

# SCG Ceramics

## “COTTO”

**Opportunity Day Q1/21**

**Thursday, 13 May 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.
- 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 3<sup>rd</sup> wave of the COVID-19 pandemic especially in Cambodia and Laos, including uncontrollable factors in Myanmar.

# Agenda

**I. Q1/21 Market Situation**

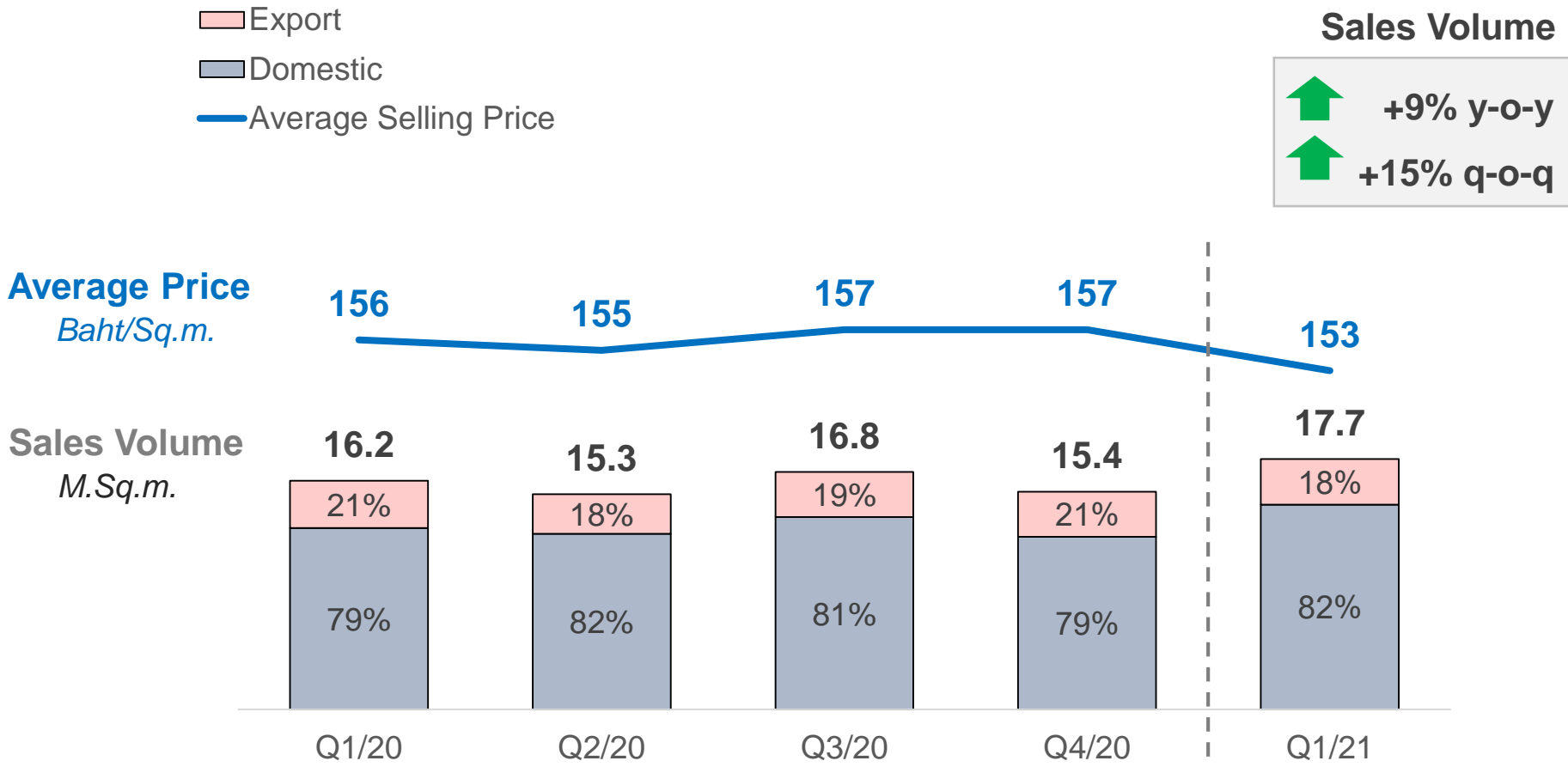
**II. Q1/21 Financial Result**

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# Q1/21 Sales volume and average price

