

TANACHIRA

Date 17 October 2023

Subject Discussion and Analysis of the Company's Performance for the Interim Financial Reporting
For the Six-Month Period Ended 30 June 2023

To President
The Stock Exchange of Thailand

Enclosures Management Discussion and Analysis of the Company's Performance for the Interim
Financial Reporting For the Six-Month Period Ended 30 June 2023

Tanachira Retail Corporation Public Company Limited (the "Company") would like to submit the Interim Financial Reporting For the Six-Month Period Ended 30 June 2023 which were reviewed by certified public accountants to the Stock Exchange of Thailand.

For the Company's performance for the Interim Financial Reporting For the Six-Month Period Ended 30 June 2023, it had a net profit of 134.63 million baht. In the regard, the Company would like to explain the reasons for its performance for the Interim Financial Reporting For the Six-Month Period Ended 30 June 2023, 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 Interim Financial
Reporting For the Six-Month Period Ended 30 June 2023
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 30 June 2023, the Group has a total of 5 product brands and 4 spa brands under its operation with a total of 131 branches both domestic and international, of which 122 branches are owned by the Group and 9 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 and Cath Kidston Tearoom.

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 six-month periods ended 30 June 2020 and 2023, the Group's revenue from sales were 555.71 million baht and 655.80 million baht respectively.

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

Revenue from Sales by Distribution Channels	For the Six-Month Periods Ended 30 June			
	2022		2023	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Offline channel				
Concept Store	379.91	68.37	452.63	69.02
Shop-in-shop	86.27	15.52	105.54	16.09
Other offline channels	18.17	3.27	15.68	2.39
Total revenue from offline channel	484.36	87.16	573.85	87.50
Total revenue from online channel	71.35	12.84	81.95	12.50
Total revenue from sales	555.71	100.00	655.80	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 Six-Month Periods Ended 30 June			
	2022		2023	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Offline channel⁽²⁾	484.36	87.16	573.86	87.50
<i>Pandora</i>	275.53	49.58	304.53	46.44
<i>Marimekko</i>	75.82	13.64	103.10	15.72
<i>Cath Kidston</i>	82.60	14.86	71.72	10.94
<i>HARNN group of brands</i>	50.41	9.07	94.50	14.41
Online channel	71.35	12.84	81.95	12.50
<i>Pandora</i>	22.16	3.99	31.24	4.76
<i>Marimekko</i>	16.55	2.98	20.31	3.10
<i>Cath Kidston</i>	12.07	2.17	10.98	1.67

Revenue from Sales of Each Brand ⁽³⁾	For the Six-Month Periods Ended 30 June			
	2022		2023	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
<i>HARNN group of brands</i>	20.57	3.70	19.42	2.96
Total revenue from sales	555.71	100.00	655.80	100.00

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

(2) Total revenue from sales through stores, selling to corporate customers, export and booth exhibition.

(3) Pandora is operated by TRC, Marimekko is operated by TRH, Cath Kidston is operated by TAT and TRGV and HARNN is operated by HG and HJ

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

Revenue from Sales by Type of Products	For the Six-Month Periods Ended 30 June			
	2022		2023	
	Million Baht	Percent ⁽¹⁾	Million Baht	Percent ⁽¹⁾
Pandora	297.68	53.57	335.76	51.20
Marimekko	92.37	16.62	123.42	18.82
Cath Kidston	94.67	17.04	82.70	12.61
HARNN group of brands	70.98	12.77	113.92	17.37
Total revenue from sales	555.71	100.00	655.80	100.00

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

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

Description	As at 30 June or the Six-Month Periods Ended 30 June	
	2565	2566
Number of stores at the beginning of period (store)	117	120
Number of stores opened during the period (store)	3	7
Number of stores closed down during the period (store)	(6)	(5)
Number of stores at the end of period (store)	114	122
Total store sales growth⁽¹⁾ (percent)	93.03	15.08
<i>Pandora (percent)</i>	85.68	7.46
<i>Marimekko (percent)</i>	61.12	27.17
<i>Cath Kidston (percent)</i>	82.49	(14.32)
<i>HARNN group of brands (percent)</i>	297.54	68.62
Same-store sales growth (SSSG) (percent)⁽²⁾	142.30	27.56
<i>Pandora (percent)</i>	50.14	(1.96)
<i>Marimekko (percent)</i>	45.13	13.37
<i>Cath Kidston (percent)</i>	83.82	(13.79)
<i>HARNN group of brands (percent)</i>	100.83	334.44

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. However, for the six-month periods ended 30 June 2023, TSSG of pandora and Marimekko was higher than SSSG due to store expansion. TSSG of HARNN group of brand was less than SSSG because TSSG includes revenue from sales to business such as spa franchise; while, SSSG was calculated from stores sales supported by the recovery of tourism industry. However, for the the six-month periods ended 30 June 2022, TSSG of pandora and HARNN group of brand was higher than SSSG due to store expansion and relaxation of the government's COVID-19 control measures, resulting in increase in sales

For the six-month periods ended 30 June 2022 and 2023, the Group's revenue from sales increased by 100.10 million baht or 18.01% mainly because of (1) an increase in the store sales growth of Pandora, Marimekko and HARNN due to the continuous expansion of domestic consumption and the recovery of tourism industry; and (2) the growth of revenue from overall online sales at a rate of 14.85%. However, the revenue from both offline and online sales for Cath Kidston decreased in the six-month period ended 30 June 2023 when compared to the six-month period ended 30 June 2022 due to a production delay caused by a change of brand ownership of the parent company; consequently, the sales of Cath Kidston was lower than other brands.

