



S. Khonkaen Foods PCL. and its subsidiaries ("Group")

Management Discussion and Analysis For period ended 30 September 2024

Business Overview

Statements of Income (Consolidated) January – September	Quarter 3/2024		Quarter 3/2023		Change
	(THB Mn.)	(%)	(THB Mn.)	(%)	(%YOY)
Revenue from Sales	2,436.8	100.0%	2,306.9	100.0%	5.6%
Cost of Sales	(1,807.7)	-74.2%	(1,753.3)	-76.0%	3.1%
Gross Margin	629.1	25.8%	553.6	24.0%	13.6%
Selling and Distribution Expenses	(281.1)	-11.5%	(249.2)	-10.8%	12.8%
Administrative Expenses	(242.8)	-10.0%	(228.9)	-9.9%	6.0%
Loss from rental and service	(4.4)	-0.2%	(9.7)	-0.4%	-54.5%
Gain (Loss) on changes in fair value less cost to sale of biological assets	15.0	0.6%	(38.5)	-1.7%	-139.0%
Other income	24.7	1.0%	58.8	2.5%	-57.9%
Other expense	(0.7)	0.0%	(2.9)	-0.1%	-74.9%
EBIT	139.9	5.7%	83.1	3.6%	68.4%
Financial Cost	(28.9)	-1.2%	(30.0)	-1.3%	-3.4%
Tax Expenses	(20.9)	-0.9%	(14.1)	-0.6%	48.3%
Profit/(Loss)	90.0	3.7%	39.0	1.7%	130.7%
Equity holders of the Company	102.1	4.2%	42.2	1.8%	142.0%
Earnings per Share (THB/Share)	0.32		0.13		

Statement of Income (Consolidated) July – September	Quarter 3/2024		Quarter 3/2023		Change
	(THB Mn.)	(%)	(THB Mn.)	(%)	(%YOY)
Revenue from Sales	841.2	100.0%	757.9	100.0%	11.0%
Cost of Sales	(632.6)	-75.2%	(569.4)	-75.1%	11.1%
Gross Margin	208.6	24.8%	188.5	24.9%	10.7%
Selling and Distribution Expenses	(96.3)	-11.4%	(79.2)	-10.5%	21.6%
Administrative Expenses	(79.1)	-9.4%	(75.6)	-10.0%	4.6%
Loss from rental and service	(0.6)	-0.1%	(3.2)	-0.4%	-81.7%
Gain (Loss) on changes in fair value less cost to sale of biological assets	4.6	0.5%	(4.0)	-0.5%	-212.6%
Other income	4.7	0.6%	9.2	1.2%	-48.9%
Other expense	(0.2)	0.0%	(1.9)	-0.2%	-87.9%
EBIT	41.7	5.0%	33.9	4.5%	23.2%
Financial Cost	(9.4)	-1.1%	(10.2)	-1.3%	-7.2%
Tax Expenses	(1.8)	-0.2%	(8.9)	-1.2%	-79.6%
Profit/(Loss)	30.4	3.6%	14.8	1.9%	106.1%
Equity holders of the Company	34.2	4.1%	16.8	2.2%	102.8%
Earnings per Share (THB/Share)	0.11		0.05		

Revenue :

The Group has revenue from sales THB 841.2 million in Q3/2024, an increase of 11.0 percent compared to the same quarter of previous year (a decrease of 2.3 percent compared to Q2/2024). The Group has accumulated revenue from sales for the first nine months amounted to THB 2,436.8 million, an increase of 5.6 percent compared to the same period of previous year.

The majority of revenue from sales in Q3/2024 continued to come from processed food from meat business, which has been consistently growing. This growth was driven by the popularity of fermented sausages among consumers since Q2/2024 and continues to the present. Additionally, the Group also has increased revenue from swine farming business in Q3/2024, driven by both higher price of swine and also higher number of swine sold in this period.

Gross profit :

The Group has gross profit of THB 208.6 million in Q3/2024, which accounted for 24.8% of revenue from sales. The gross profit increased by 10.7 percent compared to the same quarter of previous year (decreased by 8.8 percent compared to Q2/2024). The Group has accumulated gross profit for the first nine months amounted to THB 629.1 million, which accounted for 25.8 percent of revenue from sales. The accumulated gross profit increased by 13.6 percent compared to the same period of previous year.

The main reason for the increase in gross profit in Q3/2024 was the performance of swine business, driven by price and quantity of swine sold as mentioned above.

Others :

The Group recognized a gain of THB 4.6 million from change in fair value of biological assets net cost of sales in Q3/2024, which accounted for 0.5 percent of revenue from sales. This gain is 2.13 times increase compared to same quarter of previous year (a decrease of 69.4 percent compared to Q2/2024). The Group has accumulated gain from change in fair value of biological asset net cost of sales for nine months amounted to THB 15.0 million, which accounted for 0.6 percent of revenue from sales. The accumulated fair value of biological asset net cost of sales increased by 1.39 times compared to the same period of previous year.

The increase in gains from change in fair value of biological assets was driven by the continuous upward market prices of swine, whereas during the same period last year, swine prices were trending downward.

Net profit

attributable to the Company :

The Group has net profit attributable to the Company of THB 34.2 million in Q3/2024, which accounted for 4.1 percent of revenue from sales. The net profit increased by 1.03 times compared to the same quarter of the previous year (a decrease of 34.9 percent compared to Q2/2024). The Group has accumulated net profit attributable to the Company for the first nine months amounted to THB 102.1 million, which accounted for 4.2 percent of revenue from sales. The accumulated net profit attributable to the Company increased by 1.42 times compared to the same period of previous year.

The increase in net profit attributable to the Company in Q3/2024 was a result of higher gross profit, along with gains from the fair value change of biological assets, which led to an overall increase in the Group's net profit.

Core Business

Revenue from sales (consolidated)	Quarter 3/2024			Quarter 3/2024	
	(3 months : Jul - Sep)			(9 months : Jan - Sep)	
Segment information	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Revenue from Sales	841.2	11.0%	-2.3%	2,436.8	5.6%
Processed food from meat	458.1	10.8%	-3.8%	1,348.6	6.5%
Processed seafood	265.7	-2.9%	-3.6%	786.0	1.8%
Restaurants	17.3	3.0%	-16.4%	56.7	9.1%
Swine farm	100.1	84.9%	13.2%	245.6	12.9%

Revenue from sales

1. Processed Food from Meat

The Group has revenue from processed food from meat of THB 458.1 million in Q3/2024, which accounted for 54.5 percent of total revenue from sales. This represents a growth rate of 10.8 percent compared to the same quarter of previous year (a decreased of 3.8 percent compared to Q2/2024). The gross profit from this business segment was THB 116.6 million, which accounted for 25.4 percent of revenue from processed food from meat. This showed a slight growth of 0.2 percent compared to the same quarter of previous year (a decreased of 12.7 percent compared to Q2/2024)

The Group has accumulated revenue from sales from processed food from meat for the first nine months of THB 1,348.6 million, which accounted for 55.3 percent of total revenue from sales. This represented a growth rate of 6.5 percent compared to the same period of previous year. The accumulated gross profit from this business segment was THB 365.5 million, which accounted for 27.1 percent of revenue from processed food from meat. This showed a growth of 20.6 percent compared to the same period of previous year.

The continued growth in sales from the processed food from meat business was a result of the Group's marketing strategies across various channels, which have helped to boost the popularity of its products.

2. Processed Seafood

The Group has revenue from processed seafood THB 265.7 million in Q3/2024, which accounted for 31.6 percent of total revenue from sales. This represents a decrease of 2.9 percent compared to the same quarter of previous year (a decrease of 3.6 percent compare to Q2/2024). The gross profit from this business segment was THB 74.8 million, which accounted for 28.2 percent of revenue from processed seafood business. This showed a growth of 10.6 percent compared to the same quarter of previous year (a decrease of 7.1 percent compared to Q2/2024).

The Group has accumulated revenue from processed seafood for the first nine months of THB 786.0 million, which accounted for 32.3 percent of total revenue from sales. This represents a growth of 1.8 percent compared to the same period of previous year. The accumulated gross profit from this business segment was THB 225.0 million, which accounted for 28.6 percent of revenue from processed seafood business. This showed a growth of 9.8 percent compared to the same quarter of previous year.

Although revenue from processed seafood declined, the Group managed to sell products to customers at higher profit margins. As a result, the gross profit margin from this business segment increased.

3. Quick Service Restaurants (QSR)

The Group has revenue from quick service restaurants of 17.3 million in Q3/2024, which accounted for 2.1 percent of total revenue from sales. This represents a growth of 3.0 percent compared to the same quarter of previous year (a decrease of 16.4 percent from Q2/2024). The gross profit from this business segment was THB 9.3 million,

which accounted for 53.9 percent of revenue from quick service restaurants. This showed an increase of 9.0% compared to the same quarter of previous year (an increase of 23.4 percent compared to Q2/2024).

The Group has accumulated revenue from quick service restaurants for the first nine months amounted to THB 56.7 million, which accounted for 2.3 percent of total revenue from sales. This represents a growth of 9.1% compared to the same period of previous year. The accumulated gross profit from this business segment was THB 23.9 million which accounted for 42.2 percent of revenue from quick service restaurants. This showed a decrease of 7.9 percent compared to the same period of previous year.

The increase in revenue from quick service restaurants was due to the opening of new branches in high-potential locations in this year, as well as the closure of unprofitable branches since the previous year. These actions contributed to the overall revenue growth.

4. Swine Farming

The Group has revenue from swine farming of THB 100.1 million in Q3/2024, which accounted for 11.9 percent of total sales. This represents a significant growth of 84.9 percent as compared to the same quarter of previous year (an increase of 13.2 percent compared to Q2/2024). The gross profit from this business segment was THB 8.1 million, which accounted for 1.0% of revenue from swine farming. This showed a nearly 3 times increase compared to the same quarter of previous year (an increased of 25.3 percent compared to Q2/2024).

The Group has revenue from swine farming for the first nine months amounted to THB 245.6 million, which accounted for 10.1 percent of revenue from sales. This represents a growth of 12.9 percent compared to the same quarter of last year. The accumulated gross profit from this segment was THB 14.3 million, which accounted for 1.7 percent of revenue from swine farming. This showed a decrease of 26.3 percent compared to the same period of previous year.

The swine farming business was affected by a drop in market prices at the end of Q1/2024, but the market prices have continuously recover since then. Additionally, the Group has implemented more effective cost control measures, which have improved overall performance in the swine farming segment.

Revenue from rental and services

The Group has revenue from rental and service of THB 4.8 million in Q3/2024, representing a growth of 44.3 percent as compared to the same quarter of previous year (an increase of 5.1 percent compared to Q2/2024).

The Group has accumulated revenue from rental and service in the first nine months amounted to THB 13.6 million, representing a growth of 43.9 percent compared to the same period of previous year.

The increase in rental and service income was due to the Group's success in acquiring new tenants, as well as improved management of fixed costs, which helped reduce losses.

Selling and distribution expenses

The Group has selling and distribution expenses of THB 96.3 million in Q3/2024, which accounted for 11.4 percent of revenue from sales. This represents an increase of 21.6 percent compared to the same quarter of previous year (an increased of 0.4 percent compared to Q2/2024).

The Group has accumulated selling and distribution expenses in the first nine months amounted to THB 281.1 million, which accounted for 11.5 percent of revenue from sales. This represents an increase of 12.8 percent compared to the same period of the previous year.

The increase in selling and distribution expenses was in line with revenue growth, driven by higher promotional costs and increased marketing expenses.

Administrative expenses

The Group has administrative expenses of THB 79.1 million in Q3/2024, which accounted for 9.4 percent of revenue from sales. This represents a 4.6 percent increase compared to the same quarter of previous year (a decrease of 15 percent compared to Q2/2024).

The Group has accumulated administrative expenses in the first nine months amounted to THB 242.8 million, which accounted for 10.0 percent of revenue from sales. This represents an increase of 6 percent increased compared to the same period of previous year.

The Group's administrative expenses increased slightly, primarily due to higher costs related to employees and general support operations.

Financial Highlights as of September 30, 2024

Statement of Financial Position (Consolidated)	September 30, 2024		December 31, 2023		Change (%YOY)
	(THB Mil.)	(%)	(THB Mil.)	(%)	
Total Assets	3,098.3	100.0%	2,977.9	100.0%	4.0%
Current Assets	1,098.2	35.4%	1,096.1	36.8%	0.2%
- Cash and cash equivalents	175.7	5.7%	161.5	5.4%	8.8%
- Trade and other receivables	520.0	16.8%	532.1	17.9%	-2.3%
- Inventories	254.9	8.2%	302.5	10.2%	-15.8%
- Biological assets	110.8	3.6%	67.2	2.3%	64.9%
- Other current assets	36.8	1.2%	32.8	1.1%	12.3%
Non-Current Assets	2,000.1	64.6%	1,881.8	63.2%	6.3%
- Investment Properties	582.4	18.8%	584.7	19.6%	-0.4%
- Property, Plant, and Equipment	1,247.2	40.3%	1,145.6	38.5%	8.9%
- Right-of-use Assets	83.4	2.7%	86.5	2.9%	-3.6%
- Biological asset (non-current)	15.5	0.5%	13.8	0.5%	12.5%
- Other non-current assets	71.6	2.3%	51.2	1.7%	39.7%
Total Liabilities	1,732.2	55.9%	1,667.9	56.0%	3.9%
Current Liabilities	1,233.2	39.8%	1,204.5	40.4%	2.4%
- Bank overdraft	673.0	21.7%	688.6	23.1%	-2.3%
- Trade and other payable	400.3	12.9%	357.2	12.0%	12.0%
- Current portion of long-term loan	103.1	3.3%	109.1	3.7%	-5.5%
- Other current liabilities	56.9	1.8%	49.5	1.7%	15.0%
Non-Current Liabilities	499.0	16.1%	463.5	15.6%	7.7%
- Lease liabilities – exceed 1 year	80.2	2.6%	82.2	2.8%	-2.4%
- Long term loan – exceed 1 year	299.6	9.7%	266.6	9.0%	12.4%
- Provision for retirement benefit	94.5	3.1%	90.0	3.0%	5.0%
- Other non-current liabilities	24.6	0.8%	24.6	0.8%	-0.2%
Total Shareholders' Equity	1,366.0	44.1%	1,310.0	44.0%	4.3%
- Equity holders of the Group	1,331.8	43.0%	1,299.6	43.6%	2.5%
- Non-controlling interests	34.3	1.1%	10.4	0.3%	230.1%

Assets

The Group has total assets amounted to THB 3,098.3 million, representing a 4.0 percent increase compared to the end of previous year. This increase was mainly due to cash from a capital increase in a subsidiary, which has not yet been used in operations. Additionally, the prices of swine, which are the Group's biological assets, have continued to rise. The Group also invested in fixed assets for its swine farming business, including the construction of new facilities and the purchase of new machinery, as well as investments in accounting software to improve operational efficiency. These factors contributed to the overall increase in the Group's total assets.

Liabilities

The Group has total liabilities amounted to THB 1,732.2 million, representing a 3.9% increase compared to the end of the previous year. This was driven by a 2.4% increase in current liabilities and a 7.7% increase in non-current liabilities, primarily due to the drawdown of long-term loans for investments in fixed assets for the swine farming business. Additionally, the increase in sales led to a higher need for working capital, resulting in a rise in trade payables. As of September 30, 2024, the Group's debt-to-equity ratio stood at 1.3 times.

Shareholders' Equity

The Group has total shareholders' equity amounted to THB 1,366.0 million, representing a 4.3% increase compared to the end of the previous year.