

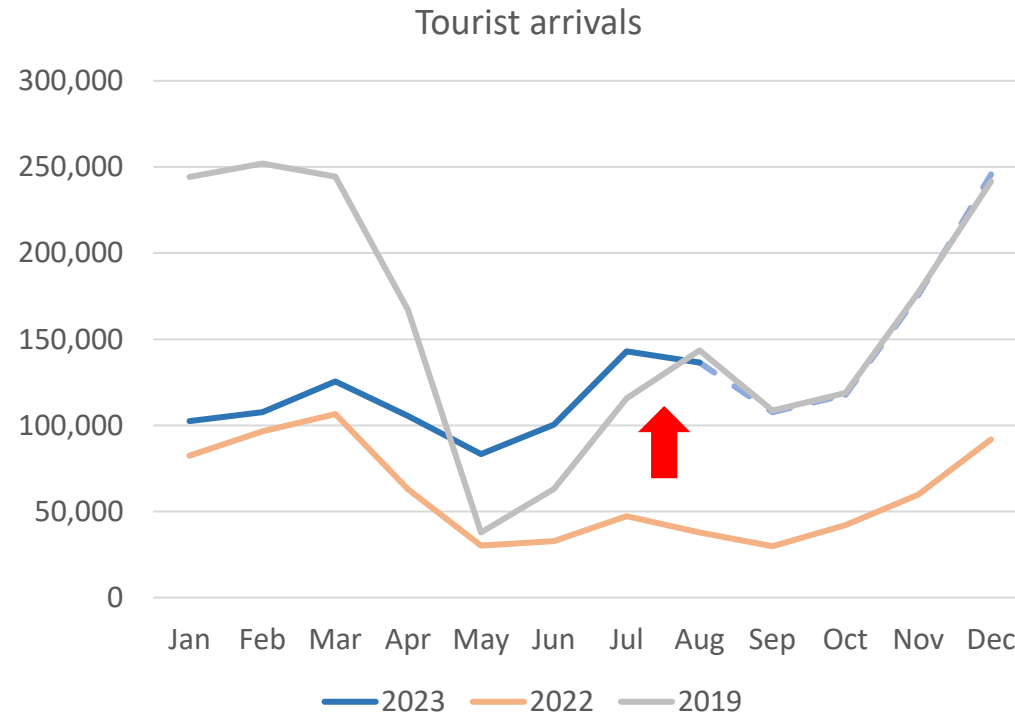


RAPID INSIGHT REPORT | TOURISM

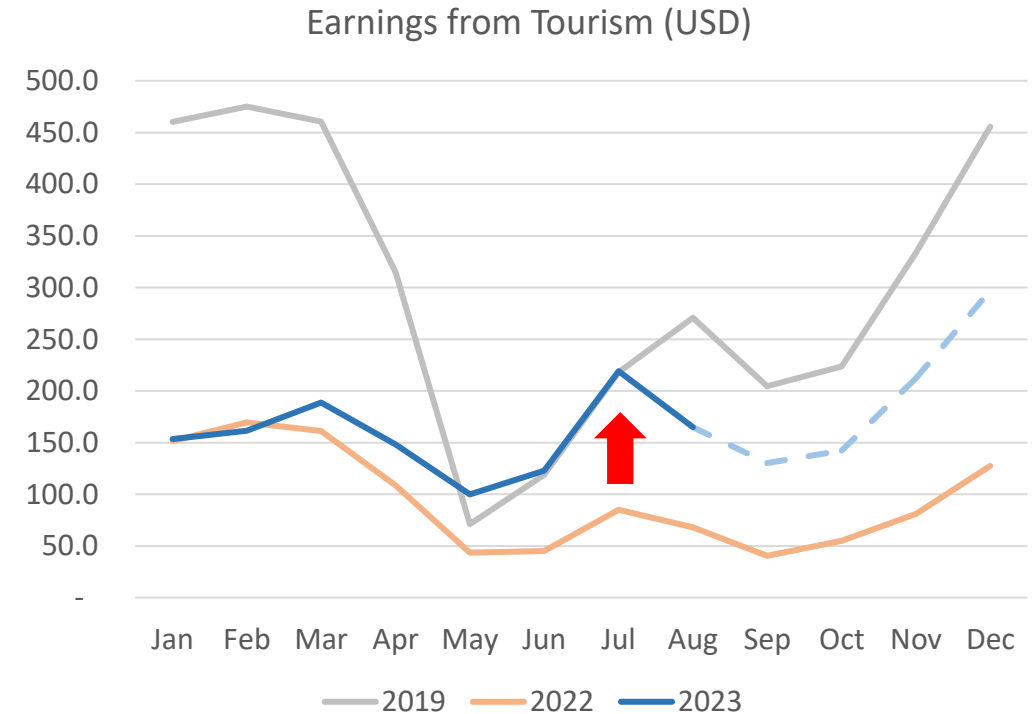
AMBEON
SECURITIES



Tourist arrivals grew +97%YoY while YTD tourism earnings surpassed USD1Bn

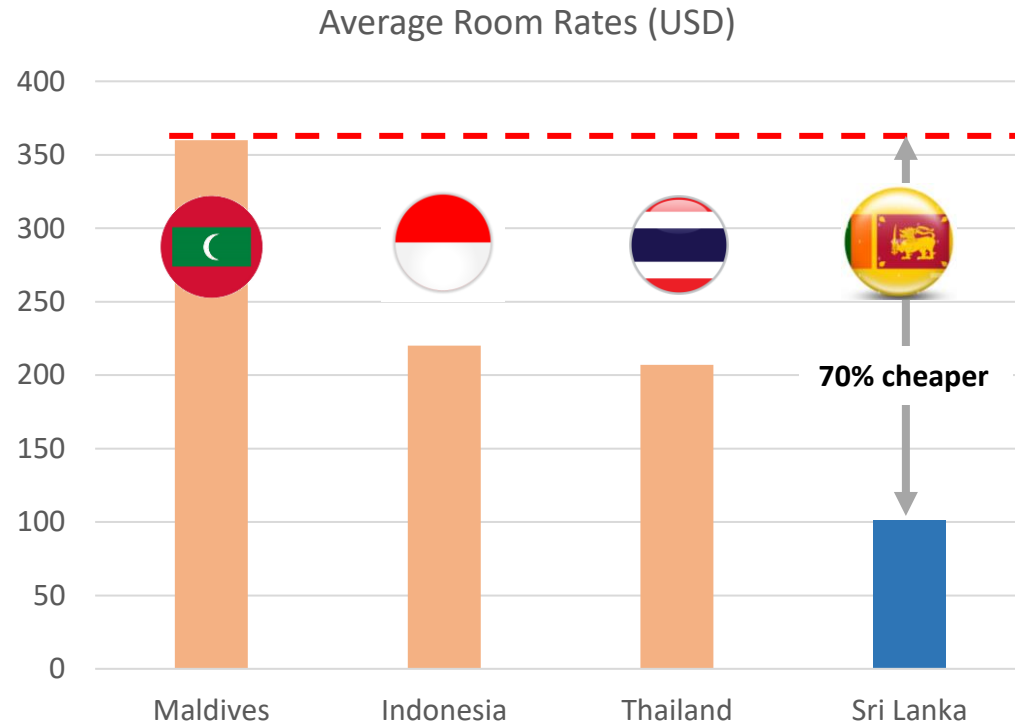


- Arrivals upto Sep 2023 reached 979,540 indicating **+97% YoY growth** over Jan-Sep 2023.
- The arrivals are **reaching back to 2019 pre-pandemic level**
- Ambeon Research estimates **1.5Mn arrivals by end-2023**.

