

**Taokaenoi Food and Marketing Public Company Limited**



# **Management Discussion and Analysis (MD&A)**

**FOR QUARTER 2/2021**



August 16, 2021

To President  
The Stock Exchange of Thailand

Subject Management Discussion and Analysis for the Second Quarter ended June 30, 2021

Taokaenoi Food and Marketing Public Company Limited (the “**Company**”) would like to clarify the revenues from sales and net profit in the consolidated financial statements for the three-month and six-month periods ended June 30, 2021, which may be summarized as follows:

Consolidated Financial Statements	2nd Quarter (April- June)				
	Q2/ 2021		Q2/ 2020		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	783.0	100.0 %	1,011.6	100.0 %	(22.6 %)
Cost of Sales	(598.4)	(76.4 %)	(734.6)	(72.6 %)	(18.5 %)
Gross Margin	184.7	23.6 %	277.0	27.4 %	(33.3 %)
Distribution Costs	(92.6)	(11.8 %)	(99.7)	(9.9 %)	(7.1 %)
Administrative Expenses	(67.8)	(8.7 %)	(69.5)	(6.9 %)	(2.5 %)
Profit before Income Tax Expenses	25.8	3.3 %	94.2	9.3 %	(72.6 %)
Income Tax Expenses	(3.9)	(0.5 %)	(5.4)	(0.5 %)	(28.8 %)
<b>Net Profit : Owners of the Parent</b>	<b>22.2</b>	<b>2.8 %</b>	<b>88.9</b>	<b>8.8 %</b>	<b>(75.0 %)</b>

Consolidated Financial Statements	1H (January - June)				
	1H/ 2021		1H/ 2020		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,703.0	217.5 %	2,121.5	209.7 %	(19.7 %)
Cost of Sales	(1,294.5)	(165.3 %)	(1,542.7)	(152.5 %)	(16.1 %)
Gross Margin	408.5	52.2 %	578.9	57.2 %	(29.4 %)
Distribution Costs	(190.5)	(24.3 %)	(229.1)	(22.6 %)	(16.8 %)
Administrative Expenses	(140.2)	(17.9 %)	(148.0)	(14.6 %)	(5.2 %)
Profit before Income Tax Expenses	88.1	11.3 %	192.9	19.1 %	(54.3 %)
Income Tax Expenses	(10.0)	(1.3 %)	(18.6)	(1.8 %)	(46.1 %)
<b>Net Profit : Owners of the Parent</b>	<b>78.4</b>	<b>10.0 %</b>	<b>174.6</b>	<b>17.3 %</b>	<b>(55.1 %)</b>

**บริษัท เต้าแก๋น้อย ฟู๊ดแมนด์มาร์เก็ตติ้ง จำกัด (มหาชน)**

สำนักงาน : 337 ถนนบอนด์สตรีท ตำบลบางพูด อำเภอปากเกร็ด นนทบุรี 11120  
เมืองทองธานี โทร. 0 2984 0666 แฟกซ์. 0 2984 0118

โรงงานโรจนะ : 55/5 หมู่5 ตำบลสามัคคี อำเภอลำลูกเกด พระนครศรีอยุธยา 13210  
โทร. 0 3592 3055

โรงงานนพวงศ์ : 12/1 หมู่4 ตำบลหน้าไม้ อำเภอลาดหลุมแก้ว ปทุมธานี 12140  
โทร. 0 2108 6888

**Taokaenoi Food and Marketing Public Company Limited**

Office : 337 Bond Street Road, Bangphut, Pak Kret, Nonthaburi 11120  
Muang Thong Thani Tel. +66 2984 0666 Fax. +66 2984 0118

Rojana Factory : 55/5 Moo5 Sam Bundit, Uthai, Phra Nakhon Si Ayutthaya 13210  
Tel. +66 3592 3055

Nopawong Factory : 12/1 Moo4 Namai, Ladlumkaew, Pathumthani 12140  
Tel. +66 2108 6888



Consolidated Financial Statements	2nd Quarter (April-June) vs. 1st Quarter (January- March)				
	Q2/ 2021		Q1/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	783.0	100.0 %	919.9	90.9 %	(14.9 %)
Cost of Sales	(598.4)	(76.4 %)	(696.1)	(68.8 %)	(14.0 %)
Gross Margin	184.7	23.6 %	223.8	22.1 %	(17.5 %)
Distribution Costs	(92.6)	(11.8 %)	(97.9)	(9.7 %)	(5.4 %)
Administrative Expenses	(67.8)	(8.7 %)	(69.4)	(6.9 %)	(2.4 %)
Profit before Income Tax Expenses	25.8	3.3 %	62.3	6.2 %	(58.7 %)
Income Tax Expenses	(3.9)	(0.5 %)	(6.2)	(0.6 %)	(37.8 %)
<b>Net Profit : Owners of the Parent</b>	<b>22.2</b>	<b>2.8 %</b>	<b>56.2</b>	<b>5.6 %</b>	<b>(60.4 %)</b>

## Revenue from Sales

The Company has revenue from sales in the second quarter in the amount of 783 million Baht **decreased by 22.6 percent** compared to the same quarter of the previous year (decreased by 14.9 percent from Q1/2021) and has revenue from sales in the first six months in the amount of 1,703 million Baht decreased by 19.7 percent compared to the same period of the previous year, due to sales in international markets decreasing primarily in China as a result of distributor transition in Traditional Trade and e-Commerce. However, the Company generated sales from new beverage products, “Just Drink” pasteurized milk tea and latte flavored products launched at the end of 2020 and May 2021, respectively, which helped improve the domestic sales.

**Domestic Sales:** Revenue from sales in the second quarter is 383.2 million Baht **increased by 59.5 percent** compared to the same quarter of the previous year (decreased by 1.5 percent from Q1/2021) and total sales in the first six months amount to 772.1 million Baht **increased by 20.3 percent** compared to the same period of the previous year, due to growth in both seaweed and new beverage products. Moreover, the Company’s growth this year is primarily driven by new beverage product launch, “Just Drink” pasteurized milk tea and latte coffee flavored products, which have been well received by consumers, and the Company is able to generate new sales between the end of 2020 and the second quarter of 2021 of over 8 million bottles.

**International Sales:** Revenue from sales in the second quarter is 399.8 million Baht **decreased by 48.2 percent** compared to the same quarter of the previous year (decreased by 37.1 percent from Q1/2021) due to sales in China market decreasing by 58 percent during the first six months of this year compared to the previous year driven by ongoing shortage of containers in the second quarter and the efforts to re-strategize China operating model in order to increase flexibility for the Company and allow more effective expansion in Traditional Trade, e-Commerce, and NPD deployment. As a result, on July 1, 2021, the Company appointed

### บริษัท เต้าแก่น้อย ฟู๊ดแอนด์มาร์เก็ตติ้ง จำกัด (มหาชน)

สำนักงาน : เมืองทองธานี	337 ถนนพหลโยธิน ตำบลบางพลี อำเภอบางพลี นครปฐม 11210 โทร. 0 2984 0666 แฟกซ์. 0 2984 0118
โรงงานโรจนา :	55/5 หมู่5 ตำบลสามัคคี อำเภอลำลูกเกด พระนครศรีอยุธยา 13210 โทร. 0 3592 3055
โรงงานหนองศรี :	12/1 หมู่4 ตำบลหน้าไม้ อำเภอลาดหลุมแก้ว ปทุมธานี 12140 โทร. 0 2108 6888

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Office : Muang Thong Thani	337 Bond Street Road, Bangplue, Pak Kret, Nonthaburi 11210 Tel. +66 2984 0666 Fax. +66 2984 0118
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another distributor to primarily focus on Traditional Trade and e-commerce, after the sales performance of these two channels have not met management expectation.

## Gross Margin

In the second quarter, the Company has gross profit of 184.7 million Baht representing 23.6 percent of revenue from sales. The ratio of gross profits to sales revenue is **decreased by 3.8 percent** compared to the same quarter of the previous year (decreased by 0.7 percent from Q1/2021), which was mainly affected by the increasing unit production costs compared to the previous year against the declining production utilization rate due to international sales decrease, and the impact of COVID-19 which affected the business of Taokaenoi Restaurant and Franchise, and resulted in the declining gross margin.

## Distribution Costs

The Company has the distribution costs in the second quarter in the amount of 92.6 million Baht representing 11.8 percent of revenue from sales. The ratio of distribution costs to sales revenue is **increased by 1.9 percent** compared to the same quarter of the previous year (increased by 1.2 percent from Q1/2021). The Company has the distribution costs in the first six months which account for 11.2 percent increased by 0.4 percent compared to the same period of the previous year. This was the result of the shortage of containers which led to the increasing transportation costs in this year, including the fixed costs which were not variable according to sales. However, the Company continues to focus on control of budgets for sales and marketing expenses to be in line with sales and the current situations, by way of activities which efficiently and directly affect sales through such channels with potential growth.

## Administrative Expenses

The Company has the administrative expenses in the second quarter in the amount of 67.8 million Baht representing 8.7 percent of revenue from sales. The ratio of administrative expense to sales revenue is **increased by 1.8 percent** compared to the same quarter of the previous year (increased by 1.1 percent from Q1/2021), due to the declining sales against the administrative expenses which were mostly fixed costs and not substantially decreased relative to sales, despite the Company's continued measures to strictly control the administrative expenses.

The Company has the administrative expenses in the first six months in the total amount of 140.2 million Baht representing 8.2 percent of revenue from sales which **increased by 1.3 percent** compared to the same period of the previous year, although the amount of money spent was decreased by 7.8 million Baht thanks to the improved cost management compared to the same period of the previous year.

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สำนักงาน :	337 ถนนบอนด์สตรีท ตำบลบางพูด อำเภอปากเกร็ด นนทบุรี 11120
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	โทร. 0 3592 3055
โรงงานนพวงศ :	12/1 หมู่4 ตำบลหน้าไม้ อำเภอลาดหลุมแก้ว ปทุมธานี 12140
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## Net Profit: Consolidated Company

The Company has the net profit in the second quarter in the amount of 22.2 million Baht representing 2.8 percent of revenue from sales which **decreased by 75.0 percent** compared to the same quarter of the previous year. The ratio of net profit to sales revenue is **decreased by 6.0 percent** compared to the same quarter of the previous year (decreased by 3.2 percent from Q1/2021), mainly affected by the declining international sales and the increasing costs of products as described above, and also due to the fact that the business of Taokaenoi Restaurant and Franchise was continuously affected by a ban on dining-in due to COVID-19.

The Company has the net profit in the first six months in the total amount of 78.4 million Baht representing 4.6 percent of revenue from sales which **decreased by 3.6 percent** of revenue from sales compared to the same period of the previous year.

## Business Trends in the Second Half of the Year

The new wave of the COVID-19 Delta variant in Thailand has caused a widespread and adverse impact on the industrial and production sectors through the second quarter and will potentially extend the impact through the second half of 2021. However, the Company has started to see recovery in several international markets as evidenced by an increase in demand through the second half of the year, particularly in China and the US markets. Therefore, the Company assesses that should Thailand be able to efficiently manage and control the pandemic, the Company should be able to restore its manufacturing capability to better support such increase in demand accordingly. The Company continues to be diligent on cost management and put more efforts on new product development to subsequently ensure Company's profitability improvement in 2022.

Please be informed accordingly.

Yours sincerely,

(Mr. Jirapong Suntipiromkul)  
Deputy Managing Director

Authorized to sign on behalf of the  
Company  
Taokaenoi Food and Marketing PLC

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สำนักงาน : 337 ถนนมณฑลศึก ตำบลบางพูด อำเภอปากเกร็ด นนทบุรี 11120  
เมืองทองธานี โทร. 0 2984 0666 แฟกซ์. 0 2984 0118

โรงงานโรจนะ : 55/5 หมู่5 ตำบลสามัคคี อำเภอลำลูกเกด จังหวัดศรีสะเกษ 13210  
โทร. 0 3592 3055

โรงงานนพวงสี : 12/1 หมู่4 ตำบลหน้าไม้ อำเภอลาดหลุมแก้ว ปทุมธานี 12140  
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