

WR/SET/0009/2023

August 11, 2023

Subject: Management Discussion and Analysis for the three-month period ended June 30, 2023

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 June 30, 2023 with details as follows:

Performance Overview

For the second quarter of 2023 (“2Q23”), Warrix Sport Public Company Limited generated revenue from sales and services of THB 256.10 million, which increased by THB 52.11 million or 25.55% YoY compared to 2Q22 and increased by THB 6.23 million or 2.52% QoQ compared to 1Q23 due to increased sales of Licensed and Non-Licensed products in major sale channels. The operating income in 2Q23 increased by THB 10.00 million or 51.90% YoY. The Company also had effective cost control, resulting in 2.89% decrease in % cost of sales and services to revenues. In addition, the Company had decreased finance costs. However, selling and administrative expenses increased due to employee-related expenses and rental expenses for Warrix Run Hub and Warrix Lifestyle. The Company had net profit of THB 20.96 million in 2Q23, increased by THB 8.56 million or 69.08% YoY compared to 2Q22 and increased by THB 9.88 million or 89.26% compared to 1Q23.

For the first six months of 2023 (“6M23”), the Company generated revenue from sales and services of THB 505.92 million, increased by THB 110.81 million or 28.04% YoY. This change was mainly due to increased sales of Licensed and Non-Licensed products in all sale channels. Resulting from 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. Moreover, the Company expanded sale channel, Point of Sale (POS), staff team, and marketing campaign to reach more customers. The Company also had effective cost control, resulting in 1.44% decrease in % cost of sales and services to revenues. However, selling and administrative expenses increased due to recruitment expenses (headhunter), 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 6M23 the Company had net profit of THB 32.03 million, increased by THB 7.18 million or 28.91% YoY compared to THB 24.85 million in 6M22.

Consolidated financial statements for the three-month and six-month period ended June 30, 2023

Statement of Comprehensive Income	2Q23		2Q22		Chg. (YoY)		6M23		6M22		Chg. (YoY)	
	THB million	%	THB million	%	THB million	%	ล้านบาท	THB million	%	THB million	%	THB million
Revenue from sales and services	256.10	100.00%	203.99	100.00%	52.11	25.55%	505.92	100.00%	395.11	100.00%	110.81	28.04%
Cost of goods sold and services	132.51	51.74%	111.44	54.63%	21.07	18.91%	270.03	53.37%	216.59	54.82%	53.44	24.67%
Gross Profit	123.59	48.26%	92.55	45.37%	31.04	33.54%	235.89	46.63%	178.52	45.18%	57.36	32.13%
Gain from a bargain purchase	-	0.00%	-	0.00%	-	-	2.09	0.41%	-	0.00%	2.09	-
Other income	6.09	2.38%	1.67	0.82%	4.42	265.55%	13.55	2.68%	3.68	0.93%	9.87	267.95%
Earnings before expenses	129.68	50.63%	94.21	46.19%	35.46	37.64%	251.53	49.72%	182.21	46.12%	69.32	38.04%
Selling Expenses	72.17	28.18%	57.20	28.04%	14.97	26.17%	149.79	29.61%	111.79	28.29%	38.00	33.99%
Administrative Expenses	28.23	11.02%	17.74	8.69%	10.49	59.16%	56.19	11.11%	31.44	7.96%	24.76	78.74%
Total Expenses	100.40	39.20%	74.94	36.74%	25.46	33.97%	205.98	40.71%	143.23	36.25%	62.75	43.81%
Earnings before interest and tax	29.28	11.43%	19.28	9.45%	10.00	51.90%	45.54	9.00%	38.98	9.86%	6.57	16.85%
Finance Costs	2.72	1.06%	3.65	1.79%	(0.92)	(25.28%)	4.47	0.88%	7.51	1.90%	(3.04)	(40.49%)
Earnings before tax	26.55	10.37%	15.63	7.66%	10.93	69.90%	41.08	8.12%	31.47	7.96%	9.61	30.53%
Tax Expenses	5.60	2.19%	3.23	1.59%	2.36	73.05%	9.04	1.79%	6.62	1.67%	2.42	36.63%
Net Profit (Loss)	20.96	8.18%	12.40	6.08%	8.56	69.08%	32.03	6.33%	24.85	6.29%	7.18	28.91%
Loss of currency translation differences	0.83	0.32%	0.18	0.09%	0.65	363.26%	1.15	0.23%	(0.02)	(0.01%)	1.17	(5,524.30%)
Total comprehensive income for the year	21.79	8.51%	12.57	6.16%	9.21	73.28%	33.18	6.56%	24.83	6.28%	8.35	33.63%

Revenue from core operation

In 2Q23, the Company generated revenue from sales and services of THB 256.10 million, increased by THB 52.11 million or 25.55% YoY. There are more activity and sports event held in 2Q23 compared to 2Q22, resulting in increased sales of Licensed and Non-Licensed products in major sale channels, such as:

- Traditional Trade: expanded sale channels and extended credit for B2B customers, resulting in more sales.
- Modern Trade: increased Point of Sale (POS). In addition, each Point of Sale has increased customer traffic.
- Online Channel: launched marketing campaign on every Market Place and expand sale channel via TikTok to engage new customers.
- Shop: opened new outlet store.
- Retail: expanded selling area, promotion area, and renovated area to attract more customers.
- Sponsorship Club: due to increased sales of football club merchandise.

Non-Licensed products' revenues continuously increased and account for more than 80% of total revenue from sales and services, which can continuously generate income for the Company. The revenue growth in 2Q23

was mainly due to the growth of Made to Order (MTO) products, which had rising demands from corporate customers and collection products, which had more new released collection compared to 2Q22.

The Licensed products' revenues mainly grew from the national football team products due to more football competitions held in 2Q23 compared to 2Q22.

Therefore, the Company had revenue from sales and services of THB 505.92 million, increased by THB 110.81 million or 28.04% YoY. The growth of revenues derived from an increase in sales of Licensed and Non-Licensed products, such as MTO, collection, and national football team products via all sale channels.

Selling Expenses

In 2Q23, The Company had selling expenses of THB 72.17 million. An increase of THB 14.97 million or 26.17% YoY, mainly due to increased rental expenses for Queen Sirikit National Convention Center (QSNCC), which is a shop and sports science center "Warrix Run Hub", opened in April 2023. In addition, "Warrix Lifestyle" at Siam Square, which is scheduled to open in 3Q23 and is the second flagship store that focuses on Active & Lifestyle products for everyday wear. According to the Company's business direction to generate more sales from new product segments. As a result, rental expenses increased in 2Q23 while gradually generating a revenue stream. In this regard, the overall selling expenses increased in line with an increased sale, such as warehouse expenses, the cost of selling products on E-Market Place, including sales and marketing team expansion to drive revenues growth in the future.

For 6M23, The Company had selling expenses of THB 149.79 million. An increase of THB 38.00 million or 33.99% YoY, mainly due to an increase in selling expenses as follows:

- Rental expenses for Warrix Run Hub at Queen Sirikit National Convention Center (QSNCC), which opened in the middle of second quarter. In addition, rental expenses for Warrix Lifestyle at Siam Square, which opened in the third quarter of 2023. As a result, rental expenses increased in the first half of 2023 while gradually generating a revenue stream.

- 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.

- 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 1Q23.

In this regard, the overall selling expenses increased in line with an increased sale, such as warehouse expenses, the cost of selling products on E-Market Place, including sales and marketing team expansion to drive revenues growth and to prepare for Warrix Run Hub and Warrix Lifestyle opening.

Administrative Expenses

In 2Q23, The Company had administrative expenses of THB 28.23 million. An increase of THB 10.49 million or 59.16% YoY mainly due to an increase in employee-related expenses according to the increasing number of employees to support the organization restructuring and business expansion.

For 6M23, The Company had administrative expenses of THB 56.19 million. An increase of THB 24.76 million or 78.74% YoY mainly due to increased expenses as follows:

- Recruitment expenses (headhunters) which significantly increased in the first half of 2023 but tend to decline in the second half according to the Company's plan.

- Employee-related expenses due to the increasing number of employees both the executive level and staff level to support the organization restructuring and business expansion.

- Donation to the Football Association for the Thai national team that won the AFF Mitsubishi Cup which is held every two years. However, this expense is one-time expense in 1Q23.

- Reserves for doubtful debts due to rising sales in 1Q23, while in 1Q22, there were reversals of reserves for doubtful debts because the Company was able to collect outstanding debts.

Finance Costs

In 2Q23, the Company had finance costs of THB 2.72 million, which declined by THB 0.92 million or 25.28% 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. Therefore, for 6M23, the Company had finance costs of THB 4.47 million, declined by THB 3.04 million or 40.49% YoY.

Net profit

In 2Q23, the Company had net profit of THB 20.96 million, increased by THB 8.56 million or 69.08% YoY. For 6M21, the Company had net profit of THB 32.03 million, increased by THB 7.18 million or 28.91% YoY. This change was attributed to sales growth with effective control of cost of sales and services, resulting in a decrease in % cost of sales and services to revenues. In addition, the Company had decreased finance costs.

**Statement of Financial Position ended June 30, 2022 and December 31, 2022 and
Operating Performance for June 30, 2022 and 2023**

Description	Unit	30 June 2023	30 June 2022
Total Assets	THB million	1,658.90	1,878.87
Total Liabilities	THB million	299.23	438.38
Total Equity	THB million	1,359.67	1,440.49
Debt to Equity Ratio (D/E)	Times	0.22	0.30
Dividend Payout Ratio	%	88.72 ^{1/}	54.74 ^{2/}

Description	Unit	6M23	6M22
Total Revenues	THB million	521.56	398.80
Total Expenses	THB million	480.48	367.33
Net Profit (Loss)	THB million	32.03	24.85
Earnings Per Share (Fully Diluted) ^{2/}	Baht/Share	0.05	0.04
Gross Profit Margin	%	48.26	45.18
Net Profit Margin	%	8.18	6.29
Return on Asset (ROA)	%	14.14	9.29
Return on Equity (ROE)	%	13.76	22.18

Remark:

^{1/} Dividend paid in 2023 totally THB 114.00 million from accumulated net income at the end of year 2022

^{2/} Dividend paid in 2022 totally THB 70.00 million from accumulated net income at the end of year 2021

^{3/} 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 June 30, 2023 was amounting THB 1,658.90 million, decreased by THB 219.97 million or 11.71% YTD with the main reasons as follows:

- The decrease in cash and cash equivalents due to using as working capital, repaying loans with financial institutions, acquiring Premier Football and Fit Junction during 1Q23, and dividend payment in 2Q23.
- The decrease in trade and other current receivables due to collection of outstanding receivables.

Total Liabilities

Total Liabilities for June 30, 2023 was amounting THB 299.23 million, decreased by THB 139.15 million or 31.74% YTD. This change was mainly due to payment for suppliers, resulting in a decrease in trade and other current payables.



Total Equity

Total Equity for June 30, 2023 was amounting THB 1,359.67 million, decreased by THB 80.82 million or 5.61% YTD. This change was attributable to dividend paid from retained earnings of THB 114.00 million.

Please be inform accordingly,

Sincerely yours,

- Wisan Wanasakrsisakul -

(Mr. Wisan Wanasakrsisakul)

Chief Executive Officer

Warrix Sport Public Company Limited