



# TOA Paint (Thailand) Public Company Limited

## Management Discussion & Analysis

For the 4<sup>th</sup> quarter ended December 31<sup>st</sup>, 2022





- Translation -

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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 year ended December 31, 2022 as follows:

## Results of Operations

### Results of Operations for the 4<sup>th</sup> Quarter of Year 2022

#### **Sales Revenue**

For the three months ended December 31, 2021 and 2022, our sales revenue amounted to THB4,671.6 million and THB5,445.2 million, respectively, which increased THB773.5 million, or 16.6%. The increase derived primarily from an increase in decorative paint and coating products sales revenue due to the increase in average selling price and sales volume, as well as an increase in non-decorative paint and coating products sales revenue due mainly to an increased sales volume. By distribution channel, sales revenue increased in all channels due to the increase in both sales volume and average selling price. By customer location, sales revenue increased from products sold to customers in Thailand due to the increase in both sales volume and average selling price.

#### **Cost of Sales**

Our cost of sales increased THB602.2 million, or 18.5%, from THB3,259.7 million for the three months ended December 31, 2021 to THB3,862.0 million for the three months ended December 31, 2022. This increase was primarily attributable to average cost per unit of main raw materials used in our production process increased and sales volume increased.

#### **Gross Profit**

For the three months ended December 31, 2021 and 2022, gross profit amounted to THB1,411.9 million and THB1,583.2 million, respectively, or as a percentage of sales revenue, 30.2% and 29.1%, 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 THB136.3 million, or 23.1%, from THB588.9 million for the three months ended December 31, 2021 to THB725.2 million for the three months ended December 31, 2022. This increase was primarily attributable to the increase in sales promotion expenses, commission and incentive and freight expenses.

**Administrative Expenses**

Total administrative expenses increased THB49.5 million, or 15.6%, from THB317.8 million for the three months ended December 31, 2021 to THB367.3 million for the three months ended December 31, 2022. This increase was primarily attributable to an increased administrative employee costs from Company's new businesses.

**Profit for the period**

Our profit for the period decreased THB186.0 million, or 39.4 %, from THB472.5 million for the three months ended December 31, 2021 to THB286.5 million for the three months ended December 31, 2022. This decrease was primarily attributable to an increase in cost of goods sold due to an increased average cost per unit of main raw materials and an increased selling expenses. Our net profit margin decreased from 10.0% for the three months ended December 31, 2021 to 5.2% for the three months ended December 31, 2022.

Income statement (THB million)	For the three months ended December 31,	
	2021	2022
Sales revenue	4,671.6	5,445.2
<b>Total revenues</b>	<b>4,706.8</b>	<b>5,489.6</b>
Cost of sales	3,259.7	3,862.0
Selling and administrative expenses	906.7	1,092.5
Losses (gains) on exchange rates and fair value of financial assets measured at fair value through profit or loss	(71.1)	112.7
<b>Profit before finance cost and income tax</b>	<b>611.5</b>	<b>422.4</b>
<b>Profit for the period</b>	<b>472.6</b>	<b>286.5</b>

**Results of Operations for Year 2022****Sales Revenue**

For the year ended December 31, 2021 and 2022, our sales revenue was THB17,570.5 million and THB20,649.4 million, respectively, which increased THB3,078.9 million, or 17.5%. The increase derived primarily from the increase in all products sales revenue due to the increase in average selling price and sales volume. By distribution channel, sales revenue increased in all channels due to the increase in average selling price and sales volume. By customer location, the increased sales revenue of products sold to customers in Thailand and overseas countries, which derived from the increase in sales volume and average selling price.

Sales by product group	Year ended December 31,			
	2021		2022	
	THB million	%	THB million	%
Decorative Products	11,078.0	63.0	12,421.1	60.2
Non-decorative Products	5,938.3	33.8	7,400.2	35.8
Other Business Products <sup>(1)</sup>	554.2	3.2	828.1	4.0
<b>Sales</b>	<b>17,570.5</b>	<b>100.0</b>	<b>20,649.4</b>	<b>100.0</b>

Notes "Other Business Products" comprise sales of certain products to the related companies, such as raw materials and semi-finished materials.

