

## Thai Union Feedmill Public Company Limited

### Management Discussion and Analysis for Q2'2024 Results, ended 30 June 2024

**Q2'2024: Reported net profit surged by 170.9% yoy due to successful portfolio management and production cost optimization. Additionally, gross profit margin doubled from 9.1% to 18.8%.**

Thai Union Feedmill Public Company Limited (“Company”) reported sales at THB 1,296.7 million in Q2'24, a slight drop of -3.5%, due to a decrease in livestock feed by -27.7%, as a result of the management team’s strategy to enhance profitability with product mix optimization. In addition, fish feed sales decreased by -2.4%, while shrimp feed sales slightly increased compared to the same period of last year.

#### Gross profit

Q2'24 gross profit was at THB 243.5 million, increasing from the same period of last year by +98.9%, driven by the portfolio management and well-controlled production costs, leading to a surge in gross profit margin from 9.1% in Q2'23 to 18.8% in this quarter.

#### Net profit

Q2'24 net profit was at THB 129.4 million, a significant increase of +170.9% from the same period last year. This significant growth was fueled by the profitability enhancement initiatives as aforementioned.

#### Stock Information

(SET / Bloomberg)

(TFM / TFM TB)

Share price (31/07/2024)	THB 8.80
Historical closing price (since 1 January 2024):	
Highest closing price:	THB 8.80
Lowest closing price:	THB 6.35
No. of shares:	500.0 m
Par value:	THB 2.0
Market Cap.:	THB 4,400 m
Avg. value trade/day (YTD)	THB 0.6 m

#### Major shareholders (28/06/2024)

Thai Union Group PCL.	51.0%
Mr. Rittirong Group	13.2%
Mr. Bunluesak Sorajjakit	3.1%
Ms. Rungtiwa Boonmechote	1.9%
Mstr. 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 include shrimp feed, fish feed, and livestock feed. TFM currently operates production facilities both 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. Additionally, the dividend shall not exceed the retained earnings as shown in the separate financial statements.

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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%
<b>Gross profit</b>	<b>201.1</b>	<b>47.7</b>	321.2%	<b>124.3</b>	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%
<b>EBIT</b>	<b>110.3</b>	<b>(31.0)</b>	-456.3%	<b>11.1</b>	898.1%
Finance costs	(3.0)	(1.7)	80.1%	(3.1)	-3.6%
<b>PBT</b>	<b>107.3</b>	<b>(32.6)</b>	-428.8%	<b>7.9</b>	1253.0%
Income tax	(3.2)	0.1	-5762.5%	5.2	-160.5%
<b>Net Profit for period</b>	<b>104.2</b>	<b>(32.6)</b>	-419.7%	<b>13.2</b>	690.4%
<b>Profit attributed to the Company</b>	<b>104.0</b>	<b>(27.7)</b>	-475.3%	<b>14.8</b>	601.2%
<b>Earning per share (THB)</b>	<b>0.21</b>	<b>(0.06)</b>	-450.0%	<b>0.03</b>	600.0%
Gross profit margin	16.1%	4.1%		9.7%	
Net profit margin	8.3%	-2.8%		1.0%	

### Sales

The company reported Q2'24 sales revenue at THB 1,296.7 million, a slight decline of -3.5% YoY. However, compared to the previous quarter, sales grew by +3.8%.

### Revenue from shrimp feed

- In Q2'24, revenue from shrimp feed sales was relatively stable compared to last year (+0.3%), resulting from a +0.8% increase in average selling, despite a -0.5% drop in selling volume. The volume decline was mainly caused by a -20.2% reduction in domestic shrimp production. Nevertheless, the company gained market share during this period, leading to a smaller overall decline of -11.6% in shrimp feed selling volume in Thailand. Furthermore, overall shrimp feed sales benefited from a significant increase in shrimp feed selling volume in Indonesia from our subsidiary (PT Thaiunion Kharisma Lestari or TUKL) with +125.3% growth, driven by market expansion to new areas along with new product launches to meet customer demands.
- Compared to the previous quarter, revenue from shrimp feed sales grew by +15.2%, driven by increases in both average selling price and selling volume due to seasonal factors.

### Revenue from fish feed

- In Q2'24, revenue from fish feed sales was at THB 384.7 million, declining by -2.4% YoY due to a -6.5% decrease in average selling price which was a result of a reduction in fish price (end product price), while the selling volume still increased by +4.4% YoY.

Compared to the previous quarter, revenue from fish feed sales fell by -8.2% QoQ. This decline was driven by decreases in seabass feed and other fish feed sales, which dropped by 6.6% and 9.7% QoQ, respectively. The overall reduction was due to decreases in both selling volume and average selling price, which fell by 3.6% and 4.8%, respectively.

