

THE ERAWAN GROUP

THAILAND / TOURISM & LEISURE

ERW TB

BUY

UNCHANGED

4Q24 recovery in sight

- Slightly positive feedback from analyst meeting; OCC rate for Grand Hyatt Erawan has recovered to a normal level in Nov.
- Expect 4Q24 earnings to recover, driven by complete renovation of Holiday Inn Pattaya, high season in Japan, and organic growth.
- Maintain BUY with a DCF-TP of THB6.0/shr.

TARGET PRICE	THB6.00
CLOSE	THB3.92
UP/DOWNSIDE	+53.1%
PRIOR TP	THB6.50
CHANGE IN TP	-7.7%
TP vs CONSENSUS	+12.7%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	6,986	7,935	8,498	9,030
Net profit	743	1,166	869	942
EPS (THB)	0.15	0.24	0.18	0.19
vs Consensus (%)	-	29.7	(4.8)	(5.0)
EBITDA	2,114	2,494	2,696	2,928
Recurring net profit	719	799	869	942
Core EPS (THB)	0.15	0.16	0.18	0.19
Chg. In EPS est. (%)	-	(5.5)	(2.9)	(2.8)
EPS growth (%)	nm	11.2	8.7	8.4
Core P/E (x)	26.6	24.0	22.1	20.3
Dividend yield (%)	-	1.7	1.8	2.0
EV/EBITDA (x)	15.1	13.3	12.2	11.0
Price/book (x)	2.8	2.1	2.0	1.8
Net debt/Equity (%)	221.8	150.8	139.5	124.1
ROE (%)	12.0	10.3	9.1	9.3

RevPAR was soft in Oct, but has recovered in Nov

We attended the analyst meeting on 15 Nov and have slightly positive feedback from the meeting. Grand Hyatt Erawan's OCC rate has recovered to a normal level of 85-87% in Nov from the 60% level in 3Q24 and Oct. This should improve the OCC rate of the luxury segment from an average of 72% over July to Oct. The ADR of the luxury segment also improved by 7% y-y in Nov. The overall performance of the group was still soft in Oct due to softer-than-expected demand from the Chinese market during Golden Week. However, the demand in Nov has improved to a normal level, coupled with strong MICE and corporate demand. Thus, the non-Hop Inn OCC rate should accelerate from 79% in 3Q24 and Oct to a normal level of c80-85% in Nov. In addition, Holiday Inn Pattaya completed renovations in Sep. The OCC rate has ramped up to 80% in Nov with ADR of THB4,000, up more than 10% from previous.

Strong revenue growth expected in 4Q24

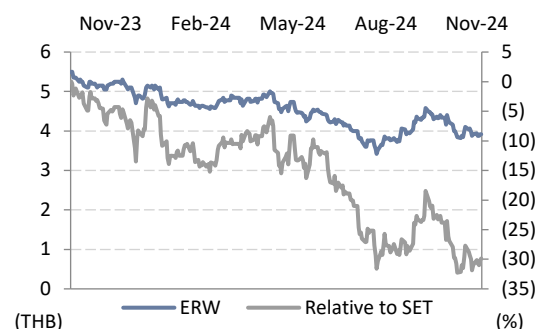
Management maintains their 2024 revenue growth target of 14-15% y-y (vs +11% y-y in 9M24). This implies revenue growth of 20% in 4Q24. Key drivers are organic RevPAR growth and the ramping of new hotels (opened 11 hotels in 9M24 and 2 hotels in 4Q24), which increases the room total by 12%. Furthermore, Japan Hop Inn's operations should significantly improve in 4Q24, with a target OCC rate of 80% (vs 68% in 3Q24), and should break even at the net profit level. Overall, we expect the 4Q24 core profit to bounce back and grow y-y again.

Soft renovation of Grand Hyatt Erawan scheduled in 3Q25-4Q26

There is no update for the timeline of the renewal of the long-term contract for Grand Hyatt Erawan. However, management plans to renovate the Grand Ballroom with a soft renovation of hotel rooms during 3Q25-4Q26, with capex of THB500-600m. They may gradually renovate floor by floor. Thus, we estimate it would impact the OCC rate by c5%.

