

Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the First Quarter ended 31 March 2021



1. Q1/2021 Highlights

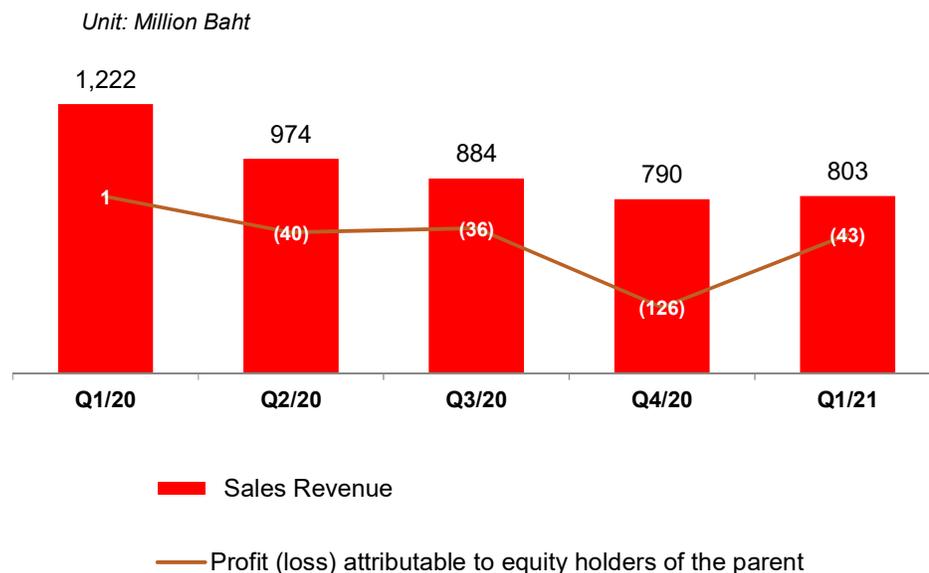


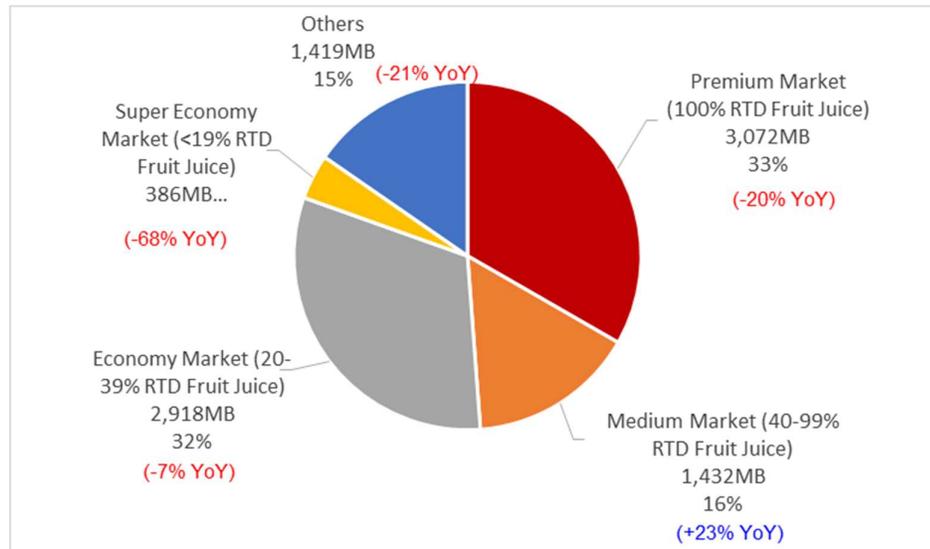
Figure 1: Quarterly results

- In Q1/2021, the Company and its subsidiaries recorded total sales of Baht 803 million, a decrease of 34% YoY, occurred from a decline in Domestic sales 45% YoY and Export sales 12% YoY, mainly impacted from the COVID-19 pandemic. In Q1/2020 sales was higher than usual due to a stockpiling on food and beverage before the lockdown in Thailand.

