

Management's Discussion and Analysis for the performance of the six months ended of the year 2019

Business Overview

In the six months ended, S Hotels and Resorts Public Company Limited ("the Company") has total revenue of THB 1,751.8 million, increased 144.8% from the six months ended period of 2018 as a result of realization of revenue from the Outrigger Hotels which were acquired by the Company in June 12, 2018.

Discussion of results of operations

Consolidated financial statements					
	Six Months 2018		Six Months 2019		% Change from Six Months Ended 2018 and 2019
	THB million	%	THB million	%	
Revenue from services	715.6	100.0	1,751.8	100.0	144.8%
Costs of services	(390.0)	(54.5)	(1,087.5)	(62.1)	178.8%
Gross profit	325.6	45.5	664.3	37.9	104.0%
Selling expenses	(77.6)	(10.8)	(154.4)	(8.8)	99.0%
Administrative expenses	(109.5)	(15.3)	(512.5)	(29.3)	368.0%
Finance costs (Interest expenses)	(68.6)	(9.7)	(205.5)	(11.7)	200.0%
Other income	83.8	11.7	83.8	4.8	0.1%
Share of profit (loss) from investment in an associate and joint ventures	16.2	2.3	(50.2)	(2.9)	(409.9%)
Profit (loss) before income taxes	169.9	23.7	(174.5)	(10.0)	(202.8%)
Income tax expenses	(34.7)	(4.8)	(27.4)	(1.5)	(21.1%)
Profit (loss) of the year	135.2	18.9	(201.9)	(11.5)	(249.3%)
Adjusted EBITDA¹	266.0	37.2	461.6	26.3	73.6%
Adjusted profit (loss) for the year	135.5	18.9	(163.0)	(9.3)	(220.3%)
Adjusted profit (loss) for the year after non-recurring items	135.5	18.9	(3.3)	(0.2)	(102.4%)

¹ Adjusted EBITDA for any year/period is defined as Profit (loss) before income taxes plus Finance costs, plus Depreciation and Amortization, deduct (plus) gain (loss) from exchange rate, and deduct interest income from loan to joint ventures and adjusting unrealized gain (loss) from exchange rate as well as non-recurring items.

Overview

The Company is a holding company engaging in the management of hotels and investments in international hotel companies. Over the past three fiscal years, the Company's consolidated total assets has grown at an average rate of 102.2% per year. The Company has a unique portfolio of hotels in desirable global holiday destinations, as follows

- (1) Two self-manage hotels in Thailand, operate under independent branding, namely, Phi Phi Island Village Beach Resort located on Beachfront of Phi Phi Don Island in Krabi and Santiburi Hotel located on Beachfront of Koh Samui in Surat Thani "**Self-Managed Hotels**";
- (2) Six hotels operate under the Outrigger brand and manage under hotel management agreements, which consists of two hotels in Thailand, two hotels in the Republic of Fiji Islands, one hotel in the Republic of Maldives and one hotel in Mauritius "**Outrigger Hotels**";
- (3) Two upper upscale successfully developed hotels, as part of Project Crossroads Phase 1 in the Emboodhoo lagoon in the Republic of Maldives, consists of two islands undergoing development, (i) SAii Lagoon Maldives, Curio Collection by Hilton and (ii) Hard Rock Hotel Maldives "**Project Crossroads Phase 1 Hotels** "; and
- (4) 29 upper midscale hotels operated under the Mercure and Holiday Inn brands in the United Kingdom, of which the Company holds 50% in an equal joint venture "**UK Portfolio Hotels**".

Results for the UK Portfolio, operating under a joint venture, are not consolidated within the Company's hospitality business, and are instead accounted for using the equity method, pursuant to which the Company receives a share of profit or loss from the investment in the joint venture.

As of 30 June 2019, the Self-Managed Hotels, Outrigger Hotels, Project Crossroads Phase 1 Hotels, and UK Portfolio Hotels and are comprised with the total of 39 hotels and 4,647 rooms.

Revenue from services

<i>(Unit: THB Million)</i>	2017	%	2018	%	Six Months		Six Months	
					2018	%	2019	%
Self-Managed Hotels	1,074.0	100.0	1,099.0	42.6	603.0	84.3	548.0	31.3
Outrigger Hotels	-	-	1,476.7	57.4	112.6	15.7	1,203.8	68.7
Total revenue from services	1,074.0	100.0	2,575.7	100.0	715.6	100.0	1,751.8	100.0

Room revenue

The room revenue increased by 144.8% from the six months ended June 30, 2018 to THB 1,751.8 million for the six months ended June 30, 2019, primarily as a result of realization of revenue from the Outrigger Hotels acquired by the Company in June 2018.

Key indicators in respect of the Self-Managed Hotels are set out as follows

Indicators	2017	2018	Six Months	Six Months
			2018	2019
No. of Hotels ⁽¹⁾	2	2	2	2
No. of Keys ⁽²⁾	278	291	284	297
Average Occupancy Rate(%) ⁽²⁾	80.9	76.1	80.3	73.2
ADR (THB)	8,074	8,415	9,201	8,674
RevPAR (THB)	6,532	6,401	7,389	6,347

Note :

- (1) As at the end of the respective periods
- (2) Based on the weighted average number of keys for the year. In particular, the Company added 19 newly built pool villas to Santiburi Koh Samui in May 2018, thereby increasing the number of keys in Santiburi Koh Samui from 77 keys to 96 keys.

For the six months ended June 30, 2019, RevPar of the Self-Managed Hotels is equal to THB 6,347 with the Average Occupancy rate of 73.2% and ADR of THB 8,674.

Key indicators in respect of the Outrigger Hotels are set out as follows

Indicators	2017	2018	Six Months	Six Months
			2018	2019
No. of Hotels	6	6	6	6
No. of Keys	859	859	859	859
Average Occupancy Rate(%)	79.0	78.5	75.6	74.5
ADR (THB)	5,887	6,287	6,401	6,565
RevPAR (THB)	4,652	4,935	4,839	4,889

Note :

- (1) The Company acquired the Outrigger Hotels on June 12, 2018

For the six months ended June 30, 2019, RevPar of the Outrigger Hotels is equal to THB 4,889 with the Average Occupancy rate of 74.5% and ADR of THB 6,565.

Key indicators in respect of the UK Portfolio Hotels are set out as follows

Indicators	2017	2018	Six Months	Six Months
			2018	2019
No. of Hotels ⁽¹⁾	29	29	29	29
No. of Keys ⁽¹⁾	3,112	3,115	3,115	3,115
Average Occupancy Rate (%)	71.6	71.5	69.1	65.3
ADR (GBP)	67	67	65	65
RevPAR (GBP)	48	48	45	43

Note :

(1) As at the end of the respective periods

For the six months ended June 30, 2019, RevPar of the UK Portfolio is equal to GBP 43 with the Average Occupancy rate of 65.3% and ADR of GBP 65.

Food and beverage revenue

The food and beverage revenue increased by 179.8% from the six months ended June 30, 2018 to THB 502.5 million for the six months ended June 30, 2019, primarily as a result of realization of food and beverage revenue in the Outrigger Hotels acquired by the Company in June 2018.

Other revenue from services

The other revenue from services increased by 90.1% the six months ended June 30, 2018 to THB 168.1 million for the six months ended June 30, 2019, primarily as a result of realization of revenue from the Outrigger Hotels acquired by the Company in June 2018.

Costs of services

The costs of services increased by 178.8% from the six months ended June 30, 2018 to THB 1,087.5 million for the six months ended June 30, 2019. The increase in costs of services was largely consistent with the increase in revenues from the acquisition of the Outrigger Hotel in June 12, 2018. The Cost of services for the Outrigger Hotel consists of costs relating to hotel rooms, food and beverage costs and depreciation.

Gross profit

As a result of the foregoing, the gross profit increased by 104.0% from the six months ended June 30, 2018, to THB 664.3 million for the six months ended June 30, 2019.

Selling expenses

The selling expenses increased by 99.0% from the six months ended June 30, 2018 to THB 154.4 million for the six months June 30, 2019. The increase was primarily attributable to selling expenses incurred in relation to the Outrigger Hotels and the Project Crossroads Phase One.

Administrative expenses

The administrative expenses increased by 368.0% from the six months ended June 30, 2018 to THB 512.5 million for the six months ended June 30, 2019. The increase of administrative expenses was primarily attributable to administrative expenses incurred in relation to the Outrigger Hotels, employee expenses, and administrative expenses in relation to Project Crossroads Phase One. In addition, there are non-recurring items which comprise of expenses related to the Initial Public Offering, Pre-operation expense of Project Crossroads Phase One and Employee benefit according to the amendment of Labour Protection Act.

Financial Costs (interest expenses)

The financial costs increased by 200.0% from the six months ended June 30, 2018 to THB 205.5 million for the six months ended June 30, 2019, which was primarily attributable from the financial costs incurred in relation to the expansion, acquisition and the additional loan from existing assets.

Other income

The other income was THB 83.8 million and THB 83.8 million for the six months ended June 30, 2018 and 2019, respectively. Other income includes interest income from loans made to FS JV CO Limited and FS JV LICENSE CO Limited which amounted to THB 59.5 million and THB 57.7 million in the six months ended June 30, 2018 and 2019, respectively.

Share of profit (loss) from an associate and joint ventures

The share of profit from an associate and joint ventures was decreased by THB 66.4 million from the six months ended June 30, 2018 to THB (50.2) million for the six months ended June 30, 2019, primarily due to the sharing of loss from joint ventures that invested in UK portfolio.

Adjusted EBITDA

Adjusted EBITDA increased 73.5% from the six months ended June 30, 2018 to THB 461.6 million for the six months ended June 30, 2019, primarily due to the acquisition of the Outrigger Hotels in June 12, 2018.

Profit (loss) for the period

As a result of the foregoing, the Company had a loss of THB 201.9 million for the six months ended June 30, 2019, reducing 249.3% from the six months ended June 30, 2018.

Analysis of Financial Position and Investment Structure

The total assets as of June 30, 2019 was THB 25,631.0 million increased THB 1,241.3 million from December 31, 2018, because of the reduction of total current assets THB 136.9 million and the rise of total non-current assets THB 1,378.3 THB. The total liabilities was THB 14,423.9 million which consists of interest bearing debt in amount of THB 12,183.7 million. Furthermore, the Company obtained additional loan from financial institutions for Project Crossroads Phase 1 development costs leading to the increase of IBD/E from 0.8 to 1.1 times. The Company expects the IBD/E to significantly decrease after the IPO.

	Year Ended December 31, 2018 (THB million)	Six Months Ended June 30, 2019 (THB million)
Cash and cash equivalents	1,892.9	1,615.7
Total current assets	2,961.9	2,825.0
Property, plant and equipments, net	16,321.5	18,104.7
Total non-current assets	21,427.7	22,806.0
Total assets	24,389.7	25,631.0
Total interest bearing debt	10,030.2	12,183.7
Loan from related parties	5,295.8	5,357.8
Loan from financial institutions	4,734.4	6,825.9
Other liabilities	2,375.7	2,240.2
Total liabilities	12,405.9	14,423.9
Total equity	11,983.7	11,207.1
Total Interest bearing debt/Total Equity (IBD/E) (times)	0.8	1.1

Investor Relations Contact

+66 (0) 2058 9888

Email: ir@shotelsresorts.com