



Tipco Asphalt PLC

Management Discussion and Analysis (MD&A)

Consolidated Financial Performance for the year ended 31 December 2024

Tipco Asphalt PLC. (“the Company”) would like to report on the Company’s performance for the year 2024, in reference to the audited financial statements ending 31 December 2024.

Business Overview

The demand for asphalt in Thailand, the Company’s main market, increased significantly in Q3 2024 after the government approved the fiscal year 2024 budget, which was delayed for 7 months, in late April 2024. Additionally, the regional demand rose in other key markets such as Indonesia, Australia, and New Zealand when compared to 2023. However, the average regional price index decreased by 9.5% when compared to the previous year. This decline was attributed to soft regional demand resulting from the delays in government budgets for road construction projects in several countries, as well as an influx of low-priced asphalt from the Middle East flooding the region.

For the 4th quarter of 2024, the Company's total revenue was THB 7,824 million, with a net profit of THB 576 million. In comparison to the same period last year, sales revenue was THB 6,916 million, and the net profit was THB 232 million. The increase in net profit was attributed to the continued strong demand for asphalt in Thailand, which was carried over from the momentum witnessed in the 3rd quarter, as mentioned earlier.

For 2024, the Company's total revenue was THB 28,220 million, with a net profit of THB 1,417 million. In comparison to 2023, the sales revenue was THB 31,352 million, and the net profit was THB 2,306 million. The decrease in net profit was primarily due to low demand in Thailand's domestic market during the first half of the year, which was affected by the delayed approval of the government budget for the fiscal year.



Unit : THB Thousand

	Q4/2023	Q3/2024	Q4/2024	Change YoY	Change QoQ	2023	2024	Change YoY
Revenue	6,916,043	9,099,400	7,823,614	13.12%	(14.02%)	31,352,043	28,220,480	(9.99%)
Gross Profit	625,096	1,383,897	917,145	46.72%	(33.73%)	4,137,643	3,136,285	(24.20%)
Selling and admin expense	336,221	344,292	319,478	(4.98%)	(7.21%)	1,261,866	1,243,469	(1.46%)
Net Profit	231,631	734,544	575,718	148.55%	(21.62%)	2,305,518	1,417,148	(38.53%)
EBITDA	670,518	1,296,566	1,060,582	58.17%	(18.20%)	4,254,133	3,138,618	(26.22%)
Earnings per share (THB)	0.15	0.47	0.37	146.67%	(21.28%)	1.46	0.90	(38.36%)
% Gross profit	9.12%	15.31%	11.81%	2.69%	(1.49%)	13.30%	11.22%	(2.09%)
% Selling & admin	4.91%	3.81%	4.11%	(0.79%)	0.06%	4.06%	4.45%	0.39%

Summary of Business Performance for the Year 2024

Asphalt Business

- **Sales and services** amounted to THB 25,797 million, representing a decrease of 6.55% compared to the same period last year. This decline was primarily due to reduction in sales volume in the international market, as the company continued to focus on sales in selective high-margin markets. However, there was an increase in sales volume in the Thailand market, particularly in the second half of the year. This increase was driven by a high demand in the 3rd quarter, following the delayed approval of the government budget for the fiscal year.
- **The cost of sales and services** amounted to THB 22,743 million, representing 88.16% of the sales and services revenue (compared to 85.96% in 2023) before the reversal of the allowance for the diminution in inventory value and the hedging gain from commodity forward contracts. The gross margin decreased compared to last year due to low demand in the Thai market during the first half of the year and significantly reduced selling prices during that period. Additionally, some countries encountered challenges from low-priced shipments from the Middle East, leading to intense competition our subsidiaries faced with lower-priced rivals in key markets. The Company recorded a reversal of an allowance for the



diminution in inventory value amounting to THB 13 million and a hedging gain from commodity forward contracts totaling THB 23 million in 2024.

Construction Business

- **Revenue from construction contracts** amounted to THB 2,167 million, reflecting a decline of 38.11% compared to the previous year. This significant decrease was primarily attributed to the reduced income from the 3rd Runway construction project at Suvarnabhumi International Airport, which was in its final phase of completion. Nonetheless, the Company partially handed over the new 3rd runway to the client, Airport Authority of Thailand Plc., in November 2024.
- **Construction costs** amounted to THB 2,121 million, representing 97.88% of revenue, an increase from 95.38% in 2023. The gross profit declined due to fewer project activities, while a portion of the overall costs were fixed costs.

The selling and administrative expenses amounted to THB 169 million and THB 1,074 million, which represented 0.60% and 3.84% of total sales and services, respectively. In comparison, these expenses in 2023 were THB 162 million and THB 1,100 million, accounting for 0.52% and 3.54% of total sales and services. The Company has continued to effectively manage overhead expenses.

The Company reported **expected credit losses (ECL)** of THB 278 million in 2024. This was due to an increase in the outstanding balance of accounts receivable and a rise in the ECL rate percentage for the year. Additionally, the Company has a policy to make full provision for trade receivables that are deemed to be uncollectable in the future.

Net profit for 2024 was THB 1,417 million, resulting in earnings per share of THB 0.90 (with a par value of THB 1 each). This represented a decrease from THB 1.46 per share in 2023. The decline



in net profit was primarily due to reduced revenue and a lower gross profit margin in the asphalt business.

Key financial data

- At the end of 2024, total assets amounted to THB 23,798 million, reflecting an increase of THB 125 million. This growth was primarily due to increases in accounts receivable and inventory.
- At the end of 2024, total liabilities reached THB 7,696 million, which was an increase of THB 934 million as compared to year end 2023. This was largely attributed to the increase in short-term loans for working capital financing.
- Despite facing various challenges and lower operating net profit, the Company managed to deliver a strong EBITDA of THB 3,139 million in 2024.
- The Group's consolidated **debt-to-equity (D/E) ratio** was 0.48, and the interest-bearing debt to equity (IBD/E) ratio was 0.19, compared to 0.40 and 0.14, respectively, in the same period last year. The increase in these ratios was due to higher levels of short-term loans for funding the Company's working capital requirement.

Key factors for the Outlook

The Thai government fiscal year 2025 budget was approved in the late 3rd quarter of 2024. The Company anticipates that the demand for asphalt in Thailand will return to the normal cycle this fiscal year. We will witness strong sales in the first half of 2025 in the Thai domestic market.

Significant event and the key development

On 12 November 2024, the Board of Directors approved to increase the Company's shareholding in Thai Slurry Seal Company Limited (TSS) through the purchase of remaining 1,864,998 shares of TSS at the offering price of THB 200/share from current shareholders, who were 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 now holds 99.99% of the total issued and paid-up shares of TSS.

With this increase in shareholding, the Company gained full control over the management of the construction companies, including their strategic directions, operational policies, and business plans, ensuring alignment with the Company's Mission and Vision. Additionally, this acquisition has enhanced the competitiveness and effectiveness of our asphalt and construction businesses.

The Company completed this acquisition on 2 December 2024.

Key Updates on Sustainability

In 2024, the Company has continuously integrated sustainability strategies across five dimensions: Innovation Leadership, Eco-Efficient Operations, Safety Awareness, Good Corporate and Transparency, and Value for the Future. The Company has made progress in all areas.

As for the Eco-Efficient Operations, for instance, the Company has successfully reduced its greenhouse gas (GHG) emissions that was better than the 2024 target. One of our products, "Tipco Joint Sealer," a hot-applied joint sealant used for horizontal concrete joints on roads and highways, has received the Carbon Footprint Reduction (CFR) label certification from the Thailand Greenhouse Gas Management Organization (TGO). Additionally, the Company has established an International Financial Reporting Standards (IFRS) S2 report on climate-related disclosures posted on the Company's website.

The Company received several awards and recognitions in 2024 as follows: -

- A perfect score of 100 on the AGM Checklist assessment from the Thai Investor Association
- A 5-star rating on the Corporate Governance Report (CGR) for Thai Listed Companies 2024 from the Thai Institute of Directors (IOD)
- A Sustainability Disclosure Award from the Thaipat Institute



- An “AA” score on the Environmental, Social and Governance (ESG) rating from the Stock Exchange of Thailand
- A 77th percentile score on the Financial Times Stock Exchange (FTSE) Russell’s ESG rating
- A 74th percentile score on the S&P Global’s Corporate Sustainability Assessment ESG rating

These achievements reflected our commitment to our strategic goal of being a sustainable organization.
