

Siam Global House Public Company Limited
Management Discussion and Analysis
Operating results as at 30 June 2023

As at 30 June 2023, the Company had 79 operating stores that increased from the same period of 2022 by 3 stores. The Company's performance for the second quarter 2022 compared with the same period of last year, the net profit (separate financial statements) is Baht 681.26 million that decrease by Baht 335.62 million or decrease by 33.00% and include share of profit of joint venture and investment in the subsidiary. The Company has net profit of consolidated financial statements of Baht 705.06 million that decreased by Baht 326.70 million or decreased by 31.66%.

The operating results for the six-month period ended 30 June 2023, the Company had the net profit of consolidated financial statements of Baht 1,591.31 million that decreased by Baht 603.82 million or 27.51% compared with the same period of 2022, as sales declined and product prices for the steel group were adjusted according to the global market prices, it resulted in a decrease in overall revenue and margin profit. The summary of operation results and management discussion and analysis as follow:

Unit: million Baht

Consolidated financial statements	The Second Quarter		%of Net Sales		Six-month period ended 30 June		%of Net Sales	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	8,503.26	9,219.54	100.00	100.00	17,436.68	18,853.22	100.00	100.00
Other income	179.98	199.73	2.12	2.17	350.43	371.17	2.01	1.97
Total revenues	8,683.24	9,419.27	102.12	102.17	17,787.10	19,224.40	102.01	101.97
Cost of sales	6,344.49	6,781.36	74.61	73.55	13,040.11	13,898.52	74.79	73.72
Gross profit	2,158.77	2,438.17	25.39	26.45	4,396.56	4,954.70	25.21	26.28
Distribution costs & Administrative expenses <i>(exclude Depreciation, Unrealized gain(loss) on exchange rate, and Unrealized gain(loss) from current investments)</i>	1,120.04	1,003.50	13.17	10.88	2,111.98	1,935.68	12.11	10.27
Depreciation	302.63	312.49	3.56	3.39	590.21	624.07	3.38	3.31
Unrealized gain(loss) on exchange rate	0.14	5.00	0.00	0.05	0.23	15.68	0.00	0.08
Net profit before share of profit of joint venture	683.68	1,023.09	8.04	11.10	1,534.51	2,147.10	8.80	11.39
Share of profit of joint venture	21.38	8.67	0.25	0.09	56.80	48.02	0.33	0.25
Net Profit	705.06	1,031.76	8.29	11.19	1,591.31	2,195.13	9.13	11.64
EBITDA	1,240.46	1,638.33	14.59	17.77	2,687.05	3,422.95	15.41	18.16

Profit & Loss Analysis

The Company's net profit for the second quarter of 2023 was Baht 705.06 million that decrease by Baht 326.70 million or 31.66% compared with the same period of 2022, and equal 8.29% of sales amount and for the six-month period ended 30 June 2023 of Baht 1,591.31 million that decrease by Baht 603.82 million or 27.51% compared with the same period of 2022 and equal 9.13% of sales amount. The main reasons are as follows:

- 1) Total revenues for the second quarter of 2023 were baht 8,503.26 million that decrease from the same period of 2022 by Baht 716.28 million or 7.77% and for the six-month period ended 30 June 2023 was Baht 17,436.68 million, a decrease of Baht 1,416.55 million or 7.51% from the same period of 2022. It was mainly driven by a decrease of same stores sales growth, although the company will open 3 more new stores.
- 2) Other revenues for the second quarter of 2023 were Baht 179.98 million, a decrease of Baht 19.75 million or 9.89% from the same period of 2022 and for the six-month period ended 30 June 2023 was Baht 350.43 million which decrease of Baht 20.75 million or 5.59% from the same period of 2022. Due to a decrease in revenue from inventory management and sales promotion income received from suppliers, following the product management policy.
- 3) Gross profit for the second quarter of 2023 was Baht 2,158.77 million that decrease from the same period of 2022 of Baht 279.40 million or 11.46% and representing 25.39% of sale revenues, the proportion decrease by 1.06% compared with the same period of 2022 and for the six-month period ended 30 June 2023 was Baht 4,396.56 million that decrease from the same period of 2022 by Baht 558.14 million or 11.26% and representing 25.21% of sale revenues, the proportion increase by 1.07% compared with the same period of 2022. As a result of a decrease of sales revenue and price adjustments for steel products in accordance with global market prices.
- 4) Distribution costs & Administrative expenses (exclude depreciation, unrealized gain (loss) on exchange rate and unrealized gain (loss) on current investment) for the second quarter of 2023 was Baht 1,120.04 million which increase by Baht 116.54 million or 11.61% from the same period of 2022, these expenses represented 13.17% of the sales revenues and for the six-month period ended 30 June 2023 was Baht 2,111.98 million which increase by Baht 176.30 million or 9.11% from the same period of 2022, these expenses represented 12.11% of the sales revenues. It was mainly driven by the increase of salary expenses of 3 new stores, Electricity cost from adjusting the FT value and marketing expense.
- 5) Finance Costs for the second quarter of 2023 were Baht 65.49 million, an increase of Baht 18.92 million or 40.63% compared with the same period of 2022, and for the six-month period ended 30 June 2023 were Baht 129.27 million, increased by Baht 37.59 million or 41.01% from the same period of 2022. Due to the increase in the interest rate on loans by financial institutions according to the changing financial market situation.
- 6) Income tax expenses for the second quarter of 2023 was Baht 167.15 million which decrease of Baht 85.36 million or 33.80% compared with the same period of 2022 and for the six-month period ended 30 June 2023 was Baht 376.49 million, decreased by Baht 151.26 million or 28.66% from the same period of 2022. This was due to the earnings before tax has decreased.
- 7) EBITDA for the second quarter of 2023 was Baht 1,240.46 million which decrease from the same period of 2022 by Baht 397.87 million or 24.29% and for the six-month period ended 30 June 2023 was Baht 2,687.05 million which decrease from the same period of 2022 by Baht 735.89 million or 21.50% due to the decrease of gross revenue.

Financial Positions Analysis

As at 30 June 2023, total assets of the Company were Baht 37,817.21 million that almost comprise of cash and cash equivalents were Baht 1,277.53 million, trade and other accounts receivables were Baht 697.38 million, merchandises were Baht 13,446.59 million, investment in joint venture Baht 1,910.59 million and property plant and equipment were Baht 18,725.55 million and right-of-use in assets were Baht 1,218.35 million.

Total assets decrease of Baht 1,331.01 million or 3.40% from 31 December 2022, mainly came from the decreasing of merchandises of Baht 2,300.31 million or 14.61%, and the increasing of property, plant and equipment of Baht 784.03 million or 4.20%, investment in joint venture has increased of Baht 86.21 million or 4.73%.

Total liabilities were Baht 15,307.30 million which decreased of Baht 1,749.82 million or 10.26% from 31 December 2022. The main liabilities are short-term loans from financial institutions of Baht 6,968.89 million, trade and other accounts payables of Baht 2,776.71 million, long term loans of Baht 3,876.29 million, Finance lease liabilities of Baht 1,155.58 million. Total shareholders' equity was Baht 22,509.91 million, an increase of Baht 418.82 million or 1.90% from 31 December 2022.

Cash Flows Analysis

The operating results for the six-month period of 2023, the Company had net cash flows from operating activities of baht 4,977.65 million, the majority comes from the operating results in the first half of the year, totaling of baht 2,641.93 million. The amount derived from changes in inventory is baht 2,298.86 million, resulting from the inventory management policy of the management team. Net cash flows investing activities of Baht 1,279.14 million that are mostly from the purchase of the property plant and equipment of Baht 1,291.79 million, investment in bonds of Baht 40.00 million. Net cash flows from financing activities of Baht 3,623.43 million that were mostly used for the repayment of loan to the financial institutions by the short-term loans of Baht 2,506.56 million and long-term loans of Baht 755.91 million, dividends of Baht 1,222.67 million, resulting in cash and cash equivalents at 30 June 2023 to equal Baht 1,277.53 million.

Key Financial Ratios

Financial Ratios	30 June 2023	31 December 2022
Current Ratio	1.30	1.29
Debt to Equity Ratio	0.68	0.77

- Current Ratio for the second quarter of the year 2023 was equal to 1.30 times, which is close to the ratio at the end of 2022 following the inventory management policy.
- Debt to Equity Ratio for the second quarter of 2023 was 0.68 times, decreased from the year ended 2022 due to the Company has made the repayment of short-term loans and long-term loans from the financial institutions.

Please be informed accordingly.

Sincerely yours,

Mr. Witoon Suriyawanakul
Chief Executive Officer