

SWG 008/2566

27 February 2023

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 12 months period ended 31 December 2022 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 12 months period (“12M22”) ended 31 December 2022 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 721.37 million baht, an increase of 546.42 million baht from the same period last year (or an increase of 312.34%). The net loss is 88.03 million baht, a decrease of 198.69 million baht from the same period last year. Net loss is accounted as 12.38 % of sales and services’ revenue. Details as followed:

2022 Financial Highlights

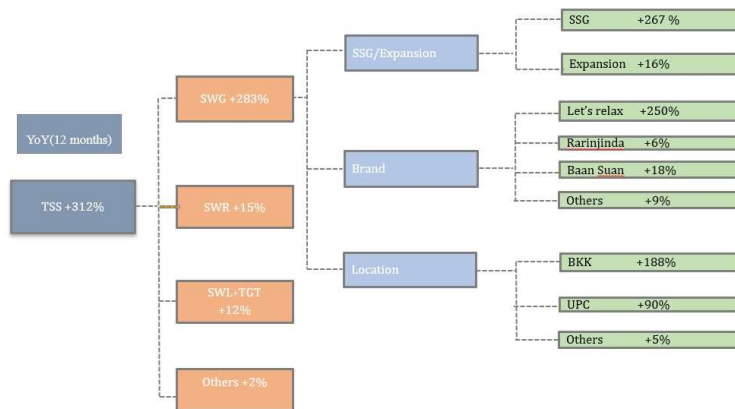
Revenue

The Company and subsidiaries had total revenue in 2022 of 721.37 million baht, an increase of 546.42 million baht from the same period last year (or an increase of 312.34%). The big proportion of revenue came from the spa business, which accounted to 83% of the total revenue. A significant increase in Revenue is from the easing of the COVID-19 epidemic situation around the world, including Thailand. This makes Thai customers more confident in coming back to use the service. At the same time, the country has reopened for foreign tourists to enter more conveniently, resulting in higher proportion of foreign customers. The new international customer groups include the Middle East, Europe and India, etc. There is an increase of numbers of foreign customers especially in Quarter 4 which is a high season.

As of 31 December 2022, Siam Wellness Group Public Company Limited had a total of 70 branches (68 domestic branches and 2 overseas branches). 6 New Branches were opened and 6 existing branches were closed. [As of 31 December 2021, the Company had a total of 70 branches (65 domestic branches and 5 overseas branches)].

(Thousands Baht)								
Operating Results								
	2022		2021		2020		Chg (%) 22 vs 21	Chg (%) 21 vs 20
Revenue from sales and service	711,282		167,614		426,912		324%	(61%)
Other income	10,084		7,329		8,712		38%	(16%)
Total revenues	721,366	0%	174,943	0%	435,624	0%	312%	(60%)
Cost of sales and service	630,832	89%	318,517	190%	506,641	119%	98%	(37%)
Gross profit	80,450	11%	(150,903)	(90%)	(79,729)	(19%)	(153%)	89%
Selling and administrative expenses	127,159	18%	107,694	64%	118,658	28%	18%	(9%)
Profit before income tax and finance cost	(46,709)	(7%)	(258,597)	(154%)	(198,387)	(46%)	(82%)	30%
Share of loss from investment in JV	86	0	-	-	-	-	-	-
Finance cost	50,351	7%	44,172	26%	21,496	5%	14%	105%
Income tax expense (revenue)	966	0%	(8,720)	(5%)	(2,084)	(0%)	(111%)	318%
Net profit (loss) for the year	(88,028)	(12%)	(286,720)	(171%)	(209,085)	(49%)	(69%)	37%
NCI	(1)	(0%)	2	0%	-	0%	(150%)	-
Net profit for the year attributable to the Company	(88,029)	(12%)	(286,718)	(171%)	(209,085)	(49%)	(69%)	37%

Revenue Analysis:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 283%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One, Revenue increased 15%
- Siam Wellness Lab Co.,Ltd (“SWL”), the operator of Spa Products Sale, Revenue contributed to 12% of Total Sales as a result of increase of ATK Sales and additional Retail Sales.

The SSG and Expansion Stores Revenue increased 267% and 16% compared to previous year respectively.

In terms of Revenue by Brands, Let’s Relax’s Revenue increased 250%, RarinJinda Wellness Spa’s Revenue increased 6%, Baan Suan Massage Revenue increased 18% and Other Brands’ Revenue increased 9%.

In terms of Revenue by Locations, Bangkok branches’ Revenue increased 188% and Upcountry branches’ Revenue increased 90%.

Hotel & Restaurant Revenue increased 15%. The Proportion of Hotel & Restaurant Revenue to the Company’s 2022 Revenue is 5%. Significant increase is the result of improved Occupancy Rate and Average room rate.

The Proportion of Spa Product Revenue to the Company’s Revenue dropped from 17% to 10% as Revenue from Spa Services have significantly improved from the reopening.

Cost of Sales and Services

In 2022, the Company and subsidiaries had the cost of sales and services of 630.83 million baht, accounting for 80.66% of sales and services' revenue. This is an increase of 281.83 million baht from the previous year (or an increase of 96.56%). The increase of Cost of Sales and Services 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 branch operations cost (laundry and maintenance). In addition, some fixed expenses also increased, such as salary expenses and lower rental discounts. Overall, the increase in Cost of Sales and Services are lower than the increase of Revenue, therefore the proportion of Cost of Sales and Services improved. The Company has positive Gross Profit since 2Q22.

Selling and Administrative Expenses and Interest Payment

In 2022, the Company and subsidiaries had the selling and administrative expenses of 177.51 million baht, accounted to 24.96% of the revenue from sales and services. This is an increase of 25.64 million baht from the same period last year (or an increase of 16.89%). This is mainly from the increase in interest payment (Loan during 2022), the increase in interest rate and the effective change of interest rate from fixed to float for some Term Loans. Other costs like Staff Salary, Advertising and Sales Promotions, also increased. However, the increase in Selling and Administrative Expenses are much lower than the increase of Revenue

Net Loss

In 2022, the Company and subsidiaries had the net loss of 88.03 million baht or accounted 12.38% of the revenue from sales and services. The net loss of the Company and subsidiaries decreased 198.69 million baht from the same period last year (or a decrease of 69.30%). compared to the same period last year. In 4Q22, the Company has achieved positive net profit from the relieved COVID-19 situations where customers return to normal daily routine and has confident in using spa services as well as the reopening of Thailand to foreign tourists and other relaxing measures.

Statement of Financial Position

Consolidated Financial Statements						(Thousand)	
	2022	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21	
Assets							
Current assets							
Cash and cash equivalents	184,903	8%	109,854	5%	75,049	68.32%	
Current investments	4	0%	4	0%	-	0%	
Trade and other receivables	30,153	1%	15,260	1%	14,893	97.60%	
Share return receivables-current portion	8,945	0%	9,197	0%	(252)	(3%)	
Inventories	37,794	2%	27,812	1%	9,982	36%	
Other current assets	9,932	0%	8,371	0%	1,561	19%	
Non-current assets classified as held for sales	-	0%	32,295	1%	(32,295)	(100%)	
Total current assets	271,731	11%	202,793	9%	68,938	34%	
Non current assets							
Share return receivables-net of current portion	31,089	1%	32,192	1%	(1,103)	(3%)	
Investment in joint venture	424	0%	-	-	424	0%	
Property plant and equipment	1,030,820	43%	946,642	42%	84,178	8.89%	
Right-of-use assets	970,788	40%	945,575	42%	25,213	3%	
Goodwill	24,536	1%	24,536	1%	-	0%	
Intangible assets	7,244	0%	8,005	0%	(761)	(10%)	
Deferred tax assets	905	0%	1,187	0%	(282)	(24%)	
Deposits	75,984	3%	73,050	3%	2,934	4%	
Advance payment for purchase of assets	2,988	0%	16,980	1%	(13,992)	(82%)	
Other non-current assets	2,594	0%	6,876	0%	(4,282)	(62%)	
Total non-current assets	2,147,372	89%	2,055,043	91%	92,329	4%	
Total assets	2,419,103	100%	2,257,836	100%	161,267	7.14%	

