

Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the First Quarter ended 31 March 2022



1. Q1/2022 Highlights

Unit: Million Baht

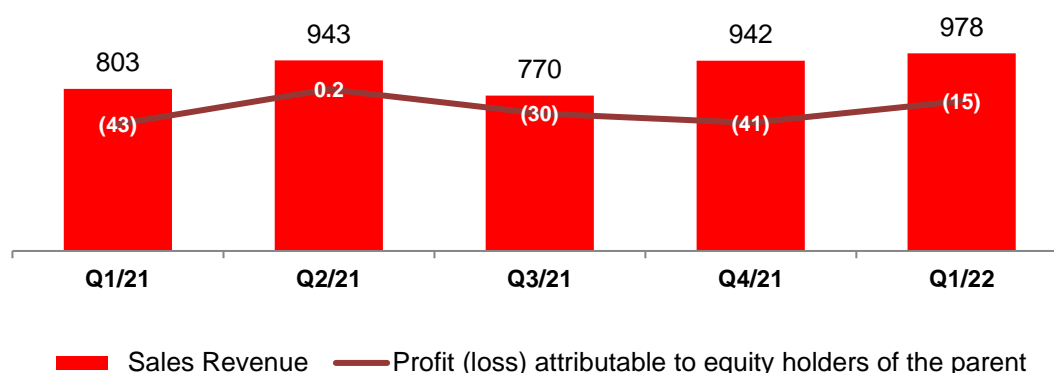
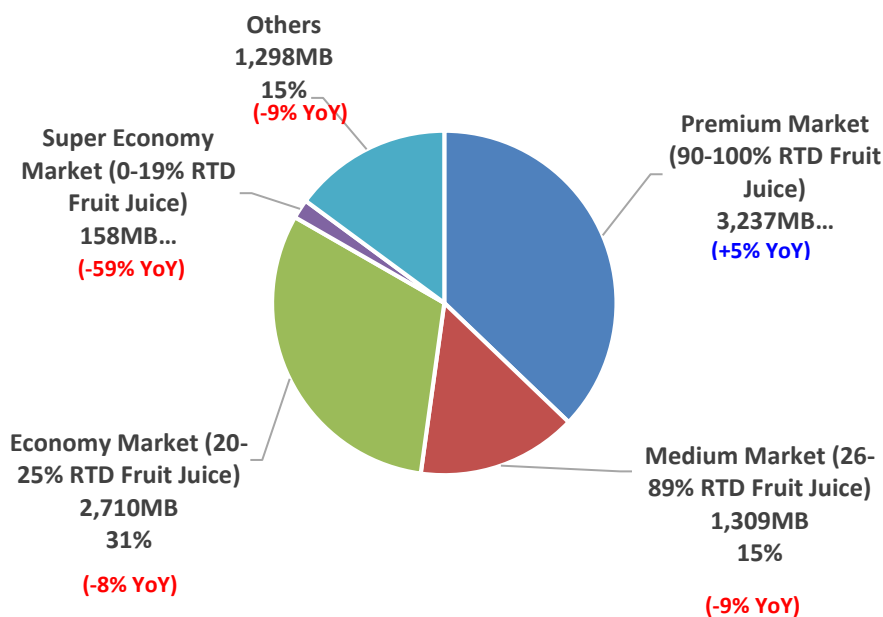


Figure 1: Quarterly results

- In Q1/2022, the Company and its subsidiaries recorded total sales of Baht 978 million, an increase of 22% YoY, mainly improved from an increase in Domestic sales 22% YoY and Export sales 21% YoY. Domestic sales were also affected by purchasing power that has not returned to normal due to the COVID-19 situation and inflation. The price of daily necessities has increased but the growth of export sales has been lower than target which resulted from the shortage of containers and extremely high container costs.
- The Company and its subsidiaries recorded net loss of Baht 15 million in Q1/2022, lower than the net loss of Baht 43 million in Q1/2021, reflecting loss decline of 66% YoY. This resulted from 22% increase in all sales channels. However, the Company still recorded a loss due to the higher cost of goods sold (raw materials, containers, utilities, transportation costs affected by rising oil prices), and increased expenses for managing the COVID-19 situation in the factory.

2. Overview of Domestic Ready-to-Drink Fruit Juice Market

In Q1/2022, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 8,712 million, a decrease of 6% YoY. RTD fruit juice market value and growth is as shown in Figure 2.



(Source: Nielsen)

Figure 2: MAT - March 2022 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability

Consolidated financial statements

(Unit : Baht Million)	Q1/2022	Q1/2021	%YoY
Revenues from sales and services	978	803	+22%
Cost of goods sold and services	756	639	+18%
Gross profit	222	164	+35%
% gross profit	22.7%	20.5%	
Selling expenses	104	97	+7%
% selling expenses to sales	10.6%	12.0%	
Administrative expenses	127	114	+12%
% Administrative expenses to sales	13.0%	14.2%	
Finance costs	18	17	+10%
Share of profit (loss) from investment in subsidiaries and joint ventures	1.2	(1.0)	+222%
Tax (income)	4	(12)	+129%
Net profit (loss) major shareholders equity	(15)	(43)	+66%
% Net profit (loss)	(1.5%)	(5.4%)	

Q1/2022 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 978 million, an increase of 22% YoY, as follows:

- Domestic Branded Business sales increased 21% YoY.
- Export Branded Business sales increased 22% YoY.
- Total Contract Manufacturing Business (CMG) sales increased 22% YoY.

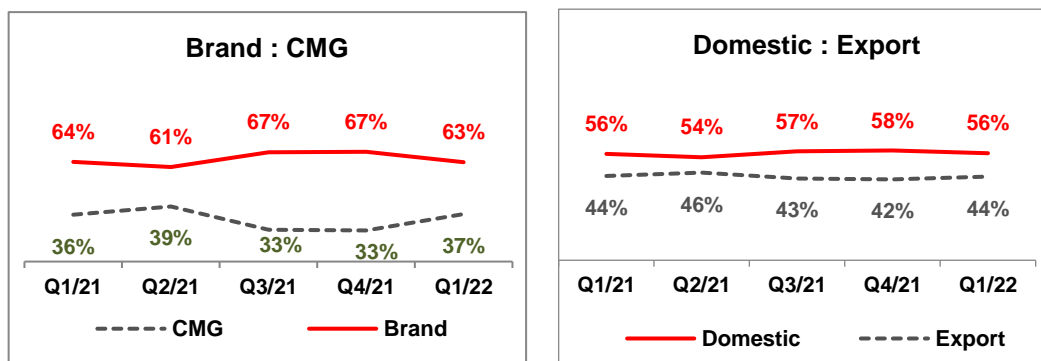
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 619 million, increased 21% YoY.
- CMG: Baht 359 million, increased 22% YoY.
- Sales ratio of Brand: CMG was 63:37, compared with 64:36 in Q1/2021.

Sales Breakdown by Geography:

- Domestic: Baht 549 million, grew 45% YoY.
- Export: Baht 429 million, grew 21% YoY.
- Sales ratio of Domestic: Export was 56:44, compared with 56:44 in Q1/2021.



Q1/2022 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 756 million which increased 18% YoY. A cost of goods sold ratio to sales decreased to 77.3% from 79.5% in Q1/2021, mainly due to 22% total sales increase, and an efficient cost of goods sold control.

Q1/2022 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 222 million, a decrease of 35% YoY, representing a gross profit margin of 22.7%, growth from 20.5% in Q1/2021. This was mainly due to an efficient cost of goods sold control.

Q1/2022 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 104 million, an increase of 7% YoY. The ratio of selling expenses to sales was 10.6%, a decline from 12.0% in Q1/2021. This mainly resulted from sales increase and efficient selling expenses control.

Q1/2022 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 127 million, an increase of 12% YoY. The ratio of administrative expenses to sales was 13.0%, a decline from 14.2% in Q1/2021. The decrease was mainly due to administrative expenses control.

Q1/2022 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 18 million in Q1/2022 versus Baht 17 million in Q1/2021, an increase of 10% YoY which was mainly due to loan from financial institution.

Q1/2022 Net Profit

The Company and its subsidiaries recorded net loss of Baht 15 million in Q1/2022 while recognizing net loss of Baht 43 million in Q1/2021. The improvement was mainly due to sales increase of 66% YoY, resulting from 22% growth from all sales channels, and efficient control of cost of goods sold and expenses. However, the Company still recorded a loss due to the higher cost of goods sold (raw materials, containers, utilities, transportation costs affected by rising oil prices), and increased expenses for managing the COVID-19 situation in the factory.

4. Financial Position of the Company and its Subsidiaries

Unit : Million Baht	31/3/2022	31/12/2021	% change
Cash and cash equivalents	70	80	(12.7%)
Trade and other receivables	638	632	0.9%
Inventories	475	554	(14.3%)
Other current assets	88	71	23.2%
<i>Total current assets</i>	1,271	1,337	(5.0%)
Property, plant and equipment	1,558	1,582	(1.5%)
Goodwill	54	55	(0.6%)
Investments in joint venture	16	14	16.6%
Other non-current assets	1,055	1,058	(0.3%)
Total non-current assets	2,683	2,708	(0.9%)
Total Assets	3,954	4,046	(2.3%)
Bank overdrafts and short-term loans from financial institutions	1,098	1,128	(2.6%)
Trade and other payables	370	356	4.1%
Advances from customers	39	83	(53.2%)
Current portion of long-term loans from financial institutions	90	22	312.6%
Current portion of liabilities under financial lease agreements	36	41	(10.8%)
Income tax payable	318	345	(7.9%)
Other current liabilities	1,951	1,974	(1.2%)
<i>Total Current Liabilities</i>	746	795	(6.2%)
Long-term loans, net of current portion from financial institutions	217	224	(3.2%)
Liabilities under financial lease agreements, net of current portion	303	296	2.6%
Other non-current liabilities	1,267	1,316	(3.7%)
<i>Non-current Liabilities</i>	3,218	3,290	(2.2%)
Total Liabilities	138	138	0.0%
Authorized share capital	138	138	0.0%
Issued and fully paid-up share capital	-	-	-
Share premium	237	252	(5.8%)
Retained earnings	255	254	0.2%
Other components of equity	-	-	-
Total equity of parent Company's shareholders	630	644	(2.2%)
Non-controlling interests	107	112	(5.1%)
Total Shareholders' Equity	736	756	(2.6%)
Total Liabilities and Shareholders' Equity	3,954	4,046	(2.3%)

Assets

As at 31 March 2022, the Company and its subsidiaries had total assets of Baht 3,954 million, a decrease of 2.3% from Baht 4,046 million as of 31 December 2021. The main factors included a decrease in inventories, cash and cash equivalents.

Liabilities

As at 31 March 2022, the Company and its subsidiaries had total Liabilities of Baht 3,218 million, a decrease of 2.2% from Baht 3,290 million as of 31 December 2021. The main factors comprised of a decrease in advances from customers.

Shareholders' Equity

As at 31 March 2022, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 630 million, a decrease of 2.2% from Baht 644 million as of 31 December 2021, mainly due to net loss.

5. Liquidity and Capital Resources**Current Ratio**

As at 31 March 2022, the Company and its subsidiaries recorded current ratio of 0.65x, down from 0.68x as of 31 December 2021.

Consolidated	2022	2021
Current Ratio (Times)	0.65	0.68
Interest-bearing Debt to Equity (Times)	3.13	3.09

Debt to Equity Ratio

As at 31 March 2022, the Company and its subsidiaries had interest-bearing debt to equity ratio of 3.13x, increasing from 3.09x as of 31 December 2021.

Cash Flow

(Unit: Baht Million)	31/3/2022	31/3/2021	% change
Profit (loss) from operating activities before changes in operating assets and liabilities	61	4	1309.2%
Profit (loss) from changes in operating assets and liabilities	(42)	63	(167.2%)
Net Cash flows from (used in) operating activities	19	67	(71.9%)
Cash paid from business combination	-	-	-
Cash paid for increased investments in joint ventures	-	-	-
Cash back from investment in joint ventures	-	-	-
Acquisition of equipment	0	0	-
Cash paid for equipment	(6)	(4)	(24.9%)
Cash paid for intangible assets	(0)	0	-
Net Cash flows from (used in) investing activities	(6)	(4)	(28.9%)
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(28)	(28)	0.7%
Cash received from short-term loans from financial institutions	713	668	6.6%
Cash paid for short-term loans from financial institutions	(715)	(690)	(3.5%)
Cash received from long-term loans from financial institutions	20	0	-
Cash paid for long-term loans from financial institutions	(2)	(6)	73.3%
Cash paid for principal of the lease liabilities	(13)	(17)	25.0%
Net Cash flows from (used in) financing activities	(24)	(73)	66.9%
Exchange differences on translating financial statements	1	(4)	122.4%
Net increase (decrease) in cash and cash equivalents	(10)	(15)	33.2%
Cash and cash equivalents at beginning of periods	80	84	(4.0%)
Cash and cash equivalents at end of periods	70	68	2.5%

In Q1/2022, the Company and its subsidiaries recorded ending cash of Baht 70 million, an increase from Baht 68 million in Q1/2021, with details as follows:

- Net cash received from operating activities of Baht 19 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities Baht 61 million; and (2) cash outflows from net change in operating assets and liabilities of Baht 42 million.
- Net cash paid in investing activities of Baht 6 million from cash paid for equipment of Baht 6 million.
- Net cash used in financing activities of Baht 24 million, consisting of (1) Repayment to bank overdraft and short-term loans from financial institutions (decreased) of Baht 28 million; (2) Cash received from short-term loans from financial institutions of Baht 713 million; (3) Cash paid for short-term loans from financial institutions of Baht 715 million; (4) Cash received from long-term loans from financial institutions of Baht 20 million; (5) Cash paid for long-term loans from financial institutions of Baht 2 million; and (6) Cash paid for principal of the lease liabilities of Baht 13 million.

6. Forward-Looking

In Q1/2022, an ongoing and severe COVID-19 pandemic situation around the world and Thailand has continually effected domestic and overseas consumer purchasing power due to the economic impact. The Export Branded Business was in a difficult situation because of container shortages, extremely high container costs, as well as Thai Baht depreciation. A new abrupt factor was the Russia-Ukraine war that led to economic and political conflict and dispute among many countries. The global economy has been undeniably harmful by a sudden sharp rise in oil prices in addition to the global inflation surge. These factors have caused a profound impact on costs of raw materials and packaging materials, utilities, and transportation which affect the Company and its subsidiaries' sales and expenses to a great extent. Moreover, these worldwide hardship is denting living standards and imposing a higher cost of living and other essentials.

Under such circumstances, the Company closely monitors information and situation in order to be able to adapt rapidly to changes we are facing. We also focus on cash flow management, cost and expense control, and operation efficiency increment. Most importantly, it is crucial that we closely monitor COVID-19 infection in workplace and assure our employee health safety in order to maintain productive operation performance.