

Siam Global House Public Company Limited Management Discussion and Analysis (MD&A) for the Year 2024

Overall Performance

Regarding overall performance for the year 2024, Siam Global House Public Company Limited (“the Company”) had a net profit of Baht 2,114.69 million according to separate financial statements, a decrease of Baht 415.66 million or down by 16.43%. Including the share of profit from the investment in its Joint Venture and Subsidiaries, the Company’s net profit according to consolidated financial statements was Baht 2,366.86 million, which represents a decrease of Baht 311.28 million or down by 11.62%, compared to 2023. The results show that the decline in sales due to the economic slowdown and the household debt situation in Thailand at a high level have affected the purchasing power of the people. However, the Company has handled such challenges with its promotional strategy of a variety of products to boost sales consistency.

Key Developments

- **Store expansion:** The Company has targeted achieving a nationwide presence through store expansion to enhance its customer reach potential. In 2024, there were 7 stores established in the following domestic expansion areas: The Nine Center Tiwanon branch in Pathum Thani, Phimai branch in Nakhon Ratchasima, Pattani branch, Chana branch in Songkhla, Sawang Daen Din branch in Sakon Nakhon, Lam Plai Mat branch in Buriram and Sawankhalok branch in Sukhothai. Also, 1 additional store was opened in Battambang, Cambodia. Thereby, as of December 31, 2024, the total number of stores operating in Thailand and Cambodia were 90 and 2 respectively.
- **Store renovation:** The Company has aimed to modernize its existing stores to gain new images, enhance convenience, and deliver pleasant shopping experience to achieve the highest customer satisfaction. There were 9 renovated stores situated in the following operational locations: Yasothon branch, Pathum Thani branch, Lamphun branch, Lampang branch, Ban Tat branch in Udon Thani, Udon Thani branch, Kanchanaburi branch, Pran Buri branch in Prachuap Khiri Khan and Phetchabun branch. Hence, as of December 31, 2024, the Company has completed the renovation of 38 existing stores.

Summary of Operating Results

Financial Summary in 2024

Unit: million Baht

Consolidated financial statements	2024	2023	Increase/ (Decrease)	% Change
Sales revenue	32,285.25	32,300.55	(15.3)	(0.05%)
Other income	729.72	713.20	16.52	2.32%
Total revenue	33,014.96	33,013.75	1.21	0.00%
Cost of sales	23,946.37	24,039.99	(93.62)	(0.39%)
Gross profit	8,338.87	8,260.56	78.31	0.95%
Distribution costs & Administrative expenses (excluding Depreciation, Unrealized gain (loss) on exchange rate, and Unrealized gain (loss) on current investments)	4,766.87	4,304.72	462.15	10.74%

Unit: million Baht

Consolidated financial statements	2024	2023	Increase/ (Decrease)	% Change
Depreciation	1,341.81	1,223.12	118.69	9.70%
Unrealized gain (loss) on exchange rate	3.81	(0.31)	4.12	1,342.02%
Net profit before share of profit from investment in joint venture	2,095.85	2,543.16	(447.31)	(17.59%)
Share of profit from investment in joint venture	271.01	134.98	136.03	100.78%
Profit before finance costs and income tax expense	3,216.34	3,580.11	(363.77)	(10.16%)
Finance costs	311.80	281.92	29.88	10.60%
Income tax expense	537.68	620.05	(82.37)	(13.28%)
Net profit	2,366.86	2,678.14	(311.28)	(11.62%)
EBITDA	4,568.89	4,799.51	(230.62)	(4.80%)

The Company's net profit for the year 2024 amounted to Baht 2,366.86 million, a decrease of Baht 311.28 million, or down by 11.26% compared to 2023. When comparing net profit to sales, it was 7.33% of sales, and the key reasons are as follows:

- 1) Total revenue in 2024 was Baht 33,014.96 million, a decrease of Baht 1.21 million or down by 0.00% from 2023. The total revenue consisted of the following details below.
 - Sales revenue amounted to Baht 32,285.25 million, representing a decrease of Baht 15.30 million or down by 0.05%. This was a result of the decline in sales from existing stores, although 7 new stores were opened in 2024.
 - Other income totaled Baht 729.72 million, showing an increase of Baht 16.52 million or up by 2.32%. This was a result of the increase of sales promotion revenues receiving from vendors.
- 2) Gross profit in 2024 equaled to Baht 8,338.87 million, representing 25.83% of sales revenue. This increased by 0.26% from 2023, due to adjustment of House Brand products proportion.
- 3) Distribution costs and administrative expenses in 2024 (excluding depreciation, unrealized gain (loss) on exchange rate, and unrealized gain (loss) on current investment) were Baht 4,766.87 million, an increase of Baht 462.15 million or up by 10.74% from 2023, representing 14.76% of sales. This was from the increase in salaries expenses for 7 newly opened stores.
- 4) Financial costs in 2024 were Baht 311.80 million, which increased by Baht 29.88 million or up by 10.60% from 2023. This was in line with the increase in financial debt to support operations.
- 5) Income tax expense in 2024 amounted to Baht 537.68 million, which decreased by Baht 82.37 million or 13.28% from 2023 as a result of a decrease in Earnings Before Taxes.
- 6) EBITDA in 2024 equaled Baht 4,568.89 million, which decreased from 2023 by Baht 230.62 million or 4.80% because of the decrease in total revenue.

Financial Position Summary

Assets

As of December 31, 2024, the Company had total assets of Baht 39,503.45 million. These assets consisted of cash and cash equivalents of Baht 1,661.20 million; trade and other receivables of Baht 626.72 million; inventory of Baht 13,270.24 million; investment in debt securities of Baht 320.05 million; investment in joint venture of Baht 2,176.80 million; and property, plant and equipment of Baht 19,788.70 million.

The increase in total assets of Baht 259.91 million or 0.66%, since December 31, 2023, were a result of the increase in cash and cash equivalents of Baht 608.49 million and the increase in property, plant and equipment of Baht 484.64 million after opening new stores in 2024. Meanwhile, inventory decreased by Baht 768.13 million, aligning with the Company's policy on inventory management.

Liabilities

As of December 31, 2024, total liabilities remained Baht 14,545.53 million, including short-term loans from financial institutions of Baht 8,612.28 million, trade and other payables of Baht 3,133.82 million, and long-term loans of Baht 1,075.00 million.

Total liabilities decreased by Baht 1,150.80 million or 7.33% since December 31, 2023. This was mainly due to a decrease in long-term loans of Baht 2,195.48 million while short-term loans from financial institutions increased by Baht 986.46 million. Debt to Equity Ratio was at 0.58 times, decreasing from December 31, 2023, due to repayment of long-term loans.

Shareholders' equity

As of December 31, 2024, the Company had total shareholders' equity of Baht 24,957.92 million, an increase of Baht 1,410.71 million or 5.99% from December 31, 2023, mainly because unappropriated retained earnings increased by Baht 1,304.44 million and dividend payments amounted to Baht 872.50 million.

Cash flows

In 2024, the Company's cash flows increased by Baht 608.50 million from last year, which were classified as follows:

- Net cash flow provided by operating activities were Baht 4,423.40 million, which decreased by Baht 1,389.91 million from last year, as profits after adjustment to cash decreased by Baht 346.96 million and income tax expense decreased by Baht 93.28 million. Changes in operating assets and liabilities caused a decrease in cash flows of Baht 1,042.95 million due to the Company's inventory management.
- Net cash flow used in investing activities amounted to Baht 1,370.79 million. The primary purchases were for property, plant, and equipment as part of the store expansion plan, totaling Baht 1,520.41 million, and for investment in debt securities, which increased by Baht 100.00 million. Meanwhile, cash proceeds from sale of investments in debt securities was Baht 120.00 million.
- Net cash flow used in financing activities totaled Baht 2,437.48 million, as a result of long-term loan repayments of Baht 2,195.48 million, dividend payments of Baht 872.50 million, and interest paid of Baht 331.89 million.

Consequently, as of December 31, 2024, the Company's cash and cash equivalents were Baht 1,661.20 million, including current assets of Baht 15,618.29 million and current liabilities of Baht 12,414.26 million. This represented a current ratio of 1.26 times, demonstrating the Company's financial stability and its ability to make debt repayments. The Company also had sufficient short-term and long-term capital sources to operate its business.

Potential Factors to Future Operations and Growth

The Company is well aware of potential risks in the retail sector such as economic uncertainty, intense industry competition, inflation, technological advancements, sustainability trends, and climate change. These play a significant role in shifting consumer behavior, directly affecting the performance and future growth of the Company.

By doing so, to contribute steady and sustainable growth, the Company has utilized its 5 key strategies: Customer Centric, Cost Leadership, Products & Services, Innovation, and Store Expansion, to conduct business as follows:

- **Business growth:** Store Expansion enhances service coverage areas nationwide, at both provincial and district levels, increasing competitiveness and customer reach, while Products & Services are delivered with the best quality to achieve Customer Centric approach with maximum satisfaction.
- **Cost leadership:** The Company has managed costs and operating expenses appropriately and competitively through various initiatives, such as renewable energy from solar rooftops, electric forklifts, and installation of AS/RS (Automated Storage and Retrieval System). Such approaches are cost-saving and eco-friendly.
- **Driving with technology:** Innovation enables the development of various systems to reduce redundant processes, increase operational efficiency, and enhance competitiveness. For example, a Stock Management program has been developed for faster and more accurate inventory counting, which can increase the efficiency of product sales both online and offline.

In addition, the Company has considered creating financial stability by being disciplined in the use of loans and maintaining sufficient cash flow suitable for operations.

Sustainability Performance Development

With a commitment to operate business with consideration for the environment, society, and corporate governance (ESG), the Company's sustainability operations and good corporate governance have received continuous recognition both nationally and internationally, as detailed below:

- The Company has been selected to be included in the "SET ESG Ratings" list for the 4th consecutive year, with an "AA" rating from the 2024 assessment by the Stock Exchange of Thailand.
- The Company has been selected as a member of the S&P Global Sustainability Yearbook 2024 in the Retailing Industry for the first time, by S&P Global Ratings.
- The Company received a Corporate Governance Report (CGR) score of 5 stars or an "Excellent" level in 2024, for the 4th consecutive year, organized by the Thai Institute of Directors Association.
- The Company achieved a perfect score of 100 (5 medals) for the AGM Checklist in 2024, earning "Excellent and Exemplary" status for the 6th consecutive year, organized by the Thai Investors Association.
- The Company has been certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC), demonstrating its commitment to anti-corruption.

In addition, the Company has also received the business excellence awards as follows:

- The Company received the **Thailand's Best Managed Companies 2024** award from Deloitte Thailand. The award is given to corporations that excel in their industry with outstanding management and sustainable growth. The award evaluation is based on four core pillars: strategy, culture and commitment, capabilities and innovation, governance and finance.
- The Company received the **Thailand Digital Excellence Awards 2024** in the End-to-End Customer Experience category, reflecting its success in leveraging digital technology to enhance customer experiences across all touchpoints—from product information search, purchasing, payment, delivery and after-sales service. This award is organized by the Thailand Management Association (TMA).

Please be informed accordingly,

Yours sincerely

(Mr. Witoon Suriyawanakul)

Chief Executive Officer

Siam Global House Public Company Limited