

September 13, 2023

Subject Management Discussion and Analysis for the six-month periods ended June 30, 2023

To Director and Manager
Stock Exchange of Thailand

Thai Coconut Public Company Limited and its subsidiaries (“the Company”) would like to clarify the consolidated operating results for the six-month periods ended June 30, 2023 as follows:

Income statement (Unit: Million Baht)	For the six-month period ended June 30,				Change	
	2022	%	2023	%	Amount	%
Revenues						
Revenue from sale of goods	1,665.23	98.02	1,963.50	98.56	298.27	17.91
Revenue from rendering of services	13.36	0.79	9.28	0.47	-4.08	-30.54
Other income	7.06	0.42	8.62	0.43	1.56	22.10
Net gain on foreign exchange	13.15	0.77	10.80	0.54	-2.35	-17.87
Total Revenues	1,698.80	100.00	1,992.20	100.00	293.40	17.27
Expenses						
Cost of sales of goods	1,305.53	76.85	1,460.63	73.32	155.10	11.88
Cost of rendering of services	13.43	0.79	6.15	0.31	-7.28	-54.21
Distribution costs	92.49	5.44	123.70	6.21	31.21	33.74
Administrative expenses	137.01	8.07	146.02	7.33	9.01	6.58
Loss on derivatives fair value remeasurement	9.90	0.58	41.50	2.08	31.60	319.19
Total expenses	1,558.36	91.73	1,778.00	89.25	219.64	14.09
Profit from operating activities	140.44	8.27	214.20	10.75	73.76	52.52
Financial costs	13.96	0.82	17.45	0.88	3.49	25.00
Share of loss a joint venture accounted for using equity method	0.16	0.01	1.29	0.06	1.13	706.25
Profit before income tax expense	126.32	7.44	195.46	9.81	69.14	54.73
Tax (income) expense	0.29	0.02	-2.43	-0.12	-2.72	-937.93
Profit for the period	126.03	7.42	197.89	9.93	71.86	57.02

Revenue from sales and services

For the first 6 months of 2023, the company had revenue from sale of goods of 1,963.50 million baht, an increase of 298.27 million baht from the same period of the previous year, or an increase of 17.91% because of oversea revenue increased from selling coconut water products sold to China and the local revenue increased both from the sale of coconut water products and pet food.

As for service income, for the first 6 months of 2023, revenue from rendering of services decreased by 4.08 million baht or decreased by 30.54%.

Other income

For the first 6 months of 2023, the company's other income increased by 1.56 million baht or 22.10% compared to the same period of the previous year as a result of the company received income from the blue corner compensation, which is the income from the compensation tax for exporting goods abroad, especially the coconut water products that have increased sales as mentioned.

Cost of sales and cost of rendering of services

For the first 6 months of 2023, the company has cost of sales and services compared with the same period of the previous year, it was found that the company's cost of sales and services increased in the amount of 147.82 million baht, or an increase of 11.21% compared to the same period of the previous year. This was in line with the increase in revenue from sales and services. The proportion of cost of sales and services decreased from 78.58% to 74.35%, mainly due to the decrease in raw material costs from 76.60% compared to the total cost of production decreased to 75.99% because in the second quarter of 2023, the company has increased sales of coconut water products while the sales of coconut milk products decreased because the cost of coconut water production is usually lower than the cost of coconut milk production.

Distribution costs

For the first 6 months of 2023, the company's distribution costs increased by 31.21 million baht, or an increase of 33.74% compared to the same period of the previous year because of promotional expenses and exhibition expenses increase of 4.77 million baht or an increase of 71.09% compared to the same period of the previous year. Marketing media expenses increased in the amount of 8.74 million baht or an increase of 234.95% due to marketing, exhibiting various exhibitions for the products of the company and its subsidiaries, including the cost of branding is important.

Administrative expenses

For the first 6 months of 2023, the company had an increase in administrative expenses of 9.01 million baht or an increase of 6.58% compared to the same period of the previous year. This is because the employee's salary increased by 7.88 million baht, or an increase of 25.83% compared to the same period of the previous year and an increase in research and development costs. An increase of 3.88 million baht or an increase of 56.70% mainly due to research and development of the company's products including an increase in meeting allowances for directors. An increase of 3.86 million baht or an increase of 643.33% since the company appointed independent directors to take office at the end of 2022.

Financial costs

For the first 6 months of 2023, the company had an increase in finance costs of 3.49 million baht or an increase of 25.00% compared to the same period of the previous year. This was a result of an increase in interest expenses on packing which increased by 0.82 million baht or an increase of 80.50% and interest expenses on short-term promissory notes. An increase of 0.74 million baht or an increase of 68.12% due to the packing interest rate and interest rates on short-term promissory notes that increased compared to the same period of the previous year.

Gross Profit Margin and Net Profit

For the first 6 months of 2023, the company's gross profit margin from sales increased to 25.61% compared to the same period of the previous year with gross profit margin from sales equal to 21.60% since the company sells coconut water products which have a higher gross margin than coconut milk products together with the gross profit margin of revenue from services for the first 6 months of 2023, in which the company provides contract manufacturing services for coconut water products and found that the gross profit margin of the service was 33.70%, which increased when compared to the same period of the previous year. This is a result of increased service income resulting in an economy of scale of service provision.

For the first 6 months of 2023, the company had a net profit of 197.89 million baht, or an increase of 71.86 million baht compared to the same period of the previous year as a result of the company's sales revenue increased because the company can expand the market to China more from selling coconut water products to China including coconut water products which have a higher gross margin than coconut milk products. As a result, the company's net profit increased compared to the same period of the previous year.

Company's financial statement

Consolidated statement of financial position (Unit: Million Baht)	As of		Change	
	December 31, 2022	June 30, 2023	Amount	%
Total Assets	3,113.32	3,469.86	356.54	11.45
Total Liability	1,780.72	2,137.85	357.13	20.06
Total Equity	1,332.60	1,332.01	(0.59)	(0.04)
D/E Ratio: Times	1.34	1.60	0.26	19.40

Assets

As of June 30, 2023, the Company's total assets increased from cash and cash equivalents because the Company's cash flow from operating activities increased significantly from trade and other current payables while the company's cash used in investing and financing activities decreased compared to 2022, resulting in the increase in cash and cash equivalents. The increase in trade and other current receivables was due to the increase in trade accounts receivable in line with the increase in sales together with other current receivables. An increase of 56.14 million baht or an increase of 86.86% compared to 2022, mainly from an increase in revenue receivables, an increase of 15.66 million baht or an increase of 763.21% compared to the year 2022. The increase in inventories was a result of packaging and finished goods increasing by packaging and finished goods increasing due to the purchase of packaging to support the production of increased coconut water products. The increase in finished goods is due to the increase in goods awaiting delivery and the increase of goods in transit increases due to raw materials being transported including an increase in the value of land, buildings, and equipment due to the increase in the Company's production machinery used to produce coconut milk and coconut water and that of its subsidiaries. The increase in work during the Solar Rooftop Phase 2 installation project and the increase in buildings and constructions of subsidiaries during the construction of such factories.

Liability

As of June 30, 2023, the company's total liabilities increased by 357.13 million baht or increased by 20.06% compared to 2022 due to the company's overdrafts and short-term loans from financial institutions increased by 278.00 million baht or increased by 33.90% compared to 2022 as the company has increased sales, it requires more working capital in the business. An increase in trade payables and other current payables increased by 131.08 million baht or an increase of 30.25% compared to 2022 because of the company's sales from coconut water products increasing. Therefore, the use of packaging for coconut

water products has increased. An increase in long-term loans from financial institutions in the amount of 23.71 million baht or increase of 7.14% due to the drawdown of long-term loans according to the contract, importantly which is a long-term loan for investment in machinery of the coconut water production line.

Equity

As of June 30, 2023, the Company's shareholders' equity decreased in the amount of 0.59 million baht or decreased by 0.04 % due to the decrease in unappropriated retained earnings from the approval of dividend payment to shareholders at the rate of 0.1818 baht per share, totaling 200.00 million baht. Due to, the general meeting of shareholders of the company on March 16, 2023, the shareholders resolved to approve an increase in registered capital from 550.00 million baht to 735.00 million baht by issuing 370.00 million additional ordinary shares at a par value of 0.50 baht per share. The company has registered a capital increase with the Ministry of Commerce on March 17, 2023 already.

Financial structure ratio

As of June 30, 2023, the Company's debt to equity ratio increased from 2022 due to the increase in total liabilities of the Company from short-term loans from financial institutions that increased in the amount of 278.00 million baht, increased due to the Company Increased sales therefore it requires more working capital in the business. and an increase in trade payables and other current payables of 131.08 million baht or 30.25% due to the company's sales of coconut water products increasing. Therefore, the use of packaging for coconut water products has increased while shareholders' equity decreased from unappropriated retained earnings which decreased from dividend payment for the year 2022 in the amount of 200.00 million baht. However, the company had unappropriated retained earnings increased from the 6-month operating results. The increase in the first year of 2023 resulted in a slight decrease in shareholders' equity of 0.59 million baht, with increased liabilities and a slight decrease in shareholders' equity resulting in an increase in the debt-to-equity ratio from As of December 31, 2022 equal to 1.34 times to 1.60 times as of June 30, 2023.

Please be informed accordingly,

Yours sincerely,



(Miss Pattara Tasjun)

Chief Financial Officer

Thai Coconut Public Company Limited