

Q&A from Opportunity Day event on August 23, 2023

Sabina Public Company Limited

Question 1 Cost of staff in Q2 is higher than Q1 26 million baht, I would like to know the reason and whether it would reduce in the future or will the cost in Q2 will be the new normal?

Answer Part of the reason is because we have begun to combine the cost of MODA into the Company's budget in Q2.

Question 2 Why are we confident that we will be successful in the Philippines? How are we superior to Triumph, which is the market leader? Are our prices cheaper or more expensive than Triumph in the Philippines?

Answer We see an opportunity to start growing in the Philippines because our target market is different from Triumph's. Our products are cheaper to capture the mass market.

Question 3 What is the trend of operations in the second half of the year, and will there be another braless marketing campaign like at the beginning of the year?

Answer This has been answered at the Opportunity Day.

Question 4 Sourcing's GPM decreased (1H '22 = 56.7% but 1H '23 = 54%), what is the cause? Did the sub-contractor's price increase?

Answer We modify products at Sourcing to sell to customers according to each period. (Cost, price according to each target group)

Question 5 In the past, when launching into the Thai market, we captured the Cup A target market and used Doomm Bra to break into the Thai market until we became known. I would like to ask whether, for the Philippines market, the executives now have a way to penetrate this market or have the knowledge of consumer behavior that can create awareness for our brand?

Answer In the Philippines, there is not yet a brand that is a clear market leader like in Thailand, so we see an opportunity to start growing in the Philippines and it is a good thing that consumer behavior is similar to Thailand.

Question 6 What are the plans for next year's growth and what are the future growth plans for the next 3–5 years?

Answer This has been answered at the Opportunity Day.

Question 7 What is the plan to reduce expenses and how much is expected to be reduced?

Answer This has been answered at the Opportunity Day.

Question 8 Why were the company's OEM sales in Q2/23 65% negative QoQ, even though overall Thai lingerie exports in May were only 30% in the negative? I would like to know if it's a matter of losing market share to competing brands or not.

Answer This has been answered at the Opportunity Day.

Question 9 Why are sales and administrative expenses growing YoY even though revenue YoY is the same?

Answer This has been answered at the Opportunity Day.

Question 10 How much is the estimated income from MODA in the Philippines 1H23? And how is the progress and expansion of the business in the Philippines?

Answer This has been answered at the Opportunity Day.

Question 11 How will a minimum wage increase affect a company's GPM?

Answer It is expected that the minimum wage increase will follow a ladder in each area, unlike in the past when it was raised all over the country. The company prepared measures on various sides to reduce the impact that may occur when the minimum wage is adjusted to the point where we can control costs and expenses.

Question 12 What % market share does Sabina have in Thailand? And what is the market size of non-branded and branded products in Thailand?

Answer This has been answered at the Opportunity Day.

Question 13 Will SG&A to sales expenses for the second half of the year increase from the first half? And at what SG&A target is the management looking.

Answer This has been answered at the Opportunity Day.

Question 14 I would like to know if the management thinks that the number of employees is sufficient, or do you think there is a need to recruit more in any part?

Answer This has been answered at the Opportunity Day.

Question 15 What are the reasons for the drop in OEM revenue? What is the trend like for the second half of the year? And when will it start to recover?

Answer This has been answered at the Opportunity Day.

Question 16 The proportion of own production has increased to 44%, is this due to the good sales of seamless bras? I would like to know what strategic plan you have laid for the future. Can GPM continue to stand?

Answer This has been answered at the Opportunity Day.

Question 17 I would like to know the viewpoint of whether the Company is still confident that the revenue growth target will remain at 10–15% since 1H23 seemed to grow only around 10%? And what do you think the worst case would be?

Answer This has been answered at the Opportunity Day.

Question 18 Regarding the OEM exports that the company expects to improve by the end of Q3, is the company expecting to return to the 100-million-baht level as in 1Q23? Why? Why not?

Answer We expected to improve in Q4 but did not get back 100% due to economic conditions in Europe still not recovering.

Question 19 I would like you to tell me more about MODA, and whether GPM, SG&A, and NPM are going to go as planned, since I saw that the company opened 38 new branches already (33 branches in 2022). I'm not sure, was this because the response was good? What will % growth be at the close of the year and I would like to know the number of SSSG in the Philippines as well.

Answer As for GPM, SG&A NPM is still on track and some parts are better than expected. As for growth and SSSG, it is expected that at the end of the year it will be in double digits.

Question 20 Do you have a plan to increase the sales of Outer Wear and how will it be in the future?

Answer This has been answered at the Opportunity Day.

Question 21 SG&A Q2 more than Q1, why?

Answer It comes from recording the advertising budget used in Q1 but actually paid in Q2.

Question 22 What are the positive factors in the second half of the year?

Answer Tourists continue arriving, economic stimulus measures, rainfall volume of the year.

Question 23 Does the company have the ability to adjust prices with customers?

Answer The company has increased the price of products in the newly released collections.

Question 24 What are your plans to expand branches overseas next year, especially in the Philippines? And in the next 5 years, what percentage of the total income does the company expect to earn from abroad?

Answer In ASEAN countries, we use distributors and assist them in the form of coaching, except in the Philippines where we decide to M&A.

Question 25 When does Khun Boonchai plan to retire? Do you have a successor plan, including IR positions?

Answer This has been answered at the Opportunity Day.

Question 26 How are the orders and sales from July until now?

Answer It is going as planned.

Question 27 What are the measures for inventory management?

Answer This has been answered at the Opportunity Day.

Question 28 What are the supporting factors that will result in the profit in Q3 of 2023 growing to new heights (more than 117-million-baht growth)?

Answer This has been answered at the Opportunity Day.

Question 29 I would like to know your viewpoint. Between the COVID crisis and the economic problems, which crisis does the management think affects the business more and why?

Answer We think it is COVID-19 because with economic problems, it is still possible to make forecasts based on various economic statistics, while for the COVID-19 crisis, we couldn't predict the severity of the situation or when it would occur.

Question 30 To what extent does the Company think it can take shares from other brands? Around which year do you think the company can rise to be the no. 1 brand in Thailand? And would it be difficult to steal shares from the non-brand market share since it is a price-sensitive group?

Answer We plan to continue to grow rather than being proactive in stealing shares from other brands. Regarding the non-brand market, we have produced more Mass Market products.

Question 31 The company's products are mainly popular among tourists from which countries?

Answer Middle East countries.

Question 32 How many factories are there in foreign sourcing and what country is most of them imported from? And how did we find connections to contact those sub-contractors?

Answer Most of them are imported from China and Vietnam. Most sub-contractors used to be our competitors while we do OEM 90%, so we know the capability of that factory.

Question 33 Why didn't we penetrate the Vietnamese market as seriously as we did with the Philippines?

Answer Vietnam still uses dealers, so we don't have full power to change things.

Question 34 The 2% lingerie market in Thailand, is it likely to increase or would it remain at the same level?

Answer This has been answered at the Opportunity Day.

Question 35 When we collaborate with other brands, do we use revenue sharing or is it a licensing fee?

Answer Both, depending on the collection.

Question 36 In manufacturing in Thailand and exporting to foreign countries, will this cause the company to be disadvantaged in terms of high cost compared to local competitors?

Answer Overall, they are similar due to the high bargaining power of material purchases.

Question 37 The number of stores in Vietnam has decreased considerably compared to the early years. I want to ask what is the cause and what is the situation now?

Answer We evaluate each store by using P/L. Shops that started to be unprofitable will be closed, and now the situation is starting to return in a positive direction.

Question 38 I have heard Khun Boonchai talking about the theory of croissants and muffins that focus on high margin sales. However, I'm not sure if we are now switching to a Uniqlo model that captures the mass market more easily but with lower margins?

Answer We use both models. We use OEM for high margin products, while Uniqlo models are used with some of our brands.

Question 39 Does the company plan to launch a fighting brand to compete with non-brand products? Or use the Sabina brand in direct competition?

Answer The company has no plans to launch a fighting brand, but we will compete with products at mass market price.

Question 40 Apart from the Philippines, do you have any plans to focus on other markets? Or do you prefer to focus only on the Philippines for now and then follow by focusing on other countries?

Answer We already have dealers in ASEAN countries at the same time.

Question 41 What is the SABINA promise?

Answer Customer satisfaction is our ultimate goal.

Question 42 In the opinion of the management, what is the reasonable proportion of machines to employees?

Answer Since we are a product that requires people to produce in a large part, machines are not yet usable in every production process, thus requiring more employees than machines.

Question 43 What is the NPM target at the end of 2023? Is it much better than 13.3% 1H23?

Answer This has been answered at the Opportunity Day.

Question 44 Is Sabina interested in opening a branch in a gas station?

Answer Thank you for your advice.

Question 45 Is there a strategy to increase sales to ride with the new government's 10,000-baht cryptocurrency?

Answer The company plans to prepare the registration of eligible stores.