**BUY** (Unchanged)

**Change in Numbers**

**TP: Bt 5.60** (From: Bt 6.10)

**Upside : 29.0%**

**9 OCTOBER 2024**

Small Cap Research

# The Erawan Group Pcl (ERW TB)

## Growth amid challenges

**SIRIPORN ARUNOTHAI**
662 – 779 9113
siriporn.aru@thanachartsec.co.th

**Despite a hiccup with its luxury hotel in Bangkok, ERW's other hotels are doing well and look poised to enjoy the upcoming tourist season. We maintain our BUY call on ERW with a new TP of Bt5.60 given 7-11% EPS growth in 2024-26F.**

Thanachart Securities

### Maintaining BUY

We maintain our BUY rating on ERW with a DCF-based 12-month TP (2025F base year) of Bt5.60, falling from Bt6.10. ***First,*** ERW is a pure hotel play, with 98% of revenue coming from its hotel business, which looks set to enjoy the robust Thai tourism industry that is also entering the high season in 4Q24-1Q25. ***Second,*** we believe the 18% drop in ERW's share price from its peak this year already reflects the market's concern over the poisoning incident at the Grand Hyatt Erawan (GHE) and its renovation plans. We cut our earnings estimates by 3/4/7% in 2024-26F to account for these factors, higher expansion costs for new HOP INN hotels, and the investment of Lapis Hospitality Pte. Ltd. in Erawan Hop Inn Hotel Company Limited. ***Third,*** despite the 7% EPS dilution from the ERW-W3 exercise and rising costs for its hotel expansions and renovation plans, we expect ERW to still grow its EPS by 7/10/11% in 2024-26F.

### Enjoying rising tourist numbers

ERW's average occupancy rate (OR) this year has reached its pre-COVID level despite tourist arrivals being 11% below the pre-COVID number. We expect ERW's OR to continue rising along with the average room rate (ARR) at its existing and new hotels. ERW's expansion plans are 14 new HOP INN hotels in 2024, and we forecast another 10 HOP INN hotels next year. We estimate that the average OR for existing hotels will increase from 81% in 2023 to 81/83/84% in 2024-26F. Note that the flat average OR this year results from the GHE incident. Meanwhile, we estimate ERW's ARR growth to be 6/2/2% in 2024-26F.

### Manageable impact at GHE

In 2023, GHE contributed 17% of ERW's revenue and 6% of its profit. GHE has 380 rooms. ERW plans to renovate GHE's guest rooms and grand ballroom starting in 2Q25 in phases for around 1.5 years. ERW expects renovations in phases to have a minimal impact during the renovation period. The poisoning incident at GHE in July 2024 caused its OR to drop to 65-68% in July-August, compared to the normal level of around 80%. However, the management expects the OR to rise to 70-75% in September and continue to improve into 4Q24.

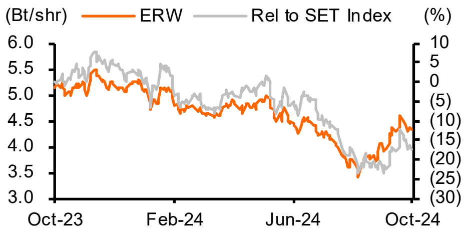
### Growing despite rising costs

We estimate ERW's EPS growth at 7/10/11% in 2024-26F, despite several challenges: 1) loss contributions of new hotels opened in 2024-25F; 2) rising interest expenses from the asset buy-backs from its REIT vehicle (Erawan Hotel Growth Property Fund: ERWPF); 3) potentially higher land lease renewal costs for GHE; and 4) dilution from the ERW-W3 exercise. Key EPS drivers are rising revenue and expanding margin.

**COMPANY VALUATION**

| Y/E Dec (Bt m) | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|
| Sales | 6,986 | 7,865 | 8,415 | 9,029 |
| Net profit | 743 | 1,199 | 941 | 1,041 |
| Consensus NP | — | 977 | 938 | 1,007 |
| *Diff frm cons (%)* | — | *22.8* | *0.3* | *3.4* |
| Norm profit | 762 | 836 | 941 | 1,041 |
| Prev. Norm profit | — | 861 | 981 | 1,120 |
| *Chg frm prev (%)* | — | *(3.0)* | *(4.1)* | *(7.1)* |
| Norm EPS (Bt) | 0.2 | 0.2 | 0.2 | 0.2 |
| Norm EPS grw (%) | na | 7.0 | 10.4 | 10.7 |
| Norm PE (x) | 26.6 | 24.9 | 22.6 | 20.4 |
| EV/EBITDA (x) | 14.0 | 12.0 | 11.4 | 10.1 |
| P/BV (x) | 3.2 | 2.7 | 2.5 | 2.4 |
| Div yield (%) | 1.6 | 2.3 | 1.8 | 2.0 |
| ROE (%) | 12.7 | 11.8 | 11.6 | 12.0 |
| Net D/E (%) | 150.7 | 121.5 | 121.9 | 99.6 |

**PRICE PERFORMANCE**




**COMPANY INFORMATION**

| | |
|---|---|
| Price *as of* 9-Oct-24 (Bt) | 4.34 |
| Market Cap (US$ m) | 634.4 |
| Listed Shares (m shares) | 4,886.9 |
| Free Float (%) | 63.2 |
| Avg Daily Turnover (US$ m) | 2.0 |
| 12M Price H/L (Bt) | 5.50/3.42 |
| Sector | Tourism |
| Major Shareholder | Vongkusolkit & Wattanavekin Group 55% |

Sources: Bloomberg, Company data, Thanachart estimates

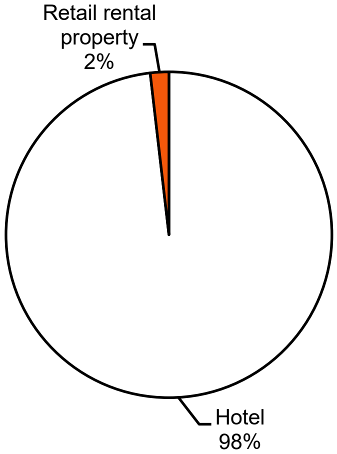
## Maintaining BUY

*BUY with a new TP of Bt5.60*

We maintain our BUY rating on The Erawan Group (ERW) with a DCF-based 12-month TP (2025F base year) of Bt5.60/share, falling from Bt6.10.

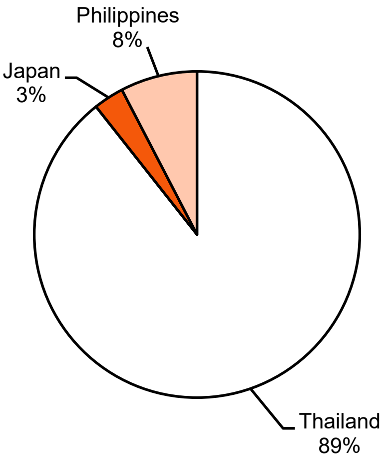
**First,** ERW is a pure hotel play, with 98% of revenue coming from the hotel business and 89% of total hotel revenue in 1H24 contributed by its hotel business in Thailand. Therefore, we expect ERW to enjoy the strong Thailand tourism industry, which is also entering the high season in 4Q24-1Q25.

**Ex 1: ERW's Revenue Breakdown By Business In 1H24**




Source: Company data

**Ex 2: Hotel Revenue Breakdown By Location In 1H24**




Source: Company data

**Second,** we believe the 18% drop in ERW's share price from its peak this year already reflects the market's concern over the poisoning incident at the Grand Hyatt Erawan (GHE) and its renovation plans. We cut our earnings estimates by 3/4/7% in 2024-26F to reflect our key assumption changes as follows:

- We assume ERW will open 10 new HOP INN hotels in 2025F, up from our previous expectation of two. We also factor in the GHE's renovation starting in 2Q25. Thus, we expect the net number of rooms in 2025-26F will increase by 4.9% p.a.
- We lower our average occupancy rate (OR) to reflect the negative impact of the incident at the GHE in 2024F and new hotel openings in 2025F.
- We trim our average room rate (ARR) assumption to reflect the rising number of lower-room-rate HOP INN hotels entering its portfolio.
- We raise our capex and interest expense assumptions for its new HOP INN hotel openings and the GHE renovation.
- We factor in Lapis Hospitality Pte. Ltd.'s (Lapis) investment in Erawan Hop Inn Company Limited (EHI). Lapis is a company managed by Lombard Asia V, L.P. EHI plans to issue 57.5m shares to Lapis at a selling price of Bt12.17/share. The total investment is Bt700m. After the capital raising, Lapis would hold 16.1%, and ERW would control 83.9%. We assume the transaction will be completed by the end of this month.

ERW is targeting to spin off its assets by listing EHI on the Stock Exchange of Thailand (SET). It plans to submit a listing application in 2027. EHI also intends to issue ESOP warrants to executives and directors, capped at 4% of the total shares issued, with an exercise price no lower than Bt12.17/share. We have not yet factored the listing of EHI and ESOP warrants into our projections.

All the details of our new assumptions are shown in Exhibit 3.

**Ex 3: Changes In Our Key Assumptions And Earnings Revisions**

| | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **# of rooms** | | | | | |
| - New | 10,188 | 10,323 | 11,659 | 12,402 | 12,402 |
| - Old | | | 11,659 | 11,817 | 11,817 |
| *- Change (%)* | | | - | *4.9* | *4.9* |
| | | | | | |
| **Occupancy rate (%)** | | | | | |
| - New | 64.6 | 79.7 | 80.1 | 81.4 | 83.0 |
| - Old | | | 81.1 | 82.9 | 84.5 |
| *- Change (ppt)* | | | *(1.0)* | *(1.5)* | *(1.4)* |
| | | | | | |
| **ARR (Bt/room/night)** | | | | | |
| - New | 1,471 | 1,812 | 1,898 | 1,879 | 1,906 |
| - Old | | | 1,902 | 1,916 | 1,963 |
| *- Change (%)* | | | *(0.2)* | *(1.9)* | *(2.9)* |
| | | | | | |
| **Capex (Bt m)** | | | | | |
| - New | 658 | 2,270 | 3,772 | 2,200 | 450 |
| - Old | | | 2,272 | 1,500 | 300 |
| *- Change (%)* | | | *66.0* | *46.7* | *50.0* |
| | | | | | |
| **Interest expense (Bt m)** | | | | | |
| - New | 458 | 589 | 730 | 736 | 711 |
| - Old | | | 685 | 676 | 636 |
| *- Change (%)* | | | *6.5* | *9.0* | *11.7* |
| | | | | | |
| **Minority interest (Bt m)** | | | | | |
| - New | (11) | (17) | (37) | (62) | (67) |
| - Old | | | (35) | (50) | (52) |
| *- Change (%)* | | | *n.a.* | *n.a.* | *n.a.* |
| | | | | | |
| **Normalized profit (Bt m)** | | | | | |
| - New | (266) | 762 | 836 | 941 | 1,041 |
| - Old | | | 861 | 981 | 1,120 |
| *- Change (%)* | | | *(3.0)* | *(4.1)* | *(7.1)* |

Sources: Company data, Thanachart estimates

**Third,** despite the 7% EPS dilution from the ERW-W3 exercise and rising costs from its hotel expansions and renovation plans, we expect ERW to be still able to grow its EPS at 7/10/11% in 2024-26F. Note that ERW-W3, totaling 355.37m units, was exercised to 355.37m common shares in June 2024 at an exercise price of Bt3.0/share.

## Enjoying rising tourist numbers

***Number of international tourists continues to grow***

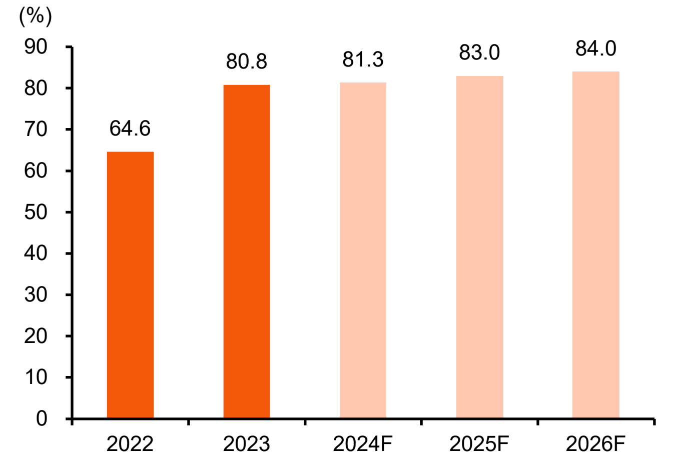
The number of international tourists visiting Thailand grew by 30% y-y in 9M24 to 26.1m people, making our growth estimate of 25% y-y to 35m in 2024F look highly achievable. The number of international tourists in 9M24 stood at 89% of 9M19's level. Although Chinese tourists have not yet returned to their pre-COVID level, the number was back at 62% of the pre-COVID peak vs. only 32% in 2023. Tourist arrivals from other countries were mostly above 2019's level. The number of tourists from Malaysia, South Korea, Russia, and India in 9M24 comprised 126/99/119/104% of the pre-COVID levels. We estimate the number of international visitors to reach 35/40/43 m people in 2024-26.

The new Minister of Tourism and Sports also plans to bring back the "We Travel Together" co-payment scheme that was previously implemented to revive the industry after the COVID-19 outbreak. Given that 10% of total hotel revenue is contributed by Thai tourists and that 80% of ERW's total rooms are in Thailand, this should help to support ERW's hotel operations. In 8M24, the number of visits by Thai people came to 179m, up 10% y-y, and above 8M19's level by 21%. We estimate that the number of Thai tourist visits will increase to 271/285/294m in 2024-26F.

***ERW's average OR this year already reached its pre-COVID level***

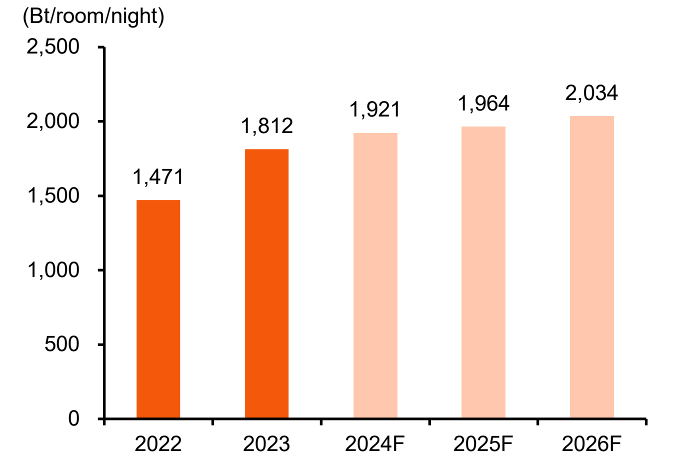
ERW's average OR this year has reached its pre-COVID level, even though tourist arrivals are still 11% below the pre-COVID level. We expect ERW's OR to continue to rise along with ARR both at its existing and new hotels. ERW plans to open 14 new HOP INN hotels in 2024, and we forecast another 10 HOP INN hotels to launch next year. We estimate that the average OR at existing hotels will increase from 81% in 2023 to 81/83/84% in 2024-26F. Note that the flat average OR this year results from the GHE incident. Meanwhile, we estimate ERW's ARR growth to be 6/2/2% in 2024-26F. Note that ERW's average OR from 1 July to 30 September 2024 was flat q-q. Meanwhile, ARR was also flat q-q.

**Ex 4: ERW's Average OR Excluding New Hotels**



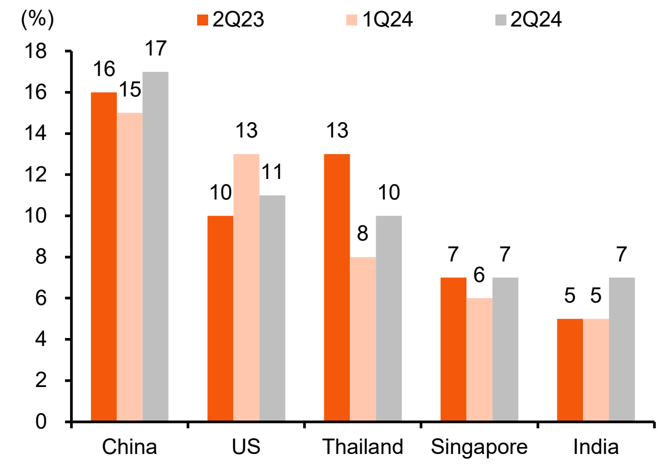

Sources: Company data, Thanachart estimates

**Ex 5: ERW's ARR Excluding New Hotels**



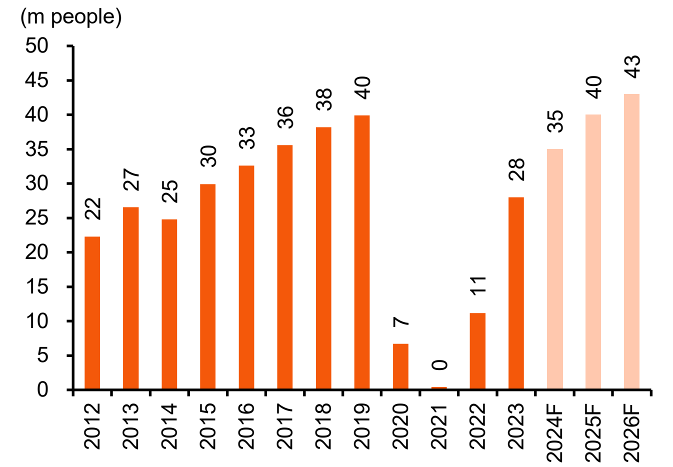

Sources: Company data, Thanachart estimates

**Ex 6: ERW's Revenue Breakdown By Nationality In 1H24**




Source: Company data

**Ex 7: Number Of International Tourists**




Sources: Ministry of Tourism & Sports, Thanachart estimates

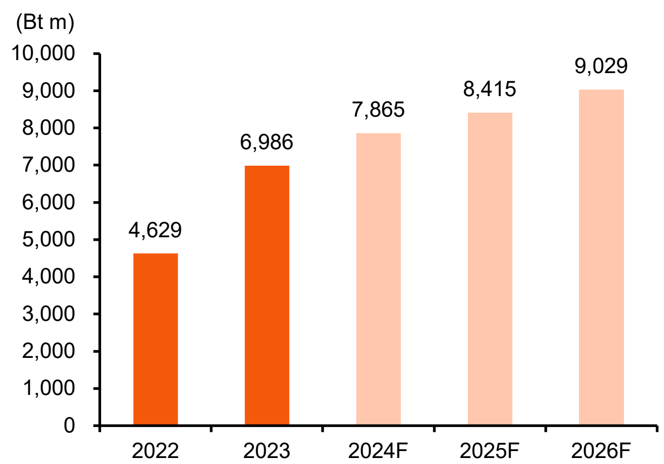
## Growing despite rising costs

*We project ERW's EPS growth at 7/10/11% in 2024-26F*

We project ERW's EPS growth at 7/10/11% in 2024-26F, despite several challenges, including 1) loss contributions of new hotels opened in 2024-25F; 2) rising interest expenses from the asset buy-backs from its REIT vehicle (Erawan Hotel Growth Property Fund: ERWPF); 3) potentially higher land lease renewal costs for the GHE; and 4) dilution from the ERW-W3 exercise. Key EPS drivers are rising revenue and expanding margin.

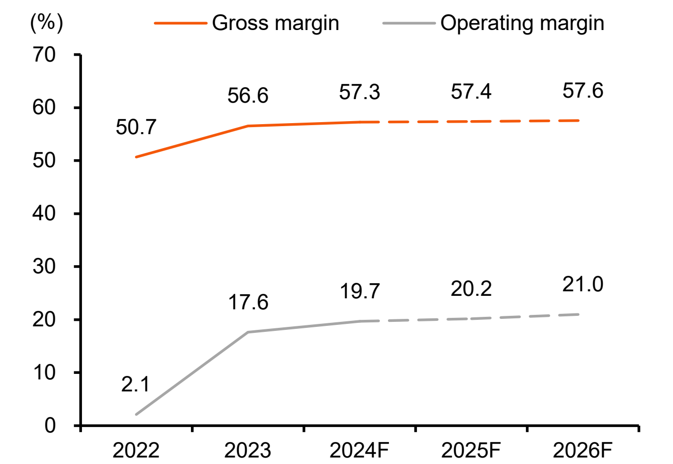
We estimate ERW's revenue to grow by 13/7/7% in 2024-26. The key revenue growth driver is rising revenue in the hotel business, mainly due to an increasing ARR and new hotel openings. Meanwhile, we also estimate its gross margin to widen from 56.6% in 2023 to 57.3/57.4/57.6% in 2024-26F because of economies of scale and the improving performance of its new hotels.

**Ex 8: Rising Revenue**




Sources: Company data, Thanachart estimates

**Ex 9: Improving Gross And Operating Margins**




Sources: Company data, Thanachart estimates

### Ex 10: 12-month DCF-based TP Calculation Using A Base Year of 2025F

| (Bt m) | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | 2034F | 2035F | Terminal Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA excl. depre from right of use | 2,530 | 2,770 | 2,971 | 3,096 | 3,222 | 3,353 | 3,488 | 3,628 | 3,773 | 3,924 | 4,085 | — |
| Free cash flow | 144 | 1,956 | 2,090 | 2,201 | 2,499 | 2,605 | 2,715 | 2,829 | 2,947 | 3,069 | 2,900 | 49,721 |
| PV of free cash flow | 144 | 1,683 | 1,668 | 1,629 | 1,715 | 1,659 | 1,589 | 1,534 | 1,480 | 1,428 | 1,250 | 21,429 |

| | |
|---|---|
| Risk-free rate (%) | 3.0 |
| Market risk premium (%) | 8.0 |
| Beta | 1.1 |
| WACC (%) | 7.8 |
| Terminal growth (%) | 2.0 |
| | |
| Enterprise value - add investments | 37,208 |
| Net debt (2024F) | 9,626 |
| Minority interest | 77 |
| Equity value | 27,504 |
| | |
| # of shares* | 4,891 |
| **Target price/share (Bt)** | **5.60** |

Sources: Company data, Thanachart estimates
Note: * Includes the exercise of ERW-W3

## Valuation Comparison

### Ex 11: Valuation Comparison With Regional Peers

| Name | BBG code | Country | EPS growth 24F (%) | EPS growth 25F (%) | PE 24F (x) | PE 25F (x) | P/BV 24F (x) | P/BV 25F (x) | EV/EBITDA 24F (x) | EV/EBITDA 25F (x) | Div yield 24F (%) | Div yield 25F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accor SA | AC FP | France | (7.6) | 12.9 | 17.8 | 15.7 | 2.0 | 2.1 | 11.4 | 10.5 | 3.2 | 3.5 |
| Indian Hotels | IH IN | India | 2.7 | 24.5 | 76.2 | 61.2 | 10.8 | 9.1 | 45.2 | 37.5 | 0.2 | 0.3 |
| Resorttrust | 4681 JP | Japan | (4.8) | 12.9 | 20.2 | 17.9 | 2.4 | 2.2 | 9.9 | 9.2 | 1.9 | 2.0 |
| Hotel Shilla | 008770 KS | S. Korea | (18.3) | 63.1 | 24.6 | 15.1 | 2.7 | 2.3 | 13.5 | 10.7 | 0.5 | 0.6 |
| NH Hotel Group | NHH SM | Spain | 14.3 | 13.7 | 12.8 | 11.3 | 1.7 | 1.5 | 6.6 | 6.4 | 2.4 | 2.6 |
| Shanghai Jin Jiang Capital | 2006 HK | Hong Kong | na | na | 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 | (30.4) | 36.1 | 158.6 | 116.5 | 3.8 | 6.6 | 16.0 | 14.0 | 0.4 | 0.4 |
| InterContinental Hotels | IHG US | US | na | 13.8 | 24.8 | 21.8 | na | na | 17.2 | 15.8 | 1.6 | 1.9 |
| Marriott International | MAR US | US | (8.5) | 13.7 | 27.4 | 24.1 | na | na | 17.1 | 15.9 | 0.9 | 1.0 |
| Hilton Worldwide Holdings | HLT US | US | 61.1 | 15.2 | 33.3 | 28.9 | na | na | 19.8 | 18.3 | 0.3 | 0.3 |
| Asset World Corp | AWC TB | Thailand | (50.4) | 23.1 | 47.7 | 38.8 | 1.3 | 1.3 | 29.5 | 25.1 | 0.9 | 1.0 |
| Central Plaza Hotel | CENTEL TB* | Thailand | 31.3 | 26.8 | 35.1 | 27.7 | 2.5 | 2.4 | 12.3 | 10.8 | 1.2 | 1.6 |
| Erawan Group | ERW TB* | Thailand | 7.0 | 10.4 | 24.9 | 22.6 | 2.7 | 2.5 | 12.0 | 11.4 | 2.3 | 1.8 |
| Minor International | MINT TB* | Thailand | 14.2 | 19.4 | 24.7 | 20.7 | 2.0 | 1.9 | 6.3 | 5.9 | 2.0 | 1.9 |
| **Average** | | | **0.9** | **22.0** | **40.6** | **32.5** | **3.2** | **3.2** | **16.7** | **14.7** | **1.4** | **1.5** |

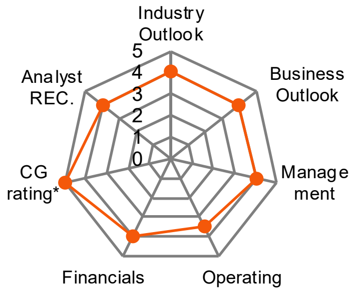
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS
Based on 9 October 24 closing prices

## COMPANY DESCRIPTION

The Erawan Group Public Co., Ltd. (ERW) was established on 29 December 1982. ERW's core businesses are investing in, developing, and managing diversified hotel properties and segments (luxury, mid-scale, economy, and budget) across Thailand's key destinations. As of end-2Q24, ERW owned 86 hotels while operating other businesses, including retail space rental and office building management.

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.
- Political unrest, natural disasters, and pandemics.

## CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|---|---|---|---|
| **Target price (Bt)** | 5.40 | 5.60 | 4% |
| **Net profit 24F (Bt m)** | 977 | 1,199 | 23% |
| **Net profit 25F (Bt m)** | 938 | 941 | 0% |
| **Consensus REC** | **BUY: 20** | **HOLD: 3** | **SELL: 0** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F earnings are higher than the Street's, likely because we have already factored in an extra gain from the share of profit of associates.
- Our 2025F earnings are in line with the Street's forecast, but our DCF-based TP is slightly higher, likely because our TP is rolled over to next year.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

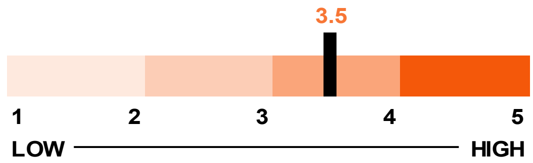
- Thailand's political situation and the return of COVID-19 are the key downside risks to our call.
- A slower-than-expected Thai and international tourist demand recovery is a secondary downside risk.
- More intense competition in Thai and global tourism would also result in downside risk to our numbers.
- If its operating costs increase by more than our current expectation, this would lead to downside risk to our numbers.

Source: Thanachart

# 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 for ERW is 3.5. We see ERW having a clearer roadmap for overall ESG issues this year.**

**Thanachart ESG Rating**




| | SET ESG Index | SET ESG (BBB-AAA) | DJSI Index | MSCI (CCC-AAA) | ESG Book (0-100) | Refinitiv (0-100) | S&P Global (0-100) | Moody's (0-100) | CG Rating (0-5) |
|---|---|---|---|---|---|---|---|---|---|
| ERW | YES | YES | - | - | - | 58.42 | 21.00 | - | 5.0 |

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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" in the following back page.

**Factors** | **Our Comments**

## ENVIRONMENT

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

- ERW operates 8,716 hotel rooms in Thailand, 136 in Japan, and 1,471 in the Philippines. Its business doesn't create a lot of greenhouse (GHG) gas, and we are confident that it has good business practices.
- ERW targets an increase in the ratio of renewable energy to more than 50% by 2027. By 2027, all hotels (100%) managed by ERW are scheduled to offer services that help reduce energy consumption and compensate for carbon.
- ERW minimizes water consumption within the group by campaigning for guests to reduce the use of laundry water, raising awareness among staff, installing aerators to reduce water flowing from faucets, constructing a wastewater system, etc.
- ERW aims to reduce landfill waste and food waste by 50% within 2027 through the 4R principles of Reduce, Reuse, Recycle, and Recover.

## 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, or 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.
- The Corporate Hybrid Learning Center, both onsite and online, was conducted to maximize learning efficiency.
- ERW collaborates with business partners, networks and government agencies to strengthen communities, such as HOP INN capacity-building for its hotel personnel project, Ban Laem Happy Home, Happy Stay, etc.

## GOVERNANCE & SUSTAINABILITY

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

- Its board of directors (BOD) comprises 12 members (three women, nine men) with diverse skills, experience, and abilities.
- ERW has a corporate governance policy and principles it is committed to, including legal compliance, adherence to integrity and its 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, handles impacts, and promotes assessable and effective risk responses for impact mitigation.
- ERW has a working team to initiate projects related to technology and innovations. Studies have been conducted to introduce new techniques such as contactless check-in and check-out, the use of smartphones to replace key cards or mobile keys, and e-payment, among others.

Sources: Thanachart, Company data

*Revenue is mainly driven by ARR and new hotels*

*More new hotels in its portfolio in 2024-25F*

**INCOME STATEMENT**

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Sales | 4,629 | 6,986 | 7,865 | 8,415 | 9,029 |
| Cost of sales | 2,282 | 3,035 | 3,362 | 3,587 | 3,830 |
| **Gross profit** | **2,346** | **3,952** | **4,503** | **4,828** | **5,199** |
| % gross margin | 50.7% | 56.6% | 57.3% | 57.4% | 57.6% |
| Selling & administration expenses | 2,249 | 2,720 | 2,954 | 3,130 | 3,300 |
| **Operating profit** | **97** | **1,232** | **1,549** | **1,697** | **1,898** |
| % operating margin | 2.1% | 17.6% | 19.7% | 20.2% | 21.0% |
| Depreciation & amortization | 872 | 901 | 984 | 1,075 | 1,117 |
| **EBITDA** | **969** | **2,133** | **2,533** | **2,773** | **3,015** |
| % EBITDA margin | 20.9% | 30.5% | 32.2% | 32.9% | 33.4% |
| Non-operating income | 40 | 60 | 41 | 42 | 43 |
| Non-operating expenses | 12 | 23 | 0 | 0 | 0 |
| Interest expense | (458) | (589) | (730) | (736) | (711) |
| **Pre-tax profit** | **(309)** | **726** | **861** | **1,003** | **1,231** |
| Income tax | (26) | (17) | (9) | 0 | 123 |
| **After-tax profit** | **(283)** | **742** | **869** | **1,003** | **1,108** |
| % net margin | -6.1% | 10.6% | 11.1% | 11.9% | 12.3% |
| Shares in affiliates' Earnings | 29 | 36 | 3 | 0 | 0 |
| Minority interests | (11) | (17) | (37) | (62) | (67) |
| Extraordinary items | 41 | (19) | 364 | 0 | 0 |
| **NET PROFIT** | **(224)** | **743** | **1,199** | **941** | **1,041** |
| **Normalized profit** | **(266)** | **762** | **836** | **941** | **1,041** |
| EPS (Bt) | (0.0) | 0.2 | 0.3 | 0.2 | 0.2 |
| Normalized EPS (Bt) | (0.1) | 0.2 | 0.2 | 0.2 | 0.2 |

**BALANCE SHEET**

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 2,026 | 1,885 | 2,322 | 2,063 | 2,107 |
| Cash & cash equivalent | 1,532 | 1,217 | 1,600 | 1,300 | 1,300 |
| Account receivables | 160 | 170 | 194 | 207 | 223 |
| Inventories | 43 | 49 | 55 | 59 | 63 |
| Others | 291 | 450 | 472 | 496 | 521 |
| Investments & loans | 63 | 83 | (617) | (617) | (617) |
| Net fixed assets | 14,540 | 16,185 | 19,215 | 20,582 | 20,160 |
| Other assets | 5,083 | 5,521 | 5,345 | 5,168 | 4,991 |
| **Total assets** | **21,712** | **23,675** | **26,265** | **27,197** | **26,641** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 1,762 | 3,058 | 2,728 | 2,830 | 2,739 |
| Account payables | 235 | 227 | 230 | 246 | 262 |
| Bank overdraft & ST loans | 300 | 820 | 1,123 | 1,166 | 1,047 |
| Current LT debt | 483 | 932 | 202 | 210 | 188 |
| Others current liabilities | 745 | 1,079 | 1,173 | 1,208 | 1,241 |
| **Total LT debt** | **9,665** | **9,067** | **9,902** | **10,284** | **9,234** |
| Others LT liabilities | 4,564 | 5,180 | 5,713 | 5,585 | 5,459 |
| **Total liabilities** | **15,990** | **17,305** | **18,342** | **18,699** | **17,432** |
| Minority interest | 23 | 40 | 77 | 139 | 206 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 4,532 | 4,532 | 4,891 | 4,891 | 4,891 |
| Share premium | 910 | 910 | 1,629 | 1,629 | 1,629 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | 1,782 | 1,718 | 1,718 | 1,718 | 1,718 |
| **Retained earnings** | **(1,525)** | **(830)** | **(393)** | **120** | **765** |
| Shareholders' equity | 5,698 | 6,330 | 7,846 | 8,358 | 9,003 |
| **Liabilities & equity** | **21,712** | **23,675** | **26,265** | **27,197** | **26,641** |

Sources: Company data, Thanachart estimates

*Capex spending on new hotels and existing hotels' renovation*

## CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Earnings before tax | (309) | 726 | 861 | 1,003 | 1,231 |
| Tax paid | 25 | 27 | 4 | 3 | (124) |
| Depreciation & amortization | 872 | 901 | 984 | 1,075 | 1,117 |
| Chg In working capital | 28 | (23) | (27) | (2) | (3) |
| Chg In other CA & CL / minorities | 1,207 | 203 | 79 | 8 | 9 |
| **Cash flow from operations** | **1,823** | **1,833** | **1,900** | **2,088** | **2,230** |
| Capex | (658) | (2,270) | (3,772) | (2,200) | (450) |
| Right of use | (90) | (741) | (50) | (50) | (50) |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | (15) | (21) | 700 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 22 | 624 | 881 | (144) | (143) |
| **Cash flow from investments** | **(741)** | **(2,408)** | **(2,241)** | **(2,394)** | **(643)** |
| Debt financing | (704) | 372 | 407 | 434 | (1,191) |
| Capital increase | 0 | 0 | 1,079 | 0 | 0 |
| Dividends paid | 0 | 0 | (398) | (428) | (396) |
| Warrants & other surplus | (89) | (112) | (364) | 0 | 0 |
| **Cash flow from financing** | **(793)** | **260** | **723** | **6** | **(1,587)** |
| **Free cash flow** | **1,165** | **(437)** | **(1,872)** | **(112)** | **1,780** |

*Inexpensive valuation, in our view*

## VALUATION

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Normalized PE (x) | na | 26.64 | 24.9 | 22.6 | 20.4 |
| Normalized PE - at target price (x) | na | 34.38 | 32.1 | 29.1 | 26.3 |
| PE (x) | na | 27.32 | 17.3 | 22.6 | 20.4 |
| PE - at target price (x) | na | 35.25 | 22.4 | 29.1 | 26.3 |
| EV/EBITDA (x) | 30.14 | 14.0 | 12.0 | 11.4 | 10.1 |
| EV/EBITDA - at target price (x) | 36.22 | 16.8 | 14.4 | 13.6 | 12.1 |
| P/BV (x) | 3.6 | 3.2 | 2.7 | 2.5 | 2.4 |
| P/BV - at target price (x) | 4.6 | 4.1 | 3.5 | 3.3 | 3.0 |
| P/CFO (x) | 11.1 | 11.1 | 10.9 | 10.2 | 9.5 |
| Price/sales (x) | 4.6 | 3.0 | 2.7 | 2.5 | 2.3 |
| Dividend yield (%) | 0.0 | 1.6 | 2.3 | 1.8 | 2.0 |
| FCF Yield (%) | 5.7 | (2.2) | (9.0) | (0.5) | 8.4 |
| **(Bt)** | | | | | |
| Normalized EPS | (0.1) | 0.2 | 0.2 | 0.2 | 0.2 |
| EPS | (0.0) | 0.2 | 0.3 | 0.2 | 0.2 |
| DPS | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| BV/share | 1.2 | 1.4 | 1.6 | 1.7 | 1.8 |
| CFO/share | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| FCF/share | 0.2 | (0.1) | (0.4) | (0.0) | 0.4 |

Sources: Company data, Thanachart estimates

*Improving performance of new hotels and economies of scale drive margins*

## FINANCIAL RATIOS

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | 211.6 | 50.9 | 12.6 | 7.0 | 7.3 |
| Net profit (%) | na | na | 61.5 | (21.6) | 10.7 |
| EPS (%) | na | na | 57.5 | (23.1) | 10.7 |
| Normalized profit (%) | na | na | 9.7 | 12.6 | 10.7 |
| Normalized EPS (%) | na | na | 7.0 | 10.4 | 10.7 |
| Dividend payout ratio (%) | 0.0 | 42.7 | 40.0 | 40.0 | 40.0 |
| **Operating performance** | | | | | |
| Gross margin (%) | 50.7 | 56.6 | 57.3 | 57.4 | 57.6 |
| Operating margin (%) | 2.1 | 17.6 | 19.7 | 20.2 | 21.0 |
| EBITDA margin (%) | 20.9 | 30.5 | 32.2 | 32.9 | 33.4 |
| Net margin (%) | (6.1) | 10.6 | 11.1 | 11.9 | 12.3 |
| D/E (incl. minor) (x) | 1.8 | 1.7 | 1.4 | 1.4 | 1.1 |
| Net D/E (incl. minor) (x) | 1.6 | 1.5 | 1.2 | 1.2 | 1.0 |
| Interest coverage - EBIT (x) | 0.2 | 2.1 | 2.1 | 2.3 | 2.7 |
| Interest coverage - EBITDA (x) | 2.1 | 3.6 | 3.5 | 3.8 | 4.2 |
| ROA - using norm profit (%) | na | 3.4 | 3.3 | 3.5 | 3.9 |
| ROE - using norm profit (%) | na | 12.7 | 11.8 | 11.6 | 12.0 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | na | 12.3 | 12.3 | 12.4 | 12.8 |
| - asset turnover (x) | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| - operating margin (%) | na | 18.8 | 20.2 | 20.7 | 21.5 |
| - leverage (x) | 3.8 | 3.8 | 3.5 | 3.3 | 3.1 |
| - interest burden (%) | (206.8) | 55.2 | 54.1 | 57.7 | 63.4 |
| - tax burden (%) | na | 102.3 | 101.0 | 100.0 | 90.0 |
| WACC (%) | 7.6 | 7.6 | 7.6 | 7.8 | 7.8 |
| ROIC (%) | 0.6 | 8.6 | 9.8 | 9.7 | 9.1 |
| NOPAT (Bt m) | 97 | 1,260 | 1,565 | 1,697 | 1,709 |
| invested capital (Bt m) | 14,614 | 15,932 | 17,472 | 18,719 | 18,172 |

Sources: Company data, Thanachart estimates

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## Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

**Pimpaka Nichgaroon, CFA**
Head of Research, Strategy
pimpaka.nic@thanachartsec.co.th

**Nuttapop Prasitsuksant**
Telecom, Utilities
nuttapop.pra@thanachartsec.co.th

**Rata Limsuthiwanpoom**
Auto, Industrial Estate, Media, Prop. Fund
rata.lim@thanachartsec.co.th

**Siriporn Arunothai**
Small Cap, Healthcare, Hotel
siriporn.aru@thanachartsec.co.th

**Sittichet Rungrassameephat**
Analyst, Retail Market Strategy
sittichet.run@thanachartsec.co.th

**Adisak Phupiphathirungul, CFA**
Retail Market Strategy
adisak.phu@thanachartsec.co.th

**Pattadol Bunnak**
Electronics, Food & Beverage, Shipping
pattadol.bun@thanachartsec.co.th

**Saksid Phadthananarak**
Construction, Transportation
saksid.pha@thanachartsec.co.th

**Yupapan Polpornprasert**
Energy, Petrochemical
yupapan.pol@thanachartsec.co.th

**Thaloengsak Kucharoenpaisan**
Analyst, Retail Market Strategy
thaloengsak.kuc@thanachartsec.co.th

**Pattarawan Wangmingmat**
Senior Technical Analyst
pattarawan.wan@thanachartsec.co.th

**Phannarai Tiyapittayarut**
Property, Retail
phannarai.von@thanachartsec.co.th

**Sarachada Sornsong**
Bank, Finance
sarachada.sor@thanachartsec.co.th

**Witchanan Tambamroong**
Technical Analyst
witchanan.tam@thanachartsec.co.th

**Nariporn Klangpremchitt, CISA**
Analyst, Retail Market Strategy
nariporn.kla@thanachartsec.co.th