



Moshi Moshi

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Moshi Moshi Retail Corporation Public Company Limited

Management Discussion and Analysis(MD&A)

2Q2024

Economic Overview and Operations

Economic Overview

The Thai economy in the first half of 2024 grew by 1.6%, remaining fragile due to various domestic and international pressures. The Ministry of Finance projects annual growth of 2.7%, driven by increased government budget spending and tourism, with foreign tourist numbers up 26.3% in Q2 compared to last year. This is expected to boost private consumption by 4.5% annually. However, the retail sector showed signs of slowing in Q2, with Same-Store Sales Growth (SSSG) weakening in May, partly due to unpredictable weather and the end of government stimulus measures. While consumer goods retail remained relatively strong with a 1.8% SSSG (down from 2.6% in Q1), other retail segments like department stores saw negative growth of about -0.8%. Retailers continue to grapple with rising costs and rapidly evolving consumer behaviors.

Operations

The company focuses on data-driven and flexible business operations, offering quality lifestyle products at accessible prices. Key strategies for 2024 include expanding branches to cover 60 provinces, developing products according to target group needs, enhancing customer experience, increasing brand awareness through marketing activities, improving cost efficiency, and seeking new business opportunities. The company also emphasizes excellence in supply chain and strong marketing capabilities to maintain consistent performance and competitiveness in the market.

Key Events in Q2 2024

- Branch Expansion:** The company has continuously accelerated its branch network expansion in the second quarter of 2024, focusing on increasing business opportunities. During this period, the company opened a total of 11 new branches under the Moshi brand, including 2 standalone branches. Meanwhile, it was necessary to close 1 branch due to the landlord's area development plans. As a result, at the end of the second quarter of 2024, the company had a total of 145 branches under the Moshi brand, including 3 standalone branches.
- Product and Service Development:** The company places great emphasis on in-depth analysis of changing consumer lifestyles to offer products and services that precisely meet customer needs. To this end, the company developed over 3,000 new SKUs to increase variety in both form and design, enhancing customer choices and stimulating sales in existing product groups. Examples include seasonal products like stationery for the back-to-school period and products for specific customer groups such as art toys and licensed products. Additionally, the company organized marketing activities to cater to the interests of K-Pop fan customers, such as supporting concert events, as well as offering monthly discount promotions.
- Inventory Management:** In 2Q 2024, the company faced delayed product deliveries due to labor shortages in manufacturing countries, temporarily affecting revenue. However, the company improved its order tracking system and expanded its network of overseas manufacturers, enhancing supply chain efficiency. The situation has now returned to normal, and the company is better prepared to handle future challenges.

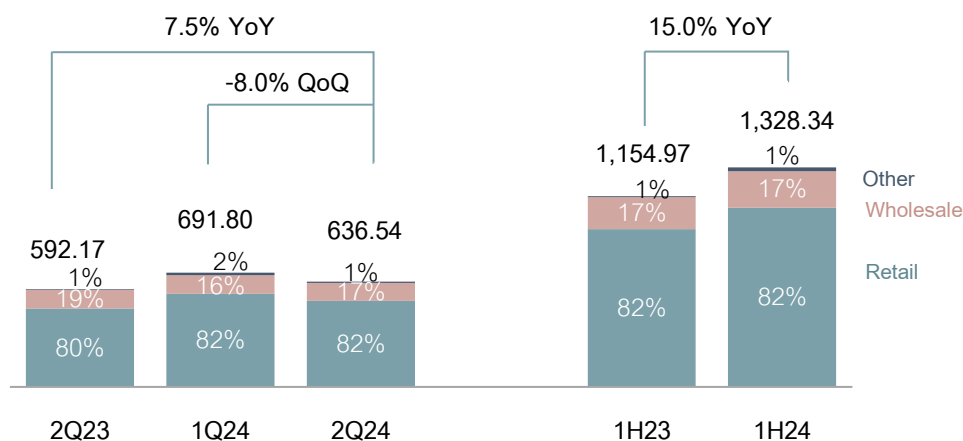


Operating Result in 2Q2024

Operating Performance	2Q23*	1Q24	2Q24	Change +/-		1H23*	1H24	Change +/-
Unit: Million THB				%YoY	%QoQ			%YoY
Operating Revenue	592.17	691.80	636.54	7.5%	(8.0%)	1,154.97	1,328.34	15.0%
Cost of Sales	(285.85)	(312.41)	(298.76)	4.5%	(4.4%)	(544.42)	(611.17)	12.3%
Gross Profit	306.32	379.39	337.78	10.3%	(11.0%)	610.55	717.17	17.5%
Other income	3.77	3.95	4.43	17.5%	12.2%	6.06	8.39	38.4%
Selling expenses	(171.37)	(193.29)	(202.01)	17.9%	4.5%	(338.50)	(395.30)	16.8%
Administrative expenses	(24.37)	(23.47)	(26.69)	9.5%	13.7%	(47.61)	(50.16)	5.3%
Other gain(losses)-net	3.36	5.84	6.22	85.1%	6.5%	5.92	12.05	103.5%
Financial costs	(12.31)	(17.42)	(17.96)	45.9%	3.1%	(22.34)	(35.38)	58.4%
Profit before income tax	105.40	155.00	101.77	(3.4%)	(34.3%)	214.08	256.77	19.9%
Income Tax	(21.19)	(29.62)	(20.56)	(3.0%)	(30.6%)	(43.13)	(50.18)	16.3%
Net Profit	84.21	125.38	81.21	(3.6%)	(35.2%)	170.95	206.59	20.8%

* Changes in accounting policy from amendments to TAS 12 -Income taxes

1. Operating Revenue

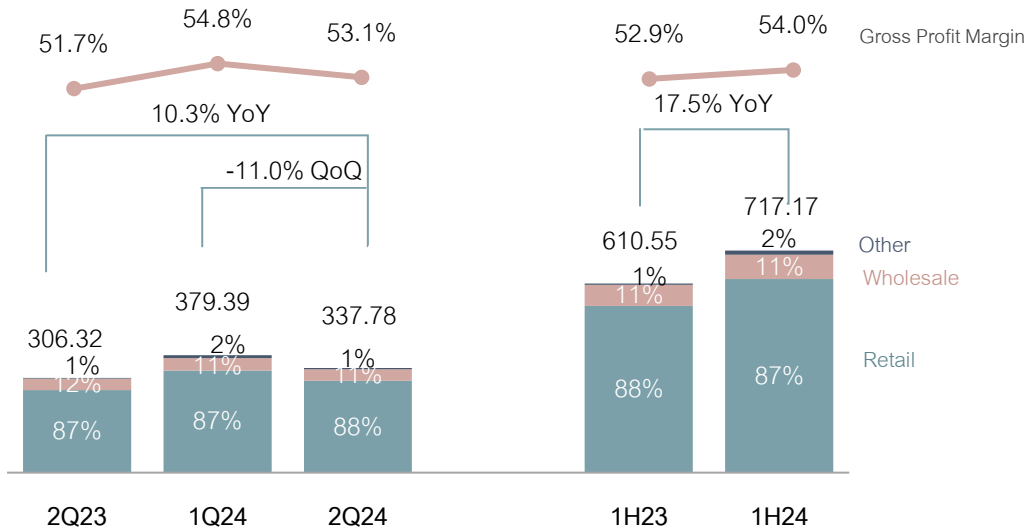


In the second quarter of 2024, the company generated operating revenue of 636.54 million baht, an increase of 44.37 million baht or 7.5% compared to the previous year (QoQ decrease by 8.0% due to seasonality factor). Same-Store Sales Growth (SSSG) was -8.5%. The key factors contributing to this growth were as follows:

- Retail Revenue** grew by 45.33 million baht or 9.5% due to the expansion of 40 new branches compared to the previous year. However, Same-Store Sales Growth (SSSG) was negative due to the high revenue base in the previous year from product collaborations with Thai artists and the impact of product shortages at the beginning of the quarter. The company has organized promotional activities such as supporting the NCTDREAM WORLD TOUR and an iPhone 15 giveaway campaign to stimulate sales.
- Wholesale revenue** declined by 4.0% or 4.53 million baht, also affected by inventory issues.
- Other distribution channels** increased by 3.57 million baht or 92.4% due to sales of NCT DREAM merchandise and the organization of the Moshi Warehouse Sale event.

For the first 6 months of 2024, the company's revenue increased to 1,328.34 million baht, growing 173.37 million baht or 15.0% YoY, driven by 40 new branch openings. SSSG was -4.0% due to inventory issues early in the year. However, the company has resolved these inventory problems, returning to normal conditions, which should support growth for the remainder of the year.

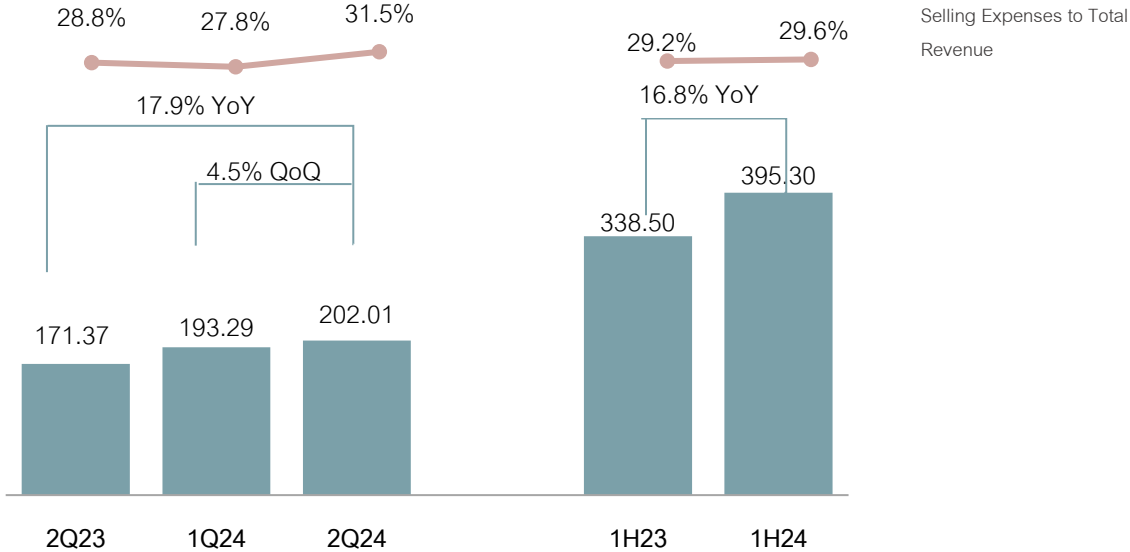
2. Gross Profit and Gross Profit Margin



In Q2 2024, the company's gross profit was 337.78 million baht, up 31.46 million baht or 10.3% YoY. This increase was primarily due to retail business expansion and optimized management of imported goods in the wholesale business. As a result, gross profit margin rose from 51.7% to 53.1% YoY. The company developed and increased the proportion of high-margin products across various categories, such as perfumes, diffuser, pet accessories, plush toys, and keychains.

For the first half of 2024, gross profit reached 717.17 million baht, an increase of 106.62 million baht or 17.5% YoY. This growth was supported by factors similar to Q2 performance, including branch expansion and improvement in high-margin product mix.

3. Selling Expenses

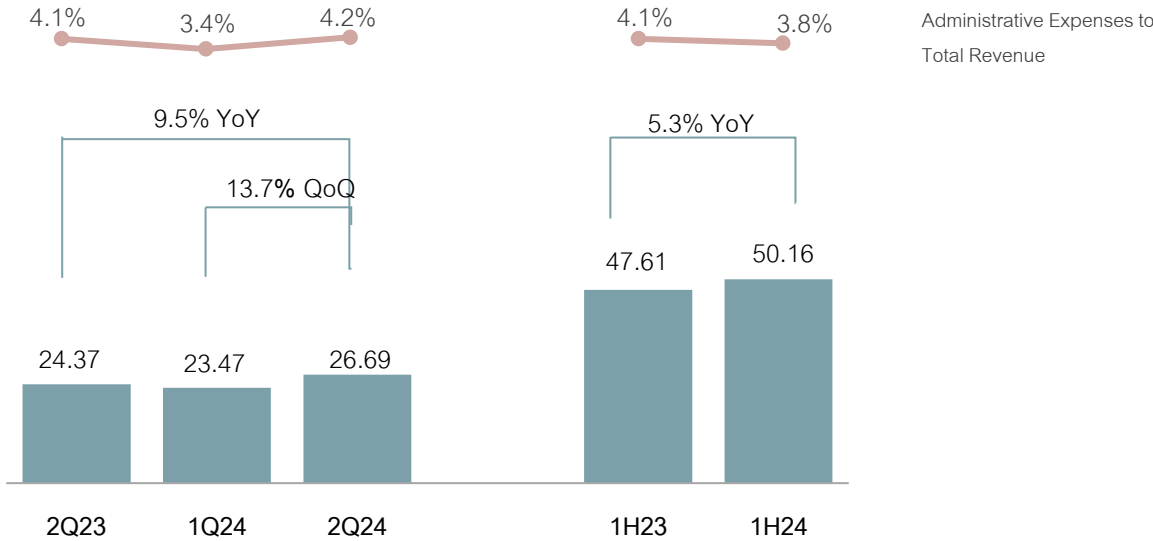


In Q2 2024, the company's selling expenses were 202.01 million baht, an increase of 30.64 million baht or 17.9% compared to the previous year. This aligns with branch expansion, increased staffing, and higher marketing and promotional activities compared to the same period last year. The ratio of selling expenses to total revenue was 31.5%, up from 28.8% in the previous year.

For the first half of 2024, selling expenses were 395.30 million baht, an increase of 56.80 million baht or 16.8% YoY. The selling expense to total revenue ratio slightly increased from 29.2% to 29.6%.

The rise in selling expenses resulted from increases in staffs and rent costs, consistent with branch expansion, and increased marketing and promotional activities. The company expects profitability to improve as new branches become fully operational and generate maximum revenue.

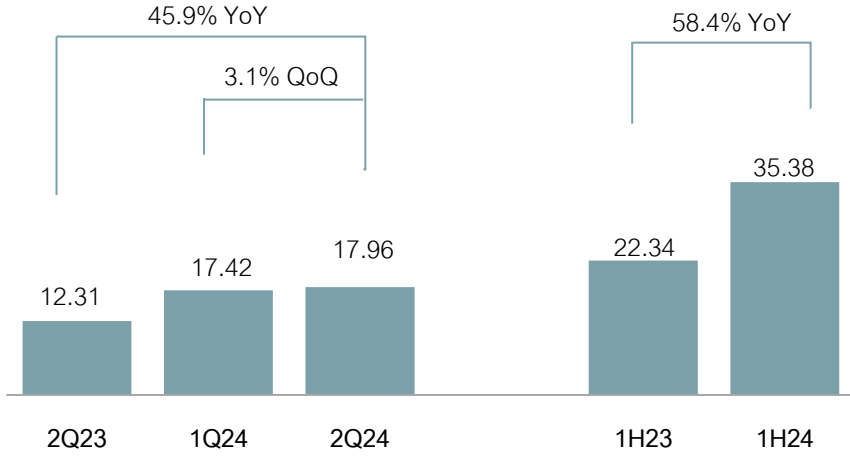
4. Administrative Expenses



In Q2 2024, the company's administrative expenses were 26.69 million baht, increased 2.32 million baht or 9.5% YoY, mainly due to increased staffing to support business expansion plans. The administrative expenses to total revenue ratio was 4.2%, slightly up from 4.1% in the previous year.

For the first half of 2024, administrative expenses were 50.16 million baht, increased 2.55 million baht or 5.3% YoY, due to increased staffing and annual salary adjustments. However, the administrative expense to total revenue ratio improved from 4.1% to 3.8%, demonstrating economies of scale as most expenses are fixed while revenue grew at a higher rate.

