



บริษัท บิ๊กซี ซูเปอร์เซ็นเตอร์ จำกัด (มหาชน) (สำนักงานใหญ่)

เลขที่ 97/11 ชั้น 6 ถนนราชดำริห์ แขวงลุมพินี

เขตปทุมวัน กรุงเทพฯ 10330

โทร. +66 (0) 2655 0666

ทะเบียนนิติบุคคล / เลขประจำตัวผู้เสียอากร : 0-1075-36000-63-3

Big C Supercenter Public Company Limited (Head Office)

No. 97/11, 6th Floor, Rajdamri Road, Lumpini Sub-district,

Pathumwan District, Bangkok 10330

Tel. +66 (0) 2655 0666

Company Registration Number / Tax ID : 0-1075-36000-63-3

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

To: The President of the Stock Exchange of Thailand

Ref: Management Discussion and Analysis for the Full Year 2016

Dear Madam,

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

The key highlights for the full year 2016 are as follows:

- Continued resilient rental and service income growth;
- Solid recurring net income growth;
- Strategic re-orientation of our retail business from Q3 2016 onwards;
- Robust gross profit margin improvement due to our focus to the quality of sales;
- Discontinued unprofitable sales and increased investment in fresh food presenting encouraging initial results;
- Good progress on capturing synergies with new major shareholder.

#### Economic environment

After a sluggish 2015, the year 2016 saw a moderate growth recovery for the Thai economy. The recovery was largely driven by government spending through various stimulus measures and growing tourism sector. On the other hand, sustaining high household debt levels and various external factors during the year continued to keep consumer confidence at a low level. Also during the latter part of the year, the government’s crackdown on “zero-dollar” tours and increased visa-on-arrival fees for certain nationalities led to a slowdown in growth of tourist arrivals. The passing of His Majesty King Bhumibol Adulyadej on 13th of October and the following nationwide mourning also contributed to a temporary consumption slowdown during the last quarter of the year. However, the government stimulus measure to allow an income tax deduction of up to 15,000 baht on goods bought between 14<sup>th</sup> - 31<sup>st</sup> December worked and boosted December consumption and consumer confidence index which ended the year at 73.7 points, up from 72.3 points in November.

#### Operations

2016 was a year of big change as we welcomed new major shareholder Berli Jucker Group (BJC). The work to capture synergies from leveraging Big C’s and BJC’s assets and capabilities started soon after the acquisition, with first synergies already captured during the second quarter of the year, and at the end of the year we remain confident that we are going to reach our 3-year synergy targets. After the second quarter we 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, discontinuing unprofitable sales practices of the past. This did not mean that we are neglecting our price position among retail customers; rather, we actually increased our investment in critical areas such as fresh food, and received encouraging results during the year with positive like-for-like performance in fresh food. We reorganized our operations and decentralized our store operations teams in order to localize our offer to become the “Thai retailer with customers in our heart” as we will be better positioned to serve local communities and their varying tastes. We significantly increased our renovations during the year as we completed 8 extension, 3 right-sizing, and 23 store improvement renovations. Our store expansion continued during the year in all store

formats as we opened 4 Hypermarkets and acquired 2 MM Mega Markets, 4 Big C Market stores, 74 Mini Big C stores including 37 franchise stores, and 4 Pure Drugstore. These openings brought the total number of our stores at the end of December 2016 to 131 large format stores (Big C Supercenter, and Extra), 59 Big C Market, 465 Mini Big C (including 37 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 year reached THB 120,918 million, representing a decline of THB 12,791 million or -9.6% over the last year. This decrease was driven by a sales decline of -10.3% from the same period last year, due to negative same-store-sales evolution of -12.8% for the full year. The significantly declining same-store-sales trend was driven by our strategic focus on the quality of sales rather than absolute sales volume that we started in mid-2016. Our resilient dual retail-property model continued its steady performance with rental income increasing by +3.2% from last year from a combination of added rental space and rental escalation, whilst our other income decreased by -16.8% from same period last year mainly due to mainly due to declining service income.

### ***2. Expenses***

Big C's Total Expenses amounted to THB 112,723 million for the year, representing a decrease of THB 11,786 million or -9.5% over the last year. This decrease was mainly due to lower cost of sales and services due to declining sales during the year, whilst our SG&A expenses decreased slightly due to lower energy expenses, lower marketing expenses during mourning period and lower credit card commission expenses after discontinuing unprofitable sales practices; we also captured first synergies and savings from having our new major shareholder, for example switching our insurance provider gave us significant savings on insurance premium.

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

Big C's Net Income to Equity Holders of the Company decreased by -7.1% reaching THB 6,409 million for the year, a decrease of THB 488 million over the last year. The net income decline was driven by declining total revenues due to above mentioned reasons, leading to Operating Profit of THB 8,195 million for the year, representing a decrease of THB 1,006 million or -10.9% over the last year. Big C's 2016 net income was adversely impacted by certain reverse income items related to service income.. One-off items during 2015 also caused a high base for year-on-year comparison as we for example sold land and reversed long outstanding account payables. Excluding these one-off items Big C's Recurring Net Income for FY2016 was THB 6,616 million, an increase of 3.4% year-on-year. Our finance costs continued to decline due to continued debt repayments and low interest rate environment. The effective tax rate of 17.3% was also lower than the statutory tax rate during the year due to Thai Government's Investment Incentive program allowing tax benefits from certain investments done during a period from November 2015 to December 2017.

### ***4. Statement of Financial Position***

Big C's Total Assets amounted to THB 93,645 million at the end of December 2016, representing an increase of THB 783 million or +0.8% over the last year. This increase was mainly due to increased inventories at the year as we improved product availability for the year end high-season and due to increased supplier and tenant receivables. Big C's Total Liabilities amounted to THB 43,310 million at the end of December 2016, representing a decrease of THB 2,881million or -6.2% over the last year. This decrease was mainly driven by debt repayments as we repaid THB 5,675 million of long term loans during the year, and by decreased trade and other payables. Big C's Total Shareholders' Equity amounted to THB 50,335 million at the end of December 2016, representing an increase of THB 3,664 million or +7.9% over the last year. This increase was due to increased retained earnings during the year.

### ***5. Cash Flow Statement***

Big C's Net Cash Flows from Operating Activities amounted to THB 2,463 million for the year, representing a decrease of THB 8,924 million or -78.4% over the last year. This decrease was driven by a change in operating assets and liabilities as our inventory and supplier and tenant receivables increased and our trade and other payables decreased due to abovementioned reasons. Big C's Net Cash Flows Used in Investing Activities amounted to THB 3,320 million, representing a decrease of THB 2,255 million or -40.5% over the last year. This decrease was mainly driven by lower acquisition of property, plant and equipment as in 2015 we completed our new fresh food distribution center. Big C's Net Cash Flows from Financing Activities amounted to THB 703 million for the year, representing an increase of THB 15,560 million or +104.7% over the last year. This increase was mainly driven by increases in short-term loans from financial institutions and short-term loan from parent company during the year.

#### **6. Ratios**

Big C's Gross Profit margin reached 14.6% for the year, representing an increase of +89 basis points over the last year. This increase was driven by our strategic focus on quality of sales. Big C's Operating Profit margin reached 7.6% for the year, representing a slight decrease of -5 basis points over the last year. Big C's Net Income margin reached 5.9% for the for the year, representing an increase of +17 basis points over the last year, driven by lower finance cost as we have continued reducing our debt level, and lower effective tax rate. Our Debt-to-Equity ratio increased slightly to 0.30 times at the end of the year, up from 0.26 times at the end of previous year.

Yours very truly,

Ms. Rumpa Kumhomreun  
CFO & Vice President of Accounting and Finance