



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



(Translation)

NEP-AC 001/2566

28 February 2023

Subject: Management Discussion and Analysis for year end 2022 at the end of 31 December 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 year ended of 2022 compare with the same period of the previous year as follows

The operating result for the year end of 2022 show a net loss of 56.60 million baht, compare to the same period of previous year which a net loss of 45.28 million baht, the increased loss of 11.31 million baht, the main reasons are as follow;

1. Revenue from sale, other income

The company had sale revenue for year end of 2022 at the ended of 31 December 2022 at 282.22 million baht compared to 2022 which has revenue of 409.45 million baht, which decrease by 127.23 million baht or 31.07 % decrease, due to the cancellation of the plastic sack's production. However, the sale trends of Flexible packaging tend to increase compared to previous year by opening the market with new released products.

Other income for 2022 at 4.09 million baht compares to 2.49 million baht last year, increased by 1.59 million baht due to the revenue from the rental and services of plastic sack's production and machinery from VAVA PACK co (Ltd) in quarter 1 of 2022.

2. Cost of sale, Profit margin

For year end of 2022, the company had cost of sale at 298.03 million baht compare to 433.33 million baht last year with the decreasing of 135.31 million baht or 31.22% decreased, while sale revenue decrease by 31.07% shows that the company has lower cost per unit sale results in gross loss of margin at 5.30%.

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 ourself, results in the Company have a relatively stable gross profit margin in this quarter even though the total sale has decreased.

However, in the year 2022 the company got negative gross profit margin from Flexible packaging from the sale revenue that could not reach the target revenue results in production capacity cannot cover the fix costs thus the waste controlling still not in the specified standard. Another important factor is the increasing cost of raw materials such as plastic granules, films and colors are still tendency to increase continuously with the fluctuated 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 year end of 2022, the selling expenses was 9.48 million baht or 3.35% from sale revenue compare to 11.35 million baht or 2.77% from sale revenue with is in line with the same proportion of sale revenue.

4. Administrative expenses

For year end of 2022, the administration expenses were 48.80 million baht or 17.04% from sale revenue compared to 53.20 million baht or 12.91% from sale revenue. This decreased of 4.39 million baht is the result from a the restructuring of the organization structure and the focusing in cost reduction of the company. However, when considers as a percentage from sale revenue will be higher than last year due to the lower of sale revenue.

5. Management benefit expenses

For year end of 2022, the management benefit was 13.31 million baht compare to 14.01 million baht, decrease by 0.79 million baht or 5.58 % decreased because the company has reorganized.

6. Financial cost

For year end of 2022, the financial cost was 0.60 million baht compare to 0.73 million baht last year, which is almost the same with the previous year due to the interest from hire purchase contract and the interest of the payment through banking of plastic granule purchased (TR) without long-term liabilities from financial institutions.

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

For year end of 2022, share of profit from investment in associated company was 27.32 million baht compare to 55.48 million baht last year, decrease by 28.16 million baht followed the energy price's factor resulting in less earning of associated company than previous year.

Company Financial status

- 1. Total asset**, the company had total asset as at December 31, 2022 with amount of 652.07 million baht decrease from December 31, 2021 by 132.73 million baht or 16.91% decreased, the details of the change are as follows:

- 1.1 Current asset** as of December 31, 2022 with amount of 54.75 million baht decreased by 81.29 million baht or 59.76% decreased due to the decreasing of cash and cash equivalents at 22.73 million baht from the loss of operation. Plus, the Trade account receivable and inventory decreased at 37.04 million baht and 21.04 million baht due to the decreased of sale revenue from the cancellation of plastic woven bag production in 2022.

- 1.2 Non-current asset** as of December 31, 2022 with amount of 597.32 million baht decrease by 51.44 million baht or 7.93% decrease due to the decreasing in property, plant and equipment at 37.31 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 December 31, 2022 at 48.59 million baht decrease from December 31, 2021 at 78.38 million baht or 61.73 % decrease, the details of the change are as follows:

2.1 Current liability as of December 31, 2022 with amount of 42.21 million baht decrease by 72.31 million baht or 63.14% decrease, is a decreasing from the reducing in Account payable 67.99 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 quantity of raw materials orders decreased according to the sales with the debt repayment on due.

2.2 Non-current liability as of December 31, 2022 with amount of 6.38 million baht decrease by 6.06 million baht or 48.75% 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 December 31, 2022 with amount of 603.48 million baht decrease from December 31, 2021 by 54.35 million baht or 8.26 % decrease, since the company loss from operation.

Future Trends

For the direction of sales in 2023, 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 which can be clearly seen from the sale revenue of 2022 that even the sale has considerably decreased from Plastic woven bags but the loss of operation activities has also decreased by 16.71 million baht.

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.

In the year 2023, Company will focus in increasing the sale and accelerated the market expansion of Flexible packaging which has opportunity to grow in order to fulfill the production capacity of the company. The company has invested in new machinery to increase quality and varieties of products. the Standard setting for production and the standard raw materials using has been setting up with the strictly controlling of wastes with the aims to turnover the company to become profitable again.

Another important factors that the company projected to focus is the cost of raw materials that continually rise follow the oil price trend, the company has early purchase planned , and order receiving plan to confirm the selling price with customers to be in accordance with raw material's purchase plan.

Please be informed accordingly,

Sincerely yours,

(Mr. Vee Worasakyothin)

Deputy Managing director