

SWG 127/2565

November 9, 2022

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for Year 2022 ended 30 September 2022 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 Year 2022 ended 30 September 2022 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 197.91 million baht, an increase of 183.05 million baht from the same period last year (or an increase of 1,232.19%). The net loss is 14.98 million baht, a decrease of 62.87 million baht from the same period last year. Net loss is accounted as 7.65 % of sales and services’ revenue. Details as below:

Summary of Quarter 3, 2022

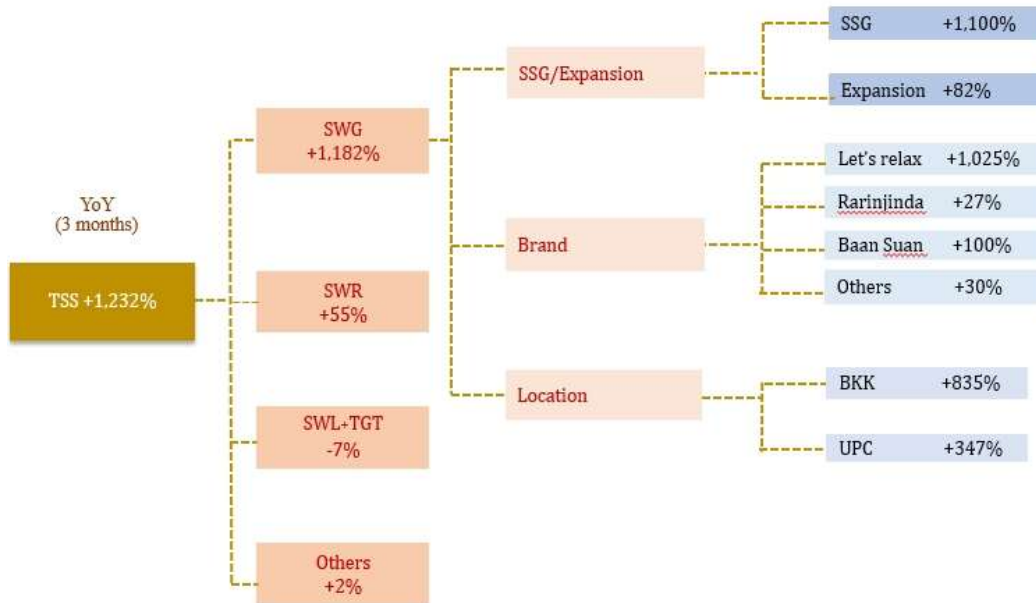
Revenue

The Company and subsidiaries had total revenue in the 3Q22 of 197.91 million baht, an increase of 183.05 million baht from same period last year (or an increase of 1,232.19%). 89% of total revenue is from a spa business. A significant increase in Revenue is from the easing of the COVID-19 epidemic situation around the world, including Thailand. This makes Thai customers more confident in coming back to use the service. At the same time, the country has reopened for foreign tourists to enter more conveniently, resulting in higher proportion of foreign customers. The new international customer groups include the Middle East, Europe and India, etc.

As of 30 September 2022, Company has 69 branches (64 domestic branches and 5 overseas branches). There were 4 new branch openings and 5 branch closures. As of 30 September 2021, Company had 70 branches (65 domestic branches and 5 overseas branches)

(Thousands Baht)							
Operating Results							
	Q3'22		Q3'21		Q3'20	Chg (%) 22 vs 21	Chg (%) 21 vs 20
Revenue from sales and service	195,808		13,038		76,235	1,402%	(83%)
Other income	2,102		1,818		527	16%	245%
Total revenues	197,910	0%	14,856	0%	76,762	1,232%	(81%)
Cost of sales and service	167,901	86%	55,779	428%	97,806	128%	(43%)
Gross profit	27,907	14%	(42,741)	(328%)	(21,571)	(28%)	(165%)
Selling and administrative expenses	32,500	17%	28,131	216%	30,366	40%	(7%)
Profit before income tax and finance cost	(4,593)	(2%)	(70,872)	(544%)	(51,410)	(67%)	(94%)
Finance cost	13,667	7%	10,964	84%	2,728	4%	25%
Income tax expense (revenue)	(1,174)	(1%)	(2,164)	(17%)	813	1%	(46%)
Net profit (loss) for the year	(14,984)	(8%)	(77,854)	(597%)	(54,951)	(72%)	(81%)
NCI	-	0%	1	0%	-	0%	0%
Net profit for the year attributable to the Company	(14,984)	(8%)	(77,853)	(597%)	(54,951)	(72%)	(81%)

The overall Quarter 3 Revenue increased 1,232% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 1,182%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One in Chiang Mai, Revenue increased 55% as a result of higher Occupancy Rate and Average Daily Rate
- Siam Wellness Lab Co.,Ltd (“SWL”) and subsidiary companies, the operator of Spa Products Sale, Revenue dropped 7 %
- Other Revenue increased 2%

The SSG Stores Revenue increased 1,100% compared to previous year, where as Expansion Stores Revenue increased 82%

In terms of Revenue by Brand, Let’s Relax’s Revenue increased 1,025%, RarinJinda Wellness Spa’s Revenue increased 27% and Baan Suan Massage’s Revenue increased 100%

In terms of Revenue by Locations, Bangkok branches’ Revenue increased 835% and Upcountry branches’ Revenue increased 347%.

Cost of Sales and Services

In the 3Q22, the Company and subsidiaries had the cost of sales and services of 167.90 million baht, accounting for to 85.75% of sales and services' revenue. This is an increase of 112.12 million baht from the same quarter of the previous year (or an increase of 201.01%). 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 and other service cost. In addition, some fixed expenses also increased, such as salary expenses, rental expenses (the revenue sharing basis). With improved situation, rental discount is lower. However, the company rebounded with positive gross profit.

Selling and Administrative Expenses

In the 3Q22, the Company and subsidiaries had the selling and administrative expenses of 46.17 million baht, accounted to 23.58% of the revenue from sales and services. This is an increase of 7.07 million baht from the same period last year (or an increase of 18.09%). This is mainly from the increase in interest payment (Loan during 2020-2021) and higher fixed costs. However, the increase of selling and administrative expenses is relatively less than the increase in Revenue, therefore the ratio of selling and administrative expenses is lower compared to last year.

Net Loss

In the 3Q22, the Company and subsidiaries had the net loss of 14.98 million baht or accounted 7.65% of the revenue from sales and services. The net loss of the Company and subsidiaries decreased 62.87 million baht (or a decrease of 80.75%) compared to the same period last year. This is a result of the relief of the COVID-19 situation and the reopening of Thailand to welcome tourists (more relaxing measures).

Balance Sheet Summary

Consolidated Financial Statements						
(Thousand Baht)						
	Q3'22	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21
Assets						
Current assets						
Cash and cash equivalents	131,270	6%	109,854	5%	21,416	19.49%
Current investments	4	0%	4	0%	-	0%
Trade and other receivables	18,724	1%	15,260	1%	3,464	22.70%
Share return receivables-current portion	9,007	0%	9,197	0%	(190)	(2%)
Inventories	30,590	1%	27,812	1%	2,778	10%
Other current assets	8,829	0%	8,371	0%	458	5%
Non-current assets classified as held for sales	32,295	1%	32,295	1%	-	0%
Total current assets	230,719	10%	202,793	9%	27,926	14%
Non current assets						
Restricted deposits of financial institution	-	0%	-	0%	-	#DIV/0!
Share return receivables-net of current portion	31,307	1%	32,192	1%	(885)	(3%)
Property plant and equipment	970,735	41%	946,642	42%	24,093	3%
Right-of-use assets	1,032,851	43%	945,575	42%	87,276	9%
Goodwill	24,536	1%	24,536	1%	-	0%
Intangible assets	6,717	0%	8,005	0%	(1,288)	(16%)
Deferred tax assets	1,406	0%	1,187	0%	219	18%
Deposits	72,238	3%	73,050	3%	(812)	(1%)
Advance payment for purchase of assets	1,108	0%	16,980	1%	(15,872)	(93%)
Other non-current assets	3,555	0%	6,876	0%	(3,321)	(48%)
Total non-current assets	2,144,453	90%	2,055,043	91%	89,410	4%
Total assets	2,375,172	100%	2,257,836	100%	117,336	5.20%

As of 30 September 2022, The Company and Subsidiaries had a total asset of 2,375.17 million baht, an increase of 117.34 million baht from 2021 (an increase of 5.20%) with details as followed:

- Cash and Cash Equivalent slightly increased from 109.85 million baht to 131.27 million baht (an increase of 19.49%) as a result from company's better performance and cash flows from Operations. Cash Flows from Operations rebounded positive since April 2022. There is an additional Loan of 75 million baht and branch investment of 90 million baht
- Trade and Other Receivables slightly increased from 15.26 million baht to 18.72 million baht (an increase of 22.70%) resulting from normal operating activities such as Credit Terms to Agent and Franchisee. Urgent Collection is on process. In the Appendix, there were Trade Receivables due over 12 months total 8.82 million baht. The Company set up Allowance for Doubtful accounts under Management's discretion. Debts of Trade Receivables over 3 months due is under urgent collection process
- Receivable from shares waiting to be repaid in the amount of 9.0 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.
- Non-Current Asset held for Sale is 32.29 million baht from Company's Property on sale
- Land, Buildings and Equipment are approximately 41% 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 slightly increased from branch expansion and depreciation

- Right of Use Assets is 1,032.85 million baht or approximately 43% 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 probability of incoming arrivals of foreign tourists, company's main source of customers, in the coming months. The Company has mitigated this risk by expand into new related business to attract Thai customers and add online channels for the spa products. The Company also give importance in maintaining its cash flow during this crisis, sufficient for debt repayment and operating activities around 1 year and has adjusted Company Scenarios to correlate with the ongoing epidemic.

Consolidated Financial Statements						
(Thousand Baht)						
	Q3'22	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	77,964	3%	37,039	2%	40,925	110%
Current portion of long-term loans	121,441	5%	114,469	5%	6,972	6%
Current portion of lease liabilities	180,918	8%	175,496	8%	5,422	3%
Income tax payable	1,722	0%	316	0%	1,406	445%
Advance received-current portion	48,241	2%	45,140	2%	3,101	7%
Other current liabilities	5,081	0%	1,780	0%	3,301	185%
Total current liabilities	435,367	18%	374,240	17%	61,127	16%
Non-current liabilities						
Long-term loans-net of current portion	475,194	20%	407,166	18%	68,028	17%
Lease liabilities-net of current portion	916,219	39%	822,644	36%	93,575	11%
Advance received-net of current portion	3,604	0%	5,989	0%	(2,385)	(40%)
Provision for long term employee benefits	9,963	0%	9,951	0%	12	0%
Deferred tax liabilities	2,673	0%	3,025	0%	(352)	(12%)
Other non-current liabilities	15,345	1%	16,329	1%	(984)	(6%)
Total non-current liabilities	1,422,998	60%	1,265,104	56%	157,894	12%
Total liabilities	1,858,365	78%	1,639,344	73%	219,021	13.36%

As of 30 September 2022, The Company and Subsidiaries had a total liabilities of 1,858.36 million baht, an increase of 219.02 million baht (an increase of 13.36%) with details as followed:

- Trade and Other Payables are 40.93 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 596.64 million baht. It 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 1,097.14 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020

Consolidated Financial Statements						
(Thousand Baht)						
	Q3'22	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21
Share capital	1,097,137		998,140		98,997	9.92%
Registered						
855,000,000 ordinary shares of Baht 0.25 each						
(31 December 2019: 570,000,000 ordinary shares of Baht	213,750	9%	213,750	9%	-	0%
Issued and paid-up						
854,999,928 ordinary shares of Baht 0.25 each						
(31 December 2019: 570,000,000 ordinary shares of Baht	213,750	9%	213,750	9%	-	0%
Share premium	278,906	12%	278,906	12%	-	0%
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	-	0%
Retained earnings						
Appropriated- statutory reserve	17,399	1%	17,399	1%	-	0%
Unappropriated	(37,592)	-2%	64,093	3%	(101,685)	(159%)
Other components of shareholders' equity	90,567	4%	90,567	4%	-	0%
Equity attributable to shareholders' of the company	516,804	22%	618,489	27%	(101,685)	(16%)
Non-controlling interests of the subsidiaries	3	0%	3	0%	-	0%
Total shareholders' equity	516,807	22%	618,492	27%	(101,685)	(16.44%)
Total liabilities and shareholders' equity	2,375,172	100%	2,257,836	100%	117,336	5%

As of 30 September 2022, The Company and Subsidiaries had a total equity of 516.81 million baht, a decrease of 101.68 million baht (a decrease of 16.44%) from the reported net loss.

Cash Flows Summary

As of 30 September 2022, The Company and Subsidiaries had a total cash and cash equivalents of 131.27 million baht, an increase of 21.42 million baht (an increase of 19.49%) with major transactions as followed:

- Granting of Soft Loan from Financial Institutions 75 million baht for branch expansion
- Improved Company's Performance and 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	Q3'22	2021	2020
Liquidity Ratio			
Current Ratio	0.53	0.54	0.64
Receivable turnover	11.52	9.05	14.47
Collection period (Days)	8	40	25
Inventory turnover	0.33	0.78	0.86
Holding period (Days)	278	460	417

- 3Q22 Current Ratio is 0.53, close to 2021's. Liabilities under lease agreement due within 1 year is 180.92 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude this, the current ration is 0.91
- Receivable Turnover and Collection Period decreased from 2021's as a result of the relief of COVID-19 situation and Urgent Collection process policy
- Inventory Turnover and Holding Period in 3Q22 is slightly lower due to the branch reopenings resulting better utilization of inventory

Ratio	Q3'22	2021	2020
Profitability Ratio			
Gross Profit Margin	14.25%	-90.03%	-18.68%
Net profit Margin	-7.65%	-171.06%	-48.98%
Return on Asset	-6.30%	-11.73%	-10.08%
Return on Equity	-25.00%	-37.63%	-21.00%

- Profitability Ratio has significantly improved as a result of branch reopenings with higher revenue from both local and foreign customers (Thailand reopening)

Ratio	Q3'22	2021	2020
Debt Management Ratio			
Debt to Equity Ratio	3.60	2.65	1.91
Interest coverage Ratio	(2.01)	(7.29)	(10.63)

- 3Q22 Debt to Equity Ratio is 3.6 increased from 2.65 from previous year. The big increase is a result of lease liability within 1 year of expiry total 1,097.14 million baht after the adoption of TFRS16 Rental Contracts since 2020. If exclude this, the Debt to Equity Ratio is 1.47. The Company is confident that the Company has the ability to Loan and has sufficient cash on hand if there are no significant event that impact the business operations.
- 3Q22 Interest Coverage Ratio is -2.01 as a result of reported Net Loss in 3Q22.

Significant Events in 3Q22

- The relief of COVID-19 epidemic in the World, including Thailand, increase in local customer's confidence and the reopening of Thailand for foreigners to travel to Thailand with measures that are easily accessible allows the spa business to be fully open again. In addition, acquisition of new tourist target such as Middle East, India and Europe, resulted in continuous improvement in operating results, Gross Profit margin (rebounded positive) and Net Profit (lower Net Loss).
- Improved Company's Performance and Cash Flows from Operations
- As of 30 September 2022, Company had 69 branches (64 domestic branches and 5 overseas branches). There were 4 new branch openings and 5 branch closures. As of 30 September 2021, Company had 70 branches (65 domestic branches and 5 overseas branches)

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited