

## THE ERWAN GROUP

## ERW TB

THAILAND / TOURISM &amp; LEISURE

BUY

UNCHANGED

## ผลประกอบการ 4Q22 น่าจะออกมาดี

- คาดผลประกอบการจะพลิกมาเป็นกำไรที่ 134 ลบ. ใน 4Q22; RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn น่าจะสูงกว่าระดับก่อนโควิด 18%
- ได้ประโยชน์จากความต้องการที่อ่อนแอหลังการใช้จ่ายกลับมาอยู่ในระดับสูงและนักท่องเที่ยวจีนกลับมา; กำไรปกติจะแตะระดับก่อนโควิดในปี 2023
- คงแนะนำซื้อหลังปรับราคาเป้าหมายให้สูงขึ้นเป็น 5 บาท (DCF)

TARGET PRICE	THB5.00
CLOSE	THB4.48
UP/DOWNSIDE	+11.6%
PRIOR TP	THB4.70
CHANGE IN TP	+6.4%
TP vs CONSENSUS	-0.3%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	1,485	4,542	6,531	7,040
Net profit	(2,050)	(332)	472	575
EPS (THB)	(0.45)	(0.07)	0.10	0.12
vs Consensus (%)	-	nm	37.0	(12.4)
EBITDA	(713)	863	1,940	2,105
Core net profit	(2,040)	(344)	472	575
Core EPS (THB)	(0.45)	(0.08)	0.10	0.12
Chg. In EPS est. (%)	nm	nm	10.6	4.9
EPS growth (%)	nm	nm	nm	13.0
Core P/E (x)	(9.9)	(59.1)	43.0	38.1
Dividend yield (%)	-	-	0.9	1.1
EV/EBITDA (x)	(47.7)	37.3	16.1	14.8
Price/book (x)	3.4	3.6	3.3	2.9
Net debt/Equity (%)	227.2	208.4	176.8	122.3
ROE (%)	(41.5)	(5.9)	8.0	8.4

## โรงแรมหรูเป็นปัจจัยที่ผลักดันกำไร 4Q22

เราคาดว่า RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะโต 47% q-q และสูงกว่าระดับก่อนโควิด 18% (เทียบกับ 94% ของระดับก่อนโควิดใน 3Q22) จากตลาดโรงแรมหรูในกรุงเทพฯ ที่ฟื้นตัวดี โดยอัตราการเข้าพัก (OCC rate) น่าจะแตะที่ 90% นอกจากนี้รายได้ของโรงแรม Hop Inn ในไทยยังน่าจะอยู่ในระดับที่ดีพร้อม RevPAR ที่โต 8% q-q และสูงกว่าระดับก่อนโควิดอยู่ 7% RevPAR ของโรงแรมในฟิลิปปินส์น่าจะโต 33% q-q และเกือบแตะระดับก่อนโควิด ในภาพรวมเราคาดว่ารายได้ 4Q22 จะกระโดดเพิ่ม 29% q-q และผลประกอบการจะฟื้นตัวจากที่เคยขาดทุน 12 ลบ. ใน 3Q22 เป็นมีกำไร 134 ลบ. ซึ่งคิดเป็น 76% ของระดับก่อนโควิด

## ประโยชน์จากการเปิดพรมแดนของจีน

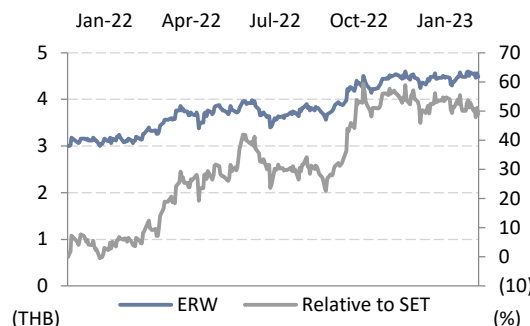
ERW น่าจะได้ประโยชน์จากการเปิดพรมแดนของจีนเนื่องจากผู้เข้าพักชาวจีนคิดเป็น 12% ของรายได้รวมในปี 2019 นอกจากนี้ ERW ยังมีสัดส่วนรายได้ 44% จากโรงแรมหรูในปี 2019 ซึ่งเป็นตลาดที่น่าจะช่วยเพิ่มอัตราค่าห้องพักวันเฉลี่ย (ADR) ได้มากที่สุดจากการจับความต้องการที่อ่อนแอของนักท่องเที่ยวที่มีการใช้จ่ายสูง หมายเหตุ RevPAR ของโรงแรมหรูได้ปรับขึ้นสูงกว่าระดับก่อนโควิดไปแล้วใน 3Q22

## RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะสูงกว่าระดับก่อนโควิด 10% ในปี 2023

เราคาดว่า RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะสูงกว่าระดับก่อนโควิดอยู่ 10% ในปี 2023 ส่วนมากมาจาก ADR ที่สูงกว่าระดับก่อนโควิดอยู่ 15% และ OCC rate ที่เราคาดว่าไว้ที่ 74% (เทียบกับ 78% ในปี 2019) ในขณะที่ RevPAR ของโรงแรม Hop Inn ในไทยน่าจะทรงตัวในระดับสูงและสูงกว่าระดับก่อนโควิด 8% ในภาพรวมเราคาดว่ากำไรปกติจะพลิกฟื้นเป็น 472 ลบ. ในปี 2023 ซึ่งค่อนข้างใกล้เคียงกับกำไรก่อนโควิด หมายเหตุจำนวนห้องพักน่าจะเพิ่มเป็น 10,188 ห้องในปี 2023 (4,392 ห้องจากโรงแรมที่ไม่ใช่ Hop Inn และ 5,796 ห้องจากโรงแรม Hop Inn) จาก 9,569 ห้องในปี 2019 (5,343 ห้องจากโรงแรมที่ไม่ใช่ Hop Inn และ 4,226 ห้องจากโรงแรม Hop Inn)

## ปรับเพิ่มประมาณการกำไรปี 2022-24

เราปรับเพิ่มประมาณการกำไรปี 2022-2024 ขึ้น 5%-21% เพื่อสะท้อนแนวโน้มที่ดีและแนวโน้ม ADR ที่สูงขึ้น ซึ่งทำให้ได้ราคาเป้าหมายปี 2023 ใหม่ที่ 5 บาท (DCF) เราแนะนำให้นักลงทุนรอให้ราคาหุ้นปรับตัวลงก่อนเข้าสะสมหลังจากที่ ERW ได้ปรับตัวขึ้นถึง 52% ในปีที่ผ่านมา หุ่นมีการซื้อขายที่ 38x ของค่า 2024E P/E (ปีปกติปีแรก) เทียบกับค่าเฉลี่ย 5 ปีย้อนหลังที่ 36x ERW มี Upside ประกอบด้วยโครงการโรงแรมใหม่ ๆ หลังค่า IBD/E ได้ปรับตัวลดลงเหลือ 1.9x (เทียบกับเพดานที่ 2.5x)



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.4)	6.2	52.4
Relative to country (%)	(3.7)	(1.5)	52.2
Mkt cap (USD m)			616
3m avg. daily turnover (USD m)			2.0
Free float (%)			59
Major shareholder			Chottanavat (17%)
12m high/low (THB)			4.74/2.92
Issued shares (m)			4,531.56

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

teerapol.udo@fssia.com

+66 2611 3535

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 16 มกราคม 2023

### 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 arrival 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, up from 52 hotels currently (47 in Thailand, 5 in the Philippines). Hop Inn is ERW’s flagship budget hotel brand focused on domestic travellers and has shown resilient performance.

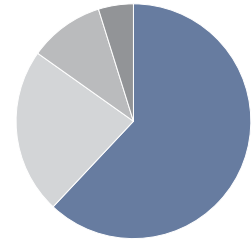
### Company profile

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

[www.theerawan.com](http://www.theerawan.com)

### Principal activities (revenue, 2021)

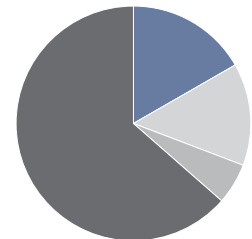
- Non-Hop Inn hotel - 62.0 %
- Hop Inn Thailand - 22.8 %
- Hop Inn Philippines - 10.4 %
- Others - 4.8 %



Source: The Erawan Group

### Major shareholders

- Chottanavat - 16.7 %
- Mitr Siam Capital Limited - 14.1 %
- Mitr Phol Sugar Corp - 5.7 %
- Others - 63.5 %



Source: The Erawan Group

### Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the global tourism recovery; 2) strong pent-up demand from Chinese tourists; 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
Feb 2023	4Q22 results announcement

