

TACC-010/2019

May 9, 2019

Subject: Management Discussion and Analysis for the First Quarter ended March 31, 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 first quarter ended March 31, 2019 as follows:

Revenues

Sales

In the 1st quarter of 2019, the company achieved a revenue of 352.99 million baht. This had an increase of 70.97 million baht (25.17%) from the 1st quarter of 2018 (282.02 million baht), due to the following reasons:

Sales growth factors :

- (A) Cold Beverage in Dispenser
- (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 factor :

- (D) In 2018, Sales of Zenya R-T-D Green tea has been halted due to an aggressive promotion of key competitors leading to Price War in the market, so the Company has been studying to reentry Cambodia market. So the company have reentry in February 2019 for regaining in revenue to achieve the business plan.

Other income

In the 1st quarter of 2019, the company had other income of 1.71 million baht. This was increased by 35.63% from the 1st quarter of 2018 (1.26 million baht), due to gain on investment. (Other income came from unrealized gain on short term of investment, interest income).

Cost of Sales

In the 1st quarter of 2019, the company incurred 248.56 million baht in cost of goods sold (70.41% of sales) or 29.59% gross margin. Comparing to the last year's 1st quarter, the company incurred 209.85 million baht in cost of sales (74.41% of sales) or 25.59% gross margin. The gross margin increase was due to (a) the company had developed new formulas with sweeteners and sold since in 2nd Quarter 2018, we found that the gross margin in 3rd quarter 2018 started increasing. So the gross margin in 1st quarter 2019 was more than 1st quarter 2018. In addition, (b) increase in portion sale of products mix

Selling Expenses

In the 1st quarter of 2019, the company incurred an increase in selling expenses by 11.13%, from 38.50 million baht (1st quarter of 2018) to 42.79 million baht (1st quarter of 2019). This increase came from sales promotions, and advertising. However, if it was compared with total revenues, the company had the proportion 12.06% of total revenues in 1st quarter 2019, while 1st quarter 2018 was 13.59% of total revenues.

Administrative Expenses

In the 1st quarter of 2019, the company incurred an increase in administrative expense by 20.77 %, from 15.51 million Baht for the 1st quarter of 2018 to 18.73 million Baht for the 1st quarter of 2019. This increase came from unrealized loss from exchange rate and employee expenditure.

Finance Costs

In the 1st quarter of 2019, the company derived a decrease in the finance cost of 31.19%, from 0.13 million baht in the 1st quarter of 2018 to 0.09 million baht this quarter, as a result of a deferred interest for a financial lease. Therefore, the liabilities under the financial lease in the statement of financial position had decreased in accordance.

Net Profit

In the 1st quarter of 2019, the company's net profit was 35.84 million baht (10.10% of sales), which increased by 20.32 million baht (130.84%) from the previous year (15.52 million baht or 5.48% of sales). 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 previous 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

