



Date 5 April 2024

Subject: Management Discussion and Analysis
Performance for the Financial Statements for the year ended 31 December 2023

To: President of the Stock Exchange of Thailand

Enclosures: Management Discussion and Analysis of the Performance for the Financial Statements for the year ended 31 December 2023 in Thai and English

Neo Corporate Public Company Limited (the "Company") would like to submit financial statements for the year ended 31 December 2023 which were approved by certified public accountants to the Stock Exchange of Thailand. In this regard, the Company would like to inform the management discussion and analysis of the performance for the financial statements for the year ended 31 December 2023, having the details as enclosed.

Please be informed accordingly

Respectfully yours,

Mrs. Nataya Tassanee
Chief Financial Officer



Management Discussion and Analysis
Performance for the Financial Statements for the year ended 31 December 2023
Neo Corporate Public Company Limited

1. Business Overview

Neo Corporate Public Company Limited (the “Company” or “NEO”) is in the business of marketing, manufacturing, and distributing of consumer products. The main product categories comprise of (1) Household products under Fineline, Smart, and Tomi brands (2) Personal care products under BeNice, TROS, Eversense, and Vivite brands and (3) Baby and kids products under D-nee brand, representing approximately 40 percent, 25 percent, and 35 percent of total revenue from sales during the year 2020 – 2023, respectively. Moreover, total revenue from sales of the Company are from domestic sales and exports sales which accounts for approximately 85 percent and 15 percent of total revenue from sales during the year 2020 – 2023, respectively. The main exporting countries of the Company are Vietnam, Cambodia, Laos, and Myanmar.

2. Operating Results

2.1 Revenue from Sales

Revenue from Sales of the Company for the year 2023 were THB 9,484.35 million, increased by THB 1,183.66 million from THB 8,300.69 million in 2022, representing an increase of 14.26 percent, due to an increase in domestic sales in every product category, especially household products, both in terms of an increase in sales volume and selling price. Overall sales volume of the Company increased from the previous year from the existing products and new products that are in line with the consumers’ need, together with the well-received promotional activities and an increase in selling prices in each distribution channel since the first quarter of 2023. Moreover, export revenue from sales increased from the previous year because the distributors in exporting countries were able to continuously expand the distribution channels coverage. In addition, the Company had conducted more marketing activities together with distributors to support the sales growth of other products in addition to the main ones. Moreover, short-term remedial measures of the Vietnamese government in the second half of the year 2023 aimed to decrease the value added tax which led to a decrease in retail price. Thus, the structure of revenue from sales of the Company can be summarized as follows:

Revenue Breakdown by Product Category for the year 2022 – 2023

Items	For the year ended 31 December			
	2022		2023	
	THB million	Percent	THB million	Percent
Revenue from Sales of Household Products				
Fabric care products	3,292.51	39.66	3,915.11	41.28
Home cleaning products	205.54	2.48	212.14	2.24
Total Revenue from Sales of Household Products	3,498.05	42.14	4,127.25	43.52
Revenue from Sales of Personal Care Products				
Body care products	1,321.97	15.93	1,344.87	14.18
Fragrance and deodorant products	709.29	8.54	898.86	9.48
Hair styling products	39.89	0.48	43.10	0.45
Total Revenue from Sales of Personal Care Products	2,071.15	24.95	2,286.83	24.11
Revenue from Sales of Baby and Kids Products				
Fabric care products - baby and kids	1,548.01	18.65	1,721.44	18.15
Body care products - baby and kids	936.24	11.28	1,077.94	11.36
Utensil wash products - baby and kids	246.81	2.97	270.81	2.86
Other products - baby and kids	0.43	0.01	0.08	0.00
Total Revenue from Sales of Baby and Kids Products	2,731.49	32.91	3,070.27	32.37
Total Revenue from Sales	8,300.69	100.00	9,484.35	100.00

Revenue Breakdown by Domestic and Export Sales for the year 2022 – 2023

Items	For the year ended 31 December			
	2022		2023	
	THB million	Percent	THB million	Percent
Revenue from Sales of Household Products				
Domestic	2,999.23	36.13	3,678.78	38.79
Export	498.82	6.01	448.47	4.73
Total Revenue from Sales of Household Products	3,498.05	42.14	4,127.25	43.52
Revenue from Sales of Personal Care Products				
Domestic	2,036.20	24.53	2,251.95	23.74
Export	34.95	0.42	34.88	0.37
Total Revenue from Sales of Personal Care Products	2,071.15	24.95	2,286.83	24.11
Revenue from Sales of Baby and Kids Products				
Domestic	2,108.98	25.41	2,307.37	24.33
Export	622.51	7.50	762.90	8.04
Total Revenue from Sales of Baby and Kids Products	2,731.49	32.91	3,070.27	32.37
Revenue from Sales				
Domestic	7,144.41	86.07	8,238.10	86.86
Export	1,156.28	13.93	1,246.25	13.14
Total Revenue from Sales	8,300.69	100.00	9,484.35	100.00

Revenue from sales of the Company are from 3 main product categories, comprising of (1) Revenue from sales of household products (2) Revenue from sales of personal care products and (3) Revenue from sales of baby and kids products, having details as follows:

(1) Revenue from Sales of Household products

Revenue from sales of household products are mainly from sales of liquid detergent and fabric softener, representing approximately 50 percent and 40 percent of revenue from sales of household products for the year 2022 – 2023, respectively.

Revenue from sales of household products for the year 2023 were THB 4,127.25 million, increased by THB 629.20 million from THB 3,498.05 million in 2022 due to an increase in domestic sales volume and selling price. The increase in the revenue from sales were mainly due to (1) an increase in sales of liquid detergent, which the Company had a strategy to increase domestic market share of liquid detergent from the previous year as well as conducted continuous promotional activities in every distribution channels and (2) an increase in sales of fabric softeners, which the Company had focused on sales of regular and intense formula of Finline fabric softener, as the product is perceived to have good value to money for consumers, as well as conducted various promotional activities in every distribution channels, leading to an increase in popularity among consumers. On the other hand, the export revenue from sales of household products in 2023 decreased from the previous year, which was mainly due to a decrease in sales of liquid detergent.

(2) Revenue from Sales of Personal Care Products

Revenue from sales of personal care products are mainly from sales of liquid soap, roll-on, and cologne, representing approximately 50 percent, 20 percent, and 15 percent of revenue from sales of personal care products for the year 2022 – 2023, respectively.

Revenue from sales of personal care products for the year 2023 were THB 2,286.83 million, increased by THB 215.68 million from THB 2,071.15 million in 2022 due to an increase in domestic sales as a consequence of an increase in selling price. The increase in revenue from sales was mainly due to an increase in domestic sales of roll-on and cologne as the Company had a strategy to increase domestic market share of roll-on following the increase in roll-on market size. The Company had increased various promotional activities in every distribution channels, including an increase in advertising in the media of stores and distribution channels to create awareness on roll-on and cologne of the Company.

(3) Revenue from Sales of Baby and Kids Products

Revenue from sales of baby and kids products are mainly from sales of baby and kids' liquid detergent and baby and kids' liquid soap, representing approximately 50 percent and 20 percent of revenue from sales of baby and kids products for the year 2022 – 2023, respectively.

Revenue from sales of baby and kids products for the year 2023 were THB 3,070.27 million, increased by THB 338.78 million from THB 2,731.49 million in 2022 due to an increase in both domestic and export sales volume and an increase in selling price. The increase in domestic revenue from sales were mainly due to an increase in the sales of baby and kids' liquid soap and baby and kids' liquid detergent. In addition to the popularity of the existing products, in 2023, the Company had launched products in various categories under a new series of D-nee, namely, Smile Booster Series, as an alternative option for consumers. In addition, the Company had continuously advertised and conducted promotional activities in every distribution channels. The Company also focused on sales of 1,400 milliliter packaging of D-nee liquid detergent following the rise in popularity among consumers. Moreover, the export revenue from sales of baby and kids products increased mainly because of an increase in sales of baby and kids' liquid detergent in major exporting countries.

