

# **Thai Union Group PCL. Management Discussion and Analysis (MD&A)**

For Q3 2024 ended September 30, 2024

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### **EXECUTIVE SUMMARY**

**In Q3 2024, Thai Union saw accelerated sales growth driven by organic expansion, a record-high gross profit margin (GPM), and continued growth in net profit.**

- Sales increased 2.7% YoY to THB 34,840mn, driven by 3.1% YoY organic growth, with FX having a slight negative impact of 0.4% YoY on total sales in this quarter.
- Gross profit margin reached a record – high of 19.5%, supported by demand recovery across many regions and lower raw material prices.
- Net profit was THB 1,400mn, with earnings per share at THB 0.30, representing 4.4% YoY and 8.1% YoY growth, respectively, and marking 3 consecutive quarters of accelerated YoY growth. Excluding transformation costs, net profit rose significantly by 21.8% YoY to THB 1,634mn.
- Free cash flow remained strong from the previous quarter, with THB 8,052mn free cash flow in 9M 2024, and net interest-bearing debt to equity was healthy at 0.79x.

### **KEY BUSINESS DEVELOPMENTS**

**Thai Union is thrilled to announce the launch of our transformative Strategy 2030 and two groundbreaking transformation programs on November 11, 2024.**

- Thai Union will next week launch its Strategy 2030, a growth-focused strategy built on revitalizing the core business, driving the next wave of growth, and exploring new frontiers, supported by a strong foundation of enablers. To execute the strategy, Thai Union has kicked off two transformation programs including Project Sonar – the Group’s transformation program to establish a solid foundation for growth – and Project Tailwind – the PetCare growth acceleration program. Further details will be announced on November 11, 2024.
- With the development of these programs to drive future growth, the Company recorded higher expenses in Q3 2024. Excluding transformation costs, net profit rose significantly by 21.8% YoY to THB 1.6bn.

**To strengthen our innovation focus, Thai Union expanded our Innovation Hub in the Netherlands to drive cutting-edge product development.**



Thai Union has officially opened its Innovation Hub in Wageningen, Netherlands, marking the latest expansion of its global innovation network. The Innovation Hub focuses on product and packaging innovation for the Group’s ambient seafood brands, with a team of around 20 experts, including product, process and packaging developers, nutritionists, sensory and consumer scientists, and innovators

More details please visit: <https://bit.ly/4gNoXu3>

### **Achieved an excellent rating (5-star rating) in Corporate Governance**



Thai Union has achieved an “**Excellent**” (5-star) rating in **corporate governance**, ranking among the top quartile of companies by market capitalization equivalent or exceeding THB 10bn from the companies participated in the assessment of the Corporate Governance Report for Thai Listed Companies for the year 2024.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### Red Lobster exited the Chapter 11 and Thai Union shifted from a shareholder to a supplier role

- On September 16, 2024, Red Lobster (RL) successfully emerged from Chapter 11 bankruptcy protection, finalizing its sales to a new investor. With this change, Thai Union shifted from a shareholder role to a supplier role. As a trusted supplier to RL for over 30 years, Thai Union recently signed a new supplier agreement with RL, maintaining the partnership.
- In 2022, Thai Union North America, Inc. (“TUNA”) entered into a limited guaranty (the “Listed Guaranty”) for up to USD 65mn relating to obligations incurred by RL entities under a financing agreement. On October 3, 2024, Fortress Credit Corp. (“Fortress”) filed a lawsuit against TUNA in New York claiming that TUNA breached the Limited Guaranty by failing to pay Fortress, in its capacity as collateral agent, the guaranteed amount. TUNA and the Group’s management assert that, pursuant to the contractual terms, the Limited Guaranty has terminated, and TUNA is vigorously defending this litigation, which is in its earliest stages before the court.

### SUSTAINABILITY

- **Our commitment to sustainability remains key, evident in the practices of top management and all employees**



**Thai Union hosted SeaBOS at our booth during the Sustainability Expo 2024** to provide updates on the progress made toward achieving our goal under SeaChange® 2030, our global sustainability strategy.



**Thai Union strengthens fight against ocean plastic with new partnerships**

Thai Union announced new partnerships to tackle plastic pollution, joining force with Seven Clean Seas and Second Life to implement innovative solutions that significantly reduce ocean plastic waste.



**Thai Union hosted officials from Thai Ministry of Labour to showcase its sustainable growth initiatives.** Key highlights of the visit included Thai Union’s vision, the zero-wastewater discharge project, and knowledge sharing.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### FINANCIAL PERFORMANCE (FOR THE THIRD QUARTER AND THE FIRST NINE-MONTH OF THE YEAR)

