

THE ERWAN GROUP ERW TB

THAILAND / TOURISM & LEISURE

BUY

UNCHANGED

โรงแรมกลุ่ม luxury จะช่วยหนุนกำไร 3Q23

- คาดกำไรปกติ 3Q23 อยู่ที่ 145 ลบ. (+9% q-q) นับเป็นสถิติสูงสุดใหม่สำหรับ 3Q โดยจะได้ปัจจัยหนุนจากการดำเนินงานที่ดีของโรงแรม luxury ของบริษัท
- ผลกระทบจำกัดจากสงครามอิสราเอล-ฮามาส การดำเนินงานจะปรับตัวดีขึ้นในฤดูกาลท่องเที่ยวใน 4Q23
- คงแนะนำซื้อที่ราคาเป้าหมาย 6.3 บาท (DCF)

TARGET PRICE	THB6.30
CLOSE	THB5.15
UP/DOWNSIDE	+22.3%
PRIOR TP	THB6.30
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+4.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,629	6,963	7,757	8,289
Net profit	(224)	669	730	860
EPS (THB)	(0.05)	0.15	0.15	0.18
vs Consensus (%)	-	(0.7)	(14.3)	(8.2)
EBITDA	969	2,082	2,381	2,669
Recurring net profit	(278)	645	730	860
Core EPS (THB)	(0.06)	0.14	0.15	0.18
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	4.9	17.9
Core P/E (x)	(83.9)	36.2	34.5	29.3
Dividend yield (%)	-	1.1	1.2	1.4
EV/EBITDA (x)	37.2	17.0	15.6	13.7
Price/book (x)	4.1	3.7	3.2	3.0
Net debt/Equity (%)	222.0	187.7	151.7	133.5
ROE (%)	(4.7)	10.7	10.2	10.5

คาด RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะสูงกว่าระดับก่อนโควิด 37% ใน 3Q23

เราคาดว่า RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะโต 9% q-q ใน 3Q23 โดยได้ปัจจัยหนุนจากการดำเนินงานที่ดีของโรงแรมหรูของบริษัท โดย RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn น่าจะสูงกว่าระดับก่อนโควิด 37% พร้อมอัตราการเข้าพัก (OCC rate) ที่ 82% (เทียบกับ 74% ใน 3Q19) ในขณะที่ค่าห้องรายวันเฉลี่ย (ADR) น่าจะสูงกว่าระดับก่อนโควิด 23% RevPAR ของ Hop Inn ในไทยน่าจะค่อนข้างทรงตัว q-q และสูงกว่าระดับก่อนโควิด 25% เราคาดว่า RevPAR ของโรงแรมในฟิลิปปินส์จะโต 10% q-q และสูงกว่าระดับก่อนโควิด 15% ในภาพรวมรายได้ 3Q23 น่าจะโต 6% q-q ในขณะที่ EBITDA margin น่าจะปรับตัวดีขึ้นเป็น 30% (เทียบกับ 29% ใน 2Q23) ซึ่งจะทำให้กำไรปกติโต 9% q-q เป็น 145 ลบ. นับเป็นกำไรปกติสูงสุดใหม่สำหรับ 3Q (เทียบกับ 43 ลบ. ใน 3Q19)

