



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



(Translation)

NEP-AC 004/2565

10 November 2022

Subject: Management Discussion and Analysis for Q3 year ended 30 Sep 2022

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 3 ended September 30, 2022 compare with the same period of the previous year as follows

#### **For the past 3 months of Quarter 2 ended of September 30, 2022**

The operating result for the past 3 months of Quarter 3 for the year of 2022 of the company show a net loss of 15.17 million baht, compare to the same period of previous year which a net loss of 8.76 million baht, the increased loss of 6.41 million baht, the main reasons are as follow;

#### **1. Revenue from sale , Other income**

The company had sale revenue at the end of Quarter 3 ended of September 30, 2022 at 69.23 million baht, compare with the same period of previous year with amount of 108.08 million baht which decrease by 38.86 million baht or 35.95% decrease, followed the cancellation of the operation line of plastic woven bag and selected only large sizes of customers. However, the revenue of Flexible packaging tends to be higher than previous year from the new products introduction to the market of the Company.

Other income for Q3, 2022 are 0.56 million baht compare with the same quarter with last year at 0.62 million bath or decreased by 0.06 which is not much significantly changes.

## **2. Cost of sale , Profit margin**

For Quarter3 of the year 2022, the company had cost of sale of 71.62 million bath compare to 113.72 million baht last year with the decreasing of 42.10 million bath or 37.02% decreased, while sale revenue decrease by 35.95% which show a lower cost /unit anyhow, the company still in negative lost in profit margin at 3.45%.

From the business model changing by selling plastic woven bag in the form of Outsourcing or Trading by hiring other business partner to produce instead of produce it our self, results in the Company have a relatively stable gross profit margin in this quarter even though the total sale has decreased.

However, in Quarter 3 of 2022 the company got negative gross profit margin from Flexible packaging from the increasing cost of raw materials 15-20% and still tendency to increase continuously following the higher oil prices with the effected of War between Russia and Ukraine. Those effected directly to the selling price that has been set in the pre-ordered from the customer.

## **3. Selling expenses**

For Quarter 3 of the year 2022, the selling expenses were 2.53 million baht or 3.65% from sale revenue compare to 2.95 million baht or 2.72% from last year. The selling expenses slightly decrease with the same tendency with the sale revenue.

## **4. Administrative expenses**

For Quarter3 of the year 2022, the administration expenses were 9.60 million baht or 13.75% from revenue compare to 10.33 million baht or 9.50% last year, which is slightly decreased compared to last year. Due to the reconstruction of the Organizational restructuring to be more compact with continuing reduce the unnecessary expenses but when compared to revenue ratio, it was higher than the previous year due to the company has lower revenue sales this year.

#### **5. Management benefit expenses**

For Quarter3 of the year 2022, the Management benefit expenses was 3.11 million baht compare to 3.58 million baht or 0.47 million baht decrease or 13.25% decrease compared to last year, due to the company Organizational restructuring.

#### **6. Financial cost**

For Quarter3 of the year 2022, the financial cost was 0.16 million baht compare to 0.19 million bath last year, which is almost the same as last year. The financial cost of the company mainly come from the interest of hire purchase contract and the interest from the raw materials purchased through Banking (TR) without long term debt from financial institution.

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

For Quarter3 of the year 2022, Share of profit from investment in associated company was 2.07 million baht compare to 13.32 million baht last year, with 11.25 million baht decrease due to the lower profit of the associated company this year.

### **For the past 9 months ended of September 30, 2022**

The operating result for the past 9 months for the year 2022 ended of September 30,2022 of the company show a net loss of 39.31 million baht, compare to the same period of previous year which a net loss of 21.31 million baht, the increased loss of 18.00 million baht, the main reasons are as follow;

#### **1. Revenue from sale , Other income**

The company had sale revenue for the past 9 months ended of September 30, 2022 at 244.55 million baht compare with the same period of previous year with amount of 300.88 million baht which is decreased by 56.34 million baht or 18.72% decrease, which resulted from revenue decrease from the sale of plastic sacks followed the cancellation of the operation line of plastic woven bag and selected only large sizes of customers. However, the revenue of Flexible packaging tends to be higher than previous year from the new products introduction to the market of the Company.

Other income for the past 9 months of 2022 are 3.71 million baht which comparable to 1.81 million bath last year increased by 1.90 million baht, due to in Quarter 1 of 2022, the company has other revenue from rental and services fees of plastic sack production machinery from VAVAPACK co, ltd.

## **2. Cost of sale , Profit margin**

For the past 9 months of 2022, the company had cost of sale of 253.83 million bath compare to 317.84 million baht last year with the decreasing of 64.00 million bath or 20.14% decreased, while the sale revenue decreased by 18.72% results show lower cost/unit. But still results in negative lost profit margin at 3.79%.

From the business model changing by selling plastic woven bag in the form of Outsourcing or Trading by hiring other business partner to produce instead of produce it our self, results in the Company have a relatively stable gross profit margin in this quarter even though the total sale has decreased.

However, the past 9 months of 2022, the company still got negative gross profit margin from Flexible packaging the main factors that results the company negative lost are the less sale revenue than target, Production capacity does not cover fixed cost, plus the wasted controlled also over the standard setting. With the additional factors of the increasing cost of raw materials such as Plastic granules, films, printing colors still tendency to increase continuously following the higher oil prices. Those effected directly to the selling price that has been set in the pre-ordered from the customer.

## **3. Selling expenses**

For the past 9 months of 2022, the selling expenses was 7.09 million baht or 2.89% from sale revenue compare to 8.38 million baht or 2.78% from sale revenue of last year, the selling expenses is slightly decreased which is in line with the decreasing revenue.

## **4. Administrative expenses**

For the past 9 month of 2022, the administration expenses were 36.56 million baht or 14.72% from sale revenue compare to 33.46 million baht or 11.05% from sale revenue last year. This

increase is a result of impairment setting of the plastic sack production machinery and the loss from the destruction of deteriorated finished goods. But of considering only normal transaction that occurred the company has less administrative expenses compared to previous year.

**5. Management benefit expenses**

For the past 9 months of 2022, the management benefit was 10.28 million baht compare to 10.48 million baht, decrease by 0.20 million baht or 1.92% decreased from the organization restructuring in Quarter 3 of 2022.

**6. Financial cost**

For the past 9 months of 2022, the financial cost was 0.47 million baht compare to 0.55 million baht last year, which is close to last year due to the interest of hire purchase contract and the interest rate of the payment through banking of plastic granule purchased (TR), The company has no long-term debt from financial institute.

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

For the past 9 months of 2022, share of profit from investment in associated company was 20.67 million baht compared to 46.71 million baht last year, decreased by 26.04 million baht because the associated company had a less earning than previous year.

**Company Financial status**

**1. Total asset**, the company had total asset as at September 30, 2022 with amount of 691.94 million baht decrease from December 31, 2021 by 92.86 million baht or 11.83% decreased, the details of the change are as follows:

**1.1 Current asset** as of September 30, 2022 with amount of 84.15 million baht decreased by 51.89 million baht or 38.14% decreased due to the main reason that the company has decreased in cash and cash equivalent by 23.82 million baht because the company has a loss from operation and reducing in inventory by 19.98 million baht from the cancellation of plastic sack production in 2022.

**1.2 Non-current asset** as of September 30, 2022 with amount of 607.79 million baht decrease by 40.97 million baht or 6.31% decrease, is reduced in property, plant and equipment at 31.35

million baht due to the company had sold the production machinery of plastic woven bags and the annual depreciation calculation.

**2. Total liability**, the company had total liability as of September 30, 2022 at 72.43 million baht decrease from December 31, 2021 at 54.53 million bath or 42.95% decrease, the details of the change are as follows:

**2.1 Current liability** as of September 30, 2022 with amount of 64.13 million baht decrease by 50.39 million baht or 44.00% decrease, is a decreasing from the reducing in Account payable 56.40 million baht due to the company has less order of raw materials using in the cancellation of plastic woven bag production in 2022 and the reduction in correspondent with the sale reduction.

**2.2 Non-current liability** as of September 30, 2022 with amount of 8.30 million baht decrease by 4.14 million baht or 33.26% decrease, as a result of reduction in the non-current provisions for recalculated employee benefits due to the production line termination causing early retirement and partially termination of employment. Anyhow, the company has no long term debt with any financial institution.

**3. Shareholder equity** as of September 30, 2022 with amount of 619.50 million baht decrease from December 31, 2021 by 38.33 million baht or 5.83% decrease, since the company loss from operation from the past 9 months of 2022 at 38.33 million baht.

### **Future Trends**

For the direction of sales in 2022, during the economic regression all over the country and the world, from the War and from the Covid-19 pandemic outbreak, The Company has project to adjust the business model of Plastic woven bag to be Outsourcing or Trading format from existing customer bases. By outsourcing production from business partner manufacturers instead of producing our own which help the company to eliminate risk of economy of scale and waste control that the company cannot control, which will result in the company's stable gross profit margin. The Company will continue to focus on increasing sale and expanding market of Flexible Packaging to fulfill the production capacity to cover the fixed cost that the company have invested for the new machineries in order to improved quality and varieties of products with the standard setting of production procedure, raw materials consumption including strictly waste controlling system to followed standard setting.

Another factor that the Company pays attention to is the raw material pricing that continually increase following the oil price increasing. The Company has planned to order raw materials in advance and plan to received order from customers, setting selling price with customers in accordance with the raw material's purchase plan.

This restructuring of the company, in addition to reducing the loss from production of plastic woven bags, it also resulted in the decrease of the company's administrative expenses which will show a clearly results in the last 6 months of 2022.

Another concerned point of the company is the increasing cost of raw materials that still tendency to increase continuously following the higher oil prices, the company has set advance planned to purchases raw materials with the order receiving plan, setting the selling price in accordance with the raw materials purchased planned.

Please be informed accordingly,

Sincerely yours,

(Mr. Vee Worasakyothin)

Deputy Managing director