

# **Thai Union Group PCL. Management Discussion and Analysis (MD&A)**

For 1Q 2024 ended March 31, 2024

### 1Q 2024 EXECUTIVE SUMMARY

**Thai Union reported strong operating profit growth from last year, driven by the increase in the Gross profit margin in Frozen, PetCare and Value-added categories.**

- Sales were reported at THB 33,220mn, grew by 1.7% YoY, driven from all 3 core categories: Ambient, PetCare and Value-added.
  - Ambient sales were back to growth, increasing by 12.7% YoY, driven by higher demand across all regions.
  - PetCare sales grew by 13.2% YoY, mainly driven by the recovery of demand from key customers, higher premium product mix, and pricing adjustment.
  - Value-added sales increased by 10.8% YoY, mainly driven by higher selling prices.
- Gross profit margin (GPM) strongly improved to 17.3%, increasing by 2.2% YoY, driven by GPM of Frozen, PetCare and Value-added.
- Operating profit increased significantly by 93.1% YoY due to the upsurged gross profit and FX gains.
- Altogether, net profit was recorded at THB 1,153mn with the net profit margin of 3.5%.

### KEY BUSINESS DEVELOPMENTS

#### **An upgrade of Thai Union Foreign Currency Issuer Credit Rating to A with a stable outlook by JCR**



On March 29, 2024, Japan Credit Rating Agency, Ltd. (JCR) raised Thai Union Foreign Currency Issuer Credit Rating from A- to A with a stable outlook. This was supported by TU's strong brand power including Chicken of the Sea in the U.S., John West and Petit Navire in Europe, along with the high earnings stability. In addition, TU's global footprint, stretching from Asia to Europe and the U.S. has ensured a competitive global procurement capability. In addition, this rating is the same level as the sovereign credit rating of Thailand from JCR.

#### **The disposal of our 20.0% minority investment in LDH (La Doria) Limited (LDH), associated company in the UK**

- On March 19, 2024, John West Foods Limited (JWUK), a subsidiary of Thai Union, completed the disposal of its entire 20.0% minority investment in LDH, a leading food distributor in the UK for a total consideration of GBP 19.3mn or the equivalent to THB 881mn<sup>1</sup>. Following this transaction, Thai Union recorded a capital gain on sale of investment of THB 52mn. Meanwhile, LDH will cease to be recognized as our associate, and the Company will no longer record the share of profit and loss from LDH starting from 1Q 24 onwards. Nevertheless, LDH will continue to distribute Thai Union's OEM products in the UK, thus, there will be no significant change for our operations in the UK moving forward.

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<sup>1</sup> FX rate at THB 45.70/GBP

# Thai Union Group Public Company Limited

MD&A for 1Q 2024 ended March 31, 2024

## 1Q 2024 FINANCIAL PERFORMANCE

### CONSOLIDATED INCOME STATEMENT SUMMARY

(Unit: THB mn)	1Q 2024	4Q 2023	1Q 2023	QoQ (%)	YoY (%)
<b>Sales</b>	<b>33,220</b>	<b>35,529</b>	<b>32,652</b>	<b>-6.5%</b>	<b>1.7%</b>
Cost of sales	(27,478)	(29,201)	(27,735)	-5.9%	-0.9%
<b>Gross profit</b>	<b>5,742</b>	<b>6,327</b>	<b>4,917</b>	<b>-9.3%</b>	<b>16.8%</b>
SG&A	(4,197)	(4,173)	(4,121)	0.6%	1.8%
Bad debts and doubtful account expense	(8)	(33)	1	-75.9%	983.9%
FX gain (loss)	209	68	215	210.0%	-2.4%
Other income	279	269	208	3.4%	33.9%
Share of profit (loss) from associates and JVs	159	819	211	-80.6%	-24.8%
<b>EBIT</b>	<b>2,184</b>	<b>3,277</b>	<b>1,430</b>	<b>-33.4%</b>	<b>52.7%</b>
Finance cost	(647)	(630)	(532)	2.7%	21.5%
Income tax (expense) credit	(128)	40	242	419.9%	153.1%
Profit (loss) from discontinued operation	0	(19,633)	20	100.0%	-100.0%
Non-controlling interests	(256)	(244)	(137)	4.8%	85.9%
<b>Reported net profit (loss)</b>	<b>1,153</b>	<b>(17,189)</b>	<b>1,022</b>	<b>106.7%</b>	<b>12.9%</b>
<b>Adjusted net profit</b> (excl. Red Lobster contribution*)	<b>1,153</b>	<b>1,493</b>	<b>749</b>	<b>-22.7%</b>	<b>53.9%</b>
EPS (THB/share)	0.24	-3.88	0.20	-106.2%	18.0%

