



Moshi Moshi

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Moshi Moshi Retail Corporation Public Company Limited

Management Discussion and Analysis(MD&A)

YE/2023

Overview of the economy and industry

The Thai economy in 2023 continued to recover supported by expansion in private consumption and the increase in the Thai and foreign tourists. However, export sector was affected by slowdown in foreign demand from subdued recovery of the Chinese economy and the economic slowdown in European countries

Going forward, the Thai economy will continue to face risks from uncertainties in the global economy as major central banks are maintaining higher for longer interest rates than expected and uncertainty from geopolitical risks, especially in the Middle East. Domestically, the high level of household debt presents a risk that need to be monitored closely as it may affects the purchasing power of the consumers.

Operating performance in Q4/23 continued to improve from store expansion and new product development. Additionally, continued recovery in tourist sector couple with traveling season supported retail sector in Q4/23. The company's revenue continue to improve in both retail and wholesale channels, especially in tourist location. Moreover, the company organized many promotional activities to support sale growth in Q4/23 such as Billkin-The First Solo concert sponsorship and Moshi 7th Anniversary



Significant events in Q4/2023

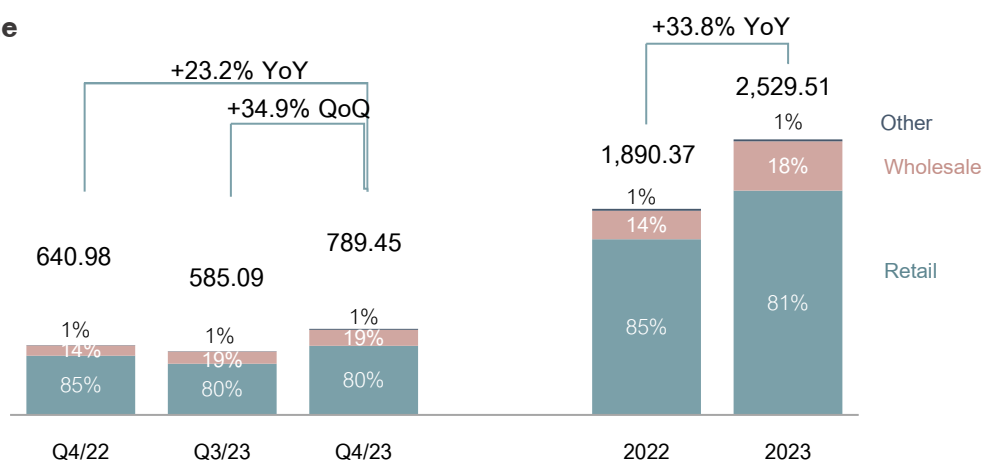
- 1.Store Expansion** The company has been expanding stores actively as the Thai economy continued to recover. In Q4/23, the company opened 10 new stores under Moshi brand. (5 stores in BigC including Nakhon Phanom, Sa Kaeo, Saraburi, Lopburi, Suksawat. 2 stores in Lotus including Chum Phae, Nong Bua Lam Phu. 2 stores in The Mall including Bang-Khae and Bang Kapi. 1 store in Mark Four Mall in Phrae). In total, the company opened 21 new stores under Moshi brand in 2023, resulting in the total of 126 Moshi stores as at end of December 2023
- 2.New Product Development** The company understand the importance of changing customer need and expectation and continued to adapt to meet new customer expectations. In Q4/23, the company has developed several new key products including Jewel accessories, and new licensed products which are Cinnamon Roll/My Melody/Gudetama. Additionally, the company has developed products that meet rising K-Pop trend demand which are NCT dream products license in Q4/23
- 3.New Business Development** The company has continuously been seeking for new business opportunities to gain new group of customers and expand businesses. In Q4/23, the company opened 2 new Garlic stores which are Sermthai Complex Maha Sarakham and MAYA Chiang Mai. As such, the company has total of 3 Garlic stores as at end of December 2023.
- 4.Award and Recognition** On Tuesday November 21st 2023, the company was awarded the SET Awards, Business Excellence, Deal of the Year Awards from the Stock Exchange of Thailand and Money & Banking Magazine. The company was recognized for product innovation.



