

# CENTRALRETAIL

CRC IR 003/2024

Re: Management Discussion and Analysis (MD&A) for the three-month ended 31 March 2024

To: President

The Stock Exchange of Thailand

13 May 2024

Central Retail Corporation Public Company Limited (“the Company” or “CRC”) would like to clarify Management Discussion and Analysis for the operating results for three-month period ended 31 March 2024

Please be informed accordingly.

Yours Sincerely,

*-Signature-*

(Mr. Panet Mahankanurak)

Chief Financial Officer

Central Retail Corporation Public Company Limited

**Performance Overview** in the First Quarter of 2024

In the initial quarter of 2024, the Thai economy witnessed expansion primarily attributed to the growth in private sector consumption, facilitated by governmental stimulus initiatives. This growth was further complemented by the resurgence of international tourist arrivals during the peak tourism season, notably driven by a significant increase in the number of Chinese tourists visiting the country following the implementation of the visa exemption policy. Throughout this quarter, Thailand experienced a noteworthy rise in the number of foreign tourists, with approximately 9.4 million individuals entering the country, marking a remarkable 44% increase compared to the same period last year. This influx had a positive impact on service sector businesses associated with tourism, leading to substantial recovery and growth. Additionally, governmental economic stimulus measures, such as the implementation of the Easy E-Receipt program aimed at facilitating electronic tax invoices (e-Tax invoices), contributed significantly to the improvement of consumer confidence levels. Concurrently, the economy of Vietnam exhibited promising signs of recovery in the first quarter, as indicated by a robust GDP growth rate of 5.7%. This growth was primarily driven by improvements in exports, manufacturing, and services. The Vietnamese government has proactively introduced economic and domestic consumption stimulus measures, including reduce administrative red tape, visa exemptions to promote tourism, and upward adjustments of minimum wage rates, scheduled to take effect from July 2024 onwards.

**Business Situation** in the First Quarter of 2024

In the year 2024, the Company embarked on a mission to cultivate business growth with the overarching objective of achieving leadership and excellence across all dimensions. Concurrently, the Company was steadfast in its commitment to advancing sustainability, not only within its own operations but also among its partners, customers, communities, and broader society. This comprehensive endeavor was guided by the strategic framework of Leading Excellence and Advancing Sustainability. The Company remained vigilant in its operations, adhering to the principles of prudence, particularly in light of the prevailing uncertain economic landscape. This necessitated a keen observation of key factors influencing the economies of the countries in which the Company operates. Such factors encompassed geopolitical tensions in various regions, the implications of central banks in multiple countries maintaining elevated interest rates to mitigate inflationary pressures, as well as domestic considerations and governmental interventions.

- Thailand: The business environment in Thailand demonstrated steady growth from the preceding quarter and the corresponding period of the previous year. This growth was primarily propelled by heightened sales in regions renowned for tourism and department stores that underwent refurbishment and renovations compared to the prior year. The Company adhered meticulously to its operational blueprint, exemplified by the inauguration of Central Department Store in Nakhon Sawan and Nakhon Pathom provinces during this quarter. Moreover, strides were made in expanding the footprint of the wholesale business under the GO Wholesale brand, alongside renovations to existing Central and Robinson department stores in strategic locations such as Chidlom, Mega

Bangna, and Fashion Island. Concurrently, efforts to diversify Omnichannel channels and optimize mobile applications to meet evolving consumer demands yielded favorable outcomes. As a result, sales in Thailand during the first quarter increased by 6.4% compared to the corresponding period of the previous year, with Omnichannel sales accounting for 23% of total sales in the country.

- Vietnam: Sales performance in Vietnam during the first quarter of 2024 showcased improvement over both the preceding quarter and the corresponding period of the previous year, buoyed by heightened consumer spending during the New Year holiday season and an uptick in tourist influx. Expanding the network of Mini go! branches and refurbishing GO! shopping centers and hypermarkets were instrumental in driving sales growth. Consequently, sales in Vietnam during the first quarter witnessed 4.6% increase compared to the same period of the previous year, with Omnichannel sales constituting 10% of total sales in the country.
- Italy: Business conditions in Italy exhibited robust recovery from the previous quarter, stimulated by the country's reopening and subsequent resurgence in consumer spending, both domestically and from tourist segments. Sales in Italy during the first quarter surpassed figures from the corresponding period of the previous year, attributed to strategic enhancements in flagship stores and the inclusion of new product brands to cater to evolving consumer preferences. As a result, sales in Italy during the first quarter grew by 14.5% compared to the same quarter of the previous year, with Omnichannel sales contributing 4% to total sales in the country.

The Company remains committed to integrating business operations with sustainable development in three dimensions: Environment, Social, and Governance (ESG), aligned with the commitment to be a Green & Sustainable Retail organization, aiming for net-zero greenhouse gas emissions by the year 2050.

#### Sustainability Developments in the First Quarter of 2024:

- Environmental aspect: The Robinson Lifestyle shopping center in Kamphaeng Phet collaborated with Tesla to introduce 8 Supercharger stations to promote the use of electric vehicles, aiming for a greener community. Central Marketing Group (CMG) introduced Guess Airwash innovation, which uses air and bubbles as a more environmentally friendly alternative to reduce water and energy consumption, replacing traditional stone washing. Moreover, Tops Supermarket introduced reverse vending machine which dispense coupons in return for used bottles, promoting customers to separate plastic bottle waste and reduce plastic bag usage through the Bring Your Own Bag campaign, along with all other group of companies.
- Social aspect: Central department store continued the SHEPOSSIBLE campaign for another year to inspire and empower women through the Economic, Education, Health, and Lifestyle dimensions, supporting the Friends of Women Foundation and the Equitable Education Fund. The Farmers'

Market initiative gathered quality products from various communities, such as fresh duck eggs from the Thai Association for the Empowerment of Persons with Disabilities, garlic and shallots, and GI products from Sisaket Organic Herbs and Spices Community Enterprise, among others.

- Good governance management aspect: The Company reviewed the appropriateness of adhering to the principles of good corporate governance for registered companies (CG Code) of the Securities and Exchange Commission (SEC) and implemented them to suit the Company's business operations. Additionally, dissemination of good corporate governance principles and the Code of Conduct across the organization, coupled with sustained implementation of anti-corruption measures through diverse communication channels within the Company.

Additionally, the Company received esteemed global accolades in this quarter, including the prestigious Best Luxury Retail CEO award for two consecutive years (conferred upon Mr. Yol Phokasub) from the International Finance Awards, organized by International Finance Magazine (IFM), a prominent UK-based business and finance publication, recognizes organizations and individuals worldwide for their exceptional achievements across various industries.

## Major business developments in the First Quarter of 2024

### 1) Branch Expansion and Renovation

In the 1<sup>st</sup> quarter of 2024, the Company continuously expanded and renovated its business branches in three countries where we operated. In Thailand, it launched new branches including Central Department Store in Nakhon Sawan and Nakhon Pathom, 3 branches of Top supermarket and 1 branch of GO Wholesale. As for Vietnam, the Company launched 1 branch of go! Thanh Binh. Additionally, the Company has continuously launched specialty stores as well as various brand shops in Thailand and Vietnam.

With respect to Renovation & Rebranding, In Thailand, the Company had transformed Central Chidlom to a luxury department store under the new concept "The Store of Bangkok" which unveiled its luxury, beauty and fashion zones in April, and the full new look in 4<sup>th</sup> quarter of this year and also renovating other smaller stores. In Italy, it had renovated Rinascente department store namely Milan.

As of March 31, 2024, the Company has a network of stores under retail and wholesale brands of 3,762 stores in total with a net sales area of 3,565,909 square meters, increased by 5.9% from the same period last year and there are a total of 72 shopping center branches, totaling 743,962 square meters of net leasable area with an increase of 1.2% from the same period last year.

### 2) Omnichannel Development

The Company continuously developed the Next-Gen Omnichannel Platform to enhance ultra-personalized shopping experience, to facilitate customers with a seamless offline and online platforms connection, covering the entire Central Retail network in Thailand, Vietnam, and Italy. The core of its success is an in-depth analysis to cater customers with perfect shopping experiences. It also creates Inclusive Growth for partners, making this platform a 'Destination' for customers, partners, and everyone.

As for the 3-month, Omnichannel sales grew by 11%, compared to the same period of last year, accounting for 19% of the total sales of the Company. In addition, the Company has continuously strengthened its Omnichannel platform of all segments and revamped mobile application efficiency.

### 3) The Progress of Synergy Plan

The Company has implemented a synergy plan to cultivate benefits in terms of both revenues and efficient management of expenses. The projects have progressed as planned, as follows:

- Generating incremental sales through product cross listings to serve the needs of customers in each business on each platform which have been implemented in some business units.
- Long-term profit margin increase was done by increasing gross margins and managing expenses more efficiently in all departments of the Company. The cost of purchasing products has been managed, pool purchasing to achieve reasonable costs, which increases the gross profit margin. This has been implemented in some business units.

#### 4) New Format and New Growth Pillar

The Company continuously developed new store models to fulfill lifestyle needs of customers; for example, Health and Wellness segment, to meet the trend of demand for people's health and pet, including Tops Vita (a health product store with vitamins and dietary supplements as product highlights), Tops Care (pharmaceutical store with medical supplies, health products, and consulting services rendered by omni-pharmacists) , Pet 'N Me including B2B food wholesale business under brand GO Wholesale, which was a membership-based food hub for customers, HORECA (hospitality, restaurant, catering) and food services in factories, hospitals, and other businesses, and food retailers. In the 1<sup>st</sup> quarter, the Company launched 1 GO Wholesale store, namely Rama 2, Bangkok.

At the end of March 2024, the Company operated 5 GO Wholesale stores, 94 Tops Vita stores, 28 Tops Care stores and 8 Pet 'N Me stores.

#### 5) Partnership and Acquisition

The Company continues to accomplish new milestones under the concept Inclusive Growth, attaining success together with partners through CRC Retailigence strategy to strengthen the Company's ecosystem and ensure its capacity to meet the needs of customers regardless of their lifestyles.

Besides, the Company maintains strong and prudent financial management with the 3C strategy: The first C is Cost and expense management with maximum efficiency. The second C, Capex, focuses on investments that maximise the benefits of strategic businesses and accelerate the expansion of proven formats. The last C, Cash Flow, expands the ability to manage working capital to become more agile, flexible and that can increase cash flow for further business growth. In terms of expenses, the Company focuses on cost reduction and management efficiency, such as reducing personnel costs due to redundant work, installing solar rooftops and EV truck to save energy and be environmentally friendly, adjusting advertising through online channels or social commerce to reduce marketing costs, and managing obsolete goods to be more efficient.

## The First Quarter of 2024 Performance

Central Retail Corporation Public Company Limited and its subsidiaries (“Company”) reported operating results of Q1/2024, achieving a total revenue of THB 67,255 million, an increase of 6.4% compared to the previous year, net profit of THB 2,318 million, an increase of 0.3% from last year and core profit to owners of the parent of THB 2,524 million, an increase of 13.7% from last year . The Company’s sales increased thanks to adding new brands in response to customer’s need, renovations of existing branches, launches of new branches, new business expansion and government’s Easy E-Receipt program. Moreover, the Company generated higher rental and rendering service income from expanding rental spaces and an increase in number of service users. However, selling and administrative expenses rose, resulting from the higher sales volumes, store expansion and the increase in funding cost and tax expenses.

## Financial Summary for the First Quarter of 2024

	Three-month period ended	Three-month period ended	Three-month period ended	Increase (decrease)	Increase (decrease)
	31 March 2023	31 December 2023	31 March 2024	from last year	from last quarter
	THB millions	THB millions	THB millions	%	%
Revenue from sales	56,712	58,530	60,347	6.4%	3.1%
Fashion segment	14,994	18,260	16,265	8.5%	(10.9%)
Hardline segment	18,723	18,686	19,487	4.1%	4.3%
Food segment	22,995	21,584	24,595	7.0%	14.0%
Revenue from rental services	1,852	2,089	1,977	6.8%	(5.4%)
Revenue from services	397	484	439	10.8%	(9.3%)
Investment Income	69	90	52	(24.3%)	(42.2%)
Other income	4,176	4,711	4,440	6.3%	(5.8%)
<b>Total revenue</b>	<b>63,206</b>	<b>65,905</b>	<b>67,255</b>	<b>6.4%</b>	<b>2.0%</b>
Cost of sales of goods	42,006	42,340	44,849	6.8%	5.9%
Gross profit from sales	14,706	16,190	15,498	5.4%	(4.3%)
Cost of rental and rendering of services	568	612	611	7.5%	(0.2%)
Gross profit from rental&services	1,680	1,961	1,805	7.5%	(7.9%)
Gross profit	16,386	18,150	17,303	5.6%	(4.7%)
Selling expenses	12,041	13,081	12,529	4.1%	(4.2%)
Administrative expenses	4,958	5,256	5,442	9.8%	3.5%
<b>Profit from operating activities</b>	<b>3,632</b>	<b>4,615</b>	<b>3,825</b>	<b>5.3%</b>	<b>(17.1%)</b>
Finance costs	1,031	1,278	1,140	10.6%	(10.8%)
Share of profit of Associates and Joint Ventures	299	86	306	2.1%	257.4%
<b>Profit before tax expense</b>	<b>2,901</b>	<b>3,422</b>	<b>2,990</b>	<b>3.1%</b>	<b>(12.6%)</b>
Tax expense	589	156	672	14.1%	330.5%
<b>Profit for the period</b>	<b>2,312</b>	<b>3,266</b>	<b>2,318</b>	<b>0.3%</b>	<b>(29.0%)</b>
Profit to owners of the parent	2,168	3,138	2,171	0.1%	(30.8%)
<b>Operation information*</b>					
EBITDA	8,179	9,297	8,629	5.5%	(7.2%)
Core EBITDA	8,242	9,016	9,070	10.0%	0.6%
Core Profit	2,363	3,041	2,671	13.1%	(12.2%)
Core Profit to owners of the parent	2,219	2,911	2,524	13.7%	(13.3%)
<b>Financial position</b>					
		31 December 2023	31 March 2024		
Total assets		287,097	285,564	(0.5%)	
Total liabilities		216,837	209,951	(3.2%)	
Total equity		70,260	75,613	7.6%	

Note: \*Non-operating items for adjustments are gain/loss on foreign exchange, gain/loss on disposal of assets and investments and gain/loss on derivatives (gain/loss on derivatives is firstly included in adjustment items in 2<sup>nd</sup> quarter of 2023 and adjusted in previous year for comparison purpose)

## The Analysis of Operating Results for the First Quarter of 2024

1. Revenue from sales of goods accounted for THB 60,347 million, an increase of 6.4% compared to the same period last year (increased by 3.1% from the previous quarter). Revenue from sales of goods can be classified based on the Company's business segments as follows:
  - I. Revenue from sales of the fashion segment was THB 16,265 million, an increase of 8.5% from the same period of last year (decreased by 10.9% from the previous quarter mainly from seasonality effect) driven by the increase in sales of the business in Thailand and Italy. In Thailand, the fashion and lifestyle distribution segment witnessed a surge in sales, driven by the addition of leading fashion and lifestyle brands to cater to evolving consumer demands. This growth was further fueled by a rise in tourist footfall, the implementation of the government's Easy E-Receipt program, and the inauguration of two new Central Department Store in Nakhon Sawan and Nakhon Pathom



in this quarter, alongside ongoing branch renovations. Similarly, Italy experienced a boost in sales attributed to an influx of tourists. Omnichannel sales increased by 7% from the previous year.

- II. Revenue from sales of the hardline segment was THB 19,487 million, an increase of 4.1% from the same period of last year (increased by 4.3% from the previous quarter). Sales in Thailand witnessed an upward trajectory owing to the establishment of new branches and continuous branch renovations, an increase in number of tourists, the government's Easy E-Receipt scheme and robust product availability. Conversely, Vietnam saw a decline in sales, reflective of consumer prudence amid the country's economic deceleration. Omnichannel sales increased by 11% compared to the previous year.
  - III. Revenue from sales of the food segment was THB 24,595 million, an increase of 7.0% from the same period of last year (increased by 14.0% from the previous quarter). Thailand witnessed a surge in sales, primarily fueled by the positive reception to GO Wholesale, with four branches opened in the preceding quarter and an additional branch unveiled at Rama 2, Bangkok, during this quarter, alongside the government's Easy E-Receipt program. In this quarter, Tops Supermarket inaugurated 3 new branches, namely Tops Standalone Ratpattana, Bangkok, new branches in Central Department Store Nakhon Sawan and Nakhon Pathom. Meanwhile, in Vietnam, sales rose during the Chinese New Year festivities, with the inauguration of a new Mini go! branch in Thanh Binh. Omnichannel sales increased by 21% compared to the previous year.
2. **Revenue from rental services** was THB 1,977 million, grew by 6.8% from the same period last year (decreased by 5.4% from the previous quarter) resulting from the increasing number of service users which resulted in increased revenue collection from tenants and the expansion of leasable areas in Thailand and Vietnam.
  3. Revenue from **service income** was THB 439 million, an increase of 10.8% from the same period last year (decreased by 9.3% from the previous quarter) as there were more visitors to food courts.
  4. **Gross profit** was recorded at THB 17,303 million, an increase of 5.6% from the same period last year (decreased by 4.7% from the previous quarter). Key components are as follows:
    - **Gross profit from sales** was THB 15,498 million, an increase of 5.4% from the previous year (decreased by 4.3% from the previous quarter). Gross profit from sales increased in every segments according to higher sales, representing a gross profit margin of 25.7%, decreased from 25.9% the same period last year due mainly to the gradual recovery in economy, resulted in more spending in promotion period and positive feedback from the government's Easy E-Receipt program which customer's spending in lower margin products.

- Gross profit from rental and service provision was THB 1,805 million, an increase of 7.5% from the same period last year (decreased by 7.9% from the previous quarter), representing a gross profit margin of 74.7% which was stable from the previous year.
- 5. Other income was THB 4,440 million, an increase of 6.3% from the same period last year from income generated by promotional campaigns and advertisement according to higher sales and activities.
- 6. **Selling expenses** was THB 12,529 million, an increase of 4.1% from the same period last year. This was due to an increase in sales and from the expansion of new branches, resulting in higher expenses related to sales' staff, depreciation, and rent. The administrative expenses were 18.6% of total revenue, decreasing from 19.1% from the same period last year.
- 7. Administrative expenses were THB 5,442 million, an increase of 9.8% from the same period last year. Administrative expenses consist of personnel, management fee, provision of losses for obsolete and shrinkage, losses on derivatives and foreign exchange (unrealised) and others. The administrative expenses were 8.1% of total revenue, increasing from 7.8% from the same period last year.
- 8. Finance costs which were interest expenses from loans and lease agreements, were THB 1,140 million, increased by 10.6% from the same period last year due to an increase in both interest rates and borrowing.
- 9. **Share of profits of associates and joint ventures using the equity method** was THB 306 million, increased by 2.1% from the same period last year. This was mainly due to the increase in profits of associates and joint ventures.
- 10. Tax expenses (income) was THB 672 million, increased by 14.1% from the same period last year. This was due to the Company earned profit from its operations.

