



23 April 2018

At: ACC/HO 016/61

Re: Management Discussion and Analysis for the three-month period ended 31 March 2018

To: President  
The Stock Exchange of Thailand

During the first quarter of 2018 the economy has moved on a positive trajectory and has followed a similar pattern to the previous quarter of last year. Since the second half of 2017 growth has been driven by the manufacturing sector, which has had a positive impact on the export sector, and also by an increase in the number of tourists. As a result, the purchasing power of consumers in these areas has increased, especially in greater Bangkok. In contrast the prices of agricultural products remain at a low level, albeit slightly improved. As a result, consumer spending in the agricultural sector continued to be slow. Sales at HomePro in agricultural provinces and at Mega home businesses still do not meet the expected goal. However, the Company has organized various promotional activities such as HomePro Expo during March 16-25, 2018, and HomePro Fair at Hat Yai and Khon Kaen. Overall sales are satisfactory.

The HomePro business in Malaysia is focused on increasing same store sales, while the company continues to work on improving the efficiency of the new stores launched in the year 2017 to benefit from economies of scale.

In the first quarter 2018, the Company had total revenue of 15,900.33 million Baht, an increase of 627.77 million Baht or up by 4.11% and net profit of 1,248.47 million Baht, an increase of 202.25 million Baht or up by 19.33%. This was the result of our ability to control and manage expenses effectively, together with the ongoing management of the product mix and improved assortment planning for all product range. This includes product development under the private brand to enhance the gross margin.

In March, the company launched a new service, "HomePro Service Application", which will serve as a channel for customers to purchase Home Service via the Mobile Application. Covering more than 40 services, this will be one of the future growth strategies.

The expansion plan for the first quarter is still in line with the plan. The company has opened one new HomePro S store at The Paseo Kanchanapisek. As of the first quarter of 2018, there are now 81 branches of HomePro, 4 stores of HomePro S, 12 Mega homes and 6 HomePro stores in Malaysia.

The financial results of the Company and its subsidiaries for the three-month ended 31 March 2018 which has been reviewed by auditor as follows:

Table: Financial Summary for the three-month period of year 2018 and 2017

Unit: Million Baht

|   | Q1'2018          | Q1'2017          | Increase<br>(Decrease) | %<br>Change   |
|---|------------------|------------------|------------------------|---------------|
| Sales income  | 14,874.75        | 14,270.69        | 604.06                 | 4.23%         |
| Rental and service income                                 | 499.08           | 481.06           | 18.02                  | 3.75%         |
| Other income  | 526.50           | 520.82           | 5.68                   | 1.09%         |
| <b>Total revenues</b>                                     | <b>15,900.33</b> | <b>15,272.57</b> | <b>627.77</b>          | <b>4.11%</b>  |
| Cost of sales   | 10,884.24        | 10,559.29        | 324.95                 | 3.08%         |
| <b>Gross profit</b>                                       | <b>3,990.51</b>  | <b>3,711.40</b>  | <b>279.11</b>          | <b>7.52%</b>  |
| Selling and administrative expenses                       | 3,384.54         | 3,307.85         | 76.69                  | 2.32%         |
| <b>Profit before finance cost and income tax expenses</b> | <b>1,631.56</b>  | <b>1,405.43</b>  | <b>226.13</b>          | <b>16.09%</b> |
| Finance cost  | 98.07            | 110.06           | (11.99)                | (10.89%)      |
| Income tax expenses                                       | 285.01           | 249.14           | 35.88                  | 14.40%        |
| <b>Profit for the period</b>                              | <b>1,248.47</b>  | <b>1,046.23</b>  | <b>202.25</b>          | <b>19.33%</b> |

The Company's net profit for the first quarter of year 2018 was Baht 1,248.47 million representing an increase of Baht 202.25 million or up by 19.33% over the same period last year. The main reasons are as follows:

- Total revenues were Baht 15,900.33 million, an increase of Baht 627.77 million or up by 4.11%, comprising of the following:
  - Sales income was Baht 14,874.75 million, an increase of Baht 604.06 million or up by 4.23%, which was driven by same store sales growth of HomePro and HomePro in Malaysia as well as sales from new stores of HomePro, Mega Home, and HomePro in Malaysia.
  - Rental and service income amounted to Baht 499.08 million, an increase of Baht 18.02 million or up by 3.75%, which resulted from higher rental income from Market Village.
  - Other income was Baht 526.50 million, an increase of Baht 5.68 million or up by 1.09% due to higher service income derived from customers under "Home Service" program.
- Gross profit was Baht 3,990.51 million, an increase of Baht 279.11 million or up by 7.52% over the same period last year. In addition, gross profit margin as a percentage of sales has increased from 26.01% in previous year to 26.83% due to change in product sales mix of

both general merchandise and directly sourced private-label goods, product assortment planning and increasing in gross profit margin from Mega Home.

3. Selling and administrative expenses (SG&A) amounted to Baht 3,384.54 million, an increase of Baht 76.69 million or up by 2.32% as compared with the same period of previous year. The amount increases were mainly driven by the rise in personnel expenses, rental cost, cost of services to customers, cost of transportation, and maintenance cost. However, SG&A as a percentage of sales has marginally improved, resulting to the decrease from 23.18% in previous year to 22.75%. This decrease was due to the improvement in cost efficiency.
4. Finance cost was Baht 98.07 million, a decrease of Baht 11.99 million or down by 10.89%, due to the lower cost of debt from refinancing bond issued in the year 2017 and first quarter of year 2018. In addition, the Company has been closely monitoring the financial debt to equity ratio to be in the appropriate level.
5. Income tax expenses were Bath 285.01 million, an increase of Baht 35.88 million or up by 14.40% as compared with the previous year. This was due to the higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms. Wannee Juntamongkol)

Senior Vice President – Accounting and Finance