

Executive Summary 4Q23

In 4Q23 the Erawan Group Public Company Limited ("the Company") delivered a robust performance, driven by the strong tourism industry with entering the high season together with pricing strategy of the company. Thailand witnessed a significant surge in tourist arrivals during 4Q23 with 8.1 million arrivals, an increase of 48 percent YoY from 4Q22, and 28.1 million arrivals for 2023. Overall, the company reported a total income of THB 1,886 million, an increase of 6 percent YoY and Earning before interest, income tax, and depreciation ("EBITDA") of THB 620 million, an increase of 6 percent YoY. The Company recorded a normalized net profit of THB 222 million which was in line with 4Q23 performance and generated a net profit of THB 212 million after deducting an extra item which the majority was set up and related expenses for new hotel investment in Japan.

Consolidated Profit & Loss Statement as of 31 December 2023

THB Millions	4Q22	4Q23	% Chg	2022	2023	%Chg
Hotel Operating Income	1,717	1,849	+8%	4,564	6,902	+51%
Rental and Service Income	16	25	+62%	65	85	+31%
Total Group Operating Income	1,733	1,874	+8%	4,629	6,987	+51%
Other Income	54	12	-77%	81	83	+3%
Total Income	1,787	1,886	+6%	4,710	7,070	+50%
Operating Expenses	(1,200)	(1,266)	+5%	(3,660)	(4,843)	+32%
EBITDA	587	620	+6%	1,050	2,227	+112%
Depreciation & Amortization	(223)	(229)	+3%	(872)	(901)	+3%
Operating Profit/(Loss)	364	391	+7%	178	1,326	+644%
Finance Costs	(122)	(161)	+32%	(458)	(589)	+29%
Pre-tax Profit / (Loss)	242	230	-5%	(280)	737	+363%
Taxes (Expense) Income	6	2	-61%	26	17	-35%
Minority Interest	(21)	(10)	-54%	(11)	(17)	+55%
Normalized Net Profit / (Loss)	227	222	-2%	(265)	737	+378%
Extraordinary Items						
Gain on Sale of Assets	-	-	N/A	20	-	-100%
Share of Profit/ (Loss) from ERWPF	13	9	-33%	29	36	+28%
Set up and related expenses for new hotel investment in Japan	-	(19)	N/A	-	(30)	N/A
Loss on Impairment of Non-Financial Assets	-	-	N/A	(8)	-	-100%
Net Profit / (Loss)	240	212	-12%	(224)	743	+431%
E.P.S. (Baht)	0.0529	0.0472	-11%	(0.0495)	0.1639	+431%

Thailand Tourism Industry

In 4Q23, Thailand's tourism industry continued to rebound strongly with the international tourist arrivals registering of 8.1 million, an increase of 48 percent YoY and 78 percent recovery compared to 4Q19, before the COVID-19 outbreak. The peak arrival in 2023 was seen in December 2024 at 3.3 million arrivals with 83 percent recovery compared to December 2019. Main growth of this quarter came from East Asian tourists especially Chinese, strongly grew over 4Q22 and recovered 41 percent from 4Q19. Moreover, there was evident growth in European tourists. The top 3 source markets in 4Q23 were Malaysian, Chinese, and Russian.

Philippines Tourism Industry

In 4Q23, the Philippines recorded 1.4 million tourist arrivals, a 37 percent increase YoY, representing a 67 percent recovery compared to 4Q19, prior to the COVID-19 outbreak. The majority source markets were South Korean, The United State of America, and Japan.

Company Highlight in 4Q23

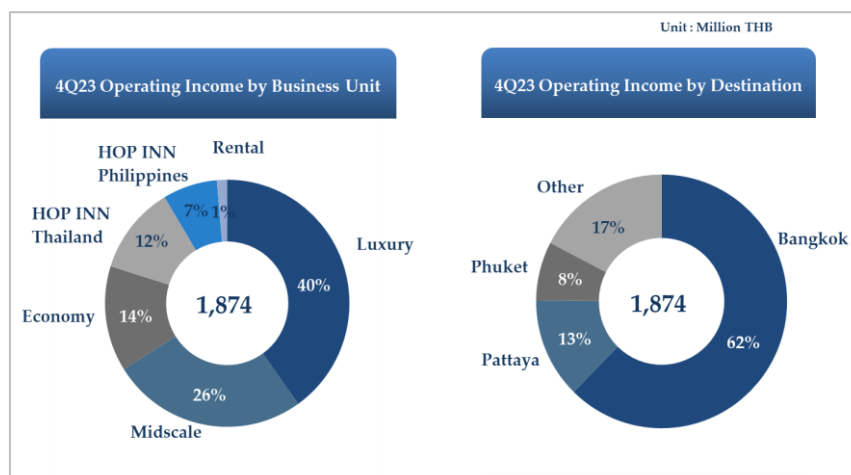
- In November 2023, the Company started renovation program of Holiday Inn Pattaya with 30 percent of room inventories were under renovation and expected to be completed in August 2024. This aims to modernize and enhance the hotel's competitiveness, aligning with the company's long-term strategy to enhance return from asset portfolio.
- In December 2023, the Company opened new "HOP INN" Kyoto Shijo Omiya, the first HOP INN hotels in Japan with 136 rooms inventory. This is part of 4 hotels in Japan which the Company invested in 3Q23 while the remaining 3 hotels are schedule to be opened in 1Q24. This brings the total number of our portfolio to 77 hotels, with a combined room inventory of 10,323 as of 4Q23.

