

AFTER YOU

EST. 2007  
Bangkok



**After You  
Public Company Limited**

Management Discussion & Analysis

**YE 2019**

# Executive Summary



Operating highlight in Q4/2019	Q4/18	Q4/19	Change +/-)	2018	2019	Change +/-)
(THB million)			YoY			YoY
Operating Revenue	251	283	13%	871	1,194	37%
Gross Profit	162	181	12%	582	773	33%
EBITDA	76	78	3%	237	362	53%
<b>Net Profit for the Company</b>	<b>49</b>	<b>50</b>	<b>2%</b>	<b>147</b>	<b>237</b>	<b>61%</b>
<b>Gross profit margin (%)</b>	<b>64.5 %</b>	<b>64.0 %</b>	<b>(0.5%)</b>	<b>66.8%</b>	<b>64.7 %</b>	<b>(2.1%)</b>
<b>EBITDA margin (%)</b>	<b>29.9 %</b>	<b>27.2 %</b>	<b>(2.7%)</b>	<b>26.9%</b>	<b>30.0 %</b>	<b>3.1%</b>
<b>Net profit margin (%)</b>	<b>19.3 %</b>	<b>17.4 %</b>	<b>(1.9%)</b>	<b>16.7%</b>	<b>19.7%</b>	<b>3.0%</b>
<b>Number of branches as at Dec 31</b>	<b>32</b>	<b>38</b>	<b>19%</b>	<b>32</b>	<b>38</b>	<b>19%</b>



## 2019 Key Financial Highlights

### Revenue

- After You Public Company Limited (“the Company”) reported consolidated operating revenue of THB 283 million in Q4/2019 and of THB 1,194 million in YE 2019, which increased by 13% from Q4/2018 and 37% from 2018, respectively.
- The increase was mainly from the increase in revenue from dessert café, which was attributed to the expansion of 6 new stores and a rise in Same-Store-Sale-Growth (SSSG) together with the increase in pop-up store sales.

### Gross Profit and Gross Profit Margin

- The Company’s gross profit in Q4/2019 and YE 2019 were THB 181 million and THB 773 million, respectively, which increased by 12% from Q4/2018 and 33% from 2018, corresponding to the increase in sales.
- However, gross profit margin in Q4/2019 dropped by 0.5% from Q4/2018 and by 2.1% from 2018.
- The decrease in gross profit margin was mainly from the higher take-home product sales, which usually have lower gross profit margin than products served in store.

### EBITDA and EBITDA margin

- The Company’s EBITDA in Q4/2019 and YE 2019 were THB 78 million and THB 362 million, respectively, which increased by 3% from Q4/2018 and 53% from 2018.
- However, EBITDA margin in Q4/2019 dropped by 2.7% from Q4/2018 as a result of the slow down in dessert café sales in Q4/2019, while for YE 2019, EBITDA margin increased by 3.1% from 2018 due to the increase in revenue from dessert café and better control of selling and administrative expenses.

### Net Profit and Net Profit Margin

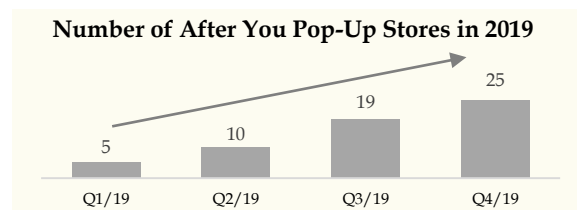
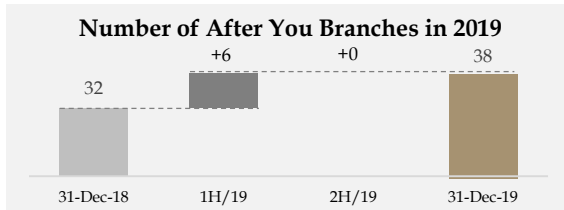
- The Company reported net profit in Q4/2019 and YE 2019 of THB 50 million and THB 237 million, respectively, which increased by 2% from Q4/2018 and 61% from YE 2019, corresponding to the increase in operating revenue and better expense control to generate higher profit per store.
- However, net profit margin in Q4/2019 dropped by 1.9% from Q4/2018 as a result of the slow down in dessert café sales in Q4/2019 in spite of additional selling expenses from operating new 6 branches, while for YE 2019, net profit margin increased by 3.0% from 2018 due to the increase in operating revenue while SG&A expenses did not increase significantly.



