

Management Discussion and Analysis

for the operation results of the second quarter of fiscal year 2023 (1 Oct 2022 – 31 Dec 2022)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating results for the second quarter of fiscal year 2023 (1 Oct 2022 – 31 Dec 2022) and for the 6-month period of the fiscal year 2023 (1 July 2022 - 31 December 2022) details as follows:

Overall Economic and Industry Overview

In the second quarter of fiscal year 2023 (1 October – 31 December 2022), In this quarter The Consumer Confidence Index stood at 50.4 in December 2022, increase from 46.4 in September 2022 cause government's relaxation of COVID-19 control measures, increase of foreign tourists, decreased in retail oil prices, As a result, people have more confidence and purchasing power, However, War between Russia and Ukraine that may affect cost of goods, concern flooding situation and increase in policy interest rates, Still a negative factor affecting consumer confidence.

Overall Performance for Q2'23 and 6-month period of FY2023

| Unit: THB million | Oct22-Dec22 | Oct21-Dec21 | Change | 6-month Period | | Change |
|---|-------------|-------------|--------|----------------|-------------|--------|
| | | | | Jul22-Dec22 | Jul21-Dec21 | |
| Sales Revenue | 1,117 | 995 | +12.2% | 1,876 | 1,433 | +30.9% |
| Gross Profit | 728 | 648 | +12.4% | 1,219 | 917 | +33.0% |
| Gross Profit Margin | 65.2% | 65.1% | +0.1% | 65.0% | 64.0% | +1.0% |
| SG&A | 419 | 370 | +13.3% | 769 | 613 | +25.4% |
| %SG&A | 37.6% | 37.2% | +0.3% | 41.0% | 42.8% | -1.8% |
| Other Revenue | 2 | 11 | -77.5% | 12 | 16 | -26.6% |
| EBITDA before one-off item and discontinued operations* | 406 | 383 | +6.1% | 649 | 511 | +27.0% |
| %EBITDA before one-off item and discontinued operations | 36.3% | 38.0% | -1.8% | 34.4% | 35.3% | -0.9% |
| NPAT | 246 | 231 | +6.7% | 362 | 254 | +42.3% |
| %NPAT | 22.0% | 23.0% | -0.9% | 19.2% | 17.6% | +1.6% |

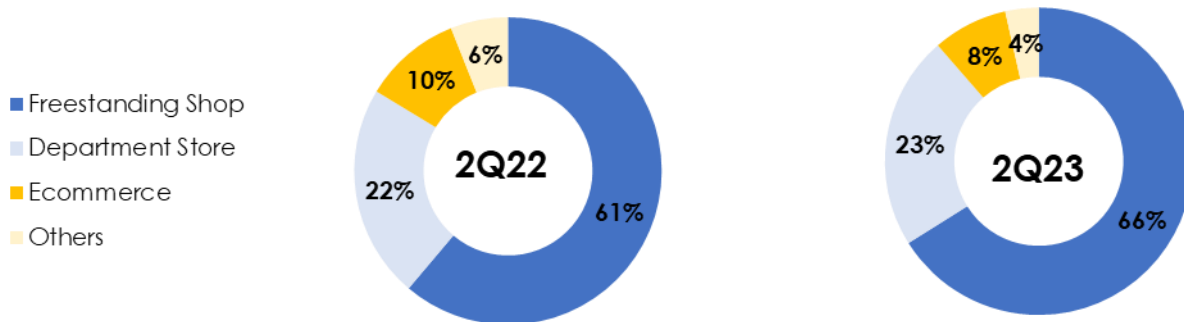
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Revenue

In the second quarter of FY2023, the Company reported sales revenue of THB 1,117 million an increase of THB 122 million or 12.2% YoY mainly contributes from sales volume of offline channels such Free Standing shop and Department Store. The significant improvement was advantage by relaxed COVID-19 policy and opened the country while last year was impacted by COVID 19.

For 6-month period of FY2023, the Company reported sales revenue of THB 1,876 million the increase of THB 443 million or 30.9% YoY contribution from improvement offline performance while last year was impacted by COVID 19.

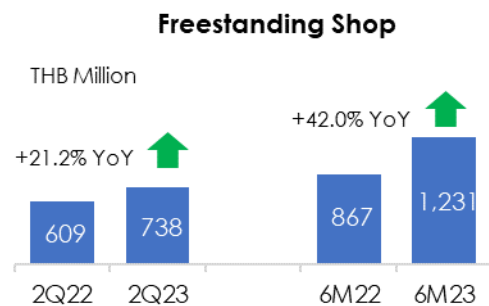
Revenue break down by channel



In the second quarter of fiscal year 2023 revenue breakdown by channels consisted of revenue from free-standing shop 66%, Department stores 23%, E-commerce 8% and other channels 4%.

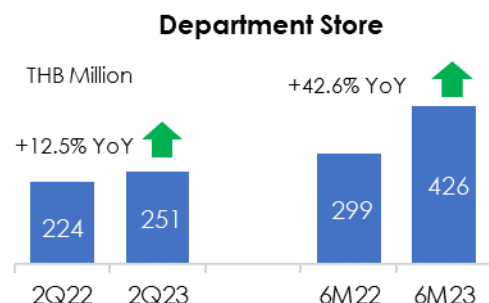
- **Freestanding Shop**

Sales revenue from free standing shops in 2Q23 was THB 738 million increased by THB 129 million or +21.2% YoY. For the 6-month period was THB 1,231 million increased by THB 364 million or +42.0% YoY from sales volume and store expansion.



- **Department Store**

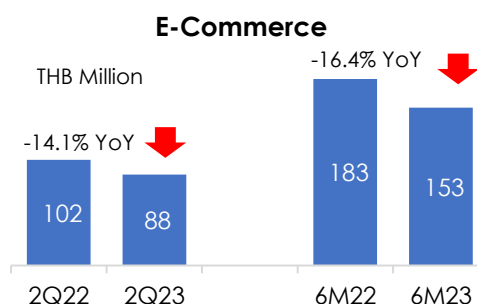
Sales revenue from Department Stores in 2Q23 was THB 251 million increased by THB 28 million or +12.5% YoY. For the 6-month period was THB 426 million increased by THB 127 million or +42.6% YoY.



■ E-commerce

Sales revenue from E-commerce in 2Q23 was THB 88 million decreased by THB 14 million or -14.1% YoY.

For the 6-month period was THB 153 million decreased by THB 30 million or -16.4% YoY.



As of 31 Dec 2022, the Company had a total of 663 point of sales as follows

| By Distribution Channel | Apparel and Lifestyle Products under "MC Group" | | |
|-----------------------------|---|-------------|---|
| | 31 Dec 2022 | 30 Jun 2022 | Increase (+) / Decrease (-) from end FY2022 |
| Free-standing Shop | 367 | 350 | +17 |
| Modern Trade | 281 | 282 | -1 |
| Mobile Unit | 6 | 6 | - |
| Total POS (domestic) | 654 | 638 | +16 |
| International Markets | 9 | 9 | - |
| Total | 663 | 647 | +16 |

Gross Profit

The Company reported THB 728 million of gross profit in 2Q23 an increase of THB 81 million or a 12.4% YoY from higher sales. Gross profit margins of 65.2% slightly higher than 65.1% in the same period of the prior year from continuing manage promotion and distribution channel.

For 6-month period FY2023, the Company's gross profit was THB 1,219 million increased THB 302 million or 33.0% YoY with gross profit margin of 65.0% shift up 1.0% from 64.0% last year from promotion and channel management.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses in 2Q23 was THB 419 million increased THB 49 million or 13.3% YoY. SG&A to sales was 37.6% slightly higher than 37.2% in the same period of prior year from higher selling expenses to drive sales.

For 6-month period FY2023, SG&A was THB 769 million increased THB 156 million or 25.4% YoY from higher sales. SG&A to sales was 41.0% compared to 42.8% in the same period of prior year from effective cost control.

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

EBITDA for 2Q23 was THB 406 million increased by THB 23 million or 6.1% YoY. EBITDA margin decreased to 36.3% compared to 38.0% in the previous year from selling expense as mentioned above.

For the 6-month period FY2023 EBITDA was THB 649 million increased by THB 138 million or 27.0% YoY. EBITDA margin was 34.4% slightly lower compared to 35.3% in the previous year.

Net Profit

In 2Q23 the Company reported THB 246 million net profit, increased THB 16 million or 6.7% YoY. Net profit margin was 22.0% decreased from 23.0% in the previous year.

For the 6-month period FY2023, net profit was THB 362 million, increased THB 108 million or 42.3% YoY. Net profit margin was 19.2% increased from 17.6% in the previous year.

Financial Position Analysis

Statement of Financial Position

| (THB million) | 31 Dec 2022 | 30 June 2022 | % change |
|---------------------------------|--------------|--------------|------------|
| Cash and short-term investments | 2,111 | 1,995 | 6% |
| Account receivables | 307 | 203 | 51% |
| Inventory | 1,253 | 1,200 | 4% |
| Right-of-use assets | 917 | 856 | 7% |
| Other assets | 968 | 807 | 20% |
| Total Assets | 5,557 | 5,062 | 10% |
| Account payables | 339 | 168 | 102% |
| Interest-bearing liabilities | - | - | - |
| Lease liabilities | 928 | 860 | 8% |
| Other liabilities | 480 | 359 | 34% |
| Total Liabilities | 1,747 | 1,387 | 26% |
| Equity attributable to the firm | 3,807 | 3,665 | 4% |
| Non-controlling interest | 2 | 10 | -75% |
| Shareholders' Equity | 3,810 | 3,675 | 4% |

Assets

As of 31 Dec 2022, the Company reported total assets of THB 5,557 million, THB 495 million increase from 30 June 2022 consist of;

- Other assets increased by THB 162 million from THB 807 million on 30 June 2022 to 968 million on 31 Dec 2022 mainly from increased in Property, plant and equipment such store expansion and CIP of THB 162 million.
- Cash and short-term investments increased by THB 115 million from THB 1,995 million on 30 June 2022 to THB 2,111 million on 31 Dec 2022.
- Right-of-use assets increased by THB 61 million from THB 856 million on 30 June 2022 to 917 million on 31 Dec 2022 from channel expansion.
- Increased in Inventories THB 53 million from THB 1,200 million on 30 June 2022 to THB 1,253 million on 31 Dec 2022.

Liabilities

As of 31 Dec 2022, total liabilities were THB 1,747 million compared to THB 1,387 million on 30 June 2022. The increase of THB 359 million mainly contributed by THB 171 million of Trade Payables, THB 68 million increase of lease liabilities and THB 57 million of corporate income tax payable.

Shareholders' Equity

As of 31 Dec 2022, the Company reported THB 3,810 million of shareholders' equity, the increase of THB 135 million from the THB 3,675 million reported on 30 June 2022 due to increase from 6-months period performance of THB 362 million offset with dividend paid of THB 226 million.

Liquidity

As of 31 Dec 2022, the Company's cash, cash equivalent and short-term investment amounted of THB 2,111 million increased from 30 June 2022 by THB 115 million due to:

- Net cash inflows from operation of THB 284 million, which was mainly contributed by profit before income tax expense of THB 450 million offset with Trade and other current receivables increased THB 107 million and Inventories increased THB 66 million.
- Net cash outflows from investment activities of THB 165 million mainly from THB 167 million of cash paid for acquisition of property, plant and equipment
- Net Cash outflows from financing activities was THB 291 million mainly from dividend payment of THB 226 million and lease liabilities payment of THB 54 million.

Key Financial Ratios

| Financial Ratios | | For period ended | |
|---------------------------------|-------|------------------|--------------|
| | | 31 Dec 2022 | 30 June 2022 |
| <u>Liquidity Ratios</u> | | | |
| Current Ratio | times | 3.6 | 4.6 |
| Average Days Receivable | days | 33 | 25 |
| Average Days in Inventory | days | 394 | 434 |
| Average Days Payable | days | 87 | 60 |
| Cash cycle | days | 340 | 399 |
| <u>Efficiency Ratios</u> | | | |
| Return on Assets (Annualized) | % | 14.0 | 11.9 |
| Return on Equity (Annualized) | % | 15.8 | 13.4 |
| <u>Leverage Ratios</u> | | | |
| Debt to Equity Ratio | times | 0.5 | 0.4 |

*Exclude Current portion of lease liabilities, Current Ratio were 5.0 and 7.6 times for 31 Dec 2022 and 30 Jun 2022, respectively.

Respectfully yours



Virach Seripanu

Director