

MUD AND HOUND PUBLIC COMPANY LIMITED
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 SUAN LUANG SUB-DISTRICT, SUAN LUANG DISTRICT,
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No. MUD-SET 6/2022

May 13, 2022

Subject : Management Discussion and Analysis Quarter 1/2022 Ending 31 March 2022

To : The President
 The Stock Exchange of Thailand

Income Statement

Total Revenue

Mud & Hound PCL and the subsidiaries (“MUD” or the “Company”) earned THB 524 mm and THB 694 mm in 1Q/21 and 1Q/22 respectively, equalling to Y-o-Y growth of 32.4%. The significant reasons were as follows: relaxation of government measures in relation to the epidemic situation of the Coronavirus Disease 2019 (COVID-19), including the Company increase in the number of branches resulting in higher sales.

Cost of Sales and Services

Cost of sales and services in 1Q/21 and 1Q/22 totalled THB 194 mm and THB 276 mm respectively, accounting for 37.1% and 39.8% of total revenue respectively. There is higher in such ratio, due to the increase in raw material cost price according to the market price including the cost of energy continued to increase prices.

Selling and Administrative Expenses (S&A)

In 1Q/21 and 1Q/22, MUD’s selling and administrative expenses amounted to THB 345 mm and THB 427 mm, respectively, accounting for 65.9% and 61.6% of total revenue, respectively. The ratio decreased by 4.3% due to the company closing branches, most of which are non-profitable operations.

S&A Breakdown by Type

	<i>3-month period (Jan – Mar)</i>		
	1Q/21	1Q/22	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	7	8	14.2%
Other selling expenses ⁽²⁾	268	336	25.3%
Administrative expenses ⁽³⁾	70	83	18.5%
Total selling and administrative expenses	345	427	23.7%

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Note

- (1) Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, and Greyhound Café franchises totaling THB 1 mm, THB 2 mm, and THB 5 mm in 1Q/22. .
- (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 76 mm and THB 94 mm in 1Q/21 and 1Q/22 respectively or %EBITDA of 14.4% and 13.5% of total revenues respectively.

Finance Cost

In 1Q/21 and 1Q/22, the Company incurred finance cost amounting THB 20 mm and THB 26 mm respectively.

Net Profit (Loss)

In 1Q/21 and 1Q/22, the Company's net profit (loss) amounted to THB (33) mm and THB (37) mm, respectively. Net profit (loss) of the Company equalled to (6.3%) and (5.3%) of total revenues respectively.

Statement of Financial Position
Total Assets

As of 31 December 2021 and 31 March 2022, the Company's assets equalled THB 4,896 mm and THB 4,898 mm, respectively. Majority of assets is non-current assets. 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. As of 1Q/22, the Company's non-current assets accounted for 89.5% of total assets, while the current assets accounted for 10.5 % of total assets, respectively.

Total Assets	31 December 2021 (4Q/21)		31 March 2022 (1Q/22)	
	THB mm	%	THB mm	%
Current assets	548	11.2	514	10.5
Non-current assets	4,348	88.8	4,384	89.5
Total assets	4,896	100.0	4,898	100.0

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1. Current Assets

The Company's current assets totalled THB 548 mm and THB 514 mm at 4Q/21 and 1Q/22 accounting for 11.2% and 10.5% of total assets respectively. The Company recorded cash and cash equivalent of THB 206 mm and THB 163 mm in 4Q/21 and 1Q/22 respectively. Account receivables were THB 113 mm and THB 107 mm at 4Q/21 and 1Q/22. Inventories were THB 177 mm and THB 187 mm accounting for 3.6% and 3.8% of total assets at 4Q/21 and 1Q/22, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 4Q/21 and 1Q/22, MUD's non-current assets totalled THB 4,348 mm and THB 4,384 mm, accounting for 88.8% and 89.5% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totalled THB 575 mm and THB 641 mm or 11.8% and 13.1% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 4Q/21 and 1Q/22. 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 4Q/21 and 1Q/22, other intangible assets amounted to THB 1,831 mm and THB 1,802 mm or 37.4% and 36.8% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 972 mm and THB 949 mm at 4Q/21 and 1Q/22 respectively.

Total Liabilities

Total Liabilities	31 December 2021 (4Q/21)		31 March 2022 (1Q/22)	
	THB mm	%	THB mm	%
Current Liabilities	1,131	40.6	1,179	41.8
Non-Current Liabilities	1,655	59.4	1,639	58.2
Total Liabilities	2,786	100.0	2,818	100.0

1. Current Liabilities

As of 4Q/21 and 1Q/22, the Company's current liabilities totaled THB 1,131 mm and THB 1,179 mm, respectively, accounting for 40.6% and 41.8% of total liabilities. As of 4Q/21 and 1Q/22, the Company had trade and other payables THB 420 mm and THB 441 mm or 15.1% and 15.7% of total liabilities respectively. As of 4Q/21 and 1Q/22, the Company had short-term loan from financial institution of THB 233 mm and THB 232 mm or 8.4% and 8.3% of total liabilities respectively.

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2. Non-Current Liabilities

As of 4Q/21 and 1Q/22, non-current liabilities totaled THB 1,655 mm and THB 1,639 mm, representing 59.4% and 58.2% 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 325 mm and THB 335 mm, respectively, accounting for 11.7% and 11.9% of total liabilities, respectively. And, there were long-term debentures of THB 513 mm and THB 513 mm, accounting for 18.4% and 18.2% of total liabilities as of 4Q/21 and 1Q/22 respectively.

Shareholders' Equity

As of 4Q/21 and 1Q/22, the Company's shareholders' equity stood at THB 2,109 mm and THB 2,080 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 444 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-cram 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 5 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