

Management Discuss and Analysis Year 2021 Ending 31 December 2021

Summary of operating performance	2020	2021	Change +/-
Unit: Million Baht			%YoY
Total Revenue	1,000.8	1,040.4	4.0%
Gross Profit	220.4	235.2	6.7%
Profit from operating activities	114.1	126.6	10.9%
Net Profit	90.6	98.8	9.1%
Gross Profit Margin (%)	22.1%	22.7%	0.6%
Operating Profit Margin (%)	11.4%	12.2%	0.8%
Net Profit Margin (%)	9.0%	9.5%	0.4%

2021 vs 2020

Nutrition SC Public Company Limited or "NTSC" and its subsidiaries ("NTSC group"), had total revenue in 2021 of 1,040.4 million baht. Increase of 39.6 million baht or 4.0% from 2020, with the growing steadily. This was primarily due to the food additives - Bulking Agent, Flavor and Power for customers in beverage producer business.

- Profit from operating was 12.6 million baht, increased by 12.5 million baht or 10.9% compared to 2020 and operating profit margin of 12.2%, increased by 0.8% due to the better control in costs and administrative expenses.
- Net profit equal to 98.8 million baht, increased by 8.2 million baht or 9.1% compared to 2020 and net profit margin of 9.5%, increased by 0.4%. This was primarily due to the better control in costs and administrative expenses.

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Business Overview

NTSC group main business is to import, manufacture and sell food ingredients to be used as raw materials or ingredients for customer cooking. The business can be classified into 2 segments: 1) Food additives for human and 2) Food additives for animals.

NTSC group 's customers are domestic customers, which can be divided into distributors in the food and feed industry, averaging about 90%-95% of sales revenue and ODM and OEM customers averaging about 5%-10% of sales revenue during 2020 - 2021.

Operating performance

Operating performance	2020	2021	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	997.1	1,037.9	4.1%
Total Cost of sales and services	(776.8)	(802.7)	3.3%
Gross Profit	220.4	235.2	6.7%
% Gross Profit Margin	22.1%	22.7%	0.6%
Other income	3.7	2.6	-29.7%
Total revenue	1,000.8	1,040.4	4.0%
Distribution costs	(36.1)	(36.5)	1.2%
Administrative expenses	(71.8)	(70.8)	-1.5%
Other profit	(2.0)	(3.9)	92.2%
Profit from operating activities	114.1	126.6	10.9%
Finance costs	(1.6)	(1.9)	16.7%
Tax expense	(21.9)	(25.9)	18.2%
Net Profit	90.6	98.8	9.1%
% Net Profit Margin	9.0%	9.5%	

2021's Operating results

Sales revenues for 2020 and 2021 amounted to 997.1 million baht and 1,037.9 million baht, respectively. Revenue growth in the 2021 came from the food additives - Bulking Agent, Flavor and Power for customers in beverage producer business.

Gross profit for 2020 and 2021 amounted to 220.4 million baht and 235.2 million baht, respectively, increased by 0.6% of the gross margin as NTSC group had better controls the costs associated with expired or obsolete goods and manages the cost of purchases more efficiently.

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Sales expenses for 2020 and 2021 amounted to 36.1 million baht and 36.5 million baht, respectively. The proportion of resale expenses to sales revenue was 3.6% and 3.5%, respectively. The main items were salesperson expenses, freight charges, and travel expenses such as tolls, fuel, etc.

Administrative expenses for 2020 and 2021 amounted to Baht 71.8 million and Baht 70.8 million, respectively. In the 2021, administrative expenses decreased from last year by 1.0 million baht, or 1.5%, primarily due to the better control in costs and administrative expenses.

Net profit for 2020 and 2021 amounted to 90.6 million baht and 98.8 million baht, respectively. Net profit margins of 9.0% and 9.5%, respectively. Net profit for 2021 increased from the same period last year by 8.2 million baht due to the better control in costs and administrative expenses.

Financial Position

Total Financial Position (Million Baht)	31 December 2020	31 December 2021	% Change
Total current assets	441.3	571.8	29.6%
Total non-current assets	202.4	314.1	55.2%
Total assets	643.8	885.8	37.6%
Total current liabilities	117.3	160.8	37.1%
Total non-current liabilities	12.2	112.0	815.3%
Total Liabilities	129.5	272.8	110.6%
Share capital	21.0	21.0	-
Share premium from share swap	135.9	135.9	-
Retained earnings	357.3	456.1	27.6%
Non-controlling interests	0.0	0.0	1.4%
Total shareholders' equity	514.2	613.0	19.2%

Assets

As of 31 December 2021, NTSC group had total assets of 885.8 million baht. The main items were inventories, trade receivables and other receivables, bank deposits with collateral obligations, and right of use, with total assets increasing from the end of 2020 to 242.1 million baht. The main item was an increase in Cash and cash equivalents 117.1 million baht, right of use 100.8 million baht, trade receivables and other receivables 21.9 million baht, building renovating 20.2 million baht and inventories of 14.5 million baht. Net with a decrease in derivative assets 26.6 million baht and bank deposits with collateral obligations 5.8 million baht.

Liabilities

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As of 31 December 2021, NTSC group had total liabilities of 272.8 million baht. The main items were trade payables and other payables and lease liabilities. Total liabilities increased from 31 December 2020 to 143.3 million baht. This was primarily due to an increase in lease liabilities of 98.9 million baht and account payables and other payables of 28.8 million baht.

Shareholders' Equity

As of 31 December 2021, Equity amounted to 613.0 million baht. The change in the equity of the owners is primarily due to the annual operating profit.

Significant financial ratios

Financial Ratios	2020	2021
Gross Profit Margin (%)	22.1%	22.7%
Net Profit Margin (%)	9.0%	9.5%
Earnings per share (THB)	2.2	2.4
Return on Assets (%)	14.5%	12.9%
Return on Equity (%)	17.6%	16.1%
Current ratio (Times)	3.8	3.6
Debt to Equity ratio (Times)	0.3	0.4
Book value per share (THB)	12.2	14.6

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	2020	2021	% Change
Cash flows from Operating Activities			
Net cash provided by operating activities	55.7	103.5	85.9%
Cash flows from Investing Activities			
Net cash used in (received) investing activities	(0.8)	8.2	1,119.0%
Cash flows from Financing Activities			
Net cash used (received) in financing activities	(49.3)	5.1	110.4%
Net increase in cash and cash equivalents	5.6	116.9	1,979.0%
Cash and cash equivalents at beginning of the period	14.1	19.9	40.8%
Gains and Losses on Exchange Rate	0.1	0.2	40.1%
Cash and cash equivalents at end of the period	19.9	136.9	588.8%

As of 31 December 2021, NTSC group had cash from operations in the amount of 103.5 million baht. This was primarily due to profit before tax of 124.7 million baht. This was adjusted for changes in non-cash transactions

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and non-operating activities totaling 16.0 million baht. Impact of changes in operating assets and liabilities totaling (13.7) million baht. It's all Adjustments for non-cash and non-operating activities were primarily driven by depreciation and amortization of 10.2 million baht, losses on inventories allowance of 1.8 million baht. For the changes in assets and liabilities operating, this was primarily due to an increase in trade receivables and other receivables of 22.2 million baht, an increase in inventories of 16.4 million baht and an increase in trade payables and other payables of 24.3 million baht.

Cash from investing activities amounted to 8.2 million baht. This was mainly due to the sale of open-ended mutual fund of 23.2 million baht, netting with the payment of the construction of the building in the amount of 24.0 million baht.

Cash from financing activities amounting to Baht 5.1 million. This was primarily due to the drawdown of overdraft amounted to 7.5 million baht and the repayment of the principal according to lease agreement of 2.4 million baht.