Hotel Sector – Neutral

Earnings Preview

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

Turns to a loss in 1Q22F

- **We estimate sector's earnings to turn to a loss in 1Q22F…**
- **…due to the low season in Europe and Omicron impact.**
- **Earnings momentum likely to improve in coming quarters.**
- **We still like MINT and CENTEL.**

- We estimate the hotel sector turned to loss in 1Q22F of Bt1.4bn from a Bt1.5bn profit in 4Q21 due to a loss from MINT's operation. 1Q is normally the low season for the tourism business in Europe. However, the loss declined significantly from the Bt6.2bn loss in 1Q21 due to improved operations for all the hotels under our coverage (CENTEL, ERW and MINT). Details are shown in Exhibit 1.

Ex 1: 1Q22F Earnings Estimates

	Normalized profit (Bt m)			3M as %	– Change (%) –		Positive / Negative factors	Results
	1Q21	4Q21	1Q22F	2022F	Y-Y	Q-Q		announcement date
CENTEL	(476)	152	141	*30.6*	*n.a.*	*(7.6)*	▪ 1Q22F RevPar grew by 150% y-y and 12% q-q. SSSG was at 9% in 1Q22F.	17-May-22
ERW	(492)	(346)	(322)	*40.1*	*n.a.*	*n.a.*	▪ 1Q22F RevPar of non-HOPINN hotels grew by 156% y-y and 10% q-q	13-May-22
MINT	(5,211)	1,657	(1,231)	*n.a.*	*n.a.*	*n.a.*	▪ 1Q22F RevPar grew by 150% y-y but down 10% q-q. 1Q22F SSSG was 4%.	13-May-22
Sum	**(6,179)**	**1,463**	**(1,413)**	**n.a.**	**n.a.**	**n.a.**		

Sources: Company data; Thanachart estimates

- **CENTEL:** We estimate CENTEL's operation in 1Q22F to continue to make a profit from 4Q21. Improving y-y earnings have been driven by its hotel and food businesses. The hotel business' improving operation has been driven by a rising occupancy rate and average room rate (ARR) both in Thailand and the Maldives. Meanwhile, we also expect CENTEL's food business to improve y-y and flat q-q. Its total system sales (TSS) grew by 17% y-y and dropped by 1% q-q.
- **ERW:** We estimate ERW's EBITDA to still suffer a loss in 1Q22 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 both of non-Hop Inn hotels in Thailand and Hop Inn Hotels in Thailand and the Philippines from a rising occupancy rate and ARR. The declining loss q-q has been a result of rising ARR of non-Hop Inn hotels in Thailand.
- **MINT:** We estimate MINT's loss in 1Q22F to decline significantly from 1Q21 due to improving operations of its hotel business in Europe (via NHH), Thailand and other regions. Total system sales (TSS) of its food business grew by the low teens y-y in 1Q22F, mainly driven by TSS growth of its food business in Thailand. Meanwhile, its food business in China and Australia remained bleak in 1Q22 due to Omicron's spread. Falling earnings from 4Q21 have been a result of the low season for the hotel business in Europe and Omicron's spread in early January 2022. But the business momentum of MINT's operation in Europe has improved month by month.

