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15<sup>th</sup> of August 2017

To: The President of the Stock Exchange of Thailand  
Ref: Management Discussion and Analysis for the Second Quarter of 2017

Big C Supercenter PCL is pleased to report the results of its company and subsidiaries (the “Company”) for the second quarter 2017 that have been examined by our auditors.

The key highlights for the second quarter 2017 are as follows:

- Continuing improving same-store-sales trend;
- Resilient rental and service income growth;
- Strong gross profit margin improvement due to our focus to the quality of sales;

#### Economic environment

Thai economy continued its slow but steady improvement during the second quarter of 2017. Thai exports continued growing for a fourth straight month, growing 11.5% in June and 7.8% in the first half of the year due to improved demand from trading partners. Tourism sector also continued its growth as tourist arrivals increased 5% during first half of the year from the same period last year. The Bank of Thailand, due to an improved economic growth outlook driven by better-than-expected improvements in merchandise and service exports, adjusted its 2017 GDP growth expectation to 3.5% from previous 3.4%, and its 2018 GDP growth expectation to 3.7% from previous 3.6%. These positive factors were not however reflected in Thai consumer confidence index readings during the quarter, as Thai Consumer Confidence Index hit 5-month low of 74.9 points in June, presenting a second consecutive month of decline. Surveyed Thai consumers were citing worries about the country's economic recovery, global uncertainty and low commodity prices as their main worries.

#### Operations

Market conditions during the second quarter of the year were in line with our expectations and while consumer spending remained sluggish, which was particularly reflected in sales of large electronic items, our food categories maintained steady performance and drove our continued same-store-sales performance improvement for third consecutive quarter. We experienced some negative impact from changes to public holidays, somewhat subdued Songkran festival due to restrictions confining festivities to designated areas in larger cities, and from high base due to Government's economic stimulus measures during last year's Songkran festival aiming to boost people's spending and travel. Our southern stores were also impacted by bomb incident at our Pattani store in early May, causing injuries to our customers and store employees, and damaging parts of our property. Competitive environment in Thai retail market remained very intensive as retailers aimed to stimulate sluggish customer spending. To maintain our position and to remain competitive, we continued investing into price for core categories, value, and customer service, and we are happy to see continued improvement in our internal KPI's measuring quality of our service. At the end of the quarter we re-launched our Big Card customer loyalty program, with redesigned point mechanics, which we believe will increase customer loyalty going forward. Our store expansion also continued across the formats during the quarter as we opened 1 Hypermarket, 1 Big C Market, and 36 Mini Big C stores (including 20 franchise stores). These openings brought the total number of our stores at the end of June 2017 to 132 large format stores (Big C Supercenter, Extra, and Jumbo), 60 Big C Market, 511 Mini Big C (including 62 franchise stores), and 142 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 30,257 million, representing a decline of Baht 3,540 million or -10.5% over the same period last year. This decrease was caused by a retail sales decline of -11.5% from the same period last year, due to negative same-store-sales of -15.2% for the quarter. The same-store-sales decline continued to be driven by our strategic focus on the quality of sales rather than absolute sales volume. Meanwhile our resilient dual retail-property model continued its steady performance with rental income for the quarter increasing by +4.0% from last year from combination of added rental space and rental escalation, whilst our other income decreased by -17.2% from same period last year mainly due to lower brochure advertising income, and lower service income from in-store media concessions.

### **2. Expenses**

Big C's Total Expenses amounted to Baht 28,131 million for the quarter, representing a decrease of Baht -2,917 million or -9.4% compared to same period last year. This decrease was mainly due to lower cost of sales and services due to declining sales during the quarter, whilst our SG&A expenses increased year-on-year due to various reasons: Personnel expenses increased due to new store opening. We have also continued investing in to our service levels and customer experience, for example through increased customer service training to our staff, and through increased maintenance renovations; And utility expenses increased due to new store openings and increased FT surcharge.

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

Big C's Net Income to Equity Holders of the Company decreased by -27.9% reaching Baht 1,609 million for the quarter, an decrease of Baht 624 million baht from the same period last year. This decline was driven by increased SG&A expenses and declining Other Income, leading to Operating Profit drop of -22.7% from the same period last year. The effective tax rate of 21.0% was also slightly higher than the statutory tax rate due to correction of fourth quarter 2016 tax benefit calculation under the Thai Government's Investment Incentive program. The effective tax rate was also significantly higher than the 15.3% recorded during same period last year, this was due to a one-off item recoded during the second quarter 2016, as we reversed previously booked tax liability arising from insurance recovery from property damage suffered during 2010 Big C Rajdamri fire incident which is tax exempt.

### **4. Ratios**

Big C's Gross Profit margin reached 15.6% for the quarter, representing a significant increase of +123 basis points from last year. This increase was driven by our strategic focus on the quality of sales. Big C's Operating Profit margin reached 8.0% for the quarter, representing a decrease of -115 basis points from the same period last year. This decrease was driven by declining Other Income and increased SG&A expenses due to abovementioned reasons. Big C's Net Income margin reached 6.0% for the quarter, representing a decrease of -138 basis points from last year, driven by abovementioned factors and the high base due to one-off item reducing effective tax rate during the same period last year. Our interest bearing debt-to-equity ratio declined to 0.28 times at the end of the quarter, down from 0.39 times during the same period last year.

Yours very truly,

Aswin Techajareonvikul

CEO & President