5. Finance Cost

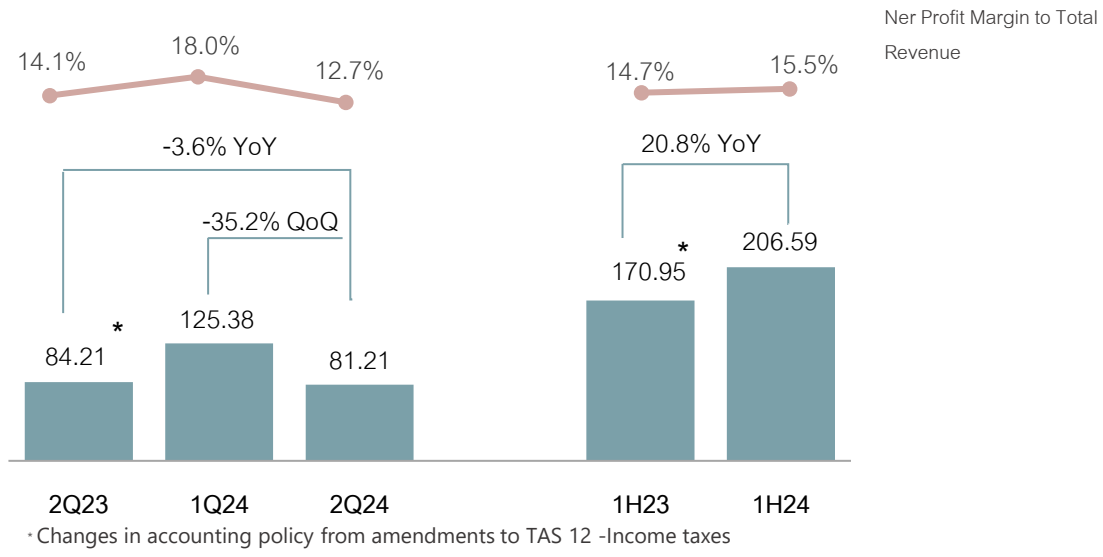


In Q2 2024, the company's finance cost was 17.96 million baht, increased 5.65 million baht or 45.9% YoY, mainly due to increased interest expenses on lease liabilities resulting from branch expansion and adjustments in commercial banks' Minimum Loan Rate (MLR) for lease agreements.

For the first half of 2024, finance cost was 35.38 million baht, increased 13.04 million baht or 58.4% YoY, driven by the same factors as Q2: higher interest expenses on lease liabilities from branch expansion and MLR adjustments.

The company has no interest expenses from borrowings. All finance costs result from recognizing lease agreements under financial reporting standards, aligning with the company's business expansion through increased branch numbers.