Trim our 2024-26E core profit

We trim our 2024-26 forecasts by 3-6 % due to higher-than-expected depreciation and interest expenses from new hotels, and derive a new 2025 DCF-TP of THB6.0/shr. ERW trades at an attractive valuation of 22x 2025E P/E (vs 5-year average of 35x). The conclusion of the renewal contract for Grand Hyatt Erawan is a share price catalyst, in our view.



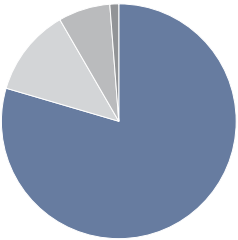
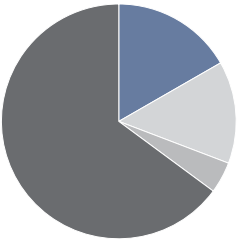
Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.8)	14.6	(26.0)
Relative to country (%)	(4.3)	2.5	(27.4)
Mkt cap (USD m)	550		
3m avg. daily turnover (USD m)	2.1		
Free float (%)	63		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.55/3.40		
Issued shares (m)	4,886.93		

Sources: Bloomberg consensus; FSSIA estimates



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<div><div>Investment thesis</div><p>ERW is an asset-heavy business. It owns all of its hotels and has no asset-light model. Thus, it should be one of the stocks that benefits the most from the recovery of international tourist arrivals.</p><p>ERW recently opened four Hop Inn projects in Japan. This should become a new growth driver for ERW over the next five years.</p><p>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.</p></div> <div><div>Company profile</div><p>ERW is a hotel operator and developer with a focus on Thailand and ASEAN.</p><p>www.theerawan.com</p></div>	<div><div>Principal activities (revenue, 2023)</div><div><div><div><div>■ Non-Hop Inn hotel - 79.5 %</div><div>■ Hop Inn Thailand - 12.1 %</div><div>■ Hop Inn Philippines - 7.1 %</div><div>■ Others - 1.2 %</div></div></div><div>Source: The Erawan Group</div></div><div><div>Major shareholders</div><div><div><div><div>■ Chottanavat - 16.7 %</div><div>■ Mid-Siam Capital Limited - 14.1 %</div><div>■ ES 2014 - 4.3 %</div><div>■ Others - 64.9 %</div></div></div><div>Source: The Erawan Group</div></div></div></div>
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Catalysts

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

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

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
Feb 2025	4Q24 results announcement

Key assumptions

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

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC, we project a 2025 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2025 profit increase of 9%, and vice versa, all else being equal.

Source: FSSIA estimates

Recap: 3Q24 results review

ERW's 3Q24 core profit declined by 14% y-y and 1% q-q to THB124m due to a loss from Hop Inn Japan. The result was in line with our estimate.

Revenue grew 7% y-y in 3Q24 as non-Hop Inn RevPAR increased by 2% y-y. The OCC rate fell to 77% (vs 81% in 3Q23) due to softer demand for Grand Hyatt Erawan and the renovation of Holiday Inn Pattaya. However, ADR still increased by 5% y-y.

Thailand Hop Inn RevPAR grew 5% y-y in the quarter. Hop Inn Philippine RevPAR dropped by 12% y-y, pressured by three newly opened hotels this year.

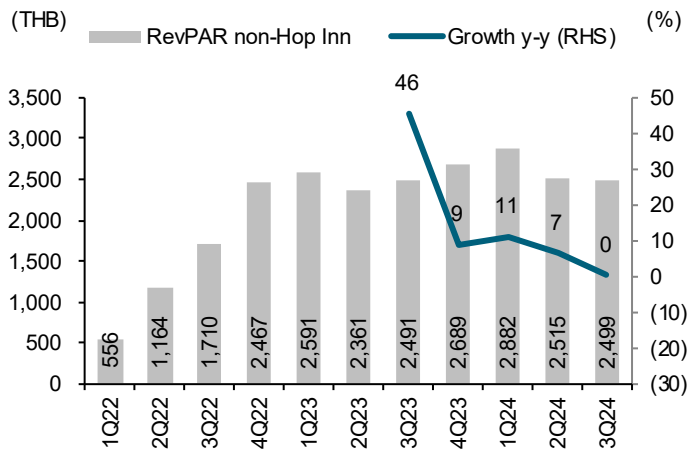
For Japan Hop Inn, the OCC rate slightly declined to 68% (vs 73% in 2Q24) due to the low season with ADR of THB2,872. It reported EBITDA of THB288m with an EBITDA margin of 42% (vs THB38m and EBITDA margin of 49% in 2Q24).

Depreciation increased by 10% y-y and interest expenses increased by 19% y-y due to the Japan project and asset acquisition from ERWPF. The 3Q24 EBITDA margin declined to 30% (vs 31% in 3Q23) due to the lower OCC rate for non-Hop Inn and the ramping up of new hotels.

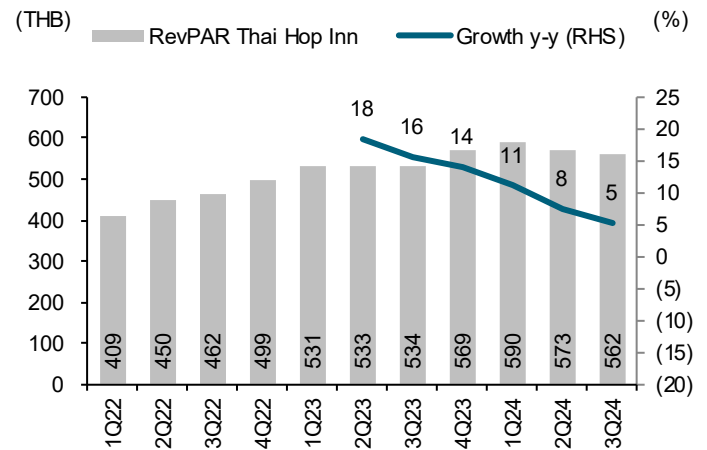
Exhibit 1: ERW – 3Q24 results review

	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,736	1,874	1,974	1,834	1,849	1	7	7,935	14
- Thailand non-Hop Inn	1,378	1,496	1,535	1,348	1,395	3	1		
- Hop Inn Thailand	210	217	233	233	241	3	15		
- Hop Inn Phil	123	135	134	141	107	(24)	(13)		
- Hop Inn Japan			37	77	67	(13)			
- Rental	25	25	34	37	39	5	56		
COGS (Incl. depreciation)	(990)	(1,004)	(1,029)	(1,052)	(1,067)	1	8	(4,368)	11
Gross Profit	746	870	945	782	782	(0)	5	3,566	17
SG&A	(454)	(509)	(492)	(488)	(490)	0	8	(2,063)	12
Operating Profit	292	361	453	294	291	(1)	(0)	1,503	24
Other income	7	13	16	9	7	(20)	1	58	(2)
Interest	(150)	(161)	(171)	(182)	(179)	(2)	19	(712)	21
Pretax profit	149	213	297	121	119	(2)	(20)	850	24
Income Tax	3	2	(0)	9	5	(42)	84	(25)	(254)
Associates								0	(100)
Minority interest	(7)	(10)	(11)	(4)	0	(101)	(101)	(25)	45
Core profit	145	205	286	126	124	(1)	(14)	799	11
Extraordinaries, GW & FX	4	9	131	236	0			367	1,463
Reported net profit	148	214	417	361	125	(66)	(16)	1,166	57
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,887	0
Core EPS	0.03	0.05	0.06	0.03	0.03	(1)	(14)	0.16	11
EPS	0.03	0.05	0.09	0.08	0.03	(66)	(16)	0.24	57
COGS (Excl. depreciation)	(757)	(776)	(794)	(810)	(812)	0	7	(3,378)	11
Depreciation	(233)	(229)	(236)	(242)	(255)	5	10	(991)	10
EBITDA	532	602	704	545	553	2	4	2,552	17
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	43	46	48	43	42	(0)	(1)	45	1
SG&A/Revenue	26	27	25	27	27	(0)	0	26	(0)
EBITDA margin	31	32	35	30	30	0	(1)	31	1
Net profit margin	9	11	21	20	7	(13)	(2)	15	4
Operating stats									
Non-Hop Inn									
OCC (%)	82	83	84	80	79				
OCC growth (y-y %)	15	1	0	0	(3)				
RevPAR (THB)	2,491	2,689	2,882	2,515	2,499				
RevPAR growth (y-y %)	46	9	11	7	0				
Thailand Hop Inn									
OCC (%)	81	83	82	80	78				
OCC growth (y-y %)	7	5	1	(1)	(3)				
RevPAR (THB)	534	569	590	573	562				
RevPAR growth (y-y %)	16	14	11	8	5				
Philippines Hop Inn									
OCC (%)	79	80	79	77	70				
OCC growth (y-y %)	20	6	5	3	(9)				
RevPAR (THB)	896	947	934	872	694				
RevPAR growth (y-y %)	45	19	15	8	(23)				

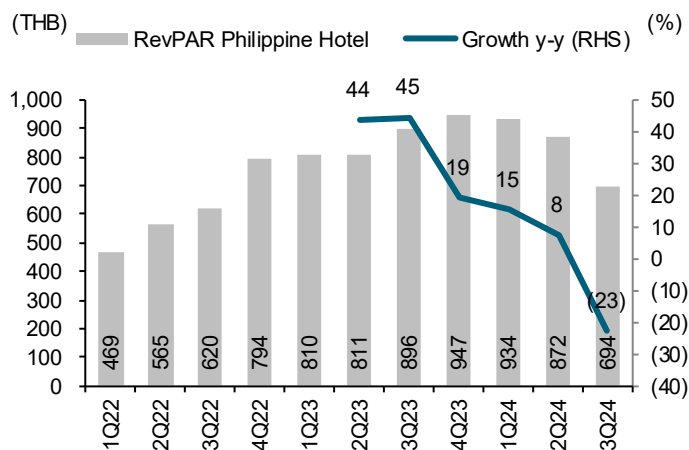
Sources: ERW; FSSIA estimates

Exhibit 2: RevPAR non-Hop Inn hotels, quarterly

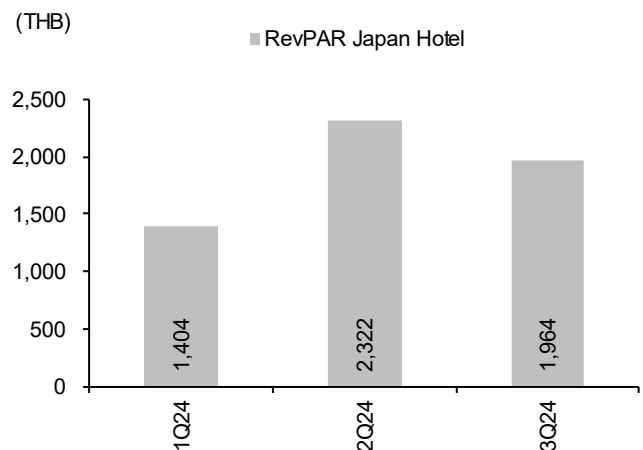
Note: Reclassified numbers by including Holiday Inn Cebu since 3Q24
 Sources: ERW; FSSIA estimates

Exhibit 3: RevPAR Thai Hop Inn hotels, quarterly

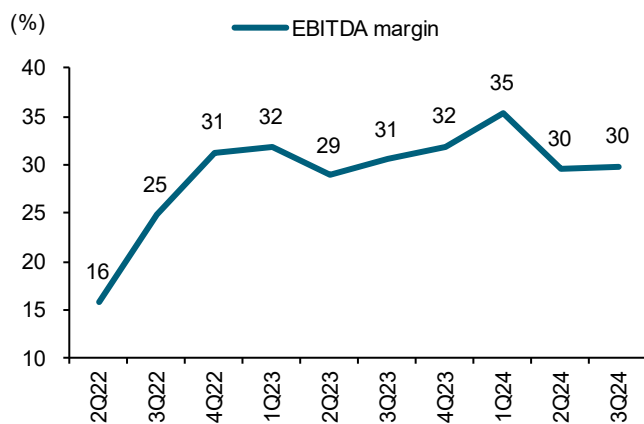
Sources: ERW; FSSIA estimates

Exhibit 4: RevPAR Philippine Hop Inn hotels, quarterly

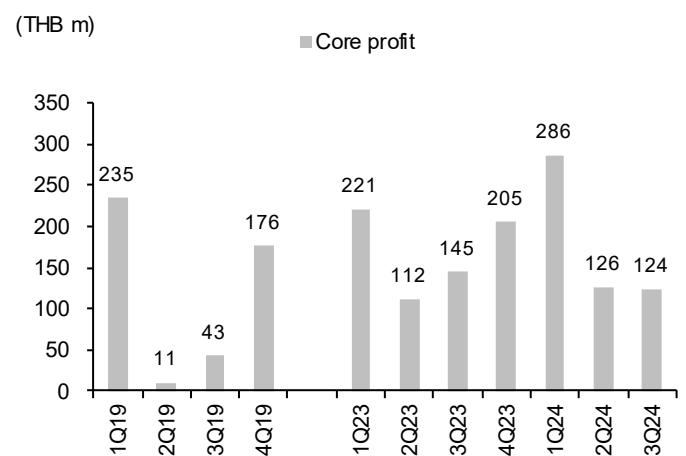
Note: Reclassified numbers by excluding Holiday Inn Cebu since 3Q24
 Sources: ERW; FSSIA estimates

Exhibit 5: RevPAR Japan Hop Inn hotels, quarterly

Sources: ERW; FSSIA estimates

Exhibit 6: EBITDA margin, quarterly

Sources: ERW; FSSIA estimates

Exhibit 7: Core profit, quarterly

Sources: ERW; FSSIA estimates

Exhibit 8: Forecast revisions

	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
All hotels excl. Hop Inn - OCC (%)	83.2	83.5	84.4	83.2	83.5	84.4	0.0	0.0	0.0
All hotels excl. Hop Inn - RevPAR (THB)	2,685	2,770	2,892	2,685	2,770	2,892	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	594	619	573	594	619	0.0	0.0	0.0
Revenue (THB b)	7.93	8.50	9.03	8.02	8.50	9.03	(1.1)	0.0	0.0
EBITDA margin (%)	31.4	31.7	32.4	31.7	32.5	33.3	(0.3)	(0.8)	(0.9)
Core earnings (THB m)	799	869	942	846	895	969	(5.5)	(2.9)	(2.8)

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

Source: FSSIA estimates

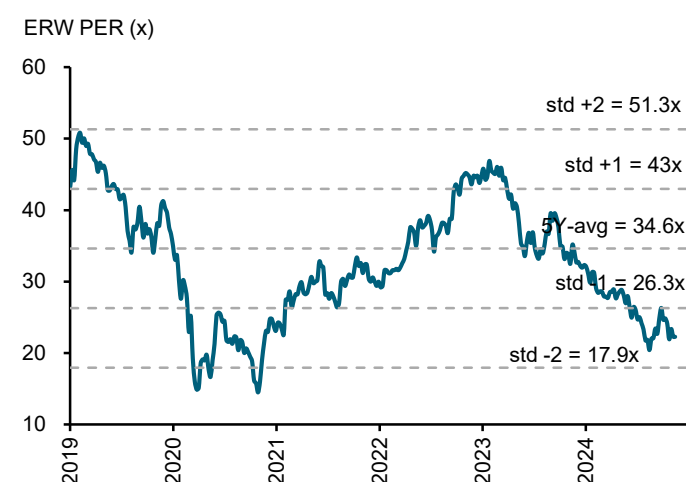
Exhibit 9: DCF valuation

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	13.1	2.7	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	25.8	5.3	Terminal growth 2.5%
Cash & liquid assets	0.2	0.0	At end-2025E
Investments	0.1	0.0	At end-2025E
Debt	(10.0)	(2.0)	At end-2025E
Minorities	(0.0)	(0.0)	At end-2025E
Residual ordinary equity	29.2	6.0	

