



Veranda Resort

Public Company Limited

Management Discussion & Analysis

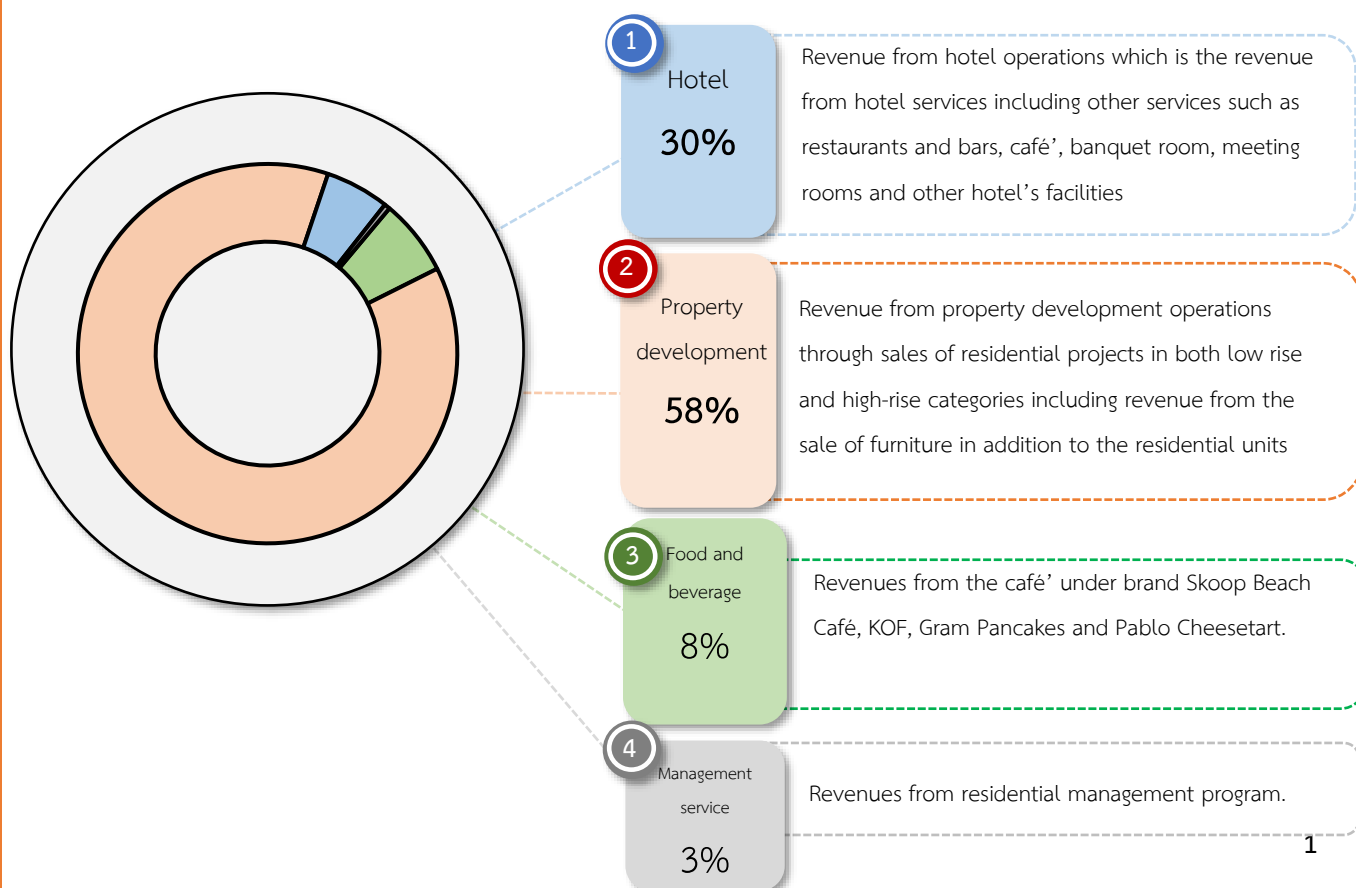
2021



Revenue Structure

In 2021, The company has total revenue 1,307 THB mm decreased from 2,003 THB mm or representing a decreased rate of 35% that main revenue portion from the property development business mainly due to Veranda Residence Hua-Hin ownership transferred. While COVID-19 outbreak result in hotel business revenue portion decreased. However, in Q4 / 2021 revenue from hotel operates showed strong recovery. The following table shows the total revenue structure by business type for annual and the three-month period ended 31 December 2021

