

**Management Discussion and Analysis for the performance of the fiscal year ended 31 December 2023****Executive Summary****Performance Overview**

S Hotels and Resorts Public Company Limited ("SHR" or "the Company") and its subsidiaries ("the Group") reported revenue from sales and services for FY2023 at a record high level of THB 9,701.1 million, marking a notable 12% growth from the previous year amidst the impact of partial closure for renovations of two hotels in Thailand as a part of the strategy to enhance the quality of high-potential assets and the temporary closure of Outrigger Mauritius Beach Resort to upgrade its water management system. The revenue growth was supported by the recovery trend in the tourism industry and a continuous increase in travel demand, resulting in outstanding performance for self-managed hotels in Thailand, maintaining an impressive occupancy rate of 67% while witnessing a substantial 42% YoY increase in the Average Daily Rate (ADR). The UK portfolio reported the highest average occupancy rate since operation, reaching 70%, coupled with an 8% YoY increase in ADR. Despite a slight dip in the average occupancy rate for our Fiji properties, strategic asset enhancement initiatives led to an impressive 25% YoY increase in ADR for hotels in Fiji, contributing to the overall performance of the Company portfolio in 2023 to have an 8% increase in average occupancy rate from the previous year to 68%, as well as an increase in ADR by 9% YoY to THB 5,675, leading to a robust 23% YoY growth in Revenue per Available Room (RevPAR) to THB 3,871. Additionally, the success of product and service development efforts to diversify sources of revenue resulted in a 21% YoY growth in non-room revenue for hotels within the CROSSROADS project, effectively offsetting the challenges posed by competitive dynamics in the Maldives over the past year. When combined with continuous cost control and streamlined management expenses, SHR reported an impressive Adjusted EBITDA of THB 2,343.4 million for the year, marking a substantial 20% increase from the previous year, which outpaced the revenue growth rate. Furthermore, the Company reported a net profit of THB 86.4 million for 2023, more than five times higher than that of the previous year.

During the fourth quarter of 2023, the Group's total revenue from sales and services amounted to THB 2,478.9 million, a slight decrease of 4% from the same period of the previous year. The Outrigger Hotel in the Republic of Fiji's performance notably stood out, boasting a remarkable 14% YoY revenue growth attributed to a surge in ADR. Similarly, hotels in the CROSSROADS Maldives project saw revenue growth as they entered the peak tourist season. However, overall performance was limited by the aforementioned factors and the end of the management contract of one hotel in the United Kingdom at the end of 2023, along with initial operating expenses for the commercial opening of the SO/ Maldives hotel, as well as increased financial costs. Consequently, in the fourth quarter of 2023, the Company reported Adjusted EBITDA of THB 594.7 million and net profit of THB 63.7 million, a decrease of 9% and 41% from the same period of the previous year, respectively.

**Tourism Industry Trends and Hotel Operations by Location**

The international tourism industry continues to exhibit sustained recovery, as evidenced by the report from the United Nations World Tourism Organization (UNWTO). In the year 2023, global international tourist arrivals exceeded 1.3 billion, marking a 34% increase from the year 2022 or equivalent to an impressive 88% recovery rate compared to the pre-COVID-19 levels of 2019. However, regional recovery rates varied, with the Middle East region

displaying the most remarkable rebound, with international tourist arrivals surpassing pre-pandemic levels by 22%. Meanwhile, Africa and Europe managed to recover to 96% and 94% of 2019 levels, respectively. The slowest recovery was observed in the Asian region, aligned with the delayed reopening of tourist destinations compared to other regions. In terms of tourism revenue, the recovery pace outstripped that of international tourist arrivals in many regions, UNWTO reported global tourism revenue in 2023 reached \$1.4 trillion, representing a robust 93% recovery rate compared to 2019 levels. Moreover, several countries, including those in the Mediterranean Basin, Central America, and South America, reported tourism revenue exceeding pre-pandemic levels, driven by sustained high travel demand and continuous growth in flight numbers.

Looking ahead to 2024, UNWTO anticipates a strong and resilient recovery in both international tourist arrivals and tourism revenue, surpassing pre-pandemic levels. Despite risks stemming from potentially slower-than-expected economic expansion, ongoing geopolitical tensions, and potential labor shortages in the tourism sector, key supporting factors include: (1) Anticipated recovery trends among Chinese tourists, who hold the largest market share globally in 2019, coupled with strong tourism demand from the United States and Middle East markets, (2) Increasing demand for off-season travel and the rising popularity of sustainable tourism trends, and (3) Significant increase in flight numbers leading to reduced travel costs, acting as a significant stimulus for global tourism, particularly in Asian destinations poised for remarkable recovery in 2024.

The estimated number of international tourist arrivals in the countries where the Company's existing business can be summarized as follows:

(Unit: Million Visitors)	2019	2023	Forecast 2024*
Thailand	39.9	28.2	33.5
Republic of Maldives	1.7	1.9	2.0
United Kingdom	40.9	37.8	39.5
Republic of Fiji	0.9	0.9	1.0
Republic of Mauritius	1.4	1.2	1.4

**Note:**

- (1) Forecasts for the year 2024 for Thailand, as referenced from the Thai Ministry of Finance's estimation, Maldives as cited from the Maldives Association of Travel Agents and Tour Operators (MATATO), the United Kingdom as referenced from VisitBritain's estimation, Fiji as cited from the Ministry of Commerce of the Republic of Fiji Islands, and Mauritius as cited from the Mauritius Tourism Promotion Authority.

Thailand

Thailand's Ministry of Tourism and Sports reported that in the year 2023, Thailand welcomed approximately 28 million foreign visitors, marking a 1.5-fold increase compared to the previous year. Malaysia, China, and South Korea constituted the top three tourist demographics, respectively. The increase was attributed to fully opening up to tourists throughout the year for the first time since 2019, bolstered by supportive government measures such as visa exemptions and extended visa durations for visitors from certain countries. In 2024, it is estimated that the number of foreign tourists visiting Thailand will increase to around 33.5 million, a 19% growth from the previous year and accounting for an 84% recovery compared to 2019. Key factors contributing to this growth include (1) the projected increase in Chinese tourist arrivals due to the introduction of a bilateral visa waiver starting from March 1, 2024, as well as potential tourist influx from other high-potential markets like Russia, South Korea, and Kazakhstan, (2) Government marketing strategies targeting high-spending groups and special interest groups such

as Health & Wellness and eco-conscious travelers, (3) Increased domestic and international flights, as well as improved land transportation connections to accommodate the rising demand.

Combined with the aforementioned supportive factors, the continuous efforts to enhance the SAii brand through room and communal space renovations, activity development, and service upgrades aim to elevate the experience for guests. This resulted in the recovery of the RevPAR in 2023 for the self-managed hotels in Thailand to rebound above pre-COVID-19 levels. The positive momentum from these recovery initiatives, along with the popularity of SHR's properties among global tourists and targeted marketing strategies focusing on new potential markets like Australia and the Middle East, positions the company for robust performance in the first quarter of 2024. This performance will be driven by fully operational rooms and potential increases in ADR from new product offerings, offsetting the impact of temporary closures for renovations at SAii Laguna Phuket during the off-peak tourism season.

#### Republic of Maldives

For the year 2023, more than 1.9 million tourists were traveling to the Republic of Maldives, an increase of 12% from the previous year, which was higher than the figures estimated by the Ministry of Tourism at the beginning of the year. This notable upsurge, exceeding 2019 levels by 10%, reflects a robust revival in the Maldives' tourism sector, renowned as a leading destination for international tourists. The top three tourist origins, comprising approximately 32% of the total, were tourists from Russia, India, and China, respectively. However, due to intensifying competition, especially during the off-peak tourism season in the past year, prompted companies to implement various strategies. These included dynamic pricing strategies for rooms, targeted marketing efforts in emerging tourist markets such as China, Kazakhstan, and the Middle East, and emphasizing product and service development to diversify revenue streams. As a result, overall occupancy rates for the year 2023 remained above the market average, experiencing a slight increase to 67%. Moreover, there was a noticeable uptick in non-room revenue, effectively offsetting the impact of decreased ADR.

For the year 2024, the Maldives Association of Travel Agents and Tour Operators (MATATO) anticipates a sustained growth trajectory, targeting 2 million foreign visitors. This is supported by (1) policy initiatives aimed at introducing new offerings tailored to diverse market segments, including family travelers, Millennials, Gen Z seeking experiential journeys, and MICEs, in addition to the main base of tourists from Europe and the Middle East which continue to grow steadily, (2) the upward trend in flight frequencies and Chinese tourist arrivals since the fourth quarter of 2023, expected to contribute to improving average occupancy rates especially during the off-peak tourism season from the previous year, and (3) the increased capacities to accommodate more tourists after the completion of investments in the international airport terminal upgrade, which expected to be completed in the fourth quarter of 2024. With these supporting factors, coupled with the elevation of the CROSSROADS project, following the opening of SO/ Maldives hotels as an integrated leading leisure destination offering diverse product options catering to all types of tourists. This development is expected to draw more high-spending tourist groups from key markets such as the UK, Russia, the USA, and the Middle East. As a result, companies foresee a robust performance in the first half of 2024, anticipating substantial growth in both occupancy rates and ADR compared to the previous year.

### United Kingdom

The tourism sector in the United Kingdom continues to demonstrate robust recovery, both domestically and internationally. In 2023, the primary influx of international tourists was led by the United States, with significant growth in both visitor numbers and expenditures compared to pre-pandemic levels in 2019. Similarly, tourists from Europe saw a notable rebound, with a 30% increase from the previous year, achieving a recovery rate of 91% compared to 2019. Meanwhile, travelers from other regions continued to recover gradually. As a result, in 2023, the total number of foreign tourists entering the United Kingdom was approximately 37.8 million, growing by 21% YoY and reaching a recovery rate of 92% compared to 2019. The aforementioned recovery momentum contributed to outstanding operational performance in 2023 for UK portfolio hotels, excelling across all performance indicators. Notably, the Revenue per Available Room (RevPAR) reached £60, representing the highest level in the portfolio's history since its inception.

