



Ref FN. 027/2021

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

FN Factory Outlet Public Company Limited was founded in 2000 operates the outlet products business, featuring consumer products under house brand, there are Apparel products under brand Inco, Cheval, Sleep Mate, ETC brand and Non-Apparel products 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, 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 efficiency in delivery products and services to customers directly and rapidly, the Company initiate new channels such as van unit, Tunjai, FN Spider Network and cooperate with new partners.

Industry Overview

In 3rd quarter, Thailand economics had been effected from the Covid-19 outbreak, the Company followed lockdown measures which commanded by Government by temporary closing all branches during July- August 2021. During closing period, the Company had increased selling products through digital channel, platforms, FN Application as well as cash van which were a specific way to make customers more convenience in shopping by bringing our products direct to their houses to shop. Moreover the company had FN spider channel which is direct sales by sales representative.

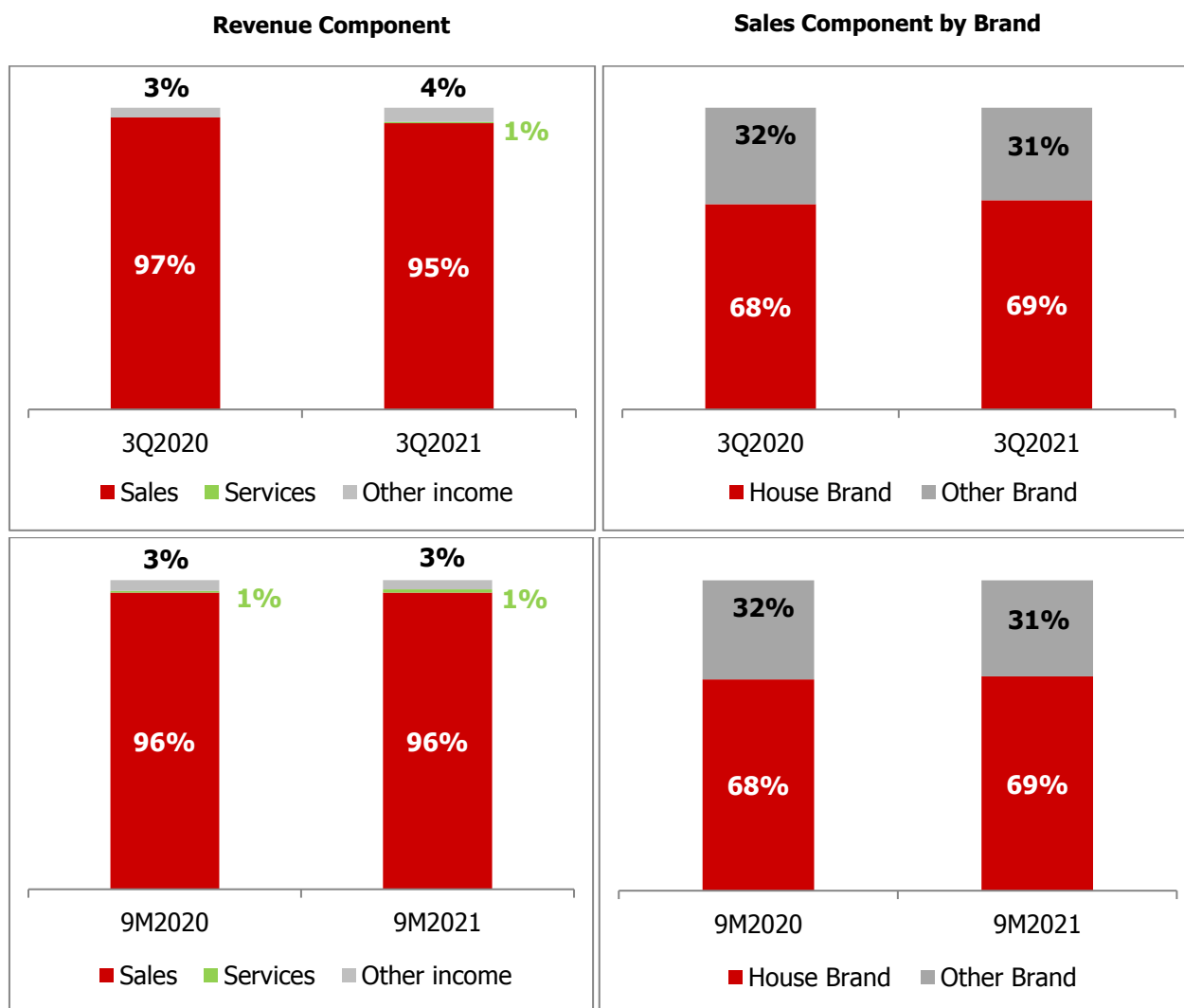
The Company strictly followed government policy using hygiene and health measure to control Covid-19 outbreaks continuously, we work from home 100%, temperature check before entering building and branches, hands washing by liquid soap and hand wash gel is comply all times, 100% wearing mask while in indoor building, 2 equipment which usually touched at least every 1 hours. Moreover, the Company provide drive-thru service for shopping at all 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 September		Change		For the nine-month period ended 30 September		Change	
	2021	2020	Amount	%QoQ	2021	2020	Amount	%YoY
Revenue from sales	109.83	207.81	(97.98)	(47.15)	375.55	543.60	(168.05)	(30.91)
Revenue from services	0.43	0.01	0.42	99.99	1.16	3.51	(2.35)	(66.95)
Other income	5.46	6.80	(1.34)	(19.71)	15.61	19.47	(3.86)	(19.83)
Total revenues	115.72	214.62	(98.90)	(46.08)	392.32	566.58	(174.26)	(30.76)
Cost of goods sold	60.57	120.24	(59.67)	(49.63)	203.12	298.82	(95.70)	(32.03)
Cost of services	0.01	-	0.01	100.00	0.05	0.23	(0.18)	(78.26)
Selling expenses and administrative expenses	73.26	88.68	(15.42)	(17.39)	237.77	258.06	(20.29)	(7.86)
Selling expenses	44.65	56.35	(11.70)	(20.76)	149.27	160.36	(11.09)	(6.92)
Administrative expenses	28.61	32.33	(3.72)	(11.51)	88.50	97.70	(9.20)	(9.42)
Earnings before interest and taxes (EBIT)	(18.12)	5.70	(23.82)	(417.89)	(48.62)	9.47	(58.09)	(613.41)
Financial incomes	0.03	0.02	0.01	50.00	0.23	0.53	(0.30)	(56.60)
Financial costs	(1.93)	(1.91)	(0.02)	1.05	(6.44)	(6.20)	(0.24)	3.87
Income tax expenses	4.08	0.40	3.68	920.00	11.42	(0.02)	11.44	100.00
Net profit (loss)	(15.94)	4.21	(20.15)	(478.62)	(43.41)	3.78	(47.19)	(1,248.41)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.37	28.50	(18.13)	(63.62)	25.45	82.44	(56.99)	(69.13)
Depreciation and amortization	28.49	22.80	5.69	24.93	74.07	72.97	1.10	1.51

Key financial ratio related with operating result (%)	For the three-month period ended 30 September		Change	For the nine-month period ended 30 September		Change
	2021	2020	%QoQ	2021	2020	%YoY
Gross profit margin from sales (%)	44.85	42.14	2.71	45.91	45.03	0.88
Gross profit margin from services (%)	97.67	93.75	3.92	95.69	93.33	2.36
Selling expenses and administrative expenses to total revenue (%)	63.31	41.31	22.00	60.61	45.50	15.11
Net profit margin (%)	(13.77)	1.96	(15.74)	(11.06)	0.67	(11.73)

1. Total Revenue



The Company had revenue from sales for the 3rd quarter 21 was 109.83 million baht, a decrease of 47.15% compared to the same period of 2020, as a result of the severity of The COVID-19 outbreak situation has continued since the end of 2020 and the number of infected people has been increasing, and the Emergency decree which issued by The Administration of the Situation issued Declaration of an Emergency Situation regarding restriction and controlling areas, moving from places to places were forbidden. The company has given importance to and cooperated in implementing such measures by temporarily closing all branches while the same period of 2020 is open as usual. As a result, the main revenue from the branch decreased significantly. Although the company will add new distribution channels.

The Company had revenue from sales for the nine-month period ended September 30, 2021, was 375.55 million baht, a decrease of 30.91% when compared to the same period of 2020, as a result the severity of The COVID-19 outbreak situation has continued since the end of 2020 and the number of infected people has been increasing, and the Emergency decree which issued by The Administration of the Situation issued Declaration of an Emergency Situation regarding restriction and controlling areas, moving from places to places were forbidden and weakening of purchasing power as a result, the main revenue from the branch decreased significantly. Although the company will add new distribution channels.

