



No. MDA-EN 04/2019

6 November 2019

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on financial performance of 3Q19 and 9M19 performance

1. Financial performance of Sunsweet Public Company Limited for 3Q19 and 9M19

Performance Overview

The operating results in 3Q19 are described as per the followings:

- Export sales grew mainly in the middle east market as our primary target. This would foster the expansion of our existing and new customers in the region, while we continue to exploit the food exhibition events to show our product to the world, e.g., in Germany, Taiwan and Japan.
- Domestic sales rose slightly as a result of increasing the proportion of domestic products both existing and new product line in Thailand, e.g., Sweet potato, Bi-color corn in pouch, Sticky-style corn in pouch, and Thai-traditional steamed peanut (ถั่วลายเสือ). With our business strategy to expand into the retail market, this will cater to increase in total sales and preventing currency risks as well.
- On the contrary, the sweet corn production dropped, pulled down by a decrease in corn raw material due to drought and plant diseases. However, SUN has improved the production process, in corn kernels separations, to increase production efficiency. Including planting promotion by visiting the area to solve the drought and plant diseases in order to increase the quantity of sweet corn raw material in accordance with the company production capacity and quality.
- THB appreciated against USD, where THB/USD in 3Q19 is on average of 30.53, a 6.9% increase qoq. However, SUN use forward contracts and other financial instruments as tools against currency fluctuation protection.
- SUN also faced with external risks from prolong trade tensions between USA and China.

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2. Key Highlights of 3Q19 and 9M19

Unit: Million THB	Q3'2019	Q3'2018	Inc(dec)%	9M2019	9M2018	Inc(dec)%
Revenue from sales of processed sweet corn and other agricultural products	486.2	440.7	10.3	1,314.7	1,284.5	2.3
Revenue from trading business	3.2	8.8	(63.9)	13.9	18.1	(23.1)
Revenue from other sales	23.0	29.7	(22.7)	59.1	75.9	(22.1)
Total revenue from sales	512.4	479.2	6.9	1,387.7	1,378.5	0.7
Other income	1.1	2.0	(45.7)	3.6	5.8	(37.5)
Gain on exchange rate	1.1	-	n/a	14.6	6.3	130.9
Total revenue	514.6	481.2	6.9	1,405.9	1,390.6	1.1
Cost of goods sold	(467.5)	(391.5)	19.4	(1,284.0)	(1,171.9)	9.6
Gross profit	44.9	87.7	(48.8)	103.7	206.6	(49.8)
Selling expenses	(35.1)	(32.6)	7.8	(102.8)	(103.2)	(0.4)
Administrative expenses	(16.1)	(18.1)	(11.1)	(55.2)	(57.6)	(4.1)
Loss on exchange rate	-	(9.9)	(100.0)	-	-	-
Profit before financial costs and income tax	(4.1)	29.1	(114.3)	(36.1)	57.9	(162.3)
Finance costs	(1.5)	(0.3)	401.9	(3.9)	(2.7)	43.2
Profit before income tax	(5.6)	28.8	(119.6)	(40.0)	55.2	(172.5)
Income tax	6.6	0.1	6,231.0	7.3	0.1	13,034.2
Net profit for the period	1.0	28.9	(96.7)	(32.7)	55.3	(159.2)
Gross profit margin (%)	8.8	18.3	(52.2)	7.5	15.0	(50.1)
Net profit margin (%)	0.2	6.0	(96.9)	(2.3)	3.9	(159.0)

Summary of Financial Performance

Revenues

1. Revenues from Sales

SUN's consolidated revenues in the 3Q/2019 was THB 512.4 mln., a THB 33.2 mln. increase or 6.9% qoq. Such increase consists of 1) significant rise in sales in the middle east market as acquiring both existing and new customers in the region 2) Increase of sales of Sweet potato, Bi-color corn in pouch, Sticky-style corn in pouch, and Thai-traditional steamed peanut (ถั่วลายเสือ) and also increasing the proportion of domestic retail products.

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SUN's consolidated 9M/2019 sales is THB 1,387.7 mln., a THB 9.2 mln. increase, or 0.7% 9M/2019 vs. 9M/2018.

2. Other Income

3Q/2019 SUN and its subsidiary's other income was THB 1.1 mln., a decrease of THB 0.9 mln. qoq. 9M/2019's other income was THB 3.6 mln., a THB 2.2 mln. decrease, or 37.5% decrease 9M/2019 vs. 9M/2018.

3. Gains on exchange rate

3Q/2019 SUN and its subsidiary's gains from FX was THB 1.1 mln., an increase of THB 11.0 mln. qoq. 3Q/2018 loss on exchange rate was THB 9.0 mln. This is the result of the use of financial instruments, such as, forward contract, to hedge against currency fluctuation.

9M/2019 FX gains was THB 14.6 mln., a THB 8.3 mln. increase, or an approximately 130.9% increase from the same period last year.

Cost of Goods Sold and Gross Profit from Sales

For 3Q/2019 SUN and its subsidiary's gross profit was THB 44.9 mln. (Gross Profit Margin of 8.8%), a THB 42.8 mln. decrease, or a 48.8% decrease qoq. 3Q/2018 gross profit was THB 87.7 mln. (Gross Profit Margin of 18.3%). The causes from such results are;

- The rise of production cost per unit and the reduction in overall production of 27.0% from total capacity. This is the result of drought situation and plant diseases.
- The decrease in qoq sales per unit as a result of THB/USD currency appreciation.

9M/2019 gross profit was THB 103.7 mln. (Gross Profit Margin of 7.5%), a THB 102.9 mln. decrease, or a 49.8% decrease, in comparison with 9M/2018 of THB 206.6 mln. (Gross Profit Margin of 15.0%). This is the result of 1) a 20.1% production reduction from total capacity caused by drought situation and plant diseases, of which affected rising production cost per unit. 2) Provision for employee benefits from the new Labor Protection Act 3) The increasing in factory space rental fee caused by excess stock during the 1Q/2019. 4) The significant increase in depreciation expense from the new frozen production line (3-ton Frozen machine)

Selling Expenses

3Q/2019 SUN and its subsidiary's selling expense was THB 35.1 mln., a THB 2.5 mln. increase, or 7.8% increase qoq due to the increasing in transportation cost which is in line with the revenue from sales.

9M/2019 selling expense accounted for THB 102.8 mln., a THB 0.4 mln. decrease, or 0.4% decrease in comparison with 9M/2018.

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General and Administration Expenses

3Q/2019 SUN and its subsidiary's administration expense was THB 16.1 mln., a THB 2.0 mln. decrease, or a 11.1% decrease qoq, resulted from reduction in professional advisory and service fees.

9M/2019 administrative expense was THB 55.2 mln., a THB 2.4 mln. decrease, or a 4.1% decrease in comparison with 9M/2018.

Financial Costs

3Q/2019 SUN and its subsidiary's interest expense was THB 1.5 mln., a THB 1.2 mln. increase, or 401.9% increase qoq from an increase in short-term loan from financial institutions for working capital.

9M/2019 interest expense was THB 3.9 mln., a THB 1.2 mln. increase, or 43.2% increase in comparison with 9M/2018.

Net Profit and Net Profit Margin

3Q/2019 SUN and its subsidiary's net profit was THB 1.0 mln., a decrease of THB 27.9 mln., or a 96.7% decrease qoq caused by reduction in gross profit as mentioned above.

3Q/2019 net profit margin was 0.2%, a qoq decrease from 6.0% from the cause mentioned above.

9M/2019 SUN and its subsidiary posted net loss of THB 32.7 mln., a THB 88.0 mln. reduction, or 159.2% reduction in comparison with 9M/2018.

Due to the net operating loss in the 9M/2019, this caused net profit margin to decrease to the negative territory of 2.3%, a 3.9% yoy decrease.

Yours sincerely,



(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

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