Nevertheless, heightened competitive pressures from other tourist destinations in the region prompted the United Kingdom to launch campaigns targeting high-growth potential markets such as Australia, and the United States, as well as major countries in Europe and the Middle East. It is projected that in 2024, the number of foreign tourists entering the United Kingdom will reach approximately 39.5 million, representing a recovery rate of 97% compared to 2019 and growing by 5% YoY. Moreover, it is anticipated that more than 65% of foreign tourists will continue to come from countries within the European continent. Forecasts for tourist expenditures in 2024 stand at GBP 34.1 billion, growing by 7% YoY and significantly exceeding 2019 levels by 20%. Building upon the aforementioned recovery trends, the UK portfolio hotels are undergoing asset enhancements across accommodations, common areas, reception areas, and dining establishments, alongside considerations for rebranding and repositioning strategies aimed at accessing high-spending market segments with less price-sensitive and enhanced responsiveness to prevailing travel preferences. These initiatives align with efficiency improvement strategies and profitability improvement of the portfolio. The operational performance of hotel groups in the United Kingdom is expected to sustain continuous growth in 2024.

### Republic of Fiji

The Republic of Fiji welcomed the highest number of foreign tourists in history in 2023, with 929,740 visitors, marking a 46% increase from the previous year and surpassing pre-pandemic 2019 levels by 4%. The top three tourist source markets were Australia, New Zealand, and the United States, collectively comprising 81% of the market share. This rapid recovery underscores the destination's exceptional allure, particularly favored by travelers seeking leisurely vacations, as evidenced by the expansion of flight routes in numerous countries. For example, Canada witnessed a substantial 65% YoY increase in tourist arrivals. Furthermore, the resumption of flight operations from Japan, Hong Kong, and China signals a definitive resurgence in tourist volumes since April 2023. Capitalizing on these conducive factors, alongside an increase in ADR resulting from the introduction of new offerings post-renovation, which mitigated the impact of limited room availability at the Outrigger Fiji Beach Resort due to ongoing renovations in the previous year, resulted in remarkable operational growth in 2023, recording highest-ever RevPAR, amounting at FJD 421.

For 2024, it is projected that the number of foreign tourists traveling to the Republic of Fiji will reach another record high, exceeding 1 million, driven by sustained tourism demand. Additionally, there is a high rate of repeat customer stays among the primary customer groups from Australia and New Zealand. The successful execution of wedding business operations within the company's hotel properties, combined with the return to full room capacity and the potential for further increases in ADR at the Outrigger Fiji Beach Resort, is expected to significantly contribute to the company's anticipated strong operational performance throughout 2024.

#### Republic of Mauritius

The successful implementation of robust Marburg virus spread control measures has led to a swift recovery in tourism for the Republic of Mauritius in the 2<sup>nd</sup> half of 2023. This is evident from the significant increase in international tourists throughout the year, totaling 1.25 million people. This marked a 25% YoY increase and a 90% recovery compared to 2019 levels. The top three tourist source markets were France, the United Kingdom, and Germany, accounting for 25%, 11%, and 9% of the market share, respectively. However, the operational performance of the Outrigger Mauritius Beach Resort in 2023 experienced a setback due to temporary closures for the enhancement of the hotel's water management system. With these improvements completed, the hotel was able to resume operations by the end of October last year.

The clear indication of a more substantial recovery in the average occupancy rate of Outrigger Mauritius Beach Resort hotels since December 2023, sustained through the first quarter of 2024, coupled with the upward trajectory in ADR from the previous year, aligns with the projected increase in tourist arrivals to the Republic of Mauritius in 2024, expected to exceed 1.35 million. This growth stems from both traditional key tourist groups and potential travelers from emerging markets, notably Poland, Australia, India, Russia, and China. Furthermore, the increase in flight frequencies from Australia, India, and Turkey provides further support for the company's anticipation that the RevPAR of hotels in Mauritius in 2024 will revert to pre-COVID-19 levels.

#### **Significant Development**

- In September 2023, SHR reached an agreement to purchase land with buildings and installations of the Mercure Glasgow hotel in the United Kingdom, totaling GBP 7.5 million (or approximately THB 338.4 million). This transaction was in line with the company's hotel management plan in the United Kingdom and the strategy to enhance the efficiency of the company's portfolio.
- In October 2023, the company successfully issued and offered corporate bonds to public investors for the first time. These bonds have a maturity of 3 years and an interest rate of 5.00% per annum, with a total offering value of THB 1,300 million. The proceeds will be used primarily for hotel renovations to promote sustainable revenue growth, which aligns with the company's financial strategy. This resulted in improved flexibility and efficiency in cash flow management.

