

Thai Union Feedmill Public Company Limited

Management Discussion and Analysis for Q1'2024 Results, ended 31 March 2024

Q1'2024, profitability strongly recovered with the gross profit margin at 16.1%, resulting from the well-managed factory cost as well as soften raw material price, along with the sales growth at 8.4% from the same period of last year.

Thai Union Feedmill Public Company Limited (“**Company**”) reported sales at THB 1,249.1 million in Q1'24 with 8.4% growth compared to the same period of last year, driven by the higher shrimp feed sales by 11.2% especially from Indonesia and the solid performance of seabass feed sales which continually grew over 32.8% from the same period of last year.

Gross profit

Q1'24 gross profit was at THB 201.1 million, increased by 321.2% from the same period of last year, driven by the well-managed production cost, higher production efficiency, and the healthy margin portfolio mix as well as the profitable performance of all companies, resulted gross profit margin in Q1'24 rose to 16.1% from Q1'23 which was at 4.1%.

Net profit

Q1'24 net profit turned profit from loss-making in Q1'23 with the reported net profit at THB 104.0 million, resulted from the higher profitability as aforementioned, even the proportion of Selling and Administrative expenses to sales still remained at the same level of the same period of last year.

Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

Share price (25/04/2024)	THB 6.90
Historical closing price (since 1 January 2024):	
Highest closing price:	THB 7.05
Lowest closing price:	THB 6.35
No. of shares:	500.0 m
Par value:	THB 2.0
Market Cap.:	THB 3,450 m
Avg. value trade/day (YTD)	THB 0.2 m

Major shareholders (04/03/2024)

Thai Union Group PCL.	51.0%
Mr. Rittirong Boonmechote Group	13.2%
Mr. Bunluesak Sorajjakit	3.1%
Mr. Rungthiwa Boonmechote	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.

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Financial Statement Analysis

Unit : THB million	Q1'2024	Q1'2023	YoY	Q4'2023	QoQ
Sales	1,249.1	1,152.2	8.4%	1,279.7	-2.4%
Cost of sales	(1,048.0)	(1,104.5)	-5.1%	(1,155.4)	-9.3%
Gross profit	201.1	47.7	321.2%	124.3	61.8%
Other income	12.8	16.7	-23.1%	10.6	21.2%
SG&A	(105.5)	(94.3)	11.8%	(105.1)	0.4%
Reversal/impairment on AR	(2.6)	(3.3)	-22.8%	(15.6)	-83.5%
Other gain/loss	4.5	2.3	96.6%	(3.1)	244.2%
EBIT	110.3	(31.0)	456.3%	11.1	898.1%
Finance costs	(3.0)	(1.7)	80.1%	(3.1)	-3.6%
PBT	107.3	(32.6)	428.8%	7.9	1253.0%
Income tax	(3.2)	0.1	-5762.5%	5.2	-160.5%
Net Profit for period	104.2	(32.6)	419.7%	13.2	690.4%
Profit attributed to the Company	104.0	(27.7)	475.3%	14.8	601.2%
Earning per share (THB)	0.21	(0.06)	450.0%	0.03	600.0%
Gross profit margin	16.1%	4.1%		9.7%	
Net profit margin	8.3%	-2.8%		1.0%	

Sales

The company reported Q1'24 revenue from sales at THB 1,249.1 million, increased 8.4% YoY, but declined 2.4% QoQ with the following details;

Revenue from shrimp feed

- In Q1'24, revenue from shrimp feed sales was THB 708.9.3 million, up 11.2% YoY, thanks to higher selling volume by 9.7%, driven by the shrimp feed sales in Indonesia as well as average selling price in Indonesia was higher, resulted average selling price of shrimp feed slightly increased by 1.4%.
- Comparing to the previous quarter, revenue from shrimp feed sales increased by 4.8% driven by the higher sales and selling volume in Indonesia.
- The revenue from shrimp feed sales by PT Thai Union Kharima Lestari, showed its solid with the sales growth at 126.2% YoY and 90.2% QoQ, as a resulted from the market expansion and the feed formulation improvement to respond the customer needed in Indonesia.

Revenue from fish feed

- In Q1'24, revenue from fish feed sales was at THB 419.2 million, increased from the same period of last year by 14.8%, driven by the seabass feed sales growth by 32.8%, while the other feed sales still remained at the same level (-0.9%)
- Comparing to the previous quarter, revenue from fish feed sales declined by 10.4% QoQ, caused by the decreasing of the selling volume by 9.2% QoQ.

Revenue from livestock feed

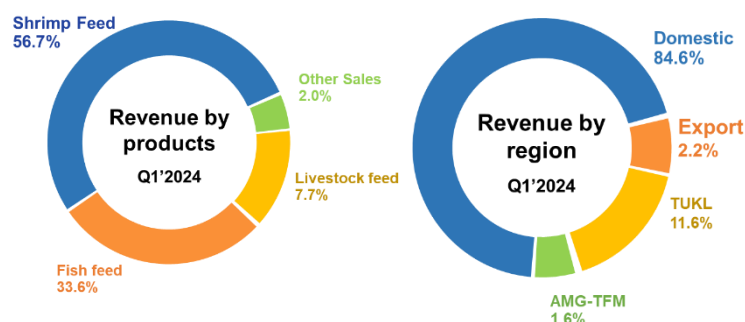
- Q1'24 revenue from livestock feed sales was at THB 96.2 million, declined by 27.2% YoY, caused by the portfolio adjustment in Thailand to focus on the healthy margin products, resulted trimming livestock feed sales. As a result of the decreasing of livestock feed sales in Thailand, however our subsidiary in Pakistan still expanded the livestock feed market and increase its sales by 28.8% YoY, to offset with the lower fish feed sales.
- Comparing to the previous quarter, revenue from livestock feed declined by 13.4% QoQ from the decreasing of the livestock feed sales in Thailand around 17.6%, aligned with the strategy as aforementioned. Despite the livestock feed sales in Pakistan continue growing by 10.5% QoQ.

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Sales breakdown by product:

	Sales (Unit : THB million)			Qty (Unit : Tones)		
	Q1'2024	Q1'2023	YoY	Q1'2024	Q1'2023	YoY
Shrimp feed	708.9	637.3	11.2%	22,343	20,377	9.7%
Fish feed	419.2	365.1	14.8%	12,262	11,521	6.4%
Livestock feed	96.3	132.1	-27.2%	6,372	7,865	-19.0%
Other sales	24.8	17.7	40.5%	-	-	0.0%
Total	1,249.1	1,152.2	8.4%	40,977	39,763	3.1%



Cost of goods sold and Gross profit

- In Q1'24, the Company's cost of goods sold was at THB 1,048.0 million, decreased by 5.1% from the same period of last year, resulted from the well-managed production cost and the higher production efficiency as well as the lower of key raw material price.
- In Q1'24, the Company's cost of goods sold was down by 9.3% compared to previous quarter, due to the lower production and sales volume and the production cost management as aforementioned.

Q1'24 gross profit was THB 201.1 million, robustly grew by 321.2% compared to the same period of last year which was at THB 47.7 million, resulted from the effort on the production cost control, the increasing of the production efficiency, and the adjustment of sales strategy including portfolio management as well as the profitable performance of the subsidiaries in overseas, resulted the gross profit margin rose to 16.1% from 4.1% in Q1'23 and 9.7% in Q4'23.

Selling General and Administrative Expenses

In Q1'24, the Company's SG&A expenses were at THB 105.5 million, increased from the same period of last year and previous quarter by 11.8% and 0.4%, respectively. Resulting from the higher employee benefit expenses, sales staff expenses and transportation which was in line the market expansion in Indonesia.

Net profit

In Q1'24, the Company reported the net profit attributed to shareholders at THB 104.0 million, strongly turned profit compared to the same period of last year and increased by 601.2% from the previous quarter, driven by the profitability increased due to the well-managed production cost, higher production efficiency and the soften key raw material price.

As a result, Q1'24 earning per share robustly increased to THB 0.21 per share from loss-making in Q1'23 at THB -0.06 per share and Q4'23 at 0.03 per share.

Financial position analysis:

As of March 31, 2024, the Company reported total assets of THB 3,451.1 million, or 3.9% increased from the end of 2023, mainly due to the increasing of the operating assets such as account receivable and inventories around 2.7% and 16.6%, respectively which was in line with the sales growth. In addition, short-term investment also increased at THB 100 million to managed the excess cash.

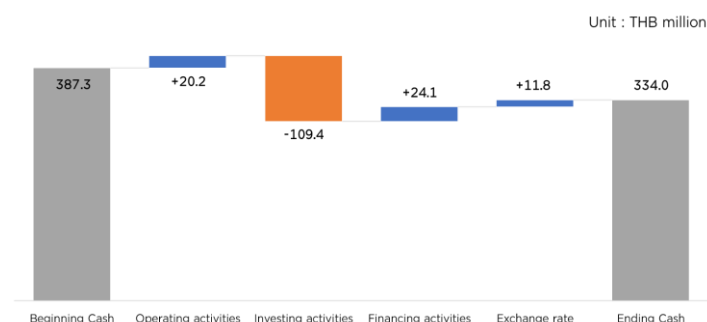
Total liabilities slightly increased by 0.19%, mainly from the short-term loans from financial institution of TUKL around THB 30 million to support the working capital, which was in line with the sales growth, and partially offset with the decreasing of the account payable.

