

S HOTELS AND RESORTS

SHR TB

THAILAND / TOURISM & LEISURE

BUY

UNCHANGED

Every cloud has a silver lining

- Expect 2Q23 earnings to turn into a core loss of THB93m (vs a THB142m core profit in 1Q23).
- Operations should improve in 3Q23, driven by UK hotels, with a return to profitability in 4Q23.
- Maintain BUY with a lower DCF-TP of THB4.8/shr.

TARGET PRICE	THB4.80
CLOSE	THB2.78
UP/DOWNSIDE	+72.7%
PRIOR TP	THB5.20
CHANGE IN TP	-7.7%
TP vs CONSENSUS	+3.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,693	9,615	10,532	11,035
Net profit	14	170	508	640
EPS (THB)	0.00	0.05	0.14	0.18
vs Consensus (%)	-	(49.5)	(6.7)	(12.2)
EBITDA	1,859	2,231	2,557	2,789
Recurring net profit	(39)	170	508	640
Core EPS (THB)	(0.01)	0.05	0.14	0.18
Chg. In EPS est. (%)	nm	(57.5)	(24.9)	(17.9)
EPS growth (%)	nm	nm	198.4	25.9
Core P/E (x)	(256.7)	58.6	19.6	15.6
Dividend yield (%)	-	0.7	2.0	2.6
EV/EBITDA (x)	13.0	9.2	7.5	6.5
Price/book (x)	0.6	0.6	0.6	0.6
Net debt/Equity (%)	88.6	65.1	55.9	47.7
ROE (%)	(0.2)	1.1	3.1	3.8

Weak 2Q23E due to low season in Thailand and Maldives

We expect overall RevPAR to drop by 10% q-q in 2Q23 due to the low season for Thai and Maldives hotels, for which RevPAR should plunge by c50% q-q and c40% q-q, respectively. On a positive note, RevPAR of UK hotels should grow by c40% q-q and exceed the pre-Covid level by 35-40%, driven by the strong ADR trend. RevPAR of Outrigger hotels should improve by 16% q-q thanks to Fiji's high season. We estimate the Thai portfolio to reach breakeven and the UK portfolio to deliver a profit in 2Q. However, we forecast a 2Q23 core loss of THB93m (vs a THB142m core profit in 1Q23) pressured by 1) a THB50m-60m loss from its Mauritius hotel from a temporary closure since April; and 2) an operating loss from the Maldives portfolio.

Mauritius hotel to reopen in Sep-23

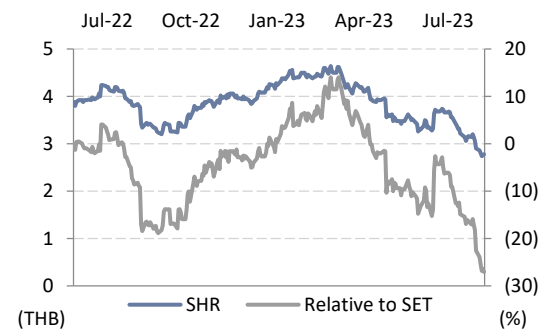
We expect stronger momentum for the UK portfolio in 3Q23, and better performance for Fiji hotels after Outrigger Fiji Beach completes phase 1 of its renovation program. In addition, Outrigger Mauritius is scheduled to reopen in Sep with c50% of its inventory and fully reopen in Aug. Thai and Maldives hotels should slightly improve q-q in 3Q, and we expect a strong recovery in 4Q23, which is their high tourism season.

Lower room inventory during renovation program

Its two main Thai hotels (Saii Laguna Phuket and Saii Phi Phi Island Village) are in the first phase of renovations. 154 rooms, or 25% of the Thai portfolio's 604 total rooms, are being renovated during May-Dec 2023, while c50% of inventory is scheduled for renovation during the second phase in May-Oct 2024. In addition, 13 of 27 hotels in the UK portfolio are in the renovation plan scheduled for completion in 1Q24.

