

Hotel Sector – Overweight

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Earnings preview

Good profits in 2Q23F

- **Poised to report decent profits in 2Q23F.**
 - **The key driver has been improving hotel operations.**
 - **Rising earnings momentum in 2H23F.**
 - **We retain our Overweight rating for the sector.**
- We estimate the hotel sector to make Bt2.2bn profit in 2Q23F, up by 101% y-y and 956% q-q. We expect the y-y earnings turnaround to mainly be due to improving operations at all hotels. The q-q earnings turnaround is likely to be due to MINT's operations turning around from a Bt647m loss in 1Q23 to a Bt1.8bn profit in 2Q23F.

Ex 1: 2Q23F Earnings Estimates

	Normalized profit (Bt m)			6M as %	– Change (%) –		Positive / Negative factors	Results
	2Q22	1Q23	2Q23F	2023F	Y-Y	Q-Q		announcement date
CENTEL	22	629	288	52.9	1,205.3	(54.2)	▪ Strong RevPar growth for the hotel business and good SSSG for the food business	11-August-23
ERW	(151)	224	93	57.4	n.a.	(58.4)	▪ Strong RevPar growth for the hotel business	15-August-23
MINT	1,210	(647)	1,795	20.4	48.3	n.a.	▪ Strong RevPar growth for the hotel business and good SSSG for the food business	11-August-23
Sum	1,081	206	2,176	30.1	101.2	955.7		

Sources: Company data; Thanachart estimates

- **CENTEL:** We estimate CENTEL to make a profit of Bt288m in 2Q23F, up 1,205% y-y. But we project its 2Q23F earnings to fall 54% q-q. We expect the strong y-y turnaround to mainly be driven by improving operations, both for its hotel and food businesses. The q-q earnings drop should be due to the hotel business' low season in 2Q. We estimate CENTEL's occupancy rate (OR) at 65% in 2Q23F vs. 46% in 2Q22 and 77% in 1Q23. The average room rate (ARR) in 2Q23F was Bt4,314/night, up 2% y-y but down 17% q-q. RevPar grew 44% y-y but fell 31% q-q to Bt2,792/night (95% of the 2019 level). We estimate food's same-store-sales growth (SSSG) at 4% in 2Q23F.
- **ERW:** We estimate ERW's bottom line at Bt93m in 2Q23F vs. a Bt151m normalized loss in 2Q22. But we expect its 2Q23F earnings to decline by 58% q-q. The strong y-y earnings turnaround has mainly been driven by the improving operations of its hotel business. The q-q earnings drop is due to the hotel business' low season in 2Q. The non-HOP INN's OR is estimated at 80% in 2Q23F vs. 55% in 2Q22 and 84% in 1Q23. We expect non-HOP INN's ARR to grow by 42% y-y but decline by 4% q-q to Bt2,970/room/night. We estimate non-HOP INN's RevPar in 2Q23F to grow by 104% y-y but decline by 8% q-q to Bt2,376/room/night (138% of the 2019 level). HOP INN (Thailand)'s OR looks set to grow by 80% in 2Q23 vs. 73% in 2Q22 and 81% in 1Q23. We expect ARR to grow by 7% y-y and 1% q-q to Bt660/night. RevPar in 2Q23 should grow by 17% y-y but decline 1% q-q to Bt528/night (119% of the 2019 level). We estimate HOP INN (Philippines)'s OR at 75% in 2Q23F vs. 58% in 2Q22 and 74% in 1Q23. We expect its ARR to increase by 13% y-y and 1% q-q to Bt1,100/night. RevPar in 2Q23 should grow by 46% y-y and 2% q-q to Bt825/night (110% of the 1Q19 level).

- **MINT:** We estimate it to report normalized profit of Bt1.8bn in 2Q23F, up 48.3% y-y. We expect it to turn around from a loss of Bt647m in 1Q23. The y-y earnings growth in 2Q23 has been due to 1) improving hotel operations, mainly in Europe and Thailand, and 2) an improving food business, mainly in Thailand and China. We estimate SSSG for the food business in Thailand and China at c. 8% and 40% in 2Q23, respectively. Meanwhile, the turnaround from loss in 1Q23 should be due to the high season for the hotel business in Europe. Note that MINT's hotel RevPar in 2Q23 in Europe, Australia, and Thailand already surpassed its pre-COVID level in 2Q19.
- Looking to 2H23F, we expect the hotel business in Thailand for all hotel operators to continue improving y-y and h-h, driven by rising Thai and international tourists. Meanwhile, we expect MINT's hotel business in Europe to remain robust in 2H23 due to plenty of leisure and business trips and seasonality. We still like ERW the most in the hotel sector, followed by MINT.

Ex 2: Hotel Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth		Norm PE		Yield	
						2023F (%)	2024F (%)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
CENTEL	BUY	43.75	59.00	34.9	59,063	335.9	30.2	34.0	26.1	0.6	1.1
ERW	BUY	4.42	6.10	38.0	20,029	na	29.0	37.5	29.0	0.5	1.0
MINT	BUY	31.00	40.00	29.0	169,559	512.0	47.2	44.2	30.0	0.6	1.0

Sources: Bloomberg; Thanachart estimates

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