

MUD AND HOUND PUBLIC COMPANY LIMITED
 206 SOI PATTANAKARN 20,
 SUAN LUANG SUB-DISTRICT, SUAN LUANG DISTRICT,
 BANGKOK 10250, THAILAND
 TEL +66 2079 9765 FAX +66 2079 9755

No. MUD-SET 11/2023

November 13, 2023

Subject : Management Discussion and Analysis Quarter 3/2023 Ending 30 September 2023

To : The President
 The Stock Exchange of Thailand

Income Statement

Total Revenue

Mud & Hound PCL and the subsidiaries (“MUD” or the “Company”) earned THB 2,259 mm and THB 2,660 mm in 3Q/22 and 3Q/23 respectively, equalling to Y-o-Y growth of 17.7%. The significant reasons were as follows: relaxation of government measures in relation to the epidemic situation of the Coronavirus Disease 2019 (COVID-19), including the Company increase in the number of branches resulting in higher sales.

Cost of Sales and Services

Cost of sales and services in 3Q/22 and 3Q/23 totalled THB 884 mm and THB 1,041 mm respectively, accounting for 39.2% and 39.1% of total revenue respectively. There is lower in such ratio, primarily from well-stabilized under the effective collaboration between purchasing department, logistics department, marketing department, and branch employees through the application of effective procurement and inventory management systems.

Selling and Administrative Expenses (S&A)

In 3Q/22 and 3Q/23, MUD’s selling and administrative expenses amounted to THB 1,324 mm and THB 1,521 mm, respectively, accounting for 58.6% and 57.2% of total revenue, respectively. The ratio decreased by 1.4% due to the company closing branches, most of which are non-profitable operations.

S&A Breakdown by Type

	3-month period (Jul – Sep)			9-month period (Jan – Sep)		
	3Q/22	3Q/23	Y-o-Y Change	9M/22	9M/23	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	9	9	0.0%	27	27	0.0%
Other selling expenses ⁽²⁾	380	423	11.3%	1,091	1,271	16.4%
Administrative expenses ⁽³⁾	66	68	3.0%	206	223	8.2%
Total selling and administrative expenses	455	500	9.9%	1,324	1,521	14.8%

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Note

- (1) Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, and Greyhound Café franchises totalling THB 2 mm, THB 2 mm, and THB 5 mm in 3Q/23
- (2) The Company incurred slightly difference in personnel cost, rental and service costs due to cost saving policy.
- (3) Administrative expenses include remuneration of management and employees at office, administrative expenses, and other related costs. The decrease was primarily from intensive cost saving policy.

Earnings before Interest, Tax and Depreciation & amortization (EBITDA)

The Company recorded EBITDA of THB 354 mm and THB 450 mm in 3Q/22 and 3Q/23 respectively or %EBITDA of 15.7% and 16.9% of total revenues respectively.

Finance Cost

In 3Q/22 and 3Q/23, the Company incurred finance cost amounting THB 84 mm and THB 93 mm respectively.

Net Profit (Loss)

In 3Q/22 and 3Q/23, the Company's net profit (loss) amounted to THB (24) mm and THB (10) mm, respectively. Net profit (loss) of the Company equalled to (1.1%) and (0.4%) of total revenues respectively.

Statement of Financial Position
Total Assets

As of 30 June 2023 and 30 September 2023, the Company's assets equalled THB 5,179 mm and THB 5,136 mm, respectively. Majority of assets is non-current assets. As of 2Q/23, the Company's non-current assets accounted for 90.8% of total assets, while the current assets accounted for 9.2% of total assets, respectively. As of 3Q/23, the Company's non-current assets accounted for 91.6% of total assets, while the current assets accounted for 8.4 % of total assets, respectively.

Total Assets	30 June 2023 (2Q/23)		30 September 2023 (3Q/23)	
	THB mm	%	THB mm	%
Current assets	476	9.2	430	8.4
Non-current assets	4,703	90.8	4,706	91.6
Total assets	5,179	100.0	5,136	100.0

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1. Current Assets

The Company's current assets totalled THB 476 mm and THB 430 mm at 2Q/23 and 3Q/23 accounting for 9.2% and 8.4% of total assets respectively. The Company recorded cash and cash equivalent of THB 131 mm and THB 92 mm in 2Q/23 and 3Q/23 respectively. Account receivables were THB 95 mm and THB 91 mm at 2Q/23 and 3Q/23. Inventories were THB 214 mm and THB 211 mm accounting for 4.1% and 4.1% of total assets at 2Q/23 and 3Q/23, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 2Q/23 and 3Q/23, MUD's non-current assets totalled THB 4,703 mm and THB 4,706 mm, accounting for 90.8% and 91.6% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totalled THB 832 mm and THB 849 mm or 16.1% and 16.5% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 1Q/23 and 2Q/23. Goodwill was comprised of goodwill from Donut business at THB 484 mm, goodwill from bakery business at THB 298 mm, and goodwill from restaurants at THB 1,158 mm based on the business acquisition of Greyhound group since 2014 and Le Grand Véfour in 4Q/17. At 2Q/23 and 3Q/23, other intangible assets amounted to THB 1,727 mm and THB 1,758 mm or 33.4% and 34.2% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 1,066 mm and THB 1,099 mm at 2Q/23 and 3Q/23 respectively.

Total Liabilities

Total Liabilities	30 June 2023 (2Q/23)		30 September 2023 (3Q/23)	
	THB mm	%	THB mm	%
Current Liabilities	1,190	38.7	1,167	38.4
Non-Current Liabilities	1,886	61.3	1,875	61.6
Total Liabilities	3,076	100.0	3,042	100.0

1. Current Liabilities

As of 2Q/23 and 3Q/23, the Company's current liabilities totaled THB 1,190 mm and THB 1,167 mm, respectively, accounting for 38.7% and 38.4% of total liabilities. As of 2Q/23 and 3Q/23, the Company had trade and other payables THB 400 mm and THB 418 mm or 13.0% and 13.7% of total liabilities respectively. As of 2Q/23 and 3Q/23, the Company had short-term loan from financial institution of THB 229 mm and THB 226 mm or 7.5% and 7.4% of total liabilities respectively.

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2. Non-Current Liabilities

As of 2Q/23 and 3Q/23, non-current liabilities totaled THB 1,886 mm and THB 1,875 mm, representing 61.3% and 61.6% of total liabilities, respectively. Majority of non-current liabilities were long-term debt from financial institution in which long-term debt, net of current portion, equaled to THB 195 mm and THB 198 mm, respectively, accounting for 7.1% and 6.5% of total liabilities, respectively. And, there were long-term debentures of THB 832 mm and THB 833 mm, accounting for 27.1% and 27.4% of total liabilities as of 2Q/23 and 3Q/23 respectively.

Shareholders' Equity

As of 2Q/23 and 3Q/23, the Company's shareholders' equity stood at THB 2,102 mm and THB 2,093 mm respectively.

Management Outlook

The Company is a leading company in food & beverage and lifestyle business under its own brands (Greyhound Café, Another Hound Café, Greyhound Original, M-Kitchen, and Le Grand Vefour) and its exclusive franchisee in Thailand of global brands (Dunkin's Donuts, Au Bon Pain, and Baskin Robbins). In addition, MUD is master franchisor of Greyhound Café in various cities/counties (i.e. Hong Kong, Singapore, Indonesia and Philippines). In total, MUD has more than 491 stores under strong and experienced management team. MUD is promised to deliver the best-quality products, excellence services, and sustainable growth.

The Company has key strategies to create sustainable growth as followed:

- **Continuing Innovation & Creativity:** The experienced team has been developing and innovating products and services to meet the rapid changes of consumers' behavior and needs. For example, strengthen "Value for Money" concepts, product innovation (i.e. festive menus, trendy menu such as durian donuts, ice-cram cake in various formats, and special menu for Mother's Day).
- **Store Expansion in Strategic Locations:** Since store expansion is a key factor to create sustainable growth, the Company has determined to continuously develop and expand stores of both owned- and franchised-brand in strategic locations to create sustainable growth and meet consumers' needs. In addition, the Company has the experienced team who understands the market situation and competition. Moreover, the Company has been strengthening good relationships with the existing landlords and at the same time developing new relationship with potential landlords.

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- **International Growth:** The Company has determined and realized the opportunities in presenting unique Thai cuisine to the global market. Therefore, the Company has been aggressively expanded “Greyhound Café” to not only Asian market in which there are exceptional success, but also the first flagship store in Europe (London, England) in 4Q/17 to build the brand awareness of Greyhound Café and to open new stores in Europe. In addition, the Company has opened the 5 restaurants already, in Paris, France.
- **Competitive Advantages of Costs and Expenses:** The Company is aiming not only to establish sustainable revenue growth, but also to create competitive advantage of costs and expenses. The Company has been developing centralized unit in order to support each brand (owned and franchised brands) in the areas of accounting and finance, information technology, supply chain management, human resource, and etc. With the centralized support unit, each brand is able to concentrate on consumer and to efficiently control costs and expenses i.e. big order for all brands.
- **Inorganic Growth:** The Company not only focuses on the organic growth of the existing business, but also eyes on the optimal new business opportunities to create inorganic growth.

Yours Sincerely

-Somsak Tangprakob-

(Mr. Somsak Tangprakob)

Chief Finance Officer