

Management Discussion and Analysis

This interim MD&A report has been prepared based on the consolidated of GFPT Public Company Limited (“GFPT” or “the Company”) and its subsidiaries (collectively, “GFPT Group”) for the 1st Quarter 2020 as well as included any significant transactions occurred during the 1st Quarter 2020.

GFPT Group has policy to mitigate risks from foreign exchange rate volatility, which occurred from export sale and raw material importation by hedging forward contract from several financial institutions.

GFPT Group has adopted the new financial reporting standards which are effective in 2020 by the Federation of Accounting Professions that have been adopted for the first-time in 1Q2020 such as TAS 32 Financial Instruments: Presentation, TFRS 7 Financial Instruments: Disclosure, TFRS 9 Financial Instruments and TFRS 16 Leases on the Group’s financial statements which involves changes to key principles which mention in Note to financial statement No. 3.

A summary of the key operational matters and events for the 1st Quarter 2020

Financial Highlights	1Q 2020		1Q 2019		Change	
	THB million	% Sales	THB million	% Sales	THB million	%
Revenue from Sales	3,682.20	100.00	3,966.01	100.00	(283.81)	(7.16)
Gross Profit	539.71	14.66	533.79	13.46	5.93	1.11
EBITDA	751.67	20.41	603.72	15.22	147.95	24.51
Net Profit	324.66	8.82	227.86	5.74	96.80	42.48

GFPT Group had total revenue from sales of THB 3,682.20 million in 1Q2020, representing a decrease of THB 283.81 million or 7.16% down from 1Q2019 mainly from lower revenue of farm business which decreased by THB 123.30 million or 9.01% down comparing to 1Q2019 and lower revenue of chicken processing business which decreased by THB 106.27 million or 6.44% down comparing to 1Q2019.

The consolidated gross profit was THB 539.71 million in 1Q2020, increased by THB 5.93 million or 1.11% up from 1Q2019 from lower price of major raw material which are corn and soybean meal. The consolidated gross profit margin contributed of 14.66% in 1Q2020, increased from 13.46% in 1Q2019.

The participating profit from associates was THB 100.25 million in 1Q2020, significantly increased by THB 78.51 million or 361.13% up comparing to 1Q2019. In addition, the consolidated EBITDA in 1Q2020 was THB 751.67 million, increased by THB 147.95 million or 24.51% up from 1Q2019.

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Finally, consolidated net profit in 1Q2020 accounted for THB 324.66 million or equal to EPS of THB 0.26 per share, or 42.48% up from 1Q2019. For capital structure of the Group, as at March 31, 2020, the consolidated debt to equity ratio was 0.40 time and the consolidated net debt to equity ratio was considerably low at 0.25 time.

Overall Financial Performance and Profitability

Business Segment of GFPT Group	1Q 2020		1Q 2019		Change	
	THB million	%	THB million	%	THB million	%
Chicken Processing Segment	1,544.42	41.94	1,650.69	41.62	(106.27)	(6.44)
Feed Segment	719.68	19.54	765.32	19.30	(45.64)	(5.96)
Farm Segment	1,245.92	33.84	1,369.22	34.52	(123.30)	(9.01)
Processed Food Segment	172.18	4.68	180.78	4.56	(8.60)	(4.76)
Revenue from Sales	3,682.20	100.00	3,966.01	100.00	(283.81)	(7.16)

Revenue from Sales

The consolidated revenue from sales for 1Q2020 were THB 3,682.20 million, decreased by THB 283.81 million or 7.16% down from 1Q2019, mostly from lower revenue of farm business which decreased by THB 123.30 million or 9.01% down comparing to 1Q2019 and lower revenue of chicken processing business which decreased by THB 106.27 million or 6.44% down comparing to 1Q2019.

The consolidated revenue from sales in 1Q2020 consisted of chicken processing segment represented 41.94%, feed segment represented 19.54%, farm segment represented 33.84%, and processed food segment represented 4.68%.

Chicken Processing Segment

Revenue from chicken processing business in 1Q2020 consisted of revenue from direct export cooked chicken products and fresh frozen chicken meat, indirect export of chicken meat, and domestic sales of chicken parts, represented 41.94% of revenue from sales, amounting THB 1,544.42 million, decreased by THB 106.27 million or 6.44% down from 1Q2019.

The Company's total export of chicken products for 1Q2020 was 5,900 metric tons, decreased by 3,800 metric tons or 39.18% down from 1Q2019 mostly from decreasing in export volume of fresh chicken meat to China and cooked chicken products to Japan.

Feed Segment

Revenue from feed business consisted of revenue from animal feed, fish feed, and shrimp feed, represented 19.54% of revenue from sales, amounting THB 719.68 million, decreased by THB 45.64 million or 5.96% down from 1Q2019.

Revenue from feed business mostly decreased from lower revenue from animal feed and shrimp feed which decreased by 15.20% and 16.58%, respectively.

Farm Segment

Revenue from farm business consisted of revenue from selling live broilers to GFN, our joint venture, and selling day-old-chicks to both international and domestic market, represented 33.84% of revenue from sales in 1Q2020.

Revenue from farm business was THB 1,245.92 million, decreased by THB 123.30 million or 9.01% down from 1Q2019 mainly from lower revenue from selling live broilers.

Processed Food Segment

Revenue from processed food business consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.68% of revenue from sales. In 1Q2020, the revenue from processed food was THB 172.18 million, decreased by THB 8.60 million, or 4.76% down from 1Q2019.

Revenue from processed food business in 1Q2020 decreased from lower sales volume of processed food which decreased by 6.43% comparing to 1Q2019.

Cost of Sales and Gross Profit

Cost of sales for 1Q2020 was THB 3,142.49 million, decreased by THB 289.74 million or 8.44% down from 1Q2019 while gross profit in 1Q2020 was THB 539.71 million, rose by THB 5.93 million or 1.11% up from 1Q2019 primarily from lower price of major raw material which are corn and soybean meal.

Cost of sales for 1Q2020 contributed of 85.34% of revenue from sales, decreased from 86.54% in 1Q2019 while gross profit margin contributed about 14.66% in 1Q2020, increased from 13.46% in 1Q2019.

Other Income

The consolidated other income in 1Q2020 was THB 116.03 million, increased by THB 49.30 million or 73.88% up from 1Q2019, predominantly from increasing of gain from derivative. The consolidated other incomes in 1Q2020 was 3.15% of revenue from sales, gradually increased from 1.68% in 1Q2019.

Selling General and Administrative Expenses

The consolidated SG&A expenses in 1Q2020 equaled to THB 330.85 million, decreased by THB 3.22 million or 0.97% down from 1Q2019. The Consolidated SG&A expenses decreased since lower freight comparing to 1Q2019. The consolidated SG&A expenses in 1Q2020 were 8.98% of revenue from sales, increased from 8.42% in 1Q2019.

Share of Profit from Associated Companies

The consolidated share of profit from associated companies based on the equity method in 1Q2020 was THB 100.25 million, increased by THB 78.51 million, or 361.13% up from 1Q2019 mainly from GFN's profit contribution was THB 12.25 million, increased by THB 40.75 million or 142.97% up comparing to 1Q2019 mainly from higher export volume of processed chicken. Besides, McKey's profit contribution was THB 88.01 million, increased by THB 37.76 million or 75.16% up from 1Q2019 mainly from higher production capacity of cooked chicken products from new further processing factory.

Financial Costs

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 1Q2020 were THB 24.11 million, rose by THB 3.28 million or 15.77% up from 1Q2019 mainly from higher interest expense paid to related persons as the loan outstanding increased from 1Q2019. Costs of funds in 1Q2020 were 2.42%, slightly decreased from 1Q2019 at 2.47%. The consolidated financial costs of the group in 1Q2020 were 0.65% of revenue from sales, slightly increased from 0.53% in 1Q2019.

Income Tax Expenses

The income tax expense of the Group in 1Q2020 was THB 73.58 million, increased by THB 35.47 million or 93.09% up from 1Q2019 mainly from higher deferred tax expenses comparing to 1Q2019.

Net Profit

The consolidated net profit in 1Q2020 was THB 324.66 million, increased in amount of THB 96.80 million or 42.48% up from THB 227.86 million in 1Q2019. The EPS of 1Q2020 was THB 0.26 per share. The increase in consolidated net profit was primarily driven from higher share of profit from associated companies and higher other income comparing to 1Q2019. The consolidated net profit margin in 1Q2020 was 8.82% of revenue from sales, improved from 5.74% in 1Q2019.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Unit: Million Baht

	1Q 2020	1Q 2019	Change	% Change
EBIT	425.16	288.19	136.97	47.53
Depreciation Expense	322.37	311.21	11.16	3.59
Amortization Expense	4.14	4.32	(0.18)	(4.30)
EBITDA	751.67	603.72	147.95	24.51
EBITDA Margin (%)	20.41	15.22		5.19

The consolidated EBITDA in 1Q2020 was THB 751.67 million, increased by THB 147.95 million or 24.51% up from 1Q2019. The increasing in consolidated EBITDA resulted from higher share of profit from associated companies and higher other income. The EBITDA margin in 1Q2020 was 20.41%, increased from 15.22% in 1Q2019.

