

TACC-015/2019

November 7, 2019

Subject: Management Discussion and Analysis for the Third Quarter ended September 30, 2019

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, 2019 as follows:

Revenues

Sales

In the 3rd quarter of 2019, the company achieved a revenue of 367.64 million Baht. This had an increase of 55.11 million Baht (17.64 %) from the 3rd quarter of 2018 (312.53 million Baht).

For sales in the nine-month period ended September 2019, the company achieved a revenue of 1,122.99 million Baht. This had an increase of 203.89 million Baht (22.18%) from the same period of previous year (919.10 million Baht), due to the following reasons:

Sales growth from :

(A) Cold Beverage in Dispenser, increase with new outlets and new flavors (B) increase in number of outlets of All Café (a fresh coffee corner within the 7-Eleven store) where the non – coffee products and series of new seasonal flavors were sold and, (C) Licenses of the Characters Business.

Sales decrease from :

(D) The cancellation of the sale of bakery under brand "a smile" since June 2019 and sourcing new manufacturer (E) Decreasing Green tea ready to drink, for export sale came from an aggressive promotion of key competitors, and the company apply cash sale to reduce risk from account receivables.

Other income

In the 3rd quarter of 2019, the company had other income of 3.06 million Baht. This was increased by 317.60% from the 3rd quarter of 2018 (0.73 million Baht).

For sales in the nine-month period ended September 2019, the company achieved other income of 6.60 million Baht. This had an increase by 9.41 % from the same period of previous year (6.03 million Baht), due to unrealized gain on short term of investment and interest income.

#### Cost of Sales

In the 3rd quarter of 2019, the company incurred expense of 252.98 million Baht in cost of goods sold (68.81% of sales) deriving 31.19% gross margin. For the 3rd quarter of last year, the company incurred expense of 216.73 million Baht in cost of sales (69.35 % of sales) or 30.65 % gross margin.

The cost of sales for the nine-month period ended September 2019 were 778.69 million Baht (69.34 % of sale) or 30.66 % gross margin. While the same period of previous year were 655.72 million Baht (71.34 % of sale) or 28.66 gross margin. The cost of sales increased in the same way of sales, and increase in less portion of sale increase. So it seem that this decreasing of cost of sales or decreasing of gross margin was due to (a) the company had developed new formulas with sweeteners and sold since in 2nd Quarter 2018, therefore resulting in gross profit for the nine-month period ended September 2019, with a higher gross profit compared to nine-month period ended September 2018. In addition, (b) increase in portion sale of products

#### Selling Expenses

In the 3rd quarter of 2019, the company incurred a decrease in selling expense by 6.75%, from 50.37 million baht for the 3rd quarter of 2018 to 46.97 million baht for the 3rd quarter of 2019. However, if it was compared with total revenues, the company incurred a decrease the proportion 12.67% and 16.08% of total revenues in 2019 and 2018, in respectively.

For the nine-month period ended September 2019, the company incurred an increase in selling expense by 1.71%, from 144.16 million Baht for the nine-month period of 2018 to 146.61 million Baht for the nine-month period of 2019. However, if it was compared with total revenues, the company would incur a decrease the proportion by 12.98% and 15.58% of total revenues in 2019 and 2018, in respectively. The majority of selling expenses came from sale promotion and advertising.

#### Administrative Expenses

In the 3rd quarter of 2019, the company incurred an increase in administrative expense by 2.19%, from 17.22 million Baht for the 3rd quarter of 2018 to 17.59 million Baht for the 3rd quarter of 2019.

For the nine-month period ended September 2019, the company incurred an increase in administrative expense by 9.61 %, from 49.89 million Baht for the nine-month period of 2018 to 54.6 9 million Baht for the nine-month period of 2019. This Administrative Expenses have been controlled by budget.

Loss on disposal of investment in joint venture

For the nine-month period ended September 2019, The Company had recognized loss on disposal of investment in joint venture of Baht 5.2 million in the separate financial.

Finance Costs

In the 3rd quarter of 2019, the company derived a decrease in finance cost of 7.05% , from 0.11 million Baht in the 3rd quarter of 2018 to 0.10 million Baht this year.

For the nine-month period ended September 2019, the company derived a decrease in finance cost of 22.61 % , from 0.38 million Baht in the nine-month of 2018 to 0.29 million Baht this year, as a result of a deferred interest for a financial lease.

Net Profit

In the 3rd quarter of 2019 and 2018, the company achieved 41.35 million Baht (11.16 % of sale) and 23.07 million Baht (7.37 % of sale) respectively.

For the nine-month period ended September 2019 and 2018, the company achieved 114.49 million Baht (10.14% of sale) and 60.25 million Baht (6.51% of sale) respectively. The increase in net profit was driven by the increase of (a) gross margin from decline of the cost of sugar tax (b) increase in portion sale of products mix and (c) control selling and admin expense.

Business Plan 2019

The company sets the 2019 target to grow around 15% VS precious year, which would be derived mainly from value creation to the existing portfolio and launches of new products in the high growth and potential markets.

Sincerely yours,



Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

T.A.C. Consumer Public Company Limited

