

**HOLD** (From: SELL)

Transfer of Coverage

**TP: Bt 31.00** (From: Bt 15.80)**Downside : 3.1%****28 MAY 2021**

# 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.

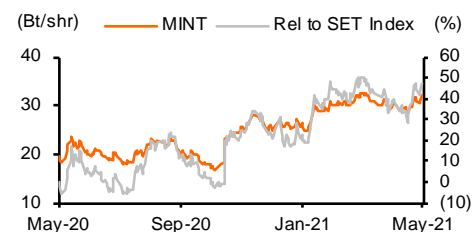
### Asset rotation to mitigate some risk

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

Source: Thanachart estimates

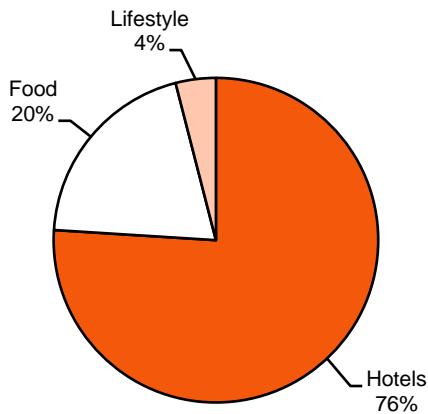
Note: \* Exclude NHH

**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

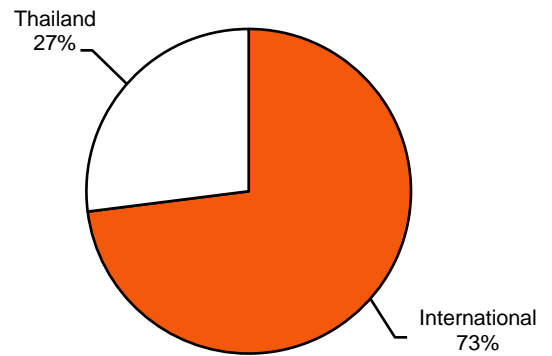
Source: Thanachart estimates

**Ex 3: Revenue Breakdown By Business In 2019**



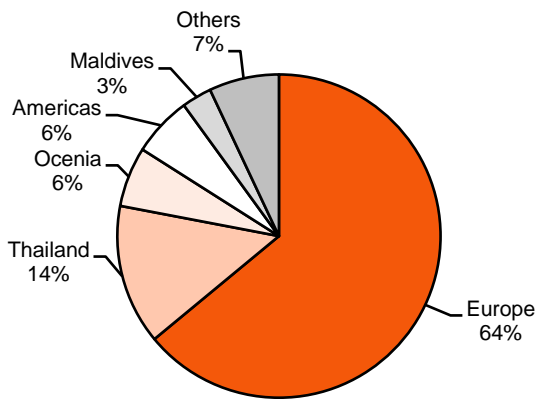
Source: Company data

**Ex 4: Revenue Breakdown By Market Presence In 2019**



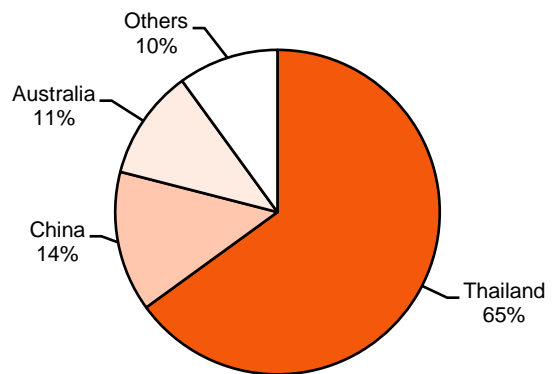
Source: Company data

**Ex 5: Geographical Hotel Revenue Breakdown In 2019**



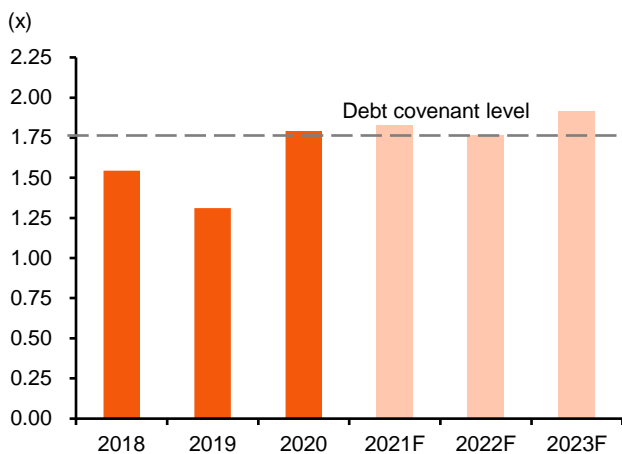
Source: Company data

**Ex 6: Geographical Food Revenue Breakdown In 2019**



Source: Company data

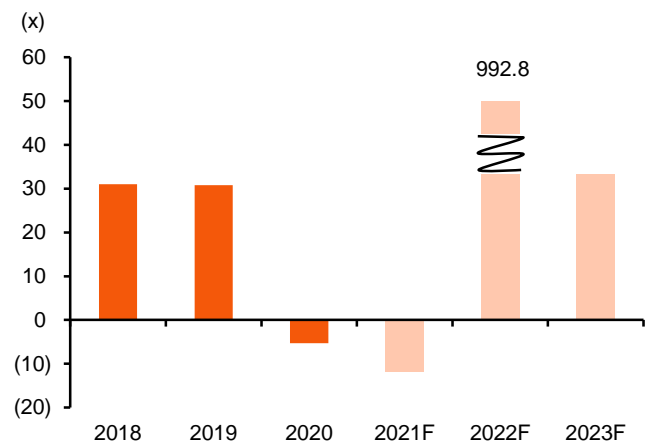
**Ex 7: Gross Interest Bearing Debt To Equity Ratio\***



