

## THAI PLASPAC PUBLIC COMPANY LIMITED “TPAC”

### Management Discussion and Analysis for Q1-2017.

#### Profit and Loss

million	% 17 VS 16	Q1-2017	Q1-2016
Sales	3.9%	392.8	378.0
Cost of sales	4.9%	330.9	315.6
<b>Gross Profit</b>	<b>-1.0%</b>	<b>61.8</b>	<b>62.5</b>
<b>Gross Profit Margin %</b>	<b>-0.8%</b>	<b>15.7%</b>	<b>16.5%</b>
SG&A	12.5%	37.6	33.5
Other income	-56.0%	2.0	4.6
<b>EBITDA</b>	<b>-9.2%</b>	<b>59.2</b>	<b>65.2</b>
<b>EBITDA Margin %</b>	<b>-2.2%</b>	<b>15.1%</b>	<b>17.3%</b>
Depreciation and amortization	4.3%	33.0	31.6
<b>EBIT</b>	<b>-22.0%</b>	<b>26.2</b>	<b>33.6</b>
<b>EBIT Margin %</b>	<b>-2.2%</b>	<b>6.7%</b>	<b>8.9%</b>
Interest expense	-92.0%	0.1	1.6
<b>Profit Before Tax</b>	<b>-18.4%</b>	<b>26.1</b>	<b>32.0</b>
Income tax expense	-53.1%	2.8	6.0
<b>Net profit</b>	<b>-10.4%</b>	<b>23.3</b>	<b>26.0</b>
<b>Net Profit Margin %</b>	<b>-0.9%</b>	<b>5.9%</b>	<b>6.9%</b>

Note: SG&A is selling, general and administrative expenses. EBIT is earnings before interest and tax. EBITDA is earnings before interest, tax and depreciation and amortization.

- Sales volumes increased 2.7% versus the same period last year (Q1'16) as our pipeline of new projects now begin to come on stream this year.
- However our margins were squeezed in Q1'17 due to a spike in raw material prices, particularly experienced during the months of January and February '17.
- In the month of January '17 our raw materials costs spiked 5% and in February '17 there was a spike 8% versus December'16. As our raw materials predominantly comprise polyolefins (Polypropylene, HDPE, LDPE, PET etc) their price trend typically correlates to that of crude oil.
- Management expects our margins normalize in Q2'17 as the actual raw material prices of Q1'17 are passed through to our customers in line with our 1 quarter lag pricing mechanism (customary industry business practice).
- Net Profit for Q1'17 at ฿23.3MM, a decrease in margin by 0.9% as the reduced raw material spread mentioned above flowed through to our bottom line earnings.

## Balance Sheet

₱ million	% 17 VS 16	As at 31-Mar-17	As at 31-Dec-16
Cash and cash equivalents	-25.3%	4.5	6.0
Trade and other receivables	0.5%	394.9	392.9
Inventories	-7.3%	104.9	113.1
Other current assets	-89.5%	3.5	33.4
<b>Total current assets</b>	<b>-6.9%</b>	<b>507.8</b>	<b>545.4</b>
Property, plant and equipment	-2.7%	554.3	569.8
Advance for purchase of molds	-0.6%	79.9	80.4
Other assets	19.4%	78.9	66.1
<b>Total assets</b>	<b>-3.2%</b>	<b>1,220.9</b>	<b>1,261.6</b>
Short term loans	-66.8%	18.3	55.0
Trade and other payables	-17.1%	138.4	166.9
Current portion of loans	0.0%	0.0	0.0
Other current liabilities	1.1%	10.8	10.7
<b>Total current liabilities</b>	<b>-28.0%</b>	<b>167.4</b>	<b>232.6</b>
Non-current portion of loans	0.0%	0.0	0.0
Other liabilities	6.4%	19.8	18.6
<b>Total liabilities</b>	<b>-25.5%</b>	<b>187.2</b>	<b>251.2</b>
Registered share capital	0.0%	255.0	255.0
Issued and paid-up capital	0.0%	253.8	253.8
Retained earnings	5.4%	451.5	428.2
Other reserves	0.0%	328.4	328.4
<b>Total shareholders' equity</b>	<b>2.3%</b>	<b>1,033.7</b>	<b>1,010.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>-3.2%</b>	<b>1,220.9</b>	<b>1,261.6</b>

- TPAC Retained earnings further strengthened this year with 5.4% increase.
- The continued strong free cash flow generation has enabled a full pay down of long term bank debt and negligible short term debt.
- Current ratio as of Q1-2017 now at 3.0x, a significant increase from 2.3x at end 2016.
- Shareholders' equity 2.3% higher at ₱1033.7 MM, an increase of ₱23.3MM comprising of increase in retained earnings from net profit of Q1-2017
- TPACs balance sheet strength puts the company in a strong position to capitalize on M&A opportunities.

## Cash Flow (Baht 'MM)

Million Baht	Period Beginning From Up To Period Ending	01-Jan-17 31st March-2017
<b>Cash and Cash Equivalents - Beginning period Balance</b>		<b>6.0</b>
<b>Cash flow from Operating Activities</b>		
Profit Before Tax		26.1
Adjustments: Depreciation and Amortisation		33.0
Adjustments: Other adjustments <sup>(1)</sup>		1.6
<b>Profit from operating activities before changes to working capital</b>		<b>60.6</b>
Net changes to Working Capital		-2.9
<b>Cash flows from Operating Activities</b>		<b>57.8</b>
Cash paid for corporate income tax		-9.4
<b>Net Cash Flows from Operating Activities</b>		<b>48.3</b>
<b>Cash flow from Investing Activities</b>		
Acquisition of Fixed Assets		-13.4
Interest income		0.0
Proceeds from equipment sales		0.5
<b>Net Cash Flow used in Investing Activities</b>		<b>-13.0</b>
<b>Cash flow from Financing Activities</b>		
Cash from Warrants		0
Repayment in long-term loans		0
Dividend Paid Out		0
Decrease in short-term bank loans		-36.8
Interest Expense		-0.1
Repayment of finance lease payments		0
<b>Net Cash Flow from Financing Activities</b>		<b>-36.9</b>
<b>Increase in Cash and Cash Equivalents</b>		<b>-1.5</b>
<b>Cash and Cash equivalents - Closing Period Balance</b>		<b>4.5</b>

- TPAC continues to generate visible and positive free cash flow from our operations.
- Cash flow from operating activities before changes to working capital ฿60.6 million is sufficient to fund net cash outflow for working capital and corporate tax totaling ฿12.3million leaving a surplus of ฿48.3 million net cash from operating activities in Q1-2017

<sup>1</sup> Other adjustments include other non-cash items such, foreign exchange movements, inventory revaluations, long-term employee benefits and interest expenses.

- Working capital increased as management is choosing to make cash purchases due to our strong free cash flow position thus taking advantage supplier cash discounts.
- The company has a cash balance at the end of March-2017 at ₺4.5 MM.

### **Ratios**

<b>Liquidity Ratio</b>	<b>31-Mar-17</b>	<b>31-Dec-16</b>
Current Ratio	3.0	2.3
<b>Leverage Ratio</b>	<b>31-Mar-17</b>	<b>31-Dec-16</b>
Net Debt / Equity	0.0	0.0
Interest Bearing Debt / Equity	0.0	0.1

- TPAC is currently debt free and generating strong free positive cash flows
- As mentioned prior, we are well positioned both in terms of our human capital and balance sheet robustness to capitalize on M&A growth opportunities.

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**Notes**

Always read MD&A together with the published financial statements to get complete details and understanding.

**Forward-looking Statements**

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