

# THE ERAWAN GROUP

THAILAND / TOURISM & LEISURE

ERW TB

**BUY**  
 UNCHANGED

## Solid 1Q25E, but near-term setback

- Expect 1Q25 core profit to grow by 18% y-y to THB338m despite weak Chinese tourist arrivals in February and March.
- 2Q25 RevPAR of non-Hop Inn hotels should decline by 5-10% y-y, pressured by earthquake impact; expect growth to resume in 3Q25
- Maintain BUY with a lower DCF-TP of THB4.6/shr.

### Midscale segment to drive non-Hop Inn RevPAR in 1Q25

We expect non-Hop Inn RevPAR to grow by 4-6% y-y in 1Q25, led by the midscale hotel segment (+13-15% y-y) after the completed renovation of Holiday Inn Pattaya. Revenue from Hop Inn hotels should jump by 27-29% y-y, driven by Hop Inn Japan (+2x y-y), Hop Inn Philippines (20-22% y-y) and Hop Inn Thailand (+18-20% y-y). Overall, we expect revenue to grow by 9% y-y and the EBITDA margin to improve to 36% (vs 35% in 1Q24), leading core profit to grow by 18% y-y to THB338m in 1Q25.

### RevPAR likely to hit the bottom in April and gradually recover

We estimate that the slowdown in Chinese tourist arrivals will pressure non-Hop Inn RevPAR to remain flat y-y in March. Combined with the impact of the earthquake in late March, non-Hop Inn RevPAR should decline by 10-15% y-y in April. We expect that it will gradually recover to end at a 5-10% y-y decrease in 2Q25. On a positive note, Hop Inn revenue should have a limited impact and remain at a growth level of c20% y-y in 2Q25. Overall, core profit should drop y-y in 2Q25, and has the potential to resume growth in 3Q25 from the low base effect in 3Q24 (poisoning incident at Grand Hyatt Erawan in July).

### Expect core profit to grow by 2% y-y despite several headwinds

We expect non-Hop hotel revenue to grow by 2-3% y-y in 2025 (vs management's guidance of 5-7%), while Hop Inn hotel revenue should grow by 20% y-y (vs management's guidance of 23%). This should lead overall revenue to grow by 6% y-y in 2025. We estimate the EBITDA margin to be relatively flat y-y at 33%. Depreciation should increase by 8% y-y due to the completed renovation of Holiday Inn Pattaya and ten new Hop Inn Thailand hotels scheduled to open in 2025. This should result in core profit growth of 2% y-y to THB922m in 2025.

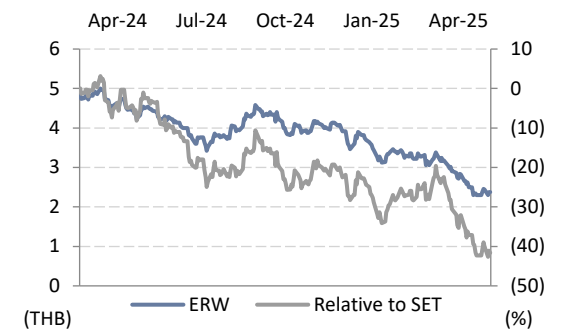
### Revising down core profit; trading at a cheap valuation

We revise down our 2026-27E core profit by 1-2% to reflect the slowdown in Chinese tourist arrivals and the impact of the earthquake, and derive a new 2025 DCF-TP of THB4.6/shr. Although there are several headwinds and no short-term catalyst, we believe it is worth keeping ERW on the radar for its cheap valuation of 13x 2025E P/E (vs 5-year average of 29x), and the share price reflects almost all the negative news.

TARGET PRICE	THB4.60
CLOSE	THB2.38
UP/DOWNSIDE	+93.3%
PRIOR TP	THB6.20
CHANGE IN TP	-25.8%
TP vs CONSENSUS	+7.9%

### KEY STOCK DATA

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	7,872	8,354	8,844	9,431
Net profit	1,281	922	992	1,140
EPS (THB)	0.26	0.19	0.20	0.23
vs Consensus (%)	-	(3.1)	(7.0)	0.4
EBITDA	2,599	2,767	2,946	3,180
Recurring net profit	906	922	992	1,140
Core EPS (THB)	0.19	0.19	0.20	0.23
Chg. In EPS est. (%)	nm	(2.0)	(0.9)	nm
EPS growth (%)	26.0	1.7	7.7	14.9
Core P/E (x)	12.8	12.6	11.7	10.2
Dividend yield (%)	3.8	3.6	3.4	3.9
EV/EBITDA (x)	9.8	9.0	8.2	7.2
Price/book (x)	1.3	1.3	1.2	1.1
Net debt/Equity (%)	137.8	124.4	111.6	93.7
ROE (%)	12.0	10.3	10.5	11.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(17.9)	(28.7)	(50.6)
Relative to country (%)	(15.6)	(17.0)	(41.9)
Mkt cap (USD m)	348		
3m avg. daily turnover (USD m)	2.6		
Free float (%)	63		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.10/2.24		
Issued shares (m)	4,886.93		

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 benefits the most from the recovery of international tourist arrivals.

ERW recently opened 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.

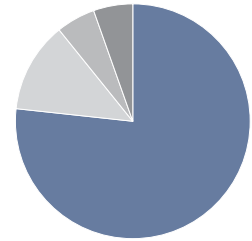
## Company profile

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

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

## Principal activities (revenue, 2024)

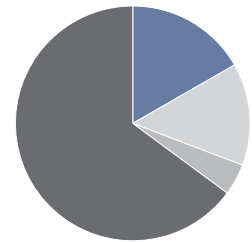
- Non-Hop Inn hotel - 76.7 %
- Hop Inn Thailand - 12.5 %
- Hop Inn Philippines - 5.4 %
- Others - 5.4 %



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
May 2025	1Q25 results announcement

## Key assumptions

	2025E	2026E	2027E
Number of hotels (no.)	103	112	121
Number of rooms (no.)	11,961	12,814	13,667
<b>Non-Hop Inn</b>			
Occupancy rate (OCC %)	82	82	83
RevPAR growth (y-y %)	4	3	5
<b>Thailand Hop Inn</b>			
Occupancy rate (OCC %)	80	80	80
RevPAR growth (y-y %)	(30)	3	3

Source: FSSIA estimates

## Earnings sensitivity

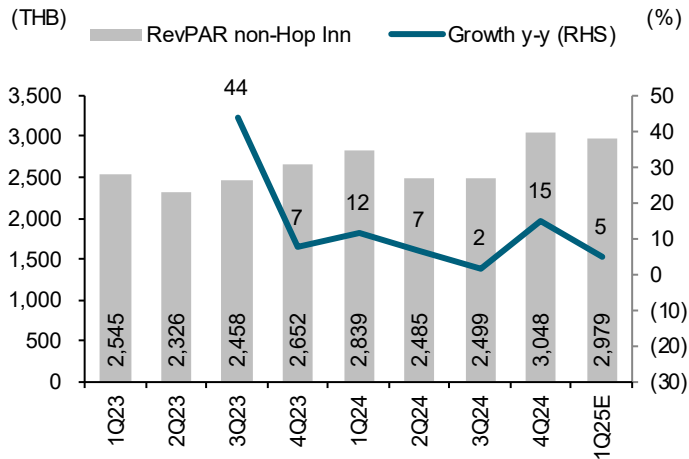
- For every 1% increase in OCC, we project a 2025 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2025 profit increase of 9%, and vice versa, all else being equal.

Source: FSSIA estimates

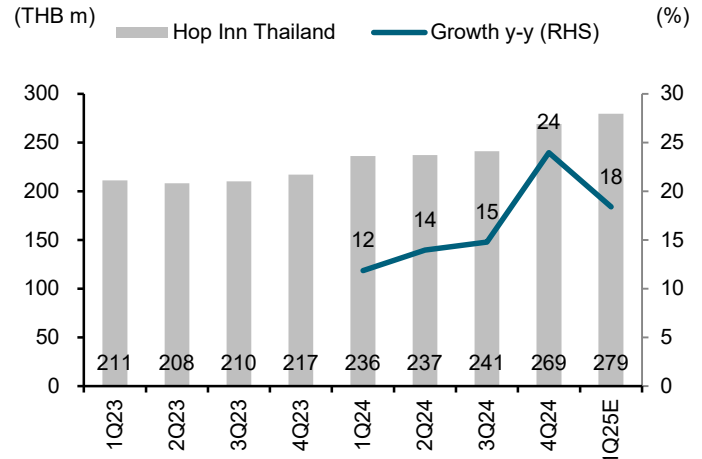
## Exhibit 1: ERW – 1Q25 results preview

