# S&P Syndicate Public Company Limited

Management Discussion & Analysis

# MD&A 3Q24

# 1 Overview of business operations, economic conditions, and industry factors affecting

**Overview of the Food Industry**

In 2024-2026, the restaurant and beverage industry is expected to grow by 4.0-5.0% annually, with total revenue projected to reach 275-300 billion baht. Key demand drivers include (1) the gradual recovery of domestic GDP in 2025-2026, (2) a steady increase in foreign tourists, and (3) changing consumer behavior with a preference for dining out, particularly following the easing of the COVID-19 pandemic. On the supply side, growth is supported by (1) improved logistics systems, such as temperature-controlled shipping (Cold Chain Logistics), which help maintain food quality for longer, (2) the increasing number of food delivery application providers, making it easier for restaurants to reach consumers, and (3) the expansion of retail business branches, both large and small, across Bangkok and other provinces, providing channels for restaurants to grow alongside retail businesses. - *Data from Krungsri Research*

**Business Operations & Strategies**

- **Domestic Stores :** Overall 3Q24 traffic was declined especially in Takeaway Channel in Hypermarket and Shopping Mall stores. The Company has focused more on **dine-in channel** via single dishes menu and promotion with the offer of more variety of appetizer and beverage to complete meals, resulting the higher spending per bill, boost up **take-away sales** thru Fresh Bake (formerly called as Bakery Studio), NPDs and upselling offer to increase averaged spending per bill and leverage the declined traffic, promote **delivery channel** via single dishes and pound cake thru Food Aggregators / set menu and pound cake thru 1344 ordering platform. The Company is expanding a new fine-dining restaurant brand, MOTOï, and plans to open in October 2024.
- **Retail and Food Service :** The Company focused more on recruiting OEM food service new accounts and promoted frozen cake in Retail channel.

# 2 Summary of 3Q24 Key Events and Developments

**Fresh Bake (Formerly called as Bakery Studio)**

The Company has added 29 Fresh Bake units into existing stores. There are total 40 Fresh Bake units as of 3Q24. The 40 stores contributed sales growth +10% YoY in 3Q24 despite the overall decline in Takeaway channel. The company is evaluating the key success and learnings in order to expand the second phase in 1H25.

**MOTOï Bangkok**

The company has plans to expand its portfolio of fine dining restaurants targeting high-income customers, expatriates working in Thailand, and tourists seeking premium dining experiences. To this end, an agreement has been made with a French restaurant created by a renowned Japanese chef to open a new brand in Thailand called 'MOTOi.' Located on Sukhumvit 49, the restaurant is scheduled to open on October 12, 2024

MOTOï Bangkok is the second branch of Chef MOTOI Maeda's renowned French restaurant, originally located in Kyoto, Japan.

Bringing an exquisite blend of French cuisine with a touch of Japanese elegance to Bangkok, Thailand.

# 3 Summary of Operating Results

## Executive Summary

Unit : Million Baht

| Highlight | 3M | | Better or (Worse) | 9M | | Better or (Worse) |
|---|---|---|---|---|---|---|
| | 3Q23 | 3Q24 | | 9M23 | 9M24 | |
| Revenue | **1,670** | **1,622** | (48) | **4,562** | **4,512** | (50) |
| Cost of Sales | **(728)** | **(711)** | (17) | **(1,993)** | **(1,978)** | (15) |
| Gross Profit | **942** | **911** | (31) | **2,569** | **2,534** | (35) |
| *Gross Profit Margin (%)* | *56.4%* | *56.1%* | *(0.3%)* | *56.3%* | *56.2%* | *(0.1%)* |
| Selling and Admin. Expenses | **(753)** | **(775)** | (22) | **(2,165)** | **(2,214)** | (49) |
| *Selling and Admin. Expenses (%)* | *45.1%* | *47.8%* | *(2.7%)* | *47.5%* | *49.1%* | *(1.6%)* |
| Net Profit – Owners of the parent | **165** | **118** | (47) | **358** | **300** | (58) |
| *Net Profit Margin (%)* | *9.9%* | *7.3%* | *(2.6%)* | *7.9%* | *6.7%* | *(1.2%)* |