การดำเนินงานจะปรับตัวดีขึ้นต่อเนื่องใน 4Q23

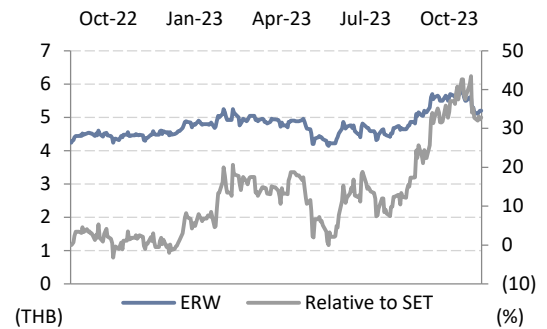
เราคาดว่า การดำเนินงานจะดีขึ้นต่อเนื่องใน 4Q23 จากฤดูกาลท่องเที่ยว ERW ได้รับผลกระทบจำกัดจากสงครามอิสราเอล-ฮามาสเนื่องจากฤดูกาลท่องเที่ยวของนักท่องเที่ยวชาวตะวันออกกลางอยู่ใน 3Q ทั้งนี้ส่วนแบ่งรายได้จากตะวันออกกลางอยู่ที่ 10-15% ส่วนมากมาจากกาตาร์ สหรัฐอาหรับเอมิเรตส์และซาอุดีอาระเบีย อย่างไรก็ตามบริษัท น่าจะบันทึกค่าใช้จ่ายที่เกี่ยวข้องกับโครงการในญี่ปุ่นที่ไม่เกิน 40-50 ลบ. ใน 4Q23 (หลังจากบันทึกแล้ว 10-15 ลบ. ใน 3Q23)

Upside จากการซื้อโรงแรม ibis 2 แห่งจาก ERWPF

เมื่อเร็ว ๆ นี้ ERW ได้ประกาศความตั้งใจซื้อ ibis Pattaya Hotel และ ibis Phuket Patong ซึ่งเป็นสินทรัพย์ประเภทซื้อขาดจาก ERWPF ปัจจุบัน ERW จ่ายค่าเช่าคงที่จำนวน 72.5 ลบ. ต่อปีให้แก่ ERWPF กรณีที่ ERW ซื้อโรงแรมทั้งสองแห่งได้สำเร็จในราคา 1.6-1.7 พัน ลบ. (10-20% สูงกว่ามูลค่าสินทรัพย์สุทธิที่ ERWPF บันทึกไว้ที่ 1.45 พัน ลบ.) โดยใช้หนี้ไม่เกิน 70% และอัตราดอกเบี้ยที่ 4% เราคาดว่ากระแสเงินสดและงบกำไรขาดทุนของ ERW จะปรับตัวดีขึ้นได้ 10-15 ลบ. ต่อปี นอกจากนี้บริษัท น่าจะมี Upside จากการดำเนินงานของโรงแรมทั้งสองแห่งซึ่งมี OCC rate อยู่ที่ 80-90% ในช่วง 1H23 ซึ่งสูงกว่าระดับก่อนโควิดรวมถึงแผนปรับปรุงโรงแรมเพื่อเพิ่ม ADR

โอกาสในการสะสมหุ้นในช่วงที่ตลาดอ่อนแอ

เราคงประมาณการและราคาเป้าหมายของเราที่ 6.3 บาท (DCF) ERW มีการซื้อขายที่ค่า 2024E P/E เท่ากับ 34.5x เทียบกับค่าเฉลี่ย 5 ปีย้อนหลังที่ 35.7x เราเห็นว่าหุ้นสมควรมีการซื้อขายในระดับที่สูงกว่าค่าเฉลี่ยเนื่องจากบริษัท เป็นผู้ได้รับประโยชน์รายใหญ่จากการฟื้นตัวของการท่องเที่ยวไทยจากการทำธุรกิจโดยใช้สินทรัพย์เป็นจำนวนมาก ราคาหุ้นที่อ่อนแอเป็นโอกาสในการซื้อเพื่อรอกำไรที่คาดว่าจะดีในช่วง 2H23



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.6)	15.0	22.0
Relative to country (%)	(2.4)	23.1	34.4
Mkt cap (USD m)	644		
3m avg. daily turnover (USD m)	2.6		
Free float (%)	58		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.85/4.08		
Issued shares (m)	4,891.21		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 17 ตุลาคม 2023

Investment thesis

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

ERW raised capital through a rights offering during the Covid pandemic. In addition, the operating cash flow has significantly improved. It led to a lower D/E, which is currently lower than its debt covenant of 2.5x.

ERW plans 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 focusing on domestic travelers and has shown resilient performance. In addition, ERW recently announced four Hop Inn projects in Japan. It should become a new growth driver for ERW over the next five years.

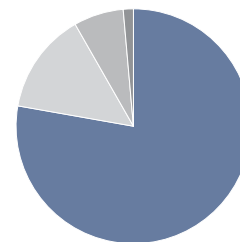
Company profile

ERW is a hotel operator and developer focusing on Thailand and ASEAN.

www.theerawan.com

Principal activities (revenue, 2022)

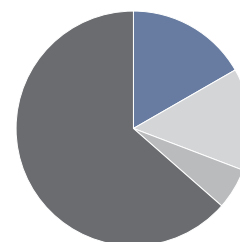
- Non-Hop Inn hotel - 77.8 %
- Hop Inn Thailand - 14.0 %
- Hop Inn Philippines - 6.9 %
- Others - 1.4 %



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 %)	80	81	81
RevPAR growth (y-y %)	17	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.

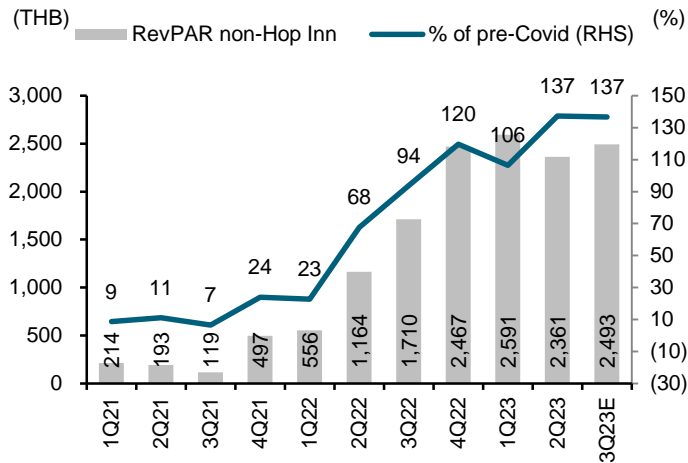
Source: FSSIA estimates

Exhibit 1: 3Q23 results preview

	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,283	1,733	1,753	1,623	1,726	6	35	6,963	50
- Thailand non-Hop Inn	1,014	1,411	1,409	1,282	1,369	7	35		
- Hop Inn Thailand	165	190	211	208	214	3	30		
- Hop Inn Phil	90	116	117	117	121	4	35		
- Rental	15	16	17	17	22	29	47		
COGS (Incl. depreciation)	(827)	(973)	(993)	(948)	(993)	5	20	(3,932)	25
Gross Profit	456	759	760	675	734	9	61	3,031	(106)
SG&A	(362)	(450)	(434)	(441)	(461)	4	27	(1,831)	33
Operating Profit	94	309	326	234	272	17	189	1,200	(1,136)
Other income	6	14	21	18	18	0	208	44	11
Interest	(114)	(122)	(135)	(143)	(150)	4	32	(562)	23
Pretax profit	(13)	201	213	109	141	30	1,146	682	312
Income Tax	5	6	6	5	4	(26)	(18)	20	(22)
Associates	3	13	3	21	3	(86)	(12)	0	(100)
Minority interest	(6)	(21)	1	(2)	(3)	57	(51)	(57)	414
Core profit	(11)	200	224	133	145	9	1,378	645	332
Extraordinaries, GW & FX	(0)	40	15	9				24	
Reported net profit	(12)	240	239	142	145	2	1,358	669	398
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,532	0
Core EPS	(0.00)	0.04	0.05	0.03	0.03	9	1,378	0.14	332
EPS	(0.00)	0.05	0.05	0.03	0.03	2	1,358	0.15	398
COGS (Excl. depreciation)	(607)	(750)	(775)	(727)	(761)	4.7	25	(3,050)	34
Depreciation	(220)	(223)	(218)	(222)	(232)	4.5	5	(882)	1
EBITDA	320	547	566	474	523	10	63	2,126	111
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	36	44	43	42	43	1	7	44	12
SG&A/Revenue	28	26	25	27	27	(0)	(1)	26	(3)
EBITDA margin	25	31	32	29	30	1	5	30	9
Net profit margin	(1)	14	14	9	8	(0)	9	10	14
Operating stats									
Non-Hop Inn									
OCC (%)	67	82	84	80	82				
OCC growth (y-y %)	57	52	53	25	15				
RevPAR (THB)	1,710	2,467	2,591	2,361	2,505				
RevPAR growth (y-y %)	1,337	396	366	103	46				
Thailand Hop Inn									
OCC (%)	74	78	81	81	81				
OCC growth (y-y %)	47	19	14	8	7				
RevPAR (THB)	462	499	531	533	537				
RevPAR growth (y-y %)	182	37	30	18	16				
Philippines Hop Inn									
OCC (%)	59	74	74	74	79				
OCC growth (y-y %)	(1)	25	23	16	20				
RevPAR (THB)	620	794	810	811	897				
RevPAR growth (y-y %)	22	26	19	13	8				

