

## Management Discussion and Analysis for the fiscal year FY2020 (1 July 2019 – 30 Jun 2020)

MC Group Public Company Limited and its subsidiaries (“the Company”) would like to summarize the operating result for the fourth quarter and the full year period of FY2020 (1 July 2019 – 30 June 2020) as follows:

### Overall Economic and Industry Overview

In the second quarter of 2020, the Thai economy and the retail sector were significantly affected by the Covid-19 pandemic which led to the temporary closure of the Company's outlet in accordance to the government lock down measure. June consumer confidence index was at a record low of 49.2, the lowest in 21 years and 9 months reflecting a significant lack of confidence in consumers. [Due to easing of lockdown, it is expected that the retail industry will start to recover in conjunction with the improvement of consumers' purchase sentiment.]

### Overall Performance for Q4'20 and the full year period of FY2020

Unit: THB million	4Q20 (Apr – Jun 20)	4Q19 (Apr – Jun 19)	Change	FY2020 (Jul 19 – Jun 20)	FY2019 (Jul 18 – Jun 19)	Change
Sales Revenue	550	729	-24.6%	3,182	3,345	-4.8%
Gross Profit	326	453	-27.9%	1,853	1,990	-6.9%
%Gross Profit Margin	59.4%	62.1%	-2.7%	58.2%	59.5%	-1.3%
SG&A	297	392	-24.3%	1,391	1,518	-8.3%
%SG&A	54.0%	53.8%	0.2%	43.7%	45.4%	-1.7%
Other Revenue	9	1	660.1%	35	35	-0.6%
EBITDA before one-off item and discontinued operations	66	131	-49.4%	593	649	-8.7%
%EBITDA before one-off item and discontinued operations	11.9%	17.9%	-6.0%	18.4%	19.2%	-0.8%
NPAT before one-off item and discontinued operations	38	146	-73.7%	444	546	-18.8%
% NPAT before one-off item and discontinued operations	6.9%	20.0%	-13.1%	13.8%	16.2%	-2.4%
one-off item	-	108	-	39	108	-63.8%
Discontinued operation*	-	-154	-	2	-133	101.8%
NPAT	38	-117	132.7%	407	306	33.1%
%NPAT	6.9%	-16.0%	22.8%	12.7%	9.0%	3.7%

\*discontinued operation was Time Deco Corporation Co., Ltd. which was sold on 2<sup>nd</sup> September 2019

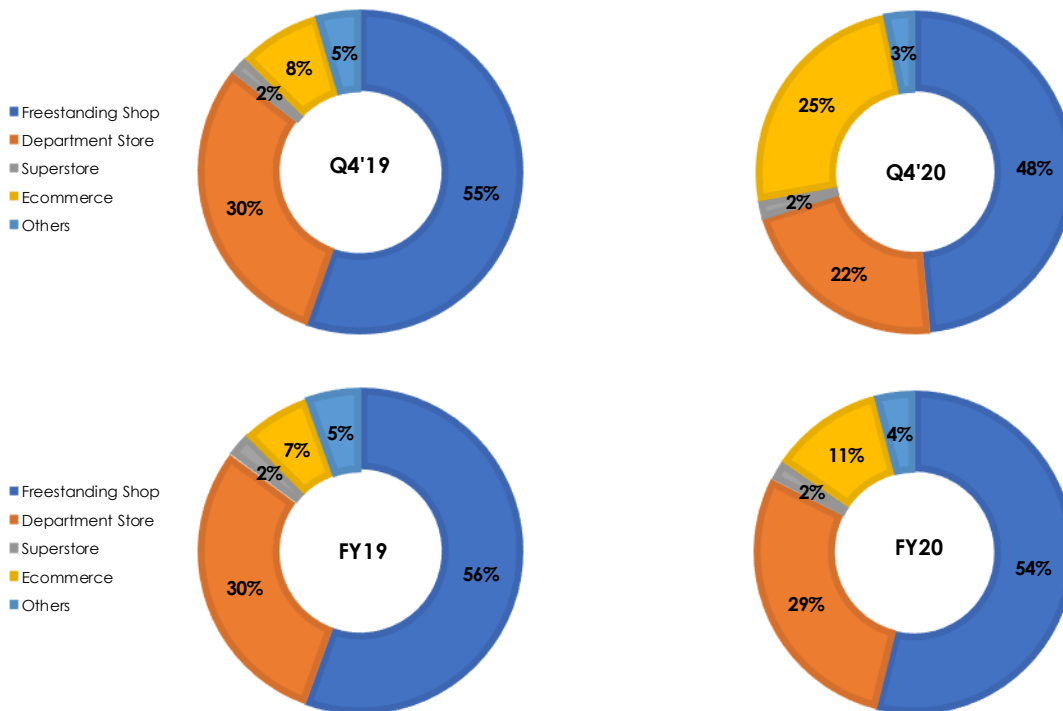
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## Revenue

The company reported total sales revenue in Q4'20 of THB 550 Million, a decrease of THB 179 million or 24.6% YoY as a result of the Covid-19 pandemic that affected all of the company's offline channel (freestanding shop, department store, and super store) as a consequence of the temporary store closure in accordance to the government lock down measures from 22<sup>nd</sup> March until 17<sup>th</sup> May 2020. However, the Company focused on the online sales to generate income and dampen the effect of the shutdown as well as shift the production line to manufacture facial masks, face shield; as a result the company's online sales was increased to 134.3% YoY.

In FY2020 the company reported a consolidated revenue from sales of THB 3,182 million down THB 162 million or a 4.8% YoY decrease from the same period last year which was affected by the revenue decrease in the fourth quarter.

### Revenue break down by channel



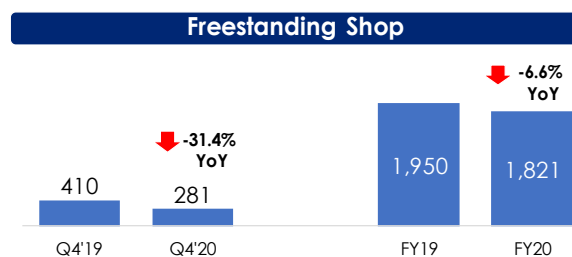
In the fourth quarter of FY'20 revenue breakdown by channels consisted of revenue from free-standing shop 48%, Department stores 22%, Superstores 2%, E-commerce 25%, and other channels 3%.

In FY2020 revenue breakdown by channels consisted of free-standing shop 54%, Department stores 29%, Superstores 2%, E-commerce 11%, and other channels 4%.

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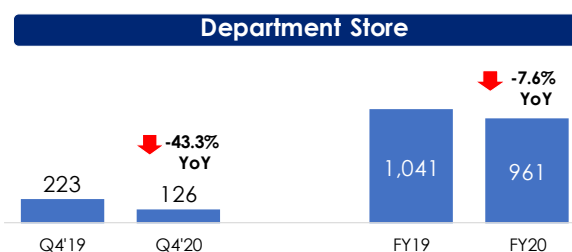
- Free Standing Shop

Sales revenue from free standing shops in Q4'20 was THB 281 million decreased THB 129 million or a decrease of 31.4% YoY. Revenue from free-standing shops in FY2020 was THB 1,821 million decreased THB 129 million or a decrease of 6.6% YoY.



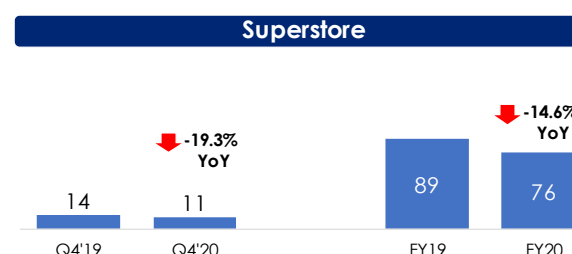
- Department Store

Sales revenue from department store generated THB 126 million in Q4'20 decreased THB 97 million or down 43.3% YoY. For the FY'20 sales revenue was THB 961 million decreased THB 80 million or down 7.6% YoY.



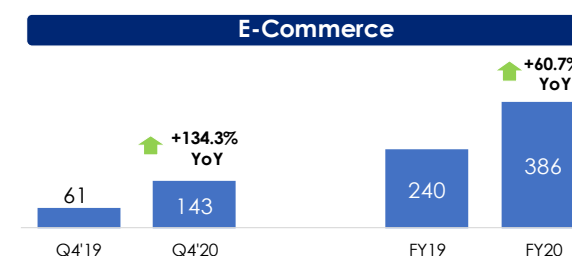
- Superstore

In Q4'20 Sales revenue from superstore was THB 11 million decreased THB 3 million or -19.3%, and for the full year period at THB 76 million a decrease of THB 13 million or -14.6% YoY.



- E-Commerce

Sales revenue from E-Commerce in Q4'20 was THB 143 million, an increase of THB 82 million or +134.3% YoY, and for the full year period revenue was THB 386 million, an increase of THB 146 million or +60.7% YoY.



As of 30 Jun 2020, the Company had a total of 657 point of sales as follows

By Distribution Channel	Apparel and Lifestyle Products under "MC Group"	
	Number of POS	Increase (+) / Decrease (-) from end FY2020
Free-standing Shop	334	+22
Modern Trade	305	-1
Mobile Unit	6	-
<b>Total POS (domestic)</b>	<b>645</b>	<b>+21</b>
International Markets	12	-2
<b>Total</b>	<b>657</b>	<b>+19</b>

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## Gross Profit

The company reported THB 326 million gross profit in Q4'20 decreased THB 126 million or -27.9% YoY with gross profit margins of 59.4% compared to 62.1% in the same period of the prior year.

For FY'20 the company's gross profit was THB 1,853 million decreased THB 137 million or -6.9% YoY with gross profit margin of 58.2% down from 59.5% in the same period of last year due to increased sales promotions to boost sales.

## Selling, General and Administrative Expenses (SG&A)

SG&A expenses in Q4'20 was THB 297 million decreased THB 95 million or -24.3% YoY as a result from cost reduction and cost containment in rental and personnel expenses to mitigate the impact of declined sales revenue that was affected by Covid-19. However, due to the decline in sales in Q4'20, the %SG&A to sales was 54.0% compared to 53.8% in the previous year.

For the full year period of 2020 SG&A was THB 1,391 million down THB 126 million or -8.3% YoY due to the ability to continually manage and contain costs. Hence, %SG&A to sales declined from 45.4% of the previous year to 43.7%.

## Earnings before interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA before one-off item and discontinued operation in Q4'20 was THB 66 million decreased THB 65 million or -49.4% YoY. EBITDA margin in Q4'20 declined to 12% of total revenue compared to that of 18% in the previous year, as a result of the Covid-19 that effectively decrease sales revenue and gross profit.

EBITDA before one-off item and discontinued operation for FY'20 was THB 593 million decreased THB 56 million or -8.7%. EBITDA margin for the year was 18.6% compared to that of 19.4% in the previous year.

## Net Profit

In Q4'20 the company reported THB 38 million net profit before one-off item and discontinued operations, a decrease of THB 108 million or -73.7% YoY. Net profit margin was 6.9% a decrease from 20.0% in the previous year, as a result of lower sales revenue and lower gross profit from Covid-19.

In the FY'20 net profit, before one-off item and discontinued operations, was THB 444 million, decreased THB 103 million or -18.8% YoY. Net profit margin was 13.8% of total revenue, reduced from 16.2% of the same period last year.

## Financial Position Analysis

### Statement of Financial Position

<i>(THB million)</i>	30 June 2020	30 June 2019	% change
Cash and short-term investments	1,481	1,344	10.2%
Account receivables	266	343	-22.5%
Inventory	1,408	1,604	-12.2%
Other assets	929	999	-7.0%
<b>Total Assets</b>	<b>4,084</b>	<b>4,290</b>	<b>-4.8%</b>
Account payables	120	179	-32.6%
Interest-bearing liabilities	-	-	
Other liabilities	369	350	5.9%
<b>Total Liabilities</b>	<b>492</b>	<b>529</b>	<b>-7.1%</b>
Equity attributable to the firm	3,581	3,685	-2.8%
Non-controlling interest	11	75	-85.7%
<b>Shareholders' Equity</b>	<b>3,592</b>	<b>3,760</b>	<b>-4.5%</b>

#### Assets

As of 30 June 2020, the Company recorded total assets of THB 4,084 million compared with THB 4,290 million as of 30 June 2019. A decrease of THB 206 million as result of:

- 1) A decrease in account receivables of THB 77 million
- 2) A decrease in inventory of THB 196 million
- 3) A decrease of other assets of THB 70 million

#### Liabilities

As of 30 June 2020, total liabilities were THB 492 million; decreased THB 37 million from THB 529 million on 30 June 2019.

#### Shareholders' Equity

As of 30 June 2020, the Company reported THB 3,592 million of shareholders' equity, a decrease of THB 168 million from the THB 3,760 million reported on 30 June 2019.

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## Liquidity

As of 30 June 2020, the Company cash, cash equivalent and short-term investment totaled THB 1,481 million increased THB 137 million from 30 June 2019 because of:

- 1) Cash flow from operation increased THB 502 million, which was mainly contributed by operating profit of THB 457 million, the reduction of inventory, receivables and other current assets that amounted to THB 163 million as well as the net short-term investment of THB 199 million.
- 2) Cash flow from investment activities decreased THB 55 million due to THB 80 million net purchase of property, plant and equipment.
- 3) Cash flow from financing activities decreased THB 520 million due to THB 515 million dividend payment.
- 4) An increase in short term investment of THB 210 million.

## Key Financial Ratios

Financial Ratios		For period ended	
		30 June 2020	30 June 2019
<u>Liquidity Ratios</u>			
Current Ratio	times	7.7	7.1
Average Days Receivable	days	34	43
Average Days in Inventory	days	408	448
Average Days Payable	days	41	52
Cash cycle	days	401	439
<u>Efficiency Ratios</u>			
Return on Assets (Annualized)	%	9.7	6.7
Return on Equity (Annualized)	%	11.2	7.7
<u>Leverage Ratios</u>			
Debt to Equity Ratio	times	0.14	0.14

Respectfully yours,

Virach Seripanu

Director