

Date August 15, 2023

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

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 six month period ended June 30, 2023 with the following details:

Results of Operations for the 2nd Quarter of the Year 2023

Income Statement

(Million Baht)

	three-months	three-months	Change	
	period ended	period ended	Amount	Amount
	June 30, 2022	June 30, 2023		
Revenue from sales and services	212.5	247.7	35.1	16.5
Cost of sales and services	129.0	152.2	23.2	18.0
Gross profit	83.5	95.5	12.1	14.2
<i>Gross profit margin (%)</i>	39.3	38.6	(0.7)	(1.8)
Other revenues	1.5	0.7	(0.9)	(58.2)
Distribution Costs	55.7	69.1	13.5	24.1
Administrative expenses	11.8	15.6	3.8	32.1
Financial cost	0.9	1.9	1.0	111.1
Share of profit (loss) of associated companies using the equity method	-	0.2	0.2	100.0
Income tax expense	4.1	3.0	(1.1)	(27.7)
Net profit	12.5	6.8	5.7	(45.6)
<i>(Loss) attributable to Non-controlling interests of subsidiary</i>	(0.3)	(0.0)	0.3	100.0
Profit attributable to owners of the parent company	12.8	6.8	(6.0)	(46.9)
<i>Net profit margin (%)</i>	6.0	2.7	(3.3)	(55.0)
Earnings per share (Baht)	0.06	0.03	(0.03)	(50.0)

Revenue Structure Categorized by Product Grade

(Million Baht)

	three-months period ended June 30, 2022	%	three-months period ended June 30, 2023	%
Premium	79.9	37.6	98.8	39.9
Growth (%)	-		23.6	
Standard	71.8	33.8	76.4	30.9
Growth (%)	-		6.4	
Economy	60.8	28.6	72.5	29.2
Growth (%)	-		19.2	
Revenue from sales and services	212.5	100.0	247.7	100.0
% Growth	-		16.6	

Revenue from sales and services

For the three-months ended June 30, 2022 and 2023, The company had revenue from sales and services amount of THB 212.5 million and THB247.7 million, respectively, which increased THB35.1 million, or 16.5%. 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 39.9 percent, 30.9 percent, and 29.2 percent respectively.

Cost of Sales and Services

For the three-months ended June 30, 2022 and 2023, The company had Cost of Sales and Services amount to THB129.0 million and THB152.2 million, respectively, which increased THB23.2 million, or 18.0%. The increase was primarily from an increased in sales volume, and changed in sales proportion.

Gross Profit

For the three-months ended June 30, 2022 and 2023, The company had gross profit amount to THB83.5 million and THB95.6 million, respectively, or as a percentage of sales revenue, 39.3% and 38.6%, respectively. The decreased in gross profit margin was primarily from changed in sales proportion.

Other Revenues

For the three-months ended June 30, 2022 and 2023, The company had other Revenues amount of THB1.5 million and THB0.7 million, respectively, which decrease THB 0.9 million, or 58.2%.

Selling Expenses

For the three-months ended June 30, 2022 and 2023, The company had distribution cost amount to THB55.7 million and THB69.1 million respectively, which increased THB13.5 million, or 24.1%. The increase was primarily due to higher commission and incentive expense from increased number of salespersons.

Administrative Expenses

For the three-months ended June 30, 2022 and 2023, The company had administrative expense amount to THB11.8 million and THB15.6 million respectively, which increased THB3.8 million, or 32.1%. The increase was primarily from higher executive compensation due to recruiting new executives.

Net Profit

For the three-months ended June 30, 2022 and 2023, The company had profit amount to THB12.8 million and THB6.8 million respectively, which decreased THB6.0 million, or 46.9%, The increase was primarily from selling and administrative expenses.

Results of Operations for Six months period of the Year 2023

Income Statement

	(Million Baht)			
	six-months	six-months	Change	
	period ended June 30, 2022	period ended June 30, 2023	Amount	Amount
Revenue from sales and services	430.6	508.0	77.4	18.0
Cost of sales and services	266.6	310.8	44.1	16.6
Gross profit	163.9	197.2	33.3	20.3
<i>Gross profit margin (%)</i>	<i>38.1</i>	<i>38.8</i>	<i>0.7</i>	<i>1.8</i>
Other revenues	3.6	3.5	(0.1)	(2.8)
Distribution Costs	109.7	135.3	25.6	23.3
Administrative expenses	24.7	32.2	7.5	30.4
Financial cost	1.9	3.3	1.4	73.7
Share of profit (loss) of associated companies using the equity method	-	1.0	1.0	100.0
Income tax expense	7.8	8.3	0.5	6.4
Net profit	23.5	22.7	(0.8)	(3.4)
<i>(Loss) attributable to Non-controlling interests of subsidiary</i>	<i>(0.2)</i>	<i>(0.2)</i>	<i>0.0</i>	<i>0.0</i>
Profit attributable to owners of the parent company	23.7	22.9	(0.8)	(3.4)
<i>Net profit margin (%)</i>	<i>5.5</i>	<i>4.5</i>	<i>(1.0)</i>	<i>(18.2)</i>
Earnings per share (Baht)	0.10	0.10	0.0	0.0

Revenue Structure Categorized by Product Grade

(Million Baht)

	six-months		six-months	
	period ended	%	period ended	%
	June 30, 2022		June 30, 2023	
Premium	173.9	40.4	204.6	40.3
Growth (%)	-		17.6	
Standard	132.9	30.9	159.5	31.8
Growth (%)	-		20.0	
Economy	123.8	28.7	143.9	28.3
Growth (%)	-		16.3	
Revenue from sales and services	430.6	100.0	508.0	100.0
% Growth	-		18.0	

Revenue from sales and services

For the six-months ended June 30, 2022 and 2023, The company had revenue from sales and services amount of THB 430.6 million and THB508.0 million, respectively, which increased THB77.4 million, or 18.0%. 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 40.3 percent, 31.8 percent, and 28.3 percent respectively.

Cost of Sales and Services

For the six-months ended June 30, 2022 and 2023, The company had Cost of Sales and Services amount to THB266.6 million and THB310.8 million, respectively, which increased THB44.1 million, or 16.6%. The increase was primarily from an increased in sales volume.

Gross Profit

For the six-months ended June 30, 2022 and 2023, The company had gross profit amount to THB163.9 million and THB197.2 million, respectively, or as a percentage of sales revenue, 38.1% and 38.8%, respectively. The increase in gross profit margin was primarily from changed in sales proportion.

Other Revenues

For the six-months ended June 30, 2022 and 2023, The company had other Revenues amount of THB3.6 million and THB3.5 million respectively, which decreased THB 0.1 million, or 2.8%.

Selling Expenses

For the six-months ended June 30, 2022 and 2023, The company had distribution cost amount to THB109.7 million and THB135.3 million respectively, which increased THB25.6 million, or 23.3%. The increase was primarily due to higher commission and incentive expenses from increased number of salespersons.

Administrative Expenses

For the six-months ended June 30, 2022 and 2023, The company had administrative expenses amount to THB24.7 million and THB32.2 million respectively, which increased THB7.5 million, or 30.4%. The increase was primarily from due to recruiting new executives.

Net Profit

For the six-months ended June 30, 2022 and 2023, The company had profit amount to THB23.5 million and THB22.7 million respectively, which decreased THB0.8 million, or 3.4%, which resulted from higher selling and administrative expenses.

Balance Sheet

(Million Baht)

	As of	As of	Change	
	December 31, 2022	June 30, 2023	Amount	Amount
Total Assets	1,085.8	1,198.0	112.2	10.3
Total Liabilities	432.0	558.7	126.7	29.3
Total Shareholder's Equity	653.8	639.3	(14.5)	(2.2)
Debt to Equity Ratio (Time)	0.7	0.9	0.2	33.3

Assets

As of June 30, 2023, the Company and its subsidiaries had total assets of Baht 1,198.0 million, an increase from total assets as of 31 December 2022 by Baht 111.7 million due to:

- Decreased in cash and cash equivalents of Baht 16.0 million.
- Increased in trade and other current receivables of Baht 27.7 million due to higher sales.
- Increased in inventory of Baht 17.5 million to support a higher sale.
- Increased in land, building and equipment's of Baht 11.5 million due to investment in equipment for new distribution channels.
- Increased in Investment in Associated Companies of Baht 75.2 million.

Liabilities

As of June 30, 2023, the Company and its subsidiaries had total liabilities of Baht 558.2 million, an increase of Baht 126.2 million from 31 December 2022, a decrease of 29.2 percent due to:

- Increased in bank overdrafts and short-term loans from financial institutions in the amount of Baht 99.7 million
- Increased in Trade and other current payables in the amount of Baht 28.9 million

Equity

As of June 30, 2023, the Company and its subsidiaries had shareholders' equity of Baht 639.3 million, a decrease of Baht 14.5 million from 31 December 2022, a decrease of 2.2 percent, was primarily attributable to an increase in unappropriated retained earnings for our operations, and there is a dividend payment

Debt to Equity Ratio

As of June 30, 2023, compared to the year ended December 31, 2023, the Company and its subsidiaries' debt to equity ratio at 0.9 and 0.7 respectively.

Yours sincerely

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