Financial position
Assets

For the consolidated financial statements as of March 31, 2020, total assets of the GFPT Group equal to THB 19,584.34 million including THB 5,772.63 million (29.48% of total assets) in current assets, THB 9,229.59 million (47.13% of total assets) in property, plant and equipment (PP&E), THB 2,990.45 million (15.27% of total assets), in investments in associated companies, THB 555.20 million (2.83% of total assets) in grandparent chicken and parent chicken and THB 1,036.48 million (5.29% of total assets) in investment in property and other non-current assets.

Total assets as at March 31, 2020 increased in amount of THB 764.25 million or 4.06% up from December 31, 2019 from an increase in cash and cash equivalents of THB 588.11 million and an increase in right-of-use assets of THB 396.07 million.

Liabilities

As at March 31, 2020, total liabilities of the Company and its subsidiaries was THB 5,644.50 million comprising of current liabilities of THB 2,294.19 million (40.64% of total liabilities), long-term loans from related persons of THB 2,320.00 million (41.10% of total liabilities), provision for employees benefit of THB 552.17 million (9.78% of total liabilities), deferred rental income of THB 104.46 million (1.85% of total liabilities), lease liabilities of THB 358.49 million (6.35% of total liabilities), and other non-current liabilities of THB 15.18 million (0.27% of total liabilities).

The total liabilities as at March 31, 2020 increased by THB 439.45 million or 8.44% up from December 31, 2019 primarily from current portion of long-term loans from related persons increased in amount of THB 393.00 million and lease liabilities increased in amount of THB 358.49 million, however, long-term loans from related persons decreased in amount of THB 274.40 million. All short-term and long-term loans of the Group are in THB currency only, thus; The Company has no exposure in foreign currency borrowings.

As at March 31, 2020, trade and other payables of the Company and its subsidiaries was THB 937.94 million, decreased in amount of THB 44.08 million or 4.49% down from December 31, 2019.

The consolidated interest-bearing liabilities as at March 31, 2020 were THB 3,513.00 million, increased from December 31, 2019 in amount of THB 88.60 million mainly from current portion of long-term loans from related persons increased in amount of THB 393.00 million.

Shareholders' Equity

As at March 31, 2020, the consolidated shareholders' equity in amount of THB 13,939.84 million, an increase of THB 324.80 million or 2.39% up from December 31, 2019; primarily from the increase in retained earnings in amount of THB 322.06 million. The consolidated book value as at March 31, 2020 was THB 11.12 per share, slightly increased from THB 10.86 per share as at December 31, 2019.

Liquidity

Cash Flow Activities

For the three-month period ended March 31, 2020, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 1,048.07 million, increased by THB 743.28 million from the same period last year.

For the three-month period ended March 31, 2020, the Company and its subsidiaries used net cash in its investing activities in amount of THB 518.82 million, increased by THB 112.20 million from the same period last year.

For the three-month period ended March 31, 2020, the Company and its subsidiaries generated net cash from its financing activities in an amount of THB 58.86 million, increased by THB 150.75 million from the same period last year.

As at March 31, 2020, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 1,675.37 million, increased by THB 628.99 million from the same period last year.

Liquidity ratios

As at March 31, 2020, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at March 31, 2020, the consolidated current ratio was 2.52 times, slightly decreased from 2.95 times as at December 31, 2019. The quick ratio was 1.02 time, slightly increased from December 31, 2019 at 0.99 time.

Short-term Debt Maturity

As at March 31, 2020, the Company and its subsidiaries' current liabilities of THB 2,294.19 million comprise of short-term loans from financial institutions of THB 800.00 million, trade payables and other payables of THB 937.94 million, current portion of long-term loans from related persons of THB 393.00 million and other current liabilities of THB 163.26 million.

Due to its strong position in cash flow and liquidity, the Company and its subsidiaries can repay the debt obligations including trade payables and other payables, short term loans, the current portion of long-term loans from financial institutions, and interest expenses. The repayment can be made from cash flow from operation activities. As at March 31, 2020, the consolidated current ratio was 2.52 times, the net debt to equity ratio was low at 0.25 time.

The Company and its subsidiaries still had available credit line of the revolving short-term borrowings with financial institutions including bank overdraft in amount of THB 242.00 million and short-term loans, letters of credit, trust receipts, packing credit in amount of THB 7,294.15 million and forward foreign exchange contract in amount of THB 1,014.73 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at March 31, 2020, the consolidated debt to equity ratio was 0.40 time, slightly increased from 0.38 time as at December 31, 2019.

As at March 31, 2020, the consolidated interest-bearing liabilities were THB 3,513.00 million, increased from THB 3,424.40 million as at December 31, 2019. The net debt to equity of the Group was considerably low at 0.25 time, same level as at December 31, 2019. In summary, the Company had appropriate capital structure.

GFPT Group Expansion Plan

In the next 3-5 years, the Company has planned to grow organically by investing in greenfield projects. We focus on capacity expansion along the stream of our vertical integrated chicken production. Firstly, broiler farm operation will be expanded to reach capacity of 380,000 birds per day. Secondly, we are constructing the new chicken processing plant with a capacity of 150,000 birds per day as well as its supporting facilities such as water reservoir, water treatment, wastewater treatment, and

worker residences. Finally, the further processing plant will be in the next phase of construction to produce cooked product for export with capacity of 24,000 metric tons per year.

The investment budget for these projects is estimated to be around THB 1,200 - 1,500 million per year. However, this expansion plan can be adjusted depending on changes of future situation.

Progress of fire accident

According to fire accident which affected production capacity of cooked chicken products, normal production capacity was 2,000 metric tons per month. The 2 production lines, affected by fire accident, had production capacity of approximately 1,000 tons per month. Currently, the 2 production lines are closed for renovate and in process of ordering new machines and expected to be installed in 4Q2020. As for fresh chicken meat, it can be sold to customers for further processing. In addition, our 2 associated companies have helped to produce cooked chicken products that have mutual agreement with customers.

Impact from COVID-19 pandemic

The Company have closely monitored COVID-19 pandemic situation and expected that there shall be an impact on marketing for both domestic and export market which may be affected by lower domestic consumption and lower purchase order from export market.

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Consolidated statement of financial position of GFPT Public Company Limited and its subsidiary companies

As at March 31, 2020 and December 31, 2019

	As at Mar 31, 2020		As at Dec 31, 2019		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	1,675.37	8.55	1,087.26	5.78	588.11	54.09
Trade and Other Receivable	727.39	3.71	889.86	4.73	(162.47)	(18.26)
Inventories	3,278.39	16.74	3,716.83	19.75	(438.44)	(11.80)
Derivative Assets	62.34	0.32	-	-	62.34	100.00
Other Current Assets	29.15	0.15	19.60	0.10	9.56	48.78
Total Current Assets	5,772.63	29.48	5,713.54	30.36	59.09	1.03
Investment in Associated Companies	2,990.45	15.27	2,891.82	15.37	98.63	3.41
Grandparent Chickens	110.10	0.56	99.90	0.53	10.20	10.21
Parent Chickens	445.10	2.27	438.39	2.33	6.70	1.53
Investment Property	345.32	1.76	346.91	1.84	(1.59)	(0.46)
Property, Plant and Equipment	9,229.59	47.13	9,038.06	48.02	191.53	2.12
Right-of-Use Assets	396.07	2.02	-	-	396.07	100.00
Deferred Tax Assets	134.19	0.69	180.28	0.96	(46.09)	(25.57)
Other Non-Current Assets	160.91	0.82	111.20	0.59	49.72	44.71
Total Non-Current Assets	13,811.71	70.52	13,106.56	69.64	705.15	5.38
Total Assets	19,584.34	100.00	18,820.10	100.00	764.25	4.06
Short-Term Loans from Financial Institutions	800.00	4.08	830.00	4.41	(30.00)	(3.61)
Trade and Other Payable	937.94	4.79	982.01	5.22	(44.08)	(4.49)
Current Portion of Deferred Rental Income	9.17	0.05	9.17	0.05	-	-
Current Portion of Long-Term Loans from RPT	393.00	2.01	-	-	393.00	100.00
Current Portion of Lease Liabilities	18.26	0.09	-	-	18.26	100.00
Derivative Liabilities	20.32	0.10	-	-	20.32	100.00
Other Current Liabilities	115.51	0.59	115.83	0.62	(0.32)	(0.28)
Total Current Liabilities	2,294.19	11.71	1,937.02	10.29	357.17	18.44
Long-Term Loans from Related Persons	2,320.00	11.85	2,594.40	13.79	(274.40)	(10.58)

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	As at Mar 31, 2020		As at Dec 31, 2019		Change	
	MB	%	MB	%	MB	%
Provision for Employee Benefit	552.17	2.82	551.45	2.93	0.73	0.13
Lease Liabilities	358.49	1.83	-	-	358.49	100.00
Deferred Rental Income	104.46	0.53	106.76	0.57	(2.29)	(2.15)
Other Non-Current Liabilities	15.18	0.08	15.43	0.08	(0.25)	(1.63)
Total Non-Current Liabilities	3,350.31	17.11	3,268.03	17.36	82.27	2.52
Total Liabilities	5,644.50	28.82	5,205.05	27.66	439.45	8.44
Total Shareholders' Equity	13,939.84	71.18	13,615.04	72.34	324.80	2.39
Total Liabilities and Shareholders' Equity	19,584.34	100.00	18,820.10	100.00	764.25	4.06

Consolidated Income Statement of GFPT Public Company Limited and its subsidiary companies

For the three-month period ended March 31, 2020 and 2019

	1Q 2020		1Q 2019		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	3,682.20	100.00	3,966.01	100.00	(283.81)	(7.16)
Cost of Sales	(3,142.49)	(85.34)	(3,432.23)	(86.54)	(289.74)	(8.44)
Gross Profit	539.71	14.66	533.79	13.46	5.93	1.11
Other Income	116.03	3.15	66.73	1.68	49.30	73.88
Selling Expenses	(125.77)	(3.42)	(138.47)	(3.49)	(12.70)	(9.17)
Administrative Expenses	(205.07)	(5.57)	(195.60)	(4.93)	9.47	4.84
Share of Profit from Associates	100.25	2.72	21.74	0.55	78.51	361.13
Financial Costs	(24.11)	(0.65)	(20.82)	(0.53)	3.28	15.77
Profit before Income Taxes	401.05	10.89	267.37	6.74	133.68	50.00
Income Tax Expenses	(73.58)	(2.00)	(38.10)	(0.96)	35.47	93.09
Profit for The Period	327.48	8.89	229.26	5.78	98.21	42.84
Non-Controlling Interests	(2.82)	(0.08)	(1.40)	(0.04)	1.41	100.64
Net Profit	324.66	8.82	227.86	5.74	96.80	42.48

Consolidated Cash Flows Statement of GFPT Public Company Limited its subsidiary companies
For the three-month period ended March 31, 2020 and 2019

	Y 2020	Y 2019	Change
	MB	MB	MB
Net Cash Received from Operating Activities	1,048.07	304.79	743.28
Net Cash Used in Investing Activities	(518.82)	(406.62)	112.20
Net Cash Received from (Used in) Financing Activities	58.86	(91.88)	150.75
Net Increase (Decrease) in Cash and Cash Equivalents	588.11	(193.72)	781.83
Cash and Cash Equivalent at the Beginning of the Period	1,087.26	1,240.10	(152.84)
Cash and Cash Equivalent at the Ending of the Period	1,675.37	1,046.38	628.99

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	Y 2020	Y 2019
Current Ratio ¹ (times)	2.52	2.95
Quick Ratio ² (times)	1.02	0.99
Gross Profit Margin ³ (%)	14.66	13.46
Operating Profit Margin ⁴ (%)	11.55	7.27
Net Profit Margin ⁵ (%)	8.55	5.65
Debt/Equity Ratio ⁶ (times)	0.40	0.38
Net Debt/Equity Ratio ⁷ (times)	0.25	0.25

Remark:

- 1) Current Ratio = Current Assets / Current Liabilities
- 2) Quick Ratio = (Cash + Short-term Investments + Accounts Receivable) / Current Liabilities
- 3) Gross Profit Margin = (Gross Profit / Sales) * 100
- 4) Operating Profit Margin = (EBIT / Sales) * 100
- 5) Net Profit Margin = (Net Profit / Total Revenue) * 100
- 6) Debt/Equity Ratio = Total Debt / Equity
- 7) Net Debt/Equity Ratio = Net Debt / Equity