



TRANSLATION

14<sup>th</sup> November, 2023

Subject: Management Discussion and Analysis of the Consolidated Financial Statements of  
Quarter 3 and 9-month period of the year 2023

To: President  
The Stock Exchange of Thailand

Haadthip Public Company Limited (“the Company”) would like to provide an explanation of the performance of Quarter 3 and the 9-month period, end of 30<sup>th</sup> September 2023 as follows;

**1. Three-month period performance (July – September 2023: Quarter 3 of 2023)**

**1.1 Revenue from sale of goods**

In reference to the operating results of Q3/2023 that was reviewed by the Auditor, the Company’s consolidated financial statements of the period showed revenue from sale of goods of Baht 1,867.4 million, increased by Baht 107.1 million or 6.1% from the same period of last year of Baht 1,760.2 million, driven by the beverage sales volume in an amount of 16.8 million unit cases in Q3/2023, increased by 1.8% from 16.5 million unit cases in Q3/2022. The sales revenue and volume growth drivers were:

- I. The Company implemented Revenue Growth Management Initiatives through pack and channel mix in prompt response to increasing demand for the sales of single-serve packages, especially in HORECA and Convenience Stores (CVS) channels.
- II. Zero sugar sparkling beverages continued to grow.
- III. The Company has implemented a price increase in selected pack sizes in April 2023 with an overall price increase of approximately 1.5%.

The Company continued to maintain its leadership in Non-Alcoholic Ready-to-Drink (NARTD) with a market share of 24.3 % and Sparkling Soft Drink (SSD) with a market share of 78.7% in Q3/2023.

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## **1.2 Cost of sale of goods and gross profit margin**

The cost of sale of goods amounted to Baht 1,095.9 million, an increase of Baht 42.6 million or 4.0% from the same period of last year of Baht 1,053.3 million. The gross profit amounted to Baht 771.5 million, an increase of Baht 64.5 million from the same period of last year of Baht 707.0 million, representing a growth of 9.1% as a result of;

- I. The Company has implemented a price increase in selected pack size in April 2023 with an overall price increase of approximately 1.5%.
- II. The lower packaging material prices compared with the same period last year, resulted from the reduction of commodity prices and oil prices.
- III. Production efficiency by reducing the overall production overheads per unit in the production process.

The gross profit margin was 41.3%, an increase of 1.1 percentage points from 40.2% in the same period of last year.

## **1.3 Distribution costs and administrative expenses**

Distribution costs were Baht 387.4 million, increased by Baht 26.3 million or 7.3 % from the same period of last year. Administrative expenses were Baht 228.9 million, increased by Baht 16.7 million or 7.9%. In total, SG&A expenses were Baht 616.3 million, which increased by Baht 43.0 million or 7.5%, compared with Baht 573.3 million in the same period of last year. The increase was mainly due to:

- I. Sales promotion and marketing expenses increased by 5.2%, mainly due to the shifting in the distribution channels and the additional spending to support the recovery of the market and tourism.
- II. Employee expenses increased driven by adjustments to the employee compensation and benefit plans in consideration of high inflations as well as additional headcounts to support our recovery and growth plans in tourism-related distribution channels (food shops, hotels, convenience stores, supermarkets, and hypermarkets) and traditional trade.

## **1.4 Finance costs and income tax expenses**

Finance costs were Baht 3.5 million, increased by Baht 2.2 million or 174.2% from the same period last year of Baht 1.3 million, as a result of a long-term loan for machines of PET line 3 production, Punpin Plant, Suratthani. Income tax expenses were Baht 27.0 million, an increase of Baht 1.7 million or 6.6%, compared with the same period last year of Baht 25.3 million as a result of an increase of 11.8% in earnings before tax.

## **1.5 Net profit and net profit margin**

Net profit of the Company was Baht 134.1 million, an increase of Baht 23.5 million or 21.2%, compared with Baht 110.6 million of the same period of last year. Net profit margin was 7.2%, an increase of 0.9 percentage points from 6.3% in the same period of last year. It was resulted from an improvement of gross profit margin and the efficiency of SG&A management.

## **2. Nine-month period performance (January – September 2023)**

### **2.1 Revenue from sales**

As stated in the 9-month consolidated financial statements for the year 2023, the Company's sales revenue was Baht 5,902.6 million, which increased by Baht 733.0 million or 14.2% compared with Baht 5,169.5 million from the same period of last year. The beverage sales volume amounted to 53.0 million unit cases, compared with 49.1 million unit cases from the same period of last year, representing an increase of 8.0%. The sales revenue and volume growth drivers were:

- I. The Company implemented Revenue Growth Management Initiatives through pack and channel mix in prompt response to increasing demand for the sales of single-serve packages, especially in HORECA and Convenience Stores (CVS) channels;
- II. Zero sugar sparkling beverages continued to grow with new flavor introductions;
- III. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.

The Company was able to maintain its year-to-date NARTD and SSD shares at 25.2% and 79.5%, respectively.

### **2.2 Cost of sale of goods and gross profit margin**

The cost of sale of goods of Baht 3,412.9 million, showed an increase of Baht 316.9 million or 10.2% from the same period last year of Baht 3,096.0 million as a consequence of the rise in sale volume by 8.0%. With a gross profit of Baht 2,489.7 million an increase of Baht 416.1 million or 20.1% from the same period of last year of Baht 2,073.5 million as the result from;

- I. The Company has implemented a price increase in selected pack sizes since August 2022, with an overall price increase of approximately 6%, and in April 2023 with an overall price increase of approximately 1.5%.
- II. The lower packaging material prices compared with the same period last year, resulted from the reduction of commodity prices and oil prices.

- III. Production efficiency by reducing the overall production overheads per unit in the production process.

The gross profit margin was 42.2%, an increase of 2.1 percentage points compared with 40.1% from the same period of last year.

### **2.3 Distribution costs and administrative expenses**

Distribution costs were Baht 1,192.5 million, which increased by Baht 133.5 million or 12.6% from the same period of last year. Administrative expenses were Baht 714.3 million, which increased by Baht 99.3 million or 16.1% from the same period of last year. In total, SG&A expenses were Baht 1,906.7 million, increased by Baht 232.7 million or 13.9%, compared with Baht 1,674.0 million in the same period of last year. The increase was mainly due to

- I. Sales promotion and marketing expenses increased by 4.6%, mainly due to the shifting distribution channels and the additional spending to support the market and tourism recovery.
- II. Transportation costs increased by 2.9% from the same period of last year due to a rise in sales volume that drove the demand for transportation.
- III. Employee expenses increased driven by the adjustments to the employee compensation and benefit plans in consideration of high inflations as well as additional headcounts to support our recovery and growth plans in tourism-related distribution channels (food shops, hotels, convenience stores, supermarkets, and hypermarkets) and traditional trade.
- IV. One-time expenses from the asset impairment from the obsoleted machines in the amount of Baht 10.5 million.

### **2.4 Finance costs and income tax expenses**

Finance costs were Baht 8.4 million, increased by Baht 1.8 million or 26.9% as a result of a long-term loan for machines of PET line 3 production, Punpin Plant, Suratthani. Income tax expenses were Baht 102.8 million increased by Baht 40.7 million or 65.5% compared with Baht 62.1 million from the same period of last year, due to an 44.0% increase in earnings before tax.

### **2.5 Net profit and net profit margin**

Net profit of the Company was Baht 484.0 million, an increase of Baht 153.4 million or 46.4%, compared with Baht 330.7 million in the same period of last year. Net profit margin was

8.2% compared with 6.4% from the same period of last year. It was resulted from an improvement of gross profit margin and the efficiency of SG&A management.

Net profit for the Parent Company was Baht 484.4 million, compared with Baht 332.5 million in the same period of last year, representing an increase of Baht 151.9 million or 45.7%.

### **3. Profitability and Efficiency Ratios**

Ratios	2023		2022	
	Quarter 3	9-month period	Quarter 3	9-month Period
Gross profit margin (%)	41.3	42.2	40.2	40.1
Net profit margin (%)	7.2	8.2	6.3	6.4
Return on equity (%)	15.6		11.3	
Return on assets (%)	11.0		8.1	

- Gross profit margin for Q3/2023 and the 9-month period of 2023 increased by 1.1 and 2.1 percentage points, respectively. Due mainly to the selling price increase and the lower packaging material costs.
- Net profit margin for Q3/2023 and the 9-month period of 2023 increased by 0.9 and 1.8 percentage points, respectively. As a result of the higher gross profit margin and the efficiency in SG&A management.
- Return on Equity (12-month operating results) increased by 4.3 percentage points as a direct result of an increase in the Company's net profit for the last 12 months (1<sup>st</sup> October 2022 – 30<sup>th</sup> September 2023).
- Return on Assets (12-month operating results) increased by 2.9 percentage points as a direct result of an increase in the Company's earnings before tax for the last 12 months (1<sup>st</sup> October 2022 – 30<sup>th</sup> September 2023).

For your acknowledgment and further dissemination

Best regards,

(Maj Gen Patchara Rattakul)  
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