The Erawan Group (ERW TB)

Resilient Growth Outlook In 4Q26

Highlights

- We attended ERW's analyst meeting to review its 3Q26 results and the tone was positive.
- Growth outlook in 4Q26 remains decent given the revenue growth expected despite the ongoing renovation at Grand Hyatt.
- We remain optimistic with ERW and it remains one of our top picks in the hotel sector. The declining interest expense remains the key growth driver and the 2027 growth outlook is strong. Maintain BUY with a target price of Bt4.80.

Analysis

- **Positive tone from the analyst meeting.** We attended The Erawan Group's (ERW) analyst meeting to review its 3Q26 results and the tone was positive.
- **Early guidance for 2027.** Management provided an early view for the hotel business in 2027, targeting RevPar growth of high single-digit yoy, mainly driven by average daily rate (ADR) after the Grand Hyatt renovation is completed in 1Q27. The growth momentum could be on the soft side in 1Q27 but will accelerate from 2Q27 onwards. The renovation at Grand Hyatt is currently on track to be completed by 1Q27 or 2Q27 at the latest. ERW remains committed in operating the Grand Hyatt and has already paid the lease for 2027 while the contract extension remains in progress. ERW also targets 10 new openings for Hop Inn in 2027 while remaining keen on new hotels in Japan and Korea. Meanwhile, debt cost is expected to increase slightly yoy due to the rising interest rate in foreign loans.
- **Decent 4Q26 guidance.** The management provided ERW's 4Q26 guidance, expecting 4Q26 room revenue to show a strong growth yoy of 6%. Meanwhile, RevPar for the whole portfolio is expected to show 1% yoy growth, with main contribution coming from the economy and luxury hotel portfolios. The key driver in 4Q26 is expected to be the increase in ADR from high booking demand. The demand in the high travel season in 4Q26 is driven by large events such as the IMF World Bank Annual Meeting and Tomorrowland Pattaya. Meanwhile, the debt cost in 4Q26 is expected to increase slightly to 2.8% due to the rising interest rates in Japan and the Philippines. The key markets in 4Q26 will continue to be the Chinese and recovery of long-haul demand from the Europeans and Americans. Given the growth outlook, we can see that the impact from Grand Hyatt renovation remains manageable.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	7,917.3	7,930.5	8,740.0	9,401.8	10,228.2
EBITDA	2,644.3	2,613.5	2,944.5	3,205.5	3,403.7
Operating profit	1,649.5	1,565.3	1,727.1	1,904.2	2,017.2
Net profit (rep./act.)	1,280.7	838.1	964.8	1,050.1	1,147.9
Net profit (adj.)	939.7	836.4	964.8	1,050.1	1,147.9
EPS (Bt)	0.2	0.2	0.2	0.2	0.2
PE (x)	19.1	21.5	18.7	17.1	15.7
P/B (x)	2.1	2.0	2.0	1.9	1.7
EV/EBITDA (x)	12.4	12.6	11.1	10.2	9.6
Dividend yield (%)	2.4	1.9	2.4	2.6	2.9
Net margin (%)	16.2	10.6	11.0	11.2	11.2
Net debt/(cash) to equity (%)	149.8	141.6	162.1	155.9	147.9
Interest cover (x)	3.8	4.3	5.4	6.0	6.5
ROE (%)	17.0	9.5	10.7	11.2	11.5
Consensus net profit (Btm)	-	-	973	1,054	1,135
UOBKH/Consensus (x)	-	-	0.99	1.00	1.01

Source: The Erawan Group, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt3.68
Target Price	Bt4.80
Upside	+30.4%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	ERW TB
Shares issued (m)	4,886.9
Market cap (Btm)	17,983.9
Market cap (US$m)	530.8
3-mth avg daily t'over (US$m)	1.9

Price Performance (%)

52-week high/low				Bt3.94/Bt2.02
1mth	3mth	6mth	1yr	YTD
4.5	(0.5)	39.4	61.4	50.8