### Key assumptions

	2022E	2023E	2024E
Number of hotels (no.)	75	78	84
Number of rooms (no.)	9,803	10,188	10,914
<b>All hotels excl. Hop Inn</b>			
Occupancy rate (OCC %)	59	74	79
RevPAR growth (y-y %)	518	43	7
<b>Thailand Hop Inn</b>			
Occupancy rate (OCC %)	73	74	74
RevPAR growth (y-y %)	82	4	2

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

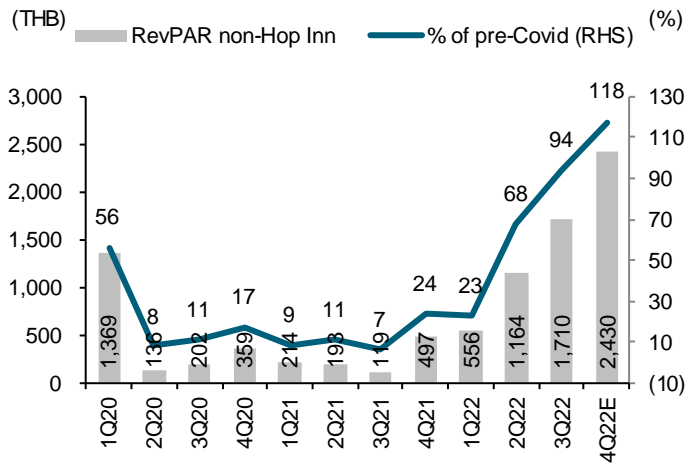


## Exhibit 1: 4Q22 results preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	----- Change -----		2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	619	638	974	1,283	1,650	29	167	4,542
- Thailand excl. Hop Inn	434	431	743	1,014	1,347	33	210	
- Hop Inn Thailand	124	134	156	165	177	7	43	
- Hop Inn Philippines	41	51	61	90	109	21	166	
- Rental	19	21	13	15	17	13	(11)	
COGS (Incl. depreciation)	(617)	(618)	(735)	(827)	(1,022)	23	66	(3,235)
<b>Gross Profit</b>	<b>2</b>	<b>20</b>	<b>239</b>	<b>456</b>	<b>629</b>	<b>38</b>	<b>35,029</b>	<b>1,307</b>
SG&A	(283)	(255)	(311)	(362)	(398)	10	41	(1,317)
<b>Operating Profit</b>	<b>(281)</b>	<b>(235)</b>	<b>(72)</b>	<b>94</b>	<b>230</b>	<b>145</b>	<b>182</b>	<b>(11)</b>
Other income	14	8	12	6	14	134	(2)	65
Interest	(121)	(112)	(111)	(114)	(114)	0	(6)	(450)
<b>Pretax profit</b>	<b>(388)</b>	<b>(339)</b>	<b>(171)</b>	<b>(14)</b>	<b>131</b>	<b>1,058</b>	<b>134</b>	<b>(396)</b>
Income Tax	4	8	7	5	0	<i>nm</i>	<i>nm</i>	27
Associates	5	3	9	3	3	0	(37)	17
Minority interest	12	12	4	(6)	0	<i>nm</i>	<i>nm</i>	8
<b>Core profit</b>	<b>(366)</b>	<b>(315)</b>	<b>(152)</b>	<b>(12)</b>	<b>134</b>	<b>1,264</b>	<b>137</b>	<b>(344)</b>
Extraordinaries, GW & FX	120	2	12	0				12
<b>Reported net profit</b>	<b>(246)</b>	<b>(313)</b>	<b>(139)</b>	<b>(12)</b>	<b>134</b>	<b>1,264</b>	<b>155</b>	<b>(332)</b>
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,532
<b>Core EPS</b>	<b>(0.08)</b>	<b>(0.07)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>0.03</b>	<b>1,264</b>	<b>137</b>	<b>(0.08)</b>
<b>EPS</b>	<b>(0.05)</b>	<b>(0.07)</b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>0.03</b>	<b>1,264</b>	<b>155</b>	<b>(0.07)</b>
COGS (Excl. depreciation)	(398)	(405)	(520)	(607)	(799)	32	101	(2,362)
Depreciation	(220)	(213)	(215)	(220)	(222)	1	1	(873)
EBITDA	(47)	(14)	155	320	467	46	1,083	928
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>
Gross margin	0	3	25	36	38	3	38	29
SG&A/Revenue	46	40	32	28	24	(4)	(22)	29
EBITDA margin	(7)	(2)	16	25	28	3	36	19
Net profit margin	(40)	(49)	(14)	(1)	8	9	48	(7)
<b>Operating stats</b>								
<b>Hotels Excl. Hop Inn</b>								
OCC (%)	30	31	55	67	81			
OCC growth (y-y %)	5	14	42	57	51			
RevPAR (THB)	497	556	1,164	1,710	2,430			
RevPAR growth (y-y %)	38	160	503	1,337	389			
<b>Thailand Hop Inn</b>								
OCC (%)	59	67	73	74	78			
OCC growth (y-y %)	(10)	19	42	47	19			
RevPAR (THB)	365	409	450	462	499			
RevPAR growth (y-y %)	(15)	39	163	182	37			
<b>Philippines Hop Inn</b>								
OCC (%)	49	51	58	59	75			
OCC growth (y-y %)	16	12	12	(1)	26			
RevPAR (THB)	423	473	565	620	825			
RevPAR growth (y-y %)	0	14	15	22	29			

