

Executive Summary 4Q22

The Erawan Group Public Company Limited (“the Company”) posted an outstanding performance in 4Q22 and turned a profit for the first time in 3 years since covid outbreak in 2020. This was driven by the recovery of international tourists traveling to Thailand, especially in 4Q22, the number of international tourists was posted at 5.5 million, a 53 percent increase from 3Q22. As such total tourist visitors for year 2022 reached 11.2 million. In addition, our strategy which emphasized on adaptation and agility, along with our quality assets in great locations, led to a strong recovery of the performance of all hotel segments in this quarter. In 4Q22, RevPAR of our hotels in Thailand continued to show strong growth with a surpass of 4Q19 level across all segments. As a result, the Company recorded total operating income at THB 1,733 million, an increase of 180 percent YoY and 35 percent QoQ. Earnings before interest, income tax and depreciation (“EBITDA”) were recorded at THB 587 million and a net profit of THB 240 million which was the first quarterly net profit since the COVID-19 pandemic and was the highest quarterly net profit during the past 4 years since 2019.

Consolidated Profit & Loss Statement as of 31 December 2022

THB Millions	4Q21	4Q22	%Chg	2021	2022	%Chg
Hotel Operating Income	600	1,717	186%	1,415	4,564	223%
Rental and Service Income	19	16	-20%	70	65	-7%
Total Group Operating Income	619	1,733	180%	1,485	4,629	212%
Other Income	15	54	261%	62	81	31%
Total Income	634	1,787	182%	1,547	4,710	204%
Operating Expenses	(681)	(1,200)	-76%	(2,199)	(3,660)	-66%
EBITDA	(47)	587	1357%	(652)	1,050	261%
Depreciation & Amortization	(220)	(223)	-2%	(936)	(872)	7%
Operating Profit/(Loss)	(267)	364	236%	(1,588)	178	111%
Finance Costs	(120)	(122)	-2%	(521)	(458)	12%
Pre-tax Profit / (Loss)	(387)	242	162%	(2,109)	(280)	87%
Taxes (Expense) Income	4	6	-47%	(46)	26	156%
Minority Interest	12	(21)	-267%	105	(11)	-111%
Normalized Net Profit / (Loss)	(371)	227	161%	(2,050)	(265)	87%
Extraordinary Items						
Gain on Sale of Assets	95	-	-100%	95	20	-79%
Share of Profit/ (Loss) from ERWPF	5	13	144%	9	29	202%
Loss on Impairment of Non-Financial Assets	26	-	-100%	(104)	(8)	93%
Net Profit / (Loss)	(245)	240	198%	(2,050)	(224)	89%
E.P.S. (Baht)	(0.0542)	0.0529	178%	(0.5628)	(0.0495)	91%

Thailand Tourism Industry

Thailand tourism industry demonstrated a strong recovery after the country's full reopening in October 2022 onwards. The number of international tourists continued to significantly grow month on month, especially for the key source markets such as Asian tourists, which accounted for 63 percent of total tourist arrivals, and tourists from Europe, especially Russia also posted strong growth. This resulted in 5.5 million international tourists in 4Q22, a 53 percent recovery compared to 4Q19 prior to the COVID-19 outbreak. The top five visiting nationalities in this quarter were Malaysia, India, Russian, Singapore, and South Korea. In 2022, there were 11.2 million international tourists' arrivals to Thailand, a 28 percent recovery compared to 2019.

The domestic tourist market also saw strong recovery with 47 million domestic trips recorded in 4Q22, an 86 percent increase from 4Q21. For the year 2022, the number of domestic trips reached 189 million or an increase of 13 percent compared to 2019, which reflected a strong domestic market demand.

