

No. ACC/HO 011/23

Topic: Management Discussion and Analysis ending 30 June 2023

To: President

The Stock Exchange of Thailand

During the second quarter of 2023, the overall economic outlook in Thailand improved with an increase in private consumption, thanks mainly to the recovery of tourism which has led to higher revenue for the business sector and higher employment. Nevertheless, even though the Thai economy looks promising, at the end of the second quarter of this year, consumers were still concerned about the impact of political uncertainty regarding the delay in the formation of a new government following the election of the House of Representatives in May, as well as the potential impact of a slowdown in the global economy. As a result, the business sector has to be vigilant and closely monitor the situation, as well as implement concise and appropriate strategic plans for the business.

The second quarter is normally the summer season in Thailand. This year, the Company saw strong sales growth in electrical cooling appliances including air conditioners, fans, and evaporative coolers, as average temperatures in April and May reached record highs. In addition, the Company has organized a new campaign 'Old for New', a trade-in program to capture more business opportunities as well as enhancing a sustainable circular economy. Under this program, customers can trade their old products such as electrical appliances, water pumps, furniture, etc. for a discount on new purchases in a similar product category. Consequently, overall sales during the second quarter of 2023 increased for both offline stores and online channels, even though there were headwinds from a slowdown of construction projects due to long public holidays and heavy rain in several parts of Thailand in June.

However, during the second quarter of this year, the Company continued to encounter cost pressures, particularly regarding electricity costs and pre-operating expenses for three new store openings, for example in regard to employee training.

During the second quarter, the Company organized various promotional activities both at HomePro stores nationwide and via the online channel [www.homepro.co.th](http://www.homepro.co.th). These included the HomePro Super Expo during 5-9 April 2023, as well as Double Day activities and other promotional events with the objective of boosting sales and improving competitiveness in the market.

The store expansion plan for the second quarter proceeded as scheduled. The Company opened 3 new Mega Home stores at Nakhon Pathom, Chiang Mai, and Bangsaen, while there was one closure of a HomePro store at Lotus Bangkae with the plan to open a new store nearby in the third quarter of this year. As at the end of the second quarter of 2023, the Company operated 86 HomePro stores, 5 HomePro S stores, 24 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 six-month periods ended 30 June 2023, which have been reviewed by an auditor, are as follows:

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

	Unit: Million Baht					
	Q2'2023	%	Q2'2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	17,788.83	100.00%	16,318.60	100.00%	1,470.23	9.01%
Rental income	463.59	2.61%	404.72	2.48%	58.88	14.55%
Other income	650.24	3.66%	584.24	3.58%	66.01	11.30%
<b>Total revenues</b>	<b>18,902.67</b>	<b>106.26%</b>	<b>17,307.56</b>	<b>106.06%</b>	<b>1,595.12</b>	<b>9.22%</b>
Cost of sales and service	13,108.96	73.69%	12,123.16	74.29%	985.80	8.13%
<b>Gross profit</b>	<b>4,679.87</b>	<b>26.31%</b>	<b>4,195.45</b>	<b>25.71%</b>	<b>484.43</b>	<b>11.55%</b>
Cost of rental	200.57	1.13%	175.90	1.08%	24.67	14.02%
Selling and administrative expenses	3,466.27	19.49%	3,029.59	18.57%	436.68	14.41%
<b>Profit before finance cost and income tax expenses</b>	<b>2,126.87</b>	<b>11.96%</b>	<b>1,978.90</b>	<b>12.13%</b>	<b>147.97</b>	<b>7.48%</b>
Share of profit/loss from investment in associates	(0.15)	0.00%	0.00	0.00%	(0.15)	N/A
Finance Income	11.45	0.06%	1.74	0.01%	9.71	559.56%
Finance cost	129.85	0.73%	98.53	0.60%	31.32	31.78%
<b>Profit before income tax expenses</b>	<b>2,008.32</b>	<b>11.29%</b>	<b>1,882.11</b>	<b>11.53%</b>	<b>126.22</b>	<b>6.71%</b>
Income tax expenses	388.45	2.18%	362.04	2.22%	26.42	7.30%
<b>Profit for the period</b>	<b>1,619.87</b>	<b>9.11%</b>	<b>1,520.07</b>	<b>9.31%</b>	<b>99.80</b>	<b>6.57%</b>

The Company's net profit for the second quarter of 2023 was Baht 1,619.87 million, representing an increase of Baht 99.80 million or up 6.57% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 18,902.67 million, an increase of Baht 1,595.12 million or up 9.22%, 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 17,788.83 million, representing an increase of Baht 1,470.23 million or up 9.01% year-over-year. The increase in revenue was contributed by higher domestic consumption in particular areas. Besides, during the summer season, which normally took place in

April and May, the average temperature in several parts of Thailand reached record highs, supporting the sales of electrical cooling appliances to increase. In addition, the Company drove its sales by organizing a new campaign 'Old for New' or a trade-in program, including several promotional activities for both offline and online channel in order to provide more convenience for customers to purchase products and services.

- 1.2. Rental and service income amounted to Baht 463.59 million, an increase of Baht 58.88 million or up 14.55% from previous year thanks to more rental income from leasable space of HomePro stores and Market Village shopping mall particularly in tourist area, compared to the same period last year.
- 1.3. Other income was Baht 650.24 million, an increase of Baht 66.01 million or up 11.30%, 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 4,679.87 million, an increase of Baht 484.43 million or up 11.55% as compared with the prior year. The gross profit margin increased from 25.71% to 26.31%, which was attributed to the better of product mix toward high margin products, as well as higher volume discount for seasonal items received from vendors.
3. Cost of rental and related services was Baht 200.57 million, an increase of Baht 24.67 million or up 14.02%, due to higher utilities cost.
4. Selling and administrative expenses (SG&A) amounted to Baht 3,466.27 million, an increase of Baht 436.68 million or up 14.41% year-over-year. The increase in SG&A as a percentage of sales from 18.57% to 19.49% was attributable to the increase of expenses related to electricity and utilities cost, depreciation, including three new stores pre-opening cost of Mega Home during the second quarter.
5. Finance income was Baht 11.45 million, an increase of Baht 9.71 million or up 559.56%, owing to higher interest income.
6. Finance cost was Baht 129.85 million, an increase of Baht 31.32 million or up 31.78% due to higher interest rate for refinancing of new debentures issued since the third quarter of 2022, compared to the previous year. In addition, the Company has made additional long-term lease agreements for new stores, which resulted in higher interest expenses in regard to TFRS16 standards.
7. Income tax expenses were Baht 388.45 million, an increase of Baht 26.42 million or up 7.30% when compared with the prior year. This was due to higher earnings before tax.

Table 2: Financial Summary for first half of the year 2023 and 2022 (six-month period)

	Unit: Million Baht					
	H1'2023	%	H1'2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	35,012.30	100.00%	32,079.54	100.00%	2,932.76	9.14%
Rental income	940.58	2.69%	815.62	2.54%	124.96	15.32%
Other income	1,201.66	3.43%	1,084.91	3.38%	116.75	10.76%
<b>Total revenues</b>	<b>37,154.54</b>	<b>106.12%</b>	<b>33,980.07</b>	<b>105.92%</b>	<b>3,174.47</b>	<b>9.34%</b>
Cost of sales and service	25,839.97	73.80%	23,787.44	74.15%	2,052.53	8.63%
<b>Gross profit</b>	<b>9,172.34</b>	<b>26.20%</b>	<b>8,292.10</b>	<b>25.85%</b>	<b>880.24</b>	<b>10.62%</b>
Cost of rental	393.83	1.12%	331.17	1.03%	62.66	18.92%
Selling and administrative expenses	6,658.66	19.02%	5,899.42	18.39%	759.23	12.87%
<b>Profit before finance cost and income tax expenses</b>	<b>4,262.10</b>	<b>12.17%</b>	<b>3,962.05</b>	<b>12.35%</b>	<b>300.05</b>	<b>7.57%</b>
Share of profit/loss from investment in associates	(0.83)	0.00%	0.00	0.00%	(0.83)	N/A
Finance Income	14.06	0.04%	3.68	0.01%	10.39	282.67%
Finance cost	263.25	0.75%	192.19	0.60%	71.06	36.98%
<b>Profit before income tax expenses</b>	<b>4,012.08</b>	<b>11.46%</b>	<b>3,773.54</b>	<b>11.76%</b>	<b>238.54</b>	<b>6.32%</b>
Income tax expenses	781.09	2.23%	742.52	2.31%	38.57	5.19%
<b>Profit for the period</b>	<b>3,230.99</b>	<b>9.23%</b>	<b>3,031.02</b>	<b>9.45%</b>	<b>199.97</b>	<b>6.60%</b>

The Company's net profit for the first half of 2023 was Baht 3,230.99 million, representing an increase of Baht 199.97 million or up 6.60% as compared to the previous year. The main reasons include:

8. Total revenues were Baht 37,154.54 million, an increase of Baht 3,174.47 million or up 9.34%, 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 35,012.30 million, representing an increase of Baht 2,932.76 million or up 9.14% year-over-year. The increase in revenue was contributed by; the recovery of tourism industry which is the main driver for Thai economy, the government stimulus packages 'Shop and payback' during January and February 2023, the strong sales growth of electrical cooling appliances during the second quarter, and a new campaign 'Old for New' or a trade-in program. Besides, the

company organized various promotional activities which are HomePro Expo 2023 in the first quarter, followed by HomePro Super Expo in the second quarter and Double Day activities every month.

- 8.2. Rental and service income amounted to Baht 940.58 million, an increase of Baht 124.96 million or up 15.32% from previous year thanks to more rental income from leasable space of HomePro stores and Market Village shopping mall particularly in tourist area, compared to the same period last year.
- 8.3. Other income was Baht 1,201.66 million, an increase of Baht 116.75 million or up 10.76%, 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.
9. Gross profit from product sales and service income of Home Service was Baht 9,172.34 million, an increase of Baht 880.24 million or up 10.62% as compared with the prior year. The gross profit margin increased from 25.85% to 26.20%, which was attributed to the better of product mix toward high margin products, as well as higher volume discount for seasonal items received from vendors.
10. Cost of rental and related services was Baht 393.83 million, an increase of Baht 62.66 million or up 18.92%, due to higher utilities cost.
11. Selling and administrative expenses (SG&A) amounted to Baht 6,658.66 million, an increase of Baht 759.23 million or up 12.87% year-over-year. The increase in SG&A as a percentage of sales from 18.39% to 19.02% was attributable to the increase of expenses related to electricity and utilities cost, depreciation, including six new stores pre-opening cost of Mega Home.
12. Finance income was Baht 14.06 million, an increase of Baht 10.39 million or up 282.67%, owing to higher interest income.
13. Finance cost was Baht 263.25 million, an increase of Baht 71.06 million or up 36.98% due to higher interest rate for refinancing of new debentures issued since the third quarter of 2022, compared to the previous year. In addition, the Company has made additional long-term lease agreements for new stores, which resulted in higher interest expenses in regard to TFRS16 standards.
14. Income tax expenses were Baht 781.09 million, an increase of Baht 38.57 million or up 5.19% 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