6. Net Profit and Net Profit Margin



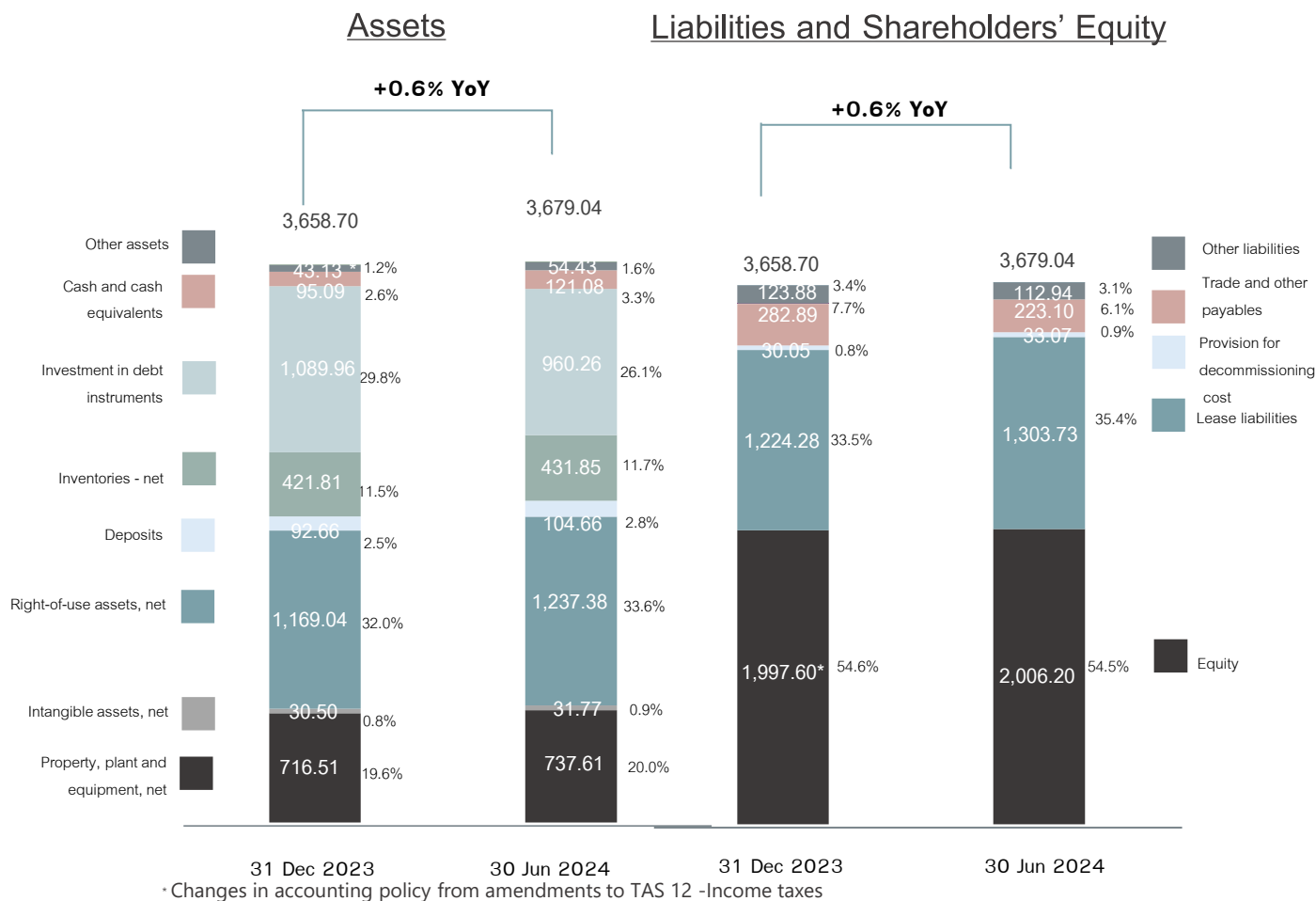
In Q2 2024, the company's net profit was 81.21 million baht, decreased 3.00 million baht or 3.6% YoY. Net profit margin was 12.7% compared to 14.1% in the same period last year. This slight decrease resulted from challenges due to temporary product shortages early in the quarter, which the company has since resolved, along with ongoing business expansion investments leading to increased fixed costs.

For the first half of 2024, net profit was 206.59 million baht, increased 35.64 million baht or 20.8% YoY. This growth was supported by increased sales of high-margin products, economies of scale from branch expansion, and improved cost management efficiency, resulting in an improved net profit margin.

The company continues to focus on efficient cost and expense management alongside business expansion, expecting better results from operational efficiency improvements in the coming periods.



Statements of Financial Position



As of June 30, 2024:

1. Assets

The company's total assets were 3,679.04 million baht, an increase of 0.6% from the end of 2023. Right-of-use assets increased by 68.34 million baht due to branch expansion and lease renewals. Meanwhile, investment in debt instruments decreased by 129.70 million baht as funds were used for business expansion. Additionally, inventory increased in line with branch expansion and in preparation for anticipated sales growth in the second half of the year.

2. Liabilities

Total liabilities stand at 1,672.84 million baht, an increase of 0.7% from the end of 2023. Trade and other payables decreased by 59.79 million baht due to seasonal factors. Meanwhile, lease liabilities increased in line with the rise in right-of-use assets.

3. Shareholders' Equity

Shareholders' equity totaled 2,006.20 million baht, marking a 0.4% increase from the end of 2023, in line with the company's operational performance.

Overall, the company's financial structure remains robust with strong liquidity, supporting its business operations and future expansion plans.

Statements of Cash Flows

Statement of Cash Flows	1H23	1H24	Change +/-
Unit: Million THB			%YoY
Net cash generated from operating activities	239.88	297.65	24.1%
Net cash from (used in) investing activities	(801.98)	71.27	(108.9%)
Net cash used in financing activities	(139.67)	(342.93)	145.5%
Net increase (decreased) in cash and cash equivalents	(701.77)	25.99	103.7%
Cash and cash equivalents at the beginning of the period	755.73	95.09	(87.4%)
Cash and cash equivalents at the end of the period	53.96	121.08	124.4%

Cash Flow Statement for Six-Month Period Ended June 30, 2024

1. Cash Flow from Operating Activities

The company's net cash flow from operating activities increased to 297.65 million baht, growing 57.77 million baht compared to the previous year. This increase was primarily due to an 80.70 million baht rise in profit after adjustments for non-cash items, indicating improved operational efficiency. However, the company paid an additional 22.69 million baht in corporate income tax, reflecting growing business performance and full compliance with tax obligations.

2. Cash Flow from (Use In) Investing Activities

Net cash flow from investing activities was 71.27 million baht. The cash used significantly decreased, comprising the following activities:

- Cash paid for investment in debt instruments decreased by 906.96 million baht
- The company used cash to pay for investments in fixed assets and intangible assets, which increased by 38.84 million baht. This aligns with the company's branch expansion plans and infrastructure development.

3. Cash Flow from Financing Activities

The company's net cash flow used in financing activities was 342.93 million baht, an increase of 203.26 million baht from the previous year. The main details are as follows:

- The annual dividend payment increased by 168.00 million baht, reflecting the company's policy of consistently providing returns to shareholders.
- Repayment of lease liabilities and interest payments increased by 35.26 million baht, which is a direct result of the company's branch expansion, leading to increased lease obligations.

In summary, the company's cash flow demonstrates business growth, investment in expansion, and a balanced approach to growth and shareholder returns.

1. Store expansion

The company plans to continuously expand its branch network in line with the growth of communities, tourist destinations, and other potential locations to address consumer behavior and maximize customer convenience and accessibility. The company plans to invest in opening at least 33 new branches in 2024, with all 33 branches under the Moshi brand.

2. Sale growth

The majority of revenue growth comes from sales growth from new branches and SSSG, which depends on the rate of economic expansion. This is influenced by various factors such as the number of tourists, inflation rate, and the expansion of domestic consumption, among others.

3. Gross profit margin

The company aims to continuously expand its gross profit margin compared to the previous year, focusing on expanding retail branches and developing and promoting a higher proportion of products with high gross profit margins.

4. CAPEX

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

• Stores expansion	115
• Store renovation	17
• Renovation store furniture	9
• IT System	42
• Solar Rooftop	4
• Other	13



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ลุ้น iPhone 15 Pro Max
ลุ้น iPhone 15 Pro Max

iPhone 15 Pro Max 256GB 8 Natural Titanium 7.9 นิ้ว 2 กล้อง

1. Sata Chaimongkolkit
 2. PooEye Pormipa NeeK

Gift Voucher มูลค่า 500 บาท ใช้งานได้ 10 วัน

1. Pusa Chuan
 2. Wuttichai Puangman
 3. Sulida Dwongratsamee
 4. Peng Suksei
 5. Hatairat Satchan
 6. Liu Wei
 7. Lun Thitnat
 8. Pungnuch Khachomphop
 9. สุทธิพร ฤๅ
 10. Kartt Ayck

Gift Voucher มูลค่า 500 บาท

THE DREAM SHOW 3 DREAM ESCAPE

1 พ.ค. - 3 มิ.ย. 2567

ลุ้นเป็น 150 ผู้โชคดีกับ Moshi Moshi*

รับบัตรคอนเสิร์ต

*2024 NCT DREAM WORLD TOUR <THE DREAM SHOW 3: DREAM SCAPED IN BANGKOK>

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