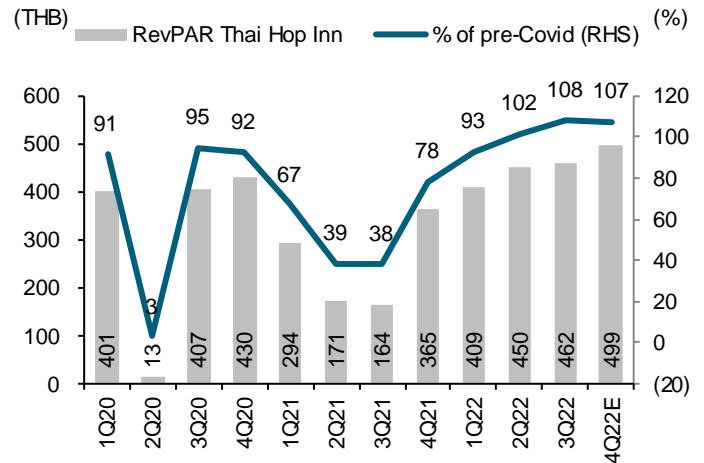
Sources: ERW; FSSIA estimates

**Exhibit 2: RevPAR non-Hop Inn hotels, quarterly**



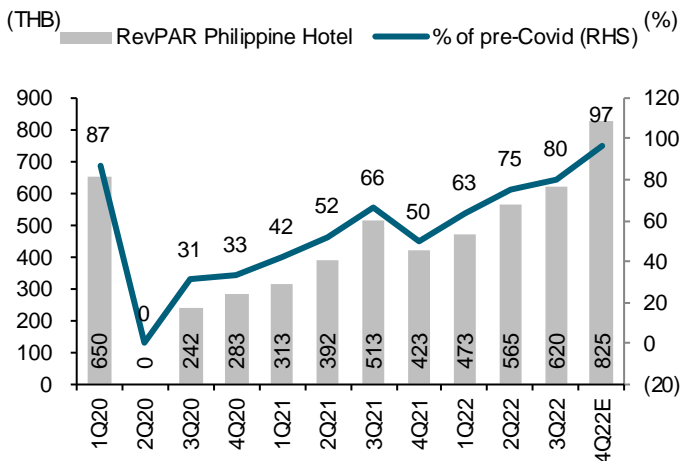
Sources: ERW; FSSIA estimates

**Exhibit 3: RevPAR Thai Hop Inn hotels, quarterly**



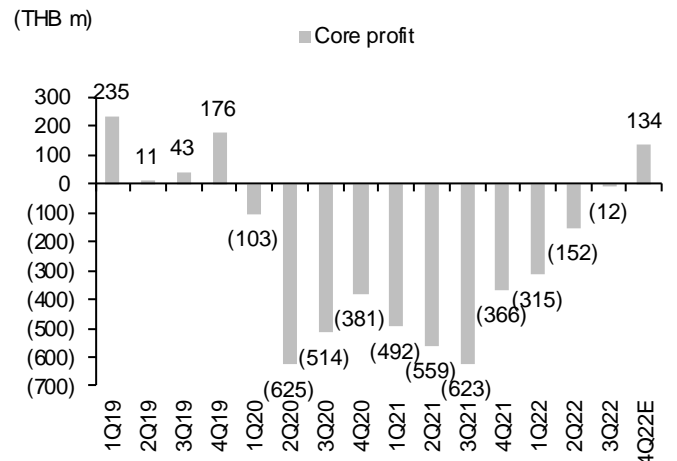
Sources: ERW; FSSIA estimates

**Exhibit 4: RevPAR Philippine Hop Inn hotels, quarterly**



Sources: ERW; FSSIA estimates

**Exhibit 5: Core profit, quarterly**



Sources: ERW; FSSIA estimates

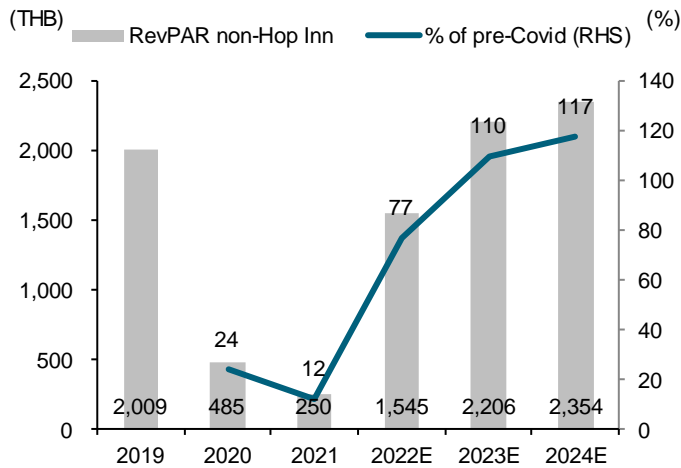
**Exhibit 6: Forecast revisions**

	----- Current -----			----- Previous -----			----- Change (%) -----		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
All hotels excl. Hop Inn - OCC (%)	58.8	74.0	79.0	54.4	71.9	77.1	4.4	2.1	1.9
All hotels excl. Hop Inn - RevPAR (THB)	1,545	2,206	2,354	1,203	2,038	2,186	28.5	8.2	7.7
Thailand Hop Inn - OCC (%)	73.0	73.5	74.0	72.0	73.0	73.0	1.0	0.5	1.0
Thailand Hop Inn - RevPAR (THB)	462	480	488	456	476	481	1.4	0.7	1.4
