



TOA Paint (Thailand) Public Company Limited

Management Discussion & Analysis

For the 3rd quarter ended September 30th, 2022





- Translation -

No. TOA 22/2022

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Subject: Management Discussion and Analysis for the three months and nine months ended September 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 nine months ended September 30, 2022 as follows:

Management Discussion and Analysis

Results of Operations for the 3rd Quarter of Year 2022

Sales Revenue

For the three months ended September 30, 2021 and 2022, our sales revenue amounted to THB3,980.4 million and THB5,037.9 million, respectively, which increased THB1,057.5 million, or 26.6%. The increased sales revenue was attributable to an increased sales volume and an increased average selling price of both decorative paint and coating products and non-decorative paint and coating products. By distribution channel, the increase in sales revenue derived from all channels due mainly to an increased sales volume. By customer location, sales revenue increased from products sold to customers in Thailand and overseas countries, which was primarily attributable to an increased sales volume.

Cost of Sales

Our cost of sales increased THB853.3 million, or 30.7%, from THB2,777.5 million for the three months ended September 30, 2021 to THB3,630.8 million for the three months ended September 30, 2022. This increase was primarily attributable to average cost per unit of main raw materials used in our production process increased.

Gross Profit

For the three months ended September 30, 2021 and 2022, gross profit amounted to THB1,202.9 million and THB1,407.1 million, respectively, or as a percentage of sales revenue, 30.2% and 27.9%, respectively. The decrease in gross profit margin was primarily attributable to average cost per unit of main raw materials used in our production process increased.

Selling Expenses

Total selling expenses increased THB124.5 million, or 23.7%, from THB525.4 million for the three months ended September 30, 2021 to THB649.9 million for the three months ended September 30, 2022. An increased selling expenses was in line with an increased sales revenue.

Administrative Expenses

Total administrative expenses increased THB12.0 million, or 3.5%, from THB347.5 million for the three months ended September 30, 2021 to THB359.5 million for the three months ended September 30, 2022.

Profit for the period

Our profit for the period increased THB85.6 million, or 31.9%, from THB268.2 million for the three months ended September 30, 2021 to THB353.8 million for the three months ended September 30, 2022. This increase was primarily attributable to an increase in sales revenue partially offset by an increase in cost of sales due to an increased raw materials price and an increase in selling expenses. Our net profit margin increased from 6.7% for the three months ended September 30, 2021 to 6.9% for the three months ended September 30, 2022.

Income statement (THB million)	For the three months ended September 30,	
	2021	2022
Sales revenue	3,980.4	5,037.9
Total revenues	4,008.3	5,105.0
Cost of sales	2,777.5	3,630.8
Selling and administrative expenses	872.9	1,009.4
Losses (gains) on exchange rates and fair value of financial assets	6.2	(1.0)
Profit before finance cost and income tax	351.7	465.8
Profit for the period	268.2	353.8



Results of Operations for Nine - Month Period of Year 2022

Sales Revenue

For the nine months ended September 30, 2021 and 2022, our sales revenue amounted to THB12,898.8 million and THB15,204.2 million, respectively, which increased THB2,305.4 million, or 17.9%. The increased sales revenue was attributable to an increased sales volume and an increased average selling price of both decorative paint and coating products and non-decorative paint and coating products. By distribution channel, the increase in sales revenue derived from all channels, which was mainly attributable to the increased sales revenue in retail dealers and modern trade channel due to the increase in both sales volume and average selling price. By customer location, an increased sales revenue derived from an increased sales revenue of products sold to customers in Thailand due mainly to an increased sales volume, as well as an increased sales revenue in overseas countries due to an increased sales volume and an increased average selling price.

Cost of Sales

Our cost of sales increased THB2,219.9 million, or 25.9%, from THB8,563.6 million for the nine months ended September 30, 2021 to THB10,783.5 million for the nine months ended September 30, 2022. This increase was primarily attributable to an increased sales volume, as well as average cost per unit of main raw materials used in our production process increased.

Gross Profit

For the nine months ended September 30, 2021 and 2022, gross profit amounted to THB4,335.2 million and THB4,420.7 million, respectively, or as a percentage of sales revenue, 33.6% and 29.1%, respectively. The decrease in gross profit margin was primarily attributable to main raw materials used in our production process increased.

Selling Expenses

Total selling expenses increased THB290.2 million, or 18.3%, from THB1,588.4 million for the nine months ended September 30, 2021 to THB1,878.6 million for the nine months ended September 30, 2022. An increased selling expenses was in line with an increased sales revenue.

Administrative Expenses

Total administrative expenses increased THB9.6 million, or 0.9%, from THB1,020.5 million for the nine months ended September 30, 2021 to THB1,030.1 million for the nine months ended September 30, 2022.

Profit for the period

Our profit for the period decreased THB350.8 million, or 23.7%, from THB1,482.5 million for the nine months ended September 30, 2021 to THB1,131.7 million for the nine months ended September 30, 2022. This decrease was primarily attributable to an increase in cost of sales due to an increased raw materials price and an increase in selling expenses. Our net profit margin decreased from 11.4% for the nine months ended September 30, 2021 to 7.4% for the nine months ended September 30, 2022.

Income statement (THB million)	For the nine months ended September 30,	
	2021	2022
Sales revenue	12,898.8	15,204.2
Total revenues	13,001.2	15,336.5
Cost of sales	8,563.6	10,783.5
Selling and administrative expenses	2,608.9	2,908.7
Losses (gains) on exchange rates and fair value of financial assets	(48.9)	141.1
Profit before finance cost and income tax	1,877.6	1,503.2
Profit for the period	1,482.5	1,131.7

Financial Position

Total Assets

As at December 31, 2021 and as at September 30, 2022, we had total assets of THB18,496.6 million and THB19,775.6 million, respectively. Our assets as at September 30, 2022 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 equipment and right-of-use assets. The increase in our total assets as at September 30, 2022 was primarily attributable to the increase in property, plant and equipment and good will.

Total Liabilities

As at December 31, 2021 and as at September 30, 2022, we had total liabilities of THB6,045.5 million and THB6,624.6 million, respectively. Our liabilities as at September 30, 2022 were mainly consisting of trade and other payables, lease liabilities, employee benefit obligations and short-term loans from financial institutions. The increase in our total liabilities as at September 30, 2022 was primarily attributable to an increased trade and other payables.

**Total Shareholders' Equity**

As at December 31, 2021 and as at September 30, 2022, we had total shareholders' equity THB12,451.1 million and THB13,151.0 million, respectively. The increase in total shareholders' equity as at September 30, 2022 was primarily attributable to an increase in unappropriated retained earnings from our operations.

Statement of financial position (THB million)	As at December 31, 2021	As at September 30, 2022
Total assets	18,496.6	19,775.6
Total liabilities	6,045.5	6,624.6
Total shareholders' equity	12,451.1	13,151.0
Total liabilities and shareholders' equity	18,496.6	19,775.6

Please be informed accordingly,

Yours Sincerely,

(Ms. Taweepon Patanakitraung)

Chief Financial Officer