

6 May 2022

Re Management Discussion and Analysis for the first Quarter of year 2022

Attn. The President
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results and financial information for the first Quarter of year 2022 with the following details:

Revenues Structure

The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as follows:

- 1.1. Flavour, Fragrance & Color
- 1.2. Food Coating
- 1.3. Dry
- 1.4. Frozen
- 1.5. Packaging (Plastic)
- 1.6. Trading Goods

Analysis of Operating Results

Profit or Loss (In Million Baht)	Three month period (January - March)		Change	
	2022	2021	Amount	%
Revenue from sales and rendering services	984.23	844.95	139.28	16.48%
Cost of goods sold and rendering services	(614.69)	(500.17)	(114.53)	22.90%
Gross profit	369.53	344.78	24.75	7.18%
Gain (loss) on exchange rate	12.10	(2.20)	14.30	-648.89%
Other income	4.23	1.40	2.84	202.82%
Selling expenses	(62.08)	(54.91)	(7.17)	13.06%
Administrative expenses	(122.28)	(111.16)	(11.12)	10.00%
Net impairment losses on financial assets	1.02	(2.27)	3.29	-145.10%
Finance costs	(2.30)	(1.73)	(0.56)	32.35%
Profit before income tax expense	200.23	173.91	26.33	15.14%
Income tax expense	(34.52)	(35.18)	0.66	-1.88%
Profit for the period from continuing operations	165.72	138.73	26.99	19.46%
Gain (loss) from discontinued operations - net of tax	-	(62.59)	62.59	100.00%
Profit for the period	165.72	76.14	89.58	117.65%

Profit or Loss (In Million Baht)	Three month period (January - March)		Change	
	2022	2021	Amount	%
	Profit attributable to:			
Non-controlling interests	2.85	1.12	1.73	155.26%
Owners of the parent	162.87	75.02	87.84	117.09%

The Revenue from sales and rendering services for the first quarter of 2022

In Q1'2022, the revenue from sales and rendering services of the Group was THB 984.23 million, which increased by THB 139.28 million or 16.48% YoY compared to the first quarter of 2021, which revenue from sales was THB 844.95 million.

The increase in sales of THB 139.28 million, can be mainly considered as follows:

- 1) The source of Income
 - Increase in domestic sales of THB 67.74million. (YoY 9.39%)
 - Increase in oversea sales of THB 71.54 million. (YoY 57.96%)
- 2) By Product Group
 - Increase in sales of Food Coating category THB 88.77 million. (YoY 27.31%)
 - Increase in sales of Flavour, Fragrance & Color category THB 26.43 million. (YoY 8.33%)
 - Increase in sales of Dry category THB 11.50 million. (YoY 19.67%)
 - Increase in sales of Frozen category THB 6.91 million. (YoY 64.66%)
 - Increase in sales of Trading Goods category THB 5.74 million. (YoY 4.53%)
- 3) By The Customer Group
 - Increase in sales from the Industrial customer THB 152.35 million. (YoY 21.69%)
 - Decrease in sales from the Retail customer THB 9.48 million. (YoY -14.02%)
 - Decrease in sales from the Wholesale customer THB 3.59 million. (YoY -4.79%)

The increase in domestic sales of THB 67.74 million mainly came from the industrial customers of Food Coating category with the amount of THB 29.40 million and Flavour, Fragrance & Color category with the amount of THB 19.47 million.

The increase in oversea sales of THB 71.54 million mainly came from the industrial customers of Food Coating category with the amount of THB 59.37 million and Flavour, Fragrance & Color category with the amount of THB 6.96 million.

Gross Profit for the first quarter of 2022

In Q1'2022, the gross profit was THB 369.53 million or 37.55% of revenue from sales and rendering services, which increased by THB 24.75 million (YoY 7.81%) compared to the first quarter of 2021, which the gross profit was THB 344.78 million or 40.80% of revenue from sales and rendering services.

Due to the revenue increase from the business recovery of food and beverage industries, the gross profit in the first quarter of 2022 increased by THB 24.75 million, which came from the gross profit of Flavour,

Fragrance & Color category Food Coating category by THB 17.41 million, the gross profit of Food Coating category by THB 8.97 million, and the gross profit of Dry category by THB 4.82 million. On the other hand, the gross profit of Trading Goods category decreased by THB 8.24 million.

Selling and Administrative Expenses for the first quarter in 2022

In Q1'2022, selling and administrative expenses were THB 184.36 million, equaled to 18.73% of revenue from sales and rendering services. Selling and administrative expenses of the group increased by THB 18.29 million (YoY 11.01%) compared to the first quarter of 2021, which selling and administrative expenses were THB 166.07 million or 19.65% of revenue from sales and rendering services.

The significant changes of the selling and administrative expenses could be explained as follows:

- Increase in salary, commission fee, and employee expenses of THB 7.31 million, mainly due to 1) Salary of staff increase in Research and Development Center, industrial sales team, and the oversea subsidiaries in Indonesia, 2) Annual salary increase, and 3) Commission fee for the staff from both domestic and oversea subsidiaries;
- Increase in Export expenses of THB 4.67 million from the increasing in overseas sales;
- Increase in Cool & Cold storage expenses of THB 1.37 million from both of domestic and overseas subsidiaries;
- Increase in welfare expenses of THB 1.32 million, mainly due to the cost of purchasing ATK test kits from both domestic and overseas subsidiaries.

Net impairment losses on financial assets

In Q1'2022, the net impairment losses on financial assets was THB 1.02 million, equaled to 0.10% of revenue from sales and rendering services, decreased by THB 3.29 million (YoY -145.10%) compared to the first quarter of 2021, which the net impairment losses on financial assets was THB 2.27 million or 0.27% of revenue from sales and rendering services. The decrease in the net impairment losses on financial assets mainly due to better debt settlement, resulting in a decrease in the allowance for expected credit losses.

Profit for the first quarter of 2022

In Q1'2022, the profit for the period was THB 165.72 million, equaled to 16.84% of revenue from sales and rendering services, and increased by THB 89.58 million (YoY 117.65%) compared to the first quarter of 2021, which profit for the period was THB 76.14 million or 9.01% of revenue from sales and rendering services. In Q1' 2021, the group recorded the impairment loss from the discontinued operation (Hotel Business) with the amount of 62.59 million baht.

Profit for the period from continuing operations was THB 165.72 million, equaled to 16.84% of revenue from sales and rendering services, and increased by THB 26.99 million (YoY 19.46%) compared to the first quarter of 2021, which profit for the period was THB 138.73 million or 16.42% of revenue from sales and rendering services (Excluding the impairment loss from hotel business).

Profit for the period attributable to owners of the Company for the first quarter of 2022

In Q1'2022, the profit for the period attributable to owners of the Company was THB 162.87 million, equaled to 16.55% of revenue from sales and rendering services, and increased by THB 87.84 million (YoY 117.09%) compared to the first quarter of 2021, which profit for the period attributable to owners of the Company was THB 75.02 million or 8.88% of revenue from sales and rendering services. In Q1' 2021, the group recorded the impairment loss from the discontinued operation (Hotel Business) with the amount of 62.59 million baht.

The profit for the period attributable to owners of the Company-from continuing operations was THB 147.13 million, equaled to 14.95% of revenue from sales and rendering services, and increased by THB 12.21 million (YoY 9.05%) compared to the first quarter of 2021, which profit for the period attributable to owners of the Company from continuing operations was THB 134.92 million or 15.97% of revenue from sales and rendering services (Excluding the impairment loss from hotel business).

Statement of Financial Position**Assets**

As at 31 March 2022, the Group had the total assets of THB 5,227.92 million, increased by THB 222.40 million (YoY 4.44%) compared to 31 December 2021, which the total assets were THB 5,005.52 million.

The significant changes in assets comprised:

- Increase in cash and cash equivalents of THB 223.67 million. Mainly caused from
 - Net of cash inflows from operating activities of THB 65.20 million;
 - Net of cash inflows from net offset of financial assets (fixed deposits) of THB 213.38 million;
 - Net of cash inflows from shares subscription payment of subsidiary(RBJ) from non-controlling interests of THB 4.90 million;
 - Net cash outflows for payments of machinery and equipment, improvement in building, and asset under construction of THB 57.52 million;
- Increase in inventories of THB 128.58 million, mainly due to 1) the increase in finished goods of THB 109.09 million, mainly from the Trading goods category THB 59.72 million, Food coating category THB 33.38 million; 2) the increase in raw materials of THB 87.10 million, mainly from Food coating category THB 64.54 million, Flavour, Fragrance & Color category THB 12.91 million and 3) the decrease in goods in transit of THB 50.56 million, which was mainly from Trading goods category.
- Increase in trade account receivable of THB 64.43 million, mainly due to increase in sales.
- Increase in property, plant, and equipment of THB 15.02 million, mainly due to an increasing in the investment in both of Thailand and abroad for machinery, equipment, improvement in building and asset under construction of THB 62.22 million and Net offset with depreciation during in period of THB 44.89 million
- Decrease in right-of-use assets of THB 8.10 million, mainly derived the depreciation charged for the period of THB 6.43 million, the termination of the old right-of-use assets of THB 2.70 million, and the additional of new right-of-use assets of THB 1.05 million.

Liabilities

As at 31 March 2022, the Group had the total liabilities of THB 837.03 million, which was 16.01% of the total assets, increased by THB 68.06 million (YoY 8.85%) compared to 31 December 2021 which the total liabilities were THB 768.97 million, equaled to 15.36% of the total assets. The significant changes in liabilities caused from an increase in trade account payables of THB 43.76 million mainly due to an increase in purchasing in raw materials and finished goods in order to support the increase in sales, income tax payable of THB 36.47 million, net in decreased in current liabilities of THB 8.23 million and decreased in accrued expenses of THB 2.93 million.

Equity

As at 31 March 2022, the Group had the total equity of THB 4,390.89 million, or 83.99% of the total assets. The increase in the total equity was THB 154.34 million or 3.64% compared to 31 December, 2021, which the total equity was THB 4,236.55 million, equaled to 84.64% of the total assets. The significant changes mainly due to:

- Profit for the period attributable to owners of the Company for the first quarter of 2022 of THB 162.87 million;
- Profit for the period attributable to non-controlling interest for the first quarter of 2022 of THB 2.85 million;
- Increase in non-controlling interest from subsidiary requests from shares subscription payment of THB 4.90 million;
- Decrease in other comprehensive income (loss) for the parent company of THB 15.74 million.

Statement of Cash flows

The statement of cash flows for the period ended 31 March 2022 were as follows:

- Net cash inflows generated from operating activities of THB 65.20 million.
- Net cash inflows generated from investing activities of THB 155.65 million, mainly from net cash received from financial assets (fixed deposits) of THB 213.38 million and cash payments for purchase of property, plant, equipment of THB 57.52 million.
- Net cash inflows generated from financing activities of THB 3.16 million, mainly from cash received from shares subscription payment of subsidiary from non-controlling interests of THB 4.90 million.
- Cash and cash equivalents at 31 March 2022 was THB 998.13 million and at 31 December 2021 was THB 774.46 million.

Financial Ratios for the period as at 31 March 2022

The significant financial ratios;

1) Liquidity ratio

In Q1'2022, the cash cycle was 75 days, a decreased of 25 days compared to the cash cycle in Q1'2021 was 100 days. This is mainly due to the collection period in Q1'2022 was 77 days, received payments faster by 15 days, compared to the collection period in Q1'2021 was 92 days. Overall, the liquidity ratio in Q1'2022 is not different from Q1'2021. The Group has continuously monitored the global and the regional economic conditions for financial management planning and adjusting according to the current situation.

Financial Ratios for the period at the first quarter of 2022

Financial Ratio	Q1' 2022	Q1' 2021	YE 2021
<u>Liquidity Ratio</u>			
Current Ratio (Time)	5.23	5.28	5.50
Quick Ratio /1 (Time)	3.38	3.69	3.67
Average Collection Period (Day)	77	92	88
Average Sale (Inventory-FG) Period (Day)	63	68	63
Average Payment Period (Day)	65	60	61
Cash Cycle/2 (Day)	75	100	90

2) Profitability ratio

- Gross profit margin in Q1'2022 was 37.55% decreased from 40.80% of gross profit margin in Q1'2021, mainly due to the change in the sales proportion of the products in each product group. For the food coating category (main product group) has higher sales growth than other groups.
- Return on Equity in Q1'2022 (ROE) was 11.90% increased from 10.93% of Return on Equity in Q1'2021.

3) Efficiency ratio

- Return on Asset in Q1'2022 (ROA) was 12.28% increased from 11.05% of Return on Asset in Q1'2021.

Financial Ratios for the period at the first quarter of 2022

Financial Ratio	Q1' 2022	Q1' 2021	YE 2021
<u>Profitability Ratio</u>			
Gross Profit Margin (%)	37.55	40.80	37.18
Operating Profit Margin/3 (%)	20.58	20.79	17.92
Net Profit Margin/4 (%)	16.56	16.43	14.17
Return on Equity (ROE%)	11.90	10.93	10.10
<u>Efficiency Ratio</u>			
Return on Asset (ROA%)	12.28	11.05	12.27
Return on Fixed Asset (%)	14.26	12.06	45.12
<u>Financial policy Ratio</u>			
Debt to Equity Ratio (Time)	0.19	0.22	0.18

Notes

- /1 Including Cash, Fixed Deposit And Trade Account Receivables
- /2 Average Collection Period+Average Sale (FG) Period-Average Payment Period
- /3 EBIT from continuing operations
- /4 Net Profit from continuing operations to total revenues

Yours Sincerely

Suranart Kittirattanadetch
Chief Financial Officer
R&B Food Supply Public Company Limited