



Bor Chor. 010/2020

Aug 10th, 2020

Subject : To clarify the operating results for the Q2/2020, ended 30th June 2020

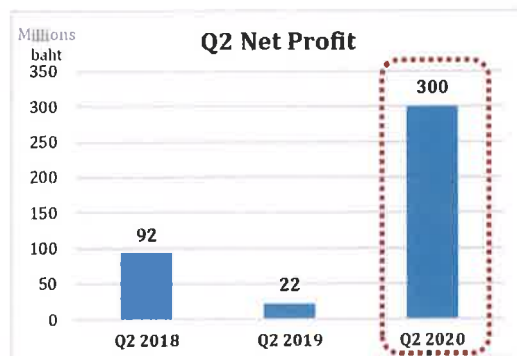
Attention : The President

The Stock Exchange of Thailand

Record Net Profit of 300m baht in Q2
High volumes in pet food and strong results in frozen VAP

Highlights

- Revenues for Q2 amounted to 2,005 million baht, an increase of 1.7% y.o.y. This was mainly due to higher volumes in pet food and aqua feed.
- Quarterly Net Profit was 300 million baht, an increase of 278 million compared to a year ago. Gross Profit was a record high 18.9% of sales revenues, up from 8.2% a year ago. Improved margins in Frozen Seafood and a stronger USD exchange rate were the main contributors.



- Operating cashflow was -98 million baht. Working capital increased from March end with 437 million baht to 2,850 million baht due to higher inventories.
- Balance sheet ratios continued to be very comfortable with D/E 1.2 (same as a year ago) and Net D/E 0.8 (last year 0.9)
- Outlook for the full year 2020 is positive. Full year's sales target is adjusted to 8.5 billion baht at a gross profit margin of 13-15%.

Markets

Despite the steep worldwide decline of GDP's during the second quarter as a result of covid-19, the markets for pet food and (convenience) consumer food products have proven to be strong, while demand of products for food service struggled.



The global pet food market continued its growth in all segments of the dog and cat food market. Working from home and social distancing increased the time spent at home tremendously. As a result the number of cats and small dogs as companions increased in many households, and more attention is given to pets, with overall increased consumption of pet food. Social distancing also further boosted the trend of home deliveries of pet food, often through online sales via dedicated platforms and online services of existing retailers.

Demand of frozen (pre-)fried shrimp products was also strong in America. These products are highly convenient for home use and fit the trend towards more 'grazing' and snacking, instead of the traditional three meals a day.

For whole Thai squid products demand in Europe was very weak. Due to closure of many restaurants for most of the quarter, many importers postponed or cancelled orders.

Commodity shrimp products were also out of demand, although they find their way to the market both via retail and foodservice. Apparently demand from consumers for home use did not compensate the collapse of the food service segment. Shrimp prices were low.

Supply of canned tuna was somewhat affected by covid-19 measures taken by catchers, while price during the quarter slipped towards 1200 USD/mt. Prices are edging up again and with FAD closures coming up, they are expected to firm further.

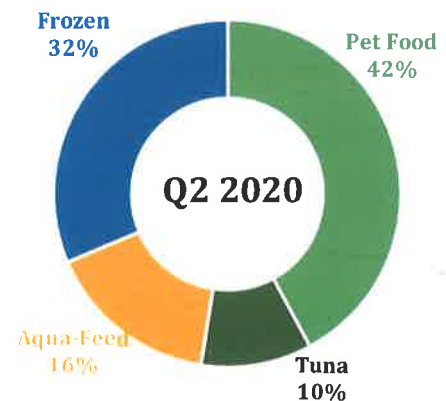
The Thai aqua feed market was declined during the quarter, as the consumption in both shrimp and fish were lower because of covid-19. Ex-farm shrimp prices are quite low. Farmers reluctant to start a new crop, partly because of covid-19, partly because of drought in some particular area. Seabass price is low - demand was low for this typical restaurant dish.

The USD steadily slipped a 5% to 30.9 baht/USD during Q2, and on average hovered around the same level as in Q2 2019.

Business Developments

<i>Sales By Business Segment</i>				
	Q2 2019	Q2 2020	%Growth	Q1 2020
Volume (Mt)	21,932	24,232	10%	22,212
Pet Food & Fishmeal Business	5,595	8,287	48%	6,494
Tuna Business	1,868	1,684	-10%	2,515
Aquaculture Feed Business	9,892	11,713	18%	9,632
Frozen business	4,577	2,548	-44%	3,571
Revenues (Millions Baht)	2,117	2,047	-3%	2,067
Pet Food & Fishmeal Business	616	863	40%	758
Tuna Business	233	211	-9%	299
Aquaculture Feed Business	287	329	15%	261
Frozen business	981	643	-34%	750

*included inter-company sale





Overall volumes were 10% higher than the same quarter last year. The discontinuation of the commodity shrimp business and decline in local restaurant demand caused a volume drop of 44% in the Frozen segment, but this was more than off-set by a 48% jump in pet food and 18% increase in aqua feed volume. Tuna declined 10% compared to a year ago.

