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15 November 2021

Subject: Management Discussion and Analysis for the Performance for the three-month and the nine-month periods ended 30 September 2021

To: President
The Stock Exchange of Thailand

The Board of Directors of Wow Factor Public Company Limited (the “Company”) No.5/2021 held on 15 November 2021 agreed on a resolution to certify the financial statements and the performance for the three-month and nine-month periods ended 30 September 2021 which was reviewed by the Auditor.

The overall of the Company’s performance can be summarized as follows:

[Please see the following page]

Statement of Profit or Loss for the three-month periods ended 30 September (Unit: Thousand Baht)

Performance (Statement of Profit or Loss)	2021	2020	Inc/(Dec)	%
Revenue				
Revenue from sales	5,549	108,820	(23,271)	(21)
Total revenue	85,549	108,820	(23,271)	(21)
Costs of sales	(48,846)	(75,621)	26,775	(35)
Total costs	(48,846)	(75,621)	26,775	(35)
Gross profit	36,703	33,199	3,504	11
Gain (Loss) on exchange	(291)	2,051	(2,342)	(114)
Other income	5,926	1,158	4,768	412
Profit before expenses	42,338	36,408	5,930	16
Selling and distribution expenses	(61,681)	(25,295)	(36,386)	144
Administrative expenses	(47,846)	(21,355)	(26,491)	124
Remunerations for directors and management	(2,455)	(4,079)	1,624	(40)
Reverse of allowance for doubtful accounts	-	914	(914)	(100)
Total expenses	(111,982)	(49,815)	(62,167)	125
Loss before finance costs and income tax	(69,644)	(13,407)	(56,237)	419
Finance costs	(4,520)	(5,211)	691	(13)
Loss before income tax	(74,164)	(18,618)	(55,546)	298
Income tax	1,420	1,694	(274)	(16)
Loss for the period	(72,744)	(16,924)	(55,820)	330

Statement of Profit or Loss for the nine-month periods ended 30 September

(Unit: Thousand Baht)

Performance (Statement of Profit or Loss)	2021	2020	Inc/(Dec)	%
Revenue				
Revenue from sales	269,341	331,682	(62,341)	(19)
Total revenue	269,341	331,682	(62,341)	(19)
Costs of sales	(144,754)	(245,528)	100,774	(41)
Total costs	(144,754)	(245,528)	100,774	(41)
Gross profit	124,587	86,154	38,433	45
Gain (Loss) on exchange	(362)	7,148	(7,510)	(105)
Other income	8,880	3,345	5,535	165
Profit before expenses	133,105	96,647	36,458	38
Selling and distribution expenses	(195,135)	(69,640)	(125,495)	180
Administrative expenses	(132,746)	(76,120)	(56,626)	74
Remunerations for directors and management	(7,712)	(12,888)	5,176	(40)
Reverse of allowance for doubtful accounts	-	3,067	(3,067)	(100)
Total expenses	(335,593)	(155,581)	(180,012)	116
Loss before finance costs and income tax	(202,488)	(58,934)	(143,554)	244
Finance costs	(9,422)	(13,934)	4,512	(32)
Loss before income tax	(211,910)	(72,868)	(139,042)	191
Income tax	4,226	519	3,707	714
Loss for the period	(207,684)	(72,349)	(135,335)	187

Sales and cost of sales

Sales of goods can be grouped in 2 sectors as 1) producing and distributing of electronics parts and 2) selling foods and beverages. The details of sales and cost of sales are as below.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2021	2020	2021	2020
Producing and distributing electronics spare parts				
Income from sales of goods	-	56,552	-	205,905
Cost of sales	-	(50,147)	-	(180,857)
Gross profit	-	6,405	-	25,048
	0%	11%	0%	12%
Selling food and beverage				
Income from sales of goods	85,549	52,268	269,341	125,777
Cost of sales	(48,846)	(25,474)	(144,754)	(64,671)
Gross profit	36,703	26,794	124,587	61,106
	43%	51%	46%	49%

Sales from producing and distributing electronics spare parts

Revenue from sales and cost of sales from producing and distributing electronics spare parts decreased from Q3 of year 2020 because the Company sold investment in a subsidiary (EIC Semiconductor Co., Ltd.) which manufactures and sell electronics parts in October 2020 caused revenue from sales and cost from production the electronics parts decreased by baht 57 million or 100%. Gross profit margin was 11% because the increases in raw material cost of the products manufactured for American customers.

Sales from selling food and beverages

Revenue from sales from selling food and beverages increased from Q3 of year 2020 by Baht 33 million since the Company completed acquisition of pizza restaurants business under the trademark DOMINO'S PIZZA in October 2020 which caused revenue in this quarter increased by Baht 43 million. In the other hand, revenue from sales from selling food and beverages excluded DOMINO'S PIZZA decreased for Baht 10 million as the infected people continually increased so the order of the Centre for the Administration of the Situation due to the Outbreak of the Communicable Disease Coronavirus 2019 (COVID-19) to close restaurants in Department Stores and Community Malls in July allowed to sell only on delivery channels in August and allowed to dine in

50% in September. This order caused the Company to temporary close some of our stores and find distribution center, however it did not cover all service areas, so Gross Profit margin of food business in Q3 of year 2021 was also less than Q3 in year 2020 as all stores can operate dine in for 100% in Q3 in year 2020, while the Company was allowed to operate dine in only 50% in September 2021 which average cost of delivery was higher than dine in for 10 – 15%. However, DOMINO'S PIZZA was not affected from the order of the Centre for the Administration of the Situation due to the Outbreak of the Communicable Disease Coronavirus 2019 (COVID-19), this made the Gross Profit margin of the Company decreased from last year only 8%.

