

Executive Summary 2Q23

In 2Q23, The Erawan Group Public Company Limited ("the Company") reported the overall strong growth performance, deriving from strong recovery of international tourist arrivals to Thailand and the success of our pricing strategy. Despite entering the low season in the second quarter, Thailand welcomed 6.4 million arrivals in 2Q23, an increase of 307 percent YoY and a slightly drop from 1Q23 of 6.5 million. As a result, the Company reported a total operating income of THB 1,623 million, an increase of 67 percent YoY and Earnings before interest, income tax and depreciation ("EBITDA") of THB 483 million in this quarter. This quarter also marked the best second quarter performance of the company with a net profit of THB 142 million, significantly improved from net loss of THB 139 million in 2Q22.

Consolidated Profit & Loss Statement as of 30 June 2023

	2Q22	2Q23	% Chg	1H22	1H23	%Chg
Hotel Operating Income	961	1,606	67%	1,578	3,343	112%
Rental and Service Income	13	17	29%	35	34	-3%
Total Group Operating Income	974	1,623	67%	1,613	3,377	109%
Other Income	12	28	129%	20	64	214%
Total Income	986	1,651	67%	1,633	3,440	111%
Operating Expenses	(831)	(1,168)	-41%	(1,490)	(2,377)	-60%
EBITDA	155	483	211%	143	1,063	641%
Depreciation & Amortization	(215)	(222)	-3%	(428)	(439)	-3%
Operating Profit/(Loss)	(60)	261	535%	(285)	624	319%
Finance Costs	(111)	(143)	-30%	(222)	(278)	-25%
Pre-tax Profit / (Loss)	(171)	118	169%	(507)	345	168%
Taxes (Expense) Income	7	5	-17%	15	12	-23%
Minority Interest	4	(2)	-149%	16	(1)	-105%
Normalized Net Profit / (Loss)	(160)	121	176%	(476)	356	175%
Extraordinary Items						
Gain on Sale of Assets	20	-	-100%	20	-	-100%
Share of Profit/ (Loss) from ERWPF	9	21	139%	12	24	101%
Loss on Impairment of Non-Financial Assets	(8)	-	100%	(8)	-	100%
Net Profit / (Loss)	(139)	142	202%	(452)	381	184%
E.P.S. (Baht)	(0.0307)	0.0313	202%	(0.0998)	0.0840	184%

Thailand Tourism Industry

In 2Q23, Thailand tourism industry continued showing sign of recovery with the international tourist arrivals totaled 6.4 million, an increase of 307 percent YoY or 72 percent recovery compared to 2Q19, prior to the COVID-19 outbreak. Most of key source markets posted strong recovery sign with the top 3 source markets were Malaysian, Chinese, and Indian especially Chinese tourists which showed growth of 80 percent QoQ following the official reopening with lifting their travel restriction in January 2023.

Philippines Tourism Industry

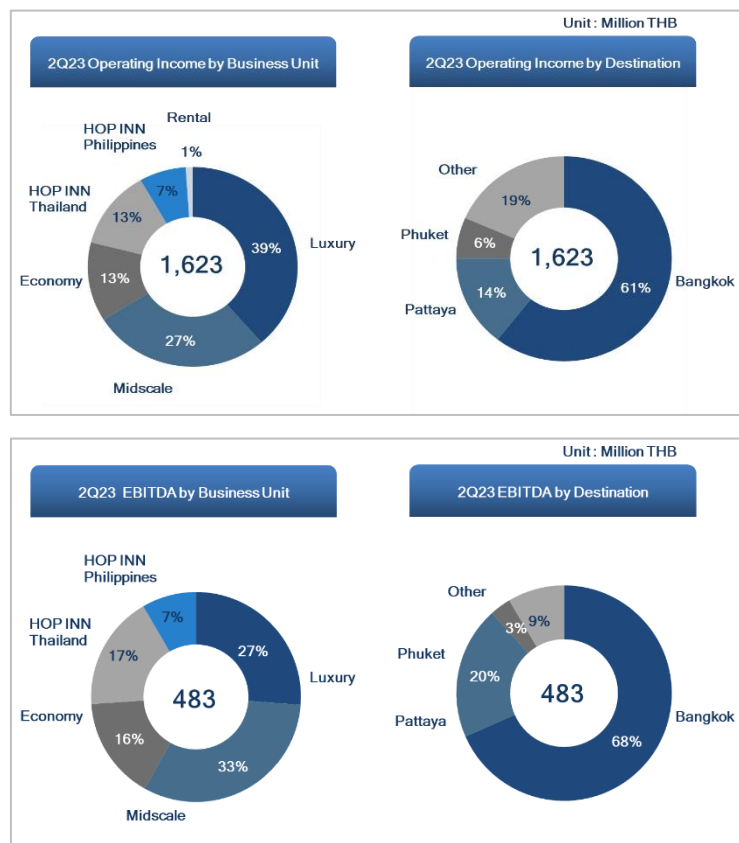
In 2Q23, the Philippines recorded 1.3 million tourist arrivals, a 100 percent increase YoY, representing a 67 percent recovery compared to 2Q19, prior to the COVID-19 outbreak. This was a slight drop from 1Q23 to 1.4 million. The majority source markets were South Korea, The United State of America, and Australia.

Group Performance in 2Q23 and 1H23

The growth of Thailand tourism industry resulted in the strong operating performance in this quarter which marking the highest record 2Q performance. The Company recorded total operating income of THB 1,623 million in 2Q23, representing a 67 percent increase YoY and EBITDA of THB 483 million, a 211 percent increase YoY on the back of higher revenue and effective cost management. As such, the Company recorded a net profit of THB 142 million, a significant improvement from a net loss of THB 139 million in 2Q22.

For 1H23, The Company recorded total operating income of THB 3,377 million, representing a 109 percent increase YoY and EBITDA of THB 1,063 million, a 641 percent increase YoY. As such, the Company recorded a net profit of THB 381 million, a significant improvement from a net loss of THB 452 million in 1H22.

Operating income and EBITDA by Business Unit and Destination for the 2Q23 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 2Q23 and 1H23 as follows:

3-month period (Apr - Jun)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	2Q22	2Q23	2Q22	2Q23	+/-	2Q22	2Q23	+/-	2Q22	2Q23	+/-
Thailand	8,253	8,717	64%	81%	17%	1,320	1,803	37%	839	1,454	73%
Luxury Hotels	911	911	66%	75%	9%	4,211	6,168	46%	2,795	4,654	67%
Midscale Hotels	1,668	1,668	54%	81%	27%	2,016	2,998	49%	1,097	2,440	122%
Economy Hotels	1,813	1,813	52%	82%	30%	950	1,385	46%	489	1,136	132%
Total Group (ex. HOP INN)	4,392	4,392	55%	80%	25%	2,098	2,936	40%	1,164	2,361	103%
Budget Hotels (HOP INN)	3,861	4,325	73%	81%	8%	614	659	7%	450	533	19%
The Philippines	1,074	1,471	58%	74%	16%	975	1,099	13%	565	811	44%
Total Group	9,327	10,188	63%	80%	17%	1,282	1,709	33%	806	1,361	69%

6-month period (Jan-Jun)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	1H22	1H23	1H22	1H23	+/-	1H22	1H23	+/-	1H22	1H23	+/-
Thailand	8,253	8,717	55%	82%	27%	1,215	1,852	52%	664	1,511	127%
Luxury Hotels	911	911	54%	77%	23%	3,963	6,396	61%	2,151	4,953	130%
Midscale Hotels	1,668	1,668	43%	82%	39%	1,882	3,024	61%	808	2,471	206%
Economy Hotels	1,813	1,813	37%	84%	47%	929	1,451	56%	347	1,222	252%
Total Group (ex. HOP INN)	4,392	4,392	43%	82%	40%	1,992	3,009	51%	848	2,475	192%
Budget Hotels (HOP INN)	3,861	4,325	70%	81%	11%	613	658	7%	430	532	24%
The Philippines	1,074	1,471	55%	74%	19%	948	1,094	15%	519	811	56%
Total Group	9,327	10,188	55%	81%	26%	1,185	1,751	48%	648	1,410	118%

1.1 Thailand hotels

Although Thailand have entered low season in the second quarter but the strong growth of tourism industry and our capability to increase the price as aforementioned leading to the growing performance of hotel business in Thailand across all segments. The average RevPAR of hotel in Thailand showed strong growth with 73 percent YoY driven from the increase of both average occupancy and average room rates at 17 percent and 37 percent YoY respectively.

1.1.1 Luxury, Midscale and Economy hotels

In 2Q23, the Luxury to Economy hotel segment demonstrated a strong recovery on the back of the recovery of tourism industry, particularly from a significant growth of Chinese tourists. The occupancy and average room rates posted the remarkable growth of 25 percent and 40 percent YoY respectively reflecting in a significant RevPAR growth of 103 percent YoY. The Economy and Midscale segments showed a particularly noticeable growth with a 132 percent and 122 percent growth YoY, respectively while Luxury segment which 's RevPAR increased at a slower pace due to luxury segment have shown the faster recovery prior to other hotel segments since 2Q22.

In 2Q23, the food and beverage revenue were recorded at THB 305 million or an increase of 32 percent YoY or an 88 percent recovery to 2Q19 from both banquet and outlets.

Overall, total Thailand hotels (exclude HOP INN) posted total operating income in 2Q23 at THB 1,282 million, an increase of 73 percent YoY and EBITDA at THB 380 million, an increase of 261 percent YoY. For 1H23, total

operating income was at THB 2,691 million, an increase of 129 percent YoY and EBITDA at THB 851 million, an increase of 1,639 percent YoY.

1.1.2 HOP INN Thailand

HOP INN Thailand continued generated strong performance driven from domestic travelers. In 2Q23, RevPAR increased 19 percent YoY from an increase of both occupancy and average room rate at 8 percent and 7 percent YoY respectively. The RevPAR growth of this segment was lower than Luxury to Economy segment because this segment was the first segment that showed sign of recovery prior to other segments since 2Q22 on the back of strong support from domestic market.

In summary, HOP INN Thailand posted total operating income in 2Q23 at THB 208 million, an increase of 33 percent YoY and EBITDA was THB 91 million, an increase of 38 percent YoY. For 1H23, total operating income was THB 418 million, an increase of 44 percent YoY and EBITDA was THB 187 million, an increase of 55 percent YoY.

1.2 The Philippines hotels

The performance of Philippines hotels also generated the continuous sign of recovery driven by the recovery of Philippines tourism industry. RevPAR grew at 44 percent YoY on the back of an increase in occupancy rate of 16 percent YoY and average room rate of 13 percent YoY with domestic markets remain the key source market which accounted for 73 percent.

In 2Q23, total operating income was THB 117 million and EBITDA was THB 43 million, an increase of 88 percent and 84 percent YoY respectively. For 1H23, total operating income was THB 234 million and EBITDA was THB 87 million, an increase of 107 percent and 135 percent YoY respectively.

In summary, the Company's overall hotel business in 2Q23 posted an operating income of THB 1,606 million, an increase of 67 percent YoY from both room and food and beverage revenue. Room revenue was recorded at THB 1,263 million and food and beverage revenue at THB 313 million with an increase of 79 percent YoY and 35 percent YoY respectively and EBITDA recorded at THB 483 million, a 211 percent increase YoY.

For 1H23, an operating income was at THB 3,343 million, an increase of 112 percent YoY. Room revenue recorded THB 2,610 million with an increase of 129 percent YoY and food and beverage revenue was at THB 671 million with an increase of 69 percent. The Company reported EBITDA of THB 1,063 million, a 641 percent increase YoY.

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 2Q23, an increase of 29 percent YoY due to tenants already back to normal business operation after the COVID situation has subsided and the increase of revenue from Erawan Bangkok which resumed operation in June 2023 after closed for renovation since 2Q22.

Other Items in P&L

- **Depreciation & Amortization:** The Company recorded depreciation & amortization expense of THB 221 million in 2Q23, an increase of 3 percent YoY mainly due to higher depreciation of new hotels opening in 2022 and Erawan Bangkok building. For 1H23, The Company recorded depreciation & amortization expense of THB 439 million, an increase of THB 11 million from 1H22.
- **Finance Costs:** The Company recorded finance costs of THB 143 million in 2Q23, an increase of THB 32 million from 2Q22 due to a hiking interest rate trend. For 1H23, The Company recorded finance costs of THB 278 million, an increase of THB 56 million from 1H22.
- **Extraordinary Items:**
 - **Investment in ERWPF:** The Company recorded a share of profit from 20 percent investment in ERWPF at THB 21 million in 2Q23, an increase of THB 9 million in 2Q22 due to an increase in revaluation. For 1H23, the Company recorded a share of profit of THB 24 million.
 - **Gain on Sale of Investment and Assets:** in 2Q22, the Company recorded gain from divestment of 3 ibis hotels: ibis Krabi Style, ibis Kata and ibis Hua Hin at THB 20 million while no such transaction in this quarter.
 - **Loss on Impairment of Non-Financial Assets:** in 2Q22, the Company recorded loss on impairment of non-financial assets at THB 8 million due to the impact from COVID-19 situation while no such transaction in this quarter.

Financial Status

In 2Q23, the Company reported operating cash flow before changes in operating assets and liabilities at THB 1,043 million, a 623 percent increase YoY on the back of strong operating performance from the recovery of Thailand's tourism industry. In 2Q23, cash flow from investing was THB 254 million, mainly for new hotel development aligning to a long-term growth strategy. This resulted in cash on hand at the end of 2Q23 of THB 1,253 million and available unutilized credit facilities of approximately THB 6,437 million.

As at 2Q23, total assets were THB 21,553 million, decreased from THB 21,712 million at the end of 2022 mainly from the decrease of cash used for repayment of long-term loan from financial institutions which also led to the decrease of total liabilities from THB 15,386 million at the end of 2022 to THB 15,990 million in this quarter. Total equity was THB 6,167 million, increased from THB 5,722 million at the end of 2022 due to net profit recorded in 2Q23.

Key Financial Ratios

	2022	2Q23
Current ratio (times)	1.1	0.85
Return on Equity (%)	(3.8)	10.4
Interest Baring Debt to Equity (times)*	1.8	1.6
	2Q22	2Q23
Gross Profit Margin (%)	46.6	55.2

*Note: Exclude impact from TFRS16

- **Current ratio** as at 2Q23 was at 0.85 time, decreased from 1.1 times in 2022 due to an increase in current portion of long-term loans from financial institutions and current portion of lease liabilities.
- **Return on Equity** improved to 10.4 percent from (3.8) percent in 2022 from a continuous and strong improvement in operating performance with recorded net profit in 2Q23 compared to a net loss in 2022.
- **The interest-bearing debt to equity ratio** decreased to 1.6 times in 2Q23 from 1.8 times in 2022 due to the repayment of long-term loans from financial institutions and an increase in shareholder equity from the net profit generated in this quarter.
- **Gross Profit Margin** was at 55.2 percent in 2Q23, increased from 46.6 percent in 2Q22 due to a strong recovery performance together with the efficiency of cost management.

Business Outlook

Thailand tourism industry in 2H23 is expected to continue recovering from 1H23 which international arrivals recorded at 12.9 million, accounting for 52 percent of FY2023 target of 25 million. The government expect to achieve the international arrival target in 2023 supporting by the strong recovery of main source market as well as the significant growth of Chinese arrivals since the reopening country in January 2023.

The strong company performance in 1H23 together with the continued tourism industry recovery resulted in a revise up of the Company 2023 target growth of total revenue to 50 percent YoY with an occupancy rate of 78-80 percent and a growth of average room rate of 20 percent. For investment expansion, the Company continues to develop new projects as set forth in our long term plan. As of 2Q23, the Company had 13 new HOP INN hotels projects under development, consisting of 10 hotels in Thailand and 3 hotels in the Philippines including the renovation of Luxury to Economy hotels to responded to the change in market and customer needs.

However, in 2H23, there are still factors that may affect the company's performance, such as the global economy and government policy. The Company will closely monitor these factors and adjust its strategy in accordance with the ever-changing situation by considering the situation and liquidity of the company.

Sincerely yours,

Woramon Inkatanuvat
Executive Vice President and Chief Financial Officer