



No. PACE IR2019/010
Date: 14 November 2019
Subject: Explanation of the Operating Results for the three-month period ended 30 September 2019 changing over 20%
To: The President
The Stock Exchange of Thailand

PACE Development Corporation Public Company Limited (“the Company”) would like to report the operating results for the three-month period ended 30 September 2019. The details are as follows:

Executive Summary

The operating results of the third quarter of 2019, for the three-month period ended September 30, 2019 (“Q3 2019”), the Company generated total revenue of 221 million Baht, decreased by 80% as compared to 3Q2018 in the amount of 872 million Baht which comprising of (1) revenue from Food and Beverages of Dean & DeLuca of 150 million Baht (68% of total revenue), decreased by 73% as compared to 3Q 2018 in of 397 million Baht, (2) other income including trademark and trade name fees of Dean & DeLuca of 71 million Baht (32% of total revenue); significantly increased by 195% as compared to 3Q 2018 by 41 million Baht.

The total gross profits for 3Q 2019 was 87 million Baht (39% of total revenue), decreased by 175 million Baht as compared to 3Q 2018 as a result of closure of additional four Dean & DeLuca stores in the US.

The total gross profits margin for the food and beverage business for 3Q 2019 was 47% as compared to 3Q 2018 of 53%.

The Company’s total expenses of 636 million Baht (394% of total revenue), decrease by 27% or by 235 million Baht as compared to 3Q 2018 which comprises of: (1) administrative expenses of 371 million Baht, decreased by 11% or by 44 million Baht as compared to the same period of last year of 201 million Baht as a result of impairment of fixed asset and provision regarding closure of four stores of 304 million Baht. (2) selling expenses of 265 million Baht, decreased by 42% or by 191 million Baht due to the absence of specific business tax and residence transfer expense.

In 3Q 2019, the Company had a total finance costs of 219 million Baht; increased by 22% or by 40 million as compared to 3Q 2018.

The company has disposed common shares in YLP Co., Ltd., a subsidiary of the company and the profit of 82 million Baht from the discontinued of the operation has been recognized in the profit and loss statement

Profit (Loss)

In 3Q 2019 The Company recorded a net loss of 602 million Baht, decreased by 500 million Baht as compared to 3Q 2018 with net loss of 1,102 million Baht as a result of disposal of asset a total of 422 million Baht. While no further revenue recognition from the property development business were presence in the quarter.

Summary of Financial Performance

Analysis of the Operating Results

Revenues

For the third quarter of 2019, the three-month period ended September 30, 2019, the Company generated revenues of 485 million Baht as compared to 3Q 2018 of 872 million Baht. The details are as follows:

I Property Business: The Company is to record the revenue from sales of residential condominium units in the statement of comprehensive income when the real estate project has been completed and transferred to the customers after completion of the payment.

Despite the sales of assets in the previous year there are remaining backlog and inventories awaiting to transferred at a total value of 14,697 million Baht. The pending amount are to be recognized as planned.

- As of 30 September 2019, Details and progress of the Company's residential projects are as follows:

Project	Operated By	Project Value (MB)	Total Units	Sales Progress			Cumulative Transferred Value (MB)	Start of Transfer in Year
				No. of Sold Units	Million Baht	% (unit)		
MahaNakhon - The Ritz-Carlton Residences, Bangkok	Pace Project Two	14,508	209	207	14,241	99	13,566	April 2016
MahaSamutr - Villa	Company	4,000	80	13	610	15	256	4Q 2017
Nimit Langsuan	Company	8,000	187	171	7,030	93	-	2Q 2020
Windshell Naradhiwas	YLP	3,000	36	17	1,343	47	314	3Q 2019

From the current residential projects above, the value after deducting the recognized revenue of the transferred units equals to 1.47 billion Baht. The Company aims to develop and transfer the remaining units within the next 1-2 years. Moreover, it is in the interest of The Company in pursuing with property development projects that aligns to the cash flow of The Company.

MahaSamutr Project:

The construction of MahaSamutr project – villas are 99% completed. The Company has managed to transfer a total of 5 villas and recognized a total of 256 million Baht. The remaining villas are expected to transfer in 2019 and 2020. While the MahaSamutr Country club project is undergoing a minor redevelopment, which is due to complete in 2019

Nimit Langsuan and Windshell Naradhiwas Project:

Nimit Langsuan and Windshell Naradhiwas projects are in the process of construction as planned. Also, the Company received credit facilities from its financial institutions which are sufficient to complete the projects and is expected to transfer the ownership to its customers as well as recognize revenues in the second half of the year 2019.

Windshell Naradhiwas on the other hand, the company has recognized revenue from four units sold and recorded profit from discontinued operation of its subsidiary company, YLP Co., Ltd with total value of 82 million Baht.

II Gourmet Food and Beverage Business

In 3Q 2019, the total revenues of Dean & DeLuca were 163 million Baht; decreased by 71% as compared to the 3Q 2018 by 395 million Baht. This was due to closure of additional four stores in the United States and that they have been fully impaired in the administrative expense of the quarter.

In 3Q 2019, the Company has entered into Global Strategic Partnership Agreement with Lagardere Travel Retail after entered into the Agreement with Lagardere Travel Retail in 2018. The Company planned to operate its two franchised stores in Phuket and two owned stores in Bangkok during the second quarter and whist managed to open a franchised store in Phuket in 3Q 2019 while the remaining stores are expected to operate in the last quarter of the year.

As of 30 September 2019, the Company has company-operated stores and licensed stores as follows.

Country	Company-operated Stores	Licensed Stores	Total
United States	1	-	1
United States (Hawaii)	-	2	2
Thailand	10	1	12
Japan	-	47	47
South Korea	-	2	2
Singapore	-	2	2
Kuwait	-	2	2
UAE	-	1	1
Philippines	-	3	3
Macao	-	1	1
Bahrain	-	1	1
Hong Kong	-	2	2
Malaysia	-	1	1
Total	11	65	76

The Company pursues a new business strategy which focuses on leveraging the brand equity which is through franchise model. Such initiative reflects in the recent partnership with Lagardere travel retail, a pioneering global leader in the travel retail industry including duty free shop and retail stores in airports, train stations and travel hub for Dean & DeLuca stores expansion globally.

At the same time the company priority is to stop losses for the Dean & DeLuca business by the end of 2019 as it is undergoing a “rightsized” strategy through cost control and merging of chain operations to minimise losses from unprofitable branches

Selling and administrative expenses

In 3Q 2019, The Company had total expenses of 627 million Baht (284% of total revenues), decreased by 29% as compared to 3Q 2018 of 252 million Baht. This comprised of: (1) administrative expense of 371 million Baht, decreased by 11% or by 44 million Baht as compared to 3Q 2018, (2) selling expenses of 265 million Baht, decreased by 42% or by 191 million Baht as compared to 3Q 2018 due to the absence of specific business tax and residence transfer expense as well as a significantly decrease in the operation of the Dean & DeLuca stores in the US from a downsize in number of stores over the quarter.

The decreasing of selling expenses from property development business were as result of the absence revenue from the property development business while the company has recorded

The Company recorded negative earnings before interest and taxes of 490 million Baht (222% of total revenue) or by 476 million Baht as compare to 3Q 2018.

Finance Costs

In 3Q 2019, the Company had total interest paid of 219 million Baht, increased by 23% or by 40 million Baht as compared to 3Q 2018.

Profit and Loss Results

In 3Q 2019, the Company had net loss of 654 million Baht or 296 % of total revenues compared to 3Q 2018 with net loss of 1,102 million Baht. This was due to the recognition of fixed asset impairment from the additional four Dean & DeLuca stores in the US which is recorded as one time expense in administrative expense of the quarter. This also reduces the revenue from the food and beverages significantly while there is profit from disposal of shares in the company’s subsidiary.

Statement of Financial Position

Assets

As at 30 September 2019, the total assets were 20,3614 million Baht; decreased by 1,251 million Baht or 6% from 3Q 2018. This was due to decrease in cash and cash equivalents of 958 million Baht and other intangible asset which decreased by 152 million Baht.

The main assets comprised of cash and cash equivalent of 320 million Baht, real estate projects for sales under development of 8,720 million Baht, Account Receivable of 458 million Baht, building improvement and equipment of 3,194 million Baht, Moreover, the goodwill incurred mainly from Dean & DeLuca acquisition was 2,305 million Baht. Also, the intangible assets arising from Dean & DeLuca’s business; for example, trademark, trade name, copyrights, etc. of the Dean & DeLuca brand were 1,719 million Baht. The main assets were 82% of the total assets.



Liabilities

As at 30 September 2019, the total liabilities were 20,099 million Baht; decreased by 248 million Baht, or 1% from 4Q 2018. The increasing of total liabilities comprises of the increase of liabilities from Bill of Exchange of 535 million Baht.

The main liabilities include short-term loans from financial institutions of 2,771 million Baht, current portion of long-term loans from financial institutions of 7,993 million Baht, the remaining amount of debenture is 1,340 million Baht, advances and deposits received from customers of 2,909 million Baht, and account payable of 2,595 million Baht. The main liabilities are accounted for 88% of the total asset.

Shareholders' Equity

As at 30 September 2019, the total shareholder's Equity of the Company were 262 million Baht, decreased by 79% or by 1,003 million Baht as compared to the previous quarter. This was mainly due to the nine month net loss of -1,645 million Baht and the effect of the changes in accounting polices due to the adoption of TFRS 15 of 124 million Baht as well as loss from exchange rate of minus 62 million Baht and the increase of registered share capital during the quarter at a total of 580 million Baht

Appropriateness of the Funding Structure

In 3Q 2019, the Company had total debt to equity ratio of 76.7 times increased from 4Q 2018 at 16.1 times. The interest-bearing debt to equity ratio was 47.9 times, increases from the end of 2018 at 10.8 times.

Please be informed accordingly.

Yours Faithfully,

(Mr. Prajak Jangsangtong)

Chief Financial Officer

PACE Development Corporation Public Company Limited