Hotel Sector – Neutral

Earnings Preview

Siriporn Arunothai | Email: Siriporn.aru@thanachartsec.co.th

Declining loss in 4Q21F

- **Rising traveling and consumption …**
- **… will likely cause the sector's loss to fall in 4Q21F.**
- **We estimate earnings momentum to improve this year.**
- **We still like MINT and CENTEL.**

- We estimate the hotel sector to make another loss in 4Q21F of Bt2.5bn. However, with rising travel demand in Thailand and global markets and improving domestic consumption because of the easing of the lockdown in Thailand, we expect the sector's loss in 4Q21F to decline from a Bt4.8bn loss in 4Q20 and a Bt3.8bn loss in 3Q21.
- We expect all three hotel operators under our coverage (CENTEL, ERW and MINT) to report 4Q21F losses, which are likely to be in line with our previous expectations. Details are shown in Exhibit 1.

Ex 1: 4Q21F Earnings Estimates

	Normalized profit (Bt m)			12M as %	– Change (%) –		Positive / Negative factors	Results announcement date
	4Q20	3Q21	4Q21F	2021F	Y-Y	Q-Q		
CENTEL	(178)	(803)	(206)	*99.5*	*n.a.*	*n.a.*	▪ Hotel and food businesses in Thailand improved but still weak	28-Feb-22
ERW	(377)	(623)	(347)	*98.1*	*n.a.*	*n.a.*	▪ Hotel business in Thailand and Philippines improved but still weak	23-Feb-22
MINT	(4,270)	(2,367)	(1,966)	*100.0*	*n.a.*	*n.a.*	▪ Hotel and food businesses in Thailand and international markets improved but still weak	25-Feb-22
Sum	**(4,826)**	**(3,793)**	**(2,520)**	**99.7**	***n.a.***	***n.a.***		

Sources: Company data; Thanachart estimates

- *CENTEL:* We estimate its hotel business' EBITDA to turn a profit in 4Q21F after making losses since 2Q20. Improving EBITDA y-y has been driven by a rising occupancy rate in the Maldives and a strong improvement in the average room rate (ARR) both in Thailand and the Maldives. Improving EBITDA q-q has also resulted from a rising occupancy rate and ARR both in Thailand and the Maldives. CENTEL's food business is also expected to improve both y-y and q-q. Its total system sales (TSS) grew by 3% y-y. Note that the increase in the normalized loss from 4Q20 has been a consequence of no income tax reversal compared with 4Q20.
- *ERW:* We estimate ERW's EBITDA to still see a loss in 4Q21F but we expect its EBITDA loss to decline both y-y and q-q. The falling loss y-y has been a result of the improving operations of non-Hop Inn hotels in Thailand (from a rising occupancy rate and ARR) and Hop Inn hotels in the Philippines (from a rising occupancy rate). The falling loss q-q has been a result of improving operations of its hotel business in Thailand (due to a rising occupancy rate and ARR).
- *MINT:* We also estimate MINT's loss in 4Q21F to decline due to improving operations of its hotel business in Europe (via NHH), Thailand and other regions. Total system sales (TSS) of its food business in Thailand and China grew y-y at high single digit rate. But the food business in Australia remained lackluster with a decline in TSS due to the COVID-19 impact. We estimate MINT's EBITDA from its hotel and food businesses to turn a profit in 4Q21F and improve both y-y and q-q.

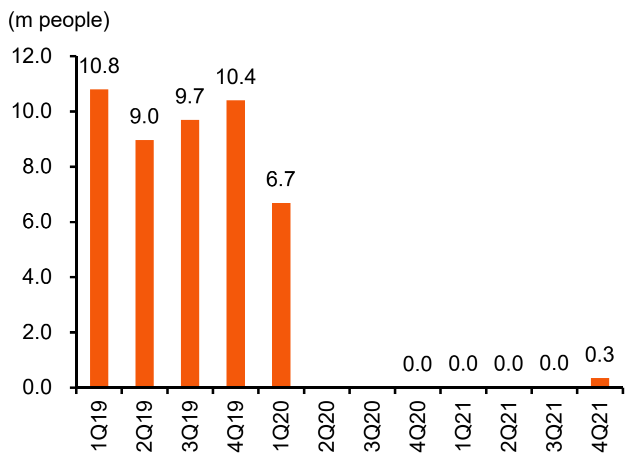
- Looking to 2022F, we estimate the sector's earnings momentum to improve. Though the new Omicron variant has spread to many countries, given its less severe symptoms, we expect to see increased travel demand and improving consumption both in Thailand and global markets.
- MINT and CENTEL are still our BUY choices. Besides their improving earnings momentum, we see MINT's valuation as the cheapest in the sector. Meanwhile, we believe CENTEL has the strongest financial status in the sector.

Ex 2: Hotel Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth 2021F (%)	Norm EPS growth 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	Yield 2021F (%)	Yield 2022F (%)
CENTEL	BUY	35.00	40.00	14.3	47,250	na	na	na	na	0.0	0.0
ERW	SELL	3.14	2.80	(10.8)	14,229	na	na	na	na	0.0	0.0
MINT	BUY	30.50	39.00	27.9	159,020	na	na	na	698.5	0.0	0.0

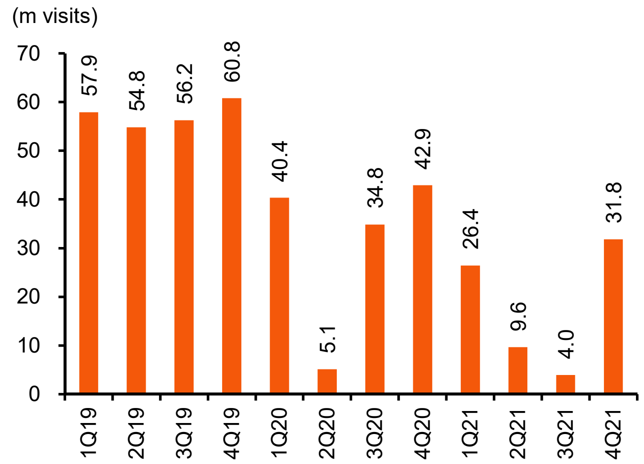
Sources: Bloomberg; Thanachart estimates

Ex 2: International Tourists Visiting Thailand



Source: Company data

Ex 3: # Of Trips By Thai Tourists



Source: Company data

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