

MUD AND HOUND PUBLIC COMPANY LIMITED
 206 SOI PATTANAKARN 20,
 SUAN LUANG SUB-DISTRICT, SUAN LUANG DISTRICT,
 BANGKOK 10250, THAILAND
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No. MUD-SET 9/2022

November 11, 2022

Subject : Management Discussion and Analysis Quarter 3/2022 Ending 30 September 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 1,560 mm and THB 2,256 mm in 3Q/21 and 3Q/22 respectively, equalling to Y-o-Y growth of 44.8%. 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 3Q/21 and 3Q/22 totalled THB 569 mm and THB 884 mm respectively, accounting for 36.5% and 39.2% 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 3Q/21 and 3Q/22, MUD’s selling and administrative expenses amounted to THB 1,045 mm and THB 1,324 mm, respectively, accounting for 67.0% and 58.6% of total revenue, respectively. The ratio decreased by 8.4% due to the company closing branches, most of which are non-profitable operations.

S&A Breakdown by Type

	<i>3-month period (Jul – Sep)</i>			<i>9-month period (Jan – Sep)</i>		
	3Q/21	3Q/22	Y-o-Y Change	9M/21	9M/22	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	9	9	0.0%	27	27	0.0%
Other selling expenses ⁽²⁾	254	380	49.6%	795	1,091	37.2%
Administrative expenses ⁽³⁾	86	66	(23.2%)	223	206	(7.6%)
Total selling and administrative expenses	349	455	30.3%	1,045	1,324	26.6%

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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 3Q/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 271 mm and THB 354 mm in 3Q/21 and 3Q/22 respectively or %EBITDA of 17.4% and 15.7% of total revenues respectively.

Finance Cost

In 3Q/21 and 3Q/22, the Company incurred finance cost amounting THB 71 mm and THB 84 mm respectively.

Net Profit (Loss)

In 3Q/21 and 3Q/22, the Company's net profit (loss) amounted to THB (122) mm and THB (24) mm, respectively. Net profit (loss) of the Company equalled to (7.9%) and (1.1%) of total revenues respectively.

Statement of Financial Position
Total Assets

As of 30 June 2022 and 30 September 2022, the Company's assets equalled THB 4,845 mm and THB 5,015 mm, respectively. Majority of assets is non-current assets. 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. As of 3Q/22, the Company's non-current assets accounted for 90.6% of total assets, while the current assets accounted for 9.4 % of total assets, respectively.

Total Assets	30 June 2022 (2Q/22)		30 September 2022 (3Q/22)	
	THB mm	%	THB mm	%
Current assets	495	10.2	473	9.4
Non-current assets	4,350	89.8	4,542	90.6
Total assets	4,845	100.0	5,015	100.0

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1. Current Assets

The Company's current assets totalled THB 495 mm and THB 472 mm at 2Q/22 and 3Q/22 accounting for 10.2% and 9.4% of total assets respectively. The Company recorded cash and cash equivalent of THB 163 mm and THB 131 mm in 2Q/22 and 3Q/22 respectively. Account receivables were THB 105 mm and THB 104 mm at 2Q/22 and 3Q/22. Inventories were THB 175 mm and THB 183 mm accounting for 3.6% and 3.6% of total assets at 2Q/22 and 3Q/22, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 2Q/22 and 3Q/22, MUD's non-current assets totalled THB 4,350 mm and THB 4,542 mm, accounting for 89.8% and 90.6% 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 655 mm and THB 710 mm or 13.5% and 14.2% 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 2Q/22 and 3Q/22, other intangible assets amounted to THB 1,753 mm and THB 1,749 mm or 36.2% and 34.9% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 906 mm and THB 1,063 mm at 2Q/22 and 3Q/22 respectively.

Total Liabilities

Total Liabilities	30 June 2022 (2Q/22)		30 September 2022 (3Q/22)	
	THB mm	%	THB mm	%
Current Liabilities	1,162	42.0	1,147	39.3
Non-Current Liabilities	1,603	58.0	1,771	60.7
Total Liabilities	2,765	100.0	2,918	100.0

1. Current Liabilities

As of 2Q/22 and 3Q/22, the Company's current liabilities totaled THB 1,162 mm and THB 1,147 mm, respectively, accounting for 42.0% and 39.3% of total liabilities. As of 2Q/22 and 3Q/22, the Company had trade and other payables THB 406 mm and THB 308 mm or 14.7% and 13.0% of total liabilities respectively. As of 2Q/22 and 3Q/22, the Company had short-term loan from financial institution of THB 232 mm and THB 152 mm or 8.4% and 5.2% of total liabilities respectively.

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2. Non-Current Liabilities

As of 2Q/22 and 3Q/22, non-current liabilities totaled THB 1,603 mm and THB 1,771 mm, representing 58.0% and 60.7% 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 337 mm and THB 311 mm, respectively, accounting for 12.2% and 10.7% of total liabilities, respectively. And, there were long-term debentures of THB 514 mm and THB 586 mm, accounting for 18.6% and 20.1% of total liabilities as of 2Q/22 and 3Q/22 respectively.

Shareholders' Equity

As of 2Q/22 and 3Q/22, the Company's shareholders' equity stood at THB 2,080 mm and THB 2,096 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 459 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