



Ref FN. 019/2022

Management Discussion and Analysis For operation of the second quarter of year 2022

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. Currently, the Company has 12 outlets (Phetchaburi, Kanchanaburi, Pattaya, Pak Chong, Sing Buri, Hua Hin, Sriracha, Phra Nakorn Sri Ayutthaya, Chachoengsao, Rayong, Mini Shop at Head Office Bangkok and Singer x FN living space at Kubon Road 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 online marketplaces e.g. Lazada, Shopee, JD Central and etc.

Industry Overview

In quarter 2/2022, the number of tourists traveling to Thailand was increasing, due to the international traveling was more relaxing and it slightly impacted on improving of Thailand economics situation. However, there were some challenging from inflation in our country which rose up because of power energy's price, it impacted on decreasing customers' purchasing power and severe competition in retails business and others.

As well as country, the Company was also slightly recovery, still, we were carefully and continuously managing inventory and limiting products purchasing while increasing to release out inventory products to maintain liquidity and prepare for future demanding consumption which expected to be better in quarter 4/2022

In order to provide more convenient to customers, the Company kept on focusing online channels, for example E market places, including FN application, cash van, FN spider and wholesales which was expanding since quarter 2/2022.

In the meantime, the Company had invested in redecoration some outlet branches preparing for tourists and customers which expected to be back in quarter 4/2022, as well as the higher incomes.

In line with the above policy, we redecorated Singburi outlet in modern style with nature atmosphere, we add the garden in center and surrounded by the building giving fresh and greenish from nature feeling. We also cooperated with the strategic partner "Sangthong Supercenter", opened supermarket with 1,500 square meters under the name "Sangthong Life". The Company expected the increasing number of customers in Rayong after the cooperation, moreover we also cooperate with local government agency to bring local products selling in our branches to serve tourist customers from Bangkok and others who stop by Rayong outlets.



Interior atmosphere in the Singburi branch



Nature atmosphere in the Singburi branch



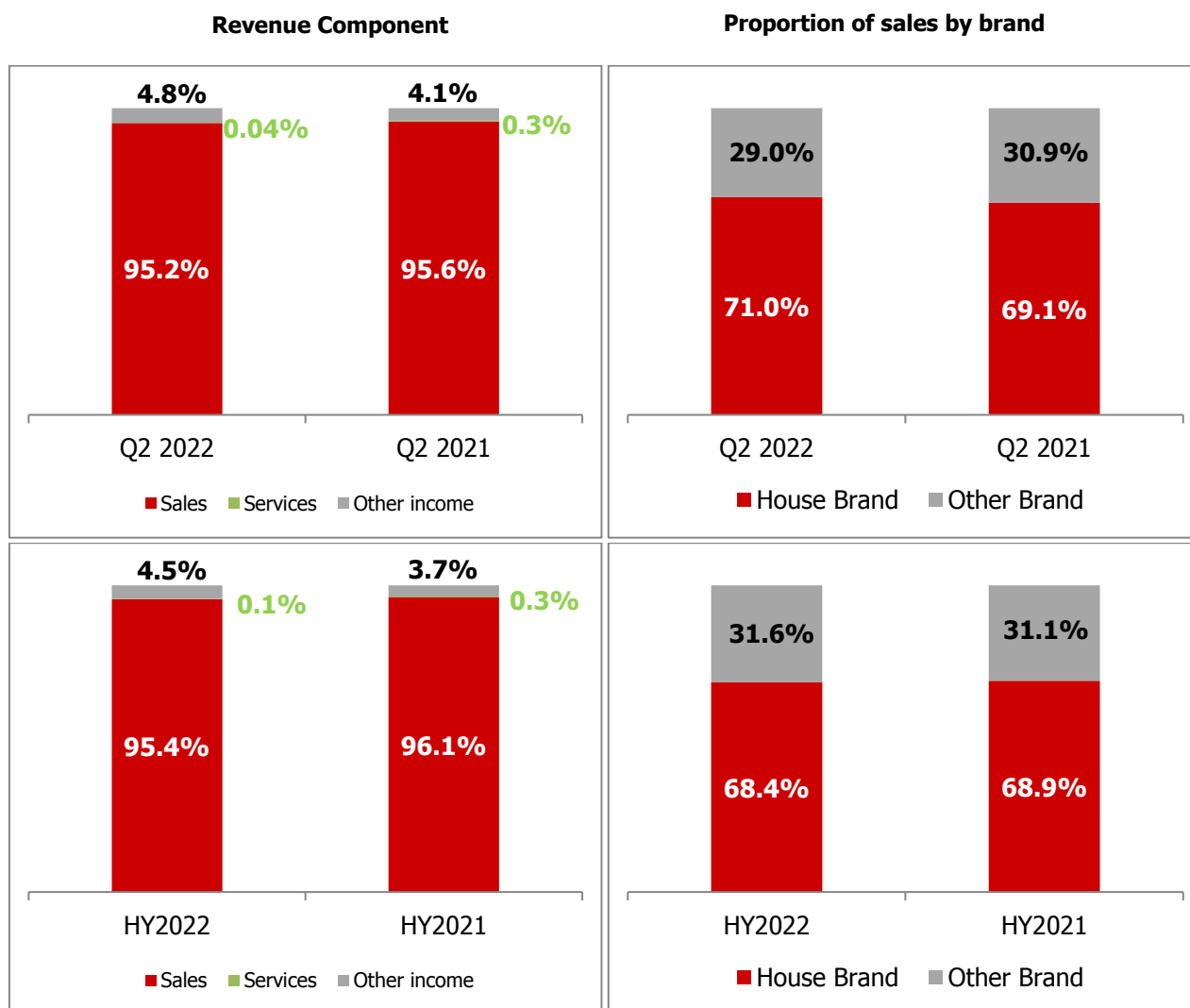
Sangthong Life Supermarket at Rayong branch

Performance Analysis

Unit : Million Baht	For the three-month ended 30 June		Change		For the six-month ended 30 June		Change	
	2022	2021	Amount	%QoQ	2022	2021	Amount	%YoY
Revenue from sales	116.89	127.48	(10.60)	(8.31)	234.33	265.72	(31.39)	(11.81)
Revenue from services	0.05	0.44	(0.39)	(88.58)	0.25	0.73	(0.48)	(65.79)
Other income	5.87	5.42	0.45	8.25	10.93	10.15	0.78	7.63
Total revenues	122.81	133.34	(10.54)	(7.90)	245.51	276.60	(31.09)	(11.24)
Cost of goods sold	65.90	69.11	(3.21)	(4.64)	134.86	142.55	(7.69)	(5.40)
Cost of services	0.01	0.03	(0.02)	(59.26)	0.03	0.03	(0.01)	(20.59)
Selling expenses and administrative expenses	73.76	83.50	(9.74)	(11.66)	144.51	164.52	(20.01)	(12.16)
Selling expenses	41.23	56.87	(15.64)	(27.51)	82.40	104.63	(22.23)	(21.24)
Administrative expenses	32.53	26.63	5.91	22.19	62.11	59.89	2.22	3.71
Earnings before interest and taxes (EBIT)	(16.87)	(19.29)	2.42	(12.55)	(33.89)	(30.50)	(3.38)	11.09
Financial incomes	0.23	0.16	0.07	42.59	0.43	0.20	0.23	110.84
Financial costs	(0.31)	(0.57)	0.26	(46.19)	(0.68)	(1.21)	0.53	(44.08)
Financial costs - TFRS 16	(1.52)	(1.69)	0.17	(9.96)	(3.07)	(3.29)	0.22	(6.71)
Income tax expenses	3.18	4.02	(0.84)	(20.93)	7.05	7.34	(0.29)	(3.94)
Net profit (loss)	(15.29)	(17.37)	2.08	(11.98)	(30.16)	(27.47)	(2.69)	9.80
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2.05	4.43	(2.39)	(53.87)	5.04	15.08	(10.04)	(66.58)
Depreciation and amortization	13.60	17.74	(4.14)	(23.35)	28.33	33.76	(5.44)	(16.11)
Amortization - TFRS 16	5.32	5.98	(0.67)	(11.13)	10.60	11.82	(1.22)	(10.31)

Key financial ratio related with operating result (%)	For the three-month ended 30 June		Change	For the six-month period ended 30 June		Change
	2022	2021	%QoQ	2022	2021	%YoY
Gross profit margin from sales (%)	43.62	45.79	(2.17)	42.45	46.35	(3.90)
Gross profit margin from services (%)	78.00	93.02	(15.02)	89.11	95.89	(6.78)
Selling expenses and administrative expenses to total revenue (%)	60.06	62.62	(2.56)	58.86	59.48	(0.62)
Net profit margin (%)	(12.45)	(13.03)	0.58	(12.28)	(9.93)	(2.35)

1. Total Revenue



The company's revenue from the sales for the second quarter of 2022 was 116.89 million baht. It was decreased for 8.31% as compared to that in the same period of 2021, and that for the six-month period ended on June 30th, 2022 was 234.33 million baht, which was decreased for 11.81% as compared to that in the same period of 2021. The decreases were significantly affected by the stock shortage. It was due to the international logistic delay and our suppliers' countries were closed. There were insufficient goods and products for sales, while new products could not be delivered to shops. However, the company distributed existing goods in order to contribute to revenue as much as possible. Moreover, the number of people who were infected with COVID-19 (BA.4/BA.5), which was rising in the 2nd quarter and made people more carefully spent their money. In the meantime, the inflation also increased the prices of consumer products such as fuels and foods. It also weakened purchasing power. As a result, the main revenue from the branch was decreased significantly. However, the company had new sources of revenues; for example, wholesales that was increasing as compare to that in the same period of the last year.

The company's other income for the second quarter of 2022 was 5.87 million baht. It was increased for 8.25%, and that for the six-month period ended on June 30th, 2022 was 10.93 million baht. It was increased for 7.63% as compared to that in the same period of the previous year. It was due to the new tenants in the head office and Pattaya branch.

2. Cost of goods sold and gross profit

The gross profit margin for the second quarter of 2022 was 43.62%. It was decreased for 2.17% from that in the same period of 2021, and the gross profit margin from the sales of the six-month period ended on June 30th, 2022 was 42.45%. It was decreased for 3.90%. Mainly, it was from the effective promotions of wholesales with low gross profit margin.

However, the company recognized the importance of maintaining the gross profit margin. Therefore, the sales plan was adjusted by ensuring that the promotion would be cost-effective. Marketing activities were considered in order to promote effective sales and build awareness of the company's brand.

3. Selling and administrative expenses

The selling and administrative expenses for the second quarter of 2022 were 73.76 million baht. It was decreased for 11.66% as compared to that in the same period of 2021. That for the six-month period ended on June 30th, 2022, was 144.51 million baht. It was decreased for 12.16% as compared to that in the same period of the previous year. Mainly, it was related with lower sales and decreased selling expenses such as advertising and other selling expenses. However, the company has implemented fulfillment system instead of outsourced fulfillment. So, the selling expenses were decreased.

The ratio of the selling and administrative expenses and the total revenue for the second quarter of 2022 was 60.06%. It was decreased for 2.56%. That for the six-month period ended on June 30th, 2022, was 58.86%. It was decreased for 0.62% as compared to that in the same period of the previous year. It was due to the decreased total revenue in the period.

4. Net Loss and Net Loss Margin

The company's net loss for the second quarter of 2022 was 15.29 million baht. It was lower than that in the same period of 2021 for 2.08 million baht due to the expenses lower than the incomes. That for the six-month period ended on June 30th, 2022 was 30.16 million baht. Mainly, it was due to the decreased sales revenue as stated above, although the company had measures to control various expenses as efficiently as possible.

However, the company still have operation profit before depreciation and amortization (EBITDA) for the six-month period ended on June 30th, 2022. It was 5.04 million baht.

The company focuses on the sustainable growth and sets strategies to support the business direction as follows.

1. Differentiate marketing activities, promotions and marketing campaigns to improve house brand awareness and separate house brands into apparels under brands (e.g., Inco, Cheval and Sleep Mate) and non-apparels under brands (e.g., Cherish, Prim, Rollica and Cushy). Emphasize on FN as the BEDDING DESTINATION with house brands which improves profitability.
2. Focus on and develop the e-commerce system with potential partners.
3. Focus on cost-efficiency and productivity.
 - Utilize the information technology (IT) system to optimize operation and resources
 - Reduce costs, for example, by improving productivity and optimizing human resources.
 - Install solar rooftops to promote green environment and optimize utilities. The first project is in Phra Nakorn Sri Ayutthaya outlet and continue installing the rooftops in other outlets in the future.

Financial Position Analysis

Unit : Million Baht	As at		Change Increase/(Decrease)	
	30 Jun 2022	31 Dec 2021	MB	%
Cash and cash equivalents	150.49	208.36	(57.87)	(27.77)
Trend and other receivables	20.06	16.13	3.93	24.36
Inventories	335.34	353.95	(18.61)	(5.26)
Other current financial assets	75.11	74.66	0.45	0.60
Property, plant and equipment	789.49	803.25	(13.76)	(1.71)
Right-of-use assets	151.26	138.07	13.19	9.55
Other assets	78.88	71.39	7.49	10.49
Total assets	1,600.63	1,665.81	(65.18)	(3.91)
Accounts payable	44.71	69.65	(24.94)	(35.81)
Long-term loan	33.50	51.13	(17.63)	(34.48)
lease liabilities	165.81	152.68	13.13	8.60
Other liabilities	19.47	21.35	(1.88)	(8.81)
Total liabilities	263.49	294.81	(31.32)	(10.62)
Total shareholders' equity	1,337.14	1,371.00	(33.86)	(2.47)
Total liabilities and shareholders' equity	1,600.63	1,665.81	(65.18)	(3.91)

1. Assets

The company's total asset on June 30th, 2022 was 1,600.63 million baht. It was decreased for 65.18 million baht as compared to that in the end of 2021. Mainly, it was due to the decreased cash and cash equivalents paid for the trade and other payables, the long-term loan, and the renovations for Singburi and Pattaya branches. The building and equipment were decreased. It was due to the depreciation during the period. The inventories were also decreased. It was due to the sales of products during the period and the inventory management.

2. Liabilities

The total liability on June 30th, 2022 was 263.49 million baht. It was decreased for 31.32 million baht as compared to that in the end of 2021. It was because the decreased trade accounts payable due to the payment and purchasing control. The long-term loans from payments during the period including the decrease in other liabilities caused by the decrease in rental deposits.

3. Shareholders' equity

The shareholders' equity on June 30th, 2022 was 1,337.14 million baht. It was lower than that in the end of 2021. It was decreased for 33.86 million baht. Mainly, it was due to the loss in the period and the dividend payment.

Key Financial Ratio Analysis

	As at		Change Increase/ (Decrease)	Reason
	30 June 2022	31 December 2021		
Liquidity Ratio (times)	7.39	5.96	1.43	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.45	2.38	0.07	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(4.54)	(4.47)	(0.07)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.20	0.22	(0.02)	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:

Investor Relations Department

Tel: 02-300-4951 Ext. 5109, E-mail: corporatesecretary@fnoutlet.com