

BUY (Unchanged)**TP: Bt 3.00**

(From: Bt 3.60)

Change in Numbers

Upside : 31.6%

6 JANUARY 2026

The Erawan Group Pcl (ERW TB)

Growth resumption

After a likely 15.1% EPS drop in 2025F, we expect ERW's EPS growth to resume at 17.0/8.3% in 2026-27F, supported by rising tourist numbers, hotel expansion, higher margins, and falling interest expenses. At 12.0x PE in 2026F, we maintain our BUY call on ERW.

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Growth with an attractive valuation; BUY

We maintain our BUY call on ERW. **First**, after an expected 15.1% EPS decline in 2025F due to weak tourist arrivals, we project a rebound, with EPS growth of 17.0% and 8.3% in 2026–27F, driven by operational improvements and hotel expansion. **Second**, we see a negligible impact from the China-Japan geopolitical dispute on ERW's Japan hotels and no material effect on overall operations. **Third**, valuation looks attractive to us for an asset-based company at 12.0x PE, given 17.0% EPS growth in 2026F. The low PE already reflects our 2025-27F earnings cuts of 2.7/3.5/6.7%, driven by higher interest expenses from increased investment and higher corporate income tax. Our DCF-based 12-month TP (2026F base year) falls to Bt3.0 (from Bt3.6).

Earnings growth to resume in 2026-27F

Key drivers of our 17.0/8.3% EPS growth estimates for 2026-27F are: 1) revenue growth from existing hotels and new hotels opening during 2025-27F; 2) gross margin expansion to 58.2/58.4% in 2026-27F from 58.0% in 2025F, driven by economies of scale; and 3) declining interest expenses due to the falling interest-rate trend and debt refinancing at lower funding costs. All ERW's debts are floating-rate. We expect slower EPS growth in 2027F as corporate income tax payments resume.

Limited impact from Japan-China spat

ERW runs four HOP INN hotels in Japan, which accounted for 4% of ERW's total hotel revenue in 9M25. Only 5% of revenue at its Japan hotels comes from Chinese tourists, who are mostly not tour group-based travelers. The top three guest nationalities by revenue at its Japan hotels are Japanese (18%), Thai (15%), and Filipino (13%). We therefore expect only a minimal impact from the Japan-China spat on ERW's Japan hotels. Meanwhile, ERW could benefit if more Chinese tourists switch to Thailand early this year. In 9M25, Chinese tourists accounted for 14% of revenue at ERW's Thai hotels across the economy-to-luxury segments.

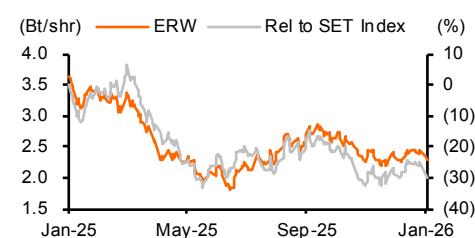
New investments and renovations

Besides the new combo hotel at Sukhumvit Soi 26 in Bangkok, which is targeted to be added to ERW's portfolio in 2029, ERW has recently announced plans to build another hotel on a leased site near BTS Asoke. This project may adopt the midscale combo model used at Sukhumvit Soi 26 and is scheduled to open in 2030. The company also intends to open eight to 10 new HOP INN hotels per year from 2026-28, following the addition of 10 new hotels in 2025. In addition, ERW plans to undertake a phased renovation of the Grand Hyatt Erawan beginning in 2Q26, following completion of the renovation of Naka Island, a Luxury Collection Resort & Spa, in 3Q25.

COMPANY VALUATION

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Sales	7,872	7,799	8,245	8,857
Net profit	1,281	794	930	1,006
Consensus NP	—	801	886	939
Diff frm cons (%)	—	(0.8)	4.9	7.1
Norm profit	917	794	930	1,006
Prev. Norm profit	—	817	963	1,079
Chg frm prev (%)	—	(2.7)	(3.5)	(6.7)
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS grw (%)	17.4	(15.1)	17.0	8.3
Norm PE (x)	11.9	14.0	12.0	11.1
EV/EBITDA (x)	7.7	8.1	7.7	7.6
P/BV (x)	1.3	1.2	1.1	1.1
Div yield (%)	3.9	2.5	2.9	3.2
ROE (%)	12.2	8.9	9.8	10.0
Net D/E (%)	96.3	91.7	91.1	99.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 6-Jan-26 (Bt)	2.28
Market Cap (US\$ m)	356.4
Listed Shares (m shares)	4,886.9
Free Float (%)	64.3
Avg Daily Turnover (US\$ m)	1.7
12M Price H/L (Bt)	3.64/1.82
Sector	Tourism
Major Shareholder	Vongkusolkrit & Wattanavekin
	Group 55%

Sources: Bloomberg, Company data, Thanachart estimates

Growth with an attractive valuation; BUY

Maintain BUY

1) Operational improvement and HOP INN hotel expansion

We maintain our BUY rating on The Erawan Group (ERW) for the following reasons:

First, following an expected 15.1% EPS decline in 2025F due to softer tourist arrivals and a lower average room rate (ARR), we anticipate a recovery beginning in 2026F. We estimate EPS to rebound by 17.0% in 2026F and 8.3% in 2027F, underpinned by a normalization of travel demand, operational efficiency gains, and margin recovery. In addition, contributions from new hotel openings and room expansions, particularly for its budget HOP INN hotels, should support revenue growth, improve economies of scale, and enhance overall profitability.