Revenue (THB b)	4.54	6.53	7.04	4.24	6.20	6.70	7.1	5.3	5.1
EBITDA margin (%)	19.0	29.7	0.0	18.0	30.8	0.0	1.0	(1.1)	0.0
Core earnings (THB m)	(344)	472	575	(434)	426	549	20.9	10.6	4.9

Note: Change of items in percentage terms is represented in ppt change.

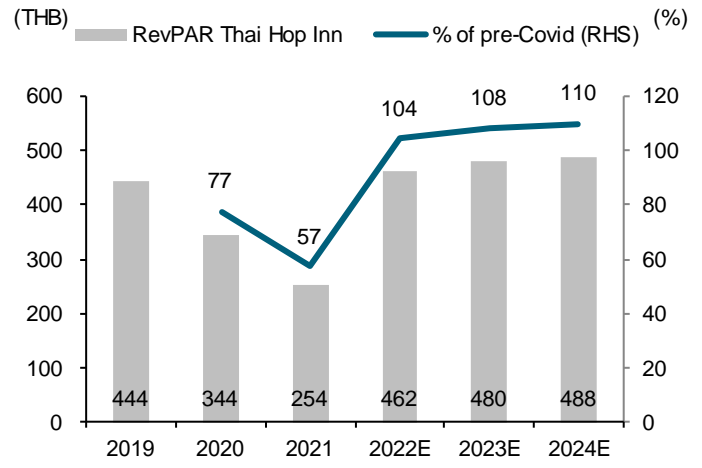
Source: FSSIA estimates

**Exhibit 7: RevPAR non-Hop Inn hotels, yearly**



Sources: ERW; FSSIA estimates

**Exhibit 8: RevPAR Thai Hop Inn hotels, yearly**



Sources: ERW; FSSIA estimates

**Exhibit 9: 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	Net cost of debt, Kd		3.2
Cost of equity, Ke		12.6	Weight applied		45.0
Weight applied		55.0			
WACC		8.2			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		11.5	2.4	WACC 8.2%, risk-free rate 3%, risk premium 8%	
Terminal value		20.0	4.1	Terminal growth 2.5%	
Cash & liquid assets		2.5	0.5	At end-2023E	
Investments		0.0	0.0	At end-2023E	
Debt		(9.9)	(2.0)	At end-2023E	
Minorities		(0.0)	(0.0)	At end-2023E	
<b>Residual ordinary equity</b>		<b>24.2</b>	<b>5.0</b>		

Source: FSSIA estimates

**Exhibit 10: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 11: Historical EV/EBITDA band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 12: Peer comparisons as of 13 Jan-23

Company	BBG	Rec	Share price			Market Cap (USD m)	PE			ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		22E (x)	23E (x)	24E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
<b>Thailand</b>															
Asset World Corp	AWC TB	BUY	6.15	6.80	11	5,971	(894.0)	93.4	53.4	(0.3)	2.5	2.4	2.3	100.0	45.7
Minor International	MINT TB	BUY	34.00	40.00	18	5,441	184.0	35.6	27.8	1.6	8.3	2.6	3.0	14.0	12.1
Central Plaza Hotel	CENTEL TB	BUY	51.00	58.00	14	2,089	305.9	32.2	26.2	1.2	11.1	3.8	3.4	23.5	14.3
Erawan Group	ERW TB	BUY	4.48	5.00	12	616	(59.1)	43.0	38.1	(5.9)	8.0	3.6	3.3	37.3	16.1
S Hotels & Resorts	SHR TB	BUY	4.24	5.00	18	462	(94.0)	34.8	22.9	(1.0)	2.8	1.0	0.9	17.3	10.3
Dusit Thani	DUSIT TB	BUY	11.80	18.00	53	304	(14.9)	92.4	27.5	(22.3)	3.9	3.6	3.5	164.5	32.4
<b>Thailand average</b>						<b>14,884</b>	<b>(95.3)</b>	<b>55.2</b>	<b>32.6</b>	<b>(4.4)</b>	<b>6.1</b>	<b>2.8</b>	<b>2.7</b>	<b>59.4</b>	<b>21.8</b>
<b>Regional</b>															
Btg Hotels Group	600258 CH	n/a	23.92	n/a	n/a	3,990	n/a	31.5	22.0	(2.5)	7.3	2.5	2.3	24.1	12.4
Sh Jinjiang Intl Hotels	900934 CH	n/a	2.07	n/a	n/a	8,090	87.4	9.2	6.3	1.0	8.5	0.9	0.8	44.8	17.7
Huangshan Tourism Dev.	900942 CH	n/a	0.82	n/a	n/a	1,081	n/a	16.9	11.7	(1.3)	5.6	0.9	0.9	67.8	12.8
Genting Bhd	GENT MK	n/a	4.92	n/a	n/a	4,335	35.5	14.0	11.7	1.5	3.9	0.6	0.6	8.5	7.1
Greentree Hospitality	GHG US	n/a	3.91	n/a	n/a	403	n/a	10.2	7.2	8.3	14.1	1.4	1.2	9.4	6.4
Huazhu Group	HTHT US	n/a	47.59	n/a	n/a	15,108	n/a	52.2	37.9	(11.3)	19.4	12.5	10.4	123.1	23.4
Indian Hotels	IH IN	n/a	309.35	n/a	n/a	5,312	n/a	54.3	40.7	(4.5)	10.6	7.3	5.6	84.8	29.4
Lemon Tree Hotels	LEMONTRE IN	n/a	79.65	n/a	n/a	785	n/a	65.1	41.8	(6.2)	10.8	7.5	7.1	56.7	22.3
Lippo Karawaci	LPKR IJ	n/a	75.00	n/a	n/a	349	n/a	n/a	25.1	(3.0)	(0.8)	0.3	0.3	9.1	8.0
<b>Regional average</b>						<b>39,451</b>	<b>61.4</b>	<b>31.7</b>	<b>22.7</b>	<b>(1.7)</b>	<b>8.4</b>	<b>3.8</b>	<b>3.2</b>	<b>47.6</b>	<b>15.5</b>
<b>Overall average</b>						<b>54,335</b>	<b>(56.1)</b>	<b>41.8</b>	<b>26.7</b>	<b>(2.7)</b>	<b>7.5</b>	<b>3.4</b>	<b>3.0</b>	<b>52.3</b>	<b>18.0</b>

