



No. MDA-EN 01/2020

February 20<sup>th</sup>, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on financial performance of 4Q19 and FY2019 performance

## 1. Financial performance of Sunsweet Public Company Limited for 4Q19 and FY2019

### Performance Overview

The operating results in 4Q19 are described as per the followings.

- Export sales grew mainly in Europe and Middle east market. 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 England, Taiwan and Japan.
- Domestic sales growth was mainly driven by 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 Tiger peanut. 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, planting promotion had visited 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 4Q19 is on average of 30.05, a 7.8% 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, the outbreak from the Covid-19 virus and the impact of anti-dumping from the European Union

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## 2. Key Highlights of 4Q19 and FY2019

Unit: Million THB	4Q19	4Q18	Inc(dec)%	FY2019	FY2018	Inc(dec)%
Revenue from sales of processed sweet corn and other agricultural products	511.5	427.2	19.7	1,826.2	1,711.7	6.7
Revenue from trading business	1.3	1.1	19.9	15.3	19.2	(20.6)
Revenue from other sales	19.1	22.3	(14.1)	78.2	98.1	(20.3)
<b>Total revenue from sales</b>	<b>531.9</b>	<b>450.6</b>	<b>18.1</b>	<b>1,919.7</b>	<b>1,829.0</b>	<b>5.0</b>
Other income	2.1	3.5	(38.9)	5.7	9.3	(38.0)
Gain on exchange rate	-	-	-	14.2	-	100.0
<b>Total revenue</b>	<b>534.0</b>	<b>454.1</b>	<b>17.6</b>	<b>1,939.6</b>	<b>1,838.3</b>	<b>5.5</b>
Cost of goods sold	(490.8)	(389.3)	26.1	(1,774.8)	(1,561.2)	13.7
<b>Gross profit</b>	<b>41.1</b>	<b>61.3</b>	<b>(32.8)</b>	<b>144.9</b>	<b>267.8</b>	<b>(45.9)</b>
Selling expenses	(38.2)	(30.8)	24.3	(141.0)	(133.9)	5.3
Administrative expenses	(14.4)	(17.5)	(17.4)	(69.6)	(75.0)	(7.2)
Loss on exchange rate	(0.4)	(14.4)	(97.4)	-	(8.1)	(100.0)
<b>Profit (loss) before financial costs and income tax</b>	<b>(9.8)</b>	<b>2.1</b>	<b>(549.9)</b>	<b>(45.8)</b>	<b>60.1</b>	<b>(176.2)</b>
Finance costs	(1.8)	(0.5)	269.1	(5.8)	(3.2)	77.4
<b>Profit (loss) before income tax</b>	<b>(11.6)</b>	<b>1.6</b>	<b>(790.5)</b>	<b>(51.6)</b>	<b>56.9</b>	<b>(190.7)</b>
Income tax	2.4	(0.5)	(545.3)	9.7	(0.5)	(2,127.7)
<b>Net profit (loss) for the period</b>	<b>(9.2)</b>	<b>1.1</b>	<b>(905.5)</b>	<b>(41.9)</b>	<b>56.4</b>	<b>(174.2)</b>
<i>Gross profit margin (%)</i>	<i>7.7</i>	<i>13.6</i>	<i>(43.1)</i>	<i>7.5</i>	<i>14.6</i>	<i>(48.5)</i>
<i>Net profit margin (%)</i>	<i>(1.7)</i>	<i>0.2</i>	<i>(784.8)</i>	<i>(2.2)</i>	<i>3.1</i>	<i>(170.4)</i>

### Summary of Financial Performance

#### Revenues

##### 1. Revenues from Sales

SUN's consolidated revenues for 4Q19 was THB 531.9 million, an increase of THB 81.3 million or 18.1% over the same period last year. Such increase consists of 1) significant rise in sales in Europe and 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 Tiger peanut and also increasing the proportion of domestic retail products.

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SUN's consolidated sales for FY2019 reached THB 1,919.7 million representing an increase of THB 90.7 million or 5.0% over the same period last year.

## 2. Other Income

The consolidated other income for 4Q19 was THB 2.1 million decrease of THB 1.4 million over the same period last year. The other income decline was due to last year had income from the sale of drones for agriculture.

The consolidated other income for FY2019 was THB 5.7 million decrease of THB 3.6 million or 38.0% over the same period last year.

## 3. Gains (loss) on exchange rate

The consolidated loss on exchange rate for 4Q19 was THB 0.4 million decrease of THB 14.0 million over the same period last year, which was loss on exchange amounting to THB 14.4 million. This is the result of the use of financial instruments, such as, forward contract, to hedge against currency fluctuation.

The consolidated gain on exchange rate for FY2019 was THB 14.2 million an increase of THB 22.3 million over the same period last year, which was loss on exchange amounting to THB 8.1 million.

## Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 4Q19 was THB 41.1 million. (Gross Profit Margin of 7.7%), decrease of THB 20.2 million or 32.8% over the same period last year, which was THB 61.3 million. (Gross Profit Margin of 13.6%), mainly driven by:

- The slightly increase of production cost per unit as the result of hire more external workers to increase flexibility in management.
- The decrease in sales per unit due to Thai Baht appreciation.

SUN's consolidated gross profit for FY2019 was THB 144.9 million. (Gross Profit Margin of 7.5%), decrease of THB 122.9 million or 45.9 % over the same period last year, which was THB 267.8 million. (Gross Profit Margin of 14.6%), mainly driven by (1) a 13% 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 1Q19. 4) The significant increase in depreciation expense from the new production line.

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#### Selling Expenses

The consolidated Selling Expenses for 4Q19 was THB 38.2 million, an increase of THB 7.4 million or 24.3% over the same period last year. This increase was mainly driven by the increase in transportation cost and export expense in line with the revenue from sales.

The consolidated Selling Expenses for FY2019 was THB 141.0 million, a slightly increase of THB 7.1 million or 5.3% over the same period last year.

#### General and Administration Expenses

The consolidated General and Administration Expenses for 4Q19 was THB 14.4 million, a decrease of THB 3.1 million or 17.4% over the same period last year, was mainly due to the reduction in (1) staff cost and other benefits, (2) the travelling expenses and (3) the service fees and professional advisory.

The consolidated General and Administration Expenses for FY2019 was THB 69.6 million, a decrease of THB 5.4 million or 7.2% over the same period last year.

#### Financial Costs

The consolidated Financial Costs for 4Q19 was THB 1.8 million, an increase of THB 1.3 million or 269.1% over the same period last year, was mainly driven by an increase in short-term loan from financial institutions for working capital.

The consolidated Financial Costs for FY2019 was THB 5.8 million, an increase of THB 2.6 million or 77.4% over the same period last year.

#### Net Profit (loss) and Net Profit Margin

Although export revenue is affected by trade barriers, and the baht appreciation, but the company and its subsidiaries continued its solid growth. The growth rate in the 4Q19 and FY2019 is 18.1% and 5.0% respectively. However, the production costs for the 4Q19 and FY2019 are affected by drought, epidemics and the result of hire more external workers to increase flexibility in management.

Causing the consolidated net loss for 4Q19 was THB 9.2 million, the profit decrease of THB 10.3 million or 905.5% over the same period last year.

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The consolidated net profit margin decreased to -1.7% in 4Q19 from 0.2% in 4Q18.

the consolidated net loss for FY2019 was THB 41.9 million, a decrease of THB 98.3 million or 174.2% over the same period last year.

The consolidated net profit margin decreased to -2.2% in FY2019 from 3.1% in FY2018.

Yours sincerely,

(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

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