

12 November 2019

Re Management Discussion and Analysis for the 9 month period ended 30 September, 2019

Attn. The President  
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results stated in consolidated financial statements for the third Quarter and nine-month period ended 30 September 2019. The details as followed:

### **The Structure of Revenues**

R&B Food Supply Public Company Limited and its subsidiaries run the businesses mainly in production and trading of Food Ingredients. The structure of revenues is classified into 6 categories as the followings:

- 1.1 Flavour, Fragrance & Color
- 1.2 Food Coating
- 1.3 Dry
- 1.4 Frozen
- 1.5 Packaging (Plastic)
- 1.6 Trading Goods

Moreover, RBF's subsidiaries have also invested in hotel business as follows:

- 2.1 Ibis Styles Chiangmai Hotel which is invested and operated by Premium Foods Co., Ltd.
- 2.2 Novotel Chumporn Beach & Golf which is invested and operated by Thai Flavour and Fragrance CO., Ltd.

### **Operation Results**

#### **The Revenues from Operations**

For the nine –month period ended 30 September, the revenues from sales and rendering services of the group were THB 2,035.39 million, equaled to 96.97% of the total revenues from the operations, and the revenues from the hotel operations of the same period of 2019 were THB 63.50 million, equaled to 3.03% of the total revenues from the operations. The significant changes of each type of the revenues can be explained as follows:

#### **1. REVENUES FROM SALES**

In the third quarter of 2019, the revenues of the group were THB 668.36 million, equaled to 97.42% of the total revenues from operations, and increased by THB 12.81 million or increased 1.95% compared to the revenues from the third quarter of 2018, which were THB 655.55 million or 96.41% of the total revenues from operations. This is mainly due to the increase in sales of Food Coating category by THB 27.44 million from new customers and the existing customers of both domestic and oversea and the increase in sales of Trading category by THB 10.86 million from existing domestic customers. However, the revenues of Flavour,

Fragrance & Color category decreased by THB 23.54 million due to the delay of purchase orders from customers.

For nine-month period ended 30 September 2019, the revenues of the group were THB 2,035.39 million, equaled to 96.97% of the total revenues from operations, and increased by THB 96.84 million or 5.0% compared to the revenues from the same period of 2018, which were THB 1,938.55 million or 96.17% of the total revenues from operations. This is mainly due to the increase in sales of Food Coating category by THB 50.80 million from new customers and the existing customers both domestic and oversea, the increase in sales of Flavour, Fragrance & Color category by THB 28.78 million from existing customers in Thailand, and the increase in Dry category by THB 16.47 million for old existing customers.

## 2. REVENUES FROM HOTEL OPERATIONS

In the third quarter of 2019, the revenues from the hotel operations of the group were THB 17.71 million, equaled to 2.58% of the total revenues from operations, and decreased by THB 6.69 million or -27.42% compared to the revenues from the third quarter of 2018, which were THB 24.40 million or 3.59% of the total revenues from operations. This is mainly due to decreased of the revenues from Ibis Style Hotel Chiangmai by THB 4.89 million causing from low season together with economic slowdown impact and closing partial hotel area for renovation.

For nine-month period ended 30 September 2019, the revenues from hotel operations of the group were THB 63.50 million, equaled to 3.03% of the total revenues from operations, and decreased by THB 13.62 million or 17.66% compared to the revenues of the same period of 2018, which were THB 77.12 million or 3.83% of the total revenues from operations. This is mainly due to decreased of the revenues from Ibis Style Hotel Chiangmai by THB 9.64 million causing from smoke pollution crisis in Chiangmai province during the beginning of 2019.

### **Gross Profit**

In the third quarter of 2019, gross profit of the Group was THB 267.88 million or 39.05% of total revenues from operations, increased by THB 31.37 million or by 13.26% compared to the third quarter of 2018 which gross profit was THB 236.51 million or 34.78% of total revenues from operations. The main reasons come from the increase in gross profit of food ingredient business for THB 29.74 million and the improvement on inventory control over slow moving stock. In addition, the hotel business had less gross loss for THB 1.39 million.

For nine-month period ended 30 September 2019, gross profit was THB 815.12 million or 38.84% of total revenues from operations, which increased by THB 95.40 million or by 13.26% compared to the third quarter of 2018, which gross profit was THB 719.72 million or 35.71% of total revenues from operations. The main reasons are the increase in Gross profit of food ingredient business for THB 100.81 million from the increase of sales of high margin products which is flavor & fragrance and the improvement on production cost and inventory control over slow moving stock. However, Gross profit of hotel business had more loss by THB 5.41 million causing from the decrease in hotel revenues as mentioned above.

### **Selling and Administrative expenses**

In the third quarter of 2019, selling and administrative expenses of the Group were THB 145.26 million. Selling expenses was 6.62% of total revenues from operations and administrative expenses was 14.55% of total revenues from operations. Selling and administrative expenses of the third quarter of 2019 decreased by THB 10.56 million or by 14.81% comparing to the third quarter of 2018 amounting to THB 155.82 million. Mainly due to decreased in allowance of doubtful debt by THB 11.72 million net offsetting with increased in roadshow and press conferences to investors by THB 3.1 million and increased in other expenses of THB 1.94 million.

For nine-month period ended 30 September 2019, selling and administrative expenses was THB 480.57 million. Selling expenses was 6.68% of total revenues from operations and administrative expenses was 16.22% of total revenues from operations. Selling and administrative expenses of the Group increased by THB 55.14 million or by 12.96% comparing to the same period of 2018 which selling and administrative expenses were THB 425.44 million because of the increase in administrative expenses by 57.6 million, which are the increase in employee and management expenses to comply with industry rate by THB 14.57 million, rental expense of assets for using in operations from related persons (referenced by an independent appraiser) by THB 5.13 million, other expenses of THB 3.8 million and one-time expenses of approximately THB 34.1 million which consisted of allowance for impairment loss on hotel assets of THB 11.55 million, allowance for employment retirement benefit of THB 9.85 million and consulting fee for accounting and legal and roadshow and press conferences to investors approximately THB 13 million.

### **Net Profit**

In the third quarter of 2019, the net profit of the group was THB 105.97 million, 15.45% of total revenues from operations, and increased by THB 44.15 million or by 71.42% from the third quarter of 2018, which was THB 61.82 million or 9.09% of total revenues from operations. The main reasons come from the increase in sales from both domestic and oversea, the improvement on production cost and inventory control over slow moving stock, and decreased in allowance of doubtful debt as mentioned above.

For nine-month period ended 30 September 2019, the net profit of the group was THB 253.20 million, 12.06% of total revenues from operations, and increased by THB 22.52 million or by 9.76% from the same period of 2018, which was THB 230.68 million or 11.44% of total revenues from operation. The main reasons are from the increase in sales from domestic and overseas, especially in product group with high gross margin, the improvement on production cost and inventory control over slow moving stock, and decreased in allowance of doubtful debt even though there was one-time administrative expenses as mentioned above.

## **Statement of Financial Position**

### **Assets**

As at 30 September 2019, the Group had total assets of THB 3,482.21 million. Increased in THB 34.56 million or by 1.0% from year end of 2018 which were THB 3,447.66 million. The major change comprised of increase in trade and other receivables of THB 24.32 million derived from increased in sale, increase in investment properties by THB 67.13 million causing from transferred from property, plant and equipment and decrease in property, plant and equipment by THB 114.88 million causing from transferred to investment properties of THB 67.13 and depreciation charged during the period of 126.19 million and allowance for impairment loss of hotel assets of THB 11.55 million and others of 1.41 million, net offsetting with investing in plant and purchase of machinery of foreign subsidiaries and additional purchase of warehouse and machinery of the Company and subsidiaries in Thailand by THB 91.40 million.

### **Liabilities**

As at 30 September 2019, the Group had total liabilities of THB 1,388.57 million, was 39.88% of total assets. Increased by THB 32.67 million from year end of 2018, which were THB 1,355.90 million or 39.33% of total assets. The major change in liabilities comprised of short term borrowing from financial Institutions of THB 101.00 million for working capital, net offsetting in decreased in Trade account payable and others of THB 21.69 million and repayment of long-term borrowings from financial institutions of THB 20.79 million and borrowings from related parties of THB 17.55 million.

***Equity***

For nine-month period ended 30 September 2019, the Group had the Equity of THB 2,093.64 million, was 60.12% of total assets. Increased in THB 1.89 million from year end of 2018, which were by THB 2,091.75 million or 60.67% of total assets. The major change in Equity comprised of allowance of legal reserve THB 13.50 million causing for paid of dividend.

**Statement of Cash flow**

For nine-month period ended 30 September 2019, the Group had net cash flows generated from operating activities of THB 329.77 million, net cash flows used in investing activities of THB 78.38 million which mainly was cash payments for purchase of property, plant and equipment of THB 90.51 million for plant construction and purchase of machinery of foreign subsidiaries and purchase of warehouse and machinery of the Company and local subsidiaries. Net cash flows used in financing activities of THB 183.35 million derived from dividend payment of THB 246.00 million, repayment of long-term borrowings from financial institutions of THB 20.79 million and borrowings from related parties of THB 17.55 million and proceeds from short-term borrowings from financial institutions of THB 101.00 million. As the result, cash and cash equivalents as at 30 September 2019 was THB 316.56 million.

Yours Sincerely

Suranart Kittirattanadetch  
Chief Finance Officer  
R&B Food supply Public Company Limited