Small Cap Research

BUY (From: SELL)

Change in Recommendation

TP: Bt 4.40 (From: Bt 2.80)

Upside : 11.1%

20 JUNE 2022

The Erawan Group Pcl (ERW TB)

A pure hotel play

We upgrade ERW to BUY due to the improving outlook of the tourism industry. Although ERW looks more expensive than MINT and CENTEL, it is a pure hotel play. With the better business outlook, we no longer see a risk of another cash call. We raise our TP to Bt4.40.

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Thanachart Securities

Upgrading to BUY

We upgrade ERW to BUY (from Sell) on the improving outlook for Thai tourism. ERW is a pure hotel play and it has suffered more than Minor Int'l (MINT TB, Bt33.50, BUY) and Central Plaza Hotel (CENTEL TB, Bt43.50, BUY), both of which have a food business cushion, during the COVID years. We thus expect ERW to enjoy more operating leverage during the industry's turnaround cycle. We boost our 2023-24F earnings by 3-4% to reflect a fast tourist turnaround and project earnings to turn from a loss of Bt739m in 2022F to Bt245-680m in profit for 2023-24F. Our new DCF-based TP, rolled over to a 2023F base year, is Bt4.40 (from Bt2.8). ERW's 28.5x PE in 2024F, when we expect a full turnaround, is still below its 5-year pre-COVID average of 37.0x. It is however more expensive than CENTEL (25.8x) and MINT (23.4x).

Turnaround kick-starting

ERW saw its occupancy rate in Thailand rise from 27% in 2021 to 46% in 1Q22 and 62% in April-May. We estimate 57.4/70.8/77.3% in 2022-24F vs. 76.0% in 2019. Average room rate (ARR) also rose from Bt924/night in 2021 to Bt1,074 in 1Q22 and Bt1,160 in April-May. We project its ARR at Bt1,207/1,391/1,592 in 2022-24F vs. Bt1,855 in 2019. Exhibit 8 shows ERW's room capacity at 49% for 1-2 star hotels, 42% for 3-4 star hotels and 9% for 5-star ones. With this breakdown we believe ERW will continue to gear more toward Chinese tourists, who we expect to start coming back in from next year onward. Exhibit 9 shows ERW's revenue breakdown by country in 2019.

Upside potential from budget hotel growth

ERW entered the budget segment in 2014 under its owned "HOP INN" brand. ERW had 49 hotels in Thailand and six in the Philippines in 2021. Its EBITDA accounted for 16% of total EBITDA in 2019 and was positive at Bt157m in 2021, vs. EBITDA losses in other segments. HOP INN is ERW's growth focus due to their cost competitiveness and resilience with local travellers. ERW plans to expand HOP INN hotels both in Thailand and Asia and targets the segment to contribute 40% of EBITDA by 2025. We however have yet to factor in such growth as ERW hasn't yet announced how many hotels it intends to open in this period.

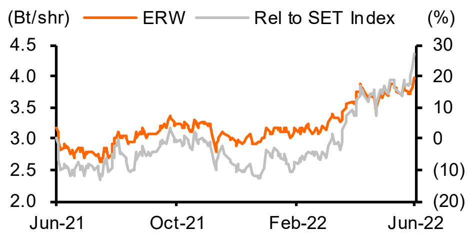
Improving financial status

After a capital call of Bt2.0bn and asset revaluation of Bt2.7bn in 2Q21, two hotel sales on Samui of Bt925m in 4Q21 and three hotel sales in Phuket, Hua Hin and Krabi of Bt1bn in 2Q22, ERW's balance sheet and cash flow improved significantly. Asset sales proceeds could help to finance its Bt800m capex plan this year of eight new hotels (seven HOP INN and one Holiday Inn) investment and hotel maintenance. We estimate its net D/E at 1.6/1.4x in 2022-23F, vs. 1.6x in 2021 and debt covenant of 2.5x.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	1,485	3,823	5,198	6,255
Net profit	(2,050)	(689)	245	680
Consensus NP	—	(744)	185	542
Diff frm cons (%)	—	*na*	*32.2*	*25.5*
Norm profit	(2,021)	(739)	245	680
Prev. Norm profit	—	(802)	237	657
Chg frm prev (%)	—	*na*	*3.0*	*3.6*
Norm EPS (Bt)	(0.5)	(0.2)	0.1	0.1
Norm EPS grw (%)	na	na	na	161.6
Norm PE (x)	na	na	74.5	28.5
EV/EBITDA (x)	na	42.6	14.8	11.2
P/BV (x)	3.0	3.4	3.3	2.7
Div yield (%)	0.0	0.0	0.3	1.4
ROE (%)	na	na	4.5	10.7
Net D/E (%)	164.5	158.8	145.6	82.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 20-Jun-22 (Bt)	3.96
Market Cap (US$ m)	508.4
Listed Shares (m shares)	4,531.6
Free Float (%)	58.8
Avg Daily Turnover (US$ m)	1.1
12M Price H/L (Bt)	3.88/2.64
Sector	Tourism
Major Shareholder	Vongkusolkit & Wattanavekin Group 55%

