

Thai Union Feedmill Public Company Limited

Management Discussion and Analysis for FY2021 Results, ended 31 December 2021

2021: Solid sales growth of 14.1% YoY, driven by the recovery of aquatic farmed food demand, amidst pressure on margins from rising raw material prices.

Thai Union Feedmill Public Company Limited (“Company”) reported revenue at THB 1,095.0 million in Q4’21 with a stable growth compared to the same quarter of last year. Revenue from shrimp feed sales increased 11.4% YoY and livestock feed sales grew strongly at 47.1% YoY, while fish feed sales dropped 11.5% YoY.

In 2021, revenue was at THB 4,773.1 million, marked a solid growth at 14.1% YoY, attributed to the increase in revenue from shrimp feed business at 14.1% YoY, fish feed business at 8.9% YoY, and livestock feed business at 41.3% YoY.

Gross profit and gross margin

Q4’21 gross profit was THB 102.4 million, declined 34.2% YoY from THB 155.7 million a year ago. Gross profit margin in Q4’21 dropped to 9.4% from 14.3% in Q4’20, pressured by higher raw material prices. In 2021, gross profit was THB 494.9 million, down 28.7% YoY from THB 694.3 million. As a result, 2021 gross profit margin was 10.4%, down from 16.6% in 2020.

Net profit

Q4’21 net profit was THB 39.4 million, decreased from THB 70.8 million in Q4’20 mainly due to pressured gross profit margin and larger SG&A reflecting the increase in provision for employee benefits and higher logistic cost from rising fuel prices.

2021 net profit was at THB 211.5 million, decreased 48.6% YoY from THB 411.7 million in 2020.

Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

Share price (15/02/2022)	THB 12.60
Historical closing price (since 29 Oct 2021):	
Highest closing price:	THB 15.70
Lowest closing price:	THB 12.60
No. of shares:	500.0 m
Par value:	THB 2.0
Market Cap.:	THB 6,300 m
Avg. value trade/day (YTD)	THB 105.0 m

Major shareholders (30/12/2021)

Thai Union Group PCL.	51.0%
Boonmechote Family	19.2%
Mr. Bunluesak Sorajjakit	3.1%
Mstr. Karnphong Piemphongsuk	1.5%
Mr. Thiraphong Chansiri	0.7%

Business Overview

Thai Union Feedmill Public Company Limited (TFM) is the producer and distributor of economic animal feed. The main products of TFM are shrimp feed, fish feed, and livestock feed. TFM currently has production bases domestically and internationally.

Dividend Payment

The Company paid the interim dividend at THB 1.00 per share which was from 1H’21 operating results, approximately THB 102.5 million and from retained earnings, approximately THB 307.5 million.

The remaining dividend from 2H’21 operating results will be paid at the rate of THB 0.15 per share, approximately THB 75.0 million

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Financial Statement Analysis

Unit : THB million	Q4'2021	Q4'2020	YoY	FY'2021	YoY
Sales	1,095.0	1,085.1	0.9%	4,773.1	14.1%
Cost of sales	(992.6)	(929.5)	6.8%	(4,278.2)	22.6%
Gross profit	102.4	155.7	-34.2%	494.9	-28.7%
Other income	12.7	13.5	-6.0%	60.9	0.3%
SG&A	(84.1)	(80.3)	4.7%	(328.6)	9.6%
Reversal/impairment on AR	9.6	(0.5)	N/A	(13.4)	174.9%
Other gain/loss	0.7	1.0	-35.2%	4.9	8.1%
EBIT	41.3	89.5	-53.8%	218.6	-51.9%
Finance costs	(1.3)	(1.1)	18.0%	(8.8)	63.3%
PBT	40.0	88.3	-54.8%	209.8	-53.3%
Income tax	(4.2)	(18.0)	-76.6%	(0.2)	-99.6%
Net Profit for period	35.7	70.3	-49.2%	209.7	-48.9%
Profit attributed to the Company	39.4	70.8	-44.3%	211.5	-48.6%
Earning per share (THB)	0.08	0.17	-54.3%	0.50	-50.0%
Gross profit margin	9.4%	14.3%		10.4%	
Net profit margin	3.6%	6.4%		4.4%	

Sales

The company reported Q4'21 revenue from sales at THB 1,095.0 million, increased 0.9% YoY, while sales volume continued to grow 2.4% YoY;

Revenue from shrimp feed

- In Q4'21, revenue from shrimp feed sales was THB 560.0 million, up 11.4% YoY, thanks to higher sales volume by 10.6% YoY.
- Comparing to the previous quarter, revenue from shrimp feed sales declined 19.1% QoQ due to a drop in sales volume by 9.3%. Q4'21 was at low season for shrimp farming activities in certain areas.

Revenue from fish feed

- In Q4'21, revenue from fish feed sales was THB 414.8 million, down 11.5% YoY, mainly due to sales volume dropped from our portfolio adjustment, which resulting in higher average selling price per unit by 1.2% YoY.
- Comparing to the previous quarter, revenue from fish feed sales declined 16.6% QoQ, mainly due to product portfolio adjustment and declining fish feed volume in Pakistan as a result of fish farming activities was seasonally interrupted during winter, from mid-October to February of the year.

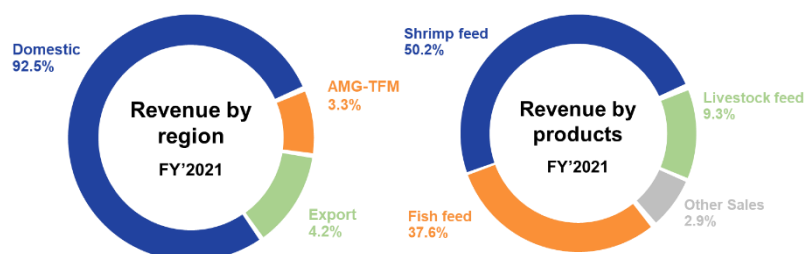
Revenue from livestock feed

- Q4'21 revenue from livestock feed sales was THB 106.7 million, delivered a strong sale growth at 47.1% YoY mainly due to sales volume growth at 26.6% YoY and a higher average selling price thanks to our focus on adjusting product portfolio to higher margin products such as swine feed.
- Comparing to the previous quarter, revenue from livestock feed declined 10.8% QoQ mainly due to deteriorating the African swine fever outbreak in swine farms, which effected the swine farm industry in Thailand.

2021 revenue from sales was at THB 4,773.1 million with a solid sales growth 14.1% YoY, attributable to sales volume which continue to grow at 14.4% YoY.

Sales breakdown by product:

	Sales (Unit : THB million)			Qty (Unit : Tones)		
	FY 2021	FY 2020	YoY	FY 2021	FY 2020	YoY
Shrimp feed	2,395.6	2,100.4	14.1%	80,868	74,428	8.7%
Fish feed	1,795.5	1,648.1	8.9%	75,185	64,566	16.4%
Livestock feed	446.0	315.7	41.3%	30,879	24,360	26.8%
Other sales	135.9	119.5	13.7%	-	-	0.0%
Total	4,773.1	4,183.8	14.1%	186,931	163,354	14.4%



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Cost of goods sold and Gross profit

- In Q4'21, the Company's cost of goods sold was at THB 992.6 million, increased 6.8% YoY, mainly due to the growing sales volume and the higher raw material cost which resulting in an increase in average cost of goods sold by 4.3% per unit.
- In Q4'21, the Company's cost of goods sold was down 16.3% QoQ due to the lower sales volume compared to Q3'21.
- In 2021, cost of goods sold increased 22.6% YoY, attributed to increasing sales volume and rising price of the key raw materials.

Q4'21 gross profit declined 34.2% YoY. 2021 gross profit declined 28.7% YoY. Overall gross margins were pressured by rising raw material prices.

Selling General and Administrative Expenses

In Q4'21, the company's SG&A expenses were at THB 84.1 million, up 4.7% YoY and 17.1% QoQ. The increase in SG&A expenses was a result of the increase in provision for employee benefits and the recognition of depreciation from our foreign affiliate company.

In 2021, the company's SG&A expenses were increased 9.6% YoY due to higher logistic cost which was a reflection of the increasing oil prices.

Net profit

In Q4'21, the Company reported net profit attributed to shareholder at THB 39.4 million, decreased 44.3% YoY from THB 70.8 million in Q4'20 mainly due to the pressure on gross margin. Q4'21's EPS was lower to THB 0.08 per share, from THB 0.17 per share in Q4'20.

In 2021, the Company reported net profit attributed to shareholder at THB 211.5 million, decreased 48.6% YoY, from THB 411.7 million a year ago. 2021's EPS was lower to THB 0.50 per share, from THB 1.00 per share in the previous year.

Adjusted net profit

Unit : THB million	FY'2021	FY'2020	YoY
Profit for period	211.5	411.7	-48.6%
One-off item	(15.9)	(5.0)	
Profit from core operation	195.6	406.7	-51.9%

Excluding one-off items, adjusted net profit attributed for the year 2021 was THB 195.6 million, decreased 51.9% YoY, from THB 406.7 million a year ago, with one-off items mainly comprised; an adjustment for tax liabilities of THB 4.1 million (booked as an expense), and the additional tax credit of THB 17.1 million from BOI promotion.

Financial position analysis:

As of December 31, 2021, the Company reported total assets of THB 3,343.6 million, a 33.8% increase from the end of 2020. The increase was mainly due to cash inflow, fund received from the capital increase, PPE from the increase in value of PT Thai Union Kharisma Lestari in Indonesia ("TUKL")'s buildings and machinery, and increasing account receivables reflecting higher sales.

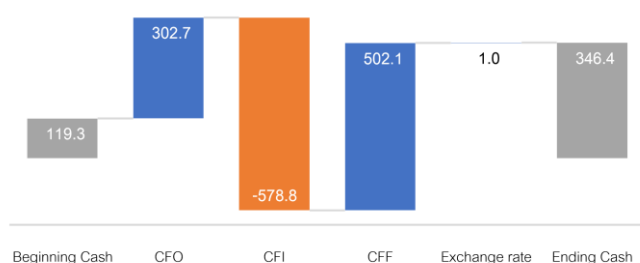
Total liabilities decreased to THB 940.1 million, a 7.5% decrease from THB 1,015.8 million at the end of the previous year. The decrease was due to short-term loan was lower by THB 359.5 million, while long-term loan was increased THB 199.8 million for the investment in TUKL.

Total shareholder's equity was at THB 2,403.4 million, a 62.1% increase from the end of the previous year. The surge was from capital increase through IPO, resulting in shareholders' equity increased by THB 1,186.9 million.

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Cash flow analysis:



During 2021, net cash receipts from operating activities were THB 302.7 million, mainly came from EBITDA at THB 360.4 million, despite being partly offset by the increase in operating assets and liabilities THB 85.0 million from higher account receivables.

Net cash payment for investing activities were at THB 578.8 million, paid for the additional CAPEX in Indonesian subsidiary's PPE (TUKL) and short-term investments.

Net cash receipts from financing activities were at THB 502.1 million which cash inflow mainly from the capital THB 1,186.9 million received from the IPO. The capital increase was utilized for the repayment of loans to financial institutions amounted THB 359.5 million and for interim dividends payment THB 553.0 million.

Key Financial ratios:

Key Financial Ratio	FY'2021	FY'2020
Current Ratio (x)	2.9	1.3
Average Collecting Period (Day)	47	51
Day Inventory Outstanding (Day)	43	46
Return on Capital Employed (%)	7.5%	19.2%
Return on Equity (%)	11.9%	34.5%
Return on Assets (%)	7.5%	19.0%
Net Interest Bearing Debt to Equity (x)	-	0.2
Book Value per Shares (THB)	4.8	3.6

Remark:

Current ratio = Total current assets / Total current liabilities

ROCE = EBIT / Average capital employed

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

ROE = Net profit attributed / average equity attributed to owner

ROA = EBIT / average total assets

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

BV = total shareholders' equity / outstanding shares

As of December 31, 2021, the current ratio was at 2.9 times, increased from 1.3 times at end of 2020, due to the increase of current liabilities, The increase was comprised of net cash inflow and the increase in short-term loan. In addition, net interest-bearing debt to equity decreased from 0.17 times to 0 at the end of 2021 due to the Company offered its ordinary shares through the IPO, and listed to the SET, for the capital increase and utilized the capital for debt payoff.

The profitability ratio at the end of 2021 (ROCE at 7.5%, ROE at 11.9% ROA at 7.5%), decreased from the end of previous year due to the profit margins was pressured by higher prices of key raw material which directly affected cost of sales.

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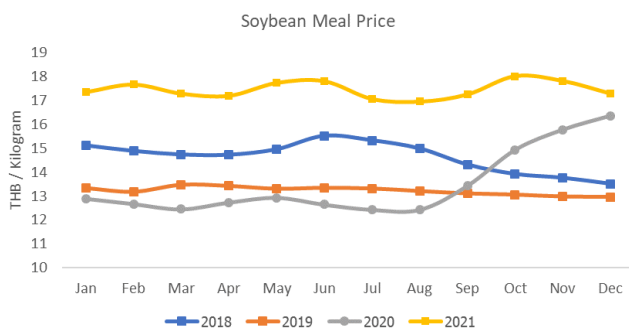
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Industry overview:

According to the Thai Feed Mill Association (TFMA), the demand of animal feed in 2021 is forecasted to decline to 20.22 million tons, from 20.51 million tons in the previous year, mainly due to the current swine fever outbreak has reduced the level of pig farming.

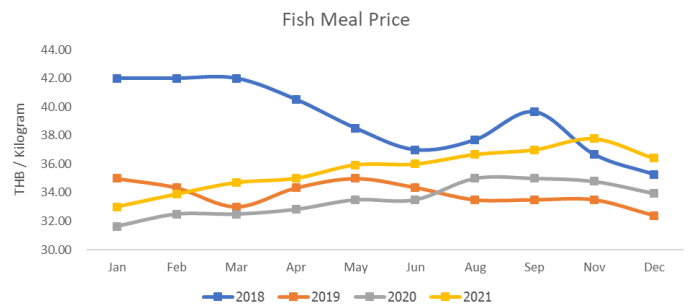
The demand of aquaculture feed was expected to be stimulated by the rising aquatic farmed food consumption and the higher selling price which is favorable for farmers to raise farming activities. Shrimp feed demand was expected to grow by 11.0% from 450,000 tons to 500,000 tons, while fish feed demand is expected to grow from 530,000 tons to 540,000 tons.

Key raw material price:



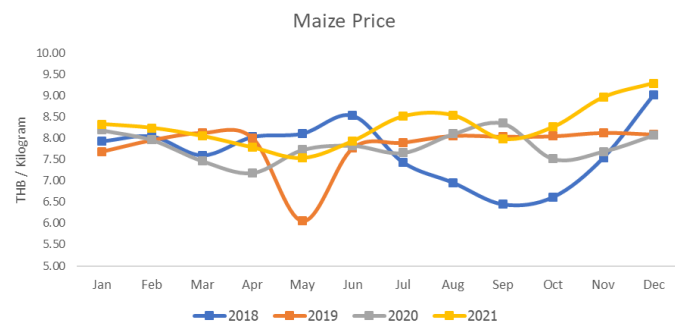
Source: Department of Internal Trade

As of December 2021, soybean meal price was at THB 17.28 per kilogram, 0.2% increase from THB 17.25 per kilogram at the end of September 2021, while 2021's average soybean meal price increased 29.5% from 2020 with the highest price at THB 18.00 per kilogram in October 2021.



Source: Department of Internal Trade

As of December 2021, fish meal price was at THB 36.4 per kilogram, 1.6% dropped from THB 37.0 per kilogram at the end of September 2021, while 2021's average fish meal price increased 6.2% from 2020.



Source: Bank of Thailand

As of December 2021, maize price was at THB 9.3 per kilogram, 16.4% increased from THB 8.0 per kilogram at the end of September 2021, while 2021's average maize price increased 6.0% from 2020.