

Indexlivingmall

Index Living Mall Public Company Limited (ILM)

Management Discussion and Analysis (MD&A)

For the Third Quarter Ended 30 September 2020



Highlights

Operating Highlights	Q3/2019	Q2/2020	Q3/2020	Change +/-		9M/2019	9M/2020	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
Revenue from sale of goods	2,275.0	1,746.3	1,857.4	-18.4%	+6.4%	6,828.6	5,680.0	-16.8%
Revenue from rental and rendering of services	146.4	83.5	117.3	-19.9%	+40.6%	413.2	335.6	-18.8%
Operating revenue	2,421.5	1,829.8	1,974.7	-18.4%	+7.9%	7,241.8	6,015.6	-16.9%
Gross profit	1,094.4	767.1	978.6	-10.6%	+27.6%	3,214.7	2,761.0	-14.1%
EBITDA	393.8	300.3	466.2	+18.4%	+55.3%	1,147.5	1,207.1	+5.2%
Net profit (loss)	165.6	14.5	145.6	-12.1%	+904.0%	455.4	278.2	-38.9%
Gross profit margin (%)	45.2%	41.9%	49.6%	+4.4%	+7.6%	44.4%	45.9%	+1.5%
EBITDA margin (%)	16.1%	16.2%	23.4%	+7.3%	+7.2%	15.7%	19.9%	+4.2%
Net profit margin (%)	6.8%	0.8%	7.3%	+0.6%	+6.5%	6.2%	4.6%	-1.6%
One-time expenses ^{1/}	0.0	0.0	0.0	-	-	21.0	0.0	-100.0%
Impact from TFRS 16 ^{2/}	0.0	(6.3)	(6.3)	-	+0.7%	0.0	(18.9)	-
Net profit excluding one-time expenses and TFRS 16	165.6	20.8	151.9	-8.3%	+631.6%	476.4	297.1	-37.6%

^{1/} One-time expenses in 9M/2019 were resulted from the employee retirement benefit (net after tax) in Q1/2019.

^{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).

Q3/2020

- In Q3/2020, Index Living Mall Public Company Limited (the "Company" or "ILM") generated a net profit of Baht 145.6 million, dropped by 12.1% YoY but increased by 904.0% QoQ.
- Although the operating revenue decreased by 18.4% YoY, Q3/2020 results showed a remarkable recovery due to the Company's ability to increase gross profit margin, reduce production costs, increase production efficiency, decrease operating costs of every aspect continuously, and managing sales campaigns efficiently.
- In Q3/2020, the Company had a gross profit margin from sales at 49.9% and a net profit margin of 7.3%, both of which reached an all-time high since the operation.
- Online sales continued to grow remarkably by 65.5% YoY but decreased by 43.0% QoQ, mainly due to the reopening of all stores for the full quarter after the government released the lockdown, compared to Q2/2020, in which the Company operated 45 days and closed 46 days, resulting in sales shifting back to retail stores.
- OEM sales continued to increase significantly by 117.5% YoY.
- The Company has been able to manage liquidity satisfactorily and repaid long-term loans totaling Baht 679 million in Q3/2020, of which the whole amount was the pre-repayment since the Company got approved for the long-term loan repayment postponement from financial institutions.
- The Company paid a dividend totaling Baht 232.3 million for the 2019 operating performance, plus an interim dividend announcement totaling Baht 75.8 million for the operating performance from 1 January to 30 June 2020.
- The Company's adoption of Thai Financial Reporting Standards 16 Leases (TFRS 16) since 1 January 2020 resulted in a lower net profit in Q3/2020 by Baht 6.3 million from the recognition of higher depreciation and interest expenses.
- The Company has not yet started to utilize its tax benefits of approximately Baht 70.0 million from the investment in new machinery.

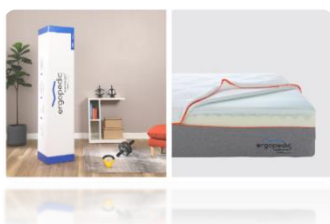
9M/2020

- Net profit in 9M/2020 was Baht 278.2 million, reduced by 38.9% YoY, mainly due to the decrease in operating revenue by 16.9% YoY, as a result of the temporary store closure between 22 March and 16 May 2020, as well as consumers' cautious spending resulted from concerns about the economy and the COVID-19 pandemic situation.
- Although operating revenue decreased, gross profit margin managed to improve, while SG&A reduced. These were as a result of lower production costs, higher production efficiency, and continuously reduced operating costs in every aspect.
- Online sales grew remarkably by 175.8% YoY, and OEM sales rose by 106.8% YoY.
- The Company has been able to manage liquidity satisfactorily and repaid long-term loans totaling Baht 1,367 million from the beginning of the year 2020, which included extra repayment of Baht 998 million.
- The Company's adoption of TFRS 16 resulted in a lower net profit in 9M/2020 by Baht 18.9 million from the recognition of higher depreciation and interest expenses.

*Value may differ by one decimal point due to rounding

Significant Events in Q3/2020

Innovative Ready-to-Sleep Mattress "Bed in Box"



The Company has invented "Bed in Box", an innovative ready-to-sleep mattress in a box focusing on special features and technology that helps spread cooling, ventilate, and balance body temperature. It is also distinguished by the box-packing mattress design making it convenient to move, responding to today's New Normal consumer lifestyle.

Launch of New Furniture Brand "Furinbox"



The Company has launched a new furniture brand "Furinbox" (Fur-in-Box), a new concept of furniture in the box, designed and created specifically to meet the lifestyle of consumers both in terms of design and functions at an affordable price. Furinbox is also easy and quick to assemble, meeting the needs of the New Normal consumer lifestyle, which will help further increase the online customer base into the mass market.

Partnership Expansion

- **ILM x NocNoc.com**

The Company started its collaboration with NocNoc.com, a leading online market platform for construction materials and home decoration products category to reinforce the Company's potential on the online platform under the home living group as well as strengthening the Company's online sales further growth.

- **Younique x SCG**

The Company expanded its partnership with SCG, the leader of Innovative House, by opening a Younique Customized Furniture showroom at SCG Experience Building to create opportunities for Younique's customer base expansion.

- **Younique x Boonthavorn**

The Company expanded its cooperation with Boonthavorn Ceramic Co., Ltd., a leading business center for decorative materials, tiles, sanitary ware, bathroom, kitchen room, and home decoration, by opening a Younique Customized Furniture showroom at Boonthavorn Kaset-Nawamin to create opportunities for Younique's customer base expansion.

- **Younique x Landy Home**

The Company expanded its collaboration with Landy Home (Thailand) Co., Ltd., the number 1 home builder in Thailand to create opportunities to directly reach customers who are building a new house.

Dividend Payment

The Company announced to pay a dividend of 0.15 Baht per share for the period from 1 January to 30 June 2020. The dividend has been paid out on 8 October 2020.

Summary of Operating Results

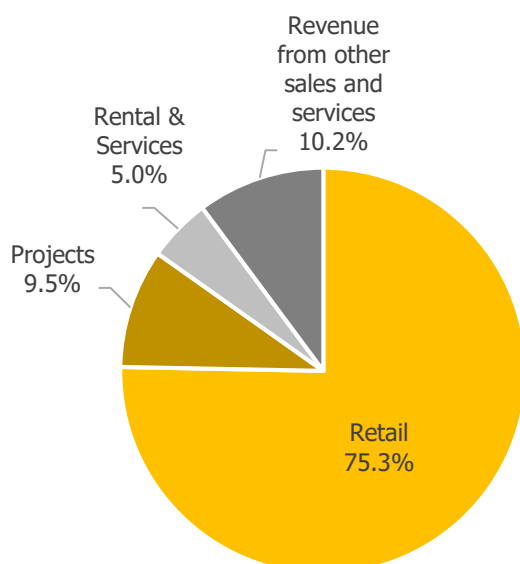
Operating Highlights	Q3/2019	Q2/2020	Q3/2020	Change +/-		9M/2019	9M/2020	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
Revenue from sale of goods	2,275.0	1,746.3	1,857.4	-18.4%	+6.4%	6,828.6	5,680.0	-16.8%
Revenue from rental and rendering of services	146.4	83.5	117.3	-19.9%	+40.6%	413.2	335.6	-18.8%
Operating revenue	2,421.5	1,829.8	1,974.7	-18.4%	+7.9%	7,241.8	6,015.6	-16.9%
Cost of sale of goods	1,249.0	1,001.3	929.7	-25.6%	-7.1%	3,797.9	3,053.5	-19.6%
Cost of rental and rendering of services ^{1/}	78.1	61.4	66.4	-15.0%	+8.2%	229.1	201.1	-12.2%
Cost of sales and services	1,327.1	1,062.7	996.1	-24.9%	-6.3%	4,027.1	3,254.6	-19.2%
Gross profit	1,094.4	767.1	978.6	-10.6%	+27.6%	3,214.7	2,761.0	-14.1%
Other income	27.5	22.9	15.0	-45.2%	-34.2%	79.2	53.8	-32.1%
Selling and distribution expenses	603.7	463.7	490.6	-18.7%	+5.8%	1,778.9	1,491.0	-16.2%
Administrative expenses ^{2/}	313.6	243.3	264.9	-15.5%	+8.9%	919.9	779.2	-15.3%
Finance costs	50.5	77.3	66.8	+32.2%	-13.6%	138.5	228.7	+65.2%
Other expenses (reversal)	-	-	-	-	-	-	-	-
Profit before income tax expenses	154.0	5.7	171.3	+11.3%	+2,918%	456.7	315.8	-30.9%
Tax expenses (reversal)	(11.6)	(8.8)	25.8	+321.6%	+392.0%	1.6	37.5	+2,317%
Profit (loss) attributable to non-controlling interests	0.0	0.0	0.0	+0.0%	-	(0.3)	0.0	+100.7%
Net profit (Loss)	165.6	14.5	145.6	-12.1%	+904%	455.4	278.2	-38.9%

^{1/} Figures after reclassification. Cost of rental and rendering of services before reclassification were Baht 84.0 million in Q3/2019 and Baht 246.6 million in 9M/2019 (figures after reclassification decreased by Baht 5.9 million and Baht 17.5 million, respectively when compared with figures before reclassification)

^{2/} Figures after reclassification. Administrative expenses before reclassification were Baht 307.7 million in Q3/2019 and Baht 902.4 million in 9M/2019 (figures after reclassification increased by Baht 5.9 million and Baht 17.5 million, respectively when compared with figures before reclassification)

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:



**9M/2020 Operating Revenue:
Baht 6,015.6 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 store

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

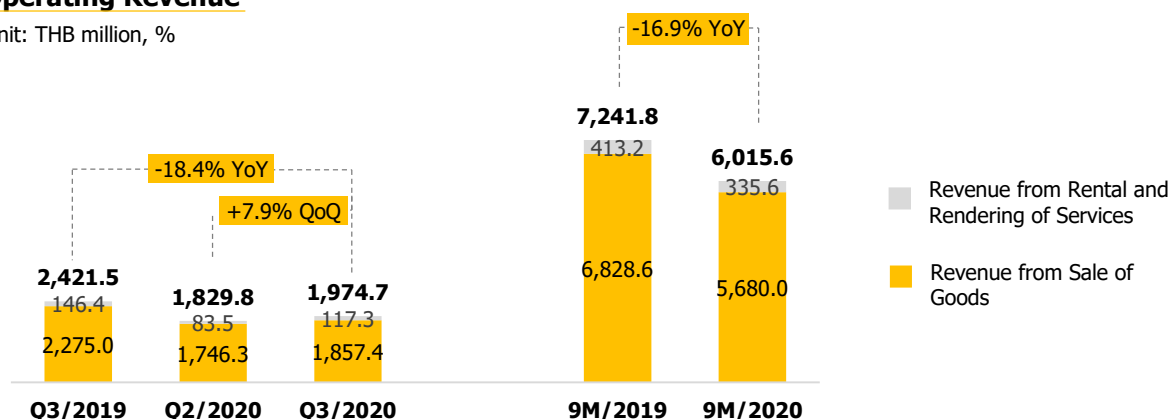
- Revenue from other sales, e.g., revenue from franchise stores, dealers, and online
- Revenue from other services, e.g., delivery, installation services, and revenue from home, such as moving service, cleaning service, sleeping care service, design and build service, etc.

