

Subject Management Discussion and Analysis for the quarter of year 2024

To Directors and Managers

The Stock Exchange of Thailand

Nutrition SC Public Company Limited and its subsidiaries would like to clarify the financial performance and financial information for the first quarter of year 2024 with the following details:

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 ingredients 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 2024.

Nutrition SC Public Company Limited or "NTSC" and its subsidiaries ("NTSC group"). During 2021-2022 from the COVID situation that has an impact on the economic and industry situation, NTSC has adjusted various strategic business plans and has adapted throughout the crisis as well. During the 1st quarter of 2023, 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. 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 2023, Covid-19 situation was unfolding, the consumers could better adapt, so our main customers are Food Manufacturer and Food consumer, Hence the group could get back to drive the capacity that they used to manufacture and export.

For the first quarter of year 2024, the group had revenue from sales of 262.2 million baht, increased by 17.6 million baht or 7.2% when compared with the first quarter of year 2023, This was due to the fact that the situation was unfolded, as well as we had a planned-, proactive strategies to increases the proportion of production in OEM and ODM products. The first quarter of year 2024 had higher performance than the first quarter of year 2023, because of OEM revenue segment from both food ingredient or feed ingredients. There was not only effects from the economic positive factors, as the effects of the Russian and Ukraine war were gradually reduced. It was found that during the first quarter of year 2024, the main factor affecting sales resulted from the decrease of agricultural production from vendors, that did not cover customer's demand. Although NTSC and NTSC group has

orders from customers in advance, the volume decreased resulting in not achieving the expected target due to uncontrollable. In addition, the selling prices competition for some product groups was very intense, because other companies had over stock of their products. Other uncontrollable factors were 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, slow-downed in production as well. The Thai consumers' domestic 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 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, accordingly to the year 2024, to continually built a new opportunities. NTSC group is seeking for a new vendor and customer 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 diverse 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.

Revenue Structure

Group revenue structure derived from the business of manufacture and distribution of raw materials used as Food Ingredients by dividing into 2 types:

1. Food ingredients business
2. Feed ingredients business

Unit : Million Baht

Revenue structure	Three month period (January – March)		Change	
	2024	2023	Amount	%
Food ingredients	233.5	226.2	7.3	3.2%
Feed ingredients	28.7	18.4	10.3	56.0%
Total	262.2	244.6	17.6	7.2%

Analysis of Financial Performance

Unit : Million Baht

Profit or Loss	Three month period (January – March)		Change	
	2024	2023	Amount	%
Revenue from sales	262.2	244.6	17.6	7.2%
Cost of goods sold	(205.5)	(190.4)	(15.1)	7.9%
Gross profit	56.7	54.2	2.5	4.6%
Other income	1.4	1.6	(0.2)	-12.5%
Selling expenses	(13.1)	(11.2)	(1.9)	17.0%
Administrative expenses	(21.1)	(22.2)	1.1	-5.0%
Other loss	(2.2)	1.0	(3.2)	-320.0%
Finance costs	(0.9)	(2.7)	1.8	-66.7%
Profit before income tax expenses	20.8	20.7	0.1	0.5%
Income tax expenses	(5.1)	(4.1)	(1.0)	24.4%
Profit for the year	15.7	16.6	(0.9)	-5.4%
Non-controlling interests	0.0	0.0	(0.0)	0.0%
Owners of the parents	15.7	16.6	(0.8)	-4.8%

Revenues from Sales in the First Quarter of Year 2024

In the first quarter of Year 2024, the Group had revenues from sales of 262.2 million baht, which increased by 17.6 million baht or 7.2%, when compared with the first quarter of Year 2023, which had revenues from sales of 244.6 million baht.

The main reasons for the increase in revenue from sales amounting to 17.6 million baht were mainly increased by Food ingredients of 7.2 million baht or 3.2% and increased by Feed ingredients of 10.3 million baht or 56%.

Gross Profit for the First Quarter of Year 2024

Unit : Million Baht

Gross Profit	Three months period (January – March)		Change	YoY
	2024	2023		
Gross profit	56.7	54.2	2.5	4.6%
Proportion to revenue from sales	21.6%	22.2%		

The increase in gross margin was 4.6%, by cost of goods sold in the first quarter of the year 2024, the gross margin was effected by increasing of costing price, there was decreased by 0.5% when compared with the first quarter of year 2023.

Selling and Administrative Expenses for the First Quarter of the Year 2024

Unit : Million Baht

Selling and Administration Expenses	Three months period (January – March)		Change	YoY
	2024	2023		
Selling and Administration Expenses	34.2	33.4	0.8	2.4%
Proportion to revenue from sales	13.0%	13.7%		

The main reasons for the change in selling and administrative expenses comprised

- An increase in selling expenses of 1.9 million baht or 16.6%, result from employee expenses of 1.4 million baht, analysis fee, and registration fee, maintenance fee, transportation fee also reimbursement for oversea business trip and domestic clients visited.
- Administrative expenses was decreased by 1.1 million baht or 5.0%, mainly decreased such as professional fee, utilities fee, others fee and maintenance fee.