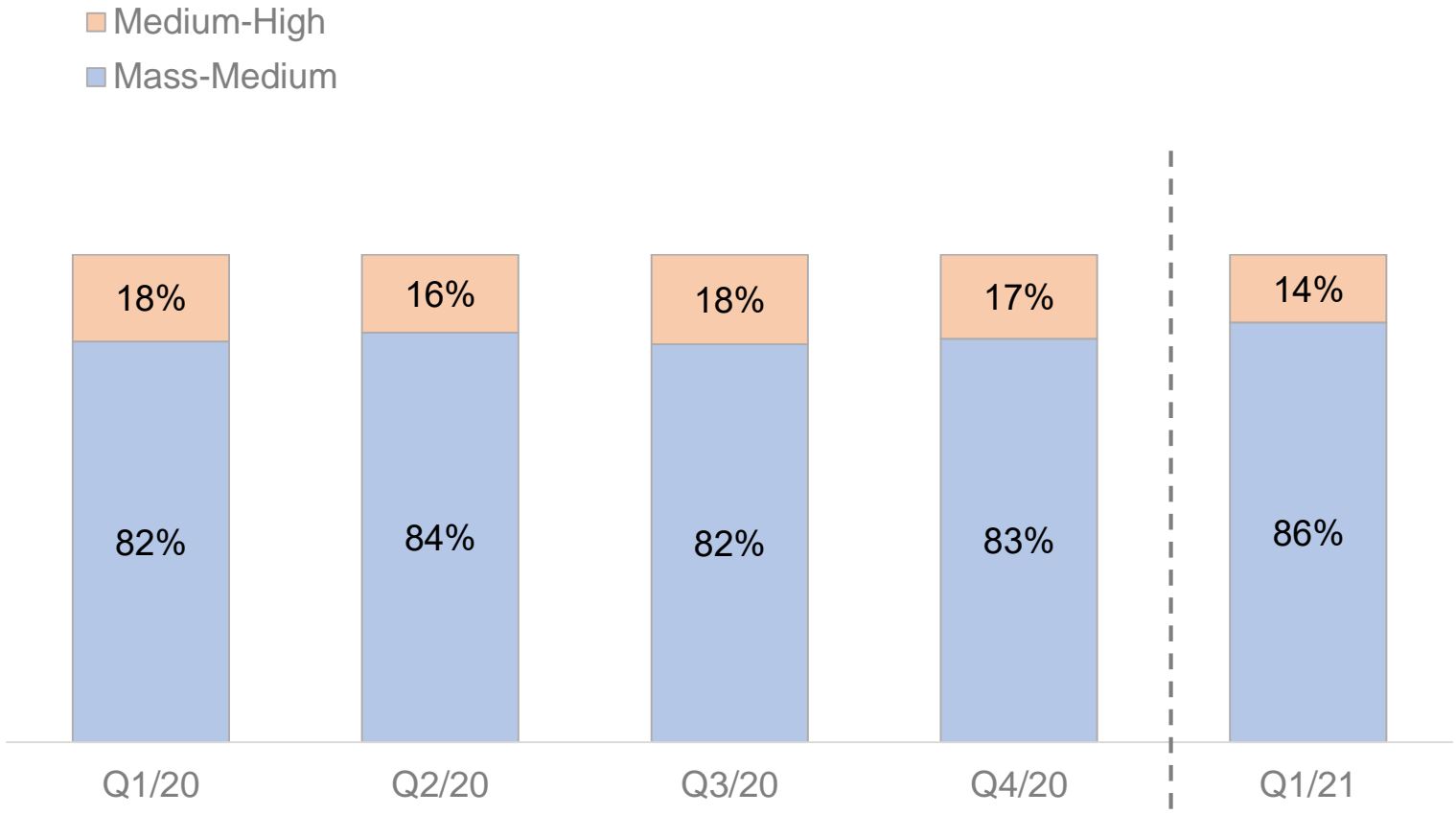
Sales volume increased +9% y-o-y while the average price dropped -2% y-o-y in Q1/21.



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.

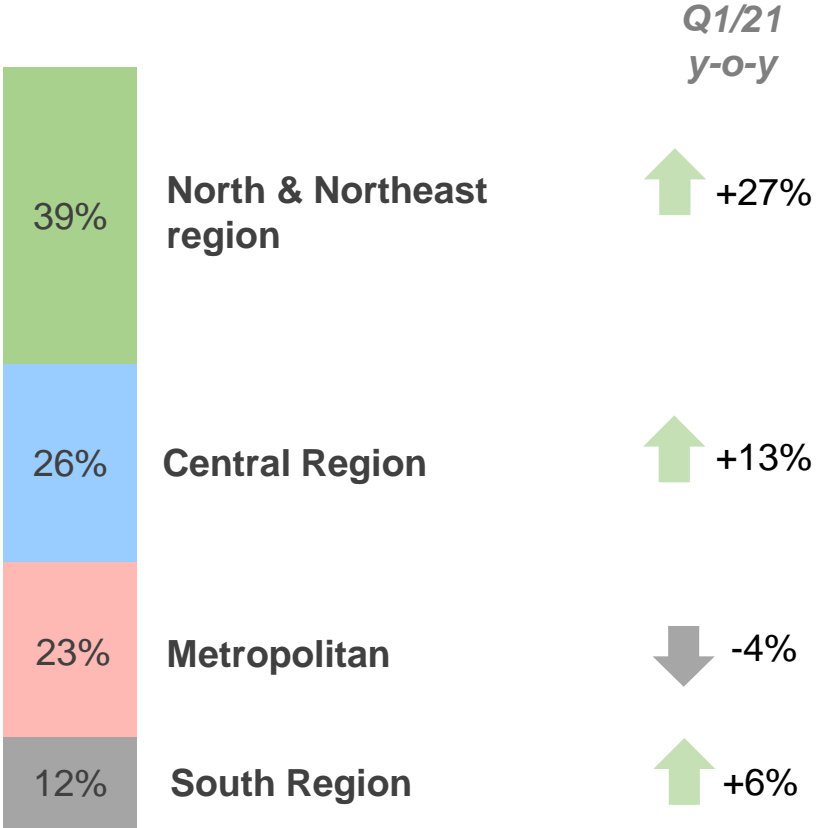


Remark:  
(1) Definition of segmentation  
Medium – High (portion 20%-50% of total market) – Wall Tile (Big size), Glazed Porcelain, Unglazed Porcelain, Mosaic, Glass Tile  
Mass – Medium (portion 70%-80% of total market) – Floor Tile, Wall Tile (Small-size), Outsource unglazed  
(2) Only ceramics tiles

