

No. MDA-EN 02/2024

May 9th, 2024

The President

The Stock Exchange of Thailand

Re: Management's Discussion and Analysis (MD&A) on 1Q2024 performance

1. Executive Summary					
(Unit: Million THB)	1Q2024	4Q2024	1Q2023	%Inc. (Dec.)	
				YoY	YoY
Sales Revenue	765.3	844.0	903.5	(15.3%)	(9.3%)
Gross Profit	169.2	184.3	178.7	(5.3%)	(8.1%)
Net Profit	54.9	117.9	94.7	(42%)	(53.4%)
Earnings per share (THB/share)	0.09	0.18	0.15		

SUN's consolidated total sales revenue for 1Q2024 reached THB 765.3 million, reflecting a decrease of THB 138.2 million or -15.3% over the same period last year.

- Income from international sales decreased at the end of FY2022 due to agricultural damage from flooding. However, in FY2023, favorable weather conditions led to the growth of international sales revenue to compensate for the shortages in previous periods. Consequently, in 1Q2024, international sales, especially in Asia, had sufficient products to sell, resulting in decreased orders. Meanwhile, the European market continued to expand, particularly for canned products, with existing customers increasing their purchases. Volumes of sweet corn procurement remained as planned. Customers are expected to resume ordering from 2Q2024 onwards. The company still maintains sufficient stock for future orders.
- Additionally, domestic sales revenue also continued to experience positive growth, particularly in the ready-to-eat (RTE) product category, especially roasted sweet potatoes, tiger beans, longan in syrup, and ready-to-eat whole grains available for purchase in convenience stores.

SUN's consolidated net profit for 1Q2024 amounted to THB 54.9 million, representing a decrease of THB 39.8 million or -42.0% from the same period last year, this decline can be attributed to (1) a 15.3% decrease in revenue from sales, as customers accelerated purchases in the previous period. (2) Despite the decrease in revenue, the company managed to control production costs by improving production lines to increase efficiency by increasing the use of automation in the manufacturing process. (3) The depreciation of the Thai Baht resulted in higher gross profit margin. (4) Selling expenses and administrative expenses increased due to higher employee salaries and welfare expenses, as well as higher warehouse costs. (5) In addition, the company has a policy to use hedging instruments. In 1Q2024, the loss from derivatives and foreign exchange amounted to THB 27.0 million.

As of 31 March 2024, SUN and its subsidiary had the total assets amounting to THB 2,274.2 million, increased by THB 296.1 million or 15.0% from 31 December 2023, mainly from (1) the increase in inventory of THB 210.4 million due to a continuous sweet corn procurement to meet the growing demand from our customers. (2) Cash and cash equivalents increased by THB 106.8 million, reflecting normal trading activities and accommodating dividend payments in May 2024.

Whereas the total liabilities were recorded at THB 850.3 million, increased by THB 239.0 million or 39.1% primarily from an increase in short-term loans from financial institutions amounting to THB 240.0 million to support working capital. Furthermore, the total shareholders' equity was THB 1,423.9 million, increased by THB 57.1 million or 4.2% from the net profit of THB 54.9 million as mentioned earlier, and other comprehensive income of THB 2.2 million, which resulted from changes in the fair value measured using actuarial methods. The decrease in provision for employee benefits and the increase in other comprehensive income were mainly due to increased discount rate assumptions in actuarial methods.

2. Economic Overview in the First Quarter of 2024

The world economy in 1Q2024 continues to expand, with the U.S. economy continually growing, but the benefits for global trade remain limited due to the U.S. economy expanding in service sector. While the Chinese economy is recovering slower than expected due to issues in the real estate sector and weakened consumer spending. This has led to the gradual release of China's inventory and resulted in an oversupply situation, putting pressure on exports in many countries. The European economy is contracting due to reduced consumption, and there is ongoing monitoring of risks arising from geopolitical conflicts and delayed shipping caused by the situation in the Red Sea.

The THB depreciated throughout the 1Q2024 due to the strengthening of the US dollar, driven by the Federal Reserve's monetary policy direction, which indicated a sustained high interest rate policy. Additionally, Thailand's economic indicators and inflation for the FY2023 were lower than market expectations. Nevertheless, the company managed risk by consistently engaging in forward exchange contracts to mitigate the impact of such exchange rate volatility.

The Thai economy in 1Q2024, expanded overall, driven by revenue from tourism, private consumption, and the service sector, although there was a slowdown in export value. Both the Thai and world economies still need to monitor (1) the impact of Thai government spending and economic stimulus measures, (2) the recovery of exports, (3) the recovery of the number and revenue from international tourists, and (4) geopolitical conflicts, and (5) the Federal Reserve's monetary policy, and (6) the impact of changing water situations from "El Niño" to "La Niña," which will affect agricultural production and commodity prices.

3. Financial Results of SUN and its subsidiary for 1Q2024

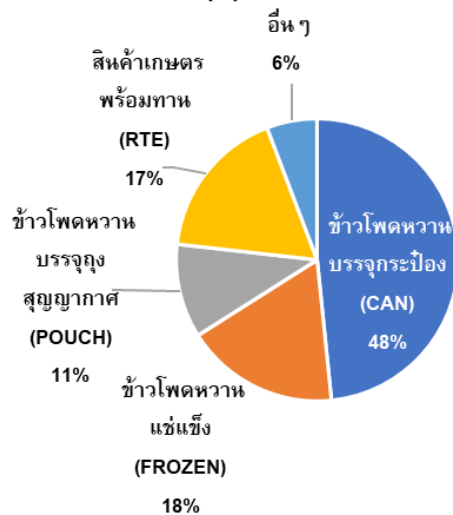
(Unit: Million THB)	1Q2024	4Q2024	1Q2023	%Inc. (Dec.)	
				YoY	1Q2024
Revenue from sales	765.3	844.0	903.5	(15.3%)	(9.3%)
Cost of sales	(596.1)	(659.7)	(724.8)	(182.2%)	(9.6%)
Gross profit	169.2	184.3	178.7	(5.3%)	(8.1%)
Other income	3.6	3.0	1.3	168.3%	19.2%
Losses on exchange rate & on derivatives, net	(27.0)	39.9	9.6	(381.2%)	(167.7%)
Selling expenses	(50.1)	(59.6)	(59.0)	(15.0%)	(15.9%)
Administrative expenses	(31.2)	(26.8)	(21.3)	46.5%	16.6%
Finance costs	(2.8)	(2.0)	(1.3)	112.9%	36.9%
Profit before income tax	61.7	138.8	108.0	(42.9%)	(55.5%)
Income tax	(6.8)	(20.9)	(13.3)	(49.2%)	(67.6%)
Net profit	54.9	117.9	94.7	(42.0%)	(53.4%)
Earnings per share (THB/share)	0.09	0.18	0.15		
% GP	22.1%	21.8%	19.8%	+233 bps	+28 bps
% Net profit margin	7.1%	13.3%	10.4%	+322 bps	+615 bps
EBITDA	88.1	163.2	128.6	(31.5%)	(46.0%)
% EBITDA margin	11.5%	18.4%	14.1%	+260 bps	+694 bps

Summary of Financial Performance

Revenues

1. Revenues from Sales

Sales Breakdown(%) 1Q2024



	CAN	FROZEN	POUCH	RTE	OTHER	(Mil THB)
1Q2023	130	16	10	30	13	765
1Q2024						

SUN's consolidated total revenues from sales for 1Q2024 reached THB 765.3 million, representing a decrease of THB 138.2 million or 15.3% over the same period last year. This decrease was mainly due to:

- the flooding in late of FY2022, agricultural areas suffered losses. However, favorable weather conditions in FY2023 led to accelerated purchasing by customers to compensate for previous shortages. Consequently, at the beginning of 2024, particularly in Asia Pacific region, international customers had sufficient goods, thus reducing the urgency to import products. This resulted in a delay in calling out products, with expectations that customers would place orders from the 2Q2024 onwards. Meanwhile, the European market continued to expand, particularly in canned goods, as existing customers increased their purchases. Despite economic challenges in Europe and the situation in the Red Sea, the market remained resilient.
- Domestic sales increased from ready-to-eat (RTE) products, especially Roasted Japanese sweet potato, Boiled tiger peanut, longan in syrup and There are also new products released such as longan in syrup and ready-to-eat whole grains available for purchase in convenience stores.

2. Other Income

The consolidated other income for 1Q2024 was THB 3.6 million, representing an increase of THB 2.3 million or 168.3% over the same period last year. The other income primarily includes profits from the sale of old machinery, sales of scrap metal and materials, and income from tax refunds.

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

The consolidated loss on the exchange rate and derivatives, net for 1Q2024 was THB 27.0 million, representing an increase of loss amounting to THB 36.6 million or 381.2% from 1Q2023, which was gain on exchange rate and derivatives amounting to THB 9.6 million.

The THB depreciated throughout the 1Q2024 due to the strengthening of the US dollar, driven by the Federal Reserve's monetary policy direction, which indicated a sustained high interest rate policy. Additionally, Thailand's economic indicators and inflation for the FY2023 were lower than market expectations. Nevertheless, the company managed risk by consistently engaging in forward exchange contracts to mitigate the impact of such exchange rate volatility.

Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 1Q2024 reached THB 169.2 million. (22.1% of gross profit margin), representing a decrease of THB 9.5 million or 5.3% over the same period last year, which was THB 178.7 million. (19.8% of gross profit margin). Gross Profit decreased due to a 15.3% decrease in revenue from sales, resulting from customers accelerating purchases in the previous period. However, the %GP increased because the company was able to manage production costs to enhance competitiveness. This included continuous development in cultivation and production, such as optimizing cultivation areas, developing high-yield varieties, and utilizing technology for precise yield forecasting. Improvements in production lines were made to increase efficiency, with a higher adoption of automation in manufacturing processes, including biomass steam generators with a capacity of 15 tons per hour, X-RAY machines, and packaging leakage checkers. Furthermore, in 1Q2024, the depreciation of the Thai Baht led to higher %GP.

Selling Expenses

The consolidated selling expenses for 1Q2024 amounted to THB 50.1 million, representing a decrease of THB 8.9 million or -15.0% over the same period last year. This reduction in selling expenses is in line with the decrease in sales volume and stable oil prices. Furthermore, The company continues to strictly control transportation costs.

General and Administration Expenses

The consolidated general and administration expenses for 1Q2024 was THB 31.2 million with an increase of THB 9.9 million or +46.5% over the same period last year. This increase was primarily due to the higher salaries and benefits, as well as increased warehouse costs and expenses related to agricultural research and agricultural technology projects.

Financial Costs

The consolidated financial costs for 1Q2024 were THB 2.8 million with an increase of THB 1.5 million or +112.9% over the same period last year. This increase was primarily attributed to the utilization of short-term loans from financial institutions for working capital and long-term loans from financial institutions for investments in machinery enhancement projects.

Net Profit and Net Profit Margin

SUN's consolidated net profit for 1Q2024 reached THB 54.9 million, a decrease of THB 39.8 million or -42.0% over the same period. This increase can be attributed to the following factors:

- i) 15.3% decrease in revenue from sales, as customers accelerated purchases in the previous period.
- ii) Despite the decrease in revenue, the company effectively managed to control production costs by enhancing production lines and increase automation in the manufacturing process to improve efficiency.
- iii) The depreciation of the Thai Baht contributed to a higher gross profit margin.
- iv) Selling expenses and administrative expenses increased due to higher employee salaries and welfare expenses, as well as higher warehouse costs.

v) In addition, the company has a policy to use hedging instruments. In 1Q2024, the loss from derivatives and foreign exchange amounted to THB 27.0 million.

The consolidated net profit margin for 1Q2024 represented 7.1%, decreasing from the same period last year, which was 10.4% of net profit margin as the same above-mentioned factors.

4. Major Project Progress

the Company has undertaken projects to improve efficiency and expand production capacity, which were completed in 1Q2024 as below:

1. X-RAY and leakage testing machines for packaging.

Furthermore, the company has ongoing investment projects in the FY2024, including:

1. The construction project of a factory to increase production capacity to support the growth of the Ready-to-Eat products in the domestic market.
2. The project to enhance efficiency and reduce raw material loading expenses (The Raw Material Loading project)
3. The packing line machinery for small-sized canned products.
4. The project aimed at enhancing production efficiency of Ready-to-Eat products in the domestic market by replacing manual labor with machinery.

These project supports the Company's strategy for sales growth expansion and increased production capacity to meet the consumers demands while also improving efficiency in consistently manufacturing high-quality products in accordance with established standards.

Yours sincerely,



Mr. Ongart Kittikhunchai

Chief Executive Officer

Sunsweet Public Company Limited