

22 February 2022

Subject Management's discussion and Analysis of the Financial Statement for the year ended 31 December 2021

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's discussion and Analysis of the Financial Statement for the year ended 31 December 2021, 1 set each of Thai and English

Nova Organic Public Company Limited ("NV") would like to submit the Company's audited Financial Statement for the year ended 31 December 2021 to The Stock Exchange of Thailand.

The operation result of NV for the year ended 31 December 2021 registered a net profit amounting to 80.35 million Baht. Please see further details in the Management's discussion and Analysis of the Financial Statement 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 31 December 2021**

**Summary of operating performance**

	<b>2020</b>	<b>2021</b>	<b>Increase</b>	<b>% Increase</b>
	<b>Baht</b>	<b>Baht</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Revenue from sales	2,460,972,136	1,236,659,544	(1,224,312,592)	(49.75)
Cost of sales	(571,586,872)	(466,419,852)	105,167,020	(18.40)
<b>Gross profit</b>	<b>1,889,385,264</b>	<b>770,239,692</b>	<b>(1,119,145,572)</b>	<b>(59.23)</b>
Other income	1,056,007	2,321,201	1,265,194	119.81
Selling expenses	(829,607,345)	(599,312,590)	230,294,755	(27.76)
Administrative expenses	(80,823,243)	(92,999,834)	(12,176,591)	15.07
<b>Profit from operating activities</b>	<b>980,010,683</b>	<b>80,248,469</b>	<b>(899,762,214)</b>	<b>(91.81)</b>
Finance income	491,421	390,316	(101,105)	(20.57)
Reversal of loss from impairment of assets	7,148,999	883,827	(6,265,172)	(87.64)
Gain (loss) from sale of assets	(1,123,259)	6,024,207	7,147,466	(636.32)
Reversal of expected credit loss	(1,403,340)	1,314,925	2,718,265	(193.70)
Finance costs	(578,800)	(984,664)	(405,864)	70.12
<b>Profit before income tax</b>	<b>984,545,704</b>	<b>87,877,080</b>	<b>(896,668,624)</b>	<b>(91.07)</b>
Tax expense	(203,737,134)	(7,529,447)	196,207,687	(96.30)
<b>Profit for the year</b>	<b>780,808,570</b>	<b>80,347,633</b>	<b>(700,460,937)</b>	<b>(89.71)</b>

## Revenue structure

	2020		2021		Increase (Decrease)	% Increase (Decrease)
	Mb.	%	Mb.	%		
<b>1. Revenue from products under the Company's trademark</b>						
<b>1.1 Dietary Supplement Product "DONUTT"</b>	<b>278.27</b>	<b>10.75</b>	<b>433.36</b>	<b>33.38</b>	<b>155.09</b>	<b>55.73</b>
Collagen products	109.78	4.24	281.98	21.72	172.20	156.86
Fiber products	134.84	5.21	135.40	10.43	0.56	0.42
Other products	33.65	1.30	15.98	1.23	(17.67)	(52.51)
<b>1.2 Dietary Supplement Product "LIVNEST"</b>	<b>2,247.79</b>	<b>86.87</b>	<b>846.03</b>	<b>65.17</b>	<b>(1,401.76)</b>	<b>(62.36)</b>
<b>1.3 Other products</b>	<b>61.48</b>	<b>2.38</b>	<b>18.86</b>	<b>1.45</b>	<b>(42.62)</b>	<b>(69.32)</b>
<b>Total Revenue from products under the Company's trademark</b>	<b>2,587.54</b>	<b>100.00</b>	<b>1,298.25</b>	<b>100.00</b>	<b>(1,289.29)</b>	<b>(49.83)</b>
<u>Less</u> Trade discount	52.69	-	37.77	-		
<u>Less</u> Estimated sales return	9.51	-	(15.06)	-		
<u>Less</u> Transportation fee	65.46	-	39.57	-		
<b>Net income from products under the Company's trademark</b>	<b>2,459.88</b>	<b>-</b>	<b>1,235.97</b>	<b>-</b>	<b>(1,223.91)</b>	<b>(49.75)</b>
<b>2. Revenues from Original Equipment Manufacturer (OEM)</b>	<b>1.09</b>	<b>-</b>	<b>0.69</b>	<b>-</b>	<b>(0.40)</b>	<b>(36.70)</b>
<b>Revenues from Sale</b>	<b>2,460.97</b>	<b>-</b>	<b>1,236.66</b>	<b>-</b>	<b>(1,224.31)</b>	<b>(49.75)</b>

The Company's total sales revenue for the year ended December 31, 2021 was 1,236.66 million Baht, down 1,224.31 million Baht or 49.75 percent from the previous year. The sales revenue for Cordyceps-containing products under the trademark "LIVNEST" had dropped significantly and reduced in the quantity of purchasing orders since February 2021, as a result of news about dietary supplement consumption and news about a lawsuit of exaggerated advertising quality of products under the brand "LIVNEST," as well as the types of marketing that are not permitted. Therefore, the Company had to delay advertising that has been planned for sales and marketing and updated its marketing approach by advertising a variety of products, including cordyceps coffee and calcium-fortified collagen dipeptide, in addition to cordyceps blended with multivitamin vitamins. As a result, LIVNEST's revenue had decreased significantly to 846.03 million Baht or accounted to 65.17 percent of

the total sales, comparing to previous period that was 2,247.79 million Baht or accounted to 86.87 percent of the total sales. However, revenue under “DONUTT” and revenue proportion increased to 433.36 million Baht or accounted to 33.38 percent of the total sales from 278.27 million Baht or accounted to 10.75 percent of the total sales in the previous period.

### **Gross Profit**

For the year ended 31 December 2021, the Company's gross profit margin decreased to 62.28%. This is because at the beginning of 2021, the Company was affected by the negative news about the consumption of dietary supplements and news of lawsuits about exaggerated advertising quality of products. Orders were being held up by customers. As a result, the Company had delayed the advertisements about products under the LIVNEST brand that were affected by the news. The percentage of LIVNEST revenue with a high profit margin and a low cost of production had declined.

During the second quarter of 2021, the Company's marketing and advertising strategy had been changed by advertising a variety of products which did not have a cost advantage in terms of production, comparing to Cordyceps-containing products. As a result, total cost of products sold went up and gross profit went down and the percentage of LIVNEST revenue with a high profit margin declined. The percentage of LIVNEST revenue was 86.87 percent for the year ended December 31, 2020, but fell to 65.17 percent for the year ended December 31, 2021. The future profit margin may vary in proportion to each product's revenue, which has different gross margins depending on competitive conditions, strategy for pricing, higher manufacturing volumes result in cost savings and trade discounts from importers of extracts in the case of purchasing raw materials in quantities specified by the seller.

### **Selling Expenses**

Selling expenses for the year ended December 31, 2021, were 829.61 million Baht, up 230.29 million Baht or 27.76 percent, due mostly to a rise in investment of 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 ended December 31, 2021 were 93.00 million Baht, increasing 12.18 million Baht or 15.07 percent due to an increase in the number of employees, office supplies, depreciation of office equipment and computers, as well as other administrative costs such as information system and computer program charges and donation.

### **Financial Cost**

For the year ended December 31, 2021, the Company's financial cost was 0.98 million Baht, increasing 0.41 million Baht due to an increase in interest on liabilities under financial leasing contracts from the lease of office buildings and warehouses, as well as fees charged by financial institutions for transfer transaction fees and the usage of a Letter of Guarantee.

### **Net Profit**

The Company's net profit for the year ended December 31, 2021 was 80.35 million Baht, a decrease of 700.46 million Baht or a decrease of 89.71 percent, the negative news about the consumption of dietary supplements and news of lawsuits about exaggerated advertising quality of products. The Company's marketing and advertising strategy had been changed by advertising a variety of products and not relying solely on the distribution of a single product for long term growth. The Company's production costs increased as a result of new strategy because some products have a high production cost. In addition, the quantity of raw materials purchased at the start of production is insufficient to negotiate pricing with trading partners. The Company also experienced significantly selling costs as a result of increased product awareness through television advertising. As a result, net profit for the year ended December 31, 2021 had declined significantly.

## **Financial Position**

Unit : Baht

	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Total Assets	1,151,285,183	1,815,774,338	664,489,155	57.72
Total Liabilities	561,368,360	142,142,302	(419,226,058)	(74.68)
Shareholders' equity	589,916,823	1,673,632,036	1,083,715,213	183.71

### **Total Assets**

Total assets were 1,815.77 million Baht as of December 31, 2021, an increase of 664.49 million Baht due to an increase in cash and cash equivalents as a raising capital from initial public offering and decrease as a result of tax payments and a decrease in trade accounts receivable as a result of lower product sales volume.

### **Total Liabilities**

Total liabilities were 142.14 million Baht as of December 31, 2021, a decrease of 419.23 million Baht, due mostly to the payment of accrued income tax and decrease in trade account payable.

### **Shareholders' equity**

As of December 31, 2021, shareholders' equity was 1,673.63 million Baht, increasing 1,083.72 million Baht due to an increase in retained earnings from operations and a raising capital from initial public offering.

### **Key Financial Ratios**

	<b>Unit</b>	<b>31 December 2020</b>	<b>31 December 2021</b>
Current ratio	times	1.32	11.59
Finished Goods Turnover Ratio	times	9.87	8.68
Average Finished Goods Period	days	37.00	42.00
Inventory Turnover Ratio	times	5.09	3.83
Average Inventory Period	days	72.00	95.00
Gross Profit Margin	%	76.77	62.28
Net Profit Margin	%	31.62	6.48
Return on Equity	%	188.97	7.10
Return on Assets	%	100.24	5.42
Debt to Equity ratio	times	0.95	0.08

### **Liquidity ratio**

As of December 31, 2021, the Company's a raising capital from initial public offering and current liabilities decreased from the payment of income tax. As a result, the Company's liquidity ratio increased to 11.59 times.

The Company had Average Finished Goods Period and Average Inventory Period as of December 31, 2021 were 42 days and 95 days, respectively, increasing due to the impact of negative news about dietary supplement consumption. As a result, orders and sales of products slowed down.

### **Profitability Ratios**

For the year 2021, the Company's profit had declined due to the impact of negative news about dietary supplement consumption and news of lawsuits about exaggerated advertising quality of products under the LIVNEST brand. Orders are being slowed by customers, resulting in a drop in revenue. The Company had delayed the advertisements for products under the LIVNEST brand that were affected by the news. Also, the Company had changed marketing and advertising strategy to advertise other products with low margin instead of LIVNEST products with a high profit, and the Company also paid in advance for advertisement services, but the

adverts were delayed and some were not focused to the targeted clients. As a result, overall sales, profit margin and Return on Equity all declined.

### **Operating efficiency ratio**

The operating efficiency ratio for the year ended December 31, 2021 had decreased because the Company was affected by the negative news of dietary supplements and the news of unsuitable advertising lawsuits in early 2021. These affected the operating results and caused the operating efficiency ratio to decline.

### **Financial Policy Ratio**

Debt to equity ratio for the year ended December 31, 2021 was 0.08 times decreased from the previous year because the Company had not had any credit with any financial institution and a raising capital from initial public offering.