



Ref FN 020/2023

Management Discussion and Analysis
For operation of the second 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

The Thai economy tends to expand continuously, but its rate was slower than that in the 1st quarter of 2023. The numbers of Thai tourists and foreign tourists, especially those from China, Malaysia and Europe, were increased. As a result, the consumptions in the private sector were increased and dispersed. According to the analysis, it was found that the recovery rate of revenues was lower than that of the tourists. The recovery rate of the revenues was only 65% of that before the COVID pandemic. Moreover, the structures of foreign tourists were changed regarding nationalities. The percentage of Asian tourists was increased, and the spending behaviors of the tourists were more economical.

Generally, the inflation rate tended to decrease according to the framework because of the pressures from the supplies that tended to decrease according to the electricity costs, the retail prices of the fuels in the country and the supportive measures from the government. However, the basic inflation rate was still stable at the high level. This was consistent with the indicators of the inflation. Even though it tended to decrease, it was still at the high level.

The total revenue of the company in the 2nd quarter was increased for 0.8% from that in the 1st quarter in 2023. The number of the vehicles using the services at the branches was increased for 64.6% from that in the 1st quarter. Nonetheless, the billed sales were decreased for 2% because the customers still spent carefully.



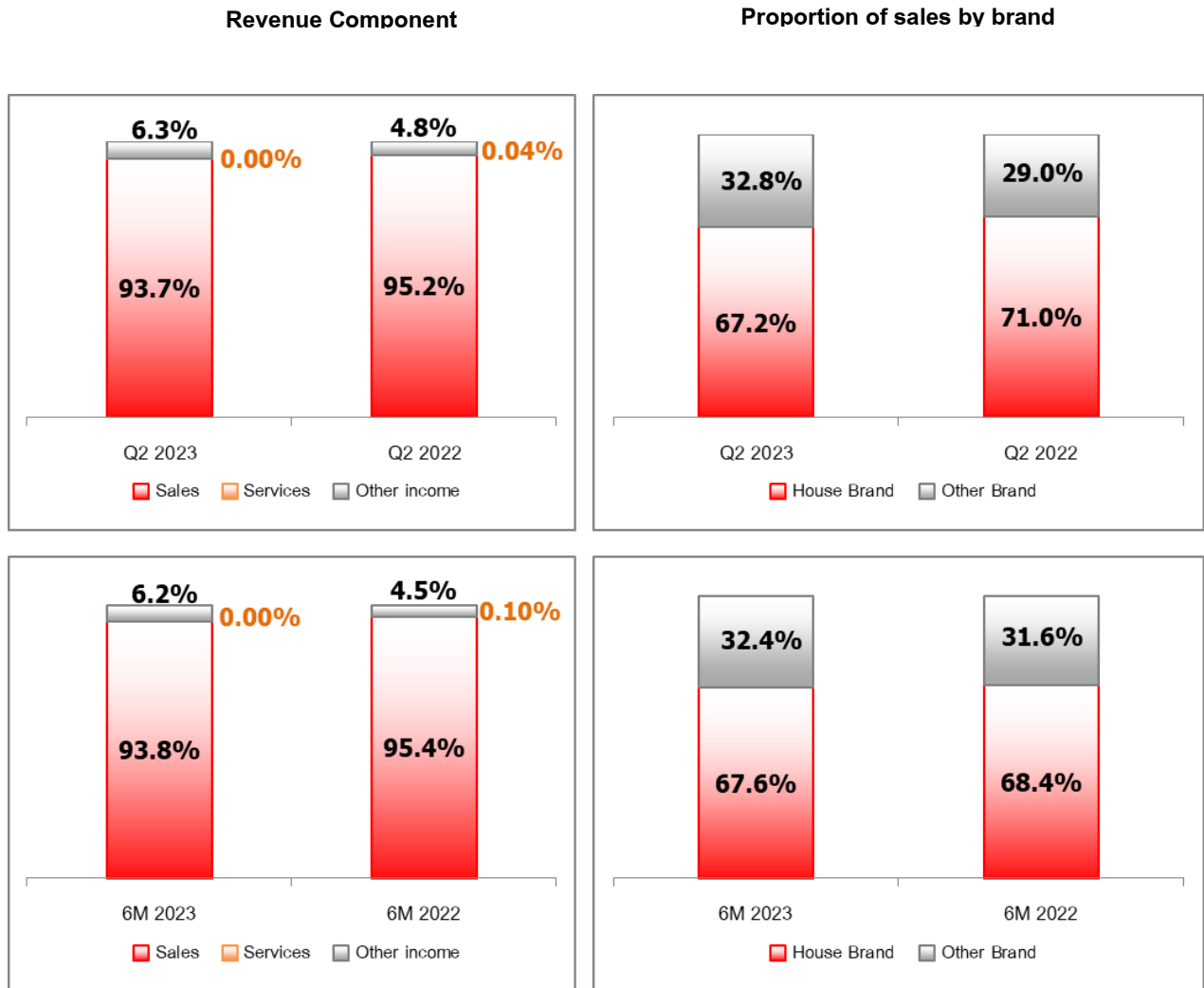
Performance Analysis

Unit : Million Baht	For the three-month ended 30 June		Change		For the six-month period ended 30 June		Change	
	2023	2022	Amount	%QoQ	2023	2022	Amount	%YoY
Revenue from sales	114.25	116.89	(2.64)	(2.26)	227.83	234.33	(6.51)	(2.78)
Revenue from services	0.00	0.05	(0.05)	(96.00)	0.01	0.25	(0.24)	(97.58)
Other income	7.69	5.87	1.82	30.96	15.05	10.93	4.12	37.70
Total revenues	121.94	122.81	(0.87)	(0.71)	242.88	245.51	(2.63)	(1.07)
Cost of goods sold	67.46	65.90	1.56	2.37	135.23	134.86	0.37	0.28
Cost of services	0.00	0.01	(0.01)	(90.91)	0.00	0.03	(0.03)	(96.30)
Selling expenses and administrative expenses	82.28	73.76	8.52	11.55	160.19	144.51	15.68	10.85
Selling expenses	48.72	41.23	7.49	18.17	93.43	82.40	11.03	13.38
Administrative expenses	33.56	32.53	1.03	3.15	66.77	62.11	4.66	7.50
Earnings before interest and taxes (EBIT)	(27.80)	(16.87)	(10.93)	64.82	(52.55)	(33.89)	(18.66)	55.07
Financial incomes	0.16	0.23	(0.07)	(30.74)	0.20	0.43	(0.23)	(53.50)
Financial costs	(0.05)	(0.34)	0.29	(86.54)	(0.22)	(0.74)	0.53	(70.96)
Financial costs - TFRS 16	(1.05)	(1.49)	0.44	(29.53)	(2.79)	(3.01)	0.22	(7.35)
Income tax expenses	5.65	3.18	2.47	77.74	10.27	7.05	3.22	45.71
Net profit (loss)	(23.09)	(15.29)	(7.80)	51.01	(45.08)	(30.16)	(14.92)	49.47
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(12.24)	2.05	(14.29)	(698.44)	(17.19)	5.04	(22.23)	(440.97)
Depreciation and amortization	13.69	13.60	0.09	0.69	28.12	28.33	(0.21)	(0.73)
Amortization - TFRS 16	1.87	5.32	(3.45)	(64.89)	7.24	10.60	(3.36)	(31.67)

Key financial ratio related with operating result (%)	For the three-month ended 30 June		Change		For the six-month period ended 30 June		Change	
	2023	2022	Amount	%QoQ	2023	2022	Amount	%YoY
Gross profit margin from sales (%)	40.95	43.62	(2.67)		40.64	42.45	(1.81)	
Selling expenses and administrative expenses to total revenue (%)	67.47	60.06	7.41		65.96	58.86	7.09	
Net profit margin (%)	(18.93)	(12.45)	(6.48)		(18.56)	(12.28)	(6.28)	



1. Total Revenue



The company's revenue from sales in the 2/2023 quarter was 114.25 million baht. It was decreased for 2.26 percent. That of the period of six months ended on 30th June 2023 was 227.83 million baht. It was decreased for 2.78 percent as compared to that in the same period in 2022. Mainly, it was because the company focused on main channels that were offline, online and O2O by canceling non-profitable channels such as direct distribution channel by "TunJai" and reducing the number of wholesale distribution channels in order to lower costs and risks of debtors. Profitable products were from the stocks. New products will be stocked in the next quarter.

