

Ref. CS/003/05/2023

8 May 2023

Subject: Management Discussion and Analysis for the three-month period ended 31 March 2023

To: President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.2/2023 of Nirvana Development Public Company Limited ("Company" or "NVD" or "Nirvana") held on 8th May 2023 to approve the financial statements for the quarter ended 31 March 2023, the Company would like to report the financial performance for the three-month period ended 31 March 2023 as follows.

Comparative Operating Performance	Quarterly: yoy & qoq							
	1Q22		4Q22		1Q23		%Change	
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq
Revenues:								
Revenue from sales of real estate	1,021	94%	256	87%	446	92%	-56%	75%
Revenue from construction contracts	68	6%	40	13%	40	8%	-41%	1%
Total revenues	1,089	100%	295	100%	486	100%	-55%	65%
Costs:								
Costs of real estate sold	587	58%	188	73%	289	65%	-51%	54%
Costs of construction	62	92%	31	78%	30	75%	-51%	-3%
Total costs	650	60%	219	74%	319	66%	-51%	46%
Gross profits	439	40%	77	26%	167	34%	-62%	118%
Other incomes	21	2%	65	22%	27	5%	28%	-59%
Gain from fair value adjustment of investment property	0	0%	6	2%	0	0%	0%	-100%
Distribution costs	(121)	-11%	(81)	-28%	(89)	-18%	26%	-10%
Administrative expenses	(78)	-7%	(54)	-18%	(53)	-11%	32%	1%
Financial costs (interest expenses)	(50)	-5%	(15)	-5%	(13)	-3%	74%	12%
Profits before share of profits from JV	210	19%	(1)	0%	38	8%	-82%	2863%
Share of profits/(losses) from JV	0	0%	1	0%	(1)	0%	-100%	-156%
Income taxes	(49)	-4%	4	2%	8	2%	116%	81%
Net profits / (loss)	161	15%	4	1%	46	9%	-72%	1081%
Other comprehensive income	0	0%	5	2%	0	0%	0%	-100%
Total comprehensive income /(loss)	161	15%	9	3%	46	9%	-72%	416%
Profit (loss) attributable to								
the owners of the parent	156	14%	11	4%	35	7%	-78%	221%
the non-controlling interests	6	1%	(7)	-2%	11	2%	97%	256%

NVD recorded total revenues of Bt.486m in 1Q23, down 55% yoy and up 65% qoq. The 1Q23 net profit attributable to the owners of the parent company was Bt.35m, compared to Bt.156m in 1Q22 and Bt.11m in 4Q22. New projects pre-opened in late 2022 helped contribute to the qoq recovery, while the last episode of balance-sheet-reform activity in 1Q22 was the main reason behind the yoy decline.

Signs of Improvements QoQ

As a quick recap of what happened in the past 2-3 years, from the beginning of the pandemic in early 2020 to its effects on the Global Economy throughout 2022, NVD had gone through a series of restructuring and reform activities to endure such adverse circumstances. Assets and liabilities were cautiously scrutinized and managed, from 2Q21 to 1Q22, as a strategic restructuring to attain an optimal asset base and debt portfolio. Some landbanks, not suitable for near-term development, were sold to lower debts, while some low-LTV debts were refinanced to support working capital.

The latest strategic deployment was in 1Q22 when a fraction of Krungthep Kreetha landbank was sold as part of an asset-base adjustment for better value creation. The objective was to diversify into other areas, applicable for our more affordable products which could sell well. Although 1Q23 results showed some signs of qoq improvements, the land transaction in 1Q22 generated relatively much stronger quarterly revenue and margins. An important point to remark on was that hefty values were yet to be unlocked from the remaining Krungthep Kreetha landbank of nearly 200-rai.

Besides the balance-sheet restructuring, NVD's product portfolio was also reformed. A new series of three-story SDHs, "Nirvana ABSOLUTE" was added to Nirvana Product Spectrum, while the "Nirvana DEFINE" townhouse series were redesigned to better answer the changes in homebuyers' behaviors. With a good response from Nirvana fanbase, these two high-value products generated encouraging presales in their soft launches in 4Q22 and started to transfer into revenues in 1Q23. This was the main reason behind the positive earnings momentum in 1Q23 vs. 4Q22.

The Show Must Go On

Our plan to unlock values from our high-potential assets has been prolonged for three years, and it is now time to move on. In 2023, we are determined to reemerge with a total of nine new projects, with a combined project value of Bt.21,100m, lining up for their official debuts. Seven of which are landed residential projects (three single-house projects, one townhouse project, and three home-office projects) in popular locations of Bangkok, i.e. Krungthep-Kreetha and Ekamai-Ramintra. The other two would be condominium projects, devised to expand Nirvana's customer base into new territories, i.e., Bangkok's Sukhumvit CBD and Rattana Thibate.

