

TOA Paint (Thailand) Public Company Limited

Management Discussion & Analysis

For the 2nd quarter ended June 30th, 2024





- Translation -

No. TOA 17/2024

August 14, 2024

Subject: Management Discussion and Analysis for the three months and six months ended June 30, 2024

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 three months and six months ended June 30, 2024 as follows:

Management Discussion and Analysis

Results of Operations for the 2nd Quarter of Year 2024 (3 months)

Sales Revenue

Our sales revenue for the 2nd quarter of 2024 was THB 5,401.1 million, a decrease of THB 61.4 million, or 1.1%, compared to the 2nd quarter of 2023, which was THB 5,462.5 million. The softening of sales revenue was primarily attributable to a decrease in decorative paint across all domestic sales channels, which was linked to a slowdown in the real estate sector and home renovation activities, resulting from a weakened consumer purchasing power due to increased interest rates and household debt, as well as tighter mortgage lending criteria imposed by financial institutions. The increase in sales of non-decorative products, driven by the expansion market of construction chemicals and gypsum board, partially offset the decline in sales.

However, overseas sales increased slightly, primarily from Myanmar, Malaysia, and Laos while sales in Vietnam decreased compared to the same period last year due to an unrecovered real estate sector.

Gross Profit

Gross profit for the 2nd quarter of 2024 was THB 1,856.1 million, a decrease of THB 25.7 million compared to the 2nd quarter of 2023, which was THB 1,881.8 million. The gross profit margin for the 2nd quarter of 2024 was 34.4%, unchanged from the 2nd quarter of 2023. This was primarily attributable to better management of raw materials and production costs, despite some increases in prices of key raw materials.

Selling Expenses

Selling expenses for the 2nd quarter of 2024 was THB 702.9 million, an increase of THB 19.4 million, or 2.8%, compared to the 2nd quarter of 2023, which was THB 683.5 million. The increase was primarily attributable to an increase in employee costs of sales and marketing team, and advertising expenses.

Consequently, the ratio of selling expenses to sales revenue in the 2nd quarter of 2024 increased to 13.0% from 12.5% in the same period in 2023.

Administrative Expenses

Total administrative expenses for the 2nd quarter of 2024 was THB 420.5 million, an increase of THB 86.8 million, or 26.0%, compared to the 2nd quarter of 2023, which was THB 333.8 million. The increase was primarily attributable to an increase in depreciation, fixed asset write-off from the relocation of the factory in Malaysia during the 2nd quarter of this year.

Consequently, the ratio of administrative expenses to sales revenue in the 2nd quarter of 2024 increased to 7.8% from 6.1% in the same period in 2023.

Profit for the period

Our profit attributable to equity holders of the company for the 2nd quarter of 2024 was THB 477.0 million, a decrease of THB 264.4 million, or 35.7%, compared to the 2nd quarter of 2023, which was THB 741.4 million.

In the 2nd quarter of 2024, fair value adjustments of financial assets and foreign exchange differences resulted in a loss of THB 117.0 million while in the 2nd quarter of 2023, it was a gain of THB 47.4 million.

However, our core net profit (excluding fair value adjustments of financial assets and foreign exchange differences) for the 2nd quarter of 2024 was THB 594.0 million, a decrease of THB 100.0 million, or 14.4%, compared to the 2nd quarter of 2023, which was THB 694.0 million. The decrease was primarily attributable to an increase in employee costs of sales and marketing team, and advertising expenses, depreciation, and fixed asset write-off from the relocation of the factory in Malaysia during the 2nd quarter of this year.

Our core net profit margin for the 2nd quarter of 2024 decreased to 10.9% from 12.6% in the same period in 2023.

Income statement (THB million)	For the three months ended June 30,	
	2024	2023
Sales revenue	5,401.6	5,462.5
Total revenues	5,456.2	5,507.6
Cost of sales	3,545.0	3,580.7
Selling and administrative expenses	1,123.4	1,017.3
Gains (Losses) on exchange rates and fair value of financial assets measured at fair value through profit or loss	(117.0)	47.4
Profit before finance cost and income tax	670.8	957.0
Profit for the period	477.0	741.4

Results of Operations for Six Month Period of Year 2024

Sales Revenue

Our sales revenue for the first half of 2024 was THB 10,836.1 million, a decrease of THB 285.0 million, or 2.6%, compared to the first half of 2023, which was THB 11,121.1 million. The decrease was primarily attributable to the same reason as outlined for the 2nd quarter (three-month period) above.

