



(Translation)

H.O. 3012/172/2023

May 11, 2023

Subject: Management Discussion and Analysis for the three-month and six-month periods ended March 31, 2023

Attention: President
The Stock Exchange of Thailand

Sermsuk Public Company Limited and its subsidiaries (“the Company”) clarify Consolidated Operating Result and Financial Position for three-month and six-month periods ended March 31, 2023 as the following;

Financial Performance for the three-month period ended March 31, 2023 (Quarter 2/2023)

Revenue from sales and services

Revenue from sales and services of the Company was Baht 2,939 million, increased by Baht 402 million or 15.8% from the same period of last year. The main reason was the sales growth of Crystal and est with the improvement in both of foreign and Thai tourists. In addition, “est” has a major rebranding with a new appearance and product design to capture the consumer’s need and launch "Born to be Awesome" campaign. The positive feedback of this campaign enables to drive sales growth in this quarter.

Cost of sales and services

Cost of sales and services of the Company was Baht 2,124 million, increased by Baht 308 million or 17.0% which increased in higher proportion to sales due to an increase in cost of raw materials and packaging compared to the same period of last year.

Distribution costs

Distribution costs of the Company was Baht 695 million, increased by Baht 84 million or 13.7% from an increase in the transportation costs, in line with higher sales growth and impact of higher fuel price compared to the same period of last year.



Administrative expenses

Administrative expenses of the Company were Baht 162 million, decreased by Baht 14 million or 8.0% from the same period of last year due to implementation of a stringent cost control to improve efficiencies continuously.

Net profit

Net profit of the Company for Q2/2023 was Baht 52 million, increased by Baht 31 million or 147.6% from net profit of Baht 21 million in the same period of last year, mainly from sales growth and control operating expenses efficiently partly offset by higher raw materials, packaging cost and fuel price.

The Company earnings per share was Baht 0.20, increased by Baht 0.12 per share compared to earnings per share of Baht 0.08 in the same period of last year with aforementioned reasons.

Financial Performance for the six-month period ended March 31, 2023 (Quarter 2/2023)

Revenue from sales and services

Revenue from sales and services of the Company was Baht 5,813 million, increased by Baht 895 million or 18.2% from the same period of last year from the sales growth of est and Crystal. As a result of the improvement in service and tourism sector. Moreover, the Company continues to drive sales in both traditional trade and modern trade channels, together with developing an extensive distribution system to expand customer base and support a diversity of distribution channels.

Cost of sales and services

Cost of sales and services of the Company was Baht 4,218 million, increased by Baht 757 million or 21.9% which increased in higher proportion to sales due to an increase in cost of raw materials and packaging compared to the same period of last year. Nevertheless, the Company continues to implement cost saving in raw materials and packaging cost including improvement in production efficiency to mitigate those impact.

Distribution costs

Distribution costs of the Company was Baht 1,361 million, increased by Baht 153 million or 12.7% from an increase in the transportation costs, in line with higher sales growth and impact of higher fuel price compared to the same period of last year. Moreover, the Company continues to launch promotion activities to boost sales and invest in branding “Crystal” continuously.



Administrative expenses

Administrative expenses of the Company were Baht 321 million, decreased by Baht 10 million or 3.0% from the same period of last year due to implementation of a stringent cost control to improve efficiencies continuously.

Net profit

Net profit of the Company for six-month period was Baht 91 million, increased by Baht 38 million or 71.7% from net profit of Baht 53 million in the same period of last year, mainly from sales growth, despite the company being impacted by the higher costs of raw materials, packaging cost, and fuel prices.

The Company earnings per share was Baht 0.34, increased by Baht 0.14 per share compared to earnings per share of Baht 0.20 in the same period of last year with aforementioned reasons.

Financial Position as at March 31, 2023

Assets

Total assets as of March 31, 2023 was Baht 13,542 million, decreased by Baht 129 million or 0.9% compared to total assets at the end of last year as describe below;

Current assets were Baht 3,482 million, decreased by Baht 25 million or 0.7% mainly from a decrease in cash and cash equivalents from dividend payment to shareholders and the payment of current liabilities in normal operating activities partly offset by an increase in inventory to support sales growth.

Non-current assets were Baht 10,060 million, decreased by Baht 104 million or 1.0% mainly from a decrease in net value of building and equipment from depreciation partly offset by an increase in investment in an associate due to increase of sharing profit.

Liabilities

Total liabilities as of March 31, 2023 was Baht 4,222 million, decreased by Baht 134 million or 3.1% compared to total liabilities at the end of last year as describe below;

Current liabilities were Baht 2,217 million, decreased by Baht 77 million or 3.4% mainly due to a decrease in other payables from the payment in normal operating activities.

Non-current liabilities were Baht 2,005 million, decreased by Baht 57 million or 2.8% mainly from a decrease in lease liabilities from payment and the payment of employee's retirement benefits.

Equity

Total equity as of March 31, 2023 was Baht 9,320 million, increased by Baht 5 million or 0.1% from September 30, 2022 mainly from additional net profit during the period and gain on investments in equity instruments designated at fair value through other comprehensive income partly offset by dividend payment of Baht 90 million.



Cash flows

Cash and cash equivalents as at 31 March 2023 were Baht 1,587 million. The net cash increased from the beginning of the year Baht 266 million was mainly from cash received from sale of mutual fund of Baht 600 million, dividend and interest received of Baht 41 million partly offset by cash used in operating activities of Baht 113 million. Cash used for purchase of machinery and equipment of Baht 140 million to increase operation's efficiency, dividend payment of Baht 90 million and the payment of lease liabilities of Baht 49 million. Overall, the Company has a strong financial position with high liquidity and remain no interest-bearing debt.

Please be informed accordingly.

Yours sincerely,

(Kosit Suksingha)

President