

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 2/2023

February 27, 2023

Subject : Management Discussion and Analysis Quarter 4/2022 & Year 2022 Ending 31 Dec 2022

To : The President
 The Stock Exchange of Thailand

Mud & Hound PCL and the subsidiaries ("MUD" or the "Company") would like to clarify the change of operating results in the year 2022 more than 20 percent comparing to the year 2021 as follow:

The operating results according to the consolidated financial statements of the Company and its subsidiaries for the year 2022 presented the net profit (loss) for the years attributable to owner of the Company of THB 4 mm compared to the net profit (loss) of THB (111) mm of the year 2022 comprehensive profit (loss) increased by THB 115 mm or growth of 103.3%. The significant reasons were as follows:

Statements of comprehensive income	Consolidated financial statements					
	2021		2022		Change	
	THB mm	% to Revenue	THB mm	% to Revenue	THB mm	%Change
Revenues						
Sales and service income	2,170	93.7%	3,062	96.6%	893	41.1%
Other income	147	6.3%	106	3.4%	(41)	(27.6%)
Total revenues	2,316	100.0%	3,168	100.0%	852	36.8%
Expenses						
Cost of sales and services	849	36.6%	1,225	38.7%	376	44.3%
Selling and distribution expenses	1,182	51.0%	1,563	49.3%	381	32.2%
Administrative expenses	303	13.1%	292	9.2%	(12)	(3.8%)
Total expenses	2,334	100.7%	3,079	97.2%	745	31.9%
Operating profit (loss)	(17)	(0.7%)	89	2.8%	107	618.9%
Finance cost	(99)	(4.3%)	(113)	(3.6%)	14	14.3%
Profit (loss) before income tax	(116)	(5.0%)	(23)	(0.7%)	93	79.8%
Income tax	5	0.2%	27	0.9%	22	473.3%
Profit (loss) for the year	(111)	(4.8%)	4	0.1%	115	103.3%

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- Sales and service income The year 2022 amount THB 3,062 mm, compared with THB 2,170 mm of the year 2021, which increased by THB 893 mm or growth of 41.1%. 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 The year 2022 amount THB 1,255 mm, compared with THB 849 mm of the year 2021, which increased by THB 376 mm or growth of 44.3%. Ratio to total revenues in the year 2022 and 2021 were 38.7% and 36.6% of total revenues, 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 distribution expenses The year 2022 amount THB 1,563 mm, compared with THB 1,182 mm of the year 2021, which increased by THB 381 mm or growth of 32.2%. Ratio to total revenues in the year 2022 and 2021 were 49.3% and 51.0% of total revenues, respectively. or ratio to total revenues decreased 1.7%, the significant reasons were as follows: the company closed 31 branches, most of which are non-profitable operations.
- Finance cost The year 2022 amount THB 113 mm, compared with THB 99 mm of the year 2021, which increased by THB 14 mm, as increase of short-term loan and long-term loan of THB 175 mm result to increase of finance cost. Including in the year 2020, the Company has used the new accounting policies related to leases per the TFRS 16 (Leases)

Income Statement

Total Revenue

The Company earned THB 755 mm and THB 909 mm in 4Q/21 and 4Q/22 respectively, equaling to Y-o-Y growth of 20.3%. For the 12-month period (Jan – Dec), the Company earned THB 2,316 mm and THB 3,168 mm in 2021 and 2022 respectively or growth of 36.8%. 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 4Q/21 and 4Q/22 totaled THB 278 mm and THB 339 mm respectively, accounting for 36.9% and 37.4% of total revenue respectively. For the 12-month period (Jan – Dec), the cost of sales and services recorded THB 848 mm and THB 1,224 mm or 36.6% and 38.7% of total revenues in 2021 and 2022 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.

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Selling and Administrative Expenses (S&A)

In 4Q/21 and 4Q/22, MUD's selling and administrative expenses amounted to THB 439 mm and THB 530 mm, respectively, accounting for 58.1% and 58.3% of total revenue, respectively. For the 12-month period (Jan – Dec), the S&A reported THB 1,485 mm and THB 1,854 mm or 64.1% and 58.5 % of total revenues in 2021 and 2022 respectively.

S&A Breakdown by Type

	3-month period (Oct – Dec)			12-month period (Jan – Dec)		
	4Q/21	4Q/22	Y-o-Y Change	12M/21	12M/22	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	10	9	(10.0%)	34	36	5.8%
Other selling expenses ⁽²⁾	349	436	24.9%	1,148	1,527	33.0%
Administrative expenses ⁽³⁾	80	85	6.2%	303	291	(3.9%)
Total selling and administrative expenses	439	530	20.7%	1,485	1,854	24.8%

Note

- (1) Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, and Greyhound Café franchises totaling THB 2 mm, THB 2 mm, and THB 5 mm in 4Q/22. .
- (2) The Company have the higher of personnel cost, rental and service costs due to increasing in the number of branches.
- (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 153 mm and THB 148 mm in 4Q/21 and 4Q/22 respectively or %EBITDA of 20.2% and 16.3% of total revenues respectively.

For the 12-month period (Jan – Dec), the Company recorded EBITDA of THB 424 mm and THB 502 mm or %EBITDA of 18.3% and 15.9% of total revenues in 2021 and 2022 respectively.

	3-month period (Oct – Dec)		12-month period (Jan – Dec)	
	4Q/21	4Q/22	2021	2022
EBITDA	153	148	424	502
%EBITDA	20.2%	16.3%	18.3%	15.9%

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Finance Cost

In 4Q/21 and 4Q/22, the Company incurred finance cost amounting THB 27 mm and THB 28 mm respectively.

In 2021 and 2022, the Company incurred finance cost amounting THB 99 mm and THB 113 mm respectively.

Net Profit (Loss)

In 4Q/21 and 4Q/22, the Company's net profit (loss) amounted to THB 11 mm and THB 28 mm, respectively. Net profit (loss) of the Company equaled to 1.5% and 3.1% of total revenues respectively.

In 2021 and 2022, the Company's net profit (loss) amounted to THB (111) mm and THB 3.7 mm, respectively. Net profit (loss) of the Company equaled to (4.8%) and 0.1% of total revenues respectively.

	3-month period (Oct – Dec)		12-month period (Jan – Dec)	
	4Q/21	4Q/22	2021	2022
Net Profit (Loss)	11	28	(111)	3.7
% Net Profit (Loss)	1.5%	3.1%	(4.8%)	0.1%

Statement of Financial Position

Total Assets

As of 30 September 2022 and 31 December 2022, the Company's assets equaled THB 5,015 mm and THB 5,252 mm, respectively. Majority of assets is non-current assets. 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. As of 4Q/22, the Company's non-current assets accounted for 89.0% of total assets, while the current assets accounted for 11.0 % of total assets, respectively.

Total Assets	30 September 2022 (3Q/22)		31 December 2022 (4Q/22)	
	THB mm	%	THB mm	%
Current assets	473	9.4	579	11.0
Non-current assets	4,542	90.6	4,673	89.0
Total assets	5,015	100.0	5,252	100.0

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1. Current Assets

The Company's current assets totaled THB 473 mm and THB 579 mm at 3Q/2 and 4Q/22 accounting for 9.4% and 11.0% of total assets respectively. The Company recorded cash and cash equivalent of THB 132 mm and THB 224 mm in 3Q/22 and 4Q/22 respectively. Account receivables were THB 104 mm and THB 113 mm at 3Q/22 and 4Q/22. Inventories were THB 184 mm and THB 200 mm accounting for 3.6% and 3.8% of total assets at 3Q/22 and 4Q/22, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 3Q/22 and 4Q/22, MUD's non-current assets totaled THB 4,542 mm and THB 4,673 mm, accounting for 90.6% and 89.0% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totaled THB 711 mm and THB 779 mm or 14.2% and 14.8% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 3Q/22 and 4Q/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 3Q/22 and 4Q/22, other intangible assets amounted to THB 1,749 mm and THB 1,807 mm or 34.9% and 34.4% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 1,068 mm and THB 1,130 mm at 3Q/22 and 4Q/22.

Total Liabilities

Total Liabilities	30 September 2022 (3Q/22)		31 December 2022 (4Q/22)	
	THB mm	%	THB mm	%
Current Liabilities	1,148	39.3	1,662	53.6
Non-Current Liabilities	1,771	60.7	1,462	46.4
Total Liabilities	2,919	100.0	3,124	100.0

1. Current Liabilities

As of 3Q/22 and 4Q/22, the Company's current liabilities totaled THB 1,148 mm and THB 1,662 mm, respectively, accounting for 39.3% and 53.6% of total liabilities. As of 3Q/22 and 4Q/22, the Company had current portion of debentures THB 217 mm and THB 516 or 7.4% and 16.5% of total liabilities respectively. Including as of 3Q/22 and 4Q/22, the Company had long-term loans from financial institutions - net of current portion THB 140 mm and THB 169 or 4.8% and 5.4% of total liabilities respectively. As of 3Q/22 and 4Q/22, the Company had short-term loan from financial institution of THB 152 mm and THB 220 mm or 5.0% and 7.0% of total liabilities respectively.

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2. Non-Current Liabilities

As of 3Q/22 and 4Q/22, non-current liabilities totaled THB 1,771 mm and THB 1,462 mm, representing 60.7% and 46.4% 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 312 mm and THB 295 mm, respectively, accounting for 10.7% and 9.4% of total liabilities, respectively. And, there were long-term debentures of THB 587 mm and THB 298 mm, accounting for 20.1% and 9.5% of total liabilities as of 3Q/22 and 4Q/22 respectively.

Shareholders' Equity

As of 3Q/22 and 4Q/22, the Company's shareholders' equity stood at THB 2,096 mm and THB 2,128 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 and Au Bon Pain). In addition, MUD is master franchisor of Greyhound Café in various cities/counties (i.e. Hong Kong, Singapore, Indonesia and Philippines). In total, MUD has more than 476 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 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 4 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