



Ref FN. 014/2023

Management Discussion and Analysis For operation of the first quarter of year 2023

FN Factory Outlet Public Company Limited was established in 2000. It is a distribution center for outlet products. The outlet products are consumables under the brands of the company. The products are divided into apparels under the brands including Inco, Cheval, Sleep Mate and ETC as well as non-apparels under the brands including Cherish, Prim, Rollica, Cushy and other brands.

The company has 12 branches: Petchburi Branch, Kanchanaburi Branch, Pattaya Branch, Pak Chong Branch, Sing Buri Branch, Hua Hin Branch, Sri Racha Branch, Phra Nakhon Si Ayutthaya Branch, Chacherngsao Branch, Rayong Branch, Rama 9 Branch and Singer x FN Living Space Branch. Moreover, the company has online channels and marketplaces such as Facebook, Web commerce, FN application, Line official and Tiktok.

Industry Overview

In conclusion, the Thai economy has improved as compared to that in the last quarter since the increased numbers of the Thai and foreign tourists mainly drove and improved the service sector and the private consumption indicators. Regarding the economic stability, the general inflation rate and the basic inflation rate were decreased as mainly compared to the high rates in the last year. However, the company is affected by the restored number of the Thai tourists during the festivals. As a result, the numbers of the customers of the branches were increased since the indicator that was the number of the vehicles of the customers of the branches was increased for 11 percent. Nevertheless, the customers still spent carefully. Especially, they bought only the necessary products. Consequently, the number of the bills was decreased for two percent as compared to that in the same period in 2022.

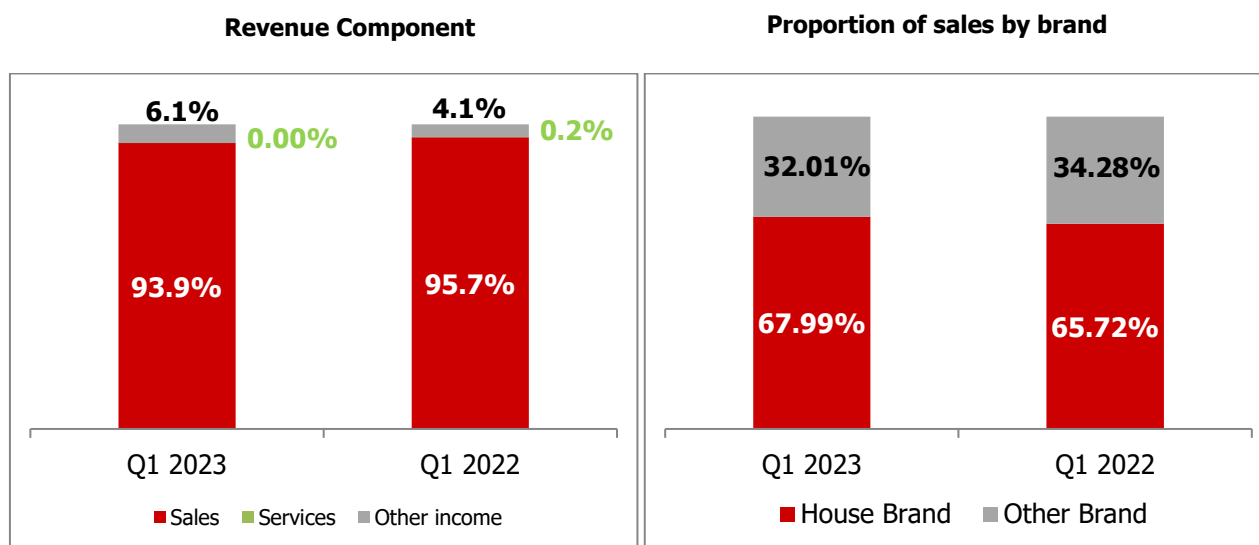
Performance Analysis

Unit : Million Baht	For the three-month period ended 31 March		Change	
	2023	2022	Amount	%YoY
Revenue from sales	113.57	117.45	(3.87)	(3.30)
Revenue from services	0.00	0.20	(0.19)	(97.98)
Other income	7.36	5.06	2.30	45.50
Total revenues	120.94	122.70	(1.76)	(1.44)
Cost of goods sold	67.77	68.96	(1.19)	(1.72)
Cost of services	0.00	0.02	(0.02)	(100.00)
Selling expenses and administrative expenses	77.92	70.75	7.17	10.13
Selling expenses	44.71	41.17	3.54	8.59
Administrative expenses	33.21	29.58	3.63	12.28
Earnings before interest and taxes (EBIT)	(24.74)	(17.02)	(7.73)	45.40
Financial incomes	0.04	0.20	(0.16)	(80.20)
Financial costs	(0.12)	(0.37)	0.24	(66.34)
Amortization financial costs - TFRS16	(1.78)	(1.55)	(0.23)	14.82
Income tax expenses	4.62	3.87	0.75	19.38
Net profit (loss)	(21.99)	(14.87)	(7.12)	47.88

Unit : Million Baht	For the three-month period ended 31 March		Change	
	2023	2022	Amount	%YoY
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(4.94)	2.99	(7.93)	(265.03)
Depreciation and amortization	14.43	14.73	(0.30)	(2.05)
Amortization – TFRS 16	5.38	5.28	0.09	1.76

Key financial ratio related with operating result (%)	For the three-month period ended 31 March		Change
	2022	2021	%YoY
Gross profit margin from sales (%)	40.33	41.29	(0.95)
Selling expenses and administrative expenses to total revenue (%)	64.42	57.66	6.77
Net profit margin (%)	(18.18)	(12.12)	(6.06)

1. Total Revenue



The company's sales revenues in the quarter 1/2023 were 113.57 million baht. The sales revenues were decreased for 3.30 percent as compared to that in the same period in 2022. Mainly, it was because the company focused on the main offline, online and O2O channels and closed the channels that did not generate revenues such as direct sales by instant vehicles. The number of wholesales channels was also reduced in order to lower the costs and account receivable risks.

