



Ref FN 023/2023

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

FN Factory Outlet Public Company Limited was founded in 2000 operates the consumers products under house brands which are the Apparel products brand such as Inco, Cheval, Sleep Mate, ETC and the Non-Apparel products such as Cherish, Prim, Rollica, Cushy, etc., and many other more. Currently, there are 12 outlets (Phetchaburi, Kanchanaburi, Pattaya, Pak Chong, Sing Buri, Hua Hin, Sriracha, Phra Nakorn Sri Ayutthaya, Chachoengsao, Rayong, Rama IV and Singer x FN Living Space). In addition, we also distribute through online channels and market places, which are, Facebook, Web Commerce, FN Application, Line Official and TikTok.

Industry Overview

In the 3rd quarter, Thailand economics has been expanded due to consumption of private sectors and service sector which are increasing form tourists both domestics and foreign. For economics stability, general inflation rate decreased by fresh food and fundamental inflation while energy increased from gasoline.

In 3rd quarter, the Company total revenue has slightly slow down, though the increasing of tourists because they more focused on sight-seeing and services than shopping. In the meantime, we still more focused to online channels especially FN Web Commerce and others by adding more products and launching products review by influencers. Moreover, the company renovated Hua Hin branch under Greenery concept, designing an imitation Pala-U waterfalls to be vertical garden concept, which is surrounded by forest, waterfalls and creaks. We creates new landmark of Hua Hin, the Nam Sai market which provide the organic best and famous local products to attract customers.



