



TOA Paint (Thailand) Public Company Limited

Management Discussion & Analysis of Business Operations

For the 4th quarter ended December 31st, 2021

Powerful Integration

TOA PAINT (THAILAND) PUBLIC COMPANY LIMITED



- Translation -

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Subject: Management Discussion and Analysis for the three months and year ended December 31, 2021

To: The President
The Stock Exchange of Thailand

TOA Paint (Thailand) Public Company Limited (the "Company" or "we" or "our" or "us") would like to inform management discussion and analysis for its results of operations from the financial statements for the three months and year ended December 31, 2021 as follows:

Results of Operations

Results of Operations for the 4th Quarter of the Year 2021

Sales Revenue

For the three months ended December 31, 2020 and 2021, our sales revenue amounted to THB4,166.6 million and THB4,671.6 million, respectively, which increased THB505.0 million, or 12.1%. The increase derived primarily from an increase in decorative paint and coating products sales revenue due to an increased selling price, as well as an increase in non-decorative paint and coating products sales revenue due to the increase in both selling price and sales volume. By distribution channel, sales revenue increased in all channels, especially an increased sales revenue in retail dealers due mainly to an increased selling price, as well as an increased sales revenue in modern trade due to an increased sales volume. By customer location, sales revenue increased from both products sold to customers in Thailand and overseas countries due mainly to the increased selling price.

Cost of Sales

Our cost of sales increased THB597.4 million, or 22.4%, from THB2,662.3 million for the three months ended December 31, 2020 to THB3,259.7 million for the three months ended December 31, 2021. This increase was primarily attributable to the average cost per unit of main raw materials used in our production process increased.

Gross Profit

For the three months ended December 31, 2020 and 2021, gross profit amounted to THB1,504.3 million and THB1,411.9 million, respectively, or as a percentage of sales revenue, 36.1% and 30.2%, respectively. The



decrease in gross profit margin was primarily attributable to the average cost per unit of main raw materials used in our production process increased.

Selling Expenses

Total selling expenses increased THB45.1 million, or 8.3%, from THB543.8 million for the three months ended December 31, 2020 to THB588.9 million for the three months ended December 31, 2021. This decrease was primarily attributable to the increase in advertising and freight expenses.

Administrative Expenses

Total administrative expenses decreased THB37.4 million, or 10.5%, from THB355.2 million for the three months ended December 31, 2020 to THB317.8 million for the three months ended December 31, 2021. This decrease was primarily attributable to a decrease in allowance for doubtful accounts due to the adoption of the financial reporting standards relating to financial instruments (TFRS 9) in 2020.

Profit for the period

Our profit for the period decreased THB20.4 million, or 4.1 %, from THB493.0 million for the three months ended December 31, 2020 to THB472.6 million for the three months ended December 31, 2021. This decrease was primarily attributable to an increase in the cost of goods sold due to an increased average cost per unit of main raw materials. Our net profit margin decreased from 11.7 % for the three months ended December 31, 2020 to 10.0% for the three months ended December 31, 2021.

Income statement (THB million)	For the three months ended December 31,	
	2020	2021
Sales revenue	4,166.6	4,671.6
Total revenues	4,200.2	4,706.8
Cost of sales	2,662.3	3,259.7
Selling and administrative expenses	899.0	906.7
Losses (gains) on exchange rates and fair value of financial assets measured at fair value through profit or loss	3.7	(71.1)
Profit before finance cost and income tax	635.2	611.5
Profit for the period	493.0	472.6



Results of Operations for the Year 2021

Sales Revenue

For the year ended December 31, 2020 and 2021, our sales revenue was THB16,296.0 million and THB17,570.5 million, respectively, which increased THB1,274.5 million, or 7.8%. The increase derived primarily from an increase in non-decorative paint and coating products sales revenue due to the increased selling price and sales volume, as well as an increase in decorative paint and coating products sales revenue due mainly to an increased selling price. By distribution channel, the increase in sales revenue derived particularly from the increased selling price and sales volume in both retail dealers and modern trade channels. By customer location, an increased sales revenue of products sold to customers in Thailand due to an increased sales volume and an increased sales revenue in overseas countries derived from the increase in both selling price and sales volume.

Sales by product group	Year ended December 31,			
	2020		2021	
	THB million	%	THB million	%
Decorative Products	10,774.3	66.1	11,078.0	63.0
Non-decorative Products	5,185.2	31.8	5,938.3	33.8
Other Business Products ⁽¹⁾	336.5	2.1	554.2	3.2
Sales	16,296.0	100.0	17,570.5	100.0

Notes "Other Business Products" comprise sales of certain products to the related companies, such as raw materials and semi-finished materials.

Sales by distribution channel	Year ended December 31,			
	2020		2021	
	THB million	%	THB million	%
Retail Dealers	11,923.3	73.2	12,577.3	71.6
Modern Trade	2,861.6	17.6	3,450.0	19.6
Others ⁽¹⁾	1,511.1	9.2	1,543.2	8.8
Sales	16,296.0	100.0	17,570.5	100.0

Note: "Others" primarily comprise sales revenue from distribution through projects, exports, and related companies.

Sales by geography	Year ended December 31,			
	2020		2021	
	THB million	%	THB million	%
Thailand	14,050.4	86.2	14,869.9	84.6
Overseas	2,245.6	13.8	2,700.6	15.4
Vietnam	1,246.5	7.7	1,397.2	8.0
Others ⁽¹⁾	999.1	6.1	1,303.4	7.4
Sales	16,296.0	100.0	17,570.5	100.0

Note: "Others" mainly comprise sales revenue from customers in Laos, Malaysia, Indonesia, Myanmar, and Cambodia.



Cost of sales

Our cost of sales increased THB1,536.4 million, or 14.9%, from THB10,286.9 million for the year ended December 31, 2020 to THB11,823.3 million for the year ended December 31, 2021. This increase was primarily attributable to an increased sales volume and the average cost per unit of main raw materials used in our production process increased.

Gross Profit

For the years ended December 31, 2020 and 2021, gross profit was THB6,009.1 million and THB5,747.2 million, respectively, or as a percentage of sales revenue, 36.9% and 32.7%, respectively. The decrease in gross profit margin was primarily attributable to the average cost per unit of main raw materials used in our production process increased.

Selling expenses

Total selling expenses decreased THB25.5 million, or 1.2%, from THB2,202.8 million for the year ended December 31, 2020 to THB2,177.3 million for the year ended December 31, 2021. This decrease was primarily attributable to the decrease in advertising expenses and sale promotion expenses offset partially by an increase in freight expenses.

Administrative expenses

Total administrative expenses increased THB31.0 million, or 2.4%, from THB1,307.2 million for the year ended December 31, 2020 to THB1,338.2 million for the year ended December 31, 2021. This increase was primarily attributable to increased depreciation and amortization, as well as an increase in expenses to prevent and take care of employees during the COVID-19 pandemic.

Profit for the year

Our profit for the year decreased THB76.1 million, or 3.7 %, from THB2,031.2 million for the year ended December 31, 2020 to THB1,955.1 million for the year ended December 31, 2021. This decrease was primarily attributable to an increased cost of sales due to an increased raw materials price and increased administrative expenses offset partially by decreased selling expenses. Our net profit margin decreased from 12.4% for the year ended December 31, 2020 to 11.0% for the year ended December 31, 2021.



Income statement (THB million)	Year ended December 31,	
	2020	2021
Sales revenue	16,296.0	17,570.5
Total revenues	16,438.2	17,707.9
Cost of sales	10,286.9	11,823.3
Selling and administrative expenses	3,510.0	3,515.5
Losses (gains) on exchange rates and fair value of financial assets measured at fair value through profit or loss	7.3	(120.0)
Profit before finance cost and income tax	2,634.0	2,489.1
Profit (loss) attributable to owners of the parent	2,031.2	1,955.1

Asset Management Ability

1. Current Assets

(1) Cash and Cash Equivalents

Our cash and cash equivalents consist of cash and bank deposits. As at December 31, 2020 and 2021, we had cash and cash equivalents of THB2,419.8 million and THB3,011.2 million, respectively. Our cash and cash equivalents were primarily affected by the increases and decreases of our net cash from or used in operating, investing and financing activities.

(2) Financial Assets Measured at Fair Value through Profit or Loss

As at December 31, 2020 and 2021, we had investments in financial assets measured at fair value through profit or loss of THB4,224.0 million and THB4,610.5 million, respectively. Our investments in financial assets measured at fair value through profit or loss were primarily from the increase in capital and raising fund in public and from the operating profit.