The company's other revenues in the quarter 1/2023 were 7.36 million baht. The other revenues were increased for 45.50 percent as compared to that in the same period in 2022 because the number of the new renters was increased.

2. Cost of goods sold and gross profit

The gross profit rate in the quarter 1/2023 was 40.33 percent. It was decreased for 0.95 percent as compared to that in the same period in 2022 because of the marketing campaigns and outside promotions for the purpose of clearance.

Nonetheless, the company valued maintain the gross profit rate by having the sourcing plans for selling new products with high margins in order to maintain the gross profit rate according to the goals. Additionally, the company focused on growths through the online channels because these channels have higher margins than the offline channels for 14 percent.

3. Selling and administrative expenses

The selling and management expenses in the quarter 1/2023 were 77.92 million baht. The selling and management expenses were increased for 10.13 as compared to that in the same period in 2022. Mainly, it was because 100% of the branches were full operation. Consequently, the operating costs including the transportation costs, the out of home media costs, the bank fees and the commission costs in the online channels were increased. Furthermore, the management costs caused by FT were increased, especially the branches without solar cells.

For the total selling and management expense in the quarter 1/2023 was 64.42 percent. It was increased for 6.77 percent as compared to that in the same period in 2022.

4. Net Loss and Net Loss Margin

The company's net loss in the quarter 1/2023 was 21.99 million baht as compared to that in the same period in 2022. The loss was increased for 7.12 million baht. The main factor was the decreased total revenue of the company because of the aforementioned causes.

The company have operation loss before depreciation and amortization (EBITDA) for three months were 4.94 million baht.

The Company has set a goal for transforming itself into a company with innovation excellence through the execution of 5 strategic approaches as follows:

1) New Brand Architecture: To organize product organization structure in alignment with the Company's direction by highlighting the strengths of its House Brands and a wide variety of Selected Brands, which will help enhance the customers' experience and strengthen the Company's position as a brand with a reliable quality, price and innovation.

The Company's House Brands were divided into the following categories: FN Apparel, FN Home, FN Eat, FN Sleep, FN Care and FN Travel.

2) New Brand Identity: The rebranding of FN will be carried out in order to have a clear perception of its lifestyle approach reflecting the Company's new identity of vividness and good quality of life and determination in implementing strategies to enable each outlet branch to have unique and distinctive identity.

3) New Communication: To enhance online and offline communication channels to enable reaching customers through all communication channels by improving FN's website to facilitate trading on its website as well as through other online channels, such as Line, Facebook, Tik Tok, etc. While the offline communication will be carried out through out of home media, etc.

4) Space Utilization: To develop and maximize the utilization of branches' space by reducing sales areas of each branch, increasing online sales and generating revenue from renting the remaining space. The Company has planned to start implementing the 4-Branch Renovation Project to become most visited tourist destinations, namely: Pak Chong as Best Stopover, Pattaya as EV Station, Rayong as Fresh Market and Hua Hin as Garden for Recreation.

5) Inventory Management: To manage products by using Big Data enabling the Company to procure new products that meet the needs of customers, effectively manage inventory and maintain optimal inventory levels by organizing marketing events and selling through new distribution channels.

Financial Position Analysis

Unit : Million Baht	As at		Change Increase/(Decrease)	
	31 March 2023	31 December 2022	MB	%
Cash and cash equivalents	104.69	123.36	(18.67)	(15.13)
Trend and other receivables	24.60	22.21	2.39	10.76
Inventories	357.52	374.66	(17.14)	(4.57)
Other current financial assets	30.23	30.17	0.06	0.20
Property, plant and equipment	754.82	766.51	(11.69)	(1.53)
Right-of-use assets	142.39	146.64	(4.25)	(2.90)
Other assets	78.81	67.72	11.09	16.38
Total assets	1,493.06	1,531.27	(38.21)	(2.50)
Accounts payable	51.95	55.05	(3.10)	(5.63)
Long-term loan	6.61	15.63	(9.02)	(57.71)
lease liabilities	156.41	161.86	(5.45)	(3.37)
Other liabilities	18.83	17.48	1.35	7.72
Total liabilities	233.80	250.02	(16.22)	(6.49)
Total shareholders' equity	1,259.26	1,281.25	(21.99)	(1.72)
Total liabilities and shareholders' equity	1,493.06	1,531.27	(38.21)	(2.50)

1. Assets

The company's total asset on March 31st, 2023 was 1,493.06 million baht. It was decreased for 38.21 million baht as compared to that in the end of 2022. 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 Pak Chong branch. The inventories were also decreased. It was due to the sales of products during the period and the inventory management. A decrease in building and equipment from depreciation during the period.

2. Liabilities

The total liability on March 31st, 2023 was 233.80 million baht. It was decreased for 16.22 million baht as compared to that in the end of 2022. 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 March 31st, 2023 was 1,259.26 million baht. It was lower than that in the end of 2022. It was decreased for 21.99 million baht. Mainly, it was due to the loss in the period.

Key Financial Ratio Analysis

	As at		Change Increase/ (Decrease)	Reason
	31 March 2023	31 December 2022		
Liquidity Ratio (times)	8.84	7.80	1.04	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.17	2.03	0.14	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(7.40)	(6.72)	(0.68)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.19	0.20	(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:

Investor Relations Department

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