Operating Result in 2023

Operating Performance	Q4/22	Q3/23	Q4/23	Change		2022	2023	Change
				+/-				+/-
Unit: Million THB				%YoY	%QoQ			%YoY
Operating Revenue	640.98	585.09	789.45	23.2%	34.9%	1,890.37	2,529.51	33.8%
Cost of Sales	(289.10)	(274.22)	(360.90)	24.8%	31.6%	(899.42)	(1,179.54)	31.1%
Gross Profit	351.88	310.87	428.55	21.8%	37.9%	990.95	1,349.97	36.2%
Other income	1.55	3.62	4.05	161.3%	11.9%	5.52	13.74	148.9%
Selling expenses	(165.94)	(175.94)	(195.76)	18.0%	11.3%	(569.03)	(711.44)	25.0%
Administrative expenses	(30.86)	(22.93)	(34.59)	12.1%	50.9%	(85.19)	(103.90)	22.0%
Other gain(losses)-net	1.36	3.54	5.38	295.6%	52.0%	6.30	14.85	135.7%
Financial costs	(8.39)	(14.60)	(16.44)	95.9%	12.6%	(26.65)	(53.38)	100.3%
Profit before income tax	149.60	104.56	191.19	27.8%	82.9%	321.90	509.84	58.4%
Income Tax	(31.06)	(23.13)	(39.74)	27.9%	71.8%	(68.73)	(108.33)	57.6%
Net Profit	118.54	81.43	151.45	27.8%	86.0%	253.17	401.51	58.6%

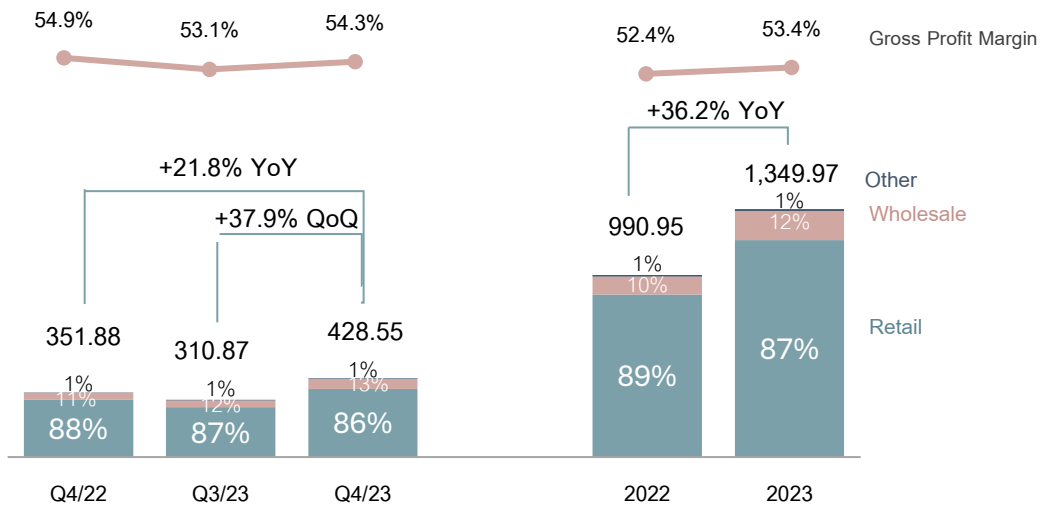
1. Operating Revenue



In Q4/23, the company reported Operating Revenue of Baht 789.4 million, increased by Baht 148.5 million or 23.2% YoY, mainly due to 1) higher retail sale which increased by Baht 91.6 million or 16.9% YoY from 24 new store expansion in 2023 and higher sale from existing stores due to improvement in number of tourist arrival and new product development (SSSG 3.2%). 2) higher sale growth in wholesale sale which increased by Baht 54.2 million or 57.4% YoY mainly from revenue recognition of The Ok Station and improvement in number of tourist arrival.

