

Management Discussion and Analysis Quarter 3 Ending 30 September 2023

Summary of operating performance	9M2023	9M2022	Change (+/-)
Unit: Million Baht			%YoY
Total Revenue	712.4	797.5	-10.5%
Gross Profit	159.9	181.3	-11.8%
Profit from operating activities	63.5	82.5	-23.0%
Net Profit	47.0	62.8	-25.2%
Gross Profit Margin (%)	22.4%	22.8%	-0.3%
Operating Profit Margin (%)	8.9%	10.4%	-1.4%
Net Profit Margin (%)	6.6%	7.9%	-1.3%

Q3/2023 vs Q3/2022

During 2021-2022, the COVID situation has impacted the economic and industry. Nutrition SC Public Company Limited or "NTSC" and its subsidiaries, has adjusted various strategic business plans and has adapted throughout the crisis as well. During the 1st quarter of 2022 – 3rd quarter of 2022, NTSC has adjusted organization structure and internal systems in many management parts, according to the plan to become a listed company at the stock exchange market. For example, NTSC restructured the shareholders' equity during the 3rd quarter of 2022. Additional shares were issued to sell common shares to the general public on the 1st quarter of 2023. As a result, the financial statement information has differences when compared with the previous year, which include the operating results and related expenses.

During the third quarter of 2023, total income was 712.4 million baht, a decrease of 84 million baht or 10.5% from the 3rd quarter of 2022. This is due to the fact that NTSC group still has pending orders waiting to be delivered within 4th quarter of 2023 and 1st quarter of 2024. The overall business of the customers were still affected from the economic slowdown when compared with the 3rd quarter previous year as the effects of the Russian war and Ukraine and other wars are still on-going. It was found that during the 3rd quarter of 2023, the main factor affecting sales resulted from the lower production volumes from our manufacturers, who could not deliver the products on-time even though sales contract was enforced.

Although NTSC and NTSC group has orders from customers in advance, the volume decreased resulting in not achieving the expected target. In addition, the selling prices competition for some product groups is very intense, because other companies have over stock of their products. Other uncontrollable factors are slow down of the global economic situation and the fluctuation of the interest rates, which cause most of the raw materials' price to increase. As a result, food industry and animal feed industry products, which the main customers of NTSC and NTSC group, slowdown in production as well. The Thai consumers' spending also slowdown, which also affect the sales in the food and feed additive business. From the above factors, NTSC and NTSC group have started developing new products in the OEM and ODM with global brands in food and animal feed industries, such as Multi-national Companies (MNC) that have production based in Thailand.

Thus, NTSC group gradually begins to deliver order during the 4th quarter of 2023 and the whole year 2024 in order to increase income and strengthen the ability to be the leader in product manufacturing at the international level.

NTSC and NTSC group has implemented sales, marketing, and investment strategies in order to compete in business sustainably and prepared a support plan increasing the proportion of production in OEM and ODM products. By promoting brand awareness and additional services of the company in many channels, all offline and online, as well as investing in machinery to support the production of a variety of products. This is expected to increase production income for the food industries and animal feed industries. In addition, NTSC and NTSC group have invested in research and development of new innovative products, which is currently being researched, developed and tested for efficiency before entering the next market. In addition, NTSC and NTSC group have joined hands with additional business partners both domestically and abroad to distribute new innovative products and/or services that meet the needs of today's consumers. As well, we do new product development in collaboration with partners, customers, universities and research institutes in order to create value and sustainability that will create more sales in the future.

For internal management, NTSC and NTSC group do best to control sales costs in order not to affect the company's operating results and sell both existing and new products to new or existing customers. In addition, NTSC and NTSC group control the volume ordering of products appropriately in order to maintain a balanced stock quantity. We also select additional sellers to diversify the product portfolio. At the same time, NTSC and NTSC group has considered, assessed, controlled, prevented, and/or reduced risks in various areas according to the rapidly changing situation.

- NTSC was still able to maintain the percentage of gross profit margins close to the same period (3rd quarter of 2022). The operating profit was 63.5 million baht, which decreased by 19 million baht or 23% when to compare with the third quarter of 2022. The operating profit margin was 8.9%, slightly decreased by 1.4% due to lower income and an increase in employee expenses, as well as the promotional and marketing expenses increase according to the strategic plan to expand sales and marketing in new channels. Nevertheless, administrative expenses decreased from the same period last year by 6.2 million baht or a decrease of 9%.
- Net profit was 47 million baht, a decrease of 15.8 million baht or 25.2% when to compared with the 3rd quarter of 2022 (before becoming a public company) and net profit margin of 6.6%, decreased by 1.3% due to financial cost expenses (using a short-term credit line from a financial institution and liabilities under trust receipts during 2022 -Q1 2023 and recording rights-of-use assets to comply with accounting standards of public companies).

Business Overview

The main business of the company's group is to import, manufacture and sale of food additives and ingredients in order to be used as raw materials or ingredients in customers' recipes. 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 9M23.