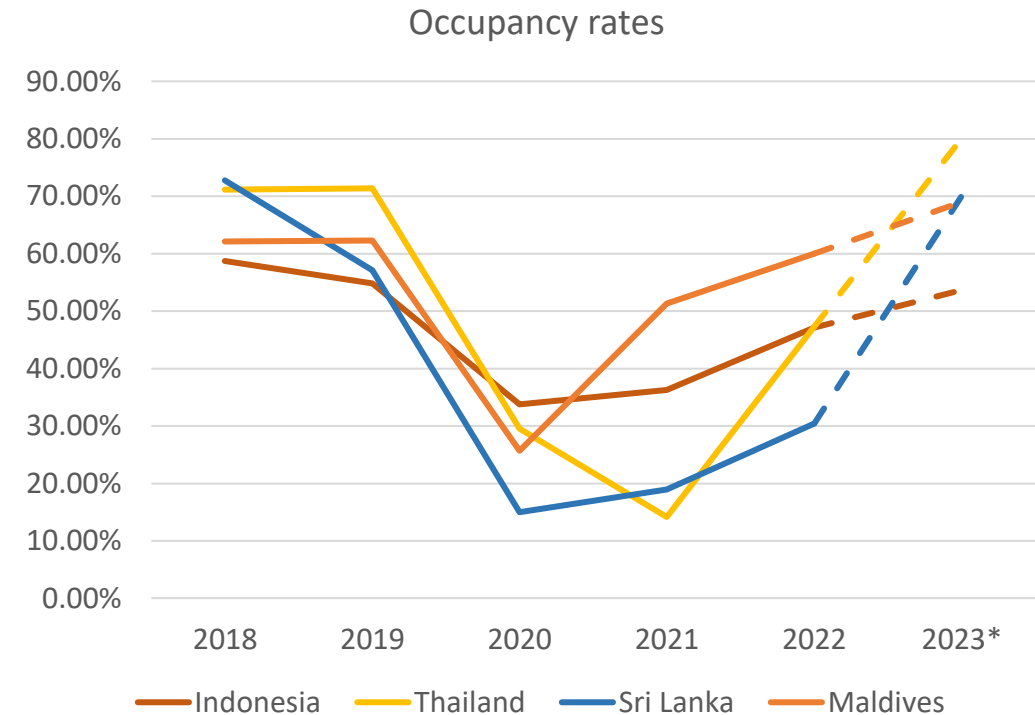


- Earnings upto Jul 2023 **reached USD 1Bn** indicating +43% YoY growth over Jan-Jul 2022.
- The earnings are also **reaching 2019 pre-pandemic level**
- Ambeon Research estimates **earnings to exceed USD 2Bn by end-2023**.

