

23 February 2024

Re Management Discussion and Analysis for the 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 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)	For the Year (January - December)		Change	
	2023	2022	Amount	%
Revenue from sales and rendering services	4,421.11	3,961.21	459.90	11.61%
Cost of goods sold and rendering services	(2,759.97)	(2,615.43)	144.54	5.53%
Gross profit	1,661.13	1,345.78	315.36	23.43%
Gain (loss) on exchange rate	(14.19)	20.10	34.29	170.62%
Other income	8.31	7.11	1.21	16.96%
Selling expenses	(301.27)	(259.15)	42.12	16.25%
Administrative expenses	(540.94)	(503.48)	37.45	7.44%
Reversal of (loss from) net impairment losses on financial assets	(2.63)	2.89	5.52	191.02%
Finance costs	(10.98)	(9.15)	1.83	20.00%
Share of profit of joint ventures accounted for using the equity method	7.05	0.02	7.03	35593.28%
Profit before income tax expense	806.48	604.10	202.38	33.50%
Income tax expense	(157.14)	(112.88)	44.25	39.20%
Profit for the year	649.35	491.22	158.13	32.19%
Profit (loss) attributable to:				
Non-controlling interests	0.32	8.95	(8.63)	-96.45%
Owners of the parent	649.03	482.27	166.76	34.58%

Revenues from Sales and Services for the Year 2023

For the year 2023, the Group had revenues from sales and services of Baht 4,421.11 million, which increased by Baht 459.90 million or YoY 11.61%, when compared with the same period of year 2022, which had revenues from sales and services of Baht 3,961.21 million.

The main reasons for the increase in revenues from sales amounting to Baht 459.90 million are as follows:

- 1) The source of the revenues
 - From export sales, increased by Baht 392.63 million (YoY 48.01%)
 - From domestic sales, increased by Baht 67.27 million (YoY 2.14%)
- 2) Product groups
 - From Food Coating Group, increased by Baht 331.77 million (YoY 18.57%)
 - From Flavour, Fragrance & Color Group, increased by Baht 195.94 million (YoY 15.17%)
- 3) Customer groups
 - From sales of Industrial Customers, amounting to Baht 267.02 million (YoY 7.99%)
 - From sales of General Retail Business Customers, amounting to Baht 146.28 million (YoY 50.38%)
 - From sales of Large Retail Business Customers, amounting to Baht 46.60 million (YoY 14.14%)

The increase in export sales amounting to Baht 392.63 million, mainly resulted from industrial customer of Flavour, Fragrance & Color group amounting to Baht 298.75 million, industrial customer of Food Coating group amounting to Baht 72.40 million and industrial customer of Frozen group amounting to Baht 22.78 million.

The increase in domestic sales amounting to Baht 67.27 million, mainly resulted from general retail business customer of Food Coating group.

Gross Profit for the Year 2023

For the Year 2023			Change	YoY
(In Million Baht)	2023	2022		
Gross profit	1,661.13	1,345.78	315.36	23.43%
Proportion to revenue from sales and rendering services	37.57%	33.97%		

The expansion of both domestic and international markets made the Group's gross profit for the year 2023 increased by Baht 315.36 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 Year 2023

For the Year 2023			Change	YoY
(In Million Baht)	2023	2022		
Selling and Administrative Expenses	842.21	762.64	79.57	10.43%
Proportion to revenue from sales and rendering services	19.05%	19.25%		

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

- An increase in the salaries of Baht 24.52 million resulted from increase in number of employees of Product Research and Development Department, Quality Assurance Department, Warehouse Department and Human Resources Department.
- An increase in depreciation of Baht 18.20 million resulted from machinery and equipment and building improvements.
- An increase in the sales promotion expense of Baht 17.21 million resulted from expansion of general retail business customers and large retail business customers markets.
- An increase in the electricity expense of Baht 12.61 million resulted from number of units increase and the adjustment of the electricity bill.
- An increase in commission expense of Baht 4.41 million resulted from increase in domestic and export sales
- An increase in exhibition expenses, food and beverage trade show, both domestic and abroad of Baht 2.85 million.

Expected Credit Losses

For the year 2023, the Group set up allowance for expected credit loss of Baht 2.63 million, representing 0.06% of revenues from sales and services. This allowance increased from the same period of year 2022 of Baht 5.52 million (YoY 191.02%), which reversed an expected credit loss of Baht 2.89 million, representing 0.07% of revenues from sales and services.

Profit for the Year 2023

For the Year 2023			Change	YoY
(In Million Baht)	2023	2022		
Profit for the year	649.35	491.22	158.13	32.19%
Proportion to revenue from sales and rendering services	14.69%	12.40%		

The increase in profit for the year 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 Year 2023

For the year 2023, the Group's profit attributable to the owner of the parent was Baht 649.03 million, representing 14.68% of revenues from sales and services, an increase of Baht 166.76 million (YoY 34.58%), compared with the same period of year 2022, where there was profits attributable to the owner of the parent amounting to Baht 482.27 million, representing 12.17% of revenues from sales and services.

Cash Flow Statements

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

- 1) Net cash flows provided by operating activities of Baht 874.29 million.
- 2) Net cash flows used in investing activities of Baht 399.82 million, mainly due to cash paid for purchase of property, plant and equipment of Baht 400.30 million.
- 3) Net cash flows used in financing activities of Baht 224.25 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 18.10 million.
- 4) Cash and cash equivalents as of 31 December 2023 amounting to Baht 920.03 million and as at 31 December 2022 amounting to Baht 666.46 million.

Financial Ratios as at 31 December 2023

Compared with Financial Ratios as of 31 December 2022

1) Liquidity Ratios

- 1.1 The liquidity ratio as of 31 December 2023 was at 4.83 times, decreased when compared with the liquidity ratio as of 31 December 2022, which was averaged at 4.94 times due to increase in other payables for investment in property, plant and equipment.

Financial Ratios	For the year ended 31 December 2023	For the year ended 31 December 2022
Liquidity Ratio		
Current Ratio (Time)	4.83	4.94
Quick Ratio (time)	2.95	2.81
Average Collection Period (Day)	83	83
Average Sale Period (Day)	159	154
Average Payment Period (Day)	49	51
Cash Cycle (Day)	193	186

2) Profitability Ratios

- 2.1 The gross profit margin rate as of 31 December 2023 was 37.57%, which was higher than gross profit margin rate as of 31 December 2022, which was 33.97%. 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 31 December 2023 was 14.12%, 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 31 December 2023 was 14.93%, which was higher than return on assets as of 31 December 2022, which was 12.01%.

Financial Ratios	For the year ended 31 December 2023	For the year ended 31 December 2022
<u>Profitability Ratio</u>		
Gross Profit Margin (%)	37.57	33.97
Operating Profit Margin (%)	18.52	14.72
Net Profit Margin (%)	14.66	12.38
Return on Equity (ROE %)	14.12	11.22
<u>Efficiency Ratio</u>		
Return on Asset (ROA %)	14.93	12.01
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.19	0.18

Yours Sincerely

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