

Date 12 November 2021

Subject Management's Discussion and Analysis of the Financial Statements for the third quarter ended 30 September 2021.

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the third quarter ended 30 September 2021, both Thai and English, 1 set for each

NSL Foods Public Company Limited ("NSL") would like to submit the Company's revised financial statements for the third quarter ended 30 September 2021.

The operation result of NSL for the quarter and the nine-month period ended 30 September 2021 registered a net profit amounting to 24.14 THB million and 147.14 THB million, respectively. Please see further details in the Management's Discussion and Analysis of the financial statements for the third quarter ended 30 September 2021 as attached.

Best regards,

*Somchai Asavapiyanond*

(Mr. Somchai Asavapiyanond)

President

**NSL Foods Public Company Limited**

**Management Discussion and Analysis for the third quarter ended 30 September 2021**

**Business Overview**

**Summary of operating performance in the third quarter of 2021 (“Q321”)**

Operating Performance	Q321	Q320	Increase (Decrease)	%Increase (Decrease)
Sales	626.3	743.5	(117.2)	(15.8%)
Other income	1.5	1.9	(0.4)	(20.4%)
<b>Total Revenues</b>	<b>627.8</b>	<b>745.4</b>	<b>(117.6)</b>	<b>(15.8%)</b>
Cost of sales	522.5	616.3	(93.8)	(15.2%)
Distribution costs	46.9	40.1	6.8	17.1%
Administrative expenses	25.2	21.9	3.3	14.9%
<b>Profit from Operating Activities</b>	<b>33.1</b>	<b>67.0</b>	<b>(33.9)</b>	<b>(50.6%)</b>
Finance costs	2.9	5.6	(2.7)	(48.8%)
<b>Profit before income tax</b>	<b>30.3</b>	<b>61.5</b>	<b>(31.2)</b>	<b>(50.7%)</b>
Income tax expenses	6.1	12.5	(6.3)	(50.8%)
<b>Net Profit</b>	<b>24.1</b>	<b>49.0</b>	<b>(24.8)</b>	<b>(50.7%)</b>

**Summary of operating performance in the nine-month period of 2021 (“9M21”)**

Operating Performance	9M21	9M20	Increase (Decrease)	%Increase (Decrease)
Sales	2,187.7	2,164.9	22.8	1.1%
Other income	3.4	3.8	(0.5)	(12.1%)
<b>Total Revenues</b>	<b>2,191.1</b>	<b>2,168.7</b>	<b>22.4</b>	<b>1.0%</b>
Cost of sales	1,788.5	1,821.5	(32.9)	(1.8%)
Distribution costs	141.4	122.9	18.5	15.1%
Administrative expenses	69.7	66.0	3.7	5.6%
<b>Profit from Operating Activities</b>	<b>191.4</b>	<b>158.3</b>	<b>33.1</b>	<b>20.9%</b>
Finance costs	14.2	18.7	(4.5)	(23.8%)
<b>Profit before income tax</b>	<b>177.2</b>	<b>139.7</b>	<b>37.6</b>	<b>26.9%</b>
Income tax expenses	30.1	28.8	1.2	4.3%
<b>Net Profit</b>	<b>147.1</b>	<b>110.8</b>	<b>36.3</b>	<b>32.8%</b>

## Revenue

Revenue Structure	Q321		Q320		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	626.3	99.8%	743.5	99.7%	(117.2)	(15.8%)
- Bakery and appetizers	572.5	91.2%	704.1	94.5%	(131.7)	(18.7%)
- Snack under NSL's brands and trading	4.4	0.7%	3.7	0.5%	0.7	18.4%
- Food Services	46.0	7.3%	31.5	4.2%	14.5	45.9%
- OEM, sales of bread wastes and others	3.4	0.5%	4.1	0.5%	(0.7)	(16.6%)
Other income	1.5	0.2%	1.9	0.3%	(0.4)	(20.4%)
<b>Total Revenue</b>	<b>627.8</b>	<b>100.0%</b>	<b>745.4</b>	<b>100.0%</b>	<b>(117.6)</b>	<b>(15.8%)</b>

Revenue Structure	9M21		9M20		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	2,187.7	99.8%	2,164.9	99.8%	22.8	1.1%
- Bakery and appetizers	2,034.8	92.9%	2,048.6	94.5%	(13.8)	(0.7%)
- Snack under NSL's brands and trading	14.3	0.7%	10.2	0.5%	4.1	40.4%
- Food Services	127.8	5.8%	94.5	4.4%	33.3	35.3%
- OEM, sales of bread wastes and others	10.7	0.5%	11.6	0.5%	(0.8)	(7.3%)
Other income	3.4	0.2%	3.8	0.2%	(0.5)	(12.1%)
<b>Total Revenue</b>	<b>2,191.1</b>	<b>100.0%</b>	<b>2,168.7</b>	<b>100.0%</b>	<b>22.4</b>	<b>1.0%</b>

## Revenue

In Q321 and 9M21, NSL's revenue from sales and other income were accounted for 99.8% and 0.2% of total revenue, respectively. Revenue from sales comprises products of bakery, appetizers, products by NSL's brands and trading, food services, OEM, sales of bread waste and others.

In Q321 period, NSL had revenue from sales of 626.3 THB millions, decreased from Q320 by 117.2 THB millions or accounted for the decrease of 15.8% and in 9M21 period, NSL had revenue from sales of 2,187.7 THB millions, increased from 9M20 by 22.8 THB millions or accounted for the increase of 1.1%, mainly due to COVID-19 pandemic situation was the most severe in Thailand in Q321, so sales significantly decreased in Q321, however, partner emphasize delivery sales and promotion continuously. The revenue from food services increased from the same period of the previous year, due to the adjustment of the sales plan by finding more customers and selling products to restaurants with various sizes from retail to large restaurants. Even with the COVID-19 situation, those restaurants were able to sell foods by delivery service. For the segment of products by NSL's brands, the revenue was increased from the previous year, due to the addition of new products and operated more marketing to gain more brand awareness.

### Other income

In Q321 and 9M21, NSL's other income were relatively stable when compare with the same period of the previous year.

### Cost of sales and Gross profit

Description	Q321		Q320		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	626.3	100.0%	743.5	100.0%	(117.2)	(15.8%)
Cost of sales	522.5	83.4%	616.3	82.9%	(93.8)	(15.2%)
Gross Profit	103.7	16.6%	127.1	17.1%	(23.4)	(18.4%)

Description	9M21		9M20		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	2,187.7	100.0%	2,164.9	100.0%	22.8	1.1%
Cost of sales	1,788.5	81.8%	1,821.5	84.1%	(32.9)	(1.8%)
Gross Profit	399.1	18.2%	343.4	15.9%	55.8	16.2%

In Q321, gross profit margin was decreased from the same period of the previous year mainly due to COVID-19 pandemic situation was the most severe in Thailand in Q321, so revenue dramatically decreased but the Company had fixed costs i.e. employee salaries, depreciation and etc., that led to the decrease of gross profit margin.

In 9M21, gross profit margin was improved from the same period of the previous year mainly due to NSL has improve the cost analysis which solve problems more quickly and real time from changing the accounting system and during COVID-19 pandemic situation, NSL management made efforts to emphasize all parties to work effectively to reduce wastes from productions and cost of manufacturing.

### Distribution Costs

Distribution Costs	Q321		Q320		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	5.0	0.8%	0.2	0.0%	4.9	3,215.4%
Sales transportation expenses	31.6	5.0%	30.6	4.1%	1.1	3.6%
Salaries, wages, overtime, bonuses, and employee benefits	8.6	1.4%	7.5	1.0%	1.1	15.3%
Other distribution costs	1.6	0.3%	1.9	0.3%	(0.3)	(13.6%)
<b>Total Distribution costs</b>	<b>46.9</b>	<b>7.5%</b>	<b>40.1</b>	<b>5.4%</b>	<b>6.8</b>	<b>17.1%</b>

Distribution Costs	9M21		9M20		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	6.1	0.3%	1.6	0.1%	4.5	284.6%
Sales transportation expenses	102.6	4.7%	91.2	4.2%	11.4	12.5%
Salaries, wages, overtime, bonuses, and employee benefits	25.0	1.1%	23.0	1.1%	2.0	8.7%
Other distribution costs	7.7	0.4%	7.1	0.3%	0.6	9.0%
<b>Total Distribution costs</b>	<b>141.4</b>	<b>6.5%</b>	<b>122.9</b>	<b>5.7%</b>	<b>18.5</b>	<b>15.1%</b>

The distribution costs in Q321 and 9M21 increased from the same period of the previous year by 6.8 THB million and 18.5 THB million, respectively. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Moreover, promotional and advertising expenses increased from more company public relations and product advertising.

### Administrative Expenses

Administrative Expenses	Q321		Q320		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	17.9	2.8%	13.8	1.8%	4.1	29.6%
Consulting fees and service fees	2.7	0.4%	2.9	0.4%	(0.2)	(5.9%)
Depreciation and amortization	0.7	0.1%	0.7	0.1%	(0.1)	(10.5%)
Utilities and equipment repair and transportation expenses	0.8	0.1%	1.0	0.1%	(0.2)	(18.0%)
Other administrative expenses	3.2	0.5%	3.5	0.5%	(0.4)	(10.6%)
<b>Administrative Expenses</b>	<b>25.2</b>	<b>4.0%</b>	<b>21.9</b>	<b>2.9%</b>	<b>3.3</b>	<b>14.9%</b>

Administrative Expenses	9M21		9M20		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	48.7	2.2%	41.5	1.9%	7.2	17.3%
Consulting fees and service fees	7.7	0.4%	10.3	0.5%	(2.6)	(25.2%)
Depreciation and amortization	2.0	0.1%	2.3	0.1%	(0.3)	(11.2%)
Utilities and equipment repair and transportation expenses	2.5	0.1%	2.6	0.1%	(0.1)	(2.9%)
Other administrative expenses	8.8	0.4%	9.4	0.4%	(0.6)	(6.4%)
<b>Administrative Expenses</b>	<b>69.7</b>	<b>3.2%</b>	<b>66.0</b>	<b>3.0%</b>	<b>3.7</b>	<b>5.6%</b>

Administrative expenses in Q321 and 9M21 were increased from the same period of the previous year mainly due to the expense of prevention COVID-19 such as vaccine, ATK and etc.

### Finance Costs

Finance Costs	Q321	Q320	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	2.9	5.6	(2.7)	(48.8%)

Finance Costs	9M21	9M20	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	14.2	18.7	(4.5)	(23.8%)

In Q321 and 9M21, Finance costs had decreased when compare with the same period of the previous year, caused by the repayment of borrowings from a financial institution and had paid borrowings from a financial institution from IPO fund in May 2021 and decreasing in interest rate during this period.

### Net profit and Net profit margin

Net profit and Net profit margin	Unit	Q321	Q320	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	24.1	49.0	(24.8)	(50.7%)
Net profit margin (%)	%	3.8%	6.6%	(2.7%)	

Net profit and Net profit margin	Unit	9M21	9M20	Increase (Decrease)	% Increase (Decrease)
Net profit	MB	147.1	110.8	36.3	32.8%
Net profit margin (%)	%	6.4%	5.1%	1.3%	

In Q321, NSL had net profit of 24.1 THB million, accounted for net profit margin of 3.8% less than the same period of the previous year due to COVID-19 pandemic situation was the most severe in Thailand in Q321, so revenue dramatically decreased but the Company had fixed costs i.e. employee salaries, depreciation and etc., moreover, there was the expense of prevention COVID-19 such as vaccine, ATK and etc. that led to the decrease of net profit and net profit margin.

In 9M21, NSL had net profit of 147.1 THB million, accounted for net profit margin of 6.4% higher than the same period of the previous year. It resulted from the significant improvement of the last 6M21 performance and efficiency of costs and expenses management. In addition, finance costs and corporate income tax were also decreased, that led to the increase of net profit.

### Financial Position

Financial Position	30-Sep-21	31-Dec-20	Increase (Decrease)	%Increase (Decrease)
Total Assets	1,880.1	1,574.6	305.6	19.4%
Total Liabilities	672.1	1,119.8	(447.7)	(40.0%)
Total Shareholders' Equity	1,208.0	454.8	753.3	165.6%

## Assets

Assets	30-Sep-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Sep-21
Cash and cash equivalents	410.1	9.9	400.2	4028.5%	21.8%
Trade and other current receivables	343.6	413.4	(69.8)	(16.9%)	18.3%
Inventories	155.9	141.8	14.0	9.9%	8.3%
Property, plant and equipment and Right-of-use assets	930.8	983.0	(52.2)	(5.3%)	49.5%
Other assets	39.8	26.4	13.4	50.7%	2.1%
<b>Total Assets</b>	<b>1,880.1</b>	<b>1,574.6</b>	<b>305.6</b>	<b>19.4%</b>	<b>100.0%</b>

NSL's total assets in 9M21 increased from the previous year, mainly due to the increase of cash and cash equivalents around 400 THB million from IPO, however, receivables were decreased around 70 THB million from less orders during 3Q21 and the property, plant, and equipment was decreased from depreciation around 72 THB million and additional of assets around 20 THB million.

## Liabilities

Liabilities	30-Sep-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Sep-21
Trade and other current payables	248.1	404.2	(156.1)	(38.6%)	13.2%
Long-term borrowings from a financial institution	341.8	609.3	(267.6)	(43.9%)	18.2%
Lease liabilities	10.8	9.9	0.9	9.5%	0.6%
Other liabilities	71.4	96.4	(25.0)	(25.9%)	3.8%
<b>Total Liabilities</b>	<b>672.1</b>	<b>1,119.8</b>	<b>(447.7)</b>	<b>(40.0%)</b>	<b>35.7%</b>

NSL's total liabilities in 9M21 was decreased from the previous year mainly caused by the decrease of short-term and long-term borrowings from a financial institution was due to the payment from IPO fund and the repayment of the borrowings and the decrease of payables around 400 THB million from less purchasing during 3Q21.

## Shareholder's Equity

Shareholder's Equity	30-Sep-21	31-Dec-20	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	30-Sep-21
Issued and paid-up share capital	300.0	225.0	75.0	33.3%	16.0%
Premium on ordinary shares	797.4	0.0	797.4	N/A	42.4%
Retained earnings - Legal reserve	30.0	30.0	-	0.0%	1.6%
Retained earnings - Unappropriated	80.7	199.8	(119.1)	(59.6%)	4.3%
<b>Total Shareholders' Equity</b>	<b>1,208.0</b>	<b>454.8</b>	<b>753.3</b>	<b>165.6%</b>	<b>64.3%</b>

Shareholders' equity in 9M21 was 1,208 THB million, increased by 753.3 THB million or accounted for 165.6%. It resulted from IPO 872.4 THB million and the increase of retained earnings from net profit during the period 147.1 THB million. There was dividend payment in 9M21 266.2 THB million.

## Key Financial Ratios

Financial Ratio	Unit	For the fiscal year ended		
		30-Sep-21	31-Dec-20	Increase (Decrease)
Current ratio	times	2.2	0.7	1.5
Quick ratio	times	1.8	0.5	1.3
Return on Assets (ROA)	%	10.8%	9.4%	1.4%
Return on Equity (ROE)	%	20.3%	32.6%	(12.3%)
Debt to Equity ratio (D/E Ratio)	times	0.6	2.5	(1.9)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	1.0	1.9	(0.9)
Debt Service Coverage ratio (Cash Basis)	times	0.2	0.6	(0.4)

### **Current ratio and Quick ratio**

At the end of 9M21, the current ratio and quick ratio increased comparing with the same period of the previous year. NSL's current assets increased from IPO fund, while current liabilities decreased since 2018 from repayment of loan.

### **Return on Assets (ROA)**

At the end of 9M21, return on assets increased to 10.8%, mainly due to the increase of net profit from the improved efficiency of cost and expense management.

### **Return on Equity (ROE)**

Return on equity increased from 32.6% in 31 Dec 20 to 20.3% in 9M21, due to equity from IPO and the increase of net profit. There was the dividend payment of 225 THB million in 2020 and 266.2 THB million in 2021.



**Debt-to-Equity ratio (D/E ratio) and Bank debt to EBITDA ratio (Bank Debt / EBITDA)**

NSL's debt-to-equity ratio decreased to 0.6 times in 9M21. NSL's liabilities was decreased due to the decrease of borrowings from a financial institution from IPO fund and normal repayment. Moreover, shareholders' equity in 9M21 was also increased from IPO. Bank debt to EBITDA ratio was decreased to 1.0 times in 9M21 due to the repayment of borrowings from a financial institution from IPO fund and normal repayment. The current financial covenants stated in loan agreements are 1) maintaining D/E ratio of not exceeding 3:1 times for the financial statements of 2019 onwards. 2) Bank Debt / EBITDA not exceeding 5:1 times for the financial statements of 2018 onwards. In 9M21 period, NSL can comply with the conditions stated in the agreements.

**Debt service coverage ratio**

The debt service coverage ratios in 9M21 was decreased to 0.2 times which were lower than 1.0 time. It resulted from the repayment of loan from a financial institution from IPO fund and dividend payment. However, NSL has never defaulted on repayment of loans and interests. In addition, NSL has cash and cash equivalents and undrawn reserve limit to support financial liquidity in 9M21, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 53.8 THB million.