



S. Khonkaen Foods PCL. and its subsidiaries ("Group")
Management Discussion and Analysis
For the 6-months period ended 30 June 2024

Business Overview

Income Statements (Consolidated) January - June	Quarter 2/2024		Quarter 2/2023		Change (%YOY)
	(THB Mil.)	(%)	(THB Mil.)	(%)	
Revenue from Sales	1,595.6	100.0%	1,549.0	100.0%	3.0%
Cost of Sales	(1,175.1)	(73.6%)	(1,183.9)	(76.4%)	(0.7%)
Gross Margin	420.5	26.4%	365.1	23.6%	15.2%
Selling and Distribution Expenses	(184.8)	(11.6%)	(170.0)	(11.0%)	8.7%
Administrative Expenses	(163.7)	(10.3%)	(153.3)	(9.9%)	6.8%
Loss from rental and service	(3.8)	(0.2%)	(6.6)	(0.4%)	(41.9%)
Gain (Loss) on changes in fair value less cost to sale of biological assets	10.5	0.7%	(34.5)	(2.2%)	(130.3%)
Other income	20.0	1.3%	49.6	3.2%	(59.7%)
Other expense	(0.5)	0.0%	(1.0)	(0.1%)	(50.5%)
EBIT	98.2	6.2%	49.3	3.2%	99.2%
Financial Cost	(19.5)	(1.2%)	(19.8)	(1.3%)	(1.5%)
Tax Expenses	(19.1)	(1.2%)	(5.2)	(0.3%)	267.4%
Profit/(Loss)	59.6	3.7%	24.3	1.6%	145.2%
Equity holders of the Company	68.0	4.3%	25.3	1.6%	168.6%
Earnings per Share (THB/Share)	0.210		0.078		

Revenue :

The Group has revenue from sales in Q2/2024 amounted to THB 860.9 million, increased by 10.1 percent as compared to the same quarter of previous year (increased by 17.2 percent from Q1/2024). The group has revenue from sales for the first six months amounted to THB 1,595.6 million, increased by 3.0 percent as compared to the same period of previous year. The major sales are from processed food from pork, which accounted for 55.8 percent of total revenue from sales, with a growth rate at 4.5 percent as compared to the same period of previous year.

The main reason of increasing revenue is due to the trend among consumers who have used the company's products to create new dishes, which has become a sensation online. As a result, the company's product sales have increased.

Gross profit :

The Group has gross profit in Q2/2024 amounted to THB 228.8 million, representing 26.6 percent of revenue from sales. The gross profit margin increased by 27.4 percent as compared to the same quarter of previous year (increased by 19.3 percent from Q1/2024). The Group has gross profit for the first six months amounted to THB 420.5 million, representing 26.4 percent of revenue from sales. The gross profit margin increased by 15.2 percent as compared to the same period of previous year.

The main reason of increasing gross profit is due to increasing revenue, combined with the lower price of pork, which is the major raw material used in our production, compared to the average price during the same period last year.

Net profit :

The Group has net profit attributable to the Company in Q2/2024 amounted to THB 52.5 million, representing 6.1 percent of revenue from sales, increased by 1.14 times as compared to the same quarter of the previous year (an increase of 2.39 times compared to Q1/2024). The group has net profit for the first six months amounted to THB 68.0 million, representing 4.3 percent of revenue from sales, increased by 1.69 times compared to the same period of previous year.

The major reason of increasing net profit is due to increasing gross, as well as the group's ability to manage selling and administrative expenses more effectively, which has resulted in an increase in the group's net profit.

Others :

The Group recognized gain on change in fair value less cost of sales of biological assets for Q2/2024 in amount of THB 14.9 million. If such entry is excluded, the Group's profit for Q2/2024 would be THB 37.6 million, representing 4.4 percent of revenue from sales, increased by 1.2 percent from the same period of last year. The Group recognized gain on change in fair value less cost of sales of biological assets for the first six months amounted to THB 10.5 million. If such entry is excluded, the Group's profit for the first six months would be THB 57.5 million, representing 3.6 percent of revenue from sales, decreased by 3.8 percent from the same period of last year.

Core Business

Revenue from sales (consolidated)	<u>Quarter 2/2024</u>			<u>Quarter 2/2024</u>	
		<u>(Apr-Jun)</u>		<u>(Jan-Jun)</u>	
Segment information	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Revenue from Sales	860.9	10.1 %	17.3 %	1,595.6	3.1 %
Processed food from meat	476.0	6.5 %	15.0 %	890.5	4.5 %
Processed seafood	275.8	14.0 %	13.0 %	520.3	4.5 %
Restaurants	20.7	14.9 %	8.8 %	39.4	12.6 %
Swine farm	88.4	17.9 %	55.1 %	145.4	(10.8%)

Revenue from sales

1. Processed Food from Meat

The Group has revenue from processed food from meat in Q2/2024 amounted to THB 476.0 million, representing 55.3 percent of total sales, with a growth rate 6.5 percent as compared to the same quarter of previous year (increased by 15.0 percent from Q1/2024). The Group has gross profit amounted to THB 133.5 million, representing 28.0 percent of revenue from sales, with a growth rate 32.1 percent as compared to the same quarter of previous year (increased by 16.1 percent from Q1/2024)

The Group has revenue from sales for the first six months amounted to THB 890.5 million, representing 55.8 percent of total sales, with a growth rate increased by 4.5 percent as compared to the same period of previous year. The Group has gross profit amounted to THB 248.9 million, representing 28.0 percent of revenue from sales, with a growth rate 33.1 percent as compared to the same quarter of previous year.

The Group has continuous growth in revenue from processed meat products, which is a result of the consumer trends mentioned above, as well as the lower price of pork, the main raw material for production, leading to an increase in gross profit.

2. Processed Seafood

The Group has revenue from processed seafood in Q2/2024 amounted to THB 275.8 million, representing 32.0 percent of total sales, with a growth rate 14.0 percent as compared to the same quarter of previous year (increased by 13.0 percent from Q1/2024). The Group has gross profit amounted to THB 80.6 million, representing 29.2 percent of revenue from sales, with a growth rate 23.9 percent as compared to the same quarter of previous year (increased by 15.1 percent from Q1/2024)

The Group has revenue from sales for the first six months amounted to THB 520.3 million, representing 32.6 percent of total sales, with a growth rate increased by 4.5 percent as compared to the same period of previous year. The Group has gross profit amounted to THB 150.2 million, representing 28.9 percent of revenue from sales, with a growth rate 9.6 percent as compared to the same quarter of previous year.

The group has an increase in revenue from processed seafood due to effective marketing and cost management. Additionally, the company has expanded its distribution channels for ready-to-eat products through modern trade and increased its export opportunities as well.

3. Quick Service Restaurant (QSR)

The Group has revenue from sales in Q2/2024 amounted to THB 20.7 million, representing 2.4 percent of total sales, with a growth rate 14.9 percent as compared to the same quarter of previous year (increased by 8.8 percent from Q1/2024). The Group has gross profit amounted to THB 7.5 million, representing 36.5 percent of revenue from sales, with a growth rate decreased by 16.2 percent as compared to the same quarter of previous year (increased by 7.7 percent from Q1/2024).

The Group has revenue from sales for the first six months amounted to THB 39.4 million, representing 2.5 percent of total sales, with a growth rate increased by 12.6 percent as compared to the same quarter of previous year, with a gross profit THB 14.6 million, representing 37.0 percent of revenue from sales and its growth rate decreased by 14.1 percent as compared to the same quarter of previous year.

The group has increase in revenue from its restaurant segment, resulting from closing underperforming branches and adding new sales channels, which has led to higher sales per branch.

4. Swine Farming

The Group has revenue from sales in Q2/2024 amounted to THB 88.4 million, representing 10.3 percent of total sales, with a growth rate increased by 17.9 percent as compared to the same quarter of previous year (increased by 55.1 percent from Q1/2024). The Group has gross profit amounted to THB 6.5 million, representing 7.3 percent of revenue from sales, with a growth rate increased by 62.4 percent as compared to the same quarter of previous year (decreased by 2.62 times compared to Q1/2024).

The Group has revenue from sales for the first six months amounted to THB 145.4 million, representing 9.1 percent of total sales, with a growth rate decreased by 10.8 percent as compared to the same period of previous year. The Group has gross profit amounted to THB 6.1 million, representing 4.2 percent of revenue from sales (decreased by 73.3 percent as compared to the same quarter of previous year).

The farming business has been affected decline in market pork prices at the end of Q1/2024. However, pork market prices have recovered in the second quarter, and the group has been able to manage costs effectively.

Revenue from rental and services

The Group has revenue from rental and service in Q2/2024 amounted to THB 4.6 million, with a growth rate increased by 48.8 percent as compared to the same quarter of previous year (increased by 9.8 percent from Q1/2024).

The Group has revenue from rental and service in the first six months amounted to THB 8.8 million, with a growth rate increased by 44.1 percent as compared to the same period of previous year.

Revenue from rental and services increased due to the Group's ability to find more new tenants, as well as improving its management of fixed costs.

Selling and distribution expenses

The Group has selling and distribution expenses in Q2/2024 amounted to THB 95.9 million, representing 11.1 percent of revenue from sales. The ratio of selling and distribution expenses to sales increased by 5.9 percent from the same quarter of previous year (increased by 7.9 percent from Q1/2024).

The Group has selling and distribution expenses in the first six months amounted to THB 184.8 million, representing 11.6 percent of revenue from sales. The ratio of selling and distribution expenses to sales increased by 8.7 percent from the same period of the previous year.

The Group has sales and distribution expenses that increase in accordance with the growth of revenue for promotion and marketing expenses.

Administrative expenses

The Group has administrative expenses in Q2/2024 amounted to THB 93.0 million, representing 10.8 percent of revenue from sales. The ratio of administrative expense to sales increased by 17.7 percent from the same quarter of previous year (increased by 31.5 percent from Q1/2024).

The Group has administrative expenses in the first six months amounted to THB 163.7 million, representing 10.3 percent of revenue from sales. The ratio of administrative expense to sales increased by 6.8 percent from the same period of previous year.

The group has higher administrative expenses, primarily due to costs associated with preparations for international operations. Since these international operations have not yet started, there is currently no income to offset these expenses.

Financial Highlights as of June 30, 2024

Statement of Financial Position (Consolidated)	June 30, 2024		December 31, 2023		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Total Assets	3,193.3	100.0 %	2,977.9	100.0 %	7.2%
Current Assets	1,218.8	38.2%	1,096.1	36.8 %	11.2%
- Cash and cash equivalents	233.1	7.3%	161.5	5.4 %	44.3%
- Trade and other receivables	576.0	18.0%	532.1	17.9 %	8.3%
- Inventories	254.6	8.0%	302.5	10.2 %	(15.9%)
- Other current assets	155.1	4.9%	100.0	3.4%	55.2%
Non-Current Assets	1,974.5	61.8%	1,881.8	63.2 %	4.9%
- Investment Properties	583.5	18.3%	584.7	19.6 %	(0.2%)
- Property, Plant, and Equipment	1,228.3	38.5%	1,145.5	38.5 %	7.2%
- Right-of-use Assets	85.0	2.7%	86.5	2.9 %	(1.7%)
- Other non-current assets	77.7	2.4%	65.0	2.2%	19.5%
Total Liabilities	1,849.5	57.9%	1,667.9	56.0 %	10.9%
Current Liabilities	1,338.7	41.9%	1,204.5	40.4 %	11.1%
- Bank overdraft	755.0	23.6%	688.6	23.1 %	9.6%
- Trade and other payable	405.3	12.7%	357.2	12.0 %	13.5%
- Current portion of long-term loan	109.8	3.4%	109.1	3.7 %	0.6%
- Other current liabilities	68.6	2.1%	49.5	1.7%	38.6%
Non-Current Liabilities	510.8	16.0%	463.5	15.6 %	10.2%
- Lease liabilities – exceed 1 year	81.6	2.6%	82.2	2.8 %	(0.8%)
- Long term loan – exceed 1 year	312.8	9.8%	266.6	9.0 %	17.3%
- Provision for retirement benefit	92.0	2.9%	90.0	3.0 %	2.1%
- Other non-current liabilities	24.6	0.8%	24.6	0.8%	(0.3%)
Total Shareholders' Equity	1,343.8	42.1%	1,310.0	44.0 %	2.6%
Equity holders of the Group	1,304.6	40.9%	1,299.6	43.6 %	0.4%
Non-controlling interests of the subsidiaries	39.2	1.2%	10.4	0.3 %	278.0%

Assets

The Group has total assets amounted to THB 3,193.3 million, increase by 7.2 percent as compared to that at the end of previous year. The available cash is higher resulting from the capital increase in its subsidiary, but this cash has not yet been utilized for its operations. Additionally, the Group has invested in fixed assets for its swine farming business, including the construction of a factory and the purchase of new machinery, resulting in an increase in the group's total assets.

Liabilities

The Group has total liabilities amounted to THB 1,849.5 million, increase by 10.9 percent as compared to that at the end of previous year. Current liabilities increased by 11.1 percent and non-current liabilities increased by 10.2 percent due to the withdrawal of long-term loans for investing in fixed assets in the swine farming business. Moreover, the Group's increased sales have also led to a greater demand for working capital, resulting in a rise in trade payables. As of June 30, 2024, the debt-to-equity ratio was 1.4 times.

Shareholders' Equity

The Group has total shareholders' equity amounted to THB 1,343.8 million, increase by 2.6 percent as compared to that at the end of previous year.