



Thai President Foods Public Company Limited

Management Discussion and Analysis

For the year ended 31 December 2021

1. Analysis Of Financial Position and Operating Results

1.1 Business Overview

The epidemic of COVID-19 has a continuous impact, not only on the economy in Thailand, but in the global size. Many nations around the world have to go into lockdown, and use drastic measures to control the virus from spreading, which have resulted in a halt in the economic activities. Later in the year, the level of lockdown measures was reduced due to the ability to control the outbreak. The government also has issued measures to aid and compensate those who were affected, which includes the spending stimulation in order to stimulate the economy. However, the domestic economy is still unable to fully recover. The noodles and instant noodles market in 2021 (source Nielsen (Thailand): November 2021) had decreased by 3.4%, with a total market value of approximately 16,637 million Baht. From this, the Mama brand is still able to maintain the leadership position with the total market share of 48%.

In 2021, the company was affected by the lockdown measures in the country. Most of the sales came from buying and donating to people who were in need and affected by the COVID-19 epidemic and the floods that occurred in many areas of Thailand. Furthermore, the raw material costs and oil costs that had gradually increased since the beginning of the year, the shortage of international shipping containers, and the increase in freight costs had drastically impacted the cost of the company. As a result, the company's net profit in 2021 has decreased by 515.36 million Baht or 12.60% when compared to the previous year.

Regardless of how the situations were in 2022, the company continues to operate its business with price risk management and closely monitor the factors that affect the price. In addition, the company sees the importance of product development and constantly adding new flavors to its products. Healthy food will be more focused in order to produce product choices with tastes that satisfy the consumers.



1.2 Operating Results

For the operating result of ended December 31, 2021 with the Statement of Comprehensive Income presented as below.

