

AFTER YOU

EST. 2007
Bangkok



**After You
Public Company Limited**

Management Discussion & Analysis

Q3/2020

Executive Summary



Operating highlight in Q3/2020	Q3/19	Q3/20	Change +/-	9M/19	9M/20	Change +/-
(THB million)			YoY			9M
Operating Revenue	312	198	(37%)	911	561	(38%)
Gross Profit	202	124	(39%)	592	340	(43%)
EBITDA	98	65	(34%)	284	150	(47%)
Net Profit for the Company	65	28	(57%)	187	38	(80%)
Gross profit margin (%)	64.7%	62.6%	(2.1%)	65.0%	60.6%	(4.4%)
EBITDA margin* (%)	31.2%	32.7%	1.5%	31.0%	26.7%	(4.3%)
Net profit margin* (%)	20.7%	14.1%	(6.6%)	20.4%	6.7%	(13.7%)
Number of branches as at Sep 30	38	41	8%	38	41	8%

*EBITDA Margin and Net Profit Margin are calculated from Total Revenue

Q3/2020 Key Financial Highlights

Revenue

- After You Public Company Limited (“the Company”) reported consolidated operating revenue of THB 198 million in Q3/2020 and of THB 561 million in 9M/2020, which decreased by 37% from Q3/2019 and 38% from 9M/2019, respectively.
- The decrease in operating revenue was mainly from the fall in purchasing power of domestic consumers as a result of the economic downturn and the temporary closure of some branches during July to September as a result of the COVID-19 pandemic.

Gross Profit and Gross Profit Margin

- The Company’s gross profit in Q3/2020 and 9M/2020 were THB 124 million and THB 340 million, respectively, which decreased by 39% from Q3/2019 and 43% from 9M/2019, corresponding to the decrease in sales.
- Gross profit margin in Q3/2020 was 62.6% decreased by 2.1% from Q3/2019 and 60.6% in 9M/2020 decreased by 4.4% from 9M/2019.
- The decrease in gross profit margin was mainly due to the reduction in total revenue from sales in a greater proportion than the reduction in costs of sales, which includes fixed expenses. In addition, there was an adjustment in packaging costs in some quarters as a result of more sales from take-home products.

EBITDA and EBITDA margin

- The Company’s EBITDA in Q3/2020 and 9M/2020 were THB 65 million and THB 150 million, respectively, which decreased by 34% from Q3/2019 and 47% from 9M/2019.
- EBITDA margin in Q3/2020 was 32.7% increased by 1.5% from Q3/2019 mainly due to the reduction in selling and administrative expenses following the cost control policy of the Company.
- EBITDA margin in 9M/2020 was 26.7% decreased by 4.3% from 9M/2019 mainly due to the reduction in total revenue from sales in a greater proportion than the reduction in selling and administrative expenses.

Net Profit and Net Profit Margin

- The Company reported net profit in Q3/2020 and 9M/2020 of THB 28 million and THB 38 million, respectively, which decreased by 57% from Q3/2019 and 80% from 9M/2019, mainly from the reduction in total revenue from sales in a greater proportion than the reduction in expenses from the cost reduction scheme, both in terms of employee-related expenses and the negotiation for the rental cost reduction.
- Net profit margin in Q3/2020 decreased by 6.6% from Q3/2019, and in 9M/2020 decreased by 13.7% from 9M/2019.
- The decrease in net profit margin was mainly due to the reduction in total revenue from sales in a greater proportion than the reduction in operating expenses from the cost control policy of the Company, which includes employee-related expenses, and the rental cost which resumed since Q2/2020.

New Strategies in Response to the New Normal Lifestyle

Due to the COVID-19 pandemic, many consumers are changing their behavior towards consuming more food from home, cooking more food at home as well as increasing usage of food deliveries. After You has adjusted various strategies to suit the new lifestyle of the customers (New Normal) with the 4 main strategies as follows:

1 A New Store Format - After You Market Place

Generating new revenue streams from the sales of After You's products and consignment products from other suppliers under the name of 'After You Marketplace', which allocates a certain space within the After You Dessert Café to become a convenience store, which consumers can choose to buy products for their daily lives. Apart from the store modification that will attract more customers, the new store can also adjust the concept of After You, which formerly is a dessert shop that focuses on sitting and eating, into a new store concept that encourage customers to walk around and shop for daily necessities, corresponding to the changing customer behavior.

The new store concept features the Company's products such as 'Santa Cookie', soft chocolate cookie which customers can take home to reheat and 'Pancake Mix', finished pancake flour products, as well as other consumer products from other manufacturers which are essential for every day lives.

In addition, consumers can also shop at After You Market Place through food delivery service providers. Currently, the Company has already started to operate at 4 After You Dessert Café including Siam Square One branch, Central World branch, Thonglor branch and Udon Thani branch. The Company is also planning to expand further in the future.



3 The Store Layout that can be Adjusted to Meet Customer Demands

The Company aims to increase and distribute pop-up stores, which will allow the Company to test the market and customer demand in various shopping centers both in Bangkok and other provinces with high purchasing power such as Rayong, Khon Kaen, and Pitsanulok Province, as the Company realizes that the temporary pop-up stores are able to move easily and the menu served requires little processing and time to prepare. This was able to respond to the changing consumer behavior. The Company is in the process of preparing and planning to expand the pop-up store team by increasing the number of employees in order to meet the target number of stores.

2 New Choices for Customers with New Coffee Shop Model and Increasing Franchise Revenue

The Company focuses on generating additional revenue from franchise business after receiving positive response from the opening of 'Mikka' coffee shop. The Company soon realized that Mikka was able to respond to the new normal as consumers are less likely to eat in restaurant and consumers are giving more importance to speed and convenience. As a result, the readiness of food delivery and the speed of service has been gaining more importance, which Mikka was able to meet this demand well with the smaller store layout and Grab and Go products.

At present, the Company has 31 operating branches of 'Mikka' in which 11 branches are owned by the Company, distributed across several office and residential locations around Bangkok and more than 20 stores owned by franchisees.

4 Creating Partnership to Increase Sales and Enhance Take-home Products

The Company has collaborated with several brands to stimulate the sales of the Company's Take-home Products to continuously increase brand awareness, and to maintain the consistency of the Company in launching new products. Consumers will be able to purchase products both at the After You Dessert Café and through food delivery services.

Operating Results

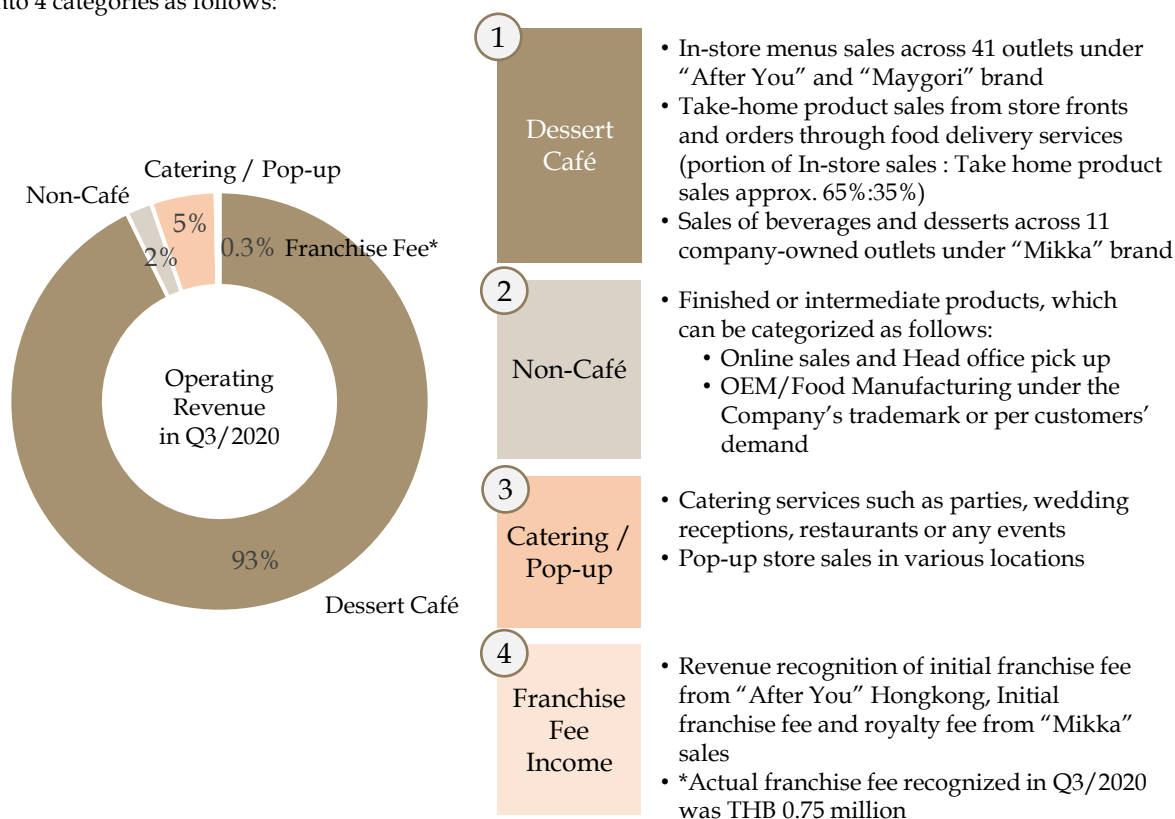


Overall operating results of the Company in Q3/2020	Q3/19	Q3/20	Change +/-	9M/19	9M/20	Change +/-
(THB million)			YoY			9M
Operating Revenue	312	198	(37%)	911	561	(38%)
Cost of sales	(110)	(74)	(33%)	(319)	(221)	(31%)
Gross Profit	202	124	(39%)	592	340	(43%)
Other Income	2	1	(50%)	5	3	(40%)
Selling and distribution expenses	(84)	(55)	(35%)	(244)	(183)	(25%)
Administrative expenses	(41)	(35)	(15%)	(123)	(109)	(11%)
Finance Income	1	0	(100%)	2	1	(50%)
Finance Cost	0	(2)	n/a	0	(8)	n/a
Profit before income tax expenses	80	33	(59%)	232	44	(81%)
Tax expenses	(15)	(5)	(67%)	(45)	(6)	(87%)
Net Profit for the Company	65	28	(57%)	187	38	(80%)

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:

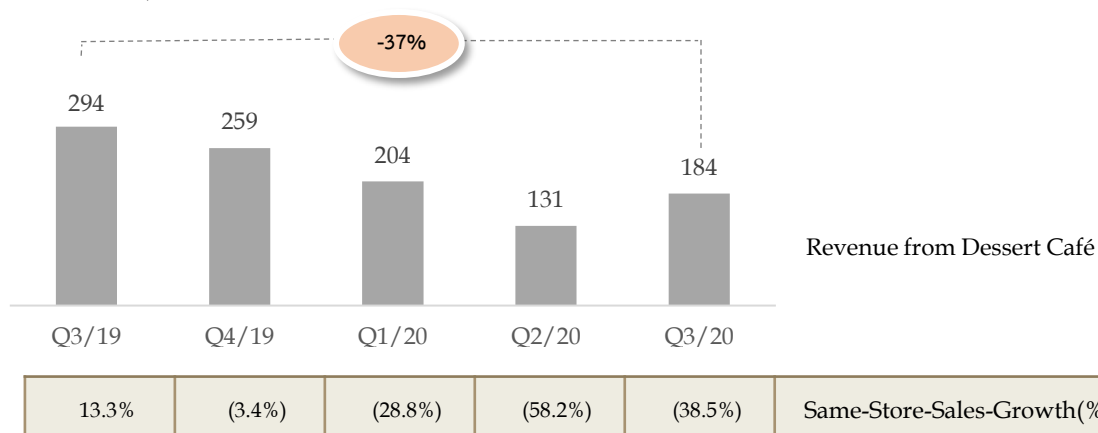


Revenue	Q3/19	Q3/20	Change +/(-)	9M/19	9M/20	Change +/(-)
(THB million)			YoY			9M
Revenue from Dessert Café	294	184	(37%)	852	519	(39%)
Revenue from Non-Café	6	4	(33%)	36	11	(69%)
Revenue from Catering / Pop-Up	12	9	(25%)	23	29	26%
Revenue from Franchising*	0	1	n/a	0	2	n/a
Total Operating Revenue	312	198	(37%)	911	561	(38%)
Other Income	2	1	(50%)	5	3	(40%)
Total Revenue	314	199	(37%)	916	564	(38%)

*Revenue from Franchise Fee Income in Q3/2020 and 9M/2020 was THB 0.75 million and THB 1.7 million respectively

Key Drivers	Q3/19	Q3/20	Change +/(-)	9M/19	9M/20	Change +/(-)
Number of branches as at Sep 30	38	41	8%	38	41	8%
Same-Store-Sales-Growth (SSSG)	13.3%	(38.5%)	(51.8%)	13.6%	(42.3%)	(55.9%)

(Unit: THB Million)



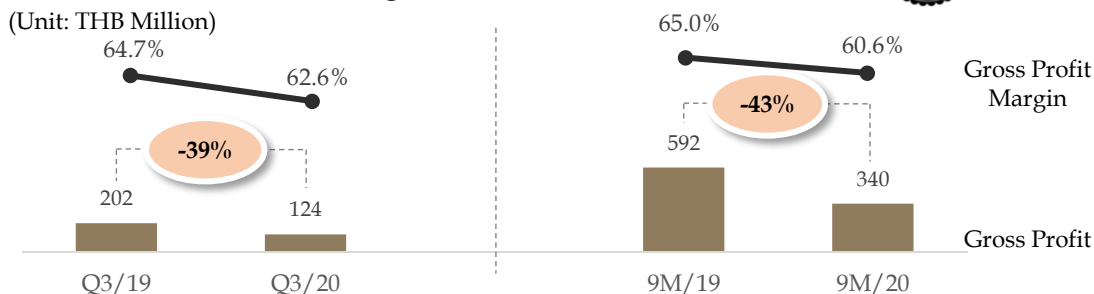
YoY Q3/2020 vs Q3/2019

- **Revenue from Dessert Café** in Q3/2020 was THB 184 million which decreased by THB 110 million or 37% from Q3/2019 mainly due to the lower sales per branch compared to the same period last year, which includes sit-in sales and take-home sales. In addition, there was a temporary store closure between July and September 2020 to control costs.
- **Revenue from Non-café** in Q3/2020 was THB 4 million which decreased by THB 2 million or 33% from Q3/2019 due to the lower order volumes from major OEM customers especially from airlines.
- **Revenue from Catering and Pop-Up** in Q3/2020 was THB 9 million which decreased by THB 3 million or 25% from Q3/2019 due to the adjustments in number of pop-up stores corresponding to the lower purchasing power, as well as transforming certain MRT pop-up stores into additional branches including Chatuchak MRT and Samyan Mitrtown.

9M 9M/2020 vs 9M/2019

- For the first 9 months (9M) of 2020, **total operating revenue** was THB 561 million which decreased by THB 350 million or 38% from 9M/2019, as the total operating revenue between Q1 and Q3/2020 decreased from the same period last year. The decrease was mainly due to:
 - **Revenue from Dessert Café** in 9M/2020 decreased by THB 333 million or 39% from 9M/2019 due to the changes in customer behavior after COVID-19 pandemic, the temporary closure of sit-in services in Q2/2020 corresponding to the government measures, and the temporary closure of some branches in Q3/2020 to control costs.
 - **Revenue from Non-Café** in 9M/2020 decreased by THB 25 million or 69% from 9M/2019 due to the lower order volume of OEM products.

2. Gross Profit and Gross Profit Margin:



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.

