



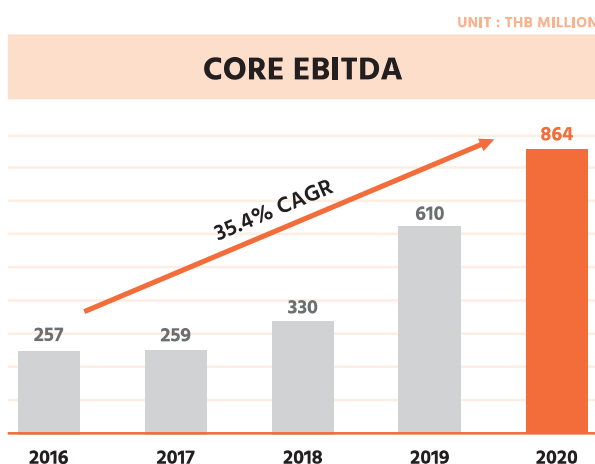
# MESSAGE FROM GROUP CHIEF EXECUTIVE OFFICER



## Mr. Kevin Kumar Sharma

Chairman of Board of Directors  
and Group CEO

Dear Stakeholders,



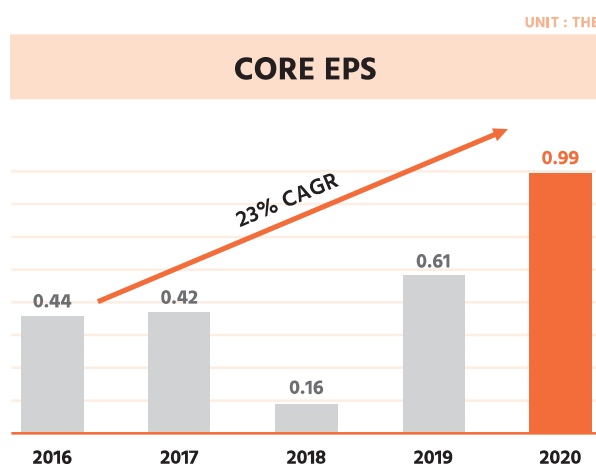
TPAC achieved record profitability in 2020.

TPAC ended 2020 with core EBITDA at THB 864 million, an increase of 42% to the previous year.

2020 core EPS at THB 0.99 per share, an increase of 62% to the previous year.

This was achieved despite an extraordinarily challenging operating environment, as brought about by the COVID-19 pandemic.

India's sudden and abrupt full lockdown imposed on the evening of the 22<sup>nd</sup> of March 2020, sent 1.4 billion people into their homes overnight. TPACs Mumbai offices shut, and have remained so till today<sup>1</sup>. This was unprecedented and given the sheer scale and drastic nature of the lockdown, chaos ensued. TPACs operation was effectively shut for a period, and thereafter significantly scaled down. Quickly though, TPAC India was permitted to resume operations. The 'essential service' nature of TPACs business,



given our criticality in pharmaceutical and food supply chains, enabled TPAC India to get back on its feet within days. However, the ground realities remained challenging. Disruptions were dynamic, with stress being experienced across our supply chains and the labour markets. Our transporters faced difficulties on the road, and our workforce faced obstacles getting to work. Thankfully though, India and our leadership team showed their resilience, and ability to handle the unprecedented. With every passing week from the lockdown, things improved, and our business had fully bounced back within 6 weeks. TPAC India's core EBITDA for 2020 increased 21%, against the previous year. India's GDP for 2020 is estimated to have shrunk 10.3%<sup>2</sup>

In the UAE, our CEO, Mr. Nimit Bhatia, was struck with a severe case of COVID-19 in April'20. Nimit's team though, as expected, stepped up and steadied the ship. We are grateful Nimit made a full recovery, returning to the forefront to lead our middle east business to deliver 95% core EBITDA growth, as against the previous year. UAEs GDP for 2021 slumped 6.6%<sup>3</sup>.

<sup>1</sup> At the time of writing, 28<sup>th</sup> February 2021

<sup>2</sup> India GDP: <https://www.statista.com/statistics/263617/gross-domestic-product-gdp-growth-rate-in-india/>

<sup>3</sup> UAE GDP: <https://www.statista.com/statistics/297772/uae-gross-domestic-product-change-percent/>

In Thailand, the GDP contraction has also been sharp given the tourist reliant nature of our economy. Nevertheless again, our business here rose to the challenge, delivering 22% core EBITDA growth against a backdrop of a 7.1% contraction in the Thai GDP<sup>4</sup>.

I believe TPAC delivered in 2020, because of 2 fundamentals:

## Fundamental 1: The Mindset of TPACs leadership team:

Personally, I learnt a lot about the mindset of my team this past year and I'm sure such discovery was experienced by leaders across companies and industries. Yes, we were indeed far apart from our colleagues whom we would typically see every day, most of us working from our homes (many with screaming children in the background like myself). However, make no mistake about it, our minds were singularly focused on getting the job done, and not making excuses, at a time when excuses were plenty to make.

Seeing the vigour and speed in which our leaders reacted, especially during those initial dark days when the whole world was locking down and there was significant anxiety about the unknown, has made me more aware to the importance of the right mindset in our leadership. This last years' experience has been enlightening, and it is now clear to me that the most

critical factor we need to assess when deciding upon leaders for TPAC, is that of the mindset. I truly believe that the power of the right mindset far exceeds the power of experience, or so-called intelligence.

TPACs management teams persevered under difficult and uncertain operating environments, finding ways to ensure that none of our stakeholders would be let down.

Transparent and frequent communication by our leadership to stakeholders, ranging across our lenders, suppliers, customers and employees from our shop floors to the corporate offices, was what we vigorously endeavoured to do. I am hopeful that my management team and I enhanced our credibility and trust in the eyes of our stakeholders this year.

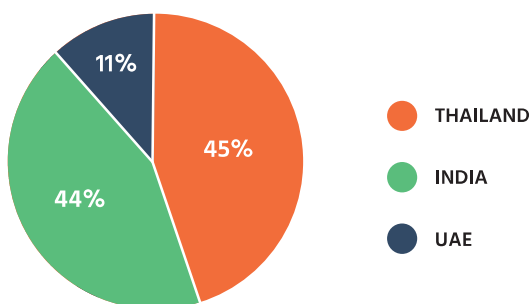
## Fundamental 2: The Quality of TPACs Earnings:

For the past 5 years we have repeatedly said our revenue streams are resilient. I would not blame our stakeholders if this was taken with a pinch of salt. After all, this type of marketing jargon is all too often thrown around by lots of companies. But in TPACs case however, this is not marketing jargon, but instead cold hard fact.

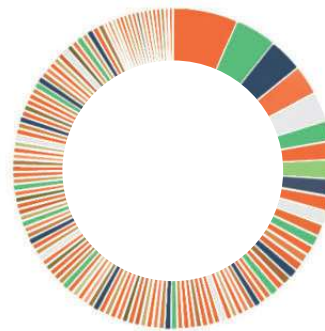
The pandemic has been the acid test of resilience. Despite the macro or micro picture, TPACs earnings have delivered, as we said they would.

Underpinning our earnings are robust diversification over geographies, customers, segments, and even products.

### Diversification by Geography

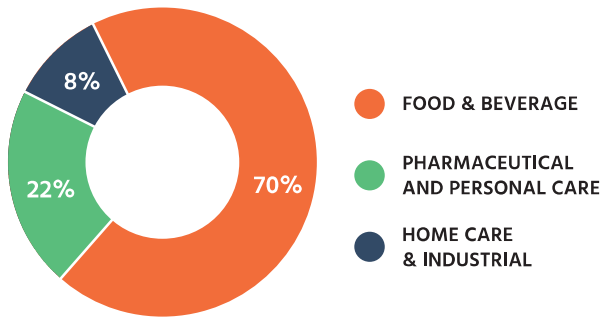


### Diversification by Customers



<sup>4</sup> Thai GDP: [https://www.nesdc.go.th/ewt\\_dl\\_link.php?nid=11266&filename=QGDP\\_report](https://www.nesdc.go.th/ewt_dl_link.php?nid=11266&filename=QGDP_report)

## Diversification by Segments



Further fortifying our business, is the visibility we have of our revenue streams. It is not uncommon for pharmaceutical and consumer packaging designs to have a life of say 6 or 7 years, without undergoing a design change.

With respect to demand, TPACs portfolio largely comprises of everyday essential consumer and pharmaceutical products. The nature of these tend to be relatively predictable, without excessive peaks and troughs.

