



TROPICAL CANNING (THAILAND) PUBLIC COMPANY LIMITED
南洋罐頭食品廠(泰國)大眾有限公司
บริษัท ทropicคอลลแคนนิง (ประเทศไทย) จำกัด (มหาชน)

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Ref. No. TCB 37/2022

August 10, 2022

Re: Management Discussion and Analysis the second quarter ended 30 June 2022

To: Director and Manager
The Stock Exchange of Thailand

Referencing to Tropical Canning (Thailand) Public Company Limited (TC) submission of financial statements for the second quarter ended 30 June 2022 which have reviewed by certified public accountant and verified by Board of Directors.

The Company and its' subsidiary operating results for the second quarter ended 30 June 2022 as compared to the same quarter of the previous year and Statement of Financial Position as at 30 June 2022 as compared to year ended 2021 can be summarize as follows:

Performance Analysis

Revenue

Income	Quarter 2/2022		Quarter 2/2021		Increase	
	Million baht	%	Million baht	%	Million baht	%
Revenue from sales of goods	1,595.74	98.12	1,264.39	98.40	331.35	26.21
Net foreign exchange gain	24.83	1.53	16.16	1.26	8.67	53.68
Other income	5.67	0.35	4.37	0.34	1.30	29.76
Total revenue	1,626.24	100.00	1,284.92	100.00	341.32	26.56

The Company and its' subsidiary had total revenue in the second quarter ended 30 June 2022, amounted to Baht 1,626.24 Million, an increase of Baht 341.32 Million or increase by 26.56% as compared to the same quarter of the previous year. The rationale of this increase mainly attributed to the following.

- Revenue from sales of goods in quarter 2/2022 totaling Baht 1,595.74 Million or equivalent to 98.12% of total revenue, an increase of Baht 331.35 Million or increase by 26.21 % as compared to the same quarter of the previous year due to continuous increase of product demand. Especially pet food products, also recording higher sales revenue from weaken Thai Baht currency

- Net foreign exchange gain in quarter 2/2022 totaling Baht 24.83 Million or equivalent to 1.53% of total revenue, an increase of Baht 8.67 Million or increase by 53.68% due to average Thai Baht weaken compared to United States Dollar

- Other income in quarter 2/2022 totaling Baht 5.67 Million or equivalent to 0.35% of total revenue, an increase of Baht 1.30 Million or increase by 29.76% as compared to the same quarter of previous year due to the company gain on disposal of investment property amount of Baht 3.0 Million.

Expenses

Expenses	Quarter 2/2022		Quarter 2/2021		Increase	
	Million Baht	% Sale	Million Baht	% Sale	Million Baht	%
Cost of sales of goods	1,397.99	87.61	1,141.02	90.24	256.97	22.52
Selling and Administrative expenses	77.06	4.83	60.36	4.77	16.70	27.67
Total expenses	1,475.05	92.44	1,201.38	95.01	273.67	22.78

The company and its' subsidiary had total expenses in the second quarter ended 30 June 2022 had totaling Baht 1,475.05 Million, an increase of Baht 273.67 Million or increase by 22.78% as compared to the same quarter of pervious year. The rationale of this increase mainly attributed to the following.

- Cost of sales of goods in quarter 2/2022 amounted to Baht 1,397.99 Million, or equivalent to 87.61% of total sales revenue, an increase of Baht 256.97 Million or increase by 22.52% as compared to the same quarter of previous year which corresponds to increased sales while cost of sales of goods to sales revenue ratio decreased from 90.24% as compared to the same quarter of the previous year resulted from decrease in production cost per unit as production volume increase. Also, improvement on machinery to increase production efficiency, the gross profit in the second quarter of 2022 amounted to Baht 197.75 Million, an increase of Baht 74.38 Million or equivalent to 60.29% as compared to the same quarter of the previous year, resulting in the gross profit margin in quarter 2/2022 equal to 12.39% as increase from 9.76% as compared to the same quarter of the previous year.

- Selling and administrative expenses in quarter 2/2022 amounted to Baht 77.06 Million or equivalent to 4.83% of total sales revenue, an increase of Baht 16.70 Million or increase by 27.67% as compared to the same quarter of the previous year. The selling expenses increase amount of Baht 11.94 Million due to increase in sales volume and freight cost. Meanwhile, administrative expenses increased amount of Baht 4.76 Million due to increase of expenses related to employee.

- Finance costs in quarter 2/2022 amounted to Baht 1.10 Million, or equivalent to 0.07% of total sales revenue, an increases of Baht 0.92 Million as compared to the same quarter of the previous year due to increase in production volume resulting to more raw material purchases coupled with rising raw material prices leading to more borrowing from financial institutions, also from higher interest rates.

