

June 4, 2024

Subject Management Discussion and Analysis for the 3-month period ended March 31, 2024

Attention President
The Stock Exchange of Thailand

Maguro Group Public Company Limited (“the Company”) provides Management Discussion and Analysis for the 3-month period ended March 31, 2024 as follows:

Operating Results

Statement of Comprehensive Income	For the 3-month period ended March 31				Change	
	2023		2024		THB million	%
	THB million	%	THB million	%		
Revenue from sales and services	235.94	100.00	296.88	100.00	60.94	25.83
Cost of sales and services	127.02	53.84	162.53	54.75	35.51	27.96
Gross profit	108.92	46.16	134.35	45.25	25.43	23.35
Other income	0.18	0.08	0.37	0.12	0.19	105.56
Selling expenses	59.98	25.42	76.39	25.73	16.41	27.36
Administrative expenses	20.93	8.87	26.11	8.79	5.18	24.75
Profit before finance costs and income tax expense	28.19	11.95	32.22	10.85	4.03	14.30
Finance cost	3.89	1.65	7.05	2.37	3.16	81.23
Profit before income tax expense	24.31	10.30	25.17	8.48	0.86	3.54
Income tax expense	4.86	2.06	5.05	1.70	0.19	3.91
Net profit for the year	19.44	8.24	20.13	6.78	0.69	3.55

Revenue from sales and services

Item	For the 3-month period ended March 31				Change	
	2023		2024		THB million	%
	THB million	%	THB million	%		
Revenue from sales and services						
1) Revenue from restaurant business	235.43	99.78	296.58	99.90	61.15	25.97
• <i>Maguro</i>	156.58	66.36	170.54	57.44	13.96	8.92
• <i>Ssamthing Together</i>	49.38	20.93	51.21	17.25	1.83	3.71
• <i>Hitori Shabu</i>	29.46	12.49	74.83	25.21	45.37	154.01
2) Revenue from catering and delivery	0.51	0.22	0.30	0.10	(0.21)	(40.54)
Total revenue from sales and services	235.94	100.00	296.88	100.00	60.94	25.83

For the 3-month period of 2023 - 2024, the company's revenue from sales and services were THB 235.94 million and THB 236.88 million. For three-month period of 2024, the company's revenue from sales and service increased by THB 60.94 million or equivalent to 25.83% from the previous year. The increase in revenue comes from the opening of 7 additional new branches since the first quarter of 2023, including 2 branches of Maguro, 1 branch of Ssamthing Together, and 4 branches of Hitori Shabu, which have led to an increase in revenue.

Performance of restaurant business in the 3 month period ended March 31, 2023 - 2024

Operating Results	For the year ended December 31	
	2023	2024
Number of branches		
Net number of new branches opened	10	7
Number of branches at the end of the period	19	26
Performance and Growth rate		
Revenue from sales and services (THB million)	235.94	296.88
Revenue growth (percent)	86.58	25.83
Same-store sales growth (percent)	17.99	(2.24)

Cost of sales and services

For the 3-month period of 2023 - 2024, the company had costs of sales and services equal to THB 127.02 million and THB 162.53 million, respectively. For the 3-month period of 2024, the company's costs of sales and services increased by THB 35.51 million, or 27.96% 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 7 branches compared to the previous year.

Gross Profit

For the 3-month period of 2023 - 2024, the company's gross profit was THB 108.92 million and THB 134.35 million, respectively, with a gross profit margin of 46.16% and 45.25%. For the 3-month period of 2024, the company's gross profit increased by THB 25.43 million from previous year, which aligns with the trend of increased revenue. The company's gross profit margin slightly declined during the 3-month period of 2023 due to the increase in raw material costs. Prices are higher because of economic factors and global warming, which have resulted in limited quantities of raw materials.

Selling Expenses

For the 3-month period of 2023 - 2024, the selling expenses was THB 59.98 million and THB 76.39 million, respectively. For the 3-month period of 2024, the company's selling expenses increased by THB 16.41 million, or 27.36% 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 7 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

For the 3-month period of 2023 - 2024, the administrative expenses was THB 20.93 million and THB 26.11 million, respectively. For the 3-month period of 2024, the company's administrative expenses increased by THB 5.18 million, or 24.75% from the previous year. The increase in administrative expenses was due to higher salaries, employee benefits, depreciation, license, and system work, which rose to support store expansion. However, the company's operating results continued to improve, with the ratio of administrative expenses to total revenue decreasing from 8.86% in the 3-month period of 2023 to 8.78% in the 3-month period of 2024.

