



บริษัท สยามเวลเนสกรุ๊ป จำกัด (มหาชน) (สำนักงานใหญ่) เลขประจำตัวผู้เสียภาษีอากร 0107557000144
483 ซอยสุทธิพร ถนนประชาสงเคราะห์ แขวงดินแดง เขตดินแดง กรุงเทพมหานคร 10400
SIAM WELLNESS GROUP PUBLIC COMPANY LIMITED
Tel: +666619 641 2-20 Fax: +662 641 6621
483 Soi Suthiporn Prachasongkroh Road, Din Daeng, Bangkok 10400 THAILAND

SWG 049/2563

29 February 2020

Subject: Management Discussion and Analysis of Siam Wellness Group Public Company Limited for the 12 months period ended 31 December 2019 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 ("12M19") ended 31 December 2019 and to explicate the causes of performance that has changed more than 20% from the same period last year. Analysis will include Operating Results from continued operations and discontinued operations resulting from the cancellation of joint investment in Chaba Elegance Co.,Ltd (The Financial Statement ended 31 December 2019 does not include the Operating Results of Chaba Elegance Co.,Ltd but only include Net Profit of the discontinued operations, details are disclosed in Notes to Financial Statement). The Company and subsidiaries have the total revenue of 1,449.64 million baht, an increase of 297.15 million baht from the same period last year (or an increase of 25.78%). The net profit is 245.47 million baht, an increase of 39.82 million baht from the same period last year (or an increase of 19.39%). Net profit is accounted as 17.17% of sales and services' revenue. Details as followed:

Revenue

The Company and subsidiaries had total revenue in 2019 of 1,449.64 million baht, an increase of 297.15 million baht from the same period last year (or an increase of 25.78%).



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The big proportion of revenue comes from the spa business, which accounted to 90% of the total revenue. Factors include:

- Tourist numbers recovered to positive increase compared to 2018
- Sales Growth of SSG and Expansion Stores in Bangkok and Upcountry. As of 31 December 2019, there are 63 branches (58 domestic and 5 overseas branches) compared to As of 31 December 2018, there were 55 branches (49 domestic and 6 overseas branches). Expansion stores include 8 Let's Relax branches and 2 Stretch me branches. Company has discontinued 1 domestic branch, Let's Relax Krabi Holiday Inn after expiry of spa operating contract, and 3 overseas franchised branches, Let's Relax Qingdao 1, Let's Relax Qingdao 2 and Let's Relax Tianjin due to violation of contract. SSG store has total annual revenue growth of 16% and Expansion has total annual revenue growth of 7%.
- Expansion stores opened in 2019 had great operating result. Some branches can generate positive EBITDA from the first quarter opening.
- Spa Operating in Hotel model also had great operating results. Total Sales of Spa Operating in Hotel model stores increase 60% compared to last year resulting from an increase from 5 branches in 2018 to 8 branches in 2019.
- Increase in Thai customer base from the expansion of Stretch me by Let's Relax business unit

For the Hotel and Restaurant business, the revenue contribution to Total Revenue decreases from 6% to 4% due to no expansion of Hotel Business and closure of D-bistro (Convert the Area to Spa Business – Let's Relax Thapae branch). Also, it has been impacted from PM2.5 problems in early 2019.



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For the Spa Product business, the revenue contribution to Total Revenue is similar to last year as the new product brand, LRL – Let's Relax Lifestyle, started its product distribution in Quarter 4, 2019.

Cost of Sales and Services

In 2019, the Company and subsidiaries had the cost of sales and services of 976.30 million baht, accounting for 68.28% of sales and services' revenue. This is an increase of 226.17 million baht from the same quarter of the previous year (or an increase of 30.15%). The increase is caused by the expansion of 10 new spa branches domestically in 2019 as well as additional cost of sales and services of the existing branches, both fixed and variable costs such as staff costs, salary, rental, depreciation and raw material costs, etc. The increase rate of the Cost of Sales and Services is slightly higher than the increase rate of Revenue due to some branch's temporary closure for renovation resulting in no revenue but still bear some fixed costs such as rental, service, staff and depreciation. On 5th May 2019, there were a change in employee benefit payment scheme for those employees who work more than 20 years and has been terminated, Company need to compensate at the latest rate for 400 days (previously 300 days).

Selling and Administrative Expenses

In 2019, the Company and subsidiaries had the selling and administrative expenses of 171.11 million baht, accounted to 11.97% of the revenue from sales and services. This is an increase of 18.64 million baht from the same period last year (or an increase of 12.22%). This is mainly from the adjustment of salary and increasing headcount and Salary of the Head Office staff to support branches expansion.

Net Profit

In 2019, the Company and subsidiaries had the net profit of 245.47 million baht or accounted 17.17% of the revenue from sales and services. The net profit of the Company and



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subsidiaries increase 39.87 million baht from the same period last year (or an increase of 19.39%). compared to the same period last year. The revenue from sale and service have increased as a result of increase in revenue in both Bangkok and Upcountry branches, SSG and Expansion Stores, Spa Operating in Hotel model branches and expansion of new business unit, Stretch me by Let's Relax. Although, the variable and fixed costs of sales and services as well as selling and administrative increase which results from increase in number of branches however, the cost of sales and services grow slightly less than the revenue from sales and services. Thus, results in the increase in Net Profit compared to previous year.

Note: The Company's Operating Results for 2019 excluding discontinued operations of Chaba Elegance Co.,Ltd (Joint Investment since 1st January 2019 and Cancellation of Joint Investment effective 1st October 2019) has total revenue of 1,403.15 million baht, an increase of 21.75% from previous year and total net profit 242.33 million baht, an increase of 17.87% from previous year. Revenue Growth is slightly above the 20% targeted revenue growth of 2019.

Please be informed accordingly,

Yours sincerely,

(Mr.Wiboon Utsahajit / Mr.Prasert Jiravanstit)

Siam Wellness Group Public Company Limited