

SWG 007/2567

23 February 2024

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 12 months period ended 31 December 2023 and to explain the causes of performance that is changed more than 20% from the same period last year

To: President
The Stock Exchange of Thailand

SIAM WELLNESS GROUP PUBLIC COMPANY LIMITED (“The Company”) would like to give details of the Management Discussion and Analysis of the financial statements of the Company and subsidiaries for the 12 months period (“12M23”) ended 31 December 2023 and to explicate the causes of performance that has changed more than 20% from the same period last year. The Company and subsidiaries have the total revenue of 1,473.29 million baht, an increase of 751.92 million baht from the same period last year (or an increase of 104.24%). The Net Profit is 332.14 million baht, an increase of 420.16 million baht from the same period last year. Net Profit is accounted as 22.97 % of sales and services’ revenue. Details as followed:

2023 Financial Highlights

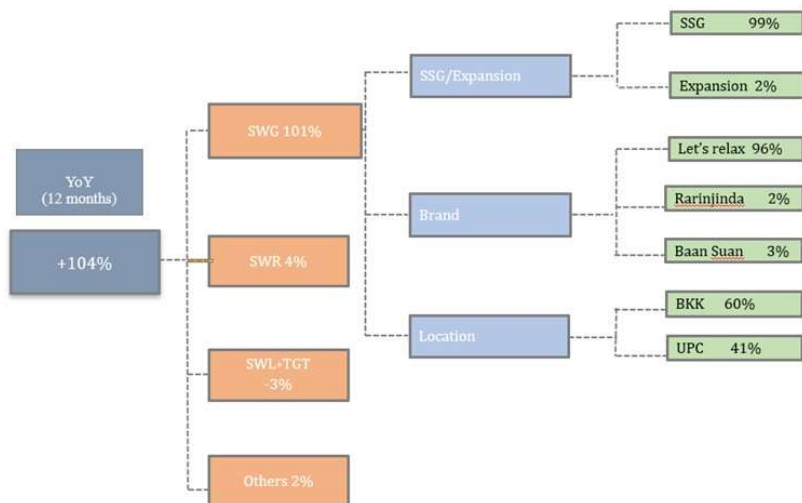
Revenue

The Company and subsidiaries had total revenue in 2023 of 1,473.29 million baht, an increase of 751.92 million baht from the same period last year (or an increase of 104.24%). The big proportion of revenue came from the spa business, which accounted to 89% of the total revenue. A significant increase in Revenue is from the recovery of the tourism industry, especially Chinese Tourists, and more confidence in Thai customers coming back to use the service. There is an increase of numbers of foreign customers, with new international customer segments include the Middle East, Europe and India, especially in Quarter 4 which is a high season.

As of 31 December 2023, Siam Wellness Group Public Company Limited had a total of 72 branches (70 domestic branches and 2 overseas branches). 6 New Branches were opened and 4 existing branches were closed. [As of 31 December 2021, the Company had a total of 70 branches (68 domestic branches and 2 overseas branches)].

(Thousands Baht)							
Operating Results							
	2023		2022		2021	Chg (%) 23 vs 22	Chg (%) 22 vs 21
Revenue from sales and service	1,446,129		711,282		167,614	103%	324%
Other income	27,161		10,084		7,329	169%	38%
Total revenues	1,473,290		721,366		174,943	104%	312%
Cost of sales and service	1,010,058	70%	630,832	89%	318,517	190%	60%
Gross profit	436,071	30%	80,450	11%	(150,903)	(90%)	442%
Selling and administrative expenses	138,691	10%	127,159	18%	107,694	64%	9%
Profit before income tax and finance cost	297,380	21%	(46,709)	(7%)	(258,597)	(154%)	(737%)
Share of loss from investment in JV	1,327	0	86	0	-	-	-
Finance cost	46,116	3%	50,351	7%	44,172	26%	(8%)
Income tax expense (revenue)	(55,041)	(4%)	966	0%	(8,720)	(5%)	(5,798%)
Net profit (loss) for the year	332,139	23%	(88,028)	(12%)	(286,720)	(171%)	(477%)
NCI	4	0%	(1)	(0%)	2.00	0%	(500%)
Net profit for the year attributable to the Company	332,143	23%	(88,029)	(12%)	(286,718)	(171%)	(477%)

Revenue Analysis:



- Siam Wellness Group Public Co.,Ltd (“SWG”), the operator of Spa Business, Revenue increased 101%
- Siam Wellness Resort Co.,Ltd (“SWR”), the operator of RarinJinda Wellness Spa Resort and Deck One, Revenue increased 4%
- Siam Wellness Lab Co.,Ltd (“SWL”), the operator of Spa Products Sale, Revenue decreased 3% as there were ATK Sales in 2022.

- The SSG and Expansion Stores Revenue increased 99% and 2% compared to previous year respectively.
- In terms of Revenue by Brands, Let’s Relax’s Revenue increased 96%, RarinJinda Wellness Spa’s Revenue increased 2%, Baan Suan Massage Revenue increased 3%
- In terms of Revenue by Locations, Bangkok branches’ Revenue increased 60% and Upcountry branches’ Revenue increased 41%.
- Hotel & Restaurant Revenue increased 4%. The Proportion of Hotel & Restaurant Revenue to the Company’s 2023 Revenue is 5%. Significant increase is the result of improved Occupancy Rate and Average room rate.
- The Proportion of Spa Product Revenue to the Company’s Revenue dropped from 10% to 4%

Cost of Sales and Services

In 2023, the Company and subsidiaries had the cost of sales and services of 1,010.06 million baht, accounting for 69.85% of sales and services' revenue. This is an increase of 379.23 million baht from the previous year (or an increase of 37.54%). The increase of Cost of Sales and Services was mainly due to the increase in revenue resulting in higher variable costs such as therapist labor cost, raw Materials cost, utility cost and branch operations cost (laundry and maintenance). In addition, some fixed expenses also increased, such as salary expenses and lower rental discounts. Overall, the increase in Cost of Sales and Services are lower than the increase of Revenue, therefore the proportion of Cost of Sales and Services improved. The Company has improved Gross Profit Margin and the Gross Profit Margin ratio returned to similar as pre-COVID19 period.

Selling and Administrative Expenses and Interest Payment

In 2023, the Company and subsidiaries had the selling and administrative expenses of 184.81 million baht, accounted to 12.78% of the revenue from sales and services. This is an increase of 7.30 million baht from the same period last year (or an increase of 3.95%). Other costs like Staff Salary, Advertising and Sales Promotions, also increased related to the increase of Revenue. Interest paid is lower compared to previous year due to repayment.

Net Profit

In 2023, the Company and subsidiaries had the net profit of 332.14 million baht or accounted 22.97% of the revenue from sales and services. The net profit of the Company and subsidiaries increased 420.16 million baht from the same period last year (or an increase of 477.30%). compared to the same period last year. This is the resulting from the outstanding performance and efficient cost management. In addition, in 4th Quarter, The Company has realized income tax revenue from accumulated deficit that are expected to be used in the amount of 55 million baht, resulting in an increase in net profit.

Statement of Financial Position

Consolidated Financial Statements						
(Thousand)						
	2023	C/S	2022	C/S	change 23 vs 22	%Change 23 vs 22
Assets						
Current assets						
Cash and cash equivalents	252,305	13%	184,903	8%	67,402	36.45%
Current investments	-	0%	4	0%	(4)	(100.00%)
Trade and other receivables	29,580	1%	30,153	1%	(573)	(1.90%)
Lease receivable-current portion	55	0%			55	
Share return receivables-current portion	26,295	1%	8,945	0%	17,350	193.96%
Inventories	43,076	2%	37,794	2%	5,282	13.98%
Other current assets	12,084	1%	9,932	0%	2,152	21.67%
Total current assets	363,395	18%	271,731	11%	91,664	33.73%
Non current assets						
Lease receivable-net of current portion	178	0%	-	0%	178	0.00%
Share return receivables-net of current portion	8,526	0%	31,089	1%	(22,563)	(72.58%)
Investment in joint venture	4,196	0%	424	0%	3,772	889.62%
Property plant and equipment	953,806	48%	1,030,820	43%	(77,014)	(7.47%)
Right-of-use assets	470,937	24%	970,788	40%	(499,851)	(51.49%)
Goodwill	24,536	1%	24,536	1%	-	0.00%
Intangible assets	5,627	0%	7,244	0%	(1,617)	(22.32%)
Deferred tax assets	46,523	2%	905	0%	45,618	5,040.66%
Deposits	80,916	4%	75,984	3%	4,932	6.49%
Advance payment for purchase of assets	10,998	1%	2,988	0%	8,010	268.07%
Other non-current assets	3,380	0%	2,593	0%	787	30.35%
Total non-current assets	1,609,623	82%	2,147,371	89%	(537,748)	(25.04%)
Total assets	1,973,018	100%	2,419,102	100%	(446,084)	(18.44%)

As of 31 December 2023, The Company and Subsidiaries had a total asset of 1,973.02 million baht, a decrease of 446.08 million baht from 2022's Assets (a decrease of 18.44%) with details as followed:

- Cash and Cash Equivalent increased from 184.90 million baht to 252.31 million baht, an increase of 36.45%). Significant Items are increase in Cash Flow from Operations, Loan Refinance of 330 million baht and Repayment of Loan of 628 million baht and investment in new project
- Trade and Other Receivables decreased from 30.15 million baht to 29.58 million baht (a decrease of 1.90%) resulting from normal operating activities such as Credit Terms to Agent, Participation in Sales Promotion with Credit Cards and Overseas Franchisee. Credit term is usually less than 3 months. In the Appendix, there were Trade Receivables due over 12 months total 7.92 million baht. The Company set up Allowance for Doubtful accounts according to Accounting Policy and Management Decision.
- Share return receivables are 34.82 million baht from the Cancellation of Joint Investment in Chaba Elegance Co.,Ltd to the original shareholder. At present, it is in the process of suing the group of existing shareholders to pay for the shares.
- Land, Buildings and Equipments are approximately 48% of Total Assets. This is slightly high as Company is still expanding branches. The Value of Land, Building and Equipment decreased from 2022's value due to branch expansion, less annual depreciation
- Right of Use Assets is 470.94 million baht or approximately 24% of Total Assets from TFRS16 Adoption in 2020 Financial Statements Reporting.

The major event that will have impact on the Future Operating Result is the probability of incoming arrivals of foreign tourists, company's main source of customers, in the coming months. The Company has mitigated this risk by expand into new related business to attract Thai customers and add online channels for the spa products. The Company

also give importance in maintaining its cash flow during this ongoing crisis, sufficient for debt repayment and operating activities.

Consolidated Financial Statements						
						(Thousand)
				change		%Change
	2023	C/S	2022	C/S	23 vs 22	23 vs 22
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	123,699	6%	94,140	4%	29,559	31.40%
Current portion of long-term loans	42,744	2%	169,918	7%	(127,174)	(74.84%)
Current portion of lease liabilities	142,926	7%	179,702	7%	(36,776)	(20.46%)
Income tax payable	458	0%	1,765	0%	(1,307)	(74.05%)
Advance received-current portion	55,902	3%	57,194	2%	(1,292)	(2.26%)
Other current liabilities	9,822	0%	7,409	0%	2,413	32.57%
Total current liabilities	375,551	19%	510,128	21%	(134,577)	(26.38%)
Non-current liabilities						
Long-term loans-net of current portion	70,952	4%	441,717	18%	(370,765)	(83.94%)
Long-term loans from related parties	200,000	10%		0%	200,000	
Lease liabilities-net of current portion	400,793	10%	863,745	36%	(462,952)	(53.60%)
Advance received-net of current portion	-	0%	971	0%	(971)	(100.00%)
Provision for long term employee benefits	5,010	0%	5,513	0%	(503)	(9.12%)
Deferred tax liabilities	-	0%	10,870	0%	(10,870)	(100.00%)
Other non-current liabilities	19,573	1%	17,157	1%	2,416	14.08%
Total non-current liabilities	696,328	35%	1,339,973	55%	(643,645)	(48.03%)
Total liabilities	1,071,879	54%	1,850,101	76%	(778,222)	(42.06%)

As of 31 December 2023, The Company and Subsidiaries had total liabilities of 1,071.88 million baht, a decrease from 778.22 million baht (a decrease of 42.06%) with details as followed:

- Trade and Other Payables are 123.70 million baht which is from normal operating activities such as building and decoration expenses, product and raw materials cost, rentals etc.
- Long term loan, both due within 1 year and more than 1 year, is 313.70 million baht, a decrease from 611.61 million baht or 48.71% mainly from the repayment of interest. This is the main source of Funds in the event of business expansion or cash imbalance as the interest rate is relatively low compared to other sources which Company deemed appropriate.
- Liabilities under the lease agreement, both due within a year and more than 1 year, is 543.72 million baht, a decrease of 499.73 million baht or 47.89%. The liability repayment and change in lease contract result in no impact from the adoption of TFRS16 Rental Contracts in 2020 Financial Statements.

Consolidated Financial Statements						
						(Thousand)
	2023	C/S	2022	C/S	change 23 vs 22	%Change 23 vs 22
Share capital						
Registered						
855,000,000 ordinary shares of Baht 0.25 each (31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each)	213,750	11%	213,750	9%	-	0.00%
Issued and paid-up						
854,999,928 ordinary shares of Baht 0.25 each (31 December 2019: 570,000,000 ordinary shares of Baht 0.25 each)	213,750	11%	213,750	9%	-	0.00%
Share premium	278,906	14%	278,906	12%	-	0.00%
Discount on business combination under common control	(46,226)	-2%	(46,226)	-2%	-	0.00%
Retained earnings						
Appropriated- statutory reserve	21,375	1%	14,250	1%	7,125	50.00%
Unappropriated	307,949	16%	(17,060)	-1%	325,009	(1,905.09%)
Other components of shareholders' equity	125,378	6%	125,378	5%	-	0.00%
Equity attributable to shareholders' of the company	901,132	46%	568,998	24%	332,134	58.37%
Non-controlling interests of the subsidiaries	7	0%	3	0%	4	133.33%
Total shareholders' equity	901,139	46%	569,001	24%	332,138	58.37%
Total liabilities and shareholders' equity	1,973,018	100%	2,419,102	100%	(446,084)	(18.44%)

As of 31 December 2023, The Company and Subsidiaries had a total equity of 901.14 million baht, an increase of 332.14 million baht (an increase of 58.37%) from reported Net Profit.

Statement of Cash Flows

As of 31 December 2023, The Company and Subsidiaries had a total cash and cash equivalents of 252.31 million baht, an increase of 67.40 million baht (an increase of 36.45%) with major transactions such as Improved Cash Flow from Operations, Long-term Loan Refinance deducted by Operations Cost, Repayment of Loan and Investment in New Projects.

Key Financial Ratio

Ratio	2023	2022	2021
Liquidity Ratio			
Current Ratio	0.97	0.53	0.54
Receivable turnover	48.42	31.33	9.05
Collection period (Days)	7	11	40
Inventory turnover	1.64	1.74	0.78
Holding period (Days)	220	207	460

- 2023 Current Ratio is 0.97, an increase from 2022's. If exclude the adoption of TFRS16 Rental Contracts and Long-term Loan from Financial Institutions due within 1 year since 2023 total 142.93 million baht, the current ratio is 1.56, an increase from Pre-COVID 19 level

- Receivable Turnover and Collection Period in 2023 decreased from 2022 due to tourism recovery and debt collection process

- Inventory Turnover and Holding Period in 2023 is higher as a result of the larger order of products for service (long shelf life) to lower unit costs

Ratio	2023	2022	2021
Profitability Ratio			
Gross Profit Margin	30.15%	11.31%	-90.03%
Net profit Margin	22.97%	-12.38%	-171.06%
Return on Asset	15.12%	-3.76%	-11.73%
Return on Equity	45.18%	-14.83%	-37.63%

- Profitability Ratio has significantly improved as a result of the recovery of the Tourism-related products and services with higher customer numbers both Thai and Foreign especially in Quarter 4, High Season.

Ratio	2023	2022	2021
Debt Management Ratio			
Debt to Equity Ratio	1.41	3.25	2.65
Interest coverage Ratio	7.40	(2.77)	(7.29)

- 2023 Debt to Equity Ratio is 1.41, a decrease from 3.25 from previous year. This is the result from the repayment of Long-term Loan and increase in shareholder's equity from 2023's Profit. If exclude the lease liability within 1 year of expiry total 543.72 million baht after the adoption of TFRS16 Rental Contracts since 2020 Financial Statements, the Debt to Equity Ratio is 0.69 which the Management deemed manageable. The Company is confident that the Company has sufficient cash flow to support Regular Operating Activities on the normal business scenario.

- Interest Coverage Ratio 2023 is 7.40, a significant improvement from improved Company Performance.

Key Summary of 2023

- The company's operating results improved greatly as the Thai tourism industry recovered from both domestic and international tourists, especially the main Chinese customer group, along with additional new customer groups. This improvement was coupled with efficient cost management, resulting in the 2023 operating results being better than before the COVID-19 outbreak situation.
- Liquidity and cash flow from the company's operations have improved, allowing the company to expand its branches and repay long-term loans before the deadline. Long-term loans decreased by nearly 50% compared to the previous year.
- As of 31 December 2023, Siam Wellness Group Public Company Limited had a total of 72 branches (70 domestic branches and 2 overseas branches) [As of 31 December 2022, the Company had a total of 70 branches (68 domestic branches and 2 overseas branches)].

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit)

Siam Wellness Group Public Company Limited