

SHRINKflex

Shrinkflex (Thailand) PCL.

Management Discussion & Analysis (MD&A)

Q1/2021



Executive Summary

Significant Events

Financial Analysis

Executive Summary

Operating Highlights	Q1/2020	Q4/2020	Q1/2021	Change	
(Unit: Million Baht)				%YoY	%QoQ
Operating revenue	161.92	182.82	184.82	+14.1%	+1.1%
Gross Profit	44.23	57.82	55.86	+26.3%	-3.4%
EBITDA	33.74	40.44	45.48	+34.8%	+12.5%
Net Profit (loss)	17.64	21.58	28.42	+61.1%	+31.7%
Gross Profit Margin (%)	27.3%	31.6%	30.2%	+2.9%	-1.4%
EBITDA Margin (%)	20.4%	22.1%	24.0%	+3.6%	+1.9%
Net Profit Margin (%)	10.7%	11.8%	15.0%	+4.3%	+3.2%

In Q1/2021, Shrinkflex Thailand Public Company Limited (SFT) (“the Company”) has operating revenue of Baht 184.82 million, increased by Baht 22.90 million or 14.1% and net profit of Baht 28.42 million, increased by Baht 10.78 million or 61.1% from Q1/2020. The Company has experienced continuous growth in sales through expanding volume of existing customers, consistently acquiring new customers, and continuously managing costs efficiently. In addition, the Company has also increased the usage of rPET film and enhance the importance of Environment, Social and Governance (ESG) factors for the sustainable growth of the Company’s operations. The Company has also been paying close attention and will constantly monitor the employees’ safety during the COVID-19 pandemic.

Q1/2021 vs Q1/2020 (YoY)

- In Q1/2021, the Company recorded Operating Revenue of Baht 184.82 million, increased by Baht 22.90 million or 14.1% from Q1/2020 mainly due to the significant growth in revenue from Gravure Printing, which the growth came from all industries, especially in the Food and Beverage, and Cosmetics industry with continuous introduction of new products and new marketing campaigns. In addition, the revenue from Digital Printing has also increased positively due to the introduction of new products and the higher number of orders from export customers. Moreover, revenue from Stretch Film increased impressively mainly due to the orders from newly acquired customers.
- Gross Profit Margin was 30.2% in Q1/2021, improved from 27.3% in Q1/2020 mainly due to the higher sales, the efficient cost management and economies of scale from the higher production volume. As a result, the cost ratio of the Company is lower than 70%
- Net Profit was Baht 28.42 million in Q1/2021, increased by Baht 10.78 million or 61.1% from Q1/2020 mainly due to the significant increase of sales volume and the efficient cost management.

Q1/2021 vs Q4/2020 (QoQ)

- In Q1/2021, the Company recorded Operating Revenue of Baht 184.82 million, increased by Baht 2.00 million or 1.1% from Q4/2020 mainly due to the significant growth in revenue from Gravure Printing which received a consistent growth from existing customers and new customers, especially in the Food, Cosmetics, Household and Healthcare Products Industries. In addition, the Company has also experienced an increase in revenue for both Gravure Cylinder and Stretch Film.
- Gross Profit Margin was 30.2% in Q1/2021, decreased from 31.6% in Q4/2020 which was in accordance with the production process. However, the Company was still able to control the production cost with the cost ratio lower than 70%.
- Net Profit was Baht 28.42 million in Q1/2021, increased by Baht 6.84 million or 31.7% from Q4/2020 mainly due to the significant increase of sales volume and the lower finance cost, as well as the reversal of the loss on foreign exchange rate from Mark-to-Market settlement in the last quarter.

Significant Events



Continuous Growth Despite COVID-19 Pandemic

In this quarter, the Company was able to operate the business with growing operating results despite the COVID-19 pandemic. The Food and Beverage Industry is the main driver of the impressive growth due to the continuous introduction of new marketing campaigns and the growth of new customers. Moving forward, the Company plans to continuously expand its business this year by increasing production capacity from the implementation of new machine, reaching out to new customers to enhance and diversify customer base domestically and internationally, continue to develop new products, and to drive the Company forward towards sustainability.

Increase Usage of rPET to Enhance Sustainability

Presently, Thailand has drafted a Roadmap on Plastic Waste Management (Year 2018-2030) as a result of the increase in awareness and importance of environmental problems arising from plastic waste. The Company has always acknowledged this problem and as a result, the Company has recently introduced sustainable plastic options to customers including rPET and PLA films which was in response to the environmentally friendly trend. In this quarter, the Company has successfully increased the proportion of rPET film usage to normal plastic films from the previous quarter.



Stringent Measures and Proactive Actions to Ensure Safety

During COVID-19 pandemic, the Company paid close attention and monitored employees' safety closely. The Company has taken proactive measures for the COVID-19 test, which on 5th January 2021, all employees undertook the Rapid Test, which is a blood test for immunity that takes only 15 minutes for the result, and the Swab Test, method of swab into the nose which is more accurate. As a result, there was no COVID-19 infection among all employees in the Company. In addition, the Company has also introduced measures to prevent COVID-19 by controlling both the transportation of the products and employee's transportation, spraying alcohol and sterilizing on a weekly basis, increasing hand cleaning points to ensure safety in the operating area, warehouse space and for employees, and introduced measures to look after foreign workers of the Company.



Officially Implemented ESG Policy for Sustainable Growth

The Company is committed and determined to enhance the importance of Environment, Social and Governance (ESG). The Company has reported ESG for the first time and will continuously report at least once a year about the operational guidelines and performance in each area in order to lead the organization toward sustainability.

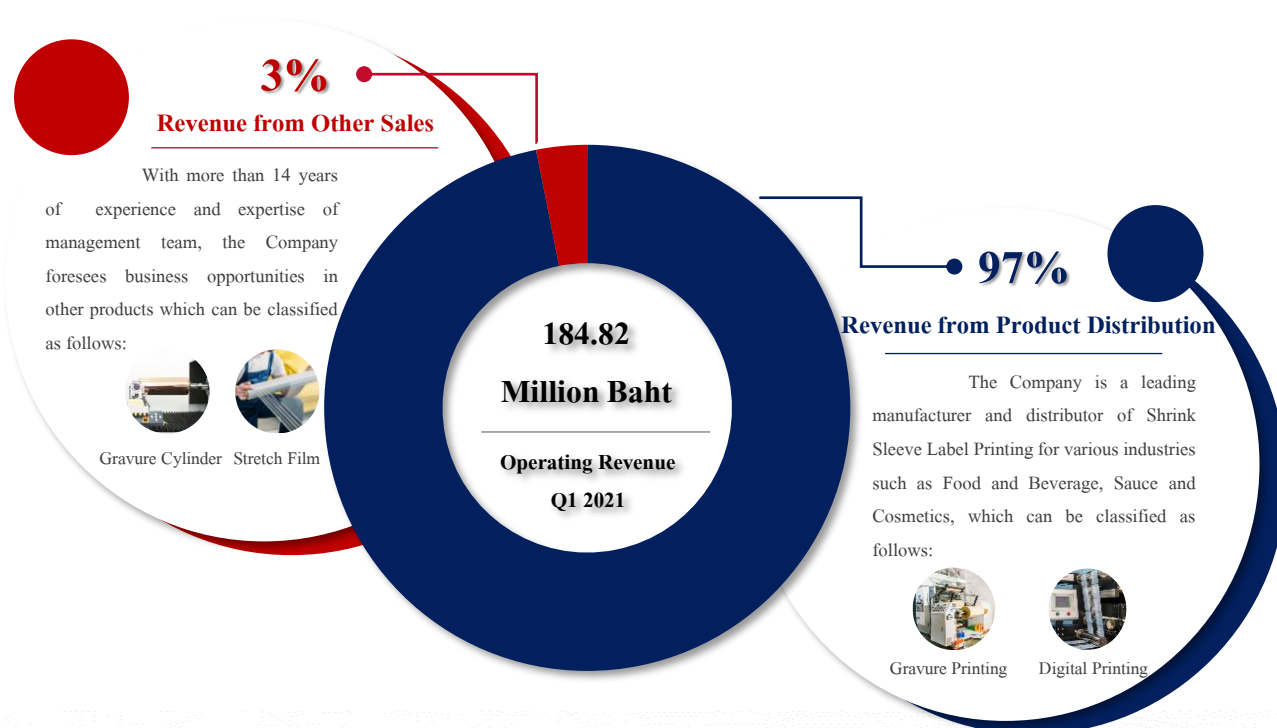
- **Environment:** The Company treated wastewater, used energy from Solar Rooftop, introduced more product using rPET and gave importance to environmental risk management
- **Social:** By operating business with fairness, anti-corruption, respecting human rights, treating employees' fairly, continuously developing knowledges for employees and implementing projects and activities that benefit both society and environment
- **Governance:** The Company has established a comprehensive corporate governance policy considering directors, executives, employees at all levels and stakeholders



Overall Operating Results

Overall Operating Results	Q1/2020	Q4/2020	Q1/2021	Change	
(Unit: Million Baht)				%YoY	%QoQ
Revenue from product distribution	156.96	176.74	178.61	+13.8%	+1.1%
Revenue from other sales	4.96	6.08	6.21	+25.2%	+2.1%
Operating Revenue	161.92	182.82	184.82	+14.1%	+1.1%
Cost of sale of goods	117.68	125.00	128.96	+9.6%	+3.2%
Gross profit	44.23	57.82	55.86	+26.3%	-3.4%
Other income	3.18	0.39	4.53	+42.5%	+1061.5%
Selling and distribution expenses	6.55	7.65	7.72	+17.9%	+0.9%
Administrative expenses	15.74	14.28	15.83	+0.6%	+10.9%
Finance costs	2.71	4.67	1.40	-48.3%	-70.0%
Other expenses (reversal)	-	4.61	-	-	-100.0%
Profit before income tax expenses	22.40	27.00	35.44	+58.2%	+31.3%
Tax expenses (reversal)	4.76	5.42	7.02	+47.5%	+29.5%
Net profit (loss)	17.64	21.58	28.42	+61.1%	+31.7%

Operating Revenue Structure



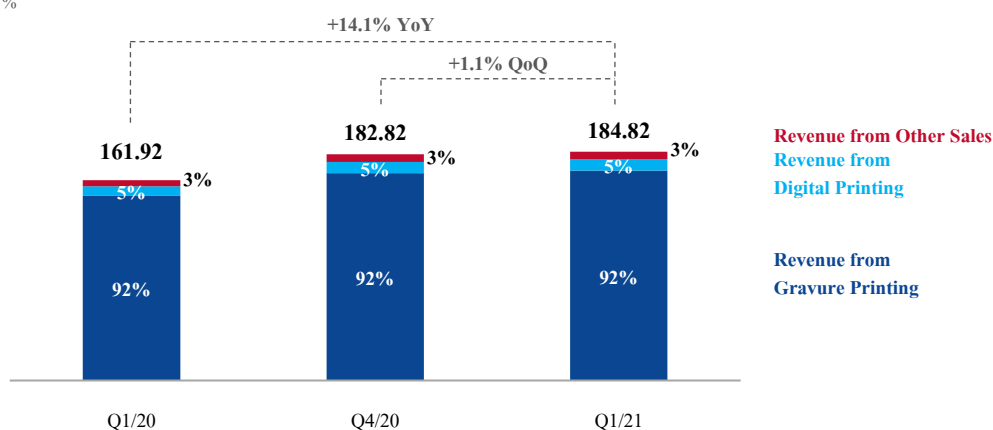
Business Overview By Category

Revenue Structure	Q1/2020	Q4/2020	Q1/2021	Change	
(Unit: Million Baht)				%YoY	%QoQ
Revenue from Product Distribution					
Revenue from Gravure Printing	149.32	167.54	169.60	+13.6%	+1.2%
Revenue from Digital Printing	7.64	9.20	9.01	+17.9%	-2.1%
Total Revenue from Product Distribution	156.96	176.74	178.61	+13.8%	+1.1%
Revenue from Other Sales					
Revenue from selling Printing Cylinders	4.87	5.23	5.30	+8.8%	+1.3%
Revenue from selling Stretch Film	0.09	0.85	0.91	+911.1%	+7.1%
Total Revenue from Other Sales	4.96	6.08	6.21	+25.2%	+2.1%
Total Operating Revenue	161.92	182.82	184.82	+14.1%	+1.1%
Other Income	3.18	0.39	4.53	+42.5%	+1061.5%
Total Revenue	165.10	183.21	189.35	+14.7%	+3.4%

01

Operating Revenue

Unit: Million Baht, %



Q1/2021 vs Q1/2020 (YoY)

In Q1/2021, the Company recorded Operating Revenue of Baht 184.82 million, increased by Baht 22.90 million or 14.1% mainly due to:

- **Revenue from Gravure Printing:** increased by 13.6% mainly due to the strong growth of both existing and new customers who have high trust in the product quality of the Company, especially in the Food and Beverage, and the Cosmetics industry with continuous introduction of new products and new marketing campaigns.
- **Revenue from Digital Printing:** increased by 17.9% mainly due to the introduction of new products and the increase in number of orders from export customers.
- **Revenue from Other Sales:** increased by 25.2% mainly from the revenue from Gravure Cylinder which increased by 8.8% due to the higher number of orders corresponding to the increase in sales from Gravure Printing. In addition, revenue from Stretch Film increased significantly by 911.1%, mainly due to the increase in sales from new customers and lower sales at the beginning of 2020, when the Company just started marketing for Stretch Film distribution.

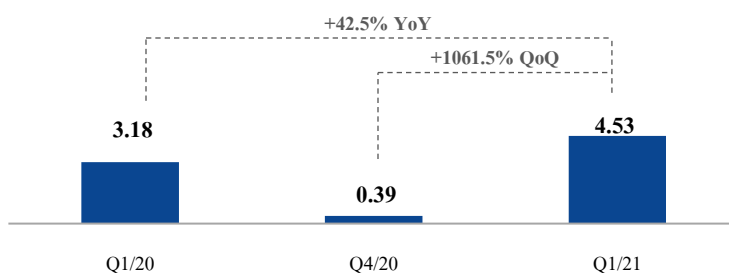
Q1/2021 vs Q4/2020 (QoQ)

In Q1/2021, the Company recorded Operating Revenue of Baht 184.82 million, increased by Baht 2.00 million or 1.1% mainly due to:

- **Revenue from Gravure Printing:** increased by 1.2% mainly due to the strong growth of both existing and new customers, in which Food, Cosmetics, Household and Healthcare product Industries contributed to most of the revenue increase. In addition, the Company has also benefitted from the continuous introduction of new products and new marketing campaigns launched in each industry.
- **Revenue from Digital Printing:** slightly decreased by 2.1% or Baht 0.10 million. The Company has continuously acquired several new projects and new customers, however, the average amount per order has decreased. As a result, there was a slight decrease in total value compared to the previous quarter.
- **Revenue from Other Sales:** increased by 2.1% mainly from the revenue from Gravure Cylinder which increased by 1.3% due to the higher number of orders corresponding to the increase in sales from Gravure Printing. In addition, revenue from Stretch Film increased by 7.1% due to the higher number of new customers.

02 Other Income

Unit: Million Baht

**Q1/2021 vs Q1/2020 (YoY)**

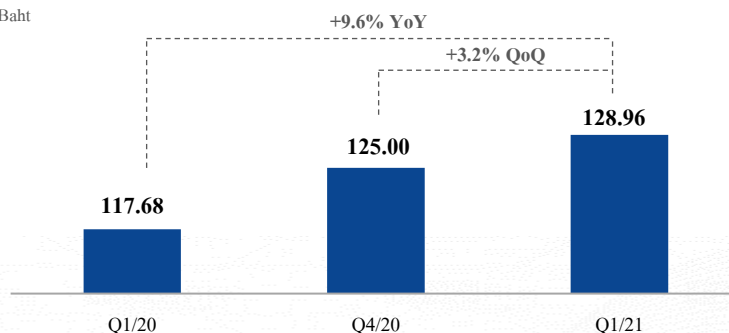
In Q1/2021, the Company recorded other income of Baht 4.53 million, increased by Baht 1.35 million or 42.5% due to the recognition of profit from Mark-to-Market settlement of the Forward Contract in which the Company made to hedge against risk of currency fluctuation.

Q1/2021 vs Q4/2020 (QoQ)

In Q1/2021, the Company recorded other income of Baht 4.53 million, increased by Baht 4.14 million or 1061.5% due to the recognition of gain on foreign exchange rate from Mark-to-Market settlement of the Forward Contract in which the Company made to hedge against risk of currency fluctuation. In addition, the Company also reversed the loss on foreign exchange rate from Mark-to-Market settlement in the last quarter to profit in Q1/2021.

03 Cost of Sale of Goods

Unit: Million Baht



Q1/2021 vs Q1/2020 (YoY)

In Q1/2021, the Company recorded cost of sale of goods of Baht 128.96 million, increased by Baht 11.28 million or 9.6% mainly due to the increase of raw material drawdown and the compensation of production workers, which vary in accordance with the increase in production volume and higher sales. Moreover, the Company also has higher cost of sales from Stretch Film which is in line with the higher sales.

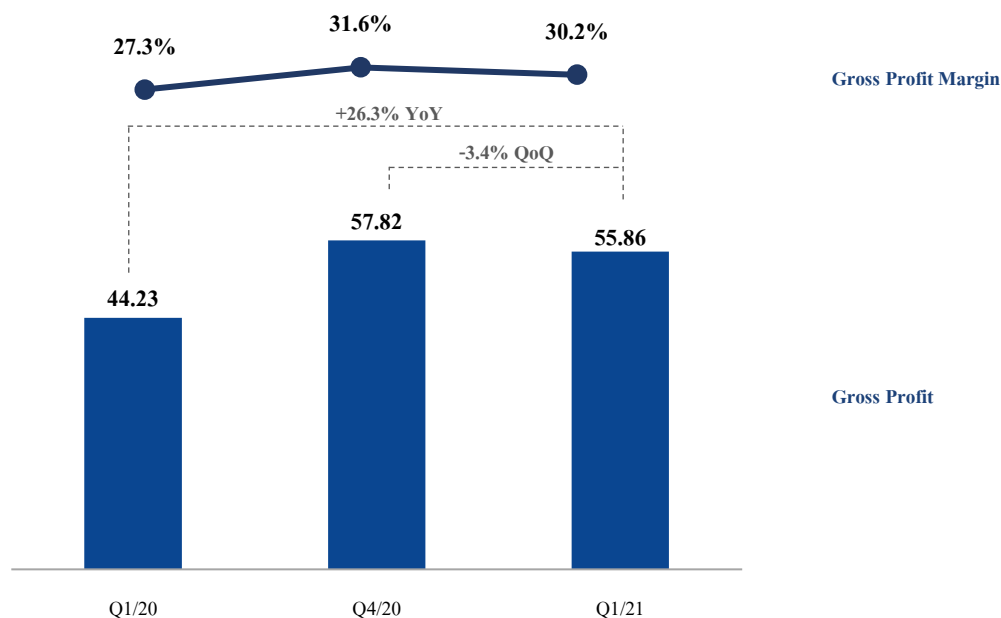
Q1/2021 vs Q4/2020 (QoQ)

In Q1/2021, the Company recorded cost of sale of goods of Baht 128.96 million, increased by Baht 3.96 million or 3.2% mainly due to the increase of raw material drawdown and the compensation of production workers, which vary in accordance with the increase in production volume and higher sales.

04

Gross Profit and Gross Profit Margin

Unit: Million Baht, %

**Q1/2021 vs Q1/2020 (YoY)**

Gross Profit: In Q1/2021, the Company recorded gross profit of Baht 55.86 million, increased by Baht 11.63 million or 26.3% due to the significant increase in sales volume, allowing the Company to benefit from economies of scale, and the efficient cost management. In addition, the Company invested in implementing a Solar Rooftop in Q2/2020 which allowed the Company to benefit from saving electricity costs.

Gross Profit Margin: Gross Profit Margin was 30.2%, improved from 27.3% in Q1/2020 due to the higher sales, the efficient cost management and economies of scale. As a result, the cost ratio of the Company is lower than 70%.

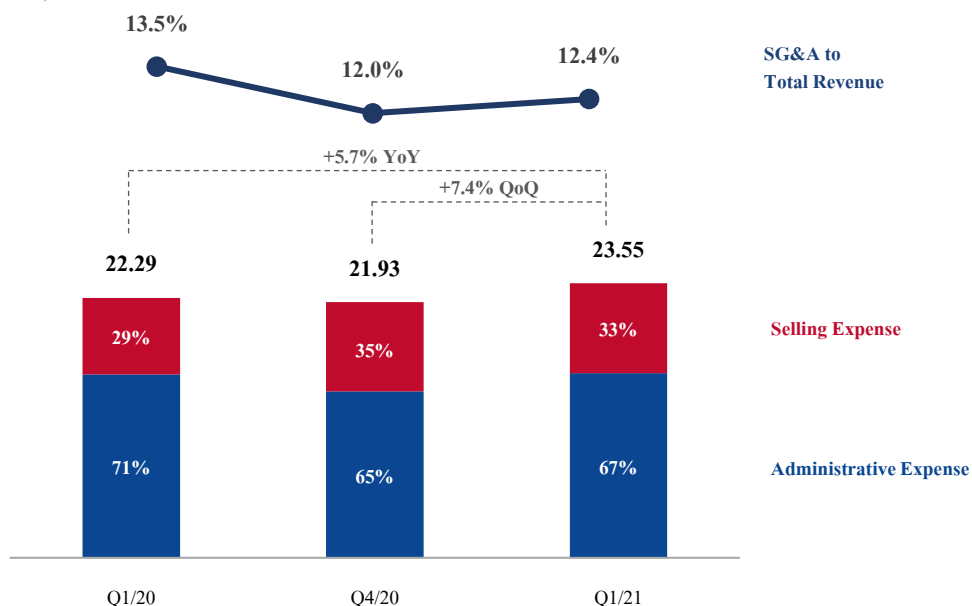
Q1/2021 vs Q4/2020 (QoQ)

Gross Profit: In Q1/2021, the Company recorded gross profit of Baht 55.86 million, decreased by Baht 1.96 million or 3.4% which was in accordance with the production process in order to achieve the quality that customers satisfied. The Company was able to operate with Gross Profit Margin of 30.2%.

Gross Profit Margin: Gross Profit Margin was 30.2%, decreased from 31.6% in Q4/2020 due to the factors mentioned above.

05**Selling, General and Administrative Expenses**

Unit: Million Baht, %

**Q1/2021 vs Q1/2020 (YoY)**

SG&A: In Q1/2021, the Company recorded selling, general and administrative expenses of Baht 23.55 million, increased by Baht 1.26 million or 5.7% due to the increase in commission cost of selling products which vary in accordance with the higher sales and a slight increase of administrative expense, especially employee compensation.

SG&A to Total Revenue: The percentage of selling, general and administrative expenses to total revenue was 12.4%, improved from 13.5% in Q1/2020 due to higher sales and the efficient cost management.

Q1/2021 vs Q4/2020 (QoQ)

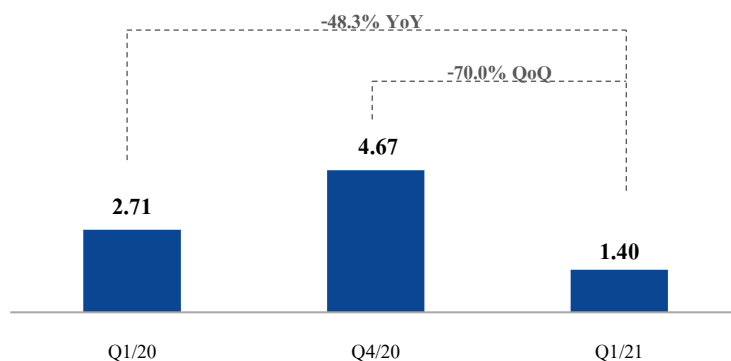
SG&A: In Q1/2021, the Company recorded selling, general and administrative expenses of Baht 23.55 million, increased by Baht 1.62 million or 7.4% due to the higher commission cost of selling products, employee compensation, estimated annual bonus compensation, Legal Advisor fee and Public Relations (PR) expenses.

SG&A to Total Revenue: The percentage of selling, general and administrative expenses to total revenue was 12.4%, increased from 12.0% in Q4/2020 as a result of the Company's maintenance cost after listed in Stock Exchange of Thailand (SET) such as Financial Advisor fee, Legal Advisor fee and Public Relation (PR) expenses.

06

Financial Expense

Unit: Million Baht

Q1/2021 vs Q1/2020 (YoY)

In Q1/2021, the Company recorded financial expense of Baht 1.40 million, decreased by Baht 1.31 million or 48.3% from the Company's loan repayment to financial institutions.

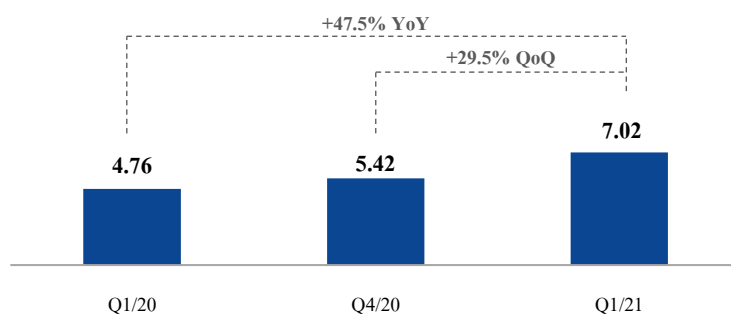
Q1/2021 vs Q4/2020 (QoQ)

In Q1/2021, the Company recorded financial expense of Baht 1.40 million, decreased by Baht 3.27 million or 70.0% from the Company's loan repayment to financial institutions.

07

Tax Expense (Income)

Unit: Million Baht

Q1/2021 vs Q1/2020 (YoY)

In Q1/2021, the Company recorded tax expense of Baht 7.02 million, increased by Baht 2.26 million or 47.5% mainly due to the increase in profit before tax which resulted in the higher income tax expense.

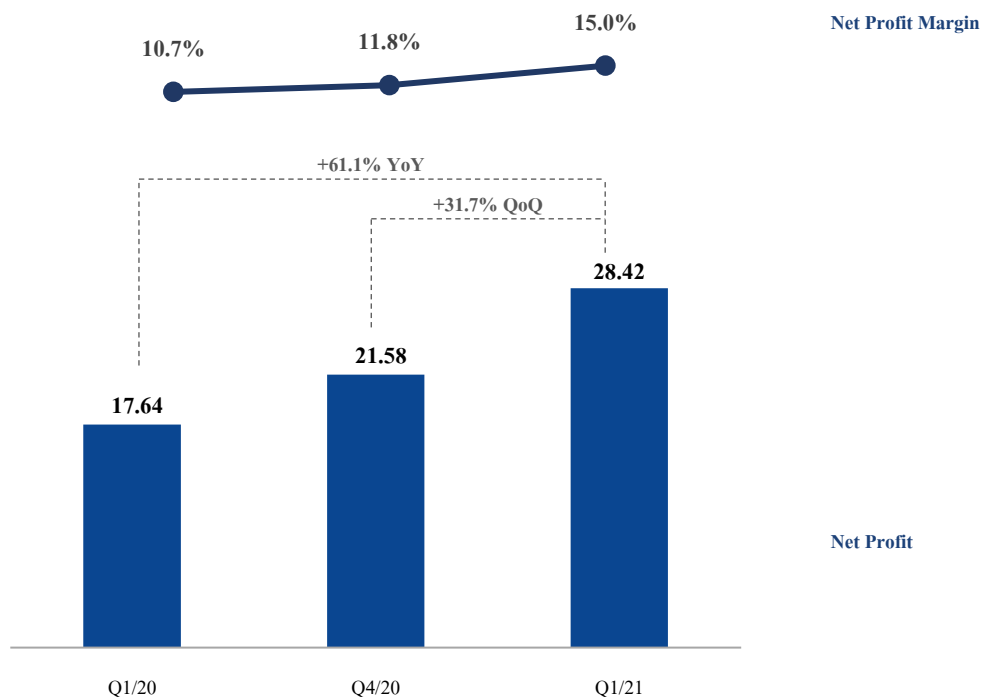
Q1/2021 vs Q4/2020 (QoQ)

In Q1/2021, the Company recorded tax expense of Baht 7.02 million, increased by Baht 1.60 million or 29.5% mainly due to the increase in profit before tax which resulted in the higher income tax expense.

08

Net Profit and Net Profit Margin

Unit: Million Baht, %

**Q1/2021 vs Q1/2020 (YoY)**

Net Profit: In Q1/2021, the Company recorded Net Profit of Baht 28.42 million, increased by Baht 10.78 million or 61.1% mainly due to the significant increase in sales volume and the efficient cost management.

Net Profit Margin: Net profit Margin was 15.0%, improved from 10.7% in Q1/2020 mainly due to the higher revenue and the efficient cost management.

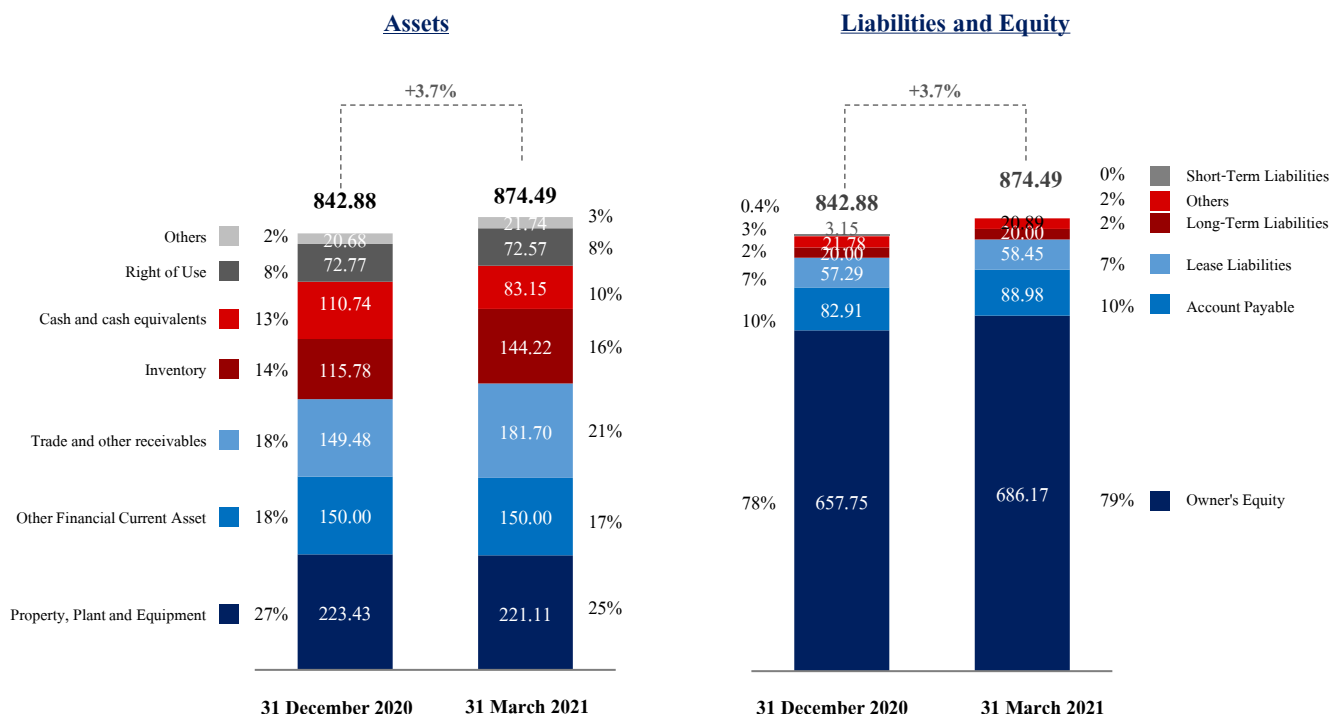
Q1/2021 vs Q4/2020 (QoQ)

Net Profit: In Q1/2021, the Company recorded Net Profit of Baht 28.42 million, increased by Baht 6.84 million or 31.7% mainly due to the significant increase of sales volume and the lower finance cost, as well as the reversal of loss on foreign exchange rate from Mark-to-Market settlement in the last quarter.

Net Profit Margin: Net Profit Margin was 15.0%, increased from 11.8% in Q4/2020 mainly due to the higher revenue and the lower finance cost.

Statement of Financial Position

Unit: Million Baht, %



Total Assets

As of 31 March 2021, the total assets of the Company was Baht 874.49 million, increased by Baht 31.61 million or 3.8% from 31 December 2020. The significant changes are as follows:

- **Inventory:** increased due to the higher purchase of raw materials to support customer's orders and to support the 'Line 5' printing machine
- **Trade and other receivables:** increased due to the deposit for the new machine
- **Cash and cash equivalents:** decreased due to the payment of raw materials
- **Property, Plant and Equipment:** decreased due to the depreciation cost

Total Liabilities

As of 31 March 2021, the total liabilities of the Company was Baht 188.32 million, increased by Baht 3.19 million or 1.72% from 31 December 2020. The significant changes are as follows:

