

Executive Summary 1Q23

In 1Q23, overall performance of The Erawan Group Public Company Limited ("the Company") reported continued improvement, driven by strong recovery of international tourist arrivals to Thailand which posted 6.5 million in 1Q23, an increase of 19 percent QoQ and 1,202 percent YoY. This led to continued improvement of overall 1Q23 performance in both Thailand and the Philippines with a 4 percent RevPAR growth QoQ, supported by higher occupancy rate and average room rates. As a result, in 1Q23, the Company reported a total operating income of THB 1,753 million, an increase of 175 percent YoY and a 1 percent QoQ, Earnings before interest, income tax and depreciation ("EBITDA") of THB 580 million and net profit of THB 239 million, significantly improved from net loss of THB 313 million in 1Q22 and showed 2 consecutive quarters of net profit and higher than same period in 2019, prior to the COVID-19 outbreak.

Consolidated Profit & Loss Statement as of 31 March 2023

THB Millions	1Q22	1Q23	% Change
Hotel Operating Income	617	1,736	181%
Rental and Service Income	21	17	-20%
Total Group Operating Income	638	1,753	175%
Other Income	10	36	267%
Total Income	648	1,789	176%
Operating Expenses	(660)	(1,209)	-83%
EBITDA	(12)	580	5,078%
Depreciation & Amortization	(213)	(218)	-2%
Operating Profit/(Loss)	(225)	363	261%
Finance Costs	(112)	(135)	-21%
Pre-tax Profit / (Loss)	(337)	228	168%
Taxes (Expense) Income	8	6	-27%
Minority Interest	12	1	-90%
Normalized Net Profit / (Loss)	(316)	235	174%
Extraordinary Items			
Share of Profit/ (Loss) from ERWPF	3	3	2%
Net Profit / (Loss)	(313)	239	176%
E.P.S. (Baht)	(0.0691)	0.0526	176%

Thailand Tourism Industry

In 1Q23, Thailand tourism industry continued to show a notable recovery supported by domestic and the resurgence of key source markets such as Malaysians, Russians, South Koreans, and Indians. In addition, China's official reopening with lifting their travel restriction in January 2023 resulting in the resume of Chinese tourists travelling to Thailand with continuing upward trend. Moreover, airline flights capacity also increases to cater to the tourism demand. These positive factors led to a significant growth in the number of foreign tourists visiting Thailand. In 1Q23, the total foreign tourist arrivals reached 6.5 million, 19 percent growth QoQ and a 1,202 percent growth YoY, 60 percent recovery compared to 1Q19, prior to the COVID-19 outbreak.

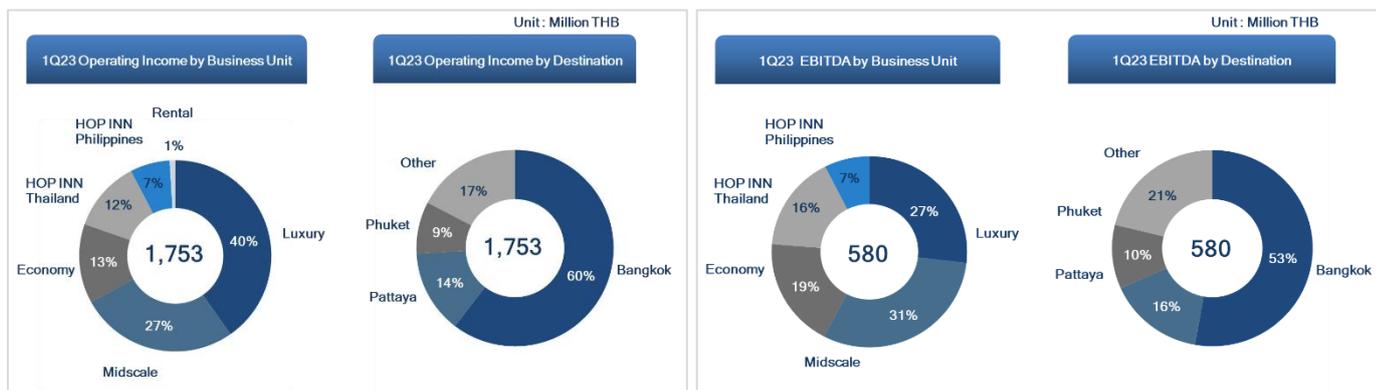
Philippines Tourism Industry

In 1Q23, the Philippines recorded 1.4 million tourist arrivals, a 34 percent increase QoQ and 63 percent increase YoY, representing a 63 percent recovery compared to 1Q19, prior to the COVID-19 outbreak.

