# The Erawan Group Pcl (ERW TB) - BUY

**Earnings Preview**

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## Better-than-expected 4Q25F earnings

- **4Q25F net profit is expected to fall by 3% y-y.**
- **This is likely to be better than our previous expectation …**
- **… due to stronger revenue and cost control.**
- **BUY on EPS growth turnaround this year.**

We expect ERW to report a 4Q25 net profit of Bt365m, down 3% y-y but up 544% q-q, which should be better than our previous expectation on stronger top-line performance and effective cost control. Meanwhile, the earnings outlook for 1Q26F remains positive, despite Chinese tourist arrivals still being weak y-y. Looking ahead, we expect EPS growth to resume at 17% in 2026, supported by improving hotel operations, new hotel expansions, and lower interest expenses; we maintain BUY.

- We estimate ERW to report a net profit of Bt365m in 4Q25, down 3% y-y but up 544% q-q. This is likely to be better than our previous expectation, driven by stronger-than-expected top-line performance and effective cost controls.
- We estimate ERW's revenue to be flat y-y and up 25% q-q to Bt2.2bn in 4Q25. Although ERW will book additional expenses of around Bt20m from hotel repairs following the earthquake in late March 2025, its cost-control program and lower interest expenses lead us to forecast that net profit will decline by only 3% y-y. (vs. our previous expectation of a 13% y-y decline).
- RevPAR for non-HOP INN hotels is estimated to decline by 4% y-y but rise 31% q-q to Bt2,925/room/night. The occupancy rate (OR) for ERW's non-HOP INN hotels is estimated at around 84% in 4Q25 compared to 85% in 4Q24 and 76% in 3Q25. The average room rate (ARR) for non-HOP INN hotels is expected to decline by 3% y-y but increase 19% q-q to Bt3,499/room/night.
- RevPAR from HOP INN same hotels grew by 6% y-y to Bt829/room/night in 4Q25. HOP INN same hotel's OR grew by 2 ppt. to 81% in 4Q25. HOP INNN same hotel's ARR grew by 4% y-y to Bt1,018/room/night in 4Q25. Meanwhile, ERW opened 10 new HOP INN hotels in 2025, increasing room capacity by 11%.
- EBIT margin is expected to decline to 24.6% in 4Q25 from 25.6% in 4Q24, but improve from 12.0% in 3Q25.
- Looking into 1Q26F, ERW forecasts RevPAR for economy-to-luxury hotels to grow 1–2% y-y, driven by higher occupancy rates despite a 3-4% y-y decline in ARR. Revenue from HOP INN hotels is also expected to improve y-y. In our view, these trends remain encouraging, despite continued weakness in Chinese tourist arrivals.
- We expect ERW's EPS growth to resume in 2026F at 17%, supported by improving existing hotel operations, new hotel expansions, and falling interest expenses. We maintain BUY.

### Key Valuations

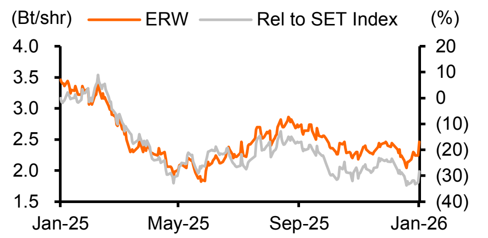
| Y/E Dec (Bt m) | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| Revenue | 7,872 | 7,799 | 8,245 | 8,857 |
| Net profit | 1,281 | 794 | 930 | 1,006 |
| Norm net profit | 917 | 794 | 930 | 1,006 |
| Norm EPS (Bt) | 0.2 | 0.2 | 0.2 | 0.2 |
| Norm EPS gr (%) | 17.4 | (15.1) | 17.0 | 8.3 |
| Norm PE (x) | 12.9 | 15.1 | 12.9 | 11.9 |
| EV/EBITDA (x) | 8.1 | 8.4 | 8.0 | 7.9 |
| P/BV (x) | 1.4 | 1.3 | 1.2 | 1.2 |
| Div. yield (%) | 3.7 | 2.3 | 2.7 | 2.9 |
| ROE (%) | 12.2 | 8.9 | 9.8 | 10.0 |
| Net D/E (%) | 96.3 | 91.7 | 91.1 | 99.2 |

Source: Thanachart estimates

### Stock Data

| | |
|---|---|
| Closing price (Bt) | 2.46 |
| Target price (Bt) | 3.00 |
| Market cap (US$ m) | 387.2 |
| Avg daily turnover (US$ m) | 1.6 |
| 12M H/L price (Bt) | 3.46/1.82 |

### Price Performance




Source: Bloomberg

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