As of 31 December 2022, The Company and Subsidiaries had a total asset of 2,419.10 million baht, an increase of 161.27 million baht from 2021's Assets (an increase of 7.14%) with details as followed:

- Cash and Cash Equivalent increased from 109.85 million baht to 184.90 million baht, an increase of 68.32%). Significant Items are Cash Flow from Operations increased 100 million baht, withdrawal of Loan of 90 million baht and payment of Loan and Interest approximately 22 million baht and payment in branch expansion cost.
- Trade and Other Receivables increased from 15.26 million baht to 30.15 million baht (an increase of 97.60%) resulting from normal operating activities such as Credit Terms to Agent, Participation in Sales Promotion with Credit Cards and Overseas Franchisee. Credit term is usually less than 3 months. In the Notes to Financial Statements, there were Trade and other Receivables due over 12 months total 9 million baht. The Company set up Allowance for Doubtful accounts according to Accounting Policy and Management Decision.
- Receivables for Shares waiting for Repayment is 8.95 million baht from the Cancellation of Joint Investment in Chaba Elegance Co.,Ltd to the original shareholder. 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 43% of Total Assets. The Value of Land, Building and Equipment increased from 2021's value due to branch expansion, reclassification of non-current Asset for Sale less annual depreciation
- Right of Use Assets is 970.79 million baht or approximately 42% of Total Assets from TFRS16 Adoption in 2020 Financial Statements Reporting.

The major event that will have impact on the Future 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. The Company also give importance in maintaining its cash flow during this ongoing crisis, sufficient for debt repayment and operating activities.

Consolidated Financial Statements						(Thousand)	
	2022	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21	
Liabilities and shareholders' equity							
Current liabilities							
Trade and other payables	94,140	4%	37,039	2%	57,101	154%	
Current portion of long-term loans	169,918	7%	114,469	5%	55,449	48%	
Current portion of lease liabilities	179,702	7%	175,496	8%	4,206	2%	
Income tax payable	1,765	0%	316	0%	1,449	459%	
Advance received-current portion	57,194	2%	45,140	2%	12,054	27%	
Other current liabilities	7,410	0%	1,780	0%	5,630	316%	
Total current liabilities	510,129	21%	374,240	17%	135,889	36%	
Non-current liabilities							
Long-term loans-net of current portion	441,717	18%	407,166	18%	34,551	8%	
Lease liabilities-net of current portion	863,745	36%	822,644	36%	41,101	5%	
Advance received-net of current portion	971	0%	5,989	0%	(5,018)	(84%)	
Provision for long term employee benefits	5,513	0%	9,951	0%	(4,438)	(45%)	
Deferred tax liabilities	10,870	0%	3,025	0%	7,845	259%	
Other non-current liabilities	17,158	1%	16,329	1%	829	5%	
Total non-current liabilities	1,339,974	55%	1,265,104	56%	74,870	6%	
Total Liabilities	1,850,103	76%	1,639,344	73%	210,759	12.86%	

As of 31 December 2022, The Company and Subsidiaries had a total liabilities of 1,850.10 million baht, an increase of 210.76 million baht (an increase of 12.86%) with details as followed:

- Trade and Other Payables are 94.14 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 611.64 million baht. 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 1,043.45 million baht from the adoption of TFRS16 Rental Contracts in 2020 Financial Statements.

