

AFTER YOU

EST. 2007
Bangkok



**After You
Public Company Limited**

Management Discussion & Analysis

Q3/2019

Executive Summary



Operating highlight in Q3/2019	Q3/18	Q3/19	Change +/-	9M/18	9M/19	Change +/-
(THB million)			YoY			9M
Operating Revenue	215	312	45%	620	911	47%
Gross Profit	147	202	37%	420	592	41%
EBITDA	62	98	58%	161	284	76%
Net Profit for the Company	38	65	71%	99	187	89%
Gross profit margin (%)	68.4%	64.7%	(3.7%)	67.7%	65.0%	(2.7%)
EBITDA margin (%)	28.6%	31.2%	2.6%	25.7%	30.9%	5.2%
Net profit margin (%)	17.6%	20.6%	3.0%	15.8%	20.4%	4.6%
Number of branches as at Sep 30	31	38	23%	31	38	23%



Q3/2019 Key Financial Highlights

Revenue

- After You Public Company Limited (“the Company”) reported consolidated operating revenue of THB 312 million in Q3/2019 and of THB 911 million in 9M/2019, which increased by 45% from Q3/2018 and 47% from 9M/2018, respectively.
- The increase was mainly from the increase in revenue from dessert café, which was attributed to the expansion of 7 new stores from Q3/2018 and a rise in Same-Store-Sale-Growth (SSSG).

Gross Profit and Gross Profit Margin

- The Company’s gross profit in Q3/2019 and 9M/2019 were THB 202 million and THB 592 million, respectively, which increased by 37% from Q3/2018 and 41% from 9M/2018, corresponding to the increase in sales.
- However, gross profit margin in Q3/2019 dropped by 3.7% from Q3/2018 and by 2.7% from 9M/2018.
- The decrease in gross profit margin was mainly from the higher take-home product sales, which usually have lower gross profit margin than products served in store.

EBITDA and EBITDA margin

- The Company’s EBITDA in Q3/2019 and 9M/2019 were THB 98 million and THB 284 million, respectively, which increased by 58% from Q3/2018 and 76% from 9M/2018.
- EBITDA margin in Q3/2019 increased by 2.6% from Q3/2018, and in 9M/2019 increased by 5.2% from 9M/2018.
- The increase in EBITDA margin was mainly due to the increase in revenue from dessert café and better control of selling and administrative expenses.

Net Profit and Net Profit Margin

- The Company reported net profit in Q3/2019 and 9M/2019 of THB 65 million and THB 187 million, respectively, which increased by 71% from Q3/2018 and 89% from 9M/2019, corresponding to the increase in operating revenue and better expense control to generate higher profit per store.
- Net profit margin in Q3/2019 increased by 3.0% from Q3/2018, and in 9M/2019 increased by 4.6% from 9M/2018.
- The increase in net profit margin was mainly due to the increase in operating revenue while SG&A expenses did not increase significantly.



Q3/2019 Significant Events

More Pop-Up Stores have been set up to increase accessibility to customers

After receiving positive feedback over the past quarters, After You has been recruiting more field staff to boost up pop-up store team capacity. During Q3/2019, two models of pop-up stores have been set up in 11 different locations. The first model is the pop-up store where only To-Go products are available. This type of store model is usually set up in a high traffic area (e.g. BTS and MRT station) where customers can quickly grab After You products within a short amount of time. The second model is the pop-up store where dining areas are available, and the menus offered are closely similar to the menus offered in the After You dessert café. This model is usually located in a department store (e.g. Central Plaza, The Mall or Samyarn Mitrtown). The pop-up stores are proved to be beneficial to After You in several ways; including allowing After You to test customer demand in a selected location, and, as it requires minimal time and amount of investment to set up, After You has great flexibility to expand in order to reach potential customers.

Pop-up stores in Q3/2019 have been set up in the following locations:

- | | | | |
|-----------------------------|-------------------------|----------------------|---------------------------------------|
| 1. Central Plaza Suratthani | 4. FN - Ayutthaya | 7. MRT - Phetchaburi | 10. Samyan Mitrtown |
| 2. MRT - Samyan | 5. The Mall Ngamwongwan | 8. BTS - Mo Chit | 11. Central Plaza Nakhon Si Thammarat |
| 3. MRT - Sukhumvit | 6. MRT - Chatuchak | 9. SCB - Ratchada | |

After You has consistently launched Seasonal menus and To-Go products



Through consistent R&D effort, After You has been continuously developing existing in-store menus. Two seasonal and one newly-invented flavors of Kakigori were launched during Q3/2019. In addition to the new Kagikori flavors, Toffee Cake and Mooncake were added to the To-Go product categories of After You.

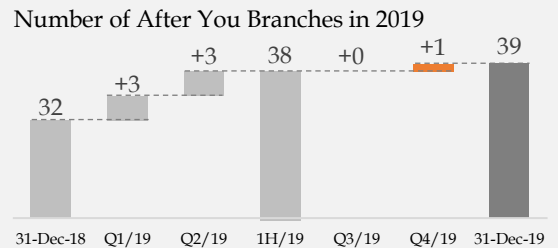


Q4/2019 Outlook

Pop-Up Stores will become the Key Additional Distribution Channel in Q4/2019

As of 30 Sep 2019, there were altogether 38 operating branches in Thailand. According to the Company's plan to open 8-10 branches in 2019, 6 branches have already been launched in the first 9 months of 2019, one branch at Central World might be ready to open before the end of December, and the additional 2-3 branches that were considered will be postponed to the beginning of next year as the Company is still in the process of negotiating the best location for After You store.

In order to offset the postponement of the store opening, the Company has been focusing on launching more pop-up stores in both models to increase awareness and accessibility of the Company in the year-end festive season where customer spending is expected to be higher. In Q4/2019, more than 10 pop-up stores are expected to be set up.



Opening Date of After You Outlet in Hong Kong may be Postponed due to Political Unrest

Previously, the first franchisee store of After You in Hong Kong is set to start operation before Christmas in Q4/2019. However, due to the on-going protest in Hong Kong, the opening date of the branch may have to be reconsidered, waiting for the situation to relieve.

However, despite the postponing of the opening date, the subsequent impact of the revenue loss from the Hong Kong Branch is estimated to be minimal since revenue from initial fee will not be impacted and the franchise fee income will continue to be recognized in Q4/2019 after the recognition of revenue in Q3/2019.

Operating Results



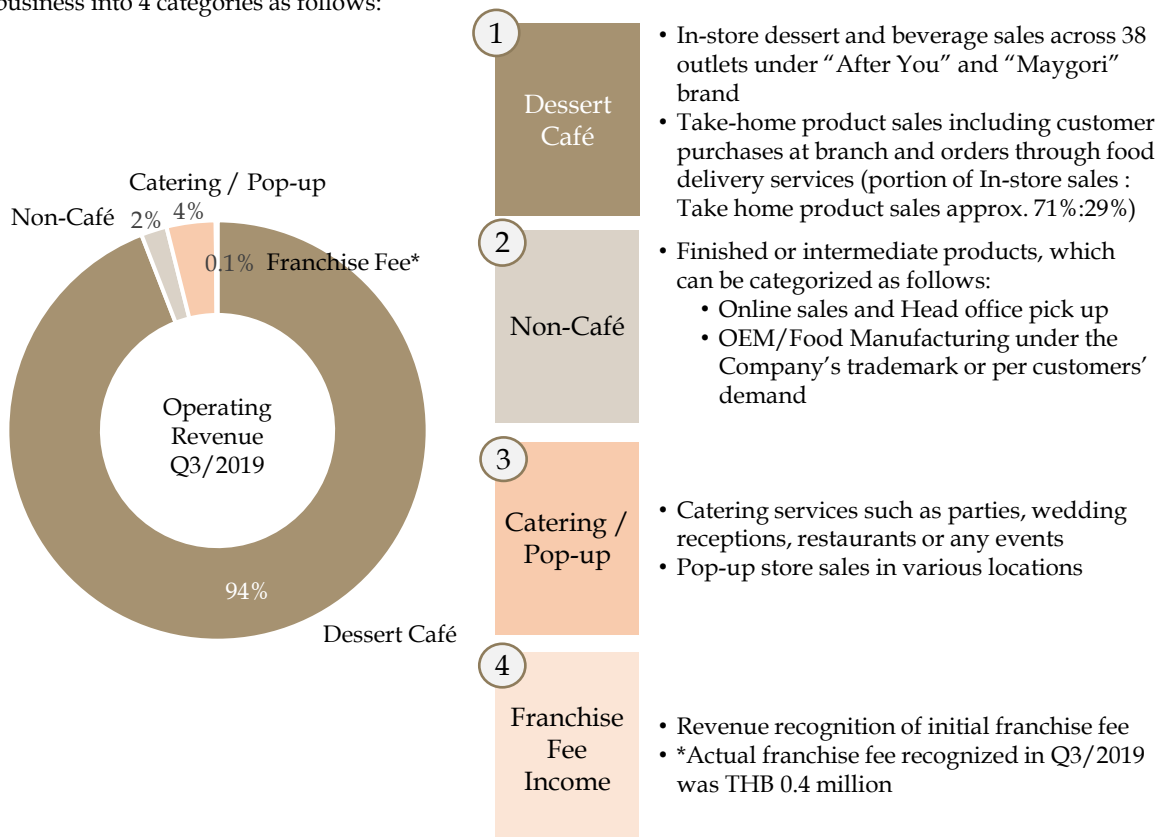
Overall operating results of the Company in Q3/2019	Q3/18	Q3/19	Change +/-)	9M/18	9M/19	Change +/-)
(THB million)			YoY			9M
Operating Revenue	215	312	45%	620	911	47%
Cost of sales	(68)	(110)	62%	(200)	(319)	60%
Gross Profit	147	202	37%	420	592	41%
Other Income	1	3	200%	7	7	0%
Selling and distribution expenses	(67)	(84)	25%	(201)	(244)	21%
Administrative expenses	(35)	(41)	17%	(107)	(123)	15%
Profit before income tax expenses	46	80	74%	119	232	95%
Tax expenses	(8)	(15)	88%	(20)	(45)	125%
Net Profit for the Company	38	65	71%	99	187	89%



Analysis of Statement of Income

1. Revenue:

After You Public Company Limited operates dessert and bakery business. The Company divides its business into 4 categories as follows:

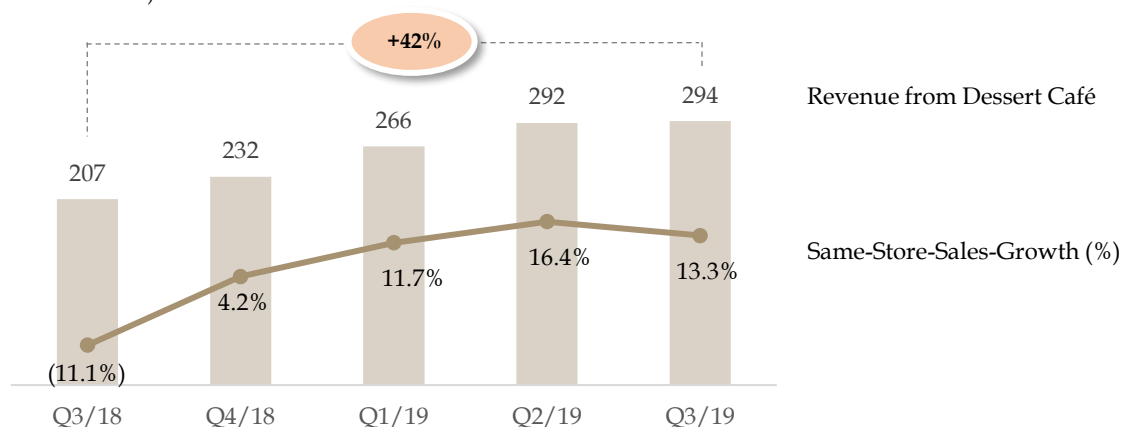


Revenue	Q3/18	Q3/19	Change +/-	9M/18	9M/19	Change +/-
(THB million)			YoY			9M
Revenue from Dessert Café	205	294	43%	602	852	42%
Revenue from Non-Café	7	6	(14%)	8	36	350%
Revenue from Catering / Pop-Up	3	12	300%	10	23	130%
Revenue from Franchising	-	0*	n/a	-	0*	n/a
Total Operating Revenue	215	312	45%	620	911	47%
Other Income	1	3	200%	7	7	0%
Total Revenue	216	315	46%	627	918	46%

*Revenue from Franchise Fee Income in Q3/2019 was THB 0.4 million

Key Drivers	Q3/18	Q3/19	Change +/-	9M/18	9M/19	Change +/-
Number of branches as at Sep 30	31	38	23%	31	38	23%
Same-Store-Sales-Growth (SSSG)	(11.1%)	13.3%	24.4%	(8.2%)	13.6%	21.8%

(Unit: THB Million)



YoY Q3/2019 vs Q3/2018

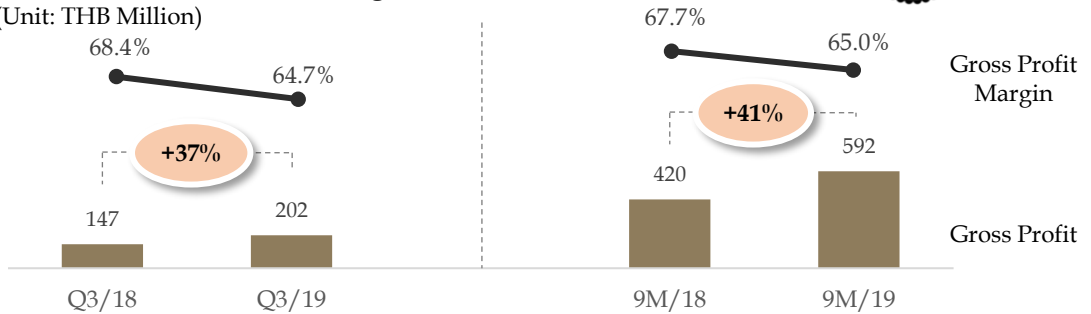
- **Revenue from Dessert Café** in Q3/2019 was THB 294 million which increased by THB 89 million or 43% from Q3/2018 due to 7 more branches compared to Q3/2018, together with better Same Store Sale Growth driven by the increase in revenue from take-home products, new menus and seasonal menus.
- **Revenue from Non-café** in Q3/2019 was THB 6 million which decreased by THB 1 million or 14% from Q3/2018 due to the lower volume of major OEM customers' orders.
- **Revenue from Catering and Pop-Up** in Q3/2019 was THB 12 million which increased by THB 9 million or 300% from Q3/2018 due to additional catering teams which resulted in more revenue generation from pop-up stores.

9M 9M/2019 vs 9M/2018

- For the first 9 months (9M) of 2019, **total operating revenue** was THB 911 million which increased by THB 291 million or 46% from 9M/2018, as the total operating revenue from Q1, Q2 and Q3/2019 rose from the same period last year. The increase was mainly due to:
 - **Revenue from Dessert Café** in 9M/2019 increased by THB 250 million or 42% from 9M/2018 as more branches are opened, together with the significant improvement in SSSG.
 - **Revenue from Non-Café** in 9M/2019 increased by THB 28 million or 350% from 9M/2018 due to the higher OEM order volumes, which started from late 2018.
 - **Revenue from Catering and Pop-Up** in 9M/2019 increased by THB 13 million or 130% as more teams are available to set up pop-up stores.

2. Gross Profit and Gross Profit Margin:

(Unit: THB Million)



Gross profit = Total Operating Revenue - Cost of Sales

Cost of sales mainly consists of cost of raw materials, packages, supplies, salary of production unit's staff, depreciations, kitchen utensils and space usage expense of production unit. Major part of cost of sales is raw materials.

YoY Q3/2019 vs Q3/2018

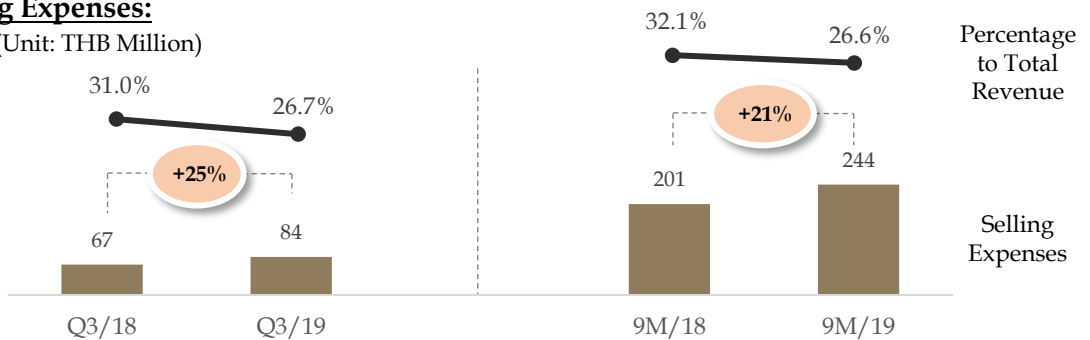
- **Gross profit** in Q3/2019 was THB 202 million which increased by THB 55 million or 37% from Q3/2018 in line with higher sales in Q3/2019 compared to Q3/2018.
- **Gross profit margin** in Q3/2019 was 64.7% which decreased by 3.7% from Q3/2018, due to an increase in sales of take-home products, which usually have lower gross profit margin.

9M 9M/2019 vs 9M/2018

- For the first 9 months (9M) of 2019, **gross profit** was THB 592 million which increased by THB 172 million or 41% from 9M/2018. The increase reflected the accumulated impacts of the increase in gross profit of Q1, Q2 and Q3 compared to the same period of last year. The increase was mainly attributed to 7 additional branches in first 9 months of 2019 together with the continuous launch of take-home products, new menus and seasonal menus.
- **Gross profit margin (GPM)** in 9M/2019 was 65.0% which decreased by 2.7% from 9M/2018. The decrease was mainly attributed to the higher portion of take-home sales which yields lower GPM.

3. Selling Expenses:

(Unit: THB Million)



Selling expenses mainly consist of salaries of dessert café's staff, space and equipment rental expenses, utility expenses, and other selling expenses such as marketing and promotional expenses, and depreciation of asset in each branch.

YoY Q3/2019 vs Q3/2018

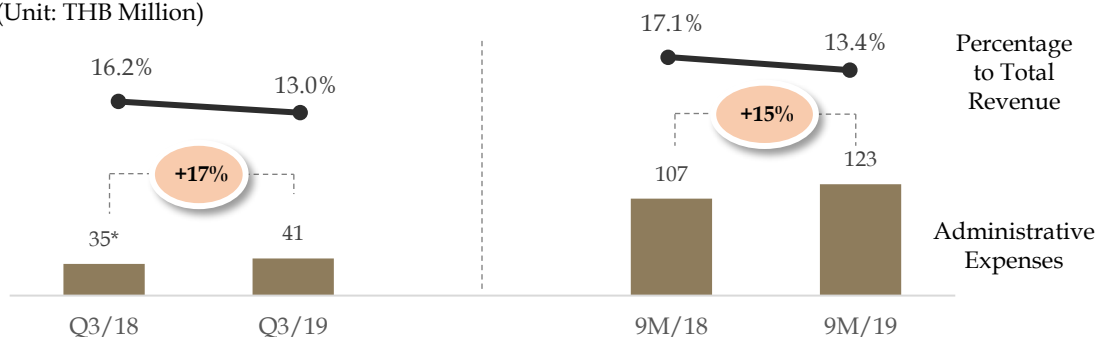
- **Selling expenses** in Q3/2019 was THB 84 million which increased by THB 17 million or 25% from Q3/2018 in line with the new branch opening in Q3/2019.
- **Selling expenses to total revenue** in Q3/2019 was 26.7% which improved by 4.4% from Q3/2018. The increase was due to higher Same-Store-Sale-Growth (SSSG) from take-home product sales, while limited additional selling expenses are required. Moreover, manpower expenses per branch reduced from operational improvement.

