



No: IDR 13/2022

Date: 11 November 2022

Re: Management Discussion and Analysis (MD&A) for the Third 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 third quarter of 2022 in which the company and its subsidiaries has reported a net profit of Baht 3,677 million. The main reasons are as follows:

Total Revenue

In 3Q22, the Company reported total revenue at amount of Baht 213,808 million, increased by 64.0 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 also reported an increase in sales and services revenue in this quarter, together with a fully realization of the Lotus's revenue contribution. In addition, O2O strategy of each business continued to be a supportive factor for the Company. In this quarter, revenue growth still benefited from country reopening and economic stimulus packages which resulted in higher economic activities and an improvement of domestic consumption.

Gross Profit

Gross profit from sales and services in 3Q22 was reported at Baht 45,188 million, increased by 71.7 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 consolidated gross profit margin at 21.8 percent increased from 21.0 percent in 3Q21 due to the efficient management of cost of sale of goods and rendering of services.

Distribution Costs and Administrative Expenses

In 3Q22, the Company reported proportion of distribution costs and administrative expenses as follows:

Costs and Expenses	3Q22
Employee Benefits	31.8%
Store management fees	13.0%
Rental and depreciation and amortization	20.7%
Advertising and sale promotion	10.0%
Utilities and others	24.5%
Total	100.0%



The distribution costs and administrative expenses for CPALL was Baht 41,916 million, increased by 57.7 percent YoY. Distribution costs were reported at Baht 34,573 million, increased by 54.0 percent YoY and administrative expenses was reported at Baht 7,343 million, increased by 77.7 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 for each business unit in order to continue business operation as appropriately even in this quarter every business units has been pressured by rising costs.

Profit before Interest and Tax Expenses, and Net Profit

In 3Q22, the Company reported profit before interest and tax expenses at Baht 9,560 million, increased by 115.5 percent YoY. Net profit was at Baht 3,677 million, increased by 146.3 percent YoY which was mainly due to the recovery of CVS performance that continued to receive benefit from an increasing of economic activities and low base last year. Including MAKRO business that contributed resilient performance as well. Therefore, in this quarter, the Company reported consolidated earnings per share at Baht 0.39 per share.

Operating results for the first nine months of 2022

The Company and its subsidiaries reported total revenue at amount of Baht 627,195 million, increased by 56.2 percent YoY and reported net profit at amount of Baht 10,134 million, increased by 61.3 percent YoY. Consolidated earnings per share was reported at Baht 1.05 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 9M22, 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 9M22 were, (1) convenience store business and other businesses accounted for 65 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 35 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 3Q22, the convenience store business opened a total of 227 new stores. At the end of the 3Q22, CPALL had a total of 13,660 stores, divided into

- (1) 6,738 corporate stores (49 percent of total stores), or a net new store of 208 stores in this quarter.
- (2) 6,922 SBP and sub-area stores (51 percent of total stores), or a net new store of 19 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 3Q22, the convenience store business reported revenue from sales and services of Baht 90,417 million, increased by 32.6 percent YoY. The average sales per store per day in 3Q22 was at Baht 76,612, together with SSSG which was at 22.1 percent. For average spending per ticket was approximately at Baht 82, and the average number of customer per store per day was 928 persons. The number of customers increased from 3Q21 as a result of lifted off all COVID-19 protective measures, together with economic stimulus campaigns and continually stimulate domestic consumption which remained positive factors to support 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 3Q22, 74.1 percent of revenue from sales contributed from food categories and 25.9 percent was from non-food categories. Proportion of revenue from sales of food categories increased YoY mainly from revenue growth in all product groups under food categories.

Gross profit for convenience store business in 3Q22 was at Baht 25,000 million, increased by 33.6 percent YoY. Gross profit margin increased to 27.6 percent from 27.4 percent in 3Q21. This was mainly due to the adjustment of product strategy by still focusing on the needs and shopping behavior of customers as a core strategy, along with an emphasize on gross profit margin management for the purpose to attract customers and able to generate additional sales and profits to the business under the recovering economy.

In addition, convenience store business recognized other income at Baht 5,520 million, increased by 6.7 percent YoY while recognized dividend income from subsidiaries at amount of Baht 1,112 million, decreased by Baht 947 million YoY due to lower dividend income from MAKRO.

In 3Q22, distribution costs and administrative expenses were Baht 26,075 million, increased by 17.3 percent YoY which was lower than total revenue growth. However, the Company continued to control expenses and manage spending at efficient level.

In 3Q22, convenience store business recognized profit before finance costs and tax expenses at amount of Baht 5,694 million, increased by 49.8 percent YoY from an increase of revenue from sales of goods and rendering of services, together with the management of costs and expenses to be at an appropriate level while the finance cost was at the same level. As a result, the Company reported net profit in this quarter at Baht 3,109 million, an increase of 81.7 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 direction of economic growth in Thailand (GDP growth), domestic consumption and inflation rate. 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