HOSPITALITY
INDUSTRY REPORT
2026

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EXECUTIVE SUMMARY

Mauritius accommodated a record 1.44M tourists in 2025, with record tourism earnings of Rs 103.4Bn.

EUR 121 per day in 2025

- To compare purchasing power accurately over time, we calculate these figures in Real EUR - meaning they are adjusted for inflation to represent a constant value. By this measure, daily tourist spending has remained stagnant for the past 30 years. While the long-term average is approximately EUR 139 per day, current spending has dropped to EUR 121, which is significantly below the historical norm. But it is in line with the decrease in World Average RpVD. Read More

Unprofitable Shift towards premiumization

- Despite constant real spending, Mauritius hotel industry has shifted towards premiumization, with 4+ Star hotels accounting for more than 85% of hotel room supply

Accommodation costs rising from 52% to nearly 73%

- Real RpVD stayed stable. The average tourist's spending behavior changed drastically, with accommodation costs rising from 52% of their budget in 2000 to nearly 73% in 2024, signaling that hotels are capturing most of the value in the tourism ecosystem.

Mauritius is operating in a mid-market tourism reality

- We believe that Maldives and Seychelles are not our direct competitors. Their real spending power and hotel quality operate in a different value segment entirely. Our Real RpV remains similar to World Average. In fact, Sri Lanka is a more appropriate comparative peer for Mauritius.

- We did a comprehensive case study on Sri Lanka (which managed to double its RpV and increase its total arrivals) and concluded that cheaper Airfares, different Spending Patterns, increased Investment. Read More

More rooms supply needed

SHORT-TERM SOLUTION

- We believe the Non-Hotel sector is under-monetized but holds superior economic leverage due to length of stay. While non-hotel tourists spend less per day, they stay twice as long as hotel guests (15.0 nights vs. 9.1 nights). We estimate that every Rupee added to their daily expenditure has a 2x multiplier effect on total receipts compared to a hotel guest.

45.6% compared to 84.0%

- The non-hotel sector operates at just 45.6% of occupation, compared to 84.0% for hotels, implying a massive dormant asset capacity that can be activated without further CAPEX.

- Our analysis indicates that increasing non-hotel inventory by just 10% (813 rooms) and improving RpV by 5% (Rs 140/day), would unlock Rs 2.1Bn in additional annual revenue.

LONG-TERM SOLUTION

- Additionally, to increase capacity for our hotels as a longer-term solution. Mauritius remains primed for investment with a strong EUR and high occupancy rates.

Premiumization Trap

- Between 2008 and 2019, we believe the industry fell into a premiumization trap, where operating costs surged to support luxury inventory, compressing margins to an unsustainable 11%.
- Debt levels increased - gearing surged from 64.5% pre-2007 to 106.9% prior to 2019.

Profit boosted by Rupee Depreciation

- Post-COVID, We partly attribute the current record profitability to the following currency tailwinds (EUR: +26.7%, USD: +29.7%, GBP: +31.4%) between 2019 and 2024.

-8.9% fewer staff than in 2019

- Hotels have lowered their break-even points by operating with -8.9% fewer staff than in 2019.

MIC's low interest lifeline

- MIC disbursed around Rs 17Bn in Convertible Debt with a low fixed rate of around 3%-4%, of which the hospitality sector benefitted around Rs 13.1Bn.

- The low fixed interest rates benefitted hotelswhen major central banks across the globe (including Bank of Mauritius) hiked rates in 2022 and 2023.

Stock Recommendations

Stock	Rating	Current Price (Rs)	Fair Value * (Rs)	Upside
LUX	Accumulate	50.50	69.00	+36.6%
SUN	Accumulate	44.50	56.20	+26.3%
NMH	Reduce	13.90	11.15	-19.8%
Constance	Hold	14.25	14.52	+1.9%

*Valuation method: DCF

Stock recommendations only for major listed hotel companies

KEY PROPOSALS

In light with our findings, we have proposed the following to boost the Mauritian Tourism Industry both in terms of arrivals and spending:

ELEVATE AIRCCESS TO A NATIONAL ECONOMIC STRATEGY:

Air connectivity must migrate from operational discussion to economic policy priority by liberalizing bilateral air agreements, attracting long-haul carriers from high-spending markets, deploying targeted route incentives, and reducing airline concentration risk.

ACTIVATE THE NON-HOTEL SECTOR AS A HIGH-RETURN GROWTH ENGINE:

The non-hotel segment offers superior economic leverage due to longer stays and lower capital intensity. A modest scenario of; +10% capacity expansion, and +5% improvement in RpV could unlock approximately Rs 2.1Bn in incremental annual revenue, with minimal infrastructure strain. Policy priorities include streamlined licensing, quality upgrade incentives, SME financing facilitation and digital distribution support.

EXPAND THE EXPERIENCE ECONOMY TO RAISE IN DESTINATION SPENDING:

Sustainable RpV growth requires shifting from room-centric pricing toward experience-driven consumption like cultural and heritage tourism, food and night-time economy, wellness, sports and eco-tourism, inland attractions and regional hubs, events and conference tourism. A destination is remembered as much for what happens outside the hotel as within it.

REIGNITE INVESTMENT THROUGH DISCIPLINED CAPACITY PLANNING:

A phased supply strategy is required. In the short term we need to accelerate non-hotel capacity. In medium term hotel pipelines will restart and in long term we need to align supply with projected air growth. Regulatory clarity, infrastructure readiness and investor certainty remain essential.

DIGITIZE THE VISITOR JOURNEY TO SOLVE THE HUMAN RESOURCE CONSTRAINT:

Technology must be re-positioned from a support function to a core productivity strategy.

Concrete applications include a smart restaurant ordering system which includes tablets or QR systems at each table linked securely to guest rooms allow guests to place orders directly, transmit orders to kitchens automatically, and post charges instantly to room accounts. This eliminates manual order taking, reduces billing errors and materially lowers front-of-house staffing pressure.

INTEGRATED DIGITAL MOBILITY AND PAYMENT PLATFORMS:

Visitors should be able to book taxis, tours and transfers digitally with transparent pricing and seamless payment. Today, much of this remains manual and cash-based in Mauritius, creating friction, inefficiency and lost discretionary spending. End-to-end digital guest journeys. Mobile check-in/out, digital concierge services, AI-supported requests, predictive housekeeping scheduling and workforce optimization tools allow staff to focus on high-value guest interaction rather than repetitive administration. Higher labour productivity reduced administrative overhead, improved service consistency, stronger data intelligence and scalable growth without proportional headcount expansion. In tourism, friction is the enemy of value. Technology is the quiet eliminator.

ACCELERATE MARKET DIVERSIFICATION AND SEASONALITY MANAGEMENT

Targeted strategies should focus on high-growth asian metros, long-stay segments (remote workers, retirees), niche demand (weddings, wellness, sports), shoulder-season demand smoothing.
Mauritius' tourism sector is operationally strong but constrained. Without decisive reforms, growth will increasingly flatten and remain dependent on currency cycles rather than productivity gains. The next phase of competitiveness will be shaped by smarter air access liberalization, activation of the non-hotel sector, experience-led value creation, disciplined capacity expansion, technology-driven productivity transformation, and market diversification. Tourism has matured and hence strategy must mature with it.

TOURISM INDUSTRY: MAURITIUS

IMPORTANCE OF THE TOURISM INDUSTRY

8.9 %

OF 2025 GVA ACCOUNTED FOR THE TOURISM SECTOR

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 accounted for 8.9% of 2025 GVA.

The tourism industry is currently grappling with labour issues with **total employment as of Mar-2024 being -8.9% down compared to 2019.**

However, according to the last available Tourist Satellite Accounts in 2018, **direct employment in the tourism sector in 2018 stood 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.

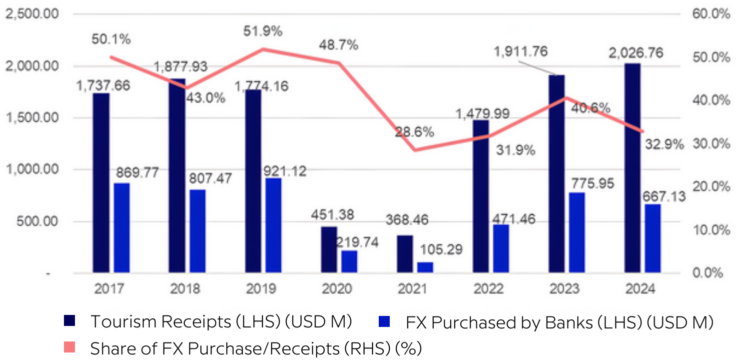
Tourism Sector	2019	2020	2021	2022	2023	2024	2025
% Contribution to GVA[1]	8.0%	2.3%	2.0%	7.4%	8.4%	8.6%	8.9%
Employment (Large Establishments)[2]	31,239	31,501	27,091	27,539	28,014	28,445	-
Average Monthly Earnings (Rs)	20,791	20,963	20,474	24,409	27,478	32,701	35,890

HIGH FX INFLOWS

The Accommodation & Food Services sector is the second largest FX Supply Generator in the country, only behind Financial Services. In 2025, the sector sold USD 823M, equivalent of 19.5% of total FX Supply in the country.

FX Inflows from Accommodation & Food Services (USD M)	2017	2018	2019	2020	2021	2022	2023	2024	2025
FX Inflows	870	807	921	220	105	471	776	667	823
FX Outflows	(104)	(64)	(65)	(56)	(63)	(30)	(26)	(28)	(25)
Net FX Inflows	765	743	856	164	42	441	750	640	798
Share of FX Inflows	19.1%	18.5%	20.5%	8.2%	4.7%	17.1%	22.1%	19.0%	19.5%

TOURISM RECEIPTS VS TOURISM FX INFLOW (USD M)



However, in recent years, total FX Inflows from this sector has not followed the trend of Total Tourism Receipts.

Between 2017 to 2024, Tourism Receipts have increased from USD 1.74Bn to USD 2.03Bn and yet, FX supplied by the Accommodation Sector has fallen from USD 867M to USD 667M

As such, the share of FX Inflows to Tourism Receipts has fallen from 50.1% in 2017 to 32.9% in 2024, which is a major cause of concern.

[1] Covers the components of "Accommodation and food service activities", "Transport (incl.air travel)", "Recreational and leisure" and "Manufacturing", attributable to inbound tourism.
[2] Source: AHRIM

TOURIST ARRIVALS

2025 REGION-WISE BREAKDOWN

1.44 M

OF TOURIST ARRIVALS IN 2025

Mauritius recorded a total of 1.44M tourist arrivals in 2025, representing a +3.9% increase YoY, with growth driven almost entirely by air arrivals (+4.7%), while sea arrivals declined sharply (-27.6%), illustrating the limited scale of sea-based tourism in Mauritius.

STRONG EUROPEAN DEPENDENCY BUT LIMITED GROWTH

Europe remains the backbone of the market, accounting for nearly two-thirds of total arrivals, but growth from the region was modest at +2.3%. Traditional core markets such as France (-0.6%) and the UK (-2.0%) remain stagnant, while incremental gains are coming mainly from secondary European markets such as Italy, Poland, Spain and Sweden. This raises a critical strategic question for policymakers and industry leaders: are we fully exploiting the growth potential of these secondary European markets, and do our air connectivity, marketing focus and product offerings adequately target their travel preferences and seasonality?

HIGH GROWTH FROM ASIA, LED BY INDIA

The standout performer was Asia, which expanded by +16.7%, driven overwhelmingly by India (+33.5%), alongside recoveries from China, Korea and Israel, making Asia the primary growth engine for Mauritius tourism in 2025. The growth was driven by increased Air Access as Indigo launched flights from Bangalore as from Nov-24, thereby enhancing access from Southern India. Moreover, an average Indian tourist spent around Rs 84,400 during his stay, higher than European Average of Rs 74,700 in 2024.

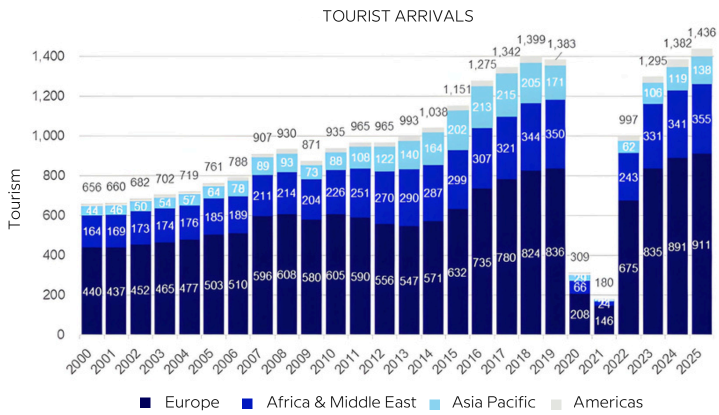
Tourist Arrivals	2024	2025	Growth
Total Tourist Arrivals	**1,382,177**	**1,436,250**	**3.9%**
By Air	1,348,400	1,411,791	4.7%
By Sea	33,777	24,459	-27.6%

OTHER REGIONS

On the other hand, Africa delivered steady growth of +4.2%, supported by strong regional connectivity within the Indian Ocean Commission and Southern Africa, providing stability but limited upside in terms of high-spending long-haul visitors. Further arrival growth is expected from South Africa as the South African Airways introduced flights from Cape Town as of Dec-25.

By contrast, Oceania contracted by 8.7%, reflecting weaker long-haul leisure demand from Australia, while arrivals from the Americas remained broadly flat (+1.2%), with the US market slightly declining.

Overall, the data points to a tourism model increasingly reliant on Asian growth and regional African travel, while mature European markets are no longer providing strong momentum, reinforcing a structural shift toward higher volumes from more price-sensitive segments rather than value-led growth.



Our top 5 markets currently account for 60.6% of our total arrivals while top 10 markets account for 74.4% of our total market.

TOP 10 Countries	2001	2007	2013	2019	2025
1	France	France	France	France	France
2	Reunion Island	United Kingdom	Reunion Island	United Kingdom	United Kingdom
3	United Kingdom	Reunion Island	United Kingdom	Reunion Island	Reunion Island
4	Germany	South Africa	South Africa	Germany	Germany
5	South Africa	Italy	Germany	South Africa	South Africa
6	Italy	Germany	India	India	India
7	India	India	China	China	Switzerland
8	Switzerland	Australia	Italy	Switzerland	Italy
9	Seychelles	Switzerland	Switzerland	Italy	Russia
10	Belgium	Seychelles	Australia	Saudi Arabia	Saudi Arabia

8

COUNTRIES DOMINATED TOP RANKINGS

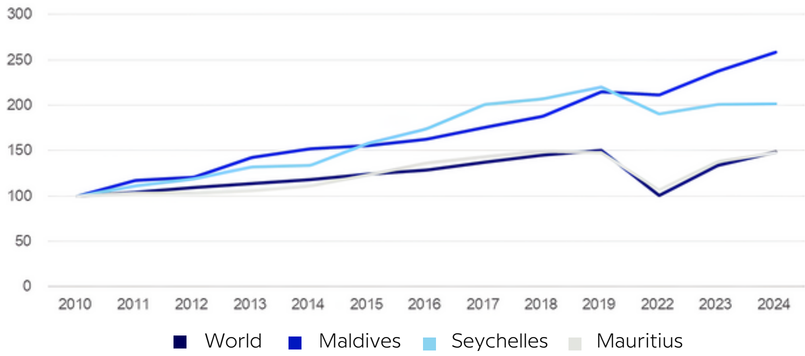
UNCHANGED CORE MARKETS

Mauritius' top 10 source markets have remained remarkably unchanged over the years, highlighting a persistent lack of diversification in its tourism demand base. Strikingly, 8 countries have consistently dominated the top rankings namely France, the UK, Reunion, Germany, South Africa, India, Switzerland and Italy. Even more telling is the fact that, despite being our largest source market, Mauritius captures only about 0.8% of total French outbound overnight travel, underscoring how limited our penetration remains even within markets where we already enjoy strong visibility. This structural concentration reflects a broader inability to scale beyond traditional markets and adapt effectively to emerging sources of global tourism demand, which has increasingly shifted toward Asia and other high-growth regions.

MAURITIAN TOURISM GROWING AT THE SAME PACE AS GLOBAL AVERAGE

As a consequence of this heavy reliance on Europe, Mauritius' tourist arrival growth has underperformed relative to regional competitors such as the Maldives and Seychelles over the past decade. While global tourism expanded at a robust pace, Mauritius' arrivals have grown broadly in line with the world average, rather than outperforming it, a missed opportunity for a destination with strong air connectivity, political stability and well-established hospitality infrastructure. This pattern suggests that market concentration, rather than destination appeal, has become one of the key structural constraints on the country's tourism growth trajectory.

TOURIST ARRIVALS (NORMALIZED AT 100)



In 2010, Mauritius (934,000) was ahead of Maldives (792,000) in terms of tourist arrivals, but Maldives surpassed us in 2013. Maldives also recovered quickly from the Covid-19 pandemic, reaching 2.0M tourists in 2025, while Arrivals from Mauritius stood at 1.46M.

