

## Hotel Sector – Overweight

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## Earnings Preview

### Mixed picture for 3Q24F normalized profit

- The sector's normalized profit is estimated to grow 19% y-y.
  - Rising costs pressure ERW's and CENTEL's earnings.
  - MINT to post the strongest core profit growth in 3Q24F.
  - We still like MINT the most in the hotel sector.
- We estimate the hotel sector to post a Bt3.0bn normalized profit in 3Q24F, up by 19% y-y but down 19% q-q. We expect that the y-y normalized profit growth will primarily be due to the improving operations of MINT's hotel business. The q-q normalized profit drop is likely to be due to rising costs from CENTEL's and ERW's new hotel openings, as well as MINT's declining performance in Europe in 3Q24. Notably, 2Q is typically the peak season in Europe.

### Ex 1: 3Q24F Earnings Estimates

	Normalized profit (Bt m)			9M as %	– Change (%) –		Positive / Negative factors	Results announcement date
	3Q23	2Q24	3Q24F	2024F	Y-Y	Q-Q		
CENTEL	74	313	78	77.9	6.2	(74.9)	Weak y-y normalized profit growth due to rising pre-operating expenses from hotel reopening in Phuket and two new hotels in Maldives	14-Nov-24
ERW	145	127	125	64.2	(13.5)	(1.3)	Y-Y normalized profit drop resulting from negative impact on Grand Hyatt Erawan and rising costs from new hotels	14-Nov-24
MINT	2,273	3,230	2,759*	68.0	21.4	(14.6)	Strong y-y normalized profit growth resulting from strong RevPar growth for the hotel business in Thailand and Europe	12-Nov-24
<b>Sum</b>	<b>2,492</b>	<b>3,669</b>	<b>2,963</b>	<b>69.1</b>	<b>18.9</b>	<b>(19.2)</b>		

Sources: Company data; Thanachart estimates

Note: \* We estimate MINT to have non-recurring hedging FX loss of Bt2.6bn in 3Q24. If this extraordinary item is included, MINT is expected to report a net profit of Bt159m in 3Q24, down 93% y-y and 94% q-q.

- **CENTEL:** We estimate CENTEL to make a normalized profit of Bt78m in 3Q24, up 6% y-y but down 75% q-q. We expect the y-y earnings growth to mainly be driven by improving operations in food business. A sharp drop in q-q earnings is likely due to rising pre-operating expenses for a hotel that reopened in Phuket, as well as for two new hotels in the Maldives. Note that CENTEL will reopen Centara Karon Resort Phuket in late November this year and will open one hotel in Maldives in November 2024, followed by another hotel in the Maldives in February 2025.

We estimate CENTEL's occupancy rate (OR) at 67% in 3Q24F vs. 68% in 3Q23 and 69% in 2Q24. We estimate CENTEL's average room rate (ARR) in 3Q24F at Bt4,944/night, up 9% y-y and 1% q-q. RevPar is estimated to grow by 8% y-y but decline by 2% q-q to Bt3,319/night. We estimate food's same-store-sales growth (SSSG) at +3% in 3Q24F and total-system-sales growth (TSSG) at 4% in 3Q24F.

- **ERW:** We estimate ERW to report weak normalized profit at Bt125m in 3Q24, down 14% y-y and 1% q-q. This is likely to be lower than our previous expectation. ERW's revenue from hotel business is estimated to increase by 5% y-y and flat q-q to Bt1.8bn in 3Q24. Meanwhile, operating margin is expected to decline to 15.7% in 3Q24 from 17.3% in 3Q23 and 16.0% in 2Q24 due to rising costs from new hotels. ERW opened two new HOP INN hotels in 3Q24 including one hotel in Nakorn Phanom and one hotel in Davao, Philippines.

OR for ERW's non HOP-INN hotel is estimated at 79% in 3Q24 vs. 82% in 3Q23 and 80% in 2Q24. Non-HOP INN's RevPar in 3Q24 is expected to grow by 2% y-y and 1% q-q to c. Bt2,500/room/night. HOP INN Thailand's OR is estimated at 78% in 3Q24 vs. 81% in 3Q23 and 80% in 2Q24. Its RevPar in 3Q24 is estimated to grow by 6% y-y but decline by 2% q-q to c. Bt560/night. HOP INN Philippines' OR is estimated at 70% in 3Q24 vs. 79% in 3Q23 and 77% in 2Q24. Its RevPar in 3Q24 is estimated at c. Bt700/night, down by 11% y-y and 8% q-q.

- **MINT:** We estimate MINT to report normalized profit of Bt2.8bn in 3Q24F, up 21% y-y but down 15% q-q. We expect the y-y normalized profit growth to be mainly due to improving hotel operations, mainly in Europe and Thailand. We estimate RevPar of hotel in Europe and Thailand to grow by 9% and 12% y-y in 3Q24. MINT's food business is expected to perform weakly in 3Q24. We estimate its SSSG in 3Q24 at -2.7% (-0.7% SSSG for food business in Thailand, -20% for China and -1.6% for Australia) and TSSG at +0.4%. Meanwhile, the q-q normalized profit drop will likely be due to the declining performance of its hotel business in Europe (the highest season is in 2Q).

Note that we estimate MINT to have non-recurring hedging FX loss of Bt2.6bn in 3Q24. If this extraordinary item is included, MINT is expected to report a net profit of Bt159m in 3Q24, down 93% y-y and 94% q-q.

- Looking ahead to 4Q24F, we expect to see stronger earnings momentum in the sector due to the improving hotel and food businesses in Thailand, driven by an increase in Thai and international tourists. We continue to favor MINT the most in the hotel sector, followed by CENTEL.

## Ex 2: Hotel Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth		Norm PE		Yield	
						2024F	2025F	2024F	2025F	2024F	2025F
						(%)	(%)	(x)	(x)	(%)	(%)
CENTEL	BUY	35.00	47.00	34.3	47,250	31.3	26.8	32.1	25.3	1.3	1.8
ERW	BUY	3.92	5.60	42.9	19,157	7.0	10.4	22.5	20.4	2.5	2.0
MINT	BUY	27.25	43.00	57.8	154,507	14.2	19.4	23.4	19.6	2.1	2.0

Sources: Bloomberg; Thanachart estimates

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