Total revenue in 2023 of Baht 2,529.5 million, increased by Baht 639.1 million or 33.8% YoY, mainly due to 1) continuous recovery in tourist sector and private consumption resulting in SSSG 16.9% 2) 24 new retail store expansion and 3) wholesale expansion of The Ok Station.

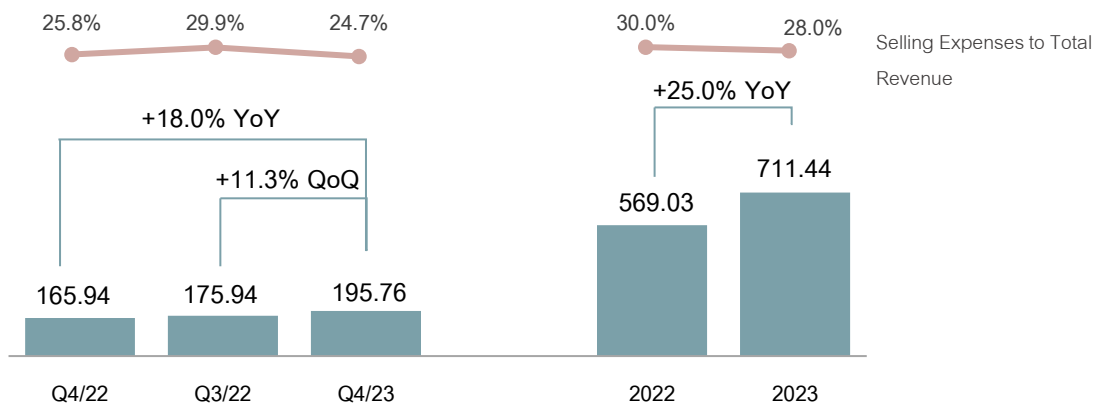
2. Gross Profit and Gross Profit Margin



In Q4/23, the Company reported Gross Profit of Baht 428.5 million, increased by Baht 76.7 million or 21.8%YoY, mainly due to higher sale in both retail and wholesale channels. Although the company has opened a new wholesale store, namely The OK Station this year, gross profit margin was relatively stable from the previous year as the company increase sale of higher margin products such as Pet accessories and aroma diffusers. Specifically, gross profit margin was at 54.3% in Q4/23 and 54.9% in Q4/22.

In 2023, the Company reported Gross Profit of Baht 1,350.0 million, increased by Baht 359.0 million or 36.2% from 2022, mainly due to 1) higher sale from economic recovery and new store expansion 2) improvement in gross profit margin from 52.4% in 2022 to 53.4% in 2023 which was the result of increasing sale of higher margin products such as Pet accessories, cosmetic, and Garlic products.