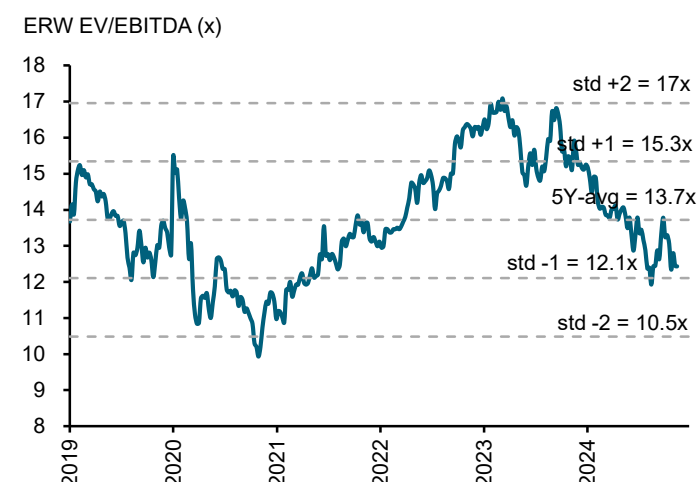
Source: FSSIA estimates

Exhibit 10: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Peer comparisons as of 15 November 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	3.40	5.50	62	3,125	49.7	41.6	33.8	2.4	2.8	1.2	1.1	30.0	27.3
Minor International	MINT TB	BUY	25.25	45.00	78	4,112	17.5	15.7	14.1	10.7	11.3	1.8	1.7	7.3	6.6
Central Plaza Hotel	CENTEL TB	BUY	36.00	48.00	33	1,396	31.7	28.0	23.1	7.5	8.0	2.3	2.2	15.3	14.4
Erawan Group	ERW TB	BUY	3.92	6.00	53	550	24.0	22.1	20.3	10.3	9.1	2.1	2.0	13.3	12.2
S Hotels & Resorts	SHR TB	BUY	2.06	3.80	84	213	49.4	20.2	14.3	0.9	2.2	0.5	0.4	8.7	7.7
Dusit Thani	DUSIT TB	BUY	11.90	15.00	26	291	(186.2)	13.5	5.8	(1.6)	18.7	3.0	2.2	86.9	14.4
Bound and Beyond	BEYOND TB	BUY	8.35	18.00	116	70	32.3	12.4	9.4	1.2	3.1	0.4	0.4	9.0	7.3
Thailand average						9,756	2.6	21.9	17.3	4.5	7.9	1.6	1.4	24.4	12.9
Regional															
BTG Hotels Group	600258 CH	n/a	14.48	n/a	n/a	2,241	18.8	17.0	14.9	7.4	7.7	1.4	1.3	9.9	8.9
SH Jinjiang Intl Hotels	900934 CH	n/a	1.50	n/a	n/a	3,650	8.9	8.3	7.1	7.4	7.7	0.7	0.6	10.5	10.1
Huangshan Tourism Dev.	900942 CH	n/a	0.75	n/a	n/a	994	11.4	10.0	9.2	7.4	8.0	0.8	0.8	8.3	7.8
Genting Bhd	GENT MK	n/a	3.77	n/a	n/a	3,279	8.7	7.5	6.8	5.0	5.5	0.4	0.4	5.5	5.2
Huazhu Group	HTHT US	n/a	35.81	n/a	n/a	11,415	20.2	17.3	15.0	30.1	30.1	5.9	5.7	11.6	10.4
Indian Hotels	IH IN	n/a	741.35	n/a	n/a	12,482	81.4	63.3	51.0	14.8	16.2	11.5	9.6	47.2	38.0
Lemon Tree Hotels	LEMONTRE IN	n/a	121.76	n/a	n/a	1,128	69.3	45.5	31.4	14.6	18.3	9.7	6.9	23.8	19.2
Lippo Karawaci	LPKR IJ	n/a	112.00	n/a	n/a	490	0.8	10.0	9.1	3.2	8.1	0.3	0.3	3.1	n/a
Regional average						35,680	27.4	22.4	18.1	11.2	12.7	3.8	3.2	15.0	14.2
Global															
NH Hotel Group	NHH SM	n/a	4.35	n/a	n/a	2,000	12.8	11.3	11.0	15.0	11.8	1.8	1.5	6.5	6.3
Melia Hotels International	MEL SM	n/a	7.22	n/a	n/a	1,679	12.3	11.4	10.7	21.9	18.1	2.5	2.2	8.0	7.8
Intercontinental Hotels G.	IHG LN	n/a	9,500	n/a	n/a	19,042	27.9	24.6	21.8	(32.7)	(33.5)	n/a	n/a	18.3	17.0
Whitbread	WTB LN	n/a	2,909	n/a	n/a	6,473	13.4	14.1	12.6	10.6	10.9	1.4	1.5	9.3	9.3
Accor	ACRFF US	n/a	46.65	n/a	n/a	11,367	19.9	17.6	15.6	12.3	13.8	2.3	2.3	12.5	11.5
Choice Hotels	CHH US	n/a	146.23	n/a	n/a	6,859	21.8	20.9	19.2	243.4	343.8	n/a	45.9	14.5	14.4
Hilton Worldwide Holdings	HLT US	n/a	248.41	n/a	n/a	60,557	35.3	31.2	26.9	(54.5)	(41.5)	n/a	n/a	20.6	19.1
Hyatt Hotels Corp	H US	n/a	152.94	n/a	n/a	14,437	38.6	39.1	31.2	10.3	12.1	4.3	4.4	14.7	13.8
Marriott International	MAR US	n/a	278.78	n/a	n/a	77,471	30.1	26.3	23.2	(158.2)	(113.3)	n/a	n/a	18.3	16.9
Global average						199,885	23.5	21.8	19.1	7.6	24.7	2.5	9.6	13.6	12.9
Overall average						245,321	18.7	22.0	18.2	7.9	15.8	2.7	4.4	17.2	13.3

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	7,935	8,498	9,030
Cost of goods sold	(3,154)	(3,936)	(4,368)	(4,680)	(4,915)
Gross profit	1,475	3,051	3,566	3,818	4,115
Other operating income	-	-	-	-	-
Operating costs	(1,377)	(1,838)	(2,063)	(2,209)	(2,321)
Operating EBITDA	969	2,114	2,494	2,696	2,928
Depreciation	(872)	(901)	(991)	(1,088)	(1,134)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	97	1,213	1,503	1,608	1,794
Net financing costs	(455)	(582)	(706)	(669)	(617)
Associates	29	36	0	0	0
Recurring non-operating income	66	89	53	54	55
Non-recurring items	54	23	367	0	0
Profit before tax	(239)	743	1,217	993	1,232
Tax	26	17	(25)	(84)	(246)
Profit after tax	(213)	760	1,191	909	986
Minority interests	(11)	(17)	(25)	(40)	(44)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(224)	743	1,166	869	942
Non-recurring items & goodwill (net)	(54)	(23)	(367)	0	0
Recurring net profit	(278)	719	799	869	942
Per share (THB)					
Recurring EPS *	(0.06)	0.15	0.16	0.18	0.19
Reported EPS	(0.05)	0.15	0.24	0.18	0.19
DPS	0.00	0.00	0.07	0.07	0.08
Diluted shares (used to calculate per share data)	4,887	4,887	4,887	4,887	4,887
Growth					
Revenue (%)	211.6	50.9	13.6	7.1	6.3
Operating EBITDA (%)	nm	118.1	18.0	8.1	8.6
Operating EBIT (%)	nm	1,148.7	24.0	7.0	11.6
Recurring EPS (%)	nm	nm	11.2	8.7	8.4
Reported EPS (%)	nm	nm	57.1	(25.5)	8.4
Operating performance					
Gross margin inc. depreciation (%)	31.9	43.7	44.9	44.9	45.6
Gross margin exc. depreciation (%)	50.7	56.6	57.4	57.7	58.1
Operating EBITDA margin (%)	20.9	30.3	31.4	31.7	32.4
Operating EBIT margin (%)	2.1	17.4	18.9	18.9	19.9
Net margin (%)	(6.0)	10.3	10.1	10.2	10.4
Effective tax rate (%)	8.0	(2.4)	3.0	8.5	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	0.4	2.2	2.2	2.5	3.0
Inventory days	6.6	5.6	5.6	5.7	5.7
Debtor days	10.2	8.6	7.8	7.3	6.9
Creditor days	30.2	27.7	25.9	26.5	26.6
Operating ROIC (%)	0.5	6.2	6.5	6.1	6.0
ROIC (%)	0.8	6.6	6.6	6.2	6.1
ROE (%)	(4.7)	12.0	10.3	9.1	9.3
ROA (%)	0.7	5.9	5.9	5.7	5.7

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Non-Hop Inn hotel	3,600	5,557	5,939	6,127	6,397
Hop Inn Thailand	646	845	969	1,105	1,250
Hop Inn Philippines	318	499	578	737	834
Others	65	85	449	529	549