Profit for the First Quarter of Year 2024

Unit : Million Baht

Profit	Three months period (January – March)		Change	YoY
	2024	2023		
Profit	15.7	16.6	(0.9)	-5.4%
Proportion to revenue from sales	6.0%	6.8%		

Profit for the period was decreased of 0.9 million baht or 5.4%, the main reasons were selling and administrative expenses decreased by 0.8 million baht, finance cost decreased by 1.8 million baht, loss on exchange rate increased by 3.2 million baht also income tax expenses increased by 10.0 million baht.

Analysis of the Financial Position

Financial Position (In Million Baht)	31 Mar 2024	31 Dec 2023	%
Total Current Assets	828.3	754.2	9.8%
Total Non-Current Assets	432.8	435.6	(0.6%)
Total Assets	1,261.1	1,189.8	6.0%
Total Current Liabilities	168.5	112.6	49.6%
Total Non-Current Liabilities	120.5	120.8	(0.2%)
Total Liabilities	289.0	233.4	23.8%
Shareholders' Equity	50.0	50.0	0%
Share premium- Share swap	762.9	762.9	0%
Unappropriated retained earnings	159.2	143.5	10.9%
Non-Control interests	0.0	0.0	0%
Total Shareholders' Equity	972.1	956.4	1.6%

Assets

As of 31 March 2024, the Group had total assets of 1,261.1 million baht, which was an increase of 71.3 million baht or 6.0% from the balance as at 31 December 2024 where the total assets were 1,189.9 million baht.

The significant change comprised of financial assets where measured by “amortization cost method” of 20.0 million baht, increasing of cash and cash equivalents of 28.7 million baht, main reasons were from gain from operating activity of 54.1 million baht, cash paid for financial assets of 20.0 million baht, and repayment for financial lease of 1.1 million baht.

Liabilities

As of 31 March 2024, the Group had total liabilities of 289.0 million baht, proportion to total assets were 22.9%, by increasing amount of 55.6 million baht or 23.8% when compared with total liabilities as at 31 December 2023 where the total of liabilities were 233.4 million baht, main reasons effected by trade and other payables of 57.5 million baht.

Shareholders' Equity

As of 31 March 2024, the group had total shareholders' equity of 972.1 million baht, proportion to total assets were 77.1%. Shareholders' equity was increased by operating profit of 15.7 million baht or 11.32% when compared with total shareholders' equity as at 31 December 2023 where the total shareholders' equity were 956.4 million baht.

Financial Ratios as at 31 March 2024

Compared with Financial Ratios as of 31 December 2023

1) Liquidation ratios as of 31 March 2024

Financial Ratios	Three months period as at 31 March 2024	For the year ended 31 December 2023
<u>Liquidity Ratio</u>		
Current Ratio (Time)	4.9	6.7
Quick Ratio (Time)	3.5	4.7
Average Collection Period (Day)	62	62
Average Sale Period (Day)	100	124
Average Payment Period (Day)	57	87
Cash Cycle (Day)	105	99

2) Efficiency Ratio

Financial Ratios	Three months period as at 31 March 2024	For the year ended 31 December 2023
<u>Profitability Ratio</u>		
Gross Profit Margin Ratio (%)	21.6%	22.5%
Net Profit Margin (%)	6.0%	7.2%
Return on Equity (%)	6.5%	11.6%
<u>Efficiency Ratio</u>		
Return on Asset (%)	5.0%	6.1%
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.3	0.2

Cash Flow Statements

Cash Flow Statements (In Million Baht)	First quarter of year 2024	First quarter of year 2023
Cash flow from operating activity		
Net cash flows provided by operating activity	50.5	18.7
Cash flow from investing activity		
Net cash flows used in investing activity	(21.4)	(85.4)
Cash flow from financing activity		
Net cash flows used in financing activity	(0.7)	133.0
Net cash and cash equivalents increased (decreased)	28.5	66.3
Brought forward in cash and cash equivalents	289.9	253.4
Gain(loss) on exchange rate	0.0	0.0
Carried forward in cash and cash equivalents	318.6	319.7

Cash Flow Statements as of 31 March 2024

- 1.) Net cash flow provided by operating activities of 50.5 million baht.
- 2.) Net cash flow used in investing activities of 21.4 million baht, main effected from purchasing in financial assets of 20.0 million baht.
- 3.) Net cash flow used in financing activities of 0.7 million baht, main effected from financial lease repayment.
- 4.) Cash and cash equivalents as of 31 March 2024 amounting to 318.6 million baht and as at 31 December 2023 amounting to 289.9 million baht.