

Q2/2023

SORKON OPPORTUNITY DAY PRESENTATION

September 2023

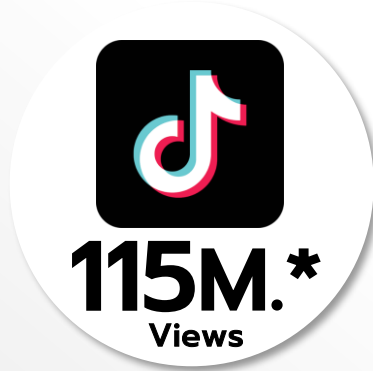
ส. SOR
GROUP

Q2/2023 HIGHLIGHTS



Performance Update

- Operating Revenue was Baht 782 million, increased by Baht 15 million QoQ mainly due to rise in sales of processed food from meat via Modern Trade channels
- Net profit (excluding fair value less cost of sales of biological assets) was at Baht 37 million in Q2/2023



Strong Engagement on TIKTOK

- After the Company have launched marketing initiatives on TIKOK in Q1/2023, the number of viewers have increased reaching 115 million views, transforming into higher offline sales performance especially in CVS channel



Launching More Ready to Eat Products

- SORKON is taking initiatives to adapt to changing lifestyle of consumers shifting focus from ready to cook to more ready to eat products
- During April 2023, the Company have launched the traditional Vietnamese sausage in a ready to eat format to capture new generation segment



SORKON Stock Pork to Minimize Risk

- SORKON have successfully stocked pork for the next 4-5 months to ensure continuous margin improvement and reduce risk of price fluctuation

AGENDA

01

Company Overview

02

Strategic Direction & Strategy

03

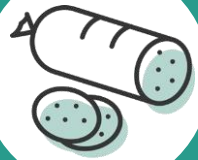
Financial Performance

04

2H/Outlook



SORKON AT A GLANCE

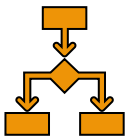


HIGHLY TRUSTED

THAI LOCAL FOOD BRAND



OVER **20,000** TOUCHPOINTS IN THAILAND
WITH STRONG Foothold IN MODERN TRADE

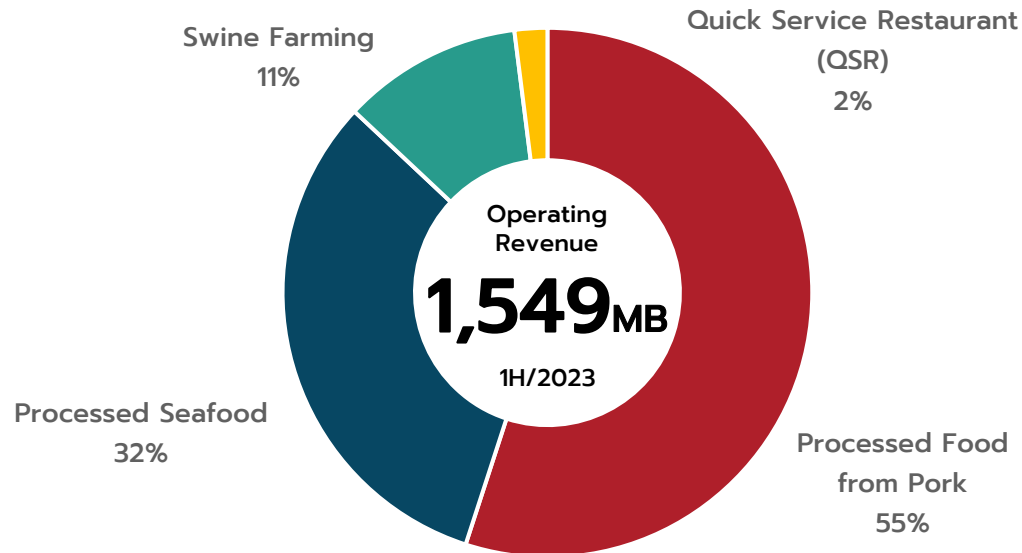


INTEGRATED SUPPLY CHAIN

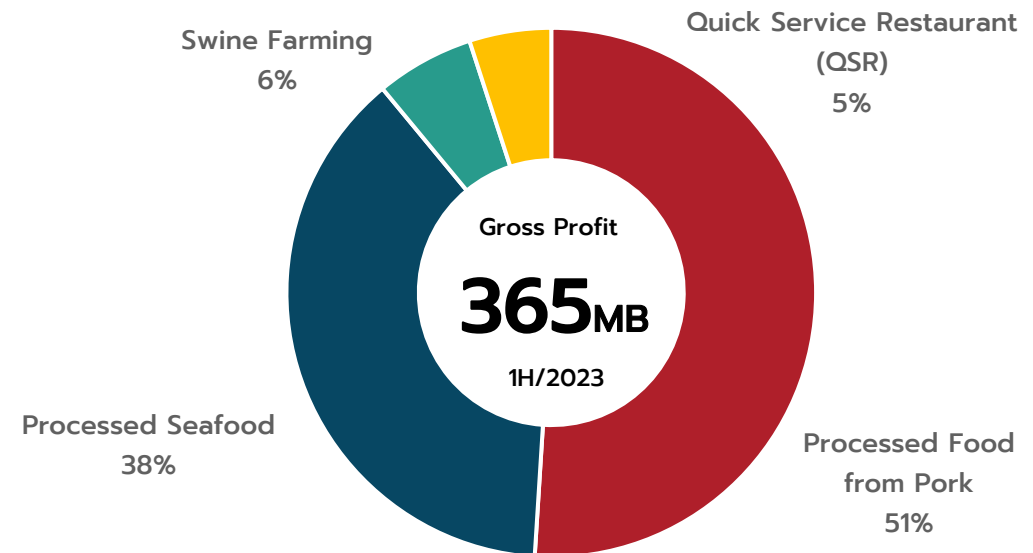
AND UNIQUE ECOSYSTEM

BUSINESS OVERVIEW

➤ Revenue Breakdown by Business Unit



➤ Gross Profit Breakdown by Business Unit



SORKON BUSINESS ALONG THE VALUE CHAIN



Upstream

Downstream

- Farming and distribution of swine
- The primary and principal group of products of the Company
- Processed seafood products including fish balls, shrimp balls etc.
- Operated chain restaurants under the brands "Zaap Classic" and "Yunnan"

BRANDS UNDER SOR GROUP

PCF (Processed Food from Meat)

55%

Thai Native Food



Drinks



Snack



Processed Seafood

32%

Ready to cook & Ready to eat



Chili flake



Swine Farming

11%

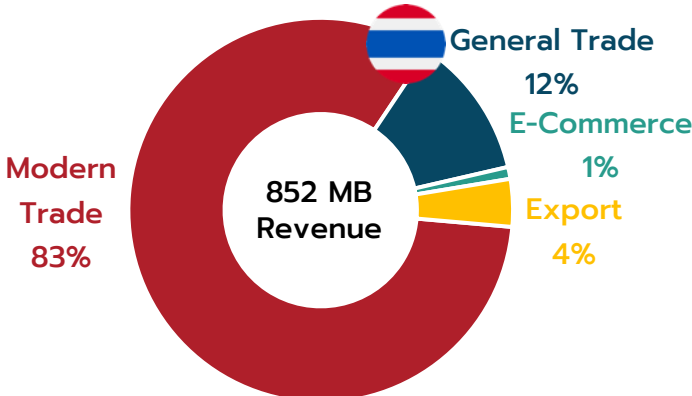


Quick Service Restaurant (QSR)

2%

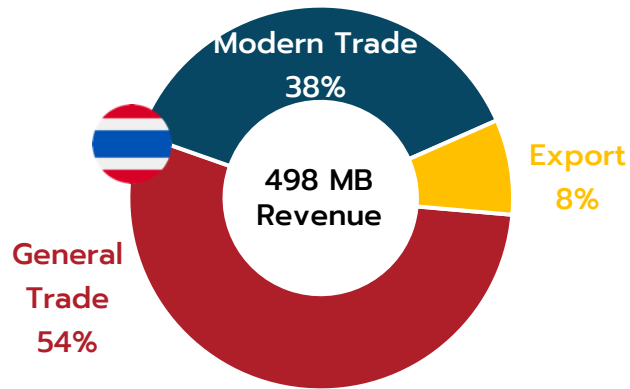


PROCESSED FOOD FROM MEAT (55%)



Brand Positioning					
Positioning					
	Thai native food In today's lifestyle	Local favorites from origins by product category			Value leader
	Quality & Convenience seeker	Mass in modern trade			Value seeker B2B
Customer					
					<ul style="list-style-type: none"> Modern trade New generation

PROCESSED SEAFOOD (32%)



The business of processed seafood is conducted by a company in the group called Mahachai Foods Co. Ltd. ('Mahachai')



Brand Positioning											
Positioning	Customer										
		Premium Standard of fish balls' market		Premium Economy of fried fish balls' market	Premium Economy of fish balls' market	Standard of fish balls' market					Economy of fish balls' market
		• Traditional Trade • Food Service	• Modern Trade • Export	• Modern & Traditional Trade • Food Service	• Traditional Trade • Food Service	• Modern & Traditional Trade • Food Service	• Modern & Traditional Trade • Food Service	• Modern & Traditional Trade • Food Service	• Modern Trade • Export	• Modern Trade • Food Service	• Traditional Trade • Food Service
											

SWINE FARMING (11%)



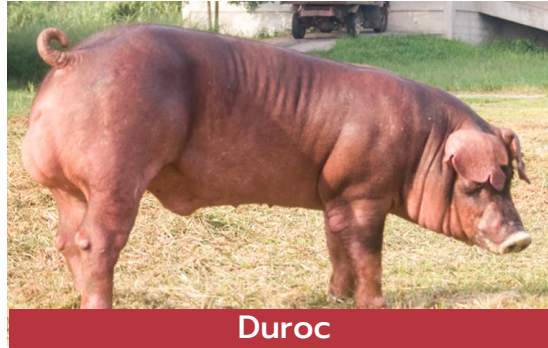
Objectives of Swine Farming

- ✓ Business along the value chain
- ✓ Risk management capability during price fluctuations
- ✓ Green Farming
- ✓ Animal Welfare
- ✓ Biosecurity

The swine farm is 400 Rais, located in Phaya Yen, Pak Chong, Nakhon Ratchasima



Three breeds from Denmark, which were imported for breeding development



Duroc



Large White



Landrace

Existing Capacity (Approximate)

Unit: No. of Pigs



Other than selling pigs, the company also earns from selling by-products from farming

By-Products	
• Animal food factory (tons per year)	43,800
• Pig manure (tons)	39

QUICK SERVICE RESTAURANTS (2%)







Zaap Classic



Zaap Classic serves the ordinary northeastern Thai cuisine such as grilled chicken, papaya salad (Som Tam), spicy minced meat salad (Laab), spicy salad (Yum), sliced grilled meat salad together with the company's popular products such as fermented pork, Vietnamese sausage, northeastern Thai sausage Etc.

Stores

	6
Restaurant	
	-
Kiosk	
	-
Food Truck	
	1
Franchise	

Yunnan



" The perfect savor of low fat pork leg stew mixed with various herbs, recipe inspired from Yunnan is ready for everyone to experience today. S.Khonkaen guarantees the delicious taste as always. "

Stores

	6
Restaurant	
	1
Kiosk	
	2
Food Truck	
	5
Franchise	

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ส. SOR
GROUP

SORKON STRATEGIC DIRECTION

2023

Foundation Excellence and Strategies Validation

- Corporate Branding Internal Launch
- Market Fit Product Development
- Global Distributors Selection
- QSR Operation Excellence
- Validating New Businesses & Expansion Plan
- SOR Mgt. System Finetune
- Digital Transformation
- Group Synergy
- Lean



Rebranding of SOR GROUP

2024

Business Breakthrough and Growth Acceleration

- Capacity Utilization
- Extensive Coverage in Global Channels
- Scale Up New Businesses & Expansion Plan
- Integrated Marketing Communication
- Automation
- Profit Optimization



2025

Sharing Food Ecosystem

- Corporate Branding External Launch
- Multinational Company
- Integrated Swine Supply Chain
- Venture Builder



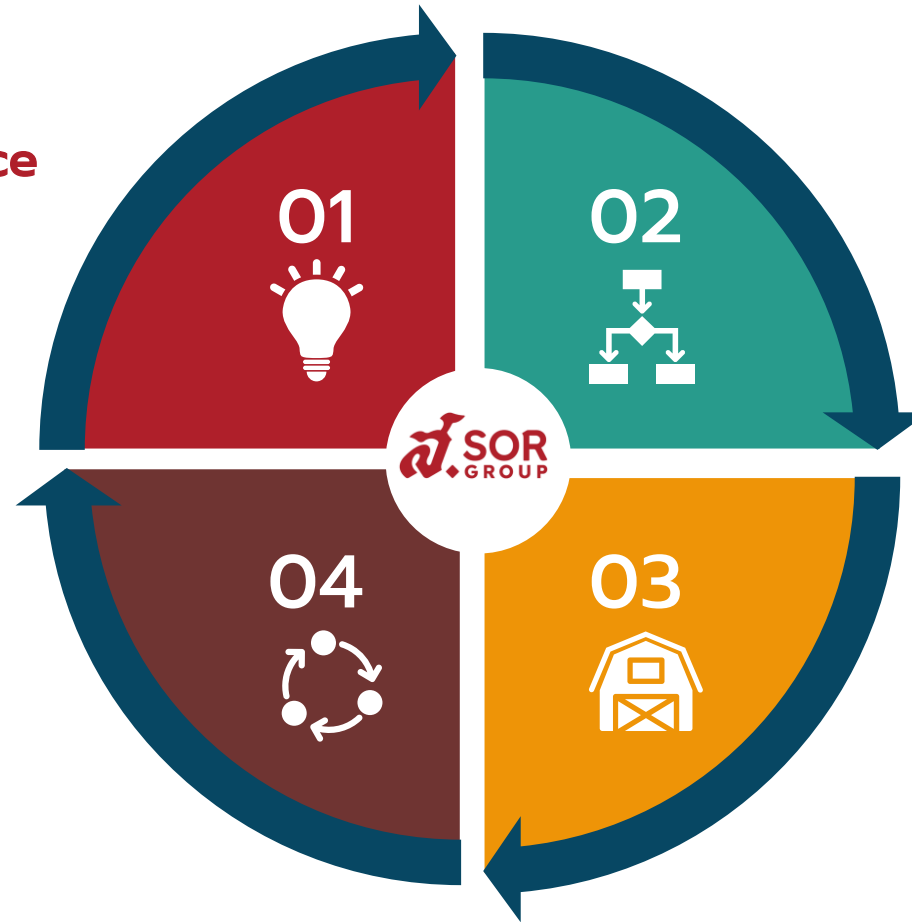
SOR GROUP STRATEGIES (2023-2025)

Wow Product Experience

- Strengthening FMCG Existence
 - Building Foundation
 - Business Growth
- Recover QSR Performance
- Enhancing Partnership Opportunities (Venture Builder)

Sharing Ecosystem

- SOR Group Branding
- Connecting & Networking
- RD Center
- Sor Tower Utilization
- Talent Tank
- Shared Service
- SOR Management System
- Digital Transformation
- Source of Fund



E-Glocal and Own Channels

- General Trade: Wet Market, LMT, Mom&Pop, Food Service
- Oversea market: EU, USA, China, Korea
- E-Commerce: Company Own, Shopee, Lazada
- Food Aggregator: Grab, LINEMAN
- Franchising

Sustainable Supply Chain Integration

- Increasing Capacity of Swine Farm
 - Swine Chain Balancing
- System Integration
 - Logistics Group Synergy
 - Automation
 - Central Kitchen for QSR
 - Certified for Export
 - ESG : Solar Rooftop, Biogas

01 WOW PRODUCT EXPERIENCE

- Local souvenir to Thai meat snack
- Seek for New High Value Product Generator
- Portfolio Management and Diversify Product Offerings

1.1 FMCG

2023 – Business Growth Validation

➤ Launching New NPDs

- Expanding SKU for Tourists (with higher value) to be sold in King Power, Big C, The Mall, Dear Tummy and Tourist Shop



- New Flavors of existing snack



➤ New Initiatives to Drive Sales

SORKON could reach more than 100 million view at TikTok social media to drive offline conversion especially in CVS



Note: *no. of views as of 1 September 2023

➤ Revamping Merchandizing



400 → +5,000 branches

01 WOW PRODUCT EXPERIENCE

- Customer Experience Management
- Central Kitchen Utilization
- Back Office Improvement

1.2 QSR

2023 – Foundation Excellence

➤ Turning Around QSR Business



01

Enhancing Customer Experience

Revising serving format, recipe and rice



02

Increasing Yield of Pork

Increasing the yield of pork served by 30% to enhance margin



03

Stocking Pork at Lower Costs

Managing cost of raw materials



04

Maximizing Basket Size

Introduce different offerings during each period of the day to maximize basket size



05

Reorganizing Structure

To enhance efficiency and control operational costs

02 E-GLOCAL & OWN CHANNELS

- General Trade: Wet Market, LMT, Mom&Pop, Food Service
- E-Commerce: Company Own, Shopee, Lazada
- Oversea Market

2. Expanding Channels

➤ Penetrating Traditional Trade: Wet Market



- New SKU to penetrate Wet Market under the Brand: ก้นเอง by S.Khonkaen

Aug 23

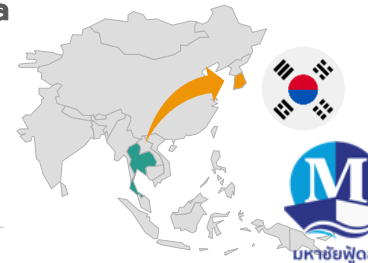
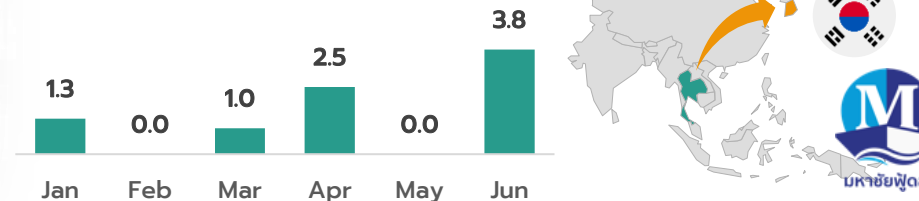


➤ Overseas Market: Expanding Portfolio in South Korea

Jul 23

MFOOD Export to South Korea

Unit: Million Baht

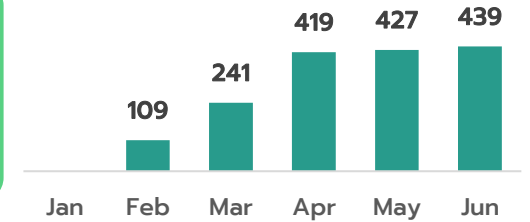


➤ Online Becomes a Driver for Growth

- SORKON captures Noodle store as a new segment through LINESHOP, MT and TT channel

No. of noodle stores expansion

Unit: No. of Stores

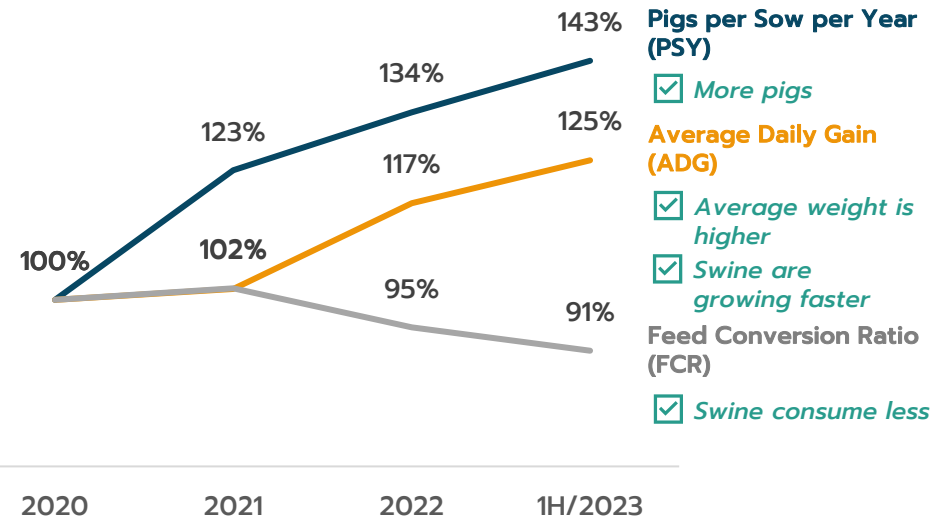


03 SUSTAINABLE SUPPLY CHAIN INTEGRATION

- Efficiency Improvement
- Farm Expansion
- Bio Gas
- Raw Material Management
- Operation Excellence

3. Swine Farm

➤ Efficiency Improvement



➤ Bio Gas Project On Track

Reduce electricity cost of SPS by 60-70%
Target: electricity cost reduction 4-5MB per year



➤ Farm Expansion On Track

- ✓ Increase proportion of Pigs (κνύζα) which yields higher margin

Expansion Plan				
No.	2023		2024	
	Nov	Dec	Jan	Feb
Barn 1	Finish			
Barn 2	Finish			
Barn 3		Finish		
Barn 4		Finish		
Barn 5			Finish	
Barn 6			Finish	
Barn 7				Finish
Barn 8				Finish

Capacity: 800 pigs (κνύζα)/barn

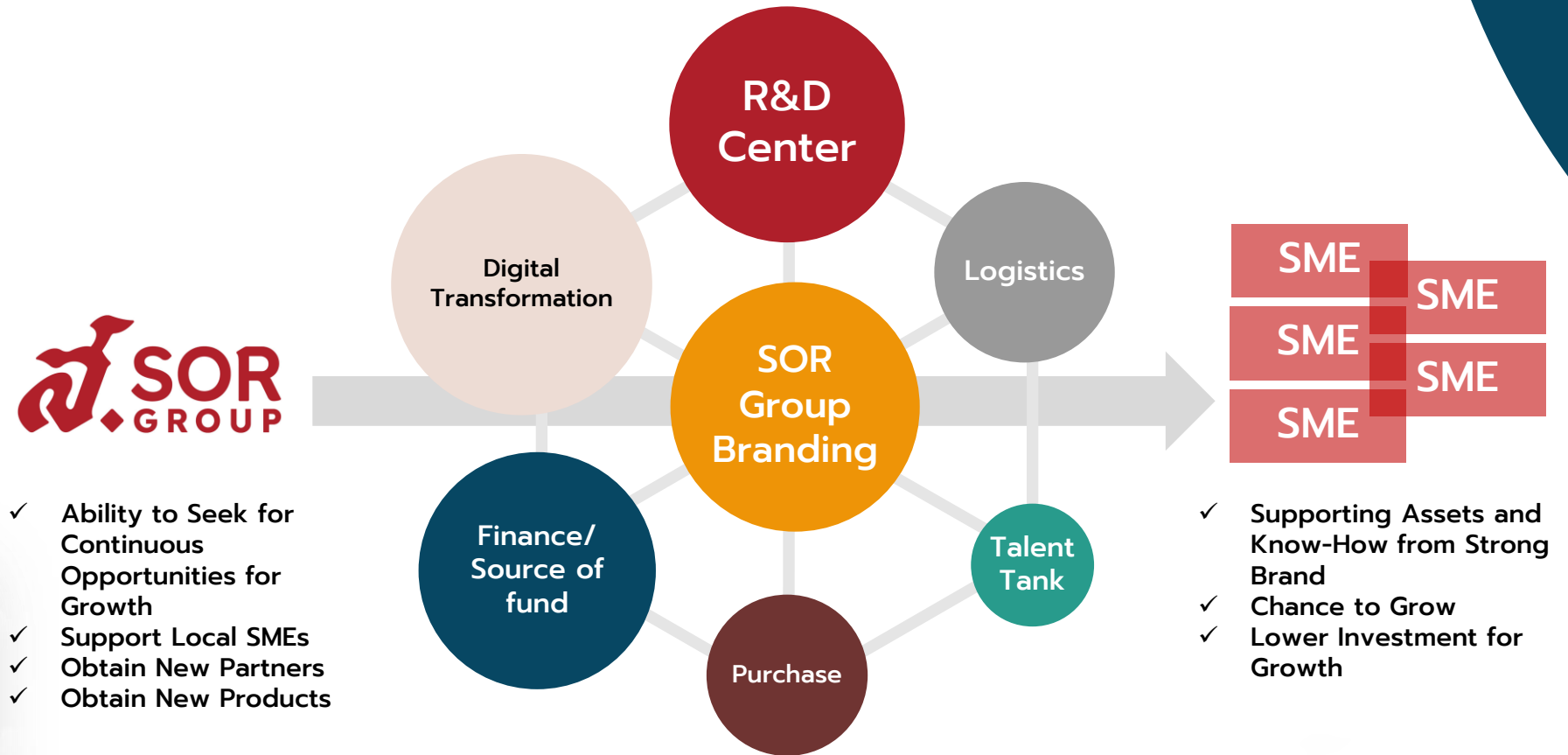
➤ New Farm On Track

- ✓ Currently looking for a strategic location in which must safety and secure from ASF(African Swine Fever)

04 SHARING ECOSYSTEM

4. Sharing Ecosystem

➤ Strengthening Ecosystem for the Company and to Partners



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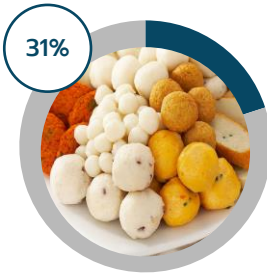
Q2/2023 Financial Highlights

Total Q2/2023 sales : 782 MB

Product Group



447 MB
Processed Food
from Meat



242 MB
Processed Seafood



75 MB
Swine Farm



18 MB
Quick Service Restaurant
(QSR)

Q2/2023 Sales growth 1.96%
QoQ to

▲ 15 MB

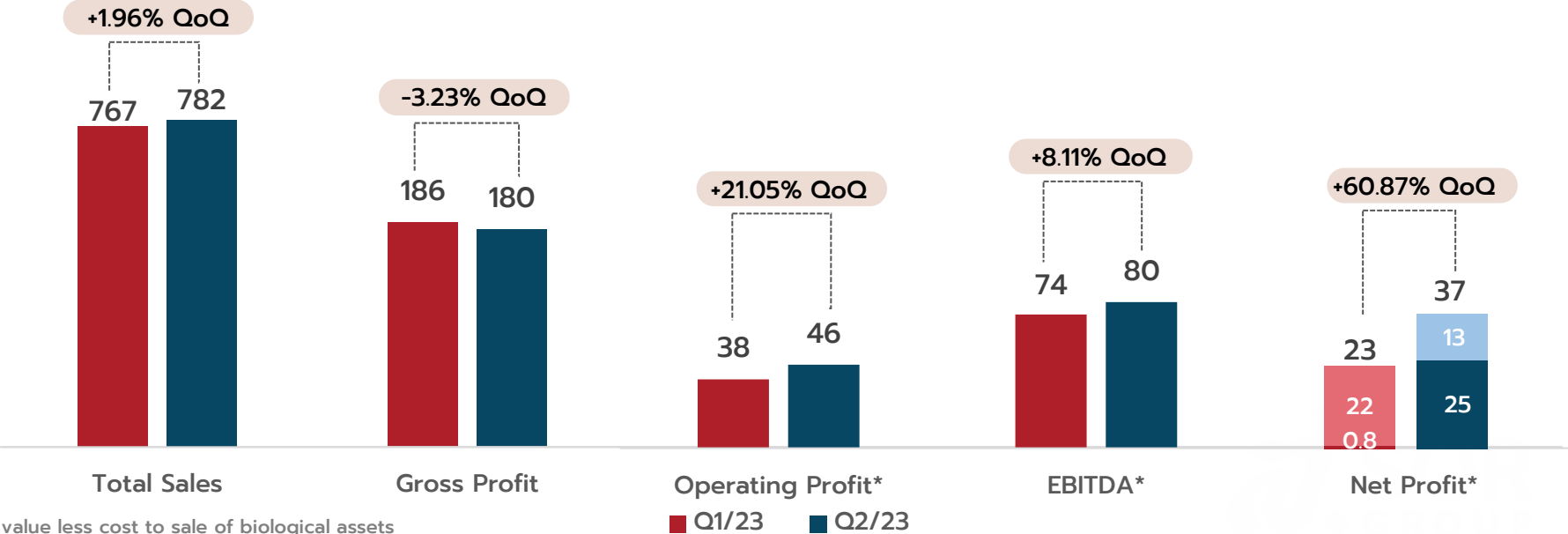
1H/2023 ROA and ROE

3.4%

4.9%

Financial Summary

Unit: Million Baht, %

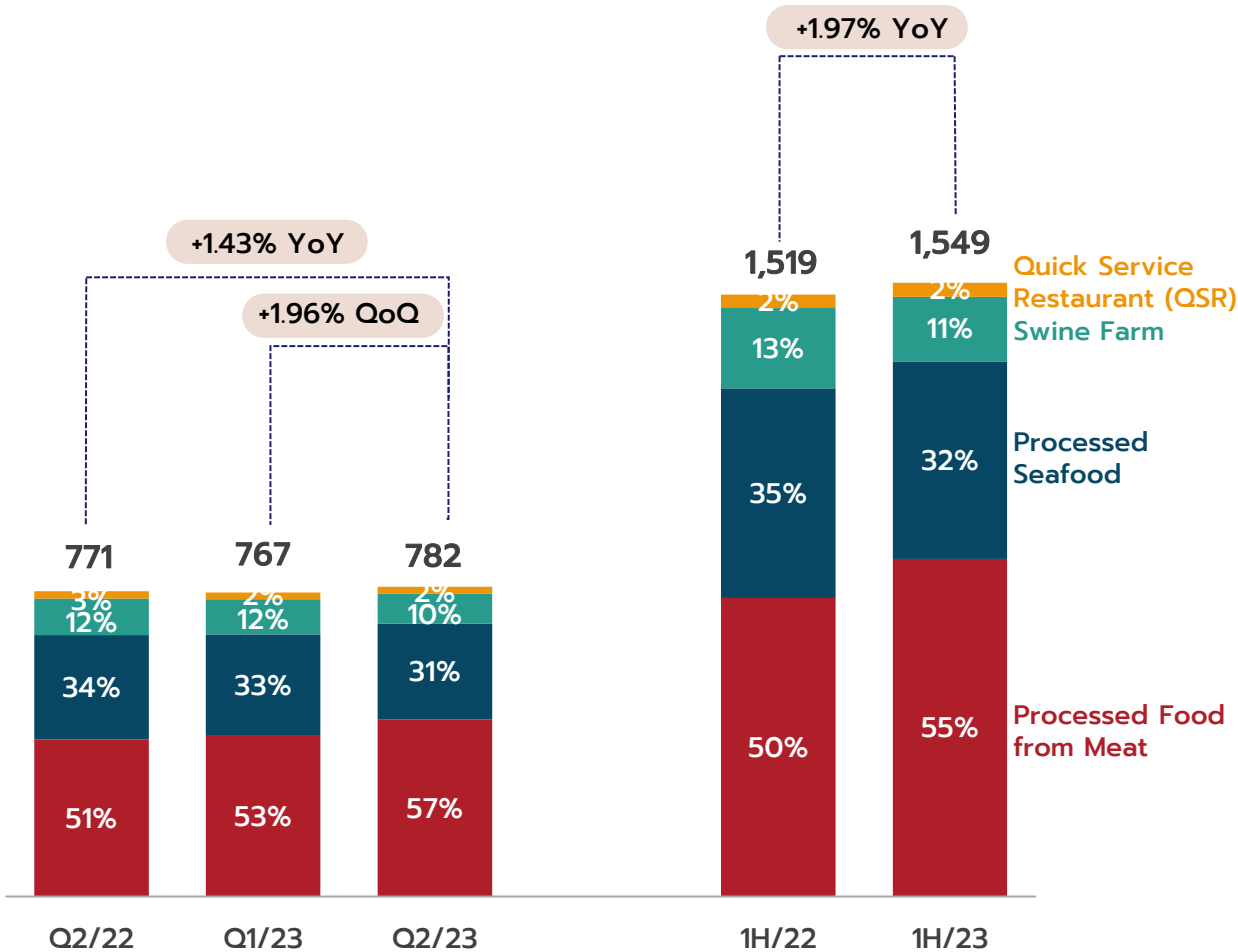


Note: Operating profit and EBITDA before adjusted excluding fair value less cost to sale of biological assets
Net profit from the profit attributable to equity holders of the company and adjusted excluding fair value less cost to sale of biological assets
The fair value less the cost of sales of biological assets incurred from the recognition of the value of biological assets of the swine farm business at the end of the period is calculated in accordance with accounting standards, which is the unrealized profit or loss.

OPERATING REVENUE

OPERATING REVENUE BREAKDOWN BY PRODUCT GROUP

Unit: Million Baht, %



YoY: Q2/23 vs Q2/22

+1.43%

Operating Revenue was Baht 782 million, increased by Baht 11 million mainly due to:

- **Processed Food from Meat:** increased due to sales growth via Modern Trade channels and the launch of new Thai traditional food products could be distributed as planned
- **Processed Seafood:** decreased due to the impact on sales volume and fluctuation of seafood prices
- **Swine farm:** decreased due to the affected of the swine price drop

QoQ: Q2/23 vs Q1/23

+1.96%

Operating Revenue was Baht 782 million, increased by Baht 15 million mainly due to:

- **Processed Food from Meat:** increased due to sales growth via Modern Trade channels
- **Processed Seafood:** decreased due to the impact on sales volume and fluctuation of seafood prices
- **Swine Farm:** decreased due to the affected of the swine price drop

YoY: 1H/23 vs 1H/22

+1.97%

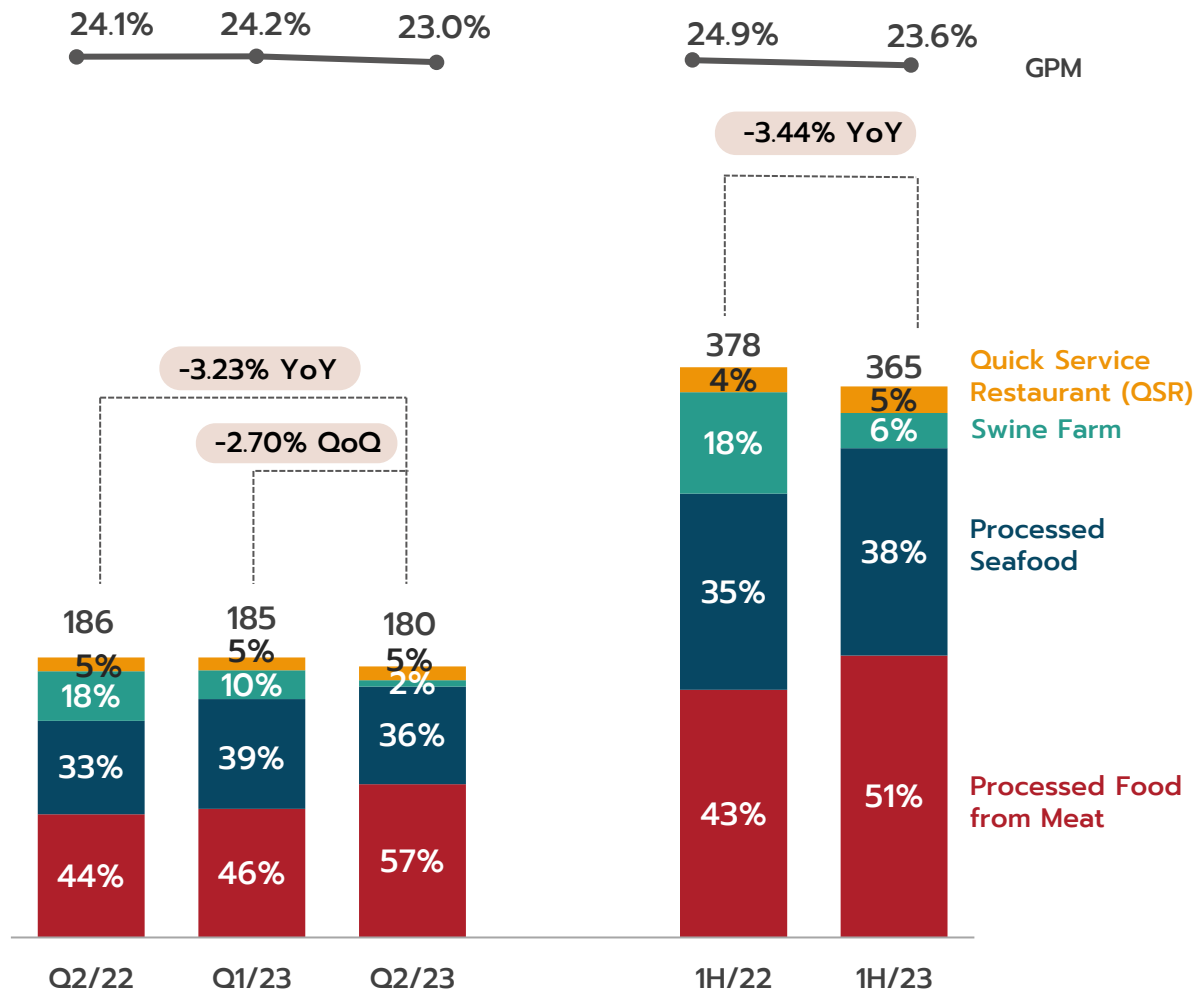
Operating Revenue was Baht 1,549 million, increased by Baht 30 million mainly due to:

- **Processed Food from Meat:** increased due to sales growth via Modern Trade channels and the launch of new Thai traditional food products could be distributed as planned
- **Processed Seafood:** decreased due to the impact on sales volume and fluctuation of seafood prices as well as discontinued the sale of unprofitable items
- **Swine Farm:** decreased due to the affected by the swine price drop and lower volume

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross Profit and GPM decreased YoY and QoQ due to the fluctuating prices of raw materials and an increase in utility costs such as electricity and labor costs. Along with the remained stock of high-cost raw material

Unit: Million Baht, %



YoY: Q2/23 vs Q2/22

-3.23%

- Gross Profit was Baht 180 million, decreased by Baht 6 million and **Gross Profit Margin in Q2/2023 was 23.0%, decreased from 24.1%** mainly due to the fluctuating prices of raw materials and rising electricity and labor costs, while Swine farm declined according to market prices. Along with the cost of raw materials used, where the average cost still remains slightly higher than the current prices which began to decline. However, the gross profit is expected to improve in Q3/23
- However, the company focused on cost management by stocking raw materials at reasonable prices, expanding distribution channels, and closing certain branches with high operating losses

QoQ: Q2/23 vs Q1/23

-2.70%

- Gross Profit was Baht 180 million, decreased by Baht 5 million and **Gross Profit Margin in Q2/2023 was 23.0%, decreased from 24.2%** mainly due to an increase in variable costs from electricity and labor costs

YoY: 1H/23 vs 1H/22

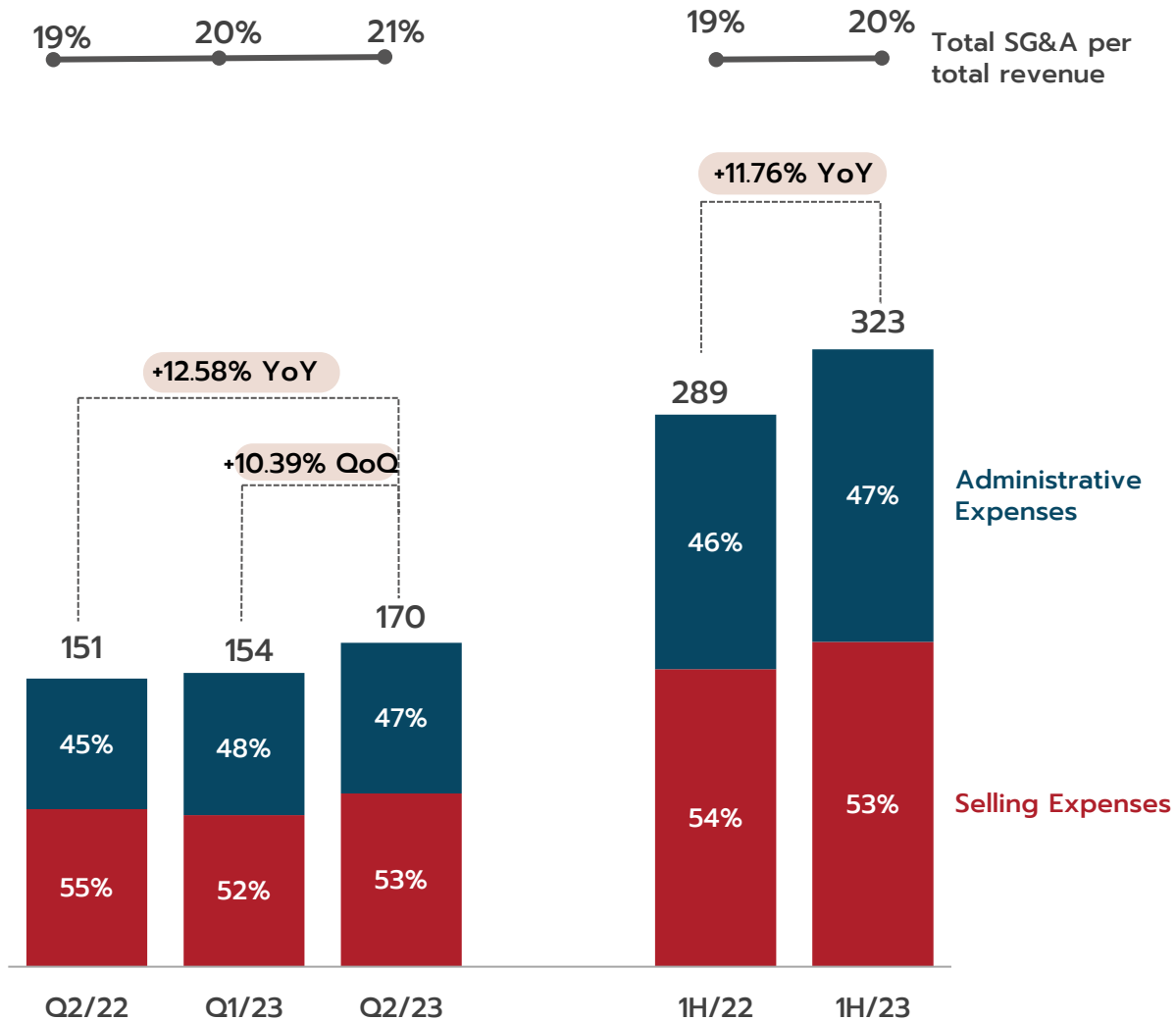
-3.44%

- Gross Profit was Baht 365 million, decreased by Baht 13 million and **Gross Profit Margin in 1H/2023 was 23.6%, decreased from 24.9%** mainly due to the fluctuating prices of raw materials and rising electricity and labor costs, while Swine farm declined according to market prices. Along with the cost of raw materials used, where the average cost still remains slightly higher than the current prices which began to decline. However, the gross profit is expected to improve in Q3/23
- However, the company focused on cost management by stocking raw materials at reasonable prices, expanding distribution channels, and closing certain branches with high operating losses

SELLING & ADMINISTRATIVE EXPENSES

SG&A increased YoY and QoQ mainly due to an increase in marketing expenses and transportation costs as well as employee-related expense

Unit: Million Baht, %



YoY: Q2/23 vs Q2/22

+12.58%

SG&A was Baht 170 million, increased by Baht 19 million and SG&A to Total Revenue in Q2/23 was 21%, increased from 19% mainly due to

- Increased marketing expenses related to an increase in sales
- Increased transportation costs due to higher oil prices and sales volume
- While administrative expenses increased from employee-related expenses

QoQ: Q2/23 vs Q1/23

+10.39%

SG&A was Baht 170 million, increased by Baht 16 million and SG&A to Total Revenue in Q2/2023 was 21%, increased from 20% mainly due to

- Marketing expenses related to an increase in sales
- Extraordinary expenses from land sales

YoY: 1H/23 vs 1H/22

+11.76%

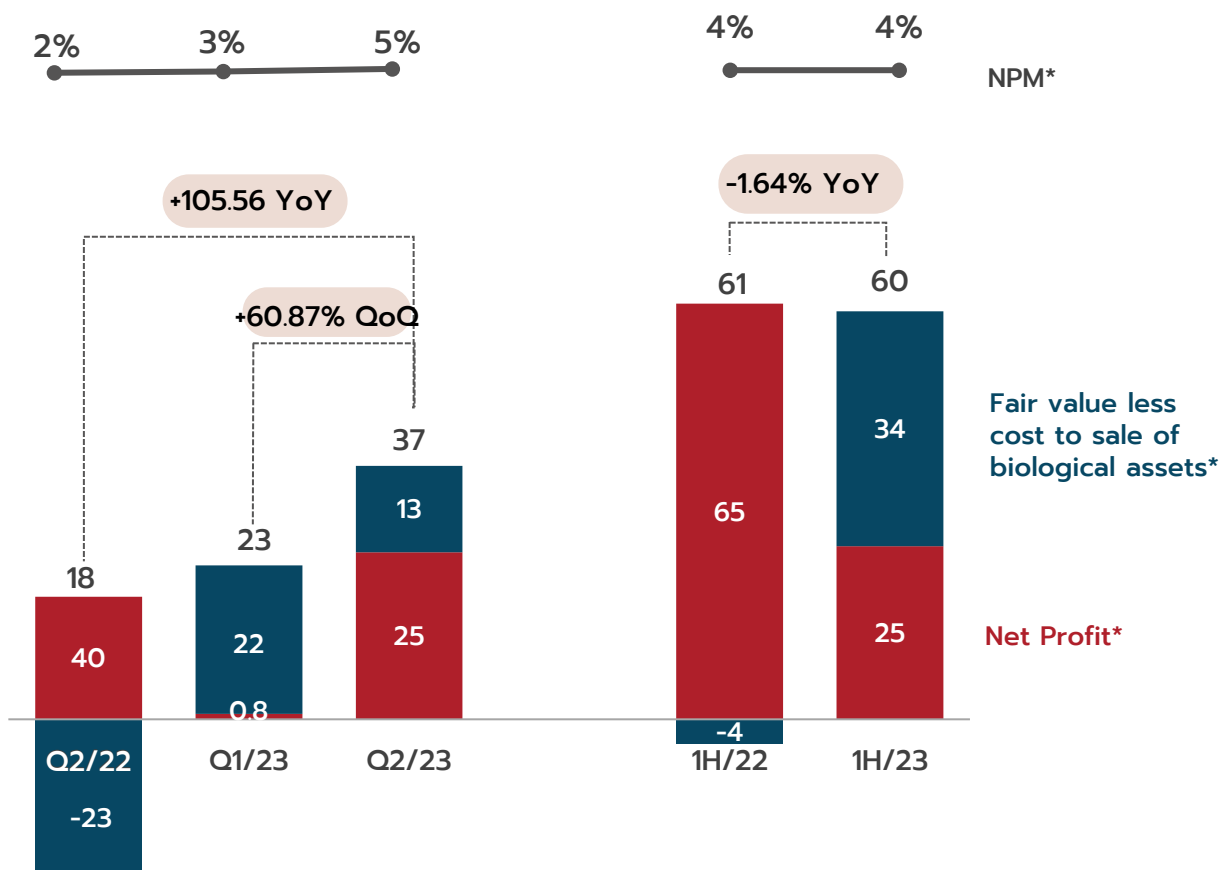
SG&A was Baht 323 million, increased by Baht 34 million and SG&A to Total Revenue in 1H/23 was 20 %, slightly increased from 19 % mainly due to

- Increased marketing expenses related to an increase in sales
- Increased transportation costs due to higher oil prices and sales volume
- While administrative expenses increased from employee-related expenses

NET PROFIT & NET PROFIT MARGIN (OPERATING)

Net profit & NPM increased YoY and QoQ mainly due to an increase in sales of Processed Food from Meat and the launch of new Thai traditional food products could be distributed as planned Along with the supported factor of a decrease in raw material cost

Unit: Million Baht, %



YoY: Q2/23 vs Q2/22

+105.56%

- Net Profit was Baht 37 million, increased by Baht 19 million and NPM in Q2/2023 was 5%, increased from 2% mainly due to an increase in sales of Processed Food from Meat corresponding to sales growth via Modern Trade and the launch of new Thai traditional food products could be distributed as planned. Along with the supported factor of a decrease in raw material cost. In addition, the company focused on cost management by stocking raw materials at reasonable prices, expanding distribution channels, and closing certain branches with high operating losses

QoQ: Q2/23 vs Q1/23

+60.87%

- Net Profit was Baht 37 million, increased by Baht 15 million and NPM in Q2/2023 was 5%, increased from 3% mainly due to an increase in sales from Processed Food from Meat and Quick Service Restaurant and increased management service income of S.Tower Office Building. Along with the supported factor of a decrease in raw material cost

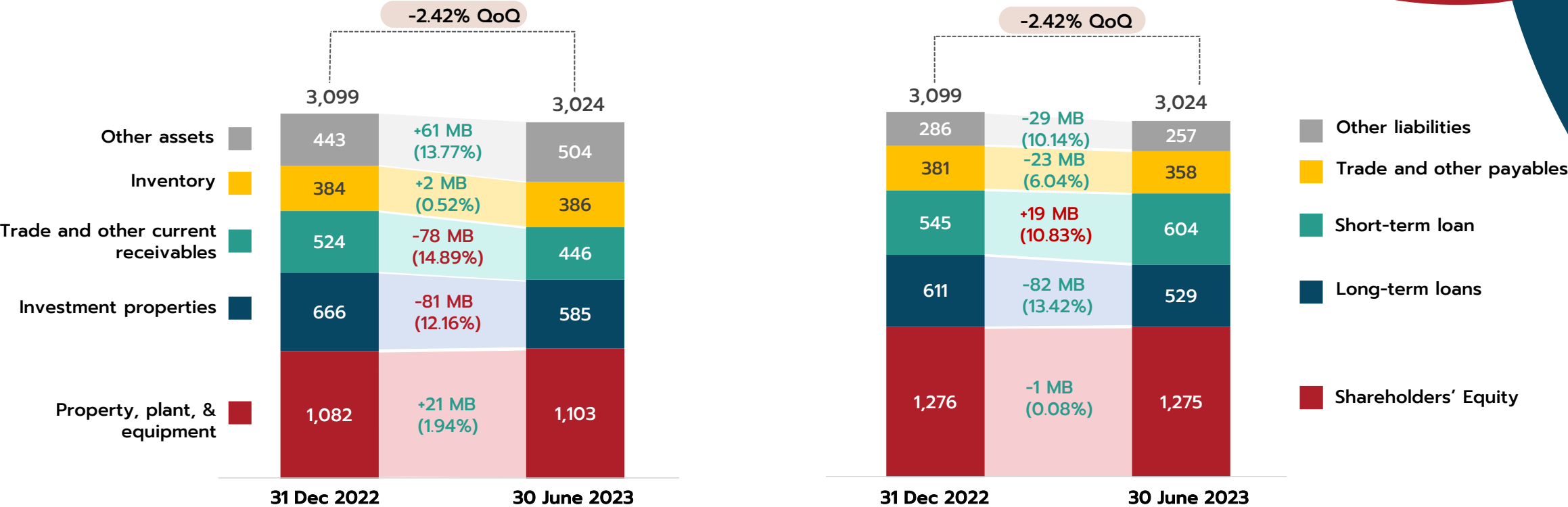
YoY: 1H/23 vs 1H/22

-1.64%

- Net Profit was Baht 60 million, slightly decreased by Baht 2 million and NPM in 1H/2023 was 4%, unchanged from 1H/2022 mainly due to the cost of raw materials used, where the average cost still remains slightly higher than the current prices which began to decline. Along with rising electricity and labor costs as well as an increase in selling and administrative expenses. However, the company focused on cost management by stocking raw materials at reasonable prices, expanding distribution channels, and closing certain branches with high operating losses

STATEMENT OF FINANCIAL POSITION

Unit: Million Baht, %



Asset

As of 30 June 2023, the total assets were Baht 3,024 million decrease by Baht 75 million or 2.42% from 31 December 2022 mainly due to:

- **Trade and other current receivables:** decreased by Baht 78 million related to the decrease in sales in Q2/2023
- **Investment properties** decreased by Baht 81 million from the sale of land

Liabilities

As of 30 June 2023, the total liabilities were Baht 1,748 million decrease by Baht 75 million or 4.09% from 31 December 2022 mainly due to:

- **Trade and other payables:** decreased by Baht 23 million due to repayment during stock up period
- **Long-term loans:** decreased by Baht 81 million from loan repayment to financial institutions

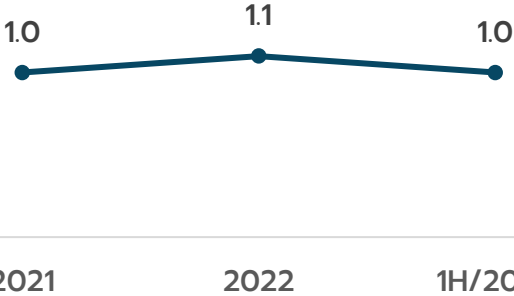
Shareholders' Equity

As of 30 June 2023, the total Shareholders' equity was Baht 1,275 million slightly decreased from 31 December 2022 mainly from dividend payment

KEY FINANCIAL RATIOS

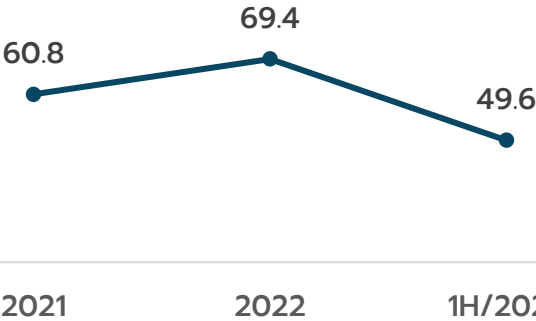
Current Ratio

Unit: Times



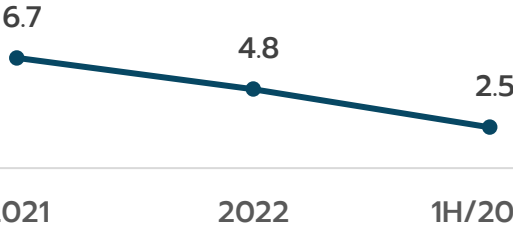
Cash Cycle

Unit: Days



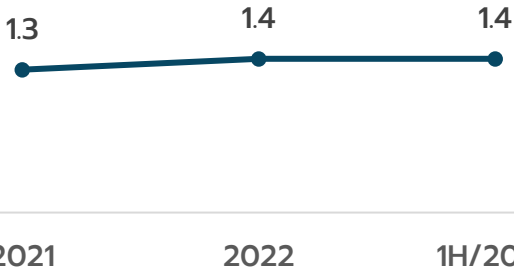
Interest Coverage Ratio

Unit: Times



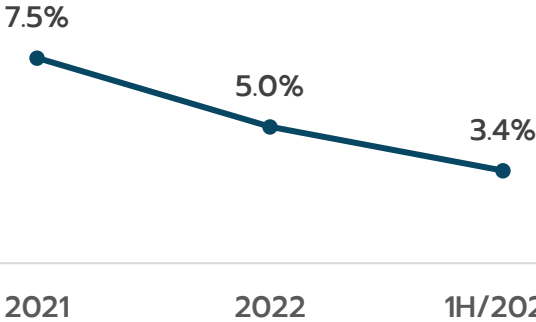
D/E Ratio

Unit: Times



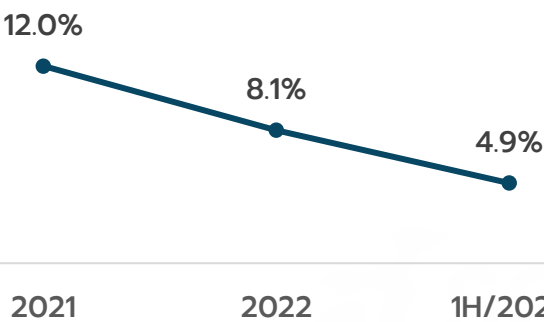
ROA

Unit: %



ROE

Unit: %



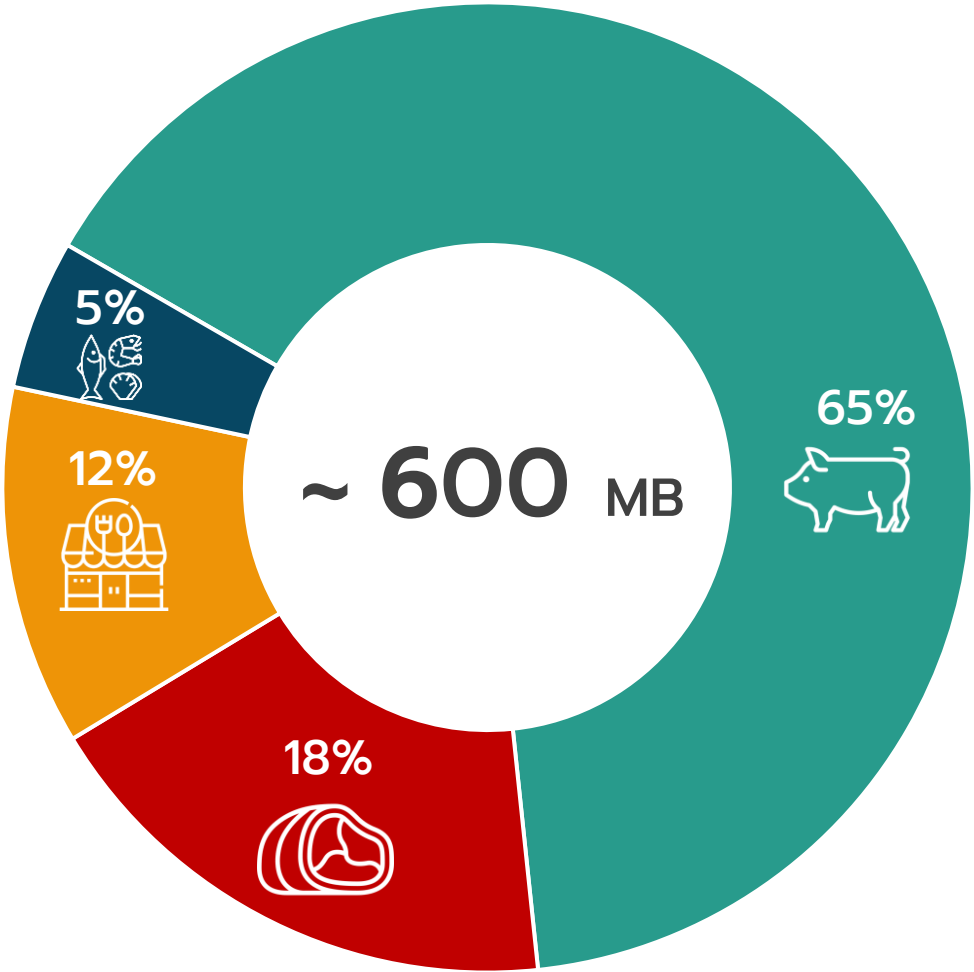
2023-2024 INVESTMENT AND FINANCING ACTIVITY

Processed Seafood

- ✓ **In progress:** New machinery for capacity expansion to support export channel

Quick Service Restaurant (QSR) and Other Plan

- ✓ **Completed:**
 - S. Kitchen acquired central kitchen
 - Buy 30% shares from Leanlicious
- ✓ **In progress:** JV to launch new brand, expand international business, and new factory



Swine Farm

- ✓ **In progress:** Existing Farm Facilities 90 MB
- ✓ **Finding new location:** Looking for land to invest in new farm

Processed Food from Meat

- ✓ **In progress:** Renovate Bangplee Factory (Phase 3)
 - ✓ Improve product quality
 - ✓ Increase production capacity
 - ✓ Cost saving

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2H/2023 OUTLOOK



Penetrate Traditional Trade and Wet Market

- Select new distributor partner to support the growth of traditional trade
- Increase sales from wet market channel through leveraging existing customer base of MFood



New Source of Revenue - International

- South Korea: The Company expects to generate revenue from South Korea in Q3/2023 for processed seafood products
- USA: SORKON is seeking to expand the US market



Penetrate into CVS with new Products

- By Q4/2023, the Company plans to offer new products to 7/11 to capture new trends and changing lifestyle



THANK YOU



Please kindly give us your feedback



HISTORY AND KEY MILESTONES

