

# CENTRALRETAIL

CRC IR 023/2022

**Re: Management Discussion and Analysis (MD&A) for the three-month and 12-month period ended 31 December 2022**

**To: President**

**The Stock Exchange of Thailand**

Date 28 February 2023

Central Retail Corporation Public Company Limited (“the Company” or “CRC”) would like to clarify Management Discussion and Analysis for the operating results for three-month and 12-month period ended 30 December 2022

Please be informed accordingly.

Yours Sincerely,

*-Signature-*

(Mr. Ty Chirathivat)

Chief Financial Officer

Central Retail Corporation Public Company Limited

## Performance Overview

The overall Thai economy in 2022 has continued to recover after the COVID-19 outbreaks subsided, resulting in an evident improvement in economic activities and positive signs of gradual economic rebound in the tourism and private consumption sectors. In particular, the tourism sector has been robustly improved following the implementation of Thailand's reopening policy in the second half of 2022, thus over 11 million foreign tourists flocking to Thailand this year. However, the overall picture of the Thai economy still faces challenges from the global economic slowdown due to the protracted Russian-Ukrainian crisis, European energy crisis, high inflation globally while the funding costs are likely to rise due to central banks' interest rate hikes including the Bank of Thailand. Hence, all these factors affect the purchasing power of consumers.

The Bank of Thailand forecasted that the Thai economy in 2023 would expand at the rate of 3.7%, owing to the trend of recovery in the tourism sector. The reopening of the country, especially for Chinese tourists, will be one of the key factors that bolsters the Thai economy in 2023, as it is expected to attract more than 20 million of foreign tourists, accounting for more than 50% compared to the pre COVID-19. Moreover, private consumption has benefited from economic activities while employment rates and labor income have improved and are more thoroughly distributed. The tourism sector and private consumption are expected to be a key driver for the Thai economy in 2023.

## Business Situation in 2022

The Company's performance in Q4 of 2022 has continued to improve thanks to the strong business model driven by CRC Retailelligence strategy. It adjusted operational strategies to be in line with changing lifestyles of consumers after the COVID-19 epidemic, including the development of the Central Retail Ecosystem and omnichannel platform. In addition, the Company continues to manage expenses with vigilance, such as managing products and promotions to suit and meet the needs of each customer group, or using energy-saving innovations, e.g., the installation of solar panels or the use of electric trucks (EV) for goods transportation in several business units to reduce its operating costs as well as adjusting the funding cost structure to be appropriate amid the rising interest rates.

- **Thailand:** With respect to the operations this year, the Company has launched new branches while also renovating existing branches, especially department stores, to add modern elements and feature world-class brands, and celebrating the 75th anniversary of Central Department Store "The Celebration of Central 75th Anniversary", together with fully reopening country which contributed to continuous growth in traffic and sales, especially in tourist provinces. In the fourth quarter, sales in Thailand improved from the previous quarter and from the same period last year and showed the highest growth compared to the previous quarter. The Company continued to

## CENTRALRETAIL

drive sales through omnichannel channels and improve its services through the mobile application to fulfill consumer needs. As a result, omnichannel sales for 12-month period grew by 12% compared to the previous year and accounted for 23% of the total sales in Thailand.

- **Vietnam:** Overall, Vietnam was the country showcasing the most robust economic growth and expansion among other countries in Asia. This was supported by the industrial sector and the recovery of the service sector. In 2022, the Company expanded branches and renovated GO! Department store and different branches under the food and hardline segments according to the plan, resulting in the continued rise of Company's sales compared to the same period last year. In addition, the Company also drives sales through omnichannel platforms, resulting in omnichannel sales in the 12-month period rose by 40% compared to the previous year and accounted for 9% of the total sales in Vietnam.
- **Italy:** The business situation in Italy is likely to recover continuously as the country is reopened. This has stimulated the purchases of local customers and tourists. In the fourth quarter, sales in Italy improved from the previous quarter and from the same period last year, recording the highest growth compared to the previous quarter, thanks to the continuous renovation of flagship department stores as planned. Launching product brands to meet consumer needs and selling products through omnichannel channels drove the omnichannel sales growth by 48% compared to the previous year and accounted for 5% of the total sales in Italy.

The Company never ceases to steer its business to achieve sustainable growth in the environmental, social, and economic aspects under CRC **ReNEW** strategy to turn the organization into a Green & Sustainable Retailer. It aims at reducing GHG emission and achieving the net-zero goal by 2050, as a long-term target. A medium-term target is to be accomplished by 2030 as follows.

- **R**educe Greenhouse Gases by 30% by installing solar-cell rooftops on malls and stores in 49 stores, using EV trucks for product deliveries, adopting energy-saving technologies across various forms, investing in clean energy under Greengen Energy Co., Ltd. (GGE). Moreover, we enhance Carbon Sequestration by foresting and agricultural development more than 5,500 Rai, targeting to expand to 50,000 Rai in 2050.
- **N**avigate Society Wellbeing. We commit to promoting diversity, equity, and inclusion by developing employee potential and supporting SME entrepreneurs and forming a TOP Tongtin and OfficeMate Plus. Moreover, there are the projects under “Central Tham” by creating a total of 412 employment opportunities for people with disabilities. The company has also supported local communities and enhanced quality of life through the Jing Jai Farmers’ Market initiative

and has helped a total of 9,696 households and generating an annual income of THB 255 million for local farmers.

- **E**co-friendly Product & Packaging by increasing green products, the use of recyclable, natural and durable materials, which can reduce waste of single-use items and plastic materials as well as expanding a new store format which distributing high quality products with a strong commitment to the environment and communities, including organic fruits and vegetables under Tops Green brand, the first green store in Thailand.
- **W**aste Management and reducing food waste by 30%. It will help in using resources more efficiently, reduce food waste throughout the value chain. The food waste will be effectively managed through fertilisation and the production of biogas. Before becoming waste, food surplus that can still be consumed will be shared to vulnerable groups and elevate plastic waste management by upcycling PET bottle' initiative where customers can donate PET bottles for recycling and upcycling into other products, creating employment and income opportunities for communities.

The Company appointed an environmental committee to prepare guidelines and raise the level of management as well as improving various environmental policies and practices, such as the commitments to conservation of biodiversity, preservation, and restoration of forest areas, etc., to ensure continuity and quality in sustainability work and the dimension of environmental quality development that meet both domestic and international standards.

With respect to good governance management, in the fourth quarter of 2022, the Company implemented good corporate governance practices by reviewing and revising various policies and charters, e.g., the Board of Directors Charter, Audit Committee Charter, Corporate Governance and Sustainable Development Committee Charter, Good Corporate Governance Policy, Insider Policy, and environmental policies. It also improved the good corporate governance handbook and corporate ethics. The Company has reviewed and approved the annual vision and mission, which are in line with its strategy. Moreover, it has promoted anti-corruption practices with regular communications and internal anti-corruption training while also expanding the scope of operations from 3 subsidiaries that represent each business type, namely Thai Watsadu, Tops Supermarket, Central and Robinson Department Store, and Robinson Lifestyle. It also communicated anti-corruption policies to all business partners for their acknowledgement and compliance to underline the transparency, verifiability, and clear measures and penalties against persons committing corruption of the Company.

## **Awards and Recognition in Q4 of 2022**

The company has received prestigious awards from various institutions and organizations both national and international in terms of Corporate Excellence, Investor Relations and Corporate Governance.

In terms of Corporate Excellence, the company was acknowledged by Asian Excellence Awards 2022 Asia's leading award institution, which granted Central Retail for the second year the 5 prestigious awards: Asia's Best CEO, Asia's Best CFO, Asia's Best CSR, Best Investor Relations Company, and Best Corporate Communications. Central Retail is also honored to be the first and only retailer in Asia to receive 5 awards for two consecutive years.

In terms of Investor Relations, the company received "Outstanding Investor Relations Awards" From the Stock Exchange of Thailand and Money & Banking magazine in SET Awards 2022 ceremony. This award reflected the company's strength in a good relationship with all investors through constant communication, information providing and sincerely support and received 'Best in Sector: Consumer Discretionary' award in Southeast Asia for 2 consecutive years from IR Magazine's South East Asia Awards 2022, a global publication in sector field. This award is selected by fund managers and analysts in South East Asia.

In terms of sustainability and corporate governance, the company was being shortlisted as "Sustainable Stocks" of 2022 Thailand Sustainability Investment (THSI) for the 2nd consecutive year by the Stock Exchange of Thailand and selected into Dow Jones Sustainability Indices (DJSI) 2022 by being ranked in the Top 3 in the retail sector out of 476 participating companies around the world and has been selected as a member of the DJSI from the Emerging Markets. Moreover, the Company won at an international stage the Best Environmental Excellence Award from The Global CSR & ESG Awards 2022 and has been granted to be a member of Thai Private Sector Collection Action Against Corruption (CAC). The company received corporate governance assessment with 5 stars level or "Excellent" for two consecutive years, from Thai Institute of Directors (IOD) as well as received the ASEAN Asset Class PLCs Award from the 2021 ASEAN CG Scorecard.

## **Major developments in 2022**

### **1) Branch Expansion and Improvement**

In 2022, the Company continuously expanded and renovated its business branches in 3 countries where we operate. In Thailand, it launched new branches, namely Robinson Lifestyle Baan Chang in Rayong, Robinson Lifestyle Thalang in Phuket and Robinson Lifestyle Ratchapruk in Bangkok, 6 branches of Thai

Watsadu. In Vietnam, the Company opened GO! mall 1 branch, 5 new branches of Tops market and go! Additionally, the Company has continuously launched specialty stores as well as various brand shops in Thailand and Vietnam.

With respect to Renovation & Rebranding in Thailand, the Company had renovated branches of Robinson Lifestyle and Central flagship stores, e.g., Robinson Lifestyle Chachoengsao and Srisamarn branches, Central Lad Phrao, Chidlom and Rama 2 branches, as well as renovating other smaller stores.

In Vietnam, the company rebranded and renovated Big C branches into GO! mall and GO! Hypermarket for 10 branches, while in Italy it had renovated flagship department stores such as Milan, Florence, and Cagliari branches.

As of December 31, 2022, the Company has 3.3 million square meters of net sales area and 0.7 million square meters of net leasable area, which increased by 1% and 12% respectively.

## 2) Omnichannel

The Company continuously developed the Next-Gen Omnichannel Platform to enhance ultra-personalized shopping experience, which is superior and able to connect offline, online platforms seamlessly, covering the entire Central Retail network in Thailand, Vietnam, and Italy. The core of its success is an in-depth analysis to cater customers with perfect shopping experiences. It also creates Inclusive Growth for partners, making this platform a 'Destination' for customers, partners, and everyone.

As for the 12-month, omnichannel sales grew by 15%, compared to the same period of last year, accounting for 18% of the total sales of the company. In addition, the Company has continuously strengthened its omnichannel platform of all segments and launched new platforms and services in both food and non-food segments for example Thai Watsadu launched new mobile App, Central department store launched “Central Luxe Chat & Shop” which offered luxury products while Tops launched “Tops Prime” (monthly subscription program for unlimited deliveries) and Professional picker” (to assist online shoppers in choosing products as if in the store themselves). In 2023, the Company plans to revamp mobile application platform to serve our customers’ need better.

Moreover, the Company also drove sales growth of omnichannel platforms through a new sales channel that coordinates between the physical platform and online platform or O2O channel. This includes Personal Shopper, Social Commerce, Chat&Shop, e-Ordering, etc. All of which has been expanded to cover all company’s business segments, resulting in a rapid sales growth. This reflects how it understood customers’ shopping behaviors and is able to respond to customers’ lifestyle very well.

### **3) The Progress of Synergy Plan**

The Company has implemented a synergy plan to cultivate benefits in terms of both revenues and efficient management of expenses. The projects have progressed as planned, as follows:

- Generating incremental sales through product cross listings that to serve the needs of customers in each business on each platform.
- Long-term profit margin increase was done by increasing gross margins and managing expenses more efficiently in all departments of the Company. The cost of purchasing products has been managed, pool purchasing to achieve reasonable costs, which increases the gross profit margin.
- Strong and prudent financial management with the 3C strategy: The first C is Cost and expense management with maximum efficiency. The second C, Capex, focuses on investments that maximise the benefits of strategic businesses and accelerate the expansion of proven formats. The last C, Cash Flow, expands the ability to manage working capital to become more agile, flexible and that can increase cash flow for further business growth.
- In part of expenses, the Company focuses on cost reduction and management efficiency, such as reducing personnel costs due to redundant work, installing solar rooftops and EV truck to save energy and be environmentally friendly, adjusting advertising through online channels or social commerce to reduce marketing costs, and managing obsolete goods to be more efficient.

### **4) New format and New Growth pillar**

The Company has developed a new store model and expanded stores continuously to meet the lifestyle of customers for example Thai Watsadu in hybrid format which combining Thai Watsadu and BnB home into one store, Tops Fine Food and Tops CLUB, new membership-based store with imported exclusive offerings around the world as well as stretching the customer base to cover all groups while also accelerating the expansion of the new business segment Health & Wellness to meet the trend of demand for people's health and pet; for example, Tops Vita (selling health products with emphasis on vitamins and dietary supplements), Tops Care (pharmacy, pharmaceutical and health care products with consulting services –omni-pharmacist) and PET 'N ME. Moreover, it actively expands go!WOW (miscellaneous goods store) and go!Power (electronic appliances store). In 2022, the company launched its 3 branches of go! lifestyle shopping mall in Nakhon Si Thammarat. At the end of 2022, the Company operated Tops Food Hall 2 stores, Tops Fine Food 2 stores, go!WOW 28 stores, go! Power 12 stores, Tops Vita 29 stores, Tops Care 12 stores and PET 'N ME 3 stores.

**5) Partnership and acquisition**

The Company continues to accomplish new milestones under the concept Inclusive Growth, attaining success together with partners to strengthen the Company's ecosystem and ensure its capacity to meet the needs of customers regardless of their lifestyles.

- May 2022: The Company has cooperated with Gulf Energy Development Public Company Limited or GULF, to establish Greengen Energy Company Limited (GGE) in the production and retailing of renewable energy with targets to be the leader in clean energy for Thais by 2026.
- June 2022: The Company continues to expand its business portfolio in the Health and Wellness segment by engaging in a joint venture with MP Synergy Company Limited, a leader in ergonomics furniture, which has a tendency to grow greatly due to the Work from Anywhere trend and as consumers become more health conscious. This also enables Officemate to expand its hardline business to B2C customers and enter the health and wellness furniture market.
- Thailand's e-book distributor, MEB Corporation Company Limited, or MEB, which is a subsidiary of Central Retail had an initial public offering (IPO) and listed on mai (Market for Alternative Investment) on 14 February 2023 to raise funds from both local and international investors for the purposes of supporting its continued growth by expanding the business on the current platform, introducing new businesses, and using the funds as a working capital for further business operations.



# CENTRALRETAIL

## Overview of the Operating Results for the Fourth Quarter of 2022

Central Retail Corporation Public Company Limited and its subsidiaries (“the Company”) reported Q4/2022 operating results with a total revenue of THB 65,147 million, an increase of 10.9%, and net profit of THB 3,417 million, an increase of 38.7% from last year. The Company generated more sales revenue in the fashion segment thanks to the ease in COVID-19 concerns and the severity of COVID-19, returns of customers after the subsiding outbreak situation, the recovery of tourism, the improvement of flagship stores and existing branches, and the launches of new branches. For the food section, it achieved an increased revenue due to branch expansion, opening of new stores, the rebranding, and the constantly rising sale volumes of branches in key tourism provinces. In addition, the Company also had higher rental income from the enlargement of rental spaces in both Thailand and Vietnam while other incomes also grew in line with the sales volumes. However, higher selling and administrative expenses was in accordance with the increase in sales.

## Financial Summary for the Fourth Quarter of 2022

	Three-month period ended	Three-month period ended	Three-month period ended	Increase (decrease)	Increase (decrease)
	31 December 2021	30 September 2022	31 December 2022	from last year	from last quarter
	THB millions	THB millions	THB millions	%	%
Revenue from sales	52,722	52,122	57,885	9.8%	11.1%
Fashion segment	15,491	13,579	17,601	13.6%	29.6%
Hardline segment	19,029	17,985	18,318	(3.7%)	1.9%
Food segment	18,202	20,558	21,967	20.7%	6.9%
Revenue from rental services	1,451	1,678	1,783	22.9%	6.3%
Revenue from services	149	389	417	179.1%	7.1%
Investment Income	76	56	55	(27.6%)	(2.7%)
Other income	4,367	3,752	5,007	14.6%	33.4%
<b>Total revenue</b>	<b>58,765</b>	<b>57,998</b>	<b>65,147</b>	<b>10.9%</b>	<b>12.3%</b>
Cost of sales of goods	39,244	38,686	41,882	6.7%	8.3%
Gross profit from sales	13,478	13,436	16,003	18.7%	19.1%
Cost of rental and rendering of services	473	536	579	22.4%	8.0%
Gross profit from rental&services	1,127	1,531	1,621	43.8%	5.9%
Gross profit	14,605	14,967	17,624	20.7%	17.8%
Selling expenses	11,203	11,496	12,599	12.5%	9.6%
Administrative expenses	4,515	4,882	5,291	17.2%	8.4%
<b>Profit from operating activities</b>	<b>3,330</b>	<b>2,398</b>	<b>4,796</b>	<b>44.0%</b>	<b>100.0%</b>
Finance costs	807	868	1,007	24.8%	16.0%
Share of profit of Asso and JV	154	232	309	101.4%	33.6%
Profit (loss) before tax expense	2,677	1,761	4,098	53.1%	132.7%
Tax expense (income)	213	502	680	219.3%	35.5%
<b>Profit for the year</b>	<b>2,464</b>	<b>1,259</b>	<b>3,417</b>	<b>38.7%</b>	<b>171.5%</b>
Profit (loss) to owners	2,371	1,174	3,311	39.7%	182.2%
<b>Operation information</b>					
EBITDA	8,031	7,017	9,497	18.3%	35.3%
Normalized EBITDA	7,849	7,165	8,715	11.0%	21.6%
Normalized Profit (loss)	2,303	1,377	2,791	21.2%	102.7%
Normalized Profit (loss) to owner	2,210	1,292	2,685	21.5%	107.8%
<b>Financial position</b>					
		31 December 2021	30 December 2022		
Total assets		263,228	275,984	4.8%	
Total liabilities		204,147	211,099	3.4%	
Total equity		59,081	64,885	9.8%	

**The Analysis of Operating Results for the Fourth Quarter of 2022**

- 1. Revenue from sales of goods** was THB 57,885 million, an increase of 9.8% YoY and an increase of 11.1% from the previous quarter. It can be classified based on types of business as follows:
  - I. Revenue from sales of fashion segment** was THB 17,601 million, an increase of 13.6% YoY (29.6% QoQ increase) thanks to the increase in Thailand's sales as influenced by the continuous recovery of tourism and the significant growth of branches located in tourist provinces compared to the same period last year, which welcomed tourists from certain countries in November. In this quarter, the segment launched Robinson Lifestyle Ratchaphruek shopping center and renovated its key branches, namely Chidlom. With respect to the segment in Italy, the sales volumes increased due to the higher number of tourists and the renovations of branches, as well as additions of new product brands to meet customer needs. For omnichannel sales, it decreased by 23% from the previous year as more customers were likely to visit the physical stores together with the high base effect last year from COVID-19 outbreak.
  - II. Revenue from sales of hardline segment** was THB 18,318 million, decreased by 3.7% YoY (1.9% QoQ increase) as last year achieved a high sales volume due to a pent-up demand after the first stage of the reopening of the country. At present, the segment has been facing shortages of certain electronic products. In addition, it was affected by floods in some provinces. In this quarter, however, two new Thai Watsadu stores were launched, namely Mae Chan in Chiang Rai and Bang Bon. The omnichannel sales achieved a higher growth owing to more sales being made through online platforms and its respective application, as well as sales promotion. In this regard, the omnichannel sales increased by 28% compared to that of last year.
  - III. Revenue from sales of food segment** was THB 21,967 million, increased by 20.7% YoY (6.9% QoQ increase). This was mainly due to the increase in sales generated by Thailand's business, it reached a higher sales volume, partially thanks to the launches of new store formats, namely Tops CLUB, 2 branches of Tops Standalone at Sukhumvit and Ekkamai and partly due to the constantly rising sale volumes of branches in key tourism provinces, in contrast with last year, when the segment in tourism provinces was still affected by international travel restrictions despite of the reopening of the country in November. For Vietnam's business, which increased from positive feedback from the rebranding of Big C to GO! Mall and GO! hypermarket. For the sales through omnichannel platforms, they achieved continuous rise with an increase by 55% in this quarter compared to last year.
- 2. Rental Revenue** was THB 1,783 million, an increase of 22.9% YoY as a result of the higher number of visitors, expansion of leasable areas in Thailand and Vietnam, as well as reduced rental discount offers.

