

SECTOR UPDATE

Hotel – Thailand

1Q24 Results Wrap-up

Hotel stocks reported a combined core profit of Bt687m for 1Q24 (+248% yoy, -78% qoq), led by ERW and CENTEL, with hotels performing well during the high travel season in Thailand and the Maldives. MINT’s losses narrowed yoy as its hotel operations in Thailand and the Maldives are robust. For 2Q24, earnings of domestic players should be weaker qoq due to seasonality. Expect strong results from MINT as Europe is in high travel season. Maintain MARKET WEIGHT. Our top pick is ERW.

WHAT’S NEW

- **A slower quarter expected for domestic plays.** 2Q24 is the low season of travel for Thailand. Long haul travellers such as European and American tourists decrease while short haul travellers and domestic travellers return to being the main contributors. We should see hotel operators with a high portion of rooms domestically (such as CENTEL and ERW) have a slower quarter in 2Q24. Both CENTEL and ERW should see a drop in earnings yoy and qoq but CENTEL should see a larger drop due to several factors.
- **Portfolio composition will now come into play.** While Thailand is in the low season of travel, different hotel operators have different solutions for their own operational performance. Portfolio diversification by having hotel rooms in other locations would now yield fruit. The likes of MINT with a large portion of rooms in Europe will enjoy 2Q24 with several huge events lined up across the continent. The operators who have portions of their rooms in Japan like ERW and CENTEL would also enjoy the Sakura season in 2Q24 that will help ramp up their newly opened hotels.
- **Yoy growth of international tourist arrivals.** The number of international arrivals to Thailand in 1Q24 grew 45% yoy, recovering to 87% of pre-COVID-19 levels, contributed mostly by the recovery of Chinese arrivals. Thailand now enters the low travel season in 2Q24, but still reported international arrivals of 14.3m (+38% yoy) as of 26 May 24. Chinese arrivals, on the other hand, saw a recovery to 56% of pre-COVID19 levels in 1Q24. In Apr 24, Chinese arrivals recovered to 66% of the pre-COVID-19 levels. We expect to see the recovery rate continue rising despite the low season of travel in Thailand in 2Q24.

ACTION

- **Maintain MARKET WEIGHT; our top pick is ERW.** Even though the domestic players are likely to have a slower quarter in 2Q24, we remain optimistic on the hotel business in Thailand. We can see the recovery rate of international arrivals continuing to improve, and this is likely to persist during the low seasons, especially for Chinese arrivals. Each company also has their own method of coping with the low season, with ERW having corporate guests as a substitute to the slower arrival of tourists. We like ERW due to: a) the high proportion of corporate guests, b) their main international guests being Chinese, Indian and Taiwanese who are less prone to seasonality, and c) their hotels in Japan being able to ramp up well in the high season in 2Q24.

PEER COMPARISON

Company	Rec.	Last Price	Target Price	Upside	Market	Net Profit		PE		Net EPS	P/B	Yield	ROE
		(Bt)	(Bt)	Downside (%)	Cap (US\$m)	2024F (Btm)	2025F (Bt m)	2024F (x)	2025F (x)	Growth 2024F(%)	2024F (x)	2024F (%)	2024F (%)
CENTEL TB	HOLD	41.00	46.00	12.2	1,536	1,443	1,670	38.3	33.1	15.6	2.7	1.0	7.0
ERW TB	BUY	4.74	6.50	37.1	596	842	923	27.5	25.1	6.7	3.0	1.6	11.9
MINT TB	BUY	30.75	39.00	26.8	4,776	8,007	9,202	22.1	18.7	41.0	2.1	1.5	8.8
Sector					6,908	10,292	11,795	26.2	22.5	32.4	2.3	1.4	8.7

Source: UOB Kay Hian.

MARKET WEIGHT
(Maintained)

ANALYST(S)

Benjaphol Suthwanish
+662 659 8301
Benjaphol@uobkayhian.co.th

ASSISTANT ANALYST(S)

Nonpawit Vathanadachakul

1Q24 RESULTS WRAP-UP

Core profit	1Q23	4Q23	1Q24	yoy chg	qoq chg	UOBKH	Street
CENTEL	609	413	754	23.8%	82.4%	-	Above
ERW	235	214	285	21.0%	33.0%	In-line	Above
MINT	(647)	2,501	(352)	45.6%	-114.1%	In-line	In-line
Total	197	3,128	687	248.1%	-78.1%	In-line	Above

Source: Respective companies, UOB Kay Hian

1Q24 RESULTS WRAP-UP

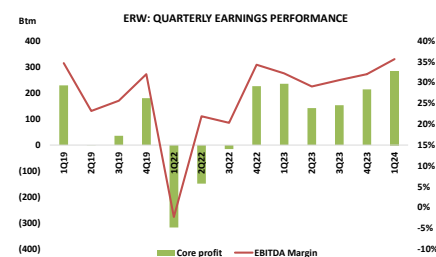
- ERW: 1Q24 earnings met our high expectations.** ERW reported a net profit of Bt417m for 1Q24 (+75% yoy, +95% qoq). Core profit was Bt285m, up 21% yoy and 33% qoq, aligning with our forecasts but surpassing consensus expectations. The net profit included an additional Bt129m gain from early termination of lease of a hotel. The earnings boost was largely driven by the ongoing recovery in Thailand's tourism industry during the peak travel season, with Chinese tourists being the main contributors, numbering 1.8m in 1Q24 - a 240% increase yoy and about 56% of pre-COVID-19 (1Q19) Chinese arrivals. The rise in demand from the increase of international arrivals drove the average daily rate (ADR) of hotel rooms excluding the budget ones, up to 21% above pre-COVID-19 levels. This brought the hotel RevPar, excluding budget hotels, up to 18% above pre-COVID-19 levels, or a RevPar on par with pre-COVID-19 levels if we include budget hotels.
- MINT: Lower core losses yoy in 1Q24.** MINT International (MINT) reported a net profit of Bt1.1b for 1Q24, up from Bt984m in 4Q23. This increase was primarily due to gains from foreign exchanges and derivatives resulting from the weak Thai Baht in 1Q24. Excluding extraordinary items, the core loss was Bt352m, matching our and consensus expectations. This was lower than the Bt647m core loss in 1Q23, thanks to strong yoy growth in the hotel business especially in Thailand where RevPar grew 25% yoy, driven by higher hotel occupancy rates and an increase in the average daily room rate (ADR). Meanwhile, the food business grew slightly yoy, mainly due to store expansion in Thailand and Singapore. However, the overall SSSG in 1Q24 was -3.4% mainly due to growth in Thailand not being able to completely offset the decline of store activities in other locations like China.
- CENTEL: Decent results in 1Q24.** CENTEL reported a net profit of Bt755m (+20% yoy, +78% qoq), slightly surpassing consensus expectations. Total revenue reached Bt6.4b, (+9% yoy, +6% qoq) driven by a strong 21% yoy increase in the average room rate of hotels. Despite a slight drop in the average occupancy rate due to renovations and the addition of new rooms in Osaka, the average revenue per available room (RevPar) for the portfolio surged by 19% yoy.

KEY PERFORMANCE IN 1Q24

Hotel Business	1Q19	1Q23	4Q23	1Q24	yoy chg	qoq chg	vs pre-COVID-19
Occupancy rate							
CENTEL	83%	77%	71%	76%	-1.3 ppt	5.3 ppt	91.4%
ERW	81%	81%	82%	82%	1.0 ppt	-0.4 ppt	101.4%
MINT	65%	59%	68%	63%	4.0 ppt	-5.0 ppt	96.9%
Avg	68%	63%	70%	67%	3.3 ppt	-3.6 ppt	97.8%
ADR (Bt/night)							
CENTEL	5,314	5,223	5,352	6,312	20.9%	17.9%	118.8%
ERW	1,985	1,794	1,862	1,972	9.9%	5.9%	99.3%
MINT	3,748	4,645	5,563	5,287	13.8%	-5.0%	141.1%
Avg	3,599	4,153	4,913	4,760	14.6%	-3.1%	132.3%
RevPar (Bt/night)							
CENTEL	4,434	4,025	3,779	4,772	18.6%	26.3%	107.6%
ERW	1,606	1,459	1,535	1,612	10.5%	5.0%	100.4%
MINT	2,444	2,737	3,765	3,306	20.8%	-12.2%	135.3%
Avg	2,455	2,634	3,453	3,174	20.5%	-8.1%	129.3%
Food Business - SSSG (%)							
CENTEL	-3.8%	8.0%	2.0%	1.0%	-7.0 ppt	-1.0 ppt	
MINT	-4.0%	11.4%	-2.2%	-3.4%	-14.8 ppt	-1.2 ppt	
Avg	-3.9%	9.7%	-0.1%	-1.2%	-10.9 ppt	-1.1 ppt	

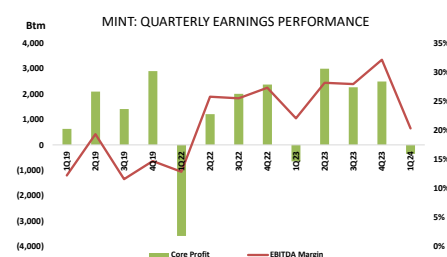
Source: Respective companies, UOB Kay Hian

