



S.Khonkaen Foods PCL. and its subsidiaries ("Company")

Management Discussion and Analysis

For the year ended 31 December 2021

Business Overview

In Q4/2021, the Company's total sales amounted to THB 729 million, increased by 5.9% YOY.

The Company has revenue from sales in the fourth quarter amounted to THB 729 million, representing an **increased by 5.9 percent** as compared to the same quarter of previous year (an increased by 5.4 percent from Q3/2021), due to the expansion of the distribution points which caused sales in processed seafood business to increase, and the increasing price of pork in the fourth quarter which resulted in positive effect on sales in swine farming business.

The Company has revenue from sales for the year 2021 amounted to THB 2,767 million, representing an increased by 0.1 percent as compared to the previous year. Sales in processed seafood business, which accounted for 37 percent of total revenue from sales, showed a growth rate with an **increased by 6.0 percent** as compared to that of the previous year, as a result of the expansion of the distribution points and exports to China. Whereas sales in processed food from pork, which accounted for 51 percent of total revenue from sales, showed a growth rate with a **decreased by 2.2 percent** as compared to that of the previous year. Sales via Modern Trade channels increased, although the coronavirus disease 2019 ("Covid-19") pandemic resulted in downsizing the consignment sales and the launch of new products and new customer accounts for export channel.

The profit attributable to the Company in the year 2021 amounted to THB 143 million, representing an increased by 29.8% YOY.

The Company has gross profit in the fourth quarter amounted to THB 184 million, representing 25.2 percent of revenue from sales. The **gross profit margin decreased by 0.7 percent** as compared to the same quarter of previous year, due to the impact of the increasing costs of raw materials (pork) in the fourth quarter which directly affected the production costs in the processed food from pork business.

The Company has gross profit for the year 2021 amounted to THB 716 million, representing 25.9 percent of revenue from sales. The gross profit margin decreased by 0.7 percent as compared to the previous year, due to the fluctuating price of pork in the second half of the year, which caused the gross profit in swine farming business to be minus in the third quarter, and a result of the declining price of pork and the costs of main raw materials in the processed food from pork in the fourth quarter.

The company has net profit in the fourth quarter amounted to THB 50 million, representing 6.9 percent of revenue from sales, an increased by 729.5 percent as compared to that of the previous year (an increased by 466.7 percent from Q3/2021). The

net profit margin increased by 6.0 percent as compared to the same quarter of previous year.

The company has net profit for the year 2021 amounted to THB 142 million, representing 5.1 percent of revenue from sales, an increased by 29.5 percent as compared to the previous year. The net profit margin increased by 1.2 percent as compared to the previous year, due to recognition of gain on change in fair value less cost of sales of biological assets in the amount of THB 36 million based on the price of pork at late 2021.

Income Statements (Consolidated) Quarter 4 (October - December)	Quarter 4 2021		Quarter 4 2020		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	(%QOQ)
Revenue from Sales	729	100.0 %	688	100.0 %	5.9 %	5.4 %
Cost of Sales	(545)	(74.8 %)	(509)	(74.0 %)	6.9 %	7.2 %
Gross Margin	184	25.2 %	179	26.0 %	3.0 %	0.6 %
Selling and Distribution Expenses	(71)	(9.7 %)	(67)	(9.7 %)	6.0 %	6.3 %
Administrative Expenses	(93)	(12.7 %)	(79)	(11.5 %)	17.1 %	14.6 %
EBIT	76	10.4 %	19	2.8 %	290.7 %	273.5 %
Financial Cost	(7)	(1.0 %)	(8)	(1.1 %)	(1.2 %)	(2.8 %)
Tax Expenses	(18)	(2.5 %)	(6)	(0.8 %)	225.6 %	393.9 %
Profit: Equity holders of the Company	50	6.9 %	6	0.9 %	729.5 %	466.7 %
Earning per Share (THB/Share)	0.15		0.02			

Income Statements (Consolidated) Year-to-Date (January - December)	Full Year 2021		Full Yr 2020		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	
Revenue from Sales	2,767	100.0 %	2,763	100.0 %	0.1 %	
Cost of Sales	(2,050)	(74.1 %)	(2,027)	(73.4 %)	1.1 %	
Gross Margin	716	25.9 %	736	26.6 %	(2.7 %)	
Selling and Distribution Expenses	(242)	(8.8 %)	(269)	(9.7 %)	(10.1 %)	
Administrative Expenses	(331)	(12.0 %)	(303)	(11.0 %)	9.5 %	
EBIT	205	7.4 %	168	6.1 %	22.0 %	
Financial Cost	(30)	(1.1 %)	(33)	(1.2 %)	(6.7 %)	
Tax Expenses	(32)	(1.1 %)	(25)	(0.9 %)	27.8 %	
Profit: Equity holders of the Company	142	5.1 %	110	4.0 %	29.5 %	
Earning per Share (THB/Share)	0.44		0.34			