## 2019 Management Highlights

### Opening of major outlets has been slowed down while pop-up stores are more in focus

Responding to the moderate economic situation in Thailand, After You has slowed down branch investments and shifted focus toward opening pop-up stores where costs of investment and associated risks are relatively lower. The launch of the pop-up stores has provided agility and flexibility for After You to explore potential demand in untapped locations (e.g. shopping malls in 2-tier or 3-tier cities and office building) where our major outlets could not cover demand. Throughout 2019, 25 pop-up stores, generating revenue of total 36 million baht, have been set up in 2 different models. The first model is a semi-permanent store where dining areas are available, and the menus offered are closely similar to menus offered in After You dessert café. The second model is a small kiosk where To-Go products are mainly sold and setting up areas are usually in a high traffic location.



### Summary of new products in 2019

Through consistent R&D effort, After You continues to develop both in-store and To-Go menus as well as initiating pancake mix product and new year gift to enhance customer experience. Six flavors of Kakigori, two newly-invented toast, soft cookie, and two fresh beverages were launched throughout 2019. In addition to all new in-store products, Salted Egg Nuggets, Mooncake, Carbonara and Chocolate Bun, and Toffee Cake were added to the To-Go product categories of After You.

**In-Store seasonal menus**

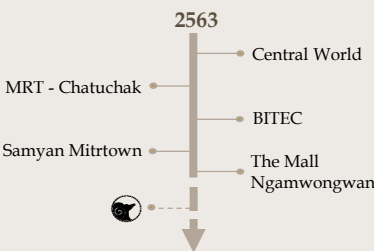
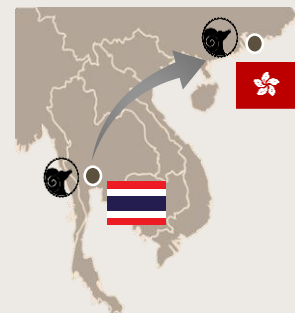
**To-Go products**



## 2020 Outlook

### Hong Kong outlet is expected to operate in the mid of 2020

Due to on-going political unrest in Hong Kong, After You has responded to such conditions by postponing the first franchisee store that was expected to start operation within Q4/2019 to the mid of 2020. Currently, the branch has already finished setting up with expected opening date between Q2 to Q3 of 2020. In addition to the first overseas outlet, After You has been actively seeking for the right partnership to secure a foothold in other Asian countries as well.



### Branch expansion and pop-up store will continue to be 2020's directions

According to the 2020 company's plan, After You has set the targeted domestic branch expansion of 6 branches in major cities where 5 branches are anticipated to be ready within 1H/2020. Owing to the success of setting up 25 pop-up stores in 2019, After You will continue to launch more pop-up stores to increase awareness and accessibility of the brand.

### Enhancing customer experience through digital platform

In 2020, After You will be launching the application developed by the company to enhance customer experience. The application will bring in new loyalty program to current customer base of After You to collect points, get informed about attractive promotions and redeem significant rewards. In addition, the application will help to speed up the branch operation where customers can order in advance, therefore, spending less time in queuing and payment.