- **3Q24 Revenue was 1,622mb, -48mb or -2.9% YoY** mainly due to the decrease of domestic revenue in both Domestic Stores (-25mb or -2% YoY) and Retail & Food Service (-19mb or -10% YoY) business segments. **For Domestic stores,** dine-in was +3%, take-away -4% and delivery -7% YoY. Stores in Hospital and Airport still contributed revenue growth while revenue of stores in Hypermarket and Shopping Mall were declined. **For Retail and Food Service,** the decline was mainly due to the phasing window of moon cake OEM which covered from late 2Q24 to mid 3Q24, offset by the strong growth in food service from food chain accounts and frozen cake promotion in retail channel.
  **9M24 Revenue was 4,512mb, -50mb or -1.1% YoY** mainly due to the revenue decline in 3Q24.

- **3Q24 %Gross Profit was 56.1%, -0.3% worse than LY,** mainly due to the %gross profit mix from Domestic Restaurants and Retail & Food Service business segments.
  **9M24 %Gross Profit was 56.2%, slightly lower than last year** mainly due to the declined %GP in 3Q24.

- **3Q24 Net Profit was 118mb, -47MB or -29% YoY** due to the top line decrease and the increase in Selling Expenses mainly from the rental expenses and depreciation from the renovated and new stores in LY and this year.
  **9M24 Net Profit was 300mb, -58MB or -16% YoY.**

## 3Q24 KEY ACHIEVEMENTS

1. 40 branches of Fresh Bake (Bakery Studio concept) contributed +10% of total sales growth
2. Growth in Food Service (+5%) from Food chain accounts and NPDs for OEM customers.
3. Continue to grow Eat in through seasonal food campaign " from "Pad Thai" (+48%)
4. Continuously improvement on Lean Six Sigma production and factories productivity increase, including energy costs saving.
5. Continuously manage and successfully control raw materials and packaging costs.

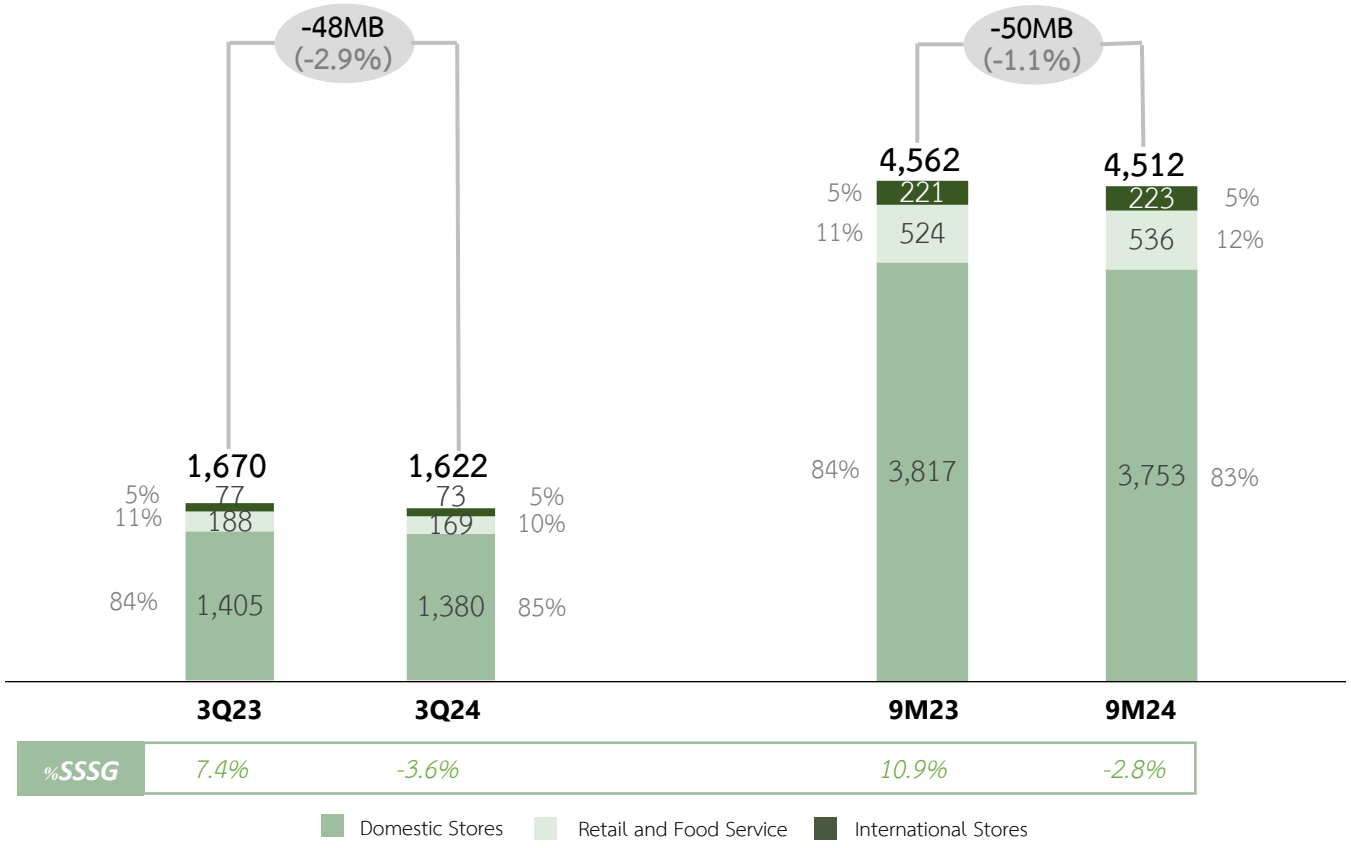
## NUMBER OF STORES

| BRAND | 30 SEP 24 TOTAL | Thailand | International | 30 SEP 23 TOTAL | Thailand | International |
|---|---|---|---|---|---|---|
| S&P Restaurant | 132 | 127 | 5 | 136 | 131 | 5 |
| S&P Bakery Shop | 278 | 278 | - | 271 | 271 | - |
| S&P DelTA | 29 | 29 | - | 33 | 33 | - |
| Grand Seaside | 1 | 1 | - | 1 | 1 | - |
| Patio | 1 | 1 | - | 1 | 1 | - |
| Patara | 7 | 1 | 6 | 8 | 1 | 7 |
| Nais & SNP Cake Studio | 1 | 1 | - | 1 | 1 | - |
| Maisen | 10 | 10 | - | 11 | 11 | - |
| Umenohana | 1 | 1 | - | 1 | 1 | - |
| TOTAL | 460 | 449 | 11 | 463 | 451 | 12 |

## REVENUE

Unit : Million Baht

### TOTAL GROUP




### 3M

**3Q24 Revenue was 1,622mb, -48mb or -2.9% YoY** mainly came from:

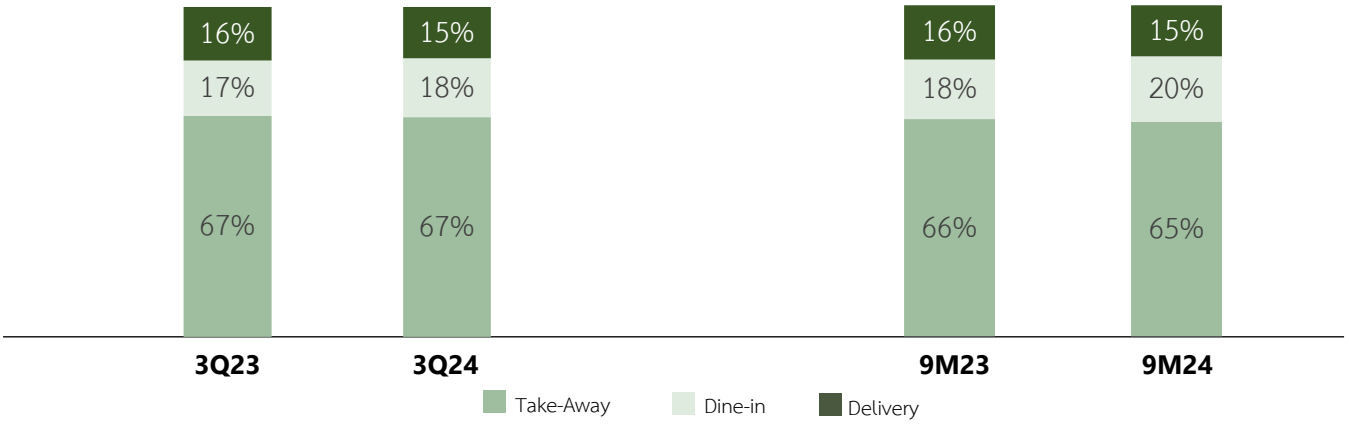
- **Domestic Stores:** -25mb or -2% YoY mainly came from sales decreased in Take-away (-4%) and Delivery (-7%) especially from stores in Hypermarket and Shopping Mall, partially offset with the revenue growth in Dine-in (+3%) from stores in Hospital and Airport.
- **Retail and Food Service:** -19mb or -10% YoY mainly due to the phasing window of Moon Cake OEM which covered from late 2Q24 to mid 3Q24, offset by the strong growth in food service from food chain accounts and frozen cake promotion in retail channel.
- **International Stores:** -4mb or -5% YoY, mainly due to declining sales in Cambodia and the United Kingdom

### 9M

**9M24 Revenue was 4,512mb, -50mb or -1.1% YoY** mainly came from:

- **Domestic Stores:** -64mb or -2% YoY mainly due to sales decreased in Take-away (-3%) and Delivery (-8%) especially from stores in Hypermarket, Shopping Mall and Standalone, partially offset with the revenue growth in Dine-in (+10%) from stores in Hospital and Airport.
- **Retail and Food Service:** +12mb or +2% YoY primarily driven by strong sales growth in Food Service and OEM for Airlines and food chain accounts, surplus with frozen cake promotion in Retail channel.
- **International Stores:** +2mb or +1% YoY, mainly came from the restaurant in Austria.

## Domestic Revenue Mix




### 3M

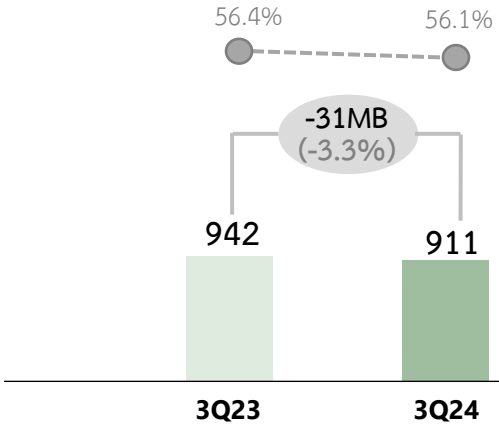
- **Dine- in: +3% YoY** mainly came from single dishes promotion with offer of appetizer and beverage to complete meals, resulting the higher spending per bill.
- **Take-Away: -4% YoY** mainly came from the declined traffic especially for stores in Hypermarket and Shopping Mall, partially offset by the growth from Fresh Bake (Bakery Studio) and upselling offer to increase averaged spending per bill.
- **Delivery: -7% YoY** mainly due to the consumer behaviors which were shifted more to dine-in.

