THAILAND | Sector Note | 5 SEPTEMBER 2022

Sector Weighting | **Overweight** (From: Neutral)

Thailand Hotel Sector

Building up momentum

Sector Valuation			Current	Target	Norm EPS grw		— Norm PE —		— EV/EBITDA —		— Div yield —	
	BBG		price	price	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Company	Code	Rec.	(Bt)	(Bt)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
Central Plaza Hotel	CENTEL TB	BUY	44.50	51.00	na	681.3	293.6	37.6	20.0	14.0	0.0	0.5
The Erawan Group	ERW TB	BUY	3.68	4.50	na	na	na	63.0	38.4	14.3	0.0	0.3
Minor Int'l	MINT TB	BUY	32.25	43.00	na	1,877.3	628.5	31.8	11.7	9.8	0.0	0.6

Source: Thanachart estimates, Based on 2 Sep 2022 closing prices

The Thai tourism industry is turning around more strongly than we had expected, on both the volume and pricing effect for the hotel sector. The rebound in earnings is also reducing concerns over cash flows and balance sheets. CENTEL is our top sector pick.

Both volume and pricing in the works

The turnaround of the Thai tourism industry is taking place stronger than we'd expected earlier, from both volume and pricing (Exhibits 1-2). Rising occupancy and room rates offset the cost inflation impact and we do not see a need to downgrade earnings on the cost effect in 2023-24F. But we still have to lift our 2022F number by 7% to reflect the faster turnaround momentum. We project a sharp turnaround to a Bt12.3bn profit in 2024F vs. a Bt13.1bn loss in 2021. We also expect improving cash flows to eliminate the risk of capital increases for the three companies we cover and we expect sector net D/E to fall from 1.2x in 2021 to 1.0x in 2024F. We also see room for a sector re-rating as PE in the full turnaround year in 2024F of 24.3x is still far below the 5-year pre-COVID average of 32x. We upgrade the sector to OVERWEIGHT (from Neutral).

Stronger rebound of tourists

Tourist arrivals came to 3.2m in 7M22. July alone, despite being the low season, saw 1.12m arrivals or 34% of July 2019's figure. Domestic trips also beat our expectation with 16.7m trips in July 2022, or 92% of July 2019's. We lift our foreign tourist arrivals to 9.0m (from 6.5m) and domestic trips to 195m (from 185m) this year. We maintain our estimates of 26/39m tourist arrivals and 211/237m domestic trips in 2023-24F.

Market share gains

We expect a trend for listed hotel operators to gain market share during the early years of the turnaround. *First*, fresh out of the COVID crisis, hotels with strong brands are likely to cater to growing demand for hygiene and food safety standards. *Second,* people who can travel straight away after the COVID crisis tend to be middle- and high-income earners who have savings. They can afford strong-brand hotels. *Third,* amidst rising costs and interest rates, listed hotels have scale benefits and a stronger financial status to continue their high standards of service.

CENTEL is our top pick

We assign BUY ratings for all the hotels under our coverage. However, we choose CENTEL as our top pick, followed by MINT. While we expect CENTEL and MINT to turn a profit in 2022F, ERW will still likely make a loss. We believe CENTEL deserves to trade at a higher PE compared to MINT due to CENTEL's strongest financial status and cashflow stream.

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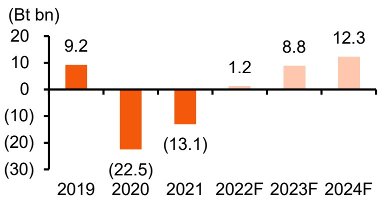
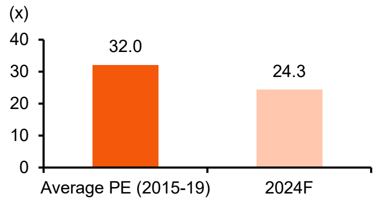
Earnings Recovery



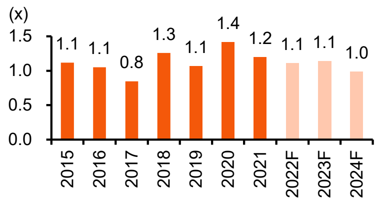
Sources: Company data, Thanachart estimates

2024F PE vs. Pre-COVID Average*



Sources: Bloomberg, Thanachart estimates
Note: * 2015-19

Falling Net Gearing Ratio



Sources: Company data, Thanachart estimates

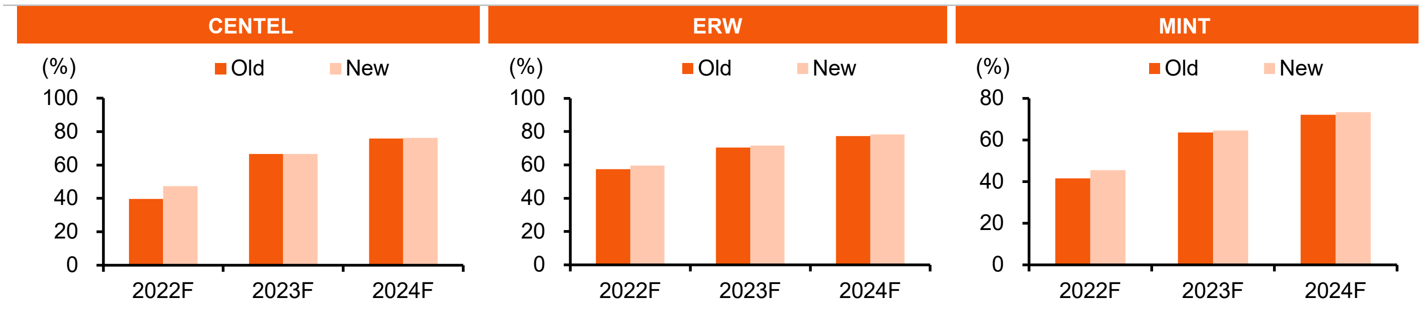
Thanachart Securities

Earnings revisions

Stronger-than-expected hotel business in Thailand

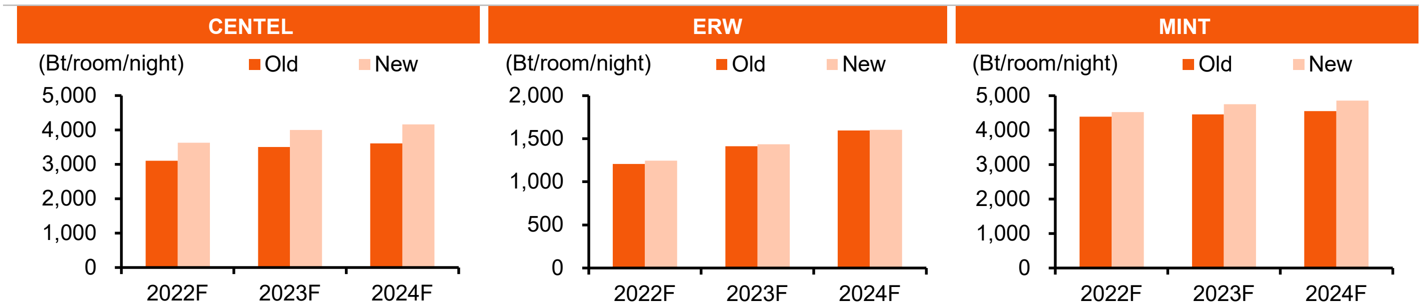
The turnaround of the Thai tourism industry has been stronger than we'd previously expected in the wake of the country's full reopening. This has mainly been a result of higher-than-expected numbers of tourists and average room rates (ARR) for all the hotel operators under our coverage (CENTEL, ERW and MINT). This has been driven by robust flows of Thai and international tourists. We therefore need to revise up our occupancy and ARR for all the hotel operators. Details are shown in Exhibits 1-2.

Ex 1: Strong Hotel Occupancy Rates In Thailand



Source: Thanachart estimates

Ex 2: Strong Hotel Average Room Rates



Source: Thanachart estimates

Despite the cost inflation impact, rising occupancy and ARR have been sufficient to offset the negative impact from rising costs. We therefore do not see a need to revise down our numbers for 2023-24F. However, we still upgrade our 2022F earnings by 7% to reflect the faster turnaround momentum. Details of our earnings revisions, new TPs and recommendations for each stock are shown below in Exhibits 3 and 4.

Ex 3: Our Earnings Revisions

Stock code	Normalized earnings (Bt m)								
	New			Old			Change (%)		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
CENTEL	205	1,598	2,282	205	1,597	2,278	(0.2)	0.1	0.2
ERW	(668)	268	685	(739)	245	680	n.a.	9.8	0.6
MINT	1,620	6,955	9,372	1,619	6,952	9,376	0.1	0.0	(0.0)
Sector	**1,157**	**8,822**	**12,339**	**1,084**	**8,793**	**12,334**	**6.7**	**0.3**	**0.0**

Source: Thanachart estimates

Ex 4: Our Recommendation And TP Changes

Stock	Recommendation New	Recommendation Old	TP (Bt/share) New	TP (Bt/share) Old	Changes in our key assumptions
CENTEL	BUY	BUY	51.0	48.0	▪ Though we factor in rising costs due to inflation in our model, the stronger-than-expected occupancy and ARR for its hotel business in Thailand leads us to fine-tune up our 2023-24F earnings forecasts. ▪ We roll over our TP base year to 2023F.
ERW	BUY	BUY	4.5	4.4	▪ We lift our earnings to reflect its stronger-than-expected hotel business in Thailand. ▪ Given our earnings hikes, our DCF-based TP (2023F base year) is revised up.
MINT	BUY	BUY	43.0	43.0	▪ Though we factor in rising costs in our model, the stronger-than-expected occupancy rate and ARR for its hotel business in Thailand leads us to only fine tune our earnings forecasts. ▪ Our DCF-based TP was already rolled over to a 2023F base year previously.

Source: Thanachart estimates

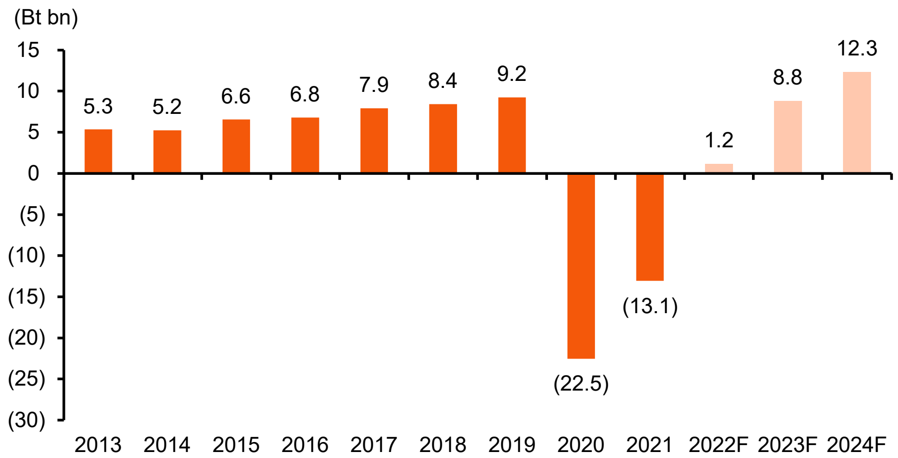
Upgrading to OVERWEIGHT

We rate the hotel sector as OVERWEIGHT from Neutral due to the following reasons:

Earnings set to enjoy a turnaround

Earnings turnaround: After the government gradually relaxed entry rules and launched domestic tourism stimulus packages starting from late last year, the number of Thai and international tourists has continued to improve month by month. Hotel operators' operations have therefore improved following the same trend as Thailand's tourism recovery. Consequently, we estimate a sharp turnaround in earnings for the hotel stocks we cover to profits of Bt1.2/8.8/12.3bn in 2022-24F vs. losses of Bt22.5bn and Bt13.1bn in 2020-21.

Ex 5: Earnings Recovery

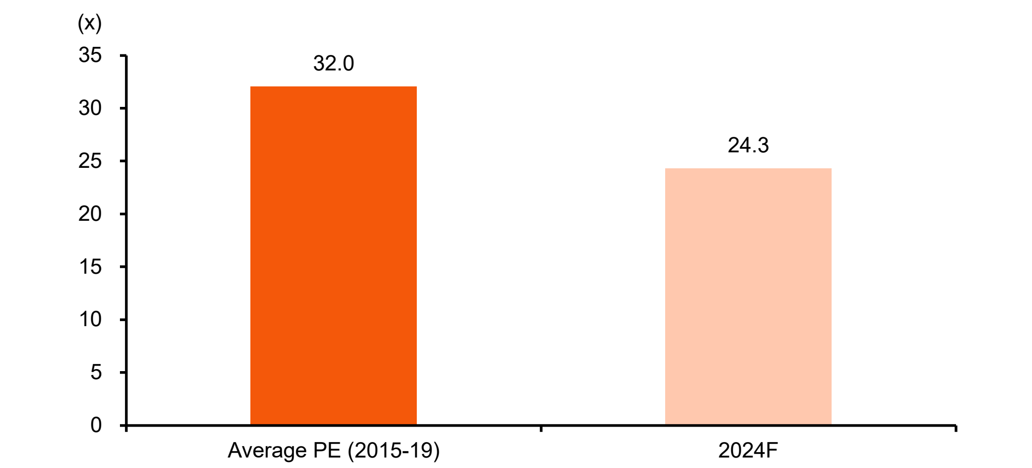


Sources: Company data, Thanachart estimates

2023F valuation has not yet returned to its pre-COVID level

Valuation: Though hotel share prices have risen now COVID-19 has eased, looking to 2024F when we expect travel demand to return to normal, the sector's valuation has not yet returned to its pre-COVID level. With its improving earnings trend and financial status, we see the sector having room to re-rate as its PE in what we expect to be the full turnaround year in 2024F of 24.3x is still far lower than the five-year pre-COVID average of 32.0x.

Ex 6: 2024F PE Has Not Yet Returned To Its Five-Year 2015-19 Pre-COVID Average



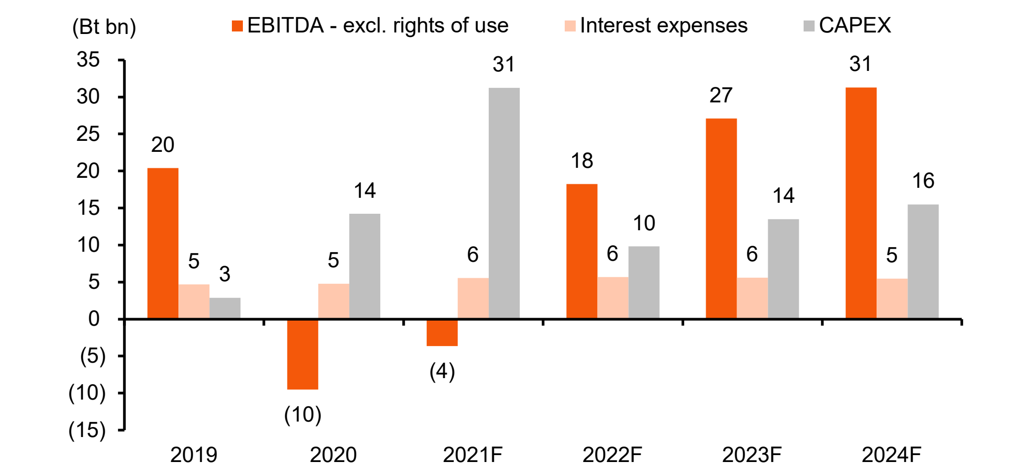
Sources: Bloomberg, Thanachart estimates

Improving cashflow streams and financial status

Cash flow: Hotel operators' cashflow streams and financial status were quite weak in the COVID years in 2020-21 since they made high losses of Bt22.5/13.1bn in those years. They therefore needed to seek many ways (capital calls, warrant issues, asset rotations, asset sales and asset revaluations) to boost cash inflow streams and strengthen balance sheets.

Thanks to the sector's earnings turnaround to profits of Bt1.2/8.8/12.3bn in 2022-24F, the sector's cashflow streams have continued to improve. The sector's EBITDA (excluding rights of use) of Bt18bn in 2022F looks to be sufficient to support the sector's interest expenses (excluding interest from lease agreements) of Bt6bn and capex of c. Bt10bn in 2022F. Meanwhile, cashflow streams should continue to improve in 2023-24F. The improving cash flows remove the risk of capital increases for the three stocks we cover.

Ex 7: Improving Cash Flow Status

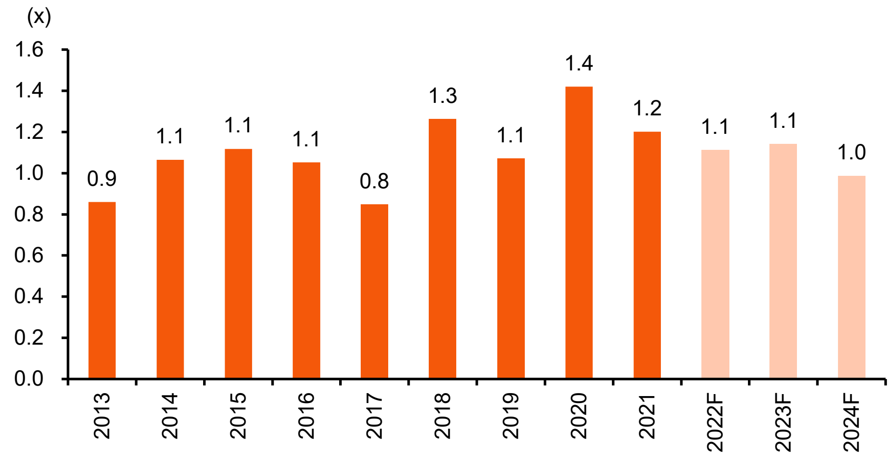


Sources: Company data, Thanachart estimates

Note: EBITDA excl. rights of use, Interest expenses excl. interest expenses from lease agreements

We estimate the sector's net D/E to fall from 1.2x in 2021 to 1.0x in 2024F.

Ex 8: Falling Net D/E Ratio



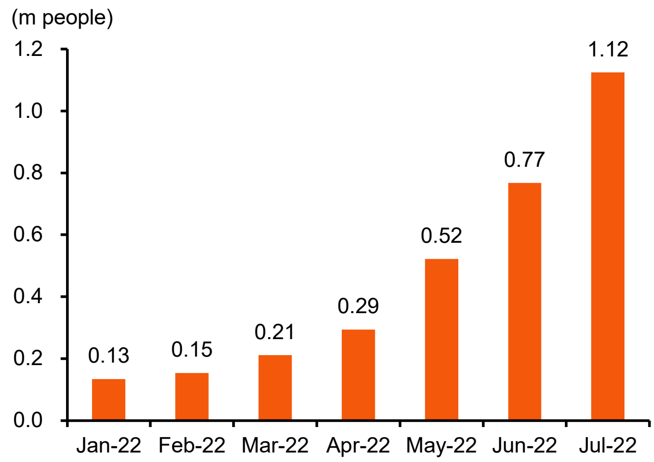
Sources: Company data, Thanachart estimates

Stronger tourist rebound

Strong Thai and international tourists in 7M22…

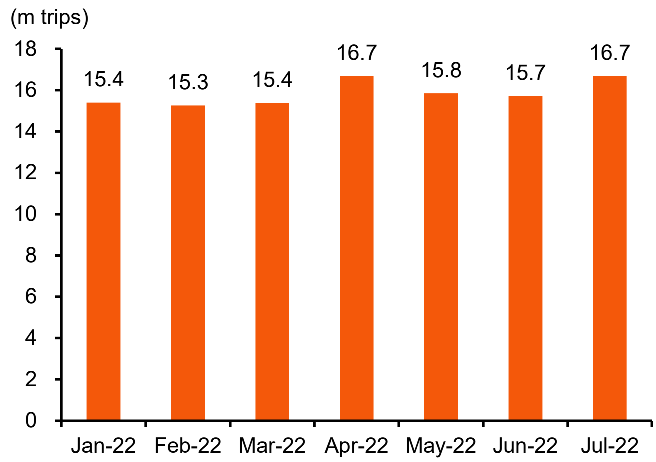
Tourist arrivals came to 3.2m people in 7M22. July alone, despite it being the low season, saw 1.12m arrivals, or 34% of July 2019's level. Domestic trips also beat our expectation with 16.7m trips in July 2022, or 92% of July 2019's level.

Ex 9: International Tourists (January-July 2022)



Source: Ministry of Tourism & Sports

Ex 10: Thai Tourists (January-July 2022)



Source: Ministry of Tourism & Sports

Ex 11: Top 10 International Countries For Tourists Visiting Thailand In 7M22

Country	%	Country	%
Malaysia	13.1	Vietnam	4.1
India	10.7	Germany	3.9
Singapore	5.8	Korea	3.7
UK	5.1	Australia	3.6
US	4.7	Cambodia	3.6

Source: Ministry of Tourism & Sports

...and we expect strong tourist flows to continue

We expect the strength in international and Thai tourists to continue from this year onwards. We foresee the robust recovery in international tourists being driven by:

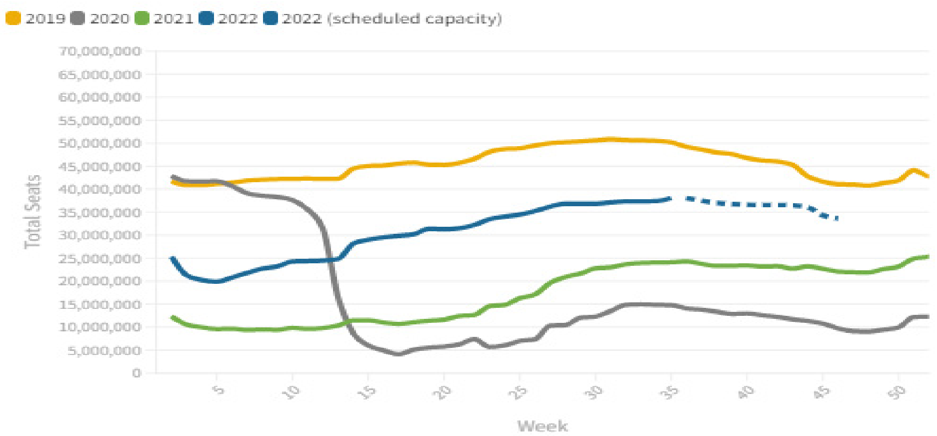
- Thailand's full reopening from 1 July 2020: There is now no requirement for the so-called "Thailand Pass" to get into the country or medical insurance for COVID-19. Foreign tourists need to present certificates of vaccination or a RT-PCR/Professional ATK test with a negative result issued within 72 hours before departure.

- Visa period extension for foreign visitors: Holders of regular tourist visas will be able to stay for 45 days in Thailand, up from 30 days, while the visa-on-arrival scheme will be extended from 15 to 30 days, effective from 1 October 2022 until 31 March 2023.

- Thailand's marketing strategies to promote Thailand as a world-class destination: The Tourism Authority of Thailand (TAT) has launched a marketing plan called "Visit Thailand Year 2022-2023: Amazing New Chapters" to revitalize Thai tourism.

- Increasing international flight frequencies and more relaxed entry rules to Japan and China: Data from OAG, a leading platform for the travel industry, in Exhibit 12 shows a recovery in international flight passenger seat numbers, international capacity is now just 24.2% below where it was in the same week in 2019.

Ex 12: International Flight Passenger Seat Numbers



Source: OAG

According to IATA's data, industry-wide international passenger volume (RPKs) had recovered to 65% of 2019's level in June this year. Meanwhile, RPKs in Asia experienced the slowest recovery of 30% due to residual travel restrictions in many countries, especially China. However, with the continued easing of entry restrictions in Japan and China, we expect RPKs in Asia to ramp up quickly going forward.

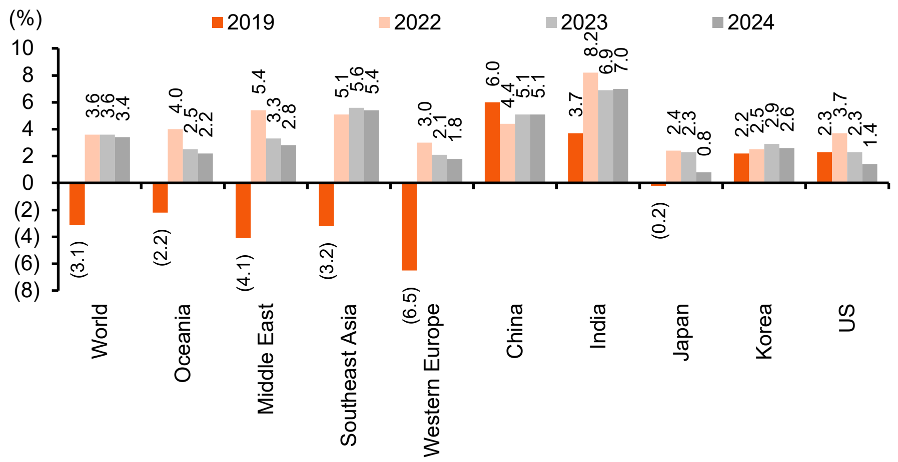
Ex 13: Air Passenger Volume (RPKs) In June 2022

	% chg. vs. the same month in 2019
International	(35.0)
Africa	(34.7)
Asia-Pacific	**(70.2)**
Europe	(20.4)
Latin America	(27.0)
Middle East	(25.7)
North America	(16.5)

Source: IATA

- Improving global economy: The IMF estimates global GDP to grow by 3.6/3.6/3.4% in 2022-24.

Ex 14: Real GDP Growth



Source: IMF

Besides international tourists, we also expect to see strong flows of local tourists, driven by the domestic tourism stimulus package "We Travel Together – 4th phase extension" and the TAT's marketing campaigns.

Ex 15: Domestic Tourism Stimulus Schemes

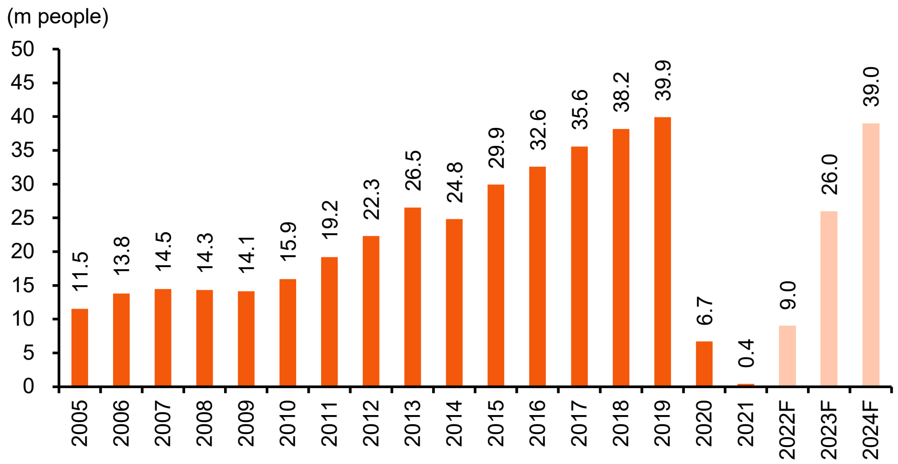
Stimulus schemes	Details
We Travel Together – 4th Phase Extension	▪ The scheme is scheduled to run from 27 June 2022 to 31 October 2022. ▪ For Thai people aged 18 years and above. ▪ It will cover 2m room nights. The participants in the scheme have to book hotel rooms in advance, starting from 27 June 2022. Room bookings are limited to 10 nights or 10 rooms per person. ▪ The government subsidizes 40% of the room rates, at no more than Bt3,000/room/night, and subsidizes 40% of the airfare, at no more than Bt3,000/person, limited to two seats per room and gives e-vouchers for food worth Bt600/night.

Source: TAT

We lift our tourist number assumptions

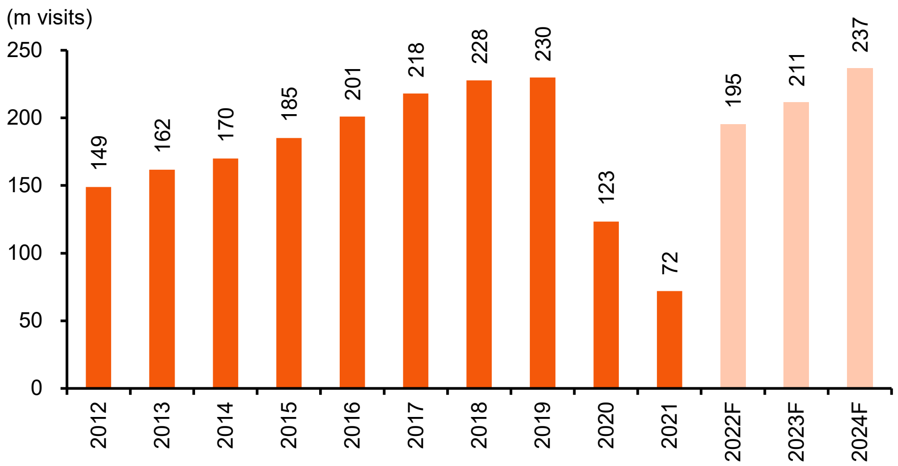
We therefore lift our estimates for foreign tourist arrivals this year to 9.0m from 6.5m and for domestic trips to 195m from 185m. We maintain our projections of 26/39m tourist arrivals and domestic trips of 211/237m in 2023-24F.

Ex 16: International Tourists



Sources: Ministry of Tourism & Sports, Thanachart estimates

Ex 17: Thai Tourists



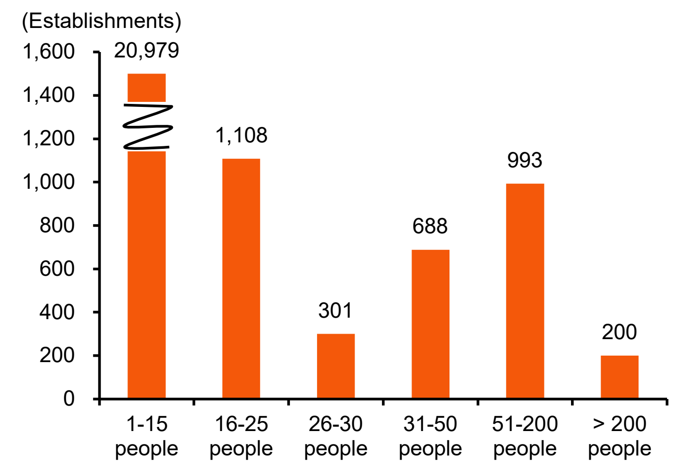
Sources: Ministry of Tourism & Sports, Thanachart estimates

Market-share gains

Listed hotels to gain market share during the early turnaround years

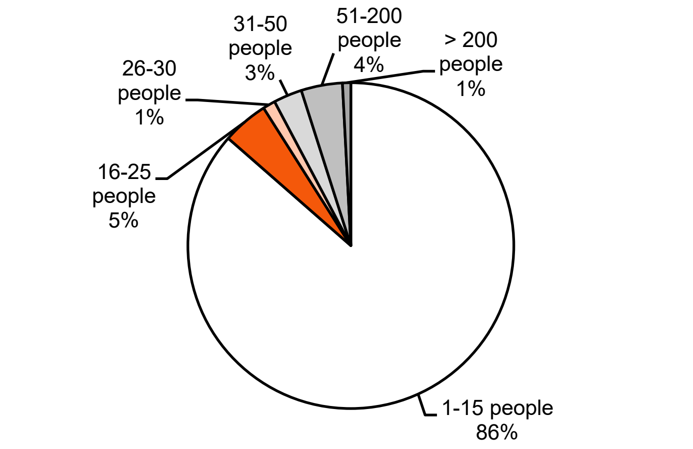
During the tourism industry recovery, we expect listed hotel operators to gain market share during the early years of the turnaround. According to the National Statistic Office's data, there were a total of 24,269 accommodation establishments in Thailand in 2019. Some 95% of them were SMEs. Only 5% were big hotel and large chain companies.

Ex 18: Number Of Accommodation Establishments …



Source: National Statistic Office

Ex 19: … Breakdown By Size Of Establishment



Source: National Statistic Office

Growing demand for hygiene and food safety standards

First, fresh out of the COVID crisis and with people's concerns about becoming infected, we believe hotels with strong brands or strong franchises are likely to be able to cater to the growing demand for hygiene and food safety standards. We therefore expect the bigger-chain hotels to gain share from small, local hotels. The TAT, in collaboration with public and private sector partners, is introducing an "Amazing Thailand Safety and Health Administration (SHA)" certification aimed at elevating Thailand's tourism industry standards and developing confidence among international and domestic tourists.

