



## Dusit Thani PCL

DTC TB Neutral

Target Price Bt 7.65

Price (09/04/2021) Bt 8.25

Downside % 7.27

Valuation PBV

Sector Tourism & Leisure

Market Cap Btm 7,013

30-day avg turnover Btm 1.42

No. of shares on issue m 850

CG Scoring Excellent

Anti-Corruption Indicator Certified

### Investment fundamentals

Year-end Dec 31 2020A 2021E 2022E 2023E

#### Company Financials

Revenue (Btmn) 2,272 2,620 4,111 4,952

Core profit (Btmn) (1,691) (1,582) (679) (180)

Net profit (Btmn) (1,011) (1,382) (479) (180)

Net EPS (Bt) (1.19) (1.63) (0.56) (0.21)

DPS (Bt) 0.00 0.00 0.00 0.00

BVPS (Bt) 4.08 2.47 1.83 1.64

Net EPS growth (%) n.m. (36.67) 65.31 62.42

ROA (%) (5.82) (7.13) (2.69) (0.99)

ROE (%) (24.68) (49.61) (26.22) (12.23)

Net D/E (x) 3.04 4.54 5.83 6.32

#### Valuation

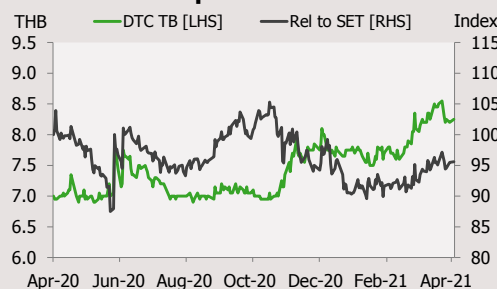
P/E (x) (6.51) (5.07) (14.63) (38.92)

P/BV (x) 1.90 3.34 4.51 5.04

EV/EBITDA (x) (37.28) (48.52) 38.93 19.63

Dividend yield (%) n.a. 0.00 0.00 0.00

### DTC TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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### Analyst

Pisut Ngamvijitvong

Pisut.n@kasikornsecurities.com

Assistant Analyst

Phochara Lertwiram

12 April 2021

Kasikorn Securities Public Company Limited

## More diversification for the food business

- ▶ Reiterate Neutral rating and raise target price to Bt7.65 from Bt7.30 to reflect our earnings revisions and rolling forward to mid-2022.
- ▶ Expect a 2021 OCR of 39.5%, exceeding the average 33.3% of our six covered hotels.
- ▶ Higher food revenue contribution to diversify portfolio, thus estimate 2021 food revenue contribution of 20.8%.

### Investment Highlights

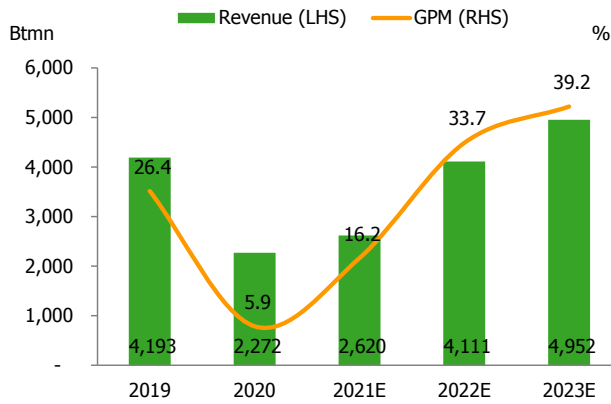
- ▶ **Location advantage to lead to a premium OCR.** We expect DTC to report a 2021 OCR of 39.5%, exceeding the average 33.5% of our six covered hotels. Note that DTC reported a 2020 OCR of 35.6%, above its peer average of 25.5%. We believe DTC's premium OCR was due mainly to its advantage in terms of location. Its keys are located in Pattaya and Hua Hin, which were the two most popular destinations for domestic customers in 2020 accounting for 32.1% of total rooms. DTC stands to benefit once the country reopens as 45% its properties are located in the six locations that will be removed from the quarantine requirement in 4Q21.
- ▶ **Higher food revenue from Epicure.** Although the government ordered international school catering businesses to cease operating, DTC reported food revenue of Bt456mn in 2020, an increase of 13.4%, as revenue contribution from its new investment, The Caterers by Epicure, in 3Q20 more than offset lower revenue from its core business. We expect a higher revenue contribution from the food business will diversify its portfolio and thus estimate food revenue of Bt545mn in 2021 with a revenue contribution of 20.8% in 2021, up from 18.7% in 2020.
- ▶ **Dusit Thani Bangkok to reopen in 2H23.** The company expects to reopen Dusit Thani Bangkok in 4Q23 and retail & office space, while the residential project is expected to be completed in 2024 and 2025 respectively. Note that DTC announced an increase in the project value of HRRJV from Bt19.3bn to Bt26.3bn and in REJV from Bt8.9bn to Bt9.8bn in order to enhance competitive advantage, as well as the function of the projects to make them more consistent with the demand of target customers, which are the luxury and super luxury group.
- ▶ **2021-22 earnings revisions.** We raise our 2021 core loss estimate by 23% but lower our 2022 core loss forecast by 3%. Our higher 2021 core loss estimate is due mainly to our more conservative view of ADR, which we revise down by 11.4% to Bt2,951 as we expect demand in 2021 will be driven mainly by local tourists, who are more price sensitive than international tourists. Our lower 2022 core loss forecast reflects our higher revenue estimate of 7.6% based on our raised OCR assumption of 62.5% from 55.3%.

### Valuation and Recommendation

- ▶ We maintain our Neutral rating on DTC with a raised target price of Bt7.65 from Bt7.3. We apply the PBV methodology for DTC's existing businesses with a multiple of 2.01x, equivalent to 1SD above its five-year average trailing PBV, while we value the mixed-use and residential business at Bt2.50 based on the NAV methodology using a discount rate of 7%.

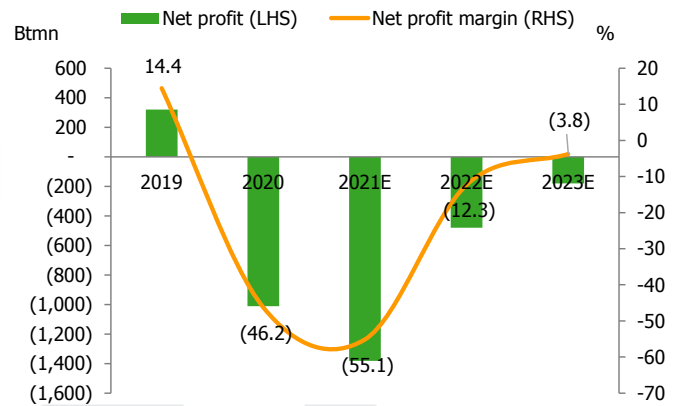


**Fig 1 Revenue and GPM**



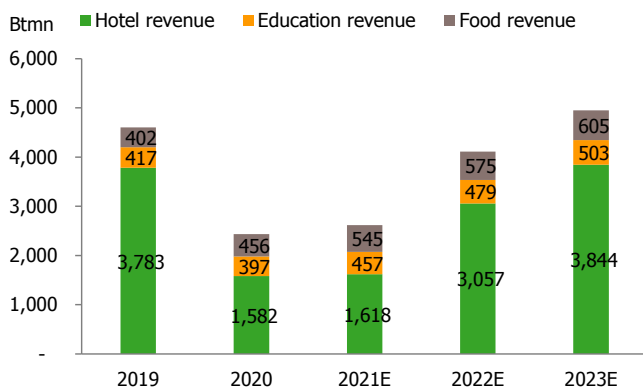
Source: Company data, KS Research

**Fig 2 Net profit and net profit margin**



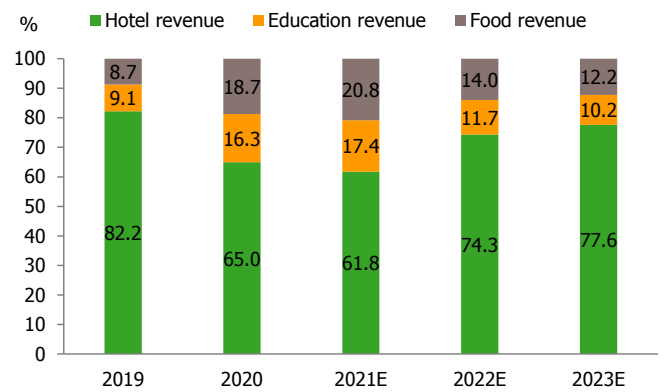
Source: Company data, KS Research

**Fig 3 Revenue breakdown**



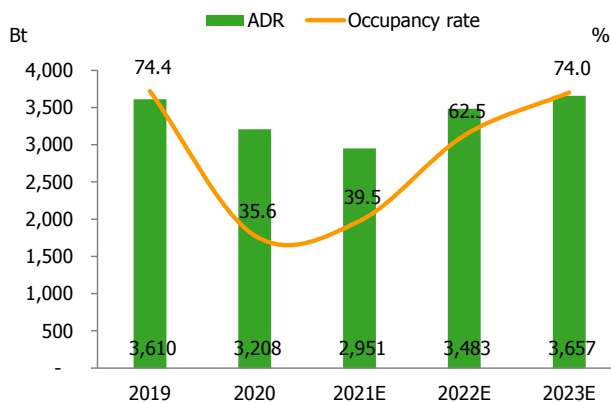
Source: Company data, KS Research

**Fig 4 Revenue breakdown by percentage**



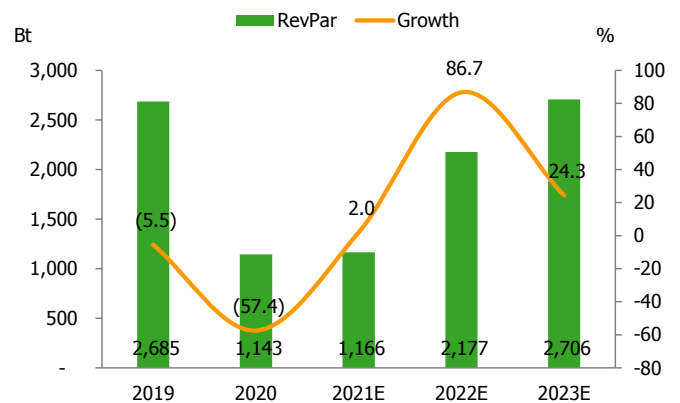
Source: Company data, KS Research

**Fig 5 2021-23 ADR and OCR estimates**



Source: Company data, KS Research

**Fig 6 2021-23 RevPar estimates**



Source: Company data, KS Research



Fig 7 Number of keys by segment

Number of rooms	2019	2020	2021E	2022E	2023E
Bangkok	295	401	401	401	401
Upcountry	1,306	1,307	1,307	1,307	1,307
<b>Thailand</b>	<b>1,601</b>	<b>1,708</b>	<b>1,708</b>	<b>1,708</b>	<b>1,708</b>
Overseas	632	632	632	632	632
<b>Total</b>	<b>2,233</b>	<b>2,340</b>	<b>2,340</b>	<b>2,340</b>	<b>2,340</b>

