



SCG Ceramics “COTTO”

**Virtual NDR with Local Funds
(Hosted by SCB Securities)**

June 1, 2021

Agenda

I. Q1/21 Market Situation

II. Q1/21 Financial Result

III. Strategic Directions

IV. What's next...

Q1/21 Market Situation

- Government stimulus package helps accelerating domestic consumption and business sentiment.
- Energy price rose more than last year because of the Global Economic recovery.
- Thailand ceramic tiles demand in Q1/21 was positive, additionally from an upcountry sales volume which has been stronger from agricultural prices.
- Housing project slightly recovered from renovation market thanks to higher purchasing power from higher farm income, while Condominium project remained slowdown.
- Health and Hygiene products become a market trend during COVID outbreak.
- Export demand decelerated from the 3rd wave of the COVID-19 pandemic especially in Cambodia and Laos, including uncontrollable factors in Myanmar.

Agenda

I. Q1/21 Market Situation

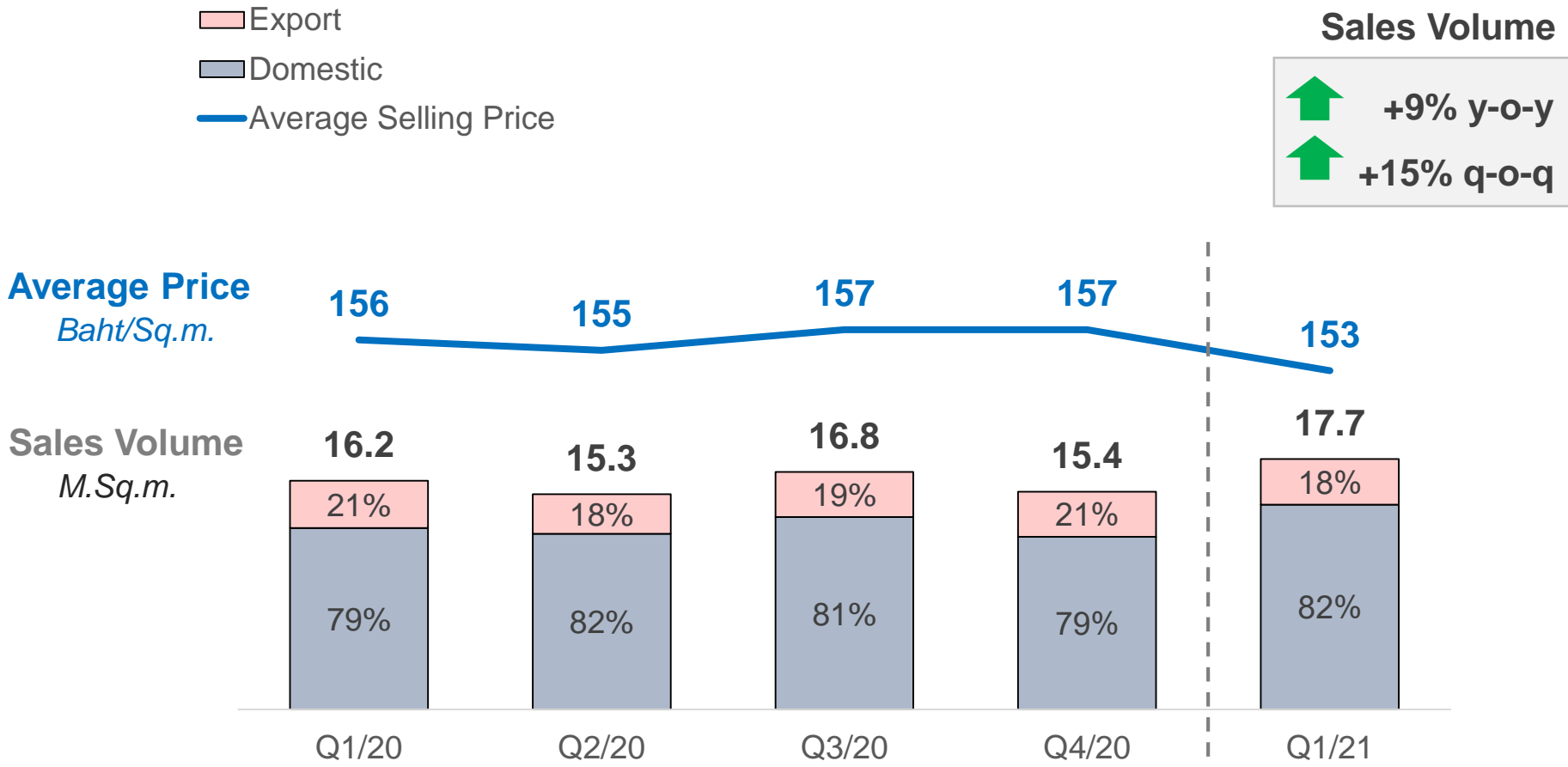
II. Q1/21 Financial Result

III. Strategic Directions

IV. What's next...

Q1/21 Sales volume and average price

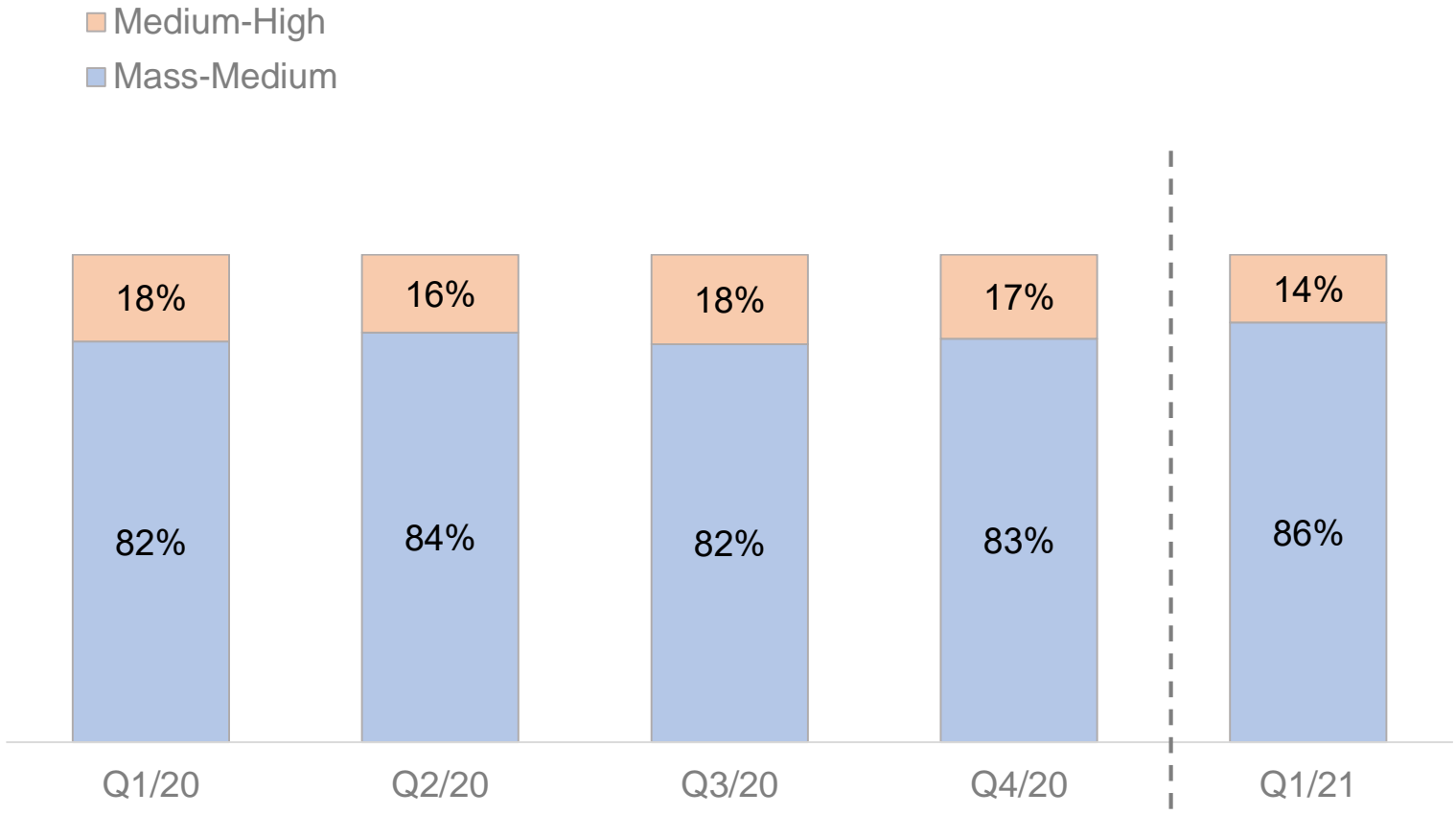
Sales volume increased +9% y-o-y while the average price dropped -2% y-o-y in Q1/21.



Remark: Only ceramics tiles

Q1/21 Domestic sales volume by segment

Mass-Medium accounted for 86% of sales volume in Q1/21 compared to 82% in Q1/20.

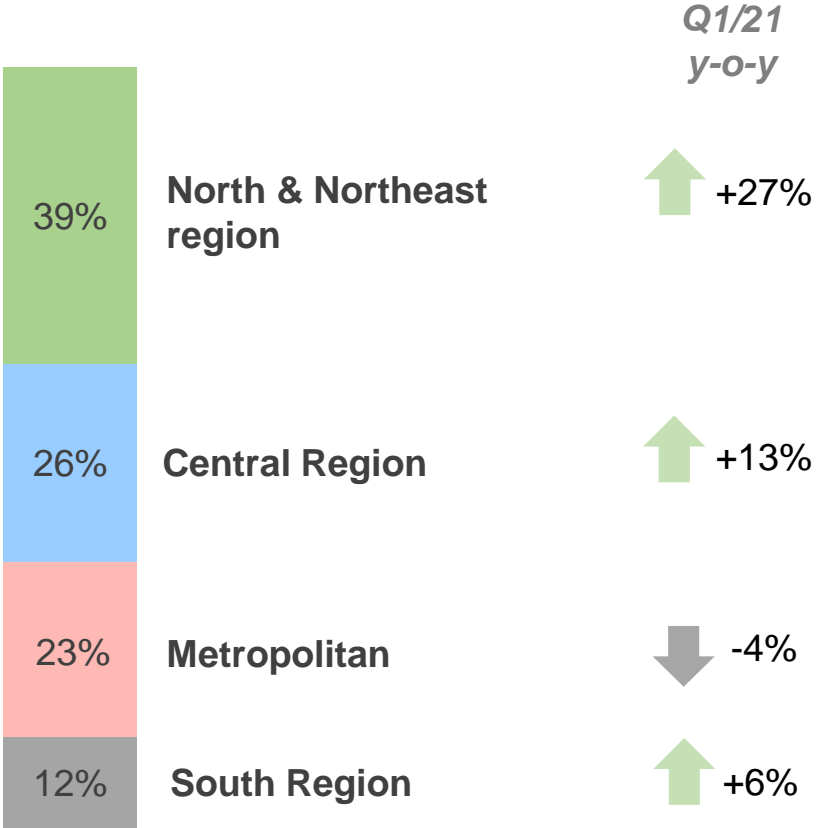


Remark:
(1) Definition of segmentation
Medium – High (portion 20%-50% of total market) – Wall Tile (Big size), Glazed Porcelain, Unglazed Porcelain, Mosaic, Glass Tile
Mass – Medium (portion 70%-80% of total market) – Floor Tile, Wall Tile (Small-size), Outsource unglazed
(2) Only ceramics tiles

Q1/21 Domestic sales volume by region

Sales volume in upcountry accounted for 77% of total domestic sales volume in Q1/21.

Sales Volume portion by sector



Market Situation

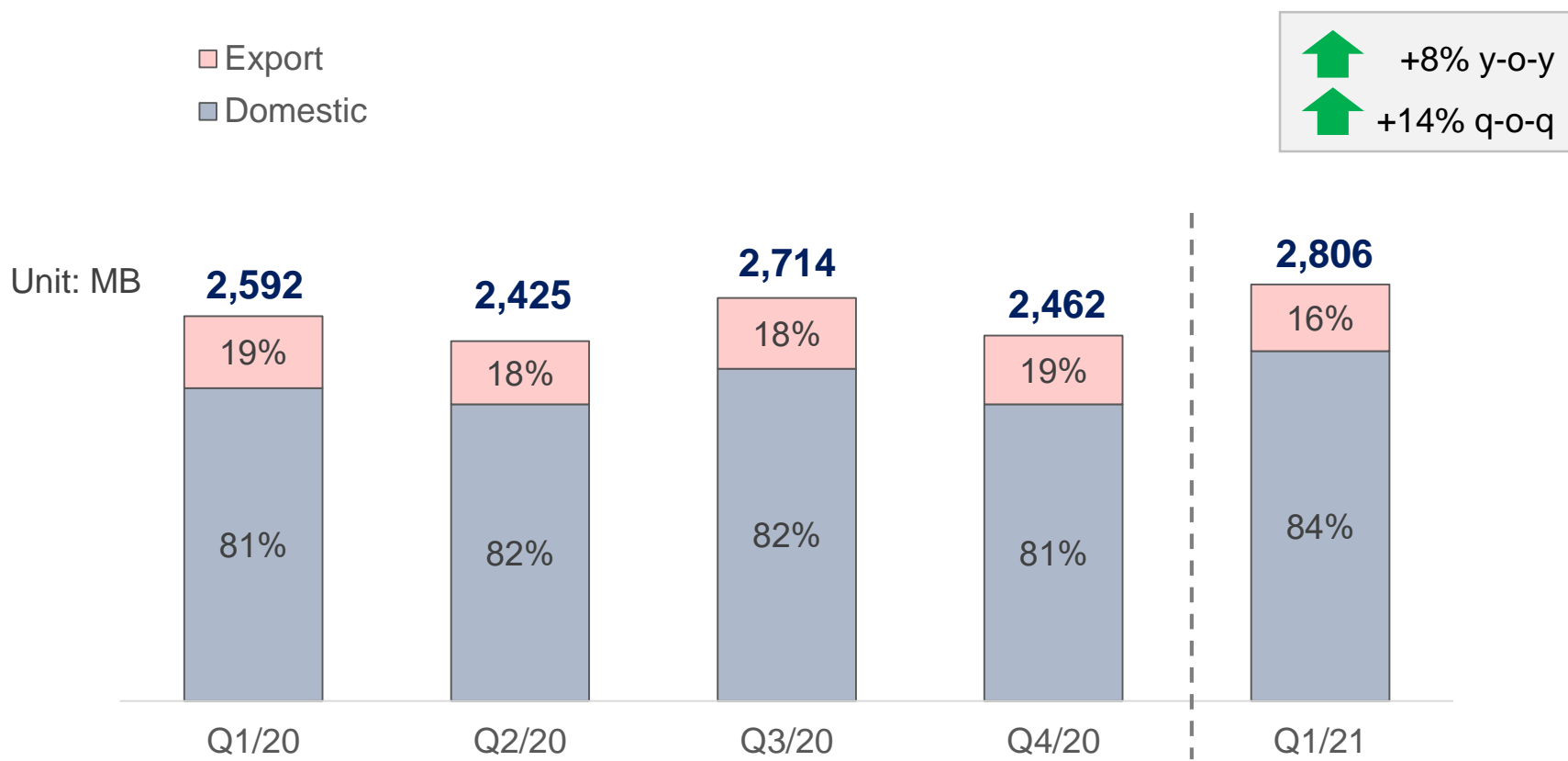
During the end of Y2020, the COVID-19 situation has been recovered, resulting in the positive market demand of Ceramic tiles in Q1/21. Moreover, agricultural prices are stronger such as rubber price, led to more purchasing power in all segments especially, North & Northeast, Central and South Region.

For project segment, which mainly located in Metropolitan, remained slowdown.

Remark: Only domestic ceramics tiles

Q1/21 Revenue from Sales


Revenue increased +8% y-o-y and +14% q-o-q in Q1/21.

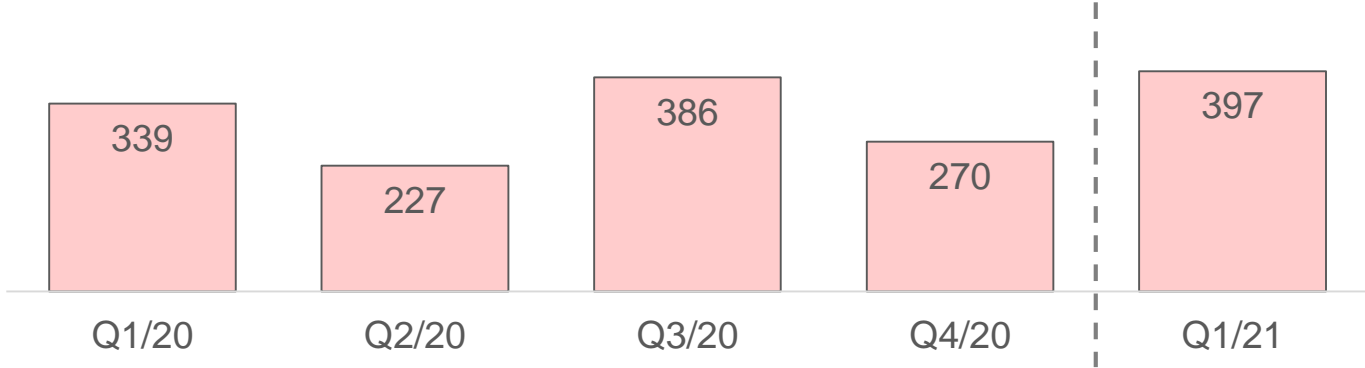


Q1/21 EBITDA

EBITDA increased +17% y-o-y and +47% q-o-q.

Unit: MB

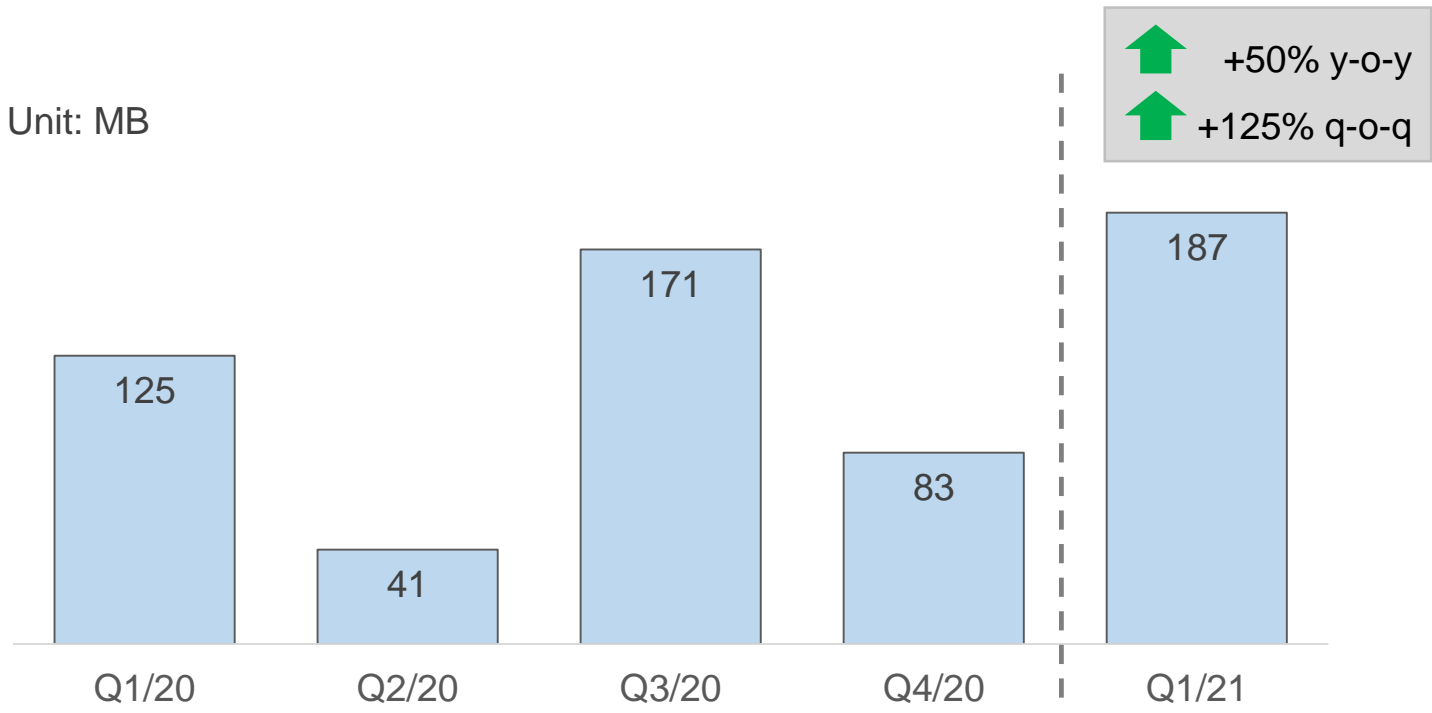
 +17% y-o-y
 +47% q-o-q



	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21
EBITDA Margin	13.1%	9.4%	14.2%	11.0%	14.2%
EBITDA Margin w/o non-recurring	13.2%	10.5%	14.3%	13.2%	14.2%
EBITDA w/o Key non-recurring	342	256	389	325	397
Key Non-Recurring	(3)	(28)	(4)	(55)	-
1) Profit from land selling	-	-	-	-	-
2) MSP (Loss)	-	(27)	-	(50)	-
3) Consultant Fee (Loss)	(3)	(1)	(4)	(5)	-

Q1/21 Profit for the Period

Earning increased +50% y-o-y and +125% q-o-q.



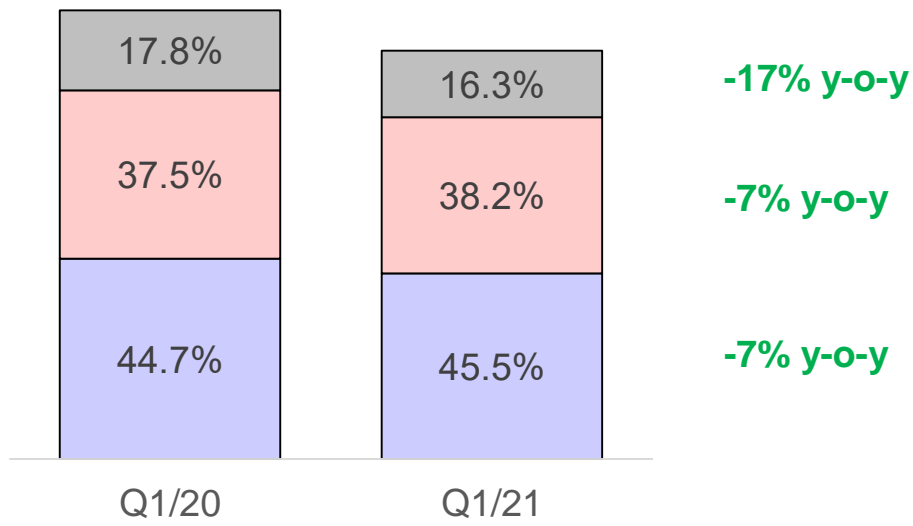
Profit for the Period (without Key non-recurring)

	128	64	174	127	187
Key Non-Recurring	(3)	(23)	(3)	(44)	-
1) Profit from land selling	-	-	-	-	-
2) MSP (Loss)	-	(21)	-	(40)	-
3) Consultant Fee (Loss)	(3)	(1)	(3)	(4)	-

Q1/21 Operating Variable Cost

Operating variable cost decreased -9% y-o-y mainly from assign cost decreased -17% y-o-y, while both energy cost and raw material cost decreased -7% y-o-y.

- **Assign Cost** - *Mainly repair & maintenance cost and labor cost*
- **Energy Cost** - *Mainly natural gas cost*
- **Raw Material Cost** - *Mainly raw material cost*

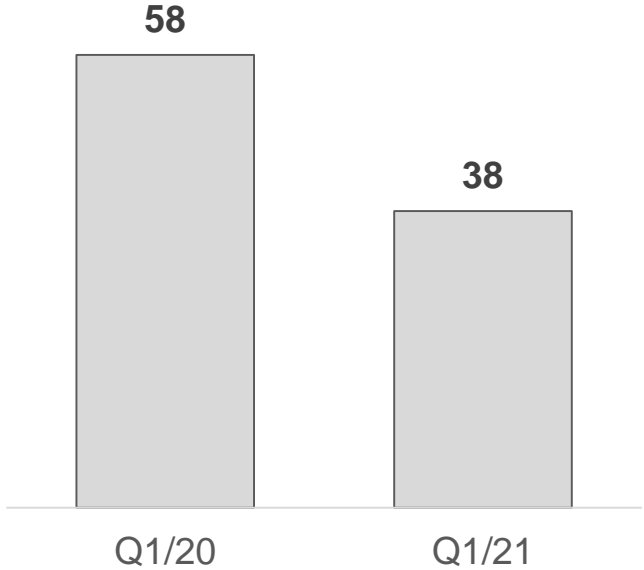


Remark: Only ceramics tiles

Q1/21 CAPEX and Interest & Financial Costs

CAPEX

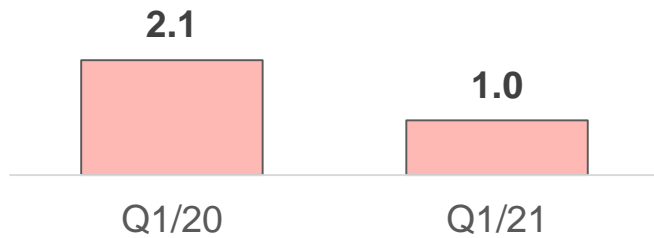
Unit: MB



- Amounted to 38 MB for Q1/21, mainly upgrade machine, maintenance, cost and energy saving project, retail outlet expansion and channel expansion.
- For CAPEX in FY2021 approx. 450-500 MB.

Interest and Financial Costs

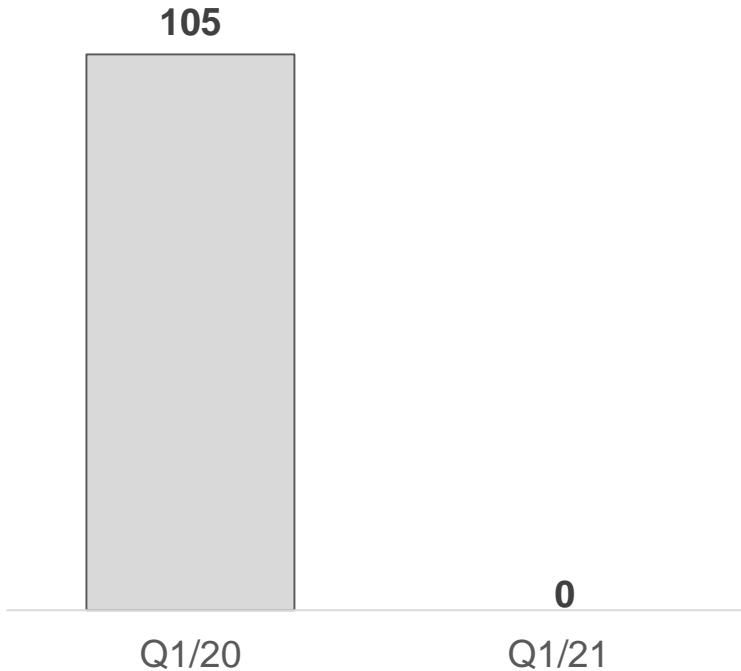
Unit: MB



- Amounted to 1 MB for Q1/21, mainly from TFRS 16 adoption

Q1/21 Net Debt

Unit: MB

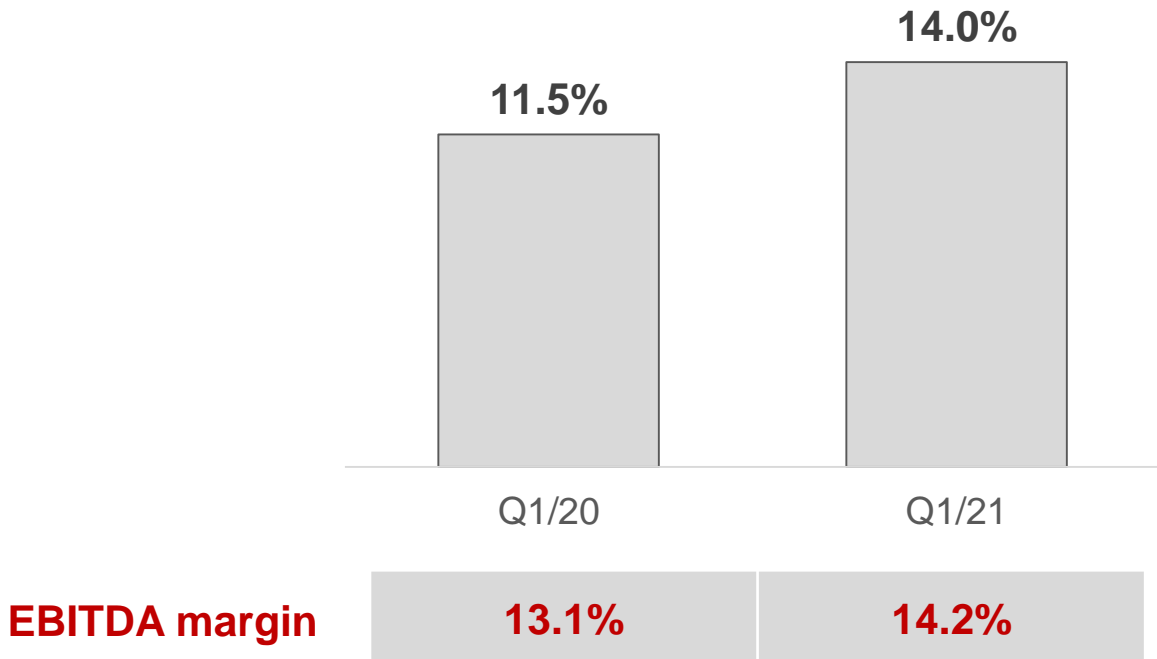


Net debt on EBITDA



Q1/21 EBITDA on Assets and EBITDA Margin

EBITDA on Assets



*Remark: EBITDA on Assets = EBITDA/ Consolidated assets
EBITDA margin = EBITDA/ Consolidated sales

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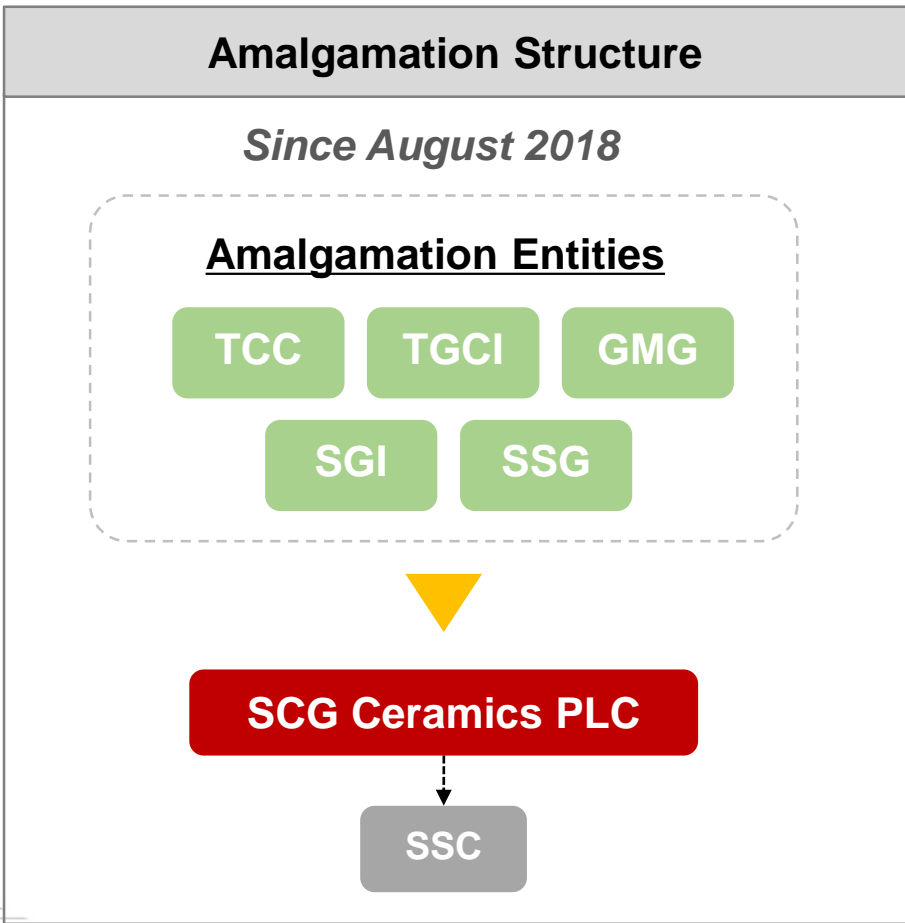
II. Q1/21 Financial Result

III. Strategic Directions

IV. What's next...

Company Background

To strengthen our competitive advantages in Thailand market



Strategic Directions



A. Optimization Value of core business

- Production Allocation
- Cost Reduction
- Production Improvement



B. Accretive Value Creation

- HVA Product
- Own ceramic outlet expansion
- ONE-Stop Service Solution
- Solar Business



C. Reinforce Export segment

- Develop Key existing distribution channels

A. Optimization value of core business

Production Allocation

Transform 'Brand-based' factory to 'Cost-based' factory

Production Allocation after Amalgamation		
Factory	Pre-merge	Post- merge
HinKong, Saraburi	COTTO	COTTO
NongKhae Industrial Estate, Saraburi	CAMPANA	COTTO CAMPANA SOSUCO
NongKhae, Saraburi	SOSUCO	COTTO CAMPANA SOSUCO

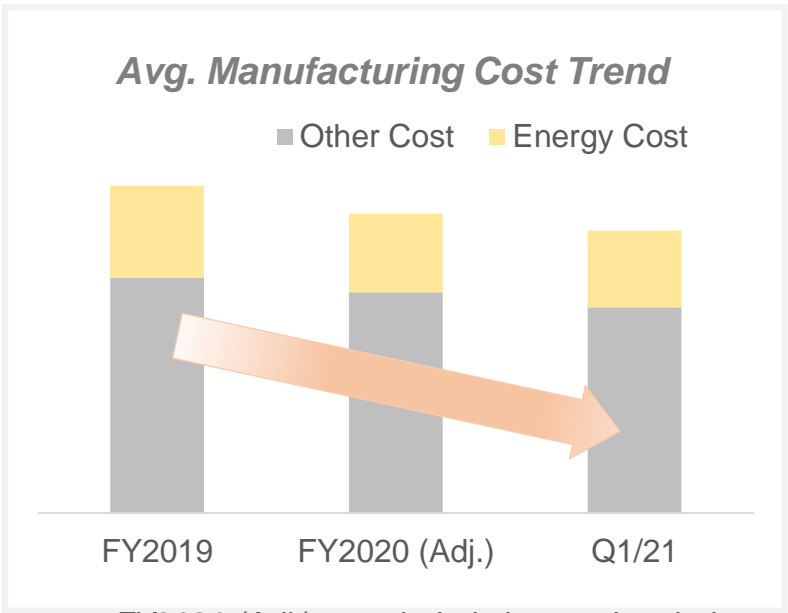
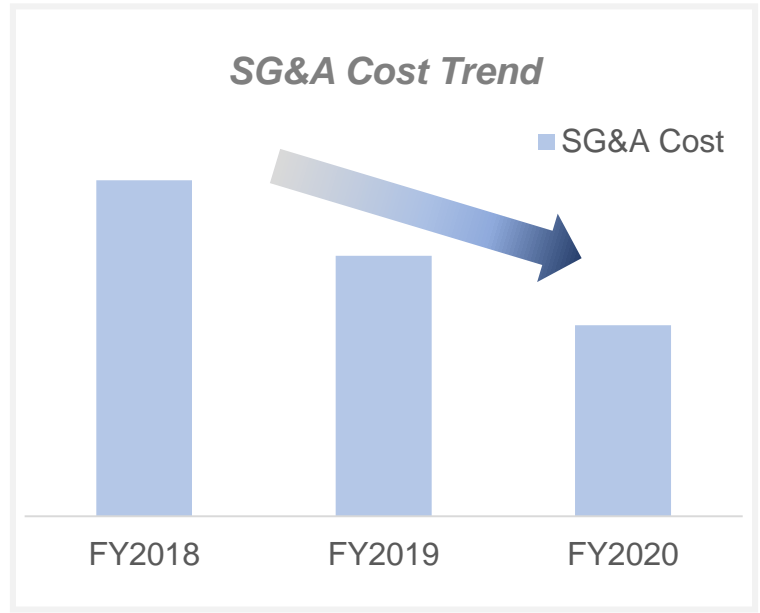
- Resulting 10%-15% cost saving on production allocation and saving 2%-3% overall
- As Rationalization of Production, overall capacity change from 94M.Sq.m. to 81M.Sq.m.

A. Optimization value of core business

Cost Reduction

Through organization restructuring and product portfolio management

- Integrate business functions to promote greater efficiency and corporate profitability
- Deduct unnecessary SG&A cost, i.e. optimized product portfolio , which FY2020 decreased -12% y-o-y and -23% from FY2018
- Q1/21 Avg. manufacturing cost decreased -6% from FY2020 and -7% from FY2020 without energy cost



FY2020 (Adj.) = excluded abnormal period

A. Optimization value of core business

Production Improvement

Utilize knowledge sharing to leverage production technology for reducing energy cost and enhancing capability of producing sophisticated products

After the amalgamation until now

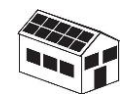
Next move

Cost Saving

Energy Saving



Dry Grinding for Red Body (since 2014)



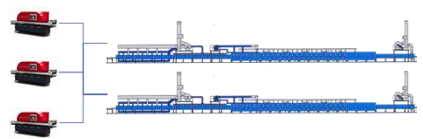
Solar Roof Top (since 2014)
Heat Recovery (2021)



Pallet strapping machine (since 2020) & Automated Shade/Defect Detector



Efficiency Improvement



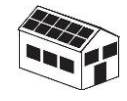
Debottleneck Production Process (since 2020)
Improving Digital Printer (2021)

Next move

Energy Saving



Dry Grinding for GP Product



Continue Solar Roof Top

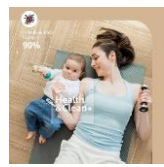
Automation



Net chain transport for Mosaic (2021)

Enhancing Capability

Technology for Health & Hygiene Product Value



Differentiation by Innovation & HVA products



Product value enhancement with effect and function

B. Accretive Value Creation

HVA portion

35%-40%

HVA Product

A. Health & Hygiene



Hygienic tile
with anti-bacteria silver nano in glazing



Anti-slip tile
with slip-resistance rating 11 or R11



Air-ion
with negative-ion in glazing

Selling price
200-500 baht/sq.m.

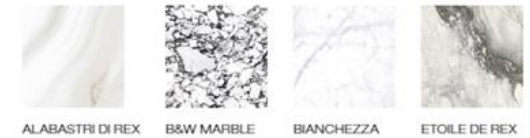
B. Mosaic Collection



Selling price
350-1,100 baht/sq.m.

C. Italia & Espana Collection

Italia Collection BORN IN ITALY
BUILT TO LAST



Selling price
1,500-4,200 baht/sq.m.

B. Accretive Value Creation

Own ceramic outlet expansion

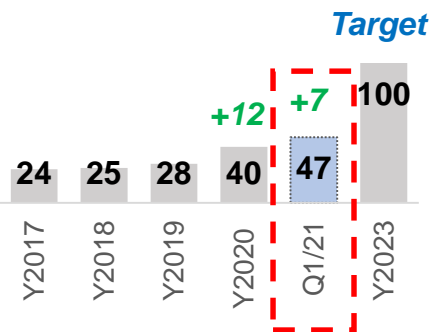


คลังเซรามิก แฟมิลี

A collaboration between “SCG Ceramics” & “Partners”

- ✓ LIGHT INVESTMENT for both parties:
- ✓ Utilize both parties’ STRENGTHS:
- ✓ Solve each parties’ PAIN POINTS:
- ✓ Lock-in with “NON-COMPETITION”

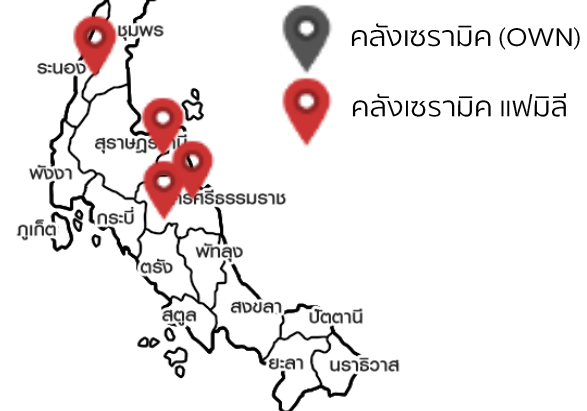
Number of Store



For the period Q1/21, Sales revenue increased **40%** y-o-y



47 stores
(as of Q1/21)



B. Accretive Value Creation

ONE-Stop Service Solution

At **COTTO Life**, we provide an integrated shopping experience of ceramic tiles, sanitary ware & fitting from product selection, 3D design to installation *all needs, all functions, all styles, all at once*



www.cottolife.com



Number of Store:

Y2019

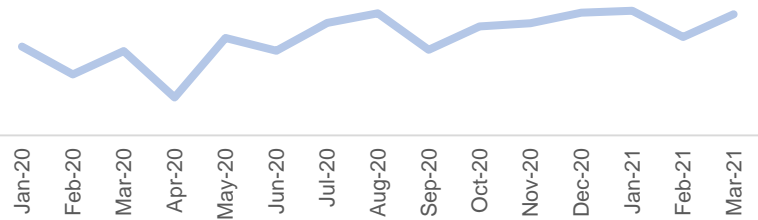


- Bangkok
- Chiang Mai
- Khon Kaen

Y2020



Sales Revenue Trend:



Same store sales growth

Q1/2020	Q2/2020	Q3/2020	Q4/2020	Q1/2021
179%	123%	49%	16%	23%

ONE stop solution



B. Accretive Value Creation

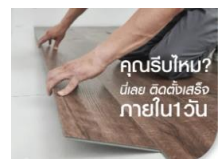
ONE-Stop Service Solution



Smart Flexible Tiles “LT by COTTO”

Limber Technology Flooring

- **Design Technology** – Feel the surface
- **Smart Installation** - Rapid installation within 1 day
- **World Class Quality** - Premium healthy grade and eco friendly raw material



Tile Adhesive & Tile Grout



Positioning:

- **“COTTO”** To be a professional
- **“SOSUCO”** To be a buddy with contractor



Installation business “C’TIS” (Certified Tile Installation Service)

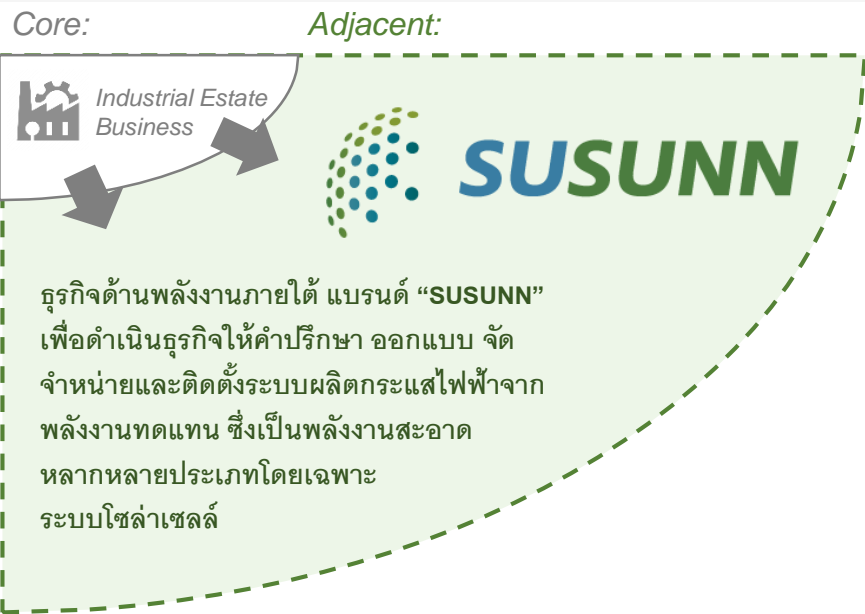


- Installation service for both **New-Built and Renovation project** by professional team



B. Accretive Value Creation

SUSUNN: Solar business



Our Services:

1) Engineering Procurement Construction

- Consultation
- Site survey
- License and permits
- System installation and testing



Solar rooftop



Solar floating

2) Operation and Maintenance

- Real-time monitoring system
- Maintenance
- Application



Solar monitoring



Solar O&M

Project Reference:



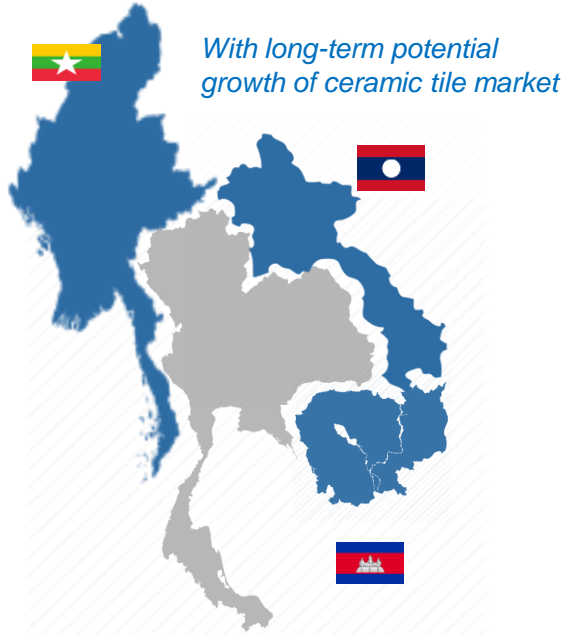
CPN at Central Plaza Rama II 998.8 kWp
<https://susunn.scgceramics.com/>

C. Reinforce Export segment

CLM sales portion

5%-10%

To neighbour country - CLM



A. Develop key existing distribution channels

B. Explore new biz opportunities

Traditional dealer & Wholesaler



Logistics & supply chain improvement

Retail business study

Modern trade



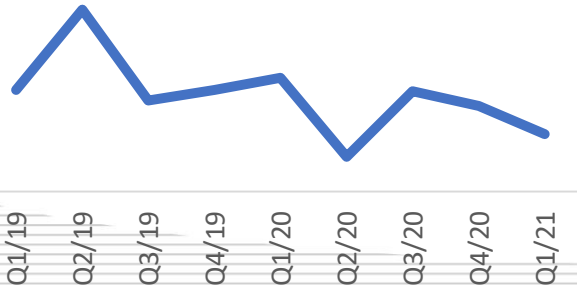
Direct sourcing from other suppliers

Project sales



COTTO Showroom at Yangon

SCG Ceramics Export Revenue Trend



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What's next ...

- **Continuously concentrate to cost optimization** via energy saving project.
- **Speed up own ceramic outlet expansion with family model** in strategic location and align with SCG retail business.
- **Developing product with innovation and Continuously accrete value by launching new product, service & solution** to satisfy customer needs in term of Health and Clean such as Hygienic Tile, Anti-slip Tile.
- **Capture potential growth of CLM market** by stimulating export volume, developing distribution channels and building brand to be well-known as well.
- **Leverage solar business “SUSUNN”**, which is the solar solution provider focusing on industrial and business segment (B2B).

Thank you

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