

Thai Union Feedmill Public Company Limited

Management Discussion and Analysis for Q3'2023 Results, ended 30 September 2023

Q3'2023 Profitability continually grew from the previous quarter, resulted GPM rose to 11.1% which was at the same level as previous year, even raw material price was still higher. While sales slightly declined, caused by the falling shrimp price situation.

Revenue from Sales

Thai Union Feedmill Public Company Limited (“Company”) reported sales at THB 1,305.7 million in Q3'23 decreased 4.8% from the same period of last year, caused by shrimp feed and fish feed sales dropped around 7.0% and 5.7% YoY, respectively. Despite livestock feed sales rose by 6.7% YoY, caused by increasing of livestock feed sales in Pakistan.

Gross profit and gross margin

Q3'23 Gross profit was at THB 144.8 million, decreased 5.3% YoY, caused by lower top-line. However, the profitability continually recovered from the previous quarter from selective sales and production cost optimization. Resulted GPM was at 11.1% remained the same as Q3'22.

Net profit

Q3'23 net profit was at 52.5 THB million, declined 8.9% YoY, from lower sales as aforementioned as well as the recognition of provision for allowance for doubtful accounts of subsidiaries in Indonesia amount THB 7.3 million. While management attempted to strictly control expenses, resulted the SG&A expenses to sales was down to 6.5% from 6.9% in Q3'22.

Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

Share price (30/10/2023)	THB 6.10
Historical closing price (since 1 January 2023):	
Highest closing price:	THB 11.70
Lowest closing price:	THB 6.05
No. of shares:	500.0 m
Par value:	THB 2.00
Market Cap.:	THB 3,050 m
Avg. trading value/day (YTD)	THB 0.79 m

Major shareholders (30/06/2023)

Thai Union Group PCL.	51.0%
Boonmechote Family	19.6%
Mr. Bunluesak Sorajakit	3.1%
Mr. Karnphong Piemphongsuk	1.5%
Mr. Suksan Yasasin	1.4%

Business Overview

Thai Union Feedmill Public Company Limited (TFM) is the producer and distributor of economic animal feed. The main products of TFM are shrimp feed, fish feed, and livestock feed. TFM currently has production bases domestically and internationally.

Dividend Payment

The Company has a policy to pay dividend to shareholders at least twice a year with the total amount of not less than 50% of the net profit according to the consolidated financial statements of the Company after the deduction of all types of reserves required by the Company's Articles of Association and Laws.

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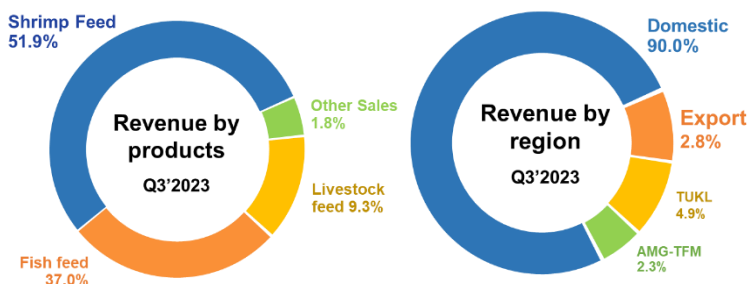
Financial Statement Analysis

Unit : THB million

	Q3'2023	Q3'2022	YoY	Q2'2023	QoQ
Sales	1,305.7	1,371.6	-4.8%	1,343.6	-2.8%
Cost of sales	(1,161.0)	(1,218.7)	-4.7%	(1,221.2)	-4.9%
Gross profit	144.8	152.9	-5.3%	122.4	18.3%
Other income	14.2	16.7	-14.8%	19.9	-28.7%
SG&A	(84.9)	(95.1)	-10.7%	(94.3)	-10.0%
Reversal/impairment on AR	(19.6)	(10.2)	93.3%	2.2	-973.1%
Other gain/loss	3.5	1.4	149.2%	(14.7)	124.1%
EBIT	58.0	65.8	-11.8%	35.6	63.1%
Finance costs	(2.7)	(5.9)	-54.4%	(2.4)	14.0%
PBT	55.3	59.9	-7.6%	33.2	66.6%
Income tax	(11.5)	(6.3)	82.5%	9.1	-226.6%
Net Profit for period	43.8	53.6	-18.2%	42.3	3.6%
Profit attributed to the Company	52.5	57.6	-8.9%	47.8	9.9%
Earning per share (THB)	0.10	0.12	-16.7%	0.10	0.0%
Gross profit margin	11.1%	11.1%		9.1%	
Net profit margin	4.0%	4.2%		3.5%	

