

Indexlivingmall

Index Living Mall Public Company Limited (ILM)

Management Discussion and Analysis (MD&A)

For the First Quarter Ended 31 March 2022



Highlights

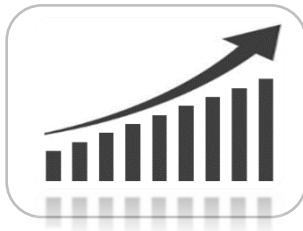
Operating Highlights	Q1/2021	Q4/2021	Q1/2022	Change +/-	
				%YoY	%QoQ
(Unit: THB million)					
Revenue from sale of goods	2,005.1	2,188.1	1,969.0	-1.8%	-10.0%
Revenue from rental and rendering of services	128.4	131.4	152.5	+18.7%	+16.1%
Operating revenue	2,133.5	2,319.6	2,121.5	-0.6%	-8.5%
Gross profit	930.9	964.8	980.6	+5.3%	+1.6%
SG&A	705.1	776.7	763.4	+8.3%	-1.7%
EBITDA	459.6	450.1	450.8	-1.9%	+0.1%
Net profit (loss)	145.4	150.9	160.6	+10.5%	+6.4%
Gross profit margin (%)	43.6%	41.6%	46.2%	+2.6%	+4.6%
%SG&A to operating revenue	33.1%	33.5%	36.0%	+2.9%	+2.5%
EBITDA margin (%)	21.4%	19.0%	21.0%	-0.4%	+2.0%
Net profit margin (%)	6.8%	6.4%	7.5%	+0.7%	+1.1%

Q1/2022

- In Q1/2022, Index Living Mall Public Company Limited (the "Company" or "ILM") recorded a net profit of Baht 160.6 million, increased by 10.5% YoY and 6.4% QoQ, the highest profit in 10 quarters since Q3/2019 with the following key matters:
 - Decreased sales by 1.8% YoY and 10.0% QoQ was mainly due to the termination of home electric sale under the brand of Power One, after the Company changed the sales area of Power One to be the rental spaces to Com7 Public Company Limited (COM7). Domestic project sales and overseas OEM sales also decreased; however, both channels should be growing in the remaining of the year 2022. Meanwhile, sales channels that managed to grow included retail sales, which grew by 1.9% YoY; online sales, which grew by 45.4%, domestic dealers, which grew by 30.0% YoY; and overseas franchise sales, which grew by 3.5% YoY.
 - If excluding home electric sales that the Company has terminated the business, the Company's total sales will increase by 4.7% YoY and decrease by 7.9% QoQ, while retail sales will increase by 11.1% YoY and decrease by 4.3% QoQ
 - Increased revenue from rental and rendering by 18.7% YoY and 16.1% QoQ was mainly supported by the Company's increased and more diversified tenants, with rental revenue recognition from COM7 since January 2022 as well as the rental revenue from the second phase of the warehouse rental since February 2022.
 - Improved gross profit margin from sale YoY and QoQ was after the Company's termination of home electric sale as well as increased sales proportion of high gross profit margin products
 - Gross profit margin from rental and rendering of services made a new high since Q4/2017, supported by the Company's increased and more diversified tenants as well as continuous effective cost management
 - SG&A rose by 8.3% YoY mainly due to increased salary and employee benefits, higher sales promotion expenses from the online channel and new product launch, and higher delivery costs resulting from higher oil prices. On the other hand, SG&A decreased by 1.7% QoQ following the decreased operating revenue.
 - Decreased finance costs by 16.9% YoY and 8.0% QoQ was supported by continuous long-term loan prepayment
 - The Company has utilized total tax incentives from the Office of the Board of Investment (BOI) from investment in new machinery of Baht 5.7 million, which decreased from Baht 6.2 million in Q1/2021 but increased from Baht 4.2 million in Q4/2021.
 - From the beginning of 2021 until the end of Q1/2022, the Company has utilized total tax incentives of Baht 23.8 million, out of total tax incentives of Baht 64.3 million to utilize by the end of 2023.
- The Company has been repaying long-term loans from financial institutions continuously. Total borrowings at the end of Q1/ 2021 were Baht 1,700.8 million, reduced by Baht 275.1 million or 13.9% from Baht 1,975.9 million at the end of 2021, with the long-term loan prepayment of Baht 300.0 million.

*Values may differ by one decimal point due to figure rounding

Significant Events in Q1/2022



Net Profit Hit a 10-Quarter High

After the government released the easing of lockdown and restriction measures on 1 September 2021, the Company's earnings have been recovering continuously from Q4/2021 to Q1/2022. Net profit in Q2/2022 recorded the highest in 10 quarters since Q3/2019 (the period before the COVID-19).



Revenue from Rental and Rendering of Services Marked a Record High

The Company's revenue from rental and rendering of services in Q1/2022 has made a record high at Baht 152.5 million. Also, gross profit margin from rental and rendering of services surged to 51.2%, a new high since Q4/2017, supported by the more tenants and effective cost management. The Company has started to recognize the rental revenue from COM7 Public Company Limited (COM7) in January 2022 as well as the rental revenue from the second phase of the warehouse rental in February 2022.



Launch of DREAMIA Pillow to Support the Demand for Health-conscious Market

The Company promoted the collaboration marketing strategy with its partner Woody-Wuthithorn Milintachinda launching 'DREAMIA', a hybrid pillow with 7 innovations from the United States. DREAMIA will help support the demand for health-conscious market and help drive sales of the Company's mattress and bedding products to grow continuously.



Continuous Long-term Loan Prepayment to Reduce Finance Costs

The Company has been repaying long-term loans from financial institutions continuously, thus total borrowings were reduced by Baht 275.1 million from Baht 1,975.9 million at the end of 2021 to Baht 1,700.8 million at the end of Q1/2022, with long-term loan prepayment of Baht 300.0 million. Finance costs in Q1/2022 (only from the borrowings from financial institutions) were Baht 9.3 million, reduced by Baht 11.8 million or 56.0% YoY from Baht 21.1 million in Q1/2021 and reduced by Baht 4.6 million or 33.2% QoQ from Baht 13.9 million in Q4/2021.

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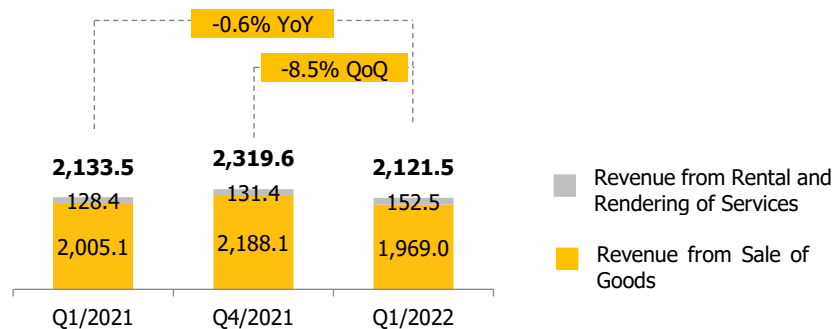
Summary of Operating Results

Operating Highlights	Q1/2021	Q4/2021	Q1/2022	Change +/-	
				%YoY	%QoQ
(Unit: THB million)					
Revenue from sale of goods	2,005.1	2,188.1	1,969.0	-1.8%	-10.0%
Revenue from rental and rendering of services	128.4	131.4	152.5	+18.7%	+16.1%
Operating revenue	2,133.5	2,319.6	2,121.5	-0.6%	-8.5%
Cost of sale of goods	1,135.1	1,288.4	1,066.4	-6.1%	-17.2%
Cost of rental and rendering of services	67.5	66.3	74.5	+10.3%	+12.3%
Cost of sales and services	1,202.6	1,354.8	1,140.9	-5.1%	-15.8%
Gross profit	930.9	964.8	980.6	+5.3%	+1.6%
Other income	13.2	49.8	27.9	+111.4%	-44.1%
Selling and distribution expenses	472.7	523.1	512.1	+8.3%	-2.1%
Administrative expenses	232.5	253.6	251.3	+8.1%	-0.9%
Finance costs	64.8	58.5	53.8	-16.9%	-8.0%
Profit before income tax expenses	174.2	179.4	191.2	+9.8%	+6.6%
Tax expenses	28.8	28.4	30.6	+6.1%	+7.5%
Net profit	145.4	150.9	160.6	+10.5%	+6.4%

Revenue Structure	Q1/2021	Q4/2021	Q1/2022	Change +/-	
				%YoY	%QoQ
(Unit: THB million)					
A. Revenue from sale of goods					
Domestic sales					
1.1 Retail stores	1,509.8	1,659.1	1,538.8	+1.9%	-7.3%
1.2 Projects	230.7	169.2	118.2	-48.8%	-30.1%
1.3 Dealers	18.7	21.1	24.2	+30.0%	+14.8%
1.4 Online	155.1	283.6	225.5	+45.4%	-20.5%
Total revenue from domestic sales	1,914.2	2,133.0	1,906.8	-0.4%	-10.6%
Overseas sales	90.8	55.1	62.2	-31.5%	+12.8%
Total revenue from sale of goods	2,005.1	2,188.1	1,969.0	-1.8%	-10.0%
B. Revenue from rental and rendering of services	128.4	131.4	152.5	+18.7%	+16.1%
Total operating revenue	2,133.5	2,319.6	2,121.5	-0.6%	-8.5%
Other income	13.2	49.8	27.9	+111.4%	-44.1%
Total revenue	2,146.7	2,369.4	2,149.3	+0.1%	-9.3%

1. Operating Revenue

Unit: THB million, %



*Values may differ by one decimal point due to figure rounding

Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded total operating revenue of Baht 2,121.5 million, decreased by Baht 12.0 million or 0.6% YoY. Details were as follows:
 - **Revenue from sale of goods** was Baht 1,969.0 million, decreased by Baht 36.1 million or 1.8% YoY mainly due to the termination of home electric sale under the brand of Power One and changing the sales area of Power One to be the rental spaces to Com7 Public Company Limited (COM7). Domestic project sales and overseas OEM sales also decreased; however, both channels will be growing in the remaining of the year 2022. Meanwhile, sales channels that managed to grow included retail sales, which grew by 1.9% YoY; online sales, which grew by 45.4%, domestic dealers, which grew by 30.0% YoY; and overseas franchise sales, which grew by 3.5% YoY.

If excluding home electric sales that the Company has terminated the business, the Company's total sales will increase by 4.7% YoY, and retail sales will increase by 11.1% YoY.
 - **Revenue from rental and rendering of services** was Baht 152.5 million, increased by Baht 24.1 million or 18.7% YoY. The revenue from rental and rendering of services in Q1/2022 was a record high, supported by the Company's increased and more diversified tenants.

Q1/2022 vs Q4/2021 (QoQ)

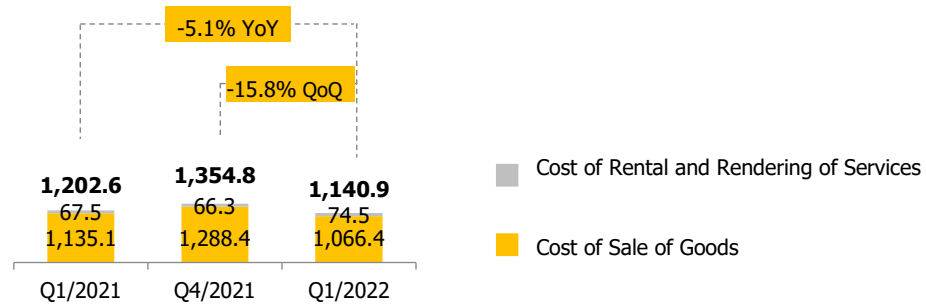
- In Q1/2022, the Company recorded total operating revenue of Baht 2,121.5 million, decreased by Baht 198.1 million or 8.5% QoQ. Details were as follows:
 - **Revenue from sale of goods** was Baht 1,969.0 million, decreased by Baht 219.2 million or 10.0% QoQ, as the fourth quarter is a festive seasons. The termination of home electric sale also caused the drop in retail sales. However, sales channels that managed to grow QoQ included domestic dealers, which grew by 14.8% QoQ; overseas franchise sales, which grew by 9.4% QoQ; and overseas OEM sales, which grew by 3.9% QoQ. Younique Customized Furniture sales also expanded by 3.8% QoQ.

If excluding home electric sales that the Company has terminated the business, the Company's total sales will decrease by 7.9% QoQ, and retail sales will decrease by 4.3% QoQ.
 - **Revenue from rental and rendering of services** was Baht 152.5 million, increased by Baht 21.1 million or 16.1% QoQ, breaking a record high, supported by the Company's increased and more diversified tenants.

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2. Cost of Sales and Services

Unit: THB million, %



Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded cost of sales and services of Baht 1,140.9 million, decreased by Baht 61.7 million or 5.1% YoY. Details were as follows:
 - Cost of sale of goods** was Baht 1,066.4 million, decreased by Baht 68.7 million or 6.1% YoY, following the reduced sales.
 - Cost of rental and rendering of services** was Baht 74.5 million, increased by Baht 7.0 million or 10.3%, following the higher revenue from rental and rendering of services.

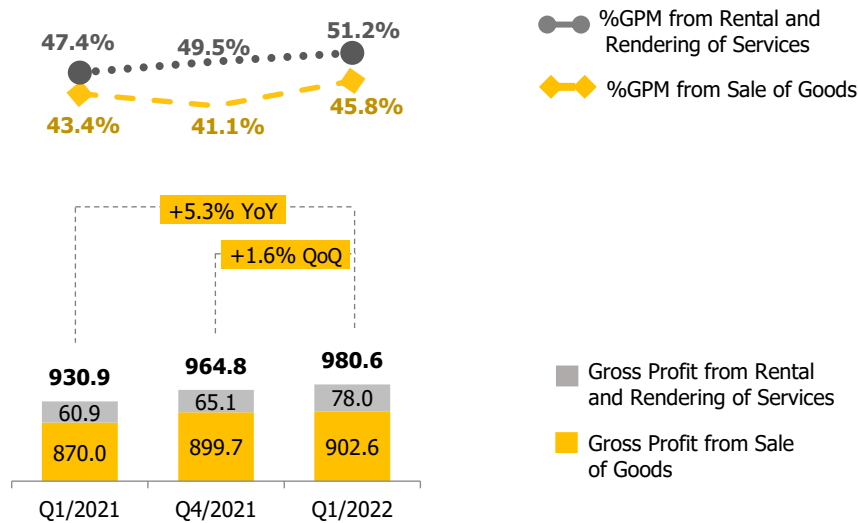
Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded cost of sales and services of Baht 1,140.9 million, decreased by Baht 213.9 million or 15.8% QoQ. Details were as follows:
 - Cost of sale of goods** was Baht 1,066.4 million, decreased by Baht 222.0 million or 17.2% QoQ, following the reduced sales.
 - Cost of rental and rendering of services** was Baht 74.5 million, increased by Baht 8.1 million or 12.3% QoQ, following the higher revenue from rental and rendering of services.

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3. Gross Profit and Gross Profit Margin

Unit: THB million, %



Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded gross profit of Baht 980.6 million, increased by Baht 49.7 million or 5.3% YoY. Details were as follows:
 - Gross profit from sale of goods** was Baht 902.6 million, increased by Baht 32.6 million or 3.7% YoY, despite the lower sales. The increased gross profit from sale of good was mainly supported by higher gross profit margin after the termination of home electric sale as well as the increased sales proportion of high gross profit margin products.
 - Gross profit from rental and rendering of services** was Baht 78.0 million, increased by Baht 17.1 million or 28.1% YoY, following the higher revenue from rental and rendering of services supported by increased and more diversified tenants as well as effective cost management.

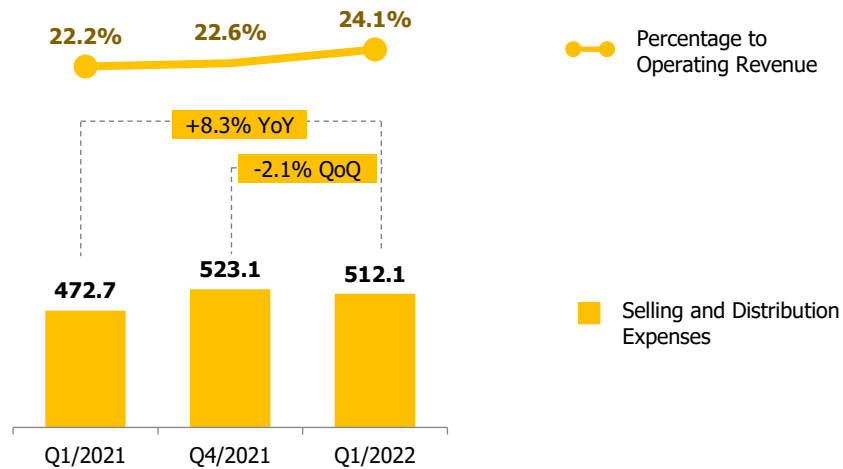
Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded gross profit of Baht 980.6 million, increased by Baht 15.3 million or 1.6% QoQ. Details were as follows:
 - Gross profit from sale of goods** was Baht 902.6 million, increased by Baht 2.9 million or 0.3% QoQ, despite the lower sales. The increased gross profit from sale of good was mainly supported by higher gross profit margin after the termination of home electric sale as well as the increased sales proportion of high gross profit margin products. More reasons for the higher gross profit margin were that in Q4/2021, the Company has set the full-amount allowance for diminution in value of home electric inventories for preparation to transfer the rental spaces to COM7, sales promotion during the year-end festive seasons, and clearance sale before closing Index Furniture Center - Fashion Island store due to the expiration of the lease agreement.
 - Gross profit from rental and rendering of services** was Baht 78.0 million, increased by Baht 13.0 million or 19.9% QoQ, following the higher revenue from rental and rendering of services supported by increased and more diversified tenants as well as effective cost management.

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4. Selling and Distribution Expenses**

Unit: THB million, %



**Selling and distribution expenses are expenses incurred at retail stores and rental spaces, e.g., employee expenses, depreciation, promotion expenses, utilities expenses, and rental costs.

Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded selling and distribution expenses of Baht 512.1 million, increased by Baht 39.4 million or 8.3% YoY, despite the lower operating revenue. The increase mainly came from the increased salary and employee benefits, higher sales promotion expenses from the online channel and new product launch, and higher utilities expenses.
- The percentage of selling and distribution expenses to operating revenue increased YoY, mainly due to lower operating revenue but higher expenses. However, the Company continued to have effective cost management.

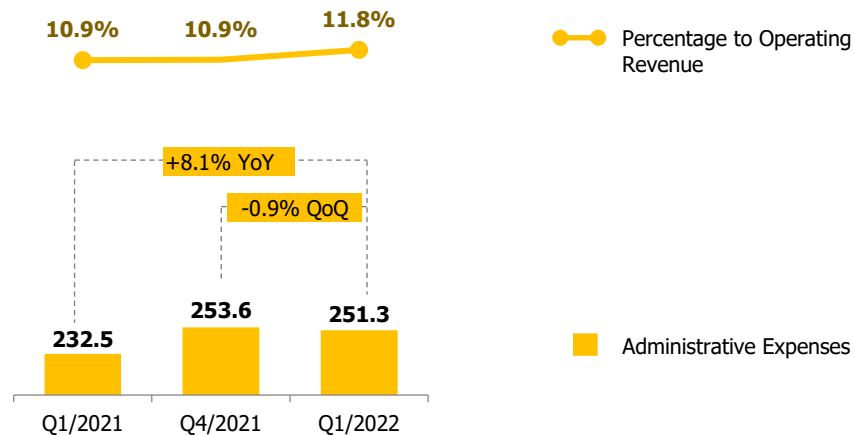
Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded selling and distribution expenses of Baht 512.1 million, decreased by Baht 11.0 million or 2.1% QoQ, following the higher operating revenue, despite the increased salary and employee benefits as well as higher utilities expenses.
- The percentage of selling and distribution expenses to operating revenue increased QoQ mainly due to the lower operating revenue, despite the Company's effective cost management.

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5. Administrative Expenses**

Unit: THB million, %



**Administrative expenses are back-office expenses, e.g., employee expenses, delivery costs, and depreciation.

Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded administrative expenses of Baht 251.3 million, increased by Baht 18.8 million or 8.1% YoY, mainly due to increased salary and employee benefits, higher delivery costs resulting from increased oil prices, and higher utilities expenses.
- The percentage of administrative expenses to operating revenue increased YoY, mainly due to lower operating revenue but higher expenses. However, the Company continued to have effective cost management.

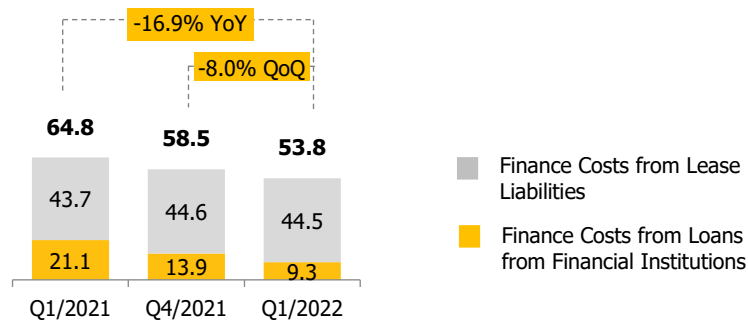
Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded administrative expenses of Baht 251.3 million, decreased by Baht 2.3 million or 0.9% QoQ resulting from lower delivery costs following the reduced sales, despite the increased salary and employee benefits as well as higher utilities expenses.
- The percentage of administrative expenses to operating revenue increased QoQ mainly due to the lower operating revenue, despite the Company's effective cost management.

*Values may differ by one decimal point due to figure rounding

6. Finance Costs

Unit: THB million, %



Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded finance costs of Baht 53.8 million, decreased by Baht 11.0 million or 16.9% YoY. Details were as follows:
 - Finance costs from loans from financial institutions were Baht 9.3 million, decreased by Baht 11.8 million or 56.0% YoY, resulting from the Company's long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 44.5 million, increased by Baht 0.9 million or 2.0% YoY, resulting from higher interest expense amortized from lease liabilities.

The Company's total borrowings from financial institutions at the end of Q1/2022 were Baht 1,700.8 million, decreased by Baht 948.3 million or 35.8% from Baht 2,649.2 million at the end of Q1/2021. The decrease was supported by the Company's continuous long-term loan prepayment.

Interest-bearing debt at the end of Q1/2022 was Baht 4,481.5 million, decreased by Baht 907.3 million or 16.8% from Baht 5,388.8 million at the end of Q1/2021.

Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded finance costs of Baht 58.3 million, decreased by Baht 4.7 million or 8.0% QoQ. Details were as follows:
 - Finance costs from loans from financial institutions were Baht 9.3 million, decreased by Baht 4.6 million or 33.2% QoQ, resulting from the Company's continuous long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 44.5 million, slightly decreased by Baht 0.1 million or 0.2% QoQ, resulting from lower interest expense amortized from lease liabilities.

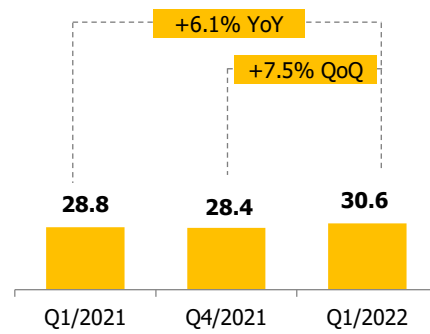
The Company's borrowings from financial institutions at the end of Q1/2022 were Baht 1,700.8 million, decreased by Baht 275.11 million or 13.9% from Baht 1,975.9 million at the end of Q4/2021 support by the Company's continuous repayment of long-term loans, with the long-term loan prepayment during Q1/2022 of Baht 300.0 million.

Interest-bearing debt at the end of Q1/2022 was Baht 4,481.5 million, decreased by Baht 293.5 million or 6.1% from Baht 4,775.0 million at the end of Q4/2021.

*Values may differ by one decimal point due to figure rounding

7. Tax Expenses

Unit: THB million, %



Q1/2022 vs Q1/2021 (YoY)

- In Q1/2022, the Company recorded tax expenses of Baht 30.6 million, increased by Baht 1.8 million or 6.1% YoY, mainly due to higher earnings before tax.

In Q1/2022, the Company utilized tax incentives from the Office of the Board of Investment (BOI) from investment in new machinery of Baht 5.7 million, decreased from Baht 6.2 million in Q1/2021.

The Company has utilized total tax incentives since the beginning of 2021 of Baht 23.8 million, out of total tax incentives received from investment in new machinery of Baht 64.3 million to utilize by the end of 2023.

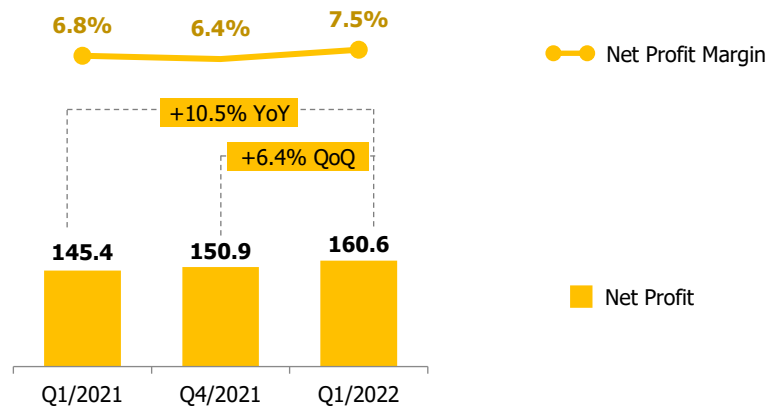
Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded tax expenses of Baht 30.6 million, increased by Baht 2.1 million or 7.5% QoQ, mainly due to higher earnings before tax.
- The Company utilized tax incentives in Q1/2021 of Baht 5.7 million, increased from Baht 4.2 million in Q4/2021.

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8. Net Profit and Net Profit Margin

Unit: THB million, %



Q1/2022 vs Q1/2021 (YoY)

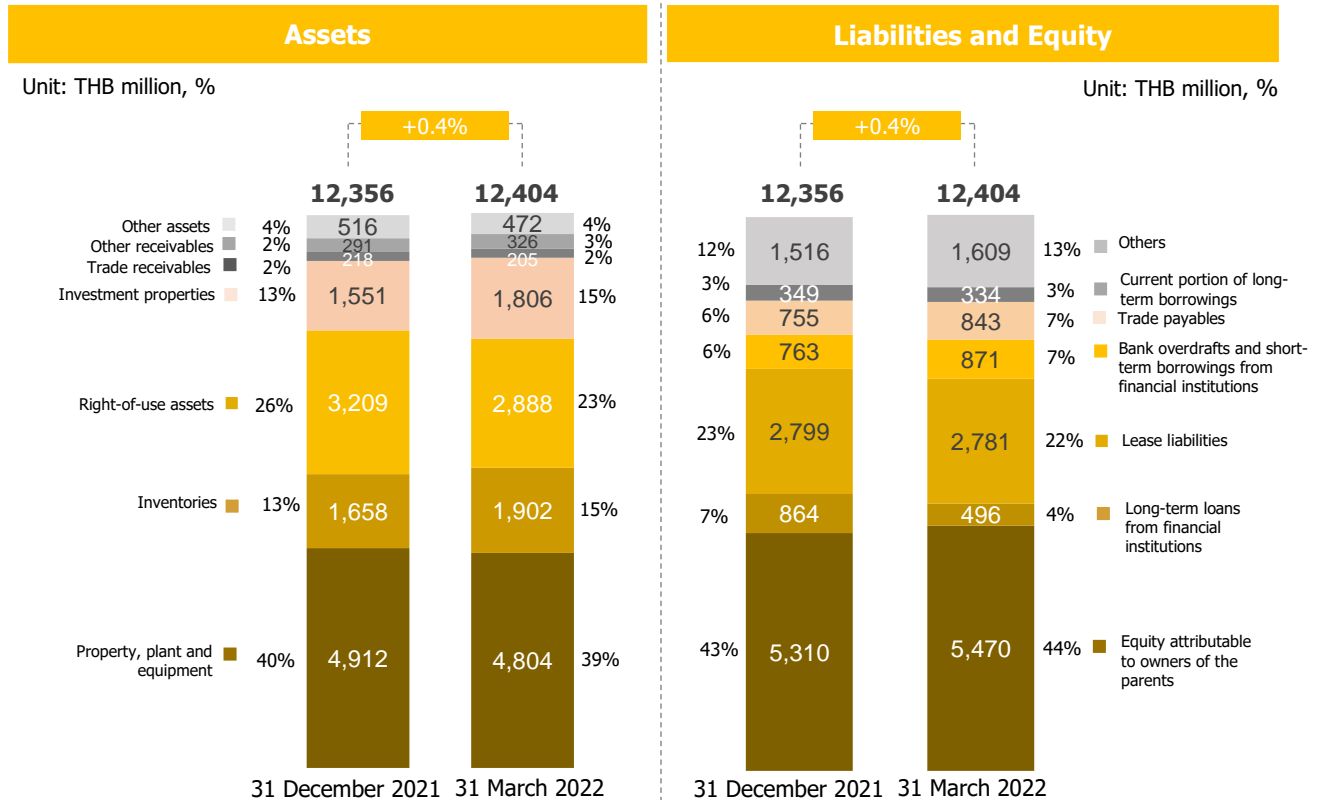
- In Q1/2022, the Company recorded a net profit of Baht 160.6 million, increased by Baht 15.3 million or 10.5% YoY. Key reasons were as follows:
 - Higher revenue from rental and rendering of services, marking the record high
 - Improved gross profit margin from sale after the termination of home electric sale as well as increased sales proportion of high gross profit margin products
 - Improved gross profit margin from rental and rendering of services, a new high since Q4/2017, supported by the Company's increased and more diversified tenants as well as continuous effective cost management
 - Lower finance costs from loans from financial institutions supported by continuous long-term loan prepayment
 - The Company utilized tax incentives of Baht 5.7 million, decreased from Baht 6.2 million in Q1/2021.

Q1/2022 vs Q4/2021 (QoQ)

- In Q1/2022, the Company recorded a net profit of Baht 160.6 million, increased by Baht 9.7 million or 6.4% QoQ. Key reasons were as follows:
 - Higher revenue from rental and rendering of services, marking the record high
 - Improved gross profit margin from sale after the termination of home electric sale as well as increased sales proportion of high gross profit margin products
 - Increased gross profit margin from rental and rendering of services, a new high since Q4/2017, supported by the Company's increased and more diversified tenants as well as continuous effective cost management
 - Lower SG&A following the lower operating revenue and effective cost management
 - Lower finance costs from loans from financial institutions supported by continuous long-term loan prepayment
 - The Company utilized tax incentives of Baht 5.7 million, increased from Baht 4.2 million in Q4/2021.

