



No. MDA-EN 03/2023

August 9<sup>th</sup>, 2023

The President

The Stock Exchange of Thailand

Re: Management's Discussion and Analysis (MD&A) on 2Q2023

## 1. Executive Summary

(Unit: Million THB)	2Q2023	1Q2023	2Q2022	%Inc. (Dec.)		1H2023	1H2022	%Inc. (Dec.)
				YoY	QoQ			
Sales Revenue	935.3	903.5	893.4	4.7%	3.5%	1,838.8	1,593.3	15.4%
Gross Profit	195.9	178.7	146.5	33.8%	9.6%	374.6	238.5	57.1%
Net Profit	60.6	94.7	25.9	>100.0%	(36.0%)	155.4	56.3	>100.0%
Earnings per share (Baht/share)	0.09	0.15	0.04			0.24	0.09	

SUN's consolidated total sales revenue for the second quarter of 2023 (2Q2023) reached THB 935.3 million, representing an increase of THB 41.9 million or 4.7% when compared to the same period last year (2Q2022), due to the amount of sweet corn volumes received is according to the plan, positively impacting International sales revenue growth in Asia and Australia. In addition, the domestic sales revenue also continued positive sales growth from the ready-to-eat products (RTE), especially roasted sweet potatoes and tiger beans. In addition, new products released such as 5 colors mix beans and Ready-to-cook vegetables are launched for sale in convenience stores and supermarkets.

SUN's consolidated net profit for 2Q2023 was reported at THB 60.6 million, an increase of THB 34.6 million or >100.0% from 2Q2022 due to (1) The amount of sweet corn volumes was higher than the previous year resulting the strong sales growth both domestically and internationally. (2) Even though higher cost of sweet corn raw material prices. However, the company can manage production costs by improving production lines to increase efficiency. (3) The selling expenses increased in line with sales growth. (4) The administrative expenses increased from increased salaries and employee benefits. (5) In addition, the company has a policy to use hedging instruments. Loss from derivatives and foreign exchange amounted to THB 42.1 million in 2Q2023.

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SUN's consolidated total sales revenue for the first half of 2023 (1H2023) reached THB 1,838.8 million, representing an increase of THB 245.5 million or 15.4% when compared to the same period last year (1H2022). Net Profit of SUN and its subsidiary the first half of 2023 (1H2023) was reported at Baht 155.4 million, an increase of THB 99.1 million or >100.0% from the first half of 2022 (1H2022), driven by the abovementioned reasons.

As of 30 June 2022, SUN and its subsidiary had the total assets amounting to THB 1,862.6 million, increased by THB 351.7 million or 23.3% from 31 December 2022, mainly from (1) the increase in trade and other receivables of THB 166.4 million in line with sales revenue growth. (2) the increase in property, plant, and equipment by THB 110.1 million due to the Hydrolock sterilizer project and the Production efficiency improvement project such as biomass steam generators. Whereas the total liabilities were recorded at THB 633.3 million, increased by THB 260.8 million or 70.0% primarily from (1) an increase in trade and other payables amounting to THB 137.6 million from the normal trade transactions. (2) an increase in long-term loans from financial institutions amounting to THB55.5 million, mainly from borrowings from past investment projects. The total shareholders' equity was THB 1,229.4 million, increased by THB 90.9 million or 8.3% due to an increase in net profit of the SUN and its subsidiaries of THB 155.4 million and dividend payment of THB 64.5 million.

## 2. Economic Overview in the Second Quarter of 2023

The world economy in 2Q2023 remain highly volatile due to (1) weaker-than-expected Chinese economic data, (2) persistent geopolitical conflicts, and (3) stronger US economic data and expected inflation in the United States shows signs of slowing down. However, the US Federal Reserve Monetary policy will continue to raise interest rates. (4) The world economy in the second half of the year is expected to show good prospects from the recovery of the tourism service sector.

Global financial markets are highly volatile, with the average exchange rate of the THB depreciating against the US dollar following the depreciation of the Yuan after weaker-than-expected Chinese economic data came out. In addition, there is political uncertainty in Thailand causing the THB to weaken. However, the Company manages the risk by regularly entering into forward exchange contracts to mitigate the impact of such exchange rate volatility.

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The Thai economy in 2Q2023, continued to expand from the previous quarter because the tourism and the recovery of the service sector reducing the impact of global economic uncertainty.

The outlook for the Thai economy and the world economy remains to be monitored: 1) the global economy and financial markets are highly volatile and uncertain, 2) the establishment and policies of the new Thai government, and 3) the El Niño phenomenon may affect with the agricultural sector, there may be a drought that affects raw material prices, transboundary smog and employment in the agricultural sector.

### 3. Financial Results of SUN and its subsidiary for 2Q2023 and 1H2023

(Unit: Million THB)	2Q2023	1Q2023	2Q2022	%Inc. (Dec.)		1H2023	1H2022	%Inc. (Dec.)
				YoY	QoQ			
Revenue from sales	935.3	903.5	893.4	4.7%	3.5%	1,838.8	1,593.3	15.4%
Cost of sales	(739.4)	(724.8)	(746.9)	(1.0%)	2.0%	(1,464.2)	(1,354.8)	8.1%
Gross profit	195.9	178.7	146.5	33.8%	9.6%	374.6	238.5	57.1%
Other income	1.8	1.3	3.2	(43.9%)	33.3%	3.1	5.1	(39.2%)
Gains on exchange rate & on derivatives, net	(42.1)	9.7	(36.9)	14.1%	<100%	(32.5)	(27.4)	18.7%
Selling expenses	(62.5)	(59.0)	(62.0)	0.8%	5.9%	(121.5)	(107.5)	13.1%
Administrative expenses	(23.9)	(21.3)	(20.1)	18.8%	12.1%	(45.2)	(41.9)	8.0%
Finance costs	(0.5)	(1.3)	(0.6)	(24.6%)	(66.7%)	(1.7)	(1.2)	38.1%
Profit before income tax	68.7	108.1	30.1	>100.0%	(36.4%)	176.8	65.6	>100.0%
Income tax	(8.1)	(13.2)	(4.1)	95.8%	(39.0%)	(21.4)	(9.3)	>100.0%
Net profit	60.6	94.9	26.0	>100.0%	(36.0%)	155.4	56.3	>100.0%
Earnings per share (Baht/share)	0.09	0.15	0.04			0.24	0.09	
% GP	20.9%	19.8%	16.4%			20.4%	15.0%	
% Net profit margin	6.5%	10.4%	2.9%			8.4%	3.5%	
EBITDA	88.6	128.6	50.2	76.4%	(31.1%)	217.2	106.0	>100.0%
% EBITDA margin	9.5%	14.1%	5.6%			11.8%	6.6%	

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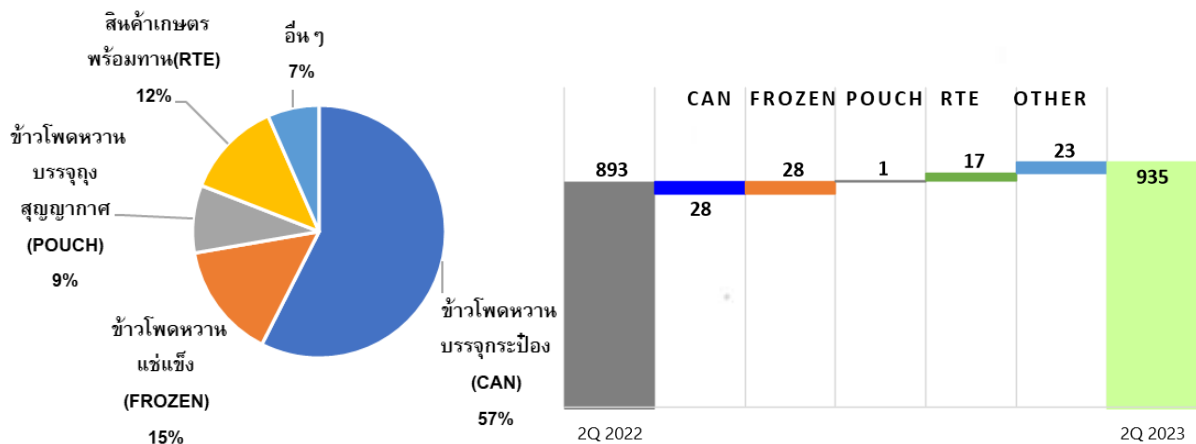


## Summary of Financial Performance

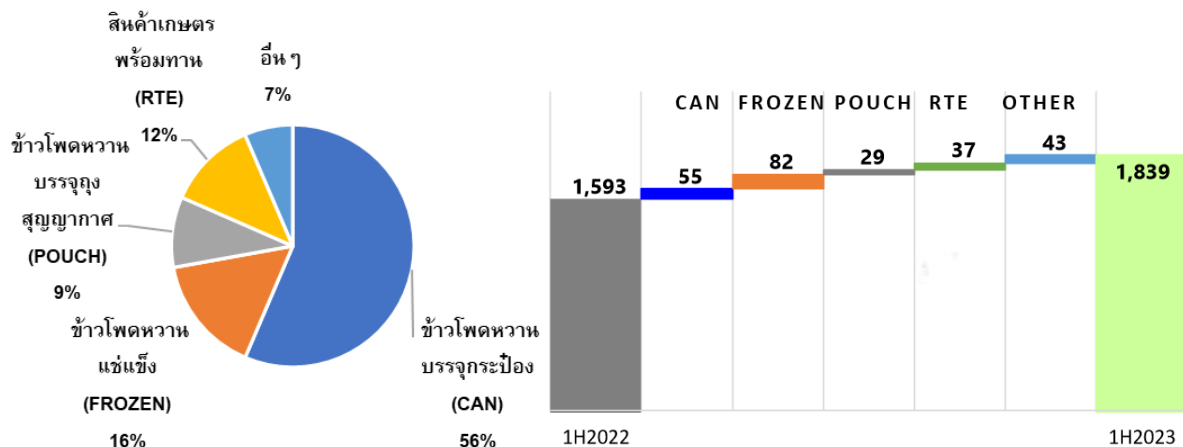
### Revenues

#### 1. Revenues from Sales

##### Sales Breakdown(%) 2Q2023



##### Sales Breakdown(%) 1H2023



SUN's consolidated total revenues from sales for 2Q2023 reached THB 935.3 million, representing an increase of THB 41.9 million or 4.7% over the same period last year. This increase was mainly driven by:

- Export sales can expand in Asia Pacific region and Australia, especially in frozen products.
- Domestic sales increased from ready-to-eat (RTE) products, especially Roasted Japanese sweet potato and Boiled tiger peanut. There are also new products released such as 5 colors mix beans and Ready-to-cook vegetables are launched for sale in convenience stores and supermarkets.

SUN's consolidated total revenues from sales for 1H2023 reached Baht 1,838.8 million, representing an increase of Baht 245.5 million or 15.4% over the same period last year.

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## 2. Other Income

The consolidated other income for 2Q2023 was THB 1.8 million, representing a decrease of THB 1.4 million or 43.9% over the same period last year due to in 2Q2022, the company received tax compensation to exporters from the Customs Department higher than the 2Q2023.

The consolidated other income for 1H2023 was Baht 3.1 million, representing a decrease of Baht 2.0 million or 39.2% over the same period last year, due to in 1H2022, the company received tax compensation to exporters from the Customs Department and there were higher sales of steel and stainless steel scrap than the 1H2023.

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

The consolidated loss on the exchange rate and derivatives, net for 2Q2023 was THB 42.1 million, representing an increase of loss THB 5.2 million or 14.1% from 2Q2022, which was loss on exchange rate and derivatives amounting to THB 36.9 million. In 2Q2023, the average exchange rate of the THB against the US dollar depreciated following the depreciation of the Yuan after the Chinese economic data came out weaker than the market expected. In addition, there is political uncertainty in Thailand causing the THB to weaken. However, the Company has a policy to use financial hedging instruments such as forward foreign exchange contracts to hedge against foreign exchange fluctuations by entering into forward foreign exchange contracts as appropriate to the circumstances.

The consolidated loss on exchange rate and derivatives, net for 1H2023 was Baht 32.5 million, representing an increase of loss amounting to Baht 5.1 million or 18.7% over the same period last year, which was loss on exchange rate and derivatives amounting to THB 27.4 million.

## Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 2Q2023 reached THB 195.9 million. (20.9% of gross profit margin), representing an increase of THB 49.4 million or 33.8% over the same period last year, which was THB 146.5 million. (16.4% of gross profit margin), %GP increased mainly due to:

- The favorable weather conditions causing the amount of sweet corn volumes was higher than the previous year.
- Even though the cost of production is slightly higher due to higher cost of sweet corn raw material prices. However, the company has negotiated with trading partners to increase the selling price to reflect higher production factors.

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- Production lines have been improved for better production efficiency and cost reduction, including the completion of Biogas project and the the Solar roof project, enabling to save the energy costs.

SUN's consolidated gross profit for 1H2022 reached THB 374.6 million. (20.4% of Gross Profit Margin), representing an increase of THB 136.1 million or 57.1% over the same period last year, which was Baht 238.5 million. (15.0% of Gross Profit Margin).

#### Selling Expenses

The consolidated selling expenses for 2Q2023 amounted to THB 62.5 million, reflecting a slight increase of THB 0.5 million or 0.8% over the same period last year. This increase correlates with the heightened sales performance. Significantly, the proportion of selling expenses to sales revenue has decreased, attributed to the expansion of international sales revenue within the Asian continent. This expansion benefits from lower transportation costs in comparison to the European continent.

The consolidated selling expenses for 1H2023 was Baht 121.5 million with an increase of Baht 14.0 million or 13.1% over the same period last year.

#### General and Administration Expenses

The consolidated general and administration expenses for 2Q2023 was THB 23.9 million with an increase of THB 3.8 million or 18.8% over the same period last year due to the higher employee salary and welfare expenses.

The consolidated general and administration expenses for 1H2023 was Baht 45.2 million with an increase of THB 3.3 million or 8.0% over the same period last year.

#### Financial Costs

The consolidated financial costs for 2Q2023 was THB 0.5 million, a slight increase of THB 0.1 million or 24.6% over the same period last year. This decrease was primarily attributed to the utilization of long-term loans from financial institutions for investments in machinery enhancement projects.

The consolidated financial costs for 1H2023 was Baht 1.7 million, a decrease of Baht 0.5 million or 38.1% over the same period last year.

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#### Net Profit and Net Profit Margin

SUN's consolidated net profit for 2Q2023 reached THB 60.6 million, an increase of THB 34.6 million or >100.0% over the same period last year was mainly from (1) Favorable weather conditions led to higher sweet corn volumes compared to the previous year, resulting in increased sales revenue both domestically and internationally. (2) Even though higher cost of sweet corn raw material prices. However, the company effectively managed production costs by enhancing production lines to increase efficiency. (3) Selling expenses have been well controlled. (4) Administrative expense increased due to higher employee salaries and benefits. (5) Additionally, the company adheres to a regular policy of utilizing hedging instruments. Losses from derivatives and foreign exchange amounted to THB 42.1 million in 2Q2023.

The consolidated net profit margin for 2Q2023 represented 6.5%, increasing from the same period last year, which was 2.9% of net profit margin as the same above-mentioned factors.

SUN's consolidated net profit for 1H2023 reached THB 155.4 million, an increase of THB 99.1 million or >100.0% over the same period last year.

The consolidated net profit margin for 1H2023 represented 8.4%, increasing from the same period last year, which was 3.5% of net profit margin.

#### 4. Major Project Progress

the Company has undertaken projects to improve efficiency and expand production capacity, which are expected to be completed in 3Q2023 as below:

1. Biomass steam generator with capacity of 15 tons per hour
2. Automatic Hydrolock sterilizer, a continuous sterilization system.

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Furthermore, the company has investment plans for the second half of 2023, focusing on the Raw Material Loading (RM Loading) project. This project aims to enhance efficiency and reduce costs in the raw material loading processes. The project supports the expansion of sales growth strategy and increase production capacity to meet the consumers demands, while also improving the efficiency of consistently manufacturing high-quality products in accordance with established standards.

Yours sincerely,

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

Mr. Vira Nopwattanakorn

Chief Finance Officer

Sunsweet Public Company Limited

บริษัท ชันสวีท จำกัด (มหาชน)

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