SINGHA ESTATE

Singha Estate Public Company Limited
Management Discussion and Analysis Q1/2023

Executive Summary

The Company announced the total revenue for the first quarter of the year 2023 (Q1/2023) of THB 3,3335m, increased by 11% from the first quarter of 2022 (Q1/2022). Whereas the Company predicts the positive momentum on the revenue growth, backed by the business expansion projects and the resumption of economic activities. This will be supported by a revenue growth of tourism and service sectors, an increase in household spending, and the higher private investment.

The revenue from sales of real estate amounted to THB 455m in Q1/2023, comprising of (1) the revenue from sale houses and condominium units amounted to THB 420m which separated to condominium 47% and landed properties 53% of total sales and (2) the revenue from sale industrial area amounted to THB 35m from the land transfer in S Industrial Estate Angthong. In the said quarter, a decline in revenue from sales of real estate compared to the last year was mainly due to the full revenue recognition of The ESSE Asoke and The ESSE at Singha Complex in Q1/2022. However, the Company estimates the accelerated transferred activities of the landed properties and industrial land for remainder of this year on the back of new project launch plans and the progress of industrial land development. Furthermore, the Company has the optimistic view on the strong demand in housing projects along with the recovery of business activities and investment.

In addition, the revenue from rental and services for Q1/2023 in an amount of THB 2,879m improved by 45% from the last year, brought up by the remarkable performance of hospitality business. Accordingly, revenue from hospitality business reported at THB 2,544m, improving by 51% from same period last year. The hospitality business recorded the positive bottom line for 3rd consecutive quarter, emphasized the rebound in tourism industry to normal conditions. The revenue generated from commercial business is able to deliver a stable performance in every quarter, reporting a revenue of THB 252m.

The Company reported net profit for the period of THB 71m, reversed from loss of THB 126m for the same period last year. This was mainly attributed to the strong turnaround of hospitality business.

In May 2023, Singha Estate was rated a corporate credit by TRIS Rating with rating of “BBB+” or “stable” rating outlook. The rating takes into consideration the good quality of the hotel portfolio with its recovery operating performance and its planned expansion in real estate projects. The rating also reflects the well-accepted residential brands, and recurring revenue stream from its commercial business.

Residential business

During the period, the Company recorded revenue from sale houses project in an amount of THB 166m, comprising of (1) Land transfer of 1 plot at Santiburi the Residences, making the backlog of 5 land plots (2) Detached houses transfer of 2 plots at SIRANINN Residences, making the backlog of 7 land plots. Consequently, the backlog pending for transfer as of 31 March 2023 amounted to THB 2,743m. The Company expects to realize revenue from the ownership transfer approximately 70% of total backlog for remainder of this year.

With respect to high-rise projects, the Company recorded revenue from sale of condominium project in an amount of THB 197m, followed by the expansion of ownership share of The ESSE Sukhumvit 36 project, resulting in the ability to fully recognize the revenue and profits from the project. This will support the revenue growth of the Company during the rest of the year towards 2024. Moreover, The Extro has grew its sales and development progress continuously, held backlog pending for transfer of 25% of total project value with target to start transfer from Q1/2024 onwards.

The Company unveils its plan to develop new 5 housing projects, bringing target project values up to THB 10 billion in 2023. The focus lies on new housing projects will concentrate on luxury housing segmentation which is considered as the Company’s expertise. Moreover, the Company is confident on Singha Estate’s development potential that reiterate the brand’s quality that sets it out from competitors and ensure that Singha Estate’s projects can truly fulfill the needs of the Luxury market. According to the current progress of development, the construction is still on track and the Company sets target to transfer ownership of housing projects by 2023, pushing the revenue of residential business to significantly improve from the previous year.

Detail of the segmentation and price range of Singha Estate’s housing projects can be summarized as follows:

Brand	Project	Segment	Price range
LA SOIE de S	Cluster Home	Ultra Luxury	More than THB 550 million per unit
Smyth Residences	Cluster Home	Super Luxury	More than THB 100 million per unit
Brand to be launched in 2023	Single-detached house	Premium Luxury	THB 30 - 50 million per unit
Brand to be launched in 2023	Single-detached house	Luxury	THB 15 - 30 million per unit
Brand to be launched in 2023	Single-detached house	Luxury	THB 15 - 30 million per unit

Hospitality business

At present, all hospitality business of the Company was under the management of the Company's subsidiary – SHR, operating 37 properties 4,472 keys in the portfolio.

For 2023, the United Nations World Tourism Organization (UNWTO) forecasts a steady recovery driven by strong spending in 2022 and growing global traveller numbers. The tourism industry is expected to recover to 80 - 95% of the pre COVID-19 levels and tend to recover completely to normal in 2024, depending on the key factors such as (1) the pace of recovery of Asian tourists, especially China, which occupied the world's largest market share in 2019; (2) economic dampening factors and geopolitical conflicts that may influence destination-selection behavior among travelers who expect value-seeking and domestic travel; or between regions to respond to challenging economic conditions.

Management expects that the Company's operating performance will be able to recover significantly in 2023, especially in the second half of the year owing to the entering into the peak travel season of the Company's key geographies. The management continues to closely monitor the progress of various factors that may affect the operations as the recovery rate in the tourism sector varies from region to region and country to country. Depending on specific characteristics, including customer groups and economic challenges in each country. The tourism situation of the countries where the Company's existing business can be summarized as follows:

Thailand

The number of tourist arrivals to Thailand expanded from the end of 2022. The cumulative number of tourists in the first three months of 2023 was almost 6.5 million visitors, most of which were from East Asia 57% and European zone 26%, followed by other countries such as India and the United States. The number of tourists is expected to reach the goal of the Tourism Authority of Thailand (TAT) of at least 25 million people in 2023, which is considered double the value from the previous year and accounted for 62% compared to the number of tourist arrivals to Thailand in 2019, with the main supporting factor being the return of tourists from China. The TAT expects the number of Chinese tourists travelling to Thailand in 2023 at approximately 5 - 8 million visitors depending on the number of flights during the winter schedule. According to the factors mentioned above, the benefit of being located in the Prime Location allows to easily attract tourists' attention in Phuket, Phi Phi Island and Koh Samui, the top destinations for foreign tourists and efficiency in hotel management in Thailand of the Company and the successful implementation of the SAii brand concept to the Company's self-managed hotels. The recovery of the Company's average revenue per available room per night (RevPAR) in Thailand in the first quarter of 2023 was higher than 4% compared to pre-COVID-19 levels. As a result of the acceleration of recovery, the Company expects the performance of hotels in Thailand to continue to be strong throughout 2023, with occupancy rates likely to recover to near pre-COVID-19 levels. Meanwhile, the average daily room rate is expected to increase higher than in 2019, supported by good feedback on the continuous improvement of products and services, and the benefit from an increase in the proportion of revenue from direct booking.

Republic of Maldives

The number of tourists entering the Maldives drastically increased compared to last year. The number of visitors in the first four months of 2023 was almost 6.9 hundred thousand people. Illustrating an increase of 20% from the first four months of 2022 and surpassing the number of arrivals in the same period in 2019. Although, the leading tourism target group from Asian countries, especially Chinese, has not returned to normal levels. The top 3 tourists, with a market share of about 30%, are from Russia, India and the UK, respectively. The number of foreign tourists entering the Republic of Maldives is expected to reach at least 1.8 million, 6% higher than the COVID-19 levels. The UK, Germany and Italy will make the most of their visits to the Maldives, followed by the tourists from India and Russia. The return of Chinese tourists to travel abroad after the government announced the country's opening is another critical stimulus. Chinese tourists occupied approximately 20% of the tourism market in the Maldives in 2019. For the performance of hotels in the CROSSROADS project, the occupancy rate in the first four months of the year was higher than 80%, which is above the industry average of about 70%. The company's primary customers are tourists from the United Kingdom and Russia, with a market share of approximately 38% and 22%, followed by tourists from the United States, India and Switzerland, respectively. This reflects the hotel's strengths in attracting high-spending tourists. For 2023, the occupancy rate and average daily rate were expected to grow continuously. This was driven by a proactive marketing plan, focusing on the customers' quality to maximize the Market Mixed and managing the efficient ADR along with the product upgrade scheme to uplift the properties to better match the current trend in tourism.

United Kingdom

The demand for tourism continues to grow strongly. This is reflected through the average operating performance in the first four months of 2023, which has grown significantly from 2019 with an occupancy rate of 68% and continuously pushing up room rates. The company expects to expand at an accelerated rate from May onwards as the UK enters the high season and aims to increase the average occupancy rate for 2023 to beat a stable level of no less than 70% with the new record high ADR. Nevertheless, all of the company properties in the UK portfolios were operated in the mid-scale to the upper scale, located in the tourist attractions and major economic cities that heavily depend on domestic tourism demand, accounting for approximately 90% of the total number of hotels guests. Therefore, the company is confident in the prospects for strong growth in tourism demand despite the headwind of economic conditions.

Over the past year, the UK tourism industry has been affected by inflation in energy costs, wages and food costs. However, the energy costs in 2023 have gradually decreased from the ending of the year 2022. Even though food costs tend to remain at high level. The company, thus, focuses on cost management by adjusting the workforce rate to correspond with the occupancy rate and the ability to adjust room and food prices to reflect variable costs. In addition, the company closely monitor and consider to entering into hedging contracts to mitigate its exposure to future cost of electricity and natural gas which are the company's major energy cost, at the right level and time, together with prioritizing management measures and closely controlling operating costs.

Republic of the Fiji

The rapid recovery in tourism reflects strong travel demand from interregional customers from Australia and New Zealand, which account for more than 80% of Fiji's total tourist arrivals. In 2023, nearly 800,000 foreign tourists are expected to visit the Republic of Fiji, accounting for 85% of total arrivals in 2019, supported by continued growth in tourism volumes. Combined with Fiji's unique selling point which better match to the current travel trend and the growing popularity of leisure tourism. In addition, the Company foresee the positive signs for longer stays and rising tourist expenses.

As our 2 hotels in Fiji are a hotel with characters that directly respond to the leisure tourism sector, have a high repetition rate and the strength of our partner distribution channels these factors drive the average daily room rate (ADR) in 2023. However, the average occupancy rate in 2023 may remain the same levels compared to the previous year. This was due to the gradual closure of some inventory for the hotel's renovation according to the uplifting program. The Outrigger Fiji Beach Resort hotel has started its portfolio improvement since late 2022 in response to the popularity of tourism and providing the opportunity to increase the room rate per night. The company plans to renovate rooms into zones and carry out the plan during the low season to have enough rooms to meet the demand during the new tourist season.

Republic of Mauritius

For 2023, the number of foreign tourists travelling to the Republic of Mauritius is expected to be more than 1.4 million, an increase of 1% from 2019. The high demand for leisure travel has supported the performance of the Outrigger Mauritius Beach Resort Hotel. The strength of our partners' distribution channels and their effective marketing adjustments have influenced our forecasts for the average daily room rate (ADR) to be higher than in 2019. Although the average occupancy rate in 2023 as a whole was affected by the temporary closure of the hotel during the second quarter of the year to improve the water management system.

Outrigger Mauritius Beach Resort is SHR's only hotel in the Republic of Mauritius which comprises of 181 rooms. This hotel contributed an operating profit (EBITDA) of 2.5% of the Group’s EBITDA in 2022. The Company will mitigate the impact of the closure through effective cost management, and fully expects to offset any revenue impact with strong performances in other markets.

Commercial business

The average occupancy stood at 83% for the first quarter of 2023. However, the Company expects for a lease extension with key tenants. Moreover, the additional space set to let out to the new customer as the Company’s existing properties have been well maintained to ensure their attractiveness. The Company continued to focus on the balancing customer portfolio management and the offering of new business models to cope with tenants’ changing demand.

With the prime location in alternative areas like Vibhavadi and CBD periphery zone such as Prompong and Asoke is perfectly match with the requirement of tenants who seek for the reasonable budget. As aforesaid factors, the company targets to boost up the occupancy rate of commercial building to 90% in 2023, brought up by the resumption of economic activities together with the asset improvement plans and the proactive marketing strategy adaptation.

The S OASIS project is the latest Grade A office building with a leasable area of approximately 54,000 square meters. The competitive advantage of this building is the integration of Hybrid Workplace that can provide high working flexibility. The usable area can be adjusted to meet the needs of the tenants. The S OASIS building is located in a high potential area. The design adheres to LEED standards (Leadership in Energy & Environmental Design), prioritising energy conservation and environmental issue, an essential component of office buildings that will be an alternative for tenants. Therefore, the Company is confident in boosting the occupancy rate of S OASIS. According to the current progress of leasing space, the occupancy rate for retail space has reached over 90% in March 2023. For the office space has secured a contract with the anchor tenants for approximately 15% which will cause a positive impact on the rapid pace of ramping up in the next phase. This will be the main engine of revenue growth for commercial businesses in 2023.

New Business: Industrial estate and Infrastructure

Singha Estate's industrial estate and infrastructure business comprises three parts:

(1) Industrial estate business: The revenue stream is comprised of the revenue from sale industrial area, the facilities management fee, and income from warehouse rental space. The industrial zone included General Industrial Zone, Food Industrial Zone, and Power Plants, considering as the total Saleable Area of 992 rais. With its current progress of development of S Industrial Estate Angthong, the construction progress is still on track and holds the accumulative land transfer of 87 rais. The Company expects the accelerate growth of transfer activities in 2023 in line with the progress of land and infrastructure development. With support from the government stimulus measures, the Company targets to transfer during the next three year of 20% - 25% of total saleable area per year during 2023 - 2025.

(2) Power plant business: The company will recognize the revenue through profit-sharing with a business partner. Under 30% joint-venture deal, Singha Estate will operate three power plants with more than 400 MW capacity, with licensing 270 MW, or around 70% being under the 25-year-term power purchase agreement with the Electricity Generating Authority (EGAT). B.Grimm Power (Angthong) 1 Company Limited has commenced commercial operation and B.Grimm Power (Angthong) 2 – 3 are under development and expected to start Commercial Operation Date in Q4/2023.

(3) Infrastructure business: Covering power generation business, energy, engineering services, service providing, and innovation-related businesses.

Consolidated Statement of Comprehensive Income

	Q1/2022		Q1/2023		% Y-o-Y
	THB m	%	THB m	%	
Revenue from sales of real estate	1,024	34%	455	14%	-56%
House and condominium units	*1,024*	*34%*	*420*	*13%*	*-59%*
Industrial Estate	*0*	*0%*	*35*	*1%*	*N/A*
Revenue from rental and services	1,984	66%	2,879	86%	45%
Hospitality	*1,690*	*56%*	*2,544*	*76%*	*51%*
Commercial	*256*	*9%*	*252*	*8%*	*-2%*
Others business	*38*	*1%*	*83*	*2%*	*118%*
Revenue	**3,008**	**100%**	**3,335**	**100%**	**11%**
Gross profit	**851**	**28%**	**1,276**	**38%**	**50%**
Other income	20	1%	70	2%	260%
Selling expense	-159	-5%	-169	-5%	6%
Administrative expense	-543	-18%	-621	-19%	14%
Finance costs	-285	-9%	-471	-14%	65%
Net gains on exchange rate	-6	0%	-17	-1%	202%
Share of loss from investment in joint ventures	50	2%	29	1%	-43%
EBT	**-72**	**-2%**	**96**	**3%**	**233%**
Income tax expense	-53	-2%	-25	-1%	53%
Profit (loss) for the period	**-126**	**-4%**	**71**	**2%**	**157%**

EBITDA	**517**	**17%**	**860**	**26%**	**66%**
Normalized EBITDA (1)	**547**	**18%**	**887**	**27%**	**62%**
Normalized Profit for the period after NCI (1)	**-27**	**-1%**	**107**	**3%**	**492%**

Note: Excluded professional fees, land transfer fees, sales & marketing expenses for the launch of new residential projects, unrealized gain from foreign exchange rate on convertible bond, gain from fair value adjustment on investment properties, loss from impairment, gain from fair value adjustment on investment in joint venture company prior to becoming the Company's subsidiary and impact from disposal of the Company's subsidiary

Revenue from sales of house and condominium units

As of 31 March 2023, the Company and its subsidiaries has developed 5 residential projects for sales including single-detached houses and condominiums, valued at THB 18,067m[1]. In Q1/2023, revenue from sales of house and condominium units reached THB 420m. A decline in revenue from the previous year was mainly from the revenue recognition from The ESSE Asoke and The ESSE at Singha Complex had already fully completed in Q1/2022.

Residential projects for sales as of 31 March 2023 [1]:

Project	Project value (THB m)	Sold	Transfer
The ESSE Sukhumvit 36	5,918	76%	73% (of project value)
Santiburi The Residences	5,154	100%	64% (of project value) [2]
Siraninn Residences	2,908	63%	33% (of project value)
SENTRE	92	52%	29% (of project value)
The EXTRO	3,995	25%	Q1/2024

Note:[1] Information provided in the table excludes the under development projects.

[2] The project value for Santiburi The Residences is comprised of the land transfer and the house construction which will be gradually booked based on the work progress during the 14-month period

Revenue from sales of industrial area

The Company reported revenue from sales of industrial area in an amount of THB 35m for the first quarter of 2023.

Revenue from rental and services

Revenue from rental and services represents revenue from hospitality business, commercial and other businesses.

Hospitality Business

In the first quarter of 2023, the company had revenue from sales and services of THB 2,544m, increased by 51% from the previous year. This was mainly due to the revenue growth in all geographies across the portfolio where the company operates business, aligns with the continuously expanding global tourism situation. In particular, revenue from 4 hotels in Thailand has grown more than three times, as well as hotels in the Outrigger group whose income has increased by more than 65% compared to the same period of last year where the restrictions are still in place. In addition, the hotel in CROSSROADS project and UK hotel portfolio continued to expand constantly which make the revenue increased from the same period last year by 25% and 18%, respectively.

Operating performance of Hospitality business

Hotels	Q1/2022	Q1/2023
Self-Managed Hotels[1]		
Number of hotel[1]	4	4
Number of key[1]	604	604
% Occupancy	41%	88%
ADR (THB)	5,708	9,840
RevPAR (THB)	2,341	8,611
Outrigger Hotels[1]		
Number of hotel	3	3
Number of key	499	499
% Occupancy	33%	55%
ADR (THB) [2]	7,001	6,831
RevPAR (THB)[2]	2,287	3,783
Project CROSSROADS Hotels		
Number of hotel	2	2
Number of key	376	376
% Occupancy	74%	88%
ADR (THB)[3]	14,843	13,994
RevPAR (THB)[3]	11,028	12,241
UK Portfolio Hotels		
Number of hotel[5]	28	27
Number of key[5]	2,990	2,940
% Occupancy	46%	66%
ADR (THB)[4]	3,065	3,133
RevPAR (THB)[4]	1,415	2,055

Remark:

(1) SHR terminated the Hotel Management Agreement with Outrigger and employed a Self-managed platform in 3 out of 6 Outrigger hotels in 2021; Excluded Konotta Maldives which is temporarily closed

(2) The exchange rates applied for translation in Q1/2022 were 15.56 THB/FJD, 0.76 THB/MUR while those in Q1/2023 were 15.44 THB/FJD, 0.75 THB/MUR

(3) The exchange rate applied for translation in Q1/2022 was 33.05 THB/USD while that in Q1/2023 was 33.91 THB/USD

(4) The exchange rate applied for translation in Q1/2022 was 44.37 THB/GBP while that in Q1/2023 was 41.22 THB/GBP

(5) The change in number of keys (50) keys came from the sold of Mercure Burton upon Trent Newton Park Hotel

Commercial Business

As of 31 March 2023, the Company owned 5 commercial buildings providing net leasable area 193,180 sq.m. in total. Revenue generated from commercial business in Q1/2023 was THB 252m, edged down 2% from Q1/2022. Major driver was a decline in occupancy rate of Singha Complex building. However, the Company is working on negotiating a new lease agreement with the effective selection of the target customers, focusing on high-growth industries that will lead to the potential expanding of the business and rental space in the long run.

Operating performance of Commercial business

Building	Q1/2022	Q1/2023
Suntower		
Space for rent (sq.m.)	63,673	63,673
Occupancy rate (%)	82%	83%
Singha Complex		
Space for rent (sq.m.)	58,927	58,927
Occupancy rate (%)	96%	81%
S Metro		
Space for rent (sq.m.)	13,677	13,677
Occupancy rate (%)	91%	93%

Other businesses

Other businesses, covering construction service and project management service, generated revenue at THB 83m in Q1/2023, improved from THB 38m in Q1/2022 due mainly to an increase in revenue from construction of Santiburi The Residences.

Gross Profit

Gross profit for Q1/2023 reported at THB 1,276m, increased 50% from THB 851m for the first quarter of the previous year. In term of margin, the gross profit margin stood at 38%, increased from 28% in the same period last year. This was represented the lower proportion of costs of service to sales from an improvement in economy of scale of hospitality business and the fabulous margin of residential project.

Selling and Administrative Expenses

In Q1/2023, the Company reported selling and administrative expenses in an amount of THB 790m, increased 13% from THB 702m in Q1/2022. This was mainly from an increase in administrative expense in accordance with the business resumption. However, the %SG&A to revenue remained at the same level of the previous year, reflected the efficient resource utilization.

Finance Costs

The Company reported finance costs at THB 471 in Q1/2023, increased from THB 285m in Q1/2022. This was mainly attributed to the continual increase in interest rate. However, the Company already mitigated the risk by hedging foreign currency loan which will limit the impact to the Company's performance.

Net Profit (loss)

In Q1/2023, the Company announced a net profit for the period of THB 71m, strong rebound from net loss of THB 126m for the first quarter of prior year. For the net profit (attributable to Owners of the parent) amounted to THB 25m, reversed from loss of THB 48m for Q1/2022. This was primarily due to the gradually rebound of hospitality business and the effective cost management.

Unit: THB m	31 December 2022	31 March 2023	Change
Cash and cash equivalent	3,422	3,168	-254
Inventories	763	1,957	1,194
Current assets	13,983	15,387	1,405
Investment property	19,720	19,704	-15
PPE – net	28,820	28,507	-313
Non-current assets	54,827	54,184	-643
Total Assets	**68,810**	**69,572**	**762**
Current liabilities	9,984	9,950	-33
Non-current liabilities	36,221	37,136	916
Total liabilities	**46,204**	**47,086**	**882**
Total equity	**22,606**	**22,485**	**-120**
Interest-bearing debt excluding lease liability	29,866	30,884	1,018
Gearing ratio (times)	1.32x	1.37x	
Net gearing ratio (times)	1.17x	1.23x	

As at 31 March 2023, the Company reported total assets of THB 69,572m or increased by 1% from 31 December 2022, including (1) Current assets in an amount of THB 15,387m, increased THB 1,405m from the ending of last year. This was mainly due to an increase in inventories from the acquisition of The ESSE Sukhumvit 36 project and cost of property development from construction and development costs of Siraninn Residences project and S Industrial Estate Angthong (2) Non-current assets in an amount of THB 54,184m, decreased THB 643m from depreciation and classification of assets held for sales.

Total liabilities stood at THB 47,086m increased by 2% from 31 December 2022 from the drawdown facility to support future projects and the consolidation of borrowing of The ESSE Sukhumvit 36 project into company' financial statement. The interest bearing debt raised to THB 30,884m. The gearing ratio consequently grew to 1.23x which well below the Company's covenant.

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