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 79 Derivative Warrants which are AMAT16C2206A , AOT16C2204A , AOT16C2206A , AWC16C2207A , BAM16C2204A , BAM16C2206A , BAM16C2207A , BANP16C2204A , BANP16C2205A , BANP16C2207A , BBL16C2204A , BCH16C2207A , BEC16C2204A , BEC16C2207A , BGRI16C2205A , BLA16C2208A, BLA16C2205A , CBG16C2204A , CBG16C2205A , CBG16C2207A , CHG16C2207A , COM716C2208A, COM716C2205A , CPAL16C2204A , CPF16C2205A , CRC16C2204A , DOHO16C2207A , EA16C2205A , EA16C2206A , EA16C2207A , GPSC16C2205A , GPSC16C2206A , GPSC16C2207A , GULF16C2205A , GULF16C2207A , GUNK16C2205A , GUNK16C2206A , GUNK16C2207A , HANA16C2204A , HANA16C2205A , HANA16C2207A , INTU16C2205A , IRPC16C2205A , IVL16C2206A , JMAR16C2205A , JMAR16C2206A , JMT16C2205A , JMT16C2207A , KBAN16C2208A, KBAN16C2204A , KBAN16C2206A , KCE16C2208A, KCE16C2204A , KCE16C2205A , KCE16C2205B , MEGA16C2207A , MINT16C2204A , MINT16C2207A , MTC16C2204A , OR16C2205A , PTT16C2205A , PTTG16C2207A , RCL16C2205A , RS16C2205A , S5016C2206A , S5016P2206A , S5016P2206B , SAWA16C2204A , SAWA16C2205A , SCC16C2204A , STEC16C2204A , SYNE16C2206A , TOP16C2206A , TRUE16C2205A , TRUE16C2205B , TTA16C2208A, TTA16C2207A , TU16C2204A , WHA16C2204A (underlying securities are AMATA , AOT , AWC , BAM , BANPU , BBL , BCH , BEC , BGRIM , BLA , CBG , CHG , COM7 , CPALL , CPF , CRC , DOHOME , EA , GPSC , GULF , GUNKUL , HANA , INTUCH , IRPC , IVL , JMART , JMT , KBANK , KCE , MEGA , MINT , MTC , OR , PTT, PTTGC , RCL , RS , SAWAD , SCC , SET50 , STEC , SYNEX , TOP, TRUE, TTA, TU , WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)

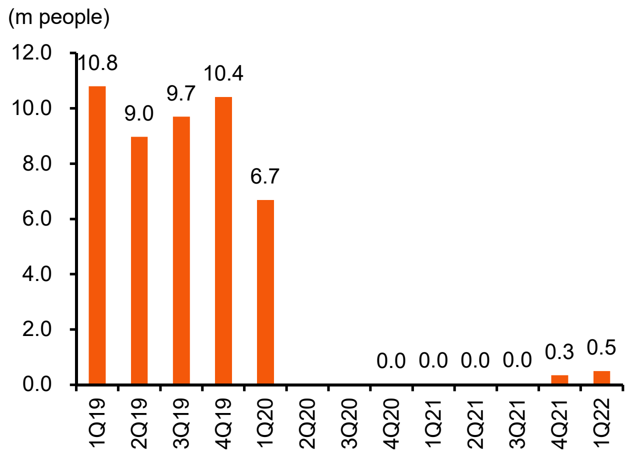
- Looking to the rest of this year, we expect all hotel operators' operations to improve y-y, driven by rising numbers of Thai and international tourists.
- MINT and CENTEL are still our BUY choices. Besides their improving earnings momentum, we see MINT's valuation as the cheapest in the sector. Meanwhile, 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 2022F (%)	Norm EPS growth 2023F (%)	Norm PE 2022F (x)	Norm PE 2023F (x)	Yield 2022F (%)	Yield 2023F (%)
CENTEL	BUY	43.25	48.00	11.0	58,388	na	433.0	186.3	35.0	0.0	0.0
ERW	SELL	3.86	2.80	(27.5)	17,492	na	na	na	73.7	0.0	0.3
MINT	BUY	36.00	39.00	8.3	187,858	na	na	na	37.2	0.0	0.5

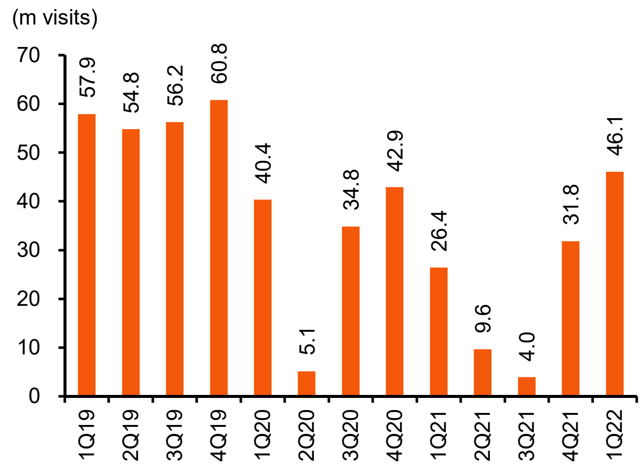
Sources: Bloomberg; Thanachart estimates

Ex 2: International Tourists Visiting Thailand



Source: TAT

Ex 3: # Of Trips By Thai Tourists



Source: TAT