MINOR INTERNATIONAL

August 13, 2020 **Minor International Public Company Limited**

Management Discussion and Analysis

Overview

2Q20 and 1H20 Performance

Summary: Minor International Public Company Limited ("MINT") reported core revenue of Baht 6,682 million in 2Q20, a decrease of 79% compared to the same period last year. The performance shortfall in the quarter was attributable to challenging environment for all three business units across all regions, prominently at Minor Hotels from the COVID-19 pandemic.

MINT has implemented cost savings measures across all business units and across geographies in which the cost reductions were apparent in 2Q20 with a reduction of 50% from 2Q19. The initiatives are ongoing and have helped alleviate the adverse impact on the businesses. Excluding TFRS16, 2Q20 core EBITDA turned negative to a loss of Baht 5,123 million from core EBITDA of Baht 6,223 million in 2Q19, pressured by lower sales flow-through from travel restrictions and lockdown of countries globally. Nevertheless, Minor Food experienced resiliency, posting positive EBITDA in the quarter, supported by its exquisite delivery strategy. Accounting for the impact of TFRS16, MINT's core EBITDA was negative 1,826 million in 2Q20.

In tandem with core EBITDA, core net profit of Baht 2,101 million in 2Q19 turned into a pre-TFRS 16 core loss of Baht 6,869 million in 2Q20. Including the unfavorable accounting impact from the adoption of TFRS16, core loss of Baht 7,162 million was reported during the quarter. Nevertheless, the losses have come down m-m from Baht 2,778 million in April to Baht 2,407 million in May and Baht 1,978 million in June.

Note that in 1Q19, 2Q19, 1Q20 and 2Q20, MINT recorded non-core accounting-related items which are detailed in the table on page 2. Including non-core items, with the adoption of TFRS16, MINT posted a 79% y-y decline in revenue to Baht 6,698 million. EBITDA and reported net profit was at a loss of Baht 3,101 million and Baht 8,448 million in 2Q20, respectively. For 1H20, MINT's revenue fell by 52% to Baht 29,231 million while EBITDA decreased by 87% to Baht 1,301 million, compared to the same period last year. Meanwhile, reported net profit dipped into net loss of Baht 10,221 million in 1H20.

Financial Performance

Bt million	Core 2Q20 Post-TFRS16	Core 2Q20 Pre-TFRS16	Core 2Q19	%Chg Like-for-Like	Reported 2Q20 Post-TFRS16	Reported 2Q19	%Chg
Total Revenue	6,682	6,682	31,393	-79	6,698	31,455	-79
Total EBITDA	-1,826	-5,123	6,223	-182	-3,101	5,950	-152
EBITDA Margin (%)	**-27.3**	**-76.7**	**19.8**		**-46.3**	**18.9**	
Total Net Profit	-7,162	-6,869	2,101	-427	-8,448	1,786	-573
Net Profit Margin (%)	**-107.2**	**-102.8**	**6.7**		**-126.1**	**5.7**	

Bt million	Core 1H20 Post-TFRS16	Core 1H20 Pre-TFRS16	Core 1H19	%Chg Like-for-Like	Reported 1H20 Post-TFRS16	Reported 1H19	%Chg
Total Revenue	29,102	29,102	60,242	-52	29,231	60,485	-52
Total EBITDA	1,156	-5,233	10,495	-150	1,301	10,212	-87
EBITDA Margin (%)	**4.0**	**-18.0**	**17.4**		**4.5**	**16.9**	
Total Net Profit	-10,336	-9,703	2,734	-455	-10,221	2,369	-531
Net Profit Margin (%)	**-35.5**	**-33.3**	**4.5**		**-35.0**	**3.9**	

TFRS16 Impact on P&L*

Bt million	2Q20 Pre-TFRS16	2Q20 Post-TFRS16
Total EBITDA	**-5,123**	**-1,826**
EBITDA Margin (%)	**-76.7**	**-27.3**
Depreciation	2,216	4,850
Interest Expense	936	1,912
Corporate Income Tax	-933	-954
Minority Interest	-472	-472
Total Net Profit	**-6,869**	**-7,162**
Net Profit Margin (%)	**-102.8**	**-107.2**
	1H20 Pre-TFRS16	**1H20 Post-TFRS16**
Total EBITDA	**-5,233**	**1,156**
EBITDA Margin (%)	**-18.0**	**4.0**
Depreciation	4,535	9,724
Interest Expense	1,828	3,721
Corporate Income Tax	-1,238	-1,298
Minority Interest	-655	-655
Total Net Profit	**-9,703**	**-10,336**
Net Profit Margin (%)	**-33.3**	**-35.5**

* Exclude non-core items as detailed in the table on page 2

Performance Breakdown by Business*

1H20	% Core Revenue Contribution
Hotel & Mixed-use	62
Restaurant Services	33
Retail trading & Contract Manufacturing	5
Total	**100**

* Exclude non-core items as detailed in the table on page 2 but include the impact of TFRS16

Non-Recurring Items*

Period	Amount (Bt million)	Business Unit	Non-recurring Items
1Q19	50	Minor Food	Gain from the divestment of Bread Talk Thailand (Revenue)
1Q19	132 pre-tax 91 post-tax	Minor Hotels	Capital gain from asset rotation of NH Hotel Group
1Q19	-191	Minor Hotels	Foreign exchange loss on unmatched USD Cross-Currency Swap (SG&A expense)
2Q19	-48 pre-tax -38 post-tax	Minor Hotels / Minor Food / Minor Lifestyle	Provision expenses for employee retirement benefits to adhere to the new labor law (SG&A expense allocated to each business unit)
2Q19	62 revenue 44 net profit	Minor Hotels	Capital gain from asset rotation of NH Hotel Group (Revenue)
2Q19	-320	Minor Hotels	Foreign exchange loss on unmatched USD Cross-Currency Swap (SG&A expense)
1Q20	113 revenue 49 net profit	Minor Hotels	Non-recurring items of NH Hotel Group (Revenue and SG&A expense)
1Q20	755	Minor Hotels	Foreign exchange gain on unmatched USD Cross-Currency Swap (SG&A expense)
1Q20	568 pre-tax 585 post-tax	Minor Hotels	Change in fair value of interest rate derivative (SG&A expense)
1Q20	10	Minor Food	Reversal of provision related to Ribs & Rumps (reversal of SG&A expense)
2Q20	17 revenue -152 net profit	Minor Hotels	Non-recurring items of NH Hotel Group (Revenue and SG&A expense)
2Q20	-469	Minor Hotels / Minor Food / Minor Lifestyle	Redundancy costs from cost cutting measures (SG&A expense)
2Q20	-534	Minor Hotels	Foreign exchange loss on unmatched USD Cross-Currency Swap (SG&A expense)
2Q20	-130	Minor Hotels	Change in fair value of interest rate derivative (SG&A expense)

* Include the impact of TFRS16

Major Developments in 2Q20

	Developments
Restaurant	• Added 1 outlet, net q-q, majority from the opening of Bonchon stores net with some store closures of Dairy Queen, Thai Express, The Coffee Club and Sizzler • Increased investment in BreadTalk Group from 14.2% to 25.1%
Hotel & Mixed-Use	• Permanently closed a total of 4 hotels - Anantara: Anantara Sathorn Bangkok (managed hotel) in Thailand - NH: NH Best (owned hotel) in the Netherlands, NH Gent Sint Pieters (owned hotel) in Belgium, NH Parla (leased hotel) in Spain
Corporate	• Obtained approval from bondholders to allow waiver of financial covenant testing until fiscal year end 2020 • Successfully issued USD 300 million perpetual bond

Segment Performance

Restaurant Business

At the end of 2Q20, MINT's total restaurants reached 2,363 outlets, comprising of 1,184 equity-owned outlets (50% of total) and 1,179 franchised outlets (50% of total). 1,582 outlets (67% of total) are in Thailand, while the remaining 781 outlets (33% of total) are in 25 other countries in Asia, Oceania, Middle East, Europe, Canada and Mexico.

Restaurant Outlets by Owned Equity and Franchise

	2Q20	Chg q-q	Chg y-y
Owned Equity	1,184	3	45
- Thailand	964	13	47
- Overseas	220	-10	-2
Franchise	1,179	-2	50
- Thailand	618	2	36
- Overseas	561	-4	14
Total Outlets	**2,363**	**1**	**95**

Restaurant Outlets by Brand

	2Q20	Chg q-q	Chg y-y
The Pizza Company	578	2	34
Swensen's	322	1	0
Sizzler	63	-3	-3
Dairy Queen	505	-10	-11
Burger King	121	0	6
The Coffee Club	464	-4	-4
Thai Express	83	-5	-5
Riverside	91	1	16
Benihana	19	0	-2
Bonchon	65	19	65
Others*	52	0	-1
Total Outlets	**2,363**	**1**	**95**

* Others include restaurants at the airport under MINT's 51% JV, "Select Service Partner" and restaurants in the UK under "Patara" brand

Hub Performance Analysis

In 2Q20, total-system-sales (including sales from franchised outlets) declined by 36.8% y-y, mainly attributable to the temporary closure of restaurants and dine-in business in Thailand and Australia hubs during the lockdown amidst the COVID-19 pandemic. A surge in delivery and takeaway segments partially helped alleviate the drop in dine-in sales which resulted in 23.0% y-y decrease of overall same-store-sales in the quarter, a smaller negative magnitude than total-system-sales. Nevertheless, the clear improvement in same-store-sales was seen in June as most of the businesses resumed their operations while social distancing regulations have been relaxed since the beginning of the month which allowed restaurants to accommodate more customers with higher space utilisation.

Although Thailand hub reported total-system-sales decline of 21.8% y-y in 2Q20, the monthly trend has consistently improved throughout the three months as Thailand hub's restaurants gradually resumed its operations. Same-store-sales decreased by 7.2% y-y in the quarter but relatively on par with 1Q20 same-store-sales y-y contraction of 6.9%. The Pizza Company's positive same-store-sales growth of 24.7% in 2Q20, which was driven by growth in business volume from strong delivery strategy and the extension of BOGO (Buy 1 Get 1) campaign, helped partially offset the soft operating performance of other brands. Minor Food has enhanced its delivery position, offering the best delivery and ordering experience to customers including 30-miniute delivery guarantee and the hotness of the food. Furthermore, Minor Food's own 1112 Delivery application successfully brought Bonchon and other brands including S&P and BreadTalk on to the platform and released "Stay Home" and "Back to Office" campaigns to strengthen its customer retention and engagement, as well as drive sales transactions. Although same-store-sales of other brands decreased y-y, the trend improved month-on-month, primarily because of the resumption of dine-in business during the second half of May and each brand's sales strategies. Going forward, Thailand hub will continue to elevate dine-in experience, improve its delivery and digital platform and adapt any strategies to stay in the most competitive position. For example, The Pizza Company has conducted market and competition study to redesign its dine-in experience at the restaurants while rolling out new seating layout to improve takeaway journey. New product development and pricing adjustment to cater more to Thai customers will be the key approach for Burger King and The Coffee Club. Sizzler will continue to expand its "Sizzler To Go" format which requires lower capex, yields higher return with shorter payback period and offers opportunity to scale up the investment in high traffic locations. Furthermore, Bonchon will focus on its quality of network expansion, particularly in cloud kitchen format with a target to expand into other key cities and broaden delivery coverage in greater Bangkok.

China hub's total-system-sales and same-store-sales in 2Q20 decreased by 28.9% and 27.0% y-y, respectively. This was a big improvement from 1Q20, driven by a m-m strong increase in dine-in sales, particularly in April and May as a result of lowered epidemic alerts and relaxing COVID-19 restrictions in most of the cities, together with government stimulus to accelerate the domestic consumption. In addition, a launch of new menu in the beginning of May and digital initiatives to drive delivery sales supported sales recovery, resulting in China hub turning profitable at the store level in May. The recovery slowed down slightly in June, impacted by the emerging of new COVID-19 cases in Beijing in the middle of the month, which resulted in a decrease in sales only in Beijing, while sales in other cities remained strong. Nevertheless, the sales have already been in an uptrend since July as the second wave of the pandemic in Beijing was well under control. China hub will continue to ensure its business continuity to improve the performance. The key initiatives will be maximizing existing restaurant capacity with new menu offering, cautiously expanding in smaller format and also driving delivery sales through digital platform. China hub expects sales to recover to pre-crisis level by July to August.

Total-system-sales of Australia hub declined by 52.8% y-y in 2Q20, as a result of the combination of lower store count from a temporary store disclosure and permanent closure of underperforming stores during the pandemic, together with a decrease of 41.7% in same-store-sales. The weak same-store-sales were mostly dragged by a full month COVID-19 lockdown in April in which the operations were limited to only takeaway and delivery sales. However, the sales improved substantially in May and June, driven by government's easing of social distancing rules. Moreover, the sales of the Nomad Coffee Group (the wholesale coffee operation) picked up from the launch of new product range including new packaging size of coffee beans and new organic line, as well as expansion in contract manufacturing customers. Australia hub continues to drive its dine-in and delivery sales through brand renewal strategy, attractive product offering and operational excellence. Furthermore, it has launched new brands that only focus on delivery and use the cloud kitchen at existing The Coffee Club restaurants. Although the situation in Australia remains fluid from the second wave of COVID-19 infection in Melbourne in July, the new outbreak was still limited to only one state while its strong food delivery campaign such as "The Coffee Club @ Home" will build sales momentum.

Overall, 1H20 group-wide total-system-sales declined by 21.1% y-y and group-wide same-store-sales fell by 15.9% y-y, given the challenging operating environments in all hubs during the COVID-19 pandemic.

For the second half of the year, continuous recovery is expected in all key hubs, especially in Thailand and China where sales are approaching the pre-crisis level. In any case, Minor food remains proactive in adjusting its strategies to any opportunity arising amidst the pandemic.

Restaurant Business Performance

%	**2Q20**	**2Q19**	**1H20**	**1H19**
Average Same-Store-Sales Growth	(23.0)	(3.6)	(15.9)	(3.8)
Average Total-System-Sales Growth	(36.8)	3.8	(21.1)	4.5

Note: Calculation based on local currency to exclude the impact of foreign exchange

Financial Performance Analysis

2Q20 total core restaurant revenue decreased by 32% y-y, pressured by softer performance of all key hubs amidst intense COVID-19 lockdown, especially in Thailand and Australia, together with loss contribution from the joint ventures. Similarly, franchise income also fell by 48% y-y in 2Q20.

Excluding impact of TFRS16, core EBITDA remained positive at Baht 19 million in 2Q20, relatively resilient during this difficult time. China hub's improving operational performance from sales recovery, lower rent and government stimulus to boost economy, together with strong operation of The Pizza Company partially helped mitigate the lower sales flow through of other brands in Thailand and Australia from the temporary store closure. Furthermore, as a result of cost saving measures in the quarter, total costs including cost of goods sold, operating expenses and selling, general & administrative expenses were down by almost 20%. Consequently, 2Q20 core EBITDA remained positive but declined by 98% y-y while core EBITDA margin decreased to 0.5% in 2Q20, compared to 2Q19 EBITDA margin of 15.0%. Including favorable impact from adoption of TFRS16, core EBITDA was at Baht 478 million with core margin of 12.0% in 2Q20.

In 1H20, total core revenue of Minor Food contracted by 21% y-y from challenges during COVID-19 pandemic in all operational hubs. The cost saving initiatives put in place across the business unit helped lessen the impact on core EBITDA excluding TFRS16 which was 69% lower y-y due to lower flow-through from sales shortfall. As a result, overall core EBITDA margin declined from 16.2% in 1H19 to 6.4% in 1H20. During this period, core EBITDA of all hubs remained in the black. Accounting for the adoption of TFRS16, core EBITDA decreased by 30% y-y to Baht 1,397 million in 1H20.

