



# Malee Group Public Company Limited

## Q2/2018 Opportunity Day

22 August 2018

# Disclaimers

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The information contained herein is intended to represent the Company's operating and financial position at a given point in time and may also contain forward looking information which only reflects expectations based on the prevailing geo-political, economic and non-controllable factors. Such information has been obtained from sources believed to be most reliable and the means in analyzing and preparation of such information for disclosure are based on approve practices and principles in the investment industry. The views are based on assumption subject to various risks and uncertainties and no assurance is made as to whether such future events will occur. No assurance is made as to the accuracy or completeness of information presented in this document.

Please note that the Company has agreed that any all information in connection with CMG products and manufacturing activities shall be kept strictly confidential and not be disclosed to any third party.



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# AGENDA

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Company Overview

Business Update

Results of Operations and Profitability

Forward Looking

# Group Structure

Subsidiary

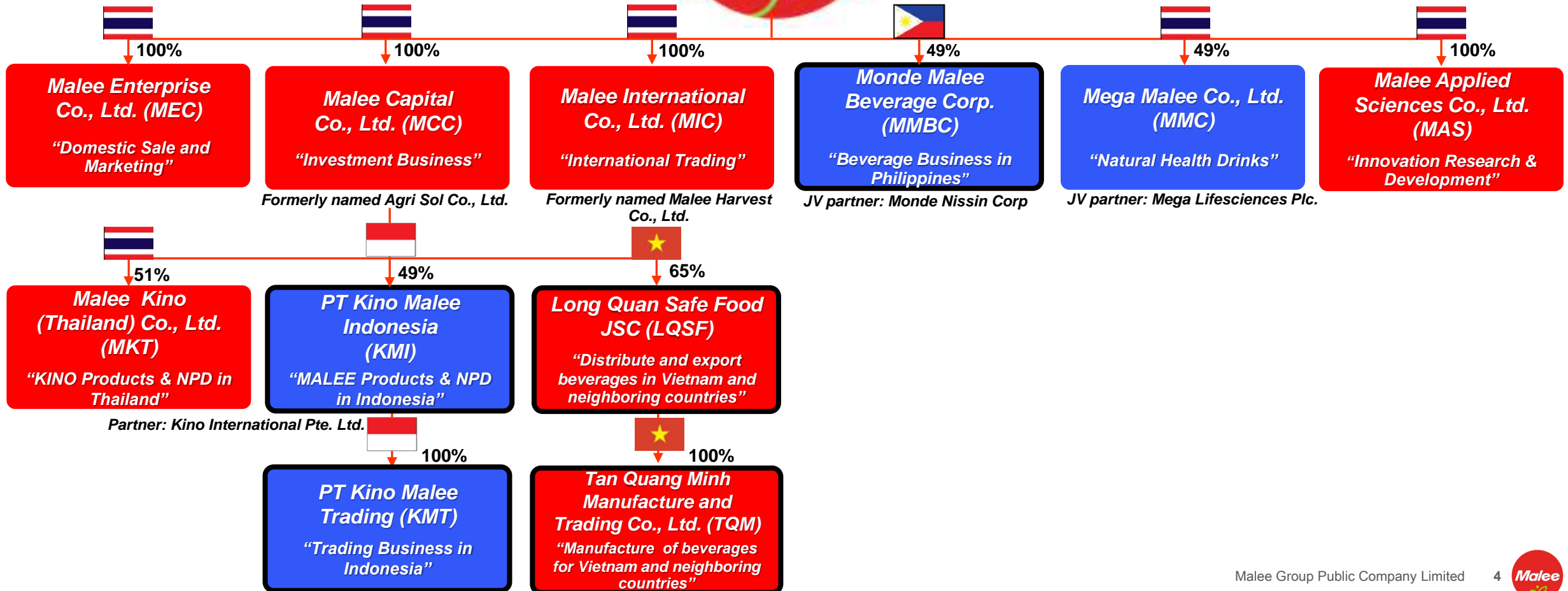
JV/ Associate

Overseas Entity

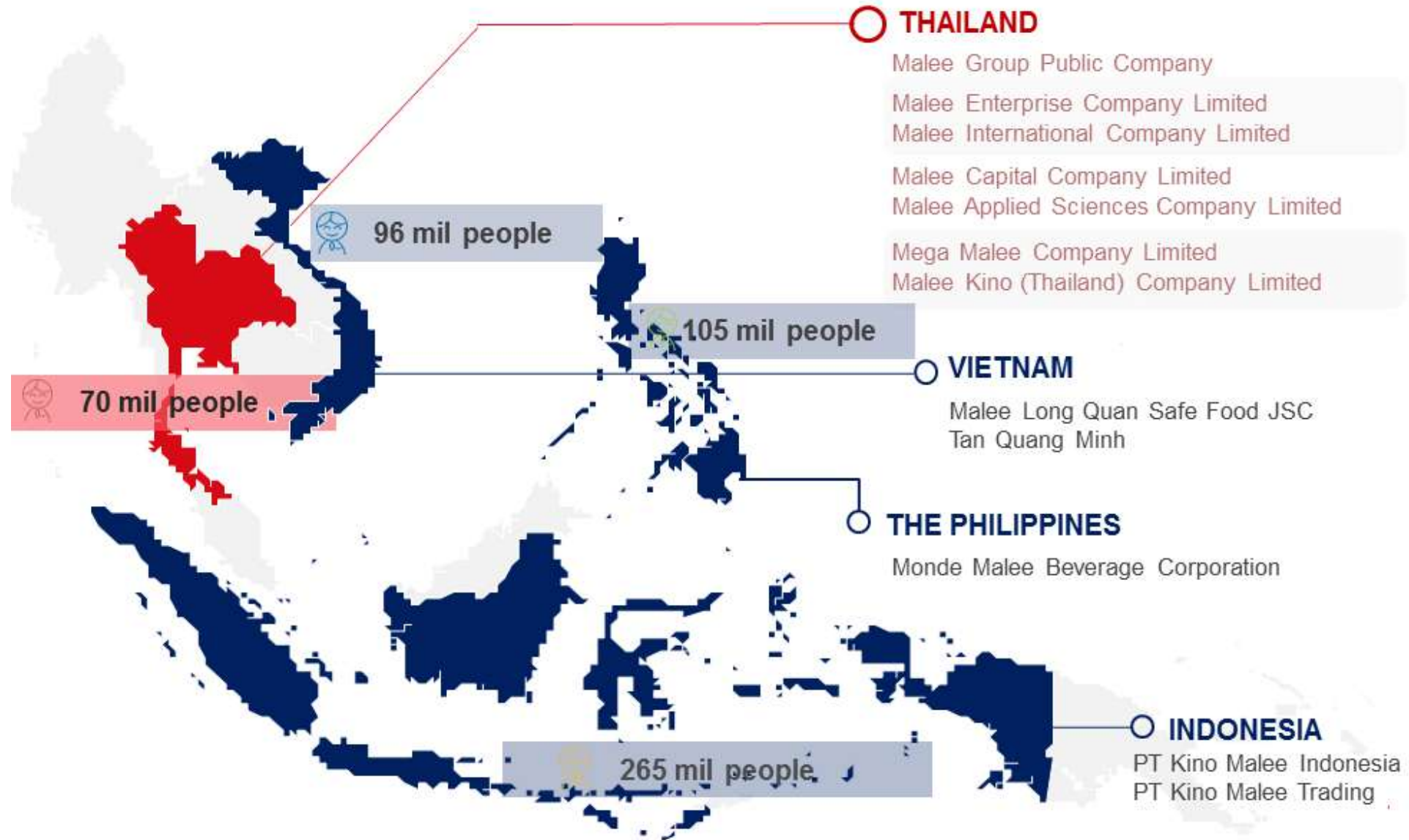


Malee Group Plc 

A leading manufacturer, distributor, and exporter of fruit juices, beverages, and canned fruits.



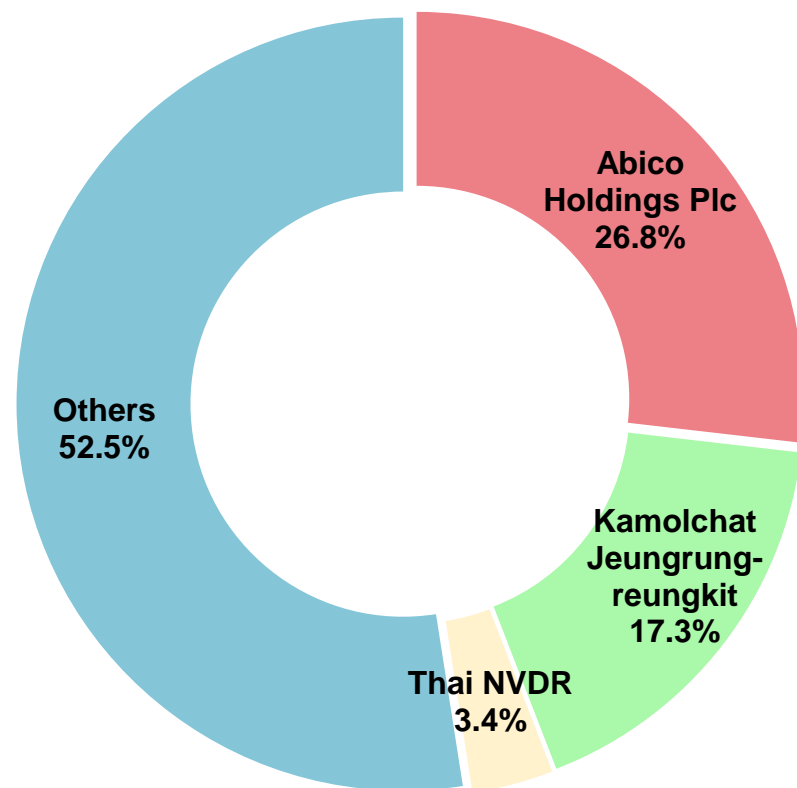
# The New Horizons



# Shareholding Structure & Share Information

## Shareholding Structure

(As of 8 May 2018)



## Share Information

(As of 20 August 2018)

<b>Stock Symbol:</b>	MALEE
<b>Industry and Sector:</b>	Agro & Food Industry / Food and Beverage
<b>No. of Listed Shares:</b>	280,000,000 Shares
<b>Registered Capital:</b>	THB 140,000,000
<b>Paid-up Capital:</b>	THB 140,000,000
<b>Par Value:</b>	THB 0.50 per Share
<b>Listing Date:</b>	13 March 1992
<b>Foreign Limit:</b>	49% (available 46.9%)
<b>Dividend Policy:</b>	Not less than 50% of the net profit from normal operation according to consolidated financial statements after deduction of tax revenue and legal reserve. However, actual payments will depend on cash flows and investment plans of the Company's and its affiliates as well as other necessities as the Board of Directors deems appropriate.
<b>Market Capitalization:</b>	3,836MB or 115MUSD
<b>Free Float:</b>	48.63%

# Milestones

On 2 February 1978, **Malee Sampran Factory Co., Ltd.** was established with capital of 10MB as a manufacturer and distributor of canned food and canned fruits.

On 3 March 1992, MALEE was listed on the Stock Exchange of Thailand (SET).

On 15 May 1998, the Company's name was changed to **Malee Sampran Plc.**

- On 12 January 2017, the Company set up a new subsidiary named Malee Applied Sciences Co., Ltd. (**MAS**)
- On 30 October 2017, **MCC** signed a joint venture agreement with PT Kino Indonesia Tbk (**KINO**) to set up 2 joint venture companies in Thailand and Indonesia.

1978

1981

1992

1995

1998

2016

2017

2018

The Company expanded its production base on the land of 30 rais in Sampran District, Nakhon Pathom Province.

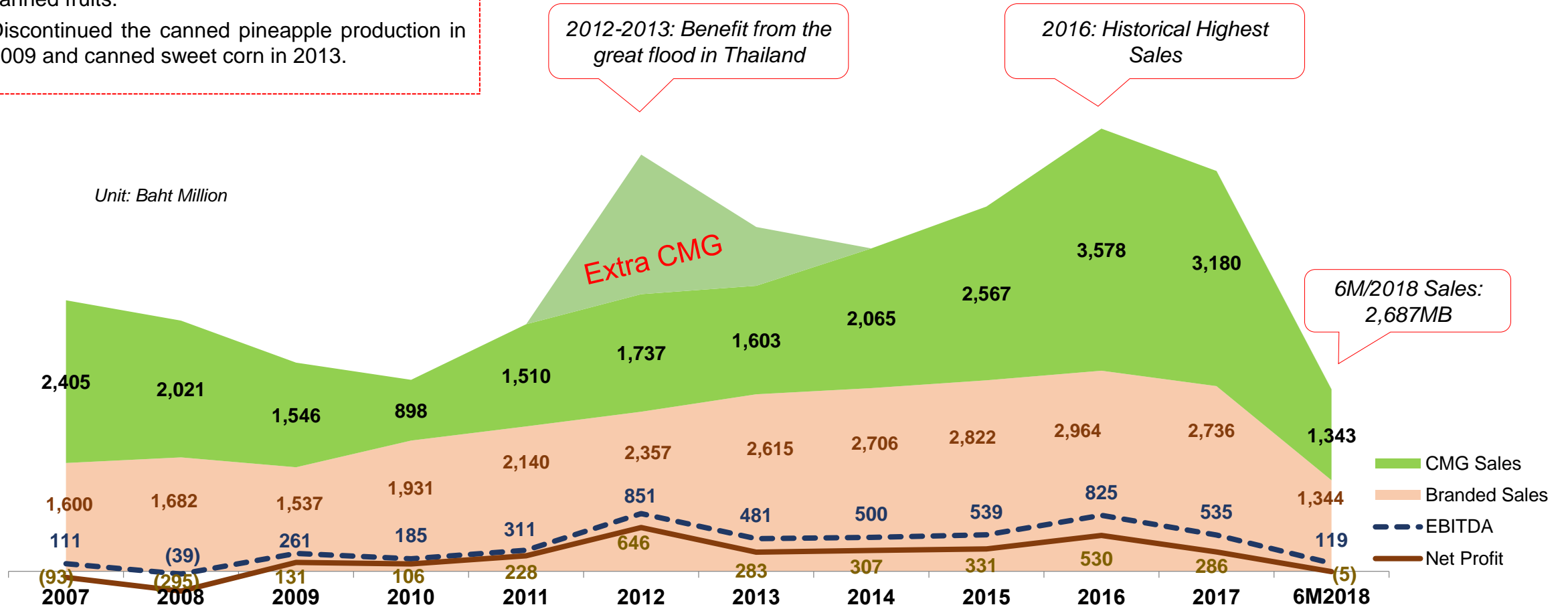
In April 1995, **Abico Holdings Plc** acquired 40% from the existing shareholders.

- In Q1/2016, MALEE, together with Monde Nissin Corp (**MNC**) set up a joint venture company in the Philippines named Monde Malee Beverage Corporation (**MMBC**)
- On 12 May 2016, the Company's name was changed to **Malee Group Plc**
- On 22 August 2016, the Company signed a JV agreement with Mega Lifesciences Plc (**MEGA**) to set up Mega Malee Co., Ltd. (**MMC**), in order to develop natural health-focused RTD products.

On 27 April 2018, **MCC** has completed its acquisition of 65% ownership in Long Quan Safe Food JSC (**LQSF**), which owns Tan Quang Minh Manufacture and Trading Co., Ltd. (**TQM**), a manufacturer and distribution of consumer products in Vietnam.

# Historical Performance

- Prior to 2009, major contribution of CMG was from canned fruits.
- Discontinued the canned pineapple production in 2009 and canned sweet corn in 2013.



CMG: Contract Manufacturing



# Malee Brand Portfolio

**Malee**

## Daily Nutrition



Malee 100% UHT Fruit Juice



Malee 100% Pasteurized Fruit Juice



Malee 100% HPP Fruit Juice



Malee Coco



Malee Nutrient



Malee i-Corn

## Functionality



Malee Healthi Plus



Malee Light

## Tactical



Malee Food Service



Malee Tropical



Malee Canned Fruit

## Canned Fruit



First Choice



Farmer

**OTHERS**

## Dairy Product

Chokchai Farm



UHT



Pasteurize



Milk Tablet

## Other Beverages



TurBusta Maxx (RTD Coffee)

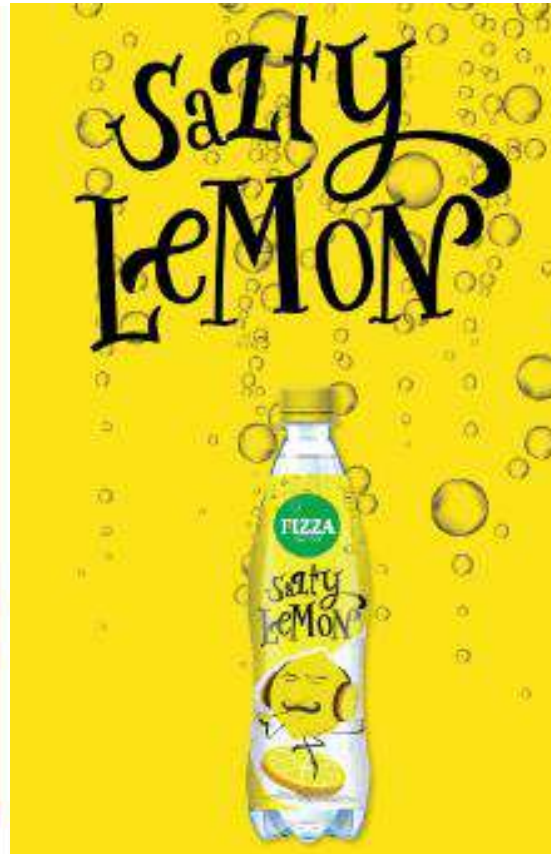


Fizza Salty Lemon (Carbonated)

