

June 4, 2024

Subject Management Discussion and Analysis for the year ended 2023

Attention President
The Stock Exchange of Thailand

Maguro Group Public Company Limited (“the Company”) provides Management Discussion and Analysis for the year ended December 31, 2023 as follows:

Operating Results

Statement of Comprehensive Income	For the year ended December 31				Change	
	2022		2023		THB million	%
	THB million	%	THB million	%		
Revenue from sales and services	664.32	100.00	1,043.55	100.00	379.23	57.09
Cost of sales and services	385.91	58.09	572.17	54.83	186.26	48.27
Gross profit	278.41	41.91	471.38	45.17	192.97	69.31
Other income	1.53	0.23	2.26	0.22	0.73	47.71
Selling expenses	158.65	23.88	269.21	25.80	110.56	69.69
Administrative expenses	71.32	10.74	94.53	9.06	23.21	32.54
Profit before finance costs and income tax expense	49.97	7.52	109.90	10.53	59.93	119.93
Finance cost	10.61	1.60	19.25	1.84	8.64	81.43
Profit before income tax expense	39.36	5.92	90.65	8.69	51.29	130.31
Income tax expense	8.00	1.20	18.17	1.74	10.17	127.13
Net profit for the year	31.36	4.72	72.48	6.95	41.12	131.12

Revenue from sales and services

Item	For the year ended December 31				Change	
	2022		2023		THB million	%
	THB million	%	THB million	%		
<u>Revenue from sales and services</u>						
1) Revenue from restaurant business	661.52	99.58	1,041.62	99.82	380.10	57.46
• <i>Maguro</i>	526.14	79.20	645.38	61.84	119.24	22.66
• <i>Ssamthing Together</i>	96.31	14.50	198.97	19.07	102.66	106.59
• <i>Hitori Shabu</i>	36.03	5.42	197.27	18.90	161.24	447.52
• <i>Discontinued brand</i> ^{/1}	3.05	0.46	-	-	(3.05)	(100.00)
2) Revenue from catering and delivery	2.80	0.42	1.93	0.18	(0.87)	(31.07)
Total revenue from sales and services	664.32	100.00	1,043.55	100.00	379.23	57.09

Note: /1 In 2023, Taiko, a Japanese sushi restaurant, was discontinued.

In 2022 and 2023, the company's revenue from sales and service were THB 664.32 million and THB 1,043.55 million, respectively. In 2023, the company's revenue from sales and service increased by THB 379.23 million, or equivalent to 57.09% from the previous year. The increase in revenue comes from the opening of 9 additional new branches since 2022, including: 2 branches of Maguro, 2 branches of Ssamthing Together, and 5 branches of Hitori Shabu. The newly opened branches are all within department stores, which serve as gathering places for the new generation, working people, and families, who were the target customers of the brand. Additionally, the company still maintains a strong same-store sales growth, especially from two new brands, Hitori Shabu and Ssamthing Together, which continue to receive continuously good responses, and the amount of spending per head of customers is growing compared to the previous year.

Performance of restaurant business in 2022 - 2023

Operating Results	For the year ended December 31	
	2022	2023
Number of branches		
Net number of new branches opened	5	9
Number of branches at the end of the period	16	25
Performance and Growth rate		
Revenue from sales and services (THB million)	661.52	1,041.62
Revenue growth (percent)	72.72	57.46
Same-store sales growth (percent)	29.83	3.97

Cost of sales and services

In 2022 and 2023, the company had costs of sales and services equal to THB 385.91 million and THB 572.17 million, respectively. In 2023, the company's costs of sales and services increased by THB 186.26 million, or 48.27% from the previous year. This increase aligns with the rise in revenue from sales and service resulting from the opening of significant new branches of all three brands, totaling 9 branches compared to the previous year. Additionally, Hitori Shabu and Ssamthing Together received positive responses from customers at both existing and newly opened branches.

Gross Profit

In 2022 and 2023, the company's gross profit was THB 278.41 million and THB 471.38 million, respectively, with a gross profit margin of 41.91% and 45.17%. In 2023, the company's gross profit increased by THB 192.97 million from 2022, which aligns with the trend of increased revenue. The company's gross profit margin improved in 2023 compared to 2022 because of the increased proportion of revenue from new brands with high gross profit margins and the recovery of restaurant income as the COVID-19 situation began to subside.

Selling Expenses

In 2022 and 2023, the selling expenses was THB 158.65 million and THB 269.21 million, respectively. In 2023, the company's selling expenses increased by THB 110.56 million, or 69.69% from the previous year. This increase in selling expenses was due to rental expenses and utilities, as well as salary and benefits for store employees, which increased from the opening of 9 new branches within the department store. However, considering the proportion of selling expenses for each item, the company's selling expenses in 2023 still had similar components and proportions to the previous year.

Administrative Expenses

In 2022 and 2023, the administrative expenses was THB 71.32 million and THB 94.53 million, respectively. In 2023, the company's administrative expenses increased by THB 23.21 million, or 23.39% from the previous year. The increase in administrative expenses in 2023 was due to higher salaries, employee benefits, and remuneration for directors, which rose in line with the number of employees required to support store expansion. However, the company's operating results continued to improve, with the ratio of administrative expenses to total revenue decreasing from 10.71% in 2022 to 9.04% in 2023.

Finance Costs

In 2022 and 2023, the finance costs were THB 10.61 million and THB 19.25 million, respectively. In 2023, the company's finance costs increased by THB 8.64 million, or 81.43% from the previous year. This increase was caused by higher lease liabilities and estimated demolition costs resulting from entering into rental contracts to support the stores' expansion.

Net Profit

In 2022 and 2023, the net profits were THB 31.36 million and THB 72.48 million, with net profit margins of 4.72% and 6.95%, respectively. The increase in net profit margin in 2023 is attributed to several factors. Firstly, the growth in income from the restaurant business across all three brands, both from existing branches and newly opened ones. Additionally, the company's gross profit margin increased due to effective cost management. Furthermore, the company's expanding branch network enhanced its bargaining power with suppliers, along with an increased proportion of revenue from new brands with high gross margins. Moreover, the recovery of restaurant income to pre-COVID-19 levels contributed to this growth. Throughout, the company maintained efficient management of sales and administrative expenses.

Financial Position

Statement of Financial Position	As of December 31				Change	
	2022		2023			
	THB million	%	THB million	%	THB million	%
Total assets	630.59	100.00	814.36	100.00	183.77	29.14
Total liabilities	351.07	55.67	547.29	67.21	196.22	55.89
Total shareholder's equity	279.52	44.33	267.07	32.79	(12.45)	(4.45)

Assets

As of December 31, 2022 and 2023, the Company had total assets equal to THB 630.59 million and THB 814.36 million, respectively. By the end of 2023, the company's total assets increased by THB 183.77 million, representing a 29.14% increase from 2022. This was primarily due to a rise in building improvements and equipment amounting to THB 160.53 million, corresponding to an increase in the number of branches. Additionally, there was an increase in right of use of THB 82.78 million to support stores expansion and the renewal of lease agreements in the existing branches. Additionally, the company's cash and cash equivalents decreased by THB 103.82 million due to investments in fixed assets and intangible assets, repayment of lease liabilities, and interim dividend payments.

Liabilities

As of December 31, 2022 and 2023, the Company had total liabilities equal to THB 351.07 million and THB 547.29 million, respectively. By the end of 2023, the company's total liabilities increased by THB 196.22 million, representing a decrease of 55.89% from 2022. The main cause was an increase in trade and other payables amounting to THB 23.74 million, which comprised trade payables from the purchase of raw materials and creditors for the purchase of assets. Additionally, there was an increase in liabilities under lease liabilities by THB 87.86 million due to additional rental contracts entered into during the year to support stores expansion and the opening of new brands.

Shareholder's equity

As of December 31, 2022 and 2023, the Company had total shareholders' equity equal to THB 279.52 million and THB 267.07 million, respectively. By the end of 2023, the company's total shareholders' equity decreased by THB 12.45 million, representing a decrease of 4.45% from 2022. The main reason for this decrease was the payment of interim dividends during 2023. The announcement of 4 interim dividend payments was made at the Company's Extraordinary General Meeting of Shareholders, totaling THB 85.66 million, which was paid to shareholders during 2023. Additionally, the company reported operating results for 2023 in the amount of THB 73.02 million.

Key Financial Ratios

Items	Unit	For the year ended December 31	
		2022	2023
Current ratio	(times)	1.69	0.80
Cash cycle	(days)	(18)	(10)
Return on equity	(%)	11.26	26.52
Debt to equity	(times)	1.26	2.05

Current ratio

As of December 31, 2022 and 2023, the Company had a current ratio of 1.69 times and 0.80 times, respectively. In 2023, the Company's current ratio decreased from 2022 due to a decrease in cash and cash equivalents of THB 74.91 million from investments in fixed assets and intangible assets, repayment of debt under lease liabilities, and dividend payments.

Cash Cycle

As of December 31, 2022 and 2023, the Company had a negative cash cycle of 18 days and 10 days, respectively. The decrease in the cash cycle in 2023 was caused by the average receivable days increased by 6 days, from 14 days in 2022 to 20 days in 2023, while the payable days decreased by 2 days from 39 days in 2022 to 37 days in 2023.

Return on Equity

As of December 31, 2022 and 2023, the Company had a return on equity (ROE) of 11.26% and 26.52%, respectively. The increase in the return on equity in 2023 is attributed to the net profit of the company, which improved from THB 31.36 million in 2022 to THB 72.48 million in 2023.

Debt to equity

As of December 31, 2022 and 2023, the Company's debt to equity ratio was 1.26 times and 2.05 times, respectively. In 2023, the Company's debt to equity ratio increased. Due to an increase in trade payables and lease liabilities, which increased in line with stores expansion.

Sincerely yours

- Mr. Eakkaluk Sangsareedumrong -

(Mr. Eakkaluk Sangsareedumrong)
Chief Executive Officer