

Date 24 February 2023

Subject Management's Discussion and Analysis of the Financial Statements for the year ended 31 December 2022.

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the year ended 31 December 2022, both Thai and English, 1 set for each

NSL Foods Public Company Limited ("NSL") would like to submit the Company's audited financial statements for the year ended 31 December 2022.

The operation result of NSL for the year ended 31 December 2022 registered a net profit amounting to 297.60 THB million. Please see further details in the Management's Discussion and Analysis of the financial statements for the year ended 31 December 2022 as attached.

Best regards,

*Somchai Asavapiyanond*

(Mr. Somchai Asavapiyanond)

President

## NSL Foods Public Company Limited

### Management Discussion and Analysis for the year ended 31 December 2022

#### Business Overview

#### Summary of operating performance of 2022

Operating Performance	2022	2021	Increase (Decrease)	%Increase (Decrease)
Sales	4,001.5	3,038.3	963.2	31.7%
Other income	8.3	4.6	3.7	80.8%
<b>Total Revenues</b>	<b>4,009.8</b>	<b>3,042.9</b>	<b>966.9</b>	<b>31.8%</b>
Cost of sales	3,259.3	2,496.7	762.7	30.5%
Distribution costs	267.1	203.8	63.3	31.1%
Administrative expenses	101.4	93.2	8.1	8.7%
<b>Profit from Operating Activities</b>	<b>381.9</b>	<b>249.2</b>	<b>132.7</b>	<b>53.3%</b>
Finance costs	10.3	16.8	(6.5)	(38.8%)
<b>Profit before income tax</b>	<b>371.6</b>	<b>232.4</b>	<b>139.2</b>	<b>59.9%</b>
Income tax expenses	74.0	41.3	32.8	79.4%
<b>Net Profit</b>	<b>297.6</b>	<b>191.1</b>	<b>106.5</b>	<b>55.7%</b>

#### Revenue

Revenue Structure	2022		2021		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	4,001.5	99.8%	3,038.3	99.8%	963.2	31.7%
- Bakery and appetizers	3,643.4	90.9%	2,791.2	91.7%	852.2	30.5%
- Snack under NSL's brands and trading	34.9	0.9%	24.9	0.8%	10.0	40.1%
- Food Services	288.3	7.2%	207.3	6.8%	80.9	39.0%
- OEM and others	34.9	0.9%	14.9	0.5%	20.0	134.6%
Other income	8.3	0.2%	4.6	0.2%	3.7	80.8%
<b>Total Revenue</b>	<b>4,009.8</b>	<b>100.0%</b>	<b>3,042.9</b>	<b>100.0%</b>	<b>966.9</b>	<b>31.8%</b>

#### Revenue

In 2022, NSL's revenue from sales and other income were accounted for 99.8% and 0.2% of total revenue, respectively. Revenue from sales comprises products of bakery, appetizers, products by NSL's brands and trading, food services, OEM and others.

In 2022, NSL had revenue from sales of 4,001.5 THB millions, increased from 2021 by 963.2 THB millions or accounted for the increase of 31.7%, mainly due to COVID-19 pandemic situation was the most severe in Thailand in Q321 but in this year, COVID-19 pandemic situation could recover and more relax since Q421 and partner emphasize delivery sales and promotion continuously in the result of sales increasing. Moreover,

the revenue from food services increased from the same period of the previous year, due to COVID-19 pandemic situation could recover and more relax.

### **Other income**

In 2022, NSL's other income increased from 2021 by 3.7 THB million, from the support of marketing expenses to boost sales.

### **Cost of sales and Gross profit**

Description	2022		2021		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	4,001.5	100.0%	3,038.3	100.0%	963.2	31.7%
Cost of sales	3,259.3	81.5%	2,496.7	82.2%	762.7	30.5%
Gross Profit	742.1	18.5%	541.6	17.8%	200.5	37.0%

In 2022, gross profit margin was improved from the same period of the previous year mainly due to in 2021, COVID-19 pandemic situation was the most severe in Thailand so sales dramatically decreased but in this year, the situation has returned to normal and although raw material cost increased, however, NSL has adjusted price of some products thus they are partially offsetting the increase in raw material costs.

### **Distribution Costs**

Distribution Costs	2022		2021		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	3.4	0.1%	9.0	0.3%	(5.5)	(61.8%)
Sales transportation expenses	196.5	4.9%	142.2	4.7%	54.3	38.2%
Salaries, wages, overtime, bonuses, and employee benefits	47.9	1.2%	35.2	1.2%	12.7	36.2%
Other distribution costs	19.2	0.5%	17.4	0.6%	1.8	10.3%
<b>Total Distribution costs</b>	<b>267.1</b>	<b>6.7%</b>	<b>203.8</b>	<b>6.7%</b>	<b>63.3</b>	<b>31.1%</b>

The distribution costs in 2022 increased from the same period of the previous year by 63.3 THB million. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Moreover, Salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in sales and marketing department.

### **Administrative Expenses**

Administrative Expenses	2022		2021		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	65.7	1.6%	64.9	2.1%	0.8	1.3%
Consulting fees and service fees	13.2	0.3%	11.4	0.4%	1.8	15.6%
Depreciation and amortization	3.7	0.1%	2.7	0.1%	1.0	36.7%
Utilities and equipment repair and transportation expenses	4.3	0.1%	3.4	0.1%	0.9	25.2%
Other administrative expenses	14.6	0.4%	10.9	0.4%	3.7	33.9%
<b>Administrative Expenses</b>	<b>101.4</b>	<b>2.5%</b>	<b>93.2</b>	<b>3.1%</b>	<b>8.1</b>	<b>8.7%</b>

Administrative expenses in 2022 were increased from the same period of the previous year mainly due to loss on exchange rate, increasing in electricity fee and consulting fees and service fees.

### **Finance Costs**

Finance Costs	2022	2021	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	10.3	16.8	(6.5)	(38.8%)

In 2022, finance costs had decreased when compare with the same period of the previous year, caused by the repayment of borrowings from a financial institution and had paid borrowings from a financial institution from IPO fund by 350 THB million in May 2021 and decreasing in interest rate since mid of 2021.

### **Net profit and Net profit margin**

Net profit and Net profit margin	Unit	2022	2021	Increase	% Increase
				(Decrease)	(Decrease)
Net profit	MB	297.6	191.1	106.5	55.7%
Net profit margin (%)	%	7.4%	6.3%	1.1%	

In 2022, NSL had net profit of 297.6 THB million, accounted for net profit margin of 7.4% higher than the previous year. It resulted from increasing in revenue from recovery of COVID-19 situation in this period while in Q321, COVID-19 pandemic situation was the most severe in Thailand so sales dramatically decreased in Q321 and although raw material cost and fuel cost increased, however, NSL has adjusted price of some products thus they are partially offsetting the increase in raw material costs.

## Financial Position

Financial Position	31-Dec-22	31-Dec-21	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,289.7	2,110.9	178.8	8.5%
Total Liabilities	883.6	858.9	24.7	2.9%
Total Shareholders' Equity	1,406.1	1,252.0	154.1	12.3%

## Assets

Assets	31-Dec-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Dec-22
Cash and cash equivalents	115.1	459.3	(344.2)	(74.9%)	5.0%
Trade and other current receivables	595.4	496.3	99.1	20.0%	26.0%
Inventories	267.1	188.8	78.3	41.4%	11.7%
Property, plant and equipment and Right-of-use assets	969.7	925.8	43.9	4.7%	42.4%
Other assets	342.3	40.7	301.6	742.0%	14.9%
<b>Total Assets</b>	<b>2,289.7</b>	<b>2,110.9</b>	<b>178.8</b>	<b>8.5%</b>	<b>100.0%</b>

NSL's total assets in 2022 increased from the previous year, mainly due to the increase of Trade and other current receivables and inventories based on sales growth and investing in machinery and equipment. Moreover, other assets increase, and Cash and cash equivalents decrease from investing in fixed deposit and mutual fund by 300 THB million.

## Liabilities

Liabilities	31-Dec-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Dec-22
Trade and other current payables	559.5	453.2	106.2	23.4%	24.4%
Long-term borrowings from a financial institution	234.3	316.7	(82.4)	(26.0%)	10.2%
Lease liabilities	12.7	10.2	2.5	24.4%	0.6%
Other liabilities	77.1	78.7	(1.6)	(2.0%)	3.4%
<b>Total Liabilities</b>	<b>883.6</b>	<b>858.9</b>	<b>24.7</b>	<b>2.9%</b>	<b>38.6%</b>

NSL's total liabilities in 2022 was increased from the previous year mainly caused by trade and other current payables increased by 106.2 THB million based on purchasing increase. However, borrowings from a financial institution decreased due to the repayment of the borrowings and decreasing of income tax payable from income tax payable last year and mid-year tax was paid in this year.

## Shareholder's Equity

Shareholder's Equity	31-Dec-22	31-Dec-21	Increase	%Increase	% Proportion per total assets
	MB	MB	(Decrease)	(Decrease)	31-Dec-22
Issued and paid-up share capital	300.0	300.0	0.0	0.0%	13.1%
Premium on ordinary shares	797.4	797.4	0.0	0.0%	34.8%
Retained earnings - Legal reserve	30.0	30.0	0.0	0.0%	1.3%
Retained earnings - Unappropriated	278.7	124.6	154.1	123.6%	12.2%
<b>Total Shareholders' Equity</b>	<b>1,406.1</b>	<b>1,252.0</b>	<b>154.1</b>	<b>12.3%</b>	<b>61.4%</b>

Shareholders' equity in 2022 was 1,406.1 THB million, increased by 154.1 THB million or accounted for 12.3%. It resulted from the increase of retained earnings from net profit during the period by 297.6 THB million and other comprehensive income by 6.5 THB million. There was dividend payment in 2022 by 150 THB million.

## Key Financial Ratios

Financial Ratio	Unit	For the fiscal year ended		
		31-Dec-22	31-Dec-21	Increase (Decrease)
Current ratio	times	1.7	1.8	(0.1)
Quick ratio	times	0.9	1.5	(0.6)
Return on Assets (ROA)	%	13.5%	10.4%	3.1%
Return on Equity (ROE)	%	22.4%	22.4%	0.0%
Debt to Equity ratio (D/E Ratio)	times	0.6	0.7	(0.1)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.5	0.9	(0.4)
Debt Service Coverage ratio (Cash Basis)	times	0.5	0.3	0.2

### **Current ratio and Quick ratio**

At the end of 2022, the current ratio and the quick ratio decreased comparing with the previous year from investing in fixed deposit and mutual fund.

### **Return on Assets (ROA)**

At the end of 2022, return on assets increased to 13.5%, mainly due to the increase of net profit.

### **Return on Equity (ROE)**

Return on equity at the end of 2022 were relatively stable when compare with the previous year.

**Debt-to-Equity ratio (D/E ratio) and Bank debt to EBITDA ratio (Bank Debt / EBITDA)**

At the end of 2022, debt-to-equity ratio (D/E ratio) and bank debt to EBITDA ratio (Bank Debt / EBITDA) decreased comparing with the previous year from the repayment of the borrowings.

**Debt service coverage ratio**

The debt service coverage ratios in 2022 was 0.5 times which were lower than 1.0 time. It resulted from the repayment of loan from a financial institution from IPO fund and normal repayment, dividend payment and investing in temporary investments. However, NSL has never defaulted on repayment of loans and interests. In addition, NSL has cash and cash equivalents and undrawn reserve limit to support financial liquidity in 9M22, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 91.21 THB million.