

## Executive Summary

*The company reported net profit of THB 267 million in 2017 driven mainly by the gain on sale of Dusit Thani Princess Korat.*

The Company reported total revenue of THB 5,570 million in 2017, an increase of 2.7% yoy, mainly driven by a gain on sale of Dusit Princess Korat of THB 325 million in correspondence to the group's asset restructuring. Without this non-recurring gain, total revenue was THB 5,245 million, a 3.3% decrease from 2016. The decline was attributable to the renovation of three hotels under Dusit Thani brand, and caused by a temporarily weaker demand from catering and convention during the mourning period and the royal funeral of King Bhumibol Adulyadej.

Earnings before interest, tax, depreciation and amortization (EBITDA) was THB 1,099 million in 2017, an increase of 19.6 % yoy, due mainly to a gain on sales of Dusit Princess Korat despite lower revenue and higher administrative expense to support business expansion. Without the non-recurring profit related to sale of Dusit Princess Korat, core EBITDA was THB 806 million, a 12.3% decrease from 2016.

The Company reported net profit of THB 267 million in 2017, a growth of 134.0% yoy. Net profit excluding gain on the sale of Dusit Princess Korat was THB 64 million, a decrease of 44.3% yoy.

## **Overall Performance**

<b>Unit: THB mn</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Hotel business	4,590	4,814	(224)	-4.7%
Education business	442	474	(32)	-6.8%
Others	538	136	402	295.6%
<b>Total revenue</b>	<b>5,570</b>	<b>5,425</b>	<b>145</b>	<b>2.7%</b>
EBITDA	1,099	919	180	19.6%
EBIT	470	214	256	119.5%
<b>Net profit (loss)</b>	<b>267</b>	<b>114</b>	<b>153</b>	<b>134.0%</b>
EPS (THB)	0.316	0.135	0.181	134.0%

## **Major Developments in 4Q17**

The SEC approved the issuance and offering for sale of 409.4 million DREIT trust units as listed securities on the SET and start trading on the 15 December 2017. The conversion of DTCPF to DREIT is a part of the Company's business plan to strengthen financial capability.

Dusit Thai Properties PCL, the Company's subsidiaries sold Dusit Princess Korat Hotel, comprising land, building and other related assets, at THB 565 million. Gain before deducting relating costs was THB 325 million.

## Business Segment Performance

In 2017, total revenue was THB 5,570 million, decreasing by 2.7 % from last year. Total revenue and EBITDA breakdown is as follows:

### Revenue Breakdown

Unit: THB mn	2017	2016	% Chg
Hotel	4,590	4,814	-4.7
Education	442	474	-6.8
Others	538	136	295.6
Total	5,570	5,425	2.7

### EBITDA Breakdown

Unit: THB mn	2017	2016	% Chg
Hotel	855	904	-5.4
Education	50	112	-55.0
Others	194	-97	301.1
Total	1,099	919	19.6

In 2017, Hotel business and education business accounted for 82% and 8% of total revenue. Other business, including gain on sale of Dusit Princess Korat Hotel and lease right assignment fee in the amount of THB 90 million, contributed the remaining 10%. For the year 2017, Hotel business and education business represented 78% and 5% of total EBITDA respectively, while other business contributed the remaining 17%.

## Hotel Business

Total revenue from hotel business was THB 4,590 million in 2017, a decrease of 4.7% yoy, comprising owned hotel, hotel management, and share of profits/losses from investments.

### Owned Hotel

	2017	2016	% Chg
Occupancy (%)	73.3	73.2	1.5
ADR (THB/night)	3,597	3,727	-3.5
RevPar (THB/night)	2,636	2,690	-2.0

Revenue from owned hotel was THB 4,382 million in 2017, decreasing by 4.5% from 2016, contributed by

- Owned hotels in Thailand reported a decreased revenue of 4.5% from the previous year, mainly attributable to lower occupancy and hotel's functions due to an adverse impact of a year-long national mourning on domestic demand, together with a drop in occupancy of Dusit Thani Hua Hin amidst an intense market competition, and the renovation of Dusit Laguna Phuket and Dusit Thani Pattaya.
  - Revenue from the overseas hotel declined by 4.2%, compared to 2016, primarily due to the renovation of Dusit Thani Manila despite better performance of Dusit Thani Maldives from higher occupancy.
- ### Hotel Management
- Revenue from hotel management was THB 224 million, a drop of 14.3% yoy mainly because the Company resolved to settle income of Dusit Thani Guam Resort arising from 2015 operation into 2016. However, Dusit Thani Guam Resort, Dusit Thani Lakeview Kairo, and Dust Thani Abu Dhabi delivered stronger operational performance from 2016.
- ### Share of Profits/Losses from Investments
- Share of losses from investments amounted to THB 17 million in 2017, a lower loss by THB 18 million, compared to THB 35 million share of losses in 2016, mainly driven by a significant decline in loss from Dusit Fudu Hotel Management in China due to an effective cost control.

