



Veranda Resort Public Company
Limited

Management Discussion & Analysis

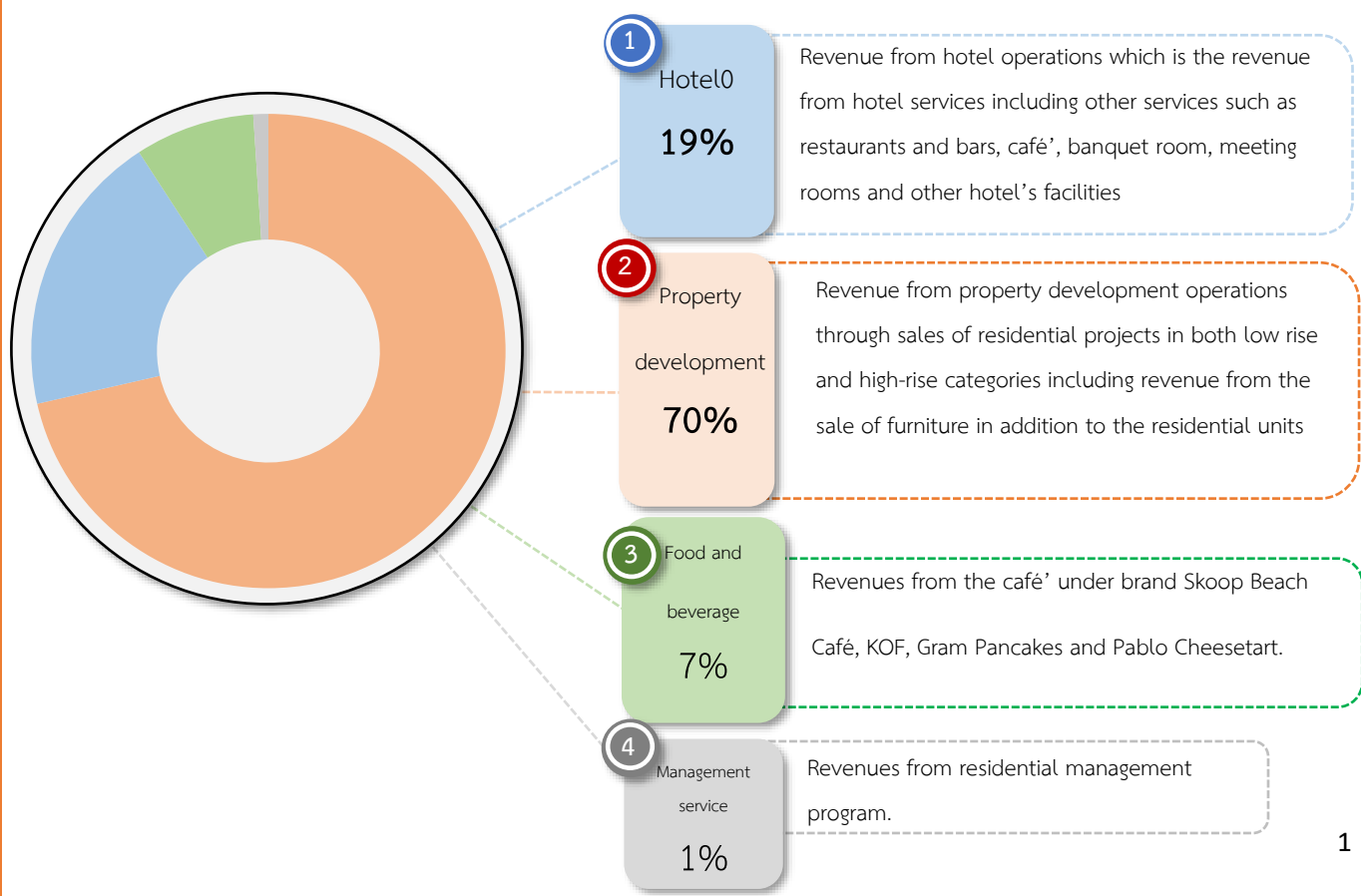
Q2/2021



Revenue Structure

In Q2/2021, The company has a total revenue of 315 million baht with the main contribution came from property development business by the ownership transfer of Veranda Residence Hua-Hin while contribution from hotel sector reduced from the COVID-19 outbreak and strictly disease control measures starting in April 2021. The following table shows the total revenue structure by business type for annual and the three-month period ended on 30 June 2021.

Revenues	Q2/2564	%	Q2/2563	%	YoY	Q1/2564	%	QoQ
Revenue from hotel operations	61	19%	34	7%	+82%	78	22%	-22%
Revenue from property development operations	220	70%	452	86%	-51%	233	65%	-6%
Revenue from sales of food and beverage	22	7%	28	5%	-21%	25	7%	-12%
Revenue from management service	3	1%	3	1%	+19%	3	1%	+11%
Other income	9	3%	8	1%	+9%	17	5%	-51%
Total revenue	315	100%	525	100%	-40%	356	100%	-12%



For three-month period ended 30 June 2021, The Company has total revenue 315 million baht decreased 41 million baht or representing a decreased rate of 12% from previous quarter mainly from hotel operation 17 million baht or representing a decreased rate of 22% as a result of the decreasing number of tourists from a 3rd wave of the domestic outbreak of COVID-19 starting April 2021.

Compared with the Q2/2020, the Company's total revenue decreased by 210 million baht, or representing a decreased rate of 40%, mainly due to a decrease of 232 million baht in revenue from property development operations or representing a decreased rate of 51% as due to the decreased of transfer amount of the Veranda Hua Hin Project that has been transferred since March 2020 and has transferred accumulated 64%.

Revenues and gross profit from hotel operations

Revenues from hotel operations

The details of revenues from hotel operation for the three-month period ended 30 June 2021.

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2564	2563	YoY	2564	QoQ
The number of operating hotels*	Hotel	6	5		6	
The number of rooms	Room	675	637		675	
Occupancy rate	%	16%	9%	+7%	20%	-4%
Average daily room rate	Baht/Room/Night	3,601	4,105	-12%	3,148	+14%
REVPAR	Baht/Room/Night	578	356	+62%	644	-10%
Revenues from hotel operations						
Room revenues	THB mn	37	23	+62%	40	-9%
Food and beverage revenues	THB mn	17	7	+126%	27	-38%
Revenues from other service	THB mn	7	4	+119%	11	-30%
Total revenues from hotel operations	THB mn	61	34	+82%	78	-22%

* Opened 38 rooms of VERSO hua hin - a Veranda Collection in December 2020.

For the three-month period ended 30 June 2021, the Company has revenue from hotel operations decreased by 17 million baht or representing a decreased rate of 22% compared to the previous quarter as a result from the policy of restricting travel and closing various places which affects the occupancy rate and also sales from food and beverage.

Compared with the Q2/2020, the Company's revenues from hotel operations increased by 27 million baht or representing an increased rate of 82% as some hotels were temporarily closed from government orders due to the outbreak of COVID-19 in Q2/2020

Gross profit from hotel operations

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2021	QoQ
Revenues from hotel operations	THB mn	61	34	+82%	78	-22%
Cost from hotel operations	THB mn	47	31	+54%	60	-21%
Gross profit from hotel operations	THB mn	14	3	+376%	18	-24%
Gross profit margin from hotel operations	%	22%	9%	+13%	23%	-1%
Gross profit from hotel operations after depreciation and amortization	THB mn	-30	-48	+38%	-33	+10%

For the three-month period ended June 30, 2021, the gross profit of the hotel business decreased by Baht 4 million or representing a decreased rate of 24% compared to the previous quarter. However, the company managed to maintain gross profit margin.

Compared to the Q2/2020, gross profit margin of hotel operations increased by 11 million baht or representing an increased rate of 376% mainly due to hotels were temporarily closed from the impact of the beginning of COVID-19 outbreak as mentioned above. However, the cost from hotel operation increased by 16 million baht or representing an increased rate of 54%, which was lower than the increase in revenue due to ongoing cost reduction policy.

Earnings before interest tax depreciation and amortization (EBITDA)

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2020	QoQ
EBITDA	THB mn	-13	-20	+37%	-11	-17%
EBITDA Margin	%	-21%	-60%	+39%	-14%	-7%

For the three-month period ended 30 June 2021, the Company recorded profit before interest taxes depreciation and amortization (EBITDA) of hotel operations-13 million baht, a decreased rate of 17% compared to the previous quarter and an increased rate of 37% compared to the same period of last year.

Revenue and gross profit from property development operations

Revenue from property development operations

Residential project	Project value	Transfer status				
		For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2021	QoQ
Veranda Residence Hua-Hin	2,467	219	413	-47%	221	-1%
Veranda Residence Pattaya	1,906	1	31	-97%	3	-71%
Veranda Residence Hua-Hin	198	0	8	n/a	8	n/a
Total	3,571	220	452	-51%	233	-6%

For the three-month period ended 30 June 2021, the Company has revenue from property development operations 220 million baht, a decrease of 13 million baht or representing a decreased rate of 6% from the previous quarter. This was mainly due to a slightly slowdown of the ownership transfer from Veranda Residence Hua Hin.

Compared to Q2/2020, the Company's revenue from property development operations decreases 232 million baht or representing a decreased rate of 51%, which mainly due to high level of Veranda Residence Hua-Hin ownership transferred during the beginning of the project. The company already recognized sales from ownership transfer at 64% of project value as of Q2/2020

Gross profit from property development operations

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2020	2021	YoY	2021	QoQ
Revenues from property development operations	THB mn	219	452	-51%	233	-6%
Cost from property development operations	THB mn	153	309	-50%	167	-8%
Gross profit from property development operations	THB mn	67	143	-54%	66	+1%
Gross profit margin from property development operations	%	30%	32%	-2%	28%	+2%

For the three-month period ended 30 June 2021, the Company has property development costs of 153 million baht, a decrease of 14 million baht or representing a decreased rate of 8% from the previous quarter, which was in line with the lower revenue. The company generated gross profit of 67 million baht or representing a gross profit margin of 30%, an increase from the previous quarter 2% and decreased 2% from Q2/2020 due to the average selling price per square meter of transferred units were higher than the previous quarter but slightly lower than the same period last year. However, the company still achieved the targeted average selling price per square meter of the entire project.

Earnings before interest tax depreciation and amortization (EBITDA)
from property development operations

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2021	QoQ
EBITDA	THB mn	46	109	-58%	43	+8%
EBITDA Margin	%	21%	24%	-3%	19%	+2%

For the three-month period ended 30 June 2021, the Company generated profit before interest taxes depreciation and amortization (EBITDA) of property development operations 46 million baht, increased by 3 million baht or representing an increased rate of 8% compared to the previous quarter. EBITDA margin was 21%, an increase of 2% from previous quarter, mainly due to higher average selling prices per square meter of units transferred in this quarter than in the previous quarter.

Compared to Q2/2020, the Company's EBITDA of property development operations decreased by 63 million baht or 58% in accordance with the lower revenue.

Selling expenses and administrative expenses

	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
	2021	2020	YoY	2020	QoQ
	THB mn	THB mn	THB mn	THB mn	THB mn
Selling expenses	33	50	-34%	37	-12%
Selling expenses to total revenue (%)	11%	10%	+1%	11%	-
Administrative expenses	42	39	+7%	39	+7%
Administrative expenses to total revenue (%)	13%	7%	+6%	11%	+2%
Selling expenses and administrative expenses	75	89	-16%	77	-2%
Selling expenses and administrative expenses to total revenue (%)	24%	17%	+7%	22%	+2%

For the three-month periods ended 30 June 2021, the Company has selling and marketing expenses decreased 12% from the previous quarter and decrease 34 % from the same period of the previous year. This was mainly due to the reduction in expenses following decrease in revenues from hotel operations such as commission on the sale of rooms, Advertising and public relations expenses, franchise and management expenses

Administrative expenses increased by 7% from the previous quarter. and an increase of 7% compared to the same period last year. This was mainly due to the amortization of some assets and the non-refundable withholding tax.

Earnings before interest tax depreciation and amortization

	Unit	For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2021	QoQ
EBITDA	THB mn	29	74	-61%	40	-28%
EBITDA Margin	%	9%	14%	-5%	11%	-2%

For the three-month periods ended 30 June 2021, the Company had earnings before interest, taxes, depreciation and the amortization rate (EBITDA) decreased by 28% compared to the previous quarter and decreased by 61% compared to the Q2/2020 due to the COVID-19 outbreak. However, the company still generated enough EBITDA for interest payments.

Financial expenses

For the three-month period ended 30 June 2021, The Company has financial expenses 18.4 million baht, a decrease of 2 million baht from the previous quarter due to the gradual repayment of loans from Veranda Residence Hua Hin project and from the interest rate negotiation in 2021.

Compared with the Q2/2020, the financial expenses increased by Baht 3.1 million mainly due to interest rate negotiations in 2021 and the gradual repayment of the above-mentioned loans.

Net profit and net profit margin

		For the three-month period ended 30 Jun			For the three-month period ended 31 Mar	
		2021	2020	YoY	2020	QoQ
Net profit	THB mn	-35.4	1.4	n/a	-34.7	n/a
Net profit margin	%	n/a	0.3%	n/a	n/a	n/a

For the three-month period ended June 30, 2021, the Company had a net loss of 35.4 million-baht, loss increase of 0.7 million baht compared to the previous quarter and increased by 36.8 million baht compared to the same period of previous year. This was caused by a new wave of COVID-19 outbreak started in April 2021.

Financial Statement

	Unit	30 Jun 2021	31 Dec 2020	Change %
Total assets	THB mn	4,908	5,354	-8%
Total liabilities	THB mn	2,941	3,285	-10%
Total equity	THB mn	1,967	2,069	-5%
D/E	times	1.50	1.59	
IBD/E	times	1.24	1.24	

As 30 June 2021, the Company has total assets of 4,908 million baht, decreased from 31 December 2020 by 445 million baht or 8%, mainly due to

- Property development for sale decreased from ownership transferred of Veranda Residence Hua Hin.
- Decreased in PPE mainly from depreciation for the period net with additional purchases, which mostly came from additional land investment in Cha-am District, Phetchaburi Province.

As 30 June 2021, the Company has total liabilities of 2,941 million baht, decreased from 31 December 2020 by 343 million baht or 10%, mainly due to

- Long-term loans from financial institutions decreased due to project loan repayment of Veranda Residence Hua Hin according with ownership transferred.
- Trade and other payables decreased due to most of the construction payables of the Veranda Residences Hua Hin and Verso Hua Hin projects that were completed last year.

As of 30 June 2021, the Company has total equity of 1,967 million baht, decrease from 31 December 2020 by 102 million baht or 5%, mainly due to Net loss in the 1H/2021 and dividend payment for the year 2020 performance.

As of 30 June 2021, the Company's debt to equity ratio (D / E ratio) is 1.50 times and the interest-bearing debt to equity ratio (IBD / E ratio) is 1.24 times. Decreased compared to December 31, 2020 as the company able to manage its capital structure at an appropriate level during the COVID-19 pandemic.