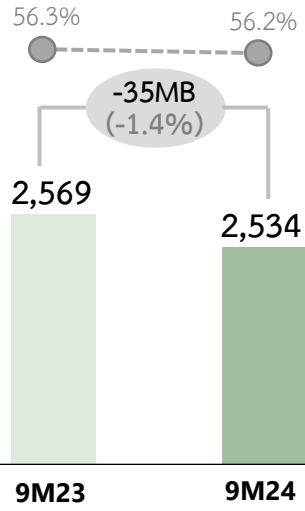
### 9M

- **Dine-in: +7% YoY** mainly came from the continuous promotions of signature single dish with more variety of appetizer, desserts and beverage to draw more traffic and increase averaged spending per bill.
- **Take-Away: -3% YoY** mainly came from the declined traffic especially from the stores in Hypermarket and Shopping Mall. Key initiatives to draw more traffic and increase averaged spending per bill included Fresh Bake, NPDs including Blue Cup new beverage menus, festive products (CNY products, Khao Chae, Mother's Day Cake, and Moon Cake)
- **Delivery: -8% YoY** mainly due to the consumer behaviors which were shifted more to dine-in. Overall traffic mix on food aggregators platforms has continuously grown thru single dishes menu and pound cake.

## GROSS PROFIT

Unit : Million Baht




### 3M

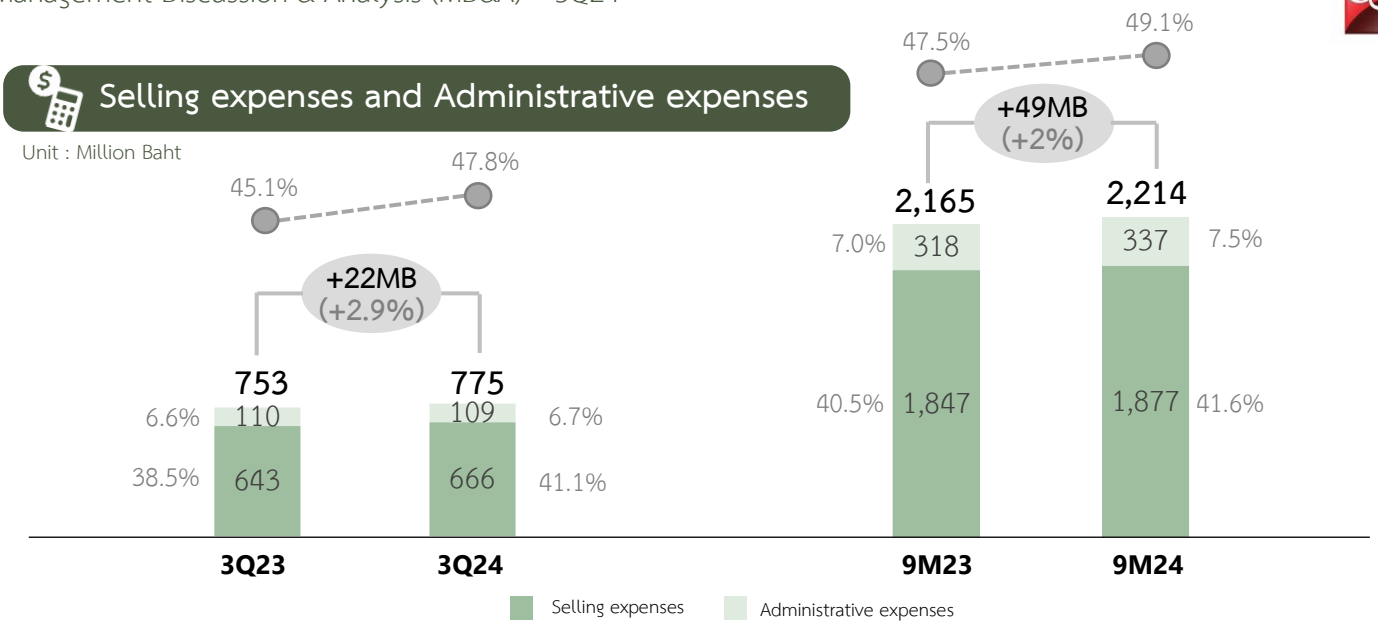
**3Q24 %Gross Profit was 56.1%, -0.3% worse than LY,** mainly due to the %gross profit mix from Domestic Restaurants and Retail & Food Service business segments.

### 9M

**9M24 %Gross Profit was 56.2%, slightly lower than last year** mainly due to the decline of 3Q24 %GP. Despite the raw materials cost increase, we still maintained the %GP by effective sourcing for raw materials and packaging, and the continuous LEAN production and fixed costs leverage at the factories.