Revenues	2021	%	2020	%	YoY	Q4/21	%	Q3/21	%	QoQ
Revenue from hotel operations	395	30%	562	28%	-30%	198	50%	57	24%	+247%
Revenue from property development operations	756	58%	1,260	63%	-40%	150	38%	154	64%	-3%
Revenue from sales of food and beverage	103	8%	133	7%	-23%	36	9%	21	9%	+73%
Revenue from management service	16	3%	18	1%	-12%	8	2%	2	1%	+321%
Other income	37	1%	29	1%	+25%	5	1%	6	2%	-5%
Total revenue	1,307	100%	2,003	100%	-35%	397	100%	240	100%	+66%



For 2021, The company has total revenue 1,307 THB mm decreased by 696 THB mm or representing a decreased rate of 35% compared to 2020, mainly due to 504 THB mm decrease in revenue from property development operations. or representing a decreased rate of 40% due to progress in the ownership transfer of residential units at Veranda Residence Hua-hin, with representing 77% of the project value. In addition, 30% decreased of revenue from hotel operation affected by the COVID-19 outbreak.

For three-month period ended 31 December 2021 the Company has total revenue 397 THB mm increased 157 THB mm or representing an increased rate of 66% from previous quarter due to increase in revenue from hotel operation 141 THB mm or representing an increased rate of 247% which is the result of growth in occupancy rate and Average Daily Rate from government's tourism stimulus campaign. As a result, the revenue from the hotel business significantly recovered when compared to the previous quarter

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 December 2021.

	Unit	For the year ended December 31			For the three-month period ended		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
The number of operating hotels	Hotel	6	6		6	6	
The number of rooms	Room	675	675		675	675	
Occupancy rate	%	23%	29%	-6%	44%	13%	+31%
Average daily room rate	Baht/Room/Night	3,920	4,227	-7%	4,407	3,865	+14%
REVPAR	Baht/Room/Night	914	1,223	-25%	1,923	502	+283%
<u>Revenues from hotel operations</u>							
Room revenues	THB mm	230	308	-25%	116	37	+283%
Food and beverage revenues	THB mm	110	179	-38%	55	11	+384%
Revenues from other service	THB mm	55	75	-26%	27	9	+213%
Total revenues from hotel operations	THB mm	395	562	-30%	198	57	+247%

For 2021, revenues from hotel business have a decrease 167 THB mm or representing a decreased rate of 30% compared to 2020 as affected by severe outbreak of COVID-19 in Q1-Q3

For the three-month period ended 31 December 2021, revenues from hotel business have an increase 141 THB mm or representing an increased rate of 247% compared to the previous quarter due to the recovery of occupancy rate with continued support from Thai customers and stimulating tourism "We travel together" from the government.

Gross profit from hotel operations

	Unit	For the year ended December 31			For the three-month period ended		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
Revenues from hotel operations	THB mm	395	562	-30%	198	57	+247%
Cost from hotel operations	THB mm	245	319	-23%	96	42	+130%
Gross profit from hotel operations	THB mm	150	243	-38%	102	15	+561%
Gross profit margin from hotel operations	%	38%	43%	-5%	52%	27%	+25%
Gross profit from hotel operations after depreciation	THB mm	-38	43	N/A	55	-33	N/A

For 2021, gross profit from hotel operations decreased by 93 THB mm or representing decrease rate of 38% compare to previous year affected by severe outbreak of COVID-19 in Q1-Q3.

For the three-month period ended 31 December 2021, gross profit from hotel operations increased 87 THB mm and 52% gross profit margin from hotel operations increased 25% from previous quarter in line with increased of revenue from hotel operations.

Earnings before interest tax depreciation and amortization (EBITDA)

Hotel Operations	Unit	For the year ended December 31			For the three-month period ended		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
EBITDA	THB mm	36	81	-55%	65	-5	N/A
EBITDA Margin	%	9%	14%	-5%	33%	-8%	+41%

For 2021, the EBITDA decreased by 55% THB mm from decreased of hotel revenues. However, due to a significant recovery in hotel revenue in the 4th quarter resulted in positive EBITDA in hotel operation in 2021 with EBITDA Margin of 9%

For the three-month period ended 31 December 2021, Earnings before interest tax depreciation and amortization (EBITDA) increased by 70 THB mm compared to the previous quarter due to the increasing hotel revenues and cost and expense control.

Revenue and gross profit from property development operations

Revenue from property development operations

Residential project	Project value	Transfer status					
		For the year ended December 31			For the three-month period ended		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
Veranda Residence Hua-Hin	2,417	734	1,148	-36%	140	154	-9%
Veranda Residence Pattaya	1,899	14	97	-85%	10	0	N/A
Veranda High Residence Chiang Mai	198	8	16	-48%	0	0	-
Total	4,514	756	1,260	-40%	150	154	-3%



For 2021, revenues from property development operations decreased by 504 THB mm or representing a decreased rate of 40% due to Veranda resort Hua-hin began to transfer ownership of the condominium units since March 2020, thus causing the revenue during the initial transfer period to be quite high and gradually decrease in 2021.

For the three-month period ended 31 December 2021, the company has revenues from property development operations 150 THB mm decreased by 4 THB mm from previous quarter or representing a decreased rate of 3%

Gross profit from property development operations

	Unit	For the year ended December 31			For the three-month period ended		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
Revenues from property development operations	THB mm	756	1,260	-40%	150	154	-3%
Cost from property development operations	THB mm	548	863	-36%	113	116	-2%
Gross profit from property development operations	THB mm	208	397	-48%	37	39	-5%
Gross profit margin from property development operations	%	28%	32%	-4%	25%	25%	-

For 2021, the company has gross profit from property development operations 208 THB mm decreased by 189 THB mm or representing of 48% decreased rate compared with previous year due to decreased of revenue from property development operations. Gross profit margin decreased from 32% to 28% in 2020.

For the three-month period ended 31 December 2021, the company generated gross profit from property development operations 37 THB mm with 25% Gross profit margin.

Selling expenses and administrative expenses

	For the year ended 31 December			For the three-month period ended		
	2021	2020	YoY	31 Dec	30 Sep	QoQ
	THB mm	THB mm	%	THB mm	THB mm	%
Selling expenses	132	197	-33%	36	25	+44%
Selling expenses to total revenue (%)	10%	10%	-	9%	11%	-2%
Administrative expenses	160	199	-20%	45	33	+36%
Administrative expenses to total revenue (%)	12%	10%	+2%	11%	14%	-3%
Selling expenses and administrative expenses	292	396	-26%	81	58	+40%
Selling expenses and administrative expenses to total revenue (%)	22%	20%	+2%	20%	25%	-5%

For 2021, selling expenses decreased 33% compare to 2020 mainly due to decrease in expenses due to lower revenue from properties development operations and issuing measures to control fixed expenses such as requesting employee and management cooperation in salary cut, reduction of advertising costs and negotiation for various services as appropriate.

the three-month period ended 31 December 2021, selling expenses increased 44% compare to previous quarter mainly due to the increase in revenue from hotel operations.

For 2021, administrative expenses decreased 39 THB mm or representing 20% compare to previous year mainly due to proper human resource management policy and strictly issuing cost reduction measures resulting in lower selling and administrative expenses from 2020

For the three-month period ended 31 December 2021, administrative expenses increased 36% compare to previous quarter mainly due to increase in employee expenses, commission for room sales, franchise, which are variable with the increase of revenue from hotel operations.

Earnings before interest tax depreciation and amortization (EBITDA)

	Unit	For the year ended 31 December			For the three-month period		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
EBITDA	THB mm	172	352	-51%	87	16	+449%
EBITDA Margin	%	13%	18%	-5%	22%	7%	15%

For 2021, EBITDA decreased 51% compare to previous year due to decrease in revenue from properties development operations due to progress in the ownership transfer. However, EBITDA being sufficient to cover interest payments.

For the three-month period ended 31 December 2021, EBITDA increased 449% compare to previous quarter due to revenue from hotel operations strongly recovered.

Depreciation and amortization

For 2021, The Company has depreciation and amortization 236 THB mm decreased by 10 THB mm or represent increase rate of 4% compare to 2020 due to

- Veranda Resort Hua Hin and Veranda Resort Pattaya have assets that have reached their useful life.
- Extending the useful life of So Bangkok Hotel's assets from the original contract expiring in 2039, extending the contract until 2044.

Financial expenses

Financial expenses for 2021 and 2020 were 75 THB mm baht and 81 THB mm, respectively. The decrease in financial expenses was mainly due to interest rate negotiations in 2021 and full repayment of loans from the Veranda Residence Hua-in project in the 3rd quarter of 2021

Net profit and net profit margin

	Unit	For the year ended 31 December			For the three-month period		
		2021	2020	YoY	31 Dec	30 Sep	QoQ
Net profit	THB mm	(107.2)	18.7	N/A	12.6	(49.8)	N/A
Net profit Margin	%	N/A	1%	N/A	3%	N/A	N/A

For 2021, the Company has net loss of 107.2 THB mm decreased by 125.9 THB mm due to the decrease in revenue from hotel operations which was affected by the outbreak of the COVID-19 and decrease in revenue from property development operations by progress of transfer ownership.

For the three-month period ended 31 December 2021, the Company has net profit of 12.6 THB increase 62 THB mm from previous quarter mainly due to an increase in revenue and gross profit from the hotel operations with support from Thai tourists and the government stimulus campaign resulting in increased occupancy rates that strongly recovered compared to Q3/2021.

Financial Statement

	unit	31 Dec 2021	31 Dec 2020	Change %
Total assets	THB mm	4,795	5,354	-10%
Total liabilities	THB mm	2,865	3,285	-13%
Total equity	THB mm	1,930	2,069	-7%
D/E	times	1.48	1.59	
IBD/E	times	1.25	1.24	

As 31 December 2021, the group had total assets of 4,795 THB mm, decrease from 31 December 2020 by 559 THB mm or 10%, mainly due to

- Reduced properties development costs from the transfer of ownership of the Veranda Residence Hua-hin project.
- PPE assets increased from the purchase of land for project development in Cha-am District, Petchaburi Province, and from the renovation of rooms at Rocky's Boutique Resort Hotel.



As of 31 December 2021, the group had total liabilities of 2,865 THB mm, decreased from 31 December 2020 by 420 THB mm or 13%, mainly due

- Long-term loans from financial institutions decreased by fully repayment for the Veranda project. Residence Hua-hin in the 3rd quarter of 2021
- Short-term loans from financial institutions increased from investment in Phuket projects.

As of 31 December 2021, the group had shareholders' equity of 1,930 THB mm decreased by 139 THB mm or 7% from 31 December 2020, mainly due to

- Decrease by 32.0 THB mm from 2020 annual dividend payment
- Decrease by 107.2 THB mm from net loss in 2021

As of 30 December 2021, the Company D/E ratio is 1.48 times and the IBD/E ratio is 1.25 times which is at a level similar to the previous year, by the company has capital structure at an appropriate level.