Hospitality Industry Report:
Analysis & Recommendation

LUX, SUN & NMH

23rd August 2023

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Executive Summary

Tourism remains one of the major pillars of our economy, and according to the Tourism Satellite Accounts, the industry is directly responsible for more than 77,000 employments in the country.

After being severely affected by the Covid crisis, **the industry has almost recovered to pre-covid level** (in terms of tourist arrivals – 92% of Jan-July arrivals vs 2019) following a **reprise in air connectivity**. The latter is one of the major factors driving the industry, all listed below:

1. Air Connectivity - **Most of our arrivals tend to arrive through direct routes**, and cutting direct flights result in drop in arrivals (as happened with flights to China in 2018).
2. Air Fares – **Air fares to Mauritius are much more competitive to other destinations** compared to prior years.
3. MTPA Spending – Most of the budgeted spending is still allocated towards European countries (particularly France). Moreover, most of the booking is done via Online Travel Agencies (OTA), and information is mostly spread through social media (Instagram, YouTube, etc) and word of mouth (Family/Friends). **A higher spending towards Online Campaigns could have a more positive effect in attracting tourists**.
4. Currency Evolution – While not necessarily a major factor in attracting more arrivals, **Rupee depreciation directly results in Higher Spending per Tourist**.

Arrival Breakdown: **Europe continues to remain our main market**, and our **top 10 markets have remained stagnant over the past 20 years** with a high degree of dependency on France, UK, Reunion, Germany, India and South Africa. Our locational disadvantage as well as higher airfares from Asia has not allowed us to fully capture the Chinese and Indian markets.

Tourism Spending: Spending per Visitor in Real EUR terms, has remained flat over the past 30 years at around EUR 1300 (EUR 120 per day) which shows that the **Spending Power of tourist visiting Mauritius remains unchanged**, and spending on Maldives and Seychelles have historically remained higher. **Both Maldives and Seychelles are therefore not our competitors**.

Historical Backdrop: Prior to the Great Financial Crisis in 2008, the major hotel groups offerings were mainly skewed towards the mid-market (3* and 4*). However, **hoteliers mistook currency depreciation** (of MUR to EUR between 2000 and 2008) **as higher spending and engaged in costly renovation and upgrade of their hotels** (in late 2000s and early 2010s). This resulted in higher debt levels and a reduction in Return on Capital (from around 13% to 4%) and **cumulated in a decade of dismal profitability**. The economics of major hotel groups is characterised by a high capex and high operating leverage.

However, the **period of dismal profitability led to a low supply growth** (Only 2.6% CAGR from 2012 to 2021) and resulted in an increase in occupancy to around 74% for the period between 2015 and 2019, much higher than historical average of 68%. **Therefore, an extreme situation like the rate wars between 2010 – 2013, is unlikely to happen in the near future**.

The players were highly affected during the covid crisis and were able to stay afloat with the assistance of MIC loans (payable in 2030 with a low interest rate of 3.5%). **Post the full opening of our borders in July 2022, tourism arrivals were almost back to pre-pandemic level, and this was characterised by higher tourism spending** (mainly through the depreciation of the Rupee to EUR by around 30% since 2019).

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As a result, **hoteliers posted massive profits during FY23** and was the top performing sector in 2022. Based on TTM earnings, hotels are currently trading very cheaply:

Hotel	TTM PE
LUX	6.75x
SUN	4.62x
NMH	3.09x
AVERAGE	**4.82x**

We have covered each major hotel group in detail within the report and set forward our recommendation.

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Hospitality Industry

Importance of Tourism in our country

Tourism Sector[1]	2016	2017	2018	2019	2020	2021	2022	2023
% Contribution to GVA	8.1%	8.3%	8.4%	8.0%	2.3%	2.0%	7.4%	8.1%
Employment[2]	70,517	73,244	75,934	77,444	NA	NA	NA	NA
% of Total Employment	12.4%	12.8%	13.2%	13.3%	NA	NA	NA	NA
Average Monthly Earnings (Rs)	19,264	20,179	20,787	21,586	20,963	20,502	23,691	NA

The **hospitality industry is one of the major pillars of our economy** in terms of contribution to GVA. Based on estimates from Statistics Mauritius, the Tourism sector would account for 8.1% of 2023 GVA, in line with pre-covid level.

According to the 2018 Tourism Satellite Accounts (TSA), **direct employment in the tourism sector in 2018 was over 77,400** distributed as follows: 29.6% in the accommodation sector (around 22,900), 25.5% in food and beverage services, 9.7% for inland transport, 7.8% in recreational, cultural and sporting services.

However, according to industry insiders**, hotels are currently facing labour issues** and have had to bring foreign workers to bridge the shortage. The large hotel groups are reluctant to do so since a good proportion of their clientele are from French speaking countries, and bringing foreign workers would make the hotels lose the *“Mauritian Hospitality touch”.*

Tourist Arrivals

Arrivals Almost at Par with Pre-Covid Level – Arrivals seem to be recovering to pre-covid level and for the period from January-July 2023, arrivals stood at 92% of 2019 level.

Monthly Arrivals	2023	2019	2023 vs 2019
January	107,684	122,273	88.1%
February	91,850	115,613	79.4%
March	105,663	114,419	92.3%
April	109,031	108,565	100.4%
May	100,030	96,814	103.3%
June	82,208	92,398	89.0%
July	107,832	115,448	93.4%
Jan - July	**704,298**	**765,530**	**92.0%**

[1] Covers the components of "Accommodation and food service activities", "Transport (incl.air travel)", "Recreational and leisure" and "Manufacturing", attributable to inbound tourism.
[2] Based on the Tourism Satellite Account of 2018

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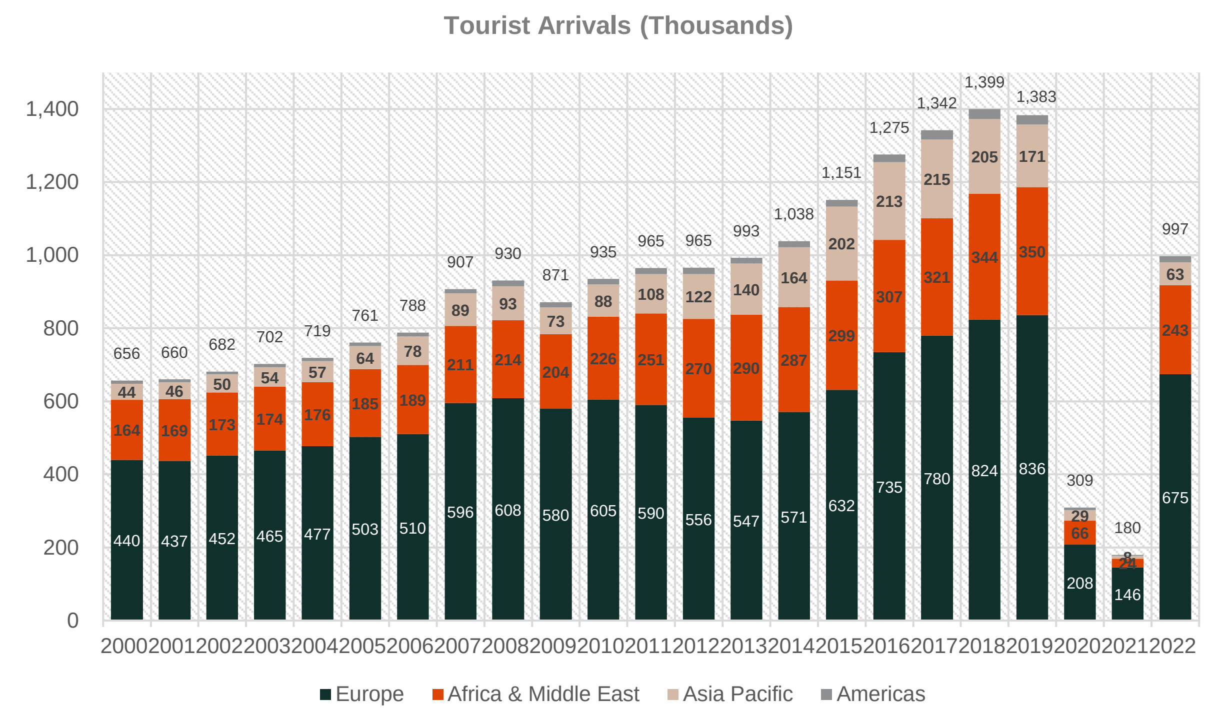
The recovery was particularly **boosted by European tourists**, which has historically accounted for most of tourist arrivals. **Asian tourists remain far from their 2019 level** since there were direct flights to China in 2019 (26,439 in Jan-July 2019 vs 3,710 YTD). Moreover, Indian tourists' arrivals stood at 68.6% YTD compared to its 2019 level.

Jan - July	2023	2019	2023 vs 2019
Europe	448,280	452,023	99.2%
Africa	158,802	171,620	92.5%
Asia	73,772	115,650	63.8%
Oceania	10,497	10,898	96.3%
America	12,645	14,978	84.4%
Others	302	361	83.7%
All Countries	**704,298**	**765,530**	**92.0%**

Historical Backdrop

High Dependency on Europe led to low tourism arrival growth – Tourist arrivals grew by 15.1% in 2007, driven by higher air connectivity. However, arrival growth failed to pick up post the financial crisis in 2008 and arrivals increased by only 1.52% CAGR for the following 6 years till 2013. The Global Financial Crisis and the Euro debt crisis were the main reasons given Mauritian tourism high dependency on the European market.



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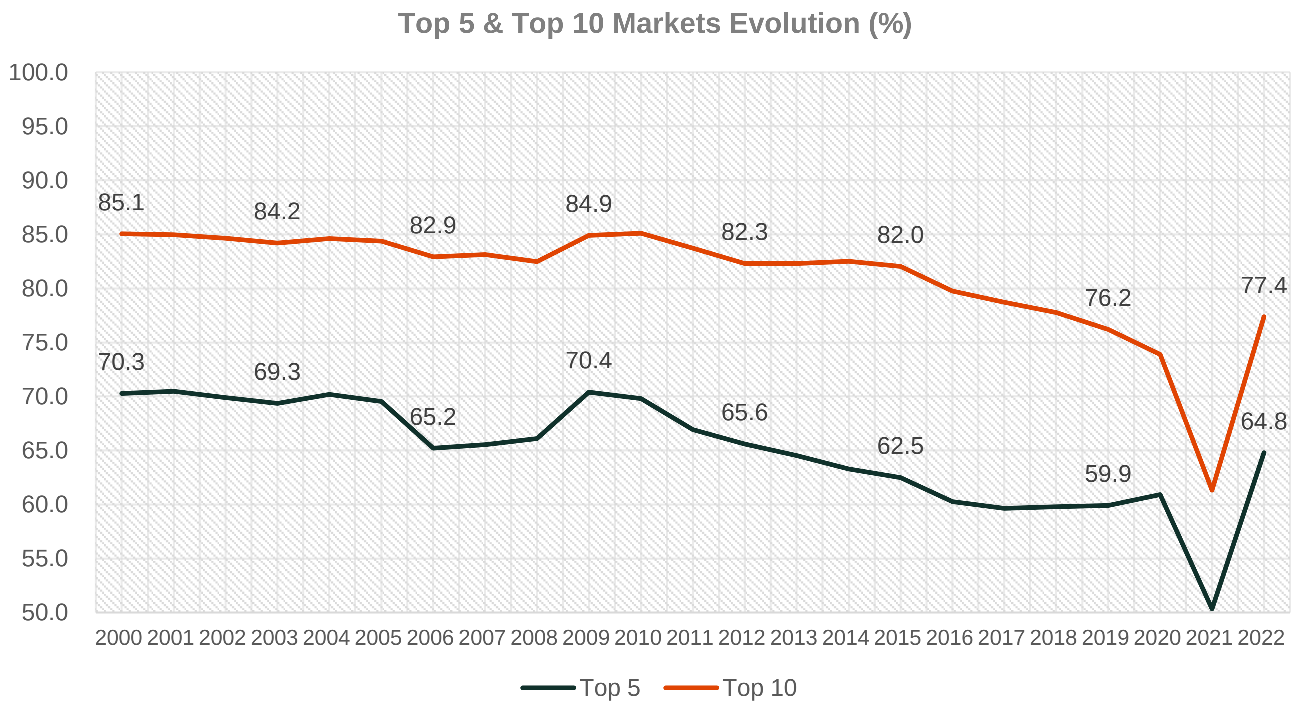
Mauritius recovered quickly post the Great Financial Crisis, as by 2010, arrivals were higher than 2008 levels. However, it took 7 years for the European market to surpass its 2008 level.

Following enhanced air connectivity, Asia Pacific and Africa & Middle East were growing at a very rapid pace post the financial crisis. (Tourists from Asia stopped growing post 2016).

- **Europe remains our main market**, accounting for 68% of total arrivals in 2022.
- Africa accounted for 24% of our arrivals, in line with its pre-covid weight.
- Meanwhile, **tourists from Asia Pacific accounted for only 6% of our total arrivals**, down from its peak of 18% in 2015.

In terms of country breakdown, **France has historically remained our main market**, accounting for 23.95% of our total arrivals. European countries currently account for 6 of our top 10 markets

Our top 5 markets currently account for 64.8% of our total arrivals, up from 60.4% 5-year pre-covid average, while top 10 markets account for 77.4% of our total market.



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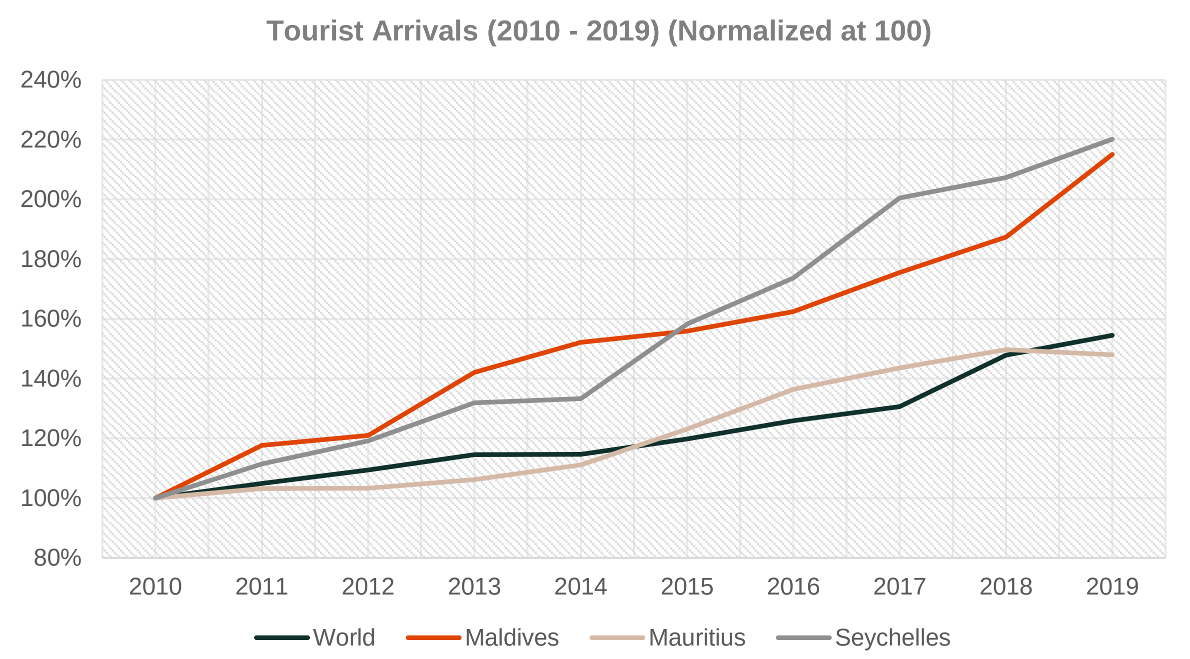
Top 10 Markets:

TOP 10 - Countries	2003	2007	2011	2015	2019	2022
1	France	France	France	France	France	France
2	Reunion	UK	Reunion	Reunion	UK	UK
3	UK	Reunion	UK	UK	Reunion	Germany
4	Germany	South Africa	South Africa	South Africa	Germany	South Africa
5	South Africa	Italy	Germany	China	South Africa	Reunion
6	Italy	Germany	India	Germany	India	India
7	India	India	Italy	India	China	Switzerland
8	Switzerland	Australia	Switzerland	Switzerland	Switzerland	Italy
9	Madagascar	Switzerland	Australia	Italy	Italy	Saudi Arabia
10	Belgium	Seychelles	China	Australia	Saudi Arabia	Belgium

Our top 10 markets have remained fairly stagnant over the years with a high degree of dependency on France, UK, Reunion, Germany, India and South Africa. **Our inability to adapt to newer markets is one of the reasons why we have lagged against Maldives and Seychelles.**

As a result of our high dependency on the European market, tourist arrivals have lagged against other Indian Ocean islands like Maldives and Seychelles over the past decade. Tourist arrivals have grown at the same rate as the world average.



