

Translation

Date: 20 February 2023

Subject: Management Discussion and Analysis for the Year Ended 31 December 2022

To: President of the Stock Exchange of Thailand

Siam Makro Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the year ended 31 December 2022, which has been audited by its Certified Public Accountant as follows:

1. Operating Results: the Company and its Subsidiaries

(unit: million Baht)	2022	2021	YoY
Consolidated Financial Performance			
Sales	447,182	258,630	72.9%
<i>Wholesale business</i> ⁽¹⁾	242,437	221,344	9.5%
<i>Retail business</i> ⁽²⁾	204,745	37,286	449.1%
Revenue from rental and rendering retail services	13,477	2,631	412.2%
Total revenues	469,131	266,367	76.1%
Gross profit from sales	63,577	30,292	109.9%
<i>Gross profit margin from sales (%)</i>	14.2	11.7	250 bps
EBITDA ⁽³⁾	35,084	23,109	51.8%
EBITDA (excludes non-recurring items in notes 4 and 5)	35,084	16,770	109.2%
Finance costs	7,122	1,557	357.5%
Net profit	7,697	13,687	(43.8%)
<i>Gain on step acquisition</i> ⁽⁴⁾	n/a	6,714	n/a
Net profit (excludes gain on step acquisition)	7,697	6,973	10.4%
<i>Wholesale business</i> ⁽¹⁾	7,074	6,576	7.6%
<i>Retail business</i> ⁽²⁾	623	397	56.7%
Earnings per share (Baht per share)	0.73	2.38	(69.4%)

(1) Consisting of Makro-Thailand, Makro-International, and Food Service APME

(2) Consisting of retail businesses under “Lotus’s” and mall business in Thailand and Malaysia (Lotus’s Thailand and Lotus’s Malaysia)

(3) Earnings before interest, tax, depreciation, and amortization

(4) Accounting profit recognized from the difference between the fair value and the carrying amount of interests from business combination under common control

(5) Share loss from the Associated Company - Retail business (CPRD), under the equity method in proportion of 40%, that used to recognize in the financial statement of CPALL in 2021 and must be restated in the consolidate financial statement of the Company according to financial reporting standards for business combinations under common control in an amount of Baht 375 million

1.1. 2022 Performance of the Company and its Subsidiaries

Revenue

In 2022, the Company and its subsidiaries reported sales revenue of Baht 447,182 million, an increase of Baht 188,552 million or 72.9% year-on-year (“YoY”), due mainly to the business combination of the retail business since 25 October 2021, and the continued sales growth of Baht 21,093 million or 9.5% from Makro-Thailand, Makro-International as well as Foodservice APME because of a recovery from the reopening of international borders in core operating countries alongside less rigorous travel restrictions in the Asia-Pacific market.

In addition, the Company and its subsidiaries revenues from rental and rendering retail services of Baht 13,477 million, rendering of services of Baht 5,422 million, and other income of Baht 3,050 million totaled Baht 21,949 million, due to a remarkable growth of Baht 14,212 million, or 183.7% compared to the same period last year. This was primarily from an increase of Baht 10,750 million in revenue from rental and rendering retail services from the retail business. Therefore, the Company and its subsidiaries had total revenues of Baht 469,131 million in 2022, an increase of 76.1% compared to the same period last year.

Gross profit from sales revenue

The Company and its subsidiaries in 2022 had a gross profit margin of 14.2% of the total sales revenue, increased from 11.7% in the same period last year, primarily due to the combination of the retail business, which it has a gross profit margin of 18.6%.

Cost of rental and rendering of services, Distribution Costs, and Administrative Expenses

The Company and its subsidiaries recorded cost of rental and rendering of services of Baht 5,982 million in 2022, an increase of Baht 4,936 million from the same period last year, mainly attributable to the retail business. Meanwhile the distribution costs and administrative expenses were Baht 62,842 million, an increase of Baht 36,353 million or 137.2% YoY, which represented 13.4% of total revenues. This was primarily due to an increase in Baht 33,560 million in the distribution costs and administrative expense of the retail business. While the wholesale business saw an increase of Baht 2,793 million, due to a higher operational expenditure along with a number of new stores, delivery costs from the sales growth of online channels, a full-charge land and building taxes compared to the previous year rate of only 10.0%, and costs that related to new investment, which comprised of online and delivery’s facility improvement. Moreover, the utilities bill increased mostly due to a change in an energy adjustment charge (“FT”) during the end of 2022.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 2022, the Company and its subsidiaries posted an EBITDA (excludes non-recurring items) of Baht 35,084 million, an increase of Baht 18,314 million or 109.2%, compared to the same period last year. This represents 7.5% of total revenues, an increase from the previous year's EBITDA margin of 6.3% (excludes non-recurring items).

Net Profit

In 2022, the Company and its subsidiaries had a net profit of Baht 7,697 million, a decrease of Baht 5,990 million or 43.8% from the previous year which included a gain on step acquisition of retail business since October 2021. Regardless of the non-recurring item mentioned above, net profit surged by 10.4% from 2021, with wholesale business of Baht 7,074 million, or an increase of 7.6% YoY, and retail business of Baht 623 million.

2. Operating Results by Business Division

2.1. The Wholesale Business Performance

	2022	2021	YoY
Wholesale Business	(unit: million Baht)		
Sales	242,437	221,344	9.5%
Other revenues ⁽¹⁾	5,741	4,914	16.9%
Total revenues	248,178	226,258	9.7%
Gross profit from sales	25,569	22,920	11.6%
<i>Gross profit margin from sales (%)</i>	10.5	10.4	10 bps
EBITDA ⁽²⁾	13,452	12,553	7.2%
Net profit	7,074	6,576	7.6%
Number of Stores	(stores)	162	149
<i>Thailand</i>	152	142	10 ⁽⁴⁾
<i>Overseas</i> ⁽³⁾	10	7	3
Sales Space	(sq.m.)	854,891	819,815
<i>Thailand</i>	811,622	785,869	25,753
<i>Overseas</i> ⁽³⁾	43,269	33,946	9,323

(1) Comprises of revenue from rendering of services, revenue from rental and rendering retail services, and other income

(2) Earnings before interest, tax, depreciation, and amortization

(3) Excluding a restaurant/food shop under Foodservice APME

(4) Makro-Thailand opened and closed 11 stores and 1 store, respectively

Revenue

In 2022, the wholesale business reported sales of Baht 242,437 million, which increased by Baht 21,093 million, or 9.5% YoY, primarily attributable to 8.2% growth at Makro-Thailand with 4.3% growth from in-store sales and 11 new stores opening. In addition, the online sales and delivery increased by 3.9%, coupled with higher Makro-International's sales across all nations. While Foodservice APME's sales continued to grow and outpace the pre-COVID-19 pandemic level, this was due to the robust growth of HoReCa.

When combined with revenue from rendering services of Baht 4,240 million, revenue from rental and retail services of Baht 443 million, and other income of Baht 1,058 million, totaling Baht 5,741 million increased by Baht 827 million, or 16.9% YoY, mainly owing to an increase in the promotional supports and rental spaces

from new stores. As a result, the wholesale business had total revenues of Baht 248,178 million, an increase of 9.7% over the last year.

Distribution Costs, and Administrative Expenses

In 2022, the wholesale business had distribution costs and administrative expenses totaling Baht 21,619 million, an increase of Baht 2,793 million or 14.8% YoY principally because:

- Distribution costs increased by Baht 2,215 million, or 17.0%, as a result of higher operational expenses along with an increase number of stores, higher electricity expenses from the FT adjustment charge in the late 2022, a full-charge of land and building taxes compared to that of the previous year's rate of only 10.0%, higher delivery charges accompanied with a surge in sales growth through online distribution channels, and facilities improvement costs to support the rapid expansion.
- Administrative expenses rose by Baht 578 million or 9.9%, mainly from costs related to the online business and employee development.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 2022, the wholesale business posted an EBITDA of Baht 13,452 million, an increase of Baht 899 million or 7.2% compared to the same period last year. This represented 5.4% of total revenues, due mainly to the aforementioned revenues.

Net Profit

In 2022, the wholesale business generated a net profit of Baht 7,074 million, rose by Baht 498 million or 7.6% over the same period of last year, mainly from a growth in sales in all businesses and a better performance of Foodservice APME. While Makro-International has shown a lower loss compared to last year, owing to an improving performance in Cambodia and Myanmar.

