



No. IDR 02/2023

Date: 23 February 2023

Re: Management Discussion and Analysis (MD&A) for the year of 2022

To: The President

The Stock Exchange of Thailand

CP All Public Company Limited (CPALL or the Company) would like to report operating results for the year of 2022 which the Company and its subsidiaries reported net profit of Baht 13,272 million. The main reasons are as follows:

Total Revenues

In 2022, CPALL reported total revenue at amount of Baht 852,605 million, increased by 45.1 percent YoY. Revenue from sale of goods and rendering of services was Baht 829,099 million, increased by 46.7 percent YoY as a consequence of the Company's adjustment in product and service strategies including the O2O strategy of each business unit in order to satisfy customer's need in the current situation and the change of consumer behavior that has changed to a new normal lifestyle, also including the advantage of a low base revenue from the previous year.

In addition, total revenue in 2022, particularly convenience stores business started to recover since the beginning of 2022, resulted from the economic recovery as well as purchasing power of consumer which has begun to return to normal. Another supportive factor was the recovery of tourism sector from both Thai tourists and higher number of foreign tourists in 2022. Moreover, the grocery wholesaling and retailing business including MAKRO and Lotus's businesses, were able to deliver the growth of revenue from sales of goods and rendering of services as well.

Total revenues before elimination contributed from three businesses were, (Group 1) convenience stores business accounted for 42 percent (Group 2) grocery wholesaling and retailing business accounted for 52 percent, and (Group 3) other businesses in Thailand accounted for 6 percent. Revenue contribution from Group 2 significantly increased from previous year as a result of acquisition through business combination of MAKRO and Lotus's.

Gross Profit

In 2022, the Company reported gross profit at Baht 177,999 million, increased by 48 percent YoY mainly due to an increase of sales revenue from convenience stores business and MAKRO business along with gross profit from Lotus's business which was recognized for full year. According to reasons above, the Company reported higher consolidated gross profit margin at 21.5 percent in 2022 from 21.3 percent in 2021.



Distribution Costs and Administrative Expenses

In 2022, the Company reported distribution costs and administrative expenses at total amount of Baht 165,414 million, increased by 33.4 percent YoY which mainly from an increase of expenses related to an increase of sales, electricity cost and employee benefits. However, the company still able to manage distribution costs and administrative expenses to be suitable with current situation. Details of distribution costs and administrative expenses were as follows:

Distribution costs were Baht 136,751 million, increased by 40 percent YoY mainly due to acquisition through business combination. The core expenses consisted of employee benefits, store management fee, utilities and depreciation expenses. However, distribution costs for conveniences store business also increased which mainly from employee benefits, store management fee and utilities expenses. The Company still implemented stringent cost control and continually reduce unnecessary expenses together with the strong purpose to expand store in potential areas to achieve long term goals.

Administrative expenses were Baht 28,663 million, increased by 8.8 percent YoY from acquisition through business combination, an increased administrative expenses consisted of employee benefits and depreciation.

Costs and Expenses	FY2022
Employee Benefits	32.1%
Store management fees	13.0%
Rental and depreciation and amortization	21.1%
Advertising and sale promotion	10.1%
Utilities and others	23.7%
Total	100.0%

Profit before tax and Net Profit

In 2022, the Company reported profit before tax at amount of Baht 20,082 million, increased by 59.7 percent YoY and reported Net Profit at amount of Baht 13,272 million, increased by 2.2 percent YoY according to the recovery of all business units, particularly convenience store business and MAKRO business. In addition, CPALL recorded a share of gain of associate and joint ventures which were recorded through MAKRO group under the equity method of Baht 831 million. Nevertheless, the Company reported an increase of finance costs from Lotus's acquisition. Therefore, in the end of 2022, Lotus's issued Thai Baht bonds with fixed interest rates to partially repay loans from financial institutions in order to mitigate foreign currency risk and interest rate risk and reduce some interest burden. For earnings per share according to the consolidated financial statements in 2022, it amounted to 1.39 baht.



Proportion of profit before tax expense before elimination contributed from three major businesses, included (Group 1) convenience stores business accounted for 48 percent (Group 2) grocery wholesaling and retailing business accounted for 38 percent, and (Group 3) other businesses in Thailand accounted for 14 percent. The proportion of Group 2 increased from previous year mainly from profit growth of MAKRO business as a result of business combination.

Operating Results by Business Segments

Convenience Stores Business

In 2022, CPALL continued to expand “7-Eleven” stores to serve convenience to all communities in Bangkok and provincial areas. The new stores were in various store types including corporate, store business partner (SBP) and sub-area, where some were stand-alone stores and other were in PTT gas stations. The Company has planned to open 700 new stores per year, which during 2022 CPALL has successfully opened 704 new stores. At the end of 2022, CPALL operated 13,838 stores nationwide, which consisted of 6,839 corporate stores (49 percent of total stores), increased by 559 stores, 6,144 SBP stores (45 percent of total stores), increased by 124 stores, and 855 sub-area stores (6 percent of total stores), and increased by 21 stores.

Regarding products and services, CPALL strived to become “All Convenience” by focusing on adapting to satisfy the needs of customers. The company has developed food and beverage products and continually adding new product menus, together with promoting products from Thai farmers, including vegetables, fresh fruits or processed agricultural products to sell both at 7-Eleven stores and online channels according to sustainability strategy which received great feedback from customers who looking for convenience, fast, value of product as well as good nutrition in their daily life. In 2022, food and beverage products accounted for 73.9 percent of sales mix, while non-food items (excluding phone cards) accounted for 26.1 percent. The sales mix of food and beverage products increased from the previous year due to the change of consumer behavior, together with the launch of new products with the promotion of the food and beverage categories which able to attract more customers and it reflected being “All Convenience” store for all customer groups.

In 2022, the convenience store business had total sales revenue and service income of Baht 354,973 million, increased by Baht 64,745 million or 22.3 percent YoY. In 2022, SSSG was at 15.9 percent with average sales per store per day at amount of Baht 76,582, along with average spending per ticket at Baht 84 and there were 916 customers per store per day. The economic situation in the country began to recover, in addition, the number of both Thai and foreign tourists began to increase steadily, resulted in an increase in economic activities. From the aforementioned situation, the convenience store business has adjusted its strategic plan to be in line with the changing situation with regards to the preservation of the existing customer base and expanding to new customer base by launching new products and offering



attractive promotions as well as adding distribution channels. 7-Eleven products can now be accessed through different channels and platforms under the concept of a convenient. Customer can access through physical stores, vending machine, as well as online platform i.e. 7-delivery application which is an on-demand delivery and ALL Online, supermarket near your place, also ShopAt 24, all of online channels were offered customers with alternative option to order and deliver products to the destination according to the customer's choice. This strategy has been well received from existing and new customers.

Convenience stores business reported gross profit at amount of Baht 97,158 million, increased by Baht 17,707 million or 22.3 percent YoY. Gross profit margin was at 27.4, same level from previous year. In the first half of the year, the manufacturing sector was pressured by significantly higher raw material costs. While product price adjustment was delayed to alleviate the burden on consumers, it affected to soften profitability. In addition, 7-Eleven stores implemented product strategy that aimed to satisfy customer needs, so the proportion of supermarket products which contributed lower margins was increased. However, in the second half of the year, the Company started to raise product prices to reflect higher costs, as a result, the gross profit margin began to increase. Regarding to the cost efficiency of cost of sales of goods and services, the Company was able to maintain gross profit margin in this year.

Meantime, other income of the convenience stores business was at Baht 21,879 million, increased by Baht 1,073 million or 5.2 percent YoY mainly due to an increase of number of store.

Distribution costs and administrative expenses were Baht 103,312 million, increased by Baht 12,876 million or 14.2 percent YoY mainly due to employee benefits and higher utilities cost from the announcement of an increase in electricity price this year. However, the company still put best effort to control expenses tightly and to be efficient as possible. This year, the company expanded 7-Eleven stores at 704 stores and increased more channels for customers to access products and services. Even though the expenses were increased but the convenience store business continued to report an increase in operating profit to Baht 21,363 million, an increase of 11.1 percent from the previous year, and a net profit of Baht 11,400 million, an increase of 26.2 percent from the previous year.

Other Businesses

Other businesses comprise of bill payment services, banking agents, manufacturing and sale of ready-to-eat food, distribution and maintenance of retail equipment and other businesses that mainly support the convenience stores business. The Company proactive to develop new innovations to be more in line with the needs of customers both products and services that offer to customers within 7-Eleven stores, as well as the development of new channels and distribution models such as e-commerce, which help customers to be more convenient and generate revenue growth for the Company in the future.



In 2022, other businesses reported profit before tax before elimination at Baht 3,430 million, increased by 2.2 percent YoY mainly due to an increase in revenue from sales of goods and services, together with controlling an increase in cost of sales, distribution costs and administrative expenses appropriately and most efficiently.

Grocery Wholesaling and Retailing businesses

In 2022, Grocery Wholesaling and Retailing businesses reported profit before tax before elimination at Baht 9,418 million, increased by 13.2 percent YoY mainly from acquisition of Retail and Mall rental businesses, together with the increased sales revenue and efficient cost control of Grocery Wholesaling and Retailing businesses. (Note: investors can find additional details in MD&A for the year 2022 of Siam Makro)

As at December 31, 2022, CPALL's net debt to adjusted equity according to definition of bond covenants was at 0.92 time, slightly increased from 0.90 time in previous year as the Company reported an increase of liabilities from debenture issuance during the year, while equity decreased from the reduction of perpetual debenture. CPALL is obligated to comply with bond covenants with net debt to adjusted equity ratio, based on the consolidated financial statements for the period ended 31 December of each year, which covenant is not more than 2:1.



Outlook for Convenience Stores Business in 2023

Store expansion	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 2023.
Sales and services revenue growth	Revenue growth of the Company is driven by contribution from new store, positive SSSG and sales through other channels including 7-Delivery, All Online and Vending Machine which forecast to grow in line with the projected economic growth in Thailand (GDP growth). However, this is subjected to other factors including inflation rate, raw material price, energy price and private consumption growth, etc.
Gross profit margin	Gross profit margin advancement is expected to continue on the back of our product strategy in order to cater to consumer demand. We also continue to drive higher sales participation of the higher-margin products in both food and non-food categories.
CAPEX	<p>CAPEX is projected to be approximately Baht 12,000-13,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> ● Stores expansion 3,800 - 4,000 ● Stores renovation 2,900 - 3,500 ● Investment in new project, subsidiaries and DC 4,000 - 4,100 ● Fixed assets and 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