

No. ACC/HO 017/23

Topic: Management Discussion and Analysis ending 30 September 2023

To: President

The Stock Exchange of Thailand

During the third quarter of 2023 private consumption and demand softened compared to the second quarter, reflecting a protracted delay in the formation of a new government following the election and subsequent unclear announcements regarding possible economic stimulus. Additionally, consumers were still concerned about the rising cost of living, i.e. an increasing interest burden and increases in the price of consumer goods, which lowered consumers' purchasing power. Moreover, the third quarter coincides with the rainy season, which is usually the low season for retail activities. However, tourism has been showing positive signs of recovery, as seen by the continuously increasing number of foreign visits to Thailand. The Company is closely monitoring the situation and applying agile strategies.

As mentioned above, the third quarter is rainy season and heavy rain occurred in many areas, resulting in a slowdown in customer traffic and sales at physical stores. Nevertheless, the Company organized promotional activities in order to boost sales of products and services, for example the HomePro Super Expo during 27 July – 1 August 2023 at HomePro stores nationwide, as well as Double Day activities and other regular promotional events through both offline and online channels.

The store expansion plan in the third quarter proceeded as scheduled. The Company opened 1 new HomePro store at Seacon Bangkae, and 1 new Mega Home store at Pluak Daeng, Rayong province. As at the end of the third quarter of 2023, the Company operated 87 HomePro stores, 5 HomePro S stores, 25 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 nine-month periods ended 30 September 2023, which have been reviewed by an auditor, are as follows:

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

Unit: Million Baht

	Q3'2023	%	Q3'2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	16,390.23	100.00%	15,896.57	100.00%	493.66	3.11%
Rental income	434.17	2.65%	440.64	2.77%	(6.48)	(1.47%)
Other income	666.20	4.06%	604.28	3.80%	61.92	10.25%
Total revenues	17,490.60	106.71%	16,941.50	106.57%	549.10	3.24%
Cost of sales and service	12,011.37	73.28%	11,636.54	73.20%	374.83	3.22%
Gross profit	4,378.86	26.72%	4,260.03	26.80%	118.82	2.79%
Cost of rental	199.29	1.22%	186.07	1.17%	13.22	7.10%
Selling and administrative expenses	3,236.59	19.75%	3,130.36	19.69%	106.23	3.39%
Profit before finance cost and income tax expenses	2,043.35	12.47%	1,988.52	12.51%	54.82	2.76%
Share of profit/loss from investment in associates	(1.13)	(0.01%)	(0.59)	0.00%	(0.54)	(91.55%)
Finance Income	0.51	0.00%	4.82	0.03%	(4.31)	(89.46%)
Finance cost	138.45	0.84%	122.83	0.77%	15.62	12.72%
Profit before income tax expenses	1,904.27	11.62%	1,869.92	11.76%	34.35	1.84%
Income tax expenses	371.14	2.26%	336.59	2.12%	34.55	10.26%
Profit for the period	1,533.13	9.35%	1,533.33	9.65%	(0.20)	(0.01%)

The Company's net profit for the third quarter of 2023 was Baht 1,533.13 million, representing a decrease of Baht 0.20 million or down 0.01% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 17,490.60 million, an increase of Baht 549.10 million or up 3.24%, 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 16,390.23 million, representing an increase of Baht 493.66 million

or up 3.11% year-over-year. The increase in revenue was contributed by higher revenue realization regarding new store rolled out of HomePro and Mega Home since the third quarter of last year onwards even though there were impacts from the weakening of private sector consumption and overall economy during the third quarter of this year.

