

February 25, 2020

Re: Management Discussion &amp; Analysis of S &amp; P Syndicate Public Company Limited

Dear The President

The Stock Exchange of Thailand

S & P Syndicate Public Company Limited (the “Company”) and its subsidiaries hereby submit the Annual Financial Statements, ending December 31, 2019 and 2018, together with the clarification of the performance of the Company and its subsidiaries as follows:

### Revenue from Sales and Services

In 2019, the Company and its subsidiaries generated revenues of THB 7,312 million from the sales and services, which is decreased from the previous year in the amount of THB 296 million or equivalent to a decrease of 3.9 percent as a result of the operating results of Domestic restaurant and bakery business and overseas restaurant business that the company has opened a total of 547 branches.

In terms of revenue from domestic restaurant and bakery business decreased by 2.1 percent or 128 million baht, with the same store sales of domestic restaurant and bakery under the S&P brand 447 branches out of a total of 500 branches decreased by 3.8 percent. However, company has opened 24 new branches in strategic locations in 2019 to drive sales.

Food and Bakery wholesales business revenue was 768 million baht, a decrease of 5 million baht or 0.7 percent due to the decrease of sales of the ready to eat foods in convenience stores and modern trade channels, but still growing in term of original equipment manufacturer (OEMs)’s products to compensate.

For the overseas restaurant business, revenues from the sales and services decreased from the same period of the previous year in the amount of THB 165 million or equivalent to the decrease of 26.6 percent which came from the disposal of all shares held in Patara Fine Thai Cuisine Pte. Ltd. (“Patara”) and SK Catering Pte. Ltd. (“SKC”) totaling 11 Thai restaurants in Singapore in Q4 2018. The sales growth of restaurants business in Cambodia continue to increase by 31.0 percent from the total of 6 branches, including 1 new branch opened in Nov 2019.

Revenues Classified by Distribution Channels	2019		2018		Increase/(Decrease)
	Amount	%	Amount	%	%
Domestic Restaurant and Bakery Business	6,056	82.8	6,184	81.3	(2.1)
Food and Bakery Wholesales Business	768	10.5	773	10.2	(0.7)
Overseas Restaurant Business	455	6.2	620	8.1	(26.6)
Others	33	0.5	31	0.4	6.1
<b>Total</b>	<b>7,312</b>	<b>100.0</b>	<b>7,608</b>	<b>100.0</b>	<b>(3.9)</b>

### Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)

In 2019, the Company has earnings before interest payable, tax, and depreciation (EBITDA) pursuant to the Financial Statements in the amount of THB 691 million, which decreased by 16.5 percent comparing to last year mainly due to the sale decreased of domestic restaurant and bakery business and overseas restaurant business under the economic condition downturn, including the company has cost of sales and cost of services in the amount of THB 4,220.4 million, representing 57.7 percent of sales revenue and 1.5 percent higher than last year, mainly due to raw material cost which is higher by 1.5 percent. However, the selling and administration expenses consists of employee benefits, rental, depreciation and marketing expenses were THB 2,759 million decreased by THB 167 million or 5.7 percent from last year.

In addition, company had acknowledged of the past service cost for employee benefit in accordance with the Labor Protection Act (No. 7) B.E. 2562, which announced in the Royal Gazette on April 5th, 2019. This Labor Protection Act stipulates that the severance pay not less than the wage for the work performed in the last 400 days will be eligible to employees who worked for an uninterrupted period of twenty years or more and their employment were terminated due to retirement. This caused a onetime expense in the amount of THB 39.60 million in Q2 2019. As a result, the Company's EBITDA margin to total revenues decreased from 10.7 percent to 9.4 percent.

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	12 Months 2019	12 Months 2018	Variation THB	%
EBITDA pursuant to the Financial Statements	691	827	(136)	(16.5)
EBITDA Profit Margin per Total Revenues (percentage)	9.4	10.7	-	(1.3)
EBITDA pursuant to the Operation	730	827	(97)	(11.8)
EBITDA Profit Margin per Total Revenues (percentage)	9.9	10.7	-	(0.8)

### Net Profit

In 2019, the Company and its subsidiaries earn the net profit pursuant to the financial statements in the amount of THB 314 million, which is decreased from the previous year by THB 86 million, equivalent to 21.4 percent which resulted from the declining in revenue from the Domestic and Overseas restaurant business. Although, there was a cost control in better management, decreased in depreciation for the year 2019 and the acknowledgement of the past service cost for employee benefit in accordance with the Labor Protection Act (No. 7) B.E. 2562, which announced in the Royal Gazette on April 5th, 2019. This caused a onetime expense in the amount of THB 39.60 million in Q2 2019. As a result, The Company's net profit margin to total revenue increased from 5.2 percent last year to 4.3 percent this year.

Net Profit	12 Months 2019	12 Months 2018	Variation THB	%
Net Profit pursuant to the Financial Statements	314	400	(86)	(21.4)
Net Profit Margin to Total Revenues (percentage)	4.3	5.2	-	(0.9)
Net Profit pursuant to the Operation	354	400	(46)	(11.5)
Net Profit Margin per Total Revenues (percentage)	4.8	5.2	-	(0.4)

### Statements of Financial Position and Statements of Cash Flows

At the end of 2019, the Company and its subsidiaries have the total assets in the amount of THB 3,891 million, which decreased from the previous year by THB 148 million from decreasing of current assets THB 13 million, while the non-current assets were decreased THB 136 million, which were mainly caused by :

1. Trade and other current receivables were decreased by 20 million due to improved debt collection process.
2. Property, plant, and equipment was decreased by 101 million mainly from land property disposal and depreciation of the year.
3. Leasehold and intangible assets was decreased by 15 million and 6 million respectively from amortization.

Total liabilities in 2019 was THB 1,355 million, decreased by 95 MB compared to the end of the prior year. As a result of current liabilities decreased THB 102 million while and non-current liabilities increased amount of THB 7 mainly came from

1. Decrease of Trade and Other Current Payable THB 72 million
2. Decrease of corporate income tax payable THB 19 million
3. Decrease of Long-term borrowings from financial institutions THB 39 million
4. Increase of Non-current provisions for employee benefits THB 44 million

The shareholders' equity of the company has decreased in the amount of THB 53 million from THB 2,589 million at the end of the year 2018 to THB 2,536 million at the end of the year 2019, which mainly resulted from the dividend payment in the amount of THB 363 million.

The Company and its subsidiaries have the cash flow from operating activities in the amount of THB 645 million, which decreased by THB 149 million from the previous year resulting from Operating profit before changes in operating assets and liabilities decreased THB 93 million and decrease of account payable amount of THB 59 million.

The Company and its subsidiaries have the net cash used in investing activities in the amount of THB 351 million as a result cash paid for purchasing fixed assets, intangible assets, and leasehold rights in the amount of THB 243 million. And cash paid for short term investment of THB 120 million.

The Company and its subsidiaries have the net cash used in financing activities in the amount of THB 405 million, which mainly from cash paid for long-term borrowings from a financial institution amount of THB 40 million and dividend payment amount of THB 363 million.

## Financial Ratio Analysis

<u>Financial Ratio</u>	12 Months 2019	12 Months 2018
Gross Profit Margin (%)	42.3	43.8
Net Profit Margin (%)	4.3	5.2
Return on Asset (%)	7.9	10.0
Return on Equity (%)	12.3	15.4
Current Ratio (Times)	1.7	1.6
Debt to Equity Ratio (Times)	0.5	0.6

In 2019 the company has the gross profits decreased from 43.8 percent in 2018 to 42.3 percent mainly due to the increasing of cost of raw material that used for production and the higher of direct labor cost. The net profit rate from financial statement was decreased from 5.3 percent to 4.3 percent primarily due to declining in revenue from the Domestic and Overseas restaurant business. Although, there was a cost control in better management, decreased in depreciation for the year 2019 and the acknowledgement of the past service cost for employee benefit in accordance with the Labor Protection Act (No. 7) B.E. 2562, which announced in the Royal Gazette on April 5th, 2019. This Labor Protection Act stipulates that the severance pay not less than the wage for the work performed in the last 400 days will be eligible to employees who worked for an uninterrupted period of twenty years or more and their employment were terminated due to retirement. This caused a onetime expense in the amount of THB 39.60 million in Q2 2019..

The return on equity for full year comparison decreased from 15.4 percent in 2018 to 12.3 percent in 2019 as well as the return on assets decreased from 10.0 percent in 2018 to 7.9 percent in 2019.

The current ratio in 2019 has improved from the previous year at 1.7 times. The liabilities versus the shareholders' equity decreased from 0.6 times in 2018 to 0.5 times in 2019. This mainly resulted from repayment Trade accounts payable and long term loan from financial institution.

The Financial Statements is attached herewith for your acknowledgement and disseminating to investors accordingly.

Yours Sincerely,

( Kamtorn Sila-On )

President - Production and Finance  
S & P Syndicate Public Company Limited