# 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

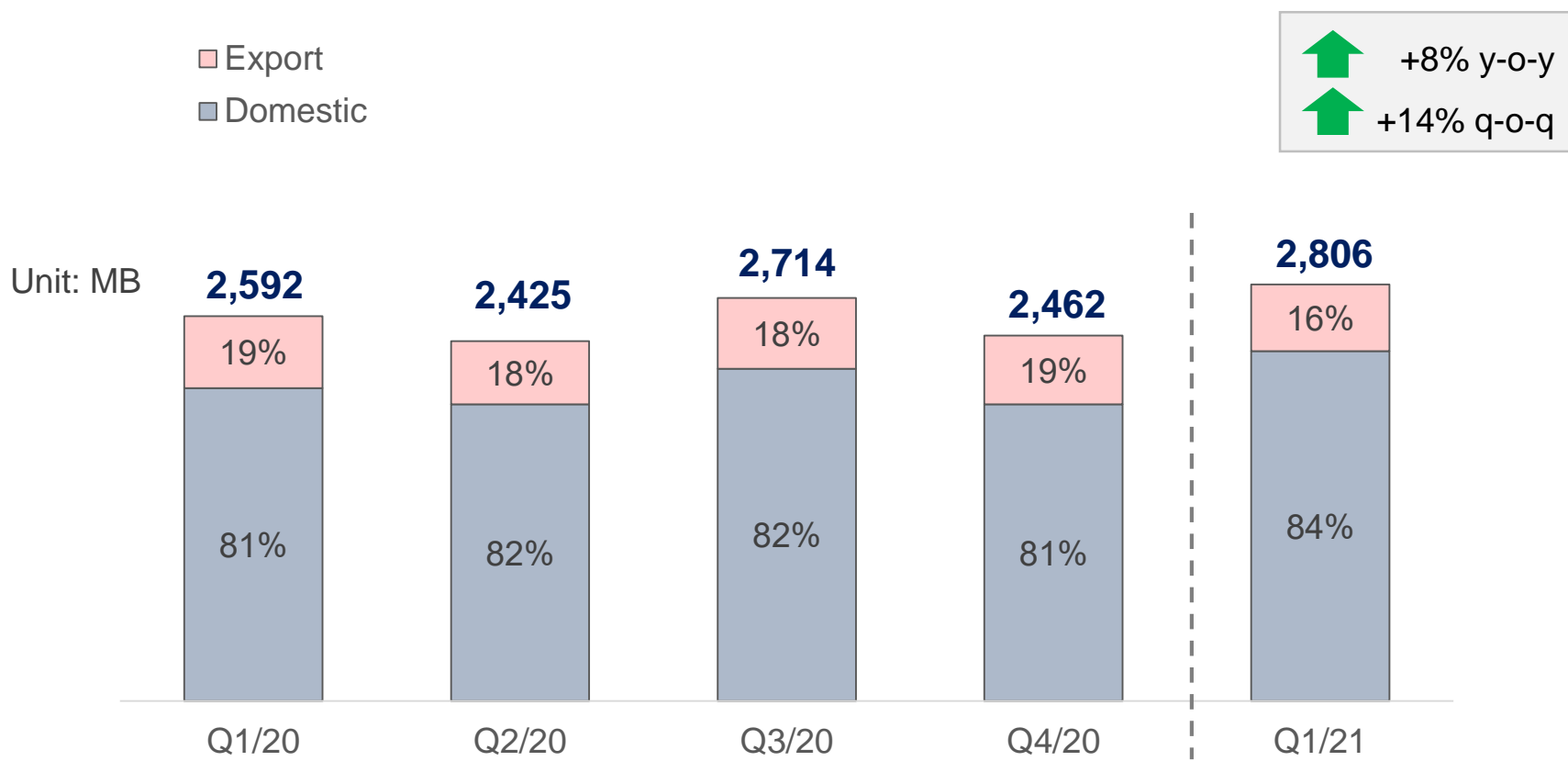
During the end of Y2020, the COVID-19 situation has been recovered, resulting in the positive market demand of Ceramic tiles in Q1/21. Moreover, agricultural prices are stronger such as rubber price, led to more purchasing power in all segments especially, North & Northeast, Central and South Region.

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.




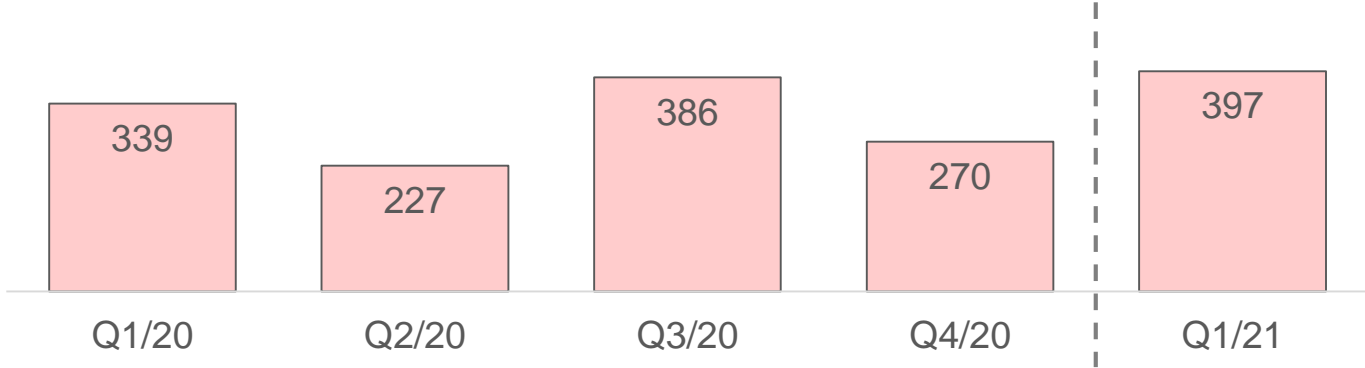


# Q1/21 EBITDA

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

Unit: MB

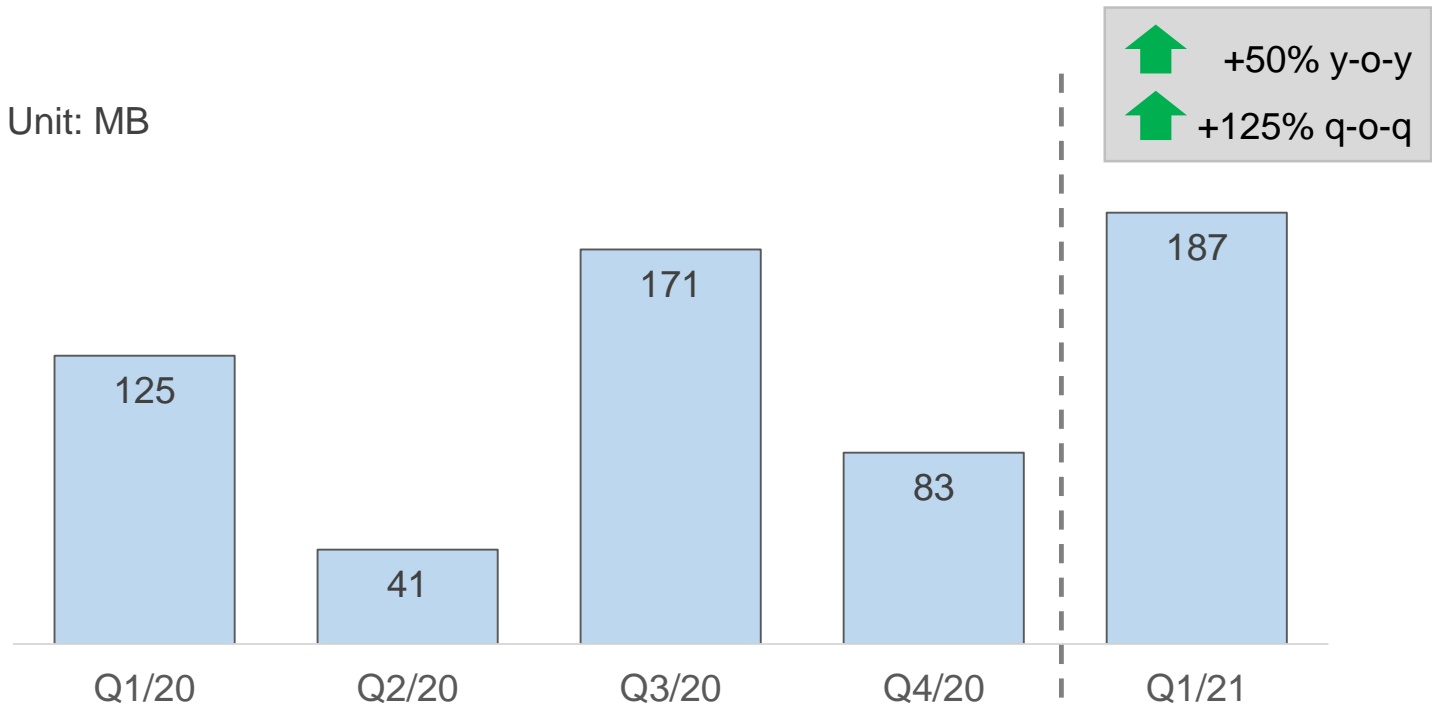
 +17% y-o-y  
 +47% q-o-q



	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21
<b>EBITDA Margin</b>	13.1%	9.4%	14.2%	11.0%	14.2%
<b>EBITDA Margin w/o non-recurring</b>	13.2%	10.5%	14.3%	13.2%	14.2%
<b>EBITDA w/o Key non-recurring</b>	342	256	389	325	397
<b>Key Non-Recurring</b>	(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.



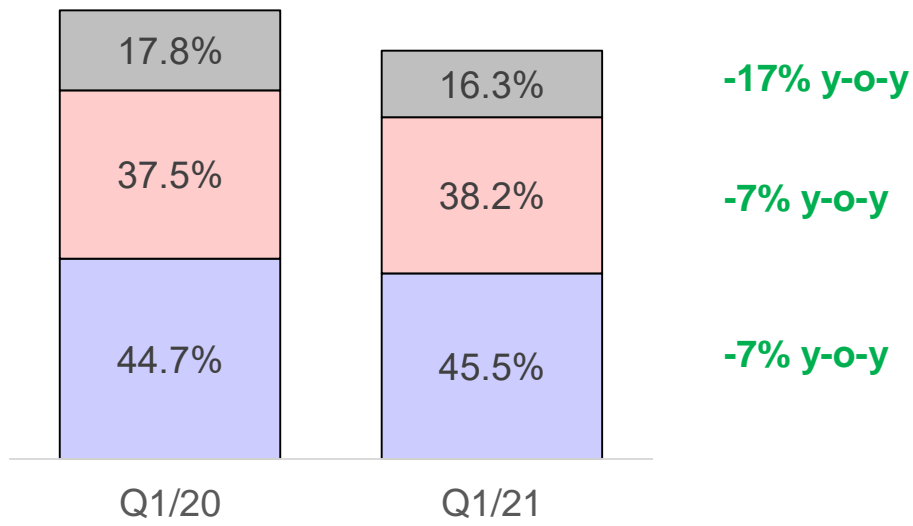
**Profit for the Period (without Key non-recurring)**

	<b>128</b>	<b>64</b>	<b>174</b>	<b>127</b>	<b>187</b>
<b>Key Non-Recurring</b>	<b>(3)</b>	<b>(23)</b>	<b>(3)</b>	<b>(44)</b>	<b>-</b>
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 raw material cost
- Energy Cost - Mainly natural gas cost
- Raw Material Cost - Mainly repair & maintenance cost and labor cost

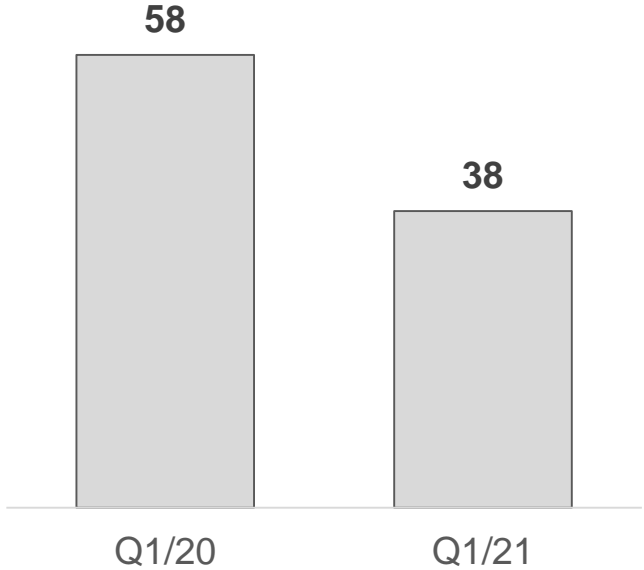


Remark: Only ceramics tiles

# Q1/21 CAPEX and Interest & Financial Costs

## CAPEX

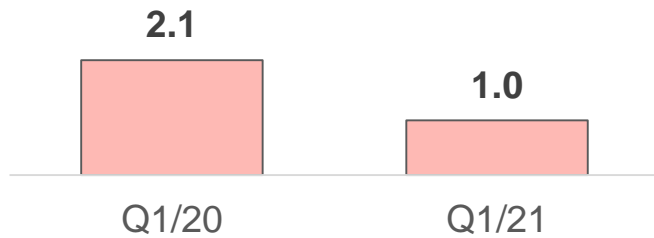
Unit: MB



- 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

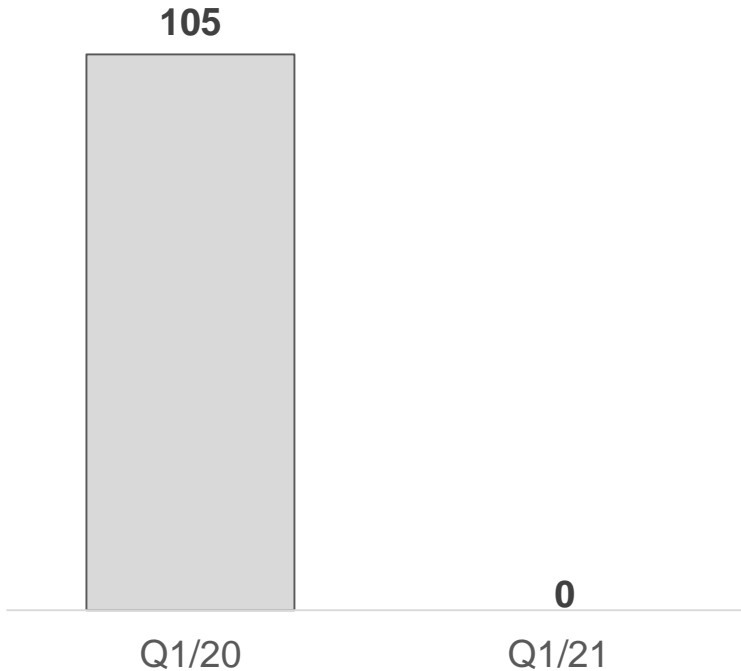
Unit: MB



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

# Q1/21 Net Debt

Unit: MB

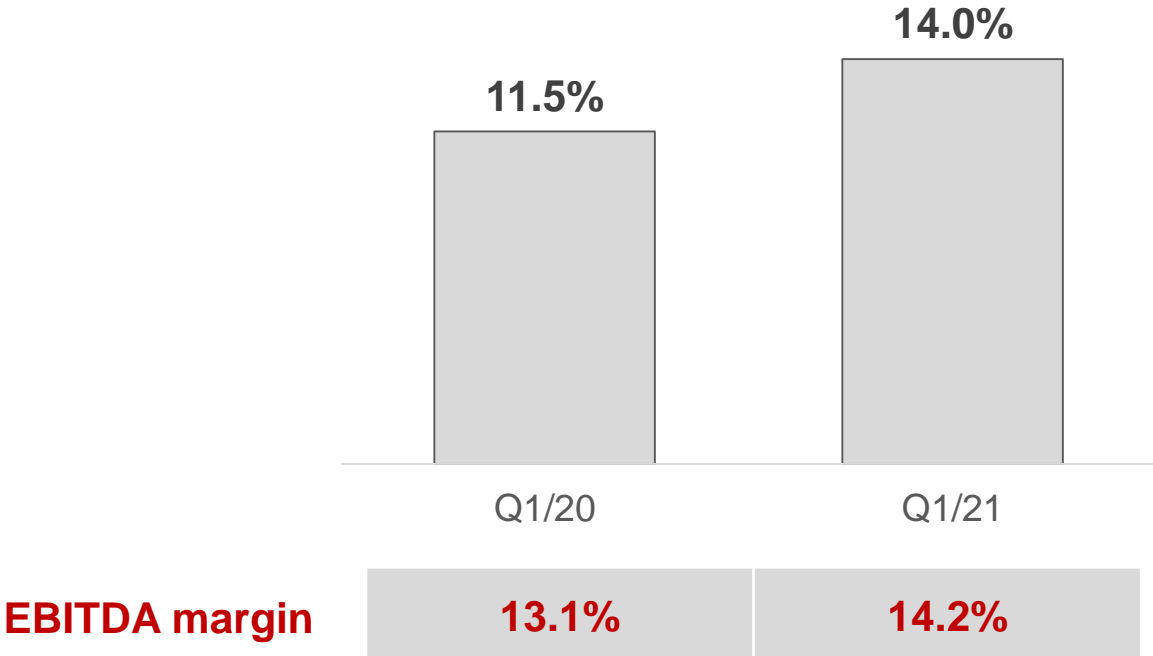


**Net debt on EBITDA**



# Q1/21 EBITDA on Assets and EBITDA Margin

## EBITDA on Assets



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

# Agenda

**I. Q1/21 Market Situation**

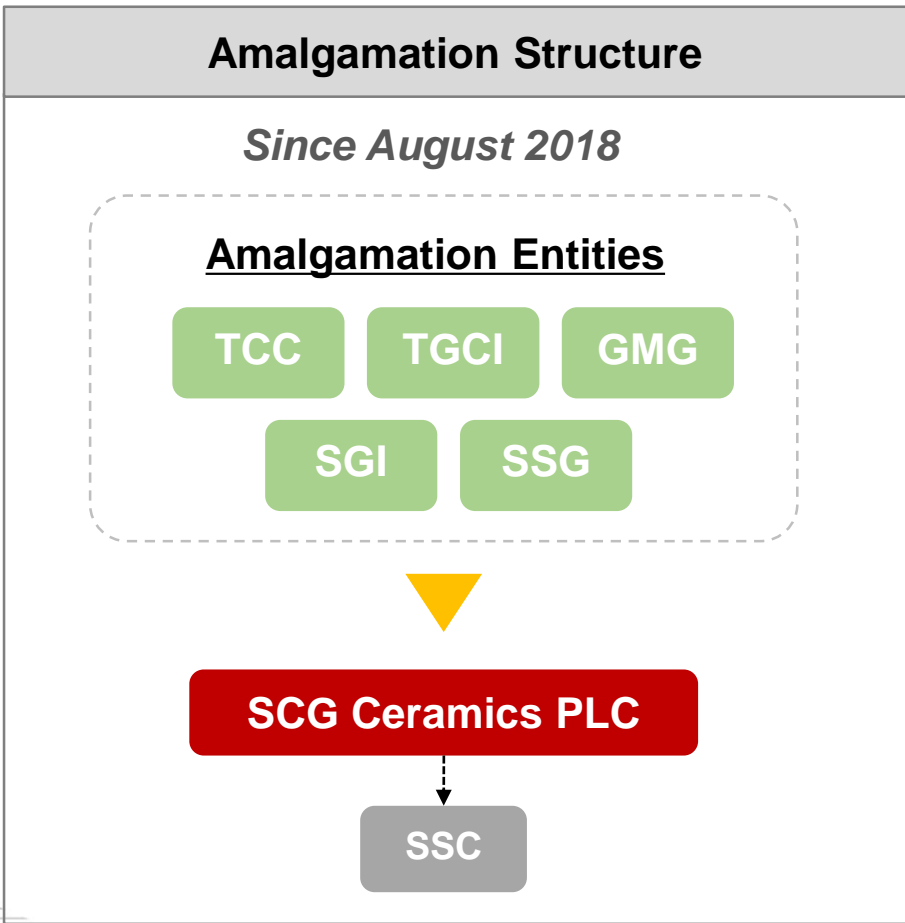
**II. Q1/21 Financial Result**

**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.

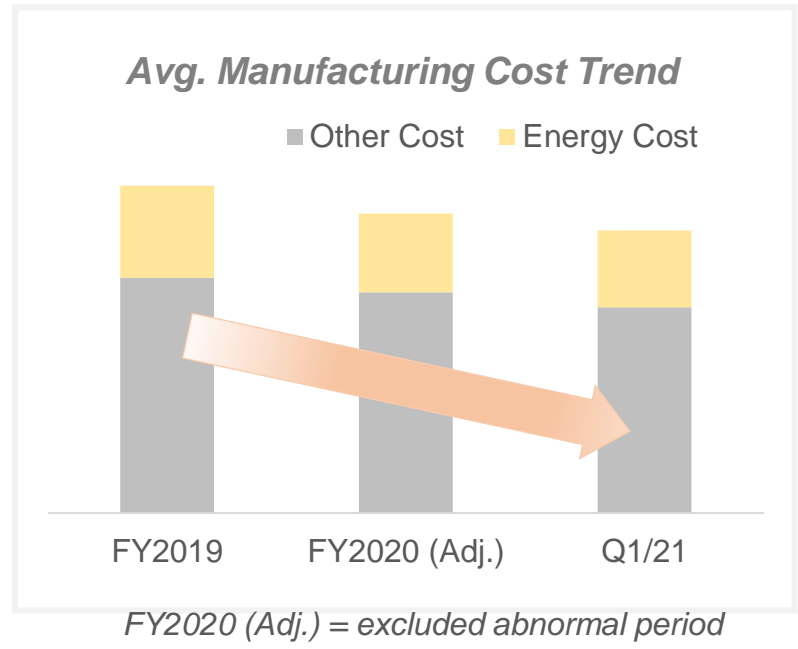
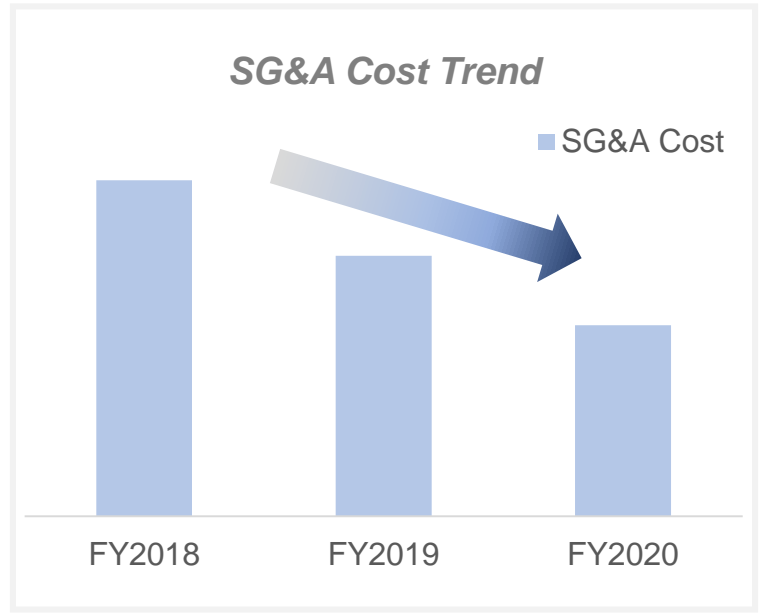


# A. Optimization value of core business

## 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



# 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)

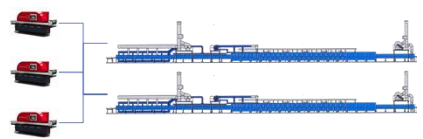


#### Automation

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



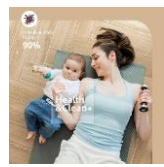
#### Efficiency Improvement



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

Enhancing Capability

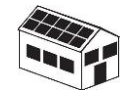
#### Technology for Health & Hygiene Product Value



#### Energy Saving



Dry Grinding for GP Product



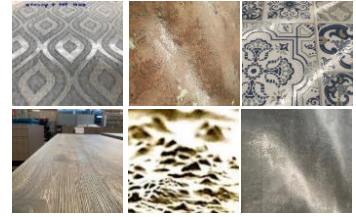
Continue Solar Roof Top

#### Automation



Net chain transport for Mosaic (2021)

#### 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

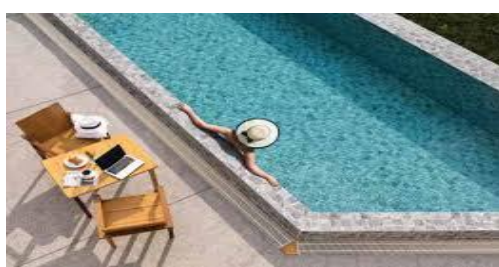


#### Air-ion

with negative-ion in glazing

Selling price  
200-500 baht/sq.m.

### B. Mosaic Collection

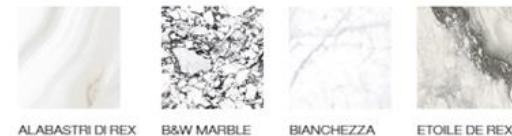


Selling price  
350-1,100 baht/sq.m.

### 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

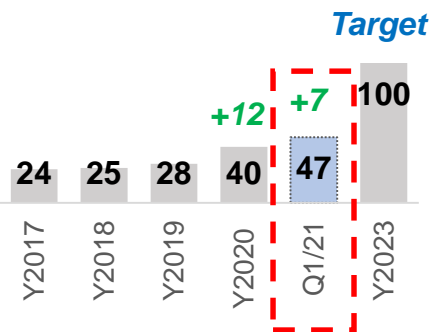


### คลังเซรามิก แฟมิลี

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"

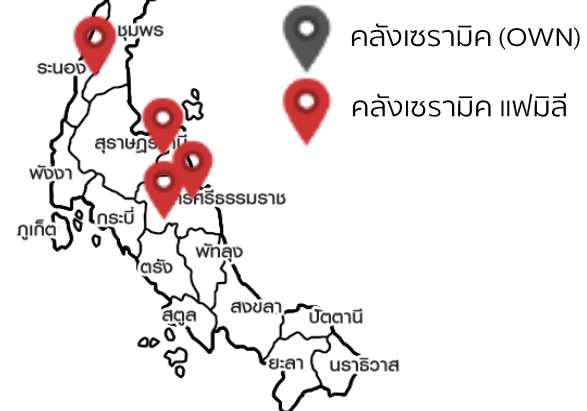
### Number of Store



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

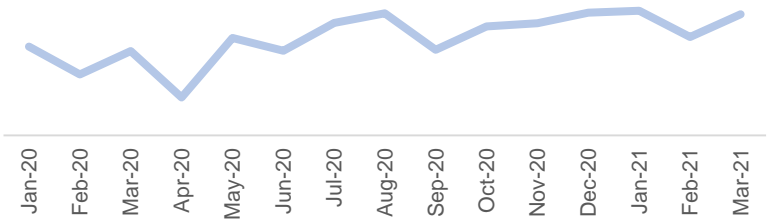
At **COTTO Life**, we provide an integrated shopping experience of ceramic tiles, sanitary ware & fitting from product selection, 3D design to installation *all needs, all functions, all styles, all at once*



### Number of Store:



### 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

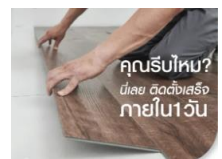
## ONE-Stop Service Solution



### 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



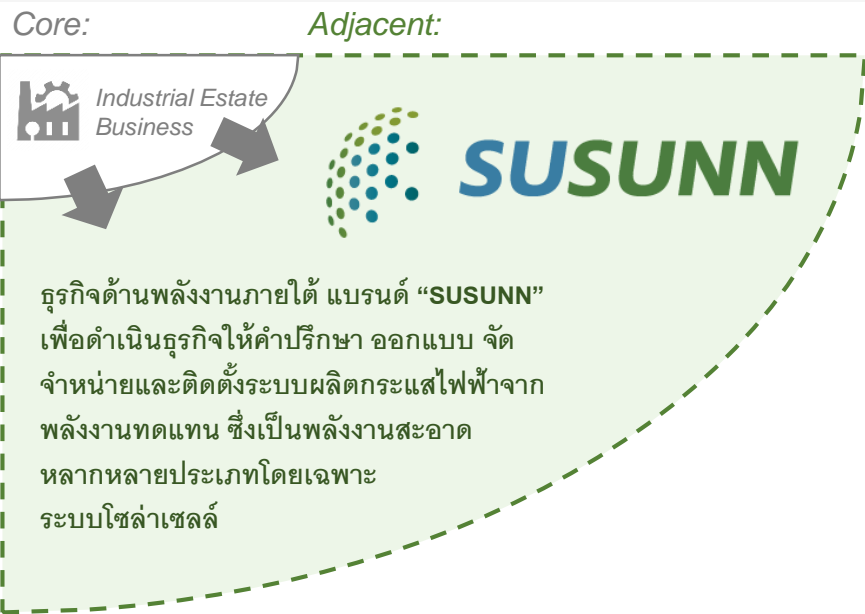
บริการรับติดตั้ง  
กระเบื้องเซรามิก





# 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

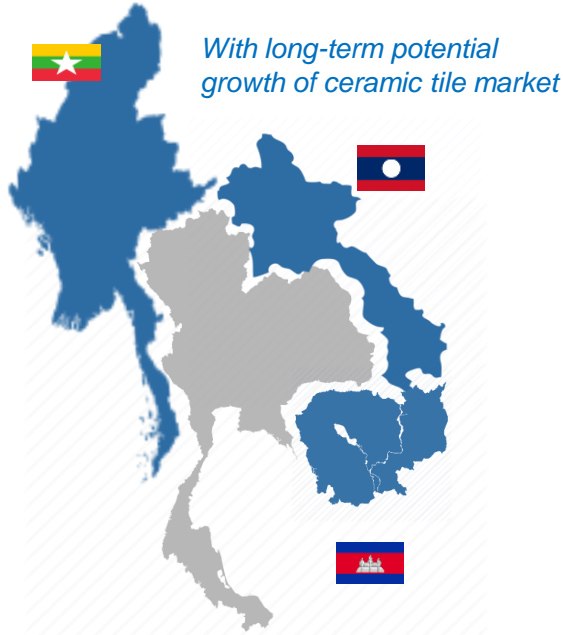
<https://susunn.scgceramics.com/>

# 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



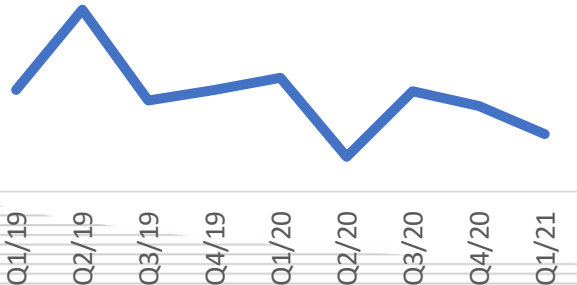
Direct sourcing from other suppliers

Project sales



COTTO Showroom at Yangon

SCG Ceramics Export Revenue Trend



# Agenda

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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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