

4 December 2024

## Tourism

### Upgraded tourism forecast; Russia, Europe lead recovery

Recommendation      Overweight (upgraded)

We have upgraded our investment weighting for the tourism sector from Neutral to Outperform. This decision is driven by the robust recovery in tourist arrivals to Thailand, particularly from key markets like Russia, India, and Europe. These markets have surpassed pre-COVID levels by a significant 104-120%. Additionally, the anticipated inflows of Chinese tourists further bolster the sector's outlook. To reflect this positive trend, we have revised our 2024E and 2025E tourist arrival estimates upward by 6% and 3% to 36mn (+28% YoY) and 39mn (+8% YoY). However, we maintain our Chinese visitor estimates for the respective periods at 6.5mn and 8.0mn. Beyond Thailand, countries like Japan and the Maldives are also well-positioned to capitalize on the high tourism season in the final and first quarters of years.

Despite the upgraded tourist arrival projections, we maintain our core profit estimates for 2024E and 2025E Bt9.95bn (+12% YoY) and Bt11.19bn (+13%). This follows the earlier upward adjustment in CENTEL's core profit projections by 3-5% over the same periods. We anticipate CENTEL to lead the sector in 4Q24E with the highest RevPAR growth of +10% YoY, followed by SHR (+7%) and MINT and ERW (+5%).

SETTOURISM has outperformed the benchmark index by 3% over the past month, primarily driven by the strong tourism season. Despite this outperformance, the sector's current valuation remains below the pre-COVID level. Our top picks within the sector are CENTEL (BUY, target price of Bt44.00) and MINT (BUY, Bt34.00). CENTEL is poised to deliver the highest core profit in 2025E, and its current valuation of 11.7x 2024E EV/EBITDA appears more attractive than ERW's 14.6x. MINT, on the other hand, offers a valuation advantage with a 2024E EV/EBITDA of 10x (-2.0 SD). Additionally, MINT's 4Q24E core profit is expected to benefit from the high season contributions of its Thai and Maldivian operations, as well as its planned REIT to mitigate earnings volatility.

Price performance



Price performance	1M	3M	6M	12M
Absolute (%)	2.24	4.12	-8.76	-2.74
Relative to SET (%)	2.88	-2.49	-16.87	-8.13

### Event: Sector Update

#### • Robust recovery for tourist arrivals into Thailand expected during the high season

We expect tourist arrivals into Thailand to recover better than anticipated, particularly during the high season in 4Q24-1Q25E, driven by stronger-than-expected 10M24 numbers from Russia, India, and Europe. Their recovery rates compared to 10M19 were impressive at 120%, 107%, and 104% (Fig 4-7), supported by Thailand's recognition as a top travel destination in 2025 by *Travel + Leisure* magazine and its ranking as one of the top 10 most booked destination globally, including the second-most booked destination worldwide, according to Agoda.

Although Chinese tourists showed a recovery rate of 61% compared to 10M19, aligning with expectations due to China's economic slowdown and evolving travel behaviors, they remain Thailand's largest source of inbound tourists. These factors underpin our forecast that total tourist arrivals during 4Q24E-1Q25E will exceed prior expectations, supported by the high season. Additionally, the Ministry of Tourism and Sports plans to designate 2025 as the "Amazing Thailand Grand Tourism and Sport Year 2025," with continuous marketing and promotional campaigns targeting both short- and long-haul markets. New flight routes from the South Asia-Pacific region to Bangkok, Phuket, Chiang Mai, and Koh Samui are also expected to bolster arrivals.

#### • Upgraded tourist arrival assumptions for 2024E and 2025E

We have revised our tourist arrival assumptions for 2024E and 2025E upward by +6% and +3% to 36mn (+28% YoY, 11M24 at 32mn) and 39mn (+8% YoY) people, primarily reflecting stronger-than-expected arrivals from Russia, Europe, and India (Fig. 8). However, we maintain our projections for Chinese tourists at 6.5mn for 2024E and

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8.0mn for 2025E. Notably, Chinese arrivals in 10M24 totaled 5.7mn, reflecting a recovery rate of 61% compared to 10M19 (Fig 3), due to China's decelerated economic growth.

### • Maintaining our aggregate net profit estimates

We maintain our aggregate net profit estimates for the tourism sector at Bt9.95mn for 2024E and Bt11.19mn for 2025E, representing growth of +12% and +13% YoY (Fig 1). These forecasts remain unchanged as we had already revised our 2024E–2025E normalized profit projections upward by approximately 3–5% during the 3Q24 earnings announcement.

For RevPAR in 4Q24E, we expect CENTEL to achieve the highest growth at +10% YoY, followed by SHR at +7% YoY, and MINT and ERW both at +5% YoY (Fig 9–12). Furthermore, CENTEL may present additional upside potential due to lower-than-expected expenses for its new Maldives hotels. This is attributed to cost-sharing arrangements between the two hotels, which are located on a single, larger island. Additionally, CENTEL's food business shows promising potential for exceeding profit expectations following the closure of underperforming branches.

### • Our top picks for the tourism sector are CENTEL and MINT.

**CENTEL** (Buy/TP: Bt44.00) is poised for continued growth during 4Q24E–1Q25E, benefiting from the high season. Its valuation remains attractive, trading at a 2024E EV/EBITDA of 11.7x, which is -1.25 SD below the 8-year average EV/EBITDA and more appealing than ERW's 14.6x. CENTEL is expected to deliver the highest normalized profit growth among its peers in 2025E at +18% YoY compared to MINT and ERW (Fig 15–18). Additionally, the World Expo 2025, to be held in Osaka from April 13 to October 13, 2025, is anticipated to drive further growth, with ADR projected to increase by +14% YoY to JPY35,000, and the occupancy rate rising by +2% to 80%. CENTEL's two new hotels in the Maldives are expected to break even at the NPAT level with occupancy rates of 55–60%, faster than its existing properties. This efficiency is attributed to cost-sharing arrangements between the two hotels, which are located on the same, larger island.

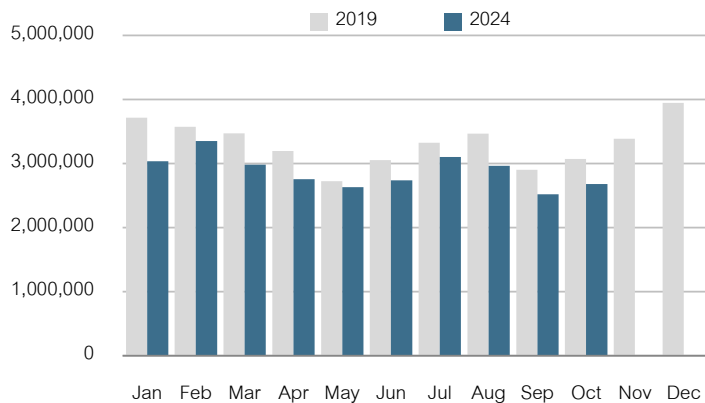
**MINT** (Buy/TP: Bt34.00) remains attractive due to its valuation, which is lower than the sector average, trading at a 2024E EV/EBITDA of 10x (-2.00 SD below the 10-year average EV/EBITDA). This is more appealing compared to ERW and CENTEL, which are trading closer to their average EV/EBITDA levels. MINT's core profit for 4Q24E is expected to grow YoY, supported by the high season in Thailand and the Maldives. Additionally, MINT's plans to establish a REIT offer significant strategic benefits, including debt reduction, mitigation of foreign exchange volatility, and sustainable business expansion. The REIT, under study for listing in either Thailand or Singapore, is anticipated to become the largest hospitality REIT in Asia, with an estimated value of approximately USD1.5bn (around Bt53bn).

Fig 1: Peer comparison

Stock	Rec	Price 03-Dec-24	Target price	Upside (%)	Net profit gwth (%)		Core profit gwth (%)		PER (x)		PBV (x)		Div. yield (%)		ROE (%)	
					24E	25E	24E	25E	24E	25E	24E	25E	24E	25E	24E	25E
CENTEL	BUY	37.50	44.00	17.3	15.5	17.5	45.6	17.5	35.1	29.9	2.3	2.1	1.3	1.5	6.6	7.1
ERW	HOLD	4.10	4.40	7.3	56.8	-24.1	8.9	8.4	17.2	22.7	2.4	2.3	1.6	1.8	14.4	10.2
MINT	BUY	27.75	34.00	22.5	39.7	10.3	5.9	10.3	20.8	18.9	1.7	1.7	2.8	3.1	8.3	8.8
SHR	BUY	2.40	2.60	8.3	70.7	97.5	157.9	97.5	58.5	29.6	0.5	0.5	1.0	2.0	0.9	1.8
Sector					37.7	8.7	11.5	12.5	32.9	25.3	1.8	1.7	1.7	2.1	7.6	7.0

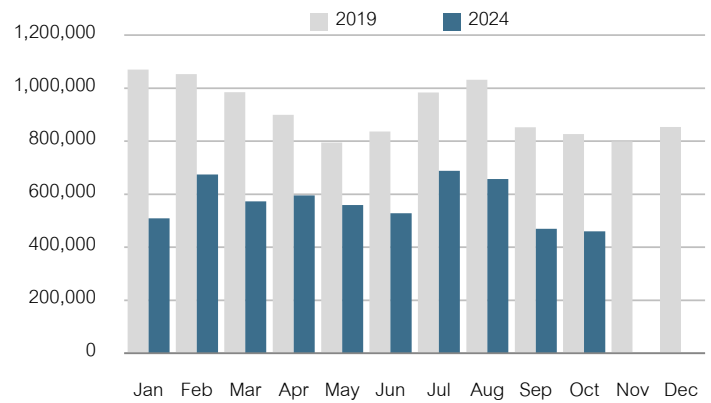
Source: DAOL

Fig 2: Monthly tourist arrivals into Thailand, 2019



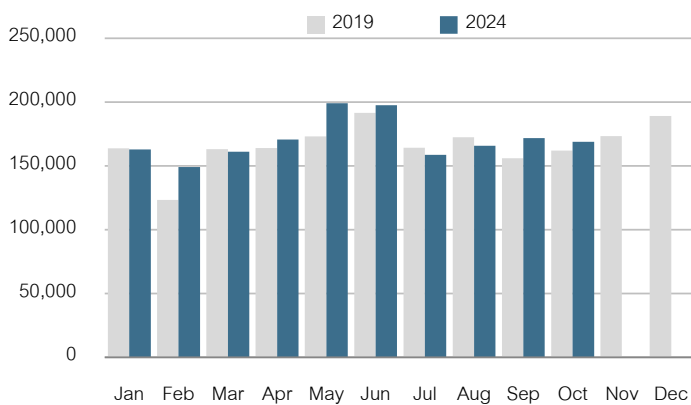
Source: MOTS, DAOL

Fig 3: Monthly Chinese tourists in Thailand, 2019



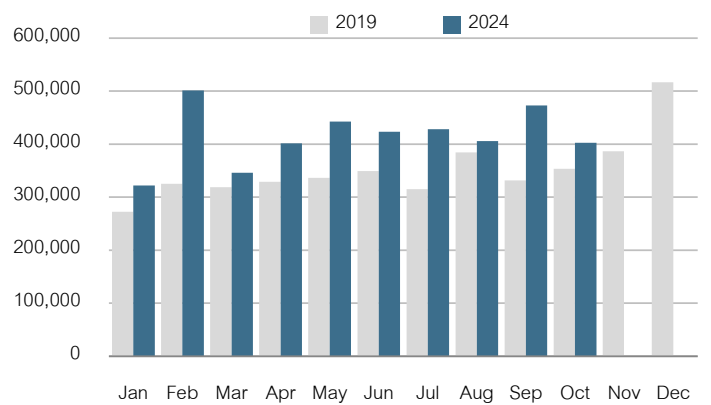
Source: MOTS, DAOL

Fig 4: Monthly Indian tourists in Thailand, 2019



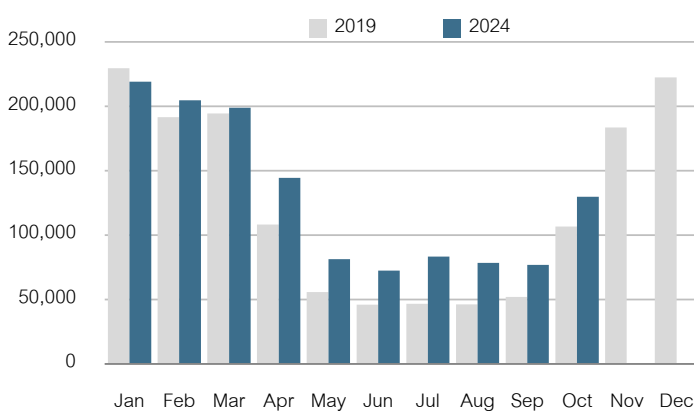
Source: MOTS, DAOL

Fig 5: Monthly Malaysian tourists in Thailand, 2019



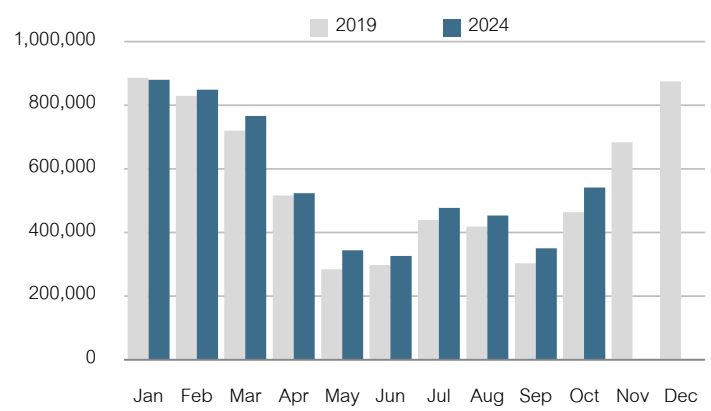
Source: MOTS, DAOL

Fig 6: Monthly Russian tourists in Thailand, 2019



Source: MOTS, DAOL

Fig 7: Monthly European tourists in Thailand, 2019



Source: MOTS, DAOL

Fig 8: Annual tourist arrivals into Thailand and Chinese visitors

