

SWG 045/2567

August 9, 2024

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 30 June 2024 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 (“2Q24”) ended 30 June 2024 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 391.62 million baht, an increase of 33.14 million baht from the same period last year (or an increase of 9.25%). The net profit is 61.63 million baht, an increase of 1.51 million baht from the same period last year. Net profit is accounted as 16.12% of sales and services’ revenue. Details as below:

Summary of Quarter 2, 2024

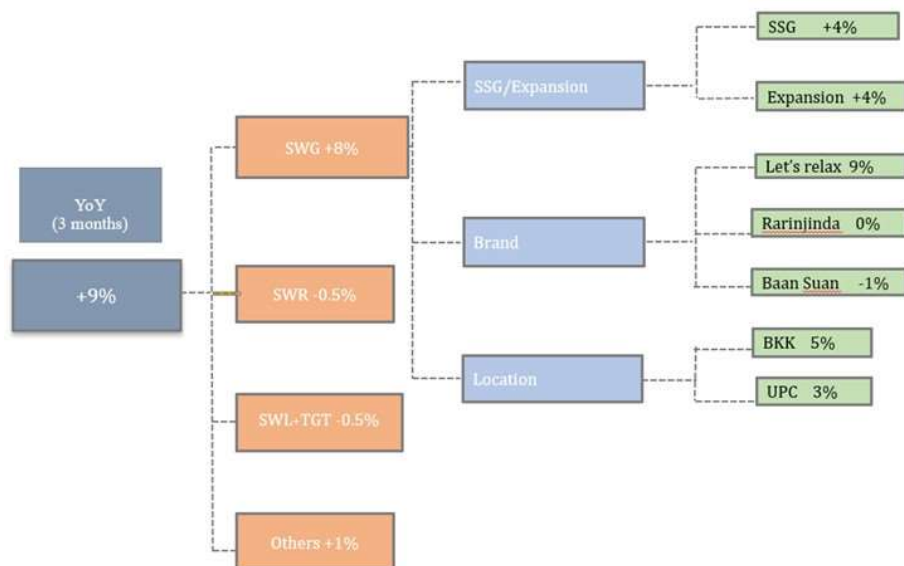
Revenue

The Company and subsidiaries had total revenue in the 2Q24 of 391.62 million baht, an increase of 33.14 million baht from same period last year (or an increase of 9.25%). 91% of revenues is from spa businesses.

As of 30 June 2024, Company had 72 branches (70 domestic branches and 2 overseas branches). There were 4 new branches opening and 2 branches closing in the period. As of 30 June 2023, Company had 70 branches (68 domestic branches and 2 overseas branches)

(Thousands Baht)							
Operating Results							
	Q2'24		Q2'23		Q2'22	Chg (%)	Chg (%)
						24 vs 23	23 vs 22
Revenue from sales and service	382,251		356,293		132,412	7.3%	169.1%
Other income	9,368		2,184		1,761	328.9%	24.0%
Total revenues	391,619		358,477		134,173	9.2%	167.2%
Cost of sales and service	267,821	70%	251,794	71%	121,196	92%	107.8%
Gross profit	114,430	30%	104,499	29%	11,216	8%	831.7%
Selling and administrative expenses	39,987	10%	34,807	10%	31,534	24%	10.4%
Profit before income tax and finance cost	74,443	19%	71,876	20%	(20,318)	(15%)	(453.8%)
Share of loss from investment in joint venture	219	0%	210	0%	-	0%	0.0%
Finance cost	7,555	2%	12,378	3%	10,829	8%	(39.0%)
Income tax expense (revenue)	14,412	4%	(828)	(0%)	(121)	(0%)	(1,840.6%)
Net profit (loss) for the year	61,625	16%	60,116	17%	(29,265)	(22%)	(305.4%)
NCI	-	0%	1	0%	-	0%	(100.0%)
Net profit for the year attributable to the Company	61,625	16%	60,115	17%	(29,265)	(22%)	(305.4%)

The overall Quarter 2 Revenue increased 9.25% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 8%
- 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 decreased 0.5%
- Siam Wellness Lab Co.,Ltd (“SWL”) and subsidiary companies, the operator of Spa Products Sale, Revenue decreased 0.5%

The SSG and Expansion Stores Revenue increased 4% compared to previous year

In terms of Revenue by Brands, Let’s Relax’s Revenue increased 9% and Baan Suan Massage’s Revenue decreased 1%

In terms of Revenue by Locations, Bangkok branches’ Revenue increased 5% and Upcountry branches’ Revenue increased 3%

Hotel & Restaurant Revenue slightly decreased. The Proportion of Hotel & Restaurant Revenue to the Company’s Revenue is 3%.

The Proportion of Spa Product Revenue to the Company’s Revenue is 4%

Cost of Sales and Services

In the 2Q24, the Company and subsidiaries had the cost of sales and services of 267.82 million baht, accounting for to 70.06% of sales and services’ revenue. This is an increase of 16.03 million baht from the same quarter of the previous year

(or an increase of 6.37%). The increase was mainly due to the increase in revenue 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.

Selling and Administrative Expenses

In the 2Q24, the Company and subsidiaries had the selling and administrative expenses of 47.54 million baht, accounted to 12.44% of the revenue from sales and services. This is an increase of 0.36 million baht from the same period last year (or an increase of 0.76%). The main increase in expenses is from salary expenses. The Company has managed the SG&A quite well while the interest expenses are reduced from repay loans before the due date.

Net Profit

In the 2Q24, the Company and subsidiaries had the net profit of 61.63 million baht or accounted 16.12% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 1.51 million baht (or an increase of 2.51%) compared to the same period last year. The proportion of profit increase is less than revenue, as in 2024, the company started recording corporate income tax of 14.41 million baht in the second quarter. If this tax was not accounted for, the net profit would be 76.04 million baht, reflecting a 28.25% increase in net profit margin compared to 2023, during which the company still had accumulated losses from the COVID-19 pandemic situation.

Balance Sheet Summary

Consolidated Financial Statements						
					(Thousand)	
	2024	C/S	2023	C/S	change	%Change
					24 vs 23	24 vs 23
Assets						
Current assets						
Cash and cash equivalents	261,766	14%	252,305	13%	9,461	3.75%
Trade and other receivables	28,711	1%	29,580	1%	(869)	(2.94%)
Lease receivable-current portion	0	0%	55	0%	(55)	(100.00%)
Share return receivables-current portion	20,000	1%	26,295	1%	(6,295)	(23.94%)
Inventories	46,684	2%	43,076	2%	3,608	8.38%
Other current assets	21,358	1%	12,084	1%	9,274	76.75%
Total current assets	378,519	20%	363,395	18%	15,124	4.16%
Non current assets						
Lease receivable-net of current portion	0	0%	178	0%	(178)	(100.00%)
Share return receivables-net of current portion	9,342	0%	8,526	0%	816	9.57%
Investment in joint venture	3,531	0%	4,196	0%	(665)	(15.85%)
Property plant and equipment	926,347	48%	953,806	48%	(27,459)	(2.88%)
Right-of-use assets	441,487	23%	470,937	24%	(29,450)	(6.25%)
Goodwill	24,536	1%	24,536	1%	-	0.00%
Intangible assets	6,224	0%	5,627	0%	597	10.61%
Deferred tax assets	14,041	1%	46,523	2%	(32,482)	(69.82%)
Deposits	81,057	4%	80,916	4%	141	0.17%
Advance payment for purchase of assets	34,781	2%	10,998	1%	23,783	216.25%
Other non-current assets	2,980	0%	3,380	0%	(400)	(11.83%)
Total non-current assets	1,544,326	80%	1,609,623	82%	(65,297)	(4.06%)
Total assets	1,922,845	100%	1,973,018	100%	(50,173)	(2.54%)

As of 30 June 2024, The Company and Subsidiaries had a total asset of 1,922.85 million baht, a decrease of 50.17 million baht from 2023 (a decrease of 2.54%) with details as followed:

- Cash and Cash Equivalent is 261.77 million baht, an increase of 9.46 million baht. This is from the company's performance, surplus cash flow was used to repay loans before the due date to reduce interest expenses.
- Trade and Other Receivables decreased from 29.58 million baht to 28.71 million baht (a decrease of 2.94%) resulting from normal operating activities such as Credit Terms to Agent and Overseas Franchisee. In the Appendix, there were Trade Receivables due over 12 months total 8 million baht. Debts of Trade Receivables due is under collection process. The Company set up Allowance for Doubtful accounts for those amount according to Accounting Policy and Management Decision.
- Receivable from shares waiting to be repaid in the amount of 29.34 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 48% 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 441.49 million baht or approximately 23% of Total Assets from TFRS16 Adoption in Financial Statements Reporting since 2020

Key events that significantly affect the company's financial position or future operations are:

1. The inability of foreign tourists, who are the company's main customers, to use the services. Therefore, the company has strategized to expand its Thai customer base, as well as attract new foreign nationalities, to mitigate risk.
2. The company emphasizes the importance of cash flow management by ensuring it is sufficient for operations and repaying loans when cash is available to reduce interest expenses.

Consolidated Financial Statements						
						(Thousand)
				change	%Change	
	2024	C/S	2023	C/S	24 vs 23	24 vs 23
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	93,755	5%	123,699	6%	(29,944)	(24.21%)
Current portion of long-term loans	41,244	2%	42,744	2%	(1,500)	(3.51%)
Current portion of lease liabilities	137,525	7%	142,926	7%	(5,401)	(3.78%)
Income tax payable	0	0%	458	0%	(458)	(100.00%)
Advance received-current portion	54,752	3%	55,902	3%	(1,150)	(2.06%)
Other current liabilities	11,148	1%	9,822	0%	1,326	13.50%
Total current liabilities	338,424	18%	375,551	19%	(37,127)	(9.89%)
Non-current liabilities						
Long-term loans-net of current portion	50,330	3%	70,952	4%	(20,622)	(29.06%)
Long-term loans from related parties	100,000	5%	200,000	10%	(100,000)	(50.00%)
Lease liabilities-net of current portion	381,920	20%	400,793	10%	(18,873)	(4.71%)
		0%				
Advance received-net of current portion	-	0%	-	0%	-	
Provision for long term employee benefits	4,839	0%	5,010	0%	(171)	(3.41%)
Deferred tax liabilities	0	0%	-	0%	-	
Other non- current liabilities	22,479	1%	19,573	1%	2,906	14.85%
Total non-current liabilities	559,568	29%	696,328	35%	(136,760)	(19.64%)
Total liabilities	897,992	47%	1,071,879	54%	(173,887)	(16.22%)

As of 30 June 2024, The Company and Subsidiaries had total liabilities of 897.99 million baht, a decrease of 173.89 million baht (a decrease of 16.22%) with details as followed:

- Trade and Other Payables are 93.76 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 91.57 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 519.45 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020

Consolidated Financial Statements						
						(Thousand)
				change	%Change	
	2024	C/S	2023	C/S	24 vs 23	24 vs 23
Share capital						
Registered						
1,282,499,928 ordinary shares of Baht 0.25 each (2023: 855,000,000 ordinary shares of Baht 0.25 each)	320,625	17%	213,750	11%	106,875	50.00%
Issued and paid-up						
1,282,499,124 ordinary shares of Baht 0.25 each (2023: 854,999,928 ordinary shares of Baht 0.25 each)	320,625	17%	213,750	11%	106,875	50.00%
Share premium	278,906	15%	278,906	14%	-	0.00%
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	-	0.00%
Retained earnings						
Appropriated- statutory reserve	21,375	1%	21,375	1%	-	0.00%
Unappropriated	324,792	17%	307,949	16%	16,843	5.47%
Other components of shareholders' equity	125,378	7%	125,378	6%	-	0.00%
Equity attributable to shareholders' of the company	1,024,850	53%	901,132	46%	123,718	13.73%
Non-controlling interests of the subsidiaries	3	0%	7	0%	(4)	(57.14%)
Total shareholders' equity	1,024,853	53%	901,139	46%	123,714	13.73%

As of 30 June 2024, The Company and Subsidiaries had a total equity of 1,024.85 million baht, an increase of 123.74 million baht (an increase of 13.73%) from the reported net profit deducted by dividend.

Cash Flows Summary

As of 30 June 2024, The Company and Subsidiaries had a total cash and cash equivalents of 261.77 million baht with major transactions as followed:

- Improved Cash flow from Operations from Improved Performance
- Loan and Interest repayment to Financial Institutions and Related Entities total 221 million baht
- Payment for Branch Expansion
- Payment for Normal Operating Activities

Key Financial Ratio

Ratio	Q2'24	Q1'24	2023	2022
Liquidity Ratio				
Current Ratio	1.12	1.00	0.97	0.53
Receivable turnover	13.12	12.68	48.42	31.33
Collection period (Days)	7	7	7	11
Inventory turnover	0.36	0.36	1.64	1.74
Holding period (Days)	256	254	220	207

- 2Q24 Current Ratio is 1.12, slight improvement from 2023's. Liabilities under lease agreement due within 1 year is 137.53 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude this, the current ratio is 1.88
- Receivable Turnover and Collection Period is approximately 7 days, similar to previous period
- Inventory Turnover and Holding Period in 2Q24 is slightly higher from previous period due to Goods order for Service which is slightly higher than Goods order for Sale

Ratio	Q2'24	Q1'24	2023	2022
Profitability Ratio				
Gross Profit Margin	29.94%	33.44%	30.15%	11.31%
Net profit Margin	16.12%	18.78%	22.97%	-12.38%
Return on Asset	18.30%	17.83%	15.12%	-3.76%
Return on Equity	41.91%	44.61%	45.18%	-14.83%

- Profitability Ratio slightly decreased from previous period due to Q2 being Low Season and in 2024, the company started recording corporate income tax (The previous year, the company still had accumulated losses from the COVID-19 pandemic situation)
- Gross Profit Margin slightly decreased from the additional expenses such as wages

Ratio	Q2'24	Q1'24	2023	2022
Debt Management Ratio				
Debt to Equity Ratio	0.88	0.96	1.41	3.25
Interest coverage Ratio	9.06	10.18	7.40	(2.77)

- 2Q24 Debt to Equity Ratio is 0.88, a decrease from 1.41 from previous year. The decrease is a result of loan repayment before the due date 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 0.37. The Company is confident that the Company has sufficient cash on hand if there are no significant event that impact the business operations.
- 2Q24 Interest Coverage Ratio is 9.06, a slight decreased from Lower reported Net profit

Significant Events in 2Q24

- The company's performance improved compared to the previous year, along with efficient cost management. However, the net profit margin increased less than the overall revenue due to the company starting to record corporate income tax. Excluding this item, the growth would be considered strong compared to the previous year.
- The company's liquidity and operating cash flow have improved, leading to the expansion of more branches in 2024 and the use of surplus cash flow to repay long-term loans to reduce financial costs.
- As of 30 June 2024, Company had 72 branches (70 domestic branches and 2 overseas branches). There were 4 new branches opening and 2 branches closing in the period. As of 30 June 2023, Company had 70 branches (68 domestic branches and 2 overseas branches)

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited