

Management Discussion and Analysis for the performance of the nine months period ended 30 September 2023**Executive Summary****Performance Overview**

S Hotels and Resorts Public Company Limited (“SHR” or “the Company”) reported total revenue from services at THB 2,401 million in the third quarter of the fiscal year 2023, increasing 2% from the same period in 2022 despite the temporary shutdown of the Outrigger Mauritius beach resort throughout the third quarter and the temporary closure for renovations of certain sections of two hotels in Thailand since May, as well as a hotel in the Republic of Fiji. Nevertheless, the onset of the high season for the Company's properties in Fiji and those within the UK portfolio led to an improvement in the average occupancy rate and the Average Daily Rate (ADR), which mitigated the impacts as mentioned above. The overall average occupancy rate of SHR's portfolio increased to 69% in 3Q23 up from 68% in 3Q22. The ADR across the portfolio for 3Q23 also rose to THB 5,601 compared with THB 5,134 in 3Q22. The Company reported a growth in gross profit of 2% YoY, which is in alignment with the increase in revenue from services. However, increased selling and administrative expenses, as well as finance costs, resulted in a reduced net profit margin. Consequently, the company reported the net profit for 3Q23 at THB 15 million.

SHR's total revenue from services for the first nine months of 2023 was THB 7,222 million, representing an 18% increase compared to the same period of the previous year, benefiting from the continuous recovery of the global tourism industry. The overall portfolio occupancy rate was recorded at 69% in 9M23, showing remarkable improvement compared with 59% in 9M22 while ADR followed an ascending trajectory, which has grown due to increased tourism demand following the Covid-19 pandemic situation and rise in inflation rates. The ADR of SHR's portfolio was reported at THB 5,560 in 9M23, up from THB 5,049 in the corresponding period of the prior year, leading to a robust 29% YoY growth in Revenue Per Available Room (RevPAR) to THB 3,821. With ongoing cost and expense controls, SHR achieved an adjusted EBITDA of THB 1,749 million, increasing 35% compared to 9M22, which outpaced the revenue growth rate. However, due to higher finance costs, the net profit for 9M23 was recorded at THB 23 million, a turnaround from the loss reported during the same period of the preceding year.

Tourism Industry Trends and Hotel Operations by Location

The international tourism industry continues to show signs of a robust and sustained recovery, as reflected by the aggregate international tourist arrivals reported by the United Nations World Tourism Organization (UNWTO). From the beginning of the year until July 2023, there have been more than 700 million international tourist arrivals, a growth of over 43% compared with the same period in the previous year, accounting for a recovery of 84% compared to the year 2019.

Nevertheless, the current constraints on international flight availability, which remain below pre-pandemic volumes, have affected the elevated travel costs. This has led to a growth in domestic and regional travel, as evidenced by the revenue passenger-kilometer (RPK) for short-haul flights, which has shown stronger growth than long-haul flights.

It is anticipated that inter-regional travel will recover in the fourth quarter of 2023 and into 2024, particularly in the Asian region, which is entering its peak tourist season. This recovery is supported by the sustained high demand for travel and the expected increase in the number of international flights, which could alleviate the concerns about high travel costs that have persisted over the past period.

Additionally, emerging risk factors stem from the escalating conflict between Israel and the Hamas group, which has the potential to intensify and possibly broaden its impact, affecting both the confidence in travel and the connectivity of airline routes in the Middle East region. This situation could impact the company's operations and may have an effect in terms of cost control measures, such as oil prices or the possibility of rising inflation rates. The company is formulating appropriate strategies to mitigate potential impacts, including expanding sales channels and customer bases, as well as implementing flexible pricing policies to minimize the adverse effects and drive operational performance toward the planned objectives.

The estimated number of international tourist arrivals in the countries where SHR operates its business can be summarized as follows:

(Unit: Million Visitors)	2019	2022	Forecast 2023	Forecast 2024*
Thailand	39.9	11.1	25.0	34.5
Republic of Maldives	1.7	1.7	1.8	1.9
United Kingdom	40.9	30.0	37.5	41.0
Republic of Fiji	0.9	0.6	0.8	1.0
Republic of Mauritius	1.4	1.0	1.3	1.4

Note

- (1) 2024 forecasts: for Thailand refer to the economic outlook from Thailand's Ministry of Finance; for Maldives refer to Maldives' Ministry of Finance; for the United Kingdom refer to VisitBritain; for Fiji refer to Fiji's Ministry of Commerce, and for Mauritius referring to Fitch Solutions.

Thailand

The Ministry of Tourism and Sports reported the number of international tourists arriving in Thailand during the first nine months of 2023 at 20 million people led by visitors from Southeast Asia, East Asia, and Europe, accounting for a combined proportion of 83% of the total number of tourists, with shares of 35%, 27%, and 20%, respectively. The trend for the fourth quarter of this year through to the first quarter of 2024, which corresponds to the high season, is expected to see an increase in tourists from long-haul markets with high purchasing power, particularly from Russia, Germany, the United Kingdom, and the United States, which is reflected by the increased availability of international flights. Furthermore, the exemption of visa requirements and the extension of visa periods for tourists from certain countries, along with a government budget of THB 600 million for tourism promotion campaigns, are expected to be supportive factors for the tourism sector.

Regarding the performance during the first nine months of 2023, the hotels in Thailand have seen a significant improvement in both the average occupancy rates and the ADR compared to the same period in the previous year. Moreover, they have successfully returned to the levels seen during the same period of 2019, even though the number of international tourists has not yet fully recovered to those levels. This success is attributed to the hotels' rebranding efforts, proactive marketing strategies, and the advantageous locations of the Company's properties. However, the overall performance may be limited by the number of available rooms for sale due to

the temporary closure of some rooms for renovations aimed at uplifting the long-term ADR. The company plans to implement strategies to boost non-room revenue along with pricing strategies to compensate for the impact of the limited maximum occupancy rate. The Company anticipates that the limited number of rooms available for sale at the beginning of the fourth quarter at the Sai Phi Phi Island Village and Sai Laguna Phuket hotels may affect the RevPAR during the early period of the high season.

However, the Company has planned for the newly renovated rooms to be available to tourists during the peak of the high season, from December to April, to offer an enhanced guest experience and to significantly and sustainably uplift the ADR in the future. It is also anticipated that the average occupancy rate during this period will be robust. The Company forecasts that, during the first quarter of 2024, the full availability of rooms and the introduction of new product offerings, coupled with the recovery of the tourism market in Koh Samui, will be key drivers in driving the RevPAR upwards, compared to the first quarter of 2023.

Republic of Maldives

The Ministry of Tourism registered the total number of tourists visiting the Maldives at 1.36 million visitors by the end of September 2023, a 14% increase from the same period in the previous year and accounting for approximately 76% of the 2023 tourist arrival target. The primary tourists included travelers from Russia, India, and China, contributing 12%, 11%, and 11% to the total tourist arrivals, respectively. The company's properties recorded an average occupancy rate of 69% during the first nine months of 2023, exceeding the industry average of 58%, and marking a slight increase from the 67% recorded during the first nine months of the previous year.

However, if we consider only the third quarter of 2023, the average occupancy rate has marginally improved to 63% from 61% in the previous year. Yet, the ADR experienced a substantial decrease of 20% compared to the previous quarter. This is mainly due to (1) the resurgence of Chinese tourists in the third quarter of 2023 to 145,986 visitors, accounting for a 63% recovery compared to the same period in 2019, and an 80% increase from the previous quarter, following the reopening of direct flights and an increase in the number of connecting flights since the late of the third quarter. (2) The impact on domestic tourism, where the tourism industry in Maldives faces pressure from an increase in room supply, which includes a broader and more diverse range of room types and resort pricing, together with the adjusting travel budgets to be aligned with the economic conditions of main customer groups like the United Kingdom, the United States, Germany, and other markets, has led to heightened price competition compared to the previous year. (3) The overall global tourism outlook shows that the growth rate of intra-regional travel has outpaced inter-regional travel due to rapidly increasing travel costs.

The improved stability in various policies following the presidential election, coupled with the findings of the Quarterly Business Survey by the Central Bank of Maldives for the third quarter, indicated a clear increase in employment within the tourism sector, and the resumption of more airline services, particularly long-haul flights during the high season, these supportive factors align with the recovery perspective of room bookings. Consequently, the Company anticipates that the performance trend for the fourth quarter of 2023 through to the first quarter of 2024 will show improvement. This outlook is underpinned by strategies to strengthen sales channels, such as expanding travel agency partnerships and exploring additional customer bases.

United Kingdom

The Office for National Statistics (“ONS”) disclosed the 1H23 inbound update showing approximately 17.6 million visitors traveled to the UK during January-June 2023, increased by 50% compared with the same period of the previous year. ONS projects that the total number of visitors for the entire year of 2023 will reach approximately 37.5 million, which would represent 92% of the total number of travelers in 2019. Furthermore, the ONS anticipates a continuous recovery trend that may exceed these levels in 2024, as the pressures of living costs are expected to ease. The statistics also revealed that visitors’ spending and the average length of stay in 2Q23 were higher than the preceding quarter and the same period in 2019 by 40% and 15% respectively.

The UK’s domestic tourism continues to exhibit positive trends, as studies by NielsenIQ and Mintel reveal that a growing number of British tourists are choosing domestic travel, because of its cost-effectiveness and lower travel expenses. Furthermore, 28% of the surveyed have chosen to stay in domestic hotels more than once in 2023. These factors have contributed to the UK portfolio hotels achieving an average occupancy rate of 72% during the first nine months of 2023, while the ADR reported at £87, showing a marked increase from the same period in the previous year. This performance is attributed to strategic pricing that accommodates inflation, labor costs, and sharp rises in land lease rates.

However, the Company expects that the performance for the remainder of the year may be impacted by a decline in the ADR due to the off-peak tourism season. However, a positive effect is expected from the growth in non-room revenue, such as from hosting conferences, and events, and particularly from food and beverage sales during the festive season. The Company is prepared to implement appropriate pricing strategies and to capitalize on the increasing travel demand trends from customers within the European and American regions, aiming to boost the number of guests with higher room spending and to mitigate the risk of over-reliance on any single tourist group. This approach is coupled with a stringent plan for cost and expense control. The Company has entered hedging contracts for utility costs for the upcoming winter, covering over 50% of the estimated utilities required from the fourth quarter into the early next year. Furthermore, the Company is exploring the feasibility of acquiring leasehold land and properties to reduce land lease expenses, as well as using other financial instruments such as interest rate swaps to further mitigate financial risks.

Republic of Fiji

For the first nine months of 2023, the Republic of Fiji welcomed 689,147 tourists, primarily composed of Australian, New Zealand, and American nationals, who accounted for 46%, 24%, and 11% of the total tourist arrivals, respectively. The initiation of direct flights from Canada has led to a remarkable increase of 162% in Canadian tourist arrivals compared to the same period in the previous year. Furthermore, according to a report by the Asian Development Bank (ADB), it is projected that the number of tourists for the entire year will surpass the levels of 2019, with a continuing upward trend expected into 2024, which is supported by the recovery of travelers from Europe, along with the resumption of flights from China, Japan, and Hong Kong.

The hotels in Fiji have performed extraordinarily well in the first nine months of 2023, with an improved average occupancy rate and ADR compared to the same period in the previous year. This is due to the successful increase in room rates following the introduction of new products after renovations. The outlook for the fourth quarter of 2023 is expected to remain positive from continuous efficient management, despite the temporary closure of certain parts of the Outrigger Fiji Beach Resort for renovations. However, the renovation plan is set to be

completed ahead of schedule by the end of November, which the Company believes will allow for an upward adjustment of the ADR for the remainder of the year and into 2024. This adjustment is anticipated to contribute to the notable growth in the performance of hotels in Fiji in the coming year.

Republic of Mauritius

Mauritius's tourism industry has shown a stable recovery with an increase in the number of tourists, duration of visits, and tourist spending. In the first nine months of 2023, there were 901,126 visitors arriving in Mauritius, representing a 93% recovery compared to 2019. Travelers primarily consisted of those from France, the United Kingdom, and Germany, who are high spenders and accounted for 34%, 11%, and 9% of the total visitors, respectively. However, Mauritius' tourism industry may face the risk of heightened competition from other islands in the Indian Ocean. In response, the government has implemented measures to support tourism and investment on the island, including an increase in the marketing and promotion budget of 500 million rupees and initiatives to achieve Green Certification by the year 2030.

The Outrigger Mauritius Beach Resort has been reopened at the end of October and anticipates that both the average occupancy rate and the ADR will improve with the approaching of the high season.

Nature of Business

The Company operates its business by holding shares in other companies (Holding Company) engaged in hotel management and investing in the fast-growing international hotel business. The number of rooms has grown at an average rate of 46% per year since its inception. The unique portfolio of assets consists of hotels located in world-class tourist destinations, namely:

(1) Five hotels under a self-managed platform which consists of four hotels in Thailand operate under independent branding, namely, Santiburi Koh Samui, SAii Phi Phi Island Village, SAii Laguna Phuket, SAii Koh Samui Choengmon, and Konotta Maldives Resort in the Republic of Maldives ("**Self-Managed Hotels**");

(2) Three hotels operate under the Outrigger brand and are managed under hotel management agreements, which consist of two hotels in the Republic of Fiji, consisting of Outrigger Fiji Beach Resort and Castaway Island Fiji, and one hotel in Mauritius named Outrigger Mauritius Beach Resort ("**Outrigger Hotels**");

(3) Two upper upscale successfully developed hotels, as part of Project CROSSROADS in the Emboodhoo lagoon in the Republic of Maldives, consisting of SAii Lagoon Maldives, Curio Collection by Hilton and Hard Rock Hotel Maldives ("**Hotel in CROSSROADS Project**");

(4) Twenty-four upper midscale hotels operated in the United Kingdom operated under the Mercure brand and managed by Aimbridge Hospitality EMEA which is a leading hotel operator in the United Kingdom, ("**UK Portfolio Hotels**"), and

(5) Four hotels under the Joint Venture Agreement, consisting of three upper midscale hotels operated under the Mercure and Holiday Inn brands in which the Company holds 50% in an equal joint venture with FICO UK. As well as SO/ Maldives which is under development in the Republic of Maldives as part of Project CROSSROADS in which the Company holds 50% in an equal joint venture with Wai Eco World Developer

("Joint Ventures Hotels"). Whereby operating under the joint venture, are not consolidated within the Company's hospitality business, and are instead accounted for using the equity method, where the Company receives a share of profit or loss from the investment in the joint ventures.

The company has 37 commercially operating hotels, comprising hotels under its management, the Outrigger Hotel, hotels in the CROSSROADS project, the company's hotels in the United Kingdom, and hotels under joint ventures that have a total of 4,472 rooms. As of 30 September 2023, 36 hotels out of 37 have resumed their normal operation, equivalent to 98.8% of the total number of rooms (4,419 out of a total of 4,472 rooms).

Revenue from services by management platforms:

Unit: THB Million	9M 2022	% Revenue Share	9M 2023	% Revenue Share	% Change	3Q 2022	% Revenue Share	3Q 2023	% Revenue Share	% Change
Self-Managed Hotels	664.1	10.8%	1,325.2	18.3%	99.5%	271.8	11.5%	320.0	13.3%	17.7%
Outrigger Hotels	1,012.4	16.5%	1,037.1	14.4%	2.4%	465.0	19.7%	401.5	16.7%	(13.7%)
Project CROSSROADS	1,768.9	28.9%	1,851.9	25.6%	4.7%	552.4	23.4%	518.9	21.6%	(6.1%)
UK Portfolio Hotels	2,677.6	43.7%	3,008.0	41.6%	12.3%	1,072.8	45.4%	1,160.5	48.3%	8.2%
Total revenue from services	6,123.1	100.0%	7,222.2	100.0%	18.0%	2,362.1	100.0%	2,400.8	100.0%	1.6%

The total revenue from services in 3Q23 was THB 2,401 million, increased by 2% YoY mainly from the self-managed hotels and the UK portfolio hotels, which benefited from the increased number of tourists in 2023. However, the Outrigger hotels experienced a 14% YoY decline in revenue in 3Q23 due to the temporary shutdown of the property in Mauritius. Additionally, the project CROSSROADS witnessed a performance decline mainly due to a decrease in ADR, reflecting the intensifying price competition in the Maldives tourism industry and a resurgence of Asian tourists taking up a higher market share, replacing long-haul market tourists.

During the first nine months of 2023, the tourism industry saw a clear recovery compared to 2022 as SHR's hotels and resorts portfolio generated higher revenue in all strategic tourist locations, particularly in Thailand where the growth was doubled. The UK portfolio, which has continuously uplifted efficiency resulting in good performance of 12% YoY growth remained the major revenue contributor, accounting for 42% of total revenue from services. The project CROSSROADS, which was affected by the low season price competition, and The Outrigger, which is undergoing temporary partial renovations, reported modest revenue increases of 5% and 2%, respectively, in the first nine months of 2023 compared to the same period in the previous year.

Key indicators in respect of the Hotels performance are set as follows:
Self-Managed Hotels

Indicators	9M 2022	9M 2023	% Change	3Q 2022	3Q 2023	% Change
No. of Hotels	4	4	-	4	4	-
No. of Keys	604	604	-	604	604	-
Average Occupancy Rate (%)	51.6%	70.0%	18.4%	59.2%	58.7%	-0.6%
ADR (Baht)	4,898	7,841	60.1%	4,912	6,344	29.2%
RevPar (Baht)	2,526	5,488	117.3%	2,910	3,724	27.9%

The self-managed hotels reported a slight decrease of 1% YoY in the average occupancy rate during 3Q23 due to the temporary closure for major renovations in certain sections of the SAii Phi Phi Island Village and the SAii Laguna Phuket during the low season. Conversely, the ADR increased by 29% from the same period last year to THB 6,344, indicating successful pricing strategies and a rise in tourism demand over the past year.

During the first nine months of 2023, both the average occupancy rate and ADR have shown a significant improvement from the same period in the previous year. This uplift is notably attributed to the increase in the number of tourists, both domestic and international, following the lifting of travel restrictions and control measures for COVID-19.

Outrigger Hotels

Indicators	9M 2022	9M 2023	% Change	3Q 2022	3Q 2023	% Change
No. of Hotels	3	3	-	3	3	-
No. of Keys	499	499	-	499	499	-
Average Occupancy Rate (%)	58.2%	48.0%	-10.1%	77.8%	43.3%	-34.4%
ADR (Baht)*	7,293	9,582	31.4%	7,735	13,024	68.4%
RevPar (Baht)*	4,243	4,603	8.5%	6,014	5,643	-6.2%

Note

- (2) Reference exchange rate of 9M22: 15.97 THB/FJD, 0.78 THB/MUR, and reference exchange rate of 9M23: 15.53 THB/FJD, 0.76 THB/MUR
Reference exchange rate of 3Q22: 16.39 THB/FJD, 0.81 THB/MUR, and reference exchange rate of 3Q23: 15.64 THB/FJD, 0.78 THB/MUR

The Outrigger hotels experienced a significant decrease in their average occupancy rate by 34% YoY to 43% in 3Q23, due mainly to the temporary closure of the Outrigger Mauritius Beach Resort for water management system upgrades, and the temporary closure for renovations in some sections at the Outrigger Fiji Beach Resort aimed at enhancing long-term competitiveness. However, the Castaway Island Hotel continued to maintain excellent performance, with an average occupancy rate exceeding 93%. Meanwhile, Outrigger Fiji Beach Resort reported an average occupancy rate of 61% in 3Q23. Regardless of the renovated room, the average occupancy rate would be marked at 94%. The first phase of the Outrigger Fiji Beach Resort renovation was completed in June 2023, pushing up the ADR in 3Q23 to grow more than 68% compared to the same period in the previous year, reaching THB 13,024.

For the first nine months of 2023, the average occupancy rate decreased by 10%, while the ADR increased by 31% compared to the same period in the previous year.

