



February 21, 2023

Subject : Management Discussion and Analysis for the year ended December 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 year ended December 31, 2022 as follows;

**Management Discussion and Analysis for the year  
Ended December 31, 2022**

Applied DB Public Company Limited (the “Company”) 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 is classified the products into 3 Business segments 1) Plastic compound segment, 2) Adhesive segment and 3) Sealant & DIY segment. For Compound products (Segment 1), there are major changes in product classification due to uprising growth of Medical Grade PVC products. In the past few years, the revenue from Medical graded products was accounted of more than 20% of the total Plastic Compound Revenue. In this regards, we reclassify the compound products into 3 groups; 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). For Adhesive (Segment 2); most of the products are supplies to customers in shoe and leather and furniture business. For Sealant and DIY Business (Segment 3), the products are categorize into 3 product groups 3.1) Silicone Business 3.2) DIY Products 3.3) Related products.

Table 1 : Financial Performance Financial Position as at 31 December 2021 and 2022

	2021		2022		Changes +,-	
	MB	%	MB	%	MB	%
Revenue from Sales	1,678.00	98.70	2,154.70	0.99	476.70	28.41
Cost of Sales	1,403.51	82.56	1,954.06	0.90	550.55	39.23
<b>Gross Profit</b>	<b>274.49</b>	<b>16.15</b>	200.64	0.09	(73.85)	(26.90)
Other Income	11.82	0.70	11.81	0.01	(0.01)	(0.08)
Net Foreign Exchange Gain	10.23	0.60	(3.02)	0.00	(13.25)	(129.52)
<b>Profit Before Expenses</b>	<b>296.54</b>	<b>17.44</b>	209.43	0.10	(87.11)	(29.38)
Distribution Costs	82.45	4.85	90.88	0.04	8.43	10.22
Administrative Expenses	111.34	6.55	110.85	0.05	(0.49)	(0.44)
Total SG&A	193.79	11.40	201.73	0.09	7.94	4.10
<b>Earnings before interest and tax</b>	<b>102.75</b>	<b>6.04</b>	7.70	0.00	(95.05)	(92.51)
Financial Costs	7.39	0.43	13.66	0.01	6.27	84.84
<b>Profit before tax expenses</b>	<b>95.36</b>	<b>5.61</b>	(5.96)	0.00	(101.32)	(106.25)
Tax expenses	19.67	1.16	0.97	0.00	(18.70)	(95.07)
<b>Net Income</b>	<b>75.68</b>	<b>4.45</b>	(6.93)	0.00	(82.61)	(109.16)
Other Comprehensive Income	2.50	0.15	3.43	0.00	0.93	37.20
<b>Total Comprehensive Income for the period</b>	<b>78.19</b>	<b>4.60</b>	(3.48)	0.00	(81.67)	(104.45)

\*% is the proportion to the total revenue

## Sales Revenue

For the year ended December 31, 2021 and 2022, our total revenue was THB 1,700.05 million and THB 2,166.51 million, respectively. From those amounts, revenue from sales was accounted of THB 1,678.00 million and THB 2,154.70 million, respectively, which represented the increase of THB +476.70 million, or +28.41%. The rising revenue was mainly attributed to the increase in Compound products for THB +297.40 million, or +30.24% from the same period of last year, driven by the solid revenue of Compound products sold to wire and cable companies to support the mega projects investment in the infrastructure and electrical supplies from the Government Budget in 2022. This Wire and Cable revenue was accounted for the growth of THB +150.19 million, or +25.22% compared to the same period of last year as it has been rebound after the impact of COVID 19 pandemic from last year. Furthermore, the revenue from General Graded PVC also provided the growth from last year for THB +26.58 million, or +13.63% of last year figure. In addition, Medical Graded PVC products contributed to the increase of THB +120.62 million, or +62.46% compared to the same period of last year, led by the rising demand of medical compound products to be used for medical applications such as blood infusion tube, bleeding bag sold to our partner, Showa Global (Thailand) Co., Ltd. In Sealant and DIY Business, our revenue provided solid growth of THB +93.45 million from the same period of last year or +19.25% compared to the same period of last year. The major revenue in Sealant & DIY business was mainly driven by the growth of our Sealant products sold as cartridges and for commercial use for over THB +93.45 million or +19.25%. For Adhesive segment, our revenue from adhesive products went up for THB +85.85 million, or +41.09%. When integrating all





revenue from 3 Business Segments of the Company, the revenue of Compound Business, Adhesive Business and Sealant Business was THB 1,281.02 million, THB 294.77 million and THB 578.91 million, or 59% : 14% : 27%, respectively, compared to the revenue of the same period in 2021 was at 59% : 12% : 29%.

*Table 2 : Revenue breakdown by Business – for the year ending December 31*

Revenue of Business	For the year ended				Increase (decrease)	
	Jan-Dec 2021		Jan-Dec 2022			
	MB	%	MB	%	MB	%
Wire and Cable PVC	595.42	35.48	745.61	34.60	150.19	25.22
General Grade PVC	193.13	11.51	221.65	10.29	26.58	13.63
Medical Graded PVC	195.07	11.63	313.75	14.56	120.62	62.46
Total Plastic Compound Business	983.62	58.62	1,281.02	59.45	297.40	30.24
Adhesive	208.92	12.45	294.77	13.68	85.85	41.09
Total Adhesive Business	208.92	12.45	294.77	13.68	85.85	41.09
Silicone	281.89	16.80	344.93	16.01	63.04	22.36
DIY	178.09	10.61	200.13	9.29	22.04	12.38
Related Products	25.48	1.52	33.85	1.57	8.37	32.85
Total Silicone & Sealant Business	485.46	28.93	578.91	26.87	93.45	19.25
Total Revenue	1,678.00	100.00	2,154.70	100.00	476.69	28.41

In terms of main customer types by industry, approximately 70.63% of the revenue of the Company were classify under Real Estate and construction including Plastic compound, 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. For the sealant products, the main target group was the private sector in construction segment, while 10.01% of sales derived from Shoes and Leathers Industry selling under adhesive products. The demand of adhesive materials to be used in this segment has been increasing after the impact of COVID-19 pandemic during the past few years. For automotive segment, it was accounted of 9% of total revenue, 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 10.94% was attributed to other industries.

*Table 3 : Revenue by Industry – for the year ended December 31*

Revenue by Industry	For the year ended					
	2020		2021		2022	
	MB	%	MB	%	MB	%
<b>Real Estate and Construction</b>	986.11	72.01	1,171.43	69.81	1,511.14	70.13
<b>Shoes and Leathers</b>	130.91	9.56	158.48	9.44	215.68	10.01
<b>Automotives</b>	143.81	10.50	165.09	9.84	192.07	8.91
<b>Others</b>	108.52	7.93	183.00	10.91	235.81	10.94
<b>Total Revenue</b>	<b>1,369.35</b>	<b>100.00</b>	<b>1,678.00</b>	<b>100.00</b>	<b>2,154.70</b>	<b>100.00</b>



In terms of revenue breakdown by geography, in 2022, revenue from local customers was THB 1,667.65 million from the total revenue of THB 2,154.70 million, or accounted for 77.40% of total revenue, or increased from 2021, of which, revenue from local customers was THB 1,237.03 out of the total revenue of THB 1,677.99 million, or accounted for 73.72% of total revenue. The increase for THB +430.62 million or +34.80% was mainly attributed to the increase in Compound products sold to wire and cable companies as the mega projects investment in the infrastructure and electrical supplies, as well as medical graded PVC sold to local markets. The demand of these product categories has less impact during the COVID-19 pandemic. While, the oversea customers also provided the solid growth in Nigeria, Kenya, Bangladesh, Vietnam, Myanmar and Philippines. These export segments were attributed to the higher product pricing in accordance with the rising chemical material costs effected on all major products. In addition, as Baht depreciation compared to US Dollar during 2022, our revenue from oversea segments increased compared to the same period of last year.

*Table 4 : Revenue by Geographical segments*

Geographical Segments	2020		2021		2022	
	MB	%	MB	%	MB	%
Thailand	1,044.15	76.26	1,237.03	73.72	1,667.65	77.40
Nigeria	49.61	3.62	61.19	3.65	58.04	2.69
Kenya	46.46	3.39	49.03	2.92	42.88	2.00
Singapore	16.03	1.17	27.66	1.65	34.13	1.58
Philippines	19.06	1.39	29.15	1.74	32.58	1.51
Bangladesh	30.43	2.22	47.05	2.80	41.62	1.93
Myanmar	30.81	2.25	37.55	2.24	41.81	1.94
Vietnam	32.54	2.38	37.67	2.24	45.78	2.12
Other	100.13	7.31	151.66	9.04	190.20	8.83
Total	1,369.22	100.00	1,677.99	100.00	2,154.70	100.00

### Cost of Sales and Gross Profit

In the 2021 and 2022, cost of sales slightly increased from THB 1,403.51 million to THB 1,954.06 million, respectively. The cost of sales consists of cost of Plastic Compound Business for THB 838.06 million and the cost of Adhesive for THB 169.35 million and Sealant and DIY Business for THB 396.11 million in 2021; and cost of Plastic Compound Business for THB 1,172.71 million and costs of Adhesive for THB 263.11 million and Sealant & DIY Business for THB 518.24 million in 2022. When combining with the significant growth in revenue, the company reported lower gross profit from 16.36% in 2021 to 9.31% in 2022, 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-Dec 2021	Jan-Dec 2022
	MB	MB
Cost of Sales : Plastic Compound Business	838.06	1,172.71
Cost of Sales : Adhesive	169.35	263.11
Cost of Sales : Sealant & DIY Business	396.11	518.24
<b>Total Cost of Sales</b>	<b>1,403.51</b>	<b>1,954.06</b>
Gross Profit : Plastic Compound Business	145.57	108.31
Gross Profit : Adhesive	39.57	31.66
Gross Profit : Sealant & DIY Business	89.35	60.67
<b>Gross Profit</b>	<b>274.48</b>	<b>200.64</b>
Gross Profit Margin : Plastic Compound	14.80%	8.46%
Gross Profit Margin : Adhesive	18.94%	10.74%
Gross Profit Margin : Sealant & DIY Business	18.40%	10.48%
<b>Gross Profit Margin</b>	<b>16.36%</b>	<b>9.31%</b>

Overall performance, gross margin of plastic compound business has been decreasing in 2022 since 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 2022 as the Russia-Ukraine war has been the threat of energy supply shortfall. Those rising chemical materials led to the decrease of 2022 overall margin of Plastic Compound segments. For Adhesive products, gross margin also decreased as the rising material costs including Synthetic Rubber, Toluene and other solvent materials using for industrial adhesive production was direct effect to the overall decrease in Gross Margin in Adhesive segment. In Sealant and DIY Business, the margin also fell down significantly compared to last year as the rising petrochemical materials has been impact to the soaring material costs of Silicone and Silicone compound materials and Baht depreciation during the period, so the overall sealant material costs have been rising as most of the sealant production materials have been imported from oversea markets especially during the 2<sup>nd</sup> half of 2022.

### Selling & Administrative Expenses

Total selling and administrative expenses in 2022 increased THB +7.94 million, or +9.78% from 2021. The increase in selling and administrative costs was mainly due to the following reasons;

*Table 6 : Selling & Administrative Expenses*

Selling & Administrative Expenses	Jan-Dec 2021		Jan-Dec 2022		Increase (decrease)	
	MB	%	MB	%	MB	%
Selling Expenses	82.45	42.55	90.88	45.05	8.43	10.22
Administrative Expenses	111.34	57.45	110.85	54.95	(0.49)	(0.44)
<b>Selling &amp; Administrative Expenses</b>	<b>193.79</b>	<b>100.00</b>	<b>201.73</b>	<b>100.00</b>	<b>7.94</b>	<b>4.10</b>



### **Selling Expenses**

Total selling expenses increased for THB +8.43 million or +10.22% from THB 82.45 million of 2021 to THB 90.88 million in 2022. The increase of selling expenses was primarily due to higher sales revenue from domestic customers leading the higher transportation expenses associated with the increase in sales volume. For export section, capacity constraints was impact on the global marine shipment around the world, and these impact led to the uprising export expenses during the last year as well. In addition, the increase in commission paid to sales person and sales team led the overall rising in selling expenses in accordance with increase in sales revenue.