#### CONSOLIDATED INCOME STATEMENT SUMMARY

| (Unit: THB mn)              | Q3            | Q2            | Q3            | QoQ          | YoY          | 9M             | 9M             | YoY          |
|-----------------------------|---------------|---------------|---------------|--------------|--------------|----------------|----------------|--------------|
|                             | 2023          | 2024          | 2024          | (%)          | (%)          | 2023           | 2024           | (%)          |
| <b>Sales</b>                | <b>33,915</b> | <b>35,283</b> | <b>34,840</b> | <b>-1.3%</b> | <b>2.7%</b>  | <b>100,624</b> | <b>103,343</b> | <b>2.7%</b>  |
| Cost of sales               | (27,682)      | (28,748)      | (28,047)      | -2.4%        | 1.3%         | (83,727)       | (84,273)       | 0.7%         |
| <b>Gross profit</b>         | <b>6,233</b>  | <b>6,535</b>  | <b>6,793</b>  | <b>4.0%</b>  | <b>9.0%</b>  | <b>16,897</b>  | <b>19,070</b>  | <b>12.9%</b> |
| SG&A                        | (4,074)       | (4,569)       | (4,719)       | 3.3%         | 15.8%        | (12,166)       | (13,494)       | 10.9%        |
| FX (loss)                   | (268)         | (237)         | (54)          | 77.3%        | 80.0%        | (303)          | (81)           | 73.4%        |
| Other income                | 195           | 256           | 251           | -1.9%        | 28.9%        | 549            | 786            | 43.0%        |
| Share of profit             | 261           | 179           | 275           | 53.6%        | 5.3%         | 526            | 614            | 16.7%        |
| <b>EBIT</b>                 | <b>2,346</b>  | <b>2,164</b>  | <b>2,547</b>  | <b>17.7%</b> | <b>8.5%</b>  | <b>5,503</b>   | <b>6,895</b>   | <b>25.3%</b> |
| Finance cost                | (589)         | (620)         | (627)         | 1.2%         | 6.5%         | (1,672)        | (1,895)        | 13.3%        |
| Tax (expense) credit        | 140           | (44)          | (208)         | 369.8%       | 248.1%       | 580            | (380)          | 165.6%       |
| Discontinued operation      | (496)         | 0             | 0             | n/a          | 100.0%       | (666)          | 0              | 100.0%       |
| Non-controlling interests   | (196)         | (281)         | (311)         | 10.7%        | 58.9%        | (489)          | (848)          | 73.4%        |
| <b>Reported net profit</b>  | <b>1,206</b>  | <b>1,219</b>  | <b>1,400</b>  | <b>14.9%</b> | <b>16.1%</b> | <b>3,256</b>   | <b>3,772</b>   | <b>15.8%</b> |
| <b>Adjusted net profit*</b> | <b>1,341</b>  | <b>1,219</b>  | <b>1,400</b>  | <b>14.9%</b> | <b>4.4%</b>  | <b>3,157</b>   | <b>3,772</b>   | <b>19.5%</b> |
| <b>EBITDA</b>               | <b>3,375</b>  | <b>3,252</b>  | <b>3,658</b>  | <b>12.5%</b> | <b>8.4%</b>  | <b>8,622</b>   | <b>10,160</b>  | <b>17.8%</b> |
| EPS (THB/share)             | 0.26          | 0.27          | 0.30          | 11.6%        | 15.9%        | 0.67           | 0.81           | 20.9%        |
| Gross profit margin         | 18.4%         | 18.5%         | 19.5%         | 1.0%         | 1.1%         | 16.8%          | 18.5%          | 1.7%         |
| SG&A to sales               | 12.0%         | 13.0%         | 13.5%         | 0.5%         | 1.5%         | 12.1%          | 13.1%          | 1.0%         |
| Operating profit margin     | 6.4%          | 5.6%          | 6.0%          | 0.4%         | -0.4%        | 4.7%           | 5.4%           | 0.7%         |
| Net profit margin           | 3.6%          | 3.5%          | 4.0%          | 0.5%         | 0.4%         | 3.2%           | 3.6%           | 0.4%         |

| Exchange rate | Q3    | Q2    | Q3    | QoQ   | YoY   | 9M    | 9M    | YoY   |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
|               | 2023  | 2024  | 2024  | (%)   | (%)   | 2023  | 2024  | (%)   |
| USD/THB       | 35.17 | 36.71 | 34.81 | -5.2% | -1.0% | 34.52 | 35.72 | 3.5%  |
| EUR/THB       | 38.26 | 39.52 | 38.21 | -3.3% | -0.1% | 37.38 | 38.81 | 3.8%  |
| GBP/THB       | 44.54 | 46.35 | 45.23 | -2.4% | 1.5%  | 42.97 | 45.60 | 6.1%  |
| JPY/THB       | 0.24  | 0.24  | 0.23  | -1.0% | -4.1% | 0.25  | 0.24  | -5.5% |

Remark: Thai Union fully impaired the entire investment in Red Lobster (RL) in Q4 2023. Consequently, past performance of RL has been restated, and it has been recognized as a discontinued operation from Q4 2023 onward.

\*Adjusted net profit excluded RL's share of loss (discontinued operation) and tax credit.

#### Quarterly performance analysis

In Q3 2024, Thai Union reported sales of THB 34,840mn, a 2.7% YoY increase, with organic growth contributing to a 3.1% YoY rise. FX had a negative impact on overall performance this quarter, as the Thai Baht appreciated against the USD (averaging THB 34.81/USD, declined by 1% YoY). Nonetheless, sales volume grew by 10.4% YoY, driven by demand recovery in the Ambient, PetCare, and Value-added categories. For more details of analysis by category, please find in [Performance Breakdown by Category part](#)).

**Gross profit** reached THB 6,793mn, an increase of 9.0% YoY. The GPM reached a record high at 19.5%, supported by demand recovery across regions and lower raw material prices. However, the Company also partially benefitted from the reversal of inventory provisions in this quarter. Excluding this item, the GPM remained high at 18.9%.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

**Selling and administrative expenses (SG&A)** were recorded at THB 4,719mn, an increase of 15.8% YoY. The increase was mainly driven by higher freight costs associated with the increased sales volumes, as well as higher marketing expenses and transformation costs. As a result, SG&A to sales exceeded our guidelines, reaching 13.5%, increasing from 12.0% in the same period last year. Excluding the transformation costs, SG&A to sales were 12.9%.

Despite the higher-than-expected SG&A in this quarter, **operating profit** remained solid at THB 2,074mn.

**FX losses** were at THB 54mn, which was lower than FX losses of THB 268mn in Q3 2023, primarily from lower loss from financing activities and higher gain from operating activities.

**Other income** was THB 251mn, increasing by 28.9% YoY. This was primarily higher interest income from ITC.

**Share of profit from associates and JVs** was THB 275mn. This quarter, share of profit was primarily attributable to Avanti Group and Lucky Union Foods.

**Finance costs** were THB 627mn, rising 6.5% YoY, driven by an increase in interest rates globally.

**Income tax expenses** were THB 208mn in Q3 2024, in contrast to a tax credit of THB 140mn in the same period last year. This change was primarily due to the non-recognition of tax credits from RL following the full impairment of the entire investment in RL in Q4 2023 and the transfer of ownership of RL shares.

Altogether, **net profit** reached THB 1,400mn with a net profit margin of 4.0%. Nevertheless, excluding transformation costs, net profit rose significantly by 21.8% to THB 1,634mn.

**In terms of the QoQ analysis, Thai Union's sales slightly decreased by 1.3% QoQ.** Despite this, GPM continued its growth momentum, increasing by 1.0% to 19.5% in Q3 2024. SG&A rose by 3.3% QoQ, primarily due to higher freight costs associated with the increase in sales volume and the transformation costs. Despite the rise in SG&A, operating profit increased by 5.5% QoQ. In Q3 2024, FX losses were recorded at THB 54mn, a significant improvement compared to FX losses of THB 237mn in Q2 2024. Altogether, net profit increased by 14.9% QoQ.

### Year-to-Date performance analysis

**In 9M 2024, Thai Union reported robust growth compared to the same period last year.** Sales increased by 2.7% YoY, while sales volume rose by 3.9% YoY. GPM reached an all-time high year-to-date at 18.5% in 9M 2024. SG&A increased by 10.9% YoY, primarily due to transformation costs within the Group, along with higher marketing expenses aligned with TU's strategy to enhance brand awareness and increased personnel costs. Share of profit from associates and JVs increased by 16.7% YoY, primarily due to contributions from the Avanti Group and Lucky Union Foods. Finance costs rose by 13.3% YoY, reflecting higher global interest rates. During the 9M 2024, the Company recorded income tax expenses of THB 380mn due to no tax benefit from RL, following the full impairment in Q4 2023. Net profit showed a strong recovery to THB 3,772mn, growing by 19.5% YoY, compared to the adjusted net profit in 9M 2023, which excludes the share of loss and tax benefits from RL.

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## MD&A for Q3 2024 ended September 30, 2024

### PERFORMANCE BREAKDOWN BY CATEGORY

|                            | Q3<br>2023         | Q2<br>2024         | Q3<br>2024         | QoQ<br>(%)         | YoY<br>(%)         | 9M<br>2023         | 9M<br>2024         | YoY<br>(%)         |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Sales (THB mn)</b>      | <b>33,915</b>      | <b>35,283</b>      | <b>34,840</b>      | <b>-1.3%</b>       | <b>2.7%</b>        | <b>100,624</b>     | <b>103,343</b>     | <b>2.7%</b>        |
| Ambient                    | 15,851             | 17,376             | 17,920             | 3.1%               | 13.1%              | 48,211             | 52,452             | 8.8%               |
| Frozen                     | 11,593             | 10,842             | 9,836              | -9.3%              | -15.2%             | 34,771             | 30,296             | -12.9%             |
| PetCare                    | 3,773              | 4,456              | 4,352              | -2.3%              | 15.4%              | 10,436             | 12,763             | 22.3%              |
| Value-added                | 2,698              | 2,609              | 2,732              | 4.7%               | 1.3%               | 7,205              | 7,832              | 8.7%               |
| <b>Sales volume (Tons)</b> | <b>211,484</b>     | <b>213,090</b>     | <b>233,550</b>     | <b>9.6%</b>        | <b>10.4%</b>       | <b>631,745</b>     | <b>656,465</b>     | <b>3.9%</b>        |
| Ambient                    | 75,414             | 81,903             | 93,250             | 13.9%              | 23.7%              | 231,868            | 261,351            | 12.7%              |
| Frozen                     | 63,231             | 61,319             | 63,455             | 3.5%               | 0.4%               | 188,033            | 182,950            | -2.7%              |
| PetCare                    | 24,830             | 26,149             | 25,636             | -2.0%              | 3.2%               | 69,966             | 75,588             | 8.0%               |
| Value-added                | 48,009             | 43,719             | 51,209             | 17.1%              | 6.7%               | 141,878            | 136,576            | -3.7%              |
| <b>GPM (%)</b>             | <b>18.4%</b>       | <b>18.5%</b>       | <b>19.5%</b>       | <b>1.0%</b>        | <b>1.1%</b>        | <b>16.8%</b>       | <b>18.5%</b>       | <b>1.7%</b>        |
| Ambient                    | 20.4%              | 18.9%              | 20.1%              | 1.2%               | -0.3%              | 19.5%              | 18.6%              | -0.9%              |
| Frozen                     | 12.9%              | 10.7%              | 12.0%              | 1.3%               | -0.9%              | 10.1%              | 11.5%              | 1.4%               |
| PetCare                    | 19.4%              | 31.3%              | 30.6%              | -0.7%              | 11.2%              | 19.2%              | 29.3%              | 10.1%              |
| Value-added                | 28.9%              | 26.5%              | 25.1%              | -1.4%              | -3.8%              | 27.4%              | 27.0%              | -0.4%              |
| <b>Raw material price</b>  | <b>Q3<br/>2023</b> | <b>Q2<br/>2024</b> | <b>Q3<br/>2024</b> | <b>QoQ<br/>(%)</b> | <b>YoY<br/>(%)</b> | <b>9M<br/>2023</b> | <b>9M<br/>2024</b> | <b>YoY<br/>(%)</b> |
| Tuna (Skipjack; USD/ton)   | 1,800              | 1,478              | 1,410              | -4.6%              | -21.7%             | 1,873              | 1,407              | -24.9%             |
| Shrimp (60pcs/kg; THB/kg)  | 123                | 129                | 141                | 9.0%               | 14.3%              | 140                | 137                | -1.9%              |
| Salmon (NOK/kg)            | 83                 | 110                | 78                 | -28.9%             | -5.9%              | 99                 | 99                 | 0.0%               |
| <b>Sales by channel</b>    | <b>Q3<br/>2023</b> | <b>Q2<br/>2024</b> | <b>Q3<br/>2024</b> | <b>QoQ<br/>(%)</b> | <b>YoY<br/>(%)</b> | <b>9M<br/>2023</b> | <b>9M<br/>2024</b> | <b>YoY<br/>(%)</b> |
| <b>Sales (THB mn)</b>      | <b>33,915</b>      | <b>35,283</b>      | <b>34,840</b>      | <b>-1.3%</b>       | <b>2.7%</b>        | <b>100,624</b>     | <b>103,343</b>     | <b>2.7%</b>        |
| Brand                      | 13,911             | 14,867             | 14,373             | -3.3%              | 3.3%               | 41,584             | 42,040             | 1.1%               |
| Private label              | 20,004             | 20,416             | 20,467             | 0.2%               | 2.3%               | 59,040             | 61,303             | 3.8%               |
| <b>Sales volume (Tons)</b> | <b>211,482</b>     | <b>213,090</b>     | <b>233,550</b>     | <b>9.6%</b>        | <b>10.4%</b>       | <b>631,743</b>     | <b>656,465</b>     | <b>3.9%</b>        |
| Brand                      | 87,304             | 86,375             | 93,355             | 8.1%               | 6.9%               | 259,746            | 262,324            | 1.0%               |
| Private label              | 124,178            | 126,715            | 140,195            | 10.6%              | 12.9%              | 371,997            | 394,141            | 6.0%               |

### Quarterly performance breakdown analysis

#### I. Ambient category

In Q3 2024, **Ambient sales were THB 17,920mn, increasing significantly by 13.1% YoY**, primarily due to a 23.7% YoY increase in sales volumes from a low base in Q3 2023. Excluding the baseline correction, sales volumes still grew significantly, driven by higher demand across all regions. This included a strong recovery in the Middle East, which had been affected by a hard currency shortage in Q3 2023, as well as robust Private label demand in the U.S. and Canada. Moreover, demand from Branded customers in the U.S. continued to rise, largely due to our promotional strategy.

**Sales increased by 3.1% QoQ, while volume saw a strong rise of 13.9% QoQ**, mainly driven by higher demand across key regions, except for Europe, which faced market contraction.

**GPM continued its QoQ growth momentum, reaching 20.1%** in Q3 2024, driven by higher sales volumes and lower raw material costs in our inventory; however, it was slightly below the GPM of Q3 2023 due to the lower tuna prices in this quarter. The average Skipjack Tuna prices in Q3 2024 reported at USD 1,410/ton, which declined by 21.7% YoY and 4.6% QoQ.

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## MD&A for Q3 2024 ended September 30, 2024

| Ambient                    | Q3<br>2023    | Q2<br>2024    | Q3<br>2024    | QoQ<br>(%)   | YoY<br>(%)   | 9M<br>2023     | 9M<br>2024     | YoY<br>(%)   |
|----------------------------|---------------|---------------|---------------|--------------|--------------|----------------|----------------|--------------|
| <b>Sales (THB mn)</b>      | <b>15,851</b> | <b>17,376</b> | <b>17,920</b> | <b>3.1%</b>  | <b>13.1%</b> | <b>48,211</b>  | <b>52,452</b>  | <b>8.8%</b>  |
| Brand                      | 9,568         | 10,203        | 9,673         | -5.2%        | 1.1%         | 28,167         | 28,911         | 2.6%         |
| Private label              | 6,283         | 7,173         | 8,247         | 15.0%        | 31.3%        | 20,045         | 23,541         | 17.4%        |
| <b>Sales volume (Tons)</b> | <b>75,414</b> | <b>81,903</b> | <b>93,250</b> | <b>13.9%</b> | <b>23.7%</b> | <b>231,867</b> | <b>261,351</b> | <b>12.7%</b> |
| Brand                      | 37,229        | 37,793        | 40,501        | 7.2%         | 8.8%         | 111,499        | 113,838        | 2.1%         |
| Private label              | 38,185        | 44,110        | 52,749        | 19.6%        | 38.1%        | 120,369        | 147,513        | 22.6%        |
| <b>GPM (%)</b>             | <b>20.4%</b>  | <b>18.9%</b>  | <b>20.1%</b>  | <b>1.2%</b>  | <b>-0.3%</b> | <b>19.5%</b>   | <b>18.6%</b>   | <b>-0.9%</b> |

### II. Frozen category

**Frozen sales reported at THB 9,836mn, decreased significantly by 15.2% YoY**, primarily due to soft demand in the U.S. Additionally, seafood market prices in the U.S. also declined. Meanwhile, **sales declined 9.3% QoQ**, mostly from the lower sales of private label customers. These decreases in Frozen business, both YoY and QoQ, were primarily offset by the increase in Feed business, which continued to perform strongly after its turnaround.

In contrast, **sales volumes saw a slight increase after 9 quarters of decline**, mainly driven by the growth in the Feed business, supported by strong performance in the Indonesia market.

**GPM declined slightly by 0.9% YoY to 12.0% in this quarter**. However, GPM improved by 1.3% QoQ. This improvement was mostly due to the improved margin of Feed business.

| Frozen                     | Q3<br>2023    | Q2<br>2024    | Q3<br>2024    | QoQ<br>(%)   | YoY<br>(%)    | 9M<br>2023     | 9M<br>2024     | YoY<br>(%)    |
|----------------------------|---------------|---------------|---------------|--------------|---------------|----------------|----------------|---------------|
| <b>Sales (THB mn)</b>      | <b>11,593</b> | <b>10,842</b> | <b>9,836</b>  | <b>-9.3%</b> | <b>-15.2%</b> | <b>34,771</b>  | <b>30,296</b>  | <b>-12.9%</b> |
| Brand                      | 3,820         | 4,099         | 4,102         | 0.1%         | 7.4%          | 12,189         | 11,487         | -5.8%         |
| Private label              | 7,774         | 6,743         | 5,734         | -15.0%       | -26.2%        | 22,582         | 18,809         | -16.7%        |
| <b>Sales volume (Tons)</b> | <b>63,231</b> | <b>61,319</b> | <b>63,455</b> | <b>3.5%</b>  | <b>0.4%</b>   | <b>188,033</b> | <b>182,950</b> | <b>-2.7%</b>  |
| Brand                      | 48,343        | 46,491        | 50,478        | 8.6%         | 4.4%          | 143,677        | 142,111        | -1.1%         |
| Private label              | 14,889        | 14,829        | 12,977        | -12.5%       | -12.8%        | 44,356         | 40,840         | -7.9%         |
| <b>GPM (%)</b>             | <b>12.9%</b>  | <b>10.7%</b>  | <b>12.0%</b>  | <b>1.3%</b>  | <b>-0.9%</b>  | <b>10.1%</b>   | <b>11.5%</b>   | <b>1.4%</b>   |

### III. PetCare category

**PetCare sales were reported at THB 4,352mn, increased impressively by 15.4% YoY**, primarily due to higher contribution of premium product. In addition, volumes grew by 3.2% YoY from the higher demand in key markets, including Europe and the U.S. The rise in both sales and volumes in this quarter was partially attributable to a low base in Q3 2023, as customers began restocking.

However, **sales declined by 2.3% QoQ, in line with a 2.0% QoQ decrease in sales volumes**, due to shortage of vessel space and container mismanagement.

**GPM remained strong at 30.6% in this quarter**, marking 2 consecutive quarters above 30%, driven by increasing demand and higher share of premium product.

| PetCare                    | Q3<br>2023    | Q2<br>2024    | Q3<br>2024    | QoQ<br>(%)   | YoY<br>(%)   | 9M<br>2023    | 9M<br>2024    | YoY<br>(%)   |
|----------------------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|--------------|
| <b>Sales (THB mn)</b>      | <b>3,773</b>  | <b>4,456</b>  | <b>4,352</b>  | <b>-2.3%</b> | <b>15.4%</b> | <b>10,436</b> | <b>12,763</b> | <b>22.3%</b> |
| Brand                      | 3             | 65            | 64            | -1.5%        | 1826%        | 9             | 181           | 1851%        |
| Private label              | 3,770         | 4,390         | 4,288         | -2.3%        | 13.7%        | 10,427        | 12,582        | 20.7%        |
| <b>Sales volume (Tons)</b> | <b>24,830</b> | <b>26,149</b> | <b>25,636</b> | <b>-2.0%</b> | <b>3.2%</b>  | <b>69,966</b> | <b>75,588</b> | <b>8.0%</b>  |
| Brand                      | 26            | 550           | 544           | -1.0%        | 2000%        | 69            | 1,555         | 2163%        |
| Private label              | 24,804        | 25,598        | 25,091        | -2.0%        | 1.2%         | 69,897        | 74,033        | 5.9%         |
| <b>GPM (%)</b>             | <b>19.4%</b>  | <b>31.3%</b>  | <b>30.6%</b>  | <b>-0.7%</b> | <b>11.2%</b> | <b>19.2%</b>  | <b>29.3%</b>  | <b>10.1%</b> |

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### IV. Value-added category

**Value-added sales were THB 2,732mn**, rose slightly by 1.3% YoY, mainly due to higher sales in packaging and value-added businesses from portfolio expansion to new customers. Sales volumes also grew by 6.7% YoY, particularly in Packaging, value-added and by-products segments. Additionally, on a demand side, we saw a rise in demand for the Value-added business in the U.S., Canada and Middle East markets, along with higher domestic demand for the Packaging business.

**Sales rose by 4.7% QoQ**, with **volumes increasing impressively by 17.1%**, driven by higher volumes across all categories, except Value-added and Supplements business.

However, **GPM dropped to 25.1% in Q3 2024, down by 3.8% YoY and 1.4% QoQ**, primarily due to a temporary hit by the starting costs from our new factories. This decline was partially mitigated by improved margin in the packaging business driven by lower raw material prices, especially steel and aluminum.

| Value-added                | Q3<br>2023    | Q2<br>2024    | Q3<br>2024    | QoQ<br>(%)   | YoY<br>(%)   | 9M<br>2023     | 9M<br>2024     | YoY<br>(%)   |
|----------------------------|---------------|---------------|---------------|--------------|--------------|----------------|----------------|--------------|
| <b>Sales (THB mn)</b>      | <b>2,698</b>  | <b>2,609</b>  | <b>2,732</b>  | <b>4.7%</b>  | <b>1.3%</b>  | <b>7,205</b>   | <b>7,832</b>   | <b>8.7%</b>  |
| Brand                      | 519           | 499           | 534           | 6.9%         | 2.7%         | 1,219          | 1,462          | 19.9%        |
| Private label              | 2,178         | 2,110         | 2,198         | 4.2%         | 0.9%         | 5,986          | 6,370          | 6.4%         |
| <b>Sales volume (Tons)</b> | <b>48,007</b> | <b>43,719</b> | <b>51,209</b> | <b>17.1%</b> | <b>6.7%</b>  | <b>141,876</b> | <b>136,576</b> | <b>-3.7%</b> |
| Brand                      | 1,706         | 1,541         | 1,832         | 18.9%        | 7.4%         | 4,501          | 4,820          | 7.1%         |
| Private label              | 46,301        | 42,178        | 49,377        | 17.1%        | 6.6%         | 137,375        | 131,756        | -4.1%        |
| <b>GPM (%)</b>             | <b>28.9%</b>  | <b>26.5%</b>  | <b>25.1%</b>  | <b>-1.4%</b> | <b>-3.8%</b> | <b>27.4%</b>   | <b>27.0%</b>   | <b>-0.4%</b> |

### Year-to-Date Performance breakdown analysis

During 9M 2024, **Ambient** sales were 52,452mn, rose by 8.8% YoY, while volume grew at a faster pace of 12.7% YoY mainly driven by higher demand in the Middle East, the U.S. and Canada. GPM remained lower than the same period last year as Tuna prices declined sharply since Q2 2023 and continued the drop for three consecutive quarters, resulting in a temporary drop in Ambient GPM; however, it gradually recovered quarter after quarter.

**Frozen** sales and volume decreased by 12.9% YoY and 2.7% YoY, respectively. This was primarily due to a full 9-month effect of rightsizing in the U.S. market, starting from mid of Q2 2023, as well as challenges in seafood market prices in the U.S. and soft demand across the key markets. However, this was partially offset by strong growth in the Feed business. Despite these challenges, GPM significantly improved to 11.5% in 9M 2024, aligning with our target level at 10 to 12%. This improvement is a result of our strategy to remove low and non-profitable margins as planned.

**PetCare** sales rose sharply by 22.3% YoY and volume grew by 8.0% YoY across all regions, due to soft performance last year, higher sales of premium products, and price adjustment strategy. GPM reached 29.3%, mainly from demand ramp up, favorable premium product mix (55% in 9M 2024 vs. 44% in 9M 2023), and selling prices, as well as lower manufacturing costs and inventory provision reversal.

**Value-added** sales grew by 8.6% YoY, mainly from higher sales from value-added and ingredients as well as solid growth in both Brand and Private label sales. GPM remained healthy at 27.0%.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### STATEMENT OF FINANCIAL POSITION

| (Unit: THB mn)                                    | December 31,   | September 30,  | YTD           |
|---|----------------|----------------|---------------|
|   | 2023           | 2024           | (%)           |
| Cash and cash equivalents*                        | 16,451         | 13,422         | -18.4%        |
| Trade and other receivables, net                  | 16,031         | 16,537         | 3.2%          |
| Inventories, net                                  | 50,482         | 44,604         | -11.6%        |
| Other current assets                              | 2,866          | 5,969          | 108.3%        |
| <b>Total current assets</b>                       | <b>85,829</b>  | <b>80,532</b>  | <b>-6.2%</b>  |
| Fixed assets                                      | 31,453         | 30,453         | -3.2%         |
| Investments                                       | 10,817         | 9,277          | -14.2%        |
| Goodwill and other intangible assets              | 29,858         | 28,124         | -5.8%         |
| Other non-current assets                          | 7,493          | 7,158          | -4.5%         |
| <b>Total non-current assets</b>                   | <b>79,621</b>  | <b>75,011</b>  | <b>-5.8%</b>  |
| <b>Total assets</b>                               | <b>165,450</b> | <b>155,543</b> | <b>-6.0%</b>  |
| Bank overdrafts and short-term loans              | 8,587          | 8,544          | -0.5%         |
| Trade and other payables                          | 18,798         | 18,029         | -4.1%         |
| Current portion of long-term loans                | 20,153         | 3,875          | -80.8%        |
| Other current liabilities                         | 2,935          | 1,805          | -38.5%        |
| <b>Total current liabilities</b>                  | <b>50,473</b>  | <b>32,253</b>  | <b>-36.1%</b> |
| Long-term loans                                   | 39,248         | 50,766         | 29.3%         |
| Other non-current liabilities                     | 9,712          | 9,903          | 2.0%          |
| <b>Total non-current liabilities</b>              | <b>48,960</b>  | <b>60,669</b>  | <b>23.9%</b>  |
| <b>Total liabilities</b>                          | <b>99,433</b>  | <b>92,922</b>  | <b>-6.5%</b>  |
| Non-controlling interests                         | 7,389          | 7,562          | 2.3%          |
| <b>Total equity</b>                               | <b>66,017</b>  | <b>62,621</b>  | <b>-5.1%</b>  |
| <b>Total liabilities and shareholders' equity</b> | <b>165,450</b> | <b>155,543</b> | <b>-6.0%</b>  |

Remark: \*Including short-term investments

### Statement of Financial Position analysis (September 30, 2024, vs December 31, 2023)

As of September 30, 2024, Thai Union reported **total assets** of THB 155,543mn, a decrease of THB 9,907mn or 6.0% from THB 165,450mn as of December 31, 2023. The decrease was primarily attributable to the decrease in 1) inventories (net) of THB 5,878mn, explained by the efficient inventory management, the seasonality as well as the favorable raw material prices, particularly Skipjack tuna (-21.7% YoY), 2) cash and cash equivalents of THB 3,029mn, 3) goodwill and other tangible assets of THB 1,734mn, 4) net investments of THB 1,540mn, and 5) fixed assets of THB 1,000mn. However, this was partially offset by an increase in 6) derivative assets of THB 3,092mn and 7) trade and other receivables – net of THB 506mn.

**Total liabilities** of THB 92,922mn, decreasing by THB 6,511mn or 6.5% from THB 99,433mn as of December 31, 2023. This was mainly from the decrease in 1) current portion of long-term loans of THB 16,278mn, 2) derivative liabilities of THB 908mn, 3) long-term loans from financial institution of THB 854mn, and 4) trade and other payables – net of THB 769mn. However, this was partially offset by an increase in 5) debentures of THB 12,430mn.

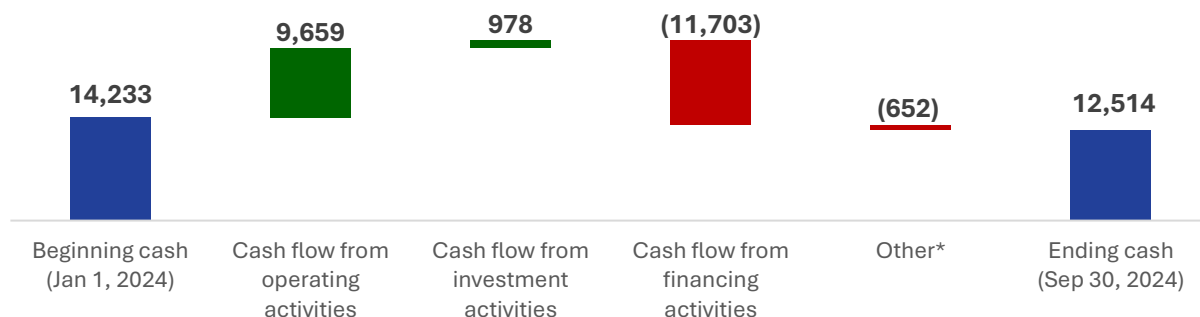
**Total equity**, including perpetual debentures of THB 5,950mn, was at THB 62,621mn, decreasing by 5.1% from THB 66,017mn as of December 31, 2023. This was mainly from 1) other components of equity of THB 1,856mn, largely from FX translation, and 2) retained earnings of THB 1,659mn, primarily due to dividend payment.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### CASH FLOW

(Unit: THB mn)



Remark: \*Other refers to exchange rate differences on cash and cash equivalents.

### Cash flow analysis

For the nine months ending September 30, 2024, **net cash from operating activities** was THB 9,659mn, driven by an increase in free cash flow of THB 8,052mn, primarily due to higher EBITDA. **Net cash from investing activities** was THB 978mn, largely from cash receipts from investments in debt instruments of THB 1,390mn, proceeds from sale of other long-term investments of THB 912mn, and net cash receipts for short-term investments of THB 570mn. These were partially offset by purchases of property, plant and equipment and intangible assets totaling THB 2,303mn. **Net cash used in financing activities** was THB 11,703mn, mainly due to repayments for debentures of THB 3,550mn, net cash payments for repurchase of treasury shares of THB 2,982mn, dividends paid to the owners of the parent amounting to THB 2,382mn, interest and other finance costs paid of THB 1,698mn, and dividends paid to non-controlling interests of THB 702mn.

### KEY FINANCIAL RATIOS

|                                   | Q3<br>2023 | Q2<br>2024 | Q3<br>2024 | 9M<br>2023 | 9M<br>2024 |
|-----------------------------------|------------|------------|------------|------------|------------|
| <b>Efficiency activity ratio</b>  |            |            |            |            |            |
| Accounts receivable days (days)   | 37         | 35         | 34         | 37         | 34         |
| Inventory days (days)             | 172        | 162        | 158        | 172        | 158        |
| <b>Profitability ratio</b>        |            |            |            |            |            |
| GPM (%)                           | 18.4%      | 18.5%      | 19.5%      | 16.8%      | 18.5%      |
| NPM (%)*                          | 4.0%       | 3.5%       | 4.0%       | 3.1%       | 3.6%       |
| ROA (%)*                          | 4.0%       | 5.4%       | 5.6%       | 4.0%       | 5.6%       |
| ROE (%)*                          | 7.1%       | 8.7%       | 8.9%       | 7.1%       | 8.9%       |
| ROCE (%)*                         | 5.8%       | 7.4%       | 7.6%       | 5.8%       | 7.6%       |
| <b>Liquidity ratio</b>            |            |            |            |            |            |
| Current ratio (times)             | 1.87       | 2.26       | 2.50       | 1.87       | 2.50       |
| <b>Leverage ratio</b>             |            |            |            |            |            |
| Net debt to equity ratio (times)  | 0.65       | 0.82       | 0.79       | 0.65       | 0.79       |
| Net debt to EBITDA ratio (times)* | 4.71       | 3.78       | 3.59       | 4.71       | 3.59       |
| Interest coverage ratio (times)*  | 5.11       | 5.46       | 5.49       | 5.11       | 5.49       |
| <b>Per share ratio</b>            |            |            |            |            |            |
| Basic earnings / share (THB)      | 0.26       | 0.27       | 0.30       | 0.67       | 0.81       |
| Book value / share (THB)          | 16.94      | 12.92      | 12.94      | 16.94      | 12.94      |

Remark: \*Based on adjusted numbers from Q1 2023 to Q4 2023, which excluded RL's share of loss and tax credit.

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### 2024 FINANCIAL TARGET: revised the full-year guidelines

|                                | Previous Target                    | Revised Target                     |
|--------------------------------|------------------------------------|------------------------------------|
| <b>Sales:</b>                  | +4 – 5% YoY                        | +3 – 4% YoY                        |
| <b>GPM</b>                     | 18.0 – 18.5%                       | 18.5 – 19.0%                       |
| <b>SG&amp;A to sales</b>       | 12 – 12.5%                         | 12.5 – 13.0%                       |
| <b>Effective interest rate</b> | Increase 0 – 0.5%                  | Increase 0 – 0.5%                  |
| <b>CAPEX</b>                   | ~ THB 4.0 – 4.5bn                  | ~ THB 3.5 – 4.0bn                  |
| <b>Dividend policy</b>         | At least 50% dividend payout ratio | At least 50% dividend payout ratio |

Remark: Thai Union's 2024 financial targets are based on current forecast which may subject to change if key operating factors that affect the Company's performance variate from the assumptions.

### APPENDIX:

#### Consolidated income statement for Q3 2023 results

| (Unit: THB mn)                            | Q3 2023<br>Reported<br>numbers | RL's<br>Share of loss<br>and tax credit | Q3 2023<br>excl. RL<br>contribution |
|---|--------------------------------|---|-------------------------------------|
| <b>Sales</b>                              | <b>33,915</b>                  |   | <b>33,915</b>                       |
| Cost of sales                             | (27,682)                       |   | (27,682)                            |
| <b>Gross profit</b>                       | <b>6,233</b>                   |   | <b>6,233</b>                        |
| SG&A                                      | (4,074)                        |   | (4,074)                             |
| <b>Operating profit</b>                   | <b>2,158</b>                   |   | <b>2,158</b>                        |
| FX gain                                   | (268)                          |   | (268)                               |
| Other income                              | 195                            |   | 195                                 |
| Share of profit from associates and JVs   | 261                            |   | 261                                 |
| <b>EBIT</b>                               | <b>2,346</b>                   |   | <b>2,346</b>                        |
| Finance cost                              | (589)                          |   | (589)                               |
| Income tax (expense) credit               | 140                            | (360)                                   | (220)                               |
| Profit (loss) from discontinued operation | (496)                          | 496                                     | 0                                   |
| Non-controlling interests                 | (196)                          |   | (196)                               |
| <b>Net profit</b>                         | <b>1,206</b>                   | <b>135</b>                              | <b>1,341</b>                        |

#### Consolidated income statement for 9M 2023 results

| (Unit: THB mn)                            | 9M 2023<br>Reported<br>numbers | RL's<br>Share of loss<br>and tax credit | 9M 2023<br>excl. RL<br>contribution |
|---|--------------------------------|---|-------------------------------------|
| <b>Sales</b>                              | <b>100,624</b>                 |   | <b>100,624</b>                      |
| Cost of sales                             | (83,727)                       |   | (83,727)                            |
| <b>Gross profit</b>                       | <b>16,897</b>                  |   | <b>16,897</b>                       |
| SG&A                                      | (12,166)                       |   | (12,166)                            |
| <b>Operating profit</b>                   | <b>4,731</b>                   |   | <b>4,731</b>                        |
| FX gain                                   | (303)                          |   | (303)                               |
| Other income                              | 549                            | (17)                                    | 532                                 |
| Share of profit from associates and JVs   | 526                            |   | 526                                 |
| <b>EBIT</b>                               | <b>5,503</b>                   | <b>(17)</b>                             | <b>5,486</b>                        |
| Finance cost                              | (1,672)                        |   | (1,672)                             |
| Income tax (expense) credit               | 580                            | (747)                                   | (167)                               |
| Profit (loss) from discontinued operation | (666)                          | 666                                     | 0                                   |
| Non-controlling interests                 | (489)                          |   | (489)                               |
| <b>Net profit</b>                         | <b>3,256</b>                   | <b>(99)</b>                             | <b>3,157</b>                        |

# Thai Union Group Public Company Limited

## MD&A for Q3 2024 ended September 30, 2024

### Sales breakdown by region

|                          | Q3            | Q2            | Q3            | QoQ          | YoY         | 9M             | 9M             | YoY         |
|--------------------------|---------------|---------------|---------------|--------------|-------------|----------------|----------------|-------------|
|                          | 2023          | 2024          | 2024          | (%)          | (%)         | 2023           | 2024           | (%)         |
| <b>Sales (THB mn)</b>    | <b>33,915</b> | <b>35,283</b> | <b>34,840</b> | <b>-1.3%</b> | <b>2.7%</b> | <b>100,624</b> | <b>103,343</b> | <b>2.7%</b> |
| The U.S. & Canada        | 13,775        | 14,130        | 13,327        | -5.7%        | -3.3%       | 40,544         | 40,290         | -0.6%       |
| Europe                   | 9,937         | 11,414        | 10,215        | -10.5%       | 2.8%        | 29,597         | 31,458         | 6.3%        |
| Thailand                 | 3,956         | 3,619         | 4,007         | 10.7%        | 1.3%        | 11,905         | 11,232         | -5.7%       |
| Japan                    | 2,201         | 1,980         | 2,038         | 2.9%         | -7.4%       | 6,236          | 5,964          | -4.4%       |
| Others                   | 4,046         | 4,140         | 5,253         | 26.9%        | 29.8%       | 12,342         | 14,399         | 16.7%       |
| <b>% Sales by region</b> |               |               |               |              |             |                |                |             |
| The U.S. & Canada        | 40.6%         | 40.0%         | 38.3%         | -1.7%        | -2.3%       | 40.3%          | 39.0%          | -1.3%       |
| Europe                   | 29.3%         | 32.3%         | 29.3%         | -3.0%        | 0.0%        | 29.4%          | 30.4%          | 1.0%        |
| Thailand                 | 11.7%         | 10.3%         | 11.5%         | 1.2%         | -0.2%       | 11.8%          | 10.9%          | -0.9%       |
| Japan                    | 6.5%          | 5.6%          | 5.8%          | 0.2%         | -0.7%       | 6.2%           | 5.8%           | -0.4%       |
| Others                   | 11.9%         | 11.7%         | 15.1%         | 3.4%         | 3.2%        | 12.3%          | 13.9%          | 1.6%        |

### Formula of key ratios

Account receivable days =  $365 / \text{account receivable turnover}$

Inventory days =  $365 / \text{inventory turnover}$

GPM =  $\text{Gross profit} / \text{sales}$

NPM =  $\text{Net profit} / \text{sales}$

ROA =  $12\text{-month rolling EBIT} / \text{Average total assets}$

ROE =  $12\text{-month rolling net profit} / \text{average total shareholders' equity}$

ROCE =  $12\text{-month rolling EBIT} / \text{Average capital employed}$

Capital Employed =  $\text{total assets} - \text{total current liabilities (incl. current portion of long-term debt)}$

Current ratio =  $\text{Total current assets} / \text{total current liabilities}$

Net debt to equity =  $\text{Interest-bearing debt} - \text{cash \& cash equivalents} / \text{total shareholders' equity}$

Debt/EBITDA =  $\text{Interest-bearing debt} / 12\text{-month rolling EBITDA}$

Interest coverage =  $\text{EBITDA} / 12\text{-month rolling finance costs}$

Earnings / share =  $\text{Net profit less interest paid on perpetual debentures} / \text{weighted average number of ordinary shares outstanding not include treasury shares}$

Book value =  $\text{Total shareholders' equity} / (\text{outstanding shares} - \text{share repurchase})$

### Definitions

Adjusted net profit =  $\text{Net profit excluded the share of profit (loss) and tax credit from Red Lobster (RL)}$

EBITDA =  $\text{Earnings before interest, taxes, depreciation and amortization}$

FX =  $\text{Foreign exchange}$

GPM =  $\text{Gross profit margin}$

ITC =  $\text{i-Tail Corporation PCL}$

JVs =  $\text{Joint ventures}$

NPM =  $\text{Net profit margin}$

Other income =  $\text{Interest income, dividend income, other income, and other gains (losses) (net)}$

ROA =  $\text{Return on assets}$

ROCE =  $\text{Return on capital employed}$

ROE =  $\text{Return on equity}$

SG&A =  $\text{Selling expenses, administrative expenses, and reversal of impairment of financial assets (net)}$