The Erawan Group Pcl (ERW TB) - BUY

Earnings Preview

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Good 1Q25F core profit

- **We estimate ERW's core profit growth of 24% y-y in 1Q25.**
- **Rising revenue and expanding EBIT margin are key drivers.**
- **2Q25 earnings are expected to be under pressure.**
- **The weak tourist sentiment is already priced in; BUY.**

We estimate ERW to report strong core profit in 1Q25 at Bt357m, up 24% y-y. This is likely to be in line with our previous expectation. Key y-y earnings growth drivers are a rising top line, margin expansion and lower interest expenses. Looking into 2Q25, we expect to see weaker earnings momentum due to falling number of international tourists visiting Thailand. However, we believe the weak tourist sentiment is already priced in. We maintain BUY rating on ERW.

- We estimate ERW's 1Q25 normalized profit of Bt357m, up 24% y-y but down 6% q-q. The y-y earnings growth is expected due to a higher top line, EBIT margin expansion and lower interest expenses. Meanwhile, the q-q decline is attributed to lower revenue and a contraction in EBIT margin. Including a one-time item from the net difference between right-of-use assets and lease liabilities due to lease modification from the asset buy-back from ERWPF amounting to Bt129m in 1Q24, ERW's net profit is expected to decline by 14% y-y.
- We estimate ERW's top line to grow by 9% y-y but decline by 3% q-q to Bt2.2bn in 1Q25. The y-y revenue growth is expected due to rising revenue from existing and new hotels. Over the past 12 months, ERW opened 11 new HOP INN hotels including eight hotels in Thailand and three hotels in Philippines. In 1Q25, ERW opened three HOP INN hotels in Pattaya, Songkhla and Loey.
- Group's occupancy rate (OR) is estimated at 80% in 1Q25, down 2 ppt y-y and 1 ppt q-q. Average room rate (ARR) is expected to grow by 2% y-y but decline by 2% q-q to c. Bt2,015/room/night.
- OR for ERW's non HOP-INN hotel is estimated at 83% in 1Q25, down 1 ppt y-y and 2 ppt q-q. ARR for non HOP-INN hotel is estimated to grow by 6% y-y and flat q-q to c. Bt3,600/room/night. RevPar for non HOP-INN hotel is estimated to increase by 5% y-y but decline by 2% q-q to c. Bt2,990/room/night.
- EBIT margin is expected to increase to 25.1% in 1Q25 from 22.9% in 1Q24, but decline from 25.6% in 4Q24.
- Interest expenses are expected to fall 2% both y-y and q-q to Bt167m in 1Q25 due to falling interest rate and debt repayment.

Key Valuations

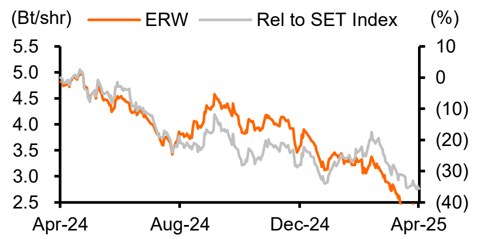
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	7,872	7,793	8,282	8,936
Net profit	1,281	810	1,005	1,151
Norm net profit	917	810	1,005	1,151
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS gr (%)	17.4	(13.4)	24.1	14.5
Norm PE (x)	12.4	14.4	11.6	10.1
EV/EBITDA (x)	7.9	8.5	7.5	6.5
P/BV (x)	1.3	1.3	1.2	1.1
Div. yield (%)	3.8	2.4	3.0	3.5
ROE (%)	12.2	9.1	10.6	11.2
Net D/E (%)	96.3	98.0	82.7	67.7

Source: Thanachart estimates

Stock Data

Closing price (Bt)	2.38
Target price (Bt)	4.00
Market cap (US$ m)	348.2
Avg daily turnover (US$ m)	2.5
12M H/L price (Bt)	5.00/2.30

Price Performance



Source: Bloomberg

- Looking ahead to 2Q25F, we expect ERW's earnings growth to come under pressure resulting from a decline in international tourist arrivals, due to safety concerns among Chinese tourists, the impact of recent earthquakes in Thailand, and potential fallout from Trump's reciprocal tariffs. ERW's RevPar in the luxury-to-economy segments for April 2025 is expected to decline by c. 10% y-y. However, we believe the weak tourist sentiment is already priced in. Additionally, ERW is trading at below 15x PE for 2025. We therefore maintain our BUY rating on ERW with a target price of Bt4.0.

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