

No: SN. 117/2020

11 August 2020

Subject: Management Discussions and Analysis for the three-month and nine-month periods and Financial Position ended June 30, 2020

Attention: President

The Stock Exchange of Thailand

Oishi Group Public Company Limited and its subsidiaries are pleased to submit Management Discussions and Analysis for the three-month and nine-month periods and Financial Position ended June 30, 2020 as the following;

Oishi Group Financial Performances for the three-month period ended June 30, 2020 (Quarter 3/ 2019-2020)

Revenue

Total sales and services revenue of the Company for Q3/2019-2020 was Baht 2,154 million, decreased by Baht 1,485 million or 40.8% from Q3/2018-2019. This was mainly due to the impact from COVID-19 pandemic and was explained as follows;

Beverage business

The beverage sales and services revenue for Q3/2019-2020 was Baht 1,524 million, decreased by Baht 275 million or 15.3% from Q3/2018-2019 mainly due to the impact from COVID-19 pandemic. The outbreak put pressure on market value of domestic Ready-to-drink Tea (RTD Tea) market to decline by 18.6% in the quarter, compared to the same period last year. To minimize the impact, the company continued with marketing campaigns as well as promotional activities at distribution channels that helped sustain our leadership position in the RTD Tea market in Thailand. For international market, revenue was lower due to order postponement in our key countries as a result of COVID-19 lockdown.

Food business

The food sales for Q3/2019-2020 was Baht 630 million, decreased significantly by Baht 1,210 million or 65.8% from Q3/2018-2019, mainly from the COVID-19 effect. Our restaurants had temporarily closed for dine-in in compliance with the government measurement to cope with the outbreak during April and May. However, takeaway and home delivery services were offered which partly helped minimize the decline in food revenue. Then after the government released its lockdown measurement and majority of our restaurant returned to serve dine-in, there was a sign of sales recovery observed thanks to varieties of promotional campaigns that satisfied customers' need. At the same time, The Company placed importance on maintaining food safety and hygiene standard in order to strengthen customer trust and made them come back to our restaurant with confidence.

Cost of Sales

Total cost of sales and services of the Company for Q3/2019-2020 was Baht 1545 million, lower from total cost of sales and services for Q3/2018-2019 that was Baht 2,292 million by Baht 747 million or 32.6%.

Beverage business

The beverage cost of sales and services for Q3/2019-2020 reduced from Q3/2018-2019, in-line with decline in beverage revenue as aforementioned.

Food business

The food cost of sales for Q3/2019-2020 decreased from Q3/2018-2019, in-line with reduction in food revenue. However, the Company managed raw material costs by sourcing from suppliers that offered better discount in comparison to volume and enforcing tighter control over waste management at the restaurants which lower the impact from sales shortfall partially.

Selling Expenses

Selling expenses for Q3/2019-2020 was Baht 209 million, decreased considerable by Baht 174 million or 45.5% from Q3/2018-2019 thanks to stricter expense control scheme. The Company focused more on Brand investment and Online channel activities that reached consumer directly during the virus outbreak. In addition, there were savings at restaurants when outlets were modified to support the takeaway and home delivery services as well as rental saving from negotiation with landlords.

Administrative Expenses

Administrative expenses for Q3/2019-2020 was Baht 345 million, decreased significantly by Baht 174 million or 33.5% from Q3/2018-2019 due mainly to expense control management. Majority of restaurant's operational expenses were lower due to outlet modification as mentioned above.

Net Profit

Although our business was impacted by COVID-19 pandemic, the company reported positive net profit at Baht 137 million in Q3/2019-2020. Net profit reduced by Baht 286 million or 67.6% from Baht 422 million for Q3/2018-2019 mainly caused by sales shortfall especially at our food business, partially offset by a number of measurements to control selling and administrative expenses as mentioned above.

Oishi Group Financial Performance for the nine-month period ended June 30, 2020

Revenue

Total sales and services revenue of the Company for the nine-month period year 2019-2020 was Baht 8,423 million, decreased by Baht 2,065 million or 19.7% from the nine-month period year 2018-2019 that was explained as follows;

Beverage business

The beverage sales and services revenue for the nine-month period year 2019-2020 was Baht 4,657 million, decreased by Baht 445 million or 8.7% from the nine-month period year 2018-2019, mainly due to the impact from COVID-19 pandemic. To minimize the impact, the company continued with marketing campaigns as well as promotional activities at distribution channels that helped sustain our leadership position in the RTD Tea market in Thailand. For international market, revenue was lower due to order postponement in our key countries especially during Quarter 3/2019-2020 as a result of COVID-19 lockdown.