Sources: Bloomberg, Company data, Thanachart estimates

Upgrading to BUY

We upgrade ERW to BUY …

We upgrade our rating on shares of The Erawan Group (ERW) to BUY from Sell on the back of the following reasons:

1) Improving tourism outlook

First, we foresee an improving outlook for the Thai tourism industry. Given the strong turnaround in both Thai and international tourists, we see ERW, which is a pure hotel play, enjoying greater operating leverage during the industry's turnaround cycle. Previously, it suffered more than Minor International (MINT TB, Bt33.50, BUY) and Central Plaza Hotel (CENTEL, Bt43.50, BUY), both of which have some food business cushion, over the past two COVID years. With the improving industry outlook, we raise our assumptions for Thai and international tourist numbers as shown in Exhibit 1.

Ex 1: Thai And International Tourist Assumptions

	2020	2021	2022F	2023F	2024F
Numbers of foreign tourists (people)					
- New	6,702,396	427,869	6,500,000	26,000,000	39,000,000
- Old			4,500,000	20,000,000	35,000,000
- Change (%)			*44.4*	*30.0*	*11.4*
Numbers of Thai tourists (visits)					
- New	123,214,821	71,858,377	184,846,382	211,369,043	236,641,429
- Old			176,469,667	211,369,043	236,641,429
- Change (%)			*4.7*	—	—

Sources: TAT, Thanachart estimates

2) ERW's strong occupancy rate and ARR

Second, with the improving outlook for the Thai tourism industry and ERW's strong turnaround in occupancy rate and average room rate (ARR) in Thailand, we therefore boost our earnings estimates by 3/4% in 2023-24F to reflect the swift tourist turnaround (see Exhibit 2) and project its earnings to turn from a Bt739m loss this year to profits of Bt245/680m in 2023-24F. Due to our earnings upgrades, together with the rollover of our valuation base year to 2023F, we revise up our DCF-based 12-month TP to Bt4.40 from Bt2.80. Given that ERW-W3 are in-the-money warrants, we thus factor ERW-W3 into our model. The total numbers of warrants is 359.7m with an exercise ratio of 1 warrant to 1 common share @ exercise price Bt3.0/share. The exercise date is 14 June 2024.

Ex 2: Changes In Our Key Assumptions And Earnings Revisions

	2020	2021	2022F	2023F	2024F
Occupancy rate (%)					
- New	36.6	29.3	57.4	70.8	77.3
- Old			48.2	69.1	77.0
- Change (pp)			*9.2*	*1.7*	*0.3*
ARR (Bt/room/night)					
- New	1,136	913	1,207	1,414	1,596
- Old			1,155	1,389	1,590
- Change (%)			*4.5*	*1.8*	*0.4*
Normalized profit (Bt m)					
- New	(1,585)	(2,021)	(739)	245	680
- Old			(802)	237	657
- Change (%)			*n.a.*	*3.0*	*3.6*

Sources: Company data, Thanachart estimates

Ex 3: 12-month DCF-based TP Calculation Using A Base Year of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA excl. depre from right of use	1,499	1,977	2,191	2,324	2,433	2,526	2,612	2,698	2,788	2,880	2,976	—
Free cash flow	371	1,274	1,485	1,642	1,758	1,771	1,882	1,952	2,025	2,101	2,179	38,992
PV of free cash flow	370	1,113	1,200	1,235	1,231	1,155	1,143	1,105	1,039	1,000	963	17,237

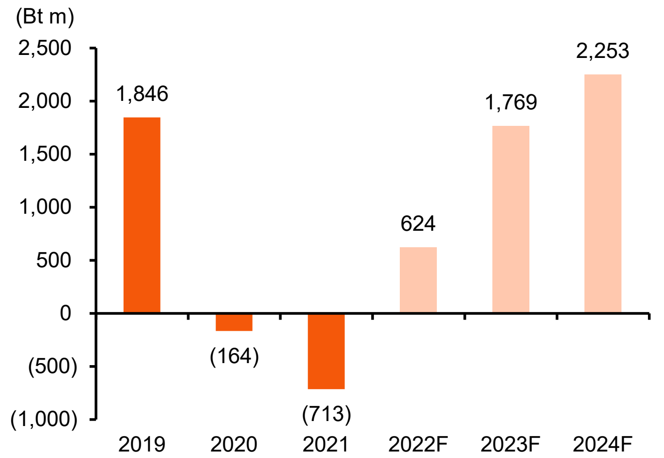
Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.2
WACC (%)	7.0
Terminal growth (%)	2.0
Enterprise value - add investments	28,792
Net debt (2022F)	7,299
Minority interest	(46)
Equity value	21,539
# of shares*	4,891
Target price/share (Bt)	**4.40**

Sources: Company data, Thanachart estimates
Note: * Include ERW-W3 exercise

3) Improving financial status

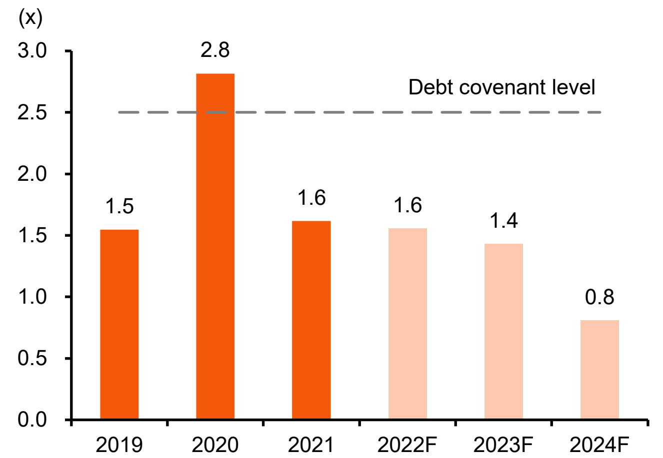
Third, ERW's financial status has also improved and we foresee a low risk of a capital call. After its capital increase of Bt2.0bn and an asset revaluation of Bt2.7bn in 2Q21, two hotel sales on Samui island with a total value of Bt925m in 4Q21 and three hotel sales in Phuket, Hua Hin and Krabi with a total value of Bt1bn in 2Q22, ERW's balance sheet and cash flow improved significantly. We estimate its net D/E ratio at 1.6/1.4x in 2022-23F, vs. 1.6x in 2021 and its debt covenant of 2.5x.

Ex 4: Improving EBITDA



Sources: Company data, Thanachart estimates

Ex 5: Improving Net D/E

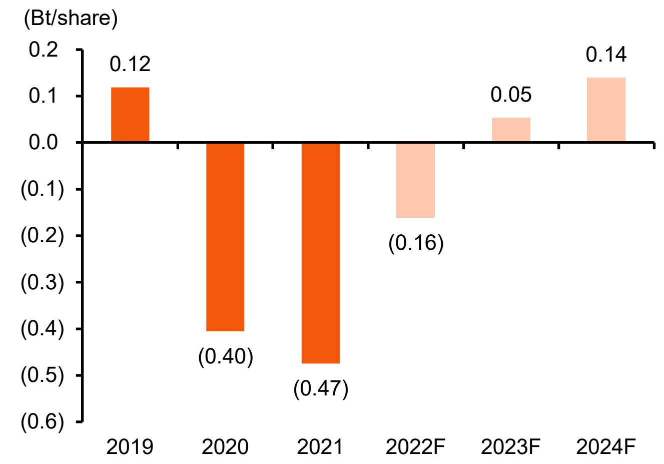


Sources: Company data, Thanachart estimates

4) Valuation not excessive in our view

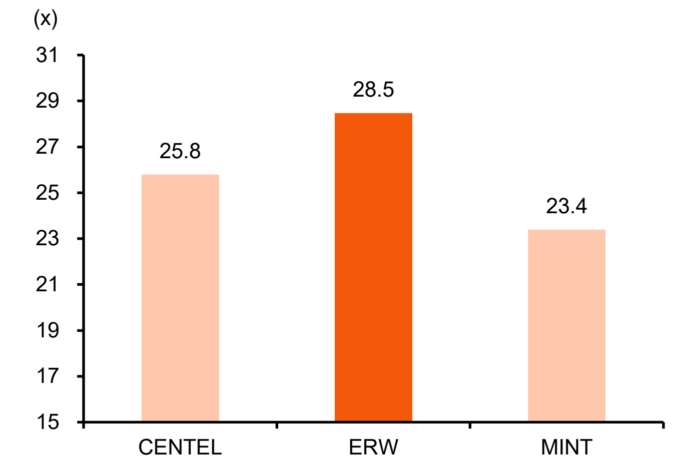
Fourth, ERW's trading PE of 28.5x in 2024F, when we expect a full turnaround, is still below its five-year pre-COVID average of 37.0x. However, CENTEL and MINT are our preferred choices due to their more attractive valuation and their earnings turning to profits this year. ERW is trading at 28.5x PE in 2024F, vs. MINT's 23.4x and CENTEL's 25.8x.

Ex 6: ERW's Earnings Turnaround



Sources: Company data, Thanachart estimates

Ex 7: ERW's Valuation Compared To Peers' In 2024F



Sources: Bloomberg, Thanachart estimates

Turnaround kick-starting

Strong improvement in occupancy rate

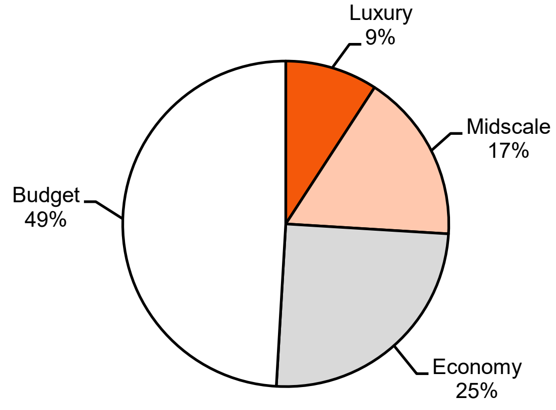
ERW saw its occupancy rate for its entire portfolio in Thailand rise from 27% in 2021 to 46% in 1Q22 and 62% in April-May. The key improvement was seen in the non-HOP INN segment (from the luxury and midscale segments). Its occupancy rate in April-May increased to c.54% from 17% in 2021 and 31% in 1Q22. Meanwhile, HOP INN hotels' occupancy rate stood at c.72% in April-May 2022 vs. 41% in 2021 and 67% in 1Q22. We expect the strong travel demand both among foreign and Thai tourists to continue, supported by Thailand easing its entry rules, its full reopening in the middle of this year and the domestic tourism stimulus scheme "We Travel Together, 4th phase extension" from 27 June to 31 October 2022. We estimate 57.4/70.8/77.3% occupancy rates in 2022-24F, vs. 76.0% in 2019. Note that higher occupancy rate in 2024F compared to 2019 would be because of ERW selling its underperforming hotels in 2021-22.

ARR also increases

ERW's ARR for its portfolio in Thailand also rose from Bt924/night in 2021 to Bt1,074 in 1Q22 and Bt1,160 in April-May. The stronger improvement was also in the non-HOP INN hotel segment because of the low-base effect. Meanwhile, HOP INN's ARR was flat y-y and q-q. We estimate ERW's ARR at Bt1,207/1,391/1,592 in 2022-24F, vs. Bt1,855 in 2019. Note that the lower ARR rate in 2024F compared to 2019 would be because of the sale of luxury and economy hotels in 2021.

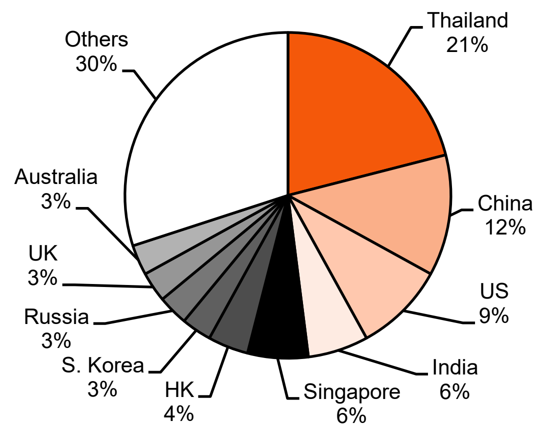
Given ERW's room capacity of 49% from the budget segment and 42% from the midscale and economy segments, it is therefore enjoying a Thai tourist recovery. Meanwhile, ERW should also benefit from a Chinese tourist recovery which we expect to start next year.

