

THE ERWAN GROUP
THAILAND / TOURISM & LEISURE

ERW TB

BUY

UNCHANGED

ลุ้นกำไรไตรมาส 2 ที่ดีที่สุด

- คาดกำไรปกติ 2Q23 ที่ 93 ลบ. ซึ่งจะสูงกว่ากำไรปกติ 2Q19 ที่ 11 ลบ. อย่างมีนัยสำคัญและจะทำสถิติกำไร 2Q สูงสุดใหม่
- ผู้เข้าพักชาวจีนกลายเป็นลูกค้าที่สร้างรายได้สูงสุดที่ประมาณ 20% ใน 2Q23 และตัวเลขนักท่องเที่ยวชาวจีนน่าจะเร่งตัวขึ้นในช่วง 2H23
- คงแนะนำซื้อหลังปรับราคาเป้าหมายขึ้นเป็น 5.7 บาท (DCF)

TARGET PRICE	THB5.70
CLOSE	THB4.52
UP/DOWNSIDE	+26.1%
PRIOR TP	THB5.50
CHANGE IN TP	+3.6%
TP vs CONSENSUS	+1.9%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,629	6,953	7,463	7,944
Net profit	(224)	622	652	741
EPS (THB)	(0.05)	0.14	0.13	0.15
vs Consensus (%)	-	30.8	(13.3)	(12.8)
EBITDA	969	2,086	2,254	2,407
Core net profit	(278)	622	652	741
Core EPS (THB)	(0.06)	0.14	0.13	0.15
Chg. In EPS est. (%)	nm	16.7	6.7	4.2
EPS growth (%)	nm	nm	(2.9)	13.6
Core P/E (x)	(73.7)	32.9	33.9	29.8
Dividend yield (%)	-	1.2	1.2	1.3
EV/EBITDA (x)	34.3	15.5	14.4	13.3
Price/book (x)	3.6	3.2	2.8	2.7
Net debt/Equity (%)	222.0	187.5	132.7	118.5
ROE (%)	(4.7)	10.4	9.2	9.2

คาด RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn ใน 2Q23 จะสูงกว่าระดับก่อนโควิดถึง 37%

ใน 2Q23 เราคาดว่า RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะลดลง 9% q-q จากฤดูที่ซบเซาของอุตสาหกรรมท่องเที่ยวไทย อย่างไรก็ตามตัวเลขดังกล่าวน่าจะสูงกว่าระดับก่อนโควิดอย่างมีนัยสำคัญถึง 37% พร้อมอัตราการเข้าพัก (OCC rate) ที่ 80% (เทียบกับ 75% ใน 2Q19) นอกจากนี้ค่าห้องพักวันเฉลี่ย (ADR) ยังน่าจะสูงกว่าระดับก่อนโควิดถึงเกือบ 30% RevPAR ของ Hop Inn ในไทยน่าจะค่อนข้างทรงตัว q-q และสูงกว่าระดับก่อนโควิดอยู่ 19% เราคาดว่า RevPAR ของโรงแรมในฟิลิปปินส์จะโต 2% q-q และสูงกว่าระดับก่อนโควิดอยู่ 10% ในภาพรวมรายได้น่าจะลดลง 8% q-q และ EBITDA margin น่าจะลดลงเหลือ 39% (เทียบกับ 43% ใน 1Q23) ซึ่งจะทำให้กำไรปกติลดลงเหลือ 93 ลบ. (เทียบกับ 224 ลบ. ใน 1Q23) อย่างไรก็ตามกำไรดังกล่าวน่าจะทำสถิติสูงสุดใหม่สำหรับ 2Q

