

Ref. CS/004/11/2023

13 November 2023

Subject: Management Discussion and Analysis for the three-month period and the nine-month period ended 30 September 2023

To: President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.4/2023 of Nirvana Development Public Company Limited ("Company" or "NVD" or "Nirvana") held on 13th November 2023 to approve the financial statements for the three-month period and the nine-month period ended 30 September 2023, the Company would like to report the financial performance for the three-month period and nine-month period ended 30 September 2023 as follows.

Comparative Operating Performance	Quarterly: yoy & qoq								9M : yoy				
	3Q22		2Q23		3Q23		%Change		9M22		9M23		%Change
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq	Bt.m	%	Bt.m	%	yoy
Revenues:													
Revenue from sales of real estate	359	84%	359	78%	502	90%	40%	40%	2,046	90%	1,307	87%	-36%
Revenue from construction contracts	68	16%	100	22%	53	10%	-21%	-47%	228	10%	194	13%	-15%
Total revenues	427	100%	459	100%	555	100%	30%	21%	2,274	100%	1,501	100%	-34%
Costs:													
Costs of real estate sold	283	79%	245	68%	322	64%	14%	32%	1,304	64%	856	66%	-34%
Costs of construction	48	71%	74	74%	46	86%	-5%	-38%	193	85%	150	77%	-22%
Total costs	331	78%	319	69%	368	66%	11%	15%	1,496	66%	1,006	67%	-33%
Gross profits	96	22%	140	31%	187	34%	95%	33%	777	34%	495	33%	-36%
Other incomes	45	11%	30	7%	7	1%	-84%	-76%	87	4%	64	4%	-26%
Distribution cost	(62)	-15%	(84)	-18%	(85)	-15%	37%	2%	(257)	-11%	(258)	-17%	0%
Administrative expenses	(50)	-12%	(53)	-12%	(42)	-8%	-15%	-20%	(202)	-9%	(148)	-10%	27%
Financial costs (interest expenses)	(16)	-4%	(14)	-3%	(16)	-3%	-1%	16%	(117)	-5%	(43)	-3%	63%
Profits before share of profits from JV	14	3%	21	4%	51	9%	258%	148%	289	13%	110	7%	-62%
Share of profits/(losses) from JV	(3)	-1%	(3)	-1%	(3)	0%	-20%	10%	(4)	0%	(7)	0%	-51%
Income taxes	1	0%	(0)	0%	(18)	-3%	-3263%	-5755%	(62)	-3%	(10)	-1%	84%
Net profits / (loss)	11	3%	17	4%	31	6%	169%	78%	223	10%	94	6%	-58%
Other comprehensive income	0	0%	0	0%	0	0%	na	na	0	0%	0	0%	0%
Total comprehensive income /(loss)	11	3%	17	4%	31	6%	169%	78%	223	10%	94	6%	-58%
Profit (loss) attributable to													
the owners of the parent	21	5%	17	4%	31	6%	47%	78%	190	8%	83	6%	-57%
the non-controlling interests	(9)	-2%	0	0%	0	0%	100%	-58%	33	1%	11	1%	-67%

NVD recorded total revenues of Bt.555m in 3Q23, up 30% yoy and 21% qoq. The 3Q23 net profit attributable to the owners of the parent company was Bt.31m, compared to Bt.21m in 3Q22 and Bt.17m in 2Q23. On a nine-month basis, 9M23 total revenues were Bt.1,501m, down 34% yoy, with net profit attributable to the owner of the parent company of Bt.83m, compared with Bt.190m in 9M22. The quarterly earnings recovery trend resumed, while the 9M23 performance was still up against an exceptional set of results last year.

Back on Recovery Track

The 3Q23 quarterly earnings improved both yoy and qoq. Revenue recognition momentum picked up during the quarter after the pressure from the political uncertainty in 2Q23 had lessened as the new Government having been formed. During

the quarter, Revenues from Sales of Estate in the landed residential segment continued their steady recovery path growing 11% qoq and 61% yoy. Backlogs from presales of the newly launched landed residential projects were gradually converted into revenues while transfers of new sales at the ongoing projects also contributed during 3Q23.

