

Tourism Industry Report

- Arrivals in Mauritius recovered at a rate of 72.09% compared to 2019 benchmark and is expected to recover between 90 and 95% of the pre-pandemic levels in 2023, still supported by pent-up demand as suggested by UNWTO.
- The market is expected to benefit from the strong recovery from the European market along new markets such as the Middle East, whose contribution to the total arrivals is expected to increase.
- The slow recovery of Sri-Lanka is also expected to create opportunities for expansion of market share in the Indian Ocean Region in the coming year.
- Arrivals in 2023 will be stalled however by the slow recovery rate of Asian markets, the impeding slowdown in global economic activity along with the labor shortage issues.
- We argue in the report that the slower rate of growth in arrivals and earnings registered by Mauritius between 2009 and 2019 compared to competitors in the region is due to the lack of diversification in target markets.
- Arrivals from East and South Asia to the Indian Ocean Region have registered the fastest rate of growth between 2009 and 2019. Unfortunately, the share of arrivals these regions share in total arrivals in Mauritius has been on a declining trend.
- This could explain the lack of competitiveness of the local tourism industry as suggested by the results of our shift share analysis.
- Arrivals on the global stage are expected to reach pre-pandemic levels in 2024,
- Finally, given the constraints imposed on the industry by the labor shortage, along the limited opportunities in the coming years to increase the supply of rooms available in the industry, the formulation of a national strategy to achieve higher levels of tourism earnings, not tourist arrivals.
- Under a top-down approach, we positioned the three hotels listed on the official market within scope of growth of the tourism industry along with their respective fair value estimates.

Forecast

FYE June	2022	2023(f)	2024(f)	2025(f)	2026(f)	2027(f)
Total Tourist Arrivals	553,111	1,206,666	1,353,455	1,409,491	1,465,871	1,524,506
Total Earnings (Rs m)	39,618	80,556	86,307	91,055	96,066	101,356
Earnings per tourist	71,628	66,759	63,768	64,601	65,535	66,484
Length of stay	11.80	11.00	10.50	10.50	10.50	10.50
Expenditure per tourist per day	6,070	6,069	6,073	6,152	6,241	6,332
Spending on accommodation and F&B per day	4,067	4,066	4,069	4,122	4,182	4,242
% of total spending	67.00%	67.00%	67.00%	67.00%	67.00%	67.00%
Listed Companies - Official Market	2022	2023(f)	2024(f)	2025(f)	2026(f)	2027(f)
LUX - Revenue	6,810	8,149	9,839	10,380	10,952	11,555
LUX - EBITDA	1,827.39	2,200	2,460	2,491	2,519	2,658
SUN - Revenue	4,840	8,096	8,674	9,151	9,655	10,186
SUN - EBITDA	1,146	2,267	1,995	2,013	2,027	2,139
NMH - Revenue	8,115	14,212	15,137	15,969	16,848	17,776
NMH - EBITDA	2,035.86	4,264	3,330	3,354	3,370	3,555

Source: Statistics Mauritius; Swan Securities estimates

Industry Statistics

Arrivals Forecast
2023 (CY) 1.29m

Tourism earnings
2023 (CY) Rs 84.3bn

Listed Stocks – Official Market

LUX Island Resorts Ltd **NRL.N0000**

Estimated fair value (12-month period) **Rs 106.25**
Upside Potential (Based on last closing price) **+126.06%**

Sun Limited **SUN.N0000**

Estimated fair value (12-month period) **Rs 50.25**
Upside Potential (Based on last closing price) **+101.0%**

New Mauritius Hotels Ltd **NMHL.N0000**

Estimated fair value (12-month period) **Rs 23.00**
Upside Potential (Based on last closing price) **+173.8%**

Olivier Allet
Senior Research Analyst

2087010
Olivier.Allet@swancapitalsolutions.com

Table of Contents

- 01 Competitive Landscape (IOC)
- 02 Post Pandemic Recovery and Trends
- 03 Arrivals Forecast
- 04 Valuation Metrics
- 05 Appendix

Competitive Landscape

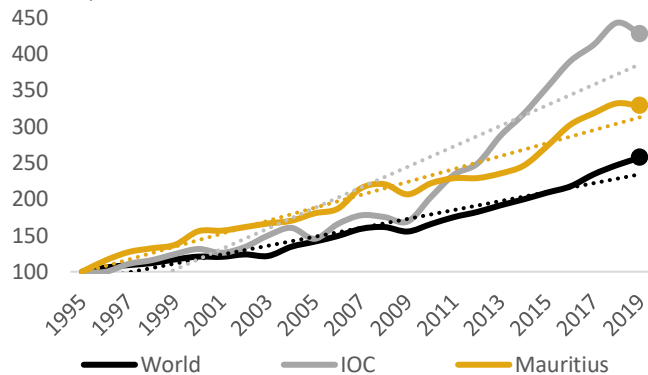
Global Scene

Global Inbound tourist arrivals have increased at a steady rate of 4.3% over the past two decades, with only two periods of slowdown in arrivals, namely 2004 and 2009. While 2004 slowdown was caused geopolitical conflicts (Iraq war) and SARS outbreak, the 2009 slowdown was caused by the global financial crisis.

Post 2009, global tourist arrivals witnessed 10 consecutive years of positive growth, highlighted by 2017 and 2018 witnessing above average growth which was sustained by global economic activity as of 3.38% and 3.29%, highest levels of growth registered since 2009. This period of economic upswing resulted in a surge in outbound demand from all regions. Europe remained the main source of outbound tourists, accounting for almost half of outbound trips.

The period was also stable fuel prices which was translated in affordable travel fares. The industry also benefited from the increased air connectivity during the period with the number of unique city pairs connected by air transport reaching 22,140 in 2019 (IATA data), which more than doubled over the past two decades.

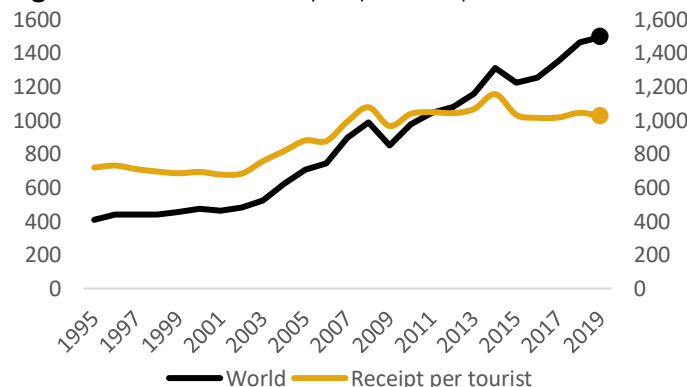
Figure 1: Inbound Tourist Arrivals Growth (Rebased on 100)



Source: UNWTO

Total tourism receipts also progressed satisfactorily over the past two decades, growing at an average of 5.8% annually. Tourism receipt per tourist remained flat however in the last decade reflecting the previously mentioned developments in the global tourism industry, increased connectivity and overall lower cost of travelling.

Figure 3: Tourism Receipts (USD Bn)



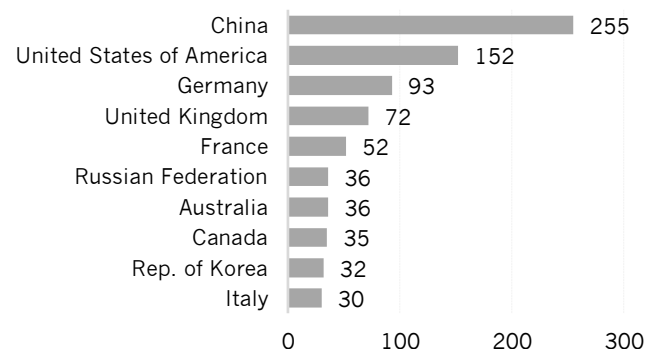
Source: UNWTO

Figure 2: Outbound tourism, share by region of origin (%)

	2017	2018	2019
Europe	48%	48%	48%
Asia and the Pacific	25%	26%	26%
Americas	17%	17%	17%
Middle East	3%	3%	3%
Africa	3%	3%	3%
Not Specified	4%	3%	3%

Source: UNWTO

Figure 4: Top 10 countries by international tourism spending, 2019 (USD Bn)



Source: UNWTO

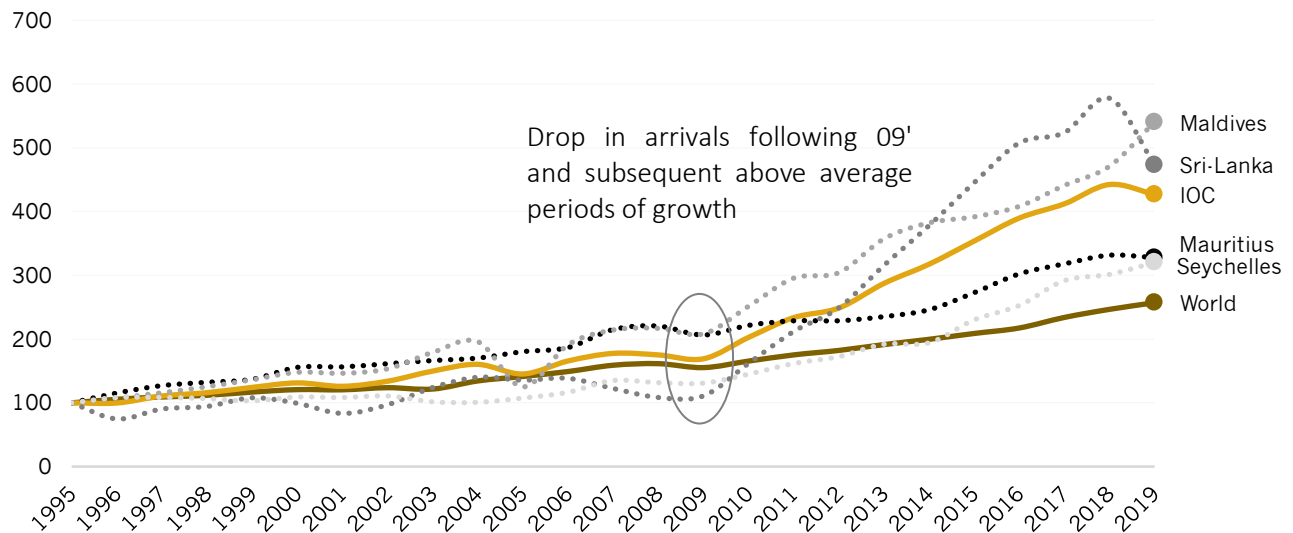
Competitive Landscape

Indian Ocean Countries (IOC)

Arrivals in the Indian Ocean Island region grew at an average of 6.5% over the past two decades, above the average global growth in arrivals of 4.1% over the same period. Two distinctive periods can be observed, a period of growth closely tied to global average up until 2009, and a period of above average growth from 2009 up to 2019, with 2019 being the only year where growth in arrivals was negative.

Post 2009, the period of above average growth was fueled by the boom in arrivals recorded by the Sri-Lanka, who at the time went through a long period of political instability and witnessing several terrorist attacks throughout the period. Following 2009, the Sri-Lankan government launched a “post-war strategy” to position the country as a favored destination in Asia.

Figure 5: Inbound Tourist Arrivals Growth (Rebased on 100)



Source: UNWTO

The Indian Ocean Region was dominated by Mauritius up until 2012, where its slower rate of growth compared to other competing destinations resulted in the Island losing its position as market leader. Quite interestingly, we can observe in Figure 6 that drop in market share in Sri-Lanka almost always resulted in an increase in market share from Mauritius, making the two destinations the main rivals in the region.

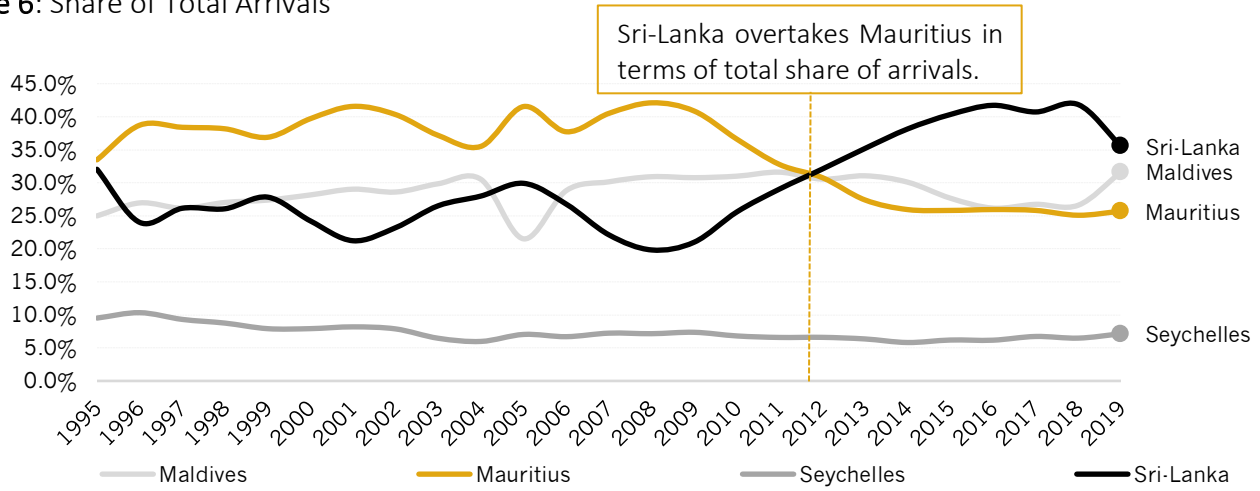
Another key observation is the steadiness of Mauritius' market share between 2014 and 2019, despite the drop in market share from Sri-Lanka during the period due to the “Easter Bombings”. While market share of Mauritius remained stable over the period, Maldives witnessed a surge a 5% in its share of arrivals in 2019.

The negative relationship between the share of arrivals between Sri-Lanka and Maldives seems to resemble the Sri-Lanka and Mauritius had a decade earlier. Suggesting that Sri-Lanka and Maldives are now the two main competing destinations over the region.

Competitive Landscape

Indian Ocean Countries (IOC)

Figure 6: Share of Total Arrivals

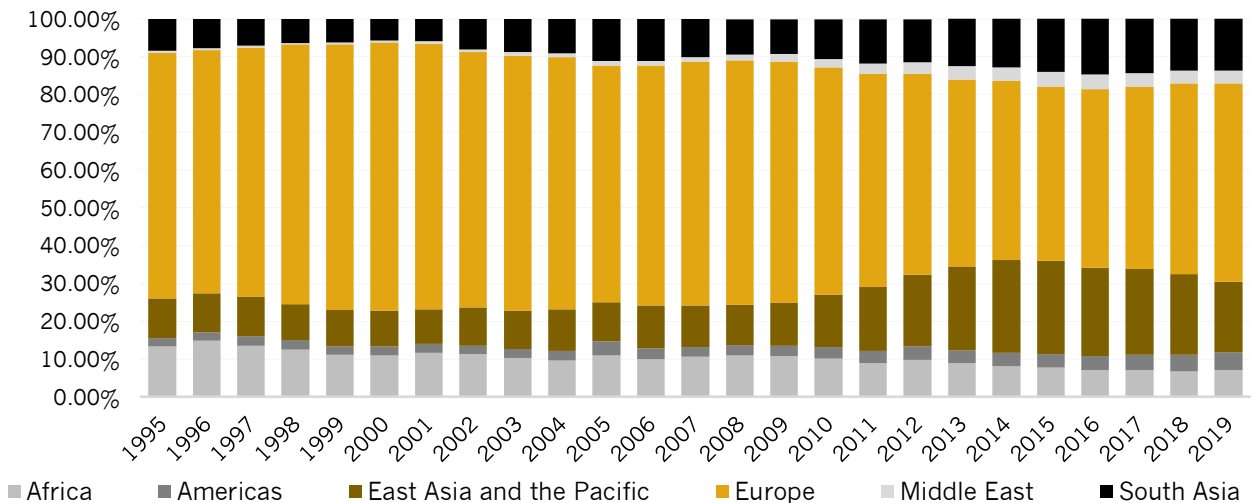


Source: UNWTO

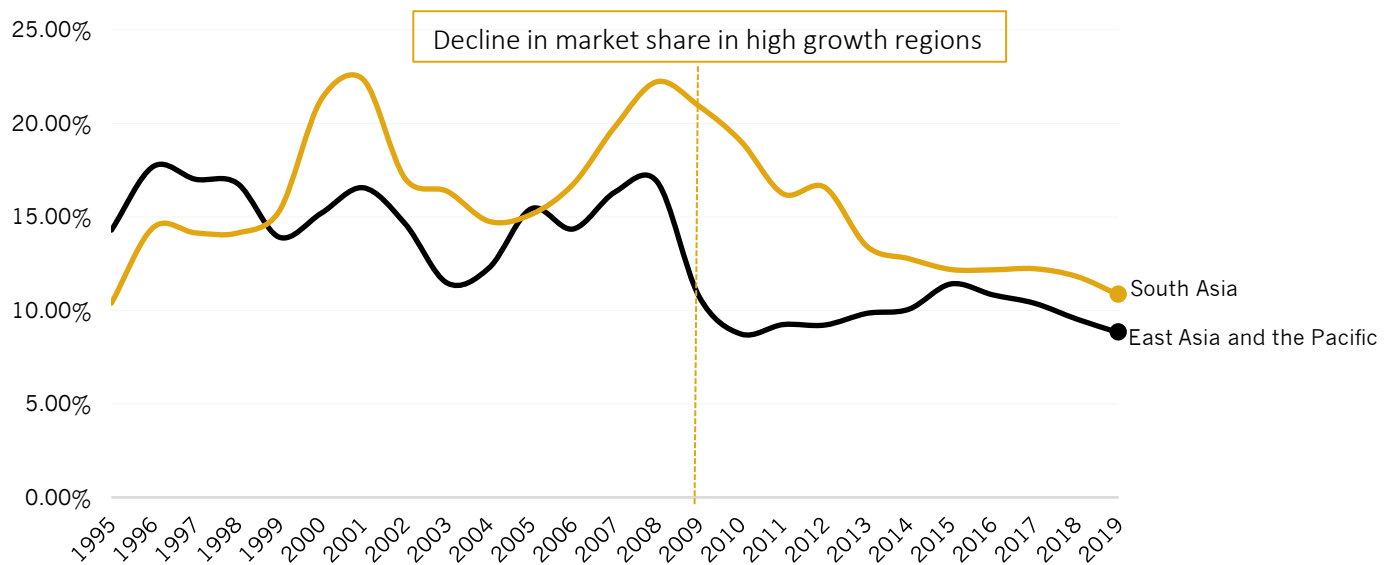
As from 2009, structure of arrivals started to change with a gradual decline in share of arrivals from traditional markets such as Europe and an increased share of arrivals from Asia, notably “East Asia and the Pacific” along with “South Asia”, representing a gradual diversification of markets from the region at large (Figure 7).

Based on the above, we can slowly uncover the reasons why Mauritius has been gradually losing market share since 2009. Firstly, a high reliance on European markets whose overall weight in total regional arrivals has been diminishing over the years. Secondly, Mauritius’ share in high growth regions (Asia) has been diminishing (Figure 8).

Figure 7: Share of total arrivals per region.



Source: UNWTO

Figure 8: Market Share in Asian Market (Mauritius).

Source: UNWTO

To further understand the source of growth in arrivals among competing destinations in the Indian Ocean Island region and have a better understanding of destination competitiveness, we used a classical version of the Shift Share Analysis (SSA), developed by Daniel Creamer in the early 1940s. The model compares the competitiveness of different regions by comparing the year-on-year change in tourist arrivals and identifying the sources of growth in each region.

The dynamic SSA will be applied on both tourist arrivals and tourism earnings in an attempt to understand in which area the different countries have their competitive advantage.

Three key variables are taken into consideration when applying the shift share technique:

Global Growth Effect (GGE)*: Represents the change that would have occurred in tourist arrivals/receipts if the local tourism sector grew at the same rate as the global economy.

Global Industrial Mix Effect (GIME)*: Compares the rate of growth in arrivals/receipts in the world to the global economy, to reflect the share of development attributable to the industry's development on a global level.

Global Competitive Share Effect (GCSE)*: Represents the share of development attributable to a country's competitiveness.

The sum of the three variables is considered to be equal to the tourism development (Change in arrivals/receipts) in a country.

* Check appendix for formulas

Below tables assess the competitiveness of each country under review in the world, using three key metrics: Arrivals, Earnings and Per-Tourist-Dollar – which is the total amount spent per tourist.

Countries are benchmarked based on their GSCE, which represents their ability to capture arrivals, earnings and per-tourist-dollar compared to other countries in the world.

Per definition, the below metrics are supposed to be benchmarked with the rest of the world, since world GDP and growth in arrivals, earnings and per-tourist dollar has been used to compute the data presented in Figure 9, 10 and 11. However, for relevance purposes we will only compare the countries under review.

