



Ref FN. 024/2021

**Management Discussion and Analysis**  
**For operation of the second quarter of year 2021**

FN Factory Outlet Public Company Limited was founded in 2000 and has been operated the outlet business, featuring consumer products under house brand – separates to Apparel under brand Inco, Cheval, Sleep Mate, ETC brand and Non-Apparel under brand Cherish, Prim, Rollica, Cushy, etc., and other brand products. On July 1, 2020, the Company closed Hat Yai branch to improve profitability. Currently, the Company has 12 outlets (Phetchaburi, Kanchanaburi, Pattaya, Pak Chong, Sing Buri, Hua Hin, Sriracha, Phra Nakorn Sri Ayutthaya, Chachoengsao, Rayong and Diana Hat Yai Branch and Mini Shop at Head Office Bangkok.) In addition, the Company has expanded new channels especially e-commerce through owned official platforms FN application, Facebook: FN Outlet, Line Official Account: @fnoutlet as well as other marketplaces e.g. Lazada, Shopee, JD Central and etc.

In order to increase more channels to directly and rapidly deliver products and services to customers the Company had expanded to new channels to distribute products, such as van unit; Tunjai, FN Spider Network and cooperate with new partners.

**Industry Overview**

The COVID-19 outbreak situation has been rapidly and severely continued during second quarter of 2021 and it seems never ending, which causes increasing number of covid infection over Bangkok and its suburbs as well as many provinces. The outbreaks is spread in clusters all over many areas in country. The Administration of the Situation issued Declaration of an Emergency Situation regarding highly restricted and controlled areas and uplifted measures, for example, quarantine of people who travel across provinces, open and temporary closed some places according to the announcement #37, accelerate vaccinate to prevent and intercept the outbreak. These measures highly impact Thailand economics aspect, the consumption ratio per time and its frequency are decreasing. There is not a behavior of stocking food and other supply because the decreasing of consumption power.

The outbreak continues without ending changed consumers behavior, consumption to depend more on online platform instead, they also limited spending, focused on necessary items for everyday use. This change highly affected business and industrial sectors, particularly retail, restaurant, entertainment, airline business and tourist, all factors sharply impacted directly and indirectly on operational activities which resulted decrease of sales revenue. However, the Company keeps developing distribution model, such as FN Application which increased online channel platform, focuses on necessary items for everyday uses by launching, promotion campaign to stimulate sales volume, in the meantime controls and reduces expenses to align with decrease revenue.

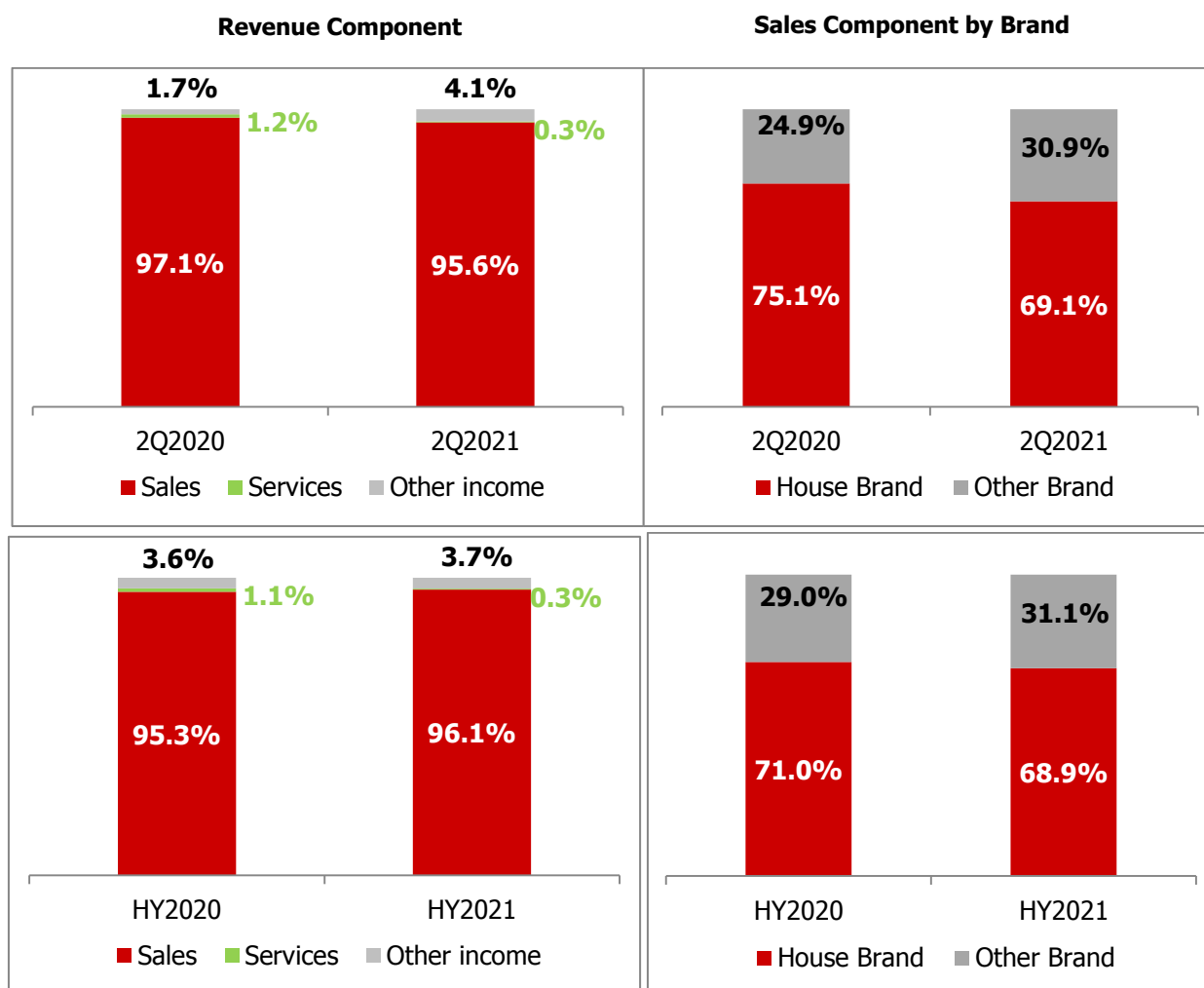
The Company followed government policy using hygiene and health measure to control Covid-19 outbreaks continuously, working from home, temperature check before entering building and branches, hands washing campaign with liquid soap and hand wash gel, all times wearing mask in the building, 2 meter distancing, cleaning, virus buster spraying at risk points an equipment which usually touched at least every 1 hours. Moreover, the Company provide drive-thru service for shopping at branches and cash van (Tunjai) to ensure customer safety and convenience for ours services.

## Performance Analysis

Unit : Million Baht	For the three-month period ended 30 June		Change		For the six-month period ended 30 June		Change	
	2021	2020	Amount	%QoQ	2021	2020	Amount	%YoY
Revenue from sales	127.48	139.69	(12.21)	(8.74)	265.72	335.53	(69.81)	(20.81)
Revenue from services	0.43	1.70	(1.27)	(74.71)	0.73	3.76	(3.03)	(80.59)
Other income	5.43	2.40	3.03	126.25	10.15	12.67	(2.52)	(19.89)
<b>Total revenues</b>	<b>133.34</b>	<b>143.79</b>	<b>(10.45)</b>	<b>(7.27)</b>	<b>276.60</b>	<b>351.96</b>	<b>(75.36)</b>	<b>(21.41)</b>
Cost of goods sold	69.11	75.81	(6.70)	(8.84)	142.55	178.58	(36.03)	(20.18)
Cost of services	0.03	0.08	(0.05)	(62.50)	0.03	0.23	(0.20)	(86.96)
Selling expenses and administrative expenses	83.50	75.07	8.43	11.23	164.52	169.39	(4.87)	(2.88)
Selling expenses	56.87	42.73	14.14	33.09	104.63	104.01	0.62	0.60
Administrative expenses	26.63	32.34	(5.71)	(17.66)	59.89	65.38	(5.49)	(8.40)
<b>Earnings before interest and taxes (EBIT)</b>	<b>(19.30)</b>	<b>(7.17)</b>	<b>(12.13)</b>	<b>169.18</b>	<b>(30.50)</b>	<b>3.76</b>	<b>(34.26)</b>	<b>(911.17)</b>
Financial incomes	0.16	0.48	(0.32)	(66.67)	0.20	0.52	(0.32)	(61.54)
Financial costs	(2.26)	(1.52)	(0.74)	48.68	(4.51)	(4.29)	(0.22)	5.13
Income tax expenses	4.03	0.42	3.61	859.52	7.34	(0.41)	7.75	(1,890.24)
<b>Net profit (loss)</b>	<b>(17.37)</b>	<b>(7.79)</b>	<b>(9.58)</b>	<b>122.98</b>	<b>(27.47)</b>	<b>(0.42)</b>	<b>(27.05)</b>	<b>6,440.48</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>4.42</b>	<b>17.77</b>	<b>(13.34)</b>	<b>(75.10)</b>	<b>15.08</b>	<b>53.92</b>	<b>(38.84)</b>	<b>(72.03)</b>
Depreciation and amortization	23.72	24.94	(1.21)	(4.87)	45.58	50.16	(4.58)	(9.14)

Key financial ratio related with operating result (%)	For the three-month period ended 30 June		Change	For the six-month period ended 30 June		Change
	2021	2020	%QoQ	2021	2020	%YoY
Gross profit margin from sales (%)	45.79	45.73	0.06	46.35	46.78	(0.42)
Gross profit margin from services (%)	93.02	95.29	(2.27)	95.89	93.88	2.01
Selling expenses and administrative expenses to total revenue (%)	62.62	52.21	10.41	59.48	48.13	11.35
Net profit margin (%)	(13.03)	(5.42)	(7.61)	(9.93)	(0.12)	(9.81)

## 1. Total Revenue



The Company had revenue from sales for the second quarter 21 was 127.48 million baht, a decrease of 8.74% compared to the same period of 2020 and for the six-month period ended June 30, 2021, was 265.72 million baht, a decrease of 20.81% when compared to the same period of 2020, as a result of the new wave Coronavirus 2019 (COVID-19), that has become more intense since April until now. As a result, the purchasing power of consumers is greatly reduced and limited to essential products. Although the company will add new distribution channels.

For the second quarter of 2021 and for the six-month period ended June 30, 2021, the Company has revenue from services. Spray disinfectant aerosol level 10-50 microns in the name of Virus buster using high-efficiency liquid from Cherish brand, which is the company's brand, equal to 0.43 million baht and 0.73 million baht, respectively, a decrease of 74.71% and 80.59%, respectively, compared to same period last year.

The Company's other income for the second quarter of 2021 was 5.42 million baht, an increase of 126.54% due to rental income service charge increase including increased income from investments in financial assets and for the six-month period ended June 30, 2021, was 10.15 million baht, a decrease of 19.89% compared to the same period of the previous year. was mainly due to the decrease in rental income due to the Company's has exempted the rent to tenants from the order to temporarily close the establishment. Although it is currently open for business as usual, rental income is still affected by the lower number of customers than usual.

## **2. Cost of goods sold and gross profit**

The gross profit margin for the second quarter of 2021 was 45.79%, a slight increase from the same period of 2020, and the gross profit margin from sales of the six-month period ended June 30, 2021 was 46.35%, a slight decrease, close to the same period of 2020. However, the company saw the importance of maintaining the gross profit margin, therefore, the sales plan was adjusted by being careful about the cost of the promotion to be effective. Consider marketing activities to promote effective sales and build awareness of the company's brand.

## **3. Selling and administrative expenses**

Selling and administrative expenses for the second quarter of 2021 was 83.50 million baht, an increase of 11.22% due to an increase in selling expenses 33.09% as a result of the temporary closure of branches as ordered by the government in the second quarter of 2021 which were less than normal routine and the Company had expenses related to the expansion of new distribution channels. And administrative expenses decreased by 17.66% due to the most efficient management of expenses and human resources. and for the six-month period ended June 30, 2021, was 164.52 million baht, a decrease of 2.87% compared to the same period of 2020, mainly due to a decrease in sales and controlling company expenses such as marketing expenses credit card fees Employee expenses.

