

**Taokaenoi Food and Marketing Public Company Limited**



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

**FOR QUARTER 3/2022**



November 9, 2022

To President  
The Stock Exchange of Thailand

Subject Management Discussion and Analysis for the Third Quarter ended September 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 nine-month periods ended September 30, 2022, which may be summarized as follows:

Consolidated Financial Statements	3rd Quarter (July-September)				
	Q3/ 2022		Q3/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,208.7	100.0 %	830.7	100.0 %	45.5 %
Cost of Sales	(840.1)	(69.5 %)	(670.9)	(80.8 %)	25.2 %
Gross Margin	368.6	30.5 %	159.8	19.2 %	130.7 %
Distribution Costs	(127.6)	(10.6 %)	(86.1)	(10.4 %)	48.2 %
Administrative Expenses	(79.1)	(6.5 %)	(69.7)	(8.4 %)	13.4 %
Profit before Income Tax Expenses	190.2	15.7 %	17.7	2.1 %	975.8 %
Income Tax Expenses	(10.0)	(0.8 %)	1.6	0.2 %	(743.6 %)
Net Profit : Owners of the Parent	180.0	14.9 %	19.3	2.3 %	835 %

Consolidated Financial Statements	9M (January - September)				
	9M/ 2022		9M/ 2021		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	3,135.1	100.0 %	2,533.7	100.0 %	23.7 %
Cost of Sales	(2,258.5)	(72.0 %)	(1,965.4)	(77.6 %)	14.9 %
Gross Margin	876.6	28.0 %	568.3	22.4 %	54.3 %
Distribution Costs	(343.7)	(11.0 %)	(276.6)	(10.9 %)	24.3 %
Administrative Expenses	(233.8)	(7.5 %)	(209.9)	(8.3 %)	11.4 %
Profit before Income Tax Expenses	338.9	10.8 %	105.8	4.2 %	220.3 %
Income Tax Expenses	(25.4)	(0.8 %)	(8.5)	(0.3 %)	199.6 %
Net Profit : Owners of the Parent	313.6	10.0 %	97.7	3.9 %	221.0 %

บริษัท เต้าแกนน้อย ฟู๊ดแมร์เก็ตติ้ง จำกัด (มหาชน)

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Consolidated Financial Statements	3rd Quarter (July-September) vs. 2nd Quarter (April-June)				
	Q3/ 2022		Q2/ 2022		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,208.7	100.0 %	958.2	100.0 %	26.1 %
Cost of Sales	(840.1)	(69.5 %)	(704.9)	(73.6 %)	19.2 %
Gross Margin	368.6	30.5 %	253.4	26.4 %	45.5 %
Distribution Costs	(127.6)	(10.6 %)	(103.4)	(10.8 %)	23.4 %
Administrative Expenses	(79.1)	(6.5 %)	(79.5)	(8.3 %)	(0.6 %)
Profit before Income Tax Expenses	190.2	15.7 %	77.2	8.1 %	146.3 %
Income Tax Expenses	(10.0)	(0.8 %)	(6.4)	(0.7 %)	55.8 %
Net Profit : Owners of the Parent	180.0	14.9 %	70.8	7.4 %	154.2 %

#### Revenue from Sales

The Company has revenue from sales in the third quarter in the amount of 1,208.7 million Baht **increased by 45.5 percent** compared to the same quarter of the previous year (increased by 26.1 percent from Q2/2022) and has revenue from sales in the first nine months in the amount of 3,135.1 million Baht increased by 23.7 percent compared to the same period of the previous year. Sales in the third quarter in the amount of 1,208.7 million Baht are regarded as the quarter in which the Company was able to generate the highest sales over the past 3 years since the outbreak of COVID-19 in early 2020, representing a solid growth in both domestic and international markets from new products, particularly roasted seaweed, coupled with growth from expansion of channels, particularly in international markets, e.g., USA, Malaysia and Vietnam, with significant growth this year. Such growth was due to both external factors from the mitigation of COVID-19 situations, causing consumers to start spending and the number of tourists to gradually increase, and internal factors of the Company focusing on enhancement of its production efficiency along with management of sales promotion and marketing expenses with maximum effectiveness among target consumer group, both online and offline channels.

In the third quarter, the Company's domestic sales accounted for 37 percent against 63 percent of international sales.

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**Domestic Sales:** Revenue from sales in the third quarter is 444.6 million Baht **increased by 51.6 percent** compared to the same quarter of the previous year (increased by 22.8 percent from Q2/2022) and total sales in the first nine months amount to 1,182.5 million Baht increased by 11.0 percent compared to the same period of the previous year.

Sales in this third quarter represents the highest sales over the past 3 years since the outbreak of COVID-19 in early 2020. Such increase in sales was due to seaweed products which focused on new product launch, namely in the third quarter, the Company launched new products to the market, i.e., 15g and 4g roasted seaweed in new packages using BT21 cartoon characters, created from BTS band in Korea, which were well received by consumers. In addition, the overall growth in salty snacks market, particularly seaweed, continued to recover since early this year by more than 20% in this year, whereby the Company, as the leader in seaweed snacks, still maintains its market share at 63%.

The Company focused more on sales promotional activities in crispy seaweed products, which is the majority market, along with ongoing marketing activities aimed at seaweed consumer target group, thereby resulting in such drastic growth in sales via every channel.

