

Hotel Sector

Overweight Maintained

We expect combined 3Q22F earnings to recover to Bt1.1bn, reversing from a loss of Bt4.2bn in 3Q21 and rising 16% QoQ. Central Plaza Hotel (CENTEL.BK/CENDEL TB)*, Minor International (MINT.BK/MINT TB)*, and S Hotels & Resorts (SHR.BK/SHR TB) are expected to report profits, while The Erawan Group (ERW.BK/ERW TB)* and Siam Wellness Group (SPA.BK/SPA TB) should remain in the red but show improving momentum. Amid ongoing uncertainties, we expect the valuation gap between domestic-play stocks and stocks with greater exposure to Europe may continue to widen. We then continue to favor ERW (OP, TP: Bt5.10) and CENTEL (OP, TP: Bt54.00) as our top-picks. For SHR and MINT, our stress test suggests current valuations have partly priced-in recession risks. However, we recommend risk-averse investors to take a wait-and-see approach on the economic outlook in Europe, Russia-Ukraine war, and the outlook for gas price. We re-iterate an Overweight rating on the sector.

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Stick with a domestic play

Event

Sector update.

Impact

Stress test valuation on MINT and SHR

Amid the uncertainties arising from the Russia-Ukraine war and higher energy costs rippling through Europe, we expect hotel stocks with exposure to Europe, including Minor International (MINT.BK/MINT/TB)* and S Hotels & Resorts (SHR.BK/SHR TB), to continue to poise an inflection. In order to gauge the room for multiple compression, we conducted a stress test looking at valuations of Scenario 1: European debt crisis in 2012-2013 suggesting the bottom valuation of hotel sector at -1.0SD, and Scenario 2: Subprime crisis in 2009 with a bottom valuation at -2.0SD.

In a nutshell, MINT and SHR are now trading at nearly -1.5SD to their long-term EV/EBITDA, worse than the valuation benchmark in Scenario 1. This could imply negative factors as well as economic recession in Europe have been partially priced-in.

3Q22F earnings to recover to Bt1.1bn

We expect the sector's 3Q22F combined normalized profit to come in at Bt1.1bn, reversing from a normalized loss of Bt4.2bn in 3Q21 and rising 16% QoQ. The continued recovery should be backed by: i) improving COVID-19 situation across destinations, ii) clearer signs of recovery for Thailand's tourist arrivals, and iii) improving EBIT margin.

Central Plaza Hotel (CENTEL.BK/CENDEL TB)*, MINT, and SHR are expected to report profits in 3Q22. Meanwhile, The Erawan Group (ERW.BK/ERW TB) and Siam Wellness Group (SPA.BK/SPA TB) are also expected to remain in the red, but with clearer signs of recovery.

Maintain Overweight rating

We expect investors to continue to favor domestic plays leading to a continued divergence in valuations between domestic plays and those stocks with exposure to Europe. We maintain an Overweight rating on Thailand's hotel sector. Our current top picks are ERW (OP, TP: Bt5.10) and CENTEL (OP, Bt54.00).

For MINT and SHR, although our stress test suggests the negatives have been partly priced-in, we recommend risk-averse investors to take a wait-and-see approach on the economic outlook in Europe, Russia-Ukraine war, and gas price.

Risks

Prolonged COVID-19 outbreak and political turmoil.

Peers comparison

| Company | Rating | Target Price (Bt) | Mkt Price (Bt) | Upside (%) | Mkt Cap (Btmn) | Net Profit (Btmn) | | | | PE (x) | | | EV/EBITDA (x) | | | EPS Growth (%) | | |
|---------------|--------|-------------------|----------------|-------------|----------------|-------------------|-----------------|------------|--------------|-------------|-------------|-------------|---------------|-------------|------------|----------------|-------------|-------------|
| | | | | | | 2020 | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F |
| CENDEL* | OP | 54.00 | 48.25 | 11.9 | 65,138 | (2,775) | (1,733) | 370 | 1,871 | N.A. | 175.8 | 34.8 | 31.2 | 18.6 | 12.1 | 37.5 | N.A. | 405.0 |
| ERW | OP | 5.10 | 4.24 | 20.3 | 19,214 | (1,715) | (2,050) | (580) | 395 | N.A. | N.A. | 48.6 | (43.0) | 49.5 | 15.7 | (19.5) | 71.7 | N.A. |
| MINT* | OP | 33.50 | 24.50 | 36.7 | 113,166 | (21,407) | (13,167) | 620 | 4,224 | N.A. | 182.6 | 26.8 | 16.6 | 8.2 | 7.1 | 38.5 | N.A. | 581.6 |
| SHR | OP | 4.90 | 3.24 | 51.2 | 11,643 | (2,371) | (1,234) | (166) | 270 | N.A. | (70.0) | 43.1 | 51.8 | 16.2 | 12.4 | 47.9 | N.A. | (262.6) |
| SPA | N | 11.30 | 10.10 | 11.9 | 5,707 | (209) | (287) | (95) | 178 | N.A. | N.A. | 48.4 | 66.9 | 44.2 | 14.8 | (37.1) | 66.9 | N.A. |
| Sector | | | | 26.4 | 214,868 | (28,477) | (18,471) | 149 | 6,938 | N.A. | N.A. | N.A. | 18.9 | 16.4 | 9.9 | N.A. | N.A. | N.A. |

Source: KGI Securities Research

Stress test on valuations

Amid the uncertainties arising from the Russia-Ukraine war and higher energy costs rippling through Europe, we expect the valuation gap between domestic-play stocks (CENTEL, ERW, SPA) and hotel stocks exposed to Europe (MINT and SHR) to continue to widen.

Looking ahead, we expect hotel stocks with revenue exposure to Europe to continue to pose an inflection. Although their short-term earnings momentum remains positive, EV/EBITDA multiples have continued to decline. To gauge rooms for multiple compression for both MINT and SHR, we conducted a stress test on valuations by looking at Scenario 1: European debt crisis in 2012-2013, and Scenario 2: Subprime crisis in 2009.

i) Scenario 1 (European debt crisis): Despite the economic slowdown in Europe, many indicators, such as global GDP growth and global tourist arrival growth, still registered positive momentum. At that time, we found hotel stocks (including regional peers in Europe) hit the bottom averaging at -1.0SD (Figure 2).

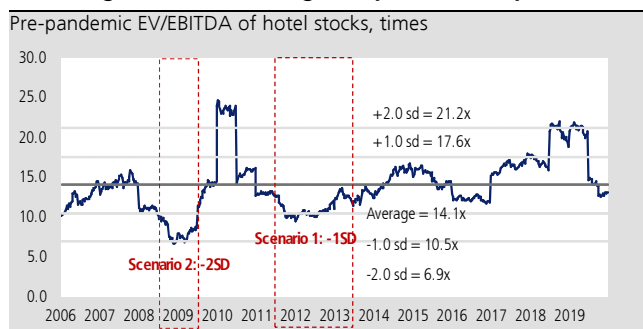
ii) Scenario 2 (Subprime crisis): There was an economic slowdown in more countries. Most indicators, such as global GDP growth and global tourist arrivals, became negative. At that time, we found the valuations hit bottom at -2.0SD. Under this scenario, the multiple compression should be broad-based across the whole sector.

Figure 1: Stress test scenarios

| | Scenario 1 European debt crisis in 2012-13 | Scenario 2 Subprime crisis in 2009 |
|--------------------------------------|---|---------------------------------------|
| Economic indicators | | |
| Global GDP growth | + | - |
| EU GDP growth | - | - |
| Thailand GDP growth | + | - |
| Tourist arrivals (YoY change) | | |
| Global | + | - |
| Europe | + | - |
| Thailand | + | - |

Source: Bloomberg, KGI Securities Research

Figure 2: Long-term EV/EBITDA band of hotel stocks (including both local and regional peers in Europe)



Source: Bloomberg, KGI Securities Research

Figure 3: GDP growth

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------|------------|--------------|------------|------------|------------|------------|
| EU GDP growth | 0.4 | (4.5) | 2.1 | 1.6 | (0.9) | (0.2) |
| North America GDP growth | (0.1) | (2.9) | 2.8 | 1.9 | 2.3 | 1.8 |
| Asia Ex-Japan GDP growth | 7.3 | 6.2 | 9.4 | 7.8 | 6.7 | 6.5 |
| Global GDP growth | 3.1 | (0.1) | 5.4 | 4.3 | 3.6 | 3.4 |

Source: Bloomberg, KGI Securities Research

MINT's and SHR's valuations have already fallen to near -1.5SD

MINT and SHR are now trading at nearly -1.5SD to their long-term EV/EBITDA, which is worse than the valuation benchmark in Scenario 1. This could imply negative factors have been partially priced-in. We also conducted a scenario analysis on MINT's and SHR's target prices subject to various changes in target EV/EBITDA multiples (Figure 4 and Figure 5).

Figure 4: MINT's valuation

| Scenario | Target EV/EBITDA | Target price | Upside/Downside |
|----------------|------------------|--------------|-----------------|
| -0.5SD | 15.3 | 36.50 | 49.0 |
| -0.75SD | 14.5 | 33.50 | 36.7 |
| -1.0SD | 13.8 | 31.00 | 26.5 |
| -1.5SD | 12.4 | 25.5 | 4.1 |
| -2.0SD | 10.9 | 19.9 | (18.8) |

Source: KGI Securities Research
Figure 5: SHR's valuation

| Scenario | Target EV/EBITDA | Target price | Upside/Downside |
|---------------|------------------|--------------|-----------------|
| Mean | 14.5 | 5.7 | 75.9 |
| -0.5SD | 13.2 | 4.9 | 51.2 |
| -1.0SD | 11.9 | 4.1 | 26.5 |
| -1.5SD | 10.6 | 3.4 | 4.9 |
| -2.0SD | 9.3 | 2.6 | (19.8) |

Source: KGI Securities Research

3Q22F earnings preview

Improving earnings momentum

We expect tourism stocks under our coverage to report a combined 3Q22F normalized profit of Bt1.1bn, reversing from a normalized loss of Bt4.2bn in 3Q21 and rising 16% QoQ. The continued recovery should be backed by: i) improving COVID-19 situation as well as fewer restrictions across destinations, ii) clearer signs of recovery for Thailand's tourist arrivals, and iii) improving EBIT margin.

For the hotel business, 3Q22F average RevPar is expected to hit a multi-quarter high at Bt2,407 (+107% YoY, +9% QoQ). Meanwhile, MINT's restaurant business is expected to underperform CENTEL's (Figure 8) as it had a higher base last year and the performance of its China hub underperformed.

CENTEL, MINT, and SHR are expected to report 3Q22 profits. CENTEL should continue to be driven by its resilient food business (SSSG: +60% YoY) and a recovery for hotels in Thailand. MINT's positive bottom-line should be driven by hotels across destinations with occupancy to remain solid at 66% (flat QoQ). SHR's bottom-line is expected to turnaround led by a strong recovery in hotels across destinations (e.g. Fiji, Mauritius, Thailand, and UK), while the performance of hotels in Maldives should soften QoQ amid the continued low season.

ERW and SPA's earnings are expected to remain in the red, but with clearer signs of recovery.

Figure 6: 3Q22F earnings preview

| Total revenue | 3Q22F | 3Q21 | 2Q22 | YoY change (%) | QoQ change (%) |
|---------------|---------------|---------------|---------------|----------------|----------------|
| CENTEL | 4,697 | 2,310 | 4,189 | 103.3 | 12.1 |
| ERW | 1,166 | 226 | 974 | 415.1 | 19.7 |
| MINT | 29,888 | 19,446 | 31,454 | 53.7 | (5.0) |
| SHR | 2,514 | 1,422 | 2,071 | 76.9 | 21.4 |
| SPA | 161 | 13 | 132 | 1,132.0 | 21.3 |
| Total | 38,427 | 23,417 | 38,821 | 64.1 | (1.0) |

| EBIT | 3Q22F | 3Q21 | 2Q22 | YoY change (%) | QoQ change (%) |
|--------------|--------------|----------------|--------------|----------------|----------------|
| CENTEL | 346 | (590) | 201 | | 71.9 |
| ERW | 14 | (472) | (60) | | |
| MINT | 3,918 | (660) | 4,457 | | (12.1) |
| SHR | 258 | (74) | 131 | | 97.4 |
| SPA | (3) | (69) | (19) | 95.4 | 83.0 |
| Total | 4,533 | (1,865) | 4,711 | N.A. | (3.8) |

| Normalized profit | 3Q22F | 3Q21 | 2Q22 | YoY change (%) | QoQ change (%) |
|-------------------|--------------|----------------|------------|----------------|----------------|
| CENTEL | 145 | (803) | 22 | | 558.4 |
| ERW | (80) | (623) | (151) | 87.1 | 47.0 |
| MINT | 1,000 | (2,367) | 1,211 | | (17.4) |
| SHR | 45 | (291) | (111) | | |
| SPA | (15) | (78) | (29) | 80.6 | 48.5 |
| Total | 1,096 | (4,161) | 942 | N.A. | 16.3 |

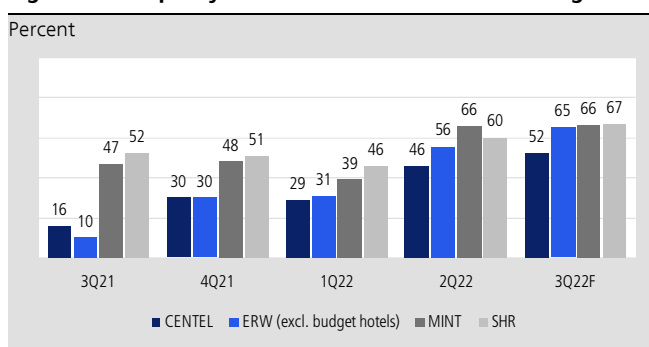
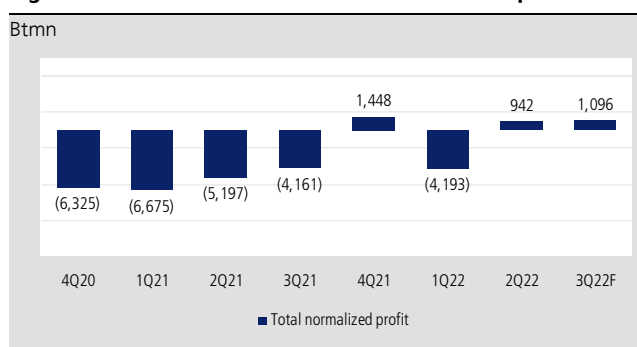
Source: KGI Securities Research

Figure 7: RevPar performance comparison

| RevPar (Bt) | 3Q22F | 3Q21 | 2Q22 | YoY change (%) | QoQ change (%) |
|----------------|--------------|--------------|--------------|----------------|----------------|
| CENTEL | 2,149 | 560 | 1,942 | 283.7 | 10.6 |
| ERW | 940 | 140 | 785 | 570.9 | 19.6 |
| MINT | 3,017 | 1,778 | 3,207 | 69.7 | (5.9) |
| SHR | 3,522 | 2,179 | 2,882 | 61.6 | 22.2 |
| Average | 2,407 | 1,164 | 2,204 | 106.7 | 9.2 |

Source: KGI Securities Research
Figure 8: SSSG performance comparison

| SSSG (%) | 3Q22F | 2Q22 | 1Q22 | 4Q21 | 3Q21 |
|----------|-------|------|------|-------|--------|
| CENTEL | 60.0 | 19.0 | 10.0 | (2.0) | (30.0) |
| MINT | 21.6 | 7.8 | 4.2 | (1.7) | (7.2) |

Source: KGI Securities Research
Figure 9: Occupancy rates of stocks under our coverage

Source: Company data, KGI Securities Research
Figure 10: Momentum of combined normalized profits

Source: Company data, KGI Securities Research

Industry outlook

Expect to see further acceleration in Chinese tourists from 4Q22

Prior to 2Q22, monthly Chinese tourists traveling to key countries like South Korea, Japan, and the US outperformed Thailand (Figure 11). However, the number to Thailand started to show clearer signs of recovery in May 2022 and has accelerated further since July 2022 following Thailand's loosening of COVID-19 restrictions.

We expect the number of Chinese tourists to accelerate further from 4Q22 onwards as Thailand could be one of the predominant countries chosen by Chinese tourists. Key supports should be: i) Thailand's diplomatic neutrality which may gain further flows from South Korea, Japan, and the US, ii) Thailand's competitive advantages (e.g., value-for-money services), and iii) Thai baht (THB) being one of the weakest currencies against the Chinese yuan (CNY) compared with key destinations. In addition, we expect any further unexpected COVID-19 restrictions in China through 2023F (e.g. lockdowns) to be selective and short-lived.

We expect SPA, ERW, and CENTEL to be prime beneficiaries of the Chinese tourist recovery theme.

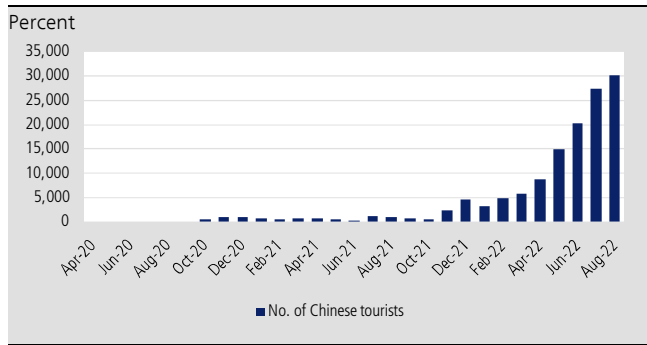
Figure 11: The number of Chinese outbound tourists to key countries

Chinese tourist arrivals to key countries, persons

| | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 |
|-------------|---------|---------|---------|---------|---------|---------|--------|---------|
| Hong Kong | 5,792 | 1,809 | 997 | 3,608 | 14,403 | 35,348 | 40,083 | 48,269 |
| Macau | 642,016 | 609,249 | 468,995 | 534,899 | 538,458 | 336,488 | 7,321 | 290,138 |
| South Korea | 9,489 | 16,752 | 14,726 | 10,230 | 11,253 | 12,741 | 17,907 | 30,248 |
| Japan | 1,490 | 2,359 | 9,799 | 22,371 | 17,643 | 14,700 | 14,800 | 12,300 |
| Thailand | 3,110 | 4,898 | 5,730 | 8,728 | 14,930 | 20,040 | 27,175 | 29,985 |
| Singapore | 4,361 | 3,823 | 4,131 | 5,048 | 7,150 | 10,191 | 16,621 | 14,735 |
| USA | 20,848 | 8,545 | 16,415 | 14,299 | 21,237 | 25,422 | | |

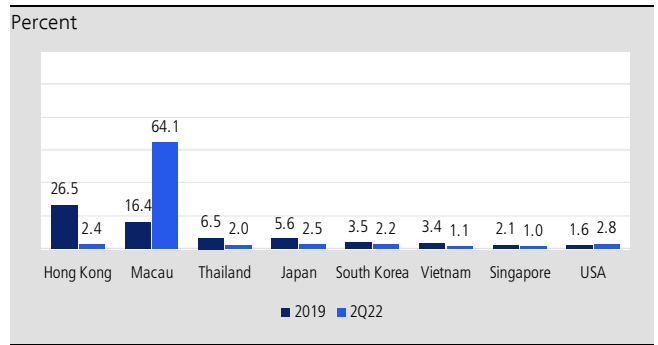
Source: Bloomberg, KGI Securities Research

Figure 12: Monthly Chinese tourist arrivals to Thailand



Source: Bloomberg, KGI Securities Research

Figure 13: Market share of Chinese outbound tourists



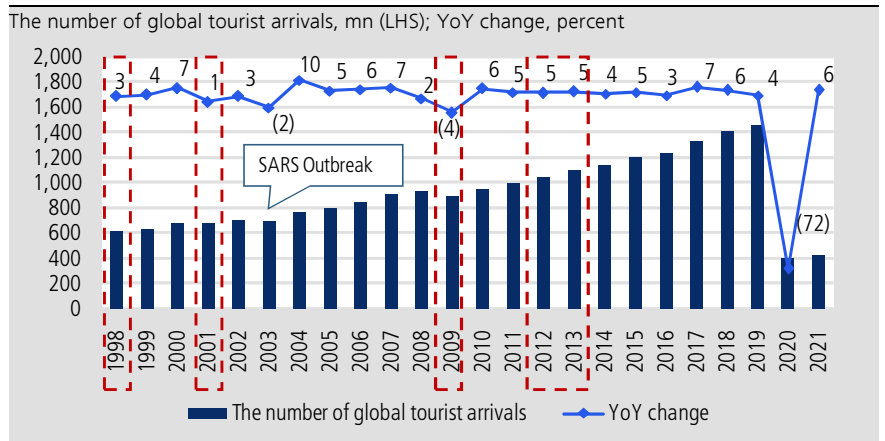
Source: Bloomberg, KGI Securities Research

Global tourism activities in 2023 may defy slowing economic growth

Based on historical data (Figure 14), the number of global tourist arrivals seemed resilient against major economic events. For example, global tourist arrivals still registered positive growth YoY during the Asian financial crisis in 1998 and Argentina’s debt crisis in 2001. During 2012-2013, tourist arrivals in Europe and global tourism flow showed positive growth despite Europe facing negative GDP growth from the European debt crisis (Figure 16). Meanwhile, global tourist arrivals inched down 2% YoY in 2003 amid the SARS outbreak and temporarily decreased 4% YoY in 2009 to 897mn during the Hamburger crisis in 2009.

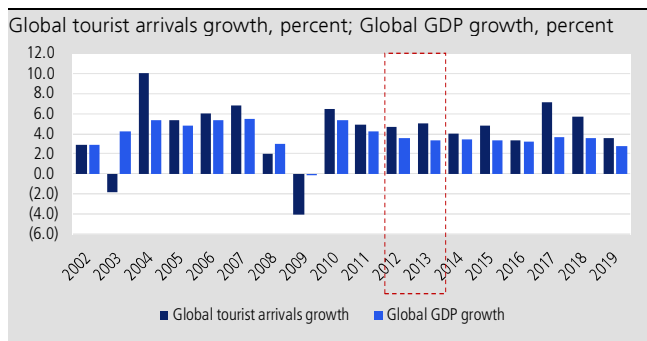
With slowing economic growth in 2023 unlikely to yield a broad-based crisis (IMF still expects global GDP growth in 2023F at 2.7% YoY) coupled with specific positive factors (e.g. resilient tourism, pent up demand, and China to loosen travel restrictions), we still expect the positive trend for global tourism activities in 2023F to remain promising.

Figure 14: Resilient global tourist arrivals



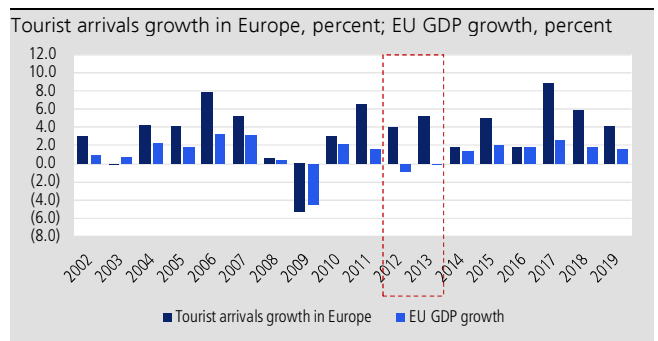
Source: Bloomberg, KGI Securities Research

Figure 15: Global GDP growth and tourist arrivals



Source: Company data, KGI Securities Research

Figure 16: EU growth and tourist arrivals

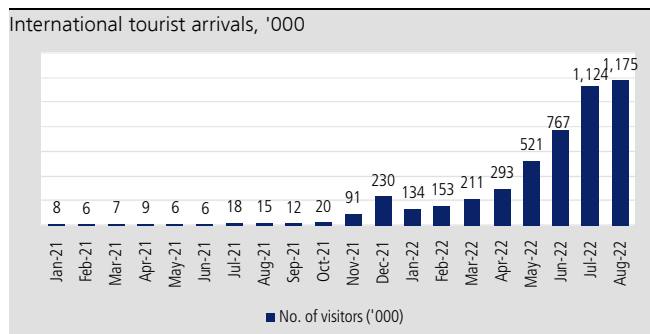


Source: Company data, KGI Securities Research

Re-iterate our tourist arrival forecasts of 11mn in 2022F and 25mn in 2023F

With the proven track record for international tourist arrivals following Thailand's lifting of RT-PCR testing in May 2022 and the cancellation of Thailand Pass in July 2022, we re-iterate our tourist arrival forecast at 11mn in 2022F. The monthly momentum is expected to accelerate further in 4Q22 as the bottlenecks in airline flights are resolved, according to guidance from Tourism Council of Thailand (TCT).

For 2023F, we have already factored in 4mn Chinese tourists, while our target of 25mn tourist arrivals may skew toward the upside if the number of Chinese tourists is better-than-expected. At the same time, there could be more tourists flying in from Europe as the inflated cost of living there may support staycations.

Figure 17: Monthly international tourist arrivals (actual)


Source: TAT, KGI Securities Research

Figure 18: Yearly international tourist arrivals


Source: TAT, KGI Securities Research

Figure 19: Quarterly tourist arrivals forecast for 2022F

| | 1Q22 | 2Q22 | 3Q22F | 4Q22F | Total |
|---|-------|--------|--------|--------|--------|
| The number of tourist arrivals (mn) | 0.5 | 1.6 | 3.8 | 5.2 | 11.0 |
| Portion to pre-COVID level (%) | 4 | 18 | 39 | 50 | 28 |
| Average no. of tourist arrivals per day | 5,187 | 17,387 | 41,104 | 56,150 | 30,127 |

Source: KGI Securities Research

Figure 20: Average daily infections in key countries (as of October 5, 2022)

| | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 |
|-----------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Thailand | 7,243 | 15,856 | 24,671 | 20,192 | 6,347 | 2,334 | 2,162 | 1,956 | 974 | N.A. |
| China | 158 | 167 | 3,331 | 19,444 | 2,341 | 159 | 559 | 1,629 | 1,158 | 831 |
| India | 213,159 | 52,198 | 3,056 | 1,780 | 2,634 | 10,280 | 18,292 | 12,905 | 5,159 | 2,695 |
| Japan | 30,494 | 83,153 | 49,990 | 43,856 | 31,209 | 15,940 | 111,684 | 199,052 | 78,138 | 29,950 |
| USA | 651,575 | 146,566 | 34,266 | 41,371 | 95,842 | 115,123 | 117,587 | 103,716 | 61,853 | 23,438 |
| United Kingdom | 118,136 | 56,398 | 73,515 | 29,888 | 8,934 | 14,108 | 19,109 | 7,281 | 5,209 | N.A. |
| France | 296,077 | 99,249 | 93,956 | 101,040 | 30,127 | 54,174 | 87,221 | 23,969 | 28,736 | 45,481 |
| Germany | 85,971 | 176,056 | 213,290 | 115,090 | 50,038 | 64,434 | 82,588 | 42,915 | 40,056 | 33,383 |
| Italy | 156,691 | 64,276 | 59,984 | 60,695 | 30,910 | 36,723 | 81,191 | 26,701 | 19,984 | 33,891 |
| World | 2,909,521 | 2,075,615 | 1,657,774 | 836,793 | 522,465 | 593,131 | 963,100 | 826,071 | 511,425 | 350,126 |

Source: Our World in Data, KGI Securities Research

Earnings revisions

Revise down our 2022F/2023F earnings forecasts by 92%/7%

We revise down the sector's earnings by 92%/7% in 2022F/2023F. Although the sector's RevPar was revised up (Figure 22) amid better-than-expected occupancy rates, the full-year earnings downside in 2022F came from poorer-than-expected actual profitability in 1H22.

For 2023, we fine-tune up the earnings of CENTEL, ERW, and SPA by nearly 2% as we foresee clear signs of recovery for hotel revenue in 2H22 and anticipate continued acceleration in 2023. Meanwhile, margin pressure on food business as well as cost inflation in Thailand should no longer be a significant issue in 2023. On the other hand, we revise down our earnings forecasts for MINT and SHR in 2023 to factor in utility costs, which are expected to rise around 30% in 2023F (KGI's house view preliminarily expects Europe's natural gas price to remain high at around €150-200/MWh in 2023F increasing from the current year-to-date level of €137/MWh). Also, we have already factored in an increase in effective interest rate by 50bps in 2023F for all stocks.

After the revisions, we expect the sector's earnings in 2022F at Bt149mn and continue recovering to Bt6.9bn in 2023F (Figure 24).

Figure 21: Normalized profit revisions

| | 2022F | | | 2023F | | |
|--------------|--------------|------------|---------------|--------------|--------------|--------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| CENTEL | 600 | 370 | (38.2) | 1,831 | 1,871 | 2.1 |
| ERW | (607) | (580) | 4.5 | 387 | 395 | 2.2 |
| MINT | 1,819 | 620 | (65.9) | 4,725 | 4,224 | (10.6) |
| SHR | 50 | (166) | (430.9) | 340 | 270 | (20.4) |
| SPA | (80) | (95) | (18.9) | 175 | 178 | 2.3 |
| Total | 1,782 | 149 | (91.6) | 7,457 | 6,938 | (7.0) |

Source: Company data, KGI Securities Research

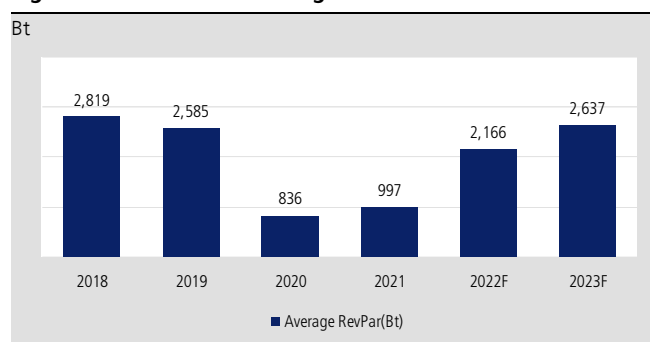
Figure 22: RevPar and SSSG revisions

| | 2022F | | | 2023F | | |
|--------|-------------|----------|-------------|------------|----------|-------------|
| | RevPar (Bt) | Previous | Revised | Change (%) | Previous | Revised |
| CENTEL | 2,009 | 2,186 | 8.8 | 2,783 | 2,953 | 6.1 |
| ERW | 565 | 772 | 36.6 | 853 | 1,012 | 18.7 |
| MINT | 2,170 | 2,554 | 17.7 | 2,529 | 2,909 | 15.0 |
| SHR | 2,871 | 3,154 | 9.9 | 3,376 | 3,674 | 8.8 |
| | | | 13.8 | | | 10.6 |

| | 2022F | | | 2023F | | |
|--------|----------|----------|---------|---------------|----------|---------|
| | SSSG (%) | Previous | Revised | Change (ppts) | Previous | Revised |
| CENTEL | 12.0 | 14.0 | 2.0 | 10.0 | 9.0 | (1.0) |
| MINT | 4.0 | 18.0 | 14.0 | 7.0 | 6.0 | (1.0) |

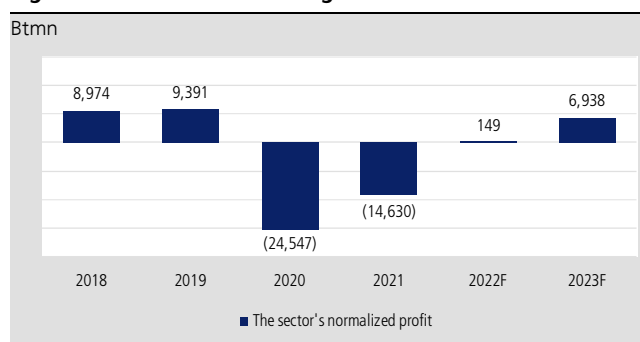
Source: Company data, KGI Securities Research

Figure 23: The sector's average RevPar



Source: Company data, KGI Securities Research

Figure 24: The sector's earnings momentum



Source: Company data, KGI Securities Research

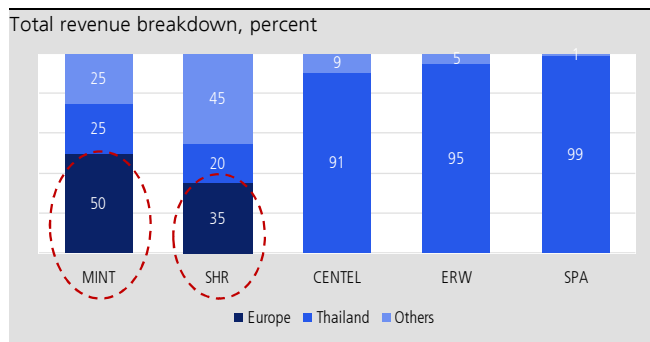
Valuation and action

Still prefer domestic plays, maintain Overweight rating

We expect investors to continue to favor domestic plays at least in the medium-term leading to a divergence in valuations between domestic plays (CENTEL, ERW, SPA) and those exposed to Europe (MINT and SHR). Key supports should come from: i) promising recovery in Thailand's international tourist arrivals towards 2023, ii) Thailand's economic growth, and iii) upside risks from China loosening COVID-19 restrictions. We maintain Overweight rating on Thailand's hotel sector. Our top-picks are ERW (OP, TP: Bt5.10) and CENTEL (OP, Bt:54.00).