Competitive Room Rates and recovering occupancy levels signal growth



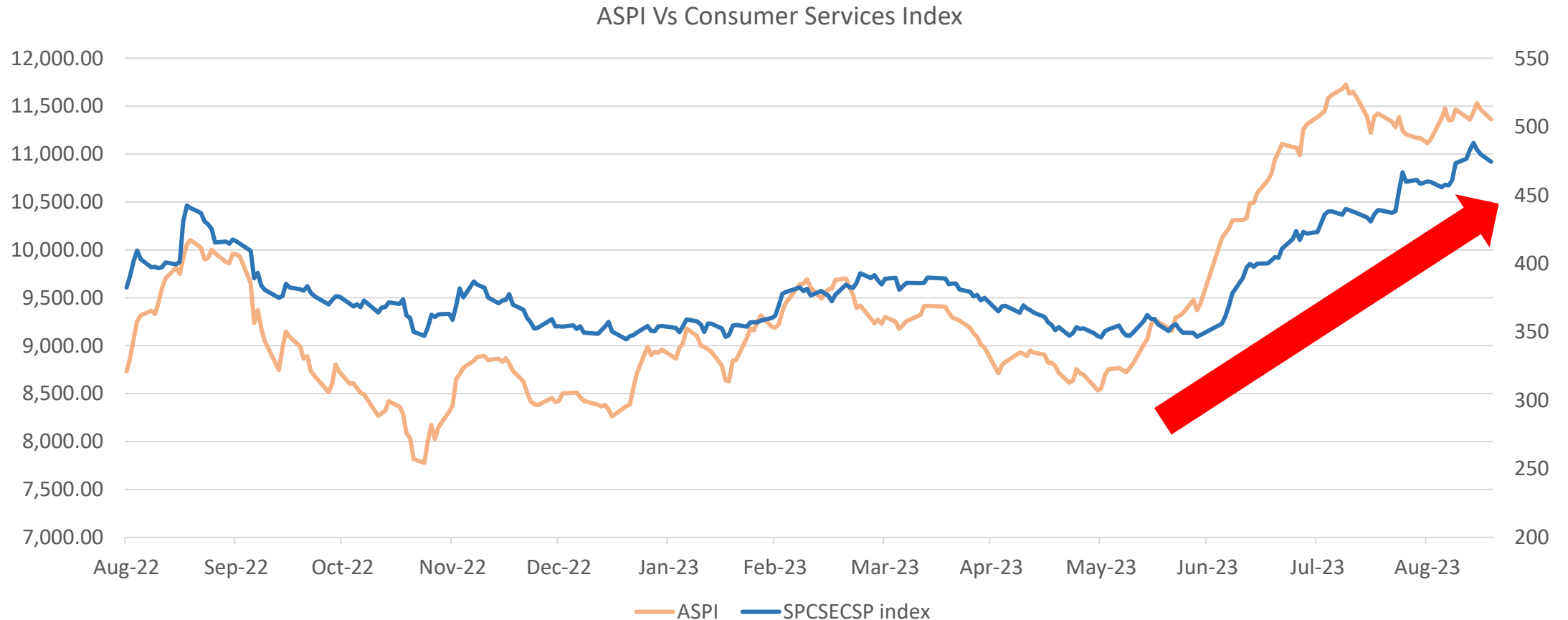
- Sri Lanka's room rates are 50% to 70% lower than those in comparable destinations, largely attributed to the severe **LKR depreciation** the country experienced.
- The competitive rates allow more room for growth in arrivals.



*2023: partial figures /provisional

- Occupancy rates are recovering from pandemic levels in all countries.
- Sri Lanka's 2022 occupancy rate was 30.4%, up from 19% in 2021.
- As per Ambeon Research estimates **Sri Lanka's occupancy rates for Aug 2023 (high season) are between 65%-70%.**

CSE's Consumer Services Index appreciated +33.7% YTD



- CSE's Consumer Services Index that represent the hotel sector has increased **+33.7% since Jan 2023**
- The sector **market capitalization was LKR 237.1Bn**, representing 5.3% of the total CSE market capitalization
- The uptick is more prominent with **+35.4% increase since Jun 2023**.

Source: CSE, Ambeon estimates

Earnings review and outlook

- In the second quarter of 2023 (2Q2023), the tourism sector in Sri Lanka experienced a significant decline in earnings, with a staggering 108% drop to LKR -7.2 billion, compared to LKR -3.5 billion in the same quarter of the previous year (2Q2022). This decline in earnings was primarily attributed to several key factors, including higher finance costs, rising fuel prices, and increased taxes.
- Ambeon Securities expects the earnings to start recovering post 2H2024. This anticipated recovery is linked to the easing of the finance cost burden.
- Additionally, there are several factors that could contribute to the sector's topline growth. An increase in occupancies is expected, which can boost revenue. Improved flight connectivity and focused promotions in medical tourism, food tourism and MICE can contribute to higher arrivals.
- Furthermore, the industry is counting on the ability to raise room rates, which can also contribute to improved revenues. The Sri Lanka Tourism Development Authority (SLTDA) has imposed a minimum room rate of USD 100 for 5-star hotels, which could help stabilize pricing and enhance profitability.
- Sri Lanka's tourist destinations continue to gain international recognition and attention. Positive word of mouth and effective tourism promotion campaigns are anticipated to attract more travelers to the country. This positive sentiment and exposure on international platforms can help the sector's recovery.
- Between Jan - Sep 2023 the top arrivals were from India (19%), Russia (14%), UK (9%), Germany (7%) and France (5%).
- It's worth noting that hotels with exposure outside Sri Lanka may also see benefits as arrivals increase at a faster rate. This suggests that businesses with international operations within the tourism sector are likely to experience more immediate improvements in their financial performance.