% to sales	1Q 2024	4Q 2023	1Q 2023	QoQ (%)	YoY (%)
Gross profit margin	17.3%	17.8%	15.1%	-0.5%	2.2%
SG&A to sales	12.6%	11.7%	12.6%	0.9%	0.0%
Operating profit margin	4.6%	6.0%	2.4%	-1.4%	2.2%
Net profit margin	3.5%	-48.4%	3.1%	51.9%	0.4%

Remark: Thai Union fully impaired the entire investment in Red Lobster (RL) in 4Q 2023, resulting in the restatement of RL's performance and its recognition as a discontinued operation from 4Q 2023 onward.

\*RL contribution refers to RL's share of loss (discontinued operation) and tax credit.

### Performance analysis (1Q 2024 vs 1Q 2023)

In 1Q 2024, Thai Union reported an increase in **sales** of 1.7% YoY to THB 33,220mn, mainly driven by the recovery across all 3 core categories, including Ambient, PetCare, and Value-added categories. However, sales of Frozen category significantly declined from the same period last year. The Company was also partially benefiting from the depreciation of Thai Baht against other currencies. Excluding the impact of FX translation, sales decreased slightly by 1.5% YoY. *(More details of analysis by category, please find in [Performance Breakdown by Category part](#))*

**Gross profit** reached THB 5,742mn, surging by 16.8% YoY, with a strong rise in GPM to 17.3% in 1Q 2024, compared to 15.1% in the same period last year. This was driven from the recovery of GPM from Frozen, PetCare and Value-added category.

**Selling and administrative expenses (SG&A)** stood at THB 4,197mn, increased slightly by 1.8% YoY, resulting from FX impact, higher marketing expenses and personnel costs. However, this was partially offset by the reduction of freight cost of THB 129mn. SG&A to sales ratio was recorded at 12.6% in 1Q 2024, remained flat compared to the same period last year.

Thai Union was able to manage FX efficiently in this quarter, resulting from the record of **FX gains** at THB 209mn, slightly lower than last year, which recorded FX gains at THB 215mn in 1Q 2023.

**Other income** was THB 279mn, increasing by 33.9% YoY, mainly driven by higher dividend income and the recognition of capital gain on sale of investment in LDH (La Doria) Limited (LDH).

**Share of profit from associates and JVs** was THB 159mn, decreasing from share of profit of THB 211mn in 1Q 2023. This was primarily from the disposal of LDH on March 19, 2024.

**Finance costs** were THB 647mn, rising from THB 532mn in the same period last year. This was resulted by the refinancing of some loan portions, which caused a rise in the interest rate.

**Income tax expenses** were THB 128mn in 1Q 2024, compared to the tax benefit of THB 242mn in the same period last year. This was mostly due to the fact we don't benefit anymore from tax credits from Red Lobster and from the recovery of our Frozen business in the US.

Altogether, **net profit** was increased to THB 1,153mn, a growth of 12.9% YoY, mainly driven from the improvements across all business categories, despite lower FX gains, lower share of profit, higher finance costs and higher interest expenses. However, **net profit** increased significantly by 53.9% YoY, compared to the adjusted net profit in 1Q 2023, which excludes share of profit and tax benefits of RL.

