

Thai Union Feedmill Public Company Limited

Management Discussion and Analysis for Q4'2022 Results, ended 31 December 2022

Q4'2022 sales grew steadily by 12.1% YoY. While, profit margins still pressured by rising raw material prices. Although the profitability recovered during the year from the selective sales strategy. As a result, gross profit margin in Q4'2022 was at 7.4%.

Q4'2022 Thai Union Feedmill Public Company Limited ("Company") reported revenue at THB 1,227.5 million growth at 12.1% YoY, thank to shrimp feed sales increased 17.6% YoY and fish feed sales increased 3.1% YoY caused by higher seabass feed selling volume due to the incoming tourist as well as livestock feed sales also grew by 13.0% YoY.

In 2022, sales was at THB 4,888.3 million, up 2.4% YoY, thank to shrimp feed sales up 9.3% YoY.

Gross profit and gross margin

Q4'22 gross profit dropped by 11.9% YoY from THB 102.4 million to THB 90.2 million, pressured by higher raw material prices. As a result, Q4'2022 gross profit margin dropped from 9.4% in Q4'2021 to 7.4%.

In 2022 gross profit margin was at 8.3% dropped from the previous year which was at 10.4%. As a result, 2022 gross profit declined by 17.9% YoY.

Net profit

Q4'22 net profit was at THB 16.9 million, decreased 57.3% YoY, due to the profitability was pressured by the higher raw material costs and the loss-making from the subsidiary in the beginning phase. As a result, 2022 net profit was at THB 109.5 million, dropped 48.2% YoY.

Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

| | |
|--|-------------|
| Share price (14/02/2023) | THB 10.50 |
| Historical closing price (since 1 Jan 2022): | |
| Highest closing price: | THB 14.80 |
| Lowest closing price: | THB 8.40 |
| No. of shares: | 500.0 m |
| Par value: | THB 2.0 |
| Market Cap.: | THB 5,250 m |
| Avg. value trade/day (YTD) | THB 5.42 m |

Major shareholders (30/12/2022)

| | |
|------------------------------|-------|
| Thai Union Group PCL. | 51.0% |
| Boonmechote Family | 19.6% |
| Mr. Bunluesak Sorajjakit | 3.1% |
| Mstr. Karnphong Piemphongsuk | 1.5% |
| Mr. Suksan Yasasin | 1.4% |

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 will pay the annual dividend for 2022 at THB 0.13 per shares which has been paid the interim dividend for THB 0.05 per share, approximately THB 25.0 million from 1H'22 operation and the retained earnings.

The remaining dividend which shall be approved from 2022 annual general meeting of shareholder will be paid at THB 0.08 per share or approximately THB 40.0 million paid from 2H'22 operation

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Financial Statement Analysis

Unit : THB million

| | Q4'2022 | Q4'2021 | YoY | Q3'2022 | QoQ |
|---|-------------|--------------|----------|--------------|---------|
| Sales | 1,227.5 | 1,095.0 | 12.1% | 1,371.6 | -10.5% |
| Cost of sales | (1,137.3) | (992.6) | 14.6% | (1,218.7) | -6.7% |
| Gross profit | 90.2 | 102.4 | -11.9% | 152.9 | -41.0% |
| Other income | 18.2 | 12.7 | 43.7% | 16.7 | 9.3% |
| SG&A | (75.8) | (84.1) | -9.8% | (95.1) | -20.2% |
| Reversal/impairment on AR | (16.3) | 9.6 | -270.3% | (10.2) | 60.0% |
| Other gain/loss | 0.9 | 0.7 | 35.8% | 1.4 | -36.1% |
| EBIT | 17.3 | 41.3 | -58.1% | 65.8 | -73.7% |
| Finance costs | (8.8) | 0.1 | -6022.3% | (5.9) | 48.1% |
| PBT | 8.5 | 41.4 | -79.5% | 59.9 | -85.8% |
| Income tax | 3.4 | (4.2) | -180.5% | (6.3) | -153.9% |
| Net Profit for period | 11.9 | 37.2 | -68.0% | 53.6 | -77.8% |
| Profit attributed to the Company | 16.9 | 39.4 | -57.3% | 57.6 | -70.7% |
| Earning per share (THB) | 0.03 | 0.08 | -62.5% | 0.12 | -75.0% |
| Gross profit margin | 7.4% | 9.4% | | 11.1% | |
| Net profit margin | 1.4% | 3.6% | | 4.2% | |

Sales

The company reported Q4'22 sales at THB 1,227.5 million, increased 12.1% YoY, even though selling volume dropped 7.7% YoY;

Revenue from shrimp feed

- In Q4'22, revenue from shrimp feed sales was THB 658.7 million, up 17.6% YoY, thanks to higher average selling price by 20.8% YoY, despite the sales volume slightly dropped by 2.6% YoY, as a result from focusing on high-profile margin products.
- Compared to the previous quarter, revenue from shrimp feed declined 9.5% QoQ, as a result from selling volume dropped by 24.7% QoQ, due to the low season of shrimp farming during the winter.

Revenue from fish feed

- In Q4'22, revenue from fish feed sales was THB 427.8 million, grew 3.1% YoY, thank to higher average selling price by 26.5% YoY. While the selling volume dropped by 18.5% YoY caused by the portfolio adjustment in the fish feed segment by focus on high-profile margin products such a seabass feed. As a result, seabass feed robust growth at 74.3% YoY.

- Compared to the previous quarter, revenue from fish feed sales decreased by 16.6% QoQ, due to the selling volume dropped by 23.3% QoQ due to the low season of fish farming in Pakistan during the winter.

Revenue from livestock feed

- Q4'22 revenue from livestock feed sales was at THB 120.5 million, up 13.0% YoY thanks to livestock feed selling volume increased by 3.1% YoY. As a result, AMG-TFM in Pakistan launched a livestock feed product during the winter which is the low season of fish feed, even though Thailand's livestock feed selling volume dropped due to the portfolio adjustment.
- Comparing to the previous quarter, revenue from livestock feed sales slightly increased at 5.7%. As a result, from higher selling volume by 6.7% QoQ thank to livestock feed sale volume in Pakistan.

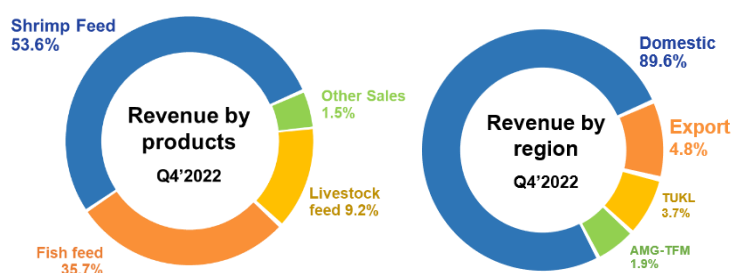
In 2022 revenue from sales was at THB 4,888.3 million, up 2.4%, even though the selling volume dropped by 5.1% due to the portfolio adjustment in fish feed and livestock feed segment. As a result, fish feed and livestock feed selling volume dropped 20.3% and 11.0% respectively. While shrimp feed sales volume grew 11.2%

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Sales breakdown by product:

| | Sales (Unit : THB million) | | | Qty (Unit : Tones) | | |
|----------------|----------------------------|----------------|--------------|--------------------|---------------|--------------|
| | Q4'2022 | Q4'2021 | YoY | Q4'2022 | Q4'2021 | YoY |
| Shrimp feed | 658.7 | 560.0 | 17.6% | 19,695 | 20,228 | -2.6% |
| Fish feed | 427.8 | 414.8 | 3.1% | 13,532 | 16,598 | -18.5% |
| Livestock feed | 120.5 | 106.7 | 13.0% | 7,200 | 6,981 | 3.1% |
| Other sales | 20.5 | 13.5 | 51.1% | - | - | 0.0% |
| Total | 1,227.5 | 1,095.0 | 12.1% | 40,426 | 43,807 | -7.7% |



Cost of goods sold and Gross profit

- In Q4'22, the Company's cost of sales was at THB 1,137.3 million, increased 14.6% YoY, mainly from higher raw material cost which rising in line with the trend of the global market.
- Compared to previous quarter, cost of sales dropped 6.7%, due to lower selling volume by 20.0% QoQ. As a result of low season of aquaculture during the winter.

Q4'22 gross profit declined 11.9% YoY and 41.0% QoQ, due to the higher raw material cost trend as well as the performance of the subsidiary in Indonesia has not reached the break-even point. As a result, Q4'22 gross profit margin dropped from 9.4% in Q4'21 to 7.4%.

In 2022, the Company's cost of sales was at THB 4,482.0 million, increased 4.8% YoY, caused gross profit margin dropped from 10.4% last year to 8.3%.

Selling General and Administrative Expenses

In Q4'22, the company reported SG&A expenses at THB 75.8 million, dropped 9.8% YoY and 20.2% QoQ, caused by the internal SG&A expenses management.

In 2022, SG&A expenses were THB 347.7 million, up 5.8% YoY due to the increasing employee benefits and the recognition costs incurred in TUKL, which started its operation in 2022.

Net profit

In Q4'22, the Company reported a net profit attributed to shareholders at THB 16.9 million, decreased 57.3% YoY from THB 39.4 million in Q4'21 mainly due to the pressure on raw material price, which affects the company's profitability, as well as loss-making performance from TUKL resulted Q4'22's EPS was lower from THB 0.08 per share in Q4'21 to THB 0.03 per share.

In 2022, the Company reported a net profit at THB 109.5 million, decreased 48.2% YoY, caused EPS down from THB 0.50 per share in FY'21 to THB 0.22 per share

Financial position analysis:

As of December 31, 2022, the Company reported total assets of THB 3,201.9 million, a 4.2% decrease from the end of 2021 mainly from decreasing in cash and cash equivalent from a prepayment of TUKL's long-term loan payments to reduce financial costs during a rising interest rate situation.

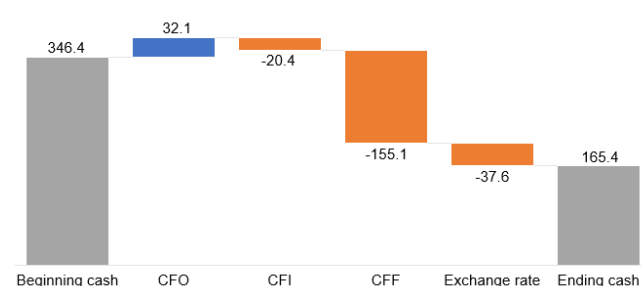
Total liabilities decreased to THB 757.9 million, a 19.4% decrease from THB 940.1 million at the end of the previous year. As a result of the prepayment of TUKL's long-term loan as mentioned.

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Total shareholder's equity was THB 2,444.0 million, a 1.7% increase from the end of the previous year, thanks to the company profitable performance resulted the Company's retained earnings increased. As well as the Company paid the interim dividend to shareholders which was in line with the Company's dividend policy.

Cash flow analysis:



During 2022, net cash receipts from operating activities were THB 32.1 million, mainly came from EBITDA at THB 292.3 million and deducted with the working capital items totally THB 304.7 million which mainly came from an increasing in account receivables and inventories as well as adjusting with the non-cash items totally THB 50.8 million, comprised of account receivable allowance and employee benefit then corporate income taxes paid at THB 6.3 million.

Net cash paid for investing activities were at THB 20.4 million, mainly from the additional investment in shrimp feed production line in Thailand (Mahachai) in the amount of THB 50.3 million, therefore cash paid for CAPEX in 2022 was totally THB 179.2 million. There were some cash receipt from withdrawing fixed deposit in the amount of THB 150.0 million and disposed of assets in the amount of THB 9.3 million.

Net cash payment from financing activities were at THB 155.1 million comprised of a prepayment of TUKL's long-term loan in Indonesia in the amount of THB 220.0 million and the dividend paid to the shareholders with totally THB 100.0 million, despite there were the cash received from drawing short-term loan for working capital in the

amount of THB 52.0 million and cash received from paid-up share from non-controlling interest in the amount of THB 112.0 million.

Key Financial ratios:

| Key Financial Ratio | Q4'2565 | Q4'2564 | Q3'2565 |
|---|---------|---------|---------|
| Current Ratio (x) | 2.5 | 2.9 | 2.5 |
| Average Collecting Period (Day) | 55 | 46 | 63 |
| Day Inventory Outstanding (Day) | 43 | 43 | 46 |
| Return on Capital Employed (%) | 4.0% | 10.0% | 5.9% |
| Return on Equity (%) | 5.0% | 11.9% | 8.2% |
| Return on Assets (%) | 3.2% | 7.5% | 4.0% |
| Net Interest Bearing Debt to Equity (x) | 0.02 | 0.09 | 0.13 |
| Book Value per Shares (THB) | 4.9 | 4.8 | 4.8 |

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, 2022, the current ratio was at 2.5 times, decreased from 2.9 times at end of 2021, due to the decrease in current assets, comprised of a decrease in cash and short-term investments from a prepayment of a long-term loan and the withdrawing of fixed deposit.

The profitability ratio at the end of 2022 (ROCE at 4.0%, ROE at 5.0% ROA at 3.2%), 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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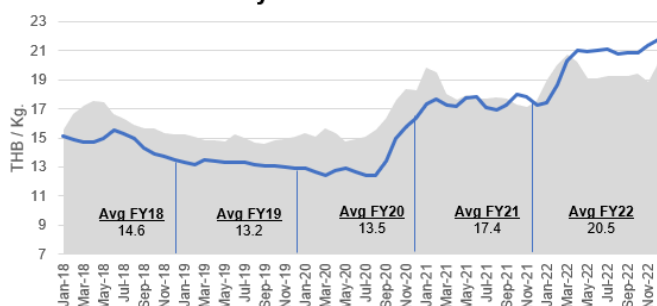
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Industry overview:

According to the Thai Feed Mill Association (TFMA), the demand of animal feed in 2023 is forecasted to increase from 19.08 million tons, to 19.99 million tons in the previous year, mainly due to the rising swine feed demand. For the aquaculture feed was expected to grow from shrimp feed demand which will slightly increase from 0.5 million tons to 0.51 million tons or 2.0% growth.

Key raw material price:

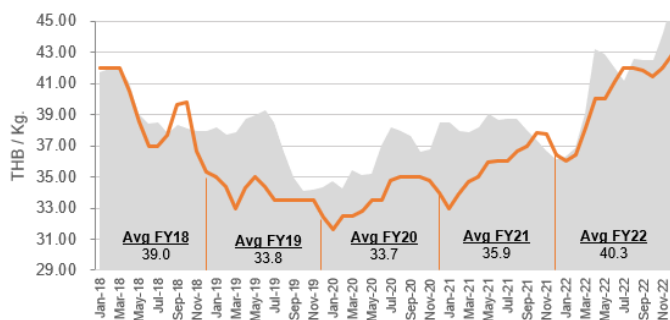
Soybean meal Price



Source: Department of Internal Trade

As of December 2022, soybean meal price was at THB 21.78 per kilogram, 4.5% increase from THB 20.84 per kilogram at the end of September 2022, while 2022's average soybean meal price increased 17.6% from 2021.

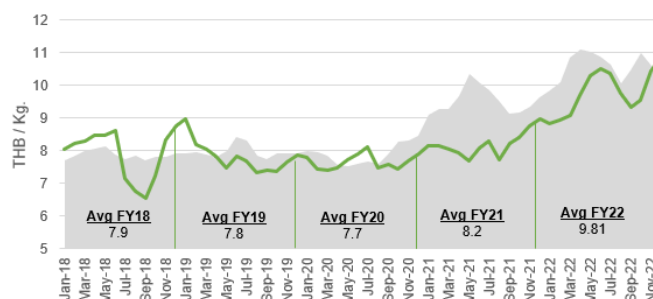
Fish meal Price



Source: Department of Internal Trade

As of December 2022, fish meal price was at THB 42.84 per kilogram, 2.3% slightly increase from THB 41.86 per kilogram at the end of September 2022, while 2022's average fish meal price increased 12.5% from 2021.

Maize Price

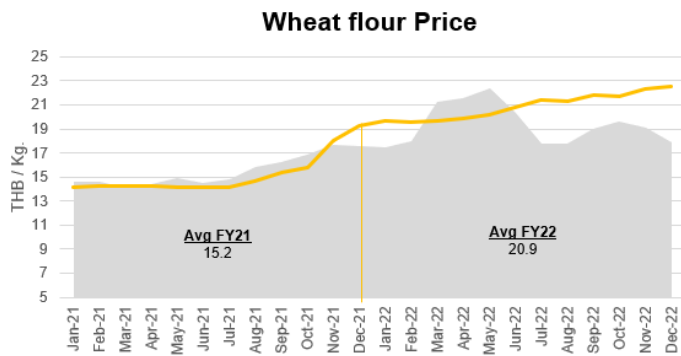


Source: Bank of Thailand

As of December 2022, maize price was at THB 10.89 per kilogram, 16.7% increased from THB 9.33 per kilogram at the end of September 2022, while 2022's average maize price increased 19.6% from 2021.

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Source: Thai Feed Mill Association

As of December 2022, Wheat flour price was at THB 22.53 per kilogram, 3.4% increased from THB 21.78 per kilogram at the end of September 2022, while 2022's average wheat flour price increased 37.4% from 2021.