

TACC-015/2017

August 10, 2017

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2017

To: Managing Director

The Stock Exchange of Thailand

T.A.C. Consumer Public Company Limited ("the company") would like to clarify the operating results for the second quarter ended June 30, 2017 as follows:

### Revenues

#### Sales

In the 2nd quarter of 2017, the company achieved a revenue of 329.79 million Baht. This had an increase of 33.27 million Baht (11.22%) from the 2nd quarter of 2016 (296.52 million Baht).

For sales in the six-month period ended June 2016, the company achieved a revenue of 613.09 million Baht. This had an increase of 33.35 million Baht (5.75%) from the same period of previous year (579.74 million Baht), due to the following reasons:

- 1) The company achieved 22.81 million Baht (4.38%) increase from domestic sales, from 520.91 million Baht for the six-month of 2016 to 543.72 million Baht for the six-month of 2017. This growth was due to (A) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and launched a new seasonal flavor Menu and, (B) Hot Beverage Dispenser have been installed increase in this period (C) "Japanese Style Donut Original Flavor" under "A Smile" brand being launched in September 2016. In addition, (D) Cold Beverage in Dispenser, that launched the seasonal flavors : Green tea - Honey lemon flavor and Green tea – orange Yusu in this quarter (E) New product Mocktails "Magarita Mocktail" and "Mai Tai Mocktail" being launched in March 2017.
- 2) The company got the increase of 10.54 million Baht (17.92%) from international sales, from 58.83 million Baht for the six-month of 2016 to 69.37 million Baht for the six-month of 2017. The reason came from an intensified aggressive promotion of a competitor in Green tea market. Meanwhile, the company has launched energy drinks in Cambodia under brand "Jump Start" in two flavors, mixed fruits and pomegranate since January 2017 onwards. However, the company have marketing activities in green tea market to achieve sale budget.

### Other income

In the 2nd quarter of 2017, the company had other income of 1.73 million Baht. This was decreased by 7.13% from the 2nd quarter of 2016 (1.86 million Baht).

For sales in the six-month period ended June 2017, the company achieved other income of 5.50 million Baht. This had an increase of 2.40 million Baht (77.70%) from the same period of previous year (3.10 million Baht), due to unrealized gain on short term of investment, interest income and other income from compensation.

### Cost of Sales

In the 2nd quarter of 2017, the company incurred expense of 224.83 million Baht in cost of goods sold (68.17% of sales) deriving 31.83% gross margin. For the 2nd quarter of last year, the company incurred expense of 205.18 million Baht in cost of sales (69.20% of sales) or 30.80% gross margin.

The cost of sales for the six-month period ended June 2017 were 417.61 million Baht (68.12% of sale) or 31.88% gross margin. While the same period of previous year were 401.37 million Baht (69.23 % of sale) or 30.77 % gross margin. The company was able to achieve an improved percentage of the gross margin due to focus on those products which deliver the higher gross margin.

### Selling Expenses

In the 2nd quarter of 2017, the company incurred an increase in selling expense by 17.04%, from 42.86 million baht for the 2nd quarter of 2016 to 50.17 million baht for the 2nd quarter of 2017. However, if it was compared with total revenues, the company incurred an increase the proportion by 0.76%, from 14.37% of total revenues in 2nd quarter of 2016 to 15.13% of total revenues in the same period this year.

For the six-month period ended June 2017, the company incurred an increase in selling expense by 19.09%, from 82.97 million Baht for the six-month period of 2016 to 98.81 million Baht for the six-month period of 2017. However, if it was compared with total revenues, the company incurred an increase the proportion by 1.73%, from 14.24% of total revenues in 2nd quarter of 2016 to 15.97% of total revenues in the same period this year. This increase due to sale promotion, advertising for the new product "Jump Start" energy drink and Green tea market, that spend the promotion to maintain sale achieved our budget. Moreover, the increasing of depreciation of The Hot dispensers that be installed completed increasing.

### Administrative Expenses

In the 2nd quarter of 2017, the company incurred an increase in administrative expense by 9.06%, from 16.14 million Baht for the 2nd quarter of 2016 to 17.60 million Baht for the 2nd quarter of 2017.

For the six-month period ended June 2017, the company incurred a decrease in administrative expense by 9.23%, from 33.87 million Baht for the six-month period of 2016 to 30.75 million Baht for the six-month period of 2017. This decrease due to no investment in a corporate information system compared to that of last year and have controlled selling expenses, advertising and promotion expense in budget.

#### **Finance Costs**

In the 2nd quarter of 2017, the company derived a decrease in finance cost of 49.93%, from 0.15 million Baht in the 2nd quarter of 2016 to 0.07 million Baht this year.

For the six-month period ended June 2016, the company derived a decrease in finance cost of 50.11%, from 0.29 million Baht in the six-month of 2016 to 0.15 million Baht this year. This was due to deferred interest that the company paid some of financial lease in 2016. The liabilities under financial lease in statement of financial position had decreased in accordance.

#### **Net Profit**

In the 2nd quarter of 2017 and 2016, the company achieved 31.15 million Baht (9.39 % of sale) and 27.08 million Baht (9.08 % of sale) respectively.

For the six-month period ended June 2017 and 2016, the company achieved 56.97 million Baht (9.21% of sale) and 51.00 million Baht (8.75 % of sale) respectively. The increase in net profit was driven by (a) the increasing of gross margin from higher sale and (b) the controlling expense in budget.

#### **Business Plan 2017**

The company expects the target of sales in 2017 grow between 10-15 % from the previous year. Both revenue growth are product group which the company jointly developed with its business partner (Business to Business : B2B) and product group distribute under the company brand (Business to Customer : B2C). Furthermore, the revenue growth from existing products and the new products of the company.

However, The Japanese Style Donut have higher of logistic cost, so the company would plan launch new style for expand in bakery category.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited

