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SWG 022/2019

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Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 3 months period ended 31 March 2019 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 (“1Q19”) ended 31 March 2019 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 345.08 million baht, an increase of 64.24 million baht from the same period last year (or an increase of 22.87%). The net profit is 59.21 million baht, an increase of 3.05 million baht from the same period last year (or an increase of 5.44%). Net profit is accounted as 17.38% of sales and services’ revenue. This is the result of an increase in the number of branches, an additional business unit such as Stretch me by Let’s Relax and recent acquisition of Chaba Nail and Spa. Details are as below.

Revenue

The Company and subsidiaries had total revenue in the 1Q19 of 345.08 million baht, an increase of 64.24 million baht from same period last year (or an increase of 22.87%). The big proportion of revenue comes from the spa business, which accounted to 89% of the total revenue, composed of both SSG and expansion store sales. The 16 new branches composed of 9 Let’s Relax, 3 Stretch me by Let’s Relax and 4 Overseas Franchise branches. As of 31 March 2019, the company had total of 57 branches (51 domestic branches, 3 branch in China and 3 branches in Cambodia). Moreover, since 1st January 2019, the revenue from the recent 76% acquisition of Chaba Elegance Co.,Ltd, the operator of Chaba Nail which offer manicure, pedicure and eyelashes service has been accounted. This results in an increase in the Revenue.

Cost of Sales and Services

In the 1Q19 the Company and subsidiaries had the cost of sales and services of 230.56 million baht, accounting for to 67.69% of sales and services’ revenue. This is an increase of 56.14 million baht from the same quarter of the previous year (or an increase of 32.19%). The increase is caused by costs related to the expansion of the new spa branches as well as additional cost of sales and services of the existing branches, both fixed and variable costs such as staff costs and depreciation. Moreover, there is additional cost from the expansion of new business unit of Stretch me by Let’s Relax and the acquisition of Chaba Nail & Spa.

Selling and Administrative Expenses

In the 1Q19, the Company and subsidiaries had the selling and administrative expenses of 41.97 million baht, accounted to 12.32% of the revenue from sales and services. This is an increase of 4.48 million baht from the same period last year (or an increase of 11.95%). This is mainly from the adjustment of salary. However, the Company can still maintain similar SG&A ratio from previous year.

Net Profit

In the 1Q19, the Company and subsidiaries had the net profit of 59.21 million baht or accounted 17.38% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 3.05 million baht (or an increase of 5.44%) compared to the same period last year. The revenue has increased significantly which is the result of the increase in both SSG and Expansion Stores and the growing tourism market. Although the Company's expenses, both fixed and variable, as a result of new branches, but it increases less than the growth in Revenue. Therefore, both the Revenue and Net Profit increases from previous year.

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit / Mr.Prasert Jiravanstit)
Siam Wellness Group Public Company Limited