### Revenue from livestock feed

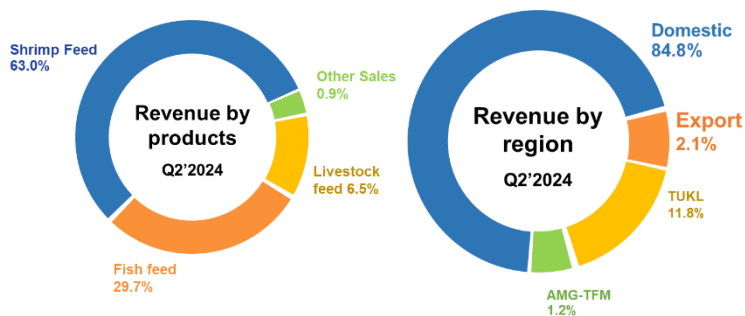
- Q2'24 revenue from livestock feed sales was at THB 84.2 million, declining by -27.7%, due to portfolio optimization by shifting from the livestock feed to other products with higher margins.
- Compared to the previous quarter, revenue from livestock feed dropped by -12.5%, mainly driven by a -52.6% decrease in livestock feed sales in Pakistan to focus on fish feed which generated higher profit margin.

# Thai Union Feedmill Public Company Limited

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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%
<b>Total</b>	<b>1,249.1</b>	<b>1,152.2</b>	<b>8.4%</b>	<b>40,977</b>	<b>39,763</b>	<b>3.1%</b>



### Cost of goods sold and Gross profit

- In Q2'24, the Company's cost of goods sold was at THB 1,053.3 million, decreasing by -13.8% YoY, mainly due to cost management efforts including improved production planning to reduce the energy costs and enhanced production efficiency, as well as lower key raw material prices.
- In Q2'24, the Company's cost of goods sold slightly increased by +0.5%, as a result of higher production volume and selling volume, aligning with increased sales.

Q2'24 gross profit was at THB 243.5 million, sharply increased by +98.9% from the same period last year which was at THB 122.4 million, driven by the portfolio optimization along with the production cost control initiatives as aforementioned, resulting in a surge in gross profit margin to 18.8% as compared to 9.1% and 16.1% in Q2 last year and previous quarter respectively.

### Selling General and Administrative Expenses

In Q2'24, the company's SG&A expenses were at THB 132.1 million, increasing from the same period of last year and previous quarter by +40.1% and +25.2%, respectively. The SG&A expenses to sales ratio was at 10.2%, resulting from increases in employee benefit expenses, selling expenses, and transportation costs.

### Net profit

In Q2'24, the Company reported the net profit attributed to shareholders at THB 129.4 million, increasing by +170.9% from the same period of last year, and +24.4% from previous quarter. This impressive growth in profitability was driven by improved cost management and enhanced production efficiency.

As a result, Q2'24 earnings per share (EPS) rose to THB 0.26 per share from THB 0.10 per share from the same period of last year, and THB 0.21 per share in previous quarter.

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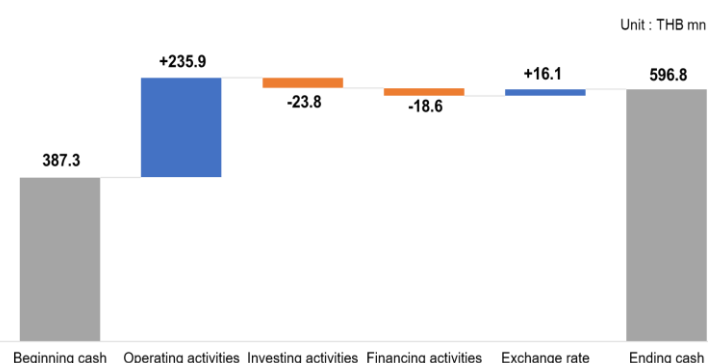
#### Financial position analysis:

As of June 30, 2024, the Company reported total assets of THB 3,544.6 million, a +6.8% increase from the end of last year, due to higher cash and cash equivalent and increases in operating assets such as trade receivable and inventory by +4.8% and +8.3% respectively, in line with higher sales.

Total liabilities increased to THB 904.8 million or +4.1% from the end of last year, mainly due to higher current liabilities including short-term loan to support the working capital which was aligned with higher sales.

Total shareholder's equity was at THB 2,640.1 million, a +7.7% increase from the end of the previous year due to the profitable operation result in the first half of this year.

#### Cash flow analysis:



During 1H'24, net cash from operating activities came from profitable operating result with the profit before taxes of THB 237.2 million, adjusted with reconciled cash items of THB +82.6 million, changes in net working capital totaling THB -96.2 million and income taxes of THB +12.4 million. As a result, net cashflow from operating was at THB 235.9 million

Net cash paid for investing activities totaled THB 23.8 million, mainly reflecting PPE investments related to the production and safety system in the factories, totaling THB 32 million. Additionally, cash inflows from sales of fixed assets and interest income amounted to THB 8.7 million.

Net cash paid for financing activities was at THB 18.6 million which was mainly from the dividend payment to the shareholders of THB 65 million and the repayment of the long-term loan including interest payment totaling THB 11.4 million, and financial lease payments of THB 1.5 million. In addition, there were a cash inflow from the short-term loan to support the working capital in the amount of THB 59.3 million.

#### Key Financial ratios:

Key Financial Ratio	Q2'2024	Q2'2023	Q1'2024
Current Ratio (x)	3.1	2.7	3.0
Average Collecting Period (Day)	57.0	51	53
Day Inventory Outstanding (Day)	46	40	44
Return on Capital Employed (%)	11.3%	2.0%	7.9%
Return on Equity (%)	13.1%	3.7%	9.7%
Return on Assets (%)	9.1%	2.4%	6.4%
Net Interest Bearing Debt to Equity (x)	-	-	-
Book Value per Shares (THB)	5.3	4.8	5.2

#### 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*

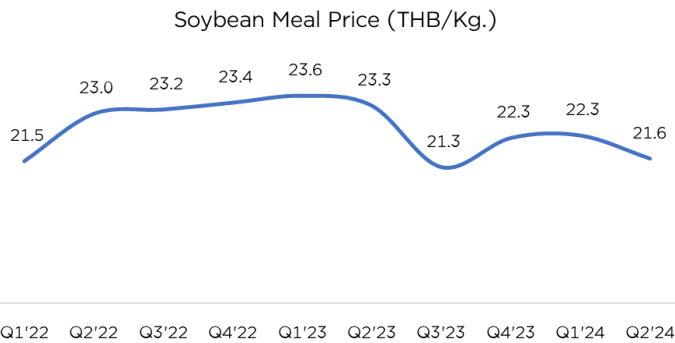
As of June 30, 2024, the current ratio was at 3.1 times, up from 2.7 times in the same period of last year, due to an increase in current assets.

The profitability ratio in Q2'24 (ROCE at 11.3%, ROE at 13.1% ROA at 9.1%) sharply increased from the same period of last year and continued to improve from previous quarter due to stronger profitability.

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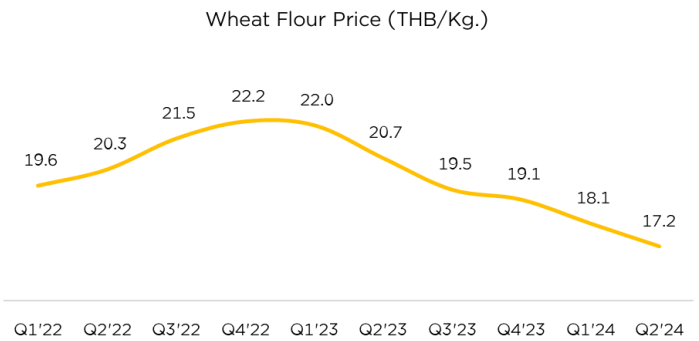
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### Key raw material price:



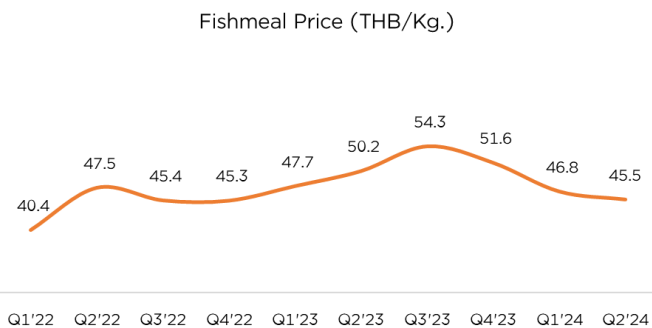
Source: Thai Feed Mill Association

In Q2'24 average soybean meal price was at THB 21.6 per kilogram, decreasing from the same period of last year by -7.0% which was at THB 22.3 per kilogram, while compared to the previous quarter, the price slightly dropped by -3.1%.



Source: Thai Feed Mill Association

In Q2'24 average wheat flour price was at THB 17.2 per kilogram, decreasing from the same period of last year by -16.8% which was at THB 20.7 per kilogram, while compared to the previous quarter, the price continued to decline by -4.8%.



Source: Thai Feed Mill Association

In Q2'24 average fish meal price was at THB 45.5 per kilogram, decreasing from the same period of last year by -9.4% which was at THB 50.2 per kilogram, while compared to the previous quarter the price slightly dropped by -2.8%.