

- Translation –

7 August 2023

Subject Management Discussion and Analysis for the 2<sup>nd</sup> quarter ended 30 June 2023

Attention To President, The Stock Exchange of Thailand

Successmore Being Public Company Limited (“the Company”) would like to provide Management Discussion and Analysis for the 2<sup>nd</sup> quarter ended 30 June 2023 as follows

### Financial Performance Summary ended 30 June 2023

Consolidated	Q2/23 compared to Q1/23 (QoQ)				Q2/23 compared to Q2/22 (YoY)			6M-23 compared to 6M-22 (YTD)			
	Q2/23	Q1/23	Change	% Change	Q2/22	Change	% Change	6M-23	6M-22	Change	% Change
Revenue from Sales	235.8	243.7	(7.9)	-3.2%	285.8	(50.0)	-17.5%	479.5	553.5	(74.1)	-13.4%
- Sales through Local Businessmen	231.3	241.8	(10.5)	-4.3%	272.4	(41.1)	-15.1%	473.1	534.4	(61.3)	-11.5%
- Export to Overseas Distribution Agents	4.5	1.9	2.6	137.4%	13.4	(8.9)	-66.6%	6.4	19.2	(12.8)	-66.8%
Revenue from Services	0.1	0.4	(0.2)	-67.3%	2.0	(1.9)	-94.0%	0.5	3.4	(2.9)	-85.8%
<b>Total Revenue from Sales and Services</b>	<b>235.9</b>	<b>244.0</b>	<b>(8.1)</b>	<b>-3.3%</b>	<b>287.8</b>	<b>(51.9)</b>	<b>-18.0%</b>	<b>479.9</b>	<b>556.9</b>	<b>(77.0)</b>	<b>-13.8%</b>
Cost of Sales	(53.1)	(44.9)	8.1	18.1%	(69.0)	15.9	23.1%	(98.0)	(127.4)	(29.4)	-23.1%
Cost of Services	(0.1)	(0.3)	(0.3)	-83.6%	(1.8)	1.7	97.1%	(0.4)	(3.1)	(2.7)	-88.3%
<b>Total Cost of Sales and Services</b>	<b>(53.1)</b>	<b>(45.3)</b>	<b>7.9</b>	<b>17.4%</b>	<b>(70.8)</b>	<b>17.6</b>	<b>-24.9%</b>	<b>(98.4)</b>	<b>(130.5)</b>	<b>(32.1)</b>	<b>-24.6%</b>
<b>Gross Profit</b>	<b>182.8</b>	<b>198.8</b>	<b>(16.0)</b>	<b>-8.1%</b>	<b>217.0</b>	<b>(34.2)</b>	<b>-15.8%</b>	<b>381.6</b>	<b>426.5</b>	<b>(44.9)</b>	<b>-10.5%</b>
<b>(% Gross Profit)</b>	<b>77.5%</b>	<b>81.5%</b>			<b>75.4%</b>			<b>79.5%</b>	<b>76.6%</b>		
Interest income from hire-purchase	2.6	2.1	0.5	23.7%	0.0	2.6	n/a	4.7	0.0	4.7	n/a
Other Income	11.8	14.6	(2.8)	-19.2%	16.2	(4.4)	-26.9%	26.4	28.0	(1.6)	-5.6%
Gain (Loss) on foreign exchange rate - net	3.3	(1.1)	4.4	414.9%	0.5	2.8	523.8%	2.3	0.5	1.8	344.5%
Distribution costs (Selling expenses)	(129.3)	(145.6)	(16.3)	-11.2%	(127.1)	2.2	1.7%	(274.9)	(281.5)	(6.6)	-2.4%
Administrative expenses	(38.0)	(39.3)	(1.3)	-3.3%	(35.5)	2.5	6.9%	(77.3)	(54.1)	23.2	42.9%
<b>Profit before Finance costs and Income tax</b>	<b>33.2</b>	<b>29.6</b>	<b>3.6</b>	<b>12.3%</b>	<b>71.1</b>	<b>(37.8)</b>	<b>-53.2%</b>	<b>62.8</b>	<b>119.4</b>	<b>(56.5)</b>	<b>175.9</b>
Finance costs	(0.6)	(0.6)	(0.0)	-5.1%	(0.7)	(0.1)	-13.0%	(1.3)	(1.5)	(0.2)	-16.3%
<b>Profit before Income tax</b>	<b>32.6</b>	<b>29.0</b>	<b>3.7</b>	<b>12.7%</b>	<b>70.4</b>	<b>(37.7)</b>	<b>-53.6%</b>	<b>61.6</b>	<b>117.9</b>	<b>(56.3)</b>	<b>-47.8%</b>
Income tax	(7.1)	(8.9)	(1.8)	-20.5%	(13.9)	(6.8)	-48.8%	(16.1)	(25.0)	(9.0)	-35.9%
<b>Net Profit</b>	<b>25.5</b>	<b>20.0</b>	<b>5.5</b>	<b>27.5%</b>	<b>56.5</b>	<b>(31.0)</b>	<b>-54.8%</b>	<b>45.5</b>	<b>92.8</b>	<b>(47.3)</b>	<b>-51.0%</b>
(% Net Profit)	<b>10.2%</b>	<b>7.7%</b>			<b>18.6%</b>			<b>8.9%</b>	<b>15.9%</b>		

