

21 February 2022

Re Management Discussion and Analysis for the year 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 year of 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 year**

Since January 2021, the Group ceases applying the temporary exemption guidance to relieve the impact from COVID-19 announced by The Federation of Accounting Professions (TFAC) which were effective for reporting periods ending between 1 January 2020 and 31 December 2020. The impact of the ceasing the temporary exemption guidance in the 1st quarter of 2021, the Group accessed on the impairment of assets for cash-generating units of the hotel businesses : Novotel Chumphon Beach Resort & Golf and Ibis Styles Chiang Mai Hotel and set up impairment loss over property, plant and equipment and right-of-use assets of hotel business based on the asset appraisal report from an independence appraiser with amounting to Baht 1.24 million and Baht 61.02 million respectively, which totaling Baht 62.26 million.

In the 2nd quarter of 2021, at the Annual General Meeting of Shareholders no.1/2021 of the Company held on 23 April 2021 which approved for disposal the two hotel businesses and proceeded as follows; 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, and by having gain after allowance for impairment loss on assets of Baht 15.08 million.

### **Financial performance and cash flow information of discontinued operation**

The financial performance and cash flow information presented for each year as at 31 December 2021 and 2020 were as follows:

Consolidated financial information	31 December 31 December	
	2021	2020
	Million Baht	Million Baht
Revenue	7.07	55.70
Expenses	(32.36)	(117.76)
Impairment of assets	(62.26)	-
Loss before income tax	(87.55)	(62.06)
Income tax	16.37	13.65
Loss after income tax - before loss on disposal of discontinued operations	(71.18)	(48.41)
Gain on disposal of discontinued operations	15.08	-
Income tax from gain on disposal of discontinued operations	(3.02)	-
<b>Loss after income tax - Discontinued operations</b>	<b>(59.12)</b>	<b>(48.41)</b>
Operating cash flows	(16.17)	(35.66)
Investing cash flows	260.79	(2.36)
Financing cash flows	0.69	1.01
<b>Net cash flows</b>	<b>245.31</b>	<b>(37.01)</b>

### Analysis of Operating Results

Profit or Loss (In Million Baht)	For the Year (January-December)		Change	
	2021	2020	Amount	%
	Revenue from sales and rendering services	3,383.98	3,116.38	267.60
Cost of goods sold and rendering services	(2,125.80)	(1,809.29)	(316.51)	17.49%
<b>Gross profit</b>	<b>1,258.18</b>	<b>1,307.09</b>	<b>(48.91)</b>	<b>-3.74%</b>
Gain (loss) on exchange rate	10.49	10.31	0.18	1.79%
Other income	7.08	4.44	2.64	59.46%
Selling expenses	(218.43)	(187.15)	(31.28)	16.71%
Administrative expenses	(444.31)	(412.64)	(31.67)	7.67%
Net impairment losses on financial assets	(6.46)	(19.72)	13.26	-67.26%
Finance costs	(8.86)	(7.91)	(0.95)	12.02%
<b>Profit before income tax expense</b>	<b>597.70</b>	<b>694.42</b>	<b>(96.72)</b>	<b>-13.93%</b>

Profit or Loss (In Million Baht)	For the Year (January-December)		Change	
	2021	2020	Amount	%
Income tax expense	(115.79)	(128.69)	12.90	-10.02%
Profit for the period from continuing operations	481.91	565.73	(83.82)	-14.82%
Gain (loss) from discontinued operations - net of tax	(59.12)	(48.42)	(10.70)	22.10%
<b>Profit for the year</b>	<b>422.79</b>	<b>517.31</b>	<b>(94.52)</b>	<b>-18.27%</b>
<b>Profit attributable to:</b>				
<b>Non-controlling interests</b>	2.69	(1.71)	4.40	-257.31%
<b>Owners of the parent</b>	<b>420.10</b>	<b>519.02</b>	<b>(98.92)</b>	<b>-19.06%</b>

### The Revenue from sales and rendering services for the year of 2021

In 2021, revenue from sales and rendering services of the Group was THB 3,383.98 million, which increased by THB 267.60 million or 8.59% compared to the year of 2020, which revenue from sales was THB 3,116.38 million.

