May 12, 2017 **Minor International Public Company Limited**

# Management Discussion and Analysis

## Overview

## 1Q17 Performance

Minor International Public Company Limited ("MINT") reported revenue of Bt 15,379m and net profit of Bt 1,924m in 1Q17, a growth of 11% and 17% respectively from 1Q16 core revenue and net profit (excluding non-recurring gain of Bt 1,932m from bargain purchase of Tivoli Hotels & Resorts). The remarkable growth was attributable to the outstanding performance of both hotel and restaurant businesses, including the strong performance recovery of Thailand operations after the mourning period in 4Q16.

In 1Q17, hotel & mixed-use business reported strong revenue growth of 19% from 1Q16 core revenue, attributable to the rebound in performance of Thailand and Brazil hotels following improving macro conditions, stable growth of Oaks in Australia and exceptional performance of real estate business. Restaurant business showed revenue growth of 3% y-y, led by the robust performance of Thailand and China hubs. Lastly, revenue from retail trading & contract manufacturing business was flat y-y in 1Q17. While the retail trading business saw revenue growth y-y in 1Q17, the contract manufacturing business was still affected by a temporary decline in orders from its key customers, who experienced sale slowdown from intensifying competition in the homecare and cleaning segment, together with the continued impact of the mourning period in Thailand.

In 1Q17, hotel & mixed-use business contributed 55% of total revenue. Restaurant business contributed 39%, while retail trading & contract manufacturing business contributed the remaining 6%.

**Revenue Breakdown**

| *Bt million* | **1Q17** | **1Q16** | **%Chg** |
|---|---|---|---|
| **As Reported** | | | |
| Restaurant Services | 6,028 | 5,841 | 3% |
| Hotel & Mixed-Use | 8,388 | 9,010 | -7% |
| Retail Trading & Contract Manufacturing | 963 | 964 | 0% |
| **Total Revenue** | **15,379** | **15,816** | **-3%** |
| **Core** | | | |
| Restaurant Services | 6,028 | 5,841 | 3% |
| Hotel & Mixed-Use | 8,388 | 7,078 | 19% |
| Retail Trading & Contract Manufacturing | 963 | 964 | 0% |
| **Total Revenue** | **15,379** | **13,884** | **11%** |

MINT reported EBITDA of Bt 3,780m in 1Q17, a 14% growth from 1Q16 core EBITDA, attributable to both hotel & mixed-use and restaurant businesses. EBITDA of hotel & mixed-use business increased by 19% in 1Q17, compared to 1Q16 core EBITDA, primarily from substantial earnings of residential sales and significant improvement of Anantara Vacation Club's performance following the adjustment of its business model since 2015. EBITDA of restaurant business grew by 7% y-y in 1Q17, driven by the strong performance of MINT's key brands, both hot chain and cold chain, in Thailand as the operations gradually got back to normalcy after the mourning period in 4Q16. In addition, the EBITDA growth was driven by the continued growth of China hub. However, retail trading & contract manufacturing business experienced a 29% y-y decline in EBITDA, mainly because of the lower operating leverage of the contract manufacturing business and the ramping-up of the newly launched brands. With improved EBITDA performance of restaurant business, core EBITDA margin of MINT improved from 23.8% in 1Q16 to 24.6% in 1Q17.

In 1Q17, hotel & mixed-use and restaurant businesses accounted for 69% and 30% of total EBITDA, respectively. Retail trading & contract manufacturing business contributed the remaining 1% of total EBITDA.

**EBITDA Breakdown**

| *Bt million* | 1Q17 | 1Q16 | %Chg |
|---|---|---|---|
| **As Reported** | | | |
| Restaurant Services | 1,126 | 1,051 | 7% |
| Hotel & Mixed-Use | 2,594 | 4,107 | -37% |
| Retail Trading & Contract Manufacturing | 60 | 85 | -29% |
| **Total EBITDA** | **3,780** | **5,243** | **-28%** |
| **EBITDA Margin** | **24.6%** | **33.1%** | |
| **Core** | | | |
| Restaurant Services | 1,126 | 1,051 | 7% |
| Hotel & Mixed-Use | 2,594 | 2,175 | 19% |
| Retail Trading & Contract Manufacturing | 60 | 85 | -29% |
| **Total EBITDA** | **3,780** | **3,311** | **14%** |
| **EBITDA Margin** | **24.6%** | **23.8%** | |

In 1Q17, MINT reported net profit of Bt 1,924m, a 17% growth from 1Q16 core net profit of Bt 1,643m, mainly from the significant growth of the real estate business, improved performance of Oaks and the higher operating leverage of the restaurant business. As a result, core net profit margin increased from 11.8% in 1Q16 to 12.5% in 1Q17.

