

No: SN. 084/2021

11 August 2021

Subject: Management Discussion and Analysis for the three-month and nine-month periods and Financial Position ended June 30, 2021 (Quarter 3/2020-2021)

Attention: President

The Stock Exchange of Thailand

Oishi Group Public Company Limited and its subsidiaries clarify Consolidated Operating Results for the three-month and nine-month periods and Financial Position ended June 30, 2021 as the following;

Oishi Group Financial Performances for the three-month period ended June 30, 2021 (Quarter 3/2020-2021)

Revenue

The Company reported total sales and services revenue for Q3/2020-2021 at Baht 2,602 million, an increase of Baht 448 million or 20.8% from Q3/2019-2020. Detailed explanations of revenue by business units are as follows;

Beverage business

The beverage sales and services revenue for Q3/2020-2021 were Baht 1,815 million, which improved by Baht 291 million or 19.1% from Q3/2019-2020. Incremental revenue of the beverage unit was mainly supported by the growth in the domestic beverage segment as “Oishi Chakulza” products sales grew significantly compared to the same period last year. Our summer marketing campaign that targeted to expand the teen customer base via E-sport was also key driver behind the strong sales growth. Moreover, after affecting by the spread of the COVID-19 outbreak in our key export markets, our international business showed sales recovery this quarter.

Food business

The food sales for Q3/2020-2021 was Baht 787 million, which rose by Baht 157 million or 24.9% from Q3/2019-2020. The Company developed and expanded the takeaway and home delivery channels in order to cope with the pandemic situation. Also, there were no stricter government measures including shopping mall lockdown to contain the virus outbreak as there were in April and May 2020. Consequently, the restaurant operator could generate more revenue and led to a better sales performance of our food business in Q3/2020-2021 compared to Q3/2019-2020. In addition, the Company launched bottles sauces, a new product category that helped encourage Food revenue growth and was in response to the cooking-at-home trends recently.

Cost of Sales

Total cost of sales and services of the Company for Q3/2020-2021 were Baht 1,850 million, which was higher from cost of sales and services in Q3/2019-2020 by Baht 305 million or 19.7% with explanation by business units as follows;

Beverage business

The beverage cost of sales and services for Q3/2020-2021 increased from Q3/2019-2020, was in line with the rise in beverage revenue and led to achieving economy of scale benefits.

Food business

The Food cost of sales for Q3/2020-2021 increased from Q3/2019-2020, was in line with the rise in Food revenue and reflected continuous efficiency in raw materials management.

Selling Expenses

Selling expenses for Q3/2020-2021 were reported at Baht 229 million, an increase of Baht 21 million or 9.8% from Q3/2019-2020. While selling expenses increased in order to drive sales growth, the Company emphasized an effective advertising and marketing campaign policy as well as improvement in efficiency at the restaurants. These resulted in the ratio of selling expenses to sales being reduced to 8.8% this quarter from 9.7% in the same period last year.

Administrative Expenses

Administrative expenses for Q3/2020-2021 were Baht 378 million, which increased by Baht 32 million or 9.4% from Q3/2019-2020. This was to support overall sales growth while the Company continued to control personal expenses, educate and upskill the restaurant staff to be able to work in multiple roles so that overall management efficiency can be improved continuously.

Net Profit

The Company showed Baht 162 million of Net profit in Q3/2020-2021 which grew by Baht 79 million or 95.8% from Net profit of Baht 83 million in Q3/2019-2020. Profit growth was supported by increase in revenue while management efficiency was sustained thanks to continuous cost control programs.

Oishi Group Financial Performances for the nine-month period ended June 30, 2021

Revenue

The Company reported total sales and services revenue for the nine-month year 2020-2021 at Baht 7,638 million, a decrease of Baht 785 million or 9.3% from the nine-month year 2019-2020. Detailed explanations of revenue by business units are as follows;

Beverage business

The beverage sales and services revenue for the nine-month year 2020-2021 were Baht 4,711 million, which increased by Baht 54 million or 1.2% from the nine-month year 2019-2020. Incremental revenue of the beverage unit was mainly supported by the growth in the domestic beverage segment as “Oishi Chakulza” products sales grew significantly compared to the same period last year. The Company also saw some benefits from the launch of “Oishi Plus C” in Q1/2020-2021 and the summer marketing campaign during Q2-Q3/2020-2021 that aimed to expand the teen customer base via E-sport. However, export revenue was impacted by order postponements due to the COVID-19 outbreak in our key markets.

Food business

The food sales for the nine-month year 2020-2021 were Baht 2,927 million, which decreased by Baht 839 million or 22.3% from the nine-month year 2019-2020. This was according to the second and third waves of the pandemic since December 2020 and April 2021 that put a much more severe impact on the food business’s performance compared to the same period last year that a more serious effects were witnesses only in the latter half. In addition, the government measures to contain the pandemic were enforced including a social distancing policy that limits the number of customers attended and shorter operational periods that led to an inevitably lower number of dine-in customers. The Company then developed the new Oishi-to-go model that offered varieties of menu for takeaway. Moreover, we continued to drive home delivery services by increasing coverage areas supported by an increase in the number of outlets that could offers delivery services and presented attractive promotional campaigns that partly helped minimize the impacts from lower dine-in sales.

Cost of Sales

Total cost of sales and services of the Company for the nine-month year 2020-2021 were Baht 5,255 million, which decreased from cost of sales and services in the nine-month year 2019-2020 by Baht 403 million or 7.1%. Explanations by business units are as follows;

Beverage business

The beverage cost of sales and services for the nine-month year 2020-2021 were higher from the nine-month year 2019-2020, in line with the growth in beverage revenue.

Food business

The Food cost of sales for the nine-month year 2020-2021 decreased from the nine-month year 2019-2020, in line with the decline in Food revenue and assisted by cost control enforcement and raw material management.

Selling Expenses

Selling expenses for the nine-month year 2020-2021 were Baht 725 million, a decrease of Baht 148 million or 16.9% from the nine-month year 2019-2020. A reduction in selling expense was supported by effective advertising and marketing campaign and stricter policies to improve efficiency and lower expenses at the restaurants. These are the measures that the Company has been implementing since the beginning of the widespread of the COVID-19 pandemic.

Administrative Expenses

Administrative expenses for the nine-month year 2020-2021 were Baht 1,200 million, which decreased by Baht 146 million or 10.8% from the nine-month year 2019-2020. As revenue declined, the Company continuously managed to reduce expenses related to personnel and head office including actions such as staff roster management, temporary headcount freeze and upskill of the restaurant staff that made them be able to work in multiple roles so that efficiency can be sustained.

Non-recurring Item

There was no non-recurring item in the nine-month year 2020-2021. However, the Company recorded extraordinary profit in the nine-month year 2019-2020 at Baht 293 million since the insurance claim on property damaged was higher than the book value of assets lost from the fire incident.

Net Profit

The Company reported Baht 527 million of Net profit in the nine-month year 2020-2021, which increased by Baht 11 million or 2.1% from Normalized Net profit of Baht 516 million in the nine-month year 2019-2020. This was according to effective expense controls and management.

Comparing to the Reported net profit of Baht 809 million in the nine-month year 2019-2020, our profit this period was reduced by Baht 282 million or 34.9% because of the non-recurring item of Baht 293 million in the nine-month year 2019-2020 as aforementioned.

Oishi Group Financial Position as of June 30, 2021

Assets

Total assets as of June 30, 2021 were Baht 8,931 million, increased by Baht 369 million from total assets of Baht 8,562 million as of September 30, 2020, consisted of the following;

Current assets of Baht 3,268 million increased by Baht 454 million which was mainly from higher cash and cash equivalents and other investment item. Other investment item was short-term available for sales securities at an amount of Baht 700 million that was allocated from the whole cash amount to be invested for higher return potential when compared to the bank deposit rate. Also, account receivables increased in the stage of beverage sales growth.

Non-current assets at Baht 5,663 million, a decline of Baht 86 million, mainly from the reduction in property, plant and equipment from depreciation and amortization expenses for the period, partly negated by an increase in right-of-use of assets from the adoption of the new TFRS16.

Liabilities

Total liabilities as of June 30, 2021 were Baht 1,957 million, an increase of Baht 301 million from total liabilities of Baht 1,656 million as of September 30, 2020, and consisted of the following;

Current liabilities of Baht 1,569 million, which increased by Baht 123 million due to recognition of current portion of financial lease liabilities at Baht 171 million while other payables reduced from cost control measures.

Non-current liabilities of Baht 388 million, which increased by Baht 178 million due to recognition of financial lease liabilities at Baht 137 million.

The Company financial position remained strong with debt-free status as of June 30, 2021.

Shareholders' Equity

Total equity as of June 30, 2021 was Baht 6,974 million, which increased by Baht 67 million from Baht 6,906 million as of September 30, 2020. An increase in retained earnings thanks to additional net profit during the nine-month year 2020-2021, though partly offset by dividend payment, was the main item that drove the increase in equity.

Sincerely yours,

(Mrs. Nongnuch Buranasetkul)
President & CEO