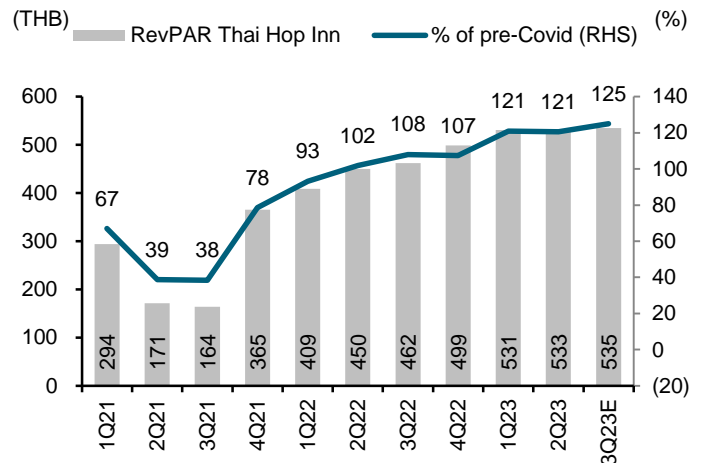
Sources: ERW; FSSIA estimates

Exhibit 2: RevPAR non-Hop Inn hotels, quarterly



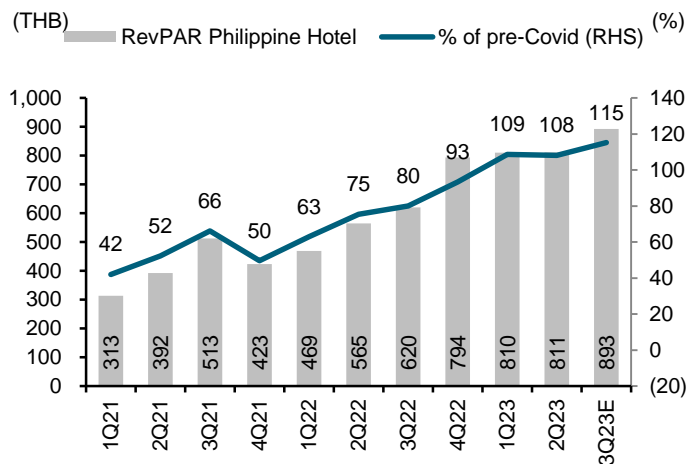
Sources: ERW; FSSIA estimates

Exhibit 3: RevPAR Thai Hop Inn hotels, quarterly



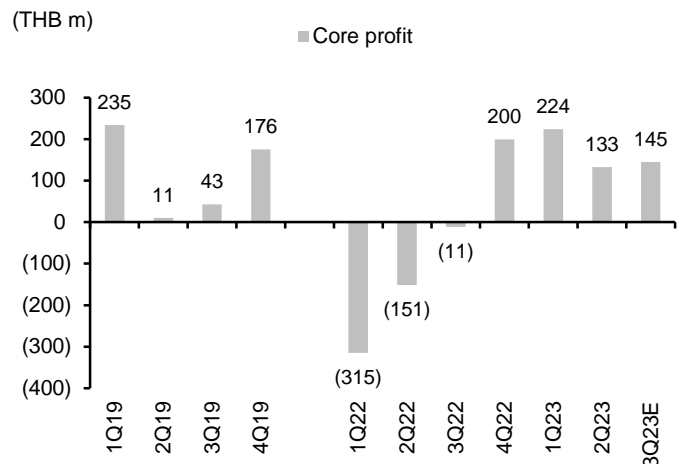
Sources: ERW; FSSIA estimates

Exhibit 4: RevPAR Philippines Hop Inn hotels, quarterly



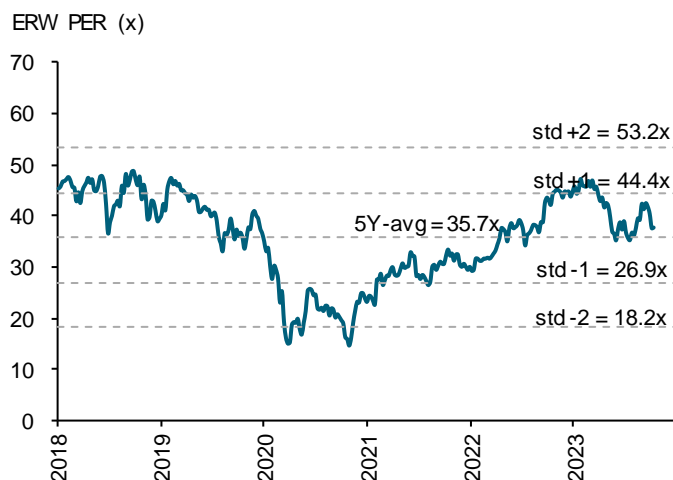
Sources: ERW; FSSIA estimates

Exhibit 5: Core profit, quarterly



Sources: ERW; FSSIA estimates

Exhibit 6: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: Peer comparisons as of 16 Oct 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	3.46	6.80	97	3,054	52.6	30.0	27.0	2.5	4.1	1.3	1.2	31.2	22.6
Minor International	MINT TB	BUY	29.50	43.00	46	4,553	26.2	23.1	20.7	8.2	9.5	1.9	2.5	9.8	9.9
Central Plaza Hotel	CENDEL TB	BUY	43.75	53.00	21	1,629	43.0	29.9	26.4	7.2	9.6	3.0	2.8	17.3	15.5
Erawan Group	ERW TB	BUY	5.15	6.30	22	644	36.2	34.5	29.3	10.7	10.2	3.7	3.2	17.0	15.6
S Hotels & Resorts	SHR TB	BUY	2.48	4.80	94	246	52.3	17.5	13.9	1.1	3.1	0.6	0.5	8.7	7.1
Dusit Thani	DUSIT TB	BUY	8.30	18.00	117	195	138.0	28.8	2.9	1.2	5.7	1.7	1.6	37.5	29.4
Bound and Beyond	BEYOND TB	BUY	11.70	24.00	105	94	(30.2)	17.7	12.6	(1.9)	3.1	0.5	0.5	14.7	9.0
Thailand average						10,414	45.4	25.9	19.0	4.1	6.5	1.8	1.8	19.4	15.6
Regional															
Btg Hotels Group	600258 CH	n/a	15.81	n/a	n/a	2,505	25.4	17.9	14.8	6.7	8.7	1.6	1.5	10.7	9.7
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.51	n/a	n/a	4,349	8.9	6.3	4.9	7.8	9.9	0.7	0.6	12.6	10.0
Huangshan Tourism Dev.	900942 CH	n/a	0.70	n/a	n/a	940	9.8	8.2	7.4	8.8	9.4	0.8	0.8	7.6	7.0
Genting Bhd	GENT MK	n/a	4.09	n/a	n/a	3,342	15.6	10.4	9.0	3.3	4.6	0.5	0.5	6.5	5.9
Huazhu Group	HTHT US	n/a	35.68	n/a	n/a	11,374	23.4	21.2	17.4	30.9	25.7	7.6	5.9	13.4	11.8
Indian Hotels	IH IN	n/a	416.70	n/a	n/a	7,114	64.3	47.3	39.6	12.6	14.5	7.5	6.5	34.3	28.3
Lemon Tree Hotels	LEMONTRE IN	n/a	122.05	n/a	n/a	1,162	83.9	60.5	36.1	12.3	15.9	10.6	9.0	28.7	23.2
Lippo Karawaci	LPKR IJ	n/a	93.00	n/a	n/a	420	6.6	5.4	4.7	5.9	6.6	0.4	0.4	8.6	8.2
Regional average						31,206	29.7	22.2	16.7	11.0	11.9	3.7	3.1	15.3	13.0
Overall average						41,620	37.1	23.9	17.8	7.8	9.4	2.8	2.5	17.2	14.2

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	7,757	8,289
Cost of goods sold	(2,220)	(3,154)	(3,932)	(4,402)	(4,633)
Gross profit	(734)	1,475	3,031	3,354	3,656
Other operating income	-	-	-	-	-
Operating costs	(915)	(1,377)	(1,831)	(1,970)	(2,047)
Operating EBITDA	(713)	969	2,082	2,381	2,669
Depreciation	(936)	(872)	(882)	(997)	(1,060)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(1,649)	97	1,200	1,384	1,609
Net financing costs	(518)	(455)	(559)	(572)	(556)
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)	706	852	1,094
Tax	(46)	26	20	(60)	(164)
Profit after tax	(2,155)	(213)	726	793	930
Minority interests	105	(11)	(57)	(63)	(69)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(2,050)	(224)	669	730	860
Non-recurring items & goodwill (net)	10	(54)	(24)	0	0
Recurring net profit	(2,040)	(278)	645	730	860
Per share (THB)					
Recurring EPS *	(0.45)	(0.06)	0.14	0.15	0.18
Reported EPS	(0.45)	(0.05)	0.15	0.15	0.18
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	11.4	6.9
Operating EBITDA (%)	nm	nm	114.9	14.4	12.1
Operating EBIT (%)	nm	nm	1,135.6	15.4	16.2
Recurring EPS (%)	nm	nm	nm	4.9	17.9
Reported EPS (%)	nm	nm	nm	1.1	17.9
Operating performance					
Gross margin inc. depreciation (%)	(49.4)	31.9	43.5	43.2	44.1
Gross margin exc. depreciation (%)	13.6	50.7	56.2	56.1	56.9
Operating EBITDA margin (%)	(48.0)	20.9	29.9	30.7	32.2
Operating EBIT margin (%)	(111.0)	2.1	17.2	17.8	19.4
Net margin (%)	(137.4)	(6.0)	9.3	9.4	10.4
Effective tax rate (%)	(2.2)	8.0	0.0	7.0	15.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(3.1)	0.4	2.2	2.5	3.0
Inventory days	12.2	6.6	6.1	6.6	6.8
Debtor days	21.7	10.2	8.4	7.5	7.0
Creditor days	40.8	30.2	32.8	35.6	36.6
Operating ROIC (%)	(8.7)	0.5	6.4	6.6	6.7
ROIC (%)	(8.2)	0.8	6.4	6.6	6.7
ROE (%)	(41.5)	(4.7)	10.7	10.2	10.5
ROA (%)	(7.4)	0.7	5.7	5.6	5.7
* 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	469	566

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)	645	730	860
Depreciation	936	872	882	997	1,060
Associates & minorities	-	-	-	-	-
Other non-cash items	701	193	70	52	58
Change in working capital	(1,056)	1,207	258	95	58
Cash flow from operations	(1,460)	1,994	1,854	1,874	2,037
Capex - maintenance	(1,588)	(722)	(1,089)	(2,689)	(989)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(15)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,588)	(737)	(1,089)	(2,689)	(989)
Dividends paid	0	0	0	(258)	(292)
Equity finance	2,014	0	0	1,079	0
Debt finance	(1,538)	(692)	(500)	1,190	(1,500)
Other financing cash flows	2,192	(274)	(57)	(63)	(69)
Cash flow from financing	2,667	(967)	(557)	1,948	(1,861)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(380)	290	209	1,134	(813)
Free cash flow to firm (FCFF)	(2,526.87)	1,714.43	1,327.68	(238.50)	1,610.80
Free cash flow to equity (FCFE)	(2,394.52)	289.75	208.75	312.71	(520.83)

Per share (THB)

FCFF per share	(0.52)	0.35	0.27	(0.05)	0.33
FCFE per share	(0.49)	0.06	0.04	0.06	(0.11)
Recurring cash flow per share	(0.09)	0.17	0.35	0.36	0.40

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	25,682	26,373	27,473	30,173	31,173
Less: Accumulated depreciation	(6,274)	(7,089)	(7,971)	(8,968)	(10,028)
Tangible fixed assets (net)	19,409	19,285	19,503	21,206	21,145
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	1,741	2,874	2,062
A/C receivable	100	160	160	160	160
Inventories	39	43	58	65	68
Other current assets	1,274	291	438	488	522
Current assets	2,655	2,026	2,397	3,587	2,811
Other assets	338	338	338	338	338
Total assets	22,450	21,712	22,300	25,193	24,357
Common equity	6,012	5,698	6,367	7,918	8,487
Minorities etc.	11	23	23	24	24
Total shareholders' equity	6,023	5,722	6,391	7,942	8,510
Long term debt	14,237	13,935	13,435	14,625	13,125
Other long-term liabilities	880	846	846	846	846
Long-term liabilities	15,117	14,781	14,281	15,471	13,971
A/C payable	143	235	313	350	367
Short term debt	690	300	300	300	300
Other current liabilities	478	675	1,015	1,130	1,208
Current liabilities	1,311	1,209	1,628	1,780	1,875
Total liabilities and shareholders' equity	22,450	21,712	22,300	25,193	24,357
Net working capital	793	(415)	(672)	(768)	(826)
Invested capital	20,587	19,271	19,231	20,838	20,720

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

Per share (THB)

Book value per share	1.33	1.26	1.41	1.62	1.74
Tangible book value per share	1.33	1.26	1.41	1.62	1.74

Financial strength

Net debt/equity (%)	227.2	222.0	187.7	151.7	133.5
Net debt/total assets (%)	61.0	58.5	53.8	47.8	46.7
Current ratio (x)	2.0	1.7	1.5	2.0	1.5
CF interest cover (x)	(3.6)	1.6	1.4	1.5	0.1

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(11.4)	(83.9)	36.2	34.5	29.3
Recurring P/E @ target price (x) *	(14.0)	(102.7)	44.3	42.2	35.8
Reported P/E (x)	(11.4)	(104.1)	34.9	34.5	29.3
Dividend yield (%)	-	-	1.1	1.2	1.4
Price/book (x)	3.9	4.1	3.7	3.2	3.0
Price/tangible book (x)	3.9	4.1	3.7	3.2	3.0
EV/EBITDA (x) **	(51.9)	37.2	17.0	15.6	13.7
EV/EBITDA @ target price (x) **	(59.2)	42.6	19.5	18.0	15.8
EV/invested capital (x)	1.8	1.9	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 **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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 >15% 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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 5.15	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.
Asset World Corp	AWC TB	THB 3.46	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 29.50	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 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 43.75	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 2.48	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 8.30	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 11.70	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.

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.

All share prices are as at market close on 16-Oct-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.