

Translation

Date: 8 November 2023

Subject: Management Discussion and Analysis for the Third Quarter of 2023

To: President of the Stock Exchange of Thailand

CP Axtra Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the three-month and nine-month periods ended 30 September 2023, which has been reviewed by its Certified Public Accountant as follows:

1. Operating results: the Company and its subsidiaries

Consolidated Financial Performance (unit: million Baht)	Q3/23	Q3/22	YoY	9M/23	9M/22	YoY
Sales	113,838	110,162	3.3%	343,863	329,793	4.3%
<i>Wholesale business</i> ⁽¹⁾	63,486	60,311	5.3%	191,275	176,342	8.5%
<i>Retail business</i> ⁽²⁾	50,352	49,851	1.0%	152,588	153,451	(0.6%)
Revenue from rental and rendering retail services	3,594	3,447	4.3%	10,636	9,952	6.9%
Total revenues	119,502	115,661	3.3%	361,336	345,750	4.5%
Gross profit from sales	15,620	15,951	(2.1%)	47,266	46,654	1.3%
<i>Gross profit margin from sales (%)</i>	13.7	14.5	(80 bps)	13.7	14.1	(40 bps)
EBITDA ⁽³⁾	7,961	8,411	(5.3%)	25,002	25,147	(0.6%)
Finance costs	1,403	1,826	(23.1%)	4,868	4,918	(1.0%)
Net profit (Equity holders of the Company) ⁽⁵⁾	1,677	1,602	4.7%	5,358	5,225	2.5%
<i>Wholesale business</i> ^(1,4)	1,247	1,573	(20.7%)	4,233	4,670	(9.4%)
<i>Retail business</i> ⁽²⁾	430	29	1,368.7%	1,125	555	102.6%
Earnings per share (Baht per share)	0.16	0.15	4.7%	0.51	0.49	2.5%

(1) Consisting of Makro-Thailand, Makro-International, and Food Service APME.

(2) Consisting of retail businesses under “Lotus’s” and mall business in Thailand and Malaysia (Lotus’s Thailand and Lotus’s Malaysia).

(3) Earnings before interest, tax, depreciation, and amortization.

(4) The net profit included interest from investment restructuring of the retail business.

(5) For 3Q23, with the exception of losses on disposal of assets from wholesale business in China of Baht 39 million the net profit will increase by 7.1%.

For 9M/23, with the exception of an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 99 million (net income tax) and losses on disposal of assets from wholesale business in China in an amount of Baht 39 million, the net profit will rise by 5.2%.

1.1. Performance of the Company and its subsidiaries in 3Q/2023

Revenue

In the third quarter of 2023 (“3Q/2023”), the Company and its subsidiaries reported total revenues of Baht 119,502 million, an increase of Baht 3,841 million or 3.3% year-on-year (“YoY”). While revenue from sales of goods was Baht 113,838 million, which rose by Baht 3,676 million or 3.3% from the same quarter last year. Supportively, the revenue from wholesale business increased of 5.3% from the same quarter last year, owing to an increase in sales of in-store, and online, out-store along with delivery products to customers (“Omni Channel”) of Makro-Thailand, as well as an expansion of Makro-International across all countries. With a similar trend, the revenue from the retail business grew 1.0% YoY. Meanwhile, the proportion of Omni Channel of the Company and its subsidiaries accounted for 13.6% of total sales.

In addition, the Company and its subsidiaries had revenues from rendering of services and other income of Baht 2,070 million, an increase of Baht 18 million or 0.9% compared to the same quarter last year, primarily from an increase in service income for promotional activities.

Revenue from rental and rendering retail services

In 3Q/2023, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 3,594 million, a surge of Baht 147 million or 4.3% from the same quarter last year. This was mainly attributable to the retail business, which increased revenue of Baht 135 million or 4.1% from the same quarter last year.

The Company and its subsidiaries reported a gross profit from rental and rendering retail services of Baht 1,906 million, slightly declined from the same quarter last year. Therefore, the gross profit margin of rental and rendering retail services registered at 53.0%.

Gross profit from sales revenue

In 3Q/2023, the Company and its subsidiaries had a gross profit margin of 13.7% of the total sales revenue, which decreased from the same quarter last year when the margin was 14.5%, primarily due to a dip in the retail business gross profit margin to 17.8% from 19.1% in the same quarter last year. While the wholesale business reported a minimal decline in its gross profit margin to 10.5% from 10.6% in the same quarter last year.

