

10 May 2022

Subject Management's discussion and Analysis of the Financial Statement for three months ended 31 March 2022

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's discussion and Analysis of the Financial Statement for three months ended 31 March 2022, 1 set each of Thai and English

Nova Organic Public Company Limited ("NV") would like to submit the Company's audited Financial Statement for three months ended 31 March 2022 to The Stock Exchange of Thailand.

The operation result of NV for three months ended 31 March 2022 registered a net loss amounting to 2.22 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 three months ended 31 March 2022

Summary of operating performance

	Q1 2021	Q1 2022	Increase	% Increase
	Baht	Baht	(Decrease)	(Decrease)
Revenue from sales	405,201,271	211,249,446	(193,951,825)	(47.87)
Cost of sales	114,649,337	106,781,600	(7,867,737)	(6.86)
Gross profit	290,551,934	104,467,845	(186,084,088)	(64.05)
Other income	1,254,179	494,160	(760,019)	(60.60)
Selling expenses	187,560,781	86,840,707	(100,720,074)	(53.70)
Administrative expenses	29,954,301	21,062,850	(8,891,451)	(29.68)
Profit from operating activities	74,291,032	(2,941,551)	(77,232,582)	(103.96)
Finance income	57,598	347,014	289,416	502.48
Reversal of loss from impairment of assets	-	-	-	-
Gain (loss) from sale of assets	7,969,189	72,286	(7,896,903)	(99.09)
Profit and loss measured from fair value	-	365,790	365,790	100.00
Reversal of expected credit loss	817,749	-	(817,749)	(100.00)
Finance costs	(625,569)	(291,019)	334,549	(53.48)
Profit before income tax	82,510,000	(2,447,480)	(84,957,480)	(102.97)
Tax expense	13,323,464	(231,170)	(13,554,635)	(101.74)
Profit for the year	69,186,536	(2,216,310)	(71,402,846)	(103.20)

Revenue structure

	Q1 2021		Q1 2022		Increase (Decrease)	% Increase (Decrease)
	Mb.	%	Mb.	%		
1. Revenue from products under the Company's trademark						
1.1 Dietary Supplement Product "DONUTT"	74.25	17.54	139.40	62.71	65.15	87.73
Collagen products	25.28	5.97	69.36	31.20	44.08	174.39
Fiber products	39.71	9.38	20.73	9.33	(18.98)	(47.79)
Other products	9.27	2.19	49.54	22.29	40.27	434.47
1.2 Dietary Supplement Product "LIVNEST"	343.45	81.13	82.37	37.05	(261.08)	(76.02)
1.3 Other products	5.62	1.33	0.53	0.24	(5.08)	(90.48)
Total Revenue from products under the Company's trademark	423.32	100.00	222.30	100.00	(201.01)	(47.48)
Less Trade discount	8.61	-	10.39	-	1.78	
Less Estimated sales return	0.03	-	5.75	-	(5.78)	
Less Transportation fee	9.74	-	6.42	-	(3.32)	
Net income from products under the Company's trademark	404.94	-	211.24	-	(193.69)	(47.83)
2. Revenues from Original Equipment Manufacturer (OEM)	0.27	-	-	-	(0.27)	(100.00)
Revenues from Sale	405.21	-	211.24	-	(193.96)	(47.87)

The Company's total sales revenue for three months ended 31 March 2022 was 211.24 million Baht, down 193.96 million Baht or 47.87 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, Donutt's revenue had increased significantly to 139.40 million Baht or accounted to 62.717 percent of the total sales, comparing to previous period that was 74.25 million Baht or accounted to 17.54 percent of the total sales. However, revenue under "DONUTT" and revenue proportion increased to 87.73 percent of the total sales or equals to 139.40 million Baht. or total sale 74.25 million Baht or 17.54 percent from previous period.

Gross Profit

For three months ended 31 March 2022, the Company's gross profit margin decreased to 64.05%. During the first quarter of 2022, 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 84.12 percent for the three months ended 31 March 2022, but fell to 36.53 percent for the three months ended 31 March 2021. The trend of 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 three months ended 31 March 2022, were 86.84 million Baht, decreasing 100.72 million Baht or 60.60 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.

Administrative Expenses

Administrative expenses for the three months ended 31 March 2022 were 21.06 million Baht, decreasing 8.89 million Baht or 29.68 percent due to an decrease in the number of employees.

Net Profit

The Company has net loss profit for the three months ended 31 March 2022 amount 2.22 million Baht, a decrease of 71.40 million Baht or equals to 103.22 percent, Due to 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. In addition, Some of Company's products have high costs, Due to the beginning of production, the procurement process for this product just in place, The Company has less volume of quantity of raw materials to negotiate. pricing with trading partners. and also effected to economy of scale.

Financial Position

	31 March 2022	31 December 2021	Increase (Decrease)	% Increase (Decrease)
Total Assets	1,608,111,571	1,817,232,710	(209,121,139)	(11.51)
Total Liabilities	146,695,846	142,142,302	4,553,544	3.20
Shareholders' equity	1,461,415,725	1,675,090,408	(213,674,683)	(12.76)

Total Assets

Total assets as of March 31, 2022, were 1,608.11 million Baht a decrease of 209.12 million Baht due to decreasing of temporary investment

Total Liabilities

Total liabilities were 146.70 million Baht as of March 31, 2022, Mostly increase 3.20 million Baht, due to increase in trade account payable. And others payable.

Shareholders' equity

As of March 31, 2022, shareholders' equity was 1,461.42 million Baht, decrease 213.67 million Baht due to loss from operation 2.22 million Baht. and has paid dividends 210.00 million Baht in the first quarter of year 2022.

Key Financial Ratios

Current ratio 3.27 times

Finished Goods Turnover Ratio 2.24 times

Average Finished Goods Period 40 days

Average debt collection period 20 days

Average repayment period 44 days