



Ref FN 003/2024

Management Discussion and Analysis
For operation of the year ended 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

In 2023 Thai economy was continue recovering from the expansion of private sector's consumption which resulted from spending in services business sector, hiring labors supporting, and higher labors incomes. However, the recovery of tourist business sector was barely slower than expected, it came from the recovery of Chinese tourists which was slow move, also exporting sectors, which went slow because of Chinese economy and world electronics cycles which did not yet full recover.

In 2023, the Company's outlets which are, Pak Chong, Pattaya and Hua Hin branches had been renovated to change the image to be more modern, and to better services. In the mean times, we focused on increasing selling revenue to online channel by developing Web-Commerce to facilitate customers to have more convenience and to response their needs both buying orders and members' privilege.

The highest operational performance was in December which total revenue was 61 million baht and it will be continue in the 1st quarter of 2024 from the inventory selling policy, moreover in 2024, the Company' strategy will focus on changing business model and outlet renovation by customize and design each different outlets to match its customers' need as much as possible both products and services.

For EV charger project, last year the Company installed charger points service for battery electronic vehicles at Pataya branches in order to provide more convenience to group of customers who concern environment. There are 12 DC chargers, which made Pattaya branch the hub of EV charger point service in Pattaya area.



In 2023, with regard to corporate governance and economic aspects of sustainability, the Company has conducted its business in accordance with the principles of good corporate governance and transparency and has placed great importance on anti-corruption and no-gift policy. Therefore, the Risk Management Working Group and a number of working groups were set up to take on different roles and duties as assigned by the Company. In addition, in complying with all applicable laws and protecting our stakeholders' rights, the Company has placed emphasis on cyber security safeguards and personal data protection. Most importantly, to protect the interests of consumers, product quality is our top priority. The Company has a policy to utilize innovation in producing eco-friendly products which encompasses unique and innovative product design and collaboration with our business partners.

With regard to the environmental aspect of sustainability, the Company has strived to manage resources and waste more efficiently and promote the use of electric and solar power to reduce the Company's costs, environmental impacts and greenhouse gas emissions. Besides, green procurement practices have been adopted to better meet the needs of consumers and minimize negative environmental impacts.

With respect to the social dimension of sustainability, the Company has sought to create good relationship with employees, promote fair treatment of employees and related labors and offer opportunities for development to potential employees. We are also committed to fundamental human rights of all stakeholder groups, developing the quality of life of nearby communities by creating career development opportunities for generating incomes, promoting community products as well as building good relationship and engaging with people and communities to achieve sustainable growth.



