

Date 10 November 2023

Subject Discussion and Analysis of the Company's Performance for the Interim Financial Reporting

for the Nine-Month Period Ended 30 September 2023

To President

The Stock Exchange of Thailand

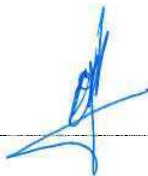
Enclosures Management Discussion and Analysis of the Company's Performance for the Interim  
Financial Reporting for the Nine-Month Period Ended 30 September 2023

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

The Company's operating results for the Interim Financial Reporting for the Nine-Month Period Ended 30 September 2023 reported a net profit of 98.43 million Baht, which the Company would like to explain the reasons for the results for the Interim Financial Reporting for the Nine-Month Period Ended 30 September 2023 as detailed in the attached document.

Please be informed accordingly.

Respectfully yours,



Mrs. Chidchanok Jangpoi

Chief Financial Officer

Tanachira Retail Corporation Public Company Limited

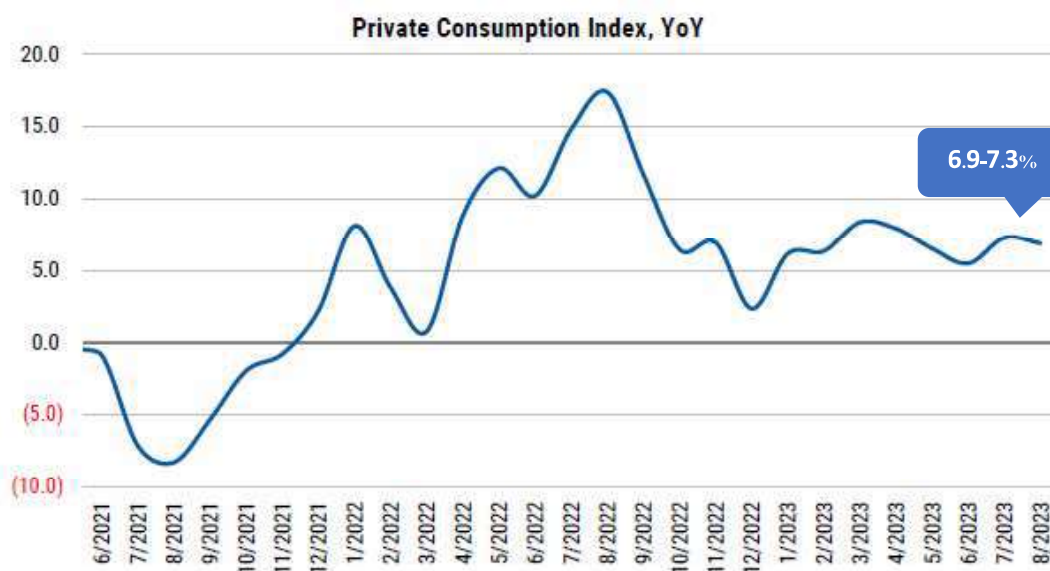
# **TANACHIRA**

Management Discussion and Analysis

Q3/2023

## Business Overview

For the operating results in the 3<sup>rd</sup> quarter of 2023, the overall picture was quite in line with the goals set by Tanachira Retail Corporation Public Company Limited (“the Company”). Normally in the 3<sup>rd</sup> quarter, the Company would perform better than in the 2<sup>nd</sup> quarter. With information from Morgan Stanley Research stating that overall Private Consumption Index in the 3<sup>rd</sup> quarter of 2023 remained steady with average growth rate of 6.9–7.3%, the Company’s results in the 3<sup>rd</sup> quarter of 2023 could perform better and had continued good profit growth rate compared to the same period of 2022.



Source: CEIC, Morgan Stanley Research

### Summary Operating Results

Unit : THB Million	Q3/22	Q3/23	%YoY	9M/22	9M/23	%YoY
Revenues	302	324	7.4%	863	987	14.5%
Gross Profit	184	207	12.3%	499	632	26.7%
Net Profit for the Company	23	26	13.7%	62	98	59.4%

Note: The Company's net profit in the 3<sup>rd</sup> quarter of 2023 included one-time expenses of 3.9 million Baht.

Important Events and Business Direction in Q3 2023



In July 2023, the Company opened the first full-scale Marimekko Kafé in the world! at 1<sup>st</sup> floor of Emporium shopping center to serve a Scandinavian style cafe and restaurant experience outstanding with the taste of food, drinks and desserts that combine Thai-Finnish vibes and art on the dining table from Marimekko's Home Collection.



