

THE ERWAN GROUP

ERW TB

THAILAND / TOURISM & LEISURE

BUY

UNCHANGED

Recovering and expanding Hop Inn

- Booked a THB366m core loss in 4Q21, in line with our estimate.
- Limited P&L impact from divesting three ibis hotels; plans to increase EBITDA contributions of Hop Inn hotels to 40% by 2025.
- Maintain BUY with 2022 DCF-based TP of THB4; trading at an attractive valuation with a discount to historical average.

| | |
|-----------------|-----------|
| TARGET PRICE | THB4.00 |
| CLOSE | THB3.18 |
| UP/DOWNSIDE | +25.8% |
| PRIOR TP | THB4.00 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +26.3% |

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|----------------------|---------|---------|-------|-------|
| Revenue | 1,485 | 3,753 | 5,739 | 6,072 |
| Net profit | (2,050) | (100) | 408 | 530 |
| EPS (THB) | (0.45) | (0.02) | 0.09 | 0.11 |
| vs Consensus (%) | - | nm | 143.2 | 37.5 |
| EBITDA | (713) | 1,138 | 1,906 | 2,041 |
| Core net profit | (2,040) | (100) | 408 | 530 |
| Core EPS (THB) | (0.45) | (0.02) | 0.09 | 0.11 |
| Chg. In EPS est. (%) | nm | nm | (0.1) | nm |
| EPS growth (%) | nm | nm | nm | 20.3 |
| Core P/E (x) | (7.1) | (143.8) | 35.3 | 29.4 |
| Dividend yield (%) | - | - | 1.1 | 1.4 |
| EV/EBITDA (x) | (39.4) | 23.1 | 13.3 | 12.3 |
| Price/book (x) | 2.4 | 2.4 | 2.3 | 2.0 |
| Net debt/Equity (%) | 227.2 | 200.6 | 173.2 | 122.2 |
| ROE (%) | (41.5) | (1.7) | 6.7 | 7.5 |

OCC rate is still improving despite Omicron wave

ERW reported its best quarter since Covid began, with a core loss of THB366m in 4Q21, up from a THB623m core loss in 3Q21 thanks to the easing of lockdown restrictions. At the analyst meeting on 23 Feb, ERW said it expects the strong recovery momentum to continue in 2022, but it may be slightly sluggish in Jan-22 due to the Omicron wave. Thailand Hop Inn's OCC rate peaked at 70% in Dec-21 and slowed down to 62-68% in Jan to Feb-22. Meanwhile, the OCC rate of non-Hop Inn hotels ramped up to 40% in Dec-21 and slowed to 24-27% in Jan to Feb-22. The resumption of Test & Go and the government's campaign, "Rao Tiew Duay Kan ph4", should be key drivers going forward.

Divesting three ibis hotels

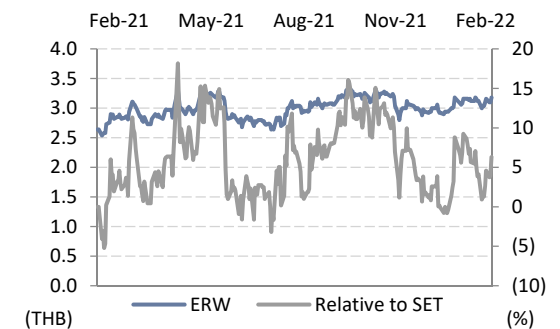
ERW is in the process of divesting three hotels (ibis Krabi Style, ibis Kata and ibis Hua Hin) to Origin Property (ORI TB, NR). The three hotels with 664 total rooms (7% of ERW's total rooms) contributed only 3% of total revenue and 2% of total EBITDA in 2019. Thus, we see a limited impact on its P/L. The transaction is expected to be completed in 2Q22. ERW will receive cTHB1.0b in proceeds and will book a gain on divestment in 2Q22. The proceed will be used to repay some debt, working capital and expand the Hop Inn portfolio, according to management.

Expect to double Hop Inn portfolio by 2025

ERW will continue its strategy to increase EBITDA contributions from its Hop Inn portfolio to 40% by 2025 from 16% in 2019. ERW currently has 52 Hop Inn hotels (47 in Thailand and 5 in the Philippines) with 4,520 rooms. It has 9 hotels with 1,045 rooms under development and aims to have more than 100 hotels by 2025. ERW may engage in M&A to achieve its target. In addition, it will launch a Hop Inn franchise to expand the Hop Inn network for its customers. The franchise hotel target is 20-30 hotels by 2025.

Top beneficiary of Thailand's tourism recovery

We maintain our forecasts and our 2022 DCF-based TP of THB4. ERW is trading at 35x 2023E P/E, lower than its 5-yr average of 38x. A short-term catalyst would be the recovery of international tourists, of which ERW should be a top beneficiary due to its asset-heavy model, with all of its hotels being owned hotels.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|---------------------------------|---------|----------|
| Absolute (%) | 0.6 | (1.2) | 7.7 |
| Relative to country (%) | (2.0) | (4.2) | (4.7) |
| Mkt cap (USD m) | 446 | | |
| 3m avg. daily turnover (USD m) | 0.9 | | |
| Free float (%) | 62 | | |
| Major shareholder | Mitr Siam Capital Limited (14%) | | |
| 12m high/low (THB) | 3.64/2.44 | | |
| Issued shares (m) | 4,531.56 | | |

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

ERW is an asset-heavy business, as all of its hotels are owned hotels and it has no asset-light model. Thus, it should be one of the stocks that benefits the most from the recovery of international tourist numbers.

ERW raised capital through a rights offering leading to a lower D/E, which is currently lower than its debt covenant of 2.5x.

ERW plans to use the proceeds from the capital increase to expand its Hop Inn portfolio to more than 100 hotels by 2025 from 52 hotels currently (47 in Thailand, 5 in the Philippines). Hop Inn is ERW's flagship budget hotel brand focusing on domestic travellers, and has resilient performance.

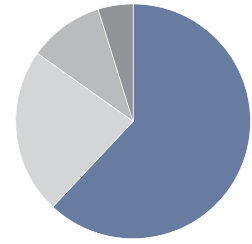
Company profile

ERW is a hotel operator and developer with a focus on Thailand and ASEAN.

www.theerawan.com

Principal activities (revenue, 2021)

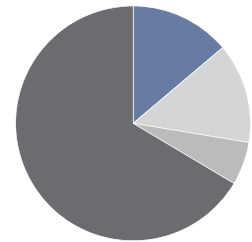
- Non-Hop Inn hotel - 62.0 %
- Hop Inn Thailand - 22.8 %
- Hop Inn Philippines - 10.4 %
- Others - 4.8 %



Source: The Erawan Group

Major shareholders

- Mitr Siam Capital Limited - 13.8 %
- Mr. Surakarn Wattanavekin - 13.8 %
- Mrs. Varsamorn Wannamethee - 6.0 %
- Others - 66.5 %



Source: The Erawan Group

Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following a global tourism recovery; 2) the rollout of Covid-19 vaccines; and 3) the recovery of domestic business activities.

Risks to our call

Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Event calendar

| Date | Event |
|----------|---------------------------|
| May 2022 | 1Q22 results announcement |

Key assumptions

| | 2022E | 2023E | 2024E |
|---------------------------------|--------|--------|--------|
| Number of hotels (no.) | 81 | 90 | 99 |
| Number of rooms (no.) | 10,188 | 11,041 | 11,894 |
| All hotels excl. Hop Inn | | | |
| Occupancy rate (OCC %) | 45 | 72 | 72 |
| RevPAR growth (y-y %) | 313 | 79 | 3 |
| Thailand Hop Inn | | | |
| Occupancy rate (OCC %) | 70 | 71 | 71 |
| RevPAR growth (y-y %) | 78 | 4 | 3 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC, we project a 2023 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2023 profit increase of 9%, and vice versa, all else being equal.

Source: FSSIA estimates

4Q21 results review

ERW reported a 4Q21 core loss of THB366m (vs a core loss of THB623m in 3Q21), in line with our estimate.

Hotel revenue jumped 173% q-q as RevPAR (excluding Hop Inn hotels) jumped by 263% q-q with an OCC rate of 30% (vs 10% in 3Q21) thanks to the easing of lockdown restrictions. For Thailand Hop Inn, RevPAR jumped 123% q-q with an OCC rate of 59% (vs 27% in 3Q21). Hop Inn Philippines' RevPAR fell by 18% q-q due to a lower number of quarantine customers which were the hotels' main customers in the previous period following the easing of lockdown restrictions.

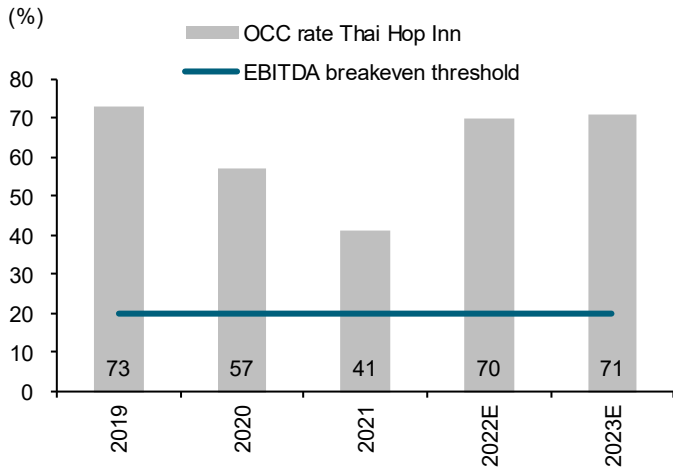
Business unit EBITDA turned positive at THB13m (vs a THB212m EBITDA loss in 3Q21), driven mainly by the Thailand Hop Inn portfolio.

Exhibit 1: 4Q21 results review

| | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | ----- Change ----- | | 2021 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|--------------------|--------------|----------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) |
| Sales | 589 | 378 | 262 | 226 | 619 | 173 | 5 | 1,485 |
| - Thailand excl. Hop Inn | 405 | 231 | 150 | 106 | 434 | 309 | 7 | |
| - Hop Inn Thailand | 137 | 96 | 64 | 55 | 124 | 125 | (9) | |
| - Hop Inn Phil | 23 | 27 | 37 | 49 | 41 | (16) | 78 | |
| - Rental | 24 | 23 | 11 | 16 | 19 | 19 | (22) | |
| COGS (Incl. depreciation) | (618) | (558) | (529) | (515) | (617) | 20 | (0) | (2,220) |
| Gross Profit | (29) | (180) | (267) | (289) | 2 | (101) | (106) | (734) |
| SG&A | (243) | (208) | (213) | (210) | (283) | 35 | 16 | (915) |
| Operating Profit | (272) | (388) | (480) | (499) | (281) | (44) | 3 | (1,649) |
| Other income | 15 | 12 | 6.7 | 27 | 14 | (48) | (7) | 61 |
| Interest | (143) | (138) | (136) | (126) | (121) | (4) | (16) | (521) |
| Pretax profit | (400) | (514) | (609) | (598) | (388) | (35) | (3) | (2,109) |
| Income Tax | 20 | (2) | 25 | (73) | 4 | (105) | (80) | (46) |
| Associates | (14) | 3 | (3) | 3 | 5 | 59 | (140) | 9 |
| Minority interest | 13 | 21 | 27 | 45 | 12 | (72) | (3) | 105 |
| Core profit | (381) | (492) | (559) | (623) | (366) | (41) | (4) | (2,040) |
| Extraordinaries, GW & FX | (92) | 0 | (130) | 0 | 120 | | | (10) |
| Reported net profit | (474) | (492) | (690) | (623) | (246) | (61) | (48) | (2,050) |
| Shares out (end Q, m) | 2,518 | 2,518 | 2,518 | 4,532 | 4,532 | (0) | 80 | 4,532 |
| Core EPS | (0.15) | (0.20) | (0.22) | (0.14) | (0.08) | (41) | (47) | (0.45) |
| EPS | (0.19) | (0.20) | (0.27) | (0.14) | (0.05) | (61) | (71) | (0.45) |
| COGS (Excl. depreciation) | (390) | (315) | (285) | (287) | (398) | 39 | 2 | (1,284) |
| Depreciation | (228) | (243) | (244) | (229) | (220) | (4) | (4) | (936) |
| EBITDA | (29) | (133) | (229) | (243) | (47) | (80) | 62 | (653) |
| Key ratios | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) |
| Gross margin | (5) | (48) | (102) | (128) | 0 | 128 | 5 | (49) |
| SG&A/Revenue | 41 | 55 | 81 | 93 | 46 | (47) | 4 | 62 |
| EBITDA margin | (5) | (34) | (85) | (96) | (7) | 88 | (3) | (42) |
| Net profit margin | (80) | (130) | (263) | (275) | (40) | 235 | 41 | (138) |
| Operating stats | | | | | | | | |
| Hotels Excl. Hop Inn | | | | | | | | |
| OCC (%) | 25 | 17 | 13 | 10 | 30 | | | |
| OCC growth (y-y %) | (53) | (40) | 12 | (4) | 5 | | | |
| RevPAR (THB) | 359 | 214 | 193 | 119 | 497 | | | |
| RevPAR growth (y-y %) | (83) | (84) | 42 | (41) | 38 | | | |
| Thailand Hop Inn | | | | | | | | |
| OCC (%) | 69 | 48 | 31 | 27 | 59 | | | |
| OCC growth (y-y %) | (5) | (19) | 8 | (40) | (10) | | | |
| RevPAR (THB) | 430 | 294 | 171 | 164 | 365 | | | |
| RevPAR growth (y-y %) | (8) | (27) | 1,215 | (60) | (15) | | | |
| Philippines Hop Inn | | | | | | | | |
| OCC (%) | 33 | 39 | 46 | 60 | 49 | | | |
| OCC growth (y-y %) | (55) | (26) | 46 | 33 | 16 | | | |
| RevPAR (THB) | 283 | 313 | 392 | 513 | 423 | | | |
| RevPAR growth (y-y %) | (12) | (19) | n/a | (4) | 0 | | | |

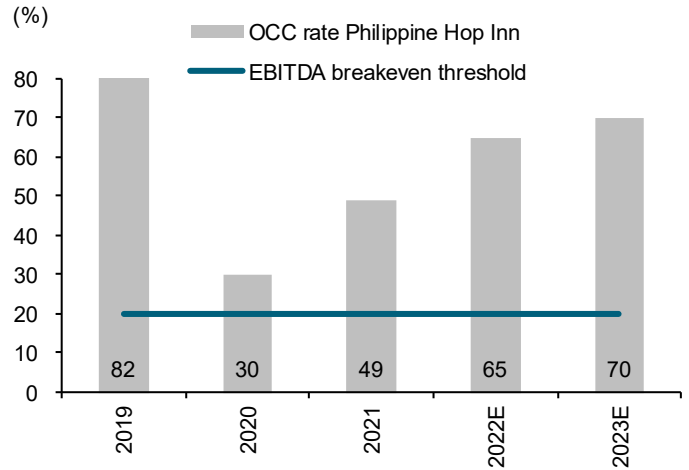
Sources: ERW; FSSIA estimates

Exhibit 2: OCC for Thailand Hop Inn



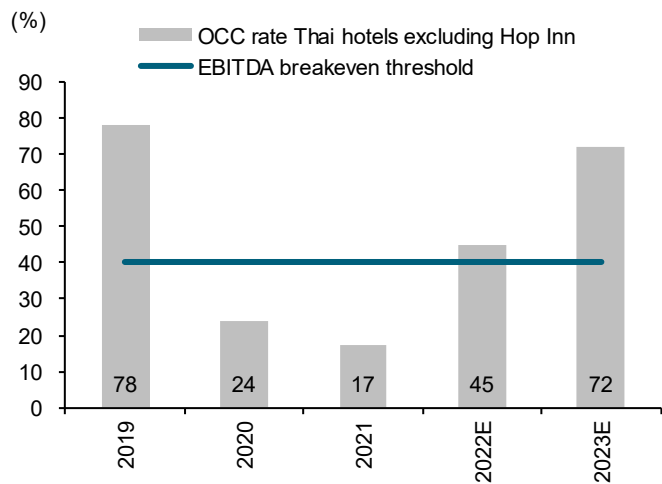
Sources: ERW; FSSIA estimates

Exhibit 3: OCC for Philippines Hop Inn



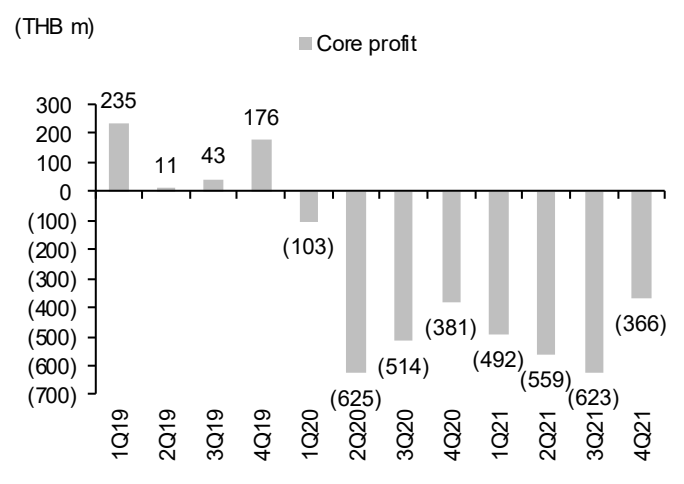
Sources: ERW; FSSIA estimates

Exhibit 4: OCC for Thai hotels excluding Hop Inn



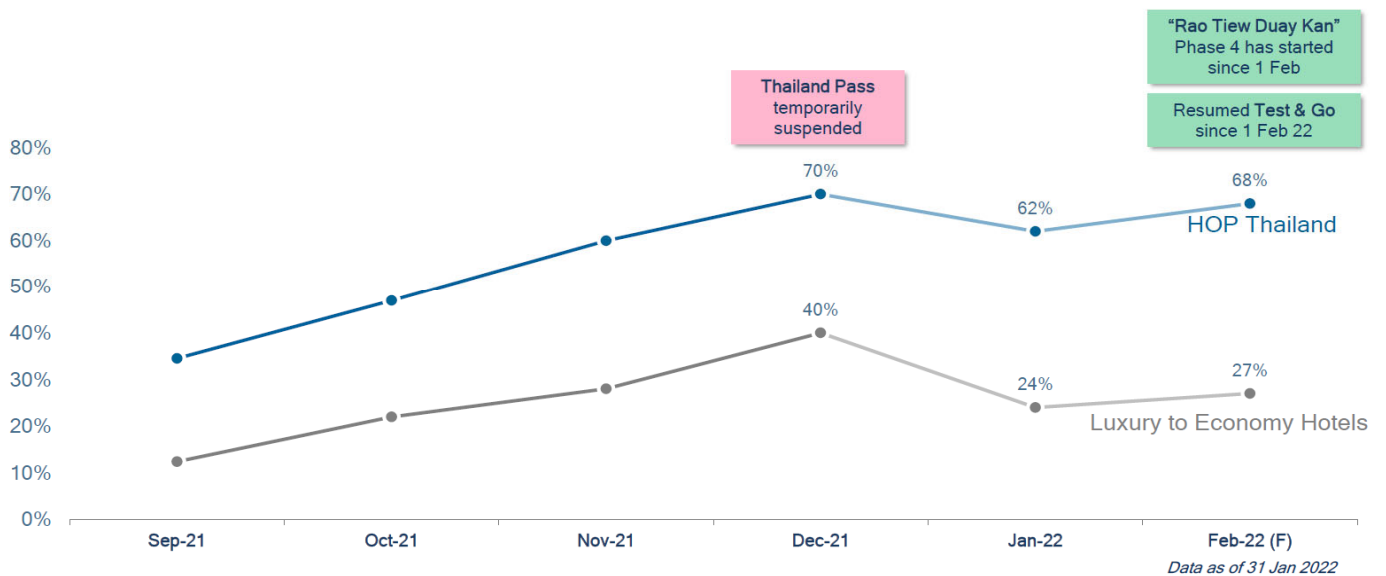
Sources: ERW; FSSIA estimates

Exhibit 5: Core profit, quarterly



Sources: ERW; FSSIA estimates

Exhibit 6: Thailand hotels, occupancy by month



Source: ERW

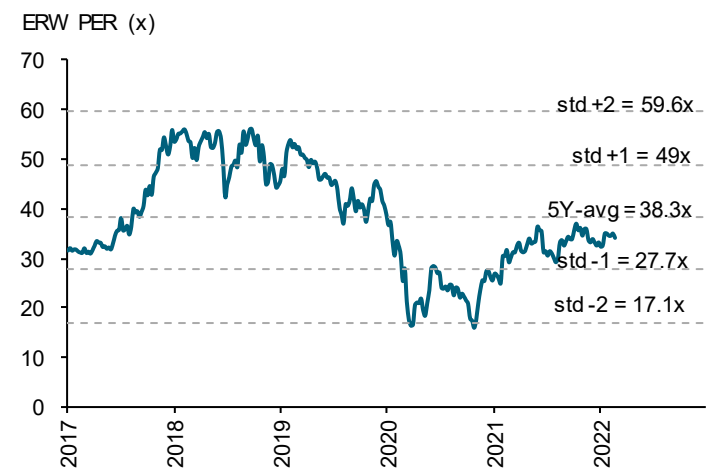
Exhibit 7: DCF valuation

| Cost of equity assumptions | | (%) | Cost of debt assumptions | | (%) |
|----------------------------|--|------|--------------------------|--|------|
| Risk-free rate | | 3.0 | Pre-tax cost of debt | | 3.5 |
| Market risk premium | | 8.0 | Marginal tax rate | | 20.0 |
| Stock beta | | 1.2 | | | |
| Cost of equity, Ke | | 12.6 | Net cost of debt, Kd | | 3.2 |
| Weight applied | | 55.0 | Weight applied | | 45.0 |
| WACC | | 8.2 | | | |

| DCF valuation estimate | (THB b) | (THB/share) | Comments |
|---------------------------------|-------------|-------------|---|
| NPV | 10.1 | 2.1 | WACC 8.2%, risk-free rate 3%, risk premium 8% |
| Terminal value | 17.8 | 3.6 | Terminal growth 2.5% |
| Cash & liquid assets | 2.0 | 0.4 | At end-2022E |
| Investments | 0.0 | 0.0 | At end-2022E |
| Debt | (10.3) | (2.1) | At end-2022E |
| Minorities | (0.0) | (0.0) | At end-2022E |
| Residual ordinary equity | 19.6 | 4.0 | |

Source: FSSIA estimates

Exhibit 8: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

The Erawan Group

| Profit and Loss (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|----------------|----------------|--------------|--------------|--------------|
| Revenue | 2,306 | 1,485 | 3,753 | 5,739 | 6,072 |
| Cost of goods sold | (1,465) | (1,284) | (1,620) | (2,365) | (2,484) |
| Gross profit | 841 | 201 | 2,133 | 3,374 | 3,588 |
| Other operating income | - | - | - | - | - |
| Operating costs | (1,043) | (915) | (994) | (1,468) | (1,547) |
| Operating EBITDA | (201) | (713) | 1,138 | 1,906 | 2,041 |
| Depreciation | (1,012) | (936) | (892) | (919) | (922) |
| Goodwill amortisation | - | - | - | - | - |
| Operating EBIT | (1,213) | (1,649) | 247 | 987 | 1,118 |
| Net financing costs | (526) | (518) | (487) | (483) | (461) |
| Associates | (18) | 9 | 10 | 10 | 11 |
| Recurring non-operating income | 14 | 67 | 70 | 75 | 77 |
| Non-recurring items | (92) | (10) | 0 | 0 | 0 |
| Profit before tax | (1,818) | (2,109) | (170) | 579 | 735 |
| Tax | 39 | (46) | 60 | (114) | (145) |
| Profit after tax | (1,778) | (2,155) | (110) | 465 | 590 |
| Minority interests | 63 | 105 | 10 | (57) | (60) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | (1,715) | (2,050) | (100) | 408 | 530 |
| Non-recurring items & goodwill (net) | 92 | 10 | 0 | 0 | 0 |
| Recurring net profit | (1,623) | (2,040) | (100) | 408 | 530 |
| Per share (THB) | | | | | |
| Recurring EPS * | (0.36) | (0.45) | (0.02) | 0.09 | 0.11 |
| Reported EPS | (0.38) | (0.45) | (0.02) | 0.09 | 0.11 |
| DPS | 0.00 | 0.00 | 0.00 | 0.04 | 0.04 |
| Diluted shares (used to calculate per share data) | 4,532 | 4,532 | 4,532 | 4,532 | 4,891 |
| Growth | | | | | |
| Revenue (%) | (63.9) | (35.6) | 152.6 | 52.9 | 5.8 |
| Operating EBITDA (%) | nm | nm | nm | 67.5 | 7.1 |
| Operating EBIT (%) | nm | nm | nm | 300.1 | 13.3 |
| Recurring EPS (%) | nm | nm | nm | nm | 20.3 |
| Reported EPS (%) | nm | nm | nm | nm | 20.3 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | (7.4) | (49.4) | 33.1 | 42.8 | 43.9 |
| Gross margin of key business (%) | (7.4) | (49.4) | 33.1 | 42.8 | 43.9 |
| Operating EBITDA margin (%) | (8.7) | (48.0) | 30.3 | 33.2 | 33.6 |
| Operating EBIT margin (%) | (52.6) | (111.0) | 6.6 | 17.2 | 18.4 |
| Net margin (%) | (70.4) | (137.4) | (2.7) | 7.1 | 8.7 |
| Effective tax rate (%) | 2.3 | (2.2) | 15.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | - | - | - | 40.0 | 40.0 |
| Interest cover (X) | (2.3) | (3.1) | 0.7 | 2.2 | 2.6 |
| Inventory days | 12.3 | 12.2 | 10.0 | 9.4 | 10.9 |
| Debtor days | 20.7 | 21.7 | 9.7 | 6.4 | 6.0 |
| Creditor days | 47.2 | 40.8 | 36.3 | 34.2 | 39.6 |
| Operating ROIC (%) | (7.4) | (8.7) | 1.1 | 4.4 | 5.0 |
| ROIC (%) | (6.8) | (8.2) | 1.4 | 4.6 | 5.3 |
| ROE (%) | (33.9) | (41.5) | (1.7) | 6.7 | 7.5 |
| ROA (%) | (6.0) | (7.4) | 1.4 | 3.8 | 4.1 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Non-Hop Inn hotel | 1,661 | 921 | 2,655 | 4,317 | 4,434 |
| Hop Inn Thailand | 431 | 339 | 660 | 793 | 915 |
| Hop Inn Philippines | 90 | 154 | 274 | 396 | 483 |
| Others | 124 | 71 | 163 | 233 | 240 |

Sources: The Erawan Group; FSSIA estimates

Financial Statements

The Erawan Group

| Cash Flow (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|-----------------------------------|----------------|----------------|--------------|--------------|--------------|
| Recurring net profit | (1,623) | (2,040) | (100) | 408 | 530 |
| Depreciation | 1,012 | 936 | 892 | 919 | 922 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 917 | 701 | (50) | 17 | 20 |
| Change in working capital | (572) | (1,056) | 1,815 | 585 | 98 |
| Cash flow from operations | (266) | (1,460) | 2,556 | 1,929 | 1,570 |
| Capex - maintenance | (5,269) | (1,588) | (760) | (960) | (960) |
| Capex - new investment | - | - | - | - | - |
| Net acquisitions & disposals | 32 | 0 | 0 | 0 | 0 |
| Other investments (net) | - | - | - | - | - |
| Cash flow from investing | (5,237) | (1,588) | (760) | (960) | (960) |
| Dividends paid | (176) | 0 | 0 | 0 | (163) |
| Equity finance | 0 | 2,014 | 0 | 0 | 1,079 |
| Debt finance | 6,302 | (1,538) | (1,000) | (500) | (500) |
| Other financing cash flows | 31 | 2,192 | 10 | (57) | (60) |
| Cash flow from financing | 6,156 | 2,667 | (990) | (557) | 356 |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 654 | (380) | 806 | 412 | 966 |
| Free cash flow to firm (FCFF) | (4,966.55) | (2,526.87) | 2,289.32 | 1,462.34 | 1,083.51 |
| Free cash flow to equity (FCFE) | 829.91 | (2,394.52) | 805.94 | 412.17 | 49.99 |

Per share (THB)

| | | | | | |
|-------------------------------|--------|--------|------|------|------|
| FCFF per share | (1.10) | (0.56) | 0.51 | 0.32 | 0.24 |
| FCFE per share | 0.18 | (0.53) | 0.18 | 0.09 | 0.01 |
| Recurring cash flow per share | 0.07 | (0.09) | 0.16 | 0.30 | 0.30 |

| Balance Sheet (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 26,684 | 25,682 | 26,482 | 27,482 | 28,482 |
| Less: Accumulated depreciation | (7,963) | (6,274) | (7,165) | (8,084) | (9,007) |
| Tangible fixed assets (net) | 18,721 | 19,409 | 19,317 | 19,398 | 19,475 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 48 | 48 | 48 | 48 | 48 |
| Cash & equivalents | 1,623 | 1,242 | 2,048 | 2,460 | 3,426 |
| A/C receivable | 77 | 100 | 100 | 100 | 100 |
| Inventories | 46 | 39 | 50 | 72 | 76 |
| Other current assets | 217 | 1,274 | 216 | 331 | 350 |
| Current assets | 1,962 | 2,655 | 2,414 | 2,964 | 3,952 |
| Other assets | 483 | 338 | 338 | 338 | 338 |
| Total assets | 21,215 | 22,450 | 22,117 | 22,748 | 23,814 |
| Common equity | 3,813 | 6,012 | 5,912 | 6,320 | 7,765 |
| Minorities etc. | 116 | 11 | 11 | 11 | 11 |
| Total shareholders' equity | 3,929 | 6,023 | 5,923 | 6,331 | 7,776 |
| Long term debt | 15,055 | 14,237 | 13,737 | 13,237 | 12,737 |
| Other long-term liabilities | 218 | 880 | 880 | 880 | 880 |
| Long-term liabilities | 15,273 | 15,117 | 14,617 | 14,117 | 13,617 |
| A/C payable | 145 | 143 | 180 | 263 | 276 |
| Short term debt | 1,410 | 690 | 190 | 190 | 190 |
| Other current liabilities | 458 | 478 | 1,208 | 1,847 | 1,955 |
| Current liabilities | 2,013 | 1,311 | 1,578 | 2,300 | 2,421 |
| Total liabilities and shareholders' equity | 21,215 | 22,450 | 22,117 | 22,748 | 23,814 |
| Net working capital | (263) | 793 | (1,022) | (1,607) | (1,704) |
| Invested capital | 18,989 | 20,587 | 18,681 | 18,177 | 18,157 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 1.51 | 1.33 | 1.30 | 1.39 | 1.59 |
| Tangible book value per share | 1.51 | 1.33 | 1.30 | 1.39 | 1.59 |

Financial strength

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| Net debt/equity (%) | 377.8 | 227.2 | 200.6 | 173.2 | 122.2 |
| Net debt/total assets (%) | 70.0 | 61.0 | 53.7 | 48.2 | 39.9 |
| Current ratio (x) | 1.0 | 2.0 | 1.5 | 1.3 | 1.6 |
| CF interest cover (x) | 2.6 | (3.6) | 2.7 | 1.9 | 1.1 |

| Valuation | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---------------|--------------|----------------|-------------|-------------|
| Recurring P/E (x) * | (8.9) | (7.1) | (143.8) | 35.3 | 29.4 |
| Recurring P/E @ target price (x) * | (11.2) | (8.9) | (180.9) | 44.4 | 36.9 |
| Reported P/E (x) | (8.4) | (7.0) | (143.8) | 35.3 | 29.4 |
| Dividend yield (%) | - | - | - | 1.1 | 1.4 |
| Price/book (x) | 2.1 | 2.4 | 2.4 | 2.3 | 2.0 |
| Price/tangible book (x) | 2.1 | 2.4 | 2.4 | 2.3 | 2.0 |
| EV/EBITDA (x) ** | (114.2) | (39.4) | 23.1 | 13.3 | 12.3 |
| EV/EBITDA @ target price (x) ** | (124.4) | (44.6) | 26.4 | 15.3 | 14.2 |
| EV/invested capital (x) | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 |

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: The Erawan Group; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|
| AAV | ADVANC | AF | AIRA | AKP | AKR | ALT | AMA | AMATA | AMATAV | ANAN |
| AOT | AP | ARIP | ARROW | ASP | BAFS | BANPU | BAY | BCP | BCPG | BDMS |
| BEC | BEM | BGRIM | BIZ | BKI | BLA | BOL | BPP | BRR | BTS | BWG |
| CENTEL | CFRESH | CHEWA | CHO | CIMBT | CK | CKP | CM | CNT | COL | COMAN |
| COTTO | CPALL | CPF | CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC |
| DV8 | EA | EASTW | ECF | ECL | EGCO | EPG | ETE | FNS | FPI | FPT |
| FSMART | GBX | GC | GCAP | GEL | GFPT | GGC | GPSC | GRAMMY | GUNKUL | HANA |
| HARN | HMPRO | ICC | ICI | III | ILINK | INTUCH | IRPC | IVL | JKN | JSP |
| JWD | K | KBANK | KCE | KKP | KSL | KTB | KTC | LANNA | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | METCO | MFEC | MINT |
| MONO | MOONG | MSC | MTC | NCH | NCL | NEP | NKI | NOBLE | NSI | NVD |
| NYT | OISHI | ORI | OTO | PAP | PCSGH | PDJ | PG | PHOL | PLANB | PLANET |
| PLAT | PORT | PPS | PR9 | PREB | PRG | PRM | PSH | PSL | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QTC | RATCH | RS | S | S & J | SAAM |
| SABINA | SAMART | SAMTEL | SAT | SC | SCB | SCC | SCCG | SCG | SCN | SDC |
| SEAFCO | SEAOIL | SE-ED | SELIC | SENA | SIRI | SIS | SITHAI | SMK | SMPC | SNC |
| SONIC | SORKON | SPALI | SPI | SPRC | SPVI | SSSC | SST | STA | SUSCO | SUTHA |
| SVI | SYMC | SYNTEC | TACC | TASCO | TCAP | TFMAMA | THANA | THANI | THCOM | THG |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TK | TKT | TTB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TRC | TSC | TSR | TSTE | TSTH |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIJK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

| GOOD LEVEL | | | | | | | | | | |
|------------|------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| 7UP | A | ABICO | AJ | ALL | ALUCON | AMC | APP | ARIN | AS | AU |
| B52 | BC | BCH | BEAUTY | BGT | BH | BIG | BKD | BLAND | BM | BR |
| BROCK | BSBM | BSM | BTNC | CAZ | CCP | CGD | CITY | CMAN | CMO | CMR |
| CPT | CPW | CRANE | CSR | D | EKH | EP | ESSO | FMT | GIFT | GREEN |
| GSC | GTB | HTECH | HUMAN | IHL | INOX | INSET | IP | JTS | JUBILE | KASET |
| KCM | KKC | KUMWEL | KUN | KWG | KYE | LEE | MATCH | MATI | M-CHAI | MCS |
| MDX | MJD | MM | MORE | NC | NDR | NER | NFC | NNCL | NPK | NUSA |
| OCEAN | PAF | PF | PK | PLE | PMTA | POST | PPM | PRAKIT | PRECHA | PRIME |
| PROUD | PTL | RBF | RCI | RJH | ROJNA | RP | RPH | RSP | SF | SFLEX |
| SGP | SISB | SKN | SLP | SMART | SOLAR | SPG | SQ | SSP | STARK | STC |
| SUPER | SVOA | TC | TCCC | THMUI | TIW | TNH | TOPP | TPCH | TIPIP | TPLAS |
| TTI | TYCN | UKEM | UMS | VCOM | VRANDA | WIN | WORK | WPH | | |

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|-------|--------|--------|---------|--------|--------|--------|
| 2S | ADVANC | AI | AIE | AIRA | AKP | AMA | AMANAHA | AP | AQUA | ARROW |
| ASK | ASP | AYUD | B | BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG |
| BGC | BGRIM | BJCHI | BKI | BLA | BPP | BROOK | BRR | BSBM | BTS | BWG |
| CEN | CENTEL | CFRESH | CGH | CHEWA | CHOTI | CHOW | CIG | CIMBT | CM | CMC |
| COL | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DELTA | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FPI | FPT | FSS |
| FTE | GBX | GC | GCAP | GEL | GFPT | GGC | GJS | GPSC | GSTEEL | GUNKUL |
| HANA | HARN | HMPRO | HTC | ICC | ICHI | IFS | INET | INSURE | INTUCH | IRPC |
| ITEL | IVL | K | KASET | KBANK | KBS | KCAR | KCE | KGI | KKP | KSL |
| KTB | KTC | KWC | L&E | LANNA | LHFG | LHK | LPN | LRH | M | MAKRO |
| MALEE | MBAX | MBK | MBKET | MC | MCOT | MFC | MFEC | MINT | MONO | MOONG |
| MPG | MSC | MTC | MTI | NBC | NEP | NINE | NKI | NMG | NNCL | NSI |
| NWR | OCC | OCEAN | OGC | ORI | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPPM |
| PPS | PREB | PRG | PRINC | PRM | PSH | PSL | PSTC | PT | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QLT | QTC | RATCH | RML | RWI | S & J |
| SABINA | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SEAOIL | SE-ED | SELIC |
| SENA | SGP | SIRI | SITHAI | SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK |
| SPC | SPI | SPRC | SRICHA | SSF | SSSC | SST | STA | SUSCO | SVI | SYNTEC |
| TAE | TAKUNI | TASCO | TBSP | TCAP | TCMC | TFG | TFI | TFMAMA | THANI | THCOM |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT | TTB | TMD | TMILL | TMT |
| TNITY | TNL | TNP | TNR | TOG | TOP | TPA | TPCORP | TPP | TRU | TSC |
| TSTH | TTCL | TU | TVD | TVI | TVO | TWPC | U | UBIS | UEC | UKEM |
| UOBKH | UWC | VGI | VIH | VNT | WACOAL | WHA | WHAUP | WICE | WIJK | XO |
| ZEN | TRUE | | | | | | | | | |

| DECLARED | | | | | | | | | | |
|----------|-------|-------|--------|--------|-------|--------|-------|-------|-------|--------|
| 7UP | ABICO | AF | ALT | AMARIN | AMATA | AMATAV | ANAN | APURE | B52 | BKD |
| BM | BROCK | BUI | CHO | CI | COTTO | DDD | EA | EFORL | EP | ERW |
| ESTAR | ETE | EVER | FSMART | GPI | ILINK | IRC | J | JKN | JMART | JMT |
| JSP | JTS | KWG | LDC | MAJOR | META | NCL | NOBLE | NOK | PK | PLE |
| ROJNA | SAAM | SAPPE | SCI | SE | SHANG | SINGER | SKR | SPALI | SSP | STANLY |
| SUPER | SYNEX | THAI | TKS | TOPP | TRITN | TTA | UPF | UV | WIN | ZIGA |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

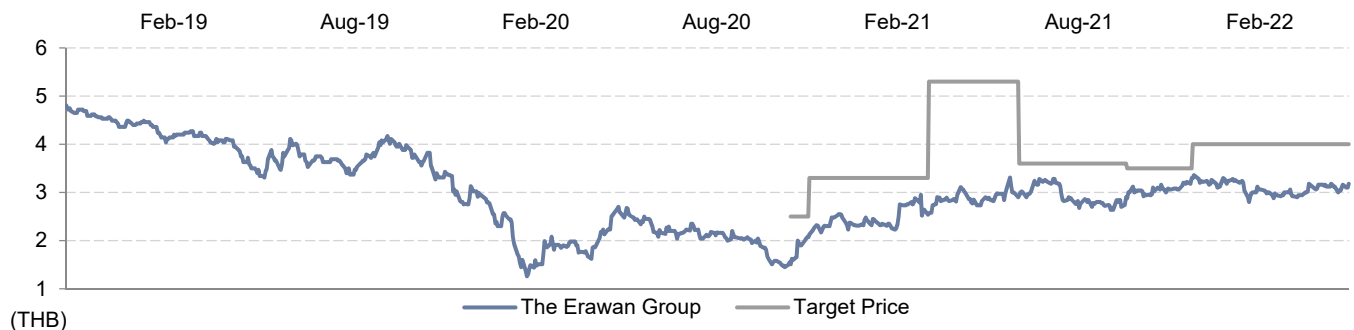
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

The Erawan Group (ERW TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 03-Nov-2020 | HOLD | 2.50 | 01-Mar-2021 | BUY | 5.30 | 17-Aug-2021 | BUY | 3.50 |
| 19-Nov-2020 | HOLD | 3.30 | 17-May-2021 | BUY | 3.60 | 12-Oct-2021 | BUY | 4.00 |

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|------------------|--------|----------|--------|--|
| The Erawan Group | ERW TB | THB 3.18 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 23-Feb-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.