Project CROSSROADS Hotels

Indicators	9M 2022	9M 2023	% Change	3Q 2022	3Q 2023	% Change
No. of Hotels	2	2	-	2	2	-
No. of Keys	376	376	-	376	376	-
Average Occupancy Rate (%)	66.7%	68.5%	1.8%	60.8%	63.2%	2.4%
ADR (Baht)*	13,481	12,706	-5.7%	12,895	10,584	-17.9%
RevPar (Baht)*	8,993	8,709	-3.1%	7,839	6,690	-14.7%

Note

- (3) Reference exchange rate of 9M22: 34.62 THB/USD, and reference exchange rate of 9M23: 34.52 THB/USD
Reference exchange rate of 3Q22: 36.41 THB/USD, and reference exchange rate of 3Q23: 35.17 THB/USD

The project CROSSROADS hotels achieved an average occupancy rate of 63% in 3Q23, increased by 2% YoY. However, ADR was at THB 10,584 in 3Q23, decreased by 18% YoY due to heightened competition, coupled with an increasing market share of Asian tourists, particularly from China.

The first nine-month period performance showed a slight downturn compared to the same period last year. The average occupancy rate increased by 2%, while the ADR decreased by 6%. This was partly due to the limited number of flights offered by various airlines, affecting tourist arrivals and hotel rates.

UK Portfolio Hotels

Indicators	9M 2022	9M 2023	% Change	3Q 2022	3Q 2023	% Change
No. of Hotels	27	27	-	27	27	-
No. of Keys	2,940	2,940	-	2,940	2,940	-
Average Occupancy Rate (%)	59.0%	72.0%	13.0%	69.0%	76.1%	7.2%
ADR (Baht)*	3,496	3,778	8.1%	3,801	4,237	11.5%
RevPar (Baht)*	2,062	2,720	31.9%	2,622	3,226	23.1%

Note

- (4) Reference exchange rate of 9M22: 43.47 THB/GBP, and reference exchange rate of 9M23: 42.97 THB/GBP
Reference exchange rate of 3Q22: 42.83 THB/GBP, and reference exchange rate of 3Q23: 44.54 THB/GBP

The UK properties reported an average occupancy rate in 3Q23 of 76%, increased by 7% YoY, reflecting the robust recovery of the tourism industry, evident from the number of international tourists reaching the figures of 2019 and the growing popularity of domestic travel among UK residents. Additionally, the ADR increased by 11% to THB 4,237.

The performance for the first nine months of 2023, compared to the same period in the previous year, shows a similar trend, with increase in both average occupancy rates and ADR. This indicates that consumers continue to prioritize spending on travel, despite the rising cost of living and a sluggish economic environment.

Discussion of results of operations:

Table comparing financial performance of 9M2022 and 9M2023.

	9M 2022		9M 2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Revenue from services	6,123.1	100.0%	7,222.2	100.0%	1,099.1	18.0%
Cost of services	4,214.1	68.8%	4,751.9	65.8%	537.8	12.8%
Gross profit	1,908.9	31.2%	2,470.3	34.2%	561.4	29.4%
Other income	103.5	1.7%	169.0	2.3%	65.6	63.4%
Selling expenses	256.9	4.2%	335.6	4.6%	78.7	30.6%
Administrative expenses	1,273.0	20.8%	1,408.5	19.5%	135.5	10.6%
Gain (loss) from exchange rate	33.9	0.6%	7.6	0.1%	(26.3)	(77.5%)
Share of profit (loss) from investment in an associate and joint ventures	(17.0)	(0.3%)	(22.7)	(0.3%)	(5.6)	(33.2%)
Finance costs (Interest expenses)	600.8	9.8%	824.5	11.4%	223.7	37.2%
Profit (loss) before income taxes	(101.5)	(1.7%)	55.6	0.8%	157.1	154.7%
Income tax expenses	(8.0)	(0.1%)	32.9	0.5%	40.9	509.9%
Profit (loss) of the year	(93.5)	(1.5%)	22.7	0.3%	116.2	124.3%
<u>Adjusted items</u>						
Net unrealized gain (loss) on exchange rate	32.9	0.5%	6.9	0.1%	(26.0)	(79.0%)
Non-recurring items ¹	-	-	(0.5)	(0.0%)	(0.5)	-
Adjusted EBITDA²	1,291.7	21.1%	1,748.7	24.2%	457.0	35.4%
Adjusted Net Profit (loss) for the period	(126.4)	(2.1%)	16.3	0.2%	142.7	112.9%

Table comparing financial performance of 3Q22 and 3Q23.

