



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED
Public Company Registration No. 0107537000831



(Translation)

NEP-AC 002/2563

14 May 2020

Subject: Management Discussion and Analysis for Q1 end of 31 March 2020

To : The President

The Stock Exchange of Thailand

Operating Result

NEP Realty and Industry Public company Limited would like to explain the operating result for Quarter 1 ended of March 31, 2020 compare with the same period of the previous year as follows

For the past 3 months of Quarter 1 ended of March 31, 2020

The operating result for the first 3 months periods of 2020 of the company show a net loss of 6.20 million baht, compare to the same period of previous year which a net loss of 14.73 million baht, the decreased loss of 8.53 million or decreased loss percentages of 57.91% , the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue at the end of Quarter 1 ended of March 31, 2020 at 98.14 million baht, compare with the same period of previous year with amount of 108.28 million baht which decrease by 10.14 million baht or 9.36%, due to the decreased sale of plastic woven sack is decreased from the recessions of economic plus the baht appreciated results in our main customers in Exporter of Tapioca flour has less order. In additional, the sale of gravure packaging of rice industry also reduces. The company have a trends to solve the problem by trying to increase the order from Pet food industry instead.

On the contrary, sales of Flexible packaging still continue growing compared to last year, due to the market size increased of the company in the past few months, the Covid-19 effects the rice industry operators to increased their order of small sizes packaging (1kg, 2 kg, 5 kg) follow the consumer behaviors changes during Stay-home campaign from the governments, consumer start to hoarding rice products, plus the reasons that the government ordered the closure of various stores, more home cooking behaviors. The results of the expanding production line into flexible packaging group help reducing impact from uncontrollable external environmental risks for the company. Allowing the company to sustain the sale from dramatically fall in the economic crisis.

Other income for Q1, 2020 are 0.77 million baht compare to 0.95 million bath last year, with 0.18 million baht decrease with no significantly transaction changes.

2. Cost of sale , Profit margin

For Quarter 1 of the year 2020, the company had cost of sale of 98.36 million bath compare to 110.05 million baht last year with the decreasing of 11.69 million bath or 10.62% decreased, while sale revenue decrease by 9.36% results in negative gross profit margin compare to Quarter 1 of the year 2019 which is reduce by 1.55 million baht or reduce by 87.57% the reasons behind the slightly loss in gross margin in Q1, 2020 are lower sales and production of plastic woven bags that create higher cost of products with the high waste during production still higher than standard setting.

3. Selling expenses

For Quarter 1 of the year 2020, the selling expenses was 2.99 million baht or 3.05% from sale revenue compare to 2.96 million baht or 2.73% from sale revenue with is 0.03 million baht or 1.01% increased came from the company has increase sale persons to focus in increasing Flexible packaging markets.

4. Administrative expenses

For Quarter 1 of the year 2020, the administration expenses was 11.96 million baht or 12.09% from sale revenue compared to the same period last year at 13.99 million baht or 12.80% from sale revenue , decreased by 2.03 million baht or 14.51% decreased. This decrease is the result from a better control of expense thus the compact of the restructuring of the organization structure.

5. Management benefit expenses

For Quarter 1 of the year 2020, the management benefit was 2.97 million baht compare to 3.32 million baht, decrease by 0.35 million or 10.54% decreased because the company had adjust the organization to be more compact and more cost saving.

6. Financial cost

For Quarter 1 of the year 2020, the financial cost was 0.21 million baht compare to 0.44 million bath last year, decrease by 0.23 million baht or 52.27 % decreased. In the year 2019 the company has the interest payment from the payment through banking of plastic resin purchased (TR) but after the Company decided to canceled the production of tape and weaving process following the new business model to reduce the cost the purchasing of plastic resin through banking (TR) has been canceled too results in the financial cost also reduced.

7. Share of profit (loss) from investment in associated company

For Quarter 1 of the year 2020, share of profit from investment in associated company was 11.39 million baht compare to 6.78 million bath last year, increased by 4.61 million baht or 67.99% increased because the associated company had better earning than previous year.

Company Financial status

- 1. Total asset**, the company had total asset as of March 31, 2020 with amount of 817.41 million bath increase from December 31, 2019 by 6.50 million baht or 0.80% increased, the details of the change are as follows:

- 1.1 Current asset** as of March 31, 2020 with amount of 184.75 million bath decreased from Q1 of 2019 by 11.41 million bath or 5.82% decreased due to the main reason of the decreasing of cash and cash equivalents of 18.81 million bath due to the loss of company operating results

and the company use cash to invested in buying shares of associated companies. The trade accounts receivable decreased by 0.66 million baht, remaining inventories increased by 2.73 million baht which was in line with the sale.

1.2 Non-current asset as of March 31, 2020 with amount of 632.66 million bath increase by 17.92 million bath or 2.92% increase due to the increasing in investment in associated company of 15.60 million baht from better earning of associated company and the increasing investment in associated company of 8.83 million baht. Plus the effect of Assets usage rights increased following the financial reporting standards no.16 Lease agreement that was announced in 2020. With the decreasing in land properties and equipment of 5.08 million baht due to the annual depreciation calculation.

2. Total liability, the company had total liability as of March 31, 2020 at 97.13 million bath increase from December 31, 2019 at 17.45 million bath or 21.90% increase, the details of the change are as follows:

2.1 Current liability as of March 31, 2020 with amount of 83.22 million bath increase by 12.36 million bath or 17.44% increase, is an increasing from trade payables and other payables increased at 24.90 million bahts, while short-term loans has decreased by 12.05 million baht following the fact that the company has canceled the tape production and weaving production follow the new business model to reduce the cost in 2020 then there were no purchasing of plastic resin that pay through Banking (TR). Additional, the company has requested to extended the credit term from suppliers to manage current cash for operation.

2.2 Non-current liability as of March 31, 2020 with amount of 13.91 million baht increase by 5.09 million bath or 57.71% increase, as a result of increasing of liability under lease agreements that has been recalculate following the financial reporting standards no. 16 Lease agreement that was announced in 2020.

3. Shareholder equity as of March 31, 2020 with amount of 720.28 million bath decrease from December 31, 2019 by 10.95 million bath or 1.49% decreased, since the company loss from operation by 6.21 million baht. And from the adoption of the financial reporting standards regarding Financial tools for accounting, hedging and derivative accounting with the amount of 4.62 million baht and allowance for loss of trade and other current receivables with the amount of 0.12 million baht.

Future Trends

From the problem of making gross profit in accordance to the business plan, The company will continues to focus on solving production problems follows the below details

- Recruiting, adjusting and developing personnel to be ready at all levels.
- Prepare manual work process for each department to control quality and reduce losses
- Create motivation by rewarding, if able to produce and control waste according to the target
- Improved data storage system and production reports for monitoring and controlling

For the direction of sales in 2020, it will continue to focus on expanding Flexible Packaging customers into the Rice industry, Pet food industry, because it is a group that the company has the opportunity to receive an order of sacks, printed sacks or gravure sacks as well, and is a product that is not very complicated. This type of products are regularly produces by the factory which will help in waste controls and effectively manage the raw materials.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director