



Ref. FN. 023/2018

Management Discussion and Analysis
For operation of the first quarter of year 2018

FN Factory Outlet Public Company Limited was founded in 2000 and has been operated the outlet business, featuring both house brand and other brand products. To date, the Company has 10 outlets (Phetchaburi, Kanchanaburi, Pattaya, Pak Chong, Sing Buri, Hua Hin, Sriracha, Phra Nakorn Sri Ayutthaya, Hat Yai and Chachoengsao branch).

Industry Overview

The retail industry in 2018 is expected to grow but at moderate level since the purchasing power of middle and low income consumers, who are the main customers, has been pressured by high household debt. Therefore, spending expenses are carefully controlled. Notwithstanding, the entrepreneurs in retail industry have to adjust themselves to increase the purchasing power.

Performance Analysis

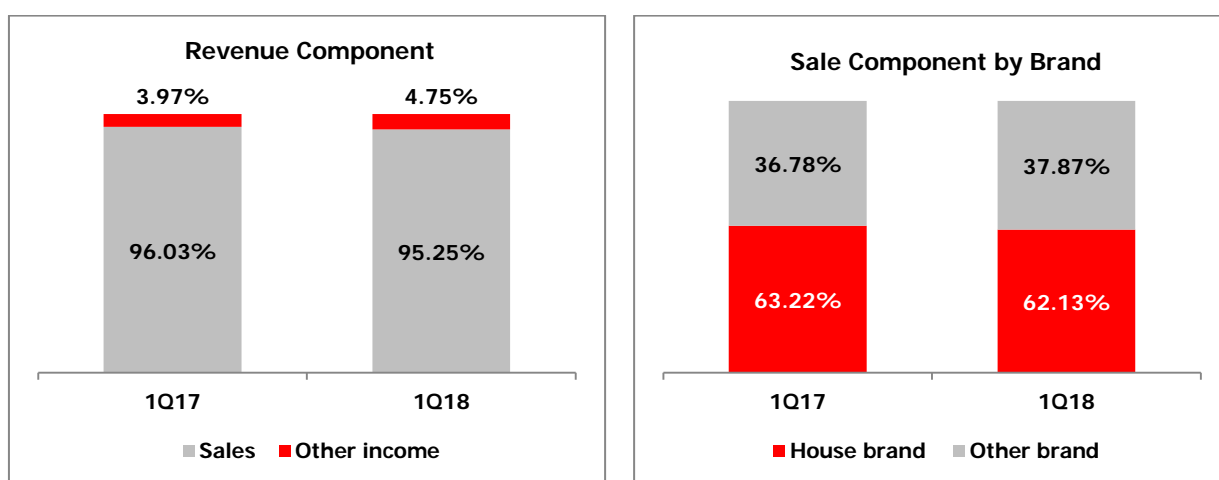
Unit : MB	For the period ended			
	31 March 2018	31 March 2017	Change	
			MB	%
Net sales	261.84	255.90	5.94	2.32
Other income	13.06	10.57	2.49	23.56
Total revenues	274.90	266.47	8.43	3.16
Cost of goods sold	151.91	146.56	5.35	3.65
Selling and administrative expenses	105.32	91.74	13.58	14.80
- Selling expenses	49.09	39.83	9.26	23.25
- Administrative expenses	56.23	51.91	4.32	8.33
Earnings before interest and taxes (EBIT)	17.67	28.17	(10.50)	(37.27)
Financial costs	0.04	0.04	-	-
Income tax expenses	1.86	5.46	(3.60)	(65.93)
Net profit	15.77	22.68	(6.91)	(30.46)

Earnings before interest, taxes, depreciation and amortization (EBITDA)	33.64	41.45	(7.81)	(18.84)
<i>Depreciation and amortization</i>	15.96	13.27	2.69	20.27

Key financial ratios (%)	For the period ended		
	31 March 2018	31 March 2017	Change (%)
Gross profit margin	41.99	42.73	(0.74)
Selling and administrative expenses to total revenues	38.31	34.43	3.88
Net profit margin	5.74	8.51	(2.77)

1. Total revenues

Total revenues of 1Q18 represented Baht 274.90 million, increased by 3.2% YoY as a result of increase in sales by 2.3% and other income by 23.5%.



The increment of 1Q18 sales was attributable to the sales increase since the end of February 2018. In addition, the Company arranged more marketing events than prior year such as “FN Fair” at head office and “FN Thank you sale” at branches.

The sales proportion in 1Q18 has been increased from other brand, representing 37.87% compared with 36.78% in 2017 because the Company changed product proportion by increasing brandname sales to attract the customers. Nevertheless, the Company plans to increase sales by adding more distribution channels such as online, TV Home Shopping, participation in Trade Fair, B2B sales, etc.

In the first quarter of 2018, other income increased by 23.5% YoY, representing 4.75% of total revenues compared with 3.97% in 2017. This was mainly driven by more rental income in existing and new branches together with gain on redemption of partial investment. The Company targets to increase its income from rental and service fees from expanding rental areas in existing branches and new outlets in the future.

2. Cost of goods sold and gross profit

The Company arranged more marketing events in the first quarter of 2018 than prior year such as “FN Fair” at head office and “FN Thank you sale” at branches. The Company efforts to carefully control promotion expenditure. Thus, 1Q18 gross profit margin represented 41.99%, relatively steady compared to previous period.

3. Selling and administrative expenses

Selling and administrative expenses for 1Q18 were Baht 105.32 million, increased from 2017. The increase was mainly due to the expenses of new outlets (i.e. Hat Yai and Chachoengsao branch) and marketing expenses related to marketing activities.

4. Net profit and net profit margin

1Q18 net profit was Baht 15.77 million, representing the net profit margins of 5.74% as a result of the gradually risen in sales since late 1Q18 couple with the increase in operating expense. Notwithstanding, the Company highly focuses and concentrates on branch expansion, products sourcing and development together with other channels expansion in order to response and attract customers together with the effort to manages and efficiency controls the expenses.

Financial Position Analysis

Unit : MB	As at 31 March 2018	As at 31 December 2017	Change	
			MB	%
Cash and cash equivalents	137.42	124.63	12.79	10.26
Current investment	260.65	252.71	7.94	3.14
Inventories	340.63	349.04	(8.41)	(2.41)
Property, plant and equipment	839.39	838.14	1.25	0.15
Other assets	71.17	58.26	12.92	22.17
Total assets	1,649.26	1,622.78	26.48	1.63
Accounts payable	105.86	98.72	7.14	7.23
Other liabilities	37.27	32.79	4.48	13.66
Total liabilities	143.13	131.51	11.62	8.83
Total shareholders' equity	1,506.14	1,491.26	14.87	1.00
Total liabilities and shareholders' equity	1,649.26	1,622.78	26.49	1.63

1. Assets

The Company's total assets as at 31 March 2018 were Baht 1,649.26 million, increased YoY mainly from an increase of cash and cash equivalent and current investment of Baht 20.73 million. Moreover, there was increase in other assets of Baht 12.92 million from the increase in accounts receivable – credit card and deposit for goods. However, inventories decreased by Baht 8.41 million as a result of enhanced effectiveness of the inventory management and the control of purchase orders at an appropriate level.

2. Liabilities

As at 31 March 2018, the Company's liabilities totaled Baht 143.13 million, rose by Baht 11.62 million or 8.83% from 2017 mainly from an increase in accounts payable of Baht 16.28 million from purchasing goods to support in marketing events in 1Q18. In addition, there was decrease in accrued expenses of Baht 5.43 million as the Company repaid the accrued expenses.

3. Shareholders' equity

As at 31 March 2018, the Company's shareholders' equity was Baht 1,506.14 million, increasing by Baht 14.87 million or 1.00% from 2017, mainly due to the 1Q18 net profit of Baht 15.77 million.

Cash Flow Statement Analysis

หน่วย: ล้านบาท	For the period ended		Change	
	31 March 2018	31 March 2017	MB	%
Cash flow from operating activities	42.19	51.27	(9.08)	(17.71)
Cash flow used in investing activities	(29.12)	(59.18)	30.06	(50.79)
Cash flow used in financing activities	(0.03)	(0.01)	(0.02)	(200.00)

1. Cash flow from operating activities

The Company's net cash flow from operating activities was Baht 42.19 million, decreasing by Baht 9.08 million or approximately 17.71% from the decreasing in operating profit.

2. Cash flow used in investing activities

The Company had cash outflow from investing in fixed assets totally of Baht 21.59 million and additional of current investment of Baht 210.00 million, whereas the Company had cash inflow from redemption of partial investment of Baht 202.58 million. For those reasons, the Company had net cash flow used in investing activities of Baht 29.12 million.

3. Cash flow used in financing activities

The Company had a cash outflow from financing activities of Baht 0.03 million as a result of financial lease payment.

Key Financial Ratio Analysis

	For the period ended 31 March 2018	For the year ended 31 December 2017	Change	Reason
Liquidity Ratio (x)	6.37	6.80	(0.43)	The increase in accounts payable.
Quick Ratio (x)	3.35	3.47	(0.12)	
Return on Equity (%)	5.30	5.83	(0.53)	The decrease in 1Q18 net profit.
Debt-to-Equity Ratio (x)	0.10	0.09	0.01	Slightly increase from incremental in account payable.

For more information, please contact:

Boontharika Boonkhum, Investor Relations

Tel: 02-300-4807, E-mail: boontharika@fnoutlet.com