CAGR

World: +2.9% Seychelles: +5.2%

Maldives: +7.0% Mauritius: +2.8%

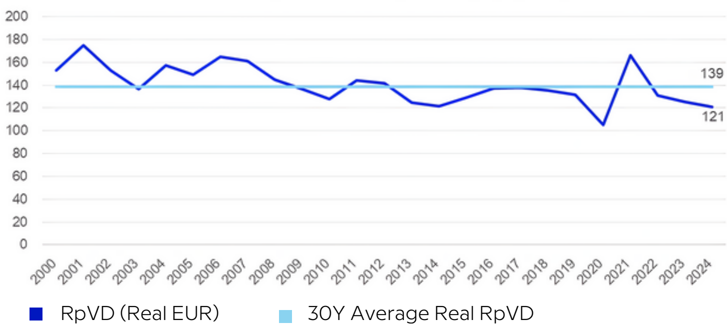
STAGNATING TOURISM SPENDING A MAJOR CONCERN

TOURISM SPENDING: REAL GROWTH RATES

EUR 121

RpVD PER DAY

REVENUE PER VISITOR PER DAY (RPVD) IN EUR



The RpVD data highlights a structural weakness in Mauritius' tourism model. In real terms, RpVD has remained broadly flat over the past 30 years, averaging around EUR 139 per day, indicating that the spending power and consumption profile of the average tourist has not materially improved over time. In 2025, real RpVD stood at EUR 121 per day, about -12% below the long-term average, suggesting not only stagnation but a gradual erosion in value capture per visitor. This implies that growth in arrivals has not translated into higher-quality demand or greater per-capita tourism value, reinforcing the conclusion that Mauritius has remained positioned largely in the mid-market segment rather than successfully moving up the value chain.

STAGNATING REAL RPVD DESPITE RECORD TOURISM EARNINGS

According to our estimates, tourism receipts is set to reach around Rs 102Bn, representing a growth of +9.4% YoY. Nevertheless, Nominal RpVD in EUR terms increased by only +4.0%. The contrast between the MUR and EUR nominal growth rates indicates that the headline growth in receipts was largely a currency effect, reflecting depreciation of the MUR rather than genuine improvements in tourism yield. In other words, the sector is benefiting from exchange rate movements rather than from higher spending visitors, upgraded product offerings, or stronger destination pricing power.

Mauritius & Maldives

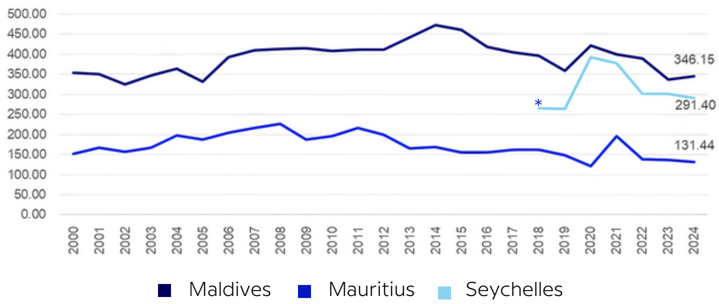
ARE NOT OUR DIRECT COMPETITORS

We believe that Maldives and Seychelles are not our direct competitors.

The graph above highlights a fundamental reality that Maldives and Seychelles operate in a different tourism value segment altogether, and in that sense, they are not direct competitors to Mauritius on spending metrics, given the stark divergence in revenue captured per visitor.

Notably, even visitors from traditionally lower-income source markets such as China and India spend significantly more per day in the Maldives than in Mauritius, underscoring that higher tourism yields are driven less by tourists' country of origin and more by the destination positioning.

REAL RECEIPTS PER VISITOR DAILY (RPVD) (USD) [3]

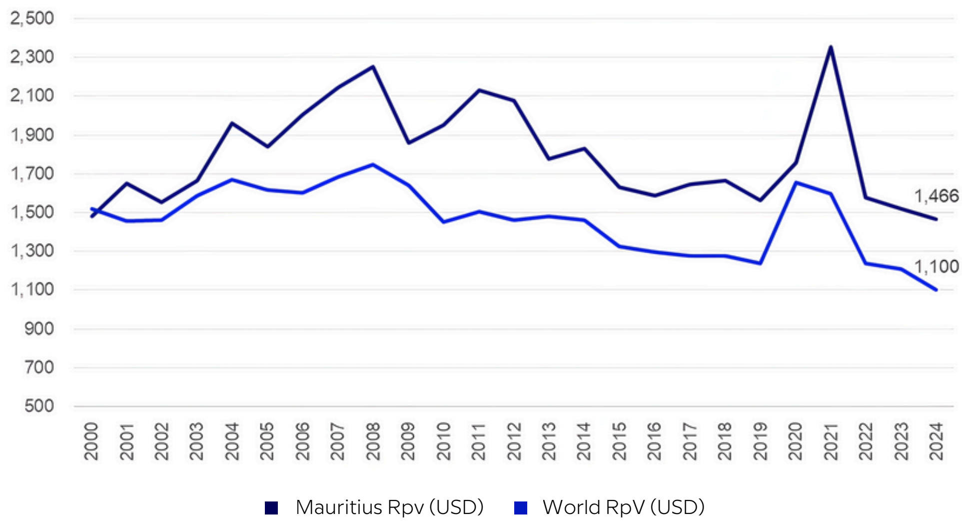


*Seychelles changed its methodology to calculate Tourism Receipts in 2022, and 5-years prior year adjustments were used.

WE THREAD CLOSER TO GLOBAL AVERAGE IN TERMS OF RPV

It is also important to recognise that tourism spending has consistently been higher in both the Maldives and Seychelles than in Mauritius throughout the past 30 years, rather than being a recent divergence. By contrast, Mauritius' RpV has tended to track much closer to the global average, positioning the country within the broad mid-market segment of international tourism rather than among premium, high-yield island destinations.

MAURITIUS AND WORLD RPV (REAL USD)



INCREASING RPV IS A MONUMENTAL TASK

It is important to recognise that raising RpV is difficult in today's global tourism industry. Over the past 30 years, real RpV has declined at a rate of about -1.8% p.a, reflecting the increasing commoditization of travel, intense price competition, and the widespread availability of low-cost transport and accommodation. Mauritius has broadly followed this global trend, with real RpV declining at around -1.1% CAGR since 1995. This suggests that the pressure on visitor spending is not unique to Mauritius, but part of a wider shift in global tourism economics although it also demonstrate how difficult it has become for destinations to move meaningfully up the value curve without deliberate and differentiated policy interventions.

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

SOME OTHER TOURIST DESTINATIONS

To better understand Mauritius' true competitive landscape, we compiled destinations with similar real RpV, including the Maldives and Seychelles for reference despite their distinctly higher value segment.

However, unique geographic and cultural characteristics mean none are direct substitutes. Given its scale and infrastructure, Mauritius can achieve its tourism targets without mirroring any single competitor.

Therefore, the strategy should focus on leveraging differentiated strengths rather than attempting to replicate the positioning of structurally different island destinations.

Our country's Real RpV (USD) has fallen by -25.5% since 2010, just shy of global average decline of -24.2% during the same period. Even Maldives has seen a fall in RpV, declining by almost -27% since 2010 especially as a result of an oversupply of hotels.

With the high level of competition surrounding the hospitality globally, it is very difficult to increase Revenue per Visitor in Real Terms.

RpV (USD Real)	2010	2014	2019	2024	2019 vs 2010	2024 vs 2010
Bahamas	2,254	2,133	2,780	2,963	23.3%	31.5%
Panama	1,882	2,808	3,140	2,857	66.9%	51.8%
Seychelles	2,810	2,245	2,714	2,622	-3.4%	-6.7%
Maldives	3,088	2,940	2,257	2,257	-26.9%	-26.9%
Aruba	2,166	2,128	2,132	2,140	-1.6%	-1.2%
Costa Rica	1,527	1,558	1,547	1,868	1.3%	22.3%
Philippines	1,073	1,368	1,442	1,785	34.4%	66.4%
Sri Lanka	1,256	2,092	2,295	1,543	82.6%	22.8%
Jamaica	1,487	1,425	1,653	1,487	11.1%	0.0%
Mauritius	**1,958**	**1,830**	**1,566**	**1,459**	**-20.0%**	**-25.5%**
Dominican Rep.	1,441	1,439	1,411	1,285	-2.0%	-10.8%
Thailand	1,801	1,844	1,824	1,201	1.3%	-33.3%
Fiji	1,435	1,535	1,310	1,144	-8.7%	-20.3%
Global Average	**1,451**	**1,460**	**1,236**	**1,100**	**-14.8%**	**-24.2%**
Brazil	1,455	1,398	1,149	1,084	-21.1%	-25.5%
Puerto Rico	1,439	1,392	1,383	1,064	-3.9%	-26.1%
Malaysia	1,052	1,082	925	833	-12.1%	-20.8%
Mexico	735	726	665	732	-9.6%	-0.4%

Out of the 17 countries listed, only 5 managed to increase their RpV between 2010 and 2024 (Bahamas, Panama, Costa Rica, Philippines, and Sri Lanka).

A notable example is Sri Lanka, which saw a threefold increase in visitors (654k to 2.1M). Since Sri Lankan tourists spend approximately the same number of nights as Mauritian tourists, we have conducted a case study on how they surpassed us in both Arrivals and Receipts.

HOW SRI LANKA SURPASSED US IN TERMS OF RECEIPTS AND ARRIVALS?

In 2024, Mauritius welcomed 1.4M tourists while Sri Lanka welcomed 2.1M, with both countries matching their pre-covid arrivals. Both Sri Lanka and Mauritius also had a similar number of European Tourists and their respective tourism industry depended quite heavily on European tourists.

Comparisons	Distance from Europe (Km)	No of European Tourists (Thousands)	Share of European Tourists
Sri Lanka	7,817	888	46.4%
Mauritius	9,134	839	60.6%

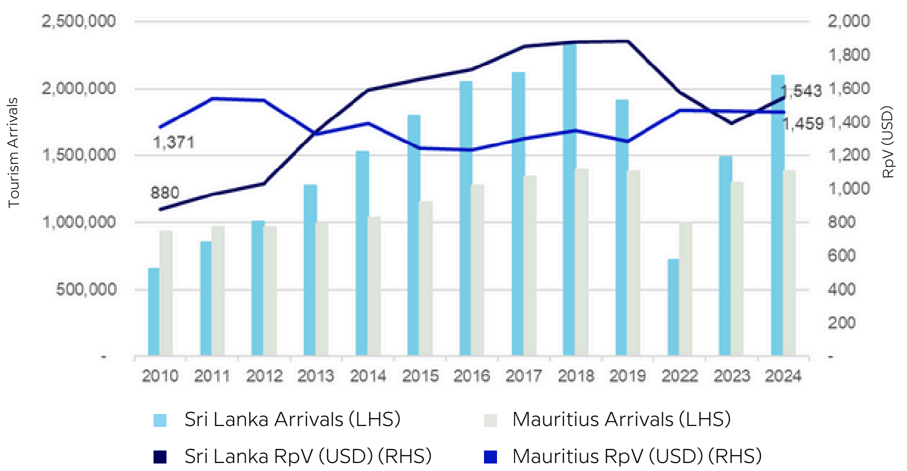
+8.7%

CAGR FROM 2010 TO 2024

Sri Lanka has surpassed Mauritius in terms of Arrivals with tourist arrivals increasing by +8.7% CAGR between 2010 to 2024 from 654k to 2.1M tourists.

Sri Lanka not only managed to increase their arrivals but spending per tourist also doubled from USD 880 in 2010 to USD 1543 in 2024, surpassing Mauritius RpV.

SRI LANKA VS MAURITIUS ARRIVALS AND RPV (USD)



HOW HAS SRI LANKA SURPASSED MAURITIUS?

CHEAPER AIRFARES
AND NEARER TO MAIN MARKETS

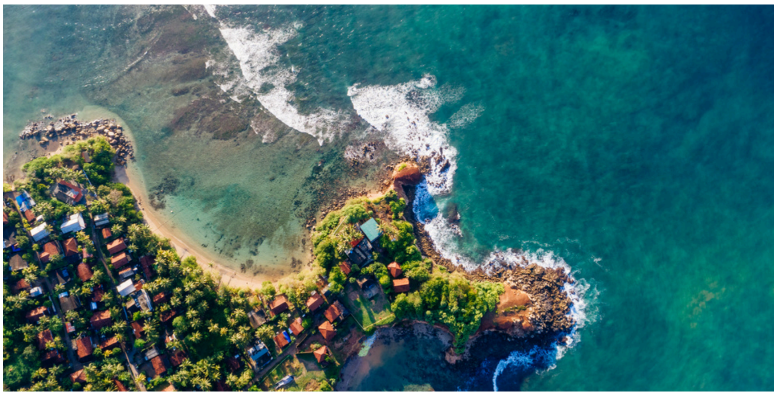
Sri Lanka benefits significantly from its geographical proximity to its main tourism markets, which directly translates into lower airfare costs and higher tourist inflows.

Being closer to Asia, the country is well-connected through a large presence of low-cost carriers such as IndiGo and FlyDubai, making it far more affordable for regional travellers.

On the European side, Sri Lanka also benefits from lower fares compared to Mauritius, thanks to competitive offerings by major Gulf airlines like Etihad, Qatar Airways, and Emirates, all of which operate multiple daily flights to Colombo. This contrasts with Mauritius, where fewer carriers dominate, leading to higher average airfare.

Sri Lanka has a more diversified mix of operators. For instance, Sri Lankan Airways accounts for 25.1% of inbound flights, with the rest split across Qatar Airways, Emirates, IndiGo, Etihad Airways, FlyDubai, and many others. Mauritius, on the other hand, is far more concentrated, with Air Mauritius alone handling nearly 40% of traffic. This higher concentration exposes Mauritius to greater risk if a single operator faces disruptions, while Sri Lanka enjoys greater connectivity, pricing flexibility, and resilience in its tourism inflows.

Airfare from Europe [4] (Rs)	Sri Lanka	Mauritius
Paris	32,005	45,132
London	32,005	52,356
Frankfurt	32,913	38,912
Average	**32,308**	**45,467**



Airline to Mauritius	% Share
Air Mauritius	39.2%
Emirates	17.6%
Air Austral	9.4%
Air France	4.9%
Corsair	3.5%
Turkish Airlines	3.3%
Others	22.1%

Airline to Sri Lanka	% Share
Sri Lankan Airways	25.1%
Qatar Airways	10.9%
Emirates	9.0%
IndiGo	8.5%
Etihad Airways	5.4%
FlyDubai	4.2%
Others	37.0%

DIFFERING SPENDING PATTERN

In Sri Lanka, expenditure is much more diversified across categories such as accommodation, transport, eating out, shopping, and cultural or leisure activities. For example, accommodation accounts for just 35% of tourist expenditure in Sri Lanka compared to a high 73% in Mauritius. Transport represents 20% in Sri Lanka (vs just 5% in Mauritius), while shopping and dining/other activities also have much higher shares (17% and 28% respectively, compared to only 6% and 16% in Mauritius).

This suggests that visitors to **Sri Lanka engage in a broader range of activities beyond hotels**, including internal travel to cultural sites, safaris, wellness retreats, and shopping experiences. By contrast, in Mauritius, tourist spending has become increasingly concentrated within hotels and resorts, with limited outflow towards other sectors of the economy.

While this benefits the hotel companies, it reduces the multiplier effect of tourism on the wider economy. Sri Lanka's model ensures that tourism revenue is distributed across a wider ecosystem, from small businesses and restaurants to transport operators and cultural sites, thereby driving higher overall spending despite having a lower average spend per night in hotels.

Share of Expenditure	Sri Lanka [5]	Mauritius
Accommodation	35%	73%
Transport	20%	5%
Eating out & Other Activities	28%	16%
Shopping	17%	6%

[4] Data retrieved from Google Flight for a 1-week roundtrip in Oct-25.
[5] Based on 2018/19 Sri Lankan Airport Survey; More recent surveys aren't available.

INCREASED INVESTMENT

Sri Lanka has attracted significantly more investment into its tourism sector, particularly in the number of approved projects and rooms, when compared to Mauritius.

The table below shows that from 2010 to 2024, Sri Lanka approved 545 tourism projects, which would create 24,684 new rooms with a total investment of USD 4.16Bn.

This large-scale investment, especially following the end of its civil war in 2009, demonstrates a strong focus on expanding its tourism capacity and a high level of confidence from both domestic and foreign investors.

545
TOURISM PROJECTS

24,684
NEW ROOMS

USD 4.16Bn
TOTAL INVESTMENT

Year	No of Approved Projects	Approved Project Number of Rooms	Investment (USD M)	Sri Lanka Room Capacity	Graded Room Occupancy
2010	3	262	17	20,609	70.1%
2011	44	2,159	252	20,794	77.1%
2012	57	3,695	313	23,717	71.2%
2013	36	2,327	371	25,168	71.7%
2014	42	2,747	426	27,794	74.3%
2015	36	2,256	890	30,078	74.5%
2016	41	1,579	146	33,661	74.8%
2017	45	2,391	380	35,986	73.3%
2018	44	1,377	160	38,214	73.8%
2019	57	2,027	756	40,365	57.1%
2020	24	690	95	42,750	15.0%
2021	30	922	104	47,337	18.6%
2022	22	393	37	48,120	30.4%
2023	34	1,273	170	53,229	39.0%
2024	30	586	42	55,455	44.5%
Total	**545**	**24,684**	**4,158**		

The increased investment led to Room Capacity almost tripling from around 20k rooms in 2010 to 55k in 2024. **Guest House** account for most of the country's room capacity with a total number of rooms of 19,104 (34.4%), followed by **Classified Tourist Hotel** with a total room capacity of 17,182 (31.0%).

On the other hand, capacity in Mauritius remains constrained having barely moved from 2010. While this is in favour of Mauritian Hotels (in terms of higher occupancy), it deters our country to accommodate more tourists.

SPENDING PATTERN OF MAURITIAN TOURISTS

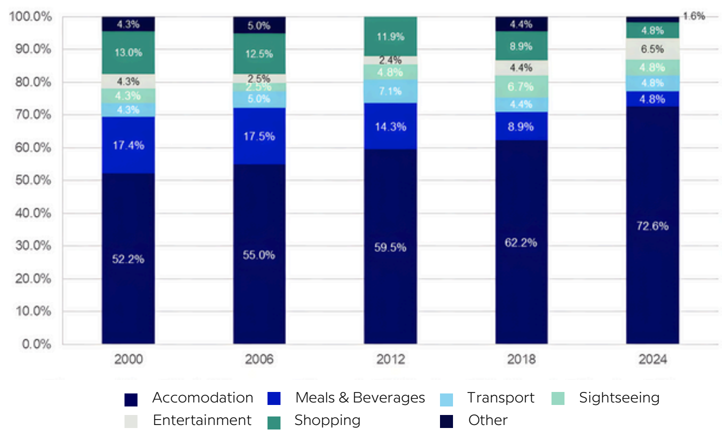
Spending Pattern in Mauritius has shifted more towards Accommodation, while the share of Meals & Beverages and Shopping has fallen dramatically over the past 2 decades:

Tourists now spend 72.6% of their total spending on Accommodation compared to 52.2% in 2000. This may be due to the all-inclusive nature.

Share of spending on Meals & Beverages has fell from 17.4% in 2000 to 4.8% in 2024.

Share of spending on Shopping has also declined from 13.0% in 2000 to 4.8% in 2024.

TOURISTS SPENDING PATTERN (%)



To understand the true extent of tourism spending in Mauritius, we have adjusted Daily Tourists expenditure in Real MUR terms:

Daily Real Tourist Expenditure (Rs)	2000	2006	2012	2018	2024	CAGR Growth
Accommodation	3,592	4,721	3,849	3,685	4,500	**0.94%**
Meals & Beverages	1,197	1,502	924	526	300	**-5.60%**
Transport	299	429	462	263	300	**0.01%**
Sightseeing	299	215	308	395	300	**0.01%**
Entertainment	299	215	154	263	400	**1.22%**
Shopping	898	1,073	770	526	300	**-4.47%**
Other	299	429	-	263	100	**-4.47%**
Total	**6,885**	**8,584**	**6,466**	**5,923**	**6,200**	**-0.44%**

As we can see in the table, Daily Real Spending has been falling by a CAGR of -0.44% since 2000 from Rs 6,885 to Rs 6,200 in 2024. However, Real Expenditure in Accommodation has actually increased since 2000 by +0.94% CAGR with most of the growth coming post pandemic years.

With hotels capturing most of the F&B segment, real expenditure of tourists on Meals & Beverages has fallen to only Rs 300/day compared to an inflation-adjusted Rs 1,197/day in 2000. Real Daily spending on Shopping has declined by a similar rate from Rs 898 in 2000 to Rs 300 in 2024.

The data clearly shows that over the last 2 decades, the accommodation sector is the primary beneficiary of tourist spending, as evident by record earnings by hotels.

PROPOSITIONS TO BOOST OUR TOURISM INDUSTRY AND OUR RPV

THE POTENTIAL OF NON – HOTEL SECTOR

The hotel sector remains the backbone of tourism earnings, and as of 2024, Hotels accounted for 87.4% of total spending despite the fact that Non-Hotel tourists accounted for 40.3% of total nights spent.

Using 2024 data, our estimations indicate that our non-hotel sector has an occupancy rate of only 45.6%. Marginal investment in this sector yields superior returns due to a structural advantage namely Length of Stay. As such, the non-hotel sector (guesthouses, eco-lodges, and serviced villas) represents a dormant asset with disproportionately high economic leverage

Breakdown	Hotel	Non-Hotel	Total
Accommodation	75.4%	24.6%	100.0%
Nights Spent	59.7%	40.3%	100.0%
Spending	87.4%	12.6%	100.0%
Spending (Rs Bn)	82,400	13,200	95,600

Tourists Breakdown	Hotels	Non-Hotels	All Tourists
Proportion of Tourists	75.4%	24.6%	100%
No of Tourists	1,042,161	340,016	1,382,177
Proportion of Tourists (By Accommodation Type)	75.4%	12.4%	87.8% [6]
No of Tourists (By Accommodation Type)	1,042,161	171,390	1,213,551
Average Stay	9.1	15.1 [7]	11.4
Party Size	2.2	1.9	2.1
No of Rooms	14,059	8,131	22,190
Maximum Arrivals	1,240,591	375,923	1,616,514
Occupancy	84.0%	45.6%	75.1%

Data highlights a critical efficiency gap. While non-hotel tourists currently generate lower daily yields, they compensate by staying twice as long as resort guests.

9.1 nights

HOTEL GUESTS AVERAGE STAY

15.1 nights (+65%)

NON-HOTEL GUESTS AVERAGE STAY

[6] The Remaining 12.2% Tourists stay with Family & Friends
[7] According to the SIT 2024, the average stay for Non-Hotel tourists stood at 18.7 but the survey shows that tourists residing with Friends and Family stayed for a whopping 28 nights, inflating the total average stay for Non-Hotels. As such, we have readjusted the average stay to 15 nights, in line with historical average.

Because of this extended duration, every MUR added to the daily spend of a non-hotel visitor has a 2x multiplier effect on total receipts compared to a hotel guest. Currently, however, the sector is under-monetized, with an average RpV of just Rs 39,600, compared to the hotel sector's Rs 81,300.

QUANTIFYING THE POTENTIAL OF THIS SECTOR:
As such, to quantify the potential for the non-hotel sector, we have devised 2 scenarios:

Scenario 1: Increasing earnings without any investment
First, as previously mentioned, non-hotels are currently running at an occupancy level of 45.6%, significantly lower compared to Hotels. Based on current non-hotel room capacity (8131) and average stay of 15nights, this sector can accommodate a maximum of 376k tourists, higher than the current 171k (excluding tourists residing with Friends and Family).
Therefore, with the appropriate marketing campaign, we can attract an additional 100k tourists without needing to invest a single dime of capex. Based on current spending pattern for Non-Hotel tourists (Rs 39,600), the additional tourists would add approximately Rs 4Bn in tourism earnings (roughly 4% of current total tourists spending).

Scenario 2: Modelling a conservative Non-Hotel Growth Scenario
According to the table above, hotels can only accommodate 1.2M tourists and they are already operating close to peak capacity. While increasing hotel capacity remains the logical solution to increase revenue, it takes years to construct a hotel. As such, we have come to a more short-term solution, which is to increase the number of non-hotels.

To address the need for increased tourism receipts without overburdening infrastructure, we modelled a conservative growth scenario. This model assumes a short-term expansion of capacity (Volume) coupled with a slight improvement in product quality (Value).

The Scenario: 10/5 Growth
- Volume Push: Increasing non-hotel room inventory by 10% (adding 813 rooms) to accommodate arrivals growth.
- Value Push: Increasing the RpV by just 5% (from Rs 39,600 to Rs 41,580) through better service offerings.

Indicator	**Current Baseline**	**Target Scenario (10% / 5%)**	**Net Impact**
Room Inventory	8,131 Rooms	8,944 Rooms	+ 813 Rooms
Annual Tourist Capacity	340,000	374,000	+ 34,000 Arrivals
RpV	Rs 39,600	Rs 41,580	+ Rs 1,980
Total Sector Revenue	Rs 13.5 Bn	Rs 15.6 Bn	+ Rs 2.1 Bn

The model demonstrates that we do not need aggressive mass tourism to increase earnings. By adding just 813 rooms (a 10% capacity increase) and raising visitor spending by a marginal 5% (an extra Rs 140 per day), we unlock Rs 2.1Bn in additional annual revenue, a 15.5% growth in sector earnings.

This suggests that the non-hotel sector is highly elastic. Unlike the mature hotel sector, where growth requires massive CAPEX, the non-hotel sector can deliver significant economic upside through small-scale capacity building and minor yield improvements.

THE POTENTIAL OF A MORE LIBERAL SKY POLICY
DIRECTLY CONNECT TO WEALTHIER DEMOGRAPHICS

To catalyze a shift towards higher-spending visitors, Mauritius should consider pursuing a policy of air liberalization. The current air access landscape, while robust, is concentrated among key partners, and unlocking further growth requires allowing more major international carriers to land. This goes beyond existing agreements and involves actively encouraging greater competition and new routes. Mauritius must court major global airlines from important, high-spend markets, pursuing direct flights from North American carriers like United or Delta, additional premium Middle Eastern airlines, or key East Asian hubs such as Singapore Airlines and Cathay Pacific. This would directly connect the island to wealthier demographics. Concurrently, the government should liberalize bilateral agreements to allow current partners like Emirates and Air France to increase their flight frequencies based on market demand rather than restrictive quotas. To make this happen, a proactive approach is needed, offering bespoke incentive packages for new routes, which could include temporary reductions in landing fees, joint marketing funds, and route viability guarantees to mitigate the initial financial risk for airlines.

The core principle is that direct flights from these markets do not just bring more tourists; they bring a different, more lucrative type of tourist, fundamentally shifting the country's revenue dynamics from a volume-based to a value-based model. This approach could increase our RpV in 2 primary ways:

First, the individual spending of these new arrivals is significantly higher. According to some studies, affluent leisure tourists, who are often deterred by inconvenient multi-stop journeys, are the demographic that books premium suites and luxury villas, dines at fine restaurants, and charters private excursions.

Second, their presence creates heightened competition for the island's premium offerings. With a finite number of 5* hotel rooms and exclusive experience, this increased demand gives local businesses significant pricing power, allowing them to increase their average daily rates and command higher prices.

This is not a theoretical model; it has been proven by other nations. A prime example is Ireland, which transformed its tourism industry after signing an open skies agreement with the US. The resulting surge in direct flights brought a boom in North American tourists. This impact is quantifiable. Data from Ireland's Central Statistics Office and Tourism Ireland consistently shows that the average North American visitor spends nearly 70% more per day than their European counterparts, a statistic that proves how the agreement increased the national RpV. Similarly, Cape Verde shifted its visitor profile by providing incentives to major European airlines. This strategy's success is documented by the World Bank, which reports that between 2000 and 2019, Cape Verde's international tourism revenue grew nearly tenfold, from USD 79M to USD 779M. This growth, far outpacing the increase in arrivals, resulted in a dramatic increase in the RpV and demonstrates the power of a targeted air access policy.

INCREASE OUR HOTEL SECTOR'S CAPACITY

Adopting a more liberal air access policy is expected to stimulate a significant rise in tourist arrivals. Consequently, it is imperative that we ensure a parallel expansion of our room supply to accommodate this increased demand.

To effectively manage the anticipated growth in tourism, Mauritius should adopt a phased, 2-track accommodation strategy that balances immediate needs with long-term sustainability:

For the short-term (first 5 years), the priority must be on developing the non-hotel sector, including luxury villas, serviced apartments, and high-end guesthouses.

This sector is far more agile; while a new hotel takes years to plan and build, villas and guesthouses can be developed or converted in a matter of months. This speed to market is essential to rapidly absorb the initial surge in demand from increased air connectivity, ensuring a high-quality experience for new visitors without delay.

In parallel, **the industry must immediately begin the long-term process of planning and constructing new hotels**. By starting new hotel projects now, Mauritius ensures that just as the non-hotel sector's growth matures, a new wave of large-scale hotel capacity will be ready to come online, future proofing the industry for consistent and sustainable growth.

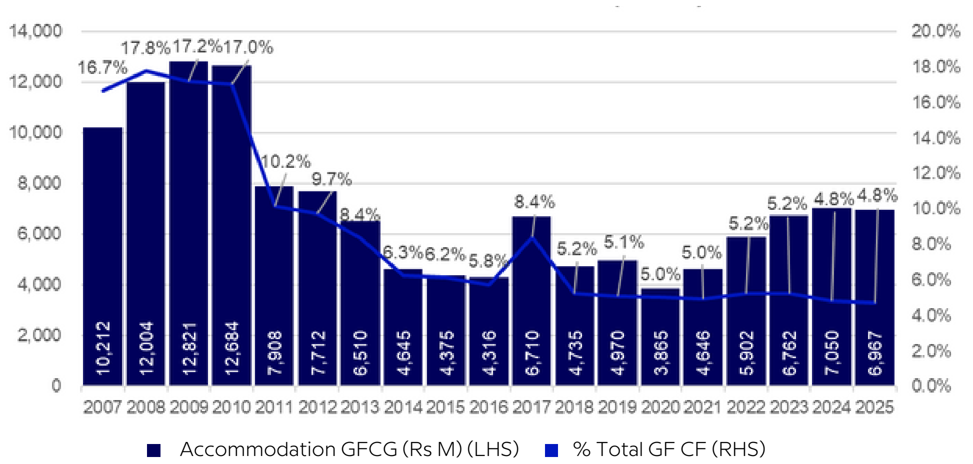
1.6M tourists

MAURITIUS' CAPACITY

According to our estimates, Mauritius can only accommodate 1.6M tourists and this shows that tourist arrivals are primed to stall in the forthcoming years. Also, room capacity has barely increased over the past 10 years.

Gross Fixed Capital Formation in the Accommodation sector remains in freefall from 2010 declining from Rs 12.9Bn to Rs 7.0Bn as of 2024. The investment has been entirely driven by the Private Sector. Moreover, the share of total GFCF has fallen from 17.0% in 2010 to 4.8% in 2024 with increasingly higher investment into the Real Estate sector instead.

ACCOMMODATION GFCF (RS M)



Mauritius presents a prime opportunity for hotel construction investment, supported by high occupancy rates exceeding 70% and a record-high Euro. These favourable conditions suggest new hotel ventures will be profitable, offering a more attractive return than markets like the Maldives, which is currently facing overcapacity.

However, to maintain profitability, any increase in hotel capacity must be carefully matched with a corresponding growth in demand. This strategic approach will prevent a return to the overcapacity issues of the early 2010s, which previously damaged market prices and the destination's overall price point.

KEY FACTORS DETERMINING DEMAND

DIRECT AIR CONNECTIVITY

Mauritius relies heavily on air access, meaning airplane seat capacity effectively acts as the ceiling for tourist arrivals. This strong supply-demand correlation is evident in the historical data. In 2014, seat capacity and tourist arrivals grew by exactly +4.6%, and the post-pandemic recovery in 2022 saw a **near 1:1 movement** with both metrics jumping approximately +450%.

By 2024, the sector showed increased efficiency, with tourist arrivals growing by 6.7% despite seat capacity only increasing by 3.7%, indicating higher load factors.

Beyond total capacity, Direct Air Connectivity plays a crucial role in determining demand. With the exception of Italy and Russia, the majority of visitors from key markets arrive via direct flights. This sensitivity to direct access was starkly illustrated by the Chinese market, where the withdrawal of flights in 2017 and 2018 led to a drastic fall in arrivals, proving that direct routes are often a prerequisite for volume growth.

If we compare 2019 to 2024, we can observe that a higher share of tourists is coming through direct flights:

A higher share of French tourists is coming directly and a sizable portion also come from Reunion Island (26.3%).

With Indigo launching a direct flight from Bangalore in November 2024, the share of Indian tourists arriving directly also increased.

The share of tourists arriving via Turkey has also increased from 2.6% in 2019 to 4.8% in 2024 with the increased influence from Turkish Airlines.

Year	Airplane 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%
2023	2,244,341	30.8%	1,295,410	29.9%
2024	2,328,122	3.7%	1,382,177	6.7%

Nevertheless, Dubai remains the clear leader in passenger traffic with 362,861 passengers. It is followed by Paris CDG (277,008), Istanbul (86,497), and Frankfurt (67,764). Together, these four hubs dominate the network, representing 44% of all passengers and 40% of available seat capacity.

	2019			2024		
Key Indicators	Directly	Via UAE	Others	Directly	Via UAE	Others
France	51.3%	11.1%	37.6%	54.5%	9.1%	36.4%
Germany	38.3%	27.3%	34.3%	40.0%	32.8%	27.2%
Italy	18.9%	50.6%	30.6%	16.3%	23.3%	60.4%
Switzerland	43.8%	26.2%	30.0%	42.5%	19.9%	37.6%
United Kingdom	53.0%	32.6%	14.4%	58.9%	28.7%	12.4%
Russian Federation	-	50.1%	49.9%	34.5%	54.0%	11.5%
Reunion Island	97.2%	0.5%	2.3%	96.4%	0.7%	2.9%
South Africa	92.3%	0.4%	7.3%	95.2%	0.6%	4.2%
India	75.1%	11.6%	13.3%	86.0%	8.1%	5.9%
Australia	63.8%	7.7%	28.5%	68.6%	8.7%	22.7%

The number of Air Seats is also direct determinant of demand. Between 2012 to 2018, the Number of Air Seats increased by +41.3% and as a result, tourist arrivals rose by +45.0%.

