Hotel Sector – Overweight

Earnings preview

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On course for profits in 3Q22F

- **To report profits for second consecutive quarter in 3Q22F.**
- **Drivers have been improving hotel and food businesses.**
- **Good domestic business momentum to continue in 4Q22F.**
- **We still like CENTEL the most in the sector.**

- We estimate the hotel sector to turn to a profit in 3Q22F of Bt1.6bn from a Bt3.8bn loss in 3Q21 and a Bt1.1bn gain in 2Q22, mainly due to gains from MINT and CENTEL's operations. Drivers have been improving hotel and food business operations.

Ex 1: 3Q22F Earnings Estimates

	Normalized profit (Bt m)			9M as %	– Change (%) –		Positive / Negative factors	Results announcement date
	3Q21	2Q22	3Q22F	2022F	Y-Y	Q-Q		
CENTEL	(803)	22	90	*33.4*	*n.a.*	*307.9*	▪ Strong RevPar growth in hotel business and strong SSSG in food business	14-Nov-22
ERW	(623)	(131)	(116)	*n.a.*	*n.a.*	*n.a.*	▪ Strong RevPar growth in hotel business	14-Nov-22
MINT	(2,367)	1,210	1,586	*n.a.*	*n.a.*	*31.0*	▪ Strong RevPar growth in hotel business and strong SSSG in food business	10-Nov-22
Sum	**(3,793)**	**1,101**	**1,560**	**n.a.**	**n.a.**	**41.6**		

Sources: Company data; Thanachart estimates

- **CENTEL:** We estimate CENTEL to make a profit of Bt90m in 3Q22 vs. a Bt803m loss in 3Q21 and a Bt22m profit in 2Q22. The turnaround in y-y and q-q earnings comes on the back of improving operations both for its hotel and food businesses, despite some forex losses from its US dollar loans. Hotel occupancy rate was at 52% in 3Q22 vs. 16% in 3Q21 and 46% in 2Q22. ARR grew by 18% y-y but declined by 3% q-q to Bt4,122/room/night. RevPAR in 3Q22 grew 284% y-y and 11% q-q to Bt2,148/room/night and accounted for 75% of the pre-COVID level in 2019. Same-store-sales growth (SSSG) was at 63% y-y and total-system-sales growth (TSSG) was at 72% in 3Q22.
- **ERW:** We expect ERW's EBITDA to turn positive but we still estimate it to make a Bt116m normalized loss in 3Q22. Its 3Q22F loss should improve from a Bt623m loss in 3Q21 and a Bt131m loss in 2Q22 due to a higher occupancy rate and ARR. The non-HOP INN occupancy rate was at 66% in 3Q22 vs. 10% in 3Q21 and 55% in 2Q22. Non-HOP INN ARR grew by 111% y-y and 19% q-q to Bt2,500/room/night. Non-HOP INN RevPar in 3Q22 grew 1,276% y-y and 41% q-q to Bt1,638/room/night and made up 90% of the 2019 level. HOP INN (Thailand)'s occupancy rate was at 74% in 3Q22 vs. 27% in 3Q21 and 73% in 2Q22. Its ARR was up 2% y-y and 1% q-q to Bt620/room/night. RevPar in 3Q22 grew 180% y-y and 2% q-q to Bt459/room/night and surpassed its pre-COVID level by 7%. HOP INN (Philippines)'s occupancy rate was at 65% in 3Q22 vs. 60% in 3Q21 and 58% in 2Q22. Its ARR was up 17% y-y and 3% q-q to Bt1,003/room/night. RevPar in 3Q22 grew 27% y-y and 15% q-q to Bt652/room/night and made up 84% of the 2019 level.

- **MINT:** We estimate MINT's earnings to turn to a profit of Bt1.6bn in 3Q22 vs. a normalized loss of Bt2.4bn in 3Q21 and a normalized profit of Bt1.2bn in 2Q22. The strong turnaround from 3Q21 has been a result of the improving operations of its hotel business in every region. Overall y-y SSSG for the food business also grew at a high-teens level in 3Q22. Drivers were its food business in Thailand (at low-teens SSSG) and Australia (at 30%+ SSSG). Meanwhile, SSSG in China declined by 10% (but its bottom line turned to a profit in 3Q22). Note that MINT's hotel RevPar in 3Q22 in Europe, the Maldives, and Australia already surpassed its pre-COVID level in 2019, except its hotel business in Thailand where hotel's RevPar in 3Q22 was still 25% below the 3Q19 level due to a lower occupancy rate.
- Looking to 4Q22F, we expect the hotel business in Thailand for all hotel operators to continue improving y-y and q-q driven by rising Thai and international tourists. Meanwhile, we expect MINT's hotel business in Europe to grow y-y but soften q-q due to seasonality. We still like CENTEL the most in the hotel sector.

Ex 2: Hotel Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth 2022F (%)	Norm EPS growth 2023F (%)	Norm PE 2022F (x)	Norm PE 2023F (x)	Yield 2022F (%)	Yield 2023F (%)
CENTEL	BUY	49.25	51.00	3.6	66,488	na	681.3	325.0	41.6	0.0	0.5
ERW	BUY	4.46	4.50	0.9	20,211	na	na	na	76.4	0.0	0.3
MINT	BUY	27.00	43.00	59.3	142,425	na	1,877.3	526.2	26.6	0.0	0.8

Sources: Bloomberg; Thanachart estimates

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