

**Taokaenoi Food and Marketing Public Company Limited**



**Management Discussion  
and Analysis (MD&A)**

**FOR QUARTER 3/2023**



November 10, 2023

To President  
The Stock Exchange of Thailand

Subject Management Discussion and Analysis for the Third Quarter ended September 30, 2023

Taokaenoi Food and Marketing Public Company Limited (the “**Company**”) would like to clarify the revenues from sales and net profit in the consolidated financial statements for the three-month and nine-month periods ended September 30, 2023, which may be summarized as follows:

Consolidated Financial Statements	3rd Quarter (July-September)				
	Q3/ 2023		Q3/ 2022		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,436.0	100.0 %	1,208.7	100.0 %	18.8 %
Cost of Sales	(958.0)	(66.7 %)	(840.1)	(69.5 %)	14.0 %
Gross Margin	477.9	33.3 %	368.6	30.5 %	29.6 %
Distribution Costs	(158.0)	(11.0 %)	(127.6)	(10.6 %)	23.9 %
Administrative Expenses	(102.0)	(7.1 %)	(79.1)	(6.5 %)	29.0 %
Profit before Income Tax Expenses	231.7	16.1 %	190.2	15.7 %	21.8 %
Income Tax Expenses	(15.1)	(1.0 %)	(10.0)	(0.8 %)	50.1 %
<b>Net Profit : Owners of the Parent</b>	<b>214.9</b>	<b>15.0 %</b>	<b>180.0</b>	<b>14.9 %</b>	<b>19.4 %</b>

Consolidated Financial Statements	9M (January - September)				
	9M/ 2023		9M/ 2022		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	3,983.8	100.0 %	3,135.1	100.0 %	27.1 %
Cost of Sales	(2,668.8)	(67.0 %)	(2,258.5)	(72.0 %)	18.2 %
Gross Margin	1,315.1	33.0 %	876.6	28.0 %	50.0 %
Distribution Costs	(442.6)	(11.1 %)	(343.7)	(11.0 %)	28.8 %
Administrative Expenses	(290.8)	(7.3 %)	(233.8)	(7.5 %)	24.4 %
Profit before Income Tax Expenses	(617.8)	(15.5 %)	(338.9)	(10.8 %)	82.3 %
Income Tax Expenses	(38.8)	(1.0 %)	(25.4)	(0.8 %)	52.8 %
<b>Net Profit : Owners of the Parent</b>	<b>575.8</b>	<b>14.5 %</b>	<b>313.6</b>	<b>10.0 %</b>	<b>83.6 %</b>

**บริษัท เต้าแก๋น้อย ฟู๊ดแอนด์มาร์เก็ตติ้ง จำกัด (มหาชน)**

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Consolidated Financial Statements	3rd Quarter (July-September) vs. 2nd Quarter (April-June)				
	Q3/ 2023		Q2/ 2023		Change
	(Million Baht)	(%)	(Million Baht)	(%)	(%)
Revenue from Sales	1,436.0	100.0 %	1,304.1	100.0 %	10.1 %
Cost of Sales	(958.0)	(66.7 %)	(874.3)	(67.0 %)	9.6 %
Gross Margin	477.9	33.3 %	429.8	33.0 %	11.2 %
Distribution Costs	(158.0)	(11.0 %)	(138.9)	(10.7 %)	13.8 %
Administrative Expenses	(102.0)	(7.1 %)	(101.2)	(7.8 %)	0.8 %
Profit before Income Tax Expenses	231.7	16.1 %	208.0	15.9 %	11.4 %
Income Tax Expenses	(15.1)	(1.0 %)	(12.2)	(0.9 %)	23.1 %
<b>Net Profit : Owners of the Parent</b>	<b>214.9</b>	<b>15.0 %</b>	<b>195.0</b>	<b>14.9 %</b>	<b>10.2 %</b>

