



No. FI202305-01

11 May 2023

Subject: Management Discussion and Analysis for the Year Ended March 31, 2023 and clarification of the operating result changed over 20% compared to the same period of last year

To: President of the Stock Exchange of Thailand

Sappe Public Company Limited (the “Company”) would like to clarify the operating results for the year ended March 31, 2023 which changed over 20% compared to the same period of last year, with the following details

(Unit: Thousand Baht)

Profit & Loss statement	Q1/2023	%	Q1/2022	%	Q4/2022	%	YoY%	QoQ%
Total Revenue	1,570,028	103.3%	1,142,741	112.1%	1,089,508	105.6%	37.4%	44.1%
Revenue from selling goods	1,520,252	100.0%	1,018,978	100.0%	1,031,727	100.0%	49.2%	47.4%
Net gain from foreign exchange	15,212	1.0%	1,499	0.1%	22,354	2.2%	914.8%	-31.9%
Others income	34,564	2.3%	122,264	12.0%	35,427	3.4%	-71.7%	-2.4%
Cost of goods sold	863,837	56.8%	598,692	58.8%	612,217	59.3%	44.3%	41.1%
Gross profit	656,415	43.2%	420,286	41.2%	419,509	40.7%	56.2%	56.5%
SG&A	354,472	23.3%	350,708	34.4%	284,143	27.5%	1.1%	24.8%
Selling expenses	251,155	16.5%	266,289	26.1%	167,679	16.3%	-5.7%	49.8%
Administrative expenses	103,318	6.8%	84,419	8.3%	116,464	11.3%	22.4%	-11.3%
Net loss from foreign exchange	-	0.0%	-	0.0%	-	0.0%		
EBIT	351,719	23.1%	193,341	19.0%	193,148	18.7%	81.9%	82.1%
Finance costs	(705)	0.0%	(560)	-0.1%	(617)	-0.1%	25.9%	14.3%
Reversal of impairment loss (TFRS 9)	(20,145)	-1.3%	134	0.0%	797	0.1%	-15128.3%	-2628.1%
Share of profit (loss) of associates and joint venture	(506)	0.0%	815	0.1%	(680)	-0.1%	-162.2%	-25.5%
EBT	330,362	21.7%	193,730	19.0%	192,648	18.7%	70.5%	71.5%
Income tax expense	67,392	4.4%	37,523	3.7%	40,142	3.9%	79.6%	67.9%
Net profit(loss)	262,971	17.3%	156,207	15.3%	152,506	14.8%	68.3%	72.4%
Net profit(loss) of Parent Company	274,790	18.1%	153,388	15.1%	154,340	15.0%	79.1%	78.0%



Overall

Regarding the overall performance of Sappe Public Company Limited, consolidated total revenue for Q1/2023 was Baht 1,520.3 million, the highest revenue since the company has established or increasing by 37.4% from the same period of last year. The increase was mainly derived from the export market in Asia, Europe, Middle East, North America, and Thailand where the company has expanded distribution channels through National Modern Trade outlets in several countries and the increase and the increasing of domestic sales from new product launch (7 SKUs)

Cost of goods sold to revenue decreased by 2.0 pts. to 56.8%. Despite the fact that the company gained a positive impact from depreciation of THB against USD and the internal improvement of factory production performance which led to the significant improvement of %COGS.

Selling expenses and Administrative Expenses (excluding Net gain/loss from foreign exchange) were Bath 354.5 million, increasing by 1.1% from the same period of last year at Bath 350.7 million. This significant increase resulted from selling and marketing activities to support the growth of export sales. However, the percentage of these expenses to the revenue from selling goods was at 23.3% decreased from last year at 34.4% due to the improvement of spending's efficiency. In addition, the container shortage crisis has been unraveled leading to lower logistic costs and lower other income from logistic services. As a result, net profit – parent company for Q1/2023 was at Baht 274.8 million, or increasing by 79.1% from the same period of last year at Baht 153.4 million.

Revenue from Selling Goods

The company reported its revenue from selling goods at Baht 1,520.2 million, also the highest quarterly revenue since the establishment (All Time High) or increasing by 49.2% from the same period of last year. The increase in revenue from selling goods was from both export markets, domestic markets, and the seasonal sales management by accelerated sales activities in this quarter to increase utilization rate in every quarter.

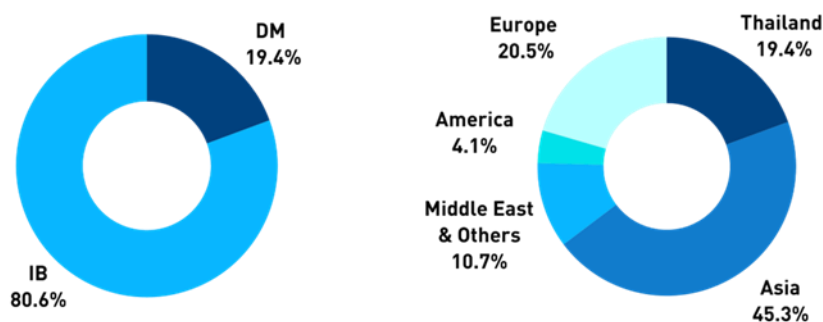
International sales were Baht 1,225.7 million, 60.7% YoY increase, this increasing baseline was contributed by the expansion of sales channels through National Modern trade outlets especially in EU territories. In addition, the company continuous launched marketing campaigns in our key countries (Korea and Philippines) such as the advertising Mogu Mogu product in Korean Series live stream on Netflix and Mogu Mogu brand extension to Lifestyle Brand on the biggest Metaverse platform in Asia (Zepeto) which have over 400 million users.



The best-selling products exported over 98 countries worldwide are Mogu Mogu, fruit juices with chewy nata de coco chunks, and Sappe Aloe Vera, fruit juices with chewy Aloe Vera chunks. Compared to the same period of last year, sales in Europe, Asia, North America, and Middle East grew at +126.1%, +47.2%, +45.6%, and 42.3% respectively. The company foresees the growth from the increase in demand of both existing consumers through marketing campaigns and new consumers through channel expansion.

Domestic sales were Baht 294.5 million or 15.0% YoY increase from new product launch 6 seasonal SKUs in convenience stores and 1 SKU in traditional trade markets. Moreover, the company is focusing on the online and e-Commerce channels where is a high growth of sales opportunities which is able to increase sales to 43.3% YoY. This year, the company plan to launch new product totally 20 SKUs and expect growth in sales in domestic market.

Revenue from sale of goods in Q1/2023



Cost of Goods Sold

COGS to the total revenue from selling goods in Q1/2023 was at 56.8%, decreased by -2.0 pts. The company recognized positive factors from depreciation of Thai Baht, the significant increase in production volume, and improvement of machines and human resources effectiveness. The utilization rate increased up to 81% of maximum capacity which has been upgraded +19.4% from the improvement of machine and production process.

Due to the significant increase in export demand last year, the company needs to increase the current maximum capacity. This year, the company is in the process of procuring, constructing, installing a new automatic warehouse, a new beverage production line. It also includes cost reduction projects such as using machine learning to check product quality, automation processes to replace general labor, and floating solar cell installation projects (expected to be ready for use by Q2/2023), etc.

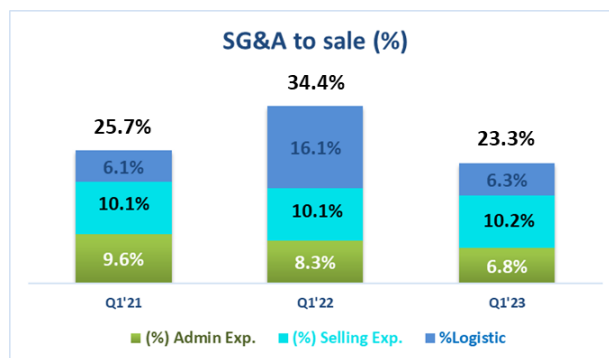


Selling Expenses

Selling expenses to the revenue was reported at 16.5%, lower than the same period of last year at 9.6 pts. due to the lower sea freight costs since Q2/2022 which led to the lower logistic costs, as well as lower logistic service income from some customers who were able to seek sea freight service providers by themselves.

Administrative Expenses

The Company's administrative expenses for the quarter amounted to Baht 103.3 million, or 6.8% of sales revenue, declining from the same quarter last year at 8.3% as sales growth significantly outweighed the increase in administrative expenses.



Reversal of impairment loss (IFRS 9)

In this quarter, the company realized an extraordinary item from the allowance for doubtful debt of trade receivables in All Coco Group Co., Ltd amounting to Baht 20.3 million. As the Company holds 51% of shares in All Coco Group Co., Ltd., this allowance impacts on Net Profit of parent company at Baht 10.3 million. The Company is closely monitoring the debt repayment and able to reverse this loss on doubtful debt after receiving payment.

In addition, the company has reviewed the quality of all accounts receivable in both parent company and its subsidiaries. At present, most of the payment terms of overseas customers of parent company (Sappe PCL) is 100% prepayment before loading the goods while a few overseas customers accept payments via Letter of Credit (LC) or provide Standby L/C guaranteed by reliable financial institutions both domestic and international. For domestic market, most of the customers are well-known Modern trade and Distributor with low default risk.



The quality of accounts receivable in the subsidiary was reviewed and no significant risk was found compared to the size of net profit of the parent company.

Share of Profit (Loss) of Associates and Joint Venture.

The Company realized a total loss of Associates and Joint Venture at Baht 0.5 million. This resulted from loss realization of Danone-Sappe Beverages Co., Ltd. (25% shareholding) and WOPE Co., Ltd (60% shareholding) at Baht 0.6 million and 0.2 million and profit realization of M Intelligence Company Limited (16.2% shareholding) at Baht 0.3 million.

Net Profit (Loss) – Parent Company

The company reported net profit – parent company in Q1/2023 at Baht 274.9 million (or 18.1% of the revenue), the highest profit by a quarter since the establishment, which increased 79.1% YoY, compared with the last year at Baht 153.4 million.

Sincerely Yours,

Sappe Public Company Limited

Ms. Piyajit Ruckariyapong

Chief Executive Officer