



บริษัท บิ๊กซี ซูเปอร์เซ็นเตอร์ จำกัด (มหาชน) (สำนักงานใหญ่)  
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15<sup>th</sup> of August 2016

To: The President of the Stock Exchange of Thailand  
Ref: Management Discussion and Analysis for the Second Quarter of 2016

Dear Sir,

Big C Supercenter PCL is pleased to report the results of its company and subsidiaries (the "Company") for the second quarter 2016 that have been examined by our auditors.

The key highlights for the second quarter 2016 are as follows:

- Continued resilient rental and service income growth;
- Declining SG&A expenses driven by continued cost and productivity enhancement initiatives, and first synergies captured during the quarter;
- Strong operating profit margin performance despite slightly declining sales;
- Robust net income growth arising from operating profit margin improvement, lower finance cost, and lower effective tax rate.

#### Economic environment

Lukewarm economic conditions continued into second quarter of the year, with tourism sector and government spending still continuing to act as the main drivers for the economy. Some signs of improving agricultural prices and less severe drought conditions were seen during the quarter, but this did not yet translate into improved consumer confidence as Thai Consumer Confidence Index continued its decline for sixth straight month in June, ending at 25 month low of 71.6 points. Consumers were still worried about low commodity prices and slow economic recovery, and on top of these, there were new worries relating to potential impact to global economy arising from Britain's decision to leave European Union. Despite some potential downside risk stemming from the current global outlook, The Bank of Thailand said it is maintaining its GDP growth expectation at 3.1% for 2016.

#### Operations

During the quarter the Company introduced a fundamental change in the way we trade, as we shifted our focus to the quality of sales rather than just the absolute sales amount. This does not mean that we are neglecting our price position among retail customers; rather, we are limiting the number of "big basket coupons" we have used in the past when targeting professional customers. In order to be able to better answer to our customers' local tastes and preferences, we started to reorganize our operations and decentralize our store operations teams. The work to capture synergies between the Company and the BJC group, our new major shareholder, has also started with first synergies already captured during the second quarter. We for example have been using our combined volumes when renegotiating with our suppliers in various areas. However we still have a lot of work in ahead of us to capture all identified synergies in 2019. Our store network continued to grow during the quarter in all store formats, with opening of 1 Hypermarket in Ranong, 2 Big C Market in Pakthongchai and Somdet, 11 Mini Big C stores including 3 located at gasoline stations and 3 franchise stores, and 2 Pure Drugstores. These openings brought the total number of our stores at the end of June 2016 to 126 large format stores (Big C Supercenter, Extra, and Jumbo), 57 Big C Market, 408 Mini Big C (including 167 in gasoline station stores, and 6 franchise stores), and 149 Pure Drugstores.

## Financial performance

### **1. Revenues**

Big C's Total Revenues from retail sales, rental and service income, and other income, for the quarter reached Baht 33,796 million, representing a slight decline of Baht 362 million or -1.1% over the same period last year. This decrease was driven by a retail sales decline of -1.5% from the same period last year, due to negative same-store-sales evolution of -4.0% for the second quarter. The somewhat deteriorating same-store-sales trend was partly driven by our strategic shift in the way we trade as we are now more focused on the quality of sales; the lower level of same-store-sales is expected to continue until our sales comparison point is rebased. Our resilient dual retail-property model continued its steady performance with rental income for the year increasing by +3.0% from last year from combination of added rental space and rental escalation, whilst our other income increased by 3.7% from same period last year mainly due to increased service income.

### **2. Expenses**

Big C's Total Expenses amounted to Baht 31,048 million for the quarter, representing a decrease of Baht -498 million or -1.6% compared to same period last year. This decrease was mainly due to lower cost of sales and services due to slight decline in sales during the quarter, whilst continued successful cost optimization and productivity enhancement initiatives and first captured synergies led to a lower SG&A expenses.

### **3. Net Income and Operating Profit**

Big C's Net Income to Equity Holders of the Company grew by +12.9% reaching Baht 2,233 million for the quarter, an increase of Baht 255 million baht from the same period last year. The robust net income growth was driven by resilient rental and service income growth, increased other income, and lower total expenses leading to Operating Profit of Baht 2,749 million for the quarter, representing an increase of Baht 136 million or +5.2% from the same period last year. Our finance costs continued to decline due to lower debt level. The effective tax rate of 15.3% was also lower than the statutory tax rate during the quarter due to reversal of previously booked tax liability arising from insurance recovery from property damage suffered during 2010 Big C Rajdamri fire incident which is tax exempt, and from Thai Government's Investment Incentive program allowing tax benefits from certain investments done during a period from November 2015 to December 2016.

### **4. Ratios**

Big C's Gross Profit margin reached 14.4% for the quarter, representing a decrease of -58 basis points from last year. This decrease was mainly driven by the change in sales mix, as non-food sales continued to be challenging causing decreased sales contribution from typically higher margin non-food products. Big C's Operating Profit margin reached 9.1% for the quarter, representing an increase of +58 basis points from the same period last year. This increase was driven by resilient rental and service income growth, increased other income, continued successful cost optimization and productivity enhancement initiatives, and first captured synergies. Big C's Net Income margin reached 7.4% for the quarter, representing an increase of +95 basis points from last year, driven by increased operating profit margin, lower finance cost as we have continued reducing our debt level, and lower effective tax rate. Our Debt-to-Equity ratio declined to 0.38 times at the end of the quarter, down from 0.51 times during the same period last year, due to continued debt repayments and increased Total Shareholders' Equity.

Yours very truly,

Ms. Rumpa Kumhomreun

CFO & Vice President of Accounting and Finance