Gross Profit

Gross profit for the first half of 2024 was THB 3,802.0 million, an increase of THB 62.3 million compared to the first half of 2023, which was THB 3,739.7 million. The gross profit margins for the first half of 2024 and 2023 were 35.1% and 33.6%, respectively. The increase in gross profit margin was primarily attributable to better management of raw materials and production costs, resulting in lower overall average costs.

Selling Expenses

Total selling expenses for the first half of 2024 was THB 1,377.5 million, an increase of THB 39.8 million, or 3.0%, compared to the first half of 2023, which was THB 1,337.7 million. The increase was primarily attributable to an increase in employee costs of sales and marketing team, and advertising expenses.

Consequently, the ratio of selling expenses to sales revenue in the first half of 2024 increased to 12.7% from 12.0% in the same period in 2023.

Administrative Expenses

Total administrative expenses for the first half of 2024 was THB 820.4 million, an increase of THB 106.1 million, or 14.9%, compared to the first half of 2023, which was THB 714.3 million. The increase was primarily attributable to an increase in employee costs, depreciation, and fixed asset write-off from the relocation of the factory in Malaysia during the 2nd quarter of this year.

Consequently, the ratio of administrative expenses to sales in the first half of 2024 increased to 7.6% from 6.4% in the same period in 2023.

Profit for the period

Our profit attributable to equity holders of the company for the first half of 2024 was THB 1,281.0 million, a decrease of THB 92.3 million, or 6.7%, compared to the first half of 2023, which was THB 1,373.3 million.

In the first half of 2024 and 2023, fair value adjustments of financial assets and foreign exchange differences resulted in a gain of THB 32.7 million and THB 28.7 million, respectively.

However, our core net profit (excluding fair value adjustments of financial assets and foreign exchange differences) for the first half of 2024 was THB 1,248.3 million, a decrease of THB 96.3 million, or 7.2%, compared to the first half of 2023, which was THB 1,344.6 million. The decrease was primarily attributable to

an increase in employee costs of sales and marketing team, and advertising expenses, depreciation, and fixed asset write-off from the relocation of the factory in Malaysia during the 2nd quarter of this year.

Our core net profit margin for the first half of 2024 decreased to 11.4% from 12.0% in the same period in 2023.

Income statement (THB million)	For the six months ended June 30,	
	2024	2023
Sales revenue	10,836.1	11,121.1
Total revenues	10,941.4	11,212.1
Cost of sales	7,034.1	7,381.4
Selling and administrative expenses	2,198.0	2,052.0
Gains (Losses) on exchange rates and fair value of financial assets measured at fair value through profit or loss	32.7	28.7
Profit before finance cost and income tax	1,742.0	1,807.4
Profit for the period	1,281.0	1,373.3

Financial Position

Total Assets

As of June 30, 2024, total assets was THB 21,331.6 million, an increase of THB 52.9 million from December 31, 2023, which was THB 21,278.7 million. The increase was mainly consisted of cash and cash equivalents, inventories, property, plant and equipment, while other current financial assets and trade and other receivables decreased.

Total Liabilities

As of June 30, 2024, total liabilities was THB 6,527.7 million, an increase of THB 67.1 million from December 31, 2023, which was THB 6,460.6 million. The increase was mainly consisted from income tax payable, and short-term loans from financial institutions.

Total Shareholders' Equity

As of June 30, 2024, total shareholders' equity was THB 14,803.9 million, a decrease THB 14.2 million from December 31, 2023, which was THB 14,818.1 million. The decrease in total shareholders' equity as of June 30, 2024 was primarily attributable to a decrease in unappropriated retained earnings due to the annual dividend payment of THB 700.5 million and the transfer to the share repurchase reserve of THB 718.5 million, offset by a profit from operation of THB 1,281.0 million for the first six months of 2024.



Statement of financial position (THB million)	As of June 30, 2024	As of December 31, 2023
Total assets	21,331.6	21,278.7
Total liabilities	6,527.7	6,460.6
Total shareholders' equity	14,803.9	14,818.1
Total liabilities and shareholders' equity	21,331.6	21,278.7

Please be informed accordingly,

Yours Sincerely,

(Acting Sub Lt. Surasak Mandaeng)

Chief Financial Officer