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, For the 3rd quarter of 2021, was 0.43 million baht, an increase of 99.99%, compared to the same period of 2020 and for the nine-month period ended September 30, 2021, was 1.16 million baht, a decrease 66.95%, compared to the same period of 2020.

The Company's other income for the 3rd quarter of 2021 was 5.46 million baht, a decrease of 19.71% and for the nine-month period ended September 30, 2021, was 15.61 million baht, a decrease of 19.83% compared to the same period of the previous year was mainly due to rental income decreased because the company has exempted the rent or reduced the rent to the tenant and the rental income decreased due to the decrease in the number of customers from the severity of The COVID-19 outbreak situation.

2. Cost of goods sold and gross profit

The gross profit margin for the 3rd quarter of 2021 was 44.85%, an increase of 2.71% from the same period of 2020, and the gross profit margin from sales of the nine-month period ended September 30, 2021 was 45.91%, a slight decrease, close to the same period of 2020 due to the increase in the proportion of sales of the company's branded products.

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 3rd quarter of 2021 was 73.26 million baht, a decrease of 17.39% from the same period of 2020 mainly due to the Emergency decree which issued by The Administration of the Situation issued Declaration of an Emergency Situation regarding restriction and controlling areas. The Company aware that situation was serious and followed government measures, branches were temporary closed during announcement period while the same period of 2020 is open as usual.

Selling and administrative expenses for the nine-month period ended September 30, 2021, was 237.77 million baht, a decrease of 7.86% compared to the same period of 2020, mainly due to the severity of The COVID-19 outbreak situation since the end of 2020 and the number of infected people is increasing steadily including the strict measures of the government this results in lower sales and sales-related expenses such as credit card fees and selling expenses are reduced.

In addition, the company has control over the company's expenses and spending on specific needs, such as reducing sales area due to reduced traffic, resulting in lower utility bills. Reducing marketing activities employee expenses, etc.

Selling and administrative expenses to total revenue ratio for the 3rd quarter of 2021 was 63.61% and for the nine-month period ended September 30, 2021, it was 60.61%, 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 3rd quarter of 2021 was to 15.94 million baht when compared to the same period of 2020 and for the nine-month period ended September 30, 2021 was 43.41 million baht mainly due to the severity of The COVID-19 outbreak situation has continued since the end of 2020 and the number of infected people has been increasing, and the Emergency decree which issued by The Administration of the Situation issued Declaration of an Emergency Situation regarding restriction and controlling areas, moving from places to places were forbidden.

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. Increasing various selling channels, such as Pop up stores at places, business to business channel, e-commerce, owned platform, partners as well as new channels like cash van and direct sale by sales representative.
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 Sep 2021	31 Dec 2020	MB	%
Cash and cash equivalents	213.03	94.37	118.66	125.74
Trend and other receivables	15.34	10.70	4.64	43.36
Inventories	387.87	425.41	(37.54)	(8.82)
Other current financial assets	30.02	181.24	(151.22)	(83.44)
Property, plant and equipment	815.72	860.92	(45.20)	(5.25)
Right-of-use assets	143.76	151.21	(7.45)	(4.93)
Other assets	70.39	60.94	9.45	15.51
Total assets	1,676.13	1,784.79	(108.66)	(6.09)
Accounts payable	46.66	72.04	(25.38)	(35.23)
Long-term loan	59.83	85.56	(25.73)	(30.07)
lease liabilities	156.36	162.75	(6.39)	(3.93)
Other liabilities	21.74	25.80	(4.06)	(15.74)
Total liabilities	284.59	346.15	(61.56)	(17.78)
Total shareholders' equity	1,391.54	1,438.64	(47.10)	(3.27)
Total liabilities and shareholders' equity	1,676.13	1,784.79	(108.66)	(6.09)

1. Assets

The Company's total assets as of September 30, 2021 were 1,676.13 million baht, a decrease of 108.66 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 September 30, 2021 were 284.59 million baht, a decrease of 61.56 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 September 30, 2021 was equal to 1,391.54 million baht, a decrease from the end of 2020 by 47.10 million baht, mainly due to loss for the period and the payment of dividends.

Key Financial Ratio Analysis

	As at		Change	Reason
	30 Sep 2021	31 Dec 2020		
Liquidity Ratio (times)	6.40	5.73	0.67	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.48	2.24	0.24	Increased from a decrease in current liabilities due to payment during the period
Return on Equity (%)	(3.07)	(1.93)	(1.14)	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.

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