

SCG Ceramics

“COTTO” Analyst Conference Q4/20

Agenda

I. Market Situation

II. Performance and Financial

III. Company Updates – *Strategic Directions*

IV. Outlook

Market Situation

- FY2020 ceramic tiles demand in Thailand decreased 5% y-o-y due to the pandemic of COVID-19 situation which affected world economic slowdown
- Export demand decelerated from the pandemic of COVID-19 situation, causing the uncertainty of goods transportation as well as of customer's confidence.

Agenda

I. Market Situation

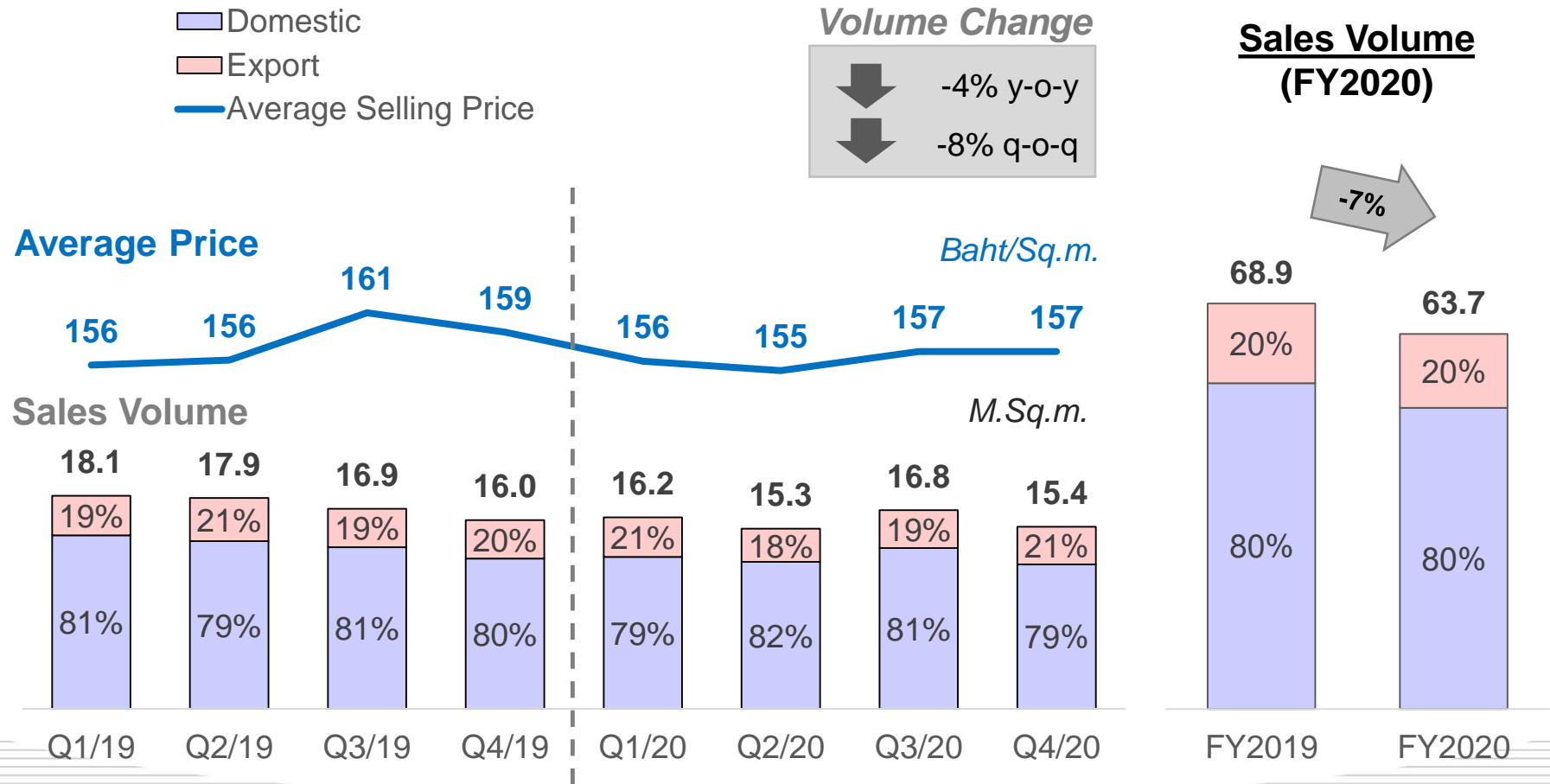
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III. Company Updates – *Strategic Directions*

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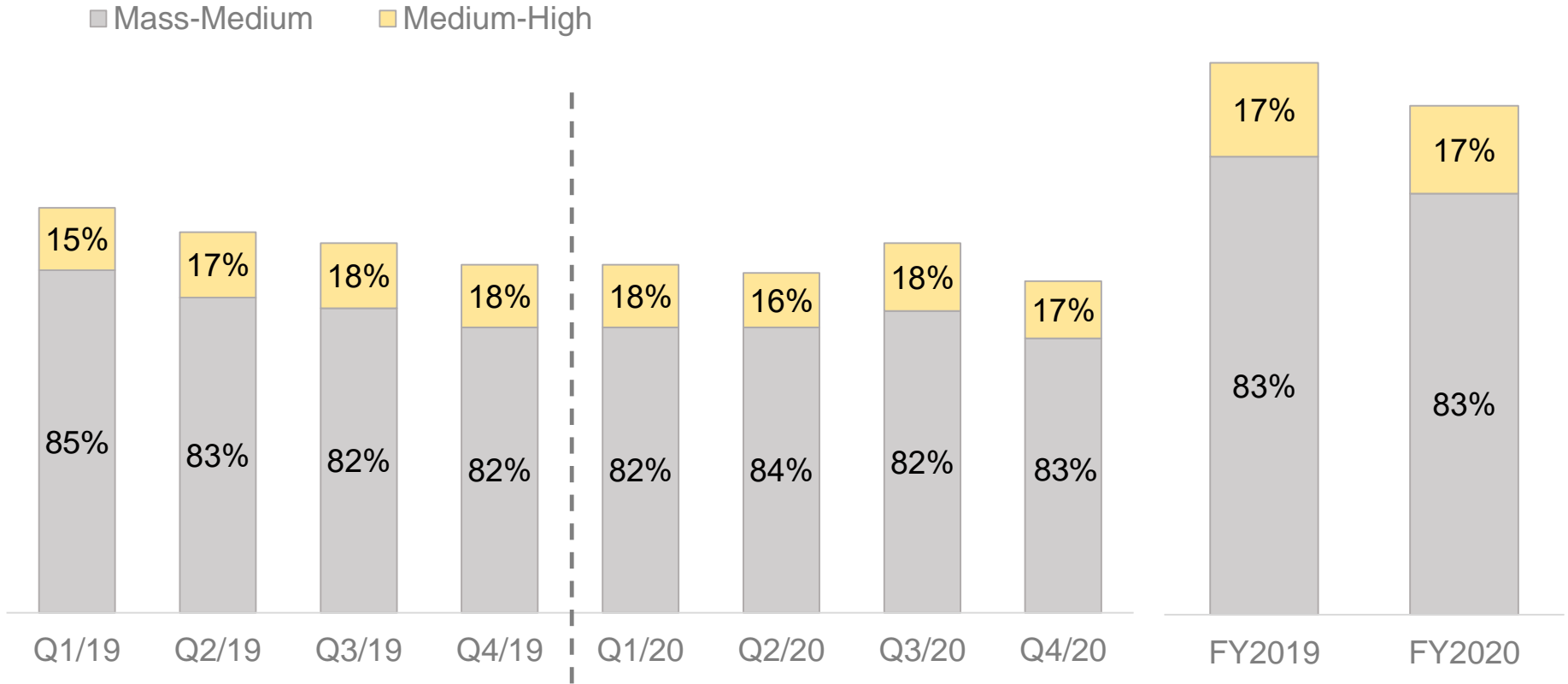
Sales Volume and Average Price

FY2020 SCG Ceramics' sales volume dropped -7% y-o-y while Q4/20 the average price slightly decreased from last year and unchanged from last quarter



Remark: Only ceramics tiles

Sales Volume Portion by Segment



*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

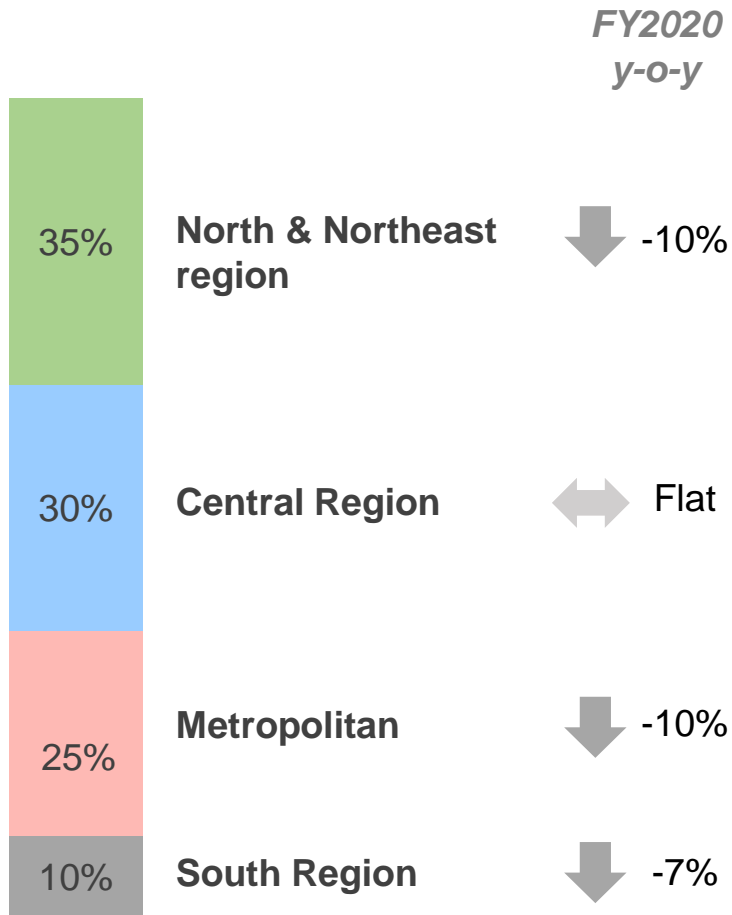
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FY2020 Domestic Sales Volume by Region

SCG Ceramics Sales Volume portion



Market Situation

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

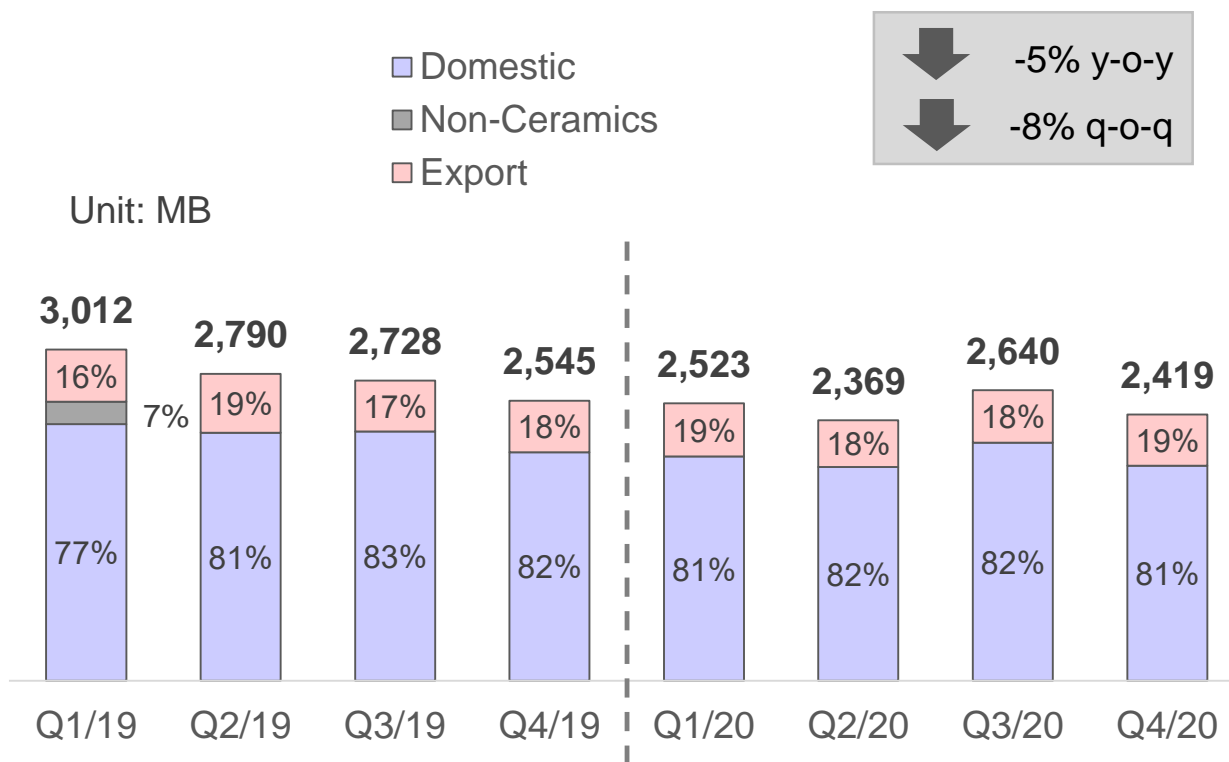
For Project segment which mainly located in Metropolitan, demand had declined steeply since Lockdown in March due to private firms' halt of investment and slowly recovered in Q3 and Q4. As a result from Lockdown during March to June, large building materials stores including modern trade's had been closed 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: Only domestic ceramics tiles

Revenue from Sales

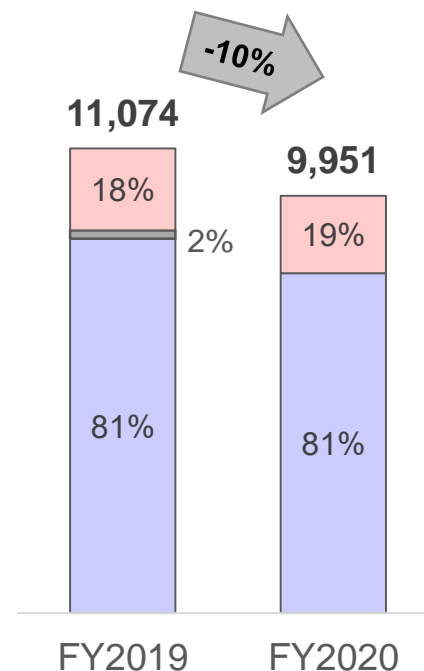
Total revenue Q4/20 decreased -5% y-o-y, -8% q-o-q while FY2020 decreased -10% y-o-y



Non-Recurring Revenue

203	-	-	-	-	-	-	-
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Revenue from Sales (FY2020)