# Operating Results



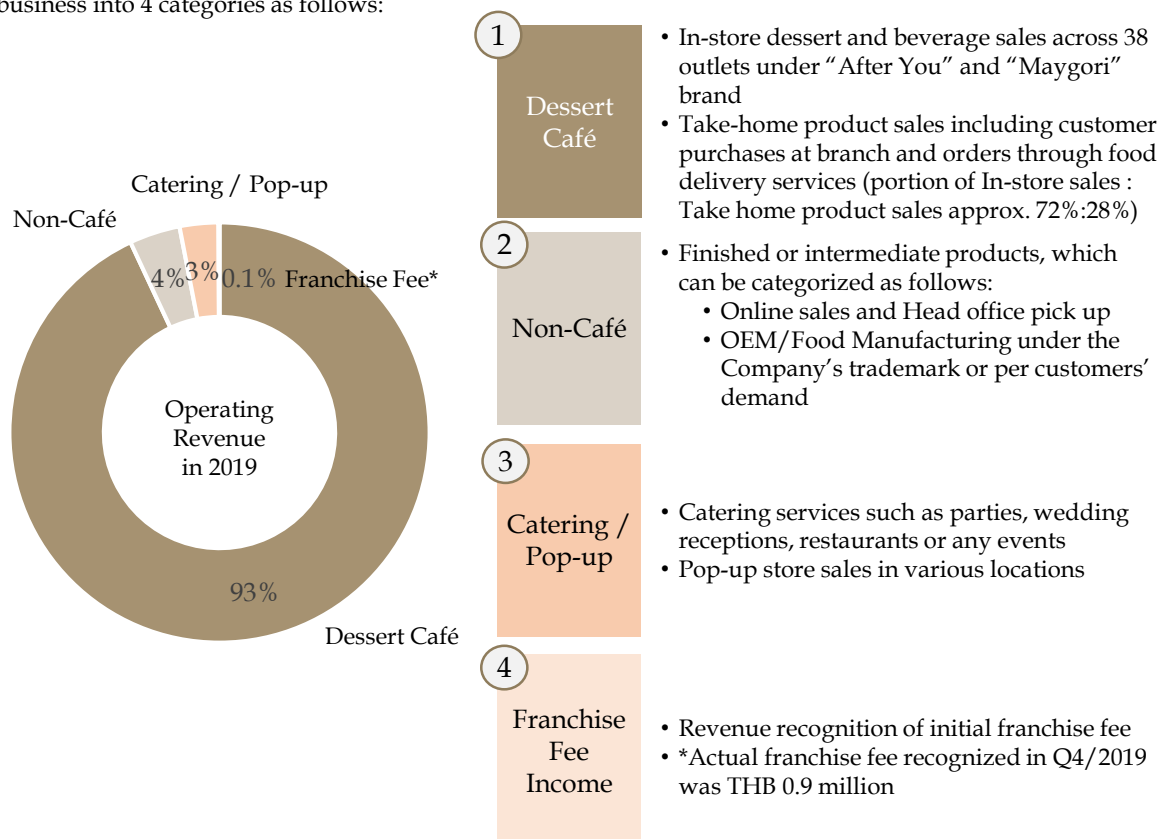
Overall operating results of the Company in Q4/2019	Q4/18	Q4/19	Change +/- YoY	2018	2019	Change +/- YoY
(THB million)						
Operating Revenue	251	283	13%	871	1,194	37%
Cost of sales	(89)	(102)	15%	(289)	(421)	46%
<b>Gross Profit</b>	<b>162</b>	<b>181</b>	<b>12%</b>	<b>582</b>	<b>773</b>	<b>33%</b>
Other Income	3	4	33%	9	11	22%
Selling and distribution expenses	(70)	(84)	20%	(271)	(329)	21%
Administrative expenses	(34)	(39)	15%	(140)	(162)	16%
<b>Profit before income tax expenses</b>	<b>61</b>	<b>62</b>	<b>2%</b>	<b>180</b>	<b>293</b>	<b>63%</b>
Tax expenses	(12)	(12)	0%	(33)	(56)	70%
<b>Net Profit for the Company</b>	<b>49</b>	<b>50</b>	<b>2%</b>	<b>147</b>	<b>237</b>	<b>61%</b>



## Analysis of Statement of Income

### 1. Revenue:

After You Public Company Limited operates dessert and bakery business. The Company divides its business into 4 categories as follows:

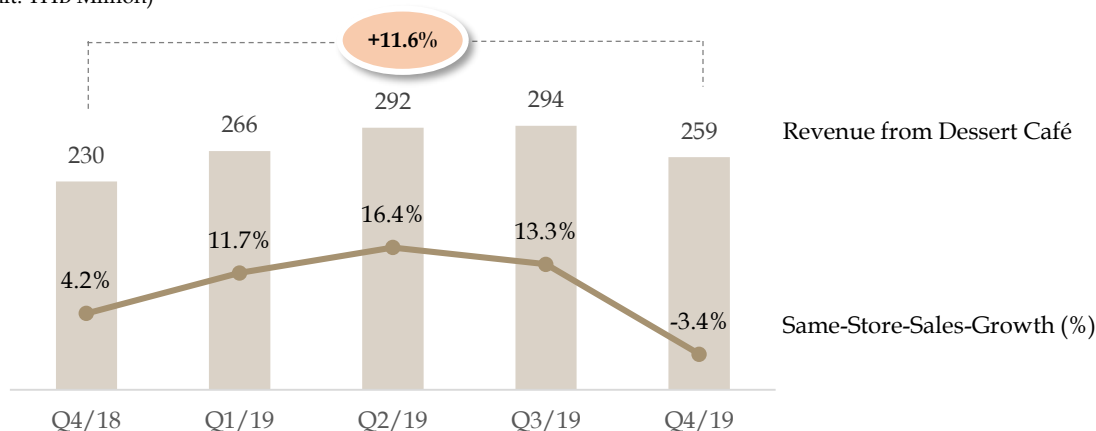


Revenue	Q4/18	Q4/19	Change +/-	2018	2019	Change +/-
<b>(THB million)</b>			<b>YoY</b>			<b>YoY</b>
Revenue from Dessert Café	230	259	13%	832	1,111	34%
Revenue from Non-Café	17	10	(41%)	25	46	84%
Revenue from Catering / Pop-Up	4	13	225%	14	36	157%
Revenue from Franchising	-	1*	n/a	-	1*	n/a
<b>Total Operating Revenue</b>	<b>251</b>	<b>283</b>	<b>13%</b>	<b>871</b>	<b>1,194</b>	<b>37%</b>
Other Income	3	4	33%	9	11	22%
<b>Total Revenue</b>	<b>254</b>	<b>287</b>	<b>13%</b>	<b>880</b>	<b>1,205</b>	<b>37%</b>

\*Revenue from Franchise Fee Income in Q4/2019 was THB 0.9 million

Key Drivers	Q4/18	Q4/19	Change +/-	2018	2019	Change +/-
Number of branches as at Dec 31	32	38	19%	32	38	19%
Same-Store-Sales-Growth (SSSG)	4.2 %	(3.4 %)	(7.6 %)	(5.0 %)	8.9 %	13.9 %

(Unit: THB Million)



#### YoY Q4/2019 vs Q4/2018

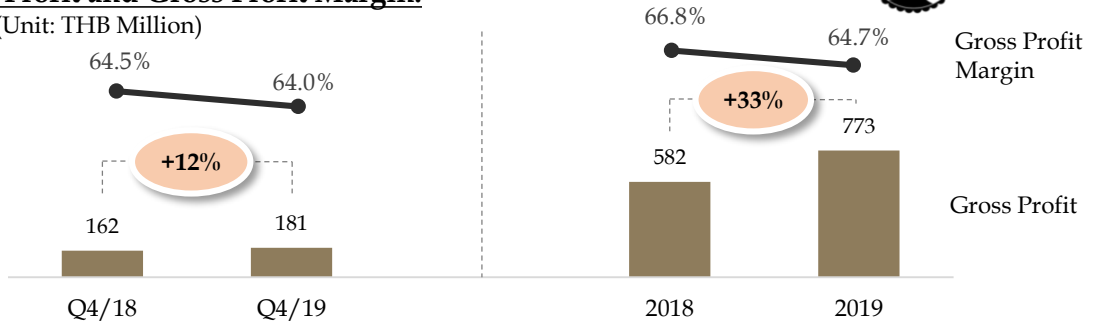
- **Revenue from Dessert Café** in Q4/2019 was THB 259 million which increased by THB 29 million or 13% from Q4/2018 due to 6 more branches compared to Q4/2018; however, SSSG dropped following the weak consumption sentiment effecting whole foodservice and retail industry in Thailand.
- **Revenue from Non-café** in Q4/2019 was THB 10 million which decreased by THB 7 million or 41% from Q4/2018 due to the lower volume of major OEM customers' orders.
- **Revenue from Catering and Pop-Up** in Q4/2019 was THB 13 million which increased by THB 9 million or 225% from Q4/2018 due to additional catering teams which resulted in more revenue generation from pop-up stores.

#### 12M 2019 vs 2018

- In 2019, **total operating revenue** was THB 1,194 million which increased by THB 323 million or 37% from 2018, as the total operating revenue from each of the all four quarters rose from the same period last year. The increase was mainly due to:
  - **Revenue from Dessert Café** in 2019 increased by THB 279 million or 34% from 2018 as more branches are opened, together with the significant improvement in SSSG.
  - **Revenue from Non-Café** in 2019 increased by THB 21 million or 84% from 2018 due to the higher OEM order volumes, which happened since early 2019.
  - **Revenue from Catering and Pop-Up** in 2019 increased by THB 22 million or 157% as more teams are available to set up pop-up stores.

## 2. Gross Profit and Gross Profit Margin:

(Unit: THB Million)



**Gross profit = Total Operating Revenue - Cost of Sales**

**Cost of sales** mainly consists of cost of raw materials, packages, supplies, salary of production unit's staff, depreciations, kitchen utensils and space usage expense of production unit. Major part of cost of sales is raw materials.

### YoY Q4/2019 vs Q4/2018

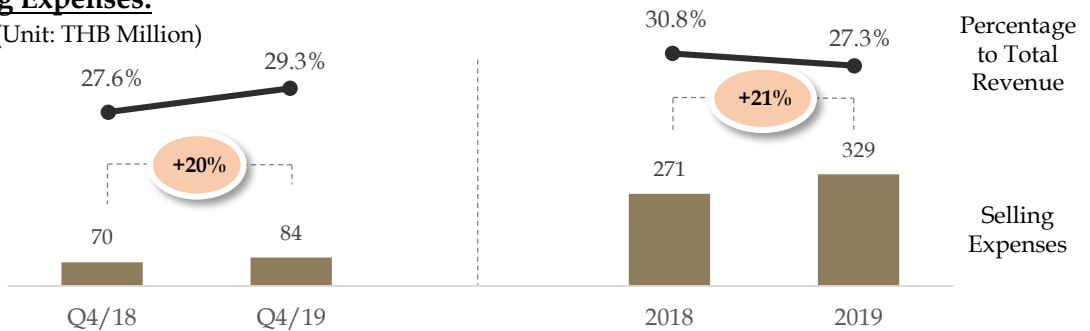
- **Gross profit** in Q4/2019 was THB 181 million which increased by THB 19 million or 12% from Q4/2018 in line with higher sales in Q4/2019 compared to Q4/2018.
- **Gross profit margin** in Q4/2019 was 64.0% which decreased by 0.5% from Q4/2018, due to an increase in sales of take-home products, which usually have lower gross profit margin.

### 12M 2019 vs 2018

- In 2019, **gross profit** was THB 773 million which increased by THB 191 million or 33% from 2018. The increase reflected the accumulated impacts of the increase in gross profit each of the all four quarters compared to the same period of last year. The increase was mainly attributed to 6 additional branches in 2019 together with the continuous launch of take-home products, new menus and seasonal menus.
- **Gross profit margin (GPM)** in 2019 was 64.7% which decreased by 2.1% from 2018. The decrease was mainly attributed to the higher portion of take-home sales which yields lower GPM.

## 3. Selling Expenses:

(Unit: THB Million)



**Selling expenses** mainly consist of salaries of dessert café's staff, space and equipment rental expenses, utility expenses, and other selling expenses such as marketing and promotional expenses, and depreciation of asset in each branch.