# New Products Highlights



Fizza



# New Products Highlights



# Subsidiary/Joint Venture Portfolio

**LQSF**  
(Vietnam)



**MMBC**  
(Philippines)



**MAS**  
(Thailand)



**Mega Malee**  
(Thailand)

Natural Health Drinks -- to be launched in Q4/2018

**Malee Kino**  
(Thailand)

Personal Care Products – to be launched in Sep 2018

**Kino Malee**  
(Indonesia)

Food and Beverages – to be launched in Q1/2019

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# AGENDA

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**Business Update**

Results of Operations and Profitability

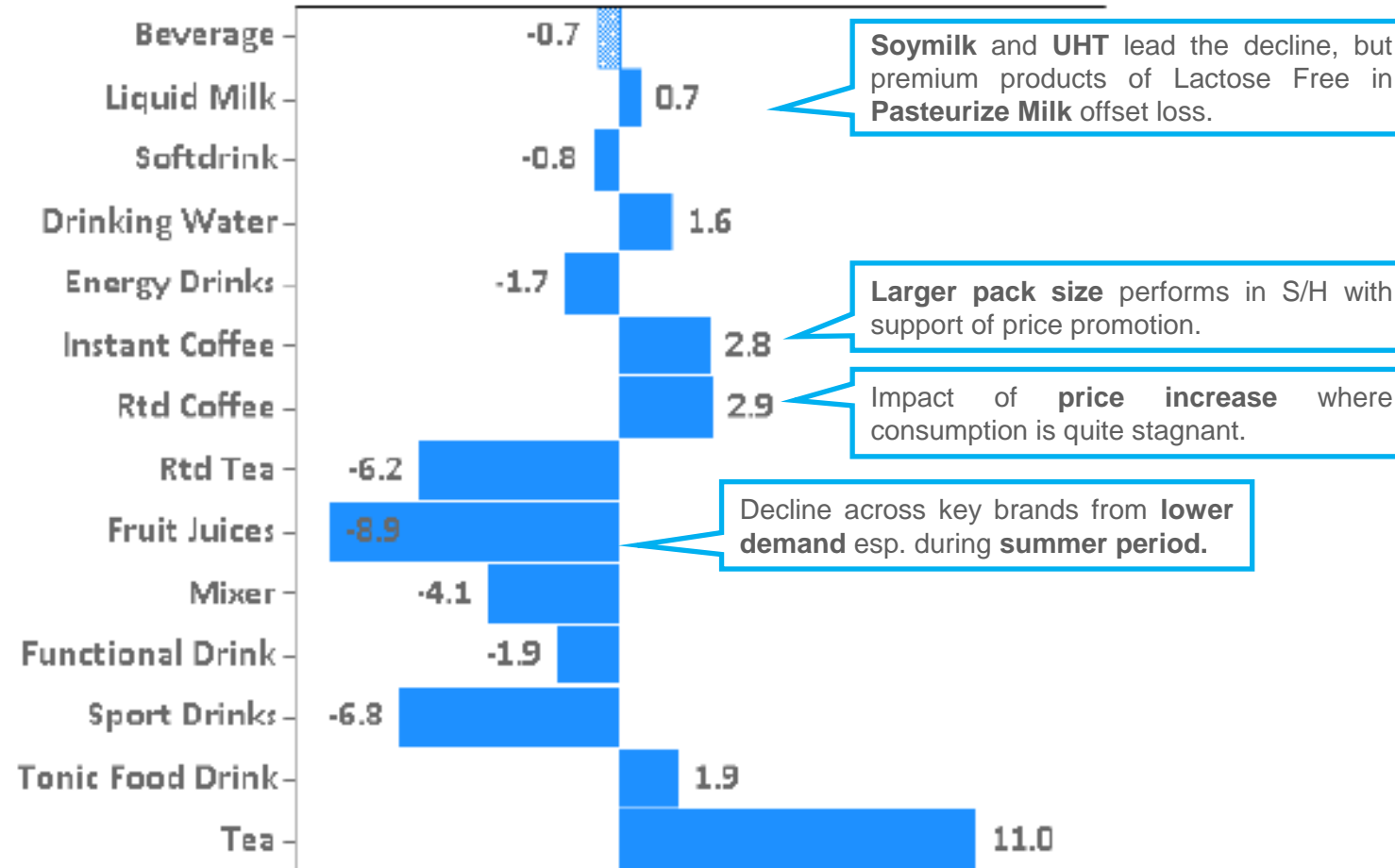
Forward Looking



# Domestic Beverage Market

*MAT Jun 2018 Overall Beverage Market Dropped 0.7 % YoY.*

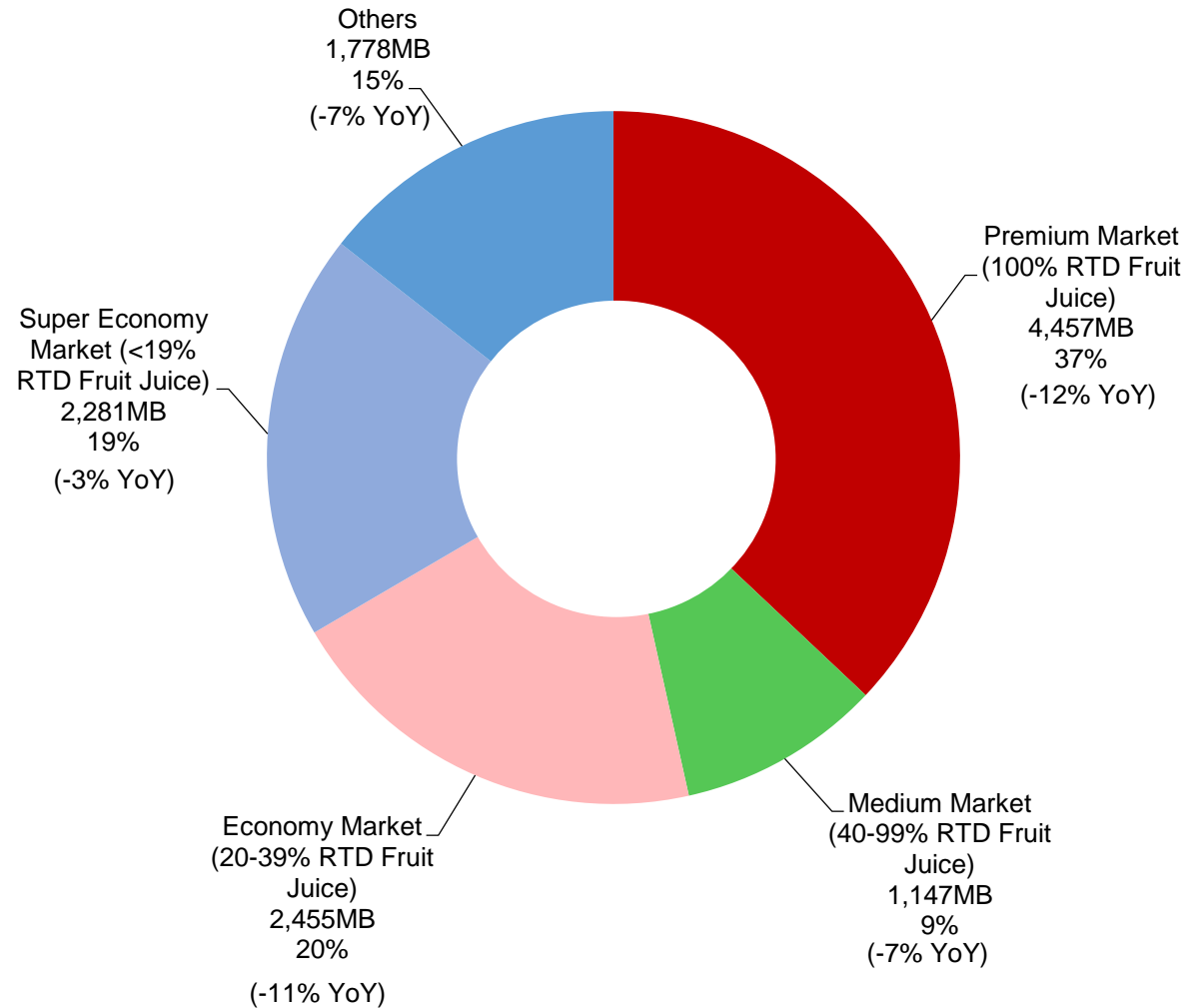
*Demand issue remains the source of decline across categories especially during summer period.*



Source: Nielsen

# Domestic RTD Fruit Juice Market

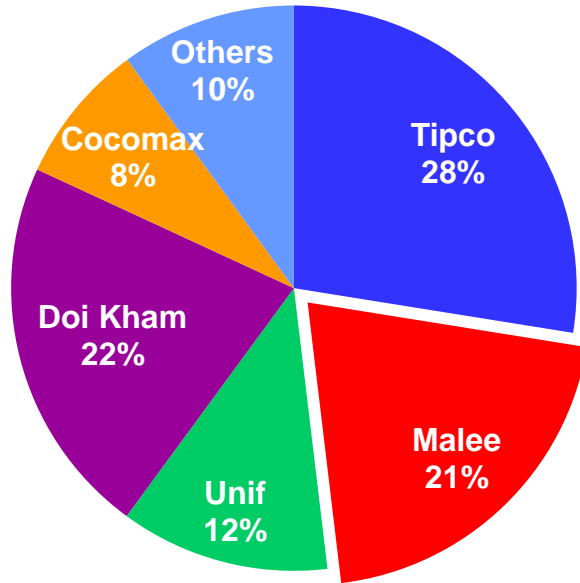
*MAT Jun 2018 Market Value of 12,119 MB, a Decrease of 9% YoY*



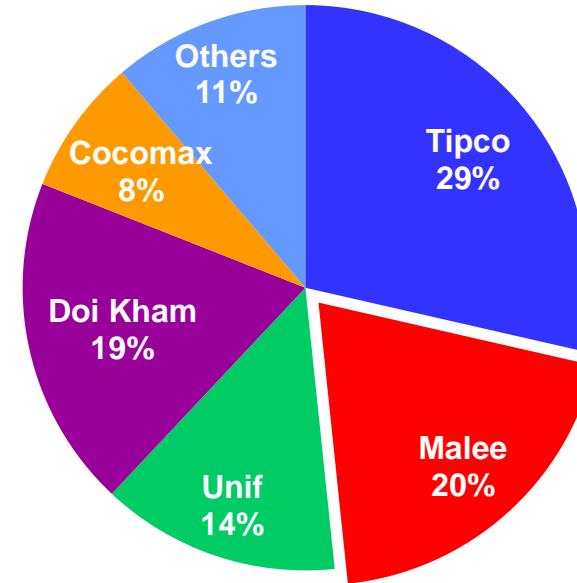
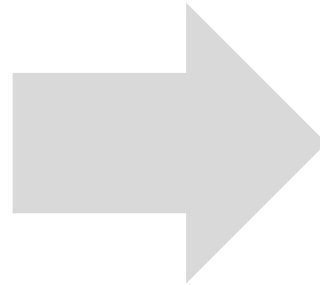
Source: Nielsen

