

MUD AND HOUND PUBLIC COMPANY LIMITED
 206 SOI PATTANAKARN 20,
 SUAN LUANG SUB-DISTRICT, SUAN LUANG DISTRICT,
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No. MUD-SET 2/2022

February 25, 2022

Subject : Management Discussion and Analysis Quarter 4/2021 & Year 2021 Ending 31 Dec 2021

To : The President
 The Stock Exchange of Thailand

Mud & Hound PCL and the subsidiaries ("MUD" or the "Company") would like to clarify the change of operating results in the year 2021 more than 20 percent comparing to the year 2020 as follow:

The operating results according to the consolidated financial statements of the Company and its subsidiaries for the year 2021 presented the net profit (loss) for the years attributable to owner of the Company of THB (111) mm compared to the net profit (loss) of THB (420) mm of the year 2020 comprehensive profit (loss) increased by THB 309 mm or growth of 73.5%, The significant reasons were as follows:

Statements of comprehensive income	Consolidated financial statements					
	2020		2021		Change	
	THB mm	% to Revenue	THB mm	% to Revenue	THB mm	%Change
Revenues						
Sales and service income	2,166	93.5%	2,170	93.7%	4	0.2%
Other income	150	6.5%	147	6.3%	(3)	(1.9%)
Total revenues	2,316	100.0%	2,316	100.0%	1	0.0%
Expenses						
Cost of sales and services	872	37.7%	849	36.6%	(23)	(2.7%)
Selling and distribution expenses	1,247	53.9%	1,182	51.0%	(65)	(5.2%)
Administrative expenses	345	14.9%	303	13.1%	(42)	(12.0%)
Impairment loss on assets	200	8.6%	0	0.0%	(200)	(100.0%)
Total expenses	2,664	115.0%	2,334	100.7%	(330)	(12.4%)
Operating profit (loss)	(348)	(15.0%)	(17)	(0.7%)	331	95.1%
Finance cost	(84)	(3.6%)	(99)	(4.3%)	(14)	(17.1%)
Profit (loss) before income tax	(433)	(18.7%)	(116)	(5.0%)	317	73.2%
Income tax	13	0.6%	5	0.2%	(8)	(62.9%)
Profit (loss) for the year	(420)	(18.1%)	(111)	(4.8%)	309	73.5%

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- Sales and service income The year 2021 amount THB 2,170 mm, compared with THB 2,166 mm of the year 2020, which increased by THB 4 mm or growth of 0.2%. The significant reasons were as follows: the impact of the coronavirus disease (COVID-19) epidemic, and the company closed 39 branches, most of them with non-profit operations States
- Cost of sales and services The year 2021 amount THB 849 mm, compared with THB 872 mm of the year 2020, which decreased by THB 23 mm or growth of (2.7%). Ratio to total revenues in the year 2021 and 2020 were 36.6% and 37.7% of total revenues, respectively. As decreased ratio due to inventory management systems and negotiated trade discounts with many major suppliers for raw material.
- Selling and distribution expenses The year 2021 amount THB 1,182 mm, compared with THB 1,247 mm of the year 2020, which decreased by THB 65 mm or growth of (5.2%). Ratio to total revenues in the year 2021 and 2020 were 51.0% and 53.9% of total revenues, respectively. or ratio to total revenues decreased 2.9%, the significant reasons were as follows: the company closed 39 branches. As a result, there are expenses arising from the amortization of assets of the closed branches of THB 22 mm, including employee compensation expenses of THB 17 mm and that has to pay the minimum rent / service to the landlord.
- Finance cost The year 2021 amount THB 99 mm, compared with THB 84 mm of the year 2020, which increased by THB 14 mm, as increase of short-term loan from financial institution of THB 58 mm result to increase of finance cost. Including in the year 2021, the Company has used the new accounting policies related to leases per the TFRS 16 (Leases)

Income Statement

Total Revenue

The Company earned THB 573 mm and THB 731 mm in 4Q/21 and 4Q/22 respectively, equaling to Y-o-Y growth of 27.5%. For the 12-month period (Jan – Dec), the Company earned THB 2,166 mm and THB 2,170 mm in 2020 and 2021 respectively or growth of 0.2%. The significant reasons were as follows: the impact of the coronavirus disease (COVID-19) epidemic, economic slowdown, lower consumer spending, and increasing intense industry competition.

Cost of Sales and Services

Cost of sales and services in 4Q/20 and 4Q/21 totaled THB 241 mm and THB 278 mm respectively, accounting for 39.4% and 36.9% of total revenue respectively. For the 12-month period (Jan – Dec), the cost of sales and services recorded THB 872 mm and THB 849 mm or 37.7% and 36.6% of total revenues in 2020 and 2021 respectively. There is lower in such ratio, primarily from

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well-stabilized under the effective collaboration between purchasing department, logistics department, marketing department, and branch employees through the application of effective procurement and inventory management systems.

Selling and Administrative Expenses (S&A)

In 4Q/20 and 4Q/21, MUD's selling and administrative expenses amounted to THB 442 mm and THB 439 mm, respectively, accounting for 72.0% and 58.1% of total revenue, respectively. For the 12-month period (Jan – Dec), the S&A reported THB 1,592 mm and THB 1,485 mm or 68.8% and 64.1 % of total revenues in 2020 and 2021 respectively.

S&A Breakdown by Type

	<i>3-month period (Oct – Dec)</i>			<i>12-month period (Jan – Dec)</i>		
	4Q/20	4Q/21	Y-o-Y Change	12M/20	12M/21	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	10	10	-	34	34	-
Other selling expenses ⁽²⁾	332	349	5.1%	1,213	1,148	(5.3%)
Administrative expenses ⁽³⁾	100	80	(20.0%)	345	303	(12.1%)
Total selling and administrative expenses	442	439	(0.6%)	1,592	1,485	(6.7%)

Note

- (1) Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, and Greyhound Café franchises totaling THB 2 mm, THB 4 mm, and THB 4 mm in 4Q/21.
- (2) The Company incurred slightly difference in personnel cost, rental and service costs due to cost saving policy.
- (3) Administrative expenses include remuneration of management and employees at office, administrative expenses, and other related costs. The decrease was primarily from intensive cost saving policy.

Earnings before Interest, Tax and Depreciation & amortization (EBITDA)

The Company recorded EBITDA of THB (141) mm and THB 153 mm in 4Q/20 and 4Q/21 respectively or %EBITDA of (23.0%) and 20.2% of total revenues respectively.

For the 12-month period (Jan – Dec), the Company recorded EBITDA of THB 152 mm and THB 424 mm or %EBITDA of 6.6% and 18.3% of total revenues in 2020 and 2021 respectively.

	<i>3-month period (Oct – Dec)</i>		<i>12-month period (Jan – Dec)</i>	
	4Q/20	4Q/21	2020	2021
EBITDA	(141)	153	152	424
%EBITDA	-23.0%	20.2%	6.6%	18.3%

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Finance Cost

In 4Q/20 and 4Q/21, the Company incurred finance cost amounting THB 23 mm and THB 27 mm respectively.

In 2020 and 2021, the Company incurred finance cost amounting THB 84 mm and THB 99 mm respectively.

Net Profit (Loss)

In 4Q/20 and 4Q/21, the Company's net profit (loss) amounted to THB (285) mm and THB 11 mm, respectively. Net profit (loss) of the Company equaled to (46.5%) and 1.5% of total revenues respectively.

In 2020 and 2021, the Company's net profit (loss) amounted to THB (420) mm and THB (111) mm, respectively. Net profit (loss) of the Company equaled to (18.1%) and (4.8%) of total revenues respectively.

	3-month period (Oct – Dec)		12-month period (Jan – Dec)	
	4Q/20	4Q/21	2020	2021
Net Profit (Loss)	(285)	11	(420)	(111)
% Net Profit (Loss)	(46.5%)	1.5%	(18.1%)	(4.8%)
Extra expenses	200	-	200	-
Net Profit (Loss) – Normal Operation	(85)	11	(220)	(111)
% Net Profit (Loss) – Normal Operation	(13.8%)	1.5%	(9.5%)	(4.8%)

Statement of Financial Position

Total Assets

As of 30 September 2021 and 31 December 2021, the Company's assets equaled THB 4,839 mm and THB 4,897 mm, respectively. Majority of assets is non-current assets. As of 3Q/21, the Company's non-current assets accounted for 90.1% of total assets, while the current assets accounted for 9.9% of total assets, respectively. As of 4Q/21, the Company's non-current assets accounted for 88.8% of total assets, while the current assets accounted for 11.2 % of total assets, respectively.

Total Assets	30 September 2021 (3Q/21)		31 December 2021 (4Q/21)	
	THB mm	%	THB mm	%
Current assets	477	9.9	548	11.2
Non-current assets	4,362	90.1	4,349	88.8
Total assets	4,839	100.0	4,897	100.0

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1. Current Assets

The Company's current assets totaled THB 477 mm and THB 548 mm at 3Q/21 and 4Q/21 accounting for 9.9% and 11.2% of total assets respectively. The Company recorded cash and cash equivalent of THB 188 mm and THB 206 mm in 3Q/21 and 4Q/21 respectively. Account receivables were THB 94 mm and THB 113 mm at 3Q/21 and 4Q/21. Inventories were THB 157 mm and THB 177 mm accounting for 3.3% and 3.6% of total assets at 3Q/21 and 4Q/21, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 3Q/21 and 4Q/21, MUD's non-current assets totaled THB 4,362 mm and THB 4,349 mm, accounting for 90.1% and 88.8% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totaled THB 555 mm and THB 576 mm or 11.5% and 11.8% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 3Q/21 and 4Q/21. Goodwill was comprised of goodwill from Donut business at THB 484 mm, goodwill from bakery business at THB 298 mm, and goodwill from restaurants at THB 1,158 mm based on the business acquisition of Greyhound group since 2014 and Le Grand Véfour in 4Q/17. At 3Q/21 and 4Q/21, other intangible assets amounted to THB 1,724 mm and THB 1,688 mm or 35.6% and 34.5% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 1,002 mm and THB 972 mm at 3Q/21 and 4Q/21.

Total Liabilities

Total Liabilities	30 September 2021 (3Q/21)		31 December 2021 (4Q/21)	
	THB mm	%	THB mm	%
Current Liabilities	949	34.6	1,131	40.6
Non-Current Liabilities	1,798	65.4	1,655	59.4
Total Liabilities	2,747	100.0	2,787	100.0

1. Current Liabilities

As of 3Q/21 and 4Q/21, the Company's current liabilities totaled THB 949 mm and THB 1,131 mm, respectively, accounting for 34.6% and 40.6% of total liabilities. As of 3Q/21 and 4Q/21, the Company had current portion of debentures THB 0 mm and THB 0 or 0.0% and 0.0% of total liabilities respectively. As of 3Q/21 and 4Q/21, the Company had short-term loan from financial institution of THB 235 mm and THB 233 mm or 8.6% and 8.4% of total liabilities respectively.

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2. Non-Current Liabilities

As of 3Q/21 and 4Q/21, non-current liabilities totaled THB 1,798 mm and THB 1,655 mm, representing 65.4% and 59.4% of total liabilities, respectively. Majority of non-current liabilities were long-term debt from financial institution in which long-term debt, net of current portion, equaled to THB 285 mm and THB 326 mm, respectively, accounting for 10.4% and 11.7% of total liabilities, respectively. And, there were long-term debentures of THB 512 mm and THB 513 mm, accounting for 18.7% and 18.4% of total liabilities as of 3Q/21 and 4Q/21 respectively.

Shareholders' Equity

As of 3Q/21 and 4Q/21, the Company's shareholders' equity stood at THB 2,090 mm and THB 2,110 mm respectively.

Management Outlook

The Company is a leading company in food & beverage and lifestyle business under its own brands (Greyhound Café, Another Hound Café, Greyhound Original, M-Kitchen, and Le Grand Vefour) and its exclusive franchisee in Thailand of global brands (Dunkin's Donuts, Au Bon Pain, and Baskin Robbins). In addition, MUD is master franchisor of Greyhound Café in various cities/counties (i.e. Hong Kong, Shanghai, Beijing, Singapore, and Indonesia). In total, MUD has more than 440 stores under strong and experienced management team. MM is promised to deliver the best-quality products, excellence services, and sustainable growth.

The Company has key strategies to create sustainable growth as followed

- **Continuing Innovation & Creativity:** The experienced team has been developing and innovating products and services to meet the rapid changes of consumers' behavior and needs. For example, strengthen "Value for Money" concepts, product innovation (i.e. festive menus, trendy menu such as durian donuts, ice-cream cake in various formats, and special menu for Mother's Day).
- **Store Expansion in Strategic Locations:** Since store expansion is a key factor to create sustainable growth, the Company has determined to continuously develop and expand stores of both owned- and franchised-brand in strategic locations to create sustainable growth and meet consumers' needs. In addition, the Company has the experienced team who understands the market situation and competition. Moreover, the Company has been strengthening good relationships with the existing landlords and at the same time developing new relationship with potential landlords.

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- **International Growth:** The Company has determined and realized the opportunities in presenting unique Thai cuisine to the global market. Therefore, the Company has been aggressively expanded "Greyhound Café" to not only Asian market in which there are exceptional success, but also the first flagship store in Europe (London, England) in 4Q/17 to build the brand awareness of Greyhound Café and to open new stores in Europe. In addition, the Company has opened the 4 restaurants already, in Paris, France.
- **Competitive Advantages of Costs and Expenses:** The Company is aiming not only to establish sustainable revenue growth, but also to create competitive advantage of costs and expenses. The Company has been developing centralized unit in order to support each brand (owned and franchised brands) in the areas of accounting and finance, information technology, supply chain management, human resource, and etc. With the centralized support unit, each brand is able to concentrate on consumer and to efficiently control costs and expenses i.e. big order for all brands.
- **Inorganic Growth:** The Company not only focuses on the organic growth of the existing business, but also eyes on the optimal new business opportunities to create inorganic growth.

Yours Sincerely

Somsak Tangprakob

(Mr. Somsak Tangprakob)

Chief Finance Officer