



May 9, 2023

Subject : Management Discussion and Analysis for the 1st Quarter ended March 31, 2022

To : The President,
The Stock Exchange of Thailand

Applied DB Public Company Limited (the “Company” or “we” or “our”) would like to submit the management discussion and analysis for the Company results of operations for the 1st Quarter ended March 31, 2023 as follows;

Management Discussion and Analysis for the 1st Quarter of 2023
Ended March 31, 2023

Applied DB Public Company Limited (the “Company”) or (“ADB”) is one of the leading manufacturers and distributors of plastic compound and industrial adhesive and sealant products to our main customers located in Thailand and overseas. The main customers are from the industrial sectors, located in ASEAN, Middle East, Africa, Europe and South America, that use our products in their production process. Besides, the Company also manufactures and sells the products under the Company’s brands and also under customers’ brands. Our revenue depends highly on an industrial growth leading by each industrial sector that uses the Company’s products in the production process such as wire and cable industry, real estate and construction industry, shoes and leathers industry. In addition, the demand of products also leads by the economic condition, private sector investments and government bidding projects. In 2022, the Company has implemented corporate restructuring plan with the transfer of a portion of the Company business to ADB Sealant Co., Ltd. (ADBS). The business segments that were transferred to the new company include adhesive segment and Sealant & DIY segment in order to increase the efficiency of the operation in the company as well as increasing competitiveness. The partial business transfer to ADB Sealant Co., Ltd. is legally effective on February 1, 2023 with the registered capital of THB 50.00 million. ADB currently holds 99.99% shares in ADBS. After restructuring, the business operation can be classified into 2 major categories, 1) Applied DB Public Company Limited, operated in Compound Business. The compound business segment can be classified into 3 subcategories including 1.1) Wire and Cable PVC (Plastic compound used in wire and cable industry); 1.2) General Grade PVC (Plastic compound used in general applications, Rigid PVC, and Polypropylene Split Yarn (PPY) and 1.3) Medical Grade PVC). 2) ADB Sealant Co., Ltd. operated in Adhesive & Sealant Business. The Sealant business segment can be classified into 3 subcategories including 2.1) Adhesive for customers in shoe and leather and furniture business. 2.2) Silicone Business for both cartridges and commercial use and 2.3) DIY Products



Performance Analysis

Table 1: Financial Performance of Q1/2023 compared to Q1/2022

	Quarter 1/2022		Quarter 1/2023		Changes +,-	
	MB	%	MB	%	MB	%
Revenue from Sales	549.41	98.67	453.71	98.74	(95.70)	(17.42)
Cost of Sales	511.51	91.86	413.64	90.02	97.87	19.13
Gross Profit	37.90	6.81	40.07	8.72	2.17	5.73
Other Income	4.94	0.89	2.55	0.55	(2.39)	(48.38)
Net Foreign Exchange Gain	2.47	0.44	(0.55)	(0.12)	(3.02)	(122.27)
Profit Before Expenses	45.31	8.14	42.07	9.23	(3.24)	(7.15)
Distribution Costs	23.20	4.17	20.15	4.42	(3.05)	(13.15)
Administrative Expenses	28.68	5.15	33.31	7.31	4.63	16.14
Total SG&A	51.88	9.32	53.46	11.73	1.58	3.05
Earnings before interest and tax	(6.57)	(1.18)	(11.40)	(2.48)	(4.83)	(73.52)
Financial Costs	2.30	0.41	4.44	0.97	2.14	93.04
Profit before tax expenses	(8.87)	(1.59)	(15.84)	(3.45)	(6.97)	(78.58)
Tax expenses	(1.33)	(0.24)	(2.52)	(0.55)	1.19	89.47
Net Income	(7.54)	(1.35)	(18.36)	(4.00)	(10.82)	(143.50)
Other Comprehensive Income	0.24	0.04	0.00	0.00	(0.24)	(100.00)
Total Comprehensive Income for the period	(7.30)	(1.31)	(18.36)	(4.00)	(11.06)	(151.51)

