

Management Discussion and Analysis for the Year, Ending 31 December 2023

Summary of operating performance	2023	2022	Change (+/-)
Unit: Million Baht			%YoY
Total Revenue	955.6	1,056.8	(9.6%)
Gross Profit	215.4	235.8	(8.7%)
Profit from operating activities	91.6	103.0	(11%)
Net Profit	69.6	77.1	(9.7%)
Gross Profit Margin (%)	22.5%	22.3%	0.2%
Operating Profit Margin (%)	9.6%	9.7%	(0.1%)
Net Profit Margin (%)	7.3%	7.3%	0%

2023 vs 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 had differences when compared with the previous year, which include the operating results and related expenses.

During 2023, total income was 955.6 million baht, a decrease of 101.2 million baht or 9.6% from the year of 2022. This is due to the fact that NTSC group still has pending orders for some items waiting to be delivered within 1st quarter of 2024 and 2nd quarter of 2024. The overall business of the customers were still affected from the economic slowdown when compared with the previous year as the effects of the Russian and Ukraine war and other wars were still on-going. It was found that during the year 2023, the main factor affecting sales resulted from the lower production volumes of natural products from our manufacturers, who could not deliver the products on-time even though sales contract was enforced.

Although NTSC and NTSC group had orders from customers in advance, the volume was uncontrollable decreased, resulting in not achieving the expected target. In addition, the prices competition for some product groups was very intense, because other companies had over-stock of their products. Other uncontrollable factors were the slow down of the global economic situation and the fluctuation of the interest rates, which caused 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, slowed down in production as well. The Thai consumers' domestic spending also slowed down, which also affected 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 began to deliver order during the whole year 2024 in order to increase income and strengthened the ability to be the leader in product manufacturing at the international level.

NTSC and NTSC group implemented sales, marketing, and investment strategies in order to compete in business sustainably. To continuously build new business opportunities, NTSC group sought for new vendors and customers and increased the proportion of production in OEM and ODM products. We promoted brand awareness and additional services of the company in many channels, all offline and online, as well as investing in machineries to support the production of a variety of products. This was expected to increase production income for the food industries and animal feed industries. In addition, NTSC and NTSC group invested in research and development of new innovative products, researched, developed and tested for efficiency before entering the next market. As well, NTSC and NTSC group have joined hands with additional business partners both domestically and abroad to distribute new innovative products and/or services that met the needs of today's consumers. Furthermore, we do new product development in collaboration with partners, customers, universities and research institutes in order to create values and sustainability that will create more sales in the future.

For internal management, NTSC and NTSC group did best to control sales costs in order not to affect the company's operating results and sold both existing and new products to new or existing customers. In addition, NTSC and NTSC group controlled 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 considered, assessed, controlled, prevented, and/or reduced risks in various areas according to the rapidly changing situation.

- NTSC was still able to increase the percentage of gross profit margins, which was better than the year 2022(2022: 22.3% to 2023:22.5%). It demonstrated that NTSC group could manage financial costs during the economic crisis quite well. The operating profit was 91.6 million baht, which decreased by 11.4 million baht or 11% when compared with the year of 2022. The operating profit margin was 9.6%, slightly decreased by 0.1% 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 10.4 million baht or a decrease of 11.3%.
- Net profit was 69.6 million baht, a decrease of 7.5 million baht or 9.7% when compared with the year 2022 (before becoming a public company). The Company still maintained good net profit margin of 7.3%, due to financial cost expenses management (using a short-term credit line from a financial institution and liabilities under trust receipts were decreased by the amount of Baht 1 million during the year 2023).

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 2022 to 2023.

Operating performance

Operating performance	2023	2022	Change (+/-)
Unit: Million Baht			%YoY
Revenue from sales and services	955.6	1,056.8	(9.6%)
Total Cost of sales and services	(740.2)	(821.0)	(9.8%)
Gross Profit	215.4	235.8	(8.7%)
% Gross Profit Margin	22.5%	22.3%	0.2%
Other income	6.5	1.4	364.3%
Total revenue	962.1	1,058.2	(9.1%)
Distribution costs	(48.9)	(41.6)	17.5%
Administrative expenses	(81.3)	(91.7)	(11.3%)
Other profit	(0.07)	(0.9)	(92.2%)
Profit from operating activities	91.6	103.0	(11%)
Finance costs	(5.5)	(6.5)	(15.4%)
Tax expense	(16.5)	(19.4)	(14.9%)
Net Profit	69.6	77.1	(9.7%)
% Net Profit Margin	7.3%	7.3%	0%

2023's Operating results

Sales revenue for 2023 and 2022 was 955.6 million Baht and 1,056.8 million Baht, respectively. It was a decrease of 9.6% from the year 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 2023 and 2022 was to 215.4 million Baht and 235.8 million Baht, respectively, a decrease of 8.7% from 2022 in proportion to the decrease in revenue.