## CENTRALRETAIL

3. **Service Revenue** was THB 417 million, an increase of 179.1% YoY, as there were more visitors at the food courts, especially for branches located close to office buildings.
4. **Gross Profit** was recorded at THB 17,624 million, an increase of 20.7% YoY. The major components are as follows.
  - **Gross profit from sales** was THB 16,003 million, an increase of 18.7%, gross profit margin of 27.6% compared to 25.6% of the previous year. With respect to the fashion segment, it reached a higher profit margin than the others, and achieved substantially high sales revenues, both in Thailand and Italy, while also being able to sell more high-margin products, partially because customers preferred visiting physical stores. For Thailand's business, it reduced the trade discount to an appropriate level. As for the hardline segment, it saw higher margins due to less offers of discounts. For the food segment, margins were slightly higher due to the adjustment of product assortments.
  - **Gross profit from rental and services** was THB 1,621 million, an increase of 43.8% YoY. The gross profit margin was 73.7% compared to 70.4% of the previous year due to the increase in service users and less rental discounts, thus receiving more rental and service fees.
5. **Other income** was THB 5,007 million, expanded by 14.6% YoY thanks to the increase in income generated by sales promotions and advertisements according to increased sales. Moreover, there was revenue generated from selling no longer operated brands in Malaysia.
6. **Selling expenses** was THB 12,599 million, an increase of 12.5% YoY, in line with the increase in sales. This was due to the expansion of new branches and new store formats, resulting in higher expenses related to sales staff, rent, utilities, marketing, cleaning, and security expenses. In this regard, the selling expenses accounted for 19.3% of the total revenue, an increase from 19.1% of the same period last year.
7. **Administrative Expenses** was THB 5,291 million, an increase of 17.2% from the previous year, mainly due to an increase in personnel expenses, more provision of losses from obsolete and shrinkage in line with the increase in the number of goods. The administrative expenses accounted for 8.1% of the total revenue, an increase from 7.7% of the same period last year.
8. **Finance costs** which were interest expenses from loans and lease agreement, was THB 1,007 million, an increase of 24.8% YoY due to an increase in both interest rates and loan amounts.
9. **Share of profit of associates and joint ventures** was THB 309 million, an increase of 101.4% YoY. This was mainly due to the increase in profits of associates and joint ventures.
10. **Tax expense (income)** was THB 680 million baht, an increase of 219.3% YoY, as the Company generated more profit from its operations.

## CENTRALRETAIL

Financial Summary for the Year Ended December 2022 are as follows:

	Year ended	Year ended	Increase (decrease)
	31 December 2021	31 December 2022	%
	THB millions	THB millions	%
Revenue from sales	175,975	<b>211,903</b>	20.4%
Fashion segment	42,810	<b>55,497</b>	29.6%
Hardline segment	63,565	<b>72,851</b>	14.6%
Food segment	69,600	<b>83,556</b>	20.1%
Revenue from rental services	4,990	<b>6,583</b>	31.9%
Revenue from services	826	<b>1,411</b>	70.9%
Investment Income	221	<b>214</b>	(3.4%)
Other income	13,641	<b>16,133</b>	18.3%
<b>Total revenue</b>	<b>195,654</b>	<b>236,245</b>	<b>20.7%</b>
Cost of sales of goods	134,082	<b>157,499</b>	17.5%
Gross profit from sales	41,893	<b>54,405</b>	29.9%
Cost of rental and rendering of services	1,765	<b>2,148</b>	21.7%
Gross profit from rental&services	4,051	<b>5,847</b>	44.3%
Gross profit	45,944	<b>60,251</b>	31.1%
Selling expenses	40,363	<b>45,674</b>	13.2%
Administrative expenses	16,705	<b>18,865</b>	12.9%
<b>Profit from operating activities</b>	<b>2,739</b>	<b>12,058</b>	<b>340.2%</b>
Finance costs	3,113	<b>3,479</b>	11.7%
Share of profit of Asso and JV	279	<b>820</b>	193.8%
Profit (loss) before tax expense	(95)	<b>9,399</b>	9,991.5%
Tax expense (income)	(372)	<b>1,794</b>	582.5%
<b>Profit for the year</b>	<b>277</b>	<b>7,605</b>	<b>2,647.5%</b>
Profit (loss) to owners	59	<b>7,175</b>	11,974.0%
<b>Operation information</b>			
EBITDA	20,059	<b>30,049</b>	49.8%
Normalized EBITDA	20,110	<b>29,743</b>	47.9%
Normalized Profit (loss)	407	<b>7,360</b>	1,710.3%
Normalized Profit (loss) to owner	189	<b>6,930</b>	3,562.8%

### The Analysis of Operating Results for the year 2022

1. **Revenue from sales of goods** was THB 211,903 million, an increase of 20.4% YoY. Revenue from sales can be categorized as follows:

- I. **Revenue from sales of fashion segment** was THB 55,497 million, an increase of 29.6% YoY, due to an increase in sales of both in Thailand and Italy as people were less concerned about COVID-19 outbreaks and visited physical stores as usual while tourism recovered after the

## CENTRALRETAIL

ease of international travel restrictions in the second quarter and even more strongly in the fourth quarter, in contrast to last year, where the segment had been affected by COVID-19 outbreaks throughout the year. In addition, the segment this year benefited from the government's shopping stimulus scheme effective at the beginning of the year. Sales also increased as a result of branch renovations and additions of brand selections to meet customer needs. Besides, there was also positive impact from the rebranding of Robinson Khon Kaen Department Store into Central Department Store in December last year while sales of branches in tourist areas continued to improve. For omnichannel sales, the volume was at a slight drop from the previous year due to more customers preferring shopping at physical stores.

- II. Revenue from sales of hardline segment** was THB 72,851 million, an increase of 14.6% YoY, due to the growth of both existing and new branches as consumer demand for residential repair and decoration had continuously increase, students returned to on-site classrooms and office workers returned to work onsite in the second quarter, and the launches of new branches for example, Thai Watsadu in Chaiyaphum, Nan, Bangsaen Chonburi, Mae Chan Chiang Rai, and Bangbon Nagkok, BnB in Chanthaburi, and specialty stores, including new store formats, go!WOW and go! Power. Moreover, the revenue was generated by the sales from the COL Group that was merged in February 2021. There were launches of new branches of affiliated brands, namely B2S and OfficeMate, as well as the growth of MEB due to the increasing demand for e-Books. Omnichannel sales grew higher, with omnichannel sales increasing 22% from last year.
  - III. Revenue from sales of food segment** was THB 83,556 million, an increase of 20.1% YoY, mainly from Vietnam business as stores could operate as usual, new branches of go! were launched, Big C was rebranded into GO! Mall and GO! Hypermarket; including opened Go! Hypermarket and Tops Market. For the business in Thailand, the food segment achieved a steady increase in sales due to store expansion including Tops CLUB, Tops standalone. Even in the first half of the year where there was still the outbreak of COVID-19, and the Company had strict preventive measures in place. In addition, customers were less concerned about the diseases owing to the widespread immunization from thorough vaccination, and the reopening of department stores and shopping centers, resulting in an increase in the number of customers. In addition, branches in major tourist provinces have recovered from the ease of international travel restrictions. Omnichannel sales continued to increase by 58% compared to last year.
- 2. Revenue from rental service** was THB 6,583 million, an increase of 31.9% YoY. This is a result of the increasing number of service users due to the less intensity of the COVID-19 outbreaks and the expansion of leasable areas in Thailand and Vietnam. However, the Company still supported certain tenants even though they could operate as usual by offering lower discount on rent.

## CENTRALRETAIL

3. **Revenue from rendering of service** was THB 1,411 million, an increase of 70.9% YoY, as there were more visitors to food courts and more users of other services.
4. **Gross profit** was THB 60,251 million, an increase of 31.1% YoY. The major components are as follows.
  - **Gross profit from sales** was THB 54,405 million, an increase of 29.9%, or represented a gross profit margin of 25.7%, compared to 23.8% YoY mainly due to the change in the sales mix proportion. The fashion segment, which had a higher profit margin than other segments, achieved a sharp increase in sales while sales of high-margin products had increased as customers preferred visiting physical stores. For the fashion segment in Thailand, trade discounts were appropriately adjusted. For the hardline segment, the gross margin was slightly higher due to the reduced trade discounts as well. As for the food segment, margins were slightly higher as it sold more private label products and consistently adjusted product assortments.
  - **Gross profit from rental and services rendering of services** was THB 5,847 million, an increase of 44.3% YoY. The gross profit margin was 73.1% compared to 69.7% of the previous year due to the increase in service users and less rental discounts, thus receiving more rental and service fees.
5. **Other income** was THB 16,133 million, an increase of 18.3% YoY thanks to the increase in income generated by sales promotions and advertisements, goods transportation costs in line with the sales growth, increased sales utilities due to more leasable areas.
6. **Selling expenses** was THB 45,674 million, an increase of 13.2% YoY, in line with the increase in sales. This was due to the reopening of department stores as usual and the expansion of new branches, resulting in higher expenses related to sales staff, rent, utilities, marketing, credit card, cleaning, and security expenses. In this regard, the Company managed the selling expenses effectively, which accounted for 19.3% of the total revenue, a decrease from 20.6% YoY.
7. **Administrative Expenses** was THB 18,865 million, an increase of 12.9% from the previous year, mainly due to an increase in personnel expenses, technology expenses for maintenance and development of the omnichannel platforms, an increase in land and building taxes due to the revocation of the land tax discounts by the Thai government, while the provision of losses from obsolete and shrinkage was reduced thanks to better stock management. The administrative expenses accounted for 8.0% of the total revenue, a decrease from 8.5% of the same period last year.
8. **Finance costs** which were interest expenses from loans and lease agreement, was THB 3,479 million baht, an increase of 11.7%, due to an increase in both interest rates and loan amounts.
9. **Share of profit of associates and joint ventures** was THB 820 million baht, an increase of 193.8% YoY. This was mainly due to the increase in profits of associates and joint ventures.