The share of tourists coming via UAE is set to further increase, with the launch of Emirate's 3rd daily flight from Dubai starting in December. The Number of Air Seats from Dubai stood at 407,775 as of 2024 with a very strong load factor of 85%, which further increased to 87% for the first semester of 2025.

The 3rd daily flight is likely to increase the number of Air Seats to 600,000. According to our estimates[8], and this could lead to a +112,000 increase in tourist arrivals and thereby adding up +8% country-wide arrivals growth.

Likewise, South African airways will introduce flights from Cape Town as from December 2025.

[8] Based on Load Factor of 85% and 72% tourists/passenger ratio.

AIRFARES EVOLUTION[9]

Mauritius continues to remain a high-priced destination for European tourists:

CONSISTENTLY EXPENSIVE

Across both tables, Mauritius is either the most expensive or second most expensive destination in 2025 (Direct: USD 1,069; Via Middle East: USD 1,115).

POST-PANDEMIC PRICE HIKES

Fares to Mauritius are significantly higher in 2025 than they were pre-pandemic (2019). The direct fare is up +14% (from USD 935), and the fare via the Middle East has jumped +30% (from USD 855).

NO CHEAPER ROUTE

In 2019, flying via the Middle East was a cheaper way to get to Mauritius (USD 855 vs. USD 935 direct). In 2025, that advantage is gone, and both routes are similarly expensive.

Airfares (both direct flights and via Middle East) have been declining for most destinations. Flights to Maldives, Seychelles and Sri Lanka, via the Middle East, are now close to their pre-pandemic levels. On the other hand, flights to Mauritius continue to command high prices.

Higher Airfares

COMPARED TO 2024

	Airfares [USD/seat]				
Direct from EU	**2025**	**2024**	**2023**	**2019**	**2014**
Seychelles	694	764	747	1,010	—
Maldives	1,060	825	857	825	—
Mauritius	**1,069**	**975**	**948**	**935**	**980**
USA	599	720	628	600	905
Sri Lanka	913	968	1,010	655	725
South Africa	776	1,079	746	780	840
Reunion	669	861	785	890	1,105
Singapore	951	931	989	710	935
Shanghai	777	722	834	580	955

	Airfares [USD/seat]				
Via Middle East	**2025**	**2024**	**2023**	**2019**	**2014**
Maldives	732	881	1,038	845	875
Seychelles	870	980	977	830	965
Mauritius	**1,115**	**1,144**	**947**	**855**	**1,065**
Sri Lanka	705	952	933	670	710
Singapore	766	912	913	660	750
South Africa	944	1,530	899	645	715
Shanghai	918	1,273	1,058	650	685

[9] Based on Load Factor of 85% and 72% tourists/passenger ratio.

COMPETITIVE LANDSCAPE

OVERVIEW

While tourist arrivals recovered quickly after the 2008 financial crisis, it took ten years for hotel occupancy to return to 2007 levels.

Supply of rooms increased by +33% from 2001 to 2010. This expansion mode led to an oversupply of rooms.

On top of that, the Great Financial Crisis led to a fall in tourism spending and coupled with the excess supply, this led to a period of Rate Wars between 2010-2013 which "hurt" the image of "premiumized" hotels.

This excess capacity, coupled with the low growth in tourist arrivals between 2010-2013, contributed towards an average national hotel room occupancy rate that remained in the 61% to 65% bracket as from 2009 to 2015.

Post 2015, with the increase in Air Capacity, Arrivals reprised and coupled with the stagnating room supply, this led to a period of above 70% Occupancy levels.

The tight supply has led to higher occupancy even during low period (which was usually in Quarter 3 (Apr-Jun) and Quarter 4 (Jul-Sep):

Quarterly Hotel Occupancy	2004	2009	2014	2019	2024	2025
Quarter 1 (Jan-Mar)	67%	63%	68%	73%	69%	68%
Quarter 2 (Apr-Jun)	56%	54%	57%	66%	69%	72%
Quarter 3 (Jul-Sep)	58%	57%	60%	72%	71%	79%
Quarter 4 (Oct-Dec)	70%	68%	74%	79%	78%	
Year	**63%**	**61%**	**65%**	**73%**	**74%**	

Occupancy levels are closing in at around 70% even in Q3 and Q4. As such, many hotels are posting profits even during low seasons. For the quarter ending Sep-26, all 3 major hotel groups were profitable, a feat that has previously never occurred.

The trend continued in 2025, with Q2 occupancy exceeding that of Q1, but this was principally linked to Easter Holidays in April.

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	1,137	113	13,523	120	75%
2019	1,383,488	45,614	1,148	112	13,489	120	73%
2020	308,980	57,169	1,281	106	13,297	125	24%
2021	179,780	84,843	1,735	111	13,507	122	21%
2022	997,290	65,021	1,407	105	13,017	124	62%
2023	1,295,410	66,383	1,361	107	13,387	125	74%
2024	1,382,177	67,700	1,345	109	14,059	129	72%
2025	1,436,250	71,300	1,377	106 [10]	13,555	128	72%

[10] For the first 9 Months of 2025

COMPOSITION

HOTELS VS NON-HOTELS

Over the past 10 years, room capacity in our country has been increasing by merely +1.13%:

- Non-Hotel rooms have been expanding over the years (+1.5% 10Y CAGR) while Hotel Capacity has remained almost stable.
- According to the 2024 Survey of Inbound Tourism, 75.4% of tourists prefer to stay in hotels and the proportion has declined from 82.0% in 2006. On the other hand, the share of non-hotels has been increasing from 18.0% in 2006 to 24.6% in 2024.
- Tourists opting to stay in Non-Hotels generally stay for a longer period **(15.1 nights)** compared to 9.1 nights for tourists accommodating in Hotels.

TOURISTS OPT TO STAY IN NON-HOTELS FOR

15.1 nights

COMPARED TO

9.1 nights

STAY IN HOTELS

Non-Hotels accommodations cost cheaper than hotels to the tune of Rs 2,100 per night compared to Rs 9,000 for hotels. On a daily basis, Tourists spend four times as much in hotels as compared to non-hotels.

Year	Hotel Rooms	Non-Hotel Rooms	Total Rooms
2014	12,799	7,023	19,822
2015	13,617	7,480	21,097
2016	13,547	8,288	21,835
2017	13,511	7,535	21,046
2018	13,523	6,847	20,370
2019	14,108	6,938	21,046
2020	13,865	8,498	22,363
2021	13,865	8,498	22,363
2022	13,017	8,340	21,357
2023	13,387	8,357	21,744
2024	14,059	8,131	22,190
CAGR	**+0.9%**	**+1.5%**	**+1.1%**

Tourism Expenditure (Rs)	2012			2024		
	Hotel	Non-hotel	All tourists	Hotel	Non-hotel	All
Average expenditure per tourist	44,115	26,770	40,035	81,300	39,600	71,000
Average expenditure per tourist per night	5,436	1,999	4,221	9,000	2,100	6,200

Over the past 12 years, average daily expenditure for tourists accommodating in hotels has increased by +66% while Non-Hotels expenditure has fell by -4.8%.

HOTELS COMPETITIVE LANDSCAPE

The industry is dominated by key hotel groups – NMH, Attitude, Sunlife, LUX, ER Hospitality, and Constance, Beau Vallon and Tropical Paradise which accounts for more than 50% of the industry's capacity.

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

Company [11]	Star Category	No of Rooms	Number of Hotels	Market share	Room/Hotel
NMH	4*, 5*	2,021	8	14.4%	253
Attitude	3*, 4*, 5*	1,172	9	8.3%	130
Sunlife	4*, 5*	1,058	4	7.5%	265
LUX	4*, 5*	916	5	6.5%	183
ER Hospitality [12]	3*, 4*, 5*	795	7	5.7%	114
Riveo	5*	439	2	3.1%	220
Constance	5*	344	2	2.4%	172
Beau Vallon	4*	330	2	2.3%	165
Tropical Paradise	4*, 5*	313	3	2.2%	104
Morning Light	5*	193	1	1.4%	193
Bluelife	4*	100	1	0.7%	100
Others	-	6,378	65	45.4%	98
Industry	**All**	**14,059**	**109**	**100.0%**	**129**

Star Category [13]	Hotels	Room Market Share	Rooms/Hotel
5 Star Luxury	10	9.2%	124
5 Star	30	38.0%	176
4 Star Superior	7	10.5%	201
4 Star	26	27.5%	147
3 Star Superior	11	5.6%	75
3 Star	16	6.2%	56
2 Star	9	2.9%	43
Total	**109**	**100.0%**	**128**

The Mauritian Hotel Industry is skewed towards luxury offerings, with 68% of all hotels having a rating of at least 4*.
Moreover, premium hotels (>=4*) account for around 85% of the industry's room capacity.

[11] Only Mauritian hotels of each group have been included
[12] Comprises both Veranda and Heritage groups hotels.
[13] Source: AHRIM FY25 Annual Report

INDUSTRY ECONOMICS [14]

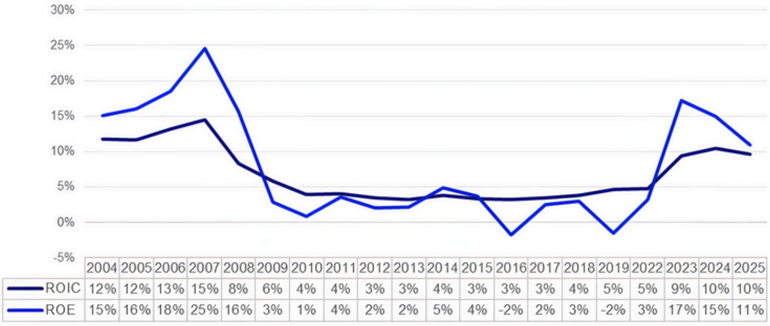
Return on Capital has largely fluctuated for the industry over the past 20 years:

2004–2007: ROIC averaged 13% between the period, on the back of rising EUR and higher margins of the 3* and 4* segments.

2008 – 2019: The industry incurred dismal returns for more than a decade after the Great Financial Crisis with a drastic fall in operating margins (with premiumized hotels having higher operating costs) and lower asset turnover (newer assets did bring a proportional increase in revenue).

2022 – 2025: On the back of a stronger EUR, restructured Balance Sheet and pent-up demand from the COVID-19 Recovery, the industry's ROIC improved to an average 10% between the period.

INDUSTRY AVERAGE ROE & ROIC



*2020 & 2021 excluded

SUCCESSFUL POST-COVID RECOVERY

Industry Average Metrics	2004-2007	2016-2019	2022 - 2025
Operating Margin	27%	11%	20%
Capital Turnover	0.55	0.40	0.51
ROIC	12.8%	3.8%	10.0%
ROE	18.5%	0.5%	12.0%
PAT Margin	20.6%	-0.1%	12.3%
Debt/Equity	64.5%	106.9%	94.0%

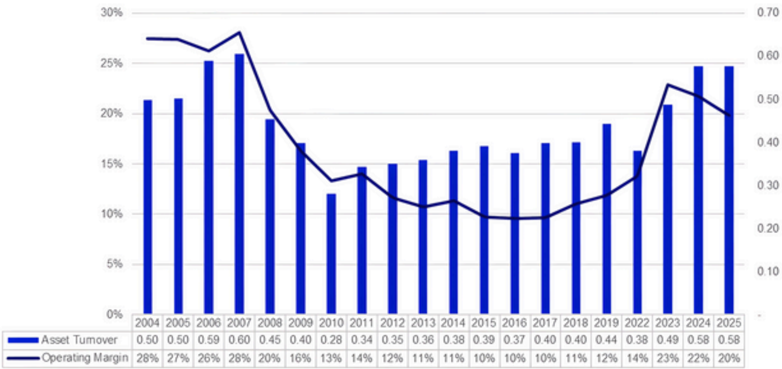
Both operating margin and asset turnover improved drastically post-covid with the latter nearing its pre 2008 peak. All of the 3 major hotel groups went on to post record PAT in FY23 and FY24 especially NMH, which finally surpassed its Rs 1.99Bn PAT in 2007.

We believe the prolonged value destruction observed between 2008 and 2019 was driven by a misalignment that has since been corrected. During that period, the industry fell into a premiumization trap. Operating costs surged to support premium inventory, compressing margins to a largely unsustainable 11%. Conversely, the post-Covid landscape demonstrates a successful reset of the operating model, most visibly through stricter labour recruitment and enhanced productivity.

The data confirms a widespread reduction in Staff per Room ratios. For instance, Sunlife achieved a massive efficiency gain, dropping from 2.73 staff per room in FY19 to 2.03 in FY25. Similarly, NMH tightened its operations from 2.56 to 2.35, and LUX improved from 2.64 to 2.46. This streamlining has lowered the industry's breakeven point, directly fuelling the restoration of Operating Margins to 20%.

With Capital Turnover rebounding to 0.51x and a cost base that is now significantly lighter and more flexible than in 2019, the low-turnover, high-cost cycle of the previous decade is behind us.

OPERATING MARGIN AND ASSET TURNOVER



*2020 & 2021 excluded

[14] Analysis of the industry has been computed using NMH, LUX, SUN and RIVEO combined data.

WHAT WERE THE KEY DRIVERS TO RECORD PROFITABILITY FOR HOTELS?

There were multiple factors leading to hotels having record profitability

Mauritian hotels are key beneficiaries of the MUR substantial depreciation

RUPEE DEPRECIATION

Mauritian hotels are key beneficiaries of the MUR substantial depreciation against hard currencies between 2019 and 2024 (EUR: +26.7%, USD: +29.7%, GBP: +31.4%).

To quantify this sensitivity, we performed a regression analysis on proxy sector profitability. Our reveals a high statistical significance between the EUR/MUR exchange rate and aggregate operating profits.

The model suggests a currency multiplier effect, where a MUR 1 depreciation in the EUR/MUR exchange rate yields an approximate MUR 250M increase in aggregate industry operating profit. This statistically validates that the exchange rate is the primary financial driver of sector profitability in normal operating conditions.

MUR 1 depreciation

YIELDS APPROX MUR 250M ↑ IN AGGREGATE INDUSTRY OPERATING PROFIT

The industry's business model is structured to benefit from this trend. **Revenues are predominantly earned in hard currencies. As seen with LUX, which sources 50.2% of revenue in EUR, 24.5% in USD, and 13.5% in GBP**. Conversely, a large portion of the operating cost base is denominated in the local MUR.

This mismatch directly inflates MUR-reported revenues and improves operating margins as foreign earnings are converted. While this currency effect provides a significant boost, the data also shows underlying growth. Hotels successfully increased their revenues in EUR terms, demonstrating that growth was not exclusively driven by the currency tailwind, even though the MUR-reported growth rates are proportionally higher.

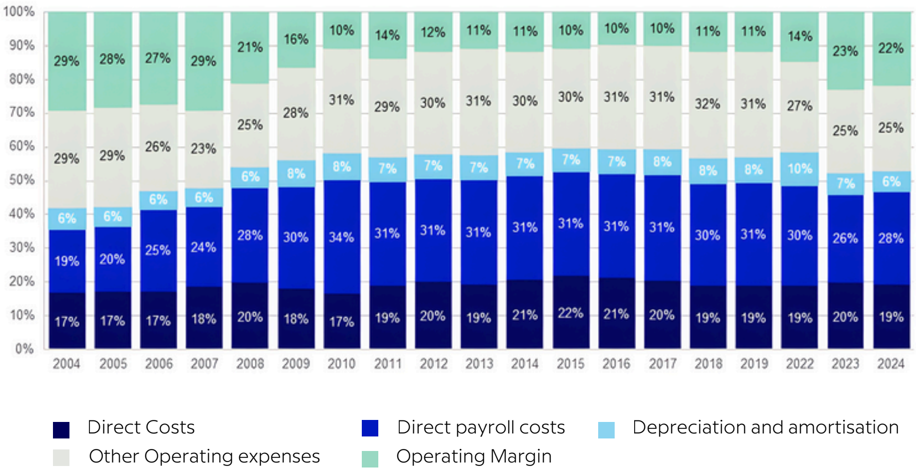
	Rs M			EUR M		
Revenue	**2019**	**2024**	**% 5Y Change**	**2019**	**2024**	**% 5Y Change**
NMH	9,688	15,408	59.0%	240.9	323.9	34.5%
LUX	6,190	9,716	57.0%	153.9	204.3	32.7%
SUN	6,730	8,765	30.2%	167.3	184.3	10.1%

Hotels usually have a high operating leverage characterised by a high fixed cost structure. According to our estimates, around 60% of a hotel's expenses is fixed and as such, a higher revenue translates directly into a rise in operating profits.

IMPROVEMENT IN MARGINS

The post-Covid recovery led to a massive improvement in Operating Margin from an average of 10% between 2010-2019 to around 22% as of 2024. The graph below shows the evolution of Operating Margins:

OPERATING MARGIN BREAKDOWN (%)



↓ Depreciation Cost

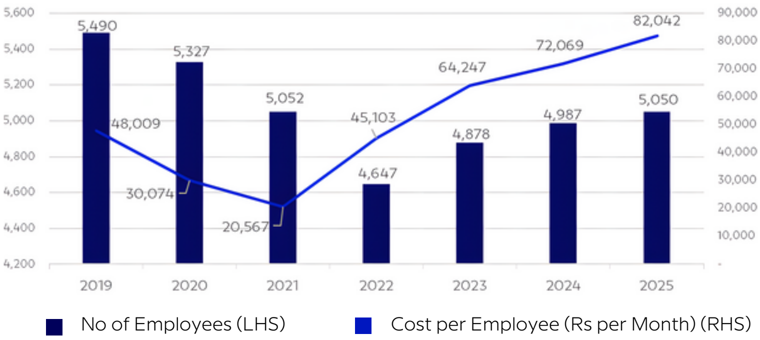
The first determinant of an increase in operating margins is the lag effect of inflation whereby revenue is immediately adjusted in terms of higher prices while the inflationary effects of operating costs are deferred. For instance, **depreciation used to account for around 8% in 2019 and has now declined to 6% since depreciation mostly relates to past capex.**

Hotels Operating
WITH ↓ NUMBER OF STAFFS

The second major determinant is payroll costs. Hotel companies are operating at less capacity compared to pre-covid level. According to AHRIM, as of Mar-25, there were 28,445 persons employed in the Hospitality Industry, which is around -8.9% compared to Mar-19.

Additionally, most of the major hotels are operating below their pre-covid number of staffs and as we can see in the below graph, NMH had around 500 less staffs in 2024 compared to 2019. As such, despite significant wage inflation (with the increase in minimum monthly wages from Rs 9,000 in 2019 to Rs 17,110 in 2024), the major hotel groups were able to keep staff costs subsided. **On average, a staff earns a monthly income of Rs 72,069 as of FY24 in NMH compared to Rs 48,009 in FY19, a whopping increase of +50.2%!**

NMH MONTHLY COST PER EMPLOYEE (RS)



Hotels Indebtedness	LUX	NMH	SUN	Industry Average
2019 Debt/Equity	75.1%	159.6%	99.9%	**111.6%**
2024 Debt/Equity	33.0%	118.1%	52.1%	**67.7%**
2019 Debt/Operating Profit	5.04x	17.04x	11.85x	**11.31x**
2024 Debt/Operating Profit	1.71x	4.95x	4.09x	**3.58x**

Groups	MIC Loans (Rs M)
LUX	1,470
NMH	2,500
SUN	3,100
Total	7,070

Lower Other Expenses

This is mainly due to a change in accounting treatment with respect to lease liabilities.

MIC

Prior to COVID-19, Hotels were highly indebted with a Debt/Equity of 112% in FY19 and Debt/Operating Profit of 11.31x.

Then the Covid crisis struck and the BOM set up the Mauritius Investment Corporation Ltd (MIC), its wholly-owned subsidiary, to support businesses across the country, most notably in the hospitality sector. MIC disbursed around Rs 17Bn in Convertible Debt with a low fixed rate of around 3%-4%, of which the hospitality sector benefitted around Rs 13.1Bn.

The major hotel groups undertook around Rs 7.07Bn of MIC loans, which accounted for more than 50% of total disbursement of the MIC to the hospitality sector.

The MIC provided the necessary inflows during the covid crisis and enabled the hotels to sustain during the prolonged period of almost zero tourist arrivals. The low fixed interest rate of 3%-4% also benefitted hotels when major central banks across the globe (including BoM) hiked rates in 2022 and 2023.

PERIODS OF OUTPERFORMANCE

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

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.

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.

2013 – 2014: With EU recovering and enhanced arrivals from Asia, this eventually led to a rise in arrivals and occupancy crossing 70%.

2021 – 2025: Pent up demand, MUR depreciation and margins expansion led to record profitability, pushing up all three of the companies share prices. This remains the longest period of share appreciation for the industry since the Great Financial Crisis of 2008.

INDUSTRY VS SEMDEX

[15]

OUTPERFORMANCE BY YEAR

Since 2020, hotels have returned [16] an average of +135.7% compared to +49.8% for SEMDEX. Notably, SUN has enjoyed 5 consecutive years of stock market increases, rising by +370.3% since the end of 2020.

LUX remains a notable laggard, having fallen in both 2024 and 2025.

Yearly Returns	LUX	NMH	SUN [17]	CHSL	SEMDEX
2007	121.0%	83.0%	76.2%	72.0%	53.8%
2008	-76.8%	-58.8%	-66.7%	-36.0%	-36.1%
2009	33.8%	67.5%	64.3%	-9.1%	40.4%
2010	-29.2%	-17.9%	-18.8%	-29.0%	18.5%
2011	2.0%	-25.9%	-15.0%	-15.5%	-4.0%
2012	-37.7%	-30.7%	-42.0%	-23.3%	-8.3%
2013	142.6%	56.6%	50.7%	60.9%	21.0%
2014	52.7%	-9.9%	8.2%	5.4%	-1.0%
2015	-0.8%	-34.5%	-24.2%	-10.5%	-12.7%
2016	0.0%	8.3%	3.1%	-4.4%	-0.1%
2017	16.0%	28.9%	38.5%	-3.9%	21.8%
2018	3.6%	-12.1%	-1.4%	-8.0%	0.7%
2019	-31.3%	-34.4%	-37.9%	-12.7%	-1.9%
2020	-45.9%	-61.0%	-53.7%	-48.7%	-24.3%
2021	58.3%	30.0%	37.7%	56.8%	27.3%
2022	21.1%	28.2%	60.5%	-1.9%	-2.0%
2023	13.2%	22.0%	24.6%	1.0%	-0.8%
2024	-3.0%	26.1%	54.7%	-7.3%	17.9%
2025	-7.1%	-0.4%	8.6%	-25.0%	-0.9%

Nevertheless, despite recent gains, the industry remains well below its 2007 peak showing the importance of TIMING when investing in hotel stocks. Investments made in peaks can lead towards catastrophic returns if earnings are not sustainable. On the other hand, **Investments made during troughs are often very rewarding when all sentiments are negative.**

[15] Share prices of NMH, SUN and LUX used to construct index (Adjusted for splits, spinoffs, etc).
[16] Only Share Price Appreciation
[17] Including Returns from Riveo Spinoff

NMH
STOCK ANALYSIS & RECOMMENDATION

Details	Description
AXYS Ticker	NMHL
Name	New Mauritius Hotels Limited
Ticker	NMHL.N0000
Market Cap (Rs M)	7,630.85
Trailing PE	3.97x
Dividend Yield	5.40%
Share Price	13.90
Target Price	**11.15**
Upside/Downside	-19.8%
Recommendation	Reduce

HOTEL PORTFOLIO

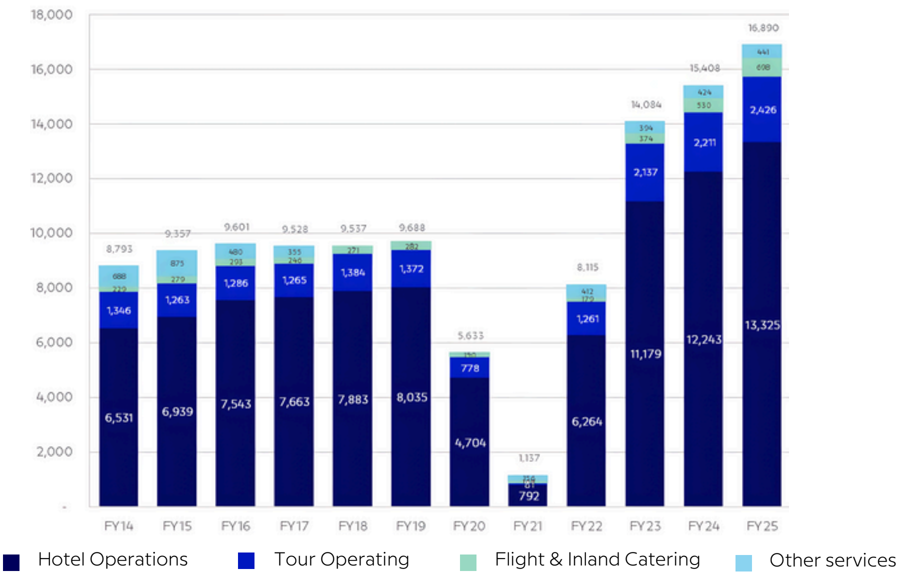
Country	Hotel	Rooms	Star Rating
Mauritius	Royal Palm	69	5* Luxury
Mauritius	Dinarobin	175	5*
Mauritius	Paradis	293	5*
Mauritius	Trou aux Biches	333	5*
Mauritius	Shandrani	327	4*
Mauritius	Victoria	295	4*
Mauritius	Canonnier	283	4*
Mauritius	Mauricia	239	4*
Morocco	Fairmont Royal Palm Marrakech	134	5* Luxury

With 9 hotels in its portfolio, the group has 2,148 rooms, among which 2,014 are in Mauritius, which makes it the largest hotel group in Mauritius with a Market share of 14.7%. NMH currently has a management contract with Accor Group for Royal Palm Marrakech. The group also receives rental income through its 295-room hotel in Seychelles which is rented to Club Med.

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 14%-16% of total revenue.
2. Flight and Inland Catering – Contributes around 2%-3% of total revenue.
3. Other Services (Mainly through rental income of Club Med in Seychelles) – Accounts for around 2%-3% of total revenue.

NMH REVENUE BREAKDOWN (RS M)



The bulk of the hotel's profitability stems from its Hotel Operations (around 79% in FY24). Tour Operating activities has also been a consistent stream of profitability over the years, with PAT margins having significantly increased post-covid and has averaged 14.6% since FY22.

Other Services has also been profitable since FY22 on the back of rental income from Club Med Seychelles. However, Flight & Inland Catering services has always generated meagre profitability.

PAT Breakdown (Rs M)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Hotel operations	(65)	(664)	172	200	99	(592)	(2,782)	(119)	1,703	1,693	1,461
Tour operating	103	(25)	71	75	88	(17)	(159)	140	400	311	336
Flight & Inland Catering	21	23	(7)	5	(9)	(36)	(35)	(157)	(40)	22	47
Other Services	149	(301)	(203)	(145)	(21)	(42)	(155)	181	219	116	172
Total	**208**	**(967)**	**33**	**134**	**157**	**(686)**	**(3,130)**	**45**	**2,282**	**2,142**	**2,016**

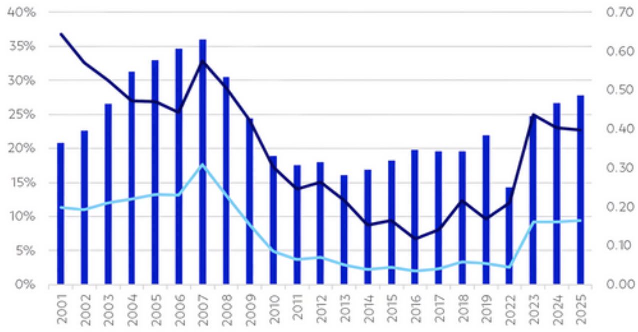
NMH
EVOLUTION OVER THE YEARS

In the early 2000s, NMH achieved historic profitability, becoming the first Mauritian company to break the Rs 1Bn profit barrier, driven largely by favorable asset turnover and significant Euro appreciation. However, the post-2008 financial crisis era marked a sharp downturn, with operating margins shrinking from 25% to 10% and ROIC falling to 2-5%.

Expansion through Debt

During this transition (2007–2011), the group undertook massive debt-financed projects, including Royal Palm Marrakech and the reconstruction of Trou aux Biches, hoping to build on previous momentum. Unfortunately, this expansion clashed with a period of industry rate wars and at the height of the Great Financial Crisis.

ROIC, OPERATING MARGIN AND ASSET TURNOVER

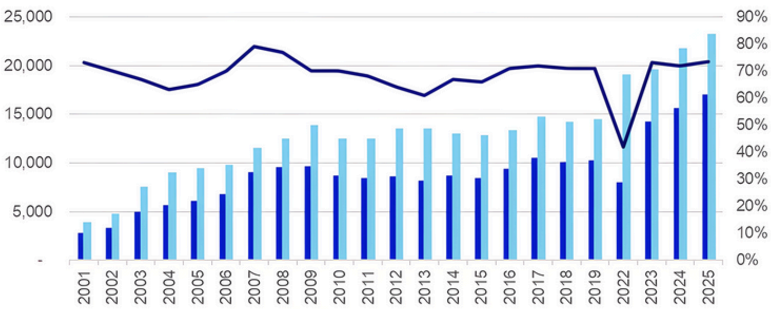


The group's financial performance has proven to be heavily dependent on the depreciation of the Mauritian Rupee (MUR) against the Euro. While the 2010s saw stagnant growth due to a stable exchange rate, the company experienced surges in room rates and profitability during periods of significant MUR depreciation, specifically between 2001–2009 and the post-COVID recovery period (2019–2024).

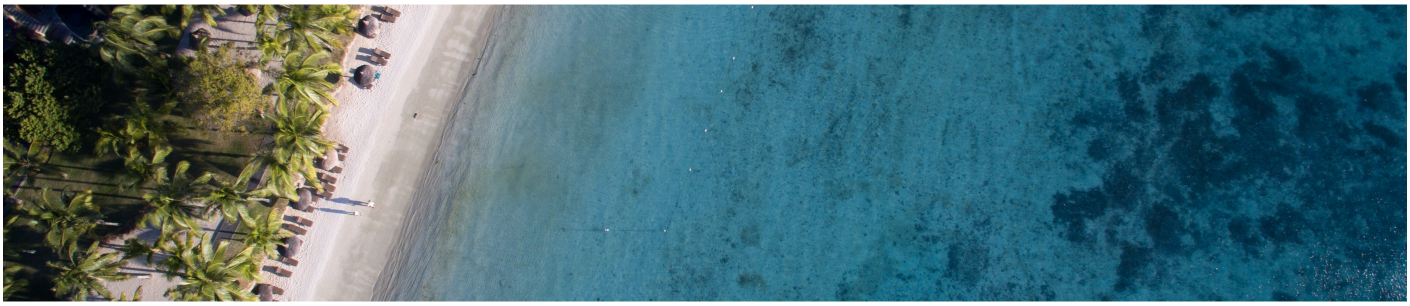
Growth Rates (CAGR)	2001-2009	2009-2019	2019-2024
EUR/MUR	6.2%	-0.5%	4.8%
Total Revenue per Occupied Room per Night (Rs)	16.8%	0.6%	8.8%
Average Room Rate (Using Total Revenue) (Rs)	17.4%	0.5%	8.5%

Post-pandemic, the combination of a weaker Rupee and higher tourist spending has once again boosted revenue relative to the asset base, improving operating margins.

NMH ROOM RATES VS OCCUPANCY



Despite these financial volatilities, NMH has generally maintained an average occupancy of 69% over the last 20 years, remaining in line with the wider industry.



NMH
PRE-COVID STAGNATION

The major capex projects (Trou aux Biches Beachcomber and Royal Palm Marrakech) were financed by debt and as shown below, given the stagnation of tourism spending in the country for much of the previous decade, revenue increase was not proportional to asset growth:

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. NMH sold around Rs 2Bn of land inventory to Semaris, of which Rs 800M were settled at the time of disposal, and the remaining was recorded as Long-Term Loan Receivable Assets in its balance sheet, which stood at around Rs 1.48Bn as of FY24, and making up for most of the group's Financial Assets at Amortized Costs.

Moreover, in line with the industry, NMH margins fell drastically from 27% in 2004 to 10% in 2019, primarily driven by payroll costs after NMH hired more than 1000 staffs during the period. This led to a contraction in Operating Profit by -2.1% CAGR between 2004 to 2019.

As such, PAT fell to a meagre Rs 157M in FY19 from a peak of almost Rs 2Bn in FY07.

BHI

In 2023, Leisure Property Northern (Mauritius) Limited (LPNM), a wholly owned subsidiary of Grit Real Estate Limited and which owned 44.42% of BHI, decided to exit its investment in BHI and to fund this purchase, NMH issued Preference shares (Class A and Class B) for a gross amount of Rs 1.99Bn.

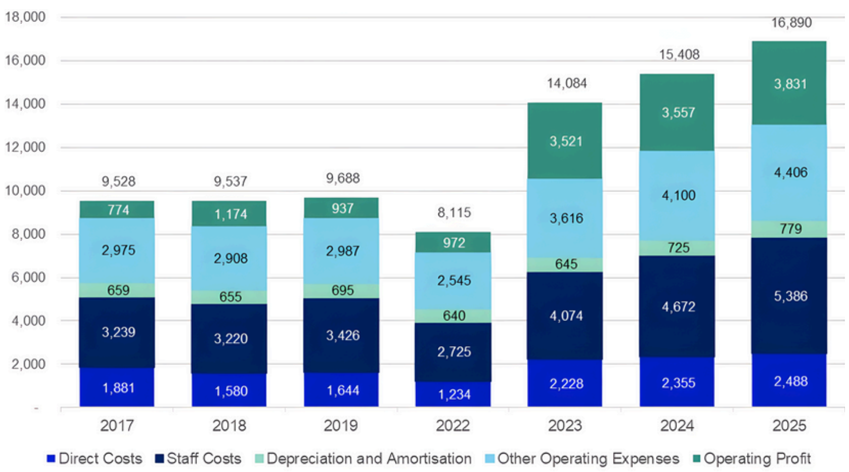
Key Metrics	2004	2019	% Increase
Hotel Rooms at EOY	1,756	2,148	122.3%
Total Revenue (Rs M)	4,739	9,688	204.4%
Total Operating Profit (Rs M)	1,282	911	-28.9%
Total PAT (Rs M)	966	157	-83.7%
Total Assets (Rs M)	11,238	33,054	294.1%
Total Debt (Rs M)	3,423	15,519	453.4%
Staffs/Room	2.4	2.6	106.2%
Assets/Room	6.1	15.4	254.1%
Revenue/Room	2.6	4.5	176.6%
Debt/Room	1.8	7.2	391.7%

Key Income Statement Growth (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%

POST COVID RECOVERY

NMH revenue increased by around +59% since 2019 to Rs 15.4Bn, on the back of a combination of a depreciating MUR and "revenge" travel and given the high fixed cost structure of hotels, the increase in revenue translated into higher operating profit.

