

SWG 035/2566

August 10, 2023

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 30 June 2023 and to explain the causes of performance that is changed more than 20% from the same period last year

To: President
The Stock Exchange of Thailand

SIAM WELLNESS GROUP PUBLIC COMPANY LIMITED (“The Company”) would like to give details of the Management Discussion and Analysis of the financial statements of the Company and subsidiaries for the 3 months period (“2Q23”) ended 30 June 2023 and to explicate the causes of performance that has changed more than 20% from the same period last year. The Company and subsidiaries have the total revenue of 358.48 million baht, an increase of 224.30 million baht from the same period last year (or an increase of 167.18%). The net profit is 60.11 million baht, an increase of 89.38 million baht from the same period last year. Net profit is accounted as 16.87% of sales and services’ revenue. Details as below:

Summary of Quarter 2, 2023

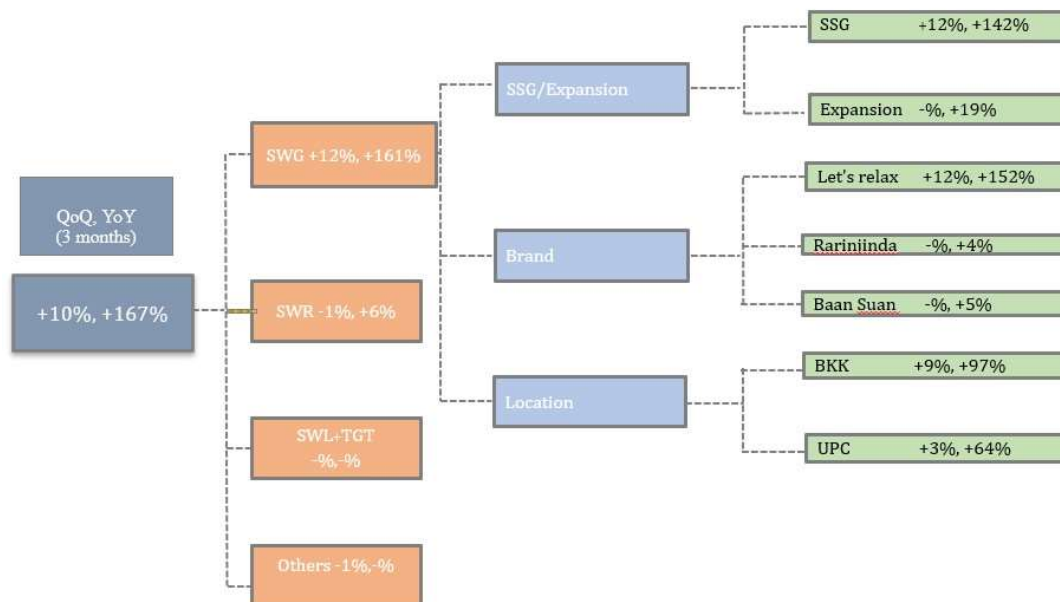
Revenue

The Company and subsidiaries had total revenue in the 2Q23 of 358.48 million baht, an increase of 224.30 million baht from same period last year (or an increase of 167.18%). The big proportion of revenue still come from the spa business, which accounted to 91% of the total revenue. In the normal situation before COVID-19, the 2nd quarter is considered the lowest season of the year, the income is somewhat lower than the 1st quarter and the lowest of the year. However, this year’s 2Q23 revenue is higher than 1Q23. This is mainly from the easing of the COVID-19 epidemic situation around the world, including Thailand with people returning to normal way of living. At the same time, the country has reopened for foreign tourists to enter more conveniently, resulting in recovery of tourism sector and higher proportion of foreign customers from different parts of the World. Moreover, the Chinese Government has eased the lockdown and international departure rules for Chinese tourists, previously Company’s main tourist segment, to travel abroad.

As of 30 June 2023, Company had 68 branches (66 domestic branches and 2 overseas branches). There were 7 new branches opening in 2Q23 and 6 branches closing in the period. As of 30 June 2022, Company had 67 branches (62 domestic branches and 5 overseas branches)

Operating Results						
	Q2'23		Q2'22		Q2'21	Chg (%) 23 vs 22
Revenue from sales and service	356,293		132,412		22,214	169.1%
Other income	2,184		1,761		1,237	24.0%
Total revenues	358,477		134,173		23,451	167.2%
Cost of sales and service	251,794	71%	121,196	92%	74,735	336%
Gross profit	104,499	29%	11,216	8%	(52,521)	(236%)
Selling and administrative expenses	34,807	10%	31,534	24%	27,254	123%
Profit before income tax and finance cost	71,876	20%	(20,318)	(15%)	(78,538)	(354%)
Share of loss from investment in joint venture	210	0%	-	0%	-	0%
Finance cost	12,378	3%	10,829	8%	11,366	51%
Income tax expense (revenue)	(828)	(0%)	(121)	(0%)	(3,049)	(14%)
Net profit (loss) for the year	60,116	17%	(29,265)	(22%)	(86,855)	(391%)
NCI	1	0%	-	0%	-	0%
Net profit for the year attributable to the Company	60,115	17%	(29,265)	(22%)	(86,855)	(391%)

The overall Quarter 2 Revenue increased 167% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 161%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One in Chiang Mai as well as the operator of Rarin Villas and Orb Café (Management Contract), Revenue increased 6%
- Siam Wellness Lab Co.,Ltd (“SWL”) and subsidiary companies, the operator of Spa Products Sale, Revenue is similar to previous year

The SSG Stores Revenue increased 142% compared to previous year, whereas Expansion Stores Revenue increased 19%

In terms of Revenue by Brands, Let’s Relax’s Revenue increased 152%, RarinJinda Wellness Spa’s Revenue increased 4% and Baan Suan Massage’s Revenue increased 5%.

In terms of Revenue by Locations, Bangkok branches' Revenue increased 97% and Upcountry branches' Revenue increased 64%.

Hotel & Restaurant Revenue increased 6%. The Proportion of Hotel & Restaurant Revenue to the Company's Revenue is 4%. Occupancy Rate and Average Room Rate has increase compared YoY.

The Proportion of Spa Product Revenue to the Company's Revenue is 5%, a drop from 11% due to the reopening of Spa Business and no ATK Sales in 2023.

Cost of Sales and Services

In the 2Q23, the Company and subsidiaries had the cost of sales and services of 251.79 million baht, accounting for to 70.67% of sales and services' revenue. This is an increase of 130.60 million baht from the same quarter of the previous year (or an increase of 107.76%). The increase was mainly due to the increase in revenue from the relief of the COVID-19 situation, causing higher variable costs such as therapist labor cost, raw Materials cost, utility cost. In addition, some fixed expenses also increased, such as salary expenses and discount on rentals.

Selling and Administrative Expenses

In the 2Q23, the Company and subsidiaries had the selling and administrative expenses of 47.19 million baht, accounted to 13.24% of the revenue from sales and services. This is an increase of 4.82 million baht from the same period last year (or an increase of 11.38%). The main increase in expenses is from salary expenses. The Company has managed the SG&A quite well.

Net Profit

In the 2Q23, the Company and subsidiaries had the net profit of 60.11 million baht or accounted 16.87% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 89.38 million baht (or an increase of 305.42%) compared to the same period last year. This is a result of from a significant increase in Revenue, as there are both domestic and foreign customers returning to use the service. In addition, the company is able to manage costs and expenses effectively, thereby increase the net profit.

Balance Sheet Summary

Consolidated Financial Statements							(Thousand)	
	2023	C/S	2022	C/S	2021	C/S	change 23 vs 22	%Change 23 vs 22
Assets								
Current assets								
Cash and cash equivalents	180,111	9%	184,903	8%	109,854	5%	(4,792)	(2.59%)
Current investments	4	0%	4	0%	4	0%	-	0.00%
Trade and other receivables	36,896	2%	30,153	1%	15,260	1%	6,743	22.36%
Lease receivable-current portion	54	0%	-	-	-	-	54	-
Share return receivables-current portion	17,481	1%	8,945	0%	9,197	0%	8,536	95.43%
Inventories	39,187	2%	37,794	2%	27,812	1%	1,393	3.69%
Other current assets	12,546	1%	9,932	0%	8,371	0%	2,614	26.32%
Non-current assets classified as held for sales	-	0%	-	0%	32,295	1%	-	-
Total current assets	286,279	14%	271,731	11%	202,793	9%	14,548	5.35%
Non current assets								
Lease receivable-net of current portion	206	0%	-	0%	-	-	206	-
Share return receivables-net of current portion	17,110	1%	31,089	1%	32,192	1%	(13,979)	(44.96%)
Investment in joint venture	4,939	0%	424	0%	-	-	4,515	1,064.86%
Property plant and equipment	990,937	50%	1,030,820	43%	946,642	42%	(39,883)	(3.87%)
Right-of-use assets	569,090	29%	970,788	40%	945,575	42%	(401,698)	(41.38%)
Goodwill	24,536	1%	24,536	1%	24,536	1%	-	0.00%
Intangible assets	6,350	0%	7,244	0%	8,005	0%	(894)	(12.34%)
Deferred tax assets	1,552	0%	905	0%	1,187	0%	647	71.49%
Deposits	76,530	4%	75,984	3%	73,050	3%	546	0.72%
Advance payment for purchase of assets	114	0%	2,988	0%	16,980	1%	(2,874)	(96.18%)
Other non-current assets	2,271	0%	2,593	0%	6,876	0%	(322)	(12.42%)
Total non-current assets	1,693,635	86%	2,147,371	89%	2,055,043	91%	(453,736)	(21.13%)
Total assets	1,979,914	100%	2,419,102	100%	2,257,836	100%	(439,188)	(18.16%)

As of 30 June 2023, The Company and Subsidiaries had a total asset of 1,979.91 million baht, a decrease of 439.19 million baht from 2022 (a decrease of 18.16%) with details as followed:

- Cash and Cash Equivalent is 180.11 million baht, similar to 2022's. The dramatic improvement in operating results provided the company with surplus cash flow to pay off the loan ahead of schedule and to reduce the interest burden that tends to increase. The Company repaid total loans of 357 million baht in 2023, of which Baht 200 million was borrowed from related companies and 170 million baht from surplus cash flow
- Trade and Other Receivables increased from 30.15 million baht to 36.9 million baht (an increase of 22.36%) resulting from normal operating activities such as Credit Terms to Agent and Overseas Franchisee. In the Notes to Financial Statements, there were Trade Receivables due over 12 months total 7.94 million baht. The Company set up Allowance for Doubtful accounts of 8.11 million baht according to Accounting Policy and Management Decision. Debts of Trade Receivables due is under collection process
- Receivable from shares waiting to be repaid in the amount of 17.48 million baht from the sale of shares of Chaba Elegance Company Limited back to the group of existing shareholders. At present, it is in the process of suing the group of existing shareholders to pay for the shares
- Land, Buildings and Equipment are approximately 50% of Total Assets. This is slightly high as Company has been expanding many branches over the past few years. Value of Land, Building and Equipment has decreased from previous year due to Depreciation
- Right of Use Assets is 569.09 million baht or approximately 29% of Total Assets from TFRS16 Adoption in Financial Statements Reporting since 2020

The major event that will have impact on the Operating Result is the restriction of incoming arrivals of foreign tourists, company's main source of customers. An improvement of the COVID-19 epidemic situation around the world and recovery of Thailand's tourism sector, Management believed that the Company has passed the bottom cycle of the epidemic already.

Consolidated Financial Statements								(Thousand)	
	2023	C/S	2022	C/S	2021	C/S	change	%Change	
							23 vs 22	23 vs 22	
Liabilities and shareholders' equity									
Current liabilities									
Trade and other payables	97,273	5%	94,140	4%	37,039	2%	3,133	3.33%	
Current portion of long-term loans	76,676	4%	169,918	7%	114,469	5%	(93,242)	(54.87%)	
Current portion of lease liabilities	145,339	7%	179,702	7%	175,496	8%	(34,363)	(19.12%)	
Income tax payable	1,308	0%	1,765	0%	316	0%	(457)	(25.89%)	
Advance received-current portion	58,717	3%	57,194	2%	45,140	2%	1,523	2.66%	
Other current liabilities	9,650	0%	7,409	0%	1,780	0%	2,241	30.25%	
Total current liabilities	388,963	20%	510,128	21%	374,240	17%	(121,165)	(23.75%)	
Non-current liabilities									
Long-term loans-net of current portion	177,839	9%	441,717	18%	407,166	18%	(263,878)	(59.74%)	
Long-term loans from related parties	200,000	10%		0%		0%	200,000		
Lease liabilities-net of current portion	497,452	10%	863,745	36%	822,644	36%	(366,293)	(42.41%)	
Advance received-net of current portion	488	0%	971	0%	5,989	0%	(483)	(49.74%)	
Provision for long term employee benefits	5,868	0%	5,513	0%	9,951	0%	355	6.44%	
Deferred tax liabilities	10,828	1%	10,870	0%	3,025	0%	(42)	(0.39%)	
Other non-current liabilities	18,898	1%	17,157	1%	16,329	1%	1,741	10.15%	
Total non-current liabilities	911,373	46%	1,339,973	55%	1,265,104	56%	(428,600)	(31.99%)	
Total liabilities	1,300,336	66%	1,850,101	76%	1,639,344	73%	(549,765)	(29.72%)	

As of 30 June 2023, The Company and Subsidiaries had a total liability of 1,300.34 million baht, a decrease of 549.76 million baht (a decrease of 29.72%) with details as followed:

- Trade and Other Payables are 97.27 million baht which is from normal operating activities such as building and decoration expenses, product and raw materials cost, rentals etc.
- Loan from Financial Institutions, both due within 1 year and more than 1 year, is 254.52 million baht. This is the main source of Funds in the event of business expansion or cash imbalance as the interest rate is relatively low compared to other sources which Company deemed appropriate
- Liabilities under the lease agreement, both due within a year and more than 1 year, is 642.79 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020

Consolidated Financial Statements								(Thousand)	
	2023	C/S	2022	C/S	2021	C/S	change 23 vs 22	%Change 23 vs 22	
Share capital									
Registered									
855,000,000 ordinary shares of Baht 0.25 each									
(31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each)	213,750	11%	213,750	9%	213,750	9%	-	0.00%	
Issued and paid-up									
854,999,928 ordinary shares of Baht 0.25 each									
(31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each)	213,750	11%	213,750	9%	213,750	9%	-	0.00%	
Share premium	278,906	14%	278,906	12%	278,906	12%	-	0.00%	
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	(46,226)	-2%	-	0.00%	
Retained earnings									
Appropriated- statutory reserve	17,399	1%	17,399	1%	17,399	1%	-	0.00%	
Unappropriated	90,366	5%	(20,209)	-1%	64,093	3%	110,575	(547.16%)	
Other components of shareholders' equity	125,378	6%	125,378	5%	90,567	4%	-	0.00%	
Equity attributable to shareholders' of the company	679,573	34%	568,998	24%	618,489	27%	110,575	19.43%	
Non-controlling interests of the subsidiaries	5	0%	3	0%	3	0%	2	66.67%	
Total shareholders' equity	679,578	34%	569,001	24%	618,492	27%	110,577	19.43%	
Total liabilities and shareholders' equity	1,979,914	100%	2,419,102	100%	2,257,836	100%	(439,188)	(18.16%)	

As of 30 June 2023, The Company and Subsidiaries had a total equity of 679.58 million baht, an increase of 110.58 million baht (an increase of 19.43%) from the reported net profit.

Cash Flows Summary

As of 30 June 2023, The Company and Subsidiaries had a total cash and cash equivalents of 180.11 million baht, similar to 2022's with major transactions as followed:

- Withdrawal of Loan for a new project opening in 2023 total 10 million baht and from related company total 200 million baht
- Payment for a new project opening in 2023 total 12 million baht
- Payment for Normal Operating Activities

The Company is confident that the Company has sufficient cash on hand for debt repayment and operating activities within a year without any major event.

Key Financial Ratio

Ratio	Q2'23	2022	2021
Liquidity Ratio			
Current Ratio	0.74	0.53	0.54
Receivable turnover	10.63	31.33	9.05
Collection period (Days)	9	11	40
Inventory turnover	0.54	1.74	0.78
Holding period (Days)	170	207	460

- 2Q23 Current Ratio is 0.74, slight improvement from 2022's. Liabilities under lease agreement due within 1 year is 145.34 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude this, a ration is 1.18
- Receivable Turnover and Collection Period decreased from 15 days to 9 days as the majority of customers are retail customers with no credit terms. Urgent Revenue Collections also applied

- Inventory Turnover and Holding Period in 2Q23 is lower due to the sale and promotion of spa products through retail and online channels

Ratio	Q2'23	2022	2021
Profitability Ratio			
Gross Profit Margin	29.33%	11.31%	-90.03%
Net profit Margin	16.87%	-12.38%	-171.06%
Return on Asset	5.32%	-3.76%	-11.73%
Return on Equity	18.05%	-14.83%	-37.63%

- Profitability Ratio improved compared to previous year as a result of continued reporting Net Profit since 4Q22
- Gross Profit Margin returned to positive from improved Company performance

Ratio	Q2'23	2022	2021
Debt Management Ratio			
Debt to Equity Ratio	1.90	3.25	2.65
Interest coverage Ratio	3.81	(2.77)	(7.29)

- 2Q23 Debt to Equity Ratio is 1.90, a decrease from 3.25 from previous year. The decrease is a result of loan payoff ahead of the schedule and lower lease liability within 1 year of expiry after the adoption of TFRS16 Rental Contracts since 2020 from rental negotiation. If exclude this, the Debt to Equity Ratio is 0.97 which is within range that the Company maintains of 1.0 which still allow Company to borrow. The Company is confident that the Company has sufficient cash on hand if there are no significant event that impact the business operations.
- 2Q23 Interest Coverage Ratio is 3.81, an improvement compared to previous year from reported Net profit

Significant Events in 2Q23

- As of 30 June 2023, Company had 68 branches (66 domestic branches and 2 overseas branches). There were 7 new branches opening in 2Q23 and 6 branches closing in the period. As of 30 June 2022, Company had 67 branches (62 domestic branches and 5 overseas branches)
- An improved COVID-19 epidemic situation around the world, including Thailand along with international travel allowing foreign tourists to enter Thailand more conveniently, resulting in recovery of tourism sector and higher proportion of foreign customers. Moreover, the Chinese Government has eased the lockdown and international departure rules for Chinese tourists, previously Company's main tourist segment, to travel abroad. These resulted in significant improved in Company's Performance along with improved Cash Flow from Operations, thereby Company has repaid some loan before the deadline
- The second quarter was considered the lowest season of the year. This year, the company was able to grow continuously. The management, therefore, believes that the company strong performance is expected

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited