

SHRINKflex

Shrinkflex (Thailand) PCL.

Management Discussion & Analysis (MD&A)

Q1/2024



Executive Summary

Significant Events

Financial Analysis

Executive Summary

Operating Highlights	Q1/2023	Q4/2023	Q1/2024	Change	
				%YoY	%QoQ
(Unit: Million Baht)					
Operating revenue	232.45	223.76	240.07	+3.3%	+7.3%
Gross Profit	33.94	41.11	39.96	+17.7%	-2.8%
EBITDA	18.73	26.88	27.31	+45.8%	+1.6%
Net Profit (loss)	3.33	6.07	6.48	+94.6%	+6.8%
Gross Profit Margin (%)	14.6%	18.4%	16.7%	+2.0%	-1.7%
EBITDA Margin (%)	8.0%	12.0%	11.2%	+3.2%	-0.8%
Net Profit Margin (%)	1.4%	2.7%	2.6%	+1.2%	-0.1%

Note: There may be deviations in numbers due to decimal rounding

In Q1/2027, Shrinkflex Thailand Public Company Limited (SFT) (“the Company”) revenue was Baht 240.07 million, increased by Baht 7.62 million or 3.3%, while the Company’s profit was at Baht 6.48 million, increased by Baht 3.15 million or 94.6% compared to Q1/2023 respectively. This growth was primarily driven by the increase in customer orders, especially from Gravure printing, and the ability of the Company to manage the selling expenses efficiently, lowering the cost per unit from the increase in production volume and lowering the cost of raw materials. In addition, the Company has also managed to lower the electricity cost per unit by investing in solar rooftop which have been implemented to generate electricity for factory use. In 2024, the Company is committed to a sustainable business growth, giving high importance to activities that emphasizes on environmental awareness. The Company plans to develop 2 new Green packaging products that combines innovation and technology in product design to add value to product labels to meet the needs of today's customers, as well as to increase the competitiveness and add value to the Company in the long run.

Q1/2566 vs Q1/2565 (YoY)

- In Q1/2024, the Company recorded Operating Revenue of Baht 240.07 million, increased by Baht 7.62 million or 3.3% from Q1/2023 mainly due to the increase in revenue especially from Gravure printing corresponding to the increase in sales from customers in the Cosmetic and Food industries. In addition, the Company has begun to realized revenue from Green Shrink Label during the quarter.
- Gross Profit Margin was 16.7% in Q1/2024, increased from 14.6% in Q1/2023 mainly due to the decrease in cost per unit from the increase in production volume resulting in economies of scale and the decrease in cost of raw materials. In addition, the Company has managed to lower the electricity cost per unit by investing in solar rooftops which have been implemented to generate electricity for factory use.
- Net profit was Baht 6.48 million in Q1/2024, increased from Baht 3.15 million or 94.6% in Q1/2023 mainly due to increase in operating revenue, especially from Gravure printing. As well as the decrease in cost per unit due to the increase in production volume and the decrease in cost of raw materials compared to the same period last year, resulting in economies of scale. In addition, the Company has managed to lower the electricity cost per unit by investing in solar rooftops which have been implemented to generate electricity for factory use.

Q1/2024 vs Q4/2023 (QoQ)

- In the Q1/2024, the Company recorded Operating Revenue of Baht 240.07 million, increased by Baht 16.31 million or 7.3% from Q4/2023, mainly due to the increase in revenue from Gravure printing corresponding to the increase in sales from customers from all industries, while customers from the Beverage and Household industry has displayed significant growth. In addition, the Company has begun to realized revenue from Green Shrink Label during the quarter.
- Gross Profit margin was 16.7% in Q1/2024, decreased from 18.4% in Q4/2023. Although the sales revenue has increased, the rate of increase is slightly lower than the rate of cost of sales related to the business expansion to support growth, including higher production employee wages from the annual wage adjustments and the increase in overtime expenses to ensure that the higher production volume are delivered to customers according to the schedule.
- Net profit was Baht 6.48 million in Q1/2024, slightly increased by Baht 0.41 million or 6.8% from Q4/2023 mainly due to the sales growth in every product groups as well as the increase in revenue from other income. In addition, the Company has also recognized a gain from foreign exchange (Mark to Market) from forward foreign exchange contracts.

Significant Event

The Company Supports Employees in Creating Public Consciousness

On January 3, 2024, the Company organized a volunteer activity under “Improving, repairing and maintaining bathrooms at Wat Bamrung Thammarat Satharam” (Lang Temple), Bang Pakong Subdistrict, Chachoengsao Province. This project involved cleaning, repairing, rebuilding deteriorated bathroom sections. In addition, the Company and employees also brought in necessary materials and equipment to present to the abbot, such as bathroom doors, toilet lids, clothes racks, and plastic water bowls, bathroom cleaning brush and bathroom cleaner.

This activity aims to promote and create public consciousness among employees in the Company, as well as to provide benefit to monks and the general public.



Becoming a Leader in Sustainable Business Operator by Developing Environmentally Friendly Products

In the first quarter of 2023, the Company continues to develop new alternatives for flexible packaging by further developing the Mono Material Pouch product that is environmentally friendly (Green packaging) and is 100% recyclable to support the circular economy trend both domestically and globally.

During 2024, the Company plans to launch two new environmentally friendly products: 1) rPET (R-PET), a film containing plastic that has already been used by consumers (PCR) and 2) POF (Polyolefin Shrink Film) which can be recycled along with PE bottles after use without separating the labels from the bottles. New innovations and technology will be applied in order to develop these 2 new products. This will help increase the value of the label products, as well as increasing the competitiveness of the Company.



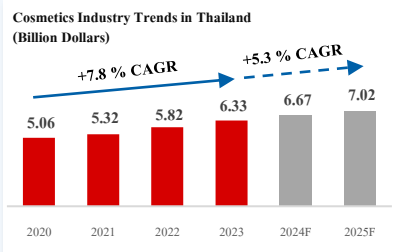
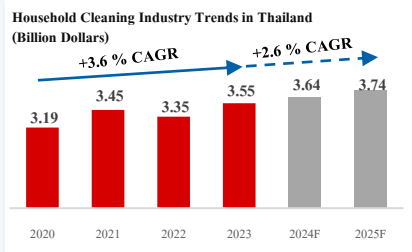
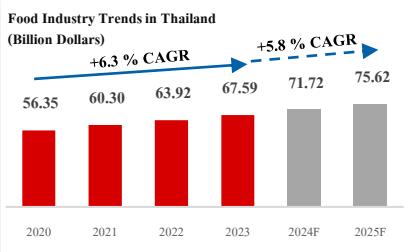
Organized an Open House Activity to Share Knowledge to the Society

On March 15 and 26, the Company have organized an Open House Activity to faculty members and students of the Faculty of Management Sciences from the Rambhai Barni Rajabhat University and Faculty of Agro-industry from the Prince of Songkla University by giving a lecture on packaging knowledge – innovative packaging for the environment. In addition, this provided an opportunity for faculty members and students to visit the factory to study the production process of the packaging.

By organizing this activity, the Company aims the enhance the social participation of the Company towards the external public, building new knowledge to students, as well as embedding the sustainability concept among the new generation.



Industry Trends in Thailand



Source: Statista

Forecast of the Thai Food industry between 2020-2025

Food products has been showing a continuous growth trend, with market value of 56.35 Billion Dollars in 2020, and compound annual growth rate between 2023-25 is forecasted to be 5.8%, supported mainly by the domestic consumption demand for carbohydrates, meat, and snacks, as well as the increase in export activities to international markets.

Forecast of the Thai Household cleaning industry between 2020-2025

Household products had a market value of 3.19 Billion Dollars in 2020, with the forecasted compound annual growth rate of 2.6% between 2023-25, supported mainly by expansion of the domestic economy, as well as the aging society and the post-COVID-19 trends resulting in people to be more aware of household cleaning.

Forecasting the Thai Beauty and Personal Care industry between 2020-2025

Beauty and Personal Care Products has shown a continuous recovery, in which in 2020, the market value was at 5.06 Billion Dollars, while the compound annual growth rate is forecasted to be 5.3% between 2023-25. This growth is supported by the increase in interest to improve personality, beauty and image of individuals. This trend has driven the demand of beauty and personal care products both domestically and internationally, resulting in a hand-in-hand growth of the Company to support the growth of the cosmetic industry as well as the above-mentioned industries.

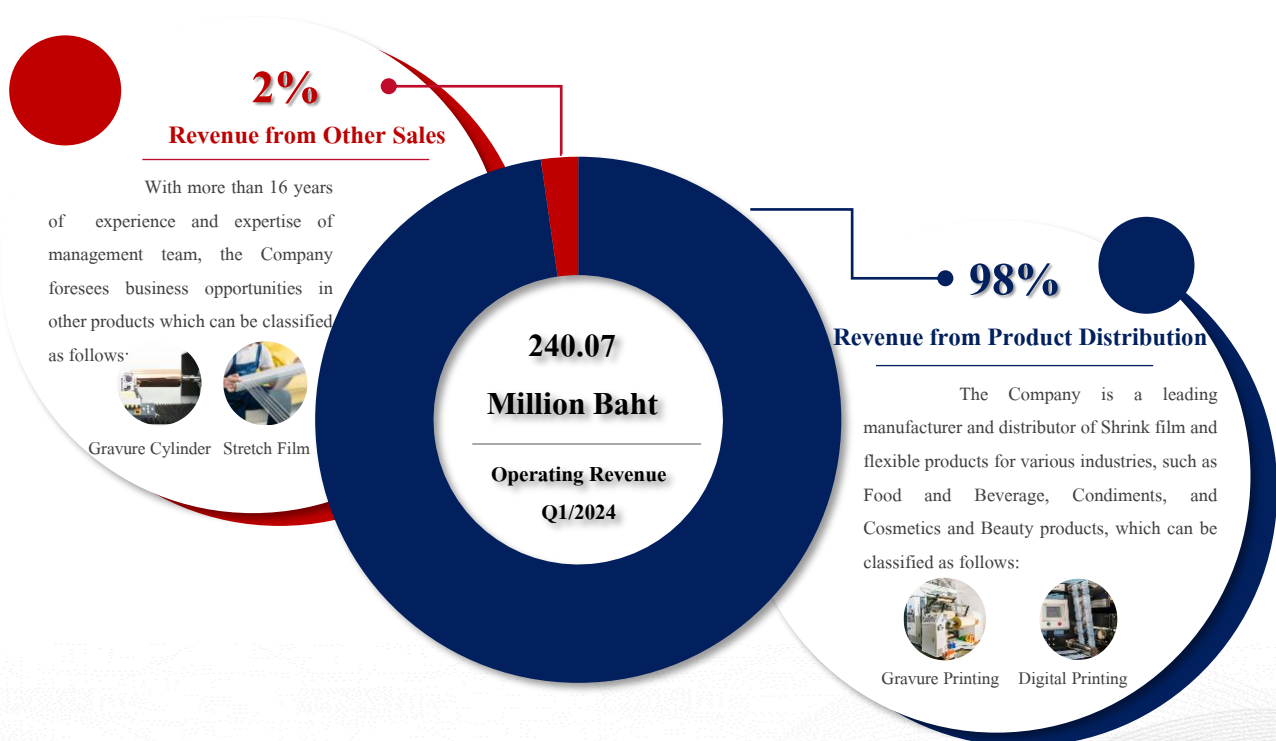
Source: Krungsri, Thaipublica and Marketeer

Overall Operating Results

Overall Operating Results	Q1/2023	Q4/2023	Q1/2024	Change	
(Unit: Million Baht)				%YoY	%QoQ
Revenue from product distribution	224.82	218.67	234.10	+4.1%	+7.1%
Revenue from other sales	7.63	5.09	5.97	-21.8%	+17.3%
Operating Revenue	232.45	223.76	240.07	+3.3%	+7.3%
Cost of sale of goods	198.51	182.65	200.11	+0.8%	+9.6%
Gross profit	33.94	41.11	39.96	+17.7%	-2.8%
Other income	1.97	0.60	3.10	+57.4%	+416.7%
Selling and distribution expenses	9.85	9.41	10.08	+2.3%	+7.1%
Administrative expenses	20.40	22.84	22.80	+11.8%	-0.2%
Finance costs	1.55	2.28	2.10	+35.5%	-7.9%
Profit before income tax expenses	4.11	7.18	8.08	+96.6%	+12.5%
Other expenses (reversal)	0.78	1.41	1.60	+105.1%	+13.5%
Net profit (loss)	3.33	6.07	6.48	+94.6%	+6.8%

Note: There may be deviations in numbers due to decimal rounding

Operating Revenue Structure



Business Overview By Category

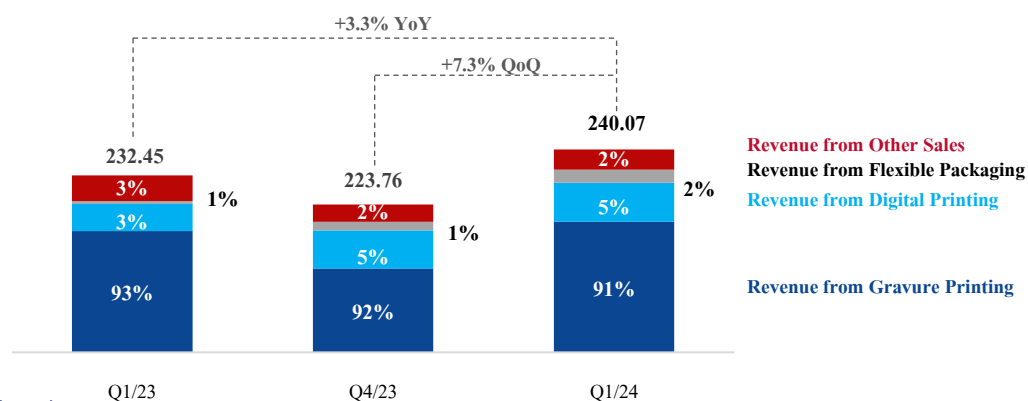
Revenue Structure	Q1/2023	Q4/2023	Q1/2024	Change	
				%YoY	%QoQ
(Unit: Million Baht)					
Revenue from Product Distribution					
Revenue from Gravure Printing	215.95	204.82	218.70	+1.3%	+6.8%
Revenue from Digital Printing	8.04	11.29	11.56	+43.8%	+2.4%
Revenue from Flexible Packaging	0.83	2.56	3.84	+362.7%	+50.0%
Total Revenue from Product Distribution	224.82	218.67	234.10	+4.1%	+7.1%
Revenue from Other Sales					
Revenue from selling Printing Cylinders	6.77	4.40	5.05	-25.4%	+14.8%
Revenue from selling Stretch Film	0.86	0.69	0.92	+7.0%	+33.3%
Total Revenue from Other Sales	7.63	5.09	5.97	-21.8%	+17.3%
Total Operating Revenue	232.45	223.76	240.07	+3.3%	+7.3%
Other Income	1.97	0.60	3.10	+57.4%	+416.7%
Total Revenue	234.42	224.36	243.17	+3.7%	+8.4%

Note: There may be deviations in numbers due to decimal rounding.

01

Operating Revenue

Unit: Million Baht, %



Q1/2024 vs Q1/2023 (YoY)

In Q1/2024, the Company recorded Operating Revenue of Baht 240.07 million, increased by Baht 7.62 million or 3.3% from Q1/2023 due to the following reasons:

- **Revenue from Gravure Printing:** was Baht 218.70 million, increased by Baht 2.75 million or 1.3% as the result of the increase in orders compared to the same period last year, mainly due to the sales growth from customers in the cosmetic and food industry. In addition, the Company has started to realize revenue from the new green shrink label product segment, which grew in line with the needs of today's customer groups who place importance on the environment.
- **Revenue from Digital Printing:** was Baht 11.56 million, increased by Baht 3.52 million or 43.8% mainly due to the sales growth from existing customers in the cosmetic, food, and household product industries.
- **Revenue from Flexible Packaging:** was Baht 3.84 million, increased by Baht 3.01 million or 362.7% mainly from the increase in sales of new products and the continuous increase in orders from customers across all industries.
- **Revenue from Other Sales:** was Baht 5.97 million, decreased by Baht 1.66 million or 21.8%, mainly due to the decrease in revenue from sales of Gravure Cylinders by 25.4%. Although Gravure Printing revenue increased due to repeat and new orders, the sales of Gravure Cylinders decreased due to the increased in production volume per cylinder. Meanwhile, the revenue from Stretch Film sales increased by 7.0% mainly due to the repeated orders of existing customers.

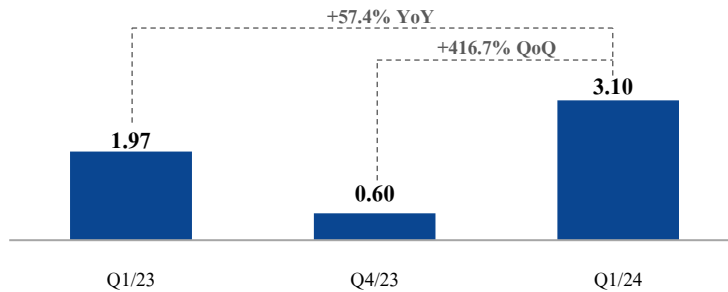
Q1/2024 vs Q4/2023 (QoQ)

In Q1/2024, the Company recorded Operating Revenue of Baht 240.07 million, increased by Baht 16.31 million or 7.3% from Q4/2023 due to the following reasons:

- **Revenue from Gravure Printing:** was Baht 218.70 million, increased by Baht 13.88 million or 6.8% due to the increase in orders compared to the previous quarter, driven by the growth in all industries especially the beverage and household products industries which has displayed significant growth. In addition, the Company has started to realize revenue from the new green shrink label product segment, which grew in line with the needs of today's customer groups who place importance on the environment.
- **Revenue from Digital Printing:** was Baht 11.56 million, increased by Baht 0.27 million or 2.4 %, mainly due to higher volumes per order from the cosmetic industry.
- **Revenue from Flexible Packaging:** was Baht 3.84 million, increased by Baht 1.28 million or 130.6% mainly from the increase in sales of new products and the continuous increase in orders from customers across all industries.
- **Revenue from Other Sales:** was Baht 5.97 million, increased by Baht 0.88 million or 17.3%, mainly due to the increase in revenue from Gravure Cylinder which increased by 14.8%, corresponding to the increase in sales of the Gravure Printing, while revenue from Stretch Film increased by 33.3% mainly due to the repeated orders of existing customers.

02 Other Income

Unit: Million Baht



Q1/2024 vs Q1/2023 (YoY)

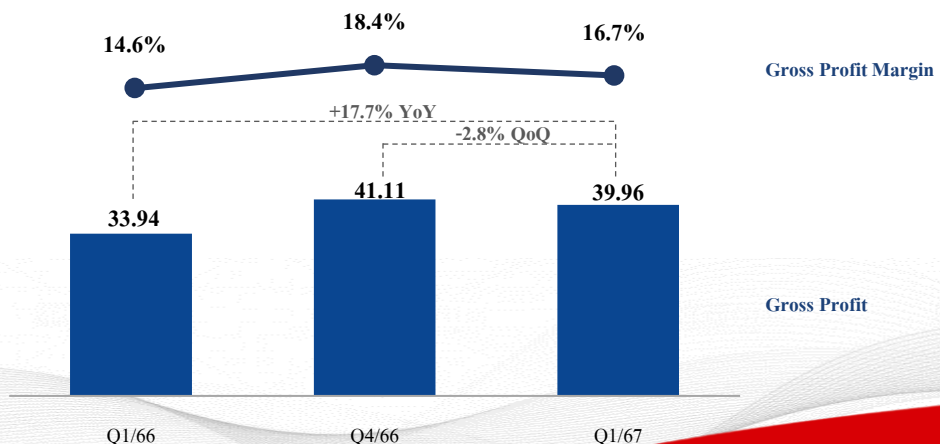
In Q1/2024, the Company recorded other income of Baht 3.10 million, increased by Baht 1.13 million or 57.4% from Q1/2023 due to recognition of mark to market gain from forward foreign exchange contracts that the Company has entered to hedge against currency fluctuations

Q1/2024 vs Q4/2023 (QoQ)

In Q1/2024, the Company recorded other income of Baht 3.10 million, increased by Baht 2.50 million or 416.7% from Q4/2023 due to recognition of mark to market gain from forward foreign exchange contracts that the Company has entered to hedge against currency fluctuations.

03 Gross Profit and Gross Profit Margin

Unit: Million Baht,%



Q1/2024 vs Q1/2023 (YoY)

Gross Profit: In Q1/2024, the Company recorded gross profit of Baht 39.96 million, increased by Baht 6.02 million or 17.7% from Q1/2023 corresponding to the increase in an operating revenue, especially from Gravure printing.

Gross Profit Margin: Gross Profit Margin was 16.7%, increased from 14.6% in Q1/2023 mainly due to the increase in production volumes which allowed the Company to benefit from economies of scale, and the lower costs of raw materials. In addition, the electricity cost per unit also decreased from solar rooftopss which have been implemented to generate electricity for factory use.

Q1/2024 vs Q4/2023 (QoQ)

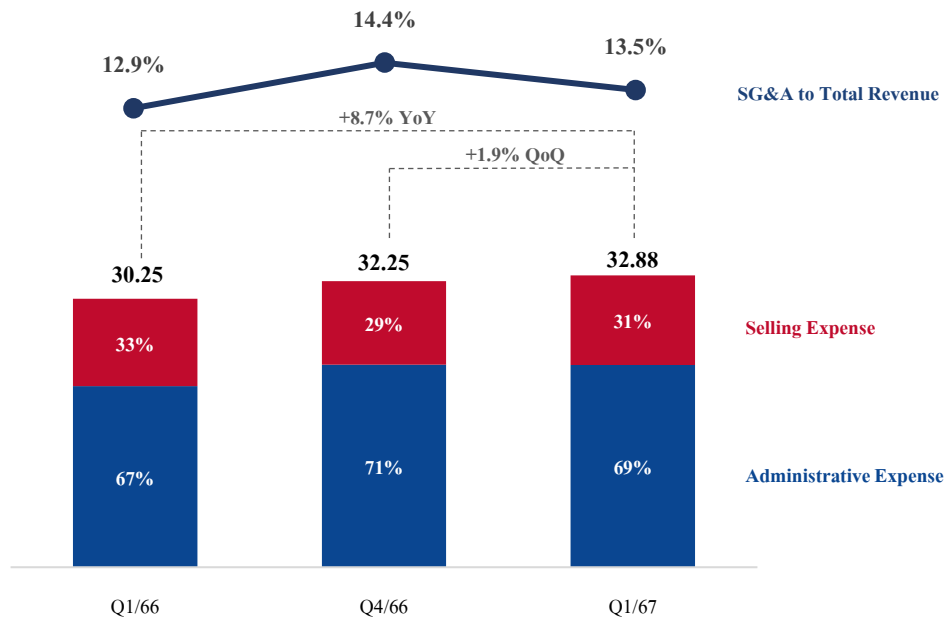
Gross Profit: In Q1/2024, the Company recorded gross profit of Baht 39.96 million, slightly decreased by Baht 1.15 million or 2.8% from Q4/2023 mainly due to the increase in expenses related to the business expansion to support growth, including the increase in production employee wages due to annual revenue adjustments and the increase in overtime expenses to ensure that the higher production volume are delivered to customers according to the schedule.

Gross Profit Margin: Gross Profit Margin was 16.7%, decreased from 18.4% in Q4/2023. Although the sales revenue has increased, the rate of increase is lower than the increase in cost mainly due to the costs related to the business expansion to support business growth, including the increase in production employee wages due to annual revenue adjustments and the increase in overtime expenses to ensure that the higher production volume are delivered to customers according to the schedule.

04

Selling, General and Administrative Expenses

Unit: Million Baht,%



Q1/2024 vs Q1/2023 (YoY)

SG&A: In Q1/2024, the Company recorded selling, general, and administrative expenses of Baht 32.88 million, increased by Baht 2.63 million or 8.7% from Q1/2023 mainly due to increase in expenses which fluctuated with the increase in sales. In addition, the administrative expenses related to production employees’ wages has also increased due to the annual revenue adjustment and the increase in number of employees to support business expansion. The Company has also recognized the depreciation of the new factory that started operation from Q2/2023.

SG&A to Total Revenue: The percentage of selling, general, and administrative expenses to total revenue was 13.5% increased from 12.9% in Q1/2023 due to the increase in administrative expenses including the annual wage adjustments of employees as well as the increase in number of employees to support business expansion. In addition, the Company has also recognized the depreciation from the operation of the new factory.

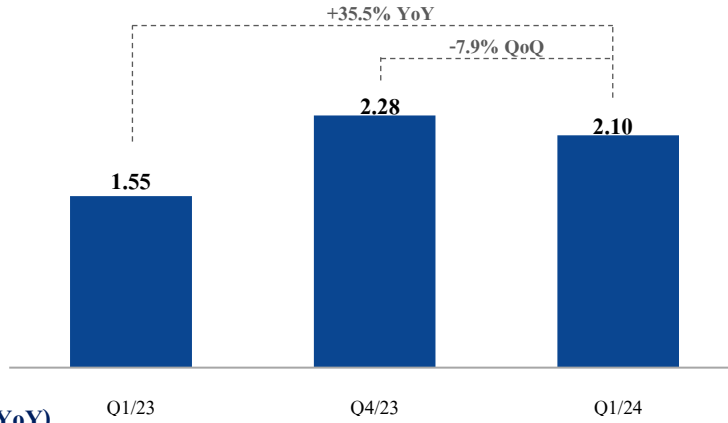
Q1/2024 vs Q4/2023 (QoQ)

SG&A: In Q1/2024, the Company recorded selling, general, and administrative expenses of Baht 32.88 million, increased by Baht 0.63 million or 1.9% from Q4/2023 mainly due to increase in expenses which fluctuated with the increase in sales. In addition, the administrative expenses related to production employees' wages has also increased due to the annual revenue adjustment, as well as the new year party expenses for the employees.

SG&A to Total Revenue: The percentage of selling, general, and administrative expenses to total revenue was 13.5%, improved from 14.4% in Q4/2023 due to an increased in revenue.

05 Financial Expense

Unit: Million Baht



Q1/2024 vs Q1/2023 (YoY)

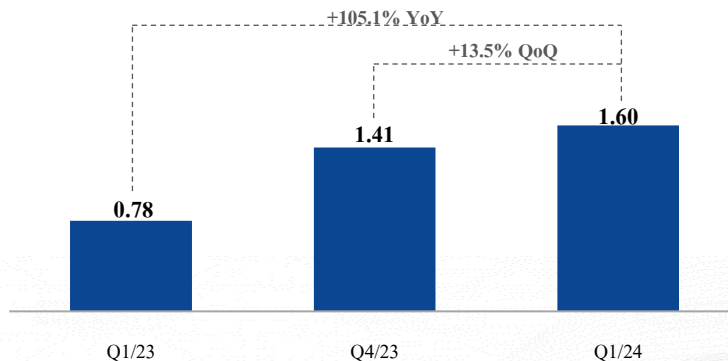
In Q1/2024, the Company recorded financial costs of Baht 2.10 million, increased from Q1/2023 of Baht 0.55 million or 35.5%. This was due to the increase in interest expenses on loans for the business expansion, resulting in the interest expenses on import loans for plastic film raw materials (Trust Receipt: T/R) and interest expenses on promissory notes (P/N) to increase.

Q1/2024 vs Q4/2023 (QoQ)

In Q1/2024, the Company recorded financial costs of Baht 2.10 million, decreased from Q4/2023 by Baht 0.18 million or 7.9%. This was due to the decrease in interest expenses on the short-term loans; from the decrease in interest expenses on promissory notes (P/N).

06 Tax Expense (Income)

Unit: Million Baht



Q1/2024 vs Q1/2023 (YoY)

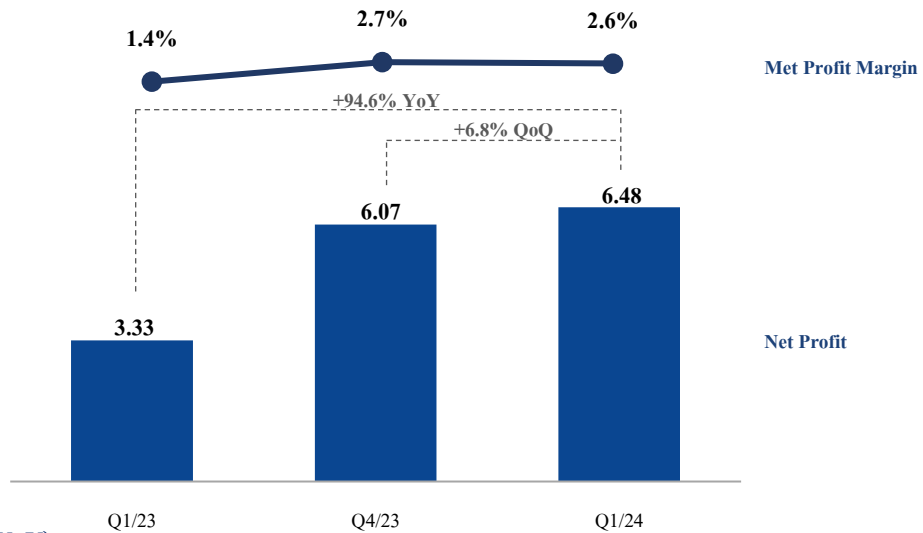
In Q1/2024, the Company recorded income tax expense of Baht 1.60 million, increased from Q1/2023 by Baht 0.82 million or 105.1% mainly due to the increase in operating profits compared to the same period last year, resulting in the increase in tax expenses.

Q1/2024 vs Q4/2023 (QoQ)

In Q1/2024, the Company recorded income tax expense of Baht 1.60 million, increased by Baht 0.19 million or 13.5% from Q4/2023 mainly due to the increase in operating profits compared to the previous quarter, resulting in the increase in tax expenses.

08 Net Profit and Net Profit Margin

Unit: Million Baht, %



Q1/2024 vs Q1/2023 (YoY)

Net profit: In Q1/2024, the Company recorded Net Profit of Baht 6.48 million, increased by Baht 3.15 million from Q1/2023 or 94.6%. The increase corresponded to the increase in revenue from higher sales volume, especially from Gravure and Digital printing. In addition, the cost per unit also decreased due to the increase in production volume and the lower costs of raw materials compared to last year, resulting in economies of scale. In addition, the Company has managed to lower the electricity cost per unit by investing in solar rooftops which have been implemented to generate electricity for factory use.

Net Profit Margin: Net profit margin rate was 2.7%, improved from 1.4% in Q1/2023 due to an increase in revenue from a higher sale volume, as well as the decrease in cost per unit due to the increased production volume and the lower costs of raw materials, resulting in economies of scale. The Company has also benefitted from the lower electricity cost per unit.

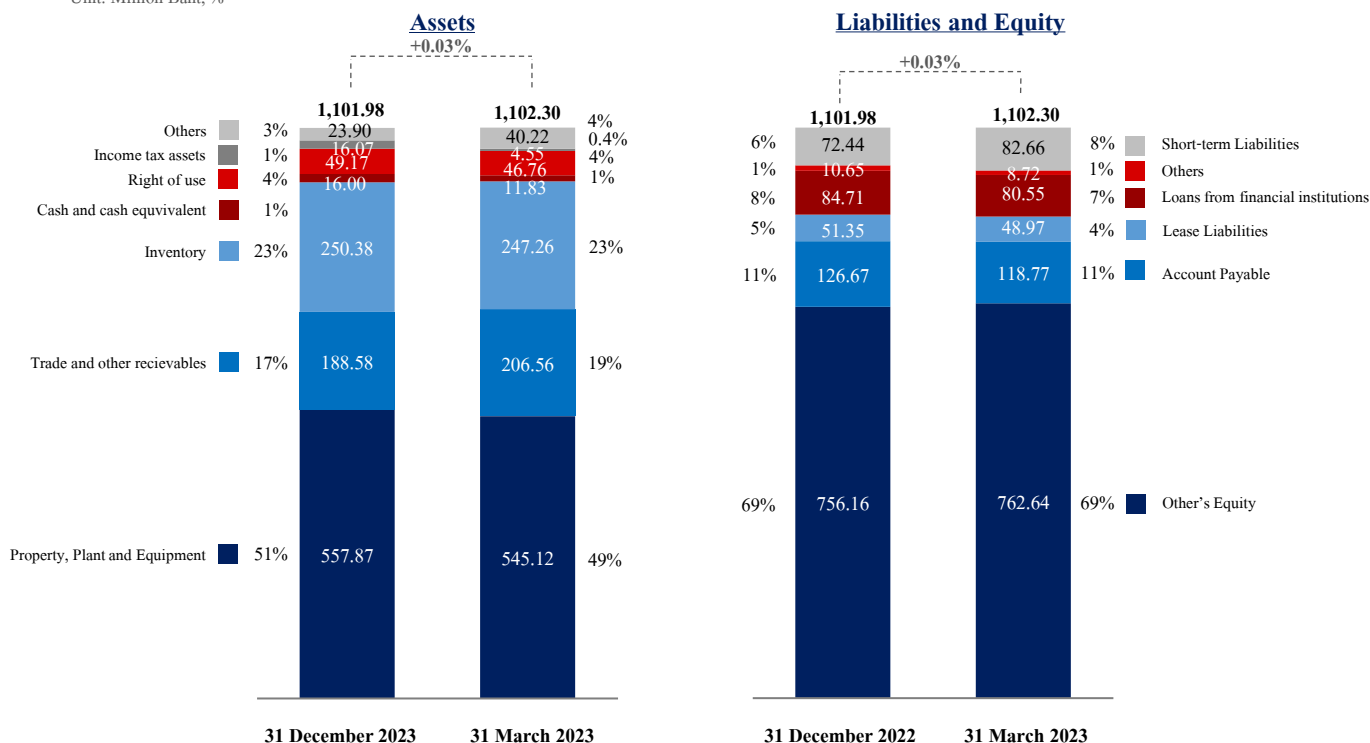
Q1/2024 vs Q4/2023 (QoQ)

Net profit: In Q1/2024, the Company recorded Net Profit of Baht 6.48 million, slightly increased by Baht 0.41 million in Q4/2023 or 6.8%, due to the increase in sales growth from every product group, as well as the increased in revenue from other income. In addition, the Company has also recognized a gain from foreign exchange (Mark to Market) from forward foreign exchange contracts.

Net profit margin: Net Profit Margin was 2.6%, slightly decreased from 2.7% in Q4/2023. Although the Company has experienced the increase in production costs, selling and administrative expenses attributed to higher employee wages following the annual revenue adjustment and the increase in expenses for the Company's New Year party, the Company has ensured efficient cost management enabling the Company to maintain profit at similar levels to the previous quarter.

Statement of Financial Position

Unit: Million Baht, %



Total Assets

As of 31 March 2024, the total assets of the Company was Baht 1,102.30 million, increased by Baht 0.33 million or 0.03% from 31 December 2023. The significant changes are as follows:

- **Cash and Cash Equivalents:** was Baht 11.83 million, decreased by Baht 4.18 million from settling the debt according to schedule.
- **Trade and other receivables:** was Baht 206.56 million, increased by Baht 17.98 million from the increase in sales volume.
- **Inventory:** was Baht 247.26 million, decreased by Baht 3.11 million from increased in sales during the quarter.
- **Other current assets:** was Baht 22.35 million, increased by Baht 5.57 million from the receivable of corporate income tax at the end of 2023 from the revenue department.
- **Property, Plant and Equipment:** was Baht 545.12 million, decreased by Baht 12.75 million from the depreciation of machinery and the new factory.

Total Liabilities

As of 31 March 2024, the total liabilities of the Company was Baht 339.67 million, decreased by Baht 6.15 million or 1.78% from 31 December 2023. The significant changes are as follows:

- **Account Payable:** was Baht 118.77 million, decreased by Baht 7.90 million, mainly due to the repayment of construction cost of the new factory.
- **Loans from financial institutions:** was Baht 82.66 million, increased by Baht 10.22 million due to the import loans for plastic film raw materials (Trust Receipt: T/R) and expenses on promissory notes (P/N) to support a business expansion.
- **Long-term Liabilities:** was Baht 80.55 million, decreased by Baht 4.16 million due to repayment of debt according to schedule.

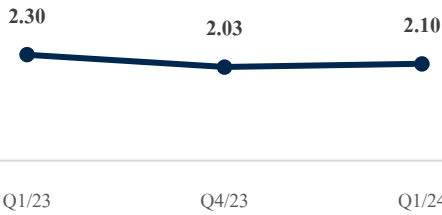
Total Shareholders' Equity

As of 31 March 2024, the total shareholder's equity of the Company was Baht 762.64 million, increased by Baht 6.48 million or 0.86% from 31 December 2023. This was mainly due to the increase in operating profits during the period.

Key Financial Ratios

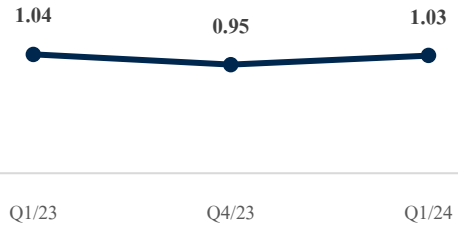
Current Ratio

Unit: Times



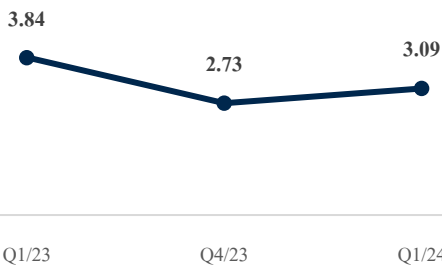
Quick Ratio

Unit: Times



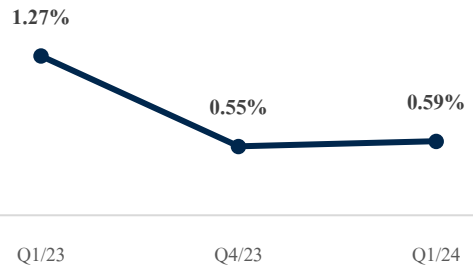
Inventory Turnover (FG)

Unit: Times



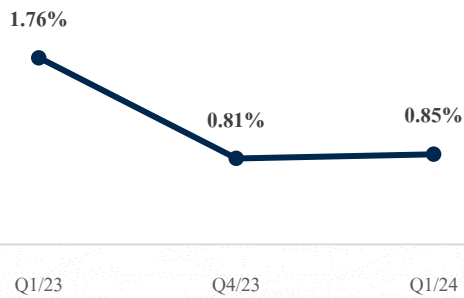
ROA

Unit: %



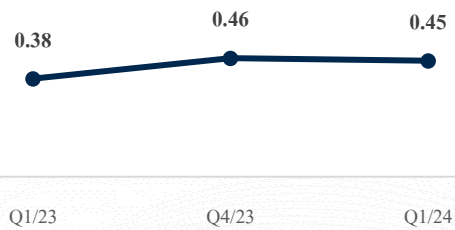
ROE

Unit: %



D/E Ratio

Unit: Times



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