

## Executive Summary

**The Company reported net loss of THB 60 million in 3Q18, an increase of 9.9% yoy from net loss of THB 55 million in 3Q17. In 9M18, net profit was THB 170million, an increase from net loss of THB 23million in 9M17, mainly driven by the continuous growth of hotel business, gain from sales of long-term investment, an increase in the share of profit from investment, and a decrease in depreciation and amortization.**

In 3Q18, Dusit Thani PLC (“the Company”) reported total revenue of THB 1,121 million, contributed by an increase in revenue from Hotel Business, primarily from owned hotels overseas, despite an adverse impact from an exchange on translated financial statements due to an appreciation of the Thai Baht from 3Q17. Other Income increased from the share of profit from investment in DREIT and food business, which the company invested in 1Q18. Total revenue decreased by 5.3% from 3Q17 due to a decrease in revenue from Education Business and revenue recognition from leased right assignment in the same period last year.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) was THB 84 million, declining by THB 50million.

In 9M18, the Company reported total revenue of THB 3,943million, an increase of 4.4% yoy, mainly from an increase in revenue from hotel business with maintaining flat cost of sales and services together with increase in Other Income, contributed by the gain on sales of long-term investments. This resulted in a 31.0% yoy increase in EBITDA to THB 693million. Excluding the gain on sale of investment in 9M18, the Company reported core EBITDA of THB 656million and core net profit of THB 140million, a growth of 23.9% yoy and 708.7% yoy respectively.

Unit: THB mn	3Q18	3Q17	Change		9M18	9M17	Change	
Hotel business	1,008	997	11	1.1%	3,328	3,311	17	0.5%
Education business	98	99	-1	-1.0%	301	314	-13	-4.1%
Others	15	88	-73	-83.0%	314	152	162	106.8%
<b>Total revenue</b>	<b>1,121</b>	<b>1,184</b>	<b>-63</b>	<b>-5.3%</b>	<b>3,943</b>	<b>3,777</b>	<b>166</b>	<b>4.4%</b>
EBITDA	84	134	-50	-37.3%	693	529	164	31.0%
EBIT	-37	-23	-14	-60.9%	312	52	260	500.8%
<b>Net profit (loss)</b>	<b>-60</b>	<b>-55</b>	<b>-5</b>	<b>-9.9%</b>	<b>170</b>	<b>-23</b>	<b>193</b>	<b>840.6%</b>
EPS (THB)	-0.072	-0.065	-0.006	-9.9%	0.202	-0.027	0.229	840.6%

In correspondence to the group restructuring plan, the management has expected a stable or slightly growing Revenue over the next few years, considering an operational effect on several hotels from a refurbishment program for performance uplift and the cease of operation of Dusit Thani Bangkok (which is the key revenue engine to the group) on 5 January 2019. Aiming to maintain return to shareholder, the management has formulated business strategy and implemented group restructuring to streamline the business and enhance flexibility, which attributable to well-achieved performance in 9M18 as expected.

### Major Development in 3Q18

On 13 September 2018, the Company has issued 1/2018 senior secured and non-collateral corporate bond with total amount of THB 1bn. The bonds has 3-year maturity with fixed coupon rate of 3.5% per annum, semiannually paid throughout the term with TRIS rating BBB+ and stable outlook.

On 18 September 2018, the Company has taken full control interest in LVM Holdings Pte Ltd which market and manage 220 luxury villas / vacation houses under Elite Havens brand, at which portfolio of luxurious villas resided in Indonesia, Maldives, Sri Lanka, Thailand and Japan.

One of overseas associate, Dusit Hospitality Education Philippines Inc., completed a capital increase to Peso 525 million. The Company's subsidiary has invested an additional of THB 24 million resulting in a marginal increase of 0.38% shareholding to 40.38%.

In September 2018, the Company has started operating under hotel management agreement with the Heritage Villa Zhouzhuang, a villa type hotel consisting of 33 villas.

### **3Q18 Performance Highlight:**

In 3Q18, the Company reported total revenue of THB 1,121 million, a 5.3% growth yoy. The sources of revenue comprised Hotel Business, Education Business and Others Business.

Revenue breakdown				EBITDA breakdown				
Unit: THB mn	3Q18	3Q17	Change	3Q18	3Q17	Change		
Hotel business	1,008	997	11	1.1%	126	176	-50	-28.4%
Education business	98	99	-1	-1.0%	-4	-3	-1	-33.3%
Others	15	88	-73	-83.0%	-38	-39	1	2.6%
<b>Total revenue</b>	<b>1,121</b>	<b>1,184</b>	<b>-63</b>	<b>-5.3%</b>	<b>84</b>	<b>134</b>	<b>-50</b>	<b>-37.3%</b>

In 3Q18, Hotel Business, Education Business and Other Business accounted for 90%, 9% and 1% of total revenue, respectively.

### **Hotel Business**

In 3Q18, Revenue from Hotel Business was THB 1,008 million, a slight increase of 1.1% yoy, contributed by a continuous growth of Revenue from Owned Hotel Overseas despite an adverse effect on the translated financial statements from Thai baht appreciation.

- **Owned Hotel**

	3Q18	3Q17	% Change
Occupancy %	73.8%	70.6%	4.7%
ADR (THB/night)	3,065	3,114	-1.6%
RevPar (THB/night)	2,263	2,197	3.0%

*Remark : Hotel statistics exclude Dusit Princess Korate ("DPKO") for comparative purpose*

Revenue from Owned Hotels was THB 954 million in 3Q18, increasing by 0.9% from 3Q17. Excluding Dusit Princess Korat Hotel, which was disposed in late 2017, Revenue from Owned Hotel increased by 3.1% from 3Q17, contributed by

- Revenue from Owned Hotels in Thailand, excluding Dusit Princess Korat Hotel (for comparison purposes), maintained at the same level as in 3Q17. Dusit Thani Laguna Phuket Hotel and Dusit Thani Pattaya Hotel showing a revenue increase from last year due to increased room inventory following the completion of rooms renovation while increase in revenue at Dusit Thani Huahin contributed by improved occupancy rate.

- Revenue from Owned Hotels Overseas improved by 9.1% yoy while foreign exchange had adverse impact resulting from THB appreciation against USD and PHP. Without such FX impact, revenue from overseas owned hotel should have been increased 13.0%. Revenue increase were contributed from Dusit Thani Manila resulting from increase in room inventory after the completion of hotel renovation while Dusit Thani Maldives benefited from higher ADR.

- **Hotel Management**

Revenue from Hotel Management was THB 59 million in 3Q18, demonstrating 3.5% growth yoy compared to 3Q17, resulting from a stronger operational performance of Dusit Thani Lakeview Cairo Hotel, Dusit D2B Nairobi Hotel and, Dusit Thani Guam Resort.

- **Share of Losses from Investment**

In 3Q18, share of losses from investment in Hotel Business was THB 5 million flat yoy

The Company reported EBITDA from Hotel Business THB 126 million in 3Q18, a 28.4% decrease from 3Q17. The decline was attributable to an increase in rental expenses due to a change in accounting entry for the hotels under Dusit Thani Freehold and Leasehold REIT (DREIT).

Depreciation expenses decreased by 37.3% from 3Q17 to THB 98 million in 3Q18 as some assets under Dusit Thani Bangkok Hotel and Dusit Thani Pattaya Hotel have been fully depreciated. In addition, this was due to a decrease in depreciation expenses from Dusit Princess Korat as a result of the asset disposal in late 2017.

### **Education Business**

In 3Q18, revenue from Education Business was total of THB 98 million, a slight decrease of 1.0% yoy, mainly from a decrease in revenue from Dusit Thani College resulting from fierce competitions and dropping in new student enrollment which is a structural issue in academic system. In addition, the decline was due to a decrease in share of profits from Le Cordon Bleu Dusit, netted off a decrease in share of loss from investment in Dusit Hospitality Education Philippines Inc.

In 3Q18, a loss in EBITDA from Education Business was THB 4million, decreasing by 1million or 33.3% yoy.

### **Other Business**

Revenue from Other Business was THB 15 million in 3Q18, an 83.0% decrease yoy, contributed by THB 90 million realized the Leased right assignment incurred last year, netted off an increase in share of profit from DRIET of THB 48million and THB 8million share of profit from investment in NRIP.

In 3Q18, net loss in EBITDA from Other Business was THB 38 million, increasing 2.6% from the previous year due to the aforesaid factors.

### **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)**

In 3Q18, EBITDA was THB 84 million, falling by 37.3% from 3Q17. A relatively decrease in EBITDA was owing to THB 90 million realized leased right assignment income incurred in the previous year and a decrease in EBITDA from Hotel Business.

**Finance Cost**

In 3Q18, Finance Cost was THB 15million, maintained at the same level as in 3Q17.

**Net Profit**

The Company reported net loss of THB 60 million, increasing loss by 9.9% from 3Q17, due to aforesaid factors.

**9M18 Operation Result**

In 9M18, the Company reported the total revenue of THB 3,493 million, an increase of 4.4% yoy from 3Q17

Revenue breakdown				EBITDA breakdown				
Unit: THB mn	9M18	9M17	Change	9M18	9M17	Change		
Hotel business	3,328	3,311	17	0.5%	594	599	-5	-0.8%
Education business	301	314	-13	-4.1%	12	23	-11	-47.8%
Others	314	152	162	106.8%	87	-93	180	193.5%
<b>Total</b>	<b>3,943</b>	<b>3,777</b>	<b>166</b>	<b>4.4%</b>	<b>693</b>	<b>529</b>	<b>164</b>	<b>31.0%</b>

Hotel Business, Education Business and Other Business accounted for 84%, 8% and 8% of total revenue, respectively.

EBITDA from Hotel Business, Education Business and Other Business was 86%, 2% and 12% of total EBITDA, respectively.

**Hotel Business**

In 9M18, Revenue from Hotel Business was THB 3,328 million, a 0.5% growth yoy from 9M17.

- Owned Hotels**

	9M18	9M17	% Change
Occupancy %	76.8%	71.8%	6.9%
ADR (THB/night)	3,497	3,551	-1.5%
RevPar (THB/night)	2,684	2,551	5.2%

*Remark : Hotel statistics exclude Dusit Princess Korate ("DPKO") for comparative purpose*

Owned Hotels reported revenue in 9M18 of THB 3,178 million, an increase of 0.2% yoy, or 2.3% yoy, excluding Dusit Princess Korat Hotel.

- Revenue from Owned Hotels in Thailand, excluding Dusit Princess Korat Hotel, increased by 0.7% yoy. The growth was mainly driven by an increase in revenue from Dusit Thani Laguna Phuket, Dusit Thani Pattaya hotel and Dusit Thani Huahin resulting from higher occupancy.
- Revenue from Overseas Hotels was up by 5.5% yoy despite an adverse impact on the translated financial statements from foreign currency exchange due to Thai Baht appreciate against US Dollars and Philippines Peso since the beginning of the year. Dusit Thani Maldives Hotel reported an increase in revenue driven by higher average room rate per night (in USD currency) and higher occupancy rate from the main source countries: China, Russian and Korea. Dusit Thani Manila Hotel reported 8.9% revenue growth (in Peso currency) driven by an expanding room inventory after the completion of hotel renovation.

- **Hotel Management**

Revenue from Hotel Management in 9M18 was THB 164 million, an increase of 9.3% yoy, primarily from a stronger operational performance of Dusit Thani LakeView Cairo, Dusit D2 Hotel Khao Yai and Dusit Thani Guam Hotel.

- **Share of Losses from Investment**

Share of losses from investment for the first nine months in 2018 was THB 14 million, an additional loss of THB 2 million from 9M17. This was due to an increase in loss on exchange rates from foreign-currency loan and interest expenses of Dusit Fudu Hotel Management (Shanghai) Company Limited in China even though the hotel operational performance has been improved.

EBITDA of Hotel Business in 9M18 was THB 594 million, maintained at the same level as in 9M17.

Depreciation and Amortization in 9M18 was THB 305 million, a decrease of 28.6% from that in 9M17, as some assets under Dusit Thani Bangkok Hotel and Dusit Thani Pattaya Hotel have been fully depreciated. In addition, this was due to a decrease in depreciation expenses from Dusit Princess Korat as a result of the asset disposal in late 2017.

### **Education Business**

In 9M18, the total revenue from Education Business including share of profit from investment was THB 301 million, falling by 4.1% yoy, owing to a decrease in revenue from Dusit Thani College and the increase in share of losses from investment in Dusit Hospitality Education Philippines Inc. from increase in personnel cost in preparation for new college opening in 2019.

EBITDA of Education Business was THB 12 million, declining by 47.8% yoy.

### **Other Businesses**

In 9M18, revenue from Other Businesses was increased by 106.8% yoy to THB 314 million, contributed by THB 169 million gain on sales of long-term investments which was invested in 1Q18, THB 38 million gain on sales of investment in LRH in 2Q18, an increase in share of profits from an investment in DREIT and Food Business, and offset by THB 90 million realized on the Leased right assignment in 3Q17

EBITDA from Other Businesses was increased by 193.5% from that in 9M17 to THB 87million in 9M18, mainly attributable to the aforesaid drivers.

### **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)**

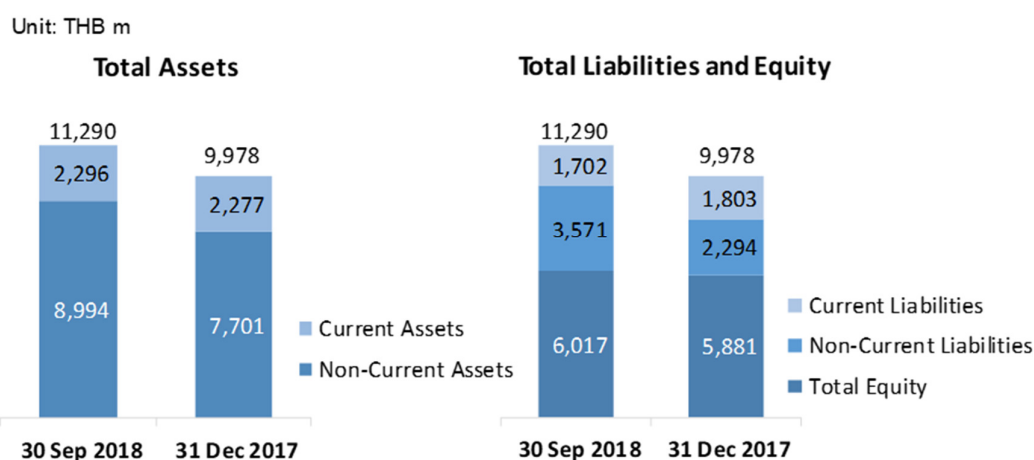
9M18 EBITDA was THB 693 million, an increase of 31.0% yoy. This was mainly contributed by gain on sales of investments despite a negative impact from rising general and administrative expenses.

### **Finance Cost**

The Company reported Finance Cost of THB 42 million, declining by 4.5% yoy, due to partial short-term and long-term loan repayment during the year.

**Net Profit**

In 9M18, the Company reported net profit of THB 170 million, an increase from net loss THB 23million or by 840.6% yoy from the sales of investments and an increase in share of profit from investment.

**Assets**

As of 30 September 2018, the Company reported total assets of THB 11,290 million, an increase of THB 1,312 million or 13.1% from 31 December 2017.

- Current assets increased by THB 19 million due to an increase in account receivables and cash and cash equivalents
- Non-current assets increased by THB 1,293 million mainly from an increase of investment in associate NRIP and investment in subsidiaries, LVM Holdings Pte Ltd. under intangible assets, trademarks and goodwill.

**Liabilities**

As of 30 September 2018, the Company reported total liabilities of THB 5,273 million, an increase of THB 1,175 million or 28.7% from 31 December 2017.

- Current Liabilities decreased by THB101 million due to repayment of loan repayment.
- Non-Current Liabilities increased by THB 1,277 million, mainly from bond issuance in September 2018 and deposit received for building lease, following an agreement for the development of mix-used project.

**Shareholders' Equity**

As of 30 September 2018, Shareholders' Equity was THB 6,017 million, an increase of THB 2.3 million from 31 December 2017, consisting of the equity attributed to owners of the parent of THB 4,930 million, and the non-controlling interest of THB 1,087 million.

**Cash Flows**

As of 30 September 2018, the Company reported cash and cash equivalents of THB 1,065 million, an increase of THB 44 million from THB 1,021 million as of 31 December 2017, taking into account an impact from foreign currency exchange.

### Source of Funds

The Company had net cash inflow of THB 701 million from

- Net cash received from operation of THB 521 million was partly from cash inflow from sales and services, netted off with cash outflow for expenses and income tax payment
- Cash inflow from financing activities of THB 180 million mainly owing to THB 997 million bond issuance, net off with short-term and long-term loan repayment of THB 628 million, interest payment of THB 43 million, and dividend payment of THB 164 million.

### Use of Funds

The company reported net cash outflow of THB 650 million, mainly comprising

- THB 681 million for an investment in NRIP, THB 24 million capital increase in overseas associate, THB 249 million for the purchase of subsidiaries, THB 86 million related company loan repayment, and THB 339 million purchase of assets, netted against THB 492 million deposit for building lease and THB 219 million proceeds from the sale of available-for-sale investments and other long-term investments, and THB 37 million dividend from associate.

## Statement of Financial Position

Unit: THB mn	30-Sep-18	% to total assets	31-Dec-17	% to total assets	Chg
Cash and cash equivalents	1,065	9.4%	1,021	10.2%	4.3%
Short-term investments	457	4.0%	448	4.5%	2.1%
Trade and other receivables	601	5.3%	536	5.4%	12.1%
Others current assets	172	1.5%	272	2.7%	-36.6%
<b>Total current assets</b>	<b>2,296</b>	<b>20.3%</b>	<b>2,277</b>	<b>22.8%</b>	<b>0.8%</b>
Available-for-sale investments	589	5.2%	476	4.8%	23.8%
Investment in associates	1,990	17.6%	1,276	12.8%	56.0%
Property, plant and equipment	4,235	37.5%	4,322	43.3%	-2.0%
Prepaid rental of land and bulidings	838	7.4%	847	8.5%	-1.0%
Others non-current assets	1,342	11.9%	780	7.8%	71.9%
<b>Total non-current assets</b>	<b>8,994</b>	<b>79.7%</b>	<b>7,701</b>	<b>77.2%</b>	<b>16.8%</b>
<b>Total assets</b>	<b>11,290</b>	<b>100.0%</b>	<b>9,978</b>	<b>100.0%</b>	<b>13.1%</b>
Bank O/D and short term loans	167	1.5%	544	5.4%	-69.3%
Trade and other payables	1,128	10.0%	882	8.8%	27.9%
Current portion of acquisition payable	65	0.6%	-	-	-
Current portion of long term loans	233	2.1%	213	2.1%	9.4%
Others current liabilities	108	1.0%	164	1.6%	-34.0%
<b>Total current liabilities</b>	<b>1,702</b>	<b>15.1%</b>	<b>1,803</b>	<b>18.1%</b>	<b>-5.6%</b>
Acquisition payable	59	0.5%	-	-	-
Long term loans	605	5.4%	919	9.2%	-34.2%
Debenture	997	8.8%	-	-	-
Deferred rental revenue	540	4.8%	559	5.6%	-3.4%
Others non-current liabilities	1,429	12.7%	816	8.2%	75.2%
<b>Total non-current liabilities</b>	<b>3,571</b>	<b>31.6%</b>	<b>2,294</b>	<b>23.0%</b>	<b>55.6%</b>
<b>Total liabilities</b>	<b>5,273</b>	<b>46.7%</b>	<b>4,098</b>	<b>41.1%</b>	<b>28.7%</b>
Equity attrtributable to owners of the	4,930	43.7%	4,824	48.3%	2.2%
Non-controlling interests	1,087	9.6%	1,057	10.6%	2.8%
<b>Total shareholders' equity</b>	<b>6,017</b>	<b>53.3%</b>	<b>5,881</b>	<b>58.9%</b>	<b>2.3%</b>

## Key Financial Ratio

	30-Sep-18	30-Sep-17
<b>Profitability ratio</b>		
Gross profit margin	29.6%	26.9%
EBITDA margin	17.6%	14.0%
Net profit margin	4.3%	-0.6%
<b>Efficiency ratio</b>	<b>30-Sep-18</b>	<b>30-Sep-17</b>
Return on equity*	9.7%	1.1%
Return on asset*	7.0%	1.5%
<b>Liquidity ratio</b>	<b>30-Sep-18</b>	<b>31-Dec-17</b>
Current ratio (time)	1.35	1.26
<b>Leverage ratio</b>	<b>30-Sep-18</b>	<b>31-Dec-17</b>
Interest bearing debt to equity (time)	0.41	0.35
Net interest bearing debt to equity (time)	0.10	0.04
Debt to equity (time)	1.07	0.85
	<b>30-Sep-18</b>	<b>30-Sep-17</b>
Interest coverage ratio (time) **	7.46	1.17

\*Annualized

\*\* EBIT/Interest expense



Profitability ratio remained resilient in 3Q18, showing improved EBITDA margin and net profit margin. Liquidity ratio was 1.35 times as the Company use short-term loan, bond and cash deposit as source of fund for Investment in Associates and purchase of Property, Plant and Equipment (PPE)

The Company maintained healthy financial position and sturdy debt service capacity with interest-bearing debt-to-equity ratio of 0.10 times.

## **2018 Outlook**

### **Maintain 2018 forecast, yet adjust down new hotels opening**

- Despite Boat tragedy in Phuket effect to the number of Chinese tourists in Q3, however The Company still expects 2018 core revenue to increase by 5%, contributed by the growth mainly from Dusit Thani Hotels in Manila, Maldives and Pattaya. EBITDA Margin from Core Business for the year 2018 is estimated to remain at 15.0%.
- The Investment for the year 2018 has been adjusted from THB 625 million. 2018 investment plan includes the following projects:
  - THB 355 million for the refurbishment of hotels in Maldives, Pattaya and Srinakarin, the renovation of Dusit Thani College, the investment in IT and Software systems; and the relocation of the head office
  - THB 270 million for the Mixed-Use Property Development Project
- Expected to open 6 new hotels managed by Dusit International in 2018 it decreases from previous quarter, delaying open the hotels is mainly from owner readiness.
- Education business, Dusit Thani College has been adjusting strategy to increase revenue from Degree program by improving curriculum to be met with market needed as well as Non-Degree program to focus on enhancing potential of student and cooperation with hotel to support human resource.