



Veranda Resort Public Company Limited

Management Discussion & Analysis

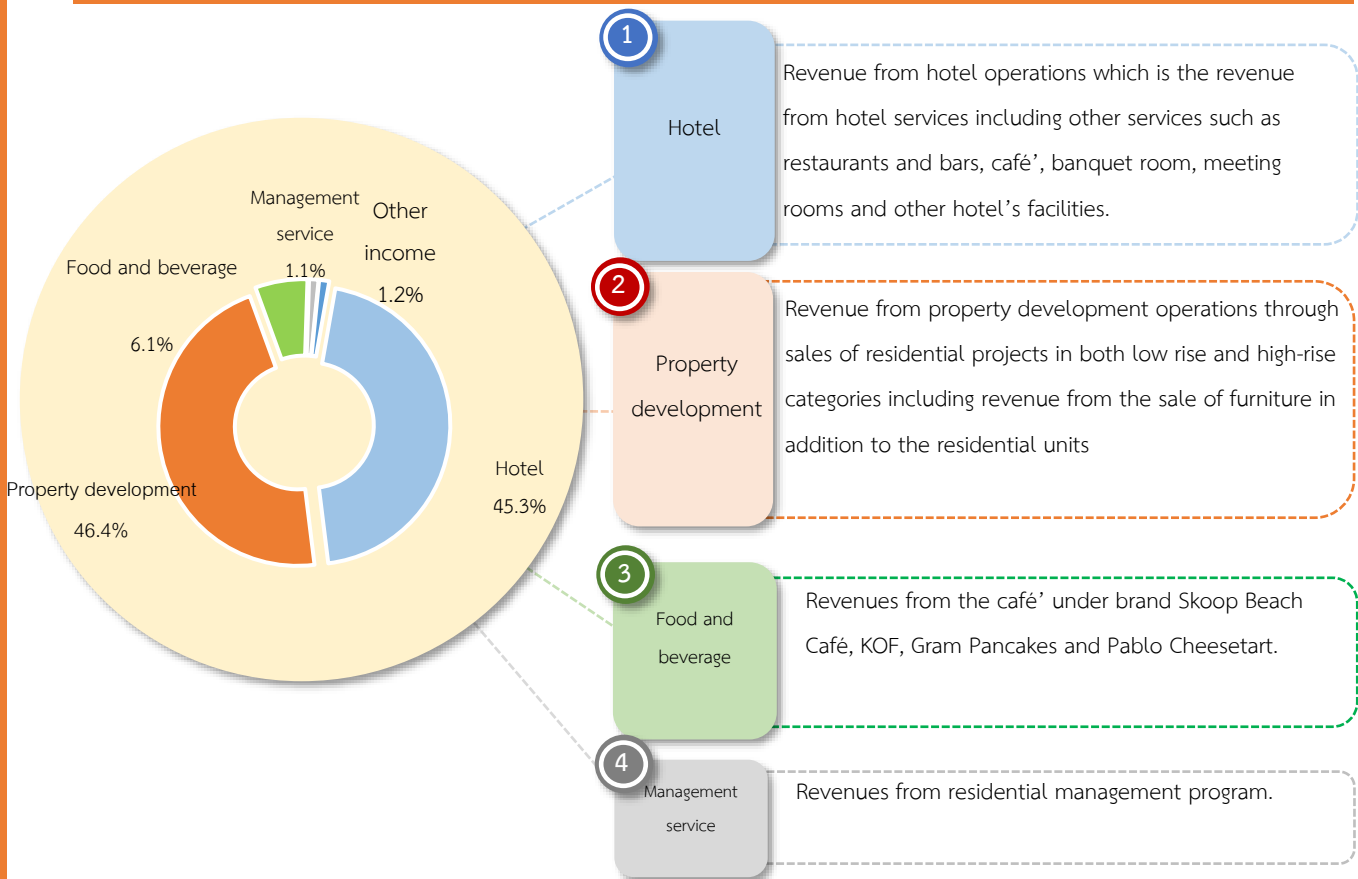
Q1/2020



Revenue Structure

The company has reaped the benefits from well diversified business policy, which able to generate revenue from the property development business and revenue from sales of food and beverage business to help support the performance in the year of 2020. The following table shows the total revenue structure by business type according to the consolidated financial statements for the three-month period ended 31 March 2019 and 2020

Revenues	Q1/20	Q1/19	Change +/-
Revenue from hotel operations	232	367	(36.9)
Revenue from property development operations	238	115	106.6
Revenue from sales of food and beverage	31	6	444.5
Revenue from management service	6	8	(26.1)
Other income	6	6	(0.2)
Total revenue	512	501	2.1



Total revenue increased from 501 THB mm for the three-month period ended 31 March 2019 to 512 THB mm in 2020 or representing an increased rate of 2.1%, mainly due to

- The increase in revenue from property development operations from starting transferred 16 units of Veranda Residence Hua Hin project in Q1/2020 which accounted for 7.8 % of the project value.
- Revenue from hotel operations decreased by 135 million baht or representing a decrease rate of 36.9%, a result of the global outbreak of the COVID – 19 In addition, Revenue from management service also decreased at the rate of 26.1%.
- Revenue from sales of food and beverage is 31 THB MM or an increase of 25 THB MM or representing of 444.5 % as a result from the acquisition of Gram Pancakes and Pablo Cheesetart on during the 4th quarter of the year 2019.

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 March 2020 are as following.

	Unit	For the three-month period ended 31 March		
		2020	2019	Change
The number of operating hotels	Hotel	5	5	-
The number of rooms	Room	637	637	-
Occupancy rate	%	50.5	75.7	(25.2)
Average daily room rate	Baht/Room/Night	4,311	4,592	(6.5)
Revenues from hotel operations				
Room revenues	THB mm	128	202	(36.7)
Food and beverage revenues	THB mm	73	115	(36.6)
Revenues from other service	THB mm	31	49	(61.7)
Total revenues from hotel operations	THB mm	232	367	(36.9)

For the three-month period ended 31 March 2020, revenues from hotel business has a decrease 36.9 % compared to the same quarter of previous year due to the decrease in occupancy rate, a result of the global outbreak of the COVID – 19 which also caused food and beverage revenues and revenues from other service to decrease accordingly. However, the decrease in revenues from hotel business is slightly lower than the industry due to the Thai customers base still support the business.

Gross profit from hotel operations

	Unit	For the three-month period ended 31 March		
		2020	2019	Changes (%)
Revenues from hotel operations	THB mm	232	367	(36.9)
Cost from hotel operations	THB mm	171	205	(16.6)
Gross profit from hotel operations	THB mm	61	162	(62.4)
Gross profit margin from hotel operations	%	26.3	44.2	(17.9)

For the three-month period ended 31 March 2020, gross profit from hotel operations decreased as the revenue of the hotel operations decreased compared to the same quarter of the previous year.

Revenue and gross profit from property development operations

Revenue from property development operations

Residential project	Project value	Transfer status according to project value for the year		
		ended December 31		
		2020	2019	Balance not yet transferred
	THB mm	THB mm	THB mm	%
Veranda Hi Residence Chiang Mai	198.25	-	22	35.3
Veranda Residence Pattaya	1,921.79	45	93	9.8
Veranda Residence Hua-Hin	2,461.65	192	-	92.2
Total	3,581.69	238	115	55.2

For the three-month period ended 31 March 2020, the group had revenues from property development operations increased by 123 THB mm or representing an increased rate of 106.6% due to

- Veranda Residence Hua-Hin started ownership transferred in the 1st quarter of 2020 for 16 units which accounted for 7.8 % of the project value.
- Transferred 6 units in Veranda Residence Pattaya, which accounted 90.2% of the project value.

Gross profit from hotel operations

	Unit	For the three-month period ended 31 March		
		2020	2019	Changes
Revenues from property development operations	THB mm	238	115	106.6
Cost from property development operations	THB mm	147	76	94.6
Gross profit from property development operations	THB mm	91	39	129.7
Gross profit margin from property development operations	%	38.1	34.3	3.8

For the three-month period ended 31 March 2020, cost of property development operations increased by 72 THB mm or representing of 94.6% increased rate from the previous year in accordance with the increase in revenues and due to the starting of units transferred in Veranda Residence Hua-Hin during this current quarter

Gross profit margin at 38.1% which increased by 3.8% compared with the same quarter of the previous year due to

- The average selling price per square meter of unit in Veranda Residence Hua Hin is higher than units in Veranda Residence Pattaya that had transferred in the same quarter of the previous year.
- More efficient control of construction costs

Selling expenses and administrative expenses

	For the year ended 31 March	
	2020	2019
	THB mm	THB mm
Selling expenses	56	55
Selling expenses to total revenue (%)	11.1	10.7
Administrative expenses	64	71
Administrative expenses per total revenue (%)	12.6	13.2

For the three-month period ended 31 March 2020, selling expenses increased from 55 THB mm in 2019 to 56 THB mm in 2020 or representing increase rate of 2.6% was mainly due to the expenses

relating to the transferred units of Veranda Residence Hua-Hin increased in accordance with the number of units transferred.

For the three-month period ended 31 March 2020, administrative expenses decreased from 71 THB mm in 2019 to 65 THB mm in 2020 or representing decrease rate of 8.3% mainly due to the reduced expenses in relation to revenues and salary & benefits of staff decreased due to cost saving policy by proper human resource management. Cost saving plan will be more effective starting 2Q/2020

One-time expenses

For the three-month period ended 31 March 2020, the Company has one-time expenses, which are

- Write off withholding tax and corporate income tax prepaid in 2016
- Loss from investment in fixed income fund of 2.1 THB mm
- Write off investment in Skoop and The Alley, Chiang Mai Branch 1.5 THB mm
- Effect of compliance the Thai financial reporting standards, No. 9 and No. 16 costs by 0.5 THB mm.

For the three-month period ended March 31, 2020, total one-time expense is 8.5 THB mm which present in administrative expenses

Financial expenses

The financial expenses for the three-month period ended 31 March 2019 and 2020 are 21.1 THB mm and 17.0 THB mm respectively or representing rate of 4.1% and 3.3% of total revenue, which resulted as

- Decrease in loans from financial institutions.
- Negotiated for lower interested rates after being listed on the Stock Exchange of Thailand.

Net profit and net profit margin

	Unit	For the year ended 31 March	
		2020	2020
Net profit	THB mm	19	58
Net profit Margin	%	3.7	11.4

For the three-month period ended 31 March 2020, the Company had a net profit of 19 THB mm, a decrease of 39 THB mm representing a decreased by 67.7% mainly due to

- The decrease in revenue and gross profit from hotel operations which was affected by the global outbreak of the COVID-19 virus, resulting in lower occupancy rates.
- The company has diversified business in property development business and sales of food and beverage restaurants which helps reduce the impact of the particular incident.

Financial Statement

	unit	31 March 2020	31 Dec 2019	Changes (%)
Total assets	THB mm	5,623	5,454	3.1
Total liabilities	THB mm	3,523	3,365	4.7
Total equity	THB mm	2,100	2,089	0.5
D/E	times	1.68	1.61	
IBD/E	times	1.19	1.06	

As of 31 March 2020, the group had total assets of 5,623 THB mm, an increase from 31 December 2019, 169 THB mm or 3.1%, mainly due to

- Property development operations costs from the Veranda Residence Hua Hin project has been increased in accordance with the progress of construction.
- Rights of use assets from compliance the Thai financial reporting standards No.16 leases and financial instruments group in the current period.

As of 31 March 2020, the group had total liabilities of 3,523 THB mm, decreased from 31 December 2019 to 158 THB mm or 4.7 %, mainly due an increase in liabilities under leases due to compliance with Thai Financial Reporting Standard No. 16 leases in the current period.

As of 31 March 2020, the group had shareholders' equity of 2,100 THB mm increased 11 THB mm or 0.5% from 31 December 2019, mainly due to

- The net profit of the current quarter of 19 THB mm
- The impact of compliance the Thai financial reporting standards no. 9 and no. 16 result of reduced retained earnings by 8 THB mm (one-time adjust)

As of 31 March 2020, the Company D/E ratio is 1.68 times and the IBD/E ratio is 1.19 times, which is at an appropriate level.