On the nine-month basis, however, earnings contraction was still inevitable as there were a strategic land sale in 1Q22 and transfer of the one-of-a-kind, 800-sqm. Duplex Penthouse unit at the Banyan Tree Residences Riverside Bangkok in 2Q22. These two transactions contributed exceptionally strong revenues and margins in 1H22.

Refocus on Efficiency

The global economic outlook is becoming increasingly bleak. Since early 2022, the high-inflation and the high-interest-rate environment have lingered and dampened the economic recovery. Central Banks around the world have raised their policy rates significantly. Credit rating agencies have lowered their outlooks on the US credit rating. In 4Q23, moreover, the world is facing consequences of another geopolitical conflict in the Middle East. The outcome as to how and when this tension would end is currently unknown. These factors would prove unfavorable to businesses across many industries.

Thailand has seen 200bps hike of the BOT's Policy Rate since January 2022. Traces of negative impacts from the high interest rates have started to surface. For some, monthly post-financing installments are only to pay interest and not enough to pay down the principals. The new post-financing loan approval rate falls as banks become more cautious. Developers have launched aggressive promotional campaigns in bids to reduce their inventories. Apparently, the industry is facing many obstacles.

One advantage of NVD being a landed residential developer is an ability to pace developments to demands. In 3Q23, Nirvana has debut two new projects, Nirvana COLLECTION – ultra-luxury, three-story single homes in Krungthep Kreetha and theMOST – affordable high-end condominium in Rattathibate. These two projects should conclude the new project launch program for FY23. Focus would now shift to ensure efficiency of the balance sheet and operating expenditures given such obstacles and bleak outlook.

Revenues

NVD reported total consolidated revenues of Bt. 555m for 3Q23, increased 30% yoy and 21% qoq. Compared to the same period last year, segmented revenues consist of:

- **Revenues from Sales of Real Estate** up 40% yoy,
- **Revenues from Construction Contracts** down 21% yoy,

Revenues from Sales of Real Estate were Bt.502m, up 40% yoy mainly from the transfers of landed residences sold at BEYOND Rama2, DEFINE Srinakarin-Rama9, @WORK Ladprao-Kasetnawamin, ELEMENT Bangna, DEFINE Ekkamai-Ramintra, ABSOLUTE Ekkamai-Ramintra, ABSOLUTE Bangna and DEFINE Krungthep Kreetha, including the transfers of a few condominium units at Banyan Tree Residences Riverside Bangkok and the 2.5 rais land sales on the Banga-Trad road, comprising a small plot. Its unsuitability for immediate project development.

Revenues from Construction Service Contracts were Bt.53m, down 21% yoy. The performance in this revenue line was mainly driven by the BTO (Build-to-Order) home-building services revenues from Turnkey Projects, namely Nirvana BEYOND Att-U Park Bangna and Nirvana ICON Pinklao.

Cost of Sales and Gross Margins

Total consolidated costs for 3Q23 were Bt.368m, increased 11% yoy. The total costs consist of:

- *Costs Real Estate Sold of* Bt.322m
- *Costs of Construction of* Bt.46m

Blended gross margins of 34% in 3Q23 increased from 22% in 3Q22 and 31% in 2Q23. The 3Q23 gross margin of *Revenues from Sales of Real Estate* segment were up qoq and yoy mainly from the transfers of landed residences, the new projects that have been launched since the end of the previous year, and condominium sold, including the 2.5 rais land sales on the Banga-Trad road.

Other incomes were Bt.7m, usually comprised of rental, management fees, interest incomes and other miscellaneous incomes.

Distribution costs and General Administrative Expenses

Distribution costs during 3Q23 of Bt.85m increased 37% yoy due to the marketing activities of the new projects that were launched in this quarter.

General administrative expenses in 3Q23 of Bt.42m decreased 15% yoy and 20% qoq as control on operating expenses continued.

Financial Costs

3Q23 financial costs of Bt.16m maintained at the same level with 3Q22, but slightly increased qoq as a result of the rising interest rates.

Net Profit

The company incurred a net profit of Bt.31m in 3Q23, compared to Bt.11m in 3Q22 and Bt.17m in 2Q23. The strong profits in 3Q23 were mainly from the new projects that have been launched since the end of the previous year and the 2.5 rais land sales on the Banga-Trad road, as discussed above.

Assets

Total assets End-3Q23 were Bt.14,056m, slightly increased 4% yoy. The major changes in the asset line items were the increases in the cost of property development by Bt.702m, the inventories by Bt.311m, and the decrease in the short-term loan to others at Bt.239m. Significant changes in line items are summarized as follows:

Consolidated Statements of Financial Position	YE2022		End-3Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Assets:						
Cash and cash equivalents	295	2%	90	1%	(205)	-69%
Trade and other receivables, net & related parties	304	2%	487	3%	183	60%
Inventories	2,168	16%	2,479	18%	311	14%
Costs of property development	7,705	57%	8,407	60%	702	9%
Unbilled receivables	42	0%	26	0%	(16)	-38%
Land deposits	2	0%	5	0%	2	106%
Short-term loans to related parties	242	2%	3	0%	(239)	-99%
Other current assets	110	1%	15	0%	(95)	-86%
Total current assets	10,867	80%	11,511	82%	644	6%
Restricted bank deposits	44	0%	32	0%	(12)	-26%
Investment in joint venture, net	18	0%	18	0%	0	1%
Land held for development	31	0%	31	0%	-	0%
Property, plant and equipment, net	348	3%	260	2%	(88)	-25%
Investment Property	1,322	10%	1,335	10%	14	1%
Right-of-use assets, net	284	2%	273	2%	(10)	-4%
Intangible assets, net	16	0%	12	0%	(4)	-24%
Goodwill	332	2%	332	2%	-	0%
Deferred tax assets	170	1%	167	1%	(3)	-2%
Other non-current assets	70	1%	85	1%	14	20%
Total non-current assets	2,634	20%	2,545	18%	(89)	-3%
Total assets	13,501	100%	14,056	100%	555	4%

Liabilities

Total liabilities of Bt.9,137m at End-3Q23 increased 13% by Bt.1,031m 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.
- Bt.754m interest-bearing debt increased from the borrowings from financial institutions for the development of projects on the northern side of the new Krungthep Kreetha road, as well as long-term debentures.

Equity

Total equity of Bt.4,919m at End-3Q23 decreased 9% by Bt.476m 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-3Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Liabilities & Shareholders'Equity:						
PN and ST borrowings from financial institutions, net	1,844	14%	895	6%	(949)	-51%
Trade, other payables & related parties	360	3%	704	5%	344	96%
Interest bearing debts due within one year, net	1,689	13%	1,305	9%	(384)	-23%
Retention payables	88	1%	93	1%	4	5%
Land purchase payables	116	1%	-	0%	(116)	-100%
Deposits and advance received from customers	84	1%	59	0%	(25)	-30%
Advance from customers for construction contracts	38	0%	28	0%	(10)	-26%
Other current liabilities	60	0%	39	0%	(21)	-35%
Total current liabilities	4,280	32%	3,123	22%	(1,157)	-27%
Land payable	632	5%	632	4%	0	0%
Interest bearing debts due over one year, net	2,998	22%	5,084	36%	2,086	70%
Other non-current liabilities	196	1%	298	2%	102	52%
Total non-current liabilities	3,826	28%	6,014	43%	2,188	57%
Total liabilities	8,106	60%	9,137	65%	1,031	13%
Total equity	5,396	40%	4,919	35%	(476)	-9%
Total liabilities and equity	13,501	100%	14,056	100%	555	4%
<i>Remarks:</i>						
<i>Total interest-bearing debts</i>	<i>6,531</i>	<i>48%</i>	<i>7,284</i>	<i>52%</i>	<i>754</i>	<i>12%</i>

Key Financial Ratios

Liquidity ratio at End-3Q23 was 3.69x, higher than 2.54x at End-FY22 mainly due to the decrease in interest-bearing debt 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 3Q23, resuming a more normalized gross margin level.

Total liabilities-to-equity ratio at End-3Q23 was 1.86x, increased from 1.50x at End-FY22, and the net interest-bearing debt to equity ratio decreased from 1.16x to 1.46x. 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