



**S.Khonkaen Foods PCL. and its subsidiaries ("Company")**  
**Management Discussion and Analysis**  
**For the nine-month ended 30 September 2021**

**Business Overview**

*In Q3/2021, the Company's total sales amounted to THB 691 million, increased by 3.8% YOY.*

The Company has revenue from sales in the third quarter amounted to THB 691 million, representing an **increased by 3.8 percent** as compared to the same quarter of previous year (a decreased by 0.1 percent from Q2/2021), primarily due to outbreak of the coronavirus 2019 ("Covid-19"), which has led to more customers shopping for products to prepare, cook and eat themselves.

The Company has revenue from sales for the first nine months amounted to THB 2,038 million, representing a decreased by 1.8 percent as compared to the same period of previous year, due to 'Zaap Classic' restaurant and the 'Yunnan' Stewed Pork Leg with Rice restaurant can only sell to their customers via delivery for several months, the closing some restaurant branches and reduction of consignment space in supermarkets. Sales in processed seafood sector, which accounted for 37 percent of total revenue from sales, showed a growth rate with an **increased by 3.6 percent** as compared to that of the same period of previous year, whereas sales in processed food from pork, which accounted for 52 percent of total revenue from sales, showed a growth rate with a **decreased by 2.4 percent** as compared to that of the same period of previous year.

*The profit attributable to the Company in the first nine month 2021 amounted to THB 92 million, representing an decrease by 11.0% YOY.*

The Company has gross profit in the third quarter amounted to THB 183 million, representing 26.5 percent of revenue from sales. The **gross profit margin decreased by 0.6 percent** as compared to the same quarter of previous year, due to the heavy decline in the market price of swine from mid-July to the end of September 2021, leading to sharp profit loss to the farm. However, the market price of swine is projected to steadily increase in the fourth quarter.

The Company has gross profit for the first nine months amounted to THB 532 million, representing 26.1 percent of revenue from sales. The gross profit margin decreased by 0.7 percent as compared to the same period of previous year, due to the market price of swine causing profit loss to the farm. This data is minus lower material costs of processed food from pork products.

The company has net profit in the third quarter amounted to THB 9 million, representing 1.3 percent of revenue from sales, a decreased by 77.6 percent as compared to that of the same quarter of previous year (a decreased by 82.1 percent from Q2/2021). This is due to the recognition of loss on changes in fair value less cost to sale of biological assets

of THB 18 million. This is calculated from the market price of swine at the end of the 3rd quarter including the impact of the lower gross profit margin as previously mentioned.

The company has net profit for the first nine months amounted to THB 92 million, representing 4.5 percent of revenue from sales, a decreased by 11.0 percent as compared to the same period of previous year. Upon comparison of net profit margin to sales, the profit decreased by 0.5 percent as compared to that of the same period of previous year.

Income Statements (Consolidated) Quarter 3 (July - September)	Quarter 3 2021		Quarter 3 2020		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	(%QOQ)
Revenue from Sales	691	100.0 %	666	100.0 %	3.8 %	(0.1 %)
Cost of Sales	(508)	(73.5 %)	(486)	(72.9 %)	4.6 %	0.0 %
Gross Margin	183	26.5 %	180	27.1 %	1.5 %	(0.4 %)
Selling and Distribution Expenses	(67)	(9.7 %)	(68)	(10.2 %)	(1.3 %)	29.2 %
Administrative Expenses	(81)	(11.7 %)	(73)	(10.9 %)	11.5 %	1.7 %
EBIT	20	2.9 %	54	8.1 %	(62.3 %)	(67.0 %)
Financial Cost	(8)	(1.1 %)	(8)	(1.1 %)	(0.1 %)	0.4 %
Tax Expenses	(4)	(0.5 %)	(7)	(1.0 %)	(43.6 %)	(15.1 %)
Profit: Equity holders of the Company	9	1.3 %	39	5.9 %	(77.6 %)	(82.1 %)
Earning per Share (THB/Share)	0.03		0.12			

Income Statements (Consolidated) Year-to-Date (January - September)	YTD Sep 2021		YTD Sep 2020		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	
Revenue from Sales	2,038	100.0 %	2,075	100.0 %	(1.8 %)	
Cost of Sales	(1,506)	(73.9 %)	(1,518)	(73.1 %)	(0.8 %)	
Gross Margin	532	26.1 %	557	26.9 %	(4.5 %)	
Selling and Distribution Expenses	(171)	(8.4 %)	(203)	(9.8 %)	(15.4 %)	
Administrative Expenses	(239)	(11.7 %)	(223)	(10.8 %)	6.8 %	
EBIT	129	6.3 %	148	7.1 %	(13.0 %)	
Financial Cost	(23)	(1.1 %)	(25)	(1.2 %)	(8.4 %)	
Tax Expenses	(13)	(0.7 %)	(19)	(0.9 %)	(30.1 %)	
Profit: Equity holders of the Company	92	4.5 %	104	5.0 %	(11.0 %)	
Earning per Share (THB/Share)	0.29		0.32			

## Core Business

### 1. Processed Food from Pork

*Expand distribution channels through Traditional Trade and E-Commerce*

The Company has revenue from sales in the third quarter amounted to THB 373 million, representing 54 percent of total sales, with a growth rate **increased by 11.4 percent** as compared to the same quarter of previous year (an increased by 2.4 percent from Q2/2021), and its gross profit amounted to THB 112 million, representing 30.0 percent of revenue from sales.

The Company has revenue from sales for the first nine months amounted to THB 1,059 million, representing 52 percent of total sales, with a growth rate **decreased by 2.4 percent** as compared to the same period of previous year, and its gross profit amounted to THB 291 million, representing 27.5 percent of revenue from sales, Overall modern trade sales are growing but the Covid-19 pandemic affected the reduction of consignment area and product tasting, and the postponement of new products launches. The company focuses on expanding their distribution channels through traditional retail stores (Traditional Trade) and online channels (E-commerce). This is to expand customer base and adapt to changes in the consumers' shopping behaviour.

### 2. Processed Seafood

*Export sales continued to grow*

The Company has revenue from sales in the third quarter amounted to THB 245 million, representing 35 percent of total sales, with a growth rate **increased by 2.7 percent** as compared to the same quarter of previous year (a decreased by 3.9 percent from Q2/2021), and its gross profit amounted to THB 67 million, representing 27.2 percent of revenue from sales.

The Company has revenue from sales for the first nine months amounted to THB 745 million, representing 37 percent of total sales, with a growth rate **increased by 3.6 percent** as compared to the same period of previous year, and its gross profit amounted to THB 204 million, representing 27.4 percent of revenue from sales. Export sales continued to grow and sales of modern trade channels are growing sequentially.

### 3. Swine Farming

*Swine market price showed signs of improvement in the fourth quarter*

The Company has revenue from sales in the third quarter amounted to THB 64 million, representing 9 percent of total sales, with a growth rate **decreased by 7.7 percent** as compared to the same quarter of previous year (an increased by 6.7 percent from Q2/2021), and its gross profit amounted to THB -0.5 million, representing -0.7 percent of revenue from sales. Due to the selling price lower than the cost of production, as a result to the impact of pork market prices declined at the end of the third quarter. However, the market price showed signs of improvement in the fourth quarter.

The Company has revenue from sales for the first nine months amounted to THB 195 million, representing 10 percent of total sales, with a growth rate **decreased by 1.1 percent** as compared to the same period of previous year, and its gross profit amounted to THB 16 million, representing 8.0 percent of revenue from sales. The Company has made more investment in its swine farming business to enhance the efficiency, control the quality of swine farming, and pave the way for future expansion.

#### 4. Quick Service Restaurant (QSR)

*Branches at a loss were shut down, Brand Revamp, and Focusing on delivery and take-away model*

The Company has revenue from sales in the third quarter amounted to THB 9 million, representing 1 percent of total sales, with a growth rate **decreased by 60.6 percent** as compared to the same quarter of previous year (a decreased by 29.0 percent from Q2/2021), and its gross profit amounted to THB 5 million, representing 52.5 percent of revenue from sales, due to the fact that the restaurant business, particularly those restaurants located in department stores, was one of the businesses directly affected by Covid-19.

The Company has revenue from sales for the first nine months amounted to THB 40 million, representing 2 percent of total sales, with a growth rate **decreased by 46.8 percent** as compared to the same period of previous year, and its gross profit amounted to THB 21 million, representing 53.4 percent of revenue from sales. The Company decided to shut down such branches with substantial and continuing loss. In the fourth quarter, the company is preparing to give the 'Yunnan' Stewed Pork Leg with Rice restaurant and 'Zaap Classic' Restaurant a complete brand revamp. The company plans to adjust the new store expansion model by focusing on delivery and take-away style.

Revenue from Sales Segment Information	Quarter 3 2021			YTD Sep 2021	
	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Grand Total	691	3.8 %	(0.1 %)	2,038	(1.8 %)
- Processed food from pork	373	11.4 %	2.4 %	1,059	(2.4 %)
- Processed seafood	245	2.7 %	(3.9 %)	745	3.6 %
- Swine farm	64	(7.7 %)	6.7 %	195	(1.1 %)
- Quick Service Restaurant (QSR)	9	(60.6 %)	(29.0 %)	40	(46.8 %)

#### Revenue from lease and services

*Renovation of the Sor Tower, Optimize the leased space management*

The Company has revenue from rental and service in the third quarter amounted to THB 3 million, with a growth rate **decreased by 3.4 percent** as compared to the same quarter of previous year, due to reduction of rental cost to a special rate during the Covid-19 pandemic.

The Company has revenue from rental and service in the first nine months amounted to THB 10 million, with a growth rate **increased by 22.9 percent** as compared to the same period of previous year. However, once the renovation of the Sor Tower is completed and the Covid-19 pandemic situation is better (decreased infected rates), the company will be able to manage and optimize the leased space management.

#### ***Selling and distribution expenses***

The Company has selling and distribution expenses in the third quarter amounted to THB 67 million, representing 9.7 percent of revenue from sales. The ratio of selling and distribution expenses to sales **decreased by 0.5 percent** from the same quarter of previous year.

The Company has selling and distribution expenses in the first nine months amounted to THB 171 million, representing 8.4 percent of revenue from sales. The ratio of selling and distribution expenses to sales **decreased by 1.4 percent** from the same period of previous year, partially due to recognition of the decreased selling and distribution expenses' accrual.

#### ***Administrative expenses***

The Company has administrative expenses in the third quarter amounted to THB 81 million, representing 11.7 percent of revenue from sales. The ratio of administrative expense to sales **increased by 0.8 percent** from the same quarter of previous year.

The Company has administrative expenses in the first nine months amounted to THB 239 million, representing 11.7 percent of revenue from sales. The ratio of administrative expense to sales **increased by 0.9 percent** from the same period of previous year, partially due to recognition of loss from QSR branch shutdown.

### **Financial Highlights as of September 30, 2021**

#### ***Assets***

The Company's total assets amounted to THB 2,718 million, representing an increase by 2 percent as compared to that at the end of previous year. The increase in account receivables was related to the growth in sales of modern trade channels in Q3/2021, including investment budget for buildings and equipment to improve efficiency and expand production capacity at Bang Phli factory, farm operations and the Sor Tower building.

#### ***Liabilities***

The Company has total liabilities amounted to THB 1,544 million, representing an increase by 2 percent as compared to that at the end of previous year, The increase was

mainly due to investment in buildings and equipment and to build stock of raw materials during the lowering prices. As of September 30, the debt to equity ratio was 1.31 times.

### *Shareholders' Equity*

The Company has total shareholders' equity amounted to THB 1,174 million, representing an increase by 2 percent as compared to that at the end of previous year.

Statements of Financial Position (Consolidated)	September 30, 2021		December 21, 2020		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
<b>Total Assets</b>	<b>2,718</b>	<b>100.0 %</b>	<b>2,655</b>	<b>100.0 %</b>	<b>2 %</b>
Current Assets	890	32.7 %	885	33.3 %	1 %
- Cash and cash equivalents	106	3.9 %	161	6.1 %	(34 %)
- Trade and other receivables	440	16.2 %	417	15.7 %	6 %
- Inventories	250	9.2 %	217	8.2 %	15 %
Investment Properties	623	22.9 %	637	24.0 %	(2 %)
Property, Plant, and Equipment	1,070	39.4 %	985	37.1 %	9 %
Right-of-use Assets	105	3.9 %	116	4.4 %	(10 %)
<b>Total Liabilities</b>	<b>1,544</b>	<b>56.8 %</b>	<b>1,509</b>	<b>56.8 %</b>	<b>2 %</b>
Current Liabilities	994	36.6 %	909	34.2 %	9 %
Non-Current Liabilities	550	20.2 %	600	22.6 %	(8 %)
<b>Total Shareholders' Equity</b>	<b>1,174</b>	<b>43.2 %</b>	<b>1,146</b>	<b>43.2 %</b>	<b>2 %</b>
Equity holders of the Company	1,173	43.1 %	1,144	43.1 %	2 %
Non-controlling interests of the subsidiaries	2	0.1 %	2	0.1 %	7 %