Figure 9: Shift Share Analysis - Total Change in Arrivals (Thousands)

Shift Share Analysis - Total Change in Arrivals (Thousands)						
	Period	Total Change	GGE	GIME	GCSE	Rank (Based on GCSE)
Sri-Lanka	(2009-2019)	1,475.7	423.8	280.7	771.2	1
	(1999-2009)	67.0	159.4	13.8	(106.2)	4
Maldives	(2009-2019)	1,019.5	333.0	206.5	480.0	2
	(1999-2009)	261.0	166.9	5.4	88.6	1
Seychelles	(2009-2019)	226.2	75.0	47.0	104.2	3
	(1999-2009)	29.00	43.28	(0.51)	(13.77)	3
Mauritius	(2009-2019)	453.40	329.7	200.9	(77.2)	4
	(1999-2009)	313.00	230.1	2.5	80.4	2

Source: Swan Securities Estimates

Figure 10: Shift Share Analysis - Total Change in Receipts (USD Mn)

Shift Share Analysis - Total Change in Earnings (USD Mn)						
	Period	Total Change	GGE	GIME	GCSE	Rank (Based on GCSE)
Sri-Lanka	(2009-2019)	3,265.0	655.0	324.2	2,285.9	1
	(1999-2009)	120.0	122.2	182.8	(185.0)	4
Maldives	(2009-2019)	1,598.0	690.8	316.3	590.9	2
	(1999-2009)	1,170.0	187.3	247.3	735.4	1
Seychelles	(2009-2019)	1,062.6	655.0	82.9	324.8	3
	(1999-2009)	122.00	57.81	72.25	(8.06)	3
Mauritius	(2009-2019)	325.00	440.8	191.8	(307.6)	4
	(1999-2009)	624.00	241.9	294.2	87.9	2

Source: Swan Securities Estimates

Figure 11: Shift Share Analysis - Total Change in Per-Tourist-Dollar

	Period	Total Change	GGE	GIME	GCSE	Rank (Based on GCSE)
Sri-Lanka	(2009-2019)	1,104.0	414.1	(478.1)	1,168.0	1
	(1999-2009)	177.6	253.5	55.6	(131.6)	4
Seychelles	(2009-2019)	272.3	544.1	(605.6)	333.8	2
	(1999-2009)	582.26	444.7	70.8	66.7	2
Mauritius	(2009-2019)	(277.5)	406.1	(478.4)	(205.2)	3
	(1999-2009)	396.99	347.67	32.37	16.95	3
Maldives	(2009-2019)	(428.2)	631.9	(726.5)	(333.6)	4
	(1999-2009)	1,478.34	373.0	24.0	1081.3	1

Source: Swan Securities Estimates

By definition, a GSCE higher than 0 would represent any positive competitive advantage which would enable the country to record a higher capture rate in arrivals, earnings or per-tourist-dollar than what general world economy or international tourism developments would allow. The above tables compare the change in arrivals, earnings and per-tourist-dollar over the last two decades.

Quite interestingly, the first observation made is the drastic change over the decades regarding the market positioning of the Maldives. While the country possessed a strong competitive advantage in capturing arrivals, earnings and per-tourist-dollar in the 1999-2009 period (Ranked 1st in all three), the country possessed no competitive advantage in capturing per-tourist dollar in the 2009-2019 period.

This could suggest that Maldivian policy makers may have shifted their focus on the number of arrivals, which could be composed of more non-luxury travelers than the previous period under review (1999-2009).

On the other end of the spectrum, while Seychelles did possess a competitive advantage to capture arrivals and earnings, the segment where it excelled was the generation of per-tourist-dollar. This can be interpreted as an intention from policy makers to attract luxury travelers. The observation is even more compelling in the 1999-2009 period, where the country possessed no competitive advantage in capturing arrivals and earnings, but still ranked 2nd in the per-tourist-dollar segment.

Marked by years of civil war, Sri-Lanka's policy makers have brilliantly implemented their post-war tourism strategy from 2009-2019. positioning the country from the least competitive in capturing arrivals, earnings and per-tourist dollar, to the most competitive. Competitive advantage in all three segments can be interpreted as a strategy focused on the number of arrivals but with no intention to make any compromise on their tourism offering by lowering their prices. In the 1999-2009 period, the strategy of the Maldives and Mauritius was quite similar, with competitive advantage in all three segments.

However, when taking a closer look at the 2009-2019 period, Mauritius seemed to have lesser competitive advantage in capturing arrivals, earnings, and per-tourist-dollar. This could be interpreted as a significant drop in competitiveness in the past decade.

Based on current context, a focus on tourism earnings rather than arrivals would be more appropriate, as the risk of deterioration in the level of service due to issues related to availability of labor could potentially impact the quality of service.

In addition, the argument for targeting earnings rather than arrivals, is supported by the potential halt in the supply of rooms, as the delicate decision to allow or not new constructions along the coastline will be taken over concerns regarding erosion.

Post Pandemic Recovery and Trends

International tourist arrivals fell 71% in 2020 in the wake of the pandemic. Arrivals started to recover progressively reaching as from 2022, reaching 63% of pre-pandemic levels, on the back of ease of sanitary restrictions around the world. While the number of tourists did not reach 2019 levels yet, several countries have registered a higher growth rate in tourism earnings on the back of longer length of stay supported by pent up demand

On the regional front, IOC arrivals fell 72.4% in 2020. The country who registered the highest percentage drop in arrivals was Mauritius with 77.7%, followed by Sri-Lanka (-73.5%), Seychelles (-70.1%) and the Maldives (-67.4%). The Maldives registered the lowest percentage drop in arrivals and was able to recover faster than its peers on the back of an early opening of its borders.

Figure 12: Regional tourist arrivals post 2020.

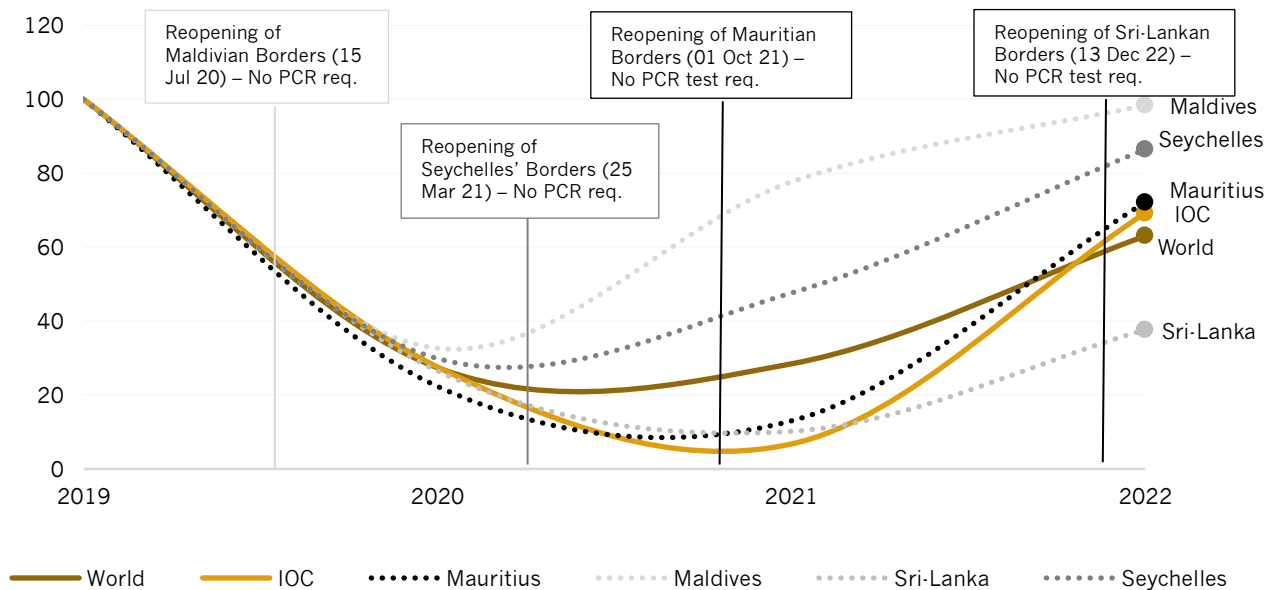


Figure 13: Industry KPIs.

Hotel Rooms Available (Number)					
	2019	2020	2021	2022	% Chg 22/19
Mauritius	13,489	13,297	13,507	13,694	1.5%
Sri-Lanka (Classified tourist hotels)	14,093	14,232	14,717	15,080	7.0%
Seychelles	6,215	2,676	6,754	6,909	11.2%

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, National Bureau of Statistics (Seychelles)

Occupancy/Rooms (&)					
	2019	2020	2021	2022	Chg 22-19
Mauritius	74.0%	24.0%	21.0%	62.0%	-12.0%
Sri-Lanka	57.1%	14.9%	19.0%	30.4%	-26.7%
Seychelles	73%	46.5%	40.4%	53.2%	-19.7%

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, National Bureau of Statistics (Seychelles)

Figure 13: Industry KPIs.

Bed Capacity (Number)					
	2019	2020	2021	2022	% Chg 22/19
Mauritius (Hotels)	31,024	28,104	32,157	30,145	-2.8%
Sri-Lanka (All Industry)	52,393	53,269	54,512	53,754	2.6%
Maldives (Resorts/Marina + Hotels)	38,646	39,264	39,878	42,429	9.8%
Seychelles (Hotels)	5,680	3,477	5,718	5,977	5.2%

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, National Bureau of Statistics (Seychelles), Maldives Bureau of Statistics

Occupancy/Bed Places (%)					
	2019	2020	2021	2022	Chg 22-19
Mauritius (Hotels)	66.00	20.00	17.00	55.00	-11.00
Maldives	62.30	25.70	56.10	58.90	-3.40
Seychelles	63.00	44.00	32.00	50.00	-13.00

Source: Statistics Mauritius, National Bureau of Statistics (Seychelles), Maldives Bureau of Statistics

Average Stay (Nights)					
	2019	2020	2021	2022	Chg 22-19 (Nights)
Mauritius	10.6	12.6	14.7	11.8	1.2
Sri-Lanka	10.40	8.50	15.1	9.3	-1.1
Maldives	6.30	7.20	8.70	8.00	1.7
Seychelles	9.90	8.70	9.80	9.90	0

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, National Bureau of Statistics (Seychelles), Maldives Bureau of Statistics

Hotels (Number)					
	2019	2020	2021	2022	Chg 22-19 (Hotels)
Mauritius (Average numb of hotels in operation over the period)	110	96	94	107	-3
Sri-Lanka	155	156	159	156	1
Maldives (Resorts/Marina + Hotels)	176	179	164	176	0

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, Maldives Bureau of Statistics

Employment					
	2019	2020	2021	2022	% Chg 22/19
Mauritius (All licensed establishments)	24,510	25,039	21,693	21,809	-11.0%
Sri-Lanka	173,592	175,990	177,476	190,521	9.75%
Maldives	44,954	42,276	N/A	N/A	
Seychelles (Accommodation and food services)	9,619	8,829	7,895	9,835	2.25%

Source: Statistics Mauritius, Sri Lanka Tourism Development Authority, National Bureau of Statistics (Seychelles), Maldives Bureau of Statistics

NB: Same data gathered in figure 13 are missing as countries statistics offices uses different metrics, for Ex: Sri-Lanka Tourism Development Authority uses "Rooms occupancy rates", while the Maldives Bureau of Statistics prefers the "Bed Occupancy rates".

Number of Hotels remained stable overall during the period, with Mauritius however average number of hotels in operations fell between 2019 and 2022, from 110 to 107. Average number of “Large establishments” in operation remained stable at 58 for both 2019 and 2022, the shortfall originates in smaller establishments.

Quite interestingly, while the number of hotels in operation remained stable in Sri-Lanka 156 establishments recorded as at end of 2022, the distribution of hotels is now skewed toward the high-end category. The number of one- and two-star hotels fell between 2019 and 2022, while the number of four and five stars increased. This could imply further competition on the high-end segment in the coming years.

Sri-Lanka registered accommodation establishments			
	2019	2022	Chg
Five Star	26	28	2
Four Star	24	28	4
Three Star	26	26	0
Two Star	41	37	-4
One Star	38	37	-1
Total	155	156	1

Source: Sri Lanka Tourism Development Authority

Mauritius was the closest in achieving its pre-covid room occupancy rate, accusing a shortfall of only 12%, as supply of rooms remained relatively stable and despite having a lower recovery rate in arrivals compared to the Seychelles. On the other hand, Seychelles and Sri-Lanka are further away from their reference year, as supply of rooms increased 11.2% and 7.5% respectively.

In terms of Bed occupancy, Maldives remains ahead of competing destinations having nearly bridged the gap with its 2019 rates. Mauritius’ bed occupancy rate reached 55.0% in 2022, compared to 66% in 2019, while Seychelles’ bed occupancy rate reached 50.0% in 2022 compared to 63% in 2019. Mauritius remained closer to its 2019 numbers compared to the Seychelles as supply of beds fell 2.8% compared to an increase of 5.0% for the Seychelles.

Based on the data gathered, we can observe that other competing destinations have built additional capacity post covid, compared to Mauritius. With increasing supply of both rooms and beds. We also note the increase in the number of staffs in employment in the accommodation and food services sector for competing destinations, while Mauritius recorded a drop of 11.0% withing the same period.

This is in line the speech given by Hon. Steven Obeegadoo, Minister of Tourism, on the 12th of April, stating the common strategy among local stakeholders would be to focus on tourism earning instead of arrivals. In which case, the industry would not need to build up any additional capacity.

Arrivals Forecast

Arrivals forecast for 2023 has been computed using three different methods. The first one uses a simple measure of market share given the global recovery rate in arrivals of 85% expected by UNTWO. The second uses the recovery rate per region of the past 6 months to forecast arrivals. The third assumes a recovery rate of 88% for the first half of 2023, which is expected to improve to 90% in the second half of the year

Method 1

Arrivals	2017	2018	2019	2020	2021	2022	2023
World	1,329,000,000	1,401,000,000	1,460,000,000	400,000,000	415,000,000	919,800,000	1,241,000,000
IO Destinations	5,391,000	5,841,000	5,576,000	1,535,500	1,879,061	3,724,639	4,964,000
IOC as a % of World	0.41%	0.42%	0.38%	0.38%	0.45%	0.40%	0.40%
Mauritius	1,341,800	1,399,300	1,383,400	316,000	179,000	997,290	1,290,640
MRU as a % of IOC	25.0%	24.1%	25.0%	20.2%	9.6%	26.8%	26.0%

Source: UNTWO, Swan Securities estimates

In method one, drivers in the forecast are the UNTWO's estimated recovery rate of 85% in world arrivals. Weight of arrivals of IOC is estimated to remain in line with historical average of 0.4%. Weight of arrivals from Mauritius is expected to drop slightly from the 26.8% recorded in 2022 to 26% and then back to its historical average of 25%, reflecting the Sri-Lanka's tourism recovery.

Method 2

	2019	2023	
	Jan-Dec	Forecast	
	Actual	Recovery Rate	Arrivals
EUROPE	835,946	95.0%	794,148
AFRICA	310,928	95.0%	295,381
ASIA	150,377	60.0%	113,909
<i>MIDDLE EAST Countries</i>	39,472	120.8%	47,701
OCEANIA	20,804	90.0%	18,723
AMERICA	25,379	85.0%	21,572
Others & not stated	582	115.9%	674
All countries	1,383,488	93.4%	1,292,111

Source: Statistics Mauritius, Swan Securities estimates

Method 3

Method 3	1st Half	2nd Half	Total
2019	650,082	733,406	1,383,488
2023	604,576	696,736	1,301,312
Recovery rate	93%	95%	94.1%

Source: Statistics Mauritius; Swan Securities estimates

The third method is an extension of the second method, which assumes that the second half of the year as air connectivity improves, and Asian markets reopens.

Summary

Tourist Arrivals Forecast	
Method	
1	1,290,640
2	1,301,312
3	1,292,111
Average	1,294,688

Source: Swan Securities estimates

Range		
-2%		2%
Lower bound	Mid	Upper bound
1,268,794	1,294,688	1,320,581

Source: Swan Securities estimates

Based on the above, we expect arrivals to range between 1.27m and 1.32m, with a mid-value of 1.29m, which would represent a recovery rate of 93.6% on 2019 arrival numbers.

Earnings Forecast

Earnings recovered faster than arrivals in 2022, surpassing pre-covid numbers to reach Rs 64.8bn – which represents a recovery rate of 102.8% for the year.

We expect the recovery rate to continue to accelerate on the back of the current inflationary environment. In the first half of the year, we expect the recovery rate to range between 130% and 132% to then stabilize at around 135% in the second half of the year. Overall, tourism earnings is expected to reach Rs 84.3bn for the 12 months ending December.

Tourism Earnings (Rs million)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Dec
2019	6,178	5,140	5,200	5,450	4,915	4,169	4,937	4,753	4,362	5,434	5,964	6,605	63,107
2022	4,343	3,556	4,640	4,296	4,309	4,128	5,128	5,892	5,315	6,676	7,834	8,728	64,845
Recovery Rate (%)	70.30%	69.18%	89.23%	78.83%	87.67%	99.02%	103.87%	123.96%	121.85%	122.85%	131.35%	132.14%	96.68%
2023(f)	8,441	6,452	6,760	7,249	6,537	5,545	6,665	6,417	5,889	7,336	8,051	8,917	84,257
Recovery Rate (%)	136.6%	125.5%	130.0%	133.0%	133.0%	133.0%	135.0%	135.0%	135.0%	135.0%	135.0%	135.0%	133.6%

Source: Statistics Mauritius; Swan Securities estimates

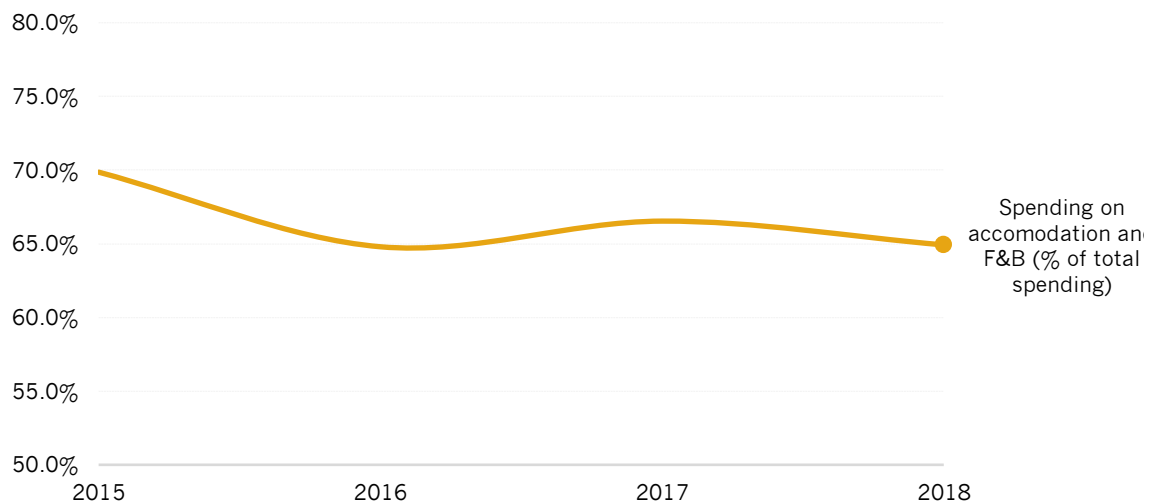
For analysis purposes, both arrivals data and earnings have been reworked to reflect LUX Island Resorts' (LUX), SUN Limited's (SUN) and New Mauritius Hotels' (NMH) reporting period, ending June.

Forecast for tourism earnings after 2023 has been made using simple linear forecast using historical average growth rates of 5.0% and 6.0% for the first and second half of the year.

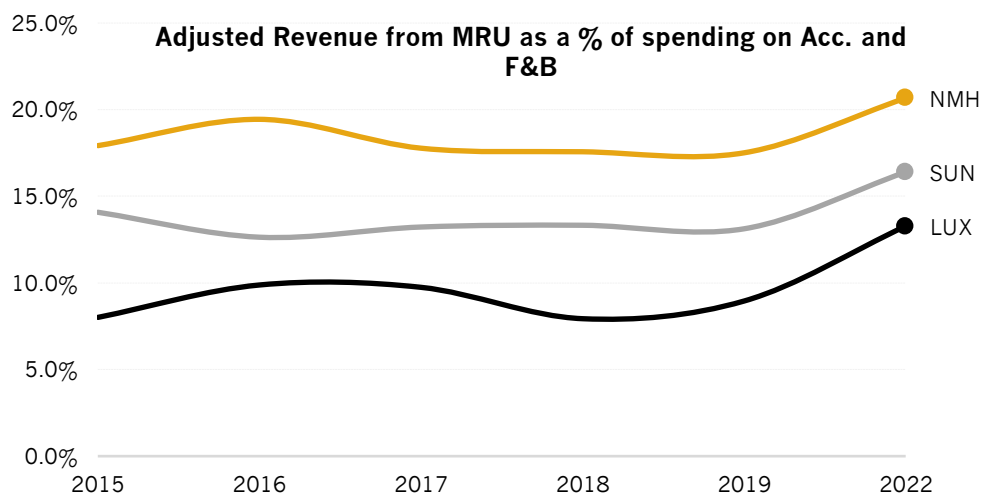
Arrivals growth rate on the other hand has been assumed to grow at a slower rate, reflecting the authorities' target to attract earnings instead of arrivals.

Valuation

Spending on accommodation and F&B has been used as a proxy for total achievable revenue for local hospitality companies (We exclude other income for ex: sale of villas). On average, spending on accommodation and F&B as a percentage of total spending per tourist has been fairly stable between 65% and 70%. Our forecast for spending on accommodation and F&B assumes a share of 67% of total spending as from 2019.



Revenue from Mauritius has then been adjusted for each company under review, namely: LUX, NMH and SUN, by removing any revenue not related to hospitality or F&B, such as property sales or rental income. This has been done to estimate the market share of each company. (Data for 2020 and 2021 were excluded for relevance purposes.)



Market share remained fairly stable for the companies under review between 2015 and 2019, based on our estimates. Data for 2022 shows an increase in market share for the three hotels, probably due to the higher demand for the high-end segment witnessed in the industry during the period. Beyond 2022, respective market share of LUX, NMH and SUN are expected to normalize to historical levels. Forecasts assume a market share of 9.0% for LUX, 13.3% for SUN and 17.8% for NMH.

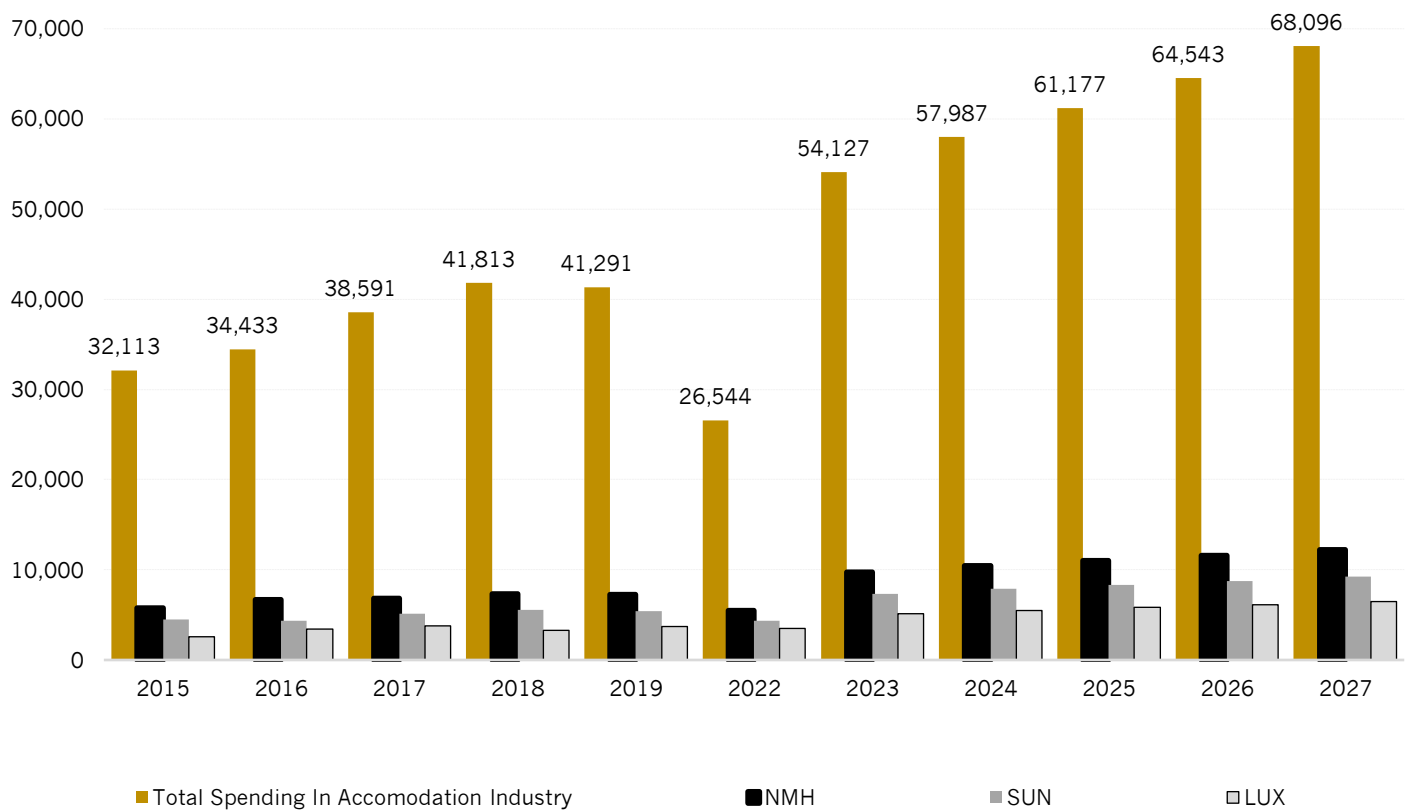
The below key assumptions were used:

Forecast						
FYE June	2022	2023(f)	2024(f)	2025(f)	2026(f)	2027(f)
Total Tourist Arrivals (TME June) *	553,111	1,206,666	1,353,455	1,409,491	1,465,871	1,524,506
Total Earnings (Rs m)	39,618	80,556	86,307	91,055	96,066	101,356
Earnings per tourist	71,628	66,759	63,768	64,601	65,535	66,484
Length of stay	11.80	11.00	10.50	10.50	10.50	10.50
Expenditure per tourist per day	6,070	6,069	6,073	6,152	6,241	6,332
Spending on accommodation and F&B	4,067	4,066	4,069	4,122	4,182	4,242
% of total spending	67.00%	67.00%	67.00%	67.00%	67.00%	67.00%

Source: Statistics Mauritius; Swan Securities estimates

* Twelve month ended June

Using the above-mentioned market share estimates, we forecasted the revenue (Rs million) from Mauritian hotel operations of LUX, NMH and SUN.



EV/EBITDA

	Exchange	Name	Ticker	EV/EBITDA (TTM)
Mauritius	SEM	New Mauritius Hotels Limited	NMHL	6.26
Mauritius	SEM	LUX Island Resort Ltd	NRL	5.96
Mauritius	SEM	SUN Life Ltd	SUN	6.58
South Africa	JSE	City Lodge Hotels Limited	CLH	7.34
South Africa	JSE	Southern Sun Limited	SSU	9.39
Egypt	OMX	MISR Hotels Company	MHOT	4.61
Sri Lanka	CSE	John Keels Hotels PLC	KHL	12.4
Sri Lanka	CSE	Aitken Spence Hotel Holding PLC	AHUN	9.15
Botswana	BSE	Chobe Holdings Ltd	CHOBE	6.3
Industry Average				7.55

Source: Company data, Bloomberg, Swan Securities estimates

LUX Island Resorts Ltd (NRL.N0000)**Forecast**

Rs m	2022	2023 (f)	2024(f)	2025(f)	2026(f)	2027(f)
Adjusted revenue from Mauritius (Hospitality)	3,849	5,280	5,657	5,968	6,297	6,644
Total Revenue	6,810	8,149	9,839	10,380	10,952	11,555
EBITDA	1,827	2,200	2,460	2,491	2,519	2,658
Margin	26.83%	27.00%	25.00%	24.00%	23.00%	23.00%

Source: Company data, Swan Securities estimates

LUX (Rs m)**EV/EBITDA valuation**

2024E EBITDA	2,460
EV/EBITDA (x)	7.55
Implied EV	18,571
Net Debt (As at June 2022)	3,994
Implied Equity Value	14,577
Sh Out	137,115,943
Estimated Fair Value (12 Month Period)	106.31

Source: Company Data; Swan Securities estimates

LUX (Rs m) - Bear Case**EV/EBITDA valuation**

2024E EBITDA	2,337
EV/EBITDA (x)	7.55
Implied EV	17,643
Net Debt	3,993.85
Implied Equity Value	13,649
Sh Out	137,115,943.00
Estimated Fair Value (12 Month Period)	99.54

Source: Company Data; Swan Securities estimates

LUX (Rs m) - Bull Case**EV/EBITDA valuation**

2024E EBITDA	2,583
EV/EBITDA (x)	7.55
Implied EV	19,500
Net Debt	3,993.85
Implied Equity Value	15,506
Sh Out	137,115,943.00
Estimated Fair Value (12 Month Period)	113.09

Source: Company Data; Swan Securities estimates

Sensitivity of share price in 12 months (Nomalised EBITDA)

		EV/EBITDA Multiple						
		6.5x	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
2024 EBITDA	2,150.00	72.8	80.6	88.5	96.3	104.2	112.0	119.8
	2,300.00	79.9	88.29	96.68	105.07	113.5	121.8	130.2
	2,450.00	87.02	95.95	104.88	113.82	122.75	131.69	140.62
	2,600.00	94.13	103.61	113.09	122.57	132.05	141.53	151.01
	2,750.00	101.24	111.26	121.29	131.32	141.35	151.38	161.4

Source: Swan Securities estimates

SUN Resorts Ltd (SUN.N0000)**Forecast**

Rs m	2022	2023	2024	2025	2026	2027
Adjusted revenue from Mauritius (Hospitality)	4,353.03	7,175.10	7,687.13	8,109.99	8,556.30	9,027.38
Total Revenue	4,840.32	8,095.90	8,673.82	9,151.00	9,654.65	10,186.25
EBITDA	1,146.22	2,266.85	1,994.98	2,013.22	2,027.48	2,139.11
Margin (%)	23.7%	28.0%	23.0%	22.0%	21.0%	21.0%

Source: Company data; Swan Securities estimates

SUN (Rs m)**EV/EBITDA valuation**

2024E EBITDA	1,995
EV/EBITDA	7.55
Implied EV	15,062
Net Debt	5,262
Implied Equity Value	9,800
Sh Out	194,545,072
Estimated Fair Value (12 Month Period)	50.37

Source: Company Data; Swan Securities estimates

SUN (Rs m) - Bear Case

EV/EBITDA valuation	
2024E EBITDA	1,895
EV/EBITDA (x)	7.55
Implied EV	14,309
Net Debt	5,262
Implied Equity Value	9,047
Sh Out	194,545,072
Estimated Fair Value (12 Month Period)	46.50

Source: Company Data; Swan Securities estimates

SUN (Rs m) - Bull Case

EV/EBITDA valuation	
2024E EBITDA	2,095
EV/EBITDA (x)	7.55
Implied EV	15,710
Net Debt	5,262
Implied Equity Value	10,448
Sh Out	194,545,072
Estimated Fair Value (12 Month Period)	53.71

Source: Company Data; Swan Securities estimates

Sensitivity of share price in 12 months

		EV/EBITDA Multiple						
		6.5x	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
2024 EBITDA (Rs m)	1,700.00	29.8	34.1	38.5	42.9	47.2	51.6	56.0
	1,850.00	34.8	39.5	44.3	49.0	53.8	58.5	63.3
	2,000.00	39.77	44.91	50.05	55.2	60.34	65.48	70.62
	2,150.00	44.79	50.31	55.84	61.36	66.89	72.41	77.94
	2,300.00	49.8	55.71	61.62	67.53	73.44	79.35	85.27

Source: Swan Securities estimates

New Mauritius Hotels Ltd (NMHL.N0000)**Forecast**

Rs m	2022	2023	2024	2025	2026	2027
Adjusted revenue from Mauritius	5,486	9,607	10,293	10,859	11,457	12,088
Total Revenue	8,115	14,212	15,137	15,969	16,848	17,776
EBITDA	2,036	4,264	3,330	3,354	3,370	3,555
Margin (%)	25.1%	30.0%	22.0%	21.0%	20.0%	20.0%

Source: Swan Securities estimates

NMH (Rs m)**EV/EBITDA valuation**

2024E EBITDA	3,330
EV/EBITDA (x)	7.55
Implied EV	25,142
Net Debt*	12,500
Implied Equity Value	12,642
Sh Out	548,982,130
Estimated Fair Value (12 Month Period)	23.03

Source: Company Data; Swan Securities estimates

NMH (Rs m) - Bear Case

EV/EBITDA valuation	
2024E EBITDA	3,164
EV/EBITDA (x)	7.55
Implied EV	23,885
Net Debt*	12,500
Implied Equity Value	11,385
Sh Out	548,982,130
Estimated Fair Value (12 Month Period)	20.74

Source: Company Data; Swan Securities estimates

NMH (Rs m) - Bull Case

EV/EBITDA valuation	
2024E EBITDA	3,497
EV/EBITDA (x)	7.55
Implied EV	26,399
Net Debt*	12,500
Implied Equity Value	13,899
Sh Out	548,982,130
Estimated Fair Value (12 Month Period)	25.32

Source: Company Data; Swan Securities estimates

*Net debt after potential sale of strategic assets announced by management

Sensitivity of share price in 12 months - Considering sale of asset and reduction of debt

		EV/EBITDA Multiple						
		6.5x	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
2024 EBITDA (Rs m)	3,050.00	13.3	16.1	18.9	21.7	24.5	27.2	30.0
	3,200.00	15.1	18.0	21.0	23.9	26.8	29.7	32.6
	3,350.00	16.9	20.0	23.0	26.1	29.1	32.2	35.2
	3,500.00	18.7	21.9	25.1	28.2	31.4	34.6	37.8
	3,650.00	20.5	23.8	27.1	30.4	33.7	37.1	40.4

Source: Swan Securities estimates

Appendix

Shift Share Analysis

Main Formula:

(Arrivals t_1 - Arrivals t_0) = Global Growth Effect (GGE)+ Global Industrial Mix Effect (GIME)+ Global Competitive Share Effect (GCSE)

GGE: Arrivals t_0 x GDP Growth World t_1

GIME: Arrivals t_0 x (Growth Arrivals World t_1 - GDP Growth World t_1)

GCSE: Arrivals t_0 x (Growth Arrivals Country t_1 - Growth Arrivals World t_1)

To apply the same analysis on tourism earnings and per-tourist-dollar, **Arrivals t_0** is then replaced by **Tourism earnings at t_0** and **Per-Tourist-Dollar at t_0** in the above formula. Growth in arrivals for the world at t_1 and growth in arrivals for the country at t_1 , are then replaced by Growth in earnings for the world and country and t_1 and growth in per-tourist-dollar for the world and country at t_1 .