Financial Performance*

Bt million	2Q20	2Q19	%Chg	1H20	1H19	%Chg
Revenue from Operation**	3,776	5,463	-31	9,071	11,399	-20
Franchise Fee	209	402	-48	578	833	-31
Total Revenue	**3,985**	**5,865**	-32	**9,649**	**12,233**	-21
EBITDA	**478**	**879**	-46	**1,397**	**1,982**	-30
EBITDA Margin (%)	**12.0**	**15.0**		**14.5**	**16.2**	
EBITDA (pre-TFRS16)	19	879	-98	619	1,982	-69
EBITDA Margin (%) (pre-TFRS16)	0.5	15.0		6.4	16.2	

* Exclude non-core items as detailed in the table on page 2 but include the impact of TFRS16

** Includes share of profit and other income

Hotel & Mixed-use Business

Hotel Business

At the end of 2Q20, MINT owns 373 hotels and manages 153 hotels and serviced suites in 55 countries. Altogether, these properties have 75,187 hotel rooms and serviced suites, including 56,299 rooms that are equity-owned and leased and 18,888 rooms that are purely-managed under the Company's brands including Anantara, Avani, Oaks, Tivoli, NH Collection, NH Hotels, nhow and Elewana Collection. Of the total, 4,782 rooms in Thailand accounted for 6%, while the remaining 70,405 rooms or 94% are located in 54 other countries in Asia, Oceania, Europe, the Americas and Africa.

Hotel Rooms by Owned Equity and Management

	2Q20	Chg q-q	Chg y-y
Owned Equity*	56,299	-215	1,103
- Thailand	3,188	0	472
- Overseas	53,111	-215	631
Management	18,888	-918	-1,638
- Thailand	1,594	-310	250
- Overseas	17,294	-608	-1,888
Total Hotel Rooms	**75,187**	**-1,133**	**-535**

* Owned equity includes all hotels which are majority-owned, leased and joint-venture.

Hotel Rooms by Ownership

	2Q20	Chg q-q	Chg y-y
Owned Hotels	19,879	-136	738
Leased Hotels	34,591	-79	470
Joint-venture Hotels	1,829	0	-197
Managed Hotels	12,316	-310	-1,129
MLRs*	6,572	-608	-417
Total Hotel Rooms	**75,187**	**-1,133**	**-535**

* Properties under management letting rights in Australia and New Zealand

Hotel Performance Analysis

Owned & Leased Hotels

MINT's owned and leased hotels portfolio (including NH Hotel Group), which accounted for 66% of core hotel & mixed-use revenues in 2Q20, reported y-y organic and system-wide revenue per available room ("RevPar") decline of 95%. This was due to temporary closures of most of the hotels in all regions, especially in April and May from the travel restrictions and banning on incoming international flights globally during the COVID-19 pandemic. Nevertheless, the performance gradually recovered in June, particularly in Europe, as some of the hotels started to re-open and many countries started to relax the lockdown measures.

Owned hotels in Thailand reported a decline in organic RevPar of 98% y-y in 2Q20 as border of Thailand was completely shut down during the quarter and thus international tourist arrivals to the country plummeted. Operations of the hotels in upcountry, however, saw a progressive improvement in June, supported by strong demand of domestic travelers and the re-opening of hotels.

2Q20 owned and leased portfolio in Europe and Latin America posted organic RevPar decline of 95% y-y, pressured by a sharp decline in demand during travel restrictions amidst the COVID-19 lockdown while nearly 95% of the hotels in all key cities were closed in the first two months of the quarter. However, hotels in Europe started to resume their operations in June, which resulted in increasing activities and the trend of occupancy rate has been rising w-w.

Throughout the quarter, all hotels in the Maldives completely shut their doors and hence organic RevPar declined by 100% y-y.

Management Letting Rights

The management letting rights portfolio (MLRs), contributing 21% of 2Q20 core hotel & mixed-use revenues, recorded a decline in RevPar of 69% y-y, dragged by both average occupancy and room rates. Although all hotels remained operational throughout the pandemic outbreak, domestic restrictions in Australia and New Zealand slowed down the domestic demand, primarily in April and May. However, RevPar trend improved significantly in June given the ease of lockdown restrictions.

Management Contracts

Revenue contribution of management contract to MINT's core hotel & mixed-use revenues was 9% in 2Q20. Organic RevPar of management contract portfolio declined by 82% y-y, pressured by the temporary hotel closures and weak hotel operations during the pandemic across Asia, Europe and the Middle East. In any case, overall portfolio showed m-m improvement throughout the quarter.

Overall Hotel Portfolio

In summary, in 2Q20, MINT's organic and system-wide RevPar of the entire portfolio declined by 91% y-y, solely attributable to the adverse impact from COVID-19, with monthly sequential pick-up in average occupancy rate.

In 1H20, organic and system-wide RevPar of MINT's entire portfolio decreased by 60% and 62% y-y respectively, reflecting the lower demand since February from travel disruptions amidst COVID-19 outbreak.

Hotel Business Performance by Ownership

(System-wide)	Occupancy (%)			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	6	74	26	70
Joint Ventures	14	45	27	51
Managed Hotels*	8	60	30	62
MLRs**	32	74	49	75
Average	**9**	**72**	**29**	**69**
MINT's Portfolio in Thailand	2	73	27	77
Industry Average in Thailand***	13	70	32	73
(System-wide)	**ADR (Bt/night)**			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	2,563	4,109	3,544	3,942
Joint Ventures	2,387	5,745	6,226	6,587
Managed Hotels*	5,183	4,815	4,661	4,890
MLRs**	2,463	3,627	3,306	3,879
Average	**2,886**	**4,168**	**3,721**	**4,098**
MINT's Portfolio in Thailand	3,415	4,432	5,586	5,169
Industry Average in Thailand***	1,652	1,692	1,120	1,754
(System-wide)	**RevPar (Bt/night)**			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	144	3,053	929	2,752
Joint Ventures	330	2,607	1,698	3,330
Managed Hotels*	431	2,905	1,401	3,037
MLRs**	777	2,673	1,629	2,928
Average	**254**	**2,985**	**1,084**	**2,822**
MINT's Portfolio in Thailand	65	3,216	1,525	3,984
Industry Average in Thailand***	852	1,181	476	1,291

(Organic)	Occupancy (%)			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	6	74	26	70
Joint Ventures	14	45	27	51
Managed Hotels*	10	60	34	62
MLRs**	33	74	49	75
Average	**9**	**72**	**30**	**69**
MINT's Portfolio in Thailand	2	73	29	77
(Organic)	ADR (Bt/night)			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	2,596	4,109	3,659	3,942
Joint Ventures	2,387	5,745	6,226	6,587
Managed Hotels*	5,323	4,815	4,914	4,890
MLRs**	2,512	3,627	3,306	3,879
Average	**2,924**	**4,168**	**3,823**	**4,098**
MINT's Portfolio in Thailand	3,416	4,432	5,867	5,169
(Organic)	RevPar (Bt/night)			
	2Q20	**2Q19**	**1H20**	**1H19**
Owned Hotels*	148	3,053	963	2,752
Joint Ventures	330	2,607	1,698	3,330
Managed Hotels *	517	2,905	1,646	3,037
MLRs**	831	2,673	1,629	2,928
Average	**267**	**2,985**	**1,134**	**2,822**
MINT's Portfolio in Thailand	76	3,216	1,687	3,984

* These numbers include NH Hotel Group
** Properties under Management Letting Rights in Australia & New Zealand
*** Source for Industry Average: Bank of Thailand

Hotel Performance Analysis

In 2Q20, core revenue from hotel and related services operation declined by 93%, compared to the same period last year. This was attributable to travel disruptions across the globe, especially in the full month of April and the first half of May when hotels in all key markets except Australia were temporarily closed. For management income in 2Q20, revenue decline of 43% y-y was reported from weak organic RevPar of managed hotels in all markets.

In 1H20, core revenue from hotel and related services operations decreased 61% from the same period last year, chiefly due to challenging operating conditions from COVID-19 impact despite the strong operations of NH Hotel Group and hotels in the Maldives in the first two months of the year. 1H20 management income fell by 38% y-y, primarily from soft performance of managed hotels across regions and the exit of some hotel management contracts in 1Q20.

Mixed-Use Business & Performance Analysis

One of MINT's mixed-use businesses is plaza and entertainment business. The Company owns and operates three shopping plazas in Bangkok, Phuket and Pattaya. In addition, MINT is the operator of seven entertainment outlets in Pattaya, which include the famous Ripley's Believe It or Not Museum and The Louis Tussaud's Waxworks.

MINT's residential development business develops and sells properties in conjunction with the development of some of its hotels. MINT has completed the sales of the first two projects, The Estates Samui, consisting of 14 villas, adjacent to MINT's Four Seasons Resort Koh Samui, and St. Regis Residences, with 53 residential units located above The St. Regis Bangkok. The third project is Layan Residences by Anantara in Phuket, with 15 villas next to Anantara Layan Phuket Resort. In addition, MINT launched three joint-venture residential projects. Anantara Chiang Mai Serviced Suites is situated across Anantara Chiang Mai Resort & Spa and consists of 44 condominium units available for sale. Avadina Hills by Anantara is located next to Layan Residences by Anantara in Phuket with 16 luxury villas for sale. Lastly, the Torres Rani in Maputo, Mozambique has six penthouses available for sale. In addition, two new residential development projects are currently under construction, including Anantara Desaru in Malaysia and Anantara Ubud Bali in Indonesia to ensure continuous pipeline of MINT's real estate business in the coming years.

Another real estate business of MINT is the point-based vacation club under its own brand, Anantara Vacation Club (AVC). At the end of 2Q20, AVC had a total inventory of 246 units in Samui, Phuket, Bangkok and Chiang Mai in Thailand, Queenstown in New Zealand, Bali in Indonesia, and Sanya in China. With MINT's sales and marketing efforts before the outbreak of COVID-19, the number of members increased by 10% y-y to 14,671 members at the end of 2Q20.

Revenue from mixed-use business declined by 79% in 2Q20 from the same period last year, adversely impacted by no activity of residential unit sales and weaker performance of AVC and plaza and entertainment businesses amidst the COVID-19 outbreak. For 1H20, revenue from mixed-use business decreased by 59% y-y due to the same reasons in 2Q20.