Source: SLTDA, Press releases



23 best places to visit in 2023



Advantis and Cordelia (India) partner to bring more luxury tourist



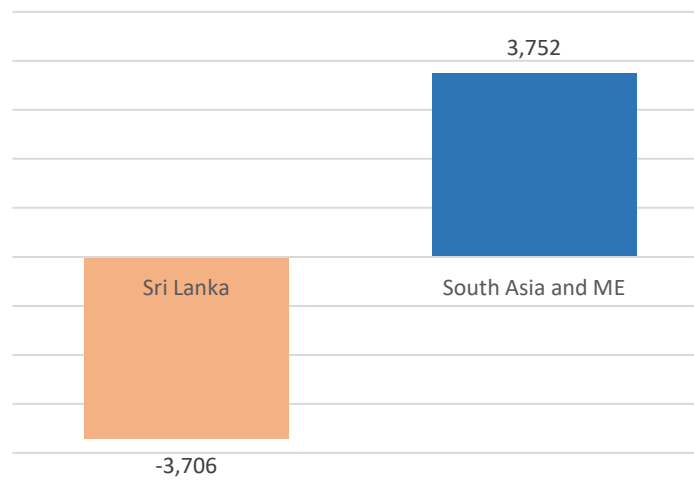
Interline partnerships between Sri Lankan and Emirates

TOP PICKS: Aitken Spence Hotel Holdings PLC (AHUN.N)

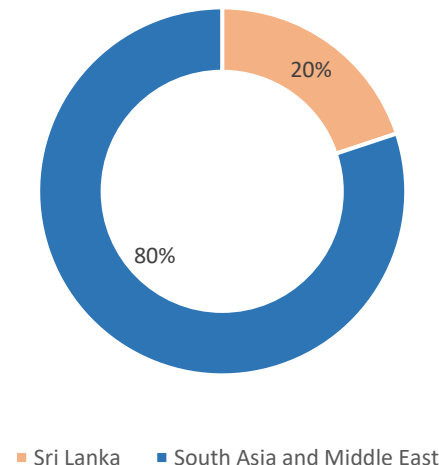
Highlights

- AHUN has exposure to Sri Lanka, Maldives, Oman and India
- The global exposure helps mitigate the country-specific risk associated with Sri Lanka
- The Company holds keys to over 2,600 rooms across Sri Lanka, Maldives, Oman and India. In Sri Lanka, AHUN owns and manages 1,411 rooms (54% of total room stock) while Maldives has 735 rooms (28% of total room stock).
- In FY23, 46% of the revenues were generated by room occupancy while 24% was generated by restaurants.
- The company recorded debt to total assets of 46% in FY23.

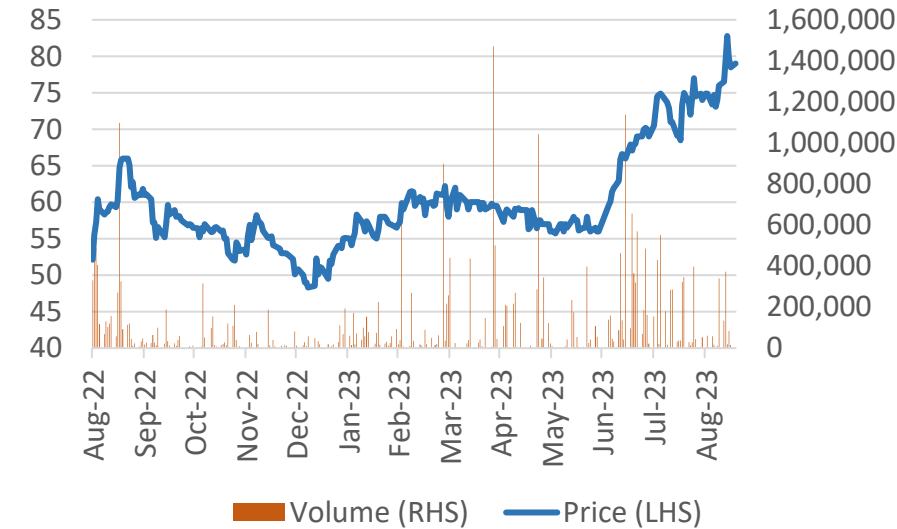
FY23 Profits by geography (LKR Mn)



