

The Erawan Group (ERW TB)

3Q26 Results Preview: Expect Outstanding Earnings

Highlights

- We expect ERW to report an outstanding net profit of Bt181m (+226.7% yoy, +151.9% qoq) in 3Q26.
- We are seeing a strong trend of room rate pricing power in 3Q26 and 4Q26 thus far due to strong booking demand from foreign tourists.
- We remain optimistic on ERW and maintain it as one of our top picks in the hotel sector. The decline in interest cost remains the key growth driver and the booking demand remains robust in 4Q26. Maintain BUY with a target price of Bt4.80 (previously: Bt4.40).

3Q26 Earnings Preview

Year to 31 Dec (Btm)	3Q25	2Q26	3Q26F	yoy (%)	qoq (%)	9M25	9M26F	yoy (%)
Total revenue	1,783	1,820	1,917	7.5	5.3	5,653	5,978	5.7
Gross profit	719	727	771	7.3	6.1	2,452	2,608	6.4
SG&A	505	513	517	2.3	0.7	1,486	1,593	7.2
Operating EBITDA	481	501	552	14.8	10.1	1,756	1,887	7.5
Core profit	56	72	111	99.9	54.2	464	559	20.4
Net profit	56	72	181	226.7	151.9	464	629	35.6
(%)	3Q25	2Q26	3Q26F	yoy (ppt)	qoq (ppt)	9M25	9M26F	yoy (ppt)
Gross margin	40.3	39.9	40.2	(0.1)	0.3	43.4	43.6	0.3
SG&A to sales	28.4	28.2	27.0	(1.4)	(1.2)	26.3	26.7	0.4
EBITDA margin	27.0	27.5	28.8	1.8	1.3	31.1	31.6	0.5
Core profit margin	3.1	4.0	5.8	2.7	1.8	8.2	9.3	1.1
Net profit margin	3.1	4.0	9.5	6.4	5.5	8.2	10.5	2.3

Source: ERW, UOB Kay Hian

Analysis

- Outstanding yoy earnings growth expected in 3Q26.** We expect The Erawan Group (ERW) to report an outstanding net profit of Bt181m (+226.7% yoy, +151.9% qoq) in 3Q26. Top-line should come in at Bt1.92b (+7.5% yoy, +5.3% qoq). The strong earnings growth should mainly be contributed by a strong yoy increase in average daily rate (ADR) across all segments of ERW's hotel portfolio and an extra Bt80m gain from insurance claims related to last year's earthquake. This should lead to a 7.0% yoy growth in RevPar of the total portfolio (excluding Hop Inns). Meanwhile, the RevPar of Hop Inn hotels excluding new openings should increase around 1% yoy, driven by ADR. Interest expense is expected to decrease significantly by 15% yoy and 10% qoq due to the declining cost of debt. We also expect EBITDA margin to expand significantly both yoy and qoq.

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)	19.2	21.6	18.7	17.1	15.7
P/B (x)	2.1	2.0	2.0	1.9	1.7
EV/EBITDA (x)	12.4	12.5	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)	-	-	956	1,049	1,130
UOBKH/Consensus (x)	-	-	1.01	1.00	1.02

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%
Previous TP	Bt4.40

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)	535.1
3-mth avg daily t'over (US\$m)	2.4

Price Performance (%)

52-week high/low				Bt3.94/Bt2.02
1mth	3mth	6mth	1yr	YTD
(0.5)	15.0	38.3	44.9	50.8

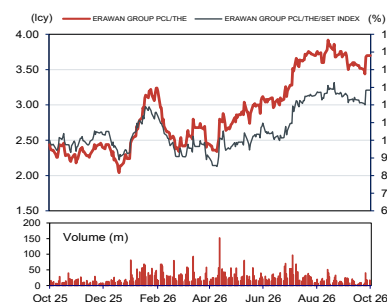
Major Shareholders (%)

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.

- Better-than-expected room rate pricing power.** In 3Q26, we expect to see a strong ADR increase across all segments of ERW's hotel portfolio, mainly contributed by robust tourist arrivals from the Middle East, China, the US and the UK. Guests from Middle East were the strongest contributor during Jul-Aug 26, which exceeded ERW's expectation. Middle East guests are usually high spenders who come for medical treatment in 3Q, which is the traditional high season of Middle Eastern arrivals. Our expectation of RevPar growth of 7% in 3Q26 well exceeds the growth guidance provided by the management, which indicates a very strong growth momentum. ERW is seeing the same strong ADR trend continuing into 4Q26, which is an indicator of a strong high season. We expect the impact from Grand Hyatt renovation to remain manageable.
- Expect a sharp drop in interest expense to support earnings growth.** The prepayment fee incurred in 2Q26 is expected to be the last significant expense under the current refinancing plan. Going forward, ERW should fully benefit from lower interest costs, with its average cost of funds reaching a low of 2.9% at end-2Q26. The IBD/E ratio remained at 1.2x in 2Q26, as additional borrowings will be needed to fund planned expansions in 2026. We expect a sharp yoy and qoq drop in interest expense in 3Q26, which should continue into 4Q26 and become a key earnings catalyst for ERW.

Earnings Revision

- We revise up our 2026-28 forecasts.** We revise our 2026-28 net profit forecasts up by 6.8%, 8.1% and 12.8% respectively to reflect the stronger-than-expected ADR pricing power and lower-than-expected interest expense.

Earnings Revision

	2026F			2027F			2028F		
(Bt m)	New	Old	% chg	New	Old	% chg	New	Old	% chg
Total revenue	8,679	8,721	-0.5%	9,338	9,383	-0.5%	10,161	10,030	1.3%
Gross profit	3,897	3,748	4.0%	4,222	4,033	4.7%	4,612	4,318	6.8%
Operating EBITDA	2,945	2,907	1.3%	3,205	3,134	2.3%	3,404	3,259	4.5%
Net profit	965	903	6.8%	1,050	972	8.1%	1,148	1,017	12.8%
Margin	New	New	ppt chg	New	New	ppt chg	New	New	ppt chg
Gross margin	44.9%	43.0%	1.92	45.2%	43.0%	2.23	45.4%	43.1%	2.34
Net profit margin	11.6%	10.8%	0.79	11.7%	10.8%	0.93	11.8%	10.6%	1.20

Source: ERW, UOB Kay Hian

Valuation/Recommendation

- Maintain BUY with a higher target price of Bt4.80 (previously Bt4.40).** Our valuation is based on 2027 EV/EBITDA multiplier of 12x, based on 1SD above its three-year mean. We remain optimistic on ERW and maintain it as one of our top picks, as we can see its strong pricing power sustaining into the travel high season in 4Q26. Moreover, the declining interest cost remains 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.

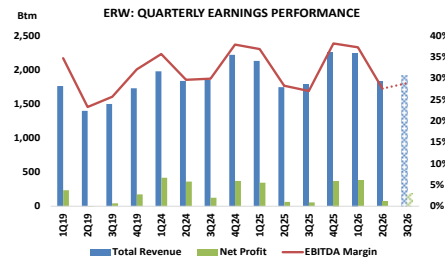
Social

- 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

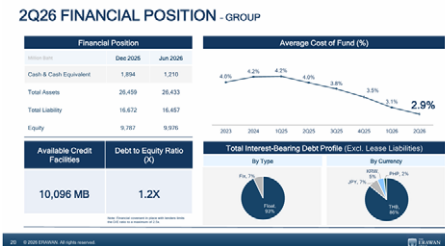
- Board gender diversity.** Male to female ratio of 3:1.
- Board balance and composition.** Four board members are independent directors, amounting to 33% of the board members.

Quarterly Performance



Source: ERW, UOB Kay Hian

ERW'S debt profile



Source: ERW

3Q26 Guidance

3Q26 ERAWAN GUIDANCE							
Operating Stats							
3Q26 Guidance	%OCC	%YoY	ARR	%YoY	RevPAR	%YoY	Room Revenue growth
Total Group	75%	0%	1,677	1%	1,280	2%	7%
Eco to Lux	76%	0%	3,090	5%	2,350	5%	5%
HOP INN - Same Hotel	76%	1%	887	0%	687	1%	1%

Source: ERW

2026 GUIDANCE

2026 ERAWAN GUIDANCE			
Total Revenue Target		Key Operating Strategies	
	Previous	New	
Group	+9%	+6%	➤ Strategic Expansion Accelerate the hotel pipeline
			🔧 Product Enhancement Strengthen competitiveness
Luxury to Economy	+7%	+5%	⬇️ Rate - Volume Optimization Balance ADR & occupancy to lift RevPAR
Budget	+14%	+10%	⚙️ Operational Efficiency Cost discipline to protect margins
▲ Tailwinds		▼ Headwinds	
• Chinese market recovery • Softening THB		• Thailand political stability • Easing of Airfares prices	
		• Regional competition • Geopolitical instability	

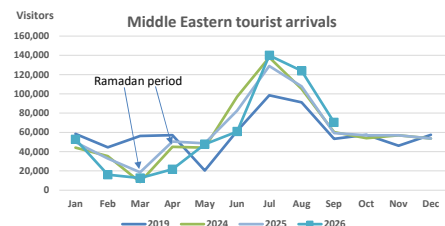
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 ERAWAN

Source: ERW

Middle East tourist arrivals



Source: Ministry of Tourism and Sports, UOB Kay Hian

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

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

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

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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