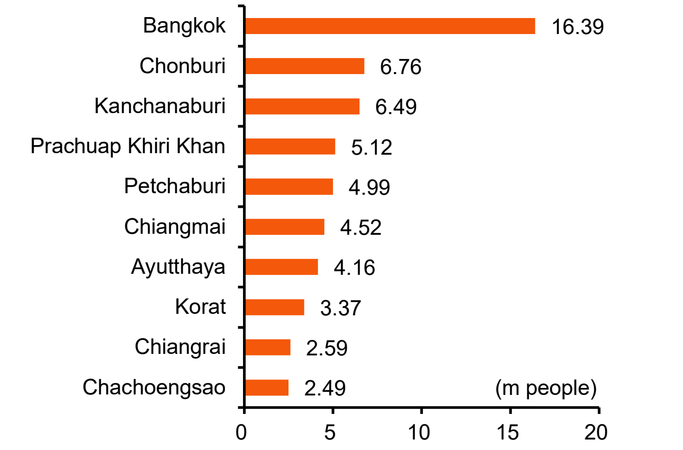
Tourists are middle- and high-income earners

Second, people who can travel just as the COVID crisis is subsiding tend to be middle- and high-income earners who have savings. They can afford strong-brand hotels. To capture the demand trend, TAT also launches its marketing strategies for short-haul and long-haul international markets to help Thailand achieve high-value and sustainable tourism growth.

For long-haul international markets, TAT is promoting Thailand as a year-round destination for health and wellness aficionados, families with kids, active seniors, and remote workers/ teleworkers. For short-haul international markets, TAT promotes "2Qs" and "5News". The 2Qs are "Quick Win" to drive back the demand for tourists and "Quality" to achieve more return visits and higher trip expenditure. The 5News comprise "New Segments" with growth potential, "New Areas" for sourcing tourists, "New Partners" in existing markets, "New Infrastructure" relating to travel and tourism and "New Ways" of travel experiences that focus on responsible tourism.

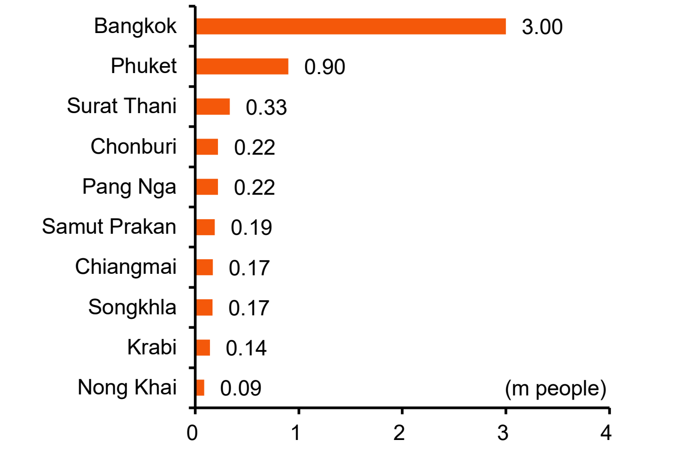
In addition, Thailand's top-10 tourist destinations for Thai and international tourists are also in the provinces where listed hotels have a strong presence such as Bangkok, Chonburi, Chiangmai, Prachuap Khiri Khan, Petchaburi, Phuket, Surat Thani, etc.

Ex 20: Top Ten Tourist Destination For Thai Tourists …



Source: Ministry of Tourism & Sports

Ex 21: … And For International Tourists In 1H22



Source: Ministry of Tourism & Sports

SMEs' weak financial status

Third, before the COVID crisis in 2019, 39.9m international tourists visited Thailand. The number plunged by 83/99% compared to 2019's level to 6.7/0.4m in 2020-21 due to travel bans around the world. Meanwhile, the number of Thai tourists fell by 46/69% y-y to 123/72m visits in 2020-21. With the sharp drop in international and Thai tourists, small hotel operators without a robust financial status were forced to close. In addition, amidst rising costs and interest rates, listed hotels have scale benefits and stronger finances to continue their high-standard services.

CENTEL is our top pick

We assign BUY ratings for all hotels; CENTEL is our top pick

We assign BUY ratings to all the hotels under our coverage (CENTEL, ERW and MINT). However, we choose CENTEL as our top sector pick, followed by MINT. While we expect CENTEL and MINT to turn a profit in 2022F, ERW will still likely make a loss. We believe CENTEL deserves to trade at higher PE multiples given its strongest balance sheet in the sector and fast turnaround in earnings.

Ex 22: Financial Summary

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	11,211	16,842	21,109	23,422
Net profit	(1,733)	205	1,598	2,282
Consensus NP	—	436	1,620	2,304
Diff from cons (%)	—	*(53.0)*	*(1.3)*	*(0.9)*
Norm profit	(1,733)	205	1,598	2,282
Prev. Norm profit	—	205	1,597	2,278
Chg from prev (%)	—	*(0.2)*	*0.1*	*0.2*
Norm EPS (Bt)	(1.3)	0.2	1.2	1.7
Norm EPS growth (%)	na	na	681.3	42.8
Norm PE (x)	na	293.6	37.6	26.3
EV/EBITDA (x)	42.5	20.0	14.0	12.2
P/BV (x)	3.3	3.3	3.0	2.8
Div yield (%)	0.0	0.0	0.5	1.1
ROE (%)	na	1.1	8.4	11.1
Net D/E (%)	64.1	87.8	83.4	76.8

Sources: Company data, Thanachart estimates
Note: Based on -- 2 Sep 2022 closing prices

Ex 23: CENTEL (Market cap: US$1.6bn; TP: Bt51.00; BUY)

- With its 93% revenue exposure to Thailand, we see CENTEL as a good play to leverage on the kick-starting of Thailand's tourism turnaround.
- Its strong food business also helps to strengthen its earnings, cash inflow stream and financial status.
- The momentum of its business turnaround has been more than offsetting rising costs and we still project a strong earnings turnaround to Bt0.2/1.6/2.3bn in 2022-24F vs. losses of Bt1.6bn and Bt1.7bn in 2020-21.
- CENTEL's net D/E is low at 0.8x in 2022F despite the COVID crisis during the past two years and that it isn't affected much by the rising interest rate environment.

Ex 24: Financial Summary

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	68,868	105,103	123,676	133,088
Net profit	(13,167)	1,620	6,955	9,372
Consensus NP	—	1,819	6,052	8,448
Diff from cons (%)	—	*(10.9)*	*14.9*	*10.9*
Norm profit	(9,314)	1,620	6,955	9,372
Prev. Norm profit	—	1,619	6,952	9,376
Chg from prev (%)	—	*0.1*	*0.0*	*(0.0)*
Norm EPS (Bt)	(2.1)	0.1	1.0	1.5
Norm EPS growth (%)	na	na	1,877.3	43.6
Norm PE (x)	na	628.5	31.8	22.1
EV/EBITDA (x)	33.6	11.7	9.8	8.8
P/BV (x)	2.5	2.3	2.4	2.2
Div yield (%)	0.0	0.0	0.6	1.4
ROE (%)	na	2.2	8.9	11.8
Net D/E (%)	135.3	117.9	124.3	109.2

Sources: Company data, Thanachart estimates
Note: Based on -- 2 Sep 2022 closing prices

Ex 25: MINT (Market cap: US$4.6bn; TP: Bt43.00; BUY)

- MINT's turnaround is now happening across its business lines (food and hotel businesses) and locations (Europe, the Maldives, Australia and Thailand).
- We foresee a sharp turnaround in MINT's earnings from Bt19.4/9.3bn in losses in 2020-21 to Bt1.6/7.0/9.4bn in 2022-24F.
- MINT also looks inexpensive to us at 22.1x PE in 2024F vs. a five-year pre-COVID average PE of 33x.
- The key downside risk to MINT is the Russia-Ukraine conflict that may negatively impact MINT's operations in Europe.

Ex 26: Financial Summary

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	1,485	4,030	5,371	6,496
Net profit	(2,050)	(674)	268	685
Consensus NP	—	(670)	247	565
Diff from cons (%)	—	*na*	*8.8*	*21.2*
Norm profit	(2,021)	(668)	268	685
Prev. Norm profit	—	(739)	245	680
Chg from prev (%)	—	*na*	*9.8*	*0.6*
Norm EPS (Bt)	(0.5)	(0.1)	0.1	0.1
Norm EPS growth (%)	na	na	na	139.8
Norm PE (x)	na	na	63.0	26.3
EV/EBITDA (x)	na	38.4	14.3	10.6
P/BV (x)	2.8	3.2	3.0	2.5
Div yield (%)	0.0	0.0	0.3	1.1
ROE (%)	na	na	4.9	10.7
Net D/E (%)	164.5	156.1	142.2	79.2

Sources: Company data, Thanachart estimates

Note: Based on -- 2 Sep 2022 closing prices

Ex 27: ERW (Market cap: US$454m; TP: Bt4.50; BUY)

- With c.90% of its revenue exposed to the swift-recovery hotel business in Thailand, we see ERW as a pure hotel play enjoying the Thai tourism turnaround.
- We estimate ERW to still make a loss of Bt668m in 2022 before turning profitable at Bt268/685m in 2023-24F.
- Its balance sheet has improved significantly and with improving cash flows, we estimate net D/E to fall to 1.5/1.4x in 2022-23F from 2.8x in 2020 (vs. its debt covenant of 2.5x).
- ERW's 26.3x PE in 2024F, when we expect a full turnaround, is still below its five-year pre-COVID average of 37.0x.

Risks

The key downside risks to our OVERWEIGHT sector call are as follows:

1) If travel demand among Thai and international tourists resumes at a weaker rate than our expectation presently, this would cause lower numbers of Thai and international tourists.

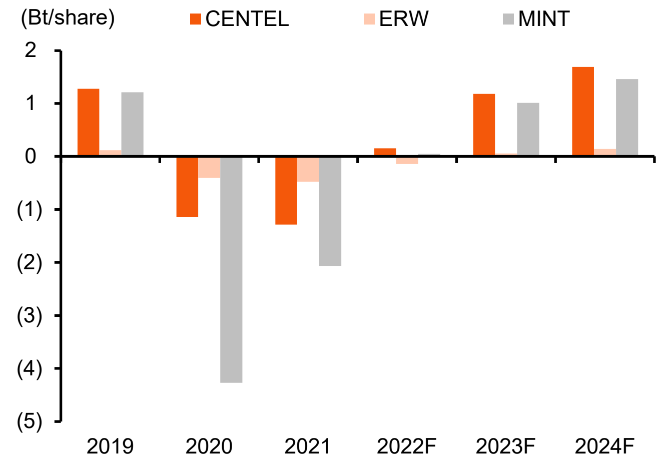
2) If competition in the global and Thai tourism sector is above our current expectation, this would lead to negative impacts regarding the ability to raise average room rates.

3) If consumption in Thailand and overseas markets, mainly in Australia, China and Singapore, is weaker than our expectations presently, this would cause lower SSSG in the food business in those countries.

4) If competition in quick service restaurants (QSR) in Thailand and overseas markets is above our current expectation, this would lead to downside risks to our SSSG assumptions.

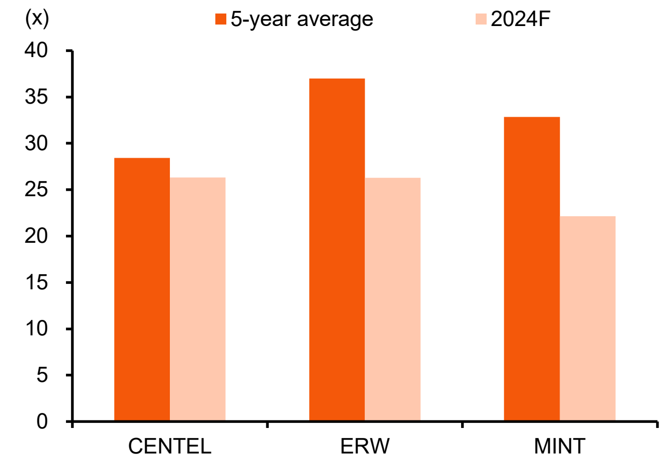
5) If there is less investment in new greenfield/brownfield hotels or food projects than our current expectation, this would pose downside risks to our earnings forecasts.

Ex 28: Core EPS Comparison



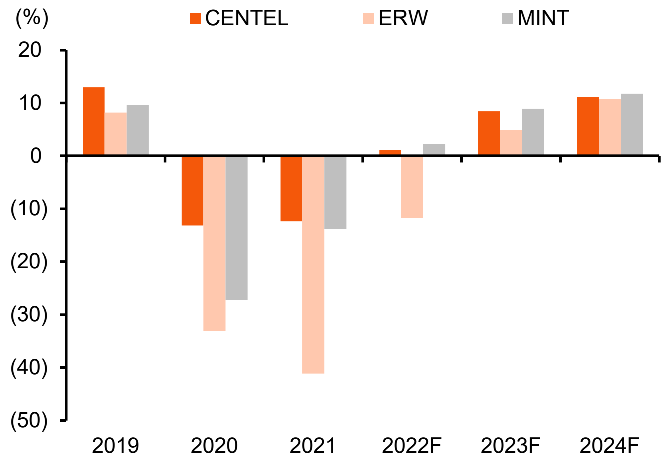
Sources: Company data, Thanachart estimates

Ex 29: PE Comparison



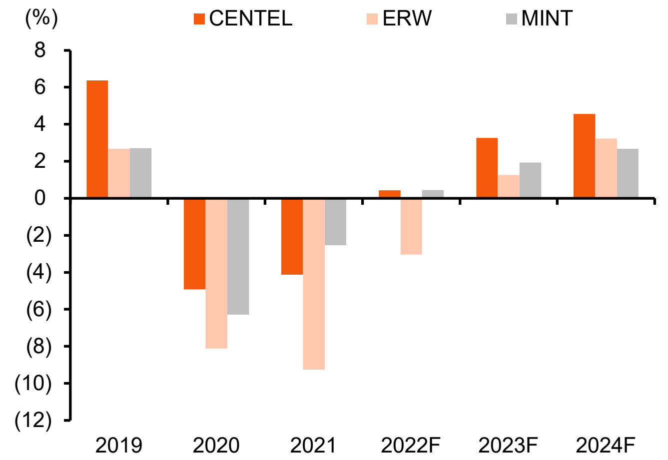
Sources: Company data, Thanachart estimates

Ex 30: ROE Comparison



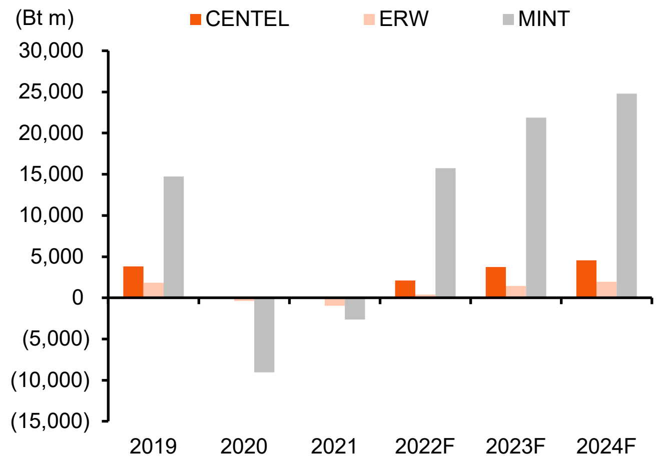
Sources: Company data, Thanachart estimates

Ex 31: ROA Comparison



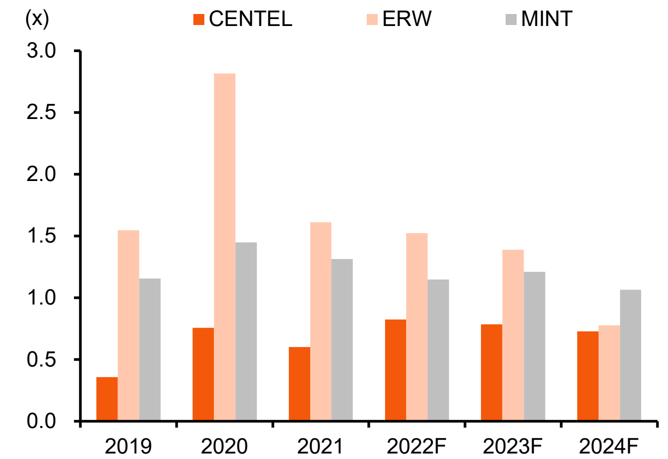
Sources: Company data, Thanachart estimates

Ex 32: EBITDA – Excluding Rights Of Use



Sources: Company data, Thanachart estimates

Ex 33: Net Interest-Bearing D/E*



Sources: Company data, Thanachart estimates

Note: * Excludes lease liabilities and COVID-19 impairment

Ex 34: Sector Valuation Comparison

		CENTEL	ERW	MINT	Sector
Rating		**BUY**	**BUY**	**BUY**	**Overweight**
Target price	**Thanachart**	**51.00**	**4.50**	**43.00**	
	Consensus	46.24	4.22	40.79	
Consensus rec.	Buy	12.0	13.0	22.0	
	Hold	6.0	6.0	1.0	
	Sell	2.0	0.0	1.0	
Market cap. (US$ m)		1,636	454	4,633	
Sales (Bt m)	2021A	11,211	1,485	68,868	81,565
	2022F	16,842	4,030	105,103	125,976
	2023F	21,109	5,371	123,676	150,156
	2024F	23,422	6,496	133,088	163,005
Norm profits (Bt m)	2021A	(1,733)	(2,021)	(9,314)	(13,068)
	2022F	205	(668)	1,620	1,157
	2023F	1,598	268	6,955	8,822
	2024F	2,282	685	9,372	12,339
Sales growth (%)	2021A	(13.1)	(35.6)	23.4	14.8
	2022F	50.2	171.3	52.6	54.4
	2023F	25.3	33.3	17.7	19.2
	2024F	11.0	20.9	7.6	8.6
Norm EPS growth (%)	2021A	na	na	na	n.a.
	2022F	na	na	na	n.a.
	2023F	681.3	na	1,877.3	662.4
	2024F	42.8	139.8	43.6	36.5
Gross margin (%)	2021A	32.1	13.6	31.1	31.0
	2022F	40.1	44.2	43.5	43.1
	2023F	44.6	53.9	44.2	44.6
	2024F	46.1	54.4	44.8	45.4
SG&A/Sales (%)	2021A	45.3	124.6	48.1	49.1
	2022F	38.2	52.2	37.2	37.8
	2023F	36.1	40.5	34.1	34.6
	2024F	35.5	36.1	33.6	33.9
Norm profit margin (%)	2021A	(15.5)	(136.0)	(13.5)	(16.0)
	2022F	1.2	(16.6)	1.5	0.9
	2023F	7.6	5.0	5.6	5.9
	2024F	9.7	10.5	7.0	7.6
ROE (%)	2021A	na	na	na	na
	2022F	1.1	na	2.2	1.2
	2023F	8.4	4.9	8.9	8.6
	2024F	11.1	10.7	11.8	11.6
Norm PE (x)	2021A	na	na	na	na
	2022F	293.6	na	628.5	333.0
	2023F	37.6	63.0	31.8	44.7
	2024F	26.3	26.3	22.1	24.3
Dividend yield (%)	2021A	0.0	0.0	0.0	0.0
	2022F	0.0	0.0	0.0	0.0
	2023F	0.5	0.3	0.6	0.6
	2024F	1.1	1.1	1.4	1.3
Net D/E (x) *	2021A	0.6	1.6	1.3	1.2
	2022F	0.8	1.5	1.1	1.1
	2023F	0.8	1.4	1.2	1.1
	2024F	0.7	0.8	1.1	1.0

Source: Companies, Thanachart estimates
Note: * Excludes lease liabilities and COVID-19 impairments

Valuation Comparison

Ex 35: 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	53.9	128.2	47.6	20.8	1.5	1.5	14.7	10.7	1.4	2.8
Indian Hotels	IH IN	India	na	na	na	53.4	7.1	5.5	83.0	28.0	0.1	0.2
Resorttrust	4681 JP	Japan	20.9	66.0	33.6	20.3	2.1	2.1	13.0	12.2	1.4	1.9
Hotel Shilla	008770 KS	S. Korea	90.0	157.7	53.4	20.7	4.7	3.9	16.5	11.9	0.3	0.4
NH Hotel Group	NHH SM	Spain	na	na	na	13.0	1.7	1.4	9.5	7.1	0.0	0.9
Shanghai Jin Jiang Capital	2006 HK	Hong Kong	na	278.9	na	na	na	na	na	na	na	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	219.6	3.9	3.8	39.6	18.2	0.0	0.0
InterContinental Hotels	IHG US	US	na	23.3	19.2	15.5	na	na	12.8	11.1	2.4	2.7
Marriott International	MAR US	US	93.1	17.5	23.7	20.2	40.9	46.4	15.6	14.1	0.6	1.0
Hilton Worldwide Holdings	HLT US	US	196.3	28.8	29.3	22.8	na	na	17.3	15.1	0.4	0.5
Asset World Corp	AWC TB	Thailand	na	na	na	114.6	2.2	2.2	82.2	43.0	0.2	0.3
Central Plaza Hotel	CENTEL TB*	Thailand	na	681.3	293.6	37.6	3.3	3.0	20.0	14.0	0.0	0.5
Erawan Group	ERW TB*	Thailand	na	na	na	63.0	3.2	3.0	38.4	14.3	0.0	0.3
Minor International	MINT TB*	Thailand	na	1,877.3	628.5	31.8	2.3	2.4	11.7	9.8	0.0	0.6
Average			**90.9**	**362.1**	**141.1**	**50.3**	**6.6**	**6.8**	**28.8**	**16.1**	**0.5**	**0.9**

Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS
Based on 2-Sep-22 closing prices

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET Index	**2.1**	**(1.5)**	**(1.6)**	**(2.1)**	—	—	—	—
HOTEL	**5.4**	**4.3**	**24.4**	**24.2**	**3.3**	**5.8**	**25.9**	**26.3**
CENTEL	6.6	8.5	38.0	42.4	4.5	10.1	39.5	44.5
ERW	0.0	(2.1)	24.3	22.7	(2.1)	(0.6)	25.9	24.8
MINT	(4.4)	(5.8)	(0.8)	12.2	(6.5)	(4.3)	0.8	14.3

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Thailand being a value-for-money tourist destination
- Geographical center of Southeast Asia
- Good infrastructure and public transport
- High service quality and standards

W — Weakness

- Seasonal impacts
- Thailand's upscale hotel oversupply
- High investment requirements

O — Opportunity

- The growing ASEAN Economic Community market
- High travelling demand during normal situations
- Weakening baht
- Pick-up in global economic performance

T — Threat

- Natural disasters and disease outbreaks
- Political turmoil
- Rising cost of labor and skilled-labor shortages
- Baht appreciation

REGIONAL COMPARISON

	— EPS growth —		—— PE ——		—— P/BV ——		— EV/EBITDA —		—— Div. Yield ——	
Name	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**
France	53.9	128.2	47.6	20.8	1.5	1.5	14.7	10.7	1.4	2.8
India	na	na	na	53.4	7.1	5.5	83.0	28.0	0.1	0.2
Japan	20.9	66.0	33.6	20.3	2.1	2.1	13.0	12.2	1.4	1.9
S. Korea	90.0	157.7	53.4	20.7	4.7	3.9	16.5	11.9	0.3	0.4
Spain	na	na	na	13.0	1.7	1.4	9.5	7.1	0.0	0.9
Hong Kong	na	278.9	na	219.6	3.9	3.8	39.6	18.2	0.0	0.0
US	144.7	23.2	24.1	19.5	40.9	46.4	15.2	13.4	1.1	1.4
Thailand	na	1,279.3	461.1	61.7	2.7	2.7	38.1	20.3	0.1	0.4
Average	**90.9**	**362.1**	**141.1**	**50.3**	**6.6**	**6.8**	**28.8**	**16.1**	**0.5**	**0.9**
CENTEL TB	na	681.3	293.6	37.6	3.3	3.0	20.0	14.0	0.0	0.5
ERW TB	na	na	na	63.0	3.2	3.0	38.4	14.3	0.0	0.3
MINT TB	na	1,877.3	628.5	31.8	2.3	2.4	11.7	9.8	0.0	0.6
Average *- Thailand	**na**	**1,279.3**	**461.1**	**61.7**	**2.7**	**2.7**	**38.1**	**20.3**	**0.1**	**0.4**

Sources: Bloomberg Consensus
Note: * Thanachart estimate – using normalized EPS

BUY (Unchanged) | **TP: Bt 51.00** (From: Bt 48.00)

Change in Numbers | **Upside : 14.6%** | **5 SEPTEMBER 2022**

Small Cap Research

Central Plaza Hotel (CENTEL TB)

Our top choice

CENTEL is our top pick in the hotel sector. It is well leveraged to the start of Thailand's tourism recovery cycle as 93% of its revenue comes from its businesses in the country. We estimate 681/43% EPS growth in 2023-24F after turning around to a profit this year.

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Thanachart Securities

BUY with a Bt51 TP

This is a part of *Hotel Sector – Building up momentum,* dated 5 September 2022. We reaffirm our BUY call on CENTEL, our top sector pick, with a rolled over to 2023F DCF-based 12-month TP of Bt51 (from Bt48). *First*, with 93% revenue exposure to Thailand, we see CENTEL as highly leveraged to the kick-starting of Thailand's tourism turnaround. *Second*, business turnaround momentum has been more than offsetting the rising cost impact and we still estimate a strong earnings turnaround to Bt0.2/1.6/2.3bn in 2022-24F vs. losses of Bt1.6bn and Bt1.7bn in 2020-21. *Lastly*, CENTEL's net D/E ratio is low at 0.8x in 2022F despite the COVID crisis over the past two years and it isn't being affected much by the rising interest rate environment.

Swift turnaround of hotel business

Hotels accounted for 30% of CENTEL's revenue in 1H22 and we project rates of 32% in 2H22F and 38/40% in 2023-24F. Thai hotels made up 67% of hotel revenue in 1H22 with the Maldives at 33%. Its Maldives hotels have turned around quite fully since last year while the Thailand recovery started in 4Q21. The Thai occupancy rate rose from 15% in 2021 to 26/45% in 1Q-2Q22 and we expect a swift rise to 57.5% in 2H22F and 66.5/76.2% in 2023-24F. The occupancy rate stood at 76.8% in 2019. Average room rate (ARR) rose from Bt2,621/night in 2021 to Bt3,378/3,410 in 1Q-2Q22 and we estimate Bt3,850 in 2H22F and Bt3,996/4,160 in 2023-24F vs. Bt3,619 in 2019.

Strong food business

CENTEL's food business has recovered since 4Q21 because of the easing of the country's lockdown. Its same-store sales growth (SSSG) was at -2/+10/+19% y-y in 4Q21-2Q22. With the country's full reopening, we estimate CENTEL's SSSG at 17/5/3% in 2022-24F vs. -22/-14% in 2020-21. Having factored in inflationary and wage hike impacts, we expect CENTEL's food business gross margin to decline from 44.2% in 2021 to 43.0% in 2022F but then expand to 43.8/44.6% in 2023/24F on the back of cost control, managed marketing expenses and scale effects.

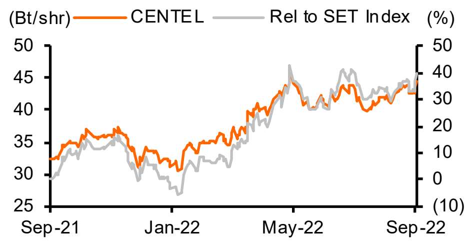
More managed hotels in portfolio

CENTEL collaborates with its sister company Central Pattana (CPN, Bt69.25, BUY) to manage CPN's 37 hotels. Of the 37 hotels, 25 are premium budget Go! hotels, eight are midscale lifestyle Centara One hotels and four are upscale Centara hotels. All 37 hotels are targeted to be completed in 2026. CENTEL would earn management fees and we estimate profit of Bt100-110m p.a. We however factor in only three hotels that were already announced in our model and leave the rest as potential upside to our earnings estimates.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	11,211	16,842	21,109	23,422
Net profit	(1,733)	205	1,598	2,282
Consensus NP	—	436	1,620	2,304
Diff frm cons (%)	—	*(53.0)*	*(1.3)*	*(0.9)*
Norm profit	(1,733)	205	1,598	2,282
Prev. Norm profit	—	205	1,597	2,278
Chg frm prev (%)	—	*(0.2)*	*0.1*	*0.2*
Norm EPS (Bt)	(1.3)	0.2	1.2	1.7
Norm EPS grw (%)	na	na	681.3	42.8
Norm PE (x)	na	293.6	37.6	26.3
EV/EBITDA (x)	42.5	20.0	14.0	12.2
P/BV (x)	3.3	3.3	3.0	2.8
Div yield (%)	0.0	0.0	0.5	1.1
ROE (%)	na	1.1	8.4	11.1
Net D/E (%)	64.1	87.8	83.4	76.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 2-Sep-22 (Bt)	44.50
Market Cap (US$ m)	1,636.1
Listed Shares (m shares)	1,350.0
Free Float (%)	72.0
Avg Daily Turnover (US$ m)	4.6
12M Price H/L (Bt)	46.50/30.50
Sector	Tourism
Major Shareholder	Chirathivat family 63.3%

Sources: Bloomberg, Company data, Thanachart estimates

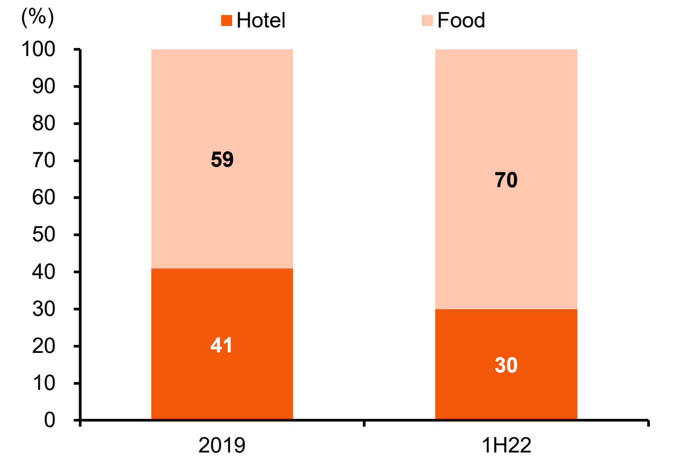
ESG Summary Report P22

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022F	2023F	2024F
# of rooms (owned & leased)						
- New	4,475	4,260	4,443	4,443	4,286	4,337
- Old				4,286	4,192	4,322
- Change (%)				*3.7*	*2.2*	*0.3*
Occupancy rate (%)						
- New	77.2	27.0	18.0	48.7	67.4	76.2
- Old				42.0	67.4	76.4
- Change (pp)				*6.7*	*0.0*	*(0.3)*
ARR (Bt/room/night)						
- New	4,477	4,149	4,322	4,797	5,157	5,358
- Old				4,467	4,902	5,049
- Change (%)				*7.4*	*5.2*	*6.1*
# food stores						
- New	1,064	1,164	1,362	1,571	1,723	1,822
- Old				1,542	1,675	1,774
- Change (%)				*1.9*	*2.9*	*2.7*
% SSSG						
- New	(22.0)	(22.0)	(14.0)	17.0	5.0	3.0
- Old				15.0	7.0	3.0
- Change (pp)				*2.0*	*(2.0)*	*0.0*
Gross margin (%)						
- New	41.2	31.5	32.1	40.1	44.6	46.1
- Old				39.3	44.4	45.7
- Change (pp)				*0.7*	*0.2*	*0.3*
SG&A to sales (%)						
- New	32.6	45.2	45.3	38.2	36.1	35.5
- Old				36.3	35.6	35.0
- Change (pp)				*1.8*	*0.5*	*0.4*
Normalized profit (Bt m)						
- New	1,722	(1,550)	(1,733)	205	1,598	2,282
- Old				205	1,597	2,278
- Change (%)				*(0.2)*	*0.1*	*0.2*

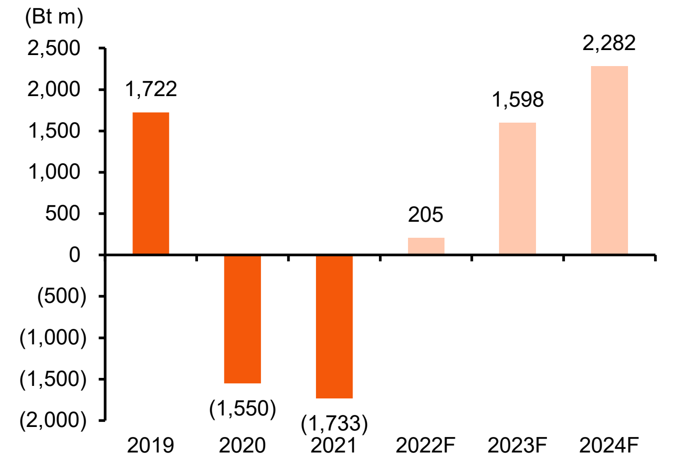
Sources: Company data, Thanachart estimates

Ex 2: Revenue Breakdown By Business



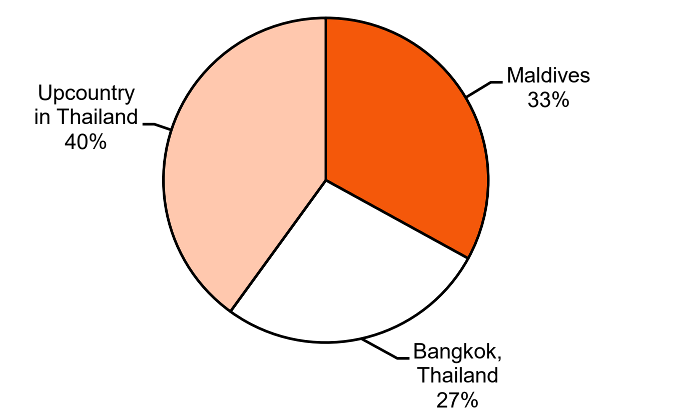
Source: Company data

Ex 3: Earnings Turnaround



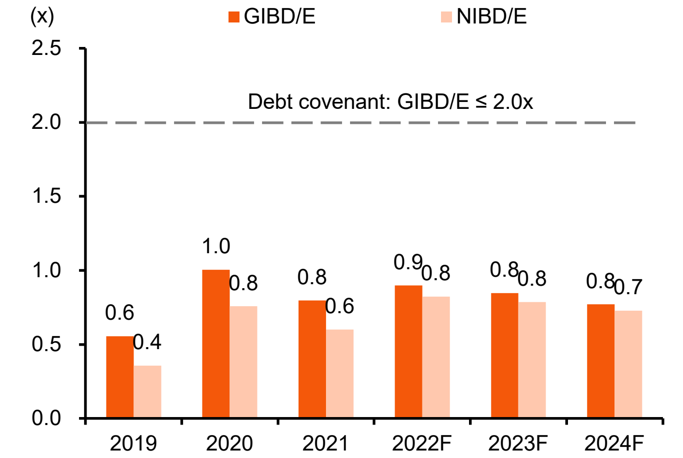
Sources: Company data, Thanachart estimates

Ex 4: Hotel Revenue Breakdown By Region In 1H22



Source: Company data

Ex 5: Strong Financial Status



Sources: Company data, Thanachart estimates

Ex 6: 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	3,733	4,543	5,205	5,748	6,113	6,335	6,543	6,746	6,953	7,165	7,382	—
Free cash flow	327	982	1,717	3,210	4,224	4,900	5,605	5,805	6,009	6,218	6,427	124,858
PV of free cash flow	326	864	1,408	2,464	3,035	3,296	3,529	3,421	3,200	3,087	2,975	57,794

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	6.6
Terminal growth (%)	2.0
Enterprise value - add investments	85,398
Net debt (2022F)	16,374
Minority interest	365
Equity value	68,658
# of shares	1,350
Target price/share (Bt)	**51.00**

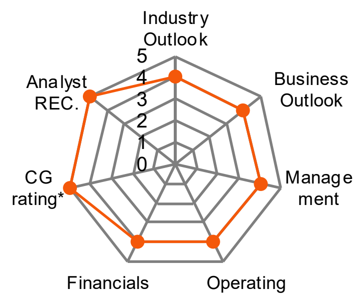
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Central Plaza Hotel Plc (CENTEL) owns and operates hotels in Thailand and abroad with its owned brands – Centara Grand, Centara, Centra, and COSI. CENTEL also manages hotels across Thailand and abroad. The company runs restaurant franchises including key brands such as KFC, Mister Donut, Auntie Anne's and Ootoya.

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-received owned hotel brands in Thailand such as Centara Grand, Centara and COSI.
- Well-balanced risk profile of hotel and food businesses.
- Strong financial position.

W — Weakness

- Heavy exposure to Thailand's tourism industry.
- Thailand's upscale hotel oversupply.
- Dependent on domestic consumption.

O — Opportunity

- Strategic investments and acquisitions locally and globally.
- Robust growth in the booming tourism and consumption areas, particularly in Thailand and some high-growth tourist destinations globally.

T — Threat

- Fierce competition among hotel operators leading to obstacles to unlocking its profitability.
- Competition among restaurant operators.
- Natural disaster and pestilence

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	46.24	51.00	10%
Net profit 22F (Bt m)	436	205	-53%
Net profit 23F (Bt m)	1,620	1,598	-1%
Consensus REC	**BUY: 12**	**HOLD: 6**	**SELL: 2**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is higher than the Bloomberg consensus number, which we attribute to us having a more bullish view on CENTEL's long-term earnings growth trajectory.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and natural disasters are the key downside risks to our call.
- Slower-than-expected Thai and international tourist demand recovery is the key downside risk to our numbers.
- Weaker-than-expected domestic and global economic and consumption growth present a secondary downside risk to our numbers.
- More intense competition in Thai and global tourism would also have a negative impact on our numbers.

Source: Thanachart

CENTEL

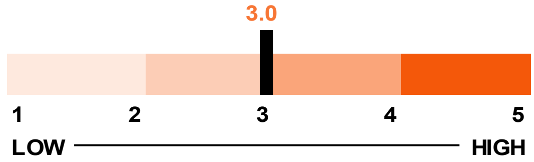
Central Plaza Hotel Public Co. Ltd.

Sector: Services | Hotel

ESG & Sustainability Report

CENTEL operates a hotel business under its brands of Centara Grand, Centara and COSI. It also runs a food business, which includes the KFC, Mister Donut, Auntie Anne's and Ootoya brand franchises. We assign CENTEL a good ESG score of 3.0 as it has a reasonable focus on ESG issues with targets for improvement. However, we still see room for it to do better.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CENTEL	YES	YES	-	-	56.04	78.2	43.86	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ CENTEL operates a total of 4,887 hotel rooms with its main exposure being in Thailand. Overseas exposure is in the Maldives. Some 60% of its revenue comes from its food business. CENTEL has big-picture targets but the numbers for each area are not clear. ▪ CENTEL recently announced a renewed commitment to environmental sustainability with its 10-year roadmap that includes 20% reductions in energy and water usage, greenhouse gas (GHG) emissions, and waste sent to landfills. ▪ To achieve these goals, CENTEL is implementing solar-power projects, installing sub-metering systems for water and electrical management, and doing other special projects. ▪ By 2025, it aims to have 100% of properties certified to an international sustainability standard and to eliminate single-use plastic items from its entire guest journey.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ CENTEL adheres to human rights principles that respect human dignity and equality. It principles comply with related laws and the United Nations Guiding Principles on Business and Human Rights. ▪ It fully adheres to laws and regulations regarding occupational health and workplace safety for staff and customers. It has regular reviews and assessments for safety and health aspects, such as workplace accidents and sickness caused by improper work procedures. ▪ CENTEL has donated pillow cases and food to communities during the COVID-19 pandemic. It also provides scholarships to bilateral exchange students, and employs people with disabilities, etc.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ CENTEL has 13 members on its board of directors (BOD), three of whom are female. The board members have diverse skills, experience and abilities. ▪ CENTEL promotes knowledge development among staff by providing in-house training in the hotel and food business. It also conducts external training to exchange ideas and experiences regarding sustainable development. ▪ CENTEL focuses on risk management to ensure steady business operations and sustainable growth. ▪ Due to changing consumer lifestyles in the digital transformation era, CENTEL focuses more on using technology to respond to its customers better. It has the @NooYimCRG AI Revolution project, and the roll-out of the Simphony Point of Sales system, etc.

Source: Thanachart

Earnings to turn positive from 2022F onwards

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	12,907	11,211	16,842	21,109	23,422
Cost of sales	8,837	7,613	10,093	11,687	12,632
Gross profit	**4,070**	**3,598**	**6,749**	**9,421**	**10,790**
% gross margin	31.5%	32.1%	40.1%	44.6%	46.1%
Selling & administration expenses	5,831	5,075	6,425	7,610	8,303
Operating profit	**(1,761)**	**(1,477)**	**324**	**1,812**	**2,487**
% operating margin	-13.6%	-13.2%	1.9%	8.6%	10.6%
Depreciation & amortization	3,421	3,167	3,507	3,685	3,842
EBITDA	**1,660**	**1,690**	**3,831**	**5,496**	**6,328**
% EBITDA margin	12.9%	15.1%	22.7%	26.0%	27.0%
Non-operating income	342	424	630	502	539
Non-operating expenses	0	0	0	0	0
Interest expense	(669)	(718)	(717)	(711)	(724)
Pre-tax profit	**(2,087)**	**(1,771)**	**237**	**1,602**	**2,302**
Income tax	(435)	(78)	0	0	0
After-tax profit	**(1,652)**	**(1,693)**	**237**	**1,602**	**2,302**
% net margin	-12.8%	-15.1%	1.4%	7.6%	9.8%
Shares in affiliates' Earnings	(21)	(64)	(23)	46	80
Minority interests	123	24	(10)	(50)	(100)
Extraordinary items	(1,225)	0	0	0	0
NET PROFIT	**(2,775)**	**(1,733)**	**205**	**1,598**	**2,282**
Normalized profit	**(1,550)**	**(1,733)**	**205**	**1,598**	**2,282**
EPS (Bt)	(2.1)	(1.3)	0.2	1.2	1.7
Normalized EPS (Bt)	(1.1)	(1.3)	0.2	1.2	1.7

Healthy balance sheet

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	4,406	5,732	3,977	3,972	3,549
Cash & cash equivalent	2,824	3,855	1,500	1,300	1,000
Account receivables	514	801	1,154	1,157	963
Inventories	782	748	830	897	900
Others	286	328	493	618	686
Investments & loans	513	500	500	500	500
Net fixed assets	17,368	29,875	32,109	33,888	35,832
Other assets	13,063	12,484	11,919	11,315	10,694
Total assets	**35,350**	**48,593**	**48,505**	**49,675**	**50,575**
LIABILITIES:					
Current liabilities:	7,798	9,664	9,487	9,551	9,249
Account payables	1,873	2,669	2,765	2,882	2,769
Bank overdraft & ST loans	1,725	1,970	2,247	2,274	2,251
Current LT debt	2,024	3,114	3,126	3,164	3,132
Others current liabilities	2,176	1,911	1,350	1,232	1,097
Total LT debt	**7,740**	**10,587**	**12,502**	**12,655**	**12,528**
Others LT liabilities	9,597	9,910	7,869	7,334	6,783
Total liabilities	**25,135**	**30,161**	**29,859**	**29,540**	**28,560**
Minority interest	293	355	365	415	515
Preferreds shares	0	0	0	0	0
Paid-up capital	1,350	1,350	1,350	1,350	1,350
Share premium	970	970	970	970	970
Warrants	0	0	0	0	0
Surplus	62	9,949	9,949	9,949	9,949
Retained earnings	**7,541**	**5,808**	**6,012**	**7,451**	**9,231**
Shareholders' equity	9,923	18,076	18,281	19,720	21,499
Liabilities & equity	**35,350**	**48,593**	**48,505**	**49,675**	**50,575**

Sources: Company data, Thanachart estimates

Improving cash flow from operations over 2022-24F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(2,087)	(1,771)	237	1,602	2,302
Tax paid	336	94	(4)	11	(2)
Depreciation & amortization	3,421	3,167	3,507	3,685	3,842
Chg In w orking capital	(436)	543	(338)	47	78
Chg In other CA & CL / minorities	1,756	(301)	(745)	(208)	(121)
Cash flow from operations	**2,991**	**1,732**	**2,658**	**5,136**	**6,099**
Capex	(1,071)	(13,950)	(4,020)	(3,700)	(4,000)
Right of use	(10,397)	281	(1,000)	(1,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	11	13	0	0	0
Adj for asset revaluation	29	9,887	0	0	0
Chg In other assets & liabilities	5,825	(1,114)	(2,196)	(695)	(715)
Cash flow from investments	**(5,602)**	**(4,884)**	**(7,216)**	**(5,395)**	**(5,715)**
Debt financing	3,625	4,182	2,204	218	(181)
Capital increase	0	0	0	0	0
Dividends paid	0	0	0	(160)	(502)
Warrants & other surplus	(1,002)	0	0	0	0
Cash flow from financing	**2,623**	**4,182**	**2,204**	**59**	**(683)**
Free cash flow	**1,920**	**(12,218)**	**(1,362)**	**1,436**	**2,099**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	293.6	37.6	26.3
Normalized PE - at target price (x)	na	na	336.5	43.1	30.2
PE (x)	na	na	293.6	37.6	26.3
PE - at target price (x)	na	na	336.5	43.1	30.2
EV/EBITDA (x)	41.4	42.5	20.0	14.0	12.2
EV/EBITDA - at target price (x)	46.7	47.7	22.2	15.6	13.6
P/BV (x)	6.1	3.3	3.3	3.0	2.8
P/BV - at target price (x)	6.9	3.8	3.8	3.5	3.2
P/CFO (x)	20.1	34.7	22.6	11.7	9.9
Price/sales (x)	4.7	5.4	3.6	2.8	2.6
Dividend yield (%)	0.0	0.0	0.0	0.5	1.1
FCF Yield (%)	3.2	(20.3)	(2.3)	2.4	3.5
(Bt)					
Normalized EPS	(1.1)	(1.3)	0.2	1.2	1.7
EPS	(2.1)	(1.3)	0.2	1.2	1.7
DPS	0.0	0.0	0.0	0.2	0.5
BV/share	7.4	13.4	13.5	14.6	15.9
CFO/share	2.2	1.3	2.0	3.8	4.5
FCF/share	1.4	(9.1)	(1.0)	1.1	1.6

Sources: Company data, Thanachart estimates

Improving margins due to scale benefits and cost control

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(37.8)	(13.1)	50.2	25.3	11.0
Net profit (%)	na	na	na	681.3	42.8
EPS (%)	na	na	na	681.3	42.8
Normalized profit (%)	na	na	na	681.3	42.8
Normalized EPS (%)	na	na	na	681.3	42.8
Dividend payout ratio (%)	0.0	0.0	0.0	20.0	30.0
Operating performance					
Gross margin (%)	31.5	32.1	40.1	44.6	46.1
Operating margin (%)	(13.6)	(13.2)	1.9	8.6	10.6
EBITDA margin (%)	12.9	15.1	22.7	26.0	27.0
Net margin (%)	(12.8)	(15.1)	1.4	7.6	9.8
D/E (incl. minor) (x)	1.1	0.9	1.0	0.9	0.8
Net D/E (incl. minor) (x)	0.8	0.6	0.9	0.8	0.8
Interest coverage - EBIT (x)	na	na	0.5	2.5	3.4
Interest coverage - EBITDA (x)	2.5	2.4	5.3	7.7	8.7
ROA - using norm profit (%)	na	na	0.4	3.3	4.6
ROE - using norm profit (%)	na	na	1.1	8.4	11.1
DuPont					
ROE - using after tax profit (%)	na	na	1.3	8.4	11.2
- asset turnover (x)	0.4	0.3	0.3	0.4	0.5
- operating margin (%)	na	na	5.7	11.0	12.9
- leverage (x)	2.7	3.0	2.7	2.6	2.4
- interest burden (%)	147.1	168.2	24.9	69.3	76.1
- tax burden (%)	na	na	100.0	100.0	100.0
WACC (%)	6.6	6.6	6.6	6.6	6.6
ROIC (%)	(9.4)	(7.9)	1.1	5.2	6.8
NOPAT (Bt m)	(1,761)	(1,477)	324	1,812	2,487
invested capital (Bt m)	18,587	29,892	34,655	36,512	38,410

Sources: Company data, Thanachart estimates

Small Cap Research

Thanachart Securities

BUY (Unchanged)

Change in Numbers

TP: Bt 4.50 (From Bt4.40)

Upside : 22.3%

5 SEPTEMBER 2022

The Erawan Group Pcl (ERW TB)

A full beneficiary

SIRIPORN ARUNOTHAI

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We see ERW as a pure play on Thailand's tourism turnaround and it should fully benefit from the rapid rebound of the Thai tourism industry. We expect ERW to report a profit in 2023F while there is no longer a risk of another cash call. We reaffirm BUY with a Bt4.5 TP.

Boosting our earnings

This is a part of *Hotel Sector – Building up momentum,* dated 5 September 2022. We reaffirm our BUY call on shares of ERW as we see it as a pure hotel play enjoying the Thai tourism rebound. Due to the faster-than-expected industry turnaround, we revise down ERW's normalized loss to Bt668m (from Bt739m) in 2022F and lift our earnings by 10% 2023F, while only fine-tuning for 2024F. Our upgrades are due to both a higher-than-expected occupancy rate and average room rate (ARR). We lift our DCF-based 12-month TP (2023F base year) slightly to Bt4.50 (from Bt4.40). ERW's 26.3x PE multiple in 2024F, when we expect a full turnaround, is still below its five-year pre-COVID average of 37.0x.

Recovery firming up

ERW's occupancy rate in Thailand rose from 27% in 2021 to 46/64% in 1Q-2Q22. The average room rate (ARR) in Thailand also rose from Bt924/night in 2021 to Bt1,074/1,320 in 1Q-2Q22. We are still seeing strong flows of Thai and international tourists after the country's full reopening from 1 July 2022. We estimate ERW's average occupancy rate at 59/71/77% in 2022-24F vs. 76% in 2019 and project its ARR at Bt1,244/1,435/1,603 in 2022-24F vs. Bt1,855 in 2019.

Resilient HOP INN hotels

ERW started penetrating the budget hotel segment in 2014 and it now has 51 HOP INN hotels in Thailand and seven in the Philippines. This segment relies mostly, at say 90%, on local travellers, and has been more resilient during the COVID period. HOP INN's occupancy rate recovered faster than other segments by 57/63/69% in 4Q21-2Q22. ERW still plans to open more HOP INNs in both Thailand and Asia due to their cost competitiveness and resilience. HOP INN's EBITDA made up 16% of total EBITDA in 2019 and it generated positive EBITDA of Bt157m in 2021 and Bt176m in 1H22 vs. EBITDA losses of Bt809m and positive EBITDA of Bt58m for other hotels in other segments in 2021-1H22.

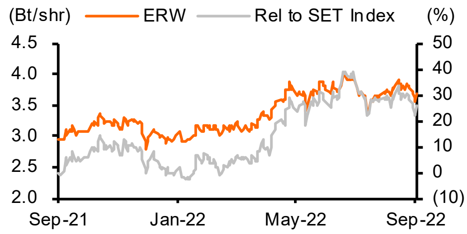
Improving balance sheet

As a pure hotel company, ERW suffered significantly during the COVID years. Last year, it increased capital by Bt2.0bn, revalued assets by Bt2.7bn, and sold two hotel assets in Samui worth Bt925m. This year, it sold three hotels in Phuket, Hua Hin and Krabi worth a total of Bt1.1bn in 2Q22. Its balance sheet has improved significantly, and with improving cash flow, we estimate net D/E to fall to 1.5/1.4x in 2022-23F from 2.8x in 2020 (vs. its debt covenant of 2.5x). We factor in its Bt800m capax plan this year for nine new hotels (eight HOP INNs and one Holiday Inn) and expect improving cash flow from operations to help finance this. We expect its EBITDA at Bt657/1,735/2,237m in 2022-24F.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	1,485	4,030	5,371	6,496
Net profit	(2,050)	(674)	268	685
Consensus NP	—	(670)	247	565
Diff frm cons (%)	—	*na*	*8.8*	*21.2*
Norm profit	(2,021)	(668)	268	685
Prev. Norm profit	—	(739)	245	680
Chg frm prev (%)	—	*na*	*9.8*	*0.6*
Norm EPS (Bt)	(0.5)	(0.1)	0.1	0.1
Norm EPS grw (%)	na	na	na	139.8
Norm PE (x)	na	na	63.0	26.3
EV/EBITDA (x)	na	38.4	14.3	10.6
P/BV (x)	2.8	3.2	3.0	2.5
Div yield (%)	0.0	0.0	0.3	1.1
ROE (%)	na	na	4.9	10.7
Net D/E (%)	164.5	156.1	142.2	79.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 2-Sep-22 (Bt)	3.68
Market Cap (US$ m)	454.2
Listed Shares (m shares)	4,531.6
Free Float (%)	58.8
Avg Daily Turnover (US$ m)	1.3
12M Price H/L (Bt)	3.98/2.80
Sector	Tourism
Major Shareholder	Vongkusolkit & Wattanavekin Group 55%

Sources: Bloomberg, Company data, Thanachart estimates

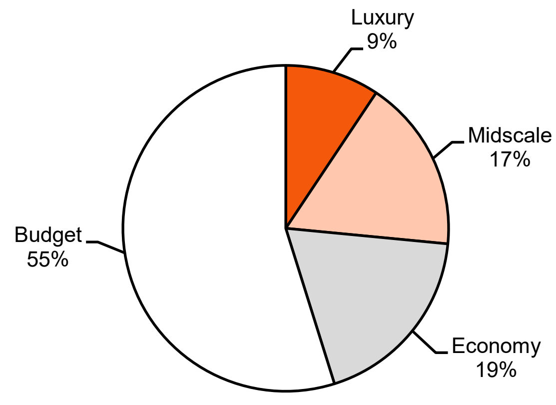
Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022F	2023F	2024F
# of rooms						
- New	9,569	9,802	10,094	10,188	10,188	10,677
- Old				10,055	10,188	10,188
- Change (%)				*1.3*	*-*	*4.8*
Occupancy rate (%)						
- New	76.4	36.6	29.3	59.1	71.2	77.2
- Old				57.4	70.8	77.3
- Change (pp)				*1.7*	*0.4*	*(0.1)**
ARR (Bt/room/night)						
- New	1,764	1,136	913	1,244	1,435	1,603
- Old				1,207	1,414	1,596
- Change (%)				*3.1*	*1.5*	*0.4*
Gross margin (%)						
- New	54.5	36.5	13.6	44.2	53.9	54.4
- Old				40.4	52.4	53.0
- Change (pp)				*3.8*	*1.5*	*1.5*
SG&A to sales (%)						
- New	38.6	87.5	124.6	52.2	40.5	36.1
- Old				49.6	38.0	33.6
- Change (pp)				*2.5*	*2.6*	*2.4*
Interest expenses (Bt m)						
- New	402	536	521	459	473	455
- Old				460	469	447
- Change (%)				*(0.2)*	*0.9*	*1.8*
Normalized profit (Bt m)						
- New	464	(1,585)	(2,021)	(668)	268	685
- Old				(739)	245	680
- Change (%)				*n.a.*	*9.8*	*0.6*

Sources: Company data, Thanachart estimates

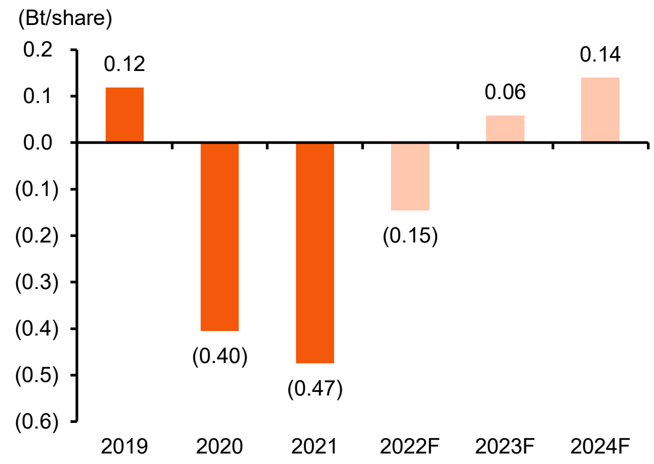
Note: * More new hotels opening

Ex 2: Room Breakdown By Segment In 2Q22



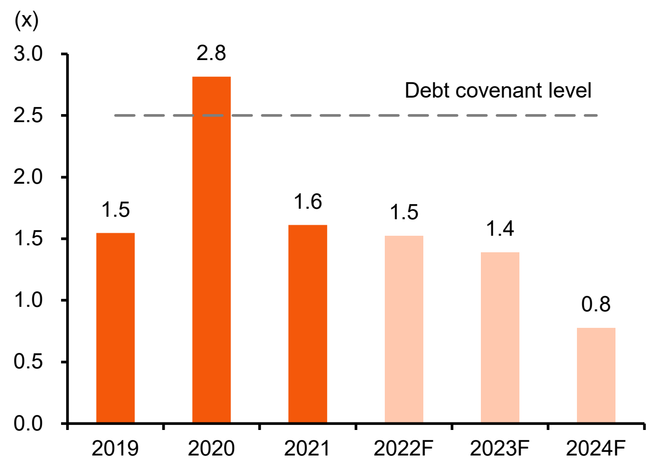
Source: Company data

Ex 3: Earnings Turnaround



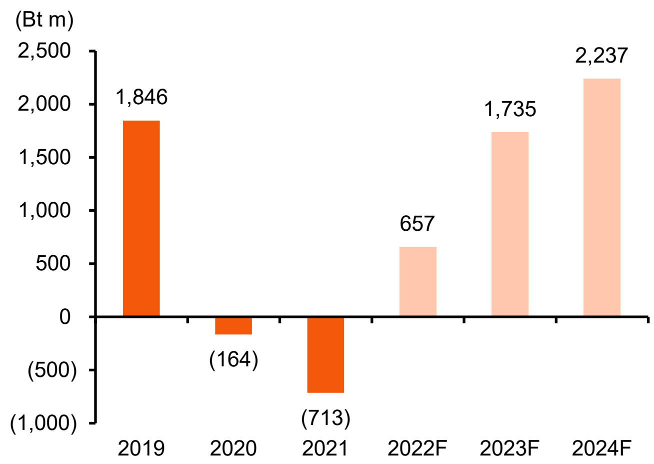
Sources: Company data; Thanachart estimates

Ex 4: Falling Net Gearing Ratio



Sources: Company data, Thanachart estimates

Ex 5: EBITDA Turns Positive



Sources: Company data, Thanachart estimates

Ex 6: 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	1,465	1,961	2,176	2,315	2,442	2,539	2,628	2,718	2,811	2,908	3,007	—
Free cash flow	477	1,297	1,493	1,625	1,757	1,773	1,886	1,959	2,035	2,114	2,195	39,281
PV of free cash flow	475	1,133	1,206	1,223	1,231	1,156	1,146	1,109	1,044	1,006	970	17,365

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.2
WACC (%)	7.0
Terminal growth (%)	2.0
Enterprise value - add investments	29,065
Net debt (2022F)	7,241
Minority interest	(8)
Equity value	21,833
# of shares*	4,891
Target price/share (Bt)	**4.50**

Sources: Company data, Thanachart estimates

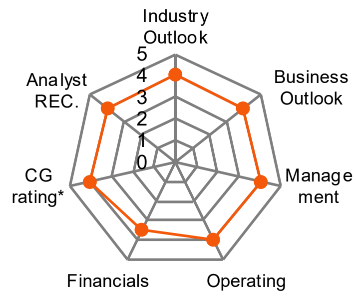
Note: * Include ERW-W3 exercise

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. ERW owned 75 hotels as at end-2Q22 while it 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 disasters and pandemics.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	4.22	4.50	7%
Net profit 22F (Bt m)	(670)	(674)	na
Net profit 23F (Bt m)	247	268	9%
Consensus REC	**BUY: 13**	**HOLD: 6**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP are slightly above the Bloomberg consensus numbers, which we attribute to us having a more bullish view on ERW's business turnaround.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and the 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 also provide downside risks to our numbers.

Source: Thanachart

ERW

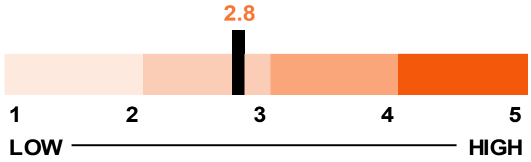
The Erawan Group Public Co. Ltd.

Sector: Services | Hotel

ESG & Sustainability Report

ERW is a hotel operator in Thailand with the Hyatt, Marriott, Holiday Inn, Mercure, Novotel and Ibis brands. It also has its "Hop Inn" owned brand in the budget-hotel segment. Our ESG score on ERW for 2.8 is moderate. Although its business doesn't create a lot of carbon emissions and we are confident in ERW's business practices in general, it doesn't yet have a clear roadmap for overall ESG issues.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
ERW	-	-	-	-	38.97	40.88	13.05	-	4.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments

ENVIRONMENT

- **Environmental Policies & Guidelines**
- **Energy Management**
- **Carbon Management**
- **Water Management**
- **Waste Management**

- ERW operates 8,253 hotel rooms in Thailand and 1,471 in the Philippines. Its business doesn't create a lot of greenhouse (GHG) gas while we are confident that it has good business practices. However, ERW doesn't yet have a clear roadmap for key ESG targets, though there are plans for specific areas.
- ERW is studying, verifying and gathering data to reduce and improve efficiency for electricity consumption.
- ERW has separated paper for recycling purposes since 2008. In 2021, due to the work from home (WFH) trend, the amount of recycled paper fell to 790kg, which was equivalent to a reduction of 13 trees being felled and 537kg less CO_2 being emitted.
- ERW takes part in the Light-blue Project, which manages food waste. In 2021, it reduced food waste by 108 tonnes. Organic waste was treated to reduce waste for landfills, which implied a reduction of 205 tonnes of CO_2 equivalent.

SOCIAL

- **Human Rights**
- **Staff Management**
- **Health & Safety**
- **Product Safety & Quality**
- **Social Responsibility**

- ERW's human rights policy cites employment being based on fair and reasonable wages, fair rights and benefits, and fair working hours. No staff below the age of 18 are hired. There is no discrimination regarding the place of birth, race, gender, age, skin color, religion and disability.
- ERW has a culture of job rotations, job transfers or promotions to other positions based on what's appropriate for upskilling and advancement in employees' career paths. It has an online training platform called "The ERW Digital Learning Center".
- ERW has committed to overseeing Occupation, Health and Safety (OHS) elements for staff. During the COVID-19 pandemic, there was training on self-protection through online doctor consultation, WFH measures and work-at-office rotations.

GOVERNANCE & SUSTAINABILITY

- **Board**
- **Ethics & Transparency**
- **Business Sustainability**
- **Risk Management**
- **Innovation**

- Its board of directors (BOD) comprises 11 members (three females, eight males) with diverse skills, experience and abilities.
- ERW has a corporate governance (CG) policy and principles it is committed to, including legal compliance, adherence to integrity and the Code of Conduct, and disclosure for transparency.
- ERW has a Risk Management Committee. The committee reviews risk-management plans, establishes and monitors risk-management direction, handle impacts, and promotes assessable and effective risk responses for impact mitigation.
- ERW has a working team to initiate projects relating to technology and innovations. Studies have been conducted to introduce new techniques such as contactless check-in and check-out, the use of smart phones to replace key cards or mobile keys, e-payment, among others.

