

24 February 2020

Re Management Discussion and Analysis for the year 2019

Attn. The President  
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results stated in consolidated financial statements for the year 2019. The details as follows:

### **The Structure of Revenues**

R&B Food Supply Public Company Limited and its subsidiaries operate their businesses mainly in production and trading of Food Ingredients. The structure of revenues is classified into 6 categories as follows:

- 1.1 Flavour, Fragrance & Color
- 1.2 Food Coating
- 1.3 Dry
- 1.4 Frozen
- 1.5 Packaging (Plastic)
- 1.6 Trading Goods

Moreover, RBF's subsidiaries have also invested in hotel business which comprises of 2 hotels: Ibis Styles Chiangmai Hotel invested by Premium Foods Co., Ltd. and Novotel Chumporn Beach & Golf invested by Thai Flavour and Fragrance Co., Ltd.

### **Operation Results**

Statement of Comprehensive Income	For the 12 Mth period ended		Change	
	31 December		MB	%
(MB)	2018	2019		
Revenues from sales and rendering services	2,632.52	2,776.38	143.86	5.46%
Revenues from hotel operations	105.72	88.28	-17.45	-16.50%
<b>Total revenue</b>	<b>2,738.25</b>	<b>2,864.65</b>	<b>126.41</b>	<b>4.62%</b>
Cost of goods sold and rendering services	1,627.68	1,668.38	40.70	2.50%
Cost of rendering hotel services	116.48	105.66	-10.83	-9.29%
<b>Total cost</b>	<b>1,744.17</b>	<b>1,774.03</b>	<b>29.87</b>	<b>1.71%</b>
<b>Gross profit</b>	<b>994.08</b>	<b>1,090.62</b>	<b>96.54</b>	<b>9.71%</b>
Other income	11.34	17.34	6.00	52.92%
Selling expenses	191.18	182.01	-9.17	-4.80%
Administrative expenses	386.17	457.10	70.92	18.37%
Finance costs	20.71	25.95	5.24	25.33%
<b>Profit before income tax expense</b>	<b>407.36</b>	<b>442.90</b>	<b>35.54</b>	<b>8.72%</b>
Income tax expense	86.24	89.37	3.12	3.62%
<b>Profit for the period</b>	<b>321.11</b>	<b>353.54</b>	<b>32.42</b>	<b>10.10%</b>

### **The Revenue from Operations**

In 2019, the revenue from operations of Company and its subsidiaries was THB 2,864.65 million which increased by THB 126.41 million or by 4.62% compared to 2018. The significant changes of each type of the revenue can be explained as follows:

#### **1. REVENUE FROM SALES OF MANUFACTURING AND TRADING GOODS**

In 2019, the revenue of Company and its subsidiaries was THB 2,776.38 million, equaled to 96.92% of the total revenue from operations, and increased by THB 143.86 million or 5.46% compared to the revenue of 2018.

This is mainly due to the increase in sales of Food Coating, Flavour, Fragrance & Color, and Dry categories. Mainly increased in sales of existing domestic customers and customers of subsidiaries in Vietnam and Indonesia.

#### **2. REVENUE FROM HOTEL OPERATIONS**

In 2019, the revenue from hotel operations of Company and its subsidiaries was THB 88.28 million, equaled to 3.08% of the total revenue from operations. The revenue from hotel operations decreased by THB 17.45 million or 16.50% compared to the revenue of 2018, mainly due to the decrease in Chinese tourists, there was impact from closed partial hotel's area for renovation Ibis Styles Chiangmai Hotel in the third quarter of 2019 and the smoke pollution crisis in Chiangmai province during the beginning of 2019.

### **Gross Profit**

In 2019, gross profit was THB 1,090.62 million or 38.07% of the total revenue from operations, which increased by THB 96.54 million or by 9.71% compared to 2018, which gross profit was THB 994.08 million or 36.30% of total revenue from operations. The significant changes of the revenue can be explained as follows:

#### **1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS**

In 2019, the gross profit of Food Ingredients business was THB 1,108.00 million or 39.91% of the total revenue from operations, which increased by THB 103.16 million or by 10.27% compared to 2018, which the gross profit was THB 1,004.84 million or 36.70% of the total revenue from operations. Mainly increased due to the increase in sales of main product categories, resulting in the increase in gross profit of Food Coating for THB 15.14 million and Flavor & Fragrance for THB 63.86 million.

