

Management Discussion and Analysis for the operation results of fiscal year 2022 (1 Jul 2021 – 30 Jun 2022)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating results of fiscal year 2022 (1 Jul 2021 – 30 Jun 2022) as follows:

Overall Economic and Industry Overview

In the last quarter of fiscal year 2022 (1 Apr - 30 Jun 2022), the Thai economy, retail industry and domestic consumption has been continuously affected by a COVID-19 outbreak and war between Russia and Ukraine, in this quarter The Consumer Confidence Index stood at 41.6 in June 2022, a slightly decrease from 42.0 in March 2022, which is still present concerns over the spread of the COVID-19 virus, the price of goods and the cost of living that remained high include concern in war between Russia and Ukraine may push up oil price, Although an increase in COVID-19 vaccination in the country and increase in agricultural prices partly help to stimulate Consumer Confidence.

Overall Performance for FY2022

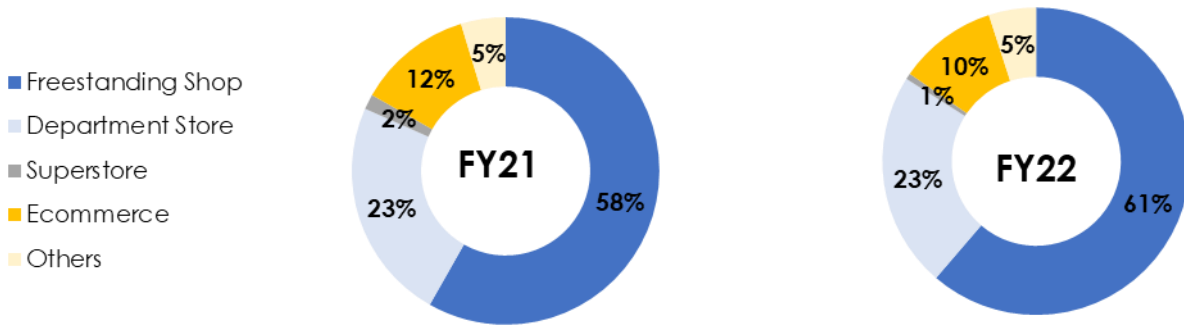
Unit: THB million	FY2022	FY2021	Change
	(Jul 21–Jun 22)	(Jul 20–Jun 21)	
Sales Revenue	2,923	3,220	-9.2%
Gross Profit	1,892	1,919	-1.4%
Gross Profit Margin	64.7%	59.6%	+5.1%
SG&A	1,306	1,401	-6.8%
%SG&A	44.7%	43.5%	+1.2%
Other Revenue	26	29	-10.4%
EBITDA	991	952	+4.1%
%EBITDA	33.6%	29.3%	+4.3%
NPAT	486	446	+9.0%
%NPAT	16.5%	13.7%	+2.8%

Revenue

FY2022, The company reported sales revenue of THB 2,923 million decreased THB 297 million or 9.2% YoY affected by COVID-19 delta and Omikron which continued spread throughout the fiscal year results the temporally closure of shops and the overall economic slowdown from the epidemic. There was also a war between Russia and Ukraine which results high oil prices and product costs rose and a temporary decrease in the number of offline customer while online sales was unable to compensate for the shortage However, in the last quarter of fiscal year 2022, sales signaled an improvement from the relaxation of government disease control measures and higher vaccination rates.

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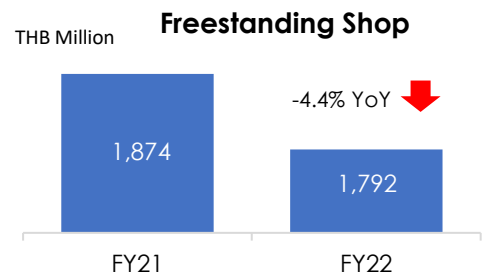
Revenue break down by channel



In fiscal year 2022 revenue breakdown by channels consisted of revenue from free-standing shop 61%, Department stores 23%, E-commerce 10%, Superstores 1%, and other channels 5%.

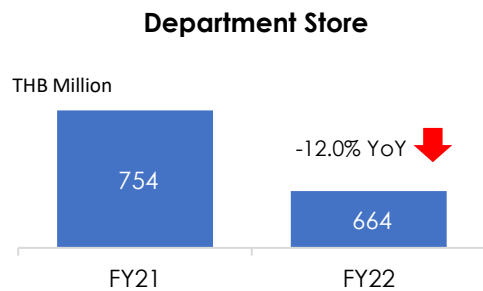
- **Freestanding Shop**

Sales revenue from free standing shops in FY2022 was THB 1,792 million decreased THB 83 million or -4.4% YoY.



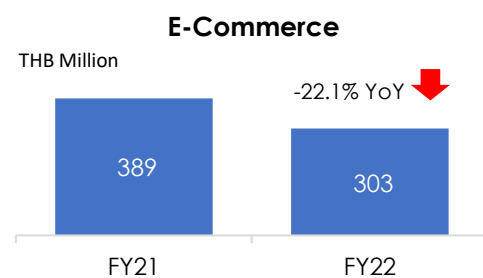
- **Department Store**

Sales revenue from Department Stores in FY2022 was THB 664 million decreased THB 90 million or -12.0% YoY.



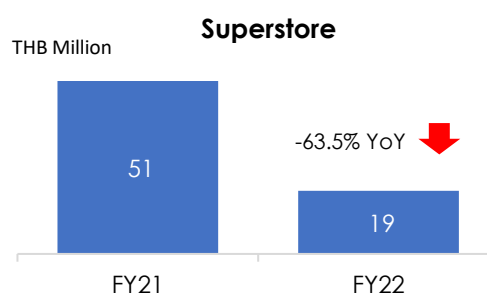
- **E-commerce**

Sales revenue from E-commerce in in FY2022 was THB 303 million decreased THB 86 million or -22.1% YoY.



■ Superstore

Sales revenue in FY2022 was THB 19 million decreased THB 32 million or -63.5% YoY.



As of 30 Jun 2022 and 2021 the Company had point of sales as follows

By Distribution Channel	Apparel and Lifestyle Products under "MC Group"		
	2022	2021	Increase (+) / Decrease (-) from end FY2021
Free-standing Shop	350	334	+16
Modern Trade	282	287	-5
Mobile Unit	6	6	-
Total POS (domestic)	638	627	+11
International Markets	9	9	-
Total	647	636	+11

Gross Profit

For FY2022, the company's gross profit was THB 1,892 million decreased THB 27 million or 1.4% YoY due to the decline in sales above. However, the company has manage its marketing strategy, manage proportion of goods and distribution channel also a hedge against raw material prices increase, resulting in a decrease in gross profit margin significantly less than the impact of sales contraction. Gross profit margin of 64.7% shift up from 59.6% from last year as the same reason.

Selling, General and Administrative Expenses (SG&A)

For FY2022, SG&A was THB 1,306 million lower THB 95 million or 6.8% YoY. SG&A to sales increase to 44.7% from 43.5% previous year. mainly from lower use of resource as lower sales plus continuous 360 degree cost controlling. The increase in percentage to sales from 43.5% to 44.7% this year was temporary effect from sales decrease.

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

EBITDA for the FY2022 was THB 991 million increased THB 39 million or 4.1%. EBITDA margin for FY2022 was 33.6% compared to that of 29.3% in the previous year.

Net Profit

For FY2022, net profit was THB 486 million increased THB 40 million or 9.0% from FY2021, Net profit to sales increase to 16.5% from 13.7% previous year although effective tax rate are shift to 18.0% from 14.9 last year.

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Financial Position Analysis

Statement of Financial Position

(THB million)	30 Jun 2022	30 Jun 2021	% change
Cash and short-term investments	1,995	1,864	+7%
Account receivables	203	202	+0%
Inventory	1,200	1,250	-4%
Right-of-use assets	856	1,126	-24%
Other assets	807	771	+5%
Total Assets	5,062	5,214	-3%
Account payables	168	171	-2%
Interest-bearing liabilities	-	-	-
Lease liabilities	860	1,113	-23%
Other liabilities	359	328	+10%
Total Liabilities	1,387	1,612	-14%
Equity attributable to the firm	3,665	3,591	+2%
Non-controlling interest	10	11	-13%
Shareholders' Equity	3,675	3,603	+2%

Assets

As of 30 June 2022, the Company reported total assets of THB 5,062 million, decreased THB 152 million from THB 5,214 million on 30 June 2021 from:

- 1) Right-of-use assets decreased by THB 270 million from THB 1,126 million on 30 June 2021 to THB 856 million on 30 June 2022 due to amortization as per term and condition also change in term of new contract.
- 2) Inventory decreased THB 50 million from THB 1,250 million on 30 June 2021 to THB 1,200 million on 30 June 2022 from supply chain management and clearing of aging stock from promotion and donation.
- 3) Offset with increased in Cash and short-term investments THB 132 million from THB 1,864 million on 30 June 2021 to THB 1,995 million on 30 Jun 2022.
- 4) Other assets increased THB 35 million from THB 771 million on 30 June 2021 to THB 807 million on 30 June 2022.

Liabilities

As of 30 June 2022, total liabilities were THB 1,387 million compared to THB 1,612 million on 30 June 2021, The decrease of THB 224 million was contributed mainly from decrease of THB 253 million from lease liabilities offset with increased in Other liabilities of THB 31 million

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Shareholders' Equity

As of 30 June 2022, the Company reported THB 3,675 million of shareholders' equity, an increase of THB 72 million from the THB 3,603 million as of 30 June 2021. The movement was from FY2022 total performance of THB 484 million offsets with dividend paid during the fiscal year of THB 412 million.

Liquidity

As of 30 June 2022, the Company's cash, cash equivalent and short-term investment of THB 1,995 million increased THB 132 million from 30 June 2021 due to:

- Net Cash inflow from operation of THB 905 million, which was mainly contributed by profit before income tax expense THB 591 million and adjustment of non-cash items THB 327 off-set with decrease in change in operating assets and liabilities THB 57 million.
- Net Cash outflow from investment activities of THB 114 million mainly due to THB 70 million purchase of property, plant and equipment and Cash paid for other non-current financial assets THB 49 million offset with cash received from dividend income THB 9 million.
- Net Cash outflow from financing activities was THB 558 million from dividend payment of THB 412 million, lease liabilities payment of THB 126 million and Cash paid for financial cost THB 20 million

Key Financial Ratios

Financial Ratios		For period ended	
		30 June 2022	30 June 2021
<u>Liquidity Ratios</u>			
Current Ratio	times	4.6	4.6
Average Days Receivable	days	25	28
Average Days in Inventory	days	434	373
Average Days Payable	days	60	41
Cash cycle	days	399	360
<u>Efficiency Ratios</u>			
Return on Assets (Annualized)	%	11.9	11.9
Return on Equity (Annualized)	%	13.4	12.4
<u>Leverage Ratios</u>			
Debt to Equity Ratio	times	0.38	0.45

* Exclude Current portion of lease liabilities, Current Ratio were 7.6 and 8.1 times for 30 Jun 2022 and 30 Jun 2021, respectively.

Respectfully yours

-signed by-

Virach Seripanu

Director