

THE ERWAN GROUP
THAILAND / TOURISM & LEISURE

ERW TB

BUY

UNCHANGED

คาดการณ์กำไรปี 2023 จะทำสถิติสูงสุดใหม่

- กำไรมีแนวโน้มออกมาดีต่อเนื่องใน 3Q23 จากโรงแรมที่ไม่ใช่ Hop Inn ซึ่งมีอัตราการเข้าพัก (OCC rate) ปรับตัวดีขึ้นเป็น 86% ในเดือน ก.ค. (เทียบกับ 74% ใน 3Q19)
- สัดส่วนหนี้มีดอกเบี้ยต่อส่วนผู้ถือหุ้น (IBD/E) ลดลงเหลือ 1.6x ณ. สิ้น 2Q23 (เทียบกับเพดานหนี้ที่ 2.5x) ซึ่งหมายถึงโอกาสทางการเงินสำหรับโครงการใหม่โดยเฉพาะอย่างยิ่งในตลาดระดับปานกลาง
- คงแนะนำซื้อหลังปรับราคาเป้าหมายขึ้นเป็น 6 บาท (DCF)

| | |
|-----------------|---------|
| TARGET PRICE | THB6.00 |
| CLOSE | THB5.05 |
| UP/DOWNSIDE | +18.8% |
| PRIOR TP | THB5.70 |
| CHANGE IN TP | +5.3% |
| TP vs CONSENSUS | +5.4% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|-------|-------|-------|
| Revenue | 4,629 | 6,963 | 7,474 | 7,956 |
| Net profit | (224) | 759 | 769 | 811 |
| EPS (THB) | (0.05) | 0.17 | 0.16 | 0.17 |
| vs Consensus (%) | - | 31.8 | (0.6) | (4.5) |
| EBITDA | 969 | 2,173 | 2,362 | 2,522 |
| Recurring net profit | (278) | 735 | 769 | 811 |
| Core EPS (THB) | (0.06) | 0.16 | 0.16 | 0.17 |
| Chg. In EPS est. (%) | nm | 18.2 | 18.0 | 9.4 |
| EPS growth (%) | nm | nm | (3.1) | 5.4 |
| Core P/E (x) | (82.3) | 31.1 | 32.1 | 30.5 |
| Dividend yield (%) | - | 1.3 | 1.2 | 1.3 |
| EV/EBITDA (x) | 36.8 | 16.0 | 14.8 | 13.7 |
| Price/book (x) | 4.0 | 3.5 | 3.1 | 2.9 |
| Net debt/Equity (%) | 222.0 | 183.7 | 128.4 | 114.2 |
| ROE (%) | (4.7) | 12.1 | 10.6 | 9.8 |

ข้อมูลเชิงบวกจากที่ประชุมนักวิเคราะห์

ผู้บริหารคาดการณ์ดำเนินงานจะดีขึ้นต่อเนื่องในเดือน ก.ค. และ ส.ค. หลัง OCC rate เพิ่มขึ้นเป็น 86% ในเดือน ก.ค. (เทียบกับ 80% ใน 2Q23) พร้อมค่าห้องรายวันเฉลี่ย (ADR) ที่สูงขึ้น 8% m-m และ RevPAR ที่เพิ่มขึ้น 50% y-y ตัวเลข OCC rate น่าจะดีต่อเนื่องในเดือน ส.ค. แต่อาจอ่อนตัวลงในเดือน ก.ย. จากปัจจัยด้านฤดูกาล ผู้บริหารคาดว่าจะไม่ได้รับผลกระทบจาก Intercontinental Hotel Bangkok ซึ่งเพิ่งเปิดดำเนินการเนื่องจากลูกค้าอยู่คนละตลาด นอกจากนี้การดำเนินงานของ Hop Inn ในประเทศไทยยังคงดีในเดือน ก.ค. พร้อม OCC rate ที่ 82% (เทียบกับ 81% ใน 2Q23) และ RevPAR ที่โต 14% y-y.