Ex 8: Room Capacity Breakdown (As Of 1Q22)



Source: Company data

Ex 9: Revenue Breakdown By Country In 2019



Source: Company data

Potential upside from budget hotel growth

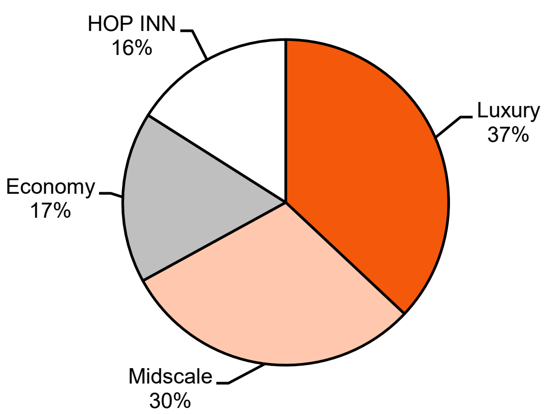
ERW targets to be the leader in the budget segment

ERW entered the budget segment in 2014 by building its owned brand "HOP INN". ERW had 49 HOP INN hotels in Thailand and six in the Philippines in 2021. HOP INN hotels contributed 16% of the company's total EBITDA in 2019. Although ERW made an EBITDA loss of Bt713m 2021, its HOP INN hotels both in Thailand and the Philippines still delivered positive EBITDA of Bt101m and Bt56m, respectively. But other hotel segments made losses in the year.

With HOP INN's new products and design, better service standards and quality and ERW's cost competitiveness, ERW therefore has comparative advantages over its local peers in this segment.

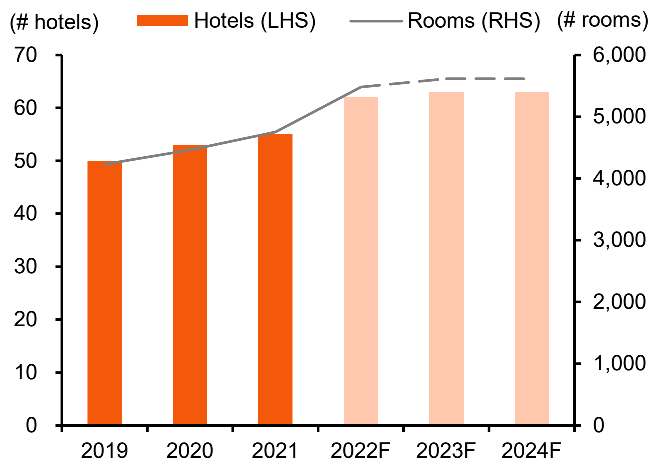
With ERW's strength and resilient demand from local travelers, management targets ERW to be the leader in the budget hotel segment by having more than 100 HOP INN hotels both in Thailand and Asia in 2025 and expects the segment to contribute 40% of total EBITDA by 2025. Expansion could be via new greenfield projects or acquisitions, while the business model could be own-operate or the franchise model.

Ex 10: EBITDA Breakdown By Segment In 2019



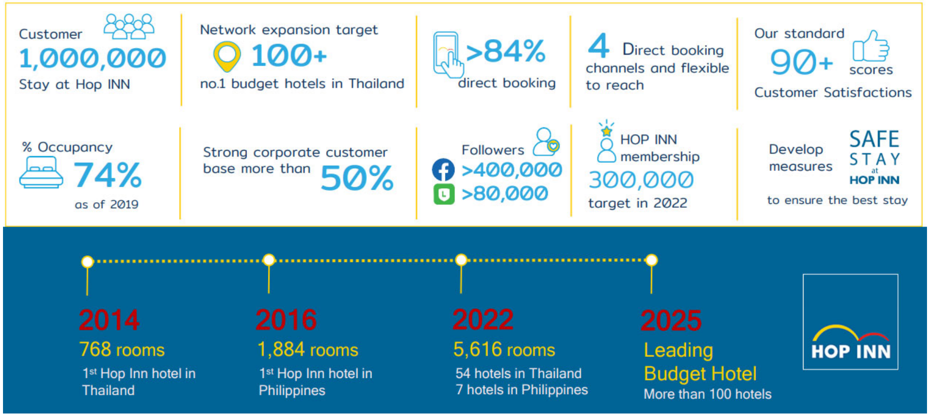
Source: Company data

Ex 11: # Of HOP INN Hotel And Rooms



Sources: Company data, Thanachart estimates

Ex 12: Strong Track Record In Eight Year Journey

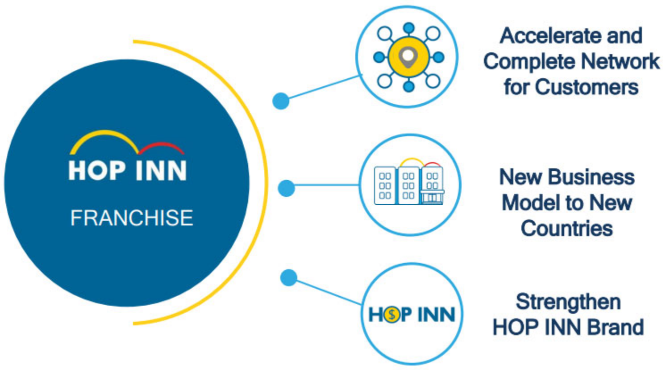


Source: Company data

Ex 13: New Design For HOP INN Hotels

Source: Company data

Ex 14: Launched 'HOP INN Franchise'



Source: Company data

New hotel expansions

However, we have yet to factor in this growth as ERW hasn't yet announced ERW hasn't yet announced exactly how many hotels it intends to open in this period through to 2024. We assume ERW opens seven HOP INN hotels and one Holiday Inn hotel in 2022, one HOP INN hotel in 2023 and three HOP INN hotels in 2024.

Ex 15: New Hotels In The Pipeline

Brand & Location	Country	# of rooms	Tentative opening
HOP INN Nan	Thailand	62	
HOP INN Chaiyaphum	Thailand	61	1H22
HOP INN Mahasarakham	Thailand	61	
Holiday Inn Cebu Business Park	Philippines	180	
HOP INN Cebu Business Park	Philippines	217	
HOP INN Nakhon Ratchasima (2nd branch)	Thailand	79	2H22
HOP INN Bangkok – Krung Thonburi Station	Thailand	120	
HOP INN Bangkok – Bangna	Thailand	132	
HOP INN Bangkok – Onnut	Thailand	133	2023
HOP INN Ilolio	Philippines	150	
HOP INN Dawao	Philippines	152	2024
HOP INN North Esda	Philippines	187	

Source: Company data

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Accor SA	AC FP	France	21.0	193.9	71.8	24.4	1.8	1.8	17.1	11.9	1.1	2.4
Indian Hotels	IH IN	India	na	na	na	49.6	5.2	4.1	61.6	25.3	0.2	0.2
Resorttrust	4681 JP	Japan	20.9	38.3	31.4	22.7	1.9	2.0	12.7	11.5	1.5	2.0
Hotel Shilla	008770 KS	S. Korea	107.9	148.6	47.2	19.0	4.4	3.6	15.2	11.1	0.3	0.4
NH Hotel Group	NHH SM	Spain	na	na	na	18.2	2.1	1.8	10.5	7.9	0.0	1.3
Shanghai Jin Jiang Capital	2006 HK	Hong Kong	na	278.9	162.6	42.9	1.8	1.8	na	na	0.0	na
Hongkong & Shanghai	45 HK	Hong Kong	na	na	na	na	na	na	na	na	na	na
Shangri-La Asia	69 HK	Hong Kong	na	na	na	225.2	3.7	3.6	35.1	19.2	0.0	0.0
InterContinental Hotels	IHG US	US	na	26.5	19.9	15.7	na	na	13.0	11.1	2.2	2.5
Marriott International	MAR US	US	78.0	24.4	24.3	19.5	17.4	16.1	15.7	13.4	0.6	1.1
Hilton Worldwide Holdings	HLT US	US	175.9	39.5	28.7	20.6	na	na	17.2	13.9	0.4	0.5
Asset World Corp	AWC TB	Thailand	na	na	na	105.7	2.0	2.0	73.2	39.7	0.0	0.3
Central Plaza Hotel	CENTEL TB*	Thailand	na	678.6	286.3	36.8	3.2	3.0	18.8	13.7	0.0	0.0
Erawan Group	ERW TB*	Thailand	na	na	na	74.5	3.4	3.3	42.6	14.8	0.0	0.3
Minor International	MINT TB*	Thailand	na	na	793.5	33.9	2.3	2.4	14.5	10.8	0.0	0.6
Average			**80.7**	**178.6**	**162.9**	**50.6**	**4.1**	**3.8**	**26.7**	**15.7**	**0.5**	**0.9**

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

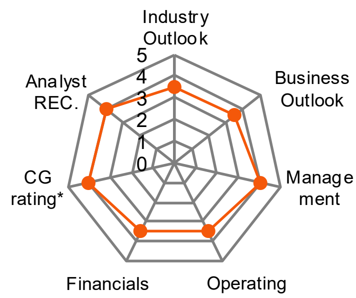
Based on 20-Jun-22 closing prices

COMPANY DESCRIPTION

The Erawan Group Public Co., Ltd. (ERW) was established on 29 December 1982. ERW's core businesses are investment, development and management of diversified hotel properties and segments (luxury, mid-scale, economy and budget) across Thailand's key destinations. Currently, ERW owns 75 hotels at ended-1Q22 and operates other businesses including retail space rental and management of office buildings.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well connected with strong hotel chains, i.e. Hyatt, Marriott, Novotel, Holiday Inn, and Mercure as ERW's business allies in Thailand.
- Assets are strategically located in popular Thai tourist destinations.

