

Date February 28, 2023

Subject: Management Discussion and Analysis for the three months and Year ended December 31, 2022

To: Director and Manager
Stock Exchange of Thailand

Delta Paint Public Company Limited (“the Company”) would like to clarify the operating results for the three months and year ended December 31, 2022 with the following details:

Results of Operations for the 4th Quarter of the Year 2022

Income Statement

(Million Baht)

	three-months	three-months	Change	
	period ended	period ended	Amount	Amount
	December 31,	December 31,		
	2021	2022		
Revenue from sales and services	197.3	250.3	53.0	26.9
Cost of sales and services	120.7	157.0	36.3	30.2
Gross profit	76.6	93.3	16.7	21.8
<i>Gross profit margin (%)</i>	38.9	37.3	(1.6)	(4.1)
Other revenues	3.0	2.9	(0.1)	(33.4)
Distribution Costs	54.6	57.3	2.7	4.9
Administrative expenses	9.5	15.9	6.4	67.4
Financial cost	1.4	0.9	(0.5)	(35.8)
Income tax expense	3.6	5.6	2.0	55.6
Net profit	10.5	16.5	6.0	57.2
<i>(Loss) attributable to Non-controlling interests of subsidiary</i>	0.6	(0.4)	(1.0)	(166.6)
Profit attributable to owners of the parent company	9.9	16.9	7.0	70.7
<i>Net profit margin (%)</i>	5.0	6.8	1.8	36.0
Earnings per share (Baht)	0.05	0.08	0.04	100.0

Revenue Structure Categorized by Product Grade

(Million Baht)

	three-months period ended December 31, 2021	%	three-months period ended December 31, 2022	%
Premium	76.7	38.8	100.8	40.2
Growth (%)	-		31.5	
Standard	59.2	30.0	71.6	28.5
Growth (%)	-		21.2	
Economy	61.4	31.2	77.9	31.3
Growth (%)	-		27.1	
Revenue from sales and services	197.3	100.0	250.3	100.0
% Growth	-		26.8	

Revenue from sales and services

For the three-months ended December 31, 2021 and 2022, The company had revenue from sales and services amount of THB197.3 million and THB250.3 million, respectively, which increased THB53.0 million, or 26.8%. The increase derived mainly from an increase in both sales volume and average selling price. By distribution channel, the increased sales revenue derived from all channels. The revenue can be categorized in premium, standard, and economy in the proportion of 40.2 percent, 28.5 percent, and 31.3 percent respectively.

Cost of Sales and Services

For the three-months ended December 31, 2021 and 2022, The company had Cost of Sales and Services amount to THB120.7 million and THB157.0 million, respectively, which increased THB36.4 million, or 30.1%. The increase was primarily attributable to an increased sales volume.

Gross Profit

For the three-months ended December 31, 2021 and 2022, The company had gross profit amount to THB76.6 million and THB93.3 million, respectively, or as a percentage of sales revenue, 38.9% and 37.3%, respectively. The decrease in gross profit margin was primarily attributable to some raw materials used in our production process increased.

Selling Expenses

For the three-months ended December 31, 2021 and 2022, The company had distribution cost amount to THB54.6 million and THB57.3 million respectively, which increased THB2.7 million, or 4.9%. The increase was primarily due to higher commission and incentive expense from increased number of salespersons.

Administrative Expense

For the three-months ended December 31, 2021 and 2022, The company had administrative expense amount to THB9.5 million and THB15.9 million respectively, which increased THB6.4 million, or 67.4%. The increase was primarily from allowance for doubtful accounts based on the increase in sales

Net Profit

For the three-months ended December 31, 2021 and 2022, The company had profit amount to THB9.9 million and THB16.5 million respectively, which increased THB7.0 million, or 70.7%. The increase was primarily from higher sales.

Results of Operations for the Year 2022

Income Statement

	(Million Baht)			
	nine-months period ended December 31, 2021	nine-months period ended December 31, 2022	Change	
			Amount	Amount
Revenue from sales and services	749.5	899.7	150.3	20.0
Cost of sales and services	440.1	554.0	113.9	25.9
Gross profit	309.3	345.7	36.4	11.8
<i>Gross profit margin (%)</i>	<i>41.3</i>	<i>38.4</i>	<i>(2.9)</i>	<i>(7.0)</i>
Other revenues	11.0	9.5	(1.5)	(13.7)
Distribution Costs	204.3	222.5	(18.2)	8.9
Administrative expenses	39.2	55.9	16.7	42.6
Financial cost	7.7	3.8	(3.9)	(50.7)
Income tax expense	16.2	18.2	2.0	12.4
Net profit	52.9	54.8	1.9	3.6
<i>(Loss) attributable to Non-controlling interests of subsidiary</i>	<i>0.3</i>	<i>(0.8)</i>	<i>(1.1)</i>	<i>(370.5)</i>
Profit attributable to owners of the parent company	52.6	55.6	3.0	5.7
<i>Net profit margin (%)</i>	<i>7.0</i>	<i>6.2</i>	<i>(0.8)</i>	<i>(11.5)</i>
Earnings per share (Baht)	0.28	0.25	(0.03)	(10.7)

