

COMPANY UPDATE

Minor International (MINT TB)

Exciting Prospects Ahead

We attended MINT's 3Q24 analyst meeting which had a positive tone. MINT reported strong core earnings growth in 3Q24 and the outlook in 4Q24 is promising. MINT revealed that they are developing a large REIT and will utilise the proceeds to deleverage and possibly fund a new project that we are looking forward to. Maintain BUY. Target price: Bt38.00.

WHAT'S NEW

- Great positive from analyst meeting.** We attended Minor International's (MINT) analyst meeting and the tone was positive. MINT saw strong core earnings growth in 3Q24, contributed by growth from Europe and Thailand. The key focus for MINT is to expand through asset-light means, with constant rebranding and brand uplifting while they are deleveraging from proceeds from cash-unlocking projects. Mint also revealed that they are developing a REIT which opens up many possibilities.
- Huge proceeds from REIT for exciting new projects.** It was revealed in the analyst meeting that MINT is planning to develop a sizable REIT which will materialise in the next 12-18 months. The size of the REIT is expected at US\$1.5b and the management expects it to be one of Asia's largest REITs. The main purpose of this REIT is to use the proceeds of around US\$700m for a substantial deleveraging, reducing the foreign exchange volatility in its profit and loss statement and reinvestment. It came as a surprise that the management did not deny the possibility of engaging in the entertainment complex business with the proceeds of the REIT which was a huge sentiment boost for MINT.
- MINT is still focusing on asset-light expansions.** MINT's debt level remains high, hence they are still focusing on asset-light hotel expansions which are easier on its balance sheet. MINT's strategic focus lies in management contracts, where hotel owners engage MINT to oversee operations under a revenue-sharing agreement (typically around 5% of revenue). While each contract contributes a relatively small amount to MINT's revenue, it is highly beneficial for the company as it incurs no operating costs or capital investment. This approach allows MINT to avoid operational expenses during the initial ramp-up phase of new hotels and enhances its profit margins. As of 3Q24, there are 561 hotels in MINT's portfolio, 114 signed projects in the pipeline and 173 projects under negotiation. By 2026, MINT targets increasing its asset-light portfolio to comprise 50% of its total rooms, up from the current 31%.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	125,009.6	152,522.1	156,272.4	164,754.3	181,097.9
EBITDA	32,406.8	41,690.5	39,525.8	41,417.7	44,255.5
Operating profit	13,132.1	21,290.6	19,797.4	21,234.4	23,590.0
Net profit (rep./act.)	4,286.4	5,407.1	8,007.5	9,201.6	12,479.1
Net profit (adj.)	4,286.4	5,407.1	8,007.5	9,201.6	12,479.1
EPS (Bt)	0.8	1.0	1.4	1.6	2.1
PE (x)	31.9	26.1	18.5	15.7	12.4
P/B (x)	1.9	1.9	1.8	1.6	1.5
EV/EBITDA (x)	10.3	8.0	8.5	8.1	7.6
Dividend yield (%)	1.0	2.2	1.8	2.0	2.8
Net margin (%)	3.4	3.5	5.1	5.6	6.9
Net debt/(cash) to equity (%)	259.2	237.6	215.0	174.8	143.9
Interest cover (x)	4.0	4.2	4.6	5.0	7.8
ROE (%)	6.2	7.3	10.1	10.8	13.4
Consensus net profit	-	-	8,222	9,229	10,463
UOBKH/Consensus (x)	-	-	0.97	1.00	1.19

Source: Minor International, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt25.75
Target Price	Bt38.00
Upside	+47.6%

COMPANY DESCRIPTION

MINT is one of the largest hospitality companies in the Asia-Pacific region. It also operates restaurants in Thailand and overseas and is involved in residential property development and retail trading.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	MINT TB
Shares issued (m):	5,670.0
Market cap (Btm):	146,001.9
Market cap (US\$m):	4,221.9
3-mth avg daily t'over (US\$m):	12.2

Price Performance (%)

52-week high/low	Bt34.00/Bt23.80			
1mth	3mth	6mth	1yr	YTD
(11.2)	3.8	(22.0)	(6.4)	(12.7)

Major Shareholders

Minor Group & Heinecke Family	34.0
Foreign Fund	27.0
Local Fund	12.0
FY24 NAV/Share (Bt)	14.64
FY24 Net Debt/Share (Bt)	31.46

PRICE CHART



Source: Bloomberg

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3Q24 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q24	3Q24	yoy %chg	qoq %chg
Revenue	39,747	43,738	41,300	4%	-6%
EBITDA	10,885	12,518	12,045	11%	-4%
Operating Profit	6,191	6,969	6,702	8%	-4%
Interest expenses	(2,902)	(3,069)	(3,203)	-10%	-4%
Core Profit	2,273	3,230	2,636	16%	-18%
Net Profit	2,144	2,823	149	-93%	-95%
EPS	0.39	0.50	0.03	-93%	-95%
Financial ratio (%)				yoy	qoq
Gross Profit Margin	45.8%	45.4%	43.7%	-2.1 ppt	-1.7 ppt
EBITDA Margin	27.4%	28.6%	29.2%	1.8 ppt	0.5 ppt
SG&A Exp. / Sales	33.1%	29.6%	29.6%	-3.5 ppt	0.1 ppt
Core Profit Margin	5.7%	7.4%	6.4%	0.7 ppt	-1.0 ppt
Net Profit Margin	5.4%	6.5%	0.4%	-5.0 ppt	-6.1 ppt

Source: MINT, UOB Kay Hian

STOCK IMPACT

- MINT delivered strong core earnings in 3Q24.** MINT reported a strong core profit of Bt2.6b (+16.0% yoy, -18.4% qoq) in 3Q24, which was in line with our estimates but above consensus'. The top-line was at Bt41.3b (+3.9% yoy, -5.6% qoq). The key drivers are robust hotel performances in Europe and Thailand, with RevPAR in Europe and Thailand increasing by 9% and 12% yoy respectively, mainly driven by the constant growth in Average Daily Rate (ADR). There is a large non-core foreign exchange impact from the derivative revaluations, although the core earnings performance of MINT was not affected. We should also see gains from the baht's movement in 4Q24, which will offset the non-core forex losses in 9M24.
- 4Q24 outlook.** Even though Europe is entering a lower season of travel, the statistics in Oct 24 still show a RevPAR growth of 4-5% yoy. Moreover, the bookings in Nov 24 and Dec 24 show a high single digit revenue yoy growth in Europe. Asia is also seeing a strong RevPAR growth of 9-10% yoy in Oct 24 and a revenue growth of low-teens digit yoy according to the bookings in Nov 24 and Dec 24. The 4Q24 outlook is looking very strong at the moment.

VALUATION/RECOMMENDATION

- Maintain BUY with a target price of Bt38.00.** Our valuation is based on 2025 EV/EBITDA multiple at 9.0x. We believe MINT's valuation is undemanding and that a huge upside awaits. We like MINT as a long-term pick due to: a) its diverse base of customers, b) its adaptive growth plan, and c) huge potential from the REIT.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

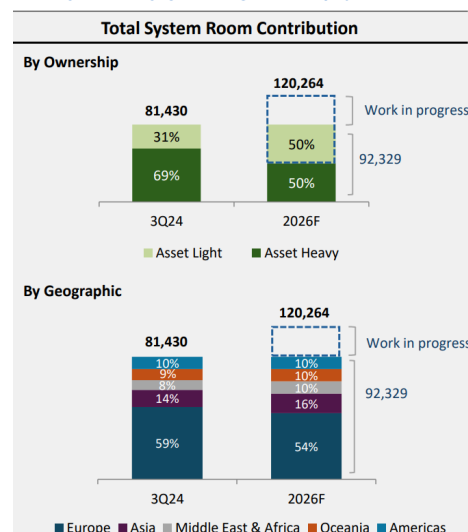
CG Report: 5 SET ESG Rating: AA
Environmental <ul style="list-style-type: none"> - Pledge for net zero emissions by 2050. - Strategy to conserve resources. To reduce emissions and waste, and protect biodiversity across the operations and supply chains.
Social <ul style="list-style-type: none"> - Strict occupational health and safety guidelines. Ensure supplier compliance to the safety guidelines of chemical handling, management and personnel, and workplace environment.
Governance <ul style="list-style-type: none"> - CEO and senior management KPI are also based on non-financial KPI such as internal control compliance, sustainability and human resource management. - The guidelines are reviewed annually to incorporate changes in governance requirements, business operations, regulatory environment, and applicable laws.

QUARTERLY PERFORMANCE



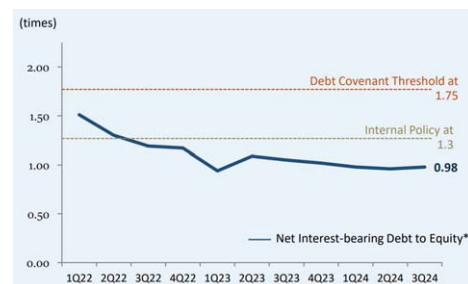
Source: MINT, UOB Kay Hian

MINT'S EXPANSION TARGET BY 2026



Source: MINT, UOB Kay Hian

MINT LEVERAGE RATIO



Source: MINT, UOB Kay Hian

*Net Interest bearing-debt excludes lease liabilities and COVID-19 impairment as per covenant calculation definition

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	152,522	156,272	164,754	181,098
EBITDA	41,690	39,526	41,418	44,256
Deprec. & amort.	20,400	19,728	20,183	20,665
EBIT	21,291	19,797	21,234	23,590
Total other non-operating income	28	3	3	3
Associate contributions	581	770	847	932
Net interest income/(expense)	(9,892)	(8,537)	(8,239)	(5,646)
Pre-tax profit	9,593	12,033	13,845	18,879
Tax	(3,505)	(3,604)	(4,159)	(5,743)
Minorities	(681)	(421)	(484)	(657)
Net profit	5,407	8,007	9,202	12,479
Net profit (adj.)	5,407	8,007	9,202	12,479

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	32,358	20,902	37,403	33,876
Pre-tax profit	9,593	12,033	13,845	18,879
Tax	(3,505)	(3,604)	(4,159)	(5,743)
Deprec. & amort.	20,400	19,728	20,183	20,665
Working capital changes	2,078	(3,118)	(124)	(240)
Non-cash items	(209)	(4,138)	285	315
Other operating cashflows	4,581	770	8,220	932
Investing	(16,611)	(6,501)	(13,598)	(17,204)
Capex (growth)	(31,359)	(9,987)	(17,106)	(19,049)
Investments	18,923	19,111	19,449	19,822
Others	(4,176)	(15,624)	(15,941)	(17,978)
Financing	(24,453)	(4,596)	(7,562)	(12,945)
Dividend payments	(2,729)	(2,140)	(2,562)	(2,945)
Issue of shares	7,894	0	0	0
Proceeds from borrowings	(10,784)	3,784	(5,000)	(10,000)
Others/interest paid	(10,939)	(6,240)	0	0
Net cash inflow (outflow)	(8,706)	9,805	16,243	3,727
Beginning cash & cash equivalent	22,966	14,260	24,064	40,307
Ending cash & cash equivalent	14,260	24,064	40,307	44,035

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	285,351	275,610	272,533	270,916
Other LT assets	31,269	39,733	42,265	44,414
Cash/ST investment	14,260	24,064	40,307	44,035
Other current assets	28,316	38,190	41,873	45,151
Total assets	359,196	377,597	396,978	404,515
ST debt	30,824	46,838	56,838	61,838
Other current liabilities	35,572	38,190	42,034	45,387
LT debt	165,518	153,288	138,288	123,288
Other LT liabilities	39,988	51,938	57,978	61,971
Shareholders' equity	76,637	81,908	88,547	98,082
Minority interest	10,657	12,432	13,293	13,950
Total liabilities & equity	359,196	384,593	396,978	404,515

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	27.3	25.3	25.1	24.4
Pre-tax margin	6.3	7.7	8.4	10.4
Net margin	3.5	5.1	5.6	6.9
ROA	1.5	2.2	2.4	3.1
ROE	7.3	10.1	10.8	13.4
Growth				
Turnover	22.0	2.5	5.4	9.9
EBITDA	28.6	(5.2)	4.8	6.9
Pre-tax profit	39.5	25.4	15.1	36.4
Net profit	26.1	48.1	14.9	35.6
Net profit (adj.)	26.1	48.1	14.9	35.6
EPS	22.3	41.0	18.2	26.5
Leverage				
Debt to total capital	69.2	68.0	65.7	62.3
Debt to equity	256.2	244.3	220.4	188.7
Net debt/(cash) to equity	237.6	215.0	174.8	143.9
Interest cover (x)	4.2	4.6	5.0	7.8

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