

SCG Ceramics

Local NDR Q3/2019

Thursday October 31, 2019

Agenda

I. Company Background

II. Strategic Directions

III. Financial Updates

Company Background

SCG Investment Milestones in Ceramic Business



COTTO

1979 : Acquired Thai Ceramic Co., Ltd. (TCC)



1997 & 1998 : Acquired The Siam Ceramic Group Industries Co.,Ltd (SGI)



2008 : Acquired Thai-German Ceramic Industry Public Company Limited (TGCI)
Established Sosuco and Group (2008) Company Limited (SSG)



2014 : Gemago Co.,Ltd. (GMG)



เอสซีซี เซรามิกส์
SCG Ceramics

2018 : Amalgamated of SCG's ceramics business, to be
SCG Ceramics PLC or "COTTO" on 1st August, 2018

Company Background

To strengthen our competitive advantages in Thailand market

Amalgamation Structure

Since August 2018

Amalgamation Entities

TCC

TGCI

GMG

SGI

SSG

SCG Ceramics PLC

SSC



SCG Ceramics PLC

Ceramic Tile Flagship Company

COTTO

CAMPANA

SOSUCO

Company Background

1) Ceramic Tiles Business

Total Capacity 94 M.sq.m. per year

Plant	Capacity
1) Hin Kong	27 M.sq.m.
2) Nong Khae Ind.	24 M.sq.m.
3) Nong Khae1	25 M.Sq.m.
4) Nong Khae2	18 M.Sq.m.



2) Industrial Estate Business

- **Location:** Phaholyothin Road kilometer 92, Nongkae District, Saraburi
- **Business :** Land Developer and Infrastructure System Provider including electricity system, water supply system, waste water treatment system, etc.

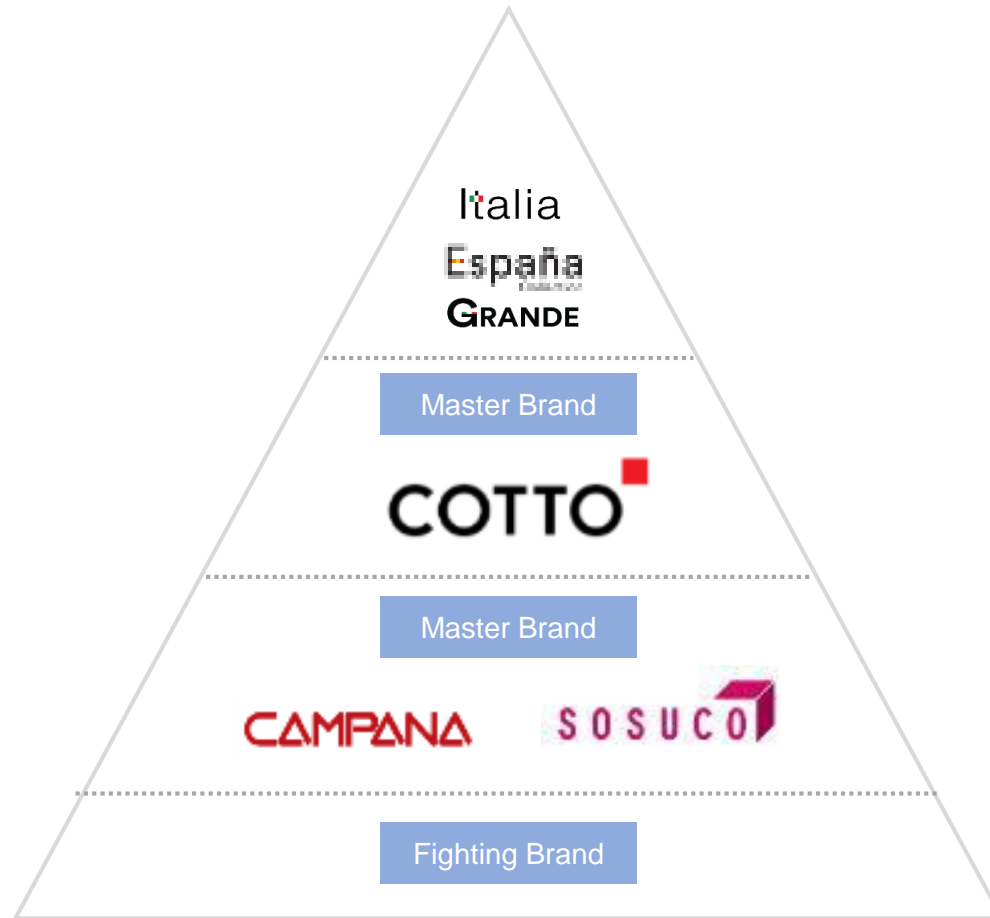


Product Portfolio and Segmentation

Hi-End Segment



Mass Segment



Product Portfolio and Segmentation

Variety of product and application portfolio serving customer needs in all segmentations



COTTO Grande



COTTO Italia



Glass Tile



Mosaic

<u>Segmentation</u>	<u>Application & Specification</u>	<u>Selling Price (Baht per SQM.)</u>	<u>SCG Brands</u>
<p>Luxury Market</p> <p>↑</p> <p>↓</p> <p>Medium-High Market</p>	<i>Large Size Glaze Porcelain</i>	1,800 – 6,000	<p>COTTO[■]</p> <p>Italia</p> <p>GRANDE</p> <p>COTTO[■]</p>
	<i>Glass Tile</i>	1,800 – 3,500	
	<i>Mosaic</i>	200 - 800	

Product Portfolio and Segmentation

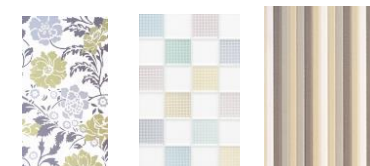
Variety of product and application portfolio serving customer needs in all segmentations



Glazed Porcelain



Unglazed Porcelain



Wall Tile



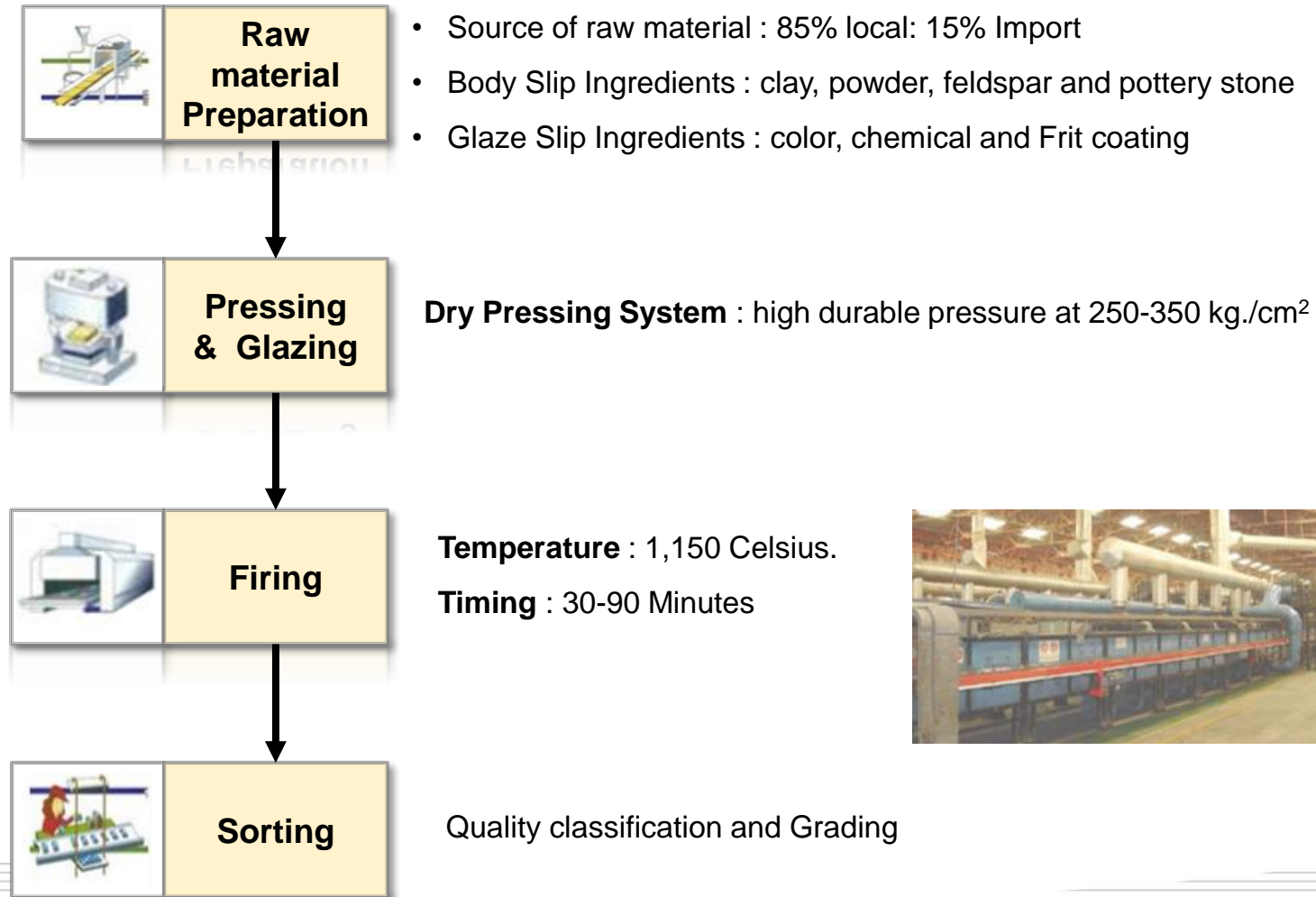
Floor Tile

<u>Segmentation</u>	<u>Application & Specification</u>	<u>Selling Price (Baht per SQM.)</u>	<u>SCG Brands</u>
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<p>Medium-High Market</p> <p>↑</p> <p>↓</p> <p>Mass – Medium Market</p>	<p><i>Small-Medium size Glaze Porcelain</i></p> <p>200 - 800</p>	<p>COTTO</p>
	<p><i>Unglazed Porcelain</i></p> <p>150 - 600</p>	
	<p><i>Wall Tile</i></p> <p>120 - 500</p>	<p>COTTO</p> <p>CAMPANA</p> <p>SOSUCO</p>
	<p><i>Floor Tile</i></p> <p>100 - 350</p>	

Ceramic Production Process

Raw material and energy are key elements in production cost



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1. Optimization value of core business

(1.1) Production Allocation - Transform 'Brand-based' factory to 'Cost-based' factory

- Allocate production to the lowest cost factory and fully utilize capacity of kiln
- From reallocation, operating cost decreased 2% yoy

Production Allocation after Amalgamation				
Factory	Capacity (M.Sqm.)	Pre-merge Utilization	Post- merge Utilization	
HinKong, Saraburi	27	80% - 85% COTTO	▶	60% - 65% COTTO
NongKhae Industrial Estate, Saraburi	24	65% - 70% CAMPANA	▶	75% - 80% COTTO CAMPANA SOSUCO
NongKhae, Saraburi	43	65% - 70% SOSUCO	▶	70% - 75% COTTO CAMPANA SOSUCO

1. Optimization value of core business

(1.2) Cost Reduction through organization restructuring and product portfolio management

- Integrate business functions to promote greater efficiency and corporate profitability
- Reduce unnecessary SG&A cost such as Indirect charge which employee cost decreased 4% due to organization restructuring (as of Q3/19)
- Product portfolio optimization



1. Optimization value of core business

(1.3) Production Improvement - Utilize knowledge sharing to leverage production technology for reducing energy cost and enhancing capability of producing sophisticated products

Examples of successful production improvement

- Continuously invest in Energy saving projects including Low Firing Energy, Solar cell, etc. to save energy consumption, significant cost of ceramic products.



*Low Firing Energy
(since 2012)*



*Dry Grinding
(since 2014)*



*Digital Printing
(Since 2000)*



*Water Jet Cutting
(Since 2002)*

- Enhance capability of producing sophisticated products

2. Accretive value creation

(2.1) High Value Added Product (“HVA”) continuously improve High Value Added Product (HVA) to serve market demand and enhance profitability

Examples of High Value Added Product (“HVA”)



COTTO Italia (2013) – Balza Series
(1,800-2,100 Baht/sqm.)

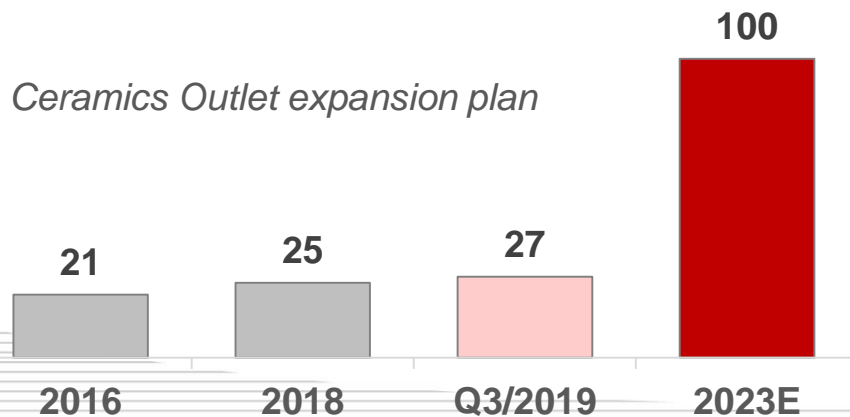


COTTO Grande (2016) –CEMENT EBONY Series
(4,500-6,000 Baht/sqm.)

2. Accretive value creation

(2.2) Expand retail business for each segment to increase market coverage and profitability

Ceramics Outlet for Mass-Medium segment



COTTO Life for Medium-High segment



Launched COTTO Life at SCG XP in Q1/19 and will expand to other region in next year

Agenda

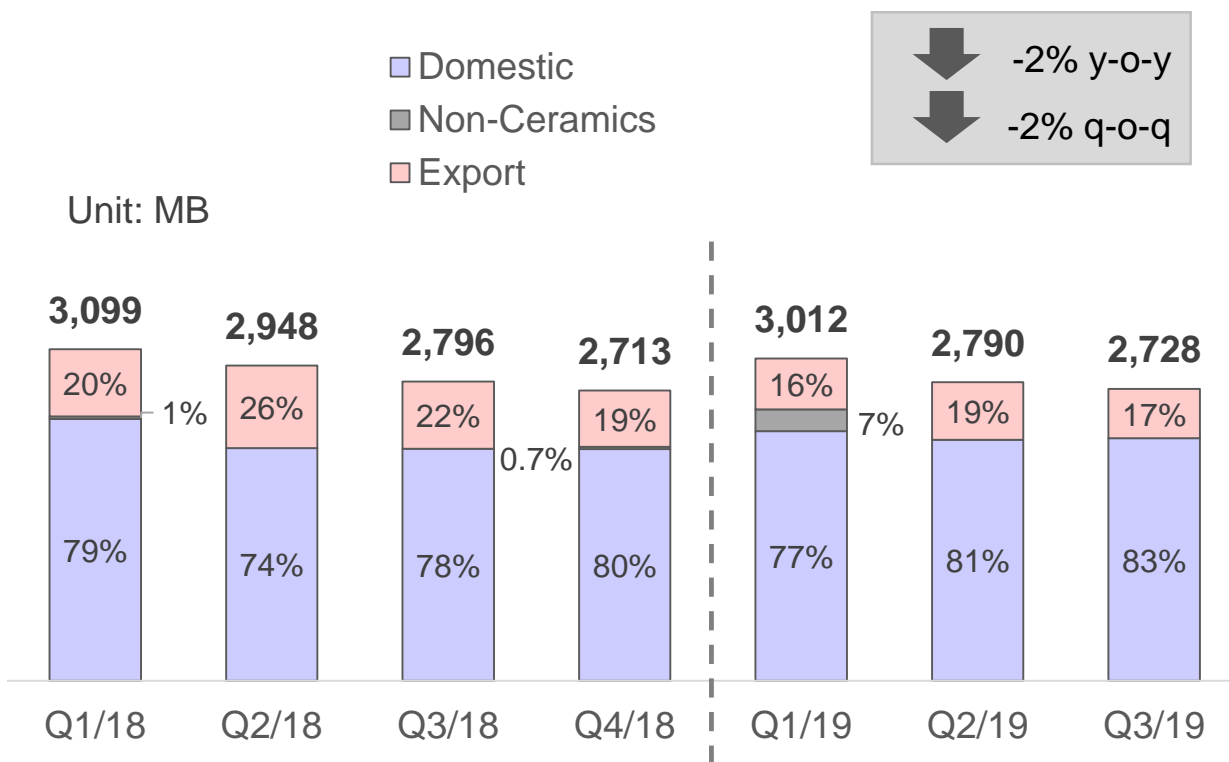
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Revenue from Sales

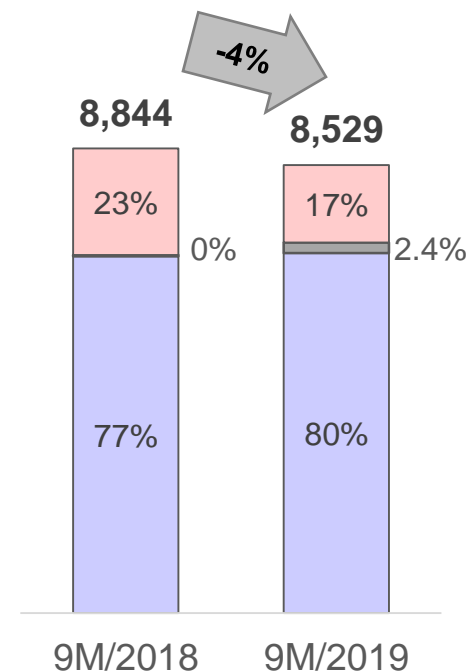
Total revenue Q3/19 decreased -2% y-o-y, -2% q-o-q



Non-Recurring Revenue

24	-	-	20	203	-	-
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Revenue from Sales (9M /2019)



24	203
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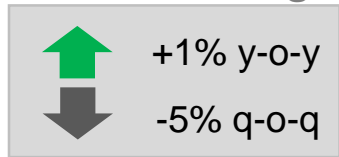
*Non-Ceramics: Revenue from land selling at Nong Khae Industrial Estate

Sales Volume and Average Price

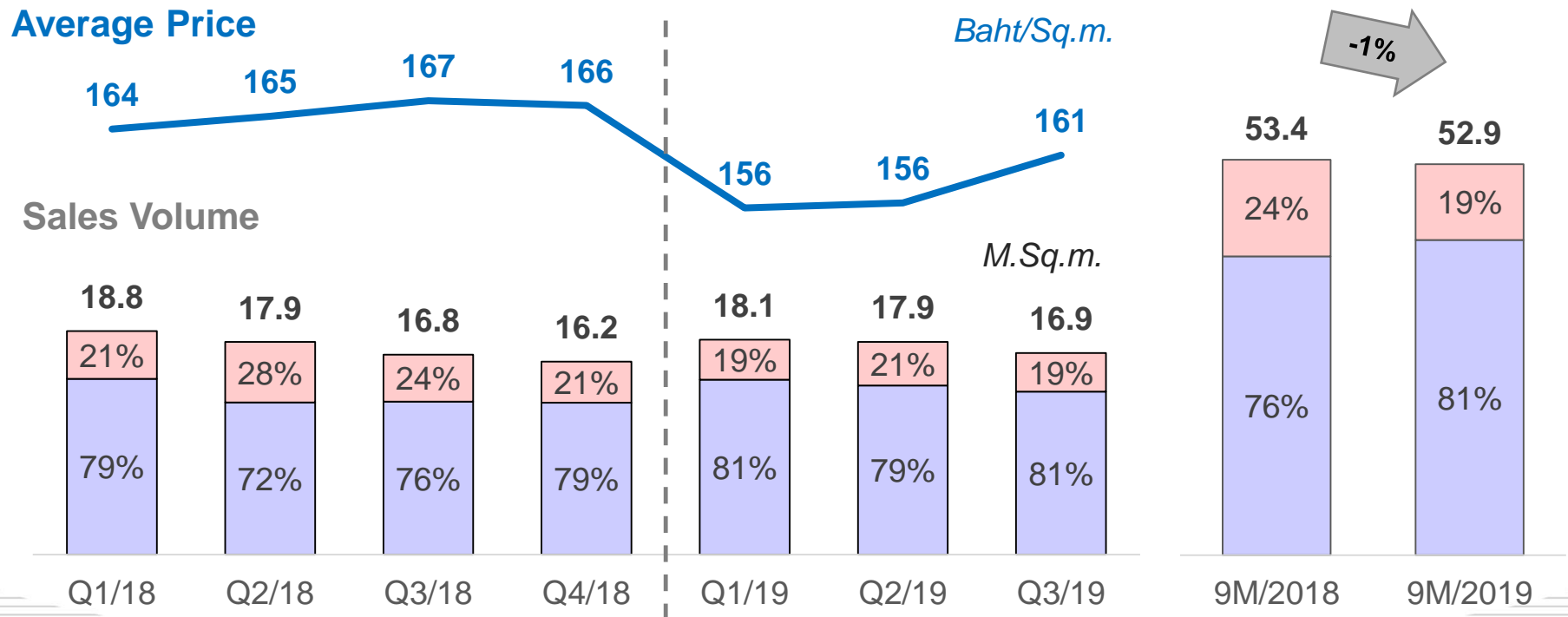
Q3/19 SCG Ceramics' sales volume slightly increased +1% y-o-y while the average price -3% y-o-y and +3% q-o-q

- Domestic
- Export
- Average Selling Price

Volume Change



Sales Volume (9M/2019)



Remark: Only ceramics tiles

Domestic Sales volume by region

Sales Volume portion

		Q3/19 y-o-y	9M/19 y-o-y
27%	North & Northeast region	↑ +10%	↑ +14%
10%	Central Region	↑ +13%	↑ +9%
53%	Metropolitan	↑ +5%	↑ +2%
10%	South Region	↓ -2%	↓ -4%

Market Situation 9M/19

Vertical residential in mass-medium segment was popular align with urban sprawl, while medium-high segment was stable due to LTV policy.

Demand from residential segment continuous growth and Eastern Economic Corridor (EEC) urged demand.

Demand from residential and government segment continuous growth align with sky train & subway route.

In general, demand still decelerated due to low rate in rubber and palm price. While high-rise project slightly increased in tourist area.

Remark: Only domestic ceramics tiles

EBITDA

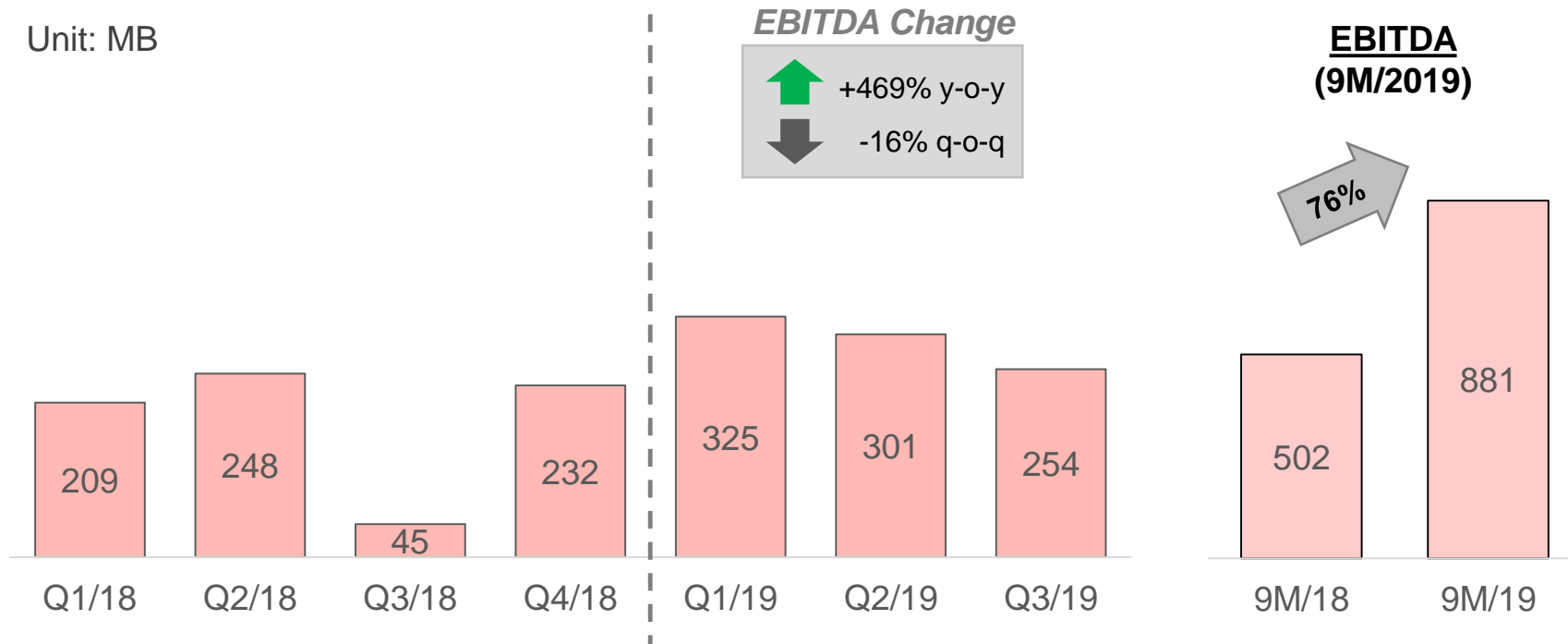
EBITDA Q3/19 increased 469% y-o-y

Unit: MB

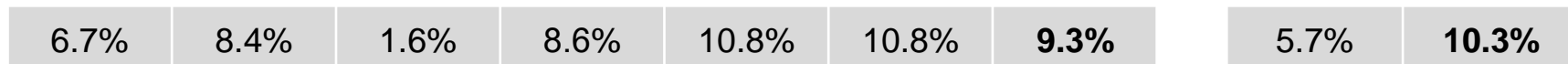
EBITDA Change



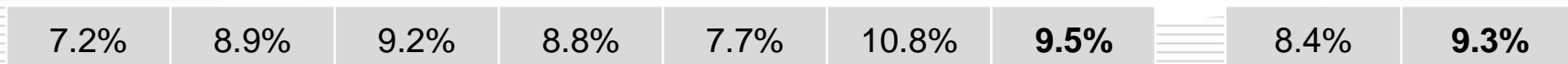
EBITDA (9M/2019)



EBITDA Margin

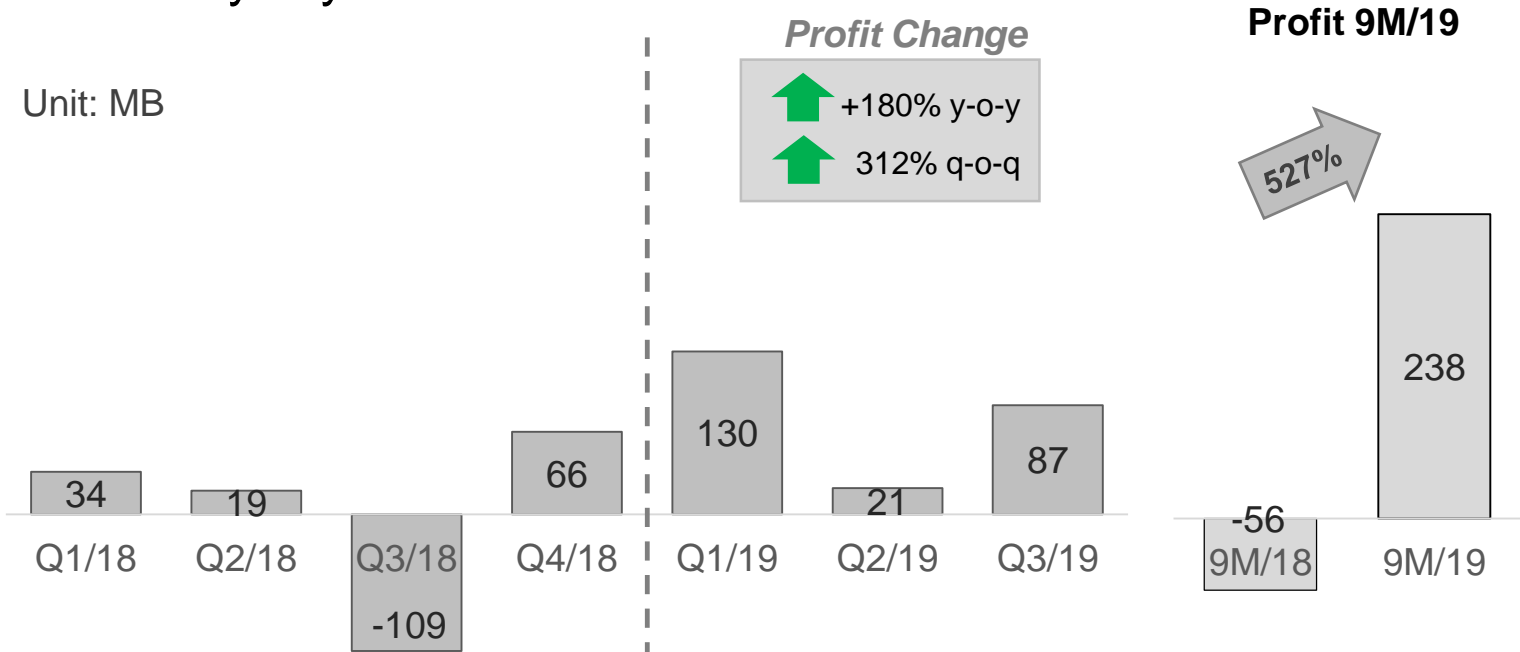


EBITDA Margin without non-recurring



Profit for the Period

Profit for the period Q3/19 increased +180% y-o-y and without non-recurring item increased +53% y-o-y



Profit for the Period (without Key non-recurring)

	47	30	60	72	56	113	92	137	261
Key Non-Recurring	(12)	(11)	(170)	(6)	74	(92)	(5)	(192)	(23)
1)Severance pay adjustment (Labor law)	-	-	-	-	-	(93)	-	-	(93)
2)Profit from land selling	9	-	-	11	77	-	-	9	77
3)MSP (Loss)	-	-	(162)	-	-	-	-	(162)	-
4)Consultant Fee (Loss)	(21)	(11)	(8)	(17)	(3)	1	(5)	(40)	(7)

COTTO

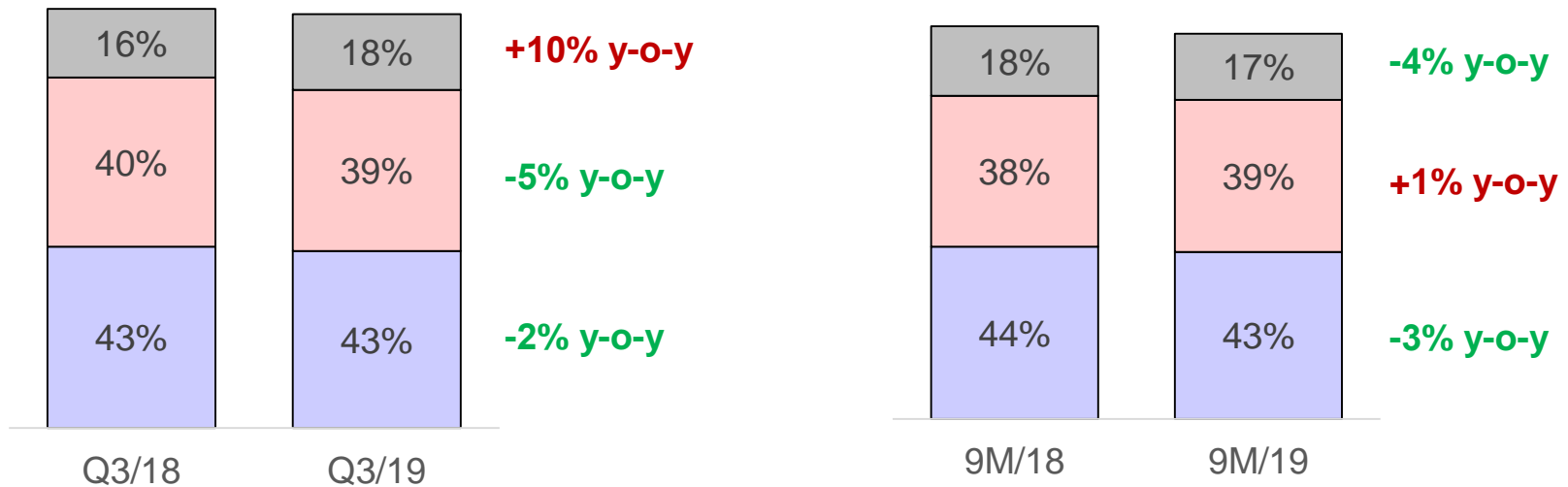
CAMPANA

SUSUCUP

Operating Variable Cost

Operating variable cost Q3/19 decreased -1% y-o-y mainly from energy cost decreased -5% 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



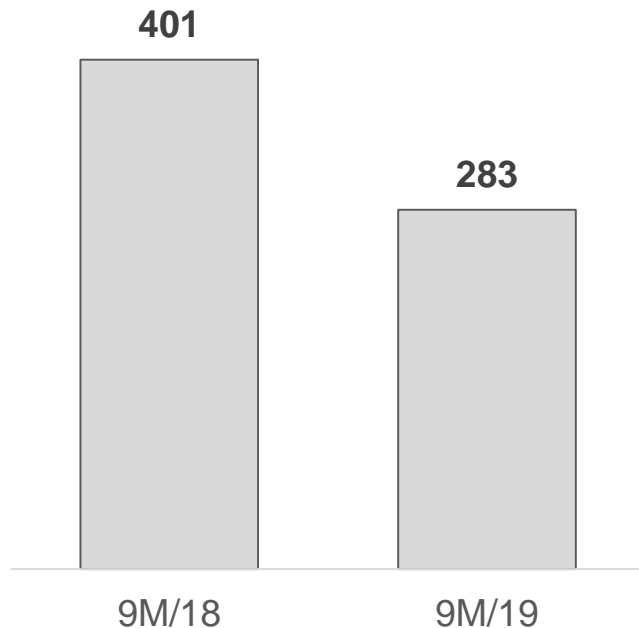
Remark: Only ceramics tiles

9M/19 CAPEX and Interest & Financial Costs

CAPEX

Amounted to 283 MB for 9M/19, mainly cost and energy saving project, upgrade machine, retail outlet expansion and channel expansion

