



Dusit Thani PCL

DUSIT TB Outperform

Target Price Bt 13.63

Price (31/08/2021) Bt 8.95

Upside % 52.34

Valuation SOTP

Sector Tourism & Leisure

Market Cap Btm 0

30-day avg turnover Btm 1.48

No. of shares on issue m 0

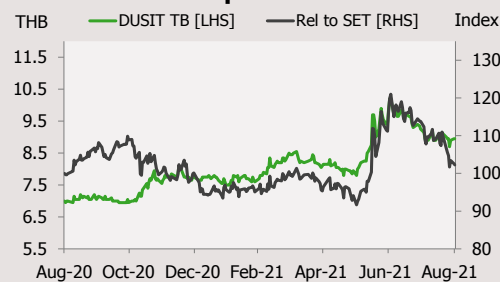
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
Company Financials				
Revenue (Btmn)	2,272	2,082	3,588	4,958
Core profit (Btmn)	-1,691	-1,788	-816	27
Net profit (Btmn)	-1,011	-1,180	-576	27
Net EPS (Bt)	-1.19	-1.39	-0.68	0.03
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	4.08	2.23	1.43	1.48
Net EPS growth (%)	-415.77	-16.68	51.21	104.78
ROA (%)	-5.82	-6.13	-3.21	0.15
ROE (%)	-24.68	-43.98	-37.03	2.23
Net D/E (x)	3.04	5.01	7.18	6.85
Valuation				
P/E (x)	-5.72	-6.45	-13.22	276.66
P/BV (x)	1.67	4.01	6.27	6.06
EV/EBITDA (x)	-35.77	-33	60	17
Dividend yield (%)	0.00	0.00	0.00	0.00

DUSIT TB rel SET performance



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

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1 September 2021

Kasikorn Securities Public Company Limited

Above the average

- We upgrade DUSIT to Outperform with a higher TP of Bt13.63 on our earnings revisions and roll forward valuation to end-2022.
- DUSIT reported a 2Q21 core loss of Bt544mn, which exceeded a loss of Bt366mn in 1Q21 but was 21% lower YoY.
- 2Q21 owned-hotel OCR of 33% was the highest compared to an average 18.8% of our six covered hotel stocks.

Investment Highlights

- **2Q21 core loss increased 48% QoQ.** DUSIT reported a 2Q21 core loss of Bt544mn (Fig 1), a higher loss compared to a loss of Bt366mn in 1Q21 due to the third wave of COVID-19, but lower than a loss of loss in 2Q20 of Bt685mn as most of DUSIT's domestic operations shut down temporarily in early 2Q20. RevPar came in at Bt763, down 28% QoQ but up 138% YoY. The QoQ decline was due mainly to a lower revenue contribution of hotels in the Maldives, which have a higher ADR relative to other locations. Note that OCR of 33% widened from 31.7% in 1Q21 and 15.6% in 2Q20. 1H21 core earnings represent 50.9% of our full-year core loss estimate.
- **2021-23 earnings revisions.** We raise our 2021 and 2022 core loss estimates by 13% and 20% (Fig 2) due to the prolonged third wave of COVID-19 and revise our core loss estimate for 2023 to a core profit due to DUSIT's cost reduction measures. Although we have a more conservative short-term view of view earnings (2021-22), we believe the market has already priced in the negative impact from the third wave pandemic and is looking forward to 2023-24 earnings when tourist traffic normalizes.
- **Strong OCR relative to other hotel stocks.** The company posted a 2Q21 OCR of its owned-hotels of 33%, the highest compared to the average 18.8% of our six covered hotel stocks (Fig 3). We believe the higher OCR was due to a strong contribution from overseas hotels, i.e., the Maldives and Philippines, which reported an average 2Q21 OCR above 70%. DUSIT's domestic hotels also reported a strong OCR in the mid-teens, higher than the BOT's reported OCR in 2Q21 of 8.2%.
- **Dusit Central Park expected to launch in 2H23.** The company expects to reopen Dusit Thani Bangkok and retail & office space in 4Q23. The residential project is expected to be completed in 2024 and 2025, respectively. Note that we assume Dusit Thani Bangkok will reopen in the beginning of 2024.

Valuation and Recommendation

- We upgrade DUSIT from Neutral to Outperform with a higher target price of Bt13.63. We have a positive view of hotel operations after the company posted a stronger 2Q21 OCR relative to its peers. Although we have a conservative view of 2021-23 earnings, we believe the market will ignore weak short-term earnings and focus on earnings in 2023-24.
- Our target price of Bt13.63 is derived from the SOTP methodology. We use the EV/EBITDA approach to value DUSIT's core business (Bt7.98) and thus apply an EV/EBITDA of 13.1x, which is 1SD below the average five-year Bloomberg consensus 12-month forward EV/EBITDA of its domestic peers. We value Dusit Central Park project at Bt5.65 based on the NAV methodology.