In 2010, Mauritius (934k) was ahead of Maldives (792k) in terms of tourist arrivals, but Maldives surpassed it in 2013 and in 2019, tourist in arrivals stood at 1.7M vs 1.4M for Mauritius.

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Comparison	CAGR (2010 – 2019)
World	5.0%
Maldives	8.9%
Mauritius	4.5%
Seychelles	9.2%

Why did Maldives surpass us?

- **Enhanced Air Connectivity** – Maldives is open with the middle eastern airlines like Qatar Airways, Emirates and Etihad. According to Maldives Visitor Survey – September 2022, most European tourists arrive via these 3 major airlines.

- **Locational Advantage** – Maldives is located much closer to Asia, particularly India and China, which enabled them to capture the Asian market.

Flight Time	Mauritius	Maldives
China	11hrs45mins (Based on Distance) (No direct Flight)	8hr20mins (Direct Flight)
India	6hrs (Direct Flight)	2hr45mins (Direct Flight)

- **Relatively Lower Airfares from Key Markets**:

Airfares (Rs)[3]	Mauritius	Maldives	Seychelles
France	49,409	43,623	46,400
UK	43,308	47,251	47,585
Germany	45,857	43,191	41,417
Switzerland	52,294	38,616	58,476
China	79,394	20,120	80,089
India	30,612	9,900	19,637
South Africa	23,709	37,124	18,565
Russia	55,303	39,567	42,185

[3] Average of 1-week roundtrip flight cost for August, September, October, and November. (Information retrieved using Google Flights)

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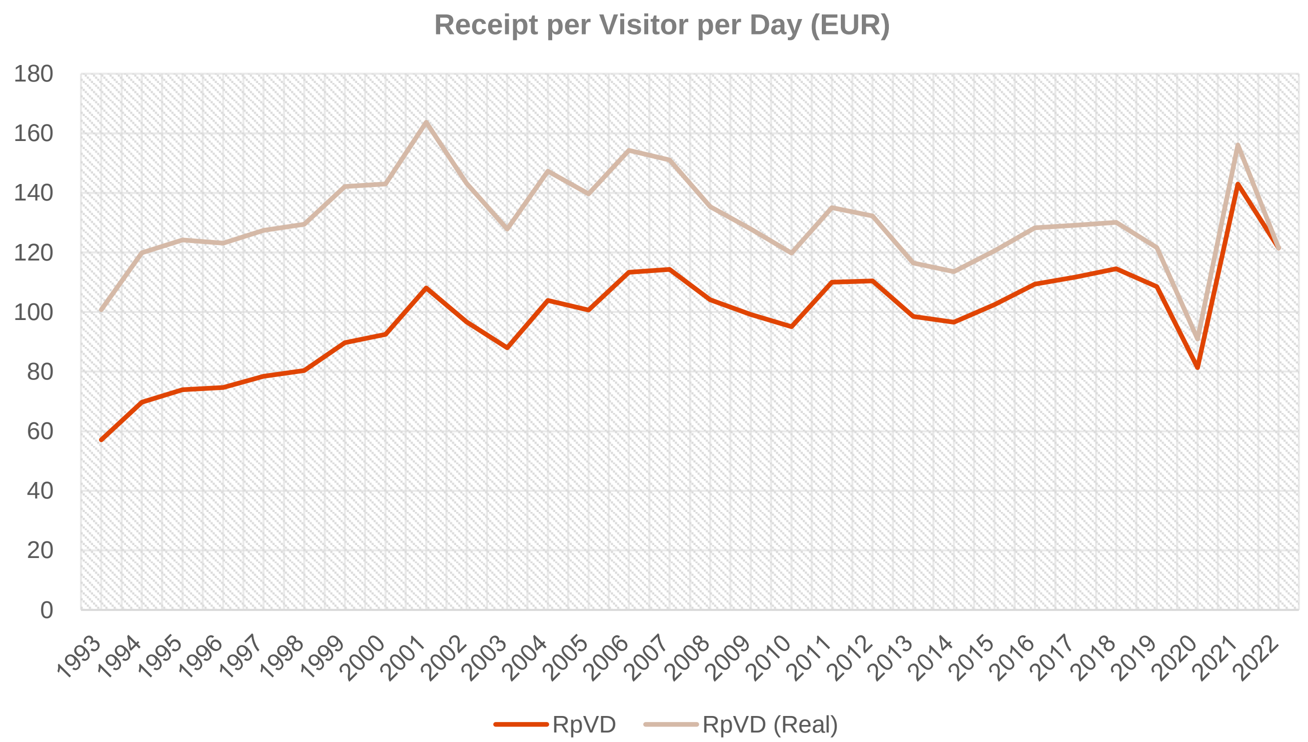
Airfares from Europe varied very little while there was a stark difference in Asian countries mainly due to the presence of low-cost carriers such as AirAsia, IndiGo and Sri Lankan Airways.

On the other hand, trips to Mauritius and Seychelles remain cheaper from African countries such as South Africa.

Tourism Spending: Real Growth Rates



Spending Power of tourist visiting Mauritius remains unchanged over the past 30 years – RpVD has remained fairly stagnant in real terms. This shows that the profile of the average tourist visiting our country has remained constant over the years.

On the other hand, Real Spending on Maldives and Seychelles has historically remained much higher, which clearly showcases that the **average tourist visiting Maldives and Seychelles have higher spending power compared to those visiting Mauritius.** Hotels are of higher quality in these 2 countries as well.

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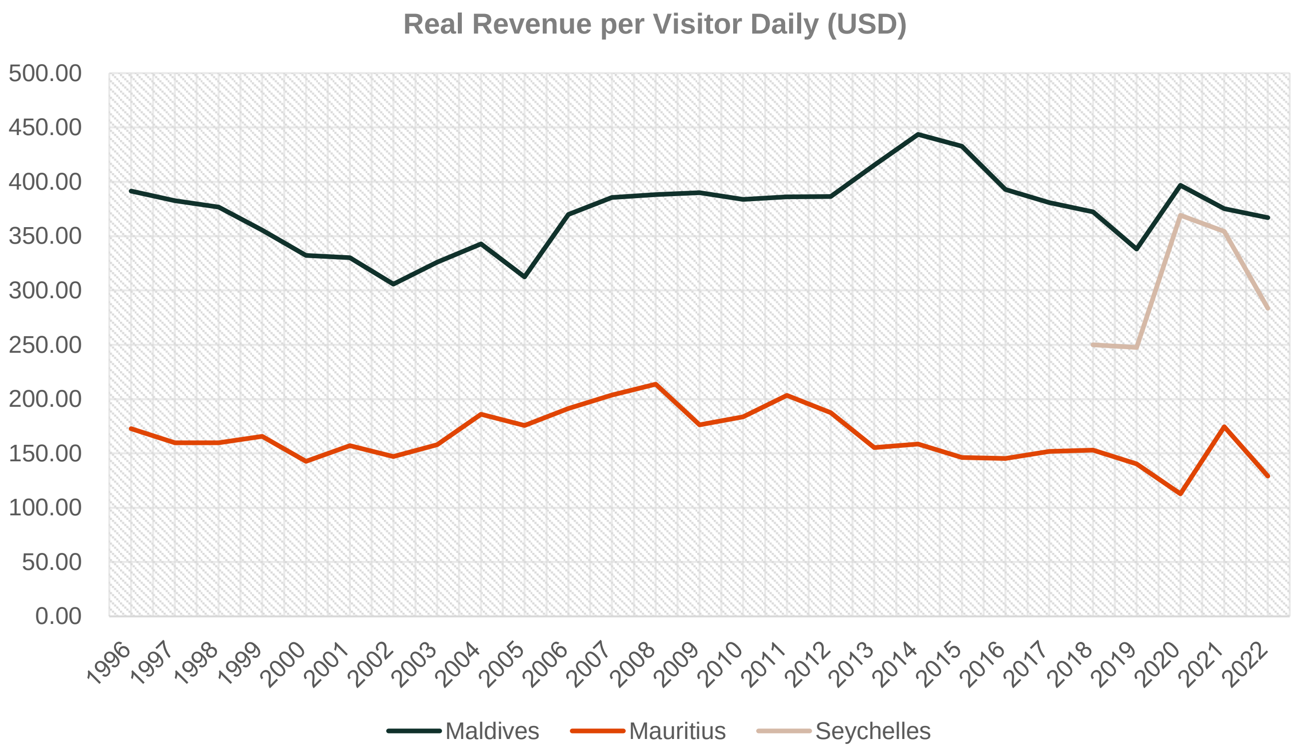

[4]

Even tourists from China and India, countries with relatively lower GDP per capita compared to Europeans, spend much more in Maldives.

Therefore, **Maldives and Seychelles are not our competitors,** given the stark difference in terms of spending.

[4] Seychelles changed its methodology to calculate Tourism Receipts in 2022, and 5-years prior year adjustments were used.

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Our Main Competitors

Based on UNWTO 2019 data, the following destinations matched tourism spending compared to Mauritius[5]:

Country	Spending per Tourist (USD)	Distance (Miles)	Approx Flight Time	Airfare (Rs)	European Tourists (000)	European Arrivals CAGR (2007 - 2019)
THAILAND	1,612.66	6,003	11hr25mins	48,511	6,725	4.8%
MAURITIUS	1,463.49	6,044	12hr35mins	45,465	839	2.9%
PHILIPPINES	1,386.64	6,809	14hr47mins	41,040	804	8.6%
COSTA RICA	1,382.29	5,419	11hr20mins	35,825	501	4.9%
INDONESIA	1,190.88	7,761	16hr1min	37,936	2,116	8.5%
BRAZIL	964.43	5,344	11hr11mins	49,448	1,570	-1.7%
MALAYSIA	850.54	6,523	13hr33mins	33,732	1,218	3.2%
MEXICO	574.07	5,556	11hr37mins	32,279	2,105	3.4%

- **Over the period between 2007 and 2019, Mauritius lagged every country**, except for Brazil, in attracting European tourists. Most notably, there were around 300k European tourists in Philippines compared to almost 600k in Mauritius in 2007 and by 2019, both countries attracted around 800k Europeans.
- Among the countries with similar climate and beach resorts (Thailand, Costa Rica, Brazil and Mexico), the airfare to Mauritius remains the 3rd less expensive, behind the two countries across the Atlantic – Mexico and Costa Rica.

[5] List was further refined to countries that attracted at least 500k European tourists.

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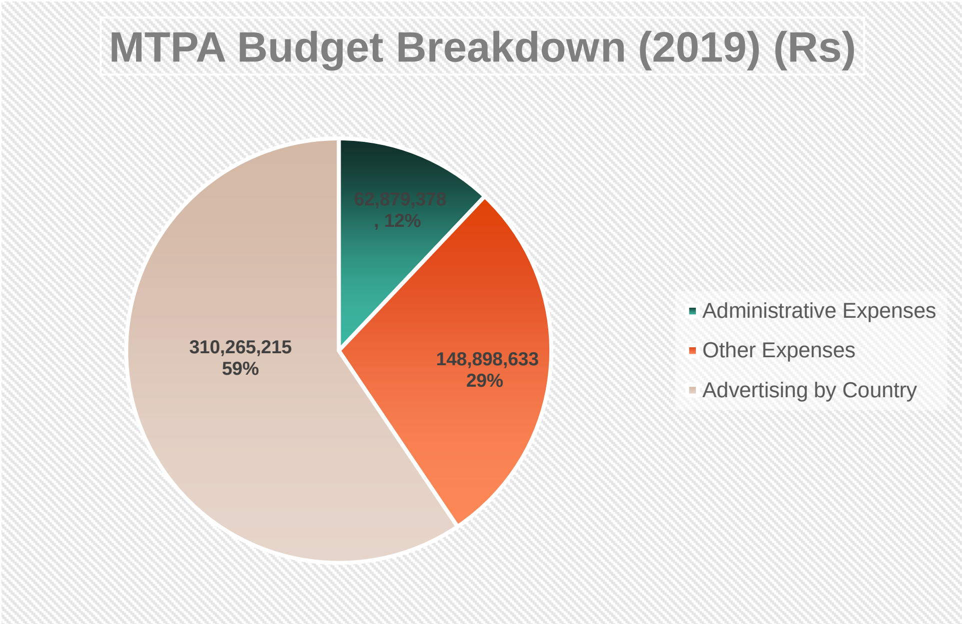
Key Critical Factors

MTPA promotion

MTPA is responsible for promoting Mauritius as a Tourist destination and out of its total spending of around Rs 522M in 2019, the parastatal organization spent 59% on advertising in the different country (through advertising campaigns, public relation contracts and roadshows) and 29% on other expenses (such as e-marketing, hosting of key events such as Golf, etc).



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On a per-country basis, France, which has been our top arrival, accounted for most of the advertising. Promotion in Asian countries (India and China) remained lower compared to European countries.

Country	Amount (Rs)	(%)
France	61,592,574	19.9%
U.A.E / Middle East	47,737,270	15.4%
Germany	38,179,794	12.3%
UK	34,399,865	11.1%
India	33,874,607	10.9%
China	18,535,241	6.0%
South Africa	14,205,634	4.6%
Italy	12,681,775	4.1%
Reunion	11,033,327	3.6%
Switzerland	9,464,646	3.1%
Belgium	7,589,152	2.4%
Others	20,971,330	6.8%
Total	**310,265,215**	**100.0%**

In the 2023/24 budget speech, the Minister of Finance announced a budget of Rs 500M to MTPA, **still lower than pre-pandemic level of Rs 535M**.

Air Connectivity

Direct Air Connection plays a very important role in attracting tourists. **Most of our arrivals tend to arrive through direct routes.**

	2019			2022		
Key Markets	**Directly**	**Via UAE**	**Others**	**Directly**	**Via UAE**	**Others**
France	51.3%	11.1%	37.6%[6]	59.9%	6.0%	34.1%[3]
UK	53.0%	32.6%	14.4%	52.3%	28.9%	18.8%
Germany	38.3%	27.3%	34.3%	45.3%	18.1%	36.6%
South Africa	92.3%	0.4%	7.3%	94.0%	0.4%	5.6%
Reunion Island	97.2%	0.5%	2.3%	97.2%	0.4%	2.4%
India	75.1%	11.6%	13.3%	76.3%	15.8%	7.9%
China	38.8%	24.3%	36.9%	0.0%	43.0%	57.0%

The **profitability of airlines on certain routes also plays a significant role in the tourism industry**. For instance, China Southern Airlines and AirAsia pulled out in Nov 2015 and March 2017 respectively and this resulted in a decline in Chinese tourist arrivals. Air Mauritius also cancelled its 3 direct flights to China - Beijing, Shanghai and Chengdu, in rapid succession by 2018 after it became economically unviable to fly these routes.

[6] 25%-30% of French tourists come from Reunion Island.

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Air Mauritius is responsible for bringing most arrivals, followed by Emirates:

Airlines	Breakdown
Air Mauritius	35%
Emirates	19%
Air Austral	9%
Air France	7%
Corsair	4%
Turkish Airlines	4%
British Airways	3%

Seat Capacity: Is directly correlated with tourist arrivals.

Year	No of Air Seats	Growth	Tourist Arrivals	Growth
2011	1,712,158		964,642	
2012	1,723,143	0.6%	965,441	0.1%
2013	1,738,504	0.9%	992,503	2.8%
2014	1,817,667	4.6%	1,038,334	4.6%
2015	1,952,935	7.4%	1,151,252	10.9%
2016	2,169,493	11.1%	1,275,227	10.8%
2017	2,341,144	7.9%	1,341,860	5.2%
2018	2,435,285	4.0%	1,399,408	4.3%
2019	2,397,287	-1.6%	1,383,488	-1.1%
2020	423,063	-82.4%	308,980	-77.7%
2021	310,774	-26.5%	179,780	-41.8%
2022	1,715,928	452.1%	997,290	454.7%

- Air Seats fell in 2019 following the **pullout of direct flight to China** by Air Mauritius and China Southern Airways.
- Arrivals and Air Seats fell drastically in 2020 and 2021 **following lockdowns induced by the Covid-19 pandemic**.

