

11 November 2022

Re Management Discussion and Analysis for the third quarter and 9-months period of 2022
 Attn. The President
 The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to clarify the financial performance and financial information for the third quarter and the 9-month period of Year 2022 with the following details:

Revenue Structure

Group revenue structure derived from the business of manufacture and distribution of raw materials used as Food Ingredients by dividing into 6 types:

- 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 Financial Performance

Profit or Loss (In Million Baht)	Three months period (July - September)		Change		Nine months period (January - September)		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
Revenue from sales and rendering services	993.64	822.44	171.20	20.82%	2,956.22	2,455.74	500.49	20.38%
Cost of goods sold and rendering services	(674.93)	(503.44)	(171.50)	34.07%	(1,933.06)	(1,492.85)	(440.21)	29.49%
Gross profit	318.71	319.01	(0.30)	-0.09%	1,023.16	962.89	60.28	6.26%
Gain (loss) on exchange rate	18.82	2.25	16.58	737.49%	33.02	1.44	31.58	2190.02%
Other income	0.84	3.08	(2.24)	-72.60%	5.86	4.89	0.96	19.66%
Selling expenses	(69.78)	(52.46)	(17.32)	33.01%	(194.60)	(156.89)	(37.72)	24.04%
Administrative expenses	(125.62)	(107.18)	(18.45)	17.21%	(374.94)	(327.20)	(47.74)	14.59%
Net impairment losses on financial assets	1.14	1.36	(0.22)	-16.19%	3.72	(9.37)	13.09	-139.69%
Finance costs	(2.06)	(2.50)	0.43	-17.35%	(6.68)	(6.06)	(0.62)	10.25%
Profit before income tax expense	142.05	163.56	(21.51)	-13.15%	489.54	469.71	19.84	4.22%
Income tax expense	(28.53)	(29.87)	1.33	-4.47%	(94.03)	(92.70)	(1.33)	1.44%
Profit for the period from continuing operations	113.51	133.69	(20.18)	-15.09%	395.51	377.01	18.51	4.91%
Gain (loss) from discontinued operations - net of tax	-	0.84	(0.84)	-100.00%	-	(57.90)	57.90	-100.00%
Profit for the period	113.51	134.53	(21.02)	-15.62%	395.51	319.11	76.41	23.94%
Profit attributable to:								
Non-controlling interests	3.37	0.93	2.44	262.00%	7.22	2.51	4.71	187.36%
Owners of the parent	110.14	133.60	(23.46)	-17.56%	388.29	316.60	71.70	22.65%

The increase in export sales amounting to Baht 211.08 million, mainly due to the food coating products amounting to Baht 165.50 million, the flavour, fragrance & color products amounting to Baht 20.63 million, and the dry products amounting to Baht 19.27 million.

Gross Profit for the Third Quarter of Year 2022

Three months period (July-September)			Change	YoY
(In Million Baht)	2565	2564		
Gross profit	318.71	319.01	-0.30	-0.09%
of revenue from sales and rendering services	32.07%	38.79%		

The decrease in average gross margin mainly because the proportion of revenues from sales of product groups with low gross margin had higher growth rate than those with high gross margin. The higher raw materials price of flavour, fragrance & color, Baht depreciation and the increase in the price of electricity for production have still affected to the higher costs of goods.

Gross Profit for the 9-Month Period of Year 2022

Nine months period (January-September)			Change	YoY
(In Million Baht)	2565	2564		
Gross profit	1,023.16	962.89	60.28	6.26%
of revenue from sales and rendering services	34.61%	39.21%		

The expansion of both domestic and international markets made the Group's gross profit for the 9-month period of Year 2022 increased by Baht 60.28 million, mainly from the gross profit of the food coating group amounting to Baht 58.89 million.

The decrease in average gross margin mainly because the proportion of revenues from sales of product groups with low gross margin had higher growth rate than those with high gross margin. The higher raw materials price of food coating and flavour, fragrance & color, Baht depreciation and the increase in the price of electricity for production have still affected to the higher costs of goods.

Selling and Administrative Expenses for the 3rd Quarter of Year 2022

Three months period (July-September)			Change	YoY
(In Million Baht)	2565	2564		
Selling and Administrative Expenses	195.40	159.64	35.76	22.40%
of revenue from sales and rendering services	19.67%	19.41%		

The main reasons for the change in selling and administrative expenses comprised:

- An increase in local transportation expense and outbound transportation expense amounting to Baht 6.04 million resulted from increase in domestic and export sales.
- An increase in commission expense amounting to Baht 5.50 million resulted from the increase in sales of industrial customers.
- An increase in salaries and employee expenses amounting to Baht 5.30 million resulted from the increase of number of employees of the Product Research and Development Department, Human Resources Department, Industrial Sales Department and Transportation Department.
- An increase in consulting fee which was one time payment amounting to Baht 4.50 million resulted from the restructure of management of its subsidiary in Singapore.
- An increase in the exhibition expense of Baht 1.98 million.
- An increase in the electricity expense of Baht 1.92 million resulted from the adjustment of the electricity bill.

Selling and Administrative Expenses for the 9-Month Period of Year 2022

Nine months period (January-September)			Change	YoY
(In Million Baht)	2565	2564		
Selling and Administrative Expenses	569.54	484.09	85.45	17.65%
of revenue from sales and rendering services	19.27%	19.71%		

The main reasons for the change in selling and administrative expenses comprised:

- An increase in salaries, bonuses, and employee expenses, amounting to Baht 24.25 million, the main reasons were:
 - 1) Salaries from the increase of the annual salary rate and from the increase in number of employees of Product Research and Development Department, Industrial Sales and Overseas Sales, Human Resources Department and a subsidiary in Indonesia, amounting to Baht 21.11 million.
 - 2) Bonus amounting to Baht 3.14 million.
- An increase in local transportation expense and outbound transportation expense amounting to Baht 20.42 million resulted from increase in domestic and export sales.
- An increase in commission expense amounting to Baht 8.56 million resulted from the increase in sales of industrial customers.
- An increase in consulting fee which was one time payment amounting to Baht 4.50 million resulted from the restructure of management of its subsidiary in Singapore.
- An increase in local tax which was one time payment of Baht 3.60 million incurred from new lease agreement of a subsidiary in Indonesia.
- An increase in property tax of Baht 1.58 million resulted from increase in tax rate.
- An increase in the electricity expense of Baht 3.63 million result from the adjustment of the electricity bill.

Expected Credit Losses

In the Third Quarter of Year 2022, the Group reversed an expected credit loss of Baht 1.14 million, representing 0.11% of revenues from sales and services. This reversal decreased from the reversal in the third quarter of 2021 of Baht 0.22 million (YoY -16.19%), which reversed the expected credit loss of Baht 1.36 million, representing 0.16% of revenues from sales and services. The main reason was that better collection required lower allowance for expected credit loss.

For the 9-month period of Year 2022, the Group reversed an expected credit loss of Baht 3.72 million, representing 0.13% of revenues from sales and services. This reversal decreased from the same period of 2021 of Baht 13.09 million (YoY -139.69%), which set up allowance for expected credit loss of Baht 9.37 million, representing 0.38% of revenues from sales and services. The decrease in allowance for expected credit loss was because of better collection which required lower allowance for expected credit loss.

Profit for the Third Quarter of Year 2022

Three months period (July-September)			Change	YoY
(In Million Baht)	2565	2564		
Profit for the period	113.51	134.53	-21.02	-15.62%
of revenue from sales and rendering services	11.42%	16.36%		
Profit for the period from continuing operations	113.51	133.69	-20.18	-15.09%
of revenue from sales and rendering services	11.42%	16.26%		

Profits from continuing operations (excluding gain from discontinued operations of the hotel business of Baht 0.84 million)

The decrease in profit for the period/profit for the period from continuing operations mainly because the proportion of revenues from sales of product groups with low profit margin had higher growth rate than those with high profit margin. The higher raw materials price of flavour, fragrance & color, Baht depreciation and the increase in the price of electricity for production have still affected to the higher costs of goods.

