



No. IDR 09/2023
Date: 10 August 2023
Re: Management Discussion and Analysis (MD&A) for the Second 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 second quarter of 2023 in which the company and its subsidiaries has reported a net profit of Baht 4,438 million. The main reasons are as follows:

Total Revenue

In 2Q23, the Company reported total revenue at Baht 232,002 million, increased by 8.5 percent YoY. This was the result of an increase in revenue from sale of goods and rendering of services from both 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 2Q23 was reported at Baht 49,561 million, increased by 13.6 percent YoY, attributed by convenience store business and wholesales business. As a result, the consolidated gross profit margin increased to 22.0 percent from 21.0 percent in the same quarter last year.

Distribution Costs and Administrative Expenses

In 2Q23, CPALL reported proportion of distribution costs and administrative expenses as follows:

Costs and Expenses	2Q23
Employee Benefits	32.4%
Store management fees	13.2%
Rental and depreciation and amortization	19.8%
Advertising and sales promotion	9.8%
Utilities and others	24.8%
Total	100.0%

The Company reported distribution costs and administrative expense at Baht 45,867 million, increased by 12.1 percent YoY. Distribution costs was reported at Baht 38,430 million, increased by 13.9 percent YoY and administrative expenses was reported at Baht 7,437 million, increased by 3.8 percent YoY. An increase was mainly due to utilities costs, employee benefits, advertising and sales promotion expenses and store expansion. However, each business unit has maintained stringent and efficient cost control.



Profit before Interest and Tax Expense, and Net Profit

In 2Q23, the Company reported profit before interest and tax expense at Baht 10,243 million, increased by 20.2 percent YoY. Net profit was at Baht 4,438 million, increased by 47.7 percent YoY which mainly due to the performance of convenience store business group that generated decent revenue growth, cost benefit from economies of scale and contributed better profitability.

However, the Company reported an increase of finance costs from a one-off early amortization of the upfront fee from debt prepayments of CPAXT for the purpose to reduce costs and risks of financial expense in the future. The consolidated earnings per share was reported at Baht 0.48 per share.

Operating Results for the first six months of 2023

The company and its subsidiary reported total revenues at Baht 454,322 million, increased by 9.8 percent YoY and reported net profit at amount of Baht 8,561 million, increased by 32.6 percent YoY. The consolidated earnings per share was reported at Baht 0.93 per share. This was mainly due to an improvement of convenience store business performance, followed higher economic activities.

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

In 2Q23, total revenue before elimination contributed from major businesses were, (1) Convenience store business and other businesses accounted for 50 percent and (2) Grocery Wholesaling and Retailing businesses accounted 50 percent which in the same level with last year.

Profit before tax expense before elimination contributed from major businesses in 2Q23 were, (1) Convenience store business and other businesses accounted for 73 percent and (2) Grocery Wholesaling and Retailing businesses accounted 27 percent. Portion of profit before tax expense before elimination contributed from (1) Convenience store business and other businesses increased from the same period of last year as a result of higher profit before tax growth than (2) Grocery Wholesaling and Retailing businesses.

Operating Results of the Convenience Store Business

In 2Q23, the convenience store business opened a total of 168 new stores. At the end of 2Q23, CPALL had a total of 14,215 stores, divided into

- (1) 7,133 corporate stores (approximately 50 percent of total stores) or a net new store of 114 stores in this quarter.
- (2) 7,082 SBP and sub-area stores (approximately 50 percent of total stores) or a net new store of 54 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 2Q23, the convenience store business reported revenue from sales and services of Baht 102,481 million, increased by 16.1 percent YoY. The average sales per store per day in 2Q23 was at Baht 83,558 million, together with SSSG which was at 7.9 percent. For average spending per ticket was approximately at Baht 84, and average number of customer per store per day was 995 persons. The number of customers increased from same period last year as a consequence of recovery of domestic consumption along with a continuously increase of



tourists including local and foreign tourists which resulted in an increase of mobility and economic activities. From the aforementioned situation, the convenience store business has adjusted strategy to be in line with the current situation by maintain the existing customers base and expanding new customers 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 and All Online, were still able to meet customer's needs in the current situation, O2O sales was approximately 10 percent of total sales revenue.

In 2Q23, 75.5 percent of revenue from sales contributed from food categories and 24.5 percent from non-food categories. Portion of revenue from sales of food and beverage 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. In addition, heat weather was another supporting factor in this quarter.

Gross profit for convenience store business in 2Q23 was at Baht 29,080 million, increased by Baht 5,207 million or 21.8 percent YoY. Gross profit margin increased to 28.4 percent from 27.0 percent in 2Q22. The main reason was from product strategy adjustment by focusing on the adaptation to satisfy customer's needs to ensure that it was able to attract customers and able to generate sales and additional profits to the business, as well as emphasize on the gross profit margin of the product.

In addition, convenience store business recognized other income at Baht 5,980 million, increased by Baht 638 million or 11.9 percent YoY mainly due to an increase of number of store. While recognized dividend income from subsidiaries at amount of Baht 3,494 million, same level with last year.

In 2Q23, distribution costs and administrative expenses were Baht 29,640 million, increased by Baht 4,494 million or 17.9 percent YoY, mainly due to utilities cost, employee benefits, and advertising and sales promotion expenses according to an increase of revenue and store expansion.

However, the Company continued to control expenses tightly, and 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 9,077 million, an increase of 18.4 percent YoY, and a net profit of Baht 6,121 million, an increase of 19.3 percent YoY.

As of June 30, 2023, the Company operated convenience store business (7-Eleven) in Cambodia with total store of 66 stores in Phnom Penh and surrounding provinces.



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"> ● Stores expansion 3,800 - 4,000 ● Stores renovation 2,900 - 3,500 ● Investment in new project, subsidiaries and DC 4,000 - 4,100 ● Fixed assets and IT system 1,300 - 1,400

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart

Chief Financial Officer

Authorized to sign on behalf of the Company