

No. ACC/HO 008/23

Topic: Management Discussion and Analysis ending 31 March 2023

To: President

The Stock Exchange of Thailand

In the first quarter of 2023, the Thai economy has begun to show signs of ongoing expansion thanks mainly to the recovery of tourism, where the easing of travel restrictions has resulted in significantly higher numbers of overseas tourists visiting Thailand. This was also reflected in significant growth in consumption in tourist areas compared with other regions in Thailand. In addition, the government introduced a stimulus package “Shop and Payback”, from 1 January – 15 February 2023, to boost domestic consumption. For this package, consumers were able to receive a personal income tax deduction for spending on goods or services of up to 40,000 Baht, with a full tax invoice issued either online or at stores, and this has encouraged higher consumption in the private sector. As a result of these two factors, the overall sales of the company increased during the first quarter of 2023, both through physical stores and online channels.

Nevertheless, during the first quarter of 2023, various headwinds impacted the Company, caused by rising costs such as electricity, pre-operating expenses as well as financial market volatility leading to higher interest rates. Therefore, the Company has prepared concise business and strategic plans in a number of areas with the objective of alleviating rising expenses, for example by installing more solar rooftops at stores.

In order to drive sales for the first quarter of this year, the Company has continued to organize various promotional activities. These included the HomePro Expo 2023 during 18-26 March 2023 at Impact Muang Thong Thani, and Double Day activities and other promotional events for both the online channel and at stores in order to support sales of products and services.

The store expansion plan for the first quarter is proceeding as scheduled. The Company has opened 3 new Mega Home stores at Rattathibet, Bang Phli, and Tiwanon. As at the end of the first quarter 2023, the Company operated 87 HomePro stores, 5 HomePro S stores, 21 Mega Home stores, as well as 7 stores of HomePro Malaysia.

The financial results of the Company and its subsidiaries for the first quarter of 2023 ended 31st March 2023, which have been reviewed by an auditor, are as follows:

Table 1: Financial Summary for the three-month period of the year 2023 and 2022

	Unit: Million Baht					
	Q1'2023	%	Q1'2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	17,223.47	100.00%	15,760.94	100.00%	1,462.53	9.28%
Rental income	476.99	2.77%	410.91	2.61%	66.08	16.08%
Other income	551.41	3.20%	500.68	3.18%	50.74	10.13%
Total revenues	18,251.87	105.97%	16,672.52	105.78%	1,579.35	9.47%
Cost of sales and service	12,731.01	73.92%	11,664.28	74.01%	1,066.72	9.15%
Gross profit	4,492.46	26.08%	4,096.66	25.99%	395.81	9.66%
Cost of rental	193.26	1.12%	155.26	0.99%	38.00	24.47%
Selling and administrative expenses	3,192.39	18.54%	2,869.83	18.21%	322.55	11.24%
Profit before finance cost and income tax expenses	2,135.22	12.40%	1,983.14	12.58%	152.08	7.67%
Share of profit/loss from investment in associates	(0.68)	0.00%	0.00	0.00%	(0.68)	N/A
Finance Income	2.61	0.02%	1.94	0.01%	0.67	34.76%
Finance cost	133.40	0.77%	93.65	0.59%	39.75	42.44%
Profit before income tax expenses	2,003.76	11.63%	1,891.43	12.00%	112.33	5.94%
Income tax expenses	392.64	2.28%	380.49	2.41%	12.15	3.19%
Profit for the period	1,611.12	9.35%	1,510.95	9.59%	100.18	6.63%

The Company's net profit for the first quarter of 2023 was Baht 1,611.12 million, representing an increase of Baht 100.18 million or up 6.63% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 18,251.87 million, an increase of Baht 1,579.35 million or up 9.47%, 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 17,223.47 million, representing an increase of Baht 1,462.53 million or up 9.28% year-over-year. The increase in revenue was contributed by the rebound in domestic consumption in some region as a result of the resumption of economic activities as well as the

recovery of tourism after the easing of restrictions. Besides, the Company drove its sales during the first quarter by organizing the HomePro Expo at Impact Muang Thong Thani, including Double Day activities and other promotional activities through online platform, in order to provide more convenience for customers to purchase products and services.

- 1.2. Rental and service income amounted to Baht 476.99 million, an increase of Baht 66.08 million or up 16.08% from previous year thanks to more rental income from leasable space of HomePro stores and Market Village shopping mall particularly in tourist area of the southern region, compared to the same period last year.
- 1.3. Other income was Baht 551.41 million, an increase of Baht 50.74 million or up 10.13%, as a result of the increase in promotional activities with vendors both at physical stores and through online channels compared to the same period of the previous year.
2. Gross profit from product sales and service income of Home Service was Baht 4,492.46 million, an increase of Baht 395.81 million or up 9.66% as compared with the prior year. The gross profit margin increased from 25.99% to 26.08%, which resulted from the sales mix moving towards higher margin products. Nevertheless, in the first quarter, the Company continued to organize promotional activities which involved offering more discounts to customers. In addition, there was an increase in Home Services income which generates lower gross margin than that of product sales. Consequently, the gross margin increased by just 0.09% in 1Q23.
3. Cost of rental and related services was Baht 193.26 million, an increase of Baht 38.00 million or up 24.47%, due to higher utilities cost.
4. Selling and administrative expenses (SG&A) amounted to Baht 3,192.39 million, an increase of Baht 322.55 million or up 11.24% year-over-year. The increase in SG&A as a percentage of sales from 18.21% to 18.54% was attributable to the increase of expenses related to electricity and utilities cost, new stores opening of Mega Home, repair and maintenance, as well as more marketing and promotional activities.
5. Finance income was Baht 2.61 million, an increase of Baht 0.67 million or up 34.76%, owing to higher interest income.
6. Finance cost was Baht 133.40 million, an increase of Baht 39.75 million or up 42.44% due to the issuance of corporate bonds with higher interest rates for debt refinancing.
7. Income tax expenses were Baht 392.64 million, an increase of Baht 12.15 million or up 3.19% 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