- Income tax expense consist of 2 parts as follow.

- (1) Income tax expenses in quarter 2/2022, the company and its' subsidiary had income tax expenses of Baht 2.58 Million a decrease of Baht 13.90 Million or decrease by 84.35% as compared to the same quarter of previous year due to the company has been granted promotional certificates by the Board of Investment of Thailand on measure for improvement of production efficiency of tuna products, seafood products and petfood products.
- (2) Deferred tax expenses in quarter 2/2022, the company and its' subsidiary had recorded deferred tax income amount of Baht 0.26 Million while in quarter 2/2021 the company and its' subsidiary had recorded deferred tax expenses amount of Baht 0.12 Million.

- Net profit in quarter 2/2022, the company and its' subsidiary had net profit of Baht 147.77 Million an increase of Baht 81.02 Million or increase by 121.37% as compared to the same quarter of the previous year due to increase in sales revenue, improved production efficiency and significant increase in income from sales of pet food products. In addition, the company has net foreign exchange gain of Baht 24.83 Million, resulting in the company's net profit margin of 9.26%, an increase from the same quarter of the previous year with a net profit margin of 5.28%.

Financial Statement Analysis

Statement of Financial Position

Unit : Million Baht

Description	30 June 2022	31 December 2021	Increase	Percentage
Current Assets	2,572.95	2,253.36	319.59	14.18
Non-Current Assets	827.92	801.85	26.07	3.25
Total Assets	3,400.87	3,055.21	345.66	11.31
Current Liabilities	875.06	760.49	114.57	15.07
Non-Current Liabilities	271.22	190.71	80.51	42.22
Total Liabilities	1,146.28	951.20	195.08	20.51
Total equity	2,254.59	2,104.01	150.58	7.16
Total Liabilities and equity	3,400.87	3,055.21	345.66	11.31

Assets

The company and its' subsidiary had total assets as at 30 June 2022 amounted to Baht 3,400.87 Million, an increase of Baht 345.66 Million or increase by 11.31% as compared to year ended 2021 which consist of assets as follow:

1. Current Assets

The company and its' subsidiary had total current asset as at 30 June 2022 amounted to Baht 2,572.95 Million or equivalent to 75.66% of total assets, an increase of Baht 319.59 Million or increase by 14.18% as compared to year ended 2021. The prominent changes in current assets consists of following.

- Trade and other current receivables as at 30 June 2022 totaling Baht 943.87 Million or equivalent to 27.75% of total assets, an increase of Baht 195.07 Million or increase by 26.05% as compared to year ended 2021. The trade accounts receivable increase of Baht 174.79 Million due to increased in sales revenue. The average collection period decrease from 59 days to 45 days while other current receivables increase of Baht 20.28 Million due to advance payment of machine and in order to comply with TFRS9 the company has set up an allowance for impairment loss of trade and other receivables amount to Baht 26.96 Million.

- Inventories as at 30 June 2022 totaling Baht 1,447.57 Million or equivalent to 42.56% of total assets, an increase of Baht 101.35 Million or increase by 7.53% as compared to year ended 2021 due to continuous increase in orders to support increased production and from rising raw material prices. The turn over period of inventories decreased from 45 days to 36 days as compared to year ended 2021. However, the company has a policy to set aside allowance for obsolete for inventories older than 1 year and set at a higher rate when inventories without movement for longer period, respectively. The company has set up an allowance for obsolete and set aside reduction in the value of inventories to the net realizable value as at 30 June 2022 in the amount of Baht 40.20 Million or equivalent to 2.70% of the total inventories.

2. Non-current assets

The company and its' subsidiary had total non-current assets as at 30 June 2022 amounted to Baht 827.92 Million or equivalent to 24.34% of total assets, an increase of Baht 26.07 Million or increase by 3.25% as compared to year ended 2021 due to the company has invested in acquisition of building, machinery and equipment amounted to Baht 83.51 Million to support increase capacity as well as improve machinery to increase production efficiency while there was depreciation of Baht 49.94 Million.

Liabilities

The company and its' subsidiary had total liabilities as at 30 June 2022 amounted to Baht 1,146.28 Million, an increase of Baht 195.09 Million or increase by 20.51% as compared to year ended 2021 which consist of liabilities as follow:

1. Current Liabilities

The company and its' subsidiary had total current liabilities as at 30 June 2022 amounted to Baht 875.06 Million or equivalent to 76.34% of total liabilities, an increase of Baht 114.57 Million or increase by 15.07% as compared to year ended 2021 which the prominent changes in current liabilities consist of following:

- Bank overdraft and short-term borrowing from financial institutions as at 30 June 2022 amounted to Baht 232.76 Million or equivalent to 20.31% of total liabilities, an increase of Baht 213.02 Million as compared to year ended 2021. Due to mainly increase purchase of raw materials and higher raw material prices and utilized as working capital in business operations.

- Trade and other current payables as at 30 June 2022 totaling Baht 622.36 Million or equivalent to 54.29% of total liabilities, a decrease of Baht 108.43 Million or decrease by 14.84% as compared to year ended 2021. Trade accounts payable decrease of Baht 75.57 Million or decrease by 12.47% which raw material payables mostly is cash payment term without credit as result, the repayment period decrease from 43 days to 37 days as compared to year ended 2021 while other current payables decrease of Baht 32.86 Million due to the decrease in expenses related to business operation but not yet paid

2. Non-Current Liabilities

The company and its' subsidiary had total non-current liabilities as at 30 June 2022 amounted to Baht 271.23 Million or equivalent to 23.66% of totaling liabilities, an increase of Baht 80.51 Million or increase by 42.22% as compared to year ended 2021 which the prominent change in non-current liabilities consist of following

- Long-term borrowing from financial institution as at 30 June 2022 amounted to Baht 100 Million consist of current portion of long-term borrowing from financial institution amounted to Baht 11.10 Million and long-term borrowing from financial institution amounted to Baht 88.90 Million which long-term loan is used to invest in the purchase of machinery and equipment to expand production line and improve production systems to increase production efficiency.

- Non-current provisions for employee benefits as at 30 June 2022 amount to Baht 178.70 Million or equivalent to 15.59% of total liabilities, decrease of Baht 6.82 Million or decrease by 3.68% as compared to year ended 2021 due to the payment of employee benefits from retirement.

Shareholder Equities

The company and its' subsidiary had total shareholder equities as at 30 June 2022 amounted to Baht 2,254.59 Million, an increase of Baht 150.58 Million or increase by 7.16% as compared to year ended 2021. Due to the company and its' subsidiary reported net profit of Baht 200.91 Million. At the same time, the company paid dividends from the operating results of 2021 in the amount of Baht 49.50 Million, as resulting, the company and its' subsidiary have the book value as at 30 June 2022 was Baht 6.83 per share, increase from Baht 6.38 per share as compared to year ended 2021.

Analysis of Cash Flows Statement

Consolidated cash flow statement

Unit : Million Baht

Description	30 June 2022	30 June 2021
Net cash (used in) from operating activities	(152.79)	140.58
Net cash used in investing activities	(74.94)	(59.33)
Net cash from(used in) financing activities	251.91	(54.27)
Net increase in cash and cash equivalents	24.18	26.98
Cash and cash equivalents at 1 January	154.91	156.36
Cash and cash equivalents at 30 June	179.09	183.34

The company and its' subsidiary has cash and cash equivalent for six-month period ended 30 June 2022, the amounted to Baht 179.09 Million, a decrease of Baht 4.24 Million or decrease by 2.31% as compared to the previous year.

Changes in cash and cash equivalent for the six-month period ended 30 June 2022 as follow:

- Net cash used in operating activities totaling Baht 152.79 Million consisting of cash generated from profit in the amount of Baht 200.91 Million and adjustments that affect profit in cash receipts (payments) before changes in operating assets and liabilities in the amount of Baht 56.44 Million and mainly changes in operating assets and liabilities, such as trade and other current receivables increase of Baht 184.51 Million, Inventories increased of Baht 94.58 Million, trade and other current payables decreased of Baht 114.75 Million. Employee benefits paid and tax paid of Baht 16.49 Million.
- Net cash used in investing activities totaling Baht 74.94 Million, mainly from cash paid for acquisition of Building, Machinery and equipment amount of Baht 83.71 Million, Proceeds from sale of investment property amount of Baht 8.50 Million. Dividends received and interest received amount of Baht 0.68 Million.
- Net cash from financial activities totaling Baht 251.91 Million, mainly from increase in Bank overdraft and short term borrowing from financial institutions amount of Baht 206.94 Million, Proceeds from long-term borrowing from financial institution amount of Baht 100 Million, dividends paid to owners of the company amount of Baht 49.5 Million cash payment of lease liabilities and financial costs paid amount of Baht 5.53 Million.

Liquidity ratio

As of June 30, 2022 the company and its' subsidiary had total current assets amount of Baht 2,572.95 Million, total current liabilities amount of Baht 875.06 Million. The current ratio equal to 2.94 times, decrease from year ended 2021 with the current ratio of 2.96 times.

Please acknowledge accordingly.



Yours sincerely,

Kampol Watcharanimit
Managing Director