

## Thai Union Feedmill Public Company Limited

### Management Discussion and Analysis for Q4'2023 Results, ended 31 December 2023

**Q4'2023 Sales continually grew at 4.3% from the same period of last year, along with GPM strongly recovered to 9.7%, driven by the factory cost management as well as portfolio adjustment.**

#### Revenue from Sales

Thai Union Feedmill Public Company Limited (“**Company**”) reported sales at THB 1,279.7 million in Q4'23 increased 4.3% from the same period of last year, thanks to shrimp feed and fish feed sales rose around 2.7% and 9.3% YoY, respectively. Mainly driven by increasing of shrimp feed sale in Indonesia and sea bass feed sales in Thailand. Although livestock feed sales dropped by 7.8% YoY.

#### Gross profit and gross margin

Q4'23 Gross profit was at THB 124.3 million, increased 37.8% YoY, thanks to selective sales strategy, production cost management efficiency and raw material price turned to downward trend. Resulted the company's profitability increased, GPM was at 9.7% upped from 7.4% in the same period of last year.

#### Net profit

Q4'23 net profit was at 14.8 THB million, declined 12.0% YoY, caused by SG&A expenses increased 38.6%yoy, resulted the SG&A expenses to sales was up to 8.2% from 6.2% in Q4'22 as a result of higher of employee benefits.

#### Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

Share price (06/02/2024)	THB 6.85
Historical closing price (since 1 January 2023):	
Highest closing price:	THB 11.70
Lowest closing price:	THB 5.90
No. of shares:	500.0 m
Par value:	THB 2.00
Market Cap.:	THB 3,425 m
Avg. trading value/day (YTD)	THB 0.63 m

#### Major shareholders (28/12/2023)

Thai Union Group PCL.	51.0%
Mr. Rittirong Boonmechote's group	13.2%
Mr. Bunluesak Sorajjakit	3.1%
Miss Rungtiwa Boonmeechote	1.9%
Mr. Karnphong Piemphongsuk	1.5%

#### 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.

# Thai Union Feedmill Public Company Limited

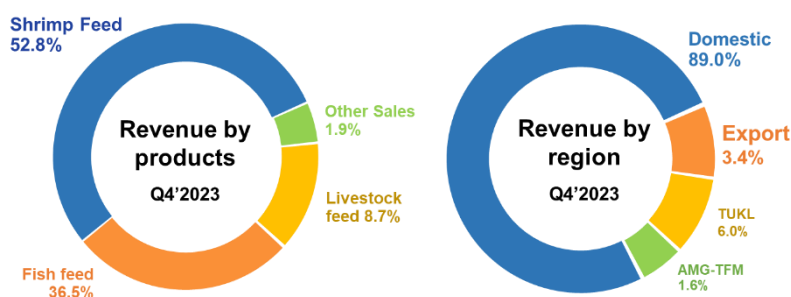
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### Financial Statement Analysis

Unit : THB million	Q4'2023	Q4'2022	YoY	Q3'2023	QoQ
Sales	1,279.7	1,227.5	4.3%	1,305.7	-2.0%
Cost of sales	(1,155.4)	(1,137.2)	1.6%	(1,161.0)	-0.5%
<b>Gross profit</b>	<b>124.3</b>	<b>90.2</b>	<b>37.8%</b>	<b>144.8</b>	<b>-14.1%</b>
Other income	10.6	18.2	-41.9%	14.2	-25.5%
SG&A	(105.1)	(75.8)	38.6%	(84.9)	23.8%
Reversal/impairment on AR	(15.6)	(16.3)	-3.9%	(19.6)	-20.4%
Other gain/loss	(3.1)	0.9	-441.7%	3.5	-187.5%
<b>EBIT</b>	<b>11.1</b>	<b>17.3</b>	<b>-36.0%</b>	<b>58.0</b>	<b>-80.9%</b>
Finance costs	(3.1)	(8.8)	-64.4%	(2.7)	15.6%
<b>PBT</b>	<b>7.9</b>	<b>8.5</b>	<b>-6.8%</b>	<b>55.3</b>	<b>-85.7%</b>
Income tax	5.2	3.4	54.5%	(11.5)	-145.6%
<b>Net Profit for period</b>	<b>13.2</b>	<b>11.9</b>	<b>10.6%</b>	<b>43.8</b>	<b>-69.9%</b>
<b>Profit attributed to the Company</b>	<b>14.8</b>	<b>16.9</b>	<b>-12.0%</b>	<b>52.5</b>	<b>-71.7%</b>
<b>Earning per share (THB)</b>	<b>0.03</b>	<b>0.03</b>	<b>0.0%</b>	<b>0.10</b>	<b>-70.0%</b>
Gross profit margin	9.7%	7.4%		11.1%	
Net profit margin	1.1%	1.4%		4.0%	

