



GLAND

- Translation -

No. GL/2024/002

15 February 2024

Subject: Management Discussion and Analysis for the Year 2023

To: President

The Stock Exchange of Thailand

Grand Canal Land Public Company Limited and its subsidiaries (“the Company”) would like to inform the financial performance for year 2023 ending 31 December 2023 as follows.

Key Highlights in 2023

In 2023, the Thai economy expanded slightly and is supported by growth from the services sector driven by an increase in inbound foreign tourists. Meanwhile, private consumption and private investments have slowed down amidst pending clarity on the economic stimulus policies from the new government (source: The Bank of Thailand). Despite continuous recovery to the Thai economy, uncertainties and near-term volatility remains, such as staggering global economic growth amidst geopolitical concerns in the Middle East, rising inflation from high energy prices, and interest rate uncertainty as the U.S. Fed considers further rate hikes. More importantly, the offices market faces challenging outlook from changing workplace behavior and competition of upcoming office supply (source: Knight Frank Thailand).

The Company continues to manage its businesses with utmost consideration to climate and environmental changes. Various initiatives are planned and enacted to address temperature fluctuations and weather hazards, such as deploying climate control management in all buildings and managing traffic, safety and hygiene standards in surrounding areas during the monsoon season. Most importantly, the Company continues to look after the best interest of its stakeholders, including tenants, shops, customers, business partners and shareholders. Key events in 2023 for each business are as follow:

Offices business: The number of office employees that return to office continues to increase at gradual pace. Meanwhile, following the COVID-19 pandemic situation, demand for office space have varied among office tenants. Whilst some tenants continue to adopt flexible work schemes and work-from-policy, others have steadily brought employees back into the office full-time. Regardless of workplace policies adopted by the tenants, the Company continues to deploy stringent measures to ensure the safety and well-being of on-site employees and visitors at its office projects. Furthermore, the company continues to engage prospective tenants and explore services enhancement opportunities in existing projects in response to industry competition and anticipated demand recovery.

Retail area leases business: The area benefited from the recovery of not only office employees traffic, but also from those of local residents, visitors from nearby communities, and tourists. Moreover, the Company continues to carry out sales and marketing activities to support retail tenants, which resulted in commendable recovery of their sales performance. Hence, the Company is able to step back on rental discounts near pre COVID-19 levels.

Real estate business: Comprises one project, namely Nirati Donmuang. During the period, project visitations and pre-sales continue to grow as the project accelerates its pace to complete the construction and furnishing of booked units such that they can be transferred to the customers as planned.

Sustainable Business Development: The Company recognizes the importance of community, social and environmental development along with its business growth aspiration and are committed to maintain its excellence in sustainable development. In 2023, the Company, together with the Department of Internal Trade under the Ministry of Commerce and the private sector, have organized the second season of Organic Weekend Market following a successful inauguration last year. In addition, the Company led the “Earth Hour” campaign across all of its office buildings to promote an hour-long energy saving period to reduce global warming and preserve the environment. Last but not least, the Company organized “Better Futures” project, a waste recycling program at designated locations in offices and retail area, as well as carried out activities for tenants, customers and visitors to partake in the waste management program, which was well-received.

Summary of Financial Performance in 2023

Revenues

The Company reported total revenue of 1,663 million Baht, an increase of 3% from the previous year. The increase mainly comes from the rental and services business, which is the Company's core business, thanks to strong recovery in retail area performance, rental rate increases and higher occupancy rate in retail area, despite facing the impact of lower occupancy rate amidst challenging industry situation. As for the real estate business, despite an increase in units transferred at Nirati Donmuang, real estate revenues are largely unchanged from the previous year, which included the transfer of the final unit at Belle Condominium.

Operating expenses

The Company reported total operating expenses of 716 million Baht, an increase of 5% from the previous year. The increase mainly comes from higher costs and expenditures associated with the completion, sales and transfers of Nirati Donmuang, as well as higher cost of services in-line with rising inflation and energy cost. Despite having lower gross profit margin, the Company managed its administrative expenditures with increased efficiencies, resulting in comparable operating profit margins compared to the previous year and according to plan.

Net Profit

The Company reported net profit of 418 million Baht, a decrease of 41% from the previous year. Excluding the impact of fair value adjustment and other non-recurring items, net profit would decrease approximately 7% from the previous year primarily driven by higher financing cost and in the similar magnitude of policy interest rate increases. Despite the impact to net profit, the Company's core business performance showed a similar level of operating profit margin compared to the previous year, thanks to prudent cost control and resiliency towards operating profits, as well as maintain robust debt and capital structure to ensure cost of capital are kept at efficient levels.

Capital structure

The Company reported total interest-bearing debt of 6,308 million Baht, an increase from the balance as of 31 December 2022 of 6,256 million Baht. The weighted average financing cost at the end of the period stood at 4.23%, which was higher than that of the end of the previous year at 3.03%.

Net interest-bearing debt to equity ratio at the end of the period stood at 0.37 times, which is at similar level to that of the end of the previous year. The ratio remains well in-line with the Company's policy of not exceed 1 time and debt covenant of not exceeding 3 times.

Although the Company recognizes net profit during the year, it still has considerable debt obligations to fulfill in the near-term and must prepare adequate sources of funds to support the investment in new projects to accommodate the Company's long-term growth.

Please be informed accordingly.

Sincerely,

-Ponpinit Upathamp-

(Mr. Ponpinit Upathamp)

Chief Financial Officer

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

	2022	2023	% Chg
<i>Unit: million Baht</i>			
Rental and services revenue	1,208	1,244	3%
Revenue from sales	307	308	0%
Revenue from operations	1,515	1,552	2%
Other income	101	111	10%
Total revenue	1,615	1,663	3%
Cost of rental and services	221	236	7%
Cost of sales	152	163	7%
Selling & administrative expenses	309	316	2%
Total operating expenses	682	716	5%
(Profit) Loss from items not related to the business operations	(158)	158	-200%
Financing cost	141	210	49%
Profit before income tax and NCI	951	579	-39%
Income tax expense	197	145	-27%
Non-controlling interest	40	17	-58%
Net profit	714	418	-41%

Table 2: Summary of Financial Position

	YE22	YE23	% Chg
<i>Unit: million Baht</i>			
Current assets	1,162	1,173	1%
Non-current assets	28,546	28,962	1%
Total assets	29,709	30,135	1%
Current liabilities	2,454	4,556	86%
Non-current liabilities	10,987	8,842	-20%
Total liabilities	13,441	13,398	0%
Shareholders' equity	16,267	16,737	3%
Total liabilities and equity	29,709	30,135	1%
Net interest-bearing debt	6,149	6,198	1%

Table 3: Key Financial Ratios

	2022	2023	Chg.
<u>Profitability Ratio</u>			
Gross profit margin (%)	75%	74%	-1%
Operating profit margin (%)	58%	57%	-1%
Net profit margin (%)	44%	25%	-19%
	YE22	YE23	Chg.
<u>Liquidity Ratio</u>			
Current ratio (x)	0.47	0.26	(0.22)
<u>Financial Policy Ratio</u>			
Liabilities to Equity (x)	0.83	0.80	(0.03)
Net Debt to Equity (x)	0.38	0.37	(0.01)