Overall Hotel & Mixed-Use Financial Performance Analysis

In 2Q20, total core revenue of hotel & mixed-use business declined by 91% y-y, from all business units including owned, leased and managed hotels, as well as the mixed-use businesses due to the demand disruption from the pandemic.

Operating leverage in 2Q20 was lower y-y due to overall sales shortfall, however, the ramp-up of cost mitigation measures in the quarter which resulted in almost 60% total cost reduction helped alleviate the adverse impact. As a result, core EBITDA of hotel & mixed-use business in 2Q20 excluding impact of TFRS16 turned into net loss of Baht 5,094 million from positive EBITDA of Baht 5,282 million in 2Q19. Taking into account TFRS16, 2Q20 core EBITDA was posted as net loss of Baht 2,275 million.

For 1H20, hotel & mixed-use business reported total revenue decrease of 61% y-y while core EBITDA loss excluding TFRS16 impact was Baht 5,764 million, attributable to the same reasons in 2Q20. Including tailwind from the adoption of TFRS16, negative EBITDA was at Baht 205 million in 1H20, compared to positive EBITDA during the same period of last year.

Moving towards second half of this year, unfavorable impact from the COVID-19 incident is expected to ease as demand recovery has started in many regions while Minor Hotels has been strengthening its brand proposition to make sure that its hotel brands and products are on top of customers' mind. Furthermore, the operations have become more efficient following its cost saving measures in all fronts.

Financial Performance*

Bt million	**2Q20**	**2Q19**	**%Chg**
Hotel & related services **	1,698	22,924	-93
Management fee	184	322	-43
Mixed-use	245	1,162	-79
Total Revenue	**2,126**	**24,408**	-91
EBITDA	**-2,275**	**5,282**	-143
EBITDA Margin (%)	**-107.0**	**21.6**	
EBITDA (pre-TFRS16)	-5,094	5,282	-196
EBITDA Margin (%) (pre-TFRS16)	-243.7	21.6	
	1H20	**1H19**	**%Chg**
Hotel & related services **	16,398	42,347	-61
Management fee	472	762	-38
Mixed-use	1,026	2,530	-59
Total Revenue	**17,897**	**45,639**	-61
EBITDA	**-205**	**8,367**	-102
EBITDA Margin (%)	**-1.1**	**18.3**	
EBITDA (pre-TFRS16)	-5,764	8,367	-169
EBITDA Margin (%) (pre-TFRS16)	-32.3	18.3	

* Exclude non-core items as detailed in the table on page 2 but include the impact of TFRS16
** Include share of profit and other income

Retail Trading & Contract Manufacturing Business

At the end of 2Q20, MINT had 466 retail trading points of sales, a decrease of 30 points of sales from 496 points at the end of 2Q19, primarily from the closing down of the Save My Bag brand and some of the Anello outlets. Of total 466 retail trading outlets, 82% are operated under fashion brands including Anello, Bossini, Brooks Brothers, Charles & Keith, Esprit, Etam, OVS and Radley, while 18% are operated under home and kitchenware brands including Joseph Joseph, Zwilling J.A. Henckels and Bodum.

Retail Trading's Outlet Breakdown

	2Q20	**Chg q-q**	**Chg y-y**
Fashion	384	-9	-33
Home & Kitchenware	82	2	3
Total Outlets	**466**	**-7**	**-30**

Due to temporary closure of most of the retail outlets and weak retail environment amidst COVID-19 lockdown, total retail trading & contract manufacturing revenue in 2Q20 decreased by 49% y-y, mainly from fashion business. Nevertheless, revenue improved m-m as outlets re-opened in the middle of May as a result of second phase of lockdown relaxation in Thailand. Particularly, strong performance of home & kitchenware and manufacturing units helped mitigate the slowdown in fashion sales in the quarter. Online channels, e-commerce market place and corporate sales were the key sales drivers of home & kitchenware while manufacturing operations were supported by robust sanitizer sales and strong demand from FMCG customers on cleaning products.

In terms of operating profit, home & kitchenware and manufacturing businesses reported higher margins, driven by sales flow through and higher margin from retail sales of sanitizer. Furthermore, cost saving initiatives including rental negotiation, and savings in personnel and advertising & promotion expenses have helped alleviate the sales shortfall of fashion operation and loss contribution of Scomadi. Accordingly, 2Q20 core EBITDA of retail trading & contract manufacturing excluding the impact from TFRS16 turned into a loss of Baht 47 million. Including the impact from the adoption of TFRS16, EBITDA loss in 2Q20 was at Baht 29 million.

1H20 revenue from retail trading & contract manufacturing decreased by 34% y-y while core EBITDA excluding the impact from TFRS16 in 1H20 dipped into loss of Baht 89 million from positive EBITDA in the same period last year due to the similar above-mentioned reasons. Including the adoption of TFRS16, 1H20 core EBITDA was a loss of Baht 36 million.

Financial Performance*

Bt million	**2Q20**	**2Q19**	**%Chg**
Retail Trading	331	909	-64
Manufacturing	240	211	14
Total Revenue**	**571**	**1,120**	**-49**
EBITDA	**-29**	**62**	**-148**
EBITDA Margin (%)	**-5.2**	**5.5**	
EBITDA (pre-TFRS16)	-47	62	-177
EBITDA Margin (%) (pre-TFRS16)	-8.3	5.5	
	1H20	**1H19**	**%Chg**
Retail Trading	1,023	1,864	-45
Manufacturing	533	507	5
Total Revenue**	**1,556**	**2,370**	**-34**
EBITDA	**-36**	**145**	**-125**
EBITDA Margin (%)	**-2.3**	**6.1**	
EBITDA (pre-TFRS16)	-89	145	-161
EBITDA Margin (%) (pre-TFRS16)	-5.7	6.1	

* Exclude non-core items as detailed in the table on page 2 but include the impact of TFRS16

** Include share of profit and other income

Balance Sheet & Cash Flows

At the end of 2Q20, MINT reported total assets of Baht 349,711 million, a rise of Baht 95,527 million from Baht 254,184 million at the end of 2019. The increase was primarily attributable to (1) Baht 6,183 million increase in cash due to liquidity management, (2) Baht 2,408 million increase in intangible assets mainly as a result of the acquisition of Spoonful in 1Q20 in which MINT has obtained the master franchise rights to expand Bonchon chicken in Thailand (3) Baht 2,922 million of derivative assets from the adoption of TFRS9 and (4) Baht 88,021 million of right of use assets from the adoption of TFRS16.

MINT reported total liabilities of Baht 271,736 million at the end of 2Q20, an increase of Baht 103,420 million from Baht 168,316 million at the end of 2019. The increase was mainly due to (1) a rise in net financing of Baht 14,736 million from long-term borrowings and (2) Baht 92,958 million of financial lease liabilities as a result of TFRS16 adoption.

Shareholders' equity decreased by Baht 7,893 million, from Baht 85,868 million at the end of 2019 to Baht 77,975 million at the end of 2Q20, owing mainly to (1) reported 1H20 post-TFRS16 net loss of Baht 10,221 million, (2) interest paid on perpetual bonds of Baht 661 million and (3) the majority of the remaining is from the adverse impact from the difference between right of use assets and financial lease liabilities as a result of the adoption of TFRS16, netted with the proceeds from the issuance of perpetual bond amounting to Baht 8,320 million.

For the first six months of 2020, MINT and its subsidiaries reported negative cash flows from operations of Baht 2,580 million, a decrease of Baht 8,736 million y-y. This was mainly from the net decrease in 1H20 bottom line and the net decrease related to the foreign exchange translations of Baht 7,560 million.

Cash flow paid for investing activities was Baht 7,456 million, primarily due to capital expenditures of hotel, restaurant and other businesses including the acquisition of Bonchon operations in Thailand in 1Q20 and an increase of investment in BreadTalk Group in 2Q20.

The Company reported net cash receipt for financing activities of Baht 15,930 million, primarily due to cash received from short-term and long-term borrowings from financial institutions, as well as, from the issuance of perpetual bond with total amount of Baht 64,179 million, netted of with repayments of debt financing of Baht 42,567 million and interest paid on perpetual debentures of Baht 661 million.

In summary, cash flows from operating, investing and financing activities resulted in an increase of MINT's net cash and cash equivalents of Baht 5,894 million in 1H20.

In terms of cash burn, which is defined as operating cash flow, repayment of lease liabilities and net CAPEX, turned negative since January onwards amidst lockdown during the pandemic and were negative Baht 15,000 million in 1H20. In any case, negative operating cash outflow already peaked in May during the worst months of the pandemic and thus cash burn rate improved since June as operations started to resume. Further free cash flow recovery is expected in the second half of this year from the increased business activities, together with cost-cutting initiatives and CAPEX suspension.

Financial Ratio Analysis

MINT's gross profit margin declined from 45.4% in 1H19 to 20.5% in 1H20, due mainly to softer margins of all three businesses from the COVID-19 impact and the impact of TFRS16. MINT reported pre-TFRS16 core net loss margin of 35.5% in 1H20 from core net profit margin of 4.5% in 1H19. Lower flow-through from revenue shortfall pressured MINT's bottom line.

Annualized return on equity excluding the impact of TFRS-16 was negative at 23.0% in 1H20 from positive return on equity of 6.7% in 1H19, as a result of core loss in the first half of the year. Correspondingly, MINT recorded negative pre-TFRS16 annualized return on assets of 7.5% in 1H20.

Collection days increased from 46 days in 1H19 to 77 days in 1H20 due to a decline of total revenue which was impacted by COVID-19 pandemic. Meanwhile, the provision for impairment as a percentage of gross trade receivables increased significantly from 4.2% in 1H19 to 18.2% in 1H20, because of the new TFRS9 where the methodology of calculating the amount of provision for impairment is more conservative, with additional forward-looking assumptions to record provision.

MINT's inventory comprises primarily raw materials, work-in-process and finished products of the restaurant and retail trading & contract manufacturing businesses. Inventory days rose from 25 days in 1H19 to 52 days in 1H20, mainly from higher amount of inventory due to temporary closures of some hotels, restaurants and retail trading stores amidst COVID-19 outbreak. Account payable days increased from 75 days in 1H19 to 120 days in 1H20, from lower amount of cost of sale due to lower business volume and cost saving initiatives.

Current ratio decreased to 1.0x in 2Q20, compared to 1.1x at the end of 2019, mainly due to the adoption of TFRS16 which resulted in a large amount of current portion of finance lease liabilities. According to MINT's new debt covenant which carves out lease liabilities in calculating the gearing ratio, interest bearing debt to equity rose from 1.3x at the end of 2019 to 1.6x in 2Q20, primarily attributable to higher borrowings from financial institution and lower equity base from net loss in the first half of the year and the impact of TFRS16. Interest coverage ratio turned to negative 0.1x in 1H20, compared to 2.9x in 1H19 due negative cash flows from operations.

Financial Ratio Analysis*		
Profitability Ratio	**30 June 20**	**30 June 19**
Gross Profit Margin (%)	20.5	45.4
Net Profit Margin (%)	-35.0	3.9
Core Net Profit Margin** (%)	-35.5	4.5
Efficiency Ratio* **	**30 June 20**	**30 June 19**
Return on Equity** (%)	-23.0	6.7
Return on Assets** (%)	-7.5	2.1
Collection Period (days)	77	46
Inventory (days)	52	25
Accounts Payable (days)	120	75
Liquidity Ratio	**30 June 20**	**31 Dec 19**
Current Ratio (x)	1.0	1.1
Leverage & Financial Policy	**30 June 20**	**31 Dec 19**
Interest Bearing Debt/Equity (x)	1.6	1.3
Net Interest Bearing Debt/Equity (x)	1.4	1.2
	30 June 20	**30 June 19**
Interest Coverage (x)	-0.1	2.9

* Include the impact of TFRS16 except for Return on Equity and Return on Asset ratios
** Exclude non-core items as detailed in the table on page 2
*** In an annualized term

Management's Outlook

Before the COVID-19 pandemic, MINT has started to implement enterprise-wide transformation across all businesses. The transformation covers various areas; ranging from business strategy, organization structure, leadership and people, process and productivity, digital and technology, also culture and value. The COVID-19 outbreak was a catalyst to help accelerate the transformation process and has allowed MINT to become a leaner and more efficient organization. Amidst the COVID-19 situation, immediate actions including cost cutting initiatives, liquidity and cash flow management and balance sheet management were implemented. The results of the cost saving measures were apparent in 2Q20 and will continue for the remaining of the year. At this point, the business re-opening has already begun and business environment has improved at all fronts. Currently, over 70% of MINT's total hotel portfolio are operational and over 90% of Minor Food's restaurants have re-opened its doors. By year end, MINT expects that all of its properties and restaurants will be in operation with improving performance. MINT will continue to strengthen its brand equity, rationalize cost structure, re-configure workforce and adjust to the changing consumer behavior with the new normal way of life. The Company also focuses on optimizing product sourcing and logistic network for supply chain.

Minor Hotels

Minor Hotels has carried out prudent re-opening strategy with a focus on optimizing profitability, as well as differentiating itself from the competition. Health and safety best practices, together with third-party certifications remained one of the priorities. Since the hotel re-opening, hotel businesses in most of the regions where Minor Hotels has presence have been driven by domestic and regional tourism. For example, hotels in Europe displayed a good recovery, driven by high intra-European travels. Gradual recovery from local business volumes were also seen in other key regions including Asia, Australia, the Middle East and Africa. Later in the year, demand from regional markets are expected to accelerate once countries start to open their borders and will be followed by international travels. Furthermore, AVC sales operations are also improving with new sales office in Tianjin, China in addition to the ones in Guang Zhou, Shanghai and Guiyang.

Minor Food

For the remaining of 2020, Minor Food's key priority in the short-term is to improve the performance via both the top-line growth and margin improvement. New product development, attractive marketing campaigns and outlet expansion with the right format will be the key drivers for revenue growth while optimization of cost of goods sold through effective centralized supply chain, cost saving measures and high operating leverage will be the key catalysts for the net profit growth. Over the medium term, Minor Food will accelerate its corporate transformation, especially in digital and innovation.

Digital strategy has long been a part of MINT's five-year plan, and today delivery, which is the critical part of such strategy, shows strong sales momentum, especially during this difficult time amidst COVID-19 outbreak across all three main hubs. Minor Food will continue to enhance its delivery platform with objective to grow further the number of application customers by implementing more aggressive recruitment strategy. In the meantime, the emphasis will also be put in boosting user engagement through exceptional ordering and delivery experience. This will help the brands to drive the business growth in the long term and accelerate any growth potential.

Minor Lifestyle

The focus remains to be driving revenue through e-commerce channels with more marketplace and new online platform, strategic partnership by aligning with department stores' campaigns and leveraging customer relations management database. Meanwhile, sales of sanitizer and cleaning products, as well as kitchenware continue to show improving trends.

Cash Flow and Balance Sheet Management

Given the successful comprehensive capital raising plan including issuance USD perpetual bonds and the rights offering issuance with a combined amount of approximately Baht 20 billion, MINT is sitting on cash and credit facilities of Baht 62 billion which is more than sufficient to run its operations going forward and acting as a cushion for any unexpected uncertainty amidst the currently improving COVID-19 situation. Additionally, warrants which are likely to be exercised are expected to provide another Baht 5 billion of equity for the Company. In the meantime, MINT continues to implement cost cutting and preserve cash flow and liquidity to ensure the continuity of the businesses.

MINT has already sailed through the most challenging time during the second quarter of this year. Going forward, more substantial recovery is expected and the Company will emerge stronger in every facet of the event. MINT is committed to deliver positive impact to its stakeholders, with its carefully crafted strategies and business execution.

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Mr. Chaiyapat Paitoon
Chief Strategy Officer