



Thai President Foods Public Company Limited

Management Discussion and Analysis

For the year ended 31 December 2023

1. Analysis Of Financial Position and Operating Results

1.1 Business Overview

The global economy returned to normal in 2023 after the crisis caused by the COVID-19 pandemic. However, there are still uncertainties from geopolitical conflicts and trade wars abroad. The Thai economy is on a recovery path following domestic demand, with private consumption expanding at a high rate and the tourism sector starting to recover.

The market value of instant noodles and semi-instant noodles in 2023 (source: Nielsen (Thailand): November 2023) was approximately 21,045 million baht, an increase of 11.7% from the previous year. Part of this was due to the adjustment of retail prices of instant noodles in the third quarter of 2022, which resulted in a higher market value in 2023. The Mama brand maintained its leadership position with a market share of 49.6%.

The Group's overall performance in 2023 improved compared to 2022, with total sales revenue of 27,663.98 million baht, an increase of 4.46% from 2022. The main factor was the approval for domestic sales to increase product prices starting from the third quarter of 2022 for instant noodles and semi-instant food products, which are price-controlled products by the Department of Internal Trade, Ministry of Commerce. This resulted in higher domestic sales value in 2023.

Overseas sales remained slow, following the trend of major economic countries. In addition, the price of palm oil, a major raw material used in the production of instant noodles and semi-instant food products, has declined following market mechanisms. While the price of wheat flour, a major raw material used in the production of instant noodles, crispy bread and bakery products, has increased. This resulted in a decrease in the overall cost of goods sold in 2023 compared to 2022. This allowed the Group to achieve a net profit attributable to equity holders of the Company of 3,777.54 million baht, an increase of 35.59% from 2022.

Looking ahead, the Company remains committed to proactive management of raw material price risks and vigilant monitoring of influential factors. Strategic focuses include developing premium products, enhancing nutritional value, and environmental stewardship through packaging optimization. Additionally, plans are underway to bolster overseas investments, positioning the Company for entry into the global marketplace.



1.2 Operating Results

For the operating result of ended December 31, 2023 with the Statement of Comprehensive Income presented as below.

