

Date 28 February 2024

Subject Management's Discussion and Analysis of the Financial Statements for the year ended 31  
December 2023

To Managing Director of The Stock Exchange of Thailand

Enclosure Management's Discussion and Analysis of the Financial Statements for the year ended 31  
December 2023, both Thai and English, 1 set for each

NSL Foods Public Company Limited ("NSL") would like to submit the Company's audited financial statements for the year ended 31 December 2023.

The operation result of NSL for the year ended 31 December 2023 registered a net profit from Consolidated financial statement amounting to 332.22 THB million and a net profit from separate financial statements amounting to 345.27 THB million. Please see further details in the Management's Discussion and Analysis of the financial statements for the year ended 31 December 2023 as attached.

(Mr. Somchai Asavapiyanond)

President

**NSL Foods Public Company Limited**

**Management Discussion and Analysis for the year ended 31 December 2023**

**Summary of operating performance of 2023**

Operating Performance	Consolidated financial statement	Separate financial statements			
	2023	2023	2022	Increase (Decrease)	%Increase (Decrease)
Sales	4,788.4	4,735.7	4,001.5	734.2	18.3%
Revenue from franchise license	4.4	-	-	-	-
Other income	16.5	13.0	8.3	4.7	57.1%
<b>Total Revenues</b>	<b>4,809.3</b>	<b>4,748.7</b>	<b>4,009.8</b>	<b>738.9</b>	<b>18.4%</b>
Cost of sales	3,910.1	3,864.2	3,259.3	604.8	18.6%
Distribution costs	334.8	324.9	267.1	57.8	21.6%
Administrative expenses	127.3	117.5	101.4	16.1	15.9%
<b>Profit from Operating Activities</b>	<b>437.1</b>	<b>442.1</b>	<b>381.9</b>	<b>60.2</b>	<b>15.8%</b>
Finance costs	10.6	10.4	10.3	0.2	1.6%
Share of loss of joint venture accounted for using equity method	8.9	-	-	-	-
<b>Profit before income tax</b>	<b>417.6</b>	<b>431.7</b>	<b>371.6</b>	<b>60.1</b>	<b>16.2%</b>
Income tax expenses	85.4	86.4	74.0	12.4	16.7%
<b>Net Profit</b>	<b>332.2</b>	<b>345.3</b>	<b>297.6</b>	<b>47.7</b>	<b>16.0%</b>

**Revenue**

Revenue Structure	Separate financial statements					
	2023		2022		Increase (Decrease)	%Increase (Decrease)
	MB.	%	MB.	%		
Sales	4,735.7	99.7%	4,001.5	99.8%	734.2	18.3%
- Bakery and appetizers	4,281.6	90.2%	3,643.4	90.9%	638.2	17.5%
- Snack under NSL's brands and trading	110.0	2.3%	34.9	0.9%	75.1	215.1%
- Food Services	275.7	5.8%	288.3	7.2%	(12.5)	(4.3%)
- OEM and others	68.4	1.4%	34.9	0.9%	33.4	95.7%
Other income	13.0	0.3%	8.3	0.2%	4.7	57.1%
<b>Total Revenue</b>	<b>4,748.7</b>	<b>100.0%</b>	<b>4,009.8</b>	<b>100.0%</b>	<b>738.9</b>	<b>18.4%</b>

## Revenue

In 2023, NSL's revenue from sales were accounted for 99.7% and other income were accounted for 0.3% of total revenue. Revenue from sales comprises products of bakery, appetizers, snacks by NSL's brands and trading, food services, OEM and others.

In 2023 period, NSL had revenue from sales of 4,735.7 THB millions, increased from 2022 by 734.2 THB millions or accounted for the increase of 18.3%, mainly due to COVID-19 pandemic situation could recover and more relax since Q422 until end of 2023 and partner emphasize delivery sales and promotion continuously in the result of sales increasing. Moreover, the revenue from food services slightly decreased in 2023 from the previous year.

## Other income

In 2023 period, NSL's other income increased from 2022 by 4.7 THB million

## Cost of sales and Gross profit

Separate financial statements						
Description	2023		2022		Increase	%Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sales	4,735.7	100.0%	4,001.5	100.0%	734.2	18.3%
Cost of sales	3,864.2	81.6%	3,259.3	81.5%	604.8	18.6%
Gross Profit	871.5	18.4%	742.1	18.5%	129.4	17.4%

In 2023, gross profit margin was slightly decreased from the same period of the previous year mainly due to raw material cost and utilities cost increased, however, NSL has adjusted price of some products thus they are partially offsetting the increase in costs.

