

THE ERWAN GROUP

ERW TB

THAILAND / TOURISM & LEISURE

BUY

UNCHANGED

คาดการณ์ธุรกิจหลักจะโตดีใน 4Q23

- คาดกำไรปกติที่ 183 ลบ. ใน 4Q23 (-8% y-y, +23% q-q) โดยน่าจะได้ปัจจัยกดดันจากค่าใช้จ่ายของ Hop Inn ในญี่ปุ่น
- แม้ว่าจะมีผลขาดทุนจาก Hop Inn ในญี่ปุ่น เรายังคาดว่ากำไรปกติจะโต 8% เป็น 0.75 พัน ลบ. ในปี 2024 จากการเติบโตของธุรกิจหลักที่อยู่ในเกณฑ์ดี
- คงคำแนะนำซื้อที่ราคาเป้าหมาย 6.3 บาท (DCF)

TARGET PRICE	THB6.30
CLOSE	THB4.90
UP/DOWNSIDE	+28.6%
PRIOR TP	THB6.30
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.6%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,629	6,989	7,864	8,390
Net profit	(224)	712	746	861
EPS (THB)	(0.05)	0.16	0.15	0.18
vs Consensus (%)	-	3.2	(16.2)	(9.1)
EBITDA	969	2,090	2,383	2,693
Recurring net profit	(278)	688	746	861
Core EPS (THB)	(0.06)	0.15	0.15	0.18
Chg. In EPS est. (%)	nm	6.7	2.2	0.0
EPS growth (%)	nm	nm	0.4	15.4
Core P/E (x)	(79.9)	32.3	32.1	27.8
Dividend yield (%)	-	1.2	1.2	1.4
EV/EBITDA (x)	36.0	16.3	15.6	13.7
Price/book (x)	3.9	3.5	3.0	2.8
Net debt/Equity (%)	222.0	185.3	165.1	150.7
ROE (%)	(4.7)	11.4	10.4	10.4

ถ้าไม่รวมโครงการในญี่ปุ่น กำไรปกติ 4Q23 น่าจะโต 10-15% y-y

เราคาดว่า RevPAR ของโรงแรมที่ไม่ใช่ Hop Inn จะโต 8% y-y และสูงกว่าระดับก่อนโควิด 29% ใน 4Q23 โดยได้ปัจจัยผลักดันจากผลประกอบการที่ดีของโรงแรมราคาประหยัด แม้ว่าอัตราการเข้าพัก (OCC rate) ของโรงแรมน่าจะปรับตัวลดลงเหลือ 81% (เทียบกับ 86% ใน 4Q22) จากฐานที่สูงใน 4Q22 ค่าห้องรายวันเฉลี่ย (ADR) ที่เพิ่มขึ้นน่าจะมากพอที่จะช่วยชดเชยปัจจัยดังกล่าว ในขณะที่ RevPAR ของ Thailand Hop Inn น่าจะโต 16% y-y และสูงกว่าระดับก่อนโควิดอยู่ 25% ส่วน RevPAR ของโรงแรมในฟิลิปปินส์น่าจะโต 15% y-y และสูงกว่าระดับก่อนโควิด 7% ทั้งนี้ ERW น่าจะบันทึกค่าใช้จ่ายที่เกี่ยวข้องกับโครงการในญี่ปุ่นจำนวน 40-50 ลบ. (ค่าใช้จ่ายก่อนดำเนินการ 30-35 ลบ. รวมกับค่าเสื่อมและค่าดอกเบี้ยอีก 12-14 ลบ.) เพราะฉะนั้นเราจึงคาดว่ากำไรปกติ 4Q23 จะลดลง 8% y-y มาอยู่ที่ 183 ลบ. เมื่อหักค่าใช้จ่ายของโครงการในญี่ปุ่น กำไรปกติ 4Q23 น่าจะโต 10-15% y-y เป็น 220-230 ลบ.

