

THE ERAWAN GROUP

THAILAND / TOURISM & LEISURE

ERW TB

BUY
 UNCHANGED

Growth momentum to continue in low season

- Earnings growth momentum to continue in 2Q24, but at a slower pace due to the low season in Thailand.
- Japan Hop Inn posted positive EBITDA in 1Q24 and may break even at the bottom line in 2Q24 from the high tourism season.
- Maintain BUY with a higher DCF-derived TP of THB6.5/shr.

Positive feedback from analyst meeting

We attended ERW's 1Q24 analyst meeting on 15 May and have slightly positive feedback. Management expects revenue growth y-y to continue in 2Q24, but should slow down to 8-10% y-y compared to 13% y-y in 1Q24. They estimate an overall OCC rate of 80% in 2Q24 (vs 82% in 1Q24), and ADR should dip q-q due to seasonality. The leisure segment remained strong in April and May. MICE business (especially the corporate segment) has declined in May, but is likely to pick up in June.

Japan Hop Inn may break even in 2Q24

Japan Hop Inn's operations should significantly improve in 2Q24. The OCC rate ramped up to 70% in April and 60% in May (vs 48% in 1Q23), with ADR at THB3,700 in April and THB3,000 in May (vs THB2,919 in 1Q23). Note that Japan Hop Inn recorded THB7m in EBITDA and we estimated a net loss of THB20m-30m in 1Q24. Thus, there is potential for the portfolio to break even in 2Q24. We estimate Japan Hop Inn to contribute a loss of THB20m-30m in 2024.

Expect organic RevPAR to grow by 6% in 2024

We estimate 2024 revenue to grow by 15% y-y, relatively in line with management's guidance. Although, revenue growth in 1H24 may be softer than 15% given that 1Q24 recorded growth of 13% y-y and revenue should slow in 2Q24, it should accelerate in 2H24 from the newly renovated Holiday Inn Pattaya (scheduled to complete in Aug) and new hotels (totaling 14 new hotels in 2024). We estimate organic RevPAR (excluding Japan Hop Inn) to grow by 6% in 2024, mainly from ADR. As a result, we forecast 2024 core profit to grow by 18% to THB846m.

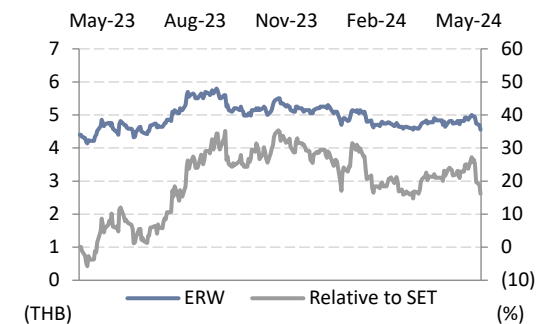
Revise up core profit with cheaper valuation than historical

We raise our 2024-26E core profit by 3-5% to reflect the strong 1Q24, and derive a new 2024 DCF-TP of THB6.5/shr. The share price has fallen by 8% after the 1Q24 results. We believe that earnings growth is likely to slow down in the low season in 2Q-3Q24. This should be an opportunity to accumulate the stock as it trades at an attractive valuation of 26x 2024E P/E vs its 5-year average of 35x. A downside risk to our forecast is the renewal of the long-term contract with Grand Hyatt Erawan (under negotiation), which may increase depreciation and interest expenses.

TARGET PRICE	THB6.50
CLOSE	THB4.56
UP/DOWNSIDE	+42.5%
PRIOR TP	THB6.40
CHANGE IN TP	+1.6%
TP vs CONSENSUS	+7.8%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	6,986	8,021	8,441	8,985
Net profit	743	846	922	996
EPS (THB)	0.15	0.17	0.19	0.20
vs Consensus (%)	-	(3.4)	(4.5)	(7.4)
EBITDA	2,114	2,543	2,785	3,037
Recurring net profit	719	846	922	996
Core EPS (THB)	0.15	0.17	0.19	0.20
Chg. In EPS est. (%)	-	4.8	3.5	3.0
EPS growth (%)	nm	17.7	8.9	8.1
Core P/E (x)	31.0	26.4	24.2	22.4
Dividend yield (%)	-	1.5	1.7	1.8
EV/EBITDA (x)	16.5	14.7	13.3	11.9
Price/book (x)	3.3	2.7	2.5	2.4
Net debt/Equity (%)	221.8	181.3	166.0	144.7
ROE (%)	12.0	11.6	10.8	10.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.7)	(4.2)	4.6
Relative to country (%)	(4.5)	(2.6)	15.6
Mkt cap (USD m)	569		
3m avg. daily turnover (USD m)	1.8		
Free float (%)	63		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.85/4.12		
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