# Domestic RTD Premium Fruit Juice UHT Market Share

*MAT Jun 2018 Market Value of 4,163 MB, a Decrease of 12% YoY*



**MAT Jun 2017**



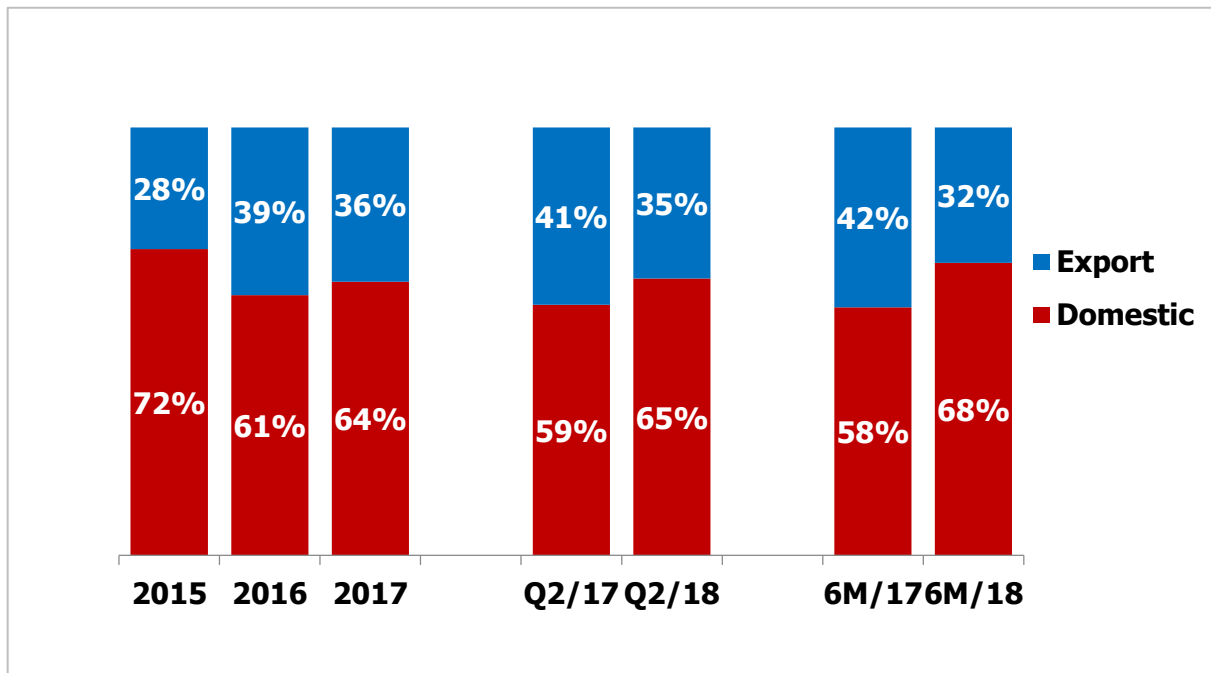
**MAT Jun 2018**

Source: Nielsen

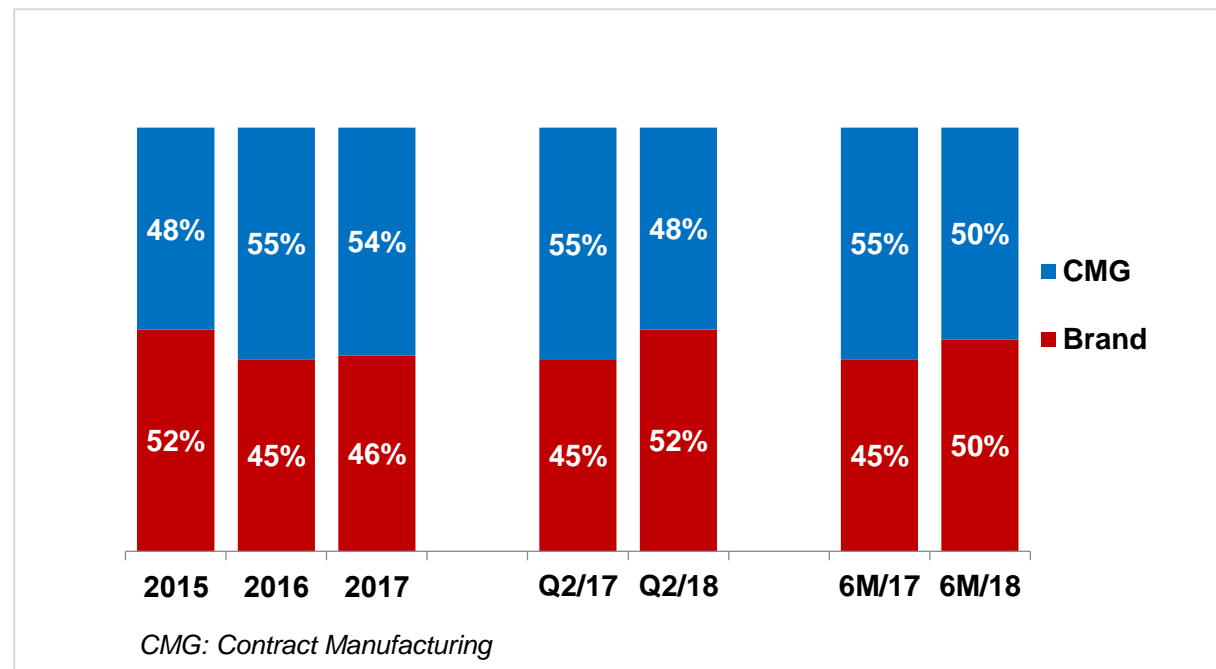


# Sales Structure

## Domestic : International Business



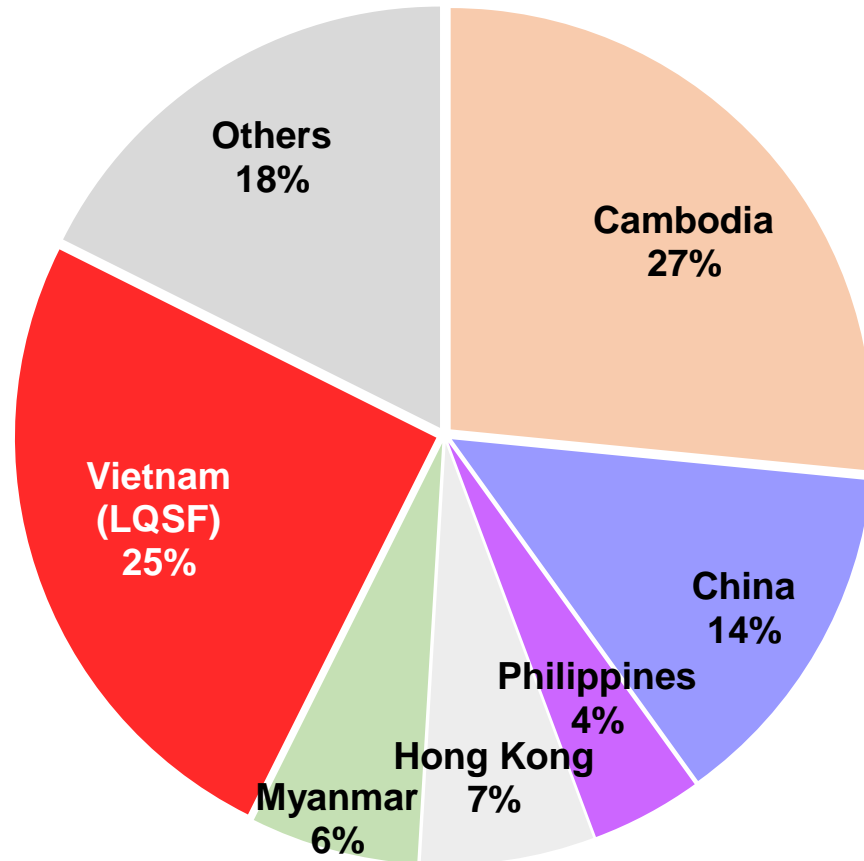
## Brand : Contract Manufacturing



- Domestic Sales
  - Q2/2018 : + 7% YoY
  - 6M/2018: +10% YoY
- Export Sales
  - Q2/2018 : -18% YoY
  - 6M/2018: -30% YoY

- Brand Sales
  - Q2/2018 : + 12% YoY
  - 6M/2018: +3% YoY
- CMG Sales
  - Q2/2018 : -16% YoY
  - 6M/2018: -15% YoY

# 6M/2018 Export Branded Sales by Country



- *6M/2018 Export branded expanded 10% YoY due to LQSF sales recognition, a new subsidiary in Vietnam consolidation from 27 April 2018 onwards.*
- *If excluding LQSF, 6M/2018 Export branded would drop c.15% YoY, due to expired contract of some portion of coconut water sales last year, stronger Thai baht of c.8% YoY against the US dollar, and the sub-distributor changeover in Cambodia.*

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# AGENDA

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Business Update

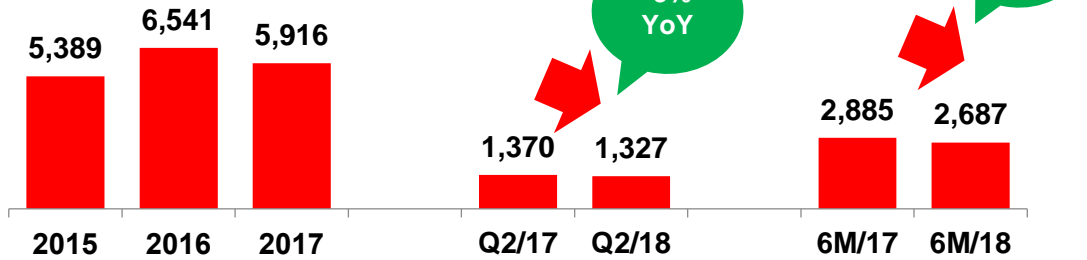
**Results of Operations and Profitability**

Forward Looking

# Financial Highlights

## Sales Revenue

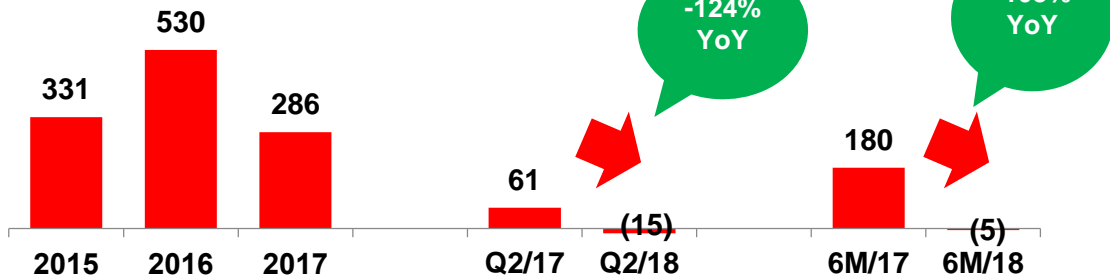
Unit: Million Baht



- In Q2/2018, Domestic branded sales +5% YoY, supported by canned fruit, despite the drop in fruit juice sales following the slowdown in fruit juice market.
- Domestic CMG +15% YoY, mainly supported by new products launch, growth from some existing products, and change of the sales platform of some CMG customer from export to domestic.
- Export branded sales +35% YoY, mainly due to sales recognition, a new subsidiary in Vietnam consolidation.
- Export CMG sales -40% YoY, due to a customer ending the distribution contract with some retailer, change of sales format from export to domestic, and Thai Baht strengthening.

## Net Profit

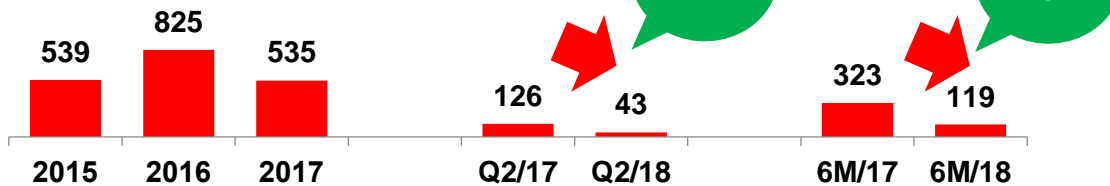
Unit: Million Baht



- Q2/2018 Net profit dropped mainly due to 1) a one-time cost of financial advisory fees and legal consultant fees of 22MB from LQSF acquisition 2) lower sales contribution of export pressuring net profit margin; 3) higher depreciation resulted from additional investments for the Company's sustainable growth in the future. However, some investments cannot generate revenue immediately; some investments are not fully utilized or have not reached an optimal level yet; and some projects are delayed. Thus, costs per unit climbed up at this point; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher R&D expenses which had quite an impact at the beginning of the projects; and 6) higher finance costs due to higher borrowings for the Company's previous investments.

## EBITDA

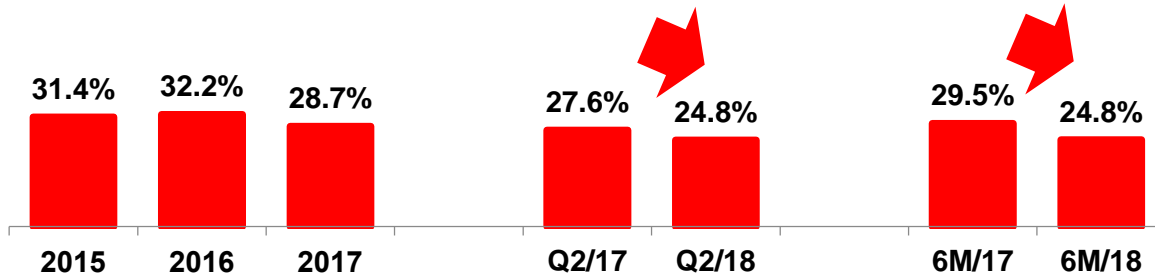
Unit: Million Baht



- Q2/2018 EBITDA decreased mainly due to the same reasons explained above for the drop in net profit.
- If excluding a one-time cost of financial advisory fees, EBITDA would be 61mb, a decrease of 52% YoY and 19% QoQ.

