

Management Discussion and Analysis

for the operation results of the first quarter of fiscal year 2022 (1 Jul 2021 – 30 Sep 2021)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating results of the first quarter of fiscal year 2022 (1 Jul 2021 – 30 Sep 2021) as follows:

Overall Economic and Industry Overview

In the First quarter of fiscal year 2022 (1 Jul - 30 Sep 2021), the Thai economy, retail industry and domestic consumption has been continuously affected by a COVID-19 outbreak, In this quarter Consumer Confidence Index dropped to 41.4 compared to 43.1 in Jun 2021 due to concerns of COVID-19 situation and concerns over unstable of Thailand political situation, Rise in retail price of both gasoline and diesel and concern in flooding situation. As a result, consumers are not confident about the recovery of the Thai economy. Although decrease in new infections and deaths per day with 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 Q1 of FY2022

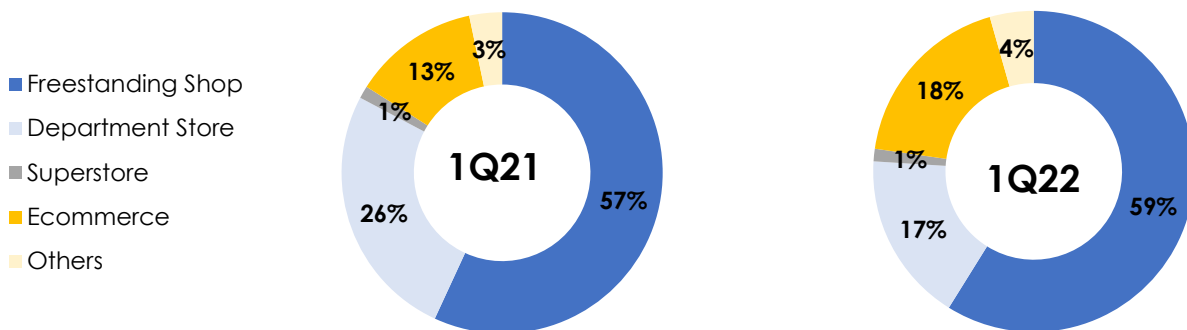
| Unit: THB million | 1Q22 | 1Q21 | Change |
|---|--------------|--------------|--------|
| | (Jul–Jun 21) | (Jul–Jun 20) | |
| Sales Revenue | 438 | 779 | -43.8% |
| Gross Profit | 269 | 473 | -43.1% |
| Gross Profit Margin | 61.4% | 60.7% | +0.7% |
| SG&A | 243 | 341 | -28.7% |
| %SG&A | 55.5% | 43.8% | +11.7% |
| Other Revenue | 5 | 6 | -21.8% |
| EBITDA before one-off item and discontinued operations* | 129 | 239 | -46.2% |
| %EBITDA before one-off item and discontinued operations | 29.0% | 30.4% | -1.4% |
| NPAT | 24 | 109 | -78.3% |
| %NPAT | 5.3% | 13.8% | -8.5% |

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Revenue

In the first quarter of FY2022, The company reported sales revenue of THB 438 million a decrease of THB 341 million or 43.8% YoY. Because offline channels, which are 82% of total sales, have been affected by the spread of COVID-19, resulting in temporary closure of some points of sale for almost 2 months from the government's control policy, online segment, was unable to compensate for the shortfall in sales due to the declining of purchasing power from the overall economic conditions that have been a consequence of the pandemic for a long time. We hope that after the government relaxing policy to control COVID-19 and opening the country in November 2021 (mid-Q2 of fiscal year 2021) will stimulate the economy to create new purchasing power and gain residual purchasing power decision to compensate for the lack of revenue this quarter.

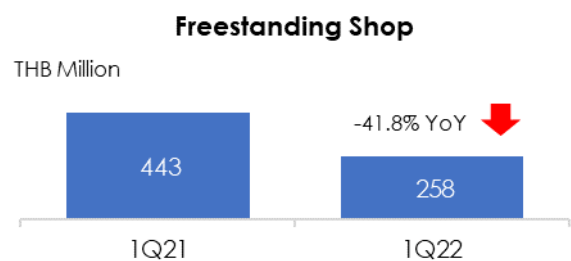
Revenue break down by channel



In the first quarter of fiscal year 2022 revenue breakdown by channels consisted of revenue from free-standing shop 59%, Department stores 17%, E-commerce 18%, Superstores 1%, and other channels 4%.

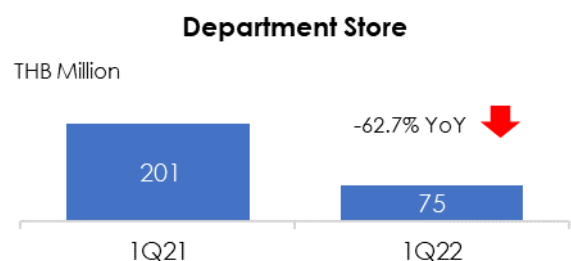
- **Freestanding Shop**

Sales revenue from freestanding shop in 1Q22 was THB 258 million decreased THB 185 million or -41.8% YoY.



- **Department Store**

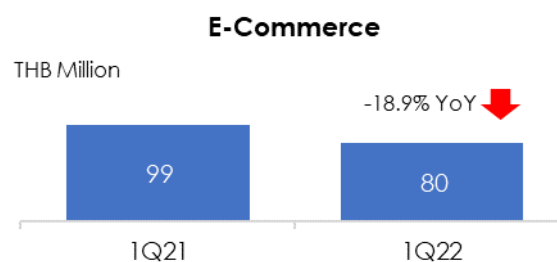
Sales revenue from Department Stores in 1Q22 period was THB 75 million decreased THB 126 million or -62.7% YoY.



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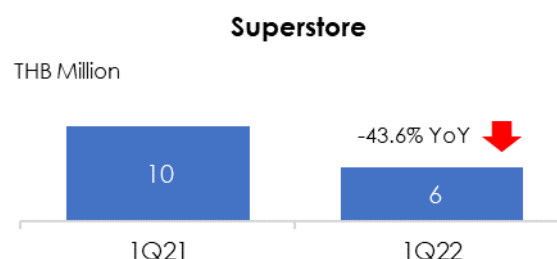
■ E-commerce

Sales revenue from E-commerce in 1Q22 was THB 80 million decreased THB 19 million or -18.9% YoY.



■ Superstore

Sales revenue in 1Q22 was THB 6 million decreased THB 4 million or -43.6% YoY.



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

| By Distribution Channel | Apparel and Lifestyle Products under "MC Group" | | |
|-----------------------------|---|-------------|---|
| | 30 Sep 2021 | 30 Jun 2021 | Increase (+) / Decrease (-) from end FY2021 |
| Free-standing Shop | 334 | 334 | - |
| Modern Trade | 284 | 287 | -3 |
| Mobile Unit | 6 | 6 | - |
| Total POS (domestic) | 624 | 627 | -3 |
| International Markets | 9 | 9 | - |
| Total | 633 | 636 | -3 |

Gross Profit

For the first quarter of FY2022, the company's gross profit was THB 269 million decreased THB 204 million or -43.1% YoY from lower sales, with gross profit margin of 61.4% up from 60.7% from the same period of last year from continuing manage marketing strategy product mix channel mix during COVID 19 situation. The increase in the price of raw materials in the world market will not affect the company's product cost soon because The Company has hedged against the purchase of raw materials in advance.

Selling, General and Administrative Expenses (SG&A)

For the first quarter of FY2022, SG&A was THB 243 million decrease THB 98 million or 28.7% YoY this was a result of the decrease in direct expenditures against the temporary closure of the point of sale due to government policy. and the implementation of policies to control and reduce expenses in various parts continually according to the changing situation. SG&A to sales change to 55.5% from 43.8% previous year as lower sales

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

EBITDA before one-off item and discontinued operation for the first quarter of FY2022 was THB 129 million decreased THB 110 million or 46.2%. EBITDA margin for the first quarter of FY2022 was 29.0% compared to 30.4% in the previous year from the above-mentioned lower gross profit offset with cost savings.

Net Profit

For the first quarter of FY2022, net profit was THB 24 million. decreased THB 85 million or -78.3%. %Net Profit was 5.3% compared to 13.8% in the previous year.

Financial Position Analysis

Statement of Financial Position

| (THB million) | 31 Sep 2021 | 31 Jun 2021 | % change |
|---------------------------------|--------------|--------------|------------|
| Cash and short-term investments | 1,828 | 1,864 | -2% |
| Account receivables | 190 | 202 | -6% |
| Inventory | 1,368 | 1,250 | 9% |
| Right-of-use assets | 1,019 | 1,126 | -10% |
| Other assets | 765 | 771 | -1% |
| Total Assets | 5,170 | 5,214 | -1% |
| Account payables | 229 | 171 | 34% |
| Interest-bearing liabilities | - | - | - |
| Lease liabilities | 1,009 | 1,113 | -9% |
| Other liabilities | 306 | 328 | -7% |
| Total Liabilities | 1,544 | 1,612 | -4% |
| Equity attributable to the firm | 3,615 | 3,591 | 1% |
| Non-controlling interest | 11 | 11 | -1% |
| Shareholders' Equity | 3,626 | 3,603 | 1% |

Assets

As of 30 Sep 2021, the Company reported total assets of THB 5,170 million, decreased -1% or THB 44 million from period 30 June 2021 mainly comprised:

- Right-of-use assets decreased THB 107 million from THB 1,126 million on 30 June 2021 to 1,019 million on 30 Sep 2021 from current period amortization
- Cash and short-term investments decreased THB 35 million from THB 1,864 million on 30 June 2021 to THB 1,828 million on 30 Sep 2021.
- And offset with increase in Inventories and decrease in Account receivables 118 million and 13 million respectively.

Liabilities

As of 30 Sep 2021, total liabilities were THB 1,544 million compared to THB 1,612 million on 30 June 2020, a significant decrease of THB 68 million which was contributed mainly from THB 103 million of Lease liabilities and THB 58 million of Account Payables

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Shareholders' Equity

As of 30 Sep 2021, the Company reported THB 3,626 million of shareholders' equity, an increase of THB 23 million from the THB 3,503 million on 30 June 2021 from 1Q22 performance of THB 24 million

Liquidity

As of 30 Sep 2021, the Company's cash, cash equivalent and short-term investment of THB 1,828 million decreased THB 35 million from 30 June 2021 due to:

- Net Cash inflow from operation of THB 18 million, which was mainly contributed by profit before income tax expense of THB 25 million
- Net Cash outflow from investment activities of THB 6 million mainly due to THB 4 million purchase of property, plant and equipment and THB 2 million purchase Intangible assets
- Net Cash outflow from financing activities was THB 49 million from payment of liabilities under finance lease agreements THB 42 million and financial cost THB 6 million

Key Financial Ratios

| Financial Ratios | | For period ended | |
|-------------------------------|-------|------------------|-------------|
| | | 30 Sep 2021 | 30 Jun 2021 |
| Liquidity Ratios | | | |
| Current Ratio* | times | 4.5 | 4.6 |
| Average Days Receivable | days | 30 | 28 |
| Average Days in Inventory | days | 439 | 373 |
| Average Days Payable | days | 67 | 41 |
| Cash cycle | days | 402 | 360 |
| Efficiency Ratios | | | |
| Return on Assets (Annualized) | % | 8.4 | 11.9 |
| Return on Equity (Annualized) | % | 9.9 | 12.4 |
| Leverage Ratios | | | |
| Debt to Equity Ratio | times | 0.43 | 0.45 |

*Exclude Current portion of lease liabilities, Current Ratio were 7.5 and 8.1 times for 30 Sep 2021 and 30 Jun 2021, respectively.

Respectfully yours



Virach Seripanu

Director