

COMPLETE MARKET COVERAGE THE KEY FOR ERAWAN

EXECUTIVE Q&A

SHAREINVESTOR

The Erawan Group Plc (ERW) operates more than 5,000 hotel rooms ranging from budget to luxury, and aims to become Thailand's leading hotel developer and investor. President Kamonwan Wipulakorn discusses the company's strategy and outlook.

Please explain Erawan's business model.

Erawan operates in the hotel industry and focuses on quality assets and services. We view our activities from an investment standpoint and aim to be the leader in Thailand. As of the end of 2014 we had 5,289 rooms, the largest among listed companies in Thailand, and aim to reach 5,600 rooms by the end of 2015. Our properties range from budget to luxury in Thailand's major cities and tourist destinations.

Erawan has a wide-ranging portfolio. How is each asset group performing?

Our portfolio covers various segments starting from luxury hotels such as Hyatt, Marriott, Renaissance and Luxury Collection; to midscale with Courtyard by Marriott, Holiday Inn and Mercure; economy with Ibis, and finally budget with our own Hop Inn brand. This year we expect growth in each segment ranging from 20% to 500%, as a result of the recovery in the tourism market and the additional room inventory.

We will continue to expand the mid-scale, economy and budget segments as we see continued demand growth with limited supply growth. In addition, developing a luxury hotel today is more challenging because of the limited of quality locations. Overall our occupancy rates for Bangkok hotels are 85% and our upcountry hotels are also performing well.

Hop Inn is Erawan's first branded hotel business. Why did you develop it and what are the plans for it?

We analysed the market for domestic corporate and SME travellers and found that the budget segment lacked a leading hotel network with brand recognition. Thus we are developing a Hop Inn brand that offers high value for its price point and consistent service quality throughout all locations in the country. This year we are opening five hotels and next year we plan 10 more.

Erawan has successfully monetised multiple assets in the past decade. Will you continue this approach?

We are continuing our strategy to monetise our assets as we have done with the Erawan Hotel Growth Property Fund (ERWPF). We expect to launch our own real estate investment trust (REIT) in 2016 pending approval from regulators. Our aim is to continue growing both the REIT and Erawan together.

What differentiates Erawan from its competitors?

We are the only listed company in Thailand that offers products to capture the demand in all segments. Our coverage of all segments from luxury to budget across Thailand's key destinations allows us to understand each segment's key drivers.

Finally as a company, our team is very experienced with high-quality management that targets opportunities before others.

How does Erawan view Thailand's competitiveness in the region?

The Asean market has a population of over 600 million with strong growth potential and we believe that Bangkok will still continue to be the gateway of Thailand and the region because of its strategic location. The economic outlook for the region is positive as GDP growth in China and India is higher than in Western economies, and the growth of the middle-class population and higher disposable income also support tourism growth.

There is also still a lot of potential for Chinese outbound travellers and Thailand is their top destination after Hong Kong and Macau. The continued growth of low-cost carriers, expansion of Thailand's airports, and the fact that Thailand is an attractive destination also support the industry's growth potential.

What are the biggest risks facing your business?

We have two key risks: politics and competition. With politics we have little control over events but historically, regardless of political events, we have seen that Thailand rebounds very quickly.

In regard to competition we analyse the market in order to understand the demand and supply drivers to ensure that we can stay ahead of our competitors and capture the opportunities.

What impact will the Asean Economic Community have on your business?

The AEC is an important development as it supports trade and increases travel. And, with Thailand improving its own infrastructure we expect to see increased



Kamonwan: Politics, competition top risks

land transport, driving higher demand for accommodation. Regionally, we are expanding with our first investment in the Philippines, a 150-room Hop Inn, to open the fourth quarter of next year. We are also looking for opportunities in other markets such as Indonesia.

Where do you see Erawan in five years?

Erawan will continue to invest in new and existing assets to ensure that our quality is of the highest standard, and to pursue larger and more diversified drivers of growth in terms of our hotel segments and destinations. With these

strategies, Erawan will continue to be Thailand's leading hotel developer and investor under the philosophy "Success with Integrity".

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