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Airfares Evolution

Direct from EU	Airfares [$/seat]			Growth	
	2023[7]	2019	2014	2023/2019	2019/2014
Seychelles[8]	747	1,010	—	-26.0%	NA
Maldives[8]	857	825	—	3.9%	NA
Mauritius	**948**	**935**	**980**	**1.4%**	**-4.6%**
USA	628	600	905	4.7%	-33.7%
Sri Lanka	1,010	655	725	54.3%	-9.7%
South Africa	746	780	840	-4.3%	-7.1%
Reunion	785	890	1,105	-11.8%	-19.5%
Singapore	989	710	935	39.3%	-24.1%
Shanghai	834	580	955	43.8%	-39.3%

- Airfares are **more expensive compared to 2019**, driven by high inflation and the rise in fuel price.
- Airfare to Mauritius from EU **only increased marginally** vs 2019.

Via Dubai (Emirates)	Airfares [$/seat]			Growth	
	2023	2019	2014	2023/2019	2019/2014
Maldives[9]	1,038	845	875	22.8%	-3.4%
Seychelles	977	830	965	17.8%	-14.0%
Mauritius	**947**	**855**	**1,065**	10.7%	-19.7%
Sri Lanka	933	670	710	39.3%	-5.6%
Singapore	913	660	750	38.3%	-12.0%
South Africa	899	645	715	39.4%	-9.8%
Shanghai	1,058	650	685	62.7%	-5.1%

- Emirates, on the other hand, has been much more aggressive in increasing airfare price.
- Contrary to prior years**, airfare to Mauritius via Dubai remains competitive with other countries**.

[7] Prices retrieved for flights scheduled in August 2023.
[8] Only limited number of flights to Seychelles and Maldives
[9] Airfare via Qatar to Maldives is much more competitive compared to Dubai.

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Currency Evolution

Based on our analysis, **currency fluctuation has very little effect on tourist arrivals**. For instance, the Philippine Peso appreciated by 12.8% against the EUR during 2007-2019, but still managed to attract an influx of European tourists.

However, **currency depreciation increases tourism spending** in Rupee, and has a **direct effect on profitability of hospitality companies**.

The decade from 2000 to 2010 was a period of currency appreciation (EUR to MUR), and given the dependency on European tourists, this enabled hotels to increase their revenue and profitability, despite low occupancy.

On the other hand, the EUR was stagnant for much of the decade to 2020 and hotels financials suffered as a result. Hotels had to restructure their debt to EUR as appreciation of the Rupee significantly increased their borrowing costs.

With the rupee having depreciated by 25% and 30% against EUR and USD since 2019, tourism spending has surged higher and boosted the earnings of the hotel industry.

Competitive Landscape

Overview

- As shown below, despite recovering very quickly from the effects of financial crisis of 2008 (in terms of arrivals), it took 10 years for occupancy to match the levels of 2007 for the following reason:
    - The industry was in expansion mode with more hotels being built and existing hotels also expanded their capacity as shown by the rising Rooms/Hotel ratio.
    - The excess supply led to a period of Rate Wars between 2010-2013 which "hurt" the image of recently premium hotels.
- On the other hand, in EUR terms, Revenue per Visitor (RpV) has remained fairly stable over the past 20 years with appreciation in MUR terms during the period between 2001 and 2007 (Owning to depreciation of MUR vs EUR).

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Year	Tourist Arrivals	RpV (Rs)	RpV (EUR)	No of Hotels	No of Hotel Rooms	Rooms/Hotel	Occupancy
2001	660,318	27,511	1,068	95	9,024	95	66%
2002	681,648	26,888	960	95	9,623	101	67%
2003	702,018	27,656	872	97	9,647	99	63%
2004	718,861	32,618	1,028	103	10,640	103	63%
2005	761,063	33,774	992	99	10,497	106	63%
2006	788,276	40,521	1,115	98	10,666	109	66%
2007	906,971	44,860	1,133	97	10,857	112	76%
2008	930,456	44,293	1,032	102	11,488	113	68%
2009	871,356	40,963	983	102	11,456	112	61%
2010	935,827	42,162	948	112	12,075	108	65%
2011	964,642	44,283	1,083	109	11,925	109	65%
2012	965,441	45,967	1,149	117	12,527	107	62%
2013	992,503	40,863	1,060	107	12,376	116	63%
2014	1,038,334	42,668	1,048	112	12,799	114	65%
2015	1,151,252	43,597	1,073	115	13,617	118	70%
2016	1,275,227	43,809	1,125	111	13,547	122	73%
2017	1,341,860	44,909	1,136	111	13,511	122	77%
2018	1,399,408	45,760	1,170	113	13,523	120	75%
2019	1,383,488	45,614	1,134	112	13,489	120	73%
2020	308,980	57,169	1,181	106	13,297	125	24%
2021	179,780	84,843	1,724	111	13,507	122	21%
2022	997,290	65,021	1,384	105	13,017	124	62%

Composition

Hotels vs Non-Hotels

- Non-Hotel rooms have been expanding over the years (6.3% 9Y CAGR) while Hotel Capacity has remained stable.
- Despite the growth of the informal sector, according to the past Surveys of Outbound Tourism, **around 80% of tourists prefer to accommodate in hotels**.
- French tourists (Reunion and France) are more likely to stay in non-hotels (40.6% and 30% respectively).
- **Tourists opting to stay in Non-Hotels generally stay for a longer period** (15 days) compared to 9 days for tourists accommodating in Hotels.
- Non-Hotels accommodations cost cheaper than hotels to the tune of Rs 2,300 per night compared to Rs 5,500 for hotels.

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Year	Hotel Rooms	Non-Hotel Rooms	Total Rooms
2012	12,527	4,892	17,419
2013	12,376	4,809	17,185
2014	12,799	7,023	19,822
2015	13,617	7,480	21,097
2016	13,547	8,288	21,835
2017	13,511	7,533	21,044
2018	13,523	6,847	20,370
2019	13,489	7,202	20,691
2020	13,297	7,022	20,319
2021	13,507	8,446	21,953
CAGR	**0.8%**	**6.3%**	**2.6%**

Maximum Accommodation Capacity[10]:

According to the current room capacity and assuming tourists stay for a length of 9 days and 15 days for hotels and non-hotels respectively**, our country can accommodate around 1.65M tourists**.

Hotels Competitive Landscape:

The industry is dominated by key hotel groups – NMH, Sun, Attitude, LUX, Veranda, and Constance, which accounts for more than 50% of the industry's capacity.

NMH, Sun, Lux and Constance concentrate their offerings towards the luxury category (>4*) while Attitude and Veranda mostly caters for the Mid-Market 3*- 4* segment.

Company[11]	Star Category	No of Keys	Market Share
NMH	4*,5*	2014	14.4%
SUN	4*,5*	1497	10.7%
Attitude	3*,4*, 5*	1080	7.7%
LUX	4*,5*	863	6.2%
Veranda/Heritage	3*,4*, 5*	795	5.7%
Constance	5*	344	2.5%
Others		7362	52.8%
Industry	**All**	**13955**	**100.0%**

[10] Based on an average of 2.2 people per room.
[11] Only Mauritian hotels of each group have been included – Data retrieved from AHRIM annual report 2022.

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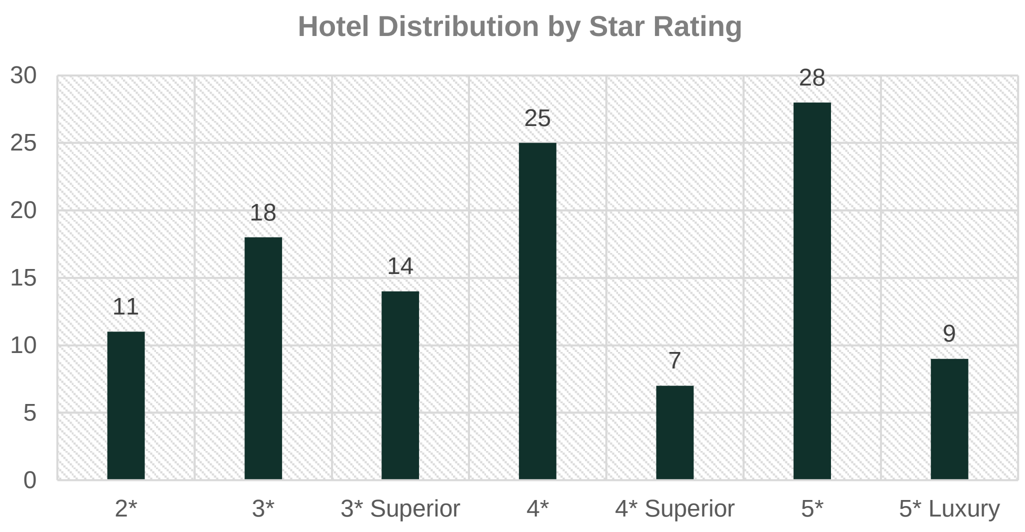

[12]

The Mauritian Hotel Industry is skewed towards luxury offerings, with 62% of all hotels having a rating of at least 4*. Moreover, premium hotels (>=4*) account for around 83% of the industry's room capacity.

Star Category[13]	Rooms	Rooms/Hotel
2*	405	34
3*	1,000	63
3* Superior	1,036	74
4*	4,157	166
4* Superior	1,489	213
5*	4,935	170
5* Luxury	933	117
Total	**13,955**	**126**

[12] Source: Tourism Authority
[13] Source: AHRIM 2022 Annual Report

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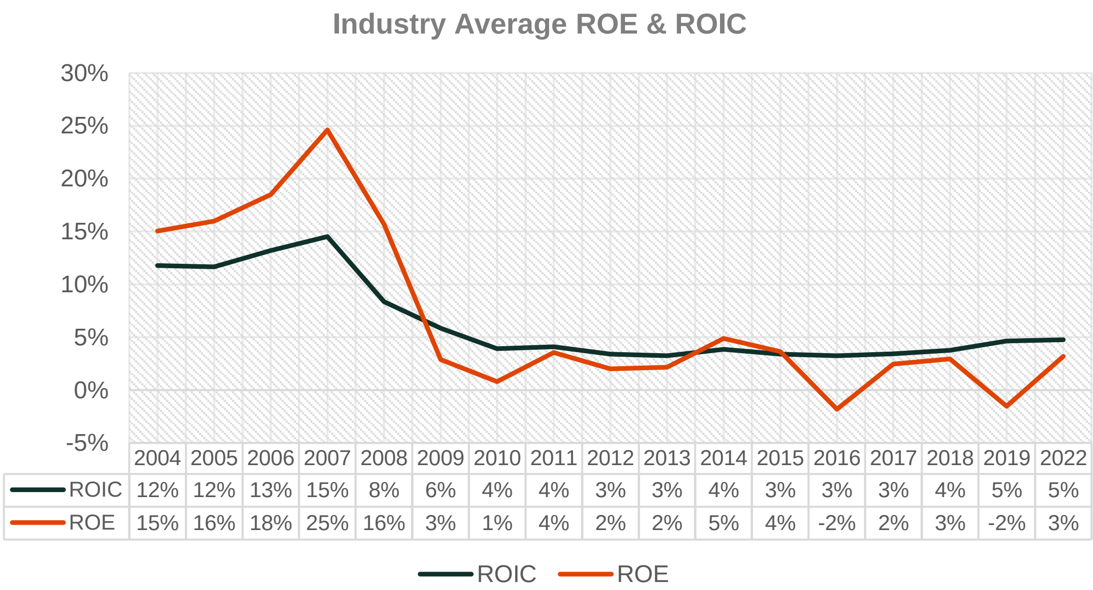
Price per Day (By Star Rating)[14 15]	Low season		Peak season	
Hotels 5* Superior	**Rs**	**22,218.29**	**Rs**	**39,248.77**
Hotel 5*	**Rs**	**14,698.46**	**Rs**	**24,297.00**
Hotel 4* Superior	**Rs**	**13,221.32**	**Rs**	**17,005.71**
Hotel 4*	**Rs**	**10,054.57**	**Rs**	**14,022.64**
Hotel 3* Superior	**Rs**	**8,884.86**	**Rs**	**9,754.32**
Hotel 3*	**Rs**	**8,051.04**	**Rs**	**10,206.96**

October to December remains the best quarter in terms of arrivals, followed by January to March while the quarter from April to June remains the lowest quarter.

Industry Economics

**Analysis of the industry has been computed using NMH, LUX and SUN combined data.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2022
ROIC	12%	12%	13%	15%	8%	6%	4%	4%	3%	3%	4%	3%	3%	3%	4%	5%	5%
ROE	15%	16%	18%	25%	16%	3%	1%	4%	2%	2%	5%	4%	-2%	2%	3%	-2%	3%

*2020 and 2021 excluded.

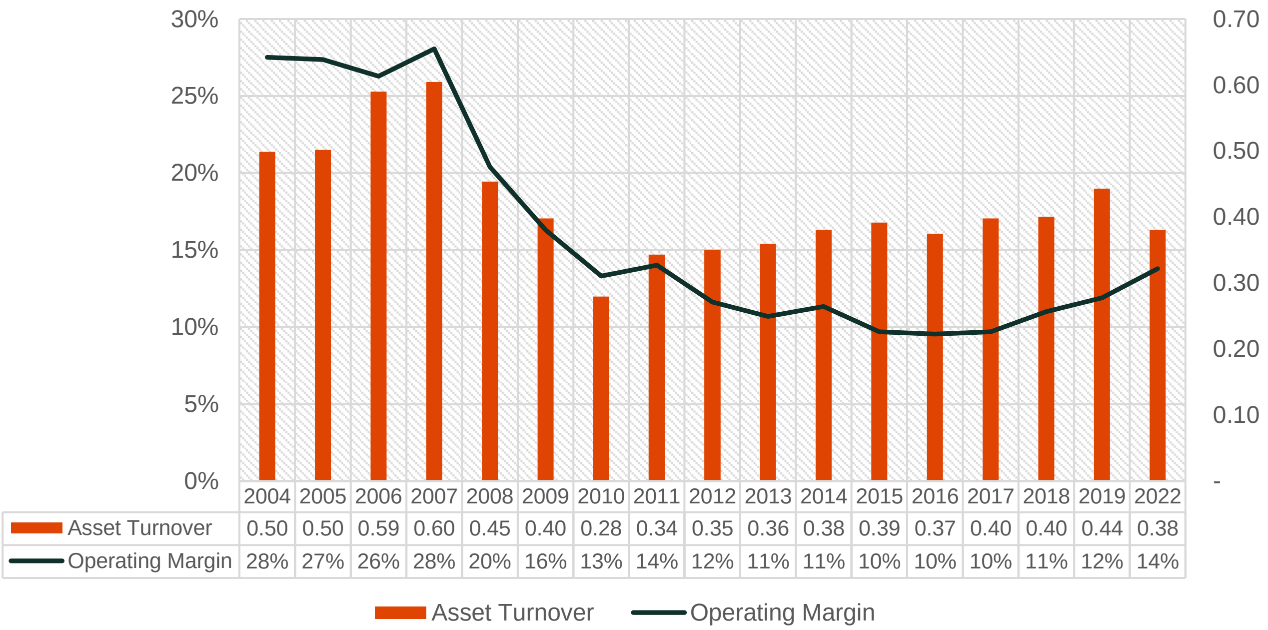
Return on Capital fell drastically post financial crisis which can be attributed to the following reasons:

1. Fall in Operating Margin (led by rising staff costs)
2. Reduction in Asset Turnover (newer assets did not bring a proportional increase in revenue)

[14] 1-week stay in August and December for Low and High season respectively. (Breakfast & Dinner package has been selected) (Prices obtained via Booking.com on 17th July 2023) (Data compiled using sample of 4 hotels)
[15] Bookings remain strong among most hotels and rates might have been distorted as a result.

Industry Average Metrics	2004-2007	2016-2019
Operating Margin	27%	11%
Capital Turnover	0.55	0.40
ROIC	12.8%	3.8%
ROE	18.5%	0.5%
PAT Margin	20.6%	-0.1%
Debt/Equity	64.5%	106.9%

Operating Margin and Asset Turnover



*2020 and 2021 excluded.

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After the 2008 financial crisis, **many companies engaged in expansion/renovation of their hotels towards the premium category (4 Star and 5 Star)**. As they did so, **they contracted a lot of debt** and as shown in the deterioration of the Asset Turnover ratio, **newer assets did not bring in as much revenue per amount invested** as prior to 2008.

Hotel	New Hotel Name	Affiliation	Previous Star Rating	Upgraded Star Rating	Renovation Date	Development Costs
Le Coco Beach	Long Beach	SUN	3-Star	5-Star	2009	Rs 2.6Bn
Kanuhura (Maldives)	Kanuhura (Maldives)	SUN	4-Star	5-Star	2015	USD 32M
Diva (Maldives)	LUX* South Ari Atoll	LUX	4-Star	5-Star Luxe	2008	USD 55M
Les Pavillons	LUX* Le Morne	LUX	4-Star	5-Star	2008	Rs 1.1Bn
Merville	LUX* Grand Baie	LUX	3-Star Superior	5-Star	2021	Rs 2.6Bn

On the other hand, the operating margin fell on account of higher staff costs and higher depreciation expenses.