คาด Hop Inn ในญี่ปุ่นจะรายงาน EBITDA เป็นบวกในปี 2024

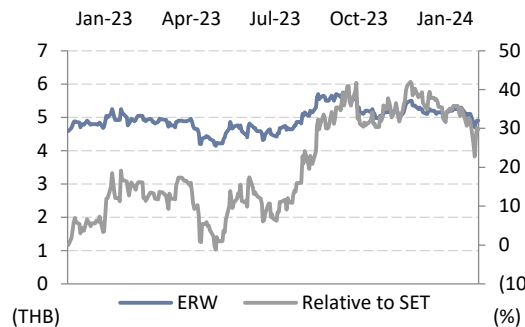
เราคาดว่า RevPAR ของธุรกิจหลักจะโต 5% y-y ในปี 2024 สำหรับ Hop Inn ในญี่ปุ่น เราคาดว่า OCC rate จะอยู่ที่ 75% พร้อม ADR ที่ 3,000 บาทและ EBITDA margin ที่ 30-35% อย่างไรก็ตาม Hop Inn ในญี่ปุ่น อาจให้ผลขาดทุน 30-50 ลบ. ในปี 2024 จากค่าเสื่อมและดอกเบี้ย นอกจากนี้ ERW ยังวางแผนเปิด Hop Inn ในประเทศไทยอีก 8 แห่งและ Hop Inn ในฟิลิปปินส์อีก 3 แห่งในปี 2024 เราคาดว่ากำไรปกติปี 2024 จะโต 8% เป็น 0.75 พัน ลบ. จาก 0.69 พัน ลบ. ในปี 2023

บัญชีขบดุลที่ดีจะช่วยหนุนการลงทุนขนาดใหญ่

แม้ว่า ERW จะมีค่าใช้จ่ายเพื่อการลงทุนจำนวนมากในปี 2023-24 ส่วนมากสำหรับโครงการ Hop Inn ในญี่ปุ่น (1.7 พัน ลบ.) และการซื้อ ibis Pattaya และ ibis Phuket Patong จาก ERWPF เป็นเงิน 1.6 พัน ลบ. (ขึ้นอยู่กับกรอบอนุมัติของผูถือหน่วยการลงทุนของ ERWPF ในวันที่ 27 ก.พ.) เราคาดว่าสัดส่วนหนี้ต่อส่วนของผู้ถือหุ้น (IBD/E) จะทรงตัวที่ 1.8-1.9x ในปี 2024 ต่ำกว่าเพดานหนี้ที่ 2.5x โดยมีสมมติฐานให้ ERW ใช้เงินกู้ยืมจากธนาคารเป็นจำนวน 70% ของการลงทุนรวม เราไม่มีความกังวลเกี่ยวกับบัญชีขบดุลของบริษัทฯ เมื่อพิจารณาจากเงินสดในมือจำนวน 1.4 พัน ลบ. ณ 3Q23, ERW-W3 ซึ่ง in-the-money โดยน่าจะได้เงินจากการแปลง 1.1 พัน ลบ. และ EBITDA ที่อยู่ในเกณฑ์ดีถึง 2.4-2.7 พัน ลบ. ในปี 2024-25

ปรับเพิ่มประมาณการกำไรปกติ หุ่นมีการซื้อขายโดยมีระดับการประเมินมูลค่าต่ำกว่าในอดีต

เราปรับเพิ่มประมาณการกำไรปกติปี 2023-24 ขึ้น 2-7% เพื่อสะท้อนการดำเนินงาน 4Q23 ที่อยู่ในเกณฑ์ดีและคงราคาเป้าหมายปี 2024 ไว้ที่ 6.3 บาท (DCF) ERW มีการซื้อขายในระดับการประเมินมูลค่าที่น่าสนใจที่ 32X ของค่า 2024E P/E เทียบกับค่าเฉลี่ย 5 ปีในอดีตที่ 35x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.0)	(3.9)	7.0
Relative to country (%)	(2.1)	(1.1)	30.7
Mkt cap (USD m)	625		
3m avg. daily turnover (USD m)	2.4		
Free float (%)	58		
Major shareholder	Chottanavat (17%)		
12m high/low (THB)	5.85/4.08		
Issued shares (m)	4,891.21		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

ERW is an asset-heavy business. It owns all of its hotels and has no asset-light model. Thus, it should be one of the stocks that benefits the most from the recovery of international tourist arrivals.

ERW recently announced four Hop Inn projects in Japan. It should become a new growth driver for ERW over the next five years.

