The Erawan Group Pcl (ERW TB) - SELL, Price Bt3.18, TP Bt2.80

Results Comment

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Weak 4Q21 results, in line

- ERW reported a norm loss of Bt346m in 4Q21 vs. Bt623m norm loss in 3Q21 and Bt377m norm loss in 4Q20. This was in line with our earnings preview but it was slightly better than the market's expectation. Including extra items from gain (loss) on impairment of non-financial assets and gain from asset sales, ERW reported net loss of Bt246m in 4Q21.
- The y-y and q-q falling loss resulted from rising tourists and improving average room rate (ARR) supported by the easing of lockdown in 4Q21 and government's domestic tourism stimulus package.
- ERW's revenue from hotel business increased by 6% y-y and 186% q-q to Bt600m in 4Q21.
- ERW's Thailand hotels (excluding HOP INN)'s occupancy rate was at 30% in 4Q21 vs. 10% in 3Q21 and 25% in 4Q20. RevPar in 4Q21 was at Bt497/night, up by 38% y-y and 318% q-q.
- ERW's HOP Inn Thailand occupancy rate was at 59% in 4Q21 vs. 27% in 3Q21 and 69% in 4Q20. RevPar in 4Q21 was at Bt365/night, down 15% y-y but up 123% q-q.
- ERW's Philippines hotels occupancy rate was at 49% in 4Q21 vs. 60% in 3Q21 and 33% in 4Q20. RevPar in 4Q21 was at Bt423/night, up 49% y-y but down 18% q-q.
- With the easing of lockdown, country's reopening and government's domestic tourism stimulus package, we expect its hotel business' operation to improve in 2022. However, with its expensive valuation and financial risk, we maintain our SELL rating on ERW.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	589	378	262	226	619
Gross profit	**199**	**63**	**(22)**	**(60)**	**221**
SG&A	467	451	457	439	503
Operating profit	(269)	(388)	(480)	(500)	(281)
EBITDA	**(41)**	**(146)**	**(236)**	**(271)**	**(61)**
Other income	15	12	7	27	34
Other expense	0	0	0	0	0
Interest expense	143	138	136	126	121
Profit before tax	**(396)**	**(514)**	**(609)**	**(599)**	**(368)**
Income tax	(20)	2	(25)	73	(4)
Equity & invest. income	(14)	3	(3)	3	5
Minority interests	13	21	27	45	12
Extraordinary items	(96)	0	(130)	0	101
Net profit	**(474)**	**(492)**	**(690)**	**(623)**	**(246)**
Normalized profit	**(377)**	**(492)**	**(559)**	**(623)**	**(346)**
EPS (Bt)	(0.19)	(0.20)	(0.15)	(0.14)	(0.05)
Normalized EPS (Bt)	(0.15)	(0.20)	(0.12)	(0.14)	(0.08)

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	173	5	105	1,485	2,979
Gross profit	**na**	**11**	**133**	**201**	**1,456**
SG&A	14	8	101	1,850	1,948
Operating profit	na	na	na	(1,649)	(492)
EBITDA	**na**	**na**	**na**	**(713)**	**518**
Other income	23	119	143	80	60
Other expense			na	0	0
Interest expense	(4)	(16)	100	521	539
Profit before tax	**na**	**na**	**na**	**(2,090)**	**(971)**
Income tax	na	na	177	46	5
Equity & invest. income	59	na	na	9	0
Minority interests	(72)	(3)	90	105	57
Extraordinary items	na	na	na	(29)	0
Net profit	**na**	**na**	**na**	**(2,050)**	**(919)**
Normalized profit	**na**	**na**	**na**	**(2,021)**	**(919)**
EPS (Bt)	na	na	na	(0.49)	(0.20)
Normalized EPS (Bt)	na	na	na	(0.48)	(0.20)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	1,623	1,519	1,541	1,207	1,242
A/C receivable	77	67	47	54	100
Inventory	46	40	39	37	39
Other current assets	217	248	266	306	1,274
Investment	48	48	42	45	48
Fixed assets	18,826	18,643	21,316	21,285	19,409
Other assets	379	484	353	363	338
Total assets	**21,215**	**21,049**	**23,604**	**23,297**	**22,450**
S-T debt	2,136	2,524	1,055	1,523	795
A/C payable	145	104	71	70	143
Other current liabilities	532	564	563	524	551
L-T debt	10,551	10,477	10,506	10,258	10,356
Other liabilities	3,923	3,940	4,449	4,612	4,583
Minority interest	116	95	68	23	11
Shareholders' equity	**3,813**	**3,345**	**6,892**	**6,286**	**6,012**
Working capital	(22)	3	15	21	(4)
Total debt	12,687	13,002	11,561	11,781	11,151
Net debt	**11,064**	**11,482**	**10,020**	**10,575**	**9,909**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(65.9)	(68.8)	230.5	(47.0)	5.2
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	33.8	16.6	(8.6)	(26.6)	35.8
Operating margin	(45.6)	(102.9)	(182.9)	(220.6)	(45.4)
EBITDA margin	(6.9)	(38.5)	(89.8)	(119.6)	(9.9)
Norm net margin	(64.1)	(130.3)	(213.2)	(275.1)	(56.0)
D/E (x)	3.2	3.8	1.7	1.9	1.9
Net D/E (x)	2.8	3.3	1.4	1.7	1.6
Interest coverage (x)	(0.3)	(1.1)	(1.7)	(2.1)	(0.5)
Interest rate	4.6	4.3	4.4	4.3	4.2
Effective tax rate	4.9	(0.4)	4.2	(12.1)	1.1
ROA	(7.1)	(9.3)	(10.0)	(10.6)	(6.1)
ROE	(36.6)	(55.0)	(43.7)	(37.8)	(22.5)

Sources: Company data, Thanachart estimates

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