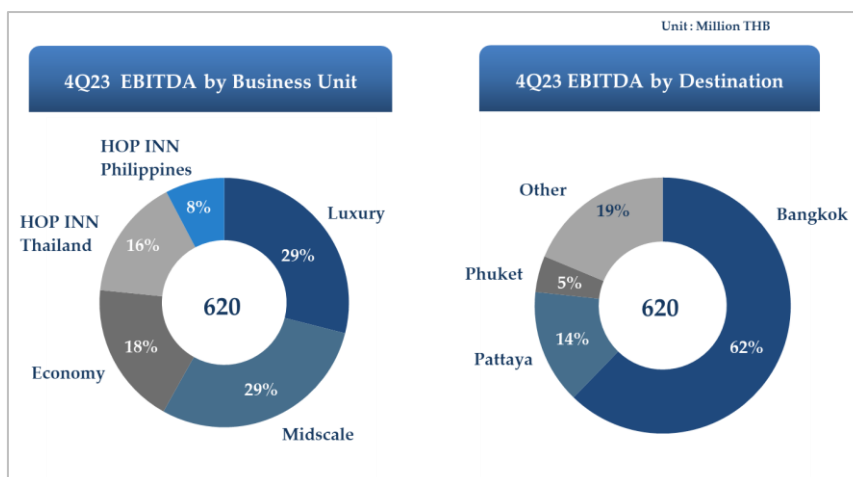
Group Performance in 4Q23 and 2023

The robust recovery of the tourism industry as aforementioned led to the strong performance of the Company in this quarter. The Company recorded a total income of THB 1,886 million in 4Q23, representing a 6 percent increase YoY and EBITDA of THB 620 million, a 6 percent increase YoY driven by revenue growth and effective cost management. As such, the Company recorded a normalized net profit of THB 222 million and after deducting an extra item which majority from set up and related expenses for new hotel investment in Japan generated a net profit of THB 212 million, a decrease of 12 percent YoY but increased 43 percent from net profit of THB 148 million in 3Q23 and growing from net profit of THB 176 million in 4Q19.

For 2023, the Company recorded a total income of THB 7,070 million, representing a 50 percent increase YoY and EBITDA of THB 2,227 million, a 112 percent increase YoY. As such, the Company recorded the net profit of THB 743 million, the highest record net profit from operation, a turnaround from a net loss of THB 224 million in 2022 and higher than a net profit of THB 445 million in 2019.

Operating income and EBITDA by Business Unit and Destination for the 4Q23 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 4Q23 and 2023 as follows:

3-month period (Oct-Dec)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	4Q22	4Q23	4Q22	4Q23	+/-	4Q22	4Q23	+/-	4Q22	4Q23	+/-
Thailand	8,332	8,716	80%	83%	3%	1,883	1,971	5%	1,509	1,637	9%
Luxury Hotels	911	911	86%	81%	-5%	6,221	6,711	8%	5,330	5,416	2%
Midscale Hotels	1,668	1,667	78%	79%	1%	3,012	3,278	9%	2,347	2,594	11%
Economy Hotels	1,813	1,813	83%	87%	4%	1,367	1,611	18%	1,140	1,406	23%
Total Group (ex. HOP INN)	4,392	4,391	82%	83%	1%	3,017	3,247	8%	2,467	2,689	9%
Budget Hotels (HOP INN)	3,940	4,325	78%	83%	5%	637	683	7%	499	569	14%
The Philippines	1,471	1,471	74%	80%	6%	1,080	1,187	10%	794	947	19%
Total Group	9,803	10,187	79%	83%	3%	1,773	1,862	5%	1,404	1,536	9%

12-month period (Jan-Dec)	No. of Rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	2022	2023	2022	2023	+/-	2022	2023	+/-	2022	2023	+/-
Thailand	8,332	8,716	65%	82%	17%	1,524	1,886	24%	990	1,545	56%
Luxury Hotels	911	911	69%	79%	11%	4,961	6,429	30%	3,407	5,108	50%
Midscale Hotels	1,668	1,667	58%	82%	24%	2,418	3,072	27%	1,394	2,517	80%
Economy Hotels	1,813	1,813	53%	84%	31%	1,136	1,488	31%	604	1,255	108%
Total Group (ex. HOP INN)	4,392	4,391	58%	82%	25%	2,496	3,074	23%	1,444	2,533	75%
Budget Hotels (HOP INN)	3,940	4,325	73%	81%	8%	622	666	7%	457	542	19%
The Philippines	1,471	1,471	61%	77%	15%	1,020	1,127	10%	627	866	38%
Total Group	9,803	10,187	65%	81%	17%	1,461	1,783	22%	943	1,447	53%

Note: Exclude Hop Inn Kyoto Shijo Omiya, opening on 25 December 2023

1.1 Thailand hotels

In 4Q23, Thailand hotels performance continue growing driven from the growth of occupancy and average room rates of 3 percent and 5 percent YoY respectively led to RevPAR growth of 9 percent YoY. Growth was witnessed across all segments from luxury to economy and HOP INN segment.

1.1.1 Luxury, Midscale and Economy hotels

The strong performance of Luxury to Economy hotel segment in this quarter was driven by the recovery in tourism industry and our effective pricing strategy. This resulted to an increasing of average room rate by 8 percent YoY while occupancy rate grew at 1 percent YoY leading to an increase of 9 percent RevPAR growth YoY. The Economy segment has the highest average RevPAR growth of 23 percent YoY due to the lower performance in 4Q22 compared to midscale and luxury segment which showed the fastest recovery in 4Q22.

In 4Q23, the food and beverage revenue were recorded at THB 376 million, a decrease of 1 percent YoY with the main reason from lower MICE and catering revenue as there was an APEC event in 4Q22 while Holiday Inn Pattaya started the renovation program in November 2023. For 2023, the food and beverage revenue was recorded at THB 1,362 million, or an increase of 27 percent YoY.

Overall, Thailand hotels (excluding HOP INN) posted total operating income in 4Q23 at THB 1,496 million, an increase of 6 percent YoY and EBITDA at THB 541 million, an increase of 13 percent YoY. For 2023, total operating income was at THB 5,557 million, an increase of 54 percent YoY and EBITDA at THB 1,868 million, an increase of 136 percent YoY.

1.1.2 HOP INN Thailand

HOP INN Thailand posted a strong performance with the support from domestic market. In 4Q23, RevPAR of this segment increased 14 percent YoY driven by the growth in both occupancy and average room rate at 5 percent and 7 percent YoY respectively.

In summary, HOP INN Thailand recorded total operating income in 4Q23 at THB 217 million, an increase of 15 percent YoY and EBITDA at THB 111 million, an increase of 32 percent YoY. For 2023, total operating income was THB 845 million, an increase of 31 percent YoY and EBITDA was THB 412 million, an increase of 38 percent YoY.

1.2 The Philippines hotels

The performance of Philippines hotels continued to recover in accordance with the recovery of Philippines tourism industry especially from domestic traveler whose remain the key source market as accounted for 78 percent. RevPAR growth posted at 19 percent YoY in this quarter resulting from an increase in occupancy rate of 6 percent YoY and average room rate of 10 percent YoY.

In 4Q23, total operating income was THB 135 million and EBITDA was THB 54 million, an increase of 16 percent and 23 percent YoY respectively. For 2023, total operating income was THB 499 million and EBITDA was THB 204 million, an increase of 57 percent and 76 percent YoY respectively.

In summary, the Company's overall hotel business in 4Q23 posted an operating income of THB 1,849 million, an increase of 8 percent YoY. Room revenue was recorded at THB 1,433 million and food and beverage revenue at THB 384 million with an increase of 10 percent and a decrease of 1 percent YoY respectively and EBITDA was recorded at THB 620 million, a 6 percent increase YoY.

For 2023, the operating income was at THB 6,902 million, an increase of 51 percent YoY. Room revenue recorded THB 5,385 million with an increase of 59 percent YoY and food and beverage revenue was at THB 1,392 million with an increase of 29 percent YoY. The Company reported EBITDA of THB 2,227 million, a 112 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 4Q23, an increase of 62 percent YoY due to the resuming operation of Erawan Bangkok in June 2023 after closed for renovation since 2Q22.

Other Items in P&L

- **Depreciation & Amortization:** The Company recorded depreciation & amortization expense of THB 229 million in 4Q23, an increase of 3 percent YoY mainly due to higher depreciation of building and equipment and Right-of-use land and buildings from a new hotel investment in Japan. For 2023, the Company recorded depreciation & amortization expense of THB 901 million, an increase of 3 percent YoY.
- **Finance Costs:** The Company recorded finance costs of THB 161 million in 4Q23, an increase of 32 percent YoY due to an increase in the interest-bearing debt from new hotel investment in Japan and a rising interest rate trend. For 2023, the Company recorded finance costs of THB 589 million, an increase of 29 percent YoY.
- **Extraordinary Items:**
 - **Investment in ERWPF:** The Company recorded a share of profit from 20 percent investment in ERWPF at THB 9 million in 4Q23, a decrease from THB 13 million in 4Q22. For 2023, the company recorded THB 36 million, an increase from THB 29 million in 2022 following higher appraisal value of properties in the fund.

- **Set up and related expenses for new hotel investment in Japan:** The Company recorded an extra expense for new hotel investment in Japan of THB 19 million in 4Q23 and THB 30 million in 2023.

Financial Status

In 4Q23, the Company reported operating cash flow before changes in operating assets and liabilities at THB 2,182 million, a 108 percent increase YoY on the back of improving operating performance. In 2023, cash flow from investing was THB 2,276 million, mainly to support new hotel investment in Japan, Thailand, and Philippines in accordance with our long-term growth strategy. This resulted in cash on hand at the end of 4Q23 of THB 1,217 million and available unutilized credit facilities of approximately THB 6,493 million.

As at 4Q23, total assets were THB 23,675 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 17,303 million. Total equity was THB 6,370 million, increased from THB 5,722 million at the end of 2022 due to net profit generated in 2023.

Key Financial Ratios

	2022	2023
Current ratio (times)	1.1	0.6
Return on Equity (%)	(3.8)	12.3
Interest Baring Debt to Equity (times)*	1.8	1.7
	4Q22	4Q23
Gross Profit Margin (%)	56.7	58.6

*Note: Exclude impact from TFRS16

- **Current ratio** as at 4Q23 was at 0.6 time, decreased from 1.1 times in 2022 due to an increase in current portion of loans from financial institutions.
- **Return on Equity** improved to 12.3 percent from the negative of (3.8) percent in 2022 on the back of solid improvement in operating performance and turnaround net profit compared to net loss in 2022.
- **The interest-bearing debt to equity ratio** recorded at 1.7 times in 4Q23 which was in line with 1.8 times at year end 2022.
- **Gross Profit Margin** was at 58.6 percent in 4Q23, increased from 56.7 percent in 4Q22 due to a strong recovery performance together with the efficiency of cost management.

Business Outlook

Thailand tourism industry in 2024 is expected to continue recovering from 2023 with the government target of 35 million international arrivals, a recovery of 88 percent to 2019. Chinese tourists are targeted to grow more than double over 2023 while maintain the growth from others main source markets such as Malaysian, Indian, and Russian together with the promotion of secondary cities for domestic travelers.

On the investment expansion, the Company continues to develop new projects as set forth in our long-term plan by focus in investment in budget hotel segment and increase the contribution on revenue and profit from domestic to generate stabilize growth in the long term. In 2024, the Company plans to open 14 new HOP INN hotels, consisting of 8 hotels in Thailand, 3 hotels in the Philippines and 3 hotels in Japan. As such, there will be 91 hotels with 11,624 rooms in our portfolio in 2024, increasing from 77 hotels with 10,323 rooms in 2023. For the asset enhancement program, the renovation of Holiday Inn Pattaya will be completed in 3Q24 which the Company is confident that it will increase its competitiveness and be able to respond to the change in customer demand and market.

In 2024, the Company set a target of total revenue growth of 15 percent YoY with an occupancy rate of 80-82 percent and average room rate growth of 5-7 percent. This supports the recovery of the tourism industry and the new hotel opening plan as aforementioned.

Although the Thai tourism industry recovery continues to be strong in 2024, 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 by the ever-changing situation by considering the situation and liquidity of the company.

Sincerely yours,

Woramon Inkatanuvat
Executive Vice President and Chief Financial Officer