

# SCG Ceramics “COTTO”

---

*Virtual NDR with local funds  
(Hosted by TISCO Securities)*

*Mar 8, 2021*

# Agenda

## I. Market Situation

## II. Company Updates – *Strategic Directions*

## III. Performance and Financial

## IV. Outlook

# Market Situation

- The government's ongoing stimulus measures, will reduce the impact of COVID-19 and enhance liquidity for the public.
- Market demand in Thailand stabilized in the first quarter, and it is expected to recover in the second half once the COVID-19 vaccine is widely distributed.
- The recovery demand in Thailand will be led by government project and the private investment will expectedly continue to slowdown in the first half of the year, both residential and commercial sector.
- Market trend has changed since the COVID-19 pandemic last year, such as well-being product, home renovation providing more comfortable place for working.
- Export demand decelerated from new investment projects and construction activities in Cambodia and uncontrollable factors contributed to a slowdown in Myanmar also.

# Agenda

## I. Market Situation

## II. Company Updates – *Strategic Directions*

## III. Performance and Financial

## IV. Outlook

# Company Updates – *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

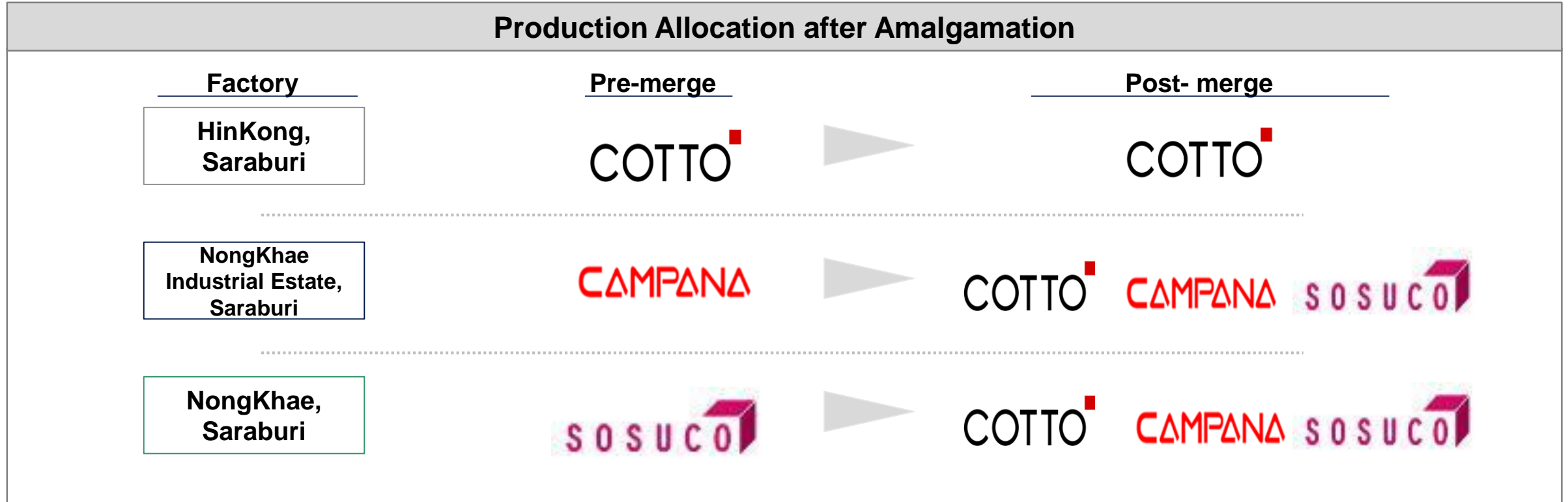
## **C. Reinforce Export segment**

# A. Optimization value of core business

## Production Allocation

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

### Production Allocation after Amalgamation



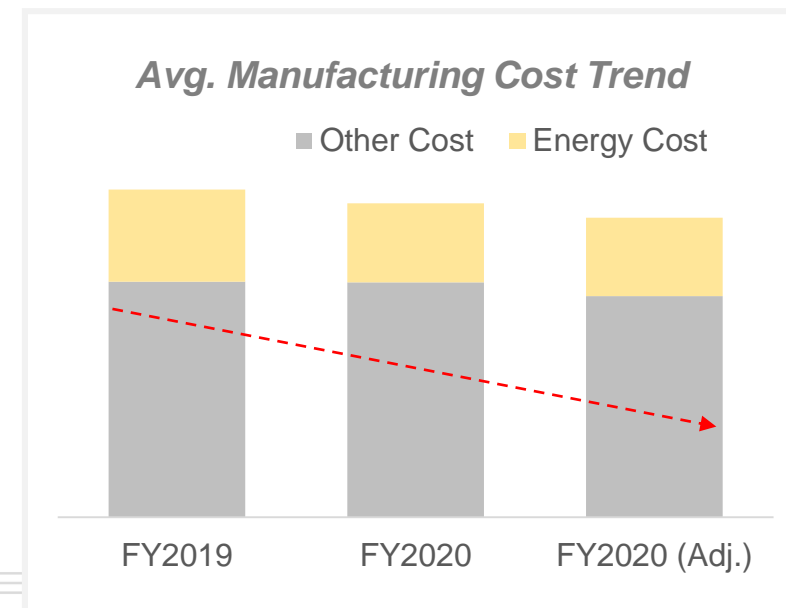
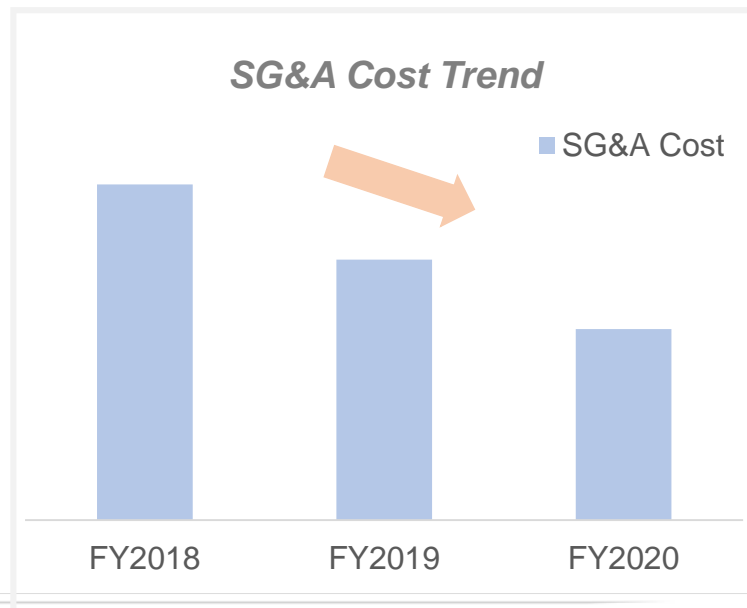
- Resulting 10%-15% cost saving on production allocation and saving 2%-3% overall
- As Rationalization of Production, overall capacity change from 94M.Sq.m. to 81M.Sq.m.

# 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
- Avg. manufacturing cost decreased -9% y-o-y and -6% y-o-y 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

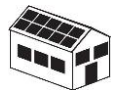
Energy Saving

Automation

Efficiency Improvement



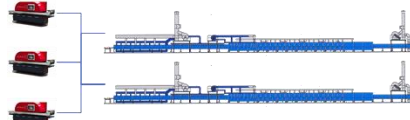
Dry Grinding for Red Body (since 2014)



Solar Roof Top (since 2014)



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



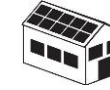
Debottleneck Production Process (2020)

Energy Saving

Automation



Dry Grinding for GP Product



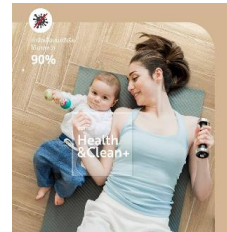
Continue Solar Roof Top



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 Product

HVA portion (% of total revenue)

35%-40%

### A. Health & Hygiene



**Hygienic tile**  
with anti-bacteria silver nano in glazing



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

Selling price  
200-500 baht/sq.m.

### B. Mosaic Collection

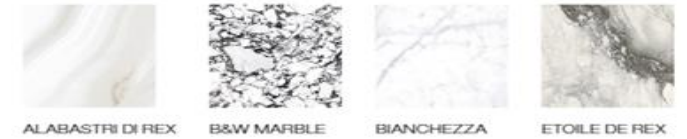


Selling price  
350-1100 baht/sq.m.

### C. Italia & Espana Collection

#### Italia Collection

BORN IN ITALY  
BUILT TO LAST



#### Espana Collection

An exceptional quality  
and sophisticated artistry  
of Spanish tile from COTTO

architect'19

30.04.19 - 05.05.19 | 11AM - 7PM  
CHALLENGER HALL 2 MIAANG THONG THANI  
5CG BOOTH | 5303

Selling price  
1500-4200 baht/sq.m.

# B. Accretive Value Creation

## Own ceramic outlet expansion

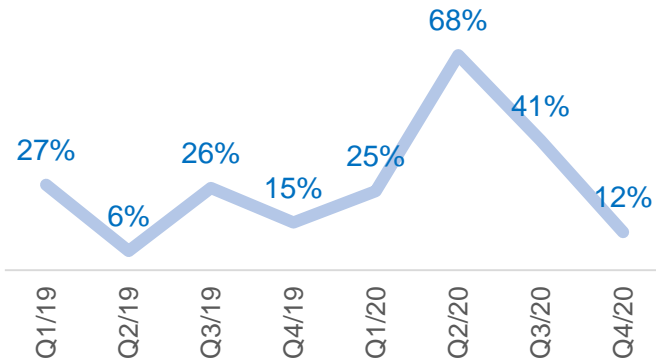
คลังเซรามิก แฟมิลี

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"



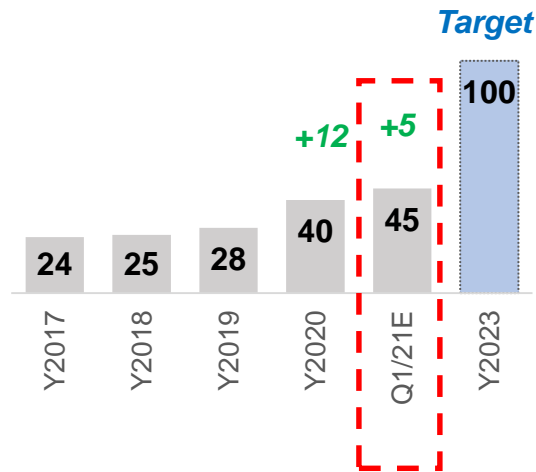
### Same store sales growth



40 stores  
(as of Dec 2020)



### Number of Store





# B. Accretive Value Creation

## ONE-Stop service solution



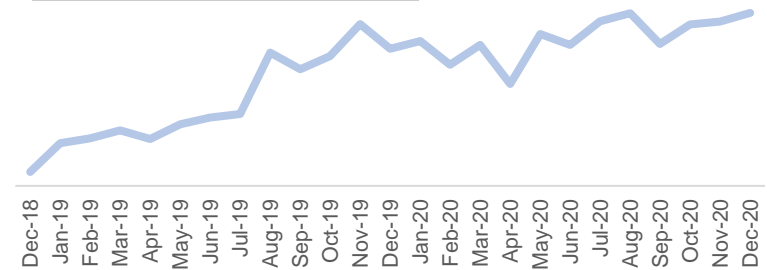
At **COTTO Life**, we provide an integrated shopping experience of ceramic tiles, sanitary ware & fitting from product selection, 3D design to installation *all needs, all functions, all styles, all at once*



### Number of Store:

- Y2019  ▪ Bangkok
- Y2020  ▪ Chiang Mai  
▪ Khon Kaen

### Sales Revenue Trend:



### Same store sales growth

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

### ONE stop solution



# B. Accretive Value Creation

## ONE-Stop service solution

Core: Adjacent:



### 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

## Solar / SUSUNN



### Our Products:



Solar floating



Solar rooftop

### Our Services:

#### 1) Engineering Procurement Construction

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

#### 2) Operation and Maintenance

- Real-time monitoring system
- Maintenance
- Application

### Project Reference:



CPN at Central Plaza Rama II 998.8 kWp

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

COTTO

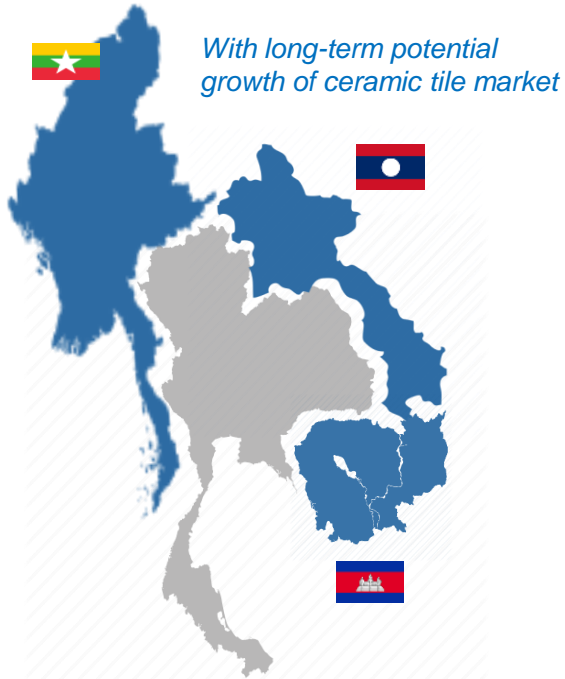
CAMPANA

SOSUCO

# C. Reinforce Export segment To neighbour country - CLM

CLM sales portion

5%-10%



**A. Develop key existing distribution channels**

**B. Explore new biz opportunities**

Traditional dealer & Wholesaler



Modern trade



Project sales



COTTO Showroom at Yangon

- Logistics & supply chain improvement
- Retail business study
- Direct sourcing from other suppliers

