

No. ACC/HO 018/22

Topic: Management Discussion and Analysis ending 30 September 2022

To: President

The Stock Exchange of Thailand

The Thai economy started to recover in the third quarter of 2022, thanks mainly to the easing of the COVID-19 pandemic following a more comprehensive and effective vaccine distribution. This has enabled a recovery in tourism, with increased tourist arrivals following the easing of travel restrictions and a tourism stimulus plan, and this despite the constraint of inflation from the rising price of energy and consumer goods that has adversely affected consumer's purchasing power. The government has also launched various economic stimulus measures such as the 'We Travel Together' campaign and 'Half-Half Co-Payment' scheme, with the aim of boosting both tourism and domestic spending, and so partially alleviate the impact of inflation. Moreover, the Company's same store sales growth (SSSG) in the third quarter of 2022 improved considerably, in part as a result of the low base during the same period last year which resulted from temporary store closures following government lockdown measures, as well as support from the tourism and consumption recovery this year.

The rainy season of Thailand normally occurs in the third quarter of each year. This year rainfall was both heavier and more frequent than in recent years, which has caused flooding in many parts of the country, including Bangkok and its vicinities, and this impacted negatively on customer traffic visiting stores. Nevertheless, the Company continued to drive sales by organizing various promotional activities such as: the Homepro Super Expo, during 27-31 July 2022, at all Homepro stores nationwide and through online channels; the Homepro Electric Expo 2022, during 19-28 August 2022, at Bitec Bangna, including Double Day activities; and other promotional events at Homepro stores and through the online platform. These activities resulted in higher sales, especially in tourist areas, which contributed to significant growth compared to the same period last year.

Since July 1<sup>st</sup> 2022, Mega Home business has been merged with Homepro to operate under the same entity of Home Product Center Public Company Limited, which formerly the two company has completely separated management. The objective is to increase management efficiency in many aspects such as people management, inventory management, and efficient cost control as well as facilitating customers in terms of enabling products and services cross purchasing from both Homepro and Mega Home stores with more variety and speed in order to boost business opportunities.

In the third quarter of 2022, the Company opened a new Homepro store at Future Park Rangsit, which relocated from an old store nearby, with the new location being more convenient for customers. Also, the Company closed the Homepro store at The Mall Bangkae due to the expiry of its leasing term, with the plan to open a replacement store in the same area next year. Furthermore, the Company has also opened two new Mega Home stores at Pattaya and Chachoengsao. As at the end of the third quarter 2022, the Company operated 86 Homepro stores, 6 Homepro S stores, 16 Mega Home stores, as well as 7 stores of Homepro Malaysia.

The financial results of the Company and its subsidiaries for the three-month and nine-month periods ended 30 September 2022, which have been reviewed by an auditor, are as follows:

Table 1: Financial Summary for the third quarter of the year 2022 and 2021

Unit: Million Baht

Consolidated financial statement	Q3'2022	%	Q3'2021	%	Unit: Million Baht	
					Increase (Decrease)	% Change
Revenue from contracts with customers	15,896.57	100.00%	13,170.18	100.00%	2,726.40	20.70%
Rental income	440.64	2.77%	217.05	1.65%	223.59	103.01%
Other income	604.28	3.80%	389.61	2.96%	214.67	55.10%
<b>Total revenues</b>	<b>16,941.50</b>	<b>106.57%</b>	<b>13,776.84</b>	<b>104.61%</b>	<b>3,164.66</b>	<b>22.97%</b>
Cost of sales and service	11,636.54	73.20%	9,851.65	74.80%	1,784.89	18.12%
<b>Gross profit</b>	<b>4,260.03</b>	<b>26.80%</b>	<b>3,318.53</b>	<b>25.20%</b>	<b>941.51</b>	<b>28.37%</b>
Cost of rental	186.07	1.17%	144.26	1.10%	41.81	28.98%
Selling and administrative expenses	3,130.36	19.69%	2,591.98	19.68%	538.38	20.77%
<b>Profit before finance cost and income tax expenses</b>	<b>1,988.52</b>	<b>12.51%</b>	<b>1,188.95</b>	<b>9.03%</b>	<b>799.58</b>	<b>67.25%</b>
Share of profit/loss from investment in associates	(0.59)	0.00%	0.00	0.00%	(0.59)	(0.00%)
Finance Income	4.82	0.03%	1.17	0.01%	3.65	312.23%
Finance cost	122.83	0.77%	107.65	0.82%	15.18	14.10%
<b>Profit before income tax expenses</b>	<b>1,869.92</b>	<b>11.76%</b>	<b>1,082.46</b>	<b>8.22%</b>	<b>787.46</b>	<b>72.75%</b>
Income tax expenses	336.59	2.12%	212.05	1.61%	124.54	58.73%
<b>Profit for the period</b>	<b>1,533.33</b>	<b>9.65%</b>	<b>870.41</b>	<b>6.61%</b>	<b>662.92</b>	<b>76.16%</b>

The Company's net profit for the third quarter of 2022 was Baht 1,533.33 million, representing an increase of Baht 662.92 million or up 76.16% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 16,941.50 million, an increase of Baht 3,164.66 million or up 22.97%, 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 15,896.57 million, representing an increase of Baht 2,726.40 million or up 20.70% year-over-year. The significant increase of revenue was contributed by the resumption to normal operation of all stores compared to the same period of previous year of which some stores have been closed due to the lockdown regulation by the government. In addition, the recovery of domestic consumption and tourism is a plus although there was less traffic in some stores because of the heavy rainfall and flood in the third quarter of 2022. However, the Company drove its sales by

organizing the Homepro Super Expo at all Homepro stores nationwide and online channel, including Homepro Electric Expo and Double Day activities, in order to provide more channels for customer convenience to purchase products and services.

- 1.2. Rental and service income amounted to Baht 440.64 million, an increase of Baht 223.59 million or up 103.01% from previous year thanks to more rental income from leasable space of Homepro stores and Market Village particularly in tourism areas, compared to the same period last year when rental areas were closed following the lockdown regulation by the government, in which the Company has lowered or waived rental fees for tenants to mitigate impact from COVID-19 outbreak. Moreover, there was rental income realization of rental space in new store of Homepro at Bangna Km.1, which has been operated since the fourth quarter of 2021.
- 1.3. Other income was Baht 604.28 million, an increase of Baht 214.67 million or up 55.10%, 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 4,260.03 million, an increase of Baht 941.51 million or up 28.37% as compared with the prior year. The gross profit as percentage of sales increased from 25.20% in the same period last year to 26.80%, which was attributed to the change of product mix toward high-margin products and increasing service income despite higher logistic cost from distribution center to stores resulting from oil price inflation.
3. Cost of rental and related services was Baht 186.07 million, an increase of Baht 41.81 million or up 28.98%, due to higher utilities cost from resumption to normal operation compared to temporary store closure during the same period of last year.
4. Selling and administrative expenses (SG&A) amounted to Baht 3,130.36 million, an increase of Baht 538.38 million or up 20.77% year-over-year. The SG&A as a percentage of Sales was 19.69%, close to 19.68% level in previous year, as a result of the increase in expenses related to new stores opening of Homepro and Mega Home, utilities expense that was charged at higher fuel adjustment rate, property tax back to normal rate, as well as marketing and promotional activities expenses.
5. Finance income was Baht 4.82 million, an increase of Baht 3.65 million or up 312.23%, due to higher interest income.
6. Finance cost was Baht 122.83 million, an increase of Baht 15.18 million or up 14.10% due to the ahead issuance of corporate bonds with higher interest rates during the third quarter for debt refinancing due in the fourth quarter of 2021.
7. Income tax expenses were Baht 336.59 million, an increase of Baht 124.54 million or up 58.73% when compared with the prior year. This was due to higher earnings before tax.

Table 2: Financial Summary for the nine-month period of the year 2022 and 2021

Consolidated financial statement	Unit: Million Baht					
	9M'2022	%	9M'2021	%	Increase (Decrease)	% Change
Revenue from contracts with customers	47,976.11	100.00%	44,376.89	100.00%	3,599.22	8.11%
Rental income	1,256.27	2.62%	844.03	1.90%	412.24	48.84%
Other income	1,689.19	3.52%	1,342.78	3.03%	346.42	25.80%
<b>Total revenues</b>	<b>50,921.57</b>	<b>106.14%</b>	<b>46,563.69</b>	<b>104.93%</b>	<b>4,357.88</b>	<b>9.36%</b>
Cost of sales and service	35,423.98	73.84%	33,119.52	74.63%	2,304.46	6.96%
<b>Gross profit</b>	<b>12,552.13</b>	<b>26.16%</b>	<b>11,257.37</b>	<b>25.37%</b>	<b>1,294.76</b>	<b>11.50%</b>
Cost of rental	517.24	1.08%	463.24	1.04%	54.00	11.66%
Selling and administrative expenses	9,029.78	18.82%	8,151.38	18.37%	878.40	10.78%
<b>Profit before finance cost and income tax expenses</b>	<b>5,950.57</b>	<b>12.40%</b>	<b>4,829.56</b>	<b>10.88%</b>	<b>1,121.01</b>	<b>23.21%</b>
Share of profit/loss from investment in associates	-0.59	0.00%	0.00	0.00%	(0.59)	(0.00%)
Finance Income	8.49	0.02%	5.79	0.01%	2.70	46.68%
Finance cost	315.02	0.66%	316.24	0.71%	(1.22)	(0.39%)
<b>Profit before income tax expenses</b>	<b>5,643.46</b>	<b>11.76%</b>	<b>4,519.11</b>	<b>10.18%</b>	<b>1,124.35</b>	<b>24.88%</b>
Income tax expenses	1,079.11	2.25%	853.64	1.92%	225.47	26.41%
<b>Profit for the period</b>	<b>4,564.35</b>	<b>9.51%</b>	<b>3,665.47</b>	<b>8.26%</b>	<b>898.87</b>	<b>24.52%</b>

The Company's net profit for the nine-month period of 2022 was Baht 4,564.35 million, representing an increase of Baht 898.87 million or up 24.52% as compared to the previous year. The main reasons include:

8. Total revenues were Baht 50,921.57 million, an increase of Baht 4,357.88 million or up 9.36%, comprising of the following:

8.1. Revenue from contracts with customers which comprised of product sales revenue and service income of Home Service was Baht 47,976.11 million, representing an increase of Baht 3,599.22 million or up 8.11% year-over-year. The revenue increase was contributed by the recovery of domestic consumption and tourism industry, including the resumption to normal operation of all

stores compared to the same period of previous year of which some stores have been closed due to the lockdown regulation by the government. In addition, the company organized promotional activities in events such as Homepro Electric Expo in the first and third quarter of 2022, Homepro Super Expo in the second and third quarter of 2022, and Double Day activities in every month.

8.2. Rental and service income amounted to Baht 1,256.27 million, an increase of Baht 412.24 million or up 48.84% from previous year, thanks to following factors:

- The promotional activities of Homepro Electric Expo in the first and third quarter of 2022, 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 particularly in tourism areas, compared to the third quarter of previous year when shopping malls were closed following lockdown regulation by the government, in which the Company has lowered or waived rental fees for tenants to mitigate impact from COVID-19 outbreak. Moreover, there was rental income realization of rental space in new store of Homepro at Bangna Km.1, which has been operated since the fourth quarter of 2021.

8.3. Other income was Baht 1,689.19 million, an increase of Baht 346.42 million or up 25.80%, as a result of the increased in promotional activities with vendors in both at stores and online channels.

9. Gross profit from product sales and service income of Home Service was Baht 12,522.13 million, an increase of Baht 1,294.76 million or up 11.50% as compared with the prior year. The gross profit margin increased from 25.37% to 26.16%, which was attributed to the change of product mix toward the product that have higher margin and increasing service income despite higher logistic cost from distribution center to stores owing to oil price inflation.

10. Cost of rental and related services was Baht 517.24 million, an increase of Baht 54.00 million or up 11.66%, due to higher utilities cost from resumption to normal operation compared to temporary closure during the same period of last year.

11. Selling and administrative expenses (SG&A) amounted to Baht 9,029.78 million, an increase of Baht 878.40 million or up 10.78% year-over-year. The increase in SG&A as a percentage of Sales from 18.37% to 18.82% was attributable to expenses related to new stores opening of Homepro and Mega Home, utility expenses that was charged at higher fuel adjustment rate, property tax back to normal rate, as well as marketing and promotion expenses etc.

12. Finance income was Baht 8.49 million, an increase of Baht 2.70 million or up 46.68%, due to higher interest income.

13. Finance cost was Baht 315.02 million, a marginal decrease of Baht 1.22 million or down 0.39% even though there was the issuance of corporate bonds with higher interest rates in the third quarter of 2022, the higher interest amount was offset by the issuance of corporate bonds with lower interest rates for debt refinancing in the fourth quarters of 2021.
14. Income tax expenses were Baht 1,079.11 million, an increase of Baht 225.47 million or up 26.41% 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