#### **Nature of Business**

The Company operates its business by holding shares in other companies (Holding Company) engaged in hotel management and investments in the international hotel business. It focuses on achieving growth through both organic and inorganic means, alongside enhancing profitability, to ensure sustainable long-term growth. 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 brands, 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 Embodhoo 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 brands and managed by Aimbridge Hospitality EMEA (previously named Interstate Hotels & Resorts) 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, with both FICO UK and the company holding a 50% investment share in the venture. Additionally, the SO/ Maldives hotel operates under a hotel management agreement with Accor, as part of the CROSSROADS project in the Republic of Maldives, with both Wai Eco World Developer and the company holding a 50% investment share in the venture (“**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, according to which the Company receives a share of profit or loss from the investment in the joint ventures.

The company has 38 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 4,552 rooms. As of December 31, 2023, 37 hotels out of 38 have resumed their normal operation, equivalent to 98.8% of the total number of rooms (4,499 out of a total of 4,552 rooms).

**Revenue from services by management platforms:**

	2022	%	2023	%	%	4Q'2022	%	4Q'2023	%	%
<i>Unit: THB Million</i>	Revenue	Share	Revenue	Share	Change YoY	Revenue	Share	Revenue	Share	Change YoY
Self-Managed Hotels	1,098.2	12.6%	1,748.5	18.0%	59.2%	434.1	17.1%	423.3	17.1%	-2.5%
Outrigger Hotels	1,486.2	17.1%	1,456.5	15.0%	-2.5%	473.8	18.4%	419.4	16.9%	-11.5%
Project CROSSROADS	2,444.5	28.1%	2,545.0	26.2%	4.1%	675.6	26.3%	693.1	28.0%	2.6%
UK Portfolio Hotels	3,663.6	42.1%	3,951.1	40.7%	7.8%	986.0	38.4%	943.1	38.0%	-4.4%
<b>Total revenue from services</b>	<b>8,692.6</b>	<b>100.0%</b>	<b>9,701.1</b>	<b>100.0%</b>	<b>11.6%</b>	<b>2,569.5</b>	<b>100.0%</b>	<b>2,478.9</b>	<b>100.0%</b>	<b>-3.5%</b>

In the overall performance for the year 2023, the Group achieved a revenue from sales and services of THB 9,701.1 million, marking a 12% increase compared to the previous year. This growth was primarily driven by the outstanding performance of the self-managed hotels in Thailand witnessing a revenue surge of over THB 650 million, equivalent to 59% YoY growth. This aligns with the consistent growth performance of the Outrigger hotels

in the Republic of Fiji and the UK portfolio hotels, which saw revenue increases of 13% and 8% from the previous year, respectively. This growth is supported by recovery of the tourism industry and improved operational efficiency within the company's hotel management. Moreover, the strategic emphasis on product development and various services to diversify revenue sources resulted in a 21% growth in non-room revenue for hotels in the CROSSROADS project, compared to the previous year.

During the fourth quarter of 2023, the Outrigger hotels in the Republic of Fiji continued their robust growth trajectory primarily due to increased ADR, combined with the revenue performance of hotels in the Republic of Maldives which approached the peak tourism season. However, overall operational performance was limited by the number of available rooms due to partial closures for renovation at two hotels in Thailand and the temporary shutdown of the Outrigger Mauritius Beach Resort for water management system upgrades. Additionally, revenue from the UK portfolio hotels declined owing to the preparation for the handover of the Mercure London Watford hotel at the end of 2023, following the expiration of the management lease agreement. Consequently, the company reported fourth-quarter revenue for 2023 at THB 2,478.9 million, representing a marginal decline of 4% compared to the same period in the previous year.

**Key indicators in respect of the Hotels performance are set out as follows:**

Self-Managed Hotels

Indicators	2022	2023	% Change YoY	4Q'2022	4Q'2023	% Change YoY
No. of Hotels	4 <sup>(1)</sup>	4 <sup>(1)</sup>	-	4 <sup>(1)</sup>	4 <sup>(1)</sup>	-
No. of Keys	604	604	-	604	604	-
Average Occupancy Rate (%)	56.7%	66.6%	9.9%	71.9%	56.6%	-15.3%
ADR (Baht)	5,709	8,096	41.8%	7,435	9,012	21.2%
RevPAR (Baht)	3,237	5,391	66.6%	5,346	5,104	-4.5%

**Note**

(1) As Konotta Maldives is still under temporarily closed, the Company excluded the hotel from the calculation of the key indicators

In the fourth quarter of 2023, two self-managed hotels in Thailand, namely the SAii Phi Phi Island Village Hotel and the SAii Laguna Phuket Hotel, remained partially closed as part of ongoing room renovation efforts aimed at bolstering long-term competitiveness. Consequently, there was a decline in the occupancy rate compared to the previous year. However, when considering the average occupancy rate specifically for the rooms that were open for service in the fourth quarter of 2023, it remained stable at 72%, similar to the same period of the previous year. Meanwhile, the ADR saw a significant increase of over 21% YoY, reaching THB 9,012. This growth was mainly supported by a pricing strategy implemented after the room upgrades and the advantageous locations of company properties, which are favored among international tourists, particularly from Russia, Germany, the United States, and various European countries. As a result, the overall performance for 2023 for the self-managed hotels demonstrated a robust recovery, evident from the ADR increase of 42% YoY to THB 8,096. Simultaneously, the average occupancy rate saw a 10% YoY increase, leading to a successful recovery of the RevPAR to surpassing pre-pandemic levels.