The store sales growth and the same-store sales growth in the six-month period ended 30 June 2023 was lower than that of the six-month period ended 30 June 2022 since the revenue from sales in the first half of 2022 compared to the first half of 2021 recovered from the COVID-19 pandemic. During the first half of 2021, Thailand faced the second wave of COVID-19 pandemic that began in December 2020, leading to a dramatic decrease in foot traffic in department stores. As a result, the store sales growth in the first half of 2022 was higher than usual.

The store sales growth and the same-store sales growth of Cath Kidston in the first half of 2023 was lower than that of the first half of 2022 due to a change of brand ownership in overseas causing a production delay and therefore an inadequate supply of products by the Company.

The store sales growth of Pandora in the first haft of 2023 was slightly lower than that of the first half of 2022 since the Company opened new stores, from 38 stores in the first half of 2022 to 45 stores in the first half of 2023; therefore, some customers moved to buy at newly-opened stores making the sales of existing stores slightly decreased.

(b) Gross profit and gross profit margin

For the six-month periods ended 30 June 2022 and 2023, the Group's gross profits were 315.36 million baht and 425.72 million baht respectively, or equivalent to the gross profit margins of 56.25% and 64.19% respectively. The Group's gross profit and gross profit margin can be summarised as follows:

Gross Profit and Gross Profit Margin	For the Six-Month Periods Ended 30 June			
	2022		2023	
	Value (Million Baht)	Gross Profit Margin (percent)	Value (Million Baht)	Gross Profit Margin (percent)
Gross profit from sales	310.49	55.87	418.68	63.84
Pandora	159.94	53.73	214.65	63.93
Marimekko	49.05	53.10	71.66	58.06
Cath Kidston	44.67	47.19	39.89	48.23
แบรนด์กลุ่มหาญ	56.83	80.06	92.48	81.18
Gross profit from rendering services	4.87	97.89	7.05	94.91
Total gross profit	315.36	56.25	425.72	64.19

For the six-month periods ended 30 June 2022 and 2023, the Group's gross profit increased by 110.36 million baht or 35.00% mainly due to (1) an increase in the store sales growth since the first half of 2022 witnessed the spread of Omicron sub-variants of COVID-19; (2) the higher gross profit margin of Pandora brand as a result of the overall price increase of Pandora brand in accordance with a change in product costs and exchange rates; and (3) the higher gross profit margin of Marimekko brand as a result of the adjustment in brand marketing and promotion strategy in which discounts were given less frequently only during holiday seasons, enabling the Group to raise its sell-through rate at full prices.

(c) Net profit and net profit margin

For the six-month periods ended 30 June 2022 and 2023, the Group had net profits (losses) of 37.77 million baht and 71.06 million baht respectively, or equivalent to the net profit margin of 6.55% and 10.59% of the total revenue respectively.

For the six-month periods ended 30 June 2022 and 2023, the Group's net profit increased by 33.29 million baht mainly due to (1) an increase in the store sales growth because of the continuous expansion of domestic consumption and the recovery of tourism industry; and (2) the higher net profit margins caused by the price increase and lower frequency of discount offers.

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

As at 30 June 2023, the Group's total assets were at 1,923.80 million baht. Major assets of the Group comprise (1) inventory, (2) right-of-use assets, and (3) goodwill which altogether amount to 69.93% of the total assets.

As at 30 June 2023, the Group's total assets increased by 57.76 million baht or 3.10% mainly as a result of (1) an increase in the inventory from a higher amount of finished goods stock for selling in line with the increasing revenue from sales; and (2) an increase in intangible assets from the cash paid for rights to operate business.

(b) Liabilities

As at 30 June 2023, the Group had the total liabilities of 1,565.64 million baht. 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 93.94% of the total liabilities.

As at 30 June 2023, the Group's total liabilities increased by 24.73 million baht or 1.61% mainly as a result of (1) an increase in short-term borrowings from financial institutions to be used as working capital for buying inventory for selling in line with an increase in revenue from sales which was net of (2) a decrease in trade and other payables and lease liabilities.

(c) Shareholders' equity

As at 30 June 2023, the Group's total shareholders' equities were at 358.16 million baht. 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.