



# Opportunity Day Q2'23

19 September 2023

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## TPAC – A specialty packaging solution provider



Asia's fastest growing packaging company \*



Focused on 100% mono-material formats with proven mechanical recyclability (PET, PP & PE) TPAC design lab for customised innovative packaging solutions

>90% portfolio in F&B
& Pharma which
requires strict hygiene

Market leadership in all our geographies\*\*



Diversified customers base > 1500 relationships from MNCs to startups



#### **Our Vision**

To be the company whose innovations positively impact our world, and a place attractive to the most passionate packaging minds

#### **Our Mission**

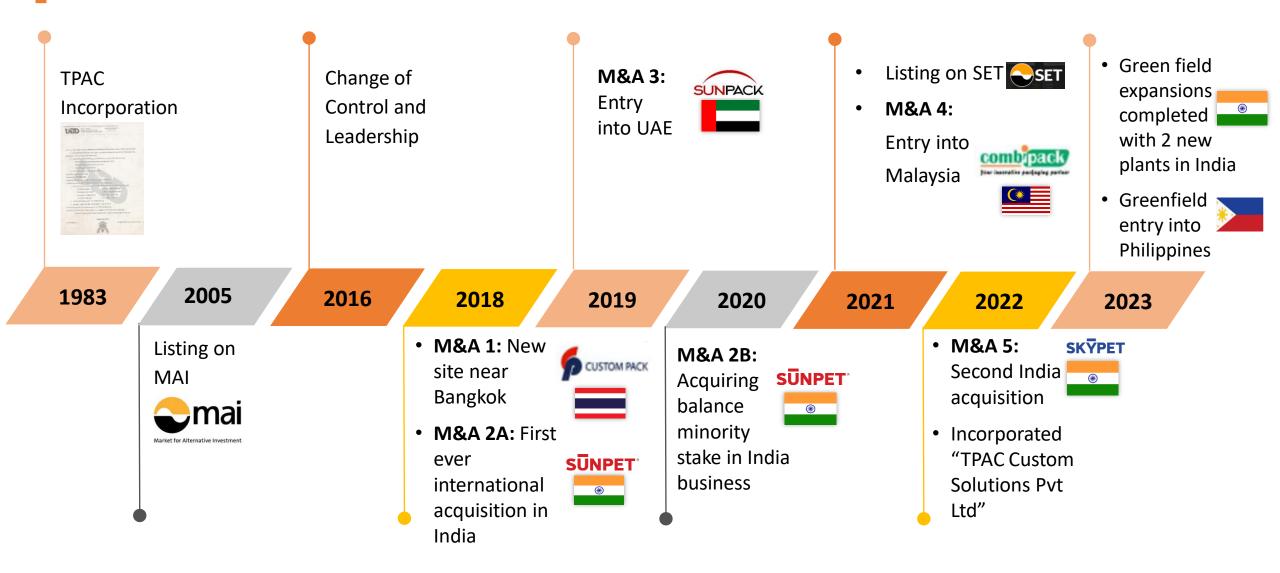
To collaborate passionately, always showing our customers what's new

<sup>\*</sup> Company estimation based on 5 years revenue growth trend

<sup>\*\*</sup> In niche segments

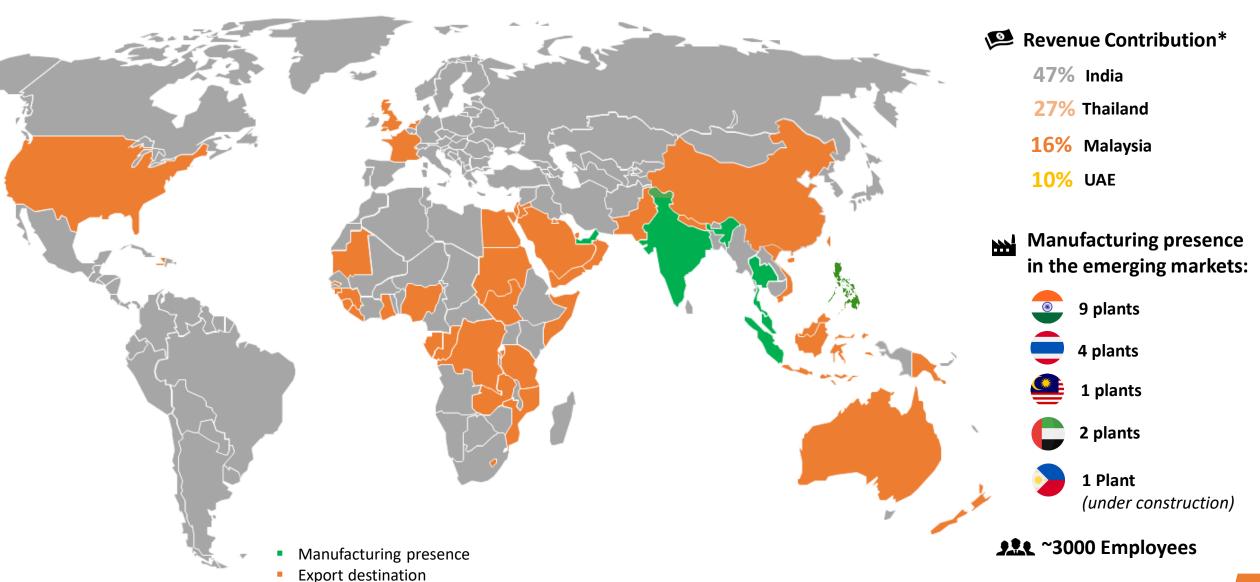
## New management's radical transformation since change of control in 2016





In the last five years, we have quintupled our manufacturing location to 17 plants & grew our footprint rapidly with a strong emerging market focus





## Attaining market leadership in all our geographies



#### **Geography**



#### Segment

- Food & Specialty Beverages (Condiments, Spreads, Oil, Dairy & Ice Creams, Specialty Beverages, Infant Nutrition, Gums and Candy, Coffee, Confectioneries & Snacks)
- Pharmaceuticals (Solid and Liquid Drug Formulations, Nutraceuticals)
- **Home Care** (Cleaning Detergents and Air Refreshers)

#### Market Share^



#### Market Position\*

 Leading Rigid plastic Consumer and Pharma packaging player



- Food & Specialty Beverages (Condiments, Spreads, Oil, Dairy, Specialty Beverages, Candy, Coffee, Herbs and Spices, Confectioneries & Snacks)
- Pharmaceuticals (Liquid Formulations, Nasal Drug Delivery Solutions, Intravenous Drug Dispensing Solutions)
- 93%

  Market Size ~USD 1,363 Mn

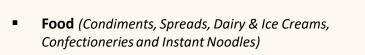
Market Leader in the PET Rigid
 Consumer and Pharma packaging

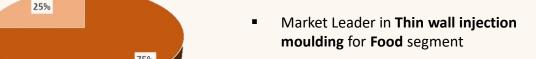
\*Excluding Water & CSD Segment



- Food (Condiments, Spices, Spreads & Oil, Confectioneries & Snacks)
- Cosmetic & Personal care (Cosmetic Bottles)

• Market Leader in the PET Rigid
Consumer packaging

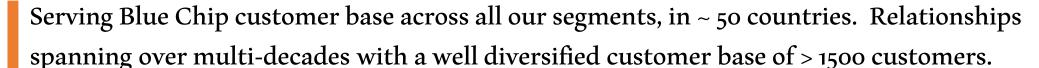






Market Size ~USD 40 Mn

Market Size ~USD 44 Mn

















**Thai Champions** 

















- ✓ Top 10 contribute ~30%, ensuring a low customer concentration.
- ✓ Geographically diversified customer base across attractive segments.
- Reputed brand names on our customer list in the high growth markets
- ✓ Focused on **Food & Pharma** segments

## Differentiating through design and new product development led by global R&D team

Centralised

global industrial and technical

**R&D** team

Specialised Closure



#### **Infant Nutrition**





Common A northolio Temper evident integrated scoop and lid for infant nutrition

### **Herbs and Spices**



Pioneers to introduce double barrier oxygen and UV **IML** solutions for global Herbs & Spices player

### **Specialty Beverages**



Vitamin water closure, with unique hanging cap design

## **Nasal Solutions**



Customised mould co-created Nasal spray 3-piece system for a Pharma MNC

#### **Intravenous Dispensing Solutions**



Saline PP preforms with integrated hanging provision

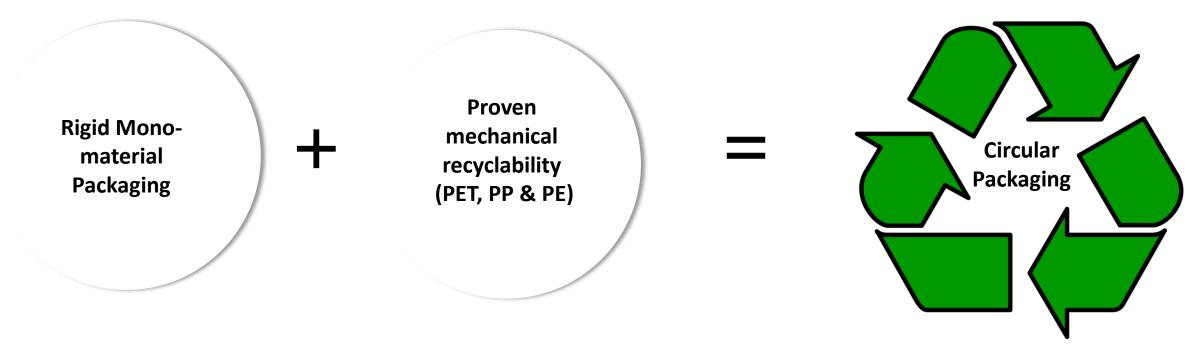
#### **Personal Lubricants**



**Sexual Lubricants bottle** with soft touch appeal

## Rigid Mono-material Packaging (PET, PP and PE) = Sustainable Packaging





TPAC has taken a conscious choice to operate only in rigid mono-material packaging with substrate having proven mechanical recyclability

Sustainability continues to be a **big opportunity** for TPAC.

- Strong momentum from industry in converting from non recyclable multilayer formats into mono-material.
- Multiple ongoing projects to introduce recycled polymers (rPET, rPE, rPP) into our packaging solutions.
- Ongoing R&D and material science initiatives at TPAC towards exploring commercial viability of alternate source of polymers such as bio-based resins.

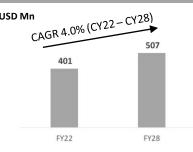


## Expanding addressable market and consolidating market share



### Geography

## **Market Size in Niche** Segment



### **Market Share of TPAC in** Niche segment

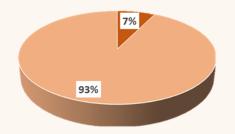


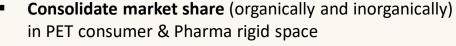
#### **Strategy / Way forward**

- **Expand our offerings** to MNC customers
- Increase market share in Thailand organically
- Grow Bangna operations after a successful turnaround



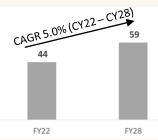


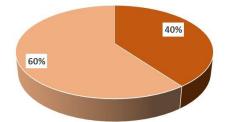




- Expand our market range in Pharma beyond PET solutions
- Develop innovative specialty closures / dispensing solutions within food and Pharma for India and global market



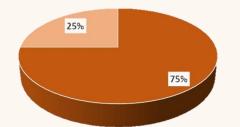




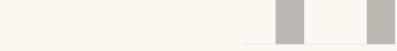
- Further **solidify** PET rigid consumer market share (organically and inorganically)
- Continue expansion into other mono-material recyclable polymers (beyond PET)
- Further grow Saudi Arabia export sales







- Further grow the thin wall IML market
  - **Expansion** of Thin wall **product portfolio** into spreads, protein powder & cosmetics

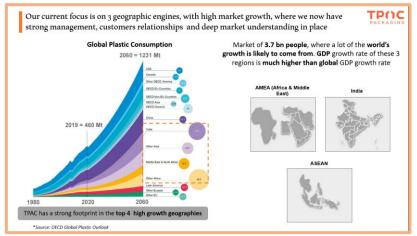


## Our Growth Strategy over the next 3 years.



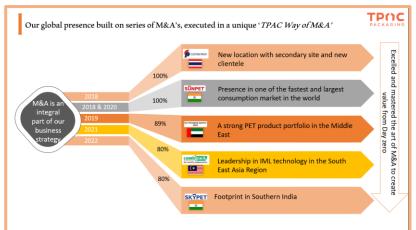


## **Emerging Market Focus**





# Incremental and transformative M&A





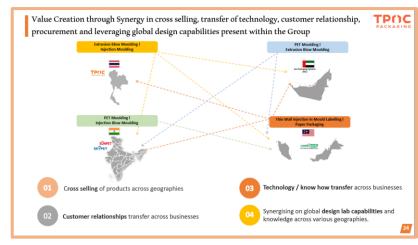


## **India Scalar Play**





## **Value Creation through Synergy**





## Q2'23 performance: Strong profitability driven by sustainable growth



#### Revenue



THB 1,644 Mn

**QoQ -6%** 

**YoY -8%** 

#### **Core EBITDA**



**THB 312 Mn** 

QoQ -9%

**YoY +32%** 

#### **Core EPS**



THB 0.35

QoQ -18%

**YoY +121%** 

#### **Core ROE**



20%

QoQ -514 bps

YoY +955 bps

## **Net Debt/Equity**



1.04x

- 01
- Q2'23 represents second highest quarter of record profitability, after Q1'23
- More than doubling of Core EPS from THB 0.16 in Q2'22 to THB 0.35 in Q2'23.
- 02
- Completion of 2 greenfield projects in India, significant capacity expansion capex and entry into new markets and segments to further drive growth in coming quarters.
- 03
- Continuously deleveraging over the past one year with Net debt to equity ratio reducing from 1.32x in Q2'22 to 1.04x at the end of Q2'23, despite an aggressive growth capex, by delivering strong operating cash flows.

## Business wise performance during Q2'23





#### **Thailand Business**

- Bangna turnaround complete, turning an EBITDA negative company into a high double-digit EBITDA margin business in a span of one year.
- Flattish sales volumes QoQ, with strong upside in profitability ~ 19%, driven by cost optimization measures and portfolio enhancement.
- The management endeavour would be to maintain current H1'23 levels of structural margins as we grow our business.



#### **India Business**

- Subdued quarter with respect to Q1'23 in terms of both topline and bottom-line, attributed to seasonality (quarter Q2 is usually low) and early advent of rains in Northern India leading to unusual low demand in our dairy segment.
- With greenfield capex completed along with shop floor expansion in Skypet, business is infrastructure ready. Strong capex pipeline to increase the total capacity by 20% by end of the year.



#### **UAE Business**

- YoY basis the business has demonstrated a growth of ~6% in volumes and ~37% in Core EBITDA led by change in product mix and full benefit of the second manufacturing unit.
- Profitability subdued on a QoQ basis due to sales volume decline, driven by 7 days of public holiday on account of Eid festival & start of summer holidays from Jun.
- Management is **expecting a sharp increase in sales volume** post summer vacations ending from Sep'23 onwards.



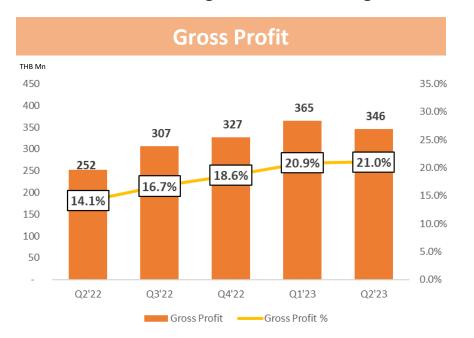
#### Malaysia Business

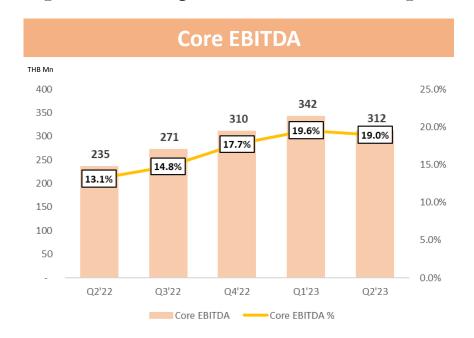
- Overall growth on YoY volumes even though there was a dip in QoQ decline in sales volumes due to lower working days led by an extended holiday period and festivities.
- Profitability improved YoY on the back of higher sales volume, savings through solar project & other energy initiatives and procurement excellence programme.
- Evaluating new site for a second factory in anticipation of increased customer demand and market opportunities

TPAC was hit globally with sudden and dramatic cost inflation and lackluster volumes in Q2'22.



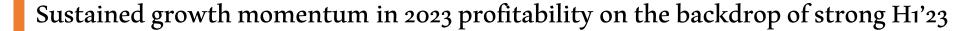
This was a test for management, management needed to respond. Management has since responded.



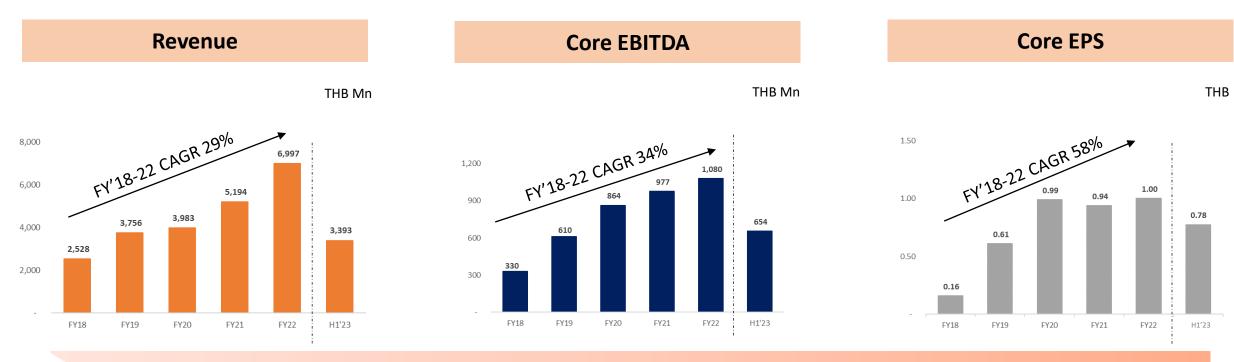


#### Management's response since Q2'22:

- 1. Add more customers, increase wallet share of existing customers, gain more market share.
- 2. World class operational excellence measures
  - Energy savings/efficiency: Renewable energy projects, Utilities revamp, retirement of inefficient machines and molds
  - Procurement excellence: Strategically negotiating and consolidating supplier relationships for better terms
- 3. Price Corrections: Transparent, frank discussions with customers on required inflationary cost pass throughs.







- Strong growth in the topline and bottomline over the last 5 years giving us the title of Asia's fastest growing packaging company.
- H1'23 Core EPS of THB 0.78 gives a solid start to the year, reflecting a jump of ~78% over H1'22.
- Core EBITDA for H1'23 is ~THB 654 Mn, which is a jump of ~31% over H1'22.

## Delivering amidst destocking and high-cost inflationary environment

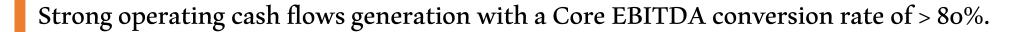


	H1'22 A	H2'22 A	H1'23 A	$\Delta^1$	$\Delta^2$
Core EBITDA (THB Mn)	499	582	654	31.1%	12.4%
Core EBITDA %	14.6%	16.2%	19.3%	NA	NA
Core EPS (THB)	0.44	0.57	0.78	77.7%	36.8%

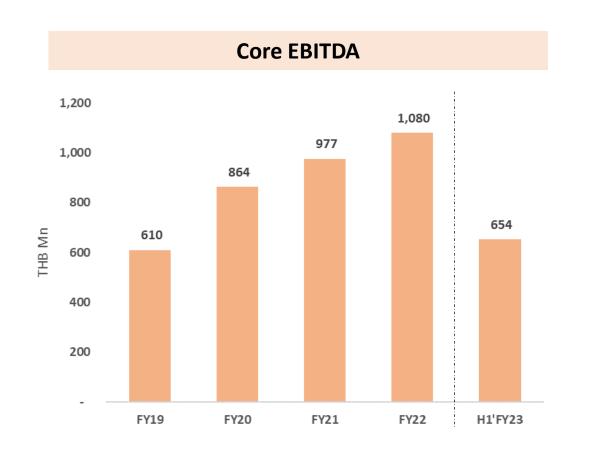
#### Note:

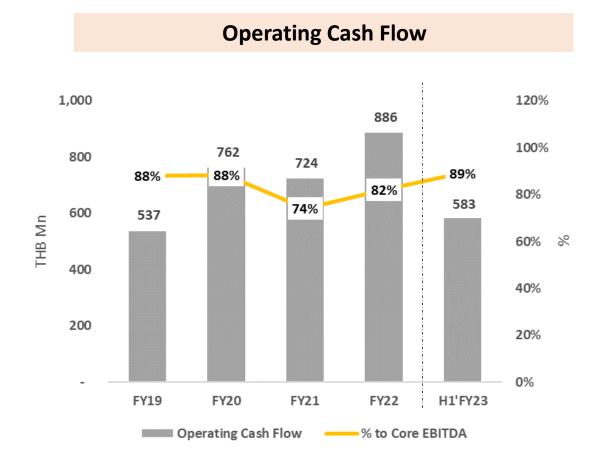
**<sup>1.</sup>** H1'23 A vs H1'22 A

**<sup>2.</sup>** H1'23 A vs H2'22 A









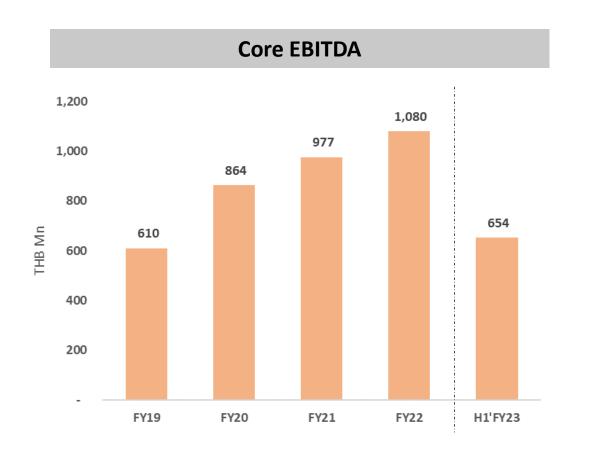


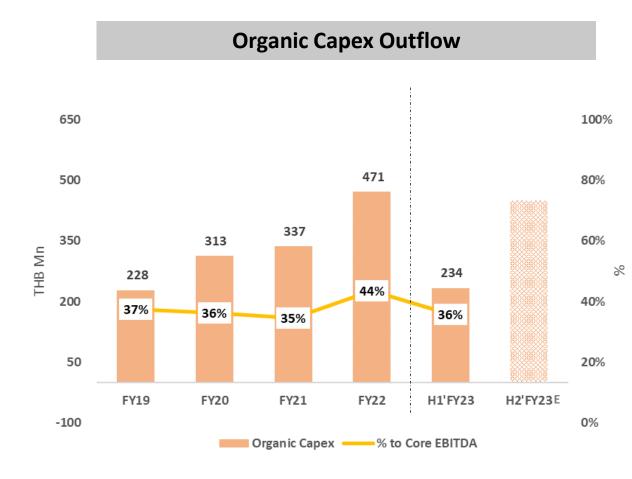
TPAC is able to generate a healthy cash flow from operations, while growing Core EBITDA at  $\sim$  30% CAGR in last 5 Years

With a strong management team in place in high growth geographies and presence in attractive



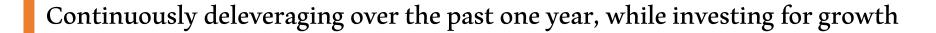
segments, we are now geared to invest ~45% to 50% of our Core EBITDA into organic capex.



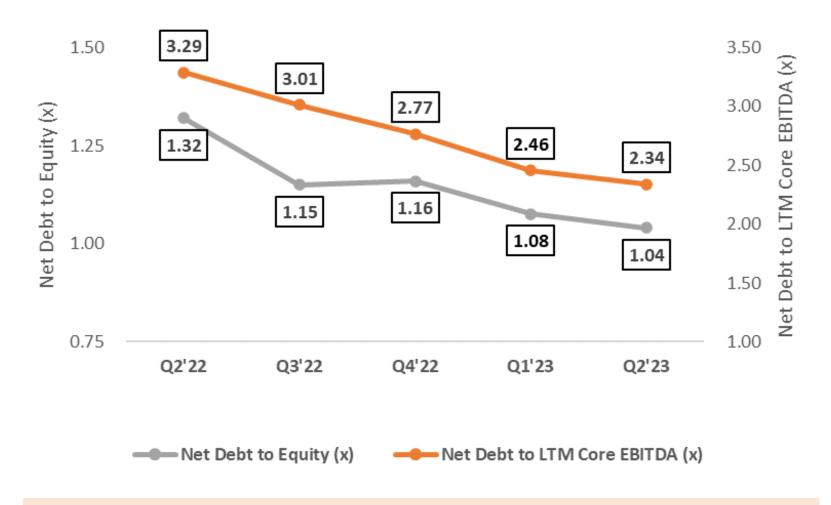




H2'FY23 to witness a rise in capex intensity with almost doubling of capex in second half.







Sharp improvement in Net Debt to Equity and Net Debt to LTM Core EBITDA

#### To Summarize



## Key takeaways

- TPAC is a Specialty packaging solution provider, operating in attractive resilient sticky segments of food and pharma, where customers demand differentiated offerings.
- **Delivering amidst destocking**, with H1 FY23 Core EPS growing 78% over same period last year. Management team and business severely tested over the past 4 quarters in a difficult environment.
- Continuously deleveraging over the past one year, even with substantial organic expansion with Net Debt to Equity coming down from 1.32x to 1.04x in last 4 quarters. Strong operating cash flows conversion of > 80% from Core EBITDA.
- Organic expansion into new market (Philippines) and segment expansion

## Outlook

- Management remains optimistic on sustaining growth momentum.
- Organic growth capex intensity set to increase in H2 FY23
- Strong pipeline of M&A opportunities exists, which the company continues to evaluate diligently.
- **3 Year vision and aspirational plan** to be announced soon.



## **Making Packaging Better**

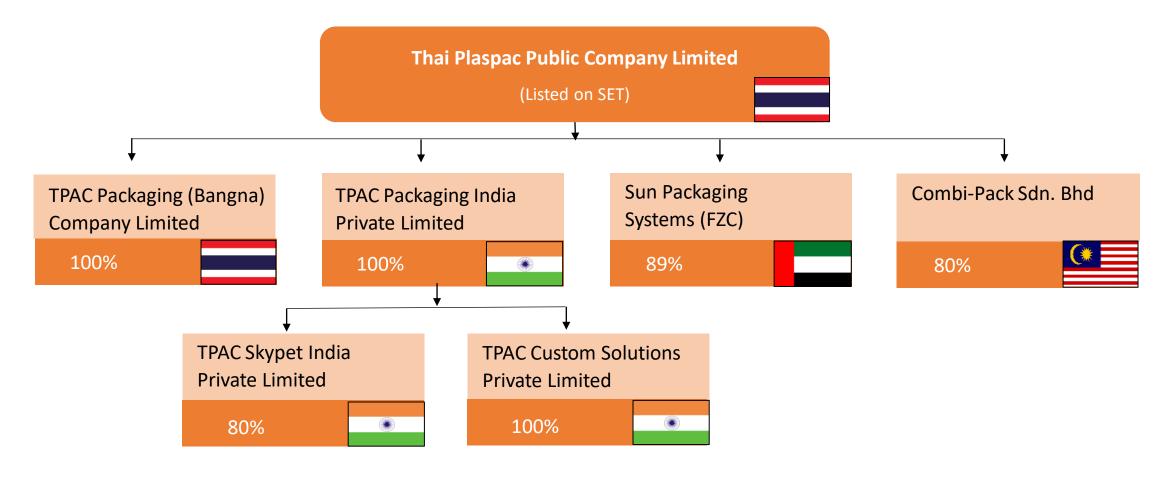
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## **TPAC Group Corporate Structure**





- Thai Plaspac Public Company Limited, is the parent holding company of the Group and is publicly listed on the Stock Exchange of Thailand.
- TPAC currently has 4 direct subsidiaries and 2 step down subsidiaries held by TPAC Packaging India Pvt Ltd.
- While the subsidiaries located in Thailand and India are 100% owned, the subsidiaries located in UAE and in Malaysia are minority held by partners,
   who were erstwhile founders of these companies.

## Strong growth momentum witnessed during Q2'23

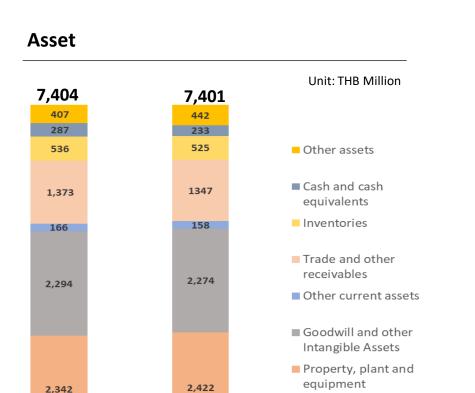


Unit: THB Mn

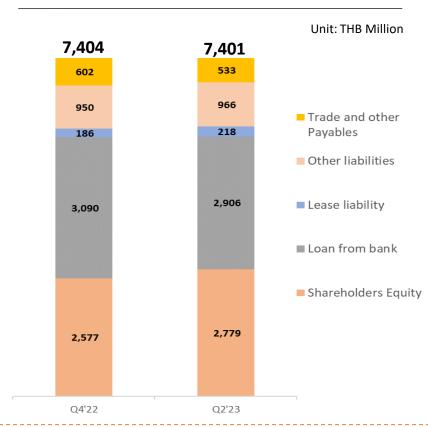
	Quarterly					Financial Years		
	Q2'23	Q1'23	%∆	Q2'22	$\%\Delta^1$	FY22	FY21	%∆
Consolidated Sales <sup>2</sup>	1,644	1,749	-6%	1,790	-8%	6,997	5,194	35%
EBITDA	312	342	-9%	227	37%	1,069	952	12%
Core EBITDA <sup>3</sup>	312	342	-9%	235	32%	1,080	977	11%
Core EBIT <sup>3</sup>	189	225	-16%	110	72%	598	549	9%
Core Net Profit <sup>3</sup>	125	153	-18%	55	127%	359	329	9%
Core Net Profit after NCI <sup>3</sup>	114	139	-18%	52	121%	328	307	7%
EPS	0.35	0.43	-18%	0.14	151%	0.98	0.47	108%
Core EPS <sup>3</sup>	0.35	0.43	-18%	0.16	121%	1.00	0.94	<b>7</b> %
Core ROE <sup>4</sup>	20%	25%	-5%	10%	10%	15%	15%	0%
Debt to Equity (times) <sup>5</sup>	1.12	1.15	-0.03	1.40	-0.27	1.27	1.28	-0.01
Net Debt to Equity (times) <sup>6</sup>	1.04	1.08	-0.04	1.32	-0.28	1.16	1.12	0.04

## Balance sheet size increasing with investments into organic and inorganic ventures





#### **Liabilities and Shareholder Equity**



- Increase in shareholders equity by ~ THB 202 Mn during Q2'23 vs Q4'22 is primarily on account of profit for the quarters and gain on foreign exchange translation which is partly offset by dividend payout.
- Net Working Capital amounting to ~ THB 1.4 bn as % to LTM Revenue is ~21% for the quarter.
- Significant improvement in leverage ratios over the past one year:

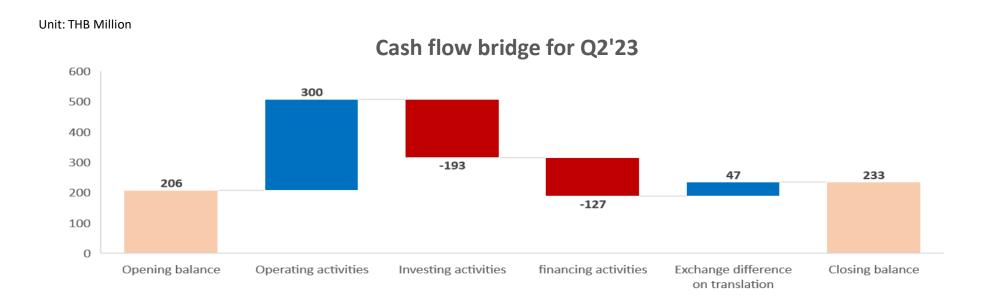
Q2'23

Q4'22

- Net Debt to Equity Improved from 1.32x in Q2'22 to 1.04x at the end of Q2'23
- Net Debt to LTM Core EBITDA Improved from 3.3x in Q2'22 to 2.3x at the end of Q2'23

## Strong cash flow acts as an anchor for growth capex and investments





Cash Flows (THB Million)	Q2'23	Q1'23	FY2022
Net cash received from operating activities	300	283	886
Net cash used in investing activities	-193	-56	-876
Net cash used/received in financing activities	-127	-289	-39
Exchange differences on translation of financial statements	47	-18	-78
Net increase/decrease in cash and cash equivalents	27	-81	-107
Cash and Cash Equivalents - Opening Balance	206	287	394
Cash and Cash Equivalents - Closing Balance	233	206	287

- With the business performing well, TPAC generated strong positive operating cash flow.
- Investing activities during Q2'23 primarily includes new production site in India and capex on new machine, mould and ancillary parts across all geographies for capacity expansion.
- Financing activities is mainly related towards finance cost of THB ~37 Mn & dividend payout of ~THB 103 Mn during Q2'23 partly set off by net loan increase taken for working capital needs.