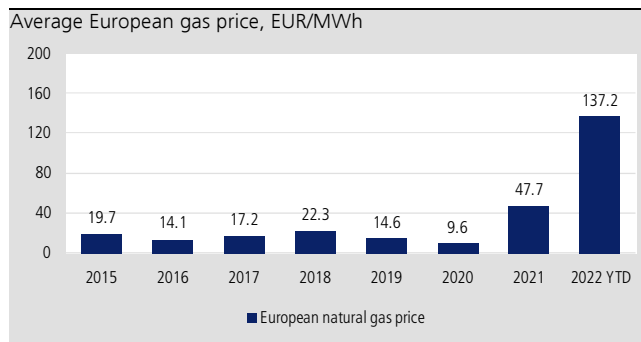
For MINT and SHR, although our stress test suggests negatives have been partly priced-in, we recommend risk-averse investors to take a wait-and-see approach on the economic outlook in Europe, Russia-Ukraine war, and the gas price. In terms of comparison, we expect SHR to feel less negative impact than MINT. Although 35% of SHR's revenue is from the UK (Figure 25), those hotels are operated under "Third Party Hotel Management Agreement" suggesting less contribution to the bottom-line. At the same time, SHR's well-balanced revenue portfolio in Thailand and Maldives should mitigate some downside risks.

Figure 25: Total revenue breakdown (pre-pandemic)



Source: Company data, KGI Securities Research

Figure 26: Average European natural gas price (Yearly)



Source: Company data, KGI Securities Research

Sensitivity to interest rate change

We conducted a sensitivity analysis and found that every 50bps increase in interest rate from our base case could negatively affect the sector earnings by Bt730mn in 2023F. CENTEL and SPA would feel less negative impact due to their relatively low interest bearing debt.

Figure 27: Sensitivity analysis on interest rate rising another 50bps from our base case

| | Impact to 2023F net profit (Bt mn) | Downside to our base case |
|--------|---------------------------------------|---------------------------|
| CENTEL | (71) | -4% |
| ERW | (39) | -10% |
| MINT | (559) | -13% |
| SHR | (58) | -22% |
| SPA | (3) | -2% |
| | (730) | |

Source: Company data, KGI Securities Research

Central Plaza Hotel

(CENTEL.BK/CENTEL TB)*

Outperform • Maintained

| | |
|-------------------------------|-------|
| Price as of 17 Oct 2022 | 48.25 |
| 12M target price (Bt/shr) | 54.00 |
| Unchanged/Revised up(down)(%) | 1.9 |
| Upside/downside (%) | 11.9 |

Key messages

We expect CENTEL to report a 3Q22F net profit of Bt145mn, turning from a huge loss last year and soaring from Bt22mn in 2Q22. Overall, RevPar is expected to rebound 284% YoY and 11% QoQ to Bt2,149, while same-store-sales (SSS) for food business is expected to jump 60% YoY from the low base last year. Looking ahead, we expect earnings to continue to gain positive momentum both YoY and QoQ in 4Q22. We fine-tune up our 2023F earnings forecast by 2% to reflect clearer signs of earnings recovery from 2H22 onwards and as cost pressure from the food side should no longer be an issue. We suggest investors accumulate buy on the dip and maintain a rating of Outperform with a new target price of Bt54.00, from Bt53.00.

Trading data

| | | | |
|----------------------------|------------|------|------|
| Mkt cap (Btbn/US\$m) | 65.5/1,637 | | |
| Outstanding shares (mn) | 1,350 | | |
| Foreign ownership (mn) | 142 | | |
| 3M avg. daily trading (mn) | 4 | | |
| 52-week trading range (Bt) | 30.5/50.5 | | |
| Performance (%) | 3M | 6M | 12M |
| Absolute | 22.0 | 16.2 | 34.7 |
| Relative | 20.2 | 24.4 | 41.3 |

Quarterly EPS

| EPS | Q1 | Q2 | Q3 | Q4 |
|------|--------|--------|--------|--------|
| 2020 | (0.03) | (0.34) | (0.66) | (1.01) |
| 2021 | (0.35) | (0.45) | (0.60) | 0.11 |
| 2022 | (0.03) | 0.02 | | |

Share price chart



Source: SET

Napat Vorajanyavong
66.2658.8888 Ext. 8857
napatv@kgi.co.th

3Q22F earnings preview: Promising earnings outlook

Event

3Q22F earnings preview.

Impact

3Q22F earnings expected to jump to Bt145mn, from Bt22mn in 2Q22

We expect CENTEL to report a 3Q22F net profit of Bt145mn, turning from a huge net loss of Bt803mn in 3Q21 and jumping 558% QoQ from Bt22mn in 2Q22. Overall, continued improvement in the COVID-19 situation in Thailand and recovery in international tourists have continued to propel revenue growth for both hotel and restaurant businesses. We expect total revenue to jump 103% YoY and 12% QoQ to Bt4.7bn. At the same time, EBIT margin is expected to gain momentum and rise to 7.4% (+32.9ppts YoY, +2.6ppts QoQ) backed by improving profitability for both hotel and restaurant businesses.

RevPar (Bt) to jump 284% YoY and 11% QoQ

RevPar (Bt) is expected to reach a multi-quarter high at Bt2,149 (+284% YoY, +11% QoQ) due mainly to a stronger occupancy rate of 52% in 3Q22F (2Q22 was at 46%). Meanwhile, ARR is expected to inch down 3% QoQ to Bt4,122 (+18% YoY) temporarily pressured by Maldives. In terms of locations, hotel performances in Bangkok and upcountry should see continued recoveries with occupancy ramping up to 66% and 46%, respectively (Figure 4), while hotels in Maldives are expected to soften QoQ amid the continued low season.

SSSG to jump 60% YoY

CENTEL's 3Q22F same-store-sales growth (SSSG) is expected to come in at 60% YoY amid low base effect last year during the country's COVID-19 restrictions. With continued branch expansion, we expect restaurant revenue to increase 67% YoY and 12% QoQ to Bt3.2bn.

Fine-tune up our 2023 earnings forecast by 2%

We cut our 2022 normalized profit forecast by 38% to reflect the disappointing results during 1H22. Meanwhile, we foresee a strong recovery from 2H22 onwards and fine-tune up our 2023 earnings forecast by 2%. Key revisions to 2023 include: i) raising RevPar by 6%, and ii) improving profitability as pressure on food business should no longer be an issue in 2023.

Valuation & action

With the investment theme continuing to shift to focus on domestic, CENTEL has remained our top sector pick. We maintain a rating of Outperform with a new target price of Bt54.00, from Bt53.00, based on 16.4x 2023F EV/EBITDA or +2.0SD to its long-term mean.

Risks

Sluggish recovery in SSSG and lower-than-expected of tourist arrivals.

Key financials and valuations

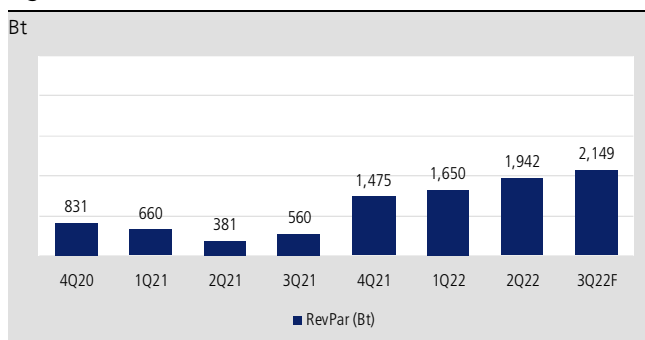
| Year end Dec 31 | Dec - 19A | Dec - 20A | Dec - 21A | Dec - 22F | Dec - 23F |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Btmn) | 20,737 | 12,907 | 11,211 | 17,816 | 21,885 |
| Gross Profit (Btmn) | 8,549 | 4,070 | 3,598 | 7,013 | 9,092 |
| SG&A (Btmn) | 6,770 | 5,831 | 5,075 | 6,307 | 6,565 |
| Net Profit (Btmn) | 1,744 | (2,775) | (1,733) | 370 | 1,871 |
| Normalized Profit (Btmn) | 1,722 | (1,550) | (1,778) | 370 | 1,871 |
| EPS (Bt) | 1.29 | (2.06) | (1.28) | 0.27 | 1.39 |
| Normalized EPS (Bt) | 1.28 | (1.15) | (1.32) | 0.27 | 1.39 |
| DPS (Bt) | 0.55 | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS Growth (%) | (19.9) | N.A. | 37.5 | N.A. | 405.0 |
| Normalized EPS Growth | (21.1) | N.A. | (14.7) | N.A. | 405.0 |
| P/E (X) | 19.3 | (23.5) | (37.6) | 175.8 | 34.8 |
| P/B (X) | 2.4 | 3.1 | 2.3 | 3.5 | 3.1 |
| EV/EBITDA (X) | 9.3 | 26.1 | 31.2 | 18.6 | 12.1 |
| Net Debt to Equity (%) | 41.6 | 177.3 | 106.8 | 105.7 | 93.1 |

Source: Company data, KGI Securities Research

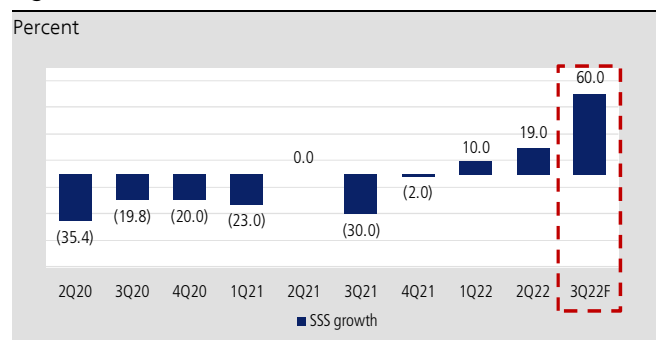
Figure 1: CENTEL's 3Q22F earnings preview

| Bt mn | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | 9M22F | 9M21 | YoY (%) |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|-------------|
| Revenue | 4,697 | 2,310 | 103.3 | 4,189 | 12.1 | 12,567 | 7,555 | 66.3 |
| Revenues from hotel operations | 1,457 | 370 | 293.9 | 1,294 | 12.5 | 3,816 | 1,078 | 254.0 |
| Revenues from food and beverage | 3,241 | 1,940 | 67.0 | 2,895 | 11.9 | 8,751 | 6,477 | 35.1 |
| Gross Profit | 1,880 | 553 | 240.1 | 1,671 | 12.5 | 4,946 | 2,136 | 131.6 |
| SG&A | 1,672 | 1,256 | 33.1 | 1,619 | 3.3 | 4,704 | 3,829 | 22.8 |
| Operating EBIT | 346 | (590) | | 201 | 71.9 | 732 | (1,407) | |
| Operating EBITDA | 1,155 | 257 | 349.1 | 1,009 | 14.5 | 3,115 | 1,067 | 192.1 |
| Net Profit | 145 | (803) | | 22 | 558.4 | 124 | (1,886) | |
| Normalized profit | 145 | (803) | | 22 | 558.4 | 124 | (1,931) | |
| Percent | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) | 9M22F | 9M21 | YoY (ppts) |
| Total gross margin | 40.0 | 23.9 | 16.1 | 39.9 | 0.1 | 39.4 | 28.3 | 11.1 |
| Hotel gross margin | 24.7 | (48.6) | 73.3 | 24.3 | 0.4 | 22.9 | (56.6) | 79.5 |
| Food gross margin | 46.9 | 37.7 | 9.2 | 46.8 | 0.1 | 46.5 | 42.4 | 4.1 |
| EBIT margin | 7.4 | (25.5) | 32.9 | 4.8 | 2.6 | 5.8 | (18.6) | 24.4 |
| SG&A/sales | (35.6) | (54.4) | 18.8 | (38.7) | 3.1 | (37.4) | (50.7) | 13.3 |
| Key performance drivers | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | | | |
| Hotel rooms (owned hotels) | 4,444 | 4,463 | (0.4) | 4,444 | - | | | |
| Occupancy (%) | 52 | 16 | +36ppts | 46 | +6ppts | | | |
| ARR (Bt/night) | 4,122 | 3,497 | 17.9 | 4,244 | (2.9) | | | |
| RevPar (Bt/night) | 2,149 | 560 | 283.7 | 1,942 | 10.6 | | | |

Source: Company data, KGI Securities Research

Figure 2: RevPar momentum


Source: Company data, KGI Securities Research

Figure 3: SSSG momentum


Source: Company data, KGI Securities Research

Figure 4: Hotel performance

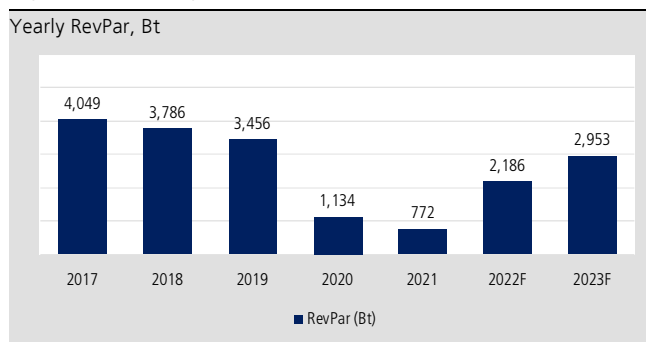
| | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) |
|--------------------------|--------------|--------------|----------------|--------------|----------------|
| Occupancy (%) | | | | | |
| Bangkok | 66.0 | 21.0 | 45.0 | 53.0 | 13.0 |
| Upcountry | 46.0 | 9.0 | 37.0 | 41.0 | 5.0 |
| Maldives | 52.0 | 64.0 | (12.0) | 66.0 | (14.0) |
| Average | 52.1 | 16.0 | 36.1 | 46.0 | 6.1 |
| ARR (Bt/night) | | | Chg (%) | | Chg (%) |
| Bangkok | 3,559 | 1,215 | 192.9 | 3,051 | 16.7 |
| Upcountry | 3,646 | 2,009 | 81.5 | 3,618 | 0.8 |
| Maldives | 12,627 | 9,643 | 30.9 | 13,647 | (7.5) |
| Average | 4,122 | 3,497 | 17.9 | 4,244 | (2.9) |
| RevPar (Bt/night) | | | Chg (%) | | Chg (%) |
| Bangkok | 2,331 | 258 | 803.5 | 1,624 | 43.5 |
| Upcountry | 1,684 | 183 | 820.2 | 1,473 | 14.3 |
| Maldives | 6,566 | 6,174 | 6.3 | 8,969 | (26.8) |
| Average | 2,149 | 560 | 283.7 | 1,942 | 10.6 |

Source: Company data, KGI Securities Research

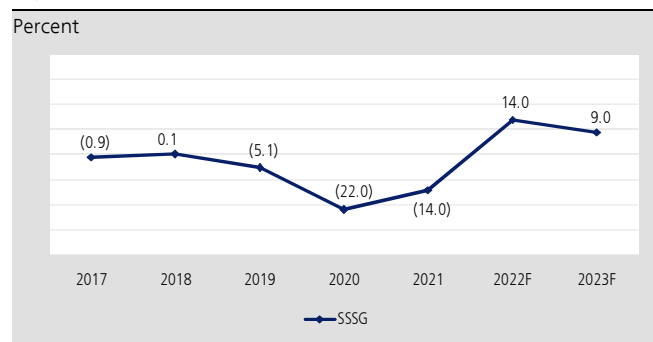
Figure 5: Earnings revisions

| | 2022F | | | 2023F | | |
|-------------------------------------|---------------|---------------|----------------------|---------------|---------------|----------------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| Financials | | | | | | |
| Revenue from hotel business (Bt mn) | 5,256 | 5,719 | 8.8 | 7,280 | 7,727 | 6.1 |
| Revenue from food business (Bt mn) | 11,885 | 12,097 | 1.8 | 14,037 | 14,158 | 0.9 |
| Total revenue (Bt mn) | 17,140 | 17,816 | 3.9 | 21,317 | 21,885 | 2.7 |
| EBITDA (Bt mn) | 4,927 | 4,691 | (4.8) | 7,024 | 7,125 | 1.4 |
| Interest expense | 794 | 786 | (1.0) | 777 | 805 | 3.7 |
| Normalized profit (Bt mn) | 600 | 370 | (38.2) | 1,831 | 1,871 | 2.1 |
| | | | Change (ppts) | | | Change (ppts) |
| Key financial ratios | | | | | | |
| SG&A-to-sales (%) | 33.3 | 35.4 | 2.1 | 29.1 | 30.0 | 0.9 |
| Gross margin (%) | 40.0 | 39.4 | -0.7 | 41.3 | 41.5 | 0.3 |
| EBIT margin | 8.7 | 7.0 | -1.7 | 14.1 | 14.2 | 0.1 |
| | | | Change (%) | | | Change (%) |
| Assumptions | | | | | | |
| OCC | 45.7 | 47.3 | +1.7ppts | 60.7 | 62.5 | +1.9ppts |
| ARR | 4,397.9 | 4,616.6 | 5.0 | 4,588.2 | 4,723.3 | 2.9 |
| RevPar (Bt) | 2,009 | 2,186 | 8.8 | 2,783 | 2,953 | 6.1 |
| SSSG | 12.0 | 14.0 | +2ppts | 10.0 | 9.0 | -1ppts |

Source: Company data, KGI Securities Research

Figure 6: RevPar growth momentum


Source: Company data, KGI Securities Research

Figure 7: SSSG assumptions


Source: Company data, KGI Securities Research

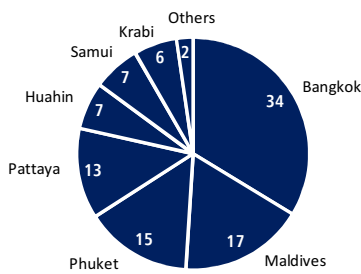
Figure 8: Company profile

Central Plaza Hotel (CENTEL) operates and manages a chain of hotels and resorts across Thailand and abroad. Their hotel in Thailand are located in major tourist destinations such as Bangkok, Hua Hin, Krabi, Pattaya, Samui, Koh Chang, Phuket, Rayong, Trat, Hat Yai, Chiang Mai, Mae Sot, Khon Kaen and Udon. CENTEL also has expertise in beachfront hotel management. The company is also a pioneer in quick service restaurants (QSR) in Thailand, owning more than 12 food franchise brands.

Source: Company data

Figure 10: Hotel revenue breakdown by locations (2019)

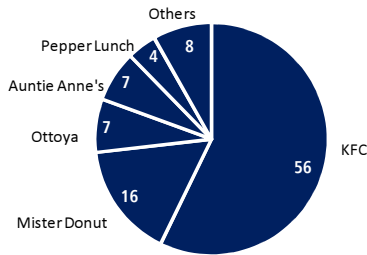
Percent



Source: Company data, KGI Securities Research

Figure 12: Restaurant revenue breakdown by brands (2019)

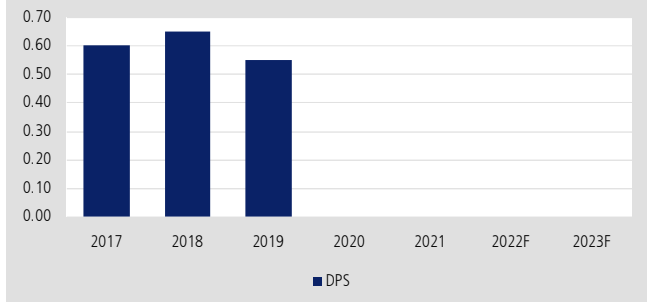
Percent



Source: Company data, KGI Securities Research

Figure 14: DPS

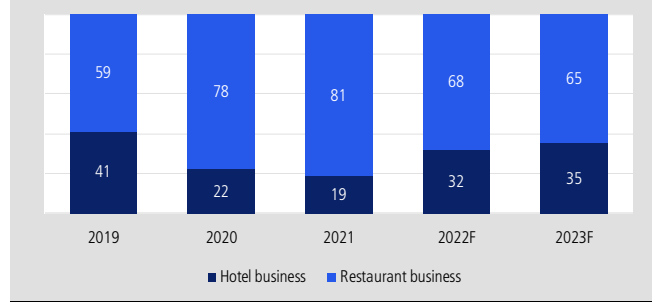
Bt/share



Source: KGI Securities Research

Figure 9: Total revenue breakdown

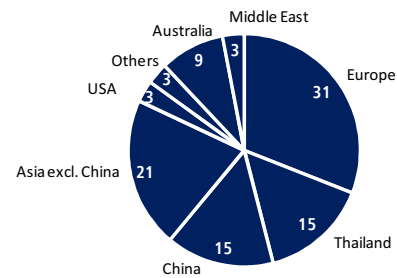
Percent



Source: Company data, KGI Securities Research

Figure 11: Hotel feeder markets (2019)

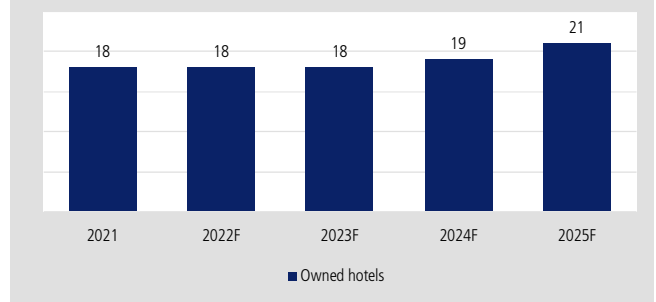
Percent



Source: Company data, KGI Securities Research

Figure 13: Number of owned hotels

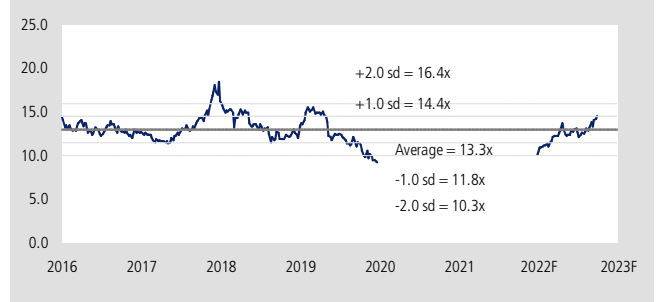
Number of owned hotels



Source: Company data, KGI Securities Research

Figure 15: Forward EV/EBITDA (2023F)

Times



Source: KGI Securities Research

Quarterly Income Statement

| | Jun-18A | Sep-18A | Dec-18A | Mar-19A | Jun-19A | Sep-19A | Dec-19A | Mar-20A | Jun-20A | Sep-20A | Dec-20A | Mar-21A | Jun-21A | Sep-21A | Dec-21A | Mar-22A | Jun-22A |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Income Statement (Bt mn) | | | | | | | | | | | | | | | | | |
| Revenue | 5,085 | 5,244 | 5,411 | 5,540 | 5,116 | 4,877 | 5,204 | 4,501 | 2,245 | 2,997 | 3,164 | 2,682 | 2,563 | 2,310 | 3,656 | 3,681 | 4,189 |
| Cost of Goods Sold | (3,042) | (3,102) | (3,212) | (3,059) | (3,099) | (3,037) | (2,993) | (2,722) | (1,669) | (2,203) | (2,243) | (1,813) | (1,849) | (1,758) | (2,194) | (2,285) | (2,519) |
| Gross Profit | 2,043 | 2,142 | 2,199 | 2,481 | 2,017 | 1,840 | 2,211 | 1,779 | 576 | 794 | 921 | 869 | 714 | 553 | 1,462 | 1,396 | 1,671 |
| Operating Expense | (1,660) | (1,649) | (1,626) | (1,605) | (1,742) | (1,640) | (1,783) | (1,725) | (1,085) | (1,667) | (1,354) | (1,276) | (1,297) | (1,256) | (1,246) | (1,413) | (1,619) |
| Other incomes | 106 | 77 | 107 | 123 | 109 | 88 | 153 | 78 | 66 | 43 | 66 | 73 | 54 | 86 | 59 | 170 | 108 |
| Operating Profit | 489 | 570 | 680 | 999 | 384 | 287 | 581 | 132 | -443 | -830 | -367 | -335 | -529 | -617 | 276 | 154 | 159 |
| Depreciation of fixed asset | (507) | (612) | (526) | (510) | (516) | (530) | (481) | (854) | (852) | (864) | (850) | (810) | (816) | (847) | (694) | (767) | (807) |
| Operating EBITDA | 996 | 1,182 | 1,206 | 1,509 | 900 | 817 | 1,062 | 986 | 410 | 34 | 484 | 476 | 287 | 230 | 970 | 921 | 966 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 25 | 21 | 21 | 19 | 27 | 28 | 33 | 30 | 42 |
| Interest Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 25 | 21 | 21 | 19 | 27 | 28 | 33 | 30 | 42 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (45) | (40) | (55) | (46) | (50) | (44) | (45) | (164) | (138) | (214) | (174) | (174) | (185) | (231) | (192) | (172) | (195) |
| Interest Expense | (52) | (54) | (49) | (54) | (57) | (52) | (51) | (171) | (143) | (191) | (164) | (165) | (172) | (214) | (167) | (172) | (177) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 7 | 14 | (6) | 8 | 7 | 8 | 6 | 7 | 5 | (23) | (10) | (9) | (13) | (17) | (25) | 0 | (18) |
| Pre-tax profit | 444 | 530 | 624 | 954 | 334 | 244 | 536 | (10) | (555) | (1,023) | (520) | (490) | (686) | (820) | 116 | 11 | 6 |
| Current Taxation | (68) | (79) | (110) | (159) | (44) | (29) | (49) | (13) | 39 | 67 | 343 | 9 | 7 | (12) | 74 | (35) | 12 |
| Minorities | (4) | (9) | (30) | (49) | 0 | (0) | (16) | (22) | 51 | 58 | 35 | 5 | 28 | 29 | (38) | (21) | 3 |
| Extraordinary items | 0 | 0 | (4) | 81 | (58) | 0 | 0 | 0 | 0 | 0 | (1,225) | 0 | 45 | 0 | 0 | 0 | 0 |
| Net Profit | 372 | 442 | 481 | 826 | 232 | 215 | 471 | (45) | (465) | (897) | (1,367) | (476) | (606) | (803) | 152 | (44) | 22 |
| Normalized Profit | 372 | 442 | 485 | 745 | 291 | 215 | 471 | (45) | (751) | (570) | (387) | (476) | (651) | (803) | 152 | (44) | 22 |
| EPS (Bt) | 0.28 | 0.33 | 0.36 | 0.61 | 0.17 | 0.16 | 0.35 | (0.03) | (0.34) | (0.66) | (1.01) | (0.35) | (0.45) | (0.60) | 0.11 | (0.03) | 0.02 |
| Normalized EPS (Bt) | 0.28 | 0.33 | 0.36 | 0.55 | 0.22 | 0.16 | 0.35 | (0.03) | (0.34) | (0.66) | (0.11) | (0.35) | (0.48) | (0.60) | 0.11 | (0.03) | 0.02 |
| Margins | | | | | | | | | | | | | | | | | |
| Gross profit margin | 40.2 | 40.8 | 40.6 | 44.8 | 39.4 | 37.7 | 42.5 | 39.5 | 25.7 | 26.5 | 29.1 | 32.4 | 27.9 | 23.9 | 40.0 | 37.9 | 39.9 |
| Operating EBIT margin | 9.6 | 10.9 | 12.6 | 18.0 | 7.5 | 5.9 | 11.2 | 2.9 | (19.7) | (27.7) | (11.6) | (12.5) | (20.6) | (26.7) | 7.5 | 4.2 | 3.8 |
| Operating EBITDA margin | 19.6 | 22.5 | 22.3 | 27.2 | 17.6 | 16.8 | 20.4 | 21.9 | 18.2 | 1.1 | 15.3 | 17.7 | 11.2 | 9.9 | 26.5 | 25.0 | 23.1 |
| Net profit margin | 7.3 | 8.4 | 8.9 | 14.9 | 4.5 | 4.4 | 9.0 | (1.0) | (20.7) | (29.9) | (43.2) | (17.7) | (23.7) | (34.8) | 4.2 | (1.2) | 0.5 |
| Growth (YoY) | | | | | | | | | | | | | | | | | |
| Revenue growth | 7.5 | 9.0 | 4.2 | (1.7) | 0.6 | (7.0) | (3.8) | (18.8) | (56.1) | (38.5) | (39.2) | (40.4) | 14.1 | (22.9) | 15.6 | 37.3 | 63.5 |
| Operating EBIT growth | 4.9 | 9.8 | (3.4) | (12.9) | (21.4) | (49.6) | (14.5) | (86.8) | (215.2) | (388.8) | (163.1) | (353.9) | 19.4 | (25.6) | (175.2) | (145.8) | (130.1) |
| Operating EBITDA growth | 7.9 | 10.8 | 2.7 | (2.4) | (9.7) | (30.9) | (11.9) | (34.7) | (54.5) | (95.8) | (54.5) | (51.8) | (29.9) | 573.7 | 100.6 | 93.7 | 236.5 |
| Net profit growth | (6.7) | 19.9 | 9.0 | (6.5) | (37.5) | (51.3) | (2.1) | (105.5) | (300.3) | (517.4) | (390.3) | 954.4 | 30.3 | (10.5) | (111.1) | (90.8) | (103.6) |
| Normalized profit growth | (6.7) | 19.9 | (4.2) | (15.6) | (21.8) | (51.3) | (2.9) | (106.1) | (358.7) | (365.3) | (182.2) | 954.4 | (13.3) | 40.8 | (139.3) | (90.8) | (103.4) |

