

16 NOVEMBER 2023

EQUITY RESEARCH – ANALYST MEETING

# THE ERWAN GROUP

THAILAND / TOURISM & LEISURE

## ERW TB

**FINANSIA**  
FSS INTERNATIONAL INVESTMENT ADVISORY

FSSIA ESG rating



**BUY**  
UNCHANGED

## Key takeaways from analyst meeting

TARGET PRICE THB6.30  
CLOSE THB5.30  
UP/DOWNSIDE +18.9%  
TP vs CONSENSUS +2.1%

### Highlights

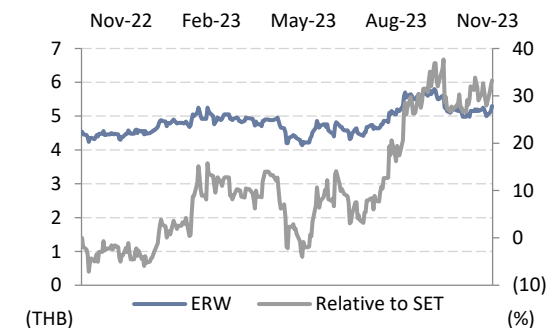
- We have positive feedback from the 3Q23 analyst meeting.
- Management signaled that strong operations should continue in 4Q23. The OCC rate remained strong at 81-82% in Oct to Mid-Nov, while they expect ADR to increase by 4-5% q-q.
- The expenses related to Japan hotels should increase to THB48m (THB30m setup and pre-operating and THB18m depreciation and interest expense) in 4Q23 from THB12m in 3Q23 (THB8m setup and pre-operating and THB4m depreciation and interest expense).
- Management targets an OCC rate of 75% for Hop Inn Japan, with average ADR of THB3,000 in 2024. This should be sufficient to break even at the EBITDA level. However, it should contribute losses in 2024. The NPAT breakeven threshold is at a 78-80% OCC rate, while the maturity OCC rate is at 85-88%.
- ERW plans to expand its Hop Inn portfolio from 58 hotels currently to 150 hotels by 2023, including 105 in Thailand, 14 in the Philippines, 15 in Japan and the remaining from potential countries such as Singapore, Malaysia, Vietnam, Indonesia, South Korea and Australia.
- Next year, ERW plans to open 8 Thailand Hop Inn hotels and 3 Philippines Hop Inn hotels.
- ERW plans to partially close Holiday Inn Pattaya for renovation during 4Q23-3Q24. This would impact room inventory by around 30% during the renovation. Note that the revenue contribution from the hotel is 10%.

### Recommendation

- We maintain our forecast and DCF-based TP of THB6.3/shr. ERW trades at a 2024E P/E of 36x, relatively in line with its five-year average. It deserves a premium valuation, in our view, as it is a top beneficiary of Thailand's tourism recovery due to its asset-heavy model. The Hop Inn Japan project has a promising outlook and could become a new growth driver for ERW.

### 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 (%)	-	(5.7)	(18.0)	(13.5)
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
EPS growth (%)	nm	nm	4.9	17.9
Core P/E (x)	(86.4)	37.3	35.5	30.1
Dividend yield (%)	-	1.1	1.1	1.3
EV/EBITDA (x)	37.9	17.3	16.0	14.0
Price/book (x)	4.2	3.8	3.3	3.1
Net debt/Equity (%)	222.0	187.7	151.7	133.5
ROE (%)	(4.7)	10.7	10.2	10.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.9	10.0	17.3
Relative to country (%)	4.5	18.2	35.0
Mkt cap (USD m)	678		
3m avg. daily turnover (USD m)	2.9		
Free float (%)	58		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.85/4.08		
Issued shares (m)	4,891.21		

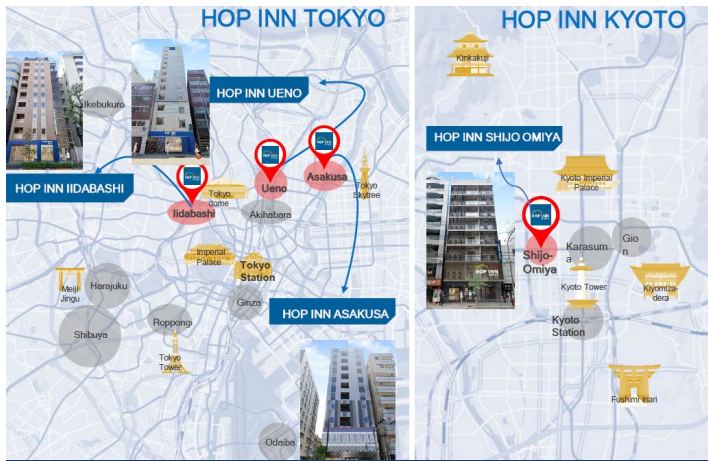
Sources: Bloomberg consensus; FSSIA estimates