อุปสงค์น่าจะสูงกว่าอุปทานใน 2-3 ปีข้างหน้า

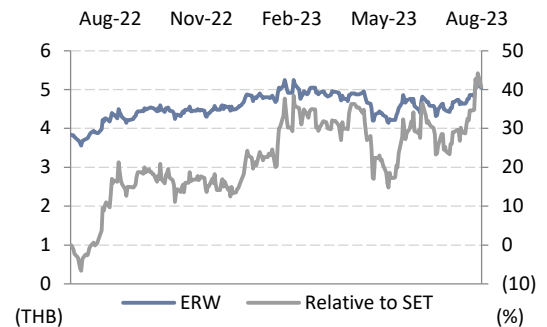
ผู้บริหารคาดว่าอุปทานโรงแรมจะโต 2% ใน 2-3 ปีข้างหน้า แต่อุปสงค์น่าจะมากกว่า อุปทานที่เพิ่มขึ้นส่วนมากน่าจะมาจากตลาดระดับสูง ด้วยเหตุดังกล่าว ERW จึงวางแผนลงทุนใหม่ในตลาดระดับต่ำและปานกลางโดยน่าจะอยู่ในกรุงเทพฯ พัทยาและภูเก็ต นอกจากนี้ ERW ยังกำลังศึกษาโอกาสในการขยาย Hop Inn เข้าสู่ประเทศในกลุ่ม APAC บริษัทฯ มี IBD/E อยู่ที่ 1.6x ณ. สิ้น 2Q23 ต่ำกว่าเพดานหนี้ที่ 2.5x และ 2.0x policy rate เพราะฉะนั้นบริษัทฯ จึงยังมีช่องว่างสำหรับการลงทุนใหม่ นอกจากนี้ ERW ยังวางแผนเปิด Holiday Inn Pattaya บางส่วนเพื่อปรับปรุงในช่วง 4Q23-3Q24 ซึ่งจะกระทบจำนวนห้องประมาณ 30% ในช่วงดังกล่าวหมายเหตุสัดส่วนรายได้จากโรงแรมดังกล่าวอยู่ที่ 10% ERW คาดว่าผลกระทบต่อรายได้จะน้อยกว่า 3% เนื่องจากบริษัทฯ วางแผนเพิ่ม ADR ในช่วงการปรับปรุง

ปรับเพิ่มประมาณการกำไรปกติส่วนมากจาก EBITDA margin

เราปรับเพิ่มประมาณการกำไรปกติปี 2023-25 ขึ้น 9-18% เพื่อสะท้อนผลประกอบการ 2Q23 ที่อยู่ในเกณฑ์ดีและแนวโน้มที่ดีในช่วง 2H23 โดยเราคาดว่า OCC rate ของโรงแรมที่ไม่ใช่ Hop Inn จะอยู่ที่ 82% (เทียบกับ 78% ในปี 2019) พร้อม ADR ที่ 3,060 บาทในปี 2023 (+19% เมื่อเทียบกับในปี 2019) ในภาพรวมเราคาดว่ารายได้จะโต 50% ใกล้เคียงกับเป้าของผู้บริหารและกำไรปกติจะกระโดดเพิ่มทำสถิติสูงสุดใหม่ที่ 735 ลบ. ในปี 2023 (เทียบกับ 464 ลบ. ใน 2019)

ผู้ได้ประโยชน์สูงสุดในการจัดการฟื้นตัวของการท่องเที่ยวไทยที่อยู่ในเกณฑ์ดี

เราปรับเพิ่มราคาเป้าหมายปี 2024 ของเราขึ้นเป็น 6 บาทจาก 5.7 บาท (DCF) ERW มีการซื้อขายที่ 32x ของค่า 2024E P/E เทียบกับค่าเฉลี่ย 5 ปีย้อนหลังที่ 35.5x เราเห็นว่าหุ้นสมควรมีการประเมินมูลค่าในระดับสูงเนื่องจากบริษัทฯ เป็นผู้ได้รับประโยชน์สูงสุดจากการฟื้นตัวของท่องเที่ยวไทยจากรูปแบบการทำธุรกิจโดยใช้สินทรัพย์จำนวนมาก



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-------------------|---------|----------|
| Absolute (%) | 13.2 | 15.8 | 32.2 |
| Relative to country (%) | 13.5 | 15.0 | 40.9 |
| Mkt cap (USD m) | 651 | | |
| 3m avg. daily turnover (USD m) | 1.8 | | |
| Free float (%) | 58 | | |
| Major shareholder | Chottanavat (17%) | | |
| 12m high/low (THB) | 5.30/3.50 | | |
| Issued shares (m) | 4,531.56 | | |

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 22 สิงหาคม 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 Thai Hop Inn portfolio to more than 100 hotels by 2025, up from 51 hotels currently. Hop Inn is ERW's flagship budget hotel brand focused on domestic travellers and has shown resilient performance.