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	4,542	6,531	7,040
Cost of goods sold	(1,465)	(1,284)	(2,362)	(3,089)	(3,323)
<b>Gross profit</b>	<b>841</b>	<b>201</b>	<b>2,180</b>	<b>3,442</b>	<b>3,717</b>
Other operating income	-	-	-	-	-
Operating costs	(1,043)	(915)	(1,317)	(1,502)	(1,612)
<b>Operating EBITDA</b>	<b>(201)</b>	<b>(713)</b>	<b>863</b>	<b>1,940</b>	<b>2,105</b>
Depreciation	(1,012)	(936)	(873)	(911)	(942)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(1,213)</b>	<b>(1,649)</b>	<b>(11)</b>	<b>1,028</b>	<b>1,163</b>
Net financing costs	(526)	(518)	(444)	(469)	(448)
Associates	(18)	9	17	0	0
Recurring non-operating income	14	67	76	63	63
Non-recurring items	(92)	(10)	12	0	0
<b>Profit before tax</b>	<b>(1,818)</b>	<b>(2,109)</b>	<b>(367)</b>	<b>622</b>	<b>778</b>
Tax	39	(46)	27	(93)	(140)
<b>Profit after tax</b>	<b>(1,778)</b>	<b>(2,155)</b>	<b>(340)</b>	<b>529</b>	<b>638</b>
Minority interests	63	105	8	(57)	(63)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(1,715)</b>	<b>(2,050)</b>	<b>(332)</b>	<b>472</b>	<b>575</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>92</b>	<b>10</b>	<b>(12)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(1,623)</b>	<b>(2,040)</b>	<b>(344)</b>	<b>472</b>	<b>575</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.36)	(0.45)	(0.08)	0.10	0.12
Reported EPS	(0.38)	(0.45)	(0.07)	0.10	0.12
DPS	0.00	0.00	0.00	0.04	0.05
Diluted shares (used to calculate per share data)	4,532	4,532	4,532	4,532	4,891
<b>Growth</b>					
Revenue (%)	(63.9)	(35.6)	205.7	43.8	7.8
Operating EBITDA (%)	nm	nm	nm	124.8	8.5
Operating EBIT (%)	nm	nm	nm	nm	13.1
Recurring EPS (%)	nm	nm	nm	nm	13.0
Reported EPS (%)	nm	nm	nm	nm	13.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	(7.4)	(49.4)	28.8	38.7	39.4
Gross margin of key business (%)	(7.4)	(49.4)	28.8	38.7	39.4
Operating EBITDA margin (%)	(8.7)	(48.0)	19.0	29.7	29.9
Operating EBIT margin (%)	(52.6)	(111.0)	(0.2)	15.7	16.5
Net margin (%)	(70.4)	(137.4)	(7.6)	7.2	8.2
Effective tax rate (%)	2.3	(2.2)	15.0	15.0	18.0
Dividend payout on recurring profit (%)	-	-	-	40.0	40.0
Interest cover (X)	(2.3)	(3.1)	0.1	2.3	2.7
Inventory days	12.3	12.2	8.6	9.9	10.8
Debtor days	20.7	21.7	8.0	5.6	5.2
Creditor days	47.2	40.8	31.3	35.8	39.1
Operating ROIC (%)	(7.4)	(8.7)	0.0	4.9	5.4
ROIC (%)	(6.8)	(8.2)	0.3	5.1	5.6
ROE (%)	(33.9)	(41.5)	(5.9)	8.0	8.4
ROA (%)	(6.0)	(7.4)	0.1	4.1	4.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Non-Hop Inn hotel	1,661	921	3,542	5,233	5,548
Hop Inn Thailand	431	339	643	723	791
Hop Inn Philippines	90	154	287	388	469
Others	124	71	70	186	233

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)	(344)	472	575
Depreciation	1,012	936	873	911	942
Associates & minorities	-	-	-	-	-
Other non-cash items	917	701	(36)	17	23
Change in working capital	(572)	(1,056)	2,083	584	153
<b>Cash flow from operations</b>	<b>(266)</b>	<b>(1,460)</b>	<b>2,576</b>	<b>1,984</b>	<b>1,693</b>
Capex - maintenance	(5,269)	(1,588)	(760)	(960)	(960)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	32	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(5,237)</b>	<b>(1,588)</b>	<b>(760)</b>	<b>(960)</b>	<b>(960)</b>
Dividends paid	(176)	0	0	0	(189)
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	8	(57)	(63)
<b>Cash flow from financing</b>	<b>6,156</b>	<b>2,667</b>	<b>(992)</b>	<b>(557)</b>	<b>327</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>654</b>	<b>(380)</b>	<b>825</b>	<b>467</b>	<b>1,061</b>
Free cash flow to firm (FCFF)	(4,966.55)	(2,526.87)	2,266.68	1,503.79	1,193.69
Free cash flow to equity (FCFE)	829.91	(2,394.52)	824.58	467.30	170.48

#### Per share (THB)

FCFF per share	(1.10)	(0.56)	0.50	0.33	0.26
FCFE per share	0.18	(0.53)	0.18	0.10	0.04
Recurring cash flow per share	0.07	(0.09)	0.11	0.31	0.31

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)	(7,147)	(8,059)	(9,000)
<b>Tangible fixed assets (net)</b>	<b>18,721</b>	<b>19,409</b>	<b>19,335</b>	<b>19,424</b>	<b>19,482</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	48	48	48	48	48
Cash & equivalents	1,623	1,242	2,067	2,534	3,595
A/C receivable	77	100	100	100	100
Inventories	46	39	72	95	102
Other current assets	217	1,274	262	377	406
<b>Current assets</b>	<b>1,962</b>	<b>2,655</b>	<b>2,501</b>	<b>3,105</b>	<b>4,202</b>
Other assets	483	338	338	338	338
<b>Total assets</b>	<b>21,215</b>	<b>22,450</b>	<b>22,222</b>	<b>22,915</b>	<b>24,071</b>
Common equity	3,813	6,012	5,680	6,152	7,618
Minorities etc.	116	11	11	11	11
<b>Total shareholders' equity</b>	<b>3,929</b>	<b>6,023</b>	<b>5,691</b>	<b>6,163</b>	<b>7,629</b>
Long term debt	15,055	14,237	13,737	13,237	12,737
Other long-term liabilities	218	880	880	880	880
<b>Long-term liabilities</b>	<b>15,273</b>	<b>15,117</b>	<b>14,617</b>	<b>14,117</b>	<b>13,617</b>
A/C payable	145	143	262	343	369
Short term debt	1,410	690	190	190	190
Other current liabilities	458	478	1,462	2,102	2,266
<b>Current liabilities</b>	<b>2,013</b>	<b>1,311</b>	<b>1,914</b>	<b>2,635</b>	<b>2,825</b>
<b>Total liabilities and shareholders' equity</b>	<b>21,215</b>	<b>22,450</b>	<b>22,222</b>	<b>22,915</b>	<b>24,071</b>
Net working capital	(263)	793	(1,290)	(1,874)	(2,028)
Invested capital	18,989	20,587	18,431	17,936	17,841

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

#### Per share (THB)

Book value per share	1.51	1.33	1.25	1.36	1.56
Tangible book value per share	1.51	1.33	1.25	1.36	1.56

#### Financial strength

Net debt/equity (%)	377.8	227.2	208.4	176.8	122.3
Net debt/total assets (%)	70.0	61.0	53.4	47.5	38.8
Current ratio (x)	1.0	2.0	1.3	1.2	1.5
CF interest cover (x)	2.6	(3.6)	2.9	2.0	1.4

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>(12.5)</b>	<b>(9.9)</b>	<b>(59.1)</b>	<b>43.0</b>	<b>38.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(14.0)</b>	<b>(11.1)</b>	<b>(65.9)</b>	<b>48.0</b>	<b>42.5</b>
Reported P/E (x)	(11.8)	(9.9)	(61.2)	43.0	38.1
Dividend yield (%)	-	-	-	0.9	1.1
Price/book (x)	3.0	3.4	3.6	3.3	2.9
Price/tangible book (x)	3.0	3.4	3.6	3.3	2.9
EV/EBITDA (x) **	(130.4)	(47.7)	37.3	16.1	14.8
EV/EBITDA @ target price (x) **	(136.9)	(51.0)	40.0	17.3	16.1
EV/invested capital (x)	1.4	1.7	1.7	1.7	1.8

\* 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 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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\* 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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: 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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Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 4.48	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.
Asset World Corp	AWC TB	THB 6.15	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.
Minor International	MINT TB	THB 34.00	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 and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 51.00	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 and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
S Hotels and Resorts	SHR TB	THB 4.24	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.
Dusit Thani	DUSIT TB	THB 11.80	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 Finansia 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 Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 13-Jan-2023 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.