

10 November 2023

Re Management Discussion and Analysis for the third quarter and nine 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 third quarter and nine 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 mon (July - Se		Change			Nine months period (January - September)		Change	
	2023	2022	Amount	%		2023	2022	Amount	%
Revenue from sales and rendering services	1,159.04	993.64	165.40	16.65%		3,270.85	2,956.22	314.63	10.64%
Cost of goods sold and rendering services	(702.16)	(674.93)	27.23	4.03%		(2,044.77)	(1,933.06)	111.71	5.78%
Gross profit	456.88	318.71	138.17	43.35%		1,226.09	1,023.16	202.92	19.83%
Gain on exchange rate	18.94	18.82	0.11	0.59%		11.30	33.02	(21.72)	-65.79%
Other income	-	0.84	(0.84)	-100.00%		6.38	5.86	0.53	8.98%
Selling expenses	(80.83)	(69.78)	11.05	15.83%		(211.18)	(194.60)	16.57	8.52%
Administrative expenses	(130.95)	(125.62)	5.32	4.24%		(399.00)	(374.94)	24.06	6.42%
Reversal of (loss from) net impairment losses on financial assets	(1.68)	1.14	(2.81)	-247.53%	20	(2.33)	3.72	(6.05)	-162.70%
Finance costs	(3.50)	(2.06)	1.43	69.54%		(8.11)	(6.68)	1.43	21.42%
Profit before Share of profit of joint ventures accounted for using the equity method	258.87	142.05	116.82	82.24%		623.15	489.54	133.61	27.29%
Share of profit of joint ventures accounted for using the equity method	3.31	-	3.31	100.00%		5.71	-	5.71	100.00%
Profit before income tax expense	262.17	142.05	120.13	84.57%		628.86	489.54	139.32	28.46%
Income tax expense	(52.13)	(28.53)	23.60	82.71%		(119.51)	(94.03)	25.48	27.10%
Profit for the year	210.04	113.51	96.53	85.03%		509.35	395.51	113.84	28.78%
Profit (loss) attributable to:									
Non-controlling interests	0.67	3.37	(2.71)	-80.19%		(0.04)	7.22	(7.26)	-100.51%
Owners of the parent	209.37	110.14	99.23	90.10%		509.39	388.29	121.09	31.19%



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

In the Third guarter of year 2023, the Group had revenues from sales and services of Baht 1,159.04 million, which increased by Baht 165.40 million or YoY 16.65%, when compared with the third quarter of year 2022, which had revenues from sales and services of Baht 993.64 million.

The main reasons for the increase in revenues from sales amounting to Baht 165.40 million are as follows:

- 1) The source of the revenues
 - From export sales, increased by Baht 110.04 million (YoY 53.56%)
 - From domestic sales, increased by Baht 55.36 million (YoY 7.02%)
- Product groups 2)
 - From the Food Coating Group, increased by Baht 101.63 million (YoY 21.37%)
 - From the Flavour, Fragrance & Color Group, increased by Baht 87.08 million (YoY 29.14%) Customer groups
- 3)
 - From sales of Industrial Customers, amounting to Baht 116.18 million (YoY 14.05%)
 - From sales of General Retail Business Customers, amounting to Baht 35.84 million (YoY 45.21%)
 - From sales of Large Retail Business Customers, amounting to Baht 13.38 million (YoY 15.30%)

The increase in export sales amounting to Baht 110.04 million, mainly resulted from industrial customer of the Flavour, Fragrance & Color products amounting to Baht 85.65 million and industrial customer of the Food Coating products amounting to Baht 24.93 million.

The increase in domestic sales amounting to Baht 55.36 million, mainly resulted from general retail business customer of the Food Coating products amounting to Baht 33.72 and industrial customer of the Food Coating products amounting to Baht 28.59 million.

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

For the nine months period of year 2023, the Group had revenues from sales and services of Baht 3,270.85 million, which increased by Baht 314.63 million or YoY 10.64%, when compared with the same period of year 2022, which had revenues from sales and services of Baht 2,956.22 million.

The main reasons for the increase in revenues from sales amounting to Baht 314.63 million are as follows:

- The source of the revenues 1)
 - From export sales, increased by Baht 295.84 million (YoY 48.69%)
 - From domestic sales, increased by Baht 18.79 million (YoY 0.80%)
- 2) Product groups
 - From the Food Coating Group, increased by Baht 248.17 million (YoY 18.74%)
 - From the Flavour, Fragrance & Color Group, increased by Baht 165.04 million (YoY 17.32%)
- Customer groups 3)
 - From sales of Industrial Customers, amounting to Baht 157.40 million (YoY 6.23%)
 - From sales of General Retail Business Customers, amounting to Baht 117.27 million (YoY 59.31%)
 - From sales of Large Retail Business Customers, amounting to Baht 39.96 million (YoY 17.25%)

The increase in export sales amounting to Baht 295.84 million, mainly resulted from industrial customer of the Flavour, Fragrance & Color products amounting to Baht 236.12 million and industrial customer of the Food Coating products amounting to Baht 55.50 million.

The increase in domestic sales amounting to Baht 18.79 million, mainly resulted from general retail business customer of the Food Coating products.



Gross Profit for the Third Quarter of Year 2023

Three months period (July- Se	Change	Y - Y		
(In Million Baht)	2023	2022	Change	ΥοΥ
Gross profit	456.88	318.71	138.17	43.35%
Proportion to revenue from sales and rendering services	39.42%	32.07%		

The expansion of both domestic and international markets made the Group's gross profit for the third quarter of year 2023 increased by Baht 138.17 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. Moreover, the price of wheat flour in the world market decreased.

Gross Profit for the Nine Months Period of Year 2023

Nine months period (January -	Change	VeV		
(In Million Baht)	2023	2022	Change	ΥοΥ
Gross profit	1,226.09	1,023.16	202.92	19.83%
Proportion to revenue from sales and rendering services	37.49%	34.61%		

The expansion of both domestic and international markets made the Group's gross profit for the nine months period of year 2023 increased by Baht 202.92 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. Moreover, the price of wheat flour in the world market decreased.

Selling and Administrative Expenses for the Third Quarter of Year 2023

Three months period (July- Se	Change	ΥοΥ		
(In Million Baht)	2023	2022	Change	for
Selling and Administrative Expenses	211.77	195.40	16.37	8.38%
Proportion to revenue from sales and rendering services	18.27%	19.67%		

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

- An increase in the salaries of Baht 5.22 million resulted from annual salary increase and increase in number of employees of the Product Research and Development Department, Quality Assurance Department and Warehouse Department.
- An increase in local transportation expense and outbound transportation expense amounting to Baht 4.91 million resulted from increase in domestic and export sales.
- An increase in commission expense of Baht 4.15 million resulted from increase in domestic and export sales.
- An increase in depreciation of Baht 2.03 million resulted from machinery and equipment and building improvements.



Selling and Administrative Expenses for the Nine Months Period of Year 2023

Nine months period (January -	Channe	N - N		
(In Million Baht)	2023	2022	Change	ΥοΥ
Selling and Administrative Expenses	610.17	569.54	40.64	7.13%
Proportion to revenue from sales and rendering services	18.65%	19.27%		

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

- An increase in the salaries of Baht 16.61 million resulted from annual salary increase and increase in number of employees of the Product Research and Development Department, Human Resources Department, Warehouse Department and Quality Assurance Department.
- An increase in the electricity expense of Baht 10.03 million resulted from number of units increase.
- An increase in depreciation of Baht 8.44 million resulted from machinery and equipment and building improvements
- An increase in local transportation expense and outbound transportation expense of Baht 5.95 million resulted from increase in domestic and export sales.

Expected Credit Losses

In the Third Quarter of Year 2023, the Group set up allowance for expected credit loss of Baht 1.68 million, representing 0.14% of revenues from sales and services. This allowance increased from the third quarter of year 2022 of Baht 2.81 million (YoY 247.53%), which reversed an expected credit loss of Baht 1.14 million, representing 0.11% of revenues from sales and services.

For the nine months period of Year 2023, the Group set up allowance for expected credit loss of Baht 2.33 million, representing 0.07% of revenues from sales and services. This allowance increased from the same period of year 2022 of Baht 6.05 million (YoY 162.70%), which reversed an expected credit loss of Baht 3.72 million, representing 0.13% of revenues from sales and services.

Profit for the Third Quarter of Year 2023

Three months period (July- Se	Change	ΥοΥ		
(In Million Baht)	2023	2022	Change	101
Profit for the period	210.04	113.51	96.53	85.03%
Proportion to revenue from sales and rendering services	18.12%	11.42%		

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. Moreover, the price of wheat flour in the world market decreased.

Profit for the Nine Months Period of Year 2023

Nine months period (January -	Change	VeV		
(In Million Baht)	2023	2022	Change	ΥοΥ
Profit for the period	509.35	395.51	113.84	28.78%
Proportion to revenue from sales and rendering services	15.57%	13.38%		

The increase in profit for the nine months 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. Moreover, the price of wheat flour in the world market decreased.



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

In the third quarter of year 2023, the Group's profit attributable to the owner of the parent was Baht 209.37 million, representing 18.06% of revenues from sales and services, an increase of Baht 99.23 million (YoY 90.10%), compared with the third period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 110.14 million, representing 11.08% of revenues from sales and services.

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

For the nine months period of year 2023, the Group's profit attributable to the owner of the parent was Baht 509.39 million, representing 15.57% of revenues from sales and services, an increase of Baht 121.09 million (YoY 31.19%), compared with the same period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 388.29 million, representing 13.13% of revenues from sales and services.

Analysis of the Financial Position Assets

As of 30 September 2023, the Group had total assets of Baht 5,499.17 million, which increased of Baht 294.93 million or 5.67% 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 0.59 million mainly due to:-
 - Cash received from operations of Baht 553.42 million.
 - Payments for purchase of machinery and equipment, office equipment and furniture of Baht 339.48 million.
 - Dividend paid to the shareholders of the Company of Baht 206.15 million.
- 2) An increase in property, plant and equipment of Baht 142.45 million, mainly due to investments both domestically and internationally for machinery and equipment, office equipment and furniture and building improvements, amounting to Baht 304.04 million and net of depreciation during the period of Baht 152.15 million.
- 3) An increase in trade and other account receivables of Baht 75.02 million, mainly due to:-
 - An increase in trade receivables of joint venture of Baht 39.73 million from the market expansion of joint venture.
 - An increase in trade receivables from other companies of Baht 33.45 million.
 - An increase in prepayments of Baht 7.01 million from prepayments of insurance for factory and annual service fees.
- 4) An increase in right-of-use assets of Baht 33.40 million, mainly due to new lease agreements for land, office building and warehouse for overseas expansion.

Liabilities

As of 30 September 2023, the Group had total liabilities of Baht 776.66 million, representing 14.12% of total assets. Total liabilities decreased of Baht 31.07 million or 3.85% 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:

- 1) The decrease in trade and other payables of Baht 63.02 million.
- 2) An increase in lease liabilities of Baht 44.54 million from new lease agreements for land, office building and warehouse for overseas expansion.

Shareholders' Equity

As of 30 September 2023, the Group had total shareholders' equity of Baht 4,722.51 million, equivalent to 85.88% of total assets. The shareholders' equity increased of Baht 325.99 million or 7.41% 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 nine months period of year 2023 of Baht 509.39 million.
- 2) Loss attributable to non-controlling interests for the nine months period of year 2023 of Baht 0.04 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 nine months period ended 30 September 2023 were as follows:

- 1) Net cash flows provided by operating activities of Baht 553.42 million.
- 2) Net cash flows used in investing activities of Baht 340.10 million, mainly due to cash paid for purchase of property, plant and equipment of Baht 339.48 million.
- 3) Net cash flows used in financing activities of Baht 221.12 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 14.97 million.
- 4) Cash and cash equivalents as of 30 September 2023 amounting to Baht 665.87 million and as at 31 December 2022 amounting to Baht 666.46 million.

Financial Ratios as at 30 September 2023

Compared with Financial Ratios as of 31 December 2022

- 1) Liquidity Ratios
 - 1.1 The liquidity ratio as of 30 September 2023 was at 5.75 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.

Financial Ratios	Nine months period ended 30 September 2023	For the year ended 31 December 2022
Liquidity Ratio		
Current Ratio (Time)	5.75	4.94
Quick Ratio (time)	3.33	2.81
Average Collection Period (Day)	85	83
Average Sale Period (Day)	162	154
Average Payment Period (Day)	46	51
Cash Cycle (Day)	201	186



- 2) Profitability Ratios
 - 2.1 The gross profit margin rate for nine months period ended 30 September 2023 was 37.49%, which was higher than gross profit margin rate for nine months period ended 30 September 2022 was 34.61%. 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. Moreover, the price of wheat flour in the world market decreased.
 - 2.2 The return on equity as of 30 September 2023 was 13.36%, which was higher than the return on equity as of 31 December 2022, which was 11.22%.
- 3) Efficiency Ratio
 - 3.1 Return on assets as of 30 September 2023 was 14.28%, which was higher than return on assets as of 31 December 2022, which was 12.01%.

Financial Ratios	Nine months period ended 30 September 2023	For the year ended 31 December 2022
Profitability Ratio		
Gross Profit Margin (%)	37.49	33.97
Operating Profit Margin (%)	18.83	14.72
Net Profit Margin (%)	15.54	12.38
Return on Equity (ROE %)	13.36	11.22
Efficiency Ratio		
Return on Asset (ROA %)	14.28	12.01
Financial policy Ratio		
Debt to Equity Ratio (Time)	0.16	0.18

Yours Sincerely

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