Company Highlight

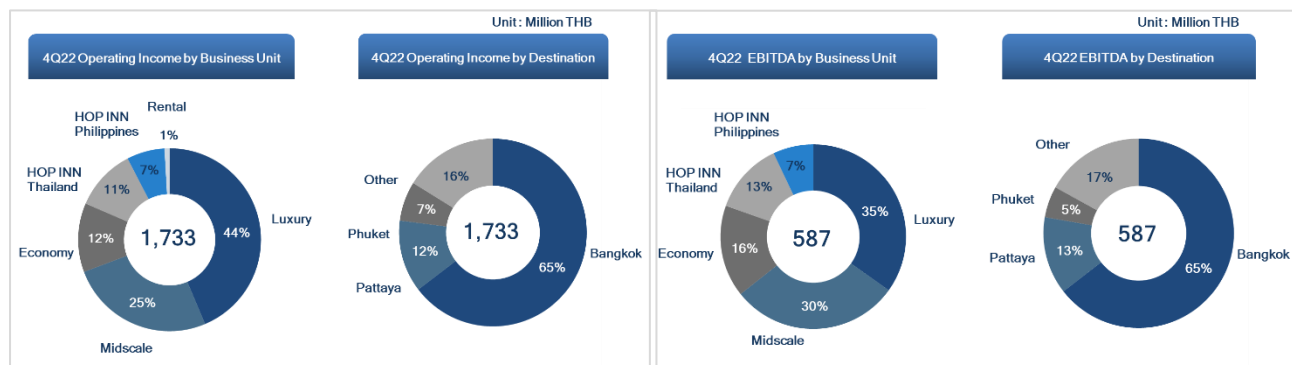
In 4Q22, the Company opened 3 "HOP INN Hotels" in Bangkok, namely HOP INN Bangkok Bangna , HOP INN Bangkok On Nut, and HOP INN Bangkok Krung Thonburi. As of December 2022, the Company has 51 HOP INN hotels across 38 provinces in Thailand, in accordance with our long-term growth strategy to expand network to maintain its competitive advantage and the leading position as the most consistent budget hotel brand.

Group Performance in 4Q22 and 2022

The remarkable recovery of the Thai tourism industry, along with the Company's effective operational strategy and good quality assets, led to the exceptional performance in 4Q22. Total operating income reached THB 1,733 million, a 180 percent YoY increase and a 35 percent increase QoQ. EBITDA recorded at THB 587 million, a turnaround from a negative EBITDA of THB 47 million in 4Q21 and an 83 percent QoQ, increase from EBITDA of THB 320 million in 3Q22. In 4Q22, the Company recorded net profit of THB 240 million, a significant improvement from a net loss of THB 245 million in 4Q21 and a net loss of THB 12 million in 3Q22. This was the first quarterly net profit since the COVID-19 pandemic and was the highest quarterly net profit during the past 4 years since 2019.

For the year 2022, the Company reported total operating income of THB 4,629 million, an increase of 212 percent YoY and EBITDA at THB 1,050 million, an increase of 261 percent YoY and net loss of THB 224 million, a significant decrease from net loss of 2,050 in 2021.

Operating income and EBITDA by Business Unit and Destination for the 4Q22 and 2022 as follows:



Performance by Business Unit

1. Hotel (Note: EBITDA by segment is calculated without taking non-property-specific expenses into account)

Statistics for hotel room operations for the 4Q22 and 2022 as follows:

3-month period (Oct-Dec)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	4Q21	4Q22	4Q21	4Q22	+/-	4Q21	4Q22	+/-	4Q21	4Q22	+/-
Thailand	8,733	8,717	42 %	80 %	38 %	1,054	1,883	79 %	442	1,509	241 %
Luxury Hotels	911	911	37 %	86 %	48 %	3,087	6,221	102 %	1,151	5,330	363 %
Midscale Hotels	1,668	1,668	34 %	78 %	44 %	1,653	3,012	82 %	557	2,347	322 %
Economy Hotels	2,477	1,813	25 %	83 %	59 %	878	1,367	56 %	218	1,140	423 %
Total Group (ex. HOP INN)	5,056	4,392	30 %	82 %	52 %	1,660	3,017	82 %	497	2,467	397 %
HOP INN Hotels	3,677	4,325	59 %	78 %	19 %	617	637	3 %	365	499	37 %
The Philippines	843	1,471	49 %	74 %	24 %	855	1,080	26 %	423	794	88 %