#### **2. GROSS PROFIT FROM HOTEL OPERATIONS**

In 2019, the negative gross margin of hotel operations was THB 17.38 million, equaled to 19.69% of the total revenue from operations. The hotel operations had the negative gross margin increased of THB 6.62 million or by 61.54% compared to 2018. This is mainly due to the decrease in the high volume tourists from China and from the smoke pollution crisis in Chiangmai province during the beginning of 2019.

### **Selling and Administrative Expenses**

In 2019, selling and administrative expenses was THB 639.11 million, equaled to 22.31% of the total revenue from operations. Selling and administrative expenses of Company and its subsidiaries increased by THB 61.75 million or by 10.70% compared to 2018. The significant changes of the selling and administrative expenses can be explained as follows:

- One-time expenses increased by THB 40.23 million, causing from consulting fee for accounting, legal, roadshow and press conferences to investors approximately THB 8.52 million, allowance for impairment loss on hotel assets of THB 11.56 million, provision for employee retirement benefit of THB 10.23 million, professional fee of THB 8.22 million and other expenses of THB 1.70 million.
- The increase of depreciation expenses by THB 5.19 million

- The increase of administrative expenses of the subsidiary in Vietnam by THB 4.63 million
- The increase of administrative expenses of the subsidiary in Indonesia by THB 4.42 million

### **Profit for the year**

In 2019, profit for the year was THB 353.54 million, equaled to 12.34% of the total revenue from operations, and increased by THB 32.42 million or by 10.10% from 2018.

The mainly increase due to the increase in sales from domestic and overseas, especially in product group with high gross margin and good inventory management.

### **Statement of Financial Position**

#### **Assets**

As at December 31, 2019, Company and its subsidiaries had the total assets of THB 4,412.31million, increased by THB 964.66 million or by 27.98% compared to December 31, 2018. The significant changes in assets comprised of:

- Increase in cash and cash equivalents of THB 985.00 million, causing from
  - proceeds from capital increase in ordinary shares net with payments for share issue costs of THB 1,675.28 million.;
  - net cash flows generated from operating activities of THB 485.11 million.;
  - repayments on long-term borrowings of THB 795.75 million.;
  - payments for construction of plants and purchase of machinery of oversea subsidiaries and payment for construction of warehouses and purchase of machinery of the company and domestic subsidiaries of THB 145.34 million.;
  - Dividend payment of THB 246.00 million.
- Increase in trade and other receivables of THB 90.80 million due to the increase in sales of 4<sup>th</sup> quarter of 2019
- Decrease in inventories of THB 63.53 million due to good inventory management.

#### **Liabilities**

As at December 31, 2019, Company and its subsidiaries had the total liabilities of THB 542.44 million, which was 12.29% of the total assets, decreased by THB 813.46 million or by 59.99% compared to December 31, 2018. The significant changes in liabilities comprised of:

- Decreased in borrowings from financial institutions of THB 272.97 million, which mainly were repaid after capital increase.
- Decreased in borrowings from related parties of THB 522.78 million, which mainly were repaid after capital increase.

#### **Equity**

As at December 31, 2019, Company and its subsidiaries had the total equity of THB 3,869.88 million, or 87.71% of the total assets. The increase in the total equity by THB 1,778.12 million compared to December 31, 2018 due to:

- The company has capital increase by issuing ordinary shares for initial public offering with the net amount of THB 1,675.28 million.
- The company had total comprehensive income of THB 348.85 million which was profit for the year of THB 353.53 million and net offsetting with other comprehensive loss from currency translation differences of THB 4.69 million.
- Net offsetting with dividend payment of THB 246 million.

## **Statement of Cash flows**

In 2019, the statement of cash flows can be explained as follows:

- net cash flows generated from operating activities of THB 485.11 million.
- net cash flows used in investing activities of THB 132.96 million which mainly was cash payments for purchase of property, plant and equipment of THB 145.34 million for plant construction and purchase of machinery of foreign subsidiaries and purchase of warehouse and machinery of the company and local subsidiaries.
- net cash flows generated from financing activities of THB 633.52 million.
- The company and its subsidiaries had cash and cash equivalents at the beginning of 2019 of THB 248.27 million, resulting in cash and cash equivalents at the end of year was THB 1,234.42 million.

Yours Sincerely

Suranart Kittirattanadetch  
Chief Financial Officer  
R&B Food Supply Public Company Limited