Finance Cost

For the 3-month period of 2023 - 2024, the finance costs were THB 3.89 million and THB 7.05 million, respectively. For the 3-month period of 2024, the company's finance costs increased by THB 3.16 million, or 81.23% 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

For the 3-month period of 2023 - 2024, the net profits were THB 19.44 million and THB 20.13 million, with net profit margins of 8.24% and 6.78%, respectively. The increase in net profit margin for the 3-month period of 2024 caused by the expansion of 7 additional branches between the 3-month period of 2023 and the 3-month period of 2024 will result in increased revenue for the company. Furthermore, the increase in the number of branches will create economies of scale, allowing the company to maintain sales and administrative expenses efficiently. However, due to the increase in raw material costs, the net profit margin for the 3-month period of 2024 decreased slightly. The company has been closely monitoring the situation and fluctuations in raw material prices and plans to order accordingly, including searching for new raw material suppliers to accommodate any fluctuations that may occur.

Financial Position

Statement of Financial Position	As of December 31 2023		As of March 31 2024		Change	
	THB million	%	THB million	%	THB million	%
Total assets	814.36	100.00	824.15	100.00	9.79	1.20
Total liabilities	547.29	67.21	550.02	66.74	2.73	0.50
Total shareholder's equity	267.07	32.79	274.13	33.26	7.06	2.64

Assets

As of December 31, 2023 and March 31, 2024, the Company had total assets equal to THB 814.36 million and THB 824.15 million, respectively. As of March 31, 2024, the company's total assets increased by THB 9.79 million, representing a 1.20% increase from end of 2023. This was primarily due to a rise in building improvements and equipment amounting to THB 13.61 million and right of use of THB 8.08 million, which aligns with stores expansion and the renewal of lease agreements in the existing branches. Additionally, the company's cash and cash equivalents decreased by THB 10.36 million due to investments in fixed assets, repayment of lease liabilities, and interim dividend payments.

Liabilities

As of December 31, 2023 and March 31, 2024, the Company had total liabilities equal to THB 547.29 million and THB 550.02 million, respectively. As of March 31, 2024, the company's total liabilities increased by THB 2.73 million, representing a decrease of 0.50% from end of 2023. The main cause was an increase in lease liabilities amounting to THB 12.06 million and income tax payable amounting to THB 6.22 million due to additional rental contracts entered into during the year to support stores expansion and decreasing of trade and other payables amounting THB 17.95 million, which are trade payables from purchasing raw materials and creditors for purchase of assets.

Shareholder's equity

As of December 31, 2023 and March 31, 2024, the Company had total shareholders' equity equal to THB 267.07 million and THB 274.13 million, respectively. As of March 31, 2024 the company's total shareholders' equity increased by THB 7.06 million, representing a decrease of 2.64% from 2023. The main reason for these decreases was reported operating results for 2023 in the amount of THB 20.13 million and the payment of interim dividends of 13.07 to shareholders during 2024.

Key Financial Ratios

Items	Unit	As of December 31, 2023	As of March 31, 2024
Current ratio	(times)	0.80	0.76
Cash cycle	(days)	(10)	(9)
Return on equity	(%)	26.52	27.04 ^{/1}
Debt to equity	(times)	2.05	2.01 ^{/2}

Note: ^{/1} Return on equity will be 28.57% after considering the change in shareholders' equity from approval of the interim dividend payment of THB 28.47 million on May 11, 2024.

^{/2} Debt to equity will be 2.24 times after considering the change in shareholders' equity from the approval of the interim dividend payment of THB 28.47 million on May 11, 2024

Current ratio

As of December 31, 2023 and March 31, 2024, the Company had a current ratio of 0.80 times and 0.76 times, respectively. As of March 31, 2024, the Company's current ratio decreased from 2023 due to a decrease in cash and cash equivalents of THB 10.36 million from investments in fixed assets, repayment of debt under lease liabilities, and dividend payments.

Cash Cycle

As of December 31, 2023 and March 31, 2024, the Company had a negative cash cycle of 10 days and 9 days, respectively. The decrease in the cash cycle in 2023 was caused by the average receivable days decreased by 1 days, from 7 days in 2023 to 6 days in March 31, 2024, while the inventory days increased by 4 days from 20 days in 2023 to 24 days in March 31, 2024. In addition, the payable days increased by 2 days from 37 days in 2023 to 39 days in March 31, 2024.

Return on Equity

As of December 31, 2023 and March 31, 2024, the Company had a return on equity (ROE) of 26.52% and 27.04%, respectively. The increase in the return on equity in March 31, 2024, is attributed to the last-Twelve-Month net profit of the company, which improved from THB 72.48 million in 2023 to THB 73.16 million in March 31, 2024, which cause increased in return on equity.

Debt to equity

As of December 31, 2023 and March 31, 2024, the Company's debt to equity ratio was 2.05 times and 2.01 times, respectively. As of March 31, 2024, the Company's debt to equity ratio decreased due to a slight increase in shareholders' equity from retained earnings.

Sincerely yours

- *Mr. Eakkaluk Sangsareedumrong* -

(Mr. Eakkaluk Sangsareedumrong)
Chief Executive Officer