

August 13, 2020

**Management's Discussion and Analysis for the performance of the six months ended of the year 2020**

**Business Overview**

For the six months ended of the year 2020, S Hotels and Resorts Public Company Limited ("the Company") had revenue from services of THB 1,151.6 million, decreased by 34.3% from the six months ended of the year 2019, as a result of the temporary suspension of hotel operation in all countries where the Company owns or operates its businesses.

**Significant Developments**

**Impact from COVID-19 pandemic** The Company announced the temporary suspension on hotel operations from April 1, 2020 to react to the travel restrictions and the lockdown measures implemented by many countries. Some properties in UK are, however, 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.

**Business Recovery from the COVID-19** According to an improvement of COVID-19 infection control, the easing lockdown measures and the reinstatement of economic activities, the Company set its strategies and adapts the policies in relation to various conditions of each country. Nonetheless, the Company reiterated stringent health and hygiene protocols to be in line with the World Health Organization and local health authorities.

The Company has a re-opening schedule by countries as follows:

- Thailand                      Hotels in Phuket and Koh Phi Phi have resumed its operations on July 1, 2020 and hotels in Koh Samui have resumed its operations on July 15, 2020.
- Maldives                      SAii Lagoon Maldives and Hard Rock Hotel Maldives have resumed its operation on July 15, 2020
- UK                                Majority has re-opened in July 2020
- Fiji                                Outrigger Fiji Beach and Castaway Island Fiji have resumed its operation on July 1 and 31, 2020, respectively.
- Mauritius                      Expected to resume on September 1, 2020

Discussion of results of operations: 1<sup>st</sup> Half of the year 2019 and 1<sup>st</sup> Half of the year 2020

	1H/2019		1H/2020		Change	
	THB million	%	THB million	%	THB million	%
Revenue from services	1,751.8	100.0%	1,151.6	100.0%	(600.1)	(34.3%)
Costs of services	1,087.4	62.1%	785.4	68.2%	(302.1)	(27.8%)
<b>Gross profit</b>	<b>664.3</b>	<b>37.9%</b>	<b>366.3</b>	<b>31.8%</b>	<b>(298.1)</b>	<b>(44.9%)</b>
Selling expenses	154.4	8.8%	127.2	11.0%	(27.2)	(17.6%)
Administrative expenses	512.5	29.3%	1,012.8	87.9%	500.2	97.6%
Other income	83.8	4.8%	531.8	46.2%	448.0	534.6%
Share of profit (loss) from investment in an associate and joint ventures	(50.2)	(2.9%)	(158.8)	(13.8%)	(108.6)	(216.3%)
Finance costs (Interest expenses)	205.5	11.7%	196.8	17.1%	(8.8)	(4.3%)
<b>Profit (loss) before income taxes</b>	<b>(174.5)</b>	<b>(10.0%)</b>	<b>(597.5)</b>	<b>(51.9%)</b>	<b>(422.9)</b>	<b>(242.3%)</b>
Income tax expenses	(27.3)	(1.6%)	21.8	1.9%	49.1	179.6%
<b>Profit (loss) of the year</b>	<b>(201.9)</b>	<b>(11.5%)</b>	<b>(575.7)</b>	<b>(50.0%)</b>	<b>(373.8)</b>	<b>(185.2%)</b>
<u>Adjusted items</u>						
Net unrealized loss on exchange rate	52.9	3.0%	49.2	4.3%	(3.7)	(7.0%)
Non-recurring items <sup>1</sup>	-	-	(419.3)	(36.4%)	(419.3)	-
<b>Adjusted EBITDA<sup>2</sup></b>	<b>373.6</b>	<b>21.3%</b>	<b>(296.8)</b>	<b>(25.8%)</b>	<b>(670.4)</b>	<b>(179.4%)</b>
<b>Adjusted Net Profit (loss) for the period</b>	<b>(148.9)</b>	<b>(8.5%)</b>	<b>(945.7)</b>	<b>(82.1%)</b>	<b>(796.8)</b>	<b>(535.0%)</b>

<sup>1</sup> Non-recurring items is defined as 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 June 30, 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>	1H/2019		1H/2020		Change	
	THB Million	% by type	THB Million	% by type	THB Million	(%)
Self-Managed Hotels	548.0	31.3%	262.5	22.8%	(285.5)	(52.1%)
Outrigger Hotels	1,203.8	68.7%	525.8	45.7%	(678.0)	(56.3%)
Project CROSSROADS Phase 1 Hotels	0.0	0.0%	363.3	31.6%	363.3	-
<b>Total revenue from services</b>	<b>1,751.8</b>	<b>100.0%</b>	<b>1,151.6</b>	<b>100.0%</b>	<b>(600.1)</b>	<b>(34.3%)</b>

Room revenue

The room revenue for the six months ended of year 2020 in an amount of THB 668.3 million, declined by 36.4% from the six months ended of year 2019, primarily due to a result of the hotel temporary suspension in all countries where the Company owns or operates its businesses.

Self-Managed Hotels

Indicators	1H/2019	1H/2020	Change (%)
No. of Hotels	2	2	-
No. of Keys	297	297	-
Average Occupancy Rate (%)	73.2%	32.5%	(40.7%)
ADR (THB)	8,674	9,653	11.3%
RevPAR (THB)	6,347	3,134	(50.6%)

In relation to the Self-Managed Hotels, the RevPAR, Average Occupancy Rate, and ADR for the six months ended of year 2020 was THB 3,134, 32.5%, and THB 9,653 respectively. This was mainly due to a decrease in hotel performance both Phi Phi Island Village Beach Resort and Santiburi Koh Samui, in which materially affected by the COVID-19 pandemic, damaged the number of tourists. Additionally, the hotels had to suspend operations from April 1, 2020.

Outrigger Hotels

Indicators	1H/2019	1H/2020	Change(%)
No. of Hotels	6	6	-
No. of Keys	859	859	-
Average Occupancy Rate (%)	74.4	29.6	(44.8%)
ADR (THB) <sup>(1)</sup>	6,428	7,006	9.0%
RevPAR (THB) <sup>(1)</sup>	4,784	2,077	(56.6%)

**Note**

- (1) Reference exchange rate of six months ended of year 2019: 31.60THB/USD, 14.79THB/FJD, 0.91THB/MUR  
Reference exchange rate of six months ended of year 2020: 31.62THB/USD, 14.23THB/FJD, 0.82THB/MUR

In relation to the Outrigger Hotels, the RevPAR, Average Occupancy Rate, and ADR for the six months ended of year 2020 was THB 2,077, 29.6%, and THB 7,006 respectively. This was mainly due to a decrease in hotel performance of 6 Outrigger Hotels, in which materially affected by the COVID-19 pandemic, damaged the number of tourists. Additionally, the hotels had to suspend operations from April 1, 2020.

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

Indicators	1H/2019	1H/2020	Change(%)
No. of Hotels	-	2	-
No. of Keys	-	376	-
Average Occupancy Rate (%)	-	30.7	-
ADR (THB) <sup>(3)</sup>	-	10,841	-
RevPAR (THB) <sup>(3)</sup>	-	3,331	-

**Note**

- (2) Start commenced its commercial operation on September 1, 2019
- (3) Reference exchange rate of six months ended of year 2020: 31.62THB/USD

In relation to the Project CROSSROADS Phase 1 Hotels, the RevPAR, Average Occupancy Rate, and ADR for the six months ended of year 2020 was THB 3,331, 30.7%, and THB 10,841 respectively. Whereas, two hotels in Project CROSSROADS Phase 1 had to suspend operations from April 1, 2020.

UK Portfolio Hotels

Indicators	1H/2019	1H/2020	Change(%)
No. of Hotels	29	29	-
No. of Keys	3,115	3,115	-
Average Occupancy Rate (%)	65.3	26.5	(38.8%)
ADR (THB) <sup>(4)</sup>	2,666	2,334	(12.5%)
RevPAR (THB) <sup>(4)</sup>	1,742	619	(64.5%)

**Note**

- (4) Reference exchange rate of six months ended of year 2019: 40.89THB/GBP  
Reference exchange rate of six months ended of year 2020: 39.85THB/GBP

In relation to the UK Portfolio hotels, the RevPAR, Average Occupancy Rate, and ADR for the six months ended of year 2020 was THB 619, 26.5%, and THB 2,334 respectively. The changes was materially affected by the COVID-19 pandemic, damaged the number of tourists. Additionally, the hotels had to suspend operations from April 1, 2020.

Food and beverage revenue

The food and beverage revenue decreased by 37.5% from the six months ended of year 2019 to THB 308.6 million for the six months ended of year 2020, primarily as a result of the temporary suspension during the second quarter of 2020.

Other revenue

The other revenue decreased by 15.9% from the six months ended of year 2019 to THB 174.7 million for the six months ended of year 2020, primarily as a result of the temporary suspension during the second quarter of 2020.

### **Costs of services**

The costs of services decreased by 27.8% from the six months ended of year 2019 to THB 785.4 million for the six months ended of year 2020. The decline in costs of services was largely consistent with the temporary suspension during the second quarter of 2020.

### **Gross profit**

Gross profit decreased by 44.9% from the six months ended of year 2019 to THB 366.3 million for the six months ended of year 2020, which substantially due to the decrease in operating revenue of Self-Managed Hotels and Outrigger Hotels, impacted by COVID-19 pandemic.

### **Selling expenses**

The selling expenses decreased by 17.6% from the six months ended of year 2019 to THB 127.2 million for the six months ended of year 2020. This was primarily attributable to the decrease in selling and advertising expenses in relation to the cost reduction proposal.

### **Administrative expenses**

The administrative expenses increased by 97.6% from the six months ended of year 2019 to THB 1,012.8 million for the six months ended of year 2020. The increase of administrative expenses was primarily attributable to the record of expenses incurred during the suspension period as administrative expenses.

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

The financial costs was THB 196.8 million for the six months ended of year 2020, which decreased by 4.3% , compared to the six months ended of year 2019. The decrease was primarily attributable to intercompany loan repayment, even though this was partially offset by an increase in financial cost for Project CROSSROADS Phase 1.

### **Other income**

The other income for the six months ended of year 2020 was at THB 531.8 million, consisting of gain on disposal of share of JV company transaction according to the Joint Venture Agreement and disposal of sublease amounted to THB 419.3 million, interest income from loans to joint ventures amounted to THB 62.7 million, and other income and realized loss in exchange rate amounted to THB 49.8 million.

While, the other income for the six months ended of year 2019 was at THB 83.8 million, consisting of interest income from joint ventures amounted to THB 57.7 million, other income and realized loss in exchange rate amounted to THB 26.1 million.

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

The share of profit (loss) from an associate and joint ventures was THB (158.8) million for the six months ended of year 2020, which decreased from THB (50.2) million for the six 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 for the six months ended of year 2020 in an amount of (296.8) million, reversed from THB 376.6 million for the six months ended of year 2019. This was primarily due to an absence of revenue during the suspension period together with a decrease in Share of profit (loss) from an associate and joint ventures.

**Profit (loss) for the period**

For the six months ended of year 2020, the Company had a profit (loss) of THB (575.7) million, incurred a higher loss from THB (201.9) million for the six months ended of year 2019, primarily due to an absence of revenue during the suspension period together with a decrease in Share of profit (loss) from an associate and joint ventures.

However, the Adjusted Net Profit (loss) for the period was THB (945.7) million, decreased from THB (148.9) million for the six months ended of year 2019. The decrease was primarily attributable to the recognition gain on disposal of share of JV company transaction according to the Joint Venture Agreement and disposal of sublease amounted to THB 419.3 million in the first quarter of 2020.

### Analysis of Financial Position and Investment Structure

The total assets as at June 30, 2020 in amount of THB 29,086.6 million, decreased THB 75.0 million from December 31, 2019, mainly due to a drop in current assets.

The total liabilities was THB 11,566.0 million, increased THB 327.2 million from December 31, 2019. The increase was primarily attributable to the adoption of financial reporting standards relating to leases standard (IFRS 16). As at June 30, 2020, the interest-bearing debt amounted to THB 7,972.1 million.

The total equity was THB 17,520.6 million, decreased THB 402.2 million from December 31, 2019, mainly due to the loss for the period.

As at June 30, 2020, the ratio of interest-bearing debt to equity is robust at 0.46 times.

	December 31, 2019	June 30, 2020	Change	
	(THB million)	(THB million)	(THB million)	%
Cash and cash equivalents	3,591.6	2,779.1	(812.5)	(22.6%)
Total current assets	5,126.6	4,016.0	(1,110.6)	(21.7%)
Property, plant and equipments, net	18,768.6	21,152.4	2,383.8	12.7%
Total non-current assets	24,035.0	25,070.6	1,035.6	4.3%
<b>Total assets</b>	<b>29,161.6</b>	<b>29,086.6</b>	<b>(75.0)</b>	<b>(0.3%)</b>
Total interest-bearing debt	7,847.5	7,972.1	124.6	1.6%
Other liabilities	3,391.3	3,593.9	202.6	6.0%
<b>Total liabilities</b>	<b>11,238.9</b>	<b>11,566.0</b>	<b>327.2</b>	<b>2.9%</b>
<b>Total equity</b>	<b>17,922.8</b>	<b>17,520.6</b>	<b>(402.2)</b>	<b>(2.2%)</b>
<b>Interest-bearing debt to equity (times)</b>	<b>0.44</b>	<b>0.46</b>	<b>0.02</b>	<b>3.9%</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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