Hotel Sector – Neutral

Earnings Preview

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Turning to profits in 2Q22F

- **Sector earnings turned to profits in 2Q22F due to …**
- **… high season in Europe and Thailand's tourism rebound.**
- **Good domestic business momentum to continue in 2H22F.**
- **We still like CENTEL and MINT.**

- We estimate the hotel sector turned to profits in 2Q22F of Bt2.7bn from a Bt4.6bn loss in 2Q21 and a Bt3.9bn loss in 1Q22, mainly due to gains from MINT's operation. 2Q is normally the high season for the tourism business in Europe. Meanwhile, hotel and food businesses' operations in Thailand for MINT, CENTEL and ERW also improved in 2Q22F. Details are shown in Exhibit 1.

Ex 1: 2Q22F Earnings Estimates

	Normalized profit (Bt m)			6M as %	– Change (%) –		Positive / Negative factors	Results
	2Q21	1Q22	2Q22F	2022F	Y-Y	Q-Q		announcement date
CENTEL	(606)	(44)	8	*n.a.*	*n.a.*	*n.a.*	▪ 2Q22F RevPar grew by 410% y-y and 18% q-q. SSSG was 16% in 2Q22F.	15-Aug-22
ERW	(559)	(315)	(127)	*n.a.*	*n.a.*	*n.a.*	▪ 2Q22F RevPar of non-HOP INN hotels grew by 446% y-y and 77% q-q.	11-Aug-22
MINT	(3,394)	(3,582)	2,806	*n.a.*	*n.a.*	*n.a.*	▪ 2Q22F RevPar grew strongly y-y in every region. 2Q22F SSSG was at a high single-digit rate.	11-Aug-22
Sum	**(4,560)**	**(3,941)**	**2,686**	***n.a.***	**n.a.**	**n.a.**		

Sources: Company data; Thanachart estimates

- **CENTEL:** We estimate its earnings in 2Q22F to turn to a profit of Bt8m vs. a Bt606m loss in 2Q21 and a Bt44m loss in 1Q22. The turnaround y-y and q-q earnings comes on the back of improving operations both for its hotel and food businesses. Hotel occupancy rate was at 46% in 2Q22 vs. 12% in 2Q21 and 29% in 1Q22. Average room rate (ARR) grew by 32% y-y but declined by 25% q-q to Bt4,244/room/night. RevPAR in 2Q22 accounted for 66% of the 2019 level. Same-store-sales growth (SSSG) was at 16% y-y and total-system-sales growth (TSSG) was at 22% in 2Q22.
- **ERW:** We estimate ERW's EBITDA to turn positive but we still expect it to make a loss of Bt127m in 2Q22. Its 2Q22F loss should improve from the Bt559m normalized loss in 2Q21 and the Bt315m normalized loss in 1Q22 due to improving occupancy rate and ARR. Non-HOP INN occupancy rate was at 55% in 2Q22 vs. 13% in 2Q21 and 31% in 1Q22. Non-HOP INN ARR grew by 57% y-y and 15% q-q to Bt2,087/room/night. Non-HOP INN RevPar in 2Q22 made up 67% of the 2019 level. HOP INN (Thailand)'s RevPar in 2Q22 surpassed its pre-COVID level by 1-2%. HOP INN (Philippines)'s RevPar in 2Q22 came to 78% of the 2019 level.
- **MINT:** We estimate MINT's earnings to turn to a profit of Bt2.7bn in 2Q22 vs. the normalized loss of Bt3.4bn in 2Q21 and the normalized loss of Bt3.6bn in 1Q22. The key driver has been the improving operation of its hotel business in every region, mainly in Europe (via NHH). Overall SSSG for the food business also grew at a high single-digit rate in 2Q22. Drivers were the food business in Thailand (at low-teens SSSG) and Australia (at mid-single digit SSSG). Meanwhile, SSSG in China declined by 41-42%. Note that RevPar in Europe, the Maldives and Australia in 2Q22 has already surpassed the pre-COVID level in 2019.

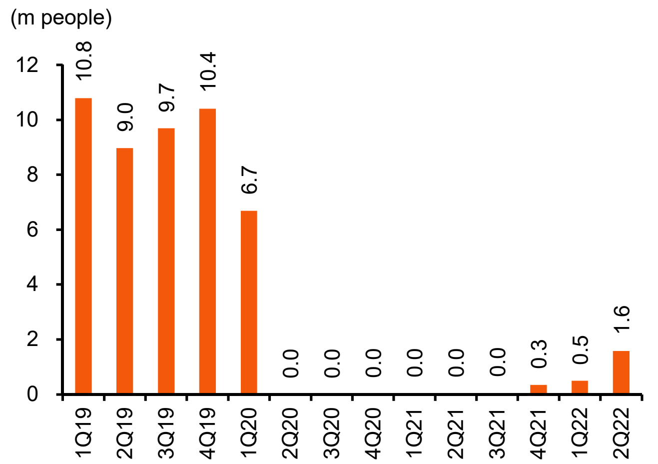
- Looking to 2H22F, we expect the hotel business in Thailand for all hotel operators to continue improving y-y and h-h driven by rising Thai and international tourists, supported by domestic tourism stimulus schemes and Thailand's entry rule relaxation. The hotel business in Europe remains strong in 3Q22 but will still likely be weak in 4Q22F due to the low season.
- CENTEL and MINT are still our BUY choices because of their earnings turnarounds and what we see as inexpensive valuations.

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	41.00	48.00	17.1	55,350	na	678.6	269.9	34.7	0.0	0.0
ERW	BUY	3.64	4.40	20.9	16,495	na	na	na	68.5	0.0	0.3
MINT	BUY	33.50	43.00	28.4	176,124	na	na	793.5	33.9	0.0	0.6

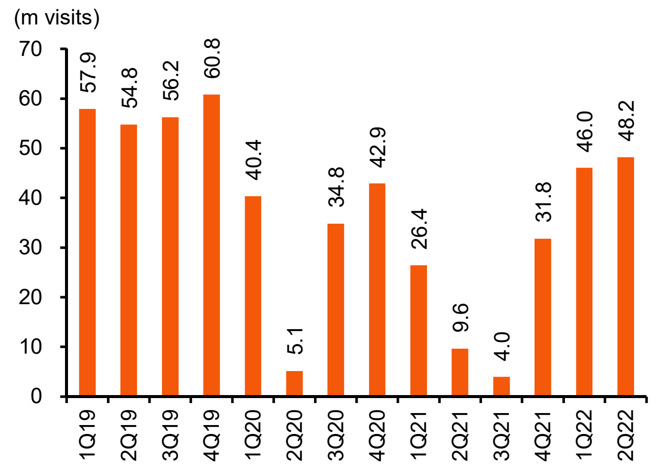
Sources: Bloomberg; Thanachart estimates

Ex 2: International Tourists Visiting Thailand



Source: TAT

Ex 3: # Of Trips By Thai Tourists



Source: TAT

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