Fig 1 2Q21 performance review

	2Q20	3Q20	4Q20	1Q21	2Q21	%YoY	%QoQ	%YTD2021	2021E
Financials									
Sales (Btmn)	179	402	684	641	376	110.2	-41.3	48.9	2,082
EBITDA (Btmn)	-427	-211	-76	-7	-170	60.2	-2,336.8	28.0	-632
Operating profit (Btmn)	-630	-429	-306	-240	-406	35.6	-68.7	43.4	-1,489
Core profit (Btmn)	-685	-469	-432	-366	-544	20.6	-48.5	50.9	-1,788
Net profit (Btmn)	-453	-342	-134	74	-376	17.1	-609.0	25.6	-1,180
Net EPS (Bt)	-0.53	-0.40	-0.16	0.09	-0.44	17.1	-609.0	25.6	-1.39
Performance Drivers									
RevPar (Bt)	320	597	1,051	1,060	763	138.4	-28.0	912	1,018
Average daily rate (Bt)	2,045	2,018	2,706	3,343	2,312	13.1	-30.8	2,828	2,951
Occupancy rate (%)	15.6	29.6	38.8	31.7	33.0	17.4	1.3	32	34.5
Ratios									
						Change	Avg YTD	2021E	
Gross margin (%)	-117.0	-13.0	5.5	20.6	-6.9	110.1	-27.6	7	9.1
EBITDA margin (%)	-238.7	-52.3	-11.1	-1.1	-45.2	193.5	-44.1	(23)	-71.5
Optg. margin (%)	-352.1	-106.7	-44.7	-37.5	-107.8	244.3	-70.3	(73)	-30.4
ROE (%)	-45.6	-37.5	-15.4	6.8	-37.9	7.7	-44.7	(16)	-39.1

Source: Company data, KS Research

Fig 2 Earnings revisions

Unit: Btmn	2021E			2022E			2023E		
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Profit and loss statements									
Total revenue	2,082	2,620	(20.5)	3,588	4,111	(12.7)	4,958	4,952	0.1
Cost of goods sold	1,892	2,195	(13.8)	2,375	2,728	(13.0)	2,833	3,013	(6.0)
Gross profit	190	424	(55.2)	1,214	1,384	(12.3)	2,125	1,940	9.5
SG&A	1,808	1,856	(2.6)	1,943	1,980	(1.8)	2,084	2,084	0.0
Operating profit	(1,618)	(1,432)	(13.0)	(729)	(596)	(22.3)	41	(144)	128.3
EBITDA	(632)	(413)	(53.2)	353	519	(31.9)	1,212	1,027	18.0
EBIT	(815)	(1,004)	18.8	(172)	(6)	(2,691.2)	455	270	68.5
Core profit	(1,788)	(1,582)	(13.0)	(816)	(679)	(20.0)	27	(180)	115.3
Net profit	(1,180)	(1,382)	14.6	(576)	(439)	(31.0)	27	(180)	115.3
Key assumptions									
RevPar	1,018	1,166	(12.7)	1,828	2,177	(16.0)	2,633	2,706	(2.7)
Average-daily-rate	2,951	2,951	-	3,483	3,483	-	3,657	3,657	-
Occupancy rate	34.5	39.5	(5.0)	52.5	62.5	(10.0)	72.0	74.0	(2.0)