Source: KGI Securities Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Assets | 27,590 | 35,350 | 48,593 | 48,021 | 50,357 |
| Current Assets | 4,661 | 4,406 | 5,732 | 4,662 | 5,272 |
| Cash & ST Investment | 2,024 | 2,734 | 3,354 | 2,003 | 2,317 |
| Inventories | 871 | 782 | 748 | 939 | 1,066 |
| Account Receivable | 765 | 514 | 801 | 775 | 952 |
| Others | 1,002 | 286 | 328 | 445 | 438 |
| Non-current Assets | 22,928 | 30,944 | 42,860 | 43,358 | 45,085 |
| LT Investment | 1,584 | 2,917 | 4,091 | 3,659 | 3,659 |
| Net fixed Assets | 17,997 | 17,368 | 29,875 | 31,985 | 33,712 |
| Others | 3,347 | 1,908 | 2,256 | 1,715 | 1,715 |
| Total Liabilities | 13,446 | 25,135 | 30,161 | 29,142 | 29,507 |
| Current Liabilities | 5,129 | 7,798 | 9,664 | 9,606 | 10,271 |
| Account Payable | 2,649 | 1,873 | 2,669 | 3,087 | 3,655 |
| ST Borrowing | 2,113 | 3,749 | 5,136 | 4,417 | 4,458 |
| Others | 367 | 244 | 281 | 302 | 358 |
| Long-term Liabilities | 8,317 | 17,337 | 20,497 | 19,536 | 19,236 |
| Long-term Debts | 5,751 | 7,740 | 10,587 | 10,292 | 9,966 |
| Others | 2,566 | 707 | 2,930 | 2,244 | 2,269 |
| Shareholders' Equity | 14,144 | 10,216 | 18,432 | 18,879 | 20,850 |
| Common Stock | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 |
| Capital Surplus | 970 | 970 | 970 | 970 | 970 |
| Retained Earnings | 11,318 | 7,541 | 5,808 | 6,178 | 8,049 |
| Preferred Stock | | | | | |

Source: KGI Securities Research

Key Ratios

| Year to 31 Dec | 2019 | 2020 | 2021 | 2022F | 2023F |
|----------------------------------|---------|----------|----------|----------|----------|
| Growth (%YoY) | | | | | |
| Sales | (3.0) | (37.8) | (13.1) | 58.9 | 22.8 |
| OP | (22.0) | (166.9) | (20.1) | (193.1) | 164.5 |
| EBITDA | (13.0) | (55.4) | 2.6 | 132.6 | 53.2 |
| NP | (19.9) | N.A. | 37.5 | N.A. | 405.0 |
| Normalized Profit | (21.1) | N.A. | (14.7) | N.A. | 405.0 |
| EPS | (19.9) | N.A. | 37.5 | N.A. | 405.0 |
| Normalized EPS | (21.1) | N.A. | (14.7) | N.A. | 405.0 |
| Profitability (%) | | | | | |
| Gross Margin | 41.2 | 31.5 | 32.1 | 39.4 | 41.5 |
| Operating Margin | 10.9 | (11.7) | (10.7) | 6.3 | 13.6 |
| EBITDA Margin | 20.7 | 14.8 | 17.5 | 25.6 | 32.0 |
| Net Margin | 8.4 | (21.5) | (15.5) | 2.1 | 8.5 |
| ROAA | 6.3 | (7.9) | (3.6) | 0.8 | 3.7 |
| ROAE | 12.3 | (27.2) | (9.4) | 2.0 | 9.0 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 1.0 | 2.5 | 1.7 | 1.6 | 1.4 |
| Net Debt/Equity (%) | 0.4 | 1.8 | 1.1 | 1.1 | 0.9 |
| Interest Coverage (x) | 10.5 | (2.3) | (1.7) | 1.4 | 3.7 |
| Interest & ST Debt Coverage (x) | 1.0 | (0.3) | (0.2) | 0.2 | 0.6 |
| Cash Flow Interest Coverage (x) | 17.6 | 5.5 | 1.6 | 5.5 | 7.9 |
| Cash Flow/Interest & ST Debt (x) | 1.6 | 0.8 | 0.2 | 0.8 | 1.2 |
| Current Ratio (x) | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 |
| Quick Ratio (x) | 0.7 | 0.5 | 0.5 | 0.4 | 0.4 |
| Net Debt (Bt mn) | 5,693.5 | 17,588.1 | 19,310.3 | 19,559.4 | 18,961.0 |
| Per Share Data (Bt) | | | | | |
| EPS | 1.3 | (2.1) | (1.3) | 0.3 | 1.4 |
| Normalized EPS | 1.3 | (1.1) | (1.3) | 0.3 | 1.4 |
| CFPS | 2.8 | 2.7 | 0.9 | 3.2 | 4.7 |
| BVPS | 10.5 | 7.6 | 13.7 | 14.0 | 15.4 |
| SPS | 15.4 | 9.6 | 8.3 | 13.2 | 16.2 |
| EBITDA/Share | 3.2 | 1.4 | 1.5 | 3.4 | 5.2 |
| DPS | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Activity | | | | | |
| Asset Turnover (x) | 0.8 | 0.4 | 0.2 | 0.4 | 0.4 |
| Days Receivables | 13.5 | 14.5 | 26.1 | 15.9 | 15.9 |
| Days Inventory | 26.1 | 32.3 | 35.8 | 31.7 | 30.4 |
| Days Payable | 79.3 | 77.4 | 128.0 | 104.3 | 104.3 |
| Cash Cycle | (39.8) | (30.5) | (66.0) | (56.7) | (58.0) |

Source: KGI Securities Research

Profit & Loss

| Year to Dec 31 (Btmn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|---------------|----------------|----------------|---------------|---------------|
| Revenue | 20,737 | 12,907 | 11,211 | 17,816 | 21,885 |
| Cost of Goods Sold | (12,189) | (8,837) | (7,613) | (10,803) | (12,793) |
| Gross Profit | 8,549 | 4,070 | 3,598 | 7,013 | 9,092 |
| Operating Expenses | (6,770) | (5,831) | (5,075) | (6,307) | (6,565) |
| Other Incomes | 473 | 253 | 272 | 415 | 440 |
| Operating Profit | 2,252 | (1,507) | (1,205) | 1,121 | 2,966 |
| Depreciation of fixed assets | (2,037) | (3,421) | (3,167) | (3,445) | (4,027) |
| Operating EBITDA | 4,289 | 1,914 | 1,963 | 4,566 | 6,994 |
| Non-Operating Income | 0 | 89 | 107 | 125 | 131 |
| Interest Income | 0 | 89 | 107 | 125 | 131 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (214) | (669) | (718) | (786) | (805) |
| Interest Expense | (214) | (669) | (718) | (786) | (805) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 29 | (21) | (64) | (23) | 0 |
| Pretax Profit | 2,090 | (3,333) | (1,835) | 438 | 2,292 |
| Current Taxation | (281) | 435 | 78 | (46) | (321) |
| Minorities | (65) | 123 | 24 | (21) | (101) |
| Extraordinaries items | 23 | (1,225) | 45 | 0 | 0 |
| Net Profit | 1,744 | (2,775) | (1,733) | 370 | 1,871 |
| Normalized Profit | 1,722 | (1,550) | (1,778) | 370 | 1,871 |
| EPS (Bt) | 1.29 | (2.06) | (1.28) | 0.27 | 1.39 |
| Normalized EPS (Bt) | 1.28 | (1.15) | (1.32) | 0.27 | 1.39 |

Source: KGI Securities Research

Cash Flow

| Year to 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|-----------------------------|----------------|-----------------|-----------------|----------------|----------------|
| Operating Cash Flow | 3,759 | 3,677 | 1,184 | 4,346 | 6,327 |
| Net Profit | 1,744 | (2,775) | (1,733) | 370 | 1,871 |
| Depreciation & Amortization | 2,037 | 3,421 | 3,167 | 3,445 | 4,027 |
| Change in Working Capital | (36) | 1,908 | (245) | 488 | 328 |
| Others | | | | | |
| Investment Cash Flow | (2,573) | (14,542) | (12,880) | (4,651) | (5,728) |
| Net CAPEX | (1,988) | (2,270) | (15,901) | (5,236) | (5,754) |
| Change in LT Investment | (482) | (10,075) | 873 | 1,057 | 0 |
| Change in Other Assets | (103) | (2,196) | 2,148 | (472) | 26 |
| Free Cash Flow | 1,186 | (10,864) | (11,696) | (305) | 598 |
| Financing Cash Flow | (444) | 11,574 | 12,316 | (1,046) | (285) |
| Change in Share Capital | 0 | 0 | 0 | 0 | 0 |
| Net Change in Debt | 641 | 12,605 | 2,343 | (1,102) | (285) |
| Change in Other LT Liab. | (208) | (1,030) | 9,974 | 56 | (0) |
| Net Cash Flow | 742 | 710 | 621 | (1,351) | 314 |

Source: KGI Securities Research

Rates of Return on Invested Capital

| Year | 1- Revenue | + | COGS Revenue | + | Depreciation Revenue | + | Operating Exp. Revenue | = | Operating Margin |
|-------|---------------------|---|----------------------------|---|-------------------------|---|-------------------------------------|---|---------------------|
| 2019 | | | 58.8% | | 9.8% | | 32.6% | | -1.2% |
| 2020 | | | 68.5% | | 26.5% | | 45.2% | | -40.1% |
| 2021 | | | 67.9% | | 28.3% | | 45.3% | | -41.4% |
| 2022F | | | 60.0% | | 20.1% | | 33.3% | | -13.4% |
| Year | 1/ Revenue | + | Working Capital Revenue | + | Net PPE Revenue | + | Other Assets Revenue | = | Capital Turnover |
| 2019 | | | 0.0 | | 0.9 | | 0.5 | | 0.8 |
| 2020 | | | (0.3) | | 1.3 | | 1.4 | | 0.4 |
| 2021 | | | (0.4) | | 2.7 | | 1.7 | | 0.3 |
| 2022F | | | (0.3) | | 1.9 | | 0.9 | | 0.4 |
| Year | Operating Margin | x | Capital Turnover | x | Cash Tax Rate | = | After-tax Return on Inv. Capital | | |
| 2019 | | | -1.2% | | 0.8 | | 16.3% | | -0.2% |
| 2020 | | | -40.1% | | 0.4 | | 16.3% | | -2.6% |
| 2021 | | | -41.4% | | 0.3 | | 16.3% | | -1.7% |
| 2022F | | | -13.4% | | 0.4 | | 16.3% | | -0.9% |

Source: KGI Securities Research

Central Plaza Hotel - Recommendation & target price history



Source: KGI Securities Research

The Erawan Group

(ERW.BK/ERW TB)

Outperform • Maintained

| | |
|-------------------------------|------|
| Price as of 17 Oct 2022 | 4.24 |
| 12M target price (Bt/shr) | 5.10 |
| Unchanged/Revised up(down)(%) | 2.0 |
| Upside/downside (%) | 20.3 |

Key messages

We expect ERW to report a 3Q22F normalized loss of Bt80mn, narrowing from a net loss of Bt151mn in 2Q22. Key support would be total RevPar reaching a multi-quarter high amid improving tourism sentiment and recovery in international tourist arrivals. Looking ahead, we expect 4Q22 earnings to continue to gain momentum both YoY and QoQ. We fine-tune up our 2022/2023 earnings forecasts by 5%/2% and maintain a rating of Outperform with a new target price of Bt5.10, from Bt5.00. ERW remains one of our top picks riding the domestic play theme.

Trading data

| | | | |
|----------------------------|-------------|------|------|
| Mkt cap (Btbn/US\$mn) | 19.0/476 | | |
| Outstanding shares (mn) | 4,532 | | |
| Foreign ownership (mn) | 371 | | |
| 3M avg. daily trading (mn) | 14 | | |
| 52-week trading range (Bt) | 2.80 – 4.50 | | |
| Performance (%) | 3M | 6M | 12M |
| Absolute | 23.5 | 18.0 | 25.0 |
| Relative | 21.4 | 26.3 | 31.2 |

Quarterly EPS

| EPS | Q1 | Q2 | Q3 | Q4 |
|------|--------|--------|--------|--------|
| 2020 | (0.02) | (0.14) | (0.11) | (0.10) |
| 2021 | (0.11) | (0.15) | (0.14) | (0.05) |
| 2022 | (0.07) | (0.03) | | |

Share price chart



Source: SET

Napat Vorajanyavong
66.2658.8888 Ext. 8857
napatv@kgi.co.th

3Q22F earnings preview: To report narrow loss

Event

3Q22F earnings preview.

Impact

Expect an improving 3Q22F normalized loss of Bt80mn

We expect ERW to report a 3Q22F normalized loss of Bt80mn, improving from losses of Bt623mn in 3Q21 and 151mn in 2Q22. Key supports would be the strong recovery in international tourist arrivals since May 2022 and continued improvement in the COVID-19 situation. Overall, we expect hotel revenue to come in at Bt1.15bn (+449% YoY, +20% QoQ), while EBIT margin is expected to turn positive for the first time in two years at 1.2% (from -6.1% in 2Q22) amid better economies of scale.

RevPar to reach highest level since the emergence of COVID-19

Excluding the budget hotels, RevPar is expected to reach its highest level since the emergence of COVID-19 at Bt1,532 (up substantially YoY, +32% QoQ), resulting from i) occupancy rate of 65% (vs. 55% in 2Q22), and ii) ARR improving to Bt2,342 (+98% YoY, +12% QoQ). In terms of locations, hotels in Bangkok should continue to outperform in 3Q22 amid strategic locations attracting international tourists.

Fine-tune up our 2022/2023 earnings projections by 5%/2%

Following the impressive 1H22 results, we revise up our 2022 earnings forecast by 5%. We also fine-tune up our 2023 earnings forecast by 2% to reflect a higher RevPar assumption and lower interest expense as sale of assets in 2Q22 (collectively worth Bt1.05bn) has led to less interest bearing debt burden.

Valuation & Action

As a pure hotel operator, ERW will be a key beneficiary from the strong recovery in Thailand's tourism and the return of Chinese tourists. Riding the domestic play theme, we maintain a rating of Outperform with a new target price of Bt5.10, from Bt5.00, based on 17.9x 2023F EV/EBITDA or +1.5SD to its long-term mean.

Risks

Fewer than expected tourist arrivals.

Key financials and valuations

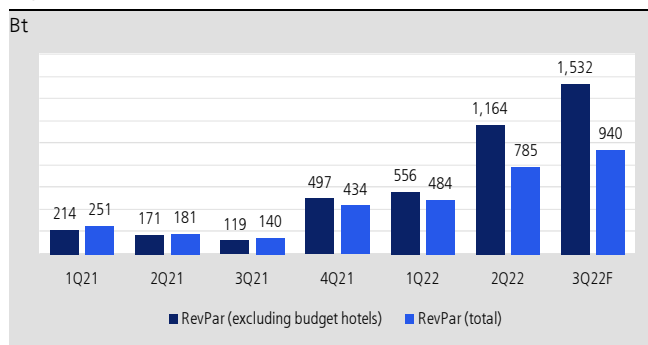
| | Dec - 19A | Dec - 20A | Dec - 21A | Dec - 22F | Dec - 23F |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Btmn) | 6,379 | 2,306 | 1,485 | 4,135 | 5,339 |
| Gross Profit (Btmn) | 2,650 | (171) | (734) | 1,018 | 2,245 |
| SG&A (Btmn) | 1,633 | 1,005 | 915 | 1,282 | 1,335 |
| Net Profit (Btmn) | 446 | (1,715) | (2,050) | (580) | 395 |
| Normalized Profit (Btmn) | 463 | (1,585) | (2,021) | (580) | 395 |
| EPS (Bt) | 0.10 | (0.38) | (0.45) | (0.13) | 0.09 |
| Normalized EPS (Bt) | 0.10 | (0.35) | (0.45) | (0.13) | 0.09 |
| DPS (Bt) | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS Growth (%) | (16.9) | N.A. | (19.5) | 71.7 | N.A. |
| Normalized EPS Growth | (13.6) | N.A. | (27.5) | 71.3 | N.A. |
| P/E (X) | 64.1 | (9.5) | (6.6) | (33.1) | 48.6 |
| P/B (X) | 4.8 | 4.2 | 2.3 | 3.5 | 3.3 |
| EV/EBITDA (X) | 19.9 | (257.6) | (43.0) | 49.5 | 15.7 |
| Net Debt to Equity (%) | 154.7 | 375.9 | 226.0 | 245.2 | 221.9 |
| Dividend Yield (%) | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, KGI Securities Research

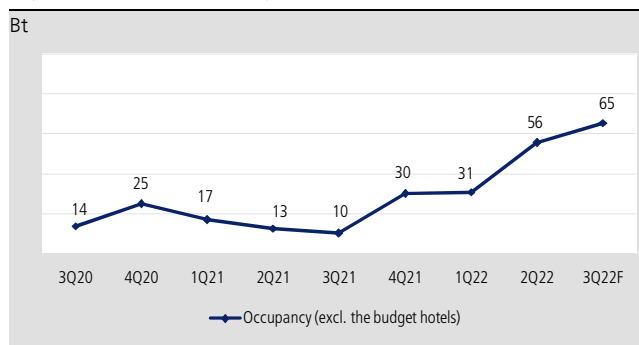
Figure 1: ERW's 3Q22F earnings preview

| Bt mn | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | 9M22F | 9M21 | YoY (%) |
|---|--------------|--------------|--------------|--------------|-------------|--------------|----------------|--------------|
| Revenue | 1,166 | 226 | 415.1 | 974 | 19.7 | 2,779 | 866 | 220.7 |
| Revenue from hotel business | 1,151 | 210 | 448.7 | 961 | 19.8 | 2,730 | 815 | 234.9 |
| Rental and service income | 15 | 17 | (9.7) | 13 | 11.4 | 49 | 51 | (3.8) |
| Gross Profit | 339 | (289) | | 239 | 41.7 | 598 | (736) | |
| SG&A | 336 | 211 | 59.5 | 311 | 8.1 | 902 | 632 | 42.7 |
| Operating EBIT | 14 | (472) | | (60) | | (273) | (1,321) | 79.3 |
| Operating EBITDA | 231 | (244) | | 155 | 48.4 | 372 | (605) | |
| Net Profit | (80) | (623) | 87.1 | (139) | 42.4 | (532) | (1,805) | 70.5 |
| Normalized profit | (80) | (623) | 87.1 | (151) | 47.0 | (546) | (1,675) | 67.4 |
| Percent | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) | 9M22F | 9M21 | YoY (ppts) |
| Gross margin | 29.1 | (127.6) | 156.7 | 24.6 | 4.5 | 21.5 | (85.0) | 106.5 |
| EBIT margin | 1.2 | (208.5) | 209.7 | (6.1) | 7.3 | (9.8) | (152.5) | 142.7 |
| SG&A/sales | 28.8 | 93.0 | (64.2) | 31.9 | (3.1) | 32.4 | 72.9 | (40.5) |
| Key stats | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | | | |
| No. of rooms | 9,803 | 9,863 | (0.6) | 9,724 | 0.8 | | | |
| Occupancy (%) - excluding the budget hotels | 65 | 10 | +55ppts | 55 | +10ppts | | | |
| ARR (Bt) - excluding the budget hotels | 2,342 | 1,184 | 97.8 | 2,098 | 11.6 | | | |
| RevPar (Bt) - excluding the budget hotels | 1,532 | 119 | 1,187.3 | 1,164 | 31.6 | | | |

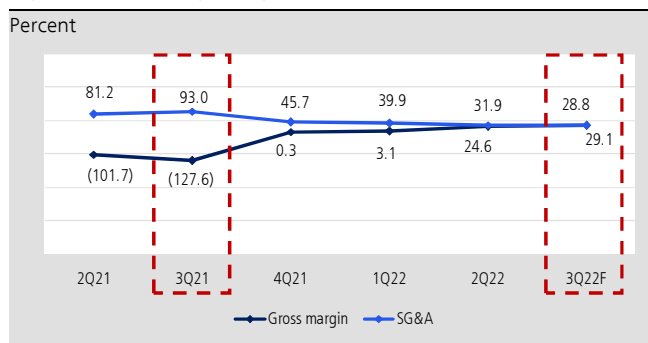
Source: Company data, KGI Securities Research

Figure 2: RevPar momentum


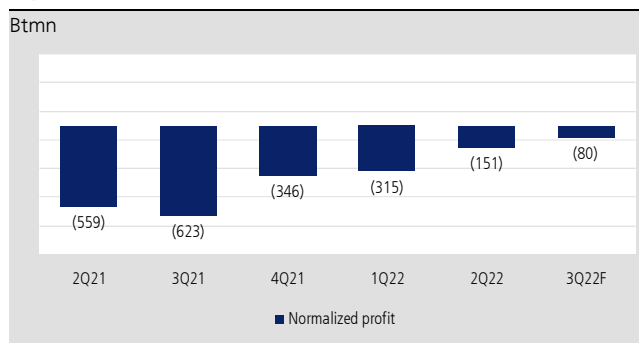
Source: Company data, KGI Securities Research

Figure 3: Total occupancy momentum


Source: Company data, KGI Securities Research

Figure 4: Quarterly margins


Source: Company data, KGI Securities Research

Figure 5: Normalized profit momentum


Source: Company data, KGI Securities Research

Fine-tune up our 2022/2023 earnings projections by 5%/2%

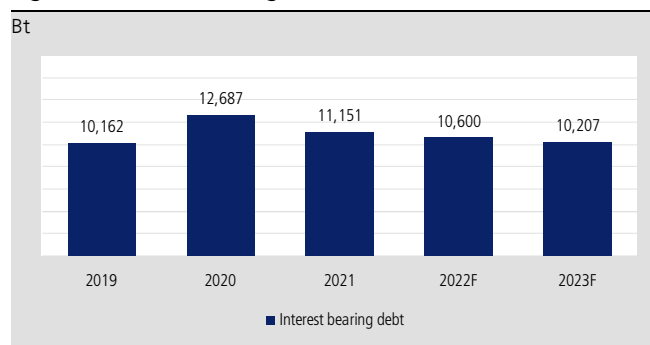
We revise up our 2022/2023 earnings forecasts by 5%/2% to reflect up-to-date assumptions. Key revisions include: i) raising RevPar assumptions for 2022/2023 by 37%/19% to reflect better-than-expected hotel performances in 1H22 and a continued positive trend through 2023, and ii) lower interest expense in 2022/2023.

Note that ERW divested three hotels in 2Q22 (ibis Krabi Style, ibis Kata and ibis Hua Hin) collectively worth Bt1.05bn, leading to a lower interest bearing debt burden through 2023 (Figure 7).

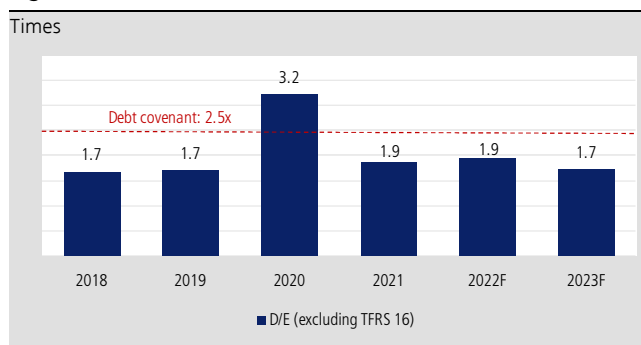
Figure 6: Earnings revisions

| | 2022F | | | 2023F | | |
|----------------------------------|--------------|--------------|----------------------|--------------|--------------|----------------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| Financials | | | | | | |
| Total revenue (Bt mn) | 3,126 | 4,135 | 32.3 | 4,896 | 5,339 | 9.0 |
| Gross profit (Bt mn) | 758 | 1,018 | 34.3 | 2,095 | 2,245 | 7.2 |
| SG&A | 1,054 | 1,282 | 21.7 | 1,102 | 1,335 | 21.2 |
| EBIT | (218) | (210) | 3.7 | 1,061 | 1,009 | (4.9) |
| Interest expense | 547 | 473 | (13.4) | 555 | 513 | (7.5) |
| Normalized profit (Bt mn) | (607) | (580) | 4.5 | 387 | 395 | 2.2 |
| | | | Change (ppts) | | | Change (ppts) |
| Key financial ratios | | | | | | |
| SG&A-to-sales (%) | 33.7 | 31.0 | -2.7 | 22.5 | 25.0 | 2.5 |
| Gross margin (%) | 24.2 | 24.6 | 0.4 | 42.8 | 42.1 | -0.7 |
| EBIT margin (%) | (7.0) | (5.1) | 1.9 | 21.7 | 18.9 | -2.8 |
| | | | Change (%) | | | Change (%) |
| Assumptions | | | | | | |
| OCC (%) | 55 | 64 | +9ppts | 68 | 71 | +3ppts |
| ARR | 1,019 | 1,215 | 19.2 | 1,247 | 1,429 | 14.6 |
| RevPar (Bt) | 565 | 772 | 36.6 | 853 | 1,012 | 18.7 |

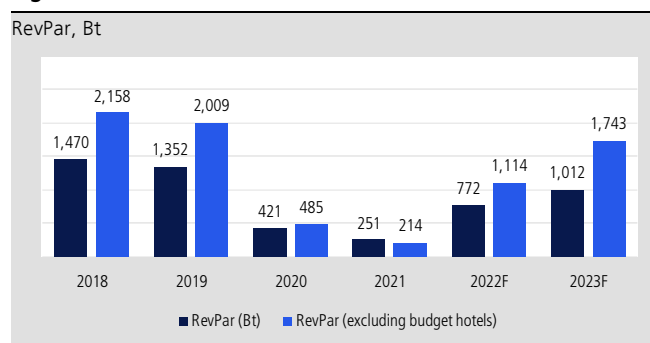
Source: Company data, KGI Securities Research

Figure 7: Interest bearing debt


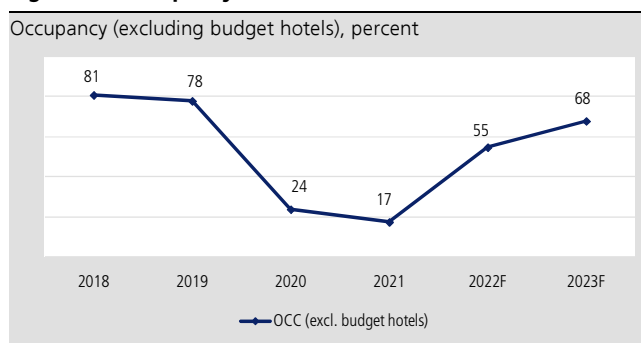
Source: Company data, KGI Securities Research

Figure 8: D/E


Source: Company data, KGI Securities Research

Figure 9: RevPar momentum


Source: Company data, KGI Securities Research

Figure 10: Occupancy momentum


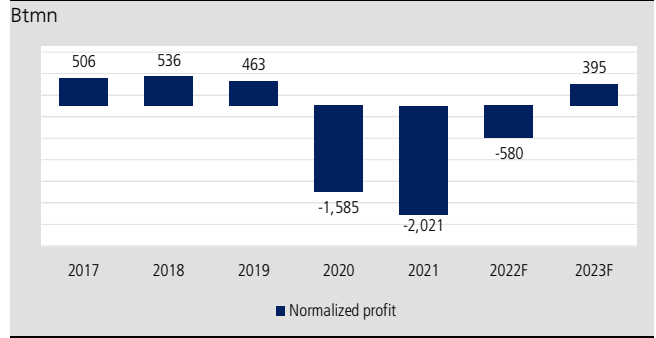
Source: Company data, KGI Securities Research

Figure 11: Company profile

The Erawan Group (ERW) is a market leader in the non-luxury hotel segment with around 45% of its total revenue coming from the segment. Apart from being a non-luxury hotel leader, around 65% of its revenues comes from hotels in Bangkok and the rest from upcountry.

