



# **TOA Paint (Thailand) Public Company Limited**

## **Management Discussion & Analysis**

**For the Fiscal Year 2023 ended December 31<sup>st</sup>, 2023**



- Translation -

No. TOA 04/2024

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Subject: Management Discussion and Analysis for the Fiscal Year 2023 ended December 31, 2023

To: The President  
The Stock Exchange of Thailand

TOA Paint (Thailand) Public Company Limited (the “Company” or “we” or “our” or “us”) would like to inform management discussion and analysis for its results of operations from the financial statements for the fiscal year 2023 ended December 31, 2023 as follows:

## Management Discussion and Analysis

### Results of Operations for the 4<sup>th</sup> Quarter of Year 2023

#### Sales Revenue

For the three months ended December 31, 2022 and 2023, our sales revenue amounted to THB 5,445.2 million and THB 5,747.2 million, respectively, which increased THB 302.0 million, or 5.5%. The increase was primarily attributable to an increase in sales revenue for decorative paint and coating products, respectively. Driven by the increased in sales volume from the demand for paints and construction materials due to the recovery of tourism and the demand for residential renovation in urban areas. The increase in sales revenue was primarily driven domestically by all sales channels, as well as, an increased overseas sales that started to recover from Malaysia and Myanmar.

#### Gross Profit

For the three months ended December 31, 2022 and 2023, gross profit amounted to THB 1,595.8 million and THB 1,971.1 million, respectively, or as gross profit margin of 29.3% and 34.3%, respectively. The increase in gross profit margin was primarily attributable to improved management of raw materials and production costs.

#### Selling Expenses

Total selling expenses increased THB 42.9 million, or 5.9%, from THB 725.2 million for the three months ended December 31, 2022 to THB 768.1 million for the three months ended December 31, 2023. The increase was primarily attributable to an increase in freight expenses and employee costs of sales, respectively.

However, selling expenses to sales revenue margin slightly increased from 13.3% in 4<sup>th</sup> Quarter of 2022 to 13.4% in 4<sup>th</sup> Quarter of 2023

**Administrative Expenses**

Total administrative expenses increased THB 71.7 million, or 19.6%, from THB 366.7 million for the three months ended December 31, 2022 to THB 438.4 million for the three months ended December 31, 2023. The increase was primarily attributable to an increase in employee costs and depreciation.

Total administrative expenses to sales margin increased from 6.7% in 4<sup>th</sup> Quarter of 2022 to 7.6% in 4<sup>th</sup> Quarter of 2023.

**Profit Attributable to Equity Holders of the Company for the period**

Our profit attributable to equity holders of the company for the period increased THB 253.0 million, or 86.7%, from THB 291.7 million for the three months ended December 31, 2022 to THB 544.7 million for the three months ended December 31, 2023. The increase was primarily attributable to an increase in gross profit.

Our net profit margin increased from 5.3% for the three months ended December 31, 2022 to 9.4% for the three months ended December 31, 2023.

Income statement (THB million)	For the three months ended December 31,	
	2022 (Restated)	2023
Sales Revenue	5,445.2	5,747.2
<b>Total Revenues</b>	<b>5,489.6</b>	<b>5,812.7</b>
Cost of Sales	3,849.4	3,776.1
Selling and Administrative Expenses	1,091.9	1,206.5
Gains (Losses) on exchange rates and fair value of financial assets measured at fair value through profit or loss	(112.7)	(135.0)
<b>Profit before Finance Cost and Income Tax</b>	<b>435.5</b>	<b>695.1</b>
<b>Profit Attributable to Equity Holders of the Company for the period</b>	<b>291.7</b>	<b>544.7</b>

Notes: Income statement for the three months ended December 31, 2022 (Restated) due to allocation of depreciation and amortization for fair value of net assets from the business acquisition of Gypmantech Co., Ltd. and Fast-Mix Co., Ltd.

**Results of Operations for For the Fiscal Year of 2023****Sales Revenue**

For the fiscal year of 2022 and 2023, our sales revenue amounted to THB 20,649.4 million and THB 22,237.8 million, respectively, which increased THB 1,588.4 million, or 7.7%. The increase was primarily attributable to the recovery of economic and tourism activities in Thailand after COVID-19 pandemic, along with an increasing trend in the need for residential renovation in urban area. This led to an increase in the demand for paints and construction materials. Furthermore, expanding business into the construction chemical and gypsum board sectors had also contributed to the income growth through increased sales revenue.

Moreover, the majority of the income increase was attributed to higher sales volumes in Thailand across all sales channels and product categories from the increase in volume and average sales price.

Sales by product group	For the Fiscal Year Ended December 31,			
	2022		2023	
	THB million	%	THB million	%
Decorative Products	12,421.1	60.2	13,585.7	61.1
Non-decorative Products	7,400.2	35.8	7,925.7	35.6
Other Business Products <sup>(1)</sup>	828.1	4.0	726.4	3.3
<b>Sales</b>	<b>20,649.4</b>	<b>100.0</b>	<b>22,237.8</b>	<b>100.0</b>

Notes "Other Business Products" comprise sales of certain products to the related companies, such as raw materials and semi-finished materials.

Sales by distribution channel	For the Fiscal Year Ended December 31,			
	2022		2023	
	THB million	%	THB million	%
Retail Dealers	13,991.9	67.8	14,870.3	66.9
Modern Trade	4,429.0	21.4	5,007.2	22.5
Others <sup>(1)</sup>	2,228.5	10.8	2,360.3	10.6
<b>Sales</b>	<b>20,649.4</b>	<b>100.0</b>	<b>22,237.8</b>	<b>100.0</b>

Note: "Others" primarily comprise sales revenue from distribution through projects, exports and related companies.

Sales by geography	For the Fiscal Year Ended December 31,			
	2022		2023	
	THB million	%	THB million	%
Thailand	17,222.0	83.4	18,876.3	84.9
Overseas	3,427.4	16.6	3,361.5	15.1
Vietnam	1,887.9	9.1	1,600.9	7.2
Others <sup>(1)</sup>	1,539.5	7.5	1,760.6	7.9
<b>Sales</b>	<b>20,649.4</b>	<b>100.0</b>	<b>22,237.8</b>	<b>100.0</b>

Note: "Others" mainly comprise sales revenue from customers in Laos, Malaysia, Indonesia, Myanmar and Cambodia.

### Gross Profit

For the years ended December 31, 2022 and 2023, gross profit was THB 6,003.3 million and THB 7,533.4 million, respectively, or as a percentage of sales revenue, 29.1% and 33.9%, respectively. The increase in gross profit margin was primarily attributable to the same reason explained in 4<sup>th</sup> Quarter (3 months) and an increase in premium-grade product sales, which had higher gross margin.

### Selling Expenses

Total selling expenses increased THB 216.0 million, or 8.3%, from THB 2,603.8 million for the year ended December 31, 2022 to THB 2,819.8 million for the year ended December 31, 2023. This increase was primarily attributable to higher employee costs of sales, and freight expenses.

However, selling expenses to sales revenue margin slightly increased from 12.6% for the year ended December 31, 2022 to 12.7% for the year ended December 31, 2023

### Administrative Expenses

Total administrative expenses increased THB 135.5 million, or 9.7%, from THB 1,398.3 million for the year ended December 31, 2022 to THB 1,533.8 million for the year ended December 31, 2023. This increase was primarily attributable to higher depreciation and amortization.

However, total administrative expenses to sales margin increased from 6.8% for the year ended December 31, 2022 to 6.9% for the year ended December 31, 2023.

### Profit Attributable to Equity Holders of the Company for the year

Our profit attributable to equity holders of the company for the year increased THB 1,152.0 million, or 81.3%, from THB 1,417.2 million for the year ended December 31, 2022 to THB 2,569.2 million for the year ended December 31, 2023. This increase was primarily attributable to an increase in gross profit.

Moreover, our net profit margin increased from 6.8% for the year ended December 31, 2022 to 11.4% for the year ended December 31, 2023.

Income statement (THB million)	For the Fiscal Year Ended December 31,	
	2022 (Restated)	2023
Sales Revenue	20,649.4	22,237.8
<b>Total Revenues</b>	<b>20,826.1</b>	<b>22,479.2</b>
Cost of Sales	14,646.1	14,704.4
Selling and Administrative Expenses	4,002.1	4,353.6
Gains (Losses) on exchange rates and fair value of financial assets	(253.9)	(48.8)
<b>Profit before Finance Cost and Income Tax</b>	<b>1,924.0</b>	<b>3,372.3</b>

Income statement (THB million)	For the Fiscal Year Ended December 31,	
	2022 (Restated)	2023
<b>Profit Attributable to Equity Holders of the Company for the period</b>	<b>1,417.2</b>	<b>2,569.2</b>

Notes: Income statement for the nine months ended December 31, 2022 (Restated) due to allocation of depreciation and amortization for fair value of net assets from the business acquisition of Gypmantech Co., Ltd. and Fast-Mix Co., Ltd.

## Asset Management Ability

### 1. Current Assets

#### (1) Cash and Cash Equivalents

Our cash and cash equivalents consist of cash and bank deposits. As of December 31, 2022 and 2023, the Company had cash and cash equivalents of THB 2,207.9 million and THB 3,401.9 million, respectively. Our cash and cash equivalents at December 31, 2023, were primarily driven by the increase in net cash from operating activities.

#### (2) Other Current Financial Assets

As of December 31, 2022 and 2023, the Company had investments in other current financial assets of THB 4,114.8 million and THB 4,339.6 million, respectively. Other current financial assets as of December 31, 2023, primarily increased from the increased investment of cash in financial assets to manage the return on the company's free cash flow.

#### (3) Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables from related and unrelated parties and other receivables, including accrued income. As of December 31, 2022 and 2023, the Company had trade and other receivables of THB 3,640.0 million and THB 3,815.8 million, respectively. The increase in trade and other receivables as of December 31, 2023, was primarily attributable to an increased sales revenue.

As of December 31, 2022 and 2023, the Company has an expected allowance for loss according to TFRS 9 amounting to THB 283.6 million and THB 352.1 million, respectively.

The Group applies the TFRS 9 with simplified approach in measuring the impairment of trade receivables and hire purchase receivables, which applies lifetime expected credit loss.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on payment profiles, historical credit losses as well as forward-looking information and factors that may affect the ability of the customers to settle the outstanding balances.

Average Collection Period was approximately 63 days in 2022 and in 2023, which was consistent with the credit term of the Company, which is between 30-90 days.

#### (4) Current Portion of Long-term Hire Purchase Receivables

Current portion of long-term hire purchase receivables comprised hire purchase agreements for the Auto Tinting Machines which are due within one year. As of December 31, 2022 and 2023, our current portion of long-term hire purchase receivables was THB 51.7 million and THB 53.4 million, respectively.

#### (5) Inventories

Inventories consist of finished goods, work in process, raw materials, packing materials, spare parts and factory supplies, and goods in transit. As of December 31, 2022 and 2023, the Company had inventories of THB 3,292.7 million and THB 2,824.2 million, respectively. The decrease in inventories as of December 31, 2023, was primarily due to the decrease in the level of raw materials and finished goods, as a result of the decrease in raw material prices and production costs.

Inventory days in 2022 and 2023 were approximately 33 days and 35 days, respectively.

The Company has a policy to establish provision for obsolete inventories by taking into the shelf life of each products.

## 2. Non-current Assets

#### (1) Long-term Hire Purchase Receivables not due within one year, Net of Current Portion

Long-term hire purchase receivables, net of current portion, comprised hire purchase agreements for the Auto Tinting Machines which are not due within one year. As of December 31, 2022 and 2023, the Company had long-term hire purchase receivables of THB 185.3 million and THB 208.7 million, respectively.

#### (2) Property, Plant and Equipment

Property, plant, and equipment consist of land, land improvements, buildings and building improvement, machinery and equipment, furniture, fixtures and office equipment, motor vehicles, and assets under installation. As of December 31, 2022 and 2023, the Company had property, plant and equipment of THB 3,522.4 million and THB 3,965.8 million, respectively. Property, plant and equipment as of December 31, 2023, mainly increased from the investment in the construction of a distribution center of a subsidiary in Vietnam and the improvement of machinery and production factories of the Company.

**(3) Right-of-Use Assets**

Right-of-use assets consist of the right to use land, buildings, equipment, and vehicles used in operations. As of December 31, 2022 and 2023, the Company had right-of-use assets of THB 1,226.4 million and THB 1,251.3 million, respectively.

**(4) Intangible Assets**

Intangible assets comprise computer software and leasehold rights. As of December 31, 2022 and 2023, intangible assets were THB 239.9 million and THB 216.2 million, respectively.

**(5) Goodwill**

Goodwill was from the recording of business combination transactions from the acquisition of subsidiaries. As of December 31, 2022 and 2023, the Company had goodwill of 355.3 million baht, which remained unchanged.

**(6) Other Non-current Assets**

As of December 31, 2022 and 2023, the Company had other non-current assets of THB 117.1 million and THB 75.7 million, respectively. The decrease in other non-current assets as of December 31, 2023, was primarily due to the 2022 deposit for construction of a new distribution center in Vietnam.

**3. Current Liabilities****(1) Short-term Loans from Financial Institutions**

Our short-term loans from financial institutions represent promissory notes.

As of December 31, 2022 and 2023, the Company had short-term loans from financial institutions of THB 101.3 million and THB 72.3 million, respectively.

**(2) Trade and Other Payables**

Our trade and other payables consist of trade payables to our raw material suppliers and other payables to related and unrelated parties, as well as accrued expenses.

As of December 31, 2022 and 2023, the Company had trade and other payables of THB 3,881.9 million and THB 4,153.8 million, respectively. The increase in trade and other payables was primarily due to an increase in purchasing volume. The average days outstanding for trade and other payables remained unchanged with 68 days in both 2022 and 2023.

**(3) Income Tax Payable**

As of December 31, 2022 and 2023, income tax payable, being corporate income tax, was THB 206.6 million and THB 315.3 million, respectively. This increase was in line with the increase in net profit for 2023.



#### 4. Non-current Liabilities

##### (1) Long-term loans from financial institutions - net of amount due within one year

As of December 31, 2022 and 2023, the Company had long-term loans from financial institutions - net of amount due within one year of THB 49.5 million and THB 177.8 million, respectively. The increase in long-term loans from financial institutions - net of amount due within one year as of December 31, 2023 was due to loans from the Company's subsidiary in Vietnam to finance the construction of a new distribution center.

##### (2) Lease Liability - Net of Amount Due Within One Year

As of December 31, 2022 and 2023, the Company's lease liabilities - net of amount due within one year were THB 916.8 million and THB 932.6 million, respectively.

##### (3) Provision for Long-term Employee Benefits

As of December 31, 2022 and 2023, the Company had provision for long-term employee benefits of THB 352.1 million and THB 334.1 million, respectively. Provision for long-term employee benefits as of December 31, 2023 decreased primarily due to employees retirements.

#### 5. Shareholders' Equity

As of December 31, 2022 and 2023, our shareholders' equity was THB 13,489.6 million and THB 14,818.1 million, respectively. As of December 31, 2023, shareholders' equity consisted of paid up capital of THB 2,029.0 million, share premium of THB 5,761.5 million, appropriated-statutory reserve of THB 202.9 million, unappropriated retained earnings of THB 7,026.9 million less other components of shareholders equity of THB 949.3 million and non-controlling interests of the subsidiaries of THB 747.0 million.

The increase in shareholders' equity as of December 31, 2023, was mainly due to retained earnings, which were driven by the higher net profit for 2023.

As of December 31, 2022 and 2023, the Company's return on equity was 11.3% and 19.1%, respectively. The increase in the Company's return on equity as of December 31, 2023, was primarily due to the increase in profit for the period.

### Liquidity and Adequacy of Capital

#### 1. Liquidity

Our principal sources of liquidity are cash generated from our operations and loans from financial institutions. The availability of funding from external sources and the cost of such funding is subject to a number of factors that are beyond our control, including general economic and capital market conditions, interest rates, availability of credit from banks and other lenders, lender and/or investor confidence in TOA, tax and securities laws that may be applicable to us, and political and economic conditions in the markets in which the Company operate and internationally.

Our expectation of cash flow from operating activities, as well as cash and cash equivalents are adequate for the capital commitments.

## 2. Cash Flows

The following table sets out certain information from our consolidated condensed statements of cash flows for the periods indicated.

	For the Fiscal Year	
	Ended December 31,	
	2022	2023
	(Restated)	
<b>Cash Flow Data:</b>	THB million	THB million
<b>Net cash flows from operating activities</b>	<b>1,376.0</b>	<b>3,817.1</b>
<b>Net cash flows used in investing activities</b>	<b>(940.2)</b>	<b>(1,367.9)</b>
<b>Net cash flows used in financing activities</b>	<b>(1,248.1)</b>	<b>(1,251.7)</b>
Decrease in translation adjustments	(6.2)	(8.3)
Exchange gain on cash and cash equivalents	15.3	4.8
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(803.3)</b>	<b>1,194.0</b>
Cash and cash equivalents at the beginning of the year	3,011.2	2,207.9
<b>Cash and cash equivalents at the end of the year</b>	<b>2,207.9</b>	<b>3,401.9</b>

### (1) Operating Activities

For the fiscal year ended December 31, 2023, net cash flow from operating activities was 3,817.1 million baht, mainly from:

- Profit before tax for the period of THB 3,330.4 million
- Adjusted for items affecting net income to cash received from operating activities of 822.7 million baht, mainly from depreciation and amortization of THB 720.6 million
- Increase in cash from operating assets and liabilities of THB 242.7 million, mainly from a decrease in inventories of THB 416.6 million, and an increase in trade and other payables of THB 250.9 million, partly offset by an increase intrade and other receivables of THB 261.1 million, and an increase in other current assets of THB 143.8 million
- Cash paid for income tax and withholding tax refund of THB 578.7 million

### (2) Investing Activities

Net cash flows from investing activities were THB 1,367.9 million for the year ended December 31, 2023, which was primarily from cash paid for the purchase of property, plant and equipment of THB 956.0 million, the net purchase of current financial assets of THB 202.8 million, the

advance payment of property, plant and equipment of THB 111.3 million, and the purchase of other non-current financial assets of THB 138.0 million.

### (3) Financing Activities

Net cash flows used in financing activities was THB 1,251.7 million for year ended December 31, 2023, which was primarily from dividend payment of THB 1,176.8 million and the payment for lease liabilities of THB 197.1 million.

## Analysis of Key Financial Ratios

Below is a discussion of certain key financial ratios.

### 1. Current Ratio

As of December 31, 2022 and 2023, our current ratio was 3.04 and 3.00 times, respectively.

### 2. Total Liabilities to Equity Ratio

As of December 31, 2022 and 2023, our total liabilities to equity ratio were 0.43 and 0.44 times, respectively. The total liabilities to equity ratio slightly increased as of December 31, 2023, primarily due to an increase in liabilities.

### 3. Interest-Bearing Debt to Equity Ratio

As of December 31, 2022 and 2023, our interest-bearing debt to equity ratio was 0.42 and 0.43 times, respectively.

Please be informed accordingly,

Yours Sincerely,

(Acting Sub Lt. Surasak Mandaeng)  
Chief Financial Officer