Sector Weighting
Neutral (From: Overweight)

Thailand Hotel Sector

Long-haul recovery

Sector Valuation			Current	Target	Norm EPS grw		— Norm PE —		— EV/EBITDA —		— Div yield —	
	BBG		price	price	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
Company	Code	Rec.	(Bt)	(Bt)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
Central Plaza Hotel	CENTEL TB	BUY	34.00	38.50	na	na	na	119.2	25.4	14.7	0.0	0.2
The Erawan Group	ERW TB	SELL	2.98	2.60	na	na	na	na	na	24.8	0.0	0.0
Minor Int'l	MINT TB	HOLD	32.00	31.00	na	na	na	992.8	42.6	13.4	0.0	0.0

Source: Thanachart estimates, Based on 27 May 2021 closing prices

Thanachart Securities

We see three key factors to downgrade the Thai hotel sector, i.e. an extended earnings recovery, its valuation only returning to 2019's pre-COVID level in 2023F, and cashflow risk. We cut to NEUTRAL from Overweight and replace ERW with CENTEL as our top pick.

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Downgrading factors; NEUTRAL

This report marks a transfer of coverage and we downgrade our weighting on the hotel sector to NEUTRAL from Overweight for three key reasons. Growth: We foresee an extended sector earnings recovery, projecting Bt16bn in losses this year and needing at least two more years before it returns to 2019's pre-COVID earnings level. Valuation: The sector's 2023F trading PE at 32.9x and EV/EBITDA at 16.0x are back to their pre-COVID levels of 30.0x and 17.3x. Cash flow: We believe the sector's cashflow stream remains at risk with a sector EBITDA (excluding rights of use) loss of Bt3.6bn in 2021F vs. sector interest expenses (excluding interest from lease agreements) of Bt5.1bn.

Deep and long-lasting impact

We like the sector's long-term fundamentals of Thai tourism's strong competitiveness but we are still cautious about the sector's recovery. Even with more widespread vaccinations, daily new COVID cases remain high. Together with Thailand entering its third COVID wave, this will likely delay the Thai hotel sector's recovery. We thus revise down our hotel sector earnings from a Bt1.7bn loss to a Bt16bn loss in 2021F and cut our earnings by 71% in 2022F. But we lift our earnings by 6% in 2023F to reflect the sector's cost cutting that looks set to continue longer term.

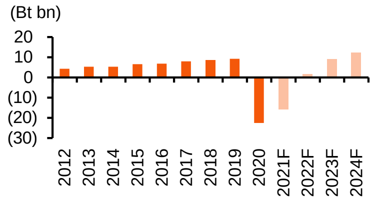
Tourism mega-trends

We see COVID influencing tourism trends. ***First,*** we expect to see a faster recovery among Gen Y and Z tourists and leisure travelers as they tend to worry less about the virus. ***Second,*** with entry criteria for tourists and people's limited budgets due to economic issues, we expect tourists to travel to closer destinations and stay in 3- or 4-star hotels. ***Third,*** with virus infection concern, we see branded or franchise hotels with better safety standards and technology gaining share from small local hotels. ***Fourth,*** given the "new normal", we expect tourists to be more interested in outdoor activities and less crowded places upcountry.

CENTEL the best of the bunch

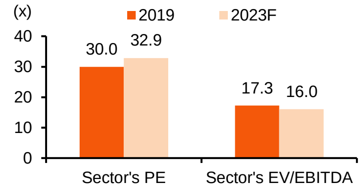
We see all three hoteliers under our coverage still making big losses this year. While we expect CENTEL and MINT to turn a profit in 2022F, ERW will still likely make a loss. CENTEL's profitability, financial status and cashflow stream are also healthier than peers' with a cheaper valuation. We thus replace ERW with CENTEL as our top BUY in the sector. We downgrade ERW to SELL from BUY for its expensive valuation and unhealthy financial status. We only upgrade MINT to HOLD as we see the swift turnaround story of its operations abroad being priced in.

Slow Earnings Recovery



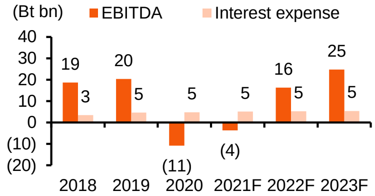
Sources: Company data, Thanachart estimates

2023F PE & EV/EBITDA Is At Fair



Sources: Company data, Thanachart estimates

Sector Cash Flow Remains At Risk



Sources: Company data, Thanachart estimates

Note: EBITDA excl. rights of use,
Interest expense excl. interest expense from lease agreements

Downgrading factors; NEUTRAL

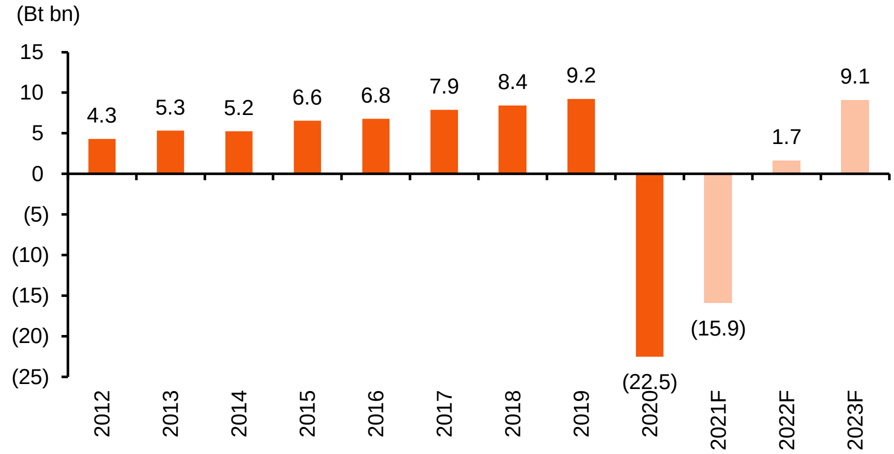
Downgrading to NEUTRAL

This report marks a transfer of coverage and we downgrade our stance on the tourism sector to NEUTRAL from Overweight on the back of the following three key reasons:

Delayed earnings recovery

Growth: Even with more widespread vaccination, global COVID-19 cases are still high. Together with the severity of the COVID-19 third wave in Thailand, we foresee the sector's earnings recovery being pushed out. We project Bt16bn in losses this year and for it to take two more years before it returns to its 2019 pre-COVID earnings level. We then estimate the sector's earnings to turn a profit of Bt1.7bn in 2022F and Bt9.1bn in 2023F.

Ex 1: Extended Earnings Recovery

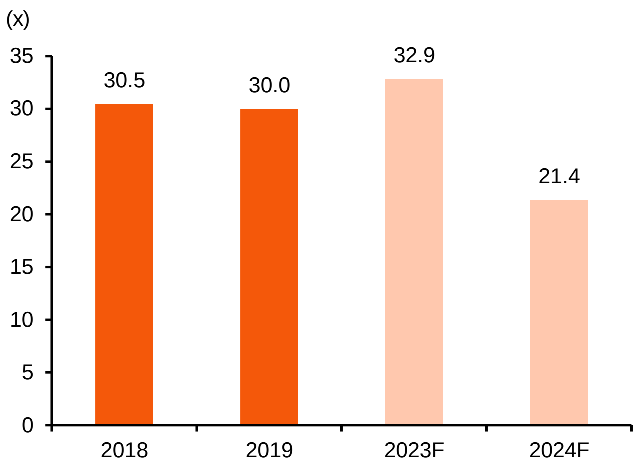


Sources: Company data, Thanachart estimates

2023F valuation back to its pre-COVID level

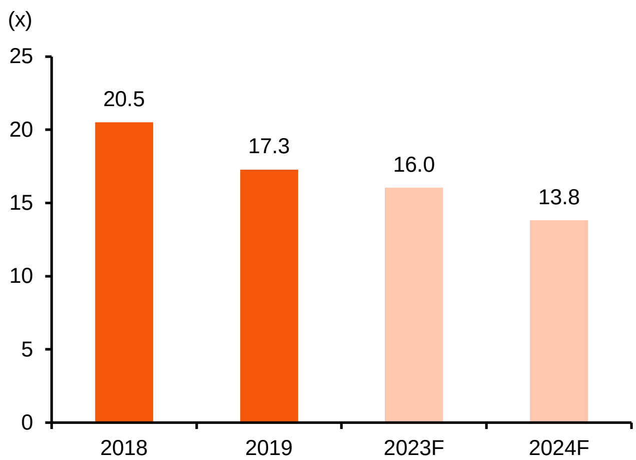
Valuation: The tourism sector has been impacted enormously by the COVID-19 pandemic, causing the sector's valuation to look extraordinarily low in the short term. But we see the Thai tourism industry having sound long-term fundamentals while we also expect travel demand to recover after the pandemic subsides in the longer term. We therefore leave out the abnormally bad years of 2021-22F and look at the sector's valuation in 2023F when we expect sector demand to almost return to normal. The sector's 2023F PE at 32.9x and EV/EBITDA at 16.0x are back to their pre-COVID levels of 30.0x and 17.3x in 2019 and 30.5x and 20.5x in 2018. We therefore see the sector's valuation as already fairly valued.

Ex 2: 2023F PE Back To Its Pre-COVID Level In 2018-19…



Sources: Company data, Bloomberg, Thanachart estimates

Ex 3: …And Also Its 2023F EV/EBITDA Level



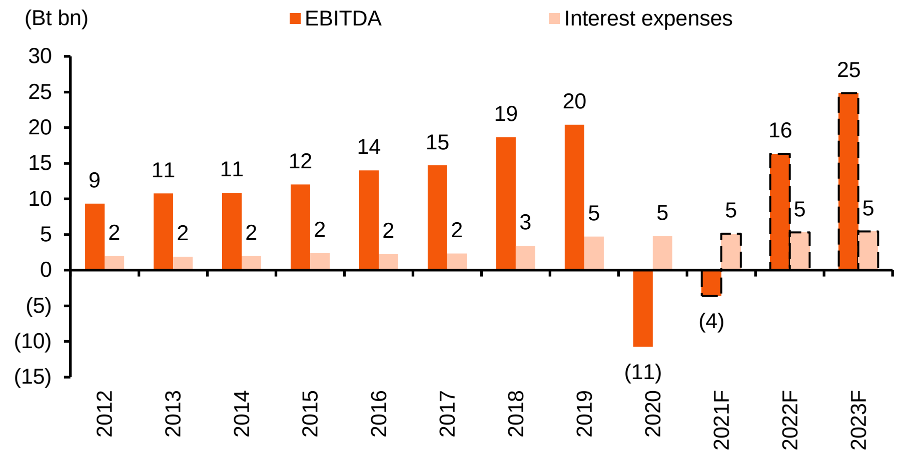
Sources: Company data, Bloomberg, Thanachart estimates

Cashflow streams remain at risk

Cash flow: Given weak cash inflow streams since the COVID-19 outbreak in early 2020 due to country lockdowns and travel bans around the world, all hoteliers have reduced their variable costs or semi-variable costs such as labor costs and lease expenses. They have also negotiated with financial institutions to restructure or delay their debt repayment and interest payment schedules and waive all financial covenants.

The rapid rise in COVID cases globally and the third wave in Thailand is still posing challenges to hoteliers due to uncertainties regarding the duration and extent of the pandemic. We therefore see the sector's cashflow streams continuing to be at risk over the short term with the sector's EBITDA (excluding rights of use) loss at Bt3.6bn in 2021F vs. the sector's interest expenses (excluding interest from lease agreements) of Bt5.1bn. Operators will therefore likely need to use cash on hand, unused credit lines or asset rotations to support their operational and financial expenses this year.

Ex 4: Unhealthy Cash Flow Status In The Short Term



Sources: Company data, Thanachart estimates

Note: EBITDA excl. rights of use, Interest expenses excl. interest expenses from lease agreements

Deep and long-lasting impact

We like the hotel sector's long-term fundamentals because of the Thai tourism industry's strong competitiveness but we remain cautious about the pace of the sector's recovery. Even with more widespread vaccinations, global daily new COVID-19 cases remain high. Together with Thailand having entered its third COVID wave, this looks likely to delay the recovery in Thai tourism.

Still cautious on Thai tourism recovery

Three factors pushing out the recovery in Thai tourism…

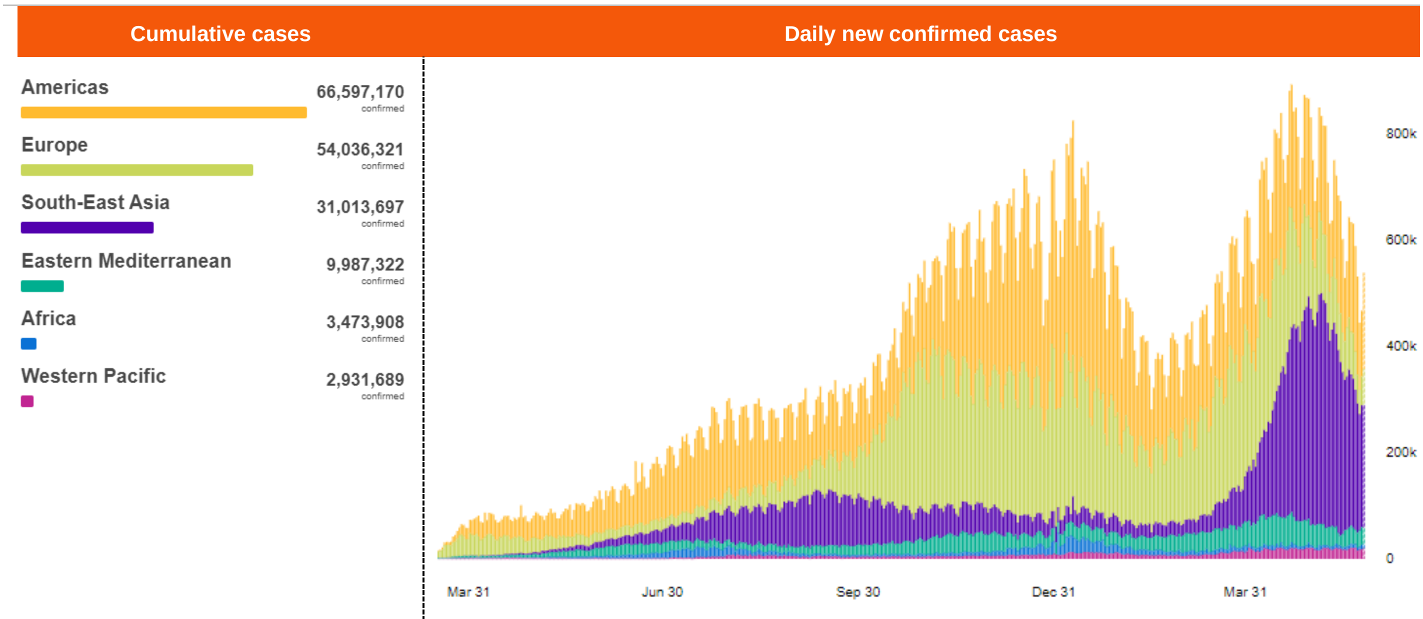
Thai tourism was hit hardest in 2Q20 due to the country lockdown and travel bans around the world because of the spread of COVID-19. Then we saw the industry trend gradually improve quarter by quarter in 3Q20 and 4Q20 after Thailand eased lockdown measures because of its low number of COVID cases. However, Thailand's tourism industry has taken a turn for the worse since early this year due to the COVID second wave starting from late-December 2020 and the third wave beginning in early April.

Though we believe that the sector's fundamentals remain strong over the long term because of Thailand strong competitiveness in terms of rich natural resources, good transportation infrastructure, pricing, safety and security, we are cautious about the sector's recovery for the following reasons:

Globally, new COVID-19 cases remain high

 # 1 COVID-19's spread globally: Although more than 1.74bn doses of COVID-19 vaccines have been administered across 176 countries, according to Bloomberg's data, new confirmed cases and deaths globally have remained high. We therefore expect continued travel restrictions between particular locations and health-related traveller requirements.