FN HUAHIN





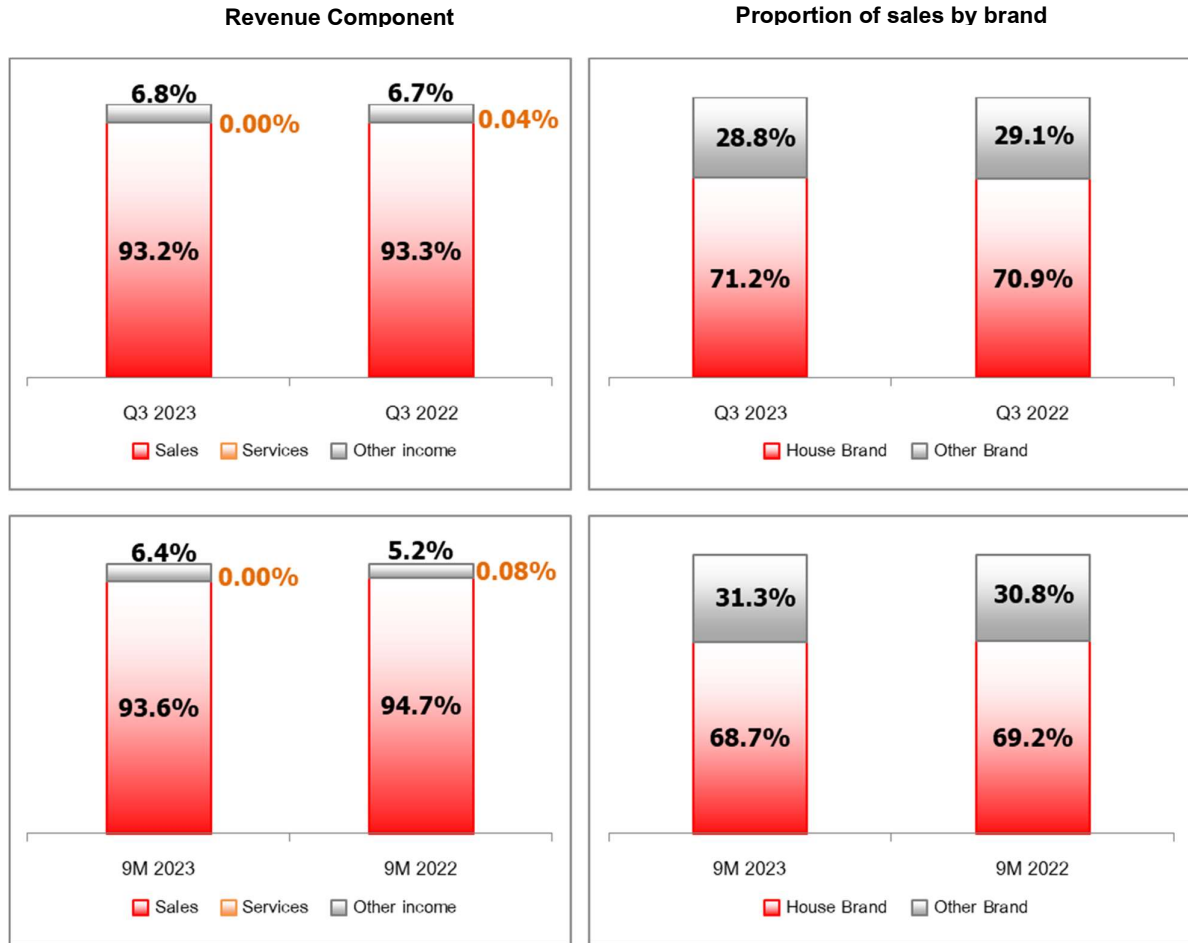
Performance Analysis

Unit : Million Baht	For the three-month period ended 30 September		Change		For the nine-month period ended 30 September		Change	
	2023	2022	Amount	%QoQ	2023	2022	Amount	%YoY
Revenue from sales	99.41	111.49	(12.08)	(10.83)	327.23	345.82	(18.59)	(5.37)
Revenue from services	0.01	0.05	(0.04)	(89.36)	0.01	0.30	(0.28)	(96.27)
Other income	7.30	7.97	(0.67)	(8.38)	22.35	18.90	3.45	18.27
Total revenues	106.71	119.50	(12.79)	(10.70)	349.59	365.01	(15.42)	(4.22)
Cost of goods sold	59.80	63.63	(3.83)	(6.01)	195.03	198.49	(3.45)	(1.74)
Cost of services	-	0.00	(0.00)	(100.00)	0.00	0.03	(0.03)	(96.55)
Selling expenses and administrative expenses	80.83	76.14	4.69	6.16	241.02	220.65	20.38	9.24
Selling expenses	46.12	43.50	2.62	6.02	139.54	125.90	13.65	10.84
Administrative expenses	34.71	32.64	2.07	6.35	101.48	94.75	6.73	7.11
Earnings before interest and taxes (EBIT)	(33.92)	(20.26)	(13.65)	67.38	(86.46)	(54.15)	(32.31)	59.67
Financial incomes	0.11	0.04	0.06	140.91	0.31	0.47	(0.17)	(35.38)
Financial costs	(0.04)	(0.29)	0.26	(87.60)	(0.25)	(1.04)	0.78	(75.68)
Financial costs - TFRS 16	(1.52)	(1.47)	(0.05)	3.15	(4.30)	(4.48)	0.17	(3.90)
Income tax expenses	6.54	1.11	5.43	490.33	16.81	8.16	8.65	106.06
Net profit (loss)	(28.83)	(20.88)	(7.95)	38.09	(73.91)	(51.04)	(22.87)	44.81
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(16.03)	(5.01)	(11.02)	219.85	(33.22)	0.03	(33.24)	(118,729)
<i>Depreciation and amortization</i>	<i>14.18</i>	<i>11.79</i>	<i>2.39</i>	<i>20.23</i>	<i>42.30</i>	<i>40.12</i>	<i>2.18</i>	<i>5.43</i>
<i>Amortization - TFRS 16</i>	<i>3.71</i>	<i>3.46</i>	<i>0.25</i>	<i>7.17</i>	<i>10.95</i>	<i>14.06</i>	<i>(3.11)</i>	<i>(22.12)</i>

Key financial ratio related with operating result (%)	For the three-month period ended 30 September		Change	For the nine-month period ended 30 September		Change
	2023	2022	%QoQ	2023	2022	%YoY
Gross profit margin from sales (%)	39.84	42.93	(3.09)	40.40	42.60	(2.20)
Selling expenses and administrative expenses to total revenue (%)	75.74	63.71	12.03	68.94	60.45	8.49
Net profit margin (%)	(27.01)	(17.47)	(9.55)	(21.14)	(13.98)	(7.16)



1. Total Revenue



The company's revenue from the sales for the third quarter of 2023 was 99.41 million baht, decreased 10.83 percent compared to the same period of 2022. The revenue of 9 months ended of September 30th, 2023 was 327.23 million baht, decreased 5.37 percent compared to the same period in 2022. Mainly, focusing mainly on main channels that were offline, online and O2O, we cancelled 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 inventory. New products will be arrive in the next quarter.

The company's other incomes for the third quarter of 2023 was 7.30 million baht, decreased 8.38 percent. For 9 months period ended on September 30th, 2023 was 22.35 million baht from ending of tenant, increased for 3.45 percent compared to the same period in 2022 because the number of tenants in retail spaces was increased.



2. Cost of goods sold and gross profit

The gross profit margin from sales for the third quarter of 2023 was 39.84 percent, decreased 3.09 percent from the same period of 2022, and the gross profit margin from sales in the period of 9 months ended of September 30th, 2023 was 40.40 percent, decreased for 2.20 percent as compared to the same period in 2022 due to 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 high margins products to sale through offline and online channels. The target is to increase the revenue from the digital commerce because the mentioned channel has lower costs.

3. Selling and administrative expenses

The selling and administrative expenses for the third quarter of 2023 was 80.83 million baht, increased 6.16 percent, and the period of 9 months ended of September 30th, 2023 was 241.02 million baht, increased 9.24 percent as compared to the same period in 2022. Mainly from fully opening of all branches. 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 from the branches which do not have solar cells rooftop.

The ratio of the selling and administrative expenses and the total revenue for the third quarter of 2023 was 75.74 percent, increased 12.03 percent, and for the period of 9 months ended of September 30th, 2023 was 68.94 percent, increased 8.49 percent as compared to the same period in 2022 from increasing numbers of sales promotion activities and branches renovation.

4. Net Loss and Net Loss Margin

The company's net loss for the third quarter of 2023 was 28.83 million baht. The loss was increased 7.95 million baht, and for the period of 9 months ended of September 30th, 2023 was 73.91 million baht. The loss was increased for 22.87 million baht as compared to the same period in 2022. The main factor was from the decreasing of total revenue caused by the aforementioned reasons.

The company have operation loss before interest, taxes, depreciation and amortization (EBITDA) for the period of 9 months period ended of September 30th, 2023. It was 33.22 million baht.



The Company's a goal is to be an excellence innovation company by executing of 5 strategic approaches as follows:

1) New Brand Architecture: To organize products 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 enhance the customers' experience and strengthen the Company's position as a brand of a reliable quality, price and innovation company.

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 be 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, which are 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 September 2023	31 December 2022	MB	%
Cash and cash equivalents	90.63	123.36	(32.73)	(26.53)
Trend and other receivables	21.92	22.21	(0.29)	(1.31)
Inventories	311.49	374.66	(63.17)	(16.86)
Other current financial assets	30.43	30.17	0.26	0.86
Property, plant and equipment	737.84	766.51	(28.67)	(3.74)
Right-of-use assets	135.38	146.64	(11.26)	(7.68)
Other assets	87.65	67.72	19.93	29.43
Total assets	1,415.34	1,531.27	(115.93)	(7.57)
Accounts payable	36.57	55.05	(18.48)	(33.57)
Long-term loan	-	15.63	(15.63)	(100.00)
lease liabilities	152.00	161.86	(9.86)	(6.09)
Other liabilities	19.43	17.48	1.95	11.16
Total liabilities	208.00	250.02	(42.02)	(16.81)
Total shareholders' equity	1,207.34	1,281.25	(73.91)	(5.77)
Total liabilities and shareholders' equity	1,415.34	1,531.27	(115.93)	(7.57)

1. Assets

The company's total asset as of September 30th, 2023 was 1,415.34 million baht. It was decreased for 115.93 million baht as compared to 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 branches renovation. The inventories were also decreased. It was due to the sales of products during the period and the inventory management, and decrease in building and equipment from depreciation during the period.

2. Liabilities

The total liability on September 30th, 2023 was 208 million baht. It was decreased 42.02 million baht as compared to 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 of other liabilities caused by the decrease in rental deposits.

3. Shareholders' equity

The shareholders' equity on September 30th, 2023 was 1,207.34 million baht. It was lower than the end of 2022. It was decreased for 73.91 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)	12.15	7.80	4.35	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	2.78	2.03	0.75	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(9.02)	(6.72)	(2.31)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.17	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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