SCG Ceramics Export Revenue Trend



# Agenda

**I. Market Situation**

**II. Company Updates – *Strategic Directions***

**III. Financials Performance**

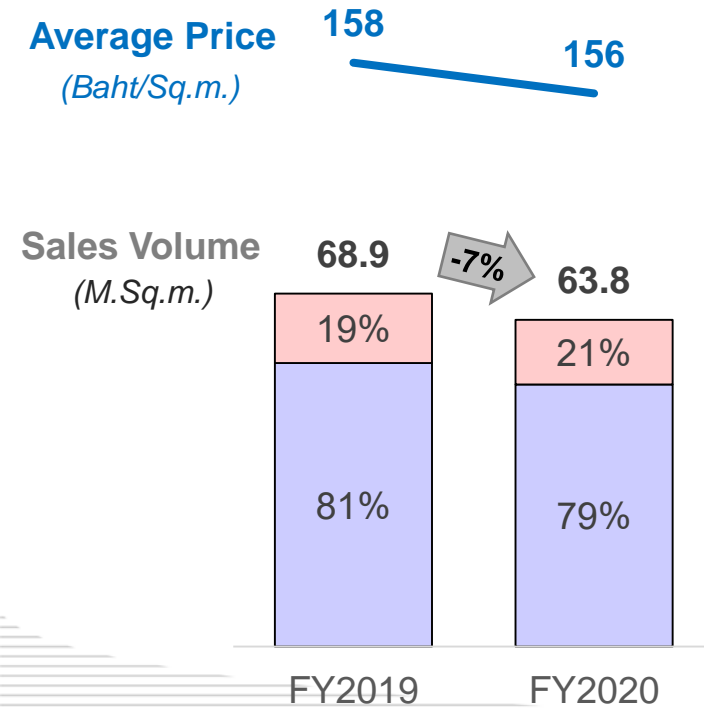
**IV. Outlook**



# FY2020 Financial Performance

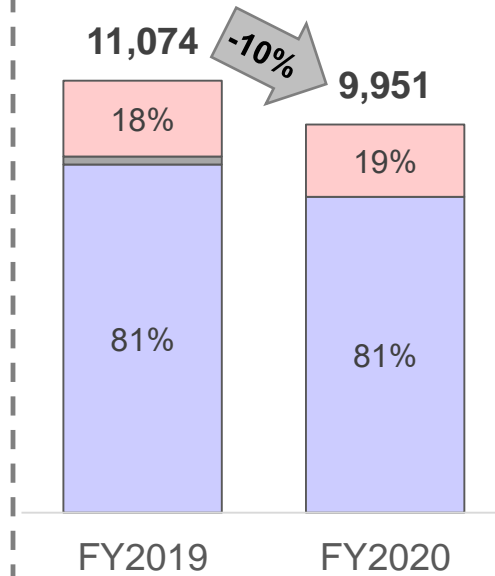
## Sales Volume and Average Price

- Domestic
- Export
- Average Selling Price

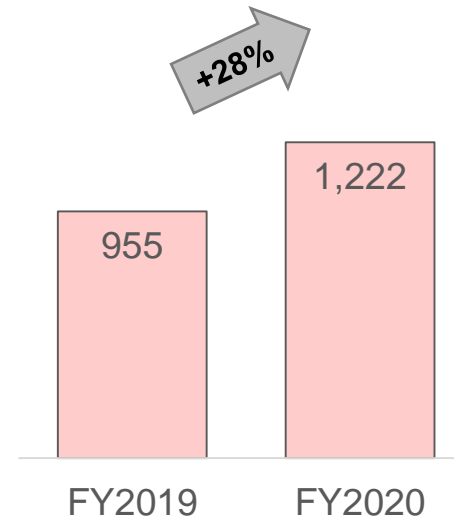


## Revenue from sales

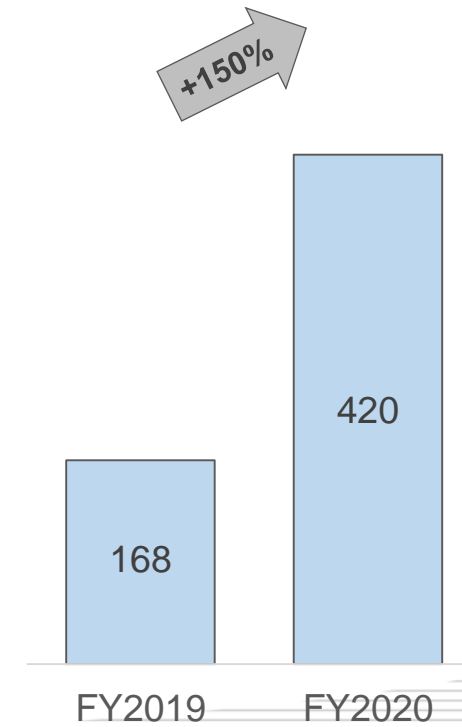
- Export
- Non-Ceramics
- Domestic



## EBITDA



## Profit



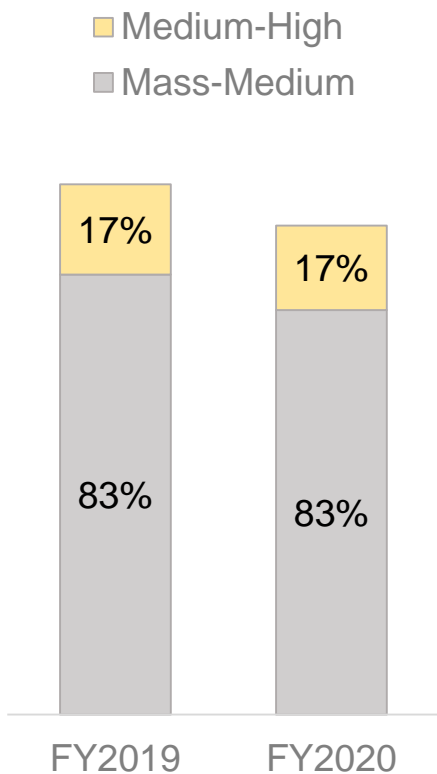
Remark: Only ceramics tiles

COTTO

CAMPANA

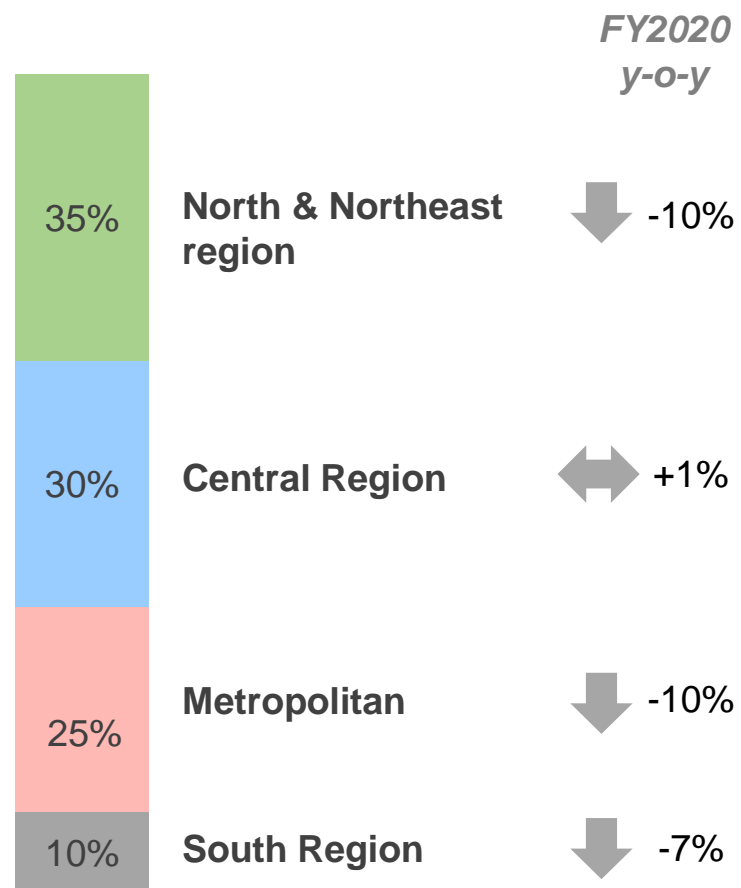
SOSUCO

# FY2020 Sales Volume Portion by Segment



## SCG Ceramics Sales Volume portion

(Only domestic ceramics tiles)



## Market Situation

In 2020, pandemic of COVID-19 had effected demand of ceramic tiles in various segments as well as supply chain.

For Project segment which mainly located in Metropolitan, demand had declined steeply since Lockdown in March due to private firms' halt of investment and slowly recovered in Q3 and Q4. As a result from Lockdown during March to June, large building materials stores including modern trade's had been closed and effected company's sales volume particularly in North and Northeast region.

In addition, slowdown in tourism sectors led to decline of demand in many provinces in North and South region.

\*Remark:

(1) Definition of segmentation

Medium – High (portion 20%-30% of total market) – Wall Tile (Big size), Glazed Porcelain, Unglazed Porcelain, Mosaic, Glass Tile

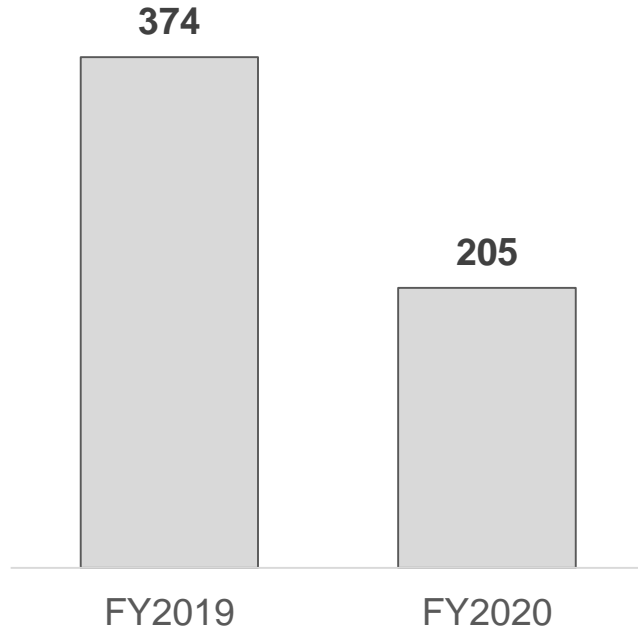
Mass – Medium (portion 70%-80% of total market) – Floor Tile, Wall Tile (Small size), Outsource unglazed

(2) Only ceramics tiles

# FY2020 CAPEX and Interest & Financial Costs

## CAPEX

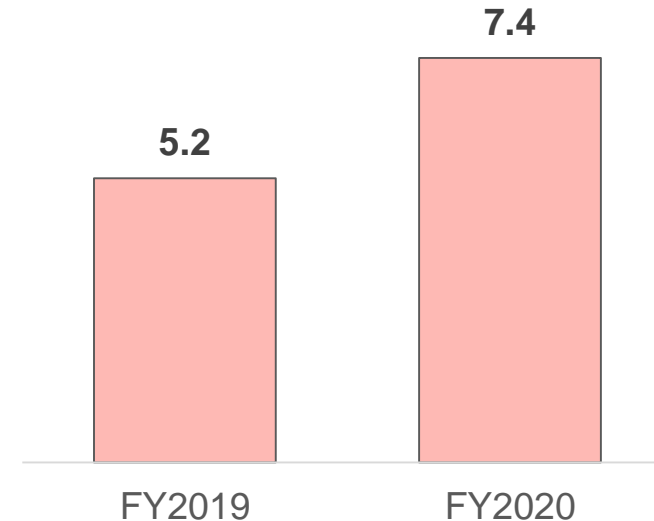
Unit: MB



- Amounted to 205 MB for FY2020, mainly upgrade machine, maintenance, cost and energy saving project, retail outlet expansion and channel expansion
- Proposed FY2020 annual dividend of 0.029 Bt/Shr (44 % payout) for approval by S/H at AGM. Payment date is 22 Apr 2021, with record date of 7 April 2021, and XD-date of 5 April 2021

## Interest and Financial Costs

Unit: MB



- Amounted to 7.4 MB in FY2020, increased y-o-y mainly from TFRS 16 adoption

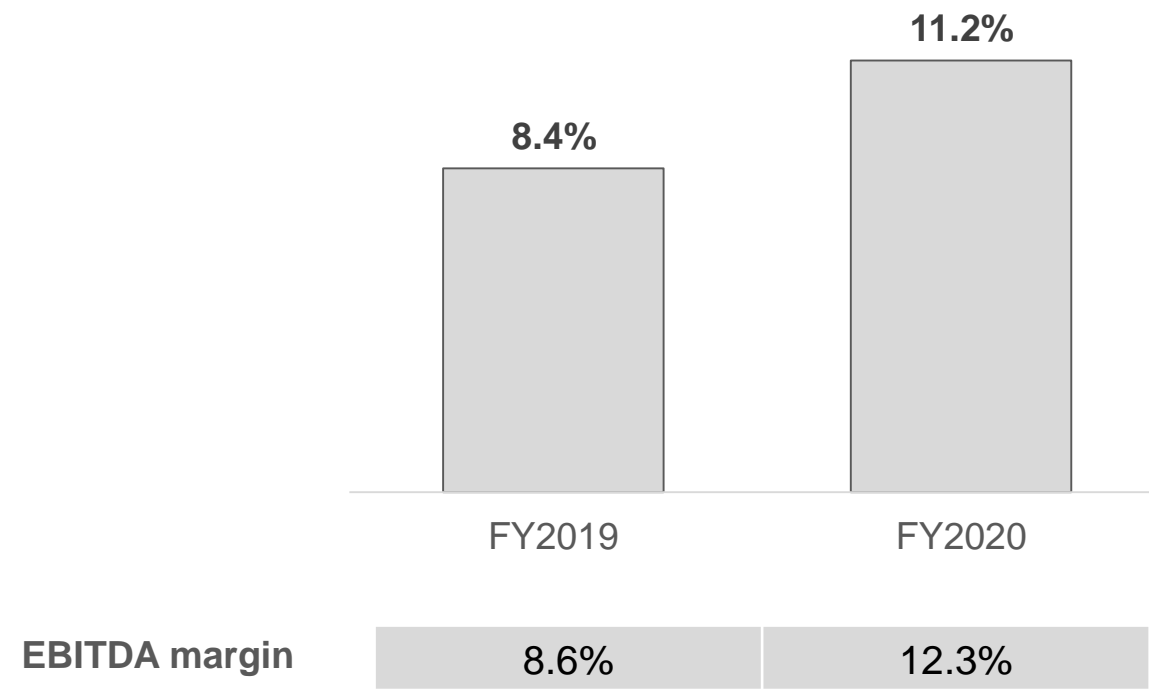
# FY2020 Net Debt, EBITDA on Assets and EBITDA Margin

Unit: MB

	FY2019	FY2020
Net debt on EBITDA	0	0

\*Remark: Net Debt = Total debt (interest bearing exclude lease liabilities), less cash and cash equivalents

## EBITDA on Assets



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

# Agenda

**I. Market Situation**

**II. Performance and Financial**

**III. Company Updates – *Strategic Directions***

**IV. What's next**

# What's next ...

- Continue to focus on cost optimization via energy saving project.
- Speed up own ceramic outlet expansion through family model in strategic location and align with SCG retail business.
- Continuously accrete value by launching new product and 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 and developing distribution channels.
- Leverage solar business “SUSUNN”, which is the solar solution provider focusing on industrial and business segment (B2B).

# End of Presentation

## *Thank you*

For any information please contact  
Email : [Cotto\\_ir@scg.com](mailto:Cotto_ir@scg.com)  
Tel : 02-5865474