	1Q24	2Q24	3Q24	4Q24	1Q25E	----- Change -----		2025E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,974	1,834	1,849	2,215	2,146	(3)	9	8,354	6
- Thailand non-Hop Inn	1,535	1,348	1,395	1,695	1,633	(4)	6		
- Hop Inn	407	455	415	482	474	(2)	16		
- Hop Inn Thailand	236	237	241	269	279				
- Hop Inn Phil	134	141	107	116	118				
- Hop Inn Japan	37	77	67	97	76				
- Rental	34	37	39	39	39	0	15		
COGS (Incl. depreciation)	(1,029)	(1,052)	(1,067)	(1,123)	(1,120)	(0)	9	(4,538)	6
<b>Gross profit</b>	<b>945</b>	<b>782</b>	<b>782</b>	<b>1,092</b>	<b>1,026</b>	<b>(6)</b>	<b>8</b>	<b>3,817</b>	<b>6</b>
SG&A	(492)	(488)	(490)	(526)	(517)	(2)	5	(2,119)	6
<b>Operating profit</b>	<b>453</b>	<b>294</b>	<b>291</b>	<b>566</b>	<b>509</b>	<b>(10)</b>	<b>12</b>	<b>1,697</b>	<b>6</b>
Other income	16	9	7	13	13	0	(19)	48	7
Interest	(171)	(182)	(179)	(171)	(169)	(1)	(1)	(678)	(3)
<b>Pretax profit</b>	<b>297</b>	<b>121</b>	<b>119</b>	<b>408</b>	<b>352</b>	<b>(14)</b>	<b>18</b>	<b>1,066</b>	<b>13</b>
Income Tax	(0)	9	5	(22)	0			(107)	
Associates								0	
Minority interest	(11)	(4)	0	(16)	(14)	(16)	20	(38)	20
<b>Core profit</b>	<b>286</b>	<b>126</b>	<b>124</b>	<b>370</b>	<b>338</b>	<b>(8)</b>	<b>18</b>	<b>922</b>	<b>2</b>
Extraordinaries, GW & FX	131	236	0	8	0			0	
<b>Reported net profit</b>	<b>417</b>	<b>361</b>	<b>125</b>	<b>378</b>	<b>338</b>	<b>(10)</b>	<b>(19)</b>	<b>922</b>	<b>(28)</b>
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,887	0
<b>Core EPS</b>	<b>0.06</b>	<b>0.03</b>	<b>0.03</b>	<b>0.08</b>	<b>0.07</b>	<b>(8)</b>	<b>18</b>	<b>0.19</b>	<b>2</b>
<b>EPS</b>	<b>0.09</b>	<b>0.08</b>	<b>0.03</b>	<b>0.08</b>	<b>0.07</b>	<b>(10)</b>	<b>(19)</b>	<b>0.19</b>	<b>(28)</b>
COGS (Excl. depreciation)	(794)	(810)	(812)	(860)	(855)	(1)	8	(3,468)	6
Depreciation	(236)	(242)	(255)	(262)	(265)	1	12	(1,069)	8
EBITDA	704	545	553	841	786	(7)	12	2,814	6
<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	48	43	42	49	48	(2)	(0)	46	(0)
SG&A/Revenue	25	27	27	24	24	0	(1)	25	0
EBITDA margin	35	30	30	38	36	(1)	1	33	0
Net profit margin	21	20	7	17	16	(1)	(5)	11	(5)
<b>Operating stats</b>									
<b>Non-Hop Inn</b>									
OCC (%)	84	80	79	85	83				
OCC growth (y-y %)	0	0	(3)	2	(1)				
RevPAR (THB)	2,882	2,515	2,499	3,048	2,979				
RevPAR growth (y-y %)	11	7	0	13	3				
<b>Hop Inn revenue growth (y-y)</b>									
Total Hop Inn	25	43	37	56	28				
Thailand Hop Inn	12	14	15	24	18				
Philippine Hop Inn	15	25	16	26	22				
Japan Hop Inn					105				

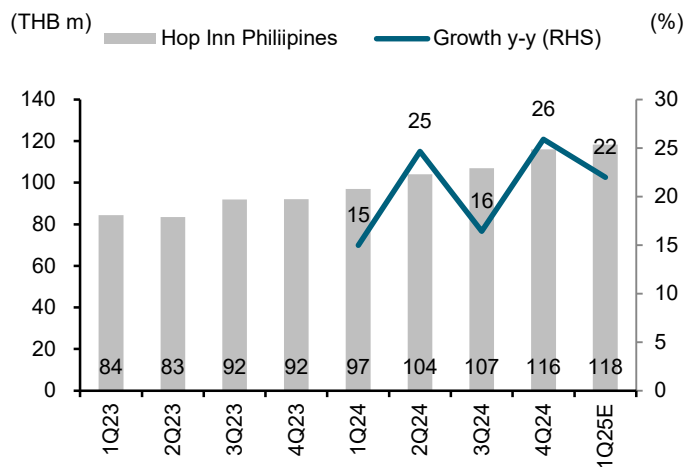
Sources: ERW; FSSIA estimates

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

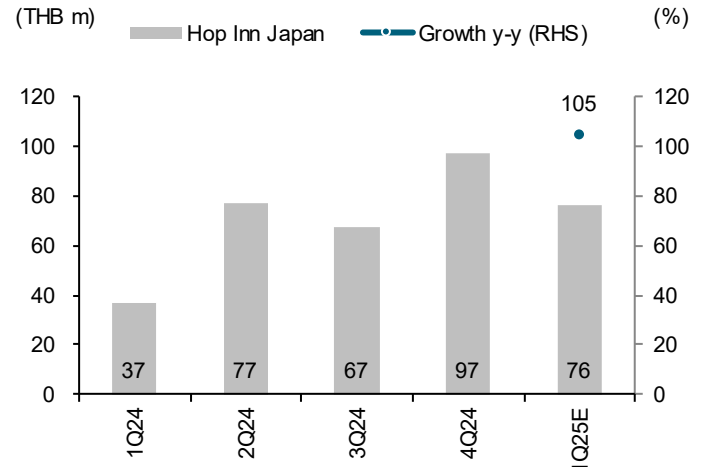
Note: Reclassified numbers by including Holiday Inn Cebu since 1Q23  
Sources: ERW; FSSIA estimates

**Exhibit 3: Revenue of Thai Hop Inn hotels, quarterly**

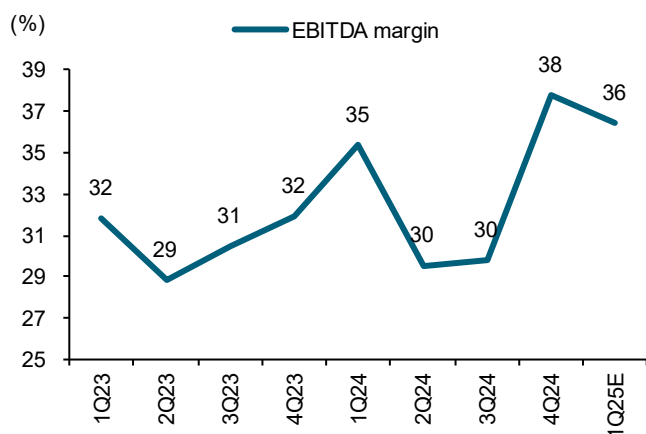
Sources: ERW; FSSIA estimates

**Exhibit 4: Revenue of Philippine Hop Inn hotels, quarterly**

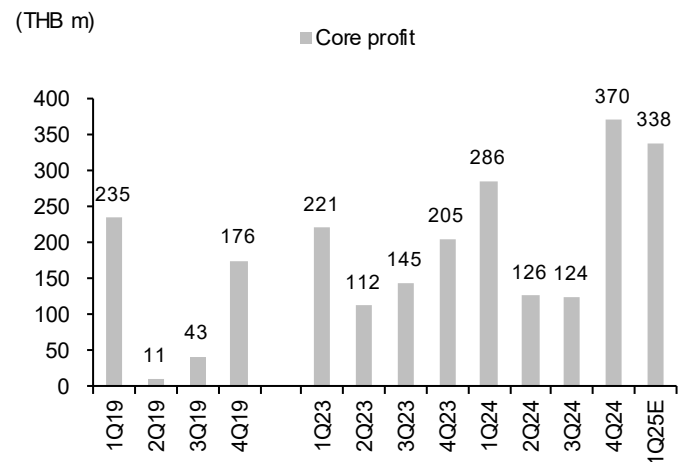
Note: Reclassified numbers by excluding Holiday Inn Cebu since 1Q23  
Sources: ERW; FSSIA estimates

**Exhibit 5: Revenue of 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 (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
All hotels excl. Hop Inn - OCC (%)	81.6	82.0	82.8	83.8	84.6	-	(2.2)	(2.6)	-
All hotels excl. Hop Inn - RevPAR (THB)	2,771	2,865	2,996	2,821	2,926	-	(1.8)	(2.1)	-
Thailand Hop Inn - OCC (%)	79.5	79.5	79.5	82.5	83.5	-	(3.0)	(4.0)	-
Thailand Hop Inn - RevPAR (THB)	594	612	631	600	625	-	(0.9)	(2.1)	-
Revenue (THB b)	8.35	8.84	9.43	8.49	9.03	-	(1.6)	(2.1)	-
EBITDA margin (%)	33.1	33.3	33.7	32.7	33.0	-	0.4	0.3	-
Core earnings (THB m)	922	992	1,140	940	1,001	-	(2.0)	(0.9)	-

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

Source: FSSIA estimates

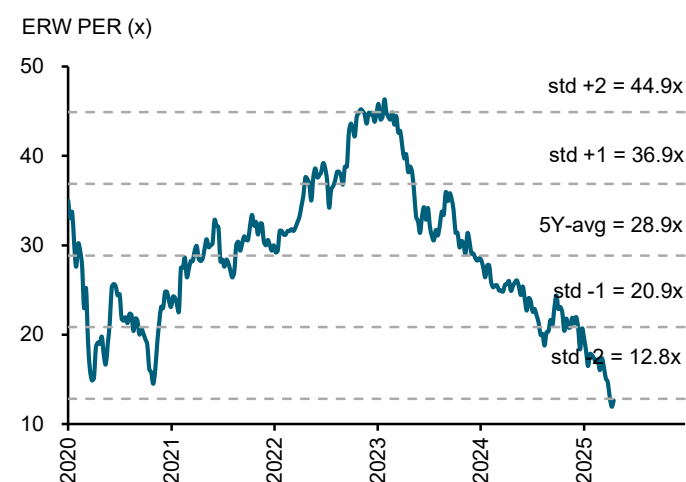
## Exhibit 9: DCF valuation

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	12.1	2.5	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	19.4	4.0	Terminal growth 2.5%
Cash & liquid assets	1.3	0.3	At end-2025E
Investments	0.0	0.0	At end-2025E
Debt	(9.7)	(2.0)	At end-2025E
Minorities	(0.8)	(0.2)	At end-2025E
<b>Residual ordinary equity</b>	<b>22.3</b>	<b>4.6</b>	