**Net Profit**

| *Bt million* | 1Q17 | 1Q16 | %Chg |
|---|---|---|---|
| **As Reported** | | | |
| Total net profit | 1,924 | 3,575 | -46% |
| **Net Profit Margin** | **12.5%** | **22.6%** | |
| **Core** | | | |
| Total net profit | 1,924 | 1,643 | 17% |
| **Net Profit Margin** | **12.5%** | **11.8%** | |

## Major Developments in 1Q17

| | Developments |
|---|---|
| Restaurant | • Opened 21 outlets, net q-q, majority of which were The Pizza Company outlets in Thailand and Vietnam<br>• Opened first franchised outlet of Thai Express in Beijing Capital International Airport, China |
| Hotel & Mixed-Use | • Entered India with the opening of Oaks Bodhgaya Hotel, a 25% joint-venture hotel in Bihar, India<br>• Added five units of Anantara Vacation Club's inventory in Phuket<br>• Transferred and recorded sales of three units of The Residences by Anantara, Layan, Phuket<br>• Sold and transferred three condominium units of Anantara Chiang Mai Serviced Suites in Thailand<br>• Sold and transferred one penthouse unit of Torres Rani, Maputo in Mozambique |
| Lifestyle | • Launched Joseph and Joseph, a design-led houseware brand from England, in Bangkok |

## Segment Performance

### Restaurant Business

At the end of 1Q17, MINT's total restaurants reached 2,017 outlets, comprising 1,026 equity-owned outlets (51% of total), and 991 franchised outlets (49% of total). Of total, 1,283 outlets (64% of total) are in Thailand, while the remaining 734 outlets (36% of total) are in Australia, New Zealand, Singapore, China, Middle East, India, the Maldives, Egypt, England and other countries in Asia.

## Restaurant Outlets by Owned Equity and Franchise

| | 1Q17 | Chg q-q | Chg y-y |
|---|---|---|---|
| Owned Equity | 1,026 | 8 | 65 |
| - Thailand | 823 | 9 | 43 |
| - Overseas | 203 | -1 | 22 |
| Franchise | 991 | 13 | 93 |
| - Thailand | 460 | 2 | 49 |
| - Overseas | 531 | 11 | 44 |
| **Total Outlets** | **2,017** | **21** | **158** |

## Restaurant Outlets by Brand

| | 1Q17 | Chg q-q | Chg y-y |
|---|---|---|---|
| The Pizza Company | 408 | 17 | 45 |
| Swensen's | 331 | 1 | 8 |
| Sizzler | 60 | 0 | 4 |
| Dairy Queen | 436 | 0 | 29 |
| Burger King | 77 | 3 | 17 |
| The Coffee Club | 463 | 2 | 18 |
| Thai Express | 96 | -1 | 7 |
| Riverside | 57 | -1 | 6 |
| Breadtalk | 37 | 1 | 13 |
| Others* | 52 | -1 | 11 |
| **Total Outlets** | **2,017** | **21** | **158** |

* Others include restaurants at the airport under MINT's 51% JV, "Select Service Partner", restaurants in Singapore under MINT's 50% JV, "The Food Theory Group" and restaurants in England under "Grab" and "Patara" brands.

### Hub Performance Analysis

Total-system-sales (including sales from franchised outlets) increased by 8.2% y-y in 1Q17, from same-store-sales growth of 1.3% y-y, led by the stellar performance of Thailand and China hubs, together with the outlet expansion of 8% y-y.

In 1Q17, Thailand hub resumed the strong growth as the nation gradually recovered from the mourning period. With its leading position in the industry, together with successful product and service innovation and marketing efforts, Thailand hub outperformed its competitors and reported same-store-sales growth of 2.6% y-y in 1Q17. The Pizza Company, Swensen's, The Coffee Club and BreadTalk were the brands that showed notable same-store-sales growth in 1Q17. The Pizza Company maintained strong momentum and achieved positive same-store-sales growth of 2.5% y-y, mainly supported by the successful annual buy-one-get-one free (BOGO) campaign and the remarkable growth of the takeaway segment from the successful launch of the new store format, "delivery units with seats". Swensen's successfully turned its performance around and achieved same-store-sales growth of 7.8% y-y, attributable to the enhanced presentation style of its sundae menus, the success of its marketing efforts to grow the Kids segment and the growth from the delivery segment. The Coffee Club and BreadTalk also saw solid same-store-sales growth thanks to their ongoing efforts to launch new products to generate excitement and draw customer traffic. Consequently, both brands achieved double-digit growth in customer counts in 1Q17 compared to the same period last year. The 2.6% same-store-sales growth, together with continued outlet expansion of 8%, resulted in Thailand hub's robust total-system-sales growth of 10.4% y-y in 1Q17.

