



No. FI202402-01

27 February 2024

Subject: Management Discussion and Analysis for the Year Ended December 31, 2023, and clarification of the operating result changed over 20% compared to the same period of last year

To: President of the Stock Exchange of Thailand

Sappe Public Company Limited (the “Company”) would like to clarify the operating results for the year ended December 31, 2023, which changed over 20% compared to the same period of last year, with the following details.

(Unit: Thousand Baht)

Profit & Loss statement	Q4/2023	%	Q4/2022	%	Q3/2023	%	YoY%	QoQ%	2023	%	2022	%	YoY%
Total Revenue	1,266,024	104.7%	1,089,508	105.6%	1,698,924	101.9%	16.2%	-25.5%	6,207,710	102.6%	4,899,505	107.3%	26.7%
Revenue from selling goods	1,208,693	100.0%	1,031,727	100.0%	1,666,702	100.0%	17.2%	-27.5%	6,052,568	100.0%	4,566,400	100.0%	32.5%
Net gain from foreign exchange	14,109	1.2%	22,354	2.2%	-	0.0%	-36.9%	100.0%	9,298	0.2%	-	0.0%	100.0%
Others income	43,222	3.6%	35,427	3.4%	32,222	1.9%	22.0%	34.1%	145,844	2.4%	333,105	7.3%	-56.2%
Cost of goods sold	660,594	54.7%	612,217	59.3%	897,183	53.8%	7.9%	-26.4%	3,341,390	55.2%	2,702,901	59.2%	23.6%
Gross profit	548,099	45.3%	419,509	40.7%	769,518	46.2%	30.7%	-28.8%	2,711,177	44.8%	1,863,499	40.8%	45.5%
SG&A	402,742	33.3%	284,143	27.5%	394,854	23.7%	41.7%	2.0%	1,498,625	24.8%	1,374,660	30.1%	9.0%
Selling expenses	252,810	20.9%	167,679	16.3%	266,744	16.0%	50.8%	-5.2%	986,387	16.3%	982,881	21.5%	0.4%
Administrative expenses	149,932	12.4%	116,464	11.3%	122,531	7.4%	28.7%	22.4%	512,238	8.5%	383,270	8.4%	33.6%
Net loss from foreign exchange	-	0.0%	-	0.0%	5,579	0.3%	-	-100.0%	-	0.0%	8,510	0.2%	-100.0%
EBIT	202,688	16.8%	193,148	18.7%	406,887	24.4%	4.9%	-50.2%	1,367,694	22.6%	821,944	18.0%	66.4%
Finance costs	(606)	-0.1%	(617)	-0.1%	(603)	0.0%	-1.8%	0.5%	(2,553)	0.0%	(2,285)	-0.1%	11.7%
Reversal of impairment loss (TFRS 9)	3,237	0.3%	797	0.1%	(344)	0.0%	306.3%	-1041.8%	(19,740)	-0.3%	(3,866)	-0.1%	410.5%
Share of profit (loss) of associates and joint venture	750	0.1%	(680)	-0.1%	(8,946)	-0.5%	-210.4%	-108.4%	(20,120)	-0.3%	344	0.0%	-5951.9%
EBT	206,070	17.0%	192,648	18.7%	396,994	23.8%	7.0%	-48.1%	1,325,282	21.9%	816,136	17.9%	62.4%
Income tax expense	43,239	3.6%	40,142	3.9%	83,011	5.0%	7.7%	-47.9%	274,765	4.5%	161,707	3.5%	69.9%
Net profit(loss)	162,831	13.5%	152,506	14.8%	313,983	18.8%	6.8%	-48.1%	1,050,517	17.4%	654,429	14.3%	60.5%
Net profit(loss) of Parent Company	168,017	13.9%	154,340	15.0%	319,118	19.1%	8.9%	-47.3%	1,074,199	17.7%	653,151	14.3%	64.5%



Overall

Regarding the overall performance of Sappe Public Company Limited in 2023, consolidated revenue from selling goods reached Baht 6,052.6 million, marking the highest revenue since the company's establishment and representing a substantial increase of 32.5% compared to the previous year. This growth was primarily driven by expanded distribution channels in the export market across Asia, Europe, the Middle East, North America, and Thailand. Additionally, increased domestic and export sales were achieved through the launch of 17 new product SKUs over the past 12 months.

The cost of goods sold to revenue decreased by 4.0 pts. to 55.2%. This improvement was attributed to decreased prices of certain raw materials and packaging materials, as well as enhanced production performance.

Selling expenses and administrative expenses (excluding net gain/loss from foreign exchange) amounted to Baht 1,497.6 million, representing a 9.6% increase from the previous year's Baht 1,366.1 million. This notable increase was driven by selling and marketing activities aimed at supporting the growth of export sales. However, the percentage of these expenses to revenue from selling goods decreased from 29.9% to 24.7% due to improved spending efficiency.

The net profit of the parent company for 2023 stood at Baht 1,074.2 million, reflecting a significant increase of 64.5% compared to the previous year's Baht 653.1 million.

In Q4/2023, the overall performance of the company remained strong, with consolidated total revenue from selling goods reaching Baht 1,208.7 million. The net profit of the parent company for the same period was Baht 168.0 million, representing increases of 17.2% and 8.9%, respectively, compared to the same period last year.

Revenue from Selling Goods

The company achieved a record-breaking revenue from selling goods in 2023, reaching Baht 6,052.6 million, marking its highest revenue since establishment and representing a remarkable 32.5% increase compared to the previous year. This surge in revenue was driven by growth in both international and domestic markets.



In Q4/2023, the company witnessed its highest quarterly revenue, reaching Baht 1,208.7 million, a notable 17.2% YoY increase. However, there was a seasonal decline of -27.5% QoQ compared to Q3/2023, attributed to winter seasonal sales.

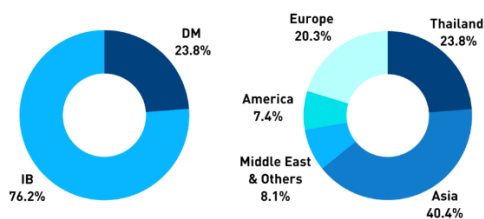
International sales soared to Baht 4,896.2 million, marking a substantial 39.4% YoY increase. This growth was fueled by the expansion of sales channels, particularly in EU territories through National Modern Trade outlets.

The company's best-selling products, Mogu Mogu, fruit juices with chewy Nata de Coco chunks and Sappe Aloe Vera, fruit juices with chewy Aloe Vera chunks, were exported to over 100 countries worldwide. Sales in Europe, America, the Middle East, and Asia experienced significant growth rates of +97.3%, +37.4%, +31.5%, and 20.9% respectively, compared to the previous year. Additionally, the company launched 5 new SKUs over the past 12 months.

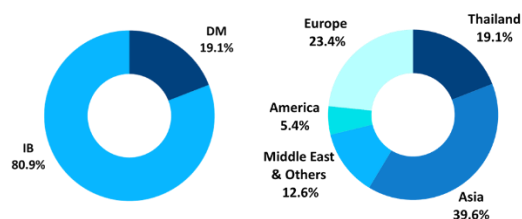
Despite facing a low season in Q4/2023, the company still achieved significant growth compared to Q4/2022, driven by strong demand. Looking ahead to 2024, the company anticipates further growth driven by increased demand from both existing and new consumers through marketing campaigns and channel expansion.

Domestic sales also saw a positive trend, reaching Baht 1,156.3 million, representing a 9.6% YoY increase. This growth was supported by the launch of 12 new SKUs over the past 12 months. Additionally, the company focused on leveraging online and e-commerce channels to capitalize on high-growth sales opportunities.

Revenue from sale of goods in Q4/2023



Revenue from sale of goods in 2023





Cost of Goods Sold

In 2023, the cost of goods sold (COGS) to total revenue from selling goods was 55.2%, marking a decrease of 4.0 pts. compared to the previous year. This improvement was attributed to the Company's enhanced internal management, particularly in terms of production efficiency. Additionally, the Company benefited from lower prices of raw materials and packaging materials, as well as more efficient management of machinery and human resources. These improvements were in line with a 77% production capacity rate, reflecting enhanced machine and production process efficiency.

Due to a significant rise in international sales recently, the Company is expanding production capacity. This year, the Company is focusing on acquiring, building, and setting up new automated warehouses, production lines, and beverage packaging lines. This also includes the implementation of cost-saving projects like using machine learning for quality checks and automating certain processes. These efforts are aimed at supporting future sales growth and increasing the net profit.

Selling Expenses

Selling expenses to revenue for year 2023 were reported at 16.3%, 5.2 pts. lower than last year. This decrease was attributed to reduced sea freight costs since Q3/2022, resulting in lower logistic expenses. Additionally, there was a decrease in logistic service income due to customers arranging their own sea freight services.

In Q4/2023, selling expenses to revenue increased to 20.9%, up by 4.7 pts. compared to the same period last year. This increase was driven by marketing investments in international markets aimed at building brand awareness, engaging with consumers, expanding our consumer base, and fostering brand loyalty in export markets.

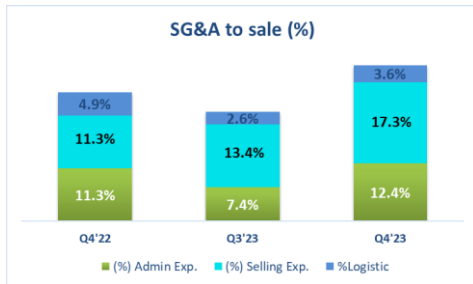
However, % selling expenses to total sales for the full year remained within budget and has been carefully managed.

Administrative Expenses

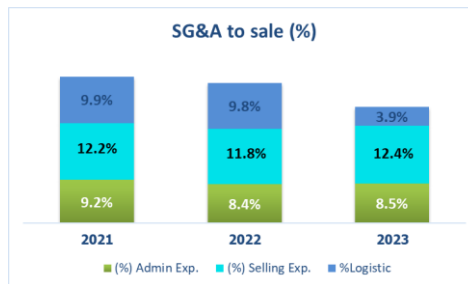
The Company's administrative expenses totaled Baht 512.2 million, representing 8.5% of sales revenue, consistent with the previous year's figure of 8.4%.



SG&A to sale in Q4/2023



SG&A to sale in 2023



Share of Profit (Loss) of Associates and Joint Venture.

The Company incurred a total loss of Baht 20.1 million from its associates and joint ventures. This loss stemmed from loss realization in WOPE Co., Ltd. (60% shareholding), Danone-Sappe Beverages Co., Ltd. (25% shareholding), and M Intelligence Co., Ltd. (16.2% shareholding), amounting to Baht 6.8 million, Baht 1.0 million, and Baht 12.3 million, respectively.

Net Profit (Loss) – Parent Company

The company reported a net profit of Baht 1,074.2 million for the year 2023, equivalent to 17.7% of the revenue. This marks the highest profit since the establishment of the company and reflects a significant increase of 64.5% compared to the previous year's profit of Baht 653.1 million.

In Q4/2023, the company reported a net profit of Baht 168.0 million, representing 13.9% of the revenue. This reflects an increase of 8.9% compared to the same period last year, when the net profit was Baht 154.3 million.

Sincerely Yours,

Sappe Public Company Limited

Ms. Piyajit Ruckariyapong

Chief Executive Officer