Staff costs increased for the following reasons:

1. In 2007, AHRIM increased the minimum salary to Rs 9000, and other subsequent increases followed. Minimum salary currently stands at Rs15,000.
2. **Premium hotels require a higher staff/room ratio**. For instance, LUX hired more than 1,400 staffs during the period between 2004 and 2019 while NMH followed on to employ an additional 1000 staffs during the period.

Moreover, **depreciation costs also increased** with premium hotels requiring higher capex.

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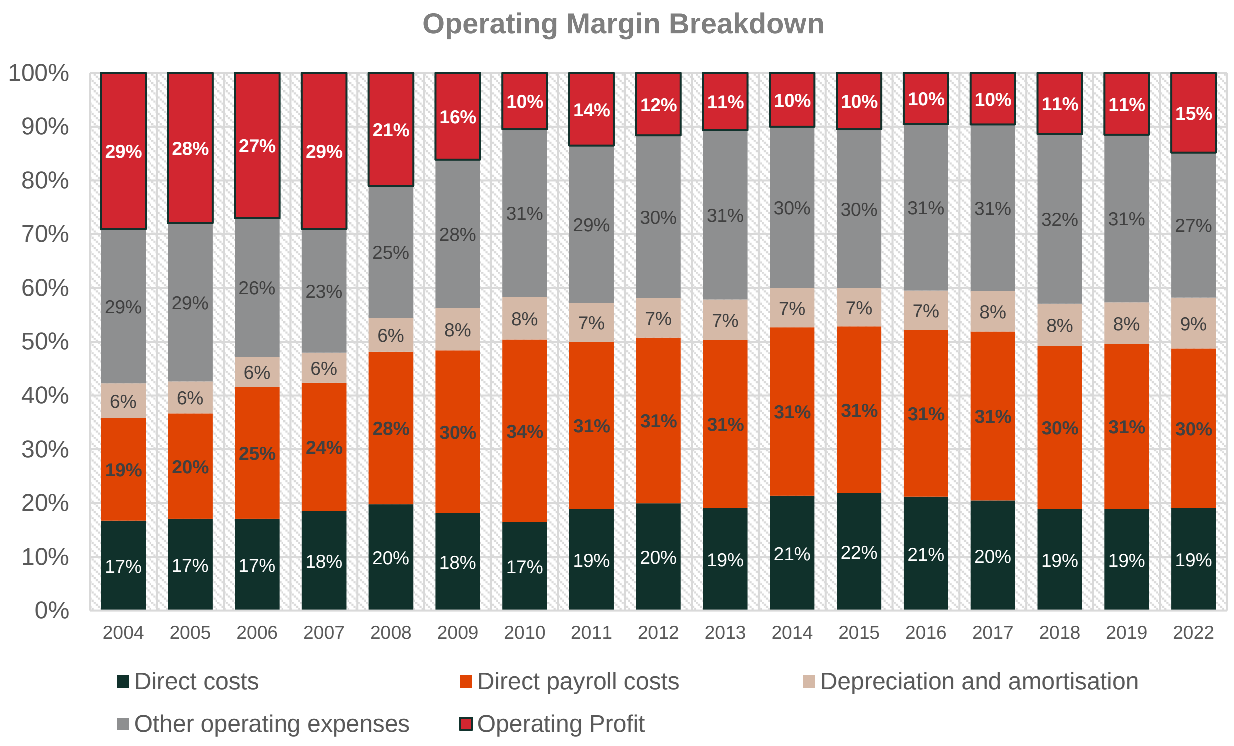

Hotels expanded aggressively over the period between 2004 – 2019 with a compounded annualized asset growth of 7.2%. Most of the growth was funded by debt.

However, the rise in revenue was slower than assets growth and the increased revenue did not translate into higher operating profit.

CAGR (2004-2019)	LUX	NMH	SUN	Average
Revenue	10.6%	5.7%	4.2%	**6.8%**
Operating Profit	5.8%	-1.9%	-0.8%	**1.1%**
Total Equity	11.1%	4.6%	4.1%	**6.6%**
Total Debt	7.6%	9.1%	6.6%	**7.8%**
Invested Capital	9.4%	7.0%	5.3%	**7.2%**
Total Assets	9.2%	7.2%	5.2%	**7.2%**

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Economic Characteristics of Key Players:

- **Low Return on Capital & Capex Heavy**:

Over the past decade, the 3 hotel groups, on average, have earned around 5% ROIC as they could not set adequate room rates to earn high return on their asset heavy structure.

With the industry being highly competitive, companies must incur significant capital expenditure to keep their hotels in top shape. As a result, most of the cash generated during peak periods must be redeployed into the low-return business.

- **Cyclicality**:

The Mauritian tourism industry is highly dependent on European economies and tourist arrivals only picked up post 2013 after EU started its recovery from the Eurozone Debt crisis.

Over the past 2 decades, the industry has 4 periods of outperformance:

1. 2002 – 2007: The appreciation of the EUR coupled with enhanced air connectivity led to a rise in tourist arrivals and spending and hotels subsequently enjoyed high margins and high profitability.
2. 2009: Investors were betting on the recovery from the financial crisis of 2008. However, the hotels had different economic characteristics post 2008 as premiumization induced higher costs and led to a rise in break-even occupancy.
3. 2013 – 2014: With EU recovering and enhanced arrivals from Asia, this eventually led to a rise in arrivals and occupancy crossing 70%.
4. 2021 – 2022: Led by a recovery from Covid-19 and the government (through MIC) assisting hotels through disbursement of low interest convertible bonds at 3.5%.

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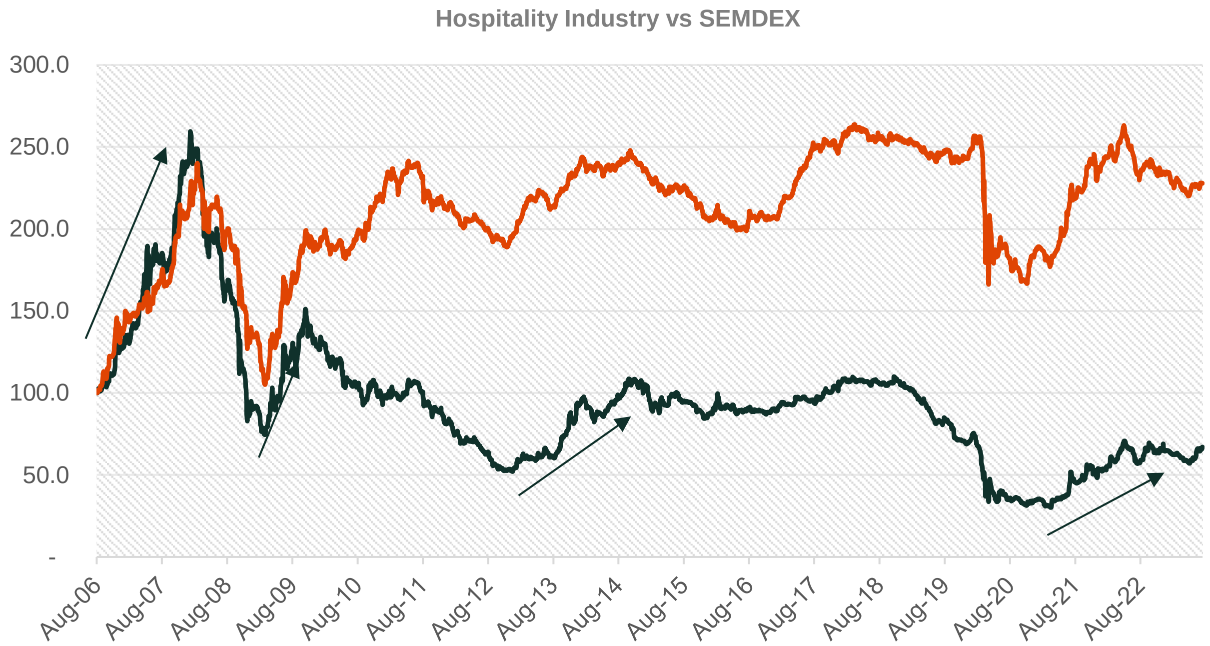

[16]

2009, 2013 and 2021 were all dismal years with low occupancy (as shown in graph below) and many hotels posted losses during these periods. This leads us to conclude that **TIMING is very important when investing in hotel companies**.

Investments made during troughs are often very rewarding when all sentiments are negative.

Moreover, given the **low-return nature of the companies**, it is **unwise to invest in hotels for the long haul**.

[16] Share prices of NMH, SUN and LUX used to construct index (Adjusted for splits, spinoffs, etc).

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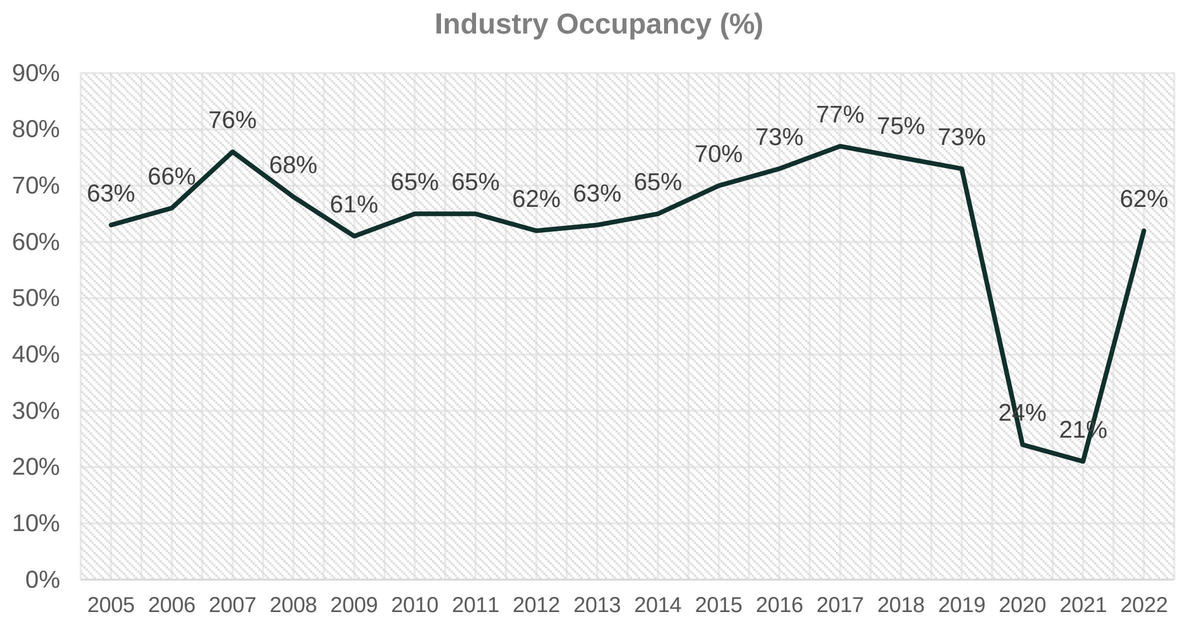

- High Operating Leverage:

By our estimates, 65% - 70% of total operating costs of hotels are fixed which leads to fluctuating margins. **High Operating Leverage, in combination with highly levered companies, is a deadly mix** as a small decline in revenue can accentuate into high losses and inability to service debt.

Key Industry Risks

- **Overdependence on European Tourists**
- **Unreliable supply chain** – Air Mauritius has a loss-making history and may pull out from key destinations (as it did with flights to China).
- **Labour issues and Costs**– Talents are being poached by cruise ships which are much rewarding financially.
- **Appreciation of the Rupee**
- **Reputational Damage** (Rate Wars, Safety issues, environmental risks)

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Stock Analysis & Recommendation

NMH

Hotel Portfolio

Country	Hotel	Rooms	Price per Night[17]		Star Rating
			Low Season	Peak Season	
Mauritius	Royal Palm	69	Rs32,253	Rs49,822	5* Luxury
Mauritius	Dinarobin	175	Rs27,704	Rs32,331	5*
Mauritius	Paradis	293	Rs20,466	Rs28,671	5*
Mauritius	Trou aux Biches	333	Rs33,333	Rs28,183	5*
Mauritius	Shandrani	327	Rs21,714	Rs28,183	4*
Mauritius	Victoria	295	Rs12,532	Rs15,799	4*
Mauritius	Canonnier	283	Rs10,000	Rs14,896	4*
Mauritius	Mauricia	239	Rs14,742	Rs17,148	4*
Morocco	Royal Palm Marrakech	134	Rs29,644	Rs29,856	5* Luxury

With 9 hotels in its portfolio, **the group has 2,148 keys**, among which 2,014 are in Mauritius, which makes it the **largest hotel group in Mauritius** with a Market share of 14.4%.

Moreover, NMH hotels are much larger than industry average characterized by a high hotel/room ratio. 5 of NMH hotels (Trou aux Biches, Shandrani, Victoria, Paradis and Cannonier) feature among the top 10 largest hotels (in terms of rooms) in Mauritius).

Besides hotel operations, the group also offer the following services:

1. Tour Operation (Beachcomber Tours, Mautourco, etc) – This cluster contributes around 13%-16% of total revenue.
2. Flight and Inland Catering – Contributes around 3% of total revenue.
3. Other Services (Mainly through rental income of Club Med in Seychelles) – Accounts for around 4%-5% of total revenue.

[17] Price retrieved as at July 2023 on Booking.com; Breakfast & Dinner package selected.

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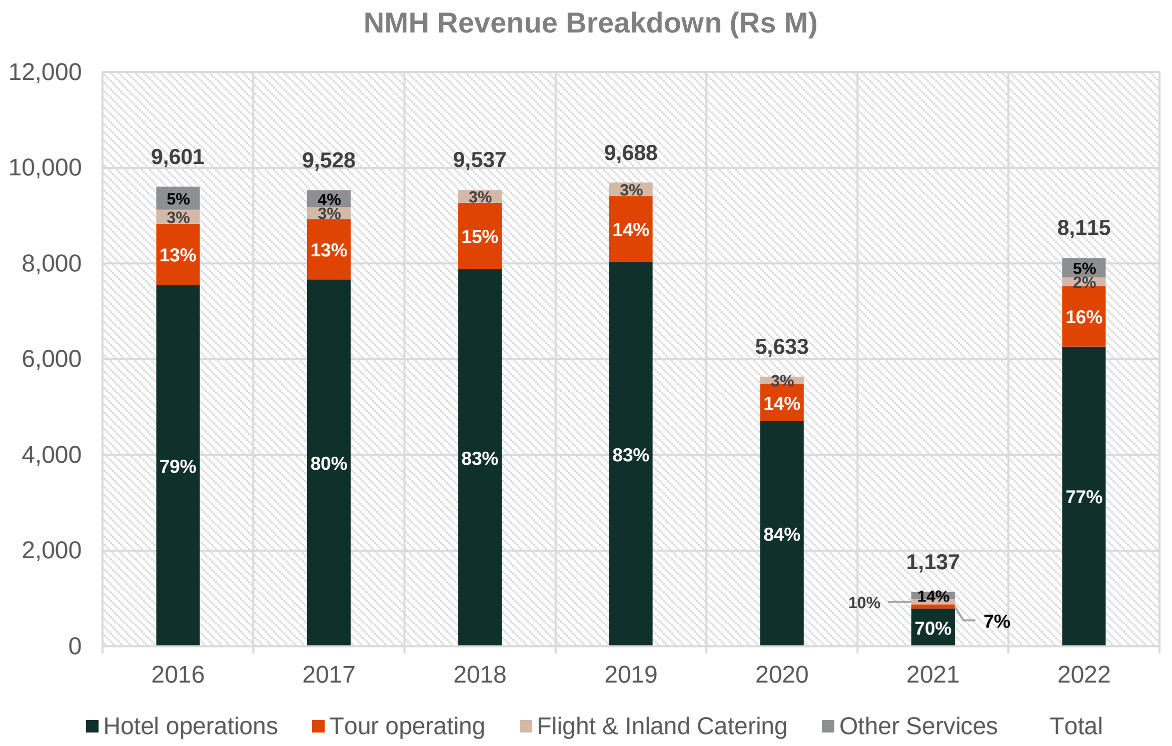

While the bulk of the profit/loss originates from the Hotel cluster, Tour Operating (Avg margin of 6%) and other services (High margin through rental) have been consistent sources of profitability over the years. However, margins have historically remained weak for the group (pre-covid average of 2.3%).

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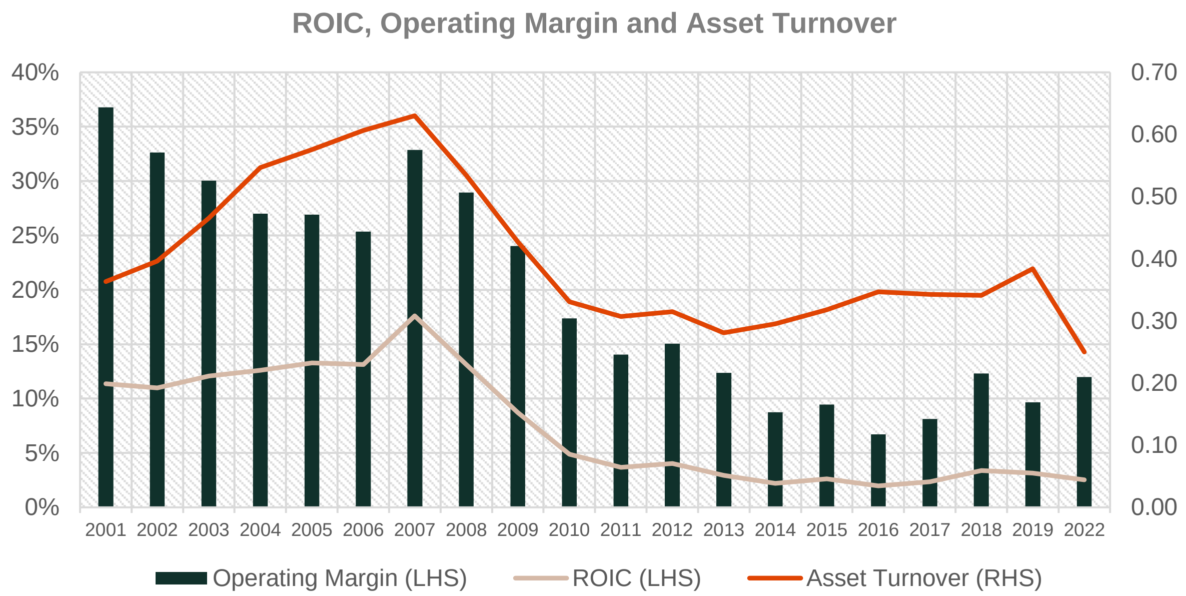
Evolution over the years



Post the Great Financial Crisis of 2008, NMH economics deteriorated by falls in both operating margin (from around 25% to 10%) and asset turnover (from 0.5x to 0.3x), showing that newer assets did not bring forward a proportionate increase in revenue.

As shown above, the period between 2001 to 2007 was characterized by an increase in asset turnover. During the period 2007 – 2011, NMH engaged in 3 major capital-intensive projects which had to be financed by debt:

1. Royal Palm Marrakech (Hotel + Property Development) which had a projected cost around EUR 350M (Rs 14Bn).
2. Beachcomber Trou aux Biches – The old hotel was demolished and reconstructed as a 333-room 5-Star hotel and eventually cost around Rs 5.3Bn, higher than originally expected.
3. Acquisition of land in Le Salines (For the purpose of property development and construction of a hotel) – Cost Around Rs 900M. (After the land was acquired, the project was eventually deferred because of the 2008 great financial crisis).

NMH expansion coincided with the period of rate wars between 2010 – 2013 and in order not to hurt its position as a premium hotel, **the group refused to reduce their room rates**, and this eventually resulted in a loss of occupancy to a low of 61% in 2013.

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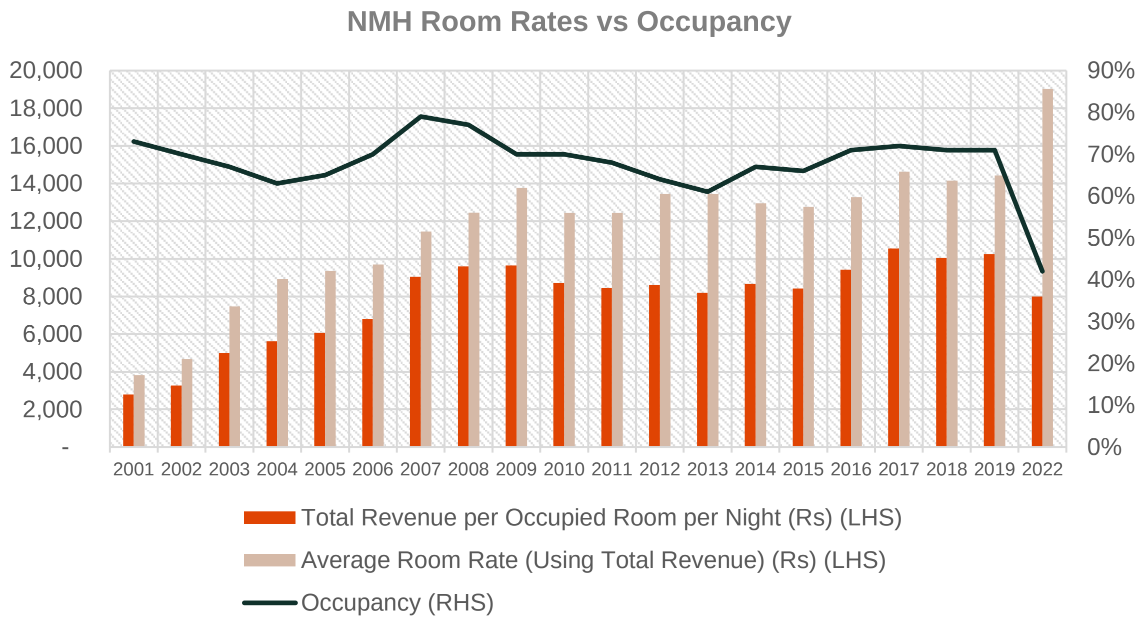

[18]

Capital-Heavy Marrakech project failed to generate adequate returns – The Marrakech project did not pan out as originally expected with the group struggled to sell the villas and Royal Palm Marrakech consistently posting negative EBITDA and low occupancy. The group had to eventually sign a hotel management agreement with Fairmont Group, after which the Royal Palm Marrakech occupancy improved to the range between 40%-50% and this led to a rise in EBITDA which was positive by FY19.

After a series of low property yearly sales, in 2019, NMH carved out Semaris as a spin-off property development player. This led to a fall in net assets by around Rs 3.6Bn.

Most of the growth was funded by debt and as shown below, revenue increase was not proportional to asset growth.

Key Metrics	2004	2019	% Increase
Hotel Rooms at EOY	1,756	2,148	122.3%
Total Revenue (Rs M)	4,739	9,688	204.4%
Total Assets (Rs M)	11,238	33,054	294.1%
Total Debt (Rs M)	3,423	15,519	453.4%
Staffs/Room	2.4	2.6	106.2%
Assets/Room	6.1	15.4	254.1%
Revenue/Room	2.6	4.5	176.6%
Debt/Room	1.8	7.2	391.7%

[18] Computed using total revenue and results differ from official ARR and RevPAR figures.

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In line with the industry, NMH margins fell drastically during the period as shown below, primarily driven by payroll costs after NMH hired more than 1000 staffs during the period.

CAGR (2004-2019)	CAGR
Revenue	4.9%
Direct costs	7.6%
Direct payroll costs	6.9%
Depreciation and amortisation	6.8%
Other operating expenses	5.1%
Operating Profit	-2.1%

Given the size of its hotels, NMH has always stayed in line with industry average in terms of occupancy (20Y average of 69% vs 67% for the industry).

Key Risks

- **Leverage & Refinancing**

Debt Servicing Metrics	2016	2017	2018	2019	2020	2021	2022	TTM
Total Debt[19] (Rs M)	17,554	18,138	16,420	15,907	18,480	24,650	23,177	23,177[20]
Net Debt (Rs M)	17,008	16,878	15,362	15,153	17,750	23,416	21,625	21,625
Total Equity[21] (Rs M)	11,900	11,420	13,574	9,724	7,169	4,960	7,445	7,949
Operating Profit (Rs M)	639	755	1,171	922	339	(2,417)	807	3,257
Interest Expense (Rs M)	(967)	(955)	(845)	(773)	(435)	(820)	(1,191)	(1,077)
Gearing (%)	58.8%	59.6%	53.1%	60.9%	71.2%	82.5%	74.4%	73.1%
Net Debt / Equity (%)	142.9%	147.8%	113.2%	155.8%	247.6%	472.1%	290.5%	272.0%
Interest Cover (xx times)	0.66x	0.79x	1.39x	1.19x	0.78x	-2.95x	0.68x	3.02x

With a total debt of Rs 23Bn, NMH remains highly levered with interest cover barely exceeding 1x pre-covid. With rising interest rates, NMH could have trouble with interest payments as well as paying down its capital.

Refinancing Risk - The group must therefore refinance its loans every year and could run into serious trouble in case of a credit crunch. Moreover, with higher interest rates, the group would have to refinance at higher rates, pushing up debt servicing costs.

[19] Convertible Debt included.
[20] Updated figure not available (Assumed same as June 2022)
[21] Convertible Debt Deducted in computation of Total Equity and Gearing might differ from NMH's official figures.

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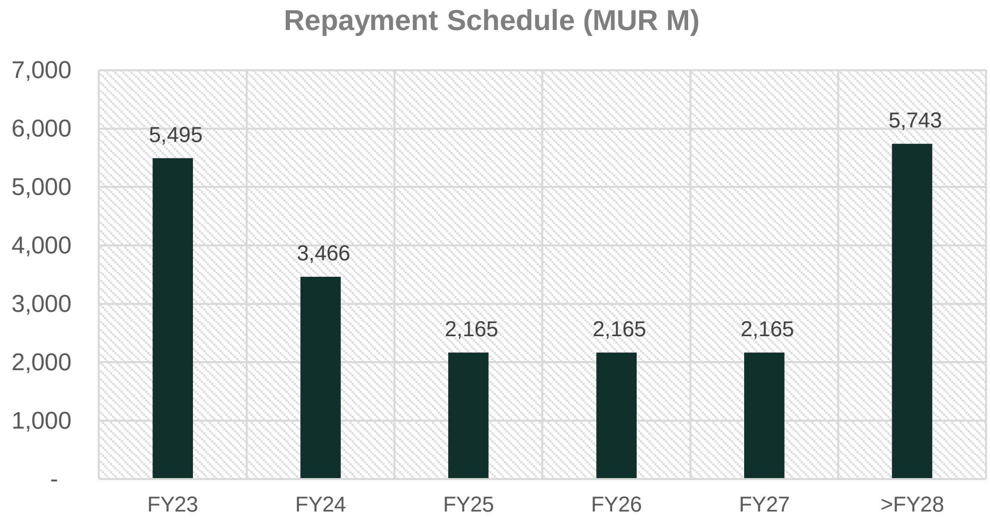
Debt Repayment Schedule



Latest Financials

Key Financials (Rs M)	2016	2017	2018	2019	2020	2021	2022	YTD
Total Revenue	9,601	9,528	9,537	9,688	5,633	1,137	8,115	13,432
EBITDA	857	1,793	1,844	1,743	271	(1,991)	2,036	4,085
EBIT	209	1,115	1,185	1,033	(339)	(2,815)	1,256	3,257
PAT	(967)	33	247	157	(686)	(3,130)	45	1,936
Total Assets	35,508	35,795	36,361	33,053	35,960	38,252	40,759	42,860
Equity	11,900	11,420	13,574	9,724	7,169	6,063	9,278	9,782
Total Debt	17,554	18,138	16,420	15,907	18,480	24,650	23,177	NA
Invested Capital	30,316	30,820	30,509	25,798	29,885	31,962	32,969	NA
Earnings/(Loss) per Share (Rs)	(2.06)	(0.08)	-	0.06	(1.33)	(5.78)	(0.12)	3.32
Dividends Per Share (Rs)	0.33	-	0.22	0.22	0.15	-	-	-

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Key Metrics	2016	2017	2018	2019	2020	2021	2022	TTM
Number of room keys available (#)	2,193	1,992	2,148	2,148	2,148	2,148	2,148	2,148
Occupancy (%)	71%	72%	71%	71%	44%	10%	42%	75%
ARR (Rs)	NA	NA	NA	NA	NA	NA	NA	10,833
REVPAR (Rs)	NA	NA	NA	NA	NA	NA	NA	8,071
TREVPAR (Rs)	9,566	10,089	10,303	10,328	8,125	979	7,956	13,687
PPE/Room (Rs M)	11.43	12.54	11.99	12.06	12.19	12.09	13.04	12.44
Invested Capital/Room (Rs M)	13.82	15.47	14.20	12.01	13.91	14.88	15.35	NA
Asset/Room (Rs M)	16.19	17.97	16.93	15.39	16.74	17.81	18.98	19.95
Revenue/Room (Rs M)	4.38	4.78	4.44	4.51	2.62	0.53	3.78	6.25
Key Financial ratios (%)								
ROE (%)	-8.1%	1.8%	1.0%	1.6%	-9.6%	-51.6%	0.5%	18.1%
ROA (%)	-2.7%	0.1%	0.4%	0.5%	-1.9%	-8.2%	0.1%	4.5%
ROIC (%)	1.8%	2.1%	3.3%	3.0%	1.0%	-6.4%	2.1%	NA
Net Profit Margin (%)	-10.1%	0.3%	2.6%	1.6%	-12.2%	-275.3%	0.6%	14.4%
FCF Margin (%)	8.6%	6.6%	11.0%	-2.3%	2.3%	-132.8%	24.3%	NA
NOPAT Margin (%)	5.7%	6.7%	10.4%	8.1%	5.1%	-180.7%	8.4%	20.6%

- Occupancy of NMH Mauritius hotels averages around 74% while that in Morocco stands around 50%.
- The group is currently benefiting from the pent-up demand and depreciation of the rupee which pushed its **TTM PAT to around Rs 2Bn,** a massive increase compared to prior years.

Valuation & Recommendation:

Valuation Assumptions:

- With strong forward booking, we expect revenue to increase by around 8.5% in 2024, following around 3% increase annually, driven by higher rates. We have also assumed an average occupancy of 74% in Mauritius and 53% occupancy in Morocco.
- We expect margins to fall back to 20% (4Y average pre-pandemic margin stands at 16%) by FY26.
- Given the size of its hotels, we expect a yearly maintenance capex of Rs 1.3Bn, to be increased by 5% in 2024 and 3% subsequently.
- As such, we have valued the group at around Rs 9.00/share, almost in line with its current price of Rs 9.04.

Valuation assumptions and sensitivity analysis detailed in Appendix 3.

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Outlook:

- The highly levered Balance Sheet poses a serious risk for NMH and we remain skeptical whether the group would be able to survive a downturn. NMH has a high operating leverage (according to our estimates, around 60%-70% of the group's costs is fixed) and as such, combined with the high leverage, with even a small decline in sales can quickly escalate into bankruptcy.
- Moreover, while NMH is cheap from a relative valuation perspective (TTM PE of 2.7x), NMH ability to survive another downturn is questionable.

Therefore, having valued the group at Rs9.00/share (It is trading at a premium of 15% from its current market price of Rs 10.35), we recommend a **HOLD** rating on NMH.

5	4	3	2	1
SELL	UNDERPERFORM	HOLD	OUTPERFORM	BUY
Strong Sell	Moderate Sell Weak Hold Underweight Reduce	Neutral	Moderate Buy Accumulate Overweight Add	Strong Buy

SUN

Hotel Portfolio:

			Price per Night[22]		
Country	Hotel	Rooms	Low Season	Peak Season	Star Rating
Mauritius	Long Beach	255	Rs 11,308	Rs 21,821	5*
Mauritius	Sugar Beach	258	Rs 22,354	Rs 27,492	5*
Mauritius	La Pirogue	248	Rs 17,929	Rs 21,821	4* Superior
Mauritius	Ambre	297	Rs 11,919	Rs 13,910	4*
Mauritius	Shangri-La Le Touesserok	303	Rs 26,996	Rs 35,909	5* Luxury
Mauritius	4 Seasons	136	Rs 27,301	Rs 40,341	5* Luxury

The entirety of SUN's hotels is based in Mauritius, and all are skewed towards the 'Premium Category'. While data with respect to revenue and profits per hotel is unavailable, the group makes most of its profits from La Pirogue and Sugar Beach. La Pirogue's Operating Margin has historically stood in the range of 25%-30% while Occupancy has consistently been over 80%.