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	799	869	942
Depreciation	872	901	991	1,088	1,134
Associates & minorities	-	-	-	-	-
Other non-cash items	193	46	356	4	8
Change in working capital	1,207	(21)	72	44	40
Cash flow from operations	1,994	1,645	2,219	2,005	2,125
Capex - maintenance	(722)	(2,988)	(3,854)	(1,364)	(956)
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)	(956)
Dividends paid	0	0	0	(320)	(347)
Equity finance	0	0	1,066	0	0
Debt finance	(692)	1,114	572	(2,000)	(500)
Other financing cash flows	(274)	(65)	675	(40)	(44)
Cash flow from financing	(967)	1,049	2,313	(2,359)	(891)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	290	(315)	678	(1,719)	277
Free cash flow to firm (FCFF)	1,714.43	(775.02)	(923.91)	1,318.00	1,786.30
Free cash flow to equity (FCFE)	289.75	(315.13)	(388.45)	(1,399.16)	624.90
Per share (THB)					
FCFF per share	0.35	(0.16)	(0.19)	0.27	0.37
FCFE per share	0.06	(0.06)	(0.08)	(0.29)	0.13
Recurring cash flow per share	0.16	0.34	0.44	0.40	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	35,559
Less: Accumulated depreciation	(7,089)	(7,881)	(8,872)	(9,960)	(11,094)
Tangible fixed assets (net)	19,285	21,396	24,295	24,607	24,465
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	1,894	175	453
A/C receivable	160	170	170	170	170
Inventories	43	49	55	58	61
Other current assets	291	450	511	547	582
Current assets	2,026	1,885	2,630	951	1,265
Other assets	338	310	310	310	310
Total assets	21,712	23,675	27,319	25,951	26,124
Common equity	5,698	6,330	9,262	9,811	10,406
Minorities etc.	23	40	41	41	42
Total shareholders' equity	5,722	6,370	9,303	9,852	10,447
Long term debt	13,935	14,528	15,100	13,100	12,600
Other long-term liabilities	846	895	895	895	895
Long-term liabilities	14,781	15,423	15,995	13,995	13,495
A/C payable	235	227	253	269	283
Short term debt	300	820	820	820	820
Other current liabilities	675	835	948	1,016	1,079
Current liabilities	1,209	1,882	2,021	2,104	2,182
Total liabilities and shareholders' equity	21,712	23,675	27,319	25,951	26,124
Net working capital	(415)	(393)	(466)	(509)	(550)
Invested capital	19,271	21,396	24,223	24,492	24,309
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	1.26	1.40	1.90	2.01	2.13
Tangible book value per share	1.26	1.40	1.90	2.01	2.13
Financial strength					
Net debt/equity (%)	222.0	221.8	150.8	139.5	124.1
Net debt/total assets (%)	58.5	59.7	51.3	53.0	49.6
Current ratio (x)	1.7	1.0	1.3	0.5	0.6
CF interest cover (x)	1.6	0.5	0.4	(1.1)	2.0
Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	(68.9)	26.6	24.0	22.1	20.3
Recurring P/E @ target price (x) *	(105.4)	40.8	36.7	33.8	31.1
Reported P/E (x)	(85.4)	25.8	16.4	22.1	20.3
Dividend yield (%)	-	-	1.7	1.8	2.0
Price/book (x)	3.1	2.8	2.1	2.0	1.8
Price/tangible book (x)	3.1	2.8	2.1	2.0	1.8
EV/EBITDA (x) **	31.5	15.1	13.3	12.2	11.0
EV/EBITDA @ target price (x) **	41.2	19.6	17.4	16.0	14.5
EV/invested capital (x)	1.6	1.5	1.4	1.3	1.3
* 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 13: 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 14: 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 15: 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 16: 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 Sustainability	The Sustainability's 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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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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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 3.92	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 3.40	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.
Minor International	MINT TB	THB 25.25	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 36.00	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 more intense competition in the F&B business, which may result in price competition; and 3) a slower-than-expected recovery of international tourist numbers.
S Hotels and Resorts	SHR TB	THB 2.06	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 11.90	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 8.35	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 15-Nov-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.