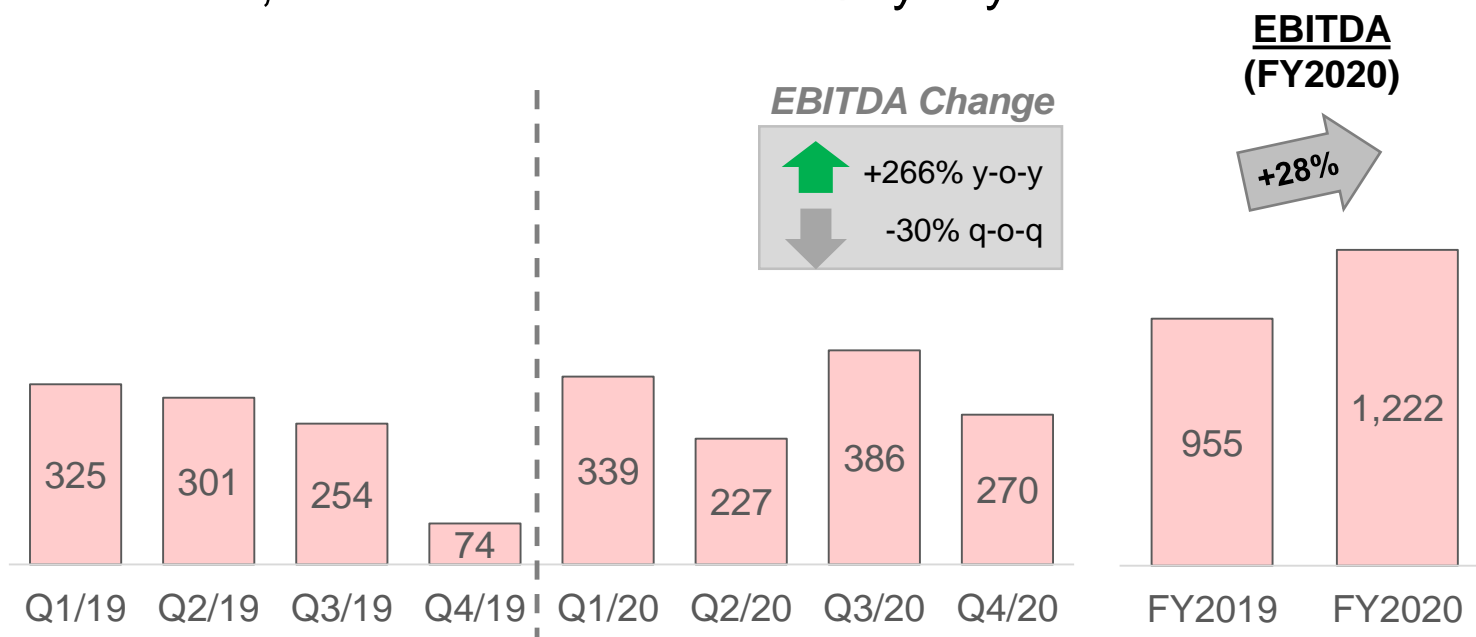
203	-
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*Non-Ceramics: Revenue from land selling at Nong Khae Industrial Estate

EBITDA

For the period FY2020, EBITDA increased +28% y-o-y

Unit: MB



EBITDA Margin

10.8%	10.8%	9.3%	2.9%	13.4%	9.6%	14.6%	11.2%	8.6%	12.3%
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EBITDA Margin w/o non-recurring

8.3%	10.8%	9.5%	7.1%	13.6%	10.8%	14.7%	13.4%	9.0%	13.2%
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EBITDA without Key non-recurring

233	300	260	181	342	256	389	325	974	1,312
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Key Non-Recurring

93	1	(6)	(107)	(3)	(28)	(4)	(55)	(19)	(91)
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1) Profit from land selling

96	-	-	-	-	-	-	-	96	-
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2) MSP (Loss)

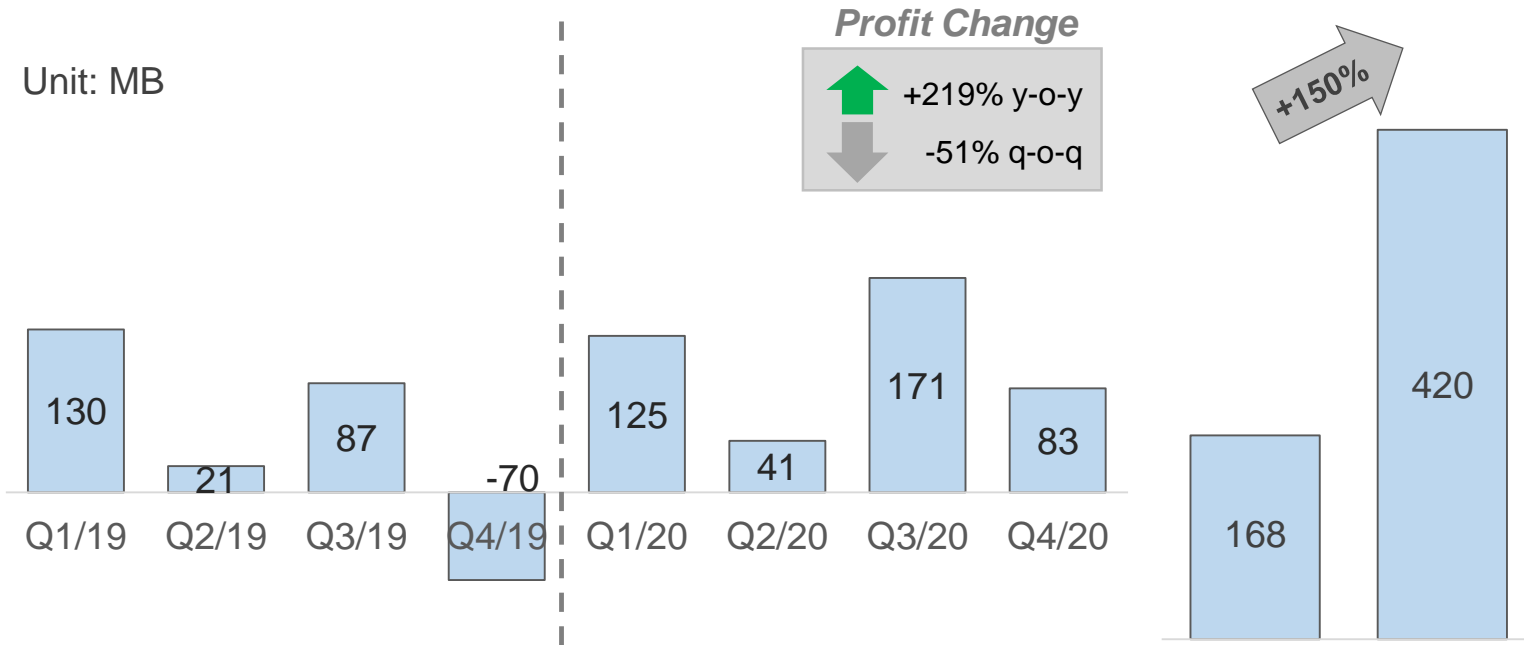
-	-	-	(106)	-	(27)	-	(50)	(106)	(77)
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3) Consultant Fee (Loss)

(3)	1	(6)	(1)	(3)	(1)	(4)	(5)	(10)	(14)
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Profit for the Period

For the period FY2020, Profit increased +150% y-o-y



Profit for the Period (without Key non-recurring)

	56	113	92	15	128	64	174	127	277	493
Key Non-Recurring	74	(92)	(5)	(86)	(3)	(23)	(3)	(44)	(109)	(72)
1) Severance pay adjustment (Labor law)	-	(93)	-	-	-	-	-	-	(93)	-
2) Profit from land selling	77	-	-	-	-	-	-	-	77	-
3) MSP (Loss)	-	-	-	(85)	-	(21)	-	(40)	(85)	(61)
4) Consultant Fee (Loss)	(3)	1	(5)	(1)	(3)	(1)	(3)	(4)	(8)	(11)

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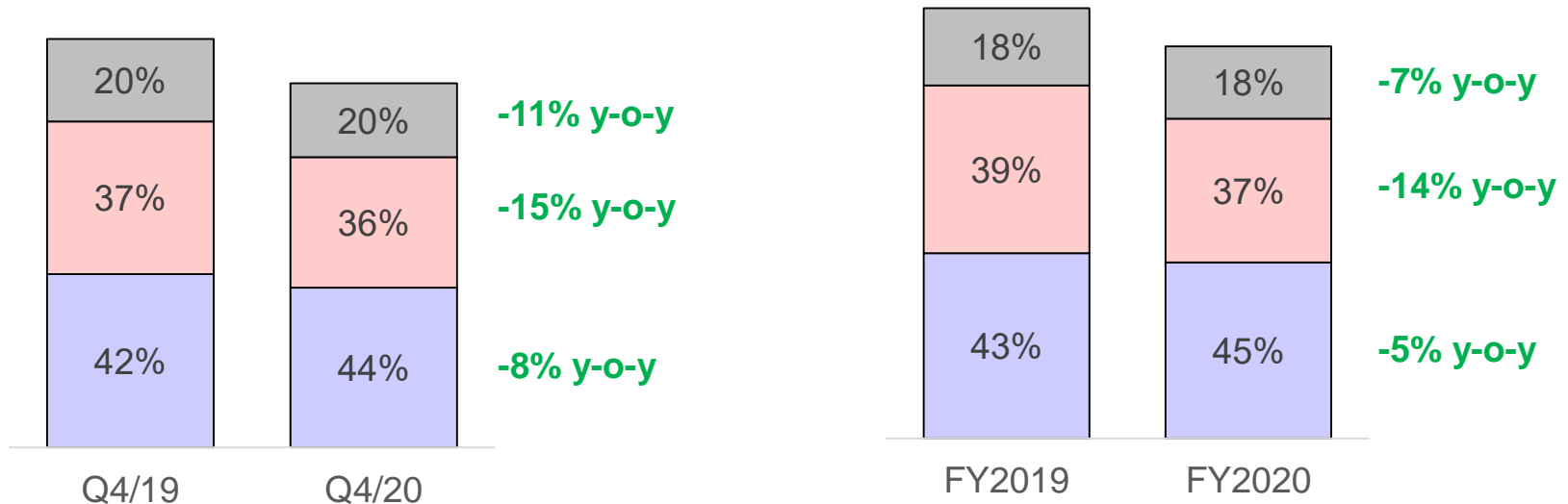
CAMPANA

SUSUCUP

Operating Variable Cost

Operating variable cost FY2020 decreased -9% y-o-y mainly from energy cost decreased -14% y-o-y and assign cost decreased -7%

