

2 August 2023

Subject Management Discussion and Analysis for the three-month period ended 31 March 2023

Attention Directors and Managers
The Stock Exchange of Thailand

KCG Corporation Public Company Limited and subsidiaries (collectively called “**the Company**”) would like to inform the analysis of financial performance, financial positions and financial ratio for the three-month period ended 31 March 2023. The details are as follows:

A summary of the key financial information for the three-month period ended 31 March 2023

Items	For the three-month periods ended		Change	
	31 March			
	2022	2023	THB mm	%
Revenue from sales	1,297.1	1,707.9	410.8	31.7
Total Revenue	1,319.7	1,723.3	403.6	30.6
Cost of sales	898.9	1,247.0	348.1	38.7
Gross Profit	398.2	460.9	62.7	15.7
Net profit for the period	32.2	58.4	26.2	81.4

Total Revenue

For the three-month periods ended March 31, 2022, and 2023, the Company's total revenue was THB 1,319.7 million and THB 1,723.3 million, respectively. The source of the Company's total revenue was mainly revenue from the sales, accounting for 98.3% and 99.1% of the total revenue from the same periods, respectively.

For the three-month period ended March 31, 2023, the Company's total revenue grew from THB 1,319.7 million in the corresponding period of 2022 to THB 1,723.3 million in 2023, representing an increase of 30.6%. The growth in total revenue was primarily driven by increased sales of all products, attributed to higher demand of consumers, the launch of new products, and adjustments in the packaging size of certain products to smaller sizes. As a result, revenue from sales increased for all products, including through the Business to Customer (B2C) and Business to Business (B2B) channels.

Profitability Ratio

Financial Ratio	For the three-month periods ended	
	31 March	
	2022	2023
Gross Profit Margin (%) ^{/1}	30.7	27.0
Net Profit Margin (%) ^{/2}	2.4	3.4

Remark:

/1 Calculated as gross profit divided by revenue from sales

/2 Calculated as net profit for the period divided by total income

Cost of sales and Gross Profit

For the three-month period ended March 31, 2022, and 2023, the Company's cost of sales was THB 898.9 million and THB 1,247.0 million, respectively. The Company's cost of sales includes raw material costs, labor costs, depreciation of production machinery and equipment, and utilities related to production.

For the three-month period ended March 31, 2023, the Company's cost of sales increased from THB 898.9 million in the corresponding period of 2022 to THB 1,247.0 million in 2023, representing an increase of 38.7%. The growth in the cost of sales was primarily driven by higher raw material costs and import costs. This increase was due to the continued shortage of raw materials in the global market, leading to increased prices. Consequently, the Company's gross profit margin decreased from 30.7% to 27.0% for the three-month period ended March 31, 2022, and 2023, respectively.

Net profit and net profit margin

For the three-month period ended March 31, 2022, and 2023, the Company's net profit for the period was THB 32.2 million and THB 58.4 million, respectively. This resulted in net profit margins of 2.4% and 3.4%, respectively.

For the three-month period ended March 31, 2023, the Company's net profit for the period increased from THB 32.2 million in the corresponding period of 2022 to THB 58.4 million in 2023, representing a significant growth of 81.4%. The net profit margin also improved from 2.4% in the three-month period of 2022 to 3.4% in 2023. This increase was attributed to higher revenue from sales and enhanced management of selling and distribution expenses and administrative expenses.

Financial Positions

Items	As of 31 December 2022	As of 31 March 2023	Change	
	THB mm	THB mm	THB mm	%
Total Assets	5,539.6	5,248.4	(291.2)	(5.3)
Total Liabilities	4,356.1	4,006.7	(349.4)	(8.0)
Equity	1,183.5	1,241.7	58.2	4.9

Total Assets

As of March 31, 2023, the Company's total assets were THB 5,248.4 million. The total assets include property, plant and equipment, trade and other receivables, and inventories.

As of March 31, 2023, the total assets decreased from THB 5,539.6 million on December 31, 2022, to THB 5,248.4 million in 2023, representing a decrease of 5.3%. The decrease in total assets was mainly due to the decrease in trade and other receivables, aligned with the seasonal nature of the business where the Company typically has higher sales and trade and other receivables in Q4 and lower sales and trade and other receivables in Q1. The effect was also seen in the decrease in inventories, particularly goods in transit, as the Company held fewer reserve raw materials due to decreased volatility in raw material prices and reduced raw material usage for production. Furthermore, the Company's cash and cash equivalents decreased due to investments in the construction and development of distribution centers and warehouses, specifically KCG Logistics Park, as well as investments in improving the area and factory layout to increase efficiency and expand production of butter and cheese products.

Total Liabilities

As of March 31, 2023, the Company's total liabilities were THB 4,006.7 million. The total liabilities include trade and other payables, long-term loans from financial institutions, and short-term loans from financial institutions. The Company primarily utilizes short-term credit lines to purchase raw materials and goods, especially for key raw materials in production sourced from abroad, such as milk fat and cheese.

As of March 31, 2023, the total liabilities decreased from THB 4,356.1 million on December 31, 2022, to THB 4,006.7 million, representing an 8.0% decrease. The main drivers of this decrease were the reduction in trade and other payables, as well as short-term borrowing from financial institutions, due to the payment of raw material and product costs. Additionally, there was a decrease in the volume of raw material imports, which aligns with the Company's normal business operations.

Equity

As of March 31, 2023, the Company's equity was THB 1,241.7 million. The Company's equity increased from THB 1,183.5 million on December 31, 2022, to THB 1,241.7 million in 2023, representing an increase of 4.9%. The main cause of this increase was the rise in net profit for the three-month period of 2023, amounting to THB 58.4 million.

Total Liabilities to Equity Ratio and Interest-bearing debt-to-equity Ratio

Financial Ratio	As of 31 December	As of 31 March
	2022	2023
Total Liabilities to Equity Ratio (times) ^{/1}	3.7	3.2
Interest-bearing debt-to-equity Ratio (times) ^{/2}	2.5	2.3

Remark:

/1 Calculated as total liabilities divided by total equity

/2 Calculated as interest bearing debt divided by total equity

As of March 31, 2023, the Company's total liabilities to equity ratio and interest-bearing debt-to-equity ratio decreased compared to the year 2022. The main reason for this decrease was the repayment of short-term and long-term loans from financial institutions. Additionally, the equity portion has increased due to the net profit in the first three-month period of 2023.

Please be informed accordingly,

Sincerely yours,

(Mrs. Kanokwanrat Srimaneesiri)
Chief Financial Officer