

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

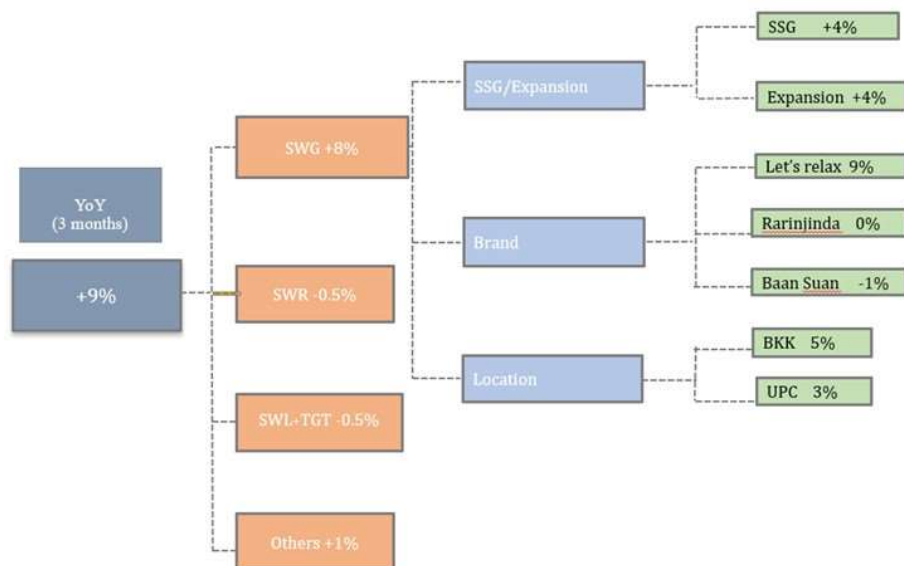
Revenue

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