**Teerapol Udomvej, CFA**

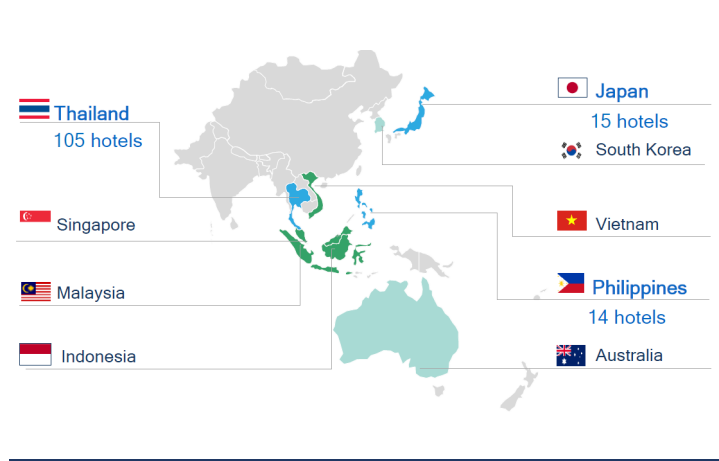
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Exhibit 1: Hop Inn expansion in Japan



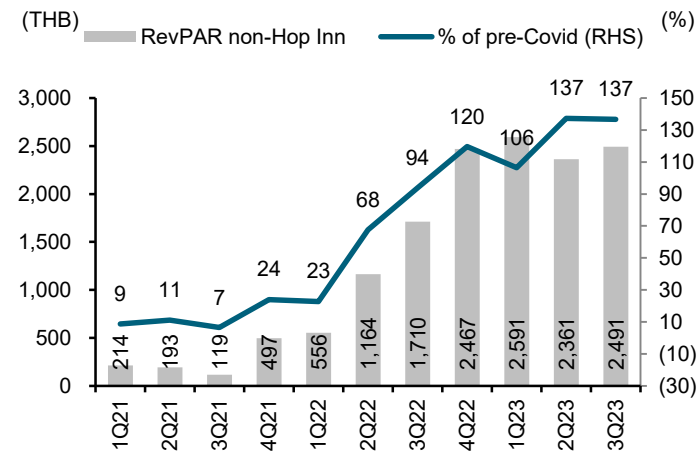
Source: ERW

Exhibit 2: Hop Inn expansion plan 2030



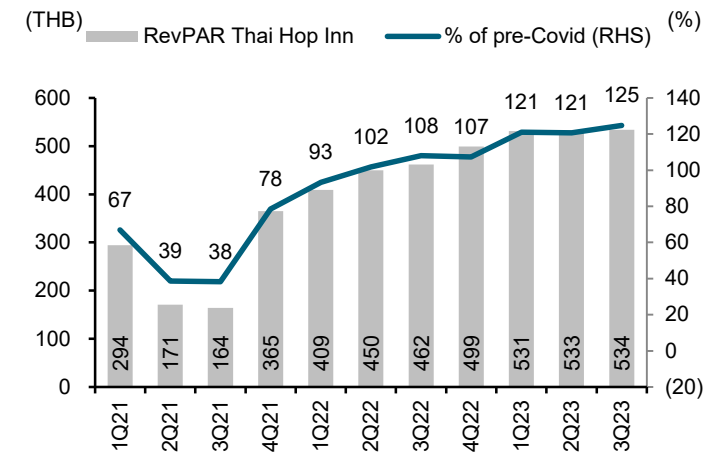
Source: ERW

Exhibit 3: RevPAR non-Hop Inn hotels, quarterly



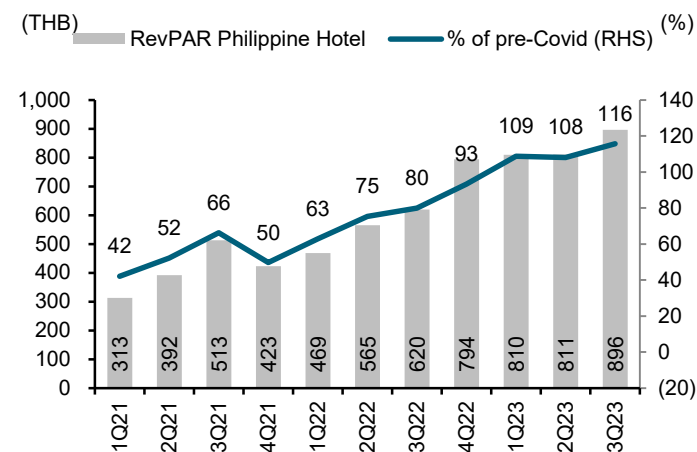
Sources: ERW; FSSIA estimates

Exhibit 4: RevPAR Thai Hop Inn hotels, quarterly



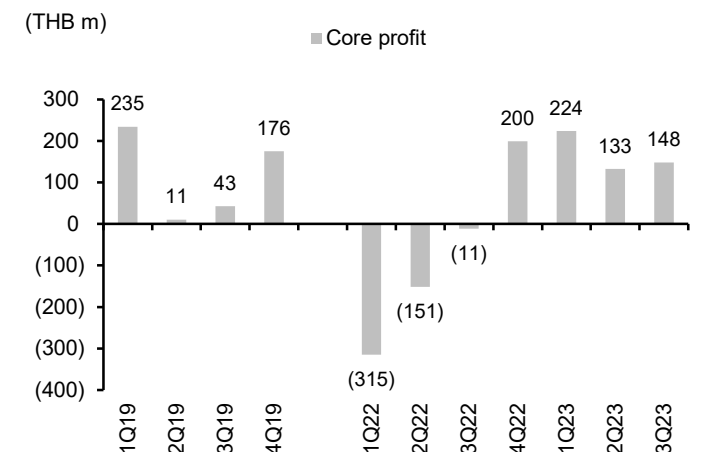
Sources: ERW; FSSIA estimates

Exhibit 5: RevPAR Philippines Hop Inn hotels, quarterly



Sources: ERW; FSSIA estimates

Exhibit 6: Core profit, quarterly



Sources: ERW; 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)
<b>Gross profit</b>	<b>(734)</b>	<b>1,475</b>	<b>3,031</b>	<b>3,354</b>	<b>3,656</b>
Other operating income	-	-	-	-	-
Operating costs	(915)	(1,377)	(1,831)	(1,970)	(2,047)
<b>Operating EBITDA</b>	<b>(713)</b>	<b>969</b>	<b>2,082</b>	<b>2,381</b>	<b>2,669</b>
Depreciation	(936)	(872)	(882)	(997)	(1,060)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(1,649)</b>	<b>97</b>	<b>1,200</b>	<b>1,384</b>	<b>1,609</b>
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
<b>Profit before tax</b>	<b>(2,109)</b>	<b>(239)</b>	<b>706</b>	<b>852</b>	<b>1,094</b>
Tax	(46)	26	20	(60)	(164)
<b>Profit after tax</b>	<b>(2,155)</b>	<b>(213)</b>	<b>726</b>	<b>793</b>	<b>930</b>
Minority interests	105	(11)	(57)	(63)	(69)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(2,050)</b>	<b>(224)</b>	<b>669</b>	<b>730</b>	<b>860</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>10</b>	<b>(54)</b>	<b>(24)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(2,040)</b>	<b>(278)</b>	<b>645</b>	<b>730</b>	<b>860</b>
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
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
<b>Cash flow from operations</b>	<b>(1,460)</b>	<b>1,994</b>	<b>1,854</b>	<b>1,874</b>	<b>2,037</b>
Capex - maintenance	(1,588)	(722)	(1,089)	(2,689)	(989)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(15)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(1,588)</b>	<b>(737)</b>	<b>(1,089)</b>	<b>(2,689)</b>	<b>(989)</b>
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)
<b>Cash flow from financing</b>	<b>2,667</b>	<b>(967)</b>	<b>(557)</b>	<b>1,948</b>	<b>(1,861)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(380)</b>	<b>290</b>	<b>209</b>	<b>1,134</b>	<b>(813)</b>
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)
<b>Tangible fixed assets (net)</b>	<b>19,409</b>	<b>19,285</b>	<b>19,503</b>	<b>21,206</b>	<b>21,145</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	48	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
<b>Current assets</b>	<b>2,655</b>	<b>2,026</b>	<b>2,397</b>	<b>3,587</b>	<b>2,811</b>
Other assets	338	338	338	338	338
<b>Total assets</b>	<b>22,450</b>	<b>21,712</b>	<b>22,300</b>	<b>25,193</b>	<b>24,357</b>
Common equity	6,012	5,698	6,367	7,918	8,487
Minorities etc.	11	23	23	24	24
<b>Total shareholders' equity</b>	<b>6,023</b>	<b>5,722</b>	<b>6,391</b>	<b>7,942</b>	<b>8,510</b>
Long term debt	14,237	13,935	13,435	14,625	13,125
Other long-term liabilities	880	846	846	846	846
<b>Long-term liabilities</b>	<b>15,117</b>	<b>14,781</b>	<b>14,281</b>	<b>15,471</b>	<b>13,971</b>
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
<b>Current liabilities</b>	<b>1,311</b>	<b>1,209</b>	<b>1,628</b>	<b>1,780</b>	<b>1,875</b>
<b>Total liabilities and shareholders' equity</b>	<b>22,450</b>	<b>21,712</b>	<b>22,300</b>	<b>25,193</b>	<b>24,357</b>
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
<b>Recurring P/E (x) *</b>	<b>(11.8)</b>	<b>(86.4)</b>	<b>37.3</b>	<b>35.5</b>	<b>30.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(14.0)</b>	<b>(102.7)</b>	<b>44.3</b>	<b>42.2</b>	<b>35.8</b>
Reported P/E (x)	(11.7)	(107.1)	35.9	35.5	30.1
Dividend yield (%)	-	-	1.1	1.1	1.3
Price/book (x)	4.0	4.2	3.8	3.3	3.1
Price/tangible book (x)	4.0	4.2	3.8	3.3	3.1
EV/EBITDA (x) **	(52.9)	37.9	17.3	16.0	14.0
EV/EBITDA @ target price (x) **	(59.2)	42.6	19.5	18.0	15.8
EV/invested capital (x)	1.8	1.9	1.9	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

# The Erawan Group PCL (ERW TB)

**FSSIA ESG rating**

★ ★ ★

**39.65 /100**

## Exhibit 7: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	<b>&gt;39-59</b>	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 8: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BEYOND	24.98	--	--	--	5.00	5.00	Certified	--	39.83	--	--	--	--	--	--
CENTEL	62.78	--	Y	Y	5.00	5.00	Certified	Medium	57.54	--	--	71.56	48.00	2.93	54.19
DUSIT	24.81	--	--	--	5.00	4.00	Certified	--	46.50	--	--	--	--	--	--
ERW	39.65	--	--	--	4.00	4.00	Certified	--	54.22	--	--	51.15	21.00	3.90	--
MINT	84.43	Y	Y	Y	5.00	4.00	Certified	Medium	57.57	AA	37.00	91.18	69.00	5.00	--
SHR	25.00	--	Y	Y	5.00	5.00	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

## Exhibit 9: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	—	—	<b>3.67</b>	<b>3.90</b>
BESG environmental pillar score	—	—	3.30	—
BESG social pillar score	—	—	3.36	—
BESG governance pillar score	—	—	4.54	—
<b>ESG disclosure score</b>	—	—	<b>43.34</b>	—
Environmental disclosure score	—	—	16.40	—
Social disclosure score	—	—	29.87	—
Governance disclosure score	—	—	83.59	—
<b>Environmental</b>				
Emissions reduction initiatives	No	No	Yes	Yes
Climate change policy	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	Yes	Yes
GHG scope 1	—	—	8	10
GHG scope 2 location-based	—	—	34	32
GHG Scope 3	—	—	0	—
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	Yes	Yes
Energy efficiency policy	No	No	Yes	Yes
Total energy consumption	—	—	56,530	—
Renewable energy use	—	—	—	—
Electricity used	—	—	56,530	—
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 10: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	No	No	Yes	Yes
Hazardous waste	—	—	—	0
Total waste	—	—	—	0
Waste recycled	—	—	—	—
Waste sent to landfills	—	—	—	0
Environmental supply chain management	No	No	No	No
Water policy	No	No	Yes	Yes
Water consumption	—	—	—	1,187
<b>Social</b>				
Human rights policy	No	No	Yes	Yes
Policy against child labor	No	No	No	No
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	No	No	No	No
Equal opportunity policy	No	No	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	56	56
Pct disabled in workforce	—	—	4	11
Business ethics policy	No	No	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes	Yes
Health and safety policy	No	No	Yes	Yes
Lost time incident rate - employees	—	—	—	—
Total recordable incident rate - employees	—	—	0	—
Training policy	No	No	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	—	—	3,000	3,721
Employee turnover pct	—	—	25	—
Total hours spent by firm - employee training	—	—	88,371	101,024
Social supply chain management	No	No	No	Yes
<b>Governance</b>				
<b>Board size</b>	—	<b>11</b>	<b>11</b>	<b>11</b>
<b>No. of independent directors (ID)</b>	—	<b>4</b>	<b>4</b>	<b>4</b>
No. of women on board	—	2	2	2
No. of non-executive directors on board	—	9	9	9
Company conducts board evaluations	No	Yes	Yes	Yes
No. of board meetings for the year	—	11	12	13
Board meeting attendance pct	—	100	98	95
Board duration (years)	—	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	—	38	39	40
Age of the oldest director	—	68	69	70
<b>No. of executives / company managers</b>	—	<b>7</b>	<b>6</b>	<b>6</b>
No. of female executives	—	2	2	2
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	—	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	—	3	3	3
Audit committee meetings	—	4	6	8
Audit meeting attendance %	—	100	100	100
<b>Size of compensation committee</b>	—	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	—	1	1	1
No. of compensation committee meetings	—	2	3	3
Compensation meeting attendance %	—	100	89	89
<b>Size of nomination committee</b>	—	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	—	2	2	2
Nomination meeting attendance %	—	100	100	100
<b>Sustainability governance</b>				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																											
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

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"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

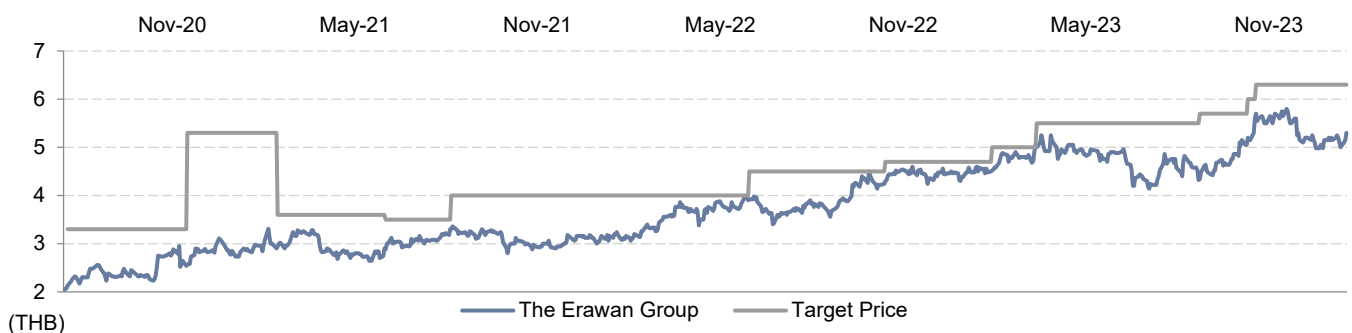
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### History of change in investment rating and/or target price

#### The Erawan Group (ERW TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Nov-2020	HOLD	3.30	12-Oct-2021	BUY	4.00	23-Feb-2023	BUY	5.50
01-Mar-2021	BUY	5.30	23-Jun-2022	BUY	4.50	12-Jul-2023	BUY	5.70
17-May-2021	BUY	3.60	17-Oct-2022	BUY	4.70	22-Aug-2023	BUY	6.00
17-Aug-2021	BUY	3.50	16-Jan-2023	BUY	5.00	29-Aug-2023	BUY	6.30

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 5.30	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.

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.

All share prices are as at market close on 15-Nov-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.