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February 22, 2021

Re: Management Discussion and Analysis (MD&A) for the year of 2020

To: The President

The Stock Exchange of Thailand

CP All Public Company Limited (CPALL) would like to clarify operating results for the year of 2020 which the Company and its subsidiaries reported net profit of Baht 16,102 million. The main reasons are as follows:

Total Revenues

In 2020, CPALL's total revenues were Baht 546,590 million, decreased 4.3% from last year. Sales revenue and services income were Baht 525,884 million, decreased 4.5% from last year. Convenience store business was significantly affected from economic negative factors and lower consumer purchasing power, as well as the impact of COVID-19 control measures resulting in a decrease in the number of customers footfall to stores. While the cash & carry business under the name "Siam Makro" can maintain a certain growth in revenue from sales and services which driven from the sales growth of the Makro Thailand and stores in India and Cambodia.

Total revenues before elimination contributed from three businesses were, (Group 1) convenience store business accounted for 55 percent (Group 2) membership based Cash & Carry trade centers accounted for 37 percent, and (Group 3) other businesses in Thailand accounted for 8 percent. However, the income proportion of (Group 2) and (Group 3) increased from the previous year due to the higher income while (Group 1) the income decreased compared to the previous year.

Gross Profit

In 2020, CPALL's gross profit was Baht 115,004 million, decreased by 7.9 percent from last year. This was mainly due to the drop in sales revenue of the convenience store business, especially products with a higher gross margin while Makro business can sustain gross profit growth. From a decrease in gross profit of the convenience store business resulted to the gross profit margin of CPALL fell to 21.9 percent from 22.7 in 2019.

Distribution Costs and Administrative Expenses

In 2020, CPALL's distribution costs and administrative expenses fell to Baht 107,858 million, decreased by 3.3 percent from last year.

Distribution costs were Baht 91,136 million or down 2.4 percent YoY. Amidst the economic slowdown and challenging revenue from sales including striving to achieve its long term plan in regard to store



expansion, to overcome these challenges, CPALL managed and implement a stringent and efficient cost control. The lower expenses mainly came from employee benefits expense, store management fees, and others supply used. In addition, from 1 January 2020 CPALL initially applied financial instruments standards - TFRS 16 Leases and recognized right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because CPALL recognized depreciation of right-of-use assets and interest expense on lease liabilities instead of rent expense as previous.

Administrative expenses were Baht 16,723 million or down 8.0 percent YoY. The lower expenses mainly came from employee benefits expense including a pause on the Employee Joint Investment Program (EJIP) in order to alleviate impacts and troubles for employees and their families from the pandemic of COVID-19.

Costs and Expenses	FY2020
Employee Benefits	28.2%
Store management fees	17.8%
Rental and depreciation and amortization	17.9%
Advertising and sale promotion	13.3%
Utilities and others	22.8%
Total	100.0%

Profit Before Tax and Net Profit

In 2020, profit before tax was Baht 19,262 million, down 28.0 percent YoY. Net profit was Baht 16,102 million, down 27.9 percent from last year. This was mainly due to an effect of weak economic factor resulted from COVID-19 pandemic as mentioned above, including an increase of finance cost resulted from an adoption of TFRS 16. CPALL's earnings per share in the consolidated financial statement in 2020 was Baht 1.68.

Profit before tax before elimination be contributed from three businesses in 2020 were (Group 1) convenience store business accounted for 54 percent (Group 2) membership based Cash & Carry trade centers accounted for 29 percent, and (Group 3) other businesses in Thailand accounted for 17 percent. Profit contribution of (Group 2) and (Group 3) increased YoY due to the higher profit growth compared with (Group 1), the profit decreased YoY. This is because the convenience store business is significantly impacted by negative economic factors.



Operating Results by Business Segments

Convenience Store Business

In 2020, CPALL continued to expand “7-Eleven” stores to serve convenience to all communities in Bangkok and provincial areas. The new stores were in various store type including corporate, store business partner (SBP) and sub-area, where some were stand-alone stores and other were in PTT gas stations. The Company has planned to open 700 new stores per year, which during 2020 CPALL has successfully opened 720 new stores. At the end of 2020, CPALL operated 12,432 stores nationwide, which can be broken down into 5,685 corporate stores (46 percent of total stores), an increase of 470 stores, 5,919 SBP stores (47 percent of total stores), an increase of 232 stores, and 828 sub-area stores (7 percent of total stores) an increase of 18 stores.

Regarding products and services, CPALL strived to become “the convenience food store of Thais” with the continuous improvement in food and beverages and new products. These products has received great feedback from customer as lifestyles get busier and looking for convenience. In 2020, food and beverage products accounted for 71.4 percent of sales mix, while non-food items (excluding phone cards) accounted for 28.6 percent. The sales mix from both groups was similar to the previous year.