Core Business

1. Processed Food from Pork

Moved forward to Traditional Trade via distributor and online market

The Company has revenue from sales in the fourth quarter amounted to THB 352 million, representing 48 percent of total sales, with a growth rate **decreased by 1.6 percent** as compared to the same quarter of previous year (a decreased by 5.7 percent from Q3/2021), and its gross profit amounted to THB 86 million, representing 24.4 percent of revenue from sales.

The Company has revenue from sales for the year 2021 amounted to THB 1,410 million, representing 51 percent of total sales, with a growth rate **decreased by 2.2 percent** as compared to the previous year, and its gross profit amounted to THB 377 million, representing 26.7 percent of revenue from sales. The processed food from pork business introduced several new products, focused on ready-to-eat products in response to consumers' behavior, e.g., Fried Salted Pork with Sticky Rice, Vietnamese sausage 'Yor Big Bite', and Crispy Pork Rinds (Green Chili Paste), and also boosted sales via online channels. However, given the Covid-19 situations, the Company was forced to postpone the distribution of various products, both domestically and internationally, and downsize the consignment sales and taste areas in supermarkets during the pandemic, thereby resulting in declining sales as a whole.

In 2022, the Company will continue to expand the distribution channels by appointing distributor to distribute products via Traditional Trade channels, expected to start in Q1/2022, and move forward to online channels with a potential high growth rate.

2. Processed Seafood

Expanded distribution points and moved forward to exports

The Company has revenue from sales in the fourth quarter amounted to THB 276 million, representing 38 percent of total sales, with a growth rate **increased by 13.1 percent** as compared to the same quarter of previous year (an increased by 12.9 percent from Q3/2021), and its gross profit amounted to THB 77 million, representing 27.8 percent of revenue from sales.

The Company has revenue from sales for the year 2021 amounted to THB 1,021 million, representing 37 percent of total sales, with a growth rate **increased by 6.0 percent** as compared to the previous year, and its gross profit amounted to THB 281 million, representing 27.6 percent of revenue from sales. The processed seafood business continued to show a growth in every channel, expand the distribution points in the country to reach out to new customer groups, and move forward to exports via distributors abroad.

3. Swine Farming

Pork price tends to rise, which will affect profit in swine farming business

The Company has revenue from sales in the fourth quarter amounted to THB 88 million, representing 12 percent of total sales, with a growth rate **increased by 35.8 percent** as compared to the same quarter of previous year (an increased by 37.4 percent from Q3/2021), and its gross profit amounted to THB 14 million, representing 15.4 percent of revenue from sales.

The Company has revenue from sales for the year 2021 amounted to THB 283 million, representing 10 percent of total sales, with a growth rate **increased by 8.1 percent** as compared to the previous year, and its gross profit amounted to THB 29 million, representing 10.3 percent of revenue from sales. Swine farming business was directly affected by the fluctuations of pork price, particularly in the second half of the year. In this regard, the Company invested to improve the efficiency in biosecurity, controlled the quality of swine farming, and proceeded with overall cost management of the Group.

4. Quick Service Restaurant (QSR)

Closed down branches at a loss, and focused on delivery and takeaway models

The Company has revenue from sales in the fourth quarter amounted to THB 12 million, representing 2 percent of total sales, with a growth rate **decreased by 42.9 percent** as compared to the same quarter of previous year (an increased by 33.7 percent from Q3/2021), and its gross profit amounted to THB 8 million, representing 63.1 percent of revenue from sales.

The Company has revenue from sales for the year 2021 amounted to THB 52 million, representing 2 percent of total sales, with a growth rate **decreased by 45.9 percent** as compared to the previous year, and its gross profit amounted to THB 29 million, representing 55.7 percent of revenue from sales. The Company adjusted its business model from dine-in restaurant in department stores, which was directly affected by the Covid-19 situations, by closing down certain branches at a loss and focusing on expanding its small-sized branches for delivery of its products via delivery service providers, takeaway and food trucks, which required low investment costs and were easily adjusted by the service areas and circumstances.

