



Ref FN. 022/2022

Management Discussion and Analysis For operation of the third 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 3/2022 Thailand's economy situation continuously recovered from last quarter due to services sector which recover by decreasing of foreign tourists. Total inflation rate increased according to fresh food sector and fundamental inflation, it negatively impacted on business and especially retails business.

FN slightly recovered from last quarter, we keep holding releasing inventory products policy though there were increasing of foreign tourists, because most of them were short haul tourists from neighbor countries such as Malaysia and Singapore who more focused on touring and services than shopping.

The Company are more focusing on online channel; E-Market Places particularly FN Application to give customers convenience in ordering, warranty and privileges for members.

In quarter 3/2022, we collaborated with new partners in Pattaya branch which could boost number of local and nearby customers visiting us.





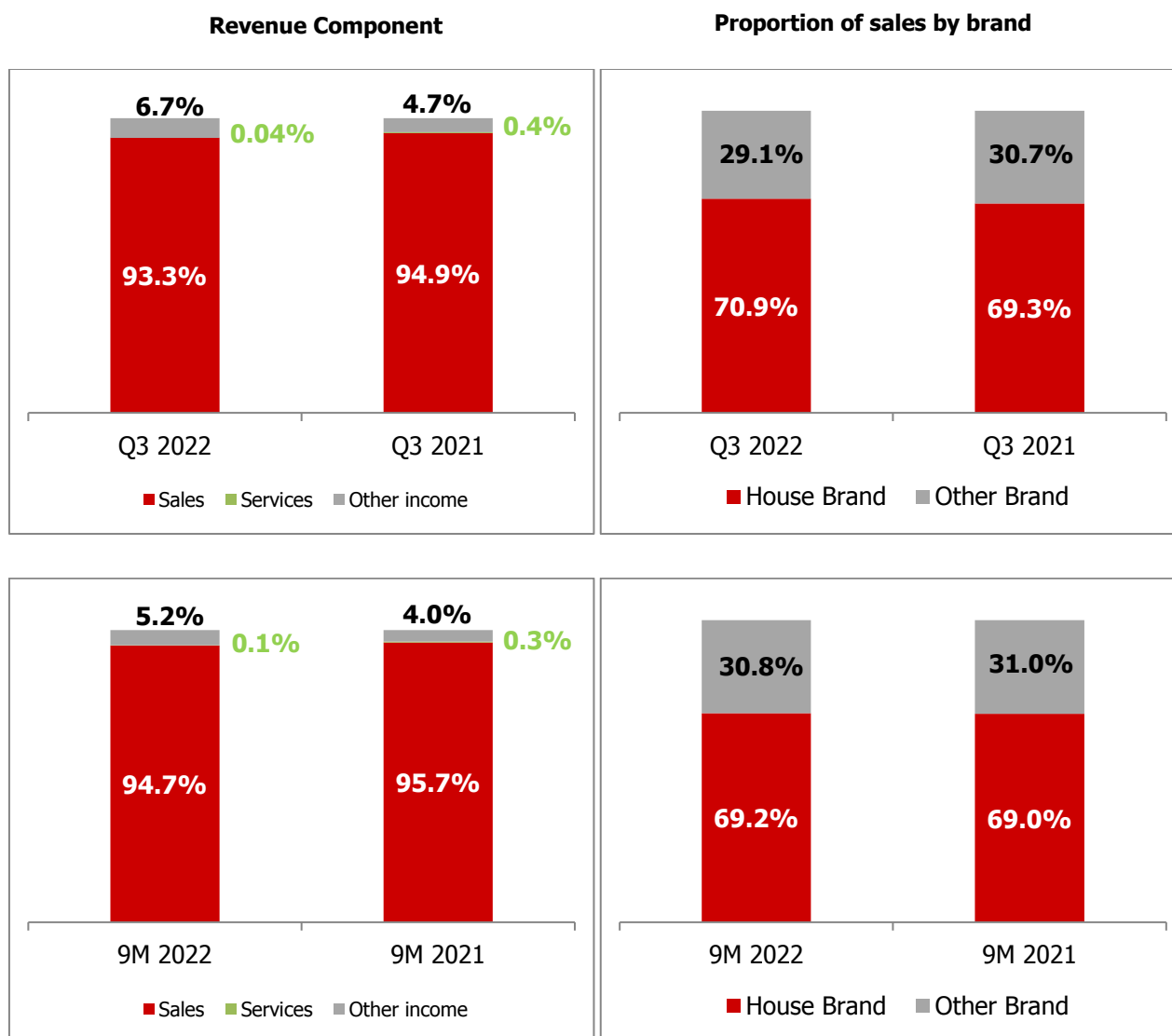
Partners in Pattaya Branch

Performance Analysis

Unit : Million Baht	For the three-month ended 30 September		Change		For the six-month ended 30 September		Change	
	2022	2021	Amount	%QoQ	2022	2021	Amount	%YoY
Revenue from sales	111.49	109.83	1.66	1.51	345.82	375.55	(29.73)	(7.92)
Revenue from services	0.05	0.43	(0.38)	(89.10)	0.30	1.16	(0.87)	(74.59)
Other income	7.97	5.46	2.51	46.03	18.90	15.61	3.29	21.06
Total revenues	119.50	115.71	3.79	3.27	365.01	392.32	(27.31)	(6.96)
Cost of goods sold	63.63	60.57	3.06	5.06	198.49	203.12	(4.63)	(2.28)
Cost of services	0.00	0.01	(0.01)	(81.82)	0.03	0.05	(0.02)	(35.56)
Selling expenses and administrative expenses	76.14	73.26	2.88	3.93	220.65	237.77	(17.13)	(7.20)
Selling expenses	43.50	44.65	(1.15)	(2.57)	125.90	149.27	(23.38)	(15.66)
Administrative expenses	32.64	28.61	4.03	14.08	94.75	88.50	6.25	7.06
Earnings before interest and taxes (EBIT)	(20.26)	(18.12)	(2.14)	11.83	(54.15)	(48.62)	(5.53)	11.38
Financial incomes	0.04	0.03	0.01	46.67	0.47	0.23	0.24	102.58
Financial costs	(0.31)	(0.57)	0.26	(46.19)	(0.68)	(1.21)	0.53	(44.08)
Financial costs - TFRS 16	(1.45)	(1.36)	(0.10)	7.05	(4.84)	(5.23)	0.39	(7.47)
Income tax expenses	1.11	4.08	(2.97)	(72.86)	8.16	11.42	(3.26)	(28.56)
Net profit (loss)	(20.88)	(15.94)	(4.93)	30.94	(51.04)	(43.41)	(7.63)	17.58
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(5.01)	10.37	(15.38)	(148.33)	0.03	25.45	(25.43)	(99.89)
Depreciation and amortization	9.94	22.51	(12.57)	(55.86)	43.58	62.25	(18.68)	(30.00)
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 September		Change	For the six-month period ended 30 September		Change
	2022	2021	%QoQ	2022	2021	%YoY
Gross profit margin from sales (%)	42.93	44.85	(1.93)	42.60	45.91	(3.31)
Gross profit margin from services (%)	95.74	97.67	(1.92)	90.17	95.69	(5.52)
Selling expenses and administrative expenses to total revenue (%)	63.71	63.31	0.41	60.45	60.61	(0.16)
Net profit margin (%)	(17.47)	(13.77)	(3.70)	(13.98)	(11.06)	(2.92)

1. Total Revenue



The company's revenue from the sales for the third quarter of 2022 was 111.49 million baht. It was increased for 1.51% as compared to that in the same period of 2021, and that for the nine-month period ended on September 30th, 2022 was 345.82 million baht, which was decreased for 7.92% as compared to that in the same period of 2021. The decreases were significantly affected by the stock shortage same as previous quarter. It was due to the international logistic delay. 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. In the meantime, the inflation also increased the prices of consumer products. 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 that was increasing as compare to that in the same period of the last year.

The company's other income for the third quarter of 2022 was 7.97 million baht. It was increased for 46.03%, and that for the nine-month period ended on September 30th, 2022 was 18.90 million baht. It was increased for 21.06% as compared to that in the same period of the previous year. It was due to the new tenants.

2. Cost of goods sold and gross profit

The gross profit margin for the third quarter of 2022 was 42.93%. It was decreased for 1.93% from that in the same period of 2021, and the gross profit margin from the sales of the nine-month period ended on September 30th, 2022 was 42.60%. It was decreased for 3.31%. Mainly, it was from the effective promotions of FN Fair 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 third quarter of 2022 were 76.14 million baht. It was decreased for 3.93% as compared to that in the same period of 2021. That for the nine-month period ended on September 30th, 2022, was 220.65 million baht. It was decreased for 7.20% 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 third quarter of 2022 was 63.71%. It was increased for 0.41%. That for the nine-month period ended on September 30th, 2022, was 60.45%. It was decreased for 0.16% 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 third quarter of 2022 was 20.88 million baht. It was higher than that in the same period of 2021 for 4.94 million baht. That for the nine-month period ended on September 30th, 2022 was 51.04 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 nine-month period ended on September 30th, 2022. It was 0.03 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 such as Chachoengsao Branch, Pak Chong Branch, Hua Hin Branch, Phra Nakorn Sri Ayutthaya Branch, Rayong Branch and continue installing the rooftops in other outlets in the future.

Financial Position Analysis

Unit : Million Baht	As at		Change Increase/(Decrease)	
	30 Sep 2022	31 Dec 2021	MB	%
Cash and cash equivalents	131.20	208.36	(77.16)	(37.03)
Trend and other receivables	25.55	16.13	9.42	58.40
Inventories	355.20	353.95	1.25	0.35
Other current financial assets	60.14	74.66	(14.52)	(19.45)
Property, plant and equipment	778.46	803.25	(24.79)	(3.09)
Right-of-use assets	148.85	138.07	10.78	7.81
Other assets	88.33	71.39	16.94	23.73
Total assets	1,587.73	1,665.81	(78.08)	(4.69)
Accounts payable	63.79	69.65	(5.86)	(8.41)
Long-term loan	24.60	51.13	(26.53)	(51.89)
lease liabilities	164.56	152.68	11.88	7.78
Other liabilities	18.51	21.35	(2.84)	(13.30)
Total liabilities	271.46	294.81	(23.35)	(7.92)
Total shareholders' equity	1,316.27	1,371.00	(54.73)	(3.99)
Total liabilities and shareholders' equity	1,587.73	1,665.81	(78.08)	(4.69)

1. Assets

The company's total asset on September 30th, 2022 was 1,587.73 million baht. It was decreased for 78.08 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 September 30th, 2022 was 271.46 million baht. It was decreased for 23.35 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 September 30th, 2022 was 1,316.27 million baht. It was lower than that in the end of 2021. It was decreased for 54.73 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)	6.62	5.96	0.66	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.07	2.38	(0.31)	Decreased from current portion of long-term lease liabilities increasing.
Return on Equity (%)	(5.35)	(4.47)	(0.88)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.21	0.22	(0.01)	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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