On the 1st quarter of 2022 and 2023, our total revenue was THB 556.82 million and THB 456.26 million, respectively. From those amounts, revenue from sales was accounted of THB 549.41 million and THB 453.71 million, respectively, which represented the decrease of THB (95.70) million, or (17.42%) The decrease in revenue was mainly attributed to the decrease of revenue from Compound Segment that went down for THB (114.66) million, or (32.80%) compared to the same period of Q1/2022 led by the demand of Wire & Cable PVC went down for THB (108.10) million or (49.27%) compared to the same period of Q1/2022. The majority revenue of Wire & Cable segments is to target to large wire and cable manufacturers, which supply the products to both government projects and industry group in Real Estate and Construction segment. Furthermore, For General Grade PVC, it also experienced weaken demand of THB (23.87) million, or went down of (37.02%) from its revenue Q1/2022. However, pharmaceutical graded compound products to be used for medical applications such as blood infusion tube, bleeding bag sold to our partner, Showa Global (Thailand) Co., Ltd. provided the solid growth of THB +17.31 million with less impact from the COVID-19 pandemic. Besides our solid growth from Compound, our sales of adhesive & sealant products also increased for from THB 199.86 million to the total of THB 218.82 million, compared to Q1/2022. Our Sealant & Adhesive segment was mainly driven by the growth of Adhesive products for THB +12.49 million from Q1/2022, or +17.86% of its Q1/2022 revenue. Furthermore, the revenue of Sealant and DIY products mostly generated from oversea customers also provided of THB +9.18 million, or +7.33%. When we combined our revenue from 3 Business Segments, the revenue of



Compound Business, Adhesive and Sealant Business was THB 234.89 million, THB 218.82 million, or 52%:48%, respectively, compared to the revenue of the Q1/2022 was at 64%:36%.

Table 2 : Revenue breakdown by Business – for the three-month period ending March 31

Revenue of Business	For the three-month period					
	Jan-Mar 2022		Jan-Mar 2023		Increase (decrease)	
	MB	%	MB	%	MB	%
Wire and Cable PVC	219.40	39.93	111.30	24.53	(108.10)	(49.27)
General Grade PVC	64.48	11.74	40.61	8.95	(23.87)	(37.02)
Medical Graded PVC	65.67	11.95	82.98	18.29	17.31	26.36
Total Plastic Compound Business	349.55	63.62	234.89	51.77	(114.66)	(32.80)
Adhesive	69.92	12.73	82.41	18.16	12.49	17.86
Silicone	86.37	15.72	91.94	20.26	5.57	6.45
DIY	38.91	7.08	42.52	9.37	3.61	9.28
Related Products	4.67	0.85	1.95	0.43	(2.72)	(58.24)
Total Adhesive & Sealant Business	199.86	36.38	218.82	48.22	18.96	9.49
Total Revenue	549.41	100.00	453.71	100.00	(95.70)	(17.42)

In terms of main customer types by industry, approximately 70.04% of our revenue were classified under Real Estate and construction including Plastic compound and Sealant products. For the Plastic Compound group, the Company main targets are large wire and cable manufacturers who supply the products to both government projects and industry group in Real Estate and Construction segment. Furthermore, our General Graded PVC also contributed significant growth in Q1/2023. For the sealant products, the main target group was the private sector in construction segment, while 10.37% of sales derived from Shoes and Leathers Industry selling under adhesive products. The demand of adhesive materials to be used in this segment has rebounded from last year as we have been focusing on the oversea markets especially in Nigeria in Africa, and Pakistan in South Asia, and other countries such as Vietnam, Myanmar, Cambodia, Nepal and Singapore; all of those areas were our target oversea markets for Adhesive products. For automotive segment, it was accounted of 8.37% of total revenue, of which, most of the products were small package products for household use (DIY). The product applications were widely used in the decoration, repairment and parts and accessories of Automotive assembling industry. The rest of 11.21% was attributed to other industries.



Table 3 : Revenue by Industry – for the three-month period ending March 31

Revenue by Industry	For the three-month period			
	Jan-Mar 2022		Jan-Mar 2023	
	MB	%	MB	%
Real Estate and Construction	400.06	72.82	317.80	70.04
Automotives	34.25	6.23	38.00	8.37
Shoes and Leathers	53.98	9.83	47.05	10.37
Others	61.11	11.12	50.86	11.21
Total Revenue	549.41	100.00	453.71	100.00

In terms of revenue breakdown by geography of Q1/2023, revenue from local customers was THB 354.40 million from the total revenue of THB 432.31 million, or accounted for (77.91)million of total revenue from Q1/2022. The decrease of local revenue was mainly attributed to the decrease in Compound products sold to wire and cable companies as the mega project's investment in the infrastructure and electrical supplies. However, the demand of medical graded PVC sold to local channel has increased since the demand of Medical graded PVC has less impact from the COVID-19 pandemic. While, the oversea customers also provided the solid growth in Nigeria, Kenya, Singapore and the Philippines. These export segments were attributed to the higher product pricing in accordance with the rising chemical material costs effected on all major products.