In August 2023, the Company opened new branch of Cath Kidston store at Lotte West Lake Hanoi, Vietnam's newest large and modern shopping center located in the heart of Tay Ho district, Hanoi, the capital of Vietnam. This branch was the first concept store that emphasized mainly on the presentation of mother and child products.



In August 2023, the Company opened new branch of Marimekko concept store at Central Department Store Chiang Mai. This was the first branch in the northern region, the first small format concept store, and the 13<sup>th</sup> branch of concept store in Thailand.



In September 2023, the Company opened the new branch of Pandora store at Central Department Store Khon Kaen. This was considered the 3<sup>rd</sup> branch after Nakhon Ratchasima and Udon Thani in the northeastern region and was the 48th branch in Thailand.



In September 2023, the Company opened the first store of HARNN brand in Vietnam at Lotte West Lake Hanoi, the large shopping center located in the heart of Tay Ho district, Hanoi, the capital of Vietnam with the plan to expand to the 2<sup>nd</sup> branch continuously in the last quarter of this year in Ho Chi Minh City.



The Company received congratulations from Lazada (Lazmall) on the remarkable success of brands under the Company during the 3<sup>rd</sup> quarter of 2023. Both in terms of sales and being one of the leading stores in Lazmall's fashion group.



The Company received official rights to be the distributor of the Marimekko brand in Singapore. This was the second country, building on the success in the Thai market and was one part of the company's business plans that wanted to raise the level of being a leading lifestyle retail company in Thailand to becoming a regional player.



The Company had agreed to **join hands with world-renowned Michelin chef Gordon Ramsay** scheduled to **open 2 restaurants** at The Emsphere around December 2023 and plan to open another 12 restaurants in the future. The first 2 restaurants to be opened in Thailand would be **Bread Street Kitchen & Bar** and **Street Pizza**.

Tanachira Retail Corporation Public Company Limited would like to report operating results of the consolidated financial statements for the 3rd quarter of the year ended 30 September 2023, compared to the same period of 2022. In the 3<sup>rd</sup> quarter of 2023, revenues from sales and services were 324.27 million Baht, increased 7% and net profit attributable to shareholders of the company at 25.62 million Baht, increased 14% from the same period last year where revenues from sales and services were 301.95 million Baht and net profit attributable to shareholders of the company at 22.53 million Baht. Compared to the 2<sup>nd</sup> quarter of 2023 where revenues from sales and services were 310.07 million Baht and net profit attributable to shareholders of the company at 22.73 million Baht, the results represented an increase of 5% and 13% respectively. In the 3<sup>rd</sup> quarter of 2023, legal advisory fees related to the initial public offering (IPO) of 3.9 million Baht were recorded in administrative expenses (one-time expense).

For the period of 9-month ended 30 September 2023, compared to the same period of 2022, the Company reported revenues from sales and services of 987.5 million Baht, increased 14%, and net profit attributable to shareholders of the company at 98.43 million Baht, increased 59% compared to the same period of last year where revenues from sales and services were 862.64 million Baht and net profit attributable to shareholders of the company at 61.76 million Baht as detailed in the table below.

### Operating Results of the Company

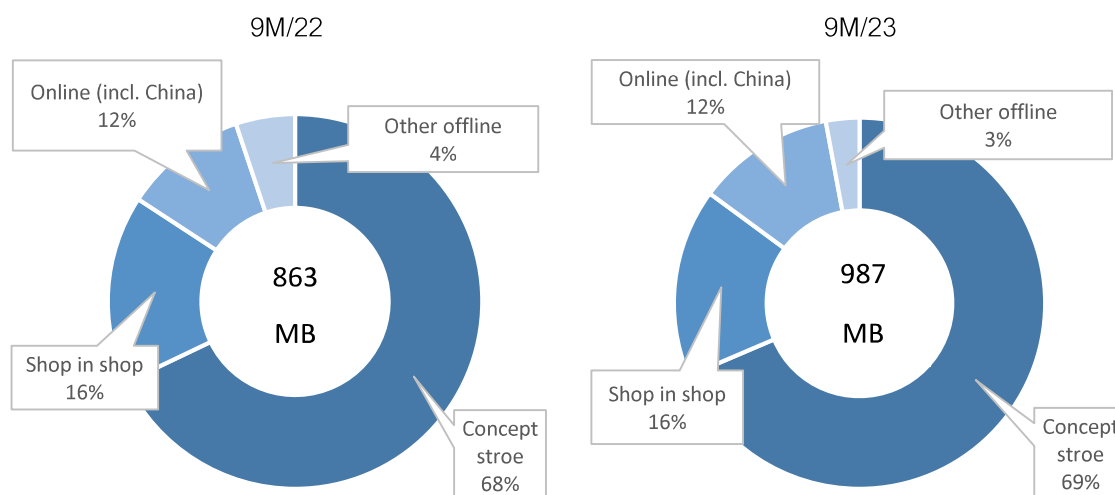
Unit : THB Million	Q3/22	Q3/23	%YoY	Q2/23	Q3/23	%QoQ	9M22	9M23	%YoY
Revenue from Sales & Services	301,952	324,272	7%	310,068	324,272	5%	862,643	987,499	14%
Cost of Sales & Services	-118,086	-117,715	0%	-110,280	-117,715	7%	-363,409	-355,218	-2%
Gross Profit	183,866	206,557	12%	199,788	206,557	3%	499,234	632,281	27%
Selling and Distribution Expenses	-102,930	-119,509	16%	-111,046	-119,509	8%	-294,225	-342,810	17%
Administrative Expenses	-40,881	-45,431	11%	-45,540	-45,431	0%	-109,787	-138,867	26%
Other Income	1,899	4,018	112%	272	4,018	1377%	18,515	11,795	-36%
Profit before Interest and Tax	41,954	45,635	9%	43,474	45,635	5%	113,737	162,399	43%
Finance Cost	-11,432	-13,855	21%	-13,378	-13,855	4%	-33,074	-39,897	21%
Profit before Income Tax Expenses	30,522	31,780	4%	30,096	31,780	6%	80,663	122,502	52%
Corporate Income Tax	-9,109	-7,600	-17%	-8,252	-7,600	-8%	-21,480	-27,260	27%
Net Profit	21,413	24,180	13%	21,844	24,180	11%	59,183	95,242	61%
Net Profit for the Company	22,533	25,621	14%	22,729	25,621	13%	61,761	98,432	59%

Analysis of Statement of Income

1. Revenue from sales

The Company' revenue from sales was 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. Offline channel consisted of (1) Concept store (2) Shop in shop and (3) Other offline channel i.e. B2B, event. For the 9-month period ended 30 September 2022 and 2023, the Company's revenues were 862.64 million Baht and 987.5 million Baht respectively.

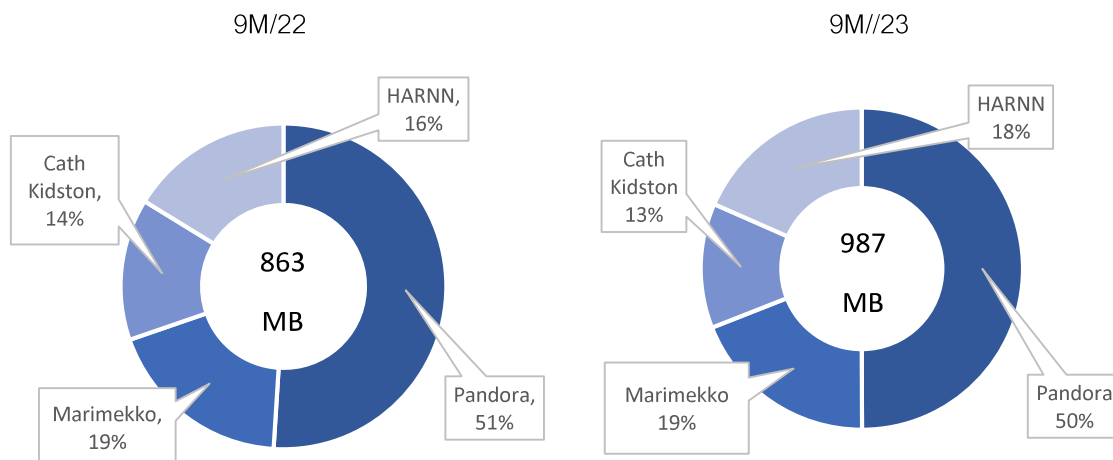
Revenue structure by distribution channel



For the 9-month period ended 30 September 2022 and 2023, the Company's revenue from sales and services increased by 124.86 million Baht or 14% mainly from (1) an increase of sales through concept store of Pandora, Marimekko and HARNN brands (2) overall online sales growth of 14.65%. However, the revenue from both offline and online sales for Cath Kidston decreased in the 9-month period ended 30 September 2023 when compared to the 9-month period ended 30 September 2022 and the proportion of revenue from sales of the Cath Kidston brand was lower than other brands due to the problem that the parent company of the brand had suffered losses from the COVID-19 situation and was in the process of rehabilitating its business. After the business was sold to a new shareholder who became the owner of the brand, there had been a return to the development of product and new merchandise. However, production of new products and shipments from the parent company would begin to see a continuation in the first quarter of 2024.

