

Taokaenoi Food and Marketing Public Company Limited



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

FOR QUARTER 4/2021



February 21, 2022

To President
The Stock Exchange of Thailand

Subject Management Discussion and Analysis for the Fourth Quarter ended December 31, 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 twelve-month periods ended December 31, 2021, which may be summarized as follows:

Consolidated Financial Statements	4th Quarter (October - December)				
	Q4/ 2021		Q4/ 2020		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,077.2	100.0 %	882.9	100.0 %	22.0 %
Cost of Sales	(777.0)	(72.1 %)	(703.1)	(79.6 %)	10.5 %
Gross Margin	300.2	27.9 %	179.8	20.4 %	66.9 %
Distribution Costs	(123.2)	(11.4 %)	(114.2)	(12.9 %)	7.8 %
Administrative Expenses	(88.4)	(8.2 %)	(89.5)	(10.1 %)	(1.3 %)
Profit before Income Tax Expenses	85.5	7.9 %	(26.4)	(3.0 %)	424.0 %
Income Tax Expenses	(1.8)	(0.2 %)	5.1	0.6 %	135.6 %
Net Profit : Owners of the Parent	84.4	7.8 %	(20.9)	(2.4 %)	504.5 %

Consolidated Financial Statements	January - December				
	Full Year 2021		Full Year 2020		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	3,610.9	335.2 %	3,983.1	451.1 %	(9.3 %)
Cost of Sales	(2,742.4)	(254.6 %)	(2,959.1)	(335.2 %)	(7.3 %)
Gross Margin	868.5	80.6 %	1,024.1	116.0 %	(15.2 %)
Distribution Costs	(399.7)	(37.1 %)	(442.4)	(50.1 %)	(9.6 %)
Administrative Expenses	(298.3)	(27.7 %)	(299.2)	(33.9 %)	(0.3 %)
Profit before Income Tax Expenses	191.3	17.8 %	273.1	30.9 %	(30.0 %)
Income Tax Expenses	(10.3)	(1.0 %)	(31.2)	(3.5 %)	(67.0 %)
Net Profit : Owners of the Parent	182.1	16.9 %	242.6	27.5 %	(24.9 %)

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Consolidated Financial Statements	4th Quarter (October - December) vs. 3rd Quarter (July-September)				
	Q4/ 2021		Q3/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,077.2	100.0 %	830.7	94.1 %	29.7 %
Cost of Sales	(777.0)	(72.1 %)	(670.9)	(76.0 %)	15.8 %
Gross Margin	300.2	27.9 %	159.8	18.1 %	87.9 %
Distribution Costs	(123.2)	(11.4 %)	(86.1)	(9.7 %)	43.1 %
Administrative Expenses	(88.4)	(8.2 %)	(69.7)	(7.9 %)	26.8 %
Profit before Income Tax Expenses	85.5	7.9 %	17.7	2.0 %	383.4 %
Income Tax Expenses	(1.8)	(0.2 %)	1.6	0.2 %	216.3 %
Net Profit : Owners of the Parent	84.4	7.8 %	19.3	2.2 %	338.5 %

Revenue from Sales

The Company has revenue from sales in the fourth quarter in the amount of 1,077.2 million Baht **increased by 22.0 percent** from the same quarter of the previous year (increased by 29.7 percent from Q3/2021) and has revenue from sales in the year 2021 in the total amount of 3,610.9 million Baht decreased by 9.3 percent from the same period of the previous year, due to the substantial increase in revenue in the fourth quarter thanks to the recovery of both domestic and international demands. Domestic market received positive effect from the fact that the COVID-19 control measures were lifted to welcome more foreign tourists, thereby resulting in the economic recovery, including more restaurants to allow for dine-in services. As for international markets, the Company adjusted its strategy to expand its market in China with more distributors, thereby causing the sales in China to clearly increase in this fourth quarter.

With regard to supply, the Company continued its measures to prevent COVID-19 at both factories according to the government measures, whereby all staff have been vaccinated 100% so as to assure consumers that our products have been produced safely, primarily taking into account the quality thereof. In this regard, in this fourth quarter, the Company's production returned to normal and was able to sufficiently respond to market demands.

Domestic Sales: Revenue from sales in the fourth quarter is 377.4 million Baht **increased by 20.1 percent** from the same quarter of the previous year (increased by 28.7 percent from Q3/2021) and total sales in the year 2021 amount to 1,442.7 million Baht **increased by 13.1 percent** from the same period of the previous year. The growth rate in sales as a whole arose from new products, namely "Just Drink" in the Company's line of products in 2021. Just Drink products were launched and marketed since late 2020, and well received by consumers. However, the growth rate in sales in the seaweed products in 2021 slightly decreased due to the lockdown measures for certain periods in the previous, which affected the major sale channels, namely

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convenience stores and Modern Trade. The Company was able to expand its market through Traditional Trade better, thereby giving rise to the overall growth in the seaweed products in the previous year, despite the declining growth rate in the seaweed products through Traditional Trade.

International Sales: Revenue from sales in the fourth quarter is 699.8 million Baht **Increased by 23.1 percent** from the same quarter of the previous year (increased by 30.2 percent from Q3/2021). In this fourth quarter, the expansion of distribution channels in the market in China by the newly appointed distributor since July 2021 enabled the Company to distribute more products via Traditional Trade and E-commerce to cover a more variety of target customers. This can be seen by the fact that sales in China in the fourth quarter **Increased by 43.6 percent** from Q3/2021. International sales also increased by 15.4 percent from Q3/2021 due to growth in demand and launch of more new products to the markets, and as such, major countries, e.g., Indonesia, Malaysia, Singapore and Taiwan, enjoyed the increased growth in the previous year.

Total international sales in 2021 amount to 2,168.3 million Baht **decreased by 19.9 percent**. This mainly was due to a declining growth by 34.7 percent from China in the same period of the previous year due to the decrease in sales in the first half of the year from the negotiations for revisions to the market expansion strategy in China. Other international sales slightly decreased by 1.1 percent due to the impact of the ongoing shortage of containers throughout the year, particularly markets in Europe and the United States of America.

Gross Margin

In the fourth quarter, the Company has gross profit of 300.2 million Baht representing 27.9 percent of revenue from sales. The ratio of gross profits to sales revenue is **Increased by 7.5 percent** from the same quarter of the previous year (increased by 8.6 percent from Q3/2021). The improved gross profit rate was due to the increased demands in the fourth quarter which caused the utilization of the production capacity and the unit cost to improve than those of the previous quarter. However, such material increase in the ratio of gross profits to sales revenue as compared to that of the same quarter in the year 2020 was due to the Company's one-time recognition of the provisions for obsolete packages and clearance sales before the closure of Taokaenoi Land shops, totaling over 30 million Baht. In the third quarter of 2021, the Company incurred extraordinary expenses in respect of the bubble and seal measures during the pandemic, thereby causing the ratio of gross profits to sales revenue to be relatively lower than other quarters.

In 2021, the Company has gross profit of 868.5 million Baht representing 24.1 percent of revenue from sales. The ratio of gross profits to sales revenue is decreased by 1.7 percent from the same quarter of the previous year. In 2021, the Company implemented such project to combine its production factories at Rojana Factory by introducing machinery to increase production efficiency and minimize labor costs, throughout the year as planned. This project will cause the Company's unit cost to improve throughout the year 2022.

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Distribution Costs

The Company has the distribution costs in the fourth quarter in the amount of 123.2 million Baht representing 11.4 percent of revenue from sales. The ratio of distribution costs to sales revenues is **decreased by 1.5 percent** from the same quarter of the previous year (increased by 1.1 percent from Q3/2021). The distribution costs throughout the year 2021 account for 11.1 percent, which was the same rate as that of the same period of the previous year. Despite the increased transportation costs as a result of the shortage of containers in the previous year, the Company managed to maintain the ratio of distribution costs to sales revenues unchanged from the same period of the previous year by carefully controlling fixed costs which were not variable according to sales. Moreover, the Company continued to manage the sales and marketing expenses to be in line with sales by focusing on such activities with direct impact on consumers, including expansion of new distribution channels.

Administrative Expenses

The Company has the administrative expenses in the fourth quarter in the amount of 88.4 million Baht representing 8.2 percent of revenue from sales. The ratio of administrative expenses to sales revenue is **decreased by 1.9 percent** from the same quarter of the previous year (decreased by 0.2 percent from Q3/2021), due to the Company's control of the administrative expenses not to be variable to sales, as compared to the same period, and as such, the increased sales has caused the ratio of administrative expenses to sales revenues to decrease.

The Company has the administrative expenses in 2021 in the total amount of 298.3 million Baht representing 8.3 percent of revenue from sales which **increased by 0.7 percent** from the same period of the previous year, although the amount of money spent was less than the same period of the previous year thanks to the improved cost management.

Net Profit: Owners of the Parent

The Company has the net profit in the fourth quarter in the amount of 84.4 million Baht representing 7.8 percent **increased by 504.5 percent** from the same quarter of the previous year. The net profit of the same quarter of the previously was affected by such loss from the one-time recognition of the provisions for obsolete packages and clearance sales before the closure of Taokaenoi Land shops. The ratio of net profit to sales revenue is **increased by 10.2 percent** from the same quarter of the previous year (increased by 5.5 percent from Q3/2021). Such improved profit was the result of the recovery of demands and productivity which have positively affected the unit costs, mainly due to increased sales, not to mention that the strict control of internal costs also resulted in the improved profit.

The Company has the net profit in 2021 in the total amount of 182.1 million Baht representing 5.0 percent of revenue from sales which **decreased by 1.1 percent** of revenue from sales from the same period of the previous year.

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Business Trends in 2022

The Company plans to strengthen its seaweed business which is its core business to be more efficient, particularly the production costs, as the heart of the business operations, by utilizing more machinery in the production and developing its personnel to have more skills, in line with the Company's Go Firm policy. As for international markets, especially China, the Company continues to focus on restoring its sales like before, in which case, the Company may need to find more alliances to boost sales in the same manner as in the United States of America, Europe CLMV.

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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