



No. FI202302-01

28 February 2023

Subject: Management Discussion and Analysis for the Year Ended December 31, 2022 and clarification of the operating result changed over 20% comparing 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 December 31, 2022 which changed over 20% comparing to the same period of last year, with the following details

(Unit: Thousand Baht)

Profit & Loss statement	Q4/2022	%	Q4/2021	%	Q3/2022	%	YoY%	QoQ%	2022	%	2021	%	YoY%
Total Revenue	1,089,508	105.6%	898,113	109.7%	1,356,628	106.0%	21.3%	-19.7%	4,899,505	107.3%	3,712,765	107.8%	32.0%
Revenue from selling goods	1,031,727	100.0%	818,720	100.0%	1,279,318	100.0%	26.0%	-19.4%	4,566,400	100.0%	3,444,160	100.0%	32.6%
Net gain from foreign exchange	22,354	2.2%	2,345	0.3%	-	0.0%	853.2%	100.0%	-	0.0%	-	0.0%	
Others income	35,427	3.4%	77,048	9.4%	77,310	6.0%	-54.0%	-54.2%	333,105	7.3%	268,605	7.8%	24.0%
Cost of goods sold	612,217	59.3%	497,604	60.8%	755,582	59.1%	23.0%	-19.0%	2,702,901	59.2%	2,089,127	60.7%	29.4%
Gross profit	419,509	40.7%	321,115	39.2%	523,736	40.9%	30.6%	-19.9%	1,863,499	40.8%	1,355,033	39.3%	37.5%
SG&A	284,143	27.5%	324,535	39.6%	376,693	29.4%	-12.4%	-24.6%	1,374,660	30.1%	1,083,813	31.5%	26.8%
Selling expenses	167,679	16.3%	237,896	29.1%	256,450	20.0%	-29.5%	-34.6%	982,881	21.5%	759,883	22.1%	29.3%
Administrative expenses	116,464	11.3%	86,639	10.6%	95,120	7.4%	34.4%	22.4%	383,270	8.4%	318,255	9.2%	20.4%
Net loss from foreign exchange	-	0.0%	-	0.0%	25,123	2.0%		-100.0%	8,510	0.2%	5,675	0.2%	50.0%
EBIT	193,148	18.7%	75,974	9.3%	224,353	17.5%	154.2%	-13.9%	821,944	18.0%	539,825	15.7%	52.3%
Finance costs	(617)	-0.1%	(625)	-0.1%	(531)	0.0%	-1.3%	16.2%	(2,285)	-0.1%	(2,516)	-0.1%	-9.2%
Reversal of impairment loss (TFRS 9)	797	0.1%	(530)	-0.1%	(412)	0.0%	-250.4%	-293.2%	(3,866)	-0.1%	(859)	0.0%	350.0%
Share of profit (loss) of associates and joint venture	(680)	-0.1%	(3,730)	-0.5%	(472)	0.0%	-81.8%	44.2%	344	0.0%	(20,235)	-0.6%	-101.7%
EBT	192,648	18.7%	71,089	8.7%	222,938	17.4%	171.0%	-13.6%	816,136	17.9%	516,215	15.0%	58.1%
Income tax expense	40,142	3.9%	14,069	1.7%	44,529	3.5%	185.3%	-9.9%	161,707	3.5%	105,980	3.1%	52.6%
Net profit(loss)	152,506	14.8%	57,020	7.0%	178,409	13.9%	167.5%	-14.5%	654,429	14.3%	410,235	11.9%	59.5%
Net profit(loss) of Parent Company	154,340	15.0%	55,381	6.8%	178,141	13.9%	178.7%	-13.4%	653,151	14.3%	410,814	11.9%	59.0%



Overall

Regarding the overall performance of Sappe Public Company Limited, consolidated revenue for year 2022 was Baht 4,899.5 million, the highest revenue since the company has established or increasing by 32.0% from the same period of last year. The increase was mainly derived from export market in Asia, Europe and Middle East where the company has expanded distribution channels through National Modern Trade outlets in several countries.

Cost of goods sold to revenue decreased by 1.5 pts. to 59.2%. Despite the fact that the company gained positive impact from depreciation of THB against USD, this benefit cannot be compensated by the increase of raw material costs. The major factor improving %COGS was the improvement of factory performance such as the increase of machine utilization rate, the reduction of production loss and well-managed manpower and overhead expenses.

Selling expenses and Administrative Expenses (excluding Net gain/loss from foreign exchange) was Bath 1,336.1 million, increasing by 26.7% from the last year at Bath 1,078.1 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 29.9% decreased from last year at 31.3% due to the improvement of spending's efficiency. In addition, container shortage situation has been unraveled leading to the lower logistic costs and lower other income from logistic service especially in Q4/2022. As a result, net profit – parent company for the year 2022 was at Baht 653.2 million, the highest profit since the establishment or increasing by 59.0% from the same period of last year at Baht 410.8 million.

For the overall performance of the company in Q4/2022, consolidated total revenue was Baht 1,089.5 million and the net profit – parent company was Baht 154.3 million or increasing by 21.3% and 178.7% respectively, comparing with the same period of last year.

Revenue from Selling Goods

The company reported its revenue from selling goods at Baht 4,566.4 million, increasing by 32.6% from last year. The revenue from selling goods in Q4/2022 was the highest quarterly revenue, compared with the fourth-quarter profit since the establishment at Baht 1,031.7 million or increasing by 26.0% YoY. However, the revenue from selling goods decreased -19.4% QoQ, compared with Q3/2022 due to the seasonal sales (Winter).



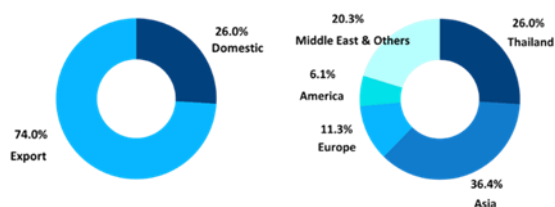
International sales were Baht 3,511.4 million, 57.2% YoY increase, becoming the new baseline. The significant growth was contributed by the expansion of sales channels through National Modern trade outlets in France and the other countries.

For the counties with high coverage in Asia such as Philippines, South Korea and Indonesia, the company launched the marketing campaigns, targeting Generation Z consumer, through Online platform, Loyalty Campaign, Metaverse platform (Zepeto), advertisement on BTS’s reality show as well as the Food Pairing campaign, communicated on Instagram and Facebook.

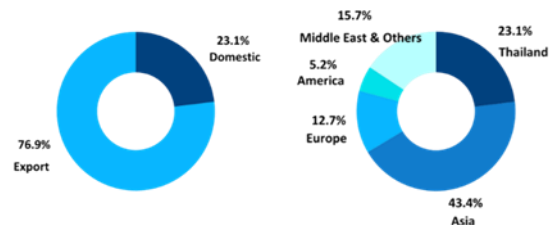
The best-selling products exported over 90 countries worldwide are Mogu Mogu, fruit juices with chewy nata de coco chunks, and Sappe Aloe Vera, fruit juices with chewy Aloe Vera chunks. Comparing to the same period of last year, sales in Europe, Asia and Middle East grew at +148.6%, +56.1% and 43.2% respectively. Despite the low season in the fourth quarter, the company still delivered a significant growth in Q4/2022, compared with Q4/202 as a result of strong demand. In 2023, the company foresees the growth from the increase in demand of both existing consumers through marketing campaigns and new consumers through channels expansion.

Domestic sales were Baht 1,055 million or 12.8% YoY decrease, due to both external & internal factors; unrecovered domestic consumption, limitation of production capacity, allocated to support high growth in export market, which aligned with the reduction of new product development (NPD) plan. However, the company foresees the recovery of the overall economy, hence the NPD plan in 2023 has been adjusted. In 2023, the company expects growth from both NPD plan in Q1 (over 20 SKUs) and from the focus on online marketing and e-Commerce channels, the high growth opportunities in the future.

Revenue from sale of goods in Q4/2022



Revenue from sale of goods in 2022





Cost of Goods Sold

The company recognized the rising cost of raw materials such as sugar, nata de coco chunks, and packaging materials, in particular the increasing cost of PET resin which was in line with the oil price. However, %COGS to revenue in year 2022 decreased by -1.5 pts., or 59.2%, comparing to the last year due to:

1. The increase of export sales contribution, where the percentage of operating market is higher than domestic sales.
2. The increase in sales contributed by the depreciation of THB against USD.
3. The increase in capacity utilization rate to support the high growth of export market.
4. Continuous improvement of production process such as efficient production planning design, human resource management, improving production yield, and reducing loss caused by the production process.
5. Investment projects to reduce production costs in several areas, such as installation of solar rooftop to save energy cost, use of machine learning for product quality control, and the replacement of manual processes with automation processes.

Selling Expenses

Selling expenses to the revenue was reported at 21.5%, lower than the same period of last year at 0.5 pts. due to the improvement of sales activities and marketing spending's efficiency including the lower sea freight costs since Q2/2022 which led to the lower logistic costs, and as well lower logistic service income from some customers who were able to seek sea freight service providers by themselves.

Administrative Expenses

The company reported administrative expenses at Baht 383.3 million or 8.4% of the revenue, slightly decreased from the same period of last year at 9.2% because the growth of revenue was higher than the growth of administrative expenses.

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

The Company realized total profit of Associates and Joint Venture at Baht 0.5 million, improved from last year. This resulted from profit realization of Danone-Sappe Beverages Co., Ltd. (25% shareholding) and WOPE Co., Ltd (60% shareholding) at Baht 1.4 million and 0.2 million and loss realization of M Intelligence Company Limited (16.2% shareholding) at Baht 1.2 million.



Net Profit (Loss) – Parent Company

The company reported net profit – parent company for the year 2022 at Baht 653.2 million (or 14.3% of the revenue), the highest profit since the establishment, which increased 59.0% YoY, compared with the last year at Baht 410.8 million.

For the net profit – parent company in Q4/2022, the company reported at Baht 154.3 million (or 15.0% of the revenue), also the highest fourth-quarter profit since the establishment, increasing 178.7% YoY compared with the same period of last year at Baht 55.4 million.

Sincerely Yours,

Sappe Public Company Limited

Ms. Piyajit Ruckariyapong

Chief Executive Officer