

## Translation

Date: 14 February 2024

Subject: Management Discussion and Analysis for the Year Ended 31 December 2023

To: President of the Stock Exchange of Thailand

CP Aextra Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the year ended 31 December 2023, which has been audited by its Certified Public Accountant as follows:

### 1. Operating results: the Company and its subsidiaries

Consolidated Financial Performance (unit: million Baht)	2023	2022	YoY
<b>Sales</b>	<b>466,234</b>	<b>447,182</b>	<b>4.3%</b>
<i>Wholesale business</i> <sup>(1)</sup>	259,811	242,437	7.2%
<i>Retail business</i> <sup>(2)</sup>	206,423	204,745	0.8%
Revenue from rental and rendering retail services	14,303	13,477	6.1%
<b>Total revenues</b>	<b>489,949</b>	<b>469,131</b>	<b>4.4%</b>
<b>Gross profit from sales</b>	<b>64,341</b>	<b>63,577</b>	<b>1.2%</b>
<i>Gross profit margin from sales (%)</i>	13.8	14.2	(40 bps)
EBITDA <sup>(3)</sup>	35,065	35,084	(0.1%)
Finance costs	6,319	7,122	(11.3%)
<b>Net profit (Equity holders of the Company)</b> <sup>(4)</sup>	<b>8,640</b>	<b>7,697</b>	<b>12.3%</b>
<i>Wholesale business</i> <sup>(1)</sup>	5,975	7,074	(15.5%)
<i>Retail business</i> <sup>(2)</sup>	2,665	623	327.9%
<b>Earnings per share (Baht per share)</b>	<b>0.82</b>	<b>0.73</b>	<b>12.3%</b>

(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) For 2023, 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 store assets from wholesale business in China in an amount of Baht 38 million, the net profit will rise by 14.0% from last year.

## 1.1. Performance of the Company and its subsidiaries in 2023

### Revenue

In 2023, the Company and its subsidiaries reported total revenues of Baht 489,949 million, an increase of Baht 20,818 million or 4.4% year-on-year (“YoY”). While revenue from sales of goods was Baht 466,234 million, which rose by Baht 19,052 million or 4.3% over the last year. Supportively, the revenue from wholesale business increased of 7.2% over the prior 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 and Foodservice APME businesses. With a similar trend, the revenue from the retail business grew 0.8% YoY. Meanwhile, the proportion of Omni Channel of the Company and its subsidiaries accounted for 13.1% of total sales.

In addition, the Company and its subsidiaries had revenues from rendering of services and other income of Baht 9,412 million, an increase of Baht 940 million or 11.1% compared to 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 530 million or 10.2% YoY, from sales promotion activities, as well as other income from an accounting gain from foreign exchange forward contracts related to loan prepayment from financial institutions of the retail business.

### Revenue from rental and rendering retail services

In 2023, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 14,303 million, a rise of Baht 826 million or 6.1% YoY. This was mainly attributable to the retail business, which increased revenue of Baht 752 million or 5.8% compared to last year.

The Company and its subsidiaries reported a gross profit from rental and rendering retail services of Baht 7,922 million, an increase of Baht 427 million or 5.7% over the previous year. Therefore, the gross profit margin of rental and rendering retail services registered at 55.4%.

### Gross profit from sales revenue

In 2023, the Company and its subsidiaries had a gross profit margin from sales revenue of 13.8%, which decreased from the last year when the margin was 14.2%, primarily due to a dip in the retail business gross profit margin to 18.0% from 18.6% in the last year. While the wholesale business reported a minimal decline in its gross profit margin from last year.

### Distribution costs and administrative expenses

In 2023, the Company and its subsidiaries recorded distribution costs and administrative expenses of Baht 64,968 million, which increased by Baht 2,126 million, or 3.4% 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 changing consumer behavior, higher electricity expenses from FT adjustments, as well as incurred costs prior to the commencement of operations of the new distribution center. Whereas the retail business recorded lower distribution costs and administrative expenses from the efficient development of its IT system.

In addition, the proportion distribution costs and administrative expenses to total revenues stood at 13.3%, for wholesale of 9.2% and retail businesses of 18.1%.

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

In 2023, the Company and its subsidiaries posted an EBITDA of Baht 35,065 million, flattish from last year, representing 7.2% of total revenues.

#### **Net profit**

In 2023, the Company and its subsidiaries had a net profit of Baht 8,640 million, an increase of Baht 943 million or 12.3% YoY, attributable from lower borrowing costs as a result of debt restructuring. 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 store assets from wholesale business in China in an amount of Baht 38 million, the core profit in 2023 will be reported at Baht 8,777 million, or an increase of 14.0% over the last year.