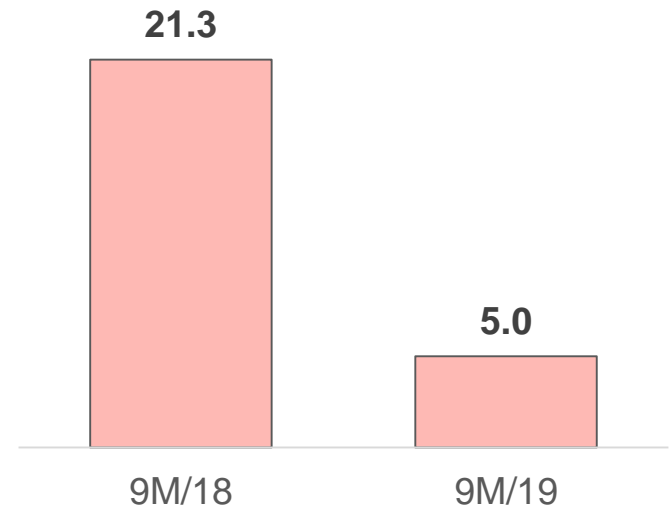
Unit: MB



Interest and Financial Costs

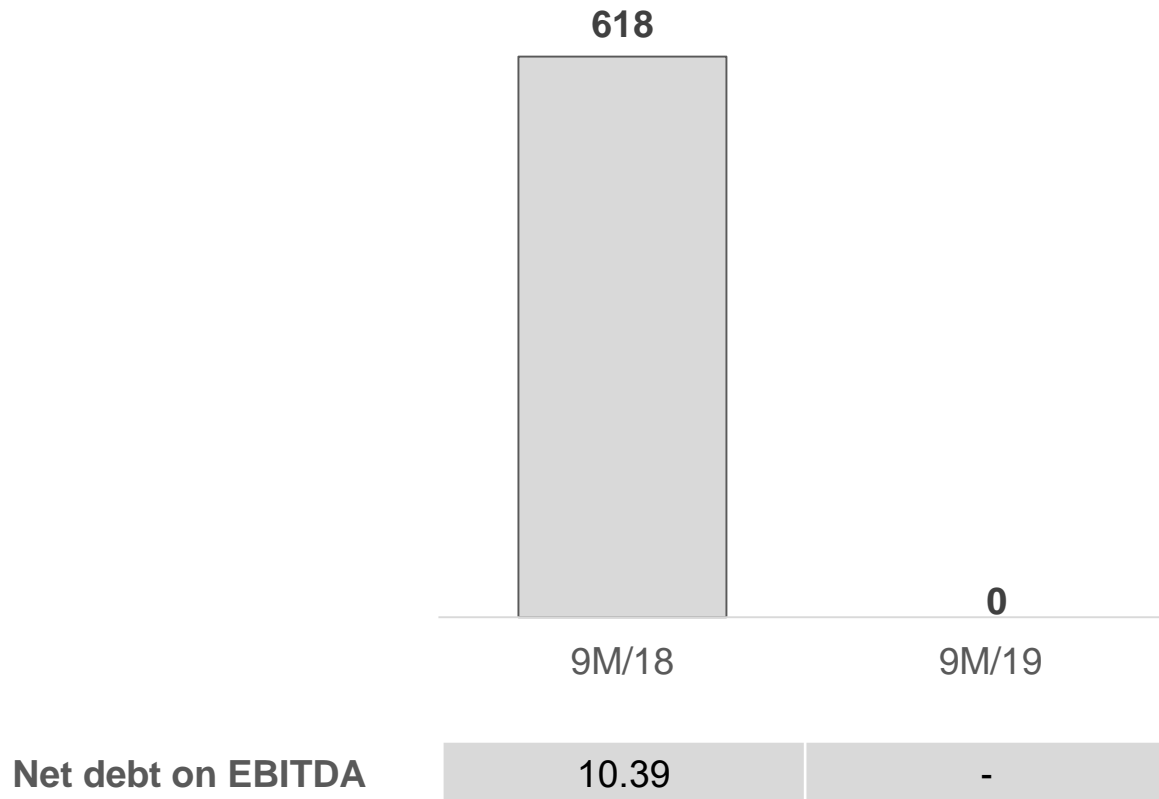
Amounted to 5.0 MB in 9M/19

Unit: MB



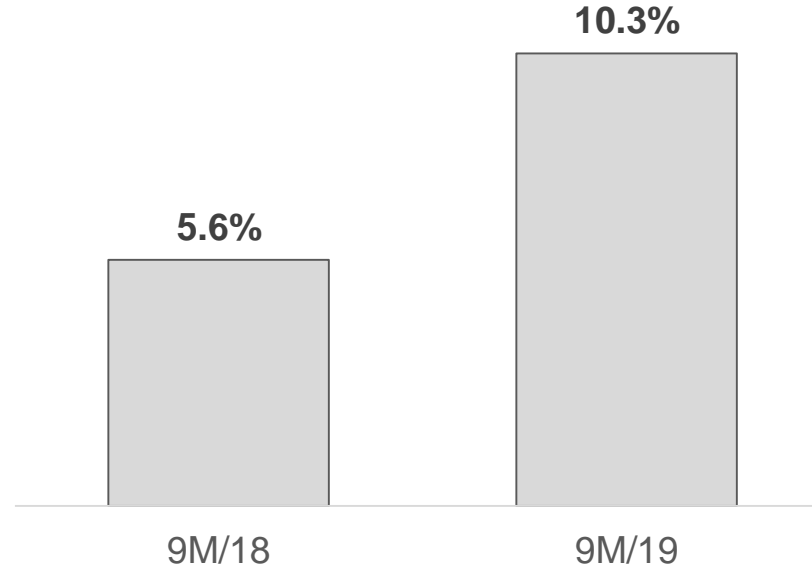
9M/19 Net Debt

Unit: MB



9M/19 EBITDA on Assets and EBITDA Margin

EBITDA on Assets



EBITDA margin



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

End of Presentation
Thank you