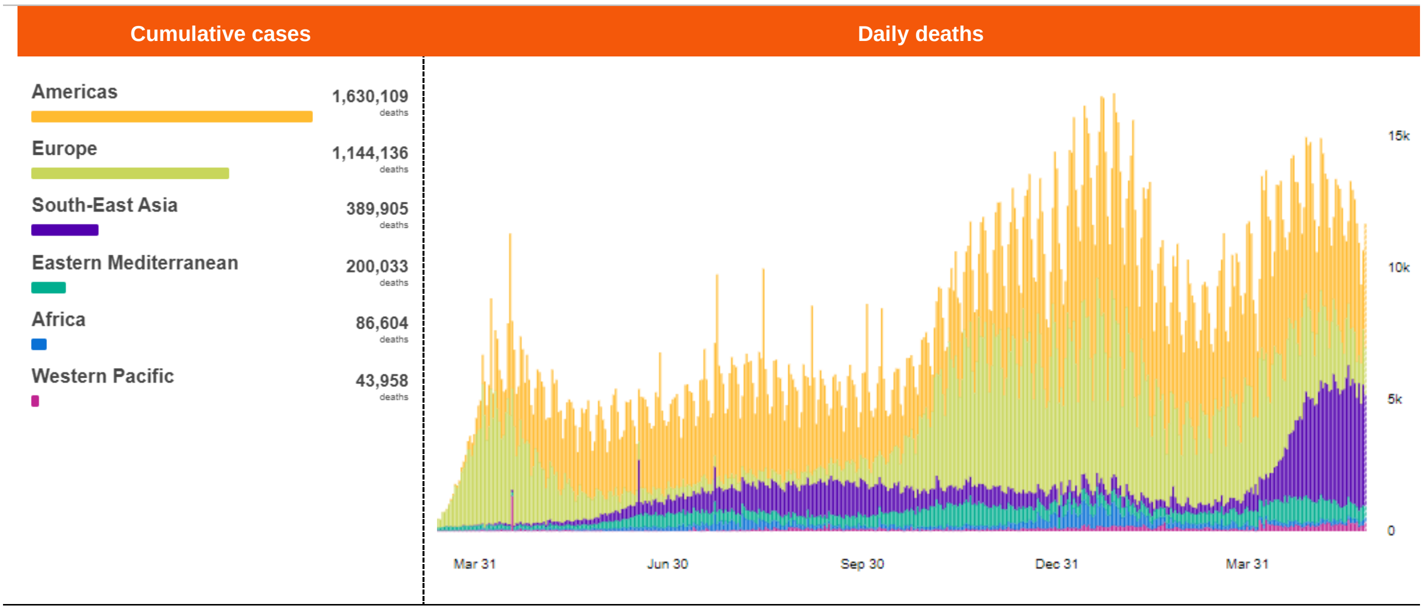
Ex 5: Globally Confirmed COVID-19 Cases



Source: WHO

Note: As of 27 May 2021

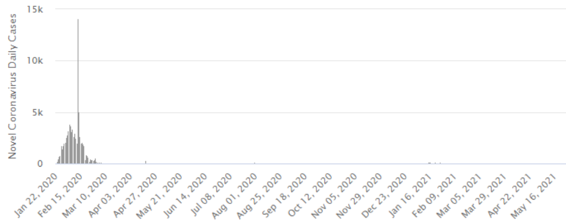
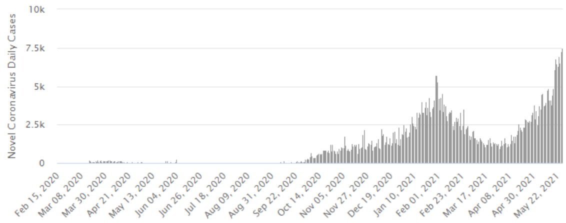
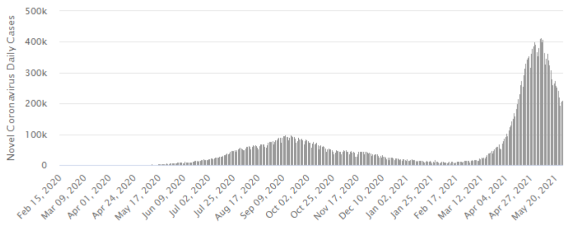
Ex 6: Global Deaths



Source: WHO
Note: As of 27 May 2021

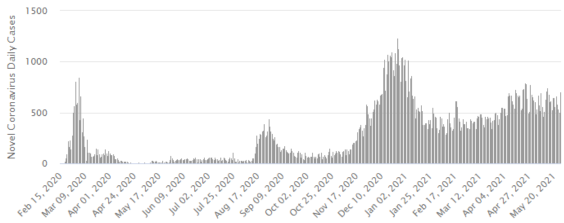
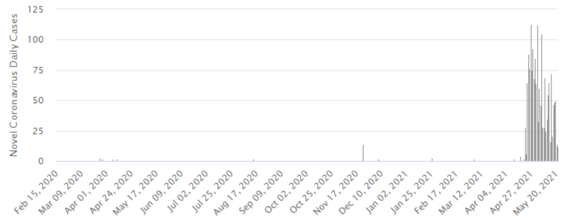
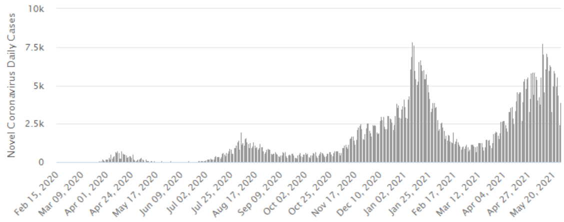
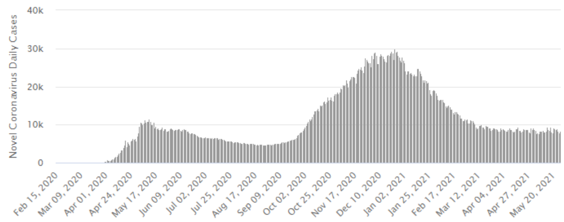
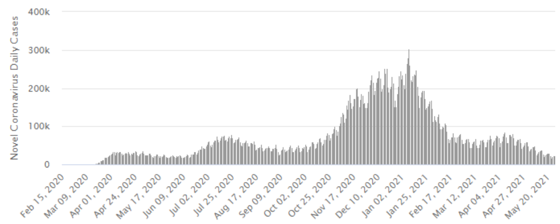
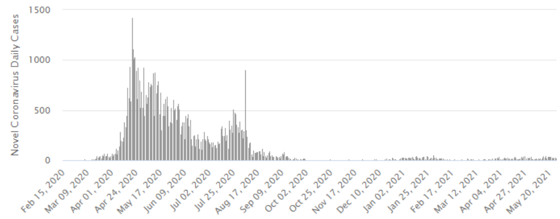
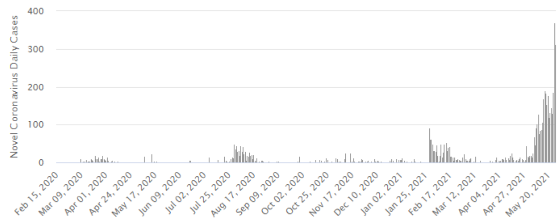
The top ten countries for tourist arrivals to Thailand in 2019 were China (27.6%), Malaysia (10.7%), India (5%), South Korea (4.7%), Laos (4.7%), Japan (4.5%), Russia (3.7%), the US (2.9%), Singapore (2.6%) and Vietnam (2.6%). They accounted for 69% of total international tourists visiting Thailand in 2019. Meanwhile, another 20% of total tourist arrivals to Thailand in 2019 came from 10 other countries. We see a mixed picture for the COVID-19 situation and vaccinations in the top 10 countries.

Ex 7: Top 10 Countries For Tourists Visiting Thailand In 2019

Country	# of doses administered (m doses)	Doses per 100 people (%)	Daily rate of doses administered (m doses)	# of daily new cases (people/day)
China	546.71	19.5	15.86	
Malaysia	2.58	4.0	0.07	
India	202.53	7.4	2.22	

Sources: Bloomberg, Worldometer

Ex 8: Top 10 Countries For Tourists Visiting Thailand In 2019 (Con't)

Country	# of doses administered (m doses)	Doses per 100 people (%)	Daily rate of doses administered (m doses)	# of daily new cases (people/day)
S. Korea	5.89	5.7	0.14	
Laos	0.58	4.1	0.02	
Japan	10.03	4.0	0.42	
Russia	24.00	8.2	0.20	
US	289.21	45.1	1.70	
Singapore	3.73	32.7	0.04	
Vietnam	1.03	0.5	0.00	

Sources: Bloomberg, Worldometer

Note: As of 27 May 2021

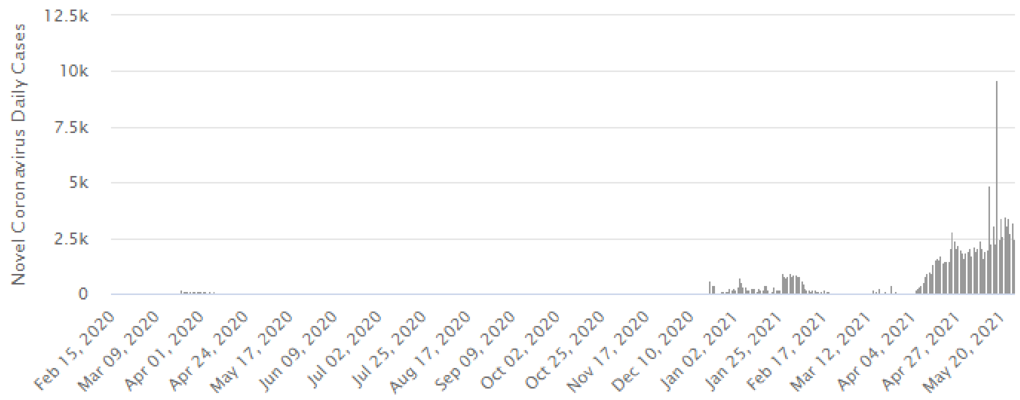
45-50% of foreign tourists have a high potential to return in late 2021

After analysing Bloomberg's vaccination data, we found that 45-50% of total tourists visiting Thailand in 2019 were from countries those can roll out COVID vaccines to cover 70% of their total population by the end of 2021 such as China, the US, Canada, Western European nations and the UAE. People in these countries should be high-potential travellers to come back to Thailand from late this year, in our view. However, everything still depends on those countries' outbound travel rules and the COVID situation in Thailand.

High infections during Thailand's third COVID-19 wave

 # 2 COVID-19 third wave in Thailand: The surge in number of infections during the third COVID-19 wave in Thailand which started in early April caused the Thai government to reinstate the 14-day mandatory quarantine period for people arriving from May regardless of their vaccination status or nationality. Meanwhile, we believe the government's roadmap to reopening the country remains at risk. Though the "Phuket Sandbox" program could continue if 70% of the population in Phuket province are vaccinated before July, we still expect fewer tourists to arrive. The outbreak's severity in other areas of Thailand and the detection of the Indian and South African variants in Thailand may cause other countries to issue travel warnings and restrictions on visiting.

Ex 9: Thailand's Daily New COVID-19 Cases



Source: Worldometer
Note: As of 27 May 2021

Ex 10: Thai Government's Roadmap To Reopening

	Pre-3rd COVID wave	New
First phase (1 Apr - 30 Jun 2021)	Vaccinated tourists allowed to undergo a reduced quarantine period of only seven days and also allowed out of their rooms at certain times to use designated areas of the hotel, if applicable. Unvaccinated tourists required to quarantine for 10 days.	Centre for COVID-19 Situation Administration (CCSA) reinstates the 14-day quarantine for all international arrivals, even those with Certificates of Entry, effective from 1 May 2021, until further notice, to curb the new outbreak of COVID-19.
Second phase (1 Jul – 30 Sep 2021)	Vaccinated tourists allowed visiting Phuket without any quarantine under the "Phuket Sandbox" program. Visitors required staying in Phuket for at least seven days, after which they are free to travel around Thailand.	Unchanged
Third phase (1 Oct – 31 Dec 2021)	Five other destinations (Krabi, Phangnga, Koh Samui, Chonburi, and Chiang Mai) allow vaccinated tourists to arrive without quarantine under the seven-day sandbox program, which requires them to stay within prescribed areas for seven days.	Expanded from five destinations to nine – Krabi, Phangnga, Koh Samui, Chonburi, Chiang Mai, Buri Ram, Phetchaburi, Prachuap Khiri Khan and Bangkok
Fourth phase (1 Jan 2022)	Vaccinated tourists able to enter the country and move around freely without quarantine.	Unchanged

Source: Thanachart compilation

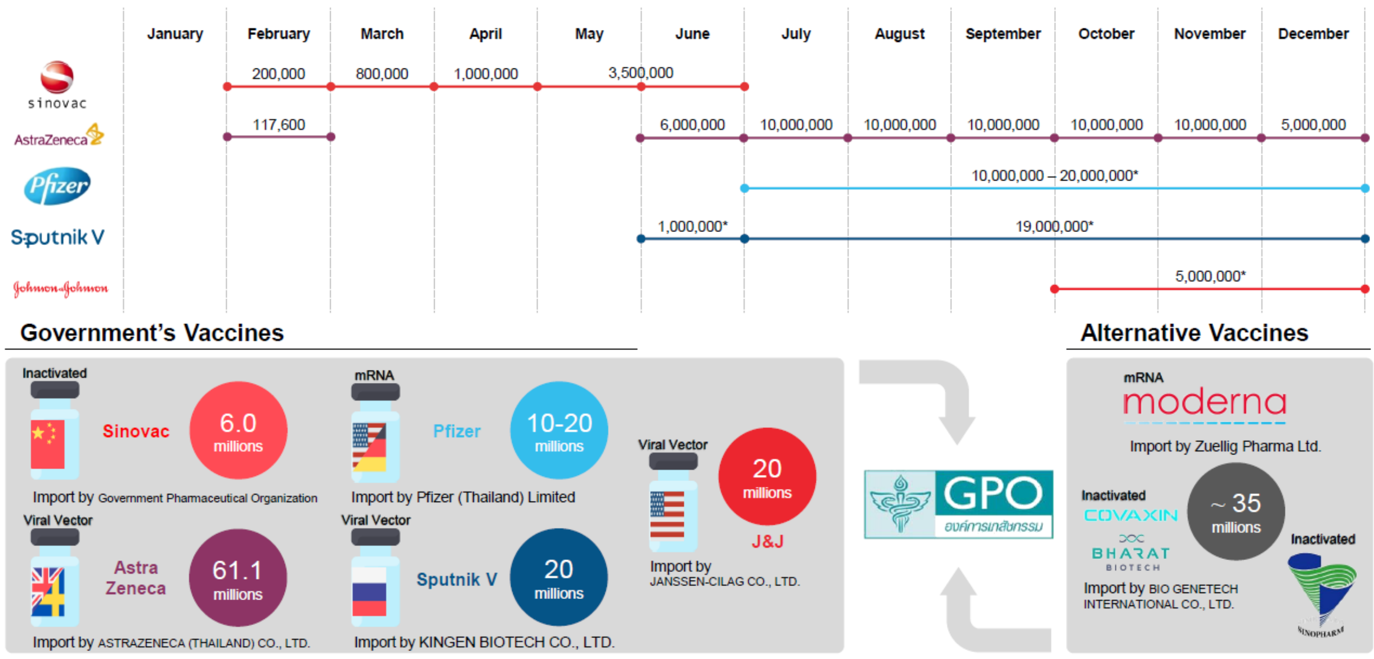
Slow and uncertain vaccination rollout in Thailand

 # 3 sluggish and uncertain vaccination rollout in Thailand: Given the high numbers of infections in Thailand in the third wave, the government has decided to speed up the vaccine rollout to cover 70% of the total population by the end of this year vs. the previous target of 50%. In order to achieve this new target, the government is in talks to procure 37m more doses from other suppliers.

Besides 5m doses of the Sinovac vaccine from China and 61m doses of the AstraZeneca vaccine produced in Thailand by Siam Bioscience, the government aims to order additional 37 m doses of Pfizer-BioNTech (already signed an MoU with Pfizer (Thailand) Limited), Johnson & Johnson and Sputnik V vaccines. For alternative vaccines such as Moderna, Covaxin and Sinopharm, government will allow for private segment to buy. The government targets to distribute COVID-19 vaccines to the entire population from 2022 onward.

The first 11 provinces that the government plans to roll out the vaccines in are Phuket, Bangkok, Krabi, Phangnga, Pathum Thani, Nonthaburi, Samut Prakan, Chonburi, Samut Sakhon, Nakhon Pathom and Surat Thani.

Ex 11: Thailand Vaccination Procurement Plan In 2021



Source: BCH
Note: * Estimated

In our view, vaccine availability in Thailand remains limited and uncertain for now because most of the supply relies on the AstraZeneca vaccine produced by Siam Bioscience. Vaccines used in Thailand must be approved and registered with the Thai Food and Drug Administration (FDA). So far, the Sinovac, AstraZeneca, Johnson & Johnson and Moderna COVID-19 vaccines have received licenses from the Thai FDA. Meanwhile, the Covaxin, Pfizer, Sinopharm and Sputnik V vaccines are still under consideration.

Ex 12: Progress Of Vaccine Rollouts In ASEAN

Country	# of doses administered (m doses)	Doses per 100 people (%)	Daily rate of doses administered (m doses)
Brunai	0.01	1.6	0.00
Cambodia	3.18	9.6	0.06
Indonesia	24.83	4.7	0.18
Loas	0.58	4.1	0.02
Malaysia	2.58	4.0	0.07
Myanmar	2.99	2.8	0.11
Philippines	3.30	1.5	0.11
Singapore	3.73	32.7	0.04
Thailand	**3.15**	**2.3**	**0.10**
Vietnam	1.03	0.5	0.00

Source: Bloomberg
Note: As of 27 May 2021

Earnings revisions

We cut our sector earnings estimates in 2021-22F

We revise down our hotel sector earnings from a Bt1.7bn loss to a Bt16bn loss in 2021F and cut our earnings by 71% in 2022F because of our expectation of delays to the tourism and economic recovery. However, we revise up our earnings by 6% in 2023F on the back of some cost cutting during the COVID-19 crisis being permanent after the pandemic subsides. Details of our earnings revisions, new TPs and recommendations for each stock are shown below in Exhibit 13 and 14.

Ex 13: Our Earnings Revisions

Stock code	Earnings (Bt m)								
	New			Old			Change (%)		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
CENTEL	(1,166)	385	1,762	417	1,215	1,730	n.a.	(68.3)	1.8
ERW	(1,576)	(435)	392	77	408	586	n.a.	n.a.	(33.1)
MINT	(13,152)	1,729	6,966	(2,162)	4,251	6,264	n.a.	(59.3)	11.2
Sector	**(15,895)**	**1,680**	**9,120**	**(1,668)**	**5,874**	**8,580**	**n.a.**	**(71.4)**	**6.3**

Source: Thanachart estimates

Ex 14: Our Recommendation And TP Changes

Stock	Recommendation New	Recommendation Old	TP (Bt/share) New	TP (Bt/share) Old	Changes in our key assumptions
CENTEL	BUY	HOLD	38.5	25.0	▪ Our 2021-22F earnings are cut mainly to reflect a weaker-than-expected recovery in its hotel and food businesses because of a slow recovery in the Thai tourism industry and the economy. ▪ Our 2023F earnings and TP are lifted to reflect some cost savings which will likely continue into 2023F and onwards.
ERW	SELL	BUY	2.6	2.7	▪ Our 2021-23F earnings and TP are cut mainly to reflect a weaker-than-expected occupancy rate and average room rate for the hotel business due to a slow recovery of the Thai tourism industry and the economy.
MINT	HOLD	SELL	31.0	15.8	▪ Our 2021-22F earnings are cut mainly to reflect a slower-than-expected recovery of its existing hotel and food businesses. ▪ Our 2023F earnings and TP are lifted to reflect its business expansion and stronger-than-expected cost controls over the longer term.

Source: Thanachart estimates

Sector earnings to turn a profit from 2022F onwards

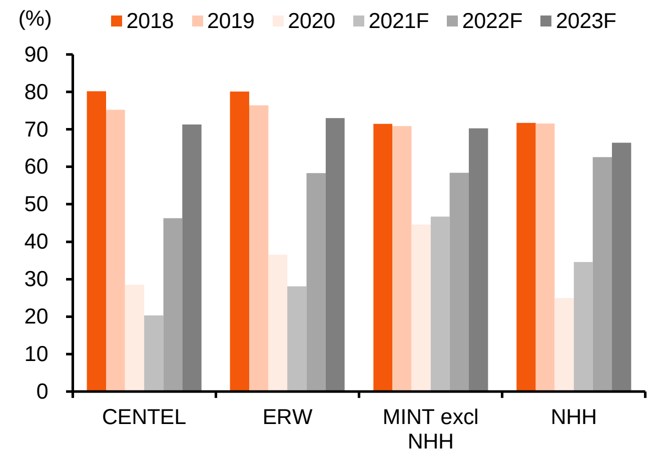
We expect the sector to turn a profit from 2022F onwards

Though we expect the sector’s earnings to experience some improvement this year after losses of Bt22.5bn in 2020, we still estimate it to make a Bt16bn loss in 2021F. The COVID-19 pandemic around the world, especially the current third wave in Thailand, is still having a negative impact on the number of Thai and international tourists. Meanwhile, CENTEL and MINT’s food businesses have also been hit by the government’s dine-in restrictions in the six so-called dark-red “maximum control” zones of Bangkok, Chiang Mai, Chon Buri, Nonthaburi, Pathum Thani and Samut Prakan while people in other provinces are also afraid of going outside because of the spread of the virus.