## Selling expenses and Administrative expenses

Unit : Million Baht




### 3M

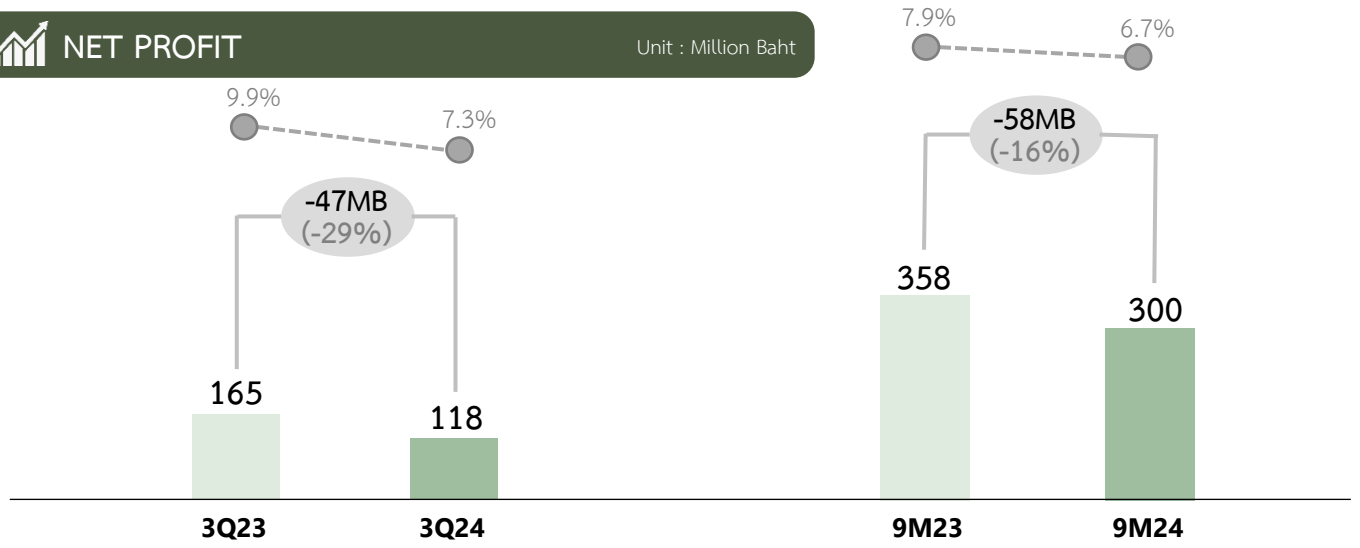
- **Selling Expenses was 666mb, +23mb YoY** mainly due to rental expenses of which the fixed portion was higher than LY and depreciation from renovated and new stores opened in LY and this year. **% Selling Expenses was +2.6% worse than LY,** mainly driven by the top line decrease and expenses increase.
- **Admin Expenses was quite on par with LY while %Admin Expenses was +0.1% worse than LY** mainly due to the fixed cost low leverage from the lower top line.

### 9M

- **Selling Expenses was 1,877mb, +30mb YoY** mainly due to the rental expenses and depreciation from renovated and new stores opened in LY and this year plus the new investment on Fresh Bake project. **% Selling Expenses was +1.1% worse than LY** mainly due to the low leverage of fixed selling expenses from the lower top line.
- **Admin Expenses increased +19mb YoY and %Admin Expenses +0.5% worse than LY** mainly due to the overall increase of 1H24 vs 1H23, from 1) the reversal of bad debts reserve in 2Q23, 2) assets write-off from 7 stores closed in 1Q24, 3) bad debts reserve in 2Q24, and 4) one-time adjustments.

## NET PROFIT

Unit : Million Baht




### 3M

### 9M

**3Q24 Net Profit was 118mb, -47MB or -29% YoY and 9M24 Net Profit was 300mb, -58mb or -16% YoY** mainly due to the top line decrease and the increase in Selling Expenses mainly from the rental expenses and depreciation from the renovated and new stores in LY and this year.

