

Management Discussion and Analysis Quarter 1 Ending 31 March 2023

Summary of operating performance	3M2023	3M2022	Change (+/-)
Unit: Million Baht			%YoY
Total Revenue	246.2	257.6	-4.4%
Gross Profit	54.2	59.4	-8.8%
Profit from operating activities	23.3	30.0	-22.3%
Net Profit	16.5	23.2	-28.9%
Gross Profit Margin (%)	22.2%	23.1%	-0.9%
Operating Profit Margin (%)	9.5%	11.6%	-2.1%
Net Profit Margin (%)	6.7%	9.0%	-2.3%

Q1/2023 vs Q1/2022

Due to the COVID situation during 2021-2022 that affects the economy and industry, Nutrition SC Public Company Limited or “NTSC” and its subsidiaries (“NTSC group”), has improved strategic plans and went through the crisis well. During the first quarter of 2022 and the third quarter of 2022, the company has restructured its organization, restructured the shareholders’ equity, as well as several internal management systems to prepare for the IPO. During the 3rd quarter of 2022, shares were issued to increase capital for the sale of ordinary shares to the public in the 1st quarter of 2023. Thus, some financial figures were different in terms of performance and related expenses.

Total revenue in the first quarter of 2023 was 246.2 million baht, which was 11.4 million baht decreased or 4.4% decrease from the first quarter of 2022. During the first quarter of 2023, it was found that many products were waited to be delivered to customers within the second quarter of 2023 due to the global economic slowed down. As a result, manufacturers of human and animal food products, who were the Company’s main customers, slowed down the production since the consumption also slowed down. Therefore, the company has implemented strategies in sales, marketing, investment to compete in business by increasing the proportion of production of OEM and ODM products, which is expected to increase revenue from production for food and animal feed industries.

- The operating profit was 23.3 million baht, decreased of 6.7 million baht or 22.3% compared to the first quarter of 2022. The operating profit margin was 9.5%, decreased of 2.1% due to an increase in expenses of employees, service fees, consulting fees, sales and marketing expenses, transportation expenses, etc.

- Net profit was 16.5 million baht, decreased of 6.7 million baht or 28.9% compared to the first quarter of 2022 and a net profit margin of 6.7%, decreased of 2.3% due to an increase in financial cost by using the short-term loans from financial institutions and increased use of liabilities under trust receipts.

Business Overview

NTSC group main business is to import, manufacture and sell food ingredients to be used as raw materials or ingredients for customers. The business can be classified into 2 segments: 1) Food additives for human and 2) Feed 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/ OEM customers averaging about 5%-10% of sales revenue during 2019 – 3M2023.

Operating performance

Operating performance	3M2023	3M2022	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	244.6	257.1	-4.9%
Total Cost of sales and services	(190.4)	(197.7)	-3.7%
Gross Profit	54.2	59.4	-8.8%
% Gross Profit Margin	22.2%	23.1%	
Other income	1.6	0.5	220.0%
Total revenue	246.2	257.6	-4.4%
Distribution costs	(11.2)	(9.4)	19.1%
Administrative expenses	(22.2)	(21.3)	4.2%
Other profit	0.9	0.8	12.5%
Profit from operating activities	23.3	30.0	-22.3%
Finance costs	(2.7)	(0.9)	200.0%
Tax expense	(4.1)	(5.9)	-30.5%
Net Profit	16.5	23.2	-28.9%
% Net Profit Margin	6.7%	9.0%	

3M2023's Operating results

Sales revenue for 3M23 and 3M22 amounted to 244.6 million baht and 257.1 million baht, respectively, a decrease from the first quarter of 2022 by 4.9% due to the slowdown in the industrial and private sectors from the world situation today.

Gross profit for the period 3M23 and 3M22 amounted to 54.2 million baht and 59.4 million baht, respectively, down from Q1/2022 at a rate of 8.8% according to the proportion of revenue and additional reserves for expired or obsolete products.

Selling expenses for 3M23 and 3M22 amounted to 11.2 million baht and 9.4 million baht, respectively, representing a ratio of selling expenses to sales revenue of 4.6% and 3.7%, respectively due to increase of staffs, expenses freight and marketing expenses, etc.