(3) Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables from related and unrelated parties and other receivables, including accrued income. As at December 31, 2020 and 2021, we had trade and other receivables of THB2,912.6 million and THB3,237.1 million, respectively. The increase in trade and other receivables was primarily attributable to an increased sales revenue.

As of December 31, 2020 and 2021, the Company has an expected allowance for the loss according to TFRS 9 amounting to THB343.5 million and THB344.7 million, respectively.

The Group applies the TFRS 9 with the simplified approach in measuring the impairment of trade receivables and hire purchase receivables, which applies lifetime expected credit loss.



To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on payment profiles, historical credit losses as well as forward-looking information and factors that may affect the ability of the customers to settle the outstanding balances.

The Group chose to apply the temporary measures to relieve the impact from COVID-19 announced by TFAC for the reporting periods ended between 1 January 2020 and 31 December 2020 by excluding forward-looking information in assessing the expected credit loss under the simplified approach of trade receivables and hire purchase receivables. As of 31 December 2020, the expected credit loss for trade receivables and hire purchase receivables were assessed based on historical credit loss together with the management's judgment in estimating the expected credit loss.

The average collection period was approximately 69 days and 67 days in 2020 and in 2021, respectively, which was consistent with the credit term of the Company, which is between 30-90 days.

(4) Current Portion of Long-term Hire Purchase Receivables

Current portion of long-term hire purchase receivables comprised hire purchase agreements for the Auto Tinting Machines which are due within one year. As at December 31, 2020 and 2021, our current portion of long-term hire purchase receivables was THB51.7 million and THB48.6 million, respectively.

(5) Inventories

Inventories consist of finished goods, work in process, raw materials, packing materials, spare parts and factory supplies, and goods in transit. As at December 31, 2020 and 2021, we had inventories of THB2,163.0 million and THB2,619.4 million, respectively. Inventories increased as at December 31, 2021 primarily due to the increase in the level of finished goods and work in process.

Inventory days in 2020 and 2021 were approximately 34 days and 32 days, respectively.

We have the policy to establish provision for obsolete inventories by taking into the shelf life of each product.

2. Non-current Assets

(1) Long-term Hire Purchase Receivables not due within one year, Net of Current Portion

Long-term hire purchase receivables, net of current portion, comprised hire purchase agreements for the Auto Tinting Machines which are not due within one year. As at December 31, 2020 and 2021, we had long-term hire purchase receivables of THB128.2 million and THB166.6 million, respectively.



(2) Investment Properties

Investment properties relate to investment in real properties and comprise of a building in Huay Kapi district, Chonburi province. As at December 31, 2020 and 2021, investment properties were THB12.7 million and THB10.1 million, respectively.

(3) Property, Plant and Equipment

Property, plant, and equipment consist of land, land improvements, buildings and building improvement, machinery and equipment, furniture, fixtures and office equipment, motor vehicles, and assets under installation. As at December 31, 2020 and 2021, we had property, plant and equipment of THB2,691.0 million and THB2,704.6 million, respectively.

(4) Intangible Assets

Intangible assets comprise computer software and leasehold rights. As at December 31, 2020 and 2021, intangible assets was THB197.0 million and THB253.9 million, respectively. The increase in intangible assets was primarily due to the implementation of the new software.

(5) Other non-current assets

Other non-current assets primarily consist of withholding tax refundable. As at December 31, 2020 and 2021, we had other non-current assets THB59.8 million and THB64.9million, respectively.

3. Current Liabilities

(1) Short-term Loans from Financial Institutions

Our short-term loans from financial institutions represent promissory notes.

As at December 31, 2020 and 2021, we had short-term loans from financial institutions of THB200.0 million and THB289.1 million, respectively.

(2) Trade and Other Payables

Our trade and other payables consist of trade payables to our raw material suppliers and other payables to related and unrelated parties, as well as accrued expenses.

As at December 31, 2020 and 2021, we had trade and other payables of THB2,975.2 million and THB3,830.7 million, respectively. The increase in trade and other payables was primarily due to an increase in purchasing volume. The average days outstanding for trade and other payables were 81 days and 74 days in 2020 and 2021, respectively.

(3) Income Tax Payable

As at December 31, 2020 and 2021, income tax payable, being corporate income tax, was THB272.8 million and THB205.6 million, respectively. The decrease in corporate income tax payable was consistent with the decrease in the Company's profit before tax in 2021.



4. Non-current Liabilities

(1) Provision for Long-term Employee Benefits

As at December 31, 2020 and 2021, we had provision for long-term employee benefits of THB437.6 million and THB417.2 million, respectively. Provision for long-term employee benefits decreased as at December 31, 2021 primarily due to the employees' retirement.

5. Shareholders' Equity

As at December 31, 2020 and 2021, our shareholders' equity was THB11,405.4 million and THB 12,451.1 million, respectively. As at December 31, 2021, shareholders' equity consisted of paid-up capital of THB2,029.0 million, share premium of THB5,761.5 million, the appropriated-statutory reserve of THB202.9 million, unappropriated retained earnings of THB5,110.1 million less other components of shareholders equity of THB816.7 million, and non-controlling interests of the subsidiaries of THB164.3 million.

As at December 31, 2020 and 2021, the Company's return on equity was 18.4% and 16.1%, respectively. The decrease in the Company's return on equity as at December 31, 2021, was primarily due to the decrease in profit for the period.

Liquidity and Adequacy of Capital

1. Liquidity

Our principal sources of liquidity are cash generated from our operations and loans from financial institutions. The availability of funding from external sources and the cost of such funding is subject to a number of factors that are beyond our control, including general economic and capital market conditions, interest rates, availability of credit from banks and other lenders, lender and/or investor confidence in TOA, tax and securities laws that may be applicable to us, and political and economic conditions in the markets in which we operate and internationally.

Our expectation of cash flow from operating activities, as well as cash and cash equivalents are adequate for the capital commitments.

2. Cash Flows

The following table sets out certain information from our consolidated condensed statements of cash flows for the periods indicated.

Cash Flow Data:	Year Ended December 31,	
	2020	2021
	THB million	THB million
Net cash flows from operating activities	1,969.5	2,529.6



Net cash flows from (used in) investing activities	561.0	(743.9)
Net cash flows used in financing activities	(1,682.7)	(1,225.4)
Net increase in cash and cash equivalents	847.8	560.3
Cash and cash equivalents at the beginning of the year	1,590.9	2,419.8
Exchange gain(loss) on cash and cash equivalents	(18.9)	31.1
Cash and cash equivalents at the end of the year	2,419.8	3,011.2

(1) Operating Activities

Net cash flows from operating activities was THB2,529.6 million for the year ended December 31, 2021 and was primarily from our profit before tax for the period of THB2,454.3 million, as adjusted for reconciliation of net profit in cash receivable (payable) provided by operating activities of THB674.7 million, primarily comprising depreciation and amortization of THB615.5 million, and the increase in operating assets and liabilities of THB8.3 million, primarily comprising an increase of trade payables and other payables of THB819.1 million, partially offset by an increase of trade and other receivables of THB286.1 million and an increase of inventories of THB450.4 million including cash paid for corporate income tax of THB591.1 million.

(2) Investing Activities

Net cash flows from investing activities were THB743.9 million for the year ended December 31, 2021, which was primarily from net cash from financial assets measured at fair value through profit or loss, the acquisition of plant and equipment amounting to THB269.8 million and the purchase of intangible assets amounting to THB118.7 million.

(3) Financing Activities

Net cash flows used in financing activities was THB1,225.4 million for the year ended December 31, 2021, which was primarily from dividend payment of THB1,161.2 million and the payment for lease liabilities of THB211.0 million.

Analysis of key financial ratios

Set out below is a discussion of certain key financial ratios.

1. Current Ratio

As at December 31, 2020 and 2021, our current ratio was 3.2 times and 3.0 times, respectively. The decrease in the current ratio as at December 31, 2021, was primarily due to an increase in current liabilities as a result of an increase in trade and other payables.



2. Total Liabilities to Equity Ratio

As at December 31, 2020 and 2021, our total liabilities to equity ratio 0.4 times and 0.5 times, respectively. The total liabilities to equity ratio increased as at December 31, 2021, primarily due to an increase in liabilities.

3. Interest-Bearing Debt to Equity Ratio

As at December 31, 2020 and 2021, our interest-bearing debt to equity ratio was 0.11 times and 0.12 times, respectively.

Please be informed accordingly,

Yours Sincerely,

(Ms. Taweeporn Pananakitraung)

Chief Financial Officer