



No: IDR 10/2022

Date: 10 August 2022

Re: Management Discussion and Analysis (MD&A) for the Second 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 second quarter of 2022 in which the company and its subsidiaries has reported a net profit of Baht 3,004 million. The main reasons are as follows:

Total Revenue

In 2Q22, the Company reported total revenue at amount of Baht 213,655 million, increased by 55.2 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, which MAKRO business was able to maintain the revenue growth, together with fully realized the revenue contribution from Lotus's in this quarter. In addition, O2O strategy continued be a supportive factor for the Company. In this quarter, revenue growth was also benefited from country reopening which resulted in higher economic activities and higher domestic consumption.

Gross Profit

Gross profit from sales and services in 2Q22 was reported at Baht 43,741 million, an increase of 55.5 percent YoY. The reason following the growth was an increase of sales and services in all business units along with fully realized Lotus's gross profit in this quarter.

The Company reported gross profit margin at 21.0 percent in 2Q22 from 21.3 percent in 2Q21. This was due to an increase in the proportion of grocery wholesaling and retailing business.

Distribution Costs and Administrative Expenses

In 2Q22, CPALL reported proportion of distribution costs and administrative expenses as follows:

Costs and Expenses	2Q22
Employee Benefits	32.5%
Store management fees	13.3%
Rental and depreciation and amortization	21.3%
Advertising and sale promotion	9.8%
Utilities and others	23.1%
Total	100.0%



The distribution costs and administrative expenses for CPALL was Baht 40,804 million, increased by 48.8 percent YoY. Distribution costs were reported at Baht 33,641 million, increased by 44.2 percent YoY and administrative expenses was reported at Baht 7,164 million, increased by 74.8 percent YoY. An increase in distribution costs and administrative expenses had been attributed to the consolidation of the Lotus's business since the end of last year. An increased expenses mainly from employee benefits, depreciation and amortization, utility cost and others. However, the Company continues to control expenses strictly as appropriately for each business unit.

Profit before Interest and Tax Expenses, and Net Profit

In 2Q22, the Company reported profit before interest and tax expenses at Baht 8,525 million, increased by 41.5 percent YoY. Net profit was at Baht 3,004 million, increased by 37.2 percent YoY which was mainly due to the recovery of CVS performance that continued to receive positive factors from increasing economic activities. Including MAKRO business that contributed resilient performance as well. In this quarter, the Company reported consolidated earnings per share at Baht 0.31 per share.

Operating results for the first six months of 2022

The Company and its subsidiaries reported total revenue at amount of Baht 413,387 million, increased by 52.5 percent YoY and reported net profit at amount of Baht 6,457 million, increased by 34.8 percent YoY. Consolidated earnings per share was reported at Baht 0.67 per share due to the improvement in operating results in all business units, in line with the economic recovery and the consolidation of the Lotus's business.

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

In 2Q22, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 48 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 52 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 2Q22 were, (1) convenience store business and other businesses accounted for 64 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 36 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 2Q22, the convenience store business opened a total of 180 new stores. At the end of the 2Q22, CPALL had a total of 13,433 stores, divided into

- (1) 6,530 corporate stores (49 percent of total stores), or a net new store of 136 stores in this quarter.
- (2) 6,903 SBP and sub-area stores (51 percent of total stores), or a net new store of 44 stores in this quarter.

Majority of our stores were stand-alone, accounted for 86 percent of total stores, while the rest portion of total stores were in PTT gas stations.

In 2Q22, the convenience store business reported revenue from sales and services of Baht 88,290 million, increased by 17.8 YoY. The average sales per store per day in 2Q22 was at Baht 77,684, together with SSSG which was at 14.2 percent. For average spending per ticket was approximately at Baht 84, and the average number of customer per store per day was 918 persons. The number of customers increased from 2Q21 as a result of lifted off all COVID-19 protective measures, also launched other campaigns to stimulate economic activities and continually stimulate domestic consumption which remained positive factors supporting the recovery of the convenience store business in this quarter. The Company also recognized additional sales revenue through O2O strategies such as 7-Eleven Delivery, All Online and 24Shopping to satisfy the needs of customers which O2O still accounted for more than 10 percent of sales revenue.

In 2Q22, 73.6 percent of revenue from sales contributed from food categories and 26.4 percent was from non-food categories. Proportion of revenue from sales of non-food categories increased mainly from health care products, personal care products and cigarettes.

Gross profit for convenience store business in 2Q22 was at Baht 23,873 million, increased by 15.0 percent YoY. Gross profit margin decreased to 27.0 percent from 27.7 percent in 2Q21. This was mainly due to the adjustment of product strategy in accordance with the needs and behavior of customers by offering larger size of products and big pack products including offering group of value products under ready-to-eat and ready-to-drink categories, which these products generated good sales and profit amidst the current economic situation, despite having a lower gross margin than other products.

In addition, convenience store business recognized other income at Baht 5,343 million, flat YoY while recognized dividend income from subsidiaries at amount of Baht 3,478 million, decreased by Baht 767 million YoY.

In 2Q22, distribution costs and administrative expenses were Baht 25,146 million, increased by 10.2 percent YoY, mainly from store management fee, employee benefits, utility costs and others. However, the Company continued to control expenses and enhanced operational efficiency, together with the store expansion, increased distribution channels for customers and continually taking care of the safety of employees in all sectors.

In 2Q22, convenience store business recognized profit before finance costs and tax expenses at amount of Baht 7,669 million, decreased by 2.8 percent YoY and reported net profit at Baht 5,132 million, increased by 6.4 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 price 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