Product positioning would be extended both upward and downward. One of the 7 new landed-residential projects is a brand-new "Nirvana COLLECTION", 3-story single house series, priced from Bt.80-150m. Together with Banyan Tree Residences Riverside and Nirvana BEYOND, these three brands would be positioned in the "Ultra-Luxury" and "Super-Luxury" segment whereas target customers' purchasing powers should remain resilient regardless of any economic condition. And five of these 7 new landed-residential projects will be part of our Krungthep-Kreetha "Township Development" with Nirvana PORCH, a community mall with Nirvana DNA, at the center of the township, scheduled for its debut in late 2023.

Nirvana ABSOLUTE, Nirvana ELEMENT, Nirvana DEFINE, and theMOST brands would emphasize delivering highest values. TheMOST condominium brand would penetrate down to the "Affordable Modern High-end" segment. In the current high-inflation and high-interest-rate situation, we believe that high-value products would help entice decisions to buy given that Nirvana projects are placed in particularly selected locations with higher chance for asset value appreciation. Not only for the virtue of quality living, buying Nirvana house is also an investment to pass on good assets to the next generations.

While our launch plans this year may seem aggressive against Nirvana's own history, we are cautious of risks associated with the fragile stage of the global economy. The advantage of focusing more on the landed residential segment is that we could pace our developments more dynamically upon the economic developments. After all, that is what Nirvana has grown accustomed to over the years. The corporate name change back to Nirvana Development Plc. is intended to better reflect our long-standing and experiences as a property developer since our inception nearly 20 years ago.

Revenues

NVD reported total consolidated revenues of Bt. 486m for 1Q23, decreased 55% yoy but increased 65% qoq. Compared to the same period last year, segmented revenues consist of:

- **Revenues from Sales of Real Estate** down 56% yoy,
- **Revenues from Construction Contracts** down 41% yoy,

Revenues from Sales of Real Estate were Bt. 446m, down 56% yoy. 1Q22 was a quarter with some effects of strategic reform where the asset base was adjusted to cope with the challenging situation at that time, whereas 1Q23 revenue was more normalized. 1Q22 revenue contribution was mainly from the 23-rai land sales along the new Krungthep-Kreetha Road, compared to 1Q23 revenue contribution, which was mainly from the transfers of landed residences sold at BEYOND Rama2, DEFINE Srinakarin-Rama9, @WORK Ladpro-Kasetnawamin, ELEMENT Bangna, and 2 new projects at DEFINE Ekkamai-Ramintra, and ABSOLUTE Ekkamai-Ramintra including the transfers of condominium projects from Banyan Tree Residences Riverside Bangkok and The Most Issaraphap.

Revenues from Construction Service Contracts were Bt. 40m, down 41% yoy. The performance in this revenue line was mainly driven by the construction services revenues to external corporate clients, the BTO (Build-to-Order) home-building services revenues from Turnkey Projects, namely Nirvana BEYOND Att-U Park Bangna and Nirvana ICON Pinklao. Much of the decrease in revenue from construction contracts was due to less emphasis on external corporate contracts as the precast concrete capability would be more for internal use for the time being.

Cost of Sales and Gross Margins

Total consolidated costs for 1Q23 were Bt. 319m, decreased 51% yoy, in line with revenue decrease. The total costs consist of:

- **Costs Real Estate Sold of** Bt. 289m
- **Costs of Construction of** Bt. 30m

Blended gross margins of 34% in 1Q23 decreased from 40% in 1Q22 but increased from 26% in 4Q22. The 1Q22 gross margin of **Revenues from Sales of Real Estate** segment were down yoy mainly from sales and transfer of the 23-rai land plot, while 1Q23 gross margin reflected the normalized operations from the transfers of landed residences and condominiums during the quarter.

Other incomes were Bt. 27m, usually comprised of management fees, services incomes, interest incomes and other miscellaneous incomes. The extra items incurred in 4Q23 were one-off mainly related to construction compensation and cancellation contracts.

Distribution costs and General Administrative Expenses

Distribution costs during 1Q23 of Bt. 89m decreased 26% yoy in line with the revenues, but less extent due to marketing activities in preparation for the planned launches of four new projects in 2Q23.

General administrative expenses in 1Q23 of Bt. 53m decreased 32% yoy and 1% qoq mainly from the allowance for decrease of cost to net realizable value of raw materials and finished goods related to the Mobile Plant in the Maldives incurred in FY21, whereas 1Q23 expenses were more of a normalized nature.

Financial Costs

FY22 financial costs of Bt. 13m decreased 74% yoy and 12% qoq as a result of the resumed interest capitalization for projects under developments.

Net Profit

The company incurred a net profit of Bt. 46m in 1Q23, compared to Bt. 161m in 1Q22 and Bt. 9m in 4Q22. The strong profits in 1Q22 were mainly due to the 23-rai land sales, as discussed above.