นักท่องเที่ยวจีนจะช่วยกระตุ้นกำไรในช่วง 2H23

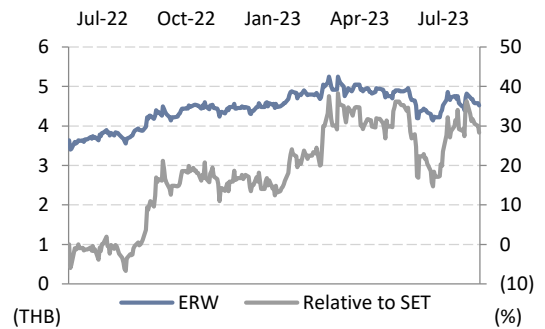
ผลกระทบที่ดีของ ERW ใน 2Q23 (แม้ว่าจะอยู่ในช่วงฤดูที่ซบเซา) ได้บังจายผลก้นจากโรงแรมในกรุงเทพฯ และพัทยา ผู้เข้าพักชาวจีนกลายเป็นลูกค้าที่สร้างรายได้มากเป็นอันดับหนึ่งที่มีประมาณ 13% ในช่วง 1H23 ตามด้วยผู้เข้าพักชาวไทยและสหรัฐฯ โดยเฉพาะอย่างยิ่งสัดส่วนรายได้จากผู้เข้าพักชาวจีนใน 2Q23 ได้กระโดดเพิ่มเป็นประมาณ 20% ในภาพรวมตัวเลขนักท่องเที่ยวชาวเข้าชาวจีนใน 2Q23 พื้นตัวเป็นเพียง 38% ของระดับก่อนโควิดและเราคาดว่าตัวเลขดังกล่าวจะเพิ่มขึ้นเป็น 50-60% ใน 3Q23 ซึ่งน่าจะหมายถึงไม่แมนตัมกำไรที่ดีขึ้นในช่วง 2H23

ปรับเพิ่มประมาณการกำไรปกติจากแนวโน้ม ADR ที่อยู่ในเกณฑ์ดี

เราปรับเพิ่มประมาณการกำไรปกติปี 2023 ขึ้น 17% เพื่อสะท้อนคาดการณ์ผลกระทบที่ดีใน 2Q23 และแนวโน้มที่ดีในช่วง 2H23 โดยเราคาดว่า OCC rate ของโรงแรมที่ไม่ใช่ Hop Inn จะอยู่ที่ 82% ในปี 2023 (เทียบกับ 78% ในปี 2019 และ 82% ในช่วง 1H23E) ในขณะที่เราคาดว่า ADR ของโรงแรมที่ไม่ใช่ Hop Inn ในปี 2023 จะสูงกว่าระดับก่อนโควิดอยู่ 19% ด้วยเหตุดังกล่าวเราคาดว่ากำไรปกติที่ 622 ลบ. ในปี 2023 ซึ่งสูงกว่ากำไรปกติในปี 2019 อยู่ 34%

โอกาสในการสะสมหุ้นในช่วงที่ตลาดผันผวน

เราปรับเพิ่มประมาณการกำไรปกติปี 2024-25 ของเราขึ้น 4-7% เพื่อสะท้อนแนวโน้มที่ดีและแนวโน้ม ADR ที่สูงขึ้น เราปรับราคาเป้าหมายไปในปี 2024 และได้ราคาเป้าหมายใหม่ที่ 5.7 บาท (DCF) ERW มีการซื้อขายที่ 34x ของค่า 2024E P/E เทียบกับค่าเฉลี่ย 5 ปีย้อนหลังที่ 30x เราเห็นว่าราคาหุ้นที่อ่อนแอเป็นโอกาสในการซื้อสะสมเพื่อรับกระแสกำไรที่คาดว่าจะดีในช่วง 2H23



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(8.9)	24.9
Relative to country (%)	3.6	(3.0)	29.0
Mkt cap (USD m)	589		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	58		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.30/3.34		
Issued shares (m)	4,531.56		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 12 กรกฎาคม 2023

Investment thesis

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

ERW raised capital through a rights offering leading to a lower D/E, which is currently lower than its debt covenant of 2.5x.

ERW plans to use the proceeds from the capital increase to expand its Thai Hop Inn portfolio to more than 100 hotels by 2025, up from 51 hotels currently. Hop Inn is ERW's flagship budget hotel brand focused on domestic travellers and has shown resilient performance.

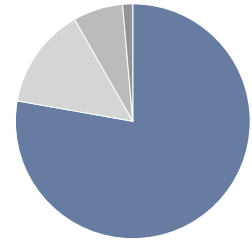
Company profile

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

www.theerawan.com

Principal activities (revenue, 2022)

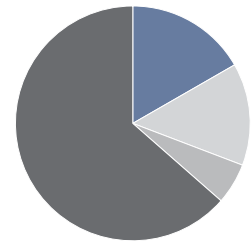
- Non-Hop Inn hotel - 77.8 %
- Hop Inn Thailand - 14.0 %
- Hop Inn Philippines - 6.9 %
- Others - 1.4 %



Source: The Erawan Group

Major shareholders

- Chottanavat - 16.7 %
- Mitr Siam Capital Limited - 14.1 %
- Mitr Phol Sugar Corp - 5.7 %
- Others - 63.5 %



Source: The Erawan Group

Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the global tourism recovery; 2) strong pent-up demand from Chinese tourists; and 3) the recovery of 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 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of hotels (no.)	78	84	93
Number of rooms (no.)	10,225	10,951	11,804
All hotels excl. Hop Inn			
Occupancy rate (OCC %)	82	83	84
RevPAR growth (y-y %)	74	1	3
Thailand Hop Inn			
Occupancy rate (OCC %)	80	81	81
RevPAR growth (y-y %)	17	2	3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC, we project a 2023 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2023 profit increase of 9%, and vice versa, all else being equal.

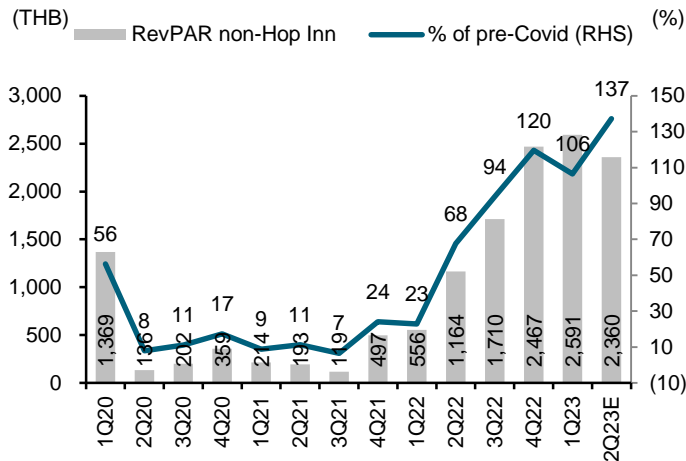
Source: FSSIA estimates

Exhibit 1: 2Q23 results preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	974	1,283	1,733	1,753	1,604	(8)	65	6,953
- Thailand non-Hop Inn	743	1,014	1,411	1,409	1,245	(12)	68	
- Hop Inn Thailand	156	165	190	211	206	(3)	32	
- Hop Inn Phil	61	90	116	117	109	(7)	79	
- Rental	13	15	16	17	45	164	245	
COGS (Incl. depreciation)	(735)	(827)	(973)	(993)	(976)	(2)	33	(4,050)
Gross Profit	239	456	759	760	628	(17)	163	2,903
SG&A	(311)	(362)	(450)	(434)	(417)	(4)	34	(1,738)
Operating Profit	(71)	94	309	326	212	(35)	396	1,165
Other income	12	6	14	21	13	(40)	10	44
Interest	(111)	(114)	(122)	(135)	(135)	0	22	(478)
Pretax profit	(170)	(13)	201	213	90	(58)	153	731
Income Tax	7	5	6	6	0	(100)		(51)
Associates	9	3	13	3	3			0
Minority interest	4	(6)	(21)	1	0			(57)
Core profit	(151)	(11)	200	224	93	(58)	162	622
Extraordinaries, GW & FX	12	(0)	40	15				0
Reported net profit	(139)	(12)	240	239	93	(61)	167	622
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,532
Core EPS	(0.03)	(0.00)	0.04	0.05	0.02	(58)	162	0.14
EPS	(0.03)	(0.00)	0.05	0.05	0.02	(61)	167	0.14
COGS (Excl. depreciation)	(520)	(607)	(750)	(775)	(756)	(2)	45	(3,129)
Depreciation	(215)	(220)	(223)	(218)	(220)	1	2	(921)
EBITDA	155	320	547	566	444	(21)	186	2,130
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	25	36	44	43	39	(4)	15	42
SG&A/Revenue	32	28	26	25	26	1	(6)	25
EBITDA margin	16	25	31	32	27	(4)	12	30
Net profit margin	(14)	(1)	14	14	6	(8)	20	9
Operating stats								
Non-Hop Inn								
OCC (%)	55	67	82	84	80			
OCC growth (y-y %)	42	57	52	53	25			
RevPAR (THB)	1,164	1,710	2,467	2,591	2,360			
RevPAR growth (y-y %)	503	1,337	396	366	103			
Thailand Hop Inn								
OCC (%)	73	74	78	81	80			
OCC growth (y-y %)	42	47	19	14	7			
RevPAR (THB)	450	462	499	531	528			
RevPAR growth (y-y %)	163	182	37	30	17			
Philippines Hop Inn								
OCC (%)	58	59	74	74	75			
OCC growth (y-y %)	12	(1)	25	23	17			
RevPAR (THB)	565	620	794	810	825			
RevPAR growth (y-y %)	15	22	26	19	13			

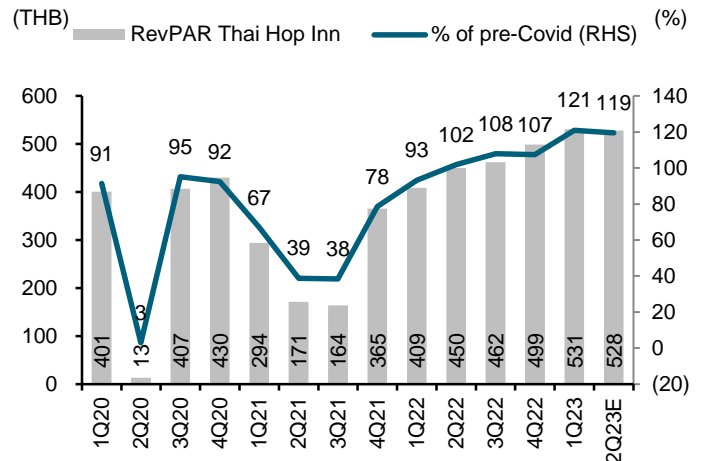
Sources: ERW; FSSIA estimates

Exhibit 2: RevPAR non-Hop Inn hotels, quarterly



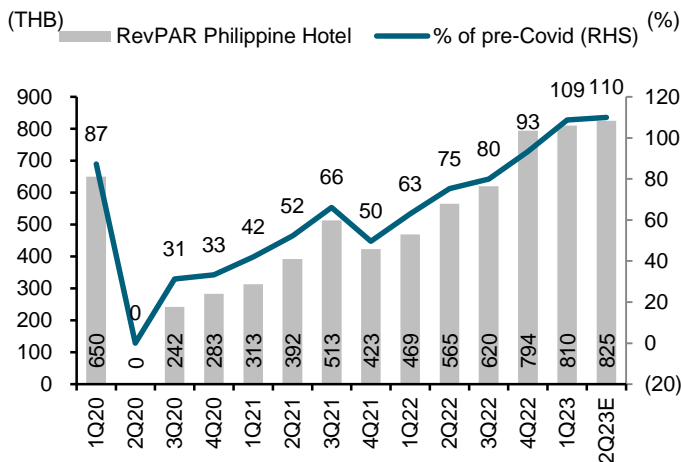
Sources: ERW; FSSIA estimates

Exhibit 3: RevPAR Thai Hop Inn hotels, quarterly



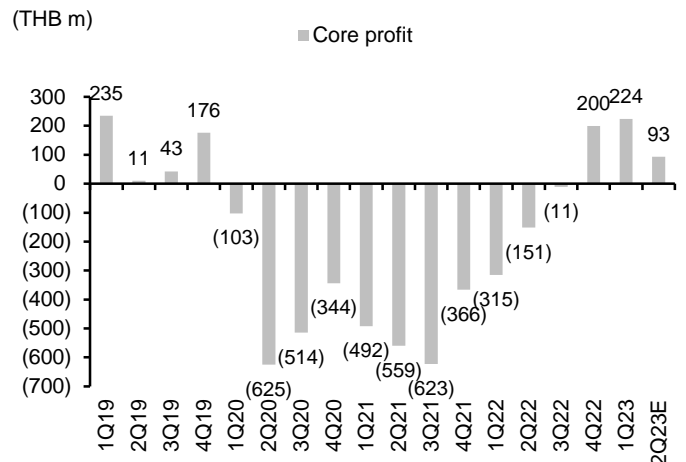
Sources: ERW; FSSIA estimates

Exhibit 4: RevPAR Philippine Hop Inn hotels, quarterly



Sources: ERW; FSSIA estimates

Exhibit 5: Core profit, quarterly



Sources: ERW; FSSIA estimates

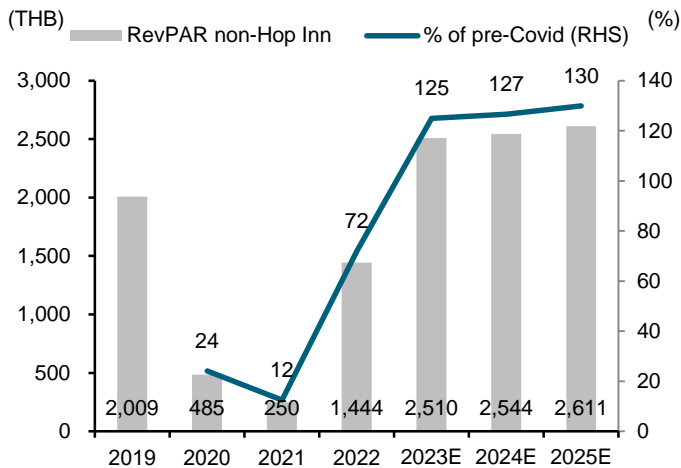
Exhibit 6: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
All hotels excl. Hop Inn - OCC (%)	82.0	83.1	83.6	79.6	81.5	82.0	2.4	1.7	1.7
All hotels excl. Hop Inn - RevPAR (THB)	2,510	2,544	2,611	2,428	2,486	2,576	3.3	2.3	1.3
Thailand Hop Inn - OCC (%)	80.0	80.5	81.0	73.5	74.0	74.5	6.5	6.5	6.5
Thailand Hop Inn - RevPAR (THB)	532	541	555	480	488	506	10.9	10.9	9.7
Revenue (THB b)	6.95	7.46	7.94	6.93	7.37	7.91	0.3	1.2	0.4
EBITDA margin (%)	30.0	30.2	30.3	29.0	29.5	29.9	1.0	0.7	0.4
Core earnings (THB m)	622	652	741	533	611	711	16.7	6.7	4.2

