

## The Erawan Group Pcl (ERW TB) - BUY

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### Earnings Preview

#### Record high core profit in 4Q24F

- **Norm. profit is estimated to grow by 37% y-y in 4Q24F.**
  - **Key drivers are rising ARR and cost control.**
  - **Minor impact from safety concerns among Chinese tourists.**
  - **Maintain BUY on ERW at TP Bt5.30.**
- We estimate ERW's 4Q24 normalized profit of Bt320m, up 37% y-y and 157% q-q. This is likely stronger than our previous expectation. The y-y earnings growth is expected due to rising top line and expanding EBIT margin. The q-q earnings growth is expected due to high seasonality in 4Q.
  - We estimate ERW's top line to grow by 16% y-y and 18% q-q to Bt2.2bn in 4Q24 due to rising revenue from existing and new hotels. Over the past 12 months, ERW opened 13 new HOP INN hotels including seven hotels in Thailand, three hotels in Japan and three hotels in Philippines. Meanwhile, we estimate its revenue to decline by 8% q-q.
  - EBIT margin is expected to increase to 24.3% in 4Q24 from 19.8% in 4Q23 and 15.7% in 3Q24, driven by rising top line and cost controls.
  - Occupancy rate (OR) for ERW's non HOP-INN hotel is estimated at c. 85% in 4Q24 vs. 83% in 4Q23 and 79% in 3Q24. Average room rate (ARR) for non HOP-INN hotel is estimated to grow by 12% y-y and 15% q-q to c. Bt3,610/room/night.
  - OR for ERW's HOP-INN hotel in Thailand is estimated at c. 81% in 4Q24 vs. 83% in 4Q23 and 78% in 3Q24. ARR for HOP-INN hotel in Thailand is estimated to grow by 10% y-y and 4% q-q to c. Bt750/room/night.
  - OR for ERW's HOP-INN hotel in the Philippines is estimated at c. 72% in 4Q24 vs. 80% in 4Q23 and 70% in 3Q24. ARR for HOP-INN hotel in the Philippines is estimated at c. Bt1,030/room/night, up 4% y-y and 4% q-q.
  - OR for ERW's HOP-INN hotel in Japan is estimated at c. 77% in 4Q24 vs. 13% in 4Q23 and 68% in 3Q24. ARR for HOP-INN hotel in Japan is estimated at Bt3,800/room/night, up 72% y-y and 32% q-q.
  - Including 4Q24F earnings, we estimate ERW to report Bt859m normalized profit in 2024, up 13% y-y.
  - Looking into 2025F, we estimate that ERW's earnings will continue to grow y-y, driven by rising OR and ARR in existing hotels, as well as the improving operations of new hotels opening in 2024. We maintain our BUY rating on ERW with a TP of Bt5.30. Regarding concerns about the safety of Chinese tourists, ERW sees a minor impact from room booking cancellations.

#### Key Valuations

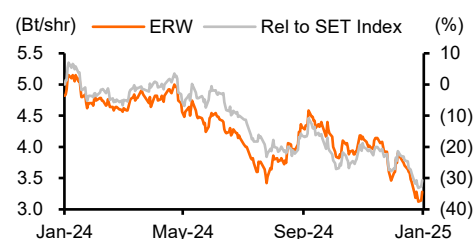
Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	6,986	7,839	8,341	8,874
Net profit	743	1,157	912	1,007
Norm net profit	762	793	912	1,007
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS gr (%)	na	1.6	12.8	10.4
Norm PE (x)	20.1	19.8	17.6	15.9
EV/EBITDA (x)	11.7	10.3	10.0	9.1
P/BV (x)	2.4	2.1	1.9	1.8
Div. yield (%)	2.1	2.9	2.3	2.5
ROE (%)	12.7	11.2	11.3	11.7
Net D/E (%)	150.7	123.6	125.8	105.3

Source: Thanachart estimates

#### Stock Data

Closing price (Bt)	3.28
Target price (Bt)	5.30
Market cap (US\$ m)	470.1
Avg daily turnover (US\$ m)	2.2
12M H/L price (Bt)	5.15/3.12

#### Price Performance



Source: Bloomberg

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