

## Management Discussion &amp; Analysis for three month period ended September 30, 2020

## Industry Overview

### *Furniture Trend - Slowdown*

The furniture business trend continues to slow due to the COVID-19 situation. Consumers are more cautious about their spending and the slowdown of the real estate sector effect to the demand for furniture this year that is not very good.

## Company in Overview

### *New Products Appearance & Brand Collaboration*

In the second half of the year, the company's sales were slow down from the impact of the pandemic in the first half of the year. Although the company was not much affected by such pandemic, the company is constantly adjusting its operational plans and looking for new strategies. In this year 2020, MODERN has revised the appearance of the products to be more in line with modern lifestyles and also planned to expand customer groups through brand collaboration with leading brands. The first project has been in collaboration with PDM brand which is known as the number one brand in Thailand for the design of mat products. Most recently, MODERN has partnered with Xiaomi, a world famous brand of technology by the furniture designs that meet the lifestyle of digital age customers with furniture set Modernspace Series designed under the concept "Combined with life and technology to be one" (Seamless Connection Life and Technology).

The Company has delayed the plan to introduce Modernform Health and Care Public Company Limited (MHC), a subsidiary that the Company Holds 95% of shares on the market for MAI waiting for Chivamita Cancer Hospital- located at Ubon Ratchathani Province- get more stronger.

## Financial Performance Third Quarter of 2020

*Revenue decreased by 10.3 percent to Baht 804.7 million with gross profit margin of 29.9 percent, a decrease of 5.2 percent*

MODERN and subsidiaries recorded Baht 804.7 million from sales, rental, service (excluded other service), architectural design service and construction, representing 10.3 percent decrease of Baht 92.1 million from the same period in 2019. The gross profit margin was at 29.9 percent, decreased of 5.2 percent from the same period in 2019.

## Management Discussion &amp; Analysis for three month period ended September 30, 2020

*Net profit equaled Baht 41.6 million, a decrease of 55.5 percent*

At the third quarter of 2020, net profit of MODERN and subsidiaries amounted to Baht 41.6 million, a decrease of 55.5 percent from the same period in 2019.

At the third quarter of 2020, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 25.9 million, an increase of 21.3 percent from the same period in 2019.

## **Business units and subsidiaries performance**

### **Office and residential furniture business**

*Sales decreased by 14.9 percent to Baht 561.7 million*

At the third quarter of 2020, invoicing sales of office and residential furniture decreased by 14.9 percent from the same period in 2019 to Baht 561.7 million.

### **Furniture fittings, solid surface, carpet tile and flooring business**

*Sales decreased by 22.1 percent to Baht 95.7 million*

At the third quarter of 2020, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 22.1 percent from the same period in 2019 to Baht 95.7 million.

### **Space rental and services business**

*Rental and service income at Baht 23.1 million, an increase of 2.9 percent*

At the third quarter of 2020, the business generated Baht 23.1 million rental and service (excluded other service) incomes, or 2.9 percent increase compared to the same period in 2019.

### **Healthcare product and medical equipment business**

*Revenues of Baht 118.2 million, an increase of 50.8 percent*

At the third quarter of 2020, the business recorded revenues of Baht 118.2 million from sales, architectural design service and construction, an increase of 50.8 percent from the same period in 2019.

### **Architectural design business**

*Revenues of Baht 6.0 million, a decrease of 54.4 percent*

At the third quarter of 2020, the architectural and landscape design business recorded revenue Baht 6.0 million or 54.4 percent decrease from the same period in 2019.

### **Financial status of MODERN and subsidiaries**

*Baht 662.6 million of cash and cash equivalents*

As of September 30, 2020, MODERN and subsidiaries recorded Baht 662.6 million for cash and cash equivalents, increased by Baht 203.4 million. Consolidated shareholders' equity accounted for Baht 2,266.7 million, decreased by Baht 64.4 million from the end of 2019.

*Baht 192.8 million of financial institution debts*

MODERN and subsidiaries registered Baht 192.8 million of financial institution debts, decreased by Baht 1.1 million, compared to Baht 193.9 million at the end of 2019. The Company still maintains good liquidity and high retained earnings.