

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 months period (July - September)		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%	(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 quarter 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%)
- 2) Product groups
 - 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%)
- 3) Customer groups
 - 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:

- 1) The source of the revenues
 - 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%)
- 3) Customer groups
 - 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- September)			Change	YoY
(In Million Baht)	2023	2022		
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 - September)			Change	YoY
(In Million Baht)	2023	2022		
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- September)			Change	YoY
(In Million Baht)	2023	2022		
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 - September)			Change	YoY
(In Million Baht)	2023	2022		
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- September)			Change	YoY
(In Million Baht)	2023	2022		
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 - September)			Change	YoY
(In Million Baht)	2023	2022		
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.