The Company reported EBITDA from hotel business of THB 855 million in 2017, a 5.4% decrease from 2016. The decline was attributable to 1% decrease in EBITDA from owned hotels due to lower revenue, and higher hotel personnel expenses, which incurred to support the expansion of hotel management business in which the Company has successfully secured the management contracts. The company's EBITDA margin was 18.6%, a slight decline from 18.8% in 2016.

In 2017, depreciation and amortization decreased by 11.6% yoy to THB 536 million, due to the change of estimated useful life of the assets under Dusit Thani Manila to reflect their future economic benefits and to be in line with the Company's depreciation policy. In addition, some assets under other hotels have been fully depreciated.

### **Education Business**

In 2017, revenue from education business including the share of profits from investments totaled THB 442 million, a decrease of 6.8% yoy, mainly from the repositioning of Education Business by closing Dusit Thani Hotel School (DTHS) in 4Q17 to utilize DTHS's building and facilities as a research center for the development of culinary and hospitality programs under Dusit Thani Excellence Center (DTEC) led by Dusit Thani College.

Share of profits from investments in 2017 was THB 13 million, a 56.7% decrease yoy, primarily attributable to a decrease in number of students at Le Cordon Bleu Dusit, which was planned for the relocation after the closure of Dusit Thani Bangkok Hotel, following the development plan of the Mixed-use project.

In 2017, the Company reported EBITDA from education business of THB 50million, decreasing by 55% yoy, mainly attributable to increase in personnel and marketing expenses to improve its capabilities for business expansion and strengthening brand positioning in the market.

Depreciation and amortization decreased by 12.1% from 2016 to THB 47 million as some assets have been fully depreciated.

### **Other Business**

Revenue from other business boosted by 295.6% yoy to THB 538 million in 2017, due mainly to THB 325 million gain on sales of Dusit Princess Korat following the group's asset restructuring and THB 90 million lease right assignment fee.

In 2017, EBITDA from other business amounted to THB 194 million, a 301.1% increase yoy, primarily from an increase in other revenues as aforementioned. An increase in administrative expenses was due to (1) legal and financial advisory fee related to the development of Mixed-use project and group restructuring, (2) higher personnel expenses to support the expansion of the hotel and education businesses as well as new related businesses, and (3) land and building transfer fee incurred from the sales of Dusit Princess Korat.

### **Financing Cost**

Financing cost was THB 59 million in 2017, a decrease of 19.3% yoy due to the Company's long-term loan repayment capacity supported by solid operation, and the impact of strengthened Baht currency, which together helped offset an increase in interest rate.

### **Earnings before interest, tax, depreciation and amortization (EBITDA)**

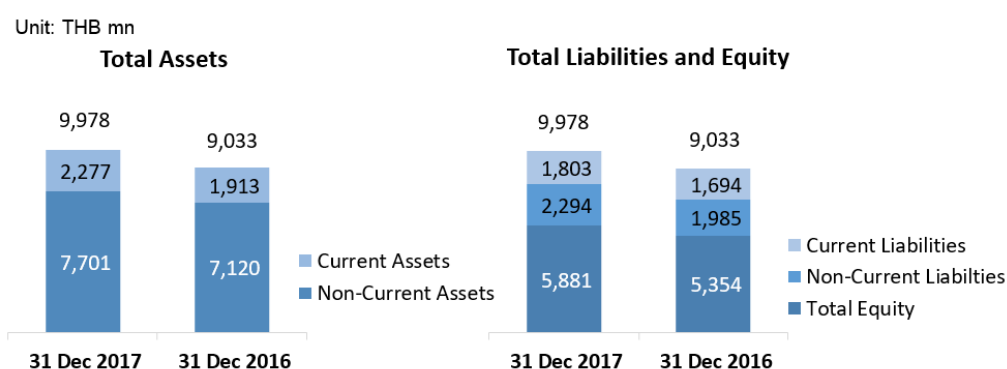
EBITDA was THB 1,099 million in 2017, an increase of 19.6 % yoy, mainly due to a gain on sales of Dusit Princess Korat. A drop in revenue and an increase in administrative expense was to support future

business expansion. Without the non-recurring profit related to sale of Dusit Princess Korat, core EBITDA was THB 806 million, a 12.3% decrease from 2016.

### Net Profit

The Company reported net profit of THB 332 million in 2017, a growth of 117.4% yoy from the aforementioned factors. Net profit attributable to the owners of the Company was THB 267 million, a growth of 134.0% yoy. Excluding gain on the sale of Dusit Princess Korat, core net profit declined by 44.3% yoy to THB 64 million.

### Financial Position



### Assets

As of 31 December 2017, the Company reported total assets of THB 9,978 million, an increase of THB 945 million or 10.5% from 31 December 2016.

- Current assets increased by THB 364 million mainly due to (1) an increase in cash and cash equivalents of THB 151 million, (2) an increase in short-term investment from fixed deposit of subsidiaries of THB 90 million, and (3) an increase in trade and other receivables of THB 74 million.
- Non-current assets increased by THB 581 million. This was mainly from (1) an increase in prepaid rental of land and building of the Mixed-used project to The Crown Property Bureau of THB 771 million, (2) an increase in available-for-sale investments of THB 111 million resulting from fair market value adjustment, and (3) a decrease in property, plant, and equipment (PP&E) and investment properties of THB 423 million from depreciation and the sales of Dusit Princess Korat Hotel of THB 228 million despite an additional investment in PP&E.

### Liabilities

As of 31 December 2017, the Company reported total liabilities of THB 4,098 million, an increase of THB 419 million or 11.4% from 31 December 2016.

- Current liabilities increased by THB 109 million mainly from (1) an increase in bank overdraft and short-term loan from financial institutions of THB 82 million, (2) an increase in current portion of long-term loan of THB 56 million, (3) an increase in income tax payable of THB 49 million, and (4) a decrease in trade and other payables of THB 90 million.
- Non-current liabilities increase by THB 310 million mainly due to (1) the received deposit from building lease arrangement for the Mixed-use project of THB 492 million, and (2) a decrease in net long-term loan of THB 133 million.

## Shareholders' Equity

As of 31 December 2017, shareholders' equity was THB 5,881 million, an increase of THB 527 million or 9.8% from 31 December 2016. Shareholders' equity was contributed by (1) the equity attributable to owners of the Company of THB 4,824 million, increasing by THB 235 million or 5.1%, and (2) non-controlling interest amounted to THB 1,057 million, increasing by THB 292 million or 38.2%.

Unit: THB mn	31-Dec-17	% to total assets	31-Dec-16	% to total assets	Chg
Cash and cash equivalents	1,021	10.2%	870	9.6%	17.3%
Short-term investments	448	4.5%	358	4.0%	25.1%
Trade and other receivables	536	5.4%	463	5.1%	15.9%
Others current assets	272	2.7%	222	2.5%	22.4%
<b>Total current assets</b>	<b>2,277</b>	<b>22.8%</b>	<b>1,913</b>	<b>21.2%</b>	<b>19.0%</b>
Available-for-sale investments	476	4.8%	365	4.0%	30.4%
Investment in associates	1,276	12.8%	1,370	15.2%	-6.9%
Property, plant and equipment	4,322	43.3%	4,690	51.9%	-7.8%
Prepaid rental of land and buildings	847	8.5%	75	0.8%	1022.0%
Others non-current assets	780	7.8%	620	6.9%	25.9%
<b>Total non-current assets</b>	<b>7,701</b>	<b>77.2%</b>	<b>7,120</b>	<b>78.8%</b>	<b>8.2%</b>
<b>Total assets</b>	<b>9,978</b>	<b>100.0%</b>	<b>9,033</b>	<b>100.0%</b>	<b>10.5%</b>
Bank O/D and short term loans	544	5.4%	462	5.1%	17.8%
Trade and other payables	882	8.8%	973	10.8%	-9.3%
Current portion of long term loans	213	2.1%	157	1.7%	35.5%
Others current liabilities	164	1.6%	103	1.1%	59.8%
<b>Total current liabilities</b>	<b>1,803</b>	<b>18.1%</b>	<b>1,694</b>	<b>18.8%</b>	<b>6.4%</b>
Long term loans	919	9.2%	1,053	11.7%	-12.7%
Deferred rental revenue	559	5.6%	584	6.5%	-4.4%
Others non-current liabilities	816	8.2%	348	3.8%	134.7%
<b>Total non-current liabilities</b>	<b>2,294</b>	<b>23.0%</b>	<b>1,985</b>	<b>22.0%</b>	<b>15.6%</b>
<b>Total liabilities</b>	<b>4,098</b>	<b>41.1%</b>	<b>3,679</b>	<b>40.7%</b>	<b>11.4%</b>
Equity attributable to owners of the Company	4,824	48.3%	4,589	50.8%	5.1%
Non-controlling interests	1,057	10.6%	765	8.5%	38.2%
<b>Total shareholders' equity</b>	<b>5,881</b>	<b>58.9%</b>	<b>5,354</b>	<b>59.3%</b>	<b>9.8%</b>

## Cash Flows

As of 31 December 2017, cash and cash equivalents was THB 1,021 million, increasing by THB 169 million and negative effect of exchange rate changes on cash and cash equivalents of THB 19 million from THB 870 million as of 31 December 2016.

## Sources of Funds

The company reported net cash inflow of THB 2,042 million, mainly comprising

- Net cash received from operation of THB 592 million was from cash inflow for revenue from sales and services, netted off with cash outflow for expenses and income tax payment
- Cash inflow from investing activities of THB 1,202 million was due primarily to cash received from the sales of hotel and other assets amounted to THB 567 million, cash deposits received from building lease arrangement of THB 492 million, and cash received from capital reduction of THB 143 million in relation to the conversion of DTCPP into DREIT.

- Cash inflow from financing activities of THB 250 million mainly owing to a capital increase from non-controlling interest in the Company's subsidiaries for the development of the Mixed-use project.

### Uses of Funds

The company reported net cash outflow of THB 1,875 million, mainly comprising

- Prepaid payment for land and building lease of THB 973 million
- The purchase of equipment of THB 696 million
- Deposit for hotel management right in Singapore amounted to THB 75 million
- Investment in associates, joint ventures and others of THB 99 million

### Financial Ratio

The Company's profitability remained resilient in 2017, showing improved profit margin despite uncontrollable external factors and major renovation. Liquidity was maintained at healthy level with current ratio over 1, while capital structure was at optimal level with excellent ability to repay debt.

	31-Dec-17	31-Dec-16	Chg
<b>Profitability ratio</b>			
Gross profit margin	28.2%	28.1%	0.1%
EBITDA margin	19.7%	16.9%	2.8%
Net profit margin	4.8%	2.1%	2.7%
<b>Efficiency ratio</b>			
Return on equity	5.7%	2.5%	3.2%
Return on assets	4.9%	2.3%	2.6%
<b>Liquidity ratio</b>			
Current ratio (time)	1.26	1.13	0.13
<b>Leverage ratio</b>			
Interest bearing debt to equity (time)	0.35	0.37	(0.02)
Net debt to equity (time)	0.85	0.80	0.05
Interest coverage ratio (time)	14.51	14.66	(0.14)

### 2018 Outlook

#### Continued robust growth of Thailand Tourism industry

2017 Thailand tourism revenue increased by 9.5% from 2016 to THB 2.75 trillion, accounted for approximately 20% of GDP, contributed by revenue from international and domestic tourists of THB 1.82 trillion and THB 0.93 trillion respectively. International tourist arrivals reached 35.4 million, setting a new record with an 8.8% increase, of which tourist arrivals from China represented the largest contribution.

In 2018, tourism industry is expected to continue an impressive growth on the back of government initiatives. The Tourism Authority of Thailand (TAT) has launched the marketing campaign "Amazing Thailand Tourism Year 2018" supported by ambitious marketing initiatives and activities, including Sports tourism, Gastronomy tourism, Maritime tourism, Wedding and Honeymoon tourism, Medical and Wellness tourism, Community-based tourism, and Leisure tourism. TAT also promote the secondary city tourism campaign. The Fiscal Policy Office (FPO) estimate the international tourist arrivals to grow by 8% to 38.2 million. FPO target tourism revenue to reach THB 3.05 trillion in 2018 contributed by revenue from international and domestic tourists of THB 2.05 trillion and THB 1 trillion, respectively.

### **Uplift hotels in Thailand to maintain competitive advantages**

The Company and its subsidiaries' hotel assets have aged after a certain period of time, which potentially causing an adverse impact on operational performance and profitability. Consequently, the Company has established a plan to renovate the hotels to enhance its positioning and strengthen its competitive advantages in the market. In 2017, the Company has completed the renovation of three hotels under Dusit Thani brand located in Pattaya, Phuket and Manila. In 2018, the Company has scheduled three hotel renovation during off season, including Phuket, Maldives and Pattaya, with an estimated CAPEX of THB 255 million to improve the Company's overall competitiveness in an expansive tourism industry.

### **Dusit Thani Bangkok to remain open throughout 2018**

Dusit Thani Bangkok remains in operation until 5 January 2019, which was formerly scheduled to operate through April 2018. This will allow more time for the Company and its partner to add greater detail in design and development, ensuring the new project well embraces cultural heritage, innovative design, green concept in surrounded area to be well connected to Lumpini park, as well as create direct access to streamlined nodes of MRT, BTS and mass transit rail systems to alleviate traffic in Silom area and proximity.

### **Asset-light model gearing towards hotel management business**

The International Monetary Fund (IMF) has revised 2018 global growth forecast upward to 3.9% from the former estimate of 3.7%. The revision reflects higher-than-expected growth momentum in several countries in the previous year and the continued pickup in global growth, specifically in Emerging Market and Developing Economies, which was expected to grow 4.9% in 2018 from 4.7% in 2017.

Supported by the positive global outlook, the Company expects to expand hotel management and franchise business to spearhead growth in 2018, targeting to open 10 new hotels to be managed by Dusit International in Vietnam, Singapore, Bhutan, Philippines, Bahrain, and China. The expansion will increase number of rooms and create well-balanced revenue stream from domestic and international portfolio, aligning to the Company's long-term strategic direction. Below highlights the Company's growth outlook by region:

#### **Asia Pacific:**

- Positive demand growth outlook in China and India market. Thailand has become more popular among Indian for wedding ceremony and honeymoon destination. Expecting to benefit from the growth, the company has opened global sales offices in Mumbai last year in response to an expansive demand from MICE and tourists in this market.
- A favorable outlook in the Philippines market supported by a continuous growth of international arrivals. The Company expects Dusit Thani Manila to fully benefit from hotel renovation last year, achieving an increase in ADR and RevPAR. In addition, the Company targets to aggressively expand hotel management business in this market in near term.
- The Company anticipates Maldives tourism industry to continue to benefit from a stronger demand from Europe, India, and South Korea, which will help offset declining tourists from China. Amidst political instability and the expected Presidential and Parliamentary election in 2018 and 2019 respectively, the Company is confident in its ability to secure South Korean and Chinese customer base in this market.
- In 2018, the Company expects to see increasing South Korean tourists into Guam offsetting a falling demand of tourists from Japan. This should support its hotel revenue growth in Guam despite an escalated political tension between North Korea and The United States.

**Middle East and Africa:**

- Middle East and Africa is experiencing a drop in revenue from oil and gas export, causing an adverse effect on domestic consumption and tourist arrivals due to intense competition among 3-4 star hotels and AirBnB legalization. The Company is being aware of the potential threat and plans to increase the numbers of corporate accounts and return guests with the focus on high yield segments.

**Focus on education business expansion**

Education business is currently under group restructuring plan, implemented in 2017 and targeted to be completed in 3-5 years. The plan involves rebranding by changing the logo to convey an in-trend and unique identity of the Dusit's education business. In 2018, Dusit Thani College plans for the renovation of Bangkok campus (expected completion in 1Q19) and the construction of new cooking studio at Seacon Square (expected commencement in mid-2018), in response to a growing demand for talents in the food industry supported by a robust growth of the tourism industry.

**The development progress of Mixed-use project**

Mixed-use project is developed by the Company's subsidiary, Vimarnsuriya Company Limited, a joint venture between the Company and Central Patana PLC (CPN). The project is currently under the stage of demolishing the office and commercial buildings on the extended land adjacent to Dusit Thani Building and the parking area of Dusit Thani Bangkok Hotel. 2018 will be a year of developing design concept and attaining construction permit. Dusit Thani Bangkok Hotel is scheduled to be demolished after 5 January 2019. The successful of the landmark Mixed-use project will bring the Company an opportunity to enter into real estate development and retail business adding revenue diversification and minimizing concentration risk in hotel business portfolio. 2018 Capital expenditure (CAPEX) is estimated at THB 270 million.

**2018 Guidance**

The Company expects 2018 **core revenue** to grow by 5% driven by higher revenue from room and F&B mainly from Dusit Thani in Phuket, Manila and Hua Hin. **EBITDA margin** is estimated around 15% close to 2017 core EBITDA margin of 15.3%. **Consolidated CAPEX** is estimated at THB 355 million for the hotel renovation in Maldives, Pattaya and Srinakarin; the renovation of Dusit Thani College; the investment in IT system and software as well as the head office relocation.