

MUD AND HOUND PUBLIC COMPANY LIMITED

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No. MUD-SET 2/2024

February 28, 2024

Subject : Management Discussion and Analysis Quarter 4/2023 & Year 2023 Ending 31 Dec 2023

To : The President
The Stock Exchange of Thailand

Mud & Hound PCL and the subsidiaries (“MUD” or the “Company”) would like to clarify the change of operating results in the year 2023 more than 20 percent comparing to the year 2022 as follow:

The operating results according to the consolidated financial statements of the Company and its subsidiaries for the year 2023 presented the net profit (loss) for the years attributable to owner of the Company of THB (35) mm compared to the net profit (loss) of THB 4 mm of the year 2022 comprehensive profit (loss) decreased by THB (38) mm or growth of (1,039.6%), The significant reasons were as follows:

Statements of comprehensive income	Consolidated financial statements					
	2022		2023		Change	
	THB mm	% to Revenue	THB mm	% to Revenue	THB mm	%Change
Revenues						
Sales and service income	3,062	96.6%	3,449	97.1%	387	12.6%
Other income	106	3.4%	103	2.9%	(3)	(2.9%)
Total revenues	3,168	100.0%	3,552	100.0%	384	12.1%
Expenses						
Cost of sales and services	1,225	38.7%	1,403	39.5%	179	14.6%
Selling and distribution expenses	1,563	49.3%	1,740	49.0%	177	11.3%
Administrative expenses	292	9.2%	298	8.4%	6	2.1%
Total expenses	3,079	97.2%	3,441	96.9%	362	11.8%
Operating profit (loss)	89	2.8%	111	3.1%	22	24.5%
Finance cost	(113)	(3.6%)	(125)	(3.5%)	(12)	11.0%
Profit (loss) before income tax	(23)	(0.7%)	(14)	(0.4%)	9	40.2%
Income tax	27	0.9%	(21)	(0.6%)	(48)	(176.0%)
Profit (loss) for the year	4	0.1%	(35)	(1.0%)	(38)	(1,039.6%)

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- Sales and service income The year 2023 amount THB 3,499 mm, compared with THB 3,062 mm of the year 2022, which increased by THB 387 mm or growth of 12.6%. 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 The year 2023 amount THB 1,403 mm, compared with THB 1,224 mm of the year 2022, which increased by THB 179 mm or growth of 14.6%. Ratio to total revenues in the year 2023 and 2022 were 40.7% and 40.0% of total revenues, respectively. There is higher in such ratio, due to the increase in raw material cost price according to the market price including the cost of energy continued to increase prices.
- Selling and distribution expenses The year 2023 amount THB 1,740 mm, compared with THB 1,563 mm of the year 2022, which increased by THB 177 mm or growth of 11.3%. Ratio to total revenues in the year 2023 and 2022 were 50.4% and 51.0% of total revenues, respectively. or ratio to total revenues decreased 0.6%, the significant reasons were as follows: the company closed branches, most of which are non-profitable operations.
- Finance cost The year 2023 amount THB 125 mm, compared with THB 113 mm of the year 2022, which increased by THB 12 mm, as increase of short-term loan result to increase of finance cost. Including in the year 2020, the Company has used the new accounting policies related to leases per the TFRS 16 (Leases)

Income Statement

Total Revenue

The Company earned THB 909 mm and THB 892 mm in 4Q/22 and 4Q/23 respectively, equaling to Y-o-Y growth of (1.9%). For the 12-month period (Jan – Dec), the Company earned THB 3,168 mm and THB 3,552 mm in 2022 and 2023 respectively or growth of 12.1%. 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 4Q/22 and 4Q/23 totaled THB 340 mm and THB 362 mm respectively, accounting for 37.4% and 40.6% of total revenue respectively. For the 12-month period (Jan – Dec), the cost of sales and services recorded THB 1,255 mm and THB 1,403 mm or 38.7% and 39.5% of total revenues in 2022 and 2023 respectively. There is higher in such ratio, due to the increase in raw material cost price according to the market price including the cost of energy continued to increase prices.

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Selling and Administrative Expenses (S&A)

In 4Q/22 and 4Q/23, MUD's selling and administrative expenses amounted to THB 530 mm and THB 517 mm, respectively, accounting for 58.3% and 57.9% of total revenue, respectively. For the 12-month period (Jan – Dec), the S&A reported THB 1,854 mm and THB 2,038 mm or 58.5% and 57.4 % of total revenues in 2022 and 2023 respectively.

S&A Breakdown by Type

	3-month period (Oct – Dec)			12-month period (Jan – Dec)		
	4Q/22	4Q/23	Y-o-Y Change	12M/22	12M/23	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	9	7	(22.2%)	36	28	(22.2%)
Other selling expenses ⁽²⁾	436	435	(0.2%)	1,527	1,712	12.1%
Administrative expenses ⁽³⁾	85	75	(11.7%)	291	298	2.4%
Total selling and administrative expenses	530	517	(2.4%)	1,854	2,038	9.9%

Note

- (1) Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, and Greyhound Café franchises totaling THB 2 mm, THB 2 mm, and THB 3 mm in 4Q/23
- (2) The Company have the higher of personnel cost, rental and service costs due to increasing in the number of branches.
- (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 148 mm and THB 143 mm in 4Q/22 and 4Q/23 respectively or %EBITDA of 16.3% and 16.0% of total revenues respectively.

For the 12-month period (Jan – Dec), the Company recorded EBITDA of THB 502 mm and THB 593 mm or %EBITDA of 15.9% and 16.7% of total revenues in 2022 and 2023 respectively.

	3-month period (Oct – Dec)		12-month period (Jan – Dec)	
	4Q/22	4Q/23	2022	2023
EBITDA	148	143	502	593
%EBITDA	16.3%	16.0%	15.9%	16.7%

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Finance Cost

In 4Q/22 and 4Q/23, the Company incurred finance cost amounting THB 28 mm and THB 32 mm respectively.

In 2022 and 2023, the Company incurred finance cost amounting THB 113 mm and THB 125 mm respectively.

Net Profit (Loss)

In 4Q/22 and 4Q/23, the Company's net profit (loss) amounted to THB 28 mm and THB (24) mm, respectively. Net profit (loss) of the Company equaled to 3.1% and (2.7%) of total revenues respectively.

In 2022 and 2023, the Company's net profit (loss) amounted to THB 4 mm and THB (35) mm, respectively. Net profit (loss) of the Company equaled to 0.1% and (1.0%) of total revenues respectively.

	3-month period (Oct – Dec)		12-month period (Jan – Dec)	
	4Q/22	4Q/23	2022	2023
Net Profit (Loss)	28	(24)	4	(35)
% Net Profit (Loss)	3.1%	(2.7%)	0.1%	(1.0%)

Statement of Financial Position

Total Assets

As of 30 September 2023 and 31 December 2023, the Company's assets equaled THB 5,136 mm and THB 5,183 mm, respectively. Majority of assets is non-current assets. 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. As of 4Q/23, the Company's non-current assets accounted for 90.9% of total assets, while the current assets accounted for 9.1% of total assets, respectively.

Total Assets	30 September 2023 (3Q/23)		31 December 2023 (4Q/23)	
	THB mm	%	THB mm	%
Current assets	430	8.4	470	9.1
Non-current assets	4,706	91.6	4,713	90.9
Total assets	5,136	100.0	5,183	100.0

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1. Current Assets

The Company's current assets totaled THB 430 mm and THB 470 mm at 3Q/23 and 4Q/23 accounting for 8.4% and 9.1% of total assets respectively. The Company recorded cash and cash equivalent of THB 92 mm and THB 114 mm in 3Q/23 and 4Q/23 respectively. Account receivables were THB 91 mm and THB 110 mm at 3Q/2/3 and 4Q/23. Inventories were THB 211 mm and THB 215 mm accounting for 4.1% and 4.1% of total assets at 3Q/23 and 4Q/23, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 3Q/23 and 4Q/23, MUD's non-current assets totaled THB 4,706 mm and THB 4,713 mm, accounting for 91.6% and 90.9% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totaled THB 849 mm and THB 869 mm or 16.5% and 16.8% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,940 mm at 3Q/23 and 4Q/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 3Q/23 and 4Q/23, other intangible assets amounted to THB 1,758 mm and THB 1,752 mm or 34.2% and 33.8% of total assets, respectively. Include Right of Use Assets, the Company recorded THB 1,099 mm and THB 1,199 mm at 3Q/23 and 4Q/23.

Total Liabilities

Total Liabilities	30 September 2023 (3Q/23)		31 December 2023 (4Q/23)	
	THB mm	%	THB mm	%
Current Liabilities	1,167	38.4	1,239	39.9
Non-Current Liabilities	1,875	61.6	1,866	60.1
Total Liabilities	3,042	100.0	3,105	100.0

1. Current Liabilities

As of 3Q/23 and 4Q/23, the Company's current liabilities totaled THB 1,167 mm and THB 1,239 mm, respectively, accounting for 38.4% and 39.9% of total liabilities. As of 3Q/23 and 4Q/23, the Company had current portion of liabilities under sale and leaseback agreements THB 48 mm and THB 53 or 1.6% and 1.7% of total liabilities respectively. Including as of 3Q/23 and 4Q/23, the Company had long-term loans from financial institutions - net of current portion THB 126 mm and THB 114 or 4.1% and 3.7% of total liabilities respectively. As of 3Q/23 and 4Q/23, the Company had short-term loan from financial institution of THB 226 mm and THB 223 mm or 7.4% and 7.2% of total liabilities respectively.

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2. Non-Current Liabilities

As of 3Q/23 and 4Q/23, non-current liabilities totaled THB 1,875 mm and THB 1,866 mm, representing 61.6% and 60.1% of total liabilities, respectively. Majority of non-current liabilities were long-term debt from financial institution in which liabilities under sale and leaseback agreements net of current portion, equaled to THB 37 mm and THB 37 mm, respectively, accounting for 1.2% and 1.2% of total liabilities, respectively. Long-term loans from financial institutions net of current portion equaled to THB 198 mm and THB 182 mm, respectively, accounting for 6.5% and 5.9% of total liabilities, respectively. And, there were long-term debentures of THB 833 mm and THB 834 mm, accounting for 27.4% and 26.9% of total liabilities as of 3Q/23 and 4Q/23 respectively.

Shareholders' Equity

As of 3Q/23 and 4Q/23, the Company's shareholders' equity stood at THB 2,093 mm and THB 2,078 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 and Au Bon Pain). 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 503 stores under strong and experienced management team. MM 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 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 4 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