### PERFORMANCE BREAKDOWN BY CATEGORY

(Unit: THB mn)	1Q 2024	4Q 2023	1Q 2023	QoQ (%)	YoY (%)
<b>Sales</b>	<b>33,220</b>	<b>35,529</b>	<b>32,652</b>	<b>-6.5%</b>	<b>1.7%</b>
Ambient	17,156	15,693	15,225	9.3%	12.7%
Frozen	9,618	12,525	11,684	-23.2%	-17.7%
PetCare	3,955	4,622	3,495	-14.4%	13.2%
Value-added	2,490	2,689	2,248	-7.4%	10.8%
<b>Gross profit margin (%)</b>	<b>17.3%</b>	<b>17.8%</b>	<b>15.1%</b>	<b>-0.5%</b>	<b>2.2%</b>
Ambient	16.6%	17.4%	18.0%	-0.8%	-1.4%
Frozen	11.8%	14.4%	7.9%	-2.6%	3.9%
PetCare	25.7%	23.4%	18.0%	2.3%	7.7%
Value-added	29.5%	26.2%	27.3%	3.3%	2.2%

(Unit: Tons)	1Q 2024	4Q 2023	1Q 2023	QoQ (%)	YoY (%)
<b>Sales volume</b>	<b>209,824</b>	<b>215,359</b>	<b>209,350</b>	<b>-2.6%</b>	<b>0.2%</b>
Ambient	86,197	78,167	76,988	10.3%	12.0%
Frozen	58,176	64,786	60,768	-10.2%	-4.3%
PetCare	23,804	28,609	23,562	-16.8%	1.0%
Value-added	41,647	43,796	48,032	-4.9%	-13.3%

### Performance breakdown analysis (1Q 2024 vs 1Q 2023)

#### I. Ambient category

**Ambient sales** reported at THB 17,156mn, increased by 12.7% YoY, mainly driven by higher demand across all regions, especially in Middle East, Europe, and the U.S. **Sales volume** rose by 12.0% YoY, primarily from OEM customers due to the downward trend of tuna prices (1Q 2024: average USD 1,333/ton vs 1Q 2023: average USD 1,820/ton); however, tuna prices have already reached its lowest point in March 2024. Despite the upswing in demand and sales volume, **Ambient GPM** fell to 16.6% in 1Q 2024, mainly due to higher raw material prices in our inventory.

#### II. Frozen category

**Frozen sales** were THB 9,618mn, decreased by 17.7% YoY, largely driven by soft demand in the U.S., particularly shrimp and crab meat products, as well as the implementation of rightsizing strategy in the U.S. since 2Q 2023. Nevertheless, the decrease was partially offset by higher sales growth in the Feed business, thanks to a strong sales increase compared to the previous year. **Sales volume** dropped by 4.3% YoY, attributable to a decline in sales volume for both OEM and Brand customers. **Frozen GPM** improved significantly to 11.8% in 1Q 2024. This improvement was explained by business rationalization, focusing on removing non-margin and low-margin products.

### III. PetCare category

**PetCare sales** were THB 3,955mn, increased by 13.2% YoY. This was driven by higher sales from premium mix, prices adjustment strategies and strong sales recovery from key customers, particularly in Europe and Asia & Oceania. Nevertheless, **sales volume** slightly increased by 1.0% YoY. **PetCare GPM** exceptional reached at 25.7%, returning to high levels since 2Q 2022. This was driven by better premium mix, higher selling price, and lower overhead costs.

### IV. Value-added category

**Value-added sales** were THB 2,490mn, increased by 10.8% YoY. This was mainly driven by higher sales from Value-added and Ingredient businesses as well as improved mixed products. However, **sales volume** decreased by 13.3% YoY. The decrease in sales volume was largely driven by lower by-product volume. However, this was partially offset by the volume growth in value-added and ingredient businesses. **Value-added GPM** posted a record high at 29.5%, the highest in the past five quarters, largely driven by margin recovery from Packaging business in particular thanks lower raw material prices, especially steel (-20.5% YoY) and aluminum (-4.1% YoY).

