

WR/SET/0005/2023

May 15, 2023

Subject: Management Discussion and Analysis for the three-month period ended March 31, 2022  
To: The President  
The Stock Exchange of Thailand

Warrix Sport Public Company Limited (“the Company”) would like to submit these Management Discussion and Analysis of the Company’s operation for the three-month period ended March 31, 2023 with details as follows:

#### **1Q23 Performane Overview**

For the first quarter of 2023 (“1Q23”), Warrix Sport Public Company Limited generated revenue from sales and services of THB 249.82 million, increased by THB 58.69 million or 30.71% from THB 191.13 million in 1Q22. The cost of goods sold and services also increased in the same growth rate as an increase in revenues. The portion of total cost of goods sold and services to revenues in 1Q23 was 55.05%, slightly increased by 0.03% compared to 1Q22. Moreover, selling and administrative expenses had increased due to the expansion of the team and restructuring of the organization to support the Company’s long-term growth. As a result, the Company had total comprehensive income for 1Q23 of THB 11.39 million, declined by THB 0.86 million compared to THB 12.25 million in 1Q22.

When considering the separate financial statements. The company had net profit of THB 15.55 million, an increase of THB 2.63 million or 20.32% YoY. But when considering the consolidated financial statements, the Company will have a decrease in profit in the amount of 0.86 million baht, which is a result of the loss of a subsidiary in Singapore. Because the first quarter is the end of the football season in foreign countries. Which has a decrease in the number of football shirt sales (Low season) and there are discounts for sales at the end of the season. In addition, the company has acquired a subsidiary in Singapore at the end of January 2023 in the 1st quarter of 2023, so it's undergoing a product sales restructuring and increase marketing campaign.

Separate Financial statements for the three-month period ended March 31, 2022 and 2023

Description	1Q23		1Q22		Chg. (YoY)	
	THB million	%	THB million	%	THB million	%
Revenue from sales and services	248.20	100.00%	190.52	100.00%	57.68	30.27%
Cost of goods sold and services	136.32	54.92%	104.98	55.10%	31.34	29.85%
<b>Gross Profit</b>	<b>111.88</b>	<b>45.08%</b>	<b>85.54</b>	<b>44.90%</b>	<b>26.34</b>	<b>30.79%</b>
Gain from a bargain purchase	2.09	0.84%	-	-	-	-
Other income	7.35	2.96%	2.02	1.06%	5.33	264.08%
<b>Earnings before expenses</b>	<b>121.31</b>	<b>48.88%</b>	<b>87.56</b>	<b>45.96%</b>	<b>33.75</b>	<b>38.55%</b>
Selling Expenses	75.64	30.48%	53.77	28.22%	21.87	40.66%
Administrative Expenses	25.01	10.08%	13.66	7.17%	11.36	83.17%
<b>Total Expenses</b>	<b>100.65</b>	<b>40.55%</b>	<b>67.43</b>	<b>35.39%</b>	<b>33.22</b>	<b>49.27%</b>
<b>Earnings before interest and tax</b>	<b>20.66</b>	<b>8.32%</b>	<b>20.13</b>	<b>10.57%</b>	<b>0.53</b>	<b>2.62%</b>
Finance Costs	1.56	0.63%	3.86	2.03%	(2.30)	(59.49%)
<b>Earnings before tax</b>	<b>19.10</b>	<b>7.69%</b>	<b>16.27</b>	<b>8.54%</b>	<b>2.83</b>	<b>17.37%</b>
Tax Expenses	3.55	1.43%	3.35	1.76%	0.20	5.98%
<b>Net Profit (Loss)</b>	<b>15.55</b>	<b>6.26%</b>	<b>12.92</b>	<b>6.78%</b>	<b>2.63</b>	<b>20.32%</b>

Consolidated financial statements for the three-month period ended March 31, 2022 and 2023

Description	1Q23		1Q22		Chg. (YoY)	
	THB million	%	THB million	%	THB million	%
Revenue from sales and services	249.82	100.00%	191.13	100.00%	58.69	30.71%
Cost of goods sold and services	137.52	55.05%	105.15	55.02%	32.37	30.79%
<b>Gross Profit</b>	<b>112.30</b>	<b>44.95%</b>	<b>85.98</b>	<b>44.98%</b>	<b>26.32</b>	<b>30.61%</b>
Gain from a bargain purchase	2.09	0.84%	-	0.00%	2.09	-
Other income	7.47	2.99%	2.02	1.06%	5.45	269.93%
<b>Earnings before expenses</b>	<b>121.85</b>	<b>48.78%</b>	<b>88.00</b>	<b>46.04%</b>	<b>33.86</b>	<b>38.47%</b>
Selling Expenses	77.62	31.07%	54.59	28.56%	23.03	42.18%
Administrative Expenses	27.97	11.19%	13.70	7.17%	14.26	104.10%
<b>Total Expenses</b>	<b>105.59</b>	<b>42.27%</b>	<b>68.29</b>	<b>35.73%</b>	<b>37.29</b>	<b>54.60%</b>
<b>Earnings before interest and tax</b>	<b>16.27</b>	<b>6.51%</b>	<b>19.70</b>	<b>10.31%</b>	<b>(3.44)</b>	<b>(17.44%)</b>
Finance Costs	1.74	0.70%	3.86	2.02%	(2.12)	(54.84%)
<b>Earnings before tax</b>	<b>14.52</b>	<b>5.81%</b>	<b>15.84</b>	<b>8.29%</b>	<b>(1.32)</b>	<b>(8.32%)</b>
Tax Expenses	3.45	1.38%	3.38	1.77%	0.06	1.83%
<b>Net Profit (Loss)</b>	<b>11.07</b>	<b>4.43%</b>	<b>12.45</b>	<b>6.52%</b>	<b>(1.38)</b>	<b>(11.08%)</b>
Loss of currency translation differences	0.31	0.13%	(0.20)	(0.10%)	0.52	(257.11%)
<b>Total comprehensive income for the year</b>	<b>11.39</b>	<b>4.56%</b>	<b>12.25</b>	<b>6.41%</b>	<b>(0.86)</b>	<b>(7.05%)</b>

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### Revenue from core operation

In 1Q23, the Company had revenue from sales and services of THB 249.82 million, increased by THB 58.69 million or 30.71% YoY. The growth of revenues derived from an increase in sales of Licensed and Non-Licensed products in all major sales channels such as Traditional Trade, Modern Trade, Online Channel, Shop, Retail, Sponsorship Club, and VIP clients. Due to resolved of the COVID-19 outbreak and the economic recovery, activities and sport events can be held as usual, in addition government and private customers' purchasing power return to pre-COVID-19 level.

Non-licensed products still account for more than 80% of revenue from sales and services. which can continuously generate income for the Company. The revenue growth in 1Q23 was mainly due to the growth of classic products, which are continuously popular and still have the highest proportion of revenues. sales have grown through sales channels through general stores. mall online channels and company stores due to the addition of selling points and organize promotional promotions In addition, each point of sale has more traffic from foreign customers. Including sales of products made to order (Made to Order) of companies and departments. There are more orders as well.

The licensed product group saw revenue growth mainly from the national football team product group. This is due to the number of football competitions organized more when compared to the same period last year.

### Selling Expenses

The company had selling expenses in the quarter 1/2023 in the amount of 77.62 million baht, an increase of 23.03 million baht or an increase of 42.18% from the quarter 1/2022, mainly due to an increase in expenses as follows:

Expenses for renting space in the area of Queen Sirikit National Convention Center to be used as a product distribution area and as a Warrix Run Hub sports science center scheduled to open in the 2nd quarter of 2023, and space rental fees in Siam Square for the opening of the second flagship store, which is scheduled to open in the 3rd quarter of 2023 to be An area that focuses on Active & Lifestyle products for everyday wear. according to the company's business guidelines to increase product distribution In addition to even more sports and fitness-related products. and reduce reliance on licensed product groups, resulting in the company's expenses increasing in the first quarter while there is no revenue coming in

- Expenses for organizing the Buriram Marathon 2023, which is a big annual running event. In order to reach the main customer groups of the company. And able to build Brand Awareness in the long run, this part of the expense is the only expense in the first quarter of this year.

- Expenses for sponsoring various sports teams according to the contract increase both in the form of cash and supporting goods according to the contract due to the year 2023, the activities and various sporting events Return to the event as usual After the situation of the spread of the COVID-19 virus has subsided, causing this expense to be in a high proportion compared to the first quarter of 2022, when organizing activities in the situation of the COVID-19 outbreak.

In this regard, the overall selling expenses increased. proportion in the same direction as the increase in sales with expenses for sales promotion warehouse expenses Advertising expenses through online channels and the cost of selling products through the E-Market Place channel. Previously, the company had changed the distribution channel mainly through the storefront. so that consumers can access products more conveniently and quickly Including expanding the sales and marketing team. to support sales growth plans that will increase in the future And to support the opening of the Warrix Run Hub Sports Science Center at the Queen Sirikit National Convention Center and the second flagship store at Siam Square. This resulted in higher staff expenses this quarter. The company had selling expenses in the quarter 1/2023 in the amount of 77.62 million baht, an increase of 23.03 million baht or an increase of 42.18% from the quarter 1/2022, mainly due to an increase in expenses as follows:

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#### **Administrative Expenses**

The company had administrative expenses in the quarter 1/2023 in the amount of 27.97 million baht, an increase of 14.26 million baht or an increase of 104.10% from the quarter 1/2022, mainly due to an increase in expenses as follows:

- Donation money to support sports to the association To give morale and encouragement to the football national team that has won the AFF Mitsubishi Cup, which is held every two years, which is an expense incurred only in this quarter 1/2023.

- Recruitment expenses (Headhunter), which is an increase in expenses in the first quarter of 2023.

- Increased employee expenses due to the increasing number of employees both at the executive level and staff level to support the restructuring of operations and business expansion

- In addition, the company set aside more reserves for doubtful debts. Due to an increase in sales in the 1st quarter of 2023, while in the 1st quarter of 2022 there was a reversal of doubtful accounts. due to being able to keep the debt set aside

#### **Finance Costs**

In 1Q23, the Company had finance costs of THB 1.74 million, which declined by THB 2.12 million or 54.84% YoY. This change was mainly because of loan repayment by proceeds from the initial public offering (IPO), resulting in decreased interest on loans from financial institutions.

#### **Total comprehensive income**

In 1Q22, the Company had total comprehensive income of THB 11.39 million, declined by THB 0.86 million or 7.05% YoY. This change was mainly due to increased selling and administrative expenses, according to the expansion of the team and restructuring of the organization to support the Company's long-term growth.

**Statement of Financial Position ended March 31, 2022 and December 31, 2022 and  
Operating Performance for March 31, 2022 and 2023**

Description	Unit	31 March 2023	31 December 2022
Total Assets	THB million	1,906.58	1,878.87
Total Liabilities	THB million	454.70	438.38
Total Equity	THB million	1,451.88	1,440.49
Debt to Equity Ratio (D/E)	Times	0.31	0.30
Dividend Payout Ratio <sup>1/</sup>	%	-	54.74

Description	Unit	1Q23	1Q22
Total Revenues	THB million	259.37	193.14
Total Expenses	THB million	244.85	177.31
Net Profit (Loss)	THB million	11.07	12.45
Earnings Per Share (Fully Diluted) <sup>2/</sup>	Baht/Share	0.02	0.02
Gross Profit Margin	%	44.95	44.98
Net Profit Margin	%	4.43	6.52
Return on Asset (ROA)	%	11.90	6.71
Return on Equity (ROE)	%	12.91	20.53

**Remark:**

<sup>1/</sup> Dividend paid in 2022 totally THB 70 million from accumulated net income at the end of year 2021

<sup>2/</sup> Earnings Per Share (Fully diluted) is calculated by dividing net profit by total number of shares after initial public offering (IPO) of 600,000,000 shares.

**Total Assets**

Total assets for March 31, 2023 was amounting THB 1,906.58 million, increased by THB 27.71 million or 1.47% YTD with the main reasons for the increase as follows:

An increase in inventories was mainly from classic product category, such as polo shirts, which had consistent demand. So, the Company ordered products in advance for sale in the second and third quarters of this year to support the expansion of distribution channels and fulfill the rising customer demand. The collection product category also increase according to the Company's aspirations to increase sales of various types of sports collections such as running products and Active & Lifestyle products.

An increase in Right-of-Use assets was mainly from renting additional selling area and preparing to open the second flagship store, which will be an selling area that focuses on Active & Lifestyle products.

The increase in intangible assets and advance payment for intangible assets was mainly due to the acquisitions of trademark from Fitjuction Company Limited and Premier Football in Singapore. In addition, the Company has entered into a service contract for the Data Driven Transformation project. To improve the overall

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enterprise system and to leverage data driven technology & AI to analyze customer behavior to match products with target group and to improve overall working efficiency.

**Total Liabilities**

Total Liabilities for March 31, 2023 was amounting THB 454.70 million, increased by THB 16.32 million or 3.72% YTD. This change was mainly due to an increase in lease liabilities (Right-of-Use asset) from addition of rental contract at Siam Square.

**Total Equity**

Total Equity for March 31, 2023 was amounting THB 1,451.88 million, increased by THB 11.39 million or 0.79% YTD. This change was attributable to an increase in net profit from operation in 1Q23

Please be inform accordingly,

Sincerely yours,

- *Wisan Wanasakrsisakul* -

(Mr. Wisan Wanasakrsisakul)

Chief Executive Officer

Warrix Sport Public Company Limited