The increase in sales of THB 267.60 million, the main reasons can be considered as follows:

- 1) The source of Income
  - Increase in domestic sales of THB 107.90 million. (YoY 4.02%)
  - Increase in oversea sales of THB 159.71 million. (YoY 36.99%)
- 2) By Product Group
  - Increase in sales of Food Coating category THB 187.83 million. (YoY 16.37%)
  - Increase in sales of Trading Goods category THB 55.86 million. (YoY 11.33%)
  - Increase in sales of Dry category THB 35.78 million. (YoY 20.07%)
  - Decrease in sales of Frozen category THB 20.23 million. (YoY -22.99%)
- 3) By The Customer Group
  - Increase in sales from the Industrial customer THB 213.45 million. (YoY 8.09%)
  - Increase in sales from the Retail customer THB 49.28 million. (YoY 21.07%)
  - Increase in sales from the Wholesale customer THB 4.87 million. (YoY 1.99%)

The increase in domestic sales of THB 107.90 million, mainly due to from Food Coating category the amount of THB 53.72 million and Trading Goods category the amount of THB 45.09 million. The increase in oversea sales of THB 159.71 million, mainly come from 1) Food Coating category for the amount of THB 134.12 million due to the good feedback on the products for Food Coating customers, the availability of the production facilities, and the effectiveness of the marketing plan for the Indonesian and Vietnamese market 2) Dry category for the amount of THB 24.52 million.

### **Gross Profit for the year of 2021**

In 2021, the gross profit was THB 1,258.18 million or 37.18% of revenue from sales and rendering services, which decreased by THB 48.91 million (YoY -3.74%) compared to the year of 2020, which the gross profit was THB 1,307.09 million or 41.94% of revenue from sales and rendering services.

From the situation of the container shortage throughout of 2021, and the impact of higher raw material price in the world market for both Food Coating and Flavour, Fragrance & Color categories, the gross profit of Food Coating category decreased by THB 38.50 million, and the gross profit of Flavour, Fragrance & Color category decreased by THB 45.04 million. On the other hand, there are 2 categories which have gross profit increased: Trading Goods category for THB 23.71 million and Dry category for THB 14.43 million.

### **Selling and Administrative Expenses for the year of 2021**

In 2021, selling and administrative expenses were THB 662.74 million, equaled to 19.58% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 62.95 million (YoY 10.50%) compared to the year of 2020, which selling and administrative expenses were THB 599.79 million or 19.25% of revenue from sales and rendering services.

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

- Increase in salary and employee expenses of THB 22.57 million, due to 1) the Group's business expansion plan, the company has recruited staffs in Research and Development Center, sales team for retail and industry, the overseas subsidiaries in Indonesia, in Vietnam, and in Japan 2) from the annual salary increase;
- Increase in transportation and gasoline expenses of THB 8.97 million both from domestic and international transportation;
- Increase in professional expenses of THB 8.60 million from the independent financial advisor to determine a fair value of the discontinued business, the professional fee for the business registration of the oversea subsidiary in Japan, and accounting advisory fees of subsidiaries in Indonesia and in Vietnam;
- Increase in sales promotion expenses of THB 4.76 million for modern trade business;
- Increase in sales commission expenses of THB 3.02 million.

### **Net impairment losses on financial assets**

In 2021, the net impairment losses on financial assets was THB 6.46 million, equaled to 0.19% of revenue from sales and rendering services, decreased by THB 13.26 million (YoY -67.25%) compared to the year of 2020, which the net impairment losses on financial assets was THB 19.72 million or 0.63% of revenue from sales and rendering services. The decrease in the net impairment losses on financial assets came from better debt collectability. In 2021 trade accounts receivable overdue less than 12 months decreased by THB 44.80 million (YoY -14.57%), resulting in a decrease in the allowance for expected credit losses.

### **Profit for the year of 2021**

In 2021, the profit for the year was THB 422.79 million, equaled to 12.49% of revenue from sales and rendering services, and decreased by THB 94.52 million (YoY -18.27%) compared to the year of 2020, which profit for the year was THB 517.31 million or 16.60% of revenue from sales and rendering services. The significant matter comprised:

- Profit for the year from continuing operations was THB 481.91 million, equaled to 14.24% of revenue from sales and rendering services, and decreased by THB 83.82 million (YoY -14.82%) compared to the year of 2020, which profit for the period was THB 565.73 million or 18.15% of revenue from sales and rendering services.

- Loss from discontinued operations was THB 59.12 million, equaled to 1.75% of revenue from sales and rendering services, and loss increased by THB 10.70 million (YoY 22.10%) compared to the year of 2020, which loss from discontinued operations for the period was THB 48.42 million or 1.55% of revenue from sales and rendering services.

- Loss from discontinued operations came from 2 important transactions, loss on Impairment of hotel assets of THB 62.26 million and net offsetting with gain on disposal of discontinued operations of THB 15.08 million.

### **Profit for the year attributable to owners of the Company for the year of 2021**

In 2021, the profit for the year attributable to owners of the Company was THB 420.10 million, equaled to 12.41% of revenue from sales and rendering services, and decreased by THB 98.92 million (YoY -19.06%) compared to the year of 2020, which profit for the year attributable to owners of the Company was THB 519.02 million or 16.65% of revenue from sales and rendering services.

### **Statement of Financial Position**

#### **Assets**

As at 31 December 2021, the Group had the total assets of THB 5,005.52 million, increased by THB 122.13 million (YoY 2.50%) compared to 31 December 2020, which the total assets were THB 4,883.40 million.

The significant changes in assets comprised:

- Increase in cash and cash equivalents of THB 160.81 million. Mainly caused from
  - Net of cash inflows from operating activities of THB 535.47 million;
  - Net of cash inflows from sales on hotel business of THB 260.79 million;
  - Net of cash inflows from shares subscription payment of subsidiary in Japan from non-controlling interests of THB 11.31 million;
  - Net cash outflows for payments of property, plant, equipment and vehicle of THB 339.02 million;
  - Dividend payment of THB 300.00 million.
- Increase in inventories of THB 232.47 million, mainly due to 1) the increase in raw materials of THB 150.67 million, which consists of the raw material of Flavour, Fragrance & Color category THB 72.78 million and Food coating category THB 64.43 million 2) the increase in goods in transit of THB 74.35 million, which are mainly from Trading goods category THB 40.49 million and Food coating category THB 32.87 million, and 3) the increase in finished goods of THB 12.39 million, mainly from Food coating category.
- Increase in property, plant, equipment and vehicle of THB 169.74 million, mainly due to the investment in the property for the new plant in Indonesia, and investment in both of Thailand

and abroad for machinery and vehicle of THB 357.77 million and Net offset with depreciation during in year of THB 180.40 million

- Decrease in right-of-use assets of THB 456.46 million, mainly derived from disposals of the two hotel businesses of THB 241.97 million, the Group transferred long term land lease contracts to the new buyers of THB 126.86 million, the recognition of impairment losses of hotel assets totaling THB 62.26 million, depreciation charged for the year of THB 32.30 million and the additional of new right-of-use assets of THB 5.19 million.

### **Liabilities**

As at 31 December 2021, the Group had the total liabilities of THB 768.97 million, which was 15.36% of the total assets, decreased by THB 25.61 million (YoY -3.22%) compared to 31 December 2020 which the total liabilities were THB 794.58 million, equaled to 16.27% of the total assets. The significant changes in liabilities due to decrease in lease liabilities of THB 140.29 million, mainly from termination of long term land lease contracts 2 hotels.

### **Equity**

As at 31 December 2021, the Group had the total equity of THB 4,236.55 million, or 84.64% of the total assets. The increase in the total equity was THB 122.13 million or 2.50% compared to 31 December, 2020, which the total equity was THB 4,088.81 million, equaled to 83.73% of the total assets. The significant changes mainly due to:

- Profit for the year attributable to owners of the Company for the year of 2021 of THB 420.10 million;
- Profit for the year attributable to non-controlling interest or the year of 2021 of THB 2.69 million;
- Increase in non-controlling interest from subsidiary requests from shares subscription payment of THB 11.31 million;
- Increase in currency translation differences of THB 13.20 million;
- Net offset with dividend payment of THB 300.00 million.

### **Statement of Cash flows**

The statement of cash flows for the year ended 31 December 2021 were as follows:

- Net cash inflows generated from operating activities of THB 535.47 million.
- Net cash outflows used in investing activities of THB 78.25 million, mainly for cash payments for purchase of property, plant, equipment and vehicle of THB 339.02 million net offset with sales on discontinued operations hotel business of THB 260.79 million.
- Net cash outflows used in financing activities of THB 299.44 million, mainly for dividend payment of THB 300.00 million, payment for principal elements of lease payments of THB 11.44 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, 2021 was THB 774.46 million and at 31 December, 2020 was THB 613.65 million.

**Financial Ratios for the year as at 31 December 2021**

The significant financial ratios;

1) Liquidity ratio

The liquidity management of the group has improved from the previous year. The cash cycle in 2021 was 90 days, a decrease of 19 days and 32 days, compared to the cash cycle of 2020 and 2019, which were 109 days and 122 days, respectively. This is mainly due to the day sales in finished goods in 2021 equal to 63 days. The faster the day sales in finished goods were 12 days and 19 days, compared with the turnover of finished goods in year 2020 and 2019 which equal to 75 days and 82 days, respectively. And the extension of the repayment period, due to adjustments to maintain cash flow in accordance with the collection received from customers.

Financial Ratios for the year a at 31 December 2021

Financial Ratio		2021	2020	2019
<b>Liquidity Ratios</b>				
Current Ratio	(Time)	5.50	6.02	7.09
Quick Ratio /1	(Time)	3.67	4.25	3.41
Operating Cash Flow to Current Liabilities/2	(Time)	1.08	1.50	0.93
Account Receivable Turnover	(Time)	4.15	4.17	4.25
Average Collection Period	(Day)	88	87	83
Inventory (FG) Turnover	(Time)	5.79	4.88	4.47
Average Sale (Inventory-FG) Period	(Day)	63	75	82
Inventory Turnover	(Time)	2.43	2.51	1.82
Average Sale (Inventory) Period	(Day)	150	145	201
Account Payable Turnover	(Time)	5.97	6.89	7.56
Average Payment Period	(Day)	61	53	43
Cash Cycle/3	(Day)	90	109	122

2) Profitability ratio

The situation of container shortage in 2021 and the impact of higher raw material costs in the world market for Food coating category and Flavour, Fragrance & Color category resulted in decrease in gross profit margin. The gross profit margin in 2021 was 37.18% and in 2020 was 41.94%.

3) Efficiency ratio

- Return on Asset in 2021(ROA) was 9.75% decreased from 12.17% of Return on Asset in 2020
- Return on Equity in 2021 (ROE) was 11.6% decreased from 14.2% of Return on Equity in 2020

Financial Ratio	2021	2020
<b>Profitability Ratio</b>		
Gross Profit Margin (%)	37.18	41.94
Operating Profit Margin/4 (%)	17.92	22.54
Operating Cash Flow to Profitability/4 (%)	88.28	86.81
Net Profit Margin/5 (%)	14.17	18.07
Return on Equity/5 (%)	11.6	14.2
<b>Efficiency Ratio</b>		
Return on Asset/5 (%)	9.75	12.17
Total Asset Turnover (%)	68.80	67.37

Financial Ratio	2021	2020
<b>Financial policy Ratio</b>		
Debt to Equity Ratio (Time)	0.18	0.19
Interest Coverage Ratio (Time)	91.80	109.77
Interest bearing debt to EBITDA (Time)	0.21	0.35
Debt Service Coverage Ratio (DSCR)/6 (Time)	4.60	2.76

**Notes**

- /1 Including Cash Fixed Deposit And Trade Account Receivables
- /2 Operating Cash Flow to Average Current Liabilitie
- /3 Average Collection Period+Average Sale (Inventory-FG) Period-Average Payment Period
- /4 EBIT from continuing operations
- /5 Net Profit from continuing operations
- /6 EBITDA to the Principal and the Interest

Yours Sincerely

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