### STATEMENT OF FINANCIAL POSITION

(Unit: THB mn)	March 31 2024	December 31 2023	YTD (%)
Cash and cash equivalents*	13,726	16,450	-16.6%
Trade and other receivables, net	17,063	16,031	6.4%
Inventories, net	48,577	50,482	-3.8%
Other current assets	2,182	2,866	-23.9%
<b>Total current assets</b>	<b>81,548</b>	<b>85,829</b>	<b>-5.0%</b>
Fixed assets	31,850	31,453	1.3%
Investments	10,222	10,817	-5.5%
Goodwill and other intangible assets	30,689	29,858	2.8%
Other non-current assets	7,726	7,493	3.1%
<b>Total non-current assets</b>	<b>80,487</b>	<b>79,621</b>	<b>1.1%</b>
<b>Total assets</b>	<b>162,035</b>	<b>165,450</b>	<b>-2.1%</b>
Bank overdrafts and short-term loans	9,560	8,587	11.3%
Trade and other payables	16,672	18,798	-11.3%
Current portion of long-term loans	4,046	20,153	-79.9%
Other current liabilities	4,508	2,935	53.6%
<b>Total current liabilities</b>	<b>34,786</b>	<b>50,473</b>	<b>-31.1%</b>
Long-term loans	52,721	39,248	34.3%
Other non-current liabilities	10,257	9,712	5.6%
<b>Total non-current liabilities</b>	<b>62,978</b>	<b>48,960</b>	<b>28.6%</b>
<b>Total liabilities</b>	<b>97,764</b>	<b>99,433</b>	<b>-1.7%</b>
Non-controlling interests	7,491	7,389	1.4%
<b>Total equity</b>	<b>64,271</b>	<b>66,017</b>	<b>-2.6%</b>
<b>Total liabilities and shareholders' equity</b>	<b>162,035</b>	<b>165,450</b>	<b>-2.1%</b>

Remark: \*Including short-term investments

### Statement of Financial Position analysis (March 31, 2024 vs December 31, 2023)

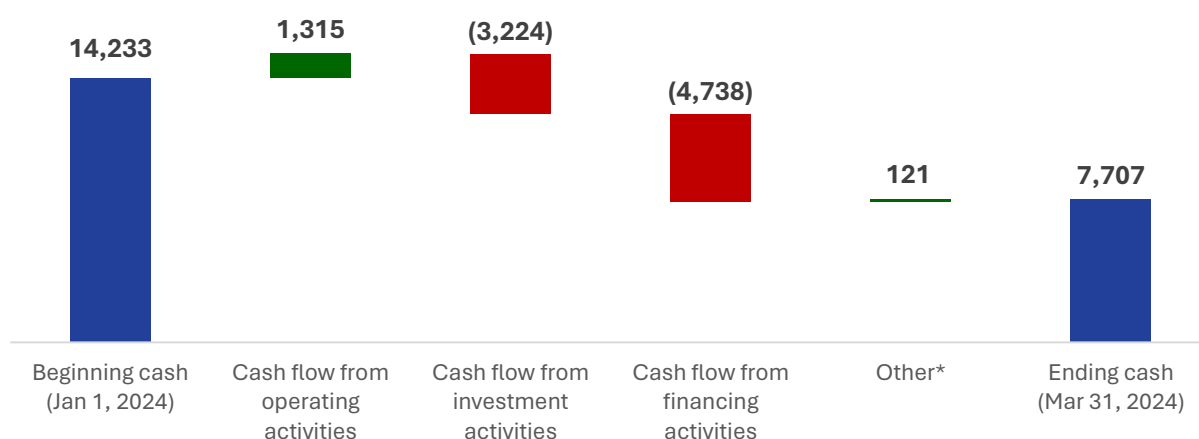
As of March 31, 2024, Thai Union reported **total assets** of THB 162,035mn, decreased by 2.1% from THB 165,450mn as of December 31, 2023. The decrease was primarily attributable to the decrease in 1) cash and cash equivalents of 2,725mn, 2) inventories – net of THB 1,905mn, explained by the efficient inventory management as well as the favorable raw material prices, particularly Skipjack tuna (-26.7% YoY) and shrimp (-16.5% YoY). However, this was partially offset by an increase in 3) trade and other receivables – net of THB 1,032mn, 4) goodwill and other intangible assets of THB 831mn and fixed assets of THB 397mn.