Distribution costs and administrative expenses

The Company and its subsidiaries recorded distribution costs and administrative expenses of Baht 16,263 million in 3Q/2023, representing 13.6% of total revenues, which increased by Baht 130 million, or 0.8% YoY. This was primarily due to an increase in distribution costs and administrative expenses from the wholesale

business, as a result of higher operating expenses from opening new stores, the expense associated with a growth in Omni Channel sales from the consumer behavior changing, as well as higher electricity expenses from FT adjustments. Whereas the retail business recorded a lower distribution costs and administrative expenses from an efficient development of IT system.

In addition, the distribution costs and administrative expenses compared to total revenues of wholesale and retail businesses were 9.6% and 18.4%, respectively.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 3Q/2023, the Company and its subsidiaries posted an EBITDA of Baht 7,961 million, a decrease of Baht 450 million or 5.3% compared to the same period last year. This represented 6.7% of total revenues.

Net profit

In 3Q/2023, the Company and its subsidiaries had a net profit of Baht 1,677 million, an increase of Baht 75 million or 4.7% YoY. With the exception of losses on disposal of assets from wholesale business in China in an amount of Baht 39 million, the core profit in 3Q/2023 will be registered at Baht 1,716 million or an increase of 7.1%.

1.2 Performance of the Company and its subsidiaries in 9M/2023

For the nine-month of 2023 (“9M/2023”), the Company and its subsidiaries had total revenues of Baht 361,336 million, surged by Baht 15,586 million or 4.5% YoY. While revenue from sales of goods was Baht 343,863 million, which grew by Baht 14,070 million or 4.3% from the same period last year. This was mainly due to an increase in revenue from the wholesale business of 8.5%.

Meanwhile, the Company and its subsidiaries had revenues from rendering of services and other income of Baht 6,837 million, an increase of Baht 832 million or 13.9% over the same period last year. This was mainly due to the wholesale business, which had an increase in revenues from rendering of services and other income of Baht 512 million or 14.0% YoY, from sales promotion activities, as well as other income of Baht 318 million from an accounting gain from foreign exchange forward contracts related to loan prepayment from financial institutions of the retail business.

The Company and its subsidiaries had revenue from rental and rendering retail services of Baht 10,636 million, an increase of Baht 684 million or 6.9% over the same period last year. This was mainly due to the retail business, which increased its revenues by Baht 617 million or 6.4% YoY. The rental and rendering retail services gross profit was marked at Baht 5,803 million. Therefore, the gross profit margin from rental and rendering retail services was at 54.6%.

The Company and its subsidiaries had a net profit of Baht 5,358 million, an increase of Baht 133 million or 2.5% YoY. With the exception of an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 99 million (net income tax) and losses on disposal of assets from wholesale business in China in an amount of Baht 39 million, the core profit for 9M/2023 will be reported at Baht 5,496 million, or an increase of 5.2% YoY, aligned with sales growth.

2. Operating results by business division

2.1. The wholesale business performance

Wholesale Business (unit: million Baht)	Q3/23	Q3/22	YoY	9M/23	9M/22	YoY
Sales	63,486	60,311	5.3%	191,275	176,342	8.5%
Other revenues ⁽¹⁾	1,481	1,359	9.0%	4,567	3,988	14.5%
Total revenues	64,967	61,670	5.3%	195,842	180,330	8.6%
Gross profit from sales	6,653	6,420	3.6%	19,870	18,159	9.4%
<i>Gross profit margin from sales (%)</i>	10.5	10.6	(10 bps)	10.4	10.3	10 bps
EBITDA ⁽²⁾	2,986	3,096	(3.6%)	9,397	9,204	2.1%
Net profit ⁽³⁾	1,247	1,573	(20.7%)	4,233	4,670	(9.4%)
Number of Stores (stores)	164	154	10	164	154	10
<i>Thailand</i> ⁽⁴⁾	154	147	7	154	147	7
<i>Overseas</i> ⁽⁵⁾	10	7	3	10	7	3
Sales Space (sq.m.)	876,487	836,669	39,818	876,487	836,669	39,818
<i>Thailand</i> ⁽⁴⁾	833,218	802,444	30,774	833,218	802,444	30,774
<i>Overseas</i> ⁽⁵⁾	43,269	34,225	9,044	43,269	34,225	9,044

(1) Comprises of revenue from rendering of services, revenue from rental and rendering retail services, and other income.

(2) Earnings before interest, tax, depreciation, and amortization.

(3) The net profit included interest from investment restructuring of the retail business.

(4) During the end of the third quarter of 2022 and the end of the third quarter of 2023, 9 new stores were opened, and 2 stores were closed.

(5) Included 2 stores in China which ceased operations at the end of September 2023.

Revenue

In 3Q/2023, the wholesale business reported total revenues of Baht 64,967 million, which increased by Baht 3,297 million, or 5.3% YoY. Supportively, the revenue from sales of goods was Baht 63,486 million, rose by Baht 3,175 million or 5.3% YoY, as a result of in-store sales growth from Makro Thailand, new store opening, and Omni Channel sales with more than 30% growth YoY, as well as an expansion of Makro-International across all countries. Additionally, Makro-Thailand's same store sales growth (SSSG) was at 3.2%. However, without an impact of the fresh food price deviation, SSSG of Makro Thailand will mark at 6.6%.

In this quarter, the wholesale business registered revenue from the rendering of services of Baht 1,155 million and other income of Baht 194 million, totaling Baht 1,349 million, which increased by Baht 110 million, or 8.9% YoY, mainly due to an increase in revenue from promotion activities of Makro-Thailand.

Revenue from rental and rendering retail services

In 3Q/2023, the wholesale business had revenue from rental and rendering retail services of Baht 132 million, an increase of Baht 12 million or 9.5% YoY, primarily from Makro-Thailand. Therefore, the gross profit from rental and rendering retail services was Baht 102 million, with a margin of 77.3%.

Gross profit from sales revenue

In 3Q/2023, the wholesale business had a gross profit of 10.5%, an edge down from the same quarter last year, when the margin was 10.6%. This was primarily from a decrease in Foodservice APME gross profit. While the gross profit margin of Makro-Thailand increased to 10.5% from 10.3%, owing to the efficiency improvement in fresh food.

Distribution costs and administrative expenses

In 3Q/2023, the wholesale business had distribution costs and administrative expenses totaling Baht 6,220 million, an increase of Baht 600 million or 10.7% YoY, principally because:

- Distribution costs increased by Baht 730 million, or 18.6% YoY, mainly from operating costs related to new store expansions during Y2022 till 3Q/2023, higher electricity expenses from FT adjustments, and higher costs associated with a growth in Omni Channel sales.
- Administrative expenses decreased by Baht 130 million, or 7.8% from the same period last year, owing to lower business development expenses and costs related to employees.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 3Q/2023, the wholesale business posted EBITDA of Baht 2,986 million, a decrease of Baht 110 million or 3.6% compared to the same quarter last year. This represented 4.6% of total revenues.

Net profit

In 3Q/2023, the wholesale business had a total net profit of Baht 1,247 million, down by 20.7% over the same quarter last year, mainly due to a decline profit of Makro-Thailand. This was mainly due to operating costs related to new stores, the expenses related to an investment in system to support Omni Channel sales, a hike in electricity costs, as well as an increase in the interest from investment restructuring of the retail business. Additionally, Makro-International experienced a loss this quarter due to the store expansion in the late last year and experience a decline profit from disposal of assets in China after the closure of stores.

For 9M/2023, the wholesale business had total revenues of Baht 195,842 million, increased by Baht 15,512 million or 8.6% YoY. While revenue from sales of goods was Baht 191,275 million, which increased by Baht 14,933 million or 8.5% YoY, mainly from Makro-Thailand, which represented 93.6% of the total sales.

The wholesale business had a net profit of Baht 4,233 million, a decrease of Baht 437 million or 9.4% YoY, primarily due to the operating costs related to new stores, the expenses related to an investment in system to support Omni Channel sales, a hike in electricity costs, as well as an increase in the interest from investment restructuring of the retail business, as well as a higher loss in Makro-International resulting from the store expansion in the late 2022, a decline profit from disposal of assets of China stores, and a drop of profit from Foodservice APME.