Though we expect the COVID-19 situation to improve in 2022F due to more vaccinations, fears among the public, the economic slowdown and fierce competition among food and hotel operators lead us to believe that strong sales promotions and price discounts will continues into the year. Together with room occupancy and food consumption not yet returning to normal, we therefore expect the sector to make only a Bt1.7bn profit in 2022F.

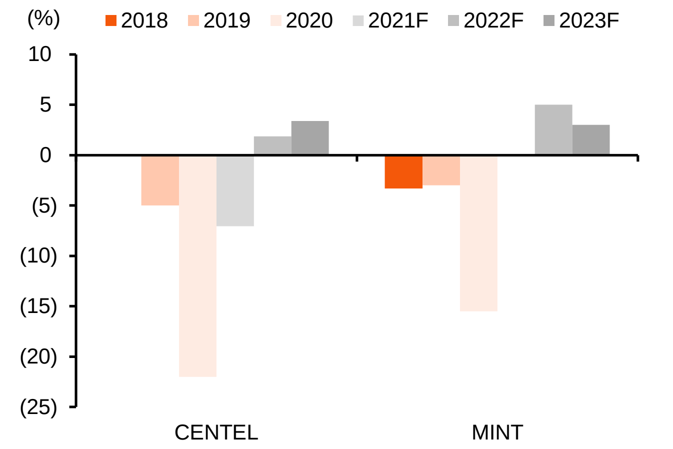
We expect travel demand and food consumption to almost return to pre-COVID levels in 2023F. On the back of rising occupancy rates and higher average room rates and same-store-sales growth (SSSG), we therefore expect the sector’s earnings to turn a profit of Bt9.1bn in 2023F. Note that CENTEL and MINT’s revenue contributions from their food businesses stood at 59% and 20%, respectively, in 2019.

Ex 15: Hotels' Occupancy Rates



Sources: Company data, Thanachart estimates

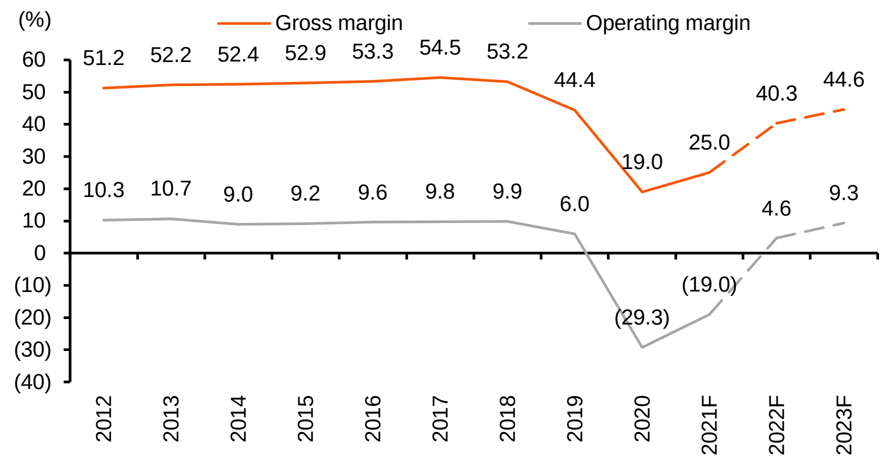
Ex 16: SSSG



Sources: Company data, Thanachart estimates

With rising asset utilization and hotels' cost-control programs, we expect the sector's operating margin to expand from -29.3% in 2020 to -19.0%, 4.6% and 9.3% in 2021-23F, respectively.

Ex 17: Sector's Improving Margin

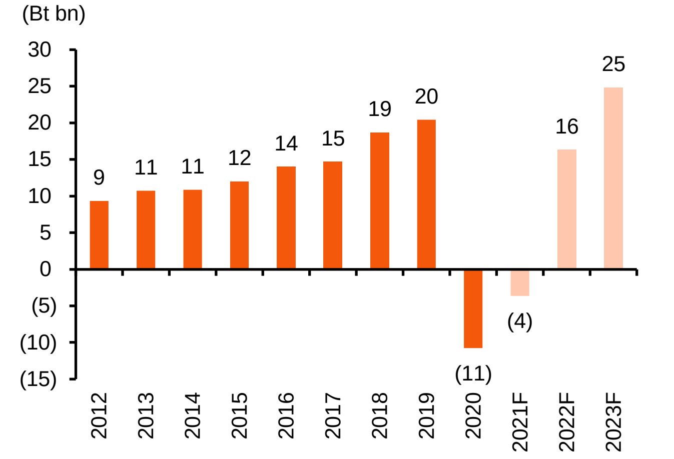


Sources: Company data, Thanachart estimates

Improving cash inflows but financial status remains unhealthy

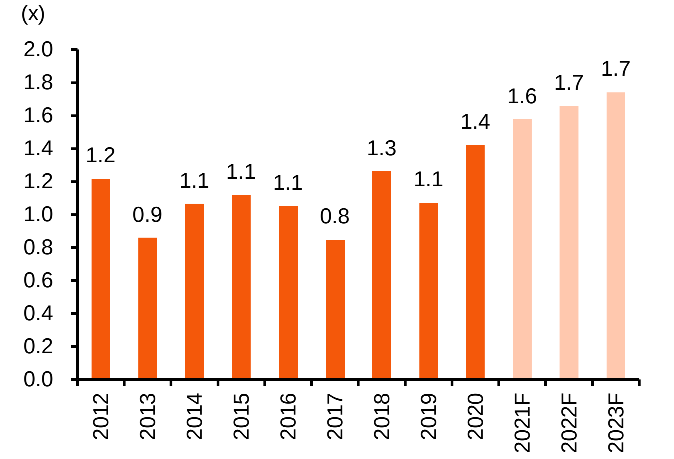
With the sector's earnings growth bouncing back, cash inflow streams should continue to improve. However, with the sector's weak cash inflow streams in 2020 and 2021F, we foresee the sector's financial status over the next few years remaining unhealthy.

Ex 18: Hotel Sector's EBITDA Excluding Rights Of Use



Sources: Company data, Thanachart estimates

Ex 19: Hotel Sector's Net Interest Bearing Debt To Equity *



Sources: Company data, Thanachart estimates

Note: * Exclude lease liabilities and COVID-19 impairment

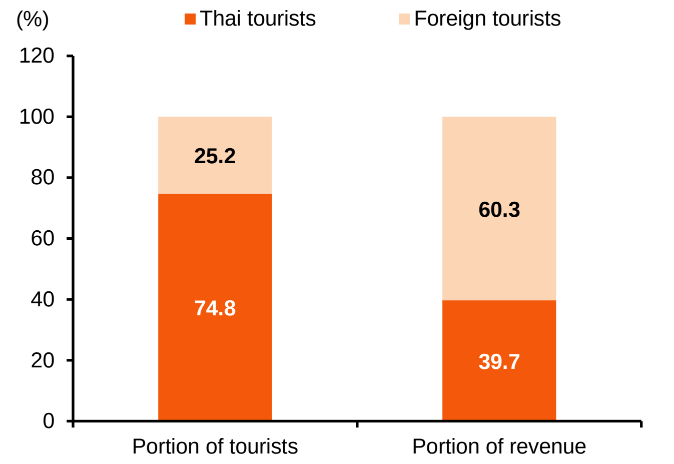
Tourism mega-trends

Thai and international tourists hit by COVID-19 in 2020

Before the COVID crisis in 2019, 39.9m international tourists visited Thailand. The number plunged by 83% y-y to 6.7m in 2020 due to travel bans around the world. Meanwhile, the number of Thai tourists fell by 46% y-y to 123m people in 2020. The sharp drop in international tourists caused the portions of Thai tourist and Thai tourist revenue to rise to 90% and 61% in 2020, respectively from 75% and 40% in 2019.

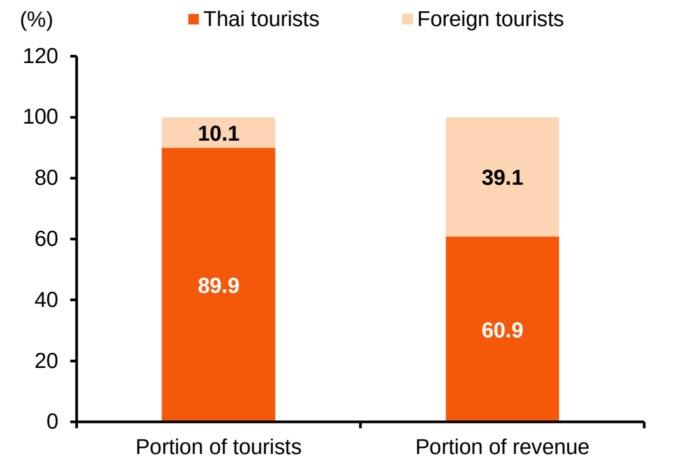
Among international tourists in 2019, tourists from North Asia, Asean and Europe accounted for 85% of total international tourist arrivals visiting Thailand. Meanwhile, Chinese, Malaysian and Indian tourists accounted for 43% of total international tourists and Indians were the key driver for the Thai tourism industry's growth in 2018-19.

Ex 20: Portions Of Thai And International Tourists In 2019



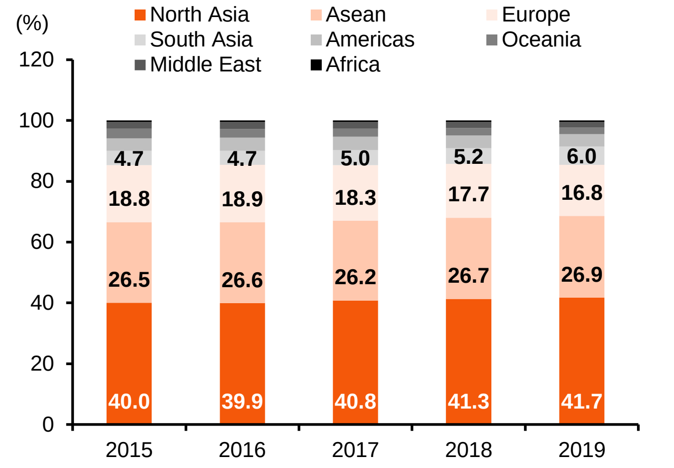
Source: Ministry of Tourism & Sports

Ex 21: Portions Of Thai And International Tourists In 2020



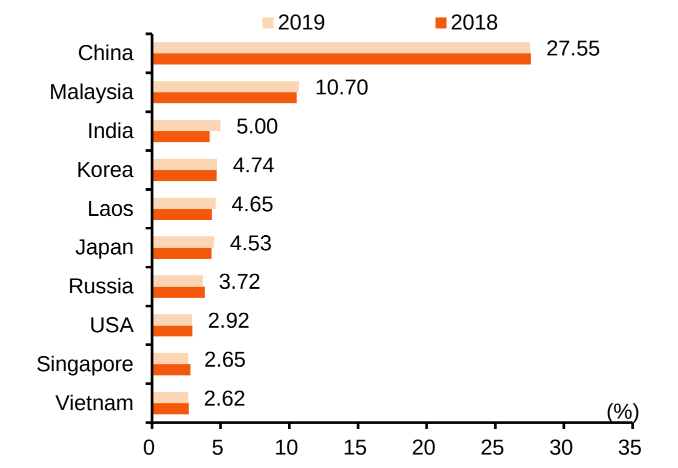
Source: Ministry of Tourism & Sports

Ex 22: International Tourist Breakdown By Region



Source: Ministry of Tourism & Sports

Ex 23: International Tourist Breakdown By Country



Source: Ministry of Tourism & Sports

We see a longer road for a Thai tourism recovery…

With Thailand and ASEAN's slow rates of vaccination and virus surges, the Chinese government's outbound travel curbs and India's COVID crisis, we believe the Thai government's tourism reopening plan is at risk of delay and that the Thai tourism industry will take a longer time to recover.

…with global tourism also only gradually improving

Though has been more progress with vaccine rollouts in US and Europe, there is uncertainty regarding the COVID-19 situation around the world because of the virus spreading further in developing countries and variants still causing people to be cautious about travelling. Meanwhile, the reopening of European Union's borders from late 2Q21 is also subject to some conditions, i.e. COVID-19 tests, two doses of vaccines, vaccine brands having to be approved by the World Health Organization (AstraZeneca, Johnson & Johnson, Moderna, Pfizer-BioNTech and Sinopharm) and each country's COVID notification rate. We therefore expect global tourism to only improve gradually this year.

Thai tourism trends after the outbreak subsides

We expect Thailand and global tourism to fully recover after 2023F. Meanwhile, we foresee COVID-19 influencing tourism trends after the outbreak subsides as follows:

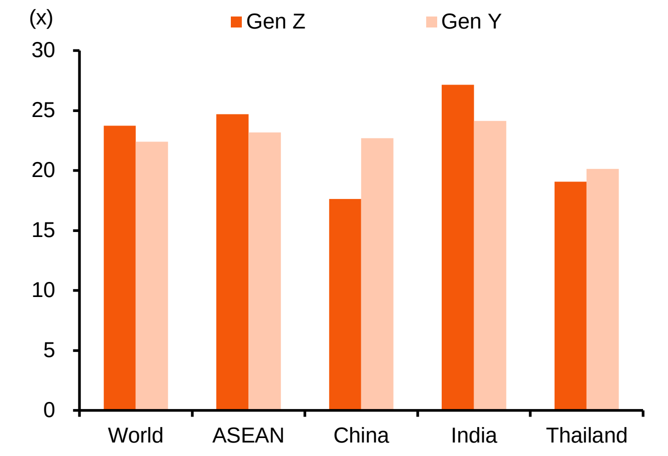
Faster recovery in Gen Y and Gen Z tourists

First, we expect to see a faster recovery in Gen Y (millennials: born from 1980-1997) and Gen Z (born after 1997) tourists and leisure travelers as they tend to have fewer worries about COVID-19 along with having a different work-life balance lifestyle. According to the United Nations, Gen Y and Gen Z accounted for 22% and 24% of the world's total population in 2020, respectively. Meanwhile, Thailand's Gen Y and Gen Z population made up 19% and 20% of its total population in 2020.

Closer and more familiar destinations will likely be more popular

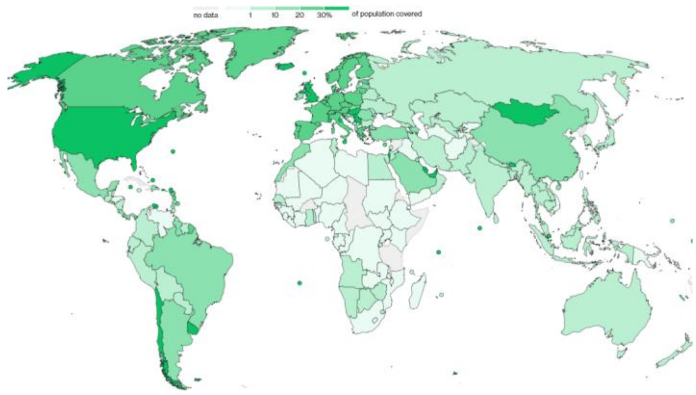
Second, given each country's entry criteria for inbound and outbound tourists and people's budgets being more limited due to economic issues, we expect travelers to visit closer and more familiar tourist destinations and to stay in midscale and economy hotel segments. We also expect domestic and intra-region travel (such as within the European Union and Oceania) to be the first to recover after the pandemic subsides. Due to the low utilization rate with the oversupply situation and fierce competition, we expect it to take years before hotel operators can charge average room rates at the pre-COVID level.

Ex 24: Portions Of Gen Y and Gen Z In 2020



Source: United Nation

Ex 25: World Map Of Vaccinations



Source: Bloomberg
Note: As of 27 May 2021

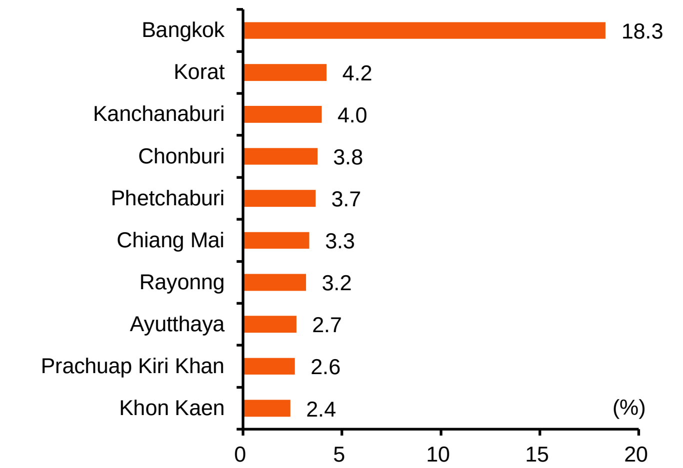
Branded or franchise hotels will likely gain more share

Third, given virus infection concerns, we see branded or franchise hotels with greater safety, cleanliness, service standard, convenience and technology gaining share from local small hotels. To prepare Thai tourism operators to be ready for the return of tourism post COVID-19, The Tourism Authority of Thailand (TAT), in collaboration with the public and private sector partners, is introducing an "Amazing Thailand Safety and Health Administration (SHA)" certification aimed at elevating Thailand's tourism industry standards and developing confidence among international and domestic tourists. In addition, with SME's financial problems during the COVID crisis, we also expect large hotel chain and listed hotels to gain more market share from local operators post COVID-19.