[22] Price as at July 2023; Obtained via Booking.com

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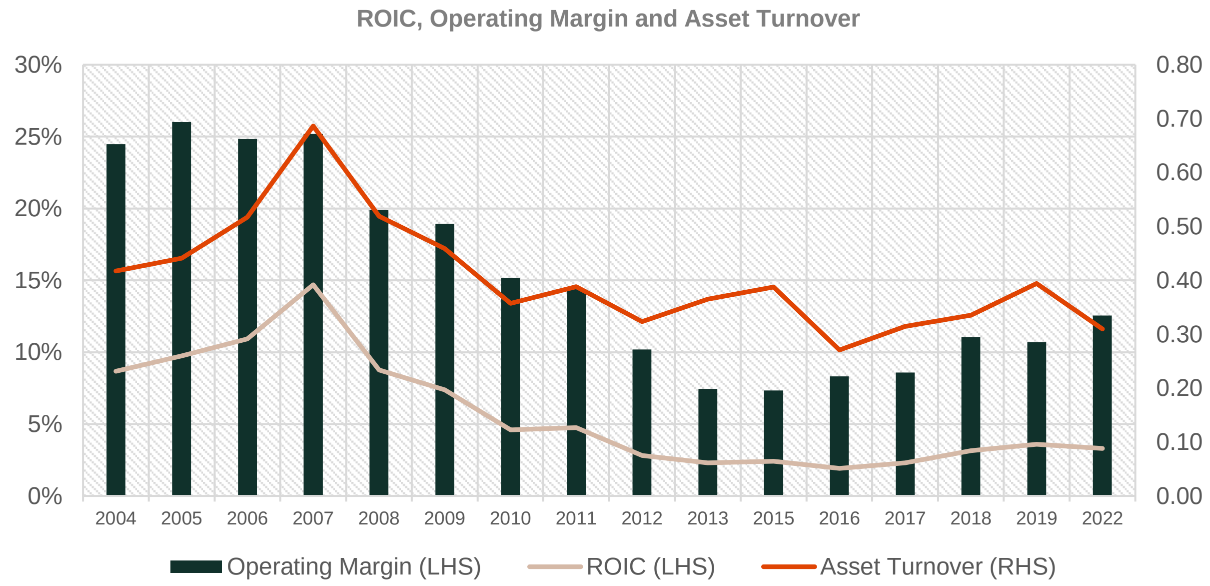
Rs M (June 2022)[23]	Long Beach	Sugar Beach	La Pirogue	Ambre[24]	Shangri-La Le Touesserok	Four Seasons
Revenue	677	642	709	414	925	1,156
PBT	18	10	131	-77	62	92
PPE	3,037	2,758	2,127	38	4,963	4,646
Total Assets	3,527	2,847	3,467	286	5,158	6,048
No of Keys	255	258	248	297	303	136
PBT Margin	2.7%	1.5%	18.5%	-18.5%	6.7%	7.9%
PPE/Room (Rs M)	11.91	10.69	8.58	0.13	16.38	34.16
Assets/Room (Rs M)	13.83	11.04	13.98	0.96	17.02	44.47
Revenue/Invested Capital (Rs)	0.21	0.29	0.21	1.56	0.19	0.20
Revenue/Room (Rs M)	2.66	2.49	2.86	1.40	3.05	8.50

As tabulated above, premium hotels require higher investments but does not necessarily bring in higher revenue per invested asset.

Evolution over the years



*2020 and 2021 excluded
*2015 data is for the period of 18M to June 2015.

[23] Data received on MNS.
[24] Assets recognized as Operating Lease and not recognized in Ambre's Balance Sheet

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Like most of its players in the industry, post the financial crisis, SUN's operating margin shrunk driven by higher staff costs and new assets did not bring in sufficient revenue per capital invested.

Staff Costs increased after the recruitment of 900 additional staffs between 2007 and 2019, leading to an 8.1% CAGR rise, while revenue increased by only 5.4% CAGR, thereby leading to a decline in Operating profits.

CAGR (2007-2019)	Growth
Revenue	5.4%
Direct costs	5.4%
Direct payroll costs	8.1%
Depreciation and amortisation	9.0%
Other operating expenses	8.1%
Operating Profit	-3.4%

Growth Strategy

In addition to 'premiumizing' its hotels, SUN has also grown through acquisition over the years:

1. Kanuhura (USD 76M acquisition + USD 32M for converting into 5-Star before being sold at USD 41.5M).

In addition to this, SUN has also engaged in Asset Management contracts whereby major international hotel brands (Four Seasons and Shangri-La) manages its hotels:

- Rs 2.4Bn Acquisition of **Four Seasons Hotel** (50% from Anahita at Rs 926.4M and 50% from Kingdom hotel at USD 40M).
- Shangri-La Le Touessrok Hotel - 26% stake sold for USD 28.6M to Shangri-La.

The acquisitions did not turn out as originally expected, with an **incremental ROIC of only around 4.4%** (For the period between 2013 and 2019).

After a series of losses, SUN **sold** Kanuhura at USD 41.5M in 2019, at a massive loss after investing more than USD 108M (USD 76M acquisition + USD 32M for converting into 5-Star).

Key Risks

- Non-Renewal of Management Contract for Four-Seasons and Shangri-La.

Four Seasons has one of the highest PPE/Room costs (Around Rs 34M per room) in the country, and also brings in one of the highest Revenue/Room ratio of Rs 8.5M.

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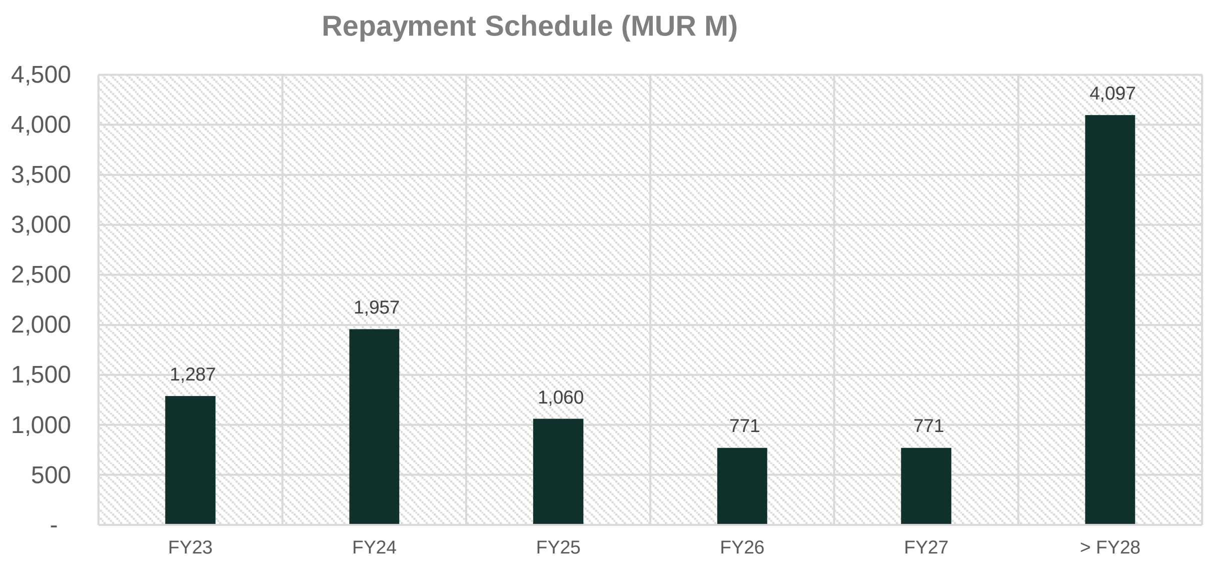
- High Leverage.

Debt Servicing Metrics	2016	2017	2018	2019	2020	2021	2022	YTD
Total Debt[25] (Rs M)	9,331	10,530	8,621	7,825	8,778	9,496	8,122	9,429
Net Debt (Rs M)	10,008	10,359	8,210	7,249	8,191	7,948	6,541	6,526
Total Equity[26] (Rs M)	8,646	8,220	10,863	8,449	6,030	4,654	7,028	8,174
Operating Profit (Rs M)	421	519	744	692	282	(1,150)	651	1,804
Interest Expenses (Rs M)	(457)	(504)	(480)	(455)	(1,092)	(884)	(488)	(337)
Gearing (%)	53.7%	55.8%	43.0%	46.2%	57.6%	63.1%	48.2%	44.4%
Net Debt / Equity (%)	107.9%	128.1%	79.4%	92.6%	145.6%	104.5%	54.0%	79.8%
Interest Cover (xx times)	0.92x	1.03x	1.55x	1.52x	0.26x	-1.30x	1.33x	5.36x

SUN has historically struggled to pay its interests with low interest cover. The situation improved in FY23 with Interest Cover increasing to 5.4x and gearing falling to 25% after the sale of Kanuhura, inflows from MIC loans and higher profits enabled SUN to repay some of its maturing bonds.

However, despite high inflows projected, SUN would still have to refinance its loans which expose the group to a **Refinancing Risk**.

Debt Repayment Schedule:



[25] Convertible Debt included.
[26] Convertible Debt Deducted in computation of Total Equity and Gearing might differ from SUN's official figures.

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Latest Financials

Key Financials (Rs M)	2016	2017	2018	2019	2020	2021	2022	YTD
Total Revenue	5,053	6,048	6,774	6,730	5,408	1,195	5,165	7,813
EBITDA	244	853	1,290	(679)	160	(612)	1,223	2,382
EBIT	(113)	395	744	(1,248)	(587)	(1,173)	661	1,804
PAT	(369)	(112)	194	(1,886)	(1,803)	(2,077)	200	1,287
Total Assets	21,027	21,748	22,900	20,451	21,321	20,008	22,009	23,661
Equity	8,646	8,220	10,863	8,449	6,030	6,919	9,840	10,986
Invested Capital	16,378	17,499	18,475	17,672	16,309	16,243	17,576	NA
Earnings/(Loss) per Share (Rs)	(2.37)	(0.84)	1.07	(10.81)	(10.26)	(11.40)	1.06	7.14
Dividends Per Share (Rs)	-	-	0.50	0.75	-	-	-	2.00

Key Metrics	2016	2017	2018	2019	2020	2021	2022	HY23
Number of room keys available (#)	1,393	1,457	1,473	1,473	1,453	1,382	1,373	1,497
Occupancy (%)	79%	77%	75%	71%	NA	NA	48%	75%
ARR (Rs)	6,464	8,155	9,382	9,869	NA	9,389	11,933	13,145
REVPAR (Rs)	5,080	6,287	6,999	7,007	NA	NA	5,740	9,911
TREVPAR (Rs)	9,415	10,673	11,373	11,475	NA	NA	8,971	NA
PPE/Room (Rs M)	11.4	11.6	12.1	11.7	11.4	11.1	12.5	NA
Invested Capital/Room (Rs M)	11.8	12.0	12.5	12.0	11.2	11.8	12.8	NA
Asset/Room (Rs M)	15.1	14.9	15.5	13.9	14.7	14.5	16.0	15.8
Revenue/Room (Rs M)	3.63	4.15	4.60	4.57	3.72	0.86	3.76	5.22
Key Financial ratios (%)								
ROE (%)	-3.8%	-1.5%	1.8%	-24.7%	-34.0%	-31.9%	2.1%	12.35%
ROA (%)	-1.8%	-0.5%	0.8%	-9.2%	-8.5%	-10.4%	0.9%	5.4%
ROIC (%)	2.2%	2.5%	3.4%	3.3%	1.5%	-6.0%	3.1%	NA
Net Profit Margin (%)	-7.4%	-1.9%	2.9%	-28.5%	-35.6%	-393.4%	4.1%	16.5%
FCF Margin (%)	-36.6%	-8.1%	14.1%	15.9%	7.8%	-192.3%	31.5%	NA
NOPAT Margin (%)	7.1%	7.3%	9.3%	8.7%	4.4%	-81.8%	10.7%	19.6%

SUN has been benefiting from a strong EUR, higher occupancy, and increased tourism spending, which enabled the group to post a high NOPAT Margin of around 20%, up from historical average of around 8%. As a result, they were able to declare a dividend of Rs 2.00, yielding around 6.1% at current prices.

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Dividend Policy:

Dividend Policy Subject to a dividend not causing SUN financial distress, an annual dividend at least equal to the higher of (i) Rs. 1.95 per share and (ii) 50% of the consolidated net profit of SUN Group is to be distributed as from financial year ending 30 June 2019.

Valuation & Recommendation:

- SUN is currently benefiting from the pent-up demand and given the high-fixed cost nature of the industry, this has translated directly into the company's bottom line. We expect revenue to increase by around 9% in 2024, following a 3% increase annually. We have also assumed an average occupancy of 75%.
- However, capex has been below historical average over the past 2 years (Combined Capex of Rs 500M) and the group's Net PPE/Gross PPE for Plant & Machinery, Hotel Furniture and Computer Equipment remains below 20%.
    - As a result, assuming a 30% increase in construction costs, we predict an annual capex of Rs 700M, to be incremented at the same rate as revenue increase (To account for inflation).
    - Moreover, we expect margins to fall back to pre-pandemic levels post FY24 as the group will bear the brunt of wage inflation and higher depreciation.
    - Given favorable forward bookings, we expect SUN to post formidable figures in FY24, but profits would remain lower than FY23 following rise in operating expenses.
    - Valuation assumptions and sensitivity analysis detailed in Appendix4.

As such, we have valued SUN at around Rs 41.45/share, with a potential gain of 22.8% from its current share price of Rs 33.75.

We therefore recommend an ACCUMULATE Rating on SUN.

	4	3	2	1
SELL	UNDERPERFORM	HOLD	OUTPERFORM	BUY
Strong Sell	Moderate Sell Weak Hold Underweight Reduce	Neutral	Moderate Buy Accumulate Overweight Add	Strong Buy

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LUX

Hotel Portfolio

Country	Hotel	Rooms	Price per Night[27]		Star Rating
			Low Season	Peak Season	
Mauritius	LUX* GRAND BAIE	116	Rs32,985	Rs44,774	5* Luxury
Mauritius	LUX* LE MORNE	149	Rs31,999	Rs33,971	5*
Mauritius	LUX* BELLE MARE	186	NA[28]	NA	5*
Mauritius	LUX* GRAND GAUBE	198	Rs18,199	Rs23,633	5*
Maldives	LUX* SOUTH ARI ATOLL	193	Rs32,317	Rs44,684	5*
Reunion Island	LUX* St GILLES	174	Rs16,674	Rs18,593	5*
Mauritius	TAMASSA BEL OMBRE	214	Rs9,554	Rs12,830	4* Luxury

The entire portfolio of LUX is skewed towards the premium category. Compared to its listed peers, LUX hotels are relatively smaller with less than 200 rooms per hotel, except for Tamassa.

The group makes most of its money in Mauritius (>50%), but Maldives' share of total revenue remains on the increasing trend from 19% in 2017 to 31% in 2022. Operating Margin remains much stronger in Maldives and has remained over 25% over the past 2 years.

Rs M (June 2022)	LUX* Grand Baie[29]	LUX* Grand Gaube	LUX* Belle Mare	LUX* Le Morne	Tamassa[30]	LUX* Saint Gilles	LUX* South Ari Atoll
Revenue	402	792	937	857	363	828	2,108
PBT	185	67	181	223	(139)	(159)	308
PPE	2,197	2,150	1,645	1,495	31	NA	NA
Total Assets	2,081	2,708	1,944	1,304	848	683	5888
No of Keys	116	198	186	149	214	174	193
PBT Margin	45.9%	8.5%	19.4%	26.1%	-38.4%	-19.2%	14.6%
PPE/Room (Rs M)	18.94	10.86	8.84	10.04	0.14	NA	NA
Assets/Room (Rs M)	24.68	14.36	11.51	12.85	4.22	3.92	23.32
Revenue/Invested Capital (Rs)	0.19	0.29	0.48	0.66	0.43	NA	NA
Revenue/Room (Rs M)	3.47	4.00	5.04	5.75	1.70	4.76	10.92

LUX Grand Baie remains the costliest hotel constructed by the group, but margin remains significantly higher compared to the other hotels within the group.

[27] Price retrieved as at July 2023 on Booking.com; Breakfast & Dinner package selected.
[28] Unavailable because of current renovation after the Fire incident in July 2022.
[29] LUX Grand Baie opened in Dec 2021.
[30] Property is owned by Grit.