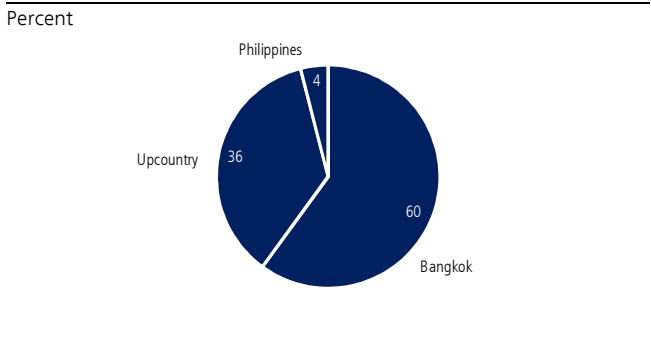
Source: Company data

Figure 12: Earnings forecast



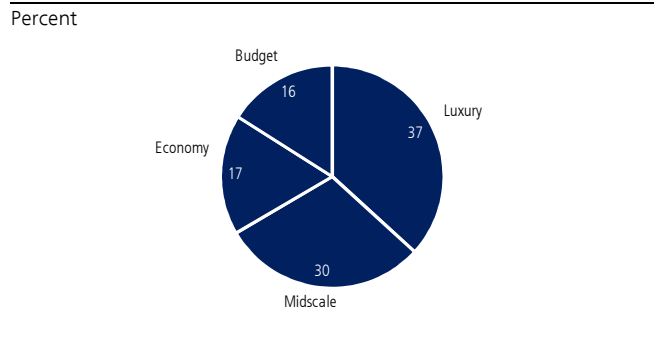
Source: Company data, KGI Securities Research

Figure 13: Hotel revenue breakdown by location (2019)



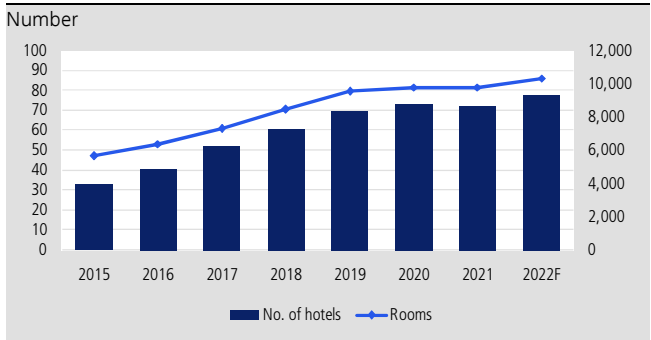
Source: Company data, KGI Securities Research

Figure 14: EBITDA breakdown by segment (2019)



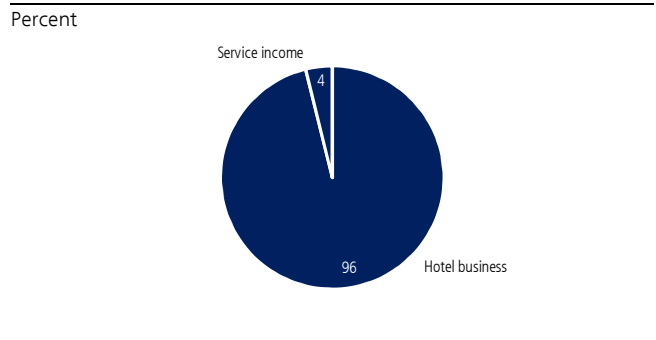
Source: Company data, KGI Securities Research

Figure 15: Number of hotels and rooms



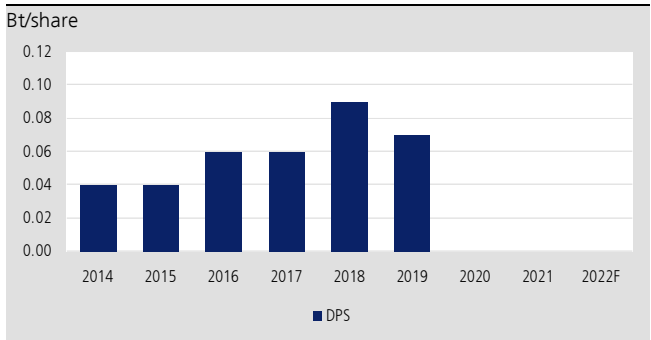
Source: Company data, KGI Securities Research

Figure 16: Total revenue breakdown (2019)



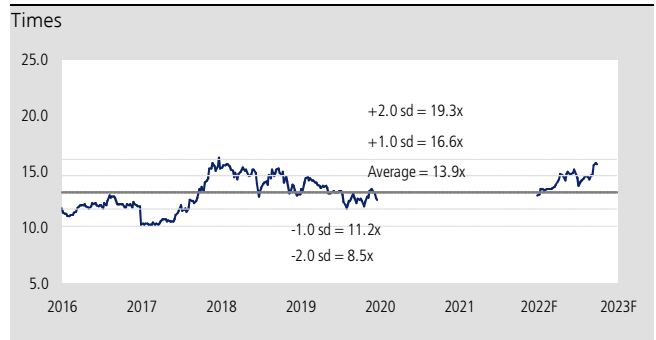
Source: Company data, KGI Securities Research

Figure 17: DPS



Source: Company data, KGI Securities Research

Figure 18: EV/EBITDA



Source: Company data, KGI Securities Research

Quarterly Income Statement

| | Sep-18A | Dec-18A | Mar-19A | Jun-19A | Sep-19A | Dec-19A | Mar-20A | Jun-20A | Sep-20A | Dec-20A | Mar-21A | Jun-21A | Sep-21A | Dec-21A | Mar-22A | Jun-22A |
|---------------------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Income Statement (Bt mn) | | | | | | | | | | | | | | | | |
| Revenue | 1,429 | 1,705 | 1,758 | 1,396 | 1,498 | 1,727 | 1,211 | 79 | 427 | 589 | 378 | 262 | 226 | 619 | 638 | 974 |
| Cost of Goods Sold | -689 | -746 | -740 | -709 | -725 | -726 | -589 | -143 | -342 | -390 | -315 | -285 | -287 | -398 | -405 | -520 |
| Gross Profit | 547 | 748 | 812 | 480 | 567 | 790 | 358 | -327 | -173 | -29 | -180 | -267 | -289 | 2 | 20 | 239 |
| Operating Expense | -400 | -411 | -423 | -374 | -396 | -439 | -343 | -190 | -267 | -206 | -208 | -213 | -211 | -283 | -255 | -311 |
| Other incomes | 12 | 13 | 17 | 18 | 12 | 13 | 12 | 5 | 10 | 15 | 12 | 7 | 27 | 34 | 8 | 12 |
| Operating Profit | 159 | 349 | 406 | 123 | 183 | 364 | 27 | -511 | -429 | -219 | -376 | -473 | -472 | -247 | -227 | -60 |
| Depreciation of fixed asset | -194 | -211 | -206 | -207 | -206 | -211 | -263 | -263 | -258 | -228 | -243 | -244 | -229 | -220 | -213 | -215 |
| Operating EBITDA | 353 | 561 | 612 | 330 | 388 | 575 | 291 | -249 | -171 | 8 | -133 | -229 | -244 | -28 | -14 | 155 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | -86 | -96 | -93 | -97 | -98 | -113 | -136 | -146 | -116 | -156 | -135 | -139 | -123 | -115 | -108 | -102 |
| Interest Expense | -91 | -99 | -96 | -100 | -102 | -104 | -139 | -135 | -120 | -143 | -138 | -136 | -126 | -121 | -112 | -111 |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 5 | 2 | 3 | 2 | 3 | -8 | 3 | -11 | 3 | -14 | 3 | -3 | 3 | 5 | 3 | 9 |
| Pre-tax profit | 73 | 253 | 314 | 26 | 84 | 252 | -109 | -658 | -546 | -376 | -511 | -612 | -595 | -363 | -335 | -162 |
| Current Taxation | -22 | -54 | -61 | -10 | -28 | -55 | 1 | 8 | 11 | 20 | -2 | 25 | -73 | 4 | 8 | 7 |
| Minorities | -10 | -20 | -17 | -5 | -14 | -21 | 5 | 24 | 21 | 13 | 21 | 27 | 45 | 12 | 12 | 4 |
| Extraordinary items | 0 | 0 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | -130 | 0 | -130 | 0 | 101 | 2 | 12 |
| Net Profit | 41 | 180 | 235 | -7 | 43 | 176 | -103 | -625 | -514 | -474 | -492 | -690 | -623 | -246 | -313 | -139 |
| Normalized Profit | 41 | 180 | 235 | 11 | 43 | 176 | -103 | -625 | -514 | -344 | -492 | -559 | -623 | -346 | -315 | -151 |
| EPS (Bt) | 0.01 | 0.04 | 0.05 | -0.00 | 0.01 | 0.04 | -0.02 | -0.14 | -0.11 | -0.10 | -0.11 | -0.15 | -0.14 | -0.05 | -0.07 | -0.03 |
| Normalized EPS (Bt) | 0.01 | 0.04 | 0.05 | 0.00 | 0.01 | 0.04 | -0.02 | -0.14 | -0.11 | -0.08 | -0.11 | -0.12 | -0.14 | -0.08 | -0.07 | -0.03 |
| Margins | | | | | | | | | | | | | | | | |
| Gross profit margin | 38.2 | 43.9 | 46.2 | 34.4 | 37.9 | 45.8 | 29.6 | (411.4) | (40.5) | (4.9) | (47.8) | (101.7) | (127.6) | 0.3 | 3.1 | 24.6 |
| Operating EBIT margin | 11.1 | 20.5 | 23.1 | 8.8 | 12.2 | 21.1 | 2.2 | (644.1) | (100.5) | (37.3) | (99.6) | (180.3) | (208.5) | (40.0) | (35.6) | (6.1) |
| Operating EBITDA margin | 24.7 | 32.9 | 34.8 | 23.7 | 25.9 | 33.3 | 24.0 | (313.3) | (40.1) | 1.4 | (35.2) | (87.2) | (107.5) | (4.5) | (2.1) | 16.0 |
| Net profit margin | 2.9 | 10.5 | 13.3 | (0.5) | 2.8 | 10.2 | (8.5) | (787.2) | (120.3) | (80.5) | (130.3) | (262.8) | (275.0) | (39.7) | (49.1) | (14.3) |
| Growth (YoY) | | | | | | | | | | | | | | | | |
| Revenue growth | (1.3) | 7.7 | (1.0) | 3.5 | 4.8 | 1.3 | (31.1) | (94.3) | (71.5) | (65.9) | (68.8) | 230.5 | (47.0) | 5.2 | 143.2 | 330.3 |
| Operating EBIT growth | (32.3) | 9.7 | (14.5) | (10.4) | 14.8 | 4.3 | N.A. | N.A. | N.A. | N.A. | (1,486.0) | (7.5) | 10.0 | 12.8 | (52.0) | (87.4) |
| Operating EBITDA growth | (16.5) | 10.6 | (7.0) | 1.5 | 10.1 | 2.6 | (52.5) | N.A. | N.A. | N.A. | (145.8) | (8.0) | 42.2 | (433.7) | (94.0) | (163.8) |
| Net profit growth | (47.8) | 11.5 | (17.9) | (124.6) | 2.9 | (2.3) | N.A. | N.A. | N.A. | N.A. | 379.9 | 10.3 | 21.2 | (48.1) | (54.6) | (77.7) |
| Normalized profit growth | (47.8) | 11.5 | (17.9) | (64.4) | 2.9 | (2.3) | N.A. | N.A. | N.A. | N.A. | 380.1 | (10.5) | 21.2 | 0.8 | (43.7) | (75.7) |

Source: KGI Securities Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Assets | 17,834 | 21,215 | 22,450 | 21,151 | 21,099 |
| Current Assets | 1,456 | 1,962 | 2,655 | 1,363 | 1,347 |
| Cash & ST Investment | 969 | 1,623 | 1,242 | 937 | 874 |
| Inventories | 52 | 46 | 39 | 56 | 45 |
| Account Receivable | 185 | 77 | 100 | 134 | 173 |
| Others | 102 | 48 | 78 | 66 | 85 |
| Non-current Assets | 16,378 | 19,253 | 19,795 | 19,788 | 19,751 |
| LT Investment | 365 | 373 | 242 | 376 | 376 |
| Net fixed Assets | 14,442 | 13,867 | 19,409 | 19,254 | 19,218 |
| Others | 1,571 | 158 | 144 | 158 | 158 |
| Total Liabilities | 11,893 | 17,286 | 16,427 | 15,698 | 15,223 |
| Current Liabilities | 3,360 | 2,812 | 1,489 | 1,717 | 1,421 |
| Account Payable | 234 | 145 | 143 | 197 | 179 |
| ST Borrowing | 2,038 | 2,209 | 868 | 688 | 486 |
| Others | 1,088 | 458 | 478 | 833 | 757 |
| Long-term Liabilities | 8,533 | 14,474 | 14,938 | 13,981 | 13,802 |
| Long-term Debts | 8,125 | 10,551 | 10,356 | 9,985 | 9,795 |
| Others | 407 | 218 | 273 | 291 | 303 |
| Shareholders' Equity | 5,941 | 3,929 | 6,023 | 5,452 | 5,875 |
| Common Stock | 2,518 | 2,518 | 4,532 | 4,532 | 4,532 |
| Capital Surplus | 910 | 910 | 910 | 910 | 910 |
| Retained Earnings | 2,499 | 519 | (1,488) | (2,068) | (1,673) |

Source: KGI Securities Research

Key Ratios

| Year to 31 Dec | 2019 | 2020 | 2021 | 2022F | 2023F |
|----------------------------------|---------|----------|----------|----------|----------|
| Growth (%YoY) | | | | | |
| Sales | 2.1 | (64.5) | (35.1) | 187.0 | 29.1 |
| OP | (4.9) | (208.0) | 37.5 | (86.4) | (568.7) |
| EBITDA | 0.5 | (106.4) | 422.9 | (203.9) | 212.9 |
| NP | (16.9) | N.A. | (19.5) | 71.7 | N.A. |
| Normalized Profit | (13.6) | N.A. | (27.5) | 71.3 | N.A. |
| EPS | (16.9) | N.A. | (19.5) | 71.7 | N.A. |
| Normalized EPS | (13.6) | N.A. | (27.5) | 71.3 | N.A. |
| Profitability (%) | | | | | |
| Gross Margin | 41.5 | (7.4) | (49.4) | 24.6 | 42.1 |
| Operating Margin | 16.6 | (49.6) | (105.8) | (5.2) | 18.8 |
| EBITDA Margin | 29.9 | (5.3) | (42.6) | 15.9 | 38.6 |
| Net Margin | 7.0 | (74.4) | (138.0) | (14.0) | 7.4 |
| ROAA | 2.5 | (8.1) | (9.1) | (2.7) | 1.9 |
| ROAE | 7.5 | (43.7) | (34.0) | (10.6) | 6.7 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 200.2 | 440.0 | 272.8 | 287.9 | 259.1 |
| Net Debt/Equity (%) | 154.7 | 375.9 | 226.0 | 245.2 | 221.9 |
| Interest Coverage (x) | 2.7 | (2.1) | (3.0) | (0.4) | 2.0 |
| Interest & ST Debt Coverage (x) | 0.4 | (0.4) | (1.1) | (0.2) | 1.0 |
| Cash Flow Interest Coverage (x) | 3.5 | (2.0) | (4.3) | 3.4 | 2.5 |
| Cash Flow/Interest & ST Debt (x) | 0.6 | (0.4) | (1.6) | 1.4 | 1.3 |
| Current Ratio (x) | 0.4 | 0.7 | 1.8 | 0.8 | 0.9 |
| Quick Ratio (x) | 0.4 | 0.7 | 1.8 | 0.8 | 0.9 |
| Net Debt (Bt mn) | 9,193.1 | 14,769.1 | 13,612.3 | 13,367.2 | 13,037.5 |
| Per Share Data (Bt) | | | | | |
| EPS | 0.1 | (0.4) | (0.5) | (0.1) | 0.1 |
| Normalized EPS | 0.1 | (0.3) | (0.4) | (0.1) | 0.1 |
| CFPS | 0.3 | (0.2) | (0.5) | 0.4 | 0.3 |
| BVPS | 1.3 | 0.9 | 1.3 | 1.2 | 1.3 |
| SPS | 1.4 | 0.5 | 0.3 | 0.9 | 1.2 |
| EBITDA/Share | 0.4 | (0.0) | (0.1) | 0.1 | 0.5 |
| DPS | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Activity | | | | | |
| Asset Turnover (x) | -0.4 | -0.1 | -0.1 | -0.2 | -0.3 |
| Days Receivables | -10.6 | -12.1 | -24.5 | -11.8 | -11.8 |
| Days Inventory | -6.6 | -11.5 | -11.2 | -9.1 | -8.1 |
| Days Payable | -29.5 | -36.1 | -40.6 | -31.9 | -31.9 |
| Cash Cycle | 12.3 | 12.4 | 4.8 | 11.0 | 12.0 |

Source: KGI Securities Research

Profit & Loss

| Year to Dec 31 (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|--------------|----------------|----------------|--------------|--------------|
| Revenue | 6,379 | 2,306 | 1,485 | 4,135 | 5,339 |
| Cost of Goods Sold | (2,900) | (1,465) | (1,284) | (2,249) | (2,043) |
| Gross Profit | 2,650 | (171) | (734) | 1,018 | 2,245 |
| Operating Expenses | (1,633) | (1,005) | (915) | (1,282) | (1,335) |
| Other Incomes | 42 | 32 | 77 | 50 | 93 |
| Operating Profit | 1,059 | (1,143) | (1,572) | (214) | 1,004 |
| Depreciation of fixed assets | (830) | (1,012) | (936) | (868) | (1,050) |
| Operating EBITDA | 1,906 | (121) | (633) | 658 | 2,059 |
| Non-Operating Income | 18 | 10 | 3 | 4 | 5 |
| Interest Income | 18 | 10 | 3 | 4 | 5 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (402) | (536) | (521) | (473) | (513) |
| Interest Expense | (402) | (536) | (521) | (473) | (513) |
| Other Non-op Expense | | | | | |
| Equity Income/(Loss) | 0 | (18) | 9 | 24 | 26 |
| Pretax Profit | 657 | (1,818) | (2,110) | (660) | 522 |
| Current Taxation | (155) | 39 | (46) | 34 | (99) |
| Minorities | (57) | 63 | 105 | 45 | (28) |
| Extraordinaries items | (18) | (130) | (29) | 0 | 0 |
| Net Profit | 446 | (1,715) | (2,050) | (580) | 395 |
| Normalized Profit | 463 | (1,585) | (2,021) | (580) | 395 |
| EPS (Bt) | 0.10 | (0.38) | (0.45) | (0.13) | 0.09 |
| Normalized EPS (Bt) | 0.10 | (0.35) | (0.45) | (0.13) | 0.09 |

Source: KGI Securities Research

Cash Flow

| Year to 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|-----------------------------|----------------|----------------|----------------|----------------|--------------|
| Operating Cash Flow | 1,424 | (1,048) | (2,256) | 1,616 | 1,306 |
| Net Profit | 446 | (1,715) | (2,050) | (580) | 395 |
| Depreciation & Amortization | 830 | 1,012 | 936 | 868 | 1,050 |
| Change in Working Capital | 74 | (430) | (1,056) | 1,397 | (141) |
| Others | | | | | |
| Investment Cash Flow | (1,841) | (4,230) | (841) | (1,437) | (988) |
| Net CAPEX | (1,808) | 769 | (6,469) | (751) | (1,014) |
| Change in LT Investment | (1) | (4,838) | 4,963 | (78) | 26 |
| Change in Other Assets | (5) | (195) | 657 | (599) | 0 |
| Free Cash Flow | (418) | (5,278) | (3,097) | 179 | 318 |
| Financing Cash Flow | 335 | 5,932 | 2,716 | (484) | (381) |
| Change in Share Capital | 48 | 0 | 2,014 | 0 | 0 |
| Net Change in Debt | 605 | 6,166 | (1,533) | (539) | (381) |
| Change in Other LT Liab. | (92) | (58) | 2,236 | 55 | 0 |
| Net Cash Flow | (82) | 654 | (380) | (305) | (63) |

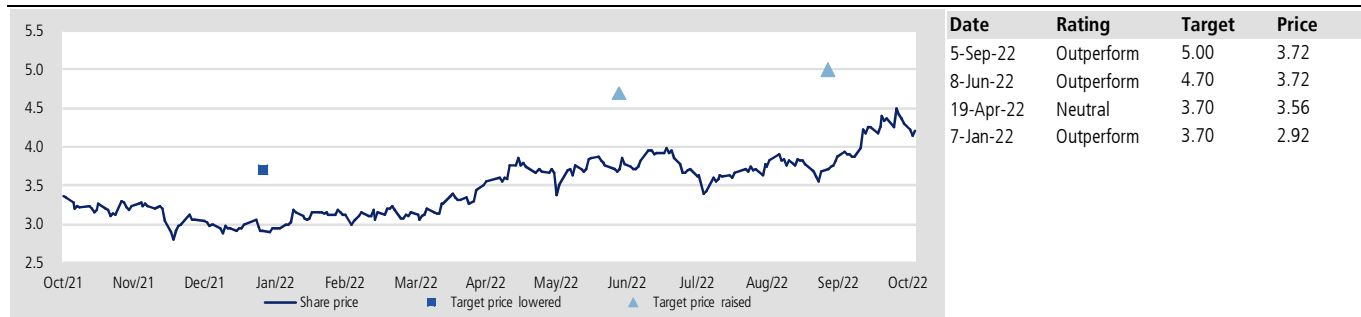
Source: KGI Securities Research

Rates of Return on Invested Capital

| Year | 1- | COGS Revenue | + | Depreciation Revenue | + | Operating Exp. Revenue | = | Operating Margin |
|-------|----|-------------------------|---|----------------------|---|------------------------|---|----------------------------------|
| 2019 | | 45.5% | | 13.0% | | 25.6% | | 15.0% |
| 2020 | | 63.5% | | 49.9% | | 43.6% | | -51.0% |
| 2021 | | 86.4% | | 63.0% | | 61.6% | | -111.0% |
| 2022F | | 54.4% | | 21.0% | | 31.0% | | -6.4% |
| Year | 1/ | Working Capital Revenue | + | Net PPE Revenue | + | Other Assets Revenue | = | Capital Turnover |
| 2019 | | (0.3) | | 2.3 | | 0.5 | | 0.4 |
| 2020 | | (0.4) | | 6.0 | | 3.2 | | 0.1 |
| 2021 | | 0.8 | | 13.1 | | 2.0 | | 0.1 |
| 2022F | | (0.1) | | 4.7 | | 0.5 | | 0.2 |
| Year | | Operating Margin | x | Capital Turnover | x | Cash Tax Rate | = | After-tax Return on Inv. Capital |
| 2019 | | 15.9% | | 0.4 | | 23.3% | | 1.5% |
| 2020 | | -51.0% | | 0.1 | | 2.2% | | -0.1% |
| 2021 | | -111.0% | | 0.1 | | -2.2% | | 0.2% |
| 2022F | | -6.4% | | 0.2 | | 5.2% | | -0.1% |

Source: KGI Securities Research

The Erawan Group – Recommendation & target price history



Source: KGI Securities Research

Minor International

(MINT.BK/MINT TB)*

Outperform • Maintained

| | |
|-------------------------------|--------|
| Price as of 17 Oct 2022 | 24.50 |
| 12M target price (Bt/shr) | 33.50 |
| Unchanged/Revised up(down)(%) | (13.0) |
| Upside/downside (%) | 36.7 |

Key messages

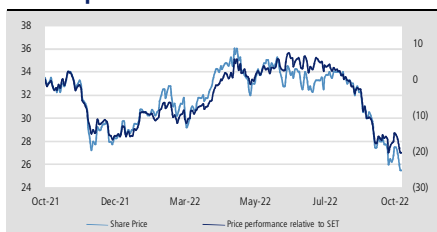
We expect MINT to report a 3Q22F normalized profit of Bt1bn, turning from a loss of Bt2.4bn last year, but dropping 17% QoQ due to seasonal effect. Overall, hotels in Europe entered the low season in 3Q22 resulting in a drop in room rate, while SSSG for its restaurant is expected to see strong growth of 22% YoY backed by its Thailand hub. We revise down our net profit projections for 2022/2023 by 66%/11%. We rate MINT Outperform with a new target price of Bt33.50, from Bt38.50. With ongoing uncertainties, we suggest risk averse investors take a wait-and-see approach.

Trading data

| | | | |
|----------------------------|---------------|-------|-------|
| Mkt cap (BtBn/US\$m) | 135/3,363 | | |
| Outstanding shares (mn) | 5,275 | | |
| Foreign ownership (mn) | 1,450 | | |
| 3M avg. daily trading (mn) | 24 | | |
| 52-week trading range (Bt) | 25.50 – 36.00 | | |
| Performance (%) | 3M | 6M | 12M |
| Absolute | -21.5 | -26.1 | -24.4 |
| Relative | -22.8 | -20.9 | -20.7 |

Quarterly EPS

| EPS | Q1 | Q2 | Q3 | Q4 |
|------|--------|--------|--------|--------|
| 2020 | (0.38) | (1.83) | (1.21) | (1.21) |
| 2021 | (1.57) | (0.85) | (0.09) | (0.34) |
| 2022 | (0.82) | 0.34 | | |

Share price chart


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66.2658.8888 Ext. 8857
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3Q22F earnings preview: To remain profitable
Event

3Q22F earnings preview.

Impact
Expect normalized profit of Bt1bn

We expect MINT to report a 3Q22F normalized profit of Bt1bn, reversing from a normalized loss of 2.4bn in 3Q21, but softening 17% QoQ. The strong growth YoY would be backed by continued improvement in tourism sentiment across destinations. The drop QoQ would be due to seasonal effect for its hotel operations in Europe. Overall, we expect total revenue in 3Q22F to jump 54% YoY but soften 5% QoQ to Bt30bn, while the overall EBIT margin is expected to remain positive at 13.1% (+16.5ppts YoY, -1.1ppts QoQ).

Hotel: RevPar to jump 70% YoY, but inch down 6% QoQ

RevPar in 3Q22F is expected to come in at Bt3,017 (+70% YoY, -6% QoQ), resulting from: i) occupancy rate remaining high at 66% (+19ppts YoY, flat QoQ), and ii) ARR growing 20% YoY but declining 6% QoQ. Hotels in Europe entered the slower season in 3Q22 resulting in a drop in ARR, while the overall performance for non-Europe hotels (e.g. Thailand) is expected to show a strong recovery YoY amid continued improvement in the COVID-19 situation.

Restaurant: SSSG to improve 22% YoY

Same-store-sales growth (SSSG) is expected to accelerate to 22% YoY backed by its Thailand hub achieving SSSG of 30% YoY (Figure 7) amid low base last year. Meanwhile, restaurants in China are expected to see improving performances given the decrease in new infections and loosening of COVID-19 restrictions since June 2022.

Revise down our 2022/2023 earnings projections by 66%/11%

We revise down our net profit projections by 66% for 2022 and 11% for 2023 to factor in higher interest expense and lower EBIT margin due to rising utility costs.

Valuation & action

With the negatives partially priced-in, we maintain a rating of Outperform on MINT. However, we believe ongoing uncertainties from geopolitical tensions, economic risks, and higher energy costs rippling through Europe in 2023 may continue to overhang the share price. Our new target price is Bt33.50, from Bt38.50, based on 14.5x 2023F EV/EBITDA or -0.75SD to its long-term mean (de-rating from previously at -0.25SD).

Risks

Political turmoil, longer-than-expected COVID-19 outbreak.

Key financials and valuations

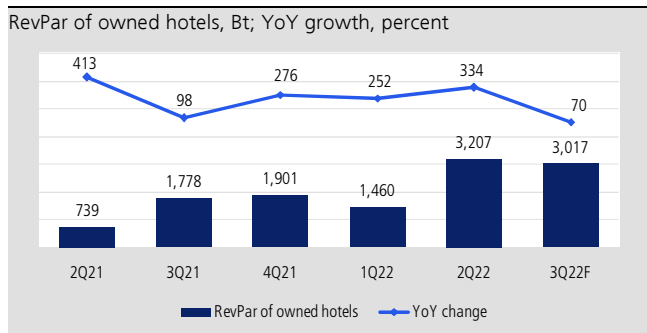
| | Dec - 19A | Dec - 20A | Dec - 21A | Dec - 22F | Dec - 23F |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Btmn) | 119,023 | 55,954 | 69,481 | 113,979 | 130,750 |
| Gross Profit (Btmn) | 53,829 | 8,700 | 22,064 | 48,047 | 56,270 |
| SG&A (Btmn) | 47,327 | 26,534 | 33,300 | 40,349 | 46,024 |
| Net Profit (Btmn) | 10,698 | (21,407) | (13,167) | 620 | 4,224 |
| Normalized Profit (Btmn) | 7,059 | (19,394) | (9,315) | 620 | 4,224 |
| EPS (Bt) | 2.32 | (4.63) | (2.85) | 0.13 | 0.91 |
| Normalized EPS (Bt) | 1.53 | (4.20) | (2.02) | 0.13 | 0.91 |
| DPS (Bt) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS Growth (%) | 96.5 | N.A. | 38.5 | N.A. | 581.6 |
| Normalized EPS Growth | 18.5 | N.A. | 52.0 | N.A. | 581.6 |
| P/E (X) | 15.5 | (5.6) | (10.1) | 181.9 | 26.7 |
| P/B (X) | 1.9 | 1.6 | 1.7 | 1.4 | 1.3 |
| EV/EBITDA (X) | 12.6 | 78.9 | 16.6 | 8.2 | 7.1 |
| Net Debt to Equity (%) | 115.3 | 144.3 | 134.3 | 145.1 | 127.6 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, KGI Securities Research

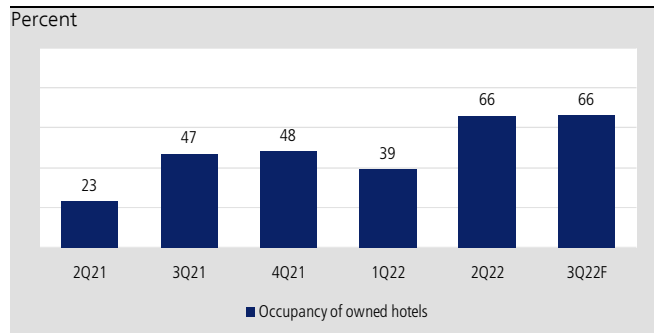
Figure 1: MINT's 3Q22F earnings preview

| Bt mn | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | 9M22F | 9M21 | YoY (%) |
|--|---------------|----------------|-------------|---------------|---------------|----------------|-----------------|-------------|
| Total revenue | 29,888 | 19,446 | 53.7 | 31,454 | (5.0) | 81,031 | 45,166 | 79.4 |
| Revenues from hotel and related services | 21,846 | 13,158 | 66.0 | 23,692 | (7.8) | 58,007 | 25,463 | 127.8 |
| Revenues from mixed use operations | 750 | 985 | (23.9) | 1,109 | (32.3) | 2,398 | 3,198 | (25.0) |
| Sales of food and beverage | 6,673 | 4,763 | 40.1 | 6,066 | 10.0 | 18,878 | 14,670 | 28.7 |
| Gross Profit | 13,556 | 6,630 | 104.5 | 14,390 | (5.8) | 34,043 | 11,711 | 190.7 |
| SG&A | 10,162 | 7,685 | 32.2 | 10,545 | (3.6) | 29,613 | 22,155 | 33.7 |
| Operating EBIT | 3,918 | (660) | | 4,457 | (12.1) | 6,447 | (7,024) | |
| Operating EBITDA | 8,818 | 4,409 | 100.0 | 9,345 | (5.6) | 20,925 | 7,909 | 164.6 |
| Net Profit | 1,000 | (436) | | 1,561 | (35.9) | (1,232) | (11,609) | 89.4 |
| Normalized profit | 1,000 | (2,367) | | 1,211 | (17.4) | (1,370) | (10,972) | 87.5 |
| Percent | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) | 9M22F | 9M21 | YoY (ppts) |
| Total gross margin | 45.4 | 34.1 | 11.3 | 45.7 | (0.4) | 42.0 | 25.9 | 16.1 |
| EBIT margin | 13.1 | (3.4) | 16.5 | 14.2 | (1.1) | 8.0 | (15.6) | 23.5 |
| SG&A/sales | 34.0 | 39.5 | (5.5) | 33.5 | 0.5 | (36.5) | (49.1) | 12.5 |
| Key performance drivers (owned hotels) | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | | | |
| Hotel rooms | 54,715 | 54,977 | (0.5) | 54,443 | 0.5 | | | |
| Occupancy (%) | 66 | 47 | +19.3ppts | 66 | +0ppts | | | |
| ARR (Bt/night) | 4,550 | 3,793 | 20.0 | 4,842 | (6.0) | | | |
| RevPar (Bt/night) - owned hotels | 3,017 | 1,778 | 70 | 3,207 | (5.9) | | | |

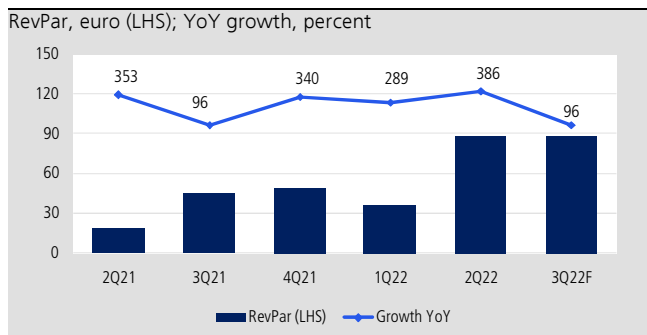
Source: Company data, KGI Securities Research

Figure 2: Total owned hotels' RevPar growth


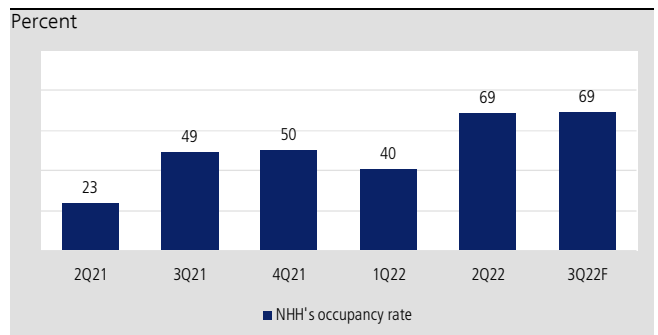
Source: Company data, KGI Securities Research

Figure 3: Occupancy of total owned hotels


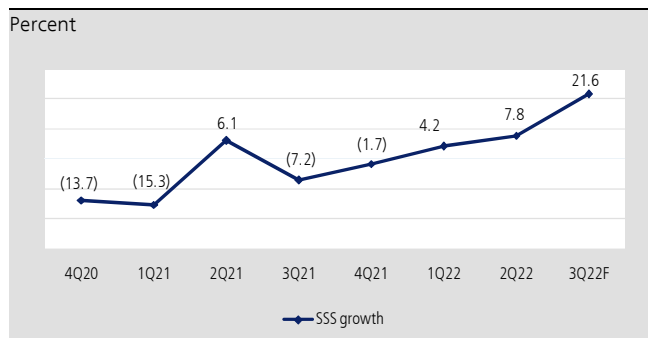
Source: Company data, KGI Securities Research

Figure 4: NHH's organic RevPar growth


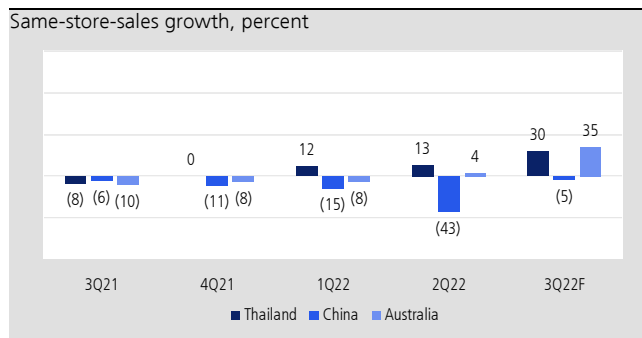
Source: Company data, KGI Securities Research

Figure 5: Occupancy of NHH


Source: Company data, KGI Securities Research

Figure 6: SSSG


Source: Company data, KGI Securities Research

Figure 7: SSSG breakdown by country


Source: Company data, KGI Securities Research

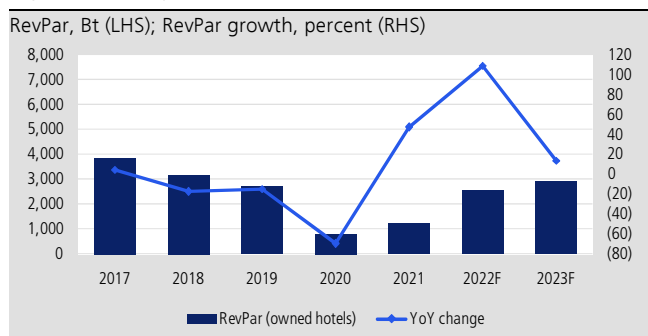
Revise down our 2022/2023 earnings projections by 66%/11%

We revise down our net profit projections by 66% for 2022 and 11% for 2023 to factor in lower profitability and higher interest expense. Key revisions in 2023 include: i) increasing RevPar by 15% amid higher-than-expected ARR momentum, ii) lowering EBIT margin by 0.6ppts mainly on utility costs being expected to rise around 30% in 2023F, and iii) interest expense rising by 16% assuming its effective interest rate increases by 0.5ppts. Note that MINT's debt profile is comprised of 56% fixed rate which will partly cushion against the downside risk of unexpected interest rate hikes.