## Distribution Costs

Separate financial statements						
Distribution Costs	2023		2022		Increase	%Increase
	MB.	% of total revenue	MB.	% of total revenue	(Decrease)	(Decrease)
Promotional and advertising expenses	9.2	0.2%	3.4	0.1%	5.8	170.4%
Sales transportation expenses	227.7	4.8%	196.5	4.9%	31.1	15.8%
Salaries, wages, overtime, bonuses, and employee benefits	55.4	1.2%	47.9	1.2%	7.5	15.6%
Other distribution costs	32.6	0.7%	19.2	0.5%	13.4	69.4%
<b>Total Distribution costs</b>	<b>324.9</b>	<b>6.8%</b>	<b>267.1</b>	<b>6.7%</b>	<b>57.8</b>	<b>21.6%</b>

The distribution costs in 2023 increased from the previous year by 57.8 THB million. It was mainly due to the increase of sales transportation expenses from increasing of fuel price and more product delivery cycle. Moreover, salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in sales and marketing department and sales promotion for boost up sales.

### **Administrative Expenses**

Separate financial statements						
Administrative Expenses	2023		2022		Increase	%Increase
	MB	% of total revenue	MB	% of total revenue	(Decrease)	(Decrease)
Salaries, wages, overtime, bonuses, and employee benefits	73.6	1.5%	65.7	1.6%	7.9	12.0%
Consulting fees and service fees	19.8	0.4%	13.2	0.3%	6.7	50.8%
Depreciation and amortization	5.5	0.1%	3.7	0.1%	1.8	49.2%
Utilities and equipment repair	5.0	0.1%	4.3	0.1%	0.7	16.1%
Other administrative expenses	13.6	0.3%	14.6	0.4%	(1.0)	(6.6%)
<b>Administrative Expenses</b>	<b>117.5</b>	<b>2.5%</b>	<b>101.4</b>	<b>2.5%</b>	<b>16.1</b>	<b>15.9%</b>

Administrative expenses in 2023 were increased from the previous year mainly due to salaries, wages, overtime, bonuses, and employee benefits increased from increasing in personnel in administration and management department.

### **Finance Costs**

Separate financial statements				
Finance Costs	2023	2022	Increase	%Increase
	MB.	MB.	(Decrease)	(Decrease)
Finance costs	10.5	10.3	0.2	1.6%

In 2023, finance costs had increased when compare with the previous year, caused by the borrowings from a financial institution which interest rate was increased.

### Net profit and Net profit margin

Net profit and Net profit margin	Unit	2023	2022	Increase (Decrease)	% Increase (Decrease)
<b>Consolidated financial statement</b>					
Net profit	MB	332.2	297.6	34.6	11.6%
Net profit margin (%)	%	6.9%	7.4%	(0.5%)	
<b>Separate financial statements</b>					
Net profit	MB	345.3	297.6	47.7	16.0%
Net profit margin (%)	%	7.3%	7.4%	(0.6%)	

In 2023, NSL had net profit in the separate financial statement of 345.3 THB million, higher than the previous year by 47.7 THB million, however, net profit margin is lower than the previous year by 0.6%. It resulted from increasing in revenue from recovery of COVID-19 situation, however, raw material cost, fuel cost and utilities cost increased so net profit margin decreased when compare with the same period of the previous year.

Moreover, for consolidated financial statement, in 2023 NSL invested in Pen 1 F & B Co., Ltd. amounting to 15 THB million and had share of loss of joint venture accounted for using equity method amounting to 8.9 THB million from operating expense and selling expense and in 2023, NSL invested in NSL INTERTRADE (2023) Co., Ltd. amounting to 8 THB million and NSL Bake a Wish Co., Ltd. amounting to 24 THB million had a little share of loss of such investment from operating expense so remaining net profit from Consolidated financial statement was 332.2 THB million.

## Financial Position

Financial Position	Consolidated financial statement	Separate financial statements			
	31-Dec-23 MB	31-Dec-23 MB	31-Dec-22 MB	Increase (Decrease)	%Increase (Decrease)
Total Assets	2,499.6	2,438.1	2,289.7	148.5	6.5%
Total Liabilities	923.2	866.7	883.6	(16.9)	(1.9%)
Total Shareholders' Equity	1,576.4	1,571.4	1,406.1	165.4	11.8%

## Assets

Assets	Consolidated financial statement	Separate financial statements				
	31-Dec-23	31-Dec-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Dec-23
Cash and cash equivalents	133.9	105.3	115.1	(9.8)	(8.5%)	4.3%
Trade and other current receivables	732.0	729.8	595.4	134.4	22.6%	29.9%
Short-term loans to a subsidiary	-	21.0	-	21.0	100%	0.9%
Inventories	274.4	262.7	267.1	(4.4)	(1.6%)	10.8%
Investment in subsidiaries	-	32.0	-	32.0	100%	1.3%
Investment in a joint venture	6.1	15.0	-	15.0	100%	0.6%
Property, plant and equipment and Right-of-use assets	1,049.9	1,014.6	969.7	45.0	4.6%	41.6%
Other assets	303.3	257.6	342.3	(84.7)	(24.7%)	10.6%
<b>Total Assets</b>	<b>2,499.6</b>	<b>2,438.1</b>	<b>2,289.7</b>	<b>148.5</b>	<b>6.5%</b>	<b>100.0%</b>

NSL's total assets in 2023 increased from the previous year, mainly due to the increase of Trade and other current receivables based on sales growth. Moreover, there is increasing in Property, plant and equipment from investing.

