

Ref. No. CS/011/02/2020

9 November 2020

Subject: Management Discussion and Analysis for the three-month period and the nine-month period ended 30 September 2020

To: President  
The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.8/2020 of Nirvana Daii Public Company Limited (“Company” or “NVD”) held on 9 November 2020 to approve the financial statements for the three-month period and the nine-month period ended 30 September 2020, the Company would like to report the financial performance for the three-month period and nine-month period ended 30 September 2020 as follows.

Comparative Operating Performance	Quarterly: yoy & qoq								9M : yoy				
	3Q19		2Q20		3Q20		%Change		9M19		9M20		%Change
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq	Bt.m	%	Bt.m	%	yoy
<b>Revenues:</b>													
Revenue from sales of real estate	565	88%	280	82%	1,098	94%	94%	292%	1,807	85%	1,698	92%	-6%
Revenue from construction contracts	24	4%	55	16%	61	5%	154%	11%	157	7%	136	7%	-13%
Revenue from sales of goods	51	8%	7	2%	6	1%	-88%	-12%	156	7%	21	1%	-87%
<b>Total revenues</b>	<b>640</b>	<b>100%</b>	<b>342</b>	<b>100%</b>	<b>1,165</b>	<b>100%</b>	<b>82%</b>	<b>241%</b>	<b>2,120</b>	<b>100%</b>	<b>1,855</b>	<b>100%</b>	<b>-13%</b>
<b>Costs:</b>													
Costs of real estate sold	300	47%	216	63%	713	61%	138%	230%	1,076	51%	1,121	60%	4%
Costs of construction	23	4%	44	13%	54	5%	135%	23%	143	7%	116	6%	-19%
Costs of goods sold	45	7%	4	1%	2	0%	-96%	-51%	132	6%	14	1%	-89%
<b>Total costs</b>	<b>368</b>	<b>58%</b>	<b>264</b>	<b>77%</b>	<b>769</b>	<b>66%</b>	<b>109%</b>	<b>191%</b>	<b>1,351</b>	<b>64%</b>	<b>1,251</b>	<b>67%</b>	<b>-7%</b>
<b>Gross profits</b>	<b>272</b>	<b>43%</b>	<b>78</b>	<b>23%</b>	<b>396</b>	<b>34%</b>	<b>46%</b>	<b>411%</b>	<b>769</b>	<b>36%</b>	<b>604</b>	<b>33%</b>	<b>-21%</b>
Other incomes	8	1%	14	4%	10	1%	25%	-29%	43	2%	41	2%	-5%
Selling expenses	(147)	-23%	(50)	-15%	(146)	-13%	-1%	192%	(360)	-17%	(276)	-15%	-23%
Administrative expenses	(56)	-9%	(53)	-16%	(65)	-6%	16%	23%	(189)	-9%	(166)	-9%	-12%
Gain (loss) from exchange rate, net	0.3	0%	(1.4)	0%	(0.2)	0%	-167%	-86%	0.2	0%	(0.8)	0%	-500%
Financial costs (interest expenses)	(24)	-4%	(29)	-8%	(29)	-2%	21%	0%	(85)	-4%	(87)	-5%	2%
<b>Profits before share of profits from JV</b>	<b>53</b>	<b>8%</b>	<b>(42)</b>	<b>-12%</b>	<b>166</b>	<b>14%</b>	<b>211%</b>	<b>-496%</b>	<b>178</b>	<b>8%</b>	<b>115</b>	<b>6%</b>	<b>-35%</b>
Share of profits/(losses) from JV	-	0%	-	0%	(9)	-1%	na	na	(1)	0%	(9)	0%	800%
Income taxes	(11)	-2%	7	2%	(34)	-3%	209%	-586%	(37)	-2%	(26)	-1%	-30%
<b>Net profits / (loss)</b>	<b>42</b>	<b>7%</b>	<b>(35)</b>	<b>-10%</b>	<b>123</b>	<b>11%</b>	<b>190%</b>	<b>452%</b>	<b>140</b>	<b>7%</b>	<b>80</b>	<b>4%</b>	<b>-43%</b>
Other comprehensive income	-	0%	0	0%	-	0%	0%	0%	2	0%	(6)	0%	-382%
<b>Total comprehensive income</b>	<b>42</b>	<b>7%</b>	<b>(35)</b>	<b>-10%</b>	<b>123</b>	<b>11%</b>	<b>190%</b>	<b>452%</b>	<b>142</b>	<b>7%</b>	<b>75</b>	<b>4%</b>	<b>-48%</b>

### Some Opportunity in the Crisis

NVD recorded total revenues of Bt.1,165m in 3Q20 with a total comprehensive income of Bt.123m, rebounding from the net loss of Bt.35m in 2Q20. The 3Q20 result was the second best-performing quarterly result despite the lingering impacts of COVID-19. More interestingly, the main driver for such a strong set of results was the transfers of our ultra-luxury condominium units.

In 3Q20, a total of 20 units of Banyan Tree Residences Riverside Bangkok (“BTRRB”) were sold. Fifteen units of which were transferred promptly within the quarter. Combining with 2 more backlog units carried over from 2Q20, BTRRB contributed Bt.958m to the revenues from sales of real estates with a total transfer of 17 units during the quarter.



Since the outbreak of the COVID-19, the condominium segment in general had suffered severely. Being a very contagious disease, COVID-19 had disrupted demands of condominiums due to the relatively higher risk of being contracted from the common areas. Also, strict measures, i.e. country lockdowns, imposed by Governments around the globe in 2Q20 had effectively restricted foreign buyers' ability to transfer. As such, NVD merely recorded one unit of BTRRB transfer in the last quarter.

In a global survey prepared by John Hopkins Center for Health Security, Thailand had ranked the top global chart in July 2020 for effective handling of COVID-19. Through the eyes of foreigners who were already fond of Thailand, the kingdom had seemingly become a "safe haven" as one of the "safest alternative homes" during contagious disease outbreak.

This had created real foreign demands for condominiums, especially for those with some special features of the Thai cultures. BTRRB, being on the Chaopraya Riverbank on the Charoen-nakorn side, offers breath-taking view of the Glorious Old Town as well as the Exotic Skyscrapers of Downtown Bangkok. As stated by Gemma Malley, "there was always an opportunity in crisis, however desperate things seemed."



### **Adding a New Mass-segment Product**

Landed residential contribution to the revenues from sales of real estates, on the other hand, was relatively weaker qoq. During 3Q20, a total of 16 units of landed residential were transferred: 6 single-detached houses, 6 townhouse units, and 4 home-office units. However, 5 of the six single-detached houses transferred during the quarter would not be recognized as revenues because they were either units from a joint venture project and a turnkey-solution project. Instead, these five units would be accounted on the consolidated financial statements either as share of net profits/losses from joint venture or gradual streams of revenues from construction contracts upon the respective construction progresses in the case of Build-to-Order ("BTO") turnkey-solution houses.

To address this issue while adding more product variety for the lower, more-mass single-detached-house market, Nirvana ELEMENT was introduced for the first time in Aug 2020. Nirvana Element is a series of two-story, single-detached houses in a more affordable price range of Bt.8m-15m, currently unreachable by the Nirvana BEYOND brand.

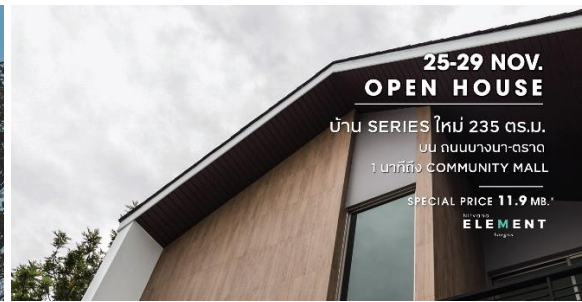


The first project is called “Nirvana ELEMENT Bangna”. It comprises of 172 units with four types of houses ranging from the smallest 172-sq.m. to the largest 406-sq.m. usable space. The project is located only a few minutes away from an existing community mall named ATT-U Park, which provides 24/7 quality supermarket and many leading restaurants, coffee shops, and other convenient retail services.