Sales revenues were 1.7% higher y.o.y.. The average sales price/kg in Frozen (253 baht/kg) is significantly higher than the unit prices of aqua feed (28 baht/kg) or pet food (104 baht/kg) and therefore volume changes do not reflect the same changes in sales revenues.

Pet food and fishmeal

Following the resumption of the growth of pet food in Q1, a record sales revenue of 863 million baht was recorded in Q2. This was an increase of 40% versus last year. Existing customers contributed to this growth and also new large accounts in Japan and Europe added in. For now, the covid-19 pandemic does not have a negative effect on the pet food business, on the contrary, anecdotal evidence suggests that the number of pets per household increases as well as the average spent per pet. To what extent pet food is prone to recession is expected to be seen towards the end of this year when the full effect of the economic contractions world wide are clear.

The current customer base in wet pet food still leaves room for further growth. Particularly in pouches capacity is tight and a third automatic high speed pouch line will be commissioned in August. Margins in pet food were satisfactory in Q2, although the decreasing USD could not be passed on to customers right away and impacted gross profit.

Developments with Monchou, Asian Sea's own pet food brand, focused on brand building and development of the sales and distribution organization, both in Thailand and China. A second brand will be introduced in the course of Q3. This will be a dry dog feed brand and will be positioned as an economy brand.

Volumes in Q3 are expected to be in line with those in Q2.

Frozen Seafood

Volumes and sales revenues of Frozen Seafood was a significantly down 44% and 34% consecutively compared to the same quarter a year ago. This was a result of the decision to terminate commodity shrimp business earlier this year. Also, squid sales in Q2 was very low as most orders from Italian importers were canceled or postponed following the lock-down due to covid-19. However, there are signs of recovery and it is expected Q3 volumes will increase again. The squid inventory position is good.

The volumes of VAP products (fried, prefried, breaded shrimp and sashimi shrimp) increased 67% y.o.y., which was very satisfactory. Further growth is pursued, but this will require expansion of capacity and a broadening of the customer base, both of which encountered delay due to covid-19 travel restrictions.

The Sillago business was also significantly down due to low demand from Japanese restaurants. This is also expected to gradually recover during remainder of the year.



Profit margins in Frozen were in line with targets.

Tuna

Tuna volumes were 10% down y.o.y. which was due to limited availability of workers and less appetite from customers to absorb the higher raw material prices. Therefore order intake was selective and resources were directed to the pet food production. Profit margins were satisfactory in Q2.

Aqua Feed

Aquafeed volume continued increasing 18% compared to a year ago to almost 12k mt. In line with the previous quarter growth in shrimp feed was strong and Seabream feed decreased as a result of low fish prices.

Demand for shrimp larvae our hatchery was bigger than we could supply. Scaling up this activity requires more time than expected as we want to maintain the highest quality standards, which requires further investments in water treatment systems.

Financial Results

The consolidated key financial data for Q2 are in the table below

Key Financial Data				
('000 Baht)	2Q 2018	2Q 2019	2Q 2020	Q1 2020
Balance Sheet				
Cash	50,643	102,949	118,040	88,996
Accounts receivable, net	1,279,922	979,676	1,178,367	1,101,905
Total current assets	3,938,312	3,187,133	3,539,134	3,069,776
Total long-term assets	2,868,938	2,967,029	3,090,030	3,119,115
Total current liabilities	2,595,959	2,097,902	2,408,592	1,993,282
Total long-term liabilities	1,689,472	1,291,508	1,139,584	1,302,778
Total shareholders' equity	2,521,819	2,764,753	3,080,988	2,892,830
Income Statement				
Total sales	4,615,948	4,329,158	3,991,361	1,986,366
Gross profit	411,531	349,666	664,264	286,264
Total operating expenses	(310,118)	(286,589)	(278,399)	(173,472)
Income (loss) before taxes	116,117	83,234	434,483	114,948
Net income (loss)	118,903	81,687	405,042	104,802

Key Ratios - Ratio Analysis				
	2Q 2018	2Q 2019	2Q 2020	Q1 2020
Growth Rates				
Sale Growth	n/a	-6.2%	-7.8%	n/a
Net Profit Growth	n/a	-31.3%	395.8%	n/a
Profitability Ratios				
Return on equity	4.7%	3.0%	13.1%	3.6%
Return on assets	1.7%	1.3%	6.1%	1.7%
Return on sales	2.6%	1.9%	10.1%	5.3%
Gross profit margin	8.9%	8.1%	16.6%	14.4%
Asset turnover ratio	67.8%	70.3%	60.2%	32.1%
Leverage and Liquidity Ratios				
Current ratio	1.5	1.5	1.5	1.5
Quick or acid test ratio	0.5	0.5	0.5	0.6
Debt to equity ratio	1.7	1.2	1.2	1.1
Net Debt to equity ratio	1.4	0.9	0.8	0.8