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

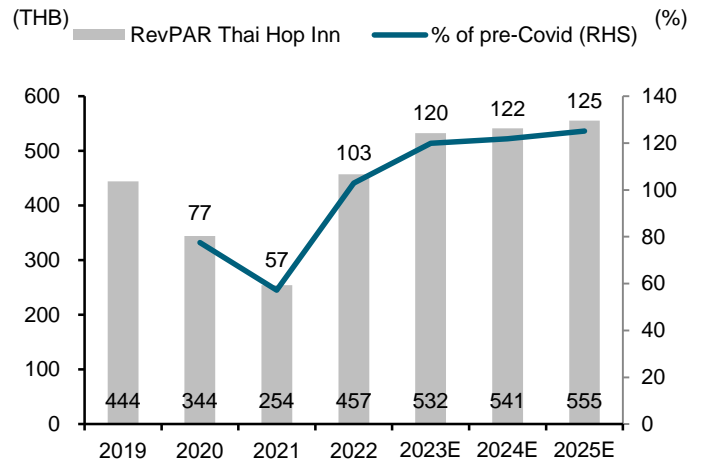
Source: FSSIA estimates

Exhibit 7: RevPAR non-Hop Inn hotels, yearly



Sources: ERW; FSSIA estimates

Exhibit 8: RevPAR Thai Hop Inn hotels, yearly



Sources: ERW; FSSIA estimates

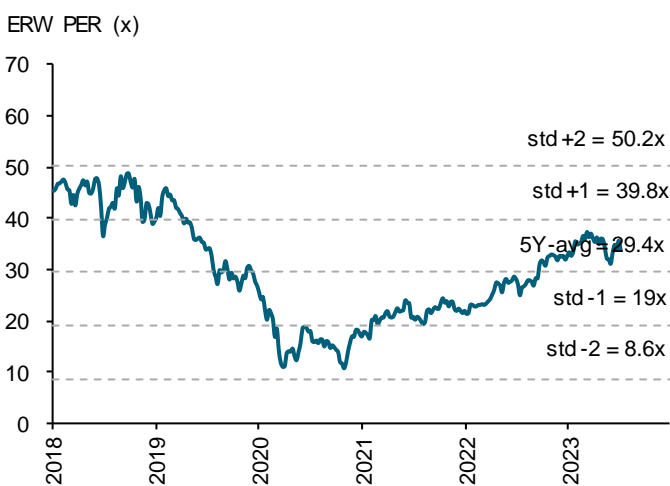
Exhibit 9: DCF valuation

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

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	12.5	2.6	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	21.8	4.5	Terminal growth 2.5%
Cash & liquid assets	2.8	0.6	At end-2024E
Investments	0.1	0.0	At end-2024E
Debt	(9.1)	(1.9)	At end-2024E
Minorities	(0.0)	(0.0)	At end-2024E
Residual ordinary equity	28.1	5.7	

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 11 July 2023

Company	BBG	Rec	Share price			Market cap (USD m)	PE			ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	25E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand															
Asset World Corp	AWC TB	BUY	4.66	6.80	46	4,289	70.8	40.5	36.4	2.5	4.1	1.7	1.6	38.1	27.6
Minor International	MINT TB	BUY	33.00	40.00	21	5,192	34.6	26.9	23.8	7.0	9.2	2.2	2.8	10.8	10.9
Central Plaza Hotel	CENTEL TB	BUY	47.00	58.00	23	1,825	29.7	24.2	22.6	10.9	12.2	3.1	2.8	14.4	12.4
Erawan Group	ERW TB	BUY	4.52	5.70	26	589	32.9	33.9	29.8	10.4	9.2	3.2	2.8	15.5	14.4
S Hotels & Resorts	SHR TB	BUY	2.80	5.20	86	289	25.1	14.9	12.9	2.5	4.1	0.6	0.6	7.9	6.7
Dusit Thani	DUSIT TB	BUY	11.30	18.00	59	276	187.9	39.3	3.9	1.2	5.7	2.3	2.2	41.2	31.9
Bound and Beyond	BEYOND TB	BUY	12.70	24.00	89	106	158.3	16.7	13.1	0.4	3.6	0.6	0.6	12.2	8.7
Thailand average						12,567	77.0	28.0	20.3	5.0	6.9	2.0	1.9	20.0	16.1
Regional															
Btg Hotels Group	600258 CH	n/a	20.52	n/a	n/a	3,192	28.5	20.1	16.7	7.3	9.5	2.0	1.9	13.1	10.7
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.87	n/a	n/a	6,147	9.7	6.6	5.5	8.4	11.2	0.8	0.7	15.7	12.6
Huangshan Tourism Dev.	900942 CH	n/a	0.76	n/a	n/a	1,117	12.7	10.0	9.0	7.1	8.4	0.9	0.8	12.0	10.3
Genting Bhd	GENT MK	n/a	4.11	n/a	n/a	3,444	15.2	10.7	9.2	3.9	4.7	0.5	0.5	6.0	5.4
Huazhu Group	HTHT US	n/a	41.73	n/a	n/a	13,299	30.0	24.8	20.6	27.5	24.7	8.3	6.5	17.0	14.3
Indian Hotels	IH IN	n/a	391.95	n/a	n/a	6,779	60.6	44.9	37.8	12.6	14.1	7.1	6.2	32.4	27.5
Lemon Tree Hotels	LEMONTRE IN	n/a	91.35	n/a	n/a	884	63.1	49.4	27.4	12.3	15.0	8.0	6.6	23.2	19.3
Lippo Karawaci	LPKR IJ	n/a	100.00	n/a	n/a	475	5.7	6.5	4.1	2.2	5.8	0.4	0.4	7.6	6.9
Regional average						35,337	28.2	21.6	16.3	10.2	11.7	3.5	3.0	15.9	13.4
Overall average						47,904	51.0	24.6	18.2	7.7	9.4	2.8	2.5	17.8	14.6

