

13 November 2020

Re Management Discussion and Analysis for the third quarter and 9-month period of 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 third quarter and for the 9-month period of 2020 with the following details:

**Revenues Structure**

1. 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
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-month periods (July - September)		Change		For the 9-month periods (January - September)		Change	
	2020	2019	MB	%	2020	2019	MB	%
	Revenues from sales and rendering services	816.81	668.36	148.45	22.21%	2,304.78	2,035.39	269.39
Revenues from hotel operations	14.79	17.71	-2.92	-16.48%	35.56	63.50	-27.94	-44.00%
<b>Total Revenue</b>	<b>831.60</b>	<b>686.07</b>	<b>145.53</b>	<b>21.21%</b>	<b>2,340.35</b>	<b>2,098.89</b>	<b>241.46</b>	<b>11.50%</b>
Cost of goods sold and rendering services	468.36	396.55	71.81	18.11%	1,309.02	1,204.63	104.39	8.67%
Cost of rendering hotel services	20.37	21.64	-1.27	-5.88%	58.33	79.14	-20.81	-26.29%
<b>Total cost</b>	<b>488.72</b>	<b>418.19</b>	<b>70.53</b>	<b>16.87%</b>	<b>1,367.35</b>	<b>1,283.77</b>	<b>83.58</b>	<b>6.51%</b>
<b>Gross profit</b>	<b>342.88</b>	<b>267.88</b>	<b>75.00</b>	<b>28.00%</b>	<b>973.00</b>	<b>815.12</b>	<b>157.88</b>	<b>19.37%</b>
Other Income	-	1.98	-1.98	-100.00%	5.53	4.70	0.83	17.57%
Selling expenses	51.55	45.41	6.14	13.53%	139.48	140.23	-0.75	-0.53%
Administrative expenses	105.47	99.85	5.62	5.63%	318.77	340.34	-21.57	-6.34%
Net impairment losses on financial assets	8.08	-	8.08	100.00%	12.65	-	12.65	100.00%
Finance costs	2.75	7.66	-4.91	-64.06%	11.63	22.10	-10.47	-47.37%
<b>Profit before Income tax expenses</b>	<b>175.03</b>	<b>116.94</b>	<b>58.09</b>	<b>49.67%</b>	<b>495.99</b>	<b>317.15</b>	<b>178.84</b>	<b>56.39%</b>
Income tax expenses	34.60	10.96	23.64	215.59%	99.91	63.95	35.96	56.23%
<b>profit for the period</b>	<b>140.42</b>	<b>105.98</b>	<b>34.45</b>	<b>32.51%</b>	<b>396.08</b>	<b>253.20</b>	<b>142.88</b>	<b>56.43%</b>
<b>Profit attributable to :</b>								
Non-controlling interests	-0.52	0.06	-0.58	-984.37%	-1.18	-0.31	-0.87	285.53%
<b>Owners of the parent</b>	<b>140.94</b>	<b>105.91</b>	<b>35.03</b>	<b>33.07%</b>	<b>397.26</b>	<b>253.51</b>	<b>143.75</b>	<b>56.71%</b>

### **The Revenue from Operations for the third quarter of 2020**

In the third quarter of 2020, the revenues from operations of the Company and its subsidiaries was THB 831.60 million, which increased by THB 145.53 million or 21.21% compared to the third quarter of 2019, which the revenues from operations was THB 686.07 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 third quarter of 2020, the revenues from sales was THB 816.81 million, equaled to 98.22% of the total revenues from operations, and increased by THB 148.45 million (YoY 22.21%) compared to the third quarter of 2019, which the revenues from sales was THB 668.36 million, equaled to 97.42% of the total revenue from operations.

The increase in sales of THB 148.45 million comprised of 2 main segments as follows:

- Increase in domestic sales of THB 144.52 million.
- Increase in oversea sales of THB 3.93 million.

Consideration of 6 product categories, the main increase came from: Flavour, Fragrance & Color category increased by 80.88 million, Food Coating category increased by THB 42.38 million, and Trading Goods category increased by THB 39.70 million.

#### **2. REVENUES FROM HOTEL OPERATIONS**

In the third quarter of 2020, the revenue from hotel operations of the Company and its subsidiaries was THB 14.79 million, equaled to 1.78% of the total revenue from operations. The revenue from hotel operations decreased by THB 2.92 million (YoY -16.48%). The main reason came from the effect of COVID-19 pandemic.

### **The Revenue from Operations for the 9-months period of 2020**

For nine-month period of 2020, the revenues from operations of the Company and its subsidiaries was THB 2,340.35 million, which increased by THB 241.46 million or 11.50% compared to the same period of 2019, which the revenues from operations was THB 2,098.89 million. The significant changes of each type of the revenues can be explained as follows:

#### **1. REVENUES FROM SALES OF MANUFACTURING AND TRADING GOODS**

For nine-month period of 2020, the revenues from sales was THB 2,304.78 million, equaled to 98.48% of the total revenues from operations, and increased by THB 269.39 million (YoY 13.24%) compared to the same period of 2019, which the revenues from sales was THB 2,035.39 million, equaled to 96.97% of the total revenue from operations. The increase in sales of THB 269.39 million comprised of:

- Increase in domestic sales of THB 257.11 million.
- Increase in oversea sales of THB 12.28 million.

Consideration of 6 product categories, the main increase came from: Flavor & Fragrance and Color category increased by THB 143.19 million, Food Coating category increased by THB 74.12 million and Trading Goods category increased by THB 66.84 million.

#### **2. REVENUES FROM HOTEL OPERATIONS**

For nine-month period of 2020, the revenue from hotel operations of the Company and its subsidiaries was THB 35.56 million, equaled to 1.52% of the total revenue from operations. The revenue from hotel operations decreased by THB 27.94 million (YoY -44.00%) compared to the same period of 2019, which the revenue was THB 63.50 million, equaled to 3.03% of the total revenue from operations. The main reason came from the effect of COVID-19 pandemic.

### **Gross Profit for the third quarter of 2020**

In the third quarter of 2020, the gross profit was THB 342.88 million or 41.23% of the total revenue from operations, which increased by THB 75.0 million (YoY 28.0%) compared to the third quarter of 2019 which gross profit was THB 267.88 million or 39.05% of total revenue from operations. The significant changes of the gross profit can be explained as follows:

#### **1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS**

In the third quarter of 2020, the gross profit of Food Ingredient business was THB 348.46 million or 42.66% of the total revenue from operations, which increased by THB 76.64 million (YoY 28.20%) compared to the third quarter of 2019, which the gross profit was THB 271.81 million or 40.67% of the total revenue from operations. The increase in sales of manufacturing and trading goods, resulting in the increase in gross profit.

The main increase came from the increased gross profit of Flavor & Fragrance and Color category for THB 65.44 million, Trading goods category for THB 11.34 million, and Food Coating category for THB 8.10 million.

#### **2. GROSS PROFIT FROM HOTEL OPERATIONS**

In the third quarter of 2020, the negative gross margin of hotel operations was THB 5.58 million. The hotel operations had the negative gross margin increased by THB 1.64 million, compared to the third quarter of 2019 which the negative gross margin was THB 3.93 million. This is mainly due to the effect of COVID-19 pandemic.

### **Gross Profit for the 9-months period of 2020**

For nine-month period of 2020, the gross profit was THB 973.00 million or 41.57% of the total revenue from operations, which increased by THB 157.88 million (YoY 19.37%) compared to the same period of 2019, which the gross profit was THB 815.12 million or 38.84% of total revenue from operations. The significant changes of the gross profit can be explained as follows:

#### **1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS**

For nine-month period of 2020, the gross profit of Food Ingredient business was THB 995.77 million or 43.20% of the total revenue from operations, which increased by THB 165.00 million (YoY 19.86%) compared to the same period of 2019, which the gross profit was THB 830.76 million or 40.82% of the total revenue from operations.

The main increase came from the increased gross profit of Flavor & Fragrance and Color category for THB 124.24 million, Trading goods category for THB 26.41 million, and Food Coating category for THB 17.55 million.

#### **2. GROSS PROFIT FROM HOTEL OPERATIONS**

For nine-month period of 2020, the negative gross margin of hotel operations was THB 22.77 million. The hotel operations had the negative gross margin increased THB 7.13 million, compared to the same period of 2019, which the negative gross margin was THB 15.64 million. This is mainly due to the decrease in the tourists effected from COVID-19 pandemic.

### **Selling and Administrative Expenses for the third quarter of 2020**

In the third quarter of 2020, selling and administrative expenses were THB 157.02 million, equaled to 18.88% of the total revenue from operations. Selling and administrative expenses of the Company and its subsidiaries increased by THB 11.77 million (YoY 8.10%) compared to the third quarter of 2019, which selling and administrative expenses were THB 145.26 million or 21.17% of the total revenue from operations. The significant changes of the selling and administrative expenses came from decrease in selling expenses of THB 6.15 million, causing from transportation fee and commission fee, resulting in increasing in sales.



## **R&B Food Supply Public Company Limited**

### **Statement of Financial Position**

#### **Assets**

As at 30 September 2020, the Company and its subsidiaries had the total assets of THB 4,754.49 million, increased by THB 342.17 million (YoY 7.75%) compared to 31 December 2019, which the total assets were THB 4,412.31 million.

The significant changes in assets comprised of:

- Decrease in cash and cash equivalents of THB 764.12 million. Mainly causing from net cash flows used in investment activities for payments of plant construction and purchase of machinery and equipment of THB 239.47 million, investment in fixed deposit at financial institution of THB 500 million, dividend payment of THB 300 million and repayment of borrowings from financial institution and related parties of THB 104.09 million, net of cash inflow from operating activities of THB 376.79 million.
- Increase in trade and other receivables of THB 117.51 million, due to the increase in sales and advances for import goods and machinery.
- Increase in financial assets of THB 500.09 million from investment in fixed deposit at financial institution.
- Increase in inventories of THB 111.45 million to support the increase in future sale orders, resulting from increased in raw materials of THB 81.62 million, in transit goods of THB 23.31 million and packing materials of THB 7.23 million.
- Decrease in property, plant, and equipment for THB 376.23 million, mainly due to reclassification of property, plant and equipment to right-of-use assets in accordance with TFRS 16 of THB 519.09 million and decrease in depreciation for the period for THB 101.82 million net of increase in property, plant, and equipment of THB 243.69 million.
- Increase in right-of-use assets (ROU) for THB 759.92 million under TFRS 16 Leases.

#### **Liabilities**

As at 30 September 2020, the Company and its subsidiaries had the total liabilities of THB 780.84 million, which was 16.42% of the total assets, increased by THB 238.40 million (YoY 43.95%) compared to 31 December 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 in Account Trade Payable of THB 57.81 million, resulting from increased in raw materials and finished goods to support increase in sale volume.
- Decrease in Long term borrowings from financial institution and related parties of THB 104.09 million from repayments.
- Increase in lease liability of THB 275.33 million according to adoption of TFRS 16 Leases.
- Increase in Income tax payable of THB 9.69 million from income for the 9-months period of 2020.

#### **Equity**

As at 30 September 2020, the Company and its subsidiaries had the total equity attributable to owners of the parent of THB 3,975.24 million, or 83.61% of the total assets. The increase in the total equity attributable to owners of the parent was THB 104.98 million or 2.71% compared to 31 December, 2019, which the total equity attributable to owners of the parent was 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 profit for the period attributable to owners of the parent of THB 397.26 million, net of dividend payment of THB 300 million, retrospective adjustments of beginning retained earnings from adoption of TFRS 9 of THB 0.88 million and the increasing from the Other components of equity of THB 8.59 million.

**Statement of Cash flows**

For nine-month period ended 30 September 2020, the statement of cash flows can be explained as follows:

- Net cash flows generated from operating activities of THB 376.79 million.
- Net cash flows used in investing activities of THB 732.55 million, mainly for cash payments for property, plant, and equipment of THB 239.47 million, for investment in fixed deposit at financial institution of THB 500 million, cash received from short-term investments of THB 6 million.
- Net cash flows used in financing activities of THB 410.05 million, mainly for the repayment of long-term borrowings of THB 104.09 million, for dividend paid of THB 300 million, and for the repayment of lease liability of THB 5.96 million.
- Cash and cash equivalents at 31 December, 2019 and 30 September 2020 were THB 1,234.42 million and THB 470.30 million, respectively.

Yours Sincerely

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