### Outrigger Hotels

Indicators	2022	2023	% Change YoY	4Q'2022	4Q'2023	% Change YoY
No. of Hotels	3	3	-	3	3	-
No. of Keys	499	499	-	499	499	-
Average Occupancy Rate (%)	63.6%	62.6%	-1.0%	79.6%	61.6%	-17.9%
ADR (Baht)	7,296	9,527	30.6%	7,304	10,176	39.3%
RevPAR (Baht)	4,638	5,962	28.6%	5,811	6,273	7.9%

#### Note

- (2) The exchange rate used for the calculation for the year 2022 is 16.01 THB/FJD, 0.80 THB/MUR. For the year 2023 is 15.61 THB/FJD, 0.77 THB/MUR  
The exchange rate used for the calculation for the 4<sup>th</sup> quarter of 2022 is 16.14 THB/FJD, 0.83 THB/MUR. For the 4<sup>th</sup> quarter of 2023 is 15.83 THB/FJD, 0.81 THB/MUR
- (3) For the Outrigger Mauritius Beach Resort, the hotel was temporarily closed from April to October, in which the Company didn't put into calculation the rooms during closure period.

The Outrigger Hotel comprises two properties in the Republic of Fiji and an additional one in the Republic of Mauritius. The year 2023 marked the first full year of operation for both countries, with positive feedback from tourists, particularly notable in the Republic of Fiji, where tourist arrivals exceeded pre-pandemic levels. Additionally, the completion of phase two renovations at the Outrigger Fiji Beach Resort in November significantly contributed to a substantial 39% YoY increase in the overall ADR for Outrigger hotels in the fourth quarter. However, the temporary closure of the Outrigger Mauritius Beach Resort for water management system upgrades, which was completed in October, resulted in an 18% YoY drop in occupancy rate for the fourth quarter of 2023.

Looking at the overall picture of 2023, while operational performance faced limitations due to the restricted number of available rooms stemming from the aforementioned reasons, the successful implementation of new product offerings post-renovation at the Outrigger Fiji Beach Resort positively responded to the robust travel demand in the Republic of Fiji. This was evidenced by the high occupancy rate, specifically for rooms that were open for service at Outrigger hotels in the Republic of Fiji, reaching 84%, which helped mitigate the aforementioned impact. Consequently, the overall occupancy rate for Outrigger hotels in 2023 experienced only a slight decrease, while the ADR increased significantly by 31% from the previous year, reaching THB 9,527.

### Project CROSSROADS Hotels

Indicators	2022	2023	% Change YoY	4Q'2022	4Q'2023	% Change YoY
No. of Hotels	2	3	1	2	3	1
No. of Keys	376	456	80	376	456	80
Average Occupancy Rate (%)	65.8%	66.5%	0.7%	63.2%	61.3%	-1.9%
ADR (Baht)	14,120	13,334	-5.5%	16,123	15,201	-5.7%
RevPAR (Baht)	9,293	8,877	-4.5%	10,185	9,311	-8.6%

#### Note

- (4) The exchange rate used for the calculation for the year 2022 is 35.06 THB/USD. For the year 2023 is 34.80 THB/USD  
The exchange rate used for the calculation for the 4<sup>th</sup> quarter of 2022 is 36.38 THB/USD. For the 4<sup>th</sup> quarter of 2023 is 35.65 THB/USD
- (5) Number of hotels and rooms changed from start of commercial operation of SO/ Maldives in November 2023

For the fourth quarter of 2023, the operational performance of Hard Rock Hotel Maldives and SAii Lagoon Maldives, which focused on marketing to high-potential tourists from emerging markets such as China, Kazakhstan, and the Middle East has contributed to supplementing traditional tourist arrivals from Russia and Europe. Coupled with the



rise in the number of flights to the Maldives, notably evident since the latter part of the fourth quarter of 2023, resulting in average occupancy rate and RevPAR to increase by 5% and 2% compared to the previous, respectively, despite the ADR being affected by fierce competition resulting from the increased number and variety of accommodation options domestically and the expanding global travel destinations.

Furthermore, when considering the overall performance, including the contribution from SO/ Maldives, which commenced operations on November 1, 2023, the average occupancy rate and RevPAR both experienced a slight decline of 2% and 9% respectively compared to the same period of the previous year.

Overall, for 2023, the company managed to maintain the average occupancy rate at a level higher than the market average, slightly increasing from the previous year to 67%, with an ADR recorded at 13,334 baht. These figures reflect the strength of the project's location and its identity as a premier integrated leisure destination in the Maldives.

#### UK Portfolio Hotels

Indicators	2022	2023	% Change YoY	4Q'2022	4Q'2023	% Change YoY
No. of Hotels	27	27	-	27	27	-
No. of Keys	2,940	2,940	-	2,940	2,940	-
Average Occupancy Rate (%)	59.9%	69.5%	9.6%	62.7%	62.2%	-0.5%
ADR (Baht)	3,476	3,764	8.3%	3,421	3,716	8.6%
RevPAR (Baht)	2,083	2,617	25.6%	2,145	2,312	7.8%

#### Note

(6) The exchange rate used for the calculation for the year 2022 is 43.26 THB/GBP. For the year 2023 is 43.29 THB/GBP

The exchange rate used for the calculation for the 4<sup>th</sup> quarter of 2022 is 42.64 THB/GBP. For the 4<sup>th</sup> quarter of 2023 is 44.25 THB/GBP

The UK portfolio hotels continued to maintain a consistently outstanding operational performance in the fourth quarter of 2023, with reported ADR increasing by 9% YoY. despite the decreased revenue from the Mercure London Watford hotel due to preparations for handover following the expiration of the management lease agreement at the end of 2023. Overall, the operational performance for 2023 showed significant improvement across all key performance indicators, with the recorded RevPAR reaching an all-time high for the portfolio at THB 2,617, marking a remarkable 26% increase from the previous year. This impressive growth was underpinned by the robust and continuous expansion of domestic travel demand, resulting in a 10% YoY increase in occupancy rates, surpassing pre-pandemic levels and reaching 70% for the first time. Additionally, the ADR experienced steady growth due to the successful implementation of efficiency improvement strategies and the profit-making capabilities of the portfolio, which stood at THB 3,764.

**Discussion of results of operations:**

Table comparing financial performance of 2022 and 2023.

	2022		2023		% Change YoY	
	THB Million	%	THB Million	%	THB Million	%
Revenue from services	8,692.6	100%	9,701.1	100.0%	1,008.5	11.6%
Costs of services	5,807.4	66.8%	6,326.4	65.2%	519.0	8.9%
<b>Gross profit</b>	<b>2,885.1</b>	<b>33.2%</b>	<b>3,374.7</b>	<b>34.8%</b>	<b>489.6</b>	<b>17.0%</b>
Other income	131.7	1.5%	395.7	4.1%	264.0	200.4%
Selling expenses	352.3	4.1%	441.3	4.5%	89.0	25.3%
Administrative expenses	1,795.1	20.7%	1,934.5	19.9%	139.4	7.8%
Gain (Loss) from Exchange rate	21.0	0.2%	(4.8)	(0.0%)	(25.8)	(122.9%)
Share of profit (loss) from investment in an associate and joint ventures	(21.5)	(0.2%)	(88.2)	(0.9%)	(66.7)	(310.9%)
Finance costs (Interest expenses)	841.6	9.7%	1,123.9	11.6%	282.3	33.5%
<b>Profit (loss) before income taxes</b>	<b>27.4</b>	<b>0.3%</b>	<b>177.7</b>	<b>1.8%</b>	<b>150.3</b>	<b>549.5%</b>
Income tax expenses (income)	13.0	0.1%	91.3	0.9%	78.3	603.6%
<b>Profit (loss) of the year</b>	<b>14.4</b>	<b>0.2%</b>	<b>86.4</b>	<b>0.9%</b>	<b>72.0</b>	<b>500.7%</b>
<u>Adjusted items</u>						
Net unrealized gain (loss) on exchange rate	15.8	0.2%	(4.2)	(0.0%)	(20.0)	(126.6%)
Non-recurring items <sup>1</sup>	-	-	(233.1)	(2.4%)	(233.1)	-
<b>Adjusted EBITDA<sup>2</sup></b>	<b>1,948.4</b>	<b>22.4%</b>	<b>2,343.4</b>	<b>24.2%</b>	<b>394.9</b>	<b>20.3%</b>
Extra-ordinary items from depreciation and tax <sup>3</sup>	-	-	222.4	2.3%	222.4	-
<b>Adjusted profit (loss) of the year</b>	<b>(1.4)</b>	<b>(0.0%)</b>	<b>79.9</b>	<b>0.8%</b>	<b>81.3</b>	<b>5,865.8%</b>

Table comparing financial performance of Q4/2022 and Q4/2023.