ERW QUARTERLY EARNINGS PERFORMANCE



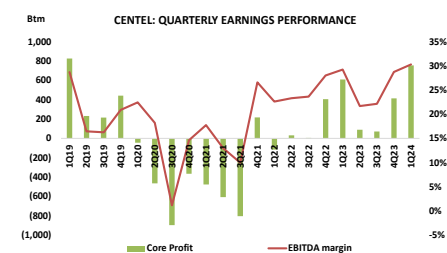
Source: ERW, UOB Kay Hian

MINT QUARTERLY EARNINGS PERFORMANCE



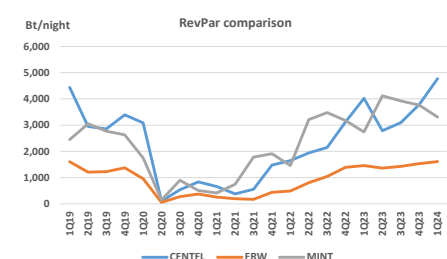
Source: MINT, UOB Kay Hian

CENTEL QUARTERLY EARNINGS PERFORMANCE



Source: MINT, UOB Kay Hian

REVPAR COMPARISON BY QUARTER



Source: MINT, UOB Kay Hian

SECTOR CATALYSTS

- **Having a strong customer base will be an advantage in the low season.** With the inevitable low season of travel approaching in Thailand, the long-haul tourist arrivals are slowing down, and the tourism outlook is unexciting. However, the hotel operators which have a strong base of customers will be able to survive in the low season. A solid customer base may consist of the hotels' existing corporate guests which usually book hotel rooms regardless of seasonality. The base could also consist of a resilient base of international tourists, mainly Chinese and Indian arrivals, which would provide additional room demand throughout the year.
- **High travel season elsewhere.** Hotel operators in Thailand are expected to have a softer quarter of hotel operations in 2Q24 as the high season of travel ended in 1Q24. The portfolio diversification of several hotel operators will now come into play. On top of the hotel operations in Thailand, destinations like Europe and Japan are now in the high travel season and will support the earnings of the operators who have hotels in those locations.

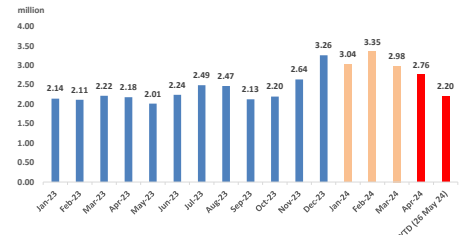
OUTLOOK in 2Q24

- **Softer quarter in Thailand helped by high season in Japan and Europe.** The hotel sector ended 1Q24 with a strong performance in Thailand for all operators, mostly driven by high room rates and robust occupancy rate from the influx of international tourists. Looking into 2Q24, Thailand enters a low season of travel and tourist arrivals especially the long-haul travellers are slowing down. Therefore, each operator will rely on different methods in coping with the seasonality effect. Some may rely on their strong base of customers including corporate guests and resilient international guests to fill their hotels. Some may rely on their hotels in other destinations with high season of travel such as Europe and Japan. The impact will depend on the proportion of rooms in each destination of the hotel operators.
- **We still see decent momentum in Thai tourism.** The government has been continuously launching measures to stimulate Thai tourism such as addition of countries eligible for visa-free travel scheme, improvement of benefits for existing visas, and providing more convenience with e-visa services. We can see the recovery rate for international arrivals (especially the Chinese) remaining strong and rise even in the low season in 2Q24. We still expect softer earnings qoq from domestic players such as ERW and CENTEL while we should see a strong quarter from MINT with a high portion of their rooms in Europe.

RISKS

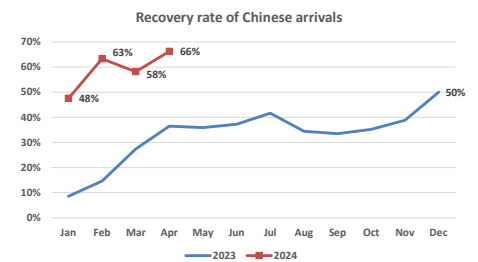
- **CENTEL: Renovations could hurt 2Q24 earnings.** We could see CENTEL having weaker yoy results in 2Q24 as their hotel in Pattaya (10% of hotel revenue in 1Q24) is set to pick up pace in renovation which could close up to 75% of their available rooms. Coupled with CENTEL set to realise a greater impact yoy of the new lease in Hua Hin, we believe their hotel operations in Osalka's high season of travel would not be able to offset the impact to their earnings in 2Q24.

INTERNATIONAL TOURIST ARRIVALS



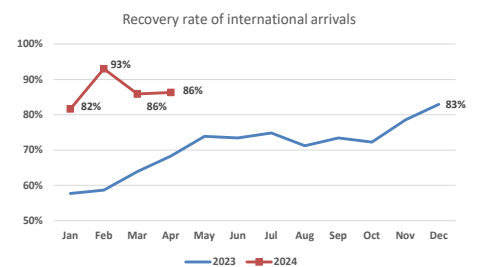
Source: Tourist Authority of Thailand, UOB Kay Hian

RECOVERY OF CHINESE ARRIVALS



Source: Tourist Authority of Thailand, UOB Kay Hian

RECOVERY OF INTERNATIONAL ARRIVALS



Source: Tourist Authority of Thailand, UOB Kay Hian

1Q24 ROOM CONTRIBUTION BY DESTINATIONS

	Thailand	Japan	Europe	Others
CENTEL	73%	5%	0%	23%
ERW	83%	3%	0%	14%
MINT	7%	0%	60%	33%

Source: Respective companies, UOB Kay Hian

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W