

Date 23 December 2021

Subject Management's discussion and Analysis of the Financial Statement for the year ended 2020

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's discussion and Analysis of the Financial Statement for the year ended 2020, 1 set each of Thai and English

Nova Organic Public Company Limited ("NV") would like to submit the Company's audited Financial Statement 2020 ended 31 December 2020 to The Stock Exchange of Thailand.

The operation result of NV for the year 2020 registered a net profit amounting to 780.81 million Baht. Please see further details in the Management's discussion and Analysis of the Financial Statement for the year ended 2020 as attached.

Best regards,

(Mr. Navaphol Chanjuthamard)

Chief Executive Officer

Nova Organic Public Company Limited

The Management's discussion and Analysis of the Financial Statement for the year ended 2020

Summary of operating performance

	2019	2020	Increase	% Increase
	Baht	Baht	(Decrease)	(Decrease)
Revenue from sales	478,062,324	2,231,288,371	1,753,226,047	366.74
Cost of sales	(227,497,017)	(571,586,872)	344,089,855	151.25
Gross profit	250,565,307	1,659,701,499	1,409,136,192	562.38
Other income	833,323	8,696,428	7,863,105	943.58
Selling expenses	(102,443,249)	(599,923,580)	497,480,331	485.62
Administrative expenses	(48,644,516)	(81,946,503)	33,301,987	68.46
Profit from operating activities	100,310,865	986,527,844	886,216,979	883.47
Expected credit loss/ doubtful account	(454,592)	(1,403,340)	948,748	208.70
Finance costs	(5,125,020)	(578,800)	(4,546,220)	(88.71)
Profit before income tax	94,731,253	984,545,704	889,814,451	939.30
Tax expense	(19,078,373)	(203,737,134)	184,658,761	967.90
Profit for the year	75,652,880	780,808,570	705,155,690	932.09

Revenue structure

	2019		2020		Increase	% Increase
	Mb.	%	Mb.	%		
1. Revenue from products under the Company's trademark						
1.1 Dietary Supplement Product "DONUTT"	237.50	43.61	219.28	9.30	(18.22)	(7.67)
Collagen products	112.67	20.69	90.69	3.85	(21.98)	(19.51)
Fiber products	98.26	18.04	99.08	4.20	0.82	0.83
Other products	26.57	4.88	29.51	1.25	29.94	11.07
1.2 Dietary Supplement Product "LIVNEST"	218.92	40.20	2,087.59	88.54	1,868.67	853.59
1.3 Other products	88.14	16.19	50.99	2.16	(37.15)	(42.15)
Total Revenue from products under the	544.56	100.00	2,357.86	100.00	1,813.30	332.98

	2019		2020		Increase (Decrease)	% Increase (Decrease)
	Mb.	%	Mb.	%		
Company's trademark						
<u>Less</u> Trade discount	41.95	-	52.69	-		
<u>Less</u> Estimated sales return	20.45	-	9.51	-		
<u>Less</u> Transportation fee	4.45	-	65.46	-		
Net income from products under the Company's trademark	477.71	-	2,230.20	-	1,752.49	366.85
2. Revenues from Original Equipment Manufacturer (OEM)	0.35	-	1.09	-	0.74	211.43
Revenues from Sale	478.06	-	2,231.29	-	1,753.23	366.74

In 2020, the Company generated revenue from sales of 2,231.29 million baht, increasing with amount of 1,753.23 million baht from the previous year, or a 366.74 percent rising. The reason for the higher revenue than in the past is that Cordyceps extract goods under the LIVNEST brand had developed a lot of popularity and had a big number of orders in the second half of 2020. The company has developed a plan for achieving marketing goals by creating a clear image of the product, making it easier for customers to recognize the brand and the products. The company advertised on television and used promotional pricing techniques as well as affordable product pricing. Also, the Company expanded its distribution channels and increased the efficiency of the number of lines to 250 lines to support consumer orders via telesales.

In addition, factors relating to consumer health care behavior that have altered as a result of the COVID-19 epidemic situation that most people are paying more attention to health care, have resulted in the company being very successful and receiving a positive response from customers. As a result, the proportion of sales of dietary supplements under the brand "LIVNEST" increased to 88.54 percent in 2020 from 40.20 percent in 2019.

Gross Profit

The company's gross profit for 2019 and 2020 was 250.57 million baht and 1,659.70 million baht, amounting to gross profit margins of 52.41 percent and 74.38 percent, respectively. Due to a rise in sales from new product launches and creating a successful sales and marketing strategy, the company's gross profit has been continuously increasing since 2019. In addition, the company can also manage costs effectively through the management of telesales channels, which are the channels that the company manages on its own. As a result,

the company will be able to lower the cost of selling products in modern retail outlets; also will create economies of scale production. As an outcome, gross profit margin increased significantly in 2020.

Selling Expenses

The company's selling expenses for 2020 were 599.92 million baht, increasing 497.48 million baht or 485.62 percent. This was primarily due to rising advertising and promotional expenses including TV broadcasting time rental fee, advertising media production fee, salary of an actor and promotional expenses. This is due to the company's preference for selling products through its own telesales channels.

Administrative Expenses

Administrative expenses for the year 2020 were 81.95 million baht, increasing 33.31 million baht or 68.46 percent due to an increase in the number of employees to support the business expansion. Furthermore, the company has increased the rate of depreciation of office buildings according to the purchase of office buildings at the beginning of 2020, and other administrative expenses, such as consultancy fee, information technology service fees and the cost of office equipment maintenance.

Financial Cost

The Company's financial cost for 2020 was 0.58 million baht, decreasing 4.55 million baht or 88.71 percent from the previous year. The decrease in finance costs was primarily due to the repayment of short- and long-term loans from financial institutions and related persons; as a result, the Company is currently not obligated to use any financial institution's credit lines.

Net Profit

The company's net profit for 2020 was 780.81 million baht, increasing 705.16 million baht or 932.09 percent, due to continued business expansion and extending distribution channels through telesales to fulfill consumer needs, as well as efficiency cost-of-sales management.

Financial Position

Unit: Baht

	31 December 2019	31 December 2020	Increase (Decrease)	% Increase (Decrease)
Total Assets	406,590,449	1,151,285,183	744,694,734	183.16
Total Liabilities	170,102,481	561,368,360	391,265,879	230.02
Shareholders' equity	236,487,968	589,916,823	353,428,855	149.45

Total Assets

Total assets were 1,151.29 million baht as of December 31, 2020, increased 744.69 million baht. The increase in total assets was due to an increase in working capital, as well as investments in land and machinery to support capacity expansion and the future construction of new factories and warehouses.

Total Liabilities

Total liabilities were 561.37 million baht as of December 31, 2020, increasing 391.27 million baht. The increase in total liabilities was due to a growth in trade account and other payables for the purchase of materials to support greater production, as well as accrued income tax increase due to business expansion, which corresponded to increase in sales.

Shareholders' equity

Due to an increase in paid-up capital and retained earnings from operations, shareholders' equity increased by 353.43 million baht to 589.92 million baht as of December 31, 2020.

Key Financial Ratios

	Unit	For the year ended 31 December 2019	For the year ended 31 December 2020
Current ratio	times	1.58	1.32
Finished Goods Turnover Ratio	times	4.31	9.87
Average Finished Goods Period	days	85	37
Inventory Turnover Ratio	times	2.69	5.09

Average Inventory Period	days	136	72
Gross Profit Margin	%	52.41	74.38
Net Profit Margin	%	15.80	34.86
Return on Equity	%	45.19	188.97
Return on Assets	%	21.49	100.24
Debt to Equity ratio	times	0.72	0.95

Liquidity ratio

Current ratio as of December 31, 2019 and 2020 were 1.58 times and 1.32 times, respectively. Every year, the liquidity ratio has improved. In 2020, however, the Company's liquidity ratio declined slightly as accrued income tax and accrued expenses increased in accordance with the company's greater operational results.

The Company had Average Finished Goods Period as of December 31, 2019 and 2020 equaled to 85 days and 37 days, and Average Inventory Period equaled to 136 days and 71 days, respectively. Average Finished Goods and Average Inventory Period declined continuously due to the increase in sales.

Profitability Ratios

The gross profit margin for the year 2019 and 2020 was 52.41% and 74.38%, and the net profit margin was 15.80% and 34.86%, respectively. Profit margins increased in 2020 as sales revenue kept growing and costs were managed efficiently. In addition, from sales and marketing strategies that has focused on marketing communication via television programs and presenters that relate to the Company's target customers.

The return on equity for 2019 and 2020 was 45.19 percent and 188.97 percent, respectively, with the Company's return on equity improving year after year as operating results improved.

Operating efficiency ratio

Return on assets for 2019 and 2020 were 21.49% and 100.24%, respectively. In 2020, the Company has increased its investment in innovative industrial technologies, including machinery and equipment to improve the efficiency and quality of production. In addition, land and buildings were purchased by the company in preparation for the future construction of new factories and warehouses. In 2020, since the company's net profit has improved significantly over the previous period, it has an improved operating efficiency ratio.

Financial Policy Ratio

Debt to equity ratio for year 2019 and year 2020 was 0.72 times and 0.95 times respectively. Because the company has no obligation to use credit lines with any financial institution and has outstanding operating results, the ratio has dropped, resulting in an ongoing growth in retained earnings.