2.2. The retail business performance

Retail Business (unit: million Baht)	Q3/23	Q3/22	YoY	9M/23	9M/22	YoY
Sales	50,352	49,851	1.0%	152,588	153,451	(0.6%)
Revenue from rental and rendering retail services	3,462	3,327	4.1%	10,249	9,632	6.4%
Total revenues	54,535	53,991	1.0%	165,494	165,420	0.05%
Gross profit from sales	8,967	9,531	(5.9%)	27,396	28,495	(3.9%)
<i>Gross profit margin from sales (%)</i>	17.8	19.1	(130 bps)	18.0	18.6	(60 bps)
EBITDA ⁽¹⁾	4,975	5,315	(6.4%)	15,605	15,943	(2.1%)
Net profit	430	29	1,368.7%	1,125	555	102.6%
Number of Stores ⁽²⁾ (stores)	2,525	2,644	(119)	2,525	2,644	(119)
<i>Lotus's Thailand</i>	2,459	2,580	(121)	2,459	2,580	(121)
<i>Lotus's Malaysia</i>	66	64	2	66	64	2
Sales Space (sq.m.)	1,801,461	1,826,177	(24,716)	1,801,461	1,826,177	(24,716)
<i>Lotus's Thailand</i>	1,507,244	1,527,126	(19,882)	1,507,244	1,527,126	(19,882)
<i>Lotus's Malaysia</i>	294,217	299,051	(4,834)	294,217	299,051	(4,834)
Permanent Net Leasable Area (sq.m.)	1,073,407	1,042,235	31,172	1,073,407	1,042,235	31,172
<i>Lotus's Thailand</i>	750,406	729,905	20,501	750,406	729,905	20,501
<i>Occupancy rate (%)</i>	92.1	91.0	1.1	92.1	91.0	1.1
<i>Lotus's Malaysia</i>	323,001	312,330	10,671	323,001	312,330	10,671
<i>Occupancy rate (%)</i>	92.8	92.2	0.6	92.8	92.2	0.6

(1) Earnings before interest, taxes, depreciation, and amortization.

(2) During the end of the third quarter of 2022 and the end of the third quarter of 2023, 70 new stores were opened, and 189 stores were closed.

Revenue

In 3Q/2023, the retail business had total revenues of Baht 54,535 million, edged up 1.0% YoY. While the revenue from sales of goods was Baht 50,352 million, which increased by 1.0% YoY. Similarly, the retail business's same store sales growth (SSSG) rose by 2.2%, owing to the 2.1% YoY growth of Lotus's Thailand from the shifting sales strategy to focus on fresh food and ready-to-cook at the valuable price, as well as increasing Omni Channel sales. Meanwhile, Lotus's Malaysia's sales in Malaysian Ringgit grew up 2.7% YoY. In September, sales of Lotus's Thailand and Lotus's Malaysia increased more than 6% and 12%, respectively, and continued to grow.

Revenue from rental and rendering retail services

The retail business had revenue from rental and rendering retail services in 3Q/2023 of Baht 3,462 million, an increase of 4.1% YoY, primarily from an increase in rental rates and spaces as a result of the strategic shift in sales space to mall areas (Mall extension). Additionally, the occupancy rates of Lotus's Malaysia and Lotus's Thailand stood at 92.8% and 92.1%, respectively, which improved from the same quarter last year.

The retail business had a gross profit from rental and rendering retail services of Baht 1,804 million, which slightly decreased from the same period last year. This represented a margin of 52.1%, decreased from 55.0% in 3Q/2022, primarily from a rise in electricity cost per unit.

Gross profit from sales revenue

In 3Q/2023, the retail business had a gross profit of 17.8%, decreased from 19.1% in 3Q/2022, owing to marketing activities and promotions to stimulate consumer purchases when the economy has not yet fully recovered.

Distribution costs and administrative expenses

In 3Q/2023, the retail business had distribution costs and administrative expenses totaling Baht 10,043 million, a decrease of Baht 470 million or 4.5% YoY, owing to efficient store management, reducing store operating hours in some locations, and the administrative expenses related to development of IT system. Hence, this represented 18.4% of total revenues.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 3Q/2023, the retail business posted EBITDA of Baht 4,975 million, a decrease of Baht 340 million, or 6.4% compared to the same quarter last year, due mainly to a decrease in gross profit margin from sales. This represented 9.1% of total revenues.

Net Profit

In 3Q/2023, the retail business reported a net profit of Baht 430 million, an increase of Baht 401 million, attributable from lower borrowing costs as a result of debt restructuring.

