The Erawan Group Pcl (ERW TB) - SELL, Price Bt3.50, TP Bt2.80

Results Comment

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Weak 1Q22 results, in line

- ERW reported a norm loss of Bt315m in 1Q22 vs. Bt492m norm loss in 1Q21 and Bt346m norm loss in 4Q21. This was in line with ours and the street's earnings forecast.
- The y-y and q-q falling losses resulted from the country's reopening and government's domestic tourism package "We Travel Together 4th phase".
- ERW's revenue from hotel business increased by 74% y-y and 3% q-q to Bt617m in 1Q22.
- ERW's Thailand hotels (excluding HOP INN)'s occupancy rate was at 31% in 1Q22 vs. 17% in 1Q21 and 30% in 4Q21. RevPar in 1Q22 was at Bt556/night, up by 160% y-y and 12% q-q.
- ERW's HOP Inn Thailand occupancy rate was at 67% in 1Q22 vs. 48% in 1Q21 and 59% in 4Q21. RevPar in 1Q22 was at Bt409/night, up by 39% y-y and 12% q-q.
- ERW's Philippines hotels occupancy rate was at 51% in 1Q22 vs. 39% in 1Q21 and 49% in 4Q21. RevPar in 1Q22 was at Bt473/night, down by 51% y-y and 12% q-q.
- With the easing of Thailand's entry rule, we expect its hotel business' operation to improve in following quarters. However, with its expensive valuation, we maintain SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	378	262	226	619	638
Gross profit	**63**	**(22)**	**(60)**	**221**	**233**
SG&A	451	457	439	503	468
Operating profit	(388)	(480)	(500)	(281)	(235)
EBITDA	**(146)**	**(236)**	**(271)**	**(61)**	**(22)**
Other income	12	7	27	34	8
Other expense	0	0	0	0	0
Interest expense	138	136	126	121	112
Profit before tax	**(514)**	**(609)**	**(599)**	**(368)**	**(339)**
Income tax	2	(25)	73	(4)	(8)
Equity & invest. income	3	(3)	3	5	3
Minority interests	21	27	45	12	12
Extraordinary items	0	(130)	0	101	2
Net profit	**(492)**	**(690)**	**(623)**	**(246)**	**(313)**
Normalized profit	**(492)**	**(559)**	**(623)**	**(346)**	**(315)**
EPS (Bt)	(0.20)	(0.15)	(0.14)	(0.05)	(0.07)
Normalized EPS (Bt)	(0.20)	(0.12)	(0.14)	(0.08)	(0.07)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	3	69	21	3,040	4,974
Gross profit	**5**	**273**	**16**	**1,501**	**2,693**
SG&A	(7)	4	25	1,900	1,943
Operating profit	na	na	59	(399)	751
EBITDA	**na**	**na**	**na**	**579**	**1,767**
Other income	(77)	(37)	15	51	49
Other expense			na	0	0
Interest expense	(8)	(19)	24	462	473
Profit before tax	**na**	**na**	**na**	**(811)**	**326**
Income tax	na	na	na	49	59
Equity & invest. income	(38)	(0)	na	0	0
Minority interests	(5)	(44)	21	57	(30)
Extraordinary items	(98)	1,225	4	50	0
Net profit	**na**	**na**	**na**	**(752)**	**237**
Normalized profit	**na**	**na**	**na**	**(802)**	**237**
EPS (Bt)	na	na	na	(0.17)	0.05
Normalized EPS (Bt)	na	na	na	(0.18)	0.05

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	1,519	1,541	1,207	1,242	1,255
A/C receivable	67	47	54	100	117
Inventory	40	39	37	39	35
Other current assets	248	266	306	1,274	1,281
Investment	48	42	45	48	45
Fixed assets	18,643	21,316	21,285	19,409	19,327
Other assets	484	353	363	338	327
Total assets	**21,049**	**23,604**	**23,297**	**22,450**	**22,388**
S-T debt	2,524	1,055	1,523	795	1,852
A/C payable	104	71	70	143	107
Other current liabilities	564	563	524	551	716
L-T debt	10,477	10,506	10,258	10,356	9,514
Other liabilities	3,940	4,449	4,612	4,583	4,541
Minority interest	95	68	23	11	(1)
Shareholders' equity	**3,345**	**6,892**	**6,286**	**6,012**	**5,659**
Working capital	3	15	21	(4)	45
Total debt	13,002	11,561	11,781	11,151	11,366
Net debt	**11,482**	**10,020**	**10,575**	**9,909**	**10,111**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(68.8)	230.5	(47.0)	5.2	69.0
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	16.6	(8.6)	(26.6)	35.8	36.6
Operating margin	(102.9)	(182.9)	(220.6)	(45.4)	(36.8)
EBITDA margin	(38.5)	(89.8)	(119.6)	(9.9)	(3.4)
Norm net margin	(130.3)	(213.2)	(275.1)	(56.0)	(49.4)
D/E (x)	3.8	1.7	1.9	1.9	2.0
Net D/E (x)	3.3	1.4	1.7	1.6	1.8
Interest coverage (x)	(1.1)	(1.7)	(2.1)	(0.5)	(0.2)
Interest rate	4.3	4.4	4.3	4.2	4.0
Effective tax rate	(0.4)	4.2	(12.1)	1.1	2.5
ROA	(9.3)	(10.0)	(10.6)	(6.1)	(5.6)
ROE	(55.0)	(43.7)	(37.8)	(22.5)	(21.6)

Sources: Company data, Thanachart estimates

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