



No. MDA-EN 04/2020

November 6<sup>th</sup>, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 3Q20 and 9M20 performance

1. Financial performance of Sunsweet Public Company Limited for 3Q20 and 9M20

Performance Overview

The operating results in 3Q20 are described as per the following.

- The operating results continue to grow from the previous quarter. The sales growth was mainly driven by (1) higher sales in Ready-to-eat products such as Ready-to-eat bagged sweet corn, Roasted Japanese sweet potato, Roasted purple sweet potato, Boiled tiger peanut and Ready-to-eat whole gain and (2) International markets expanding continuously in the Asia-Pacific region such as Japan, South Korea, China and Taiwan, including European Union. The sales orders have been added continuously. This is caused by increasing the customer base, both new customers or existing customers who turn to buy more.
- In 3Q20, weather and rainfall are conducive to sweet corn production. This was considered a suitable period for growing sweet corn and producing a good sweet corn crop. Including the continuous expansion of the planting area to meet the company production capacity.
- The situation of THB is likely to depreciate. where THB/USD in 3Q20 averaging at 31.19, comparing with 3Q19, averaging at 30.53. However, THB/USD exchange rate is highly volatile. Therefore, the company had used financial instruments, such as forward foreign exchange contracts, in appropriate circumstances.
- The company has faced risks from high contractions of the Thai economy due to the COVID-19 epidemic. The recovery of the Thai economy is expected to take at least 2 years as a general availability of vaccines may be required 1-2 years.
- The company still had faced the foreign risks from (1) The outbreak from the Covid-19 epidemic. Winter entry causing many countries to return to lock down again, affecting the economy of trading partners, (2) the trade tensions between USA and China, and (3) the impact of anti-dumping from the European Union.

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**SUNSWEET PUBLIC COMPANY LIMITED**

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IFS  
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2. Key Highlights of 3Q20 and 9M20

Unit: Million THB	3Q20			3Q19			9M20			9M19		
			Increase (decrease) %			Increase (decrease) %			Increase (decrease) %			Increase (decrease) %
Revenue from sales of processed sweet corn and other agricultural products	708.3	486.2	45.7	1,890.3	1,314.7	43.8						
Revenue from trading business	0.1	3.2	(97.0)	10.5	13.9	(24.9)						
Revenue from other sales	31.4	23.0	36.6	77.7	59.1	31.5						
Total revenue from sales	739.8	512.4	44.4	1,978.5	1,387.7	42.6						
Other income	1.6	1.1	47.4	4.4	3.6	21.0						
Gain on exchange rate	7.4	1.1	560.6	-	14.6	(100.0)						
Total revenue	748.8	514.6	45.5	1,982.9	1,405.9	41.0						
Cost of goods sold	(587.1)	(467.5)	25.6	(1,642.2)	(1,284.0)	27.9						
Gross profit	152.7	44.9	240.2	336.3	103.7	224.2						
Selling expenses	(45.1)	(35.1)	28.6	(121.7)	(102.8)	18.4						
Administrative expenses	(17.5)	(16.1)	8.4	(47.2)	(55.2)	(14.6)						
Loss on exchange rate	-	-	-	(3.6)	-	100.0						
Unrealised loss on derivatives	(6.9)	-	100.00	(2.0)	-	100.0						
Profit (loss) before financial costs and income tax	92.2	(4.1)	2,310.4	166.2	(36.1)	560.3						
Finance costs	(0.3)	(1.5)	(77.3)	(1.3)	(3.9)	(66.3)						
Profit (loss) before income tax	91.9	(5.6)	1,729.1	164.9	(40.0)	511.8						
Income tax	(5.7)	6.6	186.4	(11.8)	7.3	260.9						
Net profit (loss) for the period	86.2	1.0	8,924.8	153.1	(32.7)	567.8						
Gross profit margin (%)	20.6	8.8	135.6	17.0	7.5	127.4						
Net profit margin (%)	11.5	0.2	6,101.7	7.7	-2.3	431.7						

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## Summary of Financial Performance

### Revenues

#### 1. Revenues from Sales

SUN's consolidated total revenues from sales for 3Q20 reached THB 708.3 million, representing an increase of THB 222.1 million or 45.7% over the same period last year. This increase was mainly driven by:

- i) Expanding more markets in Asia, Europe and America due to new customers who are more stable customers in addition to the existing customers. Even with the situation of international travel restrictions due to the COVID-19 epidemic, however, the company has still maintained the close relationships with overseas customers via the online conference system.
- ii) Domestic markets expanding in Ready-to-eat products such as Ready-to-eat bagged sweet corn, Roasted Japanese sweet potato, Roasted purple sweet potato, Boiled tiger peanut and Ready-to-eat whole gain, available in convenience stores. As well as increasing distribution channels through online channels and retail markets.

SUN's consolidated total revenues from sales for 9M20 reached THB 1,890.3 million, representing an increase of THB 575.6 million or 43.8 % over the same period last year.

#### 2. Other Income

The consolidated other income for 3Q20 was THB 1.6 million. Representing a slight increase of THB 0.5 million or 47.4 % over the same period last year.

The consolidated other income for 9M20 was THB 4.4 million. Representing an increase of THB 0.8 million or 21.0% over the same period last year.

#### 3. Gain(Loss) on Exchange rate

The consolidated gain on exchange rate for 3Q20 was THB 7.4 million, representing an increase of THB 6.3 million or 560.6% over the same period last year. This was mainly due to the depreciation of the THB/USD exchange rate in 3Q20 when compared to the 3Q19. Due to the THB/USD exchange rate volatility, therefore, the company uses financial instruments such as forward exchange contracts, in appropriate circumstances.

The consolidated loss on exchange rate for 9M20 was THB 3.6 million. Representing a decrease of THB 18.2 million over the same period last year.

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

SUN's consolidated gross profit for 3Q20 reached THB 152.7 million. (20.6% of Gross Profit Margin), Representing an increase of THB 107.8 million or 240.2% over the same period last year, which was THB 44.9 million. (8.8% of Gross Profit Margin), This increase was mainly driven by:

- During the rainy season in 3Q20, the weather and rainfall are favorable for sweet corn production. Production capacity expanded from 300-400 tons/day to 500-600 tons/day, resulting in lower production costs per unit.
- The selling price has slightly increased comparing with the same period last year. In addition, The THB/USD in 3Q20 is likely to depreciate comparing with 3Q19.
- Revenue from other sales when compared to the same period last year was higher in line with the revenue from sales of processed sweet corn and other agricultural products such as revenue from corn cobs, revenue from sales of seeds, and revenue from trading business.
- Increased in sales proportion of ready-to-eat products with high gross margins.

SUN's consolidated gross profit for 9M20 reached THB 336.3 million. (17.0% of Gross Profit Margin), Representing an increase of THB 232.6 million or 224.2% over the same period last year, which was THB 103.7 million. (7.5% of Gross Profit Margin).

### Selling Expenses

The consolidated selling expenses for 3Q20 was THB 45.1 million with an increase of THB 10.0 million or 28.6% 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.

The consolidated selling expenses for 9M20 was THB 121.7 million with an increase of THB 18.9 million or 18.4% over the same period last year.

### General and Administration Expenses

The consolidated general and administration expenses for 3Q20 was THB 17.5 million with a slightly increase of THB 1.4 million or 8.4% over the same period last year. This increase was mainly driven by the impairment loss of machinery and equipment due to the improvement of the production line.

The consolidated general and administration expenses for 9M20 was THB 47.2 million with a decrease of THB 8.0 million or 14.6% over the same period last year

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#### Unrealised Loss on Derivatives

The consolidated Unrealised loss on derivatives for 3Q20 was THB 6.9 million, mainly due to the fair value measurement of foreign exchange sell contracts for USD 15.3 million at the end of the period. SUN has adopted financial reporting standards relating to financial instruments (TAS 32 TFRS7 and TFRS 9) retrospectively from January 1<sup>st</sup>, 2020.

The consolidated Unrealised loss on derivatives for 9M20 was THB 2.0 million,

#### Financial Costs

The consolidated financial costs for 3Q20 was THB 0.3 million, a decrease of THB 1.2 million or 77.3% over the same period last year, was mainly due to returning short-term loan from financial institutions for working capital.

The consolidated financial costs for 9M20 was THB 1.3 million, a decrease of THB 2.6 million or 66.3% over the same period last year.

#### Net Profit and Net Profit Margin

SUN's consolidated net profit for 3Q20 reached THB 86.2 million, an increase of THB 85.2 million or 8,925% over the same period last year, was mainly driven by (1) the company and its subsidiaries continued its solid growth. The growth rate in the 3Q20 is 44.4% (2) Due to higher sweet corn yield, the production capacity also expanded, resulting in lower production costs per unit. (3) The situation of THB is likely to depreciate (4) Ability to good manage the selling and administrative expenses. The % selling and administrative expenses to sales for 3Q20 represented 8.5%, decreasing from the same period last year, which was 10.0% (5) Using the financial instruments such as forward foreign exchange contracts appropriate to the situation.

The consolidated net profit margin for 3Q20 represented 11.5 %, increasing from the same period last year, which was 0.2% of net profit margin as the same above-mentioned factors.

SUN's consolidated net profit for 9M20 reached THB 153.1 million, an increase of THB 185.8 million or 567.8% over the same period last year.

The consolidated net profit margin for 9M20 represented 7.7%, increasing from the same period last year, which was a negative -2.3% of net profit margin.

Yours sincerely,

(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

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