

## The Erawan Group Pcl (ERW TB) - SELL, Price Bt2.70, TP Bt2.60

## Results Comment

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## Weak 2Q21 results, in line

- ERW reported a norm loss of Bt559m in 2Q21 vs. Bt616m norm loss in 2Q20 and Bt492m norm loss in 1Q21. This was in line with ours and the market's expectation. Including loss on impairment of non-financial assets of Bt131m, ERW reported net loss of Bt690m.
- The y-y earnings improvement resulted from no country lockdown as it had in 2Q20. Meanwhile, q-q earnings drop resulted from COVID's third wave.
- ERW's revenue from hotel business increased by 345% y-y but down by 29% q-q to Bt251m in 2Q21.
- ERW's Thailand hotels (excluding HOP INN)'s occupancy rate was at 13% in 2Q21 vs. 1% in 2Q20 and 17% in 1Q21. RevPar in 2Q21 was at Bt171/night, up by 1177% y-y but down by 20% q-q
- ERW's HOP Inn Thailand occupancy rate was at 31% in 2Q21 vs. 23% in 2Q20 and 48% in 1Q21. RevPar in 2Q21 was at Bt193/night, up by 42% y-y but down by 34% q-q.
- ERW's Philippines hotels occupancy rate was at 46% in 2Q21 vs. 0% in 2Q20 and 39% in 1Q21. RevPar in 2Q21 was at Bt392/night, up by 25% q-q.
- With more severity of COVID-19 pandemic, we expect ERW's earnings in 2H21F to be weaker than our expectation. We thus maintain our SELL rating on ERW.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	79	427	589	378	262	Revenue	(31)	230	40	1,602	4,113
<b>Gross profit</b>	<b>(64)</b>	<b>85</b>	<b>199</b>	<b>63</b>	<b>(22)</b>	<b>Gross profit</b>	<b>na</b>	<b>na</b>	<b>7</b>	<b>573</b>	<b>1,991</b>
SG&A	444	525	442	451	457	SG&A	1	3	50	1,824	2,014
Operating profit	(508)	(440)	(244)	(388)	(480)	Operating profit	na	na	na	(1,251)	(24)
<b>EBITDA</b>	<b>(245)</b>	<b>(181)</b>	<b>(16)</b>	<b>(146)</b>	<b>(236)</b>	<b>EBITDA</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(280)</b>	<b>971</b>
Other income	5	10	15	12	7	Other income	(46)	34	34	56	58
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	135	120	143	138	136	Interest expense	(2)	1	56	492	510
<b>Profit before tax</b>	<b>(637)</b>	<b>(549)</b>	<b>(371)</b>	<b>(514)</b>	<b>(609)</b>	<b>Profit before tax</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(1,687)</b>	<b>(475)</b>
Income tax	(8)	(11)	(20)	2	(25)	Income tax	na	na	na	(34)	(10)
Equity & invest. income	(11)	3	(14)	3	(3)	Equity & invest. income	na	na	na	(10)	(5)
Minority interests	24	21	13	21	27	Minority interests	29	12	58	83	32
Extraordinary items	(9)	0	(130)	0	(130)	Extraordinary items	na	na	na	0	0
<b>Net profit</b>	<b>(625)</b>	<b>(514)</b>	<b>(483)</b>	<b>(492)</b>	<b>(690)</b>	<b>Net profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(1,580)</b>	<b>(439)</b>
<b>Normalized profit</b>	<b>(616)</b>	<b>(514)</b>	<b>(352)</b>	<b>(492)</b>	<b>(559)</b>	<b>Normalized profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(1,580)</b>	<b>(439)</b>
EPS (Bt)	(0.25)	(0.20)	(0.19)	(0.20)	(0.15)	EPS (Bt)	na	na	na	(0.38)	(0.10)
Normalized EPS (Bt)	(0.24)	(0.20)	(0.14)	(0.20)	(0.12)	Normalized EPS (Bt)	na	na	na	(0.38)	(0.10)
Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	1,549	1,405	1,623	1,519	1,541	Sales grow th	(94.3)	(71.5)	(65.9)	(68.8)	230.5
A/C receivable	67	86	77	67	47	Operating profit grow th	na	na	na	na	na
Inventory	47	46	46	40	39	EBITDA grow th	na	na	na	na	na
Other current assets	262	239	217	248	266	Norm profit grow th	na	na	na	na	na
Investment	61	65	48	48	42	Norm EPS grow th	na	na	na	na	na
Fixed assets	14,409	18,909	18,721	18,643	21,316	Gross margin	(80.6)	20.0	33.8	16.6	(8.6)
Other assets	5,014	475	483	484	353	Operating margin	(639.3)	(102.9)	(41.4)	(102.9)	(182.9)
<b>Total assets</b>	<b>21,409</b>	<b>21,225</b>	<b>21,215</b>	<b>21,049</b>	<b>23,604</b>	EBITDA margin	(308.5)	(42.5)	(2.7)	(38.5)	(89.8)
S-T debt	2,157	2,076	2,136	2,524	1,055	Norm net margin	(776.1)	(120.3)	(59.9)	(130.3)	(213.2)
A/C payable	39	103	145	104	71	D/E (x)	2.4	2.7	3.2	3.8	1.7
Other current liabilities	556	533	532	564	563	Net D/E (x)	2.1	2.4	2.8	3.3	1.4
L-T debt	9,875	10,169	10,551	10,477	10,506	Interest coverage (x)	(1.8)	(1.5)	(0.1)	(1.1)	(1.7)
Other liabilities	3,747	3,786	3,923	3,940	4,449	Interest rate	4.6	3.9	4.6	4.3	4.4
Minority interest	150	129	116	95	68	Effective tax rate	1.3	1.9	5.3	(0.4)	4.2
<b>Shareholders' equity</b>	<b>4,886</b>	<b>4,431</b>	<b>3,813</b>	<b>3,345</b>	<b>6,892</b>	ROA	(11.5)	(9.6)	(6.6)	(9.3)	(10.0)
Working capital	75	29	(22)	3	15	ROE	(47.3)	(44.1)	(34.2)	(55.0)	(43.7)
Total debt	12,031	12,244	12,687	13,002	11,561						
<b>Net debt</b>	<b>10,483</b>	<b>10,839</b>	<b>11,064</b>	<b>11,482</b>	<b>10,020</b>						

Sources: Company data, Thanachart estimates

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