The Erawan Group Pcl (ERW TB) - SELL, Price Bt3.24, TP Bt2.70

Results Comment

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Weak 3Q21 results, in line

- ERW reported a norm loss of Bt623m in 3Q21 vs. Bt559m norm loss in 2Q21 and Bt489m norm loss in 3Q20. This was in line with ours and the market's expectation.
- The rising loss in 3Q21 resulted from COVID-19 pandemic in Thailand.
- ERW's revenue declined by 47% y-y and 14% q-q to Bt226m in 3Q21.
- ERW's Thailand hotels (excluding HOP INN)'s occupancy rate was at 10% in 3Q21 vs. 13% in 2Q21 and 14% in 3Q20. RevPar in 3Q21 was at Bt119/night, down by 41% y-y and 30% q-q.
- ERW's HOP Inn Thailand occupancy rate was at 27% in 3Q21 vs. 31% in 2Q21 and 67% in 3Q20. RevPar in 3Q21 was at Bt164/night, down by 60% y-y and 15% q-q.
- ERW's Philippines hotels occupancy rate was at 60% in 3Q21 vs. 46% in 2Q21 and 20% in 3Q20. RevPar in 3Q21 was at Bt513/night, up by 187% y-y and 31% q-q.
- With the easing of lockdown and country's reopening, we expect its operation to improve in 4Q21. However, with its expensive valuation and financial risk, we maintain our SELL rating on ERW.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	427	589	378	262	226
Gross profit	**85**	**199**	**63**	**(22)**	**(60)**
SG&A	500	467	451	457	439
Operating profit	(415)	(269)	(388)	(480)	(500)
EBITDA	**(157)**	**(41)**	**(146)**	**(236)**	**(271)**
Other income	10	15	12	7	27
Other expense	0	0	0	0	0
Interest expense	120	143	138	136	126
Profit before tax	**(524)**	**(396)**	**(514)**	**(609)**	**(599)**
Income tax	(11)	(20)	2	(25)	73
Equity & invest. income	3	(14)	3	(3)	3
Minority interests	21	13	21	27	45
Extraordinary items	(25)	(130)	0	(130)	0
Net profit	**(514)**	**(508)**	**(492)**	**(690)**	**(623)**
Normalized profit	**(489)**	**(377)**	**(492)**	**(559)**	**(623)**
EPS (Bt)	(0.20)	(0.20)	(0.20)	(0.15)	(0.14)
Normalized EPS (Bt)	(0.19)	(0.15)	(0.20)	(0.12)	(0.14)

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(14)	(47)	66	1,312	2,906
Gross profit	**na**	**na**	**na**	**128**	**1,387**
SG&A	(4)	(12)	73	1,857	1,873
Operating profit	na	na	na	(1,729)	(486)
EBITDA	**na**	**na**	**na**	**(713)**	**600**
Other income	308	166	136	34	47
Other expense			na	0	0
Interest expense	(7)	6	73	545	585
Profit before tax	**na**	**na**	**na**	**(2,240)**	**(1,024)**
Income tax	na	na	na	(67)	(31)
Equity & invest. income	na	1	na	0	0
Minority interests	66	112	93	99	44
Extraordinary items	na	na	na	(130)	0
Net profit	**na**	**na**	**na**	**(2,204)**	**(949)**
Normalized profit	**na**	**na**	**na**	**(2,074)**	**(949)**
EPS (Bt)	na	na	na	(0.52)	(0.21)
Normalized EPS (Bt)	na	na	na	(0.49)	(0.21)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	1,405	1,623	1,519	1,541	1,207
A/C receivable	86	77	67	47	54
Inventory	46	46	40	39	37
Other current assets	239	217	248	266	306
Investment	65	48	48	42	45
Fixed assets	18,909	18,726	18,643	21,316	21,285
Other assets	475	479	484	353	363
Total assets	**21,225**	**21,215**	**21,049**	**23,604**	**23,297**
S-T debt	2,076	2,136	2,524	1,055	1,523
A/C payable	103	145	104	71	70
Other current liabilities	533	532	564	563	524
L-T debt	10,169	10,551	10,477	10,506	10,258
Other liabilities	3,786	3,923	3,940	4,449	4,612
Minority interest	129	116	95	68	23
Shareholders' equity	**4,431**	**3,813**	**3,345**	**6,892**	**6,286**
Working capital	29	(22)	3	15	21
Total debt	12,244	12,687	13,002	11,561	11,781
Net debt	**10,839**	**11,064**	**11,482**	**10,020**	**10,575**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(71.5)	(65.9)	(68.8)	230.5	(47.0)
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	na	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	20.0	33.8	16.6	(8.6)	(26.6)
Operating margin	(97.1)	(45.6)	(102.9)	(182.9)	(220.6)
EBITDA margin	(36.7)	(6.9)	(38.5)	(89.8)	(119.6)
Norm net margin	(114.5)	(64.1)	(130.3)	(213.2)	(275.1)
D/E (x)	2.7	3.2	3.8	1.7	1.9
Net D/E (x)	2.4	2.8	3.3	1.4	1.7
Interest coverage (x)	(1.3)	(0.3)	(1.1)	(1.7)	(2.1)
Interest rate	3.9	4.6	4.3	4.4	4.3
Effective tax rate	2.0	4.9	(0.4)	4.2	(12.1)
ROA	(9.2)	(7.1)	(9.3)	(10.0)	(10.6)
ROE	(42.0)	(36.6)	(55.0)	(43.7)	(37.8)

Sources: Company data, Thanachart estimates

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