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8 November 2019

Re: Management Discussion and Analysis

Operating results for the three-month and nine-month period ended 30 September 2019

To: President

The Stock Exchange of Thailand

Overview of the operating result for the third quarter of 2019

- The company's total net income was Baht 133.97 million, representing an increase of 46.2% over the same period of last year and revenue for the third quarter of 2019 was Baht 4,149.40 million, representing a decrease of 6.9% over the same period of last year. The main reasons for the increase in net profit were the increase in the gross profit margin that expanded from 15.3% in the third quarter of 2018 to 16.4% in the third quarter of 2019 and more efficient cost management that caused selling and administrative expense to decrease by 2.9% from the third quarter of 2018. For the branches expansion in the third quarter of 2019, the company opened 2 Dohome To Go branches in July 2019 at Makro Charansanitwong branch and at Makro Sathorn branch. The current existing branches include 9 large branches and 2 Dohome To Go branches.

Financial Summary for the three-month period ended 30 September 2019 and 30 September 2018

	Three-month period		Three-month period		Increase (Decrease)	
	ended 30 September 2019		ended 30 September 2018			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sales	4,086.35	98.5	4,394.38	98.6	(308.03)	(7.0)
Revenue from services	31.45	0.8	37.31	0.8	(5.86)	(15.7)
Revenue from sales and services	4,117.80	99.2	4,431.69	99.5	(313.89)	(7.1)
Other incomes	31.60	0.8	24.45	0.5	7.15	29.2
Total revenues	4,149.40	100.0	4,456.14	100.0	(306.74)	(6.9)
Cost of sales	3,442.03	83.0	3,754.42	84.3	(312.39)	(8.3)
Gross profit⁽¹⁾	675.77	16.4	677.27	15.3	(1.51)	(0.2)
Selling and administrative expenses	484.33	11.7	498.65	11.2	(14.33)	(2.9)
Other expenses	8.57	0.2	0.30	0.0	8.27	2,783.5
Profit before finance costs and income tax	214.47	5.2	202.78	4.6	11.70	5.8
Finance costs	75.16	1.8	87.24	2.0	(12.09)	(13.9)
Profit before income tax	139.32	3.4	115.53	2.6	23.79	20.6
Income tax expenses	5.35	0.1	23.92	0.5	(18.58)	(77.7)
Net Profit	133.97	3.2	91.61	2.1	42.36	46.2

Remarks: (1) Gross profit margin does not include other incomes in calculation

The operating result for the third quarter of 2019

The company's net profit for the third quarter of 2019 was Baht 133.97 million equivalent to a net profit margin of 3.2%, an increase of 46.2% over the same period last year which had a net profit of Baht 91.61 million equivalent to a net profit margin of 2.1%. The main reasons for the increase are as follows:

- 1. Total revenues** was Baht 4,149.40 million, a decrease of Baht 306.74 million or down by 6.9% from the same period of last year which comprises of the following:
 - **Revenue from sales and services** was Baht 4,117.80 million, a decrease of Baht 313.89 million or down by 7.1% over the same period last year, which was driven by the big flooding in Ubon Ratchathani in September 2019 that negatively affected the Ubon Ratchathani branch, together with lower revenues from matured branches from the slowdown in the country's economic conditions and competitive landscape in the industry. However, revenues from branches in the ramp-up phase continue to increase.
 - **Other incomes** was Baht 31.60 million, an increase of Baht 7.15 million or up by 29.2% over the same period last year which was mainly due to the increase in subsidy income from suppliers and the increase in financial support for the big flooding from suppliers.
- 2. Gross profit** was Baht 675.77 million equivalent to a gross profit margin of 16.4% which increased from the gross profit margin of 15.3% from the third quarter of 2018. Overall increase of gross profit margin was mainly driven by the increase in house brand revenue contribution that grew in conjunction with the company's strategy, the increase in the gross profit margin of house brand products, and more efficient cost management.
- 3. Selling and administrative expenses** was Baht 484.33 million, a decrease of Baht 14.33 million or down by 2.9% over the same period of last year. The decrease was mainly driven by the improvement of operating efficiency, the decrease in marketing expenses that resulted from the company's policy to increase marketing effectiveness, and the decrease in allowance for doubtful account receivables.
- 4. Finance costs** were Baht 75.16 million, a decrease of Baht 12.09 million or 13.9% over the same period of last year, which decreased in accordance with the decrease in loans from financial institutions since the company used a part of the proceeds from the initial public offering of ordinary shares to repay existing loans.
- 5. Income tax** was Baht 5.35 million, a decrease of Baht 18.58 million or 77.7% over the same period of last year, which is not in accordance with the increase in the profit before income tax since the company could deduct direct expenses related to the initial public offering of ordinary shares as taxable expenses.