“Nirvana ELEMENT Bangna” is our second project in the Bangna Township development. The Exclusive Presales event was held on 29-30 August with good market response. Nine units were sold during the launch with a backlog value of about Bt.105m. Constructions of these first batch have been proceeding with transfers to the customers expected to take place within 1H21.

“Nirvana ELEMENT Bangna” is expected to help support the landed residential contribution to the revenues from sales of real estate portfolio. Its price point should fit in better in the current COVID-19 plagued economy with anxiety of second/third waves and return of country lockdowns around the globe.

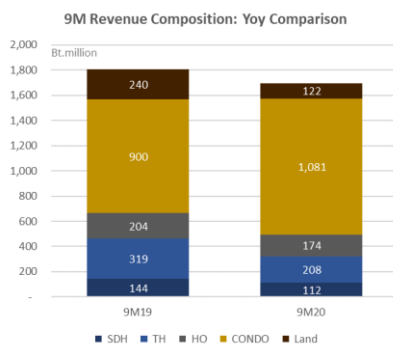
An upcoming OPEN HOUSE event for Nirvana ELEMENT Bangna has been scheduled for 25-29 November with additional show unit of the fourth house type “235” to complete the full Nirvana Element series of “172”, “235”, “306”, and “406”. Additional backlogs for 2021 are expected to be generated.



## Revenues

On the nine-month basis, NVD reported total consolidated revenues of Bt.1,855m, decreased 13% yoy. All segmented revenues also decreased as follows.

- **Revenues from Sales of Real Estate** down 6% yoy,
- **Revenues from Construction Contracts** down 13% yoy,
- **Revenues from Sales of Goods** down 87% yoy

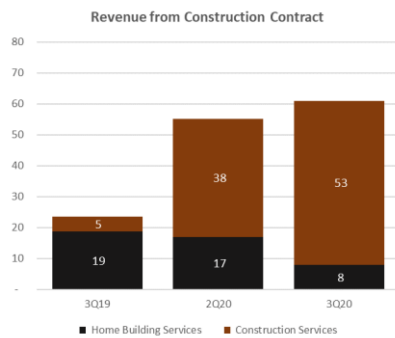


**Revenues from Sales of Real Estate** decreased 6% yoy mainly from less land sales during 9M20 compared to 9M19. The 26% lower revenues from the landed residential projects were offset by the strong condominium revenues.

Despite the COVID-19 aftermath, 17 units of BTRRB were transferred in 3Q20 contributing Bt.958m in revenues. Those units included two remaining backlogs of foreigner customers which were expected to be transferred in 1H20 but had some difficulties during the COVID-19 outbreak as mentioned in 1H20

MD&A. The rest 15 units were just booked and transferred within 3Q20.

The high-rise residential revenue portion were slightly increased from 50% to 64% to total revenue from sales of BTRRB units. The foreigners considered Thailand property as safe haven for both in terms of living and investing perspective.



**Revenues from Construction Service Contracts** were down 13% yoy. Two streams of revenues from construction contracts were:

- 1) Constructions of Built-to-Order (BTO) houses in NVD own projects and Turnkey Solution projects and
- 2) External construction services projects provided to corporate clients.

The new external construction services awarded earlier this year just started to contribute in 2Q20-3Q20. These include precast constructions of Bt.2-3m townhouses for other developer in Petchkasem area and 3 sites of non-residential gas station construction projects in Pathumthani, Nongkaem, and Nonthaburi. The construction revenue backlogs from external projects were Bt.39m as of 3Q20.

The BTO houses construction revenues had been down-trending along the proportionately lower sales of BTO houses. However, the sales of units in the new turnkey solution project, **Nirvana BEYOND Bangna – ATT U Park**, should help support this revenue line. The construction revenue backlogs from BTO houses were Bt.183m as of 3Q20. 38% of those backlogs were from Nirvana BEYOND Bangna-ATT U Park.

**Revenues from Sales of Goods** were down 87% yoy. This revenue stream is comprised of sales of prefabricated structure and fencing products. The slowdown in other developers' new project developments resulted lower demands for fencing products.