## 2. Operating results by business division

### 2.1. The wholesale business performance

Wholesale Business (unit: million Baht)	2023	2022	YoY
Sales	259,811	242,437	7.2%
Other revenues <sup>(1)</sup>	6,246	5,642	10.7%
Total revenues	266,057	248,079	7.2%
Gross profit from sales	27,130	25,569	6.1%
<i>Gross profit margin from sales (%)</i>	10.4	10.5	(10 bps)
EBITDA <sup>(2)</sup>	12,988	13,452	(3.4%)
Net profit	5,975	7,074	(15.5%)
<b>Number of Stores (stores)</b>	<b>168</b>	<b>162</b>	<b>6</b>
<i>Thailand</i> <sup>(3)</sup>	160	152	8
<i>Overseas</i> <sup>(4)</sup>	8	10	(2)
<b>Sales Space (sq.m.)</b>	<b>898,909</b>	<b>859,496</b>	<b>39,413</b>
<i>Thailand</i>	858,616	816,227	42,389
<i>Overseas</i>	40,293	43,269	(2,976)

(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) In 2023, 10 new stores were opened, and 2 small stores were closed.

(4) In 2023, 2 stores in China were ceased operations.

### Revenue

In 2023, the wholesale business reported total revenues of Baht 266,057 million, which increased by Baht 17,978 million, or 7.2% YoY. Supportively, the revenue from sales of goods was Baht 259,811 million, rose by Baht 17,374 million or 7.2% YoY, as a result of in-store sales growth from Makro-Thailand, new store opening, and Omni Channel sales, as well as an expansion of Makro-International and Foodservice APME businesses. Additionally, Makro-Thailand's same store sales growth ("SSSG") was at 5.3%. However, without an impact of the fresh food price deviation, SSSG of Makro-Thailand will mark at 6.2%.

In this year, the wholesale business registered revenue from the rendering of services of Baht 4,806 million and other income of Baht 923 million, totaling Baht 5,729 million, which increased by Baht 530 million, or 10.2% YoY, mainly due to an increase in revenue from promotion activities of Makro-Thailand.

### **Revenue from rental and rendering retail services**

In 2023, the wholesale business had revenue from rental and rendering retail services of Baht 517 million, an increase of Baht 74 million or 16.8% YoY, primarily from Makro-Thailand. Therefore, the gross profit from rental and rendering retail services was Baht 399 million, with a margin of 77.1%.

### **Gross profit from sales revenue**

In 2023, the wholesale business had a gross profit of 10.4%, an edge down compared to the prior year, when the margin was 10.5%. This was primarily due to a decrease in Foodservice APME gross profit. While the gross profit margin of Makro-Thailand increased to 10.3% from 10.2%, thanks to better fresh food margins resulting from efficiency improvements.

### **Distribution costs and administrative expenses**

In 2023, the wholesale business had distribution costs and administrative expenses totaling Baht 24,535 million, representing 9.2% of total revenues, an increase of Baht 3,016 million or 14.0% YoY, principally because:

- Distribution costs increased by Baht 2,786 million, or 18.3% YoY, mainly from operating costs related to new store expansions during the year, higher costs associated with a growth in Omni Channel sales, and higher electricity expenses from FT adjustments.
- Administrative expenses increased by Baht 230 million, or 3.6% over the last year, owing to higher business development expenses, costs related to employees, and incurred costs prior to the commencement of operations of the new distribution center.

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

In 2023, the wholesale business posted EBITDA of Baht 12,988 million, a decrease of Baht 464 million or 3.4% compared to the previous year. This represented 4.9% of total revenues.

### **Net profit**

In 2023, the wholesale business had a total net profit of Baht 5,975 million, down by 15.5% over the last year, mainly due to an increase in the interest from investment restructuring of the retail business, the operating costs related to new stores, expenses related to an investment in a system to support Omni Channel sales, a hike in electricity costs, as well as incurred costs prior to the commencement of operations of the new distribution center. Additionally, Makro-International experienced a loss this year due to the store expansion in the late last year and loss from the disposal of store assets in China after the closure of stores.

## 2.2. The retail business performance

Retail Business (unit: million Baht)	2023	2022	YoY
<b>Sales</b>	206,423	204,745	0.8%
Revenue from rental and rendering retail services	13,786	13,034	5.8%
<b>Total revenues</b>	<b>223,892</b>	<b>221,052</b>	<b>1.3%</b>
<b>Gross profit from sales</b>	<b>37,211</b>	<b>38,008</b>	<b>(2.1%)</b>
<i>Gross profit margin from sales (%)</i>	<i>18.0</i>	<i>18.6</i>	<i>(60 bps)</i>
EBITDA <sup>(1)</sup>	22,077	21,632	2.1%
<b>Net profit</b>	<b>2,665</b>	<b>623</b>	<b>327.9%</b>
<b>Number of Stores (stores)</b>	<b>2,522</b>	<b>2,643</b>	<b>(121)</b>
<i>Lotus's Thailand <sup>(2)</sup></i>	<i>2,454</i>	<i>2,578</i>	<i>(124)</i>
<i>Lotus's Malaysia</i>	<i>68</i>	<i>65</i>	<i>3</i>
<b>Sales Space (sq.m.)</b>	<b>1,803,838</b>	<b>1,822,303</b>	<b>(18,465)</b>
<i>Lotus's Thailand</i>	<i>1,504,790</i>	<i>1,531,317</i>	<i>(26,527)</i>
<i>Lotus's Malaysia</i>	<i>299,048</i>	<i>290,986</i>	<i>8,062</i>
<b>Permanent Net Leasable Area (sq.m.)</b>	<b>1,099,299</b>	<b>1,061,683</b>	<b>37,616</b>
<i>Lotus's Thailand</i>	<i>774,116</i>	<i>745,249</i>	<i>28,867</i>
<i>Occupancy rate (%)</i>	<i>93.5</i>	<i>90.0</i>	<i>3.5</i>
<i>Lotus's Malaysia</i>	<i>325,183</i>	<i>316,434</i>	<i>8,749</i>
<i>Occupancy rate (%)</i>	<i>93.5</i>	<i>93.2</i>	<i>0.3</i>

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

(2) During the year of 2023, 53 new stores were opened, and 174 stores were closed.

### Revenue

In 2023, the retail business had total revenues of Baht 223,892 million, edged up 1.3% YoY. While the revenue from sales of goods was Baht 206,423 million, increased by 0.8% YoY, having the retail business's SSSG of 1.3%. Supportively, the revenue from sales of goods and SSSG of Lotus's Thailand was reported at 2.0% and 2.1% over the prior year, respectively. Meanwhile, the revenue from sales of goods and SSSG of Lotus's Malaysia's in Malaysian Ringgit marked at a decline of 0.6% and 2.5% over the prior year, respectively.

By strategically catering to customer demands and focusing on affordability, fresh food, and convenient ready-to-cook options, the retail business' revenue from sales of goods improved by 5.0% in the fourth quarter

of 2023 ("4Q/2023"). Positively, sales of Lotus's Thailand and Lotus's Malaysia (Malaysian Ringgit) increased by 5.3% and 7.9% YoY, respectively. Besides, Lotus's Thailand enhanced its service quality and better shopper experience via Lotus's app and offered multi-services that suit customers' shopping missions. As a result, online sales exponentially grew by more than 40% YoY.

#### **Revenue from rental and rendering retail services**

In 2023, the retail business had revenue from rental and rendering retail services of Baht 13,786 million, an increase of 5.8% 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 Thailand and Lotus's Malaysia stood at 93.5%, which improved from the last year.

The retail business had a gross profit from rental and rendering retail services of Baht 7,523 million, which slightly increased by 5.3% over the last year, having a margin of 54.6% flattish from last year.

#### **Gross profit from sales revenue**

In 2023, the retail business had a gross profit of 18.0%, a decrease from 18.6% in 2022, owing to sales mix adjustment strategy and marketing activities and promotions. However, a gross profit margin in 4Q/2023 improved to 18.2% from 17.8% in the previous quarter.

#### **Distribution costs and administrative expenses**

In 2023, the retail business had distribution costs and administrative expenses totaling Baht 40,433 million, representing 18.1% of total revenues, which decreased by Baht 890 million or 2.2% YoY, principally because:

- Distribution costs decreased by Baht 788 million, or 2.4% YoY, mainly owing to efficient store management, reducing store operating hours in some locations.
- Administrative expenses decreased by Baht 102 million, or 1.2% over the last year, owing to the administrative expenses related to the development of IT system.

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

In 2023, the retail business posted EBITDA of Baht 22,077 million, an increase of Baht 445 million, or 2.1% compared to last year. This represented 9.9% of total revenues.

#### **Net Profit**

In 2023, the retail business reported a net profit of Baht 2,665 million, an increase of Baht 2,042 million from Baht 623 million in 2022, attributable from lower borrowing costs as a result of debt restructuring, efficient cost management, and the better performance in 4Q/2023.

