

Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Q3/2022 and 9M ended 30 September 2022



1. Q3/2022 Highlights

Unit: Million Baht

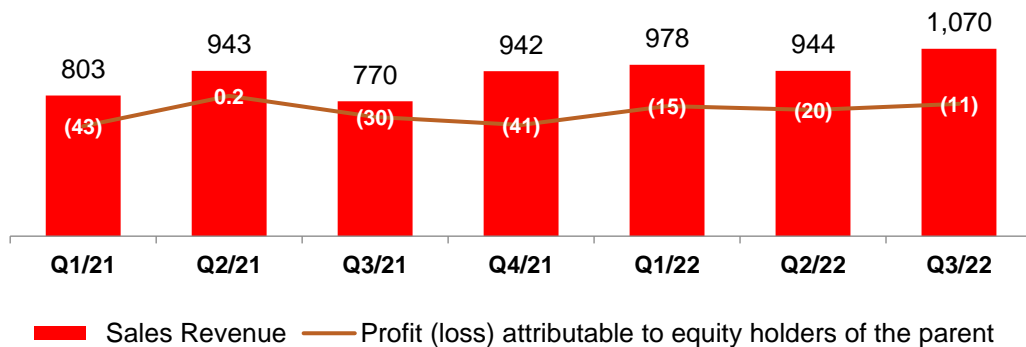


Figure 1: Quarterly results

- In Q3/2022, the Company and its subsidiaries recorded total sales of Baht 1,070 million, an increase of 39% YoY. This occurred from an increase in Domestic sales by 29% YoY and in Export sales by 53% YoY.
- In 9M ending 30 September 2022, the Company and its subsidiaries recorded total sales of Baht 2,992 million, an increase of 19% YoY. This was mainly contributed by 15% YoY increase in Domestic sales and 24% YoY increase in Export sales.
- In Q3/2022, the Company and its subsidiaries recorded a net loss of Baht 11 million, compared with a net loss of 30 million Baht in Q3/2021. While recognizing 62% YoY improvement in operating results due to higher sales in all sales channels 39% YoY, the Company still recorded loss due to the impact of rise in all cost of goods (e.g. raw materials, packaging materials, utilities, and transportation costs).
- In 9M ending 30 September 2022, the Company and its subsidiaries recorded a net loss of Baht 46 million, compared with 9M ending 30 September 2021 net loss of Baht 73 million. The 37% YoY improvement in operating results was mainly attributed to all sales channels increase of 19% YoY. Nevertheless, the Company recorded a loss due to cost of goods to rise in all items (e.g., raw materials, packaging materials, utilities, and transportation costs mainly affected by oil price surge).

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

At the end of Q3/2022, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 9,261 million, an increase of 3.5% YoY. RTD fruit juice market value and growth is as shown in Figure 2.

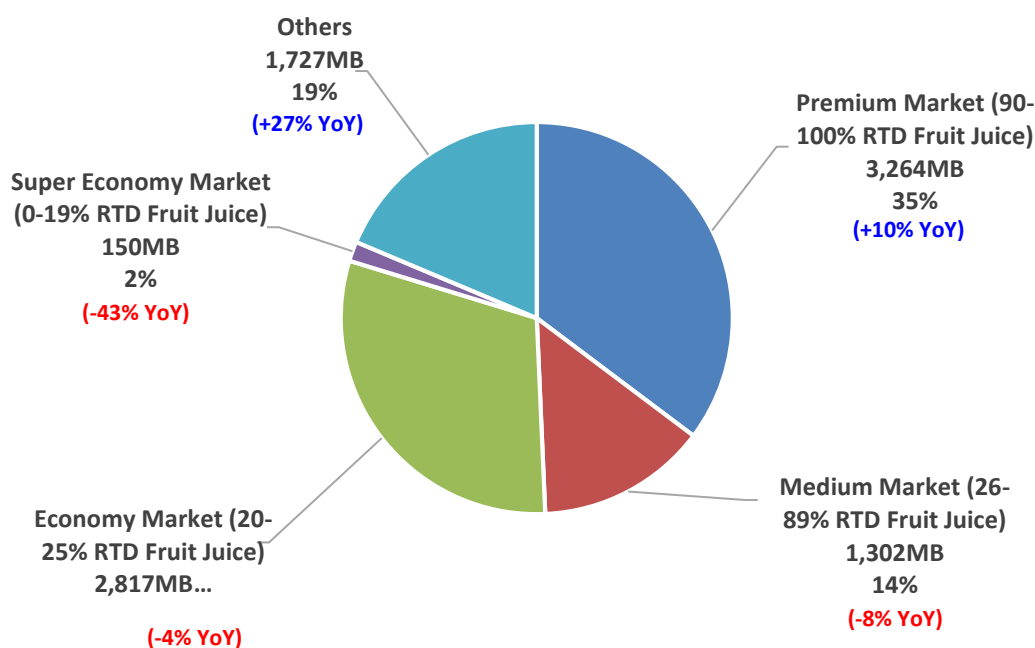


Figure 2: MAT September 2022 RTD Fruit Juice Market Value breakdown by Market Segment (Source: Nielsen)

3. Results of Operations and Profitability

Consolidated financial statements

(Unit : Baht Million)	Q3/22	Q3/21	%YoY	9M/22	9M/21	%YoY
Revenues from sales and services	1,070	770	+39%	2,992	2,516	+19%
Cost of goods sold and services	828	568	+46%	2,300	1,909	+20%
Gross profit	242	202	+20%	692	606	+14%
% gross profit	22.6%	26.2%		23.1%	24.1%	
Selling expenses	127	95	+33%	344	313	+10%
% selling expenses to sales	11.8%	12.4%		11.5%	12.4%	
Administrative expenses	119	132	-10%	374	362	+3%
% Administrative expenses to sales	11.1%	17.2%		12.5%	14.4%	
Finance costs	19	17	+15%	56	48	+17%
Share of profit (loss) from investment in subsidiaries and JV	1.2	0.9	+41%	1	(2)	+132%
Tax (income)	(7)	7	-200%	(16)	20	-176%
Net profit (loss)	(11)	(30)	+62%	(46)	(73)	+37%
% net profit (loss)	-1.1%	-3.9%		-1.5%	-2.9%	

Q3/2022 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,070 million, an increase of 39% YoY. Details are as follows:

- Domestic Branded Business sales increased 28% YoY.
- Export Branded Business sales increased 52% YoY.
- Total Contract Manufacturing Business (CMG) sales increased 41% YoY.

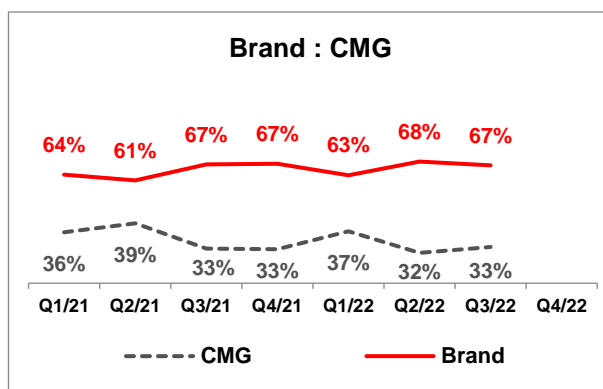
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 715 million, increased 38% YoY.
- CMG: Baht 355 million, increased 41% YoY.
- Sales ratio of Brand: CMG was 67:33, same as Q3/2021.

Sales Breakdown by Geography:

- Domestic: Baht 566 million, increased 29% YoY.
- Export: Baht 504 million, increased 53% YoY.
- Sales ratio of Domestic: Export was 53:47, compared with 57:43 in Q3/2021.



9M/2022 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 2,992 million, an increase of 19% YoY. Details are as follows:

- Domestic Branded Business sales increased 17% YoY.
- Export Branded Business sales increased 30% YoY.
- Total Contract Manufacturing Business (CMG) sales increased 12% YoY.

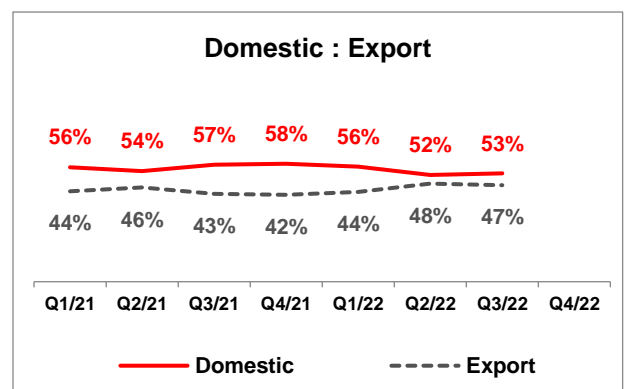
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 1,977 million, increased 23% YoY.
- CMG: Baht 1,015 million, increased 12% YoY.
- Sales ratio of Brand: CMG was 66:34, compared with 64:36 in 9M/2021.

Sales Breakdown by Geography:

- Domestic: Baht 1,607 million, increased 15% YoY.
- Export: Baht 1,385 million, increased 24% YoY.
- Sales ratio of Domestic: Export was 54:46, compared with 56:44 in 9M/2021.



Q3/2022 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 828 million, an increase of 46% YoY. The ratio of cost of goods sold to sales was 77.4%, an increase from 73.8% in Q3/2021, mainly due to the surging cost of raw materials, packaging materials, utilities and transportation, mainly impacted by rising oil prices.

Q3/2022 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 242 million, an increase of 20% YoY, representing gross profit margin of 22.6%, a decline from 26.2% in Q3/2021, mainly due to cost of goods sold increase.

Q3/2022 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 127 million, an increase of 33% YoY. The ratio of selling expenses to sales was 11.8%, a decline from 12.4% in Q3/2021.

Q3/2022 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 119 million, an increase of 10% YoY. The ratio of administrative expenses to sales decreased to 11.1% from 17.2% in Q3/2021, mainly due to an efficient administrative expense control.

Q3/2022 Finance Costs

The Company and its subsidiaries recorded finance costs in Q3/2022 compared to Q3/2021 of Baht 19 million and Baht 17 million, respectively, an increase of 15% YoY. This resulted from loans and interest rates of financial institutions.

Q3/2022 Net Loss

The Company and its subsidiaries recorded a net loss of Baht 11 million, an improved performance from Q3/2021 that recognized a net loss of Baht 30 million. This resulted from increased sales and efficient administrative expense control despite soaring cost of every cost of goods sold item, raw materials, packaging materials, utilities, and transportation derived from rising oil prices.

9M/2022 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 2,300 million, an increase of 20% YoY. The ratio of cost of goods sold to sales increased to 76.9% from 75.9% in 9M/2021, mainly due to the surging cost of raw materials, packaging materials, utilities and transportation, mainly impacted by rising oil prices.

9M/2022 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 692 million, an increase of 14% YoY, representing gross profit margin of 23.1%, a decline from 24.1% in 9M/2021. This was mainly due to cost of goods sold increase.

9M/2022 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 344 million, an increase of 10% YoY. The ratio of selling expenses to sales was 11.5%, decreased from 12.4% in Q3/2021.

9M/2022 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 374 million, an increase of 3% YoY. The ratio of administrative expenses to sales decreased to 12.5% from 14.4% in 9M/2021, mainly due to an efficient administrative expense control in spite of an increase of one-time professional consulting fee for shareholding restructuring plan of the Company.

9M/2022 Finance Costs

The Company and its subsidiaries recorded finance costs in 9M/2022 compared to 9M/2021 of Baht 56 million and Baht 48 million, respectively, an increase of 17% YoY. This resulted from loans and interest rates of financial institutions.

9M/2022 Net Loss

The Company and its subsidiaries recorded a net loss of Baht 46 million, 37% decrease compared with a net loss of Baht 73 million in 9M/2021. This resulted from increased sales and efficiency control of administrative expenses despite soaring cost of every cost of goods sold item, raw materials, packaging materials, utilities, and transportation derived from rising oil prices as well as the one-time professional consulting fee for shareholding restructuring plan of the Company.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 September 2022	31 December 2021	% Change
Cash and cash equivalents	17	80	(78.4%)
Account receivables	564	632	(10.7%)
Inventories	747	554	34.8%
Other current assets	124	71	73.7%
Total current assets	1,452	1,337	8.6%
Property, plant and equipment	1,560	1,582	(1.4%)
Goodwill	59	55	8.9%
Investments in joint venture	17	14	21.5%
Other non-current assets	1,090	1,058	3.0%
Total non-current assets	2,726	2,708	0.7%
Total Assets	4,178	4,046	3.3%
Bank overdrafts and short-term loans from financial institutions	1,134	1,128	0.5%
Account payables	531	356	49.3%
Advance from customer	24	83	(71.5%)
Current portion of long-term loans from financial institutions	339	22	1458.2%
Current portion of liabilities under financial lease agreements	41	41	0.3%
Other non-current liabilities	353	345	2.5%
Total Current Liabilities	2,421	1,974	22.7%
Long-term loans, net of current portion from financial institutions	484	795	(39.2%)
Liabilities under financial lease agreements, net of current portion	222	224	(1.2%)
Other non-current liabilities	331	296	12.1%
Total Non-current Liabilities	1,037	1,316	(21.2%)
Total Liabilities	3,459	3,290	5.1%
Authorized share capital	138	138	0.0%
Issued and fully paid-up share capital	138	138	0.0%
Share premium	0	0	-
Retained earnings	206	252	(18.2%)
Other components of equity	253	254	(0.5%)
Total equity of parent Company's S/H	597	644	(7.3%)
Non-controlling interests	123	112	9.7%
Total Shareholders' Equity	720	756	(4.8%)
Total Liabilities and S/Hs' Equity	4,178	4,046	3.3%

Assets

As at 30 September 2022, the Company and its subsidiaries had total assets of Baht 4,178 million, an increase of 3.3% from Baht 4,046 million as of 31 December 2021. The main factor was inventory accretion, particularly in the canned fruit portfolio.

Liabilities

As at 30 September 2022, the Company and its subsidiaries had total Liabilities of Baht 3,459 million, an increase of 5.1% from Baht 3,290 million as of 31 December 2021. The key factor included an increase of accounts payable.

Shareholders' Equity

As at 30 September 2022, the Company and its subsidiaries had total equity of the parent Company's shareholders of Baht 597 million, a decrease of 7.3% from Baht 644 million as of 31 December 2021, mainly due to 9M/2022 net loss.

5. Liquidity and Capital Resources

Current Ratio

As at 30 September 2022, the Company and its subsidiaries recorded current ratio of 0.60x, a decrease from 0.68x as of 31 December 2021.

Debt to Equity Ratio

As at 30 September 2022, the Company and its subsidiaries recorded interest-bearing debt to equity ratio of 3.33x, increasing from 3.09x as of 31 December 2021.

Consolidated	30/9/22	31/12/21
Current Ratio (Times)	0.60	0.68
Interest-bearing Debt to Equity (Times)	3.33	3.09

Cash Flow

(Unit: Baht Million)	9M/2022	9M/2021	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	128	48	165.4%
Profit (loss) from changes in operating assets and liabilities	(122)	19	(731.2%)
Net cash flows from (used in) operating activities	6	68	(91.1%)
Cash received from disposals of equipment	4	6	(27.9%)
Cash paid for acquisitions of equipment	(33)	(38)	13.8%
Cash paid for acquisitions of intangible assets	(3)	(3)	(26.1%)
Net cash flows from (used in) investing activities	(31)	(34)	8.2%
(decrease) in bank overdraft and short - term loans from financial institutions	3	27	(87.3%)
Cash received from short-term loans from financial institutions	2,254	2,101	7.2%
Repayment of short-term loans from financial institutions	(2,252)	(2,143)	(5.1%)
Cash received from long-term loans from financial institutions	20	0	-
Repayment of long-term loans from financial institutions	(15)	(15)	(2.1%)
Cash paid to liabilities under finance lease agreement	(36)	(45)	20.4%
Net cash flows from (used in) financing activities	(25)	(74)	65.7%
Exchange differences on translating financial statements	(12)	(14)	9.7%
Net (decrease) in cash and cash equivalents	(63)	(54)	(17.1%)
Cash and cash equivalents at beginning of periods	80	84	(4.0%)
Cash and cash equivalents at end of periods	17	30	(41.9%)

In Q3/2022, the Company and its subsidiaries recorded ending cash of Baht 17 million, a decline of Baht 13 million from Q3/2021, with details as follows:

- Net cash received from operating activities of Baht 6 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 128 million; and (2) cash outflows from changes in operating assets and liability of Baht 122 million.
- Net cash from investing activities of Baht 31 million, consisting of (1) cash received from disposals of equipment of Baht 4 million; (2) cash paid for acquisitions of equipment of Baht 33 million; and (3) cash paid for acquisitions of intangible assets of Baht 3 million.

- Net cash spent in financing activities of Baht 25 million, comprising of (1) cash paid decrease in bank overdraft and short-term loans from financial institutions of Baht 3 million; (2) cash received from short-term loans from financial institutions of Baht 2,254 million; and (3) repayment of short-term loans from financial institutions of Baht 2,252 million; (4) cash received from long-term loans of Baht 20 million; (5) repayment of long-term loans of Baht 15 million; and (6) cash paid to liabilities under finance lease agreement of Baht 36 million.

6. Forward Looking

Q3/2022 situation started recovering as indicated by a positive sign of lower prices of commodity goods, energy, and some raw materials. Greater domestic and international travel stimulating domestic economy and consumer spending in lodging, restaurants, and other sectors has gradually returned to normal as evidenced by a major growth in food service sector compared to its performance in the past two years.

The Company expected potential economic growth in Q4/2022 because living condition is likely to return to normal as before the Covid-19 pandemic. However, the intense ongoing Russia-Ukraine war together with a hike in energy prices and inflation across the globe since early 2022 forced many countries to raise interest rates sharply. These factors have led to increased costs of raw materials and every product cost. It also affected extremely high transportation cost, and sudden raw material shortage causing significant consequences to the Company and its subsidiaries sales and expenses even though efficient cost and expense control has been in place.

Under such unstable circumstances, the Company continues to closely monitor information and situation in order to leverage rapid adaptability, especially in cash flow management. We also focus on efficient raw material management and other factors to assure sufficient, reliable, and appropriate production costs. In addition, cost and expense control, and operation efficiency increment are still our top priority to achieve.