

Indexlivingmall

Index Living Mall Public Company Limited (ILM)

Management Discussion and Analysis (MD&A)

For the First Quarter Ended 31 March 2020



Highlights

| Operating Highlights | Q1/2019 | Q4/2019 | Q1/2020 | Change +/- | |
|---|----------------|----------------|----------------|---------------|---------------|
| | | | | %YoY | %QoQ |
| (Unit: THB million) | | | | | |
| Revenue from sale of goods | 2,299.7 | 2,407.6 | 2,076.2 | -9.7% | -13.8% |
| Revenue from rental and rendering of services | 126.2 | 148.6 | 134.9 | +6.8% | -9.3% |
| Operating revenue | 2,426.0 | 2,556.2 | 2,211.1 | -8.9% | -13.5% |
| Gross profit | 1,062.1 | 1,070.6 | 1,015.3 | -4.4% | -5.2% |
| EBITDA | 356.9 | 419.3 | 440.6 | +23.5% | +5.1% |
| Net profit (loss) | 131.9 | 140.7 | 118.2 | -10.4% | -16.0% |
| Gross profit margin (%) | 43.8% | 41.9% | 45.9% | +2.1% | +4.0% |
| EBITDA margin (%) | 14.6% | 16.2% | 19.8% | +5.2% | +3.5% |
| Net profit margin (%) | 5.4% | 5.4% | 5.3% | -0.1% | -0.1% |
| One-time expenses ^{1/} | 21.0 | - | - | - | - |
| Impact from TFRS 16 ^{2/} | - | - | 6.3 | - | - |
| Net profit excluding one-time expenses and TFRS 16 | 152.9 | 140.7 | 124.5 | -18.6% | -11.5% |

^{1/} One-time expenses in Q1/2019 were resulted from the employee retirement benefit (net after tax).

^{2/} Impact from the adoption of Thai Financial Reporting Standards 16 Leases (TFRS 16) since 1 January 2020 which caused higher depreciation and interest expenses (net after tax).

Q1/2020 vs Q1/2019 (YoY)

- In Q1/2020, Index Living Mall Public Company Limited ("ILM" or the "Company") reported a net profit of Baht 118.2 million, dropped by 10.4% YoY, mainly due to the decreased revenue from sale of goods by 9.7% as a result of the temporary closure of most Index Living Mall stores since 22 March 2020 following the order of government agencies nationwide to prevent the spread of the COVID-19.
- Revenue from rental and rendering of services managed to grow by 6.8% YoY, mainly supported by higher rental spaces and improved occupancy rates when compared to Q1/2019, despite the temporary closure of The Walk and Little Walk since 22 March 2020 like Index Living Mall, while some tenants were allowed to open, e.g., supermarket, food and restaurants (only for takeaway), drug stores.
- Online sales continued to grow remarkably by 150.0% YoY.
- Gross profit margin from sale of goods improved outstandingly to 45.9% from 43.8% in the same period last year, mainly supported by the improved product mix with an increased sales proportion of higher profit margin products.
- The Company's adoption of Thai Financial Reporting Standards 16 Leases (TFRS 16) since 1 January 2020 caused a lower net profit by Baht 6.3 million, mainly due to higher depreciation and interest expenses recognition.
- The Company has not yet started utilizing its tax benefits approximately Baht 70.0 million from the investment in new machinery.

Q1/2020 vs Q4/2019 (QoQ)

- Net profit in Q1/2020 reduced by 16.0% QoQ, mainly due to the decreased operating revenue as a result of the temporary closure of most branches of Index Living Mall, The Walk, and Little Walk, resulting in the drop of sale of goods by 13.8% QoQ, and revenue from rental and rendering of services reduced by 9.3% QoQ.
- Online sales continued to continuously grow by 9.8% QoQ.
- Gross profit margin from sale of goods improved outstandingly to 45.9% from 41.4% in the previous quarter, mainly supported by the improved product mix with an increased sales proportion of higher profit margin products.
- Gross profit margin from sale of goods improved QoQ, mainly supported by the improved product mix with an increased sales proportion of higher profit margin products.
- The adoption of TFRS 16 caused a lower net profit by Baht 6.3 million, mainly due to higher depreciation and interest expenses recognition.

*Value may differ by one decimal point due to rounding

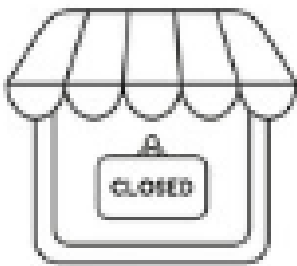
Significant Events in Q1/2020



The temporary closure of Index Living Mall, The Walk, and Little Walk, following the order of the government agencies to prevent the spread of the COVID-19

Following the order of the government agencies nationwide to temporarily close some establishments in most provinces in order to prevent the spread of the COVID-19, the Company temporarily closed most branches of its Index Living Mall, The Walk, and Little Walk since 22 March 2020.

Closure of Index Furniture Center - Tha Phra Branch



Due to the expiration of the lease agreement of Index Furniture Center - Tha Phra branch, the Company has thoroughly evaluated the worth of the investment and then decided not to renew the lease and terminate the store operation since January 2020. Yet, the Company will consider investing in a new branch in the future.

At the end of the Q1/2020, the Company has 63 furniture and decorations retail stores in total, of which 44 stores in Thailand and 19 stores in overseas, consisting of 1) 31 stores of Living Index Mall; 2) 5 stores of Index Furniture Center; 3) 1 store of WINNER; 4) 4 stores of Trend Design; 5) 2 stores of Bo Concept; 6) 1 store of MOMENTOUS; and 7) 19 stores of overseas franchise Index Living Mall in 8 countries.

Operating Results

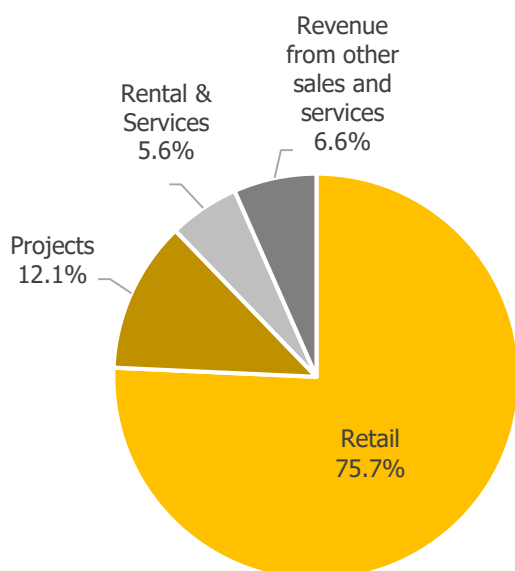
| Operating Results | Q1/2019 | Q4/2019 | Q1/2020 | Change | |
|---|----------------|----------------|----------------|---------------|---------------|
| | | | | %YoY | %QoQ |
| (Unit: THB million) | | | | | |
| Revenue from sale of goods | 2,299.7 | 2,407.6 | 2,076.2 | -9.7% | -13.8% |
| Revenue from rental and rendering of services | 126.2 | 148.6 | 134.9 | +6.8% | -9.3% |
| Operating revenue | 2,426.0 | 2,556.2 | 2,211.1 | -8.9% | -13.5% |
| Cost of sale of goods | 1,291.7 | 1,410.3 | 1,122.5 | -13.1% | -20.4% |
| Cost of rental and rendering of services ^{1/} | 72.1 | 75.3 | 73.3 | +1.6% | -2.7% |
| Cost of sales and services | 1,363.9 | 1,485.6 | 1,195.8 | -12.3% | -19.5% |
| Gross profit | 1,062.1 | 1,070.6 | 1,015.3 | -4.4% | -5.2% |
| Other income | 19.9 | 25.5 | 15.9 | -20.2% | -37.8% |
| Selling and distribution expenses | 587.9 | 568.3 | 536.7 | -8.7% | -5.6% |
| Administrative expenses ^{2/} | 315.2 | 299.2 | 271.0 | -14.0% | -9.4% |
| Finance costs | 39.8 | 45.5 | 84.7 | +112.7% | +86.0% |
| Other expenses (reversal) | 0.0 | 0.0 | 0.0 | - | - |
| Profit before income tax expenses | 139.0 | 183.0 | 138.7 | -0.2% | -24.2% |
| Tax expenses (reversal) | 7.5 | 42.4 | 20.6 | +174.4% | -51.5% |
| Profit (loss) attributable to non-controlling interests | (0.3) | 0.0 | 0.0 | +100.3% | +121.2% |
| Net profit (loss) | 131.9 | 140.7 | 118.2 | -10.4% | -16.0% |

^{1/} Figures after reclassification. Cost of rental and rendering of services before reclassification were Baht 77.5 million in Q1/2019 and Baht 81.1 million in Q4/2019 (figures after reclassification decreased by Baht 5.3 million and Baht 5.8 million, respectively when compared with figures before reclassification)

^{2/} Figures after reclassification. Administrative expenses before reclassification were Baht 309.9 million in Q1/2019 and Baht 293.4 million in Q4/2019 (figures after reclassification increased by Baht 5.3 million and Baht 5.8 million, respectively when compared with figures before reclassification)

Q1/2020 Operating Revenue Structure

ILM operates as a retailer of furniture and home furnishing products. The Company's sources of revenue can be divided into 4 main businesses as follows:



Q1/2020 Operating Revenue of Baht 2,211.1 million

**Value may differ by one decimal point due to rounding*

Retail Stores

- > 98% are sales from Index Living Mall, Index Furniture Center, and WINNER stores

Projects

- > 90% are from domestic project sales

Revenue from Rental and Services

- Revenue from rental, services, common area fee, and utilities charges

Revenue from other sales and services

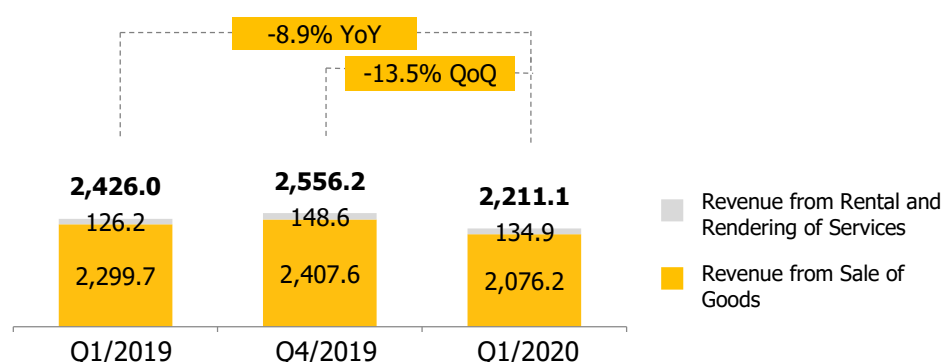
- Revenue from other sales, e.g., revenue from franchise stores, dealers, and online
- Revenue from other services, e.g., delivery, installation services, and revenue from home, such as moving service, cleaning service, sleeping care service, design and build service, etc.

Operating Results

| Revenue | Q1/2019 | Q4/2019 | Q1/2020 | Change | |
|---|----------------|----------------|----------------|--------------|---------------|
| | | | | %YoY | %QoQ |
| (Unit: THB million) | | | | | |
| A. Revenue from sale of goods | | | | | |
| Domestic sales | | | | | |
| 1.1 Retail stores | 1,877.2 | 1,890.0 | 1,674.2 | -10.8% | -11.4% |
| 1.2 Projects | 314.9 | 340.1 | 261.9 | -16.8% | -23.0% |
| 1.3 Dealers | 35.1 | 25.8 | 23.3 | -33.4% | -9.5% |
| 1.4 Online | 31.5 | 71.7 | 78.7 | +150.0% | +9.8% |
| Total revenue from domestic sales | 2,258.6 | 2,327.6 | 2,038.2 | -9.8% | -12.4% |
| Overseas sales | 41.1 | 80.0 | 38.0 | -7.5% | -52.5% |
| Total revenue from sale of goods | 2,299.7 | 2,407.6 | 2,076.2 | -9.7% | -13.8% |
| B. Revenue from rental and rendering of services | 126.2 | 148.6 | 134.9 | +6.8% | -9.3% |
| Total operating revenue | 2,426.0 | 2,556.2 | 2,211.1 | -8.9% | -13.5% |
| Other income | 19.9 | 25.5 | 15.9 | -20.2% | -37.8% |
| Total revenue | 2,445.9 | 2,581.7 | 2,227.0 | -9.0% | -13.7% |

1. Operating Revenue

Unit: THB million, %



Q1/2020 vs Q1/2019 (YoY)

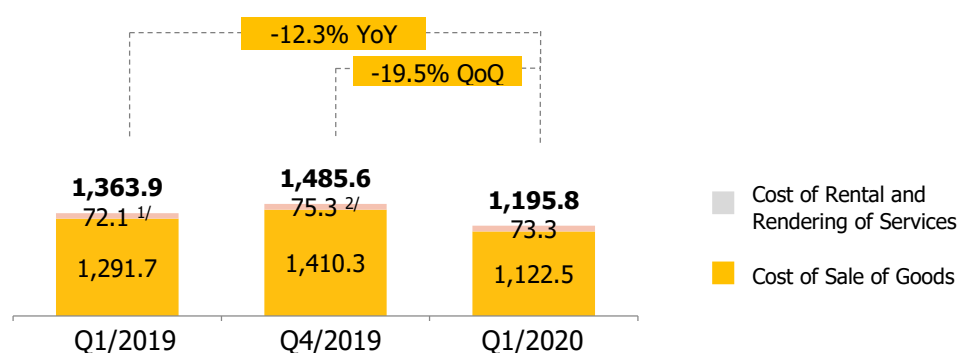
- In Q1/2020, the Company recorded total operating revenue of Baht 2,211.1 million, reduced by Baht 214.9 million or 8.9% YoY. The decrease was mainly due to the following reasons:
 - Revenue from sale of goods** decreased by Baht 233.5 million or 9.7% YoY. The decrease was resulted from both domestic sales which dropped by Baht 220.4 million or 9.8% and overseas sales which dropped by Baht 3.1 million or 7.5%. The poor domestic operating performance was mainly due to the temporary closure of most Index Living Mall stores since 22 March 2020 following the order of government agencies to temporarily close the establishments nationwide in order to prevent the spread of the COVID-19.
 - Revenue from rental and rendering of services** increased by Baht 8.6 million or 6.8% QoQ, mainly supported by higher rental spaces and improved occupancy rates compared with Q1/2019, despite the temporary closure of both The Walk and Little Walk since 22 March 2020 like Index Living Mall stores, while some tenants were still allowed to operate, e.g., supermarket, food and restaurants (only for takeaway), and drug stores.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded total operating revenue of Baht 2,211.1 million, reduced by Baht 345.1 million or 13.5% QoQ. The decrease was mainly due to the following reasons:
 - Revenue from sale of goods** decreased by Baht 331.3 million or 13.8% QoQ. The decrease was resulted from both domestic sales which dropped by Baht 289.4 million or 12.4% and overseas sales which dropped by Baht 42.0 million or 52.5%, following the temporary closure of most Index Living Mall stores to prevent the spread of the COVID-19 as earlier explained.
 - Revenue from rental and rendering of services** decreased by Baht 13.8 million or 9.3% QoQ, mainly due to the temporary closure of both The Walk and Little Walk, although some tenants were still allowed to operate.

2. Cost of Sales and Services

Unit: THB million, %



Q1/2020 vs Q1/2019 (YoY)

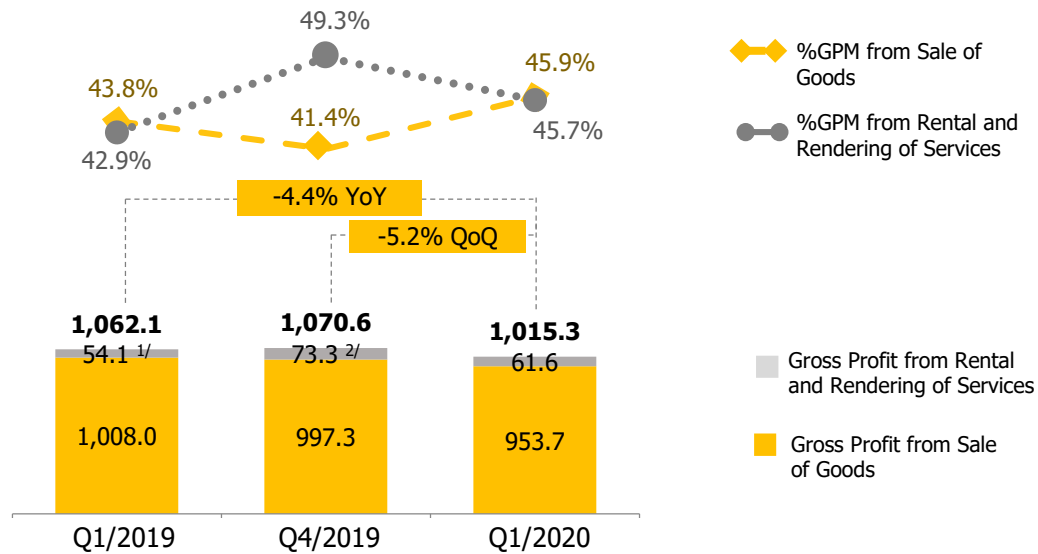
- In Q1/2020, the Company recorded cost of sales and services of Baht 1,195.8 million, a decrease by Baht 168.1 million or 12.3% YoY. This was mainly due to the following reasons:
 - Cost of sale of goods** decreased by Baht 169.2 million or 13.1% YoY, mainly due to lower sales as a result of the temporary closure of most Index Living Mall stores since 22 March 2020.
 - Cost of rental and rendering of services** slightly increased by Baht 1.2 million or 1.6% YoY, mainly due to the higher expenses from more rental spaces compared with Q1/2019, e.g., depreciation, employee expenses, and utilities expenses. Meanwhile, the Company's adoption of TFRS 16 since 1 January 2020 lowered cost of rental and rendering of services in Q1/2020 by Baht 3.8 million.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded cost of sales and services of Baht 1,195.8 million, a decrease by Baht 289.8 million or 19.5% QoQ. This was mainly due to the following reasons:
 - Cost of sale of goods** decreased by Baht 287.8 million or 20.4% QoQ, mainly due to lower sales as a result of the temporary closure of most Index Living Mall stores since 22 March 2020.
 - Cost of rental and rendering of services** decreased by Baht 2.1 million or 2.7% QoQ, mainly due to the adoption of TFRS 16 since 1 January 2020 which lowered the Q1/2020 cost of rental and rendering of services by Baht 3.8 million. Some portion of expenses also decreased, such as utilities expenses, as a result of the temporary closure of both The Walk and Little Walk since 22 March 2020.

3. Gross Profit and Gross Profit Margin

Unit: THB million, %



^{1/} Figure after reclassification. Gross profit from rental and rendering of services before reclassification in Q1/2019 was Baht 48.8 million (figure after reclassification increased by Baht 5.3 million from before reclassification)

^{2/} Figure after reclassification Gross profit from rental and rendering of services before reclassification in Q4/2019 was Baht 67.5 million (figure after reclassification increased by Baht 5.8 million from before reclassification)

Q1/2020 vs Q1/2019 (YoY)

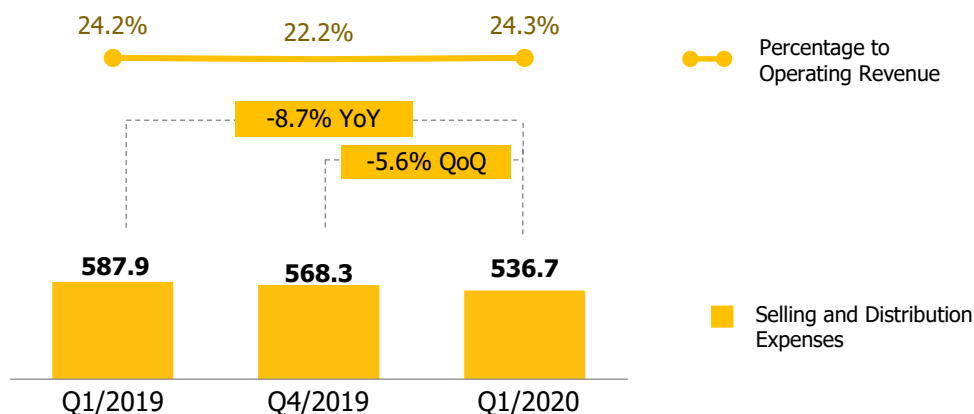
- In Q1/2020, the Company recorded gross profit of Baht 1,015.3 million, decreased by Baht 46.8 million or 4.4% YoY. The decrease was mainly due to the following reasons:
 - Gross profit from sale of goods** decreased by Baht 54.3 million or 5.4% YoY, following the lower sales. However, gross profit margin from sale of goods significantly improved from 43.8% in Q1/2019 to 45.9% in Q1/2020, mainly supported by the improved product mix with an increased sales proportion of higher profit margin products.
 - Gross profit from rental and rendering of services** increased by Baht 7.5 million or 13.8% YoY, following the higher revenue from rental and rendering of services supported by higher rental spaces and improved occupancy rates.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded gross profit of Baht 1,015.3 million, decreased by Baht 55.3 million or 5.2% QoQ. The decrease was mainly due to the following reasons:
 - Gross profit from sale of goods** decreased by Baht 43.6 million or 4.4% QoQ, following the lower sales. However, gross profit margin from sale of goods remarkably improved QoQ from 41.4% in Q4/2019 to 45.9% in Q1/2020, mainly supported by the improved product mix with an increased sales proportion of higher profit margin products.
 - Gross profit from rental and rendering of services** decreased by Baht 11.7 million or 16.0% QoQ, following the lower revenue from rental and rendering of services, as the Company gave some discounts on rental and services to some tenants during the temporary closure following the order of the government agencies.

4. Selling and Distribution Expenses*

Unit: THB million, %



*Selling and distribution expenses are expenses incurred at retail stores and rental spaces, e.g., employee expenses, depreciation, utilities expenses, rental costs, etc.

Q1/2020 vs Q1/2019 (YoY)

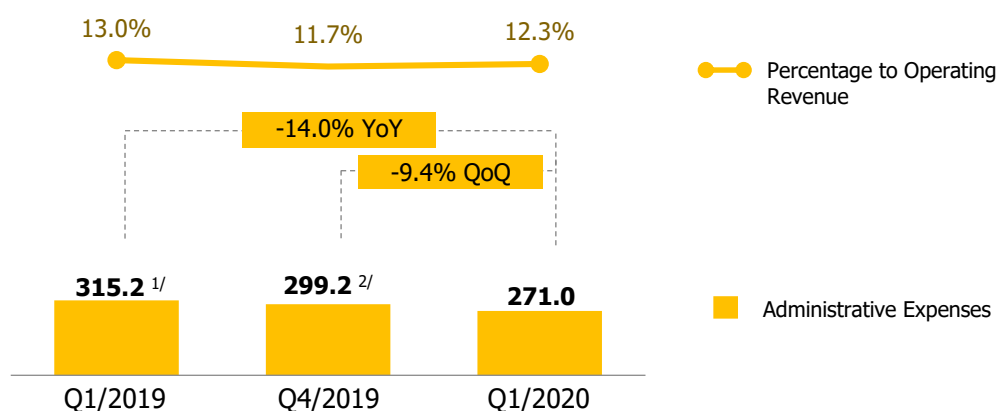
- In Q1/2020, the Company recorded selling and distribution expenses of Baht 536.7 million, decreased by Baht 51.2 million or 8.7% YoY. The decrease was mainly due to lower sales and less expenses following the temporary closure of most stores of Index Living Mall, The Walk, and Little Walk since 22 March 2020. Another factor for the decrease was the adoption of TFRS 16 since 1 January 2020, which lowered the Q1/2020 selling and distribution expenses by Baht 26.7 million.
- The percentage of selling and distribution expenses to operating revenue slightly increased YoY, mainly due to lower operating revenue despite improved cost management, including employee expenses, utilities expenses, and promotional expenses.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded selling and distribution expenses of Baht 536.7 million, decreased by Baht 31.5 million or 5.6% QoQ. The decrease was mainly due to lower sales and less expenses following the temporary closure of most stores of Index Living Mall, The Walk, and Little Walk since 22 March 2020. Another factor for the decrease was the adoption of TFRS 16 since 1 January 2020 which lowered the Q1/2020 selling and distribution expenses by Baht 26.7 million.
- The percentage of selling and distribution expenses to operating revenue increased QoQ, mainly due to lower operating revenue despite improved cost management, including utilities expenses and promotional expenses.

5. Administrative Expenses*

Unit: THB million, %



*Administrative expenses are back-office expenses, e.g., employee expenses, delivery costs, depreciation, etc.

^{1/} Figure after reclassification. Administrative expenses before reclassification in Q1/2019 was Baht 309.9 million (figure after reclassification increased by Baht 5.3 million from before reclassification)

^{2/} Figure after reclassification. Administrative expenses before reclassification in Q4/2019 was Baht 293.4 million (figure after reclassification increased by Baht 5.8 million from before reclassification)

Q1/2020 vs Q1/2019 (YoY)

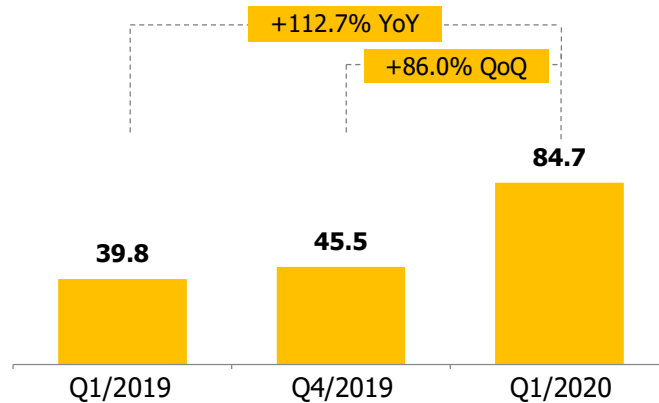
- In Q1/2020, the Company recorded administrative expenses of Baht 271.0 million, decreased by Baht 44.2 million or 14.0% YoY. The decrease was mainly due to improved cost management, including employee expenses and other administrative expenses. Another factor for the decrease was the adoption of TFRS 16 since 1 January 2020, which lowered the Q1/2020 administrative expenses by Baht 5.5 million.
- The percentage of administrative expenses to operating revenue decreased YoY, mainly supported by improved cost management, despite lower operating revenue.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded administrative expenses of Baht 271.0 million, decreased by Baht 28.2 million or 9.4% QoQ. The decrease was mainly due to improved cost management, including employee expenses and other administrative expenses. Delivery costs also decreased as a result of the reduced number of delivery trips following lower sales. Another factor for the decrease was the adoption of TFRS 16 since 1 January 2020, which lowered the Q1/2020 administrative expenses by Baht 5.5 million.
- The percentage of administrative expenses to operating revenue increased QoQ, mainly due to lower operating revenue, despite improved cost management.

6. Finance Costs

Unit: THB million, %



Q1/2020 vs Q1/2019 (YoY)

- In Q1/2020, the Company recorded finance costs of Baht 84.7 million, increased by Baht 44.9 million or 112.7% YoY. The increase was mainly due to the impact of the adoption of TFRS 16 since 1 January 2020, which resulted in higher interest expenses by Baht 43.9 million. If excluding the impact from TFRS 16, the Q1/2020 finance costs would be almost the same as Q1/2019.

Interest-bearing debt at the end of Q1/2020 was Baht 7,073.2 million, increased by Baht 2,323.7 million or 48.9% from Baht 4,749.6 million at the end of Q1/2019, mainly due to the impact of the adoption of TFRS 16, which resulted in higher finance lease liabilities by Baht 2,738.3 million.

However, borrowings from financial institutions at the end of Q1/2020 were Baht 4,321.0 million, decreased by Baht 404.4 million or 8.6% from Baht 4,725.3 million at the end of Q1/2019.

Q1/2020 vs Q4/2019 (QoQ)

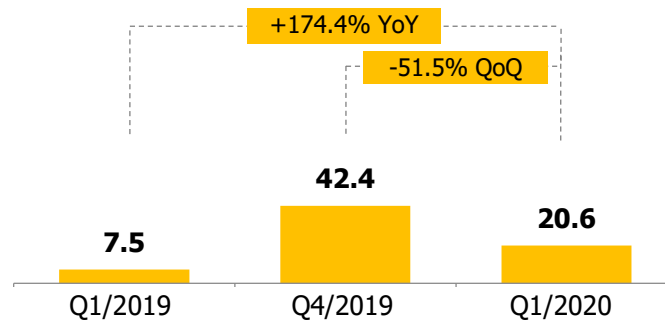
- In Q1/2020, the Company recorded finance costs of Baht 84.7 million, increased by Baht 39.2 million or 86.0% QoQ. The increase was mainly due to the impact of the adoption of TFRS 16, which resulted in higher interest expenses by Baht 43.9 million. If excluding the impact from TFRS 16, the Q1/2020 finance costs would be lower than Q4/2019.

Interest-bearing debt at the end of Q1/2020 was Baht 7,073.2 million, increased by Baht 2,387.3 million or 50.9% from Baht 4,685.9 million at the end of Q4/2019, mainly due to the impact of the adoption of TFRS 16, which resulted in higher finance lease liabilities by Baht 2,738.3 million.

However, borrowings from financial institutions at the end of Q1/2020 were Baht 4,321.0 million, decreased by Baht 343.7 million or 7.4% from Baht 4,664.7 million at the end of Q4/2019.

7. Tax Expenses (Income)

Unit: THB million, %



Q1/2020 vs Q1/2019 (YoY)

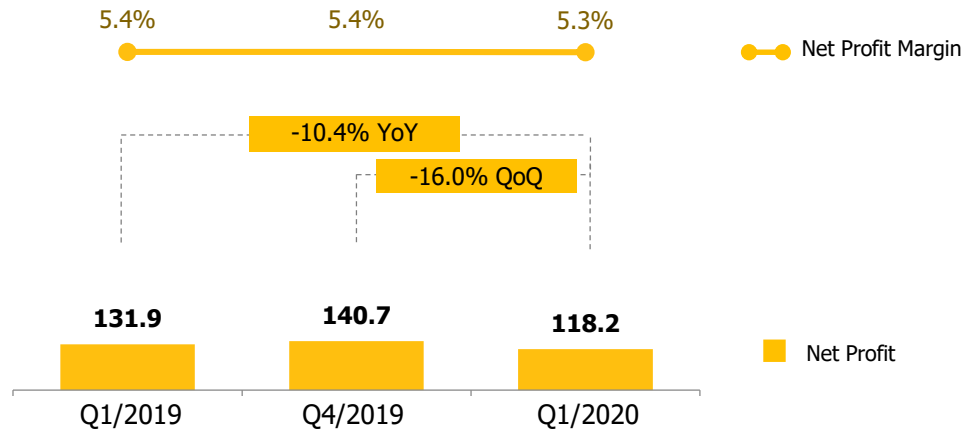
- In Q1/2020, the Company recorded tax expenses of Baht 20.6 million, increased by Baht 13.1 million or 174.4% YoY. This was mainly due to tax benefits of Baht 14.0 million recognized in Q1/2019, while the Company has not yet started another tax benefits approximately Baht 70.0 million from the investment in new machinery which can be utilized for 3 years.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded tax expenses of Baht 20.6 million, decreased by Baht 21.8 million or 51.5% QoQ. This was mainly due to lower earnings before tax (EBT) in Q1/2020 compared with the previous quarter, while the Company recognized tax benefits of Baht 9.7 million in Q4/2019.

8. Net Profit and Net Profit Margin

Unit: THB million, %



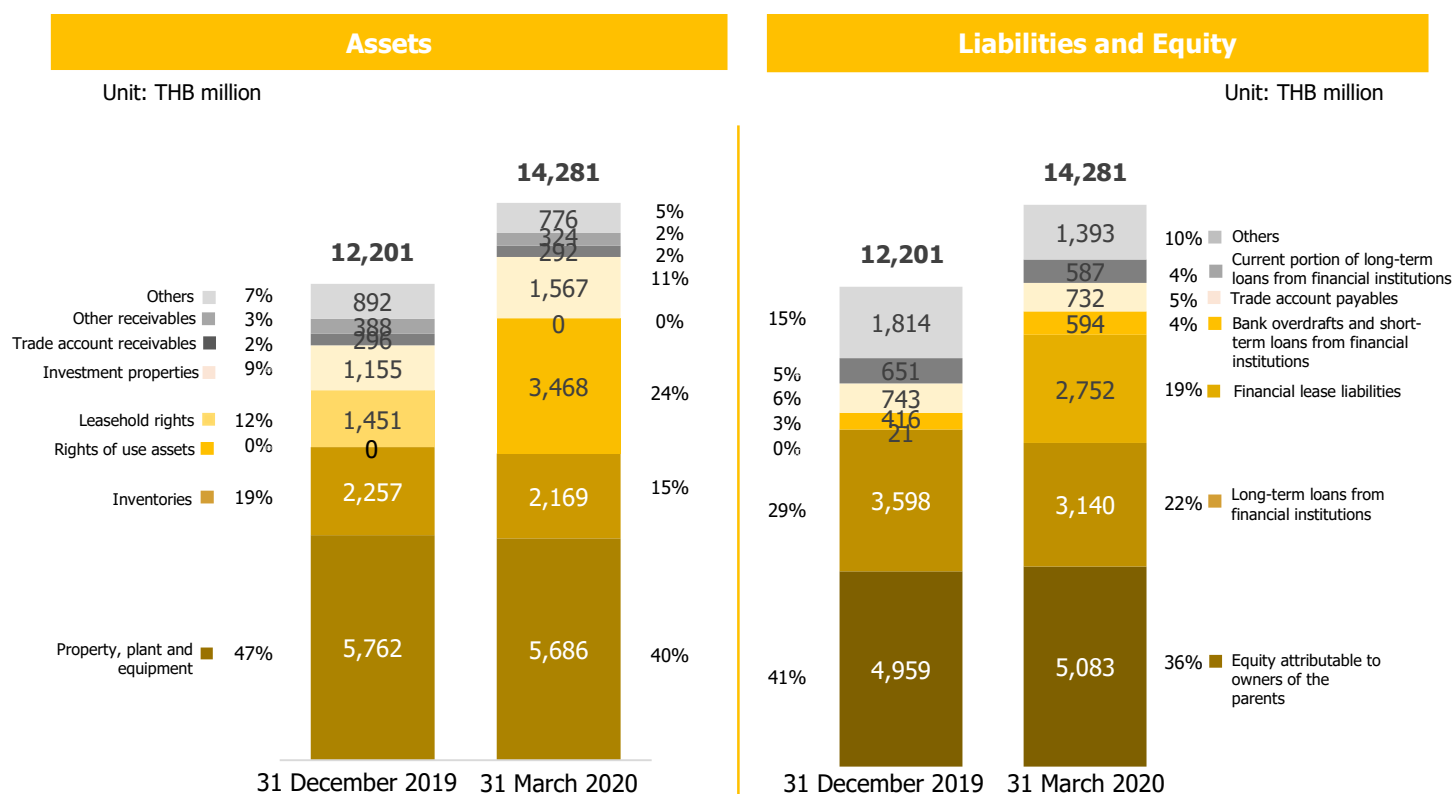
Q1/2020 vs Q1/2019 (YoY)

- In Q1/2020, the Company recorded net profit of Baht 118.2 million, decreased by Baht 13.7 million or 10.4% YoY. This was mainly due to the following reasons:
 - Decreased sales as a result of the temporary closure of most Index Living Mall stores since 22 March 2020
 - The adoption of TFRS 16 since 1 January 2020, which caused higher depreciation and interest expenses, thus lower a net profit by Baht 6.3 million
 - The Company has not yet started another tax benefits approximately Baht 70.0 million from the investment in new machinery which can be utilized for 3 years, while it recognized tax benefits of Baht 14.0 million in Q1/2019.

Q1/2020 vs Q4/2019 (QoQ)

- In Q1/2020, the Company recorded net profit of Baht 118.2 million, decreased by Baht 22.5 million or 16.0% QoQ. This was mainly due to the following reasons:
 - Decreased revenue from sale of goods and revenue from rental and rendering of services as a result of the temporary closure of most branches of Index Living Mall, The Walk, and Little Walk since 22 March 2020
 - The adoption of TFRS 16 since 1 January 2020, which caused higher depreciation and interest expenses, thus lower a net profit by Baht 6.3 million
 - The Company has not yet started another tax benefits approximately Baht 70.0 million from the investment in new machinery which can be utilized for 3 years, while it recognized tax benefits of Baht 9.7 million in Q4/2019.

Statement of Financial Position



Assets

- As at 31 March 2020, the Company had total assets of Baht 14,281.4 million, increased by Baht 2,080.0 million, or 17.0% from Baht 12,201.4 million as at 31 December 2019. The increase was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in higher assets by Baht 2,436.4 million, comprising of the higher rights of use assets by Baht 3,514.3 million and higher investment properties by Baht 400.7 million, but decreased leasehold rights by Baht 1,451.3 million and lower property, plant and equipment by Baht 27.3 million.

Liabilities

- As at 31 March 2020, the Company had total liabilities of Baht 9,196.8 million, increased by Baht 1,955.4 million, or 27.0% from Baht 7,241.4 million as at 31 December 2019. The increase was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in higher liabilities by Baht 2,436.4 million, comprising of higher finance lease liabilities by Baht 2,738.3 million, but lower other payables by Baht 301.9 million. However, borrowings from financial institutions at the end of Q1/2020 were Baht 4,321.0 million, decreased by Baht 343.7 million, or 7.4% from Baht 4,664.7 million at the end of Q4/2019.

Equity

- As at 31 March 2020, the Company had equity attributable to owners of the parent of Baht 5,083.3 million, increased by Baht 124.6 million or 2.5% from Baht 4,958.7 million as at 31 December 2019, mainly due to the operating profit during Q1/2020.

*Value may differ by one decimal point due to rounding

Future Outlook



Younique Customized Furniture 4.0 store upgrade instead of store expansion

At the end of Q1/2020, the Company had 12 Younique Customized Furniture stores. To enhance product innovation and capture a higher customer base, the Company plans to upgrade its existing Younique Customized Furniture stores instead of opening new stores, so that the Company can enhance sales per store by using optimal current cash flow. Also, the Company will add more variety of materials to capture the ultra-luxury customer segment and grow customization ability for customers.



Minor store upgrade to increase sales area for high-margin products instead of store expansion

The Company has successfully minor renovated 3 Index Living Mall stores to increase sales area for high-priced and high-margin products as well as selecting products that better meet the needs of customers. With proven improved performance of all the 3 upgraded stores, the Company plans to follow the model with other stores by using just a small amount of cash flow while being able to increase sales per store that are worth the investment.



Overseas store expansion

After receiving impressive feedback from the first 2 franchise Index Living Mall stores at the end of 2019 in Ho Chi Minh City, Vietnam, the Company plans to open more franchise stores abroad in 2020, such as Vietnam and Myanmar.

However, due to the pandemic of COVID-19 since the beginning of 2020, the expansion of overseas franchise Index Living Mall stores has been delayed by 1-2 quarters but still expected to be completed this year, when the situation of COVID-19 resolves in a better direction.



Reducing inventories without losing sales opportunities

The Company has a policy to reduce inventories continuously since 2019 to reduce storage costs, carrying cost, and help increase the liquidity of the business. The Company has cautiously planned and implemented the inventory reduction process to avoid the shortage or loss of sales opportunities. Consequently, inventories have been decreasing from Baht 2,379 million at the end of 2018 to Baht 2,257 million at the end of 2019, and Baht 2,169 million at the end Q1/2020.