



No. IDR 14/2021

Date: 11 August 2021

Re: Management Discussion and Analysis (MD&A) for the Second Quarter of 2021

To: The President

The Stock Exchange of Thailand

CP All Public Company Limited (the Company or CPALL) would like to report operating results for the second quarter of 2021 which the Company and its subsidiaries reported net profit of Baht 2,190 million. The main reasons are as follows:

#### **Total Revenue**

CPALL reported total revenue at amount of Baht 137,675 million, increased by 7.5 YoY which was mainly from the adjustment of merchandising and service strategies, including the O2O strategy of each business unit to cope with the COVID-19 current situation, given the advantage from low base from the same period of last year. However, at the end of the second quarter, when the pandemic situation worsened, the government imposed various control measures including less mobility and travel along with night curfew in high infected provinces which such factors had a negative impact on the retail business.

#### **Gross Profit**

In 2Q21, CPALL recognized gross profit from sales and services at Baht 28,063 million, increased by 6.1 percent YoY as a result of gross profit growth from both convenience store business and cash and carry business.

Consolidated gross profit margin to revenue from sales and services was 21.2 percent in this quarter, decreased from 21.5 percent in 2Q20, mainly due to the decrease in proportion of high margin products for convenience store business which was a consequence of the pandemic. In addition, the proportion of gross profit from the cash and carry business also increased.



### Distribution Costs and Administrative Expenses

In 2Q21, CPALL reported proportion of distribution costs and administrative expenses as follows

<b>Costs and Expenses</b>	<b>2Q21</b>
Employee benefits	29.1%
Store management fees	17.0%
Rental and depreciation and amortization	17.9%
Advertising and sale promotion	13.7%
Utilities and others	22.3%
<b>Total</b>	<b>100.0%</b>

CPALL had distribution costs and administrative expenses at amount of Baht 27,438 million, increased by 5.5 percent YoY which lower than revenue growth as a result of the stringent and efficient cost control program together with leveraging existing resources. For distribution costs, it was Baht 23,339 million, increased by 5.9 percent YoY, along with an increase in administrative expenses to Baht 4,099 million, 3.2 percent increased YoY. The increase was mainly due to expenses which varied according to the increase in sales, such as employee benefits, store management fees and etc.,.

### Profit before Interest and Tax Expense, and Net Profit

In 2Q21, in accordance with efficient cost control, CPALL recognized profit before interest and tax expense at Baht 6,025 million, increased by 12.6 percent YoY.

However, the Company had higher finance cost from the increase of borrowing together with repayment of borrowing from financial institutions before maturity by issuing Thai Baht debentures with fixed interest rates during the quarter. Therefore, the Company reported net profit at amount of Baht 2,190 million, decreased by 24.2 YoY.

According to the consolidated financial statements in 2Q21, earnings per share was Baht 0.22.

### Proportion of Total Revenue and Profit before Tax Expense before Elimination Contributed from Major Businesses

In 1H21, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 63 percent and (2) cash & carry business accounted for 37 percent. The proportion of revenue contribution from (1) convenience store business and other businesses decreased from the same period of last year due to lower revenue growth than (2) cash & carry business.



Profit before tax before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 65 percent and (2) cash & carry business accounted for 35 percent. Proportion of profit before tax contribution from (1) convenience store business and other businesses dropped from the same period last year as a result of lower profit before tax growth than (2) cash & carry business.

### **Operating Results of the Convenience Store Business**

In 2Q21, the convenience store business opened a total of 156 new stores. At the end of the 2Q21, CPALL had a total of 12,743 stores, divided into

- (1) 5,934 corporate stores (47 percent of total stores), or a net new store of 118 stores in this quarter.
- (2) 6,809 SBP and sub-area stores (53 percent of total stores), or a net new store of 38 stores in this quarter.

Majority of our stores were stand-alone, accounted for 8.5 percent of total stores, while the rest proportion of total stores were in PTT gas stations.

In 2Q21, the convenience store business reported revenue from sales and services of Baht 74,971 million, increased by 6.6 percent YoY. Average sales per store per day was Baht 67,767, along with convenience store business SSSG which reported at 2.1 percent. For average spending per ticket was approximately at Baht 82 and there were 823 customer visits per store per day. Nevertheless, CPALL had adjusted strategies, including the implementation of O2O strategy since last year, such as 7-Eleven Delivery, All Online and 24Shopping, to satisfy customers' needs in this situation and intended to provide customers with conveniently and promptly access to various consumer products, including products in 7-Eleven stores for both delivery service or pick up at the store which received higher response from customers continuously, also increased sales revenue that able to offset the impact from the situation.

In 2Q21, 74.9 percent of revenue from sales was contributed from food products and 25.1 percent was contributed from non-food products (excluding phone cards). Revenue from sales of food products increased mainly from ready-to-eat food and beverage category, along with low base in the same period of last year.

In 2Q21, gross profit was Baht 20,765 million, increased by 7.0 percent YoY. Gross profit margin was at 27.7 percent which closed to the margin in 2Q20. Nevertheless, CPALL has been trying to enhance an increase in gross profit by launching products that suitable with the situation, such as budget meals and products packed in family sizes or large packs, etc.

In addition, convenience store business recognized other income at Baht 5,380 million, increased by Baht 364 million or 7.3 percent YoY. The Company also recognized dividend income from subsidiaries at amount of Baht 4,245 million, increased by Baht 79 million YoY.



In 2Q21, distribution costs and administrative expenses were Baht 22,809 million, increased by Baht 1,369 million or 6.4 percent YoY. The increase was mainly due to employee benefits expense, store management fee and depreciation which varied according to revenue and the opening of new stores. However, the Company continued to maintain stringent and efficient cost control.

In 2Q21, convenience store business recognized profit before finance costs and tax expense was Baht 7,894 million, increased by 9.1 percent YoY and reported net profit at Baht 4,822 million, decreased by 12.1 percent YoY.

### **Outlook for Convenience Store Business in 2021**

In accordance with the current situation of the COVID-19 pandemic that still had negatively impact on 1H21 revenue and cost, along with other uncertainties that may impact to the purchasing power and the Company's operation in the future. Therefore, business forecasting has opportunity to adjust, depends on situations. However, CPALL has closely monitored the situation and attempt to minimize the impact on our business as possible. Also, ensuring that employees, customers, store business partners and business partners are safe and able to pass through this challenging time as well.

### **Projected Investment CAPEX**

CPALL plans to expand around 700 new stores in 2021. Projected Investment CAPEX around Baht 11,500 – 12,000 million, details as follows:

	(Unit : MB)
• Stores expansion	3,800 - 4,000
• Stores renovation	2,400 - 2,500
• Investment in new projects, subsidiaries & DC	4,000 - 4,100
• Fixed assets & 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