



# TOA Paint (Thailand) Public Company Limited

## Management Discussion & Analysis

For the 2<sup>nd</sup> quarter ended June 30<sup>th</sup>, 2022





- Translation -

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August 15, 2022

Subject: Management Discussion and Analysis for the three months and six months ended June 30, 2022

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 six months ended June 30, 2022 as follows:

## Management Discussion and Analysis

### Results of Operations for the 2<sup>nd</sup> Quarter of Year 2022

#### Sales Revenue

For the three months ended June 30, 2021 and 2022, our sales revenue amounted to THB4,496.1 million and THB5,200.9 million, respectively, which increased THB704.8 million, or 15.7%. The increase derived mainly from an increase in decorative paint and coating products sales revenue due to the increased average selling price and an increase in non-decorative paint and coating products sales revenue due to the increase in both sales volume and average selling price. By distribution channel, the increased sales revenue derived from all channels due mainly to an increased average selling price in retail dealers and an increased sales volume in modern trade channel. By customer location, sales revenue increased from both sales revenue of products sold to customers in Thailand and overseas countries, which were primarily attributable to the increase in both sales volume and average selling price.

#### Cost of Sales

Our cost of sales increased THB665.4 million, or 22.4%, from THB2,976.4 million for the three months ended June 30, 2021 to THB3,641.8 million for the three months ended June 30, 2022. The increase was primarily attributable to an increased sales volume, as well as average cost per unit of some raw materials used in our production process increased.

#### Gross Profit

For the three months ended June 30, 2021 and 2022, gross profit amounted to THB1,519.7 million and THB1,559.1 million, respectively, or as a percentage of sales revenue, 33.8% and 30.0%, respectively. The decrease in gross profit margin was primarily attributable to some raw materials used in our production process increased.

### Selling Expenses

Total selling expenses increased THB107.6 million, or 19.9%, from THB541.3 million for the three months ended June 30, 2021 to THB648.9 million for the three months ended June 30, 2022. The increase was primarily attributable to an increased advertising expenses, as well as the increase in freight, commission and incentive and sales promotion expenses due to an increased sales revenue.

### Administrative Expenses

Total administrative expenses decreased THB15.2 million, or 4.2%, from THB365.0 million for the three months ended June 30, 2021 to THB349.8 million for the three months ended June 30, 2022. The decrease was primarily attributable to a decrease in allowance for doubtful accounts.

### Profit for the period

Our profit for the period decreased THB176.4 million, or 32.4%, from THB544.1 million for the three months ended June 30, 2021 to THB367.7 million for the three months ended June 30, 2022. The decrease was primarily attributable to an increased selling expenses. Our net profit margin decreased from 12.0% for the three months ended June 30, 2021 to 7.0% for the three months ended June 30, 2022.

Income statement (THB million)	For the three months ended June 30,	
	2021	2022
Sales revenue	4,496.1	5,200.9
<b>Total revenues</b>	<b>4,536.6</b>	<b>5,234.4</b>
Cost of sales	2,976.4	3,641.8
Selling and administrative expenses	906.3	998.7
Losses (gains) on exchange rates and fair value of financial assets	(0.2)	105.1
<b>Profit before finance cost and income tax</b>	<b>654.1</b>	<b>488.8</b>
<b>Profit for the period</b>	<b>544.1</b>	<b>367.7</b>

## **Results of Operations for Six Month Period of Year 2022**

### **Sales Revenue**

For the six months ended June 30, 2021 and 2022, our sales revenue amounted to THB8,918.4 million and THB10,166.3 million, respectively, which increased THB1,247.9 million, or 14.0%. The increase derived primarily from an increase in decorative paint and coating products sales revenue due to an increased average selling price and an increase in non-decorative paint and coating products sales revenue due to the increase in sales volume and average selling price. By distribution channel, the increase in sales revenue derived from all channels due mainly to the increase in both sales volume and average selling price. By customer location, sales revenue increased from both products sold to customers in Thailand sales revenue and overseas countries sales revenue, which were primarily attributable to the increased sales volume and the increased average selling price.

### **Cost of Sales**

Our cost of sales increased THB1,366.7 million, or 23.6%, from THB5,786.0 million for the six months ended June 30, 2021 to THB7,152.7 million for the six months ended June 30, 2022. The increase was primarily attributable to an increased sales volume, as well as average cost per unit of some raw materials used in our production process increased.

### **Gross Profit**

For the six months ended June 30, 2021 and 2022, gross profit amounted to THB3,132.4 million and THB3,013.6 million, respectively, or as a percentage of sales revenue, 35.1% and 29.6%, respectively. The decrease in gross profit margin was primarily attributable to some raw materials used in our production process increased.

### **Selling Expenses**

Total selling expenses increased THB165.6 million, or 15.6%, from THB1,063.1 million for the six months ended June 30, 2021 to THB1,228.7 million for the six months ended June 30, 2022. The increase was primarily attributable to an increased advertising expenses, as well as the increase in freight, commission and incentive and sales promotion expenses due to an increased sales revenue.

### **Administrative Expenses**

Total administrative expenses decreased THB2.3 million, or 0.3%, from THB672.9 million for the six months ended June 30, 2021 to THB670.6 million for the six months ended June 30, 2022.

### **Profit for the period**

Our profit for the period decreased THB436.6 million, or 36.0%, from THB1,214.4 million for the six months ended June 30, 2021 to THB777.8 million for the six months ended June 30, 2022. The decrease was primarily attributable to an increased selling expenses and a decreased gross profit. Our net profit margin decreased from 13.5% for the six months ended June 30, 2021 to 7.6% for the six months ended June 30, 2022.

Income statement (THB million)	For the six months ended June 30,	
	2021	2022
Sales revenue	8,918.4	10,166.3
<b>Total revenues</b>	<b>8,992.9</b>	<b>10,231.6</b>
Cost of sales	5,786.0	7,152.7
Selling and administrative expenses	1,736.0	1,899.3
Losses (gains) on exchange rates and fair value of financial assets	(55.1)	142.2
<b>Profit before finance cost and income tax</b>	<b>1,526.0</b>	<b>1,037.4</b>
<b>Profit for the period</b>	<b>1,214.4</b>	<b>777.8</b>

## Financial Position

### Total Assets

As at December 31, 2021 and as at June 30, 2022, we had total assets of THB18,496.6 million and THB19,637.0 million, respectively. Our assets were mainly consisting of cash and cash equivalents, financial assets measured at fair value through profit or loss, trade and other receivables, inventories, property, plant and right-of-use assets. The increase in our total assets as at June 30, 2022 was primarily attributable to the increase in trade and other receivables, inventories, properties, plant and equipment and good will.

### Total Liabilities

As at December 31, 2021 and as at June 30, 2022, we had total liabilities of THB6,045.5 million and THB6,418.4 million, respectively. Our liabilities were mainly consisting of trade and other payables, lease liabilities and employee benefit obligations. The increase in our total liabilities as at June 30, 2022 was primarily attributable to an increased trade and other payables due to an increased raw materials price.

**Total Shareholders' Equity**

As at December 31, 2021 and as at June 30, 2022, we had total shareholders' equity THB12,451.1 million and THB13,218.6 million, respectively. The increase in total shareholders' equity as at June 30, 2022 was primarily attributable to an increase in unappropriated retained earnings from our operations.

<b>Statement of financial position (THB million)</b>	<b>As at December 31, 2021</b>	<b>As at June 30, 2022</b>
<b>Total assets</b>	<b>18,496.6</b>	<b>19,637.0</b>
Total liabilities	6,045.5	6,418.4
Total shareholders' equity	12,451.1	13,218.6
<b>Total liabilities and shareholders' equity</b>	<b>18,496.6</b>	<b>19,637.0</b>

Please be informed accordingly,

Yours Sincerely,

(Ms. Taweepon Patanakitraung)

Chief Financial Officer