China hub delivered another strong quarter of operational performance in 1Q17. Total system-sales-growth increased by 16.6% y-y, driven by same-store-sales growth of 7.4% y-y and the disciplined outlet expansion of 17% y-y. The robust growth is primarily attributable to the strong performance of Riverside both in Beijing and Shanghai, as well as continued success of Thai Express from the new dine-in and delivery menus, which were well received by customers.

Australia hub reported moderate total-system-sales growth of 1.8% y-y in 1Q17 as a result of cautious outlet expansion. The hub's operations, especially in Queensland where half of its outlets are located, experienced softness amidst challenging macro conditions. As a result, same-store-sales declined slightly by 0.7% y-y. To strengthen its performance, Australia hub will remain cautious on outlet expansion and focus on improving customer experience through product enhancement, as well as driving operational efficiency.

Singapore hub continued to face pressure from the slowdown of its economy, together with high competition in the restaurant sector. Singapore's food and beverage services index for the restaurant sector has seen negative growth for the past three years. Given the challenging business environment, Singapore hub's same-store-sales growth and total-system-sales growth remained negative in 1Q17. To strengthen its performance, MINT will continue to rationalize its portfolio by rebranding some of its outlets to a more suitable brand in certain locations, while selectively closing down non-performing outlets. To capture wider customer coverage, Singapore hub will also enhance its segmentation strategy of its Thai restaurant concepts. Lastly, Singapore hub will focus on operational efficiency and cost control to protect its profitability during the downturn.

| Restaurant Business Performance | | |
|---|---|---|
| % | 1Q17 | 1Q16 |
| Average Same-Store-Sales Growth | 1.3 | 0.9 |
| Average Total-System-Sales Growth | 8.2 | 8.8 |

Note: Calculation based on local currency to exclude the impact of foreign exchange

**Financial Performance Analysis**

1Q17 total restaurant revenues grew by 3% y-y, driven by both revenues from operation and franchise fee. Revenues from operation increased by 3% as a result of strong performance of Thailand and China hubs, which helped offset the slowdown of Singapore hub. Franchise fee grew robustly by 11% y-y, from continued growth of franchising business, especially in Thailand, together with increase in number of franchise outlets by 8% y-y. Restaurant business reported 1Q17 EBITDA of Bt 1,126m, increasing 7% y-y. The faster growth rate than revenue is due mainly to higher operating leverage of Thailand and China hubs. As a result, EBITDA margin improved from 18.0% in 1Q16 to 18.7% in 1Q17.

MINT is confident in the outlook of the restaurant business for the rest of 2017. MINT will continue to implement its proactive product and marketing strategies, while driving operational excellence and global supply chain management across all hubs to strengthen performance and profitability.

| Financial Performance | | | |
|---|---|---|---|
| *Bt million* | 1Q17 | 1Q16 | %Chg |
| Revenues from Operation* | 5,591 | 5,448 | 3% |
| Franchise Fee | 437 | 394 | 11% |
| Total Revenues | 6,028 | 5,841 | 3% |
| **EBITDA** | **1,126** | **1,051** | **7%** |
| **EBITDA Margin** | **18.7%** | **18.0%** | |

* Includes share of profit and other income

## Hotel & Mixed-Use Business

### Hotel Business

At the end of 1Q17, MINT owns 69 hotels and manages 86 hotels and serviced suites in 24 countries. Altogether, these properties have 19,794 hotel rooms and serviced suites, including 8,982 that are equity-owned and 10,812 that are purely-managed under the Company's brands including Anantara, AVANI, Oaks, PER AQUUM, Tivoli and Elewana Collection. Of the total, 4,202 rooms in Thailand accounted for 21%, while the remaining 15,592 rooms or 79% are located in Australia, New Zealand, the Maldives, China, Indonesia, India, Sri Lanka, Vietnam, Malaysia, Cambodia, Tanzania, Kenya, Mozambique, Botswana, Namibia, Zambia, Lesotho, Qatar, the United Arab Emirates, Oman, Seychelles, Brazil and Portugal.

