

Executive Summary 3Q23

This 3Q23 was another remarkable quarterly performance for the Erawan Group Public Company Limited ("the Company") which posted a healthy growth performance from the support of the strong recovery of Thailand tourism industry and the success of our pricing strategy. Thailand welcomed 7.1 million arrivals in 3Q23, an increase of 252 percent YoY and 10 percent from 2Q23 of 6.4 million. Overall, the Company reported a total operating income of THB 1,736 million, an increase of 35 percent YoY, Earnings before interest, income tax and depreciation ("EBITDA") of THB 540 million in this quarter, and a net profit of THB 148 million, significantly improved from a net loss of THB 12 million in 3Q22.

Consolidated Profit & Loss Statement as of 30 September 2023

THB Millions	3Q22	3Q23	% Chg	9M22	9M23	%Chg
Hotel Operating Income	1,268	1,711	35%	2,847	5,053	78%
Rental and Service Income	15	25	67%	49	59	20%
Total Group Operating Income	1,283	1,736	35%	2,896	5,112	77%
Other Income	6	7	27%	27	71	162%
Total Income	1,289	1,743	35%	2,923	5,183	77%
Operating Expenses	(969)	(1,203)	-24%	(2,460)	(3,580)	-46%
EBITDA	320	540	69%	463	1,603	247%
Depreciation & Amortization	(220)	(233)	-6%	(648)	(672)	-4%
Operating Profit/(Loss)	100	307	207%	(185)	931	603%
Finance Costs	(114)	(150)	-32%	(336)	(428)	-27%
Pre-tax Profit / (Loss)	(14)	157	1251%	(521)	503	196%
Taxes (Expense) Income	5	3	-44%	20	14	-28%
Minority Interest	(6)	(7)	-12%	10	(8)	-181%
Normalized Net Profit / (Loss)	(15)	153	1126%	(491)	509	204%
Extraordinary Items						
Gain on Sale of Assets	-	-	-	20	-	-100%
Share of Profit/ (Loss) from ERWPF	3	3	-2%	15	28	79%
Set up and related expenses for new hotel investment in Japan	-	(8)	N.M.	-	(8)	N.M.
Loss on Impairment of Non-Financial Assets	-	-	-	(8)	-	100%
Net Profit / (Loss)	(12)	148	1387%	(464)	529	214%
E.P.S. (Baht)	(0.0025)	0.0327	1387%	(0.1023)	0.1167	214%

Thailand Tourism Industry

In 3Q23, Thailand tourism industry continued to rebound strongly with the international tourist arrivals recorded at 7.1 million, an increase of 252 percent YoY or 73 percent recovery compared to 3Q19, before the COVID-19 outbreak. Most of key source markets posted strong recovery sign with the top 3 source markets were Malaysian, Chinese, and South Korean together with the significant growth of Middle Eastern tourists.

Philippines Tourism Industry

In 3Q23, the Philippines recorded 1.3 million tourist arrivals, a 66 percent increase YoY, representing a 66 percent recovery compared to 3Q19, prior to the COVID-19 outbreak. The majority source markets were South Korean, The United State of America, and Japan.

Company Highlight

In 3Q23, the Company expanded an investment in budget hotels segment to Japan under “HOP INN” brand as part of our long-term strategy to adjust our hotel investment portfolio by focus on investing in the budget hotel group and increase the proportion of revenue and profits generated from the overseas customer base.