### YoY Q4/2019 vs Q4/2018

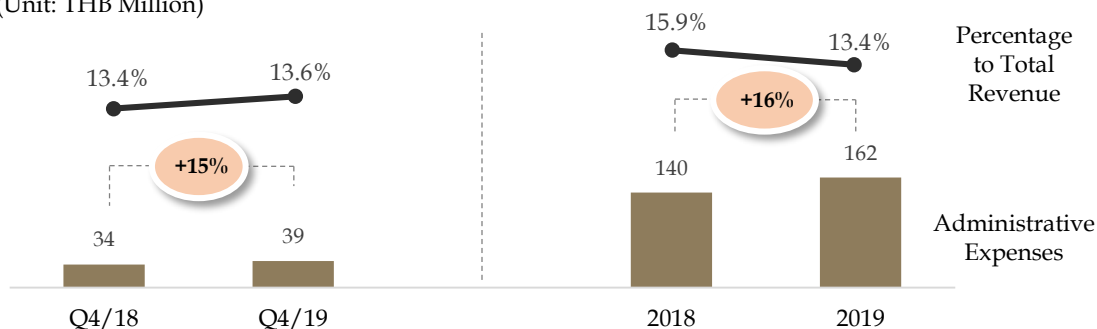
- **Selling expenses** in Q4/2019 was THB 84 million which increased by THB 14 million or 20% from Q4/2018 in line with the new branch opening in Q4/2019.
- **Selling expenses to total revenue** in Q4/2019 was 29.3% which increased by 1.7% from Q4/2018. The increase was due to the slow down of revenue growth of dessert café sales while additional expenses were added to operating 6 more branches YoY.

### 12M 2019 vs 2018

- In 2019, **selling expenses** was THB 329 million, increased by THB 58 million or 21% from 2018, due to the increase in selling expenses regarding new additional 6 branches opened in 2019.
- **Selling expense to total revenue** in 2019 was 27.3% which improved by 3.5% from 2018. The decrease was mainly from significant increase in sales from dessert café in every quarters, while store-related expenses did not increase significantly.

#### 4. Administrative Expenses:

(Unit: THB Million)



**Administrative expenses** mainly consist of salaries of back office staff, utility expenses, and depreciation of property, plant, and equipment in the back office.

##### YoY Q4/2019 vs Q4/2018

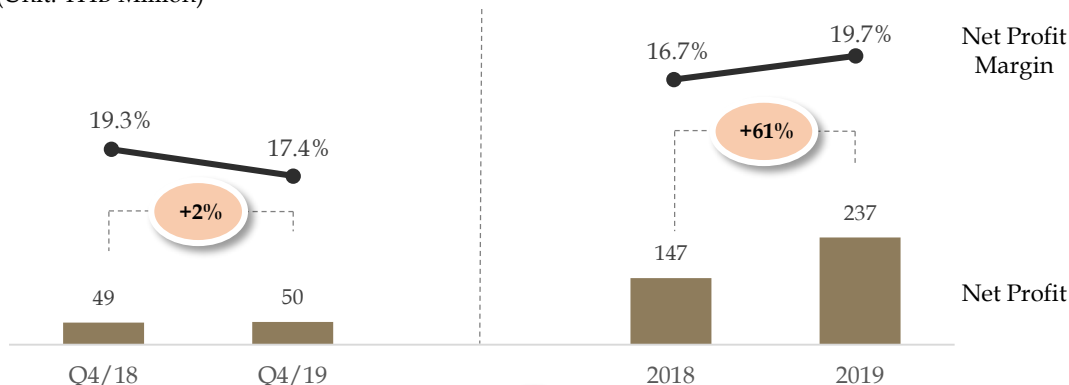
- **Administrative expenses** in Q4/2019 was THB 39 million, increased slightly by THB 5 million or 15% from Q4/2018 mainly due to the increase in salary expenses in the back office.
- **Admin expenses to total revenue** in Q4/2019 was 13.6% which slightly increased by 0.2% from Q4/2018 due to the slow down of revenue growth in comparison to admin expense growth.

##### 12M 2019 vs 2018

- In 2019, **administrative expenses** was THB 162 million which increased by THB 22 million or 16% from 2018. The increase reflected the accumulated impacts of the higher administrative expenses each of the four quarters compared to the same period last year, due to the higher back office salary expenses as a result of business expansion.
- **Admin expenses to total revenue** in 2019 was 13.4% which improved by 2.5% from 2018 due to better control on the back-office expenses.

#### 5. Net Profit and Net Profit Margin:

(Unit: THB Million)



##### YoY Q4/2019 vs Q4/2018

- **Net profit** in Q4/2019 was THB 50 million which increased slightly by THB 1 million or 2% from Q4/2018 due to the increase in operating revenue, which results from the increase in sales from dessert café and catering and pop-up stores.
- **Net profit margin** in Q4/2019 was 17.4% which decreased by 1.9% from Q4/2018 due to the slow growth in revenue from dessert café in Q4/2019 while there were additional selling expenses according to new 6 branches.

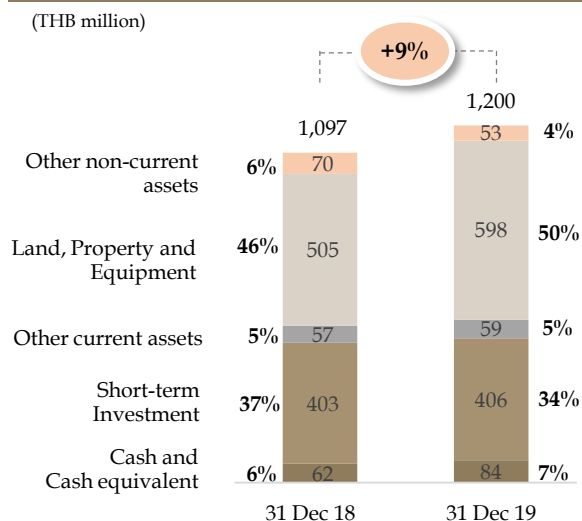
##### 12M 2019 vs 2018

- In 2019, **net profit** was THB 237 million which increased by THB 90 million or 61% from 2018, due to operational efficiency and economies of scale of operating 38 branches.
- **Net profit margin** in 2019 was 19.7% which increased by 3.0% from 2018 as the operating revenue increased, while the SG&A expenses did not increase significantly as the Company had better expense control.

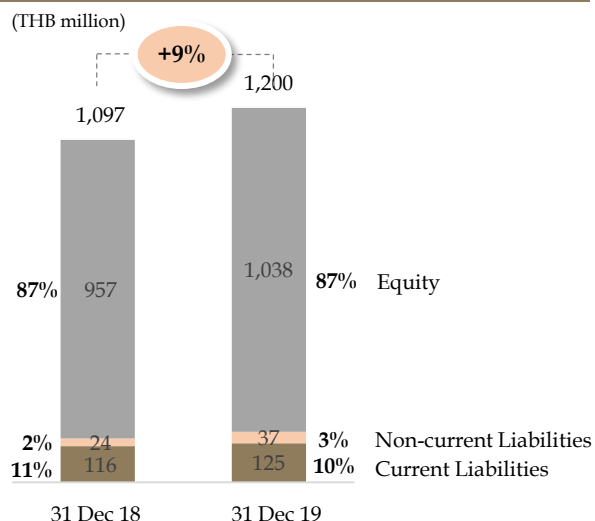


## Analysis of Statement of Financial Position

### Total Assets



### Total Liabilities and Equities



#### Total Assets

As of 31 Dec 2019, the total assets of the Company were THB 1,200 million, increased by THB 103 million or 9% from 31 December 2018. Significant changes are highlighted as follows:

- **Land, property, plant and equipment** increased by THB 93 million or 18% because of the plant expansion and the opening of new branches.

#### Total Liabilities

As of 31 Dec 2019, the total liabilities of the Company were THB 162 million, increased by THB 22 million or 16% from 31 December 2018. The increase was mainly due to the THB 13 million increase in other non-current liability as a result of **unearned revenue from initial franchise fee** received in advance. (The unearned franchise revenue will be recognized as revenue over the 5-year period) and the increase in the **provision for long-term employee benefits** and the **provision for decommissioning**.

*(Note: Unearned revenue from initial franchise fee is recorded as both non-current liability and current liability, the portion that is subjected to be recognized as revenue within 1 year is classified as current liability)*

#### Total Equity

As of 31 Dec 2019, the total equity of the Company was THB 1,038 million, increased by THB 81 million or 8% from 31 December 2018. The increase was due to the increase in retained earning.