



Veranda Resort Public Company
Limited

Management Discussion & Analysis

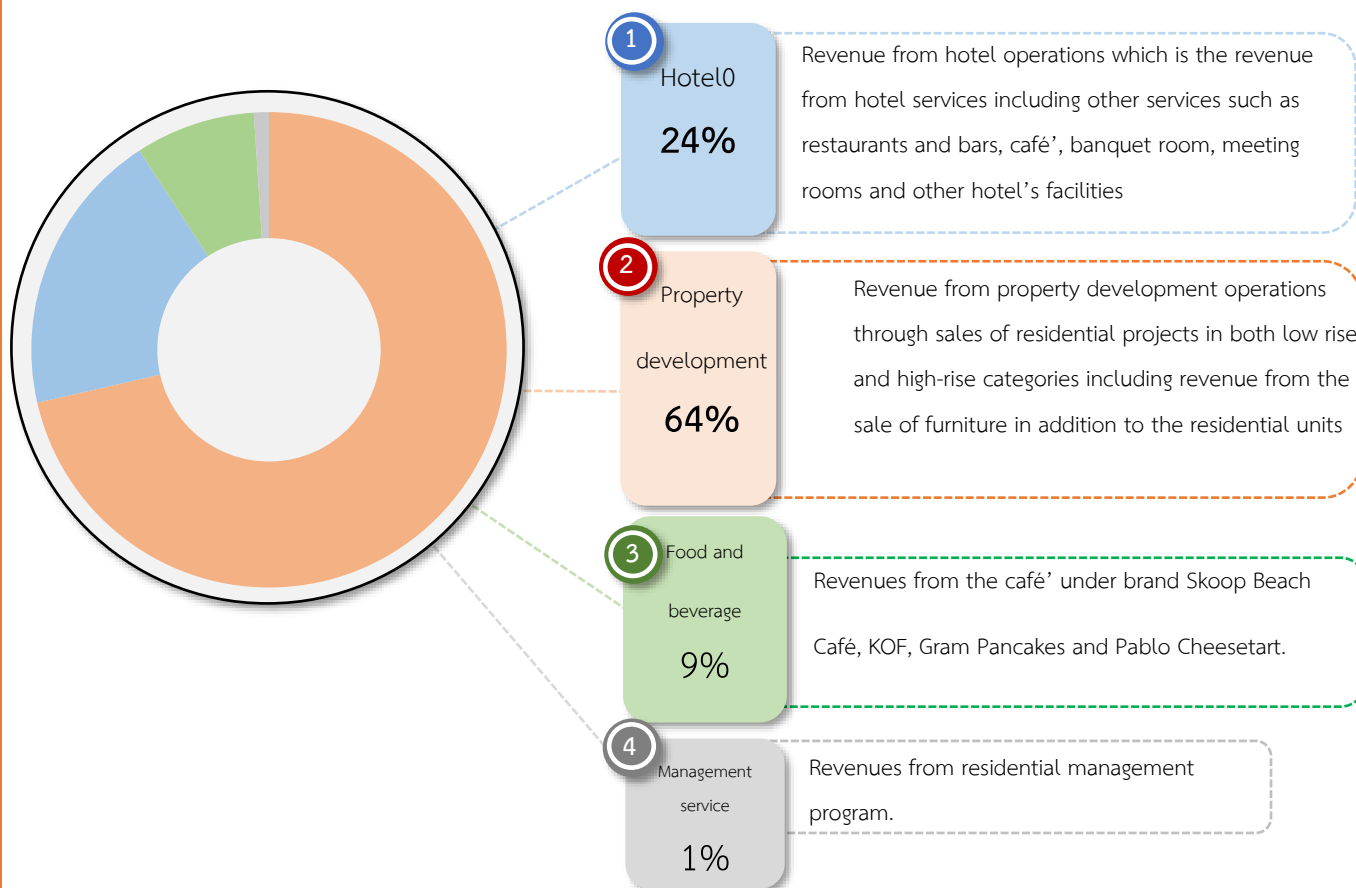
Q3/2021



Revenue Structure

In Q3/2021, The company has a total revenue of 240 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 affected by the 4th wave of the COVID-19 outbreak in July and August as the government has issued various restriction to control the pandemic. The following table shows the total revenue structure by business type the three-month period ended on 30 September 2021.

Revenues	Q3/2021	%	Q3/2020	%	YoY	Q2/2021	%	QoQ
Revenue from hotel operations	57	24%	123	27%	-54%	61	19%	-7%
Revenue from property development operations	154	64%	291	63%	-47%	220	70%	-39%
Revenue from sales of food and beverage	21	9%	28	8%	-48%	22	7%	-7%
Revenue from management service	2	1%	5	1%	-60%	3	1%	-32%
Other income	6	2%	7	1%	-13%	9	3%	-32%
Total revenue	240	100%	465	100%	-48%	315	100%	-24%



For three-month period ended 30 September 2021, The Company generated total revenue of 240 million baht decreased 75 million baht or representing a decreased rate of 24% from previous quarter. Lower revenue was mainly from property development operations by 66 million baht or representing a decreased rate of 39% as a result of the decreasing in number of ownership transfer of residence units in Veranda Residences Hua Hin project, which has accumulated 72% of project value.

Compared with the Q2/2020, the Company's total revenue decreased by 225 million baht, or representing a decreased rate of 48%, mainly due to a decrease of 137 million baht in revenue from property development operations or representing a decreased rate of 60% and hotel business revenues decreased by 66 million baht or representing a decreased rate of 54% as affected by the 4th wave of the COVID-19 outbreak in July and August, the government has issued various measures to control the pandemic.

Revenues and gross profit from hotel operations

Revenues from hotel operations

The details of revenues from hotel operation for the three-month period ended 31 September 2021.

	Unit	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
		2564	2563	YoY	2564	QoQ
The number of operating hotels*	Hotel	6	5		6	
The number of rooms	Room	675	637		675	
Occupancy rate	%	13%	26%	-13%	16%	-3%
Average daily room rate	Baht/Room/Night	3,865	4,447	-13%	3,601	+7%
REVPAR	Baht/Room/Night	502	1,156	-57%	578	-13%
Revenues from hotel operations						
Room revenues	THB mn	37	69	-46%	37	+2%
Food and beverage revenues	THB mn	11	38	-70%	17	-31%
Revenues from other service	THB mn	9	16	-45%	7	+6%
Total revenues from hotel operations	THB mn	57	123	-54%	61	-6%

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

For the three-month period ended 30 September 2021, the Company has revenue from hotel operations decreased by 4 million baht or representing a decreased rate of 6% compared to the previous quarter as a result from the travel restriction policy and closing various places which affects the occupancy rate and also sales from food and beverage. However, average daily room rates increased by 7% due to customers tend to book larger rooms for more privacy under COVID-19 situation.

Compared with the Q3/2020, the Company's revenues from hotel operations decreased by 66 million baht or representing a decreased rate of 54% as last year hotels were reopened after the government relaxed measures while Q3/2020 face the 4th wave of the COVID-19 outbreak in July and August, which government has issued high restriction measures to control the pandemic.

Gross profit from hotel operations

	Unit	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
		2021	2020	YoY	2021	QoQ
Revenues from hotel operations	THB mn	57	123	-54%	61	-7%
Cost from hotel operations	THB mn	42	73	-32%	47	-12%
Gross profit from hotel operations	THB mn	15	50	-35%	14	+12%
Gross profit margin from hotel operations	%	27%	41%	-14%	22%	+5%
Gross profit from hotel operations after depreciation and amortization	THB mn	-35	-2	N/A	-30	N/A

For the three-month period ended September 30, 2021, gross profit of the hotel business decreased by 4 million baht or representing a decreased rate of 7% compared to the previous quarter and gross profit increased by 1 million baht or representing an increased rate of 12% and gross profit margin increased by 5% compared to the previous quarter due better cost management.

Compared to the Q3/2020, gross profit margin of hotel operations decreased by 35 million baht or representing a decreased rate of 35% as affected by the 4th wave of the COVID-19 outbreak in July and August, the government has issued various measures to control the pandemic

Earnings before interest tax depreciation and amortization (EBITDA)

	Unit	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
		2021	2020	YoY	2020	QoQ
EBITDA	THB mn	-5	15	N/A	-13	+62%
EBITDA Margin	%	N/A	12%	N/A	N/A	N/A

For the three-month period ended 30 September 2021, the Company recorded loss before interest taxes depreciation and amortization (EBITDA) of hotel operations 5 million baht, a loss decreased rate of 62% compared to the previous quarter due higher gross profit but decreased 20 million baht 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 Sep			For the three-month period ended 30 Jun	
		2021	2020	YoY	2021	QoQ
Veranda Residence Hua-Hin	2,417	154	270	-43%	219	-29%
Veranda Residence Pattaya	1,906	0	21	-100%	1	-100%
Veranda Residence Chiang Mai	198	0	0	-	0	-
Total	3,571	154	291	-46%	220	-30%

For the three-month period ended 30 September 2021, the Company has revenue from property development operations 154 million baht, a decrease of 66 million baht or a decreased rate of 30% from the previous quarter. This was mainly due to a slowdown of the ownership transfer from Veranda Residence Hua Hin.

Compared to Q3/2020, the Company's revenue from property development operations decreases 137 million baht or representing a decreased rate of 46%, 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 72% of project value as of Q3/2021

Gross profit from property development operations

	Unit	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
		2020	2021	YoY	2021	QoQ
Revenues from property development operations	THB mn	154	291	-47%	219	-30%
Cost from property development operations	THB mn	116	213	-46%	153	-24%
Gross profit from property development operations	THB mn	39	78	-51%	67	-42%
Gross profit margin from property development operations	%	25%	27%	-2%	30%	-5%

For the three-month period ended 30 September 2021, the Company has property development costs of 116 million baht, a decrease of 37 million baht or representing a decreased rate of 24% from the previous quarter, which was in line with the lower revenue. The company generated gross profit of 39 million baht or representing a gross profit margin of 25%, a decrease 5% from the previous quarter and decreased 2% from Q3/2020 due to the average selling price per square meter of transferred units were slightly lower than the previous quarter and 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 Sep			For the three-month period ended 31 Mar	
		2021	2020	YoY	2021	QoQ
EBITDA	THB mn	23	55	-58%	46	-49%
EBITDA Margin	%	15%	19%	-4%	21%	-6%

For the three-month period ended 30 September 2021, the Company generated profit before interest taxes depreciation and amortization (EBITDA) of property development operations 23 million baht, decreased by 23 million baht or representing a decreased rate of 49% compared to the previous quarter. EBITDA margin was 15%, a decrease of 6% from previous quarter due to lower gross profit.

Compared to Q3/2020, the Company's EBITDA of property development operations decreased by 32 million baht or 58% in accordance with the lower revenue.

Selling expenses and administrative expenses

	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
	2021	2020	YoY	2020	QoQ
	THB mn	THB mn	THB mn	THB mn	THB mn
Selling expenses	25	43	-49%	33	-23%
Selling expenses to total revenue (%)	11%	9%	+2%	11%	-
Administrative expenses	33	46	-15%	42	-20%
Administrative expenses to total revenue (%)	14%	10%	+4%	13%	+1%
SG&A expenses	58	89	-34%	75	-22%
SG&A expenses to total revenue (%)	25%	19%	+6%	24%	+1%

For the three-month periods ended 30 September 2021, the Company's selling and marketing expenses decreased 8 million baht or a decreased rate of 23% from the previous quarter and decrease 49% from the same period of the previous year, which was inline with the 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 decreased by 20% from the previous quarter. and an increase of 15% compared to the same period last year. This was mainly due decrease in employee-related expenses and audit expense

Earnings before interest tax depreciation and amortization

	Unit	For the three-month period ended 30 Sep			For the three-month period ended 30 Jun	
		2021	2020	YoY	2021	QoQ
EBITDA	THB mn	16	69	-77%	29	-46%
EBITDA Margin	%	7%	9%	-2%	9%	-2%

For the three-month periods ended 30 September 2021, the Company generated earnings before interest, taxes, depreciation and the amortization rate (EBITDA) decreased by 46% compared to the previous quarter and decreased by 77% compared to the Q3/2021 due to the COVID-19 outbreak. However, the EBITDA margin dropped slightly due to the company's ongoing efforts to control fixed cost.

Financial expenses

For the three-month period ended 30 September 2021, The Company has financial expenses 19 million baht, a same level from the previous quarter and decreased 3 million baht from Q3/2020 due to the interest rate negotiation in 2021 and the gradual repayment of loans from Veranda Residence Hua Hin project, which already repay the loan in full in September 2021

Net profit and net profit margin

		For the three-month period ended 30 Sep			For the three-month period ended 31 Jun	
		2021	2020	YoY	2020	QoQ
Net profit	THB mn	(49.8)	(8.6)	n/a	(35.4)	n/a
Net profit margin	%	n/a	n/a	n/a	n/a	n/a

For the three-month period ended June 30, 2021, the Company had a net loss of 49.8 million baht, loss increase of 14.4 million baht compared to the previous quarter and increased by 41.2 million baht compared to the same period of previous year. This was caused by a 4th wave of COVID-19 outbreak started in July, 2021.

Financial Statement

	Unit	30 Sep 2021	31 Dec 2020	Change %
Total assets	THB mn	4,851	5,354	-9%
Total liabilities	THB mn	2,933	3,285	-11%
Total equity	THB mn	1,917	2,069	-7%
D/E	times	1.53	1.59	
IBD/E	times	1.29	1.24	



As 30 September 2021, the Company has total assets of 4,851 million baht, decreased from 31 December 2020 by 503 million baht or 9%, mainly due to

- Property development for sale decreased from ownership transferred of Veranda Residence Hua Hin continuously.
- 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 September 2021, the Company has total liabilities of 2,933 million baht, decreased from 31 December 2020 by 352 million baht or 11%, mainly due to

- Long-term loans from financial institutions decreased due to repay Veranda Residence Hua Hin's loan in full from 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 September 2021, the Company has total equity of 1,917 million baht, decrease from 31 December 2020 by 152 million baht or 7%, mainly due to Net loss in the 9-month period in 2021 and dividend payment for the year 2020 performance.

As of 30 September 2021, the Company's debt to equity ratio (D / E ratio) is 1.53 times and the interest-bearing debt to equity ratio (IBD / E ratio) is 1.29 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.