Moreover, in 2023 NSL invested in Pen 1 F & B Co., Ltd. amounting to 15 THB million and had share of loss of joint venture accounted for using equity method amounting to 8.9 THB million from operating expense and selling expense so remaining investment in a joint venture from consolidated financial statement was 6.1 THB million and in 2023 NSL invested in NSL INTERTRADE (2023) Co., Ltd. amounting to 8 THB million and NSL Bake A Wish Co., Ltd. 24 THB million. Moreover, there is short-term loans to NSL Bake A Wish Co., Ltd. 21 THB million.

## Liabilities

Liabilities	Consolidated financial statement	Separate financial statements				
	31-Dec-23	31-Dec-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Dec-23
Trade and other current payables	650.0	626.1	559.5	66.6	11.9%	25.7%
Long-term borrowings from a financial institution	133.4	133.4	234.3	(100.9)	(43.1%)	5.5%
Lease liabilities	22.2	11.0	12.7	(1.7)	(13.1%)	0.5%
Other liabilities	117.6	96.1	77.1	19.0	24.7%	3.9%
<b>Total Liabilities</b>	<b>923.2</b>	<b>866.7</b>	<b>883.6</b>	<b>(16.9)</b>	<b>(1.9%)</b>	<b>35.5%</b>

NSL's total liabilities in 2023 was slightly decreased from the previous year mainly caused by the decrease of short-term and long-term borrowings from a financial institution was due to the repayment of the borrowings and trade and other current payables increased by 66.6 THB million from purchasing for support sales at the end of the year.

## Shareholder's Equity

Shareholder's Equity	Consolidated financial statement	Separate financial statements				
	31-Dec-23	31-Dec-23	31-Dec-22	Increase	%Increase	% Proportion per total assets
	MB	MB	MB	(Decrease)	(Decrease)	31-Dec-23
Issued and paid-up share capital	300.0	300.0	300.0	-	0.0%	12.3%
Premium on ordinary shares	797.4	797.4	797.4	-	0.0%	32.7%
Retained earnings - Legal reserve	30.0	30.0	30.0	-	0.0%	1.2%
Retained earnings - Unappropriated	432.3	444.1	278.7	165.4	59.3%	18.2%
Non-Controlling Interests	16.7	-	-	-	-	-
<b>Total Shareholders' Equity</b>	<b>1,576.4</b>	<b>1,571.4</b>	<b>1,406.1</b>	<b>165.4</b>	<b>11.8%</b>	<b>64.5%</b>

Shareholders' equity in 2023 was 1,571.4 THB million, increased by 165.4 THB million or accounted for 11.8%. It resulted from the increase of retained earnings from net profit during the period by 345.3 THB million. There was dividend payment in 2023 by 179.9 THB million

## **Key Financial Ratios**

Financial Ratio	Unit	For the fiscal period ended		
		31-Dec-23	31-Dec-22	Increase (Decrease)
Current ratio	times	1.6	1.7	(0.0)
Quick ratio	times	1.0	0.9	0.1
Return on Assets (ROA)	%	18.7	17.4	1.3
Return on Equity (ROE)	%	23.2	22.4	0.8
Debt to Equity ratio (D/E Ratio)	times	0.6	0.6	(0.1)
Bank Debt to EBITDA ratio (Bank Debt / EBITDA)	times	0.2	0.5	(0.2)
Debt Service Coverage ratio (Cash Basis)	times	0.9	0.5	0.5

### **Current ratio and Quick ratio**

At the end of 2023, the current ratio and quick ratio is the same as previous year.

### **Return on Assets (ROA)**

At the end of 2023, return on assets increased to 18.7%, mainly due to the increase of net profit.

### **Return on Equity (ROE)**

Return on equity at the end of 2023 increased to 23.2%, mainly due to the increase of net profit.

### **Debt-to-Equity ratio (D/E ratio) and Bank debt to EBITDA ratio (Bank Debt / EBITDA)**

At the end of 2023, debt-to-equity ratio (D/E ratio) and bank debt to EBITDA ratio (Bank Debt / EBITDA) decreased comparing with the previous year from the repayment of the borrowings.

### **Debt service coverage ratio**

The debt service coverage ratios in 2023 was 0.9 times which were lower than 1.0 time. It resulted from the repayment of loan from a financial institution and dividend payment. However, NSL has never defaulted on repayment of loans and interests. In addition, NSL has cash and cash equivalents and undrawn reserve limit to support financial liquidity in 9M23, which are bank overdrafts (OD) of 30 THB million, short term loan (PN) of 210 THB million and import credit facility (LC/TR) of 189.8 THB million.