In 2020 the convenience store business had total sales revenue and service income of Baht 300,705 million, decreased by Baht 33,356 million or 10.0 percent YoY. Meanwhile, SSSG was minus at 14.5 percent in 2020 and posted average sales of Baht 70,851 per store per day. In 2020, average spending per ticket was at Baht 75 and there were 949 customer visits per store per day. Nevertheless, COVID-19 pandemic has ushered in changes in consumer behavior. In the midst of these changes, the convenience store business has been proactive in transforming its business strategy at this crucial time in order to maintain existing customer base and to cover new customer base. 7-Eleven products can now be accessed through different channels and platforms under the concept of a convenient. Customer can access through physical stores, vending machine, as well as online platform i.e. ALL Online via 7-Eleven.TH Application, ShopAt 24, including on-demand delivery via Line or 7-delivery application, where customers can choose to receive their products at their chosen destination or at a 7-Eleven store. CPALL’s efforts resulted in great revenue from sales but it was not great enough to overcome physical store sales fall from COVID-19 impact.

Gross profit amounted to Baht 83,724 million, decreased by 10,103 million or 10.8 percent YoY, yet gross profit margin decreased to 27.8 percent from 28.1 percent in 2019. The main reason is revenue from sales of products and services not meeting the target resulting in lower operating leverage at distribution centers. In addition, the contribution of revenue from sales of high-margin products declined.

Meantime, other income of the convenience store business increased to Baht 20,572 million in 2020, or an increase of Baht 652 million or 3.3 percent from last year as mainly from higher sales promotion income from co-promotion campaigns with suppliers under unfavorable economic factors together with a decline in



consumer purchasing power in order to boost sales such as premiums redemption and point collection campaign.

Distribution cost and administrative expenses were Baht 89,134 million in 2020, or a decrease of Baht 3,343 million or 3.6 percent YoY. CPALL strived to control expenses tightly and to be as efficient as possible, although 7-Eleven maintained new store roll-out at 720 stores, as well as offering different channels and platforms for its customers. The lower expenses mainly came from employee benefits expense, store management fees. However, the separate financial statement recognized additional depreciation and amortization as well as finance cost instead of rent expense as previous due to an initially apply financial instruments standards - TFRS 16 Leases.

Operating profit of the convenience store business was Baht 22,415 million, decreased by 20.9 percent from last year, while net profit was Baht 14,298 million, decreased by 29.1 percent YoY.

Other Businesses

Other businesses comprise of bill payment services, manufacturing and sale of ready-to-eat food and bakery products, distribution and maintenance of retail equipment and other businesses that mainly support the convenience store business. The Company remained active to develop new products or services that match with customer demand such as negotiating with the business partners to expand service channels of Counter Service or e-commerce retailing to provide convenience to customer, as well as build up revenue growth in the future.

In 2020, profit before tax was Baht 4,543 million, increased by 9.4 percent from last year.

Cash & Carry Trade Centers

In 2020, Cash & Carry Trade Centers profit before tax was Baht 8,051 million increased by 7.3 percent YoY due to an increase of revenue from sales together with well management of operating expenses. (Note: investors can find additional details in MD&A for the year 2020 of Siam Makro)

As at December 31, 2020, CPALL's net debt to adjusted equity according to definition of bond covenants was at 1.62 times, increased from 0.94 times in 2019 since CPALL has added long-term financial institutions loan in order to invest in associates. CPALL is obligated to comply with bond covenants with net debt to equity ratio a based on the consolidated financial statements for the period ended 31 December of each year, which covenants is 2:1.



Management Outlook for Convenience Store Business in 2021

Store expansion	Following our plan we will remain active in our new store rollouts following the growth of communities, various infrastructures, tourist destinations and other high potential areas in order to serve convenience to all communities. Thus, we plan to open approximately 700 new stores in 2021.
Sales and services revenue growth	The Company expects to continue delivering sales and services revenue growth as driven from contribution from new store and positive SSSG, which we forecast to grow in line with the projected economic growth in Thailand (GDP growth). However, this is subjected to other factors including inflation rate and private consumption growth.
Gross profit margin	Gross profit margin advancement is expected to continue on the back of our product strategy in order to cater to consumer demand. We also continue to drive higher sales participation of the higher-margin products in both food and non-food categories.
CAPEX	<p>CAPEX is projected to be approximately Baht 11,500-12,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> ● Stores expansion 3,800 - 4,000 ● Stores renovation 2,400 - 2,500 ● Investment in new project, subsidiaries and DC 4,000 - 4,100 ● Fixed assets and IT system 1,300 - 1,400

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart

Chief Financial Officer

Authorized to sign on behalf of the Company