Group Performance in 1Q23

The impressive rebound of the Thai tourism industry resulted in the strong operating performance in this quarter. The Company recorded total operating income of THB 1,753 million in 1Q23, representing a 175 percent increase YoY and EBITDA of THB 580 million, a significant improvement from an EBITDA loss of THB 12 million in 1Q22. As such, the Company recorded a net profit of THB 239 million, approaching the level achieved in 4Q22 and representing a significant improvement from a net loss of THB 313 million in 1Q22.

Operating income and EBITDA by Business Unit and Destination for the 1Q23 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 1Q23 as follows:

3-month period (Jan-Mar)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	1Q22	1Q23	1Q22	1Q23	+/-	1Q22	1Q23	+/-	1Q22	1Q23	+/-
Thailand	8,733	8,717	46%	83%	37%	1,074	1,901	77%	494	1,569	218%
Luxury Hotels	911	911	42%	79%	37%	3,568	6,614	85%	1,500	5,255	250%
Midscale Hotels	1,668	1,668	32%	84%	52%	1,648	3,004	82%	526	2,531	381%
Economy Hotels	2,477	1,813	26%	86%	61%	895	1,513	69%	229	1,308	470%
Total Group (ex. HOP INN)	5,056	4,392	31%	84%	53%	1,815	3,079	70%	556	2,591	366%
HOP INN Hotels	3,677	4,325	67%	81%	14%	611	656	7%	409	531	30%
The Philippines	1,074	1,471	51%	74%	23%	915	1,088	19%	469	810	73%
Total Group	9,807	10,188	47%	81%	35%	1,055	1,794	70%	491	1,459	197%

1.1 Thailand hotels

The remarkable recovery of Thailand's tourism industry in 1Q23 resulted in continued growing performance across all Thailand hotel segments. The growth was attributed to both occupancy and average room rates, leading to a RevPAR increase of 218 percent YoY and 4 percent QoQ.

1.1.1 Luxury, Midscale and Economy hotels

In 1Q23, the Luxury to Economy hotel segment demonstrated a strong recovery. This was reflected in a significant RevPAR growth YoY and 5 percent QoQ on the back of strong recovery of Thailand's tourism industry and our pricing strategy. The Economy and Midscale segments saw a particularly noticeable growth with a 15 percent and 8 percent growth QoQ, respectively while Luxury segment's RevPAR maintained the same level as 4Q22.

In 1Q23, the food and beverage revenue were recorded at THB 351 million or an increase of 114 percent YoY or 8 percent QoQ because of a slight decrease from low demand in banquet due to festive season in 4Q22.

Overall, total Thailand hotels (exclude HOP INN) posted total operating income in 1Q23 at THB 1,409 million, an increase of 227 percent YoY and EBITDA was THB 482 million, increased from a negative EBITDA of THB 64 million in 1Q22.

1.1.2 HOP INN Thailand

HOP INN Thailand continued doing well with consistent performance supported by Thai travelers where demand still growing. In 1Q23, RevPAR grew by 30 percent YoY and 6 percent QoQ from the support of higher occupancy rate and our marketing strategy to drive the average room rate which emphasizes the leading position as the most consistent budget hotel brand.

In summary, HOP INN Thailand posted total operating income in 1Q23 at THB 211 million, an increase of 56 percent YoY and EBITDA was THB 103 million, an increase of 65 percent YoY.

1.2 The Philippines hotels

Philippines hotel industry also continued recover in 1Q23 leading to the better performance for our Philippines hotels. RevPAR grew at 73 percent YoY and 2 percent QoQ on the back of an increase in occupancy rate from 51 percent in 1Q22 to 74 percent in 1Q23, which was the same level of 4Q22. This was mainly driven by domestic customers, which accounted for 66 percent, whereas international customers were increasing gradually.

In 1Q23, total operating income was THB 117 million and EBITDA was THB 47 million, an increase of 129 percent and 193 percent YoY respectively.

In summary, the Company's overall hotel business in 1Q23 posted an operating income of THB 1,737 million, an increase of 181 percent YoY. Room revenue and food and beverage revenue were recorded THB 1,347 million and THB 358 million, respectively. The Company reported EBITDA of THB 580 million, improving from EBITDA loss of THB 12 million in 1Q22.

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 17 million in 1Q23, a decrease of 20 percent YoY due to the temporary closure of Erawan Bangkok Mall for renovation since 2Q22 with plan to reopen in 2H23.

Other Items in P&L

- **Depreciation & Amortization:** The Company recorded depreciation & amortization expense of THB 218 million in 1Q23, an increase of 2 percent YoY mainly due to higher depreciation of new hotels opening in 2022.
- **Finance Costs:** The Company recorded finance costs of THB 135 million in 1Q23, an increase of 21 percent YoY due to an increase in interest expenses from a hiking interest rate trend.
- **Extraordinary Items:**
 - **Investment in ERWPF:** The Company recorded a share of profit from 20 percent investment in ERWPF at THB 3 million in 1Q23.

Financial Status

In 1Q23, the Company reported operating cash flow before changes in operating assets and liabilities at THB 568 million, a significant improvement from loss of THB 11 million in 1Q22 on the back of strong operating from the recovery of Thailand's tourism industry. In 1Q23, cash flow from investing was THB 91 million, mainly for new hotel development aligning to a long-term growth strategy. This resulted in cash on hand at

the end of 1Q23 of THB 1,369 million and available unutilized credit facilities of approximately THB 6,142 million.

As at 1Q23, total assets were THB 21,482 million, decreased from THB 21,712 million at the end of 2022 because of repayment of long-term borrowings from financial institutions. Total liabilities were THB 15,990 million, a decrease from THB 15,502 million at the end of 2022 and total equity was THB 5,980 million, increased from THB 5,722 million at the end of 2022 due to net profit recorded in 1Q23.

Key Financial Ratios

	4Q22	1Q23
Current ratio (times)	1.2	1.0
Return on Equity (%)	(3.8)	4.1
Interest Bearing Debt to Equity (times)*	1.8	1.7
	1Q22	1Q23
Gross Profit Margin (%)	36.6	55.8

*Note: Exclude impact from TFRS16

- **Current ratio** as at 1Q23 was at 1.0 time, decreased from 1.2 times in 4Q22 due to a decrease in cash from repayment of long-term borrowings from financial institutions and an increase in the current portion of lease liabilities.
- **Return on Equity** improved to 4.1 percent from (3.8) percent in 4Q22 from a continuous and strong improvement in operating performance.
- **The interest-bearing debt to equity ratio** decreased to 1.7 times in 1Q23 from 1.8 times in 4Q22 due to the repayment of long-term loans from financial institutions and an increase in shareholder equity from the net profit in this quarter.
- **Gross Profit Margin** was at 55.8 percent in 1Q23, increased from 36.6 percent in 1Q22 due to a strong recovery performance together with the efficiency of cost management.

Business Outlook

Thailand tourism industry' over the next nine months in 2023 is expected to show continuous improvement, thanks to an influx of both domestic and foreign tourists. The government targets international arrivals at 25 million, growing from 11.2 million arrivals in 2022, marking a 63 percent recovery from pre-pandemic levels in 2019. Chinese arrivals to Thailand are expected to increase significantly in the second half of 2023. Domestic market is also expected to grow support by the growing confidence of travelers in the country and government measures to stimulate Thai tourism such as "We Travel Together Project Phase 5". These will further boost the Thai tourism industry, enabling it to achieve even greater growth.

The Company is optimistic about business prospects, given the positive trend in the Thai tourism industry. The Company anticipates a significant increase in revenue with a growth rate of 45 percent supported by an average occupancy rate of 75-80 percent as well as an average room rate growth of over 20 percent. In addition, the Company continues to emphasize the expanding in the budget hotel segment both in Thailand and the

Philippines, as well as seeking new opportunities in the Asia Pacific region. As of 1Q23, the Company had 10 projects under development, consisting of 7 HOP INN hotels in Thailand and 3 hotels in the Philippines to become a leading budget hotel network with most consistent budget hotel brand. The Company also plans to conduct the renovation of 3 to 5-star hotels to enhance competitiveness, satisfy the customer needs and generate higher returns to stakeholders as part of our return enhancing strategy.

Despite the continuous recovery and growth trend in Thailand tourism industry is expected to see in 2023, there are various factors that may affect the Company's performance as well as the direction of tourism industry including the global economic situation, particularly in terms of energy prices, inflation rates, and interest rates, which the Company will take into consideration on and closely monitor to strengthen our profitability. The Company has prepared to implement adaptive strategies and policies to align with the constantly changing situation, considering the situation and flexibility of the Company as important factors.

Sincerely yours,

Woramon Inkatanuvat
Executive Vice President and Chief Financial Officer