Revenue from Sales Segment Information	Quarter 4 2021			Full Year 2021	
	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Grand Total	729	5.9 %	5.4 %	2,767	0.1 %
- Processed food from pork	352	(1.6 %)	(5.7 %)	1,410	(2.2 %)
- Processed seafood	276	13.1 %	12.9 %	1,021	6.0 %
- Swine farm	88	35.8 %	37.4 %	283	8.1 %
- Quick Service Restaurant (QSR)	12	(42.9 %)	33.7 %	52	(45.9 %)

*Renovated Sor Tower to
space management*

Revenue from lease and services

The Company has revenue from rental and service in the fourth quarter amounted to THB 3 million, with a growth rate **decreased by 7.6 percent** as compared to the same quarter of previous year.

The Company has revenue from rental and service in the year 2021 amounted to THB 13 million, with a growth rate **increased by 13.7 percent** as compared to the previous year. Given the Covid-19 situations, the Company reduced the rental and service fee rates to the existing lessees for certain periods, and several companies suspended their plan for office relocation, which affected the plan to approach new lessees, and as such, revenue from this business did not change much. In this regard, the Company took this opportunity to renovate Sor Tower to accommodate future offering of space for rent.

Selling and distribution expenses

The Company has selling and distribution expenses in the fourth quarter amounted to THB 71 million, representing 9.7 percent of revenue from sales. The ratio of selling and distribution expenses to sales is equal to the same quarter of previous year.

The Company has selling and distribution expenses in the year 2021 amounted to THB 242 million, representing 8.8 percent of revenue from sales. The ratio of selling and distribution expenses to sales **decreased by 1.0 percent** from the previous year, as a result of changes in sales and marketing activities to be in line with the situations, and adjustments to forecast selling and administrative expenses.

Administrative expenses

The Company has administrative expenses in the fourth quarter amounted to THB 93 million, representing 12.7 percent of revenue from sales. The ratio of administrative expense to sales **increased by 1.2 percent** from the same quarter of previous year.

The Company has administrative expenses in the year 2021 amounted to THB 331 million, representing 12.0 percent of revenue from sales. The ratio of administrative expense to sales **increased by 1.0 percent** from the previous year, in part due to recognition of loss from closure of certain QSR branches.

Financial Highlights as of December 31, 2021

Assets

The Company's total assets amounted to THB 2,785 million, representing an increase by 5 percent as compared to that at the end of previous year. Property, plant and equipment increased from investment in improvement of the Bang Phli factory, Samut

Prakan, which is the main factory, to support increased production capacity in the future, including investment in swine farming business to enhance the efficiency in biosecurity.

Liabilities

The Company has total liabilities amounted to THB 1,561 million, representing an increase by 3 percent as compared to that at the end of previous year. Current liabilities increased to manage main raw materials (pork) which significantly suffered from price fluctuations in the second half of the year. As of December 30, 2021 the debt to equity ratio was 1.28 times.

Shareholders' Equity

The Company has total shareholders' equity amounted to THB 1,224 million, representing an increase by 7 percent as compared to that at the end of previous year.

Statements of Financial Position (Consolidated)	December 31, 2021		December 21, 2020		Change (%YOY)
	(THB Mil.)	(%)	(THB Mil.)	(%)	
Total Assets	2,785	100.0 %	2,655	100.0 %	5 %
Current Assets	939	33.7 %	885	33.3 %	6 %
- Cash and cash equivalents	103	3.7 %	161	6.1 %	(36 %)
- Trade and other receivables	432	15.5 %	417	15.7 %	4 %
- Inventories	277	9.9 %	217	8.2 %	27 %
Investment Properties	629	22.6 %	637	24.0 %	(1 %)
Property, Plant, and Equipment	1,084	38.9 %	985	37.1 %	10 %
Right-of-use Assets	104	3.7 %	116	4.4 %	(11 %)
Total Liabilities	1,561	56.1 %	1,509	56.8 %	3 %
Current Liabilities	967	34.7 %	909	34.2 %	6 %
Non-Current Liabilities	594	21.3 %	600	22.6 %	(1 %)
Total Shareholders' Equity	1,224	43.9 %	1,146	43.2 %	7 %
Equity holders of the Company	1,222	43.9 %	1,144	43.1 %	7 %
Non-controlling interests of the subsidiaries	2	0.1 %	2	0.1 %	13 %