

Executive Summary

i-Tail Corporation Public Company Limited (“i-Tail” or “the Company”) is one of the leading original equipment manufacturers (“OEMs”) in the wet pet food category and was ranked the second largest pet food company in Asia. Also, i-Tail was ranked one of the top 10 globally by www.petfoodindustry.com.

We manufacture and sell mid-priced to premium quality pet food and treats for cats and dogs made from premium ingredients, primarily fish and chicken. As of 1Q23, we had over 5,295 SKUs serving over 435 customers worldwide in 46 countries. Apart from OEM, we also sell our pet food and pet treat products under our own brand names, such as Bellotta, Marvo, ChangeTer, Calico Bay and Paramount.

Our manufacturing plants are located in the Samut Sakhon province and the Songkhla province with a total production capacity of more than 172,000 tons per year.

About us

Ticker: ITC

Secondary market: SET, Food and Beverage

Paid-up capital: THB 3 billion

Par value: THB 1

Market capitalization as of April 26, 2023: THB 71.9bn

Shareholding structure as of March 1, 2023: Thai Union Group Public Company Limited (“TU”) 78%, other shareholders 22%

Headquarter: Bangkok

Factory location: Samut Sakhon province and Songkhla province

Website: www.i-Tail.com

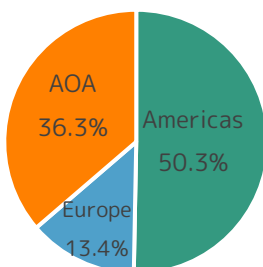
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Summary of 1Q23 financial information

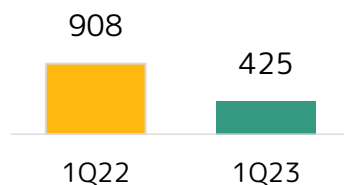
Sales

THB 3,586.8mn



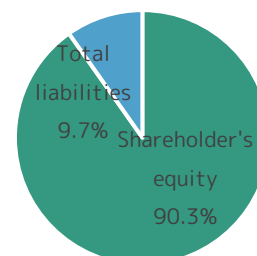
Net profit

THB 425.2mn



Financial position

Total assets: THB 24,456.8mn



Management Discussion and Analysis of 1Q23 financial information

The analysis of 1Q23 financial information is based on 1Q23 statutory financial statements and 1Q22 proforma financial information, in order to illustrate the unadjusted consolidated financial information from 2019 onwards. The difference between 1Q23 and 1Q22 financial information is mainly due to the internal business restructuring of ITC in 2020-2021. The financial information in the Management Discussion & Analysis is based on 1Q23 statutory financial statements compared with 1Q22 and 4Q22 proforma financial statements and statutory balance sheet ended December 31, 2022.

Income Statement Analysis

1Q23 sales bottomed at THB 3.6bn, mainly from slow-down of orders due to inventory destocking in the U.S. and Europe and lower selling prices from decreasing sales of premium products, with gross profit margin of 17.4%, and net profit of THB 0.4bn.

Sales

1Q23 Sales were at THB 3,586.8mn (-16.7% YoY), mainly driven by lower pet food sales (-18.9% YoY) because of inventory stocking in 3Q22, particularly from customers in the U.S. and Europe, product mix, decreased freight revenue (-3.4% YoY), and lower selling product mix which higher selling economy.

Excluding FX, sales were -16.1% YoY, driven by the strong THB appreciation in 1Q23 (USD/THB +6.4% YoY).

Gross profit

1Q23 Gross profit was down at THB 624.8mn (-39.0% YoY), mainly due to lower sales and lower selling product mix with less demand of premium product because customer's high inventory, lower freight revenue, and higher raw material costs, particularly chicken (+14.9% YoY), tuna (+8.0% YoY), utilities and energy costs (+17.0% YoY), packaging, and increased minimum wages in 4Q22. Gross profit margin was at 17.4%, because of higher COGS, while sales declined YoY.

SG&A expenses

1Q23 SG&A expenses were +13.5% YoY, mainly due to higher selling and admin expenses to support business expansion, marketing expenses, and expenses related to post-IPO. SG&A to sales ratio increased to 8.4% (compared to 6.2% in 1Q22), due to the increasing in the portion of SG&A expenses less than the decreasing in sales YoY.