Consolidated Financial Statements						(Thousand)	
	2022	C/S	2021	C/S	change 22 vs 21	%Change 22 vs 21	
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	9%	213,750	9%	-	0%	
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	9%	213,750	9%	-	0%	
Share premium	278,906	12%	278,906	12%	-	0%	
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	-	0%	
Retained earnings							
Appropriated- statutory reserve	17,399	1%	17,399	1%	-	0%	
Unappropriated	(20,209)	-1%	64,093	3%	(84,302)	(132%)	
Other components of shareholders' equity	125,377	5%	90,567	4%	34,810	38%	
Equity attributable to shareholders' of the company	568,997	24%	618,489	27%	(49,492)	(8%)	
Non-controlling interests of the subsidiaries	3	0%	3	0%	-	0%	
Total shareholders' equity	569,000	24%	618,492	27%	(49,492)	(8.00%)	
Total Liabilities and shareholders' equity	2,419,103	100%	2,257,836	100%	161,267	7%	

As of 31 December 2022, The Company and Subsidiaries had a total equity of 569.00 million baht, a decrease of 49.49 million baht (a decrease of 8.00%) from the value of Land in accounting measures and reported net loss.

Statement of Cash Flows

As of 31 December 2022, The Company and Subsidiaries had a total cash and cash equivalents of 184.90 million baht, an increase of 75.05 million baht (an increase of 68.32%) with major transactions as followed:

- Cash Flow from Operations 100 million baht
- Withdrawal of Existing Loan of 90 million baht
- Loan and Interest Payment 22 million baht
- Payment of Company's Regular Operating Activities

Key Financial Ratio

Ratio	2022	2021	2020
Liquidity Ratio			
Current Ratio	0.53	0.54	0.64
Receivable turnover	31.33	9.05	14.47
Collection period (Days)	11	40	25
Inventory turnover	1.74	0.78	0.86
Holding period (Days)	207	460	417

- 2022 Current Ratio is 0.53, similar to 2021's. If exclude the adoption of TFRS16 Rental Contracts and Long-term Loan from Financial Institutions due within 1 year total 179.70 million baht, 2022 the current ratio is 0.82 which is similar to Before Covid-19's Ratio
- Receivable Turnover and Collection Period in 2022 decreased due to impact easing situation.
- Inventory Turnover and Holding Period in 2022 is much lower due to the reopening of spa branches, Usage of products for services and sale of retail products and other promotions (offline and online)

Ratio	2022	2021	2020
Profitability Ratio			
Gross Profit Margin	11.31%	-90.03%	-18.68%
Net profit Margin	-12.38%	-171.06%	-48.98%
Return on Asset	-3.76%	-11.73%	-10.08%
Return on Equity	-14.83%	-37.63%	-21.00%

- Profitability Ratio has significantly improved as a result of the recovery of the Tourism-related products and services with higher customer numbers both Thai and Foreign especially in Quarter 3 and 4. The Company achieved net profit again in 4Q22

Ratio	2022	2021	2020
Debt Management Ratio			
Debt to Equity Ratio	3.25	2.65	1.91
Interest coverage Ratio	(2.77)	(7.29)	(10.63)

- 2022 Debt to Equity Ratio is 3.25, an increase from 2.65 from previous year. The big increase is a result of lease liability within 1 year of expiry total 1,043.45 million baht after the adoption of TFRS16 Rental Contracts since 2020 Financial Statements. If exclude this, the Debt to Equity Ratio is 1.42 which the Management deemed manageable. The Company is confident that the Company has sufficient cash flow to support Regular Operating Activities on the normal business scenario.
- Interest Coverage Ratio 2022 is -2.77, a significant improvement.

Key Summary of 2022

- The easing of the COVID-19 epidemic situation around the world, including Thailand resulted in significant increase in Company's Revenue. This makes Thai customers resumes their daily life routine and more confident in coming back to use the service. At the same time, the country has reopened for foreign tourists

to enter more conveniently. The new international customer groups include the Middle East, India and Europe

- Improved Liquidity and Cash Flows from Operations, turn positive since 2Q22
- As of 31 December 2022, Siam Wellness Group Public Company Limited had a total of 70 branches (68 domestic branches and 2 overseas branches) [As of 31 December 2021, the Company had a total of 70 branches (65 domestic branches and 5 overseas branches)].

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited