

No. 1/2019

26 February 2019

Subject Clarification on the change in operating results over 20%

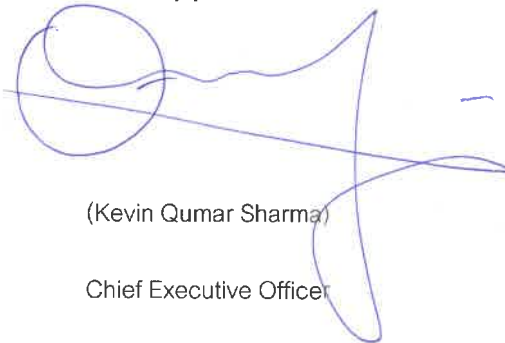
Attn The President

The Stock Exchange of Thailand

According to the resolution of TPAC's Board 1/2019 on February 26, 2019 has been approved the financial statements for year ended 31 December 2018. Thai Plaspac Public Company Limited and its subsidiaries would like to clarify on the change in operating results over 20% from prior year, in comparison between consolidated statement of comprehensive income for the year ended 31 December 2018 and consolidated statement of comprehensive income for the year ended 31 December 2017 as follows:

Revenues increase amounting to Baht 987.38 million, or equal to 61.8%, expenses increase amounting to Baht 1,023.43 million, or equal to 69.6%, and net profit decreases amounting to Baht 84.74 million, or equal to 78.9%, mainly due to the amalgamation between TPAC Packaging India Private Limited and Sunrise Containers Limited and the investment in Custom Pack Company Limited during the year.

Sincerely yours,



(Kevin Kumar Sharma)

Chief Executive Officer

**Thai Plaspac Public Company Limited**

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**THAI PLASPAC PUBLIC COMPANY LIMITED “TPAC”**

**Management Discussion and Analysis for Q4/2018 and Year Ending 31 December 2018**

**Consolidated Profit and Loss**

THB Million	2018	2017	% Δ
Sales	2,528.0	1,584.1	59.6%
Cost of sales	2,159.5	1,308.2	65.1%
<b>Gross Profit</b>	<b>368.5</b>	<b>275.9</b>	<b>33.5%</b>
<b>Gross Profit Margin %</b>	<b>14.6%</b>	<b>17.4%</b>	<b>-2.8%</b>
SG&A	335.0	163.0	105.6%
Other income	15.5	13.2	17.9%
Bargain purchase	41.2	0.0	N/A
<b>EBITDA</b>	<b>238.5</b>	<b>258.7</b>	<b>-7.8%</b>
<b>Core EBITDA</b>	<b>330.5</b>	<b>266.8</b>	<b>23.9%</b>
<b>Core EBITDA Margin %</b>	<b>13.1%</b>	<b>16.8%</b>	<b>-3.8%</b>
Depreciation and amortization	189.5	132.5	43.1%
<b>EBIT</b>	<b>49.0</b>	<b>126.2</b>	<b>-61.2%</b>
<b>Core EBIT</b>	<b>141.0</b>	<b>134.3</b>	<b>5.0%</b>
<b>Core EBIT Margin %</b>	<b>5.6%</b>	<b>8.5%</b>	<b>-2.9%</b>
Finance cost	55.9	0.2	24581.8%
<b>Profit Before Tax</b>	<b>34.2</b>	<b>125.9</b>	<b>-72.9%</b>
<b>Core Profit Before Tax</b>	<b>85.0</b>	<b>134.1</b>	<b>-36.6%</b>
<b>Core Profit Before Tax Margin %</b>	<b>3.4%</b>	<b>8.5%</b>	<b>-5.1%</b>
Income tax expense	11.5	18.5	-37.8%
<b>Net Profit</b>	<b>22.7</b>	<b>107.4</b>	<b>-78.9%</b>
<b>Core Net Profit</b>	<b>42.7</b>	<b>113.9</b>	<b>-62.5%</b>
<b>Core Net Profit Margin %</b>	<b>1.7%</b>	<b>7.2%</b>	<b>-5.5%</b>

**FY2018 key financials versus FY2017 as follows:**

- Core EBITDA increase 23.9%, Core EBIT increased 5.0%
- Core Net Profit down 62.5%, weighed down by financing costs and accounting treatment of depreciation<sup>1</sup> at our Indian business.
- Consolidated Core numbers exclude:
  - 1-off expenses related to the acquisition and reorganization of our Indian business in the second half of 2018.
  - Gain on Bargain Purchase for Custom Pack acquisition and related expenses.
- In order to better understand the above consolidated results, we divide our analysis into our 2 operating geographies, that of Thailand and India.

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<sup>1</sup> In accordance with Purchase Price Allocation exercise of TPAC India

## Thailand Operations<sup>2</sup>

THB Million	Q4'18	Q3'18	% Δ from Q3'18	Q4'18	Q4'17	% Δ from Q4'17	2018	2017	% Δ
Sales	454.9	489.6	-7.1%	454.9	379.7	19.8%	1,804.8	1,584.1	13.9%
Cost of sales	391.9	428.3	-8.5%	391.9	313.2	25.1%	1,554.8	1,308.2	18.8%
<b>Gross Profit</b>	<b>63.0</b>	<b>61.3</b>	<b>2.8%</b>	<b>63.0</b>	<b>66.5</b>	<b>-5.3%</b>	<b>250.0</b>	<b>275.9</b>	<b>-9.4%</b>
<b>Gross Profit Margin %</b>	<b>13.8%</b>	<b>12.5%</b>	<b>1.3%</b>	<b>13.8%</b>	<b>17.5%</b>	<b>-3.7%</b>	<b>13.9%</b>	<b>17.4%</b>	<b>-3.6%</b>
SG&A	44.8	50.2	-10.7%	44.8	47.2	-5.0%	186.0	163.0	14.2%
Other income	4.9	3.9	25.2%	4.9	4.1	18.4%	14.0	13.2	6.4%
<b>EBITDA</b>	<b>55.2</b>	<b>47.6</b>	<b>16.0%</b>	<b>55.2</b>	<b>56.8</b>	<b>-2.9%</b>	<b>211.4</b>	<b>258.7</b>	<b>-18.3%</b>
<b>Core EBITDA</b>	<b>55.5</b>	<b>50.3</b>	<b>10.4%</b>	<b>55.5</b>	<b>64.5</b>	<b>-13.9%</b>	<b>220.9</b>	<b>266.8</b>	<b>-17.2%</b>
<b>Core EBITDA Margin %</b>	<b>12.2%</b>	<b>10.3%</b>	<b>1.9%</b>	<b>12.2%</b>	<b>17.0%</b>	<b>-4.8%</b>	<b>12.2%</b>	<b>16.8%</b>	<b>-4.6%</b>
Depreciation and amortization	32.1	32.6	-1.5%	32.1	33.3	-3.7%	133.4	132.5	0.7%
<b>EBIT</b>	<b>23.1</b>	<b>15.0</b>	<b>53.9%</b>	<b>23.1</b>	<b>23.5</b>	<b>-1.9%</b>	<b>78.0</b>	<b>126.2</b>	<b>-38.2%</b>
<b>Core EBIT</b>	<b>23.4</b>	<b>17.7</b>	<b>32.3%</b>	<b>23.4</b>	<b>31.2</b>	<b>-24.9%</b>	<b>87.5</b>	<b>134.3</b>	<b>-34.9%</b>
<b>Core EBIT Margin %</b>	<b>5.2%</b>	<b>3.6%</b>	<b>1.5%</b>	<b>5.2%</b>	<b>8.2%</b>	<b>-3.1%</b>	<b>4.8%</b>	<b>8.5%</b>	<b>-3.6%</b>
Finance cost	14.9	7.4	102%	14.9	0.0	926534.5%	23.0	0.2	10062.6%
<b>Profit Before Tax</b>	<b>8.1</b>	<b>7.6</b>	<b>6.8%</b>	<b>8.1</b>	<b>23.5</b>	<b>-65.5%</b>	<b>55.0</b>	<b>125.9</b>	<b>-56.3%</b>
<b>Core Profit Before Tax</b>	<b>8.5</b>	<b>10.3</b>	<b>-17.8%</b>	<b>8.5</b>	<b>31.2</b>	<b>-72.8%</b>	<b>64.4</b>	<b>134.1</b>	<b>-51.9%</b>
<b>Core Profit Before Tax Margin %</b>	<b>1.9%</b>	<b>2.1%</b>	<b>-0.2%</b>	<b>1.9%</b>	<b>8.2%</b>	<b>-6.3%</b>	<b>3.6%</b>	<b>8.5%</b>	<b>-4.9%</b>
Income tax expense	2.0	-0.6	-428.1%	2.0	2.6	-22.6%	7.3	18.5	-60.5%
<b>Net Profit</b>	<b>6.1</b>	<b>8.2</b>	<b>-26.1%</b>	<b>6.1</b>	<b>20.9</b>	<b>-70.9%</b>	<b>47.4</b>	<b>107.4</b>	<b>-55.9%</b>
<b>Core Net Profit</b>	<b>6.4</b>	<b>10.4</b>	<b>-38.7%</b>	<b>6.4</b>	<b>27.0</b>	<b>-76.4%</b>	<b>54.9</b>	<b>113.9</b>	<b>-51.8%</b>
<b>Core Net Profit Margin %</b>	<b>1.4%</b>	<b>2.1%</b>	<b>-0.7%</b>	<b>1.4%</b>	<b>7.1%</b>	<b>-5.7%</b>	<b>3.0%</b>	<b>7.2%</b>	<b>-4.1%</b>

Our Thailand operations now comprise of production from 2 separate geographic clusters:

- TPAC Bang Khun Thian ('TPAC BKT') which comprise 3 factories in the South-West region of Bangkok and
- TPAC Bang Na<sup>3</sup> ('TPAC BN') which comprise 1 factory in the North-East region of Bangkok.

<sup>2</sup> Table consolidates the results from both TPAC BKT and TPAC BN.

<sup>3</sup> Renamed 'TPAC Bang Na' post the acquisition of Custom Pack which closed in May 2018.

## **TPAC BKT**

- **Q4'18 Core<sup>4</sup> EBITDA Baht 59.0 million, 24.8% increase versus the previous quarter, down 8.6% against the same period last year.**
- Q4'18 EBITDA Baht 58.6 million, 31.6% increase versus the previous quarter, up 3.2% against the same period last year.
- The improved performance in Q4'18 against the previous quarter is largely due to the normalizing of our raw Material ('RM') margin.
- Full Year 2018 Core EBITDA 17.1% behind same period last year.
- For the first 8 months of 2018, underlying polyolefin prices were on an uptrend which resulted in a contracted RM margin.
- In Q4'18, this trend reversed in line with the crude oil markets. With our quarterly lag pricing selling structure, the fall in our underlying raw material helped reverse the margin squeeze as experienced in the prior 3 quarters.
- Volumes from BKT, specifically in the second half of '18, were behind the same period last year primarily due to a reduction in volumes within our personal care division.
- Management has set a target for these recently lost volumes at BKT to be replaced over the course of 2019.

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<sup>4</sup> Core EBITDA removes the 1-time non-recurring expenses related to M&A (Baht 0.4 million).

## **TPAC BN<sup>5</sup>**

- TPAC Bang Na has been consolidated into our earnings since May 2018
- Year-to-date, since the acquisition in May 2018, the business has contributed a negative Core EBITDA of -0.2m.
- In Q4'18 Core EBITDA was Baht -3.5 million.
- It is the first of such a test for our management team turn around a loss making acquisition into one of healthy profitability.
- With utilization rates hovering 30%, our management teams are focused on unlocking the upside potential.
- With this acquisition, has come good basic infrastructure and an operating team with much potential and eager to handle a busier shop floor.
- However, the plant requires upgradation to bring it in line with the level customers expect from TPAC.
- In line with our year 1 Business Plan, management is currently optimizing the utilities and machinery set up.
- In parallel we are talking to our customers, sharing with them our progress.
- We look forward to sharing these developments over the coming quarters.

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<sup>5</sup> TPAC Bang Na comprises a 1 large packaging factory set over 14 rai of land in Bang Na.

**Thailand Concluding Remarks:**

- With the inclusion of TPAC BN, our Thailand operations are now well positioned to grow earnings as infrastructure is no more a limiting factor.
- Management is optimistic in achieving this.
- Our intimacy with our customers and the depth of our customer base provides much potential.
- Having relentlessly focused on improving customer happiness, management expects to increase market share of our customers packaging wallet.
- Furthermore, the market for rigid plastic packaging is healthy for companies with innovation capability those that are able to execute fast – management feels TPAC certainly satisfies the criteria.
- In terms of the future of our industry, 2018 saw a positive trend with more customers exploring projects to introduce recycled material. This development is significant and encouraging, as it represents the future of our industry, and an immense opportunity for TPAC.
- The future of rigid plastics involves a healthy recycling ecosystem and with increasing demand for recycled resins, we are hopeful that such demand will provide the necessary catalyst to boost development of recycling ecosystems.
- This is an exciting and very real trend in our industry and one that can be a catalyst for rigid plastics to gain consensus as the sustainable packaging medium of choice.
- TPAC management is very excited about the potential within this space in Thailand, and we are working hard to break new ground here together with our customers.

## Indian Operations<sup>6</sup>

THB (Million)	2018
Sales	740.2
Cost of sales	621.8
<b>Gross Profit</b>	<b>118.5</b>
<b>Gross Profit Margin %</b>	<b>16.0%</b>
SG&A	149.4
Other income	1.8
<b>EBITDA</b>	<b>27.0</b>
<b>Core EBITDA</b>	<b>109.5</b>
<b>Core EBITDA Margin %</b>	<b>14.8%</b>
Depreciation and amortization	56.1
<b>EBIT</b>	<b>-29.1</b>
<b>Core EBIT</b>	<b>53.4</b>
<b>Core EBIT Margin %</b>	<b>7.2%</b>
Finance cost	32.9
<b>Profit Before Tax</b>	<b>-61.6</b>
<b>Core Profit Before Tax</b>	<b>20.9</b>
<b>Core Profit Before Tax Margin %</b>	<b>2.8%</b>
Income tax expense	4.2
<b>Net Profit</b>	<b>-65.8</b>
<b>Core Net Profit</b>	<b>-12.2</b>
<b>Core Net Profit Margin %</b>	<b>-1.6%</b>

<sup>6</sup> Numbers shown are for 100% of TPAC India. Numbers shown have been converted at 0.4484 THB/INR.



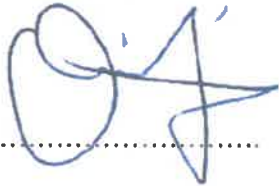
- Above table shows the financial results for TPAC India which is consolidated in TPAC Thailand and is 80% owned by TPAC Thailand.
- Difference between Core EBITDA and EBITDA is due to 1-off expenses relating to the M&A of Sunrise Containers.
- TPAC India's Core EBITDA equal to Baht 109.5m.
- Comparing TPAC India's annualised EBITDA for period ending Dec 31<sup>st</sup> 2018, to the businesses full year March'18 EBITDA, the Core EBITDA growth rate is 10% on a normalized basis .
- Depreciation currently high at around 51.4% of Core EBITDA. Step up in depreciation attributable to a revaluation of companies (tangible and intangible) assets as per purchase price allocation exercise.

## Consolidated Balance Sheet

THB Million	As at 31 Dec'18	As at 31 Dec'17	% $\Delta$
Cash and cash equivalents	64.0	105.6	-39.4%
Trade and other receivables	833.6	411.1	102.8%
Inventories	293.3	114.4	156.4%
Other current assets	23.0	29.3	-21.5%
<b>Total current assets</b>	<b>1,213.8</b>	<b>660.4</b>	<b>83.8%</b>
Restricted bank deposits	51.6	0.0	N/A
Property, plant and equipment	1,483.1	547.1	171.1%
Goodwill	937.0	0.0	N/A
Intangible asset	395.2	3.9	9994.8%
Advance for purchase of molds	17.4	7.2	143.0%
Other assets	87.1	54.8	59.0%
<b>Total assets</b>	<b>4,185.2</b>	<b>1,273.4</b>	<b>228.7%</b>
Short term loans	286.4	0.0	N/A
Trade and other payables	303.9	180.1	68.7%
Current portion of loans	208.5	0.0	N/A
Other current liabilities	15.2	7.5	102.7%
<b>Total current liabilities</b>	<b>813.9</b>	<b>187.6</b>	<b>333.7%</b>
Non-current portion of loans - Net of current portion	1,170.2	0.0	N/A
Debentures	567.8	0.0	N/A
Non-controlling interests put option	463.2	0.0	N/A
Other liabilities	97.5	21.2	360.2%
<b>Total liabilities</b>	<b>3,112.6</b>	<b>208.8</b>	<b>1390.5%</b>
Issued and paid-up capital	253.8	253.8	0.0%
Premium on ordinary shares	302.9	302.9	0.0%
Retained earnings	532.2	507.8	4.8%
Other components of shareholders' equity	-56.3	0.0	N/A
Equity attributable to owners of the Company	1,032.7	1,064.5	-3.0%
Non-controlling interests of the subsidiaries	39.9	0.0	N/A
<b>Total shareholders' equity</b>	<b>1,072.6</b>	<b>1,064.5</b>	<b>0.8%</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,185.2</b>	<b>1,273.4</b>	<b>228.7%</b>

- Total assets increased 228.7% in FY'18 compared to FY'17 due to combining assets from our 2 acquisitions, and the recognition of goodwill from TPAC India.
- Increase in liabilities due to borrowing for M&A primarily for TPAC India acquisition
  - Interest bearing debt for TPAC ~ Baht 2.2bn

- TPACs JV partners have a put option to sell the remaining 20% stake.
- Under IFRS guidelines this gets recorded as a liability and a corresponding reduction in our Equity (non-controlling interest of the subsidiary).



(Kevin Kumar Sharma)

Chairman