



No. IDR 23/2021

Date: 11 November 2021

Re: Management Discussion and Analysis (MD&A) for the Third 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 third quarter of 2021 which the Company and its subsidiaries reported net profit of Baht 1,493 million. The main reasons are as follows:

Total Revenue

CPALL reported total revenue at amount of Baht 130,344 million, decreased by 3.8 percent YoY which mainly from the stricter protective measures to control COVID-19 since the end of the second quarter such as night curfew in 29 provinces which affected to a decrease of operating hours. However, employing offline to online strategy (O2O) was able to offset some impact mentioned above as it offered another distribution channel of goods and services that responded to the change of customer behavior.

Gross Profit

In 3Q21, CPALL recognized consolidated gross profit from sales and services at Baht 26,264 million, decreased by 8.1 percent YoY mainly due to a decrease in sales revenue and service income along with an increase of distribution center cost as a consequence of the COVID-19 pandemic. For consolidated gross profit margin, also decreased to 21.0 percent from 22.0 percent in 3Q20.

Distribution Costs and Administrative Expenses

In 3Q21, CPALL reported proportion of distribution costs and administrative expenses as follows

Costs and Expenses	3Q21
Employee benefits	29.4%
Store management fees	15.9%
Rental and depreciation and amortization	18.5%
Advertising and sale promotion	14.0%
Utilities and others	22.2%
Total	100.0%



CPALL had distribution costs and administrative expenses at amount of Baht 26,602 million, decreased by 2.6 percent YoY according to the stringent and efficient cost control program together with leveraging existing resources. For distribution costs, it was Baht 22,469 million, decreased by 2.4 percent YoY, together with a decrease in administrative expenses to Baht 4,133 million, 3.3 percent decreased YoY. The decrease was mainly from store management fees, employee benefits and etc.,.

Profit before Interest and Tax Expense, and Net Profit

In 3Q21, CPALL had profit before interest and tax expense at amount of Baht 4,436 million, decreased by 34.5 percent YoY. In this quarter, CPALL recorded a share of loss of associates under the equity method of Baht 282 million due to a drop in sales revenue and rental income of Lotus's Thailand as a consequence of government's stricter measures as well.

Nevertheless, CPALL reported lower finance cost in this quarter at amount of Baht 2,600 million, decreased by 26.3 percent from last quarter and 30.6 percent increased from 3Q20, owing to the repayment of loans from financial institutions before maturity by issuing Thai baht debentures with fixed interest rate during 2Q21. As a result, CPALL reported net profit of Baht 1,493 million, decreased by 62.7 percent YoY.

According to the consolidated financial statements in 3Q21, earnings per share was Baht 0.14.

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

In 9M21, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 62 percent and (2) cash & carry business accounted for 38 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 61 percent and (2) cash & carry business accounted for 39 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 3Q21, the convenience store business opened a total of 139 new stores. At the end of the 3Q21, CPALL had a total of 12,882 stores, divided into

- (1) 6,060 corporate stores (47 percent of total stores), or a net new store of 126 stores in this quarter.
- (2) 6,822 SBP and sub-area stores (53 percent of total stores), or a net new store of 13 stores in this quarter.

Majority of our stores were stand-alone, accounted for 85 percent of total stores, while the rest proportion of total stores were in PTT gas stations.

Furthermore, during 3Q21 CPALL opened two 7-Eleven convenience stores in Phnom Penh, Cambodia under the Master Franchise Agreement.

In 3Q21, the convenience store business reported revenue from sales and services of Baht 68,197 million, decreased by 8.2 percent YoY which mainly due to the night curfew from 8:00PM to 4:00AM in the next day in 29 provinces that the government declared as a dark red control area, it accounted for more than 70 percent of 7-Eleven stores that had been impacted from shorten operating hours. Moreover, it also had an impact from weak domestic consumption due to economic conditions. However, by the end of the third quarter, the number of infected people began to decline along with accelerated pace of vaccines rollout. So, in the beginning of the fourth quarter, the government announced a relaxation of protective measures, therefore economic activity and domestic consumption tend to recover accordingly.

In 3Q21, average sales per store per day was Baht 62,281, along with convenience store business SSSG which reported at -9.2 percent. For average spending per ticket was approximately at Baht 85 and there were 730 customer per store per day.

For the O2O strategy, it continued to receive good response from customers, 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, resulting in potential growth. Currently, it participated higher than 10 percent of sales revenue.

In 3Q21, 73.9 percent of revenue from sales was contributed from food products and 26.1 percent was contributed from non-food products (excluding phone cards). Revenue from sales of food products increased mainly from ready-to-eat food and process food categories by launching products, such as full-value products, seasoning, products packed in family sizes or large packs, etc. which were suitable with the situation that lifestyle of people changed to work or study from home, maintained social distancing and less mobility.

In 3Q21, gross profit for convenience store business was Baht 18,716 million, decreased by 8.9 percent YoY. Gross profit margin was at 27.4 percent, decreased from same quarter last year due to an



increase of distribution center cost to control pandemic, including an increase of transportation cost to replenish stock in stores.

In addition, convenience store business recognized other income at Baht 5,174 million, decreased by Baht 321 million or 5.8 percent YoY due to a decrease in royalty income and other income related to the granting of rights including a drop in sales promotion income. The Company also recognized dividend income from subsidiaries at amount of Baht 2,059 million, decreased by Baht 27 million YoY.

In 3Q21, distribution costs and administrative expenses were Baht 22,239 million, decreased by Baht 300 million or 1.3 percent YoY, mainly from employee benefits expense and store management fee.

In 3Q21, convenience store business recognized profit before interest and tax expense was Baht 3,800 million, decreased by 32.9 percent YoY and reported net profit at Baht 1,711 million, decreased by 55.5 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 2021 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