12-month period (Jan-Dec)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	2021	2022	2021	2022	+/-	2021	2022	+/-	2021	2022	+/-
Thailand	8,733	8,717	27 %	65 %	38 %	924	1,524	65 %	251	990	294 %
Luxury Hotels	911	911	21 %	69 %	48 %	2,674	4,961	86 %	562	3,407	506 %
Midscale Hotels	1,668	1,668	19 %	58 %	39 %	1,507	2,418	60 %	289	1,395	383 %
Economy Hotels	2,477	1,813	15 %	53 %	38 %	730	1,136	56 %	110	604	447 %
Total Group (ex. HOP INN)	5,056	4,392	17 %	58 %	40 %	1,429	2,496	75 %	250	1,444	478 %
HOP INN Hotels	3,677	4,325	41 %	73 %	32 %	615	622	1 %	254	457	80 %
The Philippines	843	1,508	49 %	61 %	13 %	845	1,020	21 %	411	627	53 %

1.1 Thailand hotels

The continued robust recovery of Thailand's tourism industry in 4Q22 resulted in exceptional performance across all hotel segments from both occupancy and average room rate. This resulted in RevPAR growth of 35 percent QoQ and surpassing 4Q19 levels, with a 5 percent growth for Luxury to Economy segment and a 7 percent growth from HOP INN Thailand.

1.1.1 Luxury, Midscale and Economy hotels

In 4Q22, Luxury to Economy hotels segment recorded a strong performance recovery with RevPAR surpassed 4Q19 level from the growth of average room rate, resulting from pricing strategy adjustment. This resulted in a RevPAR growth of 44 percent QoQ and 5 percent from 4Q19 with witnessed from all hotel segments. Economy segment led the pack with a 64 percent growth in RevPAR QoQ. Destination wise, Phuket hotels saw particularly strong improvements, driven by an increase in Russian tourists and new emerging markets which such as Saudi Arabia, leading to a 125 percent RevPAR growth QoQ.

In 4Q22, the food and beverage revenue was recorded at THB 380 million or an increase of 113 percent YoY or 29 percent QoQ from an increase in both banquet revenue and F&B outlet revenue. Banquet revenue increased by 53 percent QoQ, driven by more events such as meetings, conferences, and weddings. Meanwhile, F&B outlet revenue grew by 23 percent QoQ due to higher occupancy rates and increasing domestic demand. For the year 2022, food and beverage revenue increased by 168 percent YoY, with banquet revenue growing by 431 percent YoY and F&B outlet revenue increasing by 135 percent YoY.

Overall, total Thailand hotels (exclude HOP INN) posted total operating income in 4Q22 at THB 1,411 million, an increase of 225 percent QoQ and EBITDA at THB 468 million, increased by 80 percent QoQ. For the year 2022, total operating income was THB 3,600 million, an increase of 290 percent YoY and EBITDA was THB 756 million. This increased from a negative EBITDA of THB 755 million in 2021.

1.1.2 HOP INN Thailand

HOP INN Thailand continues to deliver strong performance and RevPAR has been consistently higher than 2019 since 2Q22 on the back of increasing demand from domestic travelers. In 4Q22, RevPAR grew by 8 percent QoQ and 7 percent compared to 4Q19. This was due to an increase in the occupancy rate from 74 percent in 3Q22 to 78 percent in 4Q22. The Company continues to strive to develop hotels in this segment continuously with the opening of 3 more "HOP INN" hotels in Bangkok in 4Q22 to capture the increasing demand of independent and business travelers.

In summary, HOP INN Thailand posted total operating income for 4Q22 at THB 190 million, an increase of 52 percent YoY and a 15 percent increase QoQ. EBITDA was THB 73 million, an increase of 39 percent YoY and a 5 percent QoQ. For the year 2022, total operating income was THB 646 million, an increase of 91 percent YoY and EBITDA was THB 263 million, an increase of 279 percent YoY.

1.2 The Philippines hotels

Philippines hotels' performance dramatically grew in 4Q22. Although RevPAR was still below pre-covid19 level but grew significantly with an 88 percent YoY and 28 percent QoQ on the back of the impressive increase in occupancy rate. The occupancy in 4Q22 recorded the highest level since pre-covid 19 at 74 percent, compared to 59 percent in 3Q22, leading by domestic customers which accounted for 77 percent whereas international customers were increasing gradually.

Total operating income in 4Q22 was THB 116 million, an increase of 181 percent YoY and EBITDA was THB 41 million, an increase of 412 percent YoY. For 2022, total operating income was THB 318 million, an increase of 107 percent YoY resulting in an EBITDA of THB 105 million, an increase of 156 percent YoY.

In summary, the overall hotel business in 4Q22 posted an operating income of THB 1,717 million, an increase of 186 percent YoY and 35 percent QoQ from the growth of both room revenue and food and beverage revenue with recorded at THB 1,298 million and THB 388 million respectively. EBITDA was recorded at THB 587 million, improving from EBITDA loss of THB 47 million in 4Q21 and increase 81 percent QoQ. For the year 2022, the operating income was THB 4,564 million, an increase of 223 percent YoY and EBITDA was at THB 1,050 million, increased 261 YoY, improving from a net loss of THB 652 million in 2021.

Rental Properties

The Company owns and operates Erawan Bangkok, a luxury retail property adjacent to Grand Hyatt Erawan Hotel, and manages Ploenchit Center as a property manager.

Income from rental and service was recorded at THB 16 million in 4Q22, a 3 percent increase from 3Q22 mainly due to the improving performance of Ploenchit center but decreased by 20 percent from 4Q21 due to the temporary closure of Erawan Bangkok for renovation since 2Q22 with plan to reopen in 2Q23.

Other Items in P&L

- **Depreciation & Amortization:** The Company recorded depreciation & amortization expense at THB 223 million in 4Q22, an increase of 2 percent YoY mainly due to higher depreciation of new hotels opening in 2022. In 2022, we recorded this expense at THB 872 million, dropped by 7 percent YoY due to lower depreciation from divestment of 5 hotels in 4Q21 and 2Q22.
- **Finance Costs:** The Company recorded finance costs at THB 122 million in 4Q22, an increase of 2 percent YoY due to an increase in the interest on lease liabilities of 5 new hotels opening in 2022. In 2022, the Company recorded this expense at THB 458 million, a 12 percent decrease YoY due to the utilization partial of the proceeds from assets divestment to repay loans from financial institutions.
- **Extraordinary Items:**
 - **Investment in ERWPF:** the Company recorded a share of profit from 20 percent investment in ERWPF at THB 13 million in 4Q22 and THB 29 million in 2022.

Financial Status

In 4Q22, the Company reported operating cash flow before changes in operating assets and liabilities at THB 1,046 million, a significant improvement from loss of THB 667 million in 2021 on the back of strong operating from the recovery of Thailand's tourism industry. In 2022, a cash flows from investing were at THB 804 million, mainly for new hotel development aligning to a long-term growth strategy that focuses on developing and expanding the budget hotel network, and another part is to maintain and improve the existing hotel to increase

the competitiveness in the market. This resulted in cash on hand at the end of 4Q22 of THB 1,532 million and available unutilized credit facilities of approximately THB 6,142 million.

As at 2022, total assets were at THB 21,712 million, decreased from THB 22,450 million at the end of 2021 because of the divestment of 3 hotels. The total liabilities were at THB 15,990 million, a decrease from THB 16,427 million at the end of 2021 because of the utilization partial of the proceeds from assets divestment to repay loans from financial institutions. The total equity was THB 5,722 million, decreased from THB 6,023 million at the end of 2021 due to net loss from operations in 2022.

Key Financial Ratios

Financial Ratio (times)	FY 2022	FY 2021
Current ratio	1.2	1.8
Gross Profit Margin	50.7	13.6
Return on Equity	(3.8)	(41.8)
Interest Baring Debt to Equity	1.83	1.85

*Note : Exclude impact from TFRS16

- **Current ratio** as of 2022 was at 1.2X, decreased from 1.8X in 2021 due to a decrease of non-current assets held for sale in relation to the divestment of 3 hotels in 2Q22 and an increase of current portion of long-term borrowings.
- **Gross Profit Margin** was at 50.7 percent in 2022, increased from 13.6 percent in 2021. This was due to a strong recovery performance in the second half of 2022 together with the efficiency of cost management. Despite facing inflation that affects operating costs, the Company has adjusted its pricing strategy to effectively mitigate the impact of rising costs.
- **Return on Equity** Although in 2022, the Company still recorded a net loss, it was a markedly lower loss from the previous year due to continuous and strong improvement in operating performance. As a result, this ratio has improved from (41.8) in 2021 to (3.8) in 2022.
- **The interest-bearing debt to equity ratio** was 1.83 times in 2022, down from 1.85 times at the end of 2021 due to a decrease of interest-bearing debt from the utilization of the proceeds from assets divestment to repay loans from financial institutions.

Business Outlook

Thai tourism industry tends to continue growing in 2023 with the government expects total international tourist arrivals continuing growing from 11.2 million arrivals in 2022 to recorded at 25 million in 2023 or 63 percent of 2019 level. Especially the growth of Chinese tourists, who are the main tourist arrivals during the pre-COVID-19, as China government has relaxed their traveling restrictions since the beginning of 2023. The government estimates that the number of Chinese tourists will be approximately 5 million in 2023, representing a recovery

of more than 45 percent from 2019. In addition, domestic market also aims to grow at 30 percent from government support campaign such as the Rao Tiew Duay Kan Project Phase 5.

Based on the above positive factors, the Company is confident that its business growth will continue in line with the recovery of Thailand's tourism industry. In 2023, the Company expects revenue growth at 45 percent from the support of the average occupancy rate at the level of 75-80 percent, the average room rate growth of more than 20 percent and the RevPAR growth more than 40 percent compared to 2022. The Company will focus on both domestic and international tourists through a variety of strategies including maintain a good balance between increasing the average room rate and diversifying the customer segment.

The Company continues to focus on expanding in the budget hotel segment both in Thailand and the Philippines and also looking for new opportunities in the Asia Pacific region as part of our long-term growth strategy. In 2023, the Company targets to develop 15 HOP INN hotels in Thailand and 3 more in the Philippines to be the most consistent budget hotel brand. In addition, for luxury to midscale segment, the Company plans to conduct the renovation of Holiday Inn Pattaya, commencing from 4Q23 to 3Q24 to adapt to changing customer needs and market trend. This is also aligned with return enhancing strategy to enhance competitiveness to satisfy the customer needs and generating higher returns to stakeholders.

Although in 2023, the Thai tourism industry is highly likely to see a recovery and continuous growth from 2022. There are various factors which may affect the Company's performance as well as the direction of the tourism industry such as the opening of the country of China, world economy especially in terms of energy prices, inflation and interest rates. These are all factors that the Company will focus on and closely monitor to strengthen our profitability. Due to the uncertainty of the situation, the Company are ready to consider the changing of various measures, taking into consideration of strategies and policies to be align with the changing situation with considering liquidity of the Company as the important factor.

Sincerely yours,

Woramon Inkatanuvat
Executive Vice President and Chief Financial Officer