Assets

Total assets End-1Q23 were Bt.13,656m, slightly increased 1% yoy. The major changes in the asset line items were the increases in the cost of property development by Bt. 362m and the decrease in the short-term loan to others at Bt.242m. Significant changes in line items are summarized as follows:

Consolidated Statements of Financial Position	YE2022		End-1Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Assets:						
Cash and cash equivalents	295	2%	368	3%	73	25%
Trade and other receivables, net & related parties	304	2%	382	3%	78	26%
Short-term loans to others	242	2%	-	0%	(242)	-100%
Inventories	2,168	16%	2,129	16%	(39)	-2%
Costs of property development	7,705	57%	8,066	59%	362	5%
Unbilled receivables	42	0%	21	0%	(20)	-49%
Land deposits	2	0%	7	0%	4	202%
Other current assets	110	1%	15	0%	(94)	-86%
Total current assets	10,867	80%	10,990	80%	122	1%
Restricted bank deposits	44	0%	57	0%	13	30%
Investment in joint venture, net	18	0%	20	0%	3	14%
Land held for development	31	0%	31	0%	0	0%
Property, plant and equipment, net	348	3%	352	3%	3	1%
Investment Property	1,322	10%	1,322	10%	1	0%
Right-of-use assets, net	284	2%	280	2%	(3)	-1%
Intangible assets, net	16	0%	15	0%	(1)	-8%
Goodwill	332	2%	332	2%	-	0%
Deferred tax assets	170	1%	180	1%	10	6%
Other non-current assets	70	1%	78	1%	8	11%
Total non-current assets	2,634	20%	2,667	20%	33	1%
Total assets	13,501	100%	13,656	100%	155	1%

Liabilities

Total liabilities of Bt. 8,692m at End-1Q23 increased 7% by Bt. 586m from Bt. 8,106m at End-YE22. Significant changes are summarized as follows:

- Bt. 950m Callable and Secured Debentures No.1/2023, in two tranches; (1) callable and secured debentures, with a total value of Bt. 465m, bearing a fixed interest rate of 6.40% per annum and will be due for repayment in 2024. And (2) callable and secured debentures, with a total value of Bt. 485m, bearing a fixed interest rate of 6.70% per annum and will be due for repayment in 2025.

Equity

Total equity of Bt. 4,965m at End-1Q23 decreased 8% by Bt. 431m from Bt. 5,396m at End-YE22. Significant changes are summarized as follows:

- The company's board approved the purchase of shares in its subsidiary, Nirvana River Company Limited. Following the transaction, on March 13, 2023, the company's ownership proportion increased from 69.99% to 99.99% based on the net asset value of the subsidiary's financial statements, which amounted to Bt. 795.44m. The NVD group recognized a non-controlling interest reduction of Bt. 340.90m and an increase in investment proportion of Bt. 135.65m, resulting in a total shareholder's equity of the group of 476.55 million baht in the subsidiary.

Consolidated Statements of Financial Position	YE2022		End-1Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Liabilities & Shareholders'Equity:						
PN and ST borrowings from financial institutions, net	1,844	14%	1,127	8%	(717)	-39%
Trade, other payables & related parties	360	3%	530	4%	170	47%
Land payable	116	1%	116	1%	0	0%
Interest bearing debts due within one year, net	1,689	13%	691	5%	(998)	-59%
Retention payables	88	1%	91	1%	2	2%
Deposits and advance received from customers	84	1%	56	0%	(28)	-33%
Advance from customers for construction contracts	38	0%	40	0%	1	4%
Other current liabilities	60	0%	59	0%	(2)	-3%
Total current liabilities	4,280	32%	2,709	20%	(1,571)	-37%
Land payable	632	5%	632	5%	0	0%
Interest bearing debts due over one year, net	2,998	22%	5,154	38%	2,156	72%
Other non-current liabilities	196	1%	197	1%	1	0%
Total non-current liabilities	3,826	28%	5,983	44%	2,157	56%
Total liabilities	8,106	60%	8,692	64%	586	7%
Total equity	5,396	40%	4,965	36%	(431)	-8%
Total liabilities and equity	13,501	100%	13,656	100%	155	1%
<i>Remarks:</i>						
<i>Total interest-bearing debts</i>	<i>6,531</i>	<i>48%</i>	<i>6,972</i>	<i>51%</i>	<i>442</i>	<i>7%</i>

Key Financial Ratios

Liquidity ratio at End-1Q23 was 4.06x, higher than 2.54x at End-FY22 mainly due to the decrease in interest-bearing debts due within one year due to the reclassification to the non-current liability as discussed above.

Gross margins increased slightly from 33% in FY22 to 34% in 1Q23, resuming a more normalized gross margin level.

Total liabilities-to-equity ratio at End-1Q23 was 1.75x, increased from 1.50x at End-FY22, and the net interest-bearing debts to equity ratio decreased from 1.16x to 1.33x. This was a net result of the decrease in owners' equity from the purchase of shares in subsidiaries as discussed above.

Yours faithfully,

(Dr. Anothai Xanthavanij)
Chief Financial Officer