Source: Thanachart

Revenue to rebound on Thailand's tourism recovery

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	2,306	1,485	4,030	5,371	6,496
Cost of sales	1,465	1,284	2,250	2,475	2,960
Gross profit	**841**	**201**	**1,780**	**2,896**	**3,536**
% gross margin	36.5%	13.6%	44.2%	53.9%	54.4%
Selling & administration expenses	2,017	1,850	2,102	2,177	2,344
Operating profit	**(1,176)**	**(1,649)**	**(322)**	**719**	**1,192**
% operating margin	-51.0%	-111.0%	-8.0%	13.4%	18.4%
Depreciation & amortization	1,012	936	979	1,016	1,045
EBITDA	**(164)**	**(713)**	**657**	**1,735**	**2,237**
% EBITDA margin	-7.1%	-48.0%	16.3%	32.3%	34.4%
Non-operating income	42	80	55	53	52
Non-operating expenses	0	0	0	0	0
Interest expense	(536)	(521)	(459)	(473)	(455)
Pre-tax profit	**(1,669)**	**(2,090)**	**(726)**	**298**	**789**
Income tax	(39)	46	(29)	0	39
After-tax profit	**(1,630)**	**(2,136)**	**(697)**	**298**	**750**
% net margin	-70.7%	-143.8%	-17.3%	5.6%	11.5%
Shares in affiliates' Earnings	(18)	9	10	0	0
Minority interests	63	105	19	(30)	(65)
Extraordinary items	(130)	(29)	(6)	0	0
NET PROFIT	**(1,715)**	**(2,050)**	**(674)**	**268**	**685**
Normalized profit	**(1,585)**	**(2,021)**	**(668)**	**268**	**685**
EPS (Bt)	(0.4)	(0.5)	(0.1)	0.1	0.1
Normalized EPS (Bt)	(0.4)	(0.5)	(0.1)	0.1	0.1

Plans to open 12 new hotels in 2022-24

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,962	2,655	1,567	1,587	1,574
Cash & cash equivalent	1,623	1,242	1,000	1,000	1,000
Account receivables	77	100	221	221	178
Inventories	46	39	68	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**	**21,399**	**21,422**	**20,932**
LIABILITIES:					
Current liabilities:	2,812	1,489	1,484	1,650	1,725
Account payables	145	143	247	237	284
Bank overdraft & ST loans	1,410	690	466	627	679
Current LT debt	726	105	177	167	122
Others current liabilities	532	551	594	618	640
Total LT debt	**10,551**	**10,356**	**8,677**	**8,170**	**5,985**
Others LT liabilities	3,923	4,582	5,909	6,000	5,922
Total liabilities	**17,286**	**16,427**	**16,069**	**15,820**	**13,631**
Minority interest	116	11	(8)	22	87
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)**	**(2,161)**	**(1,920)**	**(1,365)**
Shareholders' equity	3,813	6,012	5,338	5,580	7,214
Liabilities & equity	**21,215**	**22,450**	**21,399**	**21,422**	**20,932**

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)	(726)	298	789
Tax paid	39	(45)	29	0	(39)
Depreciation & amortization	1,012	936	979	1,016	1,045
Chg In w orking capital	25	(18)	(46)	(16)	75
Chg In other CA & CL / minorities	(543)	(1,029)	1,025	(15)	(17)
Cash flow from operations	**(1,136)**	**(2,247)**	**1,262**	**1,284**	**1,852**
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	1,327	99	(73)
Cash flow from investments	**(500)**	**(847)**	**327**	**(901)**	**(623)**
Debt financing	2,524	(1,536)	(1,832)	(356)	(2,178)
Capital increase	0	2,014	(0)	0	1,079
Dividends paid	(176)	0	0	(27)	(130)
Warrants & other surplus	(58)	2,236	0	0	0
Cash flow from financing	**2,290**	**2,714**	**(1,832)**	**(383)**	**(1,229)**
Free cash flow	**(1,774)**	**(3,156)**	**462**	**484**	**1,352**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	na	63.0	26.3
Normalized PE - at target price (x)	na	na	na	77.1	32.1
PE (x)	na	na	na	63.0	26.3
PE - at target price (x)	na	na	na	77.1	32.1
EV/EBITDA (x)	na	na	38.4	14.3	10.6
EV/EBITDA - at target price (x)	na	na	44.2	16.5	12.4
P/BV (x)	3.8	2.8	3.2	3.0	2.5
P/BV - at target price (x)	4.6	3.4	3.9	3.7	3.1
P/CFO (x)	(12.7)	(7.0)	13.4	13.2	9.7
Price/sales (x)	7.2	11.2	4.1	3.1	2.6
Dividend yield (%)	0.0	0.0	0.0	0.3	1.1
FCF Yield (%)	(12.3)	(20.1)	2.7	2.9	7.5
(Bt)					
Normalized EPS	(0.4)	(0.5)	(0.1)	0.1	0.1
EPS	(0.4)	(0.5)	(0.1)	0.1	0.1
DPS	0.0	0.0	0.0	0.0	0.0
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)	171.3	33.3	20.9
Net profit (%)	na	na	na	na	155.0
EPS (%)	na	na	na	na	139.8
Normalized profit (%)	na	na	na	na	155.0
Normalized EPS (%)	na	na	na	na	139.8
Dividend payout ratio (%)	0.0	0.0	0.0	20.0	30.0
Operating performance					
Gross margin (%)	36.5	13.6	44.2	53.9	54.4
Operating margin (%)	(51.0)	(111.0)	(8.0)	13.4	18.4
EBITDA margin (%)	(7.1)	(48.0)	16.3	32.3	34.4
Net margin (%)	(70.7)	(143.8)	(17.3)	5.6	11.5
D/E (incl. minor) (x)	3.2	1.9	1.7	1.6	0.9
Net D/E (incl. minor) (x)	2.8	1.6	1.6	1.4	0.8
Interest coverage - EBIT (x)	na	na	na	1.52	2.6
Interest coverage - EBITDA (x)	na	na	1.4	3.7	4.9
ROA - using norm profit (%)	na	na	na	1.3	3.2
ROE - using norm profit (%)	na	na	na	4.9	10.7
DuPont					
ROE - using after tax profit (%)	na	na	na	5.5	11.7
- asset turnover (x)	0.1	0.1	0.2	0.3	0.3
- operating margin (%)	na	na	na	14.4	19.2
- leverage (x)	4.1	4.4	3.9	3.9	3.3
- interest burden (%)	147.3	133.2	272.0	38.7	63.4
- tax burden (%)	na	na	na	100.0	95.0
WACC (%)	7.0	7.0	7.0	7.0	7.0
ROIC (%)	(7.9)	(11.1)	(1.9)	5.3	8.4
NOPAT (Bt m)	(1,176)	(1,649)	(309)	719	1,133
invested capital (Bt m)	14,877	15,921	13,658	13,544	13,000

Sources: Company data, Thanachart estimates

BUY (Unchanged)

Company Update

TP: Bt 43.00 (Unchanged)

Upside : 33.3%

5 SEPTEMBER 2022

Minor International Pcl (MINT TB)

Second-stage recovery

MINT has turned around earlier than Thai peers due to a faster rebound of its Europe portfolio. MINT is now entering its second recovery stage via its Thai exposure. We reaffirm BUY on MINT, which is still trading on 22.1x PE vs. its 33x five-year pre-COVID average.

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Earnings turning around; BUY

This is a part of *Hotel Sector – Building up momentum,* dated 5 September 2022. We reaffirm BUY on MINT as its turnaround is now happening across its business lines and locations. We foresee a sharp rebound in MINT's earnings from losses of Bt19.4/9.3bn in 2020-21 to profits of Bt1.6/7.0/9.4bn in 2022-24F. MINT also looks inexpensive to us trading at 22.1x PE in 2024F vs. its five-year pre-COVID average of 33x.

Thai hotel operations rebound

MINT's 2019 revenue breakdown was 76% hotels (64% Europe, 14% Thailand, 6% Oceania, 6% Americas, 3% Maldives and 7% others). European tourism has turned around earlier than Thailand's and Europe made up 56% of its total revenue in 1H22. MINT's average RevPar in 2Q22 surpassed 2Q19's level by 8%, driven by overseas RevPar growth of 12% from that in 2Q19. Thailand's RevPar was still 45% below 2Q19's. Looking to 2H22F, we expect a strong recovery in Thai tourism. Tourist arrivals rose to 1.1m in July vs. 0.35m per month in 1H22. Domestic tourism has also been robust, supported by domestic tourism stimulus packages. We estimate MINT's total hotel revenue in 2022F to make up of 87% of its 2019 revenue and to surpass 2019's level in 2023F.

Food business recovering

MINT's food business contributed 20% of its total revenue in 2019 and 24% in 1H22. Same-store sales (SSS) grew 6.0% y-y in 1H22 vs. a 5.1% contraction in 2021. That was despite its food business in China still suffering negative SSS growth of 27.8% in 1H22 due to the country's lockdowns. MINT's 2019 food revenue breakdown was 65% from Thailand, 14% from China, 11% from Australia and 10% from others. With the easing of lockdowns in China and the continuing strong food business in Thailand and Australia, we estimate MINT's SSSG at 13.5/7/3% in 2022-24F, up from -5% in 2021. We project MINT's food revenue in 2022-23F to be 10/15% stronger than 2019's level.

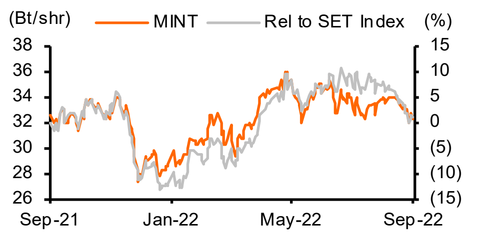
Improving financial status

MINT plans to refinance its Bt15bn perpetual bond (@ 5.8% interest payment) with a new perpetual bond of Bt10bn with a greenshoe option of up to Bt3bn (@ 6.1%) in early September this year. With the lower debt amount, this should save MINT interest expenses of Bt146m a year. With our expectation of a sharp earnings turnaround for MINT, we estimate its net D/E ratio at 1.15x in 2022F, falling to 1.07x in 2024F vs. 1.45/1.31x in 2020/21. As for its covenant ratio, measured as gross interest-bearing debt to equity (GIBD/E), we project 1.42x for 2022F vs. the covenant limit of 1.75x.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	68,868	105,103	123,676	133,088
Net profit	(13,167)	1,620	6,955	9,372
Consensus NP	—	1,819	6,052	8,448
Diff frm cons (%)	—	*(10.9)*	*14.9*	*10.9*
Norm profit	(9,314)	1,620	6,955	9,372
Prev. Norm profit	—	1,619	6,952	9,376
Chg frm prev (%)	—	*0.1*	*0.0*	*(0.0)*
Norm EPS (Bt)	(2.1)	0.1	1.0	1.5
Norm EPS grw (%)	na	na	1,877.3	43.6
Norm PE (x)	na	628.5	31.8	22.1
EV/EBITDA (x)	33.6	11.7	9.8	8.8
P/BV (x)	2.5	2.3	2.4	2.2
Div yield (%)	0.0	0.0	0.6	1.4
ROE (%)	na	2.2	8.9	11.8
Net D/E (%)	135.3	117.9	124.3	109.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 2-Sep-22 (Bt)	32.25
Market Cap (US$ m)	4,633.0
Listed Shares (m shares)	5,275.0
Free Float (%)	61.3
Avg Daily Turnover (US$ m)	15.4
12M Price H/L (Bt)	36.00/27.25
Sector	Food
Major Shareholder	Group of Mr. William Heinecke 33%

Sources: Bloomberg, Company data, Thanachart estimates

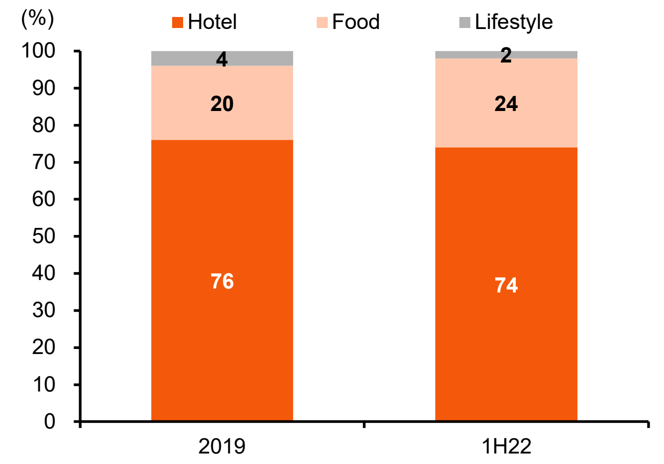
ESG Summary Report P40

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022F	2023F	2024F
MINT's occupancy rate (%)						
- New	75.3	44.7	41.5	59.6	68.0	73.5
- Old				55.8	67.5	72.3
- Change (pp)				*3.8*	*0.5*	*1.2*
MINT's ARR (Bt/night)						
- New	4,471	3,648	3,538	3,994	4,117	4,207
- Old				3,843	3,900	3,994
- Change (%)				*3.9*	*5.6*	*5.3*
NH's occupancy rate (%)						
- New	72	25	34	58	67	71
- Old				58	67	71
- Change (pp)				*0.1*	*0.1*	*0.1*
NH's ARR (Euro/night)						
- New	103	84	89	108	116	118
- Old				107	115	117
- Change (%)				*0.8*	*0.9*	*0.9*
# food stores (owned+franchise)						
- New	2,377	2,370	2,389	2,485	2,559	2,610
- Previous				2,461	2,534	2,585
- Change (%)				*0.97*	*0.97*	*0.97*
% SSSG						
- New	(3.0)	(15.5)	(5.1)	13.5	7.0	3.0
- Old				7.0	5.0	3.0
- Change (pp)				*6.50*	*2.00*	*-*
Gross margin (%)						
- New	44.4	15.3	31.1	43.5	44.2	44.8
- Old				39.6	43.5	44.3
- Change (pp)				*3.9*	*0.7*	*0.6*
SG&A to sales (%)						
- New	39.4	47.3	48.1	37.2	34.1	33.6
- Old				37.6	35.4	34.8
- Change (pp)				*(0.5)*	*(1.3)*	*(1.3)*
Other income (%)						
- New	4,572	2,165	6,096	2,601	2,845	3,061
- Old				6,150	4,580	4,602
- Change (pp)				*(57.7)*	*(37.9)*	*(33.5)*
Normalized profit (Bt m)						
- New	7,060	(19,388)	(9,314)	1,620	6,955	9,372
- Old				1,619	6,952	9,376
- Change (%)				*0.1*	*0.0*	*(0.0)*

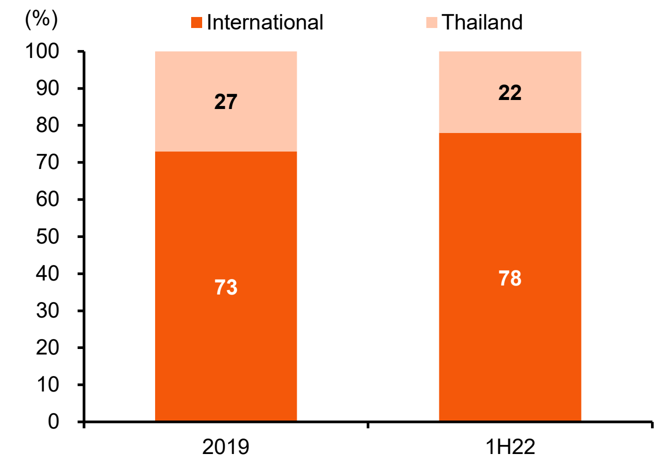
Sources: Company data, Thanachart estimates

Ex 2: MINT's Revenue Breakdown By Business



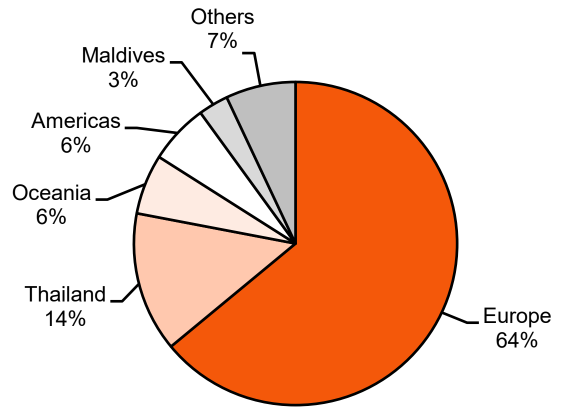
Source: Company data

Ex 3: MINT's Geographical Revenue Breakdown



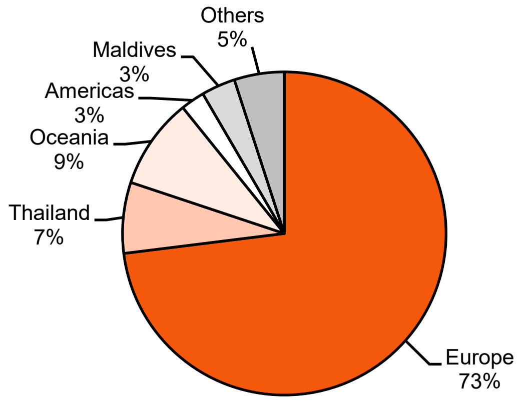
Source: Company data

Ex 4: Hotel Revenue Breakdown By Region In 2019



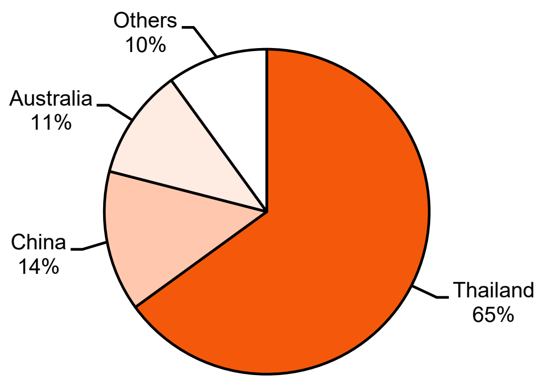
Source: Company data

Ex 5: Hotel Revenue Breakdown By Region In 1H22



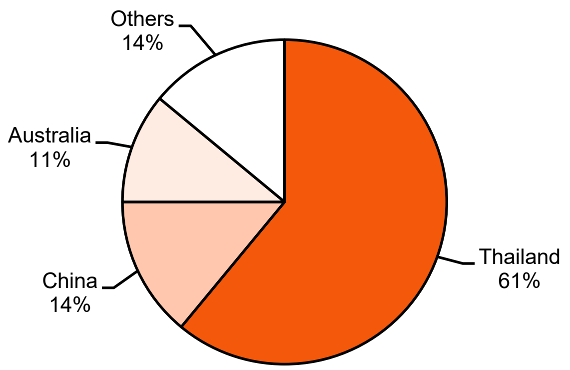
Source: Company data

Ex 6: Food Revenue Breakdown By Region In 2019



Source: Company data

Ex 7: Food Revenue Breakdown By Region In 1H22



Source: Company data

Ex 8: 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	21,878	24,786	26,904	28,481	29,806	31,152	32,548	33,999	35,375	36,937	38,559	—
Free cash flow	13,392	14,472	20,153	22,092	24,089	25,113	26,153	27,435	28,713	30,015	31,437	491,639
PV of free cash flow	13,355	12,465	16,109	16,176	16,316	15,731	15,154	14,706	14,237	13,242	12,780	199,870
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	7.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	363,912											
Net debt (2022F)	106,968											
Minority interest	11,067											
Equity value	245,876											
# of shares*	5,759											
Target price/share (Bt)	**43.00**											

Sources: Company data, Thanachart estimates

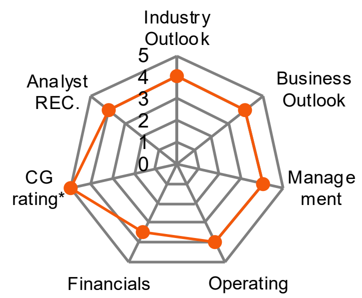
Note: * Includes MINT-W7, MINT-W8 and MINT-W9 exercises

COMPANY DESCRIPTION

Minor International Pcl (MINT) owns and operates hotels and restaurants in Thailand and abroad. The company is engaged in the international hospitality business including hotels and resorts, spas, restaurant franchises, residence, mixed-use projects and lifestyle brand distributors and contract manufacturers.

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-received owned hotel brands, i.e. Anantara, Oaks, Avani, Tivoli, NH Hotels, etc.
- MINT's restaurant brands are the leaders in each category.

  Geographical diversification of its hotel footprint.

W — Weakness

- Thailand's upscale hotel oversupply.
- High gearing after the major acquisition in 2018.

O — Opportunity

- Strategic investments and acquisitions around the world.
- Robust growth in global consumption.
- Development of residential projects to maximize profitability.

T — Threat

- Fierce competition among hotel operators leading to obstacles to unlocking its profitability.
- Competition among restaurant operators both at home and abroad.
- COVID-19 pandemic

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	40.79	43.00	5%
Net profit 22F (Bt m)	1,819	1,620	-11%
Net profit 23F (Bt m)	6,052	6,955	15%
Consensus REC	BUY: 22	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F earnings and TP are higher than the Bloomberg consensus numbers, which we attribute to us having a more bullish view on MINT's hotel and food business recovery.

Sources: Bloomberg consensus, Thanachart estimates

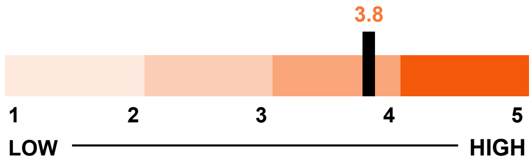
RISKS TO OUR INVESTMENT CASE

- The NH acquisition represents a significant part of MINT's performance. A decline in NH and MINT's operations would be the key downside risk to our call.
- Events that would impact Thailand's and the global political situation, along with natural disasters and pandemic, represent a secondary downside risk to our call.
- Slower domestic and global economic, tourism and consumption growth would also present downside risks.
- A slow recovery in MINT's food business represents a downside risk.

Source: Thanachart

MINT runs hotel, food and lifestyle businesses in various countries around the world. It assigns high importance to ESG issues and its ESG report explains clearly its targets and plans. Our ESG score for MINT is relatively high at 3.8 and we expect MINT to be able to improve its score in the future when more of its targets are achieved.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MINT	YES	YES	YES	AA	60.39	90.95	66.99	37.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
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Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ MINT runs hotel and food businesses in over 60 countries with 74% of its 1H22 revenue coming from its hotel, 24% from food and 2% from its lifestyle businesses. By geography, 78% of 1H22 revenue was from overseas, mainly Europe, and 22% from Thailand. As an international firm, MINT has clear ESG plans. ▪ MINT has five environmental goals: 1) a 20% reduction in the energy intensity of its hotels by 2023 from 2016's level; 2) a 20% reduction in CO2 emissions by 2023, 3) a 20% reduction in the water intensity of its hotels by 2023, 4) a 75% reduction in single-use plastic by 2024 from 2018; and 5) 100% of nature-based hotels having at least one long-term conservation initiative by 2023. ▪ MINT has pledged to become a "Net-Zero Carbon Organization by 2050", reduce organic waste from its hotels by 50% by 2030 from 2021, and use natural resources efficiently.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ MINT encourages its stakeholders in the value chain to uphold and adopt Human Rights Policy principles which cover discrimination, sexual harassment, bullying and harassment, and victimization and it aims to prevent and minimize behavior which has the potential to adversely affect harmony in the workplace. ▪ MINT has both online and onsite approaches for learning and development of its talent and leaders, such as a digital academy and finance academy, etc. ▪ MINT established the "More You" program to ensure a safe and healthy working environment in accordance with the company's Occupational Health & Safety (OHS) and Well-being Framework and relevant legal regulations. ▪ MINT supports the development of children and underprivileged community members through community investment, commercial initiatives and charitable donations.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ MINT's board of directors (BOD) consists of 11 members (two female and nine male) with diverse qualifications including skills, experience and abilities. ▪ MINT has in place a governance structure, rules, guidelines and practices to ensure transparency within its organization. ▪ MINT is committed to complying with the requirements of the General Data Protection Regulation (GDPR), Personal Data Protection Act (PDPA) and other data privacy regulations. It also has its Data Protection Executive Committee (DPEC) to achieve and maintain this compliance. ▪ MINT has product and service innovations such as Naughty & Rice, healthy poke rice bowls, Jolly cold-pressed juice brands and a "Multi-dimensional Wellness Program".

Source: Thanachart

Earnings turnaround in 2022-24F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	55,812	68,868	105,103	123,676	133,088
Cost of sales	47,254	47,417	59,392	69,048	73,416
Gross profit	**8,558**	**21,451**	**45,711**	**54,628**	**59,672**
% gross margin	15.3%	31.1%	43.5%	44.2%	44.8%
Selling & administration expenses	26,426	33,137	39,084	42,139	44,674
Operating profit	**(17,868)**	**(11,686)**	**6,627**	**12,489**	**14,997**
% operating margin	-32.0%	-17.0%	6.3%	10.1%	11.3%
Depreciation & amortization	18,241	19,942	17,836	17,774	17,823
EBITDA	**374**	**8,256**	**24,463**	**30,263**	**32,820**
% EBITDA margin	0.7%	12.0%	23.3%	24.5%	24.7%
Non-operating income	2,742	6,730	3,216	3,356	3,440
Non-operating expenses	(625)	1,469	(450)	0	0
Interest expense	(7,452)	(8,118)	(7,921)	(7,433)	(7,198)
Pre-tax profit	**(23,204)**	**(11,605)**	**1,472**	**8,411**	**11,239**
Income tax	(2,983)	(1,490)	147	841	1,247
After-tax profit	**(20,220)**	**(10,114)**	**1,325**	**7,570**	**9,991**
% net margin	-36.2%	-14.7%	1.3%	6.1%	7.5%
Shares in affiliates' Earnings	(464)	(209)	(108)	59	176
Minority interests	1,296	1,009	403	(675)	(795)
Extraordinary items	(2,019)	(3,853)	0	0	0
NET PROFIT	**(21,407)**	**(13,167)**	**1,620**	**6,955**	**9,372**
Normalized profit	**(19,388)**	**(9,314)**	**1,620**	**6,955**	**9,372**
EPS (Bt)	(4.7)	(2.8)	0.1	1.0	1.5
Normalized EPS (Bt)	(4.3)	(2.1)	0.1	1.0	1.5

Improving balance sheet

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	52,064	48,827	58,200	49,004	51,907
Cash & cash equivalent	26,188	25,097	25,000	10,000	10,000
Account receivables	12,286	14,638	23,036	27,107	29,170
Inventories	3,683	3,490	4,393	5,108	5,431
Others	9,908	5,602	5,770	6,790	7,306
Investments & loans	16,052	16,249	16,249	16,249	16,249
Net fixed assets	122,718	130,050	125,941	125,552	126,763
Other assets	171,492	174,508	167,494	160,632	154,136
Total assets	**362,327**	**369,633**	**367,883**	**351,436**	**349,055**
LIABILITIES:					
Current liabilities:	41,238	58,058	59,479	61,114	61,385
Account payables	15,310	18,394	22,780	26,484	28,160
Bank overdraft & ST loans	140	482	528	479	457
Current LT debt	6,656	17,663	17,087	15,503	14,781
Others current liabilities	19,131	21,520	19,083	18,648	17,988
Total LT debt	**129,897**	**114,483**	**114,353**	**103,750**	**98,920**
Others LT liabilities	114,868	117,599	103,288	98,268	93,363
Total liabilities	**286,003**	**290,140**	**277,120**	**263,132**	**253,668**
Minority interest	9,343	11,470	11,067	11,742	12,537
Preferreds shares	0	0	0	0	0
Paid-up capital	5,182	5,214	5,759	5,759	5,759
Share premium	24,196	24,893	38,737	38,737	38,737
Warrants	0	0	0	0	0
Surplus	21,927	38,046	35,046	26,765	26,765
Retained earnings	**15,676**	**(130)**	**153**	**5,301**	**11,589**
Shareholders' equity	66,981	68,023	79,696	76,563	82,850
Liabilities & equity	**362,327**	**369,633**	**367,883**	**351,436**	**349,055**

Sources: Company data, Thanachart estimates

No risk of a capital call, in our view

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(23,204)	(11,605)	1,472	8,411	11,239
Tax paid	1,554	1,748	(27)	(556)	(1,241)
Depreciation & amortization	18,241	19,942	17,836	17,774	17,823
Chg In w orking capital	(1,001)	924	(4,915)	(1,081)	(711)
Chg In other CA & CL / minorities	10,654	9,362	(2,832)	(1,681)	(1,008)
Cash flow from operations	**6,244**	**20,371**	**11,534**	**22,868**	**26,102**
Capex	(8,426)	(16,377)	(5,000)	(9,000)	(11,000)
Right of use	(98,480)	(8,587)	(1,000)	(1,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	(2,208)	(197)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	78,706	(6,446)	(15,024)	(5,543)	(5,444)
Cash flow from investments	**(30,409)**	**(31,606)**	**(21,024)**	**(15,543)**	**(17,444)**
Debt financing	24,095	(4,064)	(660)	(12,237)	(5,574)
Capital increase	9,741	728	14,390	0	0
Dividends paid	(1,461)	(1,546)	(1,337)	(1,807)	(3,084)
Warrants & other surplus	4,647	15,026	(3,000)	(8,281)	0
Cash flow from financing	**37,022**	**10,144**	**9,393**	**(22,325)**	**(8,658)**
Free cash flow	**(2,182)**	**3,994**	**6,534**	**13,868**	**15,102**

Inexpensive valuation, in our opinion

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	628.5	31.8	22.1
Normalized PE - at target price (x)	na	na	837.9	42.4	29.5
PE (x)	na	na	628.5	31.8	22.1
PE - at target price (x)	na	na	837.9	42.4	29.5
EV/EBITDA (x)	717.1	33.6	11.7	9.8	8.8
EV/EBITDA - at target price (x)	857.5	40.4	14.1	11.8	10.7
P/BV (x)	2.5	2.5	2.3	2.4	2.2
P/BV - at target price (x)	3.4	3.3	3.1	3.2	3.0
P/CFO (x)	25.2	8.3	15.4	8.1	7.1
Price/sales (x)	3.0	2.5	1.6	1.4	1.3
Dividend yield (%)	0.0	0.0	0.0	0.6	1.4
FCF Yield (%)	(1.4)	2.4	3.7	7.5	8.1
(Bt)					
Normalized EPS	(4.3)	(2.1)	0.1	1.0	1.5
EPS	(4.7)	(2.8)	0.1	1.0	1.5
DPS	0.0	0.0	0.0	0.2	0.4
BV/share	12.7	12.9	13.8	13.3	14.4
CFO/share	1.3	3.9	2.1	4.0	4.5
FCF/share	(0.4)	0.8	1.2	2.4	2.6

Sources: Company data, Thanachart estimates

Rising asset utilization and cost control to drive up margins

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(52.4)	23.4	52.6	17.7	7.6
Net profit (%)	na	na	na	329.2	34.8
EPS (%)	na	na	na	1,877.3	43.6
Normalized profit (%)	na	na	na	329.2	34.8
Normalized EPS (%)	na	na	na	1,877.3	43.6
Dividend payout ratio (%)	0.0	0.0	0.0	20.0	30.0
Operating performance					
Gross margin (%)	15.3	31.1	43.5	44.2	44.8
Operating margin (%)	(32.0)	(17.0)	6.3	10.1	11.3
EBITDA margin (%)	0.7	12.0	23.3	24.5	24.7
Net margin (%)	(36.2)	(14.7)	1.3	6.1	7.5
D/E (incl. minor) (x)	1.8	1.7	1.5	1.4	1.2
Net D/E (incl. minor) (x)	1.4	1.4	1.2	1.2	1.1
Interest coverage - EBIT (x)	na	na	0.8	1.7	2.1
Interest coverage - EBITDA (x)	0.1	1.0	3.1	4.1	4.6
ROA - using norm profit (%)	na	na	0.4	1.9	2.7
ROE - using norm profit (%)	na	na	2.2	8.9	11.8
DuPont					
ROE - using after tax profit (%)	na	na	1.8	9.7	12.5
- asset turnover (x)	0.2	0.2	0.3	0.3	0.4
- operating margin (%)	na	na	8.9	12.8	13.9
- leverage (x)	4.3	5.4	5.0	4.6	4.4
- interest burden (%)	147.3	332.8	15.7	53.1	61.0
- tax burden (%)	na	na	90.0	90.0	88.9
WACC (%)	7.8	7.8	7.8	7.8	7.8
ROIC (%)	(10.2)	(6.6)	3.4	6.0	7.2
NOPAT (Bt m)	(17,868)	(11,686)	5,965	11,240	13,333
invested capital (Bt m)	177,485	175,554	186,664	186,294	187,008

Sources: Company data, Thanachart estimates

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BB - BBB - A	**AVERAGE :** A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	**LEADER:** A company leading its industry in managing the most significant ESG risks and opportunities

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions
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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
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