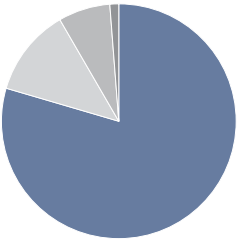
Principal activities (revenue, 2023)

■ Non-Hop Inn hotel - 79.5 %

■ Hop Inn Thailand - 12.1 %

■ Hop Inn Philippines - 7.1 %

■ Others - 1.2 %



Source: The Erawan Group

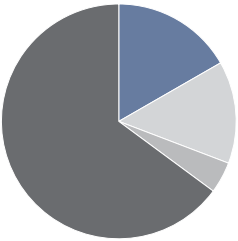
Major shareholders

■ 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 a 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
Aug 2024	2Q24 results announcement

Key assumptions

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

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FINANSIA

23 MAY 2024

Recap: 1Q24 results review

Despite a loss from the Japan hotels, ERW's 1Q24 core profit grew by 29% y-y and 35% q-q to THB289m, beating our estimate by 15% due to a better-than-expected EBITDA margin of 35% (vs our forecast of 33%). Core profit also hit a record high compared to the previous high of THB286m.

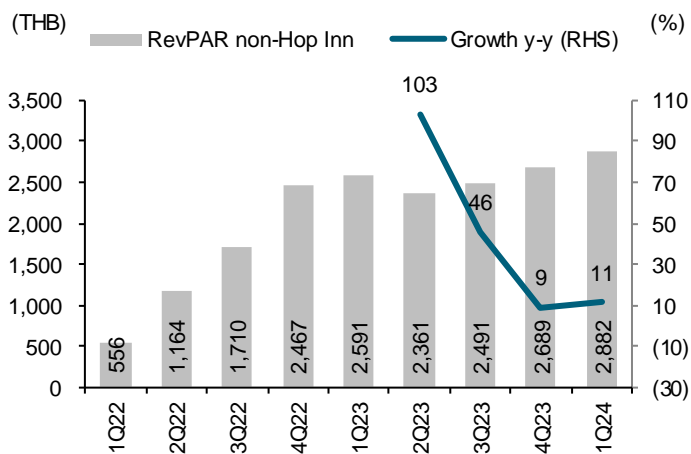
Including a THB129m net difference between right-of-use assets and lease liabilities from lease modification following the asset buyback transaction from ERWPF, net profit was THB417m in 1Q24.

Revenue grew 13% y-y as Non-Hop Inn RevPAR increased by 11% y-y with an OCC rate of 84% (flay y-y). Thailand Hop Inn RevPAR grew 11% y-y. Hop Inn Philippine RevPAR grew by 15% y-y.

For Japan Hop Inn, the OCC rate was 48% with ADR of THB2,919. Its reported EBITDA was THB7m with an EBITDA margin of 19%.

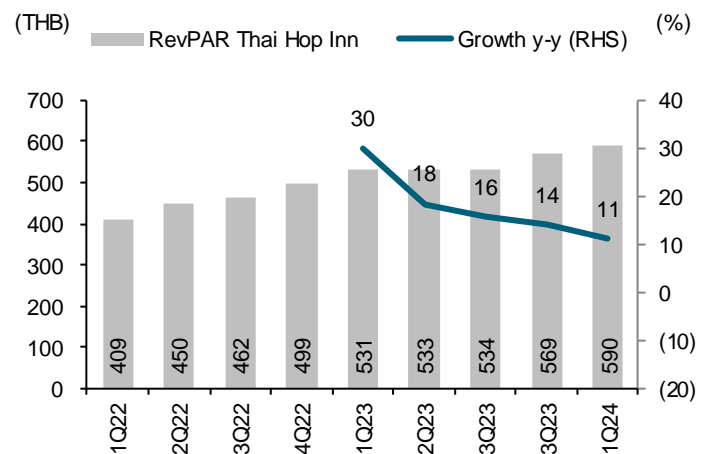
Depreciation increased by 8% y-y and interest expenses increased by 27% y-y in the quarter due to the Japan project and rising interest rate trend. ERW's EBITDA margin improved to 35% (vs 32% in 1Q23) thanks to strong revenue growth.

Exhibit 1: RevPAR non-Hop Inn hotels, quarterly



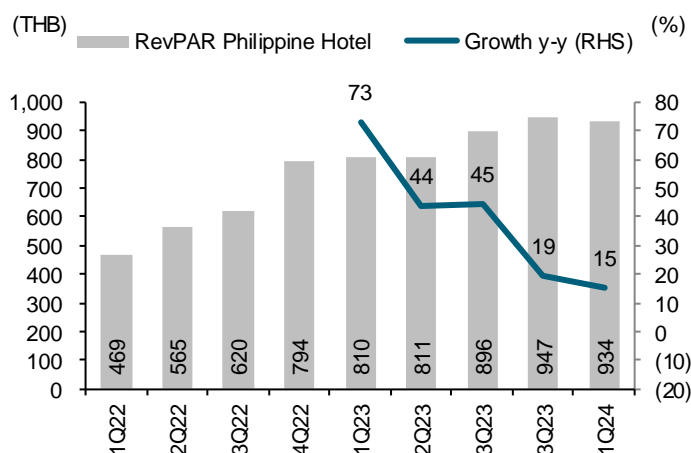
Source: ERW

Exhibit 2: RevPAR Thai Hop Inn hotels, quarterly



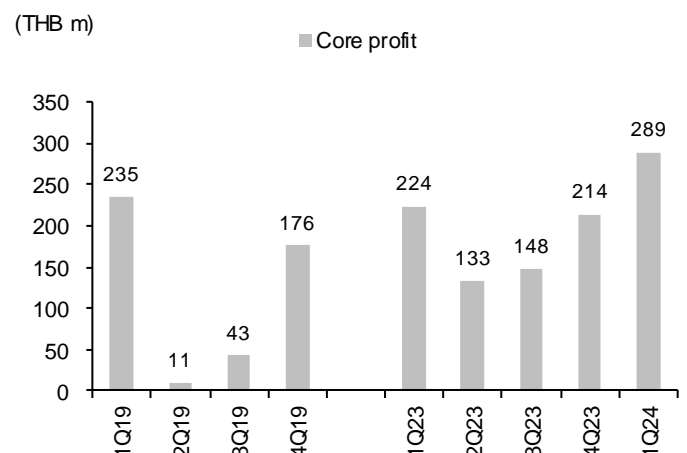
Source: ERW

Exhibit 3: RevPAR Philippine Hop Inn hotels, quarterly



Source: ERW

Exhibit 4: Core profit, quarterly



Source: ERW

Exhibit 5: ERW – 1Q24 results review

	1Q23	2Q23	3Q23	4Q23	1Q24	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	1,974	5	13	8,021	15
- Thailand non-Hop Inn	1,409	1,282	1,378	1,496	1,535	3	9		
- Hop Inn Thailand	211	208	210	217	233	7	10		
- Hop Inn Phil	117	117	123	135	134	(1)	15		
- Hop Inn Japan					37				
- Rental	17	17	25	25	34	36	100		
COGS (Incl. depreciation)	(993)	(948)	(990)	(1,004)	(1,029)	2	4	(4,372)	11
Gross Profit	760	675	746	870	945	9	24	3,649	20
SG&A	(434)	(441)	(454)	(509)	(492)	(3)	13	(2,085)	13
Operating Profit	326	234	292	361	453	26	39	1,563	29
Other income	21	18	7	13	16	22	(28)	58	(2)
Interest	(135)	(143)	(150)	(161)	(171)	6	27	(690)	17
Pretax profit	213	109	149	213	297	40	39	931	36
Income Tax	6	5	3	2	(0)	(102)	(101)	(28)	(269)
Associates	3	21	3	9	3	(66)	(12)	0	(100)
Minority interest	1	(2)	(7)	(10)	(11)			(57)	232
Core profit	224	133	148	214	289	35	29	846	18
Extraordinaries, GW & FX	15	9	0	(0)	128			0	(100)
Reported net profit	239	142	148	214	417	95	75	846	14
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,891	0
Core EPS	0.05	0.03	0.03	0.05	0.06	35	29	0.17	18
EPS	0.05	0.03	0.03	0.05	0.09	95	75	0.17	14
COGS (Excl. depreciation)	(775)	(727)	(757)	(776)	(794)	2	2	(3,393)	12
Depreciation	(218)	(222)	(233)	(229)	(236)	3	8	(979)	9
EBITDA	566	474	532	602	704	17	24	2,601	20
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	43	42	43	46	48	1	5	45	2
SG&A/Revenue	25	27	26	27	25	(2)	0	26	(0)
EBITDA margin	32	29	31	32	35	3	4	32	1
Net profit margin	14	9	9	11	21	10	8	11	(0)
Operating stats									
Non-Hop Inn									
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	2,882				
RevPAR growth (y-y %)	366	103	46	9	11				
Thailand Hop Inn									
OCC (%)	81	81	81	83	82				
OCC growth (y-y %)	14	8	7	5	1				
RevPAR (THB)	531	533	534	569	590				
RevPAR growth (y-y %)	30	18	16	14	11				
Philippines Hop Inn									
OCC (%)	74	74	79	80	79				
OCC growth (y-y %)	23	16	20	6	5				
RevPAR (THB)	810	811	896	947	934				
RevPAR growth (y-y %)	73	44	45	19	15				

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	83.2	83.7	84.7	0.0	0.0	0.0
All hotels excl. Hop Inn - RevPAR (THB)	2,685	2,756	2,884	2,685	2,756	2,884	0.0	0.0	0.0
Thailand Hop Inn - OCC (%)	82.0	82.5	83.5	82.0	82.5	83.5	0.0	0.0	0.0
Thailand Hop Inn - RevPAR (THB)	573	588	613	573	588	613	0.0	0.0	0.0
Revenue (THB b)	8.02	8.44	8.98	8.02	8.44	8.98	0.0	0.0	0.0
EBITDA margin (%)	31.7	33.0	33.8	31.2	32.6	33.4	0.5	0.4	0.4
Core earnings (THB m)	846	922	996	807	890	967	4.8	3.5	3.0

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

Source: FSSIA estimates

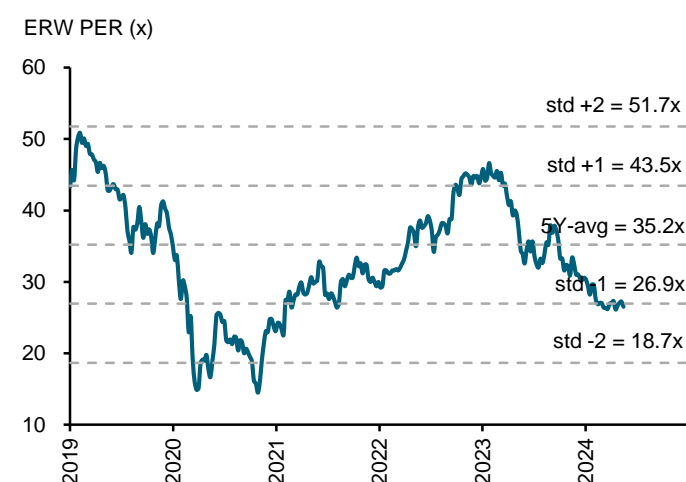
Exhibit 7: DCF valuation

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

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	13.7	2.8	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	29.5	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
Residual ordinary equity	31.7	6.5	