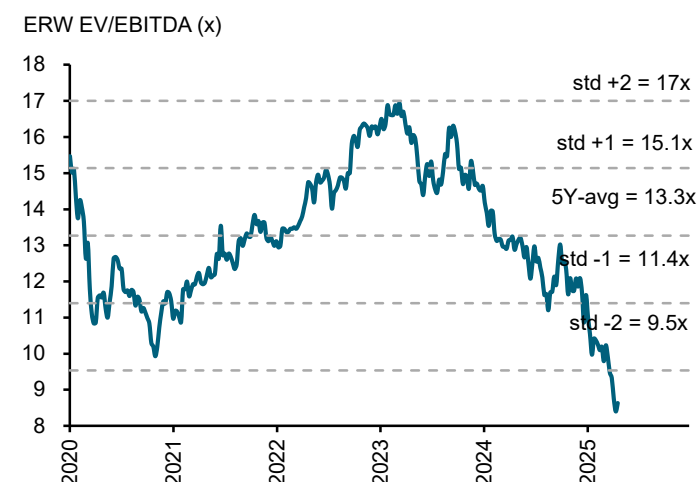
Source: FSSIA estimates

## 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 23 April 2025

Company	BBG	Rec	Share price			Market cap	PE		ROE		PBV		EV/ EBITDA	
			Current	Target	Upside		25E	26E	25E	26E	25E	26E	25E	26E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Thailand</b>														
Asset World Corp	AWC TB	BUY	2.20	5.20	136	2,109	31.5	25.1	2.4	2.9	0.7	0.7	23.5	20.6
Minor International	MINT TB	BUY	26.25	45.00	71	4,457	15.9	14.4	10.3	12.6	1.6	2.1	7.3	7.3
Central Plaza Hotel	CENTEL TB	BUY	26.50	49.00	85	1,071	17.8	15.5	9.4	10.3	1.6	1.5	11.4	10.4
Erawan Group	ERW TB	BUY	2.38	4.60	93	348	12.6	11.7	10.3	10.5	1.3	1.2	9.0	8.2
S Hotels & Resorts	SHR TB	BUY	1.82	3.80	109	196	17.3	12.6	2.3	3.1	0.4	0.4	7.3	6.8
Dusit Thani	DUSIT TB	BUY	8.35	12.50	50	213	354.0	3.8	0.3	23.1	1.0	0.8	41.1	4.1
Bound and Beyond	BEYOND TB	BUY	6.40	13.00	103	56	18.3	11.6	1.6	2.5	0.3	0.3	7.8	7.0
<b>Thailand average</b>						<b>8,449</b>	<b>66.8</b>	<b>13.5</b>	<b>5.2</b>	<b>9.3</b>	<b>1.0</b>	<b>1.0</b>	<b>15.3</b>	<b>9.2</b>
<b>Regional</b>														
BTG Hotels Group	600258 CH	n/a	14.78	n/a	n/a	2,262	18.4	16.0	7.4	8.1	1.3	1.3	9.1	8.5
SH Jinjiang Intl Hotels	900934 CH	n/a	1.48	n/a	n/a	3,380	9.2	7.8	7.5	8.3	0.7	0.6	10.1	8.8
Huangshan Tourism Dev.	900942 CH	n/a	0.73	n/a	n/a	986	10.3	9.6	7.7	7.8	0.8	0.7	7.8	7.9
Genting Bhd	GENT MK	n/a	3.24	n/a	n/a	2,848	8.4	7.5	4.4	4.8	0.3	0.3	5.5	5.3
Huazhu Group	HTHT US	n/a	35.42	n/a	n/a	11,291	18.5	15.8	31.2	32.3	5.8	4.9	10.0	9.0
Indian Hotels	IH IN	n/a	822.90	n/a	n/a	13,521	68.2	53.9	16.5	17.7	10.4	9.0	40.8	32.9
Lemon Tree Hotels	LEMONTRE IN	n/a	146.75	n/a	n/a	1,351	58.9	40.2	17.1	20.9	8.4	6.9	22.1	18.4
Lippo Karawaci	LPKR IJ	n/a	84.00	n/a	n/a	357	7.7	7.1	8.1	7.6	0.2	0.2	n/a	n/a
<b>Regional average</b>						<b>35,996</b>	<b>24.9</b>	<b>19.7</b>	<b>12.5</b>	<b>13.4</b>	<b>3.5</b>	<b>3.0</b>	<b>15.1</b>	<b>13.0</b>
<b>Global</b>														
NH Hotel Group	NHH SM	n/a	6.33	n/a	n/a	3,141	16.2	16.4	12.9	12.9	2.1	1.9	7.5	7.5
Melia Hotels International	MEL SM	n/a	6.23	n/a	n/a	1,551	9.4	8.8	18.5	17.3	1.7	1.4	7.3	7.1
Intercontinental Hotels G.	IHG LN	n/a	7,804	n/a	n/a	16,068	20.9	18.5	(30.1)	(31.2)	n/a	n/a	14.3	13.3
Whitbread	WTB LN	n/a	2,559	n/a	n/a	5,985	12.8	12.1	10.5	10.6	1.3	1.2	8.8	8.6
Accor	ACRFF US	n/a	45.25	n/a	n/a	11,085	16.5	14.2	11.9	13.3	2.0	2.0	10.4	9.5
Choice Hotels	CHH US	n/a	124.48	n/a	n/a	5,809	17.8	16.4	(526.7)	306.9	288.1	27.9	12.1	11.7
Hilton Worldwide Holdings	HLT US	n/a	215.36	n/a	n/a	51,603	27.1	23.4	(45.2)	(39.9)	n/a	n/a	16.6	15.2
Hyatt Hotels Corp	H US	n/a	110.90	n/a	n/a	10,583	38.3	27.9	8.4	13.1	3.0	3.1	11.9	11.0
Marriott International	MAR US	n/a	229.79	n/a	n/a	63,278	22.7	20.1	(72.9)	(77.9)	n/a	n/a	14.5	13.6
<b>Global average</b>						<b>169,102</b>	<b>20.2</b>	<b>17.5</b>	<b>(68.1)</b>	<b>25.0</b>	<b>49.7</b>	<b>6.3</b>	<b>11.5</b>	<b>10.8</b>
<b>Overall average</b>						<b>213,546</b>	<b>35.4</b>	<b>17.1</b>	<b>(19.8)</b>	<b>16.6</b>	<b>15.9</b>	<b>3.3</b>	<b>13.7</b>	<b>11.0</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### The Erawan Group

Profit and Loss (THB m) Year Ending Dec	2023	2024	2025E	2026E	2027E
Revenue	6,986	7,872	8,354	8,844	9,431
Cost of goods sold	(3,936)	(4,271)	(4,538)	(4,752)	(5,014)
<b>Gross profit</b>	<b>3,051</b>	<b>3,601</b>	<b>3,817</b>	<b>4,092</b>	<b>4,417</b>
Other operating income	-	-	-	-	-
Operating costs	(1,838)	(1,997)	(2,119)	(2,235)	(2,364)
<b>Operating EBITDA</b>	<b>2,114</b>	<b>2,599</b>	<b>2,767</b>	<b>2,946</b>	<b>3,180</b>
Depreciation	(901)	(995)	(1,069)	(1,089)	(1,127)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>1,213</b>	<b>1,604</b>	<b>1,697</b>	<b>1,857</b>	<b>2,053</b>
Net financing costs	(582)	(695)	(669)	(635)	(609)
Associates	36	0	0	0	0
Recurring non-operating income	89	37	38	39	39
Non-recurring items	23	375	0	0	0
<b>Profit before tax</b>	<b>743</b>	<b>1,321</b>	<b>1,066</b>	<b>1,261</b>	<b>1,483</b>
Tax	17	(9)	(107)	(227)	(297)
<b>Profit after tax</b>	<b>760</b>	<b>1,313</b>	<b>960</b>	<b>1,034</b>	<b>1,186</b>
Minority interests	(17)	(32)	(38)	(42)	(46)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>743</b>	<b>1,281</b>	<b>922</b>	<b>992</b>	<b>1,140</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(23)</b>	<b>(375)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>719</b>	<b>906</b>	<b>922</b>	<b>992</b>	<b>1,140</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.15	0.19	0.19	0.20	0.23
Reported EPS	0.15	0.26	0.19	0.20	0.23
DPS	0.07	0.09	0.08	0.08	0.09
Diluted shares (used to calculate per share data)	4,887	4,887	4,887	4,887	4,887
<b>Growth</b>					
Revenue (%)	50.9	12.7	6.1	5.9	6.6
Operating EBITDA (%)	118.1	23.0	6.4	6.5	7.9
Operating EBIT (%)	1,148.7	32.3	5.8	9.4	10.5
Recurring EPS (%)	nm	26.0	1.7	7.7	14.9
Reported EPS (%)	nm	72.5	(28.0)	7.7	14.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	43.7	45.7	45.7	46.3	46.8
Gross margin exc. depreciation (%)	56.6	58.4	58.5	58.6	58.8
Operating EBITDA margin (%)	30.3	33.0	33.1	33.3	33.7
Operating EBIT margin (%)	17.4	20.4	20.3	21.0	21.8
Net margin (%)	10.3	11.5	11.0	11.2	12.1
Effective tax rate (%)	(2.4)	0.9	10.0	18.0	20.0
Dividend payout on recurring profit (%)	47.6	48.6	45.0	40.0	40.0
Interest cover (X)	2.2	2.4	2.6	3.0	3.4
Inventory days	5.6	5.1	4.6	4.6	4.6
Debtor days	8.6	9.1	9.7	9.2	8.6
Creditor days	27.7	27.5	28.8	28.9	28.8
Operating ROIC (%)	6.2	7.2	6.7	6.7	7.3
ROIC (%)	6.6	7.3	6.7	6.7	7.3
ROE (%)	12.0	12.0	10.3	10.5	11.2
ROA (%)	5.9	6.5	6.0	6.0	6.4

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2023	2024	2025E	2026E	2027E
Non-Hop Inn hotel	5,557	6,039	6,185	6,402	6,684
Hop Inn Thailand	845	983	1,139	1,323	1,490
Hop Inn Philippines	499	424	506	573	691
Others	85	426	524	545	566

Sources: The Erawan Group; FSSIA estimates

## Financial Statements

### The Erawan Group

Cash Flow (THB m) Year Ending Dec	2023	2024	2025E	2026E	2027E
Recurring net profit	719	906	922	992	1,140
Depreciation	901	995	1,069	1,089	1,127
Associates & minorities	-	-	-	-	-
Other non-cash items	46	205	28	32	36
Change in working capital	(21)	241	52	53	63
<b>Cash flow from operations</b>	<b>1,645</b>	<b>2,347</b>	<b>2,071</b>	<b>2,167</b>	<b>2,366</b>
Capex - maintenance	(2,988)	(3,206)	(940)	(1,090)	(751)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(21)	83	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(3,009)</b>	<b>(3,122)</b>	<b>(940)</b>	<b>(1,090)</b>	<b>(751)</b>
Dividends paid	0	(317)	(440)	(415)	(397)
Equity finance	0	1,066	0	0	0
Debt finance	1,114	(660)	(1,000)	(500)	(500)
Other financing cash flows	(65)	1,082	(30)	(34)	(38)
<b>Cash flow from financing</b>	<b>1,049</b>	<b>1,171</b>	<b>(1,470)</b>	<b>(949)</b>	<b>(935)</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>(315)</b>	<b>395</b>	<b>(339)</b>	<b>128</b>	<b>681</b>
Free cash flow to firm (FCFF)	(775.02)	(73.06)	1,809.54	1,718.37	2,233.65
Free cash flow to equity (FCFE)	(315.13)	(353.42)	100.74	542.22	1,077.63
<b>Per share (THB)</b>					
FCFF per share	(0.16)	(0.01)	0.37	0.35	0.46
FCFE per share	(0.06)	(0.07)	0.02	0.11	0.22
Recurring cash flow per share	0.34	0.43	0.41	0.43	0.47
Balance Sheet (THB m) Year Ending Dec	2023	2024	2025E	2026E	2027E
Tangible fixed assets (gross)	29,277	31,951	32,901	34,001	34,761
Less: Accumulated depreciation	(7,881)	(8,322)	(9,392)	(10,481)	(11,608)
<b>Tangible fixed assets (net)</b>	<b>21,396</b>	<b>23,629</b>	<b>23,509</b>	<b>23,520</b>	<b>23,153</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	83	0	0	0	0
Cash & equivalents	1,217	1,612	1,273	1,401	2,081
A/C receivable	170	222	222	222	222
Inventories	49	43	45	48	51
Other current assets	450	302	320	339	362
<b>Current assets</b>	<b>1,885</b>	<b>2,180</b>	<b>1,861</b>	<b>2,010</b>	<b>2,716</b>
Other assets	310	437	437	437	437
<b>Total assets</b>	<b>23,675</b>	<b>26,246</b>	<b>25,808</b>	<b>25,968</b>	<b>26,307</b>
Common equity	6,330	8,712	9,194	9,771	10,514
Minorities etc.	40	780	788	796	804
<b>Total shareholders' equity</b>	<b>6,370</b>	<b>9,492</b>	<b>9,981</b>	<b>10,567</b>	<b>11,318</b>
Long term debt	14,528	14,003	13,003	12,503	12,003
Other long-term liabilities	895	865	865	865	865
<b>Long-term liabilities</b>	<b>15,423</b>	<b>14,868</b>	<b>13,868</b>	<b>13,368</b>	<b>12,868</b>
A/C payable	227	266	282	297	316
Short term debt	820	685	685	685	685
Other current liabilities	835	936	993	1,051	1,121
<b>Current liabilities</b>	<b>1,882</b>	<b>1,887</b>	<b>1,959</b>	<b>2,033</b>	<b>2,121</b>
<b>Total liabilities and shareholders' equity</b>	<b>23,675</b>	<b>26,246</b>	<b>25,808</b>	<b>25,968</b>	<b>26,307</b>
Net working capital	(393)	(634)	(686)	(739)	(802)
Invested capital	21,396	23,432	23,261	23,219	22,789
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	1.40	1.78	1.88	2.00	2.15
Tangible book value per share	1.40	1.78	1.88	2.00	2.15
<b>Financial strength</b>					
Net debt/equity (%)	221.8	137.8	124.4	111.6	93.7
Net debt/total assets (%)	59.7	49.8	48.1	45.4	40.3
Current ratio (x)	1.0	1.2	0.9	1.0	1.3
CF interest cover (x)	0.5	0.5	1.2	1.9	2.8
Valuation	2023	2024	2025E	2026E	2027E
<b>Recurring P/E (x) *</b>	<b>16.2</b>	<b>12.8</b>	<b>12.6</b>	<b>11.7</b>	<b>10.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>31.3</b>	<b>24.8</b>	<b>24.4</b>	<b>22.7</b>	<b>19.7</b>
Reported P/E (x)	15.7	9.1	12.6	11.7	10.2
Dividend yield (%)	2.9	3.8	3.6	3.4	3.9
Price/book (x)	1.7	1.3	1.3	1.2	1.1
Price/tangible book (x)	1.7	1.3	1.3	1.2	1.1
EV/EBITDA (x) **	11.8	9.8	9.0	8.2	7.2
EV/EBITDA @ target price (x) **	16.6	14.0	12.9	11.9	10.7
EV/invested capital (x)	1.2	1.1	1.1	1.0	1.0
* 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	<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 14: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET ESG	SET ESG Rating	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
<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 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
<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>	—	11	11	11
<b>No. of independent directors (ID)</b>	—	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
<b>No. of executives / company managers</b>	—	7	6	6
No. of female executives	—	2	2	2
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	—	3	3	3
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>	—	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
<b>Size of nomination committee</b>	—	3	3	3
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 ( <a href="#">DJSI</a> ) 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.																				
SET ESG Ratings List ( <a href="#">SETESG</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	SET ESG 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>SETESG 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>SETESG Index</b> is extended from the SET ESG Ratings companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	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 &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><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+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><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></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																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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>																					
<a href="#">S&amp;P Global</a>	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 2.38	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 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.
Minor International	MINT TB	THB 26.25	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 26.50	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 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 1.82	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Dusit Thani	DUSIT TB	THB 8.35	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.
Bound and Beyond	BEYOND TB	THB 6.40	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.

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 23-Apr-2025 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.