Cut core profit; share price already reflects negative news

We cut 2023E core profit by 58% due to the weak outlook in 2Q23 and revise down 2024-25E by 18-25% to reflect the impact from renovations and higher competition in the Maldives hotel industry. We roll forward our DCF valuation to 2024 and derive a new TP of THB4.8 (from THB5.2). Its share price has plunged 29% over the past three months. We believe all the negative news has been priced in. SHR trades at cheap valuations of 0.6x 2024E P/BV and 20x 2024E P/E (vs peers' avg of 2.0x and 29x).



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(24.0)	(29.1)	(26.8)
Relative to country (%)	(21.9)	(25.6)	(25.9)
Mkt cap (USD m)	288		
3m avg. daily turnover (USD m)	1.2		
Free float (%)	38		
Major shareholder	S Hotels and Resorts Inter (49%)		
12m high/low (THB)	4.70/2.72		
Issued shares (m)	3,593.64		

Sources: Bloomberg consensus; FSSIA estimates


Teerapol Udomvej, CFA

Register no. 080523

teerapol.udo@fssia.com, +66 2611 3535

Investment thesis

SHR raised THB7.5b at THB5.20/shr during its IPO in Nov-19. Its share price has been below the IPO price since then, mainly due to operating losses from two hotels in the Crossroads Maldives project and the impact of the Covid-19 pandemic.

SHR has successfully turned its operations around since 3Q22. We think this momentum should continue in 2023 with its Thai hotels and Maldives hotels benefiting from strong tourist arrivals of 25m-30m for Thailand (vs 40m in 2019) and 2.0m in 2023 for the Maldives (vs 1.7m in 2019). Its EBITDA margin should continue to improve to 30%, which is its long-term target by 2025.

SHR's share price is attractive as it trades at a lower P/BV compared to its peers and it has a potential upside from M&A deals, given its strong balance sheet with only 0.8x IBD/E as of 2022.

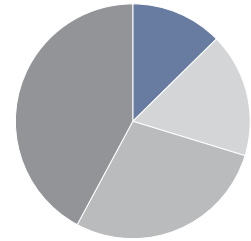
Company profile

SHR is the holding company of all of the resorts and hotels under the Singha Estate (S TB, not rated) group.

www.shotelsresorts.com

Principal activities (revenue, 2022)

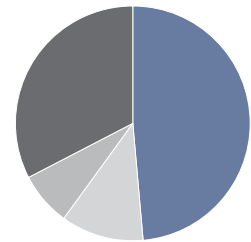
- Self-managed - 12.6 %
- Outrigger - 17.1 %
- Crossroads Ph1 (Maldives hotels) - 28.1 %
- UK - 42.1 %



Source: S Hotels and Resorts

Major shareholders

- S Hotels and Resorts Inter - 48.6 %
- S Hotels and Resorts (SG) - 11.4 %
- Thai NVDR - 7.4 %
- Others - 32.6 %



Source: S Hotels and Resorts

Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the global tourism recovery; 2) an uplift and renovation program to lift ADR; and 3) M&A deals.

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
Aug 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Self-Managed - Number of rooms (no.)	604	604	604
Self-Managed - Occupancy rate (OCC)	72.0	69.0	72.0
Self-Managed - RevPAR growth	66.8	(4.2)	7.5
Project Crossroads - Number of rooms (no.)	376	376	376
Project Crossroads - Occupancy rate (OCC)	68.0	69.0	71.0
Project Crossroads - RevPAR growth	0.2	4.5	6.0
UK - Number of rooms (no.)	2,740	2,740	2,740
UK - Occupancy rate (OCC)	72.0	72.5	73.0
UK - RevPAR growth	27.1	5.7	3.7

