



No: IDR 07/2022  
Date: 11 May 2022  
Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2022  
To: The President  
The Stock Exchange of Thailand

CP All Public Company Limited (the Company or CPALL) would like to clarify operating results for the first quarter of 2022 in which the company and its subsidiaries has reported a net profit of Baht 3,453 million. The main reasons are as follows:

#### **Total Revenue**

In 1Q22, CPALL's total revenue was Baht 199,731 million, an increase of 49.7 percent YoY. This was the result of an increase in revenue from sale of goods and rendering of services from both the CVS business and grocery wholesaling and retailing business, particularly Makro business which was able to maintain the revenue growth as well as able to fully recognized the revenue contribution from Lotus's in this quarter. Furthermore, O2O strategy still be a supportive factor for the Company. In this quarter, revenue growth was also benefited from country reopening that affected to higher economic activities and higher domestic consumption.

#### **Gross Profit**

Gross profit from sales and services was reported at Baht 41,822 million, an increase of 52.8 percent YoY. The reason following the growth was the increase of sales and services in all business units along with fully realized Lotus's gross profit in this quarter.

CPALL reported an increased gross profit margin at 21.5 percent in 1Q22 from 21.3 percent in 1Q21. The growth in gross profit margin mainly contributed from the CVS business which was higher margin business, compared with other business units.

#### **Distribution Costs and Administrative Expenses**

In 1Q22, CPALL reported proportion of distribution costs and administrative expenses as follows:

<b>Costs and Expenses</b>	<b>1Q22</b>
Employee Benefits	32.1%
Store management fees	13.3%
Rental and depreciation and amortization	22.2%
Advertising and sale promotion	9.9%
Utilities and others	22.5%
<b>Total</b>	<b>100.0%</b>



The distribution costs and administrative expenses for CPALL was Baht 38,295 million, increased by 46.2 percent YoY. Distribution costs were reported at Baht 31,615 million, increased by 43.1 percent YoY and administrative expenses was reported at Baht 6,680 million, which was an increase of 62.7 percent YoY. The increase in both distribution cost and administrative expense were the result of the business combination at the end of 2021. An increase of costs and expenses mainly from employee benefits, store management fees, depreciation and amortization, utility cost and others. Even with the increase regarding costs and expenses, CPALL kept monitoring and controlling the cost as appropriately for each business unit.

#### **Profit before Interest and Tax Expenses, and Net Profit**

In 1Q22, CPALL reported a profit before interest and tax expense at Baht 9,026 million, an increase of 50.9 percent YoY. Net profit was at Baht 3,453 million, an increase of 32.9 percent YoY which mainly due to the recovery of CVS performance that benefited from the relaxation of COVID-19 measures and higher economic activities.

CPALL reported an increased finance costs from Lotus's long-term loans from financial institutions. Therefore, in 1Q22, CPALL reported finance costs at Baht 3,825 million. Consolidated Earnings per share was reported at Baht 0.36 per share.

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

In 1Q22, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 47 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 53 percent. Portion of revenue contribution from (2) Grocery Wholesaling and Retailing businesses increased from the same period last year due to fully incorporated Lotus's revenue in this quarter.

Profit before tax before elimination contributed from major businesses in 1Q22 were, (1) convenience store business and other businesses accounted for 51 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 49 percent. Portion of profit before tax contribution from (1) CVS business and other businesses increased from the same period last year as a result of higher profit before tax growth than (2).

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

In 1Q22, the convenience store business opened a total of 119 new stores. At the end of the 1Q22, CPALL had a total of 13,253 stores, divided into

- (1) 6,394 corporate stores (46 percent of total stores), or a net new store of 114 stores in this quarter.
- (2) 6,859 SBP and sub-area stores (54 percent of total stores), or a net new store of 5 stores in this quarter.

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



In 1Q22, the convenience store business reported revenue from sales and services of Baht 81,715 million, which was an increase of 16 percent YoY. The average sales per store per day in 1Q22 was at Baht 73,460, together with SSSG which was at 13 percent. For average spending per ticket was approximately at Baht 84, and the average customer per store per day was 871 people. The number of customers increased from 1Q21 due to the relaxation and lift off of all measures, also announced other measures to stimulate economic activities and domestic consumption. These were positive factors that supported the recovery of the convenience store business in this quarter. In addition, the Company continued to use O2O strategies such as 7-Eleven Delivery, All Online and 24Shopping to satisfy the needs of customers as much as possible which at present O2O still accounts for more than 10 percent of sales revenue.

In 1Q22, 73.9 percent of revenue from sales contributed from food categories and 26.1 percent was from non-food categories. Proportion of revenue from sales of food categories increased mainly from ready to eat, ready to cook and processed food categories as the Company offered products that were suitable for the situation, such as full-value products, seasoning and products packed in family sizes or large packs, etc.

Gross profit for convenience store business in 1Q22 was at Baht 22,169 million, an increase of 14.7 percent YoY. Gross profit margin decreased to 27.1 percent from 27.4 percent in 1Q21. This was mainly due to lower gross profit from food categories, in accordance with the product strategy in this situation.

In addition, convenience store business recognized other income at Baht 5,203 million, increased by 5.4 percent YoY, from sales promotion with partners, purpose to boost sales. Nevertheless, the Company recognized dividend income from subsidiaries at amount of Baht 600 million, decreased by Baht 40 million YoY.

In 1Q22, distribution costs and administrative expenses were Baht 23,675 million, increased by 9.4 percent YoY, mainly from store management fee and employee benefits. However, the company still tries to control expenses strictly along with the store expansion, increase distribution channels for customers and continually taking care of the safety of employees in all sectors.

In 1Q22, convenience store business recognized profit before finance costs and tax expenses was Baht 4,358 million, increased by 25.9 percent YoY and reported net profit at Baht 2,026 million, increased by 113.9 percent YoY.

### **Outlook for Convenience Store Business in 2022**

The Company plans to develop distribution channels for products and services both online and offline platforms, together with new store rollout following the growth of communities, various infrastructures, tourist destinations and other high potential areas to be in line with consumer behavior that has adapted to New Normal and to facilitate and access the needs of customers as much as possible. The company plans to open about 700 new stores in 2022.

Revenue from sales and services growth in 2022 is driven by contribution from new store and positive SSSG, which forecast to grow in line with the projected economic growth in Thailand (GDP growth). Although the Thai economy is recovering after the COVID-19 outbreak but the Company still have to monitor the economic situation that



may have negative impacts, such as rising energy prices and commodities which may affect the cost of goods, transportation costs, cost of living, as well as the purchasing power of consumers.

**Projected Investment CAPEX**

CPALL plans to expand around 700 new stores in 2022. 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