

13 August 2021

Re Management Discussion and Analysis for the second quarter and 6-months period of 2021
Attn. The President
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results stated in consolidated financial statements for the second quarter and 6-months period of year 2021 with the following details:

Revenues Structure

The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as follows:

- 1.1. Flavour, Fragrance & Color
- 1.2. Food Coating
- 1.3. Dry
- 1.4. Frozen
- 1.5. Packaging (Plastic)
- 1.6. Trading Goods

Significant events during the current period

The impact from COVID-19 outbreak since the beginning of 2020, has continued to change and upended the normal way of living and economic activities both nationally and globally until now. The Board of Directors and the executive managements have continually assessed the impact of such incidents. At the Board of Directors Meeting no.1/2021 of the Company held on 25 February 2021 and the Annual General Meeting of Shareholders no.1/2021 of the Company held on 23 April 2021, the meetings approved to enter in the agreement to sell and purchase of Novotel Chumphon Beach Resort and Golf Hotel with J.P.S. Holding Company Limited, and Ibis Styles Chiang Mai Hotel with River Kwai Botanic Garden Company Limited, which were the businesses under subsidiaries namely Thai Flavour and Fragrance Co., Ltd. and Premium Foods Co., Ltd., respectively.

In Q2' 2021, the Group disposed of the two hotel businesses. On 31 May 2021, Ibis Styles Chiang Mai Hotel was disposed to River Kwai Botanic Garden Company Limited and on 1 June 2021, Novotel Chumphon Beach Resort Golf Hotel was disposed to J.P.S. Holding Company Limited. The disposal of the hotel assets was made with the companies under common control and received all payment from the buyers. The Group engaged external independent valuers approved by the Securities and Exchange Commission to appraise selling price with amount of Baht 272 million by having gain after allowance for impairment loss on assets of Baht 15.08 million.

Under the hotel sale agreements, the Group transferred long term land leaseholds right to the buyers. The impact of such terminated long term lease contracts decreased the Group's carrying amount of the right-of-use assets of Baht 126.19 million and lease liabilities of Baht 132.57 million. The Group already recognized such gain relating to the termination of the lease contracts as a part of gain on disposal of discontinued operations in the consolidated statement of comprehensive income.

The employees of these two hotels were terminated their employment contracts and the Group has obligation to pay the compensations according to Labour Protection Act which already been paid on 28 June 2021 totalling Baht 2.19 million and was recorded in the consolidated statement of comprehensive income. In addition, there were employees who preferred to transfer to the buyers' companies and the Group will responsible for employee benefit obligation of these employees for their past service provided for the Group totalling Baht 4.79 million which was recorded as other payable to related parties.

Financial performance and cash flow information of discontinued operation

The financial performance and cash flow information of discontinued operation which presented for the period ended 1 June 2021 and for the six-month period ended 30 June 2020 were as follow:

Financial performance and cash flow information	1-Jan-2021	1-Jan-2020
Discontinued operation	to	to
(In Million Baht)	1-Jun-2021	1-Jun-2020
Revenue	7.07	20.77
Expenses	(33.15)	(57.69)
Impairment of assets	(62.26)	-
Loss before income tax	(88.34)	(36.92)
Income tax	17.54	7.84
Loss after income tax - before loss on disposal of discontinued operations	(70.80)	(29.08)
Gain on disposal of discontinued operations	15.08	-
Income tax from gain on disposal of discontinued operations	(3.02)	-
Loss after income tax - Discontinued operations	(58.74)	(29.08)
Operating cash flows	(5.06)	(26.90)
Investing cash flows	260.45	(1.36)
Financing cash flows	0.69	0.03
Net cash flows	256.08	(28.22)

Analysis of Operating Results

Profit or Loss (In Million Baht)	Three-month period (April - June)		Change		Six-month period (Jan - June)		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	Revenue from sales and rendering services	788.35	698.97	89.37	12.79%	1,633.29	1,487.97	145.32
Cost of goods sold and rendering services	(489.25)	(405.14)	(84.11)	20.76%	(989.41)	(840.66)	(148.75)	17.69%
Gross profit	299.10	293.83	5.27	1.79%	643.88	647.31	(3.43)	-0.53%
Gain (loss) on exchange rate	1.40	(3.92)	5.32	-135.65%	(0.81)	4.22	(5.03)	-119.08%
Other income	0.41	-	0.41	100.00%	1.81	3.28	(1.47)	-44.77%
Selling expenses	49.52	37.42	12.09	32.32%	104.42	85.41	19.02	22.27%
Administrative expenses	108.86	98.34	10.52	10.70%	220.02	202.37	17.65	8.72%
Net impairment losses on financial assets (reversal)	8.46	(2.53)	10.99	-435.01%	10.73	4.55	6.18	136.00%
Finance costs	1.83	2.32	(0.50)	-21.44%	3.56	4.60	(1.04)	-22.69%
Profit before income tax expense	132.24	154.35	(22.11)	-14.32%	306.15	357.88	(51.73)	-14.46%
Income tax expense	(27.66)	(30.01)	2.35	-7.84%	(62.83)	(73.14)	10.31	-14.09%
Profit for the period from continuing operations	104.59	124.34	(19.75)	-15.89%	243.32	284.74	(41.42)	-14.55%
Gain (loss) from discontinued operations - net of tax	3.85	(15.66)	19.51	-124.58%	(58.74)	(29.08)	(29.65)	101.96%
Profit for the period	108.44	108.68	(0.24)	-0.22%	184.58	255.66	(71.08)	-27.80%
Profit attributable to:								
Non-controlling interests	0.46	(0.29)	0.76	-257.62%	1.58	(0.66)	2.24	-340.04%
Owners of the parent	107.98	108.97	(1.00)	-0.91%	183.00	256.31	(73.32)	-28.60%

The Revenue from sales and rendering services for the second quarter of 2021

In Q2'2021, revenue from sales and rendering services of the Group was THB 788.35 million, which increased by THB 89.37 million or 12.79% compared to Q2'2020, which revenue from sales and rendering services was THB 698.97 million.

The increase in sales of THB 89.37 million comprised:

- Increase in domestic sales of THB 54.93 million.
- Increase in overseas sales of THB 34.44 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 72.31 million, Trading Goods category increased by THB 26.32 million, and Dry category increased by THB 2.85 million, net with the decrease in Frozen category of THB 9.22 million

The Revenue from sales and rendering services for the 6-months period of 2021

For six-months period of 2021, revenue from sales and rendering services of the Group was THB 1,633.29 million, which increased by THB 145.32 million or 9.77% compared to the same period of 2020, which revenue from sales was THB 1,487.97 million.

The increase in sales of THB 145.32 million comprise:

- Increase in domestic sales of THB 99.37 million.
- Increase in overseas sales of THB 45.95 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 117.84 million, Trading Goods category increased by THB 43.90 million, and Dry category increased by THB 13.45 million, net with the decrease in Frozen category of THB 23.61 million.

Gross Profit for the second quarter of 2021

In Q2'2021, the gross profit was THB 299.10 million or 37.94% of revenue from sales and rendering services, which increased by THB 5.27 million (YoY 1.79%) compared to Q2'2020, which the gross profit was THB 293.83 million or 42.04% of revenue from sales and rendering services. The gross profit margin insignificantly increased compared to last period.

In Q2' 2021, Consideration of 6 product categories, the main increase came from Trading Goods category increased by THB 11.80 million, Dry category increased by THB 8.94 million, Food Coating category increased by THB 0.97 million and net with the decrease in Frozen category of THB 8.14 million.

The percentage of gross profit margin decreased due to the higher raw material costs of 2 main categories. For Food Coating, even though the container shortage situation was improved in this quarter and the company could replace the domestic raw materials with imported ones, the global commodity price was still high compared to the price last year especially wheat and corn flour. For Flavour, Fragrance & Color, the higher price adjustment in the world market of some raw materials also affected the cost of this group.

Gross Profit for the 6-months period of 2021

For six-months period of 2021, the gross profit was THB 643.88 million or 39.42% of revenue from sales and rendering services, which decreased by THB 3.43 million (YoY -0.53%) compared to the same period of 2020, which the gross profit was THB 647.31 million or 43.50% of revenue from sales and rendering services.

The percentage of gross profit margin decreased due to the higher raw material costs of 2 main categories. For Food Coating, the company had to purchase more domestic raw materials, which had higher price, to replace the imported ones from the situation of container shortage since Q1'2021. Even though the situation was improved but the raw materials price was still in high level due to the increase in global commodity price especially wheat and corn flour. For Flavour, Fragrance & Color, the higher price adjustment in the world market of some raw materials also affected the cost of this group. In addition, the company had to use air freight service with higher transportation cost to import some raw materials due to the container shortage. The situation of high raw material price is expected to improve early next year.

Selling and Administrative Expenses for the second quarter of 2021

In Q2'2021, selling and administrative expenses were THB 158.38 million, equaled to 20.09% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 22.62 million (YoY 16.66%) compared to Q2'2020, which selling and administrative expenses were THB 135.76 million or 19.42% of revenue from sales and rendering services.

The significant changes of the selling and administrative expenses could be explained as follows:

- Increase in freight expenses of THB 4.99 million;
- Increase in salary and employee expenses of THB 3.61 million causing from increasing in retails sales staff according to the strategic policy of Retails business and the annual increment of salary;
- Increase in sales commission expenses of THB 3.50 million causing from increasing in retails sales of THB 31.13 million which consisted of commission fee for sales staff and administrative fee for the agents;
- Increase in professional fees of THB 2.56 million causing from financial advisor which relating to determine a reasonable selling price for the discontinued business of THB 1 million, audit fee and accounting services for the overseas subsidiaries of THB 0.96 million;
- Increase in sales promotion expenses of THB 1.57 million causing from the expanding of modern trade business.

Statement of Cash flows

The statement of cash flows for the period ended 30 June 2021 are as follows:

- Net cash inflows generated from operating activities of THB 196.85 million.
- Net cash inflows generated from investing activities of THB 180.66 million, mainly from sales on discontinued operations hotel business of THB 260.45 million net offset with cash payments for purchase of property, plant, and equipment of THB 80.33 million.
- Net cash outflows used in financing activities of THB 291.80 million, mainly for dividend payment of THB 300.00 million net offset with cash received from shares subscription payment of subsidiary from non-controlling interests of THB 11.31 million.
- Cash and cash equivalents at 31 December, 2020 was THB 613.66 million and at 30 June 2021 was THB 700.82 million.

Yours Sincerely

Suranart Kittirattanadetch
Chief Financial Officer
R&B Food Supply Public Company Limited