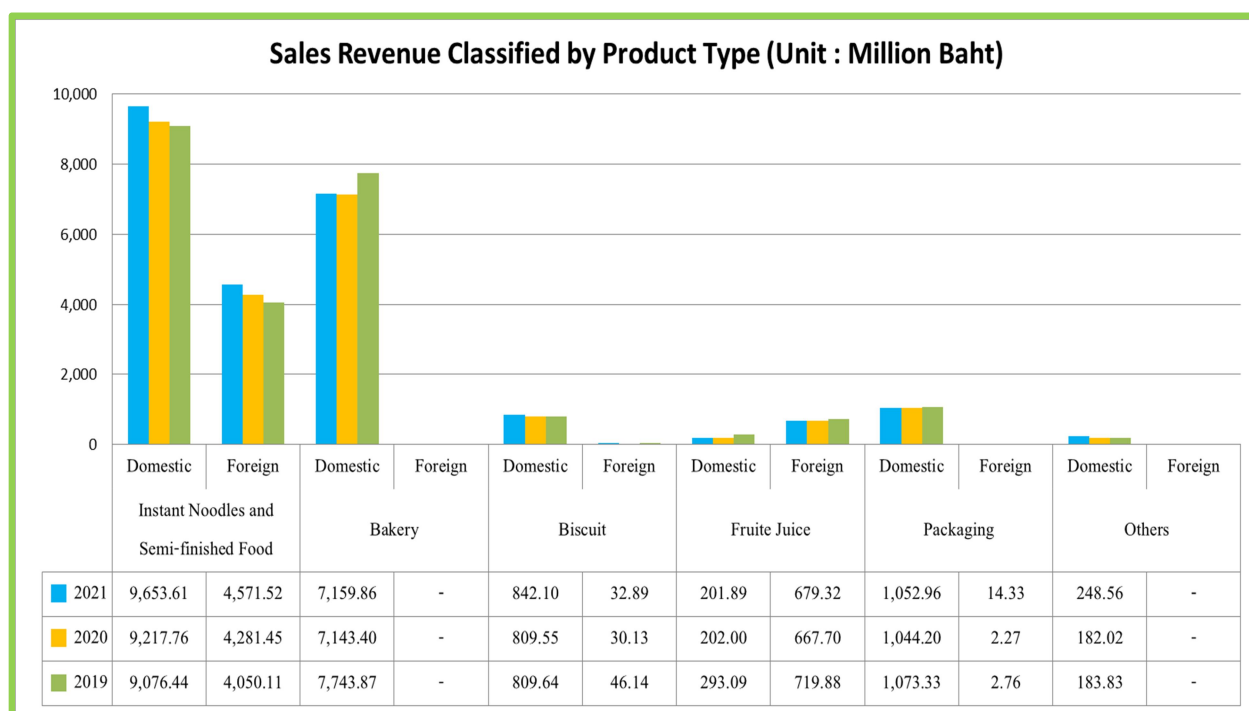
Unit : Million Baht

Performance (Million Baht)	2021	2020	Change	%
Total Revenues*	25,410.23	24,441.69	968.54	3.96
Sales	24,457.04	23,580.48	876.56	3.72
Cost of sales	16,126.93	14,849.96	1,276.97	8.60
Cost of sales to sales revenue ratio	65.94%	62.98%	2.96%	-
Selling and Administrative expenses	3,873.73	3,611.08	262.65	7.27
Selling and administrative expenses to sales revenue ratio	15.84%	15.31%	0.53%	-
Share of profit from investments in associates and joint venture	237.73	294.98	(57.25)	(19.41)
Net Profit of Equity Holders of the Company	3,574.64	4,090.00	(515.36)	(12.60)
Net Profit Margin (%)	14.07%	16.73%	(2.67%)	-
Earnings per Share	10.84	12.41	(1.57)	(12.65)

* Total revenues included the Share of profit from investments in associates and joint venture and Finance Income

■ Sales Revenue

The Company achieves total sales income for the year 2021 at the amount of Baht 24,457.04 million, increasing by Baht 876.56 million or 3.72 % as compared to the same period of the year 2020. The sales volume for the Company only (TFMAMA) has an increasing growth from the same period of the previous year by 5.19 %.





Instant Noodles and Semi-finished Food

Domestic Market

The growth rate for the year ended on December 31st, 2021, at 4.73% when compared to the previous year, in which instant noodles had increased 8.06%. This is due to the fact that the products are in demand during the new wave of outbreaks and also the need to buy products to donate to the victims of the flood. Moreover, the company has developed various types of products and continually releasing new products, which has been well received by consumers. The sales of white rice noodles, congee, and porridge had decreased by 25.29%, resulting in a decrease in the overall market size of this product group due to the impact of the COVID-19 epidemic.

International Market

The growth rate for the year ended on December 31st, 2021, at 6.78% when compared to the previous year, in which instant noodles had increased by 8.00%. The sales in the Asian market had the highest percentage of all sales, while the European zone had a growth rate due to the company having a production base in Hungary. Therefore, it is not affected by the problems of the international transportation system. The sales of white noodles, congee, and porridge had a 1.36% increase in sales, which was not much. The reason was because of the impact of the lack of production capacity during the Covid-19 period, and labor shortages during the third quarter of the year.

Other Products

The sales of Bakery products for the year ended on December 31st, 2021, with an increase of 0.23% when compared to the previous year. The sales of biscuits products had increased by 4.21% due to the adjustment of marketing plans and the production of more OEM products. Packaging products had an increase in sales of 1.99% due to expansion of the market to more foreign countries. Furthermore, the sales of fruit juice products had increased 1.32%, which is mainly from the increase in sales in neighboring countries.

■ Cost of Sales

Cost of sales for the year 2021 accumulated to 16,126.93 million Baht, which is an increase of 1,276.97 million Baht or 8.60% when compared to the same period of the previous year. The reason is because the price of the main raw material, especially palm oil prices, had increased significantly. In addition, the price of wheat flour has also increased at the end of the year, when compared as a proportion of cost of sales to revenue from sales equal to 65.94%, which is 2.96% higher than the previous year.



■ Selling and Administrative Expenses

Selling and administrative expenses sum up to 3,873.73 million Baht, an increase of 262.65 million Baht or 7.27% when compared to the previous year. The increase in expenses was mainly caused by the export costs due to the shortage of shipping containers, the increase in freight rates. In addition, there were accounting costs from revaluation of financial assets and the amortization of goodwill of the subsidiary when compared to the proportion of selling and administrative expenses to sales revenue for the year 2021 and 2020 equal to 15.84% and 15.31, respectively.

■ Share of profit from investments in associates and joint venture

In 2021, the company received a share of profit from investments in associates and joint ventures under the equity method of 237.73 million Baht, a decrease of 57.25 million Baht from 2020, or 19.41%. Due to COVID-19 epidemic, the price of the main raw materials used in the production of goods and operating costs are higher.

■ Net Profit

The net profit, in the part of shareholders' equity of the Company, for the year stood at Baht 3,574.64 million, decreasing by Baht 515.36 million or by 12.60 % from the previous year. The Company maintained the profit margin at 14.07 % of total income. Meanwhile, The net profit for the Company only (TFMAMA) stood at Baht 2,686.50 million, decreasing by 14.41%, which resulted from higher cost of goods sold and selling expenses.

1.3 Financial Position

For statement of financial as at December 31, 2021, changes as compared the previous year are as followed:

Unit : Million Baht					
Financial Position	31-Dec-2021	31-Dec-2020	Change	%	Proportion
Trade and other receivables	3,649.02	3,237.73	411.29	12.70	9.01
Inventories	1,907.40	1,420.94	486.46	34.24	4.71
Financial assets	18,269.82	16,227.45	2,042.37	12.59	45.12
Other assets	16,667.44	16,530.45	136.99	0.83	41.16
Total assets	40,493.68	37,416.57	3,077.11	8.22	100.00
Current liabilities	3,235.69	2,938.24	297.45	10.12	75.76
Other non-current liabilities	1,035.45	1,086.88	(51.43)	(4.73)	24.24
Total liabilities	4,271.14	4,025.12	246.02	6.11	100.00
Shareholders' equity	36,222.54	33,391.45	2,831.09	8.48	100.00
Book Value per Share	109.86	101.28	8.58	8.48	



■ Assets

The total assets of the company as of December 31, 2021 are 40,493.68 million Baht, an increase of 3,077.11 million Baht or 8.22% from the end of the previous year. These consist of the current assets of 17,728.09 million Baht or 43.78% of total assets, and non-current assets 22,765.59 million Baht or 56.22% of total assets. The main items added were from other financial assets, which was recorded according to the accounting standards. Furthermore, during the year, the company had entered into an asset repurchase agreement of 500 million Baht with a company.

The trade and other account receivable of the Company in 2021 stood at Baht 3,649.02 million, accounting for 9.01 % of total assets and increasing by 12.70 % from the previous. The major trade account receivable from domestic market of the Company was due from Sahapathanapibul PCL, whereas the average debt collection period was at 51 days, or decreasing by 2 day from the previous year. In addition, the Company had set aside the allowance for doubtful accounts by Baht 3.08 million, which was sufficient to cover the account receivable due longer than 3 months. In overall, the trade account receivable of the Company was mostly paid on schedule. Although a few foreign accounts were paid overdue, such delayed payment constituted an insignificant portion, when compared with total trade accounts.

The inventory of the Company in 2021 amounted to Baht 1,907.40 million, accounting for 4.71 % of total assets and increasing by 34.23 % from a year earlier. In addition, the average shelf life of instant noodles products stood at 180 days, whereas the average days sales was at 38 days.