### Revenue from Sales

The Company has revenue from sales in the third quarter in the amount of 1,436.0 million Baht **increased by 18.8 percent** compared to the same quarter of the previous year (increased by 10.1 percent from Q2/2023) and has revenue from sales in the first nine months in the amount of 3,983.8 million Baht increased by 27.1 percent or 849 million Baht compared to the same period of the previous year. The Company's strong and continued growth in every quarter from the first to third quarters has caused the revenue in the first nine months to reach a new high of the Company's sales, with the highest net profits, thanks to the Company's focus on the 3GO strategy in its business management, namely:

- GO FIRM** refers to corporate restructuring to be compact, cost reduction and cost control for productivity, whereby the Company's ongoing significant projects for long-term production cost reduction include the following activities:
  - The consolidation of its seaweed production at Rojana Factory, which was initiated in 2019, by way of enhancement of production efficiency by introducing machinery to major production process, thereby increasing the production capacity while reducing the labor costs in the long run;
  - The reduction of major costs in the factory, by way of solar roof implementation in late 2022, thereby causing the Company's costs of power consumption to reduce by over 15%, not to mention that this project is also ecofriendly;
  - The reduction of storage of seaweed raw materials at the volume suitable for the current circumstances, which helped efficiently reduce the storage costs of raw materials.

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2. **GO BROAD** represents an expansion of its business foundation to be wider and create value, including branding:

- The Company focused on market promotion for brand awareness in major markets, i.e., Thailand, China, Indonesia, USA and Malaysia, to build its growth through online and offline channels to reach consumers everywhere in the world;
- The Company conducted research to understand consumers' demands and develop new products to accommodate consumers' preferences throughout the world by a variety of seaweed snacks, namely, crispy, grilled, roasted and tempura seaweeds.

3. **GO GLOBAL** leads to an expansion to foreign markets to ensure quality and sustainability:

- The Company focused on the quality of its products by selective raw materials of good quality and through its production process that meets standards recognized worldwide for consumers;
- The Company also focused on the sustainable growth through its management strategy based on engagement with social and environmental contribution.

Such increase in sales in the third quarter by 18.8 percent or 227.3 million Baht compared to the same period of the previous year was due to domestic market's growth at 10.8 percent thanks to the continued increase in seaweed consumption in Thailand, including such growing demand from tourists higher than that of last year, and the international markets' growth at 23.5 percent from major countries where the Company focused on sales promotional and marketing activities, both online and offline, with consumers, i.e., China, USA, Indonesia and Malaysia, with the continued growth over the past several quarters.

In the third quarter, the Company's domestic sales accounted for 34 percent against 66 percent of international sales.

**Domestic Sales:** Revenue from sales in the third quarter is 492.4 million Baht **increased by 10.8 percent** compared to the same quarter of the previous year (increased by 4.4 percent from Q2/2023) and total sales in the first nine months amount to 1,430.6 million Baht increased by 21.0 percent compared to the same period of the previous year. Domestic sales continued to increase every quarter due to consumers' growing demand for more seaweed snacks thanks to the Company's marketing promotion and launch of new products in response to consumers' demand, and from tourists visiting Thailand and buying Taokaenoi brand products as a souvenir. The number of tourists in Thailand in the first nine months of 2023 accounted for nearly 20 million tourists, mostly from Malaysia, China, South Korea, India and Lao PDR as top 5 countries of tourists visiting Thailand.

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With regard to significant marketing activities in the third quarter, the Company continued to launch new crispy seaweed and roasted seaweed products in two flavors in the concept of Street Food, by engaging our Brand Ambassadors, Khun Gulf Kanawut as presenter crispy seaweed for Holy Basil Flavor, and Khun Zee and Khun Nunew for roasted seaweed Seasoned Laver Pad Thai Flavor, including a new product, i.e., Himalayan Pink Salt Flavor for a subtle taste experience taking advantage of premium grade pink salt from the Himalayas rich in minerals but less sodium, for health-conscious consumers. Moreover, the Company also organized events to reach consumers, such as, exhibition desks in department stores, including online media, to promote consumption of a variety of Taokaenoi seaweed products edible alone as snacks or served with food.

**International Sales:** Revenue from sales in the third quarter is 943.5 million Baht **increased by 23.5 percent** from the same quarter of the previous year (increased by 13.3 percent from Q2/2023) and sales in the third quarter marked a new high as the Company's highest sales, due to such strong growth from major countries, namely China, USA and Indonesia. In this third quarter, sales in China accounted for 354.8 million Baht, representing an increase by 12.1 percent from the same quarter of the previous year, and sales in other countries in the third quarter totaled 588.8 million Baht, representing an increase by 31.5 percent from the same quarter of the previous year.

Sales in China in the third quarter continued to grow from the second quarter by 3.3 percent. Despite China's overall economic slowdown, with its focus on sales promotional and marketing activities through online campaigns, new product promotion in the third quarter featuring popular Thai Street Food flavors, including sponsorship of such activities as football, youth competition activities, etc., to reach more Chinese consumers, the Company was able to increase sales and strengthen Taokaenoi brand to be recognized by consumers. However, China's economic figures in Q3/2023 still showed an expansion at 4.9 percent, which was declining from 6.3 percent in the second quarter, therefore, China's overall economic growth in the first three quarters of 2023 was at 5.2 percent.

Even though sales in China did not fully recover, the Company managed to increase its sales in other international markets, particularly two major countries like USA and Indonesia, whose sales in the third quarter increased significantly from roasted seaweed products which grew in popularity in the conventional channels, as evidenced by the fact that COSTCO increased its distribution of Taokaenoi products in more branches.

International sales in Q3/2023 represented 66 percent of total sales, in respect of which China accounted for 25 percent and other countries for 41 percent.

Total sales in the first nine months amounted to 2,553.2 million Baht, increased by 30.8 percent from the same quarter of the previous year, comprising 1,001.2 million Baht accounted for by China, representing an increase by 30.0 percent from the same period of the previous year, and 1,552.0 million Baht by other international markets, representing an increase by 31.3 percent from the same period of the previous year.

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## Gross Margin

In the third quarter, the Company has gross profit of 477.9 million Baht representing 33.3 percent of revenue from sales. The ratio of gross profit to sales revenue is **increased by 2.8 percent** from the same quarter of the previous year, and the Company was able to maintain its gross profit rate to increase by 0.3 percent as compared to that of Q2 / 2023, and has gross profit in the first nine months in the total amount of 1,315.1 million Baht, representing 33.0 percent of revenue from sales, an increase by 5.0 percent from the same period of the previous year.

The maintenance of the ratio of gross profit to sales in the third quarter was caused by the Company's management of sales of more profitable products. In addition, such increased sales in the third quarter higher than that of the third quarter of the previous year by 18.8 percent or an increase by 227.3 million Baht, and higher than that of the second quarter by 10.1 percent, thereby enabling the Company to efficiently utilize total production capacity at both factories to achieve the economy of scale in terms of factory expenses and reduction of labor costs and fixed production costs per unit. Thanks to the GO FIRM strategy to introduce machinery in the production, the Company was able to improve its productivity while the number of labors was not increased too much, thereby causing the labor costs per unit to decrease, and the overall production costs per unit to decline to compensate for increased costs of seaweed raw materials in late third quarter.

## Distribution Costs

The Company has the distribution costs in the third quarter in the amount of 158.0 million Baht representing 11.0 percent of revenue from sales. The ratio of distribution costs to sales revenue is **increased by 0.4 percent** from the same quarter of the previous year (increased by 0.3 percent from Q2 / 2023), and has the distribution costs in the first nine months representing 11.1 percent, which was similar to that of the same period of the previous year. Such slight increase in the distribution costs in the third quarter as compared to the second quarter was due to the allocation of more budgets for sales promotional and marketing activities in the third quarter to focus on such activities to improve the distribution of products in upcountry through various media, events and booths, both online and offline, as well as live streaming in major markets, namely Thailand, China, USA and Indonesia, so as to increase sales of the existing products and promote new products and brand awareness.

## Administrative Expenses

The Company has the administrative expenses in the third quarter in the amount of 102.0 million Baht representing 7.1 percent of revenue from sales. The ratio of administrative expenses to sales revenue is **increased by 0.6 percent** compared to the same period of the previous year (decreased by 0.7 percent from Q2/2023).

Such increase in the administrative expenses compared to the same period of the previous year was caused by the increased costs in respect of wages and employee benefits and traveling after the COVID-19 situations in 2023 improved, in order to assess the market conditions and visit counterparts, including more costs of technology.

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However, in comparison with the second quarter of this year, the administrative expenses were rather steady. Therefore, given the increased sales, the Company's ratio of administrative expenses to sales revenue changed only slightly, as a result of the Company's measures to efficiently manage and control costs throughout the year, and as such, the administrative expenses in the first nine months amounted to a total of 290.8 million Baht representing 7.3 percent of revenue from sales which **decreased by 0.2 percent** compared to the same period of the previous year.

#### Net Profit: Owners of the Parent

The Company has the net profit in the third quarter in the amount of 214.9 million Baht representing 15.0 percent of revenue from sales, an increase by 19.4 percent compared to the same quarter of the previous year (increased by 10.2 percent from Q2/2023), and the ratio of net profit to sales revenue **increased by 0.1 percent** compared to the same quarter of the previous year.

The net profit in the first nine months amounts to 575.8 million Baht representing 14.5 percent of revenue from sales, **or increased by 83.6 percent** compared to the net profit from the same period of the previous year.

The Company's gross margin and net profit continuously increased in every quarter thanks to its management focused on the 3GO strategy, along with improvement of its ability to increase gross profitability by managing revenues in respect of profitable products in parallel to production cost management and cost control to maintain the relevant ratios to sales, thereby increasing gross margin and directly causing its net profit to sales to increase accordingly.

#### Business Trends and Challenges in the Fourth Quarter of 2023 and in 2024

Business trends in the fourth quarter would anticipate challenges from several factors as follows:

1. The Company has increased its product prices in the fourth quarter in China and some international markets, which may result in declining sales for a short period of time. However, the fourth quarter marks the year-end season with more spending than other quarters, and as such, the rising prices should not significantly affect the Company's overall sales.
2. The Company changes its distributor in Indonesia with a new distributor capable of distributing products better in Indonesia, which would give rise to positive impact on the Company's long-term growth. However, the substitution of distributor may encounter a transition of packaging and introduction of products to the market in the fourth quarter.
3. The costs of seaweed raw materials at a new price scheme in 2023 have increased up to 15%. However, the Company should be able to manage such higher costs by way of product price adjustment along with internal cost management to maintain its productivity rate not to change significantly in the fourth quarter.

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4. The increased number of tourists in Thailand in the fourth quarter from the government's urgent tourism stimulus by way of visa-free scheme for tourists, particularly Chinese tourists, would help boost more sales from tourists.

The Company foresees challenges in managing its net profit in 2023 to remain unchanged, despite the tentative increase in costs of several raw materials, which would continue to rise in 2024, including the forthcoming increase in minimum wages to 400 Baht next year. Notwithstanding such challenges, the Company will move forward with its 3GO strategy in 2024 to maintain its continued sales growth in 2024, targeted at 10 - 15% as compared to the same period of the previous year, and secure its profitability with sustainability.

Please be informed accordingly.

Yours sincerely,

(Mr. Jirapong Suntipiromkul)

Deputy Managing Director

Authorized to sign on behalf of the Company

Taokaenoi Food and Marketing PCL

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