Interest in less crowded places upcountry

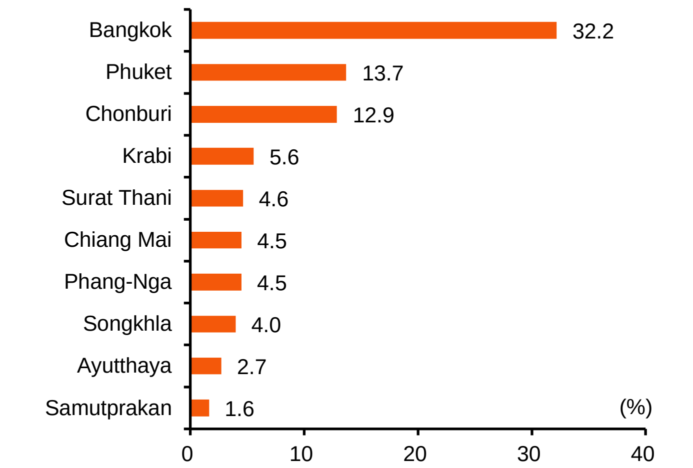
Fourth, with the so-called "new normal" lifestyle, we expect tourists to have a greater interest in outdoor activities and visiting less crowded places upcountry. In addition, we believe the locations that they are already familiar will be the first choice for them to revisit. We thus expect Thailand's nature destinations and ancient attractions to lure Thai and international tourists, both previous visitors and newcomers over the next few years. Exhibits 26 and 27 below show the top ten popular destinations in Thailand.

Ex 26: Top Ten Tourist Destination For Thai Tourists



Source: Ministry of Tourism & Sports

Ex 27: … And For International Tourists In 2019



Source: Ministry of Tourism & Sports

CENTEL the best of the bunch

CENTEL is our top BUY

We identify four criteria, i.e. business growth opportunities, operations, financial and cashflow status and valuation when it comes to assigning our sector top pick. Details are shown in Exhibit 28. While we expect CENTEL and MINT to turn a profit in 2022F, ERW will still likely make a loss. We also estimate CENTEL's profitability, financial status, and cash flow streams are also healthier than peers' with a cheaper valuation.

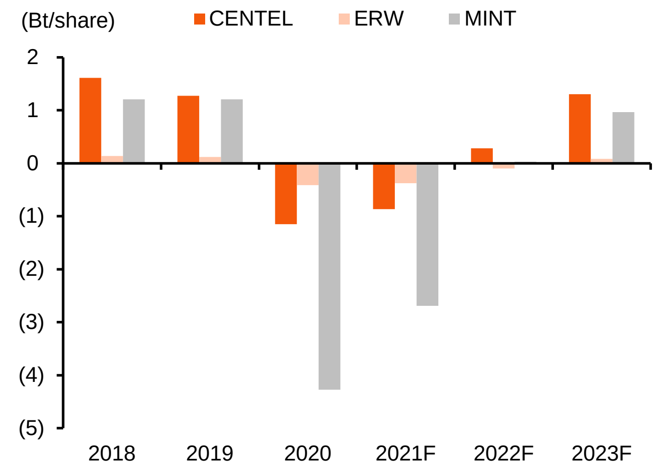
We therefore replace ERW with CENTEL as our top BUY in the sector. We downgrade ERW to SELL from BUY as we regard its valuation as expensive and see its financial status as unhealthy. We upgrade MINT by only a notch to HOLD as we believe the swift turnaround story of its overseas operations is already in the price.

Ex 28: Ranking By Attributes

Criteria	Weight	CENTEL	ERW	MINT
1. Business growth opportunity				
- *Segmentation*	15%	9.0	10.0	8.0
- *Location*	15%	8.5	8.0	10.0
2. Operation				
- Earnings trend	20%	9.0	8.0	9.0
- Profitability	10%	10.0	8.0	8.0
3. Financial and cashflow status	**20%**	10.0	8.0	8.0
4. Valuation in 2023F	**20%**	10.0	6.0	8.0
Scoring	**100%**	**9.4**	**7.9**	**8.5**

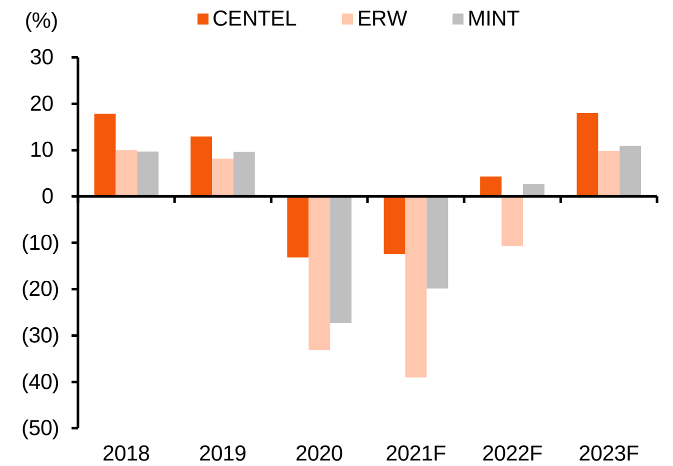
Source: Thanachart estimates

Ex 29: Core EPS Comparison



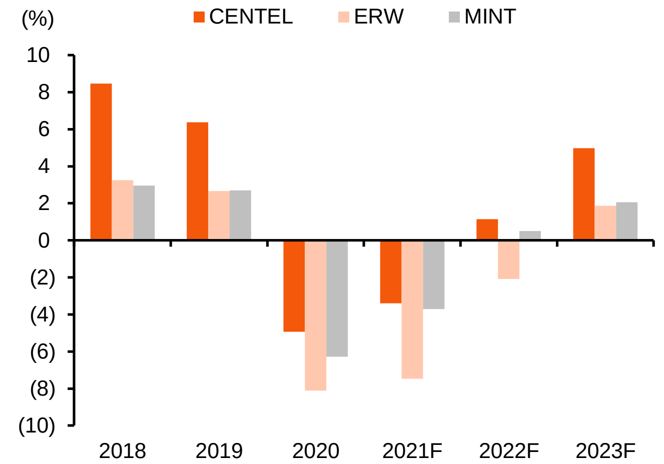
Sources: Company data, Thanachart estimates

Ex 30: ROE Comparison



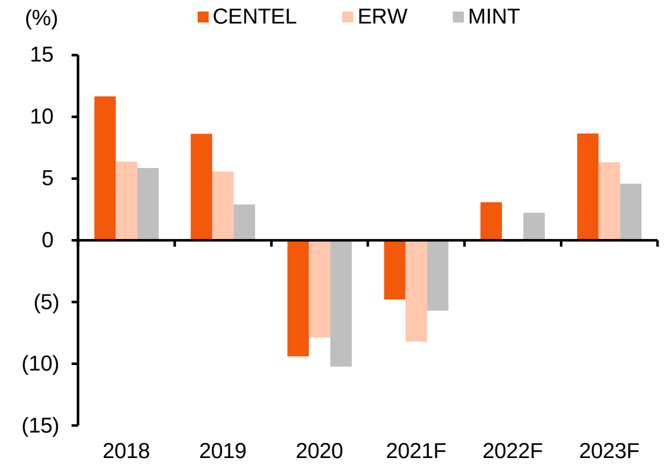
Sources: Company data, Thanachart estimates

Ex 31: ROA Comparison



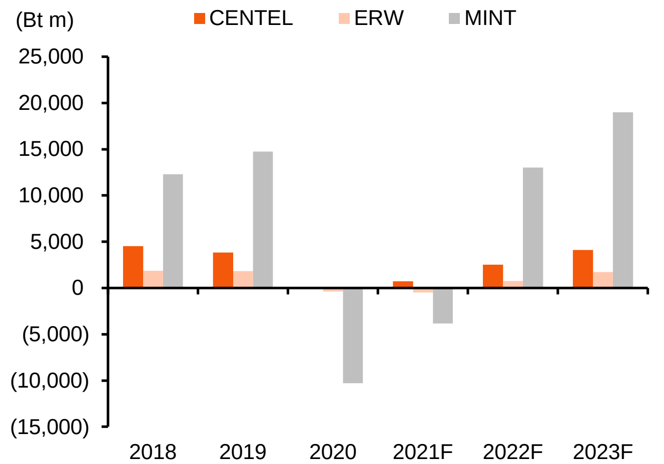
Sources: Company data, Thanachart estimates

Ex 32: ROIC Comparison



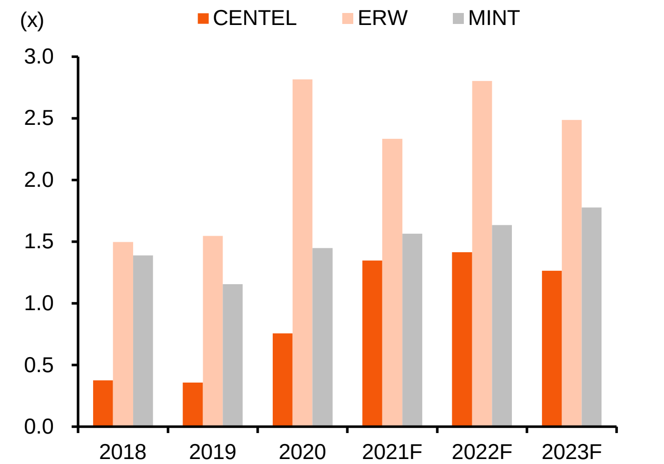
Sources: Company data, Thanachart estimates

Ex 33: EBITDA – Excluding Rights Of Use



Sources: Company data, Thanachart estimates

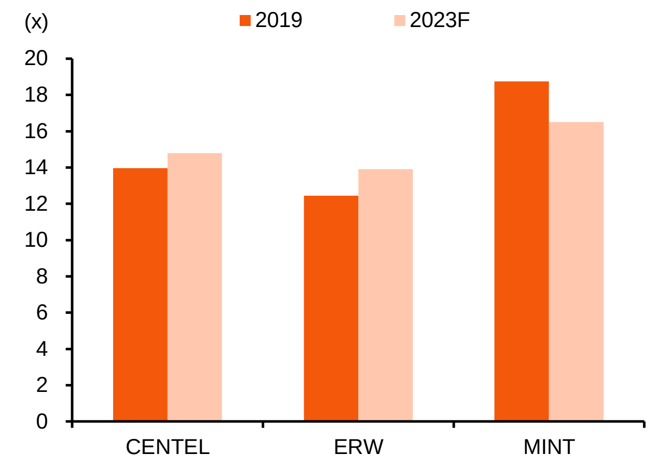
Ex 34: Net Interest-Bearing D/E*



Sources: Company data, Thanachart estimates

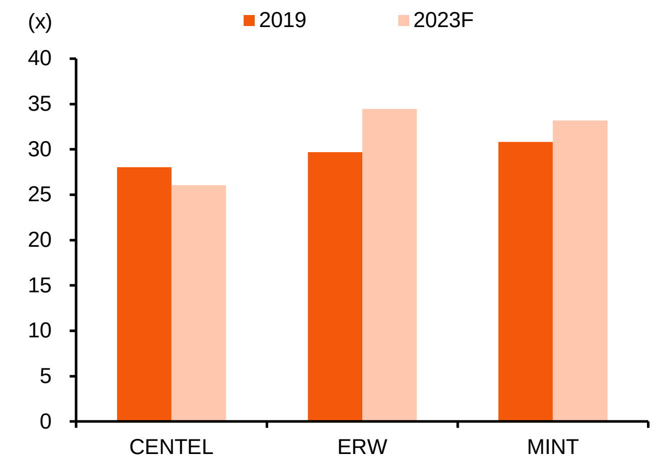
Note: * Exclude lease liabilities and COVID-19 impairment

Ex 35: EV/EBITDA Comparison



Sources: Company data, Thanachart estimates

Ex 36: PE Comparison



Sources: Company data, Thanachart estimates

Ex 37: Business Strategies Recap

CENTEL	ERW	MINT
Hotel (Revenue 41%, EBITDA 68%) ▪ Main focus is on the midscale and luxury segments while it is diversifying to the economy segment ▪ Main focus is Thailand across key travel destinations ▪ Looking to expand to overseas markets such as the Maldives, Dubai, Qatar, Japan and Vietnam ▪ Investment approach: equity-owned, JV and managed ▪ Owned brands: Centara Grand, Centara and COSI	**Hotel (Revenue 96%, EBITDA 96%)** ▪ Focus on expanding in the budget hotel segment both in Thailand and the Philippines and eyeing opportunities to expand its HOP INN brand in the Asia Pacific (targets revenue contribution from the segment > 40% in 2025 from 12% in 2019) ▪ Maintaining operations in the midscale or luxury segment without new expansions ▪ Investment approach: equity-owned ▪ Owned brand: HOP INN ▪ International brands: Naka, Hyatt, JW Marriott, Renaissance, Novotel, Courtyard, Holiday Inn, Ibis and Mercure	**Hotel (Revenue 76%, EBITDA 83%)** ▪ Focus on luxury hotels both in Thailand and international markets such as Europe, China, Southeast Asia, Africa and South America ▪ Expanding to new travel destinations in international markets ▪ Investment approach: equity-owned, JV and managed ▪ Owned brands: Anantara, Avani, NH Hotels, NHOW, NH Collection, Elewana, Oaks and Tivoli ▪ International brands: Four Seasons, JW Marriott, St. Regis, and Radisson Bleu
Food (Revenue 59%, EBITDA 32%) ▪ Main focus is on domestic market ▪ Exploring opportunities in the CLMV market ▪ Investment approach: equity-owned, JV and franchise ▪ Brands: company-owned, exclusive, non-exclusive, franchise	**Retail (Revenue 4%, EBITDA 4%)** ▪ Maintaining domestic market focus	**Food (Revenue 20%, EBITDA 16%)** ▪ Focuses on both the Thai and international markets, mainly in China and Australia ▪ Expanding domestically and abroad ▪ Investment approach: equity-owned, JV and franchise ▪ Brands: company-owned, exclusive, non-exclusive, franchise
		Lifestyle (Revenue 4%, EBITDA 1%) ▪ Imports soft fashion and home and kitchenware products such as Esprit, Bossini, Anello, Charles and Keith, Zwilling, Bodum, etc. ▪ Produces sanitizers and cleaning products such as Glade, Magic Clean, Daily Frest, etc. to sell in Thailand and export

Sources: Company data, Thanachart compilation

Note: Given the abnormal situation due to the COVID-19 crisis in 2020, we use revenue and EBITDA portions in the pre-COVID year in 2019 as representative figures

Ex 38: Financial Summary

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	12,907	12,110	16,060	20,086
Net profit	(2,775)	(1,166)	385	1,762
Consensus NP	—	(989)	817	1,834
Diff from cons (%)	—	*na*	*(52.9)*	*(3.9)*
Norm profit	(1,550)	(1,166)	385	1,762
Prev. Norm profit	—	417	1,215	1,730
Chg from prev (%)	—	*na*	*(68.3)*	*1.8*
Norm EPS (Bt)	(1.1)	(0.9)	0.3	1.3
Norm EPS growth (%)	na	na	na	357.6
Norm PE (x)	na	na	119.2	26.1
EV/EBITDA (x)	32.9	25.4	14.7	10.6
P/BV (x)	4.6	5.2	5.0	4.4
Div yield (%)	0.0	0.0	0.2	1.5
ROE (%)	na	na	4.3	18.0
Net D/E (%)	84.8	153.1	160.1	140.9

Sources: Company data, Thanachart estimates
Note: Based on 27 May 2021 closing prices

Ex 39: CENTEL (Market cap: US$1.5bn; TP: Bt38.50; BUY)

- Though we do not expect CENTEL to be the biggest beneficiary based on its hotel segmentation and locations, its good mix and diversified business strategies (domestic & abroad, upscale & economy) and development of an asset-light model via its owned brands should help to strengthen its operation.
- While CENTEL's financial status and cash inflow streams are the healthiest in the sector, its profitability is also the strongest.
- Most attractive in valuation terms compared to other listed peers. CENTEL's PE at 26.1x 2023F PE is still lower than its 2019 PE level at 28.0x and it is the cheapest in the sector, on our estimates.
- We already assume the Centara Grand Resort & Villa Hua Hin leasehold contract will be renewed.

Ex 40: Financial Summary

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	55,812	60,173	98,665	119,568
Net profit	(21,407)	(15,191)	1,729	6,966
Consensus NP	—	(12,489)	3,154	6,340
Diff from cons (%)	—	*na*	*(45.2)*	*9.9*
Norm profit	(19,388)	(13,152)	1,729	6,966
Prev. Norm profit	—	(2,162)	4,251	6,264
Chg from prev (%)	—	*na*	*(59.3)*	*11.2*
Norm EPS (Bt)	(4.3)	(2.7)	0.0	1.0
Norm EPS growth (%)	na	na	na	2,890.2
Norm PE (x)	na	na	992.8	33.2
EV/EBITDA (x)	713.9	42.6	13.4	11.1
P/BV (x)	2.5	2.8	2.8	3.0
Div yield (%)	0.0	0.0	0.0	0.8
ROE (%)	na	na	2.6	10.9
Net D/E (%)	144.8	161.5	168.7	183.6

Sources: Company data, Thanachart estimates
Note: Based on 27 May 2021 closing prices

Ex 41: MINT (Market cap: US$5.3bn; TP: Bt31.0; HOLD)

- With MINT's strong presence in international markets both in the hotel and food businesses, mainly in Europe via its subsidiary NHH, Australia and China, we therefore expect MINT's overseas businesses to grow faster than in Thailand.
- Due to the economic slowdown and fierce competition, we foresee MINT's average room rate at its luxury hotels still facing some pressure despite experiencing some tourist demand recovery.
- The huge investment in NHH in late 2018 and the COVID-19 impact have caused MINT's financial status and cashflow streams to remain unhealthy.
- Though we foresee a faster recovery for MINT's overseas operation, trading at 33.2x PE in 2023F vs. its pre-COVID level in 2018-19 of 31x, we see it as fairly valued.

Ex 42: Financial Summary

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	2,306	1,607	4,123	6,004
Net profit	(1,715)	(1,576)	(435)	392
Consensus NP	—	(1,424)	38	457
Diff from cons (%)	—	*na*	*na*	*(14.2)*
Norm profit	(1,585)	(1,576)	(435)	392
Prev. Norm profit	—	77	408	586
Chg from prev (%)	—	*na*	*na*	*(33.1)*
Norm EPS (Bt)	(0.4)	(0.4)	(0.1)	0.1
Norm EPS growth (%)	na	na	na	na
Norm PE (x)	na	na	na	34.4
EV/EBITDA (x)	na	na	24.8	12.4
P/BV (x)	3.0	3.2	3.5	3.2
Div yield (%)	0.0	0.0	0.0	0.6
ROE (%)	na	na	na	9.8
Net D/E (%)	281.6	233.6	280.2	248.7

Sources: Company data, Thanachart estimates
Note: Based on 27 May 2021 closing prices

Ex 43: ERW (Market cap: US$240m; TP: Bt2.60; SELL)

- ERAWAN is pursuing expansion in the budget segment. We see its business expansion being low-risk and matching with industry trends.
- However, with its 96% of its revenue exposed to the slow-recovery hotel business in Thailand, we therefore expect ERW's earnings to recover at a slower pace than peers'. Together with its high gearing, we foresee ERW's financial status and cashflow streams remaining at risk.
- ERW's trading PE at 34.4x in 2023F vs. its pre-COVID level at 29.7x in 2019 and the sector's average of 32.9x means it is fully valued, in our view.
- We foresee a risk from rising costs due to the leasehold property (Grand Hyatt Erawan – contributed 23% of total revenue in 2019) contract being due for renewal this year.

Risks

The key upside/downside risks to our NEUTRAL sector call would be the following:

1) If travel demand among Thai and international tourists resumes at a stronger or weaker rate than our expectation presently, this would cause higher or lower numbers of Thai and international tourists.

2) If competition in the global and Thai tourism sector is above or below our current expectation, this would lead to negative or positive impacts regarding the ability to raise average room rates.

3) If consumption in Thailand and overseas markets, mainly in Australia, China and Singapore, is stronger or weaker than our expectations presently, this would cause higher or lower SSSG in the food business in those countries.

4) If competition in quick service restaurants (QSR) in Thailand and overseas markets is above or below our current expectation, this would provide downside or upside risks to our SSSG assumptions.

5) If there is more or less investment in new greenfield/brownfield hotel or food projects than our current expectation, this would pose upside or downside risks to our earnings forecasts.

Ex 44: Sector Valuation Comparison

		CENTEL	ERW	MINT	Sector
Rating		**BUY**	**SELL**	**HOLD**	**Neutral**
Target price	**Thanachart**	**38.50**	**2.60**	**31.00**	
	Consensus	33.43	2.97	33.61	
Consensus rec.	Buy	9.0	5.0	19.0	
	Hold	7.0	11.0	2.0	
	Sell	5.0	5.0	4.0	
Market cap. (US$ m)		1,466	240	5,312	
Sales (Bt m)	2020A	12,907	2,306	55,812	71,025
	2021F	12,110	1,607	60,173	73,889
	2022F	16,060	4,123	98,665	118,848
	2023F	20,086	6,004	119,568	145,658
Norm profits (Bt m)	2020A	(1,550)	(1,585)	(19,388)	(22,524)
	2021F	(1,166)	(1,576)	(13,152)	(15,895)
	2022F	385	(435)	1,729	1,680
	2023F	1,762	392	6,966	9,120
Sales growth (%)	2020A	(37.8)	(63.9)	(52.4)	(50.8)
	2021F	(6.2)	(30.3)	7.8	4.0
	2022F	32.6	156.6	64.0	60.8
	2023F	25.1	45.6	21.2	22.6
Norm EPS growth (%)	2020A	na	na	na	na
	2021F	na	na	na	na
	2022F	na	na	na	na
	2023F	357.6	na	2,890.2	443.0
Gross margin (%)	2020A	31.5	36.5	15.3	19.0
	2021F	35.7	35.9	22.6	25.0
	2022F	40.6	48.4	39.9	40.3
	2023F	42.0	54.2	44.6	44.6
SG&A/Sales (%)	2020A	45.2	87.5	47.3	48.3
	2021F	43.4	113.5	42.3	44.1
	2022F	36.3	48.9	35.0	35.7
	2023F	31.7	38.9	35.7	35.3
Norm profit margin (%)	2020A	(12.0)	(68.7)	(34.7)	(31.7)
	2021F	(9.6)	(98.1)	(21.9)	(21.5)
	2022F	2.4	(10.5)	1.8	1.4
	2023F	8.8	6.5	5.8	6.3
ROE (%)	2020A	na	na	na	na
	2021F	na	na	na	na
	2022F	4.3	na	2.6	2.1
	2023F	18.0	9.8	10.9	11.8
Norm PE (x)	2020A	na	na	na	na
	2021F	na	na	na	na
	2022F	119.2	na	992.8	492.9
	2023F	26.1	34.4	33.2	32.9
Dividend yield (%)	2020A	0.0	0.0	0.0	0.0
	2021F	0.0	0.0	0.0	0.0
	2022F	0.2	0.0	0.0	0.0
	2023F	1.5	0.6	0.8	0.9
Net D/E (x) *	2020A	0.8	2.8	1.4	1.4
	2021F	1.3	2.3	1.6	1.6
	2022F	1.4	2.8	1.6	1.7
	2023F	1.3	2.5	1.8	1.7

Source: Thanachart estimates

Note: * Exclude lease liabilities and COVID-19 impairment

Valuation Comparison

Ex 45: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Accor SA	AC FP	France	na	na	na	68.5	2.2	2.3	87.2	17.9	0.4	1.4
Indian Hotels	IH IN	India	na	na	na	na	4.3	4.5	na	33.3	0.1	0.2
Resorttrust	4681 JP	Japan	na	154.8	58.2	22.8	1.4	1.4	9.7	10.5	1.9	1.8
Hotel Shilla	008770 KS	S. Korea	na	187.2	72.5	25.3	5.8	4.8	18.1	12.9	0.3	0.3
NH Hotel Group	NHH SM	Spain	na	na	na	na	2.6	2.8	19.2	11.7	0.0	0.0
Shanghai Jin Jiang Capital	2006 HK	Hong Kong	(8.6)	167.3	39.0	14.6	1.1	1.0	7.6	7.6	1.3	3.0
Hongkong & Shanghai	45 HK	Hong Kong	na	227.3	141.1	43.1	na	na	30.1	22.7	0.5	1.0
Shangri-La Asia	69 HK	Hong Kong	na	na	na	400.0	4.4	4.4	50.2	20.0	0.1	0.1
InterContinental Hotels	IHG US	US	na	123.2	62.7	28.1	na	na	28.8	18.3	0.6	1.5
Marriott International	MAR US	US	na	114.5	64.7	30.1	45.7	25.7	28.7	17.9	0.0	0.5
Hilton Worldwide Holdings	HLT US	US	na	106.6	63.9	30.9	na	na	29.7	18.8	0.0	0.3
Asset World Corp	AWC TB	Thailand	na	na	na	166.9	2.1	2.1	72.4	37.9	0.0	0.1
Central Plaza Hotel	CENTEL TB*	Thailand	na	na	na	119.2	5.2	5.0	25.4	14.7	0.0	0.2
Erawan Group	ERW TB*	Thailand	na	na	na	na	3.2	3.5	na	24.8	0.0	0.0
Minor International	MINT TB*	Thailand	na	na	na	992.8	2.8	2.8	42.6	13.4	0.0	0.0
Average			**(8.6)**	**154.4**	**71.7**	**161.9**	**6.7**	**5.0**	**34.6**	**18.8**	**0.3**	**0.7**

Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS
Based on 27-May-21 closing prices

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET Index	**1.5**	**5.8**	**17.7**	**9.2**	—	—	—	—
HOTEL	**3.7**	**3.4**	**20.2**	**22.8**	**2.1**	**(2.4)**	**2.5**	**13.6**
CENTEL	7.1	2.3	42.3	43.5	5.6	(3.5)	24.6	34.2
ERW	3.5	12.9	36.7	29.0	2.0	7.1	19.0	19.8
MINT	6.7	5.8	64.9	24.3	5.1	0.0	47.3	15.1

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Thailand being a value-for-money tourism destination
- Geographical center of Southeast Asia
- Good infrastructure and public transport
- High service quality and standards

W — Weakness

- Seasonal impacts
- Thailand's upscale hotel oversupply
- High investment requirements

O — Opportunity

- The growing ASEAN Economic Community market
- High travel demand during normal situations
- Weakening baht
- Pick-up in global economic performance

T — Threat

- Natural disasters and disease outbreaks
- Political turmoil
- Rising cost of labor and skilled-labor shortages
- Baht appreciation

REGIONAL COMPARISON

	EPS growth		— PE —		— P/BV —		– EV/EBITDA –		— Div. Yield —	
Name	**21F**	**22F**	**21F**	**22F**	**21F**	**22F**	**21F**	**22F**	**21F**	**22F**
France	na	na	na	68.5	2.2	2.3	87.2	17.9	0.4	1.4
India	na	na	na	na	4.3	4.5	na	33.3	0.1	0.2
Japan	na	154.8	58.2	22.8	1.4	1.4	9.7	10.5	1.9	1.8
S. Korea	na	187.2	72.5	25.3	5.8	4.8	18.1	12.9	0.3	0.3
Spain	na	na	na	na	2.6	2.8	19.2	11.7	0.0	0.0
Hong Kong	(8.6)	197.3	90.0	152.6	2.7	2.7	29.3	16.8	0.6	1.4
US	na	114.8	63.7	29.7	45.7	25.7	29.1	18.3	0.2	0.7
Thailand	na	na	na	556.0	3.7	3.8	34.0	17.6	0.0	0.1
Average	**(8.6)**	**163.5**	**71.1**	**142.5**	**8.6**	**6.0**	**32.4**	**17.4**	**0.4**	**0.7**
CENTEL TB	na	na	na	119.2	5.2	5.0	25.4	14.7	0.0	0.2
ERW TB	na	na	na	na	3.2	3.5	na	24.8	0.0	0.0
MINT TB	na	na	na	992.8	2.8	2.8	42.6	13.4	0.0	0.0
Average *- Thailand	**na**	**na**	**na**	**556.0**	**3.7**	**3.8**	**34.0**	**17.6**	**0.0**	**0.1**

Sources: Bloomberg Consensus
Note: * Thanachart estimate – using normalized EPS

BUY	(From: HOLD)	TP: Bt 38.50	(From: Bt 25.00)
Transfer of Coverage		Up: 13.2%	28 MAY 2021

Small Cap Research

Central Plaza Hotel (CENTEL TB)

Best of the bunch

We replace ERW with CENTEL as our top pick on CENTEL's faster earnings turnaround and its healthier balance sheet, cash flow stream and profitability. CENTEL's PE of 26.1x in 2023F also looks inexpensive vs. its pre-COVID level and the sector average.

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Thanachart Securities

Replace ERW with CENTEL as top sector pick

This report is a part of Hotel sector – *Long-haul recovery,* dated 28 May 2021. We upgrade CENTEL to BUY from Hold. This is despite us cutting our earnings to a loss in 2021F and slashing it by another 68% in 2022F. With its stronger net cash inflow stream due to cost-saving programs once tourism demand returns to normal, we lift our earnings by 2% in 2023F and 7% on average from 2024-32F. Our DCF-based 12-month TP (2021F base year) is thus raised to Bt38.5 from Bt25.0. We replace ERW with CENTEL as our top sector pick due to CENTEL's faster earnings turnaround. While CENTEL's financial status and cash inflow stream are the healthiest in the sector, its profitability is also the strongest. CENTEL's PE of 26.1x 2023Fis still lower than its 2019 level of 28.0x and is sector's cheapest, on our forecasts.

Benefits from tourism industry trends

Some 41% of CENTEL's revenue in 2019 was contributed by the hotel business (34% Bangkok, 48% upcountry and 18% from the Maldives). Its operations in the Maldives rebounded strongly after the reopening in 4Q20 and the trend is continuing this year. Though tourism in Thailand continues to be hit hard in 1H21 by the COVID-19 second and third waves, we expect to see some improvement in 4Q21 after vaccinations pick up in 2H21F, particularly in tourist destination areas upcountry, which we expect to recover faster than Bangkok due to the "new normal" trend of interest in outdoor activities and less crowded places upcountry. Its mixed strategies (domestic & abroad, luxury, midscale & economy) should help CENTEL's hotels to enjoy momentum from the industry trends in the short and long term.

Safety amid short-term uncertainty

CENTEL's food business accounted for 59% and 32% of 2019 total revenue and EBITDA. Meanwhile, 10% of its bottom line in 2019 was also generated from its asset-light hotel management business. Though these two businesses have been unable to avoid the COVID-19 effect, with little or no investment in them and more flexibility in cutting variable costs for the food business, we see both businesses continuing to make profits and strengthening CENTEL's profitability and cash inflow stream.

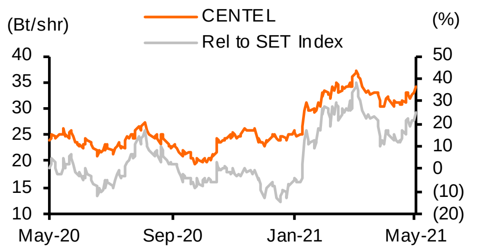
Strongest balance sheet

CENTEL's gross interest bearing to equity (GIBD/E) was at 1.1x in 1Q21 vs. MINT's 1.9x and ERW's 3.8x. With an unused credit line of Bt8bn, Bt2.7bn of cash on hand in 1Q21 and our estimated EBITDA excluding rights of use of Bt716m in 2021F, we expect CENTEL to have enough cash to support its opex, capex and interest expenses (no debt repayment) in 2021F. We estimate its GIBD/E at 1.5x in 2021F and 1.5x in 2022F vs. its 2.0x covenant.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	12,907	12,110	16,060	20,086
Net profit	(2,775)	(1,166)	385	1,762
Consensus NP	—	(989)	817	1,834
Diff frm cons (%)	—	*na*	*(52.9)*	*(3.9)*
Norm profit	(1,550)	(1,166)	385	1,762
Prev. Norm profit	—	417	1,215	1,730
Chg frm prev (%)	—	*na*	*(68.3)*	*1.8*
Norm EPS (Bt)	(1.1)	(0.9)	0.3	1.3
Norm EPS grw (%)	na	na	na	357.6
Norm PE (x)	na	na	119.2	26.1
EV/EBITDA (x)	32.9	25.4	14.7	10.6
P/BV (x)	4.6	5.2	5.0	4.4
Div yield (%)	0.0	0.0	0.2	1.5
ROE (%)	na	na	4.3	18.0
Net D/E (%)	84.8	153.1	160.1	140.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 27-May-21 (Bt)	34.00
Market Cap (US$ m)	1,466.5
Listed Shares (m shares)	1,350.0
Free Float (%)	72.4
Avg Daily Turnover (US$ m)	4.5
12M Price H/L (Bt)	37.25/19.50
Sector	Tourism
Major Shareholder	Chirathivat family 62%

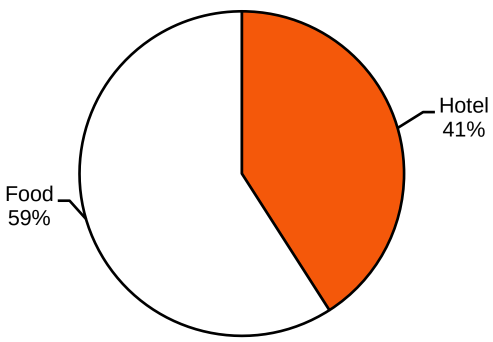
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2021F	2022F	2023F
# of rooms (owned & leased)			
- New	4,443	4,443	4,883
- Old	4,474	5,130	5,555
- Change (%)	*(0.7)*	*(13.4)*	*(12.1)*
Occupancy rate (%)			
- New	20.3	46.3	71.4
- Old	61.8	69.8	75.5
- Change (pp)	*(41.5)*	*(23.5)*	*(4.1)*
ARR growth (%)			
- New	(21.8)	15.1	12.6
- Old	1.6	(5.6)	14.4
- Change (pp)	*(23.4)*	*20.7*	*(1.8)*
# food stores (owned)			
- New	1,209	1,255	1,295
- Old	1,145	1,214	1,280
- Change (%)	*5.6*	*3.4*	*1.2*
% SSSG			
- New	(7.1)	1.9	3.4
- Old	18.2	(0.6)	(0.4)
- Change (pp)	*(25.3)*	*2.5*	*3.8*
Gross margin (%)			
- New	35.7	40.6	42.0
- Old	37.4	41.1	40.5
- Change (pp)	*(1.7)*	*(0.5)*	*1.5*
SG&A to sales (%)			
- New	43.4	36.3	31.7
- Old	31.7	31.2	30.2
- Change (pp)	*11.7*	*5.1*	*1.5*
Normalized profit (Bt m)			
- New	(1,166)	385	1,762
- Old	417	1,215	1,730
- Change (%)	*n.a.*	*(68)*	*2*

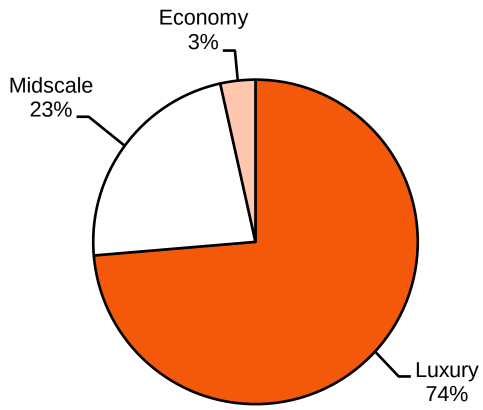
Source: Thanachart estimates

Ex 2: Revenue Breakdown By Business In 2019



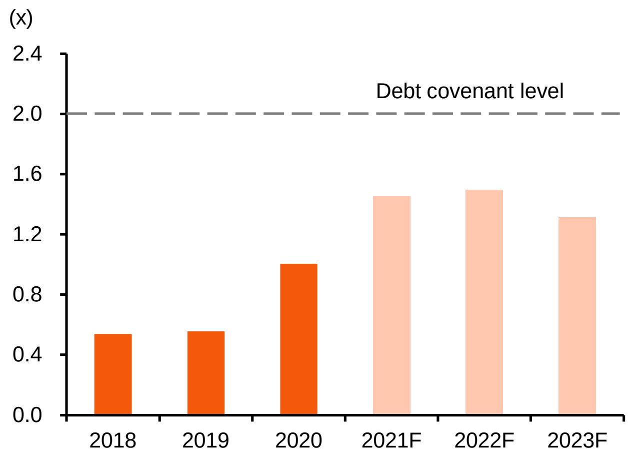
Source: Company data

Ex 3: Revenue Breakdown By Segment In 2019



Source: Company data

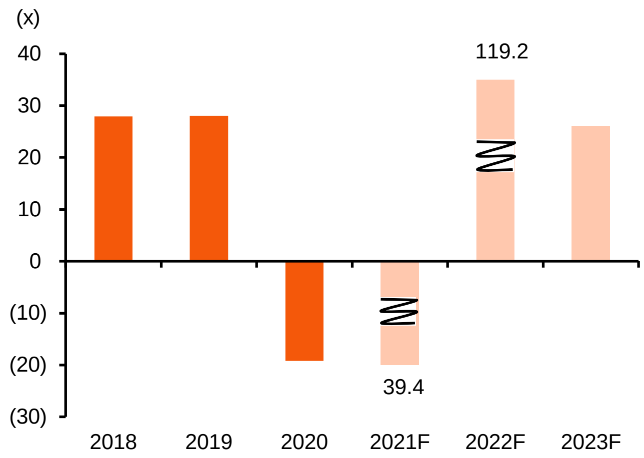
Ex 4: Gross Interest Bearing Debt To Equity Ratio*



Sources: Company data, Thanachart estimates

Note: Exclude lease liabilities and COVID-19 impairment

Ex 5: Rolling PE



Sources: Company data, Bloomberg, Thanachart estimates

Ex 6: 12-month DCF-based TP Calculation Using A Base Year of 2021F

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	716	2,533	4,124	5,104	5,644	6,016	6,273	6,482	6,669	6,847	7,028	7,214	—
Free cash flow	(2,708)	(1,153)	82	565	1,472	2,977	3,706	4,401	5,074	5,238	5,403	5,573	106,747
PV of free cash flow	(2,701)	(1,019)	68	442	1,057	2,000	2,331	2,590	2,795	2,700	2,482	2,385	45,685

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	6.4
Terminal growth (%)	2.0
Enterprise value - add investments	60,815
Net debt (2020)	8,665
Minority interest	293
Equity value	51,857
# of shares	1,350
Target price/share (Bt)	**38.50**

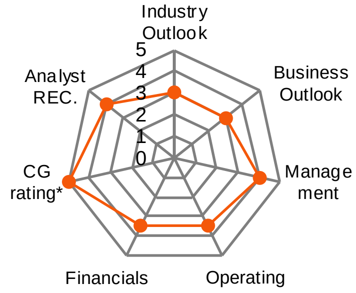
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Central Plaza Hotel Plc (CENTEL) owns and operates hotels in Thailand and abroad with its owned brands – Centara Grand, Centara, Centra, and COSI. CENTEL also manages hotels across Thailand and abroad. The company runs restaurant franchises including key brands such as KFC, Mister Donut, Auntie Anne's and Ootoya.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	**5**
Strong	**4**
Good	**3**
Fair	**2**
Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well-received owned hotel brands in Thailand such as Centara Grand, Centara and COSI.
- Well-balanced risk profile of hotel and food businesses.
- Strong financial position.

