



No. IDR 07/2023

Date: 10 May 2023

Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2023

To: The President

The Stock Exchange of Thailand

CP All Public Company Limited (the Company or CPALL) would like to clarify operating results for the first quarter of 2023 in which the company and its subsidiaries has reported a net profit of Baht 4,123 million. The main reasons are as follows:

#### **Total Revenue**

In 1Q23, the Company reported total revenue at Baht 222,372 million, increased by 11.2 percent YoY. This was the result of an increase in revenue from sale of goods and rendering of services from both the convenience store business and grocery wholesaling and retailing business, following the continued recovery of economic activity, domestic consumption and tourism sector. In addition, the O2O strategy of each business unit continued to be a supporting factor.

#### **Gross Profit**

Gross profit from sales and services in 1Q23 was reported at Baht 46,913 million, increased by 12.4 percent YoY. This was mainly due to an increase in sales and services of all business units, especially the convenience store business and wholesale business. As a result, the consolidated gross profit margin increased to 21.7 percent from 21.5 percent in the same quarter last year.

#### **Distribution Costs and Administrative Expenses**

In 1Q23, CPALL reported proportion of distribution costs and administrative expenses as follows:

<b>Costs and Expenses</b>	<b>1Q23</b>
Employee Benefits	32.3%
Store management fees	12.7%
Rental and depreciation and amortization	20.6%
Advertising and sales promotion	10.4%
Utilities and others	24.0%
<b>Total</b>	<b>100.0%</b>

The Company reported distribution costs and administrative expenses at Baht 43,178 million, increased by 12.4 percent YoY. Distribution costs were reported at Baht 36,297 million, increased by 14.4 percent YoY and administrative expenses was reported at Baht 6,880 million, which was an increase of 3.0 percent YoY. An increase was mainly due to utilities cost due to an increase in electricity price per unit, employee benefits and advertising and sales promotion expenses which following an increase of revenue and store expansion. However, each



business unit still control expenses strictly in order to maintain business operation, even in this quarter all business units were faced with the pressure from an increase of expenses.

#### **Profit before Interest and Tax Expense, and Net Profit**

In 1Q23, the Company reported a profit before interest and tax expense at Baht 10,404 million, increased by 15.3 percent YoY. Net profit was at Baht 4,123 million, increased by 19.4 percent YoY which mainly due to the convenience store and wholesale businesses performance. In addition, CPALL recorded a share of profit of associates and joint ventures which were recorded through MAKRO group under the equity method of Baht 193 million.

However, the Company reported an increase of finance costs as a consequence of an increase in borrowing costs and early amortization of the upfront fee from debt prepayments of MAKRO group. Consolidated Earnings per share was reported at Baht 0.45 per share.

#### **Proportion of Total Revenue and Profit before Tax Expense before Elimination Contributed from Major Businesses**

In 1Q23, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 49 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 51 percent which in the same level with last year.

Profit before tax before elimination contributed from major businesses in 1Q23 were, (1) convenience store business and other businesses accounted for 61 percent and (2) Grocery Wholesaling and Retailing businesses accounted for 39 percent which in the same level with last year.

#### **Operating Results of the Convenience Store Business**

In 1Q23, the convenience store business opened a total of 209 new stores. At the end of the 1Q23, CPALL had a total of 14,047 stores, divided into

- (1) 7,019 corporate stores (approximately 50 percent of total stores) or a net new store of 180 stores in this quarter.
- (2) 7,028 SBP and sub-area stores (approximately 50 percent of total stores) or a net new store of 29 stores in this quarter.

Majority of our stores were stand-alone, accounted for 86 percent of total stores, while the rest portion of total stores were in PTT gas stations.

In 1Q23, the convenience store business reported revenue from sales and services of Baht 94,634 million, increased by 15.8 percent YoY. The average sales per store per day in 1Q23 was at Baht 78,735, together with SSSG which was at 8.0 percent. For average spending per ticket was approximately at Baht 84, and the average number of customer per store per day was 941 persons. The number of customers increased from same period last year as a consequence of recovery of domestic consumption, together with higher number of tourists including local and foreign tourists which resulted in an increase of economic activities. From the aforementioned situation, the convenience store business has adjusted strategy to be in line with the current situation by maintaining the existing customer base and expanding new customer base by presenting new products with



promotions to attract customers. In addition, revenue from selling products through the O2O strategy, such as 7-Eleven Delivery, All Online and 24Shopping, were still able to meet customer's needs in the current situation, O2O sales was approximately 10 percent of total sales revenue.

In 1Q23, 74.5 percent of revenue from sales contributed from food categories and 25.5 percent was from non-food categories. Proportion of revenue from sales of food and beverages categories increased YoY. The sales mix of food and beverage products increased due to the change of consumer lifestyle, together with the launch of new products with the promotion of the food and beverage categories which were able to attract more customers and it reflected being "All Convenience" store for all customer groups.

Gross profit for convenience store business in 1Q23 was at Baht 26,428 million, increased by Baht 4,259 million or 19.2 percent YoY. Gross profit margin increased to 27.9 percent from 27.1 percent in 1Q22. The main reason was from product strategy adjustment by focusing on the adaptation to satisfy customer's needs as well as emphasize on the gross profit margin of the product to ensure that it was able to attract customers and able to generate sales and additional profits to the business under the economic situation that was continuously recovering, also including product prices adjustment to cope with inflationary condition.

In addition, convenience store business recognized other income at Baht 5,718 million, increased by Baht 515 million or 9.9 percent YoY mainly due to an increase of number of store. While recognized dividend income from subsidiaries at amount of Baht 620 million, same level with last year.

In 1Q23, distribution costs and administrative expenses were Baht 27,346 million, increased by Baht 3,670 million or 15.5 percent YoY, mainly due to employee benefits and utilities cost according to an increase of electricity price per unit.

However, the Company continued to control expenses tightly and to be efficient as possible, even faced with an increase of some expenses. The Company has continued to expand 7-Eleven stores as planned and added more channels for customers to access products and services. The convenience store business continued to report an increase in operating profit to Baht 5,457 million, an increase of 25.2 percent YoY, and a net profit of Baht 2,758 million, an increase of 36.2 percent YoY.



Outlook for Convenience Stores Business in 2023

Store expansion	The Company plans to develop distribution channels for products and services both online and offline platforms, together with new store rollout following the growth of communities, various infrastructures, tourist destinations and other high potential areas to be in line with consumer behavior that has adapted to New Normal and to facilitate and access the needs of customers as much as possible. The Company plans to open about 700 new stores in Thailand and plans to achieve 100 stores in Cambodia as well as opens first store in Lao PDR in 2023.
Sales and services revenue growth	Revenue growth of Convenience Stores Business is driven by contribution from new store, positive SSSG and sales through other channels including 7-Delivery, All Online and Vending Machine which forecast to grow in line with the projected economic growth in Thailand (GDP growth). However, this is subjected to other factors including inflation rate, raw material price, energy price and private consumption growth, etc.
Gross profit margin	Gross profit margin advancement is expected to continue on the back of our product strategy in order to cater to consumer demand. We also continue to drive higher sales participation of the higher-margin products in both food and non-food categories.
CAPEX	<p>CAPEX is projected to be approximately Baht 12,000-13,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> <li>● Stores expansion 3,800 - 4,000</li> <li>● Stores renovation 2,900 - 3,500</li> <li>● Investment in new project, subsidiaries and DC 4,000 - 4,100</li> <li>● Fixed assets and IT system 1,300 – 1,400</li> </ul>

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart  
 Chief Financial Officer  
 Authorized to sign on behalf of the Company