

Management Discussion and Analysis for the operation results of fiscal year 2021 (1 Jul 2020 – 30 Jun 2021)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating results of fiscal year 2021 (1 Jul 2021 – 30 Jun 2021) as follows:

Overall Economic and Industry Overview

In the last quarter of fiscal year 2021 (1 Apr - 30 Jun 2021), the Thai economy, retail industry and domestic consumption has been continuously affected by a new wave of COVID-19 outbreak since the beginning of April 2021, which virus were mutation make them faster and widespread in Thailand. In this quarter Consumer Confidence Index dropped to 43.1 compared to 48.5 in March 2021 due to concerns of COVID-19 situation and concerns over unstable of Thailand political situation, including number of vaccinating people was not meet the target. As a result, consumers are not confident about the recovery of the Thai economy. Although the government's measures to stimulate the economy especially the “Rou Chana” project and other projects will help to stimulate the purchasing power to improve to a certain extent throughout the country

Overall Performance for Q4'21 and Full year period of FY2021

Unit: THB million	FY2021	FY2020	Change
	(Jul 19–Jun 21)	(Jul 19–Jun 20)	
Sales Revenue	3,220	3,182	+1.2%
Gross Profit	1,919	1,839	+4.4%
Gross Profit Margin	59.6%	57.8%	+1.8%
SG&A	1,401	1,377	+1.7%
%SG&A	43.5%	43.3%	-0.2%
Other Revenue	29	35	-16.3%
EBITDA before one-off item and discontinued operations*	952	593	+60.6%
%EBITDA before one-off item and discontinued operations	29.3%	18.4%	+10.9%
NPAT before one-off item and discontinued operations*	446	444	+0.4%
% NPAT before one-off item and discontinued operations	13.7%	13.8%	-0.1%
one-off item	-	39	N/A
Discontinued operation*	-	2	N/A
NPAT	446	407	+9.4%
%NPAT	13.7%	12.7%	+1.1%

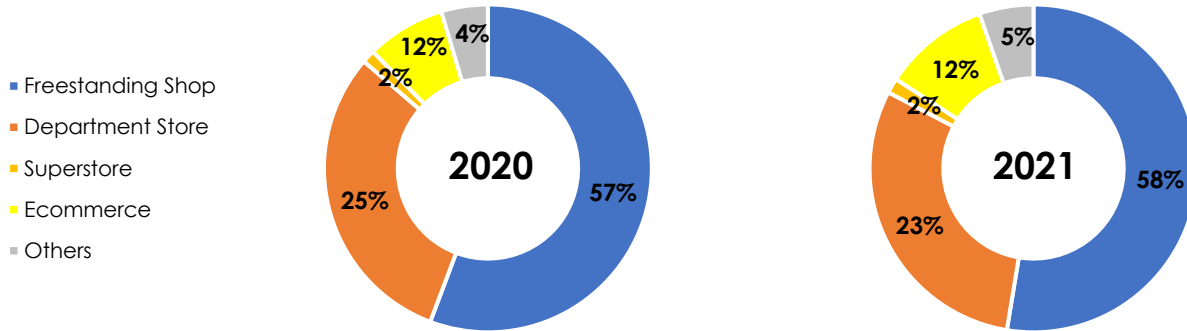
*discontinued operation was Time Deco Corporation Co., Ltd. which was sold on 2nd September 2019

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Revenue

In FY2021, The company reported sales revenue of THB 3,220 million an increase of THB 38 million or 1.2% YoY. Impacted of 2nd and 3rd waves of COVID-19 pandemic in Thailand was directly affected to sales revenue of quarter 3 and 4 which company closely manage. The mainly sales increase was from channel free-standing and E-commerce

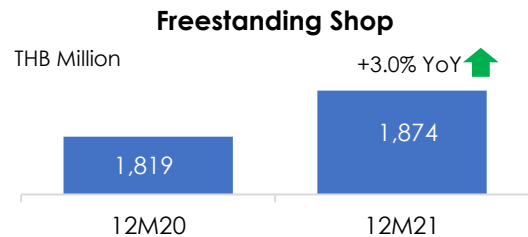
Revenue break down by channel



In fiscal year 2021 revenue breakdown by channels consisted of revenue from free-standing shop 58%, Department stores 23%, E-commerce 12%, Superstores 2%, and other channels 5%.