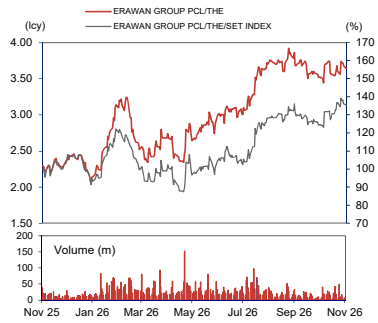
Major Shareholders (%)

Wattanavekin family	28.2
Vongkusolkit family	28.4

Balance Sheet Metrics

FY26 NAV/Share (Bt)	1.85
FY26 Net Debt/ Share (Bt)	3.00

Price Chart



Source: Bloomberg

Company Description

The Erawan Group is a leading hotel investment company in Thailand. Its hotel portfolio ranges from luxury to mid-scale and economy across Thailand's major tourist destinations.

- **Flexibility in strategy.** ERW is flexible in shifting between strategies either to drive growth by ADR or by guest volume through occupancy rate. The forward bookings are the key indicator of the room demand and hence ERW can prepare accordingly on which strategy to utilise. For example, if booking demand during Chinese New Year in 1Q27 remains weak, ERW can slightly reduce the ADR to attract more guest volume and fill up its hotel occupancy with corporate guests who usually come in large groups within the same quarter. We see this resilience in strategy as a strong feature that can drive RevPar growth no matter the disruptions that may occur.
- **Expect the currently low interest expense to support earnings growth.** Following management's plan to refinance part of its loans to further reduce interest costs, the prepayment fee incurred in 2Q26 should be the last significant expense under the current refinancing plan. Going forward, ERW should fully benefit from lower interest costs, which are currently at a low level of 2.7% by end-3Q26. Its average cost of funds has declined each quarter, partly due to floating-rate loans tracking the downward trend in market rates. ERW now plans to increase the fixed-rate portion of its debt, either by converting the existing floating loans or taking new loans in fixed-rate. Management insists that there will be no further prepayment fees from the loan conversion. The IBD/E ratio remained at 1.3x in 3Q26, as additional borrowings will be required to support planned expansions in 2026. We view declining interest costs as a key earnings catalyst for ERW going forward.
- **2026 growth guidance maintained.** ERW targets total revenue growth of 6% yoy, driven by the luxury-economy (+5% yoy) and budget (+10% yoy) segments. Growth in the luxury segment will be supported by a strong improvement in occupancy rates in early-26, followed by ADR increases toward late-26. Meanwhile, the budget segment will benefit from new Hop Inn openings in Thailand and the launch of a new property in Korea. Revenue grew 5.7% yoy in 9M26, and we believe the 6% yoy full-year target is achievable given the positive outlook for 4Q26. Key supporting factors are already emerging, including the sustained recovery of Chinese tourists and major events scheduled for 4Q26, which should help drive tourist traffic.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt4.80.** Our valuation is based on 2027 EV/EBITDA multiplier of 12x, 1 SD above its three-year mean. We remain optimistic with ERW and it remains one of our top picks, as it demonstrates resilience in driving growth in 4Q26. Moreover, the declining interest expense is a robust catalyst to ERW's earnings.

Environment, Social, Governance (ESG) Updates

Environmental

- **Prioritising effective and balanced use of resources** as well as taking into account the reduction of greenhouse gas generation, including management of ecosystems and biodiversity.

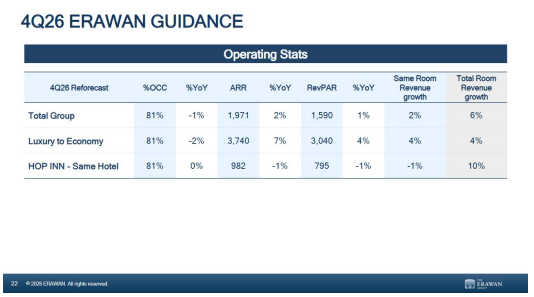
Social

- **Respecting human rights** based on the principles of international criteria, equality, fairness, and non-discrimination.
- **Focusing on enhancing quality of life** and potential of employees by cultivating social and environmental responsibility.