Selling and administrative expenses to total revenue ratio for the second quarter of 2021 was 62.62% and for the six-month period ended June 30, 2021, it was 59.48%, an increase from the same period of 2020 due to total revenue decreased in the period.

## **4. Net profit and net profit margin**

The Company had a net loss for the second quarter of 2021 was to 17.37 million baht when compared to the same period of 2020 and for the six-month period ended June 30, 2021 was 27.47 million baht. Coming from the epidemic of Coronavirus Disease 2019 (COVID-19) is still endless and intensifying, affecting purchasing power and consumer decision-making. Although the company has measures to control the use of various expenses as efficiently as possible. But there are still fixed costs that the company cannot avoid, thus affecting the results of the past period.

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 house brand awareness, house brand separate by Apparel under brand Inco, Cheval, Sleep Mate, ETC brand, Non-Apparel under brand Cherish, Prim, Rollica, Cushy, etc. Emphasize FN as a BEDDING DESTINATION with house brands which increases profitability.
2. Focusing and developing E-commerce with potential partners.
3. Increase of spray services to spray the chemicals into a fine mist size of 10-50 microns, named "Virus Buster" under Cherish Brand, for all types of residential buildings, offices, shops, restaurants, hotels, schools, playgrounds, auditoriums, factories, warehouses, government agencies, cars or public transports and other places.
4. 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 : Million Baht	As at		Change	
	30 Jun 2021	31 Dec 2020	MB	%
Cash and cash equivalents	168.05	94.37	73.68	78.08
Trend and other receivables	12.90	10.70	2.20	20.56
Inventories	411.48	425.41	(13.93)	(3.27)
Other current financial assets	62.55	181.24	(118.69)	(65.49)
Property, plant and equipment	831.55	860.92	(29.37)	(3.41)
Right-of-use assets	147.31	151.21	(3.90)	(2.58)
Other assets	61.36	60.94	0.42	0.69
<b>Total assets</b>	<b>1,695.20</b>	<b>1,784.79</b>	<b>(89.59)</b>	<b>(5.02)</b>
Accounts payable	41.22	72.04	(30.82)	(42.78)
Long-term loan	68.47	85.56	(17.09)	(19.97)
lease liabilities	160.39	162.75	(2.36)	(1.45)
Other liabilities	17.64	25.80	(8.16)	(31.63)
<b>Total liabilities</b>	<b>287.72</b>	<b>346.15</b>	<b>(58.43)</b>	<b>(16.88)</b>
<b>Total shareholders' equity</b>	<b>1,407.48</b>	<b>1,438.65</b>	<b>(31.17)</b>	<b>(2.17)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,695.20</b>	<b>1,784.80</b>	<b>(89.60)</b>	<b>(5.02)</b>

### 1. Assets

The Company's total assets as of June 30, 2021 were 1,695.20 million baht, a decrease of 89.59 million baht from the end of 2020, mainly due to a decrease in other current financial assets. due to the sale of investments during the period the decrease due to depreciation during the period of building and equipment and the decrease in inventories due to the sale of products during the period, and inventory management.

### 2. Liabilities

Total liabilities as of June 30, 2021 were 287.72 million baht, a decrease of 58.43 million baht from the end of 2020, from a decrease in trade accounts payable due to payment and purchasing control. Long-term loans from payments during the period including the decrease in other liabilities caused by the decrease in rental deposits.

### 3. Shareholders' equity

Shareholders' equity as of June 30, 2021 was equal to 1,407.48 million baht, a decrease from the end of 2020 by 31.17 million baht, mainly due to loss for the period. and the payment of dividends.

## **Key Financial Ratio Analysis**

	As at		Change	Reason
	30 Jun 2021	31 Dec 2020		
Liquidity Ratio (times)	7.01	5.73	1.29	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.55	2.24	0.31	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(3.88)	(1.93)	(1.95)	Decreased due to lower operating results.
Debt-to-Equity Ratio (Times)	0.20	0.24	(0.04)	Decrease because the entity's liabilities are reduced due to payments during the period at a rate greater than the decrease in equity.

### **For more information, please contact:**

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