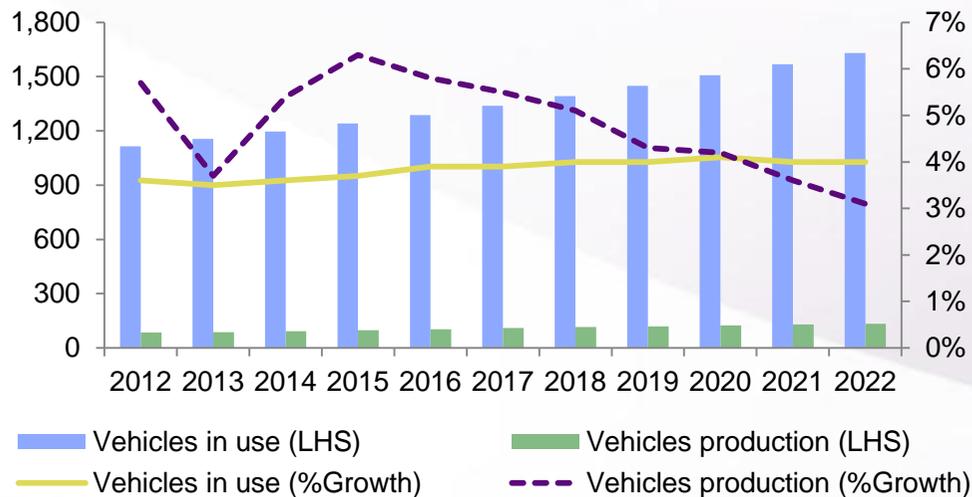


## China – world largest NR consumer

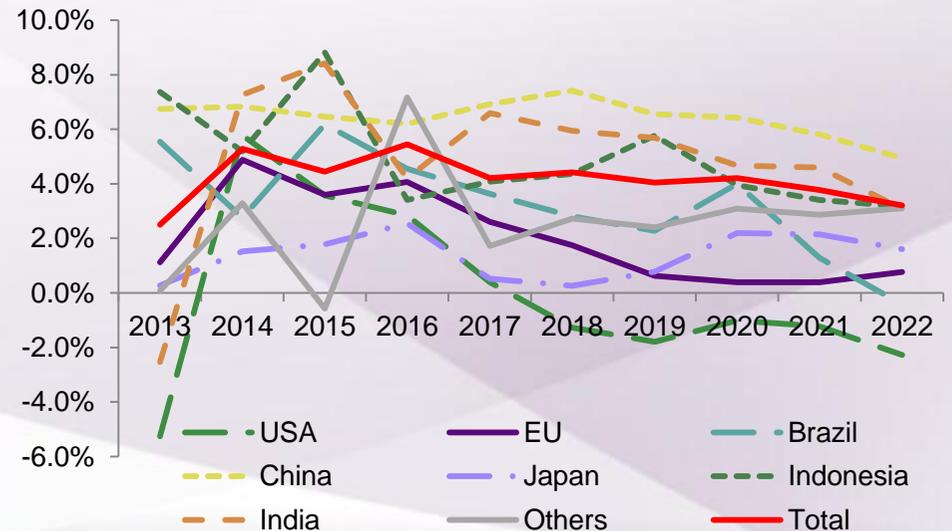
Unit : '000 tons



## Global vehicle growth trend (Million units)



## Forecasted growth of NR demand by country



# Consistent Demand for Natural Rubber

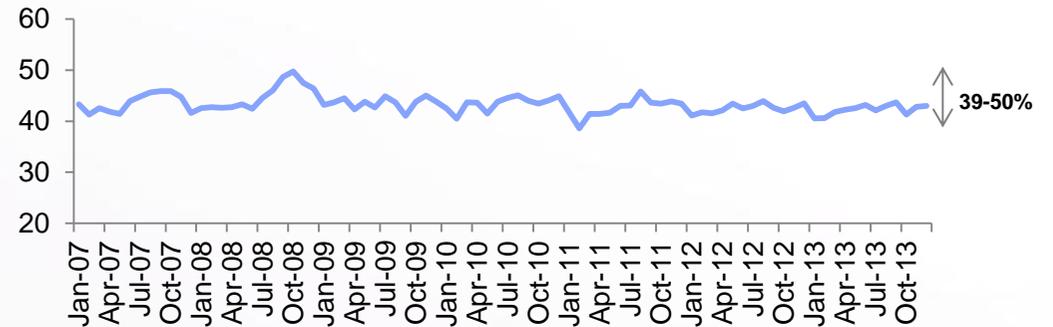


Heat resistance

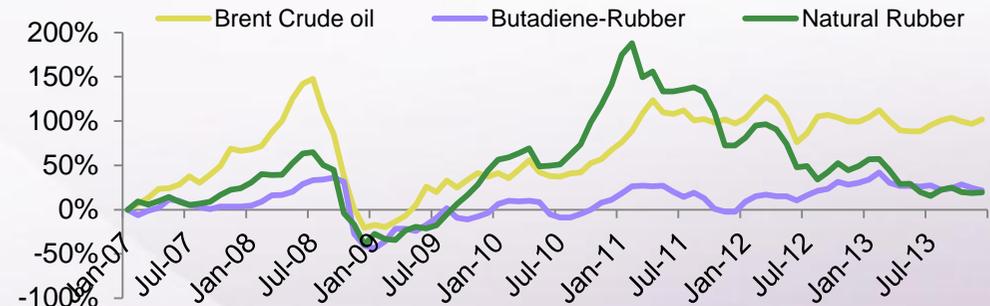
Elasticity



## Share of natural rubber in rubber consumption (%)



## Price movement



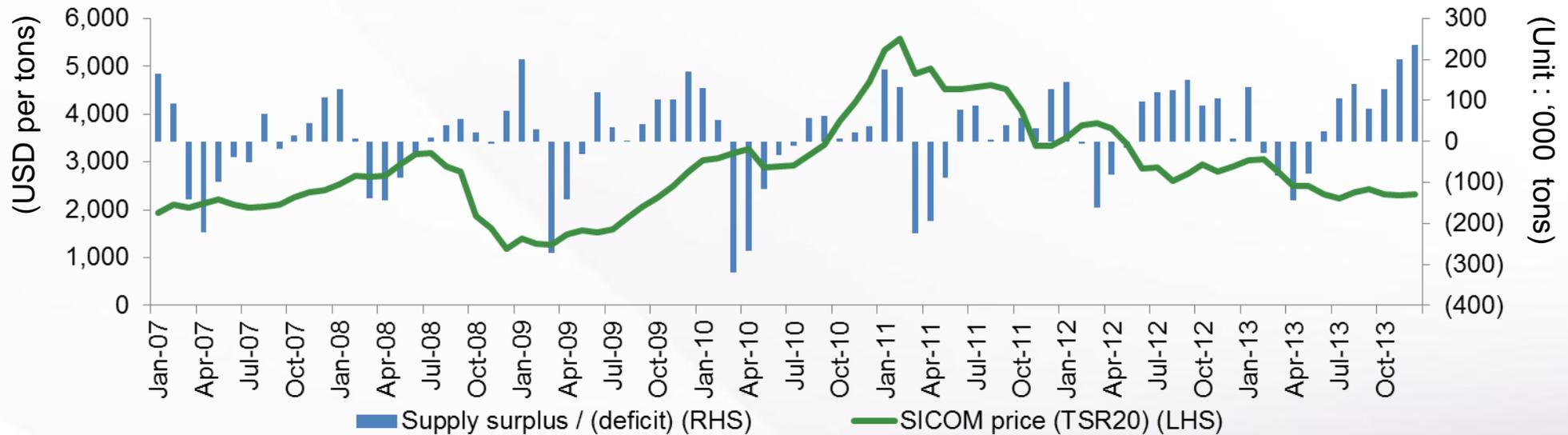
Source: IRSG

## Resilient demand for natural rubber

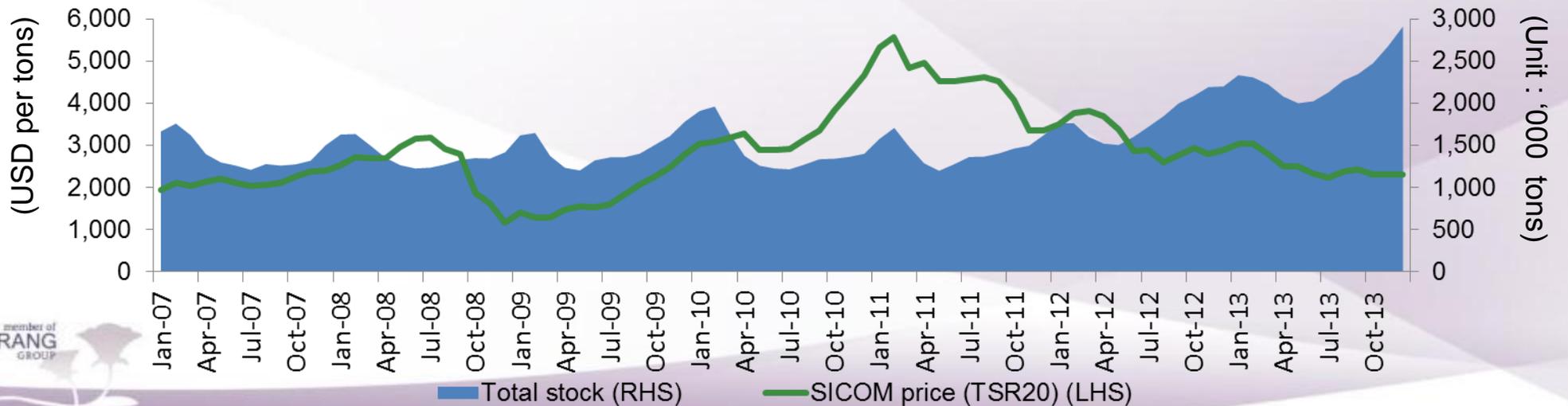
- Natural rubber and synthetic rubber are substitute and complimentary products
- The substitution between synthetic rubber and natural rubber is limited (approximately 10%)

# Natural Rubber Price Interaction

## NR price VS. fundamental demand/supply



## NR price VS. global stock



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## Financial Highlights

(THB million)	FY'12	FY'13	%YoY	Q4'13	Q1'13	Q1'14	%YoY	%QoQ
Revenue	99,639	92,185	▼7%	23,930	24,240	22,765	▼6%	▼5%
Sale volume (tons)	975,604	1,126,463	▲15%	315,186	269,706	308,456	▲14%	▼2%
Avg. selling price (Baht per ton)	99,966	79,600	▼20%	74,053	87,260	71,777	▼18%	▼3%
Gross profit	4,775	5,189	▲9%	1,463	1,320	599	▼55%	▼59%
Adj. gross profit*	4,318	5,804	▲34%	1,287	1,598	1,466	▼8%	▲14%
EBITDA	2,840	3,747	▲32%	876	1,338	708	▼47%	▼19%
Net profit	1,379	1,812	▲31%	426	850	402	▼53%	▼6%
Adj. GP margin	4.3%	6.3%	▲200bps	5.4%	6.6%	6.4%	▼20bps	▲100bps
Net profit margin	1.4%	2.0%	▲60bps	1.8%	3.5%	1.8%	▼170bps	▼1bps

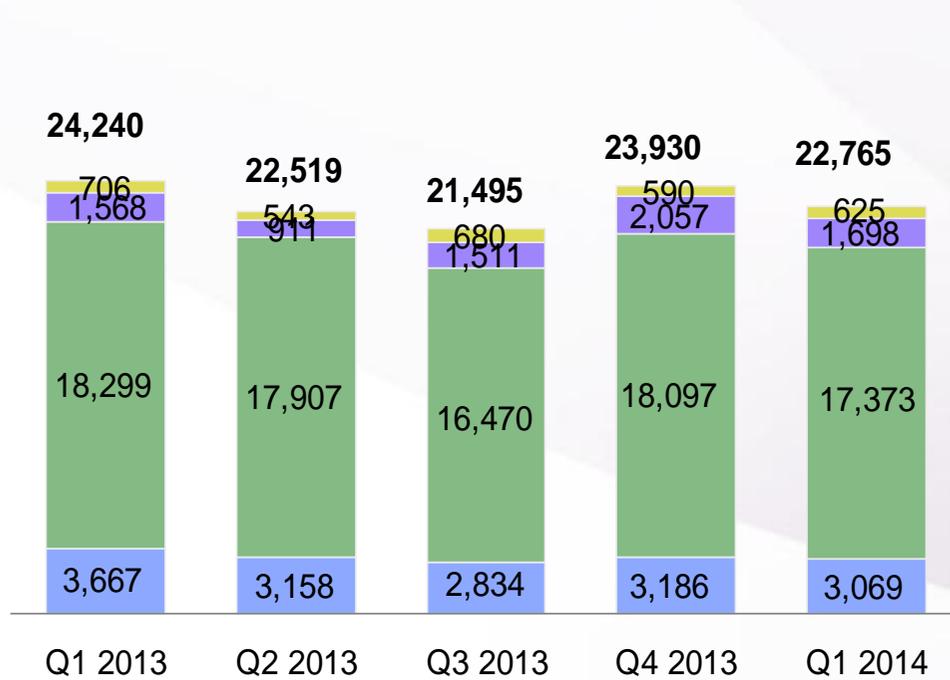
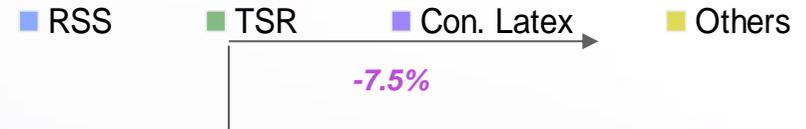
\* Adjusting for (reversal) allowance of inventory and realised forex gains / losses

# Revenue Breakdown by Product

Quarterly (THB mm)

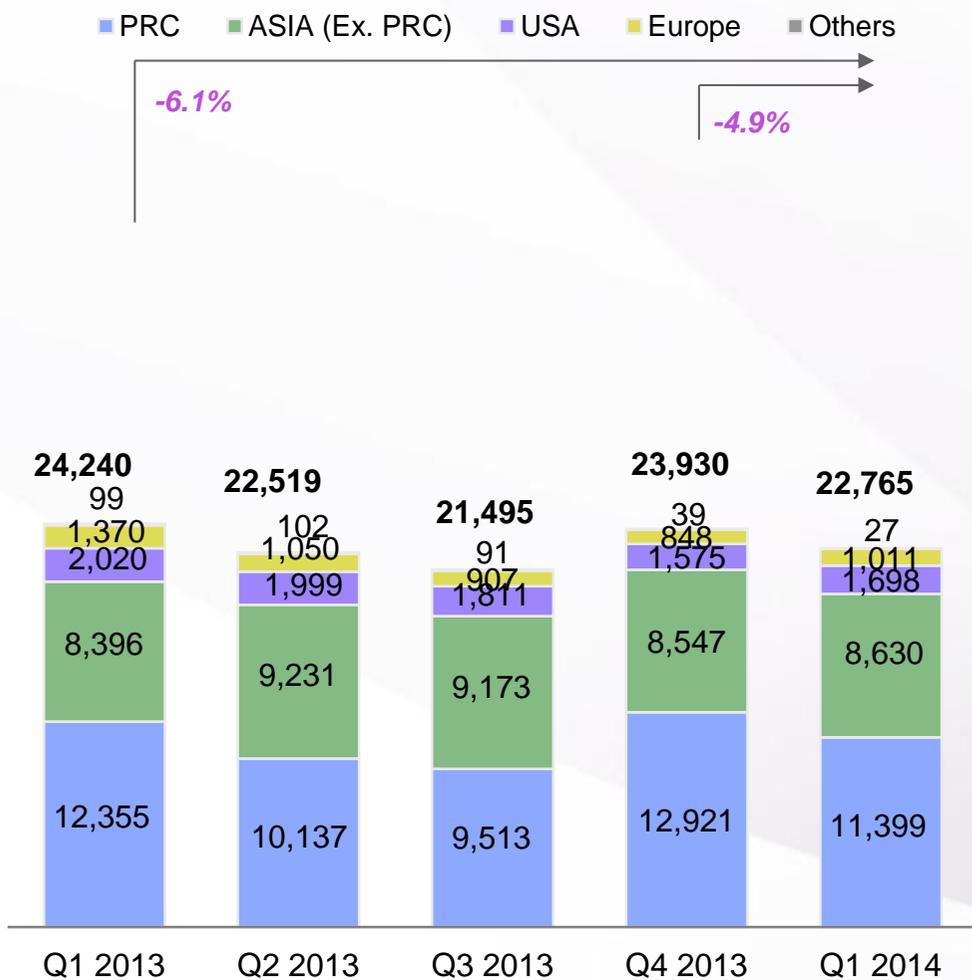


Yearly (THB mm)

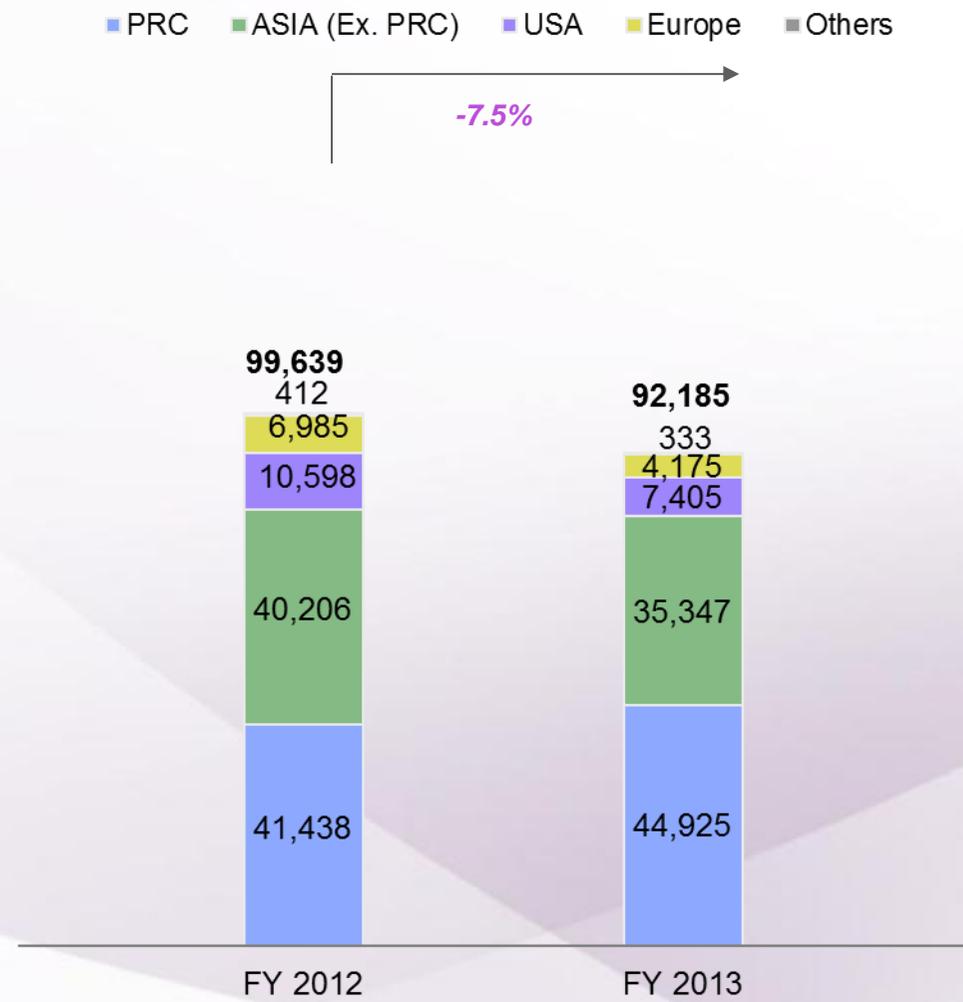


# Revenue Breakdown by Geography

Quarterly (THB mm)



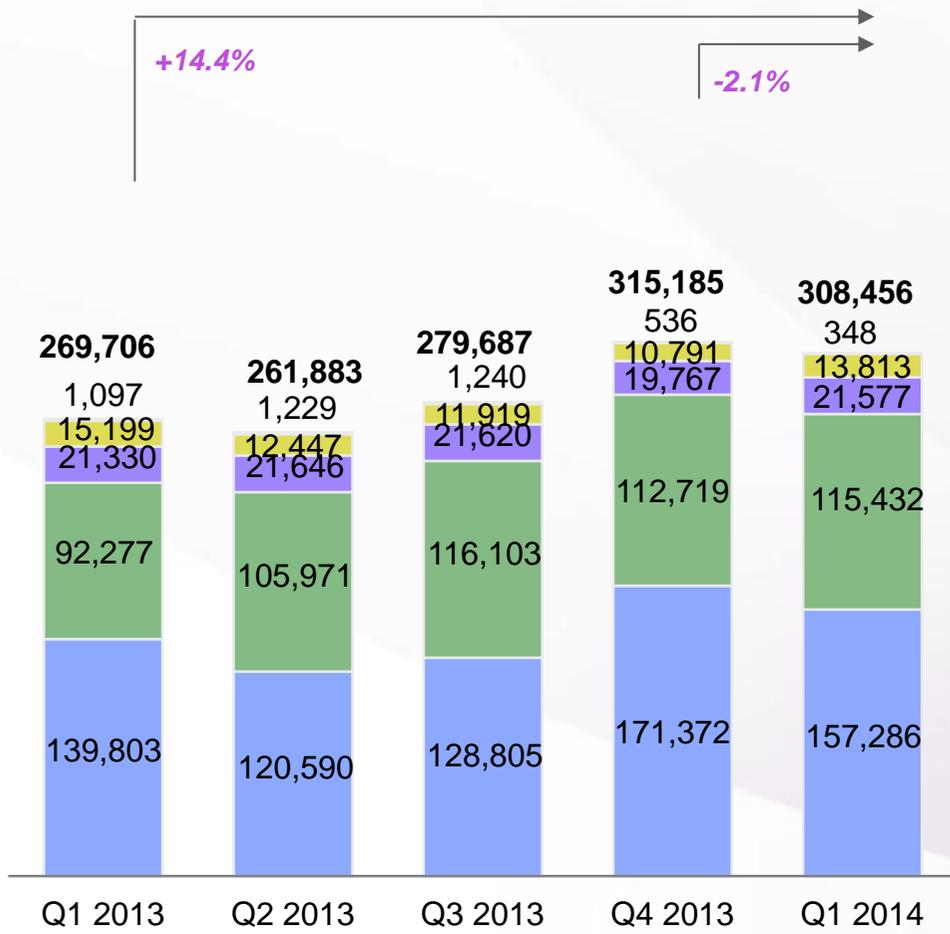
Yearly (THB mm)



# Sale Volume Breakdown by Geography (Tons)

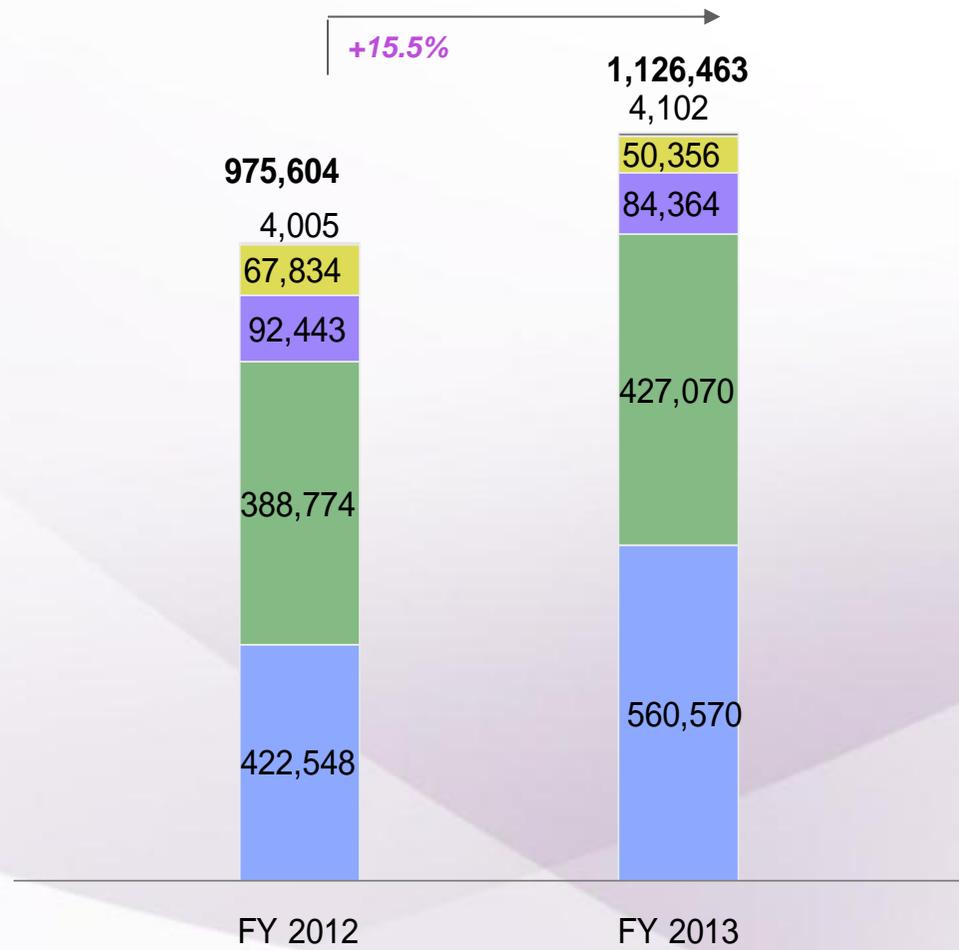
## Quarterly (tons)

■ PRC ■ Asia (Ex PRC) ■ USA ■ Europe ■ Others ■ total



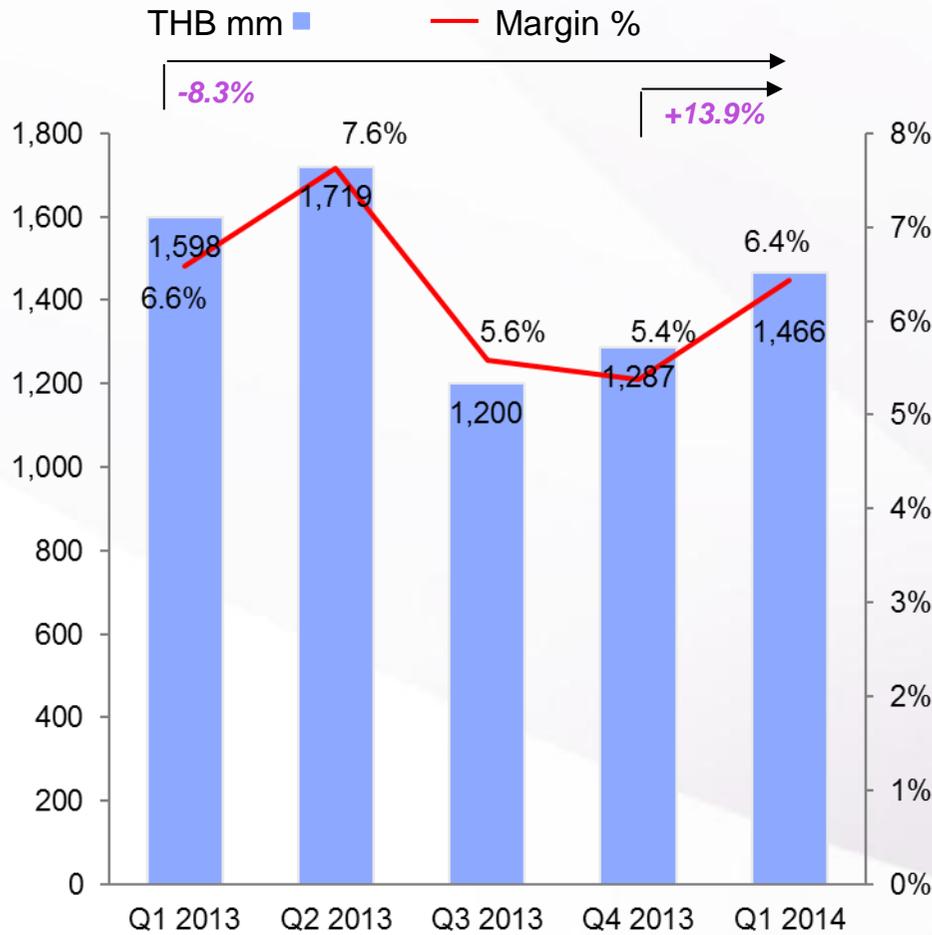
## Yearly (tons)

■ PRC ■ Asia (Ex PRC) ■ USA ■ Europe ■ Others

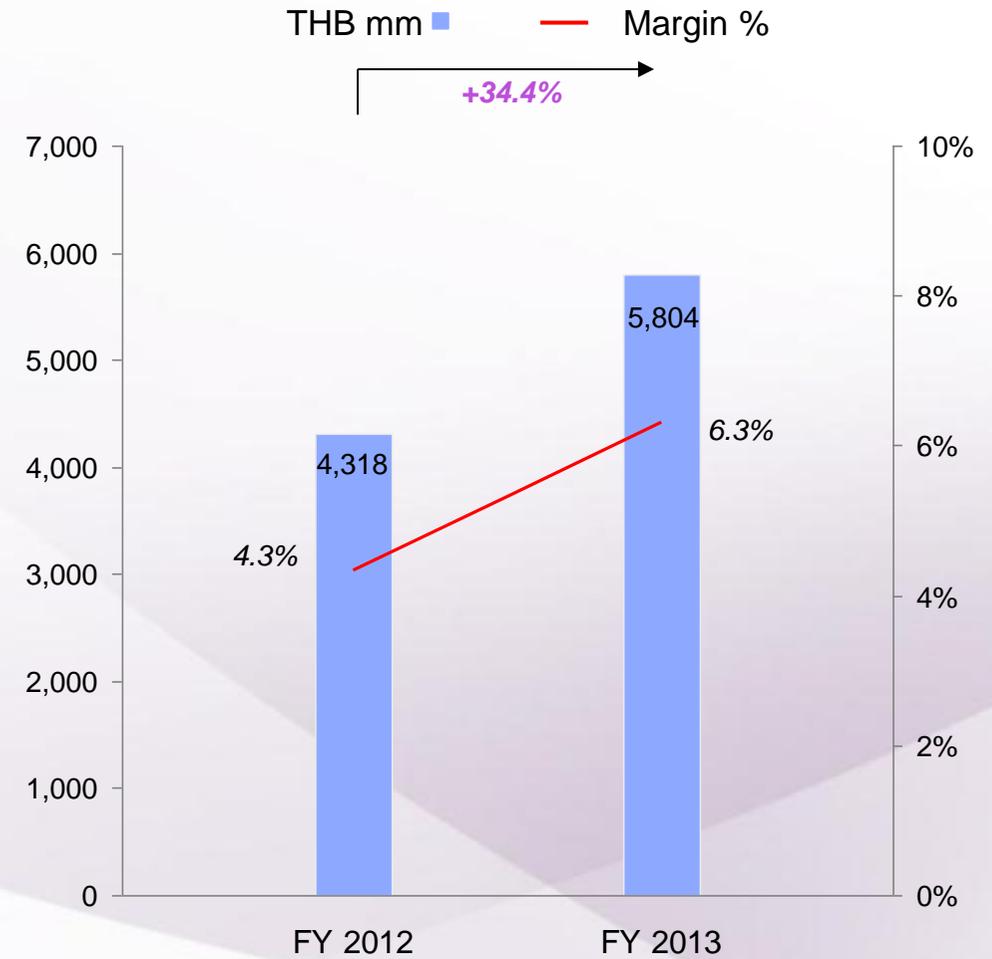


# Adjusted GP and GPM\*

Quarterly (tons)



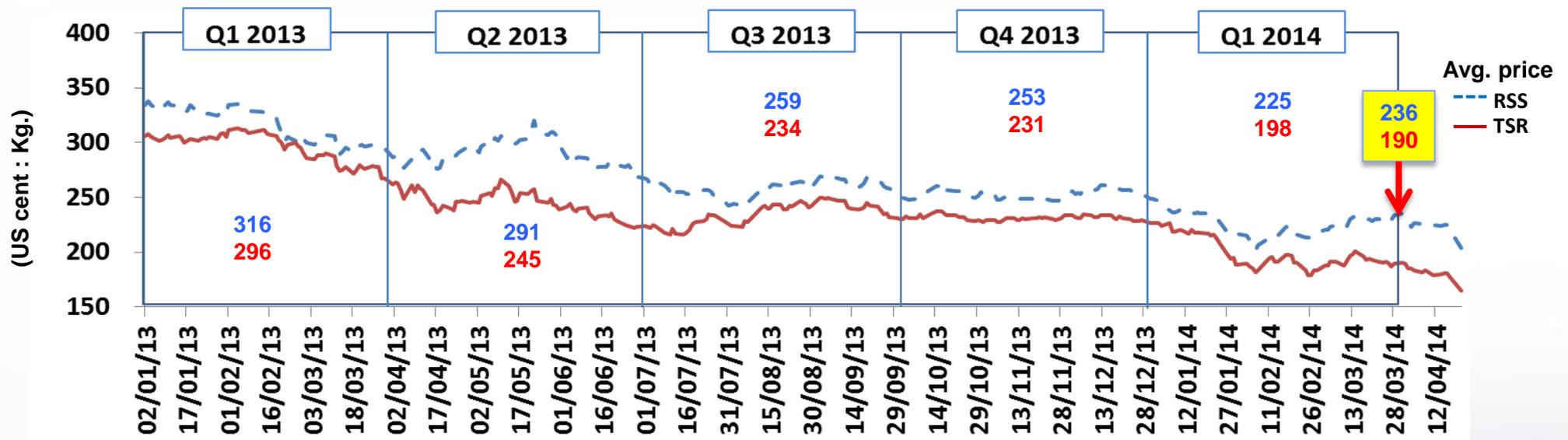
Yearly (tons)



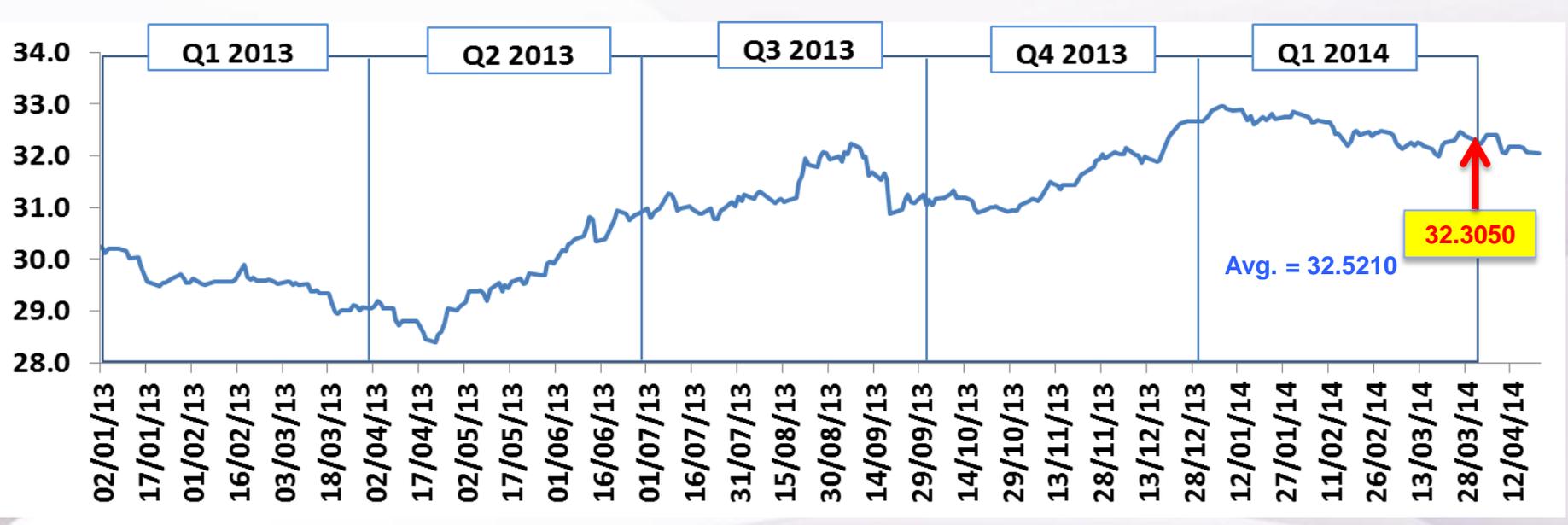
\* GP and GPM after adjusting for (reversal) allowance of inventory and realised forex gains / losses

# SICOM Price and F/X

SICOM Price Movement

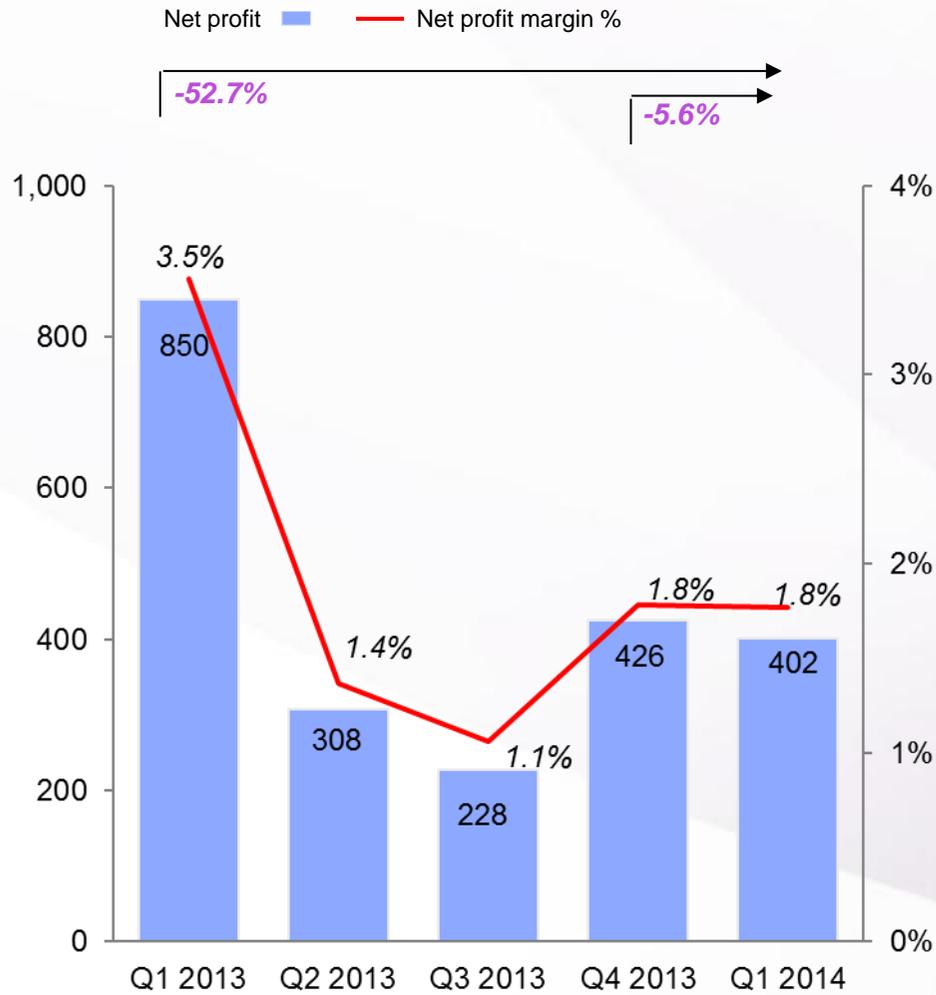


THB/USD Movement

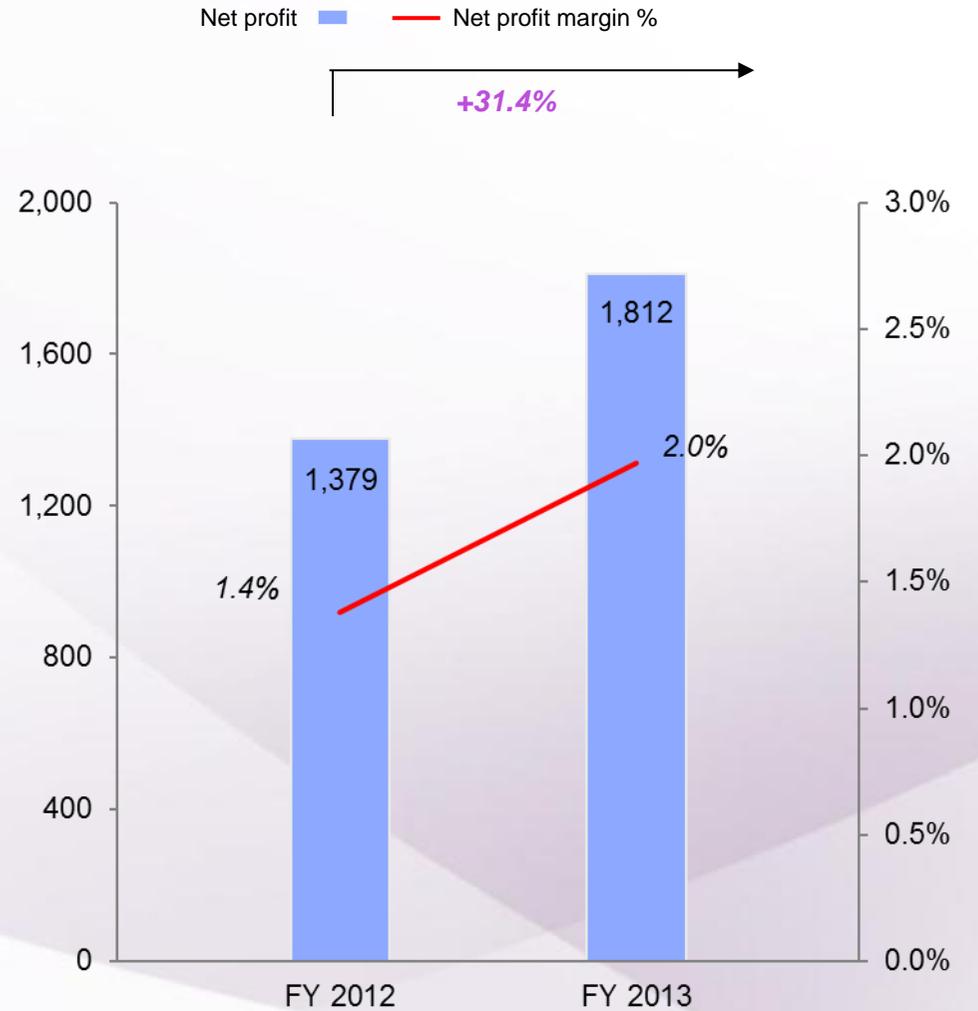


# Net profit and Net profit margin

Quarterly (THB mm)



Yearly (THB mm)

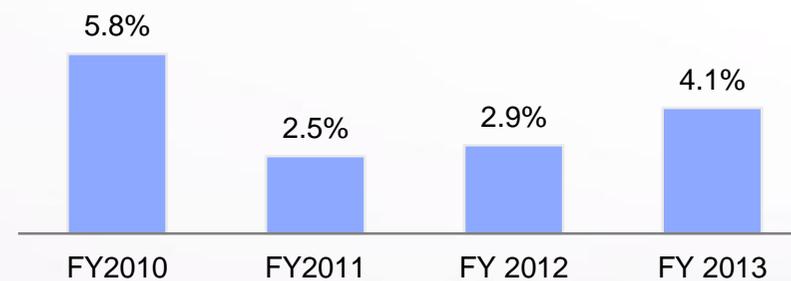


## Return on Assets and Return on Equity

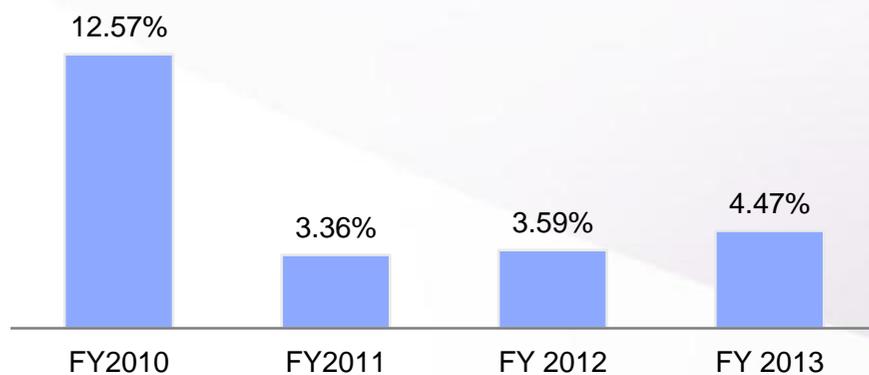
EBITDA (THB mm)



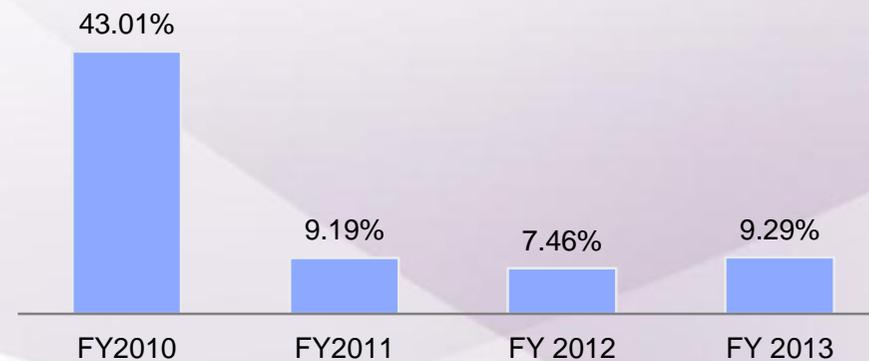
EBITDA margin



ROA



ROE



# Healthy leverage and coverage ratios

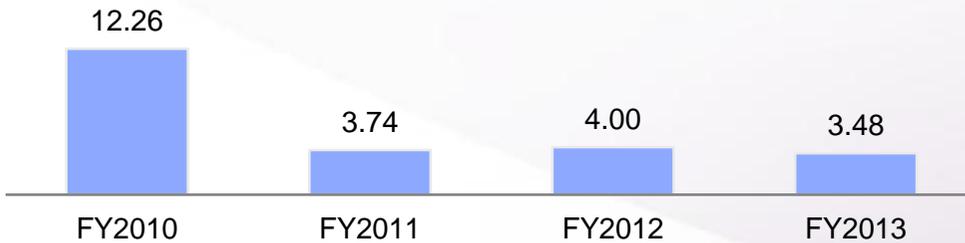
## Debt / equity



## Net debt / equity



## Interest Coverage



Debt = Total liabilities  
Equity = Total equity  
Assets = Total assets  
Net debt = debt – cash  
Cash = cash and cash equivalents + fixed deposits at financial institutions  
Interest Coverage = EBITDA/finance costs

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# Our Business Strategy

## Enter into Upstream Rubber Plantation

- To procure raw materials at more favorable prices in new rubber plantation zone
- To create potentials for new capacity expansion for our midstream operation
- To increase sustainable profitability

## Enhance Procurement Stronghold

- To have an excellent integrated system to build long-term relationship with suppliers
- To save production cost and increase production efficiency from our effective procurement strategy with suppliers

## Continuously Expand Capacity

- To gain higher market share for long-term success
- To benefit from economies of scale
- To maintain our leading position in natural rubber industry

## Expand Customer Coverage

- To ride on growth in key market, e.g. China and highly potential markets
- To have diversified customer base and capture all demands from customers throughout the world

## Create Footprint in New Territories

- To enhance competitiveness and diversify business risk
- To expand our market coverage in Indochina and gain direct access to other sources of natural rubber, e.g. Vietnam and Myanmar

Aggressive expansion plan vertically and horizontally across NR supply chain

# Target & Future Growth Plan

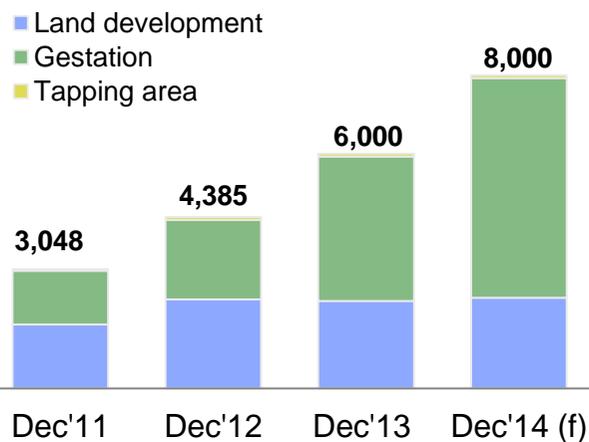
## 2014 Target

Capacity	: 1.4 mil tons
Sale volume	: 1.2 mil tons
Adj. GP margin	: 5 - 7%
NP margin	: 1.5 - 2.5%
Dividend policy	: 30% of net profit

CAPEX (Unit: THB mn.)	2014f	2015f	2016f
Capacity Expansion	1,900	1,050	500
Plantation	1,100	550	300
Maintenance	650	500	350
<b>Total CAPEX</b>	<b>3,650</b>	<b>2,100</b>	<b>1,150</b>

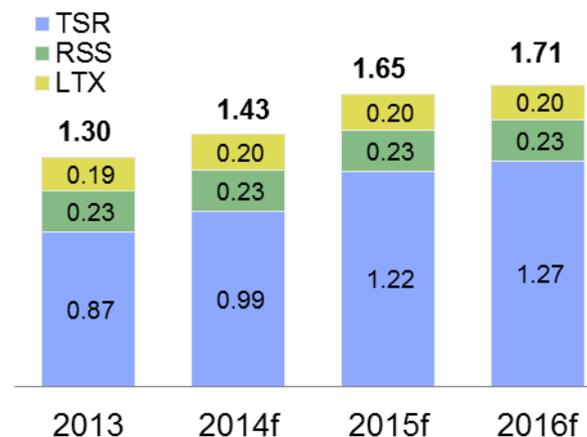
**Rubber plantation:**  
Achieve 8,000 h.a. (50,000 rai )  
in Thailand by the end of 2014

Area for Rubber Plantation (H.A.)



**Midstream business:**  
Continue our aggressive  
expansion plan domestically  
and internationally

Effective Production Capacity  
(mil. tons per annum)

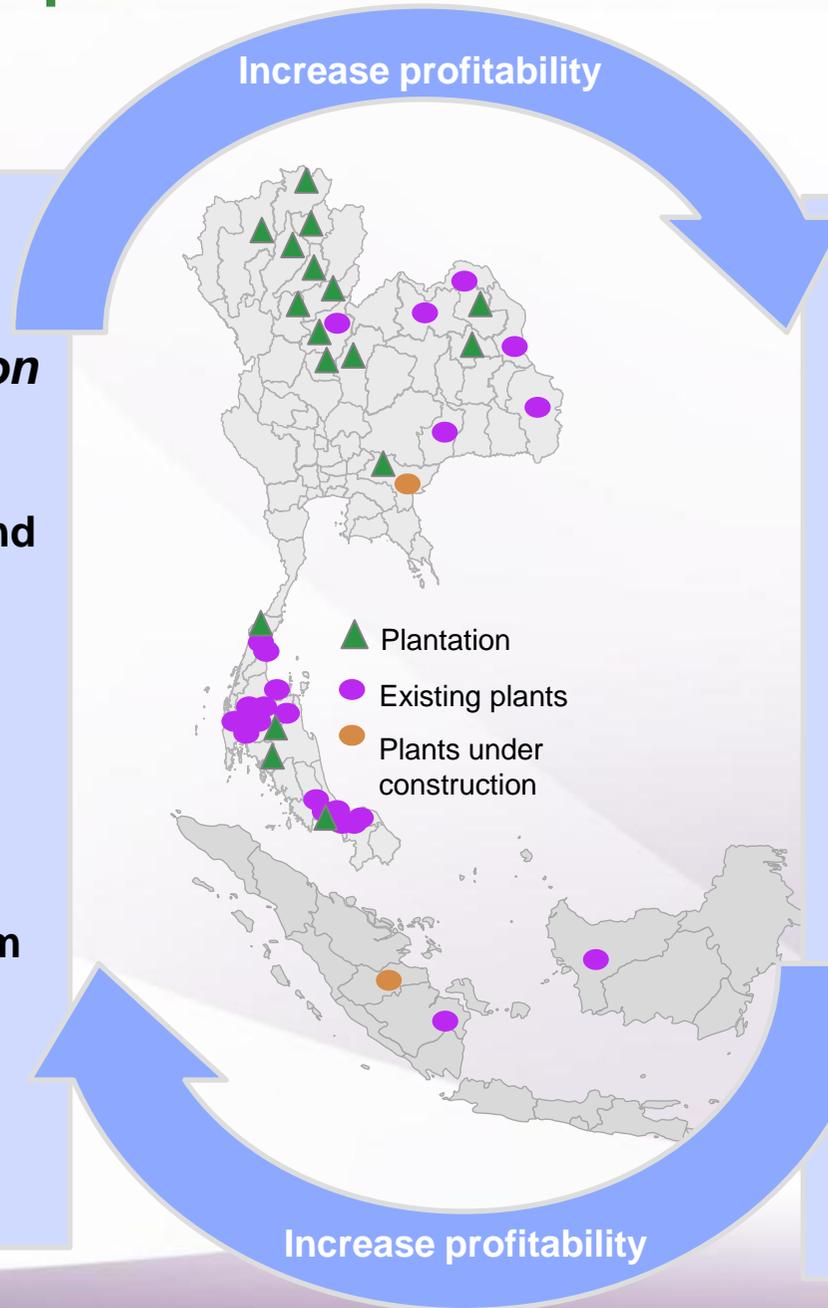


# Synergy between Upstream and Midstream Business



## ***Benefits from expansion to Rubber Plantation***

- ✓ Higher profit margin and reduce volatility in earning
- ✓ Create procurement networks for potential raw material from neighboring area
- ✓ Pinpoint strategic locations for midstream factories in the future
- ✓ Ability to procure raw material at appropriate price



## ***Benefits from midstream business expansion***

- ✓ Maintain world largest fully-integrated Natural Rubber processor position
- ✓ Benefit from economies of scale
- ✓ Balance the bargaining power with suppliers and customers
- ✓ Enhance accessibility to different sources of fund to support our operation and expansion

## Our Vision

**Passionately, we drive possibilities**  
**>> the green rubber company >>**



# Q&A