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

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

Consolidated financial statements (unit: million Baht)	31 December 2023	31 December 2022	Change	percent
<b>Assets</b>				
Cash and cash equivalents	31,707	40,103	(8,396)	(20.9)
Other current assets	45,032	47,252	(2,220)	(4.7)
Non-current assets	463,632	461,288	2,344	0.5
<b>Total assets</b>	<b>540,371</b>	<b>548,643</b>	<b>(8,272)</b>	<b>(1.5)</b>
<b>Liabilities</b>				
Current liabilities	92,145	89,126	3,019	3.4
Interest-bearing debts <sup>(1)</sup>	96,185	111,662	(15,477)	(13.9)
Non-current liabilities	58,569	56,924	1,645	2.9
<b>Total liabilities</b>	<b>246,899</b>	<b>257,712</b>	<b>(10,813)</b>	<b>(4.2)</b>
<b>Total equity</b>	<b>293,472</b>	<b>290,931</b>	<b>2,541</b>	<b>0.9</b>
<b>Total liabilities and equity</b>	<b>540,371</b>	<b>548,643</b>	<b>(8,272)</b>	<b>(1.5)</b>

(1) Interest-bearing debts excluding lease liabilities.

#### Total assets

As of 31 December 2023, the Company and its subsidiaries had total assets of Baht 540,371 million, which included the goodwill of Baht 234,736 million, decreased by Baht 8,272 million, or 1.5% compared to as of 31 December 2022, owing to a decline of Baht 8,396 million in cash and cash equivalents disbursed in a subsidiary's loan prepayment and interests to financial institutions of the retail business, investments related to store expansion, and a new distribution center.

#### Total liabilities

As of 31 December 2023, the Company and its subsidiaries registered total liabilities of Baht 246,899 million, a drop of Baht 10,813 million, or 4.2% compared to as of 31 December 2022, owing primarily to the repayments of borrowing from financial institutions of the retail business.

#### Equity

As of 31 December 2023, the Company and its subsidiaries reported Baht 293,472 million in equity, an increase of Baht 2,541 million compared to as of 31 December 2022. This increase can be attributed to a significant rise in operating profit, despite a dividend payment of Baht 5,396 million during this year.



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

(unit: million Baht)	Consolidated For the year ended 31 December	
	2023	2022
Net cash generated from (used in) operating activities	34,863	22,014
Net cash generated from (used in) investing activities	(14,239)	(17,164)
Net cash generated from (used in) financing activities	<u>(28,552)</u>	<u>(32,955)</u>
Exchange differences on translating financial statements	(468)	(321)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,396)</b>	<b>(28,426)</b>
Cash and cash equivalents at the beginning of the period	40,103	68,529
<b>Cash and cash equivalents at the end of the period</b>	<b><u>31,707</u></b>	<b><u>40,103</u></b>

For the year ended 31 December 2023, the Company and its subsidiaries had net cash generated from operating activities in an amount of Baht 34,863 million, mainly due to the operating during the period. Net cash used in investing activities was Baht 14,239 million, primarily from investment in fixed assets and intangible assets of Baht 12,979 million. Additionally, net cash used in financing activities was Baht 28,552 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 8,396 million, which resulted in cash and cash equivalents of Baht 31,707 million at the end of the period.

#### 5. Business outlook

In 2024, the Company and its subsidiaries' total revenue is expected to achieve continuous revenue growth, in part from dedicated through the Omni Channel strategy, with the goal of reaching 15% of total sales by this year. Out-of-store sales through applications are expected to exponentially grow due to offering a comprehensive range of products, developing services, and expanding services nationwide. By leveraging the strength of the wholesale and retail business through over 2,600 stores nationwide, these stores will serve as distribution centers for multi-fulfillments to enhance the potential of existing stores and support the expansion in various dimensions, including Hyper-Personalization through AI data analytics, to understand and meet customer demands. In addition, we focus on B2B sales team strategy, with over 1,400 B2B sales teams that understand and are accessible to serve our professional customers.

Additionally, the Company and its subsidiaries prioritize on synergy to accelerate growth in fresh food and processed food, particularly in the development of ready-to-cook and ready-to-eat, in order to differentiate

and provide a variety of products at value prices. Besides, we aim to enlarge the sales proportion of the Company's private label.

Furthermore, the Company and its subsidiaries have strategic plans to revitalize and expand the store experience in both domestic and international markets, with a goal of creating a smart community hub. This includes collaborating with local and national brand restaurants and expanding Lotus's Eatery in both Lotus's and Makro to better cater the needs and preferences of local customers and communities. This will contribute to enhance the competitive potential and optimize the existing assets.

The Company is committed to driving business toward sustainability (ESG) to become a world-class sustainable organization that aligns with the CP Group sustainability goal. Utilizing the Company's capabilities will generate positive changes in the economy and society while minimizing negative environmental consequences. Furthermore, it has managed risks in response to evolving economic conditions and consumer behavior, while also demonstrating effective cost management.

Consequently, the Company and its subsidiaries aim to achieve sustainable revenue and returns for all stakeholders by implementing proactive strategies, prioritizing sustainable practices, mitigating comprehensive risks in all dimensions, and effectively managing costs.

Please be informed accordingly.

Yours faithfully,

CP Aextra Public Company Limited

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(Saowaluck Thithapant)

Group Chief Executive Officer - Makro Business and

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