Sales by distribution channel	Year ended December 31,			
	2021		2022	
	THB million	%	THB million	%
Retail Dealers	12,577.3	71.6	13,991.9	67.8
Modern Trade	3,450.0	19.6	4,429.0	21.4
Others <sup>(1)</sup>	1,543.2	8.8	2,228.5	10.8
<b>Sales</b>	<b>17,570.5</b>	<b>100.0</b>	<b>20,649.4</b>	<b>100.0</b>

Note: "Others" primarily comprise sales revenue from distribution through projects, exports and related companies.

Sales by geography	Year ended December 31,			
	2021		2022	
	THB million	%	THB million	%
Thailand	14,869.9	84.6	17,222.0	83.4
Overseas	2,700.6	15.4	3,427.4	16.6
Vietnam	1,397.2	8.0	1,887.9	9.1
Others <sup>(1)</sup>	1,303.4	7.4	1,539.5	7.5
<b>Sales</b>	<b>17,570.5</b>	<b>100.0</b>	<b>20,649.4</b>	<b>100.0</b>

Note: "Others" mainly comprise sales revenue from customers in Laos, Malaysia, Indonesia, Myanmar and Cambodia.

**Cost of sales**

Our cost of sales increased THB2,822.2 million, or 23.9%, from THB11,823.3 million for the year ended December 31, 2021 to THB14,645.5 million for the year ended December 31, 2022. This increase was primarily attributable to an increased sales volume and average cost per unit of main raw materials used in our production process increased.

**Gross Profit**

For the years ended December 31, 2021 and 2022, gross profit was THB5,747.2 million and THB6,003.9 million, respectively, or as a percentage of sales revenue, 32.7% and 29.1%, 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 THB426.4 million, or 19.6%, from THB2,177.3 million for the year ended December 31, 2021 to THB2,603.7 million for the year ended December 31, 2022. This increase was primarily attributable to the increase in freight expenses, commission and incentive, sales promotion expenses and advertising expenses.

**Administrative expenses**

Total administrative expenses increased THB59.2 million, or 4.4%, from THB1,338.2 million for the year ended December 31, 2021 to THB1,397.4 million for the year ended December 31, 2022. This increase was primarily attributable to an increased administrative employee costs from Company's new businesses.

**Profit for the year**

Our profit for the year decreased THB536.8 million, or 27.5 %, from THB1,955.1 million for the year ended December 31, 2021 to THB1,418.2 million for the year ended December 31, 2022. This decrease was primarily attributable to an increased cost of sales due to an increased raw materials price and an increased selling expenses. Our net profit margin decreased from 11.0% for the year ended December 31, 2021 to 6.8% for the year ended December 31, 2022.

Income statement (THB million)	Year ended December 31,	
	2021	2022
Sales revenue	17,570.5	20,649.4
<b>Total revenues</b>	<b>17,707.9</b>	<b>20,826.1</b>
Cost of sales	11,823.3	14,645.5
Selling and administrative expenses	3,515.5	4,001.1
Losses (gains) on exchange rates and fair value of financial assets measured at fair value through profit or loss	(120.0)	253.9
<b>Profit before finance cost and income tax</b>	<b>2,489.1</b>	<b>1,925.6</b>
<b>Profit (loss) attributable to owners of the parent</b>	<b>1,955.1</b>	<b>1,418.2</b>

## Asset Management Ability

### 1. Current Assets

#### (1) Cash and Cash Equivalents

Our cash and cash equivalents consist of cash and bank deposits. As at December 31, 2021 and 2022, we had cash and cash equivalents of THB3,011.2 million and THB2,207.8 million, respectively. Our cash and cash equivalents were primarily affected by the increases and decreases of our net cash from or used in operating, investing and financing activities.

#### (2) Financial Assets Measured at Fair Value through Profit or Loss

As at December 31, 2021 and 2022, we had investments in financial assets measured at fair value through profit or loss of THB4,610.5 million and THB4,114.8 million, respectively. Our investments in financial assets measured at fair value through profit or loss was primarily from the operating profit.

#### (3) Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables from related and unrelated parties and other receivables, including accrued income. As at December 31, 2021 and 2022, we had trade and other receivables of THB3,237.1 million and THB3,640.0 million, respectively. The increase in trade and other receivables was primarily attributable to an increased sales revenue.

As of December 31, 2021 and 2022, the Company has an expected allowance for loss according to TFRS 9 amounting to THB344.7 million and THB283.6 million, respectively.

The Group applies the TFRS 9 with simplified approach in measuring the impairment of trade receivables and hire purchase receivables, which applies lifetime expected credit loss.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on payment profiles, historical credit losses as well as forward-looking information and factors that may affect the ability of the customers to settle the outstanding balances.

Average Collection Period was approximately 67 days and 63 days in 2021 and in 2022, respectively, which was consistent with the credit term of the Company, which is between 30-90 days.

#### (4) Current Portion of Long-term Hire Purchase Receivables

Current portion of long-term hire purchase receivables comprised hire purchase agreements for the Auto Tinting Machines which are due within one year. As at December 31, 2021 and 2022, our current portion of long-term hire purchase receivables was THB48.6 million and THB51.7 million, respectively.

#### (5) Inventories

Inventories consist of finished goods, work in process, raw materials, packing materials, spare parts and factory supplies, and goods in transit. As at December 31, 2021 and 2022, we had inventories of THB2,619.4 million and THB3,292.7 million, respectively. Inventories increased as at December 31, 2022 primarily due to the increase in the level of raw materials and finished goods.

Inventory days in 2021 and 2022 were approximately 32 days and 33 days, respectively.

We have a policy to establish provision for obsolete inventories by taking into the shelf life of each products.

## 2. Non-current Assets

#### (1) Long-term Hire Purchase Receivables not due within one year, Net of Current Portion

Long-term hire purchase receivables, net of current portion, comprised hire purchase agreements for the Auto Tinting Machines which are not due within one year. As at December 31, 2021 and 2022, we had long-term hire purchase receivables of THB166.6 million and THB185.3 million, respectively.



**(2) Investment Properties**

Investment properties relate to investment in real properties and comprise of a building in Huay Kapi district, Chonburi province. As at December 31, 2021 and 2022, investment properties were THB10.1 million and THB7.4 million, respectively.

**(3) Property, Plant and Equipment**

Property, plant, and equipment consist of land, land improvements, buildings and building improvement, machinery and equipment, furniture, fixtures and office equipment, motor vehicles, and assets under installation. As at December 31, 2021 and 2022, we had property, plant and equipment of THB2,704.6 million and THB3,480.6 million, respectively.

**(4) Intangible Assets**

Intangible assets comprise computer software and leasehold rights. As at December 31, 2021 and 2022, intangible assets was THB253.9 million and THB239.9 million, respectively.

**(5) Other non-current assets**

As at December 31, 2021 and 2022, we had other non-current assets THB64.9 million and THB 117.1 million, respectively. Other non-current assets increased as at December 31, 2022 derived primarily from the deposit for constructions of new distribution center in Vietnam.

**3. Current Liabilities****(1) Short-term Loans from Financial Institutions**

Our short-term loans from financial institutions represent promissory notes.

As at December 31, 2021 and 2022, we had short-term loans from financial institutions of THB289.1 million and THB101.3 million, respectively.

**(2) Trade and Other Payables**

Our trade and other payables consist of trade payables to our raw material suppliers and other payables to related and unrelated parties, as well as accrued expenses.

As at December 31, 2021 and 2022, we had trade and other payables of THB3,830.7 million and THB3,881.9 million, respectively. The increase in trade and other payables was primarily due to an increase in purchasing volume. The average days outstanding for trade and other payables were 74 days and 67 days in 2021 and 2022, respectively.

**(3) Income Tax Payable**

As at December 31, 2021 and 2022, income tax payable, being corporate income tax, was THB205.6 million and THB206.6 million, respectively.



