



TOA Paint (Thailand) Public Company Limited

Management Discussion & Analysis

For the 2nd quarter ended June 30th, 2023



- Translation -

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Subject: Management Discussion and Analysis for the three months and six months ended June 30, 2023

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 six months ended June 30, 2023 as follows:

Management Discussion and Analysis

Results of Operations for the 2nd Quarter of Year 2023

Sales Revenue

For the three months ended June 30, 2022 and 2023, our sales revenue amounted to THB 5,200.9 million and THB 5,458.0 million, respectively, which increased THB 257.1 million, or 4.9%. The increase was primarily attributable to an increase in decorative paint and coating products as well as an increase in non-decorative paint and coating products sales revenue, respectively. The increase in sales volume from the demand for paints and construction materials was due to the recovery of tourism and the uptrend of the need for residential renovation in urban areas, along with an increase in price per unit from the 2nd quarter last year. An increase in sales revenue mostly came from domestic sales through the retail channel.

Gross Profit

For the three months ended June 30, 2022 and 2023, gross profit amounted to THB 1,553.3 million and THB 1,884.7 million, respectively, or the gross profit margin accounted for 29.9% and 34.5%, respectively. The increase in gross profit margin was primarily attributable to the decreased average price of main raw materials and packaging prices, following decreased energy cost and an overall global economic slowdown, along with better management of raw materials and production cost. Moreover, the average selling price was slightly higher from the 2nd quarter last year due to a price adjustment.

Selling Expenses

Total selling expenses increased by THB 42.1 million, or 6.5%, from THB 648.9 million for the three months ended June 30, 2022, to THB 691.0 million for the three months ended June 30, 2023. The increase was primarily attributable to an increase in employee costs of marketing and sales teams, freight expenses, and sales promotion offset partly by a decrease in advertising expenses.

Selling expenses to sales revenue margin slightly increased from 12.5% in 2nd quarter of 2022 to 12.7% in 2nd quarter of 2023.

Administrative Expenses

Total administrative expenses decreased by THB 16.5 million, or 4.7%, from THB 350.3 million for the three months ended June 30, 2022, to THB 333.8 million for the three months ended June 30, 2023. The decrease was primarily attributable to a decrease in employee cost of support teams, which resulted in a decrease in administrative expenses to sales margin from 6.7% in 2nd quarter of 2022 to 6.1% in 2nd quarter of 2023.

Profit for the period

Our profit attributable to equity holders of the company for the period increased by THB 376.2 million, or 103.0%, from THB 365.2 million for the three months ended June 30, 2022, to THB 741.4 million for the three months ended June 30, 2023. The increase was primarily attributable to an increase in gross profit. Moreover, the changes in the fair value of financial assets and the differences in exchange rates resulted in a loss of THB 105.0 million in 2nd quarter of 2022, while in 2nd quarter of 2023, it resulted in a gain of THB 47.4 million.

Our net profit margin increased from 7.0% for the three months ended June 30, 2022 to 13.5% for the three months ended June 30, 2023.

Income statement (THB million)	For the three months ended June 30,	
	2022 (Restated)	2023
Sales revenue	5,200.9	5,458.0
Total revenues	5,234.4	5,507.6
Cost of sales	3,647.5	3,573.2
Selling and administrative expenses	999.2	1,024.8
Gains (Losses) on exchange rates and fair value of financial assets measured at fair value through profit or loss	(105.0)	47.4
Profit before finance cost and income tax	482.7	957.0
Profit for the period	365.2	741.4

Notes: Income statement for the three months ended June 30, 2022 (Restated) due to allocation of depreciation and amortization for fair value of net assets from the business acquisition of Gympantech Co., Ltd.