- The Company and its subsidiaries recorded net loss of Baht 43 million in Q1/2021 versus net profit of Baht 1 million in Q1/2020, a decrease of 7376% YoY resulting from 34% sales drop, primarily impacted from the COVID-19 pandemic around the world. An effective cost reduction and selling expense cut and control still did not compensate a huge impact from large sales shrinkage. However, the net loss decreased 66% from the net loss of Baht 126 million in Q4/2020.

2. Overview of Domestic Ready-to-Drink Fruit Juice Market

In Q1/2021, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 9,226 million, a decrease of 17% YoY. RTD fruit juice market value and growth is as shown in Figure 2.



(Source: Nielsen)

Figure 2: MAT March 2021 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability

(Unit : Baht Million)	Q1/2021	Q1/2020	%YoY
Revenues from sales and services	803	1,222	-34%
Cost of goods sold and services	639	977	-35%
Gross profit	164	244	-33%
% gross profit	20.5%	20.0%	
Selling expenses	97	106	-9%
% selling expenses to sales	12.0%	8.7%	
Administrative expenses	114	135	-16%
% Administrative expenses to sales	14.2%	11.1%	
Finance costs	17	16	+0%
Share of profit (loss) from investment in subsidiaries and joint ventures	(1)	(1)	-6%
Tax (income)	(12)	0	-14215%
Net profit (loss) major shareholders equity	(43)	1	-7376%
% Net profit (loss)	(5.4%)	0.0%	
EBITDA	9	89	-90%
%EBITDA	1.1%	7.2%	

Q1/2021 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 803 million, a decrease of 34% YoY, mainly impacted from the COVID-19 pandemic as follows:

- Domestic Branded Business sales decreased 34% YoY. To note, sales in Q1/2020 was higher than usual because Thai consumer stocked up goods when the COVID-19 epidemic began.
- Export Branded Business sales decreased 14% YoY mainly due to the COVID-19 pandemic and unexpected incidents, such as natural disaster in Cambodia and political unrest in Myanmar.
- Total Contract Manufacturing Business (CMG) sales decreased 45% YoY, predominantly effected from container shortages for CMG export and very high container costs.

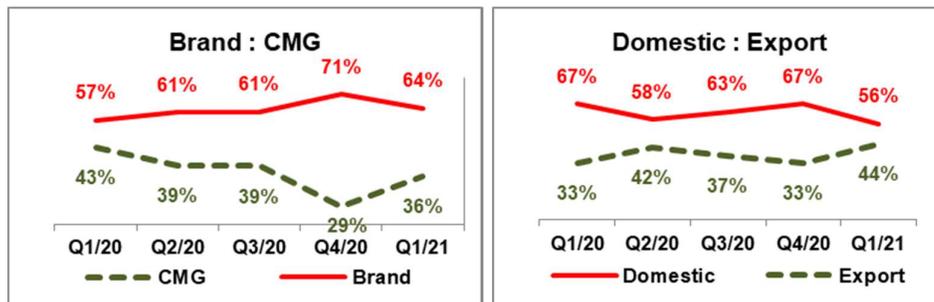
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 510 million, down 26% YoY.
- CMG: Baht 293 million, down 45% YoY.
- Sales ratio of Brand: CMG was 64:36, compared with 57:43 in Q1/2020.

Sales Breakdown by Geography:

- Domestic: Baht 448 million, down 45% YoY.
- Export: Baht 355 million, down 12% YoY.
- Sales ratio of Domestic: Export was 56:44, compared with 67:33 in Q1/2020.



Q1/2021 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 639 million which decreased 35% YoY, all of which was higher than the decrease of total sales in Q1/2021. A cost of goods sold ratio to sales decreased to 79.5% from 80.0% in Q1/2020.

Q1/2021 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 164 million, a decrease of 33% YoY, representing gross profit margin of 20.5%, growth from 20.0% in Q1/2020, mainly due to an efficient cost of goods sold control.

Q1/2021 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 97 million, a decline of 9% YoY. The ratio of selling expenses to sales was 12.0%, an increase from 8.7% in Q1/2020. The decrease resulted from sales and marketing cost control, travelling cost reduction, labor and overtime cost control.

Q1/2021 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 114 million, a decrease of 16% YoY. The ratio of administrative expenses to sales was 14.2%, an increase from 11.1% in Q1/2020. The decrease was mainly due to expenses control on various areas such as warehouse and forklift rental fee reduction, labor and overtime cost control.

Q1/2021 Finance Costs

The Company and its subsidiaries recorded finance costs (loan from financial institutions) of Baht 17 million which is same as previous year amount.

Q1/2021 Net Profit

The Company and its subsidiaries recorded net loss of Baht 43 million in Q1/2021 while recognizing net profit of Baht 1 million in Q1/2020, a decrease of 7376% YoY.

4. Financial Position of the Company and its Subsidiaries

Unit : Million Baht	31/3/2021	31/12/2020	% change
Cash and cash equivalents	68	84	(18.2%)
Trade and other receivables	539	490	9.9%
Inventories	502	544	(7.6%)
Other current assets	52	109	(53.1%)
<i>Total current assets</i>	1,161	1,227	(5.4%)
Property, plant and equipment	1,644	1,670	(1.5%)
Goodwill	51	48	4.5%
Investments in joint venture	24	21	14.4%
Other non-current assets	1,057	1,036	2.0%
Total non-current assets	2,776	2,776	0.0%
Total Assets	3,937	4,003	(1.6%)
Bank overdrafts and short-term loans from financial institutions	1,054	1,104	(4.5%)
Trade and other payables	546	585	(6.7%)
Advances from customers	104	26	300%
Current portion of long-term loans from financial institutions	95	224	(57.9%)
Current portion of liabilities under financial lease agreements	55	64	(13.7%)
Income tax payable	6	-	100%
Other current liabilities	8	31	(74.2%)
<i>Total Current Liabilities</i>	1,867	2,035	(8.2%)
Long-term loans, net of current portion from financial institutions	732	608	20.4%
Liabilities under financial lease agreements, net of current portion	254	262	(3.1%)
Other non-current liabilities	270	258	4.7%
<i>Non-current Liabilities</i>	1,256	1,128	11.3%
Total Liabilities	3,123	3,163	(1.3%)
Authorized share capital	138	138	0.0%
Issued and fully paid-up share capital	138	138	0.0%
Share premium	0	0	-
Retained earnings	323	366	(11.8%)
Other components of equity	243	231	5.6%
Total equity of parent Company's shareholders	704	734	(4.1%)
Non-controlling interests	109	106	3.7%
Total Shareholders' Equity	813	840	(3.1%)
Total Liabilities and Shareholders' Equity	3,937	4,003	(1.6%)

Assets

As at 31 March 2021, the Company and its subsidiaries had total assets of Baht 3,937 million, a decrease of 1.6% from Baht 4,003 million as of 31 December 2020. The main factors included a decrease in inventories, cash and cash equivalents.

Liabilities

As at 31 March 2021, the Company and its subsidiaries had total Liabilities of Baht 3,123 million, a decrease of 1.3% from Baht 3,163 million as of 31 December 2020. The main factors comprised of a decrease in bank overdrafts and short-term loans from financial institutions, and account payables.

Shareholders' Equity

As at 31 March 2021, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 704 million, a decrease of 4.1% from Baht 734 million as of 31 December 2020, mainly due to net loss.

5. Liquidity and Capital Resources**Current Ratio**

As at 31 March 2021, the Company and its subsidiaries recorded current ratio of 0.62x, up from 0.60x as of 31 December 2020.

Consolidated	2021	2020
Current Ratio (Times)	0.62	0.60
Interest-bearing Debt to Equity (Times)	2.73	2.70

Debt to Equity Ratio

As at 31 March 2021, the Company and its subsidiaries had interest-bearing debt to equity ratio of 2.73x, increasing from 2.70x as of 31 December 2020. The reduction interest-bearing liabilities was less than the reduction of equity of parents Company's Shareholders.

Cash Flow

(Unit: Baht Million)	31/3/2021	31/3/2020	% change
Profit (loss) from operating activities before changes in operating assets and liabilities	9	94	(90.5%)
Profit (loss) from changes in operating assets and liabilities	58	(64)	191.1%
Net Cash flows from (used in) operating activities	65	30	119.4%
Cash paid from business combination	0	21	(100.0%)
Cash paid for increased investments in joint ventures	0	8	(100.0%)
Acquisition of property, plant and equipment	(4)	(8)	40.9%
Net Cash flows from other investing activities	-	(1)	100.0%
Net Cash flows from (used in) investing activities	(4)	20	(112.8%)
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(50)	(9)	(468.0%)
Repayment of long-term loans from financial institutions	(6)	(35)	82.5%
Cash paid to liabilities under finance lease agreement	(17)	(18)	5.2%
Net Cash flows from (used in) financing activities	(73)	(62)	(18.1%)
Exchange differences on translating financial statements	(4)	(7)	38.7%
Net increase (decrease) in cash and cash equivalents	(15)	(19)	20.3%
Cash and cash equivalents at beginning of periods	84	119	(29.6%)
Cash and cash equivalents at end of periods	68	100	(31.3%)

In Q1/2021, the Company and its subsidiaries recorded ending cash of Baht 68 million, a decline from Baht 100 million in Q1/2020, with details as follows:

- Net cash received from operating activities of Baht 65 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 9 million; and (2) cash inflows from net change in operating assets and liabilities of Baht 58 million.
- Net cash paid in investing activities of Baht 4 million from acquisition of property, plant and equipment of Baht 4 million.
- Net cash used in financing activities of Baht 73 million, consisting of (1) repayment to bank overdraft and short-term loans from financial institutions (decreased) of Baht 50 million; (2) repayment to long-term loans from financial institutions of Baht 6 million; and (3) cash paid for liabilities occurred from financial lease agreement (decreased) of Baht 17 million.

6. Forward Looking

In Q1/2021 the COVID-19 pandemic situation continued to have great impact across the world. The situation in Thailand became more intensive from the second wave of outbreaks in December 2020 and the third wave at the end of March 2021, which has affected the economy, employment, and tourism. Uncertain conditions of the wider spread caused declined sales volume of the Company and its subsidiaries in a great extent. The Domestic Branded Business sales shrank primarily from general trade and food service channels. The overseas CMG customers and Export Branded Business were in difficult situation due to container shortages, extremely high container costs, natural disaster in Cambodia, and political unrest in Myanmar. The most important reason is much less purchasing power in both domestic and international markets.

Nevertheless, the Company has focused on monitoring the situation closely in order to be prepared and able to quickly adjust to the rapid changes especially on cash flow management. In 2021, we emphasize on increasing capacity utilization as our first priority. To prepare for this, in the past year the Company adjusted our strategy and continually equipped our readiness in vast areas to enable our capability to meet demand of both Malee brand and contract manufacturing clients. In late Q1/2021, the Company started producing products for new CMG customers and a positive trend of more purchase orders from existing and new customers continued to add up. Some of the prospective clients are in the process of business negotiation and some are in product trial run stage. We expect that these new products and new customers will enable us to expand our capacity utilization as targeted.

The Company is confident that potential sales growth and an increasing capacity utilization as currently seen together with our outstanding result from strict cost and expense reduction will lift up our profit, business performances, and competitiveness.