W — Weakness

- Hotel footprint remains concentrated in Bangkok, Thailand.
- Luxury hotel oversupply in Thailand.

O — Opportunity

- Focuses on high-growth segments: mid-scale and economy and budget hotels (owned brand: HOP INN).
- Potential expansion in ASEAN.

T — Threat

- Fierce competition among hotel operators.
- ERW requires significant capital expenditure and financing to support its hotel investments and developments.
- Political unrest, natural disaster and pandemic outbreak

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.87	4.40	14%
Net profit 22F (Bt m)	(744)	(689)	na
Net profit 23F (Bt m)	185	245	32%
Consensus REC	**BUY: 10**	**HOLD: 7**	**SELL: 2**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and DCF-based TP are higher than the Bloomberg consensus numbers, which we attribute to us having a more bullish view on ERW's earnings prospects.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and COVID-19 pandemic are the key downside risks to our call.
- A slower-than-expected Thai and international tourist demand recovery is a secondary downside risk.
- Higher competition in Thai and global tourism would provide downside risk to our numbers.

Source: Thanachart

Revenue rebound from Thailand's tourism recovery

Plans to open nine new hotels in 2022-23

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	2,306	1,485	3,823	5,198	6,255
Cost of sales	1,465	1,284	2,280	2,472	2,943
Gross profit	**841**	**201**	**1,543**	**2,726**	**3,312**
% gross margin	36.5%	13.6%	40.4%	52.4%	53.0%
Selling & administration expenses	2,017	1,850	1,898	1,973	2,104
Operating profit	**(1,176)**	**(1,649)**	**(355)**	**753**	**1,209**
% operating margin	-51.0%	-111.0%	-9.3%	14.5%	19.3%
Depreciation & amortization	1,012	936	979	1,016	1,045
EBITDA	**(164)**	**(713)**	**624**	**1,769**	**2,253**
% EBITDA margin	-7.1%	-48.0%	16.3%	34.0%	36.0%
Non-operating income	42	80	64	51	53
Non-operating expenses	0	0	0	0	0
Interest expense	(536)	(521)	(460)	(469)	(447)
Pre-tax profit	**(1,669)**	**(2,090)**	**(751)**	**335**	**815**
Income tax	(39)	46	45	60	69
After-tax profit	**(1,630)**	**(2,136)**	**(796)**	**275**	**745**
% net margin	-70.7%	-143.8%	-20.8%	5.3%	11.9%
Shares in affiliates' Earnings	(18)	9	0	0	0
Minority interests	63	105	57	(30)	(65)
Extraordinary items	(130)	(29)	50	0	0
NET PROFIT	**(1,715)**	**(2,050)**	**(689)**	**245**	**680**
Normalized profit	**(1,585)**	**(2,021)**	**(739)**	**245**	**680**
EPS (Bt)	(0.4)	(0.5)	(0.1)	0.1	0.1
Normalized EPS (Bt)	(0.4)	(0.5)	(0.2)	0.1	0.1

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,962	2,655	1,556	1,580	1,567
Cash & cash equivalent	1,623	1,242	1,000	1,000	1,000
Account receivables	77	100	209	214	171
Inventories	46	39	69	75	89
Others	217	1,274	278	292	307
Investments & loans	48	48	48	48	48
Net fixed assets	14,281	14,494	14,576	14,631	14,362
Other assets	4,923	5,252	5,208	5,156	4,948
Total assets	**21,215**	**22,450**	**21,389**	**21,414**	**20,925**
LIABILITIES:					
Current liabilities:	2,812	1,489	1,491	1,657	1,738
Account payables	145	143	250	237	282
Bank overdraft & ST loans	1,410	690	469	633	691
Current LT debt	726	105	178	168	124
Others current liabilities	532	551	594	618	640
Total LT debt	**10,551**	**10,356**	**8,731**	**8,246**	**6,097**
Others LT liabilities	3,923	4,582	5,890	5,985	5,900
Total liabilities	**17,286**	**16,427**	**16,112**	**15,888**	**13,735**
Minority interest	116	11	(46)	(16)	49
Preferreds shares	0	0	0	0	0
Paid-up capital	2,518	4,532	4,532	4,532	4,891
Share premium	910	910	910	910	1,629
Warrants	0	0	0	0	0
Surplus	(133)	2,058	2,058	2,058	2,058
Retained earnings	**519**	**(1,488)**	**(2,177)**	**(1,957)**	**(1,437)**
Shareholders' equity	3,813	6,012	5,323	5,543	7,142
Liabilities & equity	**21,215**	**22,450**	**21,389**	**21,414**	**20,925**

Sources: Company data, Thanachart estimates

Selling three Ibis hotels to strengthen cash inflow stream in 2022F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(1,669)	(2,090)	(751)	335	815
Tax paid	39	(45)	(45)	(60)	(69)
Depreciation & amortization	1,012	936	979	1,016	1,045
Chg In w orking capital	25	(18)	(32)	(23)	73
Chg In other CA & CL / minorities	(543)	(1,029)	1,015	(15)	(16)
Cash flow from operations	**(1,136)**	**(2,247)**	**1,166**	**1,253**	**1,847**
Capex	(637)	(909)	(800)	(800)	(500)
Right of use	(4,619)	(749)	(200)	(200)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	31	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	4,725	811	1,365	102	(80)
Cash flow from investments	**(500)**	**(847)**	**365**	**(898)**	**(630)**
Debt financing	2,524	(1,536)	(1,773)	(331)	(2,135)
Capital increase	0	2,014	(0)	0	1,079
Dividends paid	(176)	0	0	(24)	(161)
Warrants & other surplus	(58)	2,236	0	0	0
Cash flow from financing	**2,290**	**2,714**	**(1,773)**	**(355)**	**(1,217)**
Free cash flow	**(1,774)**	**(3,156)**	**366**	**453**	**1,347**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	na	74.5	28.5
Normalized PE - at target price (x)	na	na	na	82.7	31.6
PE (x)	na	na	na	74.5	28.5
PE - at target price (x)	na	na	na	82.7	31.6
EV/EBITDA (x)	na	na	42.6	14.8	11.2
EV/EBITDA - at target price (x)	na	na	45.9	16.0	12.2
P/BV (x)	4.1	3.0	3.4	3.3	2.7
P/BV - at target price (x)	4.5	3.4	3.8	3.7	3.0
P/CFO (x)	(13.6)	(7.5)	15.6	14.5	10.5
Price/sales (x)	7.8	12.1	4.7	3.5	2.9
Dividend yield (%)	0.0	0.0	0.0	0.3	1.4
FCF Yield (%)	(11.4)	(18.7)	2.0	2.5	7.0
(Bt)					
Normalized EPS	(0.4)	(0.5)	(0.2)	0.1	0.1
EPS	(0.4)	(0.5)	(0.1)	0.1	0.1
DPS	0.0	0.0	0.0	0.0	0.1
BV/share	1.0	1.3	1.2	1.2	1.5
CFO/share	(0.3)	(0.5)	0.3	0.3	0.4
FCF/share	(0.5)	(0.7)	0.1	0.1	0.3

Sources: Company data, Thanachart estimates

Improving financial status

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(63.9)	(35.6)	157.4	36.0	20.3
Net profit (%)	na	na	na	na	178.2
EPS (%)	na	na	na	na	161.6
Normalized profit (%)	na	na	na	na	178.2
Normalized EPS (%)	na	na	na	na	161.6
Dividend payout ratio (%)	0.0	0.0	0.0	20.0	40.0
Operating performance					
Gross margin (%)	36.5	13.6	40.4	52.4	53.0
Operating margin (%)	(51.0)	(111.0)	(9.3)	14.5	19.3
EBITDA margin (%)	(7.1)	(48.0)	16.3	34.0	36.0
Net margin (%)	(70.7)	(143.8)	(20.8)	5.3	11.9
D/E (incl. minor) (x)	3.2	1.9	1.8	1.6	1.0
Net D/E (incl. minor) (x)	2.8	1.6	1.6	1.5	0.8
Interest coverage - EBIT (x)	na	na	na	1.61	2.7
Interest coverage - EBITDA (x)	na	na	1.4	3.8	5.0
ROA - using norm profit (%)	na	na	na	1.1	3.2
ROE - using norm profit (%)	na	na	na	4.5	10.7
DuPont					
ROE - using after tax profit (%)	na	na	na	5.1	11.8
- asset turnover (x)	0.1	0.1	0.2	0.2	0.3
- operating margin (%)	na	na	na	15.5	20.2
- leverage (x)	4.1	4.4	3.9	3.9	3.3
- interest burden (%)	147.3	133.2	257.9	41.6	64.6
- tax burden (%)	na	na	na	82.0	91.5
WACC (%)	7.0	7.0	7.0	7.0	7.0
ROIC (%)	(7.9)	(11.1)	(2.4)	4.5	8.1
NOPAT (Bt m)	(1,176)	(1,649)	(376)	618	1,106
invested capital (Bt m)	14,877	15,921	13,701	13,591	13,054

Sources: Company data, Thanachart estimates

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