

# THE ERWAN GROUP

## ERW TB

### THAILAND / TOURISM & LEISURE

# BUY

## UNCHANGED

## Continued growth momentum in 1Q24

- Expect 1Q24 core profit to grow by 12% y-y and 17% q-q to THB250m, led by solid non-Hop Inn hotels.
- Expect Japan Hop Inn to post slim losses in 2024; ERW's earnings should grow by 12% y-y to THB807m in 2024.
- Maintain BUY with a DCF-derived TP of THB6.4/shr.

TARGET PRICE	THB6.40
CLOSE	THB4.80
UP/DOWNSIDE	+33.3%
PRIOR TP	THB6.30
CHANGE IN TP	+1.6%
TP vs CONSENSUS	+6.7%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	6,986	8,021	8,441	8,985
Net profit	743	807	890	967
EPS (THB)	0.15	0.17	0.18	0.20
vs Consensus (%)	-	(6.1)	(8.6)	(4.8)
EBITDA	2,114	2,502	2,752	3,001
Recurring net profit	719	807	890	967
Core EPS (THB)	0.15	0.17	0.18	0.20
Chg. In EPS est. (%)	nm	8.2	3.5	nm
EPS growth (%)	nm	12.3	10.3	8.6
Core P/E (x)	32.6	29.1	26.4	24.3
Dividend yield (%)	-	1.4	1.5	1.6
EV/EBITDA (x)	17.0	15.4	13.9	12.4
Price/book (x)	3.4	2.9	2.7	2.5
Net debt/Equity (%)	221.8	182.6	167.6	146.5
ROE (%)	12.0	11.1	10.5	10.6

## Expect non-Hop Inn RevPAR to grow by 10% y-y in 1Q24

We expect non-Hop Inn RevPAR to grow by 10% y-y and exceed pre-Covid by 17% in 1Q24, driven mainly by ADR (+10% y-y), while the OCC rate should be flat y-y at 84%. Economy hotels should outperform with RevPAR growth of 15-20% y-y. Thailand Hop Inn RevPAR should grow 10-12% y-y and exceed pre-Covid by 33-35%. RevPAR of Philippines hotels should rise 8-10% y-y and exceed pre-Covid by 17-20%. For Japan Hop Inn, which recently opened, we expect the OCC rate to ramp up to 45-50% with an ADR of THB2,800-3,000. We estimate Japan Hop Inn to report a loss of THB30-40m in this quarter. Overall, we forecast revenue to grow by 12% y-y and EBITDA margin to improve to 33% (vs 32% in 1Q23), leading 1Q24 core profit to increase by 12% y-y to THB250m.

## Japan Hop Inn EBITDA should turn positive in 2Q24

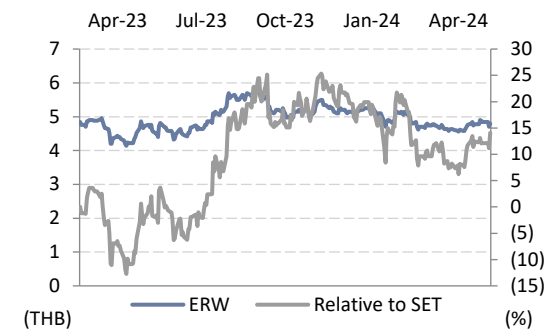
We expect Japan Hop Inn EBITDA to turn positive in 2Q24 thanks to a high tourism season in Japan. We expect the OCC rate to ramp up to 70-80%, driven mainly by Hop Inn in Tokyo. For 2024, we expect an OCC rate of 70% with an average ADR of THB3,000. This should be sufficient for its EBITDA to break even (20-25% EBITDA margin in our assumption). However, it should contribute losses of THB20-30m in 2024.

## Robust 2024E profit growth, despite losses from Japan Hop Inn

We expect revenue to grow by 15% in 2024, relatively in line with management guidance. We expect non-Hop Inn RevPAR to grow by 6%, driven by a 5% ADR growth and a rise in the OCC rate to 83% (vs 82% in 2023). EBITDA margin should improve to 32-33% (vs 31% in 2023) from high operating leverage. This should lead 2024 core profit to grow by 12% y-y to THB807m.

## Revise up core profit amid cheaper valuation than historical

We have increased our 2024-25E core profit by 3-8% to reflect a strong 1Q24 outlook and slightly lower-than-expected depreciation and interest expenses of the Japan Hop Inn portfolio. We derived a new 2024 DCF-TP of THB6.4/shr. Also, the stock has fallen by 17% from its peak over the past seven months. It is trading at an attractive valuation of 29x 2024E P/E vs its five-year average of 36x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.3	(2.0)	(0.8)
Relative to country (%)	6.3	(0.8)	16.1
Mkt cap (USD m)	591		
3m avg. daily turnover (USD m)	2.0		
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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### 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 benefit the most from the recovery of international tourist arrivals.