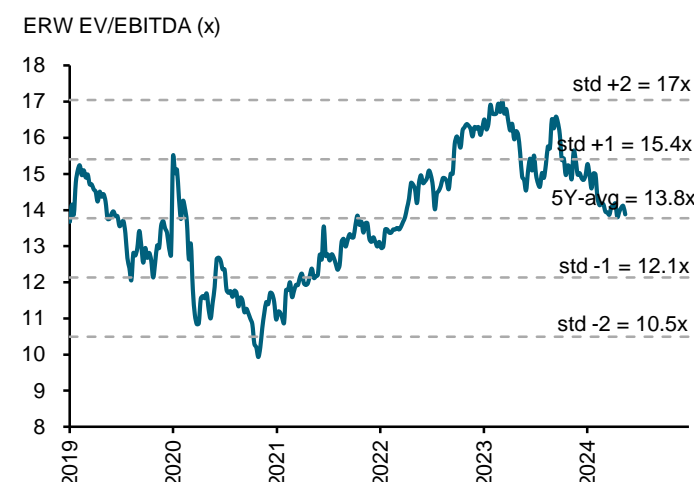
Source: FSSIA estimates

Exhibit 8: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Peer comparisons as of 21 May 2024

Company	BBG	Rec	Share price			Market cap	PE			ROE		PBV		EV/ EBITDA	
			Current	Target	Upside		24E	25E	26E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand															
Asset World Corp	AWC TB	BUY	3.88	5.50	42	3,418	56.6	47.4	38.5	2.5	2.8	1.4	1.3	31.6	28.2
Minor International	MINT TB	BUY	32.00	44.00	38	4,995	22.2	19.9	17.9	10.7	11.3	2.3	2.2	8.2	7.4
Central Plaza Hotel	CENTEL TB	BUY	41.50	50.00	20	1,542	36.5	29.2	24.9	7.5	8.8	2.6	2.5	16.0	14.7
Erawan Group	ERW TB	BUY	4.56	6.50	43	569	26.4	24.2	22.4	11.6	10.8	2.7	2.5	14.7	13.3
S Hotels & Resorts	SHR TB	BUY	2.20	4.00	82	218	25.7	15.1	13.1	1.9	3.2	0.5	0.5	8.5	7.7
Dusit Thani	DUSIT TB	BUY	10.50	15.00	43	246	166.6	8.1	5.5	1.5	24.8	2.6	1.7	44.9	10.6
Bound and Beyond	BEYOND TB	BUY	9.65	22.00	128	77	22.4	12.5	10.4	2.1	3.6	0.5	0.4	8.7	7.4
Thailand average						11,064	50.9	22.3	19.0	5.4	9.3	1.8	1.6	19.0	12.8
Regional															
Btg Hotels Group	600258 CH	n/a	14.56	n/a	n/a	2,244	20.8	17.5	15.6	7.2	7.9	1.5	1.4	9.5	9.3
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.52	n/a	n/a	3,868	10.5	7.8	6.7	6.5	8.4	0.7	0.6	12.9	11.3
Huangshan Tourism Dev.	900942 CH	n/a	0.77	n/a	n/a	1,017	10.8	8.8	8.0	8.5	9.6	0.9	0.8	10.6	7.7
Genting Bhd	GENT MK	n/a	4.74	n/a	n/a	3,868	17.7	11.1	9.7	3.9	4.6	0.6	0.5	6.3	5.9
Huazhu Group	HTHT US	n/a	36.93	n/a	n/a	11,772	21.4	20.0	17.2	34.4	29.4	6.4	5.4	12.7	11.9
Indian Hotels	IH IN	n/a	573.15	n/a	n/a	9,667	87.2	62.1	48.5	12.6	14.8	10.2	8.8	45.7	37.0
Lemon Tree Hotels	LEMONTRE IN	n/a	149.95	n/a	n/a	1,416	102.3	80.1	43.3	12.3	14.4	12.9	10.9	34.1	28.3
Lippo Karawaci	LPKR IJ	n/a	82.00	n/a	n/a	362	n/a	11.7	4.3	n/a	3.2	n/a	0.4	n/a	6.2
Regional average						34,215	38.7	27.4	19.2	12.2	11.5	4.7	3.6	18.8	14.7
Overall average						45,279	44.8	25.0	19.1	8.8	10.5	3.3	2.7	18.9	13.8

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)	(4,372)	(4,587)	(4,810)
Gross profit	1,475	3,051	3,649	3,854	4,175
Other operating income	-	-	-	-	-
Operating costs	(1,377)	(1,838)	(2,085)	(2,152)	(2,264)
Operating EBITDA	969	2,114	2,543	2,785	3,037
Depreciation	(872)	(901)	(979)	(1,084)	(1,126)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	97	1,213	1,563	1,701	1,911
Net financing costs	(455)	(582)	(685)	(685)	(638)
Associates	29	36	0	0	0
Recurring non-operating income	66	89	53	54	55
Non-recurring items	54	23	0	0	0
Profit before tax	(239)	743	931	1,070	1,328
Tax	26	17	(28)	(86)	(266)
Profit after tax	(213)	760	903	985	1,062
Minority interests	(11)	(17)	(57)	(63)	(66)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(224)	743	846	922	996
Non-recurring items & goodwill (net)	(54)	(23)	0	0	0
Recurring net profit	(278)	719	846	922	996
Per share (THB)					
Recurring EPS *	(0.06)	0.15	0.17	0.19	0.20
Reported EPS	(0.05)	0.15	0.17	0.19	0.20
DPS	0.00	0.00	0.07	0.08	0.08
Diluted shares (used to calculate per share data)	4,891	4,891	4,891	4,891	4,891
Growth					
Revenue (%)	211.6	50.9	14.8	5.2	6.4
Operating EBITDA (%)	nm	118.1	20.3	9.6	9.0
Operating EBIT (%)	nm	1,148.7	28.9	8.8	12.3
Recurring EPS (%)	nm	nm	17.7	8.9	8.1
Reported EPS (%)	nm	nm	13.9	8.9	8.1
Operating performance					
Gross margin inc. depreciation (%)	31.9	43.7	45.5	45.7	46.5
Gross margin exc. depreciation (%)	50.7	56.6	57.7	58.5	59.0
Operating EBITDA margin (%)	20.9	30.3	31.7	33.0	33.8
Operating EBIT margin (%)	2.1	17.4	19.5	20.2	21.3
Net margin (%)	(6.0)	10.3	10.6	10.9	11.1
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	2.4	2.6	3.1
Inventory days	6.6	5.6	5.6	5.8	5.7
Debtor days	10.2	8.6	7.7	7.3	6.9
Creditor days	30.2	27.7	25.8	26.9	26.6
Operating ROIC (%)	0.5	6.2	6.8	6.5	6.4
ROIC (%)	0.8	6.6	6.9	6.6	6.5
ROE (%)	(4.7)	12.0	11.6	10.8	10.9
ROA (%)	0.7	5.9	6.1	5.9	5.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
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	846	922	996
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)	78	30	41
Cash flow from operations	1,994	1,645	1,925	2,062	2,193
Capex - maintenance	(722)	(2,988)	(3,854)	(1,364)	(774)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(15)	(21)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(737)	(3,009)	(3,854)	(1,364)	(774)
Dividends paid	0	0	0	(338)	(369)
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)
Cash flow from financing	(967)	1,049	3,325	(2,401)	(934)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	290	(315)	1,396	(1,703)	485
Free cash flow to firm (FCFF)	1,714.43	(775.02)	(1,239.01)	1,395.11	2,061.68
Free cash flow to equity (FCFE)	289.75	(315.13)	316.83	(1,364.42)	854.01

Per share (THB)

FCFF per share	0.35	(0.16)	(0.25)	0.29	0.42
FCFE per share	0.06	(0.06)	0.06	(0.28)	0.17
Recurring cash flow per share	0.16	0.34	0.38	0.42	0.44

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)
Tangible fixed assets (net)	19,285	21,396	24,306	24,622	24,306
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	63	83	83	83	83
Cash & equivalents	1,532	1,217	2,612	910	1,395
A/C receivable	160	170	170	170	170
Inventories	43	49	55	57	59
Other current assets	291	450	517	544	579
Current assets	2,026	1,885	3,354	1,680	2,203
Other assets	338	310	310	310	310
Total assets	21,712	23,675	28,054	26,696	26,902
Common equity	5,698	6,330	8,255	8,838	9,465
Minorities etc.	23	40	41	41	42
Total shareholders' equity	5,722	6,370	8,295	8,879	9,507
Long term debt	13,935	14,528	16,831	14,831	14,331
Other long-term liabilities	846	895	895	895	895
Long-term liabilities	14,781	15,423	17,726	15,726	15,226
A/C payable	235	227	254	262	275
Short term debt	300	820	820	820	820
Other current liabilities	675	835	959	1,009	1,074
Current liabilities	1,209	1,882	2,032	2,091	2,169
Total liabilities and shareholders' equity	21,712	23,675	28,054	26,696	26,902
Net working capital	(415)	(393)	(471)	(501)	(541)
Invested capital	19,271	21,396	24,229	24,515	24,158

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

Per share (THB)

Book value per share	1.26	1.40	1.69	1.81	1.94
Tangible book value per share	1.26	1.40	1.69	1.81	1.94

Financial strength

Net debt/equity (%)	222.0	221.8	181.3	166.0	144.7
Net debt/total assets (%)	58.5	59.7	53.6	55.2	51.1
Current ratio (x)	1.7	1.0	1.7	0.8	1.0
CF interest cover (x)	1.6	0.5	1.5	(1.0)	2.3

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	(80.2)	31.0	26.4	24.2	22.4
Recurring P/E @ target price (x) *	(114.3)	44.2	37.6	34.5	31.9
Reported P/E (x)	(99.5)	30.0	26.4	24.2	22.4
Dividend yield (%)	-	-	1.5	1.7	1.8
Price/book (x)	3.6	3.3	2.7	2.5	2.4
Price/tangible book (x)	3.6	3.3	2.7	2.5	2.4
EV/EBITDA (x) **	34.5	16.5	14.7	13.3	11.9
EV/EBITDA @ target price (x) **	43.5	20.6	18.4	16.7	15.0
EV/invested capital (x)	1.7	1.6	1.5	1.5	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 11: 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.
★★★	>39-59	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.
★★	>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 12: 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](https://www.settrade.com); FSSIA's compilation

Exhibit 13: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	3.67	3.90
BESG environmental pillar score	—	—	3.30	—
BESG social pillar score	—	—	3.36	—
BESG governance pillar score	—	—	4.54	—
ESG disclosure score	—	—	43.34	—
Environmental disclosure score	—	—	16.40	—
Social disclosure score	—	—	29.87	—
Governance disclosure score	—	—	83.59	—
Environmental				
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 14: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
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
Social				
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
Governance				
Board size	—	11	11	11
No. of independent directors (ID)	—	4	4	4
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
No. of executives / company managers	—	7	6	6
No. of female executives	—	2	2	2
Executive share ownership guidelines	No	No	No	No
Size of audit committee	—	3	3	3
No. of ID on audit committee	—	3	3	3
Audit committee meetings	—	4	6	8
Audit meeting attendance %	—	100	100	100
Size of compensation committee	—	3	3	3
No. of ID on compensation committee	—	1	1	1
No. of compensation committee meetings	—	2	3	3
Compensation meeting attendance %	—	100	89	89
Size of nomination committee	—	3	3	3
No. of nomination committee meetings	—	2	2	2
Nomination meeting attendance %	—	100	100	100
Sustainability governance				
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 THSI inclusion , 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. SETTHSI Index 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.																				
CG Score 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%).																				
AGM level 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&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.																				
Thai CAC 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.																				
Morningstar Sustainabilitys	The Sustainabilitys' 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 & 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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+																		
ESG Book	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.																				
MSCI	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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</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>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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AA	7.143-8.570																					
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BB	2.857-4.285																					
B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	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.																					
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	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.																					
Bloomberg	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

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ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 4.56	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 3.88	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	CENTEL TB	THB 41.50	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.
S Hotels and Resorts	SHR TB	THB 2.20	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Dusit Thani	DUSIT TB	THB 10.50	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 9.65	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 21-May-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.