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11 August 2020

Re: Management Discussion and Analysis
Operating results for the three-month and six-month period ended 30 June 2020

To: President
The Stock Exchange of Thailand

Overview of the operating result for the second quarter of 2020

Starting from first quarter of 2020, the situation of severe global epidemic of Coronavirus disease 2019 (COVID-19) as well as the spread in Thailand, the government needed to issue epidemic control measures for COVID 2019 and released an order of temporary closing the shopping center and retail outlet. The Company and its subsidiaries (“the Group”) had fully cooperated to help reducing the spread of infection during March 22 – May 16, 2020. There are below details.

- Since March 22, 2020, the Group had temporarily closed 8 large branches, namely; Rangsit Branch, Bang Bua Thong Branch, Rama 2 Branch, Petchkasem Branch, Korat Branch, Udon Branch, Khon Kaen Branch and Chiang Mai Branch and 6 branches (Dohome ToGo) comprising of Makro-Charansanitwong Branch, Makro-Sathorn Branch, Big C-Bang Phli Branch, Lotus - Korat Branch, Pantip-Ngamwongwan Branch and Lotus-Bangna Branch. However, the Group can provide services through channels of online ordering (E-Commerce) and direct phone ordering to our sales team and sales representative as usual.
- Since May 3, 2020, the situation of pandemic of Coronavirus disease (COVID-19) in Thailand had improved continuously and the government would relax the control measures of Lockdown in some areas. The Group had resumed opening 4 large branches as usual; such as, Rama 2 Branch, Petchkasem Branch, Korat Branch and Udon Branch, etc.
- Since May 17, 2020, all remaining branches; such as, 10 large branches and 6 branches (Dohome ToGo), it resumed to open and operate as normal.

From the outbreak of Coronavirus disease (COVID-19), the Group had paid more attention, closely followed up the situations and implemented appropriate measures to reduce the potential business impacts as follows;

- 1) Promoting and Pushing the existing service channels of online ordering (E-Commerce) and direct phone ordering to our sales team and sales representative in order for more efficiency, responding to customer



requirements and mitigating the impact of reduced sales which were from temporary branch closing and inconvenience for shopping the goods at branches as usual.

- 2) Adapting working processes to be in line with the situation; such as, transferring employees from other sales team to direct sales team (phone-call ordering) in order to support the customer's orders, promoting the electronic payment and allowing employees in some departments to work from home, etc.
- 3) Considering more credit tightly and following up on debts closely, this is to prevent incurring bad debts that may be occurred in the near future.
- 4) Preparing the strict public health control to all employees, customers and partners as follows;
 - Set screening point and body temperature measurement before entering the offices or branches
 - Support campaign of often hand washing by sanitary gel
 - Wear the face masks during work at the office or branches
 - Keep social distancing 1 meter in all areas
 - Keep clean for the frequently exposed equipment and risk areas with antiseptic at least every hour, etc.

For the operating results of second quarter of 2020, the Group had total revenue in the amount of Baht 4,640.32 million, representing an increase 3.1% over the same period of last year even though there are the outbreak of Coronavirus disease and government measure affecting the temporary closing for 8 large branches from 10 large branches and all small branches of Dohome ToGo during such periods. The Group pushed sales by ordering via direct sales team and sales representative including online channels and additional revenues from new opening branches in the second half year of 2019; such as, Petchkasem Branch and Dohome ToGo branches. For the second quarter of 2020, the Company had net profit in the amount of Baht 146.39 million, representing a decrease 23.9% from the same period of last year. The main reason of net profit's decrease was from temporary closing of branches for control the outbreak of COVID-19 by governmental order effecting to the significant decrease in revenue from retail channel which normally generated high gross profit margin. For full-month closing the retail area in April, this would cause of the Company's loss performance. However, after returning to open and operate the branches as usual, the Company's gross profit margin and net profit came back to normal.

For the branch expansion in the second quarter of 2020, the Group opened 2 Dohome ToGo branches which were Cosmo Walk Branch and Chutchawan Market Branch. The current existing branches include 10 large branches and 8 Dohome ToGo branches.



Financial Summary for the three-month period ended 30 June 2020 and 30 June 2019

	Three-month period		Three-month period		Increase (Decrease)	
	ended 30 June 2020		ended 30 June 2019			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sales	4,571.62	98.5	4,442.83	98.5	128.79	2.9
Revenue from services	44.47	1.0	33.78	0.7	10.69	31.6
Revenue from sales and services	4,616.09	99.5	4,476.61	99.2	139.48	3.1
Other incomes	24.22	0.5	34.00	0.8	-9.77	-28.7
Total revenues	4,640.32	100.0	4,510.60	100.0	129.71	2.9
Cost of sales	3,926.69	84.6	3,736.52	82.8	190.16	5.1
Gross profit⁽¹⁾	689.40	14.9	740.08	16.5	-50.68	-6.8
Selling and administrative expenses	474.47	10.2	455.46	10.1	19.00	4.2
Other expenses	0.04	0.0	0.00	0.0	0.04	N/A
Profit before finance costs and income tax	239.12	5.2	318.62	7.1	-79.50	-25.0
Finance costs	57.31	1.2	75.93	1.7	-18.62	-24.5
Profit before income tax	181.81	3.9	242.69	5.4	-60.88	-25.1
Income tax expenses	35.42	0.8	50.20	1.1	-14.78	-29.4
Net Profit	146.39	3.2	192.49	4.3	-46.10	-23.9

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

The operating result for the second quarter of 2020

For the second quarter of 2020, the Company and its subsidiaries ("the Group")'s total revenue was Baht 4,640.32 million with an increased by 2.9% over the same period of last year and net profit in the amount of Baht 146.39 million equivalent to 3.2% which was decreased by 23.9% over the same period of last year. The main reasons of changes were as follows:

1. **Total revenues** was Baht 4,640.32 million, a decrease of Baht 129.71 million or down by 2.9% over the same period of last year, which comprised of the following details:
 - **Revenue from sales and services** was Baht 4,616.09 million, an increase of Baht 139.48 million or up by 3.1% over the same period of last year, which was mainly from revenues from branches in the ramp-up phase; such as, Phetkasem branch, Dohome ToGo branch and revenue from existing branches, etc. Having the situation of pandemic of Coronavirus disease (COVID-19), it led to the governmental order for temporary closing of the department store. The 8 large branches and 6 branches (Dohome ToGo) of the Company were temporarily closed since March 22, 2020 and resumed to open 4 large branches on May 3 and other remaining branches on May 17, 2020. As the results of such impact, it effected to



a significant decrease of revenue from retail channel. The revenue of direct sales by sales person and online was higher than a decrease of revenue from retail channel. These resulted in the revenue from existing branches with a slightly increase 0.4%.

- **Other incomes** was Baht 24.22 million, an decrease of Baht 9.77 million or 28.7% over the same period of last year, which was mainly due to a decrease of interest income in case of customer default payment. This was in line with more efficiencies in following up process of the debts and receiving customer payment process.
- 2. **Gross profit** was Baht 689.40 million equivalent to a gross profit margin of 14.9% decreasing from the gross profit margin of 6.8% over the same period of last year. It was mainly from temporary closing of retail sales area as the results of pandemic of Coronavirus disease (COVID-19). This would make a significant decrease in retail sales. Normally, sales revenue from this channel generated high rate of gross profit margin. However, after returning to open and operate the branches as usual, the Company's gross profit margin came back to normal.
- 3. **Selling and administrative expenses** was Baht 474.47 million, an increase of Baht 19.0 million or 4.2% over the same period of last year, which was mainly due to the increases of administrative employee's expenses according to the Company's chart, depreciation of assets at Petchkasem branch and Dohome ToGo including goods transportation expense to customers which was in line with higher revenue from direct sales by sales team. However, the allowance for doubtful accounts decreased in accordance with more efficiencies in the improvement of debts following up and receiving processes as well as the expenses of utility and consumable material reduced in line with temporary branches closing and cost saving programs.
- 4. **Finance costs** were Baht 57.31 million, a decrease of Baht 18.62 million or down by 24.5% over the same period of last year, which decreased in line with the lower amount of loans from financial institutions and interest rate.
- 5. **Income tax** was Baht 35.42 million, a decrease of Baht 14.78 million or down by 29.4% over the same period of last year, which decreased in accordance with the Group's profit before income tax.