ERW recently announced four Hop Inn projects in Japan. It should become a new growth driver for ERW over the next five years.

ERW plans to expand its Hop Inn portfolio from 58 hotels in 2023 to more than 150 hotels by 2030, including 105 in Thailand, 14 in the Philippines, 15 in Japan, and the remaining in potential countries such as Singapore, Malaysia, Vietnam, Indonesia, South Korea, and Australia.

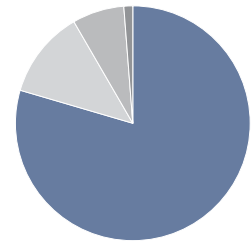
### Company profile

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

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

### Principal activities (revenue, 2023)

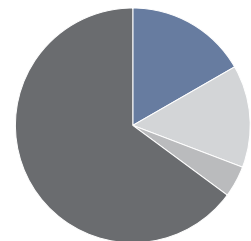
- Non-Hop Inn hotel - 79.5 %
- Hop Inn Thailand - 12.1 %
- Hop Inn Philippines - 7.1 %
- Others - 1.2 %



Source: The Erawan Group

### Major shareholders

- Chottanavat - 16.7 %
- Mid-Siam Capital Limited - 14.1 %
- ES 2014 - 4.3 %
- Others - 64.9 %



Source: The Erawan Group

### Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following global tourism recovery; 2) strong pent-up demand from Chinese tourists; and 3) a recovery in 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
May 2024	1Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
Number of hotels (no.)	90	96	103
Number of rooms (no.)	11,286	11,902	12,455
<b>All hotels excl. Hop Inn</b>			
Occupancy rate (OCC %)	83	84	85
RevPAR growth (y-y %)	6	3	5
<b>Thailand Hop Inn</b>			
Occupancy rate (OCC %)	82	83	84
RevPAR growth (y-y %)	6	3	4

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in OCC, we project a 2024 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2024 profit increase of 9%, and vice versa, all else being equal.

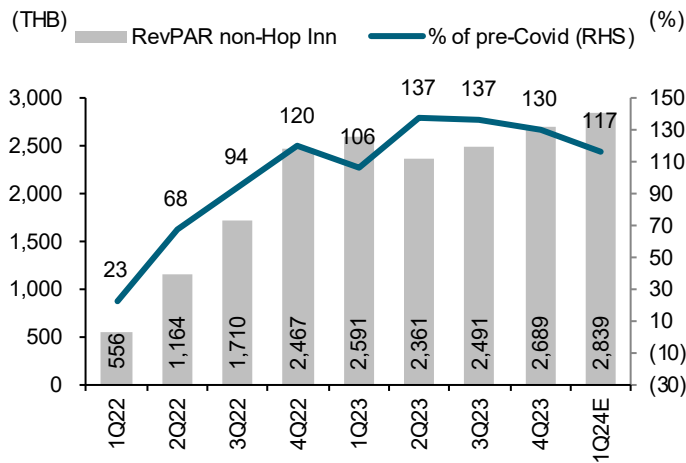
Source: FSSIA estimates

## Exhibit 1: ERW - 1Q24 results preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	Change		2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,753	1,623	1,736	1,874	1,962	5	12	8,021	15
- Thailand non-Hop Inn	1,409	1,282	1,378	1,496	1,542	3	9		
- Hop Inn Thailand	211	208	210	217	230	6	9		
- Hop Inn Phil	117	117	123	135	117	(14)	(0)		
- Hop Inn Japan					47				
- Rental	17	17	25	25	27	8	59		
COGS (Incl. depreciation)	(993)	(948)	(990)	(1,004)	(1,068)	6	8	(4,412)	12
<b>Gross Profit</b>	<b>760</b>	<b>675</b>	<b>746</b>	<b>870</b>	<b>894</b>	<b>3</b>	<b>18</b>	<b>3,609</b>	<b>18</b>
SG&A	(434)	(441)	(454)	(509)	(495)	(3)	14	(2,085)	13
<b>Operating Profit</b>	<b>326</b>	<b>234</b>	<b>292</b>	<b>361</b>	<b>399</b>	<b>11</b>	<b>22</b>	<b>1,523</b>	<b>26</b>
Other income	21	18	7	13	24	86	10	58	(2)
Interest	(135)	(143)	(150)	(161)	(169)	5	25	(690)	17
<b>Pretax profit</b>	<b>213</b>	<b>109</b>	<b>149</b>	<b>213</b>	<b>254</b>	<b>19</b>	<b>19</b>	<b>891</b>	<b>30</b>
Income Tax	6	5	3	2	2	(10)	(68)	(27)	(262)
Associates	3	21	3	9	9	0	161	0	(100)
Minority interest	1	(2)	(7)	(10)	(14)			(57)	232
<b>Core profit</b>	<b>224</b>	<b>133</b>	<b>148</b>	<b>214</b>	<b>250</b>	<b>17</b>	<b>12</b>	<b>807</b>	<b>12</b>
Extraordinaries, GW & FX	15	9	0	(0)					
<b>Reported net profit</b>	<b>239</b>	<b>142</b>	<b>148</b>	<b>214</b>	<b>250</b>	<b>17</b>	<b>5</b>	<b>807</b>	<b>9</b>
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,891	0
<b>Core EPS</b>	<b>0.05</b>	<b>0.03</b>	<b>0.03</b>	<b>0.05</b>	<b>0.06</b>	<b>17</b>	<b>12</b>	<b>0.17</b>	<b>12</b>
<b>EPS</b>	<b>0.05</b>	<b>0.03</b>	<b>0.03</b>	<b>0.05</b>	<b>0.06</b>	<b>17</b>	<b>5</b>	<b>0.17</b>	<b>9</b>
COGS (Excl. depreciation)	(775)	(727)	(757)	(776)	(832)	7	7	(3,433)	13
Depreciation	(218)	(222)	(233)	(229)	(236)	3	8	(979)	9
EBITDA	566	474	532	602	658	9	16	2,561	18
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	43	42	43	46	46	(1)	2	45	1
SG&A/Revenue	25	27	26	27	25	(2)	0	26	(0)
EBITDA margin	32	29	31	32	33	1	1	31	1
Net profit margin	14	9	9	11	13	1	(1)	10	(1)
<b>Operating stats</b>									
<b>Non-Hop Inn</b>									
OCC (%)	84	80	82	83	84				
OCC growth (y-y %)	53	25	15	1	0				
RevPAR (THB)	2,591	2,361	2,491	2,689	2,839				
RevPAR growth (y-y %)	366	103	46	9	0				
<b>Thailand Hop Inn</b>									
OCC (%)	81	81	81	83	82				
OCC growth (y-y %)	14	8	7	5	0				
RevPAR (THB)	531	533	534	569	590				
RevPAR growth (y-y %)	30	18	16	14	0				
<b>Philippines Hop Inn</b>									
OCC (%)	74	74	79	80	80				
OCC growth (y-y %)	23	16	20	6	0				
RevPAR (THB)	810	811	896	947	880				
RevPAR growth (y-y %)	19	13	8	10	0				

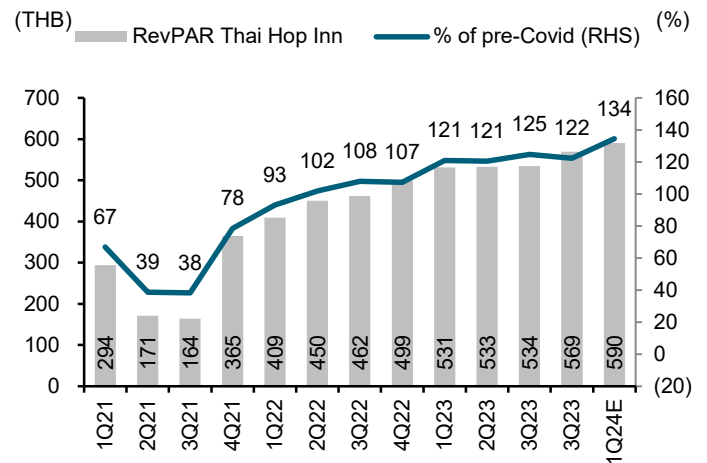
Sources: ERW; FSSIA estimates

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



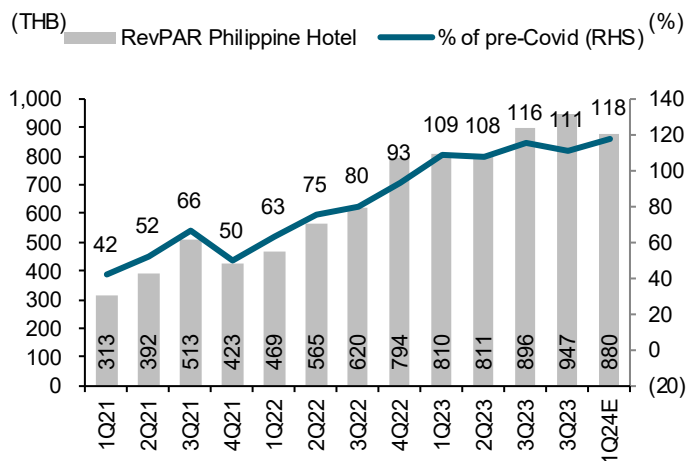
Sources: ERW; FSSIA estimates

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



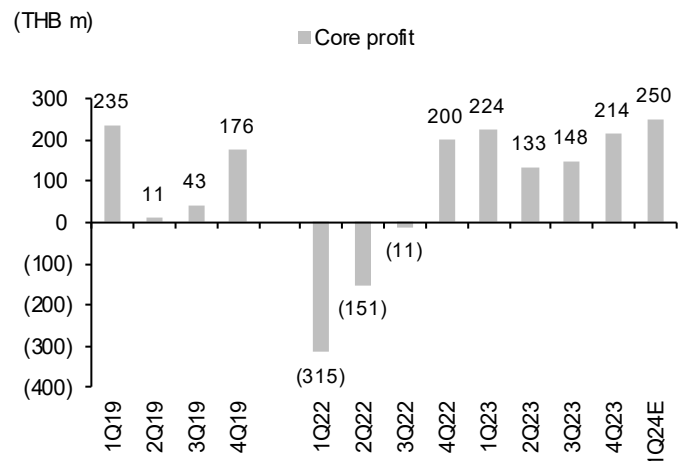
Sources: ERW; FSSIA estimates

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



Sources: ERW; FSSIA estimates

**Exhibit 5: Core profit, quarterly**



Sources: ERW; FSSIA estimates

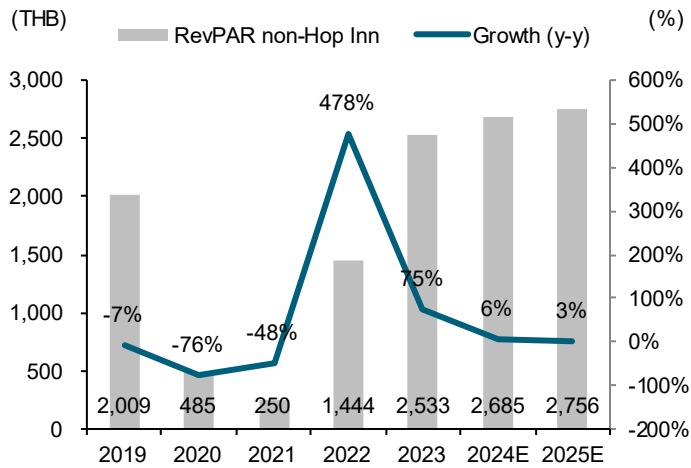
**Exhibit 6: Forecast revisions**

	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
All hotels excl. Hop Inn - OCC (%)	83.2	83.7	84.7	82.7	83.2	n/a	0.5	0.5	n/a
All hotels excl. Hop Inn - RevPAR (THB)	2,685	2,756	2,884	2,654	2,724	n/a	1.2	1.2	n/a
Thailand Hop Inn - OCC (%)	82.0	82.5	83.5	82.0	82.5	n/a	0.0	0.0	n/a
Thailand Hop Inn - RevPAR (THB)	573	588	613	573	588	n/a	0.1	0.1	n/a
Revenue (THB b)	8.02	8.44	8.98	7.86	8.39	n/a	2.0	0.6	n/a
EBITDA margin (%)	31.2	32.6	33.4	30.3	32.1	n/a	0.9	0.5	n/a
Core earnings (THB m)	807	890	967	746	861	n/a	8.2	3.5	n/a

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

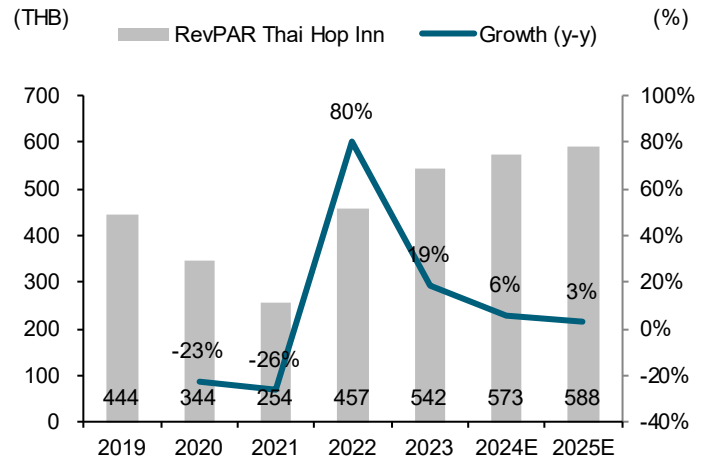
Source: FSSIA estimates

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



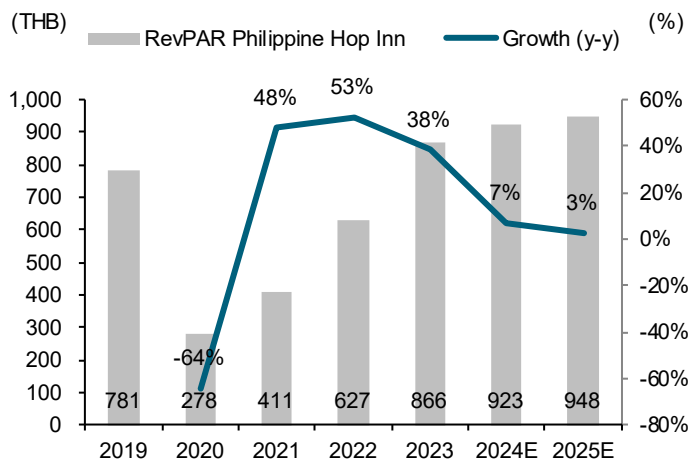
Sources: ERW; FSSIA estimates

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



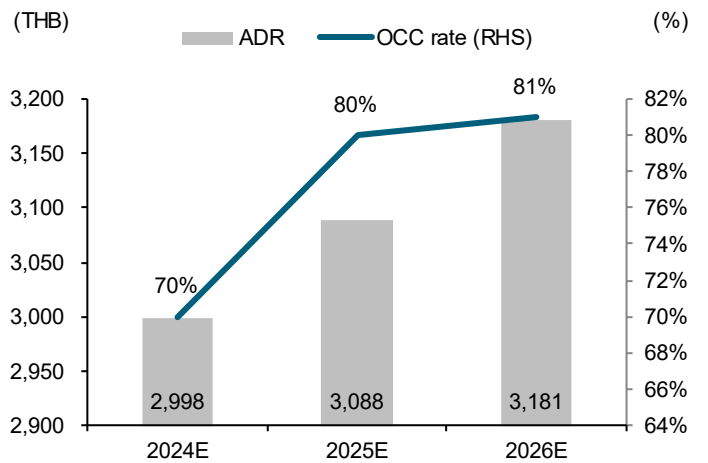
Sources: ERW; FSSIA estimates

**Exhibit 9: RevPAR Philippine Hop Inn hotels, yearly**



Sources: ERW; FSSIA estimates

**Exhibit 10: OCC rate and RevPAR of Japan Hop Inn**



Sources: ERW; FSSIA estimates

**Exhibit 11: DCF valuation**

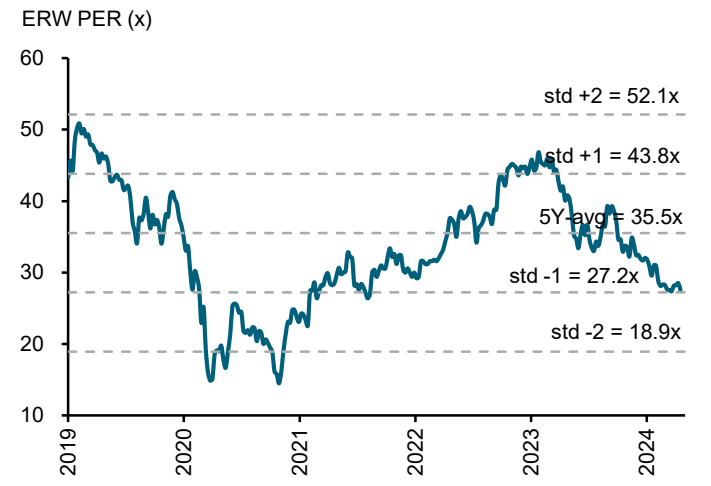
Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate	3.0		Pre-tax cost of debt	3.5	
Market risk premium	8.0		Marginal tax rate	20.0	
Stock beta	1.2		Net cost of debt, Kd	3.2	
Cost of equity, Ke	12.6		Weight applied	45.0	
Weight applied	55.0				
WACC	8.2				

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	13.4	2.7	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	29.2	6.0	Terminal growth 2.5%
Cash & liquid assets	2.6	0.5	At end-2024E
Investments	0.1	0.0	At end-2024E
Debt	(14.2)	(2.9)	At end-2024E
Minorities	(0.0)	(0.0)	At end-2024E
<b>Residual ordinary equity</b>	<b>31.1</b>	<b>6.4</b>	