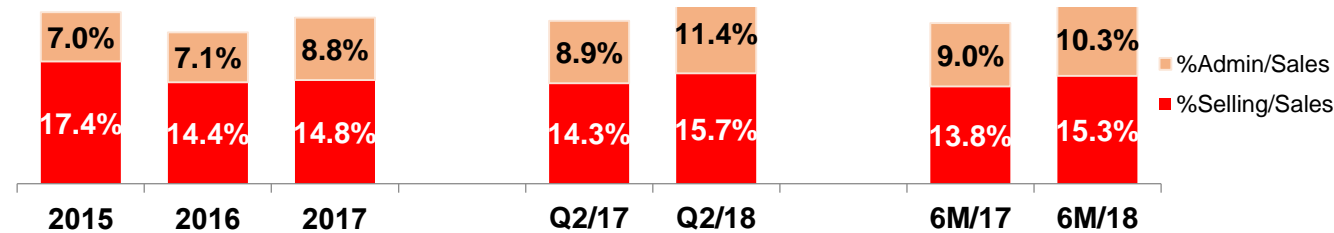
# Profitability Margin

**%Gross Profit Margin**



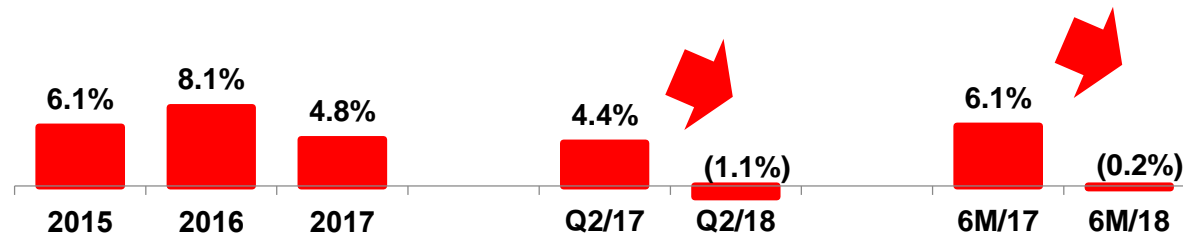
- Lower Q2/2018 %GPM YoY was mainly due 1) higher cost per unit as a result of lower utilization rate; 2) higher depreciation resulted from additional investments in preparation for the Company's growth in the future; and 3) higher excise tax and sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017.

**%SG&A to Sales**



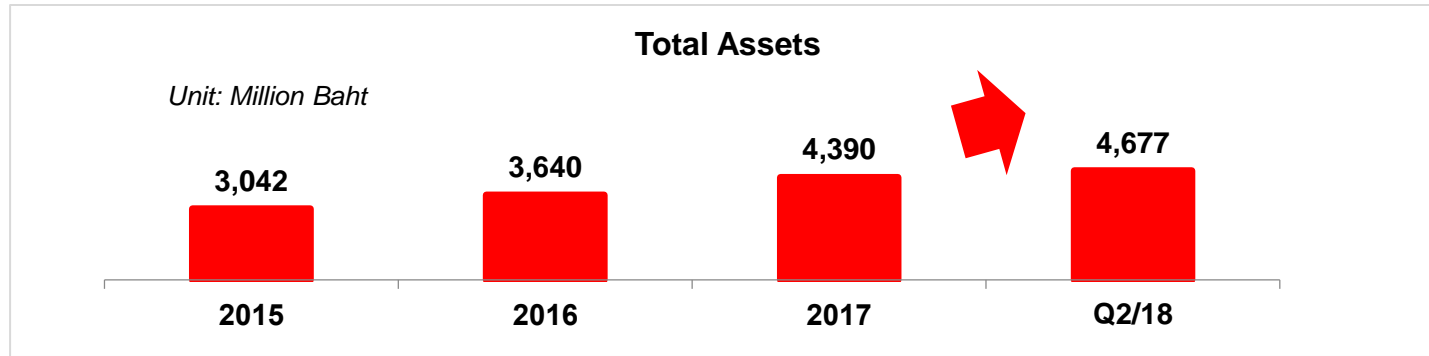
- Higher Q2/2018 selling expenses to sales YoY was mainly due to selling expenses recognition from LQSF which recorded selling expenses to sales of 33.1%. If excluding LQSF, selling expenses to sales would be 14.5%.
- Higher Q2/2018 administrative expenses to sales YoY was mainly due a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from LQSF acquisition. This has included administrative expenses from LQSF since May 2018 which recorded administrative expenses to sales of 4.2%. If excluding LQSF, administrative expenses to sales would be 11.9%.

**%Net Profit Margin**

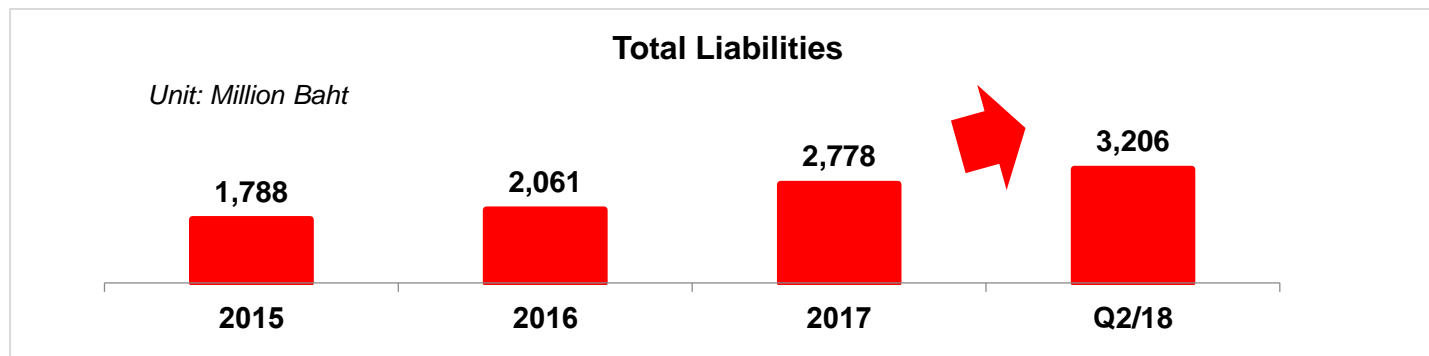


- Lower Q2/2018 %NPM YoY was mainly due to the same reasons as lower net profit.

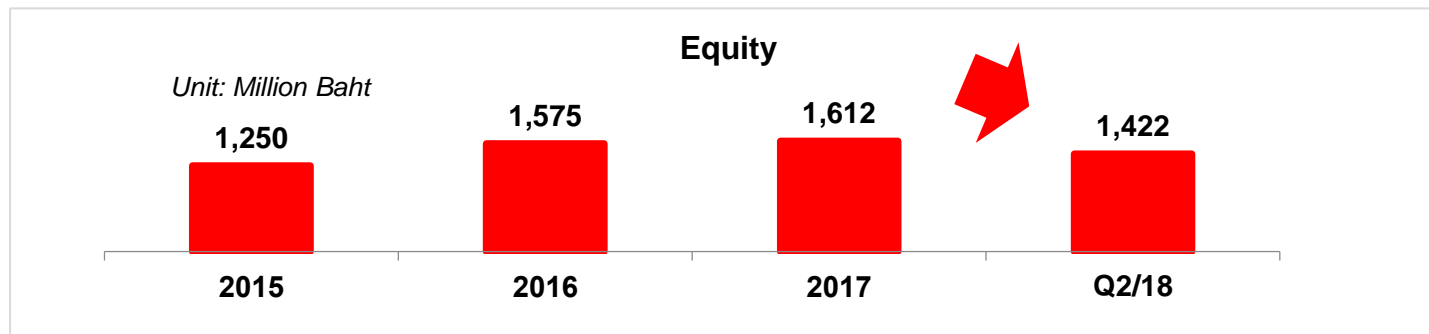
# Statements of Financial Position



- Higher total assets were mainly due to LQSF's assets recognition of 269MB whose major assets were PPE of 189mb. In addition, the Company recognized goodwill from acquiring LQSF of 243MB.

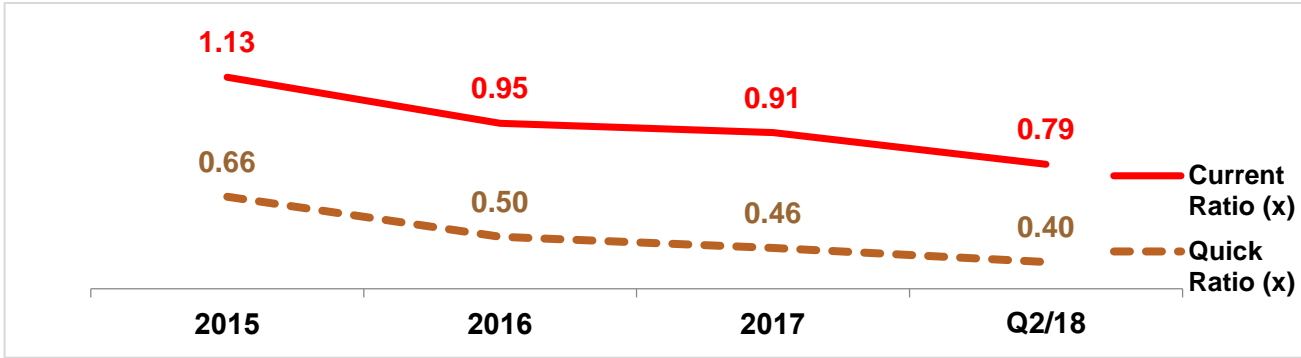


- Higher liabilities were mainly due to an increase in loans from financial institutions for the Company's investments and working capital as well as LQSF's liabilities recognition of Baht 163 million.

