

12 May 2023

Re Management Discussion and Analysis for the first quarter of year 2023 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 first quarter of year 2023 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 & Color1.2 Food Coating1.3 Dry1.4 Frozen1.5 Packaging (Plastic)1.6 Trading goods

Analysis of Financial Performance

Profit or Loss (In Million Baht)	Three month period (January - March)		Change	
	2023	2022	Amount	%
Revenue from sales and rendering services	1,055.79	984.23	71.57	7.27%
Cost of goods sold and rendering services	(674.29)	(614.69)	(59.60)	9.70%
Gross profit	381.50	369.53	11.97	3.24%
Gain (loss) on exchange rate	(11.33)	12.10	(23.43)	-193.69%
Other income	1.51	4.23	(2.72)	-64.35%
Selling expenses	(63.74)	(62.08)	(1.66)	2.67%
Administrative expenses	(130.09)	(122.28)	(7.81)	6.39%
Reversal (Net impairment losses) on financial assets	(0.46)	1.02	(1.49)	-145.45%
Finance costs	(2.34)	(2.30)	(0.04)	1.84%
Profit before share of loss from investments accounted for usign the equity method	175.05	200.23	(25.18)	-12.58%
Share of loss from investments accounted using the equity method	0.96	-	0.96	100.00%
Profit before income tax expense	176.01	200.23	(24.22)	-12.10%
Income tax expense	(28.98)	(34.52)	5.53	-16.03%
Profit for the year	147.03	165.72	(18.69)	-11.28%
Profit attributable to:				
Non-controlling interests	0.29	2.85	(2.56)	-89.76%
Owners of the parent	146.74	162.87	(16.13)	-9.90%



Revenues from Sales and Services in the First Quarter of Year 2023

In the first quarter of Year 2023, the Group had revenues from sales and services of Baht 1,055.79 million, which increased by Baht 71.57 million or YoY 7.27%, when compared with the first quarter of Year 2022, which had revenues from sales and services of Baht 984.23 million.

The main reasons for the increase in revenues from sales amounting to Baht 71.57 million are as follows:

- 1) The source of the revenues
 - From export sales, increased by Baht 80.85 million (YoY 41.46%)
- 2) Product groups
 - From the Food Coating Group, increased by Baht 84.51 million (YoY 20.16%)
- 3) Customer groups
 - From sales of General Retail Business Customers, amounting to Baht 50.20 million (YoY 86.40%)
 - From sales of Large Retail Business Customers, amounting to Baht 16.58 million (YoY 23.21%)
 - From sales of Industrial Customers, amounting to Baht 4.79 million (YoY 0.56%)

The increase in export sales amounting to Baht 80.85 million, mainly resulted from industrial customer of the Flavour, Fragrance & Color products amounting to Baht 64.97 million and industrial customer of the Food Coating products amounting to Baht 12.25 million.

Gross Profit for the First Quarter of Year 2023

Three month period (January - March)			Channe	N-N
(In Million Baht)	2023	2022	Change	ΥοΥ
Gross profit	381.50	369.53	11.97	3.24%
Proportion to revenue from sales and rendering services	36.13%	37.55%		

The expansion of both domestic and international markets made the Group's gross profit for the first quarter of year 2023 increased by Baht 11.97 million, mainly from the gross profit of the Flavour, Fragrance & color group amounting to Baht 24.22 million.

The decrease in average gross margin was affected by the Russia-Ukraine war situation that occurred in the beginning of 2022. This caused a significant increase in raw material prices as Russia and Ukraine were the world's top grain producers and exporters. In addition, Baht depreciation until the beginning of 2023 affected costs of goods. And the Large retail business which has low gross margin has grown. Moreover, the Group has business expansion by exporting goods to joint venture at low gross margin rate in order to launch the market until such joint venture can start its production plant.

Selling and Administrative Expenses for the First Quarter of Year 2023

Three month period (January - March)			Channe	VeV
(In Million Baht)	2023	2022	Change	ΥοΥ
Selling and Administrative Expenses	193.83	184.36	9.47	5.14%
Proportion to revenue from sales and rendering services	18.36%	18.73%		

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

- An increase in the electricity expense of Baht 4.22 million resulted from number of units increase and the adjustment of the electricity bill.
- An increase in the sales promotion expense of Baht 3.78 million resulted from increase sales of Large retail business.
- An increase in local transportation expense and outbound transportation expense amounting to Baht 3.21 million resulted from increase in domestic and export sales
- An increase in depreciation of Baht 3.19 million resulted from tools and equipment and building improvements.



Expected Credit Losses

In the First Quarter of Year 2023, the Group set up allowance for expected credit loss of Baht 0.46 million, representing 0.04% of revenues from sales and services. This set up increased from the same period of 2022 of Baht 1.49 million (YoY 145.45%), which reversed an expected credit loss of Baht 1.02 million, representing 0.10% of revenues from sales and services.

Profit for the First Quarter of Year 2023

Three month period (January - March)			Change	ΥοΥ
(In Million Baht)	2023	2022	Change	101
Profit for the period	147.03	165.72	-18.69	-11.28%
Proportion to revenue from sales and rendering services	13.93%	16.84%		

The decrease in average gross margin was affected by the Russia-Ukraine war situation that occurred in the beginning of 2022. This caused a significant increase in raw material prices as Russia and Ukraine were the world's top grain producers and exporters. In addition, Baht depreciation until the beginning of 2023 affected costs of goods. And the Large retail business which has low gross margin has grown. Moreover, the Group has business expansion by exporting goods to joint venture at low gross margin rate in order to launch the market until such joint venture can start its production plant.

Profit attributable to the Owner of the Parent for the First Quarter of Year 2023

In the first quarter of year 2023, the Group's profit attributable to the owner of the parent was Baht 146.74 million, representing 13.90% of revenues from sales and services, an decrease of Baht 16.13 million (YoY -9.90%), compared with the same period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 162.87 million, representing 16.55% of revenues from sales and services.

Analysis of the Financial Position

<u>Assets</u>

As of 31 March 2023, the Group had total assets of Baht 5,307.35 million, which increased of Baht 103.10 million or 1.98% from the balance as at 31 December 2022 where the total assets were Baht 5,204.25 million.

The major changes comprised:

- 1) An Increase in cash and cash equivalents of Baht 43.31 million mainly due to:-
 - Cash received from operations of Baht 182.16 million.
 - Payments for purchase of machinery and equipment, office equipment and furniture of Baht 131.50 million.
 - Subsidiary paid dividend to the Company's shareholders (non-controlling interests) of Baht 4.41 million.
- 2) An increase in property, plant and equipment of Baht 67.76 million, mainly due to investments both domestically and internationally for machinery and equipment, office equipment and furniture and building improvements, amounting to Baht 111.42 million and net of depreciation during the period of Baht 49.92 million.

Liabilities

As of 31 March 2023, the Group had total liabilities of Baht 754.52 million, representing 14.22% of total assets. Total liabilities decreased of Baht 53.21 million or 6.59% when compared with total liabilities as at 31 December 2022 of Baht 807.73 million, representing 15.52% of total assets. The major changes came from the following main reasons:

The increase in trade and other payables of Baht 74.53 million.



Shareholders' Equity

As of 31 March 2023, the Group had total shareholders' equity of Baht 4,552.83 million, equivalent to 85.78% of total assets. The shareholders' equity increased of Baht 156.31 million or 3.56% when compared with shareholders' equity as at 31 December 2022, which had balance of Baht 4,396.52 million, representing to 84.48% of total assets. The major changes were from:

- 1) Profit attributable to the owner of the parent for the first quarter of year 2023 of Baht 146.74 million.
- 2) Profit from non-controlling interests for the first quarter of year 2023 of Baht 0.29 million.
- 3) Decrease in non-controlling interests from its subsidiary paid dividend to the Company's shareholders (non-controlling interests) of dividends of Baht 4.41 million.
- 4) Increase in currency translation difference of Baht 13.69 million.

Cash Flow Statements

Statement of cash flows as of 31 March 2023 were as follows:

- 1) Net cash flows provided by operating activities of Baht 182.16 million.
- 2) Net cash flows provided by investing activities of Baht 131.53 million, mainly due to cash paid for purchase of property, plant and equipment of Baht 131.50 million.
- 3) Net cash flows used in financing activities of Baht 6.41 million, mainly due to subsidiary paid dividend to the Company's shareholders (non-controlling interests) of Baht 4.41 million and cash paid for the principal under lease agreements of Baht 2.00 million.
- 4) Cash and cash equivalents as of 31 March 2023 amounting to Baht 709.77 million and as at 31 December 2022 amounting to Baht 666.46 million.

Financial Ratios as at 31 March 2023

Compared with Financial Ratios as of 31 December 2022

- 1) Liquidity Ratios
 - 1.1 The liquidity ratio as of 31 March 2023 was at 5.50 times, indicating that the liquidity management was good when compared with the liquidity ratio as of 31 December 2022, which was averaged at 4.94 times, due to decreased of current liabilities.

Financial Ratios	Three months period as at 31 March 2023	For the year ended 31 December 2022
Liquidity Ratio		
Current Ratio (Time)	5.50	4.94
Quick Ratio (time)	3.14	2.81
Average Collection Period (Day)	83	83
Average Sale Period (Day)	163	154
Average Payment Period (Day)	44	51
Cash Cycle (Day)	202	186



2) Profitability Ratios

- 2.1 The gross profit margin rate as of 31 March 2023 was 36.13%, which was lower than gross profit margin rate as of 31 March 2022 was 37.55%. The decrease in average gross margin was affected by the Russia-Ukraine war situation that occurred in the beginning of 2022. This caused a significant increase in raw material prices as Russia and Ukraine were the world's top grain producers and exporters. In addition, Baht depreciation until the beginning of 2023 affected costs of goods. And the Large retail business which has low gross margin has grown. Moreover, the Group has business expansion by exporting goods to joint venture at low gross margin rate in order to launch the market until such joint venture can start its production plant.
- 2.2 The return on equity as of 31 March 2023 was 10.47%, which was lower than the return on equity as of 31 December 2022, which was 11.22%.
- 3) Efficiency Ratio
 - 3.1 Return on assets as of 31 March 2023 was 11.21%, which was lower than return on assets as of 31 December 2022, which was 12.01%.

Financial Ratios	Three months period as at 31 March 2023	For the year ended 31 December 2022
Profitability Ratio		
Gross Profit Margin (%)	36.13	33.97
Operating Profit Margin (%)	17.78	14.72
Net Profit Margin (%)	13.91	12.38
Return on Equity (ROE %)	10.47	11.22
Efficiency Ratio		
Return on Asset (ROA %)	11.21	12.01
Financial policy Ratio		
Debt to Equity Ratio (Time)	0.17	0.18

Yours Sincerely

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