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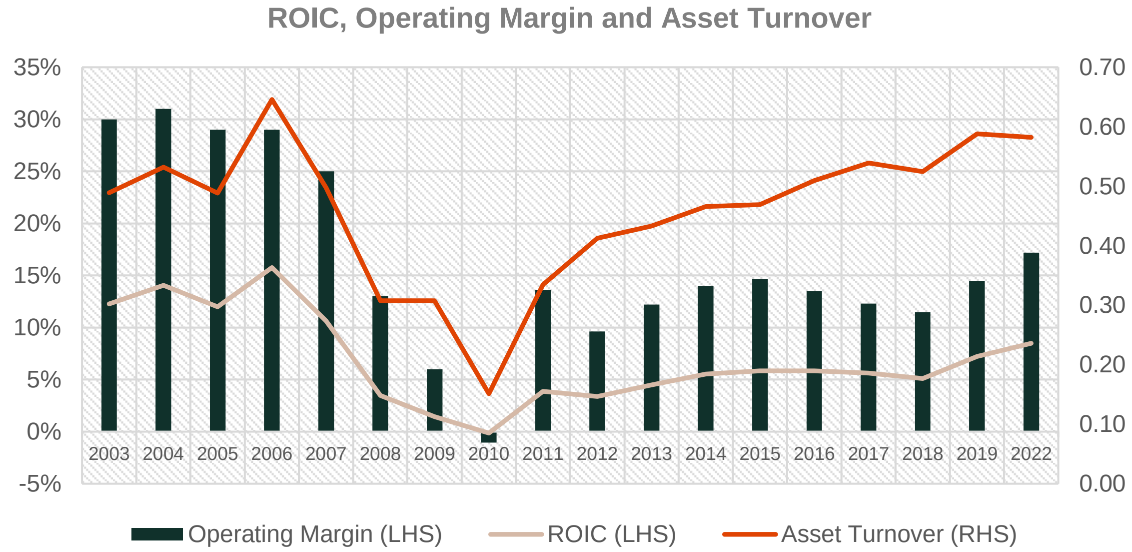
Evolution over the years



In line with the industry, LUX economics deteriorated post the Great Financial Crisis in 2008, showing that catering for the mid-market (3-4 stars) was much more profitable for the hotel compared to the Premium category.

During late 2000s, LUX expanded more aggressively compared to its peers with the construction and renovation of its hotels. As a result, the number of rooms increased from 752 in 2004 to 1,493 by 2009.

Date	Hotel	No of Rooms	Previous Rating	New Rating	Development Cost
2008	LUX Le Morne	148	4-Star	5-Star	Rs 1.1Bn
2008	LUX South Ari Atol	193	4-Star	5-Star Luxe	USD 55M (Around Rs 2Bn)
2008	Tamassa	214	New	4* Superior	Rs 1.1Bn
2009	LUX St Gilles	174	New	5-Star	EUR 14M (Around Rs 588M)
2021	LUX Grand Baie	116	3-Star Superior	5-Star Luxury	Rs 2.6Bn

LUX expanded most aggressively but it contracted less debt relative to its peers to fund its growth. It was able to grow through the following means:

1. Using Sale-and-Leaseback technique whereby LUX sold the property of its hotels and leased them back. This freed significant cash.
2. Using IHS villa sale proceeds: LUX Belle Mare villa sales (>Rs400M Proceeds).
3. Sale of Stake of its hotels: For instance, in 2006, LUX reduced its stake in White Sands Resorts & Spa (Later rebranded as LUX South Ari Atoll) to 40% to fund renovation. The construction of Tamassa was funded in a similar fashion. LUX later acquired whole stake of each hotel.

LUX remains the only hotel to match its pre-financial crisis' asset turnover. However, margins contracted from 25%-30% to 10%-15% particularly resulting from surging staff costs. During the period between 2004 and 2019, the group hired more than 1300 staffs.

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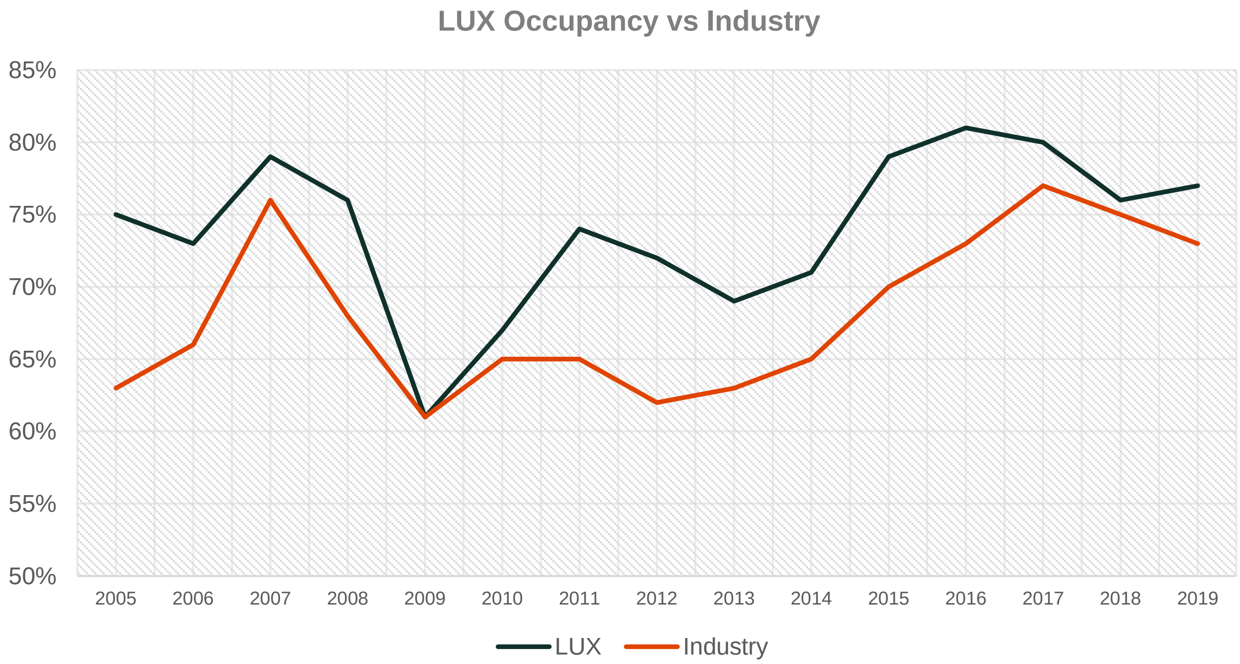
CAGR (2004-2019)	Growth
Revenue	10.35%
Direct costs	9.22%
Direct payroll costs	16.01%
Depreciation and amortisation	10.58%
Other operating expenses	11.87%
Operating Profit	4.87%

Since the upgrade of its hotels, LUX has consistently been able to achieve higher occupancy compared to its peers and even reached the elusive 80% in 2016. In our opinion, LUX was able to fill in its hotels since most of its hotels have less than 200 rooms, which becomes easier to fill. To put this into perspective, Lux needs around 61,600 tourists[31] to fill its hotels to 80% occupancy, around 4.7% of average pre-covid tourist arrivals.



Moreover, since the cost-structure of hotels is mostly fixed (According to our estimation, around 64% of LUX expenses is fixed), and therefore, income from higher occupancy directly impacts the bottom line.

Lux generates higher revenue per room, while having a lower asset/room ratio compared to its peers. For instance, LUX generates around Rs 4.9M of Revenue per Room[32] in its Mauritius 5-Star hotels (Excluding Lux* Grand Baie), while SUN gained around Rs 2.6M of Revenue per Room for Sugar Beach and Long Beach. This shows that clients are much more willing to spend money on LUX, compared to other 5-Star hotels.

[31] Assuming 2.2 tourists per room and average stay of 9 days (Survey of Outbound Tourist 2018)
[32] Data relates to the year ended 30 June 2022, before Covid restrictions were lifted and may not be entirely accurate.

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Key Risks

- Non-Renewal of Lease

HOTEL	LOCATION	RATING	NUMBER OF ROOMS	LEASE EXPIRY (YEAR)
LUX* GRAND BAIE	Mauritius	5* Luxury	116	2064
LUX* LE MORNE	Mauritius	5*	149	2069
LUX* BELLE MARE	Mauritius	5*	186	2069
LUX* GRAND GAUBE	Mauritius	5*	186	2068
LUX* SOUTH ARI ATOLL	Maldives	5*	193	2094
LUX* St GILLES	Reunion Island	5*	174	2031
TAMASSA BEL OMBRE	Mauritius	4*	214	2027

The French government announced that the Lease agreement, expiring in 2031, would not be renewed. This prompted the group to look for a potential buyer. A buyer is currently undertaking its due diligence.

Moreover, the lease agreement between Lux Island Resorts & the owner (GRIT) expires in 2027, while land lease between GRIT & MOHL expires in 2078. This remains the only risk of non-renewal existing for LUX.

- Leverage

Debt Servicing Metrics	2016	2017	2018	2019	2020	2021	2022	YTD
Total Debt[33] (Rs M)	4,110	3,967	4,882	4,514	5,161	7,041	6,538	6,215
Net Debt (Rs M)	3,933	3,786	4,673	4,358	5,004	6,833	5,454	5,260
Total Equity[34] (Rs M)	6,011	5,794	6,010	6,007	5,566	4,404	5,162	5,855
Operating Profit (Rs M)	696	584	576	855	275	(1,062)	772	1,366
Interest Expense (Rs M)	(216)	(242)	(237)	(274)	(449)	(481)	(457)	(468)
Gearing (%)	39.6%	39.5%	43.7%	42.0%	47.3%	60.8%	51.4%	47.3%
Net Debt / Equity (%)	65.4%	65.3%	77.7%	72.6%	89.9%	155.2%	105.7%	89.8%
Interest Cover (xx times)	3.23x	2.53x	2.55x	3.18x	0.63x	-2.20x	1.69x	2.92x

Compared to its peers, LUX has historically remained less leveraged, but the group contracted a lot of debt during the covid crisis and gearing eased down following inflows generated in FY22 and FY23.

Based on the current interest rate, LUX has an average interest of 6.67% on its total loans. (Calculations are in Appendix 1).

Over the next 4 financial years, LUX can easily repay its debt without subsequent refinancing. We therefore expect LUX to continue its dividend payments with its excess cash.

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33 Convertible Debt included.

34 Convertible Debt Deducted in computation of Total Equity and Gearing might differ from LUX's official figures.

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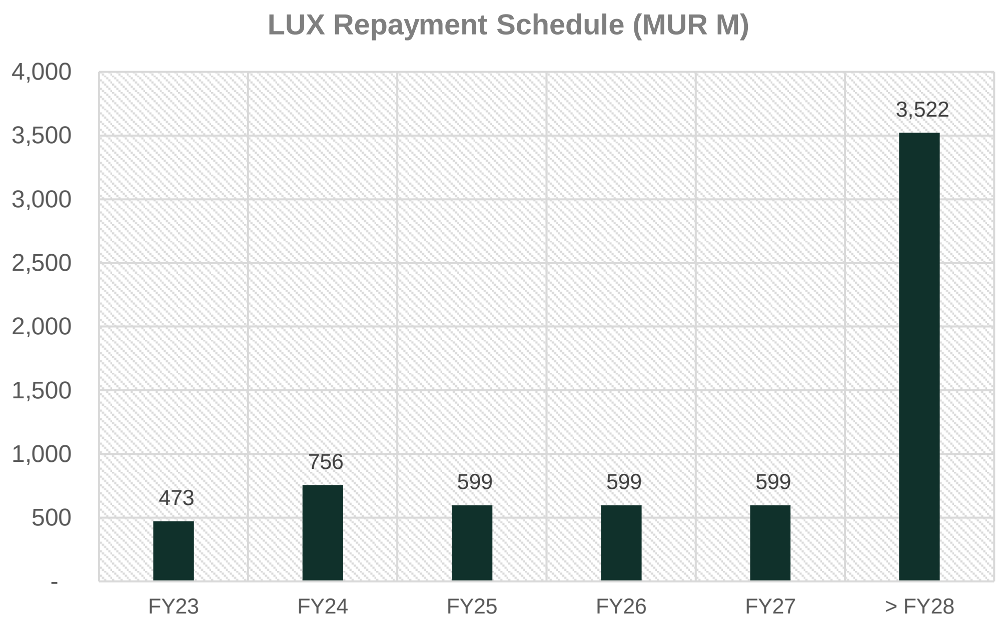
Debt Repayment Schedule:



Latest Financials:

Key Financials (Rs M)	2016	2017	2018	2019	2020	2021	2022	YTD
Total Revenue	5,158	5,199	5,644	6,156	4,654	1,858	6,254	8,398
EBITDA	1,124	1,266	1,223	1,366	196	(78)	1,827	1,859
EBIT	696	824	730	896	(372)	(674)	1,170	1,216
PAT	418	508	415	530	(878)	(1,058)	479	1,118
Total Assets	12,223	11,538	12,929	12,293	15,604	16,568	17,175	17,704
Equity	6,011	5,794	6,010	6,007	5,566	5,148	6,622	7,315
Total Debt	4,110	3,967	4,882	4,514	5,161	6,297	5,078	NA
Invested Capital	9,720	8,669	9,722	9,054	13,285	14,251	15,151	NA
Earnings/(Loss) per Share (Rs)	3.06	3.75	3.03	3.87	(6.40)	(7.70)	3.50	-
Dividends Per Share (Rs)	1.15	1.25	1.25	1.35	-	-	-	2.00

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Key Metrics	2016	2017	2018	2019	2020	2021	2022	HY23
Number of room keys available (#)	1,114	1,114	1,114	1,114	1,114	1,114	1,230	1,230
Occupancy (%)	81%	80%	76%	77%	NA	27%	NA	NA
ARR (Rs)	7,813	8,191	9,136	9,199	NA	9,512	NA	NA
REVPAR (Rs)	6,335	6,553	7,025	7,045	NA	2,568	NA	NA
TREVPAR (Rs)	11,097	11,317	12,085	11,872	NA	NA	NA	NA
PPE/Room (Rs M)	7.65	7.75	8.84	8.16	9.05	10.42	8.65	8.39
Invested Capital/Room (Rs M)	8.73	7.78	8.73	8.13	11.93	12.79	12.32	NA
Asset/Room (Rs M)	10.97	10.36	11.61	11.04	14.01	14.87	13.96	14.39
Revenue/Room (Rs M)	4.63	4.67	5.07	5.53	4.18	1.67	5.08	6.83
Key Financial ratios (%)								
ROE (%)	7.0%	8.8%	6.9%	8.8%	-15.8%	-20.6%	7.2%	15.3%
ROA (%)	5.2%	6.5%	5.0%	6.5%	-2.8%	-3.5%	5.4%	6.3%
ROIC (%)	6.1%	5.7%	5.0%	8.0%	1.8%	-6.3%	4.3%	NA
Net Profit Margin (%)	8.1%	9.8%	7.4%	8.6%	-18.9%	-57.0%	7.7%	13.3%
FCF Margin (%)	3.6%	-4.2%	-6.5%	13.3%	-5.8%	-81.6%	22.4%	NA
NOPAT Margin (%)	11.5%	9.6%	8.7%	11.8%	5.0%	-48.6%	10.5%	12.3%

- All of LUX hotels are operating at high occupancy with Mauritius, Maldives and Reunion occupancy standing at 81%, 84% and 78% respectively during the latest quarter.
- The fire brokage in LUX Belle Mare dampened profitability during the first quarter (Sep 2022), but the group accounted an insurance compensation receivable of Rs 700M in the quarter to March 2023.

Valuation & Recommendation:

- All of LUX hotels have been recently renovated, which makes it well-poised to benefit in future years, without incurring major capex:

HOTEL	LOCATION	RATING	NUMBER OF ROOMS	LEASE EXPIRY (YEAR)	LAST RENOVATION	YEARS OF LAST RENOVATION
LUX* GRAND BAIE	Mauritius	5* Luxury	116	2064	Dec 2021	< 1 year
LUX* LE MORNE	Mauritius	5*	149	2069	Nov 2020	1.5 years
LUX* BELLE MARE	Mauritius	5*	186	2069	Sep 2023	0
LUX* GRAND GAUBE	Mauritius	5*	186	2068	Dec 2017	4.5 years
LUX* SOUTH ARI ATOLL	Maldives	5*	193	2094	Sep 2016	5.5 years

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LUX* St GILLES	Reunion Island	5*	174	2031	Oct 2008	15 years
TAMASSA BEL OMBRE	Mauritius	4*	214	2027	Oct 2008	15 years

Valuation Assumptions:

- LUX was operating at a reduced capacity during FY23 but, nevertheless managed to post formidable results with all its hotels operating at >80% occupancy. We expect FY24 revenue to increase by 11% mostly driven by Mauritian hotels as LUX would be operating at full capacity. We estimate rates to increase by 3% annually.
- Mauritius occupancy has historically averaged around 80% and we assume the same going forward. On the other hand, we expect Maldives occupancy to fall back to historical average occupancy of 70%. We assume rates would increase by 2% annually given the high supply of rooms in the country.
- We assume margins to fall back to pre-pandemic level by FY25 with higher wages and increase in depreciation.
- Given LUX hotels are renovated, we expect Rs 850M annual capex, with 3% rise annually.
- Valuation assumptions and sensitivity analysis detailed in Appendix 5.

LUX Margins has historically remained higher than its peers and, based on our estimations, they could continue their dividend payments without cash flow constraints.

As such, we have valued LUX at around Rs 60.00 per share, with a potential gain of 3.9% from its current share price of Rs 57.75.

Following our Accumulate recommendation in May 2023, the share price of LUX has appreciated by around 27.5% (From Rs 45.30 to Rs 57.75) since.

As a result, we are downgrading our recommendation to a **HOLD** Rating on LUX.

5	4	3	2	1
SELL	UNDERPERFORM	HOLD	OUTPERFORM	BUY
Strong Sell	Moderate Sell Weak Hold Underweight Reduce	Neutral	Moderate Buy Accumulate Overweight Add	Strong Buy

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Appendices

Appendix 1: Interest on Debt

LUX:

Borrowings Breakdown	Total Loan	Avg Interest[35]	Total Interest
Term Loans	5,073,952	7.59%	385,105
Convertible Bonds	1,470,000	3.50%	51,450
Total Borrowings	**6,543,952**	**6.67%**	**436,555**

NMH:

Borrowing types	Total Loan	Avg Interest	Total Interest
Term Loans	13,948,249	6.05%	843,288
Convertible Bonds	2,500,000	3.50%	87,500
Debentures	2,206,811	5.39%	118,899
Fixed Rate Secured Notes	1,851,240	4.69%	86,823
Preference Shares[36]	448,496	6.00%	26,910
Bank Overdraft	2,244,094	3.31%	74,371
Total Borrowings	**23,198,890**	**5.34%**	**1,237,790**

[35] Estimations were based on EURIBOR and SOFR rates as at 13th March 2023.
[36] Cumulative Preferred Shares assumed as Debt.

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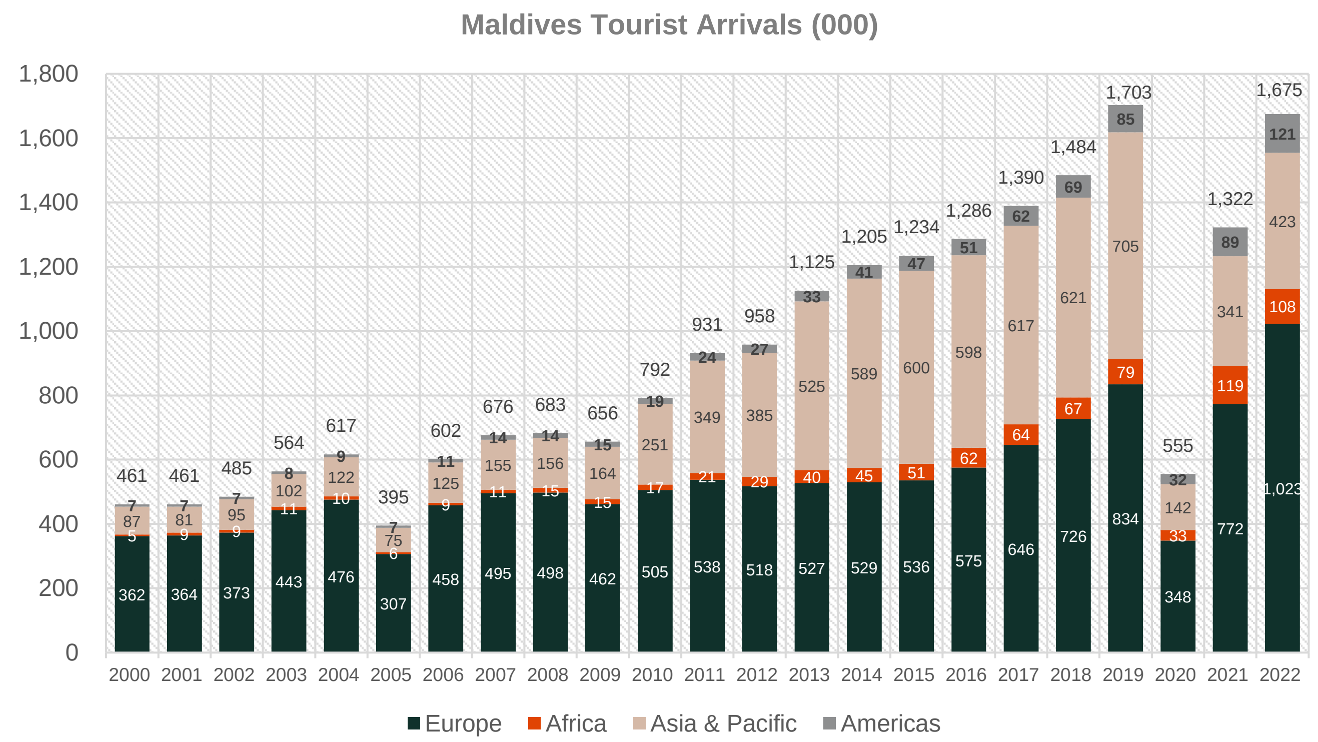
Appendix 2: Maldives Tourism Industry

Maldives Tourism Industry:

As shown below, Maldives dependency on Europe diminished as it began seeking growth in Asia. Tourist arrivals from Europe represented 73% of total arrivals in 2007 and this declined to 49% by 2019 while arrivals from Asia & Pacific rose from 23% in 2007 to 41% in 2019.



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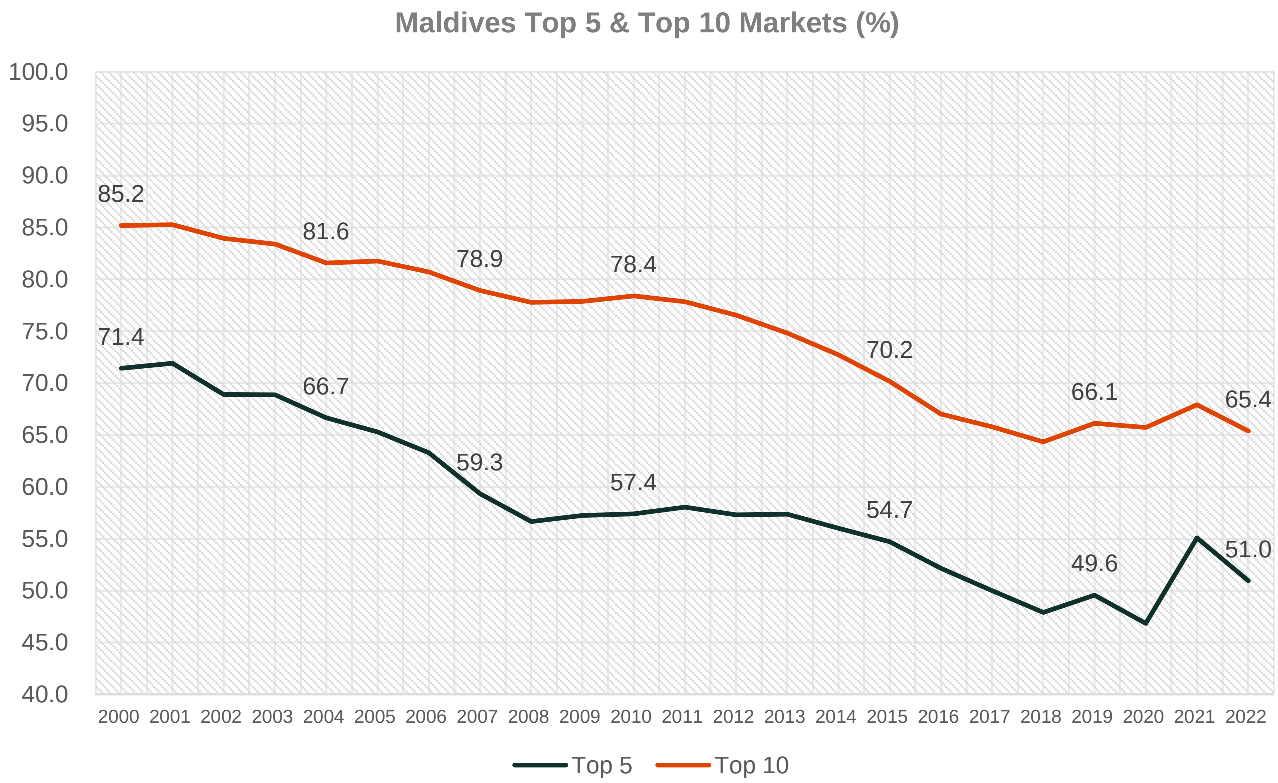
Maldives has had 4 different #1 market over the past 2 decades compared to only 1 for Mauritius (France).

TOP 10 - Countries	2003	2007	2011	2015	2019	2022
1	Italy	UK	China	China	China	India
2	UK	Italy	UK	Germany	India	Russia
3	Germany	Germany	Germany	UK	Italy	UK
4	Japan	France	Italy	Italy	Germany	Germany
5	France	Japan	Russia	India	UK	Italy
6	Switzerland	China	France	Russia	Russia	USA
7	China	Russia	Japan	France	France	France
8	Austria	Switzerland	Switzerland	Japan	USA	Spain
9	Russia	Korea	India	Korea	Japan	Korea
10	India	India	Korea	Switzerland	Australia	Switzerland

- Maldives, on the other hand, has also reduced their dependency on main markets with top 5 and top 10 accounting for 51% and 65.4% respectively.



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Appendix 3: NMH Valuation Assumptions

Key Figures (Rs 000)	2019	2023	2024	2025	2026	2027	2028
Total Revenue	9,688,460	*13,431,935*	*14,100,092*	*14,167,263*	*14,581,054*	*15,007,034*	*15,445,565*
Growth			*5.0%*	*0.5%*	*2.9%*	*2.9%*	*2.9%*
EBITDA	1,742,804	*4,094,837*	*3,525,023*	*3,116,798*	*2,916,211*	*3,001,407*	*3,089,113*
EBITDA Margin	*18.0%*	*30.5%*	*25.0%*	*22.0%*	*20.0%*	*20.0%*	*20.0%*
Depreciation and Amortization	(709,344)	*(693,676)*	*(710,046)*	*(727,730)*	*(746,042)*	*(764,998)*	*(784,616)*
Depn as a % of PPE	2.79%	*2.70%*	*2.70%*	*2.70%*	*2.70%*	*2.70%*	*2.70%*
Capex	1,402,473	*1,300,000*	*1,365,000*	*1,405,950*	*1,448,129*	*1,491,572*	*1,536,320*

Average Room Rate (Based on Total Revenue)	2019	2023	2024	2025	2026	2027	2028
Mauritius	15,268	18,996	19,946	20,544	21,161	21,795	22,449
Growth			*5.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Morocco	25,319	41,224	42,461	43,310	44,176	45,059	45,961
Growth			*3.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*

Occupancy	2019	2023	2024	2025	2026	2027	2028
Mauritius	72%	76%	76%	74%	74%	74%	74%
Morocco	65%	56%	55%	53%	53%	53%	53%

Sensitivity Analysis

		Discount Rate				
		9.83%	10.33%	10.83%	11.33%	11.83%
Perpetual Growth Rate	2.00%	10.22	7.94	5.92	4.12	2.50
	2.50%	12.14	9.60	7.36	5.38	3.62
	3.00%	14.34	11.48	**9.00**	6.80	4.86
	3.50%	16.88	13.64	10.84	8.40	6.26
	4.00%	19.86	16.14	12.96	10.22	7.82

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Appendix 4: SUN Valuation Assumptions

Key Figures (Rs 000)	2019	2023	2024	2025	2026	2027	2028
Total Revenue	6,614,884	8,004,746	8,755,191	9,017,846	9,288,382	9,567,033	9,854,044
Growth			*9.4%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
EBITDA	1,145,112	2,401,424	2,013,694	1,623,212	1,671,909	1,722,066	1,773,728
EBITDA Margin	*17.3%*	*30.0%*	*23.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*
Depreciation and Amortization	(568,498)	(515,515)	(509,858)	(515,562)	(521,726)	(528,353)	(535,449)
Depn as a % of PPE	3.02%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Capex	401,813	326,945	700,000	721,000	742,630	764,909	787,856

Other Key Metrics	2019	2023	2024	2025	2026	2027	2028
Average Room Rate (Rs) (Using Total Revenue)	17,329	20,347	21,364	22,005	22,665	23,345	24,046
Growth			*5.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Occupancy	71%	72%	75%	75%	75%	75%	75%
Growth			*4.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
No of Rooms	1,473	1,497	1,497	1,497	1,497	1,497	1,497

Sensitivity Analysis

		Discount Rate				
		8.00%	8.50%	9.00%	9.50%	10.00%
Perpetual Growth Rate	2.00%	44.95	36.95	30.10	24.15	18.95
	2.50%	52.45	43.15	35.35	28.60	22.80
	3.00%	61.45	50.55	**41.45**	33.75	27.15
	3.50%	72.45	59.40	48.70	39.80	32.25
	4.00%	86.20	70.20	57.40	46.90	38.15

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Appendix 5: LUX Valuation Assumptions

Key Figures (Rs 000)	2019	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*
Total Revenue	6,156,354	*8,400,000*	*9,159,641*	*9,411,724*	*9,670,916*	*9,937,420*	*10,211,447*
Growth			*9.0%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*
EBITDA	1,332,379	*2,352,000*	*2,198,314*	*1,929,403*	*1,982,538*	*2,037,171*	*2,093,347*
EBITDA Margin	21.6%	*28.0%*	*24.0%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*
Depreciation and Amortization	(477,191)	*(498,131)*	*(516,938)*	*(532,526)*	*(548,577)*	*(565,106)*	*(582,128)*
Depn as a % of PPE	4.69%	*4.68%*	*4.68%*	*4.68%*	*4.68%*	*4.68%*	*4.68%*
Capex	187,280	*900,000*	*850,000*	*875,500*	*901,765*	*928,818*	*956,682*

Average Room Rate (Based on Total Revenue)	2019	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*
Mauritius	17,200	*26,036*	*27,338*	*28,158*	*29,003*	*29,873*	*30,769*
Growth			*5.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Maldives	33,080	*44,705*	*46,046*	*46,967*	*47,906*	*48,865*	*49,842*
Growth			*3.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*

Occupancy	2019	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*
Mauritius	79%	*80%*	*80%*	*80%*	*80%*	*80%*	*80%*
Maldives	66%	*75%*	*70%*	*70%*	*70%*	*70%*	*70%*

Sensitivity Analysis

		Discount Rate				
		9.62%	10.12%	10.62%	11.12%	11.62%
Perpetual Growth Rate	2.00%	63.75	56.55	50.25	44.55	39.50
	2.50%	69.90	61.85	54.80	48.60	43.05
	3.00%	76.95	67.90	**60.00**	53.10	47.00
	3.50%	85.20	74.80	65.90	58.20	51.40
	4.00%	94.85	82.90	72.75	64.00	56.40

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Glossary

Glossary of Terms	Description
Occupancy	Percentage of Occupied Room in a hotel at any given time
Average Room Rate (ARR)	The average rate that a hotel charges to stay in a room
RevPAR	RevPAR represents the revenue generated per available room, whether or not they are occupied. RevPAR = Occupancy x Average Room Rate
TRevPAR	TrevPAR stands for total revenue per available room. TrevPAR accounts for all the ways a hotel makes money (inc room revenue, beverages, etc)
PPE	Property, Plant and Equipment
ROE	Return on Equity (EPS/NAVPS)
ROIC	Return on Invested Capital (Net Operating Profit after Tax/Invested Capital)
MTPA	Mauritius Tourism Promotion Authority
RpV	Revenue Per Visitor
RpVD	Revenue per Visitor per Day

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References, Author & Trading Team

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AXYS Stockbroking Recommendations List

Date of Last Coverage	Company	Recommendation	Intrinsic Value	Price as at Recommendation	Current Share Price	Perf	Potential Gain
23/08/2023	NMH	HOLD	9.00	10.35	10.35	0.0%	-13.0%
23/08/2023	SUN	ACCUMULATE	41.45	33.75	33.75	0.0%	22.8%
23/08/2023	LUX	HOLD	60.00	57.75	57.75	0.0%	3.9%
15/08/2023	Afrexim	ACCUMULATE	$3.25	$2.75	$2.65	-3.6%	22.6%
10/08/2023	SBM	ACCUMULATE	NA	4.47	4.51	0.9%	NA
22/06/2023	MUA	HOLD	105.97	97.00	99.50	2.6%	6.5%
02/06/2023	PBL	ACCUMULATE	632.51	521.00	538.00	3.3%	17.6%
12/05/2023	MCBG	STRONG BUY	449.03	315.50	324.00	2.7%	38.6%
09/05/2023	Lottotech	ACCUMULATE	7.97	6.20	7.76	25.2%	2.7%
22/02/2023	Miwa	ACCUMULATE	$0.37	$0.32	$0.30	-6.3%	23.3%
06/10/2022	PAD	STRONG BUY	144.23	105.00	99.00	-5.7%	45.7%
06/10/2022	Fincorp	STRONG BUY	24.06	20.00	16.50	-17.5%	45.8%

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