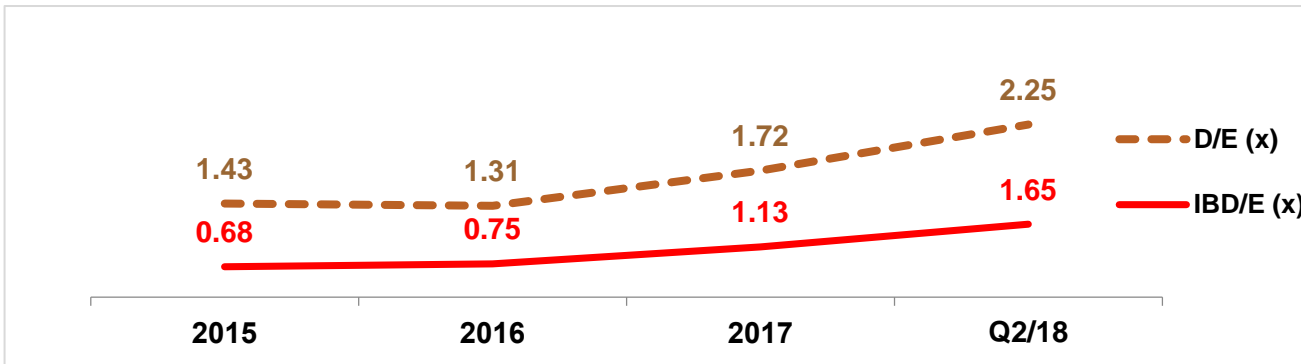


- Decreased equity of parent Company's shareholders mainly was due to 1) consolidated operating loss during the first half of the year of 5MB; 2) transaction of treasury shares from shareholders' equity for financial management of 114MB; and 3) dividend payment for the second half of last year's operating results 69MB.

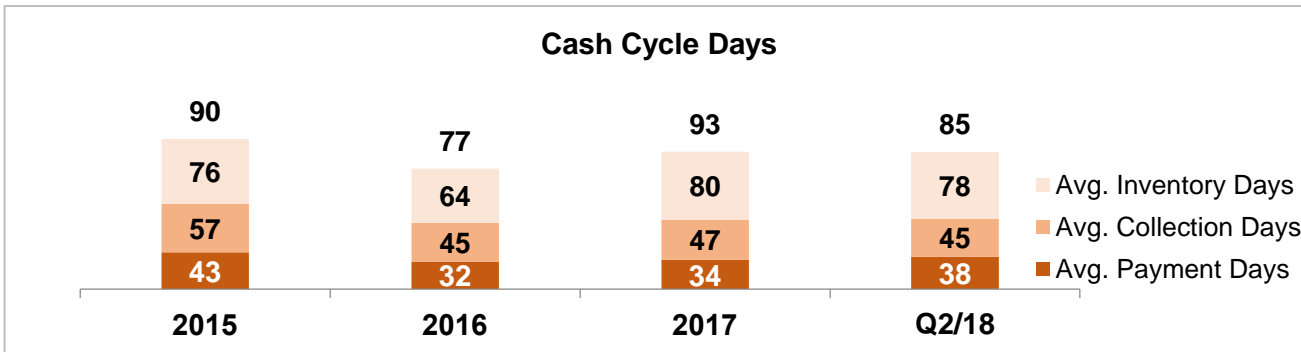
# Liquidity



- Lower current ratio was mainly due to a decrease in trade receivables and inventories but an increase in bank overdrafts and short-term loans as well as current portion of long-term for the use of the Company's working capital and investments.
- Lower quick ratio was due to the same reason as lower current ratio as well as lower inventory.
- If excluding LQSF, current ratio would be 0.78x, and quick ratio would be 0.39x

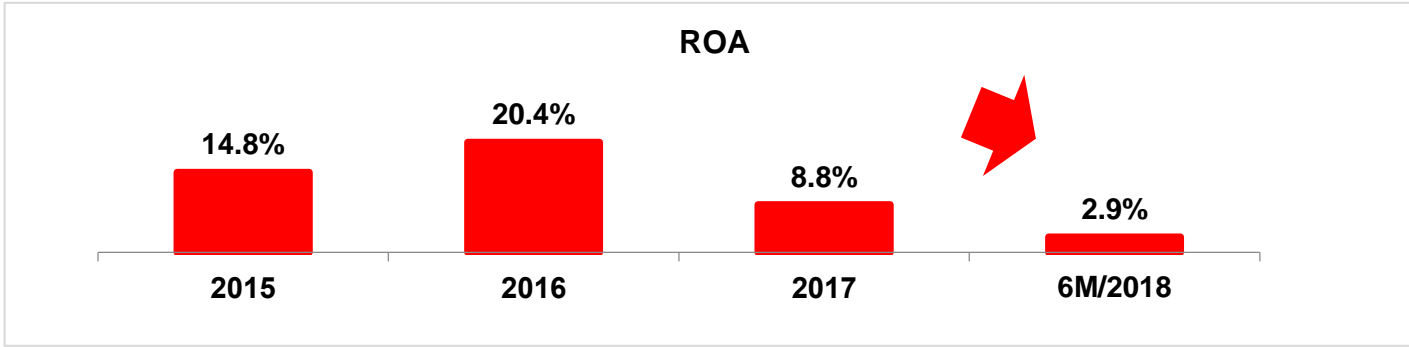


- Increased IBD/E and D/E was mainly due an increase in loans as well as LQSF's loans recognition of 92MB. Meanwhile, shareholders' equity decreased from consolidated loss during the first half of the year of 5MB, shares buyback of 114MB, and dividend payment 69MB. If excluding LQSF, IBD/E would be 1.58x
- Increased IBD/E and D/E was the same reason as higher IBD/E, plus LQSF's total liabilities recognition of 163MB. If excluding LQSF, D/E would be 2.10x, and IBD/E would be 1.58x.

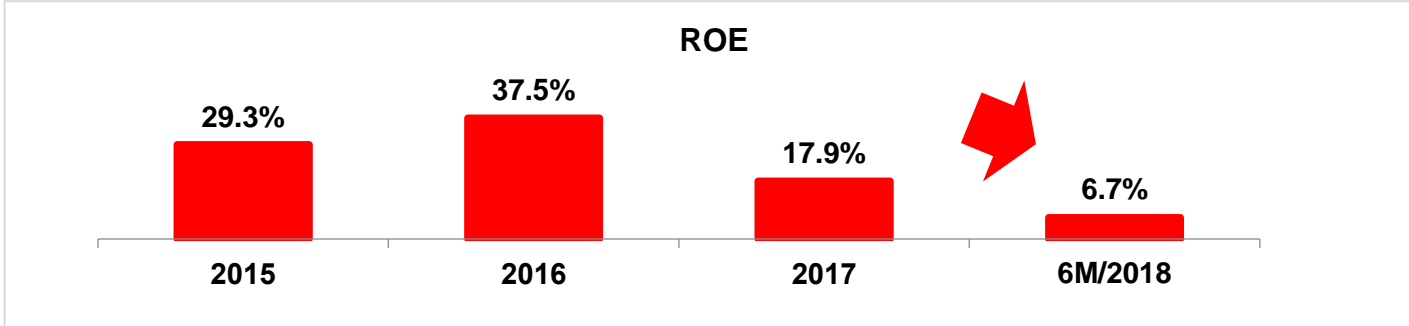


- Slightly decreased cash cycle days was mainly due to shorter Inventory days and collection days, plus longer A/P days.
- Improved inventory days was mainly due to lower stock keeping following lower sales.
- Improved collection days was mainly due to most sell-in-cash transactions of LQSF.
- Improved payment days was mainly due to higher portion of long credit term from canned fruit packaging suppliers .

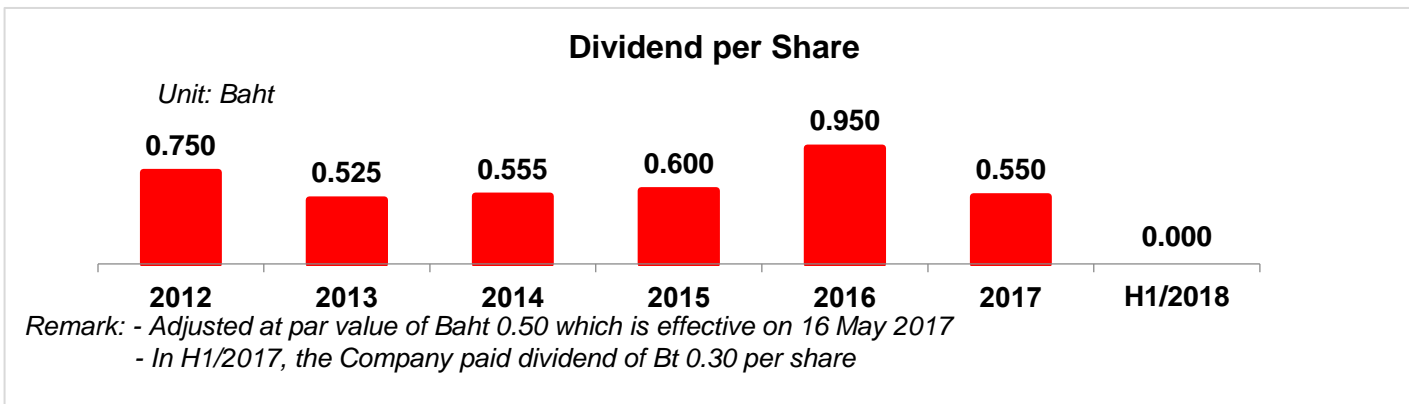
# Return to Shareholders



- Lower ROA was resulted from operating losses but higher assets mainly due to LQSF's assets recognition of 269MB
- as well as additional investments for the Company's sustainable growth. In addition, there was goodwill recognition of 243MB from LQSF acquisition.



