

WR/SET/0005/2023

May 15, 2023

Subject: Management Discussion and Analysis for the three-month period ended March 31, 2022 (Revised)

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 Performance Overview

For the first quarter of 2023 (“1Q23”), Warrix Sport Public Company Limited generated revenue from sales and services of THB 249.82 million, which 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 at 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 increased due to recruitment expenses (head hunter), including donation to the Football Association for the Thai national team that won the AFF Mitsubishi Cup, which is one-time expenses in 1Q23. In addition, the Company had an increase in the number of employees to support the company’s long-term growth. As a result, in 1Q23 the Company had total comprehensive income of THB 11.39 million, declined by THB 0.86 million compared to THB 12.25 million in 1Q22.

According to the company’s separate financial statements, its net profit was THB 15.55 million, increased by THB 2.63 million or 20.32% YoY. But considering the consolidated financial statements, as a result of the loss of a subsidiary in Singapore, the Company’s net profit for 1Q23 declined by THB 0.86 million compared to 1Q22. The first quarter is the end of the international football season, which is also known as the low season. Moreover, there are also discounts for season-ending sales, resulting in declining football shirt sales. The Company acquired a subsidiary in Singapore at the end of January 2023, so during the first quarter, the Company was revising the products’ sale plan and increasing marketing to generate more sales.

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%
Gross Profit	111.88	45.08%	85.54	44.90%	26.34	30.79%
Gain from a bargain purchase	2.09	0.84%	-	-	2.09	-
Other income	7.35	2.96%	2.02	1.06%	5.33	264.08%
Earnings before expenses	121.31	48.88%	87.56	45.96%	33.75	38.55%
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%
Total Expenses	100.65	40.55%	67.43	35.39%	33.22	49.27%
Earnings before interest and tax	20.66	8.32%	20.13	10.57%	0.53	2.62%
Finance Costs	1.56	0.63%	3.86	2.03%	(2.30)	(59.49%)
Earnings before tax	19.10	7.69%	16.27	8.54%	2.83	17.37%
Tax Expenses	3.55	1.43%	3.35	1.76%	0.20	5.98%
Net Profit (Loss)	15.55	6.26%	12.92	6.78%	2.63	20.32%

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%
Gross Profit	112.30	44.95%	85.98	44.98%	26.32	30.61%
Gain from a bargain purchase	2.09	0.84%	-	-	2.09	-
Other income	7.47	2.99%	2.02	1.06%	5.45	269.93%
Earnings before expenses	121.85	48.78%	88.00	46.04%	33.86	38.47%
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%
Total Expenses	105.59	42.27%	68.29	35.73%	37.29	54.60%
Earnings before interest and tax	16.27	6.51%	19.70	10.31%	(3.44)	(17.44%)
Finance Costs	1.74	0.70%	3.86	2.02%	(2.12)	(54.84%)
Earnings before tax	14.52	5.81%	15.84	8.29%	(1.32)	(8.32%)
Tax Expenses	3.45	1.38%	3.38	1.77%	0.06	1.83%
Net Profit (Loss)	11.07	4.43%	12.45	6.52%	(1.38)	(11.08%)
Loss of currency translation differences	0.31	0.13%	(0.20)	(0.10%)	0.52	(257.11%)
Total comprehensive income for the year	11.39	4.56%	12.25	6.41%	(0.86)	(7.05%)

Revenue from core operation

In 1Q23, the Company generated 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 Project Based. 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 total 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. Due to the expansion of selling points, and promotions, including rising of foreign customers, classic products have grown in sales through various channels, such as Traditional Trade, Modern Trade, Online Channels, and Shops. Moreover, Made to Order (MTO) products also had rising demands from corporate customers, resulting in sales growth as well.

The Licensed products' revenues mainly grew from the national football team products due to more football competitions than during the same period last year.

Selling Expenses

In 1Q23, The company had selling expenses of THB 77.62 million. An increase of THB 23.03 million or 42.18% YoY, mainly due to an increase in selling expenses as follows:

- Rental expenses for Queen Sirikit National Convention Center (QSNCC), where will be a selling area and "Warrix Run Hub", a sports science center scheduled to open in the second quarter of 2023. In addition, the second flagship store at Siam Square, which scheduled to open in the third quarter of 2023, to be a selling area that focuses on Active & Lifestyle products for everyday wear. According to the Company's business direction to increase product distribution into everyday wear rather than sports and fitness-related products and not rely on Licensed products. As a result, the Company's expenses increased in 1Q23 while there was no revenue stream.

- Expense for organizing the Buriram Marathon 2023, which is a big annual running event. In order to reach the main customer groups and able to build brand awareness in the long term. By the way, this expense is a one-time expense in the first quarter of this year.

- Expenses for sponsoring sports teams in accordance with contracts rise in terms of both cash and supporting goods. Primarily due to the year 2023, with the government's policy to open the country after the resolved COVID-19 outbreak situation, activities are able to resume the event as usual. Therefore, this expense increased in higher 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 in line with an increase in sales, such as expenses for sales promotion, warehouse expenses, advertising expenses via online channels, and the cost of selling products on E-Market Place.

Administrative Expenses

In 1Q23, The Company had administrative expenses of THB 27.97 million. An increase of THB 14.26 million 104.10% YoY mainly due to an increase in expenses as follows:

- Donation to the Football Association for the Thai national team that won the AFF Mitsubishi Cup which is held every two years. By the way, this expense is one-time expense in the first quarter of this year.
- Recruitment expense (head hunter), which significantly increased in the first quarter of 2023.
- Employee expenses due to the increasing number of employees both the executive level and staff level to support the organization restructuring and business expansion.
- Reserves for doubtful debts due to rising sales in the 1Q23, while in 1Q22, there were reversals of reserves for doubtful debts because the Company was able to collect outstanding debts.

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 ^{1/}	%	-	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) ^{2/}	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:

^{1/} Dividend paid in 2022 totally THB 70 million from accumulated net income at the end of year 2021

^{2/} 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 products, such as polo shirts, which had consistent demands. 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 demands. Collection products sales 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 at Siam Square, 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 enterprise systems, leverage data driven technology & AI to analyze customer behavior to match products with target group and 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