



Ref FN. 002/2023

Management Discussion and Analysis For operation of the year ended 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 2022, Thailand's economics had been continuously recovered from service sector which had been significantly expanding from the amount of foreign tourists, it indicates that Thailand consumption is better. Headline inflation rate was higher than previous year due to power energy section's inflation rate while core inflation rate was higher from fresh and instant food prices.

FN's performance, the highest operational performance was in December with total revenue 64 million baht, and it continues better in 2023. This year policy will be focused on inventory draining, refresh branding by renovation branches to be more modern and able to provide more services. Moreover we also focus online channels such as E-marketplaces, particularly FN Application and develop more channel, FN Web-Commerce, for customers' convenience to place orders, warranty and members' privileges.

The Company commit to operate sustainability business in aspect of environment, social economics, and good governance in order to establish sustainability for all stakeholders.

Environment aspect; the Company aim to reduce environment impact from business operation to preserve good environment and to give more convenience for customers who care of environment. In the meantime we are able to decrease operating cost in long term.

The company brought energy saving and clean energy innovation to our business via 1) Solar Rooftop project which has been installed since 2018, the project will be installed all over branches within year 2025, 2) Electric Vehicle battery chargers which has been provided for customers at our branches, Petchaburi, Huahin, Rayong, Chachengsoa and Ayuthaya, and it will be expand to Pattaya by 2023. Regarding to decrease trash, we have project to reduce waste, paper trash, deforestation and carbon dioxide emissions, we aim to issue E-Receipt for customer in 2023, which we could reduce cost of operation in long term. In term of customers choice, every year we also increase to merchandise green products ratio to our shops.

Social aspect; As the Company aim to create sustainable economics to community, Tonkla shop has been opened to be an opportunities for selling channel for community products which supplied from all over Thailand, particularly Royal Project DOI KAM, our policy is to increase products items yearly. Besides, we also cooperates with local government agencies launches marketing campaigns to set pop up stores for communities who want to promote their products during festival periods and for good without charging any cost to them. Tonkla shop is very attractive, because it is a magnet drawing customers who love to buy community products which is normally difficult to reach.

Good Governance aspect; the Company perform business operation under good governance policy, it has been communicate to our people to strictly follow through code of business conduct. In 2022, the Company got 5 star with 92/100 from CGR rating by IOD and we will improve our working procedure to strictly comply with SET standard.

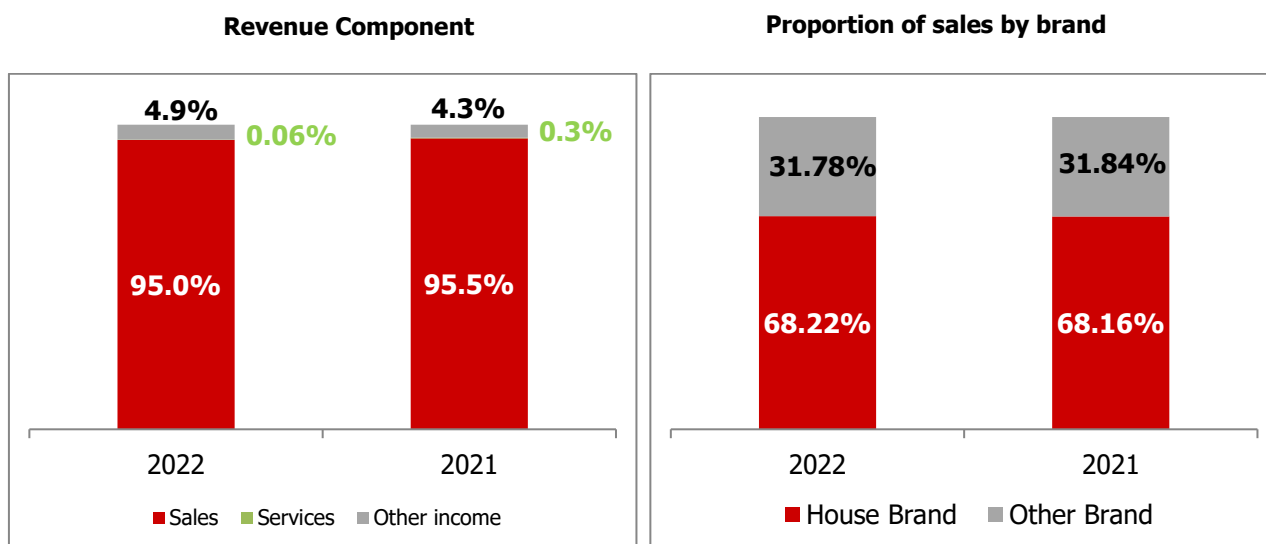
Performance Analysis

Unit : Million Baht	For the Year ended 31 December		Change	
	2022	2021	Amount	%YoY
Revenue from sales	477.42	518.07	(40.66)	(7.85)
Revenue from services	0.30	1.38	(1.08)	(78.28)
Other income	24.66	23.21	1.45	6.23
Total revenues	502.38	542.67	(40.30)	(7.43)
Cost of goods sold	278.07	288.62	(10.56)	(3.66)
Cost of services	0.03	0.05	(0.02)	(44.24)
Selling expenses and administrative expenses	305.05	322.54	(17.49)	(5.42)
Selling expenses	172.26	180.07	(7.81)	(4.33)
Administrative expenses	132.79	142.47	(9.68)	(6.79)
Earnings before interest and taxes (EBIT)	(80.77)	(68.54)	(12.23)	17.84
Financial incomes	0.63	0.67	(0.04)	(5.47)
Financial costs	(1.11)	(2.16)	1.05	(48.54)
Amortization financial costs - TFRS16	(6.08)	(5.85)	(0.23)	3.99
Income tax expenses	1.28	13.14	(11.86)	(90.27)
Net profit (loss)	(86.05)	(62.74)	(23.31)	37.16

Earnings before interest, taxes, depreciation and amortization (EBITDA)	1.53	20.41	(18.87)	(92.48)
Depreciation and amortization	60.81	65.57	(4.76)	(7.25)
Amortization – TFRS 16	21.50	23.38	(1.89)	(8.07)

Key financial ratio related with operating result (%)	For the Year ended 31 December		Change
	2022	2021	%YoY
Gross profit margin from sales (%)	41.76	44.29	(2.53)
Gross profit margin from services (%)	90.03	96.38	(6.34)
Selling expenses and administrative expenses to total revenue (%)	60.72	59.44	1.29
Net profit margin (%)	(17.13)	(11.56)	(5.57)

1. Total Revenue



The company's revenue from the sales for the year ended 2022 was 477.42 million baht. It was decreased for 7.85% 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. 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. 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 year ended 2022 was 24.66 million baht. It was increased for 6.23% 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 year ended 2022 was 41.76%. It was decreased for 2.53% from that in the same period of 2021. Mainly, it was from the effective promotions 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 year ended 2022 were 305.05 million baht. It was decreased for 5.42% 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 year ended 2022 was 60.72%. It was increased for 1.29%.

4. Net Loss and Net Loss Margin

The company's net loss for the year ended 2022 was 86.05 million baht. It was higher than that in the same period of 2021 for 23.31 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 year ended 2022. It was 1.53 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 31 December		Change Increase/(Decrease)	
	2022	2021	MB	%
Cash and cash equivalents	123.36	208.36	(85.00)	(40.79)
Trend and other receivables	22.21	16.13	6.08	37.69
Inventories	374.66	353.95	20.71	5.85
Other current financial assets	30.17	74.66	(44.49)	(59.59)
Property, plant and equipment	766.51	803.25	(36.74)	(4.57)
Right-of-use assets	146.64	138.07	8.57	6.21
Other assets	67.72	71.39	(3.67)	(5.14)
Total assets	1,531.27	1,665.81	(134.54)	(8.08)
Accounts payable	55.05	69.65	(14.60)	(20.96)
Long-term loan	15.63	51.13	(35.50)	(69.43)
lease liabilities	161.86	152.68	9.18	6.01
Other liabilities	17.48	21.35	(3.87)	(18.13)
Total liabilities	250.02	294.81	(44.79)	(15.19)
Total shareholders' equity	1,281.25	1,371.00	(89.75)	(6.55)
Total liabilities and shareholders' equity	1,531.27	1,665.81	(134.54)	(8.08)

1. Assets

The company's total asset on December 31st, 2022 was 1,531.27 million baht. It was decreased for 134.54 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.

2. Liabilities

The total liability on December 31st, 2022 was 250.02 million baht. It was decreased for 44.79 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 December 31st, 2022 was 1,281.25 million baht. It was lower than that in the end of 2021. It was decreased for 89.75 million baht. Mainly, it was due to the loss in the period and the dividend payment.

Key Financial Ratio Analysis

	As at 31 December		Change Increase/ (Decrease)	Reason
	2022	2021		
Liquidity Ratio (times)	7.80	5.96	1.84	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.03	2.38	(0.36)	Decreased from current portion of long-term lease liabilities increasing.
Return on Equity (%)	(6.72)	(4.58)	(2.14)	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:

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