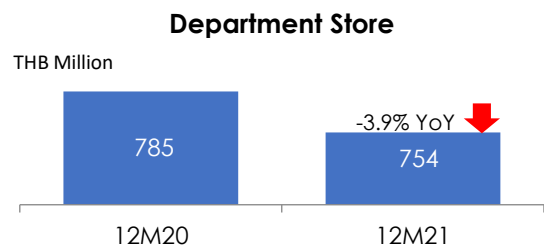
- **Freestanding Shop**

Sales revenue from free standing shops in FY2021 was THB 1,874 million increased THB 55 million or +3.0% YoY.



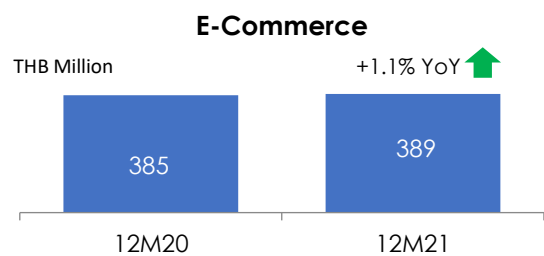
- **Department Store**

Sales revenue from Department Stores in FY2021 period was THB 754 million decreased THB 31 million or -3.9% YoY.



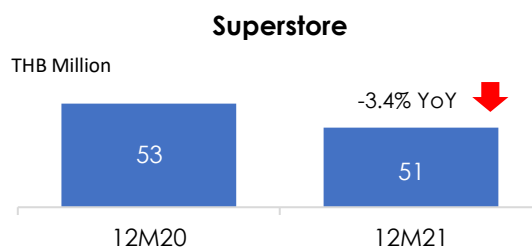
- **E-commerce**

Sales revenue from E-commerce in in FY2021 was THB 389 million increased THB 4 million or +1.1% YoY.



■ Superstore

Sales revenue in FY2021 was THB 51 million decreased THB 2 million or -3.4% YoY.



As of 30 Jun 2021 and 2020, the Company had a total of 636 point of sales as follows

By Distribution Channel	Apparel and Lifestyle Products under "MC Group"		
	2021	2020	Increase (+) / Decrease (-) from end FY2020
Free-standing Shop	334	334	-
Modern Trade	287	305	-18
Mobile Unit	6	6	-
Total POS (domestic)	627	645	-18
International Markets	9	12	-3
Total	636*	657	-21

*the second and third waves of the COVID-19 outbreak in Thailand affected temporary close for some POS as per government announcement and policy which all will resume when situation normal

Gross Profit

For FY2021, the company's gross profit was THB 1,919 million increased THB 80 million or 4.4% YoY, with gross profit margin of 59.6% up from 57.8% from the same period of last year form continuing manage marketing strategy product mix channel mix during COVID 19 situation.

Selling, General and Administrative Expenses (SG&A)

For FY2021, SG&A was THB 1,401 million higher THB 24 million or 1.7% YoY. SG&A to sales slightly change to 43.5% from 43.3% previous year. 360 degree cost controlling are continue and manage.

Earnings before interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA before one-off item and discontinued operation for the FY2021 was THB 952 million increased THB 359 million or 60.6%. EBITDA margin for FY2021 was 29.3% compared to that of 18.4% in the previous year. The change was from adoption of TFRS 16 which shift operating expense to interest.

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Net Profit

For FY2021, net profit was THB 446 million. Inline to the FY2020 net profit, before one-off item and discontinued operations (slightly increased THB 2 million or increased 0.4% YoY). In compare to FY2020 net profit shown increased THB 39 million or increased 9.4%.

Financial Position Analysis

Statement of Financial Position

(THB million)	31 Jun 2021	30 June 2020	% change
Cash and short-term investments	1,864	1,481	+26%
Account receivables	202	286	-29%
Inventory	1,250	1,408	-11%
Right-of-use assets	1,126	-	N/A
Other assets	771	909	-15%
Total Assets	5,214	4,084	+28%
Account payables	171	120	+42%
Interest-bearing liabilities	-	-	N/A
Lease liabilities	1,113	-	N/A
Other liabilities	328	371	-12%
Total Liabilities	1,612	492	+228%
Equity attributable to the firm	3,591	3,581	0%
Non-controlling interest	11	11	3%
Shareholders' Equity	3,603	3,592	0%

Assets

As of 30 June 2021, the Company reported total assets of THB 5,214 million, increased 28% or THB 1,130 million from 30 June 2020 from:

- 1) THB 1,126 million Right-of-use assets increased because of the adoption of the Thai Financial Reporting Standard 16 leases.
- 2) Cash and short-term investments increased THB 383 million, from THB 1,481 million on 30 June 2020 to THB 1,864 million on 30 Jun 2021.
- 3) And offset with decrease in Inventories and Account receivables 158 million and 84 million respectively

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Liabilities

As of 30 June 2021, total liabilities were THB 1,612 million compared to THB 492 million on 30 June 2020, an significant increase of THB 1,120 million which was contributed mainly from THB 1,113 million lease liabilities resulted from the adoption of the Thai Financial Reporting Standard 16 lease.

Shareholders' Equity

As of 30 June 2021, the Company reported THB 3,603 million of shareholders' equity, an increase of THB 10 million from the THB 3,592 million on 30 June 2020 from 2021 performance of THB 446 million offset with dividend paid of THB 433 million.

Liquidity

As of 30 June 2021, the Company's cash, cash equivalent and short-term investment of THB 1,864 million increased THB 383 million from 30 June 2020 due to:

- Net Cash inflow from operation of THB 721 million, which was mainly contributed by profit before income tax expense of THB 524 million, the decrease of inventory THB 141 million and decrease of Trade and other current receivables of THB 76 million
- Net Cash outflow from investment activities of THB 12 million mainly due to THB 20 million purchase of property, plant and equipment net off THB 10 million cash received from short term loan.
- Net Cash outflow from financing activities was THB 582 million from dividend payment of THB 433 million and lease liabilities payment of THB 149 million.

Key Financial Ratios

Financial Ratios		For period ended	
		30 June 2021	30 June 2020
Liquidity Ratios			
Current Ratio	times	4.6*	7.7
Average Days Receivable	days	28	36
Average Days in Inventory	days	373	409
Average Days Payable	days	41	41
Cash cycle	days	360	405
Efficiency Ratios			
Return on Assets (Annualized)	%	11.9	10.9
Return on Equity (Annualized)	%	12.4	11.2
Leverage Ratios			
Debt to Equity Ratio	times	0.45	0.14

* Exclude Current portion of lease liabilities 308.0 MB, Current Ratio were 8.0 times

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Thai Financial Reporting Standard No. 16 Leases (TFRS 16)

In the fiscal year 2021 Company has applied the Thai Financial Reporting Standard No. 16 Leases (TFRS 16), using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under TAS 17. The new financial reporting standard affected the former lease contracts, which was recorded as operating lease, an off-balance sheet financing according to TAS 17; and therefore, impacted asset and liabilities as mentioned in earlier sections.

Former operating lease

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with TFRS 16.
- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Short term lease and low value lease contracts

The Company has adopted to recognize a lease expense on a straight-line basis as permitted by TFRS 16. This expense is presented within “administrative expenses” in the statement of profit or loss and other comprehensive income. The Group has used the following practical expedients when applying adjustments to leases previously classified as operating leases applying TAS 17.

- The Group has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term end within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former financial lease

For leases that were classified as finance leases, the carrying amount of the leased assets and obligations is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

Respectfully yours



Virach Seripanu

Director