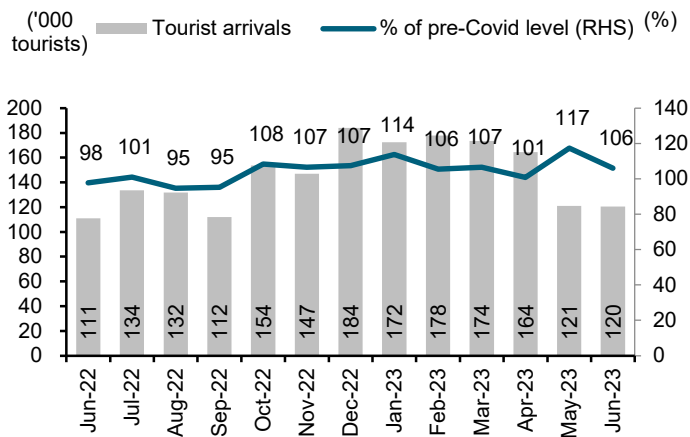
Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC rate, we project a 2023 profit increase of 23%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2023 profit increase of 14%, and vice versa, all else being equal.

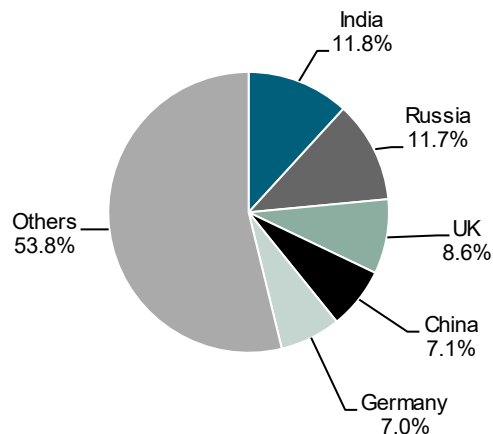
Source: FSSIA estimates

Exhibit 1: Maldives industry – monthly tourist arrivals



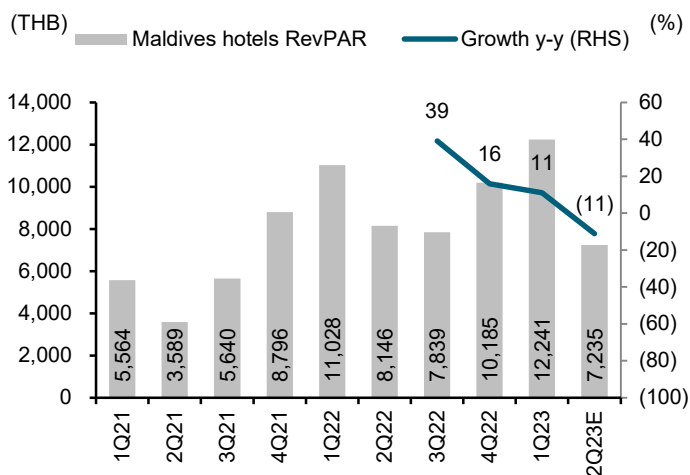
Sources: Ministry of Tourism, Republic of Maldives

Exhibit 2: Maldives industry – tourist arrival breakdown as of 1 Jan to 5 July 2023



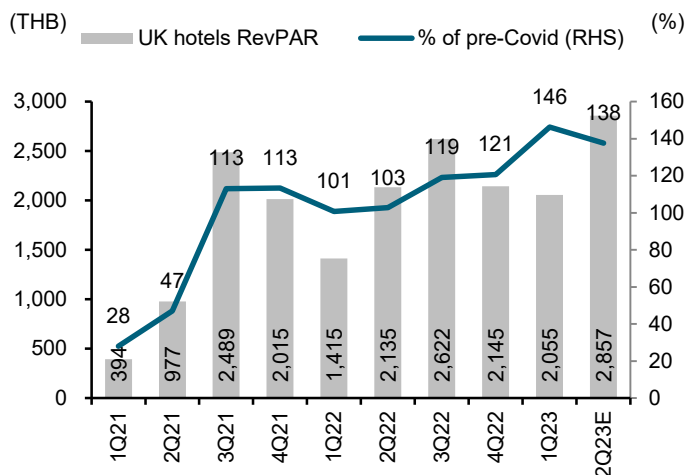
Sources: Ministry of Tourism, Republic of Maldives

Exhibit 3: SHR's Crossroads (Maldives) hotels RevPAR



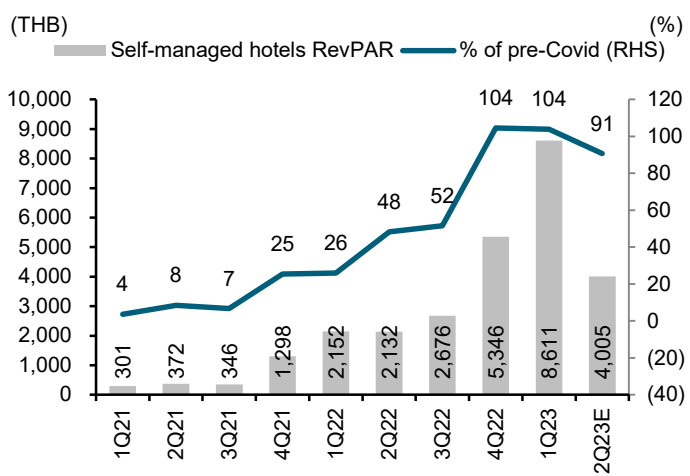
Sources: SHR; FSSIA estimates

Exhibit 4: SHR's UK hotels RevPAR



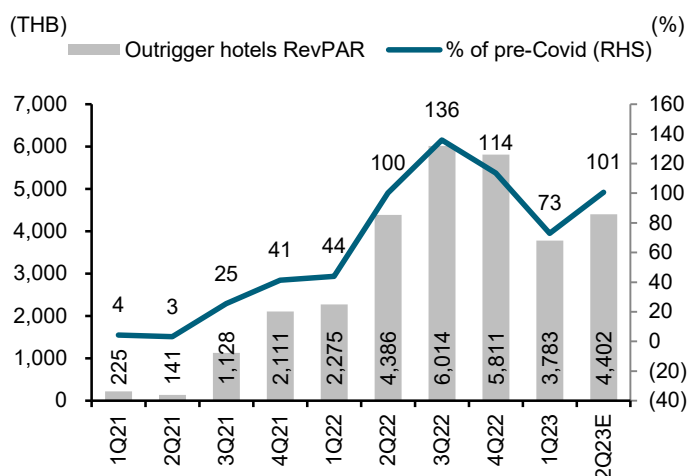
Sources: SHR; FSSIA estimates

Exhibit 5: SHR's self-managed (Thailand) hotels RevPAR



Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21
Sources: SHR; FSSIA estimates

Exhibit 6: Outrigger (Mauritius, Fiji) hotels RevPAR



Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21
Sources: SHR; FSSIA estimates

Exhibit 7: 2Q23 results preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	2,071	2,362	2,570	2,544	2,231	(12)	8	9,615
- Self-Managed Hotels	208	272	434	642	344	(46)	65	
- Outrigger Hotels	365	465	474	302	316	5	(13)	
- Project Crossroads Hotels	562	552	676	815	490	(40)	(13)	
- UK	936	1,073	986	785	1,081	38	15	
COGS (Incl. depreciation)	(1,427)	(1,528)	(1,593)	(1,605)	(1,566)	(2)	10	(6,242)
Gross profit	644	834	976	939	665	(29)	3	3,373
SG&A	(550)	(553)	(600)	(576)	(530)	(8)	(4)	(2,271)
Operating profit	94	280	376	363	135	(63)	43	1,102
Other income	23	67	15	32	32	0	43	113
- Interest income from JV								0
- Other income	23	67	15	32	32			113
Interest expense	(193)	(233)	(241)	(248)	(256)	3	33	(965)
Pretax profit	(76)	115	150	148	(88)	(160)	17	250
Income Tax	(30)	35	(21)	(1)	0	(100)	(100)	(30)
Associates	(5)	(3)	(4)	(4)	(4)	0	(10)	(50)
Minority interest	0	0	0	0				0
Core profit	(111)	146	125	142	(93)	(165)	16	170
Extraordinaries, GW & FX	14	62	(17)	(17)				0
Net unrealized (loss)/gain on FX	14	24	(17)	(17)				0
Non-recurring items		38						
Reported net profit	(97)	207	108	125	(93)	(174)	(4)	170
Shares out (end Q, m)	3,664	3,664	3,664	3,664	3,664	0	0	3,664
Core EPS	(0.03)	0.04	0.03	0.04	(0.03)	(165)	16	0.05
EPS	(0.03)	0.06	0.03	0.03	(0.03)	(174)	(4)	0.05
COGS (Excl. depreciation)	(1,160)	(1,258)	(1,302)	(1,327)	(1,289)	(3)	11	(5,113)
Depreciation	(267)	(270)	(291)	(277)	(277)	0	4	(1,128)
EBITDA	379	614	678	669	440	(34)	16	2,294
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	31	35	38	37	30	7	(1)	35
SG&A/Revenue	27	23	23	23	24	(1)	(3)	24
EBITDA margin	18	26	26	26	20	7	1	24
Net profit margin	(5)	9	4	5	(4)	9	1	2
Operating stats								
Self-Managed Hotels								
OCC (%)	49.9	54.5	71.9	87.5	64.0			
ADR (THB)	4,276	4,911	7,435	9,840	6,258			
RevPAR (THB)	2,132	2,676	5,346	8,611	4,005			
Outrigger Hotels								
OCC (%)	63.6	78.0	79.6	55.4	46.0			
ADR (THB)	6,894	7,708	7,304	6,831	9,569			
RevPAR (THB)	4,386	6,014	5,811	3,783	4,402			
Project Crossroads Hotels								
OCC (%)	65.2	60.8	63.2	87.5	56.0			
ADR (THB)	12,499	12,895	16,123	13,994	12,919			
RevPAR (THB)	8,146	7,839	10,185	12,241	7,235			
UK Hotels								
OCC (%)	61.4	69.0	62.7	65.6	74.0			
ADR (THB)	3,475	3,801	3,421	3,133	3,861			
RevPAR (THB)	2,135	2,622	2,145	2,055	2,857			

Sources: SHR; FSSIA estimates

Exhibit 8: Forecast revisions

	Current			Previous			Change		
	2023E (THB)	2024E (THB)	2025E (THB)	2023E (THB)	2024E (THB)	2025E (THB)	2023E (%)	2024E (%)	2025E (%)
Self-managed - OCC rate (%)	72.0	69.0	72.0	72.0	72.5	73.0	-	(3.5)	(1.0)
Self-managed - RevPAR	5,400	5,175	5,562	5,056	5,244	5,438	6.8	(1.3)	2.3
Outrigger - OCC rate (%)	53.0	67.0	67.0	47.0	67.0	67.0	6.0	-	-
Outrigger - RevPAR	4,331	5,279	5,438	4,184	5,279	5,438	3.5	-	-
Project Crossroads - OCC rate (%)	68.0	69.0	71.0	71.0	72.0	73.0	(3.0)	(3.0)	(2.0)
Project Crossroads - RevPAR	9,314	9,734	10,317	11,128	11,623	12,138	(16.3)	(16.3)	(15.0)
UK -OCC rate (%)	72	73	73	72	73	73	-	-	-
UK -RevPAR	2,647	2,799	2,903	2,647	2,799	2,903	-	-	-
Revenue (THB b)	9.6	10.5	11.0	10.2	11.1	11.5	(5.8)	(5.3)	(4.4)
EBITDA margin (%)	23.2	24.3	25.3	25.2	25.6	25.8	(2.0)	(1.3)	(0.6)
Core earnings (THB m)	170	508	640	401	677	779	(57.5)	(24.9)	(17.9)

Note: Change in % terms is represented in ppt change

Source: FSSIA estimates

Exhibit 9: DCF valuation

Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	4.0
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	1.3		
Cost of equity, Ke	13.2	Net cost of debt, Kd	3.2
Weight applied	60.0	Weight applied	40.0
WACC	9.2		

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	12.8	3.6	WACC 9.2%, risk-free rate 3%, risk premium 8%
Terminal value	12.8	3.6	Terminal growth 2.5%
Cash & liquid assets	5.6	1.6	At end-2024E
Investments	0.7	0.2	At end-2024E
Debt	(14.9)	(4.1)	At end-2024E
Minorities	0.0	0.0	At end-2024E
Residual ordinary equity	17.1	4.8	

Source: FSSIA estimates

Exhibit 10: Historical EV/EBITDA band

SHR EV/EBITDA (x)



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Historical P/BV band

SHR PBV (x)



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Peer comparisons as of 14 Jul 2023

Company	BBG	Rec	Share price			Market cap (USD m)	PE			ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	25E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand															
Asset World Corp	AWC TB	BUY	4.62	6.80	47	4,265	70.2	40.1	36.1	2.5	4.1	1.7	1.6	37.9	27.5
Minor International	MINT TB	BUY	33.00	40.00	21	5,206	34.6	26.9	23.8	7.0	9.2	2.2	2.8	10.8	10.9
Central Plaza Hotel	CENTEL TB	BUY	44.75	58.00	30	1,743	28.3	23.0	21.5	10.9	12.2	2.9	2.7	13.9	12.0
Erawan Group	ERW TB	BUY	4.48	5.70	27	586	32.6	33.6	29.6	10.4	9.2	3.2	2.8	15.4	14.3
S Hotels & Resorts	SHR TB	BUY	2.78	4.80	73	288	58.6	19.6	15.6	1.1	3.1	0.6	0.6	9.2	7.5
Dusit Thani	DUSIT TB	BUY	11.50	18.00	57	282	191.2	40.0	3.9	1.2	5.7	2.3	2.2	41.5	32.0
Bound and Beyond	BEYOND TB	BUY	12.60	24.00	90	105	157.0	16.6	13.0	0.4	3.6	0.6	0.6	12.2	8.7
Thailand average						12,475	81.8	28.6	20.5	4.8	6.7	1.9	1.9	20.1	16.1
Regional															
Btg Hotels Group	600258 CH	n/a	20.50	n/a	n/a	3,100	27.9	19.5	16.3	7.2	9.5	2.0	1.8	12.5	10.3
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.87	n/a	n/a	6,113	9.8	6.7	5.5	8.3	11.1	0.8	0.7	15.7	12.4
Huangshan Tourism Dev.	900942 CH	n/a	0.76	n/a	n/a	1,136	12.7	9.6	8.6	7.1	8.6	0.9	0.8	11.7	9.8
Genting Bhd	GENT MK	n/a	4.30	n/a	n/a	3,573	15.5	10.9	9.4	3.9	4.7	0.5	0.5	6.1	5.5
Huazhu Group	HTHT US	n/a	44.33	n/a	n/a	14,128	31.8	26.2	21.8	27.5	24.7	8.8	6.9	18.0	15.1
Indian Hotels	IH IN	n/a	389.65	n/a	n/a	6,780	60.5	43.8	37.1	12.6	14.4	7.1	6.2	32.3	26.7
Lemon Tree Hotels	LEMONTRE IN	n/a	92.30	n/a	n/a	895	63.8	49.9	28.0	12.3	15.0	8.1	6.7	23.4	19.5
Lippo Karawaci	LPKR IJ	n/a	102.00	n/a	n/a	496	5.9	6.8	4.3	2.2	5.8	0.4	0.4	7.6	6.9
Regional average						36,220	28.5	21.7	16.4	10.1	11.7	3.6	3.0	15.9	13.3
Overall average						48,695	53.4	24.9	18.3	7.6	9.4	2.8	2.5	17.9	14.6

Sources: Bloomberg; FSSIA estimates

Financial Statements

S Hotels and Resorts

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,512	8,693	9,615	10,532	11,035
Cost of goods sold	(3,596)	(5,807)	(6,242)	(6,675)	(6,973)
Gross profit	916	2,885	3,373	3,857	4,062
Other operating income	-	-	-	-	-
Operating costs	(1,742)	(2,142)	(2,271)	(2,452)	(2,530)
Operating EBITDA	363	1,859	2,231	2,557	2,789
Depreciation	(1,189)	(1,116)	(1,128)	(1,152)	(1,257)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(826)	743	1,102	1,405	1,532
Net financing costs	(693)	(842)	(965)	(881)	(855)
Associates	(3)	(21)	(50)	(22)	4
Recurring non-operating income	158	73	63	93	122
Non-recurring items	(5)	53	0	0	0
Profit before tax	(1,366)	27	200	617	799
Tax	131	(13)	(30)	(109)	(159)
Profit after tax	(1,234)	14	170	508	640
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(1,234)	14	170	508	640
Non-recurring items & goodwill (net)	5	(53)	0	0	0
Recurring net profit	(1,229)	(39)	170	508	640
Per share (THB)					
Recurring EPS *	(0.34)	(0.01)	0.05	0.14	0.18
Reported EPS	(0.34)	0.00	0.05	0.14	0.18
DPS	0.00	0.00	0.02	0.06	0.07
Diluted shares (used to calculate per share data)	3,594	3,594	3,594	3,594	3,594
Growth					
Revenue (%)	188.7	92.6	10.6	9.5	4.8
Operating EBITDA (%)	nm	411.7	20.0	14.6	9.1
Operating EBIT (%)	nm	nm	48.4	27.4	9.0
Recurring EPS (%)	nm	nm	nm	198.4	25.9
Reported EPS (%)	nm	nm	1,084.7	198.4	25.9
Operating performance					
Gross margin inc. depreciation (%)	20.3	33.2	35.1	36.6	36.8
Gross margin exc. depreciation (%)	46.7	46.0	46.8	47.6	48.2
Operating EBITDA margin (%)	8.1	21.4	23.2	24.3	25.3
Operating EBIT margin (%)	(18.3)	8.5	11.5	13.3	13.9
Net margin (%)	(27.2)	(0.4)	1.8	4.8	5.8
Effective tax rate (%)	9.7	(289.8)	12.0	17.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(1.0)	1.0	1.2	1.7	1.9
Inventory days	28.3	16.6	17.0	17.1	17.5
Debtor days	17.8	18.7	19.0	17.4	16.6
Creditor days	168.5	130.1	233.4	332.0	339.0
Operating ROIC (%)	(2.9)	9.7	3.6	4.7	5.1
ROIC (%)	(2.1)	9.7	3.4	4.5	4.9
ROE (%)	(7.8)	(0.2)	1.1	3.1	3.8
ROA (%)	(1.9)	8.8	2.7	3.2	3.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Self-managed	234	1,098	1,786	1,711	1,839
Outrigger	205	1,486	1,302	1,625	1,674
Crossroads Ph1 (Maldives hotels)	1,627	2,445	2,556	2,605	2,761
UK	2,446	3,664	3,971	4,591	4,761

Sources: S Hotels and Resorts; FSSIA estimates

Financial Statements

S Hotels and Resorts

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(1,229)	(39)	170	508	640
Depreciation	1,189	1,116	1,128	1,152	1,257
Associates & minorities	-	-	-	-	-
Other non-cash items	(190)	109	(8)	(8)	(8)
Change in working capital	(750)	1,052	3,005	273	122
Cash flow from operations	(981)	2,238	4,295	1,925	2,011
Capex - maintenance	(11,050)	(116)	(569)	(624)	(654)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	1,555	(277)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(9,495)	(393)	(569)	(624)	(654)
Dividends paid	0	0	0	(68)	(203)
Equity finance	13	0	(44)	0	0
Debt finance	8,476	(1,418)	(900)	(900)	0
Other financing cash flows	1,408	139	0	0	0
Cash flow from financing	9,897	(1,280)	(944)	(968)	(203)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(579)	566	2,783	333	1,153
Free cash flow to firm (FCFF)	(9,783.45)	2,686.85	4,691.92	2,182.01	2,211.38
Free cash flow to equity (FCFE)	(591.92)	565.63	2,826.57	401.30	1,356.77

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(2.72)	0.75	1.31	0.61	0.62
FCFE per share	(0.16)	0.16	0.79	0.11	0.38
Recurring cash flow per share	(0.06)	0.33	0.36	0.46	0.53

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	36,405	36,291	36,868	37,500	38,162
Less: Accumulated depreciation	(6,444)	(7,323)	(8,451)	(9,603)	(10,860)
Tangible fixed assets (net)	29,961	28,968	28,417	27,896	27,301
Intangible fixed assets (net)	1,641	1,630	1,630	1,630	1,630
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	427	704	704	704	704
Cash & equivalents	1,914	2,479	5,262	5,595	6,749
A/C receivable	387	501	501	501	501
Inventories	198	229	249	269	278
Other current assets	2,224	1,324	1,464	1,604	1,680
Current assets	4,723	4,533	7,477	7,970	9,209
Other assets	463	615	615	615	615
Total assets	37,214	36,450	38,842	38,814	39,459
Common equity	15,882	16,019	16,146	16,586	17,023
Minorities etc.	0	0	0	0	0
Total shareholders' equity	15,882	16,019	16,146	16,586	17,023
Long term debt	18,092	16,674	15,774	14,874	14,874
Other long-term liabilities	1,392	1,612	1,612	1,612	1,612
Long-term liabilities	19,485	18,286	17,386	16,486	16,486
A/C payable	1,635	1,711	4,830	5,217	5,399
Short term debt	0	0	0	0	0
Other current liabilities	213	433	479	525	550
Current liabilities	1,848	2,144	5,310	5,742	5,950
Total liabilities and shareholders' equity	37,214	36,450	38,842	38,814	39,459
Net working capital	961	(90)	(3,095)	(3,368)	(3,489)
Invested capital	33,453	31,826	28,270	27,477	26,760

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	4.42	4.46	4.49	4.62	4.74
Tangible book value per share	3.96	4.00	4.04	4.16	4.28

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	101.9	88.6	65.1	55.9	47.7
Net debt/total assets (%)	43.5	38.9	27.1	23.9	20.6
Current ratio (x)	2.6	2.1	1.4	1.4	1.5
CF interest cover (x)	0.1	1.7	3.9	1.5	2.6

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(8.1)	(256.7)	58.6	19.6	15.6
Recurring P/E @ target price (x) *	(14.0)	(443.2)	101.2	33.9	27.0
Reported P/E (x)	(8.1)	694.6	58.6	19.6	15.6
Dividend yield (%)	-	-	0.7	2.0	2.6
Price/book (x)	0.6	0.6	0.6	0.6	0.6
Price/tangible book (x)	0.7	0.7	0.7	0.7	0.6
EV/EBITDA (x) **	72.0	13.0	9.2	7.5	6.5
EV/EBITDA @ target price (x) **	92.0	16.9	12.4	10.4	9.1
EV/invested capital (x)	0.8	0.8	0.7	0.7	0.7

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

Sources: S Hotels and Resorts; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

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

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Company	Ticker	Price	Rating	Valuation & Risks
S Hotels and Resorts	SHR TB	THB 2.78	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 4.62	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 33.00	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 44.75	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.
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.
Dusit Thani	DUSIT TB	THB 11.50	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.
Bound and Beyond	BEYOND TB	THB 12.60	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 14-Jul-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.