ERW plans to expand its Hop Inn portfolio from 58 hotels in 2023 to more than 150 hotels by 2030, including 105 in Thailand, 14 in the Philippines, 15 in Japan and the remaining from potential countries such as Singapore, Malaysia, Vietnam, Indonesia, South Korea and Australia.

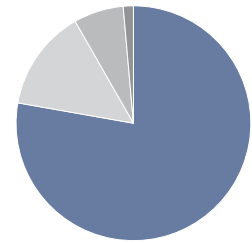
Company profile

ERW is a hotel operator and developer with a focus on Thailand and ASEAN.

www.theerawan.com

Principal activities (revenue, 2022)

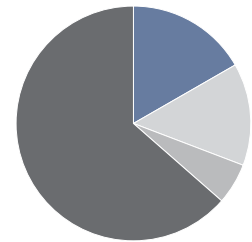
- Non-Hop Inn hotel - 77.8 %
- Hop Inn Thailand - 14.0 %
- Hop Inn Philippines - 6.9 %
- Others - 1.4 %



Source: The Erawan Group

Major shareholders

- Chottanavat - 16.7 %
- Mitr Siam Capital Limited - 14.1 %
- Mitr Phol Sugar Corp - 5.7 %
- Others - 63.5 %



Source: The Erawan Group

Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the global tourism recovery; 2) strong pent-up demand from Chinese tourists; and 3) the recovery of domestic business activities.

Risks to our call

Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Event calendar

Date	Event
Feb 2024	4Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of hotels (no.)	78	93	99
Number of rooms (no.)	10,188	11,309	11,925
All hotels excl. Hop Inn			
Occupancy rate (OCC %)	82	83	83
RevPAR growth (y-y %)	76	5	3
Thailand Hop Inn			
Occupancy rate (OCC %)	82	82	83
RevPAR growth (y-y %)	21	4	3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC, we project a 2024 profit increase of 7%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2024 profit increase of 9%, and vice versa, all else being equal.

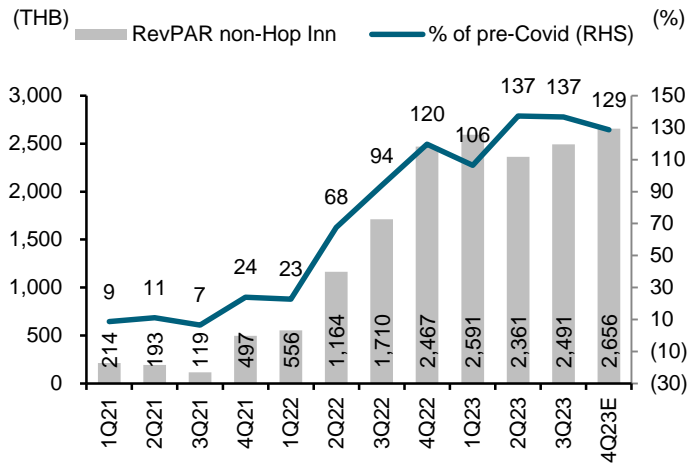
Source: FSSIA estimates

Exhibit 1: 4Q23 results preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	Change		2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,733	1,753	1,623	1,736	1,872	8	8	6,989	51
- Thailand non-Hop Inn	1,411	1,409	1,282	1,378	1,495	8	6		
- Hop Inn Thailand	190	211	208	210	226	8	19		
- Hop Inn Phil	116	117	117	123	121	(2)	4		
- Rental	16	17	17	25	30	20	88		
COGS (Incl. depreciation)	(973)	(993)	(948)	(990)	(1,029)	4	6	(3,968)	26
Gross Profit	759	760	675	746	842	13	11	3,020	(105)
SG&A	(450)	(434)	(441)	(454)	(507)	12	13	(1,838)	33
Operating Profit	309	326	234	292	335	15	8	1,182	(1,117)
Other income	14	21	18	7	16	117	10	64	62
Interest	(122)	(135)	(143)	(150)	(154)	3	26	(577)	26
Pretax profit	201	213	109	149	196	32	(3)	670	309
Income Tax	6	6	5	3	0	(100)	(100)	12	(53)
Associates	13	3	21	3	3	0	(75)	31	8
Minority interest	(21)	1	(2)	(7)	(17)	143	(19)	(25)	125
Core profit	200	224	133	148	183	23	(8)	688	347
Extraordinaries, GW & FX	40	15	9	0		(100)	(100)	24	
Reported net profit	240	239	142	148	183	23	(24)	712	418
Shares out (end Q, m)	4,532	4,532	4,532	4,532	4,532	0	0	4,532	0
Core EPS	0.04	0.05	0.03	0.03	0.04	23	(8)	0.15	347
EPS	0.05	0.05	0.03	0.03	0.04	23	(24)	0.16	418
COGS (Excl. depreciation)	(750)	(775)	(727)	(757)	(794)	5	6	(3,061)	34
Depreciation	(223)	(218)	(222)	(233)	(235)	1	5	(907)	4
EBITDA	547	566	474	532	585	10	7	2,154	114
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	44	43	42	43	45.0	2	1	43	11
SG&A/Revenue	26	25	27	26	27	1	1	26	(3)
EBITDA margin	31	32	29	31	31	0	(0)	30	9
Net profit margin	14	14	9	9	10	1	(4)	10	15
Operating stats									
Non-Hop Inn									
OCC (%)	82	84	80	82	83				
OCC growth (y-y %)	52	53	25	15	1				
RevPAR (THB)	2,467	2,591	2,361	2,491	2,656				
RevPAR growth (y-y %)	396	366	103	46	8				
Thailand Hop Inn									
OCC (%)	78	81	81	81	83				
OCC growth (y-y %)	19	14	8	7	5				
RevPAR (THB)	499	531	533	534	581				
RevPAR growth (y-y %)	37	30	18	16	16				
Philippines Hop Inn									
OCC (%)	74	74	74	79	80				
OCC growth (y-y %)	25	23	16	20	6				
RevPAR (THB)	794	810	811	896	912				
RevPAR growth (y-y %)	26	19	13	8	6				

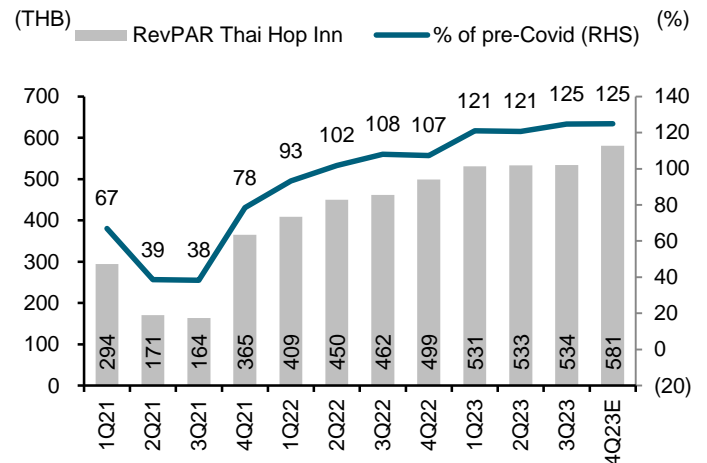
Sources: ERW; FSSIA estimates

Exhibit 2: RevPAR non-Hop Inn hotels, quarterly



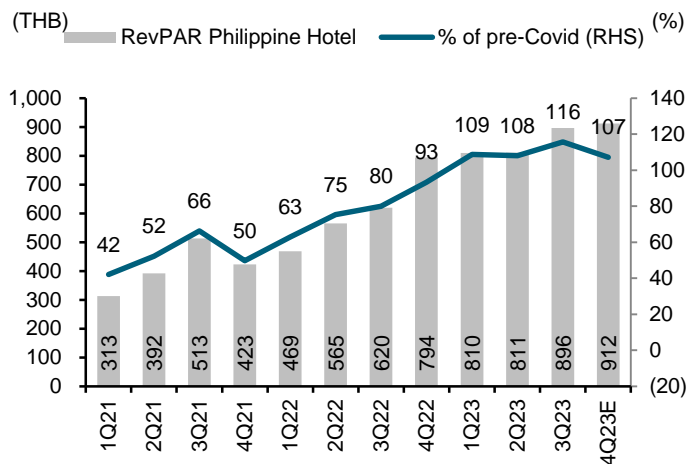
Sources: ERW; FSSIA estimates

Exhibit 3: RevPAR Thai Hop Inn hotels, quarterly



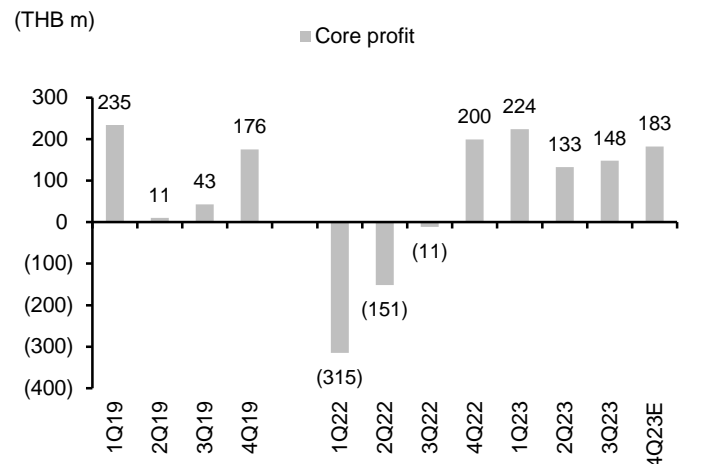
Sources: ERW; FSSIA estimates

Exhibit 4: RevPAR Philippine Hop Inn hotels, quarterly



Sources: ERW; FSSIA estimates

Exhibit 5: Core profit, quarterly



Sources: ERW; FSSIA estimates

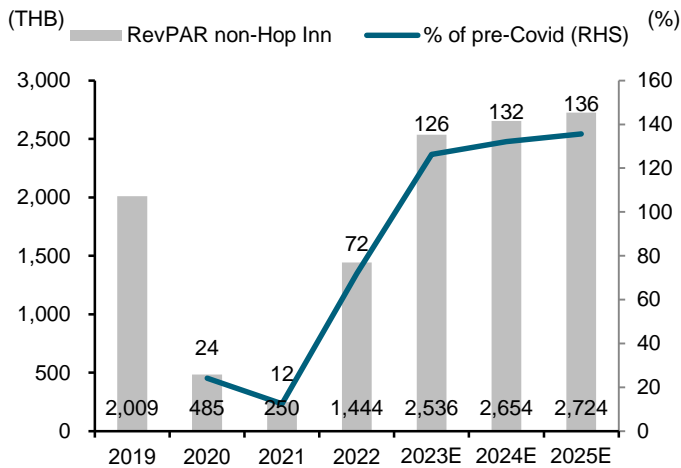
Exhibit 6: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
All hotels excl. Hop Inn - OCC (%)	82.2	82.7	83.2	82.0	83.1	83.6	0.2	(0.4)	(0.4)
All hotels excl. Hop Inn - RevPAR (THB)	2,536	2,654	2,724	2,510	2,544	2,611	1.1	4.3	4.3
Thailand Hop Inn - OCC (%)	82.0	82.0	82.5	81.0	81.5	82.0	1.0	0.5	0.5
Thailand Hop Inn - RevPAR (THB)	551	573	588	539	548	562	2.2	4.6	4.6
Revenue (THB b)	6.99	7.86	8.39	6.96	7.76	8.29	0.4	1.4	1.2
EBITDA margin (%)	29.9	30.3	32.1	29.9	30.7	32.2	0.0	(0.4)	(0.1)
Core earnings (THB m)	688	746	861	645	730	860	6.7	2.2	0.0

Note: Change of items in percentage terms is represented in ppt change.

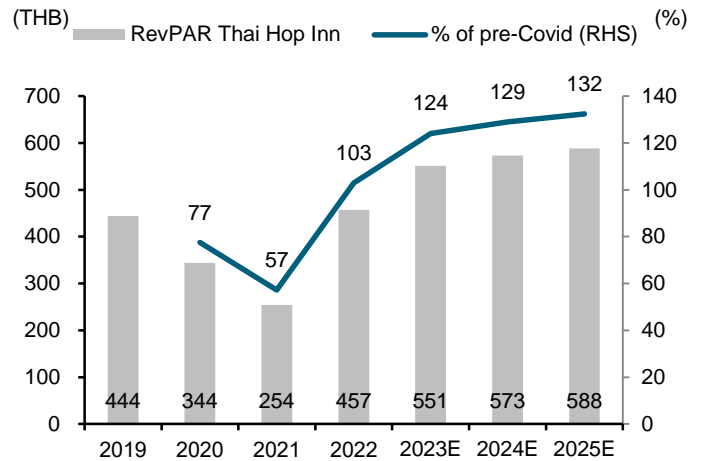
Source: FSSIA estimates

Exhibit 7: RevPAR non-Hop Inn hotels, yearly



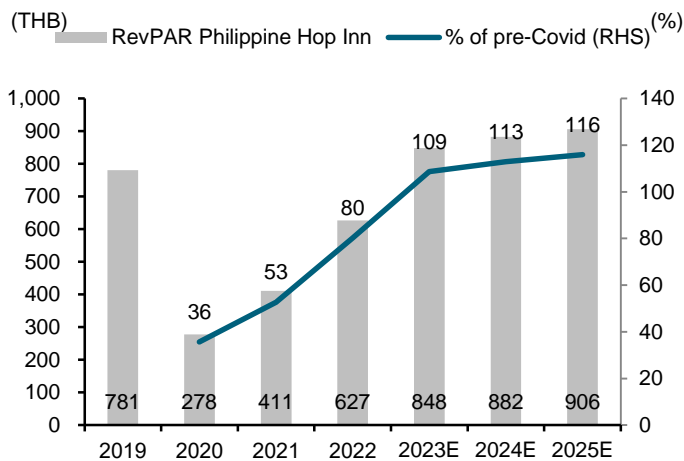
Sources: ERW; FSSIA estimates

Exhibit 8: RevPAR Thai Hop Inn hotels, yearly



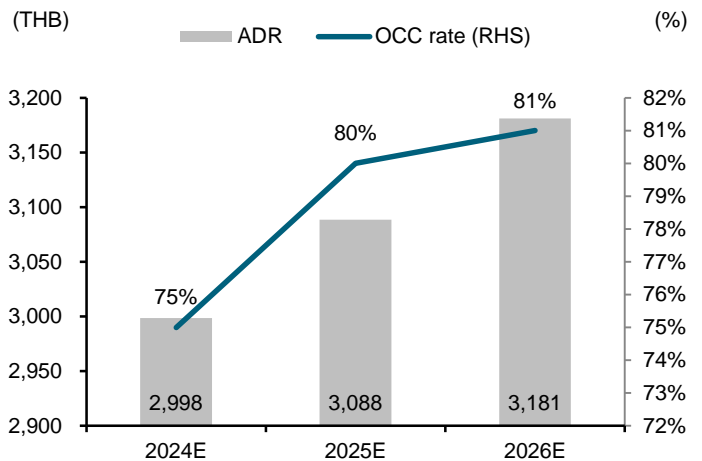
Sources: ERW; FSSIA estimates

Exhibit 9: RevPAR Philippine Hop Inn hotels, yearly



Sources: ERW; FSSIA estimates

Exhibit 10: OCC rate and RevPAR of Japan Hop Inn



Sources: ERW; FSSIA estimates

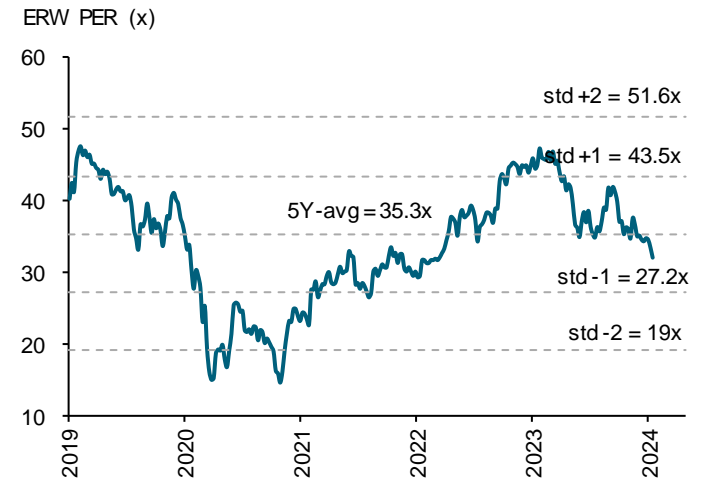
Exhibit 11: DCF valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate	3.0		Pre-tax cost of debt	3.5	
Market risk premium	8.0		Marginal tax rate	20.0	
Stock beta	1.2				
Cost of equity, Ke	12.6		Net cost of debt, Kd	3.2	
Weight applied	55.0		Weight applied	45.0	
WACC		8.2			

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	13.3	2.7	WACC 8.2%, risk-free rate 3%, risk premium 8%
Terminal value	27.5	5.6	Terminal growth 2.5%
Cash & liquid assets	4.8	1.0	At end-2024E
Investments	0.1	0.0	At end-2024E
Debt	(14.8)	(3.0)	At end-2024E
Minorities	(0.0)	(0.0)	At end-2024E
Residual ordinary equity	30.9	6.3	

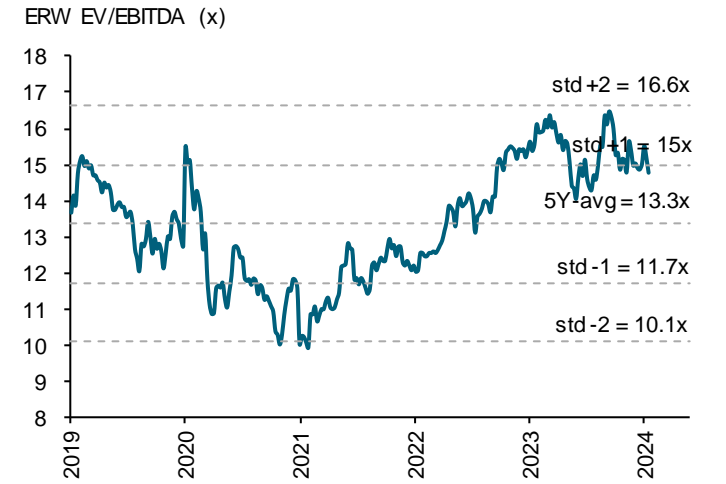
Source: FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons as of 19 Jan 2024

Company	BBG	Rec	Share price			Market cap (USD m)	PE			ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	25E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand															
Asset World Corp	AWC TB	BUY	3.84	5.50	43	3,460	113.1	44.4	41.8	1.3	3.1	1.4	1.3	39.6	27.6
Minor International	MINT TB	BUY	27.50	43.00	56	4,333	24.4	21.5	19.3	8.2	9.5	1.8	2.3	9.5	9.6
Central Plaza Hotel	CENTEL TB	BUY	41.75	50.00	20	1,587	47.4	36.8	29.4	6.2	7.6	2.9	2.7	18.1	16.6
Erawan Group	ERW TB	BUY	4.90	6.30	29	625	32.3	32.1	27.8	11.4	10.4	3.5	3.0	16.3	15.6
S Hotels & Resorts	SHR TB	BUY	2.30	4.40	91	233	170.0	20.5	15.2	0.3	2.5	0.5	0.5	8.6	6.9
Dusit Thani	DUSIT TB	BUY	8.40	15.00	79	201	(13.5)	133.6	6.5	(13.6)	1.5	2.0	1.9	(358.1)	43.9
Bound and Beyond	BEYOND TB	BUY	12.40	22.00	77	101	(25.9)	25.5	16.0	(2.4)	2.3	0.6	0.6	15.4	9.6
Thailand average						10,541	49.7	44.9	22.3	1.6	5.3	1.8	1.8	(35.8)	18.5
Regional															
Btg Hotels Group	600258 CH	n/a	15.25	n/a	n/a	2,367	21.6	17.0	14.3	7.2	8.5	1.5	1.4	9.0	8.2
Sh Jinjiang Intl Hotels	900934 CH	n/a	1.35	n/a	n/a	3,860	8.6	6.0	4.8	7.0	9.1	0.6	0.5	12.7	10.7
Huangshan Tourism Dev.	900942 CH	n/a	0.73	n/a	n/a	1,025	10.4	8.8	8.1	8.1	9.3	0.9	0.8	10.6	8.8
Genting Bhd	GENT MK	n/a	4.64	n/a	n/a	3,786	14.7	10.4	9.2	3.7	4.9	0.6	0.5	6.5	5.9
Huazhu Group	HTHT US	n/a	31.42	n/a	n/a	10,097	18.6	16.9	14.6	34.1	27.6	5.5	4.4	11.2	10.1
Indian Hotels	IH IN	n/a	482.20	n/a	n/a	8,260	74.4	54.9	44.6	12.6	14.4	8.7	7.5	39.6	32.8
Lemon Tree Hotels	LEMONTRE IN	n/a	134.50	n/a	n/a	1,282	92.5	65.2	38.8	12.3	16.0	11.7	10.7	31.5	25.2
Lippo Karawaci	LPKR IJ	n/a	82.00	n/a	n/a	373	14.3	13.0	11.6	2.6	2.8	0.4	0.4	8.9	8.4
Regional average						31,050	31.9	24.0	18.2	11.0	11.6	3.7	3.3	16.3	13.8
Overall average						41,592	40.2	33.8	20.1	6.6	8.6	2.8	2.6	(8.0)	16.0