Table 4 : Revenue by Geographical segments

Geographical Segments	1 st Quarter 2022		1 st Quarter 2023	
	MB	%	MB	%
Thailand	432.31	78.68	354.40	78.11
Nigeria	16.40	2.98	19.37	4.27
Kenya	10.70	1.95	12.81	2.82
Singapore	5.47	1.00	8.15	1.80
Philippines	2.77	0.50	6.70	1.48
Bangladesh	10.26	1.87	7.35	1.62
Myanmar	7.07	1.29	5.02	1.11
Vietnam	10.91	1.99	9.42	2.08
Other	53.53	9.74	30.49	6.72
Total	549.42	100.00	453.71	100.00



Cost of Sales and Gross Profit

In the 1st quarter of 2022 and 2023, cost of sales increased from THB 511.51 million to THB 413.64 million, respectively. The cost of sales consists of cost of Plastic Compound Business for THB 328.44 million and the cost of Adhesive and Sealant Business for THB 183.07 million in Q1/2022; and cost of Plastic Compound Business for THB 221.44 million and costs of Adhesive and Sealant Business for THB 192.20 million in Q1/2023. With the fluctuation of chemical material costs in all 3 Business segment, the company reported slightly increased in gross profit from 6.90% in Q1/2022 to 8.83% in Q1/2023, respectively. The following table indicates the breakdown of cost of sales by business segment.

Table 5 : Cost of sales and Gross Profit

Cost of sales and Gross Profit	Jan-Mar 2022	Jan-Mar 2023
	MB	MB
Cost of Sales : Plastic Compound Business	328.44	221.44
Cost of Sales : Adhesive & Sealant & DIY Business	183.07	192.20
Total Cost of Sales	511.51	413.64
Gross Profit : Plastic Compound Business	21.11	13.44
Gross Profit : Adhesive & Sealant & DIY Business	16.79	26.63
Gross Profit	37.90	26.63
Gross Profit Margin : Plastic Compound	6.04%	5.72%
Gross Profit Margin : Adhesive & Sealant & DIY Business	8.40%	12.17%
Gross Profit Margin	6.90%	8.83%

Overall performance, gross margin of plastic compound business slightly decreased in Q1/2023 caused by rising major material costs of production, including PVC Resin and Plasticizers to be used as additive solutions, has been fluctuation from the global energy crisis around the world; while the global oil price has also impacted to the plastics manufacturers during Q1/2023 as the Russia-Ukraine war has been the threat of energy supply shortfall. Those rising chemical materials led to the negative impact of 1st Quarter overall margin of Plastic Compound segments. For Adhesive and Sealant products, gross margin has been rising as the material costs including Synthetic Rubber, Toluene and other solvent materials using for industrial adhesive production led to the overall increase in Gross Margin in Adhesive segment. In Sealant and DIY Business, the margin increased compared to last year as Silicone materials to be used for productions have been decreasing to the normal status with less material speculation in the markets.

Selling & Administrative Expenses

Table 6 : Selling & Administrative Expenses

Selling & Administrative Expenses	Jan-Mar 2022		Jan-Mar 2023	
	MB	%	MB	%
Selling Expense	23.21	4.17	20.15	4.42
Administrative Expenses	28.68	5.15	33.31	7.31
Selling & Administrative Expenses	51.89	9.32	53.46	11.73



Total selling and administrative expenses in Q1/2023 increased THB +1.57 million, or +3.03% from Q1/2022. The increase in selling and administrative costs was mainly due to the following reasons;

Selling Expenses

Total selling expenses for Q1/23 decreased THB (3.06) million or (13.18%) from THB 23.21million to THB 20.15 million. The decrease of selling expenses was primarily due to decrease of sales revenue from domestic customers leading the lower transportation expenses in both local & oversea logistics activities associated with the decrease in sales volume. In addition, less commission was paid to sales person and sales team in accordance with decreasing in sales revenue.

Administrative Expenses

Total administrative expenses for Q1/23 increased to THB 33.31 million from THB 28.68 million during the same period of last year or increased of THB +4.63 million, or +16.14% of Q1/2023. The Company has reserved more allowance for THB 1.1 million from expected credit loss. However, some of administrative expenses went up especially expenditures related to the employees and overall general administrative expenses of the Company and legal and advisory fees associating with the corporate restructuring business of partial business transfer of ADB Sealant Co., Ltd.

Finance Costs

When compared to the finance costs between Q1/2022 and Q1/2023, total finance costs increased from THB 2.30 million to THB 4.44 million, respectively. A significantly increase of finance costs for THB +2.14 million or +48.20% was mainly due to the increase of short-term bank loans to finance the increasing material purchase to support our soaring revenue in 2023 and the overall increase in market interest rates of commercial bank loans.