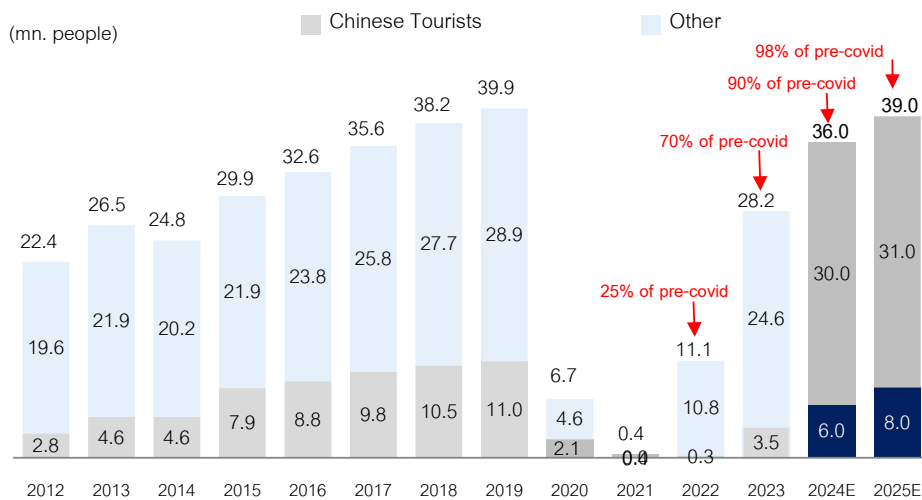


Fig 9: CENTEL - quarterly RevPAR

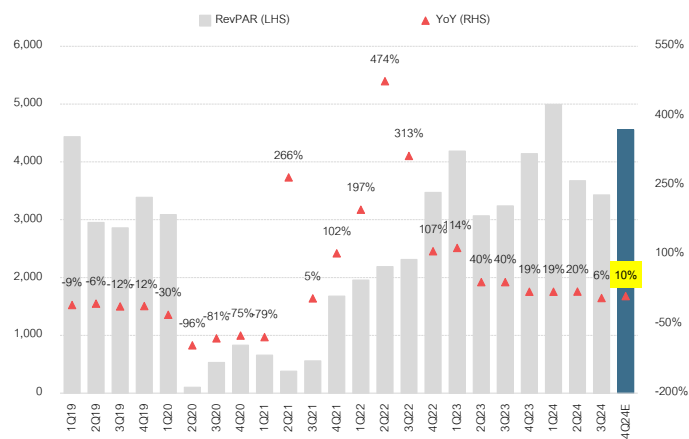


Fig 10: ERW - quarterly RevPAR

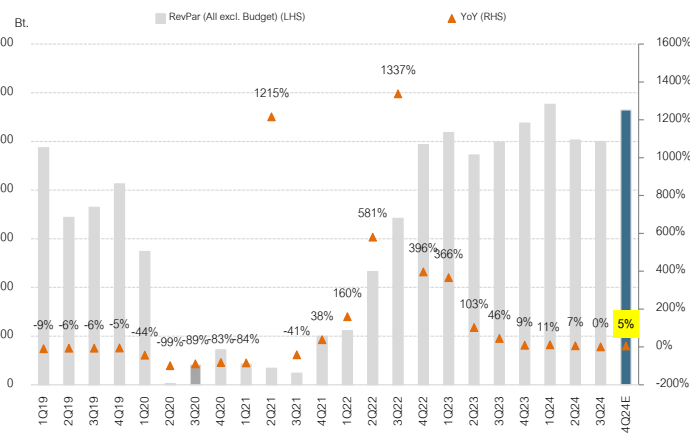


Fig 11: MINT - quarterly RevPAR

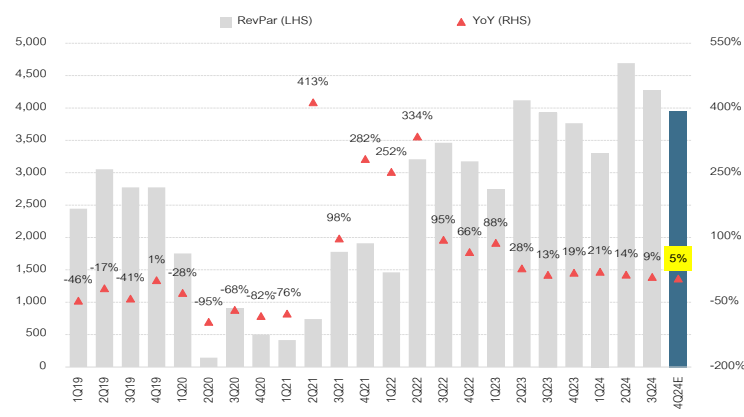


Fig 12: SHR - quarterly RevPAR

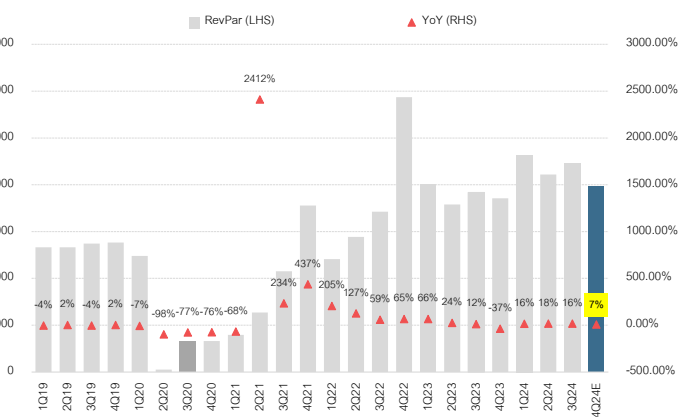
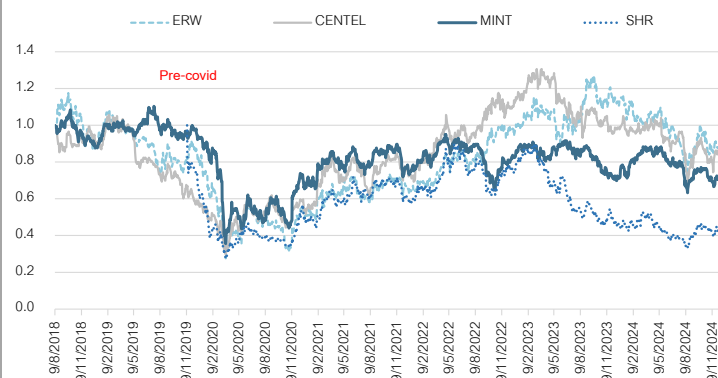


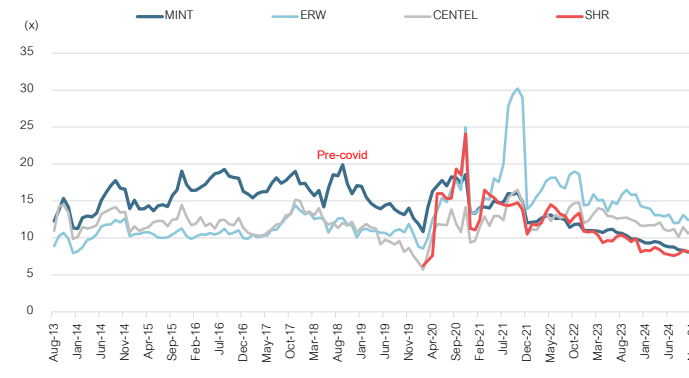


Fig 13: Tourism stocks price performance



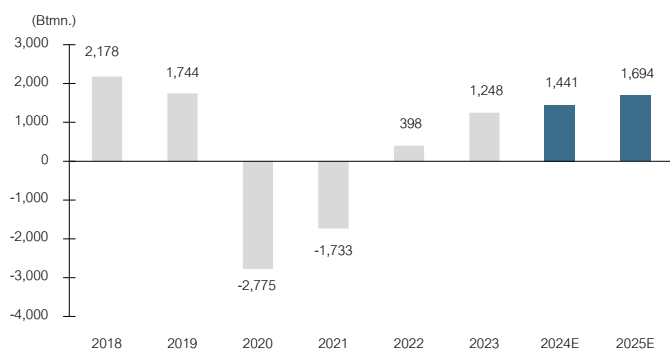
Source: Bloomberg, DAOL

Fig 14: 10 years EV/EBITDA



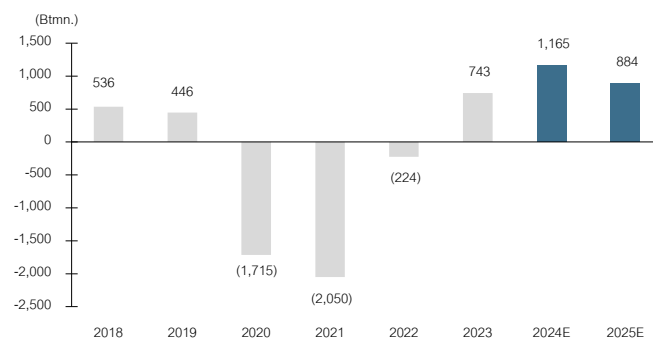
Source: Bloomberg, DAOL

Fig 15: CENTEL – Net profit



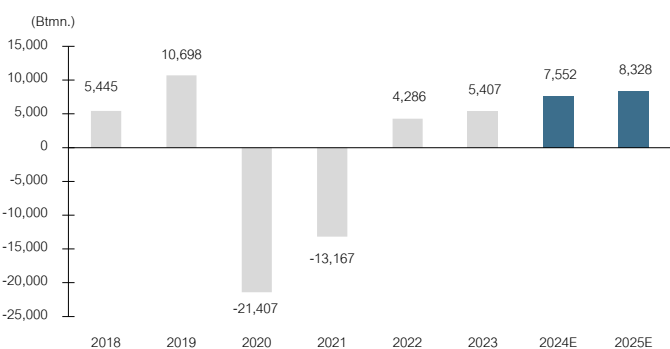
Source: ERW, DAOL

Fig 16: ERW – Net profit



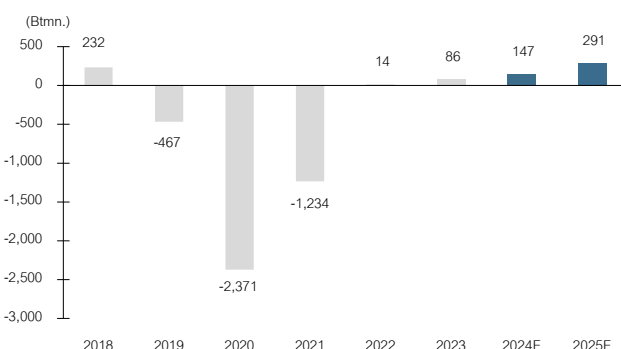
Source: CENTEL, DAOL

Fig 17: MINT – Net profit



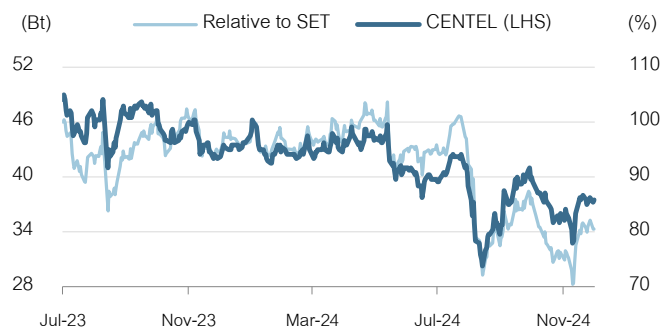
Source: MINT, DAOL

Fig 18: SHR – Net profit



Source: SHR, DAOL

Fig 19: CENTEL – Price performance



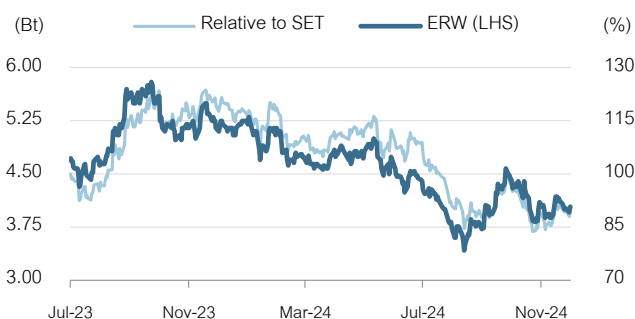
Source: ERW, DAOL

Fig 20: CENTEL – EV/EBITDA band



Source: CENTEL, DAOL

Fig 21: ERW – Price performance



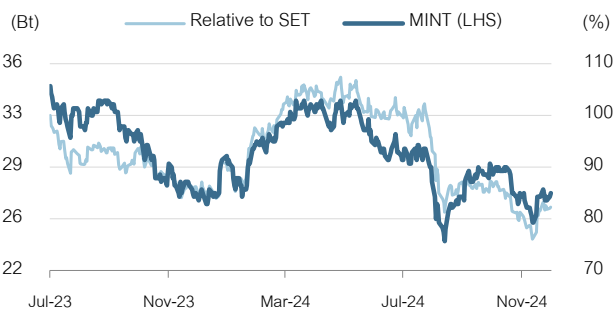
Source: MINT, DAOL

Fig 22: ERW – EV/EBITDA band



Source: SHR, DAOL

Fig 23: MINT – Price performance



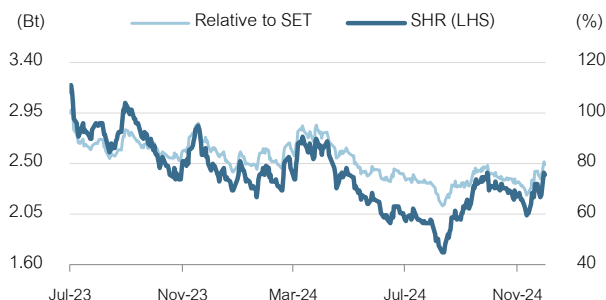
Source: ERW, DAOL

Fig 24: MINT – EV/EBITDA band



Source: CENTEL, DAOL

Fig 25: SHR – Price performance



Source: ERW, DAOL

Fig 26: SHR – EV/EBITDA band



Source: CENTEL, DAOL

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## Corporate governance report of Thai listed companies 2023

### CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

### IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

### DAOL SEC's stock rating definition

- BUY** The stock presents a good buying opportunity as it appears undervalued and/or will appreciate in the medium term. A return of the stock, excluding dividend, is expected to exceed 10%.
- HOLD** The stock lacks a catalyst in the medium to long term, and there is uncertainty regarding earnings growth. A return of the stock is expected to be between 0% and 10%.
- SELL** The stock appears overvalued and/or will perform poorly in the medium to long term, while there is major challenge at a company.

Notes: The expected returns may be subject to change at any time without notice.

### ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environmental, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- ❑ **Environmental** criteria consider how the company safeguards the environment and conserves natural resources. DAOL SECURITIES (THAILAND) calculates how much revenue derives from a business operation that can be harmful to the environment.
- ❑ **Social** criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. It also consists of employee welfare. DAOL SECURITIES (THAILAND) analyzes the company's non-financial statement reports (news and announcements), including NGO-related activities, retrieved from Bloomberg.
- ❑ **Governance** ensures a company uses accurate and transparent accounting method, internal controls, risk assessments, shareholder rights, and anti-corruption policies. DAOL SECURITIES (THAILAND) relates the IOD's CG rating system.

#### DAOL SECURITIES (THAILAND)'S ESG Scale of Ratings

Excellent (5)	Very Good (4)	Good (3)	Satisfactory (2)	Pass (1)
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DAOL SECURITIES (THAILAND) assigns an "n.a." to notify an insufficient information.