Selling expenses for the period 2023 and 2022 was 48.9 million Baht and 41.6 million Baht respectively, which represented the ratio of selling expenses to sales revenue of 5.1% and 3.9% respectively. The increase was due to employee sales & benefits, sample cost and marketing promotion expenses, They were used in order to expand into new markets and new customers.

Administrative expenses for the period 2023 and 2022 was to 81.3 million Baht and 91.7 million Baht, respectively. In the period 2023, administrative expenses significantly decreased from the same period last year by 10.4 million Baht or 11.3%, 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 2022.

Net profit for the period 2023 and 2022 was to 69.6 million Baht and 77.1 million Baht respectively, which represented a net profit margin of 7.3% and 7.3% respectively. Net profit for the period 2023 decreased from the same period last year by 7.5 million Baht in proportion to the decrease in revenue. The decrease in net profit was due to the increased cost of selling and marketing, as well as the financial cost. However, NTSC still had a profitable financial statement and a consistent profit rate along with administrative expenses that significantly decreased compared with the same period of 2022.

Financial Position

Total Financial Position (Million Baht)	31 December 2023	31 December 2022	% Change
Total current assets	754.2	717.6	5.1%
Total non-current assets	435.6	358.5	21.5%
Total assets	1,189.8	1,076.1	10.6%
Total current liabilities	112.6	708.5	(84.1%)
Total non-current liabilities	120.8	120.2	0.5%
Total Liabilities	233.4	828.7	(71.8%)
Share capital	50.0	37.5	33.3%
Share premium from share swap	762.9	135.9	461.4%
Retained earnings	143.5	74.0	93.9%
Non-controlling interests	0.0	0.0	0.0%
Total shareholders' equity	956.4	247.4	286.6%

Assets

As of December 31, 2023, the NTSC Group had total assets of 1,189.8 million Baht, an increase of 113.7 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 36.5 million Baht, inventories decreased of 59.8 million Baht, and trade accounts receivable decreased of 9.3, other current assets decreased 2.7 million Baht, Right of use assets decreased 8.0 million Baht.

Liabilities

As of December 31, 2023, the NTSC group had total liabilities of 233.4 million Baht, a significant decrease of 595.3 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 5.0 million Baht, derivatives liabilities decreased 2.6 million Baht, accrued income tax decreased 3.9 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 2023, owners' equity was to 956.4 million Baht, an increase of 709 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	Year	
	2023	2022
Gross Profit Margin (%)	22.5%	22.3%
Net Profit Margin (%)	7.3%	7.3%
Earnings per share (THB)	0.71	1.04
Return on Assets (%)	8.1%	17.3%
Return on Equity (%)	11.6%	16.1%
Current ratio (Times)	6.7	1.0
Debt to Equity ratio (Times)	0.2	3.3
Book value per share (THB)	9.8	3.3

Liquidity and Capital Resources

Statement of Cash Flows (Million Baht)	2023	2022
Cash flows from Operating Activities		
Net cash received (used) from operating activities	111.1	88.9
Cash flows from Investing Activities		
Net cash used in (received) investing activities	(161.9)	(50.6)
Cash flows from Financing Activities		
Net cash received (used) from financing activities	87.0	78.5
Net increase (decrease) in cash and cash equivalents	36.5	116.8
Cash and cash equivalents at beginning of the period	253.4	136.9
Gains and Losses on Exchange Rate	0.0	(0.3)
Cash and cash equivalents at end of the period	289.9	235.5

As of 31 December 2023, the Group had net cash operation gain by 111.1 million Baht. The profit before tax was 86 million Baht, which was adjusted for changes in non-cash items and non-operating activities. The amount of 21.1 million Baht was affected by changes in operating assets and liabilities totaling 26.8 million Baht. The adjustments for non-cash items and non-operating activities mainly came from depreciation and amortization in the amount of 15.9 million Baht. The financial assets measured at fair value, derivatives were (2.5) million Baht. The financial revenue was (2.5) million Baht. The financial cost was 5.5 million Baht. For changes in operating assets and liabilities, it was mainly from inventories 59.6 million Baht, trade and other receivables 9.7 million Baht, trade and other payables (5.8) million Baht, other current liabilities (39) million Baht and interest expenses (5.5) million Baht, income tax (17.3) million Baht.

Net cash used in investing activities was (161.6) 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. Cash used in assets purchasing was (5.9) million Baht.

Net cash received from financing activities was 87 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 635.3 million Baht, and loan repayments in the amount of (400) million Baht.

Net decrease in cash and cash equivalents as of December 31, 2023 was 36.5 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 289.9 million Baht.