

SWG 059/2566

November 10, 2023

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for Year 2023 ended 30 September 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 Year 2023 ended 30 September 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 389.04 million baht, an increase of 191.13 million baht from the same period last year (or an increase of 96.57%). The net profit is 81.50 million baht, an increase of 96.48 million baht from the same period last year. Net profit is accounted as 21.23 % of sales and services’ revenue. Details as below:

Summary of Quarter 3, 2023

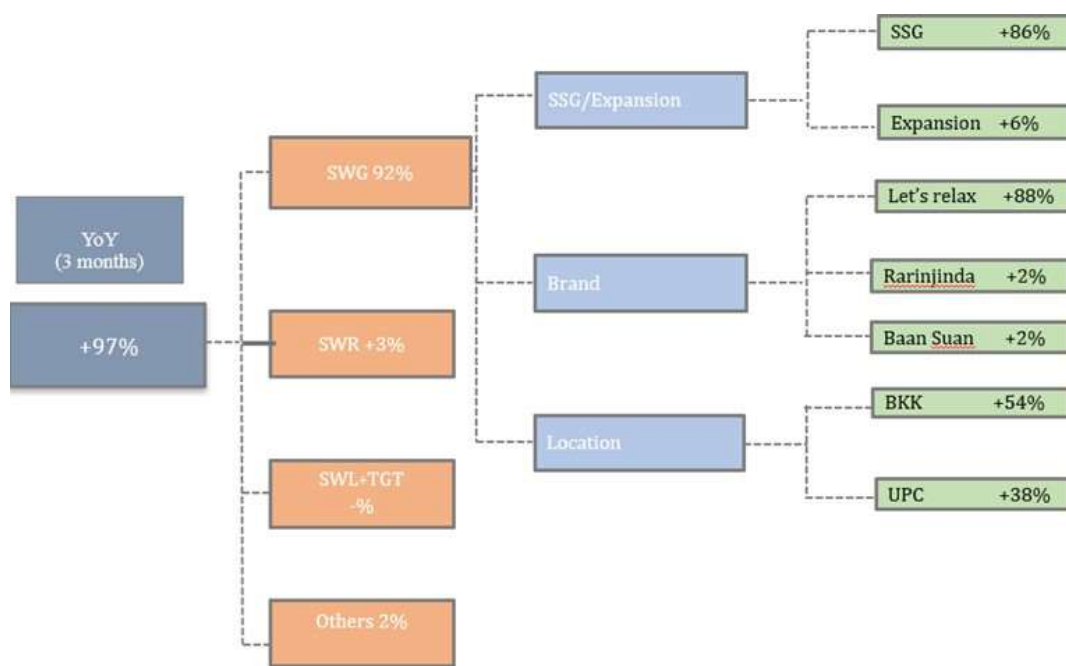
Revenue

The Company and subsidiaries had total revenue in the 3Q23 of 389.04 million baht, an increase of 191.13 million baht from same period last year (or an increase of 96.57%). Spa Business contributed to 91% of Total Revenue. A significant increase in Revenue is from the easing of the COVID-19 epidemic situation around the world, including Thailand and tourists, especially Chinese Tourist. The new international customer groups include the Middle East, Europe and India, etc.

As of 30 September 2023, Company has 70 branches (68 domestic branches and 2 overseas branches). There were 6 new branch openings of Let’s Relax, 1 new branch opening of Stretch me Clinic and 3 branch closures of domestic branches and 3 branches in Cambodia (Franchise). As of 30 September 2022, Company had 69 branches (64 domestic branches and 5 overseas branches)

(Thousands Baht)							
Operating Results							
	Q3'23		Q3'22		Q2'21		Chg (%)
							23 vs 22
							22 vs 21
Revenue from sales and service	383,814		195,808		13,038		96.0%
Other income	5,222		2,102		1,818		148.4%
Total revenues	389,036		197,910		14,856		96.6%
Cost of sales and service	261,039	68%	167,901	86%	55,779	428%	55.5%
Gross profit	122,775	32%	27,907	14%	(42,741)	(328%)	339.9%
Selling and administrative expenses	36,177	9%	32,500	17%	28,131	216%	11.3%
Profit before income tax and finance cost	91,820	24%	(4,593)	(2%)	(70,872)	(544%)	(2,099.1%)
Share of loss from investment in joint venture	257	0%	-	0%	-	0%	0.0%
Finance cost	10,107	3%	13,667	7%	10,964	84%	(26.0%)
Income tax expense (revenue)	(43)	(0%)	(1,174)	(1%)	(2,164)	(17%)	(96.3%)
Net profit (loss) for the year	81,499	21%	(14,984)	(8%)	(77,854)	(597%)	(643.9%)
NCI	1	0%	-	0%	1	0%	0.0%
Net profit for the year attributable to the Company	81,498	21%	(14,984)	(8%)	(77,853)	(597%)	(643.9%)

The overall Quarter 3 Revenue increased 97% as specified:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 92%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One in Chiang Mai, Revenue increased 3% 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 is similar to previous period
- Other Revenue increased 2%

The SSG Stores Revenue increased 86% compared to previous year, where as Expansion Stores Revenue increased 6%

In terms of Revenue by Brand, Let’s Relax’s Revenue increased 88%, RarinJinda Wellness Spa’s Revenue increased 2% and Baan Suan Massage’s Revenue increased 2%

In terms of Revenue by Locations, Bangkok branches' Revenue increased 54% and Upcountry branches' Revenue increased 38%.

Cost of Sales and Services

In the 3Q23, the Company and subsidiaries had the cost of sales and services of 261.04 million baht, accounting for to 68.01% of sales and services' revenue. This is an increase of 93.14 million baht from the same quarter of the previous year (or an increase of 55.47%). 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 maintenance cost. In addition, some fixed expenses also increased, such as salary expenses, rental expenses (fixed and variable). With improved situation, rental discount is lower. The Gross Profit Ratio is 31.99% equivalent to the Pre-COVID 19 level.

Selling and Administrative Expenses

In the 3Q23, the Company and subsidiaries had the selling and administrative expenses of 46.28 million baht, accounted to 12.06% of the revenue from sales and services. This is an increase of 0.12 million baht from the same period last year. Even though income has increased greatly, but the company can manage selling and administrative expenses very well. Selling and administrative expenses increased by 3.68 million baht, while interest expenses decreased by 3.56 million baht, making the overall picture similar to the previous year. However, interest expenses are likely to decrease further because the company has refinanced the loan amount and repaid the loan during the period.

Net Profit

In the 3Q23, the Company and subsidiaries had the net profit of 81.50 million baht or accounted 21.23% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 96.48 million baht (or an increase of 643.90%) compared to the same period last year. This is a result of a significant increase in income coupled with efficient management of costs and expenses, as well as, the company has tax loss carry forward that can be used as tax credits in 2023, resulting in higher net profit and net profit margin in the third quarter compared to pre-COVID 19 level.

Balance Sheet Summary

Consolidated Financial Statements						
	(Thousand)					
					change	%Change
	Q3'23	C/S	2022	C/S	23 vs 22	23 vs 22
Assets						
Current assets						
Cash and cash equivalents	145,967	8%	184,903	8%	(38,936)	(21.06%)
Current investments	4	0%	4	0%	-	0.00%
Trade and other receivables	28,254	2%	30,153	1%	(1,899)	(6.30%)
Lease receivable-current portion	54	0%			54	
Share return receivables-current portion	26,361	1%	8,945	0%	17,416	194.70%
Inventories	43,419	2%	37,794	2%	5,625	14.88%
Other current assets	12,223	1%	9,932	0%	2,291	23.07%
Total current assets	256,282	14%	271,731	11%	(15,449)	(5.69%)
Non current assets						
Lease receivable-net of current portion	193	0%	-	0%	193	
Share return receivables-net of current portion	8,583	0%	31,089	1%	(22,506)	(72.39%)
Investment in joint venture	4,682	0%	424	0%	4,258	1,004.25%
Property plant and equipment	975,267	52%	1,030,820	43%	(55,553)	(5.39%)
Right-of-use assets	508,036	27%	970,788	40%	(462,752)	(47.67%)
Goodwill	24,536	1%	24,536	1%	-	0.00%
Intangible assets	5,923	0%	7,244	0%	(1,321)	(18.24%)
Deferred tax assets	2,109	0%	905	0%	1,204	133.04%
Deposits	77,619	4%	75,984	3%	1,635	2.15%
Advance payment for purchase of assets	10,662	1%	2,988	0%	7,674	256.83%
Other non-current assets	2,231	0%	2,593	0%	(362)	(13.96%)
Total non-current assets	1,619,841	86%	2,147,371	89%	(527,530)	(24.57%)
Total assets	1,876,123	100%	2,419,102	100%	(542,979)	(22.45%)

As of 30 September 2023, The Company and Subsidiaries had a total asset of 1,876.12 million baht, a decrease of 542.98 million baht from 2022 (a decrease of 22.45%) with details as followed:

- Cash and Cash Equivalent decreased from 184.90 million baht to 145.97 million baht (a decrease of 21.06%) as a result of the use of excess cash flow to repay debt to reduce the financial costs
- Trade and Other Receivables slightly decreased from 30.15 million baht to 28.25 million baht (a decrease of 6.30%) 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 7.91 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 26.36 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. Chaba has repaid some amount
- Land, Buildings and Equipment are approximately 52% 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 decreased from branch expansion deducts depreciation
- Right of Use Assets is 508.04 million baht or approximately 27% 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.

