

Management Discussion & Analysis for three month period ended June 30, 2020

Industry Overview

Ready for uncertainty

The spread of the coronavirus disease 2019 (COVID-19) widely effects the business operations. Business activities were in lockdown to restrict the spread of COVID-19. In 2020, Business need to be ready for uncertainty and the consume behavior has also changed with more concern on spending.

Company in Overview

Strategy & Operation

Adaptation

The consequence of spread of the coronavirus disease 2019 (COVID-19), MODERN emphasizes to strategy's adjustment and operation process to be consistent with people in New Normal Lifestyle. Direct sales through the online channel gradually improve such as Lazada, Shopee, NocNoc and etc. These channels can reach more customers and providing customers more convenient.

For additional investment, MODERN has invested in BuiltDee Co., Ltd. (BUD), to manufacture and distribute Fit-in furniture to cover more contract business. BUD has currently signed the project agreement which expected to recognize revenues this year.

Finally, in 2020, MODERN has collaborated with leading brands to strengthen efficiency in term of communication to approach new customers. Our first project is to collaborate with PDM brand, a Top brand of craft product such as woven mat.

Financial Performance Second Quarter of 2020

Revenue decreased by 0.5 percent to Baht 686.2 million with gross profit margin of 25.7 percent, a decrease of 5.9 percent

MODERN and subsidiaries recorded Baht 686.2 million from sales, rental, service (excluded other service), architectural design service and construction, representing 0.5 percent decrease of Baht 3.7 million from the same period in 2019. The gross profit margin was at 25.7 percent, decreased of 5.9 percent from the same period in 2019.

Net profit equaled Baht 27.2 million, an increase of 241.1 percent

At the second quarter of 2020, net profit of MODERN and subsidiaries amounted to Baht 27.2 million, an increase of 241.2 percent from the same period in 2019 resulting from decrease expenses, because the same period in 2019 the Reserve for additional long-term employee benefit expenses of Baht 46.8 million for employee who worked for 20 years or more entitled to receive compensation not less than 400 days.

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At the first quarter of 2020, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 21.0 million, an increase of 74.6 percent from the same period in 2019.

Business units and subsidiaries performance

Office and residential furniture business

Sales increased by 16.7 percent to Baht 537.1 million

At the second quarter of 2020, invoicing sales of office and residential furniture increased by 16.7 percent from the same period in 2019 to Baht 537.1 million.

Furniture fittings, solid surface, carpet tile and flooring business

Sales decreased by 36.4 percent to Baht 75.5 million

At the second quarter of 2020, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 36.4 percent from the same period in 2019 to Baht 75.5 million.

Space rental and services business

Rental and service income at Baht 21.7 million, a decrease of 4.2 percent

At the second quarter of 2020, the business generated Baht 21.7 million rental and service (excluded other service) incomes, or 4.2 percent decrease compared to the same period in 2019.

Healthcare product and medical equipment business

Revenues of Baht 46.1 million, a decrease of 42.6 percent

At the second quarter of 2020, the business recorded revenues of Baht 46.1 million from sales, architectural design service and construction, a decrease of 42.6 percent from the same period in 2019.

Architectural design business

Revenues of Baht 5.8 million, a decrease of 27.0 percent

At the second quarter of 2020, the architectural and landscape design business recorded revenue Baht 5.8 million or 27.0 percent decrease from the same period in 2019.

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Financial status of MODERN and subsidiaries

Baht 499.3 million of cash and cash equivalents

As of June 30, 2020, MODERN and subsidiaries recorded Baht 499.3 million for cash and cash equivalents, increased by Baht 40.1 million. Consolidated shareholders' equity accounted for Baht 2,236.7 million, decreased by Baht 94.4 million from the end of 2019.

Baht 213.4 million of financial institution debts

MODERN and subsidiaries registered Baht 213.4 million of financial institution debts, increased by Baht 19.5 million, compared to Baht 193.9 million at the end of 2019. The Company still maintains good liquidity and high retained earnings.