W — Weakness

- Heavy exposure to Thailand's tourism industry.
- Thailand's upscale hotel oversupply.
- Dependent on domestic consumption.

O — Opportunity

- Strategic investments and acquisitions locally and globally.
- Robust growth in the booming tourism and consumption areas, particularly in Thailand and some high-growth tourist destinations globally.
- Moving to capture the high-growth economy-hotel segment.

T — Threat

- Fierce competition among hotel operators leading to obstacles to unlocking its profitability.
- Competition among restaurant operators.
- Natural disaster and pestilence

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	33.43	38.50	15%
Net profit 21F (Bt m)	(989)	(1,166)	na
Net profit 22F (Bt m)	817	385	-53%
Consensus REC	**BUY: 9**	**HOLD: 7**	**SELL: 5**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings estimates are below the Bloomberg consensus numbers, which we attribute to us having a more conservative view on a Thai tourism recovery over the short term. But our TP is higher than the Street's, likely given our more bullish long-term view on Thai tourism and CENTEL's cost-savings program.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and natural disasters are the key downside risks to our call.
- Slower-than-expected Thai and international tourist demand recovery is the key downside risk to our numbers.
- Weaker-than-expected domestic and global economic and consumption growth provide downside risk to our numbers.
- More intense competition in Thai and global tourism would have a negative impact on our numbers.

Source: Thanachart

Revenue looks set to gradually recover after COVID-19 subsides

Healthier balance sheet compared with peers'

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	20,737	12,907	12,110	16,060	20,086
Cost of sales	12,189	8,837	7,791	9,536	11,649
Gross profit	**8,549**	**4,070**	**4,319**	**6,525**	**8,437**
% gross margin	41.2%	31.5%	35.7%	40.6%	42.0%
Selling & administration expenses	6,770	5,831	5,256	5,830	6,367
Operating profit	**1,779**	**(1,761)**	**(936)**	**695**	**2,070**
% operating margin	8.6%	-13.6%	-7.7%	4.3%	10.3%
Depreciation & amortization	2,037	3,421	3,286	3,433	3,665
EBITDA	**3,816**	**1,660**	**2,349**	**4,128**	**5,735**
% EBITDA margin	18.4%	12.9%	19.4%	25.7%	28.6%
Non-operating income	453	342	321	353	414
Non-operating expenses	0	0	0	0	0
Interest expense	(214)	(669)	(668)	(652)	(673)
Pre-tax profit	**2,018**	**(2,087)**	**(1,283)**	**396**	**1,811**
Income tax	261	(435)	(64)	0	0
After-tax profit	**1,757**	**(1,652)**	**(1,219)**	**396**	**1,811**
% net margin	8.5%	-12.8%	-10.1%	2.5%	9.0%
Shares in affiliates' Earnings	29	(21)	(53)	(36)	16
Minority interests	(65)	123	105	25	(65)
Extraordinary items	23	(1,225)	0	0	0
NET PROFIT	**1,744**	**(2,775)**	**(1,166)**	**385**	**1,762**
Normalized profit	**1,722**	**(1,550)**	**(1,166)**	**385**	**1,762**
EPS (Bt)	1.3	(2.1)	(0.9)	0.3	1.3
Normalized EPS (Bt)	1.3	(1.1)	(0.9)	0.3	1.3

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,661	4,406	2,496	2,637	2,690
Cash & cash equivalent	2,812	2,824	1,090	890	590
Account receivables	765	514	498	660	825
Inventories	871	782	640	732	830
Others	214	286	268	356	445
Investments & loans	524	513	513	513	513
Net fixed assets	17,964	17,368	18,716	20,378	22,323
Other assets	4,440	13,063	11,549	11,076	10,592
Total assets	**27,590**	**35,350**	**33,274**	**34,605**	**36,119**
LIABILITIES:					
Current liabilities:	5,129	7,798	7,867	8,508	8,902
Account payables	2,649	1,873	1,651	2,021	2,469
Bank overdraft & ST loans	551	1,725	2,220	2,361	2,353
Current LT debt	1,562	2,024	2,513	2,673	2,664
Others current liabilities	367	2,176	1,483	1,453	1,415
Total LT debt	**5,751**	**7,740**	**10,051**	**10,691**	**10,655**
Others LT liabilities	2,566	9,597	6,411	6,140	5,860
Total liabilities	**13,446**	**25,135**	**24,330**	**25,339**	**25,417**
Minority interest	473	293	188	163	228
Preferreds shares	0	0	0	0	0
Paid-up capital	1,350	1,350	1,350	1,350	1,350
Share premium	970	970	970	970	970
Warrants	0	0	0	0	0
Surplus	32	62	62	62	62
Retained earnings	**11,318**	**7,541**	**6,375**	**6,721**	**8,092**
Shareholders' equity	13,670	9,923	8,756	9,103	10,474
Liabilities & equity	**27,590**	**35,350**	**33,274**	**34,605**	**36,119**

Sources: Company data, Thanachart estimates

Food and hotel management helps to support cash flow in 2021F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	2,018	(2,087)	(1,283)	396	1,811
Tax paid	(340)	336	93	(9)	17
Depreciation & amortization	2,037	3,421	3,286	3,433	3,665
Chg In w orking capital	(35)	(436)	(64)	116	184
Chg In other CA & CL / minorities	(89)	1,756	(756)	(144)	(128)
Cash flow from operations	**3,591**	**2,991**	**1,276**	**3,792**	**5,549**
Capex	(2,127)	(1,071)	(3,000)	(3,500)	(4,000)
Right of use	0	(10,397)	0	(1,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	9	11	0	0	0
Adj for asset revaluation	(99)	29	0	0	0
Chg In other assets & liabilities	(485)	5,825	(3,305)	(394)	(406)
Cash flow from investments	**(2,701)**	**(5,602)**	**(6,305)**	**(4,894)**	**(5,406)**
Debt financing	619	3,625	3,296	940	(52)
Capital increase	0	0	0	0	0
Dividends paid	(877)	0	0	(39)	(391)
Warrants & other surplus	0	(1,002)	0	0	0
Cash flow from financing	**(259)**	**2,623**	**3,296**	**901**	**(442)**
Free cash flow	**1,464**	**1,920**	**(1,724)**	**292**	**1,549**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	26.7	na	na	119.2	26.1
Normalized PE - at target price (x)	30.2	na	na	135.0	29.5
PE (x)	26.3	na	na	119.2	26.1
PE - at target price (x)	29.8	na	na	135.0	29.5
EV/EBITDA (x)	13.4	32.9	25.4	14.7	10.6
EV/EBITDA - at target price (x)	14.9	36.5	28.0	16.2	11.7
P/BV (x)	3.4	4.6	5.2	5.0	4.4
P/BV - at target price (x)	3.8	5.2	5.9	5.7	5.0
P/CFO (x)	12.8	15.3	36.0	12.1	8.3
Price/sales (x)	2.2	3.6	3.8	2.9	2.3
Dividend yield (%)	1.6	0.0	0.0	0.2	1.5
FCF Yield (%)	3.2	4.2	(3.8)	0.6	3.4
(Bt)					
Normalized EPS	1.3	(1.1)	(0.9)	0.3	1.3
EPS	1.3	(2.1)	(0.9)	0.3	1.3
DPS	0.6	0.0	0.0	0.1	0.5
BV/share	10.1	7.4	6.5	6.7	7.8
CFO/share	2.7	2.2	0.9	2.8	4.1
FCF/share	1.1	1.4	(1.3)	0.2	1.1

Sources: Company data, Thanachart estimates

Stronger profitability compared to hotel peers'

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(3.0)	(37.8)	(6.2)	32.6	25.1
Net profit (%)	(19.9)	na	na	na	357.6
EPS (%)	(19.9)	na	na	na	357.6
Normalized profit (%)	(20.9)	na	na	na	357.6
Normalized EPS (%)	(20.9)	na	na	na	357.6
Dividend payout ratio (%)	42.6	0.0	0.0	20.0	40.0
Operating performance					
Gross margin (%)	41.2	31.5	35.7	40.6	42.0
Operating margin (%)	8.6	(13.6)	(7.7)	4.3	10.3
EBITDA margin (%)	18.4	12.9	19.4	25.7	28.6
Net margin (%)	8.5	(12.8)	(10.1)	2.5	9.0
D/E (incl. minor) (x)	0.6	1.1	1.7	1.7	1.5
Net D/E (incl. minor) (x)	0.4	0.8	1.5	1.6	1.4
Interest coverage - EBIT (x)	8.3	na	na	1.1	3.1
Interest coverage - EBITDA (x)	17.8	2.5	3.5	6.3	8.5
ROA - using norm profit (%)	6.4	na	na	1.1	5.0
ROE - using norm profit (%)	13.0	na	na	4.3	18.0
DuPont					
ROE - using after tax profit (%)	13.2	na	na	4.4	18.5
- asset turnover (x)	0.8	0.4	0.4	0.5	0.6
- operating margin (%)	10.8	na	na	6.5	12.4
- leverage (x)	2.0	2.7	3.7	3.8	3.6
- interest burden (%)	90.4	147.1	208.6	37.8	72.9
- tax burden (%)	87.1	na	na	100.0	100.0
WACC (%)	6.4	6.4	6.4	6.4	6.4
ROIC (%)	8.6	(9.4)	(4.8)	3.1	8.6
NOPAT (Bt m)	1,549	(1,761)	(890)	695	2,070
invested capital (Bt m)	18,722	18,587	22,451	23,937	25,556

Sources: Company data, Thanachart estimates

SELL (From: BUY)

Transfer of Coverage

TP: Bt 2.60 (From: Bt 2.70)

Downside: 12.8%

28 MAY 2021

Small Cap Research

The Erawan Group Pcl (ERW TB)

Fully valued

We downgrade ERW from Buy to SELL as we estimate it to make losses of Bt1.6bn and Bt435m in 2021-22F due to a slow recovery of Thai tourism hit by the COVID third wave. Its financial status also remains at risk. Trading at 34.4x PE in 2023F, we think ERW's current share price already reflects its long-term earnings turnaround.

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Downgrading to SELL

This report is part of Hotel sector – *Long-haul recovery,* dated 28 May 2021. Given the slow recovery of Thai tourism, we cut our earnings for ERW to losses of Bt1.6bn in 2021F and Bt435m in 2022F and lower earnings by 33% in 2023F. But we lift our earnings from 2024-32F by 16% p.a. to reflect its cost-control policy and tax benefits from losses carried forward. Our DCF-based 12-month TP (2021F base year) is fine-tuned down to Bt2.6 from at Bt2.7. We downgrade our rating to SELL from Buy. *First,* we expect ERW to continue making losses in 2021-22F due to the third COVID wave before turning a profit in 2023F. *Second,* though we expect ERW's capital call to be successful, we still see it facing financial stress in 2021-23F. *Lastly*, ERW's PE of 34.4x in 2023F vs. its pre-COVID level of 29.7x in 2019 and the sector's average of 32.9x suggests it's fully valued, in our view.

Hit by Thailand's slow tourism recovery

Of ERW's 69 hotels in Thailand, four are luxury, six are midscale, 12 are economy and 47 are budget hotels. It has five other budget hotels in the Philippines. ERW's portfolio in the non-luxury segment (midscale, budget and economy) accounted for 55% of its total revenue in 2019. Though we see the portfolio matching the industry trend after COVID subsides, with ERW's revenue being highly exposed to Thailand's slow tourism recovery, we expect its operations to be hit hardest compared with the other two hotel names under our coverage.

Still making losses in 2021-22F

Unlike its hotel peers under our coverage, 100% of ERW's businesses are in hotel (96%) and retail rental property (4%), which are capital intensive. Its gearing is thus higher than peers' and ERW's operations have been hit significantly in the COVID pandemic. With the third COVID wave, we see Thai tourism recovering slowly and we estimate ERW to make a Bt1.6bn loss in 2021F and a Bt435m loss in 2022F vs. a Bt1.6bn loss in 2020.

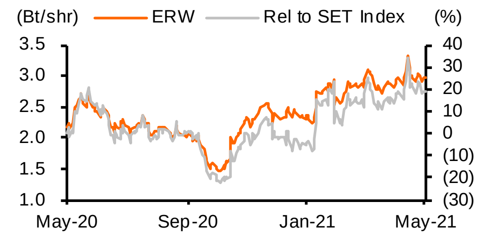
Financial status remains at risk

ERW plans to raise capital via a rights offering (RO) and warrants by issuing shares to existing shareholders (1 new share to 1.25 existing shares @ Bt1/share) and issuing 1 new warrant to 7 existing shares at an exercise ratio of 1 warrant to 1 share @ Bt3.0/share. The exercise date is 14 June 2024. ERW would get Bt2bn in RO proceeds in June this year and Bt1bn from the warrant exercise in June 2024. Though we expect the capital call to succeed, given its 2021-22F losses, we see ERW's financial status remaining at risk. We project its net interest-bearing debt to equity (IBD/E) at 2.3x, 2.8x and 2.5x in 2021-23F. ERW has a debt covenant (at 2.5x IBD/E) waiver from lenders in 2021.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	2,306	1,607	4,123	6,004
Net profit	(1,715)	(1,576)	(435)	392
Consensus NP	—	(1,424)	38	457
Diff frm cons (%)	—	*na*	*na*	*(14.2)*
Norm profit	(1,585)	(1,576)	(435)	392
Prev. Norm profit	—	77	408	586
Chg frm prev (%)	—	*na*	*na*	*(33.1)*
Norm EPS (Bt)	(0.41)	(0.38)	(0.10)	0.09
Norm EPS grw (%)	na	na	na	na
Norm PE (x)	na	na	na	34.4
EV/EBITDA (x)	na	na	24.8	12.4
P/BV (x)	3.0	3.2	3.5	3.2
Div yield (%)	0.0	0.0	0.0	0.6
ROE (%)	na	na	na	9.8
Net D/E (%)	281.6	233.6	280.2	248.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 27-May-21 (Bt)	2.98
Market Cap (US$ m)	239.7
Listed Shares (m shares)	2,517.5
Free Float (%)	61.3
Avg Daily Turnover (US$ m)	3.1
12M Price H/L (Bt)	3.31/1.45
Sector	TOURISM
Major Shareholder	Vongkusolkit & Wattanavekin Group 55%

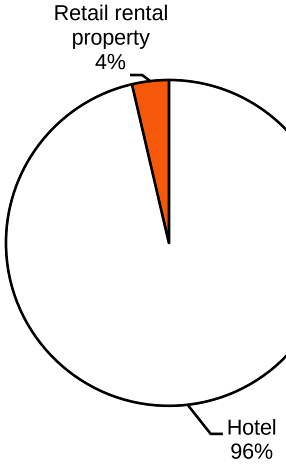
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Changes In Key Assumptions And Earnings Revisions

	2021F	2022F	2023F
# of rooms			
- New	9,863	10,574	11,448
- Old	9,861	11,580	12,069
- Change (%)	*0*	*(9)*	*(5)*
Occupancy rate (%)			
- New	28.1	58.3	73.0
- Old	65.6	74.6	89.5
- Change (pp)	(37.5)	(16.3)	(16.5)
ARR growth (%)			
- New	(18.2)	26.7	19.1
- Old	13.3	0.1	1.9
- Change (pp)	(31.5)	26.6	17.2
Gross margin (%)			
- New	35.9	48.4	54.2
- Old	56.0	56.1	56.2
- Change (pp)	(20.1)	(7.7)	(2.0)
SG&A to sales (%)			
- New	113.5	48.9	38.9
- Old	43.8	40.2	39.8
- Change (pp)	69.7	8.7	(0.9)
Normalized profit (Bt m)			
- New	(1,576)	(435)	392
- Old	77	408	586
- Change (%)	*n.a.*	*n.a.*	*(33)*

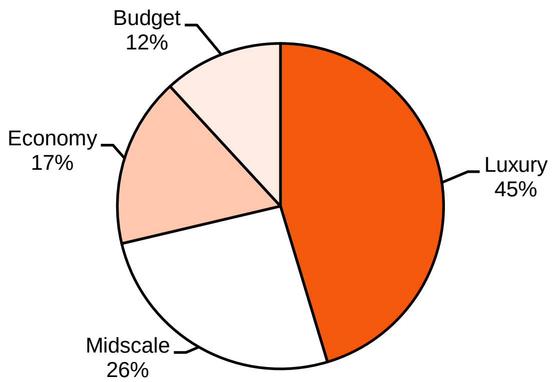
Source: Thanachart estimates

Ex 2: Revenue Breakdown By Business In 2019



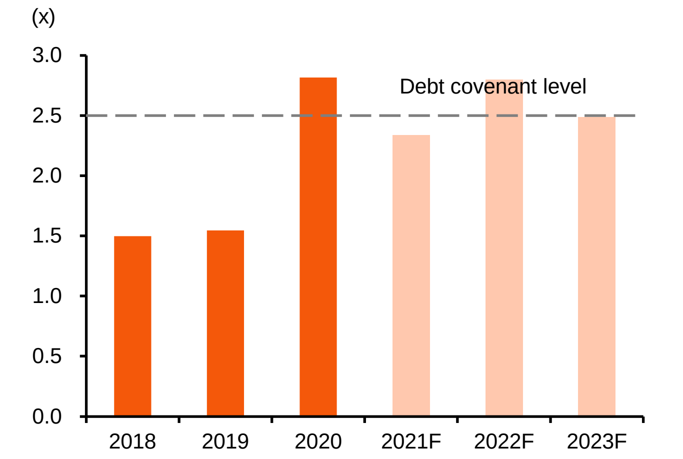
Source: Company data

Ex 3: Revenue Breakdown By Segment In 2019



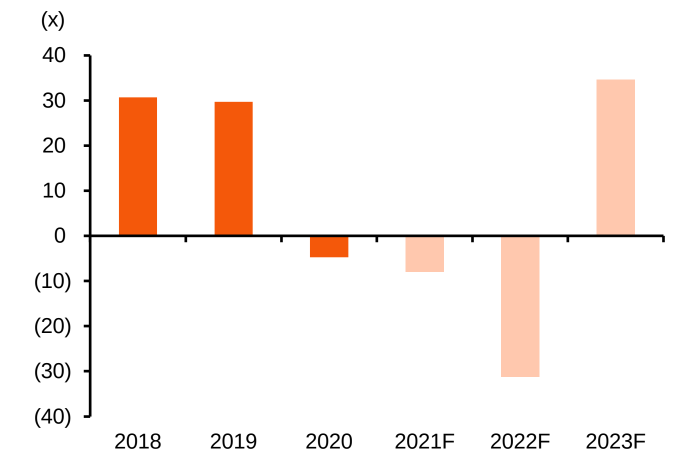
Source: Company data

Ex 4: Net Debt To Equity Ratio*



Sources: Company data, Thanachart estimates
Note: * Exclude lease liabilities and COVID-19 impairment

Ex 5: Rolling PE



Sources: Company data, Bloomberg, Thanachart estimates

Ex 6: 12-month DCF-based TP Calculation Using A Base Year of 2021F

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	(499)	756	1,726	2,096	2,270	2,395	2,488	2,577	2,664	2,758	2,854	2,949	—
Free cash flow	(1,306)	(388)	560	1,434	1,599	1,724	1,658	1,573	1,646	1,724	1,805	1,884	35,907
PV of free cash flow	(1,303)	(342)	464	1,116	1,145	1,183	1,038	922	902	884	827	804	15,319

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	6.5
Terminal growth (%)	2.0
Enterprise value - add investments	22,959
Net debt (2020)	11,064
Minority interest	116
Equity value	11,779
# of shares*	4,532
Target price/share (Bt)	**2.60**

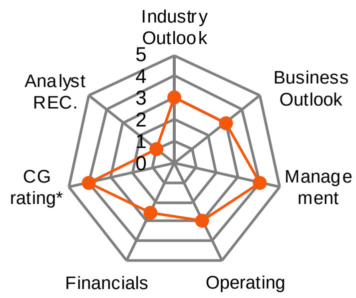
Sources: Company data, Thanachart estimates
Note: * Include new RO shares

COMPANY DESCRIPTION

The Erawan Group Public Co., Ltd. (ERW) was established on 29 December 1982. ERW's core businesses are investment, development and management of diversified hotel properties and segments (luxury, mid-scale, economy and budget) across Thailand's key destinations. Currently, ERW owns 74 hotels and operates other businesses including retail space rental and management of office buildings.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well connected with strong hotel chains, i.e. Hyatt, Marriott, Novotel, Holiday Inn, and Mercure as ERW's business allies in Thailand.
- Assets are strategically located in popular Thai tourist destinations.

W — Weakness

- Hotel footprint remains concentrated in Bangkok, Thailand.
- Luxury hotel oversupply in Thailand.

O — Opportunity

- Focuses on high-growth segments: mid-scale and economy and budget hotels (owned brand: HOP INN).
- Potential expansions in ASEAN.

T — Threat

- Fierce competition among hotel operators.
- ERW requires significant capital expenditure and financing to support its hotel investments and developments.
- Natural disaster and pandemic outbreak

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	2.97	2.60	-13%
Net profit 21F (Bt m)	(1,424)	(1,576)	na
Net profit 22F (Bt m)	38	(435)	na
Consensus REC	**BUY: 5**	**HOLD: 11**	**SELL: 5**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and DCF-based TP are below the Bloomberg consensus numbers, which we attribute to us having a more conservative view on Thailand's tourism industry recovery.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and natural disasters are the key upside risks to our call.
- Faster-than-expected Thai and international tourists' demand recovery is also an upside risk.
- Lower competition in Thai and global tourism would provide upside to our numbers.

Source: Thanachart

We expect a slower recovery for Thai tourism in 2021-22F

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	6,379	2,306	1,607	4,123	6,004
Cost of sales	2,900	1,465	1,030	2,126	2,751
Gross profit	**3,479**	**841**	**577**	**1,997**	**3,252**
% gross margin	54.5%	36.5%	35.9%	48.4%	54.2%
Selling & administration expenses	2,463	2,017	1,823	2,017	2,335
Operating profit	**1,017**	**(1,176)**	**(1,247)**	**(20)**	**917**
% operating margin	15.9%	-51.0%	-77.6%	-0.5%	15.3%
Depreciation & amortization	830	1,012	971	995	1,023
EBITDA	**1,846**	**(164)**	**(276)**	**976**	**1,941**
% EBITDA margin	28.9%	-7.1%	-17.1%	23.7%	32.3%
Non-operating income	60	42	56	58	61
Non-operating expenses	0	0	0	0	0
Interest expense	(402)	(536)	(492)	(510)	(540)
Pre-tax profit	**675**	**(1,669)**	**(1,683)**	**(471)**	**439**
Income tax	155	(39)	(34)	(9)	0
After-tax profit	**520**	**(1,630)**	**(1,649)**	**(461)**	**439**
% net margin	8.2%	-70.7%	-102.6%	-11.2%	7.3%
Shares in affiliates' Earnings	0	(18)	(10)	(5)	5
Minority interests	(57)	63	83	32	(51)
Extraordinary items	(18)	(130)	0	0	0
NET PROFIT	**446**	**(1,715)**	**(1,576)**	**(435)**	**392**
Normalized profit	**464**	**(1,585)**	**(1,576)**	**(435)**	**392**
EPS (Bt)	0.1	(0.4)	(0.4)	(0.1)	0.1
Normalized EPS (Bt)	0.1	(0.4)	(0.4)	(0.1)	0.1

Unhealthy balance sheet, based on our forecasts

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	1,456	1,962	1,804	1,404	1,483
Cash & cash equivalent	969	1,623	1,500	1,000	1,000
Account receivables	185	77	48	113	164
Inventories	52	46	28	52	68
Others	250	217	228	239	251
Investments & loans	79	48	48	48	48
Net fixed assets	14,442	14,281	14,234	14,459	14,651
Other assets	1,856	4,923	4,924	4,929	4,941
Total assets	**17,834**	**21,215**	**21,010**	**20,840**	**21,122**
LIABILITIES:					
Current liabilities:	3,360	2,812	2,895	3,309	3,605
Account payables	234	145	96	186	241
Bank overdraft & ST loans	860	1,410	1,150	1,170	1,150
Current LT debt	1,177	726	1,035	1,316	1,552
Others current liabilities	1,089	532	614	637	662
Total LT debt	**8,126**	**10,551**	**9,318**	**9,210**	**8,794**
Others LT liabilities	407	3,923	4,513	4,505	4,502
Total liabilities	**11,893**	**17,286**	**16,727**	**17,023**	**16,901**
Minority interest	179	116	32	1	52
Preferreds shares	0	0	0	0	0
Paid-up capital	2,518	2,518	4,532	4,532	4,532
Share premium	910	910	910	910	910
Warrants	0	0	0	0	0
Surplus	(164)	(133)	(133)	(133)	(133)
Retained earnings	**2,499**	**519**	**(1,057)**	**(1,492)**	**(1,139)**
Shareholders' equity	5,762	3,813	4,251	3,816	4,169
Liabilities & equity	**17,834**	**21,215**	**21,010**	**20,840**	**21,122**

Sources: Company data, Thanachart estimates

Cash inflow stream remains weak in 2021F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	675	(1,669)	(1,683)	(471)	439
Tax paid	(155)	39	34	9	0
Depreciation & amortization	830	1,012	971	995	1,023
Chg In w orking capital	33	25	(3)	2	(12)
Chg In other CA & CL / minorities	(5)	(562)	43	(11)	(2)
Cash flow from operations	**1,378**	**(1,155)**	**(638)**	**524**	**1,448**
Capex	(1,766)	(637)	(700)	(1,000)	(1,000)
Right of use	0	(4,654)	(200)	(200)	(200)
ST loans & investments	0	0	0	0	0
LT loans & investments	14	31	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(38)	4,779	584	(15)	(10)
Cash flow from investments	**(1,791)**	**(481)**	**(316)**	**(1,215)**	**(1,210)**
Debt financing	558	2,524	(1,183)	191	(199)
Capital increase	48	0	2,014	0	0
Dividends paid	(226)	(176)	0	0	(39)
Warrants & other surplus	(48)	(58)	0	0	0
Cash flow from financing	**331**	**2,290**	**831**	**191**	**(238)**
Free cash flow	**(389)**	**(1,793)**	**(1,338)**	**(476)**	**448**

Fully valued, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	24.7	na	na	na	34.4
Normalized PE - at target price (x)	21.6	na	na	na	30.1
PE (x)	25.7	na	na	na	34.4
PE - at target price (x)	22.5	na	na	na	30.1
EV/EBITDA (x)	11.2	na	na	24.8	12.4
EV/EBITDA - at target price (x)	10.4	na	na	23.0	11.5
P/BV (x)	2.0	3.0	3.2	3.5	3.2
P/BV - at target price (x)	1.7	2.6	2.8	3.1	2.8
P/CFO (x)	8.3	(9.9)	(19.6)	25.8	9.3
Price/sales (x)	1.2	3.3	4.7	1.8	1.2
Dividend yield (%)	1.5	0.0	0.0	0.0	0.6
FCF Yield (%)	(3.4)	(15.6)	(10.7)	(3.5)	3.3
(Bt)					
Normalized EPS	0.1	(0.4)	(0.4)	(0.1)	0.1
EPS	0.1	(0.4)	(0.4)	(0.1)	0.1
DPS	0.0	0.0	0.0	0.0	0.0
BV/share	1.5	1.0	0.9	0.8	0.9
CFO/share	0.4	(0.3)	(0.2)	0.1	0.3
FCF/share	(0.1)	(0.5)	(0.3)	(0.1)	0.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	1.6	(63.9)	(30.3)	156.6	45.6
Net profit (%)	(16.9)	na	na	na	na
EPS (%)	(17.1)	na	na	na	na
Normalized profit (%)	(13.6)	na	na	na	na
Normalized EPS (%)	(13.7)	na	na	na	na
Dividend payout ratio (%)	39.5	0.0	0.0	0.0	20.0
Operating performance					
Gross margin (%)	54.5	36.5	35.9	48.4	54.2
Operating margin (%)	15.9	(51.0)	(77.6)	(0.5)	15.3
EBITDA margin (%)	28.9	(7.1)	(17.1)	23.7	32.3
Net margin (%)	8.2	(70.7)	(102.6)	(11.2)	7.3
D/E (incl. minor) (x)	1.7	3.2	2.7	3.1	2.7
Net D/E (incl. minor) (x)	1.5	2.8	2.3	2.8	2.5
Interest coverage - EBIT (x)	2.5	na	na	na	1.7
Interest coverage - EBITDA (x)	4.6	na	na	1.9	3.6
ROA - using norm profit (%)	2.7	na	na	na	1.9
ROE - using norm profit (%)	8.2	na	na	na	9.8
DuPont					
ROE - using after tax profit (%)	9.2	na	na	na	11.0
- asset turnover (x)	0.4	0.1	0.1	0.2	0.3
- operating margin (%)	16.9	na	na	na	16.3
- leverage (x)	3.1	4.1	5.2	5.2	5.3
- interest burden (%)	62.7	147.3	141.3	(1,213.7)	44.8
- tax burden (%)	77.1	na	na	na	100.0
WACC (%)	6.5	6.5	6.5	6.5	6.5
ROIC (%)	5.6	(7.9)	(8.2)	(0.1)	6.3
NOPAT (Bt m)	784	(1,175.6)	(1,221.7)	(19.2)	917
invested capital (Bt m)	14,956	14,877.1	14,255.0	14,511.0	14,665

Low profitability

Sources: Company data, Thanachart estimates

HOLD (From: SELL) | **TP: Bt 31.00** (From: Bt 15.80) | **28 MAY 2021**

Transfer of Coverage | **Downside : 3.1%**

Minor International Pcl (MINT TB)

Recovery looks priced in

Though we foresee MINT's operations recovering faster than other hotel peers' due to its higher exposure in vaccine-leading countries, we see MINT's trading PE of 33.2x vs. its pre-COVID level of 30.8x as already reflecting that good news. We therefore upgrade our rating on MINT by only a notch from Sell to HOLD.

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Fairly valued; upgrading to HOLD

This note is part of Hotel sector – *Long-haul recovery*, dated 28 May 2021. With MINT's operation set to recover more slowly than we'd expected earlier, we cut 2021F earnings to a deeper Bt13.2bn loss from a previous Bt2.2bn loss in and slash 2022F by 59%. But we lift earnings by 11% in 2023F and 19% on average from 2024-32F due to some cost cutting being permanent. Our DCF-based 12-month TP (2021F base year) is raised to Bt31.0 from Bt15.8. Though we foresee a faster recovery in MINT's overseas operations, trading at 33.2x PE in 2023F vs. its pre-COVID level in 2019 of 30.8x, we see it as fairly valued. We therefore upgrade our rating just a notch to HOLD from Sell.

Faster recovery of overseas operations

The hotel and food businesses internationally contributed 73% of MINT's total revenue in 2019. Most of its hotel portfolio abroad is in Europe (64% of hotel revenue) and Australia (6%). The food portfolio in Australia and China made up 11% and 14% of total food revenue in 2019. China and Australia have successfully controlled virus and partially reopened their countries. Europe is a leading region for vaccinations and has agreed to reopen travel to visitors who are fully vaccinated with COVID-19 vaccines approved by the WHO or its own regulators or come from "safe" countries with a negative PCR test. This should bring in more travelers from Europe from late 2Q21. We expect MINT's operations in these countries to therefore recover faster.

Still making losses in 2021F

Though we expect the swift recovery in MINT's overseas operations to support earnings to some extent, the slow recovery in Thailand (27% of total revenue in 2019) and its high operating and financial expenses after the acquisition of NH Hotel Group (NHH) in 4Q18 lead us to project MINT to still make a 2021F loss of Bt13.2bn before profits of Bt1.7bn in 2022F and Bt7bn in 2023F, respectively once the vaccination drive picks momentum.

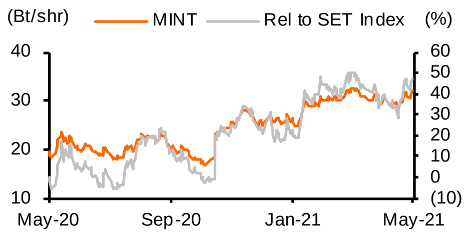
Asset rotation to mitigate some risk

MINT breached its debt covenant (gross interest bearing to equity [GIBD/E] of 1.75x) in 2020. Though covenant testing is waived until 2022, given the COVID uncertainty, Bt11bn in debt repayments this year and its EUR100m investment in NHH in 2021, MINT plans to mitigate its financial risk via an asset rotation of Bt10bn-15bn in 2Q-3Q21 and raise capital through three tranches of warrants with proceeds of Bt15bn in 2021-23. We don't yet factor the asset rotation into our model but assume all the warrants will be exercised. We estimate MINT's GIBD/E at 1.83x and 1.77x in 2021-22F. Assuming Bt15bn of asset rotation in our model, GIBD/E would fall to 1.63x and 1.57x in 2021-22F.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	55,812	60,173	98,665	119,568
Net profit	(21,407)	(15,191)	1,729	6,966
Consensus NP	—	(12,489)	3,154	6,340
Diff frm cons (%)	—	*na*	*(45.2)*	*9.9*
Norm profit	(19,388)	(13,152)	1,729	6,966
Prev. Norm profit	—	(2,162)	4,251	6,264
Chg frm prev (%)	—	*na*	*(59.3)*	*11.2*
Norm EPS (Bt)	(4.3)	(2.7)	0.0	1.0
Norm EPS grw (%)	na	na	na	2,890.2
Norm PE (x)	na	na	992.8	33.2
EV/EBITDA (x)	713.9	42.6	13.4	11.1
P/BV (x)	2.5	2.8	2.8	3.0
Div yield (%)	0.0	0.0	0.0	0.8
ROE (%)	na	na	2.6	10.9
Net D/E (%)	144.8	161.5	168.7	183.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 27-May-21 (Bt)	32.00
Market Cap (US$ m)	5,311.7
Listed Shares (m shares)	5,195.5
Free Float (%)	61.4
Avg Daily Turnover (US$ m)	21.2
12M Price H/L (Bt)	32.50/16.70
Sector	FOOD
Major Shareholder	Group of Mr. William Heinecke 33%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Change In Our Key Assumptions And Earnings Revisions

	2021F	2022F	2023F
# of rooms (owned & leased by MINT)*			
- New	12,654	12,654	13,420
- Old	11,170	11,270	11,370
- Change (%)	*13%*	*12%*	*18%*
Occupancy rate (%)*			
- New	46.7	58.4	70.3
- Old	50.7	73.2	73.3
- Change (pp)	*(4.0)*	*(14.8)*	*(3.0)*
ARR growth (%)*			
- New	(14.7)	25.5	19.4
- Old	9.4	1.2	5.6
- Change (pp)	*(24.1)*	*24.3*	*13.7*
# food stores (owned + franchise)			
- New	2,370	2,441	2,514
- Old	2,265	2,381	2,482
- Change (%)	*5%*	*3%*	*1%*
% SSSG			
- New	0.0	5.0	3.0
- Old	10.0	(3.0)	(3.0)
- Change (pp)	*(10.0)*	*8.0*	*6.0*
Gross margin (%)			
- New	22.6	39.9	44.6
- Old	45.2	49.2	51.4
- Change (pp)	*(22.6)*	*(9.3)*	*(6.8)*
SG&A to sales (%)			
- New	42.3	35.0	35.7
- Old	43.5	41.3	41.5
- Change (pp)	*(1.2)*	*(6.3)*	*(5.8)*
Normalized profit (Btm)			
- New	(13,152)	1,729	6,966
- Old	(2,162)	4,251	6,264
- Change (%)	*n.a.*	*-59%*	*11%*

Source: Thanachart estimates

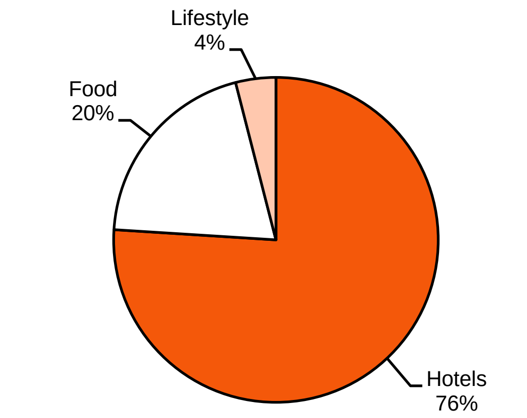
Note: * Exclude NHH

Ex 2: Our Assumption On NHH's Operation

	2021F	2022F	2023F
# of average rooms (owned & leased by NHH)	48,710	49,994	50,248
Occupancy rate (%)	34.6	62.6	66.5
ARR growth (%)	(10.1)	17.8	16.9

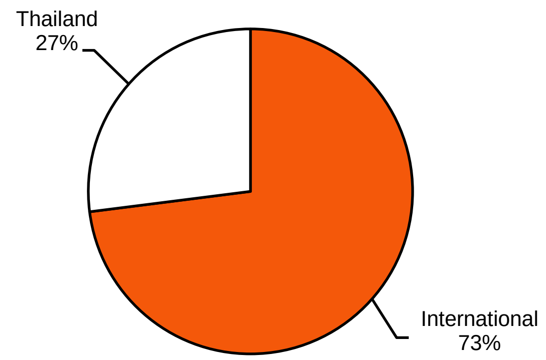
Source: Thanachart estimates

Ex 3: Revenue Breakdown By Business In 2019



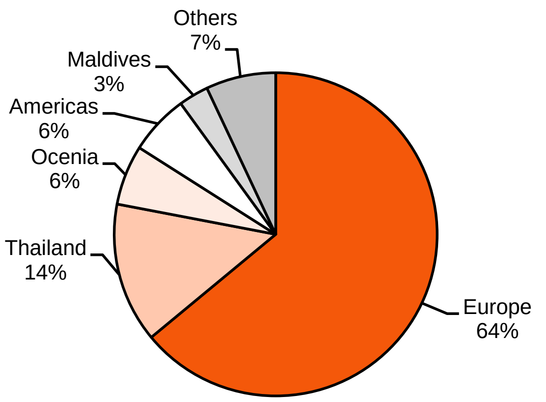
Source: Company data

Ex 4: Revenue Breakdown By Market Presence In 2019



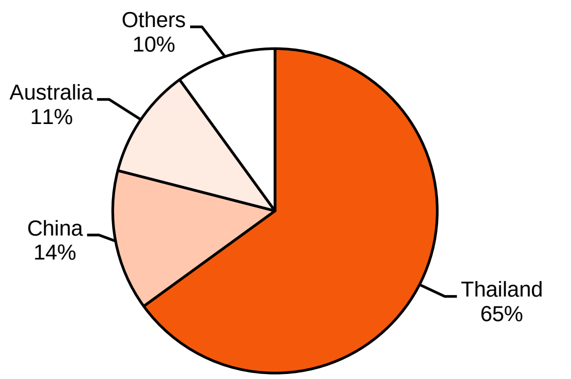
Source: Company data

Ex 5: Geographical Hotel Revenue Breakdown In 2019



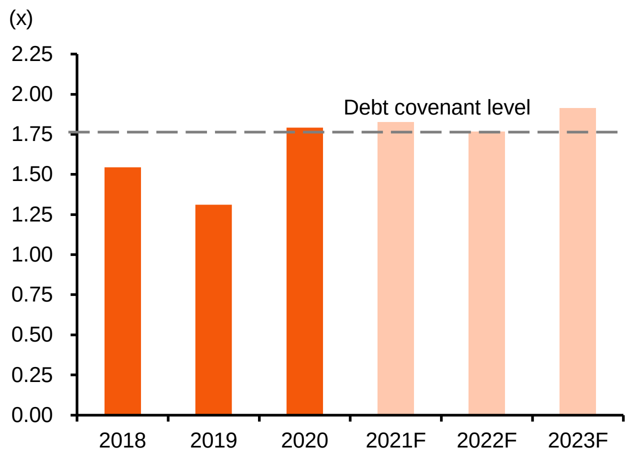
Source: Company data

Ex 6: Geographical Food Revenue Breakdown In 2019



Source: Company data

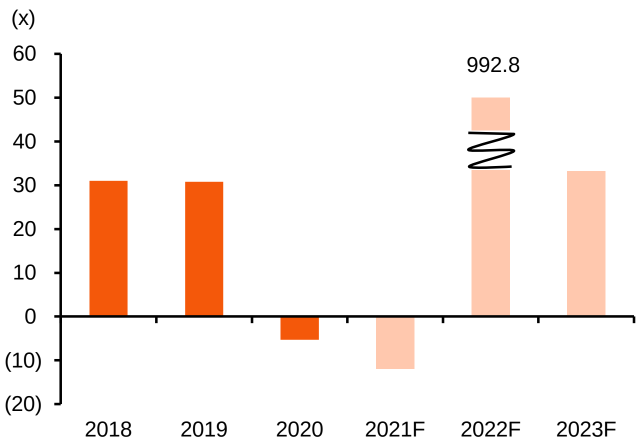
Ex 7: Gross Interest Bearing Debt To Equity Ratio*



Sources: Company data, Thanachart estimates

Note: * Before asset rotation, exclude lease liabilities and COVID-19 impairment

Ex 8: Rolling PE



Sources: Company data, Bloomberg, Thanachart estimates

Ex 9: 12-month DCF-based TP Calculation Using A Base Year of 2021F

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	(3,845)	13,033	19,004	21,160	22,810	23,924	25,064	26,027	26,956	27,900	28,869	29,861	—
Free cash flow	(11,094)	4,251	9,101	11,255	12,795	14,898	16,880	18,775	20,566	21,361	22,169	22,996	442,231
PV of free cash flow	(11,063)	3,756	7,560	8,787	9,190	10,014	10,620	11,054	11,332	11,016	10,207	9,865	189,710

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	6.4
Terminal growth (%)	2.0
Enterprise value - add investments	296,937
Net debt (2020)	110,504
Minority interest	9,343
Equity value	177,090
# of shares*	5,759
Target price/share (Bt)	**31.00**

Sources: Company data, Thanachart estimates

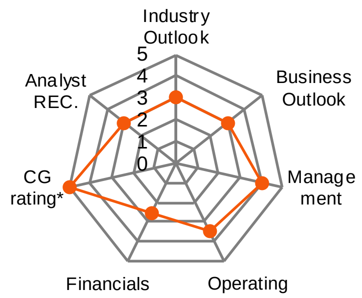
Note: * Include MINT-W7, MINT-W8 and MINT-W9 exercise

COMPANY DESCRIPTION

Minor International Pcl (MINT) owns and operates hotels and restaurants in Thailand and abroad. The company is engaged in the international hospitality business including hotels and resorts, spas, restaurant franchises, residence, mixed-use projects and lifestyle brand distributors and contract manufacturers.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	**5**
Strong	**4**
Good	**3**
Fair	**2**
Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well-received owned hotel brands, i.e. Anantara, Oaks, Avani, Tivoli, NH Hotels, etc.
- MINT's restaurant brands are the leaders in each category.
- Geographical diversification of its hotel footprint.

W — Weakness

- Thailand's upscale hotel oversupply.
- High gearing after the major acquisition in 2018.

O — Opportunity

- Strategic investments and acquisitions around the world.
- Robust growth in global consumption.
- Development of residential projects to maximize profitability.

T — Threat

- Fierce competition among hotel operators leading to obstacles to unlocking its profitability.
- Competition among restaurant operators both at home and abroad.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	33.61	31.00	-8%
Net profit 21F (Bt m)	(12,489)	(15,191)	na
Net profit 22F (Bt m)	3,154	1,729	-45%
Consensus REC	**BUY: 19**	**HOLD: 2**	**SELL: 4**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and DCF-based TP are below the Bloomberg consensus numbers, which we attribute to us having a more conservative view on a recovery in Thai tourism.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- The NH acquisition represents a significant part of MINT's performance. A recovery and/or decline of NH and MINT's operations would be the key upside/downside risk to our call.
- Events that would impact Thailand's and the global political situation, along with natural disasters and pandemic, represent a secondary upside/downside risk to our call.
- Faster/slower domestic and global economic, tourism and consumption growth would also present upside/downside risks.
- A swift/slow recovery in MINT's food business represents an upside/downside risk.

Source: Thanachart

We expect a faster recovery of MINT's overseas operations

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	117,298	55,812	60,173	98,665	119,568
Cost of sales	65,194	47,254	46,572	59,285	66,263
Gross profit	**52,104**	**8,558**	**13,601**	**39,380**	**53,304**
% gross margin	44.4%	15.3%	22.6%	39.9%	44.6%
Selling & administration expenses	46,268	26,426	25,472	34,529	42,697
Operating profit	**5,836**	**(17,868)**	**(11,871)**	**4,851**	**10,607**
% operating margin	5.0%	-32.0%	-19.7%	4.9%	8.9%
Depreciation & amortization	8,914	18,241	18,775	18,146	17,554
EBITDA	**14,751**	**374**	**6,905**	**22,996**	**28,162**
% EBITDA margin	12.6%	0.7%	11.5%	23.3%	23.6%
Non-operating income	5,296	2,742	3,362	4,358	5,082
Non-operating expenses	0	(625)	0	0	0
Interest expense	(4,081)	(7,452)	(7,890)	(7,534)	(7,260)
Pre-tax profit	**7,051**	**(23,204)**	**(16,399)**	**1,675**	**8,429**
Income tax	522	(2,983)	(2,460)	251	1,517
After-tax profit	**6,529**	**(20,220)**	**(13,939)**	**1,424**	**6,912**
% net margin	5.6%	-36.2%	-23.2%	1.4%	5.8%
Shares in affiliates' Earnings	828	(464)	(277)	159	502
Minority interests	(296)	1,296	1,064	147	(448)
Extraordinary items	3,638	(2,019)	(2,039)	0	0
NET PROFIT	**10,698**	**(21,407)**	**(15,191)**	**1,729**	**6,966**
Normalized profit	**7,060**	**(19,388)**	**(13,152)**	**1,729**	**6,966**
EPS (Bt)	2.0	(4.7)	(3.1)	0.0	1.0
Normalized EPS (Bt)	1.2	(4.3)	(2.7)	0.0	1.0

Unhealthy balance sheet, based on our forecasts

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	38,599	52,064	46,966	51,555	58,292
Cash & cash equivalent	13,331	26,188	20,000	10,000	10,000
Account receivables	15,554	12,286	13,188	20,274	22,931
Inventories	4,139	3,683	3,573	4,548	5,083
Others	5,575	9,908	10,205	16,733	20,278
Investments & loans	13,844	16,052	19,652	19,652	19,652
Net fixed assets	123,129	122,718	118,692	114,510	113,113
Other assets	78,612	171,492	162,160	153,626	145,910
Total assets	**254,184**	**362,327**	**347,470**	**339,342**	**336,968**
LIABILITIES:					
Current liabilities:	35,592	41,238	37,680	40,947	43,152
Account payables	20,036	15,310	14,673	18,679	20,877
Bank overdraft & ST loans	300	140	1,390	1,343	1,395
Current LT debt	9,912	6,656	6,879	6,648	6,904
Others current liabilities	5,344	19,131	14,738	14,277	13,975
Total LT debt	**102,386**	**129,897**	**130,702**	**126,314**	**131,179**
Others LT liabilities	30,338	114,868	105,434	98,389	92,098
Total liabilities	**168,316**	**286,003**	**273,817**	**265,650**	**266,429**
Minority interest	10,407	9,343	8,279	8,133	8,580
Preferreds shares	0	0	0	0	0
Paid-up capital	4,619	5,182	5,759	5,759	5,759
Share premium	15,018	24,196	38,747	38,747	38,747
Warrants	0	0	0	0	0
Surplus	14,422	21,927	21,927	21,927	13,646
Retained earnings	**41,401**	**15,676**	**(1,059)**	**(874)**	**3,806**
Shareholders' equity	75,461	66,981	65,374	65,560	61,958
Liabilities & equity	**254,184**	**362,327**	**347,470**	**339,342**	**336,968**

Sources: Company data, Thanachart estimates

Cash inflow stream remains weak in 2021F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	7,051	(23,204)	(16,399)	1,675	8,429
Tax paid	(1,361)	1,554	2,739	1	(1,192)
Depreciation & amortization	8,914	18,241	18,775	18,146	17,554
Chg In w orking capital	(793)	(1,001)	(1,430)	(4,055)	(994)
Chg In other CA & CL / minorities	980	10,654	(5,246)	(7,083)	(3,671)
Cash flow from operations	**14,791**	**6,244**	**(1,561)**	**8,685**	**20,127**
Capex	1,004	(7,173)	(4,000)	(4,000)	(7,000)
Right of use	0	(99,734)	(1,000)	(1,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	2,435	(2,208)	(3,600)	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,280	78,706	(11,890)	(7,475)	(6,732)
Cash flow from investments	**6,718**	**(30,409)**	**(20,490)**	**(12,475)**	**(14,732)**
Debt financing	(14,486)	24,095	2,278	(4,666)	5,172
Capital increase	4	9,741	15,128	0	0
Dividends paid	(3,160)	(1,455)	(1,544)	(1,544)	(2,286)
Warrants & other surplus	(3,297)	4,641	0	0	(8,281)
Cash flow from financing	**(20,938)**	**37,022**	**15,863**	**(6,209)**	**(5,395)**
Free cash flow	**15,795**	**(929)**	**(5,561)**	**4,685**	**13,127**

Trading at fair value, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	26.5	na	na	992.8	33.2
Normalized PE - at target price (x)	25.6	na	na	961.8	32.2
PE (x)	16.2	na	na	992.8	33.2
PE - at target price (x)	15.7	na	na	961.8	32.2
EV/EBITDA (x)	17.0	713.9	42.6	13.4	11.1
EV/EBITDA - at target price (x)	16.7	700.8	41.8	13.2	10.9
P/BV (x)	2.0	2.5	2.8	2.8	3.0
P/BV - at target price (x)	2.0	2.4	2.7	2.7	2.9
P/CFO (x)	10.3	25.0	(112.1)	21.2	9.2
Price/sales (x)	1.4	3.0	2.8	1.7	1.4
Dividend yield (%)	1.5	0.0	0.0	0.0	0.8
FCF Yield (%)	10.4	(0.6)	(3.2)	2.5	7.1
(Bt)					
Normalized EPS	1.2	(4.3)	(2.7)	0.0	1.0
EPS	2.0	(4.7)	(3.1)	0.0	1.0
DPS	0.5	0.0	0.0	0.0	0.2
BV/share	15.9	12.7	11.4	11.4	10.8
CFO/share	3.1	1.3	(0.3)	1.5	3.5
FCF/share	3.3	(0.2)	(1.0)	0.8	2.3

Sources: Company data, Thanachart estimates

Potential asset rotation would reduce financial risk in 2021F

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	56.5	(52.4)	7.8	64.0	21.2
Net profit (%)	137.3	na	na	na	302.8
EPS (%)	108.2	na	na	na	2,890.2
Normalized profit (%)	23.3	na	na	na	302.8
Normalized EPS (%)	0.4	na	na	na	2,890.2
Dividend payout ratio (%)	24.6	0.0	0.0	0.0	25.0
Operating performance					
Gross margin (%)	44.4	15.3	22.6	39.9	44.6
Operating margin (%)	5.0	(32.0)	(19.7)	4.9	8.9
EBITDA margin (%)	12.6	0.7	11.5	23.3	23.6
Net margin (%)	5.6	(36.2)	(23.2)	1.4	5.8
D/E (incl. minor) (x)	1.3	1.8	1.9	1.8	2.0
Net D/E (incl. minor) (x)	1.2	1.4	1.6	1.7	1.8
Interest coverage - EBIT (x)	1.4	na	na	0.6	1.5
Interest coverage - EBITDA (x)	3.6	0.1	0.9	3.1	3.9
ROA - using norm profit (%)	2.7	na	na	0.5	2.1
ROE - using norm profit (%)	9.6	na	na	2.6	10.9
DuPont					
ROE - using after tax profit (%)	8.9	na	na	2.2	10.8
- asset turnover (x)	0.4	0.2	0.2	0.3	0.4
- operating margin (%)	9.5	na	na	9.3	13.1
- leverage (x)	3.6	4.3	5.4	5.2	5.3
- interest burden (%)	63.3	147.3	192.7	18.2	53.7
- tax burden (%)	92.6	na	na	85.0	82.0
WACC (%)	6.4	6.4	6.4	6.4	6.4
ROIC (%)	2.9	(10.2)	(5.7)	2.2	4.6
NOPAT (Bt m)	5,404	(17,868)	(10,090)	4,123	8,698
invested capital (Bt m)	174,728	177,485	184,345	189,865	191,436

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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