

Management Discuss and Analysis for 9 months period ended September 30, 2021

Q3'2021: Gross profit margin recovered from 9.4% in Q2'21 to 11.5% in this quarter mainly due to adjusting portfolio to focus on high margin product segments and cost control while raw material price stabilized.

Thai Union Feedmill Public Company Limited (“Company”) reported the revenue from sales up 15.2% yoy due to the increasing of the revenue from livestock feed up 67.2% yoy and fish feed up 18.6%. While, sales dropped 2.9% qoq from the average sales price decreased as a result from the increasing of the livestock feed proportion which its price is lower than shrimp and fish feed.

In Q3'21 gross profit recovered from 9.4% in Q2'21 to 11.5% mainly to due to adjusting portfolio to focus on high margin products and cost control by adjusting the feed formula while maintaining the same feed quality.

As a result, the net profit also increased from the previous quarter by 56.0%, but still dropped when compared to the previous year.

Financial Statement Analysis:

Unit : THB million

	Q3'2021	Q3'2020	YoY	Q2'2021	QoQ
Sales	1,340.6	1,163.7	15.2%	1,380.9	-2.9%
Cost of sales	(1,185.8)	(963.2)	23.1%	(1,250.5)	-5.2%
Gross profit	154.8	200.5	-22.8%	130.3	18.8%
Other income	15.5	17.6	-12.0%	18.8	-17.7%
SG&A	(71.8)	(75.2)	-4.5%	(96.9)	-25.9%
Reversal/impairment on AR	(12.7)	4.7	-368.8%	(2.1)	509.8%
Other gain/loss	1.3	0.3	345.8%	2.0	-32.9%
EBIT	87.1	147.9	-41.1%	52.1	67.2%
Finance costs	(4.6)	(1.2)	276.4%	(3.2)	42.8%
PBT	82.5	146.7	-43.8%	48.9	68.8%
Income tax	(10.4)	(8.6)	20.3%	(2.7)	291.5%
Net Profit	72.1	138.1	-47.8%	46.2	56.0%
Profit attributed to the Company	69.5	137.7	-49.6%	48.2	44.3%
Earning per share (THB)	0.17	0.34	-49.6%	0.12	44.3%
Gross profit margin	11.5%	17.2%	-5.7 Bps	9.4%	+2.1 Bps
Net profit margin	5.3%	11.7%	-6.4 Bps	3.3%	+2.0 Bps

Sales

The Company reported Q3'21 sales at THB 1,340.6 million, up 15.2% from the same period of last year as a

result of the increasing of the sales volume at 17.7%, but dropped 2.9% qoq due to the average sales price dropped 1.6% qoq.

Revenue from shrimp feed

- In Q3'21 was at THB 692.6 million, up 7.7% from the same period of last year as a result from the average price up 8.8% due to the higher domestic shrimp feed price.
- While compared with the previous quarter the revenue from shrimp feed price dropped 4.2% from the decreasing of the fighting brand products.

Revenue from fish feed

- In Q3'2021 was at THB 497.2 million, up 18.6% from the same period of last year as a result from the increasing of the revenue from fish feed sold in Pakistan.
- While compared with the previous quarter, revenue from fish feed grow 3.2%.

Revenue from livestock feed

- In Q3'21 was at THB 119.7 million, up 67.2% from the same period of last year due to the increasing of the sell volume at 49.4% by promoting pig feed which is the high margin product.
- While compared with the previous quarter revenue from livestock feed grow 2.0%

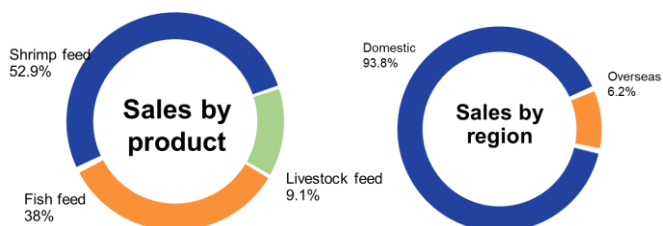
For 9M'21, sales was at THB 3,678.1 million, up 18.7% from the same period of last year due to the volume growth at the same level.

We will be the manufacturer of the highest quality aquaculture feed for sustainable business operation

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Sales breakdown:

	Sales (Unit : THB million)			Qty (Unit : Tones)	
	Q3'2021	Q3'2020	YoY	Q3'2021	Q3'2020
Shrimp feed	692.4	642.6	7.7%	22,302	22,523
Fish feed	497.2	419.3	18.6%	21,885	16,479
Livestock feed	119.7	71.6	67.2%	8,163	5,463
Other sales	31.3	30.2	3.5%	-	-
Total	1,340.6	1,163.7	15.2%	52,350	44,465



Cost of goods sold and Gross profit

- In Q3'21, cost of goods sold was at THB 1,185 million, up 23.1% from the same period of last year due to the sell volumes increased and higher raw material cost which affected the average cost of goods sold, up 4.6%.
- Cost of goods sold dropped 5.2% compared to the previous quarter due to the raw material price slightly dropped and the cost control.
- For 9M'21, cost of goods sold up 28.3% from the same period of last year due to the increasing of sale volume and the sharply increase in key raw material price.

