SECTOR UPDATE

Hotel – Thailand

Hope Lies In 4Q25

Hotel stocks reported a combined core profit of Bt3,767m for 2Q25 (+0.4% yoy, +101.3% qoq), mainly supported by MINT's strong hotel performance in Europe. However, Thai tourism's 3Q25 outlook should remain dull, similar to 2Q25. Hopes of hotel operators rest on the high travel season in 4Q25, as room bookings still indicate a positive momentum. MINT remains our top pick given its lower cost of debt. Maintain MARKET WEIGHT.

WHAT'S NEW

- **Slow recovery in tourist arrivals.** International tourist arrivals totalled 21.9m (-7.2% yoy) as of 31 Aug 25, with Chinese tourists remaining the top contributor. Chinese tourist numbers have gradually recovered, attributable by seasonality, but the pace has been slow. So far, Chinese tourist numbers have dropped 35% yoy and a significant turning point is yet to be found. The figures remain weak as it is currently the low travel season, but the arrival pace should pick up in late-3Q25 and continue into the high travel season in 4Q25.
- **We further revise down our tourist arrival target for 2025.** Following the earthquake in Mar 25 which caused a further slowdown from the Chinese actor abduction case in Jan 25, the recovery of tourist arrivals has been slow. Seasonal recovery was seen from Chinese and other European countries, but the arrival pace is still far behind last year's. Hence, we revise down this year's tourist arrival target down from 37m to 34m to reflect the poor recovery momentum. The main issue is still the absence of the Chinese tourists, which has caused most hotel operators to revise down their growth target for 2025.
- **Perfect timing for major renovations.** Given the current poor tourism outlook, major renovations initiated by operators such as MINT and CENTEL are deemed a strategic move. CENTEL's full renovation at Krabi would double the average daily rate (ADR) once it is completed. The room inventory will decrease by 30% to give guests more space in each of their rooms. For Hua Hin, the ADR will likely be the same after the partial closures, but the room inventory will increase from 251 to 480 rooms, with the new rooms coming in at different price points. Most of CENTEL's renovations will be completed in 2027. MINT's major renovation accounted for 40-50% of its hotel revenue in Thailand with a target of a 20-22% uplift in ADR after the renovation. Most of MINT's renovations are expected to be done before the festive weeks in 4Q25 to welcome the influx of tourists.

ACTION

- **Maintain MARKET WEIGHT; our top pick is MINT.** Unlike domestic peers facing weak Thai tourism, MINT stands to gain from Europe's peak travel season for another quarter in 3Q25. Its renovated assets will also return in time for Thailand's festive weeks in 4Q25. Even though MINT has become less aggressive in deleveraging, we still believe that it is the best pick in the hotel sector. MINT should be able to sell its European assets to its planned REIT in 1Q26, once it delists from Spain. The Europe Central Bank's dovish stance on the interest rate is also favourable for MINT as it should significantly reduce MINT's cost of debt which will be the key driver of its 3Q25 earnings.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Current Price (Bt)	Target Price (Bt)
Minor International	MINT TB	BUY	23.80	38.00

Source: Respective companies, UOB Kay Hian

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PEER COMPARISON

Company	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	Net Profit 2025F (Btm)	Net Profit 2026F (Bt m)	PE 2025F (x)	PE 2026F (x)	Net EPS Growth 2025F (%)	P/B 2025F (x)	Yield 2025F (%)	ROE 2025F (%)
AWC TB	BUY	2.32	3.30	42.2	2,285	6,095	6,665	12.2	11.1	4.2	0.8	3.3	6.5
CENTEL TB	BUY	29.00	33.00	13.8	1,205	1,754	2,002	22.3	19.6	0.1	1.8	2.0	8.1
ERW TB	HOLD	2.56	2.90	13.3	385	794	903	15.8	13.9	(31.1)	1.5	2.9	8.8
MINT TB	BUY	23.80	38.00	59.7	4,152	9,378	10,919	14.4	13.1	21.0	1.3	3.1	8.7
Sector					8,027	18,021	20,488	15.0	13.5	10.6	1.2	3.0	8.0

Source: UOB Kay Hian, Bloomberg

2Q25 RESULTS WRAP-UP

Core profit	2Q24	1Q25	2Q25	yoy chg	qoq chg	UOBKH	Street
AWC	203	728	182	-10%	-75%	In-line	Above
CENTEL	168	748	110	-34%	-85%	Below	Below
ERW	151	345	63	-58%	-82%	In-line	In-line
MINT	3,230	50	3,411	6%	6722%	In-line	In-line
Total	3,752	1,871	3,767	0%	101%	In-line	In-line

Source: Respective companies, UOB Kay Hian

ESSENTIALS

- **MINT: Strong profit in 2Q25.** MINT posted a net profit of Bt3.1b (+9.3% yoy, +640.2% qoq) in 2Q25. Excluding non-core items, core profit was Bt3.4b (+5.6% yoy, +6722.0% qoq), in line with our and consensus estimates. Revenue stood at Bt42.1b (-3.7% yoy, +18.3% qoq), also within expectations. The yoy contraction reflected last year's unusually high base from major events and the Thai baht's appreciation against the euro, US dollar, and Australian dollar (5%, 10%, and 12% yoy). Overall RevPar dropped 4% due to forex translation, though in local currencies, Europe and the Maldives posted yoy growths of 4% and 37%, respectively. Interest expenses fell 18.9% yoy, supported by lower rates and cheaper debt from new loans. Operating margin improved from 28.6% in 2Q24 to 30.5% in 2Q25.

- **CENTEL: Weaker-than-expected earnings in 2Q25.** CENTEL posted a net profit of Bt110m (-34.1% yoy, -85.2% qoq), below both our and the consensus expectations due to lower other income and higher tax. Revenue was Bt5.6b (+1.2% yoy, -12.8% qoq), in line with forecasts, supported by strong upcountry and Japan hotels, with Hua Hin, Samui, and Pattaya driving a 7% yoy RevPar growth. The food business softened as SSSG fell 2% yoy. Profits declined yoy, mainly due to higher SG&A, interest costs from the new Maldives hotel, and slightly weaker margins. 1H25 earnings represent 49% of FY25 forecast; forecast maintained.

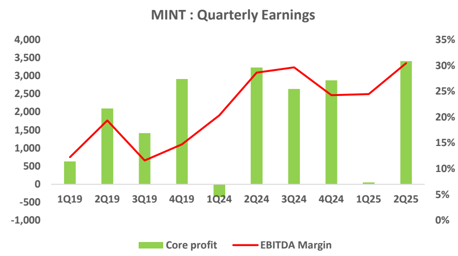
- **ERW: Soft 2Q25 earnings as expected.** ERW posted a net profit of Bt63m (-58.4% yoy, -81.8% qoq), in line with our and consensus forecasts. Revenue was Bt1.74b (-4.9% yoy, -18.0% qoq), pressured by lower occupancy in luxury and economy hotels due to fewer Chinese visitors and Naka Collection renovations, leading to a 13% yoy RevPar decline. Hop Inn's RevPar rose 2% yoy from a 7% ADR increase, though occupancy fell 4%; revenue grew 16% yoy from new openings, while EBITDA margin dropped 1.4ppt yoy. 1H25 earnings represent 53% of our FY25 forecast, thus we maintain our outlook.

KEY PERFORMANCE IN 2Q25

Hotel Business	2Q19	2Q24	1Q25	2Q25	yoy chg	qoq chg	vs Pre-COVID
Occupancy rate							
AWC	72%	66%	75%	60%	-6.4 ppt	-14.9 ppt	83.8%
CENTEL	73%	69%	76%	64%	-5.5 ppt	-12.0 ppt	87.8%
ERW	75%	79%	80%	74%	-5.4 ppt	-6.0 ppt	98.1%
MINT	74%	71%	64%	72%	1.0 ppt	8.0 ppt	97.3%
Avg	74%	72%	68%	71%	-1.1 ppt	2.5 ppt	95.6%
ADR (Bt/night)							
AWC	4,648	5,409	6,663	5,125	-5.3%	-23.1%	110.3%
CENTEL	4,050	4,875	6,467	5,290	8.5%	-18.2%	130.6%
ERW	1,600	1,834	1,992	1,706	-7.0%	-14.4%	106.6%
MINT	4,109	6,570	5,181	6,374	-3.0%	23.0%	155.1%
Avg	3,698	5,618	4,837	5,458	-2.8%	12.9%	142.9%
RevPar (Bt/night)							
AWC	3,279	3,589	4,992	3,075	-14.3%	-38.4%	93.8%
CENTEL	2,952	3,378	4,948	3,410	0.9%	-31.1%	115.5%
ERW	1,206	1,454	1,593	1,265	-13.0%	-20.6%	104.9%
MINT	3,053	4,692	3,340	4,605	-1.9%	37.9%	150.8%
Avg	2,825	4,033	3,297	3,860	-4.3%	17.1%	136.6%
Food Business - SSSG (%)							
CENTEL	-1.8%	2.0%	1.0%	-2.0%	-4.0 ppt	-3.0 ppt	
MINT	-3.6%	-2.8%	-2.0%	-1.7%	1.1 ppt	0.3 ppt	
Avg	-2.7%	-0.4%	-0.5%	-1.9%	-1.5 ppt	-1.4 ppt	

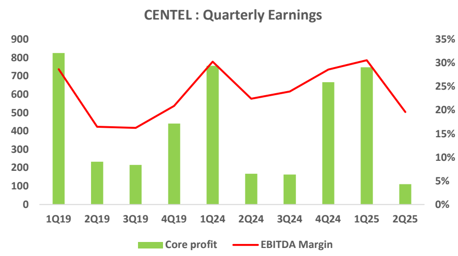
Source: Respective companies, UOB Kay Hian

MINT QUARTERLY EARNINGS PERFORMANCE



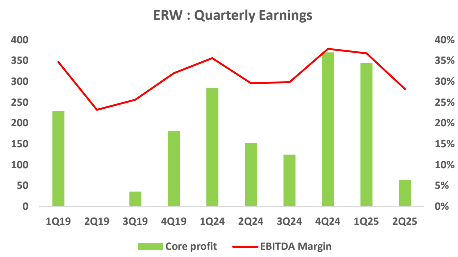
Source: MINT, UOB Kay Hian

CENTEL QUARTERLY EARNINGS PERFORMANCE



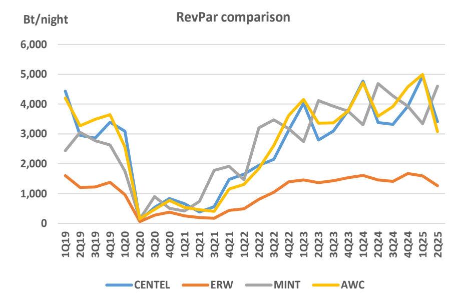
Source: AWC, UOB Kay Hian

ERW QUARTERLY EARNINGS PERFORMANCE



Source: ERW, UOB Kay Hian

REVPAR COMPARISON BY QUARTER



Source: Respective companies, UOB Kay Hian

SECTOR CATALYSTS

- **Number of forward bookings in high travel season is still promising.** The outlook in 2Q25 and 3Q25 has been sluggish, causing the hotel RevPar for several operators to drop significantly. Some operators took advantage of the situation and proceeded with their major renovation plans of their assets in Thailand. Many renovated assets will return in time for the peak festive weeks in 4Q25. According to management of several hotel operators, room bookings in the high travel season are still showing positive signs. The locations with a strong booking pace are mainly upcountry, such as Chiang Mai, Samui, Krabi and Hua Hin. Hotel bookings in Bangkok and Phuket remain weaker mainly due to the absence of the Chinese tourists. Given the current trend of tourists booking closer to their travel dates, all operators remain optimistic about the high travel season in 4Q25.

- **Other markets cannot substitute the Chinese.** Based on the latest tourist arrival numbers excluding Chinese visitors, the figures are quite flat yoy. This is a strong indication that Thai tourism will still need to rely on Chinese tourists as they remain as the largest contributor. Chinese tourists have been shifting away from Thailand in favour of more attractive alternative destinations, with Japan and South Korea being the most popular choices. As China's economy is still in the recovery phase, consumer spending remains sluggish, making Chinese travellers increasingly price sensitive. Following several negative sentiments that drove Chinese tourists away, the recovery has been very slow. We believe Chinese tourists will eventually gradually return to Thailand, which remains one of their preferred short-haul destinations. According to ERW, booking numbers from Chinese tourists for the upcoming Golden Week in Oct 25 remain quite slow. This is not a promising sign for a key market

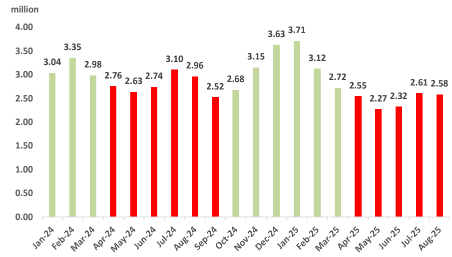
3Q25 OUTLOOK

- **Expect a similar qoq picture due to the Thai-Cambodia conflict.** As Thailand remains in another quarter of low travel season in 3Q25, we expect similar factors and outlook as in 2Q25. 3Q25 should show a qoq improvement from 2Q25, but the Thai-Cambodia conflict, which escalated in late-Jul 25, has pressured the recovery of tourist arrivals, causing the recovery rate of foreign tourists in Aug 25 to drop mom. RevPar in 3Q25 for hotels in Thailand is expected to decline yoy, similar to 2Q25. In addition, in 3Q25, operators with hotels in Japan will not receive a performance boost from the high travel season, as they did in 2Q25.

- **Hotels with high exposure to key Chinese destinations continue to suffer.** Bangkok, Pattaya and Phuket are the most popular cities for Chinese tourists. As the recovery of Chinese tourist arrivals continues to be slow, operators with high room exposure in Bangkok and Phuket will see pressure on their 3Q25 earnings. Most assets in Pattaya for many operators are newly opened or recently reopened after renovation. The performance of hotels in Pattaya could have been stronger without the current overhang from the Chinese tourists. ERW has the highest exposure with 78% of its revenue being derived from Bangkok, Pattaya and Phuket. Furthermore, ERW's management has guided an 8% drop in RevPar in 3Q25 across the luxury to economy hotel segments. AWC also has high exposure with 65% of its revenue from Bangkok and Phuket. AWC's RevPar declined by double digits yoy in Jul and Aug 25. Meanwhile, the RevPar in Sep 25 is expected to be the bottom for the year.

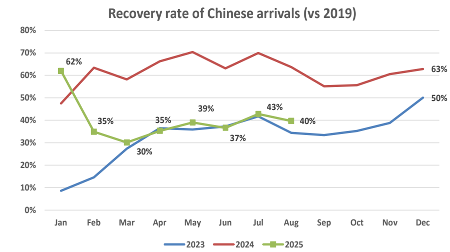
- **MICE still requires close monitoring.** AWC's management indicated that its MICE bookings in 3Q25 still require close monitoring. Its plan to substitute foreign MICE booking demand with domestic demand could only serve as a remedy but not a solution. We should be cautious and monitor the situation on MICE bookings as 50% of AWC's hotel revenue is derived from MICE.

INTERNATIONAL TOURIST ARRIVALS



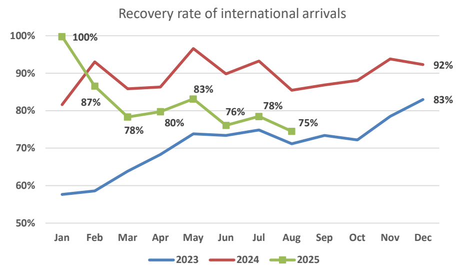
Source: Ministry of Tourism and Sports, UOB Kay Hian

RECOVERY OF CHINESE TOURIST ARRIVALS



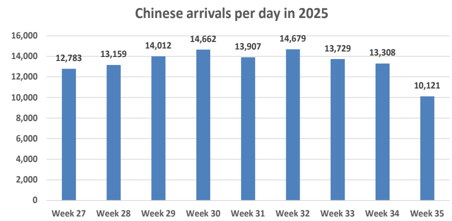
Source: Tourist Authority of Thailand, UOB Kay Hian

RECOVERY OF INTERNATIONAL TOURIST ARRIVALS



Source: Tourist Authority of Thailand, UOB Kay Hian

PACE OF CHINESE TOURIST ARRIVALS



Source: Ministry of Tourism and Sports, UOB Kay Hian

NO. OF TOURIST ARRIVALS EXCL. CHINESE

1 Jan - 31 Aug	2024	2025	yoy growth
No. arrival ex. Chinese	18,687,936	18,783,459	1%
No. of Chinese	4,759,288	3,096,017	-35%

Source: Ministry of Tourism and Sports, UOB Kay Hian

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