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

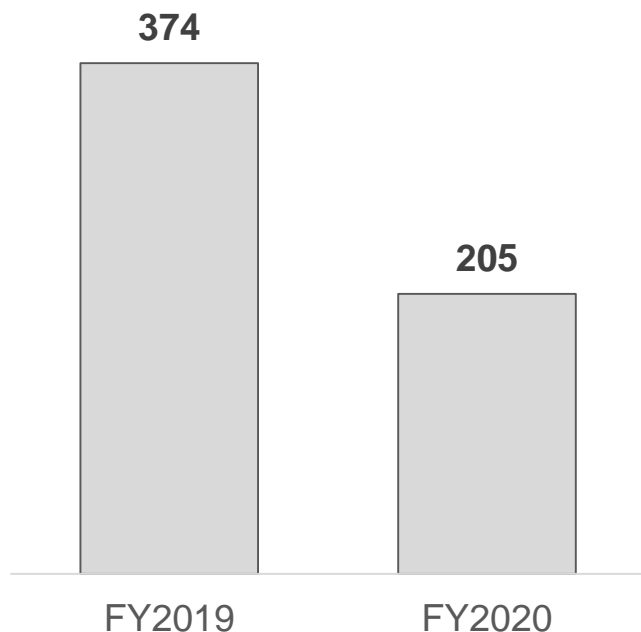


Remark: Only ceramics tiles

FY2020 CAPEX and Interest & Financial Costs

CAPEX

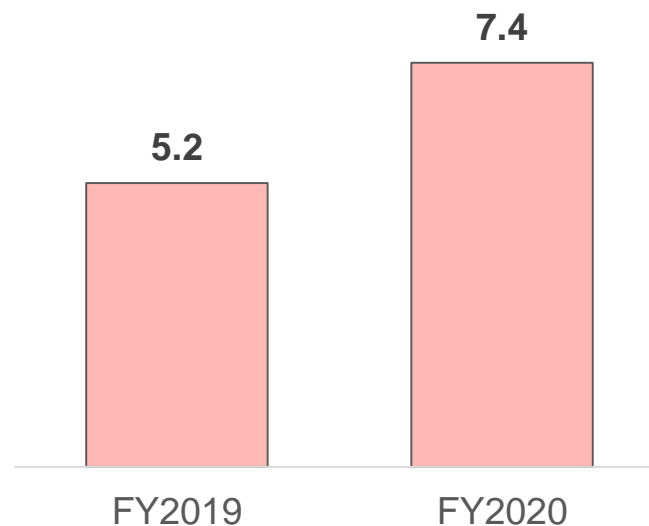
Unit: MB



- 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

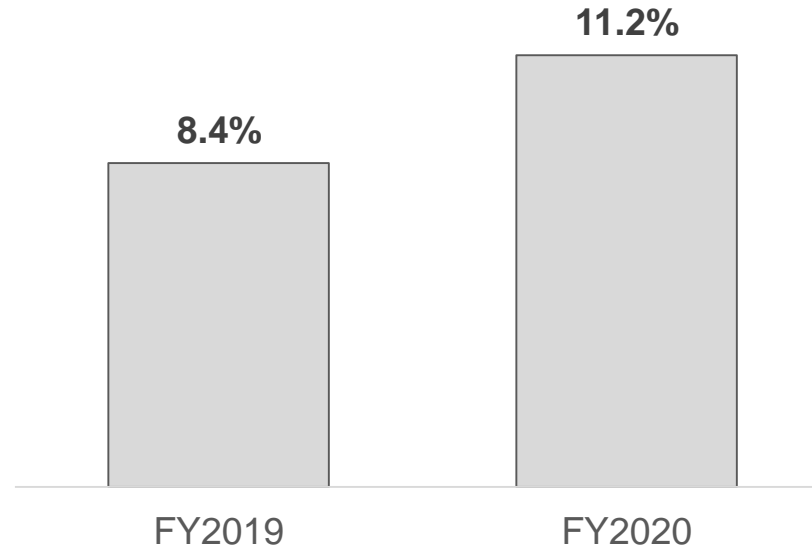
FY2020 Net Debt

Unit: MB

	0	0
	FY2019	FY2020
Net debt on EBITDA	-	-

FY2020 EBITDA on Assets and EBITDA Margin

EBITDA on Assets



EBITDA margin



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

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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		
Factory	Pre-merge	Post- merge
HinKong, Saraburi	COTTO [■]	COTTO [■]
NongKhae Industrial Estate, Saraburi	CAMPANA	COTTO [■] CAMPANA SOSUCO [■]
NongKhae, Saraburi	SOSUCO [■]	COTTO [■] CAMPANA SOSUCO [■]

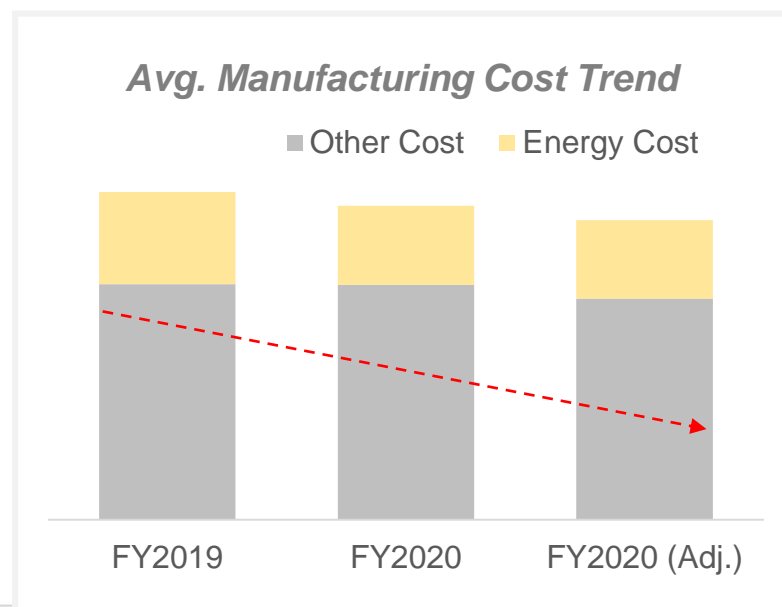
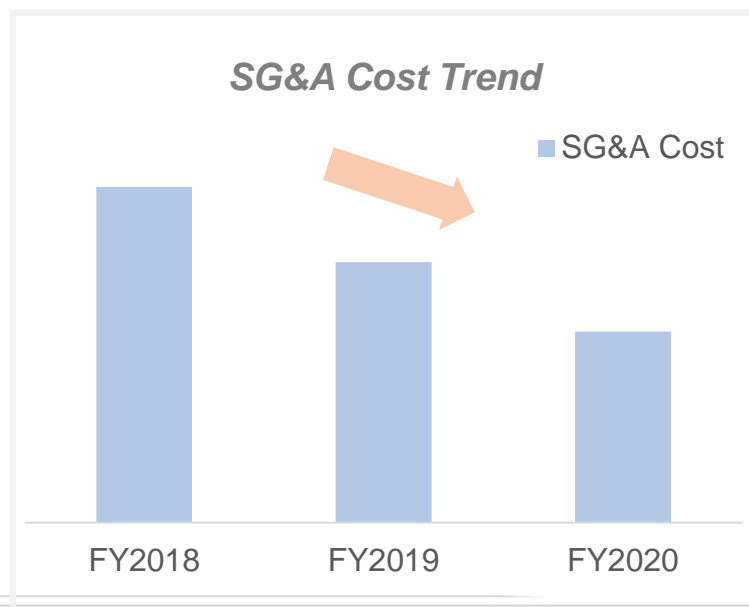
- **Resulting 10%-15% cost saving on production allocation and saving 2%-3% overall**
- **As Rationalization of Production, overall capacity change from 94M.Sq.m. to 81M.Sq.m.**

