

Management Discuss and Analysis Quarter 3 Ending 30 September 2022

Summary of operating performance	9M21	9M22	Change +/-
Unit: Million Baht			%YoY
Total Revenue	780.1	797.5	2.2%
Gross Profit	177.2	181.3	2.3%
Profit from operating activities	92.7	82.5	-11.0%
Net Profit	73.3	62.8	-14.4%
Gross Profit Margin (%)	22.8%	22.8%	0.0%
Operating Profit Margin (%)	11.9%	10.3%	-1.5%
Net Profit Margin (%)	9.4%	7.9%	-1.5%

Q3/2022 vs Q3/2021

Nutrition SC Public Company Limited or "NTSC" and its subsidiaries ("NTSC group"), had total revenue in 9M22 of 797.5 million baht. Increase of 17.3 million baht or 2.2% from the 9M21, with the growing steadily. This was primarily due to the animal food additives business segment.

- Profit from operating was 82.5 million baht, decreased by 10.2 million baht or 11.0% compared to 9M21 and operating profit margin of 10.4% Decreased by 1.6% due to an increase in depreciation and amortization of rights.
- Net profit was equal to 62.8 million baht, decreased by 10.6 million baht or 1.5% compared to 9M21 and net profit margin of 7.9%. This was primarily due to the increase in service charges and the recording right of use, resulting in an increase in amortization.

Limited

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 2019-9M22.

Operating performance

Operating performance	9M2021	9M2022	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	778.3	796.4	2.3%
Total Cost of sales and services	(601.1)	(615.1)	2.3%
Gross Profit	177.2	181.3	-2.3%
% Gross Profit Margin	22.8%	22.8%	
Other income	1.8	1.1	-39.0%
Total revenue	780.1	797.5	2.2%
Distribution costs	(27.7)	(30.0)	8.4%
Administrative expenses	(53.0)	(69.0)	30.1%
Other profit	(5.6)	(1.0)	-83.2%
Profit from operating activities	92.7	82.5	-11.0%
Finance costs	(0.9)	(3.9)	341.8%
Tax expense	(18.5)	(15.8)	-14.5%
Net Profit	73.3	62.8	-14.4%
% Net Profit Margin	9.4%	7.9%	

9M2022's Operating results

Sales revenues for the periods 9M21 and 9M22 amounted to 778.3 million baht and 796.4 million baht, respectively. Revenue growth in the 9M22 period came from the animal feed additives segment.

Gross profit for the periods 9M21 and 9M22 amounted to 177.2 million baht and 181.3 million baht, respectively. This represented a similar gross margin of 22.8% as NTSC group had better controls the costs associated with expired or obsolete goods and manages the cost of purchases more efficiently.

Limited

Sales expenses for the periods 9M21 and 9M22 amounted to 27.7 million baht and 30.0 million baht, respectively. The proportion of resale expenses to sales revenue was 3.6% and 3.8%, respectively. The main items were salesperson expenses, freight charges, and travel expenses such as tolls, fuel, etc.

Administrative expenses for the periods 9M21 and 9M22 amounted to Baht 53.0 million and Baht 69.0 million, respectively. In the 9M22 period, administrative expenses increased from the same period last year by 15.9 million baht, or 30.1%, primarily due to an increase in depreciation and amortization from rights of use 4.5 million baht, an increase in allowance for doubtful debt by 2.9 million baht, an increase in service 1.6 million baht (mainly from IT service fees), and increase in supplies 1.4 million baht, which most of them were pallet purchase items for use in new warehouses in the 9M22 range.

Net profit for the periods 9M21 and 9M22 amounted to 73.3 million baht and 62.8 million baht, respectively. Net profit margins of 9.4% and 7.9%, respectively. Net profit for the period 9M22 decreased from the same period last year by 10.6 million baht due to the increased administrative expenses.

Financial Position

Total Financial Position (Million Baht)	31 December 2021	30 September 2022	% Change
Total current assets	571.8	693.2	21.2%
Total non-current assets	314.1	367.4	17.0%
Total assets	885.8	1,060.6	19.7%
Total current liabilities	160.8	258.6	60.8%
Total non-current liabilities	112.0	186.3	66.3%
Total Liabilities	272.8	444.8	63.1%
Share capital	21.0	21.0	-
Share premium from share swap	135.9	135.9	-
Retained earnings	456.1	458.9	0.6%
Non-controlling interests	0.0	0.0	5.3%
Total shareholders' equity	613.0	615.8	0.4%

Assets

As of 30 September 2022, NTSC group had total assets of 1,060.6 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 2021 to 174.8 million baht. The main items were an increase in inventories of 82.4 million baht, an increase in cash and cash equivalents 50.7 million baht and the construction of new warehouse buildings and renovations totaling 48.1 million baht, netting with a decrease in trade receivables and other receivables of 13.3 million baht.

Limited

Liabilities

As of 30 September 2022, NTSC group had total liabilities of 444.8 million baht. The main items were liabilities under trust receipt and trade payables and other payables. Total liabilities increased from 31 December 2021 amounting to 172.0 million baht. This was primarily due to an increase in debt under the trust receipt of 125.7 million baht and loans from financial institutions totaling 70.5 million baht, netting with a decrease in overdrafts of 21.3 million baht.

Shareholders' Equity

At the end of the period of 9M22, Equity amounted to 615.8 million baht. The change in the equity of the owners is primarily due to the annual operating profit and dividend payment. The 2022 Annual General Meeting of Shareholders approved the dividend payment at the rate of 1.43 baht per share. The total amount is 60.0 million baht.

Significant financial ratios

Financial Ratios	Q3	
	2021	2022
Gross Profit Margin (%)	22.8%	22.8%
Net Profit Margin (%)	9.4%	7.9%
Earnings per share (THB)	1.7	1.5
Return on Assets (%)	12.0%	9.1%
Return on Equity (%)	16.0%	14.3%
Current ratio (Times)	2.8	2.7
Debt to Equity ratio (Times)	0.7	0.7
Book value per share (THB)	14.0	14.7

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	9M2021	9M2022	% Change
Cash flows from Operating Activities			
Net cash provided by operating activities	63.5	(6.8)	-110.8%
Cash flows from Investing Activities			
Net cash used in investing activities	19.2	(55.8)	-390.9%
Cash flows from Financing Activities			
Net cash used in financing activities	(9.3)	113.1	-1,317.3%
Net increase (decrease) in cash and cash equivalents	73.4	50.5	-31.2%
Cash and cash equivalents at beginning of the period	19.9	136.9	588.8%

Limited

Gains and Losses on Exchange Rate	0.3	0.2	-4.9%
Cash and cash equivalents at end of the period	93.5	187.7	100.7%

As of 30 September 2022, NTSC group had cash from operations in the amount of (6.8) million baht. This was primarily due to profit before tax of 78.6 million baht. This was adjusted for changes in non-cash transactions and non-operating activities totaling 20.9 million baht. Impact of changes in operating assets and liabilities totaling (74.6) million baht It's all Adjustments for non-cash and non-operating activities were primarily driven by depreciation and amortization of 11.2 million baht, reversal of expected credit loss of 2.6 million baht and losses on inventories allowance of 2.0 million baht. For changes in assets and liabilities operating, this was primarily due to an increase in inventories of 84.5 million baht and a decrease in trade receivables and other receivables of 10.6 million baht.

Cash from investing activities amounted to (55.8) million baht. This was mainly due to the payment of the construction of the warehouse building in the amount of 57.7 million baht and a reduction in collateralized deposits of 3.8 million baht.

Cash from financing activities amounting to Baht 113.1 million. This was primarily due to the drawdown of loans under the trust receipt amounting to 125.7 million baht, financial institution loans amounted to 49.2 million baht. and dividend payment of 60.0 million baht.