

SWG 021/2566

May 12, 2023

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 31 March 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 (“1Q23”) ended 31 March 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 325.85 million baht, an increase of 211.72 million baht from the same period last year (or an increase of 185.51%). The net profit is 50.46 million baht, an increase of 107.89 million baht from the same period last year. Net profit is accounted as 15.76% of sales and services’ revenue.

#### Summary of Quarter 1, 2023

##### Revenue

The Company and subsidiaries had total revenue in the 1Q23 of 325.85 million baht, an increase of 211.72 million baht from same period last year (or an increase of 185.51%). The big proportion of revenue comes from the spa business, which accounted to 89% of the total revenue as detailed below:

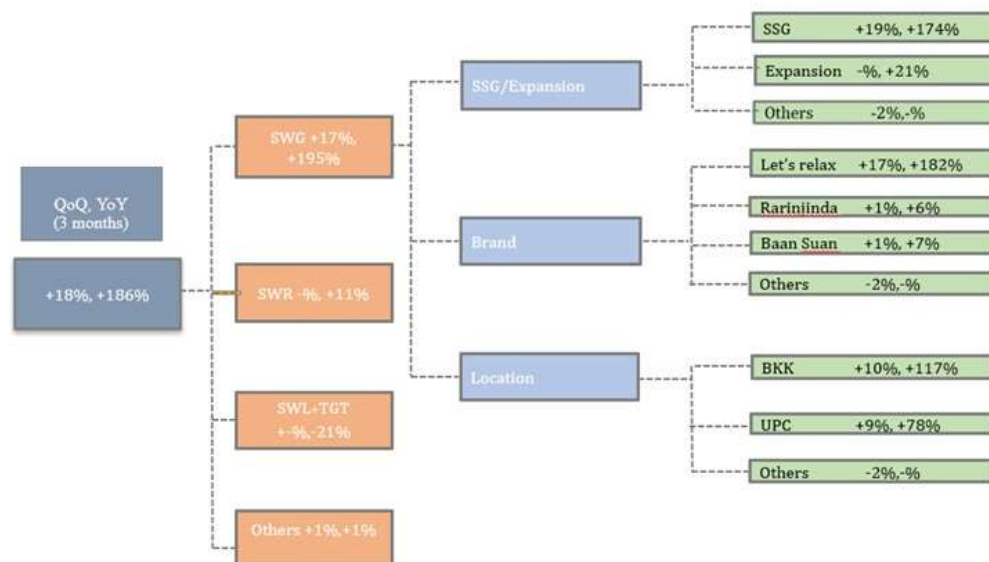
As of 31 March 2023, Company had 70 branches (68 domestic branches and 2 overseas branches). 7 new branches opening and 4 branches closure. As of 31 March 2021, Company had 67 branches (62 domestic branches and 5 overseas branches).

A significant increase in Revenue is from the easing of the COVID-19 epidemic situation around the world, including Thailand. 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. Moreover, the Chinese Government has eased the lockdown and international departure rules for Chinese tourists, previously Company’s main tourist segment, to travel abroad. However, the number is still relatively low due to urgent announcement and insufficient flight numbers.

## The Overview of Quarter 1 Revenue

(Thousands Baht)								
Operating Results								
	Q1'23		Q1'22		Q1'21		Chg (%)	
							23 vs 22	
							22 vs 21	
Revenue from sales and service	320,232		110,021		55,020		191.1%	100.0%
Other income	5,620		4,108		1,251		36.8%	228.4%
Total revenues	325,852		114,129		56,271		185.5%	102.8%
Cost of sales and service	231,775	72%	129,153	117%	98,256	179%	79.5%	31.4%
Gross profit	88,457	28%	(19,132)	(17%)	(43,236)	(79%)	562.4%	55.7%
Selling and administrative expenses	27,001	8%	28,855	26%	25,359	46%	(6.4%)	13.8%
Profit before income tax and finance cost	67,076	21%	(47,987)	(44%)	(68,595)	(125%)	239.8%	30.0%
Share of loss from investment in joint venture	320	0%	-	0%	-	0%	0.0%	0.0%
Finance cost	14,844	5%	10,409	9%	11,044	20%	42.6%	(5.7%)
Income tax expense (revenue)	1,451	0%	3,148	3%	(2,384)	(4%)	(53.9%)	232.0%
Net profit (loss) for the year	50,461	16%	(57,436)	(52%)	(76,004)	(138%)	187.9%	24.4%
NCI	1	0%	-	0%	1	0%	0.0%	0.0%
Net profit for the year attributable to the Company	50,460	16%	(57,436)	(52%)	(76,003)	(138%)	187.9%	24.4%

## The Analysis of Quarter 1 Revenue



The overall Quarter 1 Revenue increased 186% compared to the same period last year with details as specified:

- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 195%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort, Deck One and ORB Cafe in Chiang Mai and Pattaya, Revenue increased 11%
- Siam Wellness Lab Co.,Ltd (“SWL”), the operator of Spa Products Sale, Revenue decreased 21%. The Company no longer imported Goldsite ATK.
- Other Revenue increased 1%

The SSG Stores Revenue increased 174% compared to previous year, whereas Expansion Stores Revenue increased 21%

In terms of Revenue by Brands, Let's Relax's Revenue increased 182%, RarinJinda Wellness Spa's Revenue increased 6% and Baan Suan Massage Revenue increased 7%.

In terms of Revenue by Locations, Bangkok branches' Revenue increased 117% and Upcountry branches' Revenue increased 78%.

Hotel & Restaurant Revenue increased 11%. The Proportion of Hotel & Restaurant Revenue to the Company's Revenue is similar between 1Q22 and 1Q23. The Occupancy Rate and ADR have big increase. The Occupancy Rate is around 80%.

The Proportion of Spa Product Revenue to the Company's decreased from 32% in 1Q22 to 4% in 1Q23 with the Company no longer imported Goldsite ATK.

#### Cost of Sales and Services

In the 1Q23, the Company and subsidiaries had the cost of sales and services of 231.76 million baht, accounting for to 72.38% of sales and services' revenue. This is an increase of 102.62 million baht from the same quarter of the previous year (or an increase of 79.46%). The increase was mainly due to other variable costs related the full reopening of the service increased, such as therapist cost, raw material costs, laundry, snacks as well as increasing fixed costs such as other staff expenses and lower rental discounts.

#### Selling and Administrative Expenses and Interest Expense

In the 1Q23, the Company and subsidiaries had the selling and administrative expenses of 41.85 million baht, accounted to 13.07% of the revenue from sales and services. This is an increase of 2.58 million baht from the same period last year (or an increase of 6.57%). This is mainly from higher staff cost, however there is no write-off of branch closure as reported in 1Q22. In addition, Company has negotiated some changes to rental contracts for some branches, thereby no longer comply with TFRS16 conditions.

#### Net Profit

In the 1Q23, the Company and subsidiaries had the Net Profit of 50.46 million baht or accounted 15.76% of the revenue from sales and services. The Net Profit of the Company and subsidiaries increased 107.90 million baht (or an increase of 187.90%) compared to the same period last year. The higher profit was mainly due to higher sales due to the easing of the COVID-19, the recovery of Tourism sector and Thai customers are more confident in returning to use the service as most of them have been vaccinated together with the Company's respectable safety standards. The company also managed costs and other expenses quite efficiently resulting in significant increase in Net Profit.

## Balance Sheet Summary

Consolidated Financial Statements								(Thousand)	
	2023	C/S	2022	C/S	2021	C/S	change	%Change	
							23 vs 22	23 vs 22	
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	200,551	10%	184,903	8%	109,854	5%	15,648	8.46%	
Current investments	4	0%	4	0%	4	0%	-	0.00%	
Trade and other receivables	36,509	2%	30,153	1%	15,260	1%	6,356	21.08%	
Lease receivable-current portion	53	0%					53		
Share return receivables-current portion	13,293	1%	8,945	0%	9,197	0%	4,348	48.61%	
Inventories	37,731	2%	37,794	2%	27,812	1%	(63)	(0.17%)	
Other current assets	14,230	1%	9,932	0%	8,371	0%	4,298	43.27%	
Non-current assets classified as held for sales	-	0%	-	0%	32,295	1%			
<b>Total current assets</b>	<b>302,371</b>	<b>15%</b>	<b>271,731</b>	<b>11%</b>	<b>202,793</b>	<b>9%</b>	<b>30,640</b>	<b>11.28%</b>	
<b>Non current assets</b>									
Restricted deposits of financial institution	-	0%	-	0%	-	0%	-		
Lease receivable-net of current portion	220	0%	-	0%			220		
Share return receivables-net of current portion	26,463	1%	31,089	1%	32,192	1%	(4,626)	(14.88%)	
Investment in joint venture	49	0%	424	0%			(375)	(88.44%)	
Property plant and equipment	1,007,754	48%	1,030,820	43%	946,642	42%	(23,066)	(2.24%)	
Right-of-use assets	631,068	30%	970,788	40%	945,575	42%	(339,720)	(34.99%)	
Goodwill	24,536	1%	24,536	1%	24,536	1%	-	0.00%	
Intangible assets	6,739	0%	7,244	0%	8,005	0%	(505)	(6.97%)	
Deferred tax assets	865	0%	905	0%	1,187	0%	(40)	(4.42%)	
Deposits	75,741	4%	75,984	3%	73,050	3%	(243)	(0.32%)	
Advance payment for purchase of assets	1,986	0%	2,988	0%	16,980	1%	(1,002)	(33.53%)	
Other non-current assets	2,739	0%	2,593	0%	6,876	0%	146	5.63%	
<b>Total non-current assets</b>	<b>1,778,160</b>	<b>85%</b>	<b>2,147,371</b>	<b>89%</b>	<b>2,055,043</b>	<b>91%</b>	<b>(369,211)</b>	<b>(17.19%)</b>	
<b>Total assets</b>	<b>2,080,531</b>	<b>100%</b>	<b>2,419,102</b>	<b>100%</b>	<b>2,257,836</b>	<b>100%</b>	<b>(338,571)</b>	<b>(14.00%)</b>	

