



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

### Management Discussion and Analysis

For the 3-month period ended 31 March 2024

#### Business Overview

The Group has revenue from sales in Q1/2024 amounted to THB 734.7 million, decreased by 4.2 percent as compared to the same quarter of previous year (decreased by 5.3 percent from Q4/2023). The major reason is that swine farm business has dropped because swine price decreased since the end of last year.

The Group has gross profit in Q1/2024 amounted to THB 191.8 million, representing 26.1 percent of revenue from sales. The gross profit margin increased by 3.4 percent as compared to the same quarter of previous year (increase 3.1 percent from Q4/2023), This is a result from market prices of pork and chicken have decreased as compared to the average prices in the same quarter of previous year.

The Group has net profit attributable to the Company in Q1/2024 amounted to THB 15.5 million, representing 2.1 percent of revenue from sales, increased approximately 17 times as compared to the same quarter of the previous year (increased by 24 percent from Q4/2023).

The Group recognized a loss on change in fair value less cost of sales of biological assets for Q1/2024 in amount of THB 4.4 million. If such entry is excluded, the Group's profit for Q1/2024 would be THB 19.9 million, representing 2.7 percent of revenue from sales, decrease by 12.1 percent from the same period of last year.

Income Statements (Consolidated) January - March	Quarter 1/2024		Quarter 1/2023		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Revenue from Sales	734.7	100.0%	767.1	100.0%	(4.2%)
Cost of Sales	(543.0)	(73.9%)	(581.6)	(75.8%)	(6.6%)
<b>Gross Margin</b>	<b>191.8</b>	<b>26.1%</b>	<b>185.5</b>	<b>24.2%</b>	<b>3.4%</b>
Selling and Distribution Expenses	(88.9)	(12.1%)	(79.4)	(10.3%)	12.0%
Administrative Expenses	(70.7)	(9.6%)	(74.4)	(9.7%)	(4.9%)
Loss from rental and service	(1.8)	(0.3%)	(3.4)	(0.4%)	(45.3%)
Other income	1.1	0.2%	10.2	1.3%	(88.7%)
Other expense	(4.6)	(0.6%)	(21.9)	(2.9%)	(78.9%)
<b>EBIT</b>	<b>26.8</b>	<b>3.7%</b>	<b>16.7</b>	<b>2.2%</b>	<b>61.2%</b>
Financial Cost	(9.9)	(1.4%)	(9.6)	(1.3%)	3.0%
Tax Expenses	(5.2)	(0.7%)	(6.7)	(0.9%)	(22.3%)
<b>Profit/(Loss)</b>	<b>11.7</b>	<b>1.6%</b>	<b>0.4</b>	<b>0.0%</b>	<b>3,181.6%</b>
Equity holders of the Company	15.5	2.1%	0.8	0.1%	1741.4%
Earnings per Share (THB/Share)	0.048		0.003		

## Core Business

### *1. Processed Food from Meat*

The Group has revenue from processed food from meat in Q1/2024 amounted to THB 414.5 million, representing 56.4 percent of total sales, with a growth rate increased by 2.2 percent as compared to the same quarter of previous year (increased by 1 percent from Q4/2023), and its gross profit amounted to THB 115.5 million, representing 27.9 percent of revenue from sales, with a growth rate increased by 35.4 percent as compared to the same quarter of previous year (increase 3.6 percent from Q4/2023)

The costs of pork and chicken, which are the major raw materials of the Group, has been decreased since the last year, resulting in an increase in the Group's gross profit. Additionally, the Group has focused on managing raw material stocks to reduce fluctuations in cost management.

### *2. Processed Seafood*

The Group has revenue from processed seafood in Q1/2024 amounted to THB 244.5 million, representing 33.3 percent of total sales, with a growth rate decreased by 4.5 percent as compared to the same quarter of previous year (a decreased by 16.9 percent from Q4/2023), and its gross profit amounted to THB 69.6 million, representing 28.5 percent of revenue from sales, with a growth rate decreased by 4.4 percent as compared to the same quarter of previous year (a decreased by 19.6 percent from Q4/2023),

Despite the Group has lower revenue from this segment, the Group is able to manage costs efficiently. In addition, the Group also expanded distribution channels for ready-to-eat products through modern trade channels and expanded to export channel to increase profitability in the future.

### *3. Quick Service Restaurant (QSR)*

The Group has revenue from sales in Q1/2024 amounted to THB 18.7 million, representing 2.5 percent of total sales, with a growth rate increased by 9.9 percent as compared to the same quarter of previous year (an increased by 23.6 percent from Q4/2023), and its gross profit amounted to THB 7.1 million, representing 37.7 percent of revenue from sales, with a growth rate decreased by 15.9 percent as compared to the same quarter of previous year (an increased by 5.1 percent from Q4/2023).

The Group focuses on operational management and revises strategies to increase efficiency, reduce restaurant costs while increase sales per store.

### *4. Swine Farming*

The Group has revenue from sales in Q1/2024 amounted to THB 57.0 million, representing 7.8 percent of total sales, with a growth rate decreased by 35.5 percent as compared to the same quarter of previous year (an increased by 1.9 percent from Q4/2023), and its negative gross profit amounted to THB 0.4 million, representing negative 0.64 percent of revenue from sales, with a growth rate

decreased by 101.9 percent as compared to the same quarter of previous year (a decreased by 94.5 percent from Q4/2023).

Since last year, the farm business has been affected by the swine price drop. The Group focused on the proportion of swine and expanding the customer base to enhance profitability.

Revenue from sales (consolidated) Segment information	Quarter 1/2024		
	(THB Mil.)	(%YOY)	(%QOQ)
<b>Revenue from Sales</b>	<b>734.7</b>	<b>(4.2 %)</b>	<b>(5.3 %)</b>
Processed food from meat	414.5	2.2 %	0.9 %
Processed seafood	244.5	(4.5 %)	(16.9 %)
Restaurants	18.7	9.9 %	23.6 %
Swine farm	57.0	(35.5 %)	1.9 %

#### **Revenue from rental and services**

The Group has revenue from rental and service in Q1/2024 amounted to THB 4.2 million, with a growth rate increased by 37.6 percent as compared to the same quarter of previous year (an increased by 25.0 percent from Q4/2023).

This is a result from seeking new leasee for S. Tower Office Building on Bang Na-Trad Road, where the Group's office is located.

#### **Selling and distribution expenses**

The Group has selling and distribution expenses in Q1/2024 amounted to THB 88.9 million, representing 12.1 percent of revenue from sales. The ratio of selling and distribution expenses to sales increased by 12.0 percent from the same quarter of previous year (increase 24.3 percent from Q4/2023)

The Group has sales and distribution expenses that increase in accordance with the growth of revenue for promotion and marketing expenses.

#### **Administrative expenses**

The Group has administrative expenses in Q1/2024 amounted to THB 70.7 million, representing 9.6 percent of revenue from sales. The ratio of administrative expense to sales decreased by 4.9 percent from the same quarter of previous year (decrease 36.6 percent from Q4/2023).

The Group has lower administrative expenses because high-level of employees resigned but the Group have not yet replaced by new employees.

### **Financial Highlights as of March 31, 2024**

#### **Assets**

The Group has total assets amounted to THB 3,030.6 million, increase by 1.8 percent as compared to that at the end of previous year. This is due to the expansion of the swine barns resulting to increase in both fixed assets and biological assets.

Statement of Financial Position (Consolidated)	March 31, 2024		December 31, 2023		Change (%YOY)
	(THB Mil.)	(%)	(THB Mil.)	(%)	
<b>Total Assets</b>	<b>3,030.6</b>	<b>100.0 %</b>	<b>2,977.9</b>	<b>100.0 %</b>	<b>1.8 %</b>
<b>Current Assets</b>	<b>1,081.3</b>	<b>35.7%</b>	<b>1,096.1</b>	<b>36.8 %</b>	<b>(1.4 %)</b>
- Cash and cash equivalents	159.1	5.2%	161.5	5.4 %	(1.5 %)
- Trade and other receivables	534.4	17.6%	532.1	17.9 %	0.4 %
- Inventories	268.7	8.9%	302.5	10.2 %	(11.2 %)
- Other current assets	119.1	3.9%	100.0	3.4%	19.1%
<b>Non-Current Assets</b>	<b>1,949.3</b>	<b>64.3%</b>	<b>1,881.8</b>	<b>63.2 %</b>	<b>3.6 %</b>
- Investment Properties	584.8	19.3%	584.7	19.6 %	0.0%
- Property, Plant, and Equipment	1,189.0	39.2%	1,145.5	38.5 %	3.8 %
- Right-of-use Assets	89.8	3.0%	86.5	2.9 %	3.8 %
- Other non-current assets	85.7	2.8%	65.0	2.2%	31.8%

### Liabilities

The Group has total liabilities amounted to THB 1,708.5 million, increase by 2.4 percent as compared to that at the end of previous year. Current liabilities decreased by 0.7 percent and non-current liabilities increased by 10.4 percent mostly from loan drawdown. As of March 31, 2024, the debt-to-equity ratio was 1.3 times.

### Shareholders' Equity

The Group has total shareholders' equity amounted to THB 1,322.1 million, increase by 0.9 percent as compared to that at the end of previous year.

Statements of Financial Position (Consolidated)	March 31, 2024		December 31, 2023		Change (%YOY)
	(THB Mil.)	(%)	(THB Mil.)	(%)	
<b>Total Liabilities</b>	<b>1,708.5</b>	<b>56.4 %</b>	<b>1,667.9</b>	<b>56.0 %</b>	2.4%
<b>Current Liabilities</b>	<b>1,196.6</b>	<b>39.5%</b>	<b>1,204.5</b>	<b>40.4 %</b>	<b>(0.7%)</b>
- Bank overdraft	675.0	22.3%	688.6	23.1 %	(2.0%)
- Trade and other payable	355.1	11.7%	357.2	12.0 %	(0.6%)
- Current portion of long-term loan	101.2	3.3%	109.1	3.7 %	(7.3%)
- Other current liabilities	60.4	2.0%	49.5	1.7%	21.9%
<b>Non-Current Liabilities</b>	<b>511.9</b>	<b>16.9%</b>	<b>463.5</b>	<b>15.6 %</b>	10.4%
- Lease liabilities - net of current portion	84.3	2.8%	82.2	2.8 %	2.6%
- Long term loan - net of current portion	314.0	10.4%	266.6	9.0 %	17.8%
- Provision for retirement benefit	89.4	3.0%	90.0	3.0 %	(0.7%)
- Other non-current liabilities	24.1	0.8%	24.6	0.8%	(2.1%)
<b>Total Shareholders' Equity</b>	<b>1,322.1</b>	<b>43.6 %</b>	<b>1,310.0</b>	<b>44.0 %</b>	0.9%
Equity holders of the Group	1,315.7	43.4 %	1,299.6	43.6 %	1.2%
Non-controlling interests of the subsidiaries	6.4	0.2 %	10.4	0.3 %	(38.4%)