The revenue from food and beverages for the nine-month period ended on 30 September 2021 was increased from year 2020 for Baht 144 million which also including Baht 110 million from DOMINO'S PIZZA business that we completed the acquisition in October 2020 and Baht 34 million from other food and beverages companies, while Gross Profit margin was 3% decreased, mainly from the increase of sales from delivery channels due to longer period of the closing of restaurants in 2021.

Other Income

Other income increased from Q3 in year 2020 for Baht 4.8 million, mainly from the rental fee discounts during COVID-19 period for Baht 3.7 million. The increase of other revenue for the nine-month period ended 30 September 2021 was the same reason as in Q3 in year 2021.

Selling expenses

(Unit: Thousand
Baht)

	For the three-month periods ended 30 September			For the nine-month periods ended 30 September		
	2021	2020	Inc (Dec)	2021	2020	Inc (Dec)
Staff expenses	15,922	6,973	8,949	52,962	19,966	32,996
Rental and utilities expenses	11,394	7,624	3,770	42,195	19,316	22,879
Depreciation and amortization	14,411	7,106	7,305	43,775	16,583	27,192
Advertising and sales promotion	8,600	1,902	6,698	20,476	5,336	15,140
Supplies	3,791	831	2,960	9,914	3,131	6,783
Others	7,563	859	6,704	25,813	5,308	20,505
Total	61,681	25,295	36,386	195,135	69,640	125,495

Selling expenses of the Group company for the three-month and nine-month periods ended 30 September 2021 increased from the year 2020 for Baht 36 million and Baht 125 million, respectively. The factor behind these increased is from the fact that the group company completed the business transfer transaction of 26 stores of pizza restaurants under the trademark DOMINO'S PIZZA in October 2020. From such completion, the company has consumed expenses from DOMINO'S PIZZA business which are employees' expense, and selling expenses such as Royalty fee, operation supplies, advertisement and sales promotion.

Administrative expenses

(Unit: Thousand Baht)

	For the three-month periods			For the nine-month periods		
	ended 30 September			ended 30 September		
	2021	2020	Inc (Dec)	2021	2020	Inc (Dec)
Staff expenses	21,397	7,896	13,501	52,505	23,262	29,243
Professional fees	4,293	(773)	5,066	13,642	10,262	3,380
Rental expenses	510	1,361	(851)	1,609	3,787	(2,178)
Depreciation and amortization	15,826	4,259	11,567	45,428	20,649	24,779
Others	5,820	8,612	(2,792)	19,562	18,160	1,402
Total	47,846	21,355	26,491	132,746	76,120	56,626

Administrative expenses of the Group increased from Q3 of year 2020 by Baht 26 million due to a subsidiary completed the acquisition business transfer pizza restaurants under the trademark DOMINO'S PIZZA in October 2020 which caused the employee costs and depreciation and amortization expenses increased. Anyhow, rental and service fee decreased because EIC Semiconductor Co., Ltd. (a subsidiary) which the Company sold investment in October 2020 had office rental fee about Baht 0.2 million per month. Moreover, in Q3 of year 2020, the Company got partial discounts of legal fee, caused reversal expenses in minus. The increase of administrative expenses for the nine-month period ended 30 September 2021 was the same reason as in Q3 in year 2021.

Directors and Managements' remuneration

The remuneration decreased from Q3 of year 2020 by Baht 1.6 million because the selling of investment in EIC Semiconductor Co., Ltd. caused the managements' salary decreased by Baht 1.4 million, also the average managements' salary rate decreased by Baht 0.1 million per month comparing to the last year.

Gain (Loss) on Exchange Rate

Gain (Loss) on exchange rate occurred mostly from the export sales of electronic parts of EIC Semiconductor Co., Ltd., especially from USA. In Q3 in year 2020, the baht slightly depreciated against the US dollar. As a result, the Group had a gain on foreign exchange of Baht 2.1 million. The company sold its investment in EIC Semiconductor Co., Ltd. in October 2020, causing a decrease in the amount in Q3 in year 2021.

However, in Q1 in year 2020, the baht depreciated significantly compared to the US dollar. Resulting in a foreign exchange gain from EIC Semiconductor Co., Ltd. amounting to Baht 9.4 million, resulting in even the Q2 in year 2020, the baht appreciated and then slightly depreciated in Q3 caused the Company gained profit from foreign exchange by Baht 7.1 million in the nine-month period ended 30 September 2020 which greater than 2021 by 7.5 million.

Allowance for doubtful accounts

In the three-month and the nine-month periods ended 30 September 2021, EIC Semiconductor Co., Ltd., a subsidiary, received the payment from accounts receivable who recorded the allowance for doubtful account amounting to Baht 0.9 million and Baht 3.1 million, respectively. Anyhow in 2021, the Company has operated only Food & Beverage business which mostly has no outstanding balance, so there is no record or reverse the allowance for doubtful accounts during the period.

Finance cost

In the three-month and the nine-month periods ended 30 September 2021 decreased from year 2020 due to the selling of investment in EIC Semiconductor Co., Ltd. in October 2020 which caused lease liabilities decreased by Baht 203 million effected the interest from lease agreements decreased.

Income Tax

The Company had income from income tax increased for the nine-month period ended 30 September 2020 for Baht 3.7 million. The main reason was in the Q1 in year 2020, the subsidiary reversed deferred tax assets arising from compensation provisions due to the received payment of Baht 2.4 million.

The income tax revenue in Q3 in year 2021 was slightly decreased from Q3 in year 2020.

Please be informed accordingly.

Sincerely yours

Mr. Sirutt Ratanapaitoon
Director/ Chief Financial Officer