Financial Summary for the six-month period ended 30 June 2020 and 30 June 2019

	Six-month period		Six-month period		Increase (Decrease)	
	ended 30 June 2020		ended 30 June 2019			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sales	9,114.90	98.4	9,352.30	98.6	-237.40	-2.5
Revenue from services	79.53	0.9	74.03	0.8	5.50	7.4
Revenue from sales and services	9,194.43	99.3	9,423.33	99.4	-231.90	-2.5
Other incomes	67.68	0.7	61.47	0.6	6.21	10.1
Total revenues	9,262.10	100.0	9,487.79	100.0	-225.69	-2.4
Cost of sales	7,798.24	84.2	7,875.77	83.0	-77.53	-1.0
Gross profit⁽¹⁾	1,396.19	15.2	1,550.56	16.5	-154.37	-10.0
Selling and administrative expenses	938.58	10.1	908.89	9.6	29.70	3.3
Other expenses	0.14	0.0	0.00	0.0	0.14	N/A
Profit before finance costs and income tax	525.14	5.7	703.14	7.4	-178.00	-25.3
Finance costs	121.73	1.3	152.40	1.6	-30.66	-20.1
Profit before income tax	403.41	4.4	550.74	5.8	-147.34	-26.8
Income tax expenses	79.71	0.9	111.57	1.2	-31.86	-28.6
Net Profit	323.69	3.5	439.18	4.6	-115.48	-26.3

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

The operating result the six-month period of 2020

For the six-month period of 2020, the Company and its subsidiaries ("the Group")'s net profit was Baht 323.69 million equivalent to 3.5% which was decreased by 26.3% over the same period of last year Baht 439.18 million equivalent to 4.6%. The main reasons of decrease were as follows:

1. **Total revenues** was Baht 9,262.10 million, a decrease of Baht 225.69 million or down by 2.4% over the same period of last year, which comprised of the following details:
 - **Revenue from sales and services** was Baht 9,194.43 million, a decrease of Baht 231.90 million or down by 2.5% over the same period of last year, which was mainly from the decrease of revenue from sales and services in the first quarter of 2020 amounting to Baht 371.38 million as the results of pandemic situation of Coronavirus disease (COVID-19 led to the governmental order for temporary closing of the department store. The Company closed temporarily 8 large branches and 6 branches (Dohome ToGo) since March 22, 2020 and also, Thailand had Economic Contraction especially in all other provinces in such period. However, the Company supported pushing the customer services for direct sales order (phone-call ordering) via sales person and sales representative in order to be more



efficient processes and sales as well as online channel. The Company resumed to open 4 large branches on May 3 and other remaining branches on May 17, 2020. In the second quarter of 2020, this would cause higher revenue from sales and services by Baht 138.48 million but an increase of the said revenue was still lower than a decrease of revenue from sales and services in the first quarter of this year. This was main reason of the decrease of revenue from sales and services for the six-month period compared to the same period of last year.

- **Other incomes** was Baht 67.68 million, an increase of Baht 6.21 million or 10.1% over the same period of last year, which was mainly due to an increase of subsidy from suppliers and foreign exchange gain/loss. Whereas, interest income from customer default payment reduced accordance with more efficiencies of debts following up and receiving customer payment processes.

- 2. **Gross profit** was Baht 1,396.19 million equivalent to a gross profit margin of 15.2% decreasing from the gross profit margin of 16.5% over the same period (six-month) of last year. It was mainly from changes of accounting policy regarding to inventory provision for slow-moving. For the first quarter of 2019, the Company recorded a reversal of stock provision in the amount of Baht 73.3 million. Excluding an impact from such changes of accounting policy, (six-month) gross profit of last year was 15.7%. For the temporary closing of retail sales area as the results of pandemic of Coronavirus disease (COVID-19), this would make a significant decrease in revenue from retail channel which normally generated high gross profit margin. However, after returning to open and operate the branches as usual, the Company's gross profit margin came back to normal.

- 3. **Selling and administrative expenses** was Baht 938.58 million, an increase of Baht 29.70 million or 3.3% over the same period (six-month) of last year, which was mainly due to the increases of administrative employee's expenses according to the Company's chart, depreciation of assets at Petchkasem branch and branches of Dohome ToGo. An increase of goods transportation expense to customer was in line with higher revenue from direct sales by sales person and a decrease of allowance for doubtful debts account was in line with more efficiencies in improvement of debts following up and receiving customer payment processes.

- 4. **Finance costs** were Baht 121.73 million, a decrease of Baht 30.66 million or down by 20.1% over the same period (six-month) of last year, which decreased in line with the lower amount of loans from financial institutions and interest rate.



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5. **Income tax** was Baht 79.71 million, a decrease of Baht 31.86 million or down by 28.6% over the same period (six-month) of last year, which decreased in accordance with the Group's profit before income tax.

Sincerely yours,

-Chayanon Horpattaporn-
(Mr.Chayanon Horpattaporn)
Chief Financial Officer
Dohome Public Company Limited