Results of Operations for Six Month Period of Year 2022

Sales Revenue

For the six months ended June 30, 2022 and 2023, our sales revenue amounted to THB 10,166.3 million and THB 11,111.5 million, respectively, which increased by THB 945.2 million, or 9.3%. The increase was primarily from an increase in decorative paint and coating products as well as an increase in non-decorative paint and coating products sales revenue, respectively. An increase in sales volume was from the demand for paints and construction materials along with an increase in average price per unit from price adjustment last year and an increase in the proportion of premium grade product sales. Sales revenue increased mainly from products sold to customers in Thailand through retail and modern trade channels.

Gross Profit

For the six months ended June 30, 2022 and 2023, gross profit amounted to THB 3,006.4 million and THB 3,743.2 million, respectively, or as gross profit margin of 29.6% and 33.7%, respectively. The increase in gross profit margin was primarily attributable to the same reason explained in 2nd quarter (3 months) and an increase in premium grade product sales, which has a higher gross profit margin.

Selling Expenses

Total selling expenses increased by THB 122.2 million, or 9.9%, from THB 1,228.7 million for the six months ended June 30, 2022, to THB 1,350.9 million for the six months ended June 30, 2023. The increase was primarily attributable to the same reason explained in 2nd quarter (3 months). However, the selling expense to sales revenue margin slightly increased from 12.1% for the first half of 2022 to 12.2% for the first half of 2023.

Administrative Expenses

Total administrative expenses increased by THB 43.1 million, or 6.4%, from THB 671.2 million for the six months ended June 30, 2022, to THB 714.3 million for the six months ended June 30, 2023. The increase was primarily attributed to an increase in rental fees. However, administrative expenses to sales revenue margin decreased from 6.6% for the first half of 2022 to 6.4% for the first half of 2023.

Profit for the period

Our profit attributable to equity holders of the company for the period decreased THB 598.6 million, or 77.3%, from THB 774.7 million for the six months ended June 30, 2022 to THB 1,373.3 million for the six months ended June 30, 2023. The increase was primarily attributable to an increase in gross profit. Moreover, in the first half of 2022 the changes in the fair value of financial assets and the differences in exchange rates resulted in a loss of THB 142.2 million while in the first half of 2023, it resulted in a gain of THB 28.7 million.

Our net profit margin increased from 7.6% for the six months ended June 30, 2022 to 12.2% for the six months ended June 30, 2023.



Income statement (THB million)	For the six months ended June 30,	
	2022 (Restated)	2023
Sales revenue	10,166.3	11,111.5
Total revenues	10,231.6	11,212.1
Cost of sales	7,159.9	7,368.2
Selling and administrative expenses	1,899.9	2,065.2
(Gains) Losses on exchange rates and fair value of financial assets	(142.2)	28.7
Profit before finance cost and income tax	1,029.6	1,807.4
Profit for the period	774.7	1,373.3

Financial Position

Total Assets

As of December 31, 2022 and as of June 30, 2023, we had total assets of THB 19,352.4 million and THB 21,012.4 million, respectively. As of June 30, 2023, our total assets increased THB 1,660.0 million, which mainly consisted of other current financial assets, cash and cash equivalents, advance payments for properties, while inventories decreased.

Total Liabilities

As of December 31, 2022 and as of June 30, 2023, we had total liabilities of THB 5,862.7 million and THB 6,604.3 million, respectively. As of June 30, 2023, our total liabilities increased THB 741.6 million, which mainly consisted of trade and other payables, corporate income tax payable, and lease liabilities.

Total Shareholders' Equity

As of December 31, 2022 and as of June 30, 2023, we had total shareholders' equity of THB 13,489.7 million and THB 14,408.1 million, respectively. The increase in total shareholders' equity as of June 30, 2023 was primarily attributable to an increase in unappropriated retained earnings from our operations.



Statement of financial position (THB million)	As of December 31, 2022 (Restated)	As of June 30, 2023
Total assets	19,352.4	21,012.4
Total liabilities	5,862.7	6,604.3
Total shareholders' equity	13,489.7	14,408.1
Total liabilities and shareholders' equity	19,352.4	21,012.4

Please be informed accordingly,

Yours Sincerely,

(Acting Sub Lt. Surasak Mandaeng)
Chief Financial Officer