2.2 Cost of Goods Sold and Gross Profit

Cost of Goods Sold and Gross Profit for the year 2022 – 2023

Items	For the year ended 31 December			
	2022		2023	
	THB million	percent	THB million	percent
Total Revenue from Sales	8,300.69	100.00	9,484.35	100.00
Cost of Goods Sold	(5,166.69)	(62.24)	(5,448.86)	(57.45)
Gross Profit	3,134.00	37.76	4,035.49	42.55

Cost of goods sold of the Company for the year 2023 were THB 5,448.86 million, increased by THB 282.17 million from THB 5,166.69 million in 2022, representing an increase of 5.46 percent. The increase of cost of goods sold was at a lesser proportion compared to the increase in revenue from sales because of the decreasing average cost of goods sold per unit from the year 2022. This was mainly due to a decrease in raw materials and packaging costs, especially cost of surfactant following an increase in overall supply of palm oil. The increase in sales volume and selling price while cost of goods sold per unit decreased resulted in an increase in gross profit of THB 4,035.49 million in 2023 from THB 3,134 million in 2022, representing an increase of THB 901.49 million or 28.76 percent. The gross profit margin were 42.55 percent in 2023, increased from 37.76 percent in 2022.

2.3 Selling and Distribution Expenses

Selling and Distribution Expenses for the year 2022 – 2023

Items	For the year ended 31 December			
	2022		2023	
	THB million	percent	THB million	percent
Advertising and sales promotion expenses	792.74	51.28	1,061.07	56.55
Freight expenses	399.45	25.84	426.51	22.73
Employees compensation and welfare	197.93	12.80	224.11	11.94
Other selling and distribution expenses ^{1/}	155.86	10.08	164.70	8.78
Total selling and distribution expenses	1,545.98	100.00	1,876.39	100.00

Remark: ^{1/} Other selling and distribution expenses comprise of excise tax, local travelling expenses, and consumer research expenses

Selling and distribution expenses of the Company for the year 2023 were THB 1,876.39 million, increased by THB 330.41 million from THB 1,545.98 million in 2022, representing an increase of 21.37 percent following an increase in revenue from sales. The proportion of selling and distribution expenses to sales in 2023 was 19.78 percent, slightly increased from 18.62 percent in the previous year. The increase in selling and distribution expenses in 2023 was mainly due to an increase in advertising and sales promotion expenses because the Company had an increase in costs of promoting products through the out-of-home media and online media, as well as media of modern trade stores and the costs of distributing products, which was in line with the increase in revenue from sales. In addition, the Company had organized various new product launch events during the period such as D-nee Smile Booster Series, Eversense cologne and roll-on, TROS Black Code, and new product and BeNice natural extracts. Moreover, freight expenses of the Company increased because of an increase in revenue from sales.

2.4 Administrative Expenses

Administrative Expenses for the year 2022 – 2023

Items	For the year ended 31 December			
	2565		2566	
	THB million	Percent	THB million	Percent
Employee compensation and welfare	522.72	60.52	673.65	62.33
Depreciation and amortization expenses	146.43	16.95	168.07	15.55
Repair and maintenance expenses	44.54	5.16	47.21	4.37
Other administrative expenses ^{1/}	150.01	17.37	191.79	17.75
Total administrative expenses	863.70	100.00	1,080.72	100.00

Remark: ^{1/} Other administrative expenses are comprised of rental expenses, utility expenses, software license expenses, audit expenses, consulting expenses for listing preparation, and miscellaneous expenses

Administrative expenses of the Company for the year 2023 were THB 1,080.72 million, increased by THB 217.02 million from THB 863.70 million in 2022, representing an increase of 25.13 percent. The increase was mainly due to an increase in employee compensation and welfare, which resulted from an annual salary adjustment, annual position adjustment, and an increase in bonus rate as the Company had a growing operating performance and had overachieved yearly goal.