2.2. The Retail Business Performance

	2022	2021 ⁽¹⁾	YoY	
Retail Business	(unit: million Baht)			
Sales	204,745	37,286	449.1%	
Revenue from rental and rendering retail services	13,034	2,284	470.6%	
Total revenues	221,052	40,109	451.1%	
Gross profit from sales	38,008	7,372	415.5%	
<i>Gross profit margin from sales (%)</i>	18.6	19.8	(120 bps)	
EBITDA ⁽²⁾	21,731	4,217	415.3%	
Net profit	623	397	56.7%	
Number of Stores	(stores)	2,643	2,680	(37) ⁽³⁾
<i>Lotus's Thailand</i>	2,578	2,618	(40)	
<i>Lotus's Malaysia</i>	65	62	3	
Sales Space	(sq.m.)	1,822,303	1,813,696	8,607
<i>Lotus's Thailand</i>	1,531,317	1,519,227	12,090	
<i>Lotus's Malaysia</i>	290,986	294,469	(3,483)	
Permanent Net Leasable Area	(sq.m.)	1,061,683	1,017,786	43,897
<i>Lotus's Thailand</i>	745,249	717,224	28,025	
<i>Occupancy rate (%)</i>	90.0	90.0	-	
<i>Lotus's Malaysia</i>	316,434	300,562	15,872	
<i>Occupancy rate (%)</i>	93.2	92.1	110 bps	

(1) Retail business's operating results start from October 25, 2021

(2) Earnings before interest, taxes, depreciation, and amortization

(3) Retail business opened and closed 92 stores and 129 stores, respectively

Revenue

In 2022, the retail business had sales of Baht 204,745 million, an increase of 449.1% over the operating results from 25 October – 31 December 2021 or rose by 5.7% YoY on the back of rising sales in almost all distribution channels. Furthermore, Lotus's Thailand online channels significantly grew by 101.7% compared to the same period last year. Positively, its revenue from rental and rendering retail services continued to grow and marked at Baht 13,034 million, increased by 470.6% over the operating results from 25 October – 31 December 2021, or a 19.6% increased YoY. Meanwhile, Lotus's Thailand and Lotus's Malaysia had mall occupancy rates of

90.0% and 93.2%, respectively. As a result, the retail business recorded total revenues of Baht 221,052 million in 2022, elevated by 451.1% over the operating results from 25 October – 31 December 2021, or an increase of 6.6% YoY.

Cost of rental and rendering of services, Distribution Costs, and Administrative Expenses

In 2022, the retail business incurred cost of rental and rendering of services of Baht 5,890 million. Meanwhile, the distribution costs and administrative expenses totaling Baht 41,223 million, comprising distribution costs of Baht 33,155 million, and administrative expenses of Baht 8,068 million, mainly from expenses associated with new stores during the year, amortization of new IT system and stores rebranding which gradually completed in 2022 as well as the higher electricity costs in Thailand.

As aforesaid, the retail business had gross profit from sales, and gross profit from rental and rendering retail services in 2022 at 18.6% and 54.8%, respectively.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 2022, the retail business posted an EBITDA of Baht 21,731 million, an increase of 415.3% over the operating results from 25 October – 31 December 2021 or rose by 5.9% YoY. This represented 9.8% of total revenues.

Net Profit

In 2022, the retail business reported a net profit of Baht 623 million, or an increase of 56.7% from the operating results during 25 October – 31 December 2021 or increased by 225.9% YoY.

3. Statement of Financial Position of the Company and its Subsidiaries

The financial position of the Company and its subsidiaries as of 31 December 2022, compared to 31 December 2021, are as follows:

Consolidated financial statements (unit: million Baht)	31 December 2022	31 December 2021	Change	%
Assets				
Cash and cash equivalents	40,103	68,529	(28,426)	(41.5)
Other current assets	47,252	41,471	5,781	13.9
Non-current assets	461,288	459,490	1,798	0.4
Total assets	548,643	569,490	(20,847)	(3.7)
Liabilities				
Current liabilities	89,125	87,198	1,927	2.2
Interest-bearing debts ⁽¹⁾	111,662	136,319	(24,657)	(18.1)
Non-current liabilities	56,925	57,475	(550)	(1.0)
Total liabilities	257,712	280,992	(23,280)	(8.3)
Total equity	290,931	288,498	2,433	0.8
Total liabilities and equity	548,643	569,490	(20,847)	(3.7)

(1) Interest-bearing debts excluding lease liabilities.

Total Assets

As of 31 December 2022, the Company and its subsidiaries had total assets of Baht 548,643 million, decreased by Baht 20,847 million or 3.7% compared to as of December 31, 2021, owing to a decline of Baht 28,426 million in cash and cash equivalents disbursed in subsidiaries' loan prepayments to financial institutions, store expansion, new IT system, repayment liabilities for the goods, and dividend payment. Meanwhile, inventories climbed by Baht 5,853 million due to stocking piling for the festive seasons compared to the previous year.

Total Liabilities

As of 31 December 2022, the Company and its subsidiaries registered total liabilities of Baht 257,712 million, a drop of Baht 23,280 million or 8.3% compared to as of 31 December 2021, owing primarily to a decline of Baht 24,657 million in interest-bearing debts as repayments of borrowings from financial institutions. In addition, the subsidiary issued debentures to prepay the long-term loans in advance of their due date.

Equity

As of 31 December 2022, the Company and its subsidiaries reported Baht 290,931 million in equity, an increase of Baht 2,433 million or 0.8% compared to as of 31 December 2021, owing primarily to its operating performance results for the period in spite of dividend payments during the year.

4. Statement of cash flows of the Company and its Subsidiaries

(unit: million Baht)	Consolidated For the year ended 31 December	
	2022	2021
Net cash generated from (used in) operating activities	22,014	16,769
Net cash generated from (used in) investing activities	(17,164)	14,965
Net cash generated from (used in) financing activities	(32,955)	26,461
Exchange differences on translating financial statements	(321)	(150)
Net increase (decrease) in cash and cash equivalents	(28,426)	58,045
Cash and cash equivalents at the beginning of the period	68,529	10,484
Cash and cash equivalents at the end of the period	<u>40,103</u>	<u>68,529</u>

For the year ended 31 December 2022, the Company and its Subsidiaries had net cash generated from operating activities in the amount of Baht 22,014 million, mainly due to the operating results for the period. Net cash used in investing activities was Baht 17,164 million, primarily from the investment in property, plant and equipment and intangible assets of Baht 16,151 million. On the other hand, net cash used in financing activities was Baht 32,955 million, mainly from the prepayments of borrowings from financial institutions of Baht 51,653 million and dividend payment in an amount of Baht 5,290 million. While the cash received from debentures of Baht 23,463 million and long-term borrowings of Baht 2,000 million. Therefore, the net decrease in cash and cash equivalents was Baht 28,426 million, with Baht 40,103 million of cash and cash equivalents at the end of the period.

5. Business Outlook

The Asia economy is likely to outperform the global economy in 2023 after the lifting of China's Zero COVID-19 policy, as well as with Thailand's economy, which is backed by a significant recovery of the tourism sector following the return of main tourist groups, particularly from China. This will boost employment and domestic consumption, and diversifies income to the service sector in Thailand, factors of which also drive growth for the Company. In 2023, the Company and its subsidiaries are targeted to grow both in-store and online sales by expanding stores in various formats as follows:

- The wholesale business expansion plan includes 12 stores in Thailand and 6 stores in overseas.

- The retail business expansion plan includes domestic and overseas of 5 hypermarket stores and over 150 medium and small stores.

In addition, the Company and its subsidiaries plan to expand mall spaces in its existing 19 stores, with fresh, vibrant, and modern architectural embellishment and product mixes that vary in style and group to better meet customer needs. Moreover, In-store business will be adjusted by adding more alternate and differentiate product mix from domestic and international markets, namely frozen food products, clothing, housewares, and electrical appliances. Among other offerings, there will also be a wider variety of tenants e.g. famous food chains and branded shops among mall leased spaces to attract more foot traffic and customers to spend time and shop in the stores, creating a positive effect on revenue from rental and rendering retail services. Notwithstanding the determination to expand the business and find new opportunities to meet the changing needs of customers, the Company and its subsidiaries have invested in online system development and infrastructure to response rapidly change of customer needs and support a seamless omnichannel experience of online sales and delivery to enhance earnings and business expansion.

Please be informed accordingly.

Yours faithfully,

Siam Makro Public Company Limited

(Saowaluck Thithapant)

Group Chief Executive Officer – Makro Business and

Group Chief Financial Officer

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