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SWG 042/2561

November 14, 2018

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the third quarter and 9 months period ended 30 September 2018 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 third quarter (“3Q18”) and 9 months period (“9M18”) ended 30 September 2018 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 291.04 million baht, an increase of 44.30 million baht from the same period last year (or an increase of 17.95%). The net profit is 51.96 million baht, an increase of 7.87 million baht from the same period last year (or an increase of 17.85%). Net profit is accounted as 18.06% of sales and services’ revenue. This is the result of the continuous expansion of the Thai tourism industry. The increase in sales comes from both same store sales and expansion stores sales growth, in which the number of branches has gradually increase from 38 branches in 3Q17 to 50 branches in 3Q18 (44 branches domestically and 6 branch overseas).

Revenue

The Company and subsidiaries had total revenue in the 3Q18 of 291.04 million baht, an increase of 44.30 million baht from the same period last year (or an increase of 17.95%). The big proportion of revenue comes from the spa business, which accounted to 89% of the total revenue. There are 12 expansion stores composed of 11 Let’s Relax and 1 Baan Suan Massage (Bangkok 2 branches, Upcountry 5 branches and Overseas 5 branches). New spa models including the Spa Operating in Hotel (2 branches) have been performing well.

Another proportion of revenue comes from the Hotel & Restaurant Business, accounted to 5% of the total revenue. The revenue from the Hotel Business has slightly increased as a result of higher occupancy rate and room rate adjustment after the renovation in 2017.

For the Spa product business, the revenue mainly comes from sales through spa outlets, thus grows coincide with company’s branch expansion in Bangkok and Upcountry. However, the overall revenue has slightly decreased as a result of decrease in Spa Product Amenity sale.

Cost of Sales and Services

In the 3Q18, the Company and subsidiaries had the cost of sales and services of 190.68 million baht, accounting for to 66.27% of sales and services' revenue. This is an increase of 30.03 million baht from the same quarter of the previous year (or an increase of 18.69 %). The increase is caused by the expansion of 12 new spa branches during 2017-2018 as well as additional cost of sales and services of the existing branches, both fixed and variable costs such as staff costs, salary, rents, depreciation and raw material costs, etc. In addition, the Company has to bear some fixed costs from newly renovated branches.

Selling and Administrative Expenses

In the 3Q18, the Company and subsidiaries had the selling and administrative expenses of 36.87 million baht, accounted to 12.81% of the revenue from sales and services. This is an increase of 5.04 million baht from the same period last year (or an increase of 15.82%). This is mainly from the adjustment of salary and increasing headcount of the Head Office staff to support branches expansion.

Net Profit

In the 3Q18, the Company and subsidiaries had the net profit of 51.96 million baht or accounted 18.06% of the revenue from sales and services. The net profit of the Company and subsidiaries increase 7.87 million baht from the same period last year (or an increase of 17.85%). compared to the same period last year. The revenue from sale and service have increased as a result of the continuous growth in the Tourism industry which results in the increase in revenue in both Bangkok and Upcountry branches, yet the variable and fixed costs of sales and services as well as selling and administrative also increase which results from increase in number of branches. However, the cost of sales and services grow slightly less than the revenue from sales and services. Thus, results in the increase of 7.87 million baht in Net Profit. The Net profit accounted of the revenue from sales and services is similar compared to the same period of last year.

Please be informed accordingly,

Yours sincerely,

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