# 4 Summary of Financial Position

| Statements of Financial Position | | | | |
|---|---|---|---|---|
| Key Metrics (MB) | As at Sep24 | | As at Dec23 | |
| | MB | % | MB | % |
| Cash and cash equivalents | 831 | 18% | 718 | 14% |
| Financial assets at fair value | 112 | 2% | 367 | 7% |
| Other current assets | 552 | 12% | 580 | 11% |
| **Total Current assets** | **1,495** | **32%** | **1,665** | **33%** |
| Investment in associate | 148 | 3% | 111 | 2% |
| Investment in joint ventures | 155 | 3% | 186 | 4% |
| Property, plant and equipment | 1,636 | 35% | 1,642 | 33% |
| Right-of-use asset | 1,169 | 25% | 1,353 | 27% |
| Other non-current assets | 91 | 2% | 88 | 2% |
| **Total non-current assets** | **3,199** | **68%** | **3,380** | **67%** |
| **TOTAL ASSETS** | **4,694** | **100%** | **5,045** | **100%** |
| Short-term borrowings from financial institutions | 1 | 0% | 1 | 0% |
| Current portion of long-term borrowings | 11 | 0% | 11 | 0% |
| Current portion of lease liabilities | 392 | 8% | 395 | 8% |
| Trade and other payables | 806 | 17% | 804 | 16% |
| Other current liabilities | 67 | 1% | 104 | 2% |
| **Total Current Liabilities** | **1,277** | **26%** | **1,315** | **26%** |
| Long-term borrowings from financial institutions | 8 | 0% | 16 | 0% |
| Non-current provision for employee benefits | 172 | 4% | 154 | 3% |
| Lease liabilities | 552 | 12% | 731 | 14% |
| Other non-current liabilities | 70 | 1% | 69 | 2% |
| **Total non-current liabilities** | **802** | **18%** | **970** | **19%** |
| **TOTAL LIABILITIES** | **2,079** | **44%** | **2,285** | **45%** |
| Paid-up Capital | 515 | 11% | 515 | 10% |
| Premium on ordinary shares | 690 | 15% | 690 | 14% |
| Surplus on gain from transfer of business to JV | 80 | 2% | 80 | 2% |
| Legal reserve | 52 | 1% | 52 | 1% |
| Unappropriated | 1,231 | 26% | 1,368 | 27% |
| Other components of shareholders' equity | 12 | 0% | 18 | 0% |
| Non-controlling interests | 35 | 1% | 37 | 1% |
| **TOTAL EQUITY** | **2,615** | **56%** | **2,760** | **55%** |
| **TOTAL LIABILITIES & EQUITY** | **4,694** | **100%** | **5,045** | **100%** |
| *Authorised share capital* | *515* | | *515* | |
| *Par Value (Baht/Sh.)* | *1.00* | | *1.00* | |
| *No. of share (millions)* | *515* | | *515* | |

**Cash & Cash equivalent** of 831mb, +113mb vs. Dec23, was primarily attributable from less payment on Property, Plant ,Equipment and Intangible asset 64 mb and cash received from selling intellectual property to JV 15 mb
**Financial Asset at Fair Value** of 112 mb, -255mb vs. Dec23, was primarily attributable from selling mutual funds
**Right-of-use asset and lease liabilities:** Decreased -184 mb due to the depreciation on right of use asset and maturity of lease liabilities
**Other Current Liabilities:** Decreased of -35 mb mainly decreasing of accrued corporate income tax

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# 5 Factors That May Affect Operations or Future Growth

**External Positive Factors :**

The Government Stimulus Campaigns to boost up 4Q24 domestic consumptions starting with the 10,000-baht cash handout marking a key step in boosting consumer spending and creating business opportunities.

**Internal Positive Factors :**

The upcoming festive season of New Year Cake and Cookies

# 6 Sustainability Development

**S&P Syndicate Public Company Limited** operates a robust food and bakery business aligned with corporate governance principles, while also actively supporting society and the environment in line with the United Nations' seven Sustainable Development Goals (SDGs). These SDGs shape the company's primary organizational strategies around the 3Ps: People, Planet, and Prosperity. In Q3 2024, the company made sustainability advancements across the value chain, engaging stakeholders to ensure consumers, partners, and allies benefit from good health and happiness alongside company growth.

**Environmental Initiatives:**

1. Received the Outstanding Climate Action Leading Organization (CALO) award for 2024 from the Thailand Greenhouse Gas Management Organization (TGO), honoring S&P's dedication to reducing greenhouse gas emissions and achieving carbon neutrality.
2. Earned the G-Green National Certification 2023 by participating in the Green Restaurant Project with 11 branches, which encourages eco-friendly practices in resource usage. In 2024, S&P added 12 more branches to the initiative.
3. Awarded the MEA Energy Awards (Standard Level) for three branches, demonstrating efficient energy use and air quality standards from a pool of 125 competitors, organized by the Metropolitan Electricity Authority.
4. Honored at the 17th Thailand Food Business Fair (MAKRO HORECA) 2024 for its "Three-Color Rice Dumplings" product, which was chosen for its social and environmental responsibility.
5. Continuously involved in the Carbon Footprint Organization Project, gathering data on emissions throughout the company and developing low-carbon products recognized by carbon footprint labels.
6. Implementing the S&P EV Truck Project to reduce environmental impact through sustainable distribution practices.
7. Launched the Waste Sorting Initiative to promote waste separation awareness among employees, encouraging environmentally friendly practices from individual to corporate levels.

**Social Initiatives:**

1. Conducted the 2024 Employee Engagement and Participation Survey to enhance workplace well-being and build a resilient organization.
2. Launched S&P Growing Together to visit suppliers, gather feedback, and improve food safety while ensuring sustainable income for communities.
3. The Knowledge Sharing Project supports ongoing research to develop nutritious products and disseminate information via infographics to customers.
4. Established the Customer Satisfaction Survey Project to gather insights and expectations, improving product and service quality for a superior customer experience.

**Corporate Governance:**

1. Maintained a five-star “Excellent” rating in the 2024 Corporate Governance Report of Thai Listed Companies by the Thai Institute of Directors (IOD), reflecting a commitment to sustainable value chain development.
2. Successfully renewed membership in Thailand’s Private Sector Collective Action Against Corruption (CAC) for the third time, reaffirming the company's dedication to anti-corruption practices.

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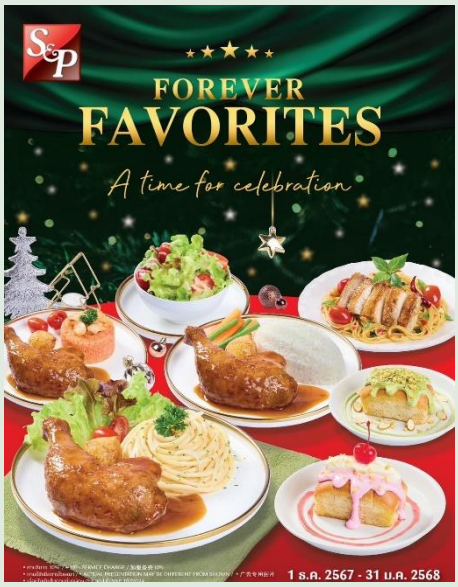
# 7 4Q24 Key Campaign and Promotion



**Coffee Series :**

1. Iced Espresso
2. Iced Americano
   Lime Soda

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NPD **Happy Hippo Cake,**
to catch up on market trend,
launch 1-30 Nov24

NPD **Assorted Cake,**
rotating new flavors to attract
customers, effective Nov.

**20% Discount**
Improve Wednesday Store Traffic
with Comm. Support

**New Year Cake**
**For period (1/11/24 – 10/1/25)**

**Continue to strengthen Cake Leadership with Phase 2 Catalog Cake**

## S&P Syndicate Public Company Limited

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