Source: KS Research

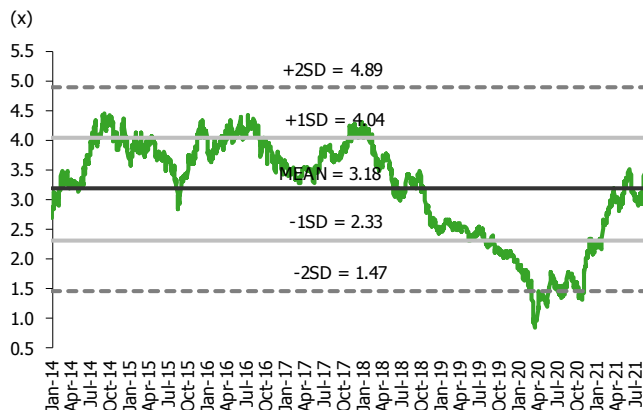


Fig 3 2Q21 hotel operating statistics

RevPar	2Q20	3Q20	4Q20	1Q21	2Q21	%YoY	%QoQ
AWC	152	455	782	529	454	198.1	(14.2)
CENTEL	104	533	831	660	381	266.3	(42.3)
DUSIT	320	597	1,051	1,060	763	138.4	(28.0)
ERW	13	202	359	214	171	1,215.4	(20.1)
MINT	144	899	505	415	739	413.2	78.1
VRANDA	370	1,156	1,474	644	578	56.2	(10.2)
Average (Weighted)	146	824	583	465	685	368.5	47.2
Average (Simple)	184	640	834	587	514	179.7	(12.4)
Median	148	565	806	586	516	248.3	(12.0)
Occupancy rate							
AWC	5.6	11.6	26.0	18.3	15.9	10.3	(2.4)
CENTEL	4.2	20.1	27.0	14.0	12.0	7.8	(2.0)
DUSIT	15.6	29.6	38.8	31.7	33.0	17.4	1.3
ERW	1.0	14.0	25.3	17.0	13.0	12.0	(4.0)
MINT	6.0	30.0	17.0	14.0	23.0	17.0	9.0
VRANDA	9.0	26.0	37.0	20.0	16.0	7.0	(4.0)
Average (Weighted)	6.1	28.2	20.6	15.8	22.3	16.2	6.5
Average (Simple)	6.9	21.9	28.5	19.2	18.8	11.9	(0.3)
Median	5.8	23.1	26.5	17.7	16.0	10.1	(1.7)
Average-Daily-Rate							
AWC	2,699	3,932	3,006	2,889	2,852	5.7	(1.3)
CENTEL	2,490	2,654	3,109	4,886	3,214	29.1	(34.2)
DUSIT	2,045	2,018	2,706	3,343	2,312	13.1	(30.8)
ERW	4,200	1,443	1,433	1,249	1,329	(68.4)	6.4
MINT	2,563	3,023	2,888	2,880	3,238	26.3	12.4
VRANDA	4,111	4,447	3,990	3,148	3,601	(12.4)	14.4
Average (Weighted)	2,802	3,047	2,928	3,026	3,176	13.4	5.0
Average (Simple)	3,018	2,920	2,855	3,066	2,758	(8.6)	(10.1)
Median	2,631	2,839	2,947	3,019	3,033	15.3	0.5