Sales breakdown by product:

	Sales (Unit : THB million)			Qty (Unit : Tones)		
	Q3'2023	Q3'2022	YoY	Q3'2023	Q3'2022	YoY
Shrimp feed	677.0	727.6	-7.0%	22,297	26,136	-14.7%
Fish feed	483.7	513.0	-5.7%	13,910	17,648	-21.2%
Livestock feed	121.7	114.0	6.7%	7,460	6,749	10.5%
Other sales	23.3	16.9	37.3%	-	-	0.0%
Total	1,305.7	1,371.6	-4.8%	43,667	50,533	-13.6%



Sales

The company reported Q3'23 revenue from sales at THB 1,305.7 million, decreased 4.8% YoY and 2.8% QoQ with the following details;

Revenue from shrimp feed

- In Q3'23, revenue from shrimp feed sales was THB 677.0 million, down 7.0% YoY, caused by the situation of falling shrimp price, resulted the farmer had changed to use fighting brand, while the Company doesn't focus on that segment, but focus on premium grade, therefore the selling volume dropped by 14.7% yoy.
- Comparing to the previous quarter, revenue from shrimp feed sales decreased 16.8% QoQ due to shrimp feed sales volume dropped by 11.7% QoQ caused the situation of falling shrimp price as mentioned above.
- The revenue from shrimp feed sales by PT Thai Union Kharisma Lestari ("TUKL") was at THB 64.6 million in Q3'23, robustly grew from previous year around THB 46.4 million (+256.5% yoy) from market expansion. However, its declined 9.4% QoQ, caused by shrimp feed sales volume declined 6.5% QoQ.

Revenue from fish feed

- In Q3'23, revenue from fish feed sales was at THB 483.7 million declined 5.7% YoY, mainly caused by decreasing of fish feed sales from AMG-Thaiunion Feedmill Private Limited ("AMG-TFM") in Pakistan, while domestic fish feed sales slightly increased (+2.8%) thank to sea bass feed sale volume up 40.5% YoY, resulted average selling price of fish feed segment increased.
- Compared to the previous quarter, revenue from fish feed sales up 22.8% QoQ, caused by sales volume in Thailand and AMG-TFM in Pakistan increased from the previous quarter in the same level (22.8%).

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Revenue from livestock feed

- Q3'23 revenue from livestock feed sales was at THB 121.7 million, increased 6.7% YoY, thank to increasing of livestock feed sales from AMG-Thaiunion Feedmill Private Limited (“**AMG-TFM**”) in Pakistan. Despite, domestic livestock feed sales slightly dropped at 2.1%, resulted from the sales strategy adjustment.
- Compared to the previous quarter, revenue from livestock feed increased by 4.6% QoQ mainly caused by selling volume up by 4.3% QoQ.

9M'23 the Company sales was at THB 3,801.6 million, up 3.8% YoY, thank to shrimp feed performance showed its growth at 8.6% YoY from increasing of shrimp feed sales in TUKL in Indonesia. As well as livestock feed sales grew at 12.5% YoY from increasing of livestock feed sales in AMG-TFM in Pakistan. While fish feed sales slightly dropped (5.5%) caused by portfolio adjustment.

Cost of goods sold and Gross profit

- In Q3'23, the Company's cost of goods sold was at THB 1,161.0 million, decreased 4.7% YoY, mainly due to raw material costs declined in line with the sales volume and better control of production costs.
- The Company's cost of goods sold was down 4.9% QoQ, as a result of better cost management and control.

Resulted, Q3'23 Gross profit was at THB 144.8 million, down 5.3% YoY from the same period of last year which was at THB 152.9 million, mainly caused by sales were down. While the gross profit margin was 11.1%% at the same level as Q3'22 and increased from the previous quarter which was at 9.1% as a result of focusing on production cost optimization.

Selling General and Administrative Expenses

In Q3'23, the Company's SG&A expenses were at THB 84.9 million, down 10.7% YoY. Due to declining of administrative expenses from the company's internal cost control, resulted the SG&A expenses to sales was at 6.5% decreased from 6.9% in Q3'22.

Net profit

In Q3'23, the company reported the net profit attributed to shareholders at THB 52.5 million dropped 8.9% YoY, as a result of the selling volume declined. However, the net profit increased 9.9% QoQ due to better management of both production cost and SG&A expenses.

In addition, in Q3'22 the company has recognized expenses incurred from provision of allowance for doubtful accounts of TUKL in Indonesia amount of THB 7.3 million, which was the first time in accordance with the accounting standard.

As a result, EPS decreased from THB 0.12 per share in Q3'22 to THB 0.10 per share in Q3'23.

For the 9M'23 net profit, the Company net profit was at THB 72.5 million declined 21.7% YoY, from the loss performance in Q1'23 and turned around with strong growth in Q2 and Q3'23, resulted 9M'23 EPS was at THB 0.15 per share. If excluding one-off item occurred in Q2'23 (written-of R&D farm at THB 20.0 million), net profit for 9M'23 shall be at the same level of last year (-0.4%), even the raw material price was still higher than last year.

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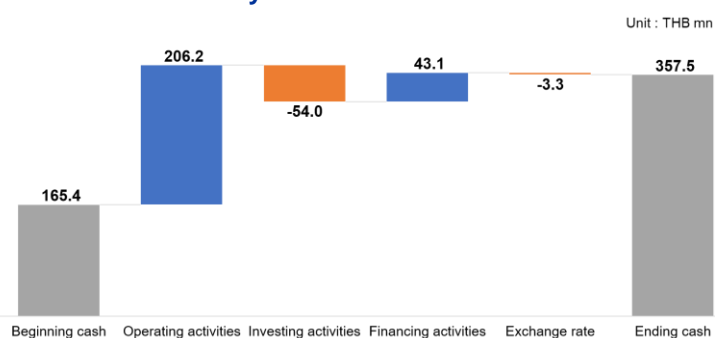
Financial position analysis:

As of August 30, 2023, the Company reported total assets of THB 3,307.5 million, a 3.3% increased from the end of 2022. Mainly due to increase in cash from profitable operation as well as higher cash flow from operating activity compared with the same previous last year.

Total liabilities increased to THB 822.7 million, 8.6% increased from the end of the previous year. The increase due to the higher of TUKL's long-term loan at THB 79.8 million and short-term loan at THB 17.3 million, which was used for working capital. Although trade and other payables declined at THB 33.2 million.

Total shareholder's equity was at THB 2,484.8 million, 1.7% increase from the end of last year, due to the operating profit in 9M'23 (1 January – 30 September 2023)

Cash flow analysis:



In 9M'23, net cash from operating activities was mainly from EBITDA at THB 197.5 million adjusted by the non-cash items plus THB 36.9 million, minus THB 16.1 million from operating assets and liabilities as well as minus income tax paid by THB 12.1 million, as a result net cash receipt from operating activities were at THB 206.2 million.

Net cash payment from investing activities were at THB 53.9 million, mainly payment from the additional CAPEX in fixed asset at THB 58.5 million but partially

offset by, received from selling and existing PPE at THB 4.7 million.

Net cash receipts from financing activities were at THB 43.1 million which inflow mainly from long-term loan which has a lower interest rate, drawn by TUKL at THB 80.5 million and net cash receipts from short-term loan from financial institution at THB 13.3 million. In addition, the payment for the long-term lease and interest expenses totaling THB 10.7 million as well as annual dividend payment to shareholders for the second half of 2022 performance totally THB 40 million.

Key Financial ratios:

Key Financial Ratio	Q3'2023	Q3'2022	Q2'2023
Current Ratio (x)	2.9	2.5	2.7
Average Collecting Period (Day)	59	63	55
Day Inventory Outstanding (Day)	46	46	44
Return on Capital Employed (%)	2.9%	5.9%	3.2%
Return on Equity (%)	4.0%	8.2%	4.3%
Return on Assets (%)	2.3%	4.0%	2.6%
Net Interest Bearing Debt to Equity (x)	-	-	-
Book Value per Shares (THB)	5.0	4.8	4.9

Remark:

Current ratio = Total current assets / Total current liabilities

ROCE = 12-month rolling EBIT / Average capital employed

Capital employed = total assets – total current liabilities (incl. current portion of long-term debt)

ROE = 12-month rolling net profit attributed to the owner / average equity attributed to owner

ROA = 12-month rolling EBIT / average total assets

ND/E = Interest-bearing debt – cash & cash equivalents / total shareholders' equity

BV = total shareholders' equity / outstanding shares

As of September 30, 2023, the current ratio was at 2.9 times slightly increased from Q2'2023, due to lower of current liabilities in account receivable.

The profitability ratio in Q3'23 (ROCE at 2.9%, ROE at 4.0% ROA at 2.3%), decreased from the previous year and the previous quarter, as a result of sales decline aforementioned.

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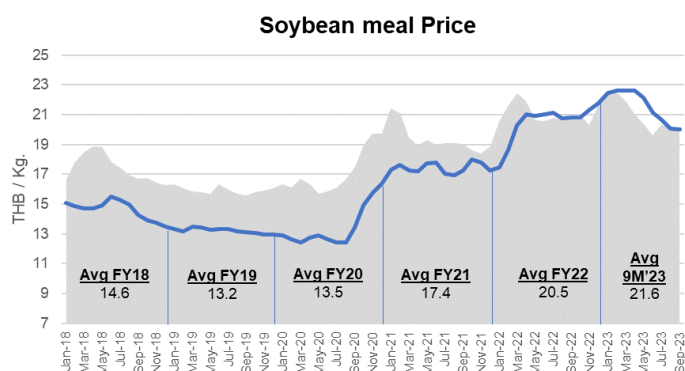
Industry overview

According to the Thai Feed Mill Association (TFMA), the demand of animal feed in 2023 is forecasted to increase to 19.99 million tons, from 19.08 million tons in the previous year, mainly due to increasing of the demand on swine feed and broiler feed.

While the demand of aquaculture feed was expected to grow from shrimp feed around 10,000 tons or 20% and fish feed still remained the same as previous year.

Shrimp farming situation in Q3'2023, declined from the previous year at 3.8%, while the company's shrimp feed sales volume decreased by 14.7% compared to the same period last year due to the shrimp price declined, resulted the farmer shifted to fighting brand, which the Company's strategy focuses on premium grade and high-quality products, therefore the company's shrimp feed market share was at 18% slightly dropped from previous year which was at 19%.

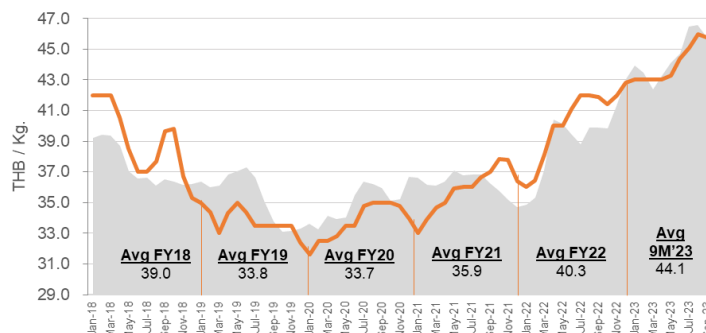
Key raw material price:



Source: Department of Internal Trade

As of September 2023, soybean meal price was at THB 20.0 per kilogram, 5.4% decrease from THB 21.15 per kilogram at the end of June 2023, while Q3'23 average soybean meal price was at THB 20.26 per kilogram decreased 3.2% YoY.

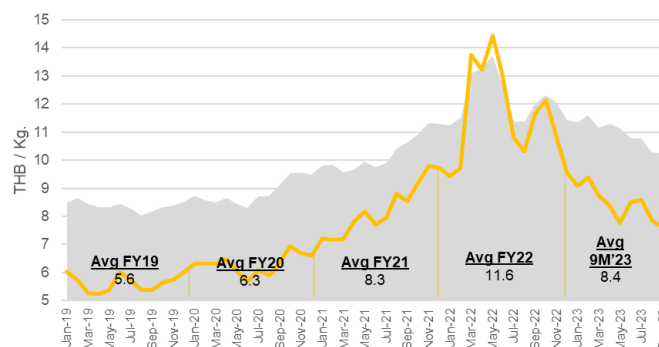
Fish meal Price



Source: Department of Internal Trade

As of September 2023, fish meal price was at THB 45.79 per kilogram, 3.2% increased from THB 44.38 per kilogram at the end of June 2023, while Q3'23 average fish meal price was at THB 45.63 per kilogram increased 8.8% YoY.

Wheat flour Price



Source: Department of Internal Trade

As of September 2023, wheat flour price was at THB 7.59 per kilogram, 10.7% decreased from THB 8.5 per kilogram at the end of June 2023, while Q3'23 average wheat flour price was at THB 8.02 per kilogram decreased 26.7% YoY.