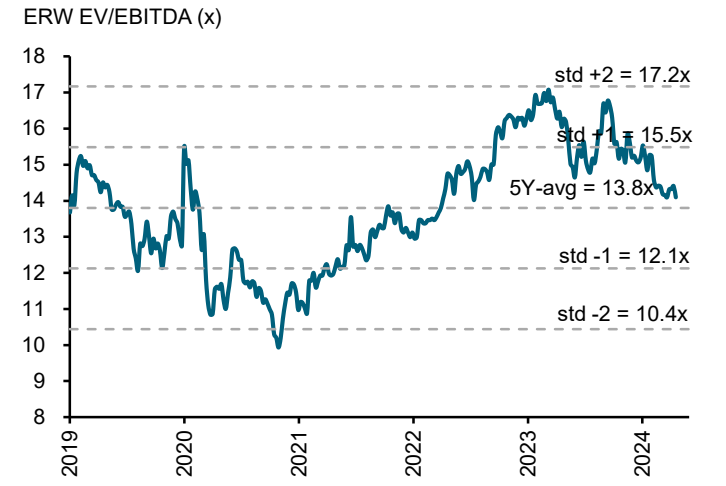
Source: FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 18 Apr 2024

Company	BBG	Rec	Share price			Market cap (USD m)	PE			ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		24E (x)	25E (x)	26E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
<b>Thailand</b>															
Asset World Corp	AWC TB	BUY	4.44	5.50	24	3,863	64.8	54.2	44.0	2.5	2.8	1.6	1.5	34.4	30.5
Minor International	MINT TB	BUY	32.00	44.00	38	4,933	20.9	18.7	16.8	11.5	13.0	2.5	2.3	8.2	7.4
Central Plaza Hotel	CENTEL TB	BUY	43.75	50.00	14	1,606	38.5	30.8	22.3	7.6	9.0	2.8	2.7	17.1	15.3
Erawan Group	ERW TB	BUY	4.80	6.40	33	591	29.1	26.4	24.3	11.1	10.5	2.9	2.7	15.4	13.9
S Hotels & Resorts	SHR TB	BUY	2.40	4.00	67	234	28.1	16.4	14.3	1.9	3.2	0.5	0.5	8.8	8.0
Dusit Thani	DUSIT TB	BUY	9.50	15.00	58	220	151.1	7.4	4.8	1.5	25.9	2.2	1.7	45.5	10.7
Bound and Beyond	BEYOND TB	BUY	9.85	22.00	123	78	22.8	12.8	10.7	2.1	3.6	0.5	0.4	8.7	7.4
<b>Thailand average</b>						<b>11,524</b>	<b>50.7</b>	<b>23.8</b>	<b>19.6</b>	<b>5.4</b>	<b>9.7</b>	<b>1.9</b>	<b>1.7</b>	<b>19.7</b>	<b>13.3</b>
<b>Regional</b>															
Btg Hotels Group	600258 CH	n/a	14.47	n/a	n/a	2,231	20.7	17.6	15.2	7.2	7.8	1.4	1.4	9.4	9.2
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.50	n/a	n/a	3,687	10.3	7.6	6.4	6.5	8.5	0.7	0.6	12.6	10.9
Huangshan Tourism Dev.	900942 CH	n/a	0.82	n/a	n/a	1,090	11.5	9.4	8.6	8.5	9.5	1.0	0.9	11.5	9.5
Genting Bhd	GENT MK	n/a	4.49	n/a	n/a	3,590	16.7	10.2	9.0	3.9	4.7	0.5	0.5	6.2	5.8
Huazhu Group	HTHT US	n/a	37.36	n/a	n/a	11,909	21.7	20.0	17.2	34.4	29.6	6.4	5.5	12.6	11.8
Indian Hotels	IH IN	n/a	593.40	n/a	n/a	10,134	91.8	65.6	50.7	12.6	14.8	10.7	9.3	48.6	39.4
Lemon Tree Hotels	LEMONTRE IN	n/a	134.35	n/a	n/a	1,285	93.2	71.8	39.6	12.3	14.6	11.8	10.9	31.6	26.1
Lippo Karawaci	LPKR IJ	n/a	62.00	n/a	n/a	262	n/a	5.0	3.5	n/a	5.2	n/a	n/a	n/a	n/a
<b>Regional average</b>						<b>34,189</b>	<b>38.0</b>	<b>25.9</b>	<b>18.8</b>	<b>12.2</b>	<b>11.8</b>	<b>4.7</b>	<b>4.2</b>	<b>18.9</b>	<b>16.1</b>
<b>Overall average</b>						<b>45,714</b>	<b>44.4</b>	<b>24.9</b>	<b>19.2</b>	<b>8.8</b>	<b>10.8</b>	<b>3.3</b>	<b>2.9</b>	<b>19.3</b>	<b>14.7</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

The Erawan Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,629	6,986	8,021	8,441	8,985
Cost of goods sold	(3,154)	(3,936)	(4,412)	(4,621)	(4,846)
<b>Gross profit</b>	<b>1,475</b>	<b>3,051</b>	<b>3,609</b>	<b>3,820</b>	<b>4,139</b>
Other operating income	-	-	-	-	-
Operating costs	(1,377)	(1,838)	(2,085)	(2,152)	(2,264)
<b>Operating EBITDA</b>	<b>969</b>	<b>2,114</b>	<b>2,502</b>	<b>2,752</b>	<b>3,001</b>
Depreciation	(872)	(901)	(979)	(1,084)	(1,126)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>97</b>	<b>1,213</b>	<b>1,523</b>	<b>1,668</b>	<b>1,875</b>
Net financing costs	(455)	(582)	(685)	(686)	(638)
Associates	29	36	0	0	0
Recurring non-operating income	66	89	53	54	55
Non-recurring items	54	23	0	0	0
<b>Profit before tax</b>	<b>(239)</b>	<b>743</b>	<b>891</b>	<b>1,036</b>	<b>1,292</b>
Tax	26	17	(27)	(83)	(258)
<b>Profit after tax</b>	<b>(213)</b>	<b>760</b>	<b>864</b>	<b>953</b>	<b>1,033</b>
Minority interests	(11)	(17)	(57)	(63)	(66)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(224)</b>	<b>743</b>	<b>807</b>	<b>890</b>	<b>967</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(54)</b>	<b>(23)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(278)</b>	<b>719</b>	<b>807</b>	<b>890</b>	<b>967</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.06)	0.15	0.17	0.18	0.20
Reported EPS	(0.05)	0.15	0.17	0.18	0.20
DPS	0.00	0.00	0.07	0.07	0.08
Diluted shares (used to calculate per share data)	4,891	4,891	4,891	4,891	4,891
<b>Growth</b>					
Revenue (%)	211.6	50.9	14.8	5.2	6.4
Operating EBITDA (%)	nm	118.1	18.4	10.0	9.1
Operating EBIT (%)	nm	1,148.7	25.6	9.5	12.4
Recurring EPS (%)	nm	nm	12.3	10.3	8.6
Reported EPS (%)	nm	nm	8.7	10.3	8.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	31.9	43.7	45.0	45.3	46.1
Gross margin exc. depreciation (%)	50.7	56.6	57.2	58.1	58.6
Operating EBITDA margin (%)	20.9	30.3	31.2	32.6	33.4
Operating EBIT margin (%)	2.1	17.4	19.0	19.8	20.9
Net margin (%)	(6.0)	10.3	10.1	10.5	10.8
Effective tax rate (%)	8.0	(2.4)	3.0	8.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	0.4	2.2	2.3	2.5	3.0
Inventory days	6.6	5.6	5.5	5.8	5.7
Debtor days	10.2	8.6	7.7	7.3	6.9
Creditor days	30.2	27.7	25.7	26.9	26.6
Operating ROIC (%)	0.5	6.2	6.6	6.4	6.3
ROIC (%)	0.8	6.6	6.7	6.5	6.3
ROE (%)	(4.7)	12.0	11.1	10.5	10.6
ROA (%)	0.7	5.9	5.9	5.8	5.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Non-Hop Inn hotel	3,600	5,557	6,025	6,095	6,379
Hop Inn Thailand	646	845	969	1,094	1,238
Hop Inn Philippines	318	499	578	730	826
Others	65	85	449	523	543

Sources: The Erawan Group; FSSIA estimates

## Financial Statements

### The Erawan Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	(278)	719	807	890	967
Depreciation	872	901	979	1,084	1,126
Associates & minorities	-	-	-	-	-
Other non-cash items	193	46	22	27	30
Change in working capital	1,207	(21)	80	29	41
<b>Cash flow from operations</b>	<b>1,994</b>	<b>1,645</b>	<b>1,888</b>	<b>2,031</b>	<b>2,165</b>
Capex - maintenance	(722)	(2,988)	(3,854)	(1,364)	(774)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(15)	(21)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(737)</b>	<b>(3,009)</b>	<b>(3,854)</b>	<b>(1,364)</b>	<b>(774)</b>
Dividends paid	0	0	0	(323)	(356)
Equity finance	0	0	1,079	0	0
Debt finance	(692)	1,114	2,303	(2,000)	(500)
Other financing cash flows	(274)	(65)	(57)	(62)	(66)
<b>Cash flow from financing</b>	<b>(967)</b>	<b>1,049</b>	<b>3,325</b>	<b>(2,385)</b>	<b>(922)</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>290</b>	<b>(315)</b>	<b>1,359</b>	<b>(1,719)</b>	<b>469</b>
Free cash flow to firm (FCFF)	1,714.43	(775.02)	(1,275.56)	1,363.53	2,032.87
Free cash flow to equity (FCFE)	289.75	(315.13)	280.28	(1,396.01)	<b>825.19</b>

#### Per share (THB)

FCFF per share	0.35	(0.16)	(0.26)	0.28	0.42
FCFE per share	0.06	(0.06)	0.06	(0.29)	0.17
Recurring cash flow per share	0.16	0.34	0.37	0.41	0.43

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	26,373	29,277	33,167	34,567	35,376
Less: Accumulated depreciation	(7,089)	(7,881)	(8,861)	(9,945)	(11,071)
<b>Tangible fixed assets (net)</b>	<b>19,285</b>	<b>21,396</b>	<b>24,306</b>	<b>24,622</b>	<b>24,306</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	63	83	83	83	83
Cash & equivalents	1,532	1,217	2,576	857	1,326
A/C receivable	160	170	170	170	170
Inventories	43	49	55	57	60
Other current assets	291	450	517	544	579
<b>Current assets</b>	<b>2,026</b>	<b>1,885</b>	<b>3,318</b>	<b>1,628</b>	<b>2,135</b>
Other assets	338	310	310	310	310
<b>Total assets</b>	<b>21,712</b>	<b>23,675</b>	<b>28,018</b>	<b>26,644</b>	<b>26,834</b>
Common equity	5,698	6,330	8,216	8,783	9,394
Minorities etc.	23	40	41	41	42
<b>Total shareholders' equity</b>	<b>5,722</b>	<b>6,370</b>	<b>8,257</b>	<b>8,824</b>	<b>9,436</b>
Long term debt	13,935	14,528	16,831	14,831	14,331
Other long-term liabilities	846	895	895	895	895
<b>Long-term liabilities</b>	<b>14,781</b>	<b>15,423</b>	<b>17,726</b>	<b>15,726</b>	<b>15,226</b>
A/C payable	235	227	257	264	278
Short term debt	300	820	820	820	820
Other current liabilities	675	835	959	1,009	1,074
<b>Current liabilities</b>	<b>1,209</b>	<b>1,882</b>	<b>2,035</b>	<b>2,093</b>	<b>2,172</b>
<b>Total liabilities and shareholders' equity</b>	<b>21,712</b>	<b>23,675</b>	<b>28,018</b>	<b>26,644</b>	<b>26,834</b>
Net working capital	(415)	(393)	(474)	(503)	(543)
Invested capital	19,271	21,396	24,227	24,514	24,156

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

#### Per share (THB)

Book value per share	1.26	1.40	1.68	1.80	1.92
Tangible book value per share	1.26	1.40	1.68	1.80	1.92

#### Financial strength

Net debt/equity (%)	222.0	221.8	182.6	167.6	146.5
Net debt/total assets (%)	58.5	59.7	53.8	55.5	51.5
Current ratio (x)	1.7	1.0	1.6	0.8	1.0
CF interest cover (x)	1.6	0.5	1.4	(1.0)	2.3

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>(84.4)</b>	<b>32.6</b>	<b>29.1</b>	<b>26.4</b>	<b>24.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(112.6)</b>	<b>43.5</b>	<b>38.8</b>	<b>35.2</b>	<b>32.4</b>
Reported P/E (x)	(104.7)	31.6	29.1	26.4	24.3
Dividend yield (%)	-	-	1.4	1.5	1.6
Price/book (x)	3.8	3.4	2.9	2.7	2.5
Price/tangible book (x)	3.8	3.4	2.9	2.7	2.5
EV/EBITDA (x) **	35.6	17.0	15.4	13.9	12.4
EV/EBITDA @ target price (x) **	43.1	20.4	18.5	16.8	15.1
EV/invested capital (x)	1.8	1.7	1.6	1.6	1.5

\* 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 15: 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 16: 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 17: 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>—</b>	<b>—</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>—</b>	<b>—</b>	<b>43.34</b>	<b>—</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 18: 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 (50-59), 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+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
<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 rowspan="3"><b>Leader:</b></td> <td rowspan="3">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> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">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> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</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>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																		
<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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 4.80	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Asset World Corp	AWC TB	THB 4.44	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 32.00	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 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 2.40	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 9.50	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Bound and Beyond	BEYOND TB	THB 9.85	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 18-Apr-2024 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.