Operating profit

1Q23 Operating profit was challenged at THB 324.0mn (-57.3% YoY), mainly driven by lower sales, freight revenue, higher SG&A expenses, and product mix due to higher sales of economy products. OPM was at 9.0%.

Other income

1Q23 Other income was solid at THB 123.2mn (+154.7% YoY), mainly from interest income received from our investment in debt instruments and higher tax coupons on exported goods, in line with higher export sales in 2022..

In 1Q23, we invested in corporate bonds (minimum A+ credit rating), paying between 0.82% to 3.98% of interest per annum with maturity dates of 2 to 33 months from the reporting date.

FX gain / loss

In 1Q23, we recorded FX gain of THB 11.3mn (vs THB 34.5mn gain in 1Q22), as a result of the strong THB appreciation during the quarter.

EBIT

1Q23 EBIT was at THB 458.5mn, down 45.6% YoY, as a result of lower sales, operating profit and higher SG&A expenses, partially offset by higher other income.

Finance costs

1Q23 Finance cost was at THB 6.0mn (vs THB 8.5mn in 1Q22), mainly thanks to a decrease in current portion of long-term loans after repayment in 4Q22.

Income tax

1Q23 Income tax expense was at THB 25.5mn (vs tax credit of THB 74.2mn in 1Q22), mainly due to the decrease in deferred tax assets as a result of lower profitability from our US subsidiary, US Pet Nutrition (USPN), and higher other income from investment in debt instrument.

Net profit

4Q22 net profit was challenged at THB 425.2mn (-53.0% YoY), mainly due to lower selling prices as a result of product mix, volumes impact from inventory stocking, higher costs, and income tax expense, partially offset by higher other income. As a result, net profit margin was at 11.9%.

Business Performance Analysis

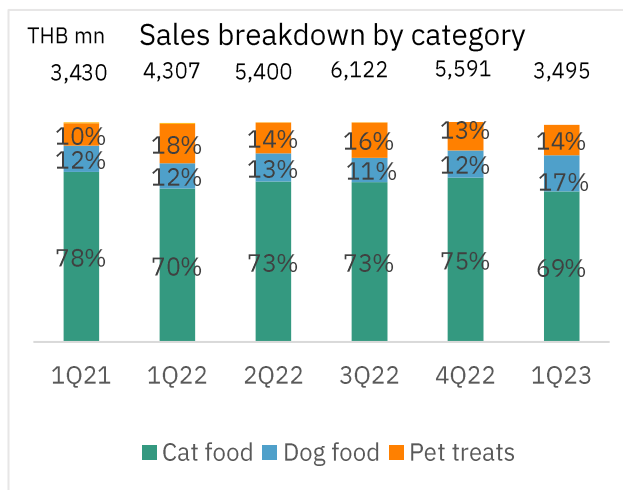
Sales by category

Pet food

In 1Q23, cat food and pet treats dropped 20.4% YoY and 35.7% YoY respectively, mainly due to impacts from inventory stocking in the U.S. and Europe, resulting in lower volumes (-18.5% YoY and -18.2% YoY respectively), freight revenue, and product mix due to customers adjusting their product assortment, resulting in higher sales of economy products.

Dog food grew 20% YoY, mainly from higher sales from a key global brand customer, as well as product mix.

1Q23 dog food and pet treats still grew from 1Q21 COVID level.



Others

Others segment include the sales of other non-pet food related products, such as whole tuna fish and ingredients to both Thai Union and external parties, and management fees to Thai Union subsidiaries.

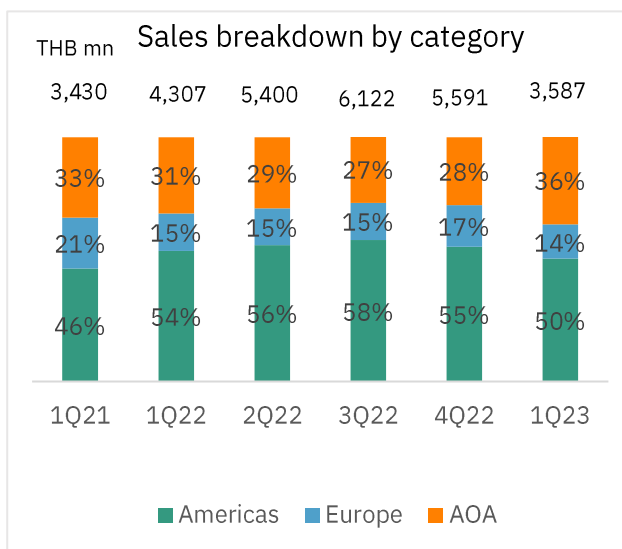
In 1Q23, others segment was at THB 92.3mn, mainly thanks to higher sales of scraps, seafood raw materials not related to pet food, whole fish, and management fees to Thai Union Group.



Sales by region

In 1Q23, sales in key regions declined in Americas (-21.7% YoY), Europe (-27.6% YoY), mainly due to a slow-down of orders from key customers as a result of inventory stocking in 3Q22, product mix from customers adjusting product assortments, such as red meat, packaging, size, and lower freight revenue from the US vs 1Q22 peak-level.

Asia, Oceania & Others slightly decreased (-2.9% YoY), mainly from lower sales in Asia & Oceania due to inventory stocking and product mix. Sales in Japan (+10.1% YoY), Thailand (+138.8% YoY), and China (+4.5% YoY) grew from continued strong pet food demand, particularly in Japan, business expansion to new and existing customers, and new products launched, and higher selling prices.



Sales by channel

Global brands include the sales from our top 3 pet food global customers. Brand owners & importers include the sales from other pet food brand owners. Private label includes the sales of pet food through supermarkets, retailers, and e-Commerce channels.

In 1Q23, sales from global brands, brand owners & importers, and private label declined by 21.1% YoY, 14.0% YoY, and 30.4% YoY, mainly due to a slow-down of orders from key customers, particularly in the U.S. and Europe, because of inventory stocking in 3Q22, product mix, and

Own brand sales grew significantly by 106.8% YoY, as a result of higher sales from domestic market and for export. The sales mix was at 96.3% OEM and 2.7% own brand.

Financial position

	31-Mar-23		31-Dec-22 (Proforma)		31-Dec-22 (Stat)		% YoY (Stat)
	THB mn	%	THB mn	%	THB mn	%	
Assets							
Cash and cash equivalents	7,457.7	29.3	13,253.7	47.0	10,798.9	41.9	-30.9
Trade and other receivables, net	2,810.8	11.1	3,517.4	12.5	3,553.9	13.8	-20.9
Inventories, net	4,717.1	18.5	4,453.6	15.8	4,457.0	17.3	5.8
Property, plant and equipment, net	5,076.2	19.9	4,893.1	17.4	4,893.1	19.0	3.7
Debt instruments measured at amortised cost	3,155.0	12.4	737.6	2.6	737.6	2.9	327.7
Other assets	2,240.0	8.80	1,322.3	4.7	1,309.1	5.1	71.1
Total Assets	25,456.8	100.0	28,177.7	100.0	25,749.6	100.0	-1.1
Liabilities							
Trade and other payables	1,768.5	6.9	2,353.0	8.4	2,355.2	9.1	-24.9
Employee benefit obligations	571.0	2.2	559.2	2.0	559.2	2.2	2.1
Other liabilities	149.8	0.6	220.8	0.8	229.1	0.9	-34.6
Total Liabilities	2,489.3	9.7	3,133.0	11.1	3,143.5	12.2	-20.8
Total Equity	22,967.5	90.3	25,044.7	88.9	22,606.1	87.8	1.6
Total liabilities and equity	25,456.8	100.0	28,177.7	100.0	25,749.6	100.0	-1.1

Total assets

As of March 31, 2023, total assets were THB 25,456.8mn, decreased by 1.1%, from end-December 2022, mainly from lower cash and cash equivalents, decreased trade receivables and higher inventories from lower sales orders and trade activities due to inventory stocking, resulting in higher inventories of finished goods, and the additional investment in property, plant and equipment to support our business expansion. This was partially offset by higher assets from a short-term investment of THB 1,000mn and debt instruments thanks to our investment in corporate bonds with A+ credit rating.

Total liabilities

As of March 31, 2023, total liabilities were THB 2,489.3mn, decreased by 20.8% from end-December 2022, mainly from lower trade and other payables due to decreasing purchases of raw materials, as a result of lower customer orders.

Total equity

As of March 31, 2023, total equity was THB 22,967.5mn, increased by 1.6% from end of December 2022, primarily due to profit for the quarter.

Cash flow analysis

As of March 31, 2023, we recorded cash and cash equivalents of THB 7,457.7mn, decreased 30.9% YoY, mainly from higher cash and cash equivalents at opening balance, net cash received from operating activities, offset by higher cash payments for investing activities.

Net cash payments for investing activities was THB 3,645.5mn, consisting primarily of net of THB 2,420.0mn for investment in debt instruments, THB 1,000.0mn for a short-term, fixed loan investment, THB 279.2mn in property, plant and equipment, partially offset by THB 20.7mn interest received.

Net cash payments from financing activities was THB 9.7mn, consisting of cash paid for lease liabilities and other finance costs paid.

Financial ratios

	1Q23	1Q22
Profitability Ratios		
Gross profit margin (%) ⁽¹⁾	17.42%	23.78%
Operating margin (%) ⁽²⁾	9.03%	17.62%
Net profit margin (%) ⁽³⁾	11.51%	20.84%
Return on Equity (%) ⁽⁴⁾	7.49%	65.85%
Liquidity Ratios		
Current ratio (times) ⁽⁵⁾	10.10	1.02
Quick ratio (times) ⁽⁶⁾	5.59	0.55
Days sales outstanding (days) ⁽⁷⁾	56.48	56.45
Days of inventory outstanding (days) ⁽⁸⁾	144.69	117.17
Days payable outstanding (days) ⁽⁹⁾	37.89	42.78
Profitability Ratios		
Return on assets (%) ⁽¹⁰⁾	6.67%	27.01%
Asset turnover (times) ⁽¹¹⁾	0.58	1.30
Financial Policy Ratios		
Debt to equity ratio (times) ⁽¹²⁾	0.11	2.65
Interest bearing debt to equity ratio (times) ⁽¹³⁾	-	1.06
Interest coverage ratio (times) ⁽¹⁴⁾	99.76	115.84

Note:

- (1) Gross profit margin is calculated as gross profit (loss) divided by sales, multiplied by 100.
- (2) Operating margin is calculated as operating profit exclude other income and other gain (loss) divided by sales, multiplied by 100.
- (3) Net profit margin is calculated as profit (loss) for the period divided by total sales⁽¹⁵⁾, multiplied by 100.
- (4) Return on equity is calculated as profit (loss) for the period attributable to owners of the parent divided by average total shareholders' equity attributable to owners of the parent, multiplied by 100.
- (5) Current ratio is calculated as total current assets divided by total current liabilities.
- (6) Quick ratio is calculated as the combined total of cash and cash equivalents, short-term investments and trade and other receivables, net divided by total current liabilities.
- (7) Days sales outstanding is calculated as 365 divided by account receivable turnover. Account receivable turnover is calculated as sales divided by average trade receivables before allowance for losses.
- (8) Days of inventory outstanding is calculated as 365 divided by inventory turnover. Inventory turnover is calculated as cost of sales divided by average inventories.
- (9) Days payable outstanding is calculated as 365 divided by account payable turnover. Account payable turnover is calculated as the cost of sales divided by the average trade payable.
- (10) Return on assets is calculated as profit (loss) for the period divided by average total assets, multiplied by 100.
- (11) Assets turnover is calculated as total sales⁽¹⁵⁾ divided by average total assets.
- (12) Debt to equity ratio is calculated as total liabilities divided by total shareholders' equity.
- (13) Interest-bearing debt to equity is calculated as total interest-bearing debt divided by total shareholders' equity.
- (14) Interest coverage ratio is calculated as EBITDA divided by finance costs.
- (15) Total sales is calculated as the sum of sales and other income.
- (1) The financial ratios are annualised for comparative purposes.

Appendix

1Q23 Statement of income

Statement of income							
Unit: THB mn	1Q23	1Q22		4Q22		% Change (Proforma)	
	Stat	Proforma	Stat	Proforma	Stat	1Q23 / 1Q22 (YoY)	1Q23 / 4Q22 (QoQ)
Sales	3,586.8	4,307.2	4,763.4	5,591.3	5,764.8	-17%	-36%
Cost of sales	(2,962.0)	(3,283.1)	(3,731.2)	(4,341.0)	(4,496.3)	-10%	-32%
Gross profit	624.8	1,024.1	1,032.1	1,250.3	1,268.5	-39%	-50%
Gross profit margin (%)	17%	24%	22%	22%	22%		
Selling expenses	(110.8)	(127.7)	(136.5)	(133.4)	(137.2)	-13%	-17%
Administrative expenses	(190.0)	(137.3)	(145.6)	(207.7)	(199.9)	38%	-9%
Operating profit	324.0	759.1	750.0	909.2	931.4	-57%	-64%
Operating profit margin (%)	9%	18%	16%	16%	16%		
Other income	123.2	48.4	48.6	107.4	107.5	155%	15%
Other gain (loss), net	11.3	34.5	35.7	(265.9)	(286.5)	-67%	-104%
EBIT	458.5	842.0	834.3	750.7	752.4		
Finance costs	(6.0)	(8.4)	(9.5)	(29.9)	(33.6)	-29%	-80%
Profit before income tax	452.5	833.6	824.8	720.8	718.8		
Income tax	(25.5)	74.2	59.5	(44.9)	(48.7)	-134%	-43%
Profit for the period from continuing operations	427.0	907.8	884.3	675.9	670.1	-53%	-37%
Profit for the period from discontinued operations	-	-	39.5	-	-		
Profit for the period	427.0	907.8	923.8	675.9	670.1	-53%	-37%
Profit attributable to:							
Owners of the parent	425.2	908.1	924.1	676.2	670.5	-53%	-37%
Non-controlling interests	1.8	(0.3)	(0.3)	(0.3)	(0.3)		
Net profit margin of owners of the parent (%)	12%	21%	19%	19%	12%		
Other comprehensive income (expenses) for the period, net of income tax	(65.7)	83.0	94.3	1,637.7	1,654.2	-179%	-104%
Total comprehensive income for the period	361.3	990.8	1,018.1	2,313.6	2,324.3	-64%	-84%

1Q23 Statement of Financial Position

Statement of Financial Position							
Unit: THB mn	March 31, 2023		December 31, 2022		December 31, 2022		% Change (Stat)
	Stat	%	Proforma	%	Stat	%	
Assets							
Current assets							
Cash and cash equivalents	7,457.7	29.3	13,253.7	47.0	10,798.9	41.9	-30.9%
Short-term investment	1,000.0	4.0	-	-	-	-	100%
Trade and other receivables, net	2,810.8	11.1	3,517.4	12.5	3,553.9	13.8	-20.9%
Inventories, net	4,717.1	18.5	4,453.6	15.8	4,457.0	17.3	5.8%
Investments in debt instruments measured at amortised cost	1,749.9	6.9	737.6	2.6	737.6	2.9	137.2%
Derivative assets	640.3	2.5	560.7	2.0	560.7	2.2	14.2%
Other current assets	170.0	0.7	227.5	0.8	214.3	0.8	-20.6%
Total current assets	18,545.8	73.0	22,750.5	80.7	20,322.4	78.9	-8.7%
Non-current assets							
Investment in debt instruments measured at amortised cost - non-current	1,405.1	5.5	-	-	-	-	-
Property, plant and equipment, net	5,076.2	19.9	4,893.1	17.4	4,893.1	19.0	3.7%
Right-of-use assets, net	56.7	0.2	41.8	0.1	41.8	0.2	35.8%
Intangible assets, net	31.3	0.1	31.7	0.1	31.7	0.1	-1.2%
Non-current derivative assets	-	-	96.6	0.3	96.6	0.4	-100.0%
Deferred tax assets, net	26.4	0.1	43.1	0.2	43.1	0.2	-38.9%
Other non-current assets	315.3	1.2	320.9	1.2	320.9	1.2	-1.8%
Total non-current assets	6,911.0	27.0	5,427.2	19.3	5,427.2	21.1	27.3%
Total assets	25,456.8	100.0	28,177.7	100.0	25,749.6	100.0	-1.1%
Current liabilities							
Trade and other payables	1,768.5	6.9	2,353.0	8.4	2,355.2	9.1	-24.9%
Current portion of lease liabilities, net	14.0	0.1	13.8	-	13.8	0.1	1.4%
Income tax payable	29.2	0.1	14.7	0.1	22.9	0.1	27.8%
Derivative liabilities	20.0	0.1	106.7	0.3	106.7	0.4	-81.2%
Other current liabilities	4.6	-	28.3	0.1	28.3	0.1	-83.7%
Total current liabilities	1,836.3	7.2	2,516.5	8.9	2,526.9	9.8	-27.3%
Non-current liabilities							
Lease liabilities, net	43.3	0.2	28.5	0.1	28.5	0.1	52.0%
Employee benefit obligations	571.0	2.2	559.2	2.0	559.2	2.2	2.1%
Other non-current liabilities	38.7	0.1	28.8	0.1	28.9	0.1	34.3%
Total non-current liabilities	653.0	2.5	616.5	2.2	616.6	2.4	5.9%
Total liabilities	2,489.3	9.7	3,133.0	11.1	3,143.5	12.2	-20.8%