The revenue of store branches of the HARNN brand during the 9-month period of 2023 increased by 56.49 million Baht, representing a growth rate of 48% compared to the 9-month period of 2022, which was considered an outstanding growth and the operating results according to the strategic plan for brand building to become more popular in Thailand, along with an increase in the number of tourists. As a result, revenue of the HARNN brand increased significantly.

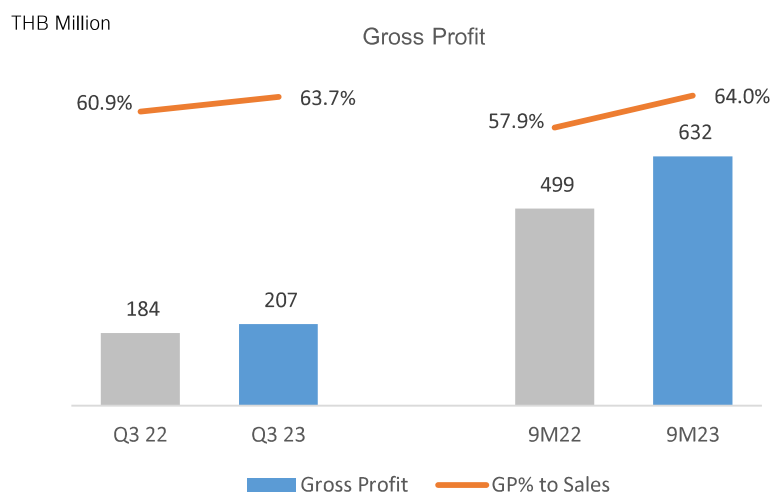
Revenue structure by brand



**2. Gross profit and gross profit margin**

For the 9-month period ended September 30, 2022 and 2023, the Company's gross profit was 499.23 million Baht and 632.28 million Baht respectively, an increase of 133.05 million Baht or an increase of 27%, or equivalent to a gross profit margin of 58 percent, and 64 percent respectively. The increase in gross profit was mainly due to (1) increase in revenue from sales through concept store branches and (2) controlling discounts to maintain sales at full price.

For the 3<sup>rd</sup> quarter of 2023, the Company's gross profit was at 206.56 million Baht, increased 22.69 million Baht or 12% increase compared to the same period of 2022. The gross profit to sales ratio in the 3<sup>rd</sup> quarter of 2022 and 2023 were at 61% and 64% respectively. The increase was mainly from (1) increase in revenue from sales through concept store branches and (2) controlling discounts to maintain sales at full price.

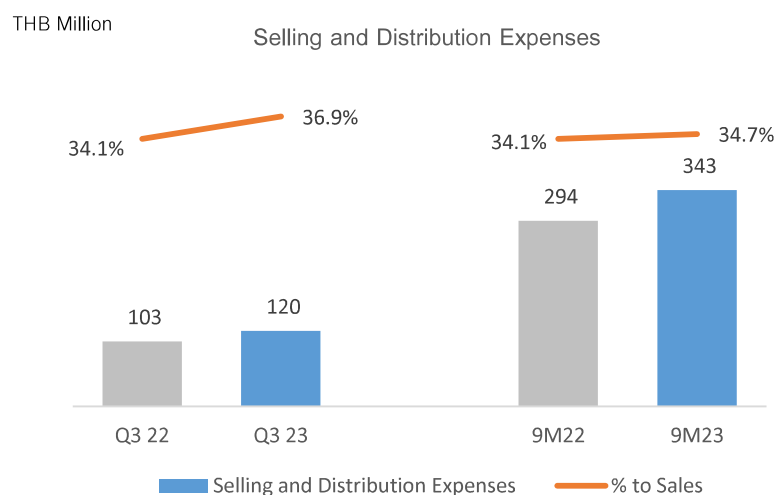


### 3. Selling and distribution expenses

Selling and distribution expenses consisted of branch employee expenses, venue rental, depreciation and amortization, marketing expenses, commission and branch utility costs.

