

TANACHIRA

Date 17 October 2023

Subject Discussion and Analysis of the Company's Performance for the 2022 Financial Statements

To President
The Stock Exchange of Thailand

Enclosures Management Discussion and Analysis of the Company's Performance for the 2022
Financial Statements in Thai and English, one copy each

Tanachira Retail Corporation Public Company Limited (the "Company") would like to submit the 2022 financial statements for the year ended 31 December 2022 which were audited by certified public accountants to the Stock Exchange of Thailand.

For the Company's performance for the 2022 financial statements, it had a net profit of 122.10 million baht. In the regard, the Company would like to explain the reasons for its performance in 2022, details which appear as attached.

Please be informed accordingly

Respectfully yours,



Mrs. Chidchanok Jangpol

Chief Financial Officer

TANACHIRA
Tanachira Retail Corporation Public Company Limited

Management Discussion and Analysis of the Company's Performance for the Year 2022
Tanachira Retail Corporation Public Company Limited

1. Business Overview

Tanachira Retail Corporation Public Company Limited (“the Company” or “TRC”) and its subsidiaries (collectively referred to as “the Group”) operate lifestyle and fashion retail business by importing and distributing world famous fashion lifestyle brands to be distributed in Thailand and overseas, including (1) Pandora : a leading silver jewellery brand from Denmark, (2) Marimekko : a Finnish lifestyle product noted for its prints and colours, and (3) Cath Kidston : a lifestyle product with modern vintage theme from England, as well as importing and distributing Cath Kidston products in Vietnam.

The Group also owns HARNN group of brands comprising (1) HARNN : body care, skincare, spa and aromatherapy products, (2) Vuudh : Thai contemporary lifestyle fragrance products. It also expands to spa business under (3) HARNN Wellness & Hospitality which focuses on spa franchising in Thailand and foreign countries with currently 4 sub-brands i.e. (3.1) HARNN Heritage Spa, (3.2) by HARNN, (3.3) The Spa by HARNN, and (3.4) Scape by HARNN, each of which is distinct from others according to its target customers.

As of 31 December 2022, the Group has a total of 5 product brands and 4 spa brands under its operation with a total of 127 branches both domestic and international, of which 120 branches are owned by the Group and 7 branches are franchises. It also conducts e-commerce. Moreover, the Group operates other associated businesses such as a food and beverage business under the names Marimekko pop-up café.

2. Business Performance Analysis

(a) Revenue from sales

The Group's revenue from sales is from selling through two main distribution channels i. e. an offline channel and an online channel under 4 brands including (1) Pandora, (2) Marimekko, (3) Cath Kidston, and (4) HARNN group of brands.

For the years ended 31 December 2021 and 2022, the Group's revenues from sales were equal to 764.87 million baht, and 1,257.50 million baht respectively.

The following table shows the Group's revenue structure by distribution channels :

Revenue from Sales by Distribution Channels	For the Years Ended 31 December			
	2021		2022	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Offline channel				
Concept Store	471.83	61.69	813.59	64.70
Shop-in-shop	131.88	17.24	212.51	16.90
Other offline channels	29.93	3.91	69.40	5.52
Total revenue from offline channel	633.64	82.84	1,095.50	87.12
Total revenue from online channel	131.22	17.16	162.00	12.88
Total revenue from sales	764.87	100.00	1,257.50	100.00

Notes : (1) Percentage of the total revenue from sales

(2) Selling through concept store, other offline channels and online channel is ordinary sales; while selling through shop-in-shop is consignment sales.

The Group's revenue from sales by distribution channels for each brand can be summarised as follows:

Revenue from Sales of Each Brand ⁽³⁾	For the Years Ended 31 December			
	2021		2022	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Offline channel⁽²⁾	633.64	82.84	1,095.50	87.12
<i>Pandora</i>	364.21	47.62	601.26	47.81
<i>Marimekko</i>	116.97	15.29	186.15	14.80
<i>Cath Kidston</i>	96.60	12.63	179.52	14.28
<i>HARNN group of brands</i>	55.86	7.30	128.57	10.22
Online channel	131.22	17.16	162.00	12.88
<i>Pandora</i>	33.52	4.38	44.41	3.53
<i>Marimekko</i>	29.66	3.88	29.93	2.38
<i>Cath Kidston</i>	22.20	2.90	24.77	1.97
<i>HARNN group of brands</i>	45.84	5.99	62.90	5.00
Total revenue from sales	764.87	100.00	1,257.50	100.00

The Group's revenue from sales by type of brands can be summarised as follows:

Revenue from Sales by Type of Products	For the Years Ended 31 December			
	2021		2022	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Pandora	397.73	52.00	645.67	51.35
Marimekko	146.63	19.17	216.07	17.18
Cath Kidston	118.81	15.53	204.29	16.25
HARNN group of brands	101.70	13.30	191.47	15.23
Total revenue from sales	764.87	100.00	1,257.50	100.00

The details of number of stores and the sales growth rate of stores can be summarised as follows:

Description	As at 31 December or for the Years Ended 31	
	December	
	2021	2022
Number of stores at the beginning of period (store)	115	117
Number of stores opened during the period (store)	9	16
Number of stores closed down during the period (store)	(7)	(13)
Number of stores at the end of period (store)	117	120
Total store sales growth⁽¹⁾ (percent)	(25.65)	69.97
<i>Pandora (percent)</i>	<i>(18.40)</i>	<i>65.09</i>
<i>Marimekko (percent)</i>	<i>(14.33)</i>	<i>52.24</i>
<i>Cath Kidston (percent)</i>	<i>(47.70)</i>	<i>85.84</i>
<i>HARNN group of brands (percent)</i>	<i>(41.66)</i>	<i>159.33</i>

Description	As at 31 December or for the Years Ended 31	
	December	
	2021	2022
Same-store sales growth (SSSG) (percent)⁽²⁾	(25.13)	74.97
<i>Pandora (percent)</i>	<i>(21.27)</i>	<i>60.07</i>
<i>Marimekko (percent)</i>	<i>(35.96)</i>	<i>51.01</i>
<i>Cath Kidston (percent)</i>	<i>(46.53)</i>	<i>99.87</i>
<i>HARNN group of brands (percent)</i>	<i>(22.60)</i>	<i>155.16</i>

Notes : (1) TSSG is calculated from the average sales growth per store of all stores.

(2) SSSG is calculated from the average sales growth per store of stores that open a full year.

(3) The calculation of SSSG takes into account only the stores that open full year in 2 consecutive calendar year excluding stores opened/closed during the year, resulting in difference between TSSG and SSSG

For the years ended 31 December 2021 and 2022, the Group's revenue from sales increased by 492.64 million baht of 64.41 % mainly due to (1) an increase in the same-store sales growth (SSSG) at a rate of 74.97% thanks to the relaxation of the government's COVID-19 control measures; (2) an increase in online sales growth at a rate of 23.45% as a result of more online marketing and promotions in line with a change in consumer behaviour; and (3) a change in sales strategy which focused more on domestic customers.

(b) Gross profit and gross profit margin

For the years ended 31 December 2021 and 2022, the Group had gross profit of 413.82 million baht and 756.98 million baht respectively, equalling to gross profit margin of 53.99% and 59.80% respectively. The Group's gross profit and gross profit margin can be summarised as follows:

Gross Profit and Gross Profit Margin	For the Years Ended 31 December			
	2021		2022	
	Value (Million Baht)	Gross Profit Margin (percent)	Value (Million Baht)	Gross Profit Margin (percent)
Gross profit from sales	412.37	53.91	748.90	59.55
Pandora	203.88	51.26	375.51	58.16
Marimekko	76.45	52.14	117.91	54.57
Cath Kidston	57.18	48.13	98.62	48.28
HARNN group of brands	74.86	73.60	156.86	81.92
Gross profit from rendering services	1.45	90.08	8.07	95.59
Total gross profit	413.82	53.99	756.98	59.80

For the years ended 31 December 2021 and 2022, the Group's gross profit increased by 343.16 million baht of 82.92% mainly as a result of (1) an increase in the store sale growth thanks to the relaxation of COVID-19 control measures particularly for HARNN group of brands of which the gross profit margin of store sales was higher than online sales; and (2) the overall price increase of Pandora brand in accordance with a change in product costs and exchange rates.

(c) Net profit and net profit margin

For the years ended 31 December 2021 and 2022, the Group had net profits (losses) of (34.63) million baht and 122.10 million baht respectively, or equivalent to net profit margins of (4.42%) and 9.48% of the total revenue respectively.

For the years ended 31 December 2021 and 2022, the Group's net profit increased by 156.72 million baht mainly as a result of (1) an increase in the sales growth from online and offline channels because of the recovery of COVID-19 incident and the relaxation of COVID-19 control measures; and (2) the higher gross profit margin due to an increase in the store sales growth particularly for HARNN group of brands of which the gross profit margin of store sales was higher than online sales, and the overall price increase of Pandora brand in accordance with a change in product costs and exchange rates.

3. Financial Position Analysis**(a) Total assets**

As at 31 December 2021 and 2022, the Group's total assets were at 1,894.93 million baht and 1,866.04 million baht respectively. Major assets of the Group comprise (1) inventory, (2) right-of-use assets, and (3) goodwill which altogether amount to 70.95% and 71.67% of the total assets respectively.

As at 31 December 2021 and 2022, the Group's total assets decreased by 28.90 million baht or 1.53% mainly due to a decrease in the right-of-use assets from the right-of-use asset amortisation over the course of agreement despite an increase in the inventory from a higher amount of finished goods stock for selling in line with the increasing revenue from sales.

(b) Liabilities

As at 31 December 2021 and 2022, the Group had the total liabilities of 1,696.53 million baht and 1,540.91 million baht respectively. Major liabilities of the Group include (1) short-term borrowings from financial institutions, (2) trade and other payables, (3) long-term loans, and (4) lease liabilities, altogether amounting to 95.49% and 94.58% of the total liabilities respectively.

As at 31 December 2021 and 2022, the Group's total liabilities decreased by 155.62 million baht or 9.17% mainly due to (1) a decrease in lease liabilities in line with a decrease in the right-of-use assets, and (2) a decrease in long-term loans because of loan repayment as specified in loan agreements.

(c) Shareholders' equity

As at 31 December 2021 and 2022, the Group's total shareholders' equities were at 198.40 million baht and 325.13 million baht respectively. The shareholders' equity comprises (1) issued and paid-up share capital, (2) retained earnings, (3) other components of shareholders' equity, and (4) non-controlling interests of the subsidiaries.