Total shareholder's equity was at THB 2,580.0 million, increased 5.3% from the end of 2023, resulted from the profitable performance as aforementioned.

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Cash flow analysis:



During Q1'24, net cash from operating activities was at THB 20.2 million, mainly composed of EBITDA at THB +153.6 million, adjusted with the non-cash items minus THB -3.9 million and operating assets totaling THB -128.8 million, resulted from the higher account receivable and inventories which was in line with the sales growth, as well as minus income tax paid by THB -0.7 million.

Net cash paid from investing activities were at THB -109.4 million, mainly invested in the short-term investment at THB -100.0 million and investment in fixed assets at THB -11.1 million. In addition, there was a cash inflow from disposed of fixed assets and interest income totaling THB +1.7 million.

Net cash receipts from financing activities were at THB 24.1 million, mainly from the short-term loan from financial institution of TUKL to support its working capital around THB 27.7 million and partially offsetting with paying financial cost and financial lease liabilities totaling 3.6 million.

Key Financial ratios:

Key Financial Ratio	Q1'2024	Q1'2023	Q4'2023
Current Ratio (x)	3.0	2.7	2.8
Average Collecting Period (Day)	53	51	56
Day Inventory Outstanding (Day)	44	40	41
Return on Capital Employed (%)	7.9%	2.0%	2.8%
Return on Equity (%)	9.7%	3.7%	4.0%
Return on Assets (%)	8.4%	2.4%	2.3%
Net Interest Bearing Debt to Equity (x)	-	-	-
Book Value per Shares (THB)	5.2	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 March 31, 2024, the current ratio was at 3.0 times, increased from Q1'23 which was at 2.7 times, due to the higher account receivable and inventories which was aligned with the sales growth.

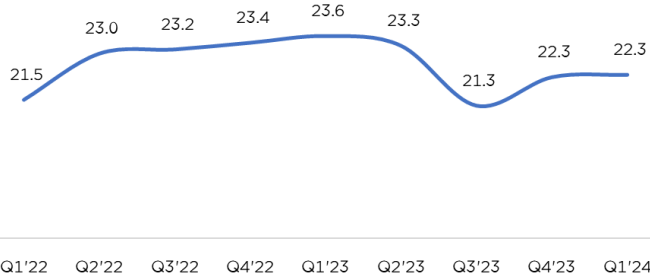
The profitability ratio in Q1'24 (ROCE at 7.9%, ROE at 9.7% ROA at 6.4%), increased from the same period of last year and previous quarter resulting from the solid performance as aforementioned in financial analysis part.

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Key raw material price:

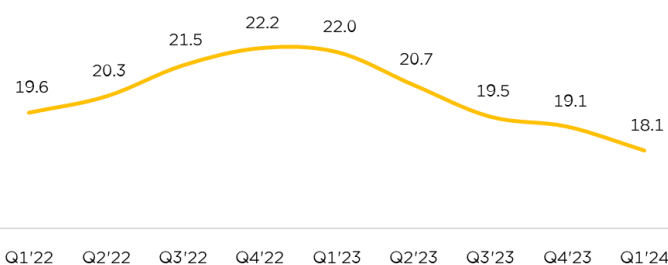
Soybean Meal Price (THB/Kilogram)



Source: Thai Feed Mill Association

Q1'24, average soybean meal price was at THB 22.3 per kilogram, declined from the same period of previous year by -5.3% which was at THB 23.6 per kilogram. Comparing to the previous quarter the average soybean meal price still remained the same level (+0.4%)

Wheat Flour Price (THB/Kilogram)



Source: Thai Feed Mill Association

Q1'24, average wheat flour price was at THB 18.1 per kilogram, declined from the same period of previous year by -17.8% which was at THB 22.0 per kilogram. Comparing to the previous quarter the average wheat flour price continue to decrease by -5.0%

Fish Meal Price (THB/Kilogram)



Source: Thai Feed Mill Association

Q1'24, average fish meal price was at THB 46.8 per kilogram, declined from the same period of previous year by -1.9% which was at THB 47.7 per kilogram. Comparing to the previous quarter the average fish meal price also declined by -9.2%