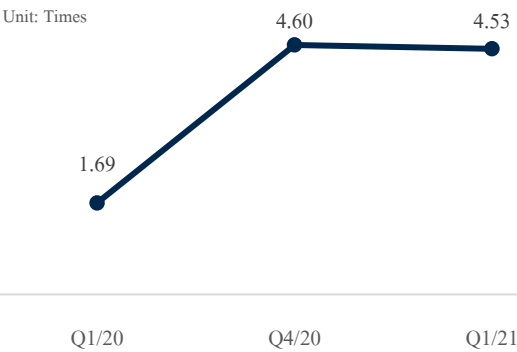
- **Account Payable:** increased due to the increase in production volume resulted in higher demands to purchase raw materials
- **Lease Liabilities:** increased due to the additional warehouse rental to support the new production line expansion of the Company
- **Others:** increased due to the higher corporate income tax in accordance with the Company's operating results and the increase in employee benefits according to the assessment
- **Long-term and Short-term Liabilities:** decreased due to the advanced repayment of the institutional loans

Total Shareholders' Equity

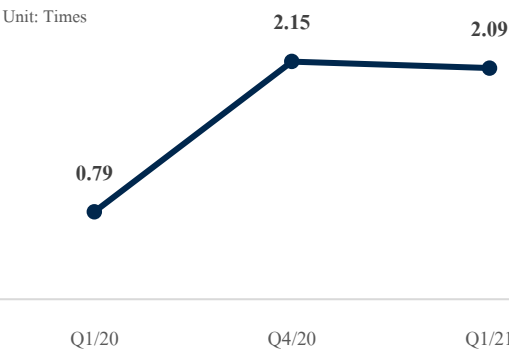
As of 31 March 2021, the total shareholder's equity of the Company was Baht 686.17 million, increased by Baht 28.42 million or 4.32% from 31 December 2020. This was mainly due to the increase in operating profit.

Key Financial Ratios

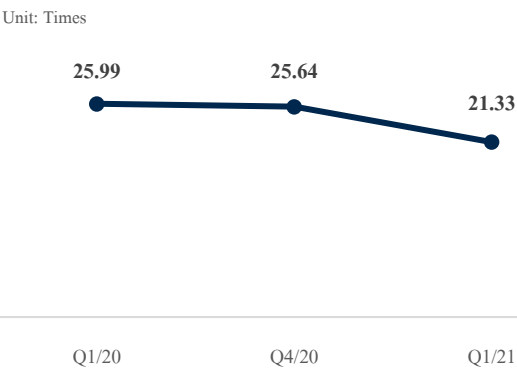
Current Ratio



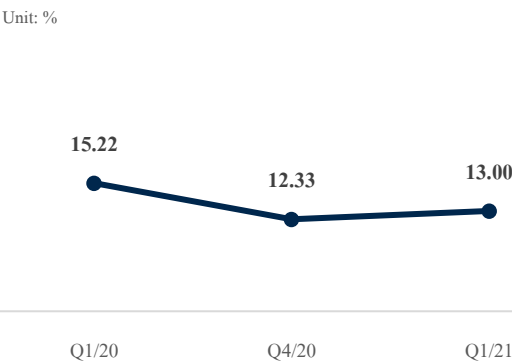
Quick Ratio



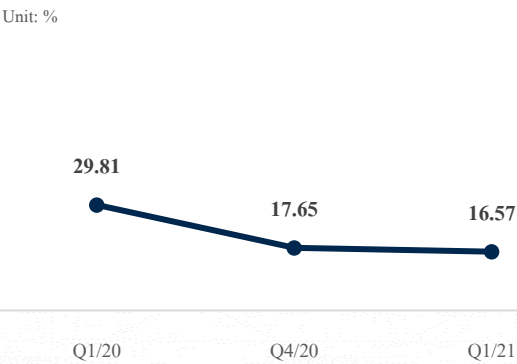
Inventory Turnover



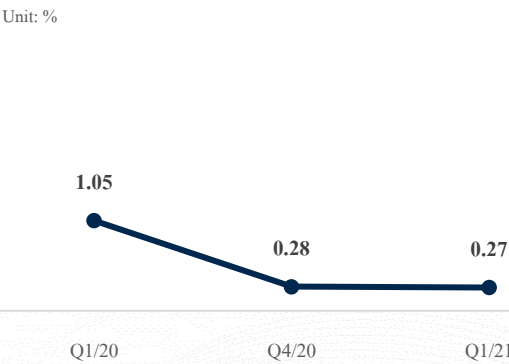
ROA



ROE



D/E Ratio



Authorized Information Agent

Mr. Sung Cheong Tsoi
(Chief Executive Officer)

IR Contact:

Ms. Alissaya Tsoi
(+66) 3854 0000
sft-ir@shrinkflexthailand.com

Disclaimer:

The information contained herein is intended to represent the Company's operating and financial position at a given point in time and may also contain forward looking information which only reflects expectations based on the prevailing geo-political, economic and non-controllable factors. Such information has been obtained from sources believed to be most reliable and the means in analyzing and preparation of such information for disclosure are based on approve practices and principles in the investment industry. The views are based on assumption subject to various risks and uncertainties and no assurance is made as to whether such future events will occur. No assurance is made as to the accuracy or completeness of information presented in this document.