#### 4. Non-current Liabilities

##### (1) Provision for Long-term Employee Benefits

As at December 31, 2021 and 2022, we had provision for long-term employee benefits of THB417.2 million and THB352.1 million, respectively. Provision for long-term employee benefits decreased as at December 31, 2022 primarily due to the employees' retirement.

#### 5. Shareholders' Equity

As at December 31, 2021 and 2022, our shareholders' equity was THB 12,451.1 million and THB 13,484.0 million, respectively. As at December 31, 2022, shareholders' equity consisted of paid up capital of THB2,029.0 million, share premium of THB5,761.5 million, appropriated-statutory reserve of THB202.9 million, unappropriated retained earnings of THB5,635.5 million less other components of shareholders equity of THB836.1 million and non-controlling interests of the subsidiaries of THB691.1 million.

As at December 31, 2021 and 2022, the Company's return on equity was 16.1% and 11.1%, respectively. The decrease in the Company's return on equity as at December 31, 2022, was primarily due to the decrease in profit for the period.

### Liquidity and Adequacy of Capital

#### 1. Liquidity

Our principal sources of liquidity are cash generated from our operations and loans from financial institutions. The availability of funding from external sources and the cost of such funding is subject to a number of factors that are beyond our control, including general economic and capital market conditions, interest rates, availability of credit from banks and other lenders, lender and/or investor confidence in TOA, tax and securities laws that may be applicable to us, and political and economic conditions in the markets in which we operate and internationally.

Our expectation of cash flow from operating activities, as well as cash and cash equivalents are adequate for the capital commitments.

## 2. Cash Flows

The following table sets out certain information from our consolidated condensed statements of cash flows for the periods indicated.

	Year Ended December 31,	
	2021	2022
Cash Flow Data:	THB million	THB million
Net cash flows from operating activities	2,529.6	1,369.8
Net cash flows used in investing activities	(743.9)	(940.2)
Net cash flows used in financing activities	(1,225.4)	(1,248.1)
Net increase(decrease) in cash and cash equivalents	560.3	(818.5)
Cash and cash equivalents at the beginning of the year	2,419.8	3,011.1
Exchange gain on cash and cash equivalents	31.1	15.2
Cash and cash equivalents at the end of the year	<b>3,011.2</b>	<b>2,207.8</b>

### (1) Operating Activities

Net cash flows from operating activities was THB1,369.8 million for the year ended December 31, 2022 and was primarily from our profit before tax for the period of THB1,887.4 million, as adjusted for reconciliation of net profit in cash receivable (payable) provided by operating activities of THB798.4 million, primarily comprising depreciation and amortization of THB669.8 million, and the increase in operating assets and liabilities of THB854.0 million, primarily comprising an increase of trade and other receivables of THB283.0 million and an increase of inventories of THB322.1 million partly offset by a decrease of trade and other payables THB103.6 million, including cash paid for corporate income tax of THB462.0 million.

### (2) Investing Activities

Net cash flows from investing activities were THB940.2 million for the year ended December 31, 2022, which was primarily from the acquisition of subsidiaries amounting to THB810.7 million, the purchase of property, plant and equipment amounting to THB524.0 million and the purchase of intangible assets amounting to THB38.3 million.

### (3) Financing Activities

Net cash flows used in financing activities was THB1,248.1 million for year ended December 31, 2022, which was primarily from dividend payment of THB907.4 million and the payment for lease liabilities of THB202.6 million.

**Analysis of Key Financial Ratios**

Set out below is a discussion of certain key financial ratios.

**1. Current Ratio**

As at December 31, 2021 and 2022, our current ratio was 3.00 times and 3.04 times, respectively.

**2. Total Liabilities to Equity Ratio**

As at December 31, 2021 and 2022, our total liabilities to equity ratio 0.49 times and 0.43 times, respectively. The total liabilities to equity ratio decreased as at December 31, 2022, primarily due to a decrease in liabilities.

**3. Interest-Bearing Debt to Equity Ratio**

As at December 31, 2021 and 2022, our interest-bearing debt to equity ratio was 0.12 times and 0.09 times, respectively.

Please be informed accordingly,

Yours Sincerely,

(Ms. Taweepon Patanakitraung)

Chief Financial Officer