Administrative expenses for the year 3M23 and 3M22 amounted to 22.2 million baht and 21.3 million baht respectively. In the 3M23 period, administrative expenses increased from the same period last year by 0.9 million baht or increased by 4.2%, by increased in employee expenses and service fee for preparing the company to be listed on the stock exchange.

Net profit for the period 3M23 and 3M22 amounted to 16.5 million baht and 23.2 million baht respectively, representing a net profit margin of 6.7% and 9.0%. Net profit for the 3M23 period decreased from the same period last year approximately 6.7 million baht in proportion to the decrease in revenue and partly due to selling and administrative expenses and increased financial costs.

Financial Position

Total Financial Position (Million Baht)	31 March 2023	31 December 2022	% Change
Total current assets	775.1	717.6	8.0%
Total non-current assets	441.5	358.5	23.2%
Total assets	1,216.6	1,076.1	13.1%
Total current liabilities	197.2	708.5	-72.2%
Total non-current liabilities	120.1	120.2	-0.1%
Total Liabilities	317.3	828.7	-61.7%
Share capital	50.0	37.5	33.3%
Share premium from share swap	758.7	135.9	458.3%
Retained earnings	90.5	74.0	22.3%
Non-controlling interests	0.0	0.0	-
Total shareholders' equity	899.2	247.4	263.5%

Assets

As of March 31, 2023, the Group had total assets of 1,216.6 million baht, mainly from cash and cash equivalents of 66.3 million baht and restricted bank deposits of 85 million baht.

Liabilities

As of March 31, 2023, the Group has total liabilities of 317.3 million baht, a decrease from the period of 31 December 2022 in the amount of 511.4 million baht. Trade and other payables increased by 28.9 million baht, liabilities under trust receipts decreased by 101.2 million baht, short-term loans from financial institutions decreased by 400 million baht, and current liabilities decreased by 41.9 million baht.

Shareholders' Equity

As of March 31, 2023, owners' equity amounted to 899.2 million baht. The change in equity was mainly due to operating profit from year to year and issuing capital increase shares to offer ordinary shares to the public, thus making the owner's part an increase of 651.8 million baht.

Significant financial ratios

Financial Ratios	Quarter 1	
	2023	2022
Gross Profit Margin (%)	22.2%	23.1%
Net Profit Margin (%)	6.7%	9.0%
Earnings per share (THB)	0.19	0.55
Return on Assets (%)	2.0%	4.9%
Return on Equity (%)	2.9%	5.2%
Current ratio (Times)	3.9	1.0
Debt to Equity ratio (Times)	0.4	3.3
Book value per share (THB)	9.0	2.5

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	3M2023	3M2022	% Change
Cash flows from Operating Activities			
Net cash provided by operating activities	18.7	16.5	13.3%
Cash flows from Investing Activities			
Net cash used in (received) investing activities	(85.4)	(28.2)	202.8%
Cash flows from Financing Activities			
Net cash used (received) in financing activities	133.0	20.0	565.0%
Net increase in cash and cash equivalents	66.3	8.3	698.8%
Cash and cash equivalents at beginning of the period	253.4	136.9	85.1%
Gains and Losses on Exchange Rate	0.0	0.0	0.0%
Cash and cash equivalents at end of the period	319.7	145.2	120.2%

As of March 31, 2023, the Group had net cash provided by operations of 18.7 million baht, mainly from profit before tax of 20.6 million baht, adjusted for changes in non-cash items and non-operating activities. Total amount 10.8 million baht affects the change in operating assets and liabilities total amount (12.8) million baht. The adjustments for non-cash items and non-operating activities were mainly from depreciation of 3.9 million baht and loss on allowance for inventories of 4.3 million baht. This was mainly due to an increase in trade and other payables of 28 million baht, a decrease in other current liabilities of 41.9 million baht and an increase in interest expenses of 2.7 million baht.

Net cash used in investing activities in the amount of (85.4) million baht, mainly from an increase in restricted bank deposits in the amount of 85 million baht.

Net cash received from financing activities was 133 million baht, mainly from net cash received (paid) from trust receipts in the amount of 101.2 million baht, cash received from the issuance of ordinary shares in the amount of 635.3 million baht and short-term loan repayments of 400 million baht.