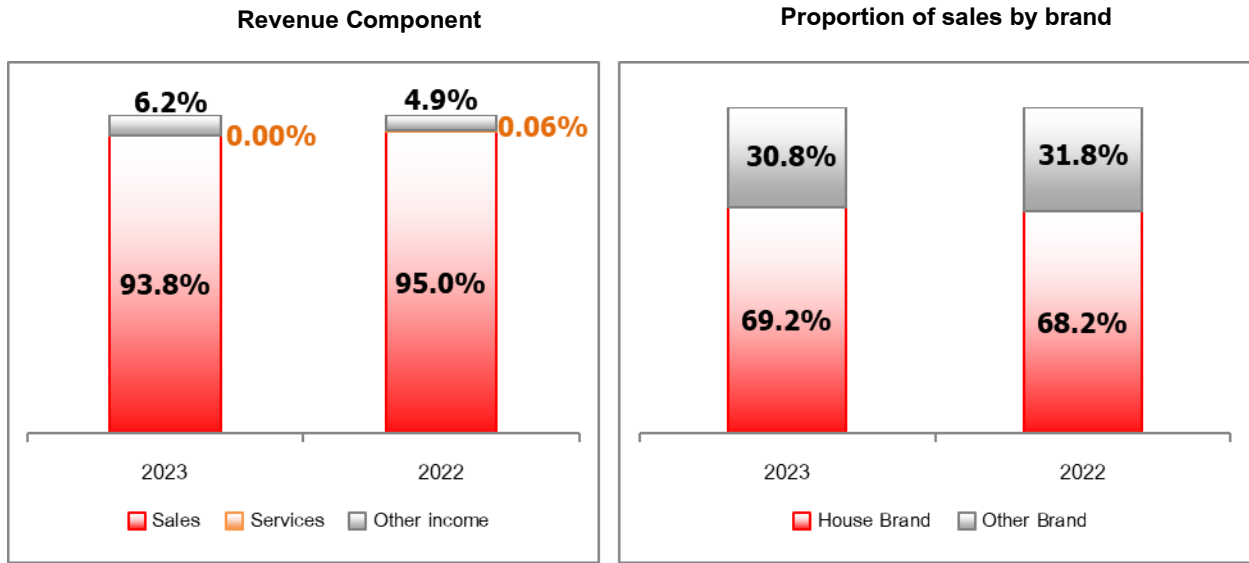
Performance Analysis

Unit : Million Baht	For the Year ended 31 December		Change	
	2023	2022	Amount	%YoY
Revenue from sales	453.09	477.42	(24.33)	(5.10)
Revenue from services	0.01	0.30	(0.29)	(96.33)
Other income	29.90	24.66	5.24	21.26
Total revenues	483.00	502.38	(19.37)	(3.86)
Cost of goods sold	278.27	276.71	1.57	0.57
Cost of services	0.00	0.03	(0.03)	(96.94)
Allowance for diminution in value of inventories	159.49	1.36	158.14	11,652.60
Selling expenses and administrative expenses	337.96	305.05	32.91	10.79
Selling expenses	171.59	172.26	(0.67)	(0.39)
Administrative expenses	143.61	132.79	10.82	8.14
Allowance for impairment loss of assets	22.76	-	22.76	N/A
Earnings before interest and taxes (EBIT)	(292.72)	(80.77)	(211.95)	262.40
Financial incomes	0.54	0.63	(0.09)	(14.73)
Financial costs	(0.28)	(1.27)	0.99	(77.68)
Financial costs - TFRS 16	(5.85)	(5.92)	0.07	(1.14)
Income tax expenses	57.44	1.28	56.16	4,391.36
Net profit (loss)	(240.88)	(86.05)	(154.83)	179.92
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(61.85)	1.53	(63.38)	(4,130.33)

Key financial ratio related with operating result (%)	For the Year ended 31 December		Change
	2023	2022	%YoY
Gross profit margin from sales (%)	38.58	42.04	(3.46)
Selling expenses and administrative expenses to total revenue (%)	69.97	60.72	9.25
Net profit margin (%)	(49.87)	(17.13)	(32.74)



1. Total Revenue



The company's revenue from sales for the year ended 2023 was 453.09 million baht. It was decreased for 5.10 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.

The company's other revenues for the year ended 2023 was 29.90 million baht. It was increased for 21.26 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 for the year ended 2023 was 38.58 percent. It was decreased for 3.46 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 for the year ended 2023 was 337.96 million baht. It was increased for 10.79 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 and out of home media.



Additionally, the management costs were caused by the increased FT, especially the branches without installed solar cells. Moreover, there was a reserve for asset impairment of Sriracha branch which would be closed.

For the total sales and management cost for the year ended 2023 was 69.97 percent. It was increased for 9.25 percent as compared to that in the same period in 2022.

4. Net Loss and Net Loss Margin

In 2023, the Company has net loss 240.88 million baht, increase 179.92% compare to the same period of 2022, due to new provision policy which was changed in order to suitable with current business situation by concerning products' aging and popularity as well as current customers behavior, moreover to adjust inventory stock, as a results, it impacts to Financial Statement 158 million bath. The Company also reserve for asset impairment from closing branches for 22 million bath.

This year the Company's operation loss before interest taxes depreciation and amortization (EBITDA) amount 61.81 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 31 December		Change	
	2023	2022	MB	%
Cash and cash equivalents	110.29	123.36	(13.07)	(10.60)
Trend and other receivables	18.23	22.21	(3.98)	(17.92)
Inventories	116.80	374.66	(257.86)	(68.83)
Other current financial assets	30.57	30.17	0.40	1.33
Property, plant and equipment	710.83	766.51	(55.68)	(7.26)
Right-of-use assets	131.18	146.64	(15.46)	(10.54)
Other assets	123.02	67.72	55.30	81.66
Total assets	1,240.92	1,531.27	(290.35)	(18.96)
Accounts payable	30.92	55.05	(24.13)	(43.83)
Long-term loan	-	15.63	(15.63)	(100.00)
lease liabilities	149.04	161.86	(12.82)	(7.92)
Other liabilities	20.31	17.48	2.83	16.19
Total liabilities	200.27	250.02	(49.75)	(19.90)
Total shareholders' equity	1,040.65	1,281.25	(240.60)	(18.78)
Total liabilities and shareholders' equity	1,240.92	1,531.27	(290.35)	(18.96)

1. Assets

The company's total asset on December 31st, 2023 was 1,240.92 million baht. It was decreased for 290.35 million baht as compared to that in the end of 2022. The major reasons were from decreasing of inventory, adjusting to reduce inventory value reserve, decreasing of property plant and equipment from amortization between accounting period, and allowance for asset impairment.

2. Liabilities

The total liability on December 31st, 2023 was 200.27 million baht. It was decreased for 49.75 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 December 31st, 2023 was 1,040.65 million baht. It was lower than that in the end of 2022. It was decreased for 240.60 million baht. Mainly, it was due to the loss in the period.

Key Financial Ratio Analysis

	As at 31 December 2023	As at 31 December 2022	Change Increase/ (Decrease)	Reason
Liquidity Ratio (times)	8.44	7.80	0.64	Increased from a decrease in current liabilities due to payment during the period.
Quick Ratio (times)	3.42	2.03	1.39	Increased from a decrease in current liabilities due to payment during the period.
Return on Equity (%)	(23.15)	(6.72)	(16.43)	Decreased due to reduce performance.
Debt-to-Equity Ratio (Times)	0.192	0.195	(0.003)	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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