



Veranda Resort Public Company Limited

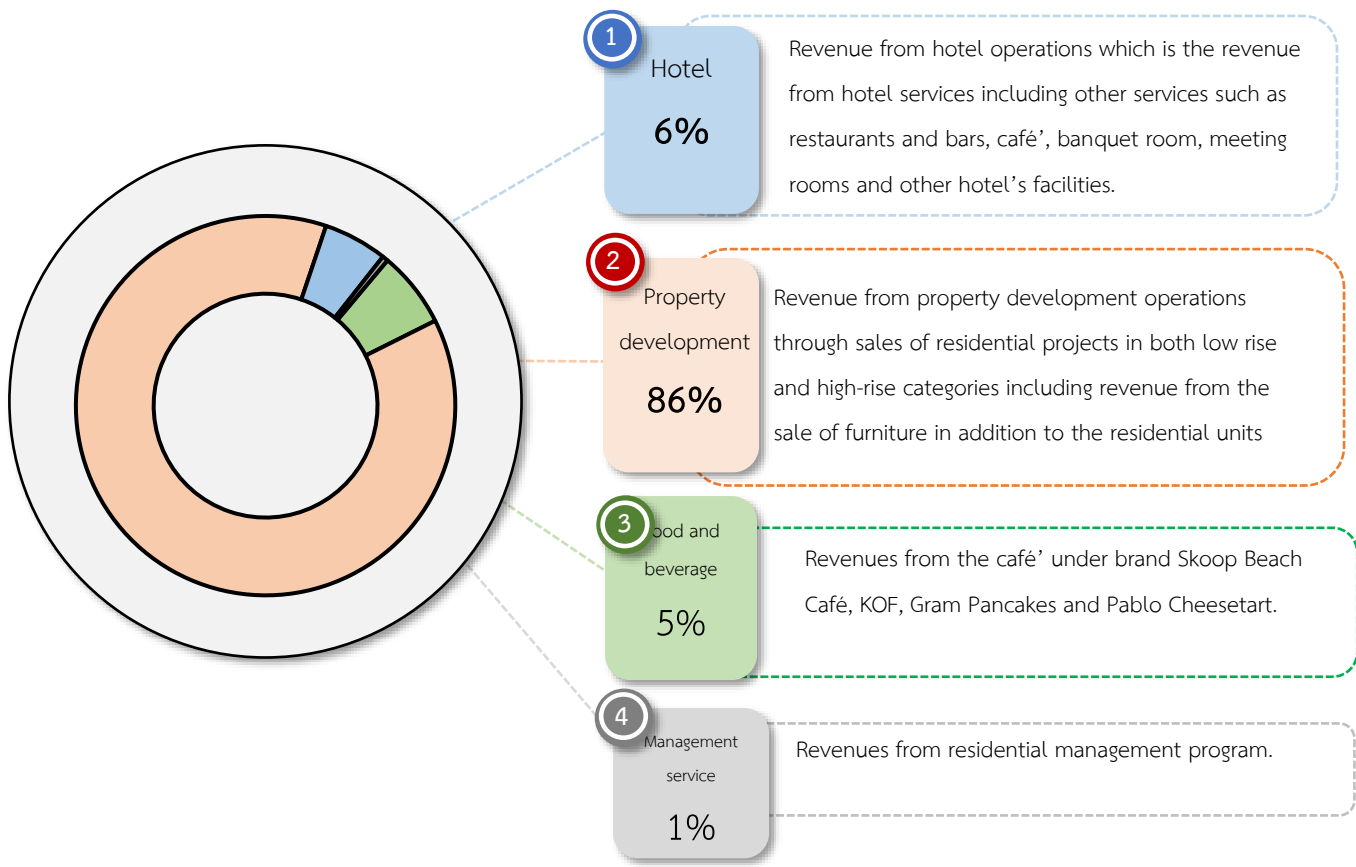
Management Discussion & Analysis

Q2/2020

Revenue Structure

The company has main revenue portion from the property development business mainly due to Veranda Residence Hua-Hin ownership transferred and also growth of revenue from sales of food and beverage business due to acquisition of Gram pancakes and Pablo Cheesetart during Q4/2019. However, The Hotel temporarily close due to COVID-19 effected revenue from hotel operations portion decreased. The following table shows the total revenue structure by business type according to the consolidated financial statements for the three-month period ended 30 June 2019 and 2020

Revenues	Q2/63	%	Q2/62	%	Change +/-
Revenue from hotel operations	34	6%	279	69%	(88%)
Revenue from property development operations	452	86%	89	22%	+405%
Revenue from sales of food and beverage	28	5%	8	2%	+233%
Revenue from management service	3	1%	7	2%	(63%)
Other income	8	1%	23	6%	(67%)
Total revenue	525	100%	407	100%	+29%



Total revenue increased from 407 THB mm for the three-month period ended 30 June 2019 to 525 THB mm in 2020 or representing an increased rate of 29%, mainly due

- The increase in revenue from property development operations 363 THB mm or representing an increased rate of 405% from 42 units transferred of Veranda Residence Hua Hin project which accumulated account for 24.6 % of the project value.
- Revenue from hotel operations decreased by 246 THB mm or representing a decrease rate of 88%, a result of the global outbreak of the COVID – 19 In addition, Revenue from management service also decreased at the rate of 63%.
- Revenue from sales of food and beverage increase 20 THB MM or representing of 233% 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 30 June 2020 are as following.

	Unit	For the three-month period ended 30 June		
		2020	2019	Change
The number of operating hotels	Hotel	5	5	
The number of rooms	Room	637	637	
Occupancy rate	%	9	62	(52%)
Average daily room rate	Baht/Room/Night	4,111	4,312	(5%)
Revenues from hotel operations				
Room revenues	THB mm	23	155	(85%)
Food and beverage revenues	THB mm	7	87	(92%)
Revenues from other service	THB mm	3	37	(90%)
Total revenues from hotel operations	THB mm	34	279	(88%)

For the three-month period ended 30 June 2020, revenues from hotel business has a decrease 88% 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 effected food and beverage revenues and revenues from other service decreased accordingly. The details of hotel temporarily close are as following.

Close 1 Apr.

- Veranda Chiang Mai

- So Bangkok

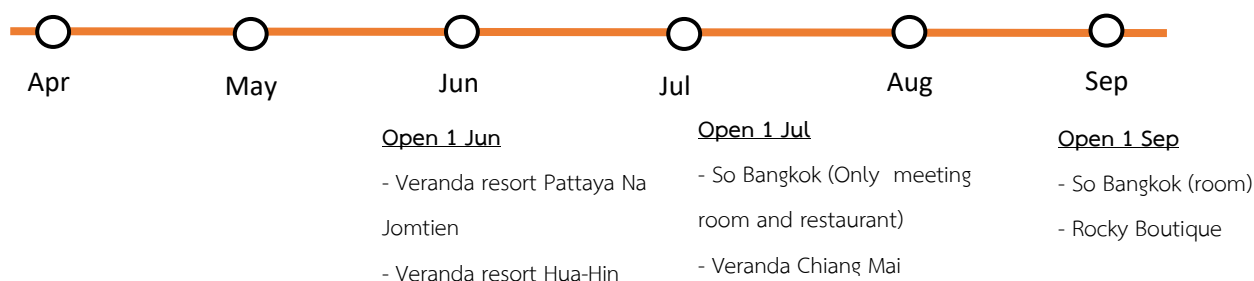
- Rocky Boutique

Close 4 Apr

- Veranda resort Hua-Hin

Close 8 Apr

- Veranda resort Pattaya Na



Re-opening 2 hotels nearby Bangkok in June helps the company generated income from strong Thai base customers who continually support the company. Veranda Pattaya Na Jomtien achieved 57% occupancy rate in June and Veranda Hua Hin Cha-am occupancy at 69%, with growth in ADR in both hotels. As a result, the total income of both locations has grown compared to 2019.

Gross profit from hotel operations

	Unit	For the three-month period ended 30 June		
		2020	2019	Change
Revenues from hotel operations	THB mm	34	279	(88%)
Cost from hotel operations	THB mm	79	193	(59%)
Gross profit from hotel operations	THB mm	(46)	86	(153%)
Gross profit margin from hotel operations	%	(136%)	30%	(166%)

For the three-month period ended 30 June 2020, gross profit from hotel operations decreased in line with the decreased in revenue compared to the same quarter of previous year. However, the company has continued to reduce costs in terms of wages, salaries and some unnecessary expenses.

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 30 June		
		2020	2019	Balance not yet transferred
		THB mm	THB mm	%
Veranda Hi Residence Chiang Mai	198.25	8	8	31.2
Veranda Residence Pattaya	1,921.79	31	81	4.5
Veranda Residence Hua-Hin	2,461.65	413	0	75.4
รวม	3,581.69	452	89	55.2

For the three-month period ended 30 June 2020, the group had revenues from property development operations increased by 363 THB mm or representing an increased rate of 405% due to

- Veranda Residence Hua-Hin started ownership transferred in the 2nd quarter of 2020 for 42 units which accumulated account for 24.6 % of the project value.
- Transferred 7 units in Veranda Residence Pattaya, which accumulated account for 95.5% of the project value.

Gross profit from hotel operations

	Unit	For the three-month period ended 30 June		
		2020	2019	Changes
Revenues from property development operations	THB mm	452	89	405%
Cost from property development operations	THB mm	309	68	355%
Gross profit from property development operations	THB mm	144	22	557%
Gross profit margin from property development operations	%	32%	24%	8%



For the three-month period ended 30 June 2020, cost of property development operations increased by 241 THB mm or representing of 355% increased rate from the previous year in accordance with the increase in revenues and due to the units transferred in Veranda Residence Hua-Hin during this current quarter

Gross profit margin at 32% which increased by 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.
- Better efficient construction cost control.

Selling expenses and administrative expenses

	For the year ended 30 June	
	2020	2020
	THB mm	THB mm
Revenues from property development operations	50	49
Cost from property development operations	10%	12%
Gross profit from property development operations	39	58
Gross profit margin from property development operations	7%	14%

For the three-month period ended 30 June 2020, selling expenses increased from 49 THB mm in 2019 to 50 THB mm in 2020 or representing increase rate of 2% was mainly due to the increase in expenses relating to the transferred units of Veranda Residence Hua-Hin accordance with the number of units transferred while selling expenses from hotel business decreased due to temporarily close hotel.

For the three-month period ended 30 June 2020, administrative expenses decreased from 58 THB mm in 2019 to 39 THB mm in 2020 or representing decrease rate of 33% mainly due to the cost saving policy including proper human resource management.

One-time expenses

For the three-month period ended 30 June 2020, the Company has one-time expenses, which are

- Write off withholding tax and write off fixed asset 1.4 THB mm
- Reserve potential loss from litigation 4.9 THB mm (based on the conservatism principle, which the case is not yet final and is in the legal process)

For the three-month period ended June 30, 2020, total one-time expense is 6.3 THB mm

Financial expenses

The financial expenses for the three-month period ended 30 June 2019 and 2020 are 21 THB mm and 17 THB mm respectively or representing rate of 4.1% and 4.3% of total revenue, which resulted as the gradual discontinuation of the loan interest from Veranda Residence Hua-Hin project capitalized as construction costs after completion and the transfer of ownership.

Net profit and net profit margin

	Unit	For the year ended 30 June	
		2020	2562
Net profit	THB mm	1.4	10.1
Net profit Margin	%	0.3%	2.5%

For the three-month period ended 30 June 2020, the Company had a net profit of 1.4 THB mm,

a decrease of 8.7 THB mm representing a decreased by 86% mainly due to

- The decrease in revenue and profit from hotel operations which was affected by the global outbreak of the COVID-19, 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

By excluding one-time expenses in the 2nd quarter of 2020, the Company would have generated normalized net profit of 7.7 THB mm.

Financial Statement

	unit	30 June 2020	31 Dec 2019	Changes (%)
Total assets	THB mm	5,403	5,453	(0.9%)
Total liabilities	THB mm	3,334	3,365	(0.9%)
Total equity	THB mm	2,069	2,088	(0.9%)
D/E	times	1.61	1.61	
IBD/E	times	1.17	1.06	

As of 30 June 2020, the group had total assets of 5,403 THB mm, decrease from 31 December 2019 by 50 THB mm or 0.9%, mainly due to

- Decrease in property development costs from the ownership transfer of Veranda Residence Hua-Hin.
- Increase in rights of use assets from compliance the Thai financial reporting standards No.16 leases and financial instruments group in the current period.

As of 30 June 2020, the group had total liabilities of 3,334 THB mm, decreased from 31 December 2019 by 31 THB mm or 0.9 %, mainly due to

- Increase in Liabilities under leases from the adoption of IFRS 16 on lease agreements in the current period.
- Decrease in long-term project loans from financial institutions as Veranda Residence Hua-Hin started ownership transfer.

As of 30 June 2020, the group had shareholders' equity of 2,069 THB mm increased by 19 THB mm or 0.9% from 31 December 2019, mainly due to

- Decrease in retain earning regarding the impact of compliance the Thai financial reporting standards no.9 and no.16
- Interim dividend payment on 14 May 2020
- The net profit of the 1st half 2020

As of 30 June 2020, the Company D/E ratio is 1.61 times and the IBD/E ratio is 1.17 times, which is at an appropriate level.