Thai Union reported **total liabilities** of THB 97,764mn, decreased by 1.7% from THB 99,433mn as of December 31, 2023. This decrease was mainly from the decline in 1) current portion of long-term loans of THB 16,107mn and 2) trade and other payables of THB 2,126mn. Nevertheless, this was offset by the increase in 3) long-term loans of THB 13,473mn and 4) bank overdrafts and short-term loans of THB 973mn.

**Total equity**, including perpetual debentures of THB 5,950mn, was at THB 64,271mn, declined by 2.6% from THB 66,017mn as of December 31, 2023, mainly from hedging reserve.

### CASH FLOW

(Unit: THB mn)



Remark: \*Other refers to exchange differences on cash and cash equivalents.

### Cash flow analysis

For the three months ended March 31, 2024, **net cash from operating activities** was THB 1,315mn, resulting from the improvement in free cash flow of THB 814mn, mainly from higher EBITDA. **Net cash used in investing activities** was THB 3,224mn. The key component included net cash payments for short-term investments of THB 4,641mn, mainly from fixed deposits of i-Tail. This was partially offset by cash received from investment in debt instruments of THB 1,240mn. **Net cash used in financing activities** was THB 4,738mn. The key components were repayments for debentures of THB 3,550mn and net cash payments for repurchase of treasury shares of THB 1,236mn. Nevertheless, these were partially offset by net cash receipts from short-term loans of THB 847mn.



### KEY FINANCIAL RATIOS

	1Q 2024	4Q 2023	1Q 2023
<b>Efficiency activity ratio</b>			
Accounts receivable days (days)	36	37	33
Inventory days (days)	162	164	145
<b>Profitability ratio</b>			
Gross profit margin (%)	17.3%	17.8%	15.1%
Net profit margin (%)*	3.5%	4.2%	2.3%
ROA (%)*	5.2%	4.7%	4.6%
ROE (%)*	8.1%	7.3%	9.4%
ROCE (%)*	6.9%	6.5%	6.3%
<b>Liquidity ratio</b>			
Current ratio (times)	2.34	1.70	2.14
<b>Leverage ratio</b>			
Net debt to equity ratio (times)	0.82	0.78	0.57
Net debt to EBITDA ratio (times)*	4.02	4.19	4.07
Interest coverage ratio (times)*	5.41	5.35	5.91
<b>Per share ratio</b>			
Basic earnings per share (THB)	0.24	0.26	0.20
Book value per share (THB)	13.34	13.16	17.30

Remark: \*Based on adjusted numbers from 1Q 2023 to 4Q 2023, which excluded Red Lobster's share of loss and tax credit.

### SUSTAINABILITY

#### Our pioneering partnership with Chow Energy Public Company Limited, a leader in solar energy



Thai Union has announced a pioneering partnership with Chow Energy Public Company Limited, a leader in solar energy, to significantly reduce its greenhouse gas emissions and promote the use of renewable energy across its supply chain. By signing a MOU, the collaboration will see the installation of over 30 megawatts of solar power projects for Thai Union's supply chain partners nationwide, equivalent to the annual electricity consumption of around 17,500 homes. This initiative is part of Thai Union's commitment to sustainability, aiming to transform its supply chain into a low-carbon model.