Food business

The food sales for the nine-month period year 2019-2020 was Baht 3,766 million, decreased by Baht 1,621 million or 30.1% from the nine-month period year 2018-2019 mainly due to the impact from COVID-19 pandemic. Our restaurants had temporarily closed for dine-in in compliance with the government measurement to cope with the outbreak during Quarter 2 to 3 /2019-2020. However, takeaway and home delivery services were offered which partly helped minimize the decline in food revenue. Then after the government released its lockdown measurement, there was a sign of sales recovery observed. In addition, Sales growth during Quarter 1/ 2019-2020 which is the period before the outbreak helped offset the decline in food revenue.

Cost of Sales

Total cost of sales and services of the Company for the nine-month period year 2019-2020 was Baht 5,658 million, reduced comparing to total cost of sales and services for the nine-month period year 2018-2019 that was Baht 6,688 million by Baht 1,030 million or 15.4%.

Beverage business

The beverage cost of sales and services for the nine-month period year 2019-2020 reduced from the nine-month period year 2018-2019, in-line with slowdown in beverage revenue as aforementioned.

Food business

The food cost of sales for the nine-month period year 2019-2020 decreased from the nine-month period year 2018-2019, in-line with reduction in food revenue. However, the Company managed raw material costs by sourcing from suppliers that offered better discount in comparison to volume and enforcing tighter control over waste management at the restaurants which lower the impact from sales shortfall partially.

Selling Expenses

Selling expenses for the nine-month period year 2019-2020 was Baht 872 million, decreased by Baht 243 million or 21.8% from the nine-month period year 2018-2019 thanks to stricter expense control scheme. We focused more on Brand investment and Online channel activities that reached consumer directly during the virus outbreak. In addition, there were savings at restaurants when outlets were modified to support the takeaway and home delivery services as well as rental saving from negotiation with landlords.

Administrative Expenses

Administrative expenses for the nine-month period year 2019-2020 was Baht 1,346 million, decreased by Baht 174 million or 11.4% from the nine-month period year 2018-2019 due mainly to expense control and efficiency management. Majority of restaurant's operational expenses were lower due to outlet modification as mentioned above.

Non-recurring Item

In November 2017, there was a fire incident at one of the Company's beverage facilities at Navanakorn Industrial Estate. The loss was fully covered by Insurance claim from both property damaged in assets and business interruptions. In March 2020, the value of the claim on property damaged was finalized by the insurance company. The insurance claim from property damaged from the fire reflected difference in the replacement value on the claim over the book value of assets lost which was booked at Baht 293 million in the nine-month period year 2019-2020.

Net Profit

Reported net profit of the Company for the nine-month period year 2019-2020 was Baht 864 million, decreased by Baht 282 million or 24.6% from Baht 1,145 million for the nine-month period year 2018-2019.

Normalized net profit, adjusted with non-recurring item, for the nine-month period year 2019-2020 was Baht 571 million, decreased by Baht 574 million or 50.1% from Baht 1,145 million for the nine-month period year 2018-2019.

Reduction in overall net profit and normalized net profit were mainly caused by sales shortfall especially at our food business as a result of the pandemic, partially offset by a number of measurements to control selling and administrative expenses as mentioned above.

Oishi Group Financial Position as of June 30, 2020

Assets

Total assets as of June 30, 2020 was Baht 8,426 million, about maintained from total assets as of September 30, 2019 at Baht 8,407 million, consisted of the following;

Current assets of Baht 2,510 million increased by Baht 375 million, mainly from increase in insurance receivables from the claim related to the fire incident and slight increase in cash and cash equivalent which was stood at Baht 740 million due to operating cashflow received for the nine-month period, partly offset by investment for production efficiency and dividend payment for shareholders.

Non-current assets of Baht 5,915 million decreased by Baht 356 million, mainly from reduction in property plant and equipment item due to depreciation expense for the period, partly offset by purchases of machinery and equipment.

Liabilities

Total liabilities as of June 30, 2020 was Baht 1,658 million, decreased by Baht 110 million from total liabilities of Baht 1,768 million as of September 30, 2019, consisted of the following;

Current liabilities of Baht 1,399 million, decreased by Baht 176 million due mainly from decline in account payables. This was as a result of lowering purchase orders to be in-line with reduction in sales.

Non-current liabilities of Baht 259 million, increased by Baht 66 million mainly from higher deferred tax liabilities.

The Company had strong financial position and remained the debt-free status, as there was no interest-bearing debt in the balance sheet, thanks to efficiency in operating cashflow management.

Shareholders' Equity

Total equity as of June 30, 2020 was Baht 6,768 million, increased by Baht 128 million from September 30, 2019, due to increase in retained earnings as a result of additional net profit during the nine-month period, netted with dividend payment.

Sincerely yours,

(Mrs. Nongnuch Buranasetkul)
President & CEO