Gross profit for Q3'21 and 9M'21 dropped from the same period of last year at 22.8% and 27.1% respectively, as a result from the increasing of the cost was higher than the revenue. On the other hand, gross profit increased 18.7% compared to the previous quarter.

Selling General and Administrative expenses

The Company reported SG&A for Q3'21 at THB 71.8 million, dropped 4.5% yoy and 25.9% qoq. As a result, from the decreasing of the incentive for sales staffs and the employee benefit.

For 9M'21, SG&A up 11.4% from the same period of last year as a result from the increasing of the freight and transportation cost which was in line with the increase of sales volume.

Net profit

The Company reported net profit for Q3'21 at THB 72.1 million, dropped 47.8% from the same period of last year due to the decreasing of the gross profit as a result from the raw material cost increased, but net profit recovered at 56.0% from the previous quarter due to the raw material price stabilized, cost controlling and the focusing on the high margin product.

Thus, net profit for 9M'21 was at THB 172.5 million, dropped 49.3% from the same period of last year due to the decreasing of the gross profit.

Adjusted-net profit

Unit : THB million	Q3'2021	Q3'2020	
Profit for period	72.1	138.1	
One-off item	4.1	0.0	
Profit from core operation	76.2	138.1	-44.8%

Excluding one-off items, adjusted net profit for Q3'21 was at THB 76.2 million, dropped 44.8% from the same period last year which was at THB 138.1 million by adjusted income tax in the amount of THB 4.1 million.

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Profit attributed to owner of the Company

The Company reported net profit attributed to owners for Q3'21 at THB 69.5 million, dropped 50.4% from the same period of last year which was at THB 137.7 million due to the decreasing of net profit.

As a result of earning per share (EPS) dropped from THB 0.34 to THB 0.17.

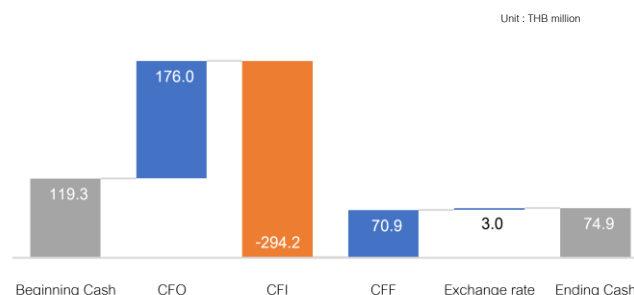
Financial position analysis:

As of September 30, 2021, the Company reported total assets of THB 2,975.8 million, up 19.1% from December 31, 2020 from increasing of the account receivable and PPE mainly from TUKL's machinery in Indonesia.

Total liabilities increased to THB 1,781.2 million, up 75.3% from THB 1,015.8 million in December 31, 2020 due to the increasing of interest-bearing debt, comprised of short-term loan THB 395.0 million, long-term loan THB 201.5 million, and the increasing of account payable at THB 155.5 million according to the raw material purchasing value.

Total shareholders' equity was at THB 1,194.6 million, dropped 19.4% from December 31, 2020 due to the dividend payment in the amount of THB 533.0 million this year.

Cash Flow analysis:



During 9M'21, net cash receipts from operating activities were THB 176.0 million from the profitable operation with EBITDA at THB 281.0 million then adjusted with operating assets and liabilities in the amount of THB 139.1 million according to the higher account receivable value.

Net cash payment for investing activities were at THB 294.2 million, paid for the additional CAPEX in subsidiary's PPE (TUKL).

Net cash receipts from financing activities were THB 81.7 million which cash inflow mainly from the increasing of the short-term and long-term loan totally THB 586.0 million to support working capital. In addition, there was a cash paid for the dividend payment in the amount of THB 533.0 million.

Key Financial ratios:

Key Financial Ratio	Q3'2021*	Q2'2021*	2020
Current Ratio (x)	0.95	1.19	1.32
Average Collecting Period (Day)	47	43	51
Day Inventory Outstanding (Day)	36	38	46
Return on Capital Employed (%)	22.5%	12.0%	31.1%
Return on Equity (%)	23.4%	11.9%	30.8%
Return on Assets (%)	12.8%	7.5%	19.0%
Net Interest Bearing Debt to Equity (x)	0.75	0.35	0.17
Book Value per Shares (THB)	2.91	3.64	3.62

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Remark:

*Net profit and EBIT for Q3'21 and Q2'21 were annualized.

Current ratio = Total current assets / Total current liabilities

ROCE = adjusted EBIT / Average capital employed

Capital employed = total assets – total current liabilities (incl. current portion of long-term debt)

ROE = adjusted net profit / average total shareholders' equity

ROA = adjusted EBIT / average total assets

ND/E = Interest-bearing debt – cash & cash equivalents / total shareholders' equity

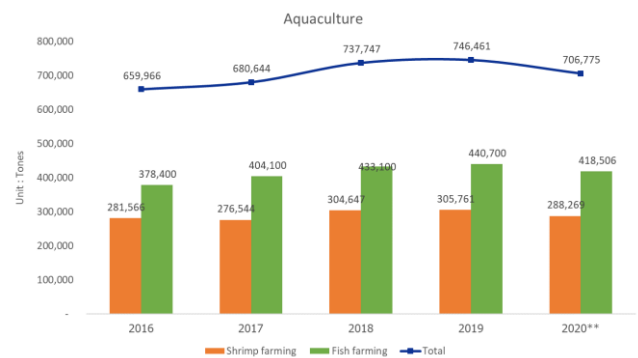
BV = total shareholders' equity / outstanding shares

The current ratio at end-Q3'21 was at 0.95 times, decline from 1.32 times at end-20, due to the increasing of the current liabilities, mainly comprised of the short-term loan and the account payable. In addition, net interest-bearing debt to equity increased from 0.17 times at end-20 to 0.75 times at end-Q3'21 due to the increasing of short-term and long-term loan while the equity decreased from the dividend payment in the amount of THB 533.0 million

Q3'21 profitability ratio (ROCE at 22.5%, ROE at 23.4% ROA at 22.8%), decreased from end-20 due to the profit margin declined according to the key raw material price increased which directly affected to cost of sales.

Industry overview:

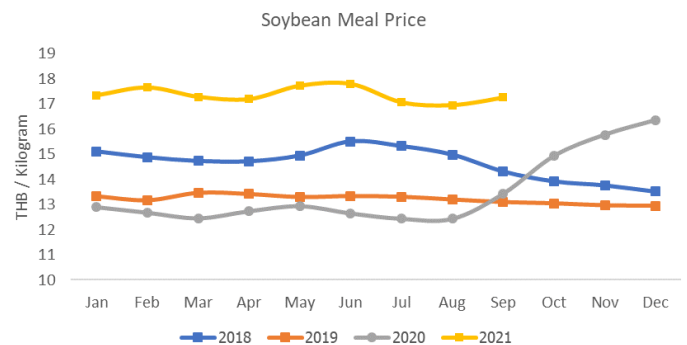
In 2020, shrimp farming and fish farming was 706,775 tones dropped 5.3% from the previous year as a result from shrimp farming and fish farming decreased 5.7% and 5.0% respectively.



Source: Fish economic group, Department of fisheries

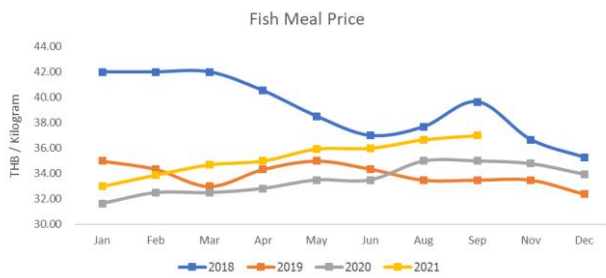
Thai Feedmill Associate estimated feed demand growth at 1.0% from aquatic feed growth 6.1% which comprise of shrimp feed growth 11.1% and fish feed growth 1.9%.

Key raw material price:

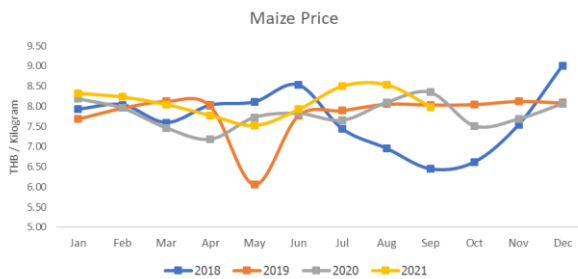


End-Q3'21, soybean meal price was at THB 17.3 per kilogram, dropped 3.0% from THB 17.8 at end-Q2'21 while 9M'21 average soybean meal price up 36.3% from 9M'20.

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End-Q3'21, fish meal price was at THB 37.0 per kilogram, dropped 2.8% from THB 36.0 at end-Q2'21 while 9M'21 average fish meal price up 5.6% from 9M'20.



End-Q3'21, maize price was at THB 8.0 per kilogram, up 0.6% from THB 36.0 at end-Q2'21 while 9M'21 average maize price up 3.4% from 9M'20.