

No. ACC/HO 007/65

Topic: Management Discussion and Analysis ending 31 March 2022

To: President

The Stock Exchange of Thailand

In the first quarter of 2022, the Thai government introduced a new spending stimulus program “Shopping and Payback (Shop Dee Mee Kuen)”, running from 1 January – 15 February. This campaign offered personal income tax deductions for spending up to THB 30,000 on Vatable products and services, which boosted consumption particularly among middle-to-upper income households. Nevertheless, the economy was affected by several external factors such as the Russia-Ukraine conflict, which has led to oil and food price inflation globally, including Thailand. This has resulted in the Thai inflation rate hitting a high of 5.73% in March. Another pressure has been the rising number of infections and deaths from the spread of the Coronavirus (COVID-19) Omicron variant in various regions of the world. In Thailand, more than 20,000 cases have been reported per day during February-March which has caused a decrease in both purchasing power and consumer confidence

In order to drive sales for the first quarter this year, the Company organized the Homepro Electric Expo, during 11-20 March 2022. There were promotional activities launched at the event, particularly focused on electrical products, which supported sales of products and services, including increased rental income generation. Moreover, the ‘Shop and Payback’ stimulus program was another catalyst to partly drive domestic sales growth. In terms of development and adaptation, the Company continued to enhance the operational efficiency of its distribution channels, and organized promotional activities for both offline and online channels, which led to continuous sales improvement during the quarter.

Despite the higher cost of sales due to rising logistic costs, which were impacted by oil price inflation during the first quarter, the Company’s selling, general and administrative expenses were all manageable and remained at the same level as the previous year. This was the result of efficient cost control and operational improvement programs both at stores and in the supply chain,

The Company’s total sales and net profit for the first quarter of 2022 were Baht 16,672.52 million and Baht 1,510.95 million, respectively, representing a growth of 5.31% and 10.90% compared to the previous year.

There were no new stores opened in Thailand or overseas during the first quarter this year. At present the Company operates 87 HomePro stores, 6 HomeProS stores, 14 MegaHome stores and 7 HomePro stores in Malaysia.

The financial results of the Company and its subsidiaries for the first quarter of 2022 ended 31st March 2022, which have been reviewed by an auditor, are as follows:

Table 1: Financial Summary for the three-month period of the year 2022 and 2021

	Unit: Million Baht					
	Q1'2022	%	Q1'2021	%	Increase (Decrease)	% Change
Revenue from contracts with customers	15,760.94	100.00%	15,052.41	100.00%	708.53	4.71%
Rental income	410.91	2.61%	324.55	2.16%	86.36	26.61%
Other income	500.68	3.18%	455.61	3.03%	45.07	9.89%
Total revenues	16,672.52	105.78%	15,832.56	105.18%	839.96	5.31%
Cost of sales and service	11,664.28	74.01%	11,179.18	74.27%	485.11	4.34%
Gross profit	4,096.65	25.99%	3,873.23	25.73%	223.42	5.77%
Cost of rental	155.26	0.99%	162.68	1.08%	(7.42)	(4.56%)
Selling and administrative expenses	2,869.83	18.21%	2,693.23	17.89%	176.60	6.56%
Profit before finance cost and income tax expenses	1,983.14	12.58%	1,797.48	11.94%	185.66	10.33%
Finance Income	1.94	0.01%	2.83	0.02%	(0.89)	(31.36%)
Finance cost	93.65	0.59%	106.75	0.71%	(13.10)	(12.27%)
Income tax expenses	380.49	2.41%	331.08	2.20%	49.40	14.92%
Profit for the period	1,510.95	9.59%	1,362.47	9.05%	148.48	10.90%

The Company's net profit for the first quarter of 2022 was Baht 1,510.95 million, representing an increase of Baht 148.48 million or up 10.90% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 16,672.52 million, an increase of Baht 839.96 million or up 5.31%, comprising of the following:

1.1. Revenue from contracts with customers which comprised of product sales revenue and service income of Home Service was Baht 15,760.94 million, representing an increase of Baht 708.53 million or up 4.71% year-over-year. The revenue increase was contributed by moderate recovery of consumption in tourist dominated regions, which mainly supported by domestic tourists. This was partly also as a result of the government stimulus measure "Shopping and Payback (Shop Dee Mee

Kuen)", which stimulated spending of customers in February. In addition, the company organized more promotional activities for both offline and online channels, including Homepro Electric Expo in the first quarter of this year. At the same time, sales growth of online channel continued improving.

1.2. Rental and service income amounted to Baht 410.91 million, an increase of Baht 86.36 million or up 26.61% from previous year, thanks to following factors:

- The promotional activities of Homepro Electric Expo, compared to the absence of this kind of event in the prior year, boosted the increase in rental income.
- More rental income from leasable space of Homepro stores and Market Village, compared to the same period last year that the Company has lowered or waived rental fees for tenants to mitigate impact from COVID-19 outbreak. Moreover, there was rental income realization of new store of Homepro at Bangna Km.1, which has been operated since the fourth quarter of 2021.

1.3. Other income was Baht 500.68 million, an increase of Baht 45.07 million or up 9.89%, as a result of the increased in promotional activities with vendors in both at stores and online channels.

2. Gross profit from product sales and service income of Home Service was Baht 4,096.65 million, an increase of Baht 223.42 million or up 5.77% as compared with the prior year. The percentage of gross profit increased from 25.73% to 25.99%, which was attributed to the change of product mix from the product that have higher margin and increasing service income despite higher logistic cost.
3. Cost of rental and related services was Baht 155.26 million, a decrease of Baht 7.42 million or dropped by 4.56%, partly due to declining depreciation despite higher utilities cost from normal operation.
4. Selling and administrative expenses (SG&A) amounted to Baht 2,869.83 million, an increase of Baht 176.60 million or up 6.56% year-over-year. The increase in SG&A as a percentage of Sales from 17.89% to 18.21% was attributable to expenses associated with employee salaries and welfare, which were expenses related to taking care of associates for COVID-19 prevention such as in ATK test kits, utilities expense, cost of rental, property tax and marketing expenses.
5. Finance income was Baht 1.94 million, a net decrease of Baht 0.89 million or reduced by 31.36%, due to lower interest income.
6. Finance cost was Baht 93.65 million, a net decrease of Baht 13.10 million or down 12.27% due to the issuance of corporate bonds with lower interest rates for debt refinancing in the first and fourth quarters of 2021.
7. Income tax expenses were Baht 380.49 million, an increase of Baht 49.40 million or up 14.92% when compared with the prior year. This was due to higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms.Wanee Juntamongkol)

Executive Vice President – Accounting and Finance