Revenue Structure Categorized by Product Grade

	nine-months period ended December 31, 2021	%	nine-months period ended December 31, 2022	%
Premium	298.4	39.8	342.7	38.1
Growth (%)	-		14.8	
Standard	213.3	28.5	290.3	32.3
Growth (%)	-		36.0	
Economy	237.7	31.7	266.7	29.6
Growth (%)	-		12.2	
Revenue from sales and services	749.5	100.0	899.7	100.0
% Growth	-		20.0	

Revenue from sales and services

For the year ended December 31,2021 and 2022, The company had revenue from sales and services amount of THB749.5 million and THB899.7 million respectively, which increased THB150.8 million, or 20.0%. The increase derived mainly form an increase in both sales volume and average selling price. By distribution channel, the increased sales revenue derived from all channels. The revenue can be categorized in premium, standard, and economy in the proportion of 38.1 percent, 32.3 percent, and 29.6 percent respectively.

Other Revenues

For the year ended December 31,2021 and 2022, The company had revenue from other Revenues amount of THB11.0 million and THB9.5 million respectively, which decreased THB1.5 million, or 13.7%.

Cost of Sales and Services

For the year ended December 31,2021 and 2022, The company had Cost of Sales and Services amount to THB440.1 million and THB554.0 million respectively, which increased THB113.9 million, or 25.9%. The increase was primarily attributable to an increased sales volume, as well as average cost per unit of some raw materials used in our production process increased.

Gross Profit

For the year ended December 31,2021 and 2022, The company had gross profit amount to THB309.3 million and THB345.7 million respectively, or as a percentage of sales revenue, 41.3% and 38.4%, respectively. The decrease in gross profit margin was primarily attributable to some raw materials used in our production process increased.

Selling Expenses

For the year ended December 31,2021 and 2022, The company had distribution cost amount to THB204.3 million and THB222.5 million respectively, which increased THB18.2 million, or 8.9%. The increase was primarily due to higher commission and incentive expense form increased of salespersons.

Administrative Expense

For the year ended December 31,2021 and 2022, The company had administrative expense amount to THB39.2 million and THB55.9 million respectively, which increased THB16.7 million, or 42.6%. The increase was primarily from allowance for doubtful accounts based on the increase in sales, higher management's remuneration from the absence of last year management salary and bonus.

Net Profit

For the year ended December 31,2021 and 2022, The company had profit amount to THB52.6 million and THB55.6 million respectively, which increased THB3.0 million, or 5.7%.

Balance Sheet

(Million Baht)

	As of	As of	Change	
	December 31, 2021	September 30, 2022	Amount	Amount
Total Assets	991.6	1,085.8	94.3	9.4
Total Liabilities	392.5	432.0	39.5	10.1
Total Shareholder's Equity	599.1	653.8	54.7	9.2
Debt to Equity Ratio (Time)	0.6	0.6	(0.0)	(0.0)

Assets

As of December 31, 2022, the Company and its subsidiaries had total assets of Baht 1,085.8 million, an increase from total assets as of 31 December 2021 by Baht 97.2 million due to:

- Decreased in cash and cash equivalents of Baht 152.4 million.
- Increased in trade and other current receivables of Baht 154.1 million due to sales increasing.
- Increased in inventory of Baht 19.3 million to support a higher sale.
- Increased in land, building and equipment's of Baht 41.1 million due to investment in equipment for new distribution channels.

Liabilities

As of December 31, 2022, the Company and its subsidiaries had total liabilities of Baht 432.0 million, an decrease of Baht 39.5 million from 31 December 2021, an decrease of 10.1 percent due to:

- Decreased in bank overdrafts and short-term loans from financial institutions in the amount of Baht 33.3 million
- Increased in Trade and other current payables in the amount of Baht 78.5 million

Equity

As of December 31, 2022, the Company and its subsidiaries had shareholders' equity of Baht 653.8 million, an increase of Baht 54.7 million from 31 December 2021, an increase of 9.2 percent, was primarily attributable to an increase in unappropriated retained earnings for our operations.

Debt to Equity Ratio

As of December 31, 2022, compared to the year ended December 31,2021 , the Company and its subsidiaries' debt to equity ratio remained unchanged at 0.6

Yours sincerely

(Mr.Athapon Tangkaravakoon)
Chief Financial Officer
Delta Paint Public Company Limited