

11 August 2023

Re Management Discussion and Analysis for the second quarter and six months period 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 second quarter and six months period 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 & 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 (April - June)		Change	
(iii i illiloii Julis)	2023	2022	Amount	%
Revenue from sales and rendering services	1,056.02	978.35	77.66	7.94%
Cost of goods sold and rendering services	(668.31)	(643.43)	24.88	3.87%
Gross profit	387.71	334.92	52.78	15.76%
Gain (loss) on exchange rate	3.69	2.10	1.59	75.96%
Other income	5.12	0.78	4.35	559.84%
Selling expenses	(66.61)	(62.74)	(3.87)	6.17%
Administrative expenses	(138.21)	(127.03)	(11.18)	8.80%
Reversal of (loss from) net impairment losses on financial assets	(0.19)	1.56	(1.75)	112.23%
Finance costs	(2.27)	(2.32)	0.05	-2.03%
Profit before Share of profit of joint ventures accounted for using the equity method	189.24	147.27	41.97	28.50%
Share of profit of joint ventures accounted for using the equity method	1.44	-	1.44	100.00%
Profit before income tax expense	190.68	147.27	43.41	29.48%
Income tax expense	(38.40)	(30.98)	7.41	23.93%
Profit for the year	152.28	116.28	36.00	30.96%
Profit (loss) attributable to:				
Non-controlling interests	(1.00)	0.99	(1.99)	-200.36%
Owners of the parent	153.28	115.29	37.99	32.95%

	Six months period (January - June)		nge
2023	2022	Amount	%
2,111.81	1,962.58	149.23	7.60%
(1,342.60)	(1,258.12)	84.48	6.71%
769.21	704.46	64.75	9.19%
(7.64)	14.20	(21.84)	-153.82%
6.63	5.01	1.62	32.38%
(130.35)	(124.82)	5.53	4.43%
(268.30)	(249.31)	18.99	7.62%
(0.66)	2.58	(3.24)	-125.38%
(4.61)	(4.61)	0.00	-0.10%
364.29	347.50	16.79	4.83%
2.41	-	2.41	100.00%
366.69	347.50	19.19	5.52%
(67.38)	(65.50)	1.88	2.87%
299.31	282.00	17.31	6.14%
(0.71)	3.85	(4.55)	-118.34%
300.02	278.16	21.86	7.86%



# Revenues from Sales and Services in the Second Quarter of Year 2023

In the second quarter of year 2023, the Group had revenues from sales and services of Baht 1,056.02 million, which increased by Baht 77.66 million or YoY 7.94%, when compared with the second quarter of year 2022, which had revenues from sales and services of Baht 978.35 million.

The main reasons for the increase in revenues from sales amounting to Baht 77.66 million are as follows:

- 1) The source of the revenues
  - From export sales, increased by Baht 104.95 million (YoY 50.66%)
- 2) Product groups
  - From the Food Coating Group, increased by Baht 62.03 million (YoY 14.45%)
  - From the Flavour, Fragrance & Color Group, increased by Baht 59.63 million (YoY 19.22%)
- 3) Customer groups
  - From sales of Industrial Customers, amounting to Baht 36.44 million (YoY 4.31%)
  - From sales of General Retail Business Customers, amounting to Baht 31.22 million (YoY 51.73%)
  - From sales of Large Retail Business Customers, amounting to Baht 10.00 million (YoY 13.74%)

The increase in export sales amounting to Baht 104.95 million, mainly resulted from industrial customer of the Flavour, Fragrance & Color products amounting to Baht 85.50 million and industrial customer of the Food Coating products amounting to Baht 18.32 million.

### Revenues from Sales and Services in the Six Months Period of Year 2023

For the six months period of year 2023, the Group had revenues from sales and services of Baht 2,111.81 million, which increased by Baht 149.23 million or YoY 7.60%, when compared with the same period of year 2022, which had revenues from sales and services of Baht 1,962.58 million.

The main reasons for the increase in revenues from sales amounting to Baht 149.23 million are as follows:

- 1) The source of the revenues
  - From export sales, increased by Baht 185.80 million (YoY 46.20%)
- 2) Product groups
  - From the Food Coating Group, increased by Baht 146.54 million (YoY 17.27%)
  - From the Flavour, Fragrance & Color Group, increased by Baht 77.96 million (YoY 11.92%)
- 3) Customer groups
  - From sales of General Retail Business Customers, amounting to Baht 81.42 million (YoY 68.74%)
  - From sales of Industrial Customers, amounting to Baht 41.23 million (YoY 2.43%)
  - From sales of Large Retail Business Customers, amounting to Baht 26.58 million (YoY 18.43%)

The increase in export sales amounting to Baht 185.80 million, mainly resulted from industrial customer of the Flavour, Fragrance & Color products amounting to Baht 150.47 million and industrial customer of the Food Coating products amounting to Baht 30.57 million.

# **Gross Profit for the Second Quarter of Year 2023**

Three months period (April - June)		Chamma	V-V	
(In Million Baht)	2023	2022	Change	YoY
Gross profit	387.71	334.92	52.78	15.76%
Proportion to revenue from sales and rendering services	36.71%	34.23%		

The expansion of both domestic and international markets made the Group's gross profit for the second quarter of year 2023 increased by Baht 52.78 million.

The increase in average gross margin was mainly because the proportion of revenues from sales of product groups with high gross margin had higher growth rate than those with low gross margin.



#### **Gross Profit for the Six Months Period of Year 2023**

Six months period (January - June)		Change	W-W	
(In Million Baht)	2023	2022	Change	YoY
Gross profit	769.21	704.46	64.75	9.19%
Proportion to revenue from sales and rendering services	36.42%	35.89%		

The expansion of both domestic and international markets made the Group's gross profit for the six months period of year 2023 increased by Baht 64.75 million.

The increase in average gross margin was mainly because the proportion of revenues from sales of product groups with high gross margin had higher growth rate than those with low gross margin.

### Selling and Administrative Expenses for the Second Quarter of Year 2023

Three months period (April - June)		Change	YoY	
(In Million Baht)	2023	2022	Change	YOY
Selling and Administrative Expenses	204.82	189.77	15.05	7.93%
Proportion to revenue from sales and rendering services	19.40%	19.40%		

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

- An increase in the salaries of Baht 5.29 million resulted from number of units increase of the Product Research and Development Department, Human Resources Department and Warehouse Department.
- An increase in the electricity expense of Baht 3.70 million resulted from number of units increase and the adjustment of the electricity bill.
- An increase in depreciation of Baht 3.34 million resulted from machinery and equipment and building improvements.
- An increase in commission expense of Baht 1.07 million resulted from the increase in export sales.

# Selling and Administrative Expenses for the Six Months Period of Year 2023

Six months period (January - June)			Change	VaV
(In Million Baht)	2023	2022	Change	YoY
Selling and Administrative Expenses	398.65	374.13	24.52	6.55%
Proportion to revenue from sales and rendering services	18.88%	19.06%		

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

- An increase in the salaries of Baht 11.39 million resulted from number of units increase of the Product Research and Development Department, Human Resources Department, Transport Department and Warehouse Department.
- An increase in the electricity expense of Baht 8.06 million resulted from number of units increase and the adjustment of the electricity bill.
- An increase in the sales promotion expense of Baht 3.22 million resulted from increase sales of Large retail business and General Retail Business.
- An increase in the outbound transportation expense of Baht 2.24 million resulted from increase in export sales.



# **Expected Credit Losses**

In the Second Quarter of Year 2023, the Group set up allowance for expected credit loss of Baht 0.19 million, representing 0.02% of revenues from sales and services. This set up increased from in the second quarter of year 2022 of Baht 1.75 million (YoY 112.23%), which reversed an expected credit loss of Baht 1.56 million, representing 0.16% of revenues from sales and services.

For the six months period of Year 2023, the Group set up allowance for expected credit loss of Baht 0.66 million, representing 0.03% of revenues from sales and services. This set up increased from the same period of year 2022 of Baht 3.24 million (YoY 125.38%), which reversed an expected credit loss of Baht 2.58 million, representing 0.13% of revenues from sales and services.

#### **Profit for the Second Quarter of Year 2023**

Three months period (April - June)		Change	YoY	
(In Million Baht)	2023	2022	Change	YOY
Profit for the period	152.28	116.28	36.00	30.96%
Proportion to revenue from sales and rendering services	14.42%	11.89%		

The increase in profit for the period was mainly because the proportion of revenues from sales of product groups with high gross margin had higher growth rate than those with low gross margin.

### **Profit for the Six Months Period of Year 2023**

Six months period (January	nonths period (January - June)		Channa	V-V
(In Million Baht)	2023	2022	Change	YoY
Profit for the period	299.31	282.00	17.31	6.14%
Proportion to revenue from sales and rendering services	14.17%	14.37%		

The increase in profit for the period was mainly because the proportion of revenues from sales of product groups with high gross margin had higher growth rate than those with low gross margin.

#### Profit attributable to the Owner of the Parent for the Second Quarter of Year 2023

In the second quarter of year 2023, the Group's profit attributable to the owner of the parent was Baht 153.28 million, representing 14.51% of revenues from sales and services, an increase of Baht 37.99 million (YoY 32.95%), compared with the second period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 115.29 million, representing 11.78% of revenues from sales and services.

### Profit attributable to the Owner of the Parent for the Six Months Period of Year 2023

For the six months period of year 2023, the Group's profit attributable to the owner of the parent was Baht 300.02 million, representing 14.21% of revenues from sales and services, an increase of Baht 21.86 million (YoY 7.86%), compared with the same period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 278.16 million, representing 14.17% of revenues from sales and services



# <u>Analysis of the Financial Position</u> <u>Assets</u>

As of 30 June 2023, the Group had total assets of Baht 5,285.71 million, which increased of Baht 81.46 million or 1.57% from the balance as at 31 December 2022 where the total assets were Baht 5,204.25 million.

The major changes comprised:

- 1) A decrease in cash and cash equivalents of Baht 86.56 million mainly due to:-
  - Cash received from operations of Baht 379.76 million.
  - Payments for purchase of machinery and equipment, office equipment and furniture of Baht 260.66 million.
  - Dividend paid to the shareholders of the Company in the amount of Baht 206.15 million.
- 2) An increase in property, plant and equipment of Baht 115.73 million, mainly due to investments both domestically and internationally for machinery and equipment, office equipment and furniture and building improvements, amounting to Baht 222.19 million and net of depreciation during the period of Baht 101.20 million.
- 3) An increase in inventories of Baht 19.20 million, mainly due to:-
  - An increase in finished goods of Baht 47.16 million, mainly consisted of the flavour, fragrance & color group of Baht 40.27 million and the trading goods group of Baht 6.82 million.
  - An increase in raw materials of Baht 9.98 million, mainly consisted of the flavour, fragrance & color group of Baht 57.53 million, the trading goods group of Baht 15.38 million, the dry group of Baht 3.13 million ,the frozen group of Baht 2.36 million and the decrease of the food coating group of Baht 68.13 million.
  - An increase in packing materials of Baht 7.12 million, mainly from food coating group of Baht 7.61 million.
  - A decrease in the goods in-transit of Baht 43.76 million, mainly from flavour, fragrance & color group and the food coating group of Baht 44.53 million.
- 4) An increase in trade and other account receivables of Baht 17.43 million, mainly due to:-
  - An increase in trade receivables of joint venture of Baht 19.79 million from the expansion of joint venture.
  - An increase in other receivables from other companies of Baht 6.53 million.
  - An increase in prepayments of Baht 4.02 million from prepayments of annual service fees.

#### **Liabilities**

As of 30 June 2023, the Group had total liabilities of Baht 756.27 million, representing 14.31% of total assets. Total liabilities decreased of Baht 51.46 million or -6.37% 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 decrease in trade and other payables of Baht 69.21 million.

# Shareholders' Equity

As of 30 June 2023, the Group had total shareholders' equity of Baht 4,529.44 million, equivalent to 85.69% of total assets. The shareholders' equity increased of Baht 132.92 million or 3.02% 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 six months period of year 2023 of Baht 300.02 million.
- 2) Loss attributable to non-controlling interests for the six months period of year 2023 of Baht 0.71 million
- 3) Decrease in non-controlling interests from subsidiary's dividend paid to its shareholders (non-controlling interests) of Baht 6.15 million.
- 4) Dividend paid to the shareholders of the Company of Baht 200.00 million.



#### **Cash Flow Statements**

Statement of cash flows for six months period anded 30 June 2023 were as follows:

- 1) Net cash flows provided by operating activities of Baht 379.76 million.
- 2) Net cash flows used in investing activities of Baht 260.09 million, mainly due to cash paid for purchase of property, plant and equipment of Baht 260.66 million.
- 3) Net cash flows used in financing activities of Baht 209.99 million, mainly due to dividend paid to the shareholders of the Company of Baht 200.00 million and subsidiary's dividend paid to its shareholders (non-controlling interests) of Baht 6.15 million and cash paid for the principal under lease agreements of Baht 3.84 million.
- 4) Cash and cash equivalents as of 30 June 2023 amounting to Baht 579.90 million and as at 31 December 2022 amounting to Baht 666.46 million.

# Financial Ratios as at 30 June 2023

Compared with Financial Ratios as of 31 December 2022

### 1) Liquidity Ratios

1.1 The liquidity ratio as of 30 June 2023 was at 5.32 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	Six months period ended 30 June 2023	For the year ended 31 December 2022
<u>Liquidity Ratio</u>		
Current Ratio (Time)	5.32	4.94
Quick Ratio (time)	2.96	2.81
Average Collection Period (Day)	84	83
Average Sale Period (Day)	166	154
Average Payment Period (Day)	46	51
Cash Cycle (Day)	204	186

#### 2) Profitability Ratios

- 2.1 The gross profit margin rate for six months period anded 30 June 2023 was 36.42%, which was higher than gross profit margin rate for six months period anded 30 June 2022 was 35.89%. The increase in average gross margin was mainly because the proportion of revenues from sales of product groups with high gross margin had higher growth rate than those with low gross margin.
- 2.2 The return on equity as of 30 June 2023 was 11.58%, which was higher than the return on equity as of 31 December 2022, which was 11.22%.



- Efficiency Ratio
  3.1 Return on assets as of 30 June 2023 was 15.11%, which was higher than return on assets as of 31 December 2022, which was 12.01%.

Financial Ratios	Six months period ended 30 June 2023	For the year ended 31 December 2022
Profitability Ratio		
Gross Profit Margin (%)	36.42	33.97
Operating Profit Margin (%)	17.55	14.72
Net Profit Margin (%)	14.13	12.38
Return on Equity (ROE %)	11.58	11.22
Efficiency Ratio		
Return on Asset (ROA %)	15.11	12.01
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.17	0.18

Yours Sincerely

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