OPERATING PROFIT BREAKDOWN (RS M)



Staff costs increased by +36.4% since 2019 to Rs 4.67Bn. However, the group is operating with around 500 less staffs compared to 2019.

Moreover, as previously mentioned, **Cost per employee has increased by +50.1% since 2019 and should continue to mount up** given the prevailing labour supply constraints in the Hospitality industry.

NMH
LEVERAGE & REFINANCING

Debt Servicing Metrics	2018	2019	2020	2021	2022	2023	2024	2025
Total Debt (Rs M) [18]	16,420	15,907	18,480	24,650	23,177	21,464	19,842	18,848
Net Debt (Rs M)	15,362	15,153	17,750	23,416	21,625	19,882	18,302	17,203
Total Equity (Rs M) [19]	13,574	9,724	7,169	6,063	9,278	11,011	13,130	15,870
Total Adjusted Equity (Rs M)	13,574	9,724	7,169	4,960	7,445	9,178	11,297	14,037
Operating Profit (Rs M)	1,171	922	339	(2,417)	807	3,388	3,339	3,585
Interest Expense (Rs M)	(845)	(773)	(435)	(820)	(1,191)	(1,153)	(1,258)	(1,134)
Reported Gearing (%)	53.1%	60.9%	71.2%	79.4%	70.0%	64.4%	58.2%	52.0%
Adjusted Gearing (%)	53.1%	60.9%	71.2%	82.5%	74.4%	68.4%	61.8%	55.1%
Adjusted Net Debt / Equity (%)	113.2%	155.8%	247.6%	472.1%	290.5%	216.6%	162.0%	122.6%
Interest Cover (xx times)	1.39x	1.19x	0.78x	-2.95x	0.68x	2.94x	2.65x	3.16x
Debt/Operating Profit	13.11x	16.43x	52.31x	-9.69x	26.81x	5.87x	5.48x	4.80x

Although NMH has generated a consistent Rs 2Bn PAT for three consecutive years, enabling a net debt reduction of nearly Rs 6Bn since FY21, the group's leverage ratios remain elevated.

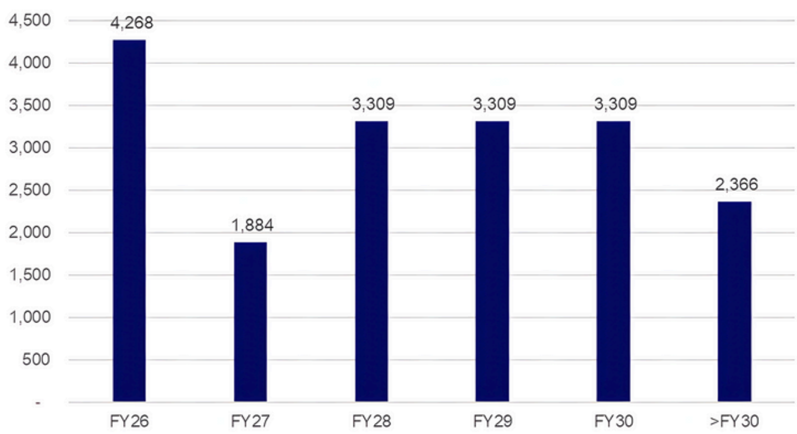
Nevertheless, NMH continues to be highly indebted with a Net Debt/Equity of 122.6%. Even on the back of strong earnings since FY23, Debt/Operating Profit stands at an alarming 4.8x.

While total debt has declined, the readjusted gearing ratio stands at a worrying 55.1%.

REFINANCING RISK

Over the past 3 Financial Years, NMH has earned around Rs 3.5Bn in FCF and after accounting for Interest payment of Rs 1Bn annually, NMH is left with Rs 2.5Bn to repay its debt. As such, the group must therefore refinance its loans every year and could run into serious trouble in case of a credit crunch.

REPAYMENT SCHEDULE (MUR M)



Moreover, in early FY26, the group repaid around Rs 1.25Bn of its Rs 2.5Bn owed to MIC and the amount has been refinanced by a bank loan, presumedly at a higher interest rate compared to the low MIC rate of 3.5%.

Debt Mix: 55% in EUR and 44% in MUR.
Debt Mix: Fixed & Floating: 65% Floating and 35% Fixed.

[18] Convertible Debt included.
[19] Convertible Debt Deducted in computation of Total Equity and Gearing might differ from NMH's official figures. Total Equity also comprises of Preference Share Capital, issued in 2023 following Grit exiting their investment in BHI, a subsidiary of NMH.

NMH
LATEST FINANCIALS

Key Financials (Rs M)	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue	9,537	9,688	5,633	1,137	8,115	14,084	15,408	16,890
EBITDA	1,844	1,743	271	(1,991)	2,036	4,784	4,797	4,809
EBIT	1,185	1,033	(339)	(2,815)	1,256	3,962	3,854	3,784
PAT	247	157	(686)	(3,130)	45	2,282	2,142	2,016
Total Assets	36,361	33,053	35,960	38,252	40,759	42,199	43,600	46,618
Equity	13,574	9,724	7,169	6,063	9,278	11,011	13,130	15,870
Total Debt	16,420	15,907	18,480	24,650	23,177	21,464	19,842	18,848
Invested Capital	30,509	25,798	29,885	31,962	32,969	33,762	34,370	37,075
Earnings/(Loss) per Share (Rs)	-	0.06	(1.33)	(5.78)	(0.12)	3.86	3.54	3.17
Dividends Per Share (Rs)	0.22	0.22	0.15	-	-	-	0.50	0.70

Key Metrics	2018	2019	2020	2021	2022	2023	2024	2025
Number of rooms available (#)	2,148	2,148	2,148	2,148	2,148	2,148	2,148	2,148
Occupancy (%)	71%	71%	44%	10%	42%	73%	72%	73%
TREVPAR (Rs)	10,303	10,328	8,125	979	7,956	14,252	15,592	17,263
PPE/Room (Rs M)	11.99	12.06	12.19	12.09	13.04	13.08	13.37	12.99
Invested Capital/Room (Rs M)	14.20	12.01	13.91	14.88	15.35	15.72	16.00	17.26
Asset/Room (Rs M)	16.93	15.39	16.74	17.81	18.98	19.65	20.30	21.70
Revenue/Room (Rs M)	4.44	4.51	2.62	0.53	3.78	6.56	7.17	7.86
Key Financial ratios (%)								
ROE (%)	1.0%	1.6%	-9.6%	-51.6%	0.5%	20.7%	16.3%	11.0%
ROA (%)	0.4%	0.5%	-1.9%	-8.2%	0.1%	5.4%	4.9%	4.3%
ROIC (%)	3.3%	3.0%	1.0%	-6.4%	2.1%	8.6%	8.5%	8.4%
Net Profit Margin (%)	2.6%	1.6%	-12.2%	-275%	0.6%	16.2%	13.9%	11.9%
FCF Margin (%)	11.0%	-2.3%	2.3%	-133%	24.3%	23.4%	22.8%	20.6%
NOPAT Margin (%)	10.4%	8.1%	5.1%	-181%	8.4%	20.7%	18.9%	18.5%

GROWTH STRATEGY

NMH is advancing its expansion initiatives across Morocco, Zanzibar, and Mauritius with the following key developments:

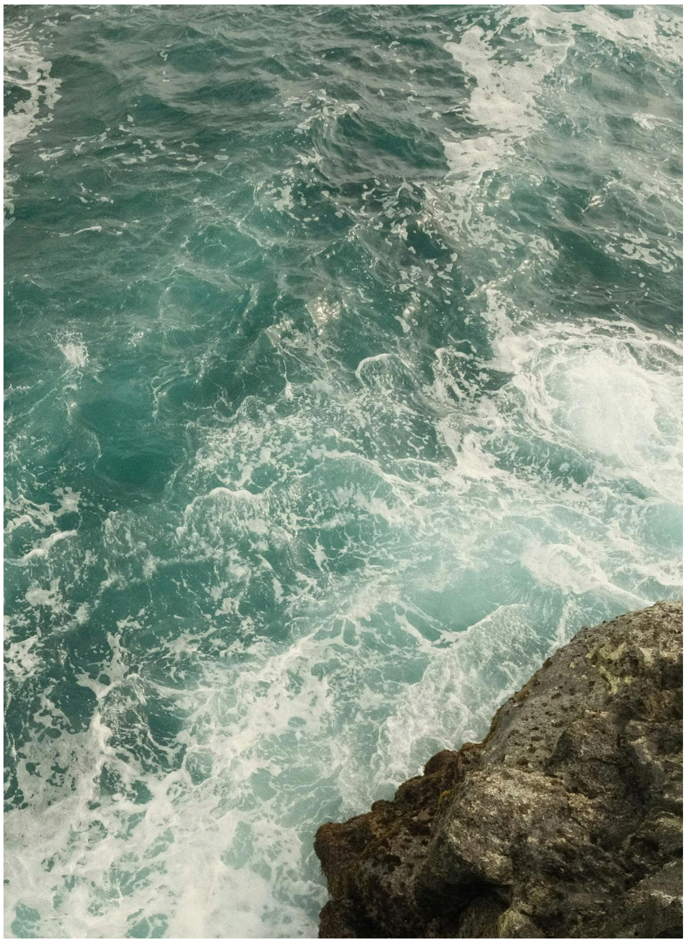
Morocco (Fairmont Royal Palm Marrakech)
Phase 2 will commence shortly, doubling capacity by adding 134 rooms. To finance this, NMH has formed a strategic partnership with Ynexis Group, a Moroccan property developer. The partners have incorporated a Special Purpose Vehicle (SPV), Apexia Beachcomber Properties, to manage the expansion. As Ynexis holds a 51% controlling stake (leaving NMH with 49%), the associated project debt will remain off NMH's balance sheet.

Zanzibar
To capitalize on high arrival rates and ADR growth, NMH will acquire a resort in Zanzibar. Funding will be secured through a mix of debt and capital from BHI. Specifically, NMH will execute a sale-and-leaseback transaction of the Royal Palm Mauritius to BHI for EUR 50M. Additionally, BHI will raise EUR 35M through the issuance of Class C and D Preference shares.

Mauritius
The Group is currently awaiting final permits for the Harmonie Beachcomber Resort at Les Salines Black River. This 4-star project will feature approximately 200 rooms. Additionally, an 18-hole golf course will be constructed with completion targeted for 2027.

NMH: VALUATION & RECOMMENDATION

Our valuation is based on the following projections
(full assumptions and sensitivity analysis available in Appendix 2)



Revenue Growth
We project a +3.3% revenue growth over the next six financial years, driven by ADR growth of +5% in FY26–27, stabilizing at +3% thereafter.

Occupancy
Models assume average occupancy rates of 74% for Mauritius (higher than historical average) and 53% for Morocco.

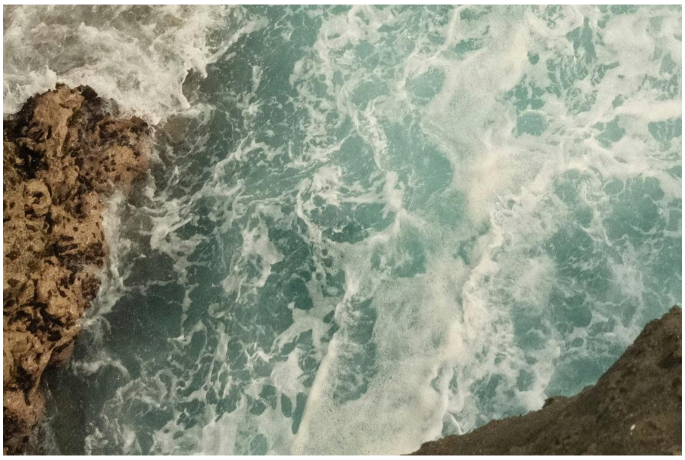
Margins
We anticipate margin compression from the current 27.3% down to 23.5% by FY31, primarily driven by rising personnel costs.

Capex
Recurring maintenance capex is estimated at Rs 1 Bn annually, escalating by 3% per year.

Fair Value
These inputs yield a target price of Rs 11.15/share, implying a -19.8% downside from the current market price of Rs 13.90.

OUTLOOK
NMH's highly levered balance sheet presents significant risk. We remain sceptical of the Group's ability to comfortably weather a potential downturn.

Double Leverage Effect: The Group operates with high operating leverage (estimated 60%–70% fixed costs). When combined with high financial leverage, even a minor contraction in sales could result in insufficient cash flows to service debt.



RECOMMENDATION
While NMH appears undervalued on a relative basis (TTM P/E of 3.99x), the fundamental risks outweigh the optical cheapness. The stock currently trades at a ~25% premium to our derived intrinsic value.

Moreover, while debt level is already enormous, the group will be undergoing 4 major projects almost simultaneously (Renovation of Beachcomber Trou au Biches (the largest hotel in the country), Acquisition in Zanzibar, Extension of Royal Palm Marrakech and Golf Course construction in Black River). These 4 major projects are certainly going to add to NMH already significant debt pile.

As such, given further expected indebtedness and high premium of intrinsic value compared to the current share price, we recommend a REDUCE rating on the stock.

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

*According to our DCF Valuation

SUNLIFE

STOCK ANALYSIS & RECOMMENDATION

Details	Description
AXYS Ticker	SUN
Name	Sunlife Limited
Ticker	SUN.N0000
Market Cap (Rs M)	8,657.26
Trailing PE	5.39x
Dividend Yield	5.84%
Share Price	44.50
Target Price	**56.20**
Upside/Downside	+26.3%
Recommendation	Accumulate

HOTEL PORTFOLIO

Country	Hotel	Rooms	Star Rating
Mauritius	Long Beach	255	5*
Mauritius	Sugar Beach	258	5*
Mauritius	La Pirogue	248	4* Superior
Mauritius	Ambre	297	4*

Sun was previously a 6-Hotel Portfolio but with a spinoff of Riveo as at Nov-24, Sun transferred its luxury hotels (Shangri-La and Four Seasons) to Riveo Ltd. The Luxury hotels (5* Luxury) have historically been associated to higher cost structure and lower efficiency.

The spinoff has led towards Sunlife becoming a much more efficient hotel, with the group capturing more revenue per asset invested, as well as higher margins. Sunlife operating margin is now higher compared to its peers

Operating Margins	FY19	FY25
LUX	14.5%	17.9%
NMH	9.4%	22.4%
Sunlife	10.7%	26.6%
Riveo	-	10.4%

Lower Staff Costs

One of the reasons behind higher margins remain a lower staff cost as a proportion of revenue. **Sunlife has been operating with a staff count of 2,182 which is equivalent to a Staff/Room of 2.03**, much lower than industry standard:

Staff per Room	FY19	FY25
LUX	2.64	2.46 [20]
NMH	2.56	2.35
Sunlife	2.73	2.03
Riveo	-	3.35

Sunlife makes most of its money from La Pirogue and Sugar Beach. Both of the hotels earn very high margins with La Pirogue having one of highest PBT margins in the industry.

Rs M (June 2025)	Long Beach	Sugar Beach	La Pirogue	Ambre [21]
Revenue	1,283	1,639	1,409	1,080
PBT	84	446	479	189
PAT	78	339	364	156
PPE	3,248	2,871	2,136	172
Total Assets	3,447	3,323	3,034	749
No of Rooms	255	258	248	297
Star Rating	5*	5*	4* Superior	4*
PBT Margin	6.6%	27.2%	34.0%	17.5%
PPE/Room (Rs M)	12.74	12.06	8.61	-
Assets/Room (Rs M)	13.52	13.96	12.23	-
Revenue/Invested Capital (Rs)	0.40	0.53	0.50	-
Revenue/Room (Rs M)	5.03	6.89	5.68	3.64
Revenue/Assets	0.37	0.49	0.46	-
Revenue/PPE	0.39	0.57	0.66	-

[20] Based on an estimated 3000 staffs
[21] Assets recognized as Operating Lease and not recognized in Ambre's Balance Sheet

SUNLIFE LEVERAGE

Debt Servicing Metrics	2018	2019	2020	2021	2022	2023	2024	2025
Total Debt (Rs M) [22]	9,194	8,453	9,411	11,061	9,704	8,403	5,733	4,474
Net Debt (Rs M)	8,783	7,877	8,824	9,513	8,124	6,581	4,646	3,486
Total Equity (Rs M) [23]	10,863	8,449	6,030	4,654	7,028	8,684	10,034	5,284
Operating Profit (Rs M)	744	692	282	(1,150)	651	1,263	1,537	1,730
Interest Expenses (Rs M)	(480)	(455)	(1,092)	(884)	(488)	(333)	(297)	(267)
Gearing (%)	44.7%	48.2%	59.4%	67.1%	53.6%	43.1%	31.7%	39.7%
Net Debt / Equity (%)	79.4%	92.6%	145.6%	104.5%	54.0%	29.7%	11.9%	66.0%
Interest Cover (xx times)	1.55x	1.52x	0.26x	-1.30x	1.33x	3.80x	5.19x	6.47x
Net Debt/Operating Profit (xx times)	11.80x	11.39x	31.25x	-8.27x	12.49x	5.21x	3.02x	2.01x

To navigate pandemic-induced losses, the Group utilized affordable MIC funding (Rs 3.1Bn). Aided by a post-COVID tourism rebound and favourable exchange rates, the Group successfully prioritized debt reduction, repaying Rs 7.1Bn since FY22 against only Rs 3Bn in new borrowing.

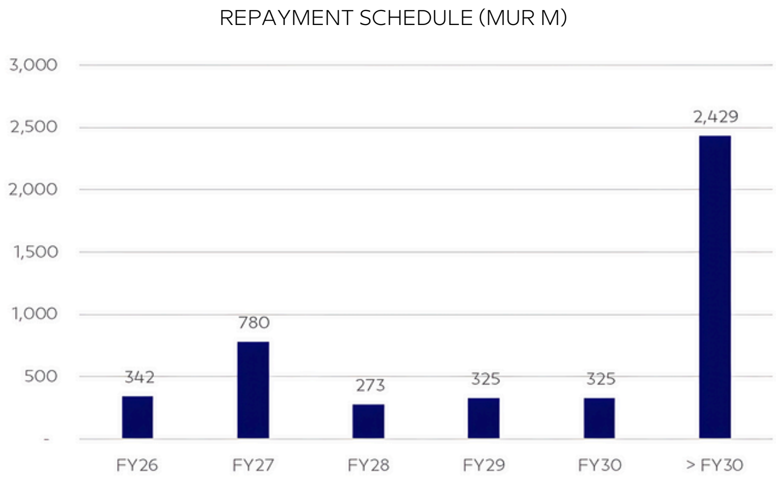
This strategy has drastically improved leverage metrics compared to pre-COVID years. Notably, Net Debt/Operating Profit dropped from 11.8x (FY18) to 2.0x (FY25), while interest cover strengthened from roughly 1.5x to 6.5x over the same period, providing a substantial financial buffer.

DEBT REPAYMENT SCHEDULE

Following the Riveo spinoff, approximately Rs 1Bn in MIC loans were transferred off Sunlife's balance sheet. While MIC bonds still represent the largest debt component (45%) and present a refinancing risk at potentially higher rates in FY30, the near-term liquidity profile remains robust.

With annual operating cash flows of around Rs 2Bn against modest maturity payment of Rs 300M annually in 3 of the next 4 years, Sunlife is well-positioned to service its debt obligations while funding its planned Rs 2.65Bn hotel renovation program.

Average Interest Rate	Total Borrowings (Rs M)	Average Interest	Implied Interest (Rs M)
Term Loans (EUR)	1,780	5.32%	95
Bonds (EUR)	702	6.50%	46
MIC Convertible Bonds (Rs)	1,992	3.25%	65
Total Borrowings	**4,474**	**4.58%**	**205**



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

SUNLIFE
LATEST FINANCIALS

Key Financials (Rs M)	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue	6,774	6,730	5,408	1,195	5,165	8,133	5,414	6,502
EBITDA	1,290	(679)	160	(612)	1,223	2.448	1,808	2,067
EBIT	744	(1,248)	(587)	(1,173)	661	2,457	1,537	1,730
PAT	194	(1,886)	(1,803)	(2,077)	200	1,519	2,032	1,210
Total Assets	22,900	20,451	21,321	20,008	22,009	23,235	23,581	14,360
Equity	10,863	8,449	6,030	6,919	9,840	11,770	13,120	7,276
Invested Capital	18,475	17,672	16,309	16,243	17,576	18,627	8,411	10,412
Earnings/(Loss) per Share (Rs)	1.07	(10.81)	(10.26)	(11.40)	1.06	8.42	9.40	7.31
Dividends Per Share (Rs)	0.50	-	-	-	-	2.00	2.50	2.60

Key Metrics	2018	2019	2020	2021	2022	2023	2024	2025
Number of roomsavailable (#)	1,473	1,473	1,453	1,382	1,373	1,363	1,058	1,058
Occupancy (%)	75%	71%	NA	NA	48%	74%	79%	82%
ARR (Rs)	9,382	9,869	NA	9,389	11,933	13,359	10,927	11,441
REVPAR (Rs)	6,999	7,007	NA	NA	5,740	9,886	8,676	9,366
TREVPAR (Rs)	11,373	11,475	NA	NA	8,971	15,206	NA	NA
PPE/Room (Rs M)	12.1	11.7	11.4	11.1	12.5	13.3	7.6	9.4
Invested Capital/Room (Rs M)	12.5	12.0	11.2	11.8	12.8	13.7	8.0	9.8
Asset/Room (Rs M)	15.5	13.9	14.7	14.5	16.0	17.0	22.3	13.6
Revenue/Room (Rs M)	4.60	4.57	3.72	0.86	3.76	5.97	5.12	6.15
Key Financial ratios (%)								
ROE (%)	1.8%	-24.7%	-34.0%	-31.9%	2.1%	13.5%	13.5%	22.3%
ROA (%)	0.8%	-9.2%	-8.5%	-10.4%	0.9%	6.5%	8.6%	8.4%
ROIC (%)	3.4%	3.3%	1.5%	-6.0%	3.1%	5.8%	15.6%	14.2%
Net Profit Margin (%)	2.9%	-28.5%	-35.6%	-393%	4.1%	31.5%	37.6%	18.9%
FCF Margin (%)	14.1%	15.9%	7.8%	-192%	31.5%	45.5%	34.4%	16.0%
NOPAT Margin (%)	9.3%	8.7%	4.4%	-81.8%	10.7%	22.2%	24.2%	22.7%

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 22%, up from historical average of around 8%.

VALUATION & RECOMMENDATION

We expect SUN revenue to increase by around 2.1% CAGR over the next 6 financial years based on an expected constant occupancy rate of 80% and growth in ARR of 3% for the next 3 years and 2% for the subsequent 3 years.

Sunlife has set a CAPEX target of Rs 2.65Bn over the next 6 years to renovate all of its 4 hotels. As such, we expect an annual capex of around Rs 500M over the next 6 years

We expect EBITDA margins to gradually contract from 34.5% in FY26 to 31.2% in FY31.

- We are projecting a 3% annual salary increase for staff costs and we estimate that average annual monthly salary to increase from Rs 60k to Rs 71k by FY31.
- Direct Costs should stay constant at 17% of Revenue.
- Valuation assumptions and sensitivity analysis detailed in Appendix 3.

As such, we have valued SUN at around Rs 56.20/share, with a potential gain of 26.3% from its current share price of Rs 44.50.

We therefore recommend an ACCUMULATE Rating on SUN.

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

*According to our DCF Valuation

LUX
STOCK ANALYSIS & RECOMMENDATION

Details	Description
AXYS Ticker	LUX
Name	Lux Island Resorts Ltd
Ticker	NRL.N0000
Market Cap (Rs M)	6,924.36
Trailing PE	5.49x
Dividend Yield	4.95%
Share Price	50.50
Target Price	**69.00**
Upside/Downside	36.6%
Recommendation	Accumulate

HOTEL PORTFOLIO

Country	Hotel	Rooms	Star Rating
Mauritius	LUX* GRAND BAIE	116	5* Luxury
Mauritius	LUX* LE MORNE	149	5*
Mauritius	LUX* BELLE MARE	186	5*
Mauritius	LUX* GRAND GAUBE	198	5*
Maldives	LUX* SOUTH ARI ATOLL	193	5*
Reunion	LUX* St GILLES	174	5*
Mauritius	TAMASSA BEL OMBRE	214	4* Luxury

EVOLUTION OVER THE YEARS

In line with the industry, LUX's economics have shifted dramatically over the last 2 decades.

- 2008 to 2019 (Expansion Phase): This period was characterized by aggressive premiumization and expansion (LUX* Le Morne, South Ari Atoll, and the construction of LUX* Grand Baie). This capital-intensive strategy led to rising debt levels and depressed ROIC as new assets ramped up.
- 2024 to 2025 (Maturity & Cash Harvesting): The group has now entered a maturity phase. With all major renovations complete, CAPEX has normalized to maintenance levels. The focus has shifted from expansion to generating free cash flow.

This strategic pivot is evident in FY25. The group utilized its record operating cash flows to repay Rs 924M in debt, a move that would have been impossible during its expansion phase.

KEY RISKS

Maldives Oversupply

While Mauritius remains a fortress, the Maldives is facing significant headwinds due to an influx of new resort inventory.

- Tourist arrivals to the Maldives are growing (+9%), but supply is growing faster. This dilution caused occupancy at LUX South Ari Atoll* to decline slightly to 89% in Q3, down from historical highs.
- The Maldives segment operates on a high fixed-cost base (USD denominated). Any sustained drop in occupancy below 75% would erode margins.

LEVERAGE

Debt Servicing Metrics	2022	2023	2024	2025
Total Debt (Rs M)	6,538	6,215	3,745	**3,210**
Net Debt (Rs M)	5,454	5,260	2,645	**1,705**
Total Equity (Rs M)	5,162	8,769	9,840	**9,191**
Operating Profit (Rs M)	772	1,216	1,598	**1,930**
Interest Expense (Rs M)	(457)	(468)	(569)	**(475)**
Gearing (%)	51.4%	47.3%	26.0%	**15.0%**
Interest Cover (x)	1.69x	2.92x	2.81x	**4.06x**

Historically a concern, leverage has transformed into a key strength for LUX. The group has deleveraged faster than any of its listed peers. Net Debt has plummeted to Rs 1.7 Bn, resulting in a gearing ratio of just 15.0%. This strong balance sheet virtually eliminates the refinancing risks that plagued the sector post-COVID.

The group repaid Rs 924M in loans in FY25 alone. With Interest Cover now exceeding 4x, the group has substantial headroom to maintain dividends even in a downturn.

LUX
LATEST FINANCIALS

Key Financials (Rs M)	2022	2023	2024	2025[24]
Total Revenue	6,254	8,398	9,681	**10,596**
EBITDA	1,827	1,859	2,425	**2,741**
EBIT	1,170	1,216	1,598	**1,930**
PAT	479	1,118	1,350	**1,208**
Total Assets	17,175	17,704	18,500	**19,200**
Equity	6,622	7,315	8,769	**9,841**
Total Debt	5,078	6,215	3,745	**3,210**
EPS (Rs)	3.50	8.15	9.84	**8.81**
DPS (Rs)	-	2.00	2.50	**2.50**

Key Metrics	2023	2024	2025
Occupancy (Mauritius)	80%	79%	**79%**
Occupancy (Maldives)	75%	91%	**89%**
Occupancy (Reunion)	68%	72%	**73%**
EBITDA Margin	22.1%	25.0%	**25.8%**
Net Debt / EBITDA	2.8x	1.1x	**0.6x**

VALUATION & RECOMMENDATION

VALUATION ASSUMPTIONS

- For revenue, we have modelled a conservative +5% growth for FY26 (vs previous 11%), acknowledging the high base effect of FY25. We assume that the explosive recovery growth phase is over and we are now in organic growth territory.

- In terms of margins, we have modelled a contraction to 24.0% going forward, despite FY25 margins reached 25.8%. This conservative adjustment respects the structural shift in the industry's cost base (higher minimum wages and 14th-month bonuses), assuming that LUX cannot perpetually offset these with price hikes in a softer global economy.

- For CAPEX We maintain a “Maintainance CAPEX” assumption of Rs 1.0 Bn annually, growing with inflation. No major new developments are factored in, consistent with management's focus on debt reduction and dividends.

- For WACC, we have applied a higher metric of 10.8%. This reflects the lower financial risk (due to low debt) but includes a higher specific risk premium for the volatility and oversupply risks in the Maldives segment.

SENSITIVITY ANALYSIS

Growth Rate	Discount Rate: 10.3%	10.8%	**11.3%**
2.0%	74.00	65.00	**58.00**
2.5%	76.50	67.00	**59.50**
3.0%	80.00	69.00	**61.00**
3.5%	84.50	72.50	**63.50**
4.0%	90.00	76.50	**66.50**

OUTLOOK

LUX Island Resorts has fundamentally de-risked its investment case. The high leverage fear has been considerably dampened. However, margin pressures from wage inflation and competitive headwinds in the Maldives warrant a degree of caution.

Our valuation strikes a balance: it recognizes the fortress balance sheet (Net Debt Rs 1.7 Bn) which provides a floor to the valuation but penalizes future cash flows for emerging wage and supply risks.

At **Rs 69.00**, the stock would trade at a fair P/E of 7.8x. With a potential upside of **+36.6%** from the current price of Rs 47.90 and a sustainable dividend yield of 4.95%, we maintain a positive stance.

Recommendation: ACCUMULATE

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

*According to our DCF Valuation

[24] Note: FY25 figures reflect the full audited results. Revenue crossed the Rs 10 Bn mark for the first time, driven by the full availability of LUX Belle Mare.

CONSTANCE HOTELS

STOCK ANALYSIS & RECOMMENDATION

Details	Description
AXYS Ticker	CHSL
Name	Constance Hotels Services Ltd
Ticker	CHSL.I0000
Market Cap (Rs M)	1,562.56
Trailing PE	5.75x
Dividend Yield	2.81%
Share Price	14.25
Target Price	**14.52**
Upside/Downside	+1.9%
Recommendation	Hold

HOTEL PORTFOLIO

Country	Hotel	Owned or Managed	Rooms	Star Rating
Mauritius	Constance Prince Maurice	Owned	89	5* Luxury
Mauritius	Constance Belle Mare Plage	Owned	278	5*
Mauritius	C Mauritius	Owned	116	5*
Mauritius	Constance Sakoa Boutik	Managed	16	4*
Seychelles	Constance Lemuria	Owned (Associate)	105	5* Luxury
Seychelles	Constance Ephelia	Owned (Associate)	313	5* Luxury
Maldives	Constance Halaveli	Owned	87	5* Luxury
Maldives	Constance Moofushi	Owned	110	5* Luxury
Madagascar	Constance Tsarabanjina	Managed	25	4* Luxury
Rodrigues	Constance Tekoma	Managed	31	4*
Rodrigues	C Rodrigues - Mourouk	Managed	67	3* Superior

Constance Hotels Services Ltd has evolved from a single-asset owner in 1975 (Constance Belle Mare Plage) into a regional luxury group managing over 1,200 rooms across five destinations. The Group's initial expansion phase (1998–2010) was capital intensive, marked by the construction of its flagship Constance Prince Maurice (1998) and its entry into the Seychelles (Lemuria in 1999, Ephelia in 2010) and the Maldives (Halaveli and Moofushi in 2009/2010). This period established the brand's "High Luxury" reputation but also burdened the balance sheet with significant debt and lease liabilities.

Post-pandemic (2022–2024), the group shifted towards an "Asset-Light" model to continue expansion without burdening itself with debt. **In 2024 alone, CHSL integrated three new hotels under management contracts (Sakoa, Tekoma, and Mourouk)**, expanding its footprint into Rodrigues without incurring construction costs. Financially, the Group has demonstrated remarkable growth with Revenue nearly doubling from Rs 3.5Bn in 2019 to Rs 6.15Bn in 2024.

Occupancy levels have stabilized at 75.2% in 2024, which is effectively identical to the pre-pandemic baseline of 75.0% in 2018. This indicates that the volume of room nights sold has fully recovered but has ceased to grow, plateauing within the 73–75% range observed historically.

Decline in Room Yield (2024)

While occupancy remained stable between 2023 and 2024 (74.6% to 75.2%), RevPAR decreased significantly from Rs 16,800 in 2023 to Rs 14,347 in 2024. This decline of approximately 14.6% suggests a reduction in the average room rate realized during the period, despite similar demand levels.

Year	Occupancy (%)	RevPAR (Rs)	TRevPAR (Rs)
2018	75.0%	11,500	18,100
2019	73.6%	11,850	18,650
2020	26.0%	3,500	5,800
2021	41.0%	6,200	10,500
2022	68.0%	14,100	21,500
2023	74.6%	16,800	23,100
2024	75.2%	14,347	23,525

LEVERAGE

Debt Servicing Metrics	2022	2023	2024
Total Debt	5,160	4,770	5,400
Cash & Cash Equivalents	344	379	396
Net Debt	4,816	4,391	5,004
Total Equity	5,387	5,832	6,019
Operating Profit	864	967	1,083
Finance Costs	235	415	472
Net Debt / Equity	89.4%	75.3%	83.1%
Interest Cover (xx times)	3.68x	2.33x	2.29x

After successfully deleveraging in 2023 (bringing Net Debt down to Rs 4.39Bn), the Group increased its borrowing in 2024, pushing Net Debt back up to Rs 5.0Bn. This increase in the Net Debt/Equity ratio to 83.1% was driven by a specific decision which was to utilize bank debt to finance the acquisition of a "Headlease" in the Maldives.

Tightening Interest Coverage - Despite the steady growth in Operating Profit (up 12% in 2024 to Rs 1.08Bn), the rapid rise in interest expenses has eroded the Group's safety margin. The Interest Cover ratio has deteriorated from a robust 3.68x in 2022 to 2.29x in 2024.

CONSTANCE HOTELS
LATEST FINANCIALS

Key Financials (Rs M)	2022	2023	2024
Total Revenue	5,091	5,727	6,149
EBITDA	1,525	1,571	1,814
EBITDA Margin	30.0%	27.4%	29.5%
EBIT	887	967	1,103
PAT (Profit After Tax)	264	333	337
Total Assets	16,411	17,073	17,310
Equity	5,387	5,832	6,019
Total Debt	5,160	4,770	5,400
ROE (%)	4.9%	5.7%	5.6%
EPS (Rs)	2.05	2.58	2.86
DPS (Rs)	0.60	0.80	0.50

VALUATION & RECOMMENDATION

VALUATION ASSUMPTIONS

- Revenue: We project a conservative CAGR of 3.5% over the forecast period. This reflects a stabilization of arrivals in Mauritius and persistent competitive pressure in the Maldives, partially offset by the new contribution from Rodrigues.
- CAPEX: We forecast an elevated annual CAPEX of Rs 700M. This is required to fund major renovations at Constance Halaveli and upcoming refurbishments at Constance Lemuria to defend market share against new luxury inventory.
- Margins: We expect EBITDA margins to compress slightly to 28.0% (from 29.5%) due to inflationary pressures on staff costs and increased marketing spend required to sustain occupancy in the Maldives.
- Debt Risk: The valuation incorporates a significant risk premium to account for the Group's net debt position (Rs 5.3Bn) as well as its significant lease liabilities (Rs 3.5Bn)
- We have also used a WACC of 10.5% and a Beta of 1.45 as well as an additional discount to reflect the stock illiquidity.

As such, **we have valued the stock at Rs 14.52, with only a potential upside of +1.89%.**

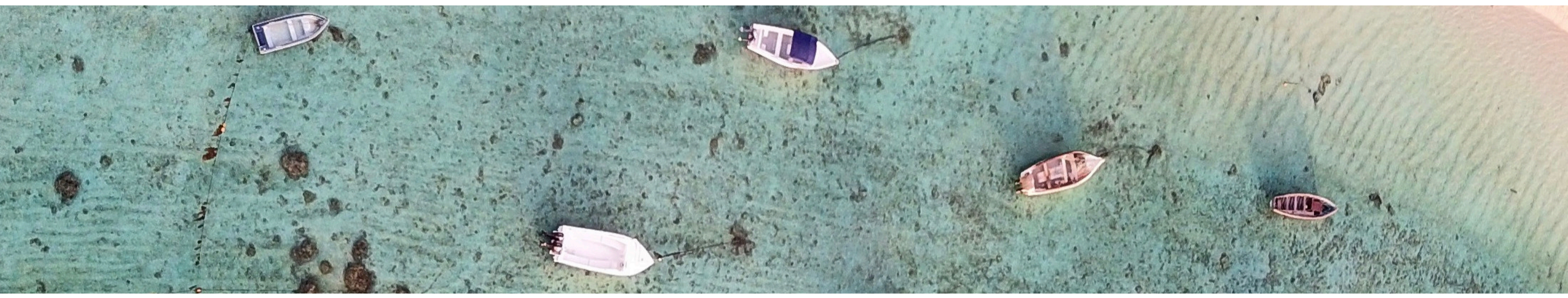
Constance Hotels is currently trading at a level that fully prices in its "Asset-Light" growth potential while discounting the substantial risks associated with its balance sheet leverage and the competitive headwinds in the Maldives. The stock's intrinsic value is heavily weighed down by its debt level, and the lack of liquidity on the DEM market necessitates a steep discount for minority investors.

At current prices, the risk/reward profile is balanced. We recommend existing shareholders HOLD their positions to benefit from potential long-term upside in Rodrigues, but we do not see a sufficient margin of safety for new capital entry at this price point.

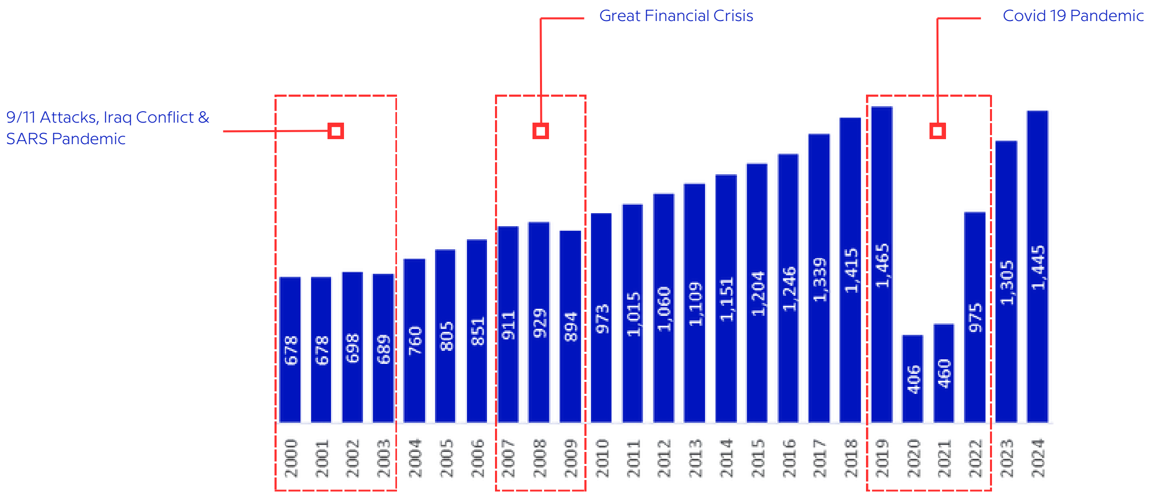
Recommendation: HOLD

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

*According to our DCF Valuation



GLOBAL TRAVEL TRENDS



WORLD TOURISM ARRIVALS (IN M)

A GROWTH STORY - WITH SHARP BREAKS ALONG THE WAY

While global tourism has expanded at an impressive +4% CAGR over the past three decades, the data also tells a more nuanced story: tourism is structurally vulnerable to external shocks. These shocks typically fall into three broad categories namely geopolitical and health crises, economic recessions, and global shutdowns.

For the first nine months to 30 September, global tourist arrivals have already reached 1.1Bn, and full-year growth for 2025 is projected at +3% to +5%. Given the strong recovery momentum in key regions, we believe outcomes are likely to trend toward the upper end of this range.

Yet history reminds us that this long-term growth path has not been smooth, it has been repeatedly interrupted by sharp, sometimes sudden, global disruptions.

2001 - 2003

When Fear Freezes Travel (9/11, Iraq War, SARS)

At the turn of the millennium, tourism was booming, with +8% growth in 2000. That momentum came to an abrupt stop after the 9/11 attacks, as security fears brought international travel to a standstill and growth collapsed to 0% in 2001.

A tentative recovery of +3% in 2002 quickly faded. Renewed geopolitical tensions from the Iraq conflict, coupled with the SARS outbreak that paralysed Asian travel in 2003, pushed global arrivals into a -1% contraction. This episode illustrates how overlapping geopolitical and health shocks can trigger prolonged stagnation rather than a quick rebound.

2007–2009

When Recession Hits Demand (Global Financial Crisis)

In 2007, the global economy was still expanding and tourism followed suit, growing by a solid +7%. As the financial crisis unfolded in 2008, growth slowed sharply to +2%.

By 2009, with economies in deep recession, household spending and corporate travel budgets collapsed, driving global arrivals into a -4% decline. Unlike the earlier crisis of fear, this was a classic demand shock, where travel became a discretionary expense that could no longer be justified.

2019–2022

When the World Simply Stopped (COVID-19 Pandemic)

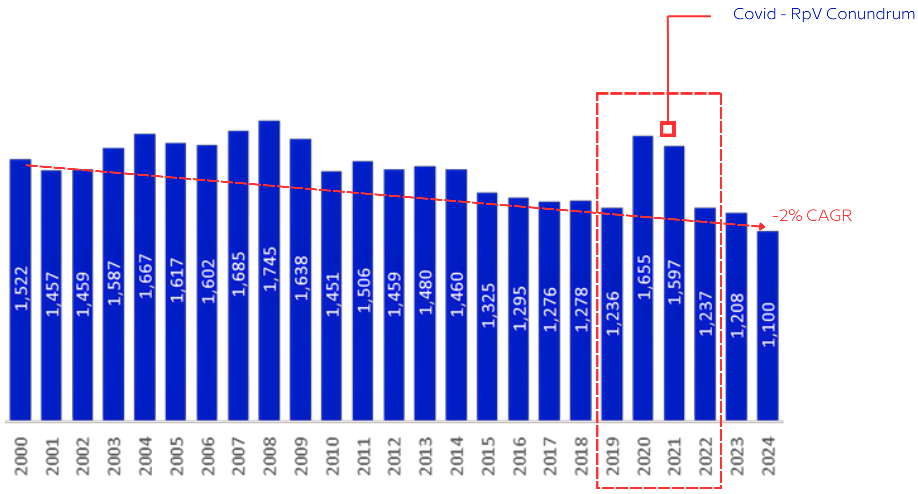
The COVID-19 pandemic represents a category of crisis entirely on its own. This was not driven by fear or weak demand, but by government mandated border closures a direct supply shock to global mobility.

The -72% collapse in 2020 erased decades of accumulated growth almost overnight. The subsequent rebounds of +13% in 2021 and +112% in 2022 do not reflect normal market dynamics, but rather a staggered reopening from an artificially suppressed base. It was recovery by release, not by organic expansion.

Tourism's long-term growth trend remains strong, but its short-term trajectory is highly exposed to global events beyond economic cycles alone. For policymakers, investors, and destination economies alike, resilience in tourism is therefore not only about marketing and capacity, but also equally about risk management, diversification, and crisis preparedness.

GLOBAL REAL RPV

A LONG DECLINE WITH A POWERFUL STORY BEHIND IT



GLOBAL RPV (REAL USD)

↓ -2% CAGR

global RpV has declined

In real terms, global RpV has declined at -2% CAGR (from USD 1,868 in 1995 to USD 1,100 in 2024). This reflects the structural democratization of global travel which has evolved from a successful transition from a high-cost, low-volume model to a high-volume, low-cost ecosystem.

Key drivers of this decline include:

LOW-COST AIRLINES

Carriers like Ryanair and AirAsia dramatically lowered airfares, shifting travel from an occasional luxury to a routine lifestyle activity.

PRICE TRANSPARENCY & PLATFORMS

Digital OTAs forced continuous price competition, while Airbnb redirected spending toward lower-cost private accommodation.

EMERGING DESTINATIONS

Growth in lower-cost regions (eg, Southeast Asia) pulls down the global average RpV.

The +34% spike in 2020 was a statistical composition effect, not stronger spending. With budget tourism eliminated, only high-end or essential travel remained, artificially inflating averages. The -23% correction in 2022 confirmed this as mass-market travelers returned.

Ultimately, the long-term decline in real RpV is evidence of success, reflecting broader access, greater frequency, and affordability. Global tourism has evolved from an elite product into a mass-participation industry driven by volume and accessibility rather than high per-trip spending.

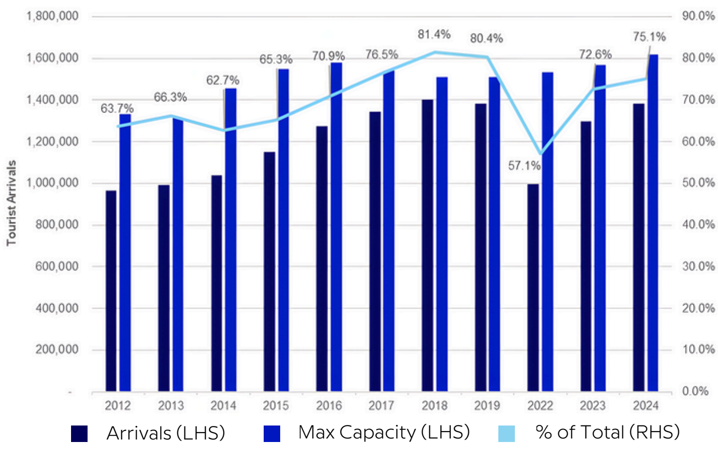
APPENDICES

APPENDIX 1: MAXIMUM ACCOMMODATION CAPACITY [25]

According to the current room capacity and assuming tourists stay for a length of 9.1 days and 15.0 days for hotels and non-hotels respectively, **our country can accommodate around 1.62M tourists.** This implies that we are currently running at 75.1% capacity.

Tourists Breakdown	Hotels	Non-Hotels	All Tourists
Proportion of Tourists	75.4%	12.4%	87.8% [26]
No of Tourist	1,042,161	171,390	1,213,551
Average Stay	9.1	15.0	11.4
Party Size	2.2	1.9	2.1
No of Rooms	14,059	8,131	22,190
Maximum Arrivals	1,240,591	375,923	1,616,514
Occupancy	84.0%	45.6%	75.1%

MAXIMUM TOURIST CAPACITY



APPENDIX 2: NMH VALUATION ASSUMPTIONS

Key Figures (Rs 000)	2025	2026	2027	2028	2029	2030	2031
Total Revenue	16,890,380	16,965,821	17,348,524	17,729,013	18,005,355	18,285,861	18,672,961
Growth	-	0.4%	2.3%	2.2%	1.6%	1.6%	2.1%
EBITDA	4,808,600	4,425,804	4,465,416	4,496,113	4,442,472	4,384,177	4,396,568
EBITDA Margin	28.5%	26.1%	25.7%	25.4%	24.7%	24.0%	23.5%
Depreciation and Amortization	(927,263)	(869,206)	(883,630)	(893,685)	(901,997)	(910,846)	(922,933)
Depn as a % of PPE	2.94%	2.90%	2.90%	2.88%	2.85%	2.82%	2.80%
Capex	1,579,303	1,000,000	1,030,000	1,060,900	1,082,118	1,103,760	1,125,836

Average Room Rate (Based on Total Revenue)	2025	2026	2027	2028	2029	2030	2031
Mauritius	24,731	25,226	25,730	26,245	26,770	27,305	27,851
Growth	-	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Morocco	50,728	52,249	53,817	55,431	56,540	57,671	58,824
Growth	-	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%

Occupancy	2025	2026	2027	2028	2029	2030	2031
Mauritius	75%	74%	74%	74%	74%	73%	73%
Morocco	55%	54%	53%	53%	53%	53%	53%

SENSITIVITY ANALYSIS

		Discount Rate				
		8.75%	9.25%	9.75%	10.25%	10.75%
Perpetual Growth Rate	1.00%	12.45	10.05	7.90	6.00	4.30
	1.50%	14.50	11.80	9.45	7.35	5.45
	2.00%	16.85	13.80	**11.15**	8.85	6.80
	2.50%	19.55	16.10	13.15	10.55	8.25
	3.00%	22.75	18.75	15.40	12.45	9.90

[25] Based on an average of 2.2 people per room.
[26] The Remaining 12.2% Tourists stay with Family & Friends

APPENDIX 3: SUN VALUATION ASSUMPTIONS

Key Figures (Rs M)	2025	2026	2027	2028	2029	2030	2031
Total Revenue	6,502	5,963	6,142	6,326	6,452	6,581	6,713
Growth		-26.4%	3.0%	3.0%	2.0%	2.0%	2.0%
EBITDA	2,072	2,055	2,004	2,032	2,053	2,074	2,095
EBITDA Margin	31.9%	34.5%	32.6%	32.1%	31.8%	31.5%	31.2%
Depreciation and Amortization	(337)	(361)	(374)	(377)	(380)	(384)	(388)
Depn as a % of PPE	3.20%	2.75%	3.20%	3.20%	3.20%	3.19%	3.19%
Capex	(932)	(464)	(478)	(492)	(503)	(513)	(524)

Other Key Metrics	2025	2026	2027	2028	2029	2030	2031
Average Room Rate (Rs) (Using Total Revenue)	18,739	19,301	19,880	20,477	20,886	21,304	21,730
Growth	6.1%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%
Occupancy	81.9%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
No of Rooms	1,058	1,058	1,058	1,058	1,058	1,058	1,058

SENSITIVITY ANALYSIS

Perpetual Growth Rate	Discount Rate				
	9.86%	10.36%	10.86%	11.36%	11.86%
1.00%	59.30	54.00	49.20	44.90	41.00
1.50%	63.55	57.70	52.50	47.85	43.60
2.00%	68.35	61.90	**56.20**	51.10	46.50
2.50%	73.80	66.60	60.30	54.70	49.65
3.00%	80.05	71.95	64.90	58.70	53.20

GLOSSARY & REFERENCES

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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UNWTO

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