Extremely critical though is diversification. TPAC could never have expected that, as an example, our cold beverage business in India and our milk gallon business in Thailand would have been so badly negatively impacted in 2020. TPACs Indian cold beverage business was hit hard as the Indian consumer preferred to stay away from cold drinks, fearing that such cold beverages would not help the body with Covid-19. TPACs milk gallons in Thailand have been impacted as much of the consumption for these sizes occur at commercial venues (hotels, restaurants, coffee chains etc). We have many more examples in our portfolio where Covid-19 in 2020 significantly impacted demand of our products. But the strength of TPAC is that we also have examples of products in our portfolio where demand sustained, or in select cases where demand was arguably even better (health foods, vitamins etc).

It is these characteristics of our portfolio that have underpinned TPACs success in 2020 and will continue to provide the rock-solid foundation for TPACs success, quarter after quarter, year after year.

I would also like to take this opportunity to reminisce a little, as we have now reached a significant 5-year milestone. Internally at TPAC we refer to these last 5 years (2016 - 2020) as Chapter 1. The turn of 2020 marks my 5-year anniversary since I became Chairman & CEO of TPAC.

So, it is appropriate we start where it all begun for me, which was at the end 2015, when we acquired a controlling stake in TPAC. TPAC was acquired with a dream to become a global world class packaging company. We were not afraid to dream then, as we are not afraid to dream now. In actual fact, we had to dream big as maintaining the status quo would likely, or most certainly, have meant extinction sooner or later.

I think we can all agree the world is getting tougher. By tougher, I mean what was good enough yesterday, is not good enough today. This fact is accentuated in this digital age, where the rate of change is only increasing. So, in 2016 the facts were blatantly clear for us to see. TPAC was a modest manufacturing operation with 3 factories located around the outskirts of Bangkok. We

## Diversification by Products



had a solid customer base diversified across blue chip multinational, Thai international companies and local champions. Many of these relationships had spanned decades. Albeit small, technically we were a sound operation with 33 years of proprietary know how and a trusted reputation in the Thai market. However, the world was fast changing, and it was clear that if we were truly going to become the world class global packaging company that we aspired to be, we needed to get moving, or the world would pass us by.

We asked ourselves, how do we become the best version of ourselves for our customers?

The answers to the above soul-searching led to the below answers.

TPAC would aspire to be world class in the following 5 areas:

- Design & innovation capability
- Cost excellence
- Footprint
- Data & analytics
- Culture

In order to become world class in the above 5 areas, TPAC required:

- Scale, with focus
- Talent, with the right mindset

Scale meaning TPAC needed to start getting exponentially bigger as a company. Many of those in our industry are multi-billion-dollar global companies. But make note that it is not scale at any cost or direction that TPAC was after, rather it is scale in a highly focused manner which we set out for. Specifically, TPAC would only focus on 'Recyclable rigid plastic packaging' applications. Our primary focus would remain on the consumer and pharmaceutical segments. This is TPACs niche where we have been active in since 1983, and all our 3 acquisitions in Thailand, India and the UAE have sharpened our focus in these areas. It is within this niche that TPAC aspires to build our world class brand of rigid plastic packaging excellence.

Take the case of Design & Innovation which is led by our team of highly experienced technical experts, which we refer to internally as 'TPACs Design Lab'. By staying focused on rigid plastics, we now have the ability to create a centralized team with best in class design and innovation talent, with the ability to serve all our businesses across geographies. With each acquisition, our design team's exposure has broadened, with our focus remaining the same. Ideas relating to the latest innovations, trends and technologies from our eyes and ears in the Middle East, ASEAN or the Indian sub-continent are now centralized with our Design Lab, and we are better placed to truly provide our customers with a broadened global perspective and product range.

Furthermore, with increased focused scale, we have been better able to manage one of our largest cost drivers, that being the procurement of our raw materials. Aside from raw materials, the procurement of machinery, moulds, automation systems and even general spare parts all also comprise a significant proportion of our spend. Here again with our newly found focused scale, we now have more leverage to create value by being more aware of what is out there, and of course by now being a larger buyer.

There is no such thing as a world class footprint, but what we meant by this was 2 things:

- TPAC needed an entry into high growth emerging markets, with game changing potential.
- TPAC needed to serve our customers in markets, which our customers were committed to, in a big way.

It was the answers to the above 2 questions that led us to India, and thereafter the Middle East.

It was indeed a proud day for us in 2018 when we announced to our customers that TPAC was now able to serve them internationally. The synergies from working with our multinational customers across our geographies are still in its infancy and there is much potential yet to be reaped, but very importantly our customers now understand that TPAC is serious in its commitment to work with them across the world's most dynamic emerging markets.

On the Information Technology front, our increased scale has helped us justify investments into 1 common ERP backbone, front end dashboard tools and most importantly the ability to build a team of dynamic IT executives that act as true partners to our business teams. Over the past few years significant efforts have gone into harnessing the power of our data and the creation of dashboards for our management to understand their businesses in real time, and to greater depth.

The importance of a robust IT and analytical backbone cannot be overstated, as data driven decision making is only going to increase its relevance in TPACs management.

Finally, the most critical ingredient in all of this is talent. With every passing year, we have, and will continue to raise the bar in terms of the calibre of talent that is suitable for leadership roles at TPAC.

Having stayed focused on rigid plastics, this has meant that our technical teams across all our plants are able to share lessons and learnings from their respective shop floors. Essentially, all our technical management be it in Thailand, India or the Middle East now speak the same language, and this is such an important step in creating the TPAC brand of rigid plastic packaging excellence.

Our balance sheet is now also more able to invest in top talent, but more importantly, top talent is now attracted to a career at TPAC. Such talent can see that we have more than tripled our EBITDA over the past 5 years. For those with a winner's growth mindset, TPAC is increasingly looking like a sexy place for a seriously entrepreneurial and creative career. Winners create a winning culture. I believe we are creating a winner's culture at TPAC, and in my opinion I believe this is our greatest achievement and asset gained over the past 5 years.

It is this culture that will now power us forward to achieve Aspiration '24.

Aspiration '24 involves 2 clear targets:

**Target No.1** Within 2024, TPAC will have doubled our 2020 core EBITDA

**Target No.2** Within 2024, TPAC would be listed on the main board of the Stock Exchange of Thailand. At present, TPAC is listed on the Market for Alternative Investment (MAI). Our expectation is that this will be done much sooner than 2024.

In order to double our 2020 core EBITDA within 2024, TPAC expects to undergo further M&A, leveraging off our current well capitalised balance sheet<sup>5</sup>. In addition to the M&A, our target for our existing businesses is to compound mid-teens core EBITDA growth for the next 4 years. This should get us to the Baht 1,700 million EBITDA level, which is double our 2020 EBITDA, within 2024.

Our geographic focus will be on South East Asia (ASEAN), India and the Middle East & Africa (MEA). The fact that TPAC already has a presence, and highly capable teams, in each of these geographies is exhilarating.

Over the next few years TPAC will emerge as a true world class emerging market packaging powerhouse.

TPAC will continue to aspire for world class in the above referenced 5 areas.

TPAC will continue to drive scale via relentless focus on recyclable rigid plastic consumer and pharmaceutical packaging.

TPAC will continue to attract and groom leaders with the right mindset.

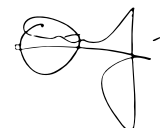
On a final note, I would like to touch upon our focus on increasing Total Shareholders Return "TSR", through capital appreciation and cash dividends. We believe the investors and market intermediaries will soon further recognize the strength of our business diversity and quality of earnings and cashflows. There will be greater emphasis and interactions with the investor community through our corporate communications and investor relation efforts.

In parallel, we will continue to keep our head down and deliver. With every passing quarter of delivery, many more will take notice and realise what we are creating. Thereafter, it will just be a matter of time before our valuation appropriately reflects our track record, and the business that we are creating. TPAC investor relations and communication efforts will begin to change gears this year, and once again I am confident, we will deliver.

I thank my Board of Directors and the passionate dedicated heroes of TPAC for their glorious contributions and fighting spirit.

Thank you to all our dear shareholders for the continued support. Together, we are going to build something unique and special.

May God bless us all. Chok Dee.



**Mr. Kevin Kumar Sharma**  
Chairman and Group CEO

<sup>5</sup> TPAC Net Debt to Equity as of 31<sup>st</sup> December 2021 at 0.86x