

TACC-015/2018

November 8, 2018

Subject: Management Discussion and Analysis for the Third Quarter ended September 30, 2018

To: Managing Director
The Stock Exchange of Thailand

T.A.C. Consumer Public Company Limited ("the company") would like to clarify the operating results for the third quarter ended September 30, 2018 as follows:

Revenues

Sales

In the 3rd quarter of 2018, the company achieved a revenue of 312.53 million Baht. This had an increase of 4.25 million Baht (1.38 %) from the 3rd quarter of 2017 (308.28 million Baht).

For sales in the nine-month period ended September 2018, the company achieved a revenue of 919.10 million Baht. This had a decrease of 2.27 million Baht (0.25%) from the same period of previous year (921.37 million Baht), due to the following reasons:

Sales growth from :

(A) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and launched a new seasonal flavor Menu and, (B) Cold Beverage in Dispenser (C) the launch of " Snowy Twist Donut" branded "A Smile". In addition, (E) Merchandise Licenses of the Characters.

Sales decrease from :

(F) in last year, the Company launched New product Mocktails since March 2017 and (G) the company launched energy drinks in Cambodia under brand "Jump Start" since January 2017 onwards and finally, (H) Decreasing Green tea ready to drink, for export sale came from an aggressive promotion of key competitors leading to Price War in the Green Tea market., so the Company has developed a plan to regain the volume.

Other income

In the 3rd quarter of 2018, the company had other income of 0.73 million Baht. This was increased by 37.93% from the 3rd quarter of 2017 (1.18 million Baht).

For sales in the nine-month period ended September 2018, the company achieved other income of 6.03 million Baht. This had an increase by 9.73 % from the same period of previous year (6.68 million Baht). Other income occurred from unrealized gain on short term of investment and interest income.

Cost of Sales

In the 3rd quarter of 2018, the company incurred expense of 216.73 million Baht in cost of goods sold (69.35% of sales) deriving 30.65% gross margin. For the 3rd quarter of last year, the company incurred expense of 216.31 million Baht in cost of sales (70.17 % of sales) or 29.83 % gross margin.

The cost of sales for the nine-month period ended September 2018 were 655.72 million Baht (71.34 % of sale) or 28.66 % gross margin. While the same period of previous year were 633.92 million Baht (68.80 % of sale) or 31.20 % gross margin. This increasing of cost of sales or decreasing of gross margin was due to 1) cost of sugar tax for non alcoholic drinks since November 2017. However, the company had developed new formulas with sweeteners, which were already developed and sold during in 2nd Quarter 2018, we found that the gross margin in 3rd quarter 2018 slightly increasing. In addition, 2) the effect from Price War in the Green Tea overseas market, so the company had to discount the selling price to compete with competitors. In sum, these mentioned reasons affected the lose of gross margin.

Selling Expenses

In the 3rd quarter of 2018, the company incurred an increase in selling expense by 7.21%, from 46.98 million baht for the 3rd quarter of 2017 to 50.37 million baht for the 3rd quarter of 2018. However, if it was compared with total revenues, the company incurred an increase the proportion by 0.90 %, from 15.18% of total revenues in 3rd quarter of 2017 to 16.08% of total revenues in the same period this year.

For the nine-month period ended September 2018, the company incurred a decrease in selling expense by 1.12%, from 145.79 million Baht for the nine-month period of 2017 to 144.16 million Baht for the nine-month period of 2018. However, if it was compared with total revenues, the company incurred a decrease the proportion by 0.13%, from 15.71% of total revenues in 3rd quarter of 2017 to 15.58% of total revenues in the same period this year. The majority of selling expenses came from sale promotion and advertising.

Administrative Expenses

In the 2nd quarter of 2018, the company incurred a decrease in administrative expense by 6.24 %, from 18.37 million Baht for the 2nd quarter of 2017 to 17.22 million Baht for the 2nd quarter of 2018.

For the nine-month period ended September 2018, the company incurred an increase in administrative expense by 1.60 %, from 49.11 million Baht for the nine-month period of 2017 to 49.89 million Baht for the nine-month period of 2018. This Administrative Expenses have been controlled by budget.

Finance Costs

In the 3rd quarter of 2018, the company derived a increase in finance cost of 43.04 %, from 0.08 million Baht in the 3rd quarter of 2017 to 0.11 million Baht this year.

For the nine-month period ended September 2018, the company derived an increase in finance cost of 67.86 %, from 0.22 million Baht in the nine-month of 2017 to 0.38 million Baht this year, as a result of a deferred interest for a financial lease.

Net Profit

In the 3rd quarter of 2018 and 2017, the company achieved 23.08 million Baht (7.37 % of sale) and 22.11 million Baht (7.14 % of sale) respectively. The Financial statements in which the equity method is applied, the company achieved 21.99 million Baht (7.02 % of sale), due to share of loss from investment in joint venture.

For the nine-month period ended September 2018 and 2017, the company achieved 60.25 million Baht (6.51% of sale) and 79.08 million Baht (8.52 % of sale) respectively. The decrease in net profit was driven by the decline of gross margin from the cost of sugar tax and by the discounted selling prices in Green Tea for export sales. The Financial statements in which the equity method is applied, the company achieved 58.95 million Baht (6.37 % of sale), due to share of loss from investment in joint venture.

Business Plan 2018 and 2019

The Company have plan to release new products in Quarter 4, 2018, that as sale plan in 2018 will less than target due to many competitors, so the company cannot sale as the business plan. However, The company expects the target of sales in 2019 grow at least 20 % from the previous year. Furthermore, the revenue growth from existing products and the new products of the company.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited