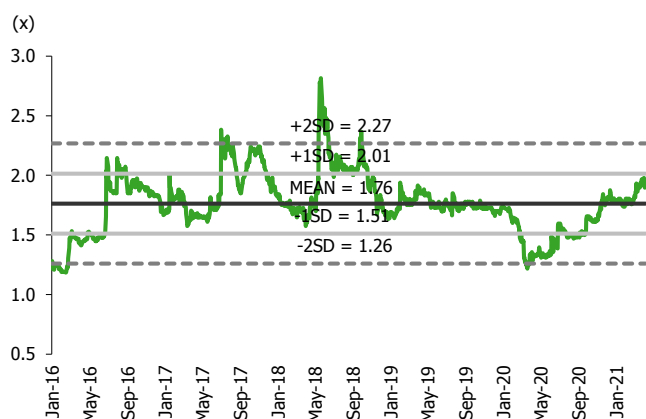
Source: Company data, KS Research

Fig 8 2021-22 earning revisions

Unit: Btmn	2021E			2022E		
Profit and loss statements	New	Previous	%Change	New	Previous	%Change
Total revenue	2,620	2,577	1.7	4,111	3,823	7.6
Cost of goods sold	2,195	2,388	(8.1)	2,728	2,843	(4.0)
Gross profit	424	189	124.8	1,384	980	41.2
SG&A	1,856	1,976	(6.1)	1,980	2,167	(8.6)
Operating profit	(1,432)	(1,787)	19.9	(596)	(1,186)	49.8
EBITDA	(413)	(307)	(34.5)	519	331	56.7
EBIT	(1,004)	(840)	(19.5)	(46)	(283)	83.7
Core profit	(1,582)	(1,286)	(23.0)	(679)	(700)	3.0
Net profit	(1,382)	(1,086)	(27.2)	(479)	(580)	17.4
<b>Key assumptions</b>						
RevPar	1,166	1,015	14.8	2,177	1,841	18.2
Average-daily-rate	2,951	3,329	(11.4)	3,483	3,329	4.6
Occupancy rate	40	30.5	9.0	63	55.3	7.2

