The Erawan Group Pcl (ERW TB) - BUY, Price Bt3.72, TP Bt3.90

Results Comment

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Good 2Q26, in line

- ERW reported 2Q26 net profit of Bt72m, up 14% y-y but down 81% q-q. This was in line with ours and the street's earnings forecast. The y-y earnings growth was driven by higher revenue and lower interest expense, while the q-q decline reflected seasonal factors.
- ERW's top line grew by 4% y-y but fell 19% q-q to Bt1.8bn in 2Q26. The y-y revenue growth was due to rising revenue from existing and new hotels. Over the past 12 months, ERW opened six new HOP INN hotels in Thailand and one in Korea.
- Occupancy rate (OR) for ERW's non-HOP INN hotels was 75% in 2Q26, up 3 ppt y-y but down 12 ppt q-q. ARR was flat y-y but fell 16% q-q to Bt2,992/night. As a result, RevPAR rose 4% y-y but declined 28% q-q to Bt2,245/night.
- RevPAR for HOP INN hotels (same hotels) declined by 2% y-y and 6% q-q to Bt701/night. OR was at 76% in 2Q26F, up 1 ppt y-y but down 3 ppt q-q. ARR (in Thai baht terms) was at Bt928/night, down 3% y-y and 1% q-q due to FX impact.
- EBIT margin declined to 11.7% in 2Q26, from 13.1% in 2Q25 and 24.4% in 1Q26 due to rising costs from new hotels and operating leverage effect.
- Interest expense declined 8% y-y and 6% q-q to Bt144m in 2Q26, despite the recognition of Bt11m prepayment fee related to debt refinancing.
- 6M26 earnings accounted for 48% of our full-year earnings forecast. Looking into 2H26, we expect stronger earnings momentum, supported by rising international tourist arrivals and domestic travel, aided by the government's tourism stimulus package. Given the recent share price rally and limited 5% upside to our TP, we recommend BUY on weakness.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	1,745	1,783	2,251	2,241	1,820
Gross profit	**952**	**982**	**1,417**	**1,384**	**1,007**
SG&A	723	768	843	837	794
Operating profit	229	213	573	547	214
EBITDA	**485**	**476**	**851**	**821**	**494**
Other income	9	6	8	14	8
Other expense	(1)	0	(1)	0	0
Interest expense	157	154	148	153	144
Profit before tax	**82**	**66**	**434**	**408**	**78**
Income tax	12	6	22	17	6
Equity & invest. income	0	0	0	0	0
Minority interests	(7)	(3)	(39)	(16)	1
Extraordinary items	0	0	0	0	0
Net profit	**63**	**57**	**373**	**376**	**72**
Normalized profit	**63**	**57**	**373**	**376**	**72**
EPS (Bt)	0.01	0.01	0.08	0.08	0.01
Normalized EPS (Bt)	0.01	0.01	0.08	0.08	0.01

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2026F	2026F	2027F
Revenue	(19)	4	49	8,287	8,856
Gross profit	**(27)**	**6**	**49**	**4,887**	**5,283**
SG&A	(5)	10	50	3,264	3,439
Operating profit	(61)	(7)	47	1,623	1,844
EBITDA	**(40)**	**2**	**48**	**2,766**	**3,063**
Other income	(41)	(7)	48	46	34
Other expense	2,317	na	na	0	0
Interest expense	(6)	(8)	50	589	578
Profit before tax	**(81)**	**(5)**	**45**	**1,080**	**1,300**
Income tax	(62)	(47)	32	73	214
Equity & invest. income			na	0	0
Minority interests	na	na	na	(72)	(77)
Extraordinary items			na	0	0
Net profit	**(81)**	**14**	**48**	**934**	**1,008**
Normalized profit	**(81)**	**14**	**48**	**934**	**1,008**
EPS (Bt)	(81)	14	48	0.19	0.21
Normalized EPS (Bt)	(81)	14	48	0.19	0.21

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Cash & ST investment	1,206	1,024	1,894	1,086	1,210
A/C receivable	121	155	232	171	143
Inventory	40	42	40	34	28
Other current assets	290	310	236	286	275
Investment	0	0	0	0	0
Fixed assets	23,650	23,475	23,379	24,101	24,099
Other assets	458	455	678	655	678
Total assets	**25,765**	**25,461**	**26,460**	**26,333**	**26,433**
S-T debt	1,791	1,688	2,690	1,532	2,028
A/C payable	154	180	257	181	151
Other current liabilities	741	773	967	827	781
L-T debt	8,783	8,633	8,129	8,963	8,841
Other liabilities	4,787	4,706	4,629	4,625	4,655
Minority interest	808	798	820	839	845
Shareholders' equity	**8,701**	**8,683**	**8,967**	**9,368**	**9,132**
Working capital	6	17	16	25	19
Total debt	10,574	10,321	10,819	10,494	10,870
Net debt	**9,368**	**9,297**	**8,925**	**9,408**	**9,660**

Financial Ratios					
(%)	2Q25	3Q25	4Q25	1Q26	2Q26
Sales growth	(4.9)	(3.6)	1.6	5.4	4.3
Operating profit growth	(22.1)	(26.7)	2.7	4.3	(6.7)
EBITDA growth	(9.5)	(12.8)	2.7	5.8	1.8
Norm profit growth	(50.3)	(54.5)	0.9	8.7	14.3
Norm EPS growth	(50.3)	(54.5)	0.9	8.7	14.3
Gross margin	54.5	55.1	62.9	61.7	55.3
Operating margin	13.1	12.0	25.5	24.4	11.7
EBITDA margin	27.8	26.7	37.8	36.6	27.2
Norm net margin	3.6	3.2	16.6	16.8	4.0
D/E (x)	1.1	1.1	1.1	1.0	1.1
Net D/E (x)	1.0	1.0	0.9	0.9	1.0
Interest coverage (x)	3.1	3.1	5.7	5.4	3.4
Interest rate	6.0	5.9	5.6	5.7	5.4
Effective tax rate	14.7	9.6	5.0	4.1	8.2
ROA	1.0	0.9	5.7	5.7	1.1
ROE	2.8	2.6	16.9	16.4	3.1

Sources: Company data, ttb wealth estimates

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