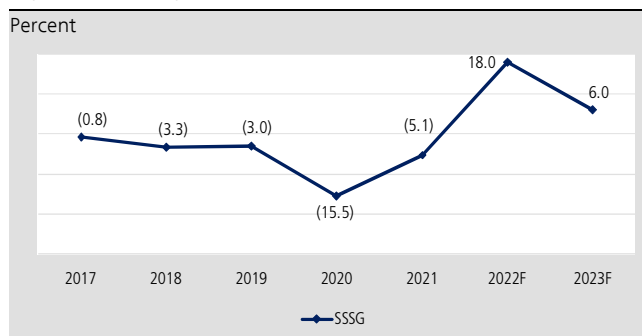
Figure 8: Earnings revisions

| | 2022F | | | 2023F | | |
|-------------------------------------|---------------|----------------|----------------------|----------------|----------------|----------------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| Financials | | | | | | |
| Revenue from hotel business (Bt mn) | 70,724 | 82,413 | 16.5 | 84,372 | 96,258 | 14.1 |
| Revenue from food business (Bt mn) | 21,562 | 25,662 | 19.0 | 23,546 | 27,778 | 18.0 |
| Total revenue (Bt mn) | 99,412 | 113,979 | 14.7 | 115,698 | 130,750 | 13.0 |
| EBIT | 9,936 | 11,039 | 11.1 | 13,105 | 14,078 | 7.4 |
| Net profit (Bt mn) | 1,819 | 620 | (65.9) | 4,725 | 4,224 | (10.6) |
| Interest expense | 8,287 | 8,806 | 6.3 | 8,044 | 9,326 | 15.9 |
| Normalized profit (Bt mn) | 1,819 | 620 | (65.9) | 4,725 | 4,224 | (10.6) |
| | | | Change (ppts) | | | Change (ppts) |
| Key financial ratios | | | | | | |
| SG&A-to-sales (%) | 36.7 | 35.4 | -1.3 | 35.8 | 35.2 | -0.6 |
| Gross margin (%) | 42.8 | 42.2 | -0.6 | 43.6 | 43.0 | -0.6 |
| EBIT margin | 10.0 | 9.7 | -0.3 | 11.3 | 10.8 | -0.6 |
| | | | Change (%) | | | Change (%) |
| Assumptions | | | | | | |
| OCC (%) | 58.0 | 59.0 | +1.0ppts | 65.0 | 64.0 | -1.0ppts |
| ARR (Bt) | 3,741 | 4,328 | 15.7 | 3,891 | 4,545 | 16.8 |
| RevPar (Bt) | 2,170.0 | 2,553.7 | 17.7 | 2,529.2 | 2,908.6 | 15.0 |
| SSSG | 4.0 | 18.0 | +14ppts | 7.0 | 6.0 | -1ppts |

Source: Company data, KGI Securities Research

Figure 9: Yearly RevPar momentum


Source: Company data, KGI Securities Research

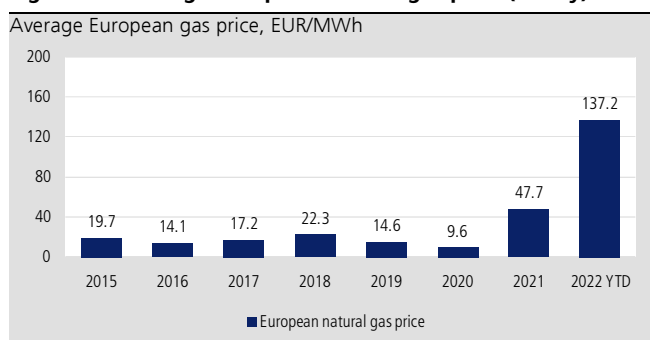
Figure 10: Yearly SSSG assumptions


Source: Company data, KGI Securities Research

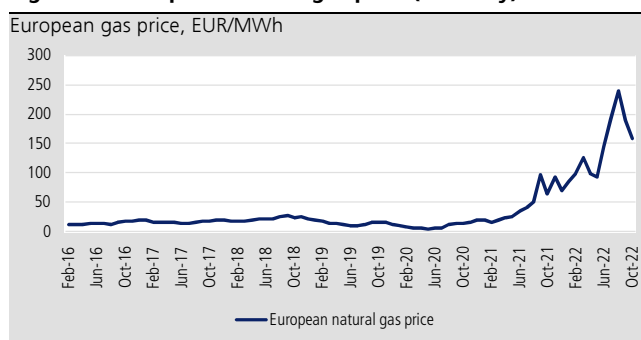
Despite negatives being partly priced-in, share price overhangs remain

Our current 2023 earnings assumptions have already skewed towards the conservative side as we have already assumed additional interest expense burden in 2023 and utilities costs rising another 30% in 2023F (KGI's house view preliminarily expects Europe's natural gas price to remain high at around €150-200/MWh in 2023F increasing from the current year-to-date level of €137/MWh). Overall, this lead to our 2023 earnings forecast being 35% below the street's current (Figure 13). Our sensitivity analysis also suggests every 1% further increase in 2023 ARR for European hotels could fully offset a 20% increase in the utility costs. Note that utility costs accounted for approximately 4% of total revenues in 2022.

As the share price has plunged nearly 20% in a month and the stock is trading at nearly -1.5SD to its long-term EV/EBITDA, we believe the negative factors have been partly priced-in. However, we still expect the market to continue to focus on domestic plays. We suggest risk averse investors to take a wait-and-see approach amid the geopolitical tensions and current economic outlook for European countries.

Figure 11: Average European natural gas price (Yearly)


Source: Bloomberg, KGI Securities Research

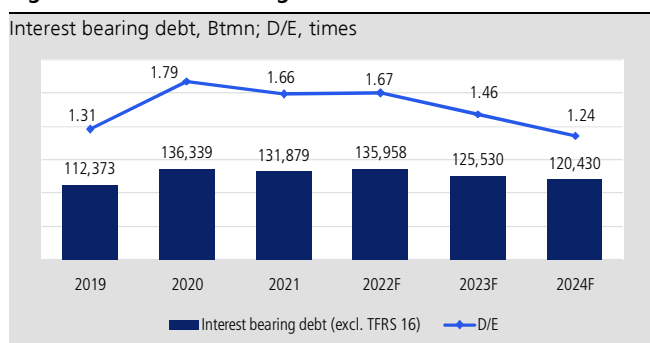
Figure 12: European natural gas price (Monthly)


Source: Company data, KGI Securities Research

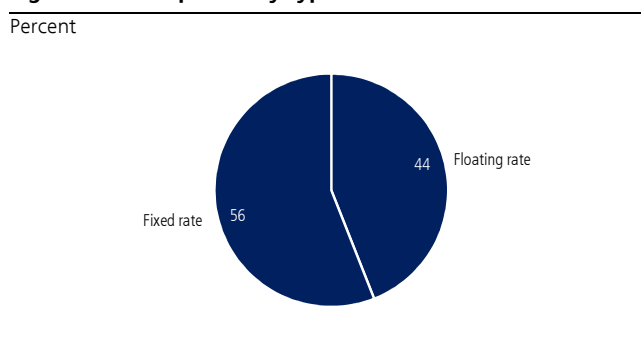
Figure 13: KGI's vs Bloomberg consensus' forecast

| | 2022F | | | 2023F | | |
|--------------------------|-------|-----------|---------------|-------|-----------|---------------|
| | KGI | Consensus | KGI/Consensus | KGI | Consensus | KGI/Consensus |
| MINT's earnings forecast | 620 | 1,543 | 0.40 | 4,224 | 5,602 | 0.75 |

Source: KGI Securities Research

Figure 14: Interest bearing debt and D/E ratio


Source: Company data, KGI Securities Research

Figure 15: Debt profile by type


Source: Company data, KGI Securities Research

Scenario analysis on target price

To deal with the ongoing uncertainties, we ran a scenario analysis to our target price subject to various changes to the target EV/EBITDA multiple (Figure 16).

Figure 16: Scenario analysis

| Scenario | Target EV/EBITDA | Target price | Upside/Downside |
|----------------------------|------------------|--------------|-----------------|
| -0.5SD | 15.3 | 36.50 | 49.0 |
| -0.75SD (Base case) | 14.5 | 33.50 | 36.7 |
| -1.0SD | 13.8 | 31.00 | 26.5 |
| -1.5SD | 12.4 | 25.5 | 4.1 |
| -2.0SD | 10.9 | 19.9 | (18.8) |

Source: KGI Securities Research

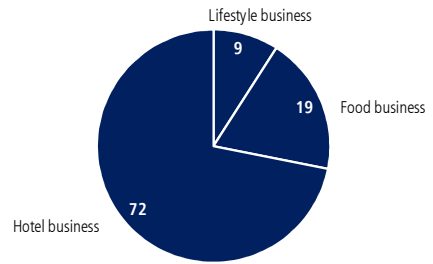
Figure 17: Company profile

Minor International (MINT) is a global hotel operator and its recent acquisition of NH Hotel has changed its growth profile. NHH contributes 70% of hotel revenue, while other overseas hotels represent 15% and Thailand 15%. MINT also operates a portfolio of QSR with more than 2,250 outlets across the region; 65% of its food revenue comes from Thailand, 14% from China, 10% from Australia, and 11% from others.

Source: Company data

Figure 18: Total revenue breakdown by business (2019)

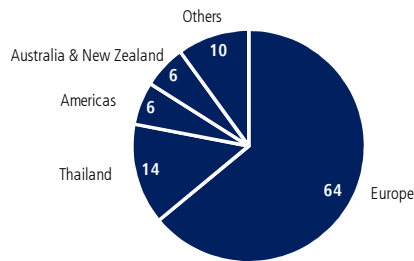
Percent



Source: Company data, KGI Securities Research

Figure 19: Hotel revenue breakdown by geography

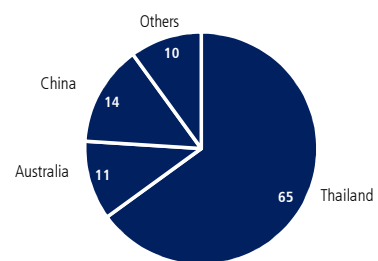
Percent



Source: Company data, KGI Securities Research

Figure 20: Food revenue breakdown by geography

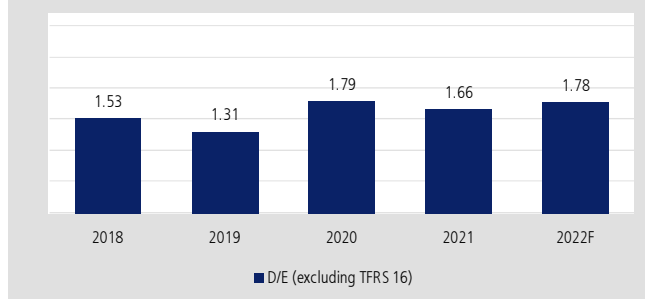
Percent



Source: Company data, KGI Securities Research

Figure 21: D/E

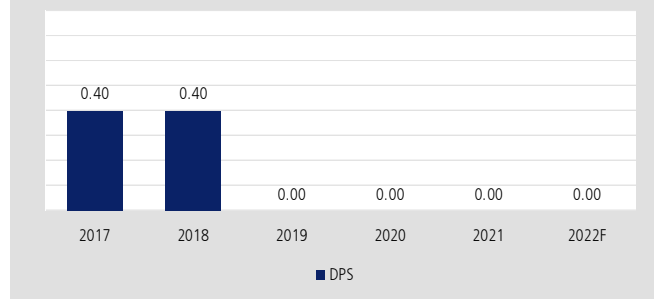
Times



Source: Company data, KGI Securities Research

Figure 22: DPS

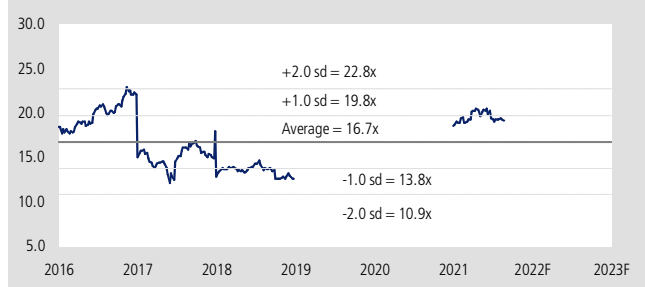
Bt



Source: Company data, KGI Securities Research

Figure 23: EV/EBITDA

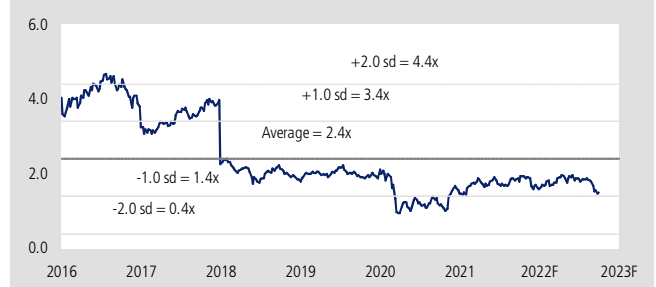
Times



Source: KGI Securities Research

Figure 24: PBV

Times



Source: KGI Securities Research

Quarterly Income Statement

| | Sep-18A | Dec-18A | Mar-19A | Jun-19A | Sep-19 | Dec-19A | Mar-20A | Jun-20A | Sep-20A | Dec-20A | Mar-21A | Jun-21A | Sep-21A | Dec-21A | Mar-22A | Jun-22A |
|---------------------------------|---------------|----------------|---------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Income Statement (Bt mn) | | | | | | | | | | | | | | | | |
| Revenue | 15,056 | 30,778 | 27,795 | 30,737 | 28,755 | 31,736 | 21,842 | 6,466 | 14,471 | 13,174 | 12,047 | 13,673 | 19,446 | 24,315 | 19,688 | 31,454 |
| Cost of Goods Sold | (6,316) | (13,994) | (15,606) | (16,356) | (16,072) | (17,160) | (14,543) | (7,956) | (12,884) | (11,870) | (10,056) | (10,584) | (12,816) | (13,962) | (13,591) | (17,064) |
| Gross Profit | 8,739 | 16,784 | 12,189 | 14,380 | 12,683 | 14,576 | 7,299 | (1,490) | 1,587 | 1,304 | 1,991 | 3,089 | 6,630 | 10,353 | 6,098 | 14,390 |
| Operating Expense | (7,511) | (13,537) | (11,429) | (11,435) | (12,132) | (12,329) | (9,754) | (5,431) | (5,467) | (5,881) | (6,839) | (7,631) | (7,685) | (11,145) | (8,906) | (10,545) |
| Other Incomes | 515 | 724 | 955 | 893 | 2,258 | 1,570 | 449 | 416 | 480 | 694 | 469 | 2,249 | 265 | 2,770 | 730 | 437 |
| Operating Profit | 1,743 | 3,970 | 1,715 | 3,838 | 2,809 | 3,816 | -2,007 | -6,506 | -3,401 | -3,883 | -4,379 | -2,292 | -790 | 1,978 | -2,079 | 4,283 |
| Depreciation of fixed asset | (1,121) | (2,366) | (2,267) | (2,286) | (2,239) | (2,122) | (4,887) | (4,881) | (4,911) | (3,562) | (4,801) | (5,063) | (5,069) | (5,009) | (4,690) | (4,888) |
| Operating EBITDA | 3,072 | 6,577 | 4,111 | 6,279 | 5,195 | 6,232 | 3,045 | (1,474) | 1,615 | (164) | 559 | 2,940 | 4,409 | 7,185 | 2,763 | 9,345 |
| Non-Operating Income | 208 | 241 | 128 | 155 | 148 | 293 | 165 | 151 | 104 | 157 | 138 | 170 | 130 | 197 | 151 | 174 |
| Interest Income | 123 | 241 | 128 | 155 | 148 | 291 | 164 | 151 | 104 | 157 | 138 | 170 | 130 | 197 | 151 | 174 |
| Other Non-op Income | 84 | (0) | 0 | 0 | 0 | 2 | 1 | 0 | 0 | (0) | 0 | 0 | 0 | 1 | 0 | 0 |
| Non-Operating Expense | (583) | (1,182) | (830) | (1,084) | (979) | (361) | (1,851) | (2,254) | (2,485) | (1,326) | (2,031) | (2,384) | (2,379) | (1,534) | (2,001) | (2,293) |
| Interest Expense | (694) | (1,259) | (1,032) | (1,069) | (951) | (1,029) | (1,808) | (1,912) | (2,334) | (1,398) | (1,995) | (2,265) | (2,294) | (1,564) | (2,056) | (2,157) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 111 | 77 | 202 | (15) | (28) | 669 | (43) | (342) | (151) | 72 | (36) | (119) | (84) | 30 | 55 | (137) |
| Pre-tax profit | 1,367 | 3,030 | 1,013 | 2,908 | 1,977 | 3,749 | (3,693) | (8,609) | (5,782) | (5,052) | (6,272) | (4,506) | (3,039) | 642 | (3,929) | 2,164 |
| Current Taxation | (284) | (748) | (318) | (674) | (569) | (732) | 337 | 974 | 705 | 429 | 512 | 847 | 556 | 936 | 73 | (812) |
| Minorities | (63) | (148) | (63) | (134) | 8 | (108) | 182 | 472 | 288 | 353 | 549 | 264 | 116 | 79 | 274 | (140) |
| Extraordinary items | 0 | (633) | (50) | (314) | 3,144 | 859 | 1,399 | (1,285) | (807) | (1,321) | (2,039) | (529) | 1,931 | (3,215) | (212) | 350 |
| Net Profit | 1,020 | 1,500 | 583 | 1,786 | 4,560 | 3,768 | (1,774) | (8,448) | (5,595) | (5,591) | (7,250) | (3,924) | (436) | (1,557) | (3,794) | 1,561 |
| Normalized Profit | 1,020 | 2,133 | 633 | 2,100 | 1,416 | 2,909 | (3,173) | (7,163) | (4,789) | (4,270) | (5,211) | (3,395) | (2,367) | 1,657 | (3,582) | 1,211 |
| EPS (Bt) | 0.22 | 0.32 | 0.13 | 0.39 | 0.99 | 0.82 | (0.38) | (1.83) | (1.21) | (1.21) | (1.57) | (0.85) | (0.09) | (0.34) | (0.82) | 0.34 |
| Normalized EPS (Bt) | 0.22 | 0.46 | 0.14 | 0.45 | 0.31 | 0.63 | (0.69) | (1.55) | (1.04) | (0.92) | (1.13) | (0.74) | (0.51) | 0.36 | (0.78) | 0.26 |
| Margins | | | | | | | | | | | | | | | | |
| Gross profit margin | 58.0 | 54.5 | 43.9 | 46.8 | 44.1 | 45.9 | 33.4 | (23.0) | 11.0 | 9.9 | 16.5 | 22.6 | 34.1 | 42.6 | 31.0 | 45.7 |
| Operating EBIT margin | 11.6 | 12.9 | 6.2 | 12.5 | 9.8 | 12.0 | (9.2) | (100.6) | (23.5) | (29.5) | (36.3) | (16.8) | (4.1) | 8.1 | (10.6) | 13.6 |
| Operating EBITDA margin | 20.4 | 21.4 | 14.8 | 20.4 | 18.1 | 19.6 | 13.9 | (22.8) | 11.2 | (1.2) | 4.6 | 21.5 | 22.7 | 29.5 | 14.0 | 29.7 |
| Net profit margin | 6.8 | 4.9 | 2.1 | 5.8 | 15.9 | 11.9 | (8.1) | (130.6) | (38.7) | (42.4) | (60.2) | (28.7) | (2.2) | (6.4) | (19.3) | 5.0 |
| Growth (YoY) | | | | | | | | | | | | | | | | |
| Revenue growth | 9.7 | 118.2 | 81.2 | 123.3 | 91.0 | 3.1 | (21.4) | (79.0) | (49.7) | (58.5) | (44.8) | 111.5 | 34.4 | 84.6 | 63.4 | 130.0 |
| Operating EBIT growth | 6.4 | 151.6 | (13.8) | 215.1 | 61.2 | (3.9) | (217.0) | (269.5) | (221.1) | (201.7) | 118.2 | (64.8) | (76.8) | (151.0) | (52.5) | (286.8) |
| Operating EBITDA growth | 8.2 | 134.2 | 27.9 | 120.7 | 69.1 | (5.2) | (25.9) | (123.5) | (68.9) | (102.6) | (81.6) | (299.5) | 173.0 | (4,478.2) | 393.8 | 217.8 |
| Net profit growth | (10.8) | (6.9) | (66.1) | 48.2 | 347.2 | 151.2 | (404.1) | (573.0) | (222.7) | (248.4) | 308.8 | (53.6) | (92.2) | (72.1) | (47.7) | (139.8) |
| Normalized profit growth | (10.8) | 32.4 | (63.2) | 93.7 | 38.9 | 36.4 | (601.2) | (441.1) | (438.1) | (246.8) | 64.2 | (52.6) | (50.6) | (138.8) | (31.3) | (135.7) |

Source: Company data, KGI Securities Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Assets | 254,184 | 362,327 | 369,633 | 380,323 | 377,881 |
| Current Assets | 38,599 | 52,064 | 48,827 | 45,309 | 43,089 |
| Cash & ST Investment | 13,331 | 26,188 | 25,097 | 17,722 | 15,766 |
| Inventories | 1,428 | 1,958 | 1,568 | 1,662 | 1,662 |
| Account Receivable | 15,554 | 12,286 | 14,638 | 17,535 | 17,433 |
| Others | 5,575 | 9,771 | 5,598 | 5,651 | 4,920 |
| Non-current Assets | 215,585 | 310,262 | 320,806 | 335,014 | 334,792 |
| LT Investment | 19,184 | 19,576 | 19,712 | 21,552 | 22,055 |
| Net fixed Assets | 123,129 | 122,718 | 130,050 | 140,356 | 138,212 |
| Others | 73,272 | 78,331 | 84,174 | 83,470 | 84,889 |
| Total Liabilities | 168,316 | 286,003 | 290,140 | 298,813 | 291,833 |
| Current Liabilities | 35,592 | 41,238 | 58,058 | 60,685 | 62,213 |
| Account Payable | 20,036 | 15,310 | 18,394 | 23,746 | 26,150 |
| ST Borrowing | 9,971 | 6,442 | 17,396 | 16,189 | 14,474 |
| Others | 5,584 | 5,658 | 8,304 | 6,751 | 7,589 |
| Long-term Liabilities | 132,724 | 244,765 | 232,082 | 238,127 | 229,619 |
| Long-term Debts | 102,402 | 129,897 | 114,483 | 119,769 | 111,056 |
| Others | 30,322 | 29,556 | 35,005 | 33,046 | 33,252 |
| Shareholders' Equity | 85,868 | 76,324 | 79,492 | 81,510 | 86,048 |
| Common Stock | 4,619 | 5,182 | 5,214 | 5,214 | 5,628 |
| Capital Surplus | 15,018 | 24,196 | 24,893 | 24,196 | 33,882 |
| Retained Earnings | 41,401 | 15,676 | (130) | (346) | 3,878 |
| Preferred Stock | 0 | 0 | 0 | 0 | 0 |

Source: KGI Securities Research

Key Ratios

| Year to 31 Dec | 2019 | 2020 | 2021 | 2022F | 2023F |
|----------------------------------|----------|-----------|-----------|-----------|-----------|
| Growth (%YoY) | | | | | |
| Sales | 58.8 | (53.0) | 24.2 | 64.0 | 14.7 |
| OP | 36.5 | (229.7) | (65.3) | (288.2) | 28.4 |
| EBITDA | 38.9 | (86.1) | 399.5 | 96.9 | 10.5 |
| NP | 96.5 | (300.1) | (38.5) | (104.7) | 581.6 |
| Normalized Profit | 18.5 | N.A. | 52.0 | N.A. | 581.6 |
| EPS | 96.5 | N.A. | 38.5 | N.A. | 581.6 |
| Normalized EPS | 18.5 | (374.7) | (52.0) | (106.7) | 581.6 |
| Profitability (%) | | | | | |
| Gross Margin | 45.2 | 15.5 | 31.8 | 42.2 | 43.0 |
| Operating Margin | 10.2 | (28.2) | (7.9) | 9.1 | 10.1 |
| EBITDA Margin | 18.3 | 5.4 | 21.7 | 26.1 | 25.1 |
| Net Margin | 9.0 | (38.3) | (18.9) | 0.5 | 3.2 |
| ROAA | 4.2 | (5.9) | (3.6) | 0.2 | 1.1 |
| ROAE | 12.5 | (28.0) | (16.6) | 0.8 | 4.9 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 196.0 | 374.7 | 365.0 | 366.6 | 339.1 |
| Net Debt/Equity (%) | 115.3 | 144.3 | 134.3 | 145.1 | 127.6 |
| Interest Coverage (x) | 3.2 | (2.0) | (0.6) | 1.3 | 1.5 |
| Interest & ST Debt Coverage (x) | 0.9 | (1.1) | (0.2) | 0.4 | 0.6 |
| Cash Flow Interest Coverage (x) | 3.8 | 0.9 | 2.2 | 2.2 | 2.8 |
| Cash Flow/Interest & ST Debt (x) | 1.1 | 0.5 | 0.7 | 0.8 | 1.1 |
| Current Ratio (x) | 1.1 | 1.3 | 0.8 | 0.7 | 0.7 |
| Quick Ratio (x) | 1.0 | 1.2 | 0.8 | 0.7 | 0.6 |
| Net Debt (Bt mn) | 99,042.5 | 110,150.8 | 106,782.7 | 118,235.7 | 109,764.1 |
| Per Share Data (Bt) | | | | | |
| EPS | 2.3 | (4.6) | (2.9) | 0.1 | 0.9 |
| Normalized EPS | 1.5 | (4.2) | (2.0) | 0.1 | 0.9 |
| CFPS | 3.3 | 1.4 | 3.9 | 4.2 | 5.7 |
| BVPS | 18.6 | 16.5 | 17.2 | 17.6 | 18.6 |
| SPS | 25.8 | 12.1 | 15.0 | 24.7 | 28.3 |
| EBITDA/Share | 4.7 | 0.7 | 3.3 | 6.4 | 7.1 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Activity | | | | | |
| Asset Turnover (x) | 0.5 | 0.2 | 0.2 | 0.3 | 0.3 |
| Days Receivables | 47.7 | 80.1 | 76.9 | 56.2 | 48.7 |
| Days Inventory | 23.2 | 28.4 | 26.9 | 24.3 | 24.3 |
| Days Payable | 112.2 | 118.3 | 141.6 | 131.5 | 128.2 |
| Cash Cycle | -41.4 | -9.7 | -37.8 | -51.0 | -55.2 |

Source: KGI Securities Research

Profit & Loss

| Year to Dec 31 (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|----------------|-----------------|-----------------|----------------|----------------|
| Revenue | 119,023 | 55,954 | 69,481 | 113,979 | 130,750 |
| Cost of Goods Sold | (65,194) | (47,254) | (47,417) | (65,932) | (74,480) |
| Gross Profit | 53,829 | 8,700 | 22,064 | 48,047 | 56,270 |
| Operating Expenses | (47,327) | (26,534) | (33,300) | (40,349) | (46,024) |
| Other Incomes | 5,676 | 2,038 | 5,753 | 2,622 | 3,007 |
| Operating Profit | 12,178 | (15,796) | (5,483) | 10,320 | 13,254 |
| Depreciation of fixed assets | (8,914) | (18,241) | (19,942) | (18,685) | (18,760) |
| Operating EBITDA | 21,816 | 3,022 | 15,094 | 29,724 | 32,838 |
| Non-Operating Income | 724 | 577 | 634 | 719 | 824 |
| Interest Income | 722 | 576 | 634 | 684 | 784 |
| Other Non-op Income | 2 | 1 | 1 | 35 | 40 |
| Non-Operating Expense | (4,081) | (7,452) | (8,118) | (8,806) | (9,326) |
| Interest Expense | (4,081) | (7,452) | (8,118) | (8,806) | (9,326) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 828 | (464) | (209) | (150) | 161 |
| Pretax Profit | 13,287 | (25,149) | (17,026) | 2,083 | 4,913 |
| Current Taxation | (2,293) | 2,445 | 2,851 | (1,422) | (475) |
| Minorities | (296) | 1,296 | 1,009 | (41) | (214) |
| Extraordinaries items | 3,639 | (2,013) | (3,852) | 0 | 0 |
| Net Profit | 10,698 | (21,407) | (13,167) | 620 | 4,224 |
| Normalized Profit | 7,059 | (19,394) | (9,315) | 620 | 4,224 |
| EPS (Bt) | 2.32 | (4.63) | (2.85) | 0.13 | 0.91 |
| Normalized EPS (Bt) | 1.53 | (4.20) | (2.02) | 0.13 | 0.91 |

Source: KGI Securities Research

Cash Flow

| Year to 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|-----------------------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Operating Cash Flow | 15,345 | 6,582 | 17,840 | 19,474 | 26,543 |
| Net Profit | 10,698 | (21,407) | (13,167) | 620 | 4,224 |
| Depreciation & Amortization | 8,914 | 18,241 | 19,942 | 18,685 | 18,760 |
| Change in Working Capital | (97) | 8,567 | 8,013 | (22) | 3,506 |
| Others | | | | | |
| Investment Cash Flow | 7,947 | (116,161) | (29,097) | (35,002) | (18,173) |
| Net CAPEX | 8,242 | (27,458) | (36,798) | (28,223) | (18,035) |
| Change in LT Investment | 2,181 | (91,785) | 2,814 | (3,173) | 161 |
| Change in Other Assets | (861) | 3,847 | (562) | (1,648) | (503) |
| Free Cash Flow | 23,292 | (109,580) | (11,257) | (15,529) | 8,371 |
| Financing Cash Flow | (22,721) | 122,437 | 10,166 | 8,154 | (10,327) |
| Change in Share Capital | 4 | 9,741 | 728 | (697) | 10,101 |
| Net Change in Debt | (14,521) | 109,278 | (7,178) | 6,797 | (10,428) |
| Change in Other LT Liab. | (6,357) | 3,419 | 16,615 | 2,054 | (10,000) |
| Net Cash Flow | 571 | 12,857 | (1,092) | (7,374) | (1,956) |

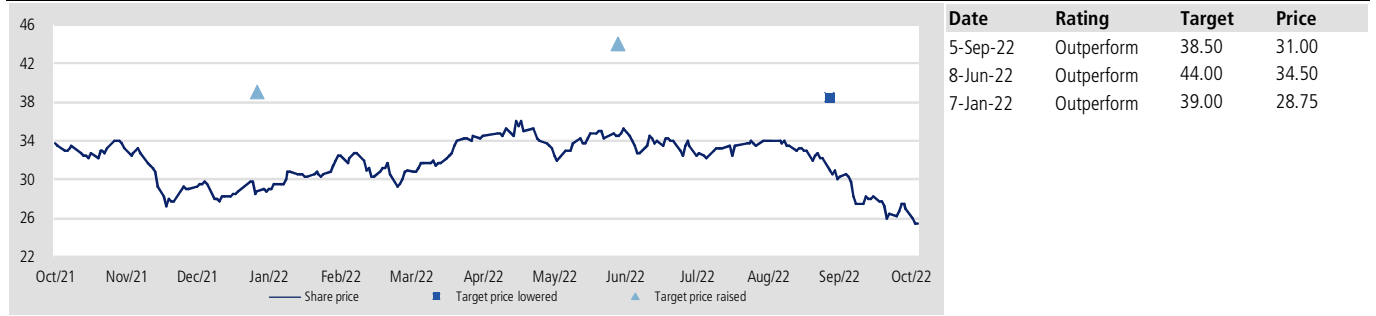
Source: KGI Securities Research

Rates of Return on Invested Capital

| Year | 1 - $\frac{\text{COGS}}{\text{Revenue}}$ | + $\frac{\text{Depreciation}}{\text{Revenue}}$ | + $\frac{\text{Operating Exp.}}{\text{Revenue}}$ | = $\frac{\text{Operating Margin}}{\text{Revenue}}$ | | | |
|-------|--|--|--|--|---------------|---|----------------------------------|
| 2019 | 54.8% | 7.5% | 39.8% | -2.0% | | | |
| 2020 | 84.5% | 32.6% | 47.4% | -64.5% | | | |
| 2021 | 68.2% | 28.7% | 47.9% | -44.9% | | | |
| 2022F | 57.8% | 16.4% | 35.4% | -9.6% | | | |
| Year | 1/ $\frac{\text{Working Capital}}{\text{Revenue}}$ | + $\frac{\text{Net PPE}}{\text{Revenue}}$ | + $\frac{\text{Other Assets}}{\text{Revenue}}$ | = $\frac{\text{Capital Turnover}}{\text{Revenue}}$ | | | |
| 2019 | 0.0 | 1.0 | 0.9 | 0.5 | | | |
| 2020 | 0.2 | 0.9 | 0.9 | 0.5 | | | |
| 2021 | (0.1) | 0.9 | 0.9 | 0.6 | | | |
| 2022F | (0.1) | 1.3 | 2.6 | 0.3 | | | |
| Year | Operating Margin | x | Capital Turnover | x | Cash Tax Rate | = | After-tax Return on Inv. Capital |
| 2019 | -2.0% | | 0.5 | | 17.3% | | -0.2% |
| 2020 | -64.5% | | 0.5 | | 9.7% | | -3.1% |
| 2021 | -44.9% | | 0.6 | | 16.7% | | -4.6% |
| 2022F | -9.6% | | 0.3 | | 20.6% | | -0.5% |

Source: KGI Securities Research

Minor International – Recommendation & target price history



Source: KGI Securities Research

S Hotels & Resorts

(SHR.BK/SHR TB)

Outperform • Maintained

| | |
|-------------------------------|-------|
| Price as of 17 Oct 2022 | 3.24 |
| 12M target price (Bt/shr) | 4.90 |
| Unchanged/Revised up(down)(%) | (9.3) |
| Upside/downside (%) | 51.2 |

Key messages

We expect SHR to report 3Q22F earnings of tBt45mn, turnings around from losses of Bt291mn in 3Q21 and Bt111mn in 2Q22. Key supports would be improving hotel performances across most destinations, resulting in a multi-quarter high RevPar of Bt3,522 (+62% YoY, +22% QoQ). We revise down our 2023 earnings forecast by 20% to factor in higher utility costs in the UK and the rising interest rate trend. With an undemanding valuation and well balanced revenue portfolio, we re-iterate a rating of Outperform on SHR with a new target price of Bt4.90, from Bt5.40.

Trading data

| | | | |
|----------------------------|------------|-------|-------|
| Mkt cap (Btmn/US\$m) | 11,859/296 | | |
| Outstanding shares (mn) | 3,594 | | |
| Foreign ownership (mn) | 225 | | |
| 3M avg. daily trading (mn) | 13 | | |
| 52-week trading range (Bt) | 3.0/4.7 | | |
| Performance (%) | 3M | 6M | 12M |
| Absolute | -13.2 | -12.7 | -10.3 |
| Relative | -14.7 | -6.5 | -5.9 |

Quarterly EPS

| EPS | Q1 | Q2 | Q3 | Q4 |
|------|--------|--------|--------|--------|
| 2020 | 0.07 | (0.23) | (0.17) | (0.33) |
| 2021 | (0.09) | (0.16) | (0.08) | (0.02) |
| 2022 | (0.06) | (0.03) | | |

Share price chart



Source: SET

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napatv@kgi.co.th

3Q22F earnings preview: To report turnaround results

Event

3Q22F earnings preview.

Impact

Expect earnings turnaround in 3Q22F

We expect SHR to report a 3Q22F normalized profit of Bt45mn, turning from losses of Bt291mn in 3Q21 and Bt111mn in 2Q22. The strong improvements YoY and QoQ should be backed by continued improvement in hotel performances across most destinations, especially Thailand, UK, Fiji, and Mauritius. Hence, hotel revenue in 3Q22F is expected to reach a multi-quarter high at Bt2.5bn (+77% YoY, +21% QoQ). At the same time, hotel gross margin is expected to continue to recover to 33.2% (+4.9ppts YoY, +2.1ppts QoQ).

RevPar to jump 62% YoY and 22% QoQ

RevPar is expected to hit a multi-quarter high at Bt3,522 (+62% YoY, +22% QoQ), resulting from: i) occupancy rate reaching 67% (vs. 60% in 2Q22), and ii) ARR growth of 26% YoY and 10% QoQ. Overall, hotel performances across destinations except Maldives are expected to see continued strong improvements (Figure 3), while hotels in Maldives should see softer occupancy momentum QoQ as it is the low season.

Revise down our 2022/2023 earnings projections

We revise down our 2022F earnings forecast to a loss of Bt166mn (from a net profit of Bt50mn) and lower our 2023F net profit forecast by 20%. Key revisions in 2023 include: i) raising RevPar by 8.8% amid better-than-expected hotel performances by Outrigger and Crossroad, ii) lowering EBIT margin to factor in higher utility costs in Europe (KGI's house view preliminarily expects European natural gas price to be €150-200/MWh in 2023F increasing from the current year-to-date level of €137/MWh), and iii) revising up interest expense by 31%.

Valuation & action

We believe SHR's well balanced revenue portfolio should cushion against unexpected downside risks. With undemanding valuations, we re-iterate a rating of Outperform with a new target price of Bt4.90, from Bt5.40, based on 13.2x 2023F EV/EBITDA or -0.5SD to its long-term mean.

Risks

Longer-than-expected COVID-19 outbreak.

Key financials and valuations

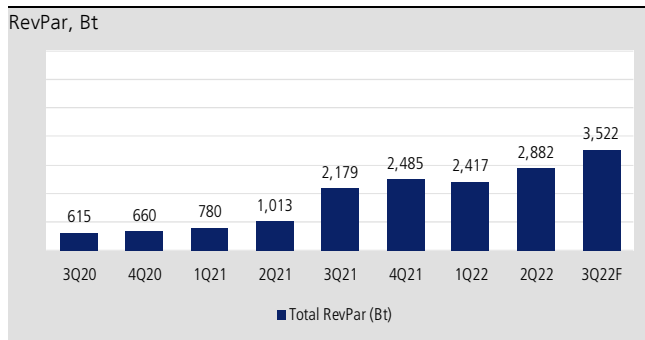
| Year end Dec 31 | Dec - 19A | Dec - 20A | Dec - 21A | Dec - 22F | Dec - 23F |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Btmn) | 3,818 | 1,563 | 4,512 | 8,950 | 9,922 |
| Gross Profit (Btmn) | 1,328 | -105 | 916 | 2,757 | 3,314 |
| SG&A (Btmn) | 1,450 | 2,372 | 1,764 | 2,260 | 2,391 |
| Net Profit (Btmn) | (467) | (2,371) | (1,234) | (166) | 270 |
| Normalized Profit (Btmn) | (98) | (1,808) | (1,229) | (166) | 270 |
| EPS (Bt) | (0.13) | (0.66) | (0.34) | (0.05) | 0.08 |
| Normalized EPS (Bt) | (0.03) | (0.50) | (0.34) | (0.05) | 0.08 |
| DPS (Bt) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS Growth (%) | N.A. | (407.8) | 47.9 | N.A. | (262.6) |
| Normalized EPS Growth | N.A. | (1,738.5) | 32.0 | N.A. | (262.6) |
| P/E (X) | (24.3) | (4.9) | (9.5) | (70.5) | 43.3 |
| P/B (X) | 0.6 | 0.6 | 0.7 | 0.8 | 0.8 |
| EV/EBITDA (X) | 20.7 | (19.0) | 51.8 | 16.3 | 12.4 |
| Net Debt to Equity (%) | 23.7 | 45.5 | 101.3 | 104.1 | 98.1 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Return on Average Equity (%) | (0.5) | (11.5) | (7.7) | (1.1) | 1.8 |

Source: Company data, KGI Securities Research

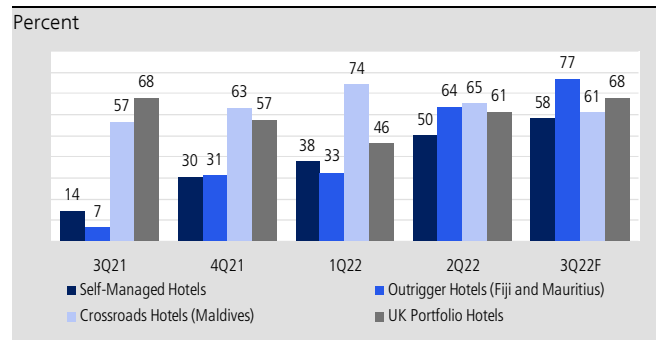
Figure 1: SHR's 3Q22F earnings preview

| Bt mn | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | 9M22F | 9M21 | YoY (%) |
|--------------------------------|-----------|--------------|------------|--------------|------------|--------------|----------------|-------------|
| Revenue | 2,514 | 1,422 | 76.9 | 2,071 | 21.4 | 6,275 | 2,769 | 126.7 |
| Revenues from hotel operations | 2,514 | 1,422 | 76.9 | 2,071 | 21.4 | 6,275 | 2,769 | 126.7 |
| Gross Profit | 835 | 403 | 107.2 | 644 | 29.6 | 1,910 | 398 | |
| SG&A | 601 | 489 | 22.8 | 536 | 12.1 | 1,601 | 1,237 | 29.4 |
| Operating EBIT | 258 | (74) | | 131 | 97.4 | 366 | (644) | |
| Operating EBITDA | 528 | 263 | 100.8 | 398 | 32.8 | 1,191 | 281 | 324.2 |
| Normalized profit | 45 | (291) | | (111) | | (265) | (1,261) | 79.0 |
| Percent | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) | 9M22F | 9M21 | YoY (ppts) |
| Gross margin | 33.2 | 28.3 | 4.9 | 31.1 | 2.1 | 30.4 | 14.4 | 16.0 |
| EBIT margin | 10.3 | (5.2) | 15.5 | 6.3 | 4.0 | 5.8 | (23.2) | 29.1 |
| SG&A/sales | 23.9 | 34.4 | (10.5) | 25.9 | (2.0) | (25.5) | (44.7) | 19.2 |
| Key performance drivers | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | | | |
| Hotel rooms (owned hotels) | 4,522 | 4,522 | - | 4,522 | - | | | |
| Occupancy (%) | 67 | 52 | +15ppts | 60 | +7ppts | | | |
| ARR (Bt/night) | 5,259 | 4,158 | 26.5 | 4,781 | 10.0 | | | |
| RevPar (Bt/night) | 3,522 | 2,179 | 61.6 | 2,882 | 22.2 | | | |

Source: Company data, KGI Securities Research

Figure 2: RevPar momentum


Source: Company data, KGI Securities Research

Figure 3: Occupancy trend


Source: Company data, KGI Securities Research

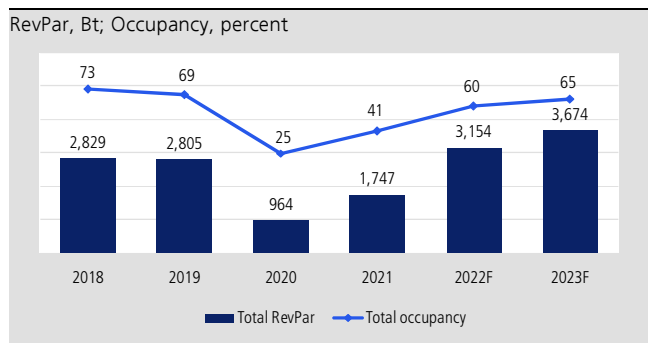
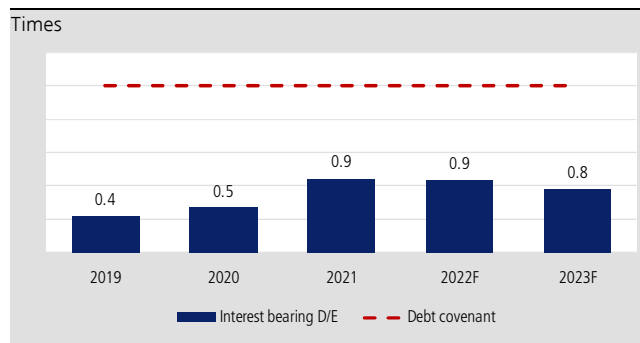
Figure 4: Breakdown of hotel performances by destination

| | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) |
|---------------------------|--------------|--------------|----------------|--------------|----------------|
| Occupancy (%) | | | | | |
| Self-Managed Hotels | 58.0 | 14.2 | 43.8 | 49.9 | 8.1 |
| Outrigger Hotels | 77.0 | 6.5 | 70.5 | 63.6 | 13.4 |
| Crossroads Phase 1 Hotels | 61.0 | 56.7 | 4.3 | 65.2 | (4.2) |
| UK Portfolio Hotels | 68.0 | 67.9 | 0.1 | 61.4 | 6.6 |
| Average | 67.0 | 52.4 | 14.6 | 60.3 | 6.7 |
| ARR (Bt/night) | | | | | |
| | | | Chg (%) | | Chg (%) |
| Self-Managed Hotels | 5,200 | 2,440 | 113.1 | 4,276 | 21.6 |
| Outrigger Hotels | 7,930 | 1,960 | 304.6 | 6,894 | 15.0 |
| Crossroads Phase 1 Hotels | 13,200 | 9,954 | 32.6 | 12,499 | 5.6 |
| UK Portfolio Hotels | 3,870 | 3,664 | 5.6 | 3,475 | 11.4 |
| Average | 5,259 | 4,158 | 26.5 | 4,781 | 10.0 |
| RevPar (Bt/night) | | | | | |
| | | | Chg (%) | | Chg (%) |
| Self-Managed Hotels | 3,016 | 346 | 771.7 | 2,132 | 41.5 |
| Outrigger Hotels | 6,106 | 128 | 4670.4 | 4,386 | 39.2 |
| Crossroads Phase 1 Hotels | 8,052 | 5,640 | 42.8 | 8,146 | (1.2) |
| UK Portfolio Hotels | 2,632 | 2,489 | 5.7 | 2,135 | 23.3 |
| Average | 3,522 | 2,179 | 61.6 | 2,882 | 22.2 |

Source: Company data, KGI Securities Research

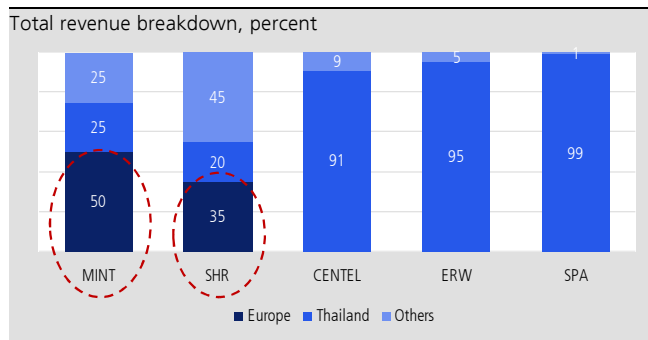
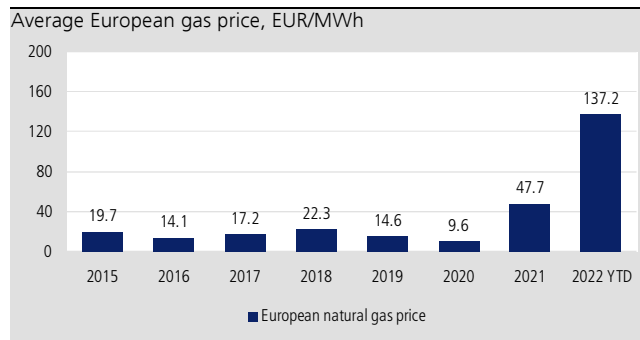
Figure 5: Earnings revisions

| | 2022F | | | 2023F | | |
|----------------------------------|--------------|--------------|----------------------|--------------|--------------|----------------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| Financials | | | | | | |
| Total revenue (Bt mn) | 7,357 | 8,950 | 21.7 | 8,652 | 9,922 | 14.7 |
| Gross profit | 2,601.5 | 2,757 | 6.0 | 3,209.8 | 3,314 | 3.2 |
| EBIT | 680.5 | 577 | (15.2) | 924.3 | 1,041 | 12.6 |
| EBITDA | 1,868 | 1,670 | (10.6) | 2,138 | 2,139 | 0.0 |
| Interest expense | 630 | 755 | 19.8 | 576 | 753 | 30.7 |
| Normalized profit (Bt mn) | 50 | (166) | (430.9) | 340 | 270 | (20.4) |
| | | | Change (ppts) | | | Change (ppts) |
| Key financial ratios | | | | | | |
| SG&A-to-sales (%) | 28.1 | 25.3 | -2.9 | 28.5 | 24.1 | -4.4 |
| Gross margin (%) | 35.4 | 30.8 | -4.6 | 37.1 | 33.4 | -3.7 |
| EBIT margin (%) | 9.3 | 6.5 | -2.8 | 10.7 | 10.5 | -0.2 |
| | | | Change (%) | | | Change (%) |
| Assumptions | | | | | | |
| Occupancy | 59 | 60 | +1ppts | 65 | 65 | 0ppts |
| ARR | 4,840 | 5,214 | 7.7 | 5,180 | 5,619 | 8.5 |
| RevPar (Bt) | 2,871 | 3,154 | 9.9 | 3,376 | 3,674 | 8.8 |

Source: Company data, KGI Securities Research
Figure 6: Yearly hotel performance

Source: Company data, KGI Securities Research
Figure 7: D/E ratio

Source: Company data, KGI Securities Research

Negatives partly priced-in

We believe ongoing overhangs have partly been priced in as the share price is now trading at nearly -1.5SD 2023F EV/EVITDA and 0.7x P/BV. In terms of ongoing uncertainties in Europe, we expect SHR to feel less negative impact than Minor International (MINT.BK/MINT TB)*. Although 35% of SHR's revenue is from the UK (Figure 8), those hotels are operated under "Third Party Hotel Management Agreement" suggesting less contribution to the bottom-line. At the same time, SHR's well-balanced revenue portfolio in Thailand and Maldives should mitigate some downside risks.

Figure 8: Total revenue breakdown (pre-pandemic)

Source: Company data, KGI Securities Research
Figure 9: Average European natural gas price (Yearly)

Source: Company data, KGI Securities Research

Target price sensitivity

To deal with the ongoing uncertainties, we come out with scenario analysis to our target price subject to various changes on target EV/EBITDA multiple (Figure 10). Note that our current 2023F earnings forecast is 21% below the street's forecast.

Figure 10: Scenario analysis

| Scenario | Target EV/EBITDA | Target price | Upside/Downside |
|---------------------------|------------------|--------------|-----------------|
| Mean | 14.5 | 5.7 | 75.9 |
| -0.5SD (Base case) | 13.2 | 4.9 | 51.2 |
| -0.75SD | 12.4 | 4.4 | 26.5 |
| -1.5SD | 10.6 | 3.4 | 4.9 |
| -2.0SD | 9.3 | 2.6 | (19.8) |

Source: KGI Securities Research

Figure 11: KGI's vs Bloomberg consensus' forecast

| | 2022F | | | 2023F | | |
|-------------------------|-------|-----------|---------------|-------|-----------|---------------|
| | KGI | Consensus | KGI/Consensus | KGI | Consensus | KGI/Consensus |
| SHR's earnings forecast | (166) | (87) | 1.91 | 270 | 341 | 0.79 |

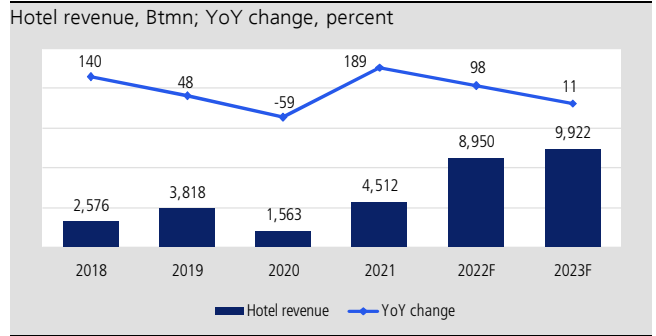
Source: KGI Securities Research

Figure 12: Company profile

S Hotels and Resorts (SHR), a subsidiary of SET-listed Singha Estate (S), operates and invests a chain of hotels and resorts across five key destinations - Thailand, Maldives, United Kingdom, Fiji, and Mauritius.

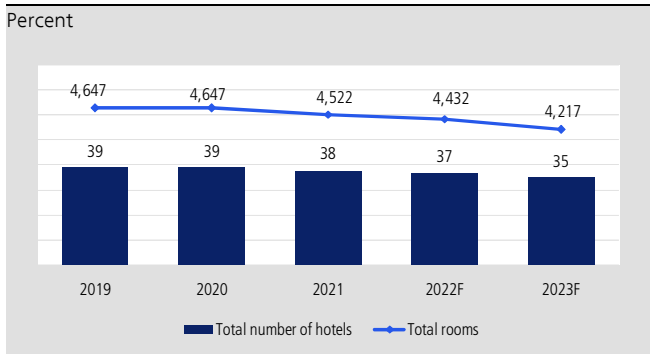
Source: Company data

Figure 13: Revenue outlook



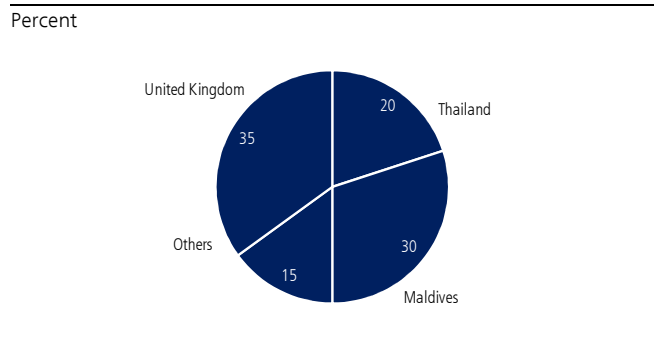
Source: Company data, KGI Securities Research

Figure 14: Number of hotels and rooms



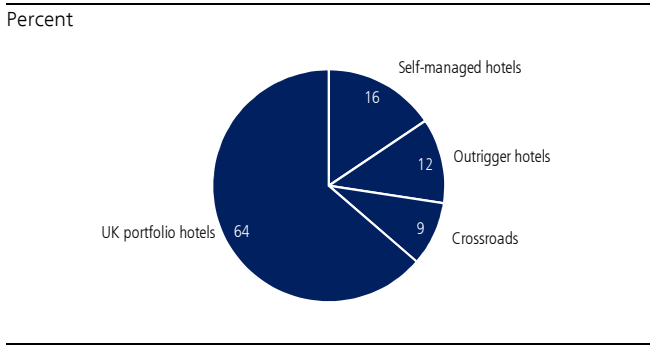
Source: Company data, KGI Securities Research

Figure 15: Hotel revenue breakdown by destinations



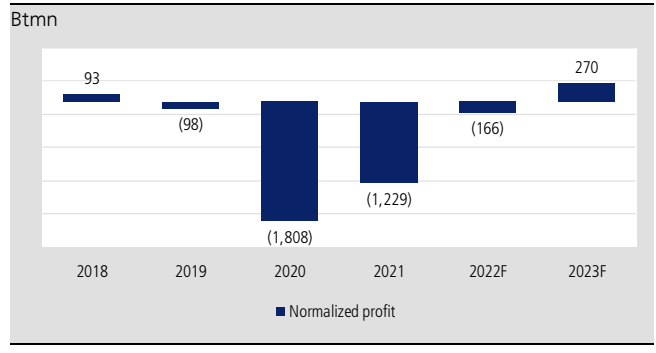
Source: Company data, KGI Securities Research

Figure 16: Rooms breakdown by management platform



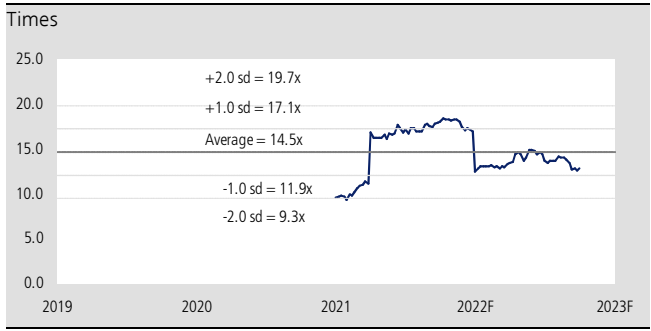
Source: Company data, KGI Securities Research

Figure 17: Earnings momentum



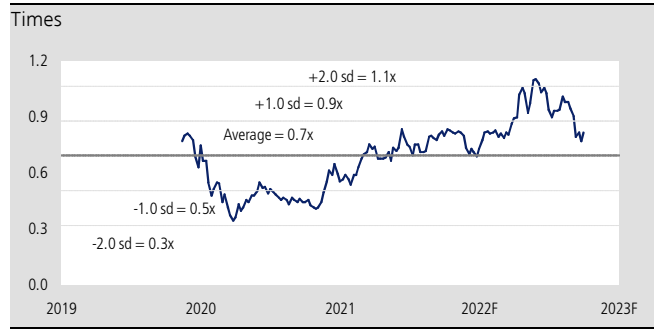
Source: Company data, KGI Securities Research

Figure 18: Forward EV/EBITDA



Source: KGI Securities Research

Figure 19: P/BV



Source: KGI Securities Research

Quarterly Income Statement

| | Sep-18A | Dec-18A | Mar-19A | Jun-19A | Sep-19A | Dec-19A | Mar-20A | Jun-20A | Sep-20A | Dec-20A | Mar-21A | Jun-21A | Sep-21A | Dec-21A | Mar-22A | Jun-22A |
|---------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Income Statement (Bt mn) | | | | | | | | | | | | | | | | |
| Revenue | 875 | 985 | 974 | 778 | 888 | 1,178 | 1,145 | 7 | 114 | 297 | 544 | 803 | 1,422 | 1,744 | 1,690 | 2,071 |
| Cost of Goods Sold | (530) | (549) | (550) | (538) | (595) | (808) | (764) | (21) | (382) | (501) | (566) | (786) | (1,019) | (1,226) | (1,259) | (1,427) |
| Gross Profit | 345 | 436 | 424 | 240 | 293 | 370 | 380 | (14) | (268) | (204) | (22) | 18 | 403 | 518 | 431 | 644 |
| Operating Expense | (273) | (442) | (305) | (362) | (377) | (406) | (443) | (697) | (282) | (950) | (299) | (449) | (489) | (526) | (464) | (536) |
| Other incomes | 369 | 37 | 36 | 48 | 64 | 52 | 473 | 58 | 46 | 75 | 148 | 35 | 12 | (18) | 10 | 23 |
| Operating Profit | 441 | 31 | 155 | -74 | -21 | 17 | 411 | -653 | -503 | -1,080 | -173 | -396 | -74 | -26 | -23 | 131 |
| Depreciation of fixed asset | (129) | (146) | (146) | (146) | (145) | (239) | (237) | (246) | (235) | (268) | (247) | (340) | (337) | (265) | (288) | (267) |
| Operating EBITDA | 570 | 177 | 301 | 73 | 124 | 256 | 648 | (407) | (269) | (811) | 74 | (57) | 263 | 238 | 265 | 398 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (55) | (102) | (188) | (67) | (61) | (88) | (212) | (144) | (90) | (104) | (137) | (188) | (196) | (175) | (185) | (197) |
| Interest Expense | (113) | (111) | (113) | (92) | (109) | (110) | (101) | (96) | (91) | (90) | (131) | (192) | (194) | (176) | (176) | (193) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 58 | 10 | (75) | 25 | 49 | 22 | (111) | (48) | 1 | (15) | (6) | 3 | (1) | 1 | (9) | (5) |
| Pre-tax profit | 385 | (71) | (33) | (141) | (81) | (71) | 199 | (797) | (593) | (1,184) | (310) | (584) | (270) | (201) | (208) | (67) |
| Current Taxation | (56) | 56 | (12) | (15) | (17) | (96) | 36 | (14) | (7) | (11) | (1) | 13 | (12) | 131 | 4 | (30) |
| Minorities | (151) | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary items | 0 | 0 | (82) | 29 | (90) | (226) | 394 | (24) | (3) | (929) | 110 | (22) | 9 | (101) | (5) | 14 |
| Net Profit | 178 | (5) | (127) | (127) | (188) | (393) | 629 | (834) | (603) | (2,125) | (201) | (594) | (273) | (171) | (209) | (83) |
| Normalized Profit | 178 | (5) | (45) | (157) | (98) | (167) | 235 | (811) | (600) | (1,195) | (311) | (571) | (282) | (70) | (204) | (97) |
| EPS (Bt) | 0.05 | (0.00) | 0.01 | (0.05) | (0.00) | 0.02 | (0.04) | (0.22) | (0.17) | (0.07) | (0.12) | (0.15) | (0.08) | 0.01 | (0.06) | (0.03) |
| Normalized EPS (Bt) | 0.05 | (0.00) | (0.01) | (0.04) | (0.03) | (0.05) | 0.07 | (0.23) | (0.17) | (0.33) | (0.09) | (0.16) | (0.08) | (0.02) | (0.06) | (0.03) |
| Margins | | | | | | | | | | | | | | | | |
| Gross profit margin | 39.4 | 44.3 | 43.6 | 30.9 | 33.0 | 31.4 | 33.2 | (212.8) | (235.0) | (68.5) | (4.1) | 2.2 | 28.3 | 29.7 | 25.5 | 31.1 |
| Operating EBIT margin | 50.4 | 3.2 | 15.9 | (9.5) | (2.3) | 1.4 | 35.9 | (9,772.4) | (441.5) | (363.2) | (31.8) | (49.3) | (5.2) | (1.5) | (1.4) | 6.3 |
| Operating EBITDA margin | 65.1 | 17.9 | 31.0 | 9.3 | 13.9 | 21.7 | 56.6 | (6,096.8) | (235.7) | (272.9) | 13.7 | (7.1) | 18.5 | 13.7 | 15.7 | 19.2 |
| Net profit margin | 20.4 | (0.5) | (13.1) | (16.4) | (21.2) | (33.3) | 54.9 | (12,492.1) | (528.6) | (714.8) | (37.0) | (73.9) | (19.2) | (9.8) | (12.4) | (4.0) |
| Growth (YoY) | | | | | | | | | | | | | | | | |
| Revenue growth | | | 155.9 | 132.2 | 1.5 | 19.6 | 17.6 | (99.1) | (87.2) | (74.8) | (52.5) | 11,923.1 | 1,146.8 | 486.7 | 210.7 | 157.9 |
| Operating EBIT growth | | | (22.7) | (443.7) | (104.7) | (45.4) | 165.0 | 783.8 | 2,319.5 | (6,457.5) | (142.1) | (39.3) | (85.2) | (97.6) | (86.6) | (133.0) |
| Operating EBITDA growth | | | 18.5 | (3.4) | (78.3) | 44.6 | 115.0 | (660.9) | (317.2) | (417.5) | (88.5) | (86.1) | (197.9) | (129.4) | 255.9 | (800.8) |
| Net profit growth | | | (262.1) | 549.4 | (205.4) | 7,344.8 | (593.4) | 555.4 | 220.6 | 441.2 | (132.0) | (28.9) | (54.7) | (91.9) | 4.0 | (86.0) |
| Normalized profit growth | | | (157.7) | 698.3 | (155.0) | 3,066.6 | (618.4) | 418.0 | 511.8 | 615.9 | (232.3) | (29.5) | (53.0) | (94.1) | (34.4) | (83.0) |

Source: KGI Securities Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Assets | 29,162 | 27,117 | 37,214 | 36,831 | 35,940 |
| Current Assets | 5,127 | 3,638 | 4,723 | 4,380 | 3,765 |
| Cash & ST Investment | 3,592 | 2,493 | 1,914 | 2,073 | 1,314 |
| Inventories | 303 | 176 | 198 | 539 | 551 |
| Account Receivable | 288 | 52 | 387 | 320 | 354 |
| Others | 945 | 824 | 316 | 1,354 | 1,452 |
| Non-current Assets | 24,035 | 23,479 | 32,491 | 32,451 | 32,175 |
| LT Investment | 2,364 | 2,786 | 1,320 | 1,309 | 1,312 |
| Net fixed Assets | 18,769 | 19,289 | 29,068 | 28,925 | 28,627 |
| Others | 2,866 | 1,147 | 1,773 | 1,855 | 1,875 |
| Total Liabilities | 11,239 | 11,441 | 21,332 | 21,972 | 20,811 |
| Current Liabilities | 2,907 | 3,719 | 6,922 | 7,526 | 7,334 |
| Account Payable | 1,714 | 587 | 1,635 | 2,477 | 2,643 |
| ST Borrowing | 849 | 3,049 | 5,071 | 4,262 | 3,845 |
| Others | 339 | 40 | 106 | 448 | 496 |
| Long-term Liabilities | 8,332 | 7,722 | 14,410 | 14,446 | 13,478 |
| Long-term Debts | 7,465 | 5,724 | 9,140 | 9,027 | 8,055 |
| Others | 866 | 854 | 1,392 | 872 | 876 |
| Shareholders' Equity | 17,923 | 15,676 | 15,882 | 14,859 | 15,129 |
| Common Stock | 17,968 | 17,968 | 17,968 | 17,968 | 17,968 |
| Capital Surplus | 3,335 | 3,335 | 3,335 | 3,335 | 3,335 |
| Retained Earnings | (111) | (2,480) | (3,717) | (3,884) | (3,613) |
| Preferred Stock | | | | | |

Source: KGI Securities Research

Key Ratios

| Year to 31 Dec | 2019 | 2020 | 2021 | 2022F | 2023F |
|----------------------------------|---------|-----------|----------|----------|----------|
| Growth (%YoY) | | | | | |
| Sales | 48.2 | (59.1) | 188.7 | 98.3 | 10.9 |
| OP | (88.8) | (2,458.3) | (63.3) | (186.2) | 80.3 |
| EBITDA | (30.0) | (211.4) | (161.9) | 221.7 | 28.1 |
| NP | (301.2) | 407.8 | (47.9) | (86.5) | (262.6) |
| Normalized Profit | N.A. | (1,738.5) | 32.0 | N.A. | (262.6) |
| EPS | (301.2) | 407.8 | (47.9) | (86.5) | (262.6) |
| Normalized EPS | N.A. | (1,738.5) | 32.0 | N.A. | (262.6) |
| Profitability (%) | | | | | |
| Gross Margin | 34.8 | (6.7) | 20.3 | 30.8 | 33.4 |
| Operating Margin | 2.0 | (116.8) | (14.8) | 6.5 | 10.5 |
| EBITDA Margin | 19.7 | (53.7) | 11.5 | 18.7 | 21.6 |
| Net Margin | (12.2) | (151.7) | (27.4) | (1.9) | 2.7 |
| ROAA | (1.6) | (8.7) | (3.3) | (0.5) | 0.8 |
| ROAE | (0.5) | (11.5) | (7.7) | (1.1) | 1.8 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 0.6 | 0.7 | 1.3 | 1.5 | 1.4 |
| Net Debt/Equity (%) | 0.2 | 0.5 | 1.0 | 1.0 | 1.0 |
| Interest Coverage (x) | 0.2 | (4.8) | (1.0) | 0.8 | 1.4 |
| Interest & ST Debt Coverage (x) | 0.1 | (0.5) | (0.1) | 0.1 | 0.2 |
| Cash Flow Interest Coverage (x) | 2.6 | (3.3) | (1.0) | 2.6 | 0.5 |
| Cash Flow/Interest & ST Debt (x) | 0.9 | (0.4) | (0.1) | 0.4 | 0.1 |
| Current Ratio (x) | 1.8 | 1.0 | 0.7 | 0.6 | 0.5 |
| Quick Ratio (x) | 1.7 | 0.9 | 0.7 | 0.5 | 0.4 |
| Net Debt (Bt mn) | 4,255.9 | 7,133.6 | 16,090.1 | 15,469.4 | 14,839.3 |
| Per Share Data (Bt) | | | | | |
| EPS | (0.1) | (0.7) | (0.3) | (0.0) | 0.1 |
| Normalized EPS | (0.0) | (0.5) | (0.3) | (0.0) | 0.1 |
| CFPS | 0.3 | (0.4) | (0.2) | 0.5 | 0.1 |
| BVPS | 5.0 | 4.4 | 4.4 | 4.1 | 4.2 |
| SPS | 1.1 | 0.4 | 1.3 | 2.5 | 2.8 |
| EBITDA/Share | 0.2 | (0.2) | 0.1 | 0.5 | 0.6 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Activity | | | | | |
| Asset Turnover (x) | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 |
| Days Receivables | 27.5 | 12.2 | 31.3 | 13.0 | 13.0 |
| Days Inventory | 44.3 | 38.5 | 20.1 | 31.7 | 30.4 |
| Days Payable | 251.2 | 128.5 | 165.9 | 146.0 | 146.0 |
| Cash Cycle | (179.4) | (77.8) | (114.5) | (101.2) | (102.5) |

Source: KGI Securities Research

Profit & Loss

| Year to Dec 31 (Btmn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|--------------|----------------|----------------|--------------|--------------|
| Revenue | 3,818 | 1,563 | 4,512 | 8,950 | 9,922 |
| Cost of Goods Sold | (2,490) | (1,668) | (3,596) | (6,194) | (6,608) |
| Gross Profit | 1,328 | (105) | 916 | 2,757 | 3,314 |
| Operating Expenses | (1,450) | (2,372) | (1,764) | (2,260) | (2,391) |
| Other Incomes | 200 | 653 | 177 | 81 | 118 |
| Operating Profit | 77 | (1,825) | (670) | 577 | 1,041 |
| Depreciation of fixed assets | (676) | (986) | (1,189) | (1,092) | (1,098) |
| Operating EBITDA | 753 | (839) | 519 | 1,670 | 2,139 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 |
| Interest Income | 0 | 0 | 0 | 0 | 0 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (425) | (377) | (693) | (755) | (753) |
| Interest Expense | (425) | (377) | (693) | (755) | (753) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 20 | (172) | (3) | 2 | 2 |
| Pretax Profit | (327) | (2,374) | (1,366) | (175) | 290 |
| Current Taxation | (140) | 4 | 131 | 9 | (20) |
| Minorities | 0 | 0 | 0 | 0 | 0 |
| Extraordinaries items | (369) | (562) | (5) | 0 | 0 |
| Net Profit | (467) | (2,371) | (1,234) | (166) | 270 |
| Normalized Profit | (98) | (1,808) | (1,229) | (166) | 270 |
| EPS (Bt) | (0.13) | (0.66) | (0.34) | (0.05) | 0.08 |
| Normalized EPS (Bt) | (0.03) | (0.50) | (0.34) | (0.05) | 0.08 |

Source: KGI Securities Research

Cash Flow

| Year to 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|-----------------------------|----------------|----------------|-----------------|----------------|----------------|
| Operating Cash Flow | 1,106 | (1,263) | (721) | 1,955 | 348 |
| Net Profit | (467) | (2,371) | (1,234) | (166) | 270 |
| Depreciation & Amortization | 676 | 986 | 1,189 | 1,092 | 1,098 |
| Change in Working Capital | 549 | (1,175) | (688) | 2,124 | 80 |
| Others | | | | | |
| Investment Cash Flow | (3,631) | (1,176) | (9,671) | (478) | 282 |
| Net CAPEX | (3,829) | (587) | (11,678) | 52 | 278 |
| Change in LT Investment | 69 | (577) | 1,559 | 13 | 0 |
| Change in Other Assets | 129 | (13) | 448 | (542) | 4 |
| Free Cash Flow | (2,525) | (2,439) | (10,392) | 1,478 | 630 |
| Financing Cash Flow | 4,223 | 1,903 | 9,818 | (1,318) | (1,389) |
| Change in Share Capital | 7,267 | 0 | 0 | 0 | 0 |
| Net Change in Debt | (2,183) | 1,779 | 8,378 | (461) | (1,389) |
| Change in Other LT Liab. | (861) | 124 | 1,440 | (857) | 0 |
| Net Cash Flow | 1,699 | (537) | (574) | 160 | (759) |

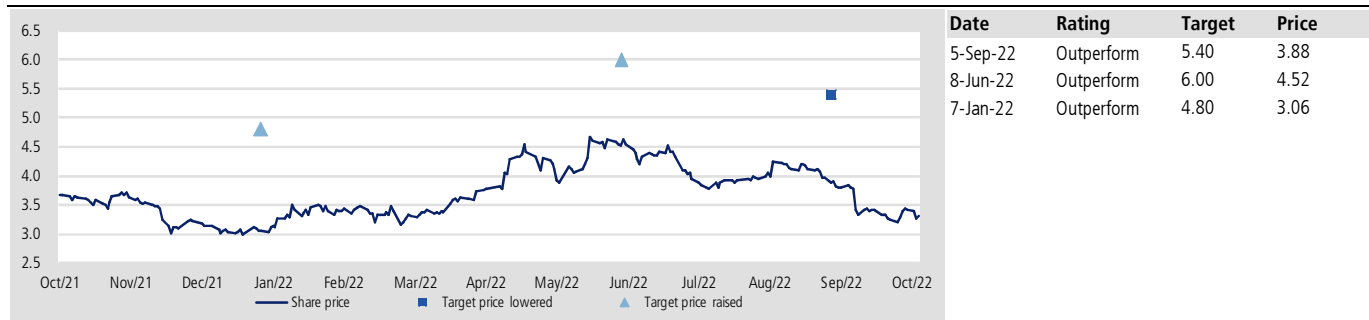
Source: KGI Securities Research

Rates of Return on Invested Capital

| Year | 1- | COGS Revenue | + | Depreciation Revenue | + | Operating Exp. Revenue | = | Operating Margin |
|-------|----|----------------------------|---|-------------------------|---|---------------------------|---|-------------------------------------|
| 2019 | | 65.2% | | 17.7% | | 38.0% | | -20.9% |
| 2020 | | 106.7% | | 63.1% | | 151.8% | | -221.6% |
| 2021 | | 79.7% | | 26.3% | | 39.1% | | -45.1% |
| 2022F | | 69.2% | | 12.2% | | 25.3% | | -6.7% |
| Year | 1/ | Working Capital Revenue | + | Net PPE Revenue | + | Other Assets Revenue | = | Capital Turnover |
| 2019 | | 0.0 | | 4.9 | | 2.7 | | 0.1 |
| 2020 | | (0.1) | | 12.3 | | 5.0 | | 0.1 |
| 2021 | | (0.5) | | 6.4 | | 1.8 | | 0.1 |
| 2022F | | 0.0 | | 3.2 | | 0.9 | | 0.2 |
| Year | | Operating Margin | x | Capital Turnover | x | Cash Tax Rate | = | After-tax Return on Inv. Capital |
| 2019 | | -20.9% | | 0.1 | | -42.8% | | 1.2% |
| 2020 | | -221.6% | | 0.1 | | 0.2% | | 0.0% |
| 2021 | | -45.1% | | 0.1 | | 9.6% | | -0.6% |
| 2022F | | -6.7% | | 0.2 | | 5.1% | | -0.1% |

Source: KGI Securities Research

S Hotels and Resorts - Recommendation & target price history



Source: KGI Securities Research



Siam Wellness Group

(SPA.BK/SPA TB)

Neutral · Maintained

| | |
|-------------------------------|-------|
| Price as of 17 Oct 2022 | 10.10 |
| 12M target price (Bt/shr) | 11.30 |
| Unchanged/Revised up(down)(%) | 2.7 |
| Upside/downside (%) | 11.8 |

Key messages

We expect SPA to report a narrower net loss of Bt15mn, improving from a loss of Bt29mn in 2Q22, amid the improving COVID-19 situation in Thailand, more branches re-opening, and recovery in tourist arrivals. We fine-tune up our 2023 earnings forecast by 2%. Looking ahead, we expect SPA to be a prime beneficiary from the recovery in Chinese tourist arrivals, while the earnings outlook for 4Q22 should remain positive. However, with the positives priced-in, we maintain a Neutral rating with a new target price of Bt11.30, from Bt11.00.

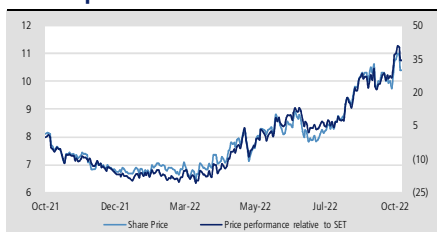
Trading data

| | | | |
|----------------------------|--------------|------|------|
| Mkt cap (Btbn/US\$m) | 8.9/222 | | |
| Outstanding shares (mn) | 855 | | |
| Foreign ownership (mn) | 10 | | |
| 3M avg. daily trading (mn) | 3 | | |
| 52-week trading range (Bt) | 6.50 – 11.00 | | |
| Performance (%) | 3M | 6M | 12M |
| Absolute | 31.6 | 44.4 | 30.0 |
| Relative | 29.4 | 54.6 | 36.4 |

Quarterly EPS

| EPS | Q1 | Q2 | Q3 | Q4 |
|------|--------|--------|--------|--------|
| 2020 | 0.01 | (0.09) | (0.06) | (0.09) |
| 2021 | (0.09) | (0.10) | (0.09) | (0.05) |
| 2022 | (0.07) | (0.03) | | |

Share price chart



Source: SET

Napat Vorajanyavong
66.2658.8888 Ext. 8857
napatv@kgi.co.th

3Q22F earnings preview: Net loss to narrow to Bt15mn

Event

3Q22F earnings preview.

Impact

3Q22F net loss to narrow to Bt15mn

We expect SPA to report a narrower net loss in 3Q22F of Bt15mn (+81% YoY, +49% QoQ). Earnings momentum is expected to achieve strong growth both YoY and QoQ amid the improving COVID-19 situation in Thailand, more branches re-opening, and recovery in tourist arrivals. Note that around 96% of the company's spa branches were operating at the end of 3Q22, up from 90% in 2Q22. Also, our recent channel check suggests more revenue contributions from international tourists for spa branches in Bangkok, Phuket, and Pattaya.

The company's 3Q22F spa revenue is expected to come in at Bt142mn, (up substantially YoY, +23% QoQ), propelled by increasing customer traffic and additional re-opening of spa branches. In terms of profitability, EBIT margin is expected to hit a multi-quarter high at -2% (up substantially YoY, +12.1ppts QoQ). The 9M22F net loss should come in at Bt102mn (+58% YoY).

Revise our 2022/2023 earnings projection by -19%/+2%

We revise our earnings projections by -19% for 2022F and +2% for 2023F. Key revisions include: i) revising up total revenue by 8.7% amid better-than-expected spa traffic, and ii) raising interest expense by 11.2%.

Valuation & action

SPA's total revenue used to be dominated by Chinese tourists (accounting for 55% of total revenue in 2019), so it should be a prime beneficiary of rising Chinese tourist arrivals. Meanwhile, we expect earnings momentum to continue to recover both YoY and QoQ in 4Q22. With positives partly priced-in, we re-iterate a rating of Neutral with a new target price of Bt11.30, based on 54x 2023F PE or +1.5SD to its long-term mean.

Risks

Prolonged COVID-19 outbreak.

Key financials and valuations

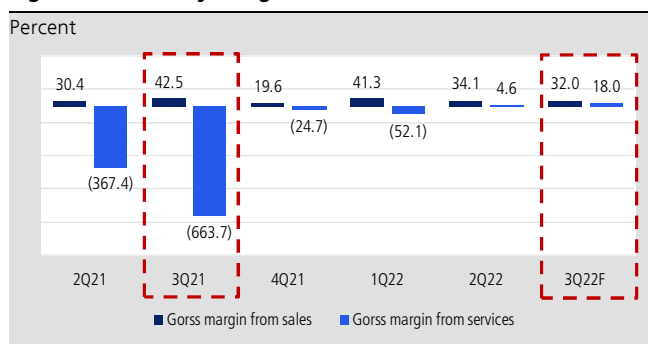
| | Dec - 19A | Dec - 20A | Dec - 21A | Dec - 22F | Dec - 23F |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Btmn) | 1,384 | 427 | 168 | 611 | 986 |
| Gross Profit (Btmn) | 441 | (80) | (151) | 76 | 387 |
| SG&A (Btmn) | 163 | 119 | 108 | 144 | 157 |
| Net Profit (Btmn) | 245 | (209) | (287) | (95) | 178 |
| Normalized Profit (Btmn) | 245 | (209) | (287) | (95) | 178 |
| EPS (Bt) | 0.3 | (0.2) | (0.3) | (0.1) | 0.2 |
| Normalized EPS (Bt) | 0.3 | (0.2) | (0.3) | (0.1) | 0.2 |
| DPS (Bt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPS Growth (%) | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| Normalized EPS Growth | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| P/E (X) | 33.7 | (28.4) | (20.1) | (98.1) | 52.2 |
| P/B (X) | 7.3 | 6.6 | 9.3 | 17.8 | 13.3 |
| EV/EBITDA (X) | 13.4 | 313.2 | 66.9 | 47.0 | 15.8 |
| Net Debt to Equity (%) | 14.6 | 43.2 | 84.3 | 111.9 | 56.9 |
| Dividend Yield (%) | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Return on Average Equity (%) | 21.7 | (23.1) | (46.4) | (18.1) | 25.4 |

Source: Company data, KGI Securities Research

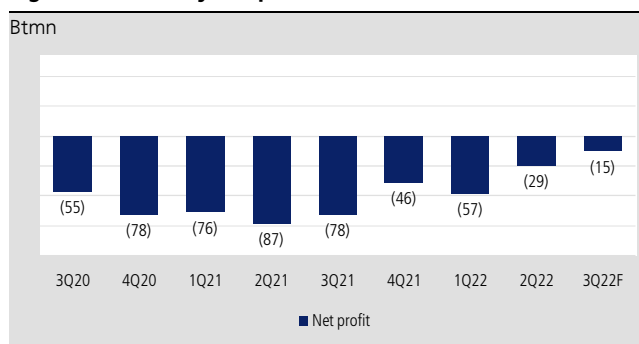
Figure 1: SPA's 3Q22F earnings preview

| Bt mn | 3Q22F | 3Q21 | YoY (%) | 2Q22 | QoQ (%) | 9M22F | 9M21 | YoY (%) |
|----------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Total revenue | 161 | 13 | 1,132.0 | 132 | 21.3 | 403 | 90 | 346.5 |
| Revenue from sales | 19 | 6 | 206.4 | 17 | 10.0 | 77 | 22 | 247.2 |
| Revenue from services | 142 | 7 | 1,971.5 | 115 | 23.0 | 325.9 | 68.0 | 378.9 |
| Total gross Profit | 32 | (43) | | 11 | (181.5) | 24 | (138) | |
| SG&A | 37 | 28 | 30.2 | 32 | 16.1 | 93 | 81 | 15.2 |
| Operating EBIT | (3) | (69) | 95.4 | (19) | 83.0 | (62) | (215) | 71.3 |
| Net Profit | (15) | (78) | 80.6 | (29) | 48.5 | (102) | (241) | 57.7 |
| Normalized profit | (15) | (78) | 80.6 | (29) | 48.5 | (98) | (241) | 59.4 |
| Percent | 3Q22F | 3Q21 | YoY (ppts) | 2Q22 | QoQ (ppts) | 9M22F | 9M21 | YoY (ppts) |
| Total gross margin | 19.7 | (327.8) | 347.5 | 8.5 | 11.2 | 5.9 | (153.4) | 159.3 |
| Gross margin from sales | 32.0 | 42.5 | (10.5) | 34.1 | (2.1) | 37.4 | 34.7 | 2.6 |
| Gross margin from services | 18.0 | (663.7) | 681.7 | 4.6 | 13.4 | (1.6) | (214.9) | 213.3 |
| EBIT margin | (2.0) | (529.6) | 527.7 | (14.0) | 12.1 | (15.3) | (238.1) | 222.8 |
| SG&A/sales | 22.8 | 215.8 | (193.0) | 23.8 | (1.0) | 23.1 | 89.4 | (66.4) |

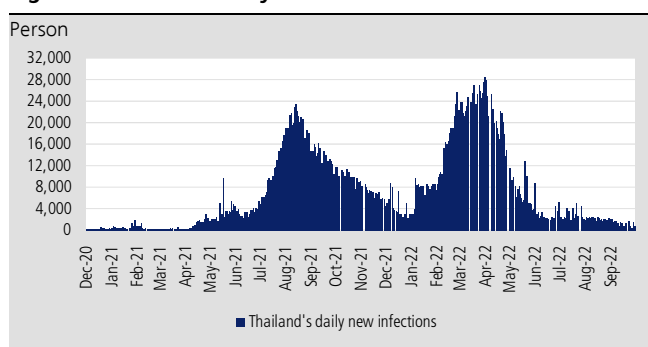
Source: Company data, KGI Securities Research

Figure 2: Quarterly margins


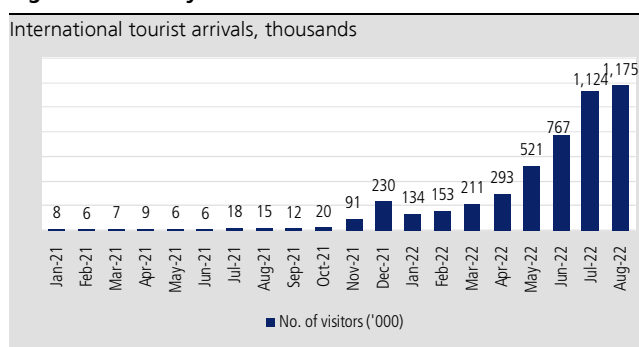
Source: Company data, KGI Securities Research

Figure 3: Quarterly net profit momentum


Source: Company data, KGI Securities Research

Figure 4: Thailand's daily infections


Source: Our World in Data, KGI Securities Research

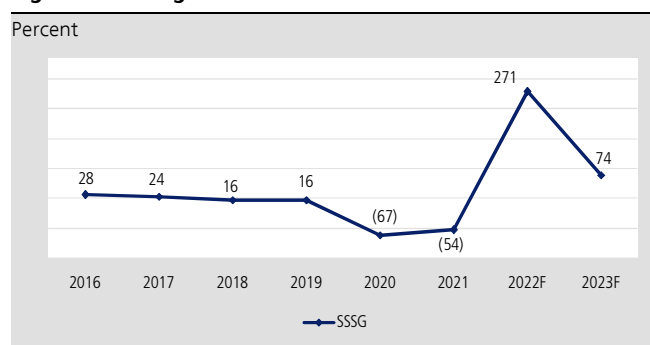
Figure 5: Monthly international tourists arrivals


Source: Our World in Data, KGI Securities Research

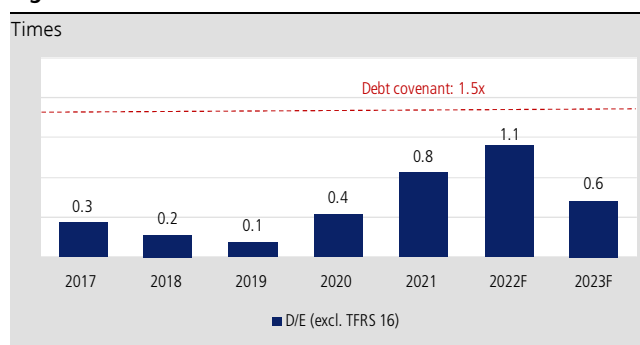
Figure 6: Earnings revisions

| | 2022F | | | 2023F | | |
|------------------------------------|-------------|-------------|----------------------|------------|------------|----------------------|
| | Previous | Revised | Change (%) | Previous | Revised | Change (%) |
| Financials | | | | | | |
| Total revenue (Bt mn) | 439 | 611 | 39.2 | 907 | 986 | 8.7 |
| Total gross profit | 66 | 76 | 15.7 | 353 | 387 | 9.6 |
| SG&A expenses | 112 | 144 | 28.8 | 122 | 157 | 29.0 |
| EBIT | (39) | (55) | (40.0) | 243 | 247 | 1.8 |
| Net profit (Bt mn) | (80) | (95) | (18.9) | 175 | 178 | 2.3 |
| Normalized profit (Bt mn) | (80) | (95) | (18.9) | 175 | 178 | 2.3 |
| | | | Change (ppts) | | | Change (ppts) |
| Key financial ratios | | | | | | |
| SG&A-to-sales (%) | 25.4 | 23.5 | -1.9 | 13.4 | 15.9 | 2.5 |
| Gross margin (%) | 14.9 | 12.4 | -2.5 | 38.9 | 39.2 | 0.3 |
| EBIT margin | (9.0) | (9.0) | -0.1 | 26.8 | 25.0 | -1.7 |
| | | | Change (%) | | | Change (%) |
| Assumptions | | | | | | |
| SSSG (%) | 144 | 271 | | 142 | 74 | |
| Average revenue per outlet (Bt mn) | 4.7 | 7.2 | 52.2 | 11.4 | 12.5 | 9.4 |

Source: Company data, KGI Securities Research

Figure 7: Average SSSG


Source: Company data, KGI Securities Research

Figure 8: D/E ratio


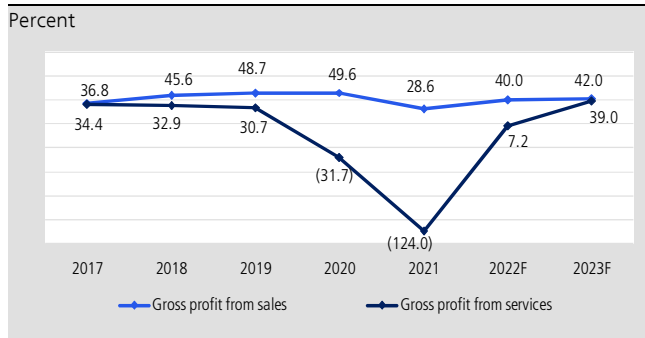
Source: Company data, KGI Securities Research

Figure 9: Company profile

Siam Wellness Group Plc. (SPA) is one of the largest spa operators in Thailand which has operated health spa, spa-related products, and hospitality businesses. For the spa business, there are five main brands including i) RarinJinda Wellness Spa (5-star spa service), ii) Let's Relax (4-star spa service), iii) Baan Suan Massage (3-star spa service), iv) Stretch Me (stretching studio), and v) Face Care by Let's Relax (facial spa).

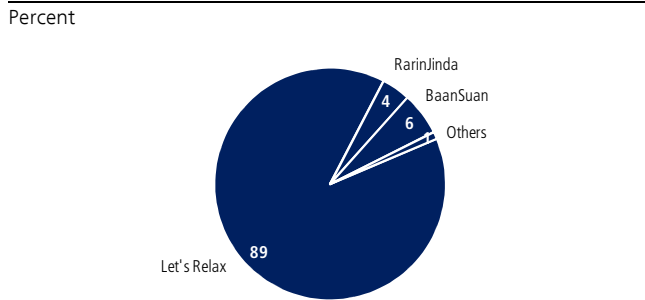
Source: Company data

Figure 11: Margins



Source: Company data, KGI Securities Research

Figure 13: Spa revenue breakdown by brands (pre-COVID-19)



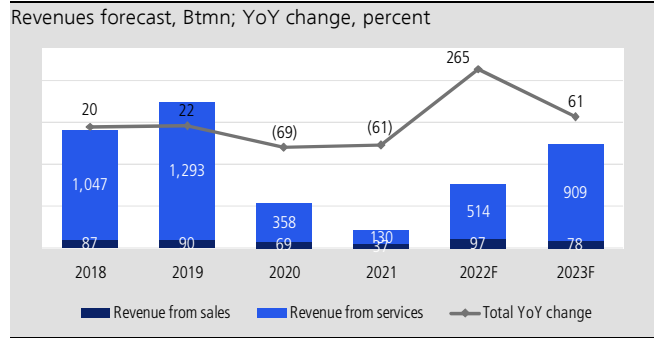
Source: Company data, KGI Securities Research

Figure 15: Company trading PER



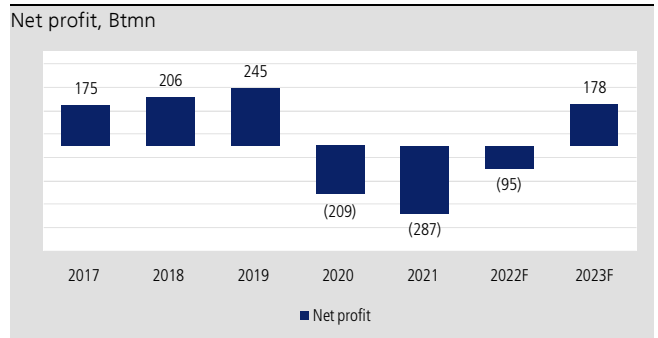
Source: KGI Securities Research

Figure 10: Revenue forecast



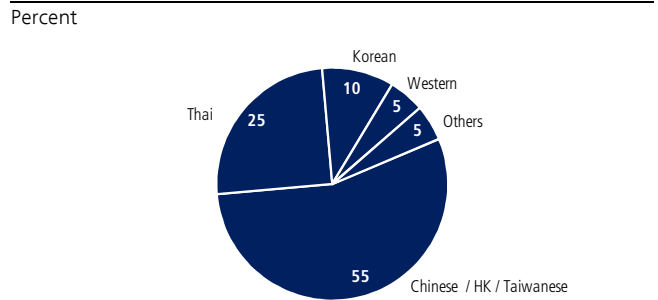
Source: Company data, KGI Securities Research

Figure 12: Net profit



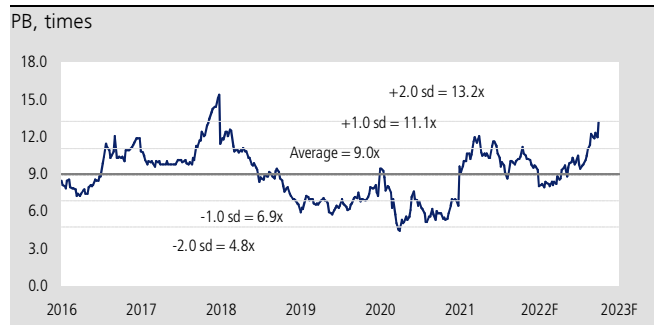
Source: Company data, KGI Securities Research

Figure 14: Spa revenue breakdown by customers (pre-COVID-19)



Source: Company data, KGI Securities Research

Figure 16: Company trading PB



Source: KGI Securities Research

Quarterly Income Statement

| | Sep-18A | Dec-18A | Mar-19A | Jun-19A | Sep-19A | Dec-19A | Mar-20A | Jun-20A | Sep-20A | Dec-20A | Mar-21A | Jun-21A | Sep-21A | Dec-21A | Mar-22A | Jun-22A |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Income Statement (Bt mn) | | | | | | | | | | | | | | | | |
| Revenue | 288 | 303 | 341 | 337 | 368 | 338 | 238 | 31 | 76 | 81 | 55 | 22 | 13 | 77 | 110 | 132 |
| Cost of Goods Sold | (191) | (209) | (231) | (240) | (245) | (227) | (201) | (82) | (98) | (127) | (98) | (75) | (56) | (90) | (129) | (121) |
| Gross Profit | 97 | 93 | 110 | 98 | 122 | 111 | 37 | (50) | (22) | (45) | (43) | (53) | (43) | (12) | (19) | 11 |
| Operating Expense | (37) | (41) | (42) | (46) | (42) | (33) | (30) | (27) | (30) | (31) | (25) | (27) | (28) | (27) | (25) | (32) |
| Other incomes | 0 | 0 | 4 | 5 | 4 | (14) | 5 | 0 | 0 | (5) | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Profit | 60 | 52 | 72 | 57 | 84 | 64 | 12 | (77) | (52) | (82) | -69 | -80 | -71 | -39 | (44) | (20) |
| Depreciation of fixed asset | (24) | (27) | (31) | (28) | (32) | (27) | (70) | (53) | (35) | (48) | (82) | (82) | (82) | (80) | (76) | (75) |
| Operating EBITDA | 88 | 85 | 103 | 85 | 116 | 111 | 82 | (23) | (16) | (27) | 14 | 4 | 13 | 44 | 36 | 56 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 | (0) | 1 | 1 | 0 | (2) | 1 | 1 | 0 | (2) | 0 | 0 |
| Interest Income | 0 | 0 | 0 | 0 | 0 | (0) | 1 | 1 | 0 | (2) | 1 | 1 | 0 | (2) | 0 | 0 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (2) | (2) | (2) | (3) | (3) | (2) | (9) | (6) | (3) | (5) | (11) | (11) | (11) | (11) | (10) | (11) |
| Interest Expense | (2) | (2) | (2) | (3) | (3) | (2) | (9) | (6) | (3) | (5) | (11) | (11) | (11) | (11) | (10) | (11) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 61 | 56 | 70 | 55 | 81 | 81 | 4 | (82) | (54) | (79) | (78) | (90) | (80) | (47) | (50) | (29) |
| Current Taxation | (9) | (7) | (11) | (7) | (13) | (10) | 0 | 1 | (1) | 1 | 2 | 3 | 2 | 1 | (3) | 0 |
| Minorities | 0 | (0) | (0) | (0) | 2 | (2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (0) | 0 | 0 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4) | 0 |
| Net Profit | 52 | 49 | 59 | 47 | 70 | 69 | 4 | (81) | (55) | (78) | (76) | (87) | (78) | (46) | (57) | (29) |
| Normalized Profit | 52 | 49 | 59 | 47 | 70 | 69 | 4 | (81) | (55) | (78) | (76) | (87) | (78) | (46) | (53) | (29) |
| EPS (Bt) | 0.06 | 0.06 | 0.07 | 0.06 | 0.08 | 0.08 | 0.01 | (0.09) | (0.06) | (0.09) | (0.09) | (0.10) | (0.09) | (0.05) | (0.07) | (0.03) |
| Normalized EPS (Bt) | 0.06 | 0.06 | 0.07 | 0.06 | 0.08 | 0.08 | 0.01 | (0.09) | (0.06) | (0.09) | (0.09) | (0.10) | (0.09) | (0.05) | (0.06) | (0.03) |
| Margins | | | | | | | | | | | | | | | | |
| Gross profit margin | 33.7 | 30.8 | 32.3 | 29.0 | 33.3 | 32.9 | 15.6 | (159.3) | (28.3) | (55.5) | (78.6) | (236.4) | (327.8) | (16.0) | (17.4) | 8.5 |
| Operating EBIT margin | 20.9 | 17.1 | 21.3 | 17.0 | 22.9 | 19.1 | 5.0 | (243.5) | (68.1) | (100.5) | (124.7) | (359.1) | (543.6) | (50.9) | (40.0) | (15.3) |
| Operating EBITDA margin | 30.4 | 28.2 | 30.4 | 25.3 | 31.5 | 32.9 | 34.7 | (73.3) | (21.2) | (32.6) | 25.8 | 17.1 | 102.9 | 57.0 | 32.6 | 42.6 |
| Net profit margin | 18.1 | 16.2 | 17.3 | 14.0 | 19.0 | 20.5 | 1.8 | (256.1) | (72.1) | (95.7) | (138.1) | (391.0) | (597.1) | (59.5) | (52.2) | (22.1) |
| Growth (YoY) | | | | | | | | | | | | | | | | |
| Revenue growth | 18.2 | 18.5 | 22.0 | 27.5 | 27.8 | 11.6 | (30.2) | (90.7) | (79.3) | (75.9) | (76.9) | (29.4) | (82.9) | (4.9) | 100.0 | 496.1 |
| Operating EBIT growth | 18.4 | 1.8 | 7.7 | 9.7 | 40.1 | 24.1 | (83.5) | (233.5) | (161.6) | (226.9) | (674.8) | 4.1 | 36.5 | (51.9) | (35.9) | (74.5) |
| Operating EBITDA growth | 17.7 | 12.9 | 3.6 | 4.0 | 32.3 | 30.1 | (20.3) | (127.1) | (113.9) | (123.9) | (82.8) | (116.4) | (183.1) | (265.9) | 151.8 | 1,385.9 |
| Net profit growth | 17.9 | 7.7 | 5.2 | (2.4) | 34.8 | 40.8 | (92.6) | (270.8) | (178.5) | (212.6) | (1,847.2) | 7.7 | 41.7 | (40.9) | (24.4) | (66.3) |
| Normalized profit growth | 17.9 | 7.7 | 5.2 | (2.4) | 34.8 | 40.8 | (92.6) | (270.8) | (178.5) | (212.6) | (1,847.2) | 7.7 | 41.7 | (40.9) | (29.7) | (66.3) |

Source: Company data, KGI Securities Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Assets | 1,516 | 2,632 | 2,258 | 2,269 | 2,299 |
| Current Assets | 289 | 231 | 203 | 253 | 304 |
| Cash & ST Investment | 126 | 115 | 110 | 92 | 134 |
| Inventories | 40 | 40 | 28 | 73 | 56 |
| Account Receivable | 37 | 22 | 15 | 17 | 22 |
| Others | 47 | 45 | 41 | 53 | 65 |
| Non-current Assets | 1,227 | 2,401 | 2,055 | 2,016 | 1,995 |
| LT Investment | 24 | 42 | 40 | 38 | 38 |
| Net fixed Assets | 1,083 | 1,075 | 947 | 924 | 903 |
| Others | 120 | 1,284 | 1,068 | 1,054 | 1,055 |
| Total Liabilities | 384 | 1,727 | 1,639 | 1,746 | 1,598 |
| Current Liabilities | 245 | 361 | 374 | 476 | 454 |
| Account Payable | 97 | 45 | 37 | 60 | 67 |
| ST Borrowing | 85 | 103 | 114 | 180 | 123 |
| Others | 63 | 213 | 223 | 237 | 264 |
| Long-term Liabilities | 139 | 1,366 | 1,265 | 1,270 | 1,144 |
| Long-term Debts | 80 | 288 | 407 | 406 | 276 |
| Others | 59 | 1,078 | 858 | 864 | 867 |
| Shareholders' Equity | 1,132 | 905 | 618 | 524 | 702 |
| Common Stock | 143 | 214 | 214 | 214 | 214 |
| Capital Surplus | 279 | 279 | 279 | 279 | 279 |
| Retained Earnings | 666 | 368 | 81 | (13) | 165 |
| Preferred Stock | | | | | |

Source: KGI Securities Research

Key Ratios

| Year to 31 Dec | 2019 | 2020 | 2021 | 2022F | 2023F |
|----------------------------------|--------|---------|---------|---------|---------|
| Growth (%YoY) | | | | | |
| Sales | 22.0 | (69.1) | (60.7) | 264.7 | 61.4 |
| OP | 20.3 | (171.2) | 30.3 | (73.8) | (439.4) |
| EBITDA | 20.2 | (96.0) | 351.7 | 110.8 | 189.1 |
| NP | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| Normalized Profit | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| EPS | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| Normalized EPS | 19.4 | N.A. | (37.1) | 66.9 | N.A. |
| Profitability (%) | | | | | |
| Gross Margin | 31.9 | (18.7) | (90.0) | 12.4 | 39.2 |
| Operating Margin | 20.1 | (46.5) | (154.3) | (11.1) | 23.3 |
| EBITDA Margin | 30.0 | 3.9 | 45.0 | 26.0 | 46.6 |
| Net Margin | 17.7 | (49.0) | (171.1) | (15.5) | 18.1 |
| ROAA | 16.2 | (7.9) | (12.7) | (4.2) | 7.8 |
| ROAE | 21.7 | (23.1) | (46.4) | (18.1) | 25.4 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 33.9 | 190.8 | 265.1 | 333.4 | 227.6 |
| Net Debt/Equity (%) | 14.6 | 43.2 | 84.3 | 111.9 | 56.9 |
| Interest Coverage (x) | 28.4 | (8.8) | (5.7) | (1.2) | 5.6 |
| Interest & ST Debt Coverage (x) | 3.1 | (1.5) | (1.6) | (0.2) | 1.5 |
| Cash Flow Interest Coverage (x) | 23.8 | 10.0 | 1.5 | 2.0 | 9.5 |
| Cash Flow/Interest & ST Debt (x) | 2.6 | 1.7 | 0.4 | 0.4 | 2.5 |
| Current Ratio (x) | 1.2 | 0.6 | 0.5 | 0.5 | 0.7 |
| Quick Ratio (x) | 1.0 | 0.5 | 0.5 | 0.4 | 0.5 |
| Net Debt (Bt mn) | 112.8 | 1,305.3 | 1,234.4 | 1,316.1 | 1,087.9 |
| Per Share Data (Bt) | | | | | |
| EPS | 0.3 | (0.2) | (0.3) | (0.1) | 0.2 |
| Normalized EPS | 0.3 | (0.2) | (0.3) | (0.1) | 0.2 |
| CFPS | 0.3 | 0.3 | 0.1 | 0.1 | 0.5 |
| BVPS | 1.3 | 1.1 | 0.7 | 0.6 | 0.8 |
| SPS | 1.6 | 0.5 | 0.2 | 0.7 | 1.2 |
| EBITDA/Share | 0.5 | 0.0 | 0.1 | 0.2 | 0.5 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Activity | | | | | |
| Asset Turnover (x) | 0.9 | 0.2 | 0.1 | 0.3 | 0.4 |
| Days Receivables | 9.8 | 18.6 | 33.2 | 10.4 | 8.1 |
| Days Inventory | 15.5 | 29.0 | 31.9 | 49.6 | 34.3 |
| Days Payable | 37.5 | 32.2 | 42.4 | 40.6 | 40.6 |
| Cash Cycle | (12.2) | 15.5 | 22.7 | 19.5 | 1.8 |

Source: KGI Securities Research

Profit & Loss

| Year to Dec 31 (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|------------------------------|--------------|--------------|--------------|--------------|-------------|
| Revenue | 1,384 | 427 | 168 | 611 | 986 |
| Cost of Goods Sold | (943) | (507) | (319) | (536) | (599) |
| Gross Profit | 441 | (80) | (151) | 76 | 387 |
| Operating Expenses | (163) | (119) | (108) | (144) | (157) |
| Other Incomes | 0 | 0 | 0 | 0 | 0 |
| Operating Profit | 279 | (198) | (259) | (68) | 230 |
| Depreciation of fixed assets | (118) | (206) | (327) | (214) | (213) |
| Operating EBITDA | 416 | 17 | 75 | 159 | 460 |
| Non-Operating Income | 0 | 0 | 0 | 0 | 0 |
| Interest Income | 0 | 0 | 0 | 0 | 0 |
| Other Non-op Income | 0 | 0 | 0 | 0 | 0 |
| Non-Operating Expense | (10) | (21) | (44) | (45) | (44) |
| Interest Expense | (10) | (21) | (44) | (45) | (44) |
| Other Non-op Expense | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pretax Profit | 288 | (211) | (295) | (100) | 203 |
| Current Taxation | (42) | 2 | 9 | 5 | (24) |
| Minorities | 1 | 0 | (0) | (0) | 0 |
| Extraordinaries items | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 245 | (209) | (287) | (95) | 178 |
| Normalized Profit | 245 | (209) | (287) | (95) | 178 |
| EPS (Bt) | 0.29 | (0.24) | (0.34) | (0.11) | 0.21 |
| Normalized EPS (Bt) | 0.29 | (0.24) | (0.34) | (0.11) | 0.21 |

Source: KGI Securities Research

Cash Flow

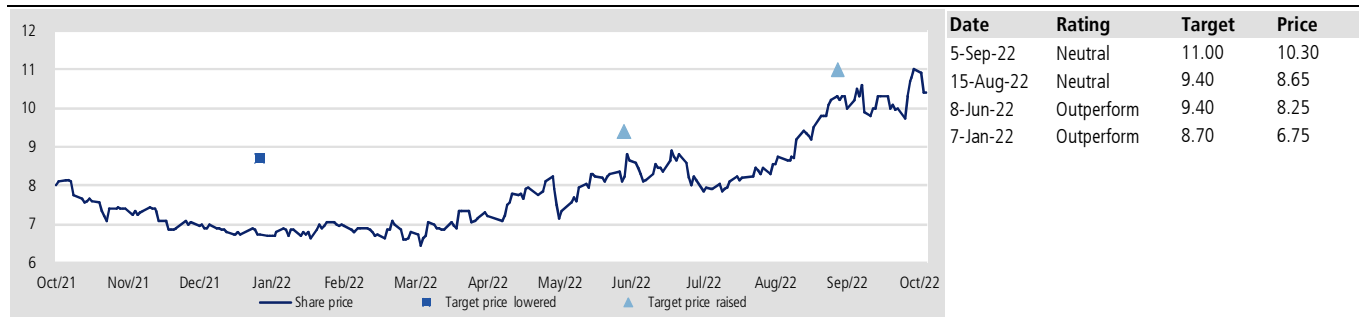
| Year to 31 Dec (Bt mn) | 2019 | 2020 | 2021 | 2022F | 2023F |
|-----------------------------|--------------|----------------|-------------|--------------|--------------|
| Operating Cash Flow | 249 | 215 | 66 | 88 | 417 |
| Net Profit | 245 | (209) | (287) | (95) | 178 |
| Depreciation & Amortization | 118 | 206 | 327 | 214 | 213 |
| Change in Working Capital | (114) | 217 | 26 | (31) | 25 |
| Others | | | | | |
| Investment Cash Flow | (141) | (1,390) | 5 | (170) | (188) |
| Net CAPEX | (136) | (191) | (207) | (181) | (192) |
| Change in LT Investment | (15) | (1,187) | 230 | 2 | 0 |
| Change in Other Assets | (0) | (2) | (4) | 4 | 0 |
| Free Cash Flow | 108 | (1,175) | 71 | (82) | 229 |
| Financing Cash Flow | (135) | 1,237 | (76) | 64 | (187) |
| Change in Share Capital | 0 | 71 | 0 | 0 | 0 |
| Net Change in Debt | (51) | 1,254 | (76) | 64 | (187) |
| Change in Other LT Liab. | (1) | (0) | (0) | 0 | (0) |
| Net Cash Flow | (27) | 62 | (5) | (18) | 42 |

Source: KGI Securities Research

Rates of Return on Invested Capital

| Year | 1- | COGS Revenue | + | Depreciation Revenue | + | Operating Exp. Revenue | = | Operating Margin |
|-------|----|-------------------------|---|----------------------|---|------------------------|---|----------------------------------|
| 2019 | | 68.1% | | 8.5% | | 11.7% | | 11.6% |
| 2020 | | 118.7% | | 48.3% | | 27.8% | | -94.8% |
| 2021 | | 190.0% | | 194.9% | | 64.3% | | -349.2% |
| 2022F | | 87.6% | | 35.1% | | 23.5% | | -46.2% |
| Year | 1/ | Working Capital Revenue | + | Net PPE Revenue | + | Other Assets Revenue | = | Capital Turnover |
| 2019 | | 0.0 | | 0.8 | | 0.3 | | 0.9 |
| 2020 | | (0.3) | | 2.5 | | 3.6 | | 0.2 |
| 2021 | | (1.0) | | 5.6 | | 7.8 | | 0.1 |
| 2022F | | (0.4) | | 1.5 | | 2.2 | | 0.3 |
| Year | | Operating Margin | x | Capital Turnover | x | Cash Tax Rate | = | After-tax Return on Inv. Capital |
| 2019 | | 11.6% | | 0.9 | | 14.5% | | 1.5% |
| 2020 | | -94.8% | | 0.2 | | 1.0% | | -0.2% |
| 2021 | | -349.2% | | 0.1 | | 3.0% | | -0.8% |
| 2022F | | -46.2% | | 0.3 | | 5.0% | | -0.7% |

Source: KGI Securities Research

Siam Wellness Group – Recommendation & target price history


Source: KGI Securities Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|--------------------------------|--------|------------------------|--------|---|
| AAV | ASIA AVIATION | EGCO | ELECTRICITY GENERATING | PTTEP | PTT EXPLORATION AND PRODUCTION |
| ADVANC | ADVANCED INFO SERVICE | GFPT | GFPT | PTTGC | PTT GLOBAL CHEMICAL |
| AMA | AMA MARINE | GGC | GLOBAL GREEN CHEMICALS | PYLON | PYLON |
| AMATA | AMATA CORPORATION | GPSC | GLOBAL POWER SYNERGY | QH | QUALITY HOUSES |
| ANAN | ANANDA DEVELOPMENT | HANA | HANA MICROELECTRONICS | RATCH | RATCHABURI ELECTRICITY GENERATING HOLDING |
| AOT | AIRPORTS OF THAILAND | HMPRO | HOME PRODUCT CENTER | RS | RS |
| AP | ASIAN PROPERTY DEVELOPMENT | INTUCH | SHIN CORPORATION | SCB | THE SIAM COMMERCIAL BANK |
| BANPU | BANPU | IRPC | IRPC | SCC | THE SIAM CEMENT |
| BCP | THE BANGCHAK PETROLEUM | IVL | INDORAMA VENTURES | SCCC | SIAM CITY CEMENT |
| BCPG | BCPG | KBANK | KASIKORNBANK | SEAFCO | SEAFCO |
| BDMS | BANGKOK DUSIT MEDICAL SERVICES | KCE | KCE ELECTRONICS | SMPC | SAHAMITR PRESSURE CONTAINER |
| BEC | BEC WORLD | KKP | KIATNAKIN BANK | SPALI | SUPALAI |
| BEM | BANGKOK EXPRESSWAY AND METRO | KTB | KRUNG THAI BANK | SPRC | STAR PETROLEUM REFINING |
| BGRIM | B. GRIMM POWER | KTC | KRUNGTHAI CARD | SVI | SVI |
| BPP | BANPU POWER | LH | LAND AND HOUSES | TACC | T.A.C. CONSUMER |
| BTS | BTS GROUP HOLDINGS | LPN | L.P.N. DEVELOPMENT | TCAP | THANACHART CAPITAL |
| CENDEL | CENTRAL PLAZA HOTEL | MAKRO | SIAM MAKRO | THCOM | THAICOM |
| CK | CH. KARNCHANG | MBK | MBK | TISCO | TISCO FINANCIAL GROUP |
| CKP | CK POWER | MINT | MINOR INTERNATIONAL | TOP | THAI OIL |
| CPALL | CP ALL | MTC | MUANGTHAI CAPITAL | TRUE | TRUE CORPORATION |
| CPF | CHAROEN POKPHAND FOODS | PLANB | PLAN B MEDIA | TTB | TMBTHANACHART BANK |
| CPN | CENTRAL PATTANA | PSH | PRUKSA HOLDING | VGI | VGI GLOBAL MEDIA |
| DELTA | DELTA ELECTRONICS (THAILAND) | PTG | PTG ENERGY | WHA | WHA CORPORATION |
| DTAC | TOTAL ACCESS COMMUNICATION | PTT | PTT | WHAUP | |



Companies with Very Good CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|-------------------------------------|--------|--------------------------|--------|----------------------------|
| BAM | BANGKOK COMMERCIAL ASSET MANAGEMENT | GULF | GULF ENERGY DEVELOPMENT | SAPPE | SAPPE |
| BBL | BANGKOK BANK | JMT | JMT NETWORK SERVICES | SAWAD | SRISAWAD POWER 1979 |
| CBG | CARABAO GROUP | LPH | LADPRAO GENERAL HOSPITAL | SINGER | SINGER THAILAND |
| CHG | CHULARAT HOSPITAL | M | MK RESTAURANT GROUP | SPA | SIAM WELLNESS GROUP |
| COM7 | COM7 | MAJOR | MAJOR CINEPLEX GROUP | TFG | THAIFOODS GROUP |
| DOHOME | DOHOME | MEGA | MEGA LIFESCIENCES | TKN | TAOKAENOI FOOD & MARKETING |
| ERW | THE ERAWAN GROUP | NETBAY | NETBAY | ZEN | ZEN CORPORATION GROUP |
| GLOBAL | SIAM GLOBAL HOUSE | OSP | OSOTSPA | | |



Companies with Good CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|------------------------|-------|-----------------|-------|-------------------------|
| BCH | BANGKOK CHAIN HOSPITAL | ESSO | ESSO (THAILAND) | SF | SIAM FUTURE DEVELOPMENT |
| BH | BUMRUNGRAD HOSPITAL | HUMAN | HUMANICA | SISB | SISB |
| EKH | EKACHAI MEDICAL CARE | RBF | R&B FOOD SUPPLY | TPCH | TPC POWER HOLDING |

Companies classified Not in the three highest score groups

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|--------------------------|-------|--|-------|-----------------------------|
| IIG | I&I GROUP | OR | PTT OIL AND RETAIL BUSINESS | STGT | SRI TRANG GLOVES (THAILAND) |
| KEX | KERRY EXPRESS (THAILAND) | STEC | SINO-THAI ENGINEERING AND CONSTRUCTION | | |

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the

accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|--------------------------------|--------|------------------------------|--------|---|
| ADVANC | ADVANCED INFO SERVICE | GLOBAL | SIAM GLOBAL HOUSE | QH | QUALITY HOUSES |
| ANAN | ANANDA DEVELOPMENT | GPSC | GLOBAL POWER SYNERGY | RATCH | RATCHABURI ELECTRICITY GENERATING HOLDING |
| BBL | BANGKOK BANK | HMPRO | HOME PRODUCT CENTER | ROBINS | ROBINSON DEPARTMENT STORE |
| BCH | BANGKOK CHAIN HOSPITAL | IRPC | IRPC | SCC | THE SIAM CEMENT |
| BDMS | BANGKOK DUSIT MEDICAL SERVICES | KBANK | KASIKORNBANK | SIRI | SANSIRI |
| BIGC | BIG C SUPERCENTER | KCE | KCE ELECTRONICS | SPALI | SUPALAI |
| CK | CH. KARNCHANG | KKP | KIATNAKIN BANK | STEC | SINO-THAI ENGINEERING AND CONSTRUCTION |
| DCC | DYNASTY CERAMIC | KTB | KRUNG THAI BANK | TCAP | THANACHART CAPITAL |
| DELTA | DELTA ELECTRONICS (THAILAND) | LPH | LADPRAO GENERAL HOSPITAL | TISCO | TISCO FINANCIAL GROUP |
| DRT | DIAMOND ROOFING TILES | PACE | PACE DEVELOPMENT CORPORATION | TMT | THAI METAL TRADE |
| EGCO | ELECTRICITY GENERATING | PTT | PTT | TOP | THAI OIL |
| GFPT | GFPT | PTTGC | PTT GLOBAL CHEMICAL | | |

Level 4: Certified

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|----------------------------|--------|--------------------------------|--------|----------------------------|
| AAV | ASIA AVIATION | ERW | THE ERAWAN GROUP | SAPPE | SAPPE |
| AP | ASIAN PROPERTY DEVELOPMENT | GLOW | GLOW ENERGY | SAWAD | SRISAWAD POWER 1979 |
| BA | BANGKOK AIRWAYS | GUNKUL | GUNKUL ENGINEERING | SCB | THE SIAM COMMERCIAL BANK |
| BANPU | BANPU | ILINK | INTERLINK COMMUNICATION | SCN | SCAN INTER |
| BCP | THE BANGCHAK PETROLEUM | KTC | KRUNGTHAI CARD | SEAFCO | SEAFCO |
| BH | BUMRUNGRAD HOSPITAL | LH | LAND AND HOUSES | SVI | SVI |
| BJCHI | BJC HEAVY INDUSTRIES | LPN | L.P.N. DEVELOPMENT | TASCO | TIPCO ASPHALT |
| CBG | CARABAO GROUP | MAKRO | SIAM MAKRO | TKN | TAOKAENOI FOOD & MARKETING |
| CENTEL | CENTRAL PLAZA HOTEL | MALEE | MALEE SAMPRAN | TMB | TMB BANK |
| CHG | CHULARAT HOSPITAL | MINT | MINOR INTERNATIONAL | TRT | TIRATHAI |
| CKP | CK POWER | MODERN | MODERNFORM GROUP | TRUE | TRUE CORPORATION |
| CPF | CHAROEN POKPHAND FOODS | NOK | NOK AIRLINES | TVO | THAI VEGETABLE OIL |
| CPN | CENTRAL PATTANA | PTTEP | PTT EXPLORATION AND PRODUCTION | | |
| DTAC | TOTAL ACCESS COMMUNICATION | PYLON | PYLON | | |

Level 3: Established

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|------------------------------|-------|-------------------|-------|-------------------------|
| BEM | BANGKOK EXPRESSWAY AND METRO | MTLS | MUANGTHAI LEASING | SPRC | STAR PETROLEUM REFINING |
| CPALL | CP ALL | SCI | SCI ELECTRIC | | |

No progress

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|----------------------|-------|--------------------|-------|-------------------|
| AOT | AIRPORTS OF THAILAND | BPP | BANPU POWER | FN | FN FACTORY OUTLET |
| BCPG | BCPG | BTS | BTS GROUP HOLDINGS | TPCH | TPC POWER HOLDING |

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

KGI Locations

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KGI's Ratings

| Rating | Definition |
|-------------------|---|
| Outperform (OP) | The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan).. |
| Neutral (N) | The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan) |
| Under perform (U) | The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan). |
| Not Rated (NR) | The stock is not rated by KGI. |
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| Note | When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically. |

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