1Q23 Statement of Financial Position (Cont.)

Statement of Financial Position (cont.)							
Unit: THB mn	March 31, 2023		December 31, 2022		December 31, 2022		% Change (Stat)
	Stat	%	Proforma	%	Stat	%	
Equity							
Share capital							
Authorised share capital 3,000,000,000 ordinary shares at a par value of Baht 1 per share	3,000.0	11.8	3,000.0	10.6	3,000.0	10.6	0.0%
Issued and fully paid-up share capital 3,000,000,000 ordinary shares at a par value of Baht 1 per share	3,000.0	11.8	3,000.0	10.6	3,000.0	11.7	0.0%
Premium on share capital	18,394.9	72.3	18,394.9	65.3	18,394.9	71.4	0.0%
Retained earnings							
Appropriate - legal reserve	300.0	1.2	300.0	1.1	300.0	1.2	0.0%
Appropriate - other reserve	0.0	-	0.0	-	0.0	-	0.0%
Unappropriated	1,209.4	4.7	3,179.8	11.3	784.2	3.0	54.2%
Surplus (differences) arising from the business combination under common control	-	-	(409.4)	(1.5)	-	-	0.0%
Other components of equity	62.4	0.2	563.5	2.0	128.1	0.5	-51.3%
Total equity attributable to owners of the parent	22,966.7	90.2	25,028.8	88.8	22,607.2	87.8	1.6%
Non-controlling interests	0.8	0.1	15.9	0.1	(1.1)	-	-168.5%
Total equity	22,967.5	90.3	25,044.7	88.9	22,606.1	87.8	1.6%
Total liabilities and equity	25,456.8	100.0	28,177.7	100.0	25,749.6	100.0	-1.1%

1Q23 Statement of Cash Flows

Statement of Cash Flows				
Unit: THB mn	1Q23	1Q22	1Q22	% Change (Stat)
	Stat	Proforma	Stat	
Profit before income tax	452.5	833.6	824.9	-45.1%
Net cash receipts from/ (payments for) operating activities	314.4	(460.0)	(1,860.0)	-116.9%
Net cash receipts from/ (payments for) investing activities	(3,645.4)	398.4	(1,624.0)	124.5%
Net cash receipts from/ (payments for) financing activities	(9.7)	2,159.9	3,568.6	-100.3%
Net increase in cash and cash equivalents	(3,340.7)	2,098.3	84.6	-4,049.7%
Cash and cash equivalents - opening balance	10,798.9	702.7	3.3	328,134.3%
Exchange gain (loss) on cash and cash equivalents	(0.5)	(0.1)	(5.1)	-89.2%
Discontinued operation	-	-	9.5	0.0%
Cash and cash equivalents - closing balance	7,457.7	2,800.9	92.3	7,984.2%