

SECTOR UPDATE

Hotel – Thailand

3Q23 Results Preview: RevPar Of All Hotel Operators To Normalise To 2019's Levels

The combined profit of hotel stocks was Bt2.9b (+43% yoy, -14% qoq), dragged down by global plays (MINT). Meanwhile, the earnings of domestic plays improved qoq, with CENTEL improving the most, followed by ERW and AWC. Looking ahead, the earnings of domestic plays should continue to rise, thanks to a seasonal impact and supportive policies. Our top picks are ERW and CENTEL. MARKET WEIGHT on the sector.

WHAT'S NEW

- 3Q23 earnings of domestic plays are likely to improve qoq.** We estimate the combined net profit of hotel stocks under our coverage at Bt3.9b (-29% yoy, -16% qoq), while the combined core profit should stand at Bt2.9b (+43% yoy, -14% qoq). The improvement in yoy earnings is driven by all hotel operators. However, a decline in qoq earnings is dragged down by the global player Minor International (MINT) due to the seasonal impact of hotels in Europe. Meanwhile, the core earnings of domestic plays (Asset World Corporation (AWC), Central Plaza Hotel (CENTEL), and The Erawan Group (ERW)) are likely to increase qoq, thanks to a continued increase in international arrivals to Thailand (+96% yoy, +10% qoq, 27% below pre-COVID-19 levels).
- All hotel operators' RevPar should normalise to pre-COVID-19 levels.** In terms of RevPar performance, MINT is expected to stand out the most (40% above pre-COVID-19 levels), followed by ERW (17% above pre-COVID-19 levels), CENTEL (3% above pre-COVID-19 levels), and AWC (normalised to pre-COVID-19 levels). For MINT and ERW, their earnings in 3Q23 are likely to exceed pre-COVID-19 levels by 77% for MINT and 260% for ERW. Meanwhile, 3Q23 earnings of CENTEL and AWC are expected to remain below 2019 levels by 36% for CENTEL and 27% for AWC due to the weak performance of hotels in Maldives and expenses incurred for opening new hotels. However, in terms of qoq earnings growth in 3Q23, the ranking would be: CENTEL (+47% qoq), ERW (+5% qoq), AWC (+3% qoq), and MINT (-17% qoq). CENTEL has the strongest growth due to its low base earnings in 2Q23, resulting from recognising expenses for opening a new hotel.
- Choose domestic plays for 4Q23 and 1Q24.** The earnings of domestic plays (AWC, CENTE, ERW) are likely to outperform, driven by the high season of travel in Thailand and the continued influx of international tourists, along with supportive policies (visa exemptions and extended lengths of stay). Specifically, hotels in upcountry Thailand will be more attractive than hotels in Bangkok due to changes in the mix of nationalities and an increase in the foreign visitor recovery rate in upcountry areas, rising from 79% in 2Q23 to 90% in 3Q23 (vs the decrease of foreign visitor recovery rate in Bangkok from 105% in 2Q23 to 95% in 3Q23). Meanwhile, the earnings of the global player (MINT) are likely to underperform due to the low season of travel in Europe.

ACTION

- Maintain MARKET WEIGHT; our top picks are ERW and CENTEL.** Despite the slower-than-expected recovery in the number of Chinese visitors, this is expected to be partially offset by an increase in visitors from other countries and supportive visa policies. We choose ERW as our top pick due to its continued robust earnings performance. Additionally, we have a positive outlook for CENTEL as its earnings hit a bottom in 2Q23.

MARKET WEIGHT
(Maintained)

OUR TOP PICK

Company	Ticker	Rec	Current Price (Bt)	Target Price (Bt)
Central Plaza Hotel	CENTEL	BUY	45.00	52.00
The Erawan Group	ERW	BUY	5.20	6.50

Source: UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS CAGR 2022-24F (%)	PEG 2023F (x)	P/B 2023F (x)	Yield 2023F (%)	ROE 2023F (%)
							2022 (x)	2023F (x)	2024F (x)					
Asset World Corp	AWC TB	HOLD	3.46	5.30	53.2	3,073	28.7	94.6	62.8	(32.4)	(1.4)	1.3	0.4	1.4
Central Plaza Hotel	CENTEL TB	BUY	45.00	52.00	15.6	1,686	152.6	45.5	30.9	122.2	0.2	3.1	0.9	6.8
The Erawan Group	ERW TB	BUY	5.20	6.50	25.0	654	n.a.	36.1	30.2	na	(0.1)	3.6	1.2	10.9
Minor International	MINT TB	BUY	28.00	42.00	50.0	4,349	34.7	27.0	20.6	29.8	0.9	1.9	1.2	6.5
Sector						9,762	50.9	52.1	36.3			2.0	0.9	5.2

Source: UOB Kay Hian

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3Q23 KEY PERFORMANCE

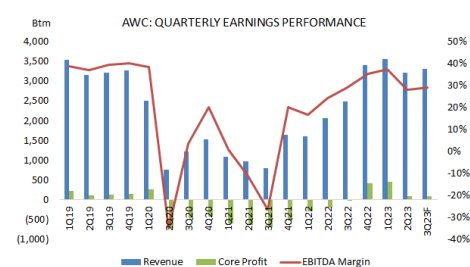
	3Q19	3Q22	4Q22	1Q23	2Q23	3Q23F	yoy chg	qoq chg	To Pre-COVID
Occupancy rate									
AWC	77%	53%	64%	68%	63%	64%	11.0 ppt	1.5 ppt	83.5%
CENTEL	75%	55%	66%	77%	65%	68%	13.3 ppt	3.7 ppt	91.4%
ERW	74%	69%	79%	81%	80%	81%	12.6 ppt	1.7 ppt	110.4%
MINT	74%	68%	63%	59%	70%	71%	3.0 ppt	1.0 ppt	95.9%
Avg	74%	66%	65%	64%	70%	72%	5.4 ppt	1.3 ppt	96.7%
ADR (Bt/night)									
AWC	4,571	4,920	5,697	6,100	5,367	5,400	9.8%	0.6%	118.1%
CENTEL	3,825	4,122	4,728	5,223	4,314	4,330	5.0%	0.4%	113.2%
ERW	1,661	1,521	1,760	1,794	1,709	1,762	15.9%	3.1%	106.1%
MINT	3,763	5,122	5,009	4,645	5,842	5,450	6.4%	-6.7%	144.8%
Avg	3,544	4,566	4,505	4,305	5,089	4,814	5.4%	-5.4%	135.8%
RevPar									
AWC	3,487	2,608	3,618	4,152	3,356	3,456	32.5%	3.0%	99.1%
CENTEL	2,858	2,148	3,122	4,025	2,792	2,956	37.6%	5.9%	103.4%
ERW	1,223	1,045	1,391	1,459	1,361	1,433	37.1%	5.3%	117.1%
MINT	2,773	3,476	3,176	2,737	4,118	3,870	11.3%	-6.0%	139.5%
Avg	2,627	3,026	2,947	2,745	3,584	3,451	14.1%	-3.7%	131.4%
SSSG (%)									
CENTEL	-8.4%	43.0%	12.0%	8.0%	5.0%	0.0%	-43.0 ppt	-5.0 ppt	
MINT	-3.7%	16.6%	4.4%	11.4%	8.1%	-2.0%	-18.6 ppt	-10.1 ppt	
Avg	-6.1%	29.8%	8.2%	9.7%	6.6%	-1.0%	-30.8 ppt	-7.6 ppt	

Source: Respective companies, UOB Kay Hian

3Q23 EARNINGS PREVIEW

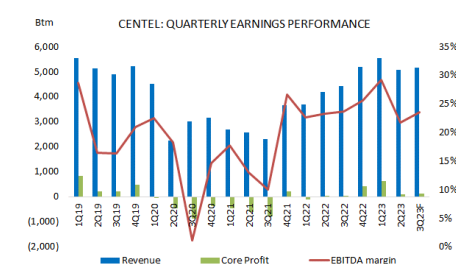
- AWC: RevPar is close to normalised levels.** We expect AWC to report a net profit of Bt1.1b (+12% yoy, +2% qoq) in 3Q23, while core profit should stand at Bt89m (+1,406% yoy, +3% qoq), fuelled by robust ADR in hotel operations. For hotel operations, occupancy has improved slightly but still remains below normalised levels of 64% in 3Q23 (vs 63% in 2Q23, 53% in 3Q22, and 77% in 3Q19). Additionally, ADR continues to rise by 10% yoy, remaining flat qoq and exceeding pre-COVID-19 levels by 18%. Therefore, RevPar in 3Q23 is expected to increase by 33% yoy, 3% qoq, reaching its normalised levels. For the retail and office businesses, occupancy rate for Asiatique (accounting for 4% of revenue) is expected to improve yoy but decline qoq to 60% in 3Q23 (vs to 66% in 2Q23, 37% in 3Q22, and 89% in 3Q19) due to the end of Disney Village events.
- CENTEL: RevPar exceeds 2019 levels by 3% despite weak hotel performance in the Maldives.** The company is expected to report a net profit and core profit of Bt132m (+2,127% yoy, +47% qoq), mainly underpinned by an improvement in hotel performance, especially in Bangkok. For the hotel operations, the portfolio's RevPar has increased by 38% yoy, 6% qoq, and is 3% above pre-COVID-19 levels. RevPar in Bangkok is likely to outperform the most (34% above pre-COVID-19 levels), followed by RevPar in upcountry areas (13% above pre-COVID-19 levels). Meanwhile, RevPar for hotel performance in the Maldives remains weak (42% below pre-COVID-19 levels) due to the reopening of other countries within the region and losing market share to guesthouses. Furthermore, the new hotel performance in Japan (opened 1 Jul 23) shows impressive figures with an occupancy rate of 67%. For food operations, same-store sales growth (SSSG) remains flat yoy.
- ERW: RevPar continues to surpass 2019 levels by 17% due to good recovery of Bangkok hotels.** ERW is expected to report a net profit for 2Q23 at Bt132m (+1,250% yoy, -7% qoq), while the core profit should be Bt127m (+954% yoy, +5% qoq), standing above 2019 earnings for two consecutive quarters. Despite an expense associated with hotel investment in Japan at Bt20m, this should be partially offset by robust hotel performance in all segments, with an occupancy rate of 81% in 3Q23 (vs 80% in 2Q23, 69% in 3Q22, and 10% above pre-COVID-19 levels). ADR increased by 16% yoy, 3% qoq, and being 6% above pre-COVID-19 levels. As a result, the portfolio's RevPar should continue to improve by 37% yoy, 5% qoq, and being 17% above pre-COVID-19 levels.
- MINT: RevPar surpasses 2019 levels by 40%, driven by hotels in Europe.** We expect MINT to report a net profit and core profit of Bt2.5b in 3Q23 (+25% yoy, -17% qoq), driven mainly by the hotel business, especially in Europe and Thailand. RevPar for hotels in Europe (65% of hotel business revenue) is expected to outperform the most (+11% yoy, -4% qoq,

AWC QUARTERLY EARNINGS PERFORMANCE



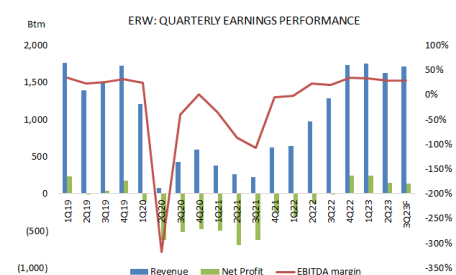
Source: AWC, UOB Kay Hian

CENTEL QUARTERLY EARNINGS PERFORMANCE



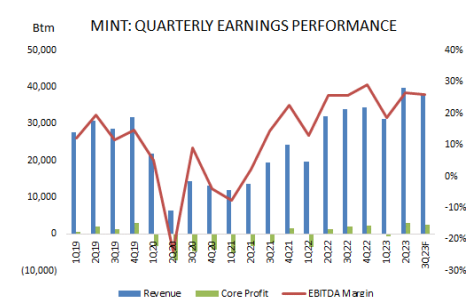
Source: CENTEL, UOB Kay Hian

ERW QUARTERLY EARNINGS PERFORMANCE



Source: ERW, UOB Kay Hian

MINT QUARTERLY EARNINGS PERFORMANCE



Source: MINT, UOB Kay Hian

35% above pre-COVID-19 levels), followed by Thailand (+25% yoy, +2% qoq, normalised to pre-COVID-19 levels). However, RevPar for hotels in the Maldives continues to underperform (-25% yoy, -23% qoq, 12% below pre-COVID-19 levels). For the food business, SSSG is likely to drop slightly by 2% yoy due to a high base from pent-up consumption following the full reopening of the countries.

3Q23 RESULTS PREVIEW

	3Q22	2Q23	3Q23F	yoy chg	qoq chg
Core revenue (Btm)					
AWC	2,479	3,216	3,302	33.2%	2.7%
CENTEL	4,430	5,057	5,156	16.4%	1.9%
ERW	1,283	1,623	1,713	33.5%	5.5%
MINT	33,930	39,738	37,786	11.4%	-4.9%
Total	42,122	49,635	47,956	13.9%	-3.4%
Core profit (Btm)					
AWC	(7)	86	89	1,406.4%	2.7%
CENTEL	6	90	132	2,126.8%	46.5%
ERW	(15)	121	127	954.4%	5.3%
MINT	2,011	3,005	2,504	24.5%	-16.7%
Total	1,995	3,303	2,853	43.0%	-13.6%
Net profit (Btm)					
AWC	1,026	1,122	1,146	11.7%	2.2%
CENTEL	(78)	121	132	269.4%	9.6%
ERW	(12)	142	132	1249.4%	-6.7%
MINT	4,608	3,255	2,504	-45.7%	-23.1%
Total	5,545	4,639	3,916	-29.4%	-15.6%
EBITDA margin (%)					
AWC	29.0%	28.1%	29.1%	0.1 ppt	1.0 ppt
CENTEL	23.6%	21.7%	23.6%	0.0 ppt	1.9 ppt
ERW	20.3%	29.0%	28.9%	8.6 ppt	-0.1 ppt
MINT	25.5%	26.5%	26.0%	0.4 ppt	-0.5 ppt
Total	25.4%	26.2%	26.0%	0.7 ppt	-0.1 ppt

Source: Respective companies, UOB Kay Hian

SECTOR CATALYSTS

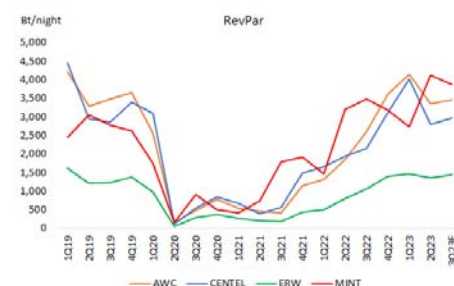
- Additional approvals of visa exemptions.** After the Cabinet approved free visas for Chinese and Kazakhstani tourists and extended the length of stay for Russian tourists, the Thai Cabinet gave the green light for visa exemptions for two additional countries on 31 Oct 23, namely India and Taiwan. The effective date will begin on 10 Nov 23 and continue until 10 May 24 (six months), with a maximum length of stay of 30 days. Although this policy is expected to boost the number of tourists in the short term, the average spending and length of stay for Indian and Taiwanese tourists are below the overall average. Thus, we are only slightly positive on the recent visa exemption policy for Indian and Taiwanese visitors. We expect ERW to benefit the most, with contributions from Indian guests at 6%, followed by CENTEL at 4%.

SUMMARY BOOSTING POLICY FOR TOURISM INDUSTRY

Countries	Policy details			2019			
	Boosting Policy	Effective date	Approval length of stay (days)	Contribution in 2019	Avg. length of stay (days)	Spending per trips (compare to total avg.)	Recovery rate of tourists arrivals in 2023
China	Visa exemption	25 Sep 23 - 29 Feb 23	30	28%	8	1%	29%
Kazakhstan	Visa exemption	25 Sep 23 - 29 Feb 23	30	Less than 1%	na	na	na
Russia	Extend length of stay	1 Nov 23 - 30 Apr 23	90	4%	17	44%	102%
India	Visa exemption	10 Nov 23 - 10 May 23	30	5%	7	-17%	79%
Taiwan	Visa exemption	10 Nov 23 - 10 May 23	30	2%	8	-12%	88%

Source: MOTS, UOB Kay Hian

REVPAR COMPARISON BY QUARTER



Source: Respective companies, UOB Kay Hian

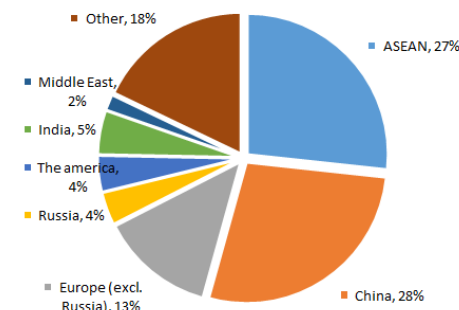
SSSG COMPARISON BY QUARTER



Source: Respective companies, UOB Kay Hian

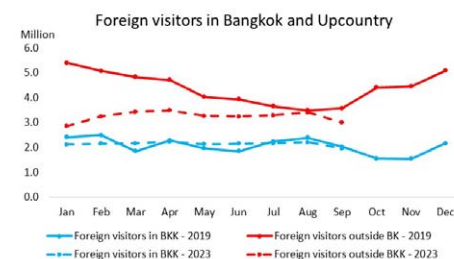
SHARE OF INTERNATIONAL ARRIVALS IN 2019

International arrivals by nationality in 2019



Source: MOTS, UOB Kay Hian

FOREIGN VISITORS



Source: MOTS, UOB Kay Hian

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