## Financial Position

1. Total assets as of 31 March 2024 and 31 December 2023 were THB 285,564 million and THB 287,097 million, respectively, which decreased by THB 1,533 million or 0.5%. This was substantially due to the increase in property, plant and equipment of THB 1,987 million, goodwill of THB 1,341 million, investments in associates and joint ventures of THB 523 million while there was a decrease in cash and cash equivalents of THB 3,650 million, other current receivables of THB 1,075 million and inventory of THB 858 million.
2. Total liabilities as of 31 March 2024 and 31 December 2023 were THB 209,951 million and THB 216,837 million, respectively, which decreased by THB 6,886 million or 3.2%. This was substantially due to the decrease in trade payable of THB 3,788 million, other current payable of THB 2,332 million and bank overdrafts and borrowings from financial institutions of THB 1,341 million
3. Total equity as of 31 March 2024 and 31 December 2023 were THB 75,613 million and THB 70,260 million, respectively, which was an increase of THB 5,353 million or 7.6%. This was substantially due to the increase retained earnings of THB 2,171 million from net profit for the period and increase in other components of equity (translation reserve) of THB 3,018 million.

#### Capital Structure

As of 31 March 2024, the Company's capital structure comprised of total liabilities of THB 209,951 million, which included interest-bearing debts of THB 82,784 million (excluding lease liabilities), and total shareholders' equity totaled THB 75,613 million. Net interest-bearing debt to equity ratio was at 1.0 times.

#### Statement of Cash Flows

For the year ended 31 March 2024, the Company reported the cash flows as follows:

- 1) Cash flows from (used in) operating activities of THB 4,687 million, increased by THB 213 million from the same period of last year. This was substantially due to an increase of profit after adjusted to cash of THB 843 million, tax paid decreased of THB 66 million while there were changes in operating assets and liabilities being a cause of cash decreased of THB 696 million.
- 2) Cash flows from (used in) investing activities was THB (3,970) million, increased by THB 521 million from the same period of last year. This was substantially due to the increase in acquisition of property, plant and equipment of THB 342 million, acquisition of current financial assets of THB 101 million and the decrease in net proceeds from repayment of short-term to other parties of THB 73 million while there was a proceed from disposal of investment in associate of THB 83 million.

- 3) Cash flows from (used in) financing activities of THB (4,723) million, increased by THB 1,499 million from the same period of last year. This was substantially due to MEB's IPO of THB 1,765 million, increased of lease liabilities of THB 127 million while there was the increase in net borrowing from financial institutions of 343 million and decrease in dividend payment of 97 million.

## Business outlook

The Company is set to move forward to the next era with '**CRC OMNI-Intelligence**' vision consists of five important strategies (5R) as follows:

- 1) Revolutionise Core Strengths - Elevating the strength of core business in Multi-Format, Multi-Category and Multi-Market, with a focus on businesses with high growth as well as raising the level of synergy and M&A to add long-term value to the business.
- 2) Reinforce Financial Resilience – Strengthening financial status with the most efficient cost management to gain better returns and financial flexibility based on 3C (cash, cost, capex) management principle.
- 3) Reinvent Beyond Retail – Expanding business beyond retail which includes becoming an important part of various communities in each category to build network and long-term values for Central Retail's business while also driven to scale up continuously like expanding the ecosystem from B2C to B2B excellence.
- 4) Reimagine Human Capital – Developing employees' potential by combining the intelligence of AI and HI together to expand work capability, improve customer data analysis and exponential enhancement of the omnichannel platform.
- 5) Rally Green Impact – Improving green transition by joining forces with all stakeholders including the government sector, private sector, customers, and business partners to work together in solving climate change issues before they become a climate crisis through reducing energy use and minimising inequality to pass on a better world to future generations.