



TACC-011/2023

August 10, 2023

Subject: Management Discussion and Analysis for the First Quarter ended June 30, 2023

To: Managing Director
The Stock Exchange of Thailand

T.A.C. Consumer Public Company Limited (“the Company”) and its subsidiary would like to clarify the operating results for the second quarter ended June 30, 2023 as follows:

Preparation of consolidated financial statements

The Company established Health Inspired Planet Co., Ltd. on 18 January 2023, which operated since 1 March 2023. The Company invested 89% of its registered shares and has control over this company, thus this company is considered as a subsidiary of the Company. The Company, therefore, prepared consolidated financial statements since 1st quarter of 2023 to present the operating result of the Company and its subsidiary (“the Group”), including share of loss from investment in associate, instead of presented financial statements in which the equity method is applied in previous year.

Sales and service income

Separate financial statements

In the 2nd quarter of 2023, the Company achieved a sales and service income of Baht 445.06 million. This had an increase of Baht 60.01 million or equivalent to 15.60% from the same period of the previous year (Baht 384.95 million). The reasons are (A) the tourism season during this quarter had no restrictions due to the COVID-19 pandemic situation, similar to the second quarter of the previous year. As a result, there was a significant increase in the number of both Thai and foreign tourists., (B) increasing of new customers since the second half of 2022, and (C) expansion to new market in Cambodia in conjunction with expansion of branches of 7-11.

For the six-month period ended June 2022, the company achieved a sales and service income of Baht 822.67 million. This had an increase of Baht 100.34 million or equivalent to 13.89% from the same period of previous year (Baht 722.32 million). The revenue has grown from (A) the COVID-19 pandemic situation is better from last year resulting in people, business sectors and organizations are back to operate normally, including an increase in the number of tourists, (B) increasing of new customers since the second half of 2022, (C) expansion to new market in Cambodia in conjunction with expansion of branches of 7-11.

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Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group achieved a sales and service income at Baht 447.02 and 379.90 million respectively. This had an increase of Baht 1.96 and 4.25 million respectively from the separate financial statements from sales of subsidiary.

Gain on exchange rate

Separate and Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group achieved gain on exchange rate at Baht 0.60 million, which decrease at Baht 3.76 million from the same period of previous year (Baht 4.35 million). The decrease was due to the company selling investments in a US dollar-denominated fund at the end of 2566, resulting in a reduced number of US dollars in the account.

Other income

Separate and Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group achieved other income of Baht 1.70 and 3.41 million, which increase by Baht 1.36 and 1.63 million, respectively, from the same period of previous year (Baht 0.34 and 1.45 million, respectively), because of gain from selling of private funds.

Cost of Sales and services

Separate financial statements

In the 2nd quarter of 2023, the Company had the cost of sales and services amounting to Baht 299.88 million, which increase Baht 56.45 million or equivalent to 23.19% from the same period of previous year (Baht 243.43 million). The portion of cost of sales and services to sales and services income increase by 4.15% from last year (2023: 67.38%, 2022: 63.23%), resulting in decreasing of gross profit margin by 4.15% from last year (2023: 32.62%, 2022: 36.77%).

For the 6 month period of 2023, the Company had the cost of sales and services amounting to Baht 558.65 million, which increase Baht 109.31 million or equivalent to 24.33% from the same period of previous year (Baht 449.34 million). The portion of cost of sales and services to sales and services income increase by 5.70% from last year (2023: 67.91%, 2022: 62.21%), resulting in decreasing of gross profit margin by 5.70% from last year (2023: 32.09%, 2022: 37.79%). The gross margins for the 3 month and 6 month periods ended of year 2023 decreased because of the increase in raw material prices since last year. As a result, the company has higher cost of sales this year.

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Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group had consolidated cost of sales and services amounting to Baht 300.96 and 259.80 million, equivalent to 67.33% and 67.81% of consolidated sales and services income, respectively, and had gross profit margin at 32.67% and 32.19%, respectively.

Selling and distribution expenses

Separate financial statements

In the 2nd quarter of 2023, the Company has selling and distribution expenses increase amounting to Baht 1.36 million or equivalent to 3.54% from the same period of the previous year (2023: Baht 39.58 million, 2022: Baht 38.23 million), but the portion of selling and distribution expenses to sales and services income is decrease by 1.04% from previous year (2023: 8.89%, 2022: 9.93%). The increase in expenses amount was from increasing of promotion and advertising programs the Company used in the period to stimulate sales.

For the 6 month period of 2023, the Company has selling and distribution expenses decrease amounting to Baht 9.14 million or equivalent to 11.98% from the same period of the previous year (2023: Baht 67.11 million, 2022: Baht 76.25 million), and the portion of selling and distribution expenses to sales and services income is decrease by 2.40% from previous year (2023: 8.16%, 2022: 10.56%). The decrease in expenses amount was from decreasing of promotion and advertising programs during the 1st quarter.

Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group had consolidated selling and distribution expenses amounting to Baht 45.02 and 73.68 million, respectively, which increase Baht 5.44 and 6.57 million from separate financial statement, or equivalent to 10.07% and 7.54% of consolidated sales and services income, respectively, from selling and distribution expenses of subsidiary.

Administrative Expenses

Separate financial statements

In the 2nd quarter of 2023, the Company has administrative expenses amounting to Baht 29.81 million, which increase Baht 7.88 million or equivalent to 35.90% from the same period of the previous year (Baht 21.94 million). This is equal to 6.70% and 5.70% of sales and services income of the 2nd quarter of year 2023 and 2022, respectively. (Increase 1.0% from year 2022)

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For the 6 month period of 2023, the Company has administrative expenses amounting to Baht 64.28 million, which increase Baht 23.74 million or equivalent to 58.65% from the same period of the previous year (Baht 40.54 million), or equivalent to 7.81% and 5.61% of sales and services income of year 2023 and 2022, respectively. (Increase 2.2% from year 2022). The increase in expenses for the 3 month and 6 month periods is because of the increasing in employee-related expenses, which in line with increasing in number of employees from year. In addition, the travelling expenses have increased from last year because of the relaxation of COVID-19 situation from the same period of the previous year.

Consolidated financial statements

For the 3 month and 6 month periods ended of year 2023, the Group had consolidated administrative expenses amounting to Baht 34.01 and 70.27 million, which increase Baht 4.20 and 5.99 million from separate financial statement, or equivalent to 7.61 and 8.50% of consolidated sales and services income. This is from administrative expenses of the subsidiary.

Share of loss from investment in associate

Share of loss from investment in associate for the 3 month and 6 month periods of year 2023 increase amounting to Baht 2.11 and 4.22 million from last year. This is because of the increasing of amortization of intangible assets, which value is increased from fair value assessment when prepared consolidated financial statements.

Net Profit

Separate financial statements

In the 2nd quarter of 2023, the Company has net profit amounting to Baht 62.41 million, which decreases Baht 6.33 million or equivalent to 9.21% from the same period of the previous year at Baht 68.74 million. The company achieved a net profit margin of 14.02%, which decreased 3.83% from last year at 17.85%.

For the 6 month period of 2023, the Company has net profit amounting to Baht 108.84 million, which decreases Baht 20.38 million or equivalent to 15.77% from the same period of the previous year at Baht 129.22 million. The company achieved a net profit margin of 13.23%, which decreased 4.66% from last year at 17.89%. The reasons for the decrease in net profit are an increase in cost of sales since the second half of year 2022 and increase of employee-related expenses in line with increasing of employee number from last year.

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Consolidated financial statements

In the 2nd quarter of 2023, the Group has consolidated net profit amounting to Baht 53.18 million, which decreases Baht 15.23 million or equivalent to 22.26% from the same period of the previous year at Baht 68.40 million (as presented in financial statements in which the equity method is applied). The company achieved a consolidated net profit margin of 11.90%, which decreased 5.87% from last year at 17.77%. The reasons for the decrease in consolidated net profit are (a) an increase in the Company's cost of sales, (b) increase of employee-related expenses of the Group, (c) net loss from the subsidiary at Baht 6.78 million, and (d) increase of share of loss from investment in association amounting to Baht 2.11 million.

For the 6 month period of 2023, the Group has consolidated net profit amounting to Baht 95.49 million, which decreases Baht 33.06 million or equivalent to 25.72% from the same period of the previous year at Baht 128.55 million (as presented in financial statements in which the equity method is applied). The company achieved a consolidated net profit margin of 11.55%, which decreased 6.25% from last year at 17.80%. The reasons for the decrease in consolidated net profit are (a) an increase in the Company's cost of sales, (b) increase of employee-related expenses of the Group, (c) net loss from the subsidiary at Baht 8.45 million, and (d) increase of share of loss from investment in association amounting to Baht 4.22 million.

Business Plan 2023

The Group sets the 2023 target to grow around 10% by creating value of existing portfolio and continue to drive cost and operation efficiency and continue to creating new product in high growth & potential markets and new consume trends and expand the channel of sale.

Sincerely yours,

Chatchawe Vatanasuk

Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

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