Sources: Bloomberg; FSSIA estimates

Financial Statements

The Erawan Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,485	4,629	6,953	7,463	7,944
Cost of goods sold	(2,220)	(3,154)	(4,050)	(4,309)	(4,558)
Gross profit	(734)	1,475	2,903	3,154	3,385
Other operating income	-	-	-	-	-
Operating costs	(915)	(1,377)	(1,738)	(1,866)	(1,986)
Operating EBITDA	(713)	969	2,086	2,254	2,407
Depreciation	(936)	(872)	(921)	(966)	(1,008)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(1,649)	97	1,165	1,288	1,399
Net financing costs	(518)	(455)	(475)	(457)	(428)
Associates	9	29	0	0	0
Recurring non-operating income	67	66	41	41	41
Non-recurring items	(10)	54	0	0	0
Profit before tax	(2,109)	(239)	731	872	1,013
Tax	(46)	26	(51)	(157)	(203)
Profit after tax	(2,155)	(213)	679	715	810
Minority interests	105	(11)	(57)	(63)	(69)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(2,050)	(224)	622	652	741
Non-recurring items & goodwill (net)	10	(54)	0	0	0
Recurring net profit	(2,040)	(278)	622	652	741
Per share (THB)					
Recurring EPS *	(0.45)	(0.06)	0.14	0.13	0.15
Reported EPS	(0.45)	(0.05)	0.14	0.13	0.15
DPS	0.00	0.00	0.05	0.05	0.06
Diluted shares (used to calculate per share data)	4,532	4,532	4,532	4,891	4,891
Growth					
Revenue (%)	(35.6)	211.6	50.2	7.3	6.4
Operating EBITDA (%)	nm	nm	115.3	8.1	6.8
Operating EBIT (%)	nm	nm	1,099.3	10.6	8.7
Recurring EPS (%)	nm	nm	nm	(2.9)	13.6
Reported EPS (%)	nm	nm	nm	(2.9)	13.6
Operating performance					
Gross margin inc. depreciation (%)	(49.4)	31.9	41.7	42.3	42.6
Gross margin exc. depreciation (%)	13.6	50.7	55.0	55.2	55.3
Operating EBITDA margin (%)	(48.0)	20.9	30.0	30.2	30.3
Operating EBIT margin (%)	(111.0)	2.1	16.7	17.3	17.6
Net margin (%)	(137.4)	(6.0)	8.9	8.7	9.3
Effective tax rate (%)	(2.2)	8.0	7.0	18.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(3.1)	0.4	2.5	2.9	3.4
Inventory days	12.2	6.6	6.0	6.7	6.7
Debtor days	21.7	10.2	8.4	7.8	7.3
Creditor days	40.8	30.2	32.4	36.3	36.4
Operating ROIC (%)	(8.7)	0.5	5.8	5.7	6.0
ROIC (%)	(8.2)	0.8	5.8	5.7	6.1
ROE (%)	(41.5)	(4.7)	10.4	9.2	9.2
ROA (%)	(7.4)	0.7	5.1	4.8	5.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-Hop Inn hotel	921	3,600	5,512	5,873	6,069
Hop Inn Thailand	339	646	841	878	981
Hop Inn Philippines	154	318	438	526	662
Others	71	65	163	186	233

Sources: The Erawan Group; FSSIA estimates

Financial Statements

The Erawan Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(2,040)	(278)	622	652	741
Depreciation	936	872	921	966	1,008
Associates & minorities	-	-	-	-	-
Other non-cash items	701	193	46	52	58
Change in working capital	(1,056)	1,207	263	60	57
Cash flow from operations	(1,460)	1,994	1,853	1,730	1,864
Capex - maintenance	(1,588)	(722)	(989)	(989)	(989)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(15)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,588)	(737)	(989)	(989)	(989)
Dividends paid	0	0	0	(249)	(261)
Equity finance	2,014	0	0	1,079	0
Debt finance	(1,538)	(692)	(500)	(500)	(1,000)
Other financing cash flows	2,192	(274)	(57)	(63)	(69)
Cash flow from financing	2,667	(967)	(557)	267	(1,330)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(380)	290	307	1,008	(455)
Free cash flow to firm (FCFF)	(2,526.87)	1,714.43	1,342.08	1,201.66	1,309.27
Free cash flow to equity (FCFE)	(2,394.52)	289.75	307.07	178.43	(194.00)

Per share (THB)

FCFF per share	(0.56)	0.38	0.30	0.27	0.29
FCFE per share	(0.53)	0.06	0.07	0.04	(0.04)
Recurring cash flow per share	(0.09)	0.17	0.35	0.34	0.37

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	25,682	26,373	27,373	28,373	29,373
Less: Accumulated depreciation	(6,274)	(7,089)	(8,010)	(8,976)	(9,983)
Tangible fixed assets (net)	19,409	19,285	19,364	19,398	19,390
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	48	63	63	63	63
Cash & equivalents	1,242	1,532	1,839	2,847	2,393
A/C receivable	100	160	160	160	160
Inventories	39	43	60	64	68
Other current assets	1,274	291	437	470	500
Current assets	2,655	2,026	2,496	3,540	3,120
Other assets	338	338	338	338	338
Total assets	22,450	21,712	22,260	23,339	22,911
Common equity	6,012	5,698	6,321	7,803	8,283
Minorities etc.	11	23	23	24	24
Total shareholders' equity	6,023	5,722	6,344	7,826	8,307
Long term debt	14,237	13,935	13,435	12,935	11,935
Other long-term liabilities	880	846	846	846	846
Long-term liabilities	15,117	14,781	14,281	13,781	12,781
A/C payable	143	235	322	344	365
Short term debt	690	300	300	300	300
Other current liabilities	478	675	1,013	1,088	1,158
Current liabilities	1,311	1,209	1,635	1,731	1,823
Total liabilities and shareholders' equity	22,450	21,712	22,260	23,339	22,911
Net working capital	793	(415)	(678)	(738)	(795)
Invested capital	20,587	19,271	19,086	19,060	18,995

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

Per share (THB)

Book value per share	1.33	1.26	1.39	1.60	1.69
Tangible book value per share	1.33	1.26	1.39	1.60	1.69

Financial strength

Net debt/equity (%)	227.2	222.0	187.5	132.7	118.5
Net debt/total assets (%)	61.0	58.5	53.4	44.5	43.0
Current ratio (x)	2.0	1.7	1.5	2.0	1.7
CF interest cover (x)	(3.6)	1.6	1.6	1.4	0.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(10.0)	(73.7)	32.9	33.9	29.8
Recurring P/E @ target price (x) *	(12.7)	(92.9)	41.5	42.8	37.6
Reported P/E (x)	(10.0)	(91.4)	32.9	33.9	29.8
Dividend yield (%)	-	-	1.2	1.2	1.3
Price/book (x)	3.4	3.6	3.2	2.8	2.7
Price/tangible book (x)	3.4	3.6	3.2	2.8	2.7
EV/EBITDA (x) **	(47.9)	34.3	15.5	14.4	13.3
EV/EBITDA @ target price (x) **	(55.4)	39.8	18.1	17.0	15.7
EV/invested capital (x)	1.7	1.7	1.7	1.7	1.7

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: The Erawan Group; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of 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.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 4.52	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Asset World Corp	AWC TB	THB 4.66	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 33.00	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 47.00	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.
S Hotels and Resorts	SHR TB	THB 2.80	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Dusit Thani	DUSIT TB	THB 11.30	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Bound and Beyond	BEYOND TB	THB 12.70	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-Jul-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.