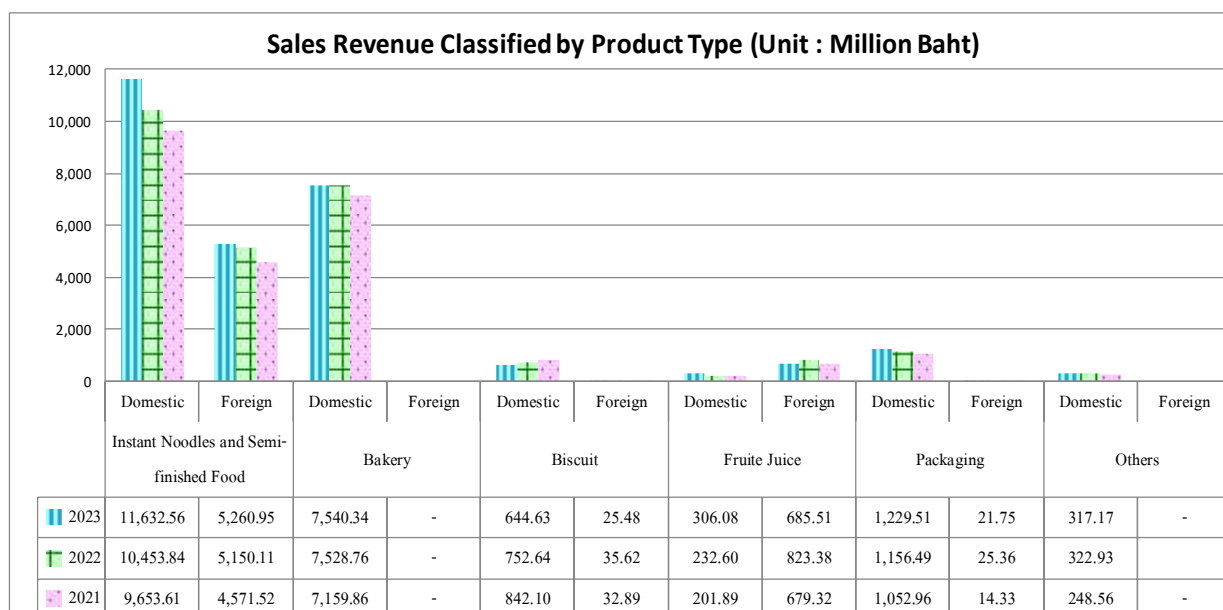
Unit : Million Baht

Performance (Million Baht)	2023	2022	Change	%
Total Revenues*	28,660.52	27,429.11	1,231.41	4.49
Sales	27,663.98	26,481.73	1,182.25	4.46
Cost of sales	18,707.19	18,876.24	(169.05)	(0.90)
Cost of sales to sales revenue ratio	67.62%	71.28%	(3.66%)	
Selling and Administrative expenses	3,998.86	3,965.24	33.62	0.85
Selling and administrative expenses to sales revenue ratio	14.46%	14.97%	(0.52%)	
Share of profit from investments in associates and joint venture	126.30	164.17	(37.87)	(23.07)
Net Profit of Equity Holders of the Company	3,777.54	2,785.92	991.62	35.59
Net Profit Margin (%)	13.18%	10.16%	3.02%	
Earnings per Share	11.46	8.45	3.01	35.62

* Total revenues included the Share of profit from investments in associates and joint venture and Finance Income

■ Sales Revenue

The Company achieved a total sales income of Baht 27,663.98 million in 2023, marking a notable increase of Baht 1,182.25 million or 4.46% compared to the corresponding period in 2022. Specifically, the sales volume for the Company (TFMAMA) experienced a robust growth of 4.92% compared to the prior year.





Instant Noodles and Semi-finished Food

Domestic Market

For the year ending on December 31st, 2023, the Company achieved a commendable growth rate of 11.28% compared to the previous year. Notably, instant noodles experienced a robust increase of 10.53%, while white noodles, porridge, and boiled rice saw a remarkable growth of 19.39%. This notable surge can be attributed to strategic retail price adjustments and the successful launch of new products in the premium category.

International Market

The Company experienced a modest overall growth rate of 2.15% compared to the previous year. Notably, instant noodles recorded a robust growth of 6.34%, benefiting from the expansion of the overall market. However, sales of white noodles, porridge, and boiled rice witnessed a decline of 15.66%, attributed to heightened competition and a decrease in demand within the market segment.

Other Products

Sales of Bakery products for the year ending December 31, 2023, saw a marginal increase of 0.15% compared to the previous year. This modest growth was hindered by intensified competition within the market segment. Conversely, sales of packaging products experienced a notable uptick of 5.87%, primarily driven by domestic sales expansion attributed to the acquisition of new customers. However, sales of biscuits products declined by 14.99%, stemming from a price hike in the first half of 2023. Despite the Company's strategic adjustments to stimulate sales in the latter half of the year across different distribution channels, sales were not sustained. Furthermore, fruit juice products witnessed a decrease of 6.10% in sales, with a rise in domestic sales offset by a decline in international markets.

■ Cost of Sales

In 2023, the cost of sales amounted to 18,707.19 million baht, marking a slight decrease of 169.05 million baht or 0.90% compared to the preceding year. This reduction can be attributed to a decline in raw material and energy prices during the period. As a proportion of sales, the cost of sales stood at 67.62%, reflecting a 3.66% decrease from the previous year's figure.



■ Selling and Administrative Expenses

Selling and administrative expenses totaled 3,998.86 million Baht in 2023, indicating a rise of 33.62 million Baht or 0.85% compared to the prior year. This uptick in expenses primarily stemmed from elevated employee-related costs aligned with an expanded salary base and the depreciation of additional vehicles procured for delivery purposes. Notably, the ratio of selling and administrative expenses to sales revenue stood at 14.46% in 2023, a slight decrease from 14.97% recorded in 2022.

■ Share of profit from investments in associates and joint venture

In 2023, the Company received a share of profit from associates and joint ventures using the equity method amounting to 126.30 million baht, marking a decline of 37.87 million baht or 23.07% compared to 2022. This decrease was primarily attributed to the diminished performance of one of the associates, which was impacted by an escalation in the cost of goods sold.

■ Net Profit

The net profit attributable to the shareholders' equity of the Company for the year amounted to 3,777.54 million baht, marking an increase of 991.62 million baht or 35.59% compared to the previous year. The Company sustained a profit margin of 13.18% of total income. Additionally, the net profit for the Company alone (TFMAMA) reached 2,912.22 million baht, reflecting a substantial increase of 51.25%.



1.3 Financial Position

For statement of financial as at December 31, 2023, changes as compared the previous year are as followed:

Unit : Million Baht

Financial Position	31-Dec-2023	31-Dec-2022	Change	%	Proportion
Trade and other receivables	4,533.23	3,923.81	609.42	15.53	9.91
Inventories	2,203.65	2,685.22	(481.57)	(17.93)	4.82
Financial assets	20,274.81	18,300.13	1,974.68	10.79	44.30
Other assets	18,753.22	17,971.18	782.04	4.35	40.98
Total assets	45,764.91	42,880.34	2,884.57	6.73	100.00
Current liabilities	3,605.28	3,409.83	195.45	5.73	78.00
Other non-current liabilities	1,017.17	1,030.14	(12.97)	(1.26)	22.00
Total liabilities	4,622.45	4,439.97	182.48	4.11	100.00
Shareholders' equity	41,142.46	38,440.37	2,702.09	7.03	100.00
Book Value per Share	124.79	116.59	8.20	7.03	

■ Assets

As of December 31, 2023, the total assets of the company amounted to 45,764.91 million Baht, showcasing a notable increase of 2,884.57 million Baht or 6.73% from the end of the preceding year. These assets are comprised of current assets totaling 23,383.49 million Baht, which constitutes 51.09% of the total assets, and non-current assets amounting to 22,381.42 million Baht, representing 48.91% of the total assets. The primary driver of this increase was attributed to the rise in financial assets.

In 2023, the trade and other account receivable of the Company amounted to 4,533.23 million Baht, representing 9.91% of the total assets, marking a notable increase of 15.53% from the previous year. The primary trade account receivable from the domestic market was owed by Sahapathanapibul PCL, with the average debt collection period extending to 56 days, an increase of 4 days compared to the preceding year. Furthermore, the Company had allocated an allowance for doubtful accounts amounting to 3.83 million Baht, adequately covering accounts receivable overdue by more than 12 months. Overall, the Company's trade account receivable was predominantly settled on schedule, with only a minor portion experiencing delayed payment, particularly from foreign accounts, which remained inconsequential relative to the total trade accounts.



The Company's inventory totaled 2,203.65 million Baht, constituting 4.82% of the total assets, witnessing a decrease of 17.93% compared to the previous year. Notably, the average shelf life of instant noodle products was maintained at 180 days, with an average days sales standing at 48 days.

■ **Liability**

As of December 31, 2023, the Company's total liabilities amounted to 4,622.45 million baht, marking an increase of 182.48 million baht or 4.11% from the end of 2022. This upturn primarily stemmed from heightened trade accounts payable and accrued income taxes, which are obligations yet to be settled. Throughout 2023, the accounts payable turnover ratio stood at 8.28 times, with an average payment period of 44 days, up by 2 days from the previous year. Notably, the majority of the Company's liabilities constitute current liabilities, with non-current liabilities representing only 22.00% of the total liabilities. Moreover, the Company's debt-to-equity ratio remained at 0.15 times.

■ **Shareholders' Equity**

As of December 31, 2023, the shareholders' equity of the Company reached 41,142.46 million baht, marking an increase of 2,702.09 million baht or 7.03% from the end of 2022, primarily attributed to the net profit generated during the period. Notably, in 2023, the Company disbursed dividends amounting to 903.39 million baht for the second half-year of 2022 and 741.83 million baht for the interim period ending on June 30, 2023. Additionally, the book value per share surged by 8.20 baht, climbing from 116.59 baht per share to 124.79 baht per share, reflecting a notable 7.03% increase over the preceding year.



1.4 Liquidity Position and Suitability of Capital Structure

■ Liquidity Position

Cash flow statement for the period ended December 31, 2023, details as follow:

Unit : Million Baht

Financial statement	2023	2022
Net cash flows from operating activities	5,390.17	3,313.43
Net cash flows used in investing activities	(3,285.41)	(1,937.90)
Net cash flows used in financing activities	(1,706.82)	(1,119.26)
Increase (decrease) in translation adjustments	(22.90)	(17.57)
Net increase (decrease) in cash and cash equivalents	375.04	238.70
Cash and cash equivalents at beginning of year	3,827.28	3,588.58
Cash and cash equivalents at end of year	4,202.32	3,827.28

The accompanying notes are an integral part of the financial statements.

In 2023, the Company generated a net cash flow from operating activities amounting to 5,390.17 million baht, driven primarily by an operating profit before tax of 5,915.17 million baht. Concurrently, the Company utilized 3,285.41 million baht for investing activities, predominantly allocated towards other financial assets, increased investments in associates, and the acquisition of machinery to enhance production capacity. Moreover, cash outflows for financing activities totaled 1,706.82 million baht, primarily attributed to dividend payments amounting to 1,644.99 million baht. Nonetheless, the Company managed to bolster its liquidity position, recording a net cash and cash equivalent of 4,202.32 million baht as of December 31, 2023, marking a 375.04 million baht increase from the previous year. Notably, the Company maintained robust liquidity ratios, with a current ratio and quick ratio of 6.49 and 5.36 times, respectively, showing an improvement compared to the preceding year. Additionally, the Company's cash cycle for 2023 was 59 days.



■ Suitability of Capital Structure

As of December 31, 2023, the Company exhibited a robust financial position, underscored by its debt to shareholders' equity ratio of 0.15 times, indicating a conservative capital structure. The consolidated interest-bearing liabilities amounted to Baht 102.70 million, resulting in an impressively low interest-bearing debt ratio of 0.003 times. This signifies the Company's stable capital structure and strong capacity for debt service, reinforcing its financial stability and resilience.

2. Sustainability Performance (ESG)

For over five decades, the Company has upheld a steadfast commitment to sustainable business practices, integrating principles of good governance, social responsibility, and environmental stewardship into our operations. We recognize the intrinsic value of our human capital and remain dedicated to achieving sustainable business outcomes. In acknowledgment of our endeavors, we were honored to receive the SET Awards 2023 Sustainability Excellence Award and Commended Sustainability Awards from the Stock Exchange of Thailand and Money & Banking magazine. These accolades underscore our unwavering focus on organizational development grounded in sustainability principles. Guided by ethical conduct and a commitment to governance best practices, we actively address social and environmental considerations in our business pursuits, while prioritizing stakeholder engagement and fostering robust performance. Furthermore, our attainment of a "AAA" rating in the SET ESG Ratings 2023 reaffirms our steadfast dedication to Environmental, Social, and Governance (ESG) principles.

As we embark on our sixth decade in 2023, we remain steadfast in our commitment to sustainable business operations, poised to navigate the evolving landscape of ESG factors with diligence and foresight.

2.1 Environmental Aspect

The Company is committed to continuously using innovation and technology to develop its product manufacturing processes in factories to become green factories. We emphasize the efficient use of resources and maintaining environmental balance. We have campaigned for everyone in the organization and stakeholders throughout the supply chain to be aware of and participate in reducing greenhouse gas emissions.

In pursuit of our environmental objectives, the Company has set ambitious targets to reduce greenhouse gas emissions by at least 4.5% per unit of product by 2024 and a further 9% by 2026, relative to the base year of 2020. To achieve these targets, we have adopted several key strategies: firstly, the expansion of Low-Carbon Footprint Products (CFP); secondly, the implementation of measures to reduce



greenhouse gas emissions from our direct operations (Carbon Footprint for Organization: CFO), including enhancing energy efficiency and increasing the utilization of energy sources with low greenhouse gas emissions such as solar rooftop and steam ejector technologies. Additionally, we have joined the Thailand Carbon Neutral Network (TCNN) and publicly declared our commitment to emission reduction on our corporate website. Moreover, our participation in the Voluntary Greenhouse Gas Reduction Program (T-VER) enables us to earn carbon credits for renewable energy projects aimed at displacing fossil fuels.

As a testament to the efficacy of these initiatives, we are pleased to report a substantial reduction of 13.63% in greenhouse gas emissions per unit of product in the year 2023, compared to the base year of 2020.

2.2 Social Aspect

The Company places a strong emphasis on upholding human rights, ensuring labor safety and health standards, and fostering a culture of inclusivity and diversity within our workforce. We recognize the pivotal role of human resource management in driving organizational success and are dedicated to nurturing a diverse talent pool equipped with the skills and ethical principles necessary to navigate an ever-changing landscape. Furthermore, we are deeply committed to leveraging our business processes to contribute to the betterment of local communities and society at large, thereby enhancing overall quality of life and fostering mutual growth.

In our recruitment endeavors, we adhere to a policy of inclusivity, welcoming both internal and external candidates irrespective of race, religion, disability, or educational background. Our focus is on identifying and hiring individuals of exceptional merit, with a particular emphasis on local employment to strengthen ties with surrounding communities. We firmly believe that all employees, regardless of their geographic location, possess equal potential and bring invaluable perspectives to the table, facilitating seamless integration between the Company and its local environments.

In 2023, the Company has set a target to increase the number of local suppliers by 2% of the total number of suppliers compared to the previous year. We have allocated a budget to increase the procurement of raw materials from farmers by 1% of the total number of suppliers compared to 2022. We also support the use of our products in charity events and natural disasters, both in the public and private sectors. Additionally, we are committed to improving the quality of life for people with disabilities by piloting the MAMA model to promote employment for families of people with disabilities.



2.3 Corporate Governance and Economic Aspect

The Company places a emphasis on transparent and accountable corporate governance practices, coupled with a steadfast commitment to strict adherence to regulations and laws to uphold sustained excellence in performance.

At the helm of our corporate governance framework is the Corporate Governance and Sustainable Development Committee, meticulously appointed by the Board of Directors. Tasked with delineating risk management policies and overseeing the risk management process, including those pertaining to sustainability (ESG), this Committee operates with an unwavering focus on comprehensive risk assessment. It diligently considers sustainability issues arising from both internal operations and external influences, aligning with the reporting principles outlined by the Global Reporting Initiatives (GRI) standards.

3. Major factors and influences that may affect operations or financial position in the future

The global economy is currently highly volatile due to various uncertain factors such as the Russia-Ukraine war, the COVID-19 pandemic, and central bank monetary policies. These factors may affect the operations or financial position of businesses.

The company closely monitors economic conditions, global currency markets, inflation rates, and geopolitical conflicts to prepare for changes. The company also regularly reviews its business strategies, such as sourcing raw materials at reasonable prices, adjusting product prices to reflect costs, and increasing production efficiency.

The company's main raw materials for its products are wheat and palm oil, which are affected by price fluctuations in the global economy. Therefore, the company has taken various measures to mitigate these impacts, such as negotiating with suppliers for discounts, sourcing raw materials from new sources, and developing product formulas using substitute ingredients. The measures that the company has taken on a continuous basis have helped to mitigate the impacts of uncertain factors, allowing it to continue to operate sustainably.

The company remains committed to sustainable development in 2023. It is committed to conducting business that is environmentally, socially, and ethically responsible, as well as being honest, fair, and transparent. In terms of business development, the company is committed to producing a wider variety of products to reach all target groups, expanding sales to new countries, and increasing new customer bases in existing markets. The company is also committed to long-term business with partners. Additionally, the company is committed to ensuring that occupational health and safety standards are



consistent throughout the organization, as well as managing costs and expenses, and controlling investment expenditure as efficiently as possible, in order to build a strong foundation for the company to grow sustainably.

Please kindly be informed accordingly

Your sincerely,

(Mr. Wasan Boonsampankit)

Manager of Finance and Investment Department (CFO)

February 21, 2024