



No. IDR 03/2024

Date: February 23, 2024

Re: Management Discussion and Analysis (MD&A) for the year of 2023

To: The President

The Stock Exchange of Thailand

CP All Public Company Limited (CPALL or the Company) would like to report operating results for the year of 2023 which the Company and its subsidiaries reported net profit of Baht 18,482 million. The main reasons are as follows:

#### **Total Revenues**

In 2023, CPALL reported total revenue at amount of Baht 921,187 million, increased by 8.0 percent YoY. Revenue from sale of goods and rendering of services was Baht 895,281 million, increased by 8.0 percent YoY as a consequence of the Company's adjustment in product and service strategies including the O2O strategy of each business unit in order to satisfy customer's need in the current situation and the change of consumer behavior that has changed to a new normal lifestyle.

In addition, total revenue from all business units improved from previous year according to an increase in economic activities and domestic consumption, including tourism that number of foreign tourists also increased in 2023. Moreover, the grocery wholesaling and retailing business including Makro and Lotus's businesses, were able to deliver the growth of revenue from sales of goods and rendering of services as well.

Total revenues before elimination contributed from three businesses were, (Group 1) convenience stores business accounted for 44 percent (Group 2) grocery wholesaling and retailing business accounted for 50 percent, and (Group 3) other businesses in Thailand accounted for 6 percent which revenue contribution from Group 1 increased from previous year.

#### **Gross Profit**

In 2023, the Company reported gross profit at Baht 196,271 million, increased by 10.3 percent YoY mainly due to an increase of sales revenue from convenience stores business and grocery wholesaling and retailing business, including Makro and Lotus's businesses. According to reasons above, the Company reported higher consolidated gross profit margin at 21.9 percent in 2023 from 21.5 percent in 2022.

#### **Distribution Costs and Administrative Expenses**

In 2023, the Company reported distribution costs and administrative expenses at total amount of Baht 179,912 million, increased by 8.8 percent YoY which mainly from electricity cost, employee benefits from an increase of minimum wage and store management fees. However, the Company still able to



manage distribution costs and administrative expenses to be suitable with current situation. Details of distribution costs and administrative expenses were as follows:

Distribution costs were Baht 149,807 million, increased by 9.5 percent YoY mainly due to an increase of employee benefits, electricity cost, store management fee and advertising and sales promotion expenses. The Company still implemented stringent cost control and continually reduced unnecessary expenses together with a striving for leverage distribution channels as well as expand stores in potential areas to achieve long term goals.

Administrative expenses were Baht 30,104 million, increased by 5.0 percent YoY mainly from an increase of employee benefits.

In 2023, CPALL reported proportion of distribution costs and administrative expenses as follows:

<b>Costs and Expenses</b>	<b>2023</b>
Employee Benefits	32.6%
Store management fees	13.1%
Rental and depreciation and amortization	20.2%
Advertising and sale promotion	9.8%
Utilities and others	24.3%
<b>Total</b>	<b>100.0%</b>

#### **Profit before tax and Net Profit**

In 2023, the Company reported profit before tax at amount of Baht 26,454 million, increased by 31.7 percent YoY and reported Net Profit at amount of Baht 18,482 million, increased by 39.3 percent YoY according to an improved performance of all business units, particularly convenience store business and Lotus's business. In addition, CPALL recorded a share of gain of associate and joint ventures under the equity method of Baht 746 million. Nevertheless, the Company reported a decrease of finance costs as a consequence of bond issuance that Lotus's and CP AXTRA Public Company Limited (CPAXT) had issued Thai Baht bonds with fixed interest rates to partially repay loans from financial institutions in order to mitigate foreign currency risk and interest rate risk and reduce some interest burden in consolidated financial statement. For earnings per share according to the consolidated financial statements in 2023, it amounted to 2.01 baht.

Proportion of profit before tax expense before elimination contributed from three major businesses, included (Group 1) convenience stores business accounted for 51 percent (Group 2) grocery wholesaling and retailing business accounted for 34 percent, and (Group 3) other businesses in Thailand accounted for 15 percent. The proportion of Group 1 increased from previous year, mainly from higher operating profit growth of the convenience store business.



## Operating Results by Business Segments

### Convenience Stores Business

In 2023, CPALL continued to focus on expanding “7-Eleven” stores in prime locations and in different formats to meet customer’s needs in various profiles and to serve convenience to all communities in Bangkok and upcountry. The new stores were in various store types including corporate, store business partner (SBP) and sub-area, where some were stand-alone stores and other were in PTT gas stations. In this year, the Company has expanded new stores in total of 707 stores, including corporate, store business partner (SBP) and sub-area stores, which reached target at 700 new stores per year. At the end of 2023, CPALL operated 14,545 stores nationwide, which consisted of 7,336 corporate stores (50 percent of total stores), increased by 497 stores, 6,335 SBP stores (44 percent of total stores), increased by 191 stores, and 874 sub-area stores (6 percent of total stores), and increased by 19 stores.

Regarding products and services, CPALL strived to become “All Convenience” by focusing on adapting to satisfy the needs of customers. The Company has developed food and beverage products and continually adding new product menus, together with promoting products from Thai farmers, including vegetables, fresh fruits or processed agricultural products to sell both at 7-Eleven stores and online channels according to sustainability strategy which received great feedback from customers who looking for convenience, fast, value of product as well as good nutrition in their daily life. In 2023, food and beverage products accounted for 75.2 percent of sales mix, while non-food items accounted for 24.8 percent of sales mix. The sales mix of food and beverage products increased from the previous year due to the change of consumer behavior, together with the launch of new products with the promotion of the food and beverage categories which able to attract more customers and it reflected that 7-Eleven store is the No.1 destination for food and beverage, following the slogan of “Whenever you’re hungry, stop by” and “Whenever you’re hungry, order now” for all customer groups anywhere and anytime.

In 2023, the convenience store business had total sales revenue and service income of Baht 399,558 million, increased by Baht 44,585 million or 12.6 percent YoY. In 2023, SSSG was at 5.5 percent with average sales per store per day at amount of Baht 80,837, along with average spending per ticket at Baht 83 and there were 965 customers per store per day. In this year, economic activities continued to improve, along with higher number of both Thai and foreign tourists from the previous year. From the aforementioned situation, the convenience store business has adjusted its strategic plan to be in line with the changing situation with regards to the preservation of the existing customer base and expanding to new customer base by launching new products and offering attractive promotions as well as adding distribution channels. 7-Eleven products can now be accessed through different channels and platforms under the concept of a convenience. Customer can access through physical stores, vending machine, as well as online platform i.e. 7Delivery application which is an on-demand delivery and All Online, shopping place near you, all of online channels were offered customers with alternative options to order and



deliver products to the destination according to the customer's choice. This strategy has been well received from existing and new customers.

Convenience stores business reported gross profit at amount of Baht 112,792 million, increased by Baht 15,634 million or 16.1 percent YoY. Gross profit margin in 2023 was at 28.2 percent, increased from previous year as a result of product strategy adjustment as mentioned above. Also, emphasizing on product margin by continually enhance the proportion of high margin products.

Meantime, other income of the convenience stores business was at Baht 23,714 million, increased by Baht 1,835 million or 8.4 percent YoY. The primary reason is the income generated from the utilization of the store area, including revenue from renting space, royalties, and other sources related to granting rights for managing 7-Eleven stores and others.

Distribution costs and administrative expenses were Baht 115,846 million, increased by Baht 12,534 million or 12.1 percent YoY mainly due to employee benefits, electricity cost, store management fee and advertising and sales promotion expenses. However, the Company still put best effort to control expenses tightly and to be efficient as possible. This year, the Company expanded 7-Eleven stores at 707 stores and increased more channels for customers to access products and services. Even though the expenses were increased but the convenience store business continued to report an increase in operating profit to Baht 26,813 million, an increase of 25.5 percent from the previous year, and a net profit of Baht 15,403 million, an increase of 35.1 percent from the previous year.

As of December 31, 2023, the Company operated convenience store business (7-Eleven) in Cambodia with total store of 82 stores and operated 3 stores in Lao PDR.

### **Other Businesses**

Other businesses comprise of bill payment services, banking agents, manufacturing and sale of ready-to-eat food, distribution and maintenance of retail equipment and other businesses that mainly support the convenience stores business. The Company proactive to develop new innovations to be more in line with the needs of customers both products and services that offer to customers within 7-Eleven stores, as well as the development of new channels such as E-commerce, which help customers to be more convenient and generate revenue growth for the Company in the future.

In 2023, other businesses reported profit before tax before elimination at Baht 4,851 million, increased by 41.4 percent YoY mainly due to an increase in revenue from sales of goods and services, together with controlling an increase in cost of sales, distribution costs and administrative expenses appropriately and most efficiently.

### **Grocery Wholesaling and Retailing businesses**

In 2023, Grocery Wholesaling and Retailing businesses reported profit before tax before elimination at Baht 10,973 million, increased by 7.1 percent YoY mainly from an increase of revenue from sales of goods and services which contributed from both Makro and Lotus's businesses, together with an



efficient cost control, particularly from Lotus’s business. (Note: investors can find additional details in MD&A for the year 2023 of CPAXT)

#### Outlook for Convenience Stores Business in 2024

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 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 continue expanding number of new stores both in Cambodia as well as Laos PDR in 2024.
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 7Delivery and All Online 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	CAPEX is projected to be approximately Baht 12,000-13,000 million with details as follows (unit: million Baht) <ul style="list-style-type: none"> <li>● Stores expansion 3,800 - 4,000</li> <li>● Stores renovation 2,900 - 3,500</li> <li>● Investment in new project, subsidiaries and DC 4,000 - 4,100</li> <li>● Fixed assets and IT system 1,300 – 1,400</li> </ul>

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart

Chief Financial Officer

Authorized to sign on behalf of the Company