Profit for the 9-Month Period of Year 2022

Nine months period (January-September)			Change	YoY
(In Million Baht)	2565	2564		
Profit for the period	395.51	319.11	76.41	23.94%
of revenue from sales and rendering services	13.38%	12.99%		
Profit for the period from continuing operations	395.51	377.01	18.51	4.91%
of revenue from sales and rendering services	13.38%	15.35%		

Profit from continuing operations (excluding loss from discontinued operations of the hotel business of Baht 57.90 million)

The increase in profit for the period/profit for the period from continuing operations mainly because the proportion of revenues from sales of product groups with low profit margin had higher growth rate than those with high profit margin. The higher raw materials price of food coating and flavour, fragrance & color, Baht depreciation and the increase in the price of electricity for production have still affected to the higher costs of goods.

Profit attributable to the Owners of the Parent for the Third Quarter of Year 2022

In the third quarter of Year 2022, the Group's profit attributable to the owner of the parent was Baht 110.14 million, representing 11.08% of revenues from sales and services, a decrease of Baht 23.46 million (YoY -17.56%), compared with the third quarter of Year 2021, where there was profits attributable to the owner of the parent amounting to Baht 133.60 million, representing 16.24% of revenues from sales and services.

Profits attributable to the Owner of the Parent for the 9-Month Period of Year 2022

For the 9-month period of Year 2022, the Group's profits attributable to the owner of the parent was Baht 388.29 million, representing 13.13% of revenues from sales and services, an increase of Baht 71.70 million (YoY 22.65%), compared with the same period of Year 2021, where there was profits attributable to the owner of the parent amounting to Baht 316.60 million, representing 12.89% of revenues from sales and services.

Analysis of the Financial Position

Assets

As of 30 September 2022, the Group had total assets of Baht 5,112.20 million, which increased of Baht 106.68 million or 2.13% from the balance as at 31 December 2021 where the total assets were Baht 5,005.52 million.

The major changes comprised:

- 1) Decrease in cash and cash equivalents of Baht 50.33 million mainly due to:-
 - Dividend paid to the shareholders of the Company in the amount of Baht 300.00 million.
 - Payment for the purchase of machinery and equipment, vehicles, land and building improvements of Baht 295.82 million.
 - Investment in joint venture of RBS - TU Food Ingredients Private Limited of Baht 18.22 million.
 - Cash received from short-term borrowings from financial institutions of Baht 50.00 million.
 - Cash received from operations of Baht 109.87 million.
 - Net cash received from financial assets (fixed deposit) of Baht 400 million.
- 2) An increase in inventories of Baht 248.45 million, mainly due to:-
 - An increase in raw materials of Baht 174.18 million, mainly consisted of food coating group of Baht 96.22 million, the flavour, fragrance & color group of Baht 70.67 million, and trading goods group of Baht 4.82 million.
 - An increase in finished goods of Baht 149.35 million, mainly consisted of the trading goods group of Baht 84.24 million, the food coating group of Baht 24.70 million, the packaging (Plastic) group of Baht 16.86 million, and the flavour, fragrance & color group of Baht 10.76 million.
 - An increase in allowance for inventory obsolescence of Baht 25.39 million, mainly from trading goods group and the packaging (Plastic) group.
 - An increase in allowance for decline in value of inventories of Baht 9.45 million, mainly from the packaging (Plastic) group and the flavour, fragrance & color group.
 - A decrease in the goods in-transit of trading goods of Baht 55.78 million.
- 3) An increase in property, plant and equipment of Baht 146.18 million, mainly due to investments both domestically and internationally for machinery and equipment, vehicles, land and building improvements, amounting to Baht 274.26 million and net of depreciation during the period of Baht 141.64 million.
- 4) An increase in trade and other account receivables, amounting to Baht 128.92 million mainly due to an increase in trade receivables of Baht 123.09 million from increase in domestic and export sales.
- 5) An increase in investment in the joint venture of RBS - TU Food Ingredients Private Limited of Baht 18.22 million.

Liabilities

As of 30 September 2022, the Group had total liabilities of Baht 763.66 million, representing 14.94% of total assets. Total liabilities decreased of Baht 5.30 million or 0.69% when compared with total liabilities as at 31 December 2021 of Baht 768.97 million, representing 15.36% of total assets. The major changes came from the following main reasons:

- 1) An increase in short-term borrowing from financial institution of Baht 50.00 million for working capital.
- 2) The decrease in trade and other payables of Baht 37.32 million.
- 3) Decrease in income tax payable of Baht 19.96 million.

Shareholders' Equity

As of 30 September 2022, the Group had total shareholders' equity of Baht 4,348.54 million, equivalent to 85.06% of total assets. The shareholders' equity increased of Baht 111.99 million or 2.64% when compared with shareholders' equity as at 31 December 2021, which had balance of Baht 4,236.55 million, representing to 84.64% of total assets. The major changes were from:

- 1) Profit attributable to the owner of the parent for the 9-month period of Year 2022 of Baht 388.29 million.
- 2) Profit from non-controlling interests for the 9-month period of Year 2022 of Baht 7.22 million.
- 3) Increase in non-controlling interests from its subsidiaries called for share subscription from non-controlling interests net of dividends of Baht 3.67 million.
- 4) Dividend payment to the shareholders of the Company of Baht 300.00 million.
- 5) Other components of shareholders' equity (currency translation difference of financial statements) of Baht 13.05 million.

Cash Flow Statements

Statement of cash flows as of 30 September 2022 were as follows:

- 1) Net cash flows provided by operating activities of Baht 109.87 million.
- 2) Net cash flows provided by investing activities of Baht 85.78 million, mostly from cash received from the maturity of financial assets (fixed deposits) of Baht 400.00 million, net of cash paid for the purchase of property, plant and equipment of Baht 295.82 million as well as cash paid for the payment of shares in the joint venture of RBS-TU Food Ingredients Private Limited of Baht 18.22 million.
- 3) Net cash flows used in financing activities of Baht 254.79 million, mainly from dividends paid to shareholders of the Company of Baht 300.00 million and cash received from short-term borrowing from financial institution of Baht 50.00 million.
- 4) Gain on exchange rate of cash and cash equivalents of Baht 8.81 million.
- 5) Cash and cash equivalents as of 30 September 2022 amounting to Baht 724.14 million and as at 31 December 2021 amounting to Baht 774.46 million.

Financial Ratios as at 30 September 2022

Compared with Financial Ratios as of 31 December 2021

- 1) Liquidity Ratios
 - 1.1 The liquidity ratio as of 30 September 2022 was at 5.53 times, indicating that the liquidity management was good and increased when compared with the liquidity ratio as of 31 December 2021, which was averaged at 5.50 times.
 - 1.2 The cash conversion cycle as at 30 September 2022 was 191 days, increased for 4 days from the cash conversion cycle as at 31 December 2021, which was 187 days from sales period.

Financial Ratios	Nine months period as at 30 September 2022	For the year as at 31 December 2022
<u>Liquidity Ratio</u>		
Current Ratio (Time)	5.53	5.50
Quick Ratio (time)	3.15	3.67
Average Collection Period (Day)	81	88
Average Sale Period (Day)	157	150
Average Payment Period (Day)	47	51
Cash Cycle (Day)	191	187

- 2) Profitability Ratios
 - 2.1 The gross profit margin rate as of 30 September 2022 was 34.61%, which was lower than gross profit margin rate as of 31 December 2021(37.18%). The average gross profit margin rate decreased mainly because the proportion of revenues from sales of product groups with low gross margin had higher growth rate than those with high gross margin. The higher raw materials price of food coating, flavour, fragrance & color, Baht depreciation and the increase in the price of electricity for production have still affected to the higher costs of goods.
 - 2.2 The return on equity as of 30 September 2022 was 11.63%, which was higher than the return on equity as of 31 December 2021, which was 10.10%.

3) Efficiency Ratio

3.1 Return on assets as of 30 September 2022 was 12.64%, which was higher than return on assets as of 31 December 2021, which was 12.27%.

Financial Ratios	Nine months period as at 30 September 2022	For the year as at 31 December 2022
<u>Profitability Ratio</u>		
Gross Profit Margin (%)	34.61	37.18
Operating Profit Margin (%)	15.34	17.60
Net Profit Margin (%)	13.35	12.47
Return on Equity (ROE %)	11.63	10.10
<u>Efficiency Ratio</u>		
Return on Asset (ROA %)	12.64	12.27
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.18	0.18

Yours Sincerely

(Mr. Suranart Kittirattanadetch)
Chief Financial Officer
R&B Food Supply Public Company Limited