

Management Discussion and Analysis

for the operation results of the second quarter of fiscal year 2022 (1 Oct 2021 – 31 Dec 2021)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating results for the second quarter of fiscal year 2022 (1 Oct 2021 – 31 Dec 2021) and for the 6-month period of the fiscal year 2022 (1 July 2021-31 December 2021) details as follows:

Overall Economic and Industry Overview

In the second quarter of fiscal year 2022 (1 Oct – 31 Dec 2021), the Thai economy, retail industry and domestic consumption has been continuously affected by a COVID-19 outbreak and epidemic strictly control by the government. in this quarter The Consumer Confidence Index stood at 46.2 in December 2021, a slightly increase from 41.4 in September 2021, which is still present concerns over the spread of the COVID-19 virus also concerns about the political situation, retail oil price and pork prices which increased as well as the price of goods and the cost of living that remained high and tends to increase. Although the increase in COVID-19 vaccination in the country and the number of infected people and daily deaths tends to decline continuously. including government measures to stimulate the economy especially the project "Rou Chana", "M.33 Rou Rak Kan", "Kon La Kroung Phase 3" and other projects. Partly help to stimulate purchasing power to a certain extent.

Overall Performance for Q2'21 and 6-month period of FY2022

Unit: THB million	Oct21-Dec21	Oct20-Dec20	Change	6-month Period		Change
				Jul21-Dec21	Jul20-Dec20	
Sales Revenue	995	1,134	-12.2%	1,433	1,913	-25.1%
Gross Profit	648	686	-5.5%	917	1,158	-20.9%
Gross Profit Margin	65.1%	60.5%	+4.6%	64.0%	60.6%	+3.4%
SG&A	370	409	-9.5%	613	750	-18.3%
%SG&A	37.2%	36.1%	+1.1%	42.8%	39.2%	+3.6%
Other Revenue	11	9	+14.0%	16	15	-0.5%
EBITDA before one-off item and discontinued operations*	383	385	-0.7%	511	624	-18.1%
%EBITDA before one-off item and discontinued operations	38.0%	33.7%	4.4%	35.3%	32.4%	2.9%
NPAT	231	226	+2.0%	255	335	-24.1%
%NPAT	23.0%	19.8%	+3.2%	17.6%	17.4%	+0.2%

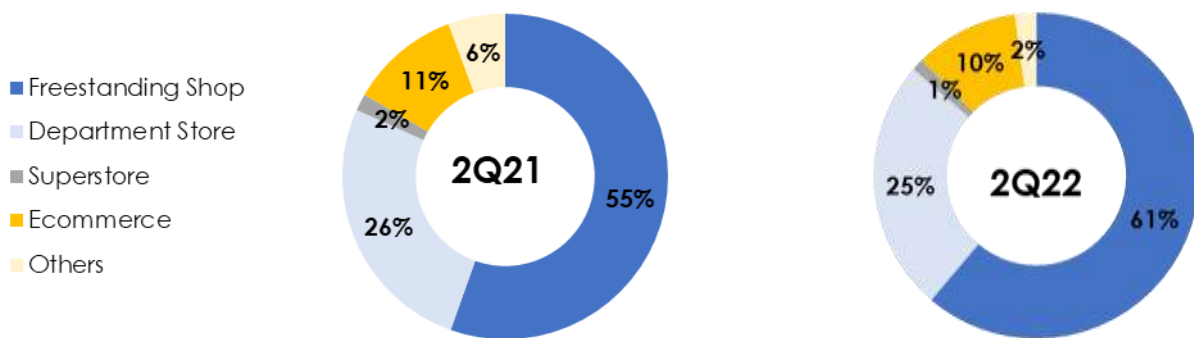
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Revenue

In the second quarter of FY2022, the Company reported sales revenue of THB 995 million a decrease of THB 139 million or 12.2% YoY due to offline channels, which are the main channel at 90 percent of total sales were affected by the spread of COVID-19 Delta and Omicron resulting temporarily reduction in the number of customer from epidemic status while the online channel unable to compensate for the shortfall because of purchasing power as overall economic downturn from the prolonged COVID-19 pandemic. The Company forecast that higher vaccination rates and easing COVID-19 prevention activities will stimulate the economy. New purchasing power and residual purchasing power decision to compensate for the revenue in the next quarter.

For 6-month period of FY2022, the Company reported sales revenue of THB 1,433 million the decrease of THB 480 million or 25.1% YoY from ongoing and prolonged spread of COVID-19 has resulted in a decrease in the number of customer of freestanding shops and department stores. as well as the policy to control disease of government which impacted the temporary closed of several point of sales over 2 months period.

Revenue break down by channel



In the second quarter of fiscal year 2022 revenue breakdown by channels consisted of revenue from free-standing shop 61%, Department stores 25%, E-commerce 10%, Superstores 1%, and other channels 2%.

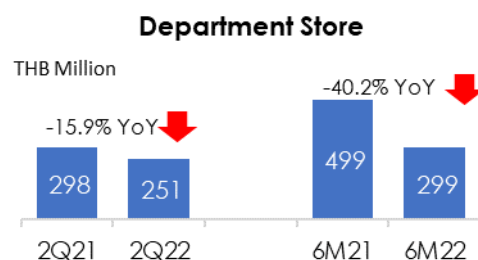
- **Freestanding Shop**

Sales revenue from free standing shops in 2Q22 was THB 609 million decreased by THB 19 million or -3.2% YoY. For the 6-month period was THB 867 million decreased by THB 205 million or -19.1% YoY.



- **Department Store**

Sales revenue from Department Stores in 2Q22 was THB 251 million decreased by THB 47 million or -15.9% YoY. For the 6-month period was THB 299 million decreased by THB 200 million or -40.2% YoY.

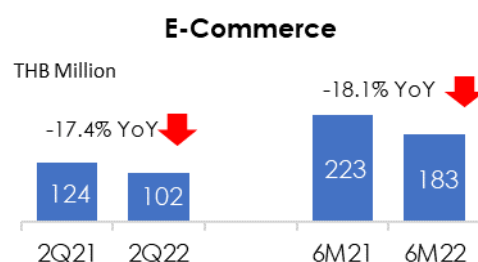


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■ E-commerce

Sales revenue from E-commerce in 2Q22 was THB 102 million decreased by THB 22 million or -17.4% YoY.

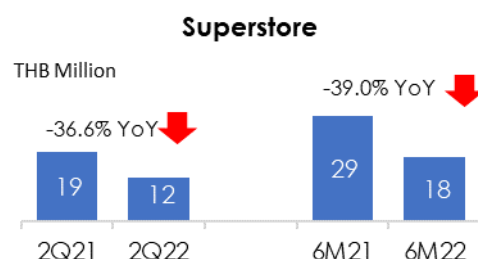
For the 6-month period was THB 183 million decreased by THB 40 million or -18.1% YoY.



■ Superstore

Sales revenue from Superstores in 2Q22 was THB 12 million decreased by THB 7 million or -36.6% YoY.

For the 6-month period was THB 18 million decreased by THB 11 million or -39.0% YoY.



As of 31 Dec 2021, the Company had a total of 638 point of sales as follows

By Distribution Channel	Apparel and Lifestyle Products under "MC Group"		
	31 Dec 2021	30 Jun 2021	Increase (+) / Decrease (-) from end FY2021
Free-standing Shop	338	334	+4
Modern Trade	285	287	-2
Mobile Unit	6	6	-
Total POS (domestic)	629	627	+2
International Markets	9	9	-
Total	638	636	+2

Gross Profit

The Company reported THB 648 million of gross profit in 2Q22 a decrease of THB 38 million or a 5.5% YoY from lower sales but gross profit margins of 65.1% shift up compared to 60.5% in the same period of the prior year as a result of marketing strategy, product sales mix and channel mix which closely managed by management team during hard situation of COVID-19 pandemic also the government has different policies and concentrations in each wave. In addition, the increase in the price of raw materials in the world market will not affect the cost of the Company's products soon because the Company has hedged against the purchase of raw materials in advance.

For 6-month period FY2022, the Company's gross profit was THB 917 million decreased THB 242 million or 20.9% YoY with gross profit margin of 64.0% shift up from 60.6% from the same period of last year an increase mainly from the second quarter due to a high sales quarter.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses in 2Q22 was THB 370 million decreased THB 39 million or 9.5% YoY. SG&A to sales was 37.2% compared to 36.1% in the same period of prior year. This was a result of a decrease in direct expenses from lower sales.

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and the implementation of policies to control, negotiate and reduce expenses in various parts continually according to the situation. In compared to the percentage of sales the higher percentage was temporary as result of the temporary decline in sales.

For 6-month period FY2022, SG&A was THB 613 million lower last year same period by THB 137 million or 18.3%, SG&A to sales increase from 39.2% in the previous year to 42.8% due to lower sales as mention.

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

EBITDA for 2Q22 was THB 383 million decreased by THB 3 million or 0.7% YoY. EBITDA margin increased to 38.0% compared to 33.7% in the previous year, because of lower sales and gross profit offset with cost savings as the above-mentioned.

EBITDA for the 6-month period FY2022 was THB 511 million reported the decreased of THB 113 million or 18.1%. EBITDA margin for 6-month period FY2021 was increase to 35.3% compared to 32.4% previous year.

Net Profit

In 2Q22 the Company reported THB 231 million net profit, increased THB 4 million or 2.0% YoY. Net profit margin was 23.0% an increase from 19.8% in the previous year

For the 6-month period FY2022, net profit was THB 255 million, decrease THB 81 million or 24.1% YoY. Net profit margin was 17.6% decrease from 17.4% in the previous year

Statement of Financial Position

(THB million)	31 Dec 2021	30 June 2021	% change
Cash and short-term investments	1,997	1,864	+7%
Account receivables	300	202	+48%
Inventory	1,278	1,250	+2%
Right-of-use assets	900	1,126	-20%
Other assets	749	771	-3%
Total Assets	5,223	5,214	0%
Account payables	222	171	+30%
Interest-bearing liabilities	-	-	-
Lease liabilities	897	1,113	-19%
Other liabilities	405	328	+24%
Total Liabilities	1,525	1,612	-5%
Equity attributable to the firm	3,688	3,591	+3%
Non-controlling interest	11	11	0
Shareholders' Equity	3,699	3,603	+3%

Assets

As of 31 Dec 2021, the Company reported total assets of THB 5,223 million, THB 9 million increase from 30 June 2021 consist of;

- Right-of-use assets decreased by THB 226 million from THB 1,126 million on 30 June 2021 to 900 million on 31 Dec 2021.
- Cash and short-term investments increased by THB 133 million from THB 1,864 million on 30 June 2021 to THB 1,997 million on 31 Dec 2021.
- Account receivables increased by THB 97 million from THB 202 million on 30 June 2021 to THB 300 million on 31 Dec 2021.
- And increase in Inventories THB 27 million from THB 1,250 million on 30 June 2021 to THB 1,278 million on 31 Dec 2021.

Liabilities

On 31 Dec 2021, total liabilities were THB 1,525 million compared to THB 1,612 million on 30 June 2021. The decrease of THB 87 million contributed by THB 216 million decrease of lease liabilities offset with increase in other liabilities and Account payable by THB 78 million and THB 51 million respectively.

Shareholders' Equity

As of 31 Dec 2021, the Company reported THB 3,699 million of shareholders' equity, the increase of THB 96 million from the THB 3,603 million reported on 30 June 2021 due to increase from 6-months period performance of THB 255 million offset with dividend paid of THB 158 million.

Liquidity

On 31 Dec 2021, the Company's cash, cash equivalent and short-term investment amounted of THB 1,997 million increased from 30 June 2021 by THB 113 million due to:

- Net cash inflows from operation of THB 434 million, which was mainly contributed by profit before income tax expense of THB 309 million.
- Offset with net cash outflows from investment activities of THB 11 million mainly from THB 17 million purchase of property, plant, THB 3 million from purchase of intangible asset and THB 9 million cash received from dividend.
- Net Cash outflows from financing activities was THB 293 million from dividend payment of THB 158 million and lease liabilities payment of THB 123 million.

Key Financial Ratios

Financial Ratios		For period ended	
		31 Dec 2021	30 June 2021
<u>Liquidity Ratios</u>			
Current Ratio	times	4.2*	4.6
Average Days Receivable	days	47	28
Average Days in Inventory	days	463	373
Average Days Payable	days	95	41
Cash cycle	days	416	360
<u>Efficiency Ratios</u>			
Return on Assets (Annualized)	%	8.2	11.9
Return on Equity (Annualized)	%	9.8	12.4
<u>Leverage Ratios</u>			
Debt to Equity Ratio	times	0.41	0.45

*Exclude Current portion of lease liabilities, Current Ratio were 6.5 and 8.1 times for 31 Dec 2021 and 30 Jun 2021, respectively.

Respectfully yours

-signed by-

Virach Seripanu

Director