Net Profit

The Company had net loss for Q1/2023 for THB (18.36) million, or decreased of THB (10.82) million from net loss of THB (7.54) million of Q1/2022. The rising major material costs used for production, including PVC Resin and Plasticizers to be used as additive solutions went up due to the increasing demand of global chemical materials around the world while the global oil price has also impacted to the plastics manufacturers during Q1/2023 as it is by products of petroleum. Besides the significant increase in material costs, our selling & administrative has been affected by the legal and advisory fees associating with the corporate restructuring on partial business transfer of ADB Sealant Co., Ltd.



Financial Position

Total Assets

As at December 31, 2022 and March 31 2023, the Company had total assets of THB 1,626.39 million and THB 1,698.87 million, respectively. The company's main assets were mainly consist of trade accounts receivable and other receivables, inventories, and property, plant and equipment. Among these assets; it can be classified as current assets for THB 1,111.83 million and THB 1,187.31 million and non-current assets for THB 514.56 million and THB 511.56 million, respectively.

Significant changes in assets during the 1st Quarter of 2023 are summarized below;

1. Current Assets

Cash and cash equivalents as at December 31, 2022, and March 31, 2023, the overall cash and cash equivalents increase of THB +93.22 million was attribute to the 3 major transactions, operating activities, investment activities and financing activities. During Q1/2023, our net cash flow were received from operating activities for THB +118.18 million, mainly attributed to the decrease of inventories for THB +41.92 million and increase of accounts payable for THB +77.55 million. In addition, the cash has also been used for the investment of fixed assets for THB (2.70) million. In financing activities, the company has net cashflow used in financing activities for THB (22.88) million mostly from short-term and long-term bank loans.

- Trade accounts receivable as at December 31, 2022, and March 31, 2023, trade accounts receivable decrease of THB (14.68) million was led by the lower in revenue from sales of THB (95.70) million compared to our revenue in Q4/2022.

Unit (MB)	For the period ended	
	31 December 2022	31 March 2023
Related parties	0.58	0.74
Other receivables	448.32	434.61
Total Receivables	448.90	435.35
Less allowance for expected credit loss (ECL)	(2.45)	(3.58)
Net Accounts Receivable	446.45	431.77

The allowance for doubtful accounts was set by considering ability to collect cash by using the percentage of outstanding balance over the different period of time. In addition, fully reserve 100% will be set once there are factors trigger to the potential credit defaults of any receivables. However, the average collection period decreased from 88 days as at Q1/2022 to 77 days as at Q1/2023. While there were



fluctuation of global economics and foreign exchange rate, we could still manage the payment of customers in normal credit terms.

- *Inventories* as at December 31, 2021, and March 31, 2023, a decrease in inventory of THB (42.95) million from THB 510.58 million to THB 467.63 million was primarily the result of our strict procurement policy for less material stocking to be reserved for orders from customers.

	For the period ended	
	Unit (MB)	
	31 December 2022	31 March 2023
Finished goods	144.54	160.39
Raw materials	295.22	227.04
Work in process	23.61	26.66
Factory supplies	35.65	37.28
Goods in transit	20.88	26.59
	(9.31)	(10.33)
Allowance for decline in value		
Net Total	510.58	467.63

2. Non-current Assets

- *Property, plant and equipment* as at December 31, 2022, and March 31, 2023, a decrease in property, plant and equipment of THB (10.0) million and sale of fixed assets that has not been used for THB 7.6 million.

Total Liabilities & Shareholders' Equity

As at December 31, 2022 and March 31 2023, the Company had total liabilities of THB 982.66 million and THB 1,073.50 million, respectively. The company's major liabilities were consisting of bank overdrafts and short-term borrowings from financial institutions, trade accounts payable, and other payables, and long-term loans from financial institutions. During this period, the Company had shareholders' equity of THB 643.73 million and THB 625.37 million, respectively. At the end of the 1st Quarter of 2023, the Company's shareholders' equity consisted of paid-up capital of THB 363.00 million. The other shareholders' equity included share premium of THB 202.20 million, surplus on share-base payment of THB 0.31 million, appropriated to legal reserve of THB 20.64 million, unappropriated reserve of THB 39.16 million and other component of shareholders' equity of THB 0.06 million.



Significant changes in liabilities and shareholders' equity during the 1st Quarter of 2023 are summarized below;

1. Current Liabilities

- Short-term borrowings from financial institutions as at December 31, 2022, and March 31, 2023, an increase in short-term loan of THB (9.18) million was the result of less materials purchased and during Q1/2023.
- Trade accounts payable as at December 31, 2022, and March 31, 2023, an increase in accounts payable of THB +17.06 million was mainly due to the increase in oversea accounts payable. During Q1/23, the average accounts payable period decreased from 65 days as at Q1/2022 to 48 days as at Q1/2023.

2. Non-current liabilities

As at March 31, 2023, the Company's non-current liabilities consisted of long-term loan of THB 56.69 million, or an increase of THB +1.85 million mainly from long-term leasing of THB +5.96 million, and increase of non-current provisions for employee benefit of THB +0.67 million with the reference of the actuarial report from the actuarial experts.

3. Shareholders' equity

As at March 31, 2023, the Company's shareholders' equity of THB 625.37 or a decrease of THB (18.36) million, was the results of net loss from operation during Q1/2023.

Financial Ratio Analysis

Table 7 : Key Financial Ratios

Financial Ratio	Unit	For the year ended 31 Dec 22	For Q1/2022 Ended 31 Mar 22	For Q1/2023 Ended 31 Mar 23
<u>Liquidity Ratio</u>				
Current Ratio	Times	1.20	1.24	1.17
Collection Period	days	70	88	77
Inventory Period	days	89	110	95
Accounts Payable Period	days	46	65	48
<u>Profitability Ratio</u>				
Gross Profit Margin	%	9.31	6.90	8.83
Net Profit Margin	%	(0.32)	(1.35)	(4.00)
Return On Equity	%	(1.04)	5.55	(2.80)
<u>Turnover Ratio</u>				
Return on Assets	%	(0.45)	2.42	(1.07)
Asset Turnover	Times	1.41	1.17	1.24
<u>Financial Policy</u>				
Debt to Equity	Times	1.53	1.45	1.72
Interest Coverage Ratio	Tunes	0.56	7.06	0.18



1. Current Ratio

As at March 31, 2023, our liquidity ratio decreased from 1.24 times in Q1/2022 to 1.17 times in Q1/2023. For Liquidity management, the collection period decreased from 88 days in Q1/2022 to 77 days in Q1/2023, primarily due to the collection of customers' payment within normal credit terms. In addition, our inventory period also decreased from 110 days in Q1/2022 to 95 days in Q1/2023 because of our strict procurement policy for less material stocking to be reserved for orders from customers. Our accounts payable days also decreased from 65 days to 48 days in Q1/2023 compared to the same period of Q1/2022.

2. Profitability Ratio

The Company gross profit margin increased from 6.90% to 8.83%. Although the gross margin of plastic compound business slightly decreased in Q1/2023 caused by rising major material costs of production, including PVC Resin and Plasticizers to be used as additive solutions, has been fluctuation from the global energy crisis around the world; while Adhesive and Sealant gross margin has been rising as the material costs including Synthetic Rubber, Toluene and other solvent materials using for industrial adhesive production led to the overall increase in Gross Margin in Adhesive segment. In Sealant and DIY Business, the margin slightly increased compared to last year as Silicone materials to be used for productions have been decreasing to the normal status with less material speculation in the markets. However, our selling & administrative has been affected by the legal and advisory fees associating with the corporate restructuring on partial business transfer of our subsidiary, ADB Sealant Co., Ltd. As a results, the net profit margin decreased from from net loss of (1.35%) in Q1/2022 to net loss of (4.00)% in Q1/2023. These lower NPM led the decrease of Return on Equity from 5.55% in Q1/2022 to (2.80)% in Q1/2023.

3. Turnover Ratio

As at March 31, 2023, the Company return on assets decreased from 2.42% in Q1/2022 to (1.07)% in Q1/2023. However, our asset turnover increased from 1.17 times to 1.24 times in Q1/2023. While the assets increased, we can generate higher growth in revenue generated from product selling compared to the growth of asset invested.



บริษัท แอ็พพลาย ดีบี จำกัด (มหาชน)
Applied DB Public Company Limited

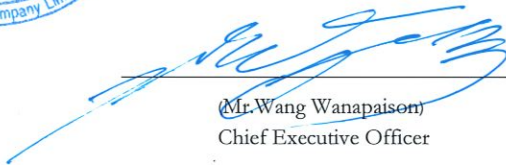
4. Financial Policy

As at March 31, 2023, our debt-to-equity ratio increased from 1.45 times in Q4/2022 to 1.72 times in Q1/2023 due to higher total liabilities and lower shareholders' equity. With the decrease of earnings before interest and tax and rising interest expenses, the interest coverage ratio dropped from 7.06 times in Q1/2022 to 0.18 times in Q1/2023.

Please be informed accordingly.



Yours Sincerely,



(Mr. Wang Wanapaisorn)
Chief Executive Officer