

**MUD AND HOUND PUBLIC COMPANY LIMITED**  
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 SUAN LUANG SUB-DISTRICT, SUAN LUANG DISTRICT,  
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No. MUD-SET 7/2022

August 11, 2022

Subject : Management Discussion and Analysis Quarter 2/2022 Ending 30 June 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 1,058 mm and THB 1,463 mm in 2Q/21 and 2Q/22 respectively, equalling to Y-o-Y growth of 38.3%. 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 2Q/21 and 2Q/22 totalled THB 386 mm and THB 584 mm respectively, accounting for 36.5% and 39.9% 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 2Q/21 and 2Q/22, MUD’s selling and administrative expenses amounted to THB 696 mm and THB 869 mm, respectively, accounting for 65.8% and 59.4% of total revenue, respectively. The ratio decreased by 6.4% due to the company closing branches, most of which are non-profitable operations.

#### S&A Breakdown by Type

	<u>3-month period (Apr – Jun)</u>			<u>6-month period (Jan – Jun)</u>		
	2Q/21	2Q/22	Y-o-Y Change	6M/21	6M/22	Y-o-Y Change
Amortization of intangible assets from business acquisitions <sup>(1)</sup>	8	9	12.5%	17	18	5.8%
Other selling expenses <sup>(2)</sup>	277	376	35.7%	543	712	31.1%
Administrative expenses <sup>(3)</sup>	65	56	(13.8%)	136	139	2.2%
<b>Total selling and administrative expenses</b>	<b>350</b>	<b>441</b>	<b>26.0%</b>	<b>696</b>	<b>869</b>	<b>24.8%</b>

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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 totalling THB 2 mm, THB 2 mm, and THB 5 mm in 2Q/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 199 mm and THB 207 mm in 2Q/21 and 2Q/22 respectively or %EBITDA of 14.2% and 18.8% of total revenues respectively.

**Finance Cost**

In 2Q/21 and 2Q/22, the Company incurred finance cost amounting THB 44 mm and THB 52 mm respectively.

**Net Profit (Loss)**

In 2Q/21 and 2Q/22, the Company's net profit (loss) amounted to THB (67) mm and THB (41) mm, respectively. Net profit (loss) of the Company equalled to (6.3%) and (2.8%) of total revenues respectively.

**Statement of Financial Position**
**Total Assets**

As of 31 March 2022 and 30 June 2022, the Company's assets equalled THB 4,898 mm and THB 4,845 mm, respectively. Majority of assets is non-current assets. 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. As of 2Q/22, the Company's non-current assets accounted for 89.8% of total assets, while the current assets accounted for 10.2 % of total assets, respectively.

Total Assets	31 March 2022 (1Q/22)		30 June 2022 (2Q/22)	
	THB mm	%	THB mm	%
Current assets	514	10.5	495	10.2
Non-current assets	4,384	89.5	4,350	89.8
<b>Total assets</b>	<b>4,898</b>	<b>100.0</b>	<b>4,845</b>	<b>100.0</b>

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#### 1. Current Assets

The Company's current assets totalled THB 514 mm and THB 495 mm at 1Q/22 and 2Q/22 accounting for 10.5% and 10.2% of total assets respectively. The Company recorded cash and cash equivalent of THB 163 mm and THB 163 mm in 1Q/22 and 2Q/22 respectively. Account receivables were THB 107 mm and THB 105 mm at 1Q/22 and 2Q/22. Inventories were THB 187 mm and THB 175 mm accounting for 3.8% and 3.6% of total assets at 1Q/22 and 2Q/22, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

#### 2. Non-Current Assets

As of 1Q/22 and 2Q/22, MUD's non-current assets totalled THB 4,384 mm and THB 4,350 mm, accounting for 89.5% and 89.8% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totalled THB 641 mm and THB 655 mm or 13.1% and 13.5% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 1Q/22 and 2Q/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 1Q/22 and 2Q/22, other intangible assets amounted to THB 1,802 mm and THB 1,753 mm or 36.8% and 36.2% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 949 mm and THB 906 mm at Q/22 and 2Q/22 respectively.

#### Total Liabilities

Total Liabilities	31 March 2022 (1Q/22)		30 June 2022 (2Q/22)	
	THB mm	%	THB mm	%
Current Liabilities	1,179	41.8	1,162	42.0
Non-Current Liabilities	1,639	58.2	1,603	58.0
<b>Total Liabilities</b>	<b>2,818</b>	<b>100.0</b>	<b>2,765</b>	<b>100.0</b>

#### 1. Current Liabilities

As of 1Q/22 and 2Q/22, the Company's current liabilities totaled THB 1,179 mm and THB 1,162 mm, respectively, accounting for 41.8% and 42.0% of total liabilities. As of 1Q/22 and 2Q/22, the Company had trade and other payables THB 441 mm and THB 406 mm or 15.7% and 14.7% of total liabilities respectively. As of 1Q/22 and 2Q/22, the Company had short-term loan from financial institution of THB 232 mm and THB 232 mm or 8.3% and 8.4% of total liabilities respectively.

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### 2. Non-Current Liabilities

As of 1Q/22 and 2Q/22, non-current liabilities totaled THB 1,639 mm and THB 1,603 mm, representing 58.2% and 58.0% 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 335 mm and THB 337 mm, respectively, accounting for 11.9% and 12.2% of total liabilities, respectively. And, there were long-term debentures of THB 513 mm and THB 514 mm, accounting for 18.2% and 18.6% of total liabilities as of 1Q/22 and 2Q/22 respectively.

### Shareholders' Equity

As of 1Q/22 and 2Q/22, the Company's shareholders' equity stood at THB 2,080 mm and THB 2,080 mm respectively.

The Company offered 300,000 units of debentures by way of private placement to specific institutional investors and/or major investors at a face value of Baht 1,000 each, totaling Baht 300 million, with the subscription period during 8 - 10 August 2022. The term of the debentures is 2 years and 9 months as debenture issue on 11 August 2022 and due for redemption on 11 May 2025. The Company has the right to redeem the debentures before their maturity date and carrying the fixed interest at 5.8 percent per annum. The Company is required to maintain the interest bearing debt to shareholders' equity ratio in the consolidated financial statements as at the end of each quarter, at not more than 3:1 throughout the entire debenture term. Such private placement offering memorandum was effective on 2 August 2022.

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### 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 453 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).

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- **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.
- **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