



Ref FN. 007/2020

Management Discussion and Analysis For operation of the year 2019

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 12 outlets (Phetchaburi, Kanchanaburi, Pattaya, Pak Chong, Sing Buri, Hua Hin, Sriracha, Phra Nakorn Sri Ayutthaya, Hat Yai, Chachoengsao, Rayong and Diana Hat Yai Branch. In addition, the Company has expanded new channels especially e-commerce through owned official platforms, Facebook: FN Outlet, Line Official Account: @fnoutlet as well as other marketplaces e.g. Shopee, Lazada etc.

Industry Overview

Thai economy in 4Q19 was slowdown. On the domestic front, private consumption indicators suggested expansion in all spending categories, boosting manufacturing production. Private investment indicators also signified growth, particularly in machinery and equipment. Nevertheless, public spending declined mainly from the contraction in capital expenditure. However, external demand softened as the value of merchandise exports grew at a slower pace. (Source: BOT Press Release No.3/2020 on the Economic and Monetary Conditions for December and the fourth quarter of 2019)

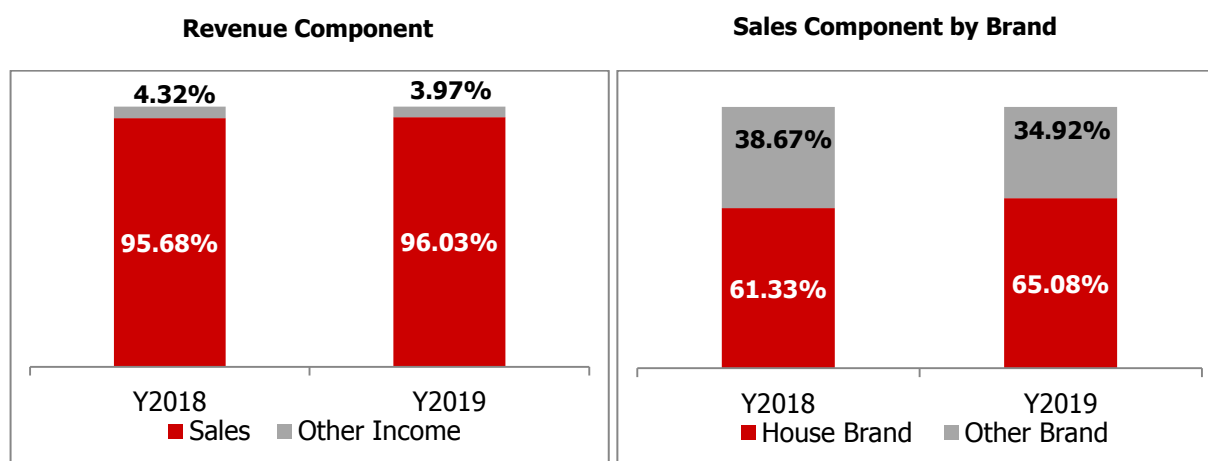
Performance Analysis

Unit : MB	Y2019	Y2018	Change	
			MB	%
Net sales	1,001.58	1,057.38	(55.80)	(5.28)
Other income	41.40	47.74	(6.34)	(13.28)
Total revenues	1,042.98	1,105.12	(62.14)	(5.62)
Cost of goods sold	566.50	624.93	(58.43)	(9.35)
Selling expenses and administrative expenses	465.90	447.41	18.49	4.13
Selling expenses	293.25	268.56	24.69	9.19
Administrative expenses	172.65	178.85	(6.21)	(3.47)
Earnings before interest and taxes (EBIT)	10.58	32.79	(22.21)	(67.73)
Financial costs	4.75	0.72	4.04	559.72
Income tax expenses	(2.87)	2.86	(5.73)	(200.35)
Net profit	8.70	29.21	(20.51)	(70.22)

Earnings before interest, taxes, depreciation and amortization (EBITDA)	90.93	101.16	(10.23)	(10.12)
Depreciation and amortization	80.35	68.37	11.98	17.52

Key financial ratio related with operating result (%)	Y2019	Y2018	%YoY
Gross profit margin (%)	43.44%	40.90%	2.54%
Selling expenses and administrative expenses to total revenue (%)	44.67%	40.49%	4.18%
Net profit margin (%)	0.83%	2.64%	-1.81%

1. Total Revenue



Total revenue for the year 2019 was Baht 1,001.58 million, decreased by 5.28% YOY as a result of economy slowdown, and low spending season causing consumers slow down their spending. However, the Company has continued to expand new distribution channels such as Pop-up Store, Mini Shop at HQ Rama 9, and E-commerce.

The Company arranged marketing activities to draw customers and to maintain sales. Furthermore, the Company's direction to grow house brand products, demonstrated higher proportionate in Y2019 to 65.89% which increasing compared to 61.39% in Y2018, resulted in higher gross profits margin.

Proportion of other income to total revenue slightly decreased compared to previous period from a discount given to tenants. The Company emphasizes tenants' selection to match customers' need, to draw customers' attention and to draw traffic.

2. Cost of goods sold and gross profit

Gross profits for Y2019 and Y2018 represented 43.44%, and 40.90%, respectively, which increased previous year. Gross profits improved from higher proportion of house brand product sales compared to previous period. The Company has focus in maintaining gross profit margin, emphasizing FN brand awareness and increasing FN brand equity, so the marketing activities has been arranged with sales plan improvement and promotion efficiency spending.

3. Selling and administrative expenses

Selling and administrative expenses for Y2019 was Baht 465.90 million which increased by 4.13% YoY. The increase was mainly due to the expenses of new outlets (i.e. Rayong and Diana Hat Yai branches) such as depreciation, and utilities. The Company efficiently controlled and managed expenses of existing outlets such as decreasing personnel expenses with increasing productivity, installation of solar rooftop.

4. Net profit (loss) and net profit (loss) margin

For Y2019 net profits was Baht 8.70 million which decreased from previous year, mainly due to sales was not achieve the target . The company focuses on the sustainable growth, thus, set up a strategy to support the business direction as below.

1. Differentiate marketing activities, promotion, and marketing campaigns to increase brand awareness. Emphasize FN as a BEDDING DESTINATION with house brands which increases profitability.
2. Focusing and developing E-commerce with potential partners
3. Focusing cost-efficiency and productivity
 - Utilizing information technology (IT) system to optimize operation and resources
 - Cost reduction such as greater productivity, optimizing human resources
 - Installing Solar Rooftop to promote green environment and optimize utilities. The first project is in Phra Nakorn Sri Ayutthaya outlet and continues to roll-out to other outlets in the future.

Financial Position Analysis

Unit : MB	As at	As at	Change	
	31 December 2019	31 December 2018	MB	%
Cash and cash equivalents	61.33	159.65	(98.32)	(61.58)
Current investment	136.65	156.04	(19.39)	(12.43)
Inventories	518.18	472.08	46.10	9.77
Property, plant and equipment	922.13	919.08	3.04	0.33
Other assets	88.48	69.00	19.48	28.24
Total assets	1,726.77	1,775.85	(49.08)	(2.76)
Accounts payable	88.56	149.37	(60.81)	(40.71)
Long-term loan	118.73	108.67	10.06	9.26
Other liabilities	39.86	34.53	5.33	15.44
Total liabilities	247.15	292.57	(45.42)	(15.52)
Total shareholders' equity	1,479.62	1,483.28	(3.66)	(0.25)
Total liabilities and shareholders' equity	1,726.77	1,775.85	(49.08)	(2.76)

1. Assets

The Company's total assets as of 31 December 2019 were Baht 1,726.77 million, decreased from the end of 2018. The main reason was decreased in cash and cash equivalents from increased in inventory for new products to serve customer needed, Improvement the existing outlets, repayment to loans, and dividend paid.

2. Liabilities

As of 31 December 2019, the Company's liabilities totaled Baht 247.15 million, decreased by Baht 45.42 million from 2018 as a result of paying to suppliers.

3. Shareholders' equity

As at 31 December 2019, the Company's shareholders' equity was Baht 1,479.62 million, decreasing by Baht 3.66 million or 0.25% from end of 2018, mainly due to dividend payment to shareholders and operating profit increased amount Baht 8.70 million.

Cash Flow Statement Analysis

Unit : MB	For the period ended	For the period ended	Change	
	31 December 2019	31 December 2018	MB	%
Cash flow from (used in) operating activities	(31.40)	18.44	(49.84)	(270.28)
Cash flow used in investing activities	(57.51)	(54.25)	(3.26)	6.01
Cash flow from (used in) financing activities	(9.41)	70.83	(80.24)	(113.29)

1. Cash flow from operating activities

The Company's net cash flow used in operating activities was Baht 31.40 million from the decreasing in operating profit together with the increase in purchasing of goods to for new products to serve customer needed, along with payment.

2. Cash flow from investing activities

The Company has cash outflow used in investing activities was Baht 57.51 million mainly from investing in Rayong's fixed assets.

3. Cash flow from financing activities

The Company had a cash inflow used in financing activities of Baht 9.41 million as a result of cash drew down from long term loans to investing in Rayong branch, dividend payment to shareholders and long term loans and interest repayment.

Key Financial Ratio Analysis

	For the period ended 31 December 2019	For the year ended 31 December 2018	Change	Reason
Liquidity Ratio (x)	5.85	4.53	1.32	Increased mainly due to the decline of account payable, while current asset decreased at slower pace.
Quick Ratio (x)	1.91	1.93	(0.03)	Decreased from lower cash and cash equivalents used for operating activities
Return on Equity (%)	0.59	1.97	(0.92)	Decline from under performance
Debt-to-Equity Ratio (x)	0.17	0.20	(0.03)	Lower total liabilities as a result of suppliers payment

For more information, please contact:

Pawuth Chaladyam, Investor Relations

Tel: 02-300-4951 Ext. 5109, E-mail: Pawuth@fnoutlet.com