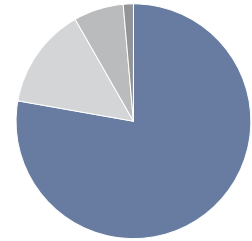
Company profile

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

www.theerawan.com

Principal activities (revenue, 2022)

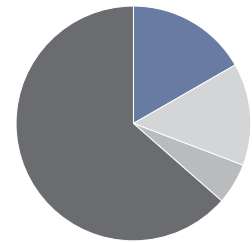
- Non-Hop Inn hotel - 77.8 %
- Hop Inn Thailand - 14.0 %
- Hop Inn Philippines - 6.9 %
- Others - 1.4 %



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 |
|----------|---------------------------|
| Nov 2023 | 3Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|---------------------------------|--------|--------|--------|
| Number of hotels (no.) | 78 | 84 | 93 |
| Number of rooms (no.) | 10,225 | 10,951 | 11,804 |
| All hotels excl. Hop Inn | | | |
| Occupancy rate (OCC %) | 82 | 83 | 84 |
| RevPAR growth (y-y %) | 74 | 1 | 3 |
| Thailand Hop Inn | | | |
| Occupancy rate (OCC %) | 81 | 82 | 82 |
| RevPAR growth (y-y %) | 18 | 2 | 3 |

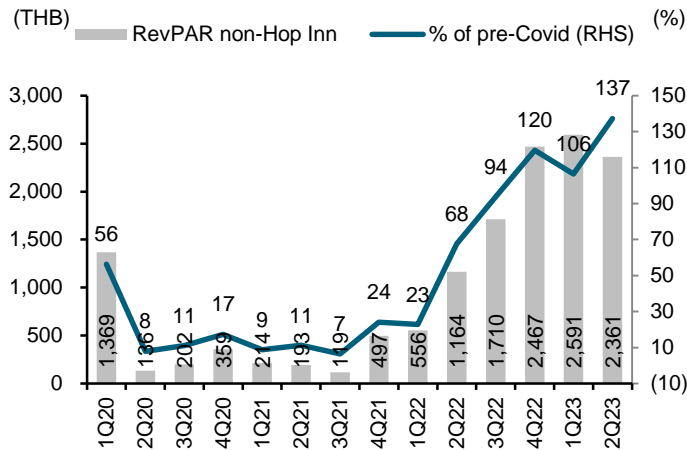
Source: FSSIA estimates

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.

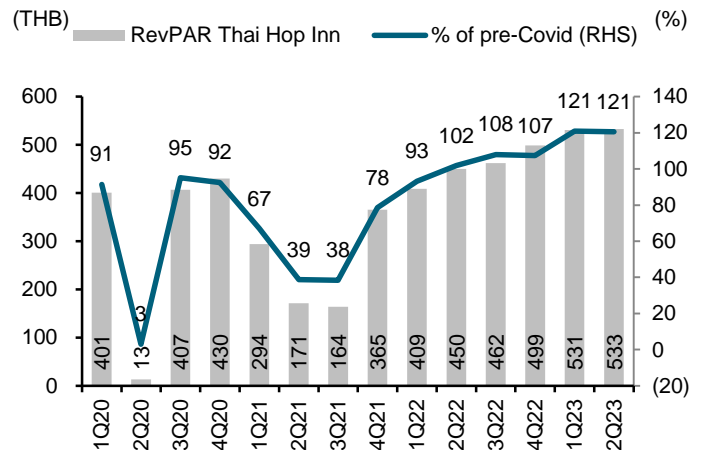
Source: FSSIA estimates

Exhibit 1: RevPAR non-Hop Inn hotels, quarterly



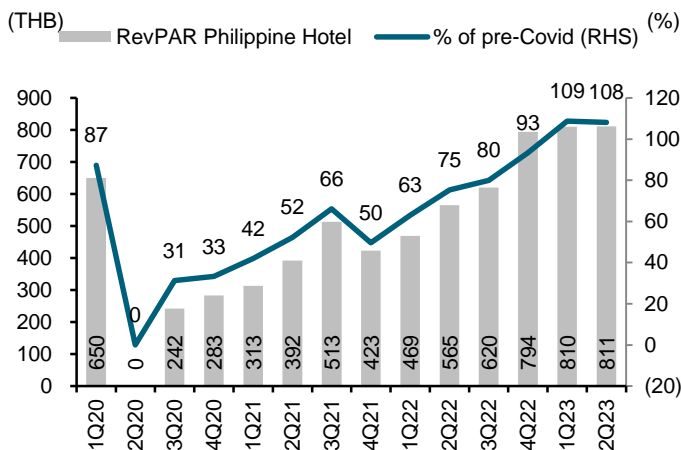
Sources: ERW; FSSIA estimates

Exhibit 2: RevPAR Thai Hop Inn hotels, quarterly



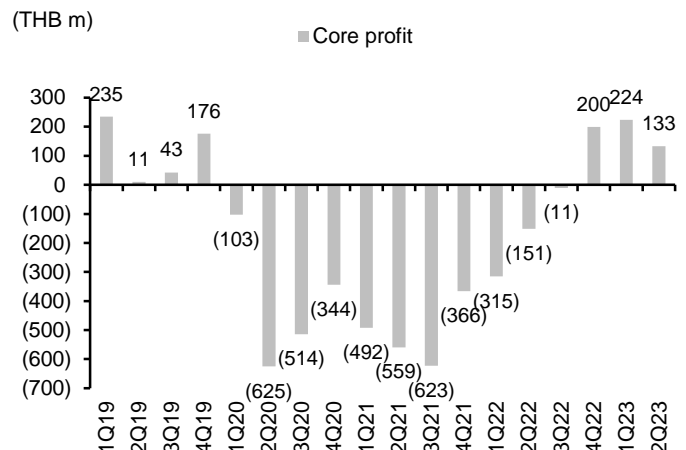
Sources: ERW; FSSIA estimates

Exhibit 3: RevPAR Philippine Hop Inn hotels, quarterly



Sources: ERW; FSSIA estimates

Exhibit 4: Core profit, quarterly



Sources: ERW; FSSIA estimates

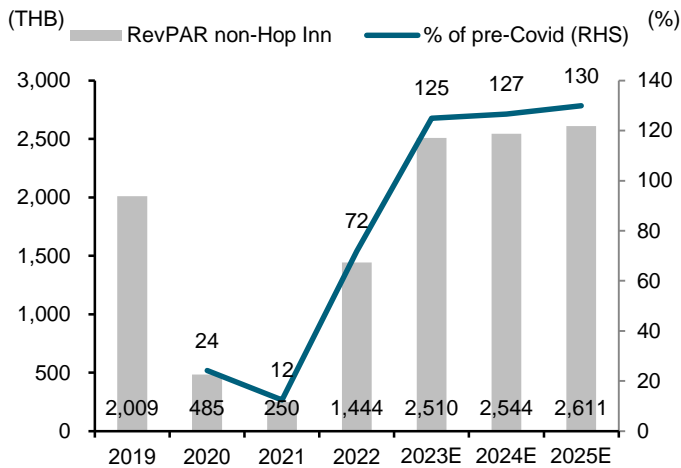
Exhibit 5: Forecast revisions

| | Current | | | Previous | | | Change (%) | | |
|---|---------|-------|-------|----------|-------|-------|------------|-------|-------|
| | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E |
| All hotels excl. Hop Inn - OCC (%) | 82.0 | 83.1 | 83.6 | 82.0 | 83.1 | 83.6 | 0.0 | 0.0 | 0.0 |
| All hotels excl. Hop Inn - RevPAR (THB) | 2,510 | 2,544 | 2,611 | 2,510 | 2,544 | 2,611 | 0.0 | 0.0 | 0.0 |
| Thailand Hop Inn - OCC (%) | 81.0 | 81.5 | 82.0 | 80.0 | 80.5 | 81.0 | 1.0 | 1.0 | 1.0 |
| Thailand Hop Inn - RevPAR (THB) | 539 | 548 | 562 | 532 | 541 | 555 | 1.3 | 1.2 | 1.2 |
| Revenue (THB b) | 6.96 | 7.47 | 7.96 | 6.95 | 7.46 | 7.94 | 0.2 | 0.1 | 0.2 |
| EBITDA margin (%) | 31.2 | 31.6 | 31.7 | 30.0 | 30.2 | 30.3 | 1.2 | 1.4 | 1.4 |
| Core earnings (THB m) | 735 | 769 | 811 | 622 | 652 | 741 | 18.2 | 18.0 | 9.4 |

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

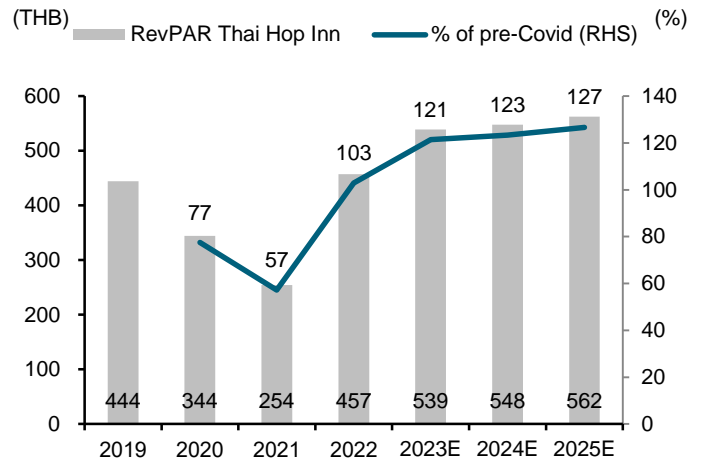
Source: FSSIA estimates

Exhibit 6: RevPAR non-Hop Inn hotels, yearly



Sources: ERW; FSSIA estimates

Exhibit 7: RevPAR Thai Hop Inn hotels, yearly



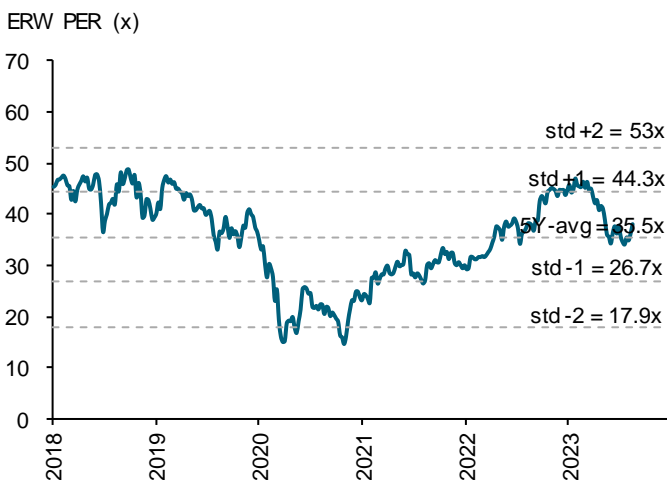
Sources: ERW; FSSIA estimates

Exhibit 8: 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 | 13.2 | 2.7 | | WACC 8.2%, risk-free rate 3%, risk premium 8% |
| Terminal value | 22.4 | 4.6 | | Terminal growth 2.5% |
| Cash & liquid assets | 2.9 | 0.6 | | At end-2024E |
| Investments | 0.1 | 0.0 | | At end-2024E |
| Debt | (9.1) | (1.9) | | At end-2024E |
| Minorities | (0.0) | (0.0) | | At end-2024E |
| Residual ordinary equity | 29.5 | 6.0 | | |

Source: FSSIA estimates

Exhibit 9: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Peer comparisons as of 21 Aug 2023

| Company | BBG | Rec | Share price | | | Market cap | PE | | | ROE | | PBV | | EV/ EBITDA | |
|-------------------------|-------------|-----|-------------|--------|--------|---------------|-------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current | Target | Upside | | 23E | 24E | 25E | 23E | 24E | 23E | 24E | 23E | 24E |
| | | | (LCY) | (LCY) | (%) | (USD m) | (x) | (x) | (x) | (%) | (%) | (x) | (x) | (x) | (x) |
| Thailand | | | | | | | | | | | | | | | |
| Asset World Corp | AWC TB | BUY | 3.96 | 6.80 | 72 | 3,603 | 60.1 | 34.4 | 30.9 | 2.5 | 4.1 | 1.5 | 1.4 | 34.1 | 24.7 |
| Minor International | MINT TB | BUY | 32.75 | 43.00 | 31 | 5,210 | 29.1 | 25.6 | 23.0 | 8.2 | 9.5 | 2.1 | 2.8 | 10.3 | 10.4 |
| Central Plaza Hotel | CENDEL TB | BUY | 42.75 | 55.00 | 29 | 1,641 | 33.9 | 27.2 | 24.4 | 8.8 | 10.1 | 2.9 | 2.7 | 15.0 | 13.2 |
| Erawan Group | ERW TB | BUY | 5.05 | 6.00 | 19 | 651 | 31.1 | 32.1 | 30.5 | 12.1 | 10.6 | 3.5 | 3.1 | 16.0 | 14.8 |
| S Hotels & Resorts | SHR TB | BUY | 2.64 | 4.80 | 82 | 270 | 55.7 | 18.7 | 14.8 | 1.1 | 3.1 | 0.6 | 0.6 | 9.0 | 7.3 |
| Dusit Thani | DUSIT TB | BUY | 10.70 | 18.00 | 68 | 259 | 177.9 | 37.2 | 3.7 | 1.2 | 5.7 | 2.2 | 2.1 | 40.5 | 31.4 |
| Bound and Beyond | BEYOND TB | BUY | 13.00 | 24.00 | 85 | 107 | 162.0 | 17.1 | 13.4 | 0.4 | 3.6 | 0.6 | 0.6 | 12.3 | 8.8 |
| Thailand average | | | | | | 11,740 | 78.5 | 27.5 | 20.1 | 4.9 | 6.7 | 1.9 | 1.9 | 19.6 | 15.8 |
| Regional | | | | | | | | | | | | | | | |
| Btg Hotels Group | 600258 CH | n/a | 18.45 | n/a | n/a | 2,814 | 26.6 | 18.6 | 15.6 | 7.2 | 9.4 | 1.8 | 1.7 | 11.2 | 9.0 |
| Sh Jinjiang Intl Hotels | 900934 CH | n/a | 1.84 | n/a | n/a | 5,697 | 9.9 | 6.7 | 5.5 | 8.3 | 11.1 | 0.8 | 0.7 | 13.7 | 10.7 |
| Huangshan Tourism Dev. | 900942 CH | n/a | 0.75 | n/a | n/a | 1,050 | 12.7 | 9.7 | 8.7 | 7.2 | 9.0 | 0.9 | 0.8 | 10.2 | 8.5 |
| Genting Bhd | GENT MK | n/a | 4.39 | n/a | n/a | 3,677 | 18.1 | 11.7 | 10.0 | 3.7 | 4.6 | 0.5 | 0.5 | 6.3 | 5.6 |
| Huazhu Group | HTHT US | n/a | 43.11 | n/a | n/a | 13,739 | 30.6 | 25.8 | 21.4 | 28.5 | 24.9 | 9.5 | 7.5 | 17.3 | 14.9 |
| Indian Hotels | IH IN | n/a | 379.40 | n/a | n/a | 6,514 | 58.8 | 43.1 | 36.2 | 12.6 | 14.2 | 6.9 | 6.0 | 31.4 | 26.1 |
| Lemon Tree Hotels | LEMONTRE IN | n/a | 105.20 | n/a | n/a | 1,027 | 74.1 | 52.7 | 31.7 | 12.3 | 15.5 | 9.4 | 7.7 | 26.1 | 21.0 |
| Lippo Karawaci | LPKR IJ | n/a | 102.00 | n/a | n/a | 476 | 7.3 | 6.0 | 5.2 | 5.9 | 6.6 | 0.4 | 0.4 | 8.8 | 8.4 |
| Regional average | | | | | | 34,995 | 29.8 | 21.8 | 16.8 | 10.7 | 11.9 | 3.8 | 3.2 | 15.6 | 13.0 |
| Overall average | | | | | | 46,735 | 52.5 | 24.4 | 18.3 | 8.0 | 9.5 | 2.9 | 2.6 | 17.5 | 14.3 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

The Erawan Group

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|----------------|--------------|--------------|--------------|--------------|
| Revenue | 1,485 | 4,629 | 6,963 | 7,474 | 7,956 |
| Cost of goods sold | (2,220) | (3,154) | (3,932) | (4,214) | (4,457) |
| Gross profit | (734) | 1,475 | 3,031 | 3,260 | 3,499 |
| Other operating income | - | - | - | - | - |
| Operating costs | (915) | (1,377) | (1,741) | (1,868) | (1,989) |
| Operating EBITDA | (713) | 969 | 2,173 | 2,362 | 2,522 |
| Depreciation | (936) | (872) | (882) | (970) | (1,012) |
| Goodwill amortisation | - | - | - | - | - |
| Operating EBIT | (1,649) | 97 | 1,290 | 1,392 | 1,510 |
| Net financing costs | (518) | (455) | (559) | (538) | (504) |
| Associates | 9 | 29 | 0 | 0 | 0 |
| Recurring non-operating income | 67 | 66 | 41 | 41 | 41 |
| Non-recurring items | (10) | 54 | 24 | 0 | 0 |
| Profit before tax | (2,109) | (239) | 796 | 895 | 1,047 |
| Tax | (46) | 26 | 20 | (63) | (168) |
| Profit after tax | (2,155) | (213) | 816 | 832 | 880 |
| Minority interests | 105 | (11) | (57) | (63) | (69) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | (2,050) | (224) | 759 | 769 | 811 |
| Non-recurring items & goodwill (net) | 10 | (54) | (24) | 0 | 0 |
| Recurring net profit | (2,040) | (278) | 735 | 769 | 811 |
| Per share (THB) | | | | | |
| Recurring EPS * | (0.45) | (0.06) | 0.16 | 0.16 | 0.17 |
| Reported EPS | (0.45) | (0.05) | 0.17 | 0.16 | 0.17 |
| DPS | 0.00 | 0.00 | 0.06 | 0.06 | 0.07 |
| Diluted shares (used to calculate per share data) | 4,532 | 4,532 | 4,532 | 4,891 | 4,891 |
| Growth | | | | | |
| Revenue (%) | (35.6) | 211.6 | 50.4 | 7.3 | 6.5 |
| Operating EBITDA (%) | nm | nm | 124.2 | 8.7 | 6.8 |
| Operating EBIT (%) | nm | nm | 1,228.8 | 7.8 | 8.5 |
| Recurring EPS (%) | nm | nm | nm | (3.1) | 5.4 |
| Reported EPS (%) | nm | nm | nm | (6.1) | 5.4 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | (49.4) | 31.9 | 43.5 | 43.6 | 44.0 |
| Gross margin exc. depreciation (%) | 13.6 | 50.7 | 56.2 | 56.6 | 56.7 |
| Operating EBITDA margin (%) | (48.0) | 20.9 | 31.2 | 31.6 | 31.7 |
| Operating EBIT margin (%) | (111.0) | 2.1 | 18.5 | 18.6 | 19.0 |
| Net margin (%) | (137.4) | (6.0) | 10.6 | 10.3 | 10.2 |
| Effective tax rate (%) | (2.2) | 8.0 | 0.0 | 7.0 | 16.0 |
| Dividend payout on recurring profit (%) | - | - | 40.0 | 40.0 | 40.0 |
| Interest cover (X) | (3.1) | 0.4 | 2.4 | 2.7 | 3.1 |
| Inventory days | 12.2 | 6.6 | 6.1 | 6.7 | 6.7 |
| Debtor days | 21.7 | 10.2 | 8.4 | 7.8 | 7.3 |
| Creditor days | 40.8 | 30.2 | 32.8 | 36.4 | 36.4 |
| Operating ROIC (%) | (8.7) | 0.5 | 6.8 | 6.9 | 6.8 |
| ROIC (%) | (8.2) | 0.8 | 6.9 | 6.9 | 6.8 |
| ROE (%) | (41.5) | (4.7) | 12.1 | 10.6 | 9.8 |
| ROA (%) | (7.4) | 0.7 | 6.1 | 5.8 | 5.6 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Non-Hop Inn hotel | 921 | 3,600 | 5,512 | 5,873 | 6,069 |
| Hop Inn Thailand | 339 | 646 | 851 | 889 | 993 |
| Hop Inn Philippines | 154 | 318 | 438 | 526 | 662 |
| Others | 71 | 65 | 163 | 186 | 233 |

Sources: The Erawan Group; FSSIA estimates

Financial Statements

The Erawan Group

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------------|----------------|--------------|----------------|--------------|----------------|
| Recurring net profit | (2,040) | (278) | 735 | 769 | 811 |
| Depreciation | 936 | 872 | 882 | 970 | 1,012 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 701 | 193 | 70 | 52 | 58 |
| Change in working capital | (1,056) | 1,207 | 258 | 58 | 57 |
| Cash flow from operations | (1,460) | 1,994 | 1,945 | 1,849 | 1,937 |
| Capex - maintenance | (1,588) | (722) | (1,089) | (989) | (989) |
| Capex - new investment | - | - | - | - | - |
| Net acquisitions & disposals | 0 | (15) | 0 | 0 | 0 |
| Other investments (net) | - | - | - | - | - |
| Cash flow from investing | (1,588) | (737) | (1,089) | (989) | (989) |
| Dividends paid | 0 | 0 | 0 | (294) | (308) |
| Equity finance | 2,014 | 0 | 0 | 1,079 | 0 |
| Debt finance | (1,538) | (692) | (500) | (500) | (1,000) |
| Other financing cash flows | 2,192 | (274) | (57) | (63) | (69) |
| Cash flow from financing | 2,667 | (967) | (557) | 222 | (1,377) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (380) | 290 | 299 | 1,083 | (428) |
| Free cash flow to firm (FCFF) | (2,526.87) | 1,714.43 | 1,418.20 | 1,402.17 | 1,459.02 |
| Free cash flow to equity (FCFE) | (2,394.52) | 289.75 | 299.28 | 298.03 | (120.66) |

Per share (THB)

| | | | | | |
|-------------------------------|--------|------|------|------|--------|
| FCFF per share | (0.56) | 0.38 | 0.31 | 0.31 | 0.32 |
| FCFE per share | (0.53) | 0.06 | 0.07 | 0.07 | (0.03) |
| Recurring cash flow per share | (0.09) | 0.17 | 0.37 | 0.37 | 0.38 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 25,682 | 26,373 | 27,473 | 28,473 | 29,473 |
| Less: Accumulated depreciation | (6,274) | (7,089) | (7,971) | (8,941) | (9,952) |
| Tangible fixed assets (net) | 19,409 | 19,285 | 19,503 | 19,533 | 19,521 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 48 | 63 | 63 | 63 | 63 |
| Cash & equivalents | 1,242 | 1,532 | 1,831 | 2,914 | 2,486 |
| A/C receivable | 100 | 160 | 160 | 160 | 160 |
| Inventories | 39 | 43 | 58 | 62 | 66 |
| Other current assets | 1,274 | 291 | 438 | 470 | 501 |
| Current assets | 2,655 | 2,026 | 2,487 | 3,606 | 3,212 |
| Other assets | 338 | 338 | 338 | 338 | 338 |
| Total assets | 22,450 | 21,712 | 22,390 | 23,539 | 23,133 |
| Common equity | 6,012 | 5,698 | 6,458 | 8,012 | 8,515 |
| Minorities etc. | 11 | 23 | 23 | 24 | 24 |
| Total shareholders' equity | 6,023 | 5,722 | 6,481 | 8,035 | 8,539 |
| Long term debt | 14,237 | 13,935 | 13,435 | 12,935 | 11,935 |
| Other long-term liabilities | 880 | 846 | 846 | 846 | 846 |
| Long-term liabilities | 15,117 | 14,781 | 14,281 | 13,781 | 12,781 |
| A/C payable | 143 | 235 | 313 | 333 | 354 |
| Short term debt | 690 | 300 | 300 | 300 | 300 |
| Other current liabilities | 478 | 675 | 1,015 | 1,089 | 1,159 |
| Current liabilities | 1,311 | 1,209 | 1,628 | 1,723 | 1,813 |
| Total liabilities and shareholders' equity | 22,450 | 21,712 | 22,390 | 23,539 | 23,133 |
| Net working capital | 793 | (415) | (672) | (731) | (788) |
| Invested capital | 20,587 | 19,271 | 19,231 | 19,203 | 19,134 |

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

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 1.33 | 1.26 | 1.43 | 1.64 | 1.74 |
| Tangible book value per share | 1.33 | 1.26 | 1.43 | 1.64 | 1.74 |

Financial strength

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| Net debt/equity (%) | 227.2 | 222.0 | 183.7 | 128.4 | 114.2 |
| Net debt/total assets (%) | 61.0 | 58.5 | 53.2 | 43.8 | 42.1 |
| Current ratio (x) | 2.0 | 1.7 | 1.5 | 2.1 | 1.8 |
| CF interest cover (x) | (3.6) | 1.6 | 1.5 | 1.6 | 0.8 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|-------------|-------------|-------------|
| Recurring P/E (x) * | (11.2) | (82.3) | 31.1 | 32.1 | 30.5 |
| Recurring P/E @ target price (x) * | (13.3) | (97.8) | 37.0 | 38.1 | 36.2 |
| Reported P/E (x) | (11.2) | (102.1) | 30.1 | 32.1 | 30.5 |
| Dividend yield (%) | - | - | 1.3 | 1.2 | 1.3 |
| Price/book (x) | 3.8 | 4.0 | 3.5 | 3.1 | 2.9 |
| Price/tangible book (x) | 3.8 | 4.0 | 3.5 | 3.1 | 2.9 |
| EV/EBITDA (x) ** | (51.3) | 36.8 | 16.0 | 14.8 | 13.7 |
| EV/EBITDA @ target price (x) ** | (57.3) | 41.2 | 18.0 | 16.8 | 15.5 |
| EV/invested capital (x) | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |

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

Sources: The Erawan Group; 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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

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 5.05 | 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 3.96 | 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 32.75 | 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. |
| Central Plaza Hotel | CEN TEL TB | THB 42.75 | 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. |
| S Hotels and Resorts | SHR TB | THB 2.64 | 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 10.70 | 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 13.00 | 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, 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 21-Aug-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.