### Sales breakdown by product:

	Sales (Unit : THB million)			Qty (Unit : Tones)		
	Q4'2023	Q4'2022	YoY	Q4'2023	Q4'2022	YoY
Shrimp feed	676.2	658.7	2.7%	21,222	19,695	7.8%
Fish feed	467.7	427.8	9.3%	13,499	13,532	-0.2%
Livestock feed	111.2	120.5	-7.8%	7,116	7,200	-1.2%
Other sales	24.6	20.5	20.5%	-	-	0.0%
<b>Total</b>	<b>1,279.7</b>	<b>1,227.5</b>	<b>4.3%</b>	<b>41,838</b>	<b>40,426</b>	<b>3.5%</b>



### Sales

The company reported Q4'23 revenue from sales at THB 1,279.7 million, increased 4.3% YoY. Although slightly dropped 2.0% QoQ with the following details;

#### Revenue from shrimp feed

- In Q4'23, revenue from shrimp feed sales was THB 676.2 million, up 2.7% YoY, as a result of higher shrimp feed sales by PT Thai Union Kharisma Lestari ("TUCL") was at THB 76.4 million in Q4'23, up 67.5% YoY, from market expansion in this year. While shrimp feed sales in Thailand slightly declined (-2.2%) caused by the situation of shrimp price and shrimp

production dropped, compared to the same period last year.

- Compared to the previous quarter, revenue from shrimp feed sales remained the same as previous quarter (-0.1%). Even though shrimp feed sales volume dropped by 4.8% QoQ, due to shrimp feed selling volume in Thailand declined by 6.6%. While sales and volume of shrimp feed in Indonesia increased 18.3% and 14.3% QoQ, respectively.

#### Revenue from fish feed

- In Q4'23, revenue from fish feed sales was at THB 467.7 million upped 9.3% YoY, mainly caused by higher of fish feed sale in Thailand was at 12.6% YoY, from sea bass feed sales rose by 35.0% YoY. While fish feed sales from AMG-Thaiunion Feedmill Private Limited ("AMG-TFM") in Pakistan, decreased 76.6% YoY, due to the situation of fish price falling in Pakistan resulted farmer's demand for fish feed declined because its high cost.
- Compared to the previous quarter, revenue from fish feed sales slightly dropped at 3.3% QoQ caused by declining of sales and volume in Pakistan.

#### Revenue from livestock feed

- Q4'23 revenue from livestock feed sales was at THB 111.2 million, decreased 7.8% YoY, due to decreasing of livestock feed sales in TFM was at 16.1% YoY, from sales strategy adjustment. While livestock feed sales from AMG-Thaiunion Feedmill Private Limited ("AMG-TFM") in Pakistan rose 114.2% YoY, driven by expanding livestock feed marketing strategy to offset declining of utilization rate on fish feed production in Pakistan.

## Thai Union Feedmill Public Company Limited

### Management Discussion and Analysis for Q4'2023 Results, ended 31 December 2023

- Compared to the previous quarter, revenue from livestock feed dropped by 8.6% QoQ mainly caused by selling volume down by 4.6% QoQ.

For 2023, the Company sales was at THB 5,081.3 million, up 3.9% YoY, thank to shrimp feed performance showed its growth at 7.1% YoY from increasing of shrimp feed sales from TUKL in Indonesia. As well as livestock feed sales grew at 7.0% YoY from increasing of livestock feed sales from AMG-TFM in Pakistan. While fish feed sales slightly dropped at 1.9% YoY caused by lower of fish feed sales in Pakistan. Even fish feed sales in Thailand rose at 3.5% YoY, from sea bass feed sales increased over 33.8% from last year.

#### Cost of goods sold and Gross profit

- In Q4'23, the Company's cost of goods sold was at THB 1,155.4 million, slightly increased by 1.6% YoY, which was in line with the sales growth.
- The Company's cost of goods sold was slightly down by 0.5% QoQ, as a result of sales declining during the aquaculture season.

Resulted, Q4'23 Gross profit was at THB 124.3 million up 37.8% YoY, from the same period of last year which was at THB 90.2 million, due to focusing on production cost controlling as well as raw material price was in downward trend. Resulted the gross profit margin was at 9.7% increased from 7.4% in Q4'22.

#### Selling General and Administrative Expenses

In Q4'23, the Company's SG&A expenses were at THB 105.1 million, up 38.6% YoY. Mainly caused by increasing of the employee benefits, resulted the SG&A expenses to sales was at 8.2% increased from 6.2% in Q4'22.

#### Net profit

In Q4'23, the company reported the net profit attributed to shareholders at THB 14.8 million drop 12.0% YoY, as a result of selling general and administrative expenses increasing.

Compared to the previous quarter, the net profit declined 71.7% QoQ due to sale dropped during aquaculture season as well as higher SG&A expenses.

As a result, Q4'23 EPS was at THB 0.03 per share which was the same with the same period last year.

For the FY'23 net profit, the Company net profit was at THB 87.4 million declined 20.2% YoY, from the loss performance in Q1'23 and turned around with solid growth in Q2 onward, resulted FY'23 EPS was at THB 0.17 per share. If excluding one-off item occurred in Q2'23 (written-off R&D farm at THB 20.0 million) net profit in 2023 would be similar to the last year (-2.0%).

#### Financial position analysis:

As of December 31, 2023, the Company reported total assets of THB 3,320.7 million, a 3.7% increased from the end of 2022. Mainly due to increasing in cash flow from operating compared to the same period last year.

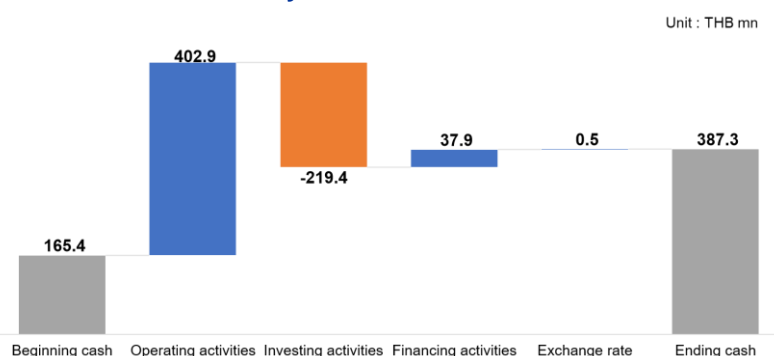
Total liabilities increased to THB 869.0 million, a 14.7% increased from the end of the previous year. Mainly due to the higher of TUKL's long-term loan at THB 80.5 million and employee benefit obligation increased at THB 35.1 million. As well as short term loan from financial institution increased at THB 12.5 million, to be used as working capital.

Total shareholder's equity was at THB 2,451.7 million, increased 0.3% from the end of 2022, due to the profit operation result in 2023.

## Thai Union Feedmill Public Company Limited

### Management Discussion and Analysis for Q4'2023 Results, ended 31 December 2023

#### Cash flow analysis:



In 2023, net cash from operating activities was mainly from EBITDA at THB 247.1 million adjusted by the non-cash items plus THB 53.6 million plus THB 113.5 million from operating assets and liabilities as well as minus income tax paid by THB 13.3 million. Resulted net cash receipt from operating activities THB 402.9 million.

Net cash payment from investing activities were at THB 219.4 million, mainly payment in short-term investment at THB 150.0 million and payment for the additional CAPEX in fixed asset at THB 74.2 million. Offset by receive from selling the exiting PPE at THB 5.0 million.

Net cash receipts from financing activities were at THB 37.9 million which increased mainly from long-term loan which has a lower interest rate, drawn by TUKL at THB 80.5 million and cash receipt from short-term loan from financial institution at THB 12.4 million. In addition, the payment for the long-term lease and interest expenses totaling THB 14.2 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	Q4'2023	Q4'2022	Q3'2023
Current Ratio (x)	2.8	2.5	2.9
Average Collecting Period (Day)	56.0	55	59
Day Inventory Outstanding (Day)	41	43	46
Return on Capital Employed (%)	2.8%	4.0%	2.9%
Return on Equity (%)	4.0%	5.0%	4.0%
Return on Assets (%)	2.3%	3.2%	2.3%
Net Interest Bearing Debt to Equity (x)	-	-	-
Book Value per Shares (THB)	4.9	4.9	5.0

#### 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 December 31, 2023, the current ratio was at 2.8 times increased from Q4'2022, due to increasing in cash flow from operating and short-term investment.

