

13 November 2024

Subject: Management Discussion and Analysis for the Third Quarter of 2024

To: President of the Stock Exchange of Thailand

President Bakery Public Company Limited (“the Company”) would like to submit the report of Management Discussion and Analysis (MD&A) for the three-month and nine-month periods ended September 30, 2024, which has been reviewed by the auditor. The financial statement of the Company, as shown by Consolidated financial statements, records changes in the operating results from the same period last year. The Company would like to clarify such significant changes as below,

Overview of business operations, economy, and industry conditions that affect the operation.

- The global economy is expected to continue to recover amid pressure, global geopolitical conflicts, the Chinese economy slowdown, rising inflation rates in the United States, and clear economic polarization led by the United States and China, affecting the global supply chain and may lead to higher raw material costs for both energy and food.
- While the domestic economy has been continuously stimulated by the government in terms of tourism and private consumption, the Bank of Thailand expects the Thai economy to expand by 2.6%. However, the Thai economy is still at risk from household debt problem and global economic uncertainty, which may cause Thai exports to not meet the target, including the impact of more severe trade retaliatory measures between the United States and China and global geopolitical problems, all of which affect domestic purchasing power.

Performance of the Company

(Unit: million Baht)

	Q3/2024	%	Q2/2024	%	Q3/2023	%	Increase (Decrease)		Increase (Decrease)	
							Q3/2024 /Q2/2024		Q3/2024 /Q3/2023	
							Amount	%	Amount	%
Sales	1,932.34	99.33	1,849.59	99.52	1,966.24	99.53	82.75	4.47	(33.90)	(1.72)
Total revenues	1,945.42	100	1,858.56	100	1,975.51	100	86.86	4.67	(30.09)	(1.52)
Cost of Sales	1,050.05	54.34	1,010.86	54.65	1,039.83	52.88	39.19	3.88	10.22	0.98
Gross Profit	882.29	45.66	838.73	45.35	926.41	47.12	43.56	5.19	(44.12)	(4.70)
Selling and Administrative expenses	452.77	23.27	455.70	24.52	440.59	22.30	(2.93)	(0.64)	12.18	2.76
Profit for the period	415.10	21.34	372.50	20.04	451.33	22.85	42.60	11.44	(36.23)	(8.03)
Earnings Per Share (Baht)	0.92		0.83		1.00		0.09	10.84	(0.08)	(8.00)

(Unit: million Baht)

	For the 9 month period ended 30 September 2024	%	For the 9 month period ended 30 September 2023	%	Increase (Decrease)	
					Amount	%
Sales	5,587.66	99.26	5,561.95	99.19	25.71	0.46
Total revenues	5,629.55	100	5,607.42	100	22.13	0.39
Cost of Sales	3,012.36	53.91	3,010.96	54.14	1.40	0.05
Gross Profit	2,575.30	46.09	2,550.99	45.87	24.31	0.95
Selling and Administrative expenses	1,337.88	23.77	1,258.66	22.45	79.22	6.29
Profit for the period	1,203.78	21.38	1,221.70	21.79	(17.92)	(1.47)
Earnings Per Share (Baht)	2.68		2.71		(0.03)	(1.11)

Sales revenue and total revenue

The Company had sales revenue in the third quarter of 2024 (Baht 1,932.34 million), an increase of Baht 82.75 million or 4.47% from the second quarter of the same year (Baht 1,849.59 million). However, when compared to the third quarter of 2023 (Baht 1,966.24 million), the Company's revenue decreased by Baht 33.90 million or 1.72%.

For the nine-month period ended 30 September 2024, the Company had sales revenue of Baht 5,587.66 million (accounting for 99.26% of total revenue), an increase of Baht 25.71 million or 0.46% from the same period of the previous year (in 2023, sales revenue was Baht 5,561.95 million, accounting for 99.19% of total revenue).

Total revenue for the nine months ended 30 September 2024, amounted to Baht 5,629.55 million, an increase of Baht 22.13 million or 0.39% from the same period of the previous year.

Cost of sales and gross profit

The Company had cost of sales in the third quarter of 2024 (Baht 1,050.05 million), an increase of Baht 39.19 million or 3.88% from the second quarter of the same year (Baht 1,010.86 million), which was in the same direction as the increased revenue. However, when compared to the third quarter of 2023, the Company had cost of sales increased by Baht 10.22 million, which was in the opposite direction to the decreased revenue of Baht 33.90 million. However, sales in the third quarter of 2023 were still higher than sales in the third quarter and the second quarter of 2024, resulting in a slightly higher gross profit margin in 2023 than in 2024 (gross profit margin in the third quarter of 2023 was 47.12%, the third and second quarter of 2024 was 45.66% and 45.35%, respectively).

For the nine months ended 30 September 2024, the Company had a cost of sales of Baht 3,012.36 million, an increase of Baht 1.40 million or 0.05% from the same period of the previous year. The Company had a gross profit of Baht 2,575.30 million, an increase of Baht 24.31 million or 0.95% from the same period of the previous year, which was a result of the proportion of the increase in revenue being greater than the increase in cost, resulting in a gross profit margin increasing in the same direction from 45.87% to 46.09%.

Selling and administrative expenses

Selling and administrative expenses in the third quarter decreased by Baht 2.93 million from the second quarter (from Baht 455.70 million to Baht 452.77 million), but when compared to the same quarter of the previous year (Baht 440.59 million), it increased by Baht 12.18 million or 2.76%.

For the nine month period ended 30 September 2024, the Company's selling and administrative expenses increased by Baht 79.22 million or 6.29% compared to the same period of the previous year. This increase in expenses was the result of additional investment in sales promotion, advertising, and public relations. In addition, during the year, the Company purchased new vehicles to replace the old vehicles that had reached the end of their service life, resulting in increased vehicle depreciation included in selling expenses.

Net profit for the period

Profit for the nine month period ended 30 September 2024, decreased by Baht 17.92 million or 1.47%, from Baht 1,221.70 million in 2023 to Baht 1,203.78 million in 2024, mainly due to higher selling expenses than the increase in gross profit, resulting in lower net profit.

Earning per share (EPS)

Earnings per share for the period were 2.68 baht per share, slightly down from the same period of the previous year by 0.03 baht per share or 1.11%.

Financial Position of the Company

(Unit: million Baht)

	30 September 2024	%	31 December 2023	%	Increase (Decrease)	
					Amount	%
Current assets	7,696.94	58.24	7,201.70	55.76	495.24	6.88
Non-current assets	5,518.55	41.76	5,714.71	44.24	(196.16)	(3.43)
Total assets	13,215.50	100.00	12,916.41	100.00	299.09	2.32
Total liabilities	1,170.67	8.86	1,174.73	9.09	(4.06)	(0.35)
Shareholders' equity	12,044.83	91.14	11,741.68	90.91	303.15	2.58
Total liabilities and shareholders' equity	13,215.50	100.00	12,916.41	100.00	299.09	2.32

Assets

As at 30 September 2024, the company's total assets amounted to Baht 13,215.50 million, an increase of Baht 299.09 million from 31 December 2023. The main assets consist of financial assets totaling Baht 7,723.67 million and land, buildings, and equipment totaling Baht 3,586.78 million, accounting for 58.44% and 27.14% of total assets, respectively. The overall increase in assets was primarily due to an increase in cash and cash equivalents by Baht 205.67 million, financial assets by Baht 187.28 million, and land, buildings, and equipment by Baht 176.32 million. Meanwhile, trade and other receivables decreased by Baht 392.73 million (from Baht 1,030.30 million to Baht 637.31 million) due to holiday periods at the end of the year, which caused slight delays in collection. However, the company's average collection period remains approximately 40 days.

Liabilities

As at 30 September 2024, the company's total liabilities amounted to Baht 1,170.67 million, resulting in a debt-to-equity ratio of 0.10. The majority of these liabilities, 90.34%, are current liabilities arising from trade and other payables related to operating activities.

Liquidity

For the nine-month period ended 30 September 2024, the company's cash and cash equivalents increased by Baht 205.67 million representing a 36.14% rise. This increase was primarily due to cash generated from operations amounting to Baht 1,695.55 million, offset by Baht 564.88 million used in investment activities and Baht 925 million used in financing activities.

Cash flows used in investment activities totaled Baht 564.88 million, directed toward investments in financial assets, government bonds, purchasing land for 2 distribution centers, and replacing delivery vehicles that had reached the end of their service life.

Cash flows used in financing activities amounted to Baht 925 million, including the final dividend payment of Baht 513 million for year 2023 and the interim dividend payment of Baht 400.50 million for year 2024.

As at 30 September 2024, the company had a current ratio of 7.28, a cash liquidity ratio of 7.03, an inventory turnover period of 1 day, an average collection period of 40 days, and an average payment period of 62 days, resulting in a cash conversion cycle of 21 days.

Shareholders' Equity

As at 30 September 2024, shareholders' equity amounted to Baht 12,044.83 million, an increase of Baht 303.15 million, or 2.58%, from 31 December 2023. This increase resulted from an operating profit of Baht 1,203.78 million, offset by a dividend payment of Baht 913.50 million. Consequently, the company's book value per share was 26.77 Baht, up from 26.09 Baht per share as at 31 December 2023.

Factors that may affect future operations or growth

Due to war problems, geopolitical conflicts, especially trade retaliation measures between the United States and China that may intensify, the volatile global energy sector, and global warming that prevent agricultural harvest from reaching the target, these factors may affect raw material prices.

Sustainable development

Corporate development strategies for sustainability

The Company is committed to conducting business sustainably with a High Purpose that aims to deliver value for a better life through implementing strategies to drive the business towards sustainability with awareness and giving importance to developing efficiency in business operations along with considering the impact on the environment and society and adhering to the principles of good governance (ESG) which consists of 4 sustainability missions:

- Creating sustainable business growth: The organization focuses on economic growth, has stable income and profit, and provides sustainable returns to shareholders.
- Use resources efficiently: Manage resources used in business operations with appreciation for maximum efficiency
- Environmentally friendly: Use renewable energy in business operations, implement projects that reduce greenhouse gas emissions, manage waste appropriately, and promote more forest areas in the country to reduce environmental impacts.
- Develop the organization towards sustainability: Promote participation and create good awareness among employees, including creating a culture of sustainability in the organization, resulting in the responsibility of the business towards society and the environment in general.

The Company has implemented several projects that promote sustainability. The main projects that respond to 3 sustainability challenges are as follows:

Food quality and safety management

Food quality and safety management is the Company's number one priority. Therefore, the Company has adopted the international food safety certification standard FSSC 22000 V.6, which is a standard recognized by world-class food safety organizations that is effective per international organization standards. The Company wants to upgrade every production plant to receive certification to this international standard by the year 2029. In 2024, the Company has already received certification for 1 plant, which is Lat Krabang 1 plant.

Energy Management

The Company places importance on energy management in both the production and transportation sectors because the Company manufactures and distributes its own products and has a distribution system that can deliver products to consumers nationwide quickly.

In the manufacturing sector, the Company has implemented the IOT system in the operation of the Chiller, improved the efficiency of the cooling machine, installed an Automatic Oxygen Boiler, and continuously improved the efficiency of other machines.

In the transportation sector, the Company received the Thailand Energy Awards 2023 from the Ministry of Energy, with a project to install a GPS to control the speed and driving behavior of drivers, including a project to cancel the x-lift at the rear of the transport vehicle, which helps reduce the weight of the transport vehicle by up to 750 kilograms per vehicle, which significantly reduces energy consumption and greenhouse gas emission from the project.

Moreover, the Company has a long-term goal to reduce greenhouse gas emissions by 20% by 2037 compared to the base year of 2022, with many projects in the operational plan, such as using EV vehicles for product distribution, conducting a carbon footprint assessment, and installing solar cell systems on the roof of manufacturing plants and distribution centers.

Developing employee potential and building ESG DNA in the organization

The Company has been pushing for employees to have more knowledge of ESG through the Company's sustainability culture, ESG in Process, which emphasizes that employees take ESG into account in every operational process. The Company has received the SET ESG DNA certificate from the Stock Exchange of Thailand for providing knowledge to employees through ESG E-learning.

Including the Farmhouse ACTIVE ESG DNA Awards project for the 4th consecutive year, which provides rewards to employees or agencies that have effectively carried out ESG work, to promote greater cooperation in sustainability.

This is to be informed for your acknowledgement

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(Miss Petcharat Anantawichai)

Director and Senior Management Accounting Department

and Finance Department Manager

Company Secretary