Financial Summary for the nine-month period ended 30 September 2019 and 30 September 2018

	Nine-month period ended		Nine-month period ended		Increase (Decrease)	
	30 September 2019		30 September 2018			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sales	13,438.65	98.5	13,894.85	98.7	(456.20)	(3.3)
Revenue from services	105.47	0.8	114.89	0.8	(9.42)	(8.2)
Revenue from sales and services	13,544.12	99.3	14,009.75	99.5	(465.62)	(3.3)
Other incomes	92.62	0.7	66.58	0.5	26.04	39.1
Total revenues	13,636.75	100.0	14,076.33	100.0	(439.58)	(3.1)
Cost of sales	11,317.80	83.0	11,919.02	84.7	(601.23)	(5.0)
Gross profit⁽¹⁾	2,226.32	16.4	2,090.72	14.9	135.60	6.5
Selling and administrative expenses	1,393.21	10.2	1,432.93	10.2	(39.71)	(2.8)
Other expenses	8.12	0.1	3.04	0.0	5.08	167.0
Profit before finance costs and income tax	917.61	6.7	721.33	5.1	196.28	27.2
Finance costs	227.55	1.7	232.37	1.7	(4.82)	(2.1)
Profit before income tax	690.06	5.1	488.96	3.5	201.10	41.1
Income tax expenses	116.91	0.9	102.91	0.7	14.01	13.6
Net Profit	573.15	4.2	386.05	2.7	187.09	48.5

Remarks: (1) Gross profit margin does not include other incomes in calculation

The operating result for the nine-month of the 2019

The company's net profit for the nine-month of 2019 was Baht 573.15 million equivalent to a net profit margin of 4.2%, an increase of 48.5% over the same period of last year, which had a net profit of Baht 386.05 million equivalent to a net profit margin of 2.7%. The main reasons for the increase are as follows:

- Total revenues** was Baht 13,636.75 million, a decrease of Baht 439.58 million or down by 3.1% over the same period of last year, which comprises of the following:
 - Revenue from sales and services** was Baht 13,544.12 million, a decrease of Baht 465.62 million or down by 3.3% over the same period of last year, which was driven by the decrease in revenues from matured branches from the slowdown in the country's economic conditions and competitive landscape in the industry and the big flooding in Ubon Ratchathani in September 2019 that negatively affected the Ubon Ratchathani branch. However, revenues from branches in the ramp-up phase continue to increase, namely Rama 2 branch, Bang Bua Thong branch, Chiangmai branch and especially, Bangna branch which will completed its first full-year in operation this year.
 - Other incomes** was Baht 92.62 million, an increase of Baht 26.04 million or 39.1% over the same period of last year, which was mainly due to the increase in interest income, the increase in subsidy income from suppliers, the increase in financial support for the big flooding from suppliers, and the increase in insurance compensation for the incident where the warehouse floor at the Rama 2 branch collapsed in 2017.

2. **Gross profit** was Baht 2,226.32 million equivalent to a gross profit margin of 16.4% increasing from the gross profit margin of 14.9% over the same period of last year. The increase in the overall gross profit margin was mainly driven by the reversal of provision for obsolete and slow-moving inventory, the increase in house brand revenue contribution in conjunction with the company's strategy, the increase in the gross profit margin of house brand products, and more efficient cost management.
3. **Selling and administrative expenses** was Baht 1,393.21 million, a decrease of Baht 39.71 million or down by 2.8% over the same period of last year, the decrease was mainly driven by the decrease in marketing expenses that resulted from the company's policy to increase marketing effectiveness, the decrease in allowance for doubtful account receivables, and the increase in operating efficiency.
4. **Finance costs** were Baht 227.55 million, a decrease of Baht 4.82 million or down by 2.1% over the same period of last year, which decrease in accordance with the amount of loans from financial institutions.
5. **Income tax** was Baht 116.91 million, an increase of Baht 14.01 million or up by 13.6% over the same period of last year, which increase in accordance with the company's profit before income tax.

Sincerely yours,

(Salitip Ruangsuttipap)

Deputy President

Dohome Public Company Limited