



No. FI202308-01

10 August 2023

Subject: Management Discussion and Analysis for the Year Ended June 30, 2023, and clarification of the operating result changed over 20% compared to the same period of last year

To: President of the Stock Exchange of Thailand

Sappe Public Company Limited (the “Company”) would like to clarify the operating results for the year ended June 30, 2023, which changed over 20% compared to the same period of last year, with the following details.

(Unit: Thousand Baht)

Profit & Loss statement	Q2/2023	%	Q2/2022	%	Q1/2023	%	YoY%	QoQ%	1H/2023	%	1H/2022	%	YoY%
Total Revenue	1,692,756	102.2%	1,334,482	107.9%	1,570,028	103.3%	26.8%	7.8%	3,248,340	102.2%	2,475,723	109.8%	31.2%
Revenue from selling goods	1,656,920	100.0%	1,236,378	100.0%	1,520,252	100.0%	34.0%	9.0%	3,177,172	100.0%	2,255,356	100.0%	40.9%
Net gain from foreign exchange	-	0.0%	-	0.0%	15,212	1.0%		-100.0%	768	0.0%	-	0.0%	100.0%
Others income	35,836	2.2%	98,104	7.9%	34,564	2.3%	-63.5%	3.7%	70,400	2.2%	220,367	9.8%	-68.1%
Cost of goods sold	919,776	55.5%	736,410	59.8%	863,837	56.8%	24.9%	6.5%	1,783,613	56.1%	1,335,101	59.2%	33.6%
Gross profit	737,144	44.5%	499,968	40.4%	656,415	43.2%	47.4%	12.3%	1,393,559	43.9%	920,255	40.8%	51.4%
SG&A	366,580	22.1%	386,970	31.3%	354,472	23.3%	-5.3%	3.4%	706,608	22.2%	736,179	32.6%	-4.0%
Selling expenses	215,678	13.0%	292,463	23.7%	251,155	16.5%	-26.3%	-14.1%	466,833	14.7%	558,752	24.8%	-16.5%
Administrative expenses	136,458	8.2%	87,266	7.1%	103,318	6.8%	56.4%	32.1%	239,775	7.5%	171,685	7.6%	39.7%
Net loss from foreign exchange	14,444	0.9%	7,241	0.6%	-	0.0%	99.5%	100.0%	-	0.0%	5,742	0.3%	-100.0%
EBIT	406,400	24.5%	211,102	17.1%	351,719	23.1%	92.5%	15.5%	758,118	23.9%	404,443	17.9%	87.4%
Finance costs	(639)	0.0%	(577)	0.0%	(705)	0.0%	10.8%	-9.4%	(1,344)	0.0%	(1,137)	-0.1%	18.2%
Reversal of impairment loss (TFRS 9)	(2,489)	-0.2%	(4,385)	-0.4%	(20,145)	-1.3%	-43.2%	-87.6%	(22,634)	-0.7%	(4,251)	-0.2%	432.5%
Share of profit (loss) of associates and joint venture	(11,418)	-0.7%	680	0.1%	(506)	0.0%	-1777.9%	2155.0%	(11,923)	-0.4%	1,495	0.1%	-897.5%
EBT	391,854	23.6%	206,820	16.7%	330,362	21.7%	89.5%	18.6%	722,217	22.7%	400,550	17.8%	80.3%
Income tax expense	81,123	4.9%	39,513	3.2%	67,392	4.4%	105.3%	20.4%	148,515	4.7%	77,036	3.4%	92.8%
Net profit(loss)	310,731	18.8%	167,307	13.5%	262,971	17.3%	85.7%	18.2%	573,702	18.1%	323,514	14.3%	77.3%
Net profit(loss) of Parent Company	312,272	18.8%	167,282	13.5%	274,790	18.1%	86.7%	13.6%	587,063	18.5%	320,670	14.2%	83.1%



Overall

Regarding the overall performance of Sappe Public Company Limited, consolidated total revenue for Q2/2023 was Baht 1,656.9 million, the highest revenue since the company has established or increasing by 34.0% from the same period of last year. The increase was mainly derived from the export market in Asia, Europe, Middle East, North America, and Thailand where the company has expanded distribution channels through National Modern Trade outlets in several countries and the increase in domestic sales from new products launch (10 SKUs) over the past 6 months.

Cost of goods sold to revenue decreased by 4.1 pts. to 55.5%. A positive impact gained from depreciation of THB against USD and EUR currency and the improvement of production performance led to this significant improvement of %COGS.

Selling expenses and Administrative Expenses (excluding Net gain/loss from foreign exchange) were Bath 352.1 million, decreasing by 7.3% from the same period of last year at Bath 379.7 million due to the improvement of sales activities and marketing spending's efficiency. In addition, the container shortage crisis has been unraveled leading to lower logistic costs and lower other income from logistic services. As a result, net profit of parent company for Q2/2023 was at Baht 312.3 million or increasing by 86.7% from the same period of last year at Baht 167.3 million.

Revenue from Selling Goods

The company reported its revenue from selling goods at Baht 1,656.9 million, also the highest quarterly revenue since the establishment (All-Time High) or increasing by 34.0% from the same period of last year. The increase in revenue from selling goods was from both international and domestic markets.

International sales were Baht 1,374.2 million, 40.9% YoY increase, this increasing baseline was contributed by the expansion of sales channels through National Modern trade outlets especially in EU territories. In addition, the company continuous launched marketing campaigns in the key countries (Korea and Philippines) such as Mogu Mogu brand extension to Lifestyle Brand on the biggest Metaverse platform in Asia (Zepeto) with over 400 million users.

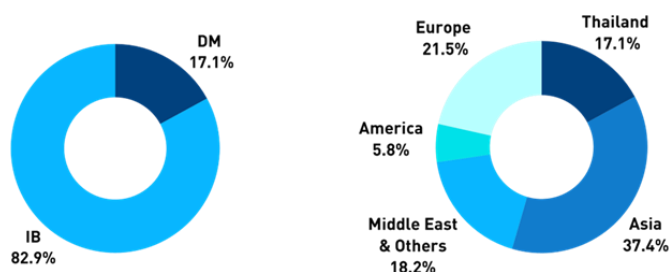
The best-selling products exported over 98 countries worldwide are Mogu Mogu, fruit juices with chewy nata de coco chunks, and Sappe Aloe Vera, fruit juices with chewy Aloe Vera chunks. Compared to the same period of last year, sales in Europe, Asia, North America, and Middle East grew at +126.2%, +11.1%, +34.3%, and 60.6% respectively.



The company foresees the growth from the increase in demand of both existing consumers through marketing campaigns and new consumers through channel expansion.

Domestic sales were Baht 282.7 million or 8.2% YoY increase from new product launch 3 SKUs in Q2'23 and 10 SKUs over the past 6 months. Moreover, the company is focusing on the online and e-Commerce channels where the high growth of sales opportunities exists. This year, the company plans to launch 20 SKUs of new products to grow sales in the domestic market.

Revenue from sale of goods in Q2/2023



Cost of Goods Sold

COGS to the total revenue from selling goods in Q2/2023 was at 55.5%, decreased by -4.1 pts. The company recognized positive factors from depreciation of Thai Baht against USD and EUR, and the significant increase in production volume, as well as the efficient machines and human resources management, in line with the 78% production capacity rate due to improved machine and production process efficiency.

Due to a significant increase in sales in the international market in the recent period, production capacity expansion is required. This year, the Company is in the process of procurement, construction and installation of automated warehouses, new production lines and beverage packaging lines. This also includes cost reduction projects such as using machine learning to check product quality, implementing automation processes to replace general labor, and installing floating solar cell etc., to support future sales and net profit growth.

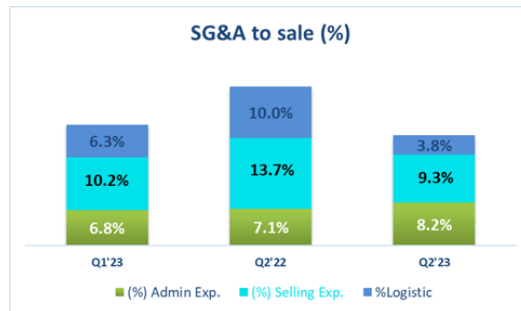
Selling Expenses

Selling expenses to the revenue was reported at 13.0%, lower than the same period of last year at 10.6 pts. due to the lower sea freight costs since Q2/2022 which led to the lower logistic costs, as well as lower logistic service income from customers who were able to seek sea freight service providers by themselves.



Administrative Expenses

The Company's administrative expenses for the quarter amounted to Baht 136.4 million, or 8.2% of sales revenue, increasing from the same quarter last year at 7.1%



Share of Profit (Loss) of Associates and Joint Venture.

The Company realized a total loss of Associates and Joint Venture at Baht 11.4 million. This resulted from loss-realization of Danone-Sappe Beverages Co., Ltd. (25% shareholding), WOPE Co., Ltd (60% shareholding) and M Intelligence Company Limited (16.2% shareholding) at Baht 0.04 million, 0.4 million and 10.9 million, respectively.

Net Profit (Loss) – Parent Company

The company reported net profit – parent company in Q2/2023 at Baht 312.3 million (or 18.8% of the revenue), the highest quarterly profit since the establishment, which increased 86.7% YoY, compared with the last year at Baht 167.3 million.

Sincerely Yours,

Sappe Public Company Limited

Ms. Piyajit Ruckariyapong

Chief Executive Officer