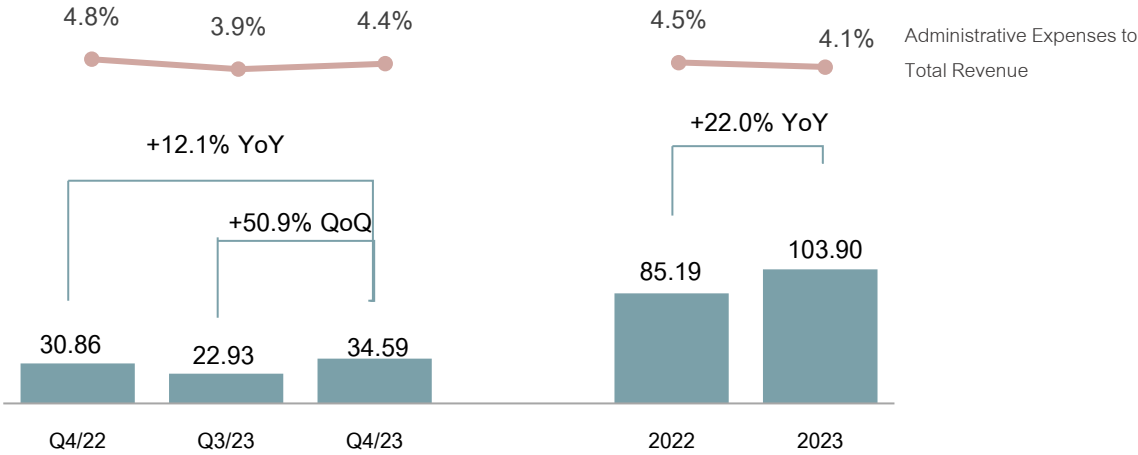
3. Selling Expenses



In Q4/23, the Company reported selling expense of Baht 195.7 million, increased from Q4/22 by Baht 29.8 million or 18.0%. This was due to the increase in employees' compensation costs and rent expense, corresponding to the increase in sales due to new branches expansion in 2023. Selling Expenses to Total Revenue was at 24.7%, decreased from 25.8% in Q4/22. This was due to the increased in total revenue at a higher proportion than the increased in total expenses, as well as the Company's ability to control costs more efficiently.

In 2023, the Company reported selling expense of at Baht 711.4 million, increased from 2022 by Baht 142.4 million or 25.0%. This was due to the increase in employees' compensation costs from both full time and temporary employees, corresponding to the increase in sales due to new branches expansion. In addition, the increase of selling expense was due to the increase in rent expense corresponding to the increase in sales as the Company's rental contract are partly calculated by sales revenue. In addition, there were marketing expenses such as NCT DREAM TOUR and Billkin Tempo concerts sponsorship. Selling Expenses to Total Revenue was at 28.0%, decreased from 30.0% in 2022. This was due to the increased in total revenue at a higher proportion than the increased in total expenses, as well as the Company's economy of scale and ability to control costs more efficiently.

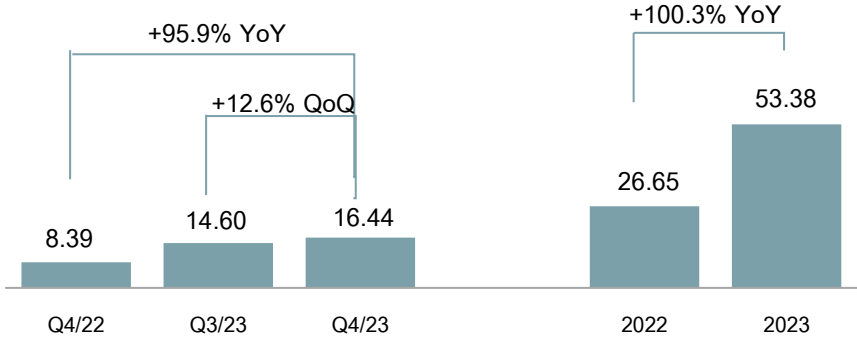
4. Administrative Expenses



In Q4/23, the Company reported Administrative Expenses of Baht 34.6 million, increased from Q4/22 by Baht 3.7 million or 12.1%. This was mainly due to the increase in employee expenses according to the increase in the number of employees to support business expansion. Administrative Expenses to Total Revenue was 4.4%, decreased from 4.8% in Q4/22. This was mainly due to the Company’s ability to manage costs efficiently.

In 2023, the Company reported Administrative Expenses of Baht 103.9 million, increased from 2022 by Baht 18.7 million or 22.0%. This was mainly due to the increase in employee expenses according to the increase in the number of employees to support business expansion, as well as expenses related to post IPO. Administrative Expenses to Total Revenue was 4.1%, slightly improved from 4.5% in 2022. This was mainly due to the increase in total revenue at a higher proportion compared to the increase in administrative expenses as a result of the Company’s ability to manage expenses effectively.

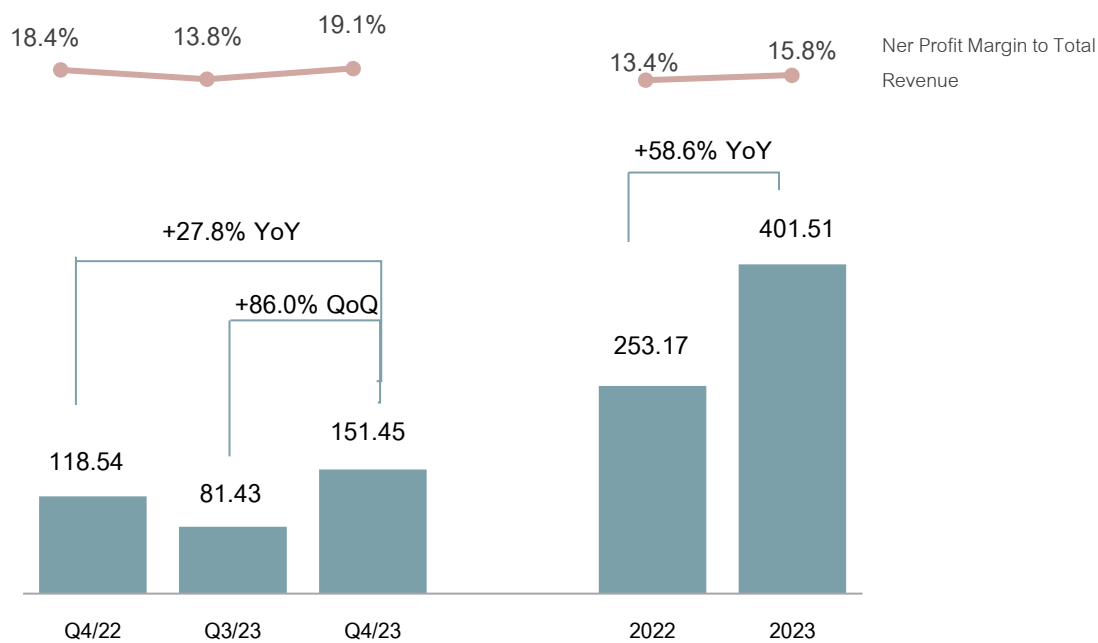
5. Financial Cost



In Q4/23, the Company reported financial costs of Baht 16.4 million, increased from Baht 8.0 million or 95.9% in Q4/22. This was due to a recognition of interest expense from the increased in lease liabilities due to the increase in lease contracts corresponds to the increase in number of branches, as well as the adjustment of the Minimum Loan Rate (MLR) of Leases Policy of commercial banks.

In 2023, the Company reported financial costs of Baht 53.3 million, increased from 2022 by Baht 26.7 million or 100.3%. This was due to the recognition of interest expense from the increase in lease liabilities under the accounting standards, corresponding to the new lease agreements for the new branches opened during the period, the adjustment of lease agreements from existing branches, the expansion of the Sampheng branch in July 2022, as well as the adjustment of the Minimum Loan Rate (MLR) of Leases Policy of commercial banks.

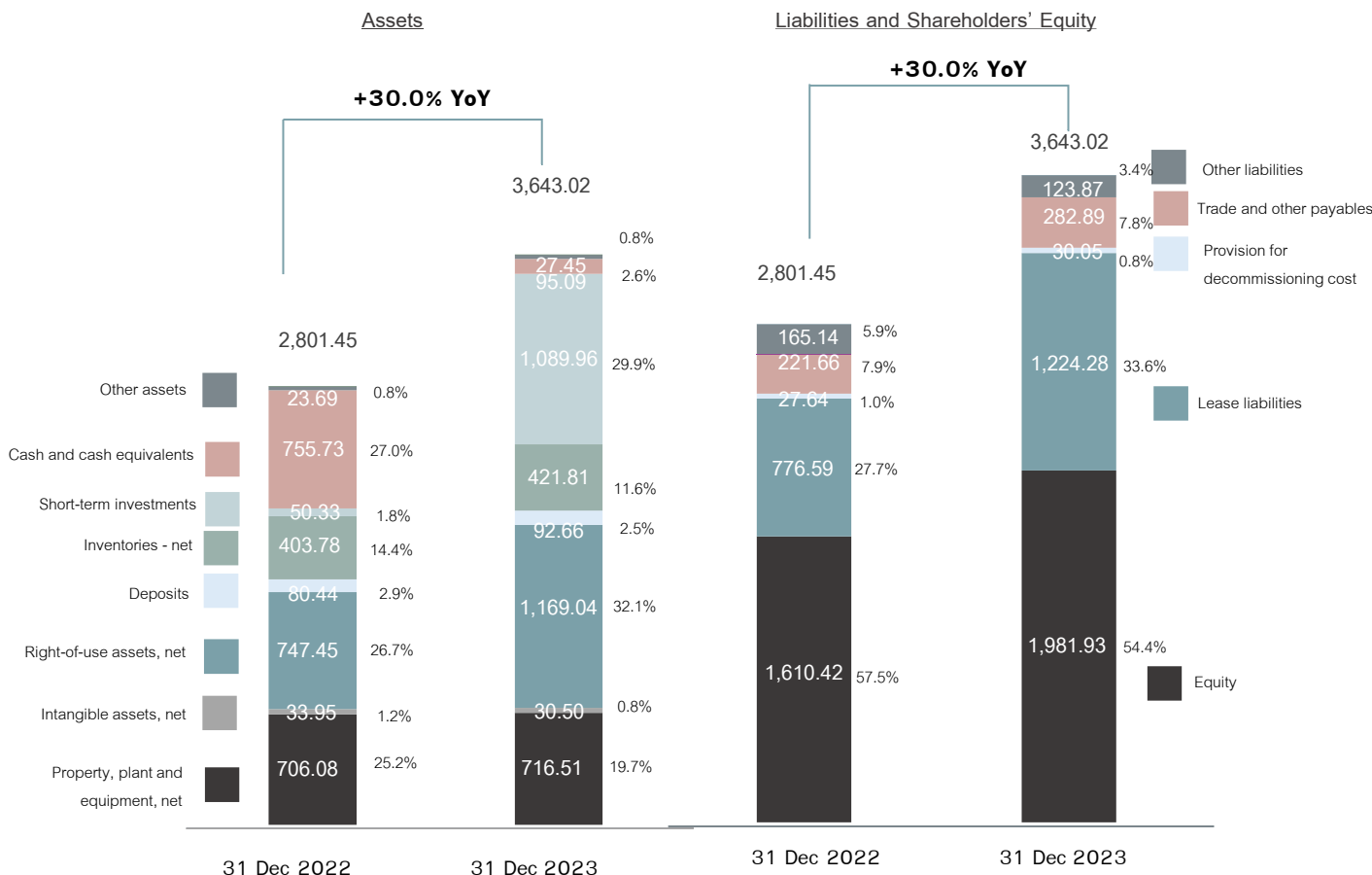
6. Net Profit and Net Profit Margin



In Q4/23, the Company reported net profit of Baht 151.4 million, increased from Q4/22 by Baht 32.9 million or 27.8%. This was due to the increase in sales from all channels. Net Profit Margin was 19.1%, increased from 18.4% in Q4/22, mainly due to the increase in sales proportion of high-margin products, the appreciation of Thai Baht against the Chinese yuan (RMB), and the Company's ability to control costs efficiently.

In 2023, the Company recorded Net Profit of Baht 401.5 million, increased by Baht 148.3 million or 58.6% from 2022, mainly due to an increase in revenue from both the retail stores and wholesale stores, corresponding to same store sales growth (SSSG), the opening of new branches, the launch of new product category of pet supplies and equipment, the launch of the new 'Garlic' brand, which focuses on home decor and lifestyle products, and hosting marketing initiatives to support concerts. In addition, the company benefitted from the expanded the Sempeng branch, the recovery of the Platinum Fashion Mall Branch and the opening of The OK Station branch. The improved net profit also came from the Company's ability to control costs and expenses efficiently. Net Profit Margin was 15.8%, increased from 13.4% in 2022. This was due to the increase in sales proportion of high-margin products, the appreciation of Thai Baht against the Chinese yuan (RMB), and the Company's ability to control costs efficiently.

Statements of Financial Position



1. Total Assets

As of 31 December 2023, the total assets of the Company were Baht 3,643.0 million, increased by Baht 841.6 million or 30.0% from 31 December 2022 mainly due to 1) Short-term investments increased by Baht 1,039.6 million due to management of cash flow from operation, which involves investing in short-term fixed income funds, bonds, and bills of exchange to maximize returns 2) Right-of-Use Assets increased by Baht 421.6 million due to the renewal of the existing branch's rental agreement and the expansion of new branches.

2. Total Liabilities

As of 31 December 2023, the total liabilities of the Company were Baht 1,661.1 million, increased by Baht 470.1 million or 39.5% from 31 December 2022 mainly due to 1) Lease Liabilities increased by Baht 447.7 million due to the renewal of the existing branch's rental agreement and the expansion of new branches and 2) Trade and Other Payables increased by Baht 61.2 million due to the increase in inventories corresponding to the increase in sale and peak season of the business.

3. Total Shareholders' Equity

As of 31 December 2023, the total shareholders' equity were Baht 1,981.9 million, increased by Baht 371.5 million or 23.1% from 31 December 2022 corresponding to the Company's performance.

Statements of Cash Flows

Statement of Cash Flows	2022	2023	Change +/-
Unit: Million THB			%YoY
Net cash generated from operating activities	554.52	718.58	29.6%
Net cash used in investing activities	(98.48)	(1,113.20)	1,030.4%
Net cash generated from (used in) financing activities	61.79	(266.02)	-530.5%
Net increase (decrease) in cash and cash equivalents	517.83	(660.64)	-227.6%
Cash and cash equivalents at the beginning of the year	237.90	755.73	217.7%
Cash and cash equivalents at the end of the year	755.73	95.09	-87.4%

1.Cash Flows From (Used in) Operating Activities

Cash flows from (used in) operating activities of Baht 718.5 million, increased by Baht 164.1 million, was mainly due to improvement in operating performance of Baht 148.3 million

2.Cash Flows From (Used in) Investing Activities

Cash flows from (used in) investing activities of Baht (1,113.2) million, cash flow used increased 1,014.7 million, was mainly due to 1) Increased in short-term investments of Baht 976.8 million, which was the result of IPO cash management, and 2) Increased in investment property and intangible asset of Baht 37.6 million, corresponding to store expansion.

3.Cash Flows From (Used in) Financing Activities

Cash flows from (used in) financing activities of Baht (266.0) million, decreased by Baht 327.8 million, was mainly due to cash received from IPO in the previous year

Business Outlook 2024

1. Store expansion

The company plans to expand stores continuously following the growth of the communities, tourist locations, and other high potential areas. Specially, the company targets to open at least new 24 stores in 2024, comprising of 20 Moshi stores and 4 Garlic stores

2. Sale growth

Revenue growth expected to be driven mainly by contribution from new stores and positive SSSG, which in-line with projected Thai economic growth. However, it is subjected to various factors such as number of foreign tourists, inflation, and domestic consumption.

3. Gross profit margin

Gross profit margin expected to improve from the previous year from expansion of retail stores and new development of higher margin products.

4. CAPEX

CAPEX is estimated to be approximately Baht 200 million with the following detail: (unit: million)

- Stores expansion 80
- Store renovation 20
- DC improvement 30
- IT System 60
- Other 10