### **Administrative Expenses**

Total administrative expenses for FY 2022 decreased for THB (0.49) million or (0.44%) from THB 111.34 million to only THB 110.85 million during the same period of last year The decrease of administrative expenses was mainly related to the decrease in costs associated with employees, and organization management and employee's benefits.

### **Finance Costs**

When compared to the finance costs between 2021 and 2022, total finance costs increased from THB 7.39 million to THB 13.66 million or increased from 0.43% of sales to 0.63% of sales. A significantly increase of finance costs for THB +6.27 million or +84.84% was mainly due to the rising interest rates and the increase of short-term bank loans to finance the increasing material purchase to support the solid growth of revenue in 2022.

### **Net Profit**

The Company had a net loss of FY2022 for THB (6.93) million from net profit of THB 77.96 million of FY2021. 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 FY2022 as it is by products of petroleum. For Adhesive & Sealant segments, we have also experienced lower profit margins from rising chemical materials, and solvents used for production while rising the freight costs and transportation expenses also impacted to overall FY2022 as well.

## **Financial Position**

### **Total Assets**

As at December 31, 2021 and December 31, 2022, the Company had total assets of THB 1,454.04 million and THB 1,626.39 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 925.35



million and THB 1,111.83 million and non-current assets for THB 528.70 million and THB 514.56 million, respectively.

**Significant changes in assets in 2022 are summarized below;**

1. Current Assets

Cash and cash equivalents as at December 31, 2022, the overall cash and cash equivalents increase of THB +38.61 million was attribute to the 3 major transactions, operating activities, investment activities and financing activities. In 2022, the Company has net cash used for operating activities for THB (116.35) million mainly attributed to the Changes in operating assets consist of an increase of THB (56.34) million in inventories and THB (64.63) million in accounts receivable. In addition, additional cash flow were used in investment of fixed assets for THB (39.19) million. Those cash flow used in operating and investing activities has been financed by short-term loan from financing activities for THB +195.83 million especially the short-term financing to support more inventories reserved for production.

- Trade accounts receivable as at December 31, 2021, and December 31, 2022, trade accounts receivable increase of THB +60.48 million was led by the significantly higher in revenue from sales this year compared to our revenue during the same period of last year.

Unit (MB)	For year ended	
	31 December 2021	31 December 2022
Related parties	0.57	0.59
Other receivables	387.80	448.27
Total Receivables	388.37	448.86
Less allowance for doubtful accounts	(2.41)	(2.45)
<b>Net Accounts Receivable</b>	<b>385.97</b>	<b>446.41</b>

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 81 days as at FY2021 to 70 days as at FY2022 due to faster cash collection period.

- Inventories as at December 31, 2021, and December 31, 2022, an increase in inventory of THB +55.23 million was primarily the result of increasing stocking level of finished products and materials as well as higher production costs of finished products compared to last year.





	For year ended	
	Unit (MB)	
	31 December 2021	31 December 2022
Finished goods	128.22	144.54
Raw materials	242.94	295.22
Work in process	19.79	23.61
Factory supplies	30.56	35.65
Goods in transit	42.03	20.88
Allowance for decline in value	(8.20)	(9.31)
<b>Net Total</b>	<b>455.35</b>	<b>510.58</b>

## 2. Non-current Assets

- Property, plant and equipment as at December 31, 2021, and December 31, 2022, a decrease in property, plant and equipment of THB (12.50) million and sale of fixed assets that has not been used for THB (2.20) million.

## Total Liabilities & Shareholders' Equity

As at December 31, 2021 and December 31, 2022, the Company had total liabilities of THB 770.51 million and THB 982.66 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 683.53 million and THB 643.73 million, respectively. At the end of December 31, 2022, 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 57.52 million and other component of shareholders' equity of THB 0.06 million.

**Significant changes in liabilities and shareholders' equity of 2022 are summarized below;**

### 1. Current Liabilities

- Short-term borrowings from financial institutions as at December 31, 2021, and December 31, 2022, an increase in short-term loan of THB +285.68 million was the result of soaring chemical material price and more inventory reserve during Q4/2022 to secure with the next quarter orders from customers.
- Trade accounts payable as at December 31, 2021, and December 31, 2022, a decrease in accounts payable of THB (18.20) million was mainly due to the decrease in accounts payable to foreign suppliers. In 2022, the average accounts payable period decreased from 58 days to 45 days.





## 2. Non-current liabilities

As at December 31, 2022, the Company's non-current liabilities consisted of long-term loan of THB 9.42 million, or a decrease of THB (34.14) million, and a decrease of non-current provisions for employee benefit of THB (1.06) million with the reference of the actuarial report from the actuarial experts.

## 3. Shareholders' equity

As at December 31, 2022, the Company's shareholders' equity of THB 643.73 million or a decrease of THB (39.80) million, was the results of net loss from operations for (6.93) million, dividend payment during the year for THB (36.33) million, but the Company has other comprehensive income for THB 3.43 million.

## Financial Ratio Analysis

*Table 7 : Key Financial Ratios*

Financial Ratio	Unit	For the year ended 31 Dec 19	For the year ended 31 Dec 20	For the year ended 31 Dec 21	For the year ended 31 Dec 22
<b><u>Liquidity Ratio</u></b>					
Current Ratio	Times	1.28	1.46	1.36	1.20
Collection Period	days	88	92	81	70
Inventory Period	days	86	91	96	89
Accounts Payable Period	days	63	67	58	45
<b><u>Profitability Ratio</u></b>					
Gross Profit Margin	%	13.44	19.53	16.36	9.31
Net Profit Margin	%	0.24	5.05	4.45	(0.32)
Return On Equity	%	0.56	11.36	11.39	(1.04)
<b><u>Turnover Ratio</u></b>					
Return on Assets	%	0.26	5.58	5.61	(0.45)
Asset Turnover	Times	1.10	1.11	1.26	1.41
<b><u>Financial Policy</u></b>					
Debt to Equity	Times	1.16	0.93	1.13	1.53
Interest Coverage Ratio	Times	1.72	6.37	9.84	0.56

## 1. Current Ratio

As at December 31, 2022, our liquidity ratio decreased from 1.36 times in Q4/2021 to 1.20 times in Q4/2022. For Liquidity management, the collection period decreased from 81 days in 2021 to 70 days in 2022, primarily due to the faster payment collections from customers during the period. Our inventory period also decreased from 96 days in 2021 to 89 days in 2022. In addition, our accounts payable days also decreased from 58 days to 45 days in 2022 compared to the same period of last year.



2. Profitability Ratio

The Company gross profit margin decreased from 16.36% in 2021 to 9.31% in 2022 mainly due to the soaring major material costs used for production, including PVC Resin and Plasticizers to be used as additive solutions; while the global oil price has also impacted to the plastic manufacturers and hydrocarbon solvents of adhesive productions during 2022. Furthermore, the shortage material supply in China from their energy crisis and dramatically increased of freight costs of oversea shipments around the world have been impact to the soaring material costs of Silicone and Silicone compound materials. As a results, the net profit margin decreased (NPM) from 4.45% in 2021 to Net Loss of (0.32%) in 2022. These lower NPM led the slightly negative of Return on Equity from 11.39% in 2021 to (1.04%) in 2022.

3. Turnover Ratio

As at December 31, 2022, the Company return on assets increased from 5.61% in 2021 to (0.45%) in 2022. The Company asset turnover increased from 1.26 times in 2021 to 1.41 times while the assets increased, the overall revenue of the Company also increased at the higher proportion during 2022.

4. Financial Policy

Debt to Equity ratio increased from 1.13 times in 2021 to 1.53 times in 2022. Our increasing of interest expenses increased from THB 7.50 million to THB 12.94 million in 2022 due to higher total liabilities. With a decrease of earnings before interest and tax and rising interest expenses, the interest coverage ratio decreased from 9.84 times in 2021 to 0.56 times in 2022

Please be informed accordingly.



Yours Sincerely,

(Mr. Wang Wanapaisan)  
Chief Executive Officer