■ Liability

Total liability of the Company as of December 31, 2021 amounted to Baht 4,271.14 million, increasing by Baht 246.02 million or by 6.11 % from the end of 2020 as a result of increasing amount of account payable outstanding liability and accrued expenses. In 2021, account payable turnover was stood at 8.37 times and the average payment period was 44 days which in line with the previous year. However, most liability of the Company was current liability, whereas the long-term liability was accounted for 24.24 % of total liabilities. Meanwhile the debt to equity ratio of the Company was at 0.15 time.

■ Shareholders' Equity

The shareholders' equity of the Company as of December 31, 2021 amounted to Baht 36,222.54 million, increasing by Baht 2,831.09 million or by 8.48 % from the end of 2020 because of net profit in the period. In 2021, the Company recorded the dividend payment for the second half-year of



2020 at Baht 682.49 million, and the interim dividend payment for the period ended on June 30, 2021 at Baht 718.75 million. In addition, the book value of the Company increased by 8.58 Baht per share from 101.28 Baht per share to 109.86 Baht per share, or rising by 8.48% from the preceding year.

1.4 Liquidity Position and Suitability of Capital Structure

■ Liquidity Position

Cash flow statement for the period ended December 31, 2021, details as follow:

	Unit : Million Baht	
Financial statement	2021	2020
Net cash flows from operating activities	4,654.92	5,928.11
Net cash flows used in investing activities	(3,314.71)	(3,920.05)
Net cash flows used in financing activities	(1,440.72)	(1,642.65)
Increase (decrease) in translation adjustments	(6.32)	9.77
Net increase (decrease) in cash and cash equivalents	(106.83)	375.18
Cash and cash equivalents at beginning of year	3,695.42	3,320.23
Cash and cash equivalents at end of year	3,588.59	3,695.41

The net cash from operating activities of the Company in 2021 amounted to Baht 4,654.92 million, whereas the net cash used for investing and financing activities amounted to Baht 3,314.71 million and Baht 1,440.72 million, respectively. The Company, as of December 31, 2021, recorded net cash and cash equivalent of Baht 3,588.59 million, decreasing by Baht 106.83 million from 2020. The important details were summarized as follows,

The cash inflow from operating activities totaled to Baht 4,654.92 million, mainly due to the operating profit before tax of Baht 5,406.67 million. The Company used Baht 3,314.71 million for investing activities, mostly in other non-current financial assets, entering into an asset repurchase agreement, and also purchased additional machinery and equipment. In addition, the cash paid for financing activities was at Baht 1,440.72 million, mainly due to the dividend payment of Baht 1,401.06 million. However, the Company was able to maintain strong liquidity ratio. The current ratio and the quick ratio of the Company in 2021 stood at 5.48 and 4.86 times respectively, decreasing from the ratio in the previous year. Meanwhile, the cash cycle of the Company was at 45 days.



■ Suitability of Capital Structure

The Company had strong financial position. As of December 31, 2021, the debt to shareholders' equity ratio was at 0.15 times. The consolidated interest-bearing liabilities were Baht 84.42 million. Thus, the interest-bearing debt ratio was considerably low at 0.003 times, reflecting the stability of capital structure and strong capability of debt service of the Company.

2. Major factors and influences that may affect operations or financial position in the future

The epidemic of the COVID-19 virus has a great impact on the world's economy and has created a significant change in the supply chain in the process of production. The shortage of containers in international shipping, the increase in the costs of sanitation in factories, and the increase in commodity prices, especially prices of palm oil and wheat flour, which are the main raw materials for the productions of the company's products, have a direct effect on the company's past performance. To this, the company has given importance to the sanitation in the production process and the health of the employees in all levels by complying with international standard regulations. Therefore, the company has not had any significant problems in the production line. In addition, the company has accustomed its cost and expense management strategy as well as efficiently controlling the investment budget. The company strongly believes that the cost of production per unit will be reduced to normal once the situation of the COVID-19 epidemic improves.

Please kindly be informed accordingly

Your sincerely,

(Mr. Wasan Boonsampankit)

Manager of Finance and Investment Department (CFO)

February 24, 2022