

Management Discussion & Analysis of a one-year performance as of end December 31, 2019

Industry Overview

Economic Growth – still slow

Current economic situation is still slow and not favourable. Furniture industry is facing challenges of economic fluctuation and has to adjust its business strategy by more diversification. However, with the Government support by some fiscal measures, for example, lower interest rate and fee reduction in housing transfer and mortgage, might boost higher customers' spending.

Company in Overview

Continuously invest in new business

MODERN continues to explore new business segments for business expansion. Recently, MODERN has invested in Build D Co., Ltd. (BUD), to manufacture and distribute Fit-in Furniture and interior design to cover more contract business. BUD is scheduled to operate soon.

Financial Performance in 2019

Revenue decreased by 6.0 percent to Baht 3,101.5 million with gross profit margin of 32.5 percent, an increase of 2.4 percent

MODERN and subsidiaries recorded Baht 3,101.5 million from sales, rental, service (excluded other service), architectural design service and construction, representing 6.0 percent decrease of Baht 197.3 million from the same period in 2018. The gross profit margin was at 32.5 percent, increased of 2.4 percent from the same period in 2018.

Net profit equaled Baht 125.7 million, a decrease of 8.3 percent

In 2019, net profit of MODERN and subsidiaries amounted to Baht 125.7 million, a decrease of 8.3 percent from the same period in 2018. The main reason is from the extra Reserve for additional long-term employee benefit expenses of Baht 46.8 million according to the Labor Protection Act (No.7). The law is effective from May 5, 2019 for employee who worked for 20 years or more entitled to receive compensation not less than 400 days at the latest wage rate, as a result the Company recognizes the decrease in profit.

In 2019, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 53.6 million, an increase of 13.4 percent from the same period in 2018.

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Business units and subsidiaries performance**Office and residential furniture business**

Sales decreased by 6.8 percent to Baht 2,186.5 million

In 2019, invoicing sales of office and residential furniture decreased by 6.8 percent from the same period in 2018 to Baht 2,186.5 million.

Furniture fittings, solid surface, carpet tile and flooring business

Sales decreased by 7.8 percent to Baht 514.3 million

In 2019, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 7.8 percent from the same period in 2018 to Baht 514.3 million.

Space rental and services business

Rental and service income at Baht 88.0 million, an increase of 4.4 percent

In 2019, the business generated Baht 88.0 million rental and service (excluded other service) incomes, or 4.4 percent increase compared to the same period in 2018.

Healthcare product and medical equipment business

Revenues of Baht 270.0 million, an increase of 0.1 percent

In 2019, the business recorded revenues of Baht 270.0 million from sales, architectural design service and construction, an increase of 0.1 percent from the same period in 2018.

Architectural design business

Revenues of Baht 42.7 million, an increase of 4.7 percent

In 2019, the architectural and landscape design business recorded revenue Baht 42.7 million or 4.7 percent increase from the same period in 2018.

Financial status of MODERN and subsidiaries

Cash, cash equivalents and short-term investments increased

As of December 31, 2019, MODERN and subsidiaries recorded Baht 489.6 million for cash, cash equivalents and short-term investments, increased by Baht 137.6 million. Consolidated shareholders' equity accounted for Baht 2,331.1 million, decreased by Baht 59.1 million from the end of 2018.

Baht 193.9 million of financial institution debts

MODERN and subsidiaries registered Baht 193.9 million of financial institution debts, decreased by Baht 152.8 million, compared to Baht 346.7 million at the end of 2018. The Company still maintains good liquidity and high retained earnings.