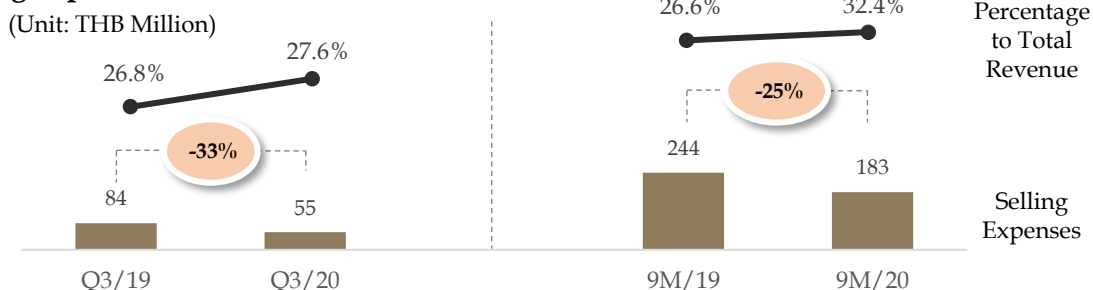
YoY Q3/2020 vs Q3/2019

- Gross profit in Q3/2020 was THB 124 million which decreased by THB 78 million or 39% from Q3/2019 as a result of the decrease in total revenue from sales in Q3/2020 when compared to Q3/2019.
- Gross profit margin in Q3/2020 was 62.6% which decreased by 2.1% from Q3/2019, due to the higher reduction in total revenue from sales than the reduction in costs of sales which includes fixed expenses, especially depreciation.

9M 9M/2020 vs 9M/2019

- For the first 9 months (9M) of 2020, gross profit was THB 340 million, decreased by THB 252 million or 43% from 9M/2019. This is due to the decrease in gross profit between Q1 and Q3 compared to the same period of last year. This decrease was mainly due to lower overall private consumption resulted from the concerns over the economic downturn and the temporary closure of the sit-in services from March to May 2020 as a result of COVID-19 pandemic.
- Gross profit margin (GPM) in 9M/2020 was 60.6%, decreased by 4.4% from 9M/2019. The decrease was due to the higher proportion of reduction in total revenue from sales than the reduction in costs of sales which includes fixed expenses. In addition, there is a higher proportion of take-home and deliveries sales which yields a lower GPM than in-store sales due to the packaging costs.

3. Selling Expenses:



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 Q3/2020 vs Q3/2019

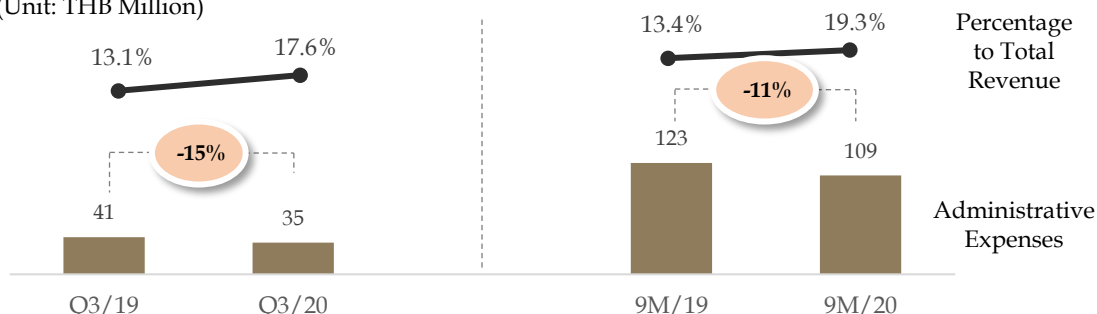
- Selling expenses in Q3/2020 was THB 55 million which decreased by THB 29 million or 35% from Q3/2019 due to the Company's cost control policy, both employee-related expenses and the extension of rental expenses reduction measure.
- Selling expenses to total revenue in Q3/2020 was 27.6% which increased by 0.8% from Q3/2019. This is due to the higher proportion of the decrease in revenue from sales than the decrease in selling expenses.

9M 9M/2020 vs 9M/2019

- For the first 9 months (9M) of 2020, selling expenses was THB 183 million, decreased by THB 61 million or 25% from 9M/2019 due to the decrease in cost of sales corresponding to the Company's cost control policy for employee-related expenses and the successful negotiation for rental expenses reduction.
- Selling expense to total revenue in 9M/2020 was 32.4% which increased by 5.8% from 9M/2019. This is due to the higher proportion of the decrease in revenue from sales than the decrease in selling expenses and the increase in delivery-related expenses.

4. Administrative Expenses:

(Unit: THB Million)



Administrative expenses mainly consist of salaries of back office staff, maintenance cost, consulting and professional fee, depreciation and amortization, loss from early termination of the lease and other expenses such as rental fee from office factory and warehouses, utilities expenses, office and miscellaneous expenses, tax expenses.

YoY Q3/2020 vs Q3/2019

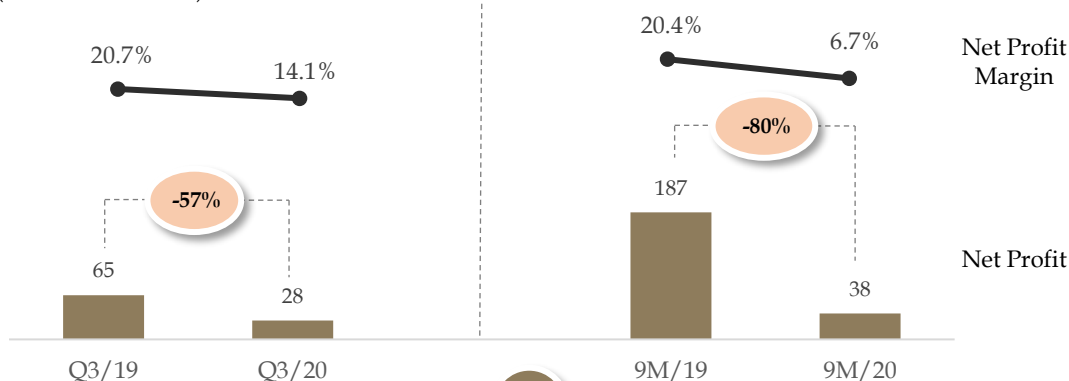
- **Administrative expenses** in Q3/2020 was THB 35 million, decreased by THB 6 million or 15% from Q3/2019 mainly from the exercise of leave without pay policy and the reduction of central operating costs.
- **Admin expenses to total revenue** in Q3/2020 was 17.6% which improved by 4.5% from Q3/2019 due to the higher proportion of the decrease in revenue from sales than the decrease in administrative expenses following the Company's cost control policy.

9M 9M/2020 vs 9M/2019

- For the first 9 months (9M) of 2020, **administrative expenses** was THB 109 million which decreased by THB 14 million or 11% from 9M/2019. The increase is mainly from the leave without pay policy which was effective since Q2/2020 and the reduction of the central operating costs.
- **Admin expenses to total revenue** in 9M/2020 was 19.3% which improved by 5.9% from 9M/2019 due to the higher proportion of the decrease in revenue from sales than the decrease in administrative expenses from the Company's cost control policy.

5. Net Profit and Net Profit Margin:

(Unit: THB Million)



YoY Q3/2020 vs Q3/2019

- **Net profit** in Q3/2020 was THB 28 million which decreased by THB 37 million or 57% from Q3/2019 due to the higher proportion of decrease in operating revenue than the decrease in overall expenses from the Company's cost control policy, including the decrease in staff-related expenses, the negotiation for rental cost reduction and the decrease in operating expenses.
- **Net profit margin** in Q3/2020 was 14.1% which decreased by 6.6% from Q3/2019 due to the higher proportion of the decrease in revenue from sales than the decrease in overall expenses from the Company's cost control policy.

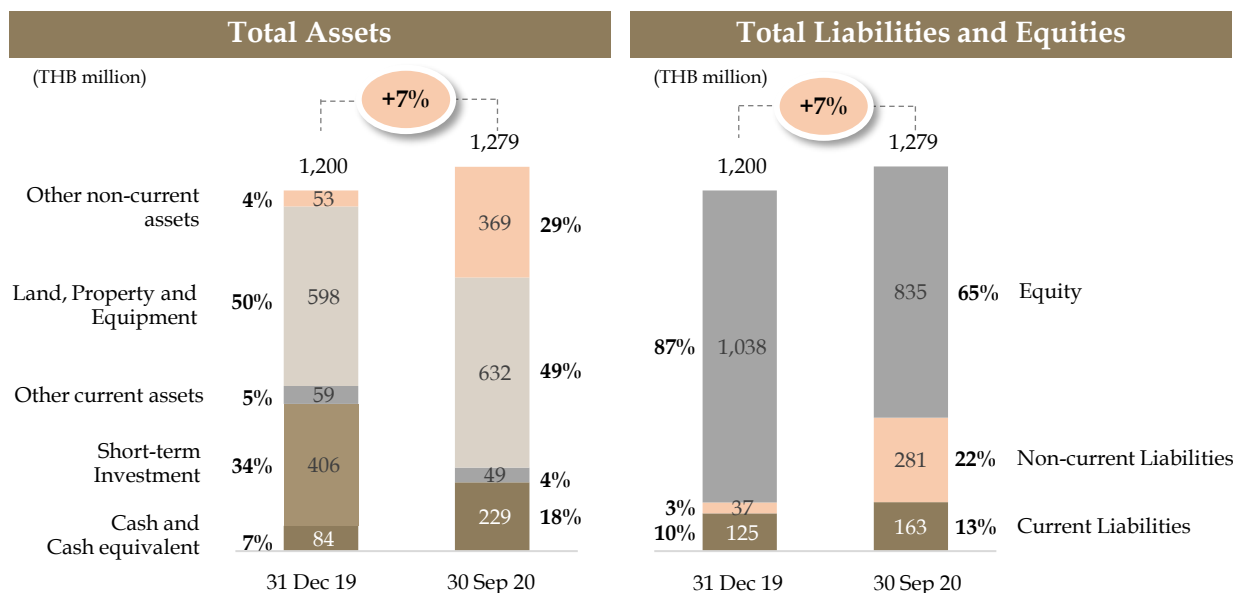
9M 9M/2020 vs 9M/2019

- For the first 9 months (9M) of 2020, **net profit** was THB 38 million which decreased by THB 149 million or 80% from 9M/2019 due to the changes in consumers' purchasing power and the changes in customer consumption behavior despite the measures to control costs and reduce expenses.
- **Net profit margin** in 9M/2020 was 6.7% which decreased by 13.7% from 9M/2019 due to the higher proportion of the decrease in revenue from sales than the decrease in overall expenses from the Company's cost control policy including employee-related expenses and rental cost which resumed operation in Q2/2020.

6. Finance Cost:

Finance cost arises from the recognition of interest expense related to lease liabilities from the adoption of Thai Financial Reporting Standards 16 Leases (IFRS 16). The company has no interest-bearing debt.

Analysis of Statement of Financial Position



Total Assets

As of 30 September 2020, the total assets of the Company were THB 1,279 million, increased by THB 79 million or 7% from 31 December 2019. Changes are highlighted as follows:

- **Cash and Cash Equivalent** increased by THB 145 million as the company transferred all short-term investment to cash in order to maintain overall cash flow.
- **Land, Property, Plant and Equipment** increased by THB 34 million due to plant expansion to support foreign branches expansion and the opening of 3 new branches.
- **Other Current Assets** increased by Bath 316 million. This was mainly due to the recognition of the right to use assets from the implementation of IFRS 16

Total Liabilities

As of 30 September 2020, the total liabilities of the Company were THB 444 million, increased by THB 282 million or 174% from 31 December 2019. The increase was mainly due to:

- **Current Liability** increased by THB 38 million as a result of the recognition of **lease liabilities which are due within 12 months** of THB 83 million, corresponding to the adoption of Thai Financial Reporting Standards 16 Leases (IFRS 16), while **trade and other payables** decreased by THB 18 million and **income tax payable** decreased by THB 23 million.
- **Non-current Liabilities** increased by THB 244 million mainly due to the recognition of **lease liabilities which are more than 12 months** in accordance with IFRS 16

Total Equity

As of 30 September 2020, the total equity of the Company was THB 835 million, decreased by THB 203 million or 20% from 31 December 2019. The is due to **interim dividend payment** for the year 2019 during Q2/2020 of THB 237 million.