

Indexlivingmall

Index Living Mall Public Company Limited (ILM)

Management Discussion and Analysis (MD&A)

For the First Quarter Ended 31 March 2023



Highlights

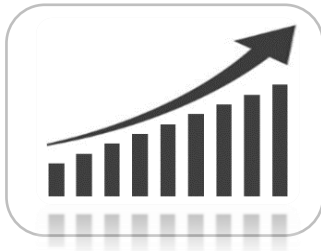
Operating Highlights	Q1/2022	Q4/2022	Q1/2023	Change +/-	
				%YoY	%QoQ
(Unit: THB million)					
Revenue from sale of goods	1,969.0	2,274.3	2,023.1	+2.8%	-11.0%
Revenue from rental and rendering of services	152.5	161.1	165.1	+8.3%	+2.5%
Operating revenue	2,121.5	2,435.4	2,188.2	+3.1%	-10.1%
Gross profit	980.6	1,058.2	1,029.3	+5.0%	-2.7%
SG&A	763.4	822.5	793.3	+3.9%	-3.5%
EBITDA	450.8	479.5	462.7	+2.6%	-3.5%
Net profit (loss)	160.6	183.5	174.3	+8.5%	-5.0%
Gross profit margin (%)	46.2%	43.5%	47.0%	+0.8%	+3.6%
%SG&A to operating revenue	36.0%	33.8%	36.3%	+0.3%	+2.5%
EBITDA margin (%)	21.0%	19.4%	20.9%	-0.1%	+1.5%
Net profit margin (%)	7.5%	7.4%	7.9%	+0.4%	+0.4%

Q1/2023

- In Q1/2023, Index Living Mall Public Company Limited (the "**Company**" or "**ILM**") recorded a net profit of Baht 174.3 million, increased by 8.5% YoY but decreased by 5.0% QoQ. Key matters were as follows:
 - Increased sales by 2.8% YoY, supported by the continuous growth of retail sales, especially stores in tourist cities, which grew significantly. More support came from the 'Shop Dee Mee Kuen' campaign, sales from Index Living Mall – Lat Krabang opened in December 2022, and online sales growth. However, sales dropped by 11.0% QoQ mainly due to decreased domestic project sales after a high delivery volume in Q4/2022, lower overseas sales, and reduced domestic dealer sales. However, retail sales increased by 0.9% QoQ, and online sales grew by 3.6% QoQ, despite the end of a festive season in the fourth quarter.
 - Revenue from rental and rendering of services increased by 8.3% YoY and 2.5% QoQ, supported by additional rental spaces from Little Walk – Lat Krabang opened in December 2022.
 - Increased %GPM from sales by 1.0% YoY and 3.8% QoQ, supported by considerably increased sales proportion of retail sales, which contributed to high gross profit.
 - Decreased %GPM from rental and rendering of services by 2.0% YoY and 0.2% QoQ, mainly due to an increased salary and employee benefits and higher utilities expense resulting from rising Ft.
 - SG&A increased by 3.9% YoY following the higher sales, mainly due to 1) an increased salary and employee benefits; 2) elevated delivery costs resulting from increased sales and higher diesel prices; and 3) higher utilities expenses from rising Ft. On the other hand, SG&A reduced by 3.5% QoQ following the decreased sales, mainly supported by 1) lower delivery costs resulting from reduced sales, decreased diesel prices, and using the Company's fuel bunker since Q3/2022, which helped reduce the cost of diesel; and 2) lower sales promotion expenses.
 - Decreased finance costs by 3.2% YoY and 4.8% QoQ, supported by continuous long-term loan prepayment of another Baht 303.0 million in Q1/2023. As a result, the Company had no outstanding long-term loans from financial institutions at the end of Q1/2023. Total borrowings at the end of Q1/2023 were Baht 796.0 million, reduced by Baht 340.5 million or 30.0% from Baht 1,136.5 million at the end of 2022.
 - In Q1/2023, the Company utilized tax incentives from the Office of the Board of Investment (BOI) of Baht 6.0 million for investment in new machinery, which increased from Baht 5.7 million in Q1/2022 but decreased from Baht 7.5 million in Q4/2022.
 - From the beginning of 2021 until the end of Q1/2023, the Company utilized tax incentives of Baht 48.6 million out of total tax incentives of Baht 71.1 million received for investment in new machinery to utilize by the end of 2023.

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

Significant Events in Q1/2023



Q1/2023 Net Profit Continued to Increase YoY

The Company recorded Q1/2023 net profit of Baht 174.3 million, which increased by 8.5% YoY. The Company's performance over the past six quarters has grown steadily compared to the previous year's results after the ease of the COVID-19 breakdown situation in Q4/2021. Supporting factors derived from sales growth and revenue from rental and rendering of services and improved profitability resulting from effective cost management, despite the considerably increased cost of raw material and energy prices over the year.



Continuous Solar Rooftop Installation

The Company has been installing solar rooftops since 2018. In Q1/2023, the Company installed solar rooftop at another site, totaling 25 sites, including 1 plant, 1 distribution center, 1 Little Walk, and 22 out of 31 Index Living Mall stores. The Company plans to install solar rooftops at another 3 sites by the end of 2023 to help reduce energy costs significantly and continuously while also lowering the impact on the environment, which is one of the Company's missions in conducting business under sustainable development guidelines covering the dimensions of corporate governance and economy, social, and environment.



Store Closure of Index Living Mall - Rattana Thibet

Due to the expiration of the lease agreement of Index Living Mall - Rattana Thibet, the Company closed the store at the end of January 2023. However, the Company is planning to open another store in the future as a replacement.



Continuous Long-term Loan Prepayment to Reduce Finance Costs

The Company has been repaying long-term loans from financial institutions continuously; thus, total borrowings at the end of Q1/2023 were reduced by Baht 340.5 million to Baht 796.0 million from Baht 1,136.5 million at the end of 2022, with long-term loan prepayment of Baht 303.0 million. Finance costs (only from the borrowings) in Q1/2023 were Baht 4.3 million, reduced by Baht 5.0 million or 53.8% YoY from Baht 9.3 million in Q1/2022 and reduced by Baht 2.8 million or 39.1% QoQ from Baht 7.1 million in Q4/2022.

At the end of Q1/2023, the Company had no outstanding long-term loans from financial institutions.

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Summary of Operating Results

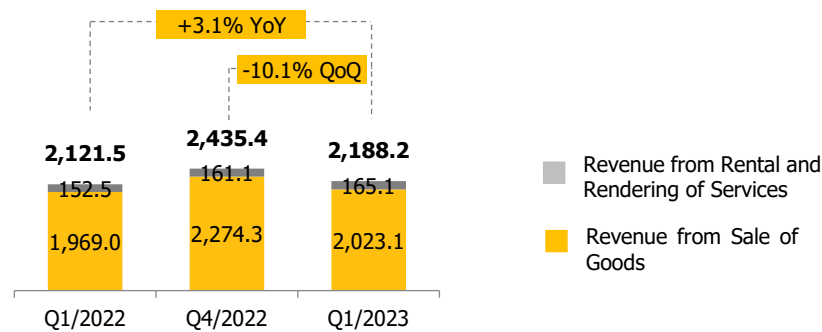
Operating Highlights	Q1/2022	Q4/2022	Q1/2023	Change +/-	
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(Unit: THB million)					
Revenue from sale of goods	1,969.0	2,274.3	2,023.1	+2.8%	-11.0%
Revenue from rental and rendering of services	152.5	161.1	165.1	+8.3%	+2.5%
Operating revenue	2,121.5	2,435.4	2,188.2	+3.1%	-10.1%
Cost of sale of goods	1,066.4	1,295.5	1,075.0	+0.8%	-17.0%
Cost of rental and rendering of services	74.5	81.6	83.9	+12.7%	+2.8%
Cost of sales and services	1,140.9	1,377.2	1,158.9	+1.6%	-15.8%
Gross profit	980.6	1,058.2	1,029.3	+5.0%	-2.7%
Other income	27.9	34.7	24.3	-12.8%	-30.1%
Selling and distribution expenses	512.1	539.7	521.6	+1.9%	-3.3%
Administrative expenses	251.3	282.8	271.7	+8.1%	-3.9%
Finance costs	53.8	54.7	52.1	-3.2%	-4.8%
Profit before income tax expenses	191.2	215.8	208.2	+8.9%	-3.5%
Tax expenses	30.6	32.3	34.0	+11.1%	+5.2%
Net profit	160.6	183.5	174.3	+8.5%	-5.0%

Revenue Structure	Q1/2022	Q4/2022	Q1/2023	Change +/-	
				%YoY	%QoQ
(Unit: THB million)					
A. Revenue from sale of goods					
Domestic sales					
1.1 Retail stores	1,538.8	1,660.8	1,675.0	+8.9%	+0.9%
1.2 Projects	118.2	305.4	58.1	-50.8%	-81.0%
1.3 Dealers	24.2	24.6	22.1	-8.8%	-10.2%
1.4 Online	225.5	219.7	227.6	+1.0%	+3.6%
Total revenue from domestic sales	1,906.8	2,210.5	1,982.9	+4.0%	-10.3%
Overseas sales	62.2	63.8	40.3	-35.3%	-36.8%
Total revenue from sale of goods	1,969.0	2,274.3	2,023.1	+2.8%	-11.0%
B. Revenue from rental and rendering of services	152.5	161.1	165.1	+8.3%	+2.5%
Total operating revenue	2,121.5	2,435.4	2,188.2	+3.1%	-10.1%
Other income	27.9	34.7	24.3	-12.8%	-30.1%
Total revenue	2,149.3	2,470.2	2,212.5	+2.9%	-10.4%

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1. Operating Revenue

Unit: THB million, %



Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded total operating revenue of Baht 2,188.2 million, increased by Baht 66.8 million or 3.1% YoY. Details were as follows:
 - Revenue from sale of goods** was Baht 2,023.1 million, increased by Baht 54.2 million or 2.8% YoY, mainly supported by continuous growth of retail sales by 8.9% YoY, especially stores in tourist cities which grew significantly. More support came from the Shop Dee Mee Kuen' campaign, sales from Index Living Mall – Lat Krabang opened in December 2022, and a slight online sales growth of 1.0% YoY.
 - Revenue from rental and rendering of services** was Baht 165.1 million, increased by Baht 12.6 million or 8.3% YoY, mainly supported by additional rental spaces from Little Walk – Lat Krabang opened in December 2022.

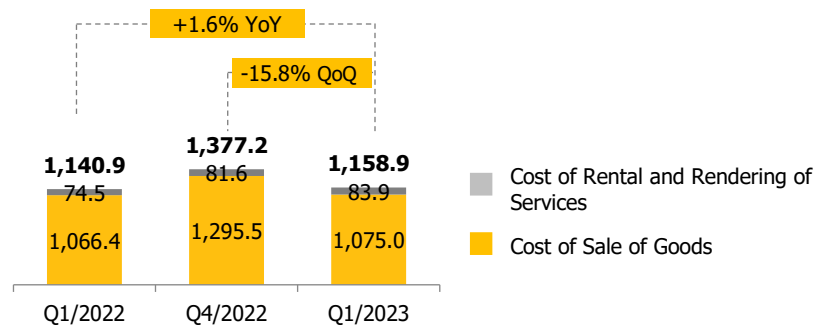
Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded total operating revenue of Baht 2,188.2 million, decreased by Baht 247.2 million or 10.1% QoQ. Details were as follows:
 - Revenue from sale of goods** was Baht 2,023.1 million, decreased by Baht 251.1 million or 11.0% QoQ, mainly due to reduced domestic project sales after a high delivery volume in Q4/2022, lower overseas sales, and decreased domestic dealer sales. However, retail sales increased by 0.9% QoQ, and online sales grew by 3.6% YoY, despite the end of a festive season in the fourth quarter.
 - Revenue from rental and rendering of services** was Baht 165.1 million, increased by Baht 4.0 million or 2.5% QoQ, mainly supported by additional rental spaces from Little Walk – Lat Krabang opened in December 2022.

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2. Cost of Sales and Services

Unit: THB million, %



Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded cost of sales and services of Baht 1,158.9 million, increased by Baht 18.1 million or 1.6% YoY. Details were as follows:
 - Cost of sale of goods** was Baht 1,075.0 million, increased by Baht 8.6 million or 0.8% YoY, following the higher sales.
 - Cost of rental and rendering of services** was Baht 83.9 million, increased by Baht 9.4 million or 12.7% YoY following the higher revenue from rental and rendering of services.

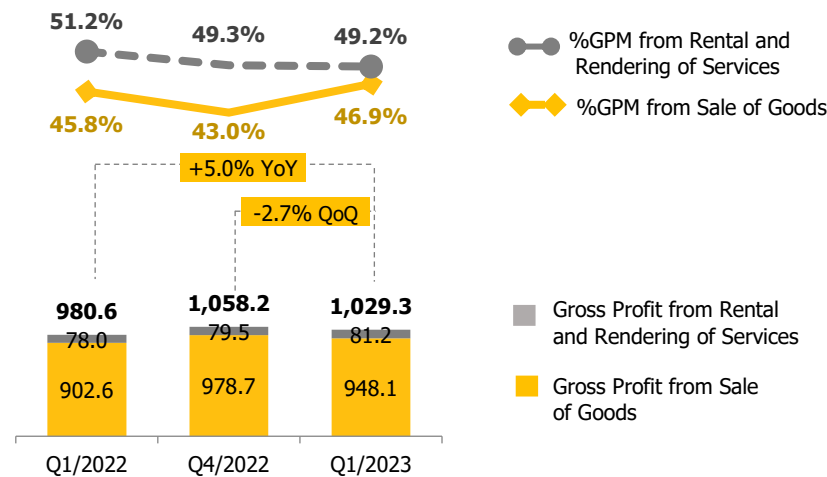
Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded cost of sales and services of Baht 1,158.9 million, decreased by Baht 218.2 million or 15.8% QoQ. Details were as follows:
 - Cost of sale of goods** was Baht 1,075.0 million, decreased by Baht 220.5 million or 17.0% QoQ, following the reduced sales.
 - Cost of rental and rendering of services** was Baht 83.9 million, increased by Baht 2.3 million or 2.8% QoQ, following the increased revenue from rental and rendering of services.

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3. Gross Profit and Gross Profit Margin

Unit: THB million, %



Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded gross profit of Baht 1,029.3 million, increased by Baht 48.7 million or 5.0% YoY. Details were as follows:
 - Gross profit from sale of goods** was Baht 948.1 million, increased by Baht 45.6 million or 5.0% YoY, following the higher sales and improved gross profit margin from sales supported by considerably increased sales proportion of retail sales, which contributed to high gross profit.
 - Gross profit from rental and rendering of services** was Baht 81.2 million, increased by Baht 3.2 million or 4.0% YoY, following the higher revenue from rental and rendering of services supported by additional rental spaces from Little Walk – Lat Krabang opened in December 2022. However, gross profit margin from rental and rendering of services decreased YoY, mainly due to the increased salary and employee benefits and higher utilities expense resulting from rising Ft.

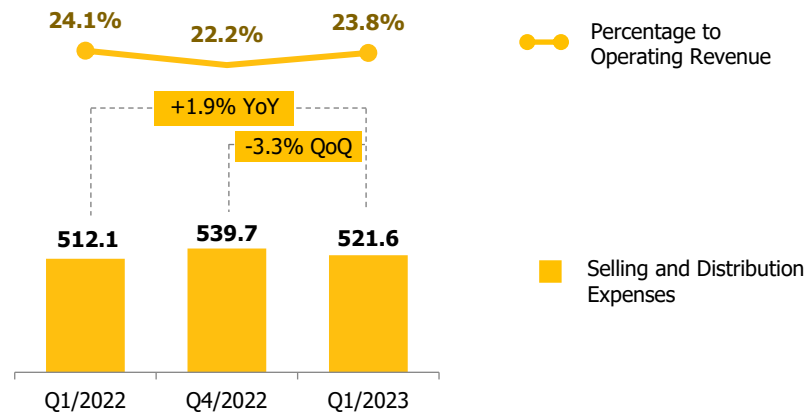
Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded gross profit of Baht 1,029.3 million, decreased by Baht 28.9 million or 2.7% QoQ. Details were as follows:
 - Gross profit from sale of goods** was Baht 948.1 million, decreased by Baht 30.6 million or 3.1% QoQ, following the reduced sales due to lower sales. However, gross profit margin from sales improved QoQ mainly due to the considerably increased proportion of retail sales which contributed to a high gross profit margin.
 - Gross profit from rental and rendering of services** was Baht 81.2 million, increased by Baht 1.7 million or 2.1% QoQ, following the higher revenue from rental and rendering of services. However, gross profit margin from rental and rendering of services slightly decreased QoQ mainly due to the increased salary and employee benefits and higher utilities expense resulting from rising Ft.

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4. Selling and Distribution Expenses**

Unit: THB million,



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

Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded selling and distribution expenses of Baht 521.6 million, increased by Baht 9.5 million or 1.9% YoY, following the higher operating revenue. The higher expenses mainly came from 1) elevated delivery costs resulting from increased sales and higher diesel prices; and 2) higher utilities expenses from rising Ft.
- The percentage of selling and distribution expenses to operating revenue decreased YoY, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

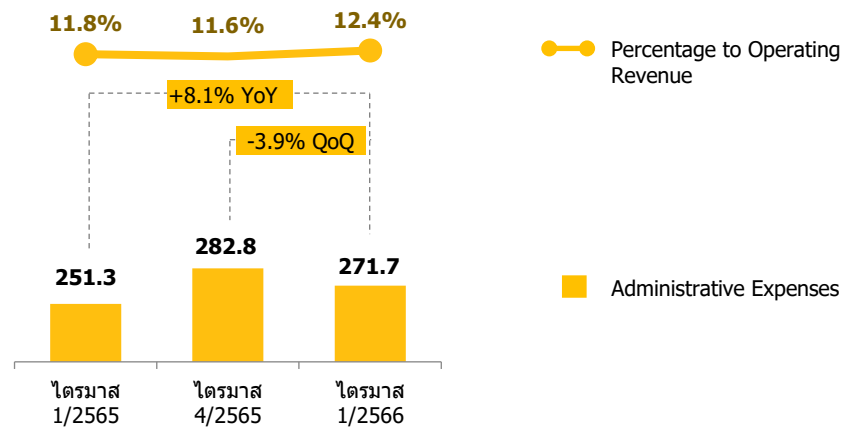
Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded selling and distribution expenses of Baht 521.6 million, decreased by Baht 18.1 million or 3.3% QoQ, following the decreased operating revenue. The lower expenses mainly came from 1) decreased delivery costs resulting from lower sales, reduced diesel prices, and using the Company's fuel bunker since Q3/2022, which helped reduce the cost of diesel; and 2) lower sales promotion expenses.
- The percentage of selling and distribution expenses to operating revenue increased QoQ, mainly due to lower operating revenue despite the decreased expenses and 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.

Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded administrative expenses of Baht 271.7 million, increased by Baht 20.4 million or 8.1% YoY, mainly due to 1) increased salary and employee benefits; and 2) elevated delivery costs resulting from increased sales and higher diesel prices.
- The percentage of administrative expenses to operating revenue increased YoY, due to the increased expenses despite effective cost management.

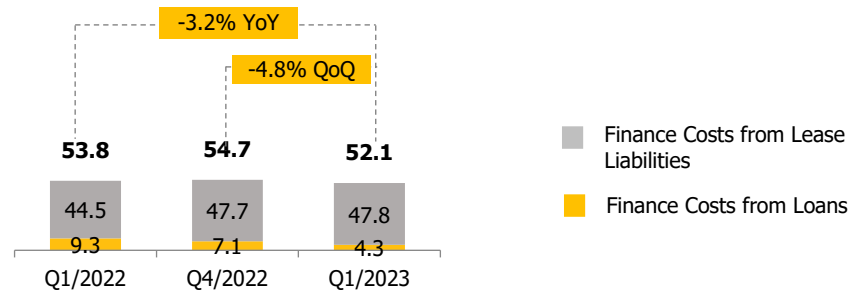
Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded administrative expenses of 271.7 million, decreased by Baht 11.1 million or 3.9% QoQ mainly due to lower delivery costs resulting from lower sales, reduced diesel prices, and using the Company's fuel bunker since Q3/2022, which helped reduce the cost of diesel.
- The percentage of administrative expenses to operating revenue increased QoQ, mainly due to lower operating revenue despite the decreased expenses and effective cost management.

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6. Finance Costs

Unit: THB million, %



Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded finance costs of Baht 52.1 million, decreased by Baht 1.7 million or 3.2% YoY. Details were as follows:
 - Finance costs from loans were 4.3 million, decreased by Baht 5.0 million or 53.8% YoY, despite the increased interest rates, supported by the Company's continuous long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 47.8 million, increased by Baht 3.3 million or 7.3% YoY, resulting from higher interest expense amortized from lease liabilities.

The Company's total borrowings at the end of Q1/2023 were Baht 796.0 million, decreased by Baht 904.8 million or 53.2% from Baht 1,700.8 million at the end of Q1/2022. The decrease was supported by the Company's continuous long-term loan prepayment.

Interest-bearing debt at the end of Q1/2023 was Baht 3,774.6 million, decreased by Baht 707.0 million or 15.8% from Baht 4,481.5 million at the end of Q1/2022.

Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded finance costs of Baht 52.1 million, decreased by Baht 2.6 million or 4.8% QoQ. Details were as follows:
 - Finance costs from loans were 4.3 million, decreased by Baht 2.8 million or 39.1% QoQ, despite the increased interest rates, supported by the Company's continuous long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 47.8 million, slightly increased by Baht 0.1 million or 0.3% QoQ, resulting from higher interest expense amortized from lease liabilities.

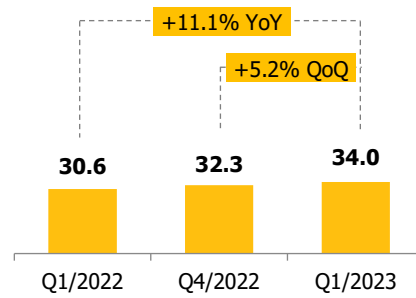
The Company's total borrowings at the end of Q1/2023 were 796.0 million, decreased by Baht 340.5 million or 30.0% from Baht 1,136.5 million at the end of Q4/2022, mainly supported by the Company's long-term loan prepayment of Baht 303.0 million during Q1/2023.

Interest-bearing debt at the end of Q1/2023 was Baht 3,774.6 million, decreased by Baht 326.4 million or 8.0% from Baht 4,101.0 million at the end of Q4/2022.

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7. Tax Expenses

Unit: THB million, %



Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded tax expenses of Baht 34.0 million, increased by Baht 3.4 million or 11.1% YoY, mainly due to higher earnings before tax.

In Q1/2023, the Company utilized tax incentives from the Office of the Board of Investment (BOI) for investment in new machinery of Baht 6.0 million, increased from Baht 5.7 million in Q1/2022.

Q1/2023 vs Q4/2022 (QoQ)

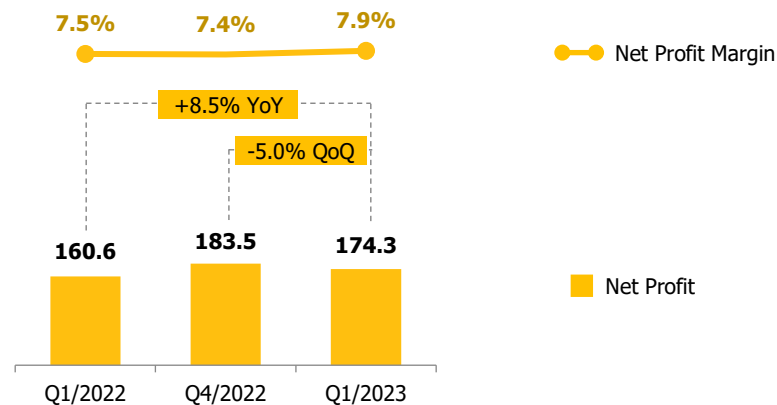
- In Q1/2023, the Company recorded tax expenses of Baht 34.0 million, increased by Baht 1.7 million or 5.2% QoQ, mainly due to decreased tax incentives. Tax incentives utilized in Q1/2023 were Baht 6.0 million, decreased from Baht 7.5 million in Q4/2022.

From the beginning of 2021 until the end of Q1/2023, the Company utilized tax incentives of Baht 48.6 million out of total tax incentives of Baht 71.1 million received for investment in new machinery to utilize by the end of 2023.

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8. Net Profit and Net Profit Margin

Unit: THB million, %



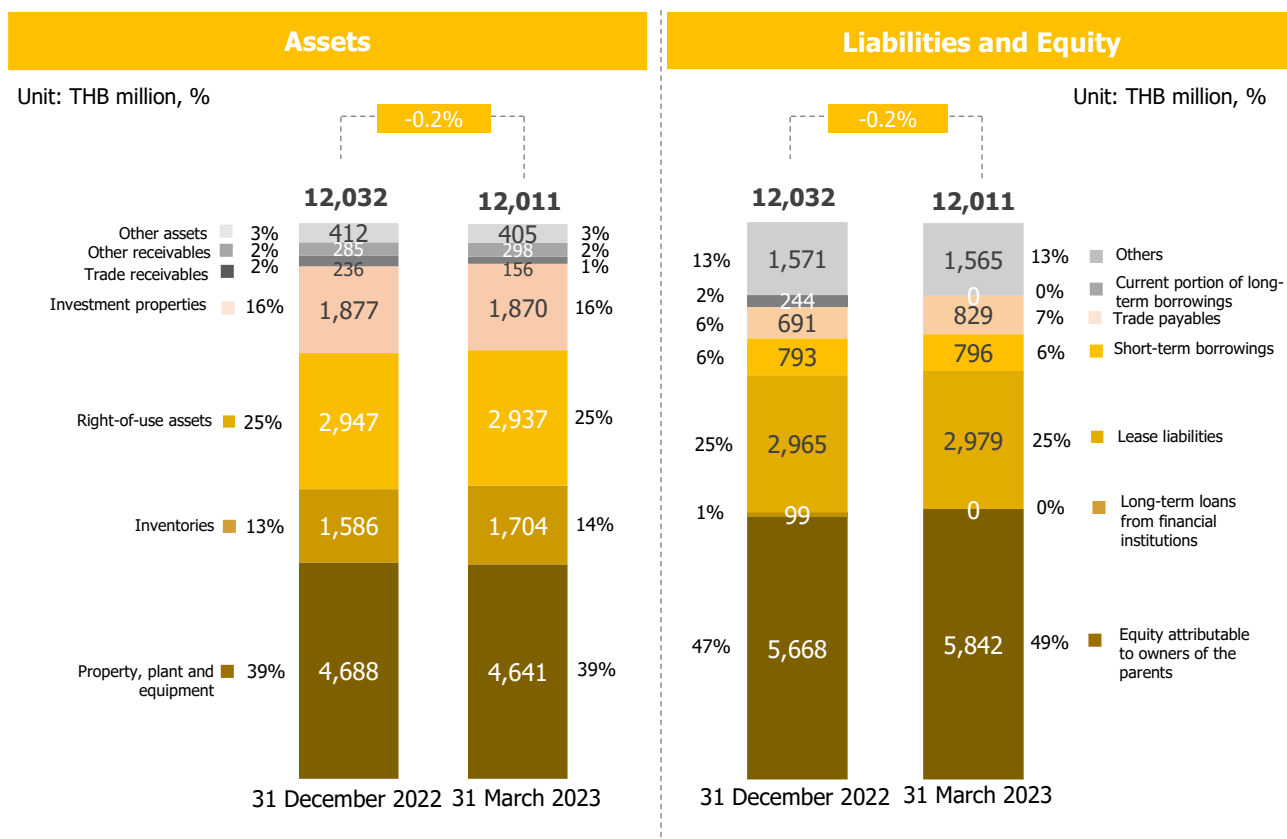
Q1/2023 vs Q1/2022 (YoY)

- In Q1/2023, the Company recorded a net profit of Baht 174.3 million, increased by Baht 13.6 million or 8.5% YoY. Key reasons for the increase were as follows:
 - Increased sales supported by the continuous growth of retail sales, especially stores in tourist cities which grew significantly. More support came from the 'Shop Dee Mee Kuen' Campaign, sales from Index Living Mall – Lat Krabang opened in December 2022, and online sales growth.
 - Higher revenue from rental and rendering of services, supported by additional rental spaces from Little Walk – Lat Krabang opened in December 2022.
 - Improved gross profit margin from sales, supported by a considerably increased sales proportion of retail sales, which contributed to high gross profit.
 - Lower finance costs despite the increased interest rates, supported by continuous long-term loan prepayment.
 - The Company utilized tax incentives of Baht 6.0 million, increased from Baht 5.7 million in Q1/2022.

Q1/2023 vs Q4/2022 (QoQ)

- In Q1/2023, the Company recorded a net profit of Baht 174.3 million, decreased by Baht 9.3 million or 5.0% QoQ. Key reasons for the decrease were as follows:
 - Decreased sales due to reduced domestic project sales after a high delivery volume in Q4/2022, lower overseas sales, and reduced domestic dealer sales.
 - Higher %SG&A to operating revenue despite the decreased expenses.
 - The Company utilized tax incentives of Baht 6.0 million, decreased from Baht 7.5 million Q4/2022.
 - From the beginning of 2021 until the end of Q1/2023, the Company utilized tax incentives of Baht 48.6 million out of total tax incentives of Baht 71.1 million received for investment in new machinery to utilize by the end of 2023.

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Statement of Financial Position

Assets

- As at 31 March 2023, the Company had total assets of Baht 12,011.1 million, decreased by Baht 20.5 million or 0.2% from Baht 12,031.5 million at the end of 2022. The key matters were as follows: 1) decreased property, plant and equipment by Baht 47.2 million or 1.0% from Baht 4,687.8 million at the end of 2022; 2) lower right-of-use assets by Baht 9.6 million or 0.3% from Baht 2,946.5 million at the end of 2022; 3) decreased investment properties by Baht 7.2 million or 0.4% from Baht 1,876.8 million; and 4) reduced trade receivables by Baht 80.1 million or 33.9% from Baht 236.2 million at the end of 2022.

On the other hand, inventories increased by Baht 117.6 million or 7.4% from Baht 1,586.3 million at the end of 2022 in preparation for increased sales in the future.

Liabilities

- As at 31 March 2023, the Company had total liabilities of Baht 6,168.8 million, decreased by Baht 194.7 million or 3.1% from Baht 6,363.6 million at the end of 2022. The decrease was mainly due to reduced borrowings by Baht 340.5 million or 30.0% from Baht 1,136.5 million at the end of 2022 to Baht 796.0 million at the end of Q1/2023 supported by the Company's continuous repayment of loans from financial institutions continuously, with long-term loan prepayment of Baht 303.0 million.

Equity

- As at 31 March 2023, the Company had equity attributable to owners of the parent of Baht 5,842.2 million, increased by Baht 174.3 million or 3.1% from Baht 5,668.0 million at the end of 2022, mainly resulting from the Company's Q1/2023 net profit of Baht 174.3 million.

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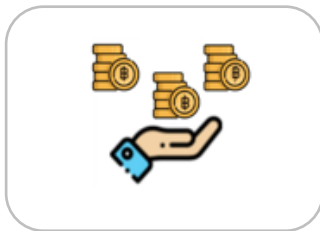
Future Outlook

Despite the in-downside-risk world economy due to inflation and banking turmoil in major countries, the Thai economy tends to continue to expand, supported by the significant expansion in tourism and the continuous recovery of private consumption. The Company is therefore confident in the continued growth of the operating results in 2023, supported by increased sales and revenue from rental and rendering of services, improved gross profit margin, and effective cost management. With the anticipation of the Company's continuous retail sales growth, especially from stores in tourist cities, the online sales growth, and the opening of Little Walk - Krungthep Kreetha in Q3/2023, all factors will enhance operating revenue growth in 2023 as targeted.



Renal Space Expansion Plan During 2023 - 2024

Besides an opening plan of Little Walk - Krungthep in Q3/2023, which will increase rental spaces by another 5,000 sqm, the Company also plans to open 2 more locations of Little Walk in 2024, to achieve the target of adding more rental spaces for 5,000 - 8,000 sqm per annum to enhance the growth of revenue from rental and rendering of services. Little Walk is a highly successful model of the Company's small-sized community mall, including the latest one, Little Walk - Lat Krabang.



Ft to Decrease in Q2/2023 from the Beginning of the Year

Office of Energy Regulatory Commission announced to reduce the Ft (Announcement as of 22 March 2023) from Baht 0.15492 per unit in January - April 2023 to Baht 0.9827 per unit in May - August 2023, which will reduce the Company's electricity costs in Q2/2023 from Q1/2023 by Baht 0.3777 per unit. In addition, the Company has been installing solar rooftop and switching to energy-saving equipment, which will significantly help reduce the impact of the rising Ft this year.



A New Joint Venture Company to Commercialize in Q3/2023

The Company and Flash Express Co., Ltd. established a new joint venture company to provide delivery, assembling, and installation services of furniture, electric appliances, and other products in Thailand. The new joint venture company is expected to commercialize in Q3/2023.