

Management Discussion and Analysis Quarter 2 Ending 30 June 2023

Summary of operating performance	6M2023	6M2022	Change (+/-)
Unit: Million Baht			%YoY
Total Revenue	475.1	526.0	-9.7%
Gross Profit	105.1	122.0	-13.9%
Profit from operating activities	40.9	57.9	-29.4%
Net Profit	29.6	44.7	-33.8%
Gross Profit Margin (%)	22.3%	23.2%	-0.9%
Operating Profit Margin (%)	8.7%	11.0%	-2.3%
Net Profit Margin (%)	6.3%	8.5%	-2.2%

Q2/2023 vs Q2/2022

Nutrition SC Public Company Limited or “NTSC” and its subsidiaries (“NTSC group”) obtained the total revenue of 475.1 million Baht during the second quarter of 2023, which is a decrease of 50.9 million Baht or 9.7% from the second quarter of 2022. This is due to the global economic slowdown, interest rate volatility, rising inflation rate, which affects the price of raw materials. As a result, manufacturers of food and animals feed products, which are the main customers, slowed down in the production and caused the company to put off the delivery plan to the third quarter of 2023. However, the company is aware of the above negative factors. Therefore, sales marketing and investment strategies have been implemented to increase business competitiveness by increasing the proportion of production in the OEM and ODM and investment in machineries to support the production of various products. The company expects to increase revenue from food and animals feed industries during the fourth quarter of 2023. Furthermore, the company has invested in research and development of new innovative products, which is during the R&D stage and product efficiency testing before launching new products to market. Also the company has collaborated with various business partners both domestically and internationally for distributing new innovative products that answer the consumers’ need. NTSC is developing products with partners and customers for sustainability, which will generate more sales in the future.

For our internal management, the company has controlled the cost of sales not to effect the performance of the company. We also maintain sales of existing products and add new products to the new customers or existing customers. We also control the purchase orders appropriately in order to balance with the amount of stock. As well, we select additional partners to add more products in order to create more bargaining power.

- The operating profit was 40.9 million Baht, a decrease of 17 million Baht or 29.4% compared to the second quarter of 2022. The operating profit margin was 8.7%, a decrease of 2.3% mainly due to the lower income and an increase of the employee expenses, sales and marketing expenses for expanding sales and marketing in new channels. New potential customer group includes restaurants, hotels, hospitals through various medias or from original equipment manufacturing customers who sell products online, multi-national companies, etc.

- Net profit was 29.6 million Baht, a decrease of 15.1 million Baht or 33.8% compared to the second quarter of 2022 (before becoming a public company). And the net profit margin was 6.3 percent, a decrease of 2.2 percent, mainly due to an increase in financial expenses from short-term loan from financial institutions and liabilities under trust receipts during 2022 to the first quarter of 2023. It is used to increase the working capital of the group of companies to expand the customer base and to buy additional products for the customer needs, as well as to record the right-of-use assets to comply with accounting standards of public companies.

Business Overview

The main business of the company's group is to import, produce and sale of food additives (Food Ingredients) to be used as raw materials or ingredients in customers' recipe. The business can be classified into two segments as follows. 1) Food ingredients business and 2) Feed animals business.

The customers are domestic customers, which can be divided into sales in the food and animal feed industry, approximately 90%-95% of sales revenue, and to ODM and OEM customers, approximately 5% -10% of sales revenue during 2019 to 6M23.

Operating performance

Operating performance	6M2023	6M2022	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	471.3	525.3	-10.3%
Total Cost of sales and services	(366.2)	(403.3)	-9.2%
Gross Profit	105.1	122.0	-13.9%
% Gross Profit Margin	22.3%	23.2%	-0.9%
Other income	3.8	0.7	442.9%
Total revenue	475.1	526.0	-9.7%
Distribution costs	(22.7)	(19.1)	18.8%
Administrative expenses	(43.7)	(45.0)	-2.9%
Other profit	(1.6)	(0.7)	-128.6%
Profit from operating activities	40.9	57.9	-29.4%
Finance costs	(3.7)	(2.0)	85.0%
Tax expense	(7.6)	(11.2)	-32.1%
Net Profit	29.6	44.7	-33.8%
% Net Profit Margin	6.3%	8.5%	-2.2%

6M2023's Operating results

Sales revenue for 6M23 and 6M22 was 471.3 million Baht and 525.3 million Baht, respectively. It is a decrease from Q2/2022 or 10.3% due to economic conditions, industry slowdown and raw material costs increased, causing an impact on customer orders delay. Their production plan has shifted to the second half of the year 2023.

Gross profit for the period 6M23 and 6M22 was to 105.1 million Baht and 122 million Baht, respectively, a decrease of 13.9% from Q2/2022 in proportion to the decrease in revenue.

Selling expenses for the period 6M23 and 6M22 was to 22.7 million Baht and 19.1 million Baht respectively, which represented the ratio of selling expenses to sales revenue of 4.8% and 3.6% respectively. The increase is due to employee sales & benefits, sample cost and marketing promotion expenses with the aim to expand into new markets, such as hotels, restaurants, hospitals, OEM projects, etc.

Administrative expenses for the period 6M23 and 6M22 was to 43.7 million Baht and 45 million Baht, respectively. In the period 6M23, administrative expenses decreased from the same period last year by 1.3 million Baht or 2.9%, mainly due to the reduction of various consulting fees for initial public offering purposes and the cost of purchasing pallets for the new warehouse built during 6M22.

Net profit for the period 6M23 and 6M22 was to 29.6 million Baht and 44.7 million Baht respectively, which represented a net profit margin of 6.3% and 8.5% respectively. Net profit for the period 6M23 decreased from the same period last year by 15.1 million Baht in proportion to the decrease in revenue. The decrease in net profit is due to the increased cost of selling and marketing, as well as the financial cost.

Financial Position

Total Financial Position (Million Baht)	30 June 2023	31 December 2022	% Change
Total current assets	711.9	717.6	-0.8%
Total non-current assets	442.3	358.5	23.4%
Total assets	1,154.2	1,076.1	7.3%
Total current liabilities	116.1	708.5	-83.6%
Total non-current liabilities	121.6	120.2	1.2%
Total Liabilities	237.7	828.7	-71.3%
Share capital	50.0	37.5	33.3%
Share premium from share swap	762.9	135.9	461.4%
Retained earnings	103.6	74.0	40.0%
Non-controlling interests	0.0	0.0	0.0%
Total shareholders' equity	916.5	247.4	270.5%

Assets

As of June 30, 2023, the Group had total assets of 1,154.2 million Baht, an increase of 78.1 million Baht from December 31, 2022 due to the following items: Restricted bank deposits increased by 85 million Baht, cash and cash equivalents increased by 8.2 million Baht, inventories increased by 8.5 million Baht, and trade accounts receivable decreased by 20.7 million Baht.

Liabilities

As of June 30, 2023, the Group had total liabilities of 237.7 million Baht, a decrease of 591 million Baht from December 31, 2022. The main items are Liabilities under trust receipts decreased by 145.3 million Baht, loans from financial institutions decreased by 400 million Baht, and current liabilities decreased by 41.6 million Baht from dividend tax and accrued expenses.

Shareholders' Equity

At the end of the year 6M23, owners' equity was to 916.56 million Baht, an increase of 669.1 million Baht due to changes in owners' equity, mainly from operating profit and issuing capital increase shares to offer ordinary shares to the general public.

Significant financial ratios

Financial Ratios	Quarter 2	
	2023	2022
Gross Profit Margin (%)	22.3%	23.2%
Net Profit Margin (%)	6.3%	8.5%
Earnings per share (THB)	0.3	1.1
Return on Assets (%)	3.7%	10.0%
Return on Equity (%)	5.1%	9.8%
Current ratio (Times)	6.1	1.0
Debt to Equity ratio (Times)	0.3	3.3
Book value per share (THB)	9.6	5.9

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	6M2023	6M2022
Cash flows from Operating Activities		
Net cash received (used) from operating activities	6.1	(48.2)
Cash flows from Investing Activities		
Net cash used in (received) investing activities	(158.5)	(56.5)
Cash flows from Financing Activities		
Net cash received (used) from financing activities	88.4	4.7
Net increase (decrease) in cash and cash equivalents	(64.0)	(100.0)
Cash and cash equivalents at beginning of the period	253.4	136.9
Gains and Losses on Exchange Rate	0.3	0.2
Cash and cash equivalents at end of the period	189.7	37.1

As of 30 June 2023, the Group had net cash operation gain by 6.1 million Baht. The profit before tax was 37.2 million Baht, which is adjusted for changes in non-cash items and non-operating activities. The amount of 18.9 million Baht is affected from changes in operating assets and liabilities totaling (38.2) million Baht. The adjustments for non-cash items and non-operating activities mainly came from depreciation and amortization in the amount 8.4 million Baht. Loss from allowance for inventories was 7.9 million Baht. The financial assets measured at fair value, derivatives (3.2) million Baht. The financial cost was 3.7 million Baht. For changes in operating assets and liabilities, it is mainly from inventories (16.4) million Baht, trade and other receivables 19.7 million Baht, other current liabilities (41.6) million Baht, interest expenses (3.7) million Baht and income tax (8.2) million Baht.

Net cash used in investing activities was 158.5 million Baht, mainly from restricted bank deposits (85 million Baht used to secure credit facilities). For financial cost management and cash from financial assets measured at fair value in the amount of 72 million Baht.

Net cash received from financing activities was 88.4 million Baht, mainly from the repayment of trust receipts in the amount of 145.3 million Baht. Cash received from the capital increase of ordinary shares in the amount of 635.3 million Baht, and loan repayments in the amount of 400 million Baht.

Net decrease in cash and cash equivalents as of June 30, 2023 was 64 million Baht at the beginning of the period was 253.5 million Baht. Net cash and cash equivalents at the end of the period was 189.7 million Baht.