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Statement of Financial Position



Assets

- As at 31 March 2022, the Company had total assets of Baht 12,404.1 million, increased by Baht 48.1 million or 0.4% from Baht 12,356.0 million at the end of 2021. The key matters were as follows: 1) increased inventories by Baht 244.6 million or 14.8% from Baht 1,657.8 million at the end of 2021 as the Company has purchased more goods and raw materials to optimally manage the rapidly rising costs; 2) increased investment properties by 254.5 Baht million or 16.4% from Baht 1,551.3 million at the end of 2021; 3) decreased property, plant and equipment by Baht 108.0 million or 2.2% from Baht 4,912.3 million at the end of 2021; and 4) decreased right-of-use assets by Baht 321.1 million or 10.0% from Baht 3,209.4 million at the end of 2021.

Liabilities

- As at 31 March 2022, the Company had total liabilities of Baht 6,932.3 million, decreased by Baht 112.6 million, or 1.6% from Baht 7,044.9 million at the end of 2021. The decrease was mainly due to decreased loans from financial institutions by Baht 275.1 million or 13.9% from Baht 1,975.9 million at the end of 2021 to Baht 1,700.8 million at the end of Q1/2022, with long-term loan prepayment of Baht 300.0 million after the Company has been repaying loans from financial institutions continuously.

Equity

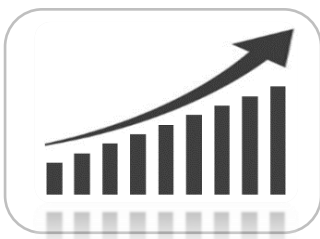
- As at 31 March 2022, the Company had equity attributable to owners of the parent of Baht 5,470.5 million, increased by Baht 160.6 million or 3.0% from Baht 5,309.8 million at the end of 2021, resulting from the Company's operating profit during Q1/2022 of Baht 160.6 million.

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Future Outlook

Since the COVID-19 outbreak at the beginning of 2020, the Company's operating results have been impacted repeatedly, especially during the government's lockdown measures. However, after the government eased the latest lockdown measures on 1 September 2021, the Company's operating performance has been recovering significantly. Net profit in Q4/2021 and Q1/2022 already returned to the same level as before the COVID-19 outbreak in 2019, although sales have not yet returned to the 2019 level due to the Company's termination of home electric sale under the brand of Power One and changing the sales area of Power One to be the rental spaces to Com7 Public Company Limited (COM7). Net profit in the Q1/2022 achieved the highest in 10 quarters since Q3/ 2019. In 2022, the Company has its set sales growth target in all major channels, plus revenue from rental and rendering of services has made a historical high in Q1/2022. Together with the continuous effective cost management, the Company is confident that its operating results in 2022 will meet the target.

Sales Growth from All Major Sales Channels



The domestic economy and the Company's business are still facing risks from the COVID-19 outbreak and rising costs of goods resulting from the rise in global inflation and the situation between Ukraine and Russia that affects energy and commodity prices. However, as there should be no lockdown again in Thailand, economic activities are increasing, tourism should be recovering continuously after the country's full opening on 1 May 2022, robust exports should continue to expand healthily, together with the government's economic stimulus measures, the Company is confident that its 2022 sales will be increasing in all major channels. Despite the reduced domestic project sales and overseas OEM sales in Q1/2022, both channels will be able to grow during the remaining of the year.

Growing Revenue and Gross Profit Margin from Rental and Rendering of Services



After revenue from rental and rendering of services in Q1/2022 marked a record high, and gross profit margin from rental and rendering of services recorded a new high since Q4/2017, both revenue and gross profit margin from rental and rendering of services are still growing for the remaining of the year 2022, supported by the Company's gradually increased revenue recognition from new tenants and effective cost management.

Preparation for the Rising Energy Prices



The Company has been preparing for the increase in energy prices by planning to switch from using the Fleet Card to the Fuel Bunker, as the Company will receive a higher rebate and help offset the delivery costs, which tend to increase from the rising oil prices.

In addition, the Company started installing the solar rooftop at its plant and Index Living Mall stores in 2018 and has been installing the solar rooftop at more stores continuously. Consequently, the cost of electricity has been significantly reduced. And in 2022, the Company also plans to install the solar rooftop for another 6 stores, totaling 24 stores.