

15 May, 2020

Re Management Discussion and Analysis for the First Quarter ended March 31, 2020
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 first quarter ended March 31, 2020 with the following details:

Revenues Structure

1. The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as the followings:

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

2. The revenues of hotel business invested by RBF's subsidiaries which contain 2 hotels:

- 2.1 Ibis Styles Chiangmai Hotel invested by Premium Foods Co., Ltd.
- 2.2 Novotel Chumporn Beach & Golf invested by Thai Flavour and Fragrance Co., Ltd.

Operating Results

Statement of Comprehensive Income (MB)	For the 3 Months period ended 31 March		Change	
	2019	2020	MB	%
Revenues from sales and rendering services	689.65	789.00	99.35	14.41%
Revenues from hotel operations	27.70	18.69	-9.02	-32.55%
Total Revenue	717.36	807.69	90.33	12.59%
Cost of goods sold and rendering services	420.82	435.52	14.70	3.49%
Cost of rendering hotel services	29.75	23.58	-6.17	-20.75%
Total cost	450.57	459.10	8.53	1.89%
Gross profit	266.79	348.59	81.80	30.66%
Other Income	2.53	9.33	6.81	269.47%
Selling expenses	48.61	49.70	1.09	2.24%
Administrative expenses	104.31	109.93	5.61	5.38%
Net impairment losses on financial assets	-	7.07	7.07	100.00%
Finance costs	6.92	4.60	-2.33	-33.64%

R&B Food Supply Public Company Limited

Profit before Income tax expenses	109.47	186.63	77.16	70.49%
Income tax expenses	22.16	39.65	17.50	78.97%
profit for the period	87.31	146.98	59.67	68.34%
Profit attributable to:				
Non-controlling interests	-0.39	-0.36	0.03	-7.20%
Owners of the parent	87.70	147.34	59.64	68.00%

The Revenue from Operations

In the first quarter of 2020, the revenues from operations of the Company and its subsidiaries was THB 807.69 million which increased by THB 90.33 million or by 12.59% compared to the first quarter of 2019 which the revenues from operations was THB 717.36 million. The significant changes of each type of the revenues can be explained as follows:

1. REVENUES FROM SALES OF MANUFACTURING AND TRADING GOODS

In the first quarter of 2020, the revenues from sales was THB 789.00 million, equaled to 97.69% of the total revenues from operations, and increased by THB 99.35 million (YoY 14.41%) compared to the first quarter of 2019 which the revenues from sales was THB 689.65 million, equaled to 96.14% of the total revenue from operations.

The increase in sales was THB 99.35 million which comprised of 2 main segments as follows:

- 1- The increase in domestic sales was THB 91.76 million.
- 2- The increase in overseas sales was THB 7.59 million.

The main increase came from the increase in sales of 2 main product categories: Flavour, Fragrance & Color category which increased by THB 70.17 million (YoY 28.06%) and Food Coating category which increased by 27.21 million (YoY 10.78%). On the other hand, it was also a result from the sales increase of the existing industry customers, both of domestic and overseas customers.

2. REVENUES FROM HOTEL OPERATIONS

In the first quarter of 2020, the revenue from hotel operations of the Company and its subsidiaries was THB 18.69 million, equaled to 2.31% of the total revenue from operations. The revenue from hotel operations decreased by THB 9.02 million (YoY -32.55%) compared to the first quarter of 2019 which the revenue was THB 27.70 million, equaled to 3.86% of the total revenue from operations.

The main decrease for THB 7.92 million came from the tourist reduction due to Coronavirus disease 2019 (COVID-19) and the smoke pollution crisis in the North of Thailand especially in Chiangmai province since March of 2020.

Gross Profit

In the first quarter of 2020, gross profit was THB 348.59 million or 43.16% of the total revenue from operations, which increased by THB 81.80 million (YoY 30.66%) compared to the first quarter of 2019 which gross profit was THB 266.79 million or 37.19% of total revenue from operations. The significant changes of gross profit can be explained as follows:

1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS

In the first quarter of 2020, the gross profit of Food Ingredients business was THB 353.48 million or 44.80% of the total revenue from operations, which increased by THB 84.65 million (YoY 31.49%) compared to the first quarter of 2019 which the gross profit was THB 268.83 million or 38.98% of the total revenue from operations.

The main increase is due to the increase in sales of main product categories, resulting in the increase in gross profit of Food Coating category for THB 19.84 million, Flavor & Fragrance and Color category for THB 51.26 million and Trading goods category for THB 11.93 million.

2. GROSS PROFIT FROM HOTEL OPERATIONS

In the first quarter of 2020, the negative gross margin of hotel operations was THB 4.89 million, equaled to -26.71% of the total revenues from operations. The hotel operations had the negative gross margin increased of THB 2.85 million (YoY 139.13%) compared to the first quarter of 2019 which the negative gross margin was THB 2.05 million or -7.38% of the total revenue from operations.

This is mainly due to the revenue decrease of Ibis Styles Chiangmai Hotel from the impact of COVID-19 and smoke pollution as mention earlier.

Selling and Administrative Expenses

In the first quarter of 2020, selling and administrative expenses were THB 159.63 million, equaled to 19.76% of the total revenue from operations. Selling and administrative expenses of the Company and its subsidiaries increased by THB 6.70 million (YoY 4.38%) compared to the first quarter of 2019 which selling and administrative expenses were THB 152.93 million or 21.32% of the total revenue from operations.

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

- The increase of export expenses by THB 3.94 million from increase in overseas sales.
- The increase of salary expenses by THB 4.50 million from the provision for salary adjustment plan.
- The decrease of the depreciation of building by THB 1.58 million from the expanding of useful life of building.

In the first quarter of 2020, the increase of net impairment losses on financial assets by THB 7.07 million, causing from the adjustment for reclassification of financial assets and liabilities under TFRS 9, and included the provision of doubtful debt for the first quarter of 2020.

Profit for the period

In the first quarter of 2020, profit for the period was THB 146.98 million, equaled to 18.20% of the total revenue from operations, and increased by THB 59.67 million (YoY 68.34%) from the first quarter of 2019 which profit for the period was THB 87.31 million or 12.17% of the total revenue from operations.

The main increase is due to the increase in sales of 2 product categories: Flavour, Fragrance & Color category and Food Coating category.

Profit for the period attributable to owners of the parent

In the first quarter of 2020, profit for the period attributable to owners of the parent was THB 147.34 million, equaled to 18.24% of the total revenue from operations, and increased by THB 59.64 million (YoY 68.00%) from the first quarter of 2019 which profit for the period attributable to owners of the parent was THB 87.70 million or 12.23% of the total revenue from operations.

The main increase is due to the increase in sales of 2 product categories, Flavour, Fragrance & Color category and Food Coating category.

Statement of Financial Position

Assets

As at March 31, 2020, the Company and its subsidiaries had the total assets of THB 4,828.86 million, increased by THB 416.55 million (YoY 9.44%) compared to December 31, 2019 which the total assets were THB 4,412.31 million. The significant changes in assets comprised of:

- Increased in cash and cash equivalents of THB 35.82 million. Mainly causing from net cash flows from operating activities subtracting by payment of plant construction, purchase of machinery of the company for both local subsidiaries and foreign subsidiaries, and repayment for long term borrowing.
- Increased in trade and other receivables of THB 52.88 million, due to the increase in sales and prepayment for raw materials.
- Increased in inventories of THB 45.76 million, mainly due to goods in transit for THB 22.58 million.
- Increase of right-of-use assets (ROU) for THB 302.57 million which is acknowledged for lease liability and right-of-use assets under TFRS 16.

Liabilities

As at March 31, 2020, the Company and its subsidiaries had the total liabilities of THB 817.13 million, which was 16.93% of the total assets, increased by THB 274.87 million (YoY 50.67%) compared to December 31, 2019 which the total liabilities were THB 542.44 million, equaled to 12.29% of the total assets.

The significant changes in liabilities comprised of:

- Increase of lease liability for THB 276.38 million which is acknowledged for lease liability and right-of-use assets under TFRS 16.
- Increased in Trade and other payable of THB 18.27 million.
- Increased in Income tax payable of THB 39.56 million.
- Decrease in Long term borrowings from financial institution and related parties THB 60.85 million.

Equity

As at March 31, 2020, the Company and its subsidiaries had the total equity attributable to owners of the parent of THB 4,012.45 million, or 83.09% of the total assets. The increase in the total equity attributable to owners of the parent by THB 142.19 million, or increased 3.67% compared to December 31, 2019 which the total equity attributable to owners of the parent were THB 3,870.27 million, equaled to 87.72% of the total assets.

The significant changes in Equity is mainly due to the increase in unappropriated retained earning with the total amount of THB 146.46 million.

Statement of Cash flows

In the first quarter of 2020, the statement of cash flows can be explained as follows:

- Net cash flows generated from operating activities of THB 145.12 million.
- Net cash flows used in investing activities of THB 49.21 million which mainly was cash payments for plant construction and purchase of machinery of the company, local subsidiaries and foreign subsidiaries, with total amount of THB 49.01 million.
- Net cash flows used in financing activities of THB 62.31 million, mainly for the repayment of long term borrowings.
- Cash and cash equivalents at Dec 31, 2019 and Mar 31, 2020 are THB 1,236.64 million and THB 1,270.23 million accordingly.

Yours Sincerely

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