



Dusit Thani PCL

DTC TB Neutral

Target Price Bt 9.20

Price (15/05/2020) Bt 6.95

Upside % 32.37

Valuation PER

Sector Tourism & Leisure

Market Cap Btm 5,908

30-day avg turnover Btm 0.92

No. of shares on issue m 850

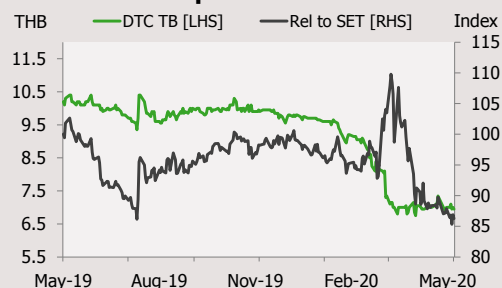
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year-end Dec 31	2018A	2019A	2020E	2021E
Company Financials				
Revenue (Btmn)	4,633	4,798	4,750	4,871
Core profit (Btmn)	-71	-766	-388	-374
Net profit (Btmn)	290	39	-188	-174
Net EPS (Bt)	0.34	0.05	-0.22	-0.20
DPS (Bt)	0.17	0.00	0.00	0.00
BVPS (Bt)	5.85	5.91	5.71	5.52
Net EPS growth (%)	8.54	-86.58	n.m.	7.57
ROA (%)	3.25	3.15	-1.17	-1.03
ROE (%)	5.92	0.78	-3.81	-3.65
Net D/E (x)	0.16	-0.15	-0.21	-0.27
Valuation				
P/E (x)	28.15	211.93	n.m.	n.m.
P/BV (x)	1.64	1.64	1.22	1.26
EV/EBITDA (x)	19.05	38.64	25.62	23.61
Dividend yield (%)	1.77	n.a.	0.00	0.00

DTC TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

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Impact from COVID-19 to continue

- **1Q20 core loss of Bt105mn** marked a lower loss compared to a core loss of Bt184mn in 4Q19 but a turn from a core profit of Bt1mn in 1Q19.
- **RevPar came in at Bt2,615**, a decline of 29% YoY due to a lower occupancy rate of 58.5% vs. 84.6% in 1Q19.
- **Maintain our Neutral rating on DTC** with a target price of Bt9.20, but expect negative sentiment toward the stock price on weak 1Q20 earnings.

Investment Highlights

- **1Q20 earnings came in weak.** DTC reported a 1Q20 net loss of Bt82mn, which turned from net profits of Bt269mn in 4Q19 and Bt1mn in 1Q19 due mainly to the impact of the COVID-19 outbreak. Excluding extraordinary items, the company had a core loss of Bt105mn, which marks a lower loss compared to a core loss of Bt184mn in 4Q19 but turned from a core profit of Bt1mn in 1Q19. We expect DTC to report core losses during the next three quarters based on our 2020 inbound tourist estimate of 15mn.
- **Weak 1Q20 RevPar.** 1Q20 RevPar came in at Bt2,615, a decline of 29% YoY, due to a lower occupancy rate and ADR. The occupancy rate came in at 58.5%, down from 84.6% in 1Q19, mainly on a weak operating performance in March after the coronavirus hit Europe, while DTC was able to hold up its ADR with an increase of 2.5%. Note that China ordered tourism enterprises to suspend tours on Jan 24 in order to control the spread of the coronavirus epidemic.
- **Less impact on education and food businesses.** The company posted 1Q20 revenue from the education and food businesses of Bt108mn (-9% YoY) and Bt116mn (+29% YoY), respectively. The lower revenue of the education business was due mainly to a decrease in revenue from Dusit Thani College as the COVID-19 pandemic caused short-term courses to be postponed. The YoY increase of food revenue was driven mainly by higher Epicure Catering revenue, which accounts for 9% of DTC's total revenue.
- **Expect a higher loss in 2Q20.** We expect DTC to report a higher net loss in 2Q19 due to continued weak inbound tourist numbers due to the government's ban of all travel to Thailand in April, which might be prolonged, and as Epicure Catering will not be able to operate as normal due to the announcement of temporary closures of educational institutions by the government. We expect the government will implement a 14-day quarantine on all travelers to Thailand in order to contain the spread of COVID-19, which will not attract tourists to come to the country.

Valuation and Recommendation

- We maintain our Neutral rating on DTC with a target price of Bt9.20. Although we have a positive view of the company's long-term strategy (mixed-use project in the Silom area), we believe weak 1Q20 earnings and the negative impact from COVID-19 will pressure 2020-21 operations, which will create negative sentiment toward the stock.
- We derive an end-2020 target price for DTC of Bt9.20. We apply the PBV methodology for DTC's existing businesses with a multiple of 1.2x, equivalent to 1SD below its five-year average trailing PBV, while we value the mixed-use and residential business at Bt2.60 based on the NAV methodology using a discount rate of 7%.



Fig 1 1Q20 earnings review

	1Q19	2Q19	3Q19	4Q19	1Q20	%YoY	%QoQ	%YTD2020	2020E
Financials									
Sales (Btmn)	1,264	912	877	1,140	1,007	-20.4	-11.7	21.2	4,750
EBITDA (Btmn)	192	-70	-65	18	180	-6.5	899.3	75.8	237
Operating profit (Btmn)	78	-186	-180	-97	-22	-127.8	77.8	7.7	-280
Core profit (Btmn)	1	-238	-517	-184	-105	-12,732.1	42.8	27.1	-388
Net profit (Btmn)	1	-22	73	269	-82	-9,948.0	-130.6	43.7	-188
Net EPS (Bt)	0.00	-0.00	0.01	0.03	-0.01	-9,948.0	-130.6	4.4	-0.22
Performance Drivers									
RevPar (Bt)	3,688	2,287	1,791	1,833	2,615	-29.1	42.7	2,615	1,201
Average daily rate (Bt)	4,357	3,257	2,410	3,404	4,467	2.5	31.2	4,467	2,859
Occupancy rate (%)	84.6	70.2	74.3	53.9	58.5	-26.1	4.6	58.5	42.0
Ratios									
						Change	Avg YTD	2020E	
Gross margin (%)	36.0	26.3	23.9	17.6	35.6	-0.4	18.0	35.6	37.8
EBITDA margin (%)	15.2	-7.6	-7.4	1.6	17.9	2.6	16.3	17.9	-5.9
Optg. margin (%)	6.2	-20.4	-20.5	-8.5	-2.1	-8.3	6.4	(2.1)	5.0
ROE (%)	0.1	-1.9	6.0	22.8	-7.4	-7.4	-30.1	(7.4)	0.4

Source: Company data, KS Research



DTC TB : Year-end 31 Dec

Income Statement (Btmn)	2017A	2018A	2019A	2020E	2021E	Cashflow (Btmn)	2017A	2018A	2019A	2020E	2021E
Revenue	4,723	4,633	4,798	4,750	4,871	Net profit	332	350	354	-127	-111
Cost of sales and services	-3,393	-3,208	-3,006	-2,954	-3,017	Depreciation & amortization	629	499	509	517	526
Gross Profit	1,330	1,424	1,792	1,796	1,854	Change in working capital	-154	213	83	-4	10
SG&A	-1,706	-1,851	-2,157	-2,160	-2,222	Others	-215	-273	461	266	18
Other income	473	465	82	84	86	CF from operation activities	592	790	1,408	653	443
EBIT	470	501	586	18	31	Capital expenditure	-691	-527	-1,886	-1,277	-1,681
EBITDA	725	537	225	237	244	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-59	-65	-100	-95	-94	Others	18	-313	1,765	1,165	1,566
Equity earnings	20	66	47	80	93	CF from investing activities	-673	-841	-121	-112	-115
EBT	411	436	486	-77	-64	Cash dividend	-86	-164	-145	0	0
Income tax	-79	-86	-132	-50	-47	Net proceeds from debt	-82	366	-483	-12	-11
NPAT	332	350	354	-127	-111	Capital raising	0	0	0	0	0
Minority Interest	-65	-60	-315	-62	-63	Others	418	-49	-379	-223	19
Core Profit	-56	-71	-766	-388	-374	CF from financing activities	250	153	-1,006	-235	8
Extraordinary items	323	361	805	200	200	Net change in cash	169	102	281	307	336
FX gain (loss)	0	0	0	0	0	Key Statistics & Ratios					
Reported net profit	267	290	39	-188	-174	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.31	0.34	0.05	-0.22	-0.20
Cash & equivalents	1,021	1,112	1,393	1,700	2,036	Core EPS	-0.07	-0.08	-0.90	-0.46	-0.44
ST investments	448	457	457	457	457	DPS	0.16	0.17	0.00	0.00	0.00
Accounts receivable	538	849	452	448	459	BV	5.67	5.85	5.91	5.71	5.52
Inventories	71	77	76	75	77	EV	12.65	12.05	10.24	7.15	6.79
Other current assets	201	122	109	102	96	Free Cash Flow	-0.12	0.31	-0.56	-0.73	-1.46
Total current assets	2,278	2,617	2,487	2,782	3,126	Valuation analysis					
Investment in subs & others	1,320	1,980	2,014	2,014	2,014	Reported P/E (x)	33.42	28.15	211.93	-31.40	-33.97
Fixed assets-net	4,322	4,300	3,927	3,537	3,141	Core P/E (x)	-159.35	-114.29	-10.76	-15.22	-15.80
Other assets	2,059	2,676	2,499	2,448	2,404	P/BV (x)	1.85	1.64	1.64	1.22	1.26
Total assets	9,980	11,573	10,928	10,781	10,685	EV/EBITDA (x)	14.83	19.05	38.64	25.62	23.61
Short-term debt	758	409	233	231	230	Price/Cash flow (x)	15.06	10.34	5.86	9.04	13.32
Accounts payable	853	1,248	933	924	947	Dividend yield (%)	1.50	1.77	0.00	0.00	0.00
Other current assets	163	278	229	233	238	Profitability ratios					
Total current liabilities	1,774	1,935	1,395	1,388	1,416	Gross margin (%)	28.15	30.75	37.35	37.81	38.06
Long-term debt	1,479	2,132	652	614	578	EBITDA margin (%)	15.35	11.60	4.69	5.00	5.02
Other liabilities	846	1,429	2,435	2,444	2,453	EBIT margin (%)	9.95	10.81	12.22	0.38	0.63
Total liabilities	4,099	5,495	4,481	4,447	4,447	Net profit margin (%)	7.04	7.56	7.38	-2.66	-2.28
Paid-up capital	850	850	850	850	850	ROA (%)	3.50	3.25	3.15	-1.17	-1.03
Share premium	1,643	1,643	1,643	1,643	1,643	ROE (%)	5.67	5.92	0.78	-3.81	-3.65
Reserves & others, net	840	811	825	840	855	Liquidity ratios					
Retained earnings	1,490	1,667	1,705	1,517	1,343	Current ratio (x)	1.28	1.35	1.78	2.00	2.21
Minority interests	1,057	1,107	1,423	1,484	1,547	Quick ratio (x)	1.13	1.25	1.65	1.88	2.09
Total shareholders' equity	5,881	6,078	6,447	6,334	6,238	Leverage Ratios					
Total equity & liabilities	9,980	11,573	10,928	10,781	10,685	Liabilities/Equity ratio (x)	0.70	0.90	0.70	0.70	0.71
Key Assumptions						Net debt/EBITDA (x)	1.06	1.81	-4.29	-5.53	-6.89
RevPar (Bt)	2,636	2,734	2,656	2,727	2,782	Net debt/equity (x)	0.13	0.16	-0.15	-0.21	-0.27
ADR (Bt)	3,597	3,548	3,495	3,565	3,636	Int. coverage ratio (x)	7.99	7.73	5.85	0.19	0.33
Occupancy rate (%)	73.3	77.1	76.0	76.5	76.5	Growth					
						Revenue (%)	-5.05	-1.91	3.58	-1.01	2.54
						EBITDA (%)	-16.44	-25.85	-58.10	5.40	2.96
						Reported net profit (%)	134.00	8.54	-86.6	-583.61	7.57
						Reported EPS (%)	134.00	8.54	-86.6	-583.61	7.57
						Core profit (%)	-149.48	-27.48	-972.97	49.34	3.67
						Core EPS (%)	-149.48	-27.48	-972.97	49.34	3.67

Source: Company, KS estimates



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