- 1.2. Rental and service income amounted to Baht 434.17 million, a decrease of Baht 6.48 million or down 1.47% from previous year owing to less rental income from leasable space of HomePro stores and Market Village shopping mall compared to the same period last year. In addition, the Company earned additional rental income by organizing HomePro Electric Expo at Bitec Bangna in the third quarter of last year compared to this year that there is no such big event organized during the third quarter.
- 1.3. Other income was Baht 666.20 million, an increase of Baht 61.92 million or up 10.25%, 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 4,378.86 million, an increase of Baht 118.82 million or up 2.79% as compared with the prior year. The gross profit margin marginally decreased from 26.80% to 26.72%, which was a result of the impact from high comparable base of gross profit margin in the previous year owing to the merger of HomePro and Mega Home business.
3. Cost of rental and related services was Baht 199.29 million, an increase of Baht 13.22 million or up 7.10%, due to higher utilities cost.
4. Selling and administrative expenses (SG&A) amounted to Baht 3,236.59 million, an increase of Baht 106.23 million or up 3.39% year-over-year. The increase in SG&A as a percentage of sales from 19.69% to 19.75% was attributable to the increase of expenses related to salary, electricity and utilities cost and depreciation.
5. Finance income was Baht 0.51 million, a decrease of Baht 4.31 million or down 89.46%, owing to lower interest income.
6. Finance cost was Baht 138.45 million, an increase of Baht 15.62 million or up 12.72% 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 371.14 million, an increase of Baht 34.55 million or up 10.26% when compared with the prior year. This was due to higher earnings before tax and higher comparable deferred tax assets in the third quarter of last year.

Table 2: Financial Summary for the nine-month period of the year 2023 and 2022

Unit: Million Baht

	9M'2023	%	9M'2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	51,402.53	100.00%	47,976.11	100.00%	3,426.42	7.14%
Rental income	1,374.75	2.67%	1,256.27	2.62%	118.48	9.43%
Other income	1,867.86	3.63%	1,689.19	3.52%	178.67	10.58%
Total revenues	54,645.14	106.31%	50,921.57	106.14%	3,723.57	7.31%
Cost of sales and service	37,851.34	73.64%	35,423.98	73.84%	2,427.36	6.85%
Gross profit	13,551.19	26.36%	12,552.13	26.16%	999.06	7.96%
Cost of rental	593.11	1.15%	517.24	1.08%	75.88	14.67%
Selling and administrative expenses	9,895.25	19.25%	9,029.78	18.82%	865.46	9.58%
Profit before finance cost and income tax expenses	6,305.44	12.27%	5,950.57	12.40%	354.87	5.96%
Share of profit/loss from investment in associates	(1.96)	0.00%	(0.59)	0.00%	(1.37)	(231.76%)
Finance Income	14.57	0.03%	8.49	0.02%	6.08	71.54%
Finance cost	401.70	0.78%	315.02	0.66%	86.68	27.52%
Profit before income tax expenses	5,916.35	11.51%	5,643.46	11.76%	272.89	4.84%
Income tax expenses	1,152.23	2.24%	1,079.11	2.25%	73.12	6.78%
Profit for the period	4,764.12	9.27%	4,564.35	9.51%	199.77	4.38%

The Company's net profit for the nine-month of 2023 was Baht 4,764.12 million, representing an increase of Baht 199.77 million or up 4.38% as compared to the previous year. The main reasons include:

8. Total revenues were Baht 54,645.14 million, an increase of Baht 3,723.57 million or up 7.31%, 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 51,402.53 million, representing an increase of Baht 3,426.42 million or up 7.14% 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 the first quarter, 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 and third quarters and Double Day activities every month. In addition, the Company has realized more revenues regarding new store expansion of HomePro and Mega Home since the third quarter of last year onwards.

- 8.2. Rental and service income amounted to Baht 1,374.75 million, an increase of Baht 118.48 million or up 9.43% 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 1,867.86 million, an increase of Baht 178.67 million or up 10.58%, 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 13,551.19 million, an increase of Baht 999.06 million or up 7.96% as compared with the prior year. The gross profit margin increased from 26.16% to 26.36%, 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 during the second quarter of this year.
10. Cost of rental and related services was Baht 593.11 million, an increase of Baht 75.88 million or up 14.67%, due to higher utilities cost.
11. Selling and administrative expenses (SG&A) amounted to Baht 9,895.25 million, an increase of Baht 865.46 million or up 9.58% year-over-year. The increase in SG&A as a percentage of sales from 18.82% to 19.25% was attributable to the increase of expenses related to electricity and utilities cost, depreciation, including pre-opening cost of one new HomePro and seven Mega Home stores.
12. Finance income was Baht 14.57 million, an increase of Baht 6.08 million or up 71.54%, owing to higher interest income.
13. Finance cost was Baht 401.70 million, an increase of Baht 86.68 million or up 27.52% 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 1,152.23 million, an increase of Baht 73.12 million or up 6.78% 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