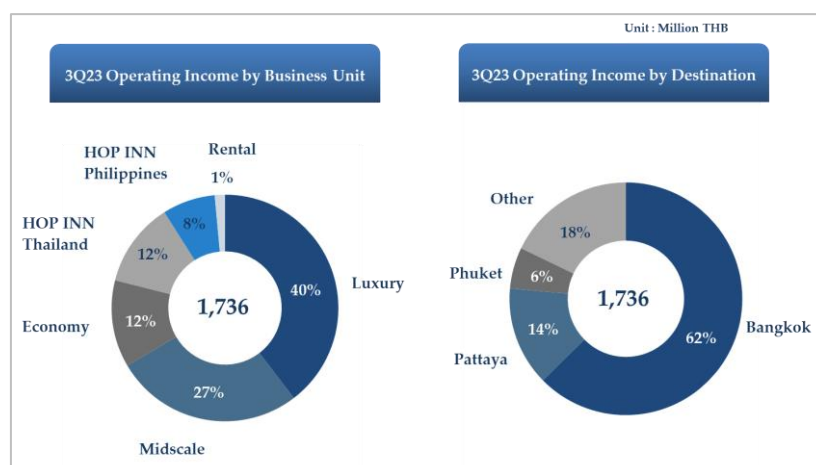
The Company has acquired 3 hotels in Japan and entered into 1 long term lease hotel with a total investment value of approximately THB 1.7 billion and a total of 373 rooms and is expected to be open in the 1Q24.

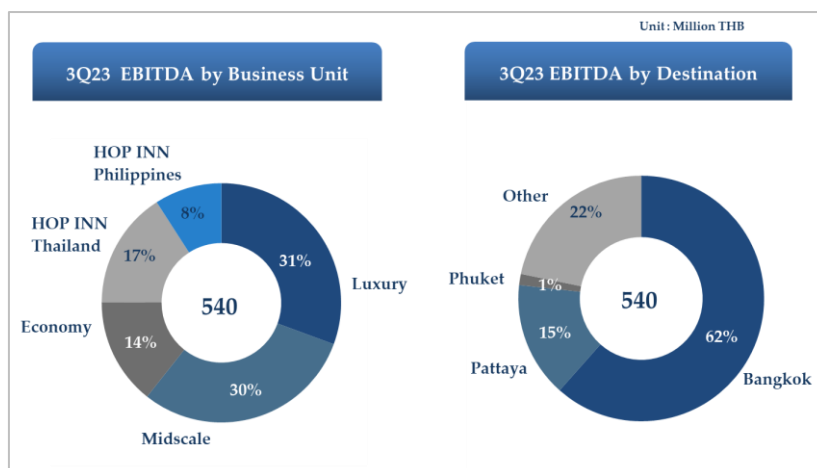
Group Performance in 3Q23 and 9M23

The Company recorded total operating income of THB 1,736 million in 3Q23, representing a 35 percent increase YoY and EBITDA of THB 540 million, a 69 percent increase YoY as a result of higher revenue and effective cost management. As such, the Company recorded a normalized net profit of THB 153 million, a significant improvement from a net loss of THB 15 million in 3Q22 and an increase of 26 percent from a net profit of 2Q23 of THB 121 million. The Company generated a net profit of THB 148 million in this quarter after deducting an extra item which the majority was set up and related expenses for new hotel investment in Japan, a significant improvement from a net loss of THB 12 million in 3Q22.

For 9M23, The Company recorded a total operating income of THB 5,112 million, representing a 77 percent increase YoY and EBITDA of THB 1,603 million, a 247 percent increase YoY. As such, the Company recorded a net profit of THB 529 million, a significant improvement from a net loss of THB 464 million in 9M22.

Operating income and EBITDA by Business Unit and Destination for the 3Q23 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 3Q23 and 9M23 as follows:

3-month period (Jul-Sep)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	3Q65	3Q66	3Q65	3Q66	+/-	3Q65	3Q66	+/-	3Q65	3Q66	+/-
Thailand	8,332	8,716	70%	81%	11%	1,591	1,867	17%	1,121	1,520	36%
Luxury Hotels	911	911	80%	82%	2%	4,944	6,213	26%	3,955	5,105	29%
Midscale Hotels	1,668	1,667	66%	83%	17%	2,410	3,015	25%	1,585	2,501	58%
Economy Hotels	1,813	1,813	62%	82%	20%	1,130	1,431	27%	696	1,169	68%
Total Group (ex. HOP INN)	4,392	4,391	67%	82%	15%	2,552	3,028	19%	1,709	2,491	46%
Budget Hotels (HOP INN)	3,940	4,325	74%	81%	6%	622	663	7%	462	534	16%
The Philippines	1,471	1,471	59%	79%	20%	1,044	1,128	8%	620	896	45%
Total Group	9,803	10,187	69%	81%	12%	1,520	1,763	16%	1,046	1,430	37%

9-month period (Jan-Sep)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	9M22	9M23	9M22	9M23	+/-	9M22	9M23	+/-	9M22	9M23	+/-
Thailand	8,332	8,716	60%	82%	22%	1,361	1,857	36%	815	1,514	86%
Luxury Hotels	911	911	63%	79%	16%	4,383	6,332	44%	2,759	5,004	81%
Midscale Hotels	1,668	1,667	50%	82%	32%	2,130	3,035	42%	1,062	2,486	134%
Economy Hotels	1,813	1,813	44%	83%	39%	1,010	1,444	43%	448	1,204	169%
Total Group (ex. HOP INN)	4,392	4,391	50%	82%	32%	2,228	3,015	35%	1,120	2,481	121%
Budget Hotels (HOP INN)	3,940	4,325	72%	81%	9%	616	660	7%	441	533	21%
The Philippines	1,471	1,471	57%	76%	19%	988	1,106	12%	559	839	50%
Total Group	9,803	10,187	59%	81%	21%	1,316	1,755	33%	783	1,417	81%

1.1 Thailand hotels

In 3Q23, Thailand hotels showed strong growth driven by an increase in both occupancy and average room rates of 11 percent YoY and 17 percent YoY respectively. As such the average RevPAR of hotels in Thailand grew 36 percent YoY which witnessed across all hotel segments.

1.1.1 Luxury, Midscale and Economy hotels

In 3Q23, 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 and Middle East tourists. The occupancy and average room rates posted a growth of 15 percent and 19 percent YoY respectively reflecting a significant RevPAR growth of 46 percent YoY. The Economy and Midscale segments showed particularly noticeable growth with a 68 percent and 58 percent growth YoY, respectively.

In 3Q23, the food and beverage revenue were recorded at THB 330 million or an increase of 12 percent YoY or an 84 percent recovery to 3Q19 from both banquets and outlets.

Overall, total Thailand hotels (exclude HOP INN) posted total operating income in 3Q23 at THB 1,370 million, an increase of 35 percent YoY and EBITDA at THB 437 million, an increase of 68 percent YoY. For 9M23, total operating income was at THB 4,061 million, an increase of 86 percent YoY and EBITDA at THB 1,289 million, an increase of 337 percent YoY.

1.1.2 HOP INN Thailand

HOP INN Thailand continued generated strong performance on the back of strong support from domestic travelers which emphasize the leading position of HOP INN as the most coverage budget hotel network in Thailand. In 3Q23, RevPAR of this segment increased 16 percent YoY from an increase of both occupancy and average room rate at 6 percent and 7 percent YoY respectively.

In summary, HOP INN Thailand posted total operating income in 3Q23 at THB 210 million, an increase of 27 percent YoY and EBITDA was THB 92 million, an increase of 32 percent YoY. For 9M23, total operating income was THB 628 million, an increase of 38 percent YoY and EBITDA was THB 279 million, an increase of 47 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 especially from domestic traveler whose remain the key source market accounted for 73 percent. . RevPAR grew at 45 percent YoY on the back of an increase in occupancy rate of 20 percent YoY and average room rate of 8 percent YoY.

In 3Q23, total operating income was THB 130 million and EBITDA was THB 53 million, an increase of 48 percent and 94 percent YoY respectively. For 9M23, total operating income was THB 364 million and EBITDA was THB 140 million, an increase of 80 percent and 118 percent YoY respectively.

In summary, the Company's overall hotel business in 3Q23 posted an operating income of THB 1,711 million, an increase of 35 percent YoY from both room and food and beverage revenue. Room revenue was recorded at THB 1,342 million and food and beverage revenue at THB 338 million with an increase of 42 percent YoY and 13 percent YoY respectively and EBITDA was recorded at THB 540 million, a 69 percent increase YoY.

For 9M23, the operating income was at THB 5,053 million, an increase of 78 percent YoY. Room revenue recorded THB 3,952 million with an increase of 90 percent YoY and food and beverage revenue was at THB 1,008 million with an increase of 45 percent. The Company reported EBITDA of THB 1,603 million, a 247 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 25 million in 3Q23, an increase of 67 percent YoY due to 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 233 million in 3Q23, an increase of THB 13 million YoY mainly due to Erawan Bangkok building which resumed operation in June 2023. For 9M23, The Company recorded depreciation & amortization expense of THB 672 million, an increase of THB 24 million from 9M22.
- **Finance Costs:** The Company recorded finance costs of THB 150 million in 3Q23, an increase of THB 36 million from 3Q22 due to an increase in the loan outstanding related to new hotel investment in Japan and a hiking interest rate trend. For 9M23, The Company recorded finance costs of THB 428 million, an increase of THB 92 million from 9M22.
- **Extraordinary Items:**
 - **Investment in ERWPF:** The Company recorded a share of profit from 20 percent investment in ERWPF at THB 3 million in 3Q23. For 9M23, the Company recorded a share of profit of THB 28 million.
 - **Set up and related expenses for new hotel investment in Japan:** in 3Q23, the Company recorded an extra expense for new hotel investment in Japan of THB 8 million.

Financial Status

In 3Q23, the Company reported operating cash flow before changes in operating assets and liabilities at THB 1,577 million, a 237 percent increase YoY on the back of improving operating performance. In 3Q23, cash flow from investing was THB 1,929 million, mainly to support new hotel investment in Japan aligning to a long-term growth strategy. This resulted in cash on hand at the end of 3Q23 of THB 1,386 million and available unutilized credit facilities of approximately THB 6,699 million.

As at 3Q23, total assets were THB 23,814 million, increased from THB 21,712 million at the end of 2022 mainly from new hotel investment in Japan which also led to the increase of total liabilities from THB 15,990 million at the end of 2022 to THB 17,536 million in this quarter. Total equity was THB 6,278 million, increased from THB 5,722 million at the end of 2022 due to net profit generated in 3Q23.

Key Financial Ratios

	2022	3Q23
Current ratio (times)	1.1	0.68
Return on Equity (%)	(3.8)	13.0
Interest Baring Debt to Equity (times)*	1.8	1.8
	3Q22	3Q23
Gross Profit Margin (%)	52.7	56.4

*Note: Exclude impact from TFRS16

- **Current ratio** as at 3Q23 was at 0.68 time, decreased from 1.1 times in 2022 due to an increase in the short-term and long-term loans from financial institutions and current portion of lease liabilities.
- **Return on Equity** improved to 13.0 percent from (3.8) percent in 2022 from a continuous and strong improvement in operating performance with recorded net profit in 3Q23 compared to a net loss in 2022.
- **The interest-bearing debt to equity ratio** increased to 1.8 times in 3Q23 which was the same level of year end 2022.
- **Gross Profit Margin** was at 56.4 percent in 3Q23, increased from 52.7 percent in 3Q22 due to a strong recovery performance together with the efficiency of cost management.

Business Outlook

Thailand tourism industry in 4Q23 is expected to continue recovering with the government expects to achieve the international arrival target supporting by the strong recovery of main key source markets. The Company set target growth in 2023 with total revenue growth of 50 percent YoY with an occupancy rate of 78-80 percent and a growth of average room rate of 20 percent.

On investment expansion side, the Company continues to develop new projects as set forth in our long term plan by focus in budget hotel segment to increase revenue profit from overseas to create sustainable growth together with the renovation of Luxury to Economy hotels to responded to the change in market and customer needs. As of 3Q23, the Company had 17 new HOP INN hotels projects under development, consisting of 10 hotels in Thailand and 3 hotels in the Philippines and 4 hotels in Japan.

However, in 4Q23, there are still factors that may affect the company's performance, such as the global economy geopolitical tensions 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