2) Negligible impact on ERW's Japan hotels

Second, we expect the China-Japan geopolitical dispute to have a negligible impact on ERW's Japan hotel portfolio, as the company's exposure to Chinese outbound travelers remains limited and diversified across multiple source markets. Demand at ERW's Japan properties continues to be supported by domestic tourism and visitors from other regions, mitigating any potential softness from China. As a result, we do not anticipate any material disruption to occupancy rates, revenue performance, or overall operations stemming from the tensions.

3) Inexpensive valuation, in our view

Third, we believe ERW's valuation remains attractive for an asset-based company, with the stock trading at 12.0x 2026F PE against expected EPS growth of 17.0% in 2026F, implying a compelling risk-reward profile. We believe the current multiple already factors in our downward revisions to earnings estimates over 2025–27F of 2.7/3.5/6.7%, respectively, which primarily reflect higher interest expenses from increased investment activities as well as a higher effective corporate income tax rate. Details of our new assumption changes are shown in Exhibit 1.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2023	2024	2025F	2026F	2027F
Capex (Bt m)					
- New	2,270	3,709	2,300	2,400	3,500
- Old			2,100	1,700	2,200
- Change (%)			9.5	41.2	59.1
Interest expense (Bt m)					
- New	589	703	628	559	557
- Old			621	535	529
- Change (%)			1.1	4.5	5.3
Tax expense (Bt m)					
- New	(17)	9	48	85	201
- Old			44	54	192
- Change (%)			9.3	57.8	4.6
Normalized profit (Bt m)					
- New	762	917	794	930	1,006
- Old			817	963	1,079
- Change (%)			(2.7)	(3.5)	(6.7)

Sources: Company data, Thanachart estimates

Incorporating these revisions, we have updated our DCF assumptions, resulting in a lower 12-month TP (2026F base year) of Bt3.0, revised down from Bt3.6. Despite the reduction in our TP, we see limited downside at current valuation levels, supported by the company's asset backing and medium-term earnings growth outlook.

Ex 2: 12-month DCF-based TP Calculation Using A Base Year of 2026F

(Bt m)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	Terminal Value
EBITDA excl. depre from right of use	2,701	2,940	3,132	3,217	3,445	3,688	3,893	4,075	4,195	4,325	4,470	—
Free cash flow	11	(1,002)	(312)	1,693	2,591	2,784	2,951	3,102	3,199	3,305	2,628	37,341
PV of free cash flow	11	(841)	(239)	1,191	1,670	1,644	1,596	1,536	1,451	1,373	1,000	14,207
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	9.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	24,600											
Net debt (2025F)	9,141											
Minority interest	823											
Equity value	14,636											
# of shares	4,887											
Target price/share (Bt)	3.00											

Sources: Company data, Thanachart estimates

Earnings growth to resume in 2026-27F**Key earnings growth drivers in 2026-27F****1) Rising revenue from existing and new hotels**

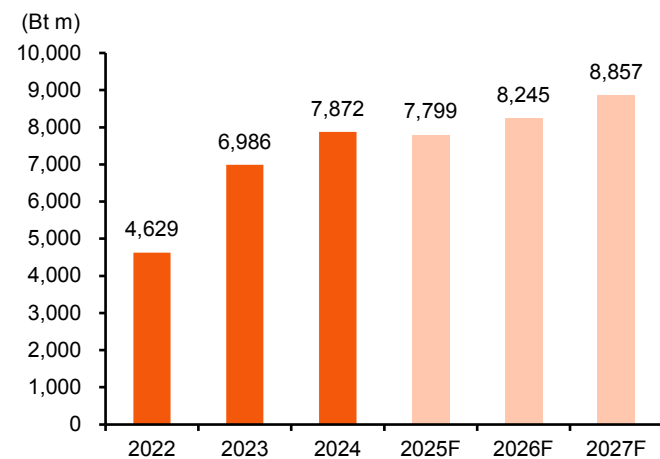
We estimate ERW's EPS growth to resume at 17.0% in 2026 and 8.3% in 2027F after an EPS contraction of 15.1% in 2025F. Key earnings growth drivers over the year 2026-27 are as follows:

First, we estimate ERW's revenue growth at 5.7/7.4% in 2026-27F vs. -0.9% in 2025F. Key revenue growth drivers are existing hotels and new hotels opened in 2025-27.

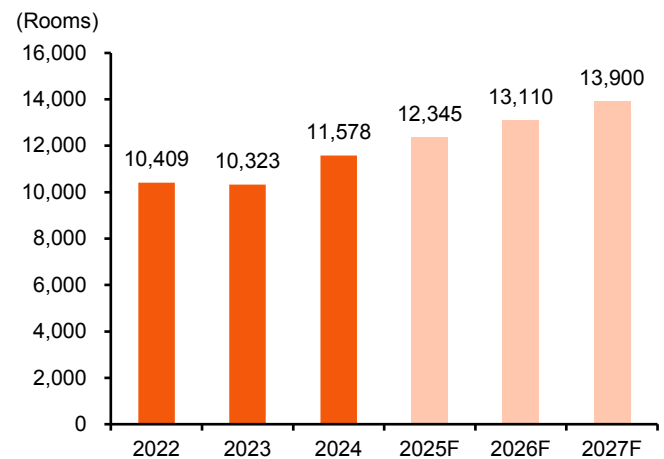
We expect ERW's average occupancy rate (OR) at existing hotels to remain broadly flat at 80.2% in 2025F, compared with 79.9% in 2024, due to a 7% y-y decline in international tourist arrivals to Thailand in 2025. We estimate OR at existing hotels to increase to 81.8% in 2026F and 83.6% in 2027F.

Meanwhile, we expect the average room rate (ARR) at existing hotels to grow by 3% and 2% in 2026-27F, respectively, following a 5% decline in 2025F. These improvements are supported by rising numbers of both international and Thai tourists. We estimate international tourist arrivals to grow by 3% p.a. to 34/35m in 2026-27F. Similarly, we expect the number of Thai tourists to increase by 3% p.a. to 288/296m visits over the same period.

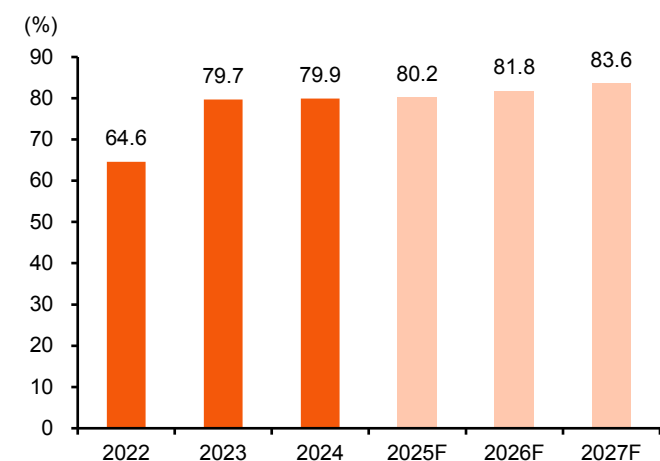
On the new hotel expansion front, ERW has already opened 10 HOP INN hotels in 2025, with properties located across provincial cities, including Pattaya, Songkhla, Loei, Ranong, Khon Kaen, Saraburi, Chiang Mai, Phrae, Kamphaeng Phet, and Tak. These openings further strengthen ERW's nationwide footprint and enhance the HOP INN brand's visibility. Looking ahead, we estimate that ERW will maintain a steady expansion pace, opening an additional 10 HOP INN hotels per year in 2026-27.

Ex 3: ERW's Revenue

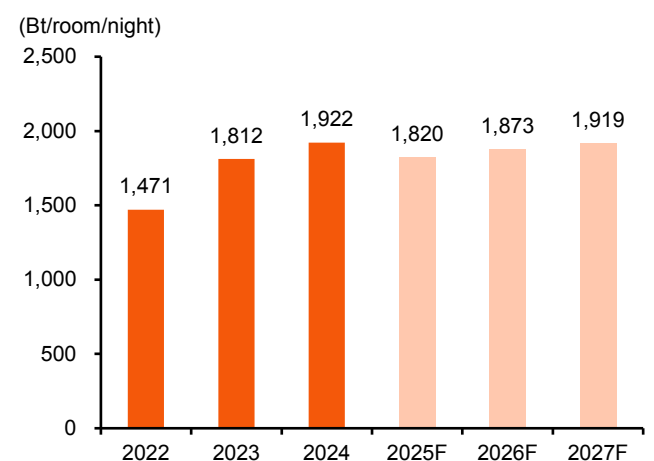
Sources: Company data, Thanachart estimates

Ex 4: ERW's Number Of Rooms

Sources: Company data, Thanachart estimates

Ex 5: ERW's Occupancy Rate At Existing Hotels

Sources: Company data, Thanachart estimates

Ex 6: ERW's ARR At Existing Hotels

Sources: Company data, Thanachart estimates

2) Expanding gross margin

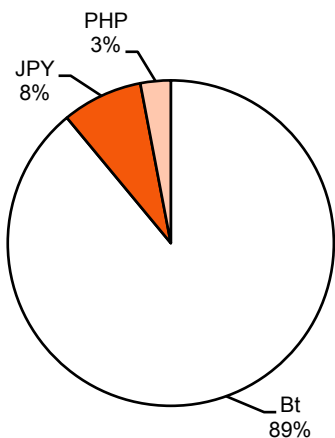
Second, we estimate ERW's gross margin will increase to 58.2/58.4% in 2026-27F from 58.0% in 2025F due to economies of scale and reduced losses from new hotels.

3) Falling interest expenses

Third, we estimate ERW's interest expenses to decline from Bt628m in 2025F to Bt559m in 2026F and Bt557m in 2027F due to the falling interest-rate trend and debt refinancing at lower funding costs. Note that the Monetary Policy Committee (MPC) cut the policy rate by 1ppt in 2025 to 1.25% and our house view expects to have another 0.25ppt cut in 2026F.

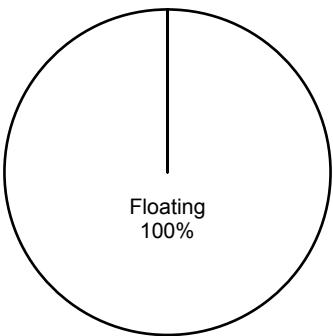
Note that we expect slow EPS growth in 2027F due to ERW resuming corporate income tax payments that year.

Ex 7: Interest-Bearing Debt Breakdown By Currency *



Source: Company data
Note: * At end-3Q25

Ex 8: Interest-Bearing Debt Breakdown By Interest Rate *



Source: Company data
Note: * At end-3Q25

Limited impact from Japan-China spat

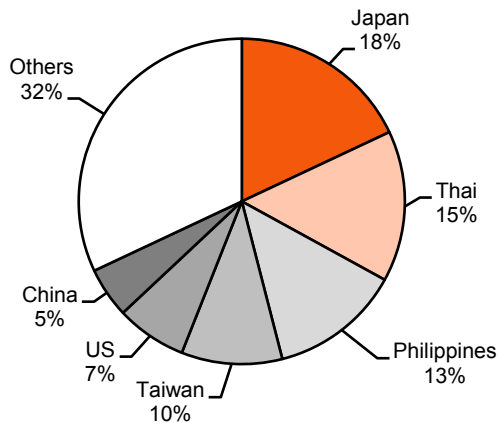
ERW has four hotels in the Philippines

ERW currently operates four HOP INN hotels in Japan, which together accounted for approximately 4% of the company’s total hotel revenue in 9M25. Revenue exposure to Chinese tourists at these Japan properties is limited, with Chinese guests contributing only around 5% of total revenue. Moreover, these visitors are predominantly independent travelers rather than tour group-based, reducing sensitivity to potential disruptions in organized travel flows.

The revenue mix at ERW’s Japan hotels is well diversified by nationality, with Japanese guests representing the largest share at 18%, followed by Thai (15%) and Filipino (13%) travelers. Given this profile, we expect only a minimal impact on ERW’s Japan operations from the ongoing Japan–China tensions.

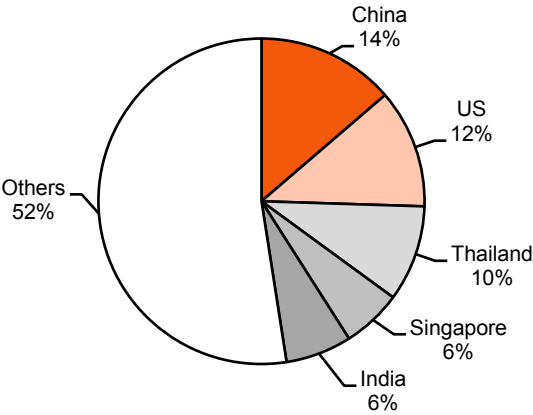
Meanwhile, ERW could benefit from a potential redirection of Chinese outbound travel toward Thailand in early this year. In 9M25, Chinese tourists accounted for 14% of revenue at ERW’s Thailand hotels across the economy, midscale, and luxury segments, suggesting meaningful upside should inbound Chinese travel to Thailand accelerate.

Ex 9: Japan Hotel Portfolio’s Revenue Breakdown In 9M25



Source: Company data

Ex 10: ERW’s Customer Breakdown By Nationality In 9M25*



Source: Company data
Note: * Thailand portfolio excluding budget segment (HOP INN)

New investments and renovations

ERW is planning to open two midscale hotels in 2029-30 ...

In addition to the new combo hotel at Sukhumvit Soi 26 in Bangkok, which is targeted to be added to ERW's portfolio in 2029, ERW has recently announced plans to develop another hotel on a leased site near BTS Asoke. This project will likely adopt the mid-scale combo model successfully implemented at Sukhumvit Soi 26, which is scheduled to open in 2030. These developments would help strengthen ERW's footprint in prime CBD locations.

... and open 8-10 HOP INN in 2026-28

Alongside its midscale expansion, the company continues to prioritize growth in the economy segment. ERW targets the opening of eight to 10 new HOP INN hotels per year during 2026-28, following the addition of 10 new hotels in 2025.

ERW intends to renovate the Grand Hyatt Erawan in 2Q26

On the asset enhancement front, ERW plans to undertake a phased renovation of the Grand Hyatt Erawan (GHE) beginning in 2Q26, aimed at preserving the property's competitive positioning and long-term value. This follows the completion of the renovation at Naka Island, a Luxury Collection Resort & Spa in 3Q25.

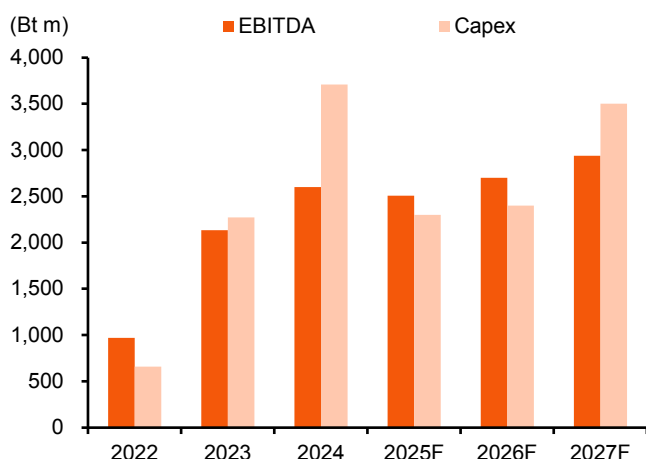
Note that ERW is currently pursuing legal action to expedite the renewal of the master lease for GHE. The renewal process, which has been ongoing since 2015, has been delayed by government agencies, resulting in repeated annual short-term lease extensions.

ERW has operated GHE since 1987 under an initial 30-year lease with a 20-year renewal option. The legal action is intended to safeguard the company's and shareholders' interests and to enhance investor confidence.

Hotel operations remain unaffected, as a one-year lease extension has been secured through early July 2026. We view this legal step positively, as it could accelerate the lease renewal process and help alleviate investor concerns.

