



# Tipco Asphalt PLC

## Management Discussion and Analysis (MD&A)

Consolidated Financial Performance for Q3 2024 ended 30<sup>th</sup> September 2024

Tipco Asphalt PLC (“the Company”) would like to report on the Company’s performance for the 3<sup>rd</sup> quarter 2024, in reference to the unaudited, but reviewed financial statements ending 30<sup>th</sup> September 2024.

### **Business Overview**

The demand of asphalt in Thailand, the Company’s main market, increased significantly after the government approved the 2024 fiscal year budget in late April 2024, which was delayed for 7 months. The regional demand also increased in other main markets e.g. Indonesia, Australia, and New Zealand when compared to the 2<sup>nd</sup> quarter of 2024. The regional price index increased by 8% from last quarter reflecting the tight supply from regional refineries.

For the 3<sup>rd</sup> quarter of 2024, the Company's total revenue was THB 9,099 million, and the net profit was THB 735 million. Comparing with the same period last year, the sales revenue was THB 7,124 million, and the net profit was THB 202 million. The increase in the net profit was attributed to Thailand's domestic asphalt demand, which continued the good momentum after the disbursement of the 2024 government budget in May.

For the nine-month period 2024, the Company's total revenue was THB 20,397 million, and the net profit was 841 million. Comparing with the same period last year, the sales revenue was THB 24,436 million, and the net profit was THB 2,073 million. The reduction in net profit was caused mainly by low demand in Thailand's domestic market in the first half of this year, which was impacted by the late approval of the fiscal year government budget as mentioned earlier.



Unit: THB (in thousand)

	Q3/2024	% Change YoY	% Change QoQ	YTD Sep 2024	% Change YoY
Revenue	9,099,400	27.7%	64.3%	20,396,866	(16.5%)
Gross Profit	1,383,897	151.7%	181.1%	2,219,140	(36.8%)
Selling and admin expense	344,292	22.1%	23.1%	923,991	(0.2%)
Net Profit	734,544	264.2%	641.9%	841,430	(59.4%)
EBITDA	1,296,566	122.8%	192.1%	2,078,036	(42.0%)
Earnings per share (THB)	0.47	261.5%	683.3%	0.53	(59.5%)
% Gross profit	15.3%	7.5%	6.3%	11.0%	(3.5%)
% Selling & admin	3.8%	(0.2%)	(1.3%)	4.6%	0.7%

## Summary of Business Performance

### Asphalt Business

- Sales and services** stood at THB 8,375 million, reflecting an increase of 42.13% from the same period of last year, attributed to the increase in the Thailand domestic volume. The selling price also increased compared with the same quarter of last year due to high demand in the market. However, the overall volume slightly decreased for international sales compared with the same period of the previous year. The strategy for the international market remains focusing on the selective high margin markets.
- Cost of sales and services** stood at THB 7,015 million or 83.76% (89.86% in the corresponding quarter in 2023) of sales and services before the reversal of allowance for diminution in inventory value and hedging loss. The gross margin increased by 7.5% compared to the same period of last year due to higher selling prices. The Company recorded an allowance for diminution in value of the inventory of THB 53 million and hedging gain of THB 29 million this quarter.



## Construction Business

- **Revenue from construction contracts** stood at THB 663 million, representing a decrease of 42.97% from the same period last year. The major contributions in this period were from the 3<sup>rd</sup> Runway construction project and the 2<sup>nd</sup> Midfield Satellite (SAT-2) ground improvement project at the Suvarnabhumi International Airport.
- **Cost of construction** stood at THB 649 million or 97.93% (94.41% in the corresponding quarter in 2023) of revenue. The gross profit decreased due to increased costs for some construction materials and maintenance projects.

**Selling and Administrative Expenses** for the 3<sup>rd</sup> quarter of 2024 stood at THB 42 million and THB 302 million, representing 0.46% and 3.34% of total sales and services, respectively. Comparatively, these expenses in the same period of 2023 stood at THB 38 million and THB 244 million or 0.54% and 3.46% of total sales and services. The Company continued to control overhead expenses.

**Net profit** stood at THB 735 million for the 3<sup>rd</sup> quarter of 2024, representing earnings per share of THB 0.47 (par value of THB 1 each), compared to THB 0.13 per share in the corresponding quarter of 2023. The increase in the net profit was mainly due to higher sales and gross profit margin of the asphalt business as noted.

## Key Financial Data

- At the end of the 3<sup>rd</sup> quarter of 2024, total assets stood at THB 23,930 million, an increase of THB 266 million. The increase was mainly from the increase in accounts receivable, resulting from the higher sales this quarter.
- At the end of the 3<sup>rd</sup> quarter of 2024, total liabilities stood at THB 8,112 million, increased by THB 1,350 million. The increase was mainly from the short-term loan used for working capital financing.
- For the 9 months of 2024, the Company's cash decreased by THB 705 million, resulted from the increase in the operating cashflow of THB 861 million, the use of the investing cashflow of THB 335 million, and the use of the financing cashflow of THB 1,044



million. This decrease included the FX translation impact of THB 188 million. The reduction in cash was mainly attributed to the dividend paid to shareholders in April 2024, which was offset by the cash flow from operating activities.

- The Group's consolidated **debt-to-equity ratio** (D/E ratio) was 0.56, and the Interest-bearing debt to equity ratio (IBD/E) was 0.19, compared to 0.47 and 0.14, respectively, in the corresponding period of last year. The increase was due to higher short-term loans.

### **Key Factors for the Outlook**

- The 2025 government fiscal year budget was approved in the late 3<sup>rd</sup> quarter. The Company expected the high demand for asphalt in Thailand to continue in the next quarter.

### **Significant Events and the Key Developments**

On 12<sup>th</sup> November 2024, the Board of Directors approved to increase the Company's shareholding in Thai Slurry Seal Company Limited (TSS) by 1,864,998 shares at the offering price of THB 200/share from other current shareholders, who are related and non-related parties. The transaction's total value was THB 372,999,600 or equivalent to 37.50% of the total issued and paid-up shares of TSS. After this share acquisition, the Company will hold 100.00% of the total issued and paid-up shares of TSS. By increasing its shareholding in TSS, the Company will have full control in managing the construction companies and their strategic directions, operational policies, and business plan to align with the Company's Mission and Vision. In addition, this will enhance the competitiveness and effectiveness of our asphalt and construction businesses. The Company expects to complete this acquisition transaction within 2024.



### **Key Updates on Sustainability**

The Company received five stars or “Excellent” CG Scoring from the Corporate Governance Report (CGR) of Thai Listed Companies 2024 from the Thai Institute of Directors (IOD).

The Company was also assessed through the Corporate Sustainability Assessment (CSA) by S&P Global in September 2024. Our score significantly improved from 42 to 51. This reflects our commitment to our strategic goal of being a Sustainable Organization.

As for the Company’s commitment to climate change, several key climate strategic projects are ongoing actively. One of our products, “**Tipco Joint Sealer**”, a hot-applied joint sealant for horizontal concrete joints for roads and highways, has been granted the Carbon Footprint Reduction (CFR) label certification by the Thailand Greenhouse Gas Management Organization (TGO).

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