Operating Results

Operating Highlights	Q3/2019	Q2/2020	Q3/2020	Change +/-		9M/2019	9M/2020	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
A. Revenue from sale of goods								
Domestic sales								
1.1 Retail stores	1,852.5	1,276.9	1,579.2	-14.8%	+23.7%	5,582.6	4,530.3	-18.8%
1.2 Projects	281.1	197.5	94.6	-66.3%	-52.1%	849.2	554.1	-34.8%
1.3 Dealers	27.6	23.3	24.5	-11.4%	+5.1%	97.8	71.1	-27.2%
1.4 Online	70.3	204.1	116.3	+65.5%	-43.0%	144.7	399.1	+175.8%
Total revenue from domestic sales	2,231.5	1,701.9	1,814.6	-18.7%	+6.6%	6,674.3	5,554.7	-16.8%
Overseas sales	43.5	44.4	42.8	-1.7%	-3.6%	154.2	125.2	-18.8%
Total revenue from sale of goods	2,275.0	1,746.3	1,857.4	-18.4%	+6.4%	6,828.6	5,680.0	-16.8%
B. Revenue from rental and rendering of services	146.4	83.5	117.3	-19.9%	+40.6%	413.2	335.6	-18.8%
Total operating revenue	2,421.5	1,829.8	1,974.7	-18.4%	+7.9%	7,241.8	6,015.6	-16.9%
Other income	27.5	22.9	15.0	-45.2%	-34.2%	79.2	53.8	-32.1%
Total revenue	2,448.9	1,852.6	1,989.8	-18.7%	+7.4%	7,321.0	6,069.4	-17.1%

1. Operating Revenue

Unit: THB million, %



Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded total operating revenue of Baht 1,974.7 million, decreased by Baht 446.7 million or 18.4% YoY. The decrease was mainly due to the following reasons:
 - Revenue from sale of goods** decreased by Baht 417.6 million or 18.4% YoY. The decrease was mainly due to consumers' cautious spending resulted from concerns about the economy and the COVID-19 pandemic situation. However, online sales continued to grow remarkably by 65.5% YoY, and OEM sales also rose by 117.5% YoY, mainly as a result of the trade war between the U.S. and China, thus the Company has been receiving more orders from the U.S. importers and retailers.
 - Revenue from rental and rendering of services** decreased by Baht 29.1 million or 19.9% YoY, as the Company gave rental discounts to help reduce the burden and alleviate the impact to tenants who have not yet regained sales back to the same level as the pre-COVID-19 situation after the reopening of all stores since 17 May 2020.

*Value may differ by one decimal point due to rounding

Q3/2020 vs Q2/2020 (QoQ)

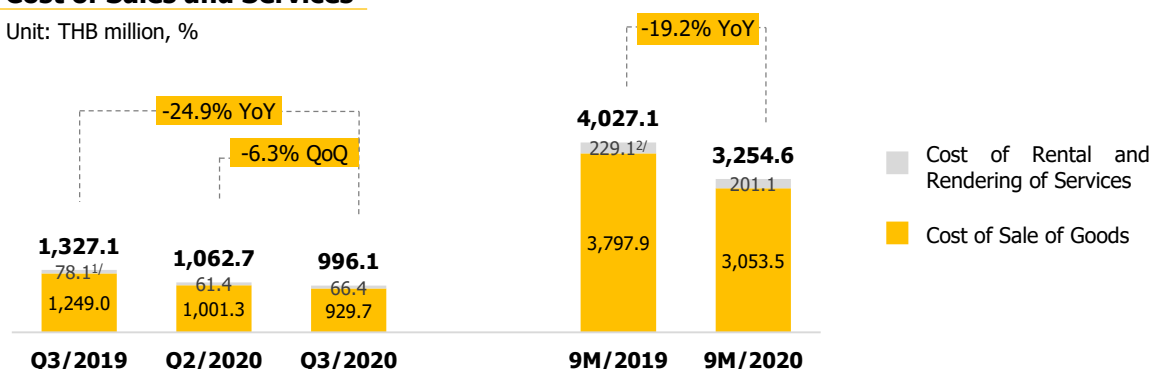
- In Q3/2020, the Company recorded total operating revenue of Baht 1,974.7 million, increased by Baht 145.0 million or 7.9% QoQ. The increase was mainly due to the following reasons:
 - Revenue from sale of goods** increased by Baht 111.1 million or 6.4% QoQ, recovering from Q2/2020 after the government released the lockdown resulting in more economic activities and the reopening of all stores for the full quarter compared to 45 days operation and 46 days closure in Q2/2020.
 - Revenue from rental and rendering of services** increased by Baht 33.9 million or 40.6% QoQ, supported by the reopening of all stores for the full quarter, compared to 45 days operation and 46 days closure in Q2/2020, thus the Company provided less rental discount rates to tenants.

9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, the Company recorded total operating revenue of Baht 6,015.6 million, decreased by Baht 1,226.2 million or 16.9% YoY. The decrease was mainly due to the following reasons:
 - Revenue from sale of goods** decreased by Baht 1,148.6 million or 16.8% YoY due to the temporary store closure between 22 March and 16 May 2020 as well as consumers' cautious spending resulted from concerns about the economy and the COVID-19 pandemic situation. However, online sales continued to grow remarkably by 175.8% YoY, domestic home project sales increased by 16.7% YoY, and OEM sales rose by 106.8% YoY.
 - Revenue from rental and rendering of services** decreased by Baht 77.6 million or 18.8% YoY, mainly due to the temporary store closure between 22 March and 16 May 2020, plus the rental discounts given to help reduce the burden and alleviate the impact to tenants who have not yet regained sales back to the same level as the pre-COVID-19 situation.

2. Cost of Sales and Services

Unit: THB million, %



^{1/} Figure after reclassification. Cost of rental and rendering of services before reclassification in Q3/2019 was Baht 84.0 million (figure after reclassification decreased by Baht 5.9 million from before reclassification)

^{2/} Figure after reclassification. Cost of rental and rendering of services before reclassification in 9M/2019 was Baht 246.6 million (figure after reclassification decreased by Baht 17.5 million from before reclassification)

Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded cost of sales and services of Baht 996.1 million, decreased by Baht 331.0 million or 24.9% YoY. The decrease was mainly due to the following reasons:
 - Cost of sale of goods** decreased by Baht 319.2 million or 25.6% YoY, following the reduced sales. The decrease was also supported by the lower cost of goods and production costs but higher production efficiency, which was resulted from the organization restructuring and the continuous work efficiency improvement, including a reduced number of headcounts, using robots as a replacement of human labor, and using more common parts, e.g., consolidating the particle board thickness, reducing the variety of surface materials, using the standard fitting, such as hinge, drawer rail, slide rail, screw, nut, etc.
 - Cost of rental and rendering of services** decreased by Baht 11.7 million or 15.0% YoY, following lower revenue from rental and rendering of services caused by the temporary store closure. The Company's adoption of TFRS 16 since 1 January 2020 also lowered the cost of rental and rendering of services in Q3/2020 by Baht 3.8 million.

*Value may differ by one decimal point due to rounding

Q3/2020 vs Q2/2020 (QoQ)

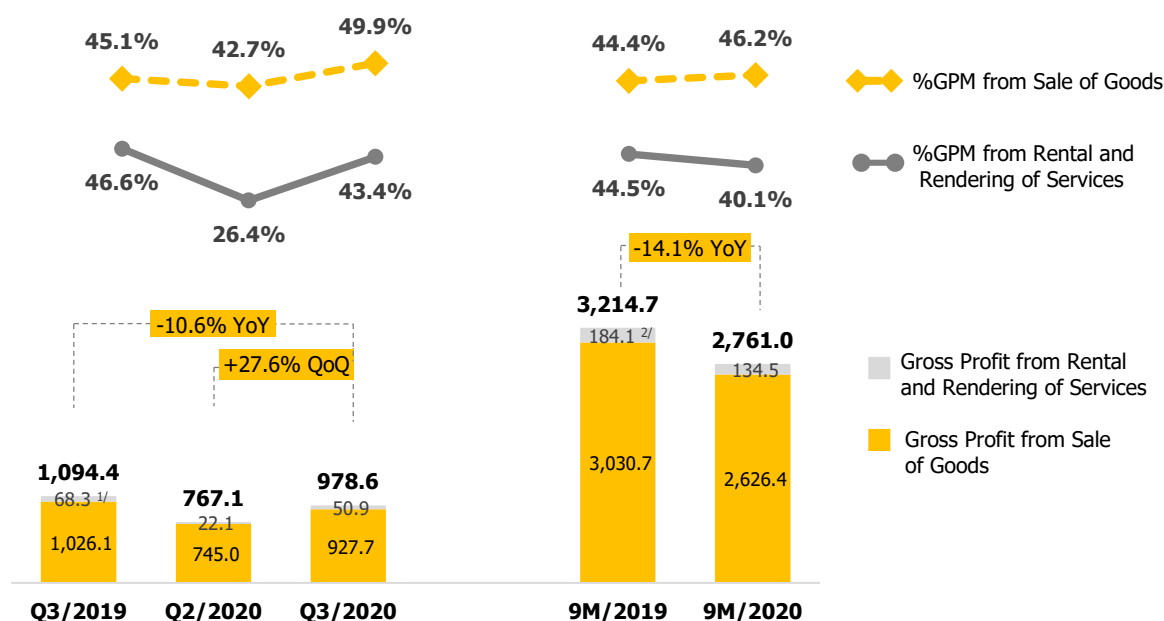
- In Q3/2020, the Company recorded cost of sales and services of Baht 996.1 million, decreased by Baht 66.6 million or 6.3% QoQ. The decrease was mainly due to the following reasons:
 - Cost of sale of goods** decreased by Baht 71.6 million or 7.1% QoQ, despite the sales increase. The decrease in cost of sale of goods was a result of the lower cost of goods and production costs but higher production efficiency.
 - Cost of rental and rendering of services** increased by Baht 5.0 million or 8.2% QoQ, following the increase in revenue from rental and rendering of services after the reopening of all stores for the full quarter.

9M/2020 vs 9M/2020 (YoY)

- In 9M/2020, the Company recorded cost of sales and services of Baht 3,254.6 million, decreased by Baht 772.5 million or 19.2% YoY. The decrease was mainly due to the following reasons:
 - Cost of sale of goods** decreased by Baht 744.4 million or 19.6% YoY, following the reduced sales. The decrease was also supported by the lower cost of goods and production costs but higher production efficiency.
 - Cost of rental and rendering of services** decreased by Baht 28.1 million or 12.2% YoY, following lower revenue from rental and rendering of services caused by the temporary store closure between 22 March and 16 May 2020, which resulted in lower expenses, e.g., employee expenses and utilities expenses. The Company's adoption of TFRS 16 since 1 January 2020 also lowered the cost of rental and rendering of services in 9M/2020 by Baht 11.5 million.

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 Q3/2019 was Baht 62.4 million (figure after reclassification increased by Baht 5.9 million from before reclassification)

^{2/} Figure after reclassification. Gross profit from rental and rendering of services before reclassification in 9M/2019 was Baht 166.6 million (figure after reclassification increased by Baht 17.5 million from before reclassification)

*Value may differ by one decimal point due to rounding

Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded gross profit of Baht 978.6 million, decreased by Baht 115.8 million or 10.6% YoY. The decrease was mainly due to the following reasons:
 - **Gross profit from sale of goods** decreased by Baht 98.4 million or 9.6% YoY, following the reduced sales. However, the Company has managed to achieve an all-time high gross profit margin from sale of goods at 49.9%, supported by lower cost of goods and production costs but higher production efficiency. The Company also has been adjusting the product mix with a higher proportion of sales from higher profit margin products as well as managing sales campaigns efficiently.
 - **Gross profit from rental and rendering of services** decreased by Baht 17.4 million or 25.5% YoY, following the lower revenue from rental and rendering of services as a result of the rental discounts given to tenants to help reduce the burden and alleviate the tenants from the impact of the COVID-19 situation.

Q3/2020 vs Q2/2020 (QoQ)

- In Q3/2020, the Company recorded gross profit of Baht 978.6 million, increased by Baht 211.5 million or 27.6% QoQ. The increase was mainly due to the following reasons:
 - **Gross profit from sale of goods** increased by Baht 182.7 million or 24.5% QoQ, following the higher sales after the government released the lockdown. Plus, the Company managed to achieve an all-time high gross profit margin from sale of goods supported by lower cost of goods and production costs but higher production efficiency. The Company also has been adjusting the product mix with a higher proportion of sales from higher profit margin products as well as managing sales campaigns efficiently.
 - **Gross profit from rental and rendering of services** increased by Baht 28.8 million or 130.6% QoQ, supported by the higher revenue from rental and rendering of services after the reopening of all stores for the full quarter. The Company also gave rental discounts to tenants to help reduce the burden and alleviate the impact of the COVID-19 situation, but the rental discount rates given to tenants were lower compared to Q2/2020.

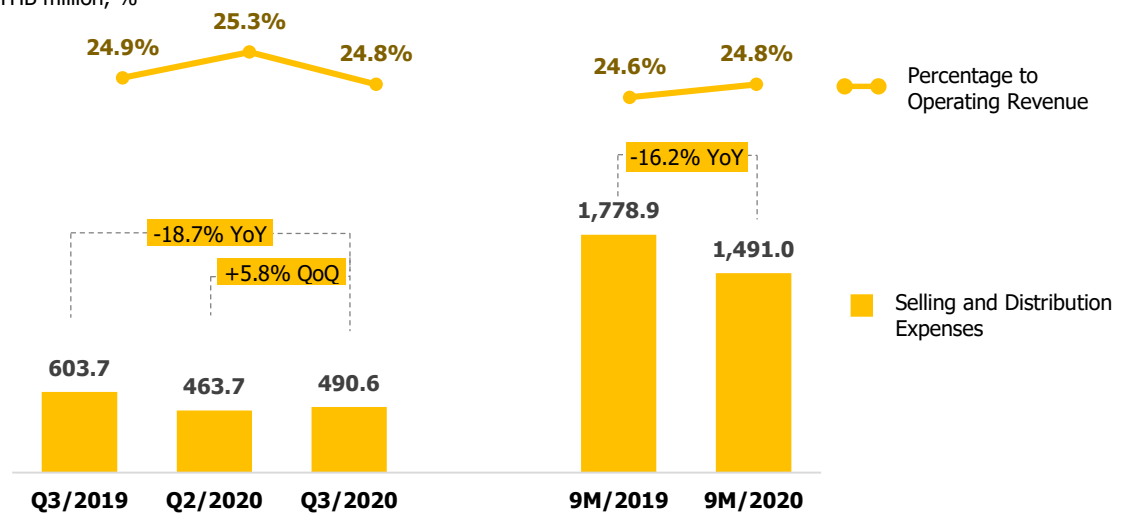
9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, the Company recorded gross profit of Baht 2,761.0 million, decreased by Baht 453.8 million or 14.1% YoY. The decrease was mainly due to the following reasons:
 - **Gross profit from sale of goods** decreased by Baht 404.2 million or 13.3% YoY, following the lower sales from the temporary store closure. However, gross profit margin managed to improve YoY despite the lower sales mainly due to lower cost of goods as well as production costs but higher production efficiency. The Company also has been adjusting the product mix with a higher proportion of sales from higher profit margin products as well as managing sales campaigns efficiently.
 - **Gross profit from rental and rendering of services** decreased by Baht 49.5 million or 26.9% YoY, following the lower revenue from rental and rendering of services as a result of rental discounts given to tenants due to the temporary store closure between 22 March and 16 May 2020. The Company also continued to provide rental discounts to help reduce the burden and alleviate the impact to tenants who have not yet regained sales back to the same level as the pre-COVID-19 situation after the reopening of all stores since 17 May 2020.

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

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.

Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded selling and distribution expenses of Baht 490.6 million, decreased by Baht 113.1 million or 18.7% YoY, following the lower operating revenue. The decrease was also due to improved cost management such as employee expenses, utilities expenses, and promotional expenses. Another factor for the decreased expense was the adoption of TFRS 16 since 1 January 2020, which lowered the Q3/2020 selling and distribution expenses by Baht 26.7 million.
- The percentage of selling and distribution expenses to operating revenue slightly decreased YoY mainly due to improved cost management.

Q3/2020 vs Q2/2020 (QoQ)

- In Q3/2020, the Company recorded selling and distribution expenses of Baht 490.6 million, increased by Baht 27.0 million or 5.8% QoQ, following the higher operating revenue from the reopening of all stores for the full quarter compared to 45 days operation and 46 days closure in Q2/2020. The increased selling and distribution expenses included employee expenses and utilities expenses, etc.
- The percentage of selling and distribution expenses to operating revenue decreased QoQ, mainly due to the higher operating revenue and improved cost management.

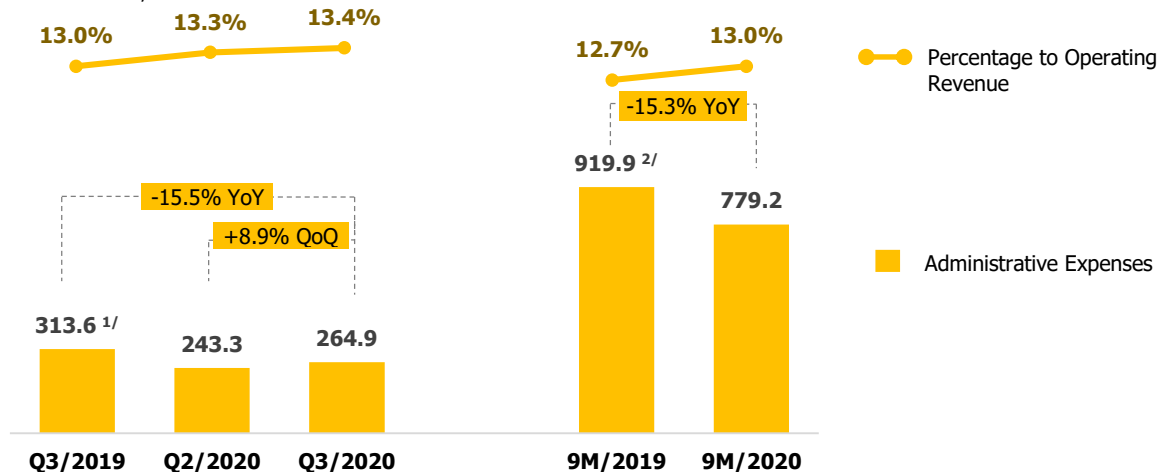
9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, the Company recorded selling and distribution expenses of Baht 1,491.0 million, decreased by Baht 287.9 million or 16.2% YoY. The decrease was mainly due to lower sales and lower store-related expenses following the temporary store closure between 22 March and 16 May 2020 as well as improved cost management such as employee expenses, utilities expenses, and promotional expenses. Another factor for the decrease was the adoption of TFRS 16 since 1 January 2020, which lowered the 9M/2020 selling and distribution expenses by Baht 80.0 million.
- The percentage of selling and distribution expenses to operating revenue slightly increased YoY, mainly due to the lower operating revenue, despite improved cost management.

*Value may differ by one decimal point due to rounding

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 Q3/2019 was Baht 307.7 million (figure after reclassification increased by Baht 5.9 million from before reclassification)

^{2/} Figure after reclassification. Administrative expenses before reclassification in 9M/2019 was Baht 902.4 million (figure after reclassification increased by Baht 17.5 million from before reclassification)

Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded administrative expenses of Baht 264.9 million, decreased by Baht 48.7 million or 15.5% YoY. The decrease was mainly due to improved cost management, including employee expenses, utilities expenses, and other expenses. Another factor for the decreased expense was the adoption of TFRS 16 since 1 January 2020, which lowered the Q3/2020 administrative expenses by Baht 5.5 million.
- The percentage of administrative expenses to operating revenue increased YoY, mainly due to the lower operating revenue despite improved cost management.

Q3/2020 vs Q2/2020 (QoQ)

- In Q3/2020, the Company recorded administrative expenses of Baht 264.9 million, increased by Baht 21.6 million or 8.9% QoQ. The increase was mainly due to the full quarter operation without the no-work-no-pay period and employee expenses reduction as occurred in Q2/2020. Another factor for the higher administrative expenses was the higher delivery cost following higher sales.
- The percentage of administrative expenses to operating revenue slightly increased QoQ, mainly due to no no-work-no-pay period and employee expenses reduction as occurred in Q2/2020.

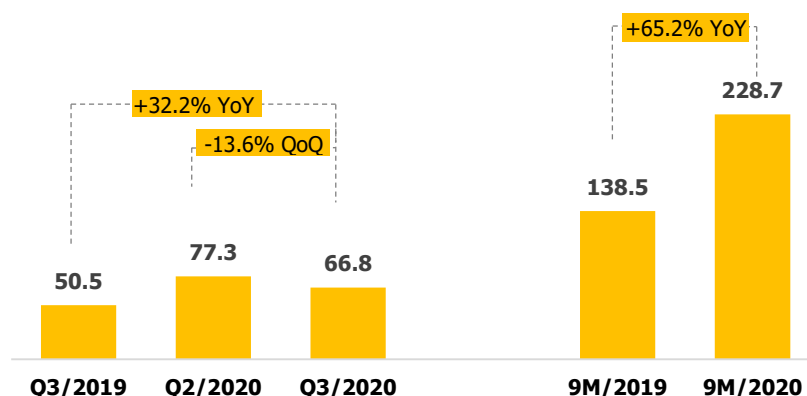
9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, The Company recorded administrative expenses of Baht 779.2 million, decreased by Baht 140.7 million or 15.3% YoY. The decrease was mainly due to improved cost management including employee expenses, delivery costs, and utilities expenses. Another factor for the decreased expense was the adoption of TFRS 16 since 1 January 2020, which lowered the 9M/2020 administrative expenses by Baht 16.4 million.
- The percentage of administrative expenses to operating revenue slightly increased YoY mainly due to lower operating revenue despite improved cost management.

*Value may differ by one decimal point due to rounding

6. Finance Costs

Unit: THB million, %



Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded finance costs of Baht 66.8 million, increased by Baht 16.3 million or 32.2% YoY. The increase was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in higher interest expenses by Baht 43.9 million. If excluding the impact of TFRS 16, the Q3/2020 finance costs would be Baht 22.9 million, decreased by Baht 27.6 million or 54.7% YoY mainly due to the continuous repayment of loans from financial institutions.

Interest-bearing debt at the end of Q3/2020 was Baht 6,023.6 million, increased by Baht 1,047.8 million or 21.1% from Baht 4,975.8 million at the end of Q3/2019, mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in higher lease liabilities by Baht 2,738.3 million.

Borrowings from financial institutions at the end of Q3/2020 were Baht 3,294.6 million, decreased by Baht 1,656.8 million or 33.5% from Baht 4,951.4 million at the end of Q3/2019.

Q3/2020 vs Q2/2020 (QoQ)

- In Q3/2020, the Company recorded finance costs of Baht 66.8 million, decreased by Baht 10.5 million or 13.6% QoQ. If excluding the impact of TFRS 16, the Q3/2020 finance costs would decrease by Baht 10.6 million or 31.6% QoQ mainly due to the continuous repayment of loans from financial institutions.

Interest-bearing debt at the end of Q3/2020 was Baht 6,023.6 million, decreased by Baht 476.1 million or 7.3% from Baht 6,499.7 million at the end of Q2/2020.

Borrowings from financial institutions at the end of Q3/2020 were Baht 3,294.6 million, decreased by Baht 465.9 million or 12.4% from Baht 3,760.5 million at the end of Q2/2020.

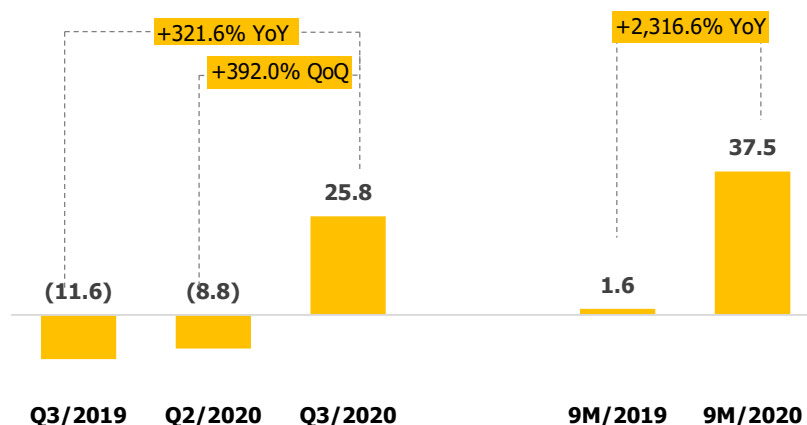
9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, the Company recorded finance costs of Baht 228.7 million, increased by Baht 90.3 million or 65.2% YoY. The increase was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in higher interest expenses by Baht 131.6 million. If excluding the impact of TFRS 16, the 9M/2020 finance costs would be Baht 97.1 million, decreased by Baht 41.3 million or 29.9% YoY mainly due to the continuous repayment of loans from financial institutions resulting in lower interest-bearing debt as well as reduced loan interest rates.

*Value may differ by one decimal point due to rounding

7. Tax Expenses (Income)

Unit: THB million, %

**Q3/2020 vs Q3/2019 (YoY)**

- In Q3/2020, the Company recorded tax expenses of Baht 25.8 million, compared with tax income of Baht 11.6 million in Q3/2019, mainly due to the tax incentives of Baht 25.5 million from BOI the Company received in Q3/2019.

Q3/2020 vs Q2/2020 (QoQ)

- In Q3/2020, the Company recorded tax expenses of Baht 25.8 million, compared with a tax income of Baht 8.8 million in Q2/2020, mainly as a result of the Q2/2020 net loss in separate financial statements (after deducting dividend income) due to the temporary store closure of 46 days out of 91 operating days.

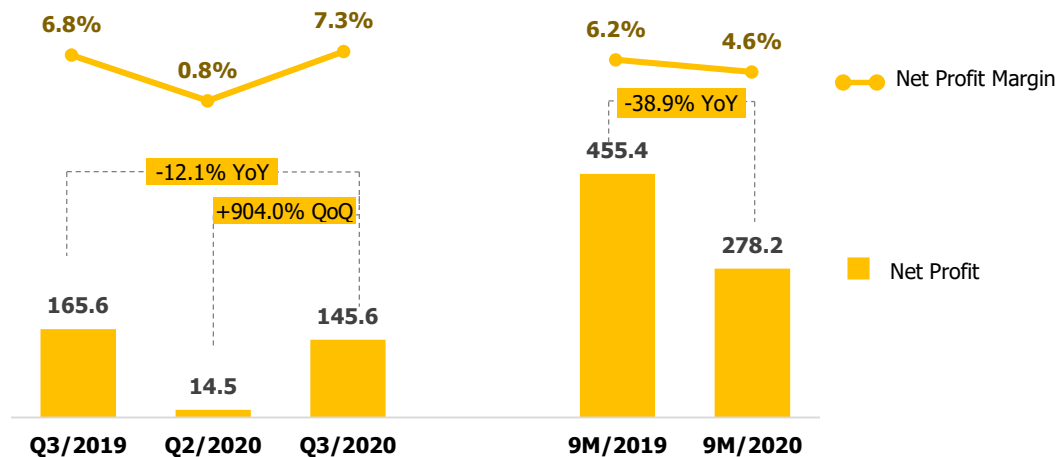
9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, The Company recorded tax expenses of Baht 37.5 million, increased by Baht 36.0 million or 2,316.6% YoY due to the tax incentives of Baht 60.3 from BOI for the operating results of 9M/2019.

*Value may differ by one decimal point due to rounding

8. Net Profit and Net Profit Margin

Unit: THB million, %



Q3/2020 vs Q3/2019 (YoY)

- In Q3/2020, the Company recorded a net profit of Baht 145.6 million, decreased by Baht 20.0 million or 12.1% YoY. The decrease was mainly due to the following reasons:
 - The decrease in operating revenue due to consumers' cautious spending resulted from concerns about the economy and the COVID-19 pandemic situation.
 - The adoption of TFRS 16 since 1 January 2020, which caused the lower net profit by Baht 6.3 million from the recognition of higher depreciation and interest expenses.
 - The Company has not yet utilized another tax benefit of approximately Baht 70.0 million from the investment in new machinery, which can be utilized for 3 years from the start, while the Company recognized a tax benefit of Baht 25.5 million in Q3/2019.

Q3/2020 vs Q2/2020 (QoQ)

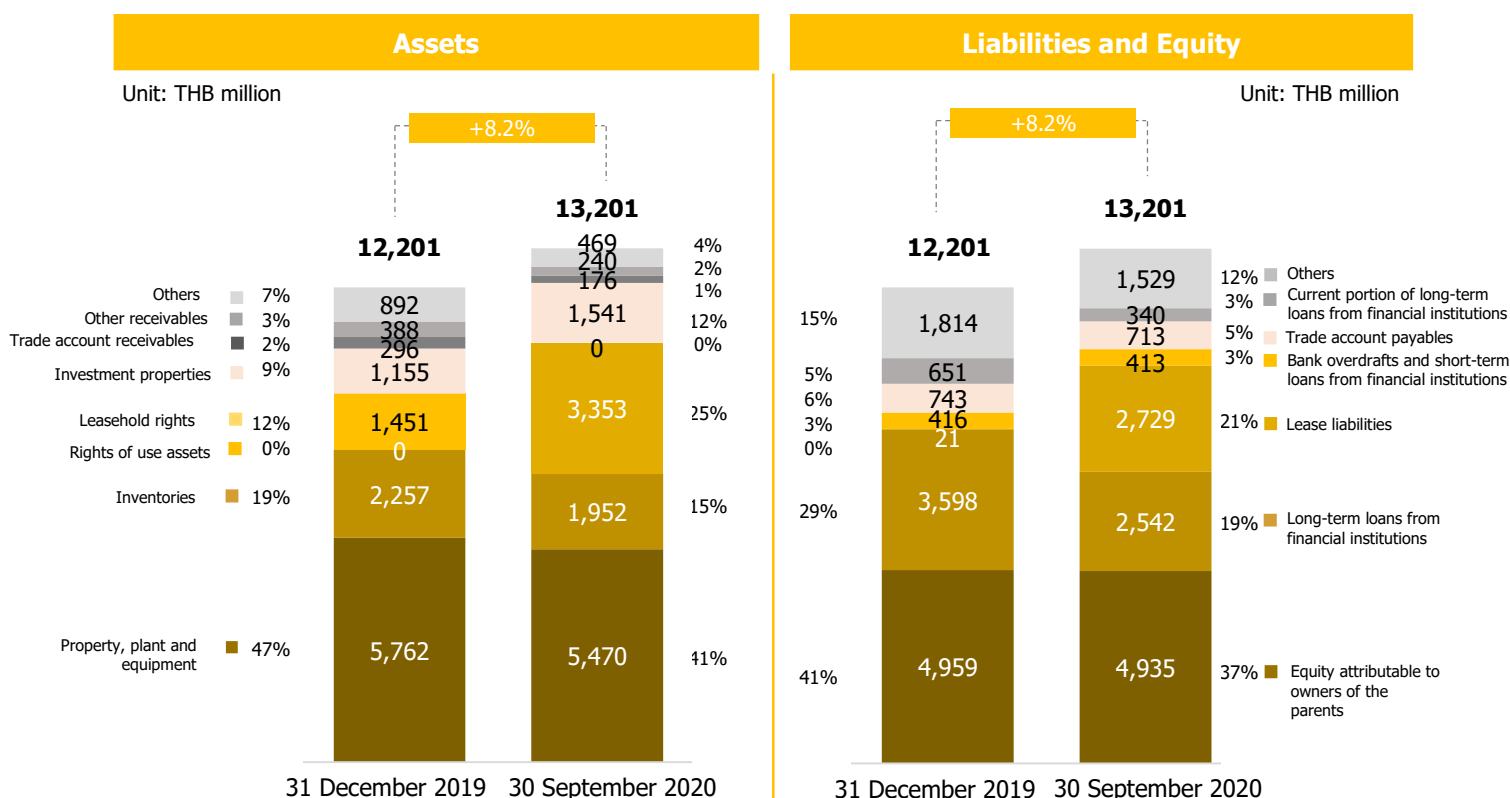
- In Q3/2020, the Company recorded a net profit of Baht 145.6 million, increased by Baht 131.1 million or 904.0% QoQ. The increase was mainly due to the following reasons:
 - The increase in operating revenue QoQ, supported by the reopening of all stores for the full quarter after the government released the lockdown, compared to Q2/2020, in which the Company operated 45 days and closed 46 days.
 - Higher gross profit margin, which was an all-time high since the operation due to the lower cost of goods and production costs but higher production efficiency. The Company also has been adjusting the product mix with a higher proportion of sales from higher profit margin products as well as managing sales campaigns efficiently.
 - Lower finance costs, supported by the continuous loan repayment to financial institutional.

9M/2020 vs 9M/2019 (YoY)

- In 9M/2020, the Company recorded a net profit of Baht 278.2 million, decreased by Baht 177.2 million or 38.9% YoY. The decrease was mainly due to the following reasons:
 - Decreased operating revenue as a result of the temporary store closure between 22 March and 16 May 2020 as well as consumers' cautious spending resulted from concerns about the economy and the COVID-19 pandemic situation.
 - The adoption of TFRS 16 since 1 January 2020, which caused the lower net profit by Baht 18.9 million from the recognition of higher depreciation and interest expenses.
 - The Company has not yet utilized another tax benefit of approximately Baht 70.0 million from the investment in new machinery, which can be utilized for 3 years from the start, while the Company recognized a tax benefit of Baht 60.3 million in 9M/2019.

*Value may differ by one decimal point due to rounding

Statement of Financial Position



Assets

- As at 30 September 2020, the Company had total assets of Baht 13,200.6 million, increased by Baht 999.2 million, or 8.2% from Baht 12,201.4 million as at 31 December 2019. The increase in assets was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in the increased 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 lower leasehold rights by Baht 1,451.3 million and lower property, plant and equipment by Baht 27.3 million.
- As at 30 September 2020, the Company had inventories of Baht 1,951.7 million, decreased by Baht 305.6 million or 13.5% from Baht 2,257.3 million as at 31 December 2019. The decreased inventories was mainly due to the improved supply chain management, despite an increase from Baht 1,773.4 million as at 30 June 2020, which was a result of the higher stock for project customers waiting for delivery and stock for stores to support the sales increase after the government released the lockdown.

Liabilities

- As at 30 September 2020, the Company had total liabilities of Baht 8,264.0 million, increased by Baht 1,022.6 million, or 14.1% from Baht 7,241.4 million as at 31 December 2019. The increase in liabilities was mainly due to the adoption of TFRS 16 since 1 January 2020, which resulted in the increased liabilities by Baht 2,436.4 million, comprising of higher lease liabilities by Baht 2,738.3 million but decreased other payables by Baht 301.9 million. However, borrowings from financial institutions at the end of Q3/2020 were Baht 3,294.6 million, decreased by Baht 1,370.1 million, or 29.4% from Baht 4,664.7 million at the end of Q4/2019.

Equity

- As at 30 September 2020, the Company had equity attributable to owners of the parent of Baht 4,935.4 million, decreased by Baht 23.4 million or 0.5% from Baht 4,958.7 million as at 31 December 2019. The decrease in equity was mainly due to the dividend payment to shareholders at Baht 0.46 per share for the 2019 operating performance, totaling Baht 232.3 million, plus the Company's announcement for an interim dividend of Baht 0.15 per share for the first half of 2020 operating performance, totaling Baht 75.8 million.

*Value may differ by one decimal point due to rounding

Future Outlook

"Shop Dee Mee Kuen", the Government's Economic Stimulate Measure

The Company expects that "Shop Dee Me Kuen", the government's economic stimulus measure, will help boost the Company's sales and operating results for the last quarter of the year. Taxpayers can use the tax invoice to reduce the 2020 income tax when purchasing goods and services between 23 October and 31 December 2020 in an amount not exceeding Baht 30,000.

Maintaining the Company's High Gross Profit Margin

The Company has been increasing gross profit margin from sales continuously, and it is determined to maintain it at a high level in the future after reaching an all-time in Q3/2020 at 49.9% since the Company has been managing to reduce costs and increase production efficiency continuously. The Company also has been putting an effort to uplift the selling price and gross profit margin of new collection products, increase sales proportion of high-profit margin products, as well as managing sales campaigns efficiently.

Continuously Reducing Operating Expenses

The Company has continuously improved the work process for efficiency enhancement, together with the decrease in the number of headcounts, resulting in a significant reduction in operating costs. Consequently, for 9M/2020, The Company reduced the SG&A by Baht 428.5 million or 15.9% compared to the same period last year. The Company has implemented policies to consistently control the costs, driving to improve profitability in the future, especially when the economy returns to the pre-COVID-19 pandemic level.

Reducing Inventories without Losing Sales Opportunities

The Company has implemented a policy to reduce inventories continuously since 2019. The Company has cautiously planned and implemented the inventory reduction process to avoid the stock shortage or loss of sales opportunities. Consequently, inventories have been decreasing from Baht 2,378.9 million at the end of 2018 to Baht 2,257.3 million at the end of 2019, and Baht 1,951.7 million at the end of Q3/2020, decreased by Baht 305.6 million or 13.5% from at the end of 2019 mainly due to improved supply chain management.

As at Q3/2020, The Company's inventories increased from Q2/2020 due to the higher stock for project customers waiting for delivery and stock for stores to support the sales increase after the government released the lockdown. However, The Company has the policy to continue reducing inventories in the future to decrease storage costs, operating costs as well as increasing liquidity of the business.