9M 9M/2019 vs 9M/2018

- For the first 9 months (9M) of 2019, **selling expenses** was THB 244 million, increased by THB 43 million or 21% from 9M/2018, due to the increase in selling expenses regarding new additional 7 branches opened in first 9 months of 2019
- **Selling expense to total revenue** in 9M/2019 was 26.6% which improved by 5.5% from 9M/2018. The decrease was mainly from significant increase in sales from dessert café in the first three quarters, while store expenses did not increase significantly.

4. Administrative Expenses:

(Unit: THB Million)



Administrative expenses mainly consist of salaries of back office staff, utility expenses, and depreciation of property, plant, and equipment in the back office.

YoY

Q3/2019 vs Q3/2018

- **Administrative expenses** in Q3/2019 was THB 41 million, increased slightly by THB 6 million or 17% from Q3/2018 mainly due to the increase in salary expenses in the back office.
- **Admin expenses to total revenue** in Q3/2019 was 13.0% which improved by 3.2% from Q3/2018 due to better expense control in the back office.

9M

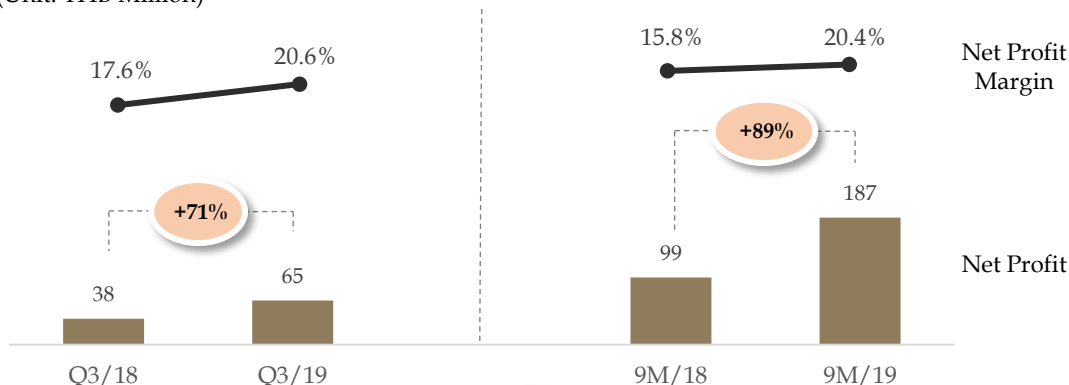
9M/2019 vs 9M/2018

- For the first 9 months (9M) of 2019, **administrative expenses** was THB 123 million which increased by THB 16 million or 15% from 9M/2018. The increase reflected the accumulated impacts of the higher administrative expenses in Q1, Q2 and Q3/2019 compared to the same period last year, due to the higher back office salary expenses from business expansion.
- **Admin expenses to total revenue** in 9M/2019 was 13.4% which improved by 3.7% from 9M/2018 due to better control on the back-office expenses.

*Note: There was a loss from the close-down of Don Muang branch amounting to THB 4.2 million recorded in Q3/2018.

5. Net Profit and Net Profit Margin:

(Unit: THB Million)



YoY

Q3/2019 vs Q3/2018

- **Net profit** in Q3/2019 was THB 65 million which increased by THB 27 million or 71% from Q3/2018 due to the increase in operating revenue, which results from the increase in sales from dessert café and catering and pop-up stores.
- **Net profit margin** in Q3/2019 was 20.6% which increased by 3.0% from Q3/2018 due to the increase in revenue from dessert café, better expense management and production efficiency in Q3/2019.

9M

9M/2019 vs 9M/2018

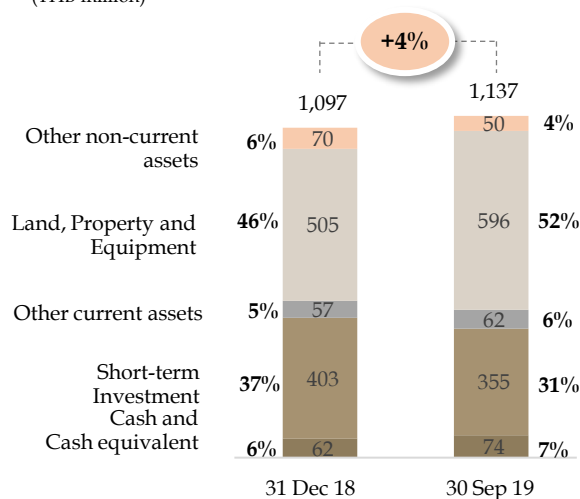
- For the first 9 months (9M) of 2019, **net profit** was THB 187 million which increased by THB 88 million or 89% from 9M/2018, due to operational efficiency and economies of scale of operating 38 branches.
- **Net profit margin** in 9M/2019 was 20.4% which increased by 4.6% from 9M/2018 as the operating revenue increased, while the SG&A expenses did not increase significantly as the Company had better expense control.



Analysis of Statement of Financial Position

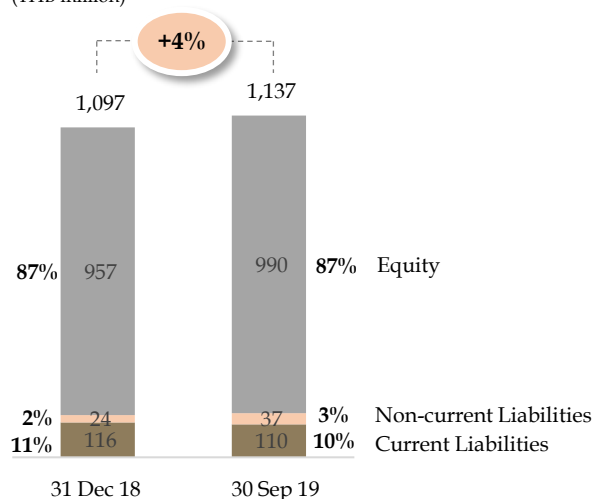
Total Assets

(THB million)



Total Liabilities and Equities

(THB million)



Total Assets

As of 30 Sep 2019, the total assets of the Company were THB 1,137 million, increased by THB 40 million or 4% from 31 December 2018. Changes are highlighted as follows:

- **Short-term investment** decreased by THB 48 million or 12% as a result of dividend payment in Q2/2019 and payment for plant expansion that has been paid in both Q2/2019 and Q3/2019.
- **Land, property, plant and equipment** increased by THB 91 million or 18% because of the plant expansion and the opening of new branches.

Total Liabilities

As of 30 Sep 2019, the total liabilities of the Company were THB 147 million, increased by THB 7 million or 5% from 31 December 2018. The increase was mainly due to the THB 13 million increase in other non-current liability as a result of **unearned revenue from initial franchise fee** received in advance. (The unearned franchise revenue will be recognized as revenue over the 5-year period) and the increase in the **provision for long-term employee benefits** and the **provision for decommissioning**.

Total Equity

As of 30 Sep 2019, the total equity of the Company was THB 990 million, increased by THB 33 million or 3% from 31 December 2018. The increase was due to the increase in retained earning.