For 9M/2023, the retail business had total revenues of Baht 165,494 million, which increased by Baht 74 million compared to the same period last year. Besides, the revenue from sales of goods was Baht 152,588 million, which decreased by Baht 863 million YoY. This decline is primarily attributed to a decrease of 7.2% from sales in Lotus's Malaysia, while there has been a decline of 3.3% YoY in sales denominated in Malaysian Ringgit, owing to the lack of government stimulus packages compared to the same period last year as well as a shift in consumer behavior that prefers to shop closer to their neighborhoods. Meanwhile, Lotus's Thailand sales marginally increased YoY.

Additionally, the retail business had revenue from rental and rendering retail services of Baht 10,249 million, an increase of 6.4% YoY, primarily from an increase in rental rates and spaces as a result of the strategic shift in sales space to mall areas (Mall extension).

Henceforth, the retail business had a net profit in 9M/2023 of Baht 1,125 million, an increase of Baht 570 million compared to the same period last year, primarily from our timely successful debt restructuring initiatives resulting in a decrease in borrowing costs, despite considerable increases in electricity costs. In 9M/2023, the retail business had an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 99 million (net income tax).

3. Statement of financial position of the Company and its subsidiaries

The financial position of the Company and its subsidiaries as of 30 September 2023, compared to 31 December 2022 are as follows:

Consolidated financial statements (unit: million Baht)	30 September 2023	31 December 2022	Change	percent
Assets				
Cash and cash equivalents	19,433	40,103	(20,670)	(51.5%)
Other current assets	43,727	47,252	(3,525)	(7.5%)
Non-current assets	462,250	461,288	962	0.2%
Total assets	525,410	548,643	(23,233)	(4.2%)
Liabilities				
Current liabilities	77,007	89,125	(12,118)	(13.6%)
Interest-bearing debts ⁽¹⁾	98,463	111,662	(13,199)	(11.8%)
Non-current liabilities	59,094	56,925	2,169	3.8%
Total liabilities	234,564	257,712	(23,148)	(9.0%)
Total equity	290,846	290,931	(85)	(0.0%)
Total liabilities and equity	525,410	548,643	(23,233)	(4.2%)

(1) Interest-bearing debts excluding lease liabilities.

Total assets

As of 30 September 2023, the Company and its subsidiaries had total assets of Baht 525,410 million, which included the goodwill of Baht 234,736 million, decreased by Baht 23,233 million, or 4.2% compared to as of 31 December 2022, owing to a decline of Baht 20,670 million in cash and cash equivalents disbursed in a subsidiary's loan prepayment and interests to financial institutions of the retail business, repayment liabilities for the goods at the end of the year, store expansion, and investments related to the IT system to support Omni Channel business.

Total liabilities

As of 30 September 2023, the Company and its subsidiaries registered total liabilities of Baht 234,564 million, a drop of Baht 23,148 million, or 9.0% compared to as of 31 December 2022, owing primarily to the repayments of borrowing from financial institutions of the retail business and a decrease in trade account payable from the payment at the end of the year.

Equity

As of 30 September 2023, the Company and its subsidiaries reported Baht 290,846 million in equity, a decrease of Baht 85 million compared to as of 31 December 2022.

4. Statement of cash flows of the Company and its subsidiaries

(unit: million Baht)	Consolidated For the nine-month period ended 30 September	
	2023	2022
Net cash generated from (used in) operating activities	14,934	5,157
Net cash generated from (used in) investing activities	(9,723)	(13,203)
Net cash generated from (used in) financing activities	(25,792)	(33,125)
Exchange differences on translating financial statements	(89)	86
Net increase (decrease) in cash and cash equivalents	(20,670)	(41,085)
Cash and cash equivalents at the beginning of the period	40,103	68,529
Cash and cash equivalents at the end of the period	<u>19,433</u>	<u>27,444</u>

For the nine-month period ended 30 September 2023, the Company and its subsidiaries had net cash generated from operating activities in an amount of Baht 14,934 million, mainly due to the operating during the period. Net cash used in investing activities was Baht 9,723 million, primarily from investment in new store expansion and IT systems to support the Omni Channel sales. Additionally, net cash used in financing activities was Baht 25,792 million, mainly from repayments of borrowings from financial institutions. From the aforesaid use of funds, the net decrease in cash and cash equivalents was Baht 20,670 million, which resulted in cash and cash equivalents of Baht 19,433 million at the end of the period.

Please be informed accordingly.

Yours faithfully,

CP Aextra Public Company Limited

(Saowaluck Thithapant)

Group Chief Executive Officer - Makro Business and

Group Chief Financial Officer

SET & Investor Relations

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