| Hotel Rooms by Owned Equity and Management | | | |
|---|---|---|---|
| | 1Q17 | Chg q-q | Chg y-y |
| Equity-owned* | 8,982 | 78 | 231 |
| - Thailand | 2,507 | 0 | 29 |
| - Overseas | 6,475 | 78 | 202 |
| Management | 10,812 | -60 | 557 |
| - Thailand | 1,695 | 0 | 196 |
| - Overseas | 9,117 | -60 | 361 |
| **Total Hotel Rooms** | **19,794** | **18** | **788** |

* Equity owned includes all hotels which are majority-owned and joint ventures

| Hotel Rooms by Ownership | | | |
|---|---|---|---|
| | 1Q17 | Chg q-q | Chg y-y |
| Owned Hotels | 7,118 | 0 | 552 |
| Joint Ventures | 1,864 | 78 | -321 |
| Managed Hotels | 4,484 | -49 | 486 |
| MLRs* | 6,328 | -11 | 71 |
| **Total Hotel Rooms** | **19,794** | **18** | **788** |

* Properties under Management Letting Rights in Australia and New Zealand

**Hotel Performance Analysis**

Owned-hotels portfolio, which accounted for 49% of hotel & mixed-use revenues in 1Q17, reported y-y organic revenues per available room ("RevPar") increase of 6% in 1Q17, supported by performance of owned hotels both in Thailand and overseas. Hotels in Thailand showed performance recovery from the mourning period and bad weather condition in the South of Thailand, with RevPar growth turning positive, after the negative RevPar growth in November and December of 2016. Owned hotels in Bangkok reported organic RevPar growth of 4% y-y in 1Q17, while owned hotels in Thailand provinces saw organic RevPar growth of 1% y-y, driven by hotels in northern Thailand. Outside of Thailand, organic RevPar of owned overseas hotels rose by 8% y-y, mainly due to the turnaround in performance of owned hotels in Brazil and significant RevPar growth of renovated hotels in Portugal. The Brazil hotels saw increased demand and higher average daily rate ("ADR") from improving macro conditions and the completion of hotels renovation, while two renovated Tivoli hotels in Portugal achieved double-digit RevPar growth following the substantial refurbishments last year. With the inclusion of AVANI Riverside Bangkok Hotel and the acquired Tivoli portfolio in February 2016, system-wide RevPar of owned hotels dropped by 4% y-y as the new hotels commanded lower RevPar than the average of MINT's owned hotels. Furthermore, the ongoing renovation of selected Tivoli hotels further put pressure on system-wide RevPar of MINT's owned hotels in 1Q17. Nonetheless, MINT expects ADR and RevPar growth of the renovated Tivoli properties to be more visible in its high season of the third quarter and going forward.

Oaks, contributing 19% of 1Q17 hotel & mixed-use revenues, reported high occupancy rate of 79% and ADR increase of 2% y-y in Australian dollar term to AUD 181, resulting in RevPar growth of 4% y-y. With the strengthening of the Australian Dollar, Oaks's 1Q17 RevPar increased by 7% y-y in Thai Baht term.

Revenue contribution of management contract to MINT's hotel & mixed-use revenue was 4% in 1Q17. Organic RevPar of management contract portfolio increased by 1% y-y in 1Q17, led by hotels in the UAE, Seychelles and Indonesia. Including new hotels, which are still in ramping-up stage, system-wide RevPar of managed hotels was down by 6% y-y in 1Q17.

In summary, in 1Q17, MINT's overall system-wide RevPar decreased by 2% y-y primarily from the consolidation impact of the Tivoli portfolio in Portugal, which only started in February 2016, and the lower RevPar of new hotels during their ramp-up stage than the average of MINT's existing hotels. Excluding new hotel additions, MINT's organic RevPar of its entire hospitality portfolio increased by 3% y-y in 1Q17.

## Hotel Business Performance by Ownership

| **Occupancy (%)** | (System-wide) | | (Organic) | |
|---|---|---|---|---|
| | **1Q17** | **1Q16**** | **1Q17** | **1Q16**** |
| Owned Hotels | 58 | 60 | 61 | 60 |
| Joint Ventures | 48 | 45 | 49 | 45 |
| Managed Hotels | 70 | 69 | 73 | 69 |
| MLR* | 79 | 77 | 79 | 77 |
| **Average** | **67** | **67** | **70** | **67** |
| MINT's Portfolio in Thailand | 82 | 81 | 83 | 81 |
| Industry Average in Thailand** | 73 | 73 | N/A | N/A |
| **ADR (Bt/night)** | (System-wide) | | (Organic) | |
| | **1Q17** | **1Q16**** | **1Q17** | **1Q16**** |
| Owned Hotels | 6,791 | 6,733 | 7,048 | 6,733 |
| Joint Ventures | 12,429 | 15,144 | 12,549 | 15,144 |
| Managed Hotels | 7,034 | 7,605 | 7,338 | 7,605 |
| MLR* | 4,830 | 4,592 | 4,830 | 4,592 |
| **Average** | **6,338** | **6,431** | **6,449** | **6,431** |
| MINT's Portfolio in Thailand | 5,467 | 5,732 | 5,666 | 5,732 |
| Industry Average in Thailand** | 1,505 | 1,207 | N/A | N/A |
| **RevPar (Bt/night)** | (System-wide) | | (Organic) | |
| | **1Q17** | **1Q16**** | **1Q17** | **1Q16**** |
| Owned Hotels | 3,907 | 4,063 | 4,321 | 4,063 |
| Joint Ventures | 5,965 | 6,867 | 6,180 | 6,867 |
| Managed Hotels | 4,952 | 5,280 | 5,329 | 5,280 |
| MLR* | 3,793 | 3,531 | 3,793 | 3,531 |
| **Average** | **4,270** | **4,337** | **4,487** | **4,337** |
| MINT's Portfolio in Thailand | 4,483 | 4,647 | 4,702 | 4,647 |
| Industry Average in Thailand** | 1,104 | 877 | N/A | N/A |

* Properties under Management Letting Rights in Australia & New Zealand

** Performance of owned hotels and join ventures in 1Q16 were restated, following the increased shareholding in the two hotels in Zambia effective from July 2016 onwards.

*** Source for Industry Average: Bank of Thailand

### Hotel Performance Analysis

1Q17 core revenues from hotel and related services operations grew by 9% y-y, driven by improved performance of owned hotels in Thailand and Brazil following favorable macro conditions, stable growth of Oaks, together with the additional revenue from the consolidation of Zambia properties since July 2016.

1Q17 management income grew impressively by 21% y-y, attributable to the solid performance of existing managed hotels, together with the additional management fee from 12% y-y increase in number of managed rooms.

**Mixed-Use Business & Performance Analysis**

One of MINT's mixed-use businesses is plaza and entertainment business. The Company owns and operates three shopping plazas, namely; (1) Royal Garden Pattaya, (2) Turtle Village Shopping Plaza Phuket and (3) Riverside Plaza Bangkok. In addition, MINT is the operator of seven entertainment outlets in Pattaya, namely (1) Ripley's Believe It or Not Museum; (2) 12D Moving Theater; (3) Haunted Adventure; (4) Infinity Maze; (5) The Louis Tussaud's Waxworks; (6) Ripley's Scream in the Dark and (7) Ripley's The Vault. 1Q17 revenue from plaza and entertainment business decreased by 12% y-y to Bt 114m, primarily from the soft performance of Royal Garden Pattaya.

The other mixed-use business that provides a bigger contribution to MINT's hospitality business is the real estate business, which comprises residential development and vacation club. MINT's residential development business develops and sells properties in conjunction with the development of some of its hotels. The first project is the Estates Samui, consisting of 14 villas, adjacent to MINT's Four Seasons Hotel in Samui. The second project is St. Regis Residences, with 53 residential units located above St. Regis Hotel Bangkok. To date, 11 villas of the Estates Samui and all units of St. Regis Residences have been sold. The latest project is The Residences by Anantara, Layan, Phuket, with 15 villas next to Anantara Layan Phuket Resort. In 1Q17, MINT recorded sales of three villas, bringing the total villas sold to date to nine villas. In addition, MINT launched two joint-venture residential projects. The Anantara Chiang Mai Serviced Suites, a 50% joint-venture project with U City PCL, is situated across Anantara Chiang Mai Resort & Spa and consists of 44 condominium units available for sale. In 1Q17, three condominium units were sold, bringing the total units sold to date to 26 units. Another joint-venture project outside of Thailand, Torres Rani in Maputo, Mozambique was also completed with 187 condominium units. While most of the units will be leased out, there are six penthouses available for sale, of which total of two units were sold and transferred to date. Additional residential development projects are being considered to ensure continuous pipeline of MINT's real estate business.

