

**Management's Discussion and Analysis for the performance of the three months ended of the year 2020****Business Overview**

For the three months ended of the year 2020, S Hotels and Resorts Public Company Limited ("the Company") had total revenue of THB 1,144.9 million, increased 17.6% from the three months ended of the year 2019 as a result of commercially available for two hotels as part of the Project CROSSROADS Phase 1 which commenced the operation on September 1, 2019.

**Significant Developments**

**Disposal of shares** On February 17, 2020, according to the terms under the Joint Venture Agreement, in accordance with the investment in high-end lifestyle resort on Island 3 of Crossroads project, S Hotels and Resorts (SC) Co., Ltd. ("SHR SC"), a wholly owned subsidiary of the Company, entered into a share sale transaction for ordinary shares in Prime Locations Management 3 Limited (the "Joint Venture Company"), a wholly owned subsidiary of SHR SC, of 4,000,000 ordinary shares (representing 50% of the total ordinary shares in the Joint Venture Company) to Wai Eco World Developer ("WEWD") for a total consideration of USD 16.2 million and recorded gain from disposal of share amount of USD 10.4 million.

**Impact from COVID-19 pandemic** On 30 March 2020 the Company announced taking actions in response to the escalating COVID-19 pandemic by suspending its hotel operations temporarily. The temporary suspension on hotel operations from April 1, 2020 is reacting to the unfolding COVID-19 outbreak around the globe, following the lockdown measures implemented by many countries where the Company owns or operates its businesses except for some properties in UK that are still in operation in accordance with the government's request to facilitate the government officers who are in duty to handle Covid-19 pandemic. During the temporarily suspension, the Company need to adjust compensation scheme to the employees to enable the Company to surpass the challenge of cash sufficiency during the crisis and be complied with relevant law and regulation in the countries where the hotels operate. With regards to the Company's financial status, the Company emphasizes first and foremost on effective cash management. In the meantime, the Company has requested the support to ease cash utilization from financial institution and its business partners. The Company believes that all properties will be able to overcome the challenge in financial aspect with the current cash, cooperation amongst employees, business partners and financial institutions, and the availability of banking facilities if needed.

**Adoption of new financial reporting standards** The Group has adopted financial reporting standards relating to financial instruments (TAS 32, TFRS 7 and TFRS 9) and leases standard (TFRS 16) retrospectively from 1 January 2020.

The following tables show the adjustments made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) and leases standard (TFRS 16):

**The financial reporting standards relate to financial instruments (TAS 32 and TFRS 9)**

	For the three-month period ended 31 March 2020	
	Previously standard	TAS 32 and TFRS 9 Adopted standard
Change in fair value of available-for-sale investmetns	<ul style="list-style-type: none"> <li>■ Recognised in <u>OCI (Other Comprehensive Income)</u></li> <li>THB 1.8 million</li> </ul>	<ul style="list-style-type: none"> <li>■ Recognised in <u>P/L</u></li> <li>THB 1.8 million</li> </ul>
Change in fair value of interest rate swaps – cash flow hedges	<ul style="list-style-type: none"> <li>■ Unrecognised change in fair value</li> </ul>	<ul style="list-style-type: none"> <li>■ Recognised in <u>OCI (Other Comprehensive Income)</u></li> <li>THB 40.5 million</li> </ul>

**The financial reporting standards relate to leases standard (TFRS 16)**

	TFRS 16	
	Previously standard	Adopted standard
Impact to <u>B/S</u>	<ul style="list-style-type: none"> <li>■ <b>As at 31 Dec 2019</b></li> <li>Recognised leasehold right</li> <li>THB 1,675 million</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>As at 1 Jan 2020</b></li> <li>Recognised right of use assets</li> <li>THB 2,696 million and <u>lease liabilities</u> THB 1,089 million</li> </ul>
Impact to <u>P/L</u>	<ul style="list-style-type: none"> <li>■ <b>For the three-month period ended 31 March 2020</b></li> <li>Recognised rental expense</li> <li>THB 23.4 million</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>For the three-month period ended 31 March 2020</b></li> <li>Recognised depreciation expense</li> <li>THB 9.6 million and interest expense THB 16.7 million</li> <li><u>Total expense related to lease</u></li> <li><u>THB 26.3 million</u></li> <li>(Expenses increase THB 2.9 million)</li> </ul>

Discussion of results of operations: Quarter 1 of 2019 and Quarter 1 of 2020

	Quarter 1/2019		Quarter 1/2020		Change	
	THB million	%	THB million	%	THB million	%
Revenue from services	973.8	100.0%	1,144.9	100.0%	171.1	17.6%
Costs of services	549.5	56.4%	764.5	66.8%	215.0	39.1%
<b>Gross profit</b>	<b>424.3</b>	<b>43.6%</b>	<b>380.5</b>	<b>33.2%</b>	<b>(43.8)</b>	<b>(10.3%)</b>
Selling expenses	75.2	7.7%	93.5	8.2%	18.3	24.3%
Administrative expenses	229.8	23.6%	349.6	30.5%	119.8	52.1%
Other income	35.8	3.7%	473.5	41.4%	437.7	1,223.6%
Share of profit (loss) from investment in an associate and joint ventures	(75.2)	(7.7%)	(111.1)	(9.7%)	(35.9)	47.8%
Finance costs (Interest expenses)	113.2	11.6%	100.7	8.8%	(12.5)	(11.0%)
<b>Profit (loss) before income taxes</b>	<b>(33.2)</b>	<b>(3.4%)</b>	<b>199.1</b>	<b>17.4%</b>	<b>232.4</b>	<b>699.1%</b>
Income tax expenses	12.1	1.2%	(35.9)	(3.1%)	(48.0)	(397.0%)
<b>Profit (loss) of the year</b>	<b>(45.3)</b>	<b>(4.7%)</b>	<b>235.1</b>	<b>20.5%</b>	<b>280.4</b>	<b>618.5%</b>
<u>Adjusted items</u>						
Net unrealized loss on exchange rate	23.6	2.4%	25.5	2.2%	1.9	8.2%
Non-recurring items <sup>1</sup>	58.5	6.0%	(423.3)	(37.0%)	(481.8)	(823.7%)
<b>Adjusted EBITDA<sup>2</sup></b>	<b>312.1</b>	<b>32.0%</b>	<b>139.7</b>	<b>12.2%</b>	<b>(172.3)</b>	<b>(55.2%)</b>
<b>Adjusted Net Profit of the year after</b>	<b>36.7</b>	<b>3.8%</b>	<b>(162.7)</b>	<b>(14.2%)</b>	<b>(199.4)</b>	<b>(542.9%)</b>

<sup>1</sup> Non-recurring items is defined as expenses relating to the Combined Offering, pre-operation expenses for Project Crossroads Phase One, and gain on disposal of share of JV company transaction and disposal of sublease

<sup>2</sup> Adjusted EBITDA is calculated from EBT plus Finance cost, Depreciation and Amortization, Interest income from Loan to JVs and deduct Interest income, unrealized loss from exchange rates and non-recurring items

## Overview

The Company is a holding company engaging in the management of hotels and investments in international hotel companies. Over the past four fiscal years (year 2016-2019), the Company's consolidated total assets has grown at an average rate of 69.7% per year. The Company has a unique portfolio of hotels in desirable global holiday destinations, as follows

- (1) Two self-manage hotels in Thailand, operate under independent branding, namely, Phi Phi Island Village Beach Resort located on Beachfront of Phi Phi Don Island in Krabi and Santiburi Hotel located on Beachfront of Koh Samui in Surat Thani "**Self-Managed Hotels**";
- (2) Six hotels operate under the Outrigger brand and manage under hotel management agreements, which consists of two hotels in Thailand, two hotels in the Republic of Fiji Islands, one hotel in the Republic of Maldives and one hotel in Mauritius "**Outrigger Hotels**";
- (3) Two upper upscale successfully developed hotels, as part of Project CROSSROADS Phase 1 in the Emboodhoo lagoon in the Republic of Maldives, consists of two islands undergoing development, (i) SAii Lagoon Maldives, Curio Collection by Hilton and (ii) Hard Rock Hotel Maldives "**Project CROSSROADS Phase 1 Hotels**"; and
- (4) Twenty-nine upper midscale hotels operated under the Mercure and Holiday Inn brands in the United Kingdom, of which the Company holds 50% in an equal joint venture "**UK Portfolio Hotels**".

Results for the UK Portfolio, operating under a joint venture, are not consolidated within the Company's hospitality business, and are instead accounted for using the equity method, pursuant to which the Company receives a share of profit or loss from the investment in the joint ventures.

As of March 31, 2020, the Self-Managed Hotels, Outrigger Hotels, UK Portfolio Hotels and Project CROSSROADS Phase 1 are comprised with the total of 39 hotels and 4,647 rooms,

## Revenue from services

<i>(Unit: THB Million )</i>	Quarter 1		Quarter 1		%
	2019	by type	2020	by type	
Self-Managed Hotels	340.8	35.0%	262.4	21.8%	(23.0%)
Outrigger Hotels	633.0	65.0%	524.3	43.5%	(17.2%)
Project CROSSROADS Phase 1 Hotels	-	-	358.3	31.3%	-
<b>Total revenue from services</b>	<b>973.8</b>	<b>100.0%</b>	<b>1,144.9</b>	<b>100.0%</b>	<b>17.6%</b>

### Room revenue

The room revenue increased by 9.4% from the three months ended of year 2019 to THB 668.2 million for the three months ended of year 2020, primarily as a result of realization of the revenue from the commercial opening of two hotels in Project CROSSROADS Phase 1.

Self-Managed Hotels

Indicators	Quarter 1	Quarter 1	%change
	2019	2020	
No. of Hotels	2	2	-
No. of Keys	297	297	-
Average Occupancy Rate (%)	81.4%	64.9%	(16.5%)
ADR (THB)	10,174	9,760	(4.1%)
RevPAR (THB)	8,285	6,336	(23.5%)

In relation to the Self-Managed Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2020 was THB 6,336, 64.9%, and THB 9,760 respectively. The changes was primarily due to impact of the COVID-19 pandemic.

Outrigger Hotels

Indicators	Quarter 1	Quarter 1	%change
	2019	2020	
No. of Hotels	2	2	-
No. of Keys	859	859	-
Average Occupancy Rate (%)	72.3%	59.3%	(13.1%)
ADR (THB) <sup>(1)</sup>	7,176	7,004	(2.4%)
RevPAR (THB) <sup>(1)</sup>	5,190	4,152	(20.0%)

**Note**

- (1) Reference exchange rate of three months ended of year 2019: 31.61THB/USD, 14.88THB/FJD, 0.92THB/MUR  
Reference exchange rate of three months ended of year 2020: 31.29THB/USD, 14.14THB/FJD, 0.84THB/MUR

In relation to the Outrigger Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2020 was THB 4,152, 59.3%, and THB 7,004 respectively. The changes was primarily due to impact of the COVID-19 pandemic.

Project CROSSROADS Phase 1 Hotels<sup>(2)</sup>

Indicators	Quarter 1	Quarter 1	%change
	2019	2020	
No. of Hotels	-	2	-
No. of Keys	-	376	-
Average Occupancy Rate (%)	-	60.6%	-
ADR (THB) <sup>(3)</sup>	-	10,893	-
RevPAR (THB) <sup>(3)</sup>	-	6,606	-

**Note**

- (2) Start commenced its commercial operation on 1 September 2019  
(3) Reference exchange rate of three months ended of year 2020: 31.29THB/USD

In relation to the Project CROSSROADS Phase 1 Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2020 was THB 6,606, 60.6%, and THB 10,893 respectively.

UK Portfolio Hotels

Indicators	Quarter 1	Quarter 1	%change
	2019	2020	
No. of Hotels	29	29	-
No. of Keys	3,115	3,115	-
Average Occupancy Rate (%)	57.1%	49.8%	(7.3%)
ADR (THB) <sup>(4)</sup>	2,462	2,343	(4.8%)
RevPAR (THB) <sup>(4)</sup>	1,405	1,167	(16.9%)

**Note**

- (4) Reference exchange rate of three months ended of year 2019: 41.18THB/GBP  
Reference exchange rate of three months ended of year 2020: 40.06THB/GBP

In relation to the UK Portfolio hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2020 was THB 1,167, 49.8%, and THB 2,343 respectively. The changes was primarily due to impact of the COVID-19 pandemic.

Food and beverage revenue

The food and beverage revenue increased by 24.6% from the three months ended of year 2019 to THB 308.3 million for the three months ended of year 2020, primarily as a result of realization of the revenue from the commercial opening of two hotels in Project CROSSROADS Phase 1.

Other revenue

The other revenue increased by 45.6% from the three months ended of year 2019 to THB 168.4 million for the three months ended of year 2020, primarily as a result of realization of the revenue from the commercial opening of two hotels in Project CROSSROADS Phase 1.

**Costs of services**

The costs of services increased by 39.1% from the three months ended of year 2019 to THB 764.5 million for the three months ended of year 2020. The increase in costs of services was largely consistent with the increase in revenues from the opening Project CROSSROADS Phase 1 Hotels. The Cost of services for the Project CROSSROADS Phase 1 consists of costs relating to hotel rooms, food and beverage costs and depreciation.

**Gross profit**

Gross profit decreased by 10.3% from the three months ended of year 2019 to THB 380.5 million for the three months ended of year 2020, which primarily due to the decrease of Operating Revenue of Self-Managed Hotels and Outtrigger Hotels from COVID-19 pandemic.

### **Selling expenses**

The selling expenses increased by 24.3% from the three months ended of year 2019 to THB 93.5 million for the three months ended of year 2020. The increase was primarily attributable to selling expenses incurred in relation to the Project CROSSROADS Phase 1.

### **Administrative expenses**

The administrative expenses increased by 52.1% from the three months ended of year 2019 to THB 349.6 million for the three months ended of year 2020. The increase of administrative expenses was primarily attributable to administrative expenses incurred in relation to the administrative expenses in relation to Project CROSSROADS Phase 1 and expense in relation to requirement of a listed company.

### **Financial Costs (interest expenses)**

The financial costs was THB 100.7 million for the three months ended of year 2020, which decreased 11.0% compared to the three months ended of year 2019. The decrease was primarily attributable to intercompany loan repayment even though it is partially offset by the financial cost of Project CROSSROADS Phase 1.

### **Other income**

The other income was THB 473.5 million for the three months ended of year 2020, consisting of gain on disposal of share of JV company transaction according to the Joint Venture Agreement and disposal of sublease amounted to THB 423.3 million, interest income from loans to joint ventures amounted to THB 34.4 million, and other income amounted to THB 15.8 million.

The other income was THB 35.8 million for the three months ended of year 2019, consisting of interest income from loans to joint ventures amounted to THB 30.2 million, other income and realized loss in exchange rate amounted to THB 5.6 million.

### **Share of profit (loss) from an associate and joint ventures**

The share of profit from an associate and joint ventures was THB (111.1) million for the three months ended of year 2020, which decreased by 47.8% compared to the three months ended of year 2019. The decreased was primarily due to the performance from joint ventures that invested in UK portfolio.

**Adjusted EBITDA**

Adjusted EBITDA decreased 55.2% from for the three months ended of year 2019 to THB 139.7 million for the three months ended of year 2020, primarily due to the decreasing of operation gross profit and Share of profit (loss) from an associate and joint ventures and the increasing of the Selling and Administrative expenses.

**Profit (loss) for the period**

For the three months ended of year 2020, the Company had a profit of THB 235.1 million which increased by 618.5% compared to the three months ended of year 2019 primarily due to gain on non-recurring items.



### Analysis of Financial Position and Investment Structure

The total assets as of March 31, 2020 was THB 31,539.1 million increased from THB 2,377.5 million as of December 31, 2019. The increase was primarily attributable to the adoption of financial reporting standards relating to leases standard (IFRS 16). The total liabilities was THB 12,425.3 million, which consists of interest-bearing debt in amount of THB 8,078.4 million. The ratio of interest-bearing debt to equity is 0.42 times.

	December 31, 2019	March 31, 2020	Change	
	(THB million)	(THB million)	(THB million)	%
Cash and cash equivalents	3,591.6	3,543.1	(48.5)	(1.4%)
Total current assets	5,126.6	5,635.2	508.6	9.9%
Property, plant and equipments, net	18,768.6	19,449.0	680.4	3.6%
Total non-current assets	24,035.0	25,904.0	1,868.9	7.8%
<b>Total assets</b>	<b>29,161.6</b>	<b>31,539.1</b>	<b>2,377.5</b>	<b>8.2%</b>
Total interest-bearing debt	7,847.5	8,078.4	230.8	2.9%
Other liabilities	3,391.3	4,346.9	955.6	28.2%
<b>Total liabilities</b>	<b>11,238.9</b>	<b>12,425.3</b>	<b>1,186.4</b>	<b>10.6%</b>
<b>Total equity</b>	<b>17,922.8</b>	<b>19,113.8</b>	<b>1,191.1</b>	<b>6.6%</b>
<b>Interest-bearing debt to equity (times)</b>	<b>0.44</b>	<b>0.42</b>	<b>(0.02)</b>	<b>(3.5%)</b>

Yours faithfully,

S Hotels and Resorts Public Company Limited

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(Mr. Chairath Sivapornpan)

Chief Financial Officer / Company Secretary

### Investor Relations Contact

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