**10. Tax expense (income)** was THB 1,794 million, an increase of 582.5% YoY as the Company generated more profit from operations.

### **Financial Position**

- 1. Total assets** as of 31 December 2022 and 31 December 2021 were THB 275,984 million and THB 263,228 million, respectively, which increased by THB 12,757 million or 4.8%. This was substantially due to the increase in inventory of THB 7,159 million, property, plant and equipment of THB 5,686 million, other current liabilities of THB 1,403 million, investment properties of THB 1,008 million, investment in associates and joint ventures of THB 759 million and while there was a decrease in right-of-use asset of THB 2,059 million and cash and cash equivalents of THB 1,863 million.
- 2. Total liabilities** as of 31 December 2022 and 31 December 2021 were THB 211,099 million and THB 204,147 million, respectively, which increased by THB 6,953 million or 3.4%. This was substantially due to the increase in borrowings of THB 3,728 million, trade payable of THB 2,923 million, other current payable of THB 2,010 million while there was a decrease in lease liabilities of THB 1,952 million.
- 3. Total equity** as of 31 December 2022 and 31 December 2021 were THB 64,885 million and THB 59,081 million, respectively, which was an increase of THB 5,804 million or 9.8%. This was substantially due to the increase retained earnings of THB 5,366 million from net profit of THB 7,175 million and dividend payment of THB 1,809 million and other components of equity-mainly from gain on remeasurements of defined benefit plans of THB 809 million.

### **Capital Structure**

As of 31 December 2022, the Company's capital structure comprised of total liabilities of THB 211,099 million, which included interest-bearing debts of THB 81,295 million (excluding lease liabilities), and total shareholders' equity totaled THB 64,885 million. Net interest-bearing debt to equity ratio was at 1.03 times.

### **Statement of Cash Flows**

For the year ended 31 December 2022, the Company reported the cash flows as follows:

- 1) Cash flows from (used in) operating activities of THB 22,460 million, decreased by THB 901 million from the same period of last year. This was substantially due to an increase of profit after adjusted to cash of THB 7,532 million and changes in operating assets and liabilities being a cause of cash decreased of THB 7,714 million, while tax paid increased of THB 718 million.

## CENTRALRETAIL

- 2) Cash flows from (used in) investing activities was THB (14,848) million, decreased by THB 8,057 million from the same period of last year. This was substantially due to the acquisition of subsidiaries COL of THB 10,778 million last year and investment in Joint Ventures, Porto Worldwide Limited, which invests in Grab Taxi Holdings (Thailand) Limited of THB 4,452 million and trade payable due to the acquisition of subsidiaries NK of THB 323 million, while this year, the Company received repayment of loan related parties of THB 200 million and the increase of net acquisition of property, plant, equipment and investment property of THB 6,675 million and acquisition of other intangible assets were THB 459 million and acquisition of current investment of THB 372 million and the acquisition of subsidiaries MP Synergy of THB 187 million.
- 3) Cash flows from (used in) financing activities of THB (9,638) million, decreased by THB 9,489 million from the same period of last year. This was substantially due to loans (net) decreased of THB 8,394 million. The lease liabilities and interest payment increased by THB 970 million and THB 343 million while decreased of dividend payment by THB 181 million.



## Business outlook

The Company is committed to creating sustainable growth for the business and to **becoming Asia's No. 1 Retailer of the Future** through its **CRC Retaillignce Strategy** with 4 key strategies:

- 1) **Reinvent Next-Gen Omni Retail** – Elevate omnichannel platforms by merging physical and virtual worlds, and leveraging new digital technologies to deliver next-level shopping experiences across all business segments, including food, fashion, hardline, property and new businesses across Thailand, Vietnam, and Italy.
- 2) **Accelerate Core Leadership** – Accelerate growth across Central Retail's core businesses, both locally and globally, and capture new growth opportunities with world-class partners.
- 3) **Build New Growth Pillars** – Capture new business opportunities by starting with the health and wellness segment followed by other segments that tap into changing global trends and consumer needs.
- 4) **Drive Partnership, Acquisition and Spin-Off** – Expand the business under the concept of inclusive growth, inspiring collective success with partners and enabling value-led sustainability.

Central Retail is committed to improving the efficiency of operational processes of all departments, ensuring that risk management is in line with the economic conditions and shifting consumer behavior, and that cost and expense management is efficient for robust and sustainable growth. The Company is also determined to direct all businesses toward sustainability (ESG). In this regard, the monetary goals or operational figures specified have been considered by the Company to be feasible, with supporting strategies or operational measures, along with guidelines to achieve such goals, in place.

-