Another real estate business of MINT is the point-based vacation club under its own brand, Anantara Vacation Club (AVC). At the end of 1Q17, AVC has a total inventory of 165 units in Samui, Phuket, Bangkok and Chiang Mai in Thailand, Queenstown in New Zealand, Bali in Indonesia, and Sanya in China. With the successful adjustment of the sales model, AVC reported sales growth of 27% y-y in 1Q17, mainly from the increase in number of members by 18% y-y to 8,502 members at the end of 1Q17.

Overall, revenue from real estate development increased by 62% y-y in 1Q17 thanks to substantial revenue contribution from sales of residential development and strong revenue growth of AVC.

**Overall Hotel & Mixed-Use Financial Performance Analysis**

In 1Q17, total hotel & mixed-use revenues increased by 19% from the core revenues in 1Q16, attributable to the robust growth of hotel and related services and management income, together with the outstanding performance of real estate business. 1Q17 EBITDA increased by similar magnitude of 19% from 1Q16 core EBITDA, primarily due to the robust growth of the real estate business. Consequently, EBITDA margin remained stable at 30.9% in 1Q17, compared to 1Q16 core EBITDA margin of 30.7%.

MINT expects the performance of the hospitality business to remain strong for the remainder of 2017, partly from steady growth of operation in Thailand with favorable tourism trend. The Tivoli portfolio, both in Brazil and Portugal, is also expected to achieve significant improvement in RevPar performance after renovations. Lastly, the real estate business will continue its strong momentum with well-planned expansion of residential development and timeshare projects to ensure sustainable growth going forward.

## Financial Performance*

| *Bt million* | 1Q17 | 1Q16 | %Chg |
|---|---|---|---|
| Hotel & related services ** | 5,843 | 5,382 | 9% |
| Management fee | 327 | 270 | 21% |
| Plaza & entertainment | 114 | 129 | -12% |
| Real estate development | 2,104 | 1,297 | 62% |
| Total Revenues | **8,388** | **7,078** | **19%** |
| **EBITDA** | **2,594** | **2,175** | **19%** |
| **EBITDA Margin** | **30.9%** | **30.7%** | |

* The table excludes non-recurring gain from bargain purchases of Tivoli Hotels & Resorts of Bt 1,932m in 1Q16.
** Includes share of profit and other income

## Retail Trading and Contract Manufacturing Business

At the end of 1Q17, MINT had 329 retail trading points of sales, an increase of 22 points of sales from 307 points at the end of 1Q16. Of total 329 retail trading outlets, 93% are operated under fashion brands including Esprit, Bossini, GAP, Banana Republic, Brooks Brothers, Etam, Radley, Anello, Charles & Keith, and Pedro, while 7% are operated under home and kitchenware brands including Zwilling J.A. Henckels and Joseph Joseph.

## Retail Trading's Outlet Breakdown

| | 1Q17 | Chg q-q | Chg y-y |
|---|---|---|---|
| Fashion | 305 | 0 | 32 |
| Cosmetics | 0 | 0 | -12 |
| Home and Kitchenware | 24 | 2 | 2 |
| **Total Outlets** | **329** | **2** | **22** |

In 1Q17, total retail trading & contract manufacturing revenue remained flat y-y. Revenue from retail trading business increased by 7% y-y, mainly from the robust growth of Charles & Keith and Pedro, together with additional revenue from the new brands, particularly Anello. However, revenue from contract manufacturing business continued to decline y-y from soft performance of its key customers, but showed signs of improvement from the previous quarter. EBITDA of the retail trading and contract manufacturing business decreased by 29% y-y, primarily attributable to the lower operating leverage of the contract manufacturing business, the margin pressure on some fashion brands in the competitive retail space and the ramping-up of the recently launched brands. As a result, EBITDA margin decreased from 8.8% in 1Q16 to 6.2% in 1Q17.

## Retail Trading and Contract Manufacturing's Revenue Breakdown

| *Bt million* | 1Q17 | 1Q16 | %Chg |
|---|---|---|---|
| Retail Trading | 720 | 672 | 7% |
| Manufacturing | 243 | 292 | -17% |
| **Total Revenues*** | **963** | **964** | **0%** |
| **EBITDA** | **60** | **85** | **-29%** |
| **EBITDA Margin** | **6.2%** | **8.8%** | |

* Includes share of profit and other income

# Balance Sheet & Cash Flows

At the end of 1Q17, MINT reported total assets of Bt 110,077m, an increase of Bt 1,623m from Bt 108,453m at the end of 2016. The increase was primarily the result of (1) the increase in cash and cash equivalents of Bt 715m from higher earnings, (2) net increase in MINT's investments of Bt 1,642m, including the recent conversion of loan to 70% stake in Grab Food, the Thai restaurant concept in England, the expansion of Select Service Partner, the joint venture of restaurant operations at airports, and the increase of investments in hotel business in Africa, netted off with (3) the decrease in land and real estates project for sales of Bt 668m, mainly from reduced inventory of The Residences by Anantara, Layan, Phuket following sales of the residential units.

MINT reported total liabilities of Bt 67,918m at the end of 1Q17, an increase of Bt 261m from Bt 67,656m at the end of 2016. The increase was due mainly to (1) the increase in bank overdrafts and short-term borrowings from financial institutions of Bt 1,433m to support the company expansion and investments, netted off with (2) the decrease in deferred tax liabilities of Bt 636m and (3) the decrease in other liabilities of Bt 620m.

Shareholders' equity increased by Bt 1,362m from Bt 40,797m at the end of 2016 to Bt 42,159m in 1Q17, owing mainly to 1Q17 net profit of Bt 1,924m, netted off with non-controlling interests amounted Bt 149m, mainly from 30% minority interest arising from the consolidation of Minor DKL in Australia.

For the first 3 months of 2017, MINT and its subsidiaries reported positive cash flows from operations of Bt 2,925m, an increase of Bt 1,377m y-y. This was partly from (1) the increase in profit before income tax from operations (excluding gain from bargain purchases) of Bt 288m and (2) the increase in translation adjustments of Bt 776m.

Cash flow paid for investing activities was Bt 3,139m, due primarily to investments in available-for-sale, associates, and joint ventures of Bt 1,937m and capital expenditures of hotel, restaurant, and other businesses amounted to Bt 1,329m. The Company reported net cash received from financing activities of Bt 1,027m, comprising primarily of net cash received from short-term borrowings of Bt 1,463m.

In summary, cash flows from operating, investing and financing activities resulted in MINT's net cash and cash equivalents' increase of Bt 813m in 1Q17.

## Financial Ratio Analysis

MINT's gross profit margin increased from 58.8% in 1Q16 to 59.4% in 1Q17, due mainly to improved margin of restaurant business. MINT's reported net profit margin decreased from 22.6% in 1Q16 to 12.5% in 1Q17, owing mainly to net bargain purchase gain from business acquisition of Tivoli Hotels & Resorts recognized in 1Q16. Stripping out the non-recurring gain, core net margin improved from 11.8% in 1Q16 to 12.5% in 1Q17, primarily because of the significant growth of real estate business, improved performance of Oaks and higher operating leverage of restaurant business.

Annualized return on equity decreased from 37.8% in 1Q16 to 18.6% in 1Q17. Correspondingly, annualized return on assets declined from 14.1% in 1Q16 to 7.0%. The decrease of both ratios to the normalized levels was due to reported net profit from operations in 1Q17, as opposed to 1Q16 reported net profit, which included the aforementioned non-recurring gain.

Collection days decreased from 61 days in 1Q16 to 52 days in 1Q17, due primarily to the lower receivables from instalment sales of AVC with the change of its sales model earlier. The provision for impairment as a percentage of gross current trade receivables increased minimally from 6.3% at the end of 2016 to 6.6% in 1Q17, mainly from restaurant business. MINT's inventory comprises primarily raw materials, work-in-process and finished products of the restaurant, retail trading and contract manufacturing businesses, while hotel business has lower level of inventory because of the nature of its business. Inventory days increased from 47 days in 1Q16 to 55 days in 1Q17 due mainly to lower turnover of retail trading business from the ramping-up of newly launched brands. Accounts payable days decreased from 49 days in 1Q16 to 42 days in 1Q17, primarily due to lower accounts payable of hotel business.

Current ratio remained stable at 0.9x in 1Q17, compared to the end of 2016. Interest bearing debt/equity decreased slightly from 1.22x at the end of 2016 to 1.21x in 1Q17 from improved net profit. Interest coverage ratio improved from 5.5x in 1Q16 to 9.0x in 1Q17 due to the increase in cash flows from operating activities.

**Financial Ratio Analysis**

| Profitability Ratio (3 months) | 31-Mar-17 | 31-Mar-16 |
|---|---|---|
| Gross Profit Margin (%) | 59.4% | 58.8% |
| Net Profit Margin (%) | 12.5% | 22.6% |
| Core Net Profit Margin (%) | 12.5% | 11.8% |
| **Efficiency Ratio** | **31 Mar 17** | **31 Mar 16** |
| Return on Equity* (%) | 18.6% | 37.8% |
| Return on Assets* (%) | 7.0% | 14.1% |
| Collection Period* (days) | 52 | 61 |
| Inventory Days* | 55 | 47 |
| Accounts Payable Days* | 42 | 49 |
| **Liquidity Ratio** | **31 Mar 17** | **31 Dec 16** |
| Current Ratio (x) | 0.9 | 0.9 |
| **Leverage & Financial Policy** | **31 Mar 17** | **31 Dec 16** |
| Interest Bearing Debt/Equity (x) | 1.21 | 1.22 |
| Net Interest Bearing Debt/Equity (x) | 1.09 | 1.11 |
| | **31 Mar 17** | **31 Mar 16** |
| Interest Coverage (x) (3 months) | 9.0 | 5.5 |

Note: *Annualized

## Management's Outlook

In the world of rapid changes today, MINT believes there is an urgency to be proactive in addressing customers' needs and expectations and act quickly to stay ahead of competition. Customers are more demanding than ever. MINT understands that only if it truly understands customers' needs and expectations and continuously meets and exceeds their expectations will it thrive and make a great leap forward. As a result, MINT is driving customer-centric strategy across all of its business units by putting customers at the center of its businesses and aligning its brands, products, services and operations to deliver exceptional customer experience and drive customer loyalty. The followings are some highlights of MINT's 2017 priorities:

**Shaping the Future of Tivoli Brand through Uplifting Product Standard and Guest Experience**

Being the latest addition to Minor Hotels' brand portfolio, Tivoli offers vast growth potential with its rich European heritage and solid customer base in Europe and South America. To strengthen the Tivoli brand, Minor Hotels is refining the overall guest experience by leveraging customer insights to enhance Tivoli's products and services. Global travelers today pay special attention to high standard of comfort and safety. As a result, Minor Hotels is fine-tuning new standards of luxury accommodation for Tivoli assets, highlighting elegance and modern comfort for greater guest experience. In addition to refurbishing guest rooms, Minor Hotels will also enhance Tivoli experience by revamping hotel facilities, including seamless meeting and conference facilities, fine-dining restaurants, rooftop bars, spas and modern gym and pool facilities.

Out of the existing 14 Tivoli properties, 11 hotels were selected for major renovations based on the quality of the existing assets and their earnings contribution. Last year, Minor Hotels completed the renovation of two hotels in Brazil and two hotels in Portugal. The renovated properties received favorable response from customers and showed significantly improved performance in 1Q17. Currently, three more hotels in Portugal are being renovated and will be completed in time for the high season in 3Q17. The remaining four hotels in Portugal will be renovated in 4Q17, to be completed in 2018. MINT is confident that the refurbishment of its Tivoli assets will not only provide great customer experience and strong brand loyalty going forward, but will also allow for a meaningful uplift in RevPar and consequently the performance of the Tivoli portfolio.

**Refining Dining Experience in the Digital Age**

With over 200 million customers in 19 countries, Minor Food is making sure that customer data management is one of its priorities. It focuses on strengthening its customer database and performing thorough customer analytics to enhance its customer knowledge. Developing customer insights allows Minor Food to continuously launch successful product and service innovation and stay ahead of competition. For instance,

- The Pizza Company sees how technology is changing customers' expectation of food delivery service. The brand continues to improve its online ordering platform to make it as convenient and easy as possible. In addition to developing easy-click ordering system, The Pizza Company also plans to implement GPS tracking system to allow customers to track their orders in real time. With the success of The Pizza Company's mobile application, Minor Food is replicating the success by planning to roll out online ordering platform for other food brands such as The Coffee Club Thailand.
- Swensen's realizes how food has become one of the means that people use to aspire and connect socially in the digital age. Getting the perfect shot before eating is now a common practice, and therefore product presentation has become increasingly valued. As a result, Swensen's places emphasis on enhancing presentation style of its core sundae menus. The launch of Strawberry Overload Sundae and Mango Paradise Sundae with creative presentation style has created excitement in social media and successfully drove customer traffic.

**Customer-Centricity to Drive MINT Forward**

Looking ahead, MINT is confident that its powerful customer database and dynamic customer analytics will be the driving force for successful product and service innovation. Its innovation capability, together with strong brand portfolio, global operating platform and operational excellence will be powerful engines to ensure MINT's long-term success in the rapidly changing world.

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Mr. Chaiyapat Paitoon
Deputy Corporate Chief Financial Officer