



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

Management Discussion and Analysis

For the year ended 31 December 2023

Business Overview

In Q4/2023, the Company's total sales amounted to THB 776.0 million, decreased by 8.1% QOQ.

The Company has revenue from sales in the fourth quarter amounted to THB 776.0 million, representing a **decreased by 8.1 percent** as compared to the same quarter of previous year (an increased by 2.4 percent from Q3/2023), due to the swine farm business has sales decreased because the market price has decreased since the end of last year.

The Company has revenue from sales for the year ended amounted to THB 3,082.9 million, representing a **decreased by 2.8 percent** as compared to the same period of previous year. Sales in processed food from meat, which accounted for 54.4 percent of total revenue from sales, showed a growth rate with an **increased by 4.8 percent** as compared to the same period of previous year, while the swine farm business has sales decreased because the market price has decreased.

Profit attributable to the Company in the fourth quarter 2023 amounted to THB 12.5 million, decreased by 33.1% QOQ.

The Company has gross profit in the fourth quarter amounted to THB 198.0 million, representing 25.5 percent of revenue from sales. The gross profit margin **increased by 2.3 percent** as compared to the same quarter of previous year, since the market prices of pork and chicken decrease as compared to the average prices in the same quarter of previous year, while the swine farming business declined due to the decline in such market prices.

The Company has gross profit for the year ended amounted to THB 751.5 million, representing 24.4 percent of revenue from sales. The gross profit margin **increased by 0.3 percent** as compared to the same period of previous year.

The company has net profit in the fourth quarter amounted to THB 12.5 million, representing 1.6 percent of revenue from sales, a **decreased by 33.9 percent** as compared to the same quarter of the previous year (a decrease by 25.9 percent from Q3/2023). Upon comparison of net profit margin to sales, the profit decreased by 0.6 percent as compared to that of the same quarter of the previous year.

The company has net profit for the year ended amounted to THB 54.7 million, representing 1.8 percent of revenue from sales, a **decreased by 46.1 percent** as compared to the same period of previous year. Upon comparison of net profit margin to sales, the profit decreased by 1.4 percent as compared to the same period of the previous year.

The Company recognized a loss on change in fair value less cost of sales of biological assets for the year ended in amount of THB 29.1 million. If such entry is excluded, the Company's profit for the year ended would amount to THB 83.7 million, representing 2.7 percent of revenue from sales, an decrease by 0.9 percent from the same period of last year.

Income Statements (Consolidated) October - December	Quarter 4/23		Quarter 4/22		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	(%QOQ)
Revenue from Sales	776.0	100.0 %	844.8	100.0 %	(8.1 %)	2.4 %
Cost of Sales	(578.1)	(74.5 %)	(648.5)	(76.8 %)	(10.9 %)	1.5 %
Gross Margin	198.0	25.5 %	196.3	23.23 %	0.8 %	5.0 %
Selling and Distribution Expenses	(71.5)	(9.2 %)	(83.4)	(9.9 %)	(14.3 %)	(9.7 %)
Administrative Expenses	(111.6)	(14.4 %)	(86.7)	(10.3 %)	28.8 %	47.6 %
EBIT	27.8	3.6 %	16.3	1.9 %	70.4 %	(17.9 %)
Financial Cost	(9.6)	(1.2 %)	(8.5)	(1.0 %)	13.4 %	(5.2 %)
Tax Expenses	(6.9)	(0.9 %)	6.7	0.8 %	(202.6 %)	(22.8 %)
Profit/(Loss) : Holders of the Company	12.5	1.6 %	18.6	2.2 %	(33.1 %)	(25.9 %)
Earnings per Share (THB/Share)	0.04		0.06			

Income Statements (Consolidated) January - December	Jan-Dec 2023		Jan - Dec 2022		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Revenue from Sales	3,082.9	100%	3,172.5	100%	(2.8 %)
Cost of Sales	(2,331.4)	(75.6 %)	(2,408.8)	(75.9 %)	(3.2 %)
Gross Margin	751.5	24.4 %	763.6	24.1 %	(1.6 %)
Selling and Distribution Expenses	(320.8)	(10.4 %)	(326.5)	(10.3 %)	(1.8 %)
Administrative Expenses	(335.1)	(10.9 %)	(294.2)	(9.3 %)	13.9 %
EBIT	110.9	3.6 %	147.3	4.6 %	(24.7 %)
Financial Cost	(39.6)	(1.3 %)	(30.5)	(1.0 %)	30.0 %
Tax Expenses	(21.0)	(0.7 %)	(19.2)	(0.6 %)	9.3 %
Profit/(Loss) : Holders of the Company	54.7	1.8 %	101.5	3.2 %	(46.1 %)
Earnings per Share (THB/Share)	0.17		0.31		

Core Business

1. Processed Food from Meat

Expand distribution channels in response to consumers' behavior and cost management to mitigate impact of main raw materials

The Company has revenue from sales in the fourth quarter amounted to THB 410.5 million, representing 52.9 percent of total sales, with a growth rate **decreased by 4.3 percent** as compared to the same quarter of previous year (a decreased by 0.7 percent from Q3/2023), and its gross profit amounted to THB 111.2 million, representing 27.1 percent of revenue from sales.

The Company has revenue from sales for the year ended amounted to THB 1,676.2 million, representing 54.4 percent of total sales, with a growth rate **increased by 4.8 percent** as compared to the same period of previous year, and its gross profit amounted to THB 414.5 million, representing 24.7 percent of revenue from sales, The Company's revenue continued to grow, particularly via convenience stores, and new products could be distributed as planned.

The fluctuating prices of pork and chicken, which accounted for the major production costs since last year and price began to decrease in the third quarter which make the Company gross profit increasing. The public utility costs, namely electricity costs, and labour cost were increasing and as such, However, the Company focused on its internal management efforts by way of, among others, increase in the stock of raw materials at reasonable price, and cost management.

2. Processed Seafood

Expanded distribution channels through modern trade and export to reach more new consumer groups

The Company has revenue from sales in the fourth quarter amounted to THB 294.4 million, representing 37.9 percent of total sales, with a growth rate **decreased by 2.1 percent** as compared to the same quarter of previous year (an increased by 7.6 percent from Q3/2023), and its gross profit amounted to THB 86.6 million, representing 29.4 percent of revenue from sales.

The Company has revenue from sales for the year ended amounted to THB 1,066.2 million, representing 34.6 percent of total sales, with a growth rate **decreased by 3.1 percent** as compared to the same period of previous year, and its gross profit amounted to THB 291.6 million, representing 27.4 percent of revenue from sales.

Despite such an impact on the Company from the fluctuation of seafood prices, as the main raw materials, the Company has a cost management and expanded distribution channels for ready-to-eat products through modern trade channels and expanded to export channel.

3. Quick Service Restaurant (QSR)

Revised sales plan and cost management for every branch to generate operating profits

The Company has revenue from sales in the fourth quarter amounted to THB 15.2 million, representing 2.0 percent of total sales, with a growth rate **decreased by 22.3 percent** as compared to the same quarter of previous year (a decreased by 9.7 percent from Q3/2023), and its gross profit amounted to THB 6.7 million, representing 44.3 percent of revenue from sales.

The Company has revenue from sales for the year ended amounted to THB 67.1 million, representing 2.2 percent of total sales, with a growth rate **decreased by 7.4 percent** as compared to the same period of previous year, and its gross profit amounted to THB 32.7 million, representing 48.7 percent of revenue from sales.

The Company closed certain branches which suffered from high operating loss, the company focused on management's operational and strategies to increase efficiency and reduce costs.

4. Swine Farming

Focused on cost management while Market price of pork drop

The Company has revenue from sales in the fourth quarter amounted to THB 56.0 million, representing 7.2 percent of total sales, with a growth rate **decreased by 41.6 percent** as compared to the same quarter of previous year (an increased by 3.4 percent from Q3/2023), and its negative gross profit amounted to THB 6.6 million, representing negative 11.8 percent of revenue from sales.

The Company has revenue from sales for the year ended amounted to THB 273.4 million, representing 8.9 percent of total sales, with a growth rate **decreased by 31.8 percent** as compared to the same period of previous year, and its gross profit amounted to THB 12.3 million, representing 4.7 percent of revenue from sales.

Since last year, the farm business has been affected by the swine price drop. The Company focused on cost management to increase efficiency, quality and cost of swine to reduce the overall cost effect of the group.

Income Statements (Consolidated) Segment information	Quarter 4/23			Jan - Dec 2023	
	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Revenue from Sales	776.0	(8.1 %)	2.4 %	3,082.9	(2.8 %)
Processed food from meat	410.5	(4.2 %)	(0.7 %)	1,676.2	4.8 %
Processed seafood	294.4	(2.1 %)	7.6 %	1,066.2	(3.1 %)
Restaurants	15.2	(22.3 %)	(9.7 %)	67.1	(7.4 %)
Swine farm	56.0	(41.6 %)	3.4 %	273.4	(31.8 %)

Revenue from lease and services

The Company has revenue from rental and service in the fourth quarter amounted to THB 3.3 million, with a growth rate increased by 10.0 percent as compared to the same quarter of previous year.

The Company has revenue from rental and service for the year ended amounted to THB 12.8 million, with a growth rate increased by 19.8 percent as compared to the same period of previous year.

As a result of the increase of management service income of S. Tower Office Building on Bang Na-Trad Road, where the Company's office is located.

Selling and distribution expenses

The Company has selling and distribution expenses in the fourth quarter amounted to THB 71.5 million, representing 9.2 percent of revenue from sales. The ratio of selling and distribution expenses to sales decreased by 0.7 percent from the same quarter of previous year.

The Company has selling and distribution expenses for the year ended amounted to THB 320.8 million, representing 10.4 percent of revenue from sales. The ratio of selling and distribution expenses to sales increased by 0.1 percent from the same period of the previous year.

The company has sales and distribution expenses that increase in accordance with the growth of revenue. Delivery cost factors such as fuel prices, as well as the increase of marketing expenses.

Administrative expenses

The Company has administrative expenses in the fourth quarter amounted to THB 111.6 million, representing 14.4 percent of revenue from sales. The ratio of administrative expense to sales increased by 4.1 percent from the same quarter of previous year.

The Company has administrative expenses for the year ended amounted to THB 340.5 million, representing 11.0 percent of revenue from sales. The ratio of administrative expense to sales increased by 1.8 percent from the same period of previous year.

The Company has administrative expenses that increase in accordance with the expenses reclassification of sale of investment property and during the year, the company recognized a loss from impairment of financial assets.

Financial Highlights as of December 31, 2023

Assets

The Company's total assets amounted to THB 2,977.9 million, representing a decrease by 3.9 percent as compared to that at the end of previous year. Investment properties decreased from the sale of land. Inventories decreased in line with sales and price decreasing of raw material.

Statements of Financial Position (Consolidated)	December 31, 2023		December 31, 2022		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Total Assets	2,977.9	100.0 %	3,098.6	100.0 %	(3.9 %)
Current Assets	1,096.1	36.8 %	1,224.3	39.5 %	(10.5 %)
- Cash and cash equivalents	161.5	5.4 %	186.8	6.0 %	(13.5 %)
- Trade and other receivables	532.1	17.9 %	524.4	16.9 %	1.5 %
- Inventories	302.5	10.2 %	384.1	12.4 %	(21.2 %)
Non-Current Assets	1,881.8	63.2 %	1,874.3	60.5 %	0.4 %
Investment Properties	584.7	19.6 %	665.7	21.5 %	(12.2 %)
Property, Plant, and Equipment	1,145.5	38.5 %	1,081.7	34.9 %	5.9 %
Right-of-use Assets	86.5	2.9 %	100.6	3.2 %	(14.0 %)

Liabilities

The Company has total liabilities amounted to THB 1,667.9 million, representing a decrease by 8.5 percent as compared to that at the end of previous year. Current liabilities increased by 3.6 percent and non-current liabilities decreased by 30.6 percent from loan repayment., As of December 31, 2023, the debt-to-equity ratio was 1.3 times.

Shareholders' Equity

The Company has total shareholders' equity amounted to THB 1,310.0 million, representing an increase by 2.7 percent as compared to that at the end of previous year.

Statements of Financial Position (Consolidated)	December 31, 2023		December 31, 2022		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Total Liabilities	1,667.9	56.0 %	1,822.9	58.8 %	(8.5 %)
Current Liabilities	1,204.5	40.4 %	1,162.7	37.5 %	3.6 %
- Bank overdraft	688.6	23.1 %	545.0	17.6 %	26.4 %
- Trade and other payable	357.2	12.0 %	381.3	12.3 %	(6.3 %)
- Current portion of long-term loan	109.1	3.7 %	157.3	5.1 %	(30.6 %)
Non-Current Liabilities	463.5	15.6 %	660.2	21.3 %	(29.8 %)
- Lease liabilities - net of current portion	82.2	2.8 %	92.7	3.0 %	(11.4 %)
- Long term loan - net of current portion	266.6	9.0 %	453.6	14.6 %	(41.2 %)
- Provision for retirement benefit	90.0	3.0 %	87.7	2.8 %	2.6 %
Total Shareholders' Equity	1,310.0	44.0 %	1,275.6	41.2 %	2.7 %
Equity holders of the Company	1,299.6	43.6 %	1,277.8	41.2 %	1.7 %
Non-controlling interests of the subsidiaries	10.4	0.3 %	(2.2)	(0.1 %)	(576.7 %)