**International Sales:** Revenue from sales in the third quarter is 764.1 million Baht **increased by 42.2 percent** compared to the same quarter of the previous year (increased by 28.2 percent from Q2/2022) and total sales in the first nine months amount to 1,952.7 million Baht increased by 33.0 percent compared to the same period of the previous year. Similar to domestic sales, international sales improved in this third quarter, representing the highest growth over the past 3 years since the outbreak of COVID-19 in early 2020, and also marked the recovery in both China and other international markets, e.g., USA, Indonesia, Malaysia and Vietnam. Revenue from sales in China market in the third quarter amounts to 316.5 million Baht increased by 42.1 percent from Q2/2022, due to the improved economic expansion and the continued sales promotion and marketing campaigns. Despite the fact that China has not yet lifted its Zero COVID-19 measures, its economic figures, namely gross domestic products (GDP) in Q3/2022 increased at 3.9 percent, which was better than merely 0.4 percent in the second quarter.

Moreover, revenue from sales in other international markets in the third quarter is 447.6 million Baht increased by 19.9 percent from Q2/2022, representing a solid and continued growth since early this year. Major countries, namely, USA, Indonesia and Malaysia, accounted for significant growth in sales in respect of new products, along with continued channel expansion and promotional and marketing campaigns to reach more consumers.

International sales in the first nine months represented 62.3 percent of total sales, comprising 24.6 accounted for by China and 37.7 percent by other international markets.

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## Gross Margin

In the third quarter, the Company has gross profit of 368.6 million Baht representing 30.5 percent of revenue from sales. The ratio of gross profits to sales revenue is **increased by 11.3 percent** compared to the same quarter of the previous year (increased by 4.1 percent from Q2/2022). The significant increase in gross margin was due to improved management in various aspects, both in terms of growth in sales in the third quarter which increased by 45.5 percent, resulting in increased utilization of production capacity and more efficiency, and thereby causing the unit production costs to reduce, and optimizing the reduced unit labor costs from machinery implementation at full capacity. Moreover, the management of costs and discounts in sales promotional campaigns given to various shops focused on products which generated better gross margin and represented core products with high sales, and as such, such costs management directly applied to target products and effectively increased sales.

## Distribution Costs

The Company has the distribution costs in the third quarter in the amount of 127.6 million Baht representing 10.6 percent of revenue from sales. The ratio of distribution costs to sales revenue is **increased by 0.2 percent** compared to the same quarter of the previous year (decreased by 0.2 percent from Q2/2022). The Company has the distribution costs in the first nine months which account for 11.0 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 to improve the profitability. The Company focused its costs on such promotional and marketing activities for brand awareness to seaweed consumers in the channels with potential growth, e.g., online media. However, despite the increased domestic transportation costs due to the oil price increase, the tentative transport costs for export started to return to nearly normal like before COVID-19.

## Administrative Expenses

The Company has the administrative expenses in the third quarter in the amount of 79.1 million Baht representing 6.5 percent of revenue from sales. The ratio of administrative expenses to sales revenue is **decreased by 1.9 percent** compared to the same quarter of the previous year (decreased by 1.8 percent from Q2/2022). The total administrative expenses in the first nine months is in total amount of 233.8 million Baht representing 7.5 percent of revenue from sales which **decreased by 0.8 percent** compared to the same period of the previous year. The continued decrease in the ratio of administrative expenses to sales revenue was due to the higher growth in revenue, along with the control of the expenses in respect of both the number of staff and other expenses to be steady or slightly changed in each quarter.

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## Net Profit: Owners of the Parent

The Company has the net profit in the third quarter in the amount of 180.0 million Baht representing 14.9 percent of revenue from sales. The net profit in this third quarter increased by 835 percent compared to the same quarter of the previous year (increased by 7.5 from Q2/2022). Such significant increase in the net profit is a result of the sales growth in both domestic and international markets, thereby resulting in improved efficiency in production cost management and decreased unit costs, as well as efficiency in management of various expenses by maintaining the distribution costs to be slightly changed in proportion to sales and keeping the administrative expenses to remain steady, causing the ratio of net profit to sales revenue to increase.

The Company has the net profit in the first nine month in the total amount of 313.6 million Baht representing 10.0 percent of revenue from sales, whereby the ratio of net profit to sales revenue **increased by 6.1 percent** compared to the same period of the previous year.

## Business Trends in the Fourth Quarter of 2022

In the last quarter of 2022, the Company anticipates that sales would continue to improve in both domestic and international markets, whereby sales would be boosted by the increased number of tourists in Thailand, including several other countries. The Company focused on creating innovative products, including those popular among tourists which would start to return in the fourth quarter of this year. Despite the improved COVID-19 situations in China, Chinese tourists would not be coming back in this fourth quarter due to the Chinese government's continued implementation of the Zero COVID-19 policy. However, the Company has continued its marketing campaigns to increase sales in other international markets by focusing on expansion of customer base and new products, and the improved marine transportation circumstances since the third quarter would ensure the sufficient supply of containers for exports at manageable transportation costs.

With regard to the costs of raw materials and packages which tentatively continue to increase, the Company still manages the decreased unit production costs in compensation for the increased sales in the second half of the year and the Company would not revise the product prices in this year. The Company certainly continues to implement its "GO FIRM" policy to manage the internal costs with the optimum efficiency without affecting the overall profitability throughout this year and next year.

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Moreover, the Company is still committed to continued development of its good governance in order to carry on its business in compliance with good corporate governance in respect of environmental, social and governance (ESG) aspects in parallel to the business expansion for its operating results towards sustainable growth. In this connection, the Company has received a corporate governance scoring higher than 90% at the level of five stars or “Excellent” (Excellent CG Scoring) out of a total of 750 listed companies participating in the assessment by the Thai Institute of Directors (IOD), sponsored by the Stock Exchange of Thailand, as per the Corporate Governance Report of Thai Listed Companies 2022 (CGR) released on October 27, 2022.

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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