

TACC-016/2020

August 6, 2020

Subject: Management Discussion and Analysis for the Second Quarter ended June 30, 2020

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 second quarter ended June 30, 2020 as follows:

Revenues

Sales

In the 2nd quarter of 2020, the company achieved a revenue of 321.44 million Baht. This had a decrease of 80.91 million Baht (20.11%) from the 2nd quarter of 2019 (402.35 million Baht).

For sales in the six-month period ended June 2020, the company achieved a revenue of 649.60 million Baht. This had a decrease of 105.75 million Baht (14.00%) from the same period of previous year (755.35 million Baht), due to COVID-19, that impact economics and effect sale decreased. However the company have growth revenue from (A) 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, (B) increase in Co-develop new products B2B.

Other income

Other income were consist of Interest income, Gain on exchange rate and other income. In the 2nd quarter of 2020, the company had other income of 1.16 million Baht. This was decreased by 36.61% from the 2nd quarter of 2019 (1.83 million Baht).

Other income were consist of Interest income, Gain on exchange rate and other income. For sales in the six-month period ended June 2020, the company achieved other income of 3.66 million Baht. This had an increase of 0.12 million Baht (3.39%) from the same period of previous year (3.54million Baht). (Other income came from interest income and unrealized gain on exchange rate).

Cost of Sales

In the 2nd quarter of 2020, the company incurred expense of 211.44 million Baht in cost of goods sold (65.78% of sales) deriving 34.22% gross margin. For the 2nd quarter of last year, the company incurred expense of 277.14 million Baht in cost of sales (68.88% of sales) or 31.12% gross margin.

The cost of sales for the six-month period ended June 2020 were 429.43 million Baht (66.11% of sale) or 33.89% gross margin. While the same period of previous year were 525.70 million Baht (69.60 % of sale) or 30.40 % gross margin. The gross margin increase was due to increasing in portion sale of products mix from the company have developed cost of products.

Selling Expenses

In the 2nd quarter of 2020, the company incurred a decrease in selling expense by 45.13%, from 56.86 million baht for the 2nd quarter of 2019 to 31.19 million baht for the 2nd quarter of 2020. However, if it was compared with total revenues, the company would incur a decrease the proportion by 4.40%, from 14.07% of total revenues in 2nd quarter of 2019 to 9.67% of total revenues in the same period this year.

For the six-month period ended June 2020, the company incurred a decrease in selling expense by 26.79%, from 99.65 million Baht for the six-month period of 2019 to 72.95 million Baht for the six-month period of 2020. However, if it was compared with total revenues, the company would incur a decrease the proportion by 1.96%, from 13.13% of total revenues in 2nd quarter of 2019 to 11.17% of total revenues in the same period this year. The majority of selling expenses came from sale promotion and advertising. The Selling Expenses decrease was due to the company control the expenditure of sale promotion and advertising both domestic and oversea.

Administrative Expenses

The Administrative Expenses were consist of Administrative expense, Loss on exchange and Impairment loss on investment in joint venture. In the 2nd quarter of 2020, the company incurred a decrease in administrative expense by 11.83%, from 23.58 million Baht for the 2nd quarter of 2019 to 20.79 million Baht for the 2nd quarter of 2020.

The Administrative Expenses were consist of Administrative expense, Loss on exchange and Impairment loss on investment in joint venture. For the six-month period ended June 2020, the company incurred a decrease in administrative expense by 9.90%, from 42.31 million Baht for the six-month period of 2019 to 38.12 million Baht for the six-month period of 2020. This decrease came from impairment of investment in Joint venture – Siam Gate Way and unrealized loss from exchange rate.

Finance Costs

In the 2nd quarter of 2020, the company derived an increase in finance cost of 244.44%, from 0.09 million Baht in the 2nd quarter of 2019 to 0.31 million Baht this year.

For the six-month period ended June 2020, the company derived an increase in finance cost of 221.05%, from 0.19 million Baht in the six-month of 2019 to 0.61 million Baht this year, as a result of a deferred interest for a financial lease.

Net Profit

For Separate financial statements, in the 2nd quarter of 2020 and 2019, the company achieved 47.77 million Baht (14.81% of sale) and 37.30 million Baht (9.23 % of sale) respectively.

For the six-month period ended June 2020 and 2019, the company achieved 90.41 million Baht (13.84% of sale) and 73.14 million Baht (9.64 % of sale) respectively. The increase in net profit was driven by the increase of gross margin in portion sale of products mix, and developed costing and operation efficiency.

Business Plan 2020

The company expect sale target through 2020 to be stable and may be decreased from previous year, due to the impact of Covid-19 that has effected the economy slow down until the end of the year. In the situation from applied "The New normal" in their businesses such as education sector, tourism sector etc. These have affected sales decline. However, the company has emphasized a strategy to maintain profits by 1) Focusing on selling high margin products, 2) Increasing operation efficiency and continuously developing costs, and 3) Launching more new products and Co-develop products in B2B to create value for products.

Sincerely yours,



Mr. Chatchawe Vatanasuk

Chairman of the Executive Committee

T.A.C. Consumer Public Company Limited