Sales by group of products	Q2/23 compared to Q1/23 (QoQ)				Q2/23 compared to Q2/22 (YoY)			6M-23 compared to 6M-22 (YTD)			
	Q2/23	Q1/23	Change	% Change	Q2/22	Change	% Change	6M-23	6M-22	Change	% Change
1. Nutrinal	101.4	96.8	4.6	4.7%	110.4	(9.0)	-8.2%	198.3	237.5	(39.2)	-16.5%
2. Body Cheer	24.1	20.8	3.3	15.6%	28.9	(4.9)	-16.9%	44.9	54.9	(10.0)	-18.2%
3. Neatly Home	3.9	4.1	(0.2)	-4.6%	5.2	(1.3)	-25.5%	8.0	10.9	(2.9)	-26.5%
4. S Mone	12.9	11.5	1.4	11.8%	12.7	0.2	1.7%	24.4	25.6	(1.2)	-4.7%
5. Growing More	88.9	104.6	(15.7)	-15.0%	126.5	(37.6)	-29.7%	193.4	219.2	(25.8)	-11.8%
6. Smart Creation	4.7	5.8	(1.2)	-20.3%	2.0	2.6	128.2%	10.5	5.4	5.1	94.9%
<b>Total Revenue from Sales</b>	<b>235.8</b>	<b>243.7</b>	<b>(7.9)</b>	<b>-3.2%</b>	<b>285.8</b>	<b>(50.0)</b>	<b>-17.5%</b>	<b>479.5</b>	<b>553.5</b>	<b>(74.0)</b>	<b>-13.4%</b>

## Operating Results

Unless otherwise stated, the change (increase + / decrease -) (%) shall refer to the change vs the same period of 2022.

### Revenues from Sales

Revenue from sales through local businessmen for 6-month period ended 30 June 2023 decreased by THB 77.0 million (-13.8%). This was mainly due to the decline in domestic sales from supplementary products according to the economic slow down situation and the purchasing power of consumers coupled with the increasing competition in the food supplement market, and the decline in domestic sales from company's agricultural product due to the situation of fertilizer prices both in the world market and in Thailand, which have decreased by 30 - 40% and leads the company's agricultural products price become higher than the same product in the market. However, when considering sales volume by product groups in the second quarter of 2023 compared to the first quarter of 2023 (QoQ), it will be found that many product groups have increased sales volume, such as dietary supplements (+4.7%), daily use products (+15.6%) and cosmetics products (+11.8%).

Revenue from export to overseas distribution agents for 6-month period ended 30 June 2023 decreased by THB 12.8 million (-66.8%) as a result of the economic situation and the purchasing power of consumers in each country where the company has distributors. As a result, sales of distributors in each country decreased and causing the number of new orders from Thailand to be reduced compared to the same period of the previous year. However, when considering the export in the second quarter of 2023 compared to the first quarter of 2023 (QoQ), it was found that it increased by 2.6 million baht (+137.4%), as a result of agents in some countries such as Singapore starting to have more orders.

Revenue from services for 6-month period ended 30 June 2023 decreased by 2.9 million (-85.8%) due to company has changed its marketing activities provided to members from offline format which the company recognized revenue from fee charging to the online format which is more effectiveness and reach a wider audience without fee charging. In order to encourage overseas customers to have access to more online marketing activities organized in Thailand, the company has reduced the service fees charged from overseas distributors since the middle of the year 2022 onwards, which has resulted in revenue from services in the first half period of 2023 decreased comparing to the first half of 2022.

## **Other Income**

Other income decreased by THB 1.6 million (-5.6%). This was a result of a decrease in member register fee due to a decrease in the company's new membership, a decrease in revenue from overseas distributors using the brand (Brand using fee) that decreased in line with the sales of distributors in each country, and the decrease of revenue from sale of souvenirs that declined as well.

## **Distribution costs (Selling Expenses)**

Most of the selling expenses are the commissions that the company paid to businessmen and expenses for marketing promotion activities, consisting of advertising expenses, and expenses related to hiring famous people such as celebrities, influencers and blogger to publicize and create awareness for the company's products. Selling expenses for 6-month period ended 30 June 2023 decreased by THB 6.6 million (-2.4%) although sales decreased by 77.0 million baht (-13.8%) as a result of the company's advertising expenses and hiring celebrities to be presenters for the company's products which the expenses in this part did not occur during the same period of 2022. However, when considering selling expense in the second quarter of 2023 compared to the first quarter of 2023 (QoQ), it was found that selling expense decreased by more than THB 16.3 million (-11.2%) while sales decreased only THB 8.1 million (-3.3%) as a result of the company's strategy to reduced advertising costs to match with the sales volume. Along with the strategy to sold to big lot of products to big buyers who buy products to use directly and do not bring products to sell through the network marketing, the company therefore does not pay any commissions to this group of customers but give a discount on purchases instead. As a result, the cost of distribution in the second quarter of 2023 compared to the first quarter of 2023 (QoQ) dropped quite a lot.

## **Administrative Expenses**

Administrative expenses for 6-month period ended 30 June 2023 increased by THB 23.2 million (+42.9%) as a result of the employee expenses of Chadhai Leasing Co., Ltd., a subsidiary which the company holds 100% of shares. During the same period of the previous year, the subsidiary company did not have any employee expenses incurred because it has just started operating in the last quarter of 2022. In addition, the Company has set up an allowance for expected credit losses of hire-purchase receivables of the subsidiaries in the amount of THB 3.1 million which is an expense that did not exist during the same period of the year 2022, resulting in an increase in administrative expenses in the first half of the year 2023.

## **Net Profit**

The company's net profit for the 2<sup>nd</sup> quarter of 2023 was THB 25.5 million, increased by THB 5.5 million (+27.5%) from the 1<sup>st</sup> quarter of 2023, which was THB 20.0 million. With the intensive management in selling expenses and administrative expenses, the net profit margin in the second quarter of 2023 was 10.2% compared to 7.7% in the first quarter of 2023. However, compared to the second quarter of 2022 (YoY), net profit decreased by THB 31.0 million (-54.8%). The net profit for the first half of 2023 compared to the first half of 2022 showed a decrease of THB 47.3 million (-51.0%), with a net profit margin for the first half of 2023 at 8.9%, lower than the net profit margin for the first half of 2022 which was 15.9%, mainly due to lower sales volume but increased in administrative expenses as described in the previous section.

## Balance Sheet

Consolidated	For period ended					
	30 June 2023		30 June 2022		Change	
	THB Mln	%	THB Mln	%	THB Mln	%
Total Assets	926.3	100.0%	984.6	100.0%	(58.3)	-5.9%
Total Liabilities	196.0	21.2%	219.2	22.3%	(23.2)	-10.6%
Shareholders' Equity	730.4	78.8%	765.4	77.7%	(35.1)	-4.6%

### Total Assets

Total assets as of 30 June 2023 decreased by THB 58.3 million (-5.9%), mainly due to the decrease of cash and cash equivalents, and a decrease in other non-current financial assets (debentures held by the company for investment purpose) because the company's dividend was paid on 22 May 2023 in the amount of THB 66 million. Therefore, cash received from the sale of the debentures (which is scheduled to be sold to make a profit) were used to pay dividend. As a result, the total assets of the company decreased.

### Total Liabilities

Total liabilities as of 30 June 2023 decreased by THB 23.2 million (-10.6%), mainly due to the decrease of trade and other current payables, current income tax payable, and lease liabilities.

### Shareholders' Equity

Shareholders' equity as of 30 June 2023 decreased by THB 35.1 million (-4.6%), mainly due to the decrease of retained earnings according to the company's performance.

Sincerely yours,

( Mr. Noppakrit Nithilertvijit )

Chief Executive Officer