* Using last 4 consecutive quarters net profit divided by end quarter equity

** Using last 4 consecutive quarters net profit divided by end quarter total assets

Key Financial Data				
('000 Baht)	Q2 2018	Q2 2019	Q2 2020	Q1 2020
Income Statement				
Total sales	2,315,933	1,970,606	2,004,995	1,986,366
Gross profit	272,512	161,796	378,000	286,264
Total operating expenses	(170,473)	(146,340)	(125,990)	(173,472)
Income (loss) before taxes	80,775	20,257	319,535	114,948
Net income (loss)	92,325	22,130	300,240	104,802

Key Ratios - Ratio Analysis				
	Q2 2018	Q2 2019	Q2 2020	Q1 2020
Growth Rates				
Sale Growth	n/a	-14.9%	1.7%	n/a
Net Profit Growth	n/a	-76.0%	1256.7%	n/a
Profitability Ratios				
Return on sales	4.0%	1.1%	15.0%	5.3%
Gross profit margin	11.8%	8.2%	18.9%	14.4%



Profitability

Sales revenues in Q2 2020 were 2,005 million baht, an of 1.7% versus the same quarter last year. Lower sales of commodity shrimp and tuna was more than off-set by higher pet food and aqua feed sales. Gross profit margin was 18.9% (8.2% last year), another record high. The increase versus a year ago was due to product pricing reflecting the weaker USD, product mix and improved margins in Frozen and Aquafeed. SG&A was 136 million baht, 15% higher than the same period last year. Other income is mostly related to refunds of duties. FX gains were results from hedge contracts. Non-recurring gains were mostly related to reversal of allowances for bad debtors in Aquafeed.

EBIT was 339 million baht versus 47 million baht in the same quarter last year. Interest expenses were 20 million baht, down from 27 million baht as a result of lower average interest bearing debt and lower interest rates. Net profit for the quarter was 300 million baht.

Year to date Sales revenues were 3,991 million baht, a decrease of 7.8% versus the first half of last year. Gross Profit margin was 16.6% (2019: 8.1%) and net profit amounted to 405 million baht (2019: 82 million baht).

Profitability Analysis				
(‘000’000 Baht)	Q2 2019	Q2 2020	% Change	Q1 2020
Sales	1,971	2,005	2%	1,986
Gross Profit	162	378	134%	286
SG&A	(119)	(136)	14%	(135)
EBIT from Operation	42	242	471%	151
Other Income	15	14	-7%	23
fxGain (loss)	17	74	335%	(21)
Non-recurring	(25)	11	-144%	(16)
Profit (loss) of JV and Associate	(2)	(1)	n/a	(1)
EBIT	47	339	622%	135
Financial Cost	(27)	(20)	-26%	(20)
EBT	20	320	1477%	115
Taxes	2	(19)	-1130%	(10)
Net Profit	22	300	1257%	105

Expectations for the full year 2020 are positive. The target sales revenues is adjusted to 8.5 billion baht from 9.2 billion, reflecting lower sales in Tuna and Frozen business. Gross Profit margin is targeted to increase from 10-12% to 13-15%. Margins in the second half of the year are expected to be slightly lower due to lower USD exchange rates and price adjustments.

Working Capital

Working capital was 2,850 million baht, an increase of 437 million baht compared to 31 March 2020. The increase was mainly due to 331 million baht higher inventories due to higher squid raw material stocks.

Working Capital			
(‘000’000 Baht)	30th Jun 2019	30th Jun 2020	31st Dec 2019
Inventories	1,995	2,131	1,738
Account Receivable	1,020	1,178	823
Cash & Other current assets	172	230	157
Account Payable	(603)	(658)	(610)
Other Payable	(28)	(31)	(27)
Net Working Capital	2,555	2,850	2,081
Inventory days	87	113	84
AR Days	38	53	35
AP Days	17	25	20



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Capital expenditures

During Q2 an amount of 61 million baht was invested in fixed assets. Main portion was replacement of equipment and expansion of pet food capacity. Depreciation amounted to 62 million baht.

Cashflow

Operating cash outflow was 98 million baht, and this was mainly due to the increase of inventories.

Financing

Total debt as of 30th June 2020 was 3,548 million baht, which 2,658 million baht was interest bearing debt, slightly increase from 2,569 million baht the year before. Long debt amounted 1,584 million baht, which the current portion was 628 million baht. Short term debt amounted 1,075 million baht and consists of various trade financing facilities

Debt to Equity ratio was 1.2 (Q2'19: 1.2), which is better than the target 1.5-1.8 range. Net Debt to Equity ratio was 0.8 (Q2'19: 0.9).

Kindly be acknowledged.

Yours sincerely
Asian Sea Corporation Public Company Limited

(Mr. Somsak Amornrattanachaikul)
Authorized Director