### Cost of Sales and Gross Margins

Total consolidated costs for 9M20 were Bt.1,251m, decreased 7% yoy, slightly lower than 13% drop in revenue as we sacrificed some margins to generate cash during the crisis. The total costs consist of:

- **Costs of Sales of Real Estate** of Bt.1,121m
- **Costs of Construction Contracts** of Bt.116m
- **Costs of Sales of Goods** of Bt.14m

Gross Margins by Segment					
	9M19		9M20		% Change
	Bt.m	%	Bt.m	%	yoy
Revenue from sales of real estate	1,807	100%	1,698	100%	-6%
Costs of real estate sold	(1,076)	-60%	(1,121)	-66%	4%
<b>Gross margins: Sales of real estate</b>	<b>731</b>	<b>40%</b>	<b>577</b>	<b>34%</b>	<b>-21%</b>
Revenue from construction contracts	157	100%	136	100%	-13%
Costs of construction	(143)	-91%	(116)	-85%	-19%
<b>Gross margins: Construction contracts</b>	<b>14</b>	<b>9%</b>	<b>20</b>	<b>15%</b>	<b>43%</b>
Revenue from sales of goods	156	100%	21	100%	-87%
Costs of goods sold	(132)	-85%	(14)	-67%	-89%
<b>Gross margins: Sales of goods</b>	<b>24</b>	<b>15%</b>	<b>7</b>	<b>33%</b>	<b>-71%</b>
<b>Blended gross margins</b>	<b>769</b>	<b>36%</b>	<b>604</b>	<b>33%</b>	<b>-21%</b>

Blended gross margins decreased from 36% in 9M19 to 33% in 9M20. Main contribution was the gross margin of Sales of Real Estate segment. The 40% gross margin in 9M19 was a result of BTRRB units transfers, which contributed to almost 50% of total revenue for the period, and land sales according to our asset maximization strategy, which contributed to 13% of total revenue for the period. In 9M20, the COVID-19-plagued economy forced us to offer more promotional campaigns and special deals for some special units in bid to make sales.

Gross profit from **Construction Services** revenue begin to pick up as there were 4 new external construction service projects started during 9M20 which has higher margin than the construction services for a Telecom infrastructure in the Northern Thailand which reaching its completion.

Gross margin from Sales of Goods (i.e. precast products, fences) significantly increased from 15% in 9M19 to 33% in 9M20, however, still not material in value. There will be some part of the external construction service projects (i.e. sales of precast products for the construction of those projects) which will be recorded as revenue from sales of goods in the next quarters.

**Other incomes** usually comprise of management fees and other miscellaneous incomes. The main items for 9M20 were: 1.) Bt. 6m cash deposits of some BTRRB units being forfeited as some conditions in the Sales-Purchases Agreements were breached, 2.) Bt. 15m interest income from loan to others, 3.) Bt. 6m revenue from our first park & ride building at Soi Choeipuang, Viphavadi Rangsit starts full operation in January 2020 and the second building starts in September 2020.

#### Selling and General Administrative Expenses

Selling expenses during 9M20 of Bt.276m decreased 23% from 9M19 of Bt.360m yoy slightly higher than the decrease in revenue (13% yoy). Apart from Special Business Taxes (“SBT”) and transfer fees incurred in relation to the revenues from sales of real estate, i.e. 3.3% of selling price and 1% of appraised value respectively, major items were expenses related to marketing activities. We have put more efforts on online marketing activities since the COVID outbreak which, in return, lower some marketing spending.

General administrative expenses in 9M20 of Bt.166m decreased 12% yoy from Bt.189m mainly from employees’ related expenses. In compliance of TFRS-9, there were an approximately Bt.10m provisioning for accounts receivable.

#### Financial Costs

9M20 financial costs of Bt.87m was slightly higher than Bt.85m in 9M19. The policy rate reduction relieved the impact of higher interest-bearing debt level compared to prior year.

### Corporate Income Tax

Corporate income tax decreased 30% from the same period last year in line with the operating performances.

### Total Comprehensive Income

The company incurred net income of Bt.75m in 9M20 decreased from Bt.142m from 9M19 mainly due to the severe impact of COVID-19 situation and economic recession as discussed above.

Consolidated Statements of Financial Position	YE19		Sep-20		Changes	
	Bt.m	%	Bt.m	%	Bt.m	%
<b>Assets:</b>						
Cash and cash equivalents	372	3%	268	2%	(104)	-28%
Trade and other receivables & related parties	538	4%	295	2%	(244)	-45%
Inventories	2,676	21%	3,296	26%	620	23%
Costs of property development	6,504	50%	6,414	50%	(89)	-1%
Unbilled receivables	44	0%	47	0%	3	6%
Land deposits	31	0%	39	0%	7	22%
Other current assets	36	0%	39	0%	4	10%
<b>Total current assets</b>	<b>10,201</b>	<b>79%</b>	<b>10,397</b>	<b>80%</b>	<b>196</b>	<b>2%</b>
Restricted bank deposits	33	0%	29	0%	(4)	-12%
Long-term loans to others	242	2%	242	2%	0	0%
Land held for development	1,311	10%	886	7%	(425)	-32%
Property, plant and equipment, net	560	4%	463	4%	(97)	-17%
Right-of-use assets	-	0%	316	2%	316	100%
Intangible assets, net	30	0%	27	0%	(3)	-11%
Goodwill	332	3%	332	3%	(0)	0%
Deferred tax assets	110	1%	136	1%	27	24%
Other non-current assets	80	1%	93	1%	12	15%
<b>Total non-current assets</b>	<b>2,697</b>	<b>21%</b>	<b>2,522</b>	<b>20%</b>	<b>(174)</b>	<b>-6%</b>
<b>Total assets</b>	<b>12,898</b>	<b>100%</b>	<b>12,919</b>	<b>100%</b>	<b>21</b>	<b>0.2%</b>

### Assets

Total assets at the end of 9M20 was Bt12,919m, slightly increased by Bt.21m from YE19 (0.2% yoy). Most significant change in line items was the increase in Inventories & Costs of Property Development. Major items were development costs of new projects originally planned for launch this year includes Nirvana Collection, the brand new 3-storey single detached homes located on the new Srinakarin-Romklao road, and Bangna Township Development, including Nirvana BEYOND Bangna-ATT U Park and Nirvana ELEMENT Bangna. In addition, there were the development costs of the MOST Itsaraphap, our first low-rise condominium, which was planned to deliver no later than 1Q21. Significant changes are summarized as follow:

- Increase in inventories was mainly a net effect of North-wing units of BTRRB being reclassified from costs of property development and the decrease from units transferred during the quarter
- Decrease in costs of property development was a net effect of:
  - North-wing units of BTRRB being reclassified to inventories
  - New land acquisition for Nirvana DEFINE Ekkamai-Ramintra (Sukhontasawat) of Bt.347m
  - Reclassification of Bangrakyai from Land held for Development to costs of property development
  - Capital expenditures (“CAPEX”) of new projects as mentioned above i.e. the first 2 projects in Bangna township (Nirvana BEYOND Bangna-Att U Park and Nirvana ELEMENT Bangna), the Most Itsaraphap, and Nirvana COLLECTION.
- Right-of-use assets increased from the implementation of the new accounting standard TFRS16 (Leasing)

Consolidated Statements of Financial Position	YE19		Sep-20		Changes	
	Bt.m	%	Bt.m	%	Bt.m	%
<b>Liabilities:</b>						
PN and ST borrowings from financial institutions, net	2,168	17%	2,667	21%	499	23%
Trade, other payables & related parties	469	4%	274	2%	(195)	-42%
Land purchase payables due within one year	503	4%	57	0%	(446)	-89%
Interest bearing debts due within one year	2,055	16%	673	5%	(1,382)	-67%
Retention payables	125	1%	121	1%	(4)	-3%
Deposits and advance received from customers	161	1%	326	3%	166	103%
Advance from customers for construction contracts	43	0%	63	0%	20	47%
Other current liabilities	85	1%	37	0%	(48)	-56%
<b>Total current liabilities</b>	<b>5,609</b>	<b>43%</b>	<b>4,220</b>	<b>33%</b>	<b>(1,389)</b>	<b>-25%</b>
Interest bearing debts due over one year	2,467	19%	3,861	30%	1,394	57%
Other non-current liabilities	38	0%	49	0%	11	29%
<b>Total non-current liabilities</b>	<b>2,505</b>	<b>19%</b>	<b>3,910</b>	<b>30%</b>	<b>1,405</b>	<b>56%</b>
<b>Total liabilities</b>	<b>8,114</b>	<b>63%</b>	<b>8,130</b>	<b>63%</b>	<b>16</b>	<b>0.2%</b>
<b>Total equity</b>	<b>4,784</b>	<b>37%</b>	<b>4,789</b>	<b>37%</b>	<b>5</b>	<b>0.1%</b>
<b>Total liabilities and equity</b>	<b>12,898</b>	<b>100%</b>	<b>12,919</b>	<b>100%</b>	<b>21</b>	<b>0.2%</b>
<i>Remarks:</i>						
<i>Total land purchase payables</i>	<i>503</i>	<i>4%</i>	<i>57</i>	<i>0%</i>	<i>(446)</i>	<i>-89%</i>
<i>Total interest-bearing debts</i>	<i>6,690</i>	<i>52%</i>	<i>7,201</i>	<i>55%</i>	<i>511</i>	<i>8%</i>

## Liabilities

Total liabilities of Bt.8,130m at the end of 9M20 slightly increased 0.2% by Bt.16m from Bt.8,114m at YE19. In summary, **Interest-Bearing Debts** increased by Bt.511m at the end of 9M20 from the net effect of following significant factors.

### **Change from short-term to long-term**

- Bt.1,000m 2-years debenture (NVD 1/2563) was issued to replace the one due on 22 June.
- Bt.283m 1-year loan from bank to repay the short-term debenture due on 21 June.

### **Increase in interest-bearing debts**

- Bt.369m bridging loan for 71.5-rai Krungthep-kreetha land to repay aval due in 1Q20.
- Bt.150m loan from financial institution
- Net increase of other project financing loans, especially loans for Nirvana ELEMENT Bangna, Nirvana Collection, Car-Park Buildings at Soi Choeipuang and The Most Itsaraphap.
- Bt.240m bridging loan for Nirvana DEFINE Ekkamai-Ramintra (Sukhontasawat).

Another major change was Bt.446m decrease in land purchase payable. There was a reclassification of Bt.446m **Land purchase payable** for 71.5-rai land plot in the north-side of Krungthep-Kreetha landbanks from current liabilities to interest-bearing debt. The land was acquired in 1Q18 and paid by Aval promissory note which is due in 1Q20. Such payable was replaced by bridging loan as mentioned above.

## Key Financial Ratios

### **Liquidity ratio**

Liquidity ratio as of 30 September 2020 was 2.5x improved significantly from 1.8x at 31 December 2019 mainly because of the repayment of Bt.1,283m debenture with the new Bt.1,000m 2-years debenture and Bt. 283m new loan in June 2020.

### **Profitability ratios**

Gross margins decreased from 36% in 9M19 to 33% in 9M20. Real estate segment margin dropped despite the high-margin BTRRB units' transfer during the quarter as there was the special units-special price campaign since 1H20 during the COVID-19 lockdown period. The 9M20 net profit of 4% decrease



from net profit of 7% in 9M19 because of slowdown in revenue from sales of real estates during COVID pandemic crisis as mentioned above.

***Financial policy ratios***

As of 30 September 2020, total liabilities-to-equity ratios stood at 1.70x while net interest-bearing debts to equity increase from 1.32x to 1.44x as a result of higher interest-bearing debts for 71.5 rai land plot at Krungthep-Kreetha land bank and new long-term loan as discussed in Liabilities' section.

Please be informed accordingly.

Yours faithfully,

(Jiradej Nusthit)  
Chief Financial Officer