SECTOR UPDATE

Hotel – Thailand

1Q23 Results Wrap-Up: Hotels In Upcountry Outperform; Global Plays Will Be Outstanding In 2Q23

MARKET WEIGHT

(Maintained)

Hotel stocks reported a combined core profit of Bt643m (+115% yoy, -81% qoq) for 1Q23, dragged down by MINT. Domestic plays (AWC, CENTEL, ERW) outperformed, especially hotels in upcountry. For 2Q23, MINT will be outstanding, driven by the high travel season in Europe and strong SSSG. We maintain MARKET WEIGHT. Our top pick is MINT.

WHAT'S NEW

- **Domestic plays, especially hotels in rural location, outperformed in 1Q23.** The combined earnings of hotels under our coverage came in at Bt643m (+115% yoy, -81% qoq), dragged down by MINT. Earnings of domestic plays (AWC, CENTEL, ERW) grew both yoy and qoq, while earnings of global plays (MINT) surged yoy but declined qoq. For domestic plays, hotels in upcountry saw the strongest performance, with the strongest being CENTEL, followed by AWC and ERW. The key drivers were the high season of travel in Thailand and an influx of international arrivals, especially from Europe. On the other hand, earnings of global plays (MINT) were pressured by the low season of travel in Europe.

- **Hotels outside Thailand will perform well in 2Q-3Q23**. Earnings of hotels in Thailand are likely to surge yoy but decline qoq due to a low season of travel in Thailand and a decline in the number of foreign tourists. The managements of domestic plays believe that earnings momentum is likely to improve yoy but decline qoq in 2Q23. CENTEL's RevPar declined by 12% qoq (20% above pre-COVID-19 level) in Apr 23, and expects its occupancy rate to come in at 60-65% in 2Q23 (vs 77% in 1Q23m, 73% in 2Q19). On the other hand, global plays will outperform as MINT's RevPar for hotel operations in Apr 23 surged by 23% yoy and 44% qoq, driven by recovery travel demand in Europe and SSSG for restaurant operations hiking by 12% yoy, thanks to strong operations in all regions.

- **International arrivals softened in Apr 23 due to fewer European visitors.** Total international arrivals declined by 4% mom in Apr 23 due mainly to fewer European travellers during the low season of travel. Meanwhile, Chinese tourists increased by 15% mom. However, we do not expect an increase in the number of Chinese travellers to offset the decrease in European visitors. Hence, we expect the total international arrivals to drop qoq in 2Q23.

ACTION

- **Maintain MARKET WEIGHT; our top pick is MINT.** Although the earnings of hotel stocks are expected to see triple-digit growth in 2023, stock prices have mostly factored this in. We believe the market has priced in most positive factors, including China's reopening. Therefore, the key catalysts to focus on after this would how fast the Chinese tourist recover. We like MINT the most for its: a) attractive valuation, trading at EV/EBITDA of 11.0x, which is lower than its peers at 13-15x, b) positive earnings outlook in 2Q-3Q23, and c) well-diversified portfolio in term of geography and businesses.

1Q23 RESULTS WRAP-UP

Core Profit	1Q22	4Q22	1Q23	yoy chg	qoq chg	UOBKH	Consensus	UOBKH	Consensus
AWC	-289	362	446	254%	23%	393	415	Above	Above
CENTEL	-44	405	609	1494%	50%	528	512	Above	Above
ERW	-318	226	235	174%	4%	239	231	In-line	In-line
MINT	-3,582	2,379	-647	82%	-127%	(291)	(266)	Below	Below
Total	-4,233	3,373	643	115%	-81%	869	892	Below	Below

Source: Respective companies and UOB Kay Hian

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PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	PE 2022 (x)	PE 2023F (x)	PE 2024F (x)	EPS CAGR 2022-24F (%)	PEG 2023F (x)	P/B 2023F (x)	Yield 2023F (%)	ROE 2023F (%)
Asset World Corp	AWC TB	HOLD	5.15	5.80	12.6	4,709	42.8	108.3	78.0	(26.0)	(1.8)	2.0	0.4	1.8
Central Plaza Hotel	CENTEL TB	HOLD	49.50	60.00	21.2	1,909	167.9	37.8	28.0	144.7	0.1	3.3	1.1	8.9
The Erawan Group	ERW TB	BUY	4.40	5.70	29.5	570	n.a.	47.6	31.8	na	(0.2)	3.1	n.a.	7.2
Minor International	MINT TB	BUY	33.25	42.00	26.3	4,957	41.2	32.1	24.5	29.8	1.1	2.3	1.0	6.5
Sector						12,145	59.8	63.2	46.1			2.3	0.7	5.1

Source: UOB Kay Hian

1Q23 RESULTS WRAP-UP

- **AWC: Growth driven by hotel operations**. AWC reported a net profit of Bt1.4b (+120% yoy, +1% qoq) and core profit of Bt446m (+254% yoy, +23% qoq), which is higher than our and consensus forecasts by 7-13%. AWC had the second strongest performance, just after CENTEL. The main driver was hotel operations, as 36% of its hotel rooms are located in upcountry, especially the luxury segment and non-Bangkok segment. Retail and office operations were flat. Hence, RevPar increased moderately by 218% yoy and 15% qoq (close to pre-COVID-19 level). EBITDA margin rose to 37.4% (+21ppt yoy, +2ppt qoq), supported by more MICE contribution and higher revenue contribution from luxury segment, which has a higher ADR by about 4 times.
- **CENTEL: Strongest earnings among peers.** CENTEL's 1Q23 net profit came in at Bt629m (+1,540% yoy, +26% qoq). Its core profit of Bt609m (+1,494% yoy, +50% qoq) is higher than our and consensus forecasts by 15-20%. CENTEL had the strongest performance as it has the highest concentration of hotel rooms in upcountry at 61%. RevPar surged by 144% yoy and 29% qoq (9% below pre-COVID-19 level). Food operations also remained strong with SSSG of 8% yoy, driven by a recovery in consumption, more holidays and more dine-in service. EBITDA margin climbed to 29.2% (+4.2ppt yoy, +3.6ppt qoq), thanks to higher revenue contribution of its 5-star hotel segment which has a better margin than the other segments.
- **ERW: In line with expectations.** The company reported 1Q23 net profit of Bt239m (+176% yoy, -0% qoq) and core profit of Bt235m (+174% yoy, +4% qoq), which is in line with our and consensus forecasts. Top-line growth was driven by the high season of travel in Thailand but the growth was less than its domestic peers as it has a lower room concentration in upcountry at 33% (vs CENTEL: 61%, AWC: 36%). In addition, revenue contribution from F&B also declined by 8% qoq due to low demand after the festive season. Hence, RevPar grew by 197% yoy and 5% qoq (9% below pre-COVID-19 level). EBITDA margin rose yoy but dropped slightly qoq to 32.2% (+34ppt yoy, -2ppt qoq) due to lower revenue contribution from luxury segment, which has a better margin (2019 EBITDA margin of luxury: 36%, midscale: 29%, economy: 16%).
- **MINT: Key pressure was hotels in Europe.** MINT posted 1Q23 net loss of Bt1.0b (-151% qoq, +74% yoy) and a core loss of Bt0.6b (-127% qoq, +82% yoy), which is lower than our and street's forecasts of a net loss of Bt0.3b. The key pressure was the low season of travel in Europe (65% hotel revenue contribution). However, this was partially offset by a high season of travel in Thailand and the Maldives. As a result, RevPar rose 87% yoy but declined 14% qoq. For its food operations, SSSG of its portfolio rose 11% yoy, led by Australia at 24% yoy, China at 15% yoy and Thailand at 6% yoy. EBITDA margin increased yoy but dropped qoq to 22.1% (+7ppt yoy, -8ppt qoq) due to lower operating leverage from hotels in Europe.

KEY PERFORMANCE IN 1Q23

Hotel Key stats	1Q19	1Q22	2Q22	3Q22	4Q22	1Q23	yoy chg	qoq chg	To Pre-COVID
Occupancy rate									
AWC	81%	36%	43%	53%	64%	68%	32.6 PT	4.6 PT	84.0%
CENTEL	83%	30%	46%	55%	66%	77%	47.6 PT	10.9 PT	93.0%
ERW	81%	47%	63%	69%	79%	81%	34.1 PT	2.0 PT	100.1%
MINT	65%	39%	66%	68%	63%	59%	20.0 PT	-4.0 PT	90.8%
Avg	69%	39%	63%	66%	65%	64%	24.5 PT	-1.7 PT	92.6%
Room rate									
AWC	5,287	3,680	4,264	4,920	5,697	6,100	65.8%	7.1%	115.4%
CENTEL	5,314	5,639	4,244	4,122	4,728	5,223	-7.4%	10.5%	98.3%
ERW	1,985	1,049	1,276	1,521	1,760	1,794	71.0%	1.9%	90.4%
MINT	3,748	3,700	4,842	5,122	5,009	4,645	25.5%	-7.3%	123.9%
Avg	3,698	3,361	4,317	4,566	4,505	4,305	28.1%	-4.4%	116.4%
RevPar									
AWC	4,205	1,306	1,842	2,608	3,618	4,154	218.0%	14.8%	98.8%
CENTEL	4,434	1,650	1,942	2,148	3,122	4,025	143.9%	28.9%	90.8%
ERW	1,606	492	803	1,045	1,391	1,459	196.7%	4.9%	90.9%
MINT	2,444	1,460	3,207	3,476	3,176	2,737	87.5%	-13.8%	112.0%
Avg	2,546	1,319	2,706	3,026	2,947	2,745	108.0%	-6.9%	107.8%
SSSG (%)									
CENTEL	-3.8%	10.0%	19.0%	43.0%	12.0%	8.0%	-2.0 PT	-4.0 PT	
MINT	-4.0%	4.2%	7.8%	16.6%	4.4%	10.0%	5.8 PT	5.6 PT	
Avg	-3.9%	7.1%	13.4%	29.8%	8.2%	9.4%	2.3 PT	1.2 PT	

Source: Respective companies, UOB Kay Hian

AWC QUARTERLY EARNINGS PERFORMANCE

Source: AWC, UOB Kay Hian

CENTEL QUARTERLY EARNINGS PERFORMANCE

Source: CENTEL, UOB Kay Hian

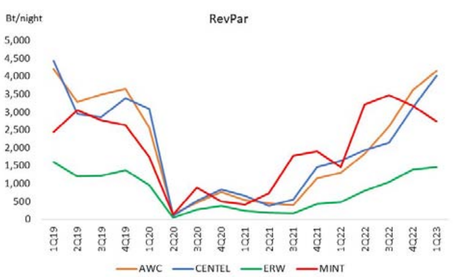
ERW QUARTERLY EARNINGS PERFORMANCE

Source: ERW, UOB Kay Hian

MINT QUARTERLY EARNINGS PERFORMANCE

Source: MINT, UOB Kay Hian

REVPAR COMPARISON BY QUARTER



Source: Respective companies, UOB Kay Hian

SECTOR CATALYSTS

- **International arrivals in Apr 23 softened mom.** In Apr 23, the total number of international arrivals declined minimally to 2.1m (-4% mom). International arrivals for 4M23 was 8.6m (39% below pre-COVID-19 level), while that for 1 Jan 23 to the third week of May 23 was 9.9m. Although the number of European travellers declined mom in April due to the seasonal impact, this was partially offset by a higher number of travellers from the ASEAN region, China and India. The number of Chinese travellers increased by 15% mom to 0.3m in Apr 23, thanks to the Golden Week (29 Apr - 3 May 23).
- **AWC: Neutral meeting tone; lower earnings on qoq basis.** Management believes that 2Q23 earnings should improve yoy but decrease qoq mainly from a drop in hotel revenue during the low season of travel in Thailand. Revenue from the retail and office segments should remain stable.
- **CENTEL: Neutral tone during meeting; expecting a decline in RevPar.** Key statistics in Apr 23 rose yoy but dropped qoq. RevPar of its hotel portfolio declined by 12% qoq (20% above pre-COVID-19 level) from declines in both occupancy rate and ADR. The Maldives saw the most impact at -27% qoq, following by upcountry in Thailand at -10% qoq and Bangkok at -4% qoq. Management expect 2Q23 occupancy rate to come in at 60-65% (vs 77% in 1Q23m, 73% in 2Q19). Hence, we expect 2Q23 earnings to surge yoy but drop qoq.
- **ERW: Neutral meeting tone; 2Q23 earnings to decline.** RevPar of non-Hop In hotels (budget segment) remained flat qoq in Apr 23 with an occupancy rate of 82% (vs 84% in 1Q23, 75% in 2Q19). For 2Q23, RevPar should increase yoy but soften qoq during the low season of travel in Thailand. ERW's strategies for the Thai market are to boost MICE sales through: a) re-activating F&B sales with third-parties such as banks, and b) promoting MICE (Meetings, Incentives, Conventions and Exhibitions) events such as weddings. Plus, the strategies for international market are mainly to focus on China and also to offer competitive prices to draw MICE conversion. Hence, ERW expects MICE revenue to recover in 2H23.
- **MINT: Positive meeting tone; double-digit growth in RevPar.** Key statistics for all business units rose yoy and qoq in Apr 23. For hotel operations, its portfolio's RevPar rose by 23% yoy and 44% qoq (29% above pre-COVID-19 level), led by a strong RevPar growth in Europe at 48% qoq. However, this was partially offset by softened RevPar in Thailand and the Maldives (by 12-15% qoq) due to the seasonal impact. Furthermore, the SSSG of food businesses in all hubs improved by 12% yoy, led by China with 40% yoy, Thailand with 12% yoy, and Australia with 11% yoy. Thus, we expect MINT's earnings to surge yoy and qoq in 2Q23.

KEY PERFORMANCE IN APRIL 23

CENTEL Key Stats	2Q19	2Q22	3Q22	4Q22	1Q23	Apr-23	yoy chg	qoq chg	To Pre-COVID
Occ (%) - Avg	72.9%	46.0%	55.0%	66.3%	77.2%	72.0%	26.0 PT	-5.2 PT	-0.9 PT
ADR - Avg	4,050	4,244	4,122	4,728	5,223	4,939	16.4%	-5.4%	22.0%
RevPar - Avg	2,952	1,942	2,148	3,122	4,025	3,533	81.9%	-12.2%	19.7%
No. of rooms	4,192	4,443	4,443	4,443	4,443	4,443	0.0%	0.0%	
MINT Key Stats	**2Q19**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**Apr-23**	**yoy chg**	**qoq chg**	**to Pre-COVID**
RevPar - Portfolio (Bt)	3,053	3,207	3,476	3,176	2,737	3,936	22.7%	43.8%	128.9%
RevPar - EU (EUR)	82	89	96	82	69	102	14.6%	47.8%	124.4%
RevPar - TH (Bt)	3,891	2,213	2,937	4,873	5,903	5,180	134.1%	-12.2%	133.1%
RevPar - MLDV (USD)	476	509	405	651	875	740	31.2%	-15.4%	155.5%
SSSG - Portfolio	-3.6%	7.8%	16.6%	4.4%	11.4%	12.2%	4.4 PT	0.8 PT	
SSSG - TH	-5.6%	13.3%	11.4%	4.1%	5.8%	11.7%	-1.6 PT	5.9 PT	
SSSG - CH	1.1%	-42.7%	-10.5%	-26.4%	15.1%	40.2%	82.9 PT	25.1 PT	
SSSS - AUS	-2.3%	3.9%	35.6%	15.1%	24.0%	10.8%	6.9 PT	-13.2 PT	

Source: Respective companies, UOB Kay Hian

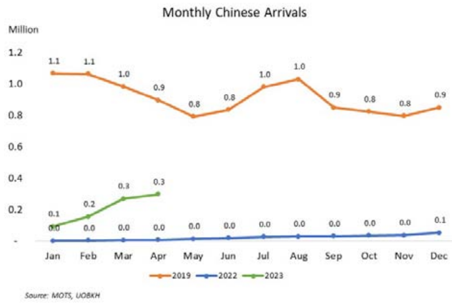
RISKS

- **Positive factors:** Lower utility prices, the number of Chinese tourists recovering faster than expected.
- **Negative factors:** Hotel room price competition, reopening of other countries, which means a higher probability of tourists shifting their travel destinations away from Thailand.

MONTHLY INTERNATIONAL ARRIVALS

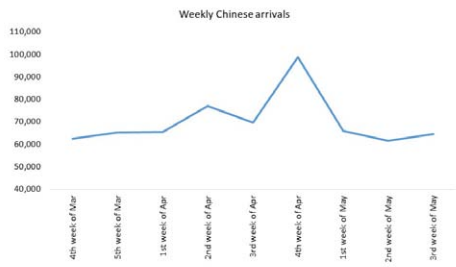
Source: MOTS, UOB Kay Hian

MONTHLY CHINESE ARRIVALS



Source: MOTS, UOB Kay Hian

WEEKLY CHINESE ARRIVALS



Source: MOTS, UOB Kay Hian

SHARE OF INTERNATIONAL ARRIVALS IN 2019

Source: MOTS, UOB Kay Hian

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