



February 27, 2024

No. ACC/HO 002/24

Subject Management Discussion and Analysis Ended on December 31, 2023

To Director and Manager
The Stock Exchange of Thailand

In 2023 Thai economic growth slowed slightly due to various constraints, including a reduction in exports caused by decreasing demand from manufacturing industries during the global economic slowdown. In addition, the Bank of Thailand raised interest rates to control inflation which affected consumers' purchasing power and caused an increase in household debt. Nevertheless, the recovery of the tourism sector remained the key driver for the Thai economy during the past year. Tourist arrivals remained buoyant, even though the overall number of tourists was below target during the second half of 2023. This resulted in an increase in consumption and spending in major tourist areas, as well as the expansion of business and employment to support higher tourist demand.

During the first half of 2023, the government issued a measure to stimulate the economy and consumer spending, namely the "Shop and Payback" measure, running from 1 January 2023 to 15 February 2023. This resulted in an increase of consumption which benefited retail businesses' sales growth from both physical stores and online channels. In addition, during the hot season temperatures were higher than normal, which resulted in an increase in sales of cooling items, such as fans and air-conditioner units. Moreover, the Company launched a campaign to exchange old products for discounts on purchases of new products ('Trade In') to boost sales and promote a sustainable circular economy. This led to the sales growth target being achieved during the first half of the year.

During the second half of 2023 a general election was held, but the process of forming a new government was significantly delayed. Consequently, the disbursement of the government budget and plans for economic stimulus measures were deferred until 2024, resulting in a slowdown in spending during the

second half of the year, as well as various other impacts such as rising interest rates, increasing debt and declining private investment. These factors all affected consumers' purchasing power, which caused lower-than-target sales in the second half of the year. However, the Company continuously organized promotional activities, including the "HomePro Super Expo" at all HomePro branches nationwide and online, the "HomePro Expo" at IMPACT Muang Thong Thani, and "Double Day" through online channels.

The Company still foresees opportunities for business growth from the recovery of the Thai economy. Therefore, the Company has been developing products and services that better match customers' lifestyles, as well as accelerating the store expansion in areas of high potential which meet customer needs, as well as increasing revenue growth and profits.

Details of an overview of the Company's operations in 2023 are as follows:

Improve the Operational Efficiency of Revenue Generation

At present, the Company is focusing on expanding its various distribution channels to capture more business opportunities. The Company has established the stable and seamless Omni Channel starting with cross purchasing at HomePro and Mega Home stores after the merger of these two businesses, the 'Click & Collect' service in which customers can purchase goods online and pick up at stores, and the 'Same Day Delivery & Installation' service. Furthermore, the Company has continuously developed its sales systems for products and services, both at stores and for online channels, with the aim of serving every target customer. The Company has now established the following: the company website www.homepro.co.th, HomePro Application, Home Service Application, HomeCard Application, SHOP4YOU service via Line and Facebook, and Home Pro Living Official on the Marketplace platform of Shopee and Lazada, including the website for B2B customers which offers a wide range of products and services especially for business purposes.

In 2023, the Company has launched a 'Trade In' campaign in which customers can bring in old products in participating categories (such as electrical appliances, plumbing, kitchen and home equipment, mattresses, furniture etc.), and exchange for new products with a discount. The new products are delivered along with installation services by technicians at customers' houses and the old products are taken away to create a closed loop supply chain. The objective of the campaign is to support the appropriate management of old products and promote a sustainable circular economy, as well as increasing business opportunities in selling products.

Products and Services Development in Response to Trends and Behavioral Changes

The Company places great importance on the development of products and services in response to evolving trends and customers' lifestyles. Also, the Company has placed great emphasis on customer behavioral studies and data analytics, including modern innovative research, with the objective of introducing products and services which match all aspects of customers' lives. For instance, the Company has introduced a solar rooftop product 'Home Solar', which includes survey & inspection, design and installation, as well as a warranty and after-sales service. The purpose is to support the trend of substituting alternative energy sources for the generation of electrical energy, as well as to encourage long-term cost savings. Besides, in 2023, the Company has collaborated with Electricity Generating Authority of Thailand (EGAT) and Thailand Textile Institute to develop a 'smart curtain' designed to help protect against sunlight and heat (Curtain with No 5 Label). This can help to reduce room temperatures, resulting in partial energy savings.

Sustainable Development of the Organization

The Company has introduced an 'Old for New' project in collaboration with external partners to encourage sustainability, known as the 'Trade-In' program. This focuses on an inclusive and proper waste management system to create a closed-loop supply chain contributing towards the Circular economy. For the old products that were traded-in by customers, the recyclable parts will be separated out and re-used as materials for the manufacture of new products. This can help reduce overall waste and improve the environment by minimizing pollution incurred from improper waste disposal.

The Company has also continually placed importance on supporting sustainability in the areas of environmental, social, and corporate governance (ESG). Moreover, the Company has participated as a member of the United Nations Global Compact (UNGC) for the second consecutive year and has set the objective of achieving net zero emission within 2050 by reducing greenhouse gas emission from company activities. In addition, the Company aims to continually enhance internal working practices to be consistent with its sustainability targets e.g. zero waste management, responsible plastic consumption, use of EV delivery trucks (of which there were 10 EV trucks in service during 2023), and solar rooftop installation at stores. As of December 31, 2023, the Company had fully installed solar rooftops at 90 stores.

Store expansion in 2023

The Company has continually focused on both HomePro and Mega Home store expansion, reflecting the positive long-term outlook for growth in the retail industry resulting from the recovery of the Thai economy.

Furthermore, the Company has built solid systems and foundations for internal efficiency enhancement, to serve customers as well as to increase competitiveness since the consolidation of HomePro and Mega Home business in 2022. In 2023, the Company opened 3 new HomePro stores: at Bang Bua Thong, at Phuket (Chaofa), and at Seacon Bangkae. This last store replaces the former store at Lotus Bangkae, which was relocated in the nearby area in order to provide more selling space for greater convenience. Besides, the Company opened 9 Mega Home stores at Rattana Thibet, Bang Phli, Tiwanon, Nakhon Pathom, Chiang Mai, Bangsaen, Pluak Daeng, Thung Song and Phuket (Chaofa). At the end of 2023, there were 89 HomePro stores, 5 HomePro S stores, 27 Mega Home stores, 7 HomePro Malaysia stores. For the business in Vietnam, the Company still primarily distributes products via an e-marketplace.

Lastly, the Company would like to express its sincere gratitude for the dedication, determination and responsibility of associates at all levels, as well as for the continuous support of all stakeholders. The Company firmly believes that business growth in parallel with mutual value creation for all stakeholders (which includes customers, associates, vendors, shareholders, as well as the wider community and society) will be the key to drive the Company towards sustainability, as well as contributing to sustainable national economic development.

The financial results of the Company and its subsidiaries for year 2023, which have been reviewed by an auditor, are as follows:

Table 1: Financial Summary for the year 2023

Unit: Million Baht

	2023	%	2022	%	Increase (Decrease)	% Change
Revenue from contracts with customers	68,283.31	100.00%	65,090.88	100.00%	3,192.43	4.90%
Rental income	1,882.23	2.76%	1,720.58	2.64%	161.65	9.39%
Other income	2,656.23	3.89%	2,577.96	3.96%	78.27	3.04%
Total revenues	72,821.77	106.65%	69,389.43	106.60%	3,432.34	4.95%
Cost of sales and service	50,117.64	73.40%	48,077.70	73.86%	2,039.94	4.24%
Gross profit	18,165.67	26.60%	17,013.19	26.14%	1,152.49	6.77%
Cost of rental	786.39	1.15%	704.95	1.08%	81.44	11.55%
Selling and administrative expenses	13,402.99	19.63%	12,519.17	19.23%	883.82	7.06%
Profit before finance cost and income tax expenses	8,514.75	12.47%	8,087.61	12.43%	427.14	5.28%
Share of profit/loss from investment in associates	-0.86	0.00%	-1.95	0.00%	1.09	-55.77%
Finance Income	27.73	0.04%	16.95	0.03%	10.78	63.56%
Finance cost	567.46	0.83%	444.58	0.68%	122.88	27.64%
Profit before income tax expenses	7,974.16	11.68%	7,658.04	11.77%	316.12	4.13%
Income tax expenses	1,532.60	2.24%	1,440.95	2.21%	91.65	6.36%
Profit for the period	6,441.56	9.43%	6,217.09	9.55%	224.47	3.61%

The Company's net profit for the year of 2023 was Baht 6,441.56 million, representing an increase of Baht 224.47 million or up 3.61% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 72,821.77 million, an increase of Baht 3,432.34 million or up 4.95%, 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 68,283.31 million, representing an increase of Baht 3,192.43 million or up 4.90% year-over-year. The increase in revenue was contributed by higher revenue realization regarding new store rolled out of HomePro and Mega Home since 2022 as well as higher sales which benefited partly from Trade-In program. Besides, the Company drove its sales by organizing more activities; the HomePro Super Expo both at all HomePro stores nationwide and online channel, HomePro Expo at Impact Muang Thong Thani, including Double Day activities for online channel in order to provide more convenience for customers to purchase more variety of products and services.
 - 1.2. Rental and service income amounted to Baht 1,882.23 million, an increase of Baht 161.65 million or up 9.39% from previous year thanks to more rental income from leasable space of HomePro stores and Market Village shopping compared to the same period last year. Moreover, there was rental income realization of rental space in new stores of HomePro, including rental income from the major event of HomePro Expo which was organized during the fourth quarter.
 - 1.3. Other income was Baht 2,656.23 million, an increase of Baht 78.27 million or up 3.04%, 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 18,165.67 million, an increase of Baht 1,152.49 million or up 6.77% as compared with the prior year. The percentage of gross profit increased from 26.14% to 26.60%, which was attributed to the better of product mix toward high-margin products, efficient cost management, and increasing service income despite higher logistic cost for distribution to stores resulting from oil price inflation.
3. Cost of rental and related services was Baht 786.39 million, an increase of Baht 81.44 million or up 11.55%, due to higher utilities cost during the first three quarters in 2023.
4. Selling and administrative expenses (SG&A) amounted to Baht 13,402.99 million, an increase of Baht 883.82 million or up 7.06% year-over-year. The increase in SG&A as a percentage of sales from 19.23% to

19.63% was attributable to the increase of expenses related to new stores opening of HomePro and Mega Home, employee salaries and welfare, depreciation, and utilities expense.

5. Finance income was Baht 27.73 million, an increase of Baht 10.78 million or up 63.56%, due to higher interest income.
6. Finance cost was Baht 567.46 million, an increase of Baht 122.88 million or up 27.64% due to higher interest rate for refinancing of new debentures issued since the third and the fourth quarter of 2023, 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 1,532.60 million, an increase of Baht 91.65 million or up 6.36% 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