The company's other revenues in 2/2023 quarter were 7.69 million baht. It was increased for 30.96 percent. That for the period of six months ended on 30th June 2023 was 15.05 million baht. It was increased for 37.70 percent as compared to that in the same period in 2022 because the number of renters in retail spaces was increased.



2. Cost of goods sold and gross profit

The gross profit rate in the 2/2023 quarter was 40.95 percent. It was decreased for 2.67 percent, and the gross profit margin from the sales in the period of six months ended on 30th June 2023 was 40.64 percent. It was decreased for 1.81 percent as compared to that in the same period in 2022 because the company had the inventory management policy for clearance sales in order to improve cashflows.

Concurrently, the company focuses on maintaining the gross profit margin by sourcing new groups of products with high margins through offline and online channels. The goal is to increase the revenue from the digital commerce because the mentioned channel has lower costs.

3. Selling and administrative expenses

The sales and management costs in the 2/2023 quarter was 82.28 million baht. It was increased for 11.55 percent, and that for the period of six months ended on 30th June 2023 was 160.19 million baht. It was increased for 10.85 percent as compared to that in the same period in 2022. Mainly, it was because 100% of the branches open again. Hence, the operating costs including transportations, out of home media, bank fees, commissions and online channels were increased according to the increased sales volumes. Additionally, the management costs were caused by the increased FT, especially the branches without installed solar cells.

For the total sales and management cost in the 2/2023 quarter was 67.47 percent. It was increased for 7.41 percent, and that for the period of six months ended on 30th June 2023 was 65.96 percent. It was increased for 7.09 percent as compared to that in the same period in 2022 because the increased numbers of sales promotion activities and improved branches.

4. Net Loss and Net Loss Margin

The company's net loss in the 2/2023 quarter was 23.09 million baht. The loss was increased for 7.80 million baht, and that for the period of six months ended on 30th June 2023 was 45.08 million baht. The loss was increased for 14.92 million baht as compared to that in the same period in 2022. The main factor was the company's decreased total revenue caused by the aforementioned reasons.

The company have operation loss before interest, taxes, depreciation and amortization (EBITDA) for the period of six months was 17.19 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@, IG, Facebook, TikTok, 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 3-Branch Renovation Project to become most visited tourist destinations, namely: Pak Chong as Best Stopover, Pattaya as EV Station, and Hua Hin as Green 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	
	30 June 2023	31 December 2022	MB	%
Cash and cash equivalents	92.92	123.36	(30.44)	(24.68)
Trend and other receivables	23.77	22.21	1.56	7.02
Inventories	340.29	374.66	(34.37)	(9.17)
Other current financial assets	30.32	30.17	0.15	0.50
Property, plant and equipment	747.32	766.51	(19.19)	(2.50)
Right-of-use assets	139.85	146.64	(6.79)	(4.63)
Other assets	79.65	67.72	11.93	17.62
Total assets	1,454.12	1,531.27	(77.15)	(5.04)
Accounts payable	43.40	55.05	(11.65)	(21.16)
Long-term loan	-	15.63	(15.63)	(100.00)
lease liabilities	154.94	161.86	(6.92)	(4.28)
Other liabilities	19.61	17.48	2.13	12.19
Total liabilities	217.95	250.02	(32.07)	(12.83)
Total shareholders' equity	1,236.17	1,281.25	(45.08)	(3.52)
Total liabilities and shareholders' equity	1,454.12	1,531.27	(77.15)	(5.04)

1. Assets

The company's total asset on June 30th, 2023 was 1,454.12 million baht. It was decreased for 77.15 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 June 30th, 2023 was 217.95 million baht. It was decreased for 32.07 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 June 30th, 2023 was 1,236.17 million baht. It was lower than that in the end of 2022. It was decreased for 45.08 million baht. Mainly, it was due to the loss in the period.



Key Financial Ratio Analysis

	As at 30 June 2023	As at 31 December 2022	Change Increase/ (Decrease)	Reason
Liquidity Ratio (times)	10.96	7.80	3.17	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.52	2.03	0.49	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(8.17)	(6.72)	(1.45)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.18	0.20	(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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