#### The collaboration with Thai government on the Zero Wastewater Discharge Project



Thai Union has collaborated with the Program Management Unit for Competitiveness (PMUC), part of Thailand's Ministry of Higher Education, Science, Research Innovation (MHESI), to announce that the Zero Wastewater Discharge Project at its fish plant in Thailand has set a new global benchmark for a seafood factory by achieving 100% wastewater treatment.



# Thai Union Group Public Company Limited

MD&A for 1Q 2024 ended March 31, 2024

## APPENDIX:

### Adjusted consolidated income statement for 1Q 2023 and 4Q 2023 results

(Unit: THB mn)	1Q 2023 Reported numbers	Red Lobster's Share of loss and tax credit	1Q 2023 excl. Red Lobster contribution
<b>Sales</b>	<b>32,652</b>		<b>32,652</b>
Cost of sales	(27,735)		(27,735)
<b>Gross profit</b>	<b>4,917</b>		<b>4,917</b>
SG&A	(4,120)		(4,120)
<b>Operating profit</b>	<b>796</b>		<b>796</b>
FX gain	215		215
Other income	208		208
Share of profit from associates and JVs	211		211
<b>EBIT</b>	<b>1,430</b>		<b>1,430</b>
Finance cost	(532)		(532)
Income tax (expense) credit	242	(253)	(11)
Discontinued operation	20	(20)	0
Non-controlling interests	(137)		(137)
<b>Net profit</b>	<b>1,022</b>	<b>(273)</b>	<b>749</b>

(Unit: THB mn)	4Q 2023 Reported numbers	Red Lobster's Share of loss and tax credit	4Q 2023 excl. Red Lobster contribution
<b>Sales</b>	<b>35,529</b>		<b>35,529</b>
Cost of sales	(29,201)		(29,201)
<b>Gross profit</b>	<b>6,327</b>		<b>6,327</b>
SG&A	(4,206)		(4,206)
<b>Operating profit</b>	<b>2,122</b>		<b>2,122</b>
FX gain	68		68
Other income	269	17	287
Share of profit (loss) from associates and JVs	819	(666)	153
<b>EBIT</b>	<b>3,277</b>	<b>(648)</b>	<b>2,629</b>
Finance cost	(630)		(630)
Income tax (expense) credit	40	(303)	(263)
Discontinued operation	(19,633)		0
Non-controlling interests	(244)		(244)
<b>Net profit (loss)</b>	<b>(17,189)</b>	<b>18,682</b>	<b>1,493</b>

### Formula of key ratios

Account receivable days =  $360 / \text{account receivable turnover}$

Inventory days =  $360 / \text{inventory turnover}$

Gross profit margin =  $\text{Gross profit} / \text{sales}$

Net profit margin =  $\text{Net profit} / \text{sales}$

Return on assets =  $12\text{-month rolling EBIT} / \text{Average total assets}$

Return on equity =  $12\text{-month rolling net profit} / \text{average total shareholders' equity}$

Return on capital employed =  $12\text{-month rolling EBIT} / \text{Average capital employed}$

Capital Employed =  $\text{total assets} - \text{total current liabilities (incl. current portion of long-term debt)}$

Current ratio =  $\text{Total current assets} / \text{total current liabilities}$

Net debt to equity =  $\text{Interest-bearing debt} - \text{cash \& cash equivalents} / \text{total shareholders' equity}$

Debt/EBITDA =  $\text{Interest-bearing debt} / 12\text{-month rolling EBITDA}$

Interest coverage =  $\text{EBITDA} / 12\text{-month rolling finance costs}$

Earnings per share =  $\text{Net profit less interest paid on perpetual debentures} / \text{weighted average number of ordinary shares outstanding not include treasury shares}$

Book value =  $\text{Total shareholders' equity} / (\text{outstanding shares} - \text{share repurchase})$