Governance

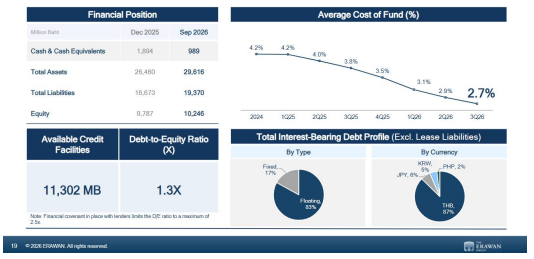
- **Board gender diversity.** Male to female ratio of 3:1.
- **Board balance and composition.** Four board members are independent directors, amounting to 33% of the board members.

4Q26 Guidance



Source: ERW

Debt Profile



Source: ERW

Revenue Breakdown By Nationality



Source: ERW

2026 GUIDANCE



Source: ERW

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**7,930**	**8,740**	**9,402**	**10,228**
EBITDA	2,613	2,945	3,205	3,404
Deprec. & amort.	1,048	1,217	1,301	1,386
EBIT	1,565	1,727	1,904	2,017
Total other non-op. income	2	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(612)	(545)	(537)	(523)
Pre-tax profit	**956**	**1,182**	**1,367**	**1,495**
Tax	(51)	(177)	(273)	(299)
Minorities	(67)	(40)	(44)	(48)
Net profit	838	965	1,050	1,148
Net profit (adj.)	**836**	**965**	**1,050**	**1,148**

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	23,417	24,600	25,746	26,857
Other LT assets	640	469	501	557
Cash/ST investment	1,894	2,826	2,177	1,514
Other current assets	509	697	763	843
Total assets	**26,460**	**28,591**	**29,188**	**29,772**
ST debt	2,690	1,765	1,765	1,765
Other current liabilities	1,224	1,245	1,366	1,525
LT debt	11,899	15,720	15,475	15,032
Other LT liabilities	859	639	699	845
Shareholders' equity	8,967	9,044	9,660	10,335
Minority interest	820	178	221	269
Total liabilities & equity	**26,460**	**28,591**	**29,188**	**29,772**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**2,007**	**2,055**	**2,450**	**2,661**
Pre-tax profit	956	1,182	1,367	1,495
Tax	(51)	(177)	(273)	(299)
Deprec. & amort.	1,048	1,217	1,301	1,386
Associates	0	0	0	0
Working capital changes	(16)	7	(1)	6
Non-cash items	70	(174)	55	73
Other operating cashflows	0	0	0	0
Investing	**(1,010)**	**(2,448)**	**(2,420)**	**(2,407)**
Capex (growth)	(2,072)	(2,400)	(2,448)	(2,497)
Investment	0	0	0	0
Others	1,062	(49)	27	89
Financing	(716)	1,325	(679)	(916)
Dividend payments	(440)	(342)	(434)	(473)
Proceeds from borrowings	(71)	2,896	(244)	(444)
Others/interest paid	(204)	(1,228)	0	0
Net cash inflow (outflow)	282	932	(649)	(663)
Beginning cash & cash equiv.	1,612	1,894	2,826	2,177
Ending cash & cash equiv.	**1,894**	**2,826**	**2,177**	**1,514**

Key Metric

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.0	33.7	34.1	33.3
Pre-tax margin	12.1	13.5	14.5	14.6
Net margin	10.6	11.0	11.2	11.2
ROA	3.2	3.5	3.6	3.9
ROE	9.5	10.7	11.2	11.5
Growth (% yoy)				
Turnover	0.2	10.2	7.6	8.8
EBITDA	(1.2)	12.7	8.9	6.2
Pre-tax profit	(27.7)	23.7	15.6	9.3
Net profit	(34.6)	15.1	8.8	9.3
Net profit (adj.)	(11.0)	15.3	8.8	9.3
EPS	(11.0)	15.2	8.8	9.3
Leverage				
Debt to total capital	59.8	65.5	63.6	61.3
Debt to equity	162.7	193.3	178.5	162.5
Net debt/(cash) to equity	141.6	162.1	155.9	147.9
Interest cover (x)	4.3	5.4	6.0	6.5

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