

No. MDA-EN 02/2022

May 10<sup>th</sup>, 2022

The President

The Stock Exchange of Thailand

Re: Management's Discussion and Analysis (MD&A) on 1Q2022

## 1. Executive Summary

(Unit: Million Baht)	1Q 2022	4Q 2021	1Q 2021	%Inc. (Dec.)	
				YoY	QoQ
Sales Revenue	699.9	812.7	653.8	7.1%	(13.9%)
Gross Profit	92.0	145.7	99.2	(7.2%)	(36.8%)
Net Profit	30.4	65.7	30.6	(0.6%)	(53.8%)
Earnings per share (Baht/share)	0.05	0.10	0.05		

**In the first quarter of 2021 (1Q2022), SUN and its subsidiary reported Sales Revenue in an amount of Baht 699.9 million, increased by Baht 46.1 million or 7.1% when compared to the same period last year (1Q2021)** mostly from the increase in i) international trade expansion in the Asia-Pacific in the Canned sweet corn products category, especially in Japan and Taiwan due to increasing customer base both new customers and existing customers who have ordered more. ii) domestic sales from Ready-to-eat products such as Roasted Japanese sweet potato, Boiled tiger peanut, Ready-to-eat bagged sweet corn and Ready-to-eat whole grain. In addition, new products such as Steamed Namwa Banana, Grilled Cut Sweet Corn with Salt are also released, available in convenience stores and supermarkets.

**Net Profit of SUN and its subsidiary in 1Q2022 was reported at Baht 30.4 million, slightly decreased by Baht 0.2 million or 0.6% from 1Q2021.** This was mainly from sales revenue growth, but the gross margins declined due to i) the cost of canned containers is higher due to the high price of steel ii) The quantity of sweet corn raw materials received into the factory was lower than the plan. iii) There is also a problem with the spread of COVID-19 within the factory in early 2022. However, this problem has been resolved since March 2022. In addition, the Company has a policy to enter into forward foreign exchange contracts regularly to mitigate the impact of exchange rate volatility. Selling and administrative expenses are still well controlled. In addition, administrative expenses increased from special compensation expenses for directors and high-value crop project expenses.

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**SUNSWEEET PUBLIC COMPANY LIMITED**

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As of 31 March 2021, SUN and its subsidiary had the total assets amounting to Baht 1,591.5 million, increased by Baht 137.9 million or 9.5% from 31 December 2021, mainly from i) the increase in property, plant, and equipment by Baht 33.5 million due to Biogas production project and Production efficiency improvement project such as biomass steam generators and Hydrolock sterilizer. ii) the increase in Cash and cash equivalents amounting to Baht 174.0 million from the higher trade transactions. Whereas the total liabilities were recorded at Baht 418.8 million, increased by Baht 107.6 million or 34.6% primarily from an increase in trade and other payables amounting to Bath 67.3 million from the higher trade transactions and long-term loans from financial institutions amounting to Bath 19.3 million. The total shareholders' equity was Baht 1,172.7 million, increased by Baht 30.4 million or 2.7%, mainly from net profit of 1Q2022.

## **2. Economic Overview in the First Quarter of 2022**

**The world economy in 1Q2022** continued recover. The demand for goods from trading partner countries also improved, as a result Sales Revenue increased by 7.1% when compared to 1Q2021. However, in 1Q2022, there were still problems with i) sea freight, especially the increase in freight costs and the problem of container shortages ii) conflict between Russia-Ukraine. This conflict may affect 1. Foreign demand may slow down 2. Rising prices of energy and commodities and chemical fertilizers, which cause transportation costs, raw material prices, and higher fertilizer prices. However, product prices increased in specific factors. The company made great efforts to control production costs and other expenses appropriately. iii) The lockdown measures in major cities in China and as well as the strict scrutiny of goods from China's zero-tolerance measures may affect Thailand's exports.

The global financial markets have increased volatility. The baht against the US dollar depreciated on concerns about the escalating conflict between Russia-Ukraine. However, the Company manages its risks by entering into forward foreign exchange contracts regularly to mitigate the effects of such exchange rate fluctuations.

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**The Thai economy in 1Q2022** recovered from the previous quarter due to higher export value. The number of foreign tourists increased after the easing of international travel restrictions. Headline inflation rose sharply in line with energy prices and fresh food prices. This affects the cost of living in low-income households and may affect private consumption. In addition, in 1Q2022 there was also an outbreak of the Omicron strain of Covid-19 that has a wide impact, with mild symptoms. The company had also found an outbreak of Covid-19 inside the factory since the beginning of 2022. However, this problem has started to resolve since March 2022.

The outlook for the Thai economy and the world economy still needs to be monitored 1) the conflict between Russia and Ukraine 2) the increase in production costs and prices of goods and services 3) the spread of Covid-19 in the country and 4) the lockdown measures in China that may affect the Chinese economy and Thailand's exports.

### 3. Financial Results of SUN and its subsidiary for 1Q2022

(Unit : Million Baht)	1Q 2022	4Q 2021	1Q 2021	%Inc. (Dec.)	
				YoY	QoQ
<b>Revenue from sales</b>	<b>699.9</b>	<b>812.7</b>	<b>653.8</b>	<b>7.1%</b>	<b>(13.9%)</b>
Cost of sales	607.9	667.0	554.6	9.6%	(8.9%)
<b>Gross profit</b>	<b>92.0</b>	<b>145.7</b>	<b>99.2</b>	<b>(7.2%)</b>	<b>(36.8%)</b>
Other income	2.0	1.7	2.4	(17.7%)	12.8%
Gains (losses) on exchange rate & on derivatives, net	9.5	17.4	(5.6)	>100.0%	(45.4%)
Selling expenses	(45.5)	(50.8)	(44.0)	3.4%	(10.5%)
Administrative expenses	(21.8)	(22.1)	(15.9)	36.5%	(1.3%)
Finance costs	(0.7)	(0.7)	(0.3)	>100.0%	(2.5%)
<b>Profit before income tax</b>	<b>35.5</b>	<b>91.2</b>	<b>35.8</b>	<b>(0.5%)</b>	<b>(61.0%)</b>
Income tax	(5.1)	(25.5)	(5.2)	0.2%	(79.8%)
<b>Net profit</b>	<b>30.4</b>	<b>65.7</b>	<b>30.6</b>	<b>(0.6%)</b>	<b>(53.8%)</b>
<b>Earnings per share (Baht/share)</b>	<b>0.05</b>	<b>0.10</b>	<b>0.05</b>		
% GP	13.1%	17.9%	15.2%	(13.3%)	(26.7%)
% Net profit margin	4.3%	7.9%	4.7%	(8.3%)	(45.9%)
EBITDA	55.8	112.5	53.8	3.1%	(50.4%)

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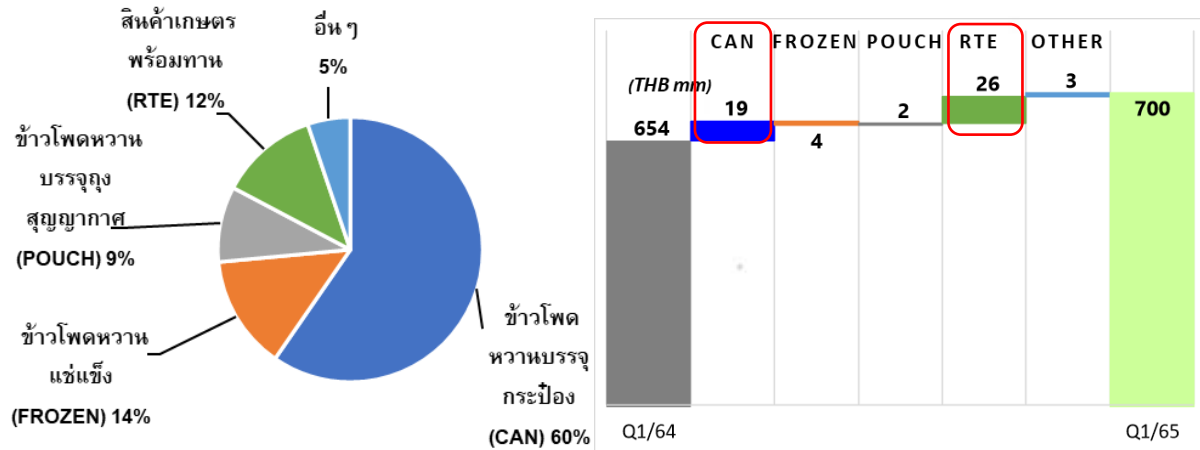
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## Summary of Financial Performance

### Revenues

#### 1. Revenues from Sales

*Sales Breakdown(%) Q1'2022*



SUN's consolidated total revenues from sales for 1Q2022 reached Baht 699.9 million, representing an increase of Baht 46.1 million or 7.1% over the same period last year. This increase was mainly driven by:

- International trade expansion in the Asia-Pacific region such as Japan and Taiwan, especially canned sweet corn products (Can), due to increasing customer base both new customers and existing customers who have ordered more.
- For other regions such as the European Union and America, there was a decline in orders due to container shortages during the COVID-19 epidemic.
- Increased domestic sales from Ready-to-eat products such as Roasted Japanese sweet potato, Boiled tiger peanut, Ready-to-eat bagged sweet corn and Ready-to-eat whole grain. In addition, new products such as Steamed Namwa Banana, Grilled Cut Sweet Corn with Salt are also released, available in convenience stores and supermarkets.

#### 2. Other Income

The consolidated other income for 1Q2022 was Baht 2.0 million, representing a decrease of Baht 0.4 million or 17.7% over the same period last year.

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### **3. Gain (Loss) on exchange rate and derivatives, net**

The consolidated gain on the exchange rate and derivatives, net for 1Q2022 was Baht 9.5 million, representing an increase of gain amounting to Baht 15.1 million or more than 100% from 1Q2021, which was loss on exchange rate and derivatives amounting to Baht 5.6 million. The baht depreciated throughout March 2022 due to concerns about the escalating conflict between Russia-Ukraine. Therefore, the company has a policy to use hedging instruments such as foreign currency forward contracts to hedge foreign exchange risk by entering into forward contracts as appropriate for the circumstances.

### **Cost of Goods Sold and Gross Profit from Sales**

SUN's consolidated gross profit for 1Q2022 reached Baht 92.0 million. (13.1% of gross profit margin), representing a decrease of Baht 7.2 million or 7.2% over the same period last year, which was Baht 99.2 million. (15.2% of gross profit margin), This decrease was mainly driven by:

- the cost of canned containers is higher due to the high price of steel
- The quantity of sweet corn raw materials received into the factory was lower than the plan.
- There is also a problem with the spread of COVID-19 within the factory in early 2022. However, this problem has been resolved since March 2022.

### **Selling Expenses**

The consolidated selling expenses for 1Q2022 was Baht 45.5 million with an increase of Baht 1.5 million or 3.4% over the same period last year. This increase was mainly due to higher transportation cost and export expense in line with the revenue from sales, and continuously rising oil prices.

### **General and Administration Expenses**

The consolidated general and administration expenses for 1Q2022 was Baht 21.8 million with an increase of Baht 5.9 million or 36.5% over the same period last year. This increase was mainly due to (1) special compensation expenses for directors and (2) high-value crop project expenses.

### **Financial Costs**

The consolidated financial costs for 1Q2022 were Baht 0.7 million, an increase of Baht 0.4 million or more than 100% from 1Q2021, was mainly due to using the short-term loans from financial institutions for working capital and long-term loans from financial institutions for the Mini-Factory project.

### **Net Profit and Net Profit Margin**

SUN's consolidated net profit for 1Q2022 reached Baht 30.4 million, a slightly decrease of Baht 0.2 million or 0.6% over the same period last year was mainly from sales revenue growth, but the gross margins declined due to i) the cost of canned containers is higher due to the high price of steel ii) The quantity of sweet corn raw materials received into the factory was lower than the plan. iii) There is also a problem with the spread of COVID-19 within the factory in early 2022. However, this problem has been resolved since March 2022. Selling and administrative expenses are still well controlled. In addition, administrative expenses increased from special compensation expenses for directors and high-value crop project expenses.

The consolidated net profit margin for 1Q2022 represented 4.3%, increasing from the same period last year, which was 4.7% of net profit margin as the same above-mentioned factors.

## **4. Major Project Progress**

In the 1Q2022, the Company has investment project in efficiency improvement and capacity expansion project of Baht 193 million, consisting of the following items:

1. Production line with automatic packaging machinery for Canned product
2. Biomass steam generator with capacity of 15 tons per hour
3. X-ray contaminant inspection machine and package leak checker
4. Automatic Hydrolock sterilizer, continuous sterilization system.
5. Vacuum bagging corn kernels and Corn kernels bagging products Vacuum



The project supports the expansion of sales growth according to the company's business plan and increase production capacity in products to meet the needs of consumers including helping to increase efficiency in producing quality products consistently according to the standard. The project has started operations and is expected to be completed by the fourth quarter of 2022.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "Vira Nopwattanakorn".

Mr. Vira Nopwattanakorn  
Chief Finance Officer  
Sunsweet Public Company Limited

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