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
- Avg. manufacturing cost decreased -9% y-o-y and -6% y-o-y without energy cost



Y2020 (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

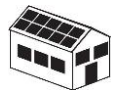
Next move

Cost Saving

Energy Saving



Dry Grinding for Red Body (since 2014)



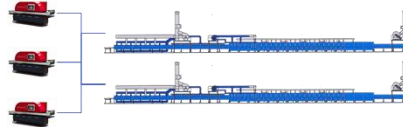
Solar Roof Top (since 2014)



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



Efficiency Improvement



Debottleneck Production Process (2020)

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 Product

HVA portion

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

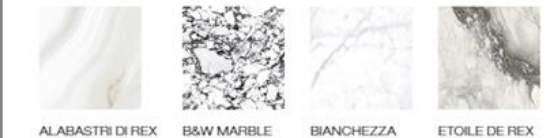


Selling price
350-1100 baht/sq.m.

C. Italia & Espana Collection

Italia Collection

BORN IN ITALY
BUILT TO LAST



COTTO GRANDE COLLECTION

EXTRA LARGE,
EXTRA POSSIBILITIES.



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 MIBANG THONG THANI
SGS BOOTH 1300

Selling price
1500-4200 baht/sq.m.

B. Accretive Value Creation

Own ceramic outlet expansion

คลังเซรามิค แฟมิลี

A collaboration between “SCG Ceramics” & “Partners”

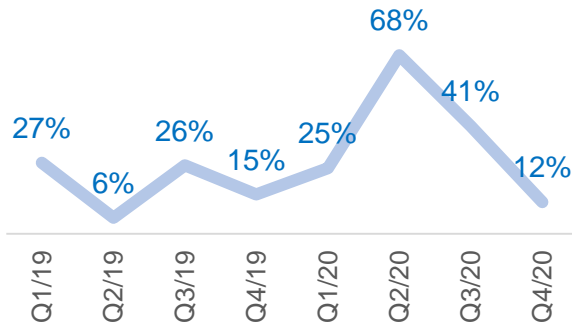
- ✓ LIGHT INVESTMENT for both parties:
- ✓ Utilize both parties’ STRENGTHS:
- ✓ Solve each parties’ PAIN POINTS:
- ✓ Lock-in with “NON-COMPETITION”



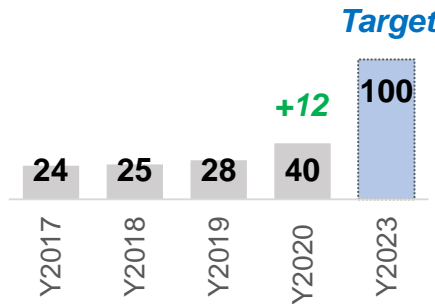
40 stores
(as of Dec 2020)



Same store sales growth



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

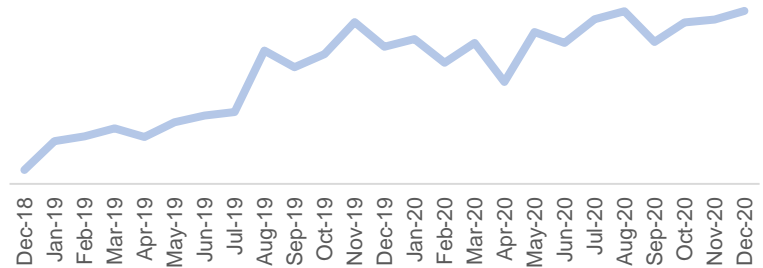


- Bangkok
- Chiang Mai
- Khon Kaen

Y2020



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



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



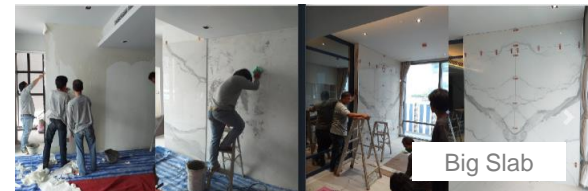
Installation business "C'TIS" (Certified Tile Installation Service)



- Installation service for both **New built and Renovation purpose** by professional team



บริการรับติดตั้ง
กระเบื้องเซรามิก

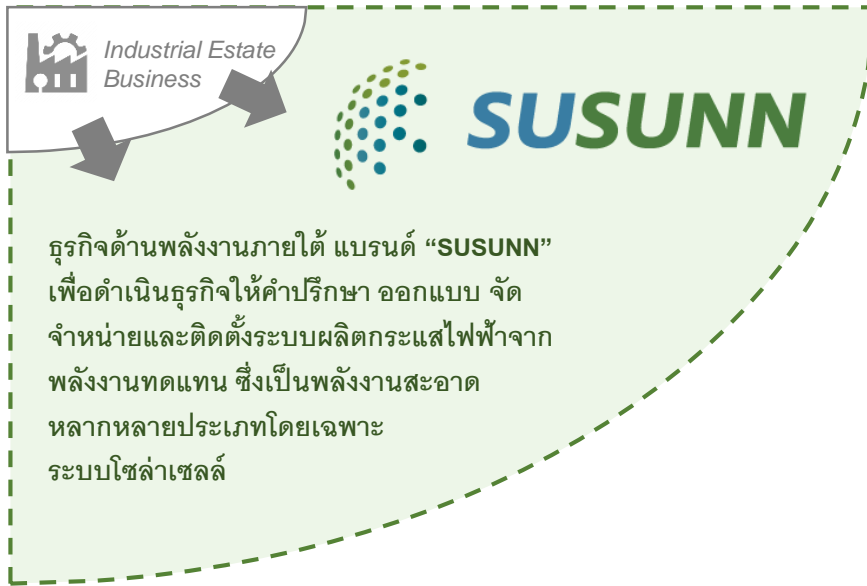


B. Accretive Value Creation

Solar / SUSUNN

Core:

Adjacent:



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:

Our Products:



Solar floating



Solar rooftop



CPN at Central Plaza Rama II 998.8 kWp

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

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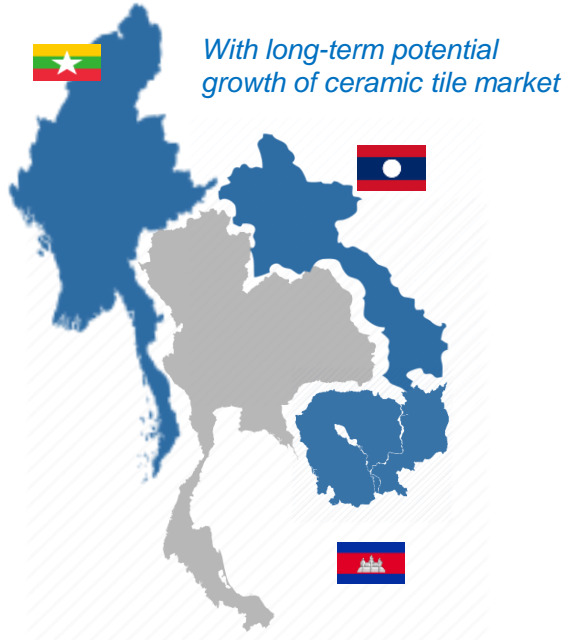
SOSUCO

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



Logistics & supply chain improvement

Retail business study

Modern trade



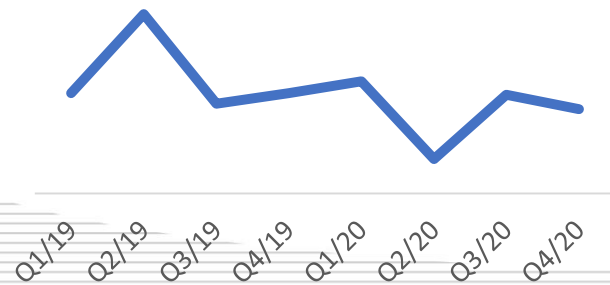
Direct sourcing from other suppliers

Project sales



COTTO Showroom at Yangon

SCG Ceramics Export Revenue Trend



What's next ...

- **Production Allocation is completed**, results cost saving 10%-15% on production allocation, leads to cost saving 2%-3% overall and will spread the allocation plan to Sosuco (SSC) plant in next year
- **Speed up own ceramic outlet expansion through family model in strategic location and align with SCG retail business**, own ceramic outlet amounted 40 stores as of Y2020 (+12 stores from last year) which still according the plan
- **Accreting value continuously by launch new product and service** to satisfy customer needs
- **Capture growth potential of CLM market** by stimulate export volume and develop distribution channels, especially in Myanmar which is fastest growing country
- **Leverage solar business “SUSUNN”**, which is solar solution provider and focus on industrial and business segment (B2B)

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Outlook

- Thailand's ceramic tiles demand Q1/21 are projected to slightly decrease from world economic slowdown due to the pandemic of COVID-19
- Overall FY2021 demand will constant, the local COVID-19 vaccine's production is scheduled to begin in mid-2021, expect resulting economic will gradually improve
- In the export market, demand will be unchanged from this year due to the daily rising of new case of COVID-19 especially Myanmar and container shortage situation
- The approximated CAPEX in FY2021 is around 450-500 MB

End of Presentation

Thank you

For any information please contact
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