	4Q/2022		4Q/2023		% Change YoY	
	THB Million	%	THB Million	%	THB Million	%
Revenue from services	2,569.5	100%	2,478.9	100.0%	(90.6)	(3.5%)
Costs of services	1,593.3	62.0%	1,574.5	63.5%	(18.8)	(1.2%)
<b>Gross profit</b>	<b>976.2</b>	<b>38.0%</b>	<b>904.4</b>	<b>36.5%</b>	<b>(71.8)</b>	<b>(7.4%)</b>
Other income	28.3	1.1%	269.7	10.9%	241.4	854.3%
Selling expenses	95.3	3.7%	105.7	4.3%	10.3	10.8%
Administrative expenses	522.1	20.3%	526.0	21.2%	3.8	0.7%
Gain (Loss) from Exchange rate	(12.9)	(0.5%)	(12.4)	(0.5%)	0.5	3.9%
Share of profit (loss) from investment in an associate and joint ventures	(4.4)	(0.2%)	(65.5)	(2.6%)	(61.1)	(1,379.5%)
Finance costs (Interest expenses)	240.8	9.4%	299.4	12.1%	58.6	24.3%
<b>Profit (loss) before income taxes</b>	<b>128.9</b>	<b>5.0%</b>	<b>122.1</b>	<b>4.9%</b>	<b>(6.7)</b>	<b>(5.2%)</b>
Income tax expenses (income)	21.0	0.8%	58.4	2.4%	37.4	178.1%
<b>Profit (loss) of the year</b>	<b>107.9</b>	<b>4.2%</b>	<b>63.7</b>	<b>2.6%</b>	<b>(44.1)</b>	<b>(40.9%)</b>
<i>Adjusted items</i>						
Net unrealized gain (loss) on exchange rate	(17.1)	(0.7%)	(11.1)	(0.4%)	6.0	35.2%
Non-recurring items <sup>1</sup>	-	-	(232.5)	(9.4%)	(232.5)	-
<b>Adjusted EBITDA<sup>2</sup></b>	<b>656.7</b>	<b>25.6%</b>	<b>594.7</b>	<b>24.0%</b>	<b>(62.0)</b>	<b>(9.4%)</b>
Extra-ordinary items from depreciation and tax <sup>3</sup>	-	-	222.4	9.0%	222.4	-
<b>Adjusted profit (loss) of the period</b>	<b>125.0</b>	<b>4.9%</b>	<b>64.7</b>	<b>2.6%</b>	<b>(60.3)</b>	<b>(48.2%)</b>

- (1) Non-recurring items are defined as Gain (Loss) on the disposal of assets and shares of JV companies, and Gain (Loss) from fair value adjustment of investment in the joint ventures or investment properties
- (2) Adjusted EBITDA is calculated from EBT plus Finance cost, Depreciation and Amortization, Interest income, and deduct unrealized loss from exchange rates, and non-recurring items
- (3) Extra-ordinary items from depreciation led by asset reclassification and non-recurring tax items

### Revenue from services

Revenue from sales and services in the fourth quarter amounted to THB 2,478.9 million, decreasing by 3.5% YoY. This decline was primarily attributed to a significant drop in revenue by 51% from the Outrigger Mauritius Beach Resort following its partial reopening since late October, and a 4% decrease in revenue from hotels in the United Kingdom due to the expiration of the lease agreement for the Mercure London Watford hotel at the end of the fourth quarter. For the overall performance in 2023, the Group recorded total revenue from sales and services in the amount of THB 9,701.1 million, indicating an 11.6% YoY increase. This growth was driven by outstanding performance from the self-managed hotels in Thailand, with revenue increasing by 59% from the previous year. Similarly, revenue from Outrigger hotels in the Republic of Fiji and non-room revenue from hotels in the CROSSROADS project also increased by 13% and 21% respectively compared to those of the previous year.

### Costs of services

The Group's costs of services in the fourth quarter amounted to THB 1,574.5 million, reflecting a 1.2%

YoY decrease. This decline primarily resulted from decreased expenses associated with management lease agreements in the United Kingdom and decreased utility expenses. The Group's service costs for the year 2023, stood at THB 6,326.4 million, indicating a 9% increase from the previous year, in line with revenue growth. The cost of services to sales margin for 2023 was 65.2%, demonstrating an improvement from 66.8% in the previous year, reflecting more effective cost management.

**Gross profit**

The Group's gross profit for the fourth quarter of 2023 totaled THB 904.4 million, decreasing by 7.4% and with a gross profit margin of 36.5%, down from 38.0% in the same period of the previous year. This decline was primarily due to reduced revenue from Outrigger Mauritius Beach Resort, along with increased utility and labor costs for hotels in the UK portfolio, which were higher following rising inflation rates.

The Group reported gross profit at THB 3,374.7 million for FY2023, marking a 17% increase from THB 2,885.1 million in the previous year, with an improved gross profit margin of 34.8%, up from 33.2% in the previous year. This improvement was largely fueled by revenue growth resulting from effective pricing strategies and efficient cost management practices implemented across self-managed hotels in Thailand and Outrigger hotels in the Republic of Fiji.

**Selling expenses**

The Group's selling expenses in the fourth quarter amounted to THB 105.7 million, marking a 10.8% increase from the same period the previous year. This trend aligns with the selling expenses for the year 2023, totaling THB 441.3 million, which increased by 25.3% YoY. The primary factors for this increase were attributed to an uptick in advertising expenses for self-managed hotels in Thailand and marketing promotions for hotels in the CROSSROADS.

**Administrative expenses**

The Group's administrative expenses in the fourth quarter of 2023 amounted to THB 525.9 million, increasing by 1% from the same period of the previous year. This upsurge primarily stemmed from the recognition of depreciation charges following the reclassification of Held-for-sales Assets in the Republic of Maldives to Property, Plant, and Equipment. For administrative expenses of the year 2023, the amount totaled THB 1,934.5 million, increasing by 7.8% YoY, which aligns with the revenue growth due to the recovery of the tourism industry. The relatively lower growth rate of administrative expenses compared with revenue growth highlights the improved efficiency in expense management observed in 2023.

**Finance Costs**

Finance costs in the fourth quarter of 2023 increased by 24.3% from the same period of the previous year, amounting to THB 299.4 million. Similarly, for the year 2023 rose by 33.5% YoY, reaching THB 1,123.9 million. This rise was attributed to continuously increasing interest rates in 2023, especially on loans denominated in US dollars and Pound Sterling, as well as the corporate debenture issuance in the amount of THB 1,300 million in the fourth quarter, resulting in increased interest expenses in Thai Baht.

### **Other income**

Other income of the Group in the fourth quarter of 2023 amounted to THB 226.6 million, increasing from THB 28.3 million in the fourth quarter of the previous year. This increase was mainly due to gain from the fair value adjustment of investment properties. For the year 2023, the Group generated other income of THB 395.7 million, increasing from the previous year's THB 131.7 million, driven by increased interest income and profits from the aforementioned revaluation of investment properties.

### **Share of profit (loss) from associates and joint ventures**

During the fourth quarter of 2023, the Group recorded share of losses from associates and joint ventures amounting to THB 65.5 million. This loss increased from the same period of the previous year, which recorded losses at THB 4.4 million, due to the commencement of commercial operations of SO/ Maldives under the joint venture in the Republic of Maldives in November. As a result, for the year 2023, the company recorded a share of losses from associates and joint ventures totaling THB 88.2 million, an increase from the loss of THB 21.5 million in the previous year.

### **Adjusted EBITDA**

Adjusted EBITDA of the Group in the fourth quarter of 2023 was THB 594.7 million, decreased by 9.4% from the same period of the previous year. This was a result of reduced revenue under the constraints of room inventory available for services and an increased share of losses from associates and joint ventures. Meanwhile, Adjusted EBITDA for the year 2023 increased by 20.3% to THB 2,343.4 million, driven by increased revenue from sales and services in line with the tourism recovery, as well as improved cost management and efficient expense control. Consequently, the Adjusted EBITDA margin improved to 24.2%.

### **Profit (loss) for the period**

The Group recorded net profit for the fourth quarter of 2023 at THB 63.7 million, a decrease of 40.9% from the same period of the previous year. This was due to increased finance costs following rising interest rates during the previous year, as well as increased tax expenses particularly deferred income tax, due to higher corporate income tax rates for operations in the United Kingdom and the Republic of Fiji. Overall, for the year 2023, the Group generated net profit of THB 86.4 million, a significant increase of 501% from FY2022, driven by the continuous recovery trend in the tourism industry and the strength of the company's portfolio.

### Analysis of Financial Position and Investment Structure

As of December 31, 2023, the company's total assets amounted to THB 37,722.7 million, an increase of THB 1,273.1 million or 3.5% from December 31, 2022. Meanwhile, the total liabilities of the company amounted to THB 21,631.7 million, rising by THB 1,201.2 million from those at the end of 2022. Among these liabilities, interest-bearing debts totaled THB 13,931.8 million, rising from THB 13,080.2 million, attributed to the issuance of corporate bonds worth THB 1,300 million in October 2023. As for the shareholders' equity, it amounted to THB 16,091.0 million, increasing from THB 16,019.2 million at the end of 2022, mainly due to the profits generated in FY2023.

The increase in interest-bearing debt at a higher proportion than the growth in shareholders' equity resulted in a marginal rise in debt-to-equity ratio (IBD/E) to 0.87 time as of December 31, 2023. However, this ratio remains far below the company's targeted financial leverage threshold.

	Dec 31, 2022	Dec 31, 2023	Change	
	(THB million)	(THB million)	(THB million)	(THB million)
Cash and cash equivalents	2,477.3	2,216.3	(261.0)	(10.5%)
Total current assets	4,533.0	3,771.8	(761.1)	(16.8%)
Property, plant and equipment, net	28,046.0	30,414.4	2,368.4	8.4%
Total non-current assets	31,916.6	33,950.9	2,034.2	6.4%
<b>Total assets</b>	<b>36,449.6</b>	<b>37,722.7</b>	<b>1,273.1</b>	<b>3.5%</b>
Total interest-bearing debt	13,080.2	13,931.8	851.6	6.5%
Other liabilities	7,350.3	7,699.9	349.6	4.8%
<b>Total liabilities</b>	<b>20,430.4</b>	<b>21,631.7</b>	<b>1,201.2</b>	<b>5.9%</b>
<b>Total equity</b>	<b>16,019.2</b>	<b>16,091.0</b>	<b>71.9</b>	<b>0.4%</b>
<b>Interest-bearing debt to equity (times)</b>	<b>0.82</b>	<b>0.87</b>	<b>0.05</b>	

Yours faithfully,

S Hotels and Resorts Public Company Limited

- // -

(Mr. Issarin Patramai)

Chief Financial Officer

### Investor Relations Contact

Tel: +66 (0) 2058 9888

Email: [ir@shotelsresorts.com](mailto:ir@shotelsresorts.com)