

BUY (Unchanged)
Change in Numbers

TP: Bt 3.30
Upside : 80.3%

(From: Bt4.00)
23 JUNE 2025

Small Cap Research

The Erawan Group Pcl (ERW TB)

At breakup value

ERW is trading at around its breakup value of Bt1.84/share. We consider it a deep-value stock and reiterate our BUY call. ERW runs strong hotel brands that are diversified and profitable. The company remains in expansion mode and has sound financials.



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A deep-value stock; BUY

We reiterate our BUY call on ERW. **First**, ERW is trading at around its breakup value of Bt1.84/share, which we consider a deep-value entry point. **Second**, ERW operates a segmentally diversified hotel portfolio featuring strong hotel brands (Exhibit 14). **Third**, despite weak tourist arrivals this year likely pushing down its earnings by 14%, we expect its hotel expansions to help allow earnings growth to resume by 19/11% in 2026-27F. **Lastly**, ERW is a financially strong company. Its net D/E is 1.0x in 2025F vs. its peak of 2.8x during the COVID period. Despite the expansions, we expect positive free cash flow into 2027F. Note that in this report, we cut our 2025-27F earnings by 1/5/8% to reflect a more conservative outlook for tourism. Our DCF-based 12-month TP (2025F base year) falls to Bt3.3 (from Bt4.0).

At breakup value

In trying to find the floor of the share price in the bear market, we calculate ERW's breakup value at Bt1.84/share. We use asset value at book of hotels that ERW has outright ownership in and exclude those that are on long-term leases, even though they generate a cash flow stream. Note that ERW's simple book value from its balance sheet also shows a similar number to our breakup value due to the same reason that net leased assets are not accounted for. This is why ERW most of the time traded far above book. Its average 10-year P/BV is 2.7x. Hotels on leasehold are Grand Hyatt Erawan, JW Marriott, etc. We estimate their combined EBITDA at Bt2.1bn or 69% of total EBITDA in 2024.

Adapting to weak Chinese tourist arrivals

Chinese tourists accounted for 15% of ERW's total revenue in 2024. Due to weak Chinese tourist arrivals to Thailand, which fell 33% y-y in 5M25, ERW is diversifying its customer base by targeting more tourists from the Middle East, the US, Europe, and India. ERW is also expanding its new HOP INN hotels, which target more local travelers, across the APAC region to stabilize revenue. Meanwhile, domestic tourism has remained relatively resilient, driving strong demand for its HOP INN budget hotels. In 2024, HOP INN properties contributed 22% to ERW's revenue. We estimate its RevPar growth of -8/+3/+6% in 2025-27F.

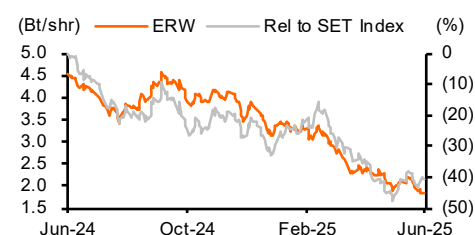
Likely weak 2Q25F

We estimate ERW's 2Q25F core profit at Bt83m, down by 35% y-y and 76% q-q as 2Q is the low season. The y-y drop is primarily due to a decline in Chinese tourists, affecting ERW's 3- to 5-star hotel segment. We expect RevPAR to decline by 10% y-y, and EBIT margin to fall both y-y and q-q to 13.9% in 2Q25F. We foresee 3Q25F marking the bottom of ERW's earnings, with a q-q recovery likely in 4Q25F. 3Q is also a weak season, and we also factor in the new lease cost of Grand Hyatt Erawan.

COMPANY VALUATION

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Sales	7,872	7,755	8,144	8,738
Net profit	1,281	805	954	1,063
Consensus NP	—	895	960	1,058
Diff frm cons (%)	—	(10.1)	(0.6)	0.5
Norm profit	917	805	954	1,063
Prev. Norm profit	—	810	1,005	1,151
Chg frm prev (%)	—	(0.6)	(5.0)	(7.7)
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS grw (%)	17.4	(14.0)	18.5	11.4
Norm PE (x)	9.6	11.1	9.4	8.4
EV/EBITDA (x)	6.9	7.4	6.7	5.8
P/BV (x)	1.0	1.0	0.9	0.9
Div yield (%)	4.9	3.1	3.7	4.2
ROE (%)	12.2	9.0	10.1	10.5
Net D/E (%)	96.3	98.2	83.8	70.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 23-Jun-25 (Bt)	1.83
Market Cap (US\$ m)	270.9
Listed Shares (m shares)	4,886.9
Free Float (%)	64.3
Avg Daily Turnover (US\$ m)	2.3
12M Price H/L (Bt)	4.58/1.82
Sector	Tourism
Major Shareholder	Vongkusolkrit & Wattanavekin
	Group 55%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10

A deep-value stock; BUY

Reason to BUY ...

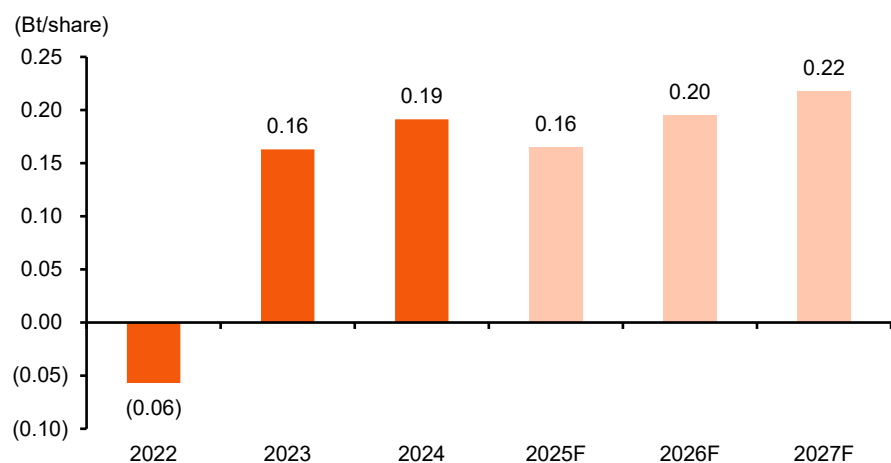
We reiterate our BUY rating on shares of The Erawan Group (ERW) on the back of the following reasons:

First, ERW is already trading at around its breakup value of Bt1.84/share, which we consider a deep-value entry point.

Second, ERW operates a segmentally diversified hotel portfolio featuring strong hotel brands.

Third, despite weak tourist arrivals this year likely pushing down its earnings by 14%, we expect its hotel expansions to help earnings growth of 19/11% resume in 2026-27F.

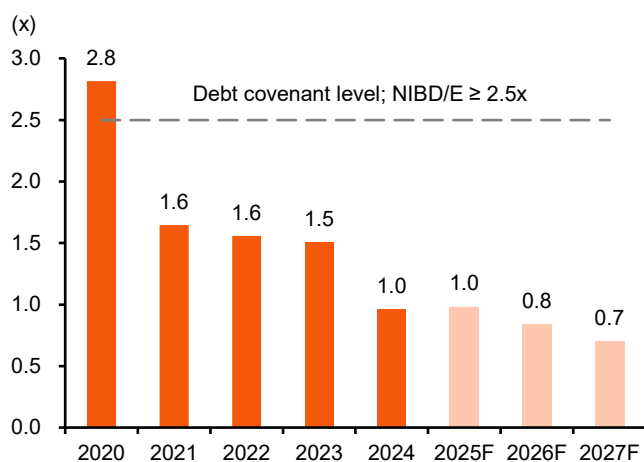
Ex 1: EPS



Sources: Company data, Thanachart estimates

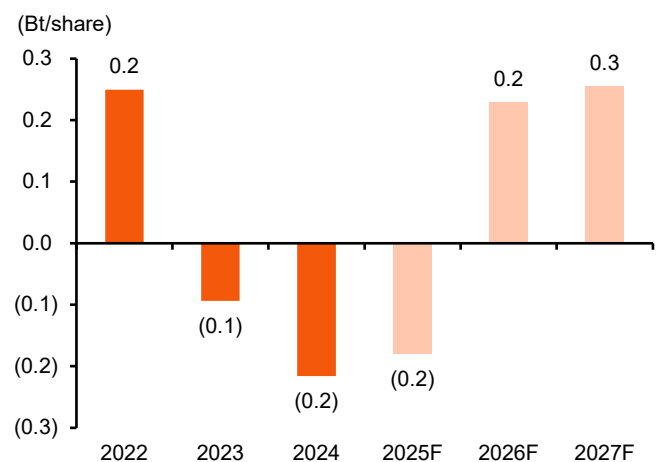
Lastly, ERW is a financially strong company. Its net D/E is 1.0x in 2025F vs. its peak of 2.8x during the COVID period. Despite the expansions, we expect positive free cash flow into 2027F.

Ex 2: Net D/E



Sources: Company data, Thanachart estimates

Ex 3: Free Cash Flow Per Share



Sources: Company data, Thanachart estimates

Note that in this report, we cut our 2025-27F earnings estimates by 1/5/8% to reflect a more conservative outlook for tourism. Details of our new assumptions are as follows.

- We revise down our assumptions for the number of international tourists visiting Thailand from 34.0/35.5/36.6m people to 33.8/34.6/35.6m people in 2025- 27F due to the weak number of international tourist arrivals.
- With the lower number of international tourists, we cut our occupancy rate (OR) and average room rate (ARR) assumptions, as shown in Exhibit 4.

Following our earnings cuts, we lower our DCF-based 12-month TP (2025F base year) to Bt3.30/share from Bt4.00.

Ex 4: Changes In Our Key Assumptions And Earnings Revisions

	2023	2024	2025F	2026F	2027F
# of international tourists (m people)					
- New	28.2	35.5	33.8	34.6	35.6
- Old			34.0	35.5	36.6
- Change (%)			(0.6)	(2.6)	(2.6)
Occupancy rate (%)					
- New	79.7	79.9	79.9	81.4	83.3
- Old			79.9	81.8	83.6
- Change (ppt)			(0.1)	(0.3)	(0.3)
ARR (Bt/room/night)					
- New	1,812	1,922	1,772	1,796	1,865
- Old			1,776	1,814	1,895
- Change (%)			(0.2)	(1.0)	(1.6)
Normalized profit (Bt m)					
- New	762	917	805	954	1,063
- Old			810	1,005	1,151
- Change (%)			(0.6)	(5.0)	(7.7)

Sources: Company data, Thanachart estimates

At breakup value

We calculate a breakup value of Bt1.84/share

To identify the potential floor for ERW's share price in a bear market scenario, we have calculated the company's breakup value at Bt1.84/share. This valuation is based on the book value of ERW's hotel assets in which the company holds full ownership. We have deliberately excluded properties under long-term lease agreements from this calculation, even though these leased assets make a significant contribution to ERW's cash flow generation. The rationale is that such leasehold assets are not recognized as owned property on the balance sheet and therefore are not reflected in book value calculations.

Interestingly, the breakup value we derived closely aligns with ERW's reported book value per share, which further validates our methodology. This similarity arises because the company's net leased assets – despite their operational contributions – are not capitalized, and thus are excluded from traditional book value assessments. This structural factor explains why ERW's shares have historically traded at a significant premium to book value. Over the past decade, the stock has commanded an average P/BV multiple of 2.7x.

Moreover, we estimate that ERW's wholly owned hotel assets will generate around Bt2.1bn in EBITDA in 2024, representing around 69% of the group's total projected EBITDA. This underlines the critical importance of its owned portfolio in underpinning the company's core earnings power and intrinsic value.

Ex 5: Breakup Value

As of the end of 2024

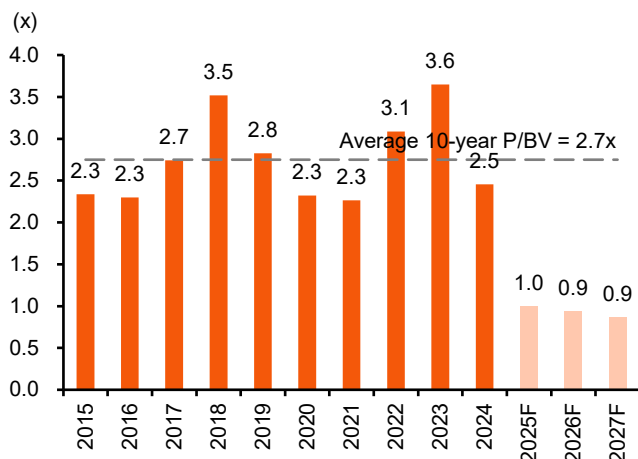
(Unit: Bt m)

Book value of its owned assets	18,888
<u>Less</u> Net debt	9,138
<u>Less</u> Minority interest	780
Net book value of its owned assets	8,970
# of shares	4,887
Net book value of its owned assets per share	Bt1.84/share

Sources: Company data, Thanachart estimates

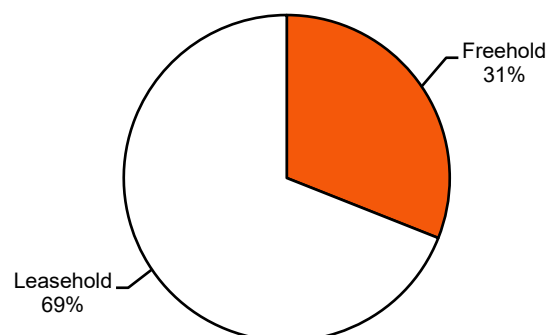
Note that the leasehold hotels include the Grand Hyatt Erawan, JW Marriott, Courtyard by Marriott Bangkok, Mercure Bangkok Siam, Mercure Bangkok Sukhumvit 24, Novotel Sukhumvit 4, all six Ibis hotels located in Bangkok, 23 HOP INN hotels located in Bangkok and upcountry, 11 hotels in the Philippines, and four hotels in Japan.

Ex 6: P/BV



Sources: Company data, Thanachart estimates

Ex 7: EBITDA Breakdown By Type Of Asset In 2024



Sources: Company data, Thanachart estimates

Adapting to weak Chinese tourist arrivals

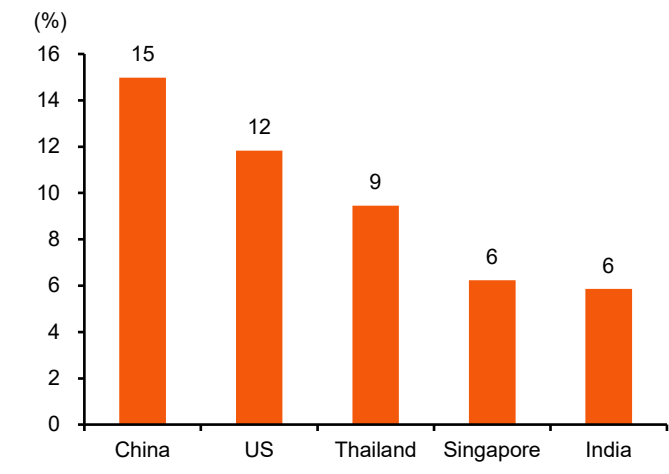
Chinese tourist arrivals plunged 33% y-y in 5M25

In 5M25, Thailand welcomed 14.4m international tourists, marking a 3% y-y decline. The primary driver of this drop was the significant reduction in Chinese tourist arrivals, which plunged 33% y-y. This decline is particularly impactful for ERW, given that Chinese travelers accounted for around 15% of the company's total revenue in 2024.

ERW is diversifying its customer mix

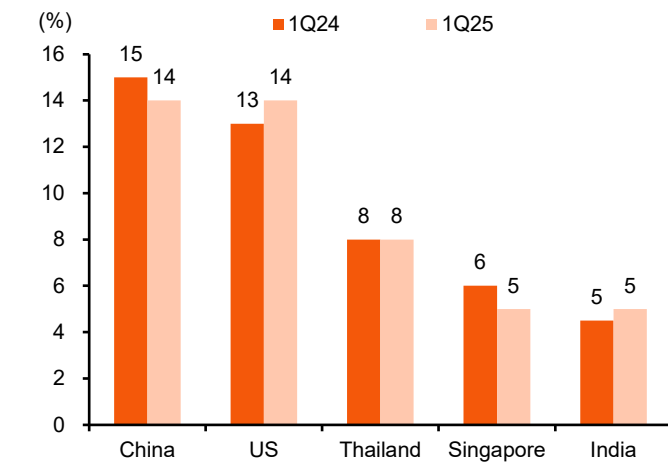
In response to the weaker Chinese inbound market, ERW is actively diversifying its customer mix. The company is now targeting tourists from alternative high-potential markets, including the Middle East, the United States, Europe, and India. This strategic shift aims to mitigate its concentration risk and stabilize revenue streams in the future.

Ex 8: ERW's Revenue Breakdown By Nationality In 2024



Source: Company data

Ex 9: ERW's Revenue Breakdown By Nationality



Source: Company data

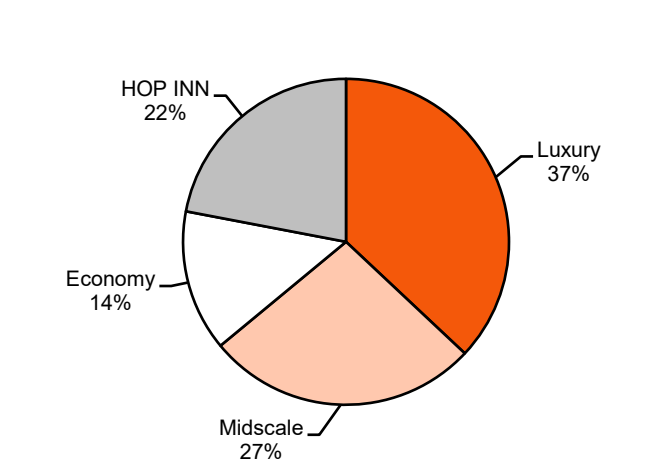
ERW continues to invest in its budget hotel brand

At the same time, ERW continues to invest in its budget hotel brand, HOP INN, which caters primarily to domestic travelers. The expansion of HOP INN across the Asia-Pacific (APAC) region is part of ERW's long-term strategy to reduce reliance on international tourism and capitalize on the resilience of local travel demand. Domestic tourism has remained relatively stable, supporting strong occupancy rates for HOP INN properties.

In 2024, HOP INN hotels contributed 22% of ERW's total revenue. Management has set a target for this segment to account for 37% of total revenue by 2030, underscoring the company's commitment to growing its budget hotel footprint.

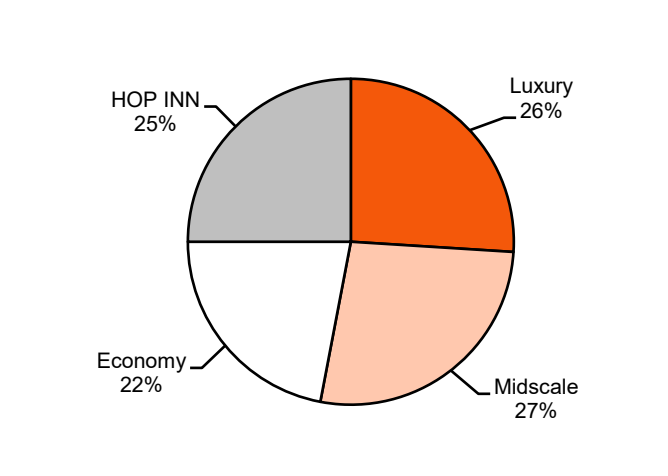
Looking ahead, we estimate RevPAR growth for ERW at -8/+3/+6% in 2025-27F. This reflects continued pressure from weak Chinese arrivals in the near term, followed by a gradual recovery in international tourism, strategic diversification of the customer base, and sustained support from resilient domestic demand.

Ex 10: Revenue Breakdown By Segment In 2024



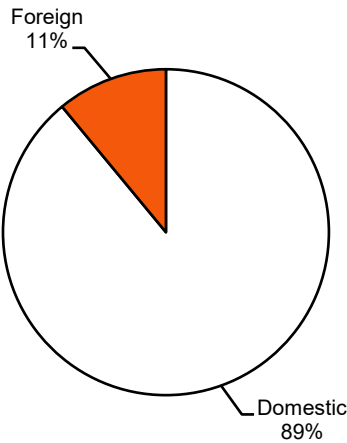
Source: Company data

Ex 11: EBITDA Breakdown By Segment In 2024



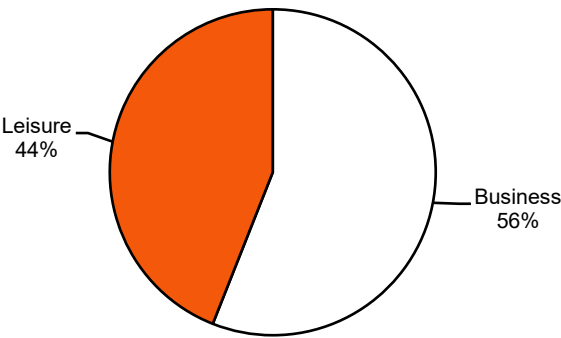
Source: Company data

Ex 12: HOP INN's Customer Profile By Traveler Base



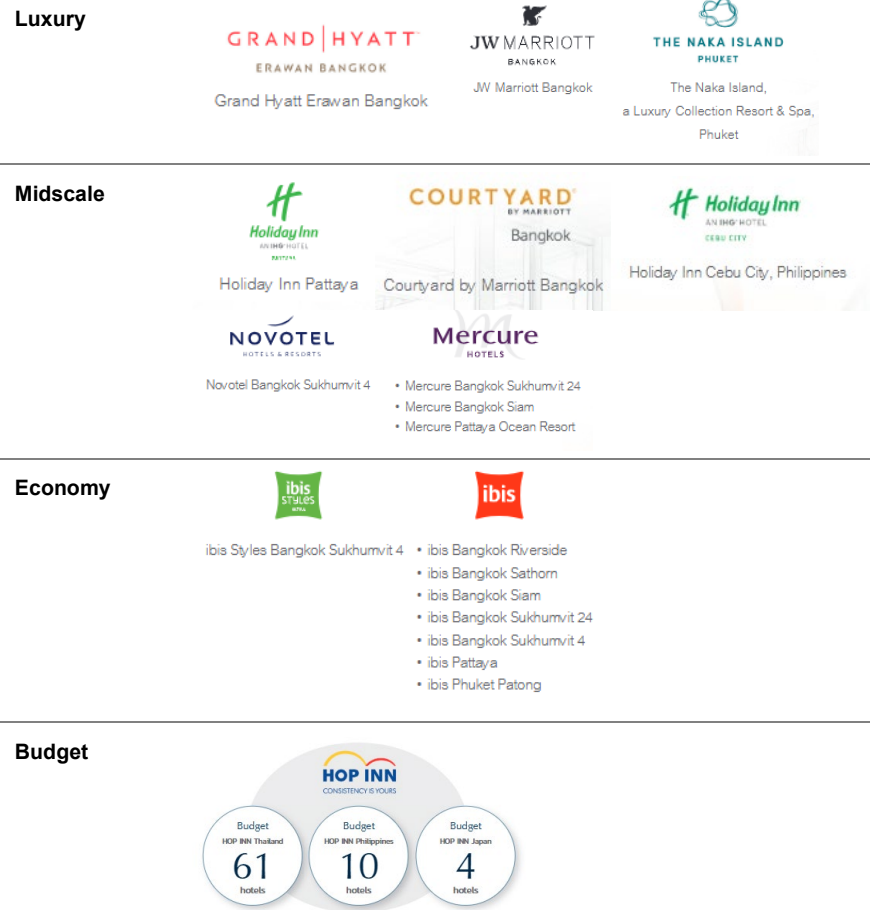
Source: Company data

Ex 13: HOP INN's Customer Profile By Segment In 2024



Source: Company data

Ex 14: Brands Under ERW's Hotel Portfolio At End 2024



Source: Company data

Likely weak 2Q25F

2Q25F core profit looks set to decline by 35% y-y and 76% q-q

We estimate ERW's 2Q25F core profit at Bt83m, representing a 35% y-y decline and a 76% q-q drop. This sharp decline is largely seasonal, as 2Q25 is typically the low season for tourism in Thailand. The y-y contraction is mainly attributable to a significant decline in Chinese tourist arrivals, which has had a direct impact on ERW's higher-end 3- to 5-star hotel segment, where Chinese travelers historically made up a sizeable share of demand.

As a result, we expect RevPAR to decline by 10% y-y in 2Q25F, reflecting both softer occupancy and lower ARR. In line with the weaker top-line performance, we project its EBIT margin to be compressed to 13.9%, down both y-y and q-q, due to operating deleveraging and weaker revenue contribution from premium hotel assets.

Looking ahead, we expect 3Q25F to mark the earnings trough for ERW, as 3Q is also part of the traditional low season. Moreover, the quarter should begin to reflect the new lease costs associated with the Grand Hyatt Erawan, further pressuring earnings. However, we anticipate a sequential recovery starting in 4Q25F, supported by seasonality, improving international tourist flows, and contributions from the expanding HOP INN portfolio.

Please note that the existing temporary lease contract ends on 1 July 2025. We assume that ERW will be able to conclude its master lease agreement with the Ministry of Finance, allowing for a 20-year renewal. We also assume an annual cost increase of Bt50m resulting from the contract renewal. The new lease agreement is likely to commence on 2 July 2025.

Ex 15: 2Q25F Earnings Preview

Income Statement						(consolidated)	
Yr-end Dec (Bt m)	2Q24	3Q24	4Q24	1Q25	2Q25F	q-q%	y-y%
Revenue	1,834	1,849	2,215	2,127	1,760	(17)	(4)
Gross profit	1,024	1,037	1,354	1,290	976	(24)	(5)
SG&A	730	745	788	766	732	(4)	0
Operating profit	294	291	566	524	244	(53)	(17)
EBITDA	536	546	828	776	497	(36)	(7)
Other income	9	7	21	9	9	4	(1)
Other expense	(1)	0	(0)	(0)	0	na	na
Interest expense	182	179	171	160	162	1	(11)
Profit before tax	122	119	417	374	91	(76)	(25)
Income tax	(9)	(5)	22	11	5	(59)	na
Equity & invest. income	0	0	0	0	0	na	na
Minority interests	(4)	0	(16)	(17)	(4)	na	na
Extraordinary items	235	0	0	0	0	na	na
Net profit	361	125	378	345	83	(76)	(77)
Normalized profit	127	124	378	345	83	(76)	(35)

Sources: Company data, Thanachart estimates

Ex 16: 12-month DCF-based TP Calculation Using A Base Year of 2025F

													Terminal
(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	Value
EBITDA excl. depre from right of use	2,540	2,686	2,909	3,018	3,067	3,277	3,422	3,560	3,680	3,788	3,897	4,008	—
Free cash flow	(664)	1,477	1,532	1,499	2,272	2,627	2,748	2,863	2,962	3,051	3,140	3,231	41,397
PV of free cash flow	(663)	1,222	1,153	1,026	1,413	1,486	1,414	1,339	1,260	1,180	1,105	1,033	13,238
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	10.0												
Terminal growth (%)	2.0												
Enterprise value - add investments	26,205												
Net debt (2024)	9,138												
Minority interest	780												
Equity value	16,286												
# of shares	4,887												
Target price/share (Bt)	3.30												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 17: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div yield—	
			25F	26F	25F	26F	25F	26F	25F	26F	25F	26F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Accor SA	AC FP	France	4.6	20.7	18.0	14.9	2.1	2.1	10.9	10.0	3.3	3.7
Indian Hotels	IH IN	India	(11.3)	24.8	64.0	51.3	9.8	8.4	39.0	31.5	0.3	0.3
Resorttrust	4681 JP	Japan	(7.5)	10.0	19.0	17.3	2.5	2.3	9.8	9.2	1.8	2.0
Hotel Shilla	008770 KS	S. Korea	na	131.4	53.1	23.0	1.6	1.5	15.6	12.3	0.4	0.5
NH Hotel Group	NHH SM	Spain	(22.8)	(14.7)	16.0	18.8	2.2	1.9	7.4	7.3	3.7	na
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	(18.5)	10.8	110.8	100.0	5.0	4.9	14.6	13.8	0.6	0.6
InterContinental Hotels	IHG US	US	14.2	12.7	21.5	19.1	na	na	15.1	14.1	1.8	2.0
Marriott International	MAR US	US	8.0	13.3	25.8	22.8	na	na	16.1	15.0	1.0	1.1
Hilton Worldwide Holdings	HLT US	US	11.3	14.3	31.4	27.5	na	na	19.0	17.6	0.2	0.3
Asset World Corp	AWC TB	Thailand	(53.5)	25.9	18.8	15.0	0.5	0.5	19.2	15.9	2.8	2.8
Central Plaza Hotel	CENTEL TB*	Thailand	(4.0)	14.7	17.7	15.5	1.4	1.3	8.6	8.4	2.5	2.9
Erawan Group	ERW TB*	Thailand	(14.0)	18.5	11.1	9.4	1.0	0.9	7.4	6.7	3.1	3.7
Minor International	MINT TB*	Thailand	1.1	19.5	18.5	15.5	1.4	1.3	5.4	5.1	3.0	3.6
Average			(7.7)	23.2	32.8	26.9	2.7	2.5	14.5	12.8	1.9	2.0

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

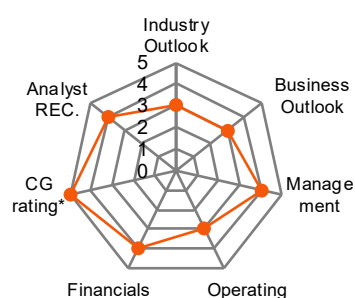
Based on 23 June 2025 closing prices

COMPANY DESCRIPTION

The Erawan Group Public Co., Ltd. (ERW) was established on 29 December 1982. ERW's core businesses involve investing in, developing, and managing a diversified portfolio of hotel properties and segments (luxury, mid-scale, economy, and budget) across Thailand. It is also investing in the budget segment in the Philippines and Japan. As of the end of 1Q25, ERW owned 96 hotels and retail rental space.

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.

O — Opportunity

- Focuses on high-growth segments: mid-scale and economy and budget hotels (owned brand: HOP INN).
- Potential expansion in ASEAN.

W — Weakness

- Hotel footprint remains concentrated in Bangkok, Thailand.
- Luxury hotel oversupply in Thailand.

T — Threat

- Fierce competition among hotel operators.
- Political unrest, natural disasters, and pandemics.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.29	3.30	0%
Net profit 25F (Bt m)	895	805	-10%
Net profit 26F (Bt m)	960	954	-1%
Consensus REC	BUY: 17	HOLD: 5	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2026F earnings estimate and TP are in line with the Street's numbers. However, we have a more conservative view on ERW's 2025F earnings due to weak international tourist arrivals.

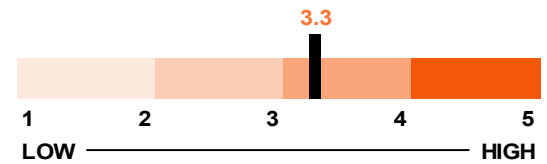
RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and the return of COVID-19 are the key downside risks to our call.
- A slower-than-expected recovery in Thai and international tourist demand 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

ERW is a hotel operator in Thailand with brands including Hyatt, Marriott, Holiday Inn, Mercure, Novotel, and Ibis. It also has its “HOP INN” owned brand in the budget-hotel segment. Our ESG score for ERW is 3.3, which is slightly below the sector’s average of 3.4. We see the highest score in S, followed by E and G.

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	-	-	-	-	-	62.73	30.00	-	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 <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> We assign an E score of 3.3, which is below its peer average of 3.5, due to its less defined plans for managing environmental issues compared to its peers. ERW targets net-zero GHG emissions by 2065. 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 their use of laundry water, raising awareness among staff, installing aerators to reduce water flow from faucets, and constructing wastewater systems, among other measures. ERW aims to reduce landfill and food waste by 50% within 2027 through the 4R principles of Reduce, Reuse, Recycle, and Recover.
SOCIAL <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> We assign an S score of 3.4 to ERW, which is higher than its E and G scores. ERW's human rights policy cites employment based on fair and reasonable wages, fair rights and benefits, and fair working hours. No staff members 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 advancing employees' career paths. The Corporate Hybrid Learning Center, both onsite and online, has been 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 <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> We assign a G score of 3.3, which is in line with the sector average. ERW does not have an ideal board structure, as the board chairman is not independent. Also, only four of the 12 directors are independent (below the ideal ratio of 2/3). Four of the directors are female. ERW has all key committees, i.e., remuneration, audit, and risk management. It emphasizes risk management for stable operations and sustainable growth. 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

INCOME STATEMENT

*Falling Chinese tourists
hit 2025F earnings*

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Sales	6,986	7,872	7,755	8,144	8,738
Cost of sales	3,035	3,276	3,232	3,378	3,612
Gross profit	3,952	4,596	4,523	4,766	5,126
% gross margin	56.6%	58.4%	58.3%	58.5%	58.7%
Selling & administration expenses	2,720	2,992	3,048	3,192	3,352
Operating profit	1,232	1,604	1,475	1,574	1,775
% operating margin	17.6%	20.4%	19.0%	19.3%	20.3%
Depreciation & amortization	901	995	1,065	1,112	1,134
EBITDA	2,133	2,599	2,540	2,686	2,909
% EBITDA margin	30.5%	33.0%	32.8%	33.0%	33.3%
Non-operating income	60	52	52	52	55
Non-operating expenses	23	0	0	0	0
Interest expense	(589)	(703)	(651)	(588)	(555)
Pre-tax profit	726	954	876	1,038	1,274
Income tax	(17)	9	31	42	166
After-tax profit	742	946	846	997	1,109
% net margin	10.6%	12.0%	10.9%	12.2%	12.7%
Shares in affiliates' Earnings	36	3	0	0	0
Minority interests	(17)	(32)	(41)	(43)	(46)
Extraordinary items	(19)	364	0	0	0
NET PROFIT	743	1,281	805	954	1,063
Normalized profit	762	917	805	954	1,063
EPS (Bt)	0.2	0.3	0.2	0.2	0.2
Normalized EPS (Bt)	0.2	0.2	0.2	0.2	0.2

BALANCE SHEET

*Plans to build 10 HOP
INN hotels in 2025*

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
ASSETS:					
Current assets:	1,885	2,180	1,795	1,825	1,862
Cash & cash equivalent	1,217	1,612	1,200	1,200	1,200
Account receivables	170	222	234	245	263
Inventories	49	43	44	46	49
Others	450	302	317	333	349
Investments & loans	83	0	0	0	0
Net fixed assets	16,185	18,900	20,835	20,723	20,589
Other assets	5,521	5,166	5,238	5,311	5,385
Total assets	23,675	26,246	27,869	27,859	27,837
LIABILITIES:					
Current liabilities:	3,058	2,981	2,543	2,529	2,507
Account payables	227	266	266	278	297
Bank overdraft & ST loans	820	685	550	507	460
Current LT debt	932	1,067	522	482	437
Others current liabilities	1,079	963	1,205	1,263	1,314
Total LT debt	9,067	8,999	9,926	9,150	8,297
Others LT liabilities	5,180	4,775	5,422	5,514	5,611
Total liabilities	17,305	16,754	17,892	17,193	16,415
Minority interest	40	780	821	864	910
Preferreds shares	0	0	0	0	0
Paid-up capital	4,532	4,887	4,887	4,887	4,887
Share premium	910	1,621	1,621	1,621	1,621
Warrants	0	0	0	0	0
Surplus	1,718	2,092	2,092	2,092	2,092
Retained earnings	(830)	112	556	1,202	1,912
Shareholders' equity	6,330	8,712	9,156	9,802	10,512
Liabilities & equity	23,675	26,246	27,869	27,859	27,837

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT*Strong cash flow from operations*

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Earnings before tax	726	954	876	1,038	1,274
Tax paid	27	20	(45)	(33)	(167)
Depreciation & amortization	901	995	1,065	1,112	1,134
Chg In working capital	(23)	(7)	(13)	(2)	(2)
Chg In other CA & CL / minorities	203	714	241	3	6
Cash flow from operations	1,833	2,675	2,125	2,118	2,246
Capex	(2,270)	(3,709)	(3,000)	(1,000)	(1,000)
Right of use	(741)	481	(50)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	(21)	83	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	624	(168)	626	100	103
Cash flow from investments	(2,408)	(3,313)	(2,424)	(950)	(947)
Debt financing	372	(69)	248	(860)	(946)
Capital increase	0	1,066	(0)	0	0
Dividends paid	0	(317)	(361)	(308)	(353)
Warrants & other surplus	(112)	353	0	0	0
Cash flow from financing	260	1,033	(113)	(1,168)	(1,299)
Free cash flow	(437)	(1,034)	(875)	1,118	1,246

VALUATION*Inexpensive valuation, in our view*

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Normalized PE (x)	11.23	9.56	11.1	9.4	8.4
Normalized PE - at target price (x)	20.25	17.24	20.0	16.9	15.2
PE (x)	11.52	6.85	11.1	9.4	8.4
PE - at target price (x)	20.77	12.34	20.0	16.9	15.2
EV/EBITDA (x)	8.51	6.9	7.4	6.7	5.8
EV/EBITDA - at target price (x)	11.73	9.6	10.2	9.3	8.3
P/BV (x)	1.4	1.0	1.0	0.9	0.9
P/BV - at target price (x)	2.4	1.9	1.8	1.6	1.5
P/CFO (x)	4.7	3.3	4.2	4.2	4.0
Price/sales (x)	1.3	1.1	1.2	1.1	1.0
Dividend yield (%)	3.7	4.9	3.1	3.7	4.2
FCF Yield (%)	(5.1)	(11.8)	(9.8)	12.5	13.9
(Bt)					
Normalized EPS	0.2	0.2	0.2	0.2	0.2
EPS	0.2	0.3	0.2	0.2	0.2
DPS	0.1	0.1	0.1	0.1	0.1
BV/share	1.4	1.8	1.9	2.0	2.2
CFO/share	0.4	0.6	0.4	0.4	0.5
FCF/share	(0.1)	(0.2)	(0.2)	0.2	0.3

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Growth Rate					
Sales (%)	50.9	12.7	(1.5)	5.0	7.3
Net profit (%)	na	72.5	(37.2)	18.5	11.4
EPS (%)	na	68.2	(38.4)	18.5	11.4
Normalized profit (%)	na	20.4	(12.2)	18.5	11.4
Normalized EPS (%)	na	17.4	(14.0)	18.5	11.4
Dividend payout ratio (%)	42.7	34.3	35.0	35.0	35.0
Operating performance					
Gross margin (%)	56.6	58.4	58.3	58.5	58.7
Operating margin (%)	17.6	20.4	19.0	19.3	20.3
EBITDA margin (%)	30.5	33.0	32.8	33.0	33.3
Net margin (%)	10.6	12.0	10.9	12.2	12.7
D/E (incl. minor) (x)	1.7	1.1	1.1	1.0	0.8
Net D/E (incl. minor) (x)	1.5	1.0	1.0	0.8	0.7
Interest coverage - EBIT (x)	2.1	2.3	2.3	2.7	3.2
Interest coverage - EBITDA (x)	3.6	3.7	3.9	4.6	5.2
ROA - using norm profit (%)	3.4	3.7	3.0	3.4	3.8
ROE - using norm profit (%)	12.7	12.2	9.0	10.1	10.5
DuPont					
ROE - using after tax profit (%)	12.3	12.6	9.5	10.5	10.9
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	18.8	21.0	19.7	20.0	20.9
- leverage (x)	3.8	3.3	3.0	2.9	2.7
- interest burden (%)	55.2	57.6	57.4	63.9	69.7
- tax burden (%)	102.3	99.1	96.5	96.0	87.0
WACC (%)	10.0	10.0	10.0	10.0	10.0
ROIC (%)	8.6	10.0	8.0	8.0	8.2
NOPAT (Bt m)	1,260	1,590	1,424	1,511	1,544
invested capital (Bt m)	15,932	17,850	18,954	18,740	18,504

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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