Operating performance

Operating performance	9M2023	9M2022	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	712.4	796.4	-10.5%
Total Cost of sales and services	(552.5)	(615.1)	-10.2%
Gross Profit	159.9	181.3	-11.8%
% Gross Profit Margin	22.4%	22.8%	-0.3%
Other income	4.5	1.1	309.1%
Total revenue	716.9	797.5	-10.1%
Distribution costs	(35.8)	(30.0)	19.3%
Administrative expenses	(62.8)	(69.0)	-9.0%
Other profit	(2.3)	(0.9)	155.6%
Profit from operating activities	63.5	82.5	-23.0%
Finance costs	(4.6)	(3.9)	17.9%
Tax expense	(11.9)	(15.8)	-24.7%
Net Profit	47.0	62.8	-25.2%
% Net Profit Margin	6.6%	7.9%	-1.3%

9M2023's Operating results

Sales revenue for 9M23 and 9M22 was 712.4 million Baht and 796.4 million Baht, respectively. It is a decrease of 10.5% from Q3/2022 due to economic conditions, industry slowdown, manufacturers could not deliver the products on-time and raw material costs increased, causing the customers' purchase decisions.

Gross profit for the period 9M23 and 9M22 was to 159.9 million Baht and 181.3 million Baht, respectively, a decrease of 11.8% from Q3/2022 in proportion to the decrease in revenue.

Selling expenses for the period 9M23 and 9M22 was to 35.8 million Baht and 30 million Baht respectively, which represented the ratio of selling expenses to sales revenue of 5% and 3.8% respectively. The increase is due to employee sales & benefits, sample cost and marketing promotion expenses, which is in order to expand into new markets.

Administrative expenses for the period 9M23 and 9M22 was to 62.8 million Baht and 69 million Baht, respectively. In the period 9M23, administrative expenses decreased from the same period last year by 6.2 million Baht or 9%, mainly due to the reduction of various consulting fees for initial public offering purposes and the reduction cost of purchasing pallets for the new warehouse built during 9M22.

Net profit for the period 9M23 and 9M22 was to 47 million Baht and 62.8 million Baht respectively, which represented a net profit margin of 6.6% and 7.9% respectively. Net profit for the period 9M23 decreased from the same period last year by 15.8 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. However, NTSC still has a profitable financial statement and a consistent profit rate along with administrative expenses that decreased compared with the same period of 2022.

Financial Position

Total Financial Position (Million Baht)	30 September 2023	31 December 2022	% Change
Total current assets	704.1	717.6	-1.9%
Total non-current assets	439.5	358.5	22.6%
Total assets	1,143.6	1,076.1	6.3%
Total current liabilities	88.3	708.5	-87.5%
Total non-current liabilities	121.4	120.2	1.0%
Total Liabilities	209.7	828.7	-74.7%
Share capital	50.0	37.5	33.3%
Share premium from share swap	762.9	135.9	461.4%
Retained earnings	121.0	74.0	63.5%
Non-controlling interests	0.0	0.0	0.0%
Total shareholders' equity	933.9	247.4	277.5%

Assets

As of September 30, 2023, the NTSC Group had total assets of 1,143.6 million Baht, an increase of 67.5 million Baht from December 31, 2022 due to the following items: financial assets measured at fair value through profit or loss increased of 72 million baht, restricted bank deposits increased of 85 million Baht, cash and cash equivalents decreased of 25 million Baht, inventories decreased of 4.5 million Baht, and trade accounts receivable decreased of 12 million Baht.

Liabilities

As of September 30, 2023, the NTSC group had total liabilities of 209.7 million Baht, a decrease of 619 million Baht from December 31, 2022. The main items are liabilities under trust receipts decreased of 145.3 million Baht, loans from financial institutions decreased of 400 million Baht, trade and other payables decreased of 25.6 million Baht and current liabilities decreased of 39 million Baht from dividend tax and other accrued expenses.

Shareholders' Equity

At the end of the year 9M23, owners' equity was to 933.9 million Baht, an increase of 686.5 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 3	
	2023	2022
Gross Profit Margin (%)	22.4%	22.8%
Net Profit Margin (%)	6.6%	7.9%
Earnings per share (THB)	0.5	1.5%
Return on Assets (%)	5.7%	14.4%
Return on Equity (%)	8.0%	13.4%
Current ratio (Times)	8.0	1.0
Debt to Equity ratio (Times)	0.2	3.3
Book value per share (THB)	9.7	5.9

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	9M2023	9M2022
Cash flows from Operating Activities		
Net cash received (used) from operating activities	43.0	(6.8)
Cash flows from Investing Activities		
Net cash used in (received) investing activities	(160.1)	(55.8)
Cash flows from Financing Activities		
Net cash received (used) from financing activities	91.9	113.1
Net increase (decrease) in cash and cash equivalents	(25.2)	50.5
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	228.5	187.7

As of 30 September 2023, the Group had net cash operation gain by 43 million Baht. The profit before tax was 59 million Baht, which is adjusted for changes in non-cash items and non-operating activities. The amount of 22.1 million Baht is affected from changes in operating assets and liabilities totaling (12.5) million Baht. The adjustments for non-cash items and non-operating activities mainly came from depreciation and amortization in the amount 12.7 million Baht. Loss from allowance for inventories was 6.5 million Baht. The financial assets measured at fair value, derivatives (3.2) million Baht. The financial cost was 4.6 million Baht. For changes in operating assets and liabilities, It is mainly from inventories 38.7 million Baht, trade and other receivables 11.5 million Baht, trade and other payables (27.3) million Baht, other current liabilities (38.9) million Baht and interest expenses (4.6) million Baht, income tax (20.9) million Baht.

Net cash used in investing activities was 160.1 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 91.9 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 639.5 million Baht, and loan repayments in the amount of 400 million Baht.

Net decrease in cash and cash equivalents as of September 30, 2023 was 25.2 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 228.5 million Baht.