For the 9-month period ended September 30, 2023, the Company had selling and distribution expenses of 342.81 million Baht, increased 48.59 million Baht or 16.5% compared to the 9-month period ended September 30, 2022 mainly due to an increase in the number of branches, the number of sales staff at the stores and an increase in commission due to increased sales from the same period last year.

For the 3rd quarter of 2023, the Company had selling and distribution expenses of 119.5 million Baht, increased 16.58 million Baht or 16.1% compared to the 3<sup>rd</sup> quarter of 2022 mainly from branch rental rate with no discount after COVID-19 situation had resolved in a better direction and from increased commission due to sales in the 3rd quarter of 2023 increasing by 22.32 million Baht compared to the 3rd quarter of 2022.



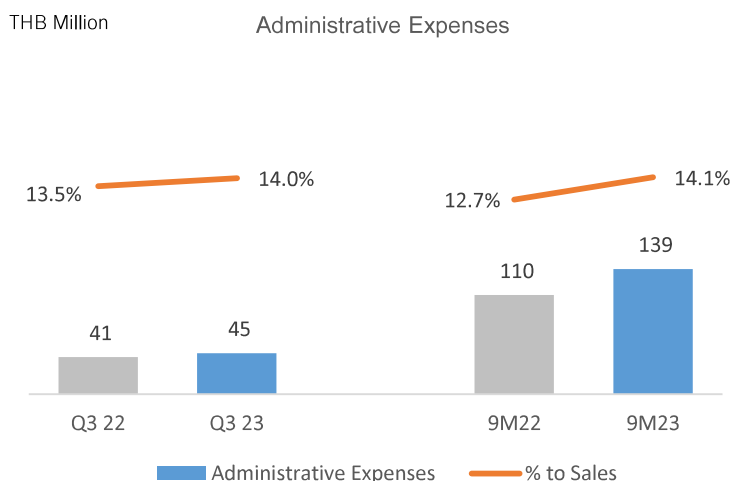
### 4. Administrative Expenses

Administrative expenses included salaries and benefits for office staff, consulting fees and professional fees, depreciation and amortization of the head office and office rent.

For the 9-month period ended September 30, 2023, the Company had administrative expenses of 138.87 million Baht, increased 29.08 million Baht or 26.5% compared to the 9-month period ended September 30, 2022 mainly due to an increase in the number of employees in the support department at the head office to support the growth of the organization.

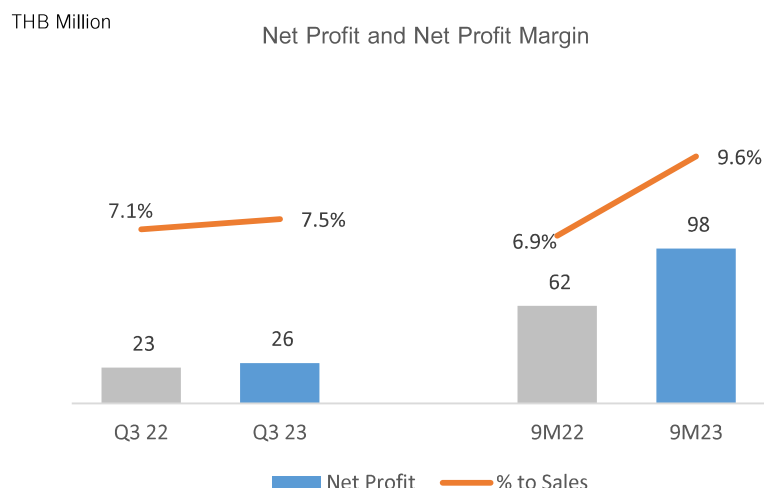


For the 3<sup>rd</sup> quarter of 2023, the Company had administrative expenses of 45.43 million Baht, increased 4.55 million Baht or 11.1% compared to the 3rd quarter of 2022 mainly due to an increase in the number of employees in the support department at the head office to support the growth of the organization and an increase of legal advisory fees related to the initial public offering (IPO) of 4 million Baht (one-time expense).



**5. Net profit and net profit margin**

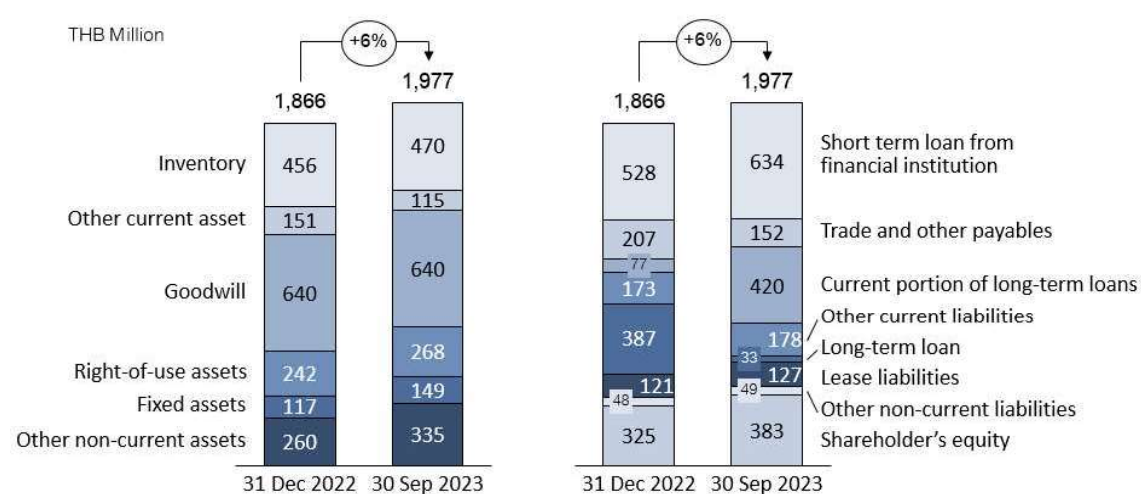
For the 9-month period ended September 30, 2022 and 2023, the Company had net profit attributable to shareholders of the company of 61.76 million Baht and 98.43 million Baht respectively or equivalent to net profit margin of 7% and 10% of revenue from sales and services respectively. The increase in net profit of 36.67 million baht, representing an increase of 59.4% mainly due to (1) the increase in revenue from sales through store branches that continue to expand resulting in increased income more than expenses, with most of the Company's expenses being fixed expenses (2) the increase of sales through online channel with lower expenses than offline channel (3) the recovery of the tourism sector and (4) the increase of gross profit margin from sales' ability to control discounts well.



6. Finance cost

Finance cost consisted of interest incurred on loans and the recognition of interest on lease liabilities from accounting records according to Accounting Standard No. 16. Liabilities under lease contracts are included with a value of 7.97 million Baht representing 20% of total finance cost. After initial public offering (IPO), finance cost would be lower significantly.

Analysis of Statement of Financial Position



1. Assets

As of 30 September 2023, the Company had total assets of 1,977 million Baht. The main assets of the Company consisted of (1) Inventory, (2) Goodwill, and (3) Right-of-use assets, which together accounted for 69.7% of the total asset value.

As of 30 September 2023, the Company's total assets increased 111 million Baht compared to the end of 2022 or 6% increase mainly from (1) the increase of inventory, which was the increase of the volume of finished products reserves to support sales in the 4<sup>th</sup> quarter of 2023 as it would be the important festive period, and (2) the increase of fixed assets from an increase in the number of branches and other non-current assets from business expansions including the money paid to obtain the right to do business with a company.

## 2. Liabilities

As of 30 September 2023, the Company's liabilities were 1,594 million Baht. The main liabilities of the Company consisted of (1) short term loan from financial institution, (2) current portion of long term loan due within 1 year, (3) trade and other payables, and (4) lease liabilities, altogether accounted for 83.6% of total liabilities.

As of 30 September 2023, the Company's liabilities increased 52.96 million Baht compared to the end of 2022 or 3.4% increase mainly due to (1) the increase of short term loan from financial institution to use as working capital to purchase products to prepare for sales in the 4th quarter of 2023 as it would be an important festival period, and (2) the decrease in trade and other payables from debt repayment. Since the Company intended to use the money from the initial public offering (IPO) to repay long-term loans of 420 million Baht, long-term loans was classified as current portion of long-term loans.

## 3. Shareholder's Equities

As of 30 September 2023, the Company's total shareholder's equities were at 383.25 million Baht, which consisted of (1) issued and paid-up share capital, (2) retained earnings, (3) other components of shareholders' equity, and (4) non-controlling interests of the subsidiaries.