Revenue composition 1QFY24



AHUN.N Price-volume (1Y)



Returns

YTD Capital gain	53.00%
YTD dividend yield	0.00%
YTD total return	53.00%
Beta	0.67
YTD high	82.80
YTD low	48.30
EPS (TTM) (LKR)	-3.76
NAVPS (Jun23) (LKR)	55.78

Valuation metrics

PE	NM
PBV	1.41

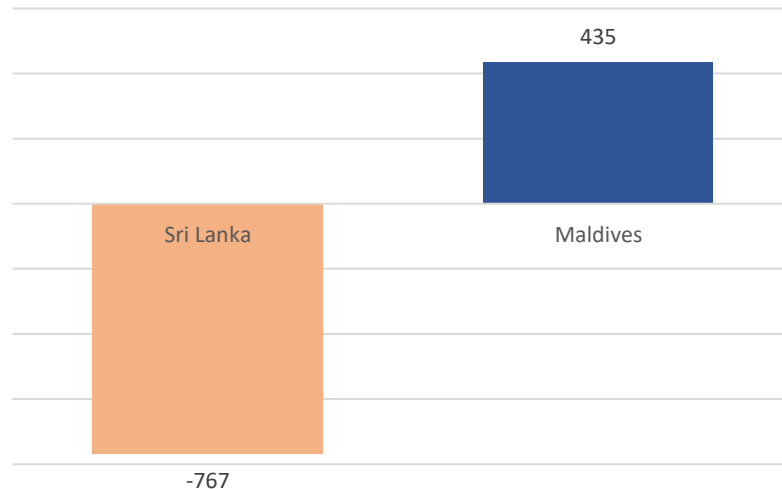
Source: Company reports, CSE

TOP PICKS: John Keells Hotels PLC (KHL.N)

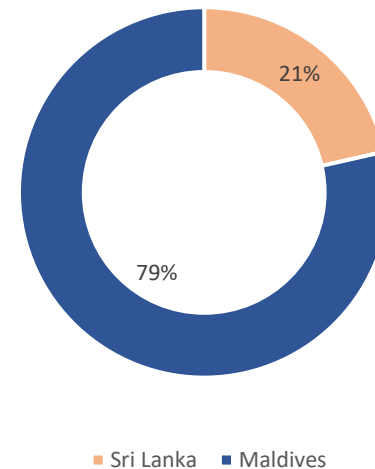
Highlights

- KHL has exposure to Sri Lanka and Maldives
- KHL owns and manages 8 resort hotels and 4 resort hotels in Maldives
- The Company holds keys to over 1,400 rooms where ~70% of the room stocks is attributable to Sri Lanka. 56% of the Sri Lanka room stocks accounts for beach properties while 44% are round-trip destinations.
- Maldives recorded ~88% occupancy levels in FY23.
- The company recorded an EBITDA margin of 26% and a debt-to-equity ratio of 54% in FY23.

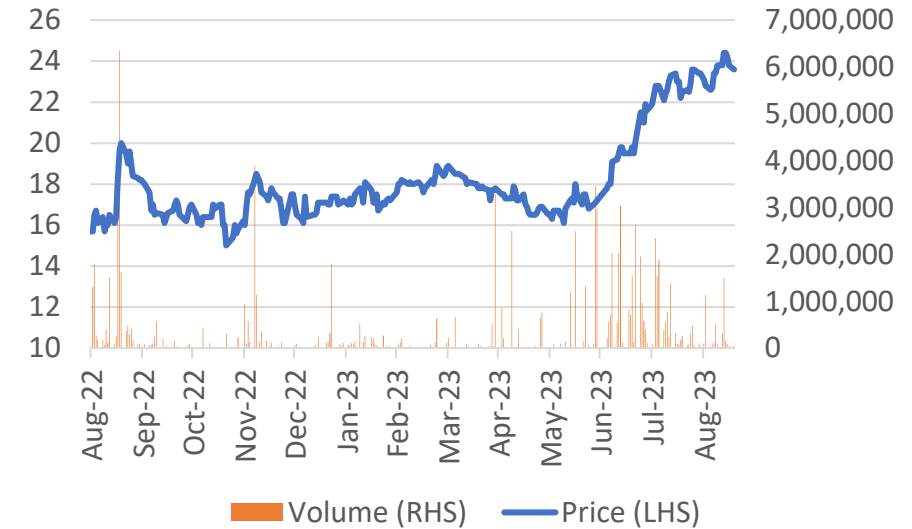
FY23 profits by geography (LKR Mn)



Revenue composition FY23



KHL.N Price-volume (1Y)



Returns

YTD Capital gain	44.17%
YTD dividend yield	0.00%
YTD total return	44.17%
Beta	0.53
YTD high	24.40
YTD low	16.10
EPS (TTM) (LKR)	-0.56
NAVPS (Jun23) (LKR)	20.81

Valuation metrics

PE	NM
PBV	1.12

Annexure: Sector key valuation indicators

Ticker	MPS	EPS (TTM)	NAVPS	PE	PBV
AHUN	78.5	-3.76	55.78	-20.88	1.41
AHPL	60.2	-0.88	64.66	-68.41	0.93
CHOT	22.7	1.62	40.74	14.01	0.56
REEF	6.9	-4.39	7.88	-1.57	0.88
STAF	35.6	-0.92	49.35	-38.70	0.72
CONN	25.1	-6.11	11.48	-4.11	2.19
HSIG	46.4	2	47.16	23.20	0.98
RENU	370.25	-74.44	1238.8	-4.97	0.30
SIGV	58	-10.82	48.49	-5.36	1.20
TANG	62.8	-12.76	141.53	-4.92	0.44
KHC	9.3	-0.11	13.2	-84.55	0.70
SERV	11.9	-0.59	1.06	-20.17	11.23
BBH	15	-9.56	-3.36	-1.57	-4.46
EDEN	14.6	-8.18	17.8	-1.78	0.82
TRAN	48	-0.46	29.4	-104.35	1.63
BRR	12.7	0.35	5.3	36.29	2.40
BERU	1.4	-0.35	-0.3	-4.00	-4.67
GHLL	18.1	-0.18	16.2	-100.56	1.12
CITH	5.7	-3.8	13.3	-1.50	0.43
JETS	10	-0.53	5.3	-18.87	1.89

Ticker	MPS	EPS (TTM)	NAVPS	PE	PBV
KHL	23.3	-0.56	20.8	-41.61	1.12
MRH	14	-0.79	10.9	-17.72	1.28
MARA	3	-0.32	2.2	-9.38	1.36
PALM	42.3	-122.01	91.4	-0.35	0.46
PEG	25.6	-3.68	53.3	-6.96	0.48
RFL	29	-0.53	29.4	-54.72	0.99
RCH	88.8	7.69	245.7	11.55	0.36
RPBH	29.5	-3.33	46	-8.86	0.64
SHOT N	10.4	-0.1	9.1	-104.00	1.14
SHOTX	14	-0.1	9.1	-140.00	1.54
TAJ	21.3	-1.61	-10.2	-13.23	-2.09
LHL	34	-2.17	59.8	-15.67	0.57
RHTL	20	-0.58	14.5	-34.48	1.38
NEH	1748	60.33	2126.8	28.97	0.82
CITW	2.9	-1.26	3	-2.30	0.97
ALHP	0.9	-0.19	1.7	-4.74	0.53
HUNA	27.4	-0.51	3.2	-53.73	8.56

Note: Market Price per Share (MPS), Earnings per Share (EPS) and Net Asset Value per Share (NAVPS) are in LKR

Source: Company reports, CSE, Ambeon estimates

27.09.2023

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