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												
<b>Target price/share (Bt)</b>	<b>31.00</b>												

Sources: Company data, Thanachart estimates

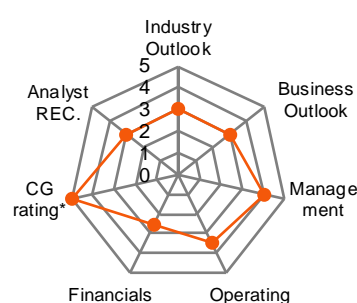
Note: \* Include MINT-W7, MINT-W8 and MINT-W9 exercise

## 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

<b>Very Strong</b>	<b>5</b>
<b>Strong</b>	<b>4</b>
<b>Good</b>	<b>3</b>
<b>Fair</b>	<b>2</b>
<b>Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

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.

### O — Opportunity

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

### W — Weakness

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

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

## 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.

## 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

## INCOME STATEMENT

*We expect a faster recovery of MINT's overseas operations*

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
<b>Gross profit</b>	<b>52,104</b>	<b>8,558</b>	<b>13,601</b>	<b>39,380</b>	<b>53,304</b>
% 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
<b>Operating profit</b>	<b>5,836</b>	<b>(17,868)</b>	<b>(11,871)</b>	<b>4,851</b>	<b>10,607</b>
% operating margin	5.0%	-32.0%	-19.7%	4.9%	8.9%
Depreciation & amortization	8,914	18,241	18,775	18,146	17,554
<b>EBITDA</b>	<b>14,751</b>	<b>374</b>	<b>6,905</b>	<b>22,996</b>	<b>28,162</b>
% 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)
<b>Pre-tax profit</b>	<b>7,051</b>	<b>(23,204)</b>	<b>(16,399)</b>	<b>1,675</b>	<b>8,429</b>
Income tax	522	(2,983)	(2,460)	251	1,517
<b>After-tax profit</b>	<b>6,529</b>	<b>(20,220)</b>	<b>(13,939)</b>	<b>1,424</b>	<b>6,912</b>
% 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
<b>NET PROFIT</b>	<b>10,698</b>	<b>(21,407)</b>	<b>(15,191)</b>	<b>1,729</b>	<b>6,966</b>
<b>Normalized profit</b>	<b>7,060</b>	<b>(19,388)</b>	<b>(13,152)</b>	<b>1,729</b>	<b>6,966</b>
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

## BALANCE SHEET

*Unhealthy balance sheet, based on our forecasts*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<b>ASSETS:</b>					
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
<b>Total assets</b>	<b>254,184</b>	<b>362,327</b>	<b>347,470</b>	<b>339,342</b>	<b>336,968</b>
<b>LIABILITIES:</b>					
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
<b>Total LT debt</b>	<b>102,386</b>	<b>129,897</b>	<b>130,702</b>	<b>126,314</b>	<b>131,179</b>
Others LT liabilities	30,338	114,868	105,434	98,389	92,098
<b>Total liabilities</b>	<b>168,316</b>	<b>286,003</b>	<b>273,817</b>	<b>265,650</b>	<b>266,429</b>
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
<b>Retained earnings</b>	<b>41,401</b>	<b>15,676</b>	<b>(1,059)</b>	<b>(874)</b>	<b>3,806</b>
Shareholders' equity	75,461	66,981	65,374	65,560	61,958
<b>Liabilities &amp; equity</b>	<b>254,184</b>	<b>362,327</b>	<b>347,470</b>	<b>339,342</b>	<b>336,968</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*Cash inflow stream  
remains weak in 2021F*

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 working capital	(793)	(1,001)	(1,430)	(4,055)	(994)
Chg In other CA & CL / minorities	980	10,654	(5,246)	(7,083)	(3,671)
<b>Cash flow from operations</b>	<b>14,791</b>	<b>6,244</b>	<b>(1,561)</b>	<b>8,685</b>	<b>20,127</b>
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)
<b>Cash flow from investments</b>	<b>6,718</b>	<b>(30,409)</b>	<b>(20,490)</b>	<b>(12,475)</b>	<b>(14,732)</b>
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)
<b>Cash flow from financing</b>	<b>(20,938)</b>	<b>37,022</b>	<b>15,863</b>	<b>(6,209)</b>	<b>(5,395)</b>
<b>Free cash flow</b>	<b>15,795</b>	<b>(929)</b>	<b>(5,561)</b>	<b>4,685</b>	<b>13,127</b>

## VALUATION

*Trading at fair value, in  
our view*

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
<b>(Bt)</b>					
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

## FINANCIAL RATIOS

*Potential asset rotation  
would reduce financial  
risk in 2021F*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth Rate</b>					
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
<b>Operating performance</b>					
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
<b>DuPont</b>					
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

### General Disclaimers And Disclosures:

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