	3Q 2022		3Q 2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Revenue from services	2,362.1	100.0%	2,400.8	100.0%	38.7	1.6%
Costs of services	1,528.2	64.7%	1,548.1	64.5%	19.9	1.3%
Gross profit	833.9	35.3%	852.8	35.5%	18.9	2.3%
Other income	79.3	3.4%	95.0	4.0%	15.7	19.8%
Selling expenses	95.3	4.0%	109.5	4.6%	14.2	14.9%
Administrative expenses	434.2	18.4%	487.3	20.3%	53.1	12.2%
Gain (loss) from exchange rate	24.9	1.1%	21.7	0.9%	(3.3)	(13.1%)
Share of profit (loss) from investment in an associate and joint ventures	(3.3)	(0.1%)	(12.3)	(0.5%)	(9.0)	(272.3%)
Finance costs (Interest expenses)	232.6	9.8%	303.6	12.6%	71.0	30.5%
Profit (loss) before income taxes	172.8	7.3%	56.8	2.4%	(116.0)	(67.1%)
Income tax expenses	(34.7)	(1.5%)	41.8	1.7%	76.4	220.5%
Profit (loss) of the year	207.5	8.8%	15.0	0.6%	(192.5)	(92.8%)
<i>Adjusted items</i>						
Net unrealized gain (loss) on exchange rate	24.0	1.0%	24.9	1.0%	0.8	3.5%
Non-recurring items ¹	1.0	0.0%	0.3	0.0%	(0.6)	(65.2%)
Adjusted EBITDA²	651.4	27.6%	635.8	26.5%	(15.6)	(2.4%)
Adjusted Net Profit (loss) for the period	184.4	7.8%	(10.2)	(0.4%)	(194.7)	(105.6%)

(1) Non-recurring items are defined as Gain (Loss) on the disposal of an asset, gain (loss) from share of JV company transaction, Gain (Loss) from FV adjustment on investment in the joint ventures, and FV adjustment of Investment Property

(2) Adjusted EBITDA is calculated from EBT plus Finance cost, Depreciation and Amortization, Interest income, and deduct unrealized gain (loss) from exchange rates, and non-recurring items

Revenue from services

Total revenue from services in 3Q23 was THB 2,401 million, increasing by 2% YoY mainly from the self-managed hotels in Thailand corresponding to the recovery of the tourism industry following the full reopening of the country in late 2022. The UK portfolio hotels also showed continuous growth, driven by a significant rise in domestic travel volumes in 2023. SHR recorded the total revenue from services in 9M23 at THB 7,222 million, climbing by 18% from the same period in the previous year due to the growth in revenue across the portfolio of all regions of SHR's properties.

Cost of services

The costs of services in 3Q23 were THB 1,548 million, a modest increase of 1%YoY, and were THB 4,752 million in 9M23, representing a 13% rise from the same period in the prior year. Notably, the increase in costs of services for both the third quarter and the nine-month period of 2023 was at a slower rate than the increase in revenue from services, as a result of economies of scale realized following the recovery of properties in Thailand and the rebate received from UK trading partners.

Gross profit margin

Gross profit margin in 3Q23 was 36%, a slight improvement from 35% in 3Q22 corresponding to the increase in revenue from services of self-managed hotels in Thailand and the UK portfolio hotels, despite being offset by the softer performance of project CROSSROADS hotels and the temporary shutdown of the Outrigger Mauritius Beach Resort. For the first nine months of 2023, the gross profit margin was reported at 34%, up from 31% in the same period of the previous year, reflects the overall improved operational performance across all portfolios, in line with the full-scale recovery of the tourism sector, which has been able to offset the aforementioned impact.

Selling and Administrative expenses (“SG&A”)

SG&A in 3Q23 stood at THB 597 million, increasing by 11% YoY mainly from higher advertising expenses across the portfolio of all regions except the hotel in Mauritius, and higher management fees associated with the revenue growth in the UK portfolio hotel. Additionally, there was an increase in insurance premiums, particularly due to the disaster insurance costs for properties in Fiji. Consequently, the SG&A to revenue ratio was at 25% in 3Q23 up from 22% in 3Q22.

SHR incurred THB 1,774 million of SG&A in 9M23, an increase of 14% when compared with THB 1,530 million in 9M22. However, the SG&A to revenue ratio in 9M23 was 24% which was slightly down from 25% in the same period of the previous year. This demonstrates that the growth rate of revenue from services outpaced the increase in selling and administrative expenses, indicating economies of scale and more efficient operations.

Finance Costs

The finance costs for 3Q23 and 9M23 were reported at THB 304 million and THB 825 million, respectively. These figures represent an increase from the corresponding periods of the previous year, primarily due to rising interest rates for loans denominated in USD, GBP, and THB.

Share of profit (loss) from an associate and joint ventures

The company recognized a share of loss from associates and joint ventures at THB 12 million in 3Q23 and THB 23 million for 9M23. These losses are attributable to the SO/ Maldives, a hotel project under a joint venture in Maldives that is still under construction. Consequently, the company continues to account for its share of losses from these collaborative business arrangements.

Adjusted EBITDA

The Adjusted EBITDA for 3Q23 was reported at THB 636 million, a slight decrease of approximately 2% from THB 651 million in 3Q22, due to an increase in advertising expenses and management fees. However, for the first nine months of 2023, the Adjusted EBITDA reached THB 1,749 million, marking a substantial growth of 35% from THB 1,292 million in the same period of the previous year, resulting from higher revenue from services, coupled with improved efficiency in managing costs and expenses.

Profit (loss) for the period

The Company reported a net profit for 3Q23 at THB 15 million, a result of remarkably strong growth in revenue from services of hotels in Fiji and the UK portfolio hotels, which offset the impact of the temporary closure of the hotel in Mauritius. Furthermore, the company turned a profit of THB 23 million for the first nine months of 2023, reversing the loss from the same period in the previous year, driven by revenue growth across all hotel portfolios, along with effective control of selling and administrative costs, which compensated for the increased financial costs.

Analysis of Financial Position and Investment Structure

As of 30 September 2023, the Company's total assets were THB 38,311 million, increasing by THB 1,862 million or approximately 5% from 31 December 2022. The increase came mainly from additional property, plant and equipment, and short-term loans to related parties. Total liabilities of the Company were THB 21,476 million as of 30 September 2023, increasing by THB 1,046 million or approximately 5% from 31 December 2022. The increase came mainly from long-term loans from financial institutions and long-term lease liabilities. The Company registered a higher amount of total equity at THB 16,835 million as of 30 September 2023 from the improved retained earnings position as the Company generated additional comprehensive income during the first nine months of the year. The interest-bearing debt to equity as of 30 September 2023 was recorded at 0.82 times, maintaining a level similar to that at the end of the previous year, reflecting the company's strong financial position and readiness to invest in sustainable growth opportunities in the future.

	Dec 31, 2022	Sep 30, 2023	Change	
	(THB Million)	(THB Million)	(THB Million)	%
Cash and cash equivalents	2,477.3	2,099.2	(378.2)	(15.3%)
Total current assets	4,533.0	4,393.0	(140.0)	(3.1%)
Property, plant and equipment, net	28,046.0	29,709.5	1,663.6	5.9%
Total non-current assets	31,916.6	33,918.4	2,001.8	6.3%
Total assets	36,449.6	38,311.4	1,861.8	5.1%
Total interest-bearing debt	13,080.2	13,781.7	701.6	5.4%
Other liabilities	7,350.3	7,694.6	344.4	4.7%
Total liabilities	20,430.4	21,476.4	1,045.9	5.1%
Total equity	16,019.2	16,835.0	815.8	5.1%
Interest-bearing debt to equity (times)	0.82	0.82	0.00	

Yours faithfully,

S Hotels and Resorts Public Company Limited

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(Mr. Issarin Patramai)

Chief Financial Officer

Investor Relations Contact

Tel: +66 (0) 2058 9888

Email: ir@shotelsresorts.com