



บริษัท บิ๊กซี ซูเปอร์เซ็นเตอร์ จำกัด (มหาชน) (สำนักงานใหญ่)

เลขที่ 97/11 ชั้น 6 ถนนราชดำริห์ แขวงลุมพินี

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30<sup>th</sup> of April 2014

To: The President of the Stock Exchange of Thailand

Ref: Reporting on Company's Financial Results for the first quarter of 2014.

Dear Sir,

Big C Supercenter PCL is pleased to report the results of its company and subsidiaries (the "Company") for the first quarter 2014 that have been examined by our auditors.

The key highlights for the first quarter 2014 are as follows:

- Satisfactory retail sales during challenging conditions with a growth of +2.7% year-on-year resulting from new store openings during Q1 2014 and the full impact of new stores opened in 2013;
- Continued good performance of the Company's shopping centers with a solid growth in rental and service income of +7.8% reflecting new shopping malls opened during Q1 2014 and full year 2013, and continued high occupancy rate.
- Continued challenging economic and political conditions, as well as increased operating expenses arising from rapid store expansion since last year had an impact on margins, which were softer during the quarter, in line with our internal expectations. However the Company concentrates its full year results and is continuing to ramp-up its cost optimization and productivity enhancement initiatives during the year.
- Despite the hereabove mentioned challenging conditions during the first quarter, the Company started to see nationwide recovery starting from March, and this recovery has since continued into April.

#### Economic environment

The challenging conditions of late 2013 continued into the beginning of 2014 with on-going political unrest in Bangkok which started January 13<sup>th</sup> with the launch of the "shutdown Bangkok" campaign. Moreover as the elections held on February 2<sup>nd</sup> were nullified in March by the Constitutional Court, the current Government continues in its caretaker role but is left with limited authority to take decisions that would bind the next government. This situation caused delays in rice pledging scheme payments thus affecting spending power in particular in upcountry and leading to some demonstrations by rice farmers in February.

Although consumer confidence continued its decline for the 12<sup>th</sup> straight month hitting 68.8 points in March, the Company started to see business recovery in both in Bangkok and upcountry locations, with positive impact from the closure of the majority of anti-government demonstration sites in Bangkok and the Thai Government subsequently lifting the state of emergency in mid-March thus bringing hope for recovery in the tourism industry.

#### Operations

Despite the challenging economic context, the Company recorded satisfactory results for the first quarter 2014 and even though the Company's same-store-sales were impacted by ongoing political unrest and soft economy at the beginning of the year, the Company capitalizing its past experience, its crisis management expertise and the Business Continuity Plan in place for immediate response, was ready to manage the risks raised by the widespread demonstration in Bangkok, to protect its employees, customers, and assets, and to

minimize negative impacts. The Company started to see some recovery nationwide at the beginning of March and this recovery has since continued into April, but, with consumer confidence continuing its decline in March, the situation remains challenging. However the Company, with its strong price leadership position in the Thai retail market, is best positioned to weather the period of low consumer confidence and is ready to capture the possible recovery in the spending mood in the future.

During Q1 2014, Big C continued its store expansion by opening 2 Big C Supercenter at Kanchanaburi and in Nakhon Phanom, 17 Mini Big C (6 in Bangchak service stations) and 2 Pure Drugstores. A number of stores have gone through full renovation in late 2013 to offer fresh shopping experience to customers. One additional Big C Jumbo cash & carry store conversion was completed at Big C Supercenter Ratburana to respond to the demand of professional customers.

The total number of stores at the end of March 2014 was 121 large format stores (Big C Supercenter, Extra, and Jumbo), 30 Big C Market, 295 Mini Big C (68 in Bangchak service stations), and 134 Pure Drugstores.

## **Financial performance**

### ***1. Net Retail Sales***

Net retail sales for Q1 2014 amounted to Baht 29,204 million for the Company and its subsidiaries, which represented an increase of Baht 773 million or +2.7% over the last year. Retail sales growth in Q1 2014 was mainly driven by new store openings, as the Company's same-store-sales were impacted by ongoing political unrest and soft economy at the beginning of the year. However with recovery starting from March the same-store-sales growth ended at -2.1% excluding calendar effect (estimated at -0.3%) in Q1 2014 over to the same period last year, an improvement compared to the -4.7% same-store-sales growth recorded in Q4 2013.

The satisfactory sales performance given the current economic and political challenges reflects strong marketing strategies and a maintained price leader position. A number of campaigns took place during the quarter such as Rice Fair, One-Day-One-Price Campaign, and long-term Blue Flag cooperation with Ministry of Commerce, all of which promoted customer loyalty and spending.

### ***2. Rental and Service Income from tenants***

Rental and Service Income from tenants amounted to Baht 2,269 million for Q1 2014, which represented an increase of Baht 164 million or 7.8% over the last year. This increase resulted from the additional lettable space, as 2 new shopping malls were opened during Q1 2014 and 18 shopping malls were opened during 2013 (of which 16 opened during Q2 – Q4 2013 period), and from the continued successful management of lettable space. The Company also recently completed Alcudia renovations in its Srinakarin, Khon Kaen, and Phitsanulok stores.

### ***3. Segment performance***

During Q1 2014 large store segment contributed Baht 28,383 million or 90.7% of total revenues, down from 93.7% in Q1 2013. Small store segments contribution to total revenues grew to 9.3% in Q1 2014 from 6.3% in Q1 2013, being Baht 2,921 million at the end of Q1 2014 or a growth of Baht 1,021 million. The growth in small store segment is due to a rapid expansion particularly in Big C Market and Mini Big C formats with 2013 openings of 12 Big C Market and 153 Mini Big C, and further opening of 17 Mini Big C during Q1 2014.

#### **4. Gross Profit**

The Company's gross profit in Q1 2014 was Baht 3,888 million, a slight decline of Baht 85 million or -2.1% over the same period last year, resulting mainly from lower sales due to the challenging conditions which the Company faced during the quarter. These conditions also impacted consumers shopping behavior which led them to buy more basic products and commodities. Due to these factors the Company's gross profit margin declined by 66 basis points to 13.3% in Q1 2014 from 14.0% in same period last year.

#### **5. Other Income**

Other income amounted to Baht 1,035 million in Q1 2014, which represented an increase of Baht 107 million or 11.5% over last year. This increase is mainly due to the growth in brochure advertising income from the Company's growing store network, and increased service income arising mainly from concession fees for in-store media.

#### **6. Selling and Administration Expenses**

Selling and Administration Expenses amounted to Baht 5,352 million for Q1 2014, which represented an increase of Baht 365 million or 7.3% compared to same period in last year. This increase is mainly due to increased expenses in personnel, utilities, properties, and depreciation and amortization areas due to a rapid store expansion in all formats since Q1 2013 (the Company opened a total of 7 hypermarkets, 11 Big C Markets, 138 Mini Big Cs, and 39 Pure drugstores since April 2013). However on a store-for-store basis, our operating expenses have remained relatively stable due to continued successful cost optimization and productivity enhancement initiatives.

#### **7. Finance cost**

Finance cost for Q1 2014 decreased to Baht 224 million, a decrease of Baht 36 million or -13.9% over the last year, as a result of lower debt level due to partial debt repayment in Q1 2014 and during 2013, and lower interest rates.

#### **8. Corporate tax**

The Company's corporate income tax for Q1 2014 amounted to Baht 331 million, a decrease of Baht 28 million or -7.9% when compared to last year. The Company's effective tax rate was relatively stable at 20.8% in Q1 2014 compared to 20.4% during the same period last year

#### **9. Net Income**

Net income to Equity holders of the Company for the Q1 2014 was Baht 1,256 million, a decrease of Baht 141 million or -10.1% over the same period last year. This decrease was a result of the challenging economic and political conditions that Thailand faced during the quarter and the increased expenses from the rapid expansion in all store formats since Q1 2013.

Yours very truly,

Ms Rumpa Kumhomreun

CFO & Vice President of Accounting and Finance