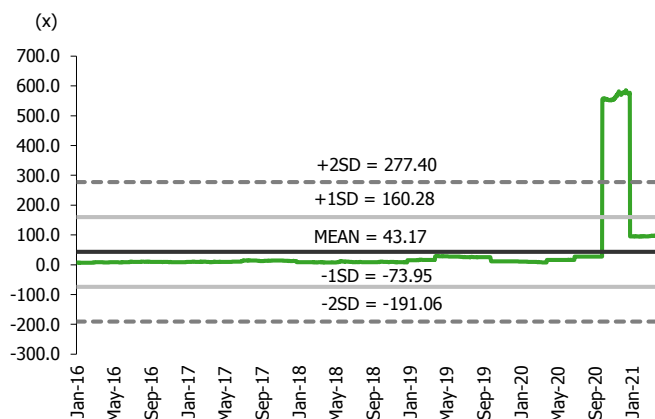
Source: Company data, KS Research

Fig 9 DTC: Trailing PBV band



Source: Bloomberg, KS Research

Fig 10 DTC: Trailing EV/EBITDA band



Source: Bloomberg, KS Research


**Year-end 31 Dec**

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E	Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	4,193	2,272	2,620	4,111	4,952	Net profit	606	-1,050	-1,443	-506	-187
Cost of sales and services	-3,087	-2,138	-2,195	-2,728	-3,013	Depreciation & amortization	461	853	856	860	864
<b>Gross Profit</b>	1,105	134	424	1,384	1,940	Change in working capital	273	1,060	-464	114	58
SG&A	-2,086	-1,812	-1,856	-1,980	-2,084	Others	-890	-134	1,787	-1,529	-1,204
Other income	596	291	162	255	307	<b>CF from operation activities</b>	450	729	735	-1,061	-469
<b>EBIT</b>	912	-630	-1,004	-46	270	Capital expenditure	-1,655	-1,597	-1,574	-76	-79
<b>EBITDA</b>	76	-534	-413	519	1,027	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-118	-421	-440	-460	-457	Others	876	-1,018	1,510	89	185
Equity earnings	-4	61	66	78	89	<b>CF from investing activities</b>	-779	-2,615	-64	12	106
<b>EBT</b>	795	-1,051	-1,444	-506	-187	Cash dividend	-481	-245	0	0	0
Income tax	-189	1	1	0	-0	Net proceeds from debt	2,474	745	34	496	-95
<b>NPAT</b>	606	-1,050	-1,443	-506	-187	Capital raising	0	0	0	0	0
Minority Interest	-285	39	61	26	7	Others	-118	140	-1,342	913	390
<b>Core Profit</b>	-938	-1,691	-1,582	-679	-180	<b>CF from financing activities</b>	1,875	640	-1,308	1,409	294
Extraordinary items	1,259	680	200	200	0	<b>Net change in cash</b>	1,545	-1,246	-636	360	-68
FX gain (loss)	0	0	0	0	0	<b>Key Statistics &amp; Ratios</b>					
<b>Reported net profit</b>	320	-1,011	-1,382	-479	-180	<b>Per share (Bt)</b>					
<b>Balance Sheet (Btmn)</b>						Reported EPS	0.38	-1.19	-1.63	-0.56	-0.21
Cash & equivalents	2,600	1,420	784	1,145	1,076	Core EPS	-1.10	-1.99	-1.86	-0.80	-0.21
ST investments	933	0	0	0	0	DPS	0.17	0.00	0.00	0.00	0.00
Accounts receivable	1,465	653	247	387	467	BV	5.56	4.08	2.47	1.83	1.64
Inventories	69	61	41	65	78	EV	12.77	22.48	23.56	23.77	23.71
Other current assets	221	403	415	427	440	Free Cash Flow	-1.42	-1.02	-0.99	-1.34	-0.64
<b>Total current assets</b>	5,288	2,538	1,488	2,024	2,061	<b>Valuation analysis</b>					
Investment in subs & others	1,814	1,588	1,588	1,588	1,588	Reported P/E (x)	25.75	-5.72	-5.07	-14.63	-38.92
Fixed assets-net	3,475	4,849	4,417	3,983	3,547	Core P/E (x)	-8.79	-3.42	-4.43	-10.32	-38.92
Other assets	3,660	12,886	11,150	11,353	11,660	P/BV (x)	1.74	1.67	3.34	4.51	5.04
<b>Total assets</b>	14,237	21,861	18,642	18,948	18,857	EV/EBITDA (x)	142.74	-35.77	-49	39	20
Short-term debt	1,858	3,727	2,805	2,896	2,907	Price/Cash flow (x)	18.32	7.93	9.54	-6.61	-14.95
Accounts payable	1,380	1,388	510	800	963	Dividend yield (%)	1.75	0.00	0.00	0.00	0.00
Other current liabilities	511	224	181	186	192	<b>Profitability ratios</b>					
<b>Total current liabilities</b>	3,749	5,339	3,495	3,882	4,062	Gross margin (%)	26.36	5.88	16.20	33.65	39.16
Long-term debt	3,108	10,334	10,368	10,838	10,717	EBITDA margin (%)	1.81	-23.52	-15.76	12.62	20.74
Other liabilities	1,475	2,028	2,048	2,070	2,092	EBIT margin (%)	21.76	-27.73	-38.31	-1.12	5.46
<b>Total liabilities</b>	8,333	17,701	15,912	16,790	16,870	Net profit margin (%)	14.44	-46.23	-55.10	-12.30	-3.78
Paid-up capital	850	850	850	850	850	ROA (%)	4.69	-5.82	-7.13	-2.69	-0.99
Share premium	1,643	1,643	1,643	1,643	1,643	ROE (%)	6.60	-24.68	-49.61	-26.22	-12.23
Reserves & others, net	336	391	405	419	434	<b>Liquidity ratios</b>					
Retained earnings	1,896	585	-797	-1,356	-1,536	Current ratio (x)	1.41	0.48	0.43	0.52	0.51
Minority interests	1,179	690	629	603	596	Quick ratio (x)	1.33	0.39	0.30	0.39	0.38
<b>Total shareholders' equity</b>	5,904	4,160	2,730	2,159	1,986	<b>Leverage Ratios</b>					
<b>Total equity &amp; liabilities</b>	14,237	21,861	18,642	18,948	18,857	Liabilities/Equity ratio (x)	1.41	4.26	5.83	7.78	8.49
<b>Key Assumptions</b>						Net debt/EBITDA (x)	18.84	-23.66	-30.01	24.26	12.22
RevPar (Bt)	2,685	1,143	1,166	2,177	2,706	Net debt/equity (x)	0.24	3.04	4.54	5.83	6.32
ADR (Bt)	3,610	3,208	2,951	3,483	3,657	Int. coverage ratio (x)	7.76	-1.50	-2.28	-0.10	0.59
Occupancy rate (%)	74.4	35.6	39.5	62.5	74.0	<b>Growth</b>					
						Revenue (%)	-9.50	-45.81	15.31	56.93	20.45
						EBITDA (%)	-85.85	-802	22.74	225.71	97.90
						Reported net profit (%)	10.5	-415.77	-36.67	65.31	62.42
						Reported EPS (%)	10.5	-415.77	-36.67	65.31	62.42
						Core profit (%)	-1,214	-80.18	6.43	57.05	73.48
						Core EPS (%)	-1,214	-80.18	6.43	57.05	73.48

Source: Company, KS estimates



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