2.5 Operating Profit and Net Profit

Operating Profit and Net Profit for the year 2022 – 2023

Items	For the year ended 31 December	
	2565	2565
Operating Profit (THB million)	746.42	1,106.09
Net Profit (THB million)	568.68	839.52
Operating Profit Margin (Percent)	8.99	11.66
Net Profit Margin (Percent)	6.83	8.83

Operating profit of the Company for the year 2023 was THB 1,106.09 million, increased by THB 359.67 million from THB 746.42 million in 2022, representing an increase of 48.18 percent. The increase was mainly due to the growth of revenue from sales while average cost of goods sold per unit decreased from the previous year in accordance with a decrease in overall costs of raw materials and packaging. Thus the gross profit margin increased from the previous year. The selling expenses increased due to the increasing costs of promoting products through the out-of-home media and online media, as well as media of modern trade stores and the costs of distributing products, in line with the increase in revenue from sales. In addition, the administrative expenses increased following an increase in employee compensation and welfare. The proportion of selling and administrative expenses to sales slightly increased from the previous year, while the gross profit margin increased in a greater proportion. As a result, the operating profit margin in 2023 was 11.66 percent, increased from 8.99 percent in 2022. With all factors mentioned above, the net profit in 2023 was THB 839.52 million, increased by THB 270.84 million from THB 568.68 million in 2022, representing a growth rate of 47.63 percent. The net profit margin in 2023 was 8.83 percent, increased from 6.83 percent in 2022.

3. Assets and Liabilities Management

3.1 Assets

Total assets of the Company as of 31 December 2022 and 2023 were THB 6,335.06 million and THB 7,287.04 million, respectively, representing an increase of 15.03 percent. Most of total assets were property, plant, and equipment, and trade and other receivables, which accounted for approximately 80 percent of total assets. The increase in total assets of the Company as of 31 December 2023 from the previous year was mainly due to an increase in property, plant, and equipment from the investment in the auto warehouse

of finished goods expansion project, including the structure, utilities system, the automated storage and retrieval systems (ASRS) and equipment for transporting products. Cash and cash equivalents increased according to the increasing operating results and short-term loan drawdown. In addition, the advanced payment in construction increased from the investment in the production capacity expansion project of personal care products (including the personal care of baby and kids products).

3.2 Liabilities

Total liabilities of the Company as of 31 December 2022 and 2023 were THB 3,924.14 million and THB 5,719.54 million, respectively, representing an increase of 45.75 percent. Most of total liabilities were mainly trade and other payables and long-term loans from financial institutions, which accounted for approximately 80 percent of total liabilities. The increase in total liabilities of the Company as of 31 December 2023 from the previous year was due to an increase in short-term loans from financial institutions to be used as working capital and interim dividend payment as well as an increase in long-term loans from financial institutions to be used for the auto warehouse of finished goods expansion project, including the structure, utilities systems, the automated storage and retrieval systems (ASRS) and equipment for transporting products, and the production capacity expansion project of personal care products (including the personal care of baby and kids products).

3.3 Shareholders' equity

Total shareholders's equity of the Company as of 31 December 2023 were THB 1,567.50 million, decreased by THB 843.42 million from THB 2,410.92 million as of 31 December 2022. The decrease was mainly due to the decrease in retained earnings. Although the Company had total comprehensive income in 2023 of THB 840.02 million, the Company announced a dividend payment totaling THB 1,667.66 million, comprising of (1) the annual dividend payment for 2022 of THB 568.54 million or THB 256.10 per share (at par value of THB 1.00 per share), according to the resolution of the 2023 Annual General Meeting of Shareholders held on 20 April 2023, (2) the first interim dividend payment of 2023 of THB 200.02 million or THB 90.10 per share (at par value of THB 1.00 per share), according to the resolution of the Board of Directors' meeting no. 5/2023 held on 9 August 2023, and (3) the second interim dividend payment of 2023 of THB 899.10 million or THB 4.05 per share (at par value of THB 1.00 per share) according to the resolution of the Board of Directors' meeting no. 4/2023 (after the conversion to public company) held on 30 November 2023. Therefore, the unappropriated retained earnings as of 31 December 2023 were THB 877.80 million.

4. Liquidity and Sufficiency of Company's Capital

4.1 Cash Flows from Operating Activities

Cash flows from operating activities of the Company for the year ended 31 December 2022 and 2023 were THB 632.66 million and THB 1,440.68 million, respectively.

Cash flows from operating activities before changes in operating assets and liabilities for the year ended 31 December 2022 and 2023 were THB 1,118.76 million and THB 1,515.26 million, respectively. The change in the cash flows was mainly due to the operating profits during the period of THB 710.26 million and THB 1,051.54 million, for the year ended 31 December 2022 and 2023, respectively.

Cash flows to operating activities from changes in operating assets and liabilities for the year ended 31 December 2022 were THB 288.98 million. The changes were mainly due to (1) an increase in trade and other receivables in accordance with the growth of revenue from sales (2) an increase in inventories in accordance with the increasing costs per unit from the continuing impact of COVID-19 and the increasing inventory level and (3) an increase in trade and other payables in accordance with a continuous increase in costs and the amounts of raw materials and packaging to support the business expansion.

Cash flows from operating activities from changes in operating assets and liabilities for the year ended 31 December 2023 were THB 200.38 million. The changes were mainly due to (1) an increase in trade and other payables in accordance with an increase in accrued expenses (2) a decrease in inventories in accordance with the decreasing raw material cost and increasing efficiency of inventory management and (3) an increase in other current liabilities in accordance with an increase in revenue department payable.

4.2 Cash Flows to Investing Activities

Cash flows to investing activities of the Company for the year ended 31 December 2022 and 2023 were THB 508.20 million and THB 1,095.20 million, respectively.

The change in cash flows from investing activities for the year ended 31 December 2022 were mainly due to the purchase of land to be used for auto warehouse of finished goods expansion project and production capacity project, and investment in auto warehouses of finished goods, including the structure and the mini-load automated storage and retrieval systems (Mini-Load ASRS), and the investment in automated machinery used in the product packing process.

The change in cash flows from investing activities for the year ended 31 December 2023 were mainly due to the investment in the auto warehouse of finished goods expansion project, including structure and utilities system and investment in machinery, and advance payments for construction for production capacity expansion project for personal care products (including the personal care of baby and kids products).

4.3 Cash Flows to Financing Activities

Cash flows to financing activities of the Company for the year ended 31 December 2022 and 2023 were THB 379.35 million and THB 80.85 million, respectively.

The change in cash flows to financing activities for the year ended 31 December 2022 were mainly due to (1) repayment of long-term loans according to the repayment schedule of THB 203.40 million and (2) dividend payment to shareholders, which is paid from the operating result for the year 2021 with the amount of THB 268.62 million or THB 121.00 per share, based on the resolution of the 2022 Annual General Meeting of Shareholders held on 29 April 2022.

The change in cash flows to financing activities for the year ended 31 December 2023 were mainly due to (1) an increase in net short-term loans with of THB 563.41 million, due to the drawdown of promissory notes to support internal cash flows and make interim dividend payment (2) an increase in net long-term loans of THB 1,068.91 million for the investment in the auto warehouse of finished goods expansion project, including structure, utilities system, the automated storage and retrieval systems (ASRS) and equipment for transporting products, and the investment in the production capacity expansion project for personal care products (including the personal care of baby and kids products) and (3) dividend payment to shareholders of THB 1,667.66 million, which are comprised of dividend payment for the year 2022 of THB 568.54 million or THB 256.10 per share (at the par value of THB 100.00 per share) based on the resolution of the 2023 Annual General Meeting of Shareholders held on 20 April 2023, the first interim dividend payment of the year 2023 with the amount of THB 200.02 million or THB 90.10 per share (at the par value of THB 100.00) based on Board of Directors Meeting No. 5/2023 held on 9 August 2023, and the second interim dividend payment of the year 2023 with the amount of THB 899.10 million or THB 4.05 per share (at the par value of THB 1.00) based on Board of Directors Meeting No. 4/2023 (after the conversion to public company) held on 30 November 2023.