As of 31 March 2023, The Company and Subsidiaries had a total asset of 2,080.53 million baht, a decrease of 338.57 million baht (a decrease of 14.00%) with details as followed:

- Cash and Cash Equivalent increased from 184.90 million baht to 200.55 million baht (an increase of 8.46%) from improved Company Performance and positive Cash Flow from Operations. The Company has repaid the Long-term loan of 254 million baht from the loan from related Company of 200 million baht and surplus cash flow of 54 million baht
- Trade and Other Receivables increased from 30.15 million baht to 36.51 million baht (an increase of 21.08%) resulting from normal operating activities such as Credit Terms to Agent and Franchisee. In the Appendix, there were Trade Receivables due over 12 months total 8 million baht. The Company set up Allowance for Doubtful accounts according to Accounting Policy and Management Decision.
- Share return receivables from the Sell of Chaba Elegance Co.,Ltd to the existing shareholders is 13.29 million baht
- 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 2022's value due to depreciation
- Right of Use Assets is 631.07 million baht or approximately 30% 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	
<b>Liabilities and shareholders' equity</b>									
<b>Current liabilities</b>									
Trade and other payables	98,531	5%	94,140	4%	37,039	2%	4,391	4.66%	
Current portion of long-term loans	129,017	6%	169,918	7%	114,469	5%	(40,901)	(24.07%)	
Current portion of lease liabilities	144,937	7%	179,702	7%	175,496	8%	(34,765)	(19.35%)	
Income tax payable	2,446	0%	1,765	0%	316	0%	681	38.58%	
Advance received-current portion	58,493	3%	57,194	2%	45,140	2%	1,299	2.27%	
Other current liabilities	8,880	0%	7,409	0%	1,780	0%	1,471	19.85%	
<b>Total current liabilities</b>	<b>442,304</b>	<b>21%</b>	<b>510,128</b>	<b>21%</b>	<b>374,240</b>	<b>17%</b>	<b>(67,824)</b>	<b>(13.30%)</b>	
<b>Non-current liabilities</b>									
Long-term loans-net of current portion	228,008	11%	441,717	18%	407,166	18%	(213,709)	(48.38%)	
Long-term loans from related parties	200,000	10%		0%		0%	200,000		
Lease liabilities-net of current portion	556,273	10%	863,745	36%	822,644	36%	(307,472)	(35.60%)	
Advance received-net of current portion	730	0%	971	0%	5,989	0%	(241)	(24.82%)	
Provision for long term employee benefits	5,688	0%	5,513	0%	9,951	0%	175	3.17%	
Deferred tax liabilities	11,598	1%	10,870	0%	3,025	0%	728	6.70%	
Other non-current liabilities	16,468	1%	17,157	1%	16,329	1%	(689)	(4.02%)	
<b>Total non-current liabilities</b>	<b>1,018,765</b>	<b>49%</b>	<b>1,339,973</b>	<b>55%</b>	<b>1,265,104</b>	<b>56%</b>	<b>(321,208)</b>	<b>(23.97%)</b>	
<b>Total liabilities</b>	<b>1,461,069</b>	<b>70%</b>	<b>1,850,101</b>	<b>76%</b>	<b>1,639,344</b>	<b>73%</b>	<b>(389,032)</b>	<b>(21.03%)</b>	

As of 31 March 2023 The Company and Subsidiaries had a total liabilities of 1,461.07 million baht, a decrease of 389.03 million baht (a decrease of 21.03%) with details as followed:

- Trade and Other Payables are 98.53 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 357.03 million baht, a decrease of 254.61 million baht (a decrease of 41.63%). The Company has refinanced the Long-term loan with the loan from related Company (lower interest rate) and surplus cash flow. Management still foresee that the Company has ability to loan from financial institution if needed.
- Liabilities under the lease agreement, both due within a year and more than 1 year, is 701.21 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	%Change	
							23 vs 22	23 vs 22	
<b>Share capital</b>									
<b>Registered</b>									
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	10%	213,750	9%	213,750	9%	-	0.00%	
<b>Issued and paid-up</b>									
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	10%	213,750	9%	213,750	9%	-	0.00%	
Share premium	278,906	13%	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%	
<b>Retained earnings</b>									
Appropriated- statutory reserve	17,399	1%	17,399	1%	17,399	1%	-	0.00%	
Unappropriated	30,251	1%	(20,209)	-1%	64,093	3%	50,460	(249.69%)	
Other components of shareholders' equity	125,378	6%	125,378	5%	90,567	4%	-	0.00%	
Equity attributable to shareholders' of the company	619,458	30%	568,998	24%	618,489	27%	50,460	8.87%	
Non-controlling interests of the subsidiaries	4	0%	3	0%	3	0%	1	33.33%	
<b>Total shareholders' equity</b>	<b>619,462</b>	<b>30%</b>	<b>569,001</b>	<b>24%</b>	<b>618,492</b>	<b>27%</b>	<b>50,461</b>	<b>8.87%</b>	
<b>Total liabilities and shareholders' equity</b>	<b>2,080,531</b>	<b>100%</b>	<b>2,419,102</b>	<b>100%</b>	<b>2,257,836</b>	<b>100%</b>	<b>(338,571)</b>	<b>(14.00%)</b>	

As of 31 March 2023, The Company and Subsidiaries had a total equity of 619.46 million baht, an increase of 50.46 million baht (an increase of 8.87%) from the reported Net Profit.

### Cash Flows Summary

As of 31 March 2023, The Company and Subsidiaries had a total cash and cash equivalents of 200.55 million baht, an increase of 15.68 million baht (an increase of 8.46%) with details as followed:

- Cash Flow from Operations from improved Company Performance
- Loan of 210 million baht to refinance of Financial institution loan of 200 million baht
- Payment for normal operating activities

### Key Financial Ratio

Ratio	Q1'23	2022	2021
<b>Liquidity Ratio</b>			
Current Ratio	0.68	0.53	0.54
Receivable turnover	9.61	31.33	9.05
Collection period (Days)	9	11	40
Inventory turnover	0.36	1.74	0.78
Holding period (Days)	252	207	460

- 1Q23 Current Ratio is 0.68, an increase from 0.53 in 2022. This is mainly from the increase of Cash and Cash Equivalents of 16 million baht, the increase in Account Receivables and Share Receivables of 10 million baht, increase in Other Current Assets of 4 million baht and the decrease of Long term loan of 254 million baht. If exclude the effect from the adoption of TFRS16 Rental Contracts, the current ratio is 1.02
- Receivable Turnover and Collection Period decreased from 11 days in 2022 to 9 days from Company's Urgent Collection Policy. Most of Company's Customers are B2C thereby has no credit terms.
- Inventory Turnover and Holding Period in 1Q23 increased slightly due to order of big lots inventory

Ratio	Q1'23	2022	2021
<b>Profitability Ratio</b>			
Gross Profit Margin	27.62%	11.31%	-90.03%
Net profit Margin	15.76%	-12.38%	-171.06%
Return on Asset	0.93%	-3.76%	-11.73%
Return on Equity	3.38%	-14.83%	-37.63%

- Profitability Ratio has improved positively from reported Net Profit

Ratio	Q1'23	2022	2021
<b>Debt Management Ratio</b>			
Debt to Equity Ratio	2.36	3.25	2.65
Interest coverage Ratio	2.50	(2.77)	(7.29)

- 1Q23 Debt to Equity Ratio is 2.36, a decrease from 3.25 from previous year. This a result of a lower debt of 389 million baht from the repayment of loan and lower lease liabilities according to TFRS16 of 342 ,million baht and the increase in Shareholder's Equity of 50.46 million baht. If exclude the effect from the adoption of TFRS16 Rental Contracts total 701.21 million baht, the Debt to Equity ratio is 1.23

- 1Q23 Interest Coverage Ratio is 2.5. Interest Coverage Ratio returned to positive in 3 years from reported Net Profit

Overall Summary

- As of 31 March 2023, Siam Wellness Group Public Company Limited had a total of 70 branches (68 domestic branches and 2 overseas branches). There were 7 new branches opening and 4 branches closure from Q1'22. As of 31 March 2022, the Company had a total of 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. Management believed that the Company has passed the bottom cycle of the epidemic already.

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited