



February 24, 2021

**Subject:** Explanation of the operating results for the year 2020 ended December 31, 2020

**To:** Director & Manager  
The Stock Exchange of Thailand

MK Restaurant Group Public Company Limited ("the company") and its subsidiaries are pleased to submit herewith the explanation of the operating results for the year 2020 ended December 31, 2020 as follows:

**Revenues from Sales and Services**

For the year 2020, the Company and its subsidiaries recorded revenues from sales and services of Baht 13,361 million, dropped by Baht 4,048 million or a decrease of 23.3% as compared to last year. The decrease was mainly because the outbreak of the Coronavirus disease 2019 (COVID-19) in Thailand has continued to spread rapidly and widely and the government implemented various measures in order to prevent the disease spreading. During end of March until mid of May 2020, the restaurants were allowed to sell take-away only; as a result, the revenue from sales and services dropped significantly. Although, the revenues from take-away and home delivery considerably increased, it was not enough to offset the dine-in sales. The restaurants were allowed to sell dine-in again since May 17, 2020, however, the seating was required the social distancing and the restaurants were closed earlier than usual according to the measures from the government. Therefore, the revenues were slightly improved. Starting from June 2020, some measures were relaxed including the extension of operating hours, therefore, the revenues were continuously improved. However, the revenues were still lower than those before the outbreak. In addition, in December 2020, COVID-19 was continued to spread again and the dine-in services were closed down for some branches located in the areas where the outbreak was quite severe. Most people were concerned about the outbreak and avoid eating out as well as no celebration during the New Year festival.

For the fourth quarter of 2020, revenues from sales and services was Baht 3,604 million, decreased 19.6% from the same period of last year due to the resurgence of the outbreak as mentioned above.

**Gross Profit**

Gross profit represents the difference between revenues from sales and services and costs of sales and services which included food costs and transportation and warehousing costs. For the year 2020, gross profit of the Company and its subsidiaries amounted to Baht 8,784 million, or down by 26.4% year-on-year. Gross profit as a percentage of revenues from sales and services also decreased from 68.5% for the year 2019 to 65.7% for the year 2020. The decrease of gross profit as a percentage of revenues from sales and services was due largely to the marketing promotion for online channel in order to boost on-line sales to compensate the dine-in sales during the period that the dine-in was not allowed. Moreover, the marketing promotion for on-line channel was also continued through the year in order to maintain the growth momentum for this channel.

Gross profit of the Company and its subsidiaries for the fourth quarter of 2020 amounted to Baht 2,391 million, or dropped by 21.8% year-on-year. Gross profit as a percentage of revenues from sales and services also dropped from 68.2% for the fourth quarter of 2019 to 66.3% for the same period of 2020.

### **Selling and Administrative Expenses**

Selling and administrative expenses consist mainly of employee expenses, rents, utilities, advertising and sales promotion, restaurant supplies, depreciation and amortization. Selling and administrative expenses of the Company and its subsidiaries decreased from Baht 9,183 million for the year 2019 to Baht 7,947 million for this year, or down by 13.5% year-on-year since the Company implemented several actions such as rent negotiation with landlord, implementation of leave without pay scheme for all staffs and cut down marketing budget in order to cope with the decline of revenues. However, Selling and administrative expenses as a percentage of total revenues increased from 51.8% for the year 2019 to 58.3% for the year 2020, owing mainly to the huge drop of revenues from sales and services while most of the expenses did not drop as much as revenues from sales and services.

Selling and administrative expenses for the fourth quarter of 2020 amounted to Baht 2,098 million, or dropped by 10.8% year-on-year. However, selling and administrative expenses as a percentage of total revenues increased from 51.5% for the fourth quarter of 2019 to 57.0% for the same period of 2020 due to the reasons mentioned above.

### **Financial Cost**

The Company and its subsidiaries recorded the financial cost of Baht 73 million for the year 2020 and Baht 19 million for the fourth quarter of 2020 which were the interest expenses from the lease liabilities due to the adoption of TFRS16.

### **Net Profit**

As a result of the various factors which affected the operating results of the Company and its subsidiaries as mentioned above, net profit of the Company and its subsidiaries decreased from Baht 2,604 million for the year 2019 to Baht 907 million for the year 2020, decreased by Baht 1,696 million or a decrease of 65.1%.

Net profit of the Company and its subsidiaries for the fourth quarter of 2020 amounted to Baht 349 million, representing a decrease of Baht 307 million or down by 46.7% as compared to the same period of last year.

Yours sincerely,

(Mrs. Sudarut Patvivatsiri)

Chief Financial Officer

MK Restaurant Group Public Company Limited