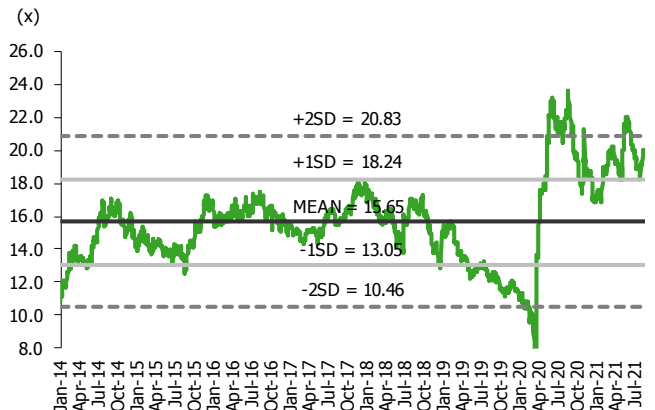
Source: Company data, KS Research

Fig 4 Local peers: 12M FWD PBV band



Source: Bloomberg, KS Research

Fig 5 Local peers: 12M FWD 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	2,082	3,588	4,958	Net profit	606	-1,050	-1,249	-607	29
Cost of sales and services	-3,087	-2,138	-1,892	-2,375	-2,833	Depreciation & amortization	461	853	856	860	864
Gross Profit	1,105	134	190	1,214	2,125	Change in working capital	273	1,060	-510	115	103
SG&A	-2,086	-1,812	-1,808	-1,943	-2,084	Others	-890	-134	1,632	-1,640	-1,549
Other income	596	291	129	222	307	CF from operation activities	450	729	730	-1,273	-554
EBIT	912	-630	-815	-172	455	Capital expenditure	-1,655	-1,597	-1,574	-76	-79
EBITDA	76	-534	-632	353	1,212	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-118	-421	-435	-436	-427	Others	876	-1,018	1,510	89	185
Equity earnings	-4	61	66	78	89	CF from investing activities	-779	-2,615	-64	12	106
EBT	795	-1,051	-1,250	-608	29	Cash dividend	-481	-245	0	0	0
Income tax	-189	1	1	0	0	Net proceeds from debt	2,474	745	534	428	-154
NPAT	606	-1,050	-1,249	-607	29	Capital raising	0	0	0	0	0
Minority Interest	-285	39	69	32	-1	Others	-118	140	-1,481	974	726
Core Profit	-938	-1,691	-1,788	-816	27	CF from financing activities	1,875	640	-946	1,403	572
Extraordinary items	1,259	680	591	240	0	Net change in cash	1,545	-1,246	-280	142	124
FX gain (loss)	0	0	17	0	0	Key Statistics & Ratios					
Reported net profit	320	-1,011	-1,180	-576	27	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.38	-1.19	-1.39	-0.68	0.03
Cash & equivalents	2,600	1,420	1,140	1,282	1,407	Core EPS	-1.10	-1.99	-2.10	-0.96	0.03
ST investments	933	0	0	0	0	DPS	0.17	0.00	0.00	0.00	0.00
Accounts receivable	1,465	653	196	338	467	BV	5.56	4.08	2.23	1.43	1.48
Inventories	69	61	33	57	78	EV	12.77	22.48	24.50	24.87	24.52
Other current assets	221	403	415	427	440	Free Cash Flow	-1.42	-1.02	-0.99	-1.59	-0.74
Total current assets	5,288	2,538	1,784	2,104	2,392	Valuation analysis					
Investment in subs & others	1,814	1,588	1,588	1,588	1,588	Reported P/E (x)	25.75	-5.72	-6.45	-13.22	276.66
Fixed assets-net	3,475	4,849	4,417	3,983	3,547	Core P/E (x)	-8.79	-3.42	-4.25	-9.33	276.66
Other assets	3,660	12,886	11,102	11,307	11,615	P/BV (x)	1.74	1.67	4.01	6.27	6.06
Total assets	14,237	21,861	18,891	18,982	19,143	EV/EBITDA (x)	142.74	-35.77	-33	60	17
Short-term debt	1,858	3,727	2,873	2,954	2,957	Price/Cash flow (x)	18.32	7.93	10.43	-5.98	-13.74
Accounts payable	1,380	1,388	405	698	964	Dividend yield (%)	1.75	0.00	0.00	0.00	0.00
Other current liabilities	511	224	181	186	192	Profitability ratios					
Total current liabilities	3,749	5,339	3,458	3,838	4,113	Gross margin (%)	26.36	5.88	9.12	33.83	42.85
Long-term debt	3,108	10,334	10,868	11,271	11,092	EBITDA margin (%)	1.81	-23.52	-30.37	9.85	24.45
Other liabilities	1,475	2,028	2,048	2,070	2,092	EBIT margin (%)	21.76	-27.73	-39.14	-4.78	9.19
Total liabilities	8,333	17,701	16,374	17,179	17,296	Net profit margin (%)	14.44	-46.23	-60.01	-16.92	0.58
Paid-up capital	850	850	850	850	850	ROA (%)	4.69	-5.82	-6.13	-3.21	0.15
Share premium	1,643	1,643	1,643	1,643	1,643	ROE (%)	6.60	-24.68	-43.98	-37.03	2.23
Reserves & others, net	336	391	405	419	434	Liquidity ratios					
Retained earnings	1,896	585	-1,003	-1,698	-1,671	Current ratio (x)	1.41	0.48	0.52	0.55	0.58
Minority interests	1,179	690	621	589	590	Quick ratio (x)	1.33	0.39	0.39	0.42	0.46
Total shareholders' equity	5,904	4,160	2,516	1,803	1,847	Leverage Ratios					
Total equity & liabilities	14,237	21,861	18,891	18,982	19,143	Liabilities/Equity ratio (x)	1.41	4.26	6.51	9.53	9.37
Key Assumptions						Net debt/EBITDA (x)	18.84	-23.66	-19.93	36.62	10.43
RevPar (Bt)	2,685	1,143	1,018	1,828	2,633	Net debt/equity (x)	0.24	3.04	5.01	7.18	6.85
ADR (Bt)	3,610	3,208	2,951	3,483	3,657	Int. coverage ratio (x)	7.76	-1.50	-1.87	-0.39	1.07
Occupancy rate (%)	74.4	35.6	34.5	52.5	72.0	Growth					
						Revenue (%)	-9.50	-45.81	-8.38	72.38	38.17
						EBITDA (%)	-85.85	-802	-18.33	155.90	242.96
						Reported net profit (%)	10.5	-415.77	-16.68	51.21	104.78
						Reported EPS (%)	10.5	-415.77	-16.68	51.21	104.78
						Core profit (%)	-1,214	-80.18	-5.76	54.39	103.37
						Core EPS (%)	-1,214	-80.18	-5.76	54.39	103.37

Source: Company, KS estimates



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