

No: SN. 064/2019

Aug 9, 2019

Subject: Clarification of Operating Results and Financial Status of Quarter 3 ended June 30, 2019

Attention: President

The Stock Exchange of Thailand

Oishi Group Public Company Limited and subsidiaries clarify Consolidated Operating Results and Financial Status of Quarter 3 ended June 30, 2019 as the following,

Oishi Group Financial Performance for the three-month period of Quarter 3/2018-2019

Sales

Total sales and services revenue of the company for Q3'2018-2019 was Baht 3,639 million, increased by Baht 294 million or 8.8% from Q3'2017-2018 that was explained as follows;

Beverages business

The beverage sales and services revenue for Q3'2018-2019 was Baht 1,799 million, increased by Baht 84 million or 4.9% from Q3'2017-2018, driven by strong growth in export sales while domestic market we sustain the leadership position in the RTD Tea market. Moreover, the Company started to earn services revenue from OEM business in this quarter.

Food business

The food sales for Q3'2018-2019 was Baht 1,840 million, increased by Baht 210 million or 12.9% from Q3'2017-2018, mainly from new restaurant outlet expansion and strong growth in sales of existing stores.

Cost of Sales

Total cost of sales and services of the company for Q3'2018-2019 was Baht 2,292 million, increased by Baht 150 million or 7.0% from Q3'2017-2018 which was explained as follows;

Beverages business

The beverage cost of sales and services increased according to sales growth from the same period last year. The ratio of beverage cost to sales was slightly higher than the same period last year due to some initial cost of ramping up of the UHT OEM operation in this quarter.

Food business

The food cost of sales increased according to sales growth. However, the ratio of food cost to sales was better from the same period of last year due to higher sales growth resulting in lower waste and ability to control key raw materials' price.

Selling Expenses

Selling expenses of Q3'2018-2019 was Baht 383 million, about maintained from the same period of last year. The company continued to have well control over advertising and promotional expenses and implement synergized marketing campaigns across Beverage and Food businesses resulting in higher sales growth while maintain spending level.

Administrative Expenses

Administrative expenses of Q3'2018-2019 was Baht 519 million, about flat compared to the same period of last year.

Non-recurring Item

In Q3'2018-2019, the company booked provision for retirement benefit amounted Baht 22 million. This was due to the changes in the Labor Protection Act that requires companies to pay severance payment of 400 days of wages for an employee who is terminated and have services year more than 20 years. This was one-time expense in the Income Statement, but no impact to Cash Flow due to its non-cash item.

Compared to the same period last year, the Company recognized tax expense of Baht 51 million in Q3'2017-2018 from the food business restructuring and the company was able to utilize the deferred tax asset, which was non-cash item.

Net Profit

Reported net profit of the company for the period of Q3'2018-2019 was Baht 422 million, rose by Baht 130 million or 44.5% from the same period of last year.

Normalized net profit, adjusted with Non-recurring item, for the period of Q3'2018-2019 was Baht 444 million, increased by 101 million or 29.4% from Normalized net profit of Baht 343 million in Q3'2017-2018.

Increase in both the company's Reported net profit and normalized net profit were mainly from sales growth and lower cost of Food business due to higher efficiency control as well as increased profit of the Beverage business from export sales growth and well control of selling expense.

Oishi Group Financial Performance for the nine-month period ended June 30, 2019

Sales

Total sales and services revenue of the company for the nine-month period year 2018-2019 was Baht 10,488 million, increased by Baht 862 million or 9.0% from the nine-month period year 2017-2018 that was explained as follows;

Beverages business

The beverage sales and services revenue for the nine-month period year 2018-2019 was Baht 5,102 million, increased by Baht 329 million or 6.9% from the same period of last year, mainly driven by strong growth in export sales and increase in domestic sales due to new products launch and successful summer campaign. Moreover, the Company started to earn services revenue from OEM business in Q3'2018-2019

Food business

The food sales for the nine-month period year 2018-2019 was Baht 5,386 million, increased by Baht 533 million or 11.0% from the same period of last year, mainly driven by new restaurant outlet expansion and positive same stores sales growth.

Cost of Sales and Services

Total cost of sales and services of the company for the nine-month period year 2018-2019 was Baht 6,688 million, increased by Baht 515 million or 8.3% from the nine-month period year 2017-2018 which was explained as follows;

Beverages business

The beverage cost of sales and services increased according to sales growth while ratio of beverage cost of sales was slightly higher from the same period of last year due to some initial cost of ramping up of the UHT OEM operation in Q3'2018-2019.

Food business

The food cost of sales increased according to sales growth. However, the ratio of food cost to sales was better from the same period of last year due to higher sales volume resulting in lower waste and ability to control key raw materials' price.

Selling Expenses

Selling expenses of the nine-month period year 2018-2019 was Baht 1,115 million, reduced by Baht 39 million or 3.4% from the same period of last year. This was mainly from well control over advertising and promotional expense.

Administrative Expenses

Administrative expenses of the nine-month period year 2018-2019 was Baht 1,520 million, maintained from the same period of last year due to spending management.

Non-recurring Item

As aforementioned in Q3'2018-2019, the company booked provision for retirement benefit amounted Baht 22 million. This was due to the changes in the Labor Protection Act and this was one-time expense in the Income Statement, but no impact to Cash Flow due to its non-cash item.

Compared to the same period last year, the Company recognized tax expense of Baht 51 million in Q3'2017-2018 from the food business restructuring and the company was able to utilize the deferred tax asset, which was non-cash item.

Net Profit

Reported net profit of the company for the nine-month period year 2018-2019 was Baht 1,145 million, rose by Baht 313 million or 37.6% from the same period of last year.

Normalized net profit, adjusted with Non-recurring item, for the nine-month period year 2018-2019 was Baht 1,167 million, increased by 284 million or 32.2% from Normalized net profit of Baht 883 million in the nine-month period year 2017-2018.

Increase in both the company's Reported net profit and Normalized net profit were driven by total company's sales growth from beverage export sales and restaurant outlets expansion, lower cost of Food business due to higher efficiency control and well control of selling expense continuously.

Oishi Group Financial Status as of June 30, 2019

Assets

Total assets as of June 30, 2019 was Baht 9,395 million, declined by Baht 285 million or 2.9% from Total assets as of September 30, 2018 (The end of fiscal year 2017-2018) with details as follows,

Current assets were Baht 2,999 million, declined by Baht 396 million or 11.7% from September 30, 2018. Cash and cash equivalents were at Baht 1,229 million, sufficient for the upcoming bond repayment scheduled in July 2019. Other receivables reduced which was mainly from partial insurance claim of Baht 600 million received since January 2019.

Non-current assets were Baht 6,396 million, about flat compared to September 30, 2018. Property, Plant and Equipment increased due to a recovery of the new UHT production lines from the fire incident since December 2018 partly offset by depreciation.

Liabilities

Total liabilities as of June 30, 2019 was Baht 2,818 million, decreased by Baht 872 million or 23.6% from September 30, 2018 with details as follows,

Current liabilities were Baht 2,680 million, decreased by 894 million or 25.0% from September 30, 2018. This was mainly from repayment of matured debentures of Baht 701 million in Q1' 2018-2019. The remaining debenture of Baht 1,000 million is scheduled to be repaid in July 2019.

Non-current liabilities were Baht 138 million, increased by Baht 22 million or 18.5% from September 30, 2018 mainly from higher retirement benefits due to change of labor laws.

Shareholders' Equity

Total equity as of June 30, 2019 was Baht 6,577 million, increased by Baht 587 million or 9.8% from September 30, 2018, due to increase in retained earnings as a result of additional net profit during the nine-month period partly offset by interim dividend payment.

Sincerely yours,

(Mrs. Nongnuch Buranasetkul)
President & CEO