- Lower ROE was mainly due operating losses as earlier explained.



- The Company has a policy to pay dividends at the rate of not less than 50% of its net profit from normal operation, according to consolidated financial statements after deduction of tax revenue and legal reserve. However, actual payments will depend on cash flows and investment plans of the Company's and its affiliates as well as other necessities as the Board of Directors deems appropriate.
- No dividend payment for the operating results during 1 January – June 2018 due to the Company's operating losses.



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# AGENDA

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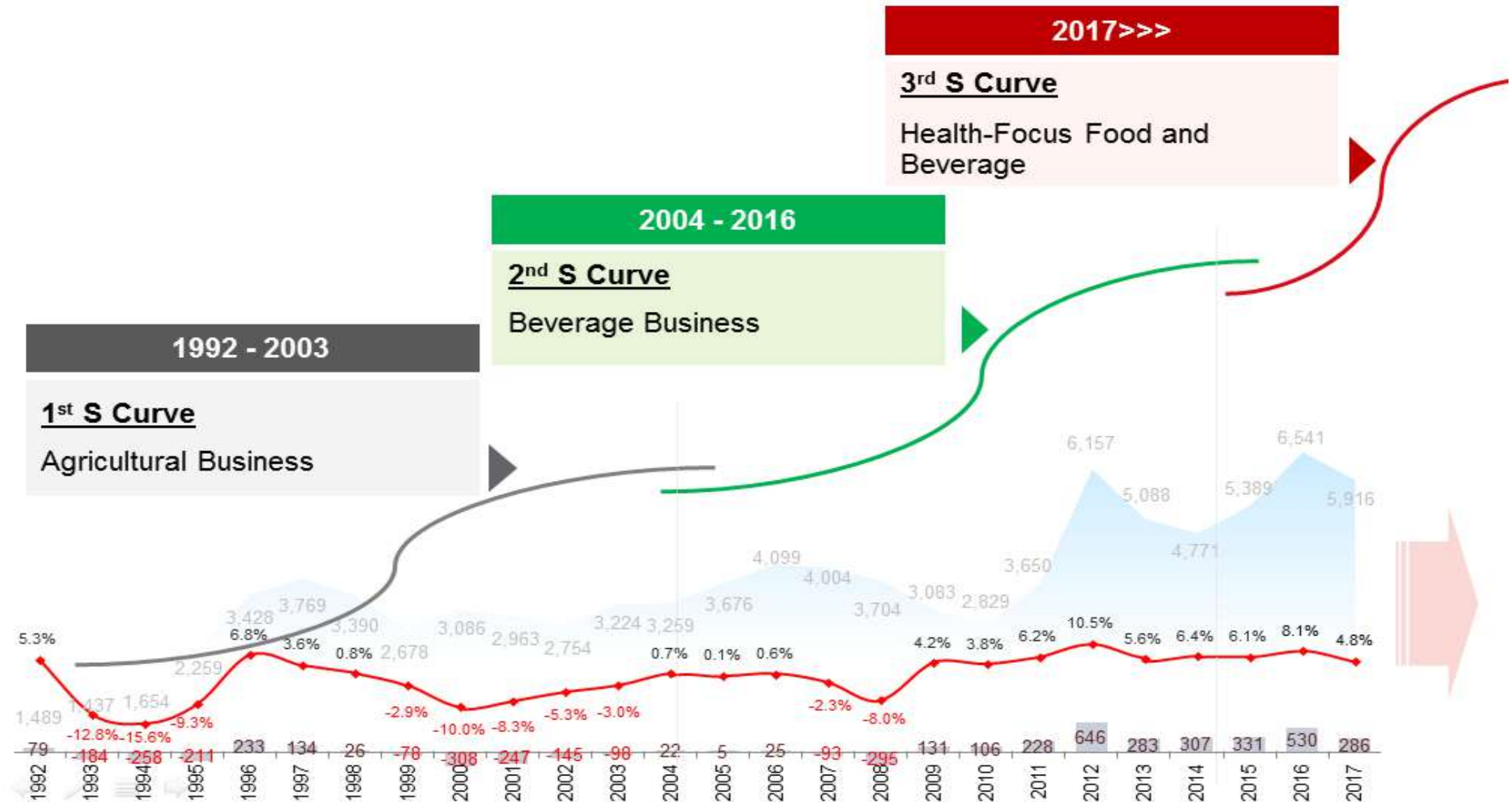
Company Overview

Business Update

Results of Operations and Profitability

**Forward Looking**

# The New Horizons



# Current Issues

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- Slow down of existing businesses
  - Quicker and worse than expected since 2017
    - Domestic fruit juice
    - Export CMG customer lost its major distribution contract for some retailer – and slow down of coconut water market
    - Domestic CMG affected from price increase due to the new excise tax and sugar tax
    - Strong Thai Baht currency in the first half of this year impacted export sales
- Delay of new sales and NPD
  - New product category or new production technology that the Company has never produced or distributed before caused a longer process of licenses than expected, e.g., import license and food serial number from FDA.
- Rising cost per unit (due to reasons above)
  - Some investments cannot generate revenue immediately
  - Some investments are not fully utilized or have not reached the optimal level yet
  - Some projects are delayed

# Forward Looking – Developments in H2/2018, show impact and recover in 2019

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- Domestic Brand
  - More varieties of products, e.g., more premium products and more mass products, both from fruit juice category as well as other categories to help reach and recruit new customers
  - New products launched, e.g., HPP and milk tablet
  - More new products in the pipeline in the second half of this year, e.g., Fizza Salty Lemon (carbonated), etc.
- Strategic Partnership
  - LQSF (Vietnam), starting consolidation since 27 April 2018; more business development in the process for LQSF
  - Malee Kino (Thailand), starting in Q3/2018 (delayed from the end of Q2/2018)
  - Kino Malee (Indonesia), starting in Q1/2019 (delayed from the end of Q4/2018)
  - MMBC (Philippines), new products in Q4/2018 and Q1/2019 (delayed from Q3/2018)
- CMG: Diversification
  - The “partial service” business model will result in higher volume growth than value growth, compared to “full service”. However, the Company’s profitability will not be impacted. Plus, capacity utilization will be improving
  - Diversify into other product categories; not just relying on coconut water
  - New customer development.

# Our Preceding 9-Year Strategy

## Phase 1 2015 - 2017

### Building and Strengthening Organization and Foundation

- Brand / Product Repositioning
- Organizational Restructuring
- New Business Model Formulation
- Infrastructure Readiness and Development
- Technology-driven Organization

## Phase 2 2018 - 2020

### Sprinting Business Performance

- Top of Mind on Product Champion / Brand Awareness
- Business / Market Portfolio Balancing
- Inorganic Business Diversification
- Accelerating Financial Performance

## Phase 3 2021 - 2023

### Sustaining Business with Global Presence

- Excellence in Business, Operations and Finance
- Business and Organization Expansion

# Expanded Strategy Timeline: To Become a Health-Driven Global F&B Firm

## Wave 1 2015-2017

### Building and Strengthening Foundation

- Brand / Product Repositioning
- Organizational Restructuring
- New Business Model Formulation
- Infrastructure readiness and development
- Technology-driven organization

## Wave 2.1 2018 - 2019

### Transforming and Integrating Value Chain

- Resources readiness and Development
- Strategic Alliance on Upstream business
- Operations Integration and Digitization
- Rethinking Business Model and Transformation

## Wave 2.2 2020 - 2022

### Sprinting Business Performance

- Top of Mind on Brand Awareness
- Business / Market Portfolio Balancing
- Inorganic Business Diversification
- Accelerating Financial Performance

## Wave 3 2023 - 2025

### Sustaining Business with Global Presence

- Excellence in Business, Operations and Finance
- Business and Organization Expansion

# Share Endorsements

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**“Very Good” Level of CG Scoring**



*Growing well together*

Thank You

For more information, please visit our website at <http://www.malee.co.th>  
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