

Taokaenoi Food and Marketing Public Company Limited



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

FOR QUARTER 2/2022



August 11, 2022

To President
The Stock Exchange of Thailand

Subject Management Discussion and Analysis for the Second Quarter ended June 30, 2022

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 six-month periods ended June 30, 2022, which may be summarized as follows:

Consolidated Financial Statements	2nd Quarter (April - June)				
	Q2/ 2022		Q2/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	958.2	100.0 %	783.0	100.0 %	22.4 %
Cost of Sales	(704.9)	(73.6 %)	(598.4)	(76.4 %)	17.8 %
Gross Margin	253.4	26.4 %	184.7	23.6 %	37.2 %
Distribution Costs	(103.4)	(10.8 %)	(92.6)	(11.8 %)	11.7 %
Administrative Expenses	(79.5)	(8.3 %)	(67.8)	(8.7 %)	17.4 %
Profit before Income Tax Expenses	77.2	8.1 %	25.8	3.3 %	199.7 %
Income Tax Expenses	(6.4)	(0.7 %)	(3.9)	(0.5 %)	67.2 %
Net Profit : Owners of the Parent	70.8	7.4 %	22.2	2.8 %	218.4 %

Consolidated Financial Statements	1H (January - June)				
	1H/ 2022		1H/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,926.4	100.0 %	1,703.0	100.0 %	13.1 %
Cost of Sales	(1,418.4)	(73.6 %)	(1,294.5)	(76.0 %)	9.6 %
Gross Margin	508.0	26.4 %	408.5	24.0 %	24.4 %
Distribution Costs	(216.1)	(11.2 %)	(190.5)	(11.2 %)	13.4 %
Administrative Expenses	(154.7)	(8.0 %)	(140.2)	(8.2 %)	10.3 %
Profit before Income Tax Expenses	148.7	7.7 %	88.1	5.2 %	68.7 %
Income Tax Expenses	(15.4)	(0.8 %)	(10.0)	(0.6 %)	53.2 %
Net Profit : Owners of the Parent	133.6	6.9 %	78.4	4.6 %	70.3 %

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**Consolidated
Financial Statements**

	2nd Quarter (April - June) vs. 1st Quarter (January - March)				
	Q2/ 2022		Q1/ 2022		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	958.2	100.0 %	968.2	100.0 %	(1.0 %)
Cost of Sales	(704.9)	(73.6 %)	(713.6)	(73.7 %)	(1.2 %)
Gross Margin	253.4	26.4 %	254.6	26.3 %	(0.5 %)
Distribution Costs	(103.4)	(10.8 %)	(112.7)	(11.6 %)	(8.2 %)
Administrative Expenses	(79.5)	(8.3 %)	(75.2)	(7.8 %)	5.8 %
Profit before Income Tax Expenses	77.2	8.1 %	71.4	7.4 %	8.1 %
Income Tax Expenses	(6.4)	(0.7 %)	(8.9)	(0.9 %)	(28.0 %)
Net Profit : Owners of the Parent	70.8	7.4 %	62.8	6.5 %	12.8 %

Revenue from Sales

The Company has revenue from sales in the second quarter in the amount of 958.2 million Baht **increased by 22.4 percent** compared to the same quarter of the previous year (decreased by 1 percent from Q1/2022) and has revenue from sales in the first six months in the amount of 1,926.4 million Baht increased by 13.1 percent compared to the same period of the previous year, due to the main growth from international markets, both China and other international market, e.g., USA, Malaysia and Vietnam, which continued to grow. On the other hand, the domestic market's growth dropped slightly due to the decreased sales of "Just Drink" products, compared to the same period of the previous year, which were well received during the product launch in early 2021, although the sales in the major seaweed market in all channels still continued to rise.

In the second quarter, the Company's domestic sales accounted for 38 percent against 62 percent of international sales.

Domestic Sales: Revenue from sales in the second quarter is 363.9 million Baht **decreased by 5.0 percent** compared to the same quarter of the previous year (decreased by 3.1 percent from Q1/2022) and total sales in the first six months amount to 739.7 million Baht decreased by 4.2 percent compared to the same period of the previous year, due to the decreased sales of "Just Drink" milk tea products compared to the first half of the year 2021 at which time these products were just launched and well received by consumers. Such decrease was partially caused by the declining purchase power of consumers affected by the national economic circumstances. However, the Company continued to generate growth in its core business of seaweed, from both new products and channel expansion by way of sales promotion and more marketing campaigns via online channels. As a result, the Company still retains its seaweed market share at 63% with a growth of 11% close to the total seaweed market value (based on data of AC Nielsen).

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International Sales: Revenue from sales in the second quarter is 594.3 million Baht **increased by 48.6 percent** compared to the same quarter of the previous year (increased by 0.3 percent from Q1/2022) and total sales in the first six months amount to 1,187 million Baht increased by 27.5 percent compared to the same period of the previous year, due to growth in international sales which expanded in several countries, e.g., USA, Indonesia, Malaysia, Hong Kong and Vietnam, and the launch of new products since 2021 to consumers, as well as marketing campaign for expansion of sales channels, thereby resulting in the continuous sales growth. In addition, China's recovery also accounted for growth increased by 27% during the first six months of this year compared to the same period of the previous year. Despite the impending COVID situations in China, the Company still retains its steady sales in both the first and second quarters of this year.

International sales in the first six months represented 62 percent, increased by 7 percent compared to the same period of the previous year (at 55 percent), comprising 24 percent accounted for by China and 38 percent by other international markets.

Gross Margin

In the second quarter, the Company has gross profit of 253.4 million Baht representing 26.4 percent of revenue from sales. The ratio of gross profits to sales revenue is **increased by 2.9 percent** compared to the same quarter of the previous year (increased by 0.1 percent from Q1/2022). The increased gross margin was partially due to the increased sales growth which caused the production costs to reduce from fixed cost management and the declining unit labor costs as a result of the combination of the production base at Rojana Factory and utilization of machinery to substitute for labor, thereby resulting in improved efficiency in costs management, including better cost management in respect of raw materials, both seaweed under annual purchase contracts, and certain major raw materials whose prices were better managed during the first half of the year to be less fluctuating than the market prices.

Distribution Costs

The Company has the distribution costs in the second quarter in the amount of 103.4 million Baht representing 10.8 percent of revenue from sales. The ratio of distribution costs to sales revenue is **decreased by 1.0 percent** compared to the same quarter of the previous year (decreased by 0.8 percent from Q1/2022). The Company has the distribution costs in the first six months which account for 11.2 percent at the same rate as the same period of the previous year. The Company still retains the ratio of distribution costs to sales revenue at the level similar to that of the same period of the previous year, focused on such activities with direct effectiveness to sales in the channels with potential growth, including brand awareness. Despite the Company's increased transportation costs as part of the distribution costs due to the oil price increase, the Company, in associated with suppliers, manages the purchase volume to be in line with the shipments for optimal efficiency.

Administrative Expenses

The Company has the administrative expenses in the second quarter in the amount of 79.5 million Baht representing 8.3 percent of revenue from sales. The ratio of administrative expenses to sales revenue is **decreased**

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by **0.4 percent** compared to the same quarter of the previous year (increased by 0.5 percent from Q1/2022). The decreased ratio of administrative expenses to sales revenue was due to the Company's measures strictly to control the expenses in respect of both the number of staff and other expenses.

The Company has the administrative expenses in the first six months in the total amount of 155 million Baht representing 8.0 percent of revenue from sales which **decreased by 0.2 percent** compared to the same period of the previous year.

Net Profit: Owners of the Parent

The Company has the net profit in the second quarter in the amount of 70.8 million Baht representing 7.4 percent of revenue from sales which **increased by 218.4 percent** compared to the same quarter of the previous year. The ratio of net profit to sales revenue is **increased by 4.5 percent** compared to the same quarter of the previous year (increased by 0.9 percent from Q1/2022). Such increased ratio is a result of the sales growth and improved efficiency in production cost management, as well as efficiency in management of various expenses.

The Company has the net profit in the first six months in the total amount of 133.6 million Baht representing 6.9 percent of revenue from sales which **increased by 2.3 percent** of revenue from sales compared to the same period of the previous year.

Business Trends in the Second Half of 2022

The Company views that in the second half of 2022, the domestic tourism business has gradually started to improve after the reopening of the country to welcome tourists and the offering of new innovative products to the markets, which are likely to render the Company's sales to improve in seaweed and restaurant businesses. As for the international markets, the COVID-19 situations in China have started to improve, and it is anticipated that China will be more open in the fourth quarter at the latest, which will give rise to a positive impact on the Company's sales to be higher than that in the first half of the year. Moreover, in other international markets, the Company still continues to focus on expansion of customer base and new products, including marine transportation circumstances which have started to improve as evidenced by the sufficient supply of containers for export.

However, the costs of raw materials and packages which tentatively continue to increase, remain a challenge in the Company's cost management in the second half of the year. The Company continues to implement its "GO FIRM" policy to manage its internal costs with the optimum efficiency without affecting the overall profitability.

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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