

The Erawan Group Pcl (ERW TB) - BUY, Price Bt4.42, TP Bt4.50**Results Comment**

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Lower-than-expected loss in 3Q22

- ERW reported a norm loss of B11m in 3Q22 vs. Bt623m norm loss in 3Q21 and Bt131m norm loss in 2Q22. This was better than our expectation but it was in line with the street's forecast. The lower loss was due to its higher-than-expected revenue.
- The y-y and q-q falling losses resulted from improving hotel operation due to the country's reopening and government's domestic tourism package "We Travel Together 4th phase extension".
- ERW's revenue from hotel business increased by 504% y-y and 32% q-q to Bt1.3bn in 3Q22. Meanwhile, operating margin also increased to 7.3% in 3Q22 from -221% in 3Q21 and -7.3% in 2Q22.
- ERW's Thailand hotels (excluding HOP INN)'s occupancy rate was at 67% in 3Q22 vs. 10% in 3Q21 and 55% in 2Q22. RevPar in 3Q22 was at Bt1,710/night, up by 1,332% y-y and 47% q-q.
- ERW's HOP Inn Thailand occupancy rate was at 74% in 3Q22 vs. 27% in 3Q21 and 73% in 2Q22. RevPar in 3Q22 was at Bt462/night, up by 181% y-y and 3% q-q.
- ERW's Philippines hotels occupancy rate was at 59% in 3Q22 vs. 60% in 3Q21 and 58% in 2Q22. RevPar in 3Q22 was at Bt620/night, up by 21% y-y and 10% q-q.
- With Thailand's reopening, we expect its hotel business' operation to improve in 4Q22. We see an upside to our numbers. We maintain BUY on ERW.

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	
Revenue	226	619	638	974	1,283	
Gross profit	(60)	221	233	454	676	
SG&A	439	503	468	526	582	
Operating profit	(500)	(281)	(235)	(71)	94	
EBITDA	(271)	(61)	(22)	144	314	
Other income	27	34	8	32	6	
Other expense	0	0	0	0	0	
Interest expense	126	121	112	111	114	
Profit before tax	(599)	(368)	(339)	(150)	(13)	
Income tax	73	(4)	(8)	(7)	(5)	
Equity & invest. income	3	5	3	9	3	
Minority interests	45	12	12	4	(6)	
Extraordinary items	0	101	2	(8)	(0)	
Net profit	(623)	(246)	(313)	(139)	(12)	
Normalized profit	(623)	(346)	(315)	(131)	(11)	
EPS (Bt)	(0.14)	(0.05)	(0.07)	(0.03)	(0.00)	
Normalized EPS (Bt)	(0.14)	(0.08)	(0.07)	(0.03)	(0.00)	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	
Cash & ST investment	1,207	1,242	1,255	1,031	1,108	
A/C receivable	54	100	117	115	145	
Inventory	37	39	35	37	38	
Other current assets	306	1,274	1,281	302	325	
Investment	45	48	45	51	54	
Fixed assets	21,285	19,409	19,327	19,343	19,394	
Other assets	363	338	327	372	369	
Total assets	23,297	22,450	22,388	21,251	21,434	
S-T debt	1,523	795	1,852	620	701	
A/C payable	70	143	107	126	143	
Other current liabilities	524	551	716	632	667	
L-T debt	10,258	10,356	9,514	9,783	9,794	
Other liabilities	4,612	4,583	4,541	4,538	4,564	
Minority interest	23	11	(1)	(5)	1	
Shareholders' equity	6,286	6,012	5,659	5,557	5,565	
Working capital	21	(4)	45	26	41	
Total debt	11,781	11,151	11,366	10,403	10,495	
Net debt	10,575	9,909	10,111	9,372	9,387	

Sources: Company data, Thanachart estimates

Income Statement		9M as				
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F	
Revenue	32	467	72	4,030	5,371	
Gross profit	49	na	77	1,780	2,896	
SG&A	11	32	75	2,102	2,177	
Operating profit	na	na	na	(322)	719	
EBITDA	119	na	na	657	1,735	
Other income	(81)	(78)	83	55	53	
Other expense				0	0	
Interest expense	3	(10)	73	459	473	
Profit before tax	na	na	na	(726)	298	
Income tax	na	na	na	(29)	0	
Equity & invest. income	(61)	0	155	10	0	
Minority interests	na	na	na	19	(30)	
Extraordinary items	na	na	na	(6)	0	
Net profit	na	na	na	(674)	268	
Normalized profit	na	na	na	(668)	268	
EPS (Bt)	na	na	na	(0.15)	0.06	
Normalized EPS (Bt)	na	na	na	(0.15)	0.06	

Financial Ratios		3Q21				
(%)	3Q21	4Q21	1Q22	2Q22	3Q22	
Sales growth	(47.0)	5.2	69.0	271.3	466.8	
Operating profit growth	na	na	na	na	na	
EBITDA growth	na	na	na	na	na	
Norm profit growth	na	na	na	na	na	
Norm EPS growth	na	na	na	na	na	
Gross margin	(26.6)	35.8	36.6	46.6	52.7	
Operating margin	(220.6)	(45.4)	(36.8)	(7.3)	7.3	
EBITDA margin	(119.6)	(9.9)	(3.4)	14.8	24.5	
Norm net margin	(275.1)	(56.0)	(49.4)	(13.5)	(0.9)	
D/E (x)	1.9	1.9	2.0	1.9	1.9	
Net D/E (x)	1.7	1.6	1.8	1.7	1.7	
Interest coverage (x)	(2.1)	(0.5)	(0.2)	1.3	2.8	
Interest rate	4.3	4.2	4.0	4.1	4.4	
Effective tax rate	(12.1)	1.1	2.5	4.3	36.4	
ROA	(10.6)	(6.1)	(5.6)	(2.4)	(0.2)	
ROE	(37.8)	(22.5)	(21.6)	(9.4)	(0.8)	

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