The profitability ratio in Q4'23 (ROCE at 2.8%, ROE at 4.0% ROA at 2.3%), decreased from the previous year, caused by declining of net profit aforementioned.

#### Industry overview

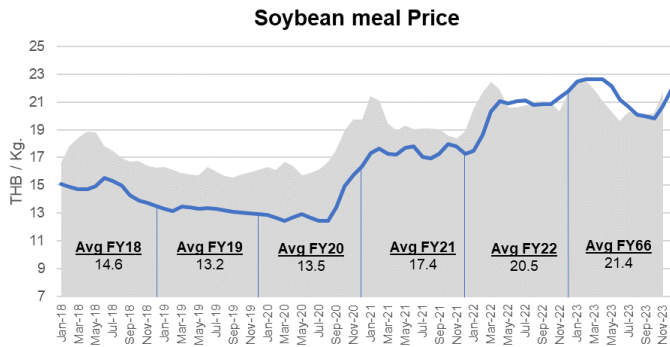
According to the Thai Feed Mill Association (TFMA), the demand of animal feed in 2023 is forecasted to 19.99 million tons, mainly from increasing of the demand on swine feed and broiler feed. While aquaculture feed slightly increased.

While shrimp production, which is the main market of the company, slightly increased from 256,822 tons to 259,491 tons in 2023. The company's shrimp feed sales were in line with shrimp production. As a result, the company's shrimp feed market share was at 18%.

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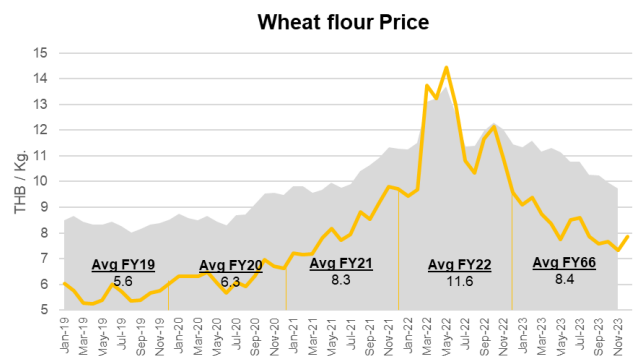
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### Key raw material price:



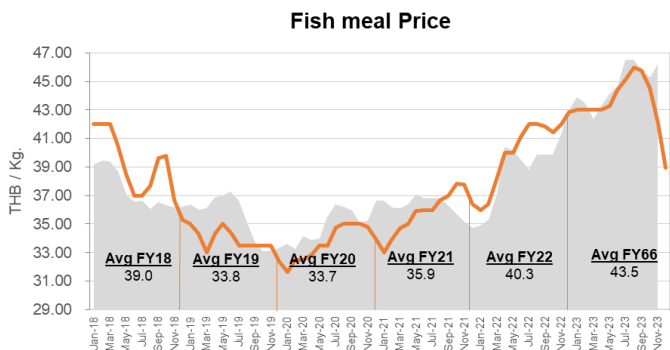
Source: Department of Internal Trade

As of December 2023, soybean meal price was at THB 21.95 per kilogram, 9.7% increased from THB 20.00 per kilogram at the end of September 2023, while Q4'23 average soybean meal price was at THB 20.81 per kilogram increased 2.7% YoY.



Source: Department of Internal Trade

As of December 2023, wheat flour price was at THB 7.85 per kilogram, 3.4% increased from THB 7.59 per kilogram at the end of September 2023, while Q4'23 average wheat flour price was at THB 7.62 per kilogram decreased 5.0% YoY.



Source: Department of Internal Trade

As of December 2023, fish meal price was at THB 38.92 per kilogram, 15.0% decreased from THB 45.79 per kilogram at the end of September 2023, while Q4'23 average fish meal price was at THB 41.84 per kilogram decreased 8.3% YoY.