



# Dusit Thani PCL

DTC TB Neutral

Target Price Bt 9.20

Price (26/11/2019) Bt 9.90

Downside % 7.07

Valuation PER

Sector Tourism & Leisure

Market Cap Btm 8,415

30-day avg turnover Btm 0.56

No. of shares on issue m 850

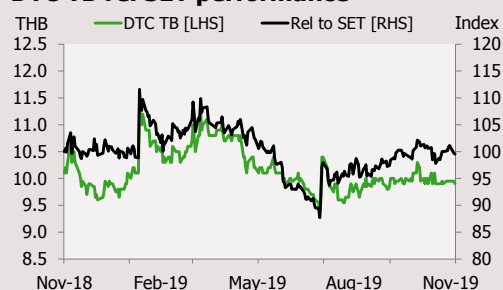
CG Scoring Excellent

Anti-Corruption Indicator Certified

## Investment fundamentals

Year end Dec 31	2018A	2019E	2020E	2021E
<b>Company Financials</b>				
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	n.a.	n.a.	n.a.
BVPS (Bt)	5.85	5.91	5.71	5.52
Net EPS growth (%)	8.54	-86.58	-583.61	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
<b>Valuation</b>				
P/E (x)	28.15	216.30	-44.73	-48.39
P/BV (x)	1.64	1.68	1.74	1.79
EV/EBITDA (x)	19.05	39.39	36.18	33.87
Dividend yield (%)	1.77	n.a.	n.a.	n.a.

## DTC TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

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27 November 2019

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## Widening prospects but a hit to earnings

We initiate coverage of DTC with a Neutral rating and target price of Bt9.20. DTC is one of the big four hotel chains in Thailand. Its portfolio consists of owned hotels, managed hotels, an education business, and food business. The company currently has over 260 owned and managed properties domestically and overseas, and recently began a mixed-use project. DTC operates full service hotels under four brands: 1) Dusit Thani; 2) dusitD2; 3) Dusit Princess; and 4) Dusit Devarana. The company also diversified its portfolio by entering new markets such as by 1) fully acquiring Elite Havens in 2018, a leading provider of high-end vacation rentals in Asia; and 2) launching a new brand, ASAI hotel. We have a positive view of DTC's long-term mixed-use project strategy, but we expect unexciting 2019-22 earnings due to the absence of DTC's major revenue contributor, Dusit Thani Bangkok.

## Investment highlights

► **Tourist arrival growth to remain solid.** We estimate inbound tourist growth in 2019-21 of 4.5%/5.2%/7.3%, or a growth CAGR of 5.6%, with the main driver to remain Chinese tourists, which are expected to reach 12.7mn in 2021, an increase of 20.9% from 10.5mn in 2018. We expect European tourists to increase at a low pace of roughly 2%. We expect Indian tourist growth will remain strong in the next few years after impressive 9M19 growth of 26% YoY, which resulted in its proportion of total inbound tourists rising from 3.7% in 2016 to 5% in 1H19.

► **Expect stiffer competition among domestic hotels.** We expect higher competition in the domestic hotel industry due to a decelerated growth of tourist arrivals to 4.5-5.2% in 2019-20E from double-digit growth in 2011-2017. We expect supply to increase continually in 2019-20, according to JLL, and thus the hotel supply in Bangkok in 2019-20 should grow by a CAGR of 4.5%, exceeding growth of 3.1% in 2015-2018.

► **Diversified to mixed-use projects.** DTC entered a joint venture with Central Pattana Pcl (CPN) to invest in a Bt36.7bn mixed-use property development project of the company's subsidiary, Vimarn Suriya. The project will be located at the intersection of Silom and Rama IV roads and replace the existing flagship Dusit Thani Bangkok Hotel with a new Dusit Thani hotel that will include a retail shopping center office complex, and residence. This project enables DTC to diversify its revenue stream and mitigate risk from its portfolio being concentrated on the hotel business.

► **Expect unexciting 2019-22 earnings.** Although DTC aggressively expanded its food business via Epicure, NRIP, and Real Food, we expect weak 2019-21 earnings of Bt39mn/-Bt188mn/-Bt174mn representing growth of -87%, -584% and +8%. We expect earnings volatility during the period due mainly to 1) an extraordinary item from selling a stake of Vimarn Suriya to CPN; 2) the full closure of its major earnings contributor, Dusit Thani Bangkok; and 3) selling its Dusit Thani Maldives to DREIT as part of its strategy to make its asset portfolio more efficient and strengthen its financial capability.

## Valuation

► 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%.



## Industry highlights

### Prefer overseas to domestic hotels

#### Tourist arrival growth to remain solid

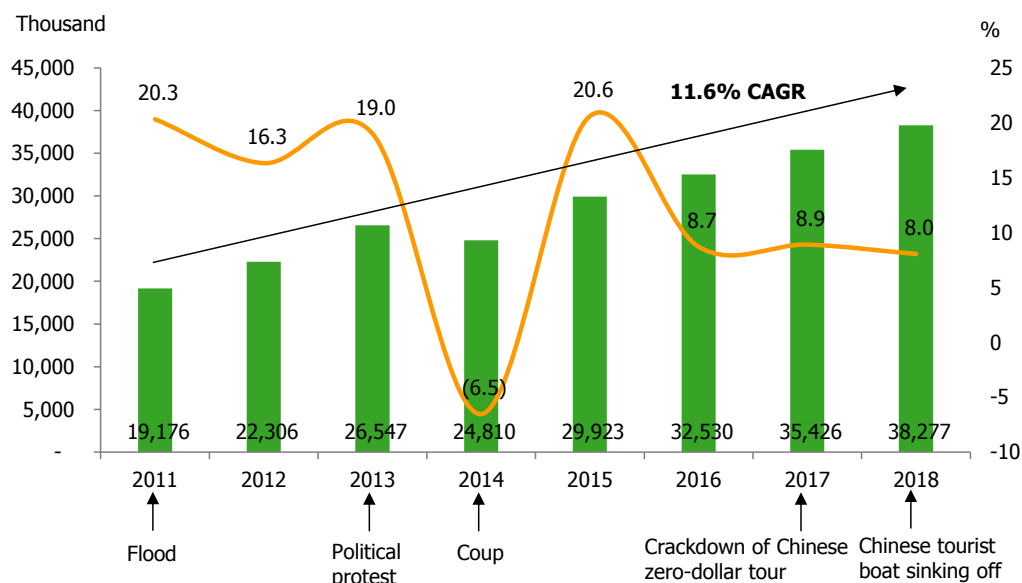
We estimate inbound tourist growth in 2019-21 of 4.5%/5.2%/7.3%, or a growth CAGR of 5.6%, with the main driver to remain Chinese tourists, which are expected to reach 12.7mn in 2021, an increase of 20.9% from 10.5mn in 2018. We expect European tourists to increase at a low pace of roughly 2%. We expect Indian tourist growth will remain strong in the next few years after impressive 9M19 growth of 26% YoY, which resulted in its proportion of total inbound tourists rising from 3.7% in 2016 to 5% in 1H19.

We have a more positive view of tourist arrivals after accelerated growth of 7.2% in 3Q19 vs. 1.8% in 1H19 due mainly to a strong recovery of Chinese tourists, which grew by 12.7% in 3Q19. We estimate 2019 tourist arrival growth of 4.5% to 4.5mn driven by a recovery of Chinese tourists. We expect Suvarnabhumi Airport expansion (Phase II) in 2020 to provide additional capacity of 15mn annual passengers (MAP) and thereby be a key factor to support long-term growth for Thailand's tourism industry. Note that Airports of Thailand PCL (AOT), the largest airport operators in Thailand, currently has capacity of 101mn passengers per year.

Although the Department of Tourism reported 6M19 tourist arrivals of 19.7mn (+1.3% YoY), we believe our tourist arrival target of 39.7mn (+3.6% YoY) is likely to be achieved due to a low base of Chinese tourists in 2018. The Department of Tourism reported that the number of Chinese tourists declined by 9.6% YoY in 2H18 due to the Chinese tourist boat sinking off Phuket in early July last year.

According to the Department of Tourism, Tourist arrivals grew by a CAGR of 11.6% in 2011-18, or from 19.18mn to 38.28mn, despite a sharp 6.5% drop-off due to the 2014 coup. The main driver was an increase in the number of Chinese tourists, which rose from 1.75mn in 2011 to 10.54mn in 2018, representing a growth CAGR of 32.3% over the past eight years. Note that Chinese tourists accounted for 27.5% of total international arrivals in 2018, even with negative growth in 5 out of the 12 months in 2018.

**Fig 1 Tourist arrivals and growth**



Source: Department of Tourism, KS Research

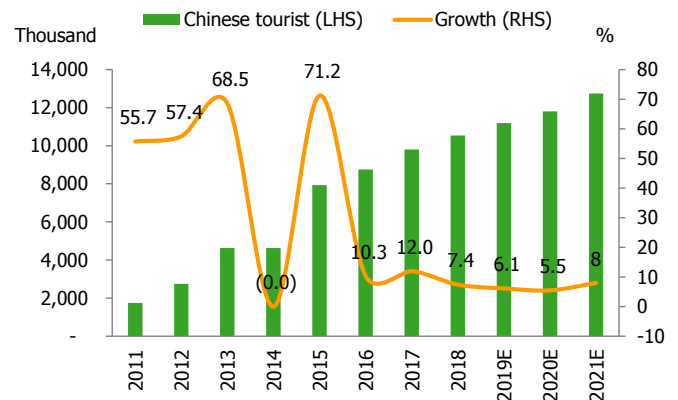


**Fig 2 International tourist arrivals and growth**



Source: Department of Tourism, KS Research

**Fig 3 Chinese tourists and growth**



Source: Department of Tourism, KS Research

**Airport expansion to support long-term tourist demand**

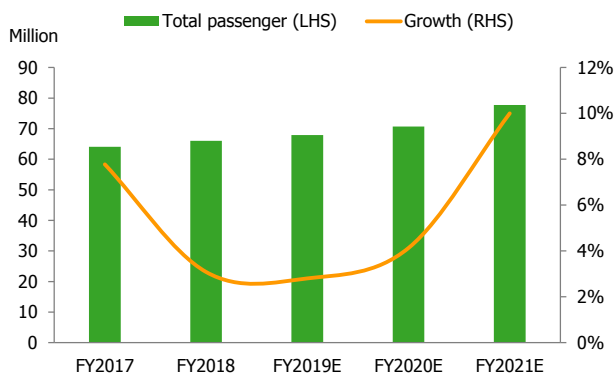
Airports of Thailand PCL (AOT) reported a utilization rate for its six managed airports of 138.1% in FY2018 (Oct-Sept), indicating a higher-than-expected number of inbound tourists in the past five years. AOT plans to expand capacity from the current 101mn passengers per year to 185mn in FY2025 with an estimated investment of Bt300bn in order to support long-term tourist demand. Note that we are not concerned about a capacity constraint in the near term, as capacity shown in the graph below is capacity for land sites, which indicates there is suitable space per person in the airports, while AOT still has available capacity for its air sites.

**Fig 4 Airport capacity**

	Capacity (Million passenger per year)	Utilization rate	Expansion plan
BKK (Suvarnabhumi)	45	139.6%	Sattelite terminal (15mn), Terminal 2 (30mn)
DMK (Don Mueang)	30	135.2%	Phase 2 and 3(10mn)
CNX (Chiang Mai)	8	135.1%	Phase 2 (10mn)
HKT (Phuket)	12.5	146.1%	Phase 2 and 3 (12.5mn)
CEI (Chiang Rai)	3	93.5%	Phase 2 (0.3mn)
HDY (Hat Yai)	2.5	170.5%	Phase 2 (6mn)
<b>Total</b>	<b>101</b>	<b>138.1%</b>	<b>83.8</b>

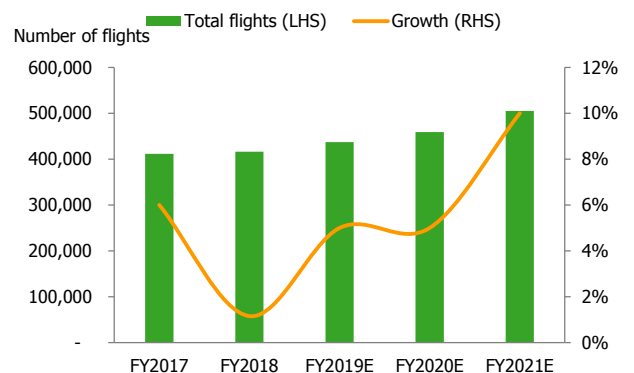
Source: AOT, KS Research

**Fig 5 AOT's total passengers**



Source: AOT, KS Research

**Fig 6 AOT's total flights**



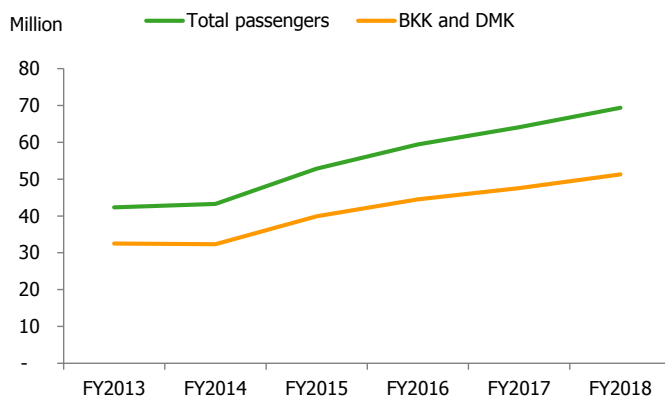
Source: AOT, KS Research



### Bangkok accounted for 74% of AOT's total passengers in FY2018

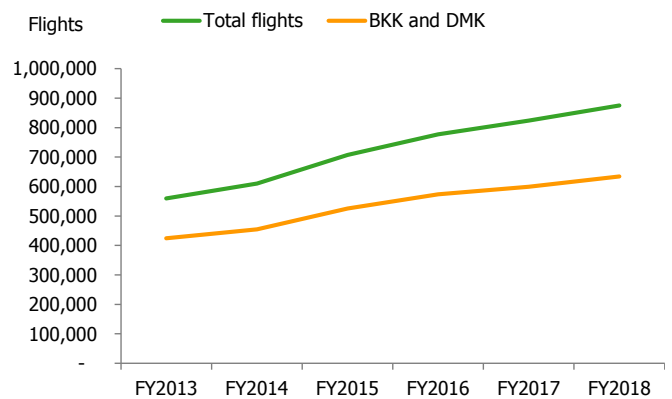
Two international airports currently serve the Bangkok area, Suvarnabhumi (BKK) and Don Mueang (DMK), which accounted for 74% of total passengers and 73% of total flights out of the six airports operated by AOT in FY2018 (Oct-Sept). Based on AOT's data, BKK and DMK posted strong passenger growth in FY2013-18 at a CAGR of 9.7% and a flight growth CAGR of 11.5%, which resulted in BKK exceeding its capacity of 45mn passengers in FY2018. We believe an additional 15mn passengers per year from a satellite terminal at BKK that is expected to start operation next year will be a key factor for Thailand to attract more tourists in the long term.

**Fig 7 AOT's passengers**



Source: AOT, KS Research

**Fig 8 AOT's flights**

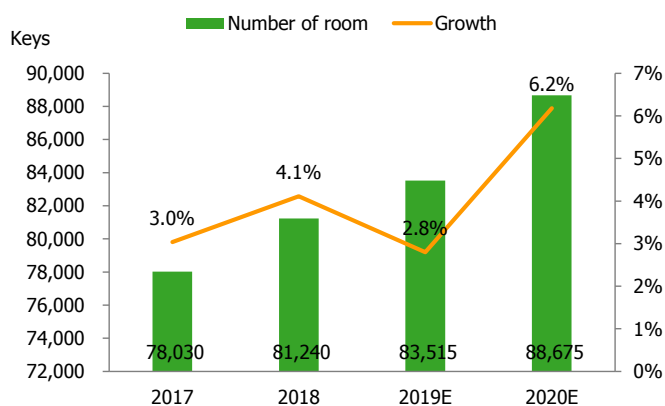


Source: AOT, KS Research

### Expect a higher competition among domestic hotels

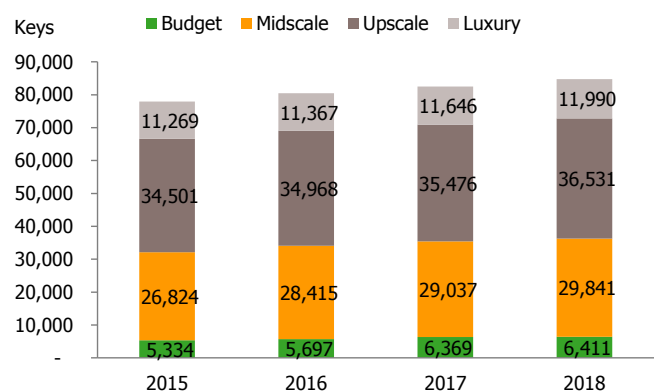
We expect higher competition in the domestic hotel industry due to decelerated growth of tourist arrivals of 4.5-5.2% during 2019-20E from double-digit growth during 2011-2017. We expect the supply of hotels to increase continually in 2019-20, according to JLL, and thus estimate hotel supply in Bangkok in 2019-20E will grow by a CAGR of 4.5%, or from 81,240 rooms in 2018 to 88,675 rooms in 2020. While this is higher growth compared with 3.1% in 2015-2018, or from 74,079 rooms to 81,240 rooms, the growth rate is close to our expectation of an increase in inbound tourists during the same period by a CAGR of 4.8%. Based on JLL, the most popular area for a new supply of hotels is the Sukhumvit area with an upcoming 3,111 keys in 2019-20, while the opening of hotels in the future will be mostly in the upscale and midscale segments, which account for 37.6% and 36.8% of total future supply, or an additional 3,288 and 3,218 keys, respectively.

**Fig 9 Future hotel supply in Bangkok**



Source: JLL, KS Research

**Fig 10 Bangkok hotel segmentation**



Source: JLL, KS Research



**Fig 11 Additional hotel supply in Bangkok in 2019-20**

Upcoming projects in 2019	Segment	Location	Rooms
Holiday Inn Express Bangkok Chinatown	Midscale	Chinatown	224
Samyan Mitrtown	Midscale	Pathumwan	100
Cachet Deluxe Bangkok	Upscale	Petchburi	63
Best Western Vib Bangkok	Midscale	Phayathai	89
Rosewood Bangkok	Luxury	Ploenchit	146
Centara Watergate Pavillion Hotel Bangkok (Expansion)	Upscale	Pratunam	300
Jazzotel Hotel (Expansion)	Midscale	Ramkhamhaeng	100
Eastin Hotel Harbour Bangkok	Upscale	Ratchadapisek	456
ibis Style Ratchada	Midscale	Ratchadapisek	266
Justice Hotel	Midscale	Ratchadapisek	80
Four Season Hotel Bangkok at Chao Phraya River	Luxury	Riverside	312
Capella Bangkok	Luxury	Riverside	101
Orient Express Mahanakhon Bangkok	Luxury	Sathorn	154
Best Western Vib Sathorn Hotel	Midscale	Sathorn	180
Three-Star Boutique Hotel on Silom Road	Midscale	Silom	259
Alt Hotel Silom	Budget	Silom	150
Carlton Hotel	Upscale	Sukhumvit	342
AVANI Sukhumvit Bangkok	Upscale	Sukhumvit	306
Hotel Nikko Bangkok	Upscale	Sukhumvit	301
Hyatt Regency Bangkok Sukhumvit (Full operating)	Upscale	Sukhumvit	173
Mercure Bangkok Sukhumvit 24	Midscale	Sukhumvit	300
ibis Bangkok Sukhumvit 24	Midscale	Sukhumvit	201
Midscale Hotel in Nana	Midscale	Sukhumvit	50
Sukhumvit 62	Midscale	Sukhumvit	90
Glow Sukhumvit 5	Midscale	Sukhumvit	78
Boutique Bangkok Sukhumvit 16-2	Midscale	Sukhumvit	77
Red Planet Sukhumvit Soi 8	Budget	Sukhumvit	162
<b>Total upcoming projects in 2019</b>			<b>5,160</b>
<b>Upcoming projects in 2020</b>			
Best Western Chatuchak	Midscale	Chatuchak	168
dusitD2 Chaengwattana	Upscale	Lak Si	200
ibis Bangkok IMPACT (Expansion)	Budget	Lak Si	576
Kimpton Bangkok	Luxury	Langsuan	349
Sindhorn Kempinski Hotel	Luxury	Langsuan	280
Eastin Grand Hotel Phayathai	Upscale	Phayathai	394
Pentahotel Bangkok, Ploenchit	Midscale	Ploenchit	157
Upscale Hotel Sathorn Soi 1	Upscale	Sathorn	42
Well Hotel Silom	Midscale	Silom	259
Solaria Nisitetsu Hotel	Upscale	Sukhumvit	280
Target place Hotel and Executive Service Residence	Upscale	Sukhumvit	239
Admiral Sukhumvit 22	Upscale	Sukhumvit	192
Hope Land Sukhumvit Soi 8 (Expansion)	Midscale	Sukhumvit	220
Holiday Inn Express Bangkok Ratchada	Midscale	Suttisan	220
<b>Total upcoming projects in 2020</b>			<b>3,576</b>

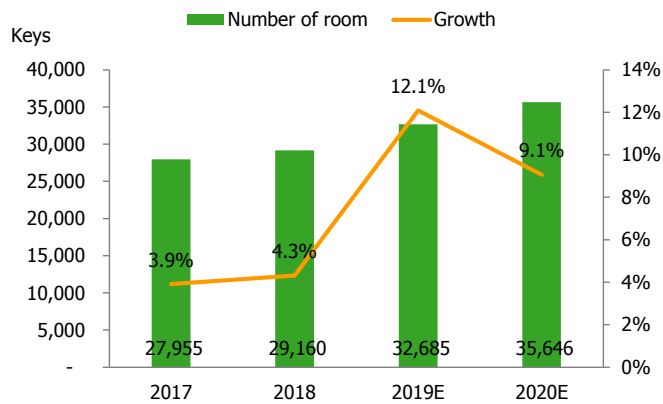
Source: JLL, KS Research

We expect competition to intensify in some hotels upcountry such as in Phuket. JLL estimates the supply of hotels in Phuket to increase by 9%, 49% to be in the upscale segment, which is the largest hotel segment in Phuket accounting for 59% of total room supply. We thus expect 2020 ADR for hotels in Phuket to be under pressure due to an oversupply, as we expect supply to accelerate to 9% from an average of 4% in 2017-18, while we expect inbound tourists to decelerate to 5% from 8-9% in 2020. Most of the upcoming hotels (54%) are located on the west coast, the most popular area in Phuket and which comprises 55% of the total room supply.

We foresee steady growth in the supply of hotels in Chiang Mai of 3.8% and 5.1% in 2017-18, while JLL estimates supply growth of 4.6% in 2020. Chiang Mai is dominated mainly by upscale hotels, which represented 70% of total supply in 2018 of 4,786 keys. Geographically, the majority of supply is located in the Night Bazaar area and by the river (accounting for 29% and 13.6% of room supply in 2018).

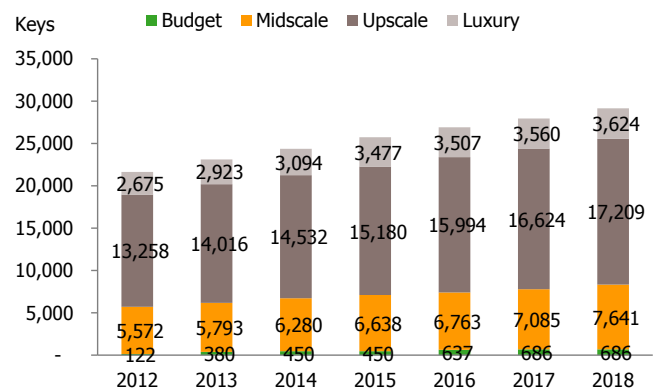


**Fig 12 Future hotel supply in Phuket**



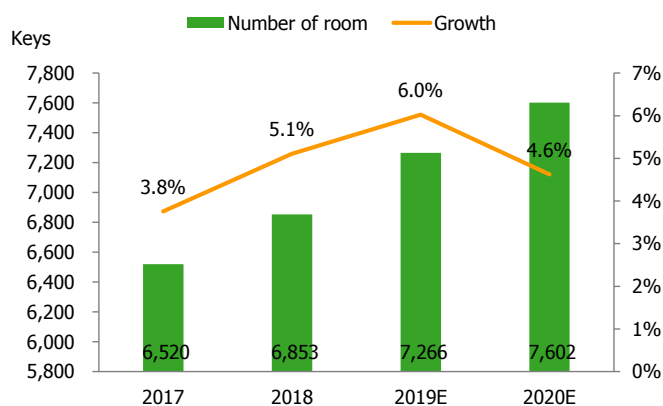
Source: JLL, KS Research

**Fig 13 Phuket hotel segmentation**



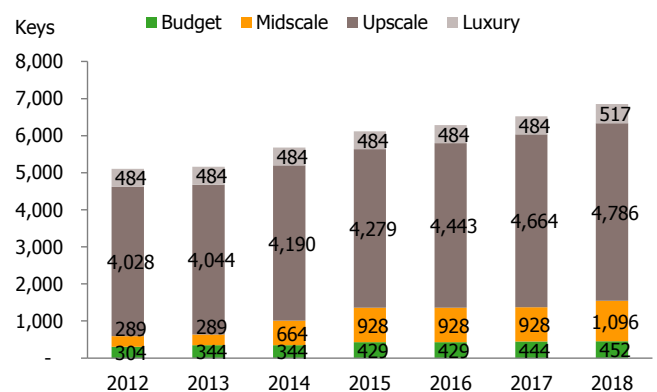
Source: JLL, KS Research

**Fig 14 Future hotel supply in Chiang Mai**



Source: JLL, KS Research

**Fig 15 Chiang Mai hotel segmentation**



Source: JLL, KS Research

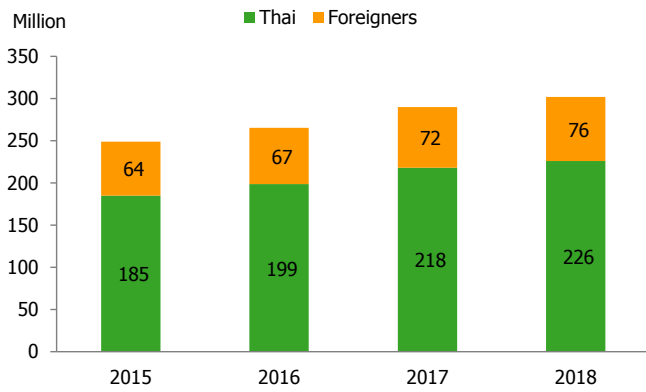
### Domestic tourism dominated by Thais, unlike listed hotels

We do not expect Thailand's economic slowdown to have a significant impact on the hotel sector as we believe our covered domestic hotels rely mainly on inbound tourists rather than on local demand. According to the Department of Tourism, domestic tourism was dominated by Thais in terms of the number of visits, which accounted for around 75% of total visits in 2018, or a growth CAGR of 7.4% during 2015-18, while foreign visitors increased by a CAGR of 7.3% in the same period. However, based on data from the hotel stocks under our coverage, international tourists are the major revenue driver with a contribution of more than 70%.

We expect the Thai tourism industry to remain solid after it posted a revenue growth CAGR of 14.4% in 2015-18 supported by a strong growth CAGR of 7.4% in the number of visitors. This was in line with incremental hotel room supply of a 7% CAGR during the same period, or from 650,643 rooms in 2015 to 721,501 rooms in 2018. We believe the strong visitor growth was driven mainly by the government's tax deduction and lower average airplane ticket prices due to an increase in the number of low-cost-carriers and a lower jet fuel price. This has enhanced the view of Thailand among tourists in addition to other attractions, such as Thailand's rich culture, venues to enjoy nature, good food, and friendly people.

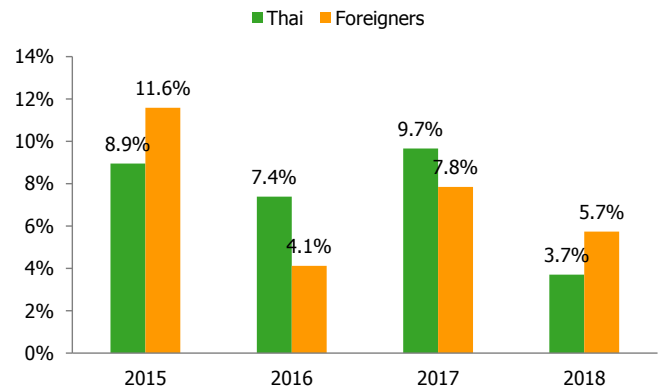


**Fig 16 Number of visitors**



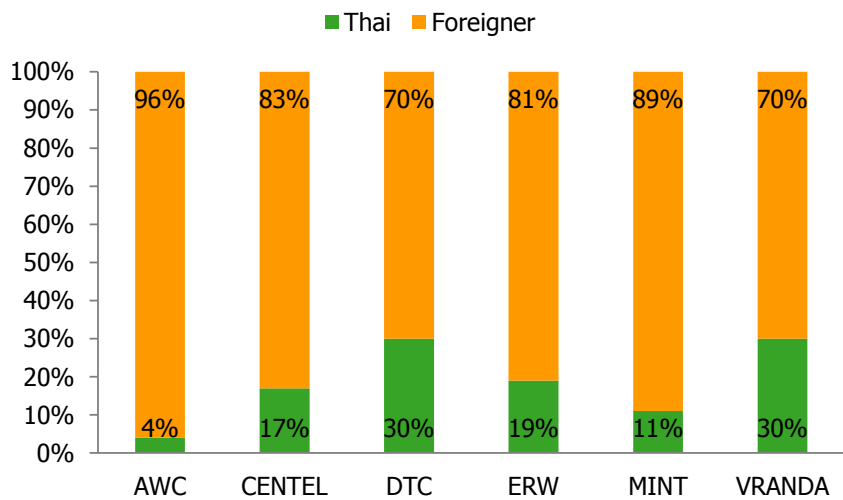
Source: Department of Tourism, KS Research

**Fig 17 Visitors growth**



Source: Department of Tourism, KS Research

**Fig 18 Hotel sector revenue breakdown by nationality**



Source: Company data, KS Research



## Investment highlights

### Waiting for a mixed-use project

#### Ideal location to provide a new opportunity

DTC's flagship hotel, Dusit Thani Bangkok hotel is located in the heart of Bangkok surrounded by businesses and the BTS and MRT systems. The company plans to capture new investment by replacing Dusit Thani Bangkok hotel with a mixed-use project, which will enable it to utilize the plot of land to its full potential. The project will include a new Dusit Thani Bangkok hotel, which will have 300 rooms, down from 517 rooms but with a higher average daily rate (ADR) than the original Dusit Thani Bangkok hotel.

**Fig 19 Previous Dusit Thani Bangkok**



Source: Chaicatawan

**Fig 20 New Dusit Thani Bangkok**



Source: Company data

### Diversifying with a mixed-use project

DTC entered a 65:35 joint venture with Central Pattana Pcl (CPN) to invest in the Bt36.7bn mixed-use property development project developed by the company's subsidiary, Vimarn Suriya. The project which will be located at the intersection of Silom and Rama IV roads will replace the existing flagship Dusit Thani Bangkok Hotel with a new Dusit Thani hotel, a retail shopping center and office, and a residence. This project is an opportunity for DTC to diversify its revenue stream as well as mitigate risk of its portfolio being highly concentrated on the hotel businesses. The final shareholder structure of Vimarn Suriya will be 60:40 with DTC to realize revenue in the form of an extraordinary item of roughly Bt200mn per year from the selling a stake to CPN. The company expects the extraordinary item will partly offset the decline in revenue from the absence of Dusit Thani Bangkok hotel. The company expects the new Dusit Thai Bangkok hotel to be completed in 1H23, the retail and office to be completed in 2H23, and the residence to be completed in 1H24. Below are the four companies set up between CPN and DTC that indicate the purpose and shareholding structure of CPN and DTC in the four businesses to be operated under the JV (Figs 20, 21).

- 1) Vimarnsuriya Co., Ltd. (HRRJV) is a joint venture company established to oversee the development of the hotel and residential components of the project as well as construction of the retail component's bare shell structure. HRRJV will sub-lease the land from DTC for the aforementioned developments (DTC holds the land head lease with the CPN). Shares in HRRJV will be held by CPN and DTC in a proportion of 40:60.
- 2) Suanlum Property Co., Ltd. (REJV) is a joint venture company established with the purpose of overseeing the operation of the retail component of the project. REJV will lease the bare shell structure from HRRJV, furnish the interior and implement a shopping mall operation. Shares in REJV will be held by CPN and DTC in a proportion of 85:15.





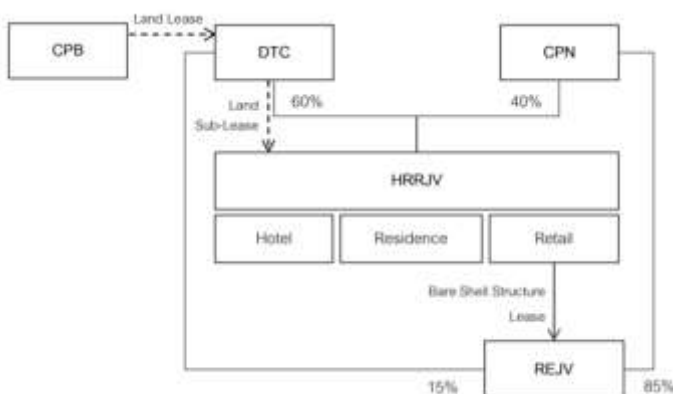
- 3) Phraram 4 Development Co., Ltd. (OJV) is a joint venture company that will lease the land in accordance with the land head lease agreement as set out by the CPB. Shares in OJV will be held by CPN and DTC in a proportion of 90:10.
- 4) Sala Daeng Property Management Co., Ltd. (Office Co.) was established to oversee the development of the office component of the project. Office Co. will sublease the land from OJV in order to develop an office building and conduct its operations. All shares in Office Co. will be held by CPN.

**Fig. 21 Mixed-use project in the Silom area**



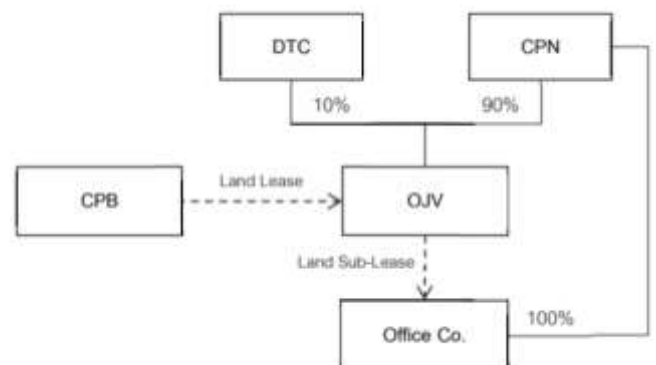
Source: Company data, KS Research

**Fig. 22 Shareholding structure for the hotel, residential and retail components**



Source: Company data, KS Research

**Fig. 23 Shareholding structure for the office component**



Source: Company data, KS Research



### Expanding to the lower tier with ASAI

DTC launched ASAI hotels in 2Q18, a lifestyle/boutique hotel brand that deviates from the company's full service hotel portfolio. The average daily rate of ASIA is around Bt1,800, lower than DTC's 2018 ADR of Bt3,548. With the launch of ASAI, DTC's portfolio expands to meet the needs of new millennial travelers and their demand for unique local experiences. The ASAI at Sathorn Soi 12 will be an addition to the Company's owned hotel portfolio and is currently under construction with the management team expecting the project to be completed by the beginning of 2020 at the latest. The hotel has a total of 106 rooms with a total capital expenditure of Bt300mn.

**Fig 24 ASAI Bangkok Chinatown**



Source: Company data, KS Research

**Fig 25 ASAI Bangkok Sathorn**



Source: Company data, KS Research

### JV residential project with ORI

DTC set up a JV company with Origin Property PCL (ORI TB) called The Origin Dusit Co., Ltd. with an ownership split of 49:51, in order to develop a condominium project in Sriracha Town near the Robinson Sriracha mall. This is the first cooperation between these two listed companies.

The Hampton Sriracha by Origin and Dusit worth Bt1.4bn with 468 residential units and 3 shops will be developed by the JV. This 26-storey single building condominium project will target the high-end segment in Sriracha, which is being touted as a center of the Eastern Economic Corridor (EEC). Unit prices will start at Bt2.9mn, and the average selling price/sqm of the project is planned to be about Bt100K. ORI expects to kick off presales in November 2019 and start rights transfers in 4Q21.



## Financial highlights

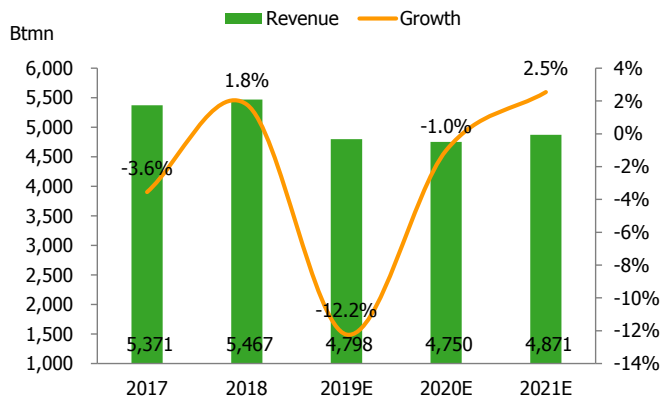
### Expect unexciting earnings during 2019-22

#### Net losses forecasted for 2019-21

Although DTC underwent an aggressive expansion in the food business (Epicure, NRIP, Real Food), we expect weak 2019-21 earnings of Bt39mn/-Bt188mn/-Bt174mn or -87%/-584%/+8%. We expect earnings volatility during the period due mainly to 1) an extraordinary item from selling a stake of Vimarn Suriya to CPN; 2) the full closure of its major earnings contributor, Dusit Thani Bangkok; and 3) selling its Dusit Thani Maldives to DREIT as a part of DTC's strategy to improve the efficiency of its asset portfolio and strengthen its financial capability.

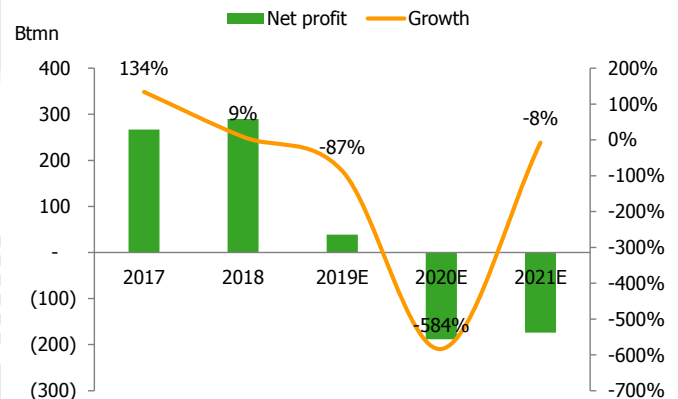
DTC started its JV with CPN with a stake of 65:35. The final shareholder structure of Vimarn Suriya will be 60:40 whereby DTC will realize revenue in the form of an extraordinary item of roughly Bt200mn per year from selling a stake to CPN. The company expects the extraordinary item will partly offset a decline in revenue from the absence of Dusit Thani Bangkok hotel.

**Fig 26 Revenue and growth**



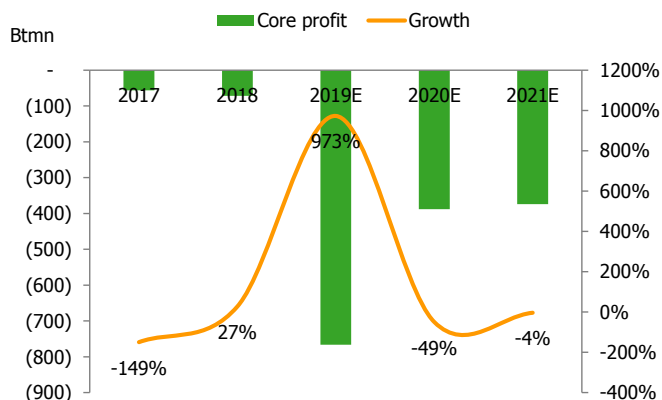
Source: Company data, KS Research

**Fig 27 Net profit and growth**



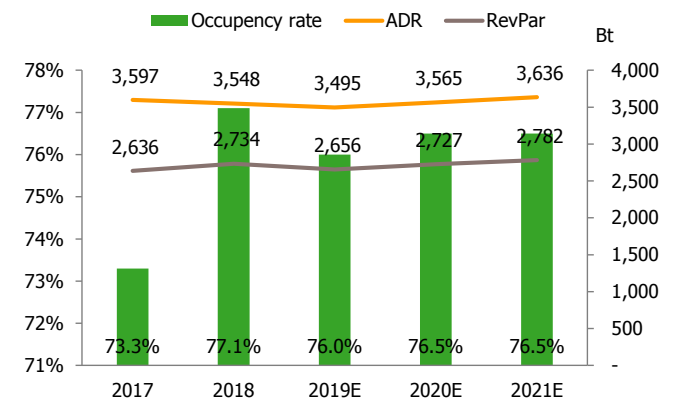
Source: Company data, KS Research

**Fig 28 Core profit and growth**



Source: Company data, KS Research

**Fig 29 Operating statistic**



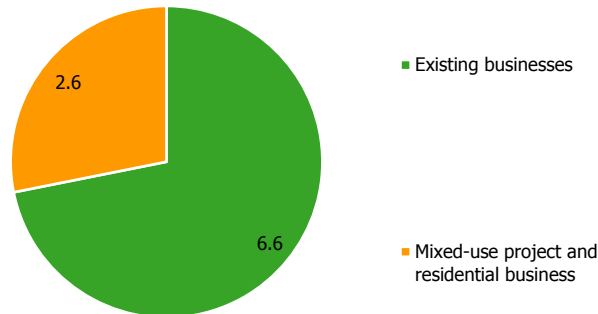
Source: Company data, KS Research



## Valuation

We derive our 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 the 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 30 Target price breakdown**

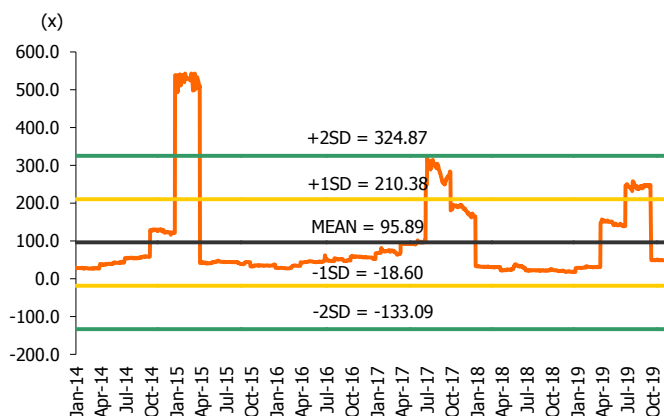


Source: KS Research

### PBV valuation approach for the existing businesses

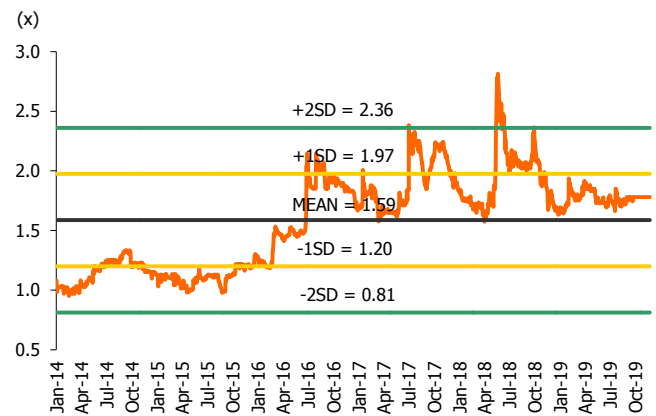
We derive our fair value for DTC's existing businesses based on the PBV methodology of Bt6.60 using a 12-month trailing PBV of 1.2x, equivalent to the five-year average trailing PER for the hotel sector. We apply the PBV methodology to value DTC's existing businesses as we expect it to report core losses during 2019-21 due to the full closure of Dusit Thani Bangkok.

**Fig 31 DTC's trailing PER band**



Source: Bloomberg, KS Research

**Fig 32 DTC trailing PBV band**



Source: Bloomberg, KS Research

### Mixed-use project and residential business fair value of Bt2.60

We derive a fair value for the mixed-use project and residential business of Bt2.60 based on the NAV methodology with a discount rate of 7%. We apply an IRR of 12% for DTC's mixed-use project, while we expect the residential business to generate FCF of roughly Bt1.4bn to the firm, implying a net profit margin of 22% based on ORI's net profit margin. Note that any new project development could provide potential upside risk to our fair value.



## Company profile

### One of the big four hotel chains in Thailand

#### Dusit Thani Pcl

DTC is one of the big four hotel chains in Thailand. Its portfolio consists of owned hotels, managed hotels, education business, and a food business. The company currently has over 260 owned and managed properties domestically and overseas, and recently engaged in a mixed-use project located in the heart of Bangkok surrounded by businesses and the BTS and MRT systems.

DTC operates full service hotels under four brands 1) Dusit Thani; 2) dusitD2; 3) Dusit Princess; and 4) Dusit Devarana. The company also diversified its portfolio by entering into new markets such as 1) the full acquisition of Elite Havens in 2018, a leading provider of high-end vacation rentals in Asia; and 2) launching a new brand called ASAI hotel, which focuses on millennial-minded travelers seeking an authentic local experience.

Dusit Thani Hotel Management School was established in 1996 to provide education and training in the hospitality industry, and upgraded to Dusit Thai College in 1996 with a wider range of courses such as culinary arts, kitchen management, tourism management, and hotel & resort management. The college currently provides short-term courses at the certificate, bachelor's and master's degree levels.

DTC began the food business in March 2018 by investing in NR Instant Produce Co., Ltd (NRIP), a well-known Bangkok-based producer and exporter of ready-to-cook food products. The company further expanded its food business by acquiring Epicure Catering Co., Ltd., an education catering business providing high quality food services to international schools in Southeast Asia.

DTC's mixed-use project is a JV between DTC and CPN, which consists of the new Dusit Thani Hotel Bangkok, a residence, a rental shopping center, and an office building with a total investment value not exceeding Bt36.7mn. DTC expects the opening target for the hotel, retail, office and residential portions to be in early 2023, late 2023, early 2024 and mid-2024, respectively.

Fig 33 Hotel portfolio



Source: Company data


**Year-end 31 Dec**

Income Statement (Btmn)	2017A	2018A	2019E	2020E	2021E	Cashflow (Btmn)	2017A	2018A	2019E	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
<b>Gross Profit</b>	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	<b>CF from operation activities</b>	592	790	1,408	653	443
<b>EBIT</b>	470	501	586	18	31	Capital expenditure	-691	-527	-1,886	-1,277	-1,681
<b>EBITDA</b>	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	<b>CF from investing activities</b>	-673	-841	-121	-112	-115
<b>EBT</b>	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
<b>NPAT</b>	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
<b>Core Profit</b>	-56	-71	-766	-388	-374	<b>CF from financing activities</b>	250	153	-1,006	-235	8
Extraordinary items	323	361	805	200	200	<b>Net change in cash</b>	169	102	281	307	336
FX gain (loss)	0	0	0	0	0	<b>Key Statistics &amp; Ratios</b>					
<b>Reported net profit</b>	267	290	39	-188	-174	<b>Per share (Bt)</b>					
<b>Balance Sheet (Btmn)</b>						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	10.44	10.10	9.74
Other current assets	201	122	109	102	96	Free Cash Flow	-0.12	0.31	-0.56	-0.73	-1.46
<b>Total current assets</b>	2,278	2,617	2,487	2,782	3,126	<b>Valuation analysis</b>					
Investment in subs & others	1,320	1,980	2,014	2,014	2,014	Reported P/E (x)	33.42	28.15	216.30	-44.73	-48.39
Fixed assets-net	4,322	4,300	3,927	3,537	3,141	Core P/E (x)	-159.35	-114.29	-10.98	-21.68	-22.51
Other assets	2,059	2,676	2,499	2,448	2,404	P/BV (x)	1.85	1.64	1.68	1.74	1.79
<b>Total assets</b>	9,980	11,573	10,928	10,781	10,685	EV/EBITDA (x)	14.83	19.05	39.39	36.18	33.87
Short-term debt	758	409	233	231	230	Price/Cash flow (x)	15.06	10.34	5.98	12.88	18.98
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	<b>Profitability ratios</b>					
<b>Total current liabilities</b>	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
<b>Total liabilities</b>	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	<b>Liquidity ratios</b>					
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
<b>Total shareholders' equity</b>	5,881	6,078	6,447	6,334	6,238	<b>Leverage Ratios</b>					
<b>Total equity &amp; liabilities</b>	9,980	11,573	10,928	10,781	10,685	Liabilities/Equity ratio (x)	0.70	0.90	0.70	0.70	0.71
<b>Key Assumptions</b>						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	<b>Growth</b>					
						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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