Consolidated Financial Statements						
						(Thousand)
				change	%Change	
	Q3'23	C/S	2022	C/S	23 vs 22	23 vs 22
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	102,259	5%	94,140	4%	8,119	8.62%
Current portion of long-term loans	43,494	2%	169,918	7%	(126,424)	(74.40%)
Current portion of lease liabilities	140,908	8%	179,702	7%	(38,794)	(21.59%)
Income tax payable	504	0%	1,765	0%	(1,261)	(71.44%)
Advance received-current portion	61,948	3%	57,194	2%	4,754	8.31%
Other current liabilities	8,793	0%	7,409	0%	1,384	18.68%
Total current liabilities	357,906	19%	510,128	21%	(152,222)	(29.84%)
Non-current liabilities						
Long-term loans-net of current portion	81,263	4%	441,717	18%	(360,454)	(81.60%)
Long-term loans from related parties	200,000	11%		0%	200,000	
Lease liabilities-net of current portion	440,077	11%	863,745	36%	(423,668)	(49.05%)
Advance received-net of current portion	244	0%	971	0%	(727)	(74.87%)
Provision for long term employee benefits	4,998	0%	5,513	0%	(515)	(9.34%)
Deferred tax liabilities	11,162	1%	10,870	0%	292	2.69%
Other non-current liabilities	19,396	1%	17,157	1%	2,239	13.05%
Total non-current liabilities	757,140	40%	1,339,973	55%	(582,833)	(43.50%)
Total liabilities	1,115,046	59%	1,850,101	76%	(735,055)	(39.73%)

As of 30 September 2023, The Company and Subsidiaries had a total liabilities of 1,115.05 million baht, a decrease of 735.06 million baht (a decrease of 39.73%) with details as followed:

- Trade and Other Payables are 102.26 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 and loan from the related party is 324.76 million baht, a decrease of 286.88 million baht as a result of the use of excess cash flow to repay debt to reduce the financial costs. 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 580.99 million baht from the adoption of TFRS16 Rental Contracts in Financial Statements Reporting since 2020

Consolidated Financial Statements						
						(Thousand)
	Q3'23	C/S	2022	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%	-	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%	-	0.00%
Share premium	278,906	15%	278,906	12%	-	0.00%
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	-	0.00%
Retained earnings						
Appropriated- statutory reserve	17,399	1%	17,399	1%	-	0.00%
Unappropriated	171,864	9%	(20,209)	-1%	192,073	(950.43%)
Other components of shareholders' equity	125,378	7%	125,378	5%	-	0.00%
Equity attributable to shareholders' of the company	761,071	41%	568,998	24%	192,073	33.76%
Non-controlling interests of the subsidiaries	6	0%	3	0%	3	100.00%
Total shareholders' equity	761,077	41%	569,001	24%	192,076	33.76%
Total liabilities and shareholders' equity	1,876,123	100%	2,419,102	100%	(542,979)	(22.45%)

As of 30 September 2023, The Company and Subsidiaries had a total equity of 761.08 million baht, an increase of 192.08 million baht (an increase of 33.76%) from the reported net profit.

Cash Flows Summary

As of 30 September 2023, The Company and Subsidiaries had a total cash and cash equivalents of 145.97 million baht, a decrease of 38.94 million baht (a decrease of 21.06%) with major transactions as followed:

- Loan Withdrawal 10 million baht
- The use of excess cash flow to repay debt and loan refinance to reduce the financial costs
- CAPEX of new branches and projects for 2023-24

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	Q3'23	2022	2021
Liquidity Ratio			
Current Ratio	0.72	0.53	0.54
Receivable turnover	13.14	31.33	9.05
Collection period (Days)	7	11	40
Inventory turnover	0.37	1.74	0.78
Holding period (Days)	249	207	460

- 3Q23 Current Ratio is 0.72, similar to 2022's. Liabilities under lease agreement due within 1 year is 140.91 million baht after adoption of TFRS16 Rental Contracts since 2020. If exclude this, the current ratio is 1.18 similar to pre-COVID 19 level
- Receivable Turnover and Collection Period decreased from 2022's as a result of the relief of COVID-19 situation and Urgent Collection process policy

- Inventory Turnover and Holding Period in 3Q23 is slightly higher due to stock preparation for full operations of spa outlets in the upcoming high season such as towels, slippers, amenities etc

Ratio	Q3'23	2022	2021
Profitability Ratio			
Gross Profit Margin	31.99%	11.31%	-90.03%
Net profit Margin	21.23%	-12.38%	-171.06%
Return on Asset	9.68%	-3.76%	-11.73%
Return on Equity	32.21%	-14.83%	-37.63%

- Profitability Ratio has significantly improved as a result of Business Turnaround with higher revenue from both local and foreign customers, efficient cost and expenses management as well as tax credit.

Ratio	Q3'23	2022	2021
Debt Management Ratio			
Debt to Equity Ratio	1.47	3.25	2.65
Interest coverage Ratio	7.07	(2.77)	(7.29)

- 3Q23 Debt to Equity Ratio is 1.47 decreased from 3.25 from previous year mainly from loan repayment, the lower lease liability with 1 year of expiry and increase in shareholder's equity from reported Net Profit. The lease liability within 1 year of expiry total 534.06 million baht after the adoption of TFRS16 Rental Contracts since 2020. If exclude this, the Debt to Equity Ratio is 0.70 similar to pre-COVID 19 level
- 3Q23 Interest Coverage Ratio is 7.07, an increase from -2.77 as a result of reported Net Profit and lower Debt

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited