



No: IDR 02/2022

Date: 24 February 2022

Re: Management Discussion and Analysis (MD&A) for the year of 2021

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 2021 which the Company and its subsidiaries reported net profit of Baht 12,985 million. The main reasons are as follows:

Total Revenues

In 2021, CPALL reported total revenue at amount of Baht 587,597 million, increased by 7.5 percent YoY. Revenue from sale of goods and rendering of services was Baht 565,207 million, increased by 7.5 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 cope with the COVID-19 situation, also including the advantage of a low base revenue from the previous year. However, total revenue in 2021, particularly convenience stores business was still affected by the economic slowdown, declining in consumer purchasing power and changing in behavior of consumers towards a new normal lifestyle. While the COVID-19 control measurement that had been imposed from the beginning of the year to the beginning of the 4Q21 affected the number of customers and the number of operating hours. However, the grocery wholesaling and retailing business especially the Makro business was able to maintain the growth of revenue from sales of goods and rendering of services.

*Total revenues before elimination contributed from three businesses were, (Group 1) convenience stores business accounted for 50 percent (Group 2) grocery wholesaling and retailing business accounted for 42 percent, and (Group 3) other businesses in Thailand accounted for 8 percent. Revenue contribution from Group 2 significantly increased from previous year as a result of acquisition through business combination of Makro and Lotus's since October 25, 2021.

* Total revenues before elimination excluded gain from sale of investments in subsidiaries and gain on step acquisition

Gross Profit

In 2021, the Company reported gross profit at Baht 120,369 million, increased by 4.7 percent YoY mainly due to an increase of sales revenue from Makro business along with gross profit from Lotus's business after acquisition through business combination. Nevertheless, the higher proportion of gross profit in businesses that contribute lower gross margin, affected to a decrease of consolidated gross profit margin to 21.3 percent from 21.9 percent in 2020.



Distribution Costs and Administrative Expenses and Other Expenses

In 2021, the Company reported distribution costs and administrative expenses and other expenses at total amount of Baht 124,026 million, increased by 15 percent YoY which mainly from impairment for loss on intangible assets other than goodwill at amount of Baht 7,159 million. While distribution costs and administrative expenses were controlled under the current situation. Details of distribution costs and administrative expenses were as follows:

Distribution costs were Baht 97,680 million, increased by 6.7 percent YoY mainly due to acquisition through business combination. The core expenses consisted of employee benefits, promotional expenses, store management fee, utilities and depreciation expenses. However, distribution costs for conveniences store business and Makro business were similar to previous year as a result of 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 19,186 million, increased by 12.8 percent YoY. Apart from acquisition through business combination, an increased administrative expenses consisted of employee benefits, transaction fees and other fee. For the Company, core expense that increased was employee benefits as the Company has a policy to keep employees safe during the COVID-19 outbreak, including store employees and employees in the distribution center, including further cost to maintain or clean the store and distribution center for the safety of employees and customers.

Costs and Expenses	FY2021
Employee Benefits	27.9%
Store management fees	14.7%
Rental and depreciation and amortization	17.2%
Advertising and sale promotion	12.3%
Utilities and others	27.9%
Total	100.0%

Profit Before Tax and Net Profit

In 2021, profit before tax was Baht 12,577 million, decreased by 34.7 percent YoY and reported Net Profit at amount of Baht 12,985 million, decreased by 19.4 percent YoY as operations continually affected by economic activities. In addition, CPALL recorded a share of loss of associates and joint ventures under the equity method of Baht 226 million (before entire business transfer transaction), also reported an increased finance costs from Lotus's acquisition since the end of 2020. Furthermore, in the middle of 2021, the Company issued Thai Baht bonds with fixed interest rates to repay loans from financial institutions before maturity 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 2021, it amounted to 1.33 baht.



For Retail and Mall rental business, namely C.P. Retail Holding Company Limited (Lotus's), the Company acquired this business at the end of 2020 by holding 40 percent stake, resulted in Lotus' status as an associate of the Company. However, in 2021, the Company has internally restructured by the Company's shareholders approved Siam Makro Public Company Limited (Makro) (a direct subsidiary of the Company) to enter into entire business transfer of Lotus's in October 2021. After the completion of the above transaction, Lotus's became a direct subsidiary of Makro and an indirect subsidiary of the Company.

In December 2021, Makro issued and offered newly issued ordinary shares to the public, at the same time the Company also offered a portion of the ordinary shares in Makro which are held by the Company to the public. After the completion of this transaction, shareholding portion of the Company in Makro decreased to 59.92 percent, which resulted in an increase in non-controlling interests.

*Proportion of profit before finance costs and tax expense before elimination contributed from three major businesses, included (Group 1) convenience stores business accounted for 55 percent (Group 2) grocery wholesaling and retailing business accounted for 33 percent, and (Group 3) other businesses in Thailand accounted for 12 percent. The proportion of Group 2 increased from previous year mainly from profit growth of Makro business together with acquisition through business combination in this year.

* Profit before Finance costs and Tax Expense before Elimination excluded gain from sale of investments in subsidiaries and gain on step acquisition

Operating Results by Business Segments

Convenience Stores Business

In 2021, 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 2021 CPALL has successfully opened 702 new stores. At the end of 2021, CPALL operated 13,134 stores nationwide, which consisted of 6,280 corporate stores (48 percent of total stores), increased by 595 stores, 6,020 SBP stores (46 percent of total stores), increased by 101 stores, and 834 sub-area stores (6 percent of total stores), and increased by 6 stores.

Regarding products and services, CPALL strived to become "All Convenience" with the continuous improvement in food and beverages and new products which has received great feedback from customers who looking for convenience, fast and value of products. In 2021, food and beverage products accounted for 73.7 percent of sales mix, while non-food items (excluding phone cards) accounted for 26.3 percent. The sales mix from both groups was similar to the previous year. The proportion of food and beverage products increased from the previous year due to the changing behavior of consumers, included the launch of new products along with the promotion of the food and beverage group which can attract more customers.



In 2021, the convenience store business had total sales revenue and service income of Baht 290,228 million, decreased by Baht 10,477 million or 3.5 percent YoY. In 2021, SSSG was at -6.7 percent with average sales per store per day at amount of Baht 65,928, along with average spending per ticket at Baht 82 and there were 805 customers per store per day. Nevertheless, COVID-19 pandemic still had an impact on the changes of consumer behavior. In the midst of these changes, the convenience store business has been proactive in transforming its business strategy in order to maintain existing customer base and to expand 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, department store 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 79,450 million, decreased by Baht 4,274 million or 5.1 percent YoY. Gross profit margin was at 27.4, decreased from 27.8 in previous year which mainly from a decreased proportion of high margin products and the economies of scale at the distribution centers were reduced due to the decrease in sales according to the situation.

Meantime, other income of the convenience stores business was at Baht 20,806 million, slightly increased by Baht 234 million or 1.1 percent YoY mainly due to an increase of number of store.

In addition, convenience stores business recognized gain from sale of investments in subsidiaries at amount of Baht 1,711 million, consisted of gain from sale of investment in ALL Now Management Company Limited and gain from Makro's public offering transaction at the end of 2021.

Distribution cost and administrative expenses were Baht 90,436 million, increased by Baht 1,302 million or 1.5 percent YoY. 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 702 stores and increased more channels for customers to access products and services. In accordance with the existing pandemic situation in 2021, the Company had a further cost to ensure the safety of employees in all sectors as mentioned above.

Therefore, convenience stores business reported operating profit of Baht 19,221 million, a decrease of 14.2 percent YoY, and a net profit of Baht 9,032 million, a decrease of 36.8 percent YoY.

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 2021, other businesses reported profit before tax at Baht 3,355 million, decreased 26.2 percent YoY mainly due to economies of scale and an incremental cost of maintaining business continuity, together with an increase in distribution costs and administrative expenses due to the cost of ensuring the safety of employees in pandemic situation.

Grocery Wholesaling and Retailing businesses

In 2021, Grocery Wholesaling and Retailing businesses reported profit before tax at Baht 8,322 million, increased by 3.4 percent YoY mainly from acquisition of Retail and Mall rental businesses, together with the increased sales revenue and efficient cost control of Makro business. (Note: investors can find additional details in MD&A for the year 2021 of Siam Makro)

As at December 31, 2021, CPALL's net debt to adjusted equity according to definition of bond covenants was at 0.90 times, decreased from 1.62 times in previous year as the Company had a significantly increase of non-controlling interests. CPALL is obligated to comply with bond covenants with net debt to equity ratio a based on the consolidated financial statements for the period ended 31 December of each year, which covenants is 2:1.



Management Outlook for Convenience Stores Business in 2022

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 2022.
Sales and services revenue growth	Revenue growth of the Company 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). 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 11,500-12,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> ● Stores expansion 3,800 - 4,000 ● Stores renovation 2,400 - 2,500 ● 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