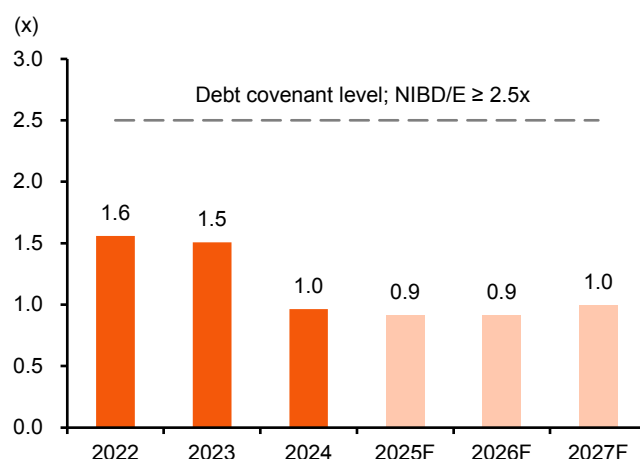
We estimate ERW will spend around Bt2.3/2.4/3.5bn of capex in 2025-27F. We expect it to finance its new investment through internal cash flow and debts. We project ERW's EBITDA at Bt2.5/2.7/2.9m in 2025-27F.

Ex 11: EBITDA And Capex



Sources: Company data, Thanachart estimates

Ex 12: Net Interest-Bearing Debt



Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: Valuation Comparison With Regional Peers

Name	BBG code	Market	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div yield—	
			25F (%)	26F (%)	25F (x)	26F (x)	25F (x)	26F (x)	25F (x)	26F (x)	25F (%)	26F (%)
Accor SA	AC FP	France	(10.7)	16.6	21.3	18.3	2.5	2.6	12.2	11.3	2.9	3.2
Indian Hotels	IH IN	India	(11.3)	20.7	61.1	50.6	9.4	8.1	37.4	31.5	0.3	0.4
Resorttrust	4681 JP	Japan	(7.5)	10.6	22.2	20.0	2.9	2.7	11.4	10.4	1.5	1.7
Hotel Shilla	008770 KS	S. Korea	na	na	na	20.1	1.5	1.4	18.4	11.3	0.4	0.5
Minor Hotels Europe & Americas	NHH SM	Spain	(18.7)	(19.0)	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	(20.7)	13.9	129.2	113.4	5.6	5.6	15.7	14.9	0.5	0.5
InterContinental Hotels	IHG US	US	34.2	13.3	26.3	23.2	na	na	18.2	17.0	1.5	1.6
Marriott International	MAR US	US	20.5	12.6	30.9	27.4	na	na	18.4	17.3	0.8	0.9
Hilton Worldwide Holdings	HLT US	US	30.1	13.3	35.4	31.3	na	na	20.8	19.3	0.2	0.2
Asset World Corp	AWC TB	Thailand	(67.2)	73.3	35.0	20.2	0.7	0.7	23.6	19.9	2.4	3.8
Central Plaza Hotel *	CENTEL TB	Thailand	(10.5)	15.8	26.3	22.7	2.0	1.9	11.8	11.6	1.7	2.0
Erawan Group *	ERW TB	Thailand	(15.1)	17.0	14.0	12.0	1.2	1.1	8.1	7.7	2.5	2.9
Minor International *	MINT TB	Thailand	11.4	16.3	18.4	15.9	1.5	1.5	5.8	5.6	3.1	3.6
Average			(5.5)	17.0	38.2	31.3	3.0	2.8	16.8	14.8	1.5	1.8

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

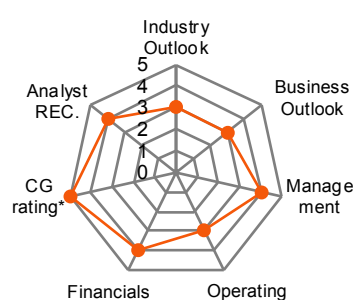
Based on 6 January 2026 closing prices

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 3Q25, ERW owned 101 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
- Strategically located assets in top 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)	3.22	3.00	-7%
Net profit 25F (Bt m)	801	794	-1%
Net profit 26F (Bt m)	886	930	5%
Consensus REC	BUY: 20	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is slightly lower than the Street's, which we attribute to us having a more conservative view on ERW's long-term earnings growth path.

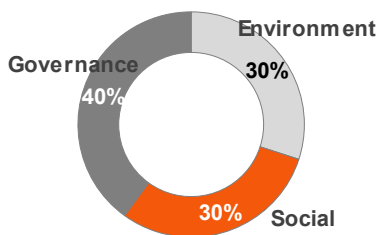
RISKS TO OUR INVESTMENT CASE

- Thailand's political situation and the Thai-Cambodian cross-border dispute 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.

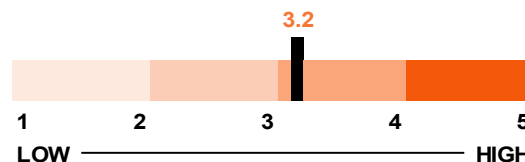
Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

ESG Weighting



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	-	-	-	-	65.33	30.00	-	5.0

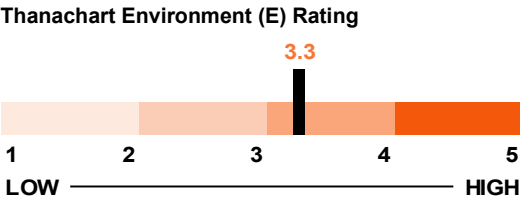
Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.



ESG Summary

- 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 3.2, which is considered decent but slightly below the sector's average of 3.4. We assign the highest score to S, followed by E and G.
- ERW has a decent ESG score, but it is not a strong ESG play in our view. It is operating its business as usual and lacks a clear business direction aligned with the ESG theme.
- ERW has a strong Social pillar, the strongest among the ESG factors. It has solid human rights practices, a strong focus on employee well-being and training, inclusive hiring, and robust standards on customer rights and data protection, which together support operational stability and brand trust.
- We view the Governance angle as the weakest area of the three. In our view, board structure is weak, and there is a risk to business sustainability over the renewal of the Grand Hyatt Erawan's (GHE) lease, a key revenue contributor (around 15% of total revenue in 2024).
- ERW is pursuing legal action to expedite the renewal of the GHE master lease, which has been delayed since 2015 and renewed on a short-term basis. Operations remain unaffected, with a lease extension secured until early July 2026. This is a key issue to monitor, as a successful renewal would enhance business stability, improve ERW's ESG score, and act as a positive catalyst for investor sentiment and the share price.

We assign ERW a decent Environmental (E) score of 3.3, though it is below the peer average. While the company has set medium- and long-term climate and resource-efficiency targets, its environmental plans remain less defined than peers, with execution expected to be gradual.

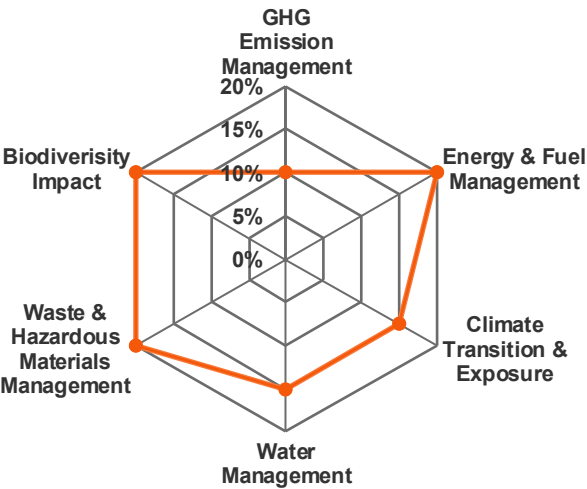


ENVIRONMENT

Our Comments

- GHG Emission Management
- Energy & Fuel Management
- Climate Transition & Exposure
- Water Management
- Waste & Hazardous Materials Management
- Biodiversity Impact

SCALE WEIGHTING

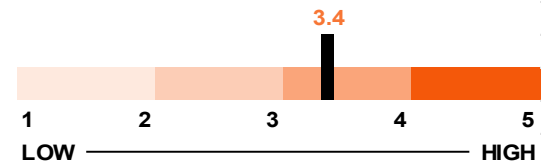


- We assign an Environmental (E) score for ERW of 3.3, which is decent but below its peer average of 3.5, due to its less defined plans for managing environmental issues compared to its peers.
- ERW focuses on reducing its environmental impact and aligning its operations with Thailand’s net-zero target by 2065. The company aims to achieve carbon neutrality by 2030 and plans to cut Scope 1 and Scope 2 emissions by 10% by 2035 and 20% by 2045, using 2023 as its base year. Key actions include expanding solar rooftop installations, upgrading equipment to save energy, and adopting low-carbon designs and materials in new hotels and renovations. ERW also regularly tracks and reports its Scope 1 and 2 emissions. We believe its clear medium- and long-term targets, together with measurable actions, providing good visibility for ERW’s climate transition path and helping mitigate long-term regulatory and cost risks.
- For energy use, ERW targets a 10% increase in electricity from renewable sources by 2027. The company continues to roll out solar panels, improve cooling and lighting systems, and replace older equipment with more energy-efficient alternatives to lower energy consumption over time. Greater use of renewables and energy-efficient systems should help contain energy costs, while also lowering the company’s carbon footprint.
- For water management, ERW aims to reduce water withdrawal by 5% by 2027. Efforts focus on using water more efficiently in daily operations, improving wastewater treatment, and reusing treated water for landscaping at selected hotels.
- ERW applies circular economy principles by focusing on waste reduction, reuse, and recycling. While no quantitative waste reduction target has been set, the company prioritizes food waste reduction through better inventory and portion management, waste segregation, and partnerships such as the “Fry Not Waste” project, which converts used cooking oil into Sustainable Aviation Fuel (SAF), helping to lower waste volumes and carbon emissions.
- ERW operates in line with international environmental standards such as ISO 14001 and ISO 50001, and has reported no environmental legal violations in recent years. The company also supports environmental projects such as tree planting and green space development, contributing to carbon absorption and greater environmental awareness in local communities. Strong compliance and a clean environmental track record help reduce regulatory risk and reinforce ERW’s sustainability credentials with stakeholders, in our view.

Sources: Thanachart, Company data

We assign ERW a Social (S) score of 3.4, the strongest pillar in its ESG profile. The score reflects solid human rights practices, employee development, and robust standards in customer protection and community engagement, supporting operational stability and long-term growth.

Thanachart Social (S) Rating



SOCIAL

Our Comments

- Human Rights & Community Relations
- Customer Welfare
- Data Security & Customer Privacy
- Product Quality & Safety
- Operational Risk Management
- Health, Safety & Well-being
- Diversity & Inclusion
- Recruitment, Development & Retention

SCALE WEIGHTING

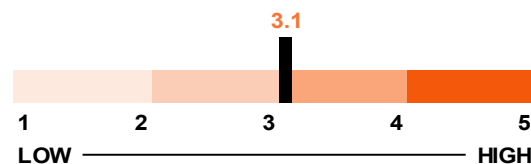


- We assign a decent Social (S) score of 3.4 to ERW, which is higher than its Environmental (E) and Governance (G) scores.
- ERW operates under a Human Rights Policy aligned with international standards and applies Human Rights Due Diligence across its operations and supply chain. The company targets zero human rights violations and zero labor disputes and has reported no significant incidents in recent years. In our view, a clear policy framework and a clean track record help reduce reputational and operational risks, which is particularly important for its labor-intensive hotel business.
- ERW focuses on employee well-being, fair compensation, and skills development. The company aims to increase average training hours from 60 hours per employee per year in 2023 to 80 hours by 2030, while maintaining a zero-workplace accident target. We believe that continued investment in training and safety should support service quality and staff retention, especially amid tight labor conditions in the hospitality sector.
- ERW promotes equal opportunities across gender, age, and backgrounds, with solid female representation across operational, management, and executive levels. ERW also supports the employment of people with disabilities and inclusive hiring practices. We see these practices enhancing workforce stability and aligning well with global ESG expectations, particularly for international hotel brands and partners.
- ERW emphasizes customer safety, fair treatment, accessibility, and personal data protection. The company targets zero customer rights violations and zero data breach incidents, and has not reported any major issues to date. We believe that maintaining high standards in customer rights and data protection is essential to preserving brand trust and long-term customer loyalty.
- ERW supports local employment, partners with local suppliers, and participates in community programs such as the HOP INN capacity-building initiative, Ban Laem Happy Home, and Happy Stay programs. We believe these efforts foster sustainable tourism, share economic benefits, and strengthen community relationships that help secure its social license to operate and underpin long-term growth.
- The company requires suppliers and business partners to comply with its Business Partner Code of Conduct, covering labor rights and ethical practices, and targets zero social or human rights violations involving partners. We view supply chain oversight as reducing ESG risks and supporting consistent service and brand standards across the group.

Sources: Thanachart, Company data

We assign ERW a Governance (G) score of 3.1, as governance is the weakest pillar of the company's ESG profile. The below-average score reflects weaknesses in board independence and business risk oversight.

Thanachart Governance (G) Rating



GOVERNANCE & SUSTAINABILITY

Our Comments

- Business Model and Innovation
- Leadership and Governance
- Board Structure:
- Audit committee:
- Remuneration:
- Ethics & Compliance:
- Risk Committee:

- We view Governance (G) as the weakest pillar in ERW's ESG profile and assign a below-average score of 3.1, reflecting weaknesses in board independence and business risk oversight.
- We assign a lower score to ERW's business sustainability than to peers due to uncertainty surrounding the renewal of the master lease for the Grand Hyatt Erawan (GHE), which contributes around 15% of ERW's total revenue. ERW has operated GHE since 1987 under an initial 30-year lease with a 20-year renewal option. The renewal process, ongoing since 2015, has been delayed by government agencies, resulting in repeated annual short-term lease extensions. ERW is therefore pursuing legal action to expedite the renewal of the master lease, with the aim of safeguarding shareholder interests and enhancing investor confidence.
- ERW has a dedicated working team responsible for initiating and evaluating technology and innovation projects. Measures such as contactless check-in and check-out, mobile keys replacing physical key cards, and wider adoption of e-payment systems are expected to improve operational efficiency and customer experience. We believe continued investment in technology supports operational resilience, cost efficiency, and service quality, which are increasingly important in the competitive hospitality sector.
- We assign a low score to ERW's board structure, as the board composition falls short of global best-practice standards. The chairman is not independent, and only four of the 12 directors are independent, below the commonly preferred two-thirds independence threshold. The board includes four female directors, providing some degree of gender diversity.
- On a positive note, ERW has established all key board committees, including Audit, Remuneration, and Risk Management Committees. The company places strong emphasis on risk management to support stable operations and long-term sustainable growth. This comprehensive committee structure and clear focus on risk management help mitigate operational and financial risks, partially offsetting concerns over board independence.
- ERW has sound ethics and compliance practices, supported by clear policies, whistleblowing channels, and human rights due diligence across its operations and supply chain. The company has not reported any major legal, ethical, or human rights violations, suggesting that internal controls are generally effective.

SCALE WEIGHTING



Sources: Thanachart, Company data

INCOME STATEMENT

Falling Chinese tourist numbers hit 2025F earnings

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Sales	6,986	7,872	7,799	8,245	8,857
Cost of sales	3,035	3,276	3,275	3,446	3,689
Gross profit	3,952	4,596	4,525	4,799	5,168
% gross margin	56.6%	58.4%	58.0%	58.2%	58.4%
Selling & administration expenses	2,720	2,992	3,044	3,210	3,386
Operating profit	1,232	1,604	1,481	1,589	1,782
% operating margin	17.6%	20.4%	19.0%	19.3%	20.1%
Depreciation & amortization	901	995	1,027	1,112	1,157
EBITDA	2,133	2,599	2,508	2,701	2,940
% EBITDA margin	30.5%	33.0%	32.2%	32.8%	33.2%
Non-operating income	60	52	31	29	30
Non-operating expenses	23	0	1	0	0
Interest expense	(589)	(703)	(628)	(559)	(557)
Pre-tax profit	726	954	885	1,059	1,255
Income tax	(17)	9	48	85	201
After-tax profit	742	946	837	974	1,055
% net margin	10.6%	12.0%	10.7%	11.8%	11.9%
Shares in affiliates' Earnings	36	3	0	0	0
Minority interests	(17)	(32)	(43)	(45)	(48)
Extraordinary items	(19)	364	0	0	0
NET PROFIT	743	1,281	794	930	1,006
Normalized profit	762	917	794	930	1,006
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

Planning to open more hotels through 2027

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
ASSETS:					
Current assets:	1,885	2,180	1,797	1,829	1,867
Cash & cash equivalent	1,217	1,612	1,200	1,200	1,200
Account receivables	170	222	235	248	267
Inventories	49	43	45	47	51
Others	450	302	317	333	349
Investments & loans	83	0	0	0	0
Net fixed assets	16,185	18,900	20,173	21,461	23,804
Other assets	5,521	5,166	5,238	5,311	5,385
Total assets	23,675	26,246	27,209	28,601	31,056
LIABILITIES:					
Current liabilities:	3,058	2,981	2,483	2,609	2,833
Account payables	227	266	269	283	303
Bank overdraft & ST loans	820	685	517	545	623
Current LT debt	932	1,067	491	518	592
Others current liabilities	1,079	963	1,205	1,264	1,314
Total LT debt	9,067	8,999	9,333	9,834	11,251
Others LT liabilities	5,180	4,775	5,423	5,516	5,614
Total liabilities	17,305	16,754	17,239	17,959	19,698
Minority interest	40	780	823	867	916
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	547	1,175	1,843
Shareholders' equity	6,330	8,712	9,147	9,775	10,443
Liabilities & equity	23,675	26,246	27,209	28,601	31,056

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	885	1,059	1,255
Tax paid	27	20	(62)	(76)	(202)
Depreciation & amortization	901	995	1,027	1,112	1,157
Chg In working capital	(23)	(7)	(12)	(2)	(2)
Chg In other CA & CL / minorities	203	714	241	(8)	(27)
Cash flow from operations	1,833	2,675	2,080	2,085	2,182
Capex	(2,270)	(3,709)	(2,300)	(2,400)	(3,500)
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)	627	112	136
Cash flow from investments	(2,408)	(3,313)	(1,723)	(2,338)	(3,414)
Debt financing	372	(69)	(410)	555	1,571
Capital increase	0	1,066	(0)	0	0
Dividends paid	0	(317)	(359)	(302)	(339)
Warrants & other surplus	(112)	353	0	0	0
Cash flow from financing	260	1,033	(768)	253	1,232
Free cash flow	(437)	(1,034)	(220)	(315)	(1,318)

VALUATION*Inexpensive valuation, in our view*

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Normalized PE (x)	14.0	11.9	14.0	12.0	11.1
Normalized PE - at target price (x)	18.4	15.7	18.5	15.8	14.6
PE (x)	14.3	8.5	14.0	12.0	11.1
PE - at target price (x)	18.9	11.2	18.5	15.8	14.6
EV/EBITDA (x)	9.5	7.7	8.1	7.7	7.6
EV/EBITDA - at target price (x)	11.1	9.0	9.5	9.0	8.8
P/BV (x)	1.7	1.3	1.2	1.1	1.1
P/BV - at target price (x)	2.2	1.7	1.6	1.5	1.4
P/CFO (x)	5.8	4.1	5.4	5.3	5.1
Price/sales (x)	1.6	1.4	1.4	1.4	1.3
Dividend yield (%)	3.0	3.9	2.5	2.9	3.2
FCF Yield (%)	(4.1)	(9.5)	(2.0)	(2.8)	(11.8)
(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	2.1
CFO/share	0.4	0.6	0.4	0.4	0.4
FCF/share	(0.1)	(0.2)	(0.0)	(0.1)	(0.3)

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

We foresee a low risk of financial stress

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Growth Rate					
Sales (%)	50.9	12.7	(0.9)	5.7	7.4
Net profit (%)	na	72.5	(38.0)	17.0	8.3
EPS (%)	na	68.2	(39.2)	17.0	8.3
Normalized profit (%)	na	20.4	(13.4)	17.0	8.3
Normalized EPS (%)	na	17.4	(15.1)	17.0	8.3
Dividend payout ratio (%)	42.7	34.3	35.0	35.0	35.0
Operating performance					
Gross margin (%)	56.6	58.4	58.0	58.2	58.4
Operating margin (%)	17.6	20.4	19.0	19.3	20.1
EBITDA margin (%)	30.5	33.0	32.2	32.8	33.2
Net margin (%)	10.6	12.0	10.7	11.8	11.9
D/E (incl. minor) (x)	1.7	1.1	1.0	1.0	1.1
Net D/E (incl. minor) (x)	1.5	1.0	0.9	0.9	1.0
Interest coverage - EBIT (x)	2.1	2.3	2.4	2.8	3.2
Interest coverage - EBITDA (x)	3.6	3.7	4.0	4.8	5.3
ROA - using norm profit (%)	3.4	3.7	3.0	3.3	3.4
ROE - using norm profit (%)	12.7	12.2	8.9	9.8	10.0
DuPont					
ROE - using after tax profit (%)	12.3	12.6	9.4	10.3	10.4
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	18.8	21.0	19.4	19.6	20.5
- leverage (x)	3.8	3.3	3.0	2.9	3.0
- interest burden (%)	55.2	57.6	58.5	65.4	69.3
- tax burden (%)	102.3	99.1	94.6	92.0	84.0
WACC (%)	9.2	9.2	9.2	9.2	9.2
ROIC (%)	8.6	10.0	7.8	8.0	7.7
NOPAT (Bt m)	1,260	1,590	1,401	1,462	1,497
invested capital (Bt m)	15,932	17,850	18,288	19,471	21,709

Sources: Company data, Thanachart estimates

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The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

S&P Global Market Intelligence

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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

Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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