Sources: Bloomberg; FSSIA estimates

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The Erawan Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,485	4,629	6,989	7,864	8,390
Cost of goods sold	(2,220)	(3,154)	(3,968)	(4,406)	(4,664)
Gross profit	(734)	1,475	3,020	3,458	3,726
Other operating income	-	-	-	-	-
Operating costs	(915)	(1,377)	(1,838)	(2,052)	(2,114)
Operating EBITDA	(713)	969	2,090	2,383	2,693
Depreciation	(936)	(872)	(907)	(977)	(1,082)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(1,649)	97	1,182	1,405	1,611
Net financing costs	(518)	(455)	(573)	(632)	(636)
Associates	9	29	31	0	0
Recurring non-operating income	67	66	92	61	62
Non-recurring items	(10)	54	24	0	0
Profit before tax	(2,109)	(239)	725	834	1,038
Tax	(46)	26	12	(58)	(144)
Profit after tax	(2,155)	(213)	737	776	894
Minority interests	105	(11)	(25)	(30)	(33)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(2,050)	(224)	712	746	861
Non-recurring items & goodwill (net)	10	(54)	(24)	0	0
Recurring net profit	(2,040)	(278)	688	746	861
Per share (THB)					
Recurring EPS *	(0.45)	(0.06)	0.15	0.15	0.18
Reported EPS	(0.45)	(0.05)	0.16	0.15	0.18
DPS	0.00	0.00	0.06	0.06	0.07
Diluted shares (used to calculate per share data)	4,532	4,532	4,532	4,891	4,891
Growth					
Revenue (%)	(35.6)	211.6	51.0	12.5	6.7
Operating EBITDA (%)	nm	nm	115.7	14.0	13.0
Operating EBIT (%)	nm	nm	1,117.4	18.9	14.7
Recurring EPS (%)	nm	nm	nm	0.4	15.4
Reported EPS (%)	nm	nm	nm	(2.9)	15.4
Operating performance					
Gross margin inc. depreciation (%)	(49.4)	31.9	43.2	44.0	44.4
Gross margin exc. depreciation (%)	13.6	50.7	56.2	56.4	57.3
Operating EBITDA margin (%)	(48.0)	20.9	29.9	30.3	32.1
Operating EBIT margin (%)	(111.0)	2.1	16.9	17.9	19.2
Net margin (%)	(137.4)	(6.0)	9.8	9.5	10.3
Effective tax rate (%)	(2.2)	8.0	0.0	7.0	13.9
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(3.1)	0.4	2.2	2.3	2.6
Inventory days	12.2	6.6	6.1	6.6	6.8
Debtor days	21.7	10.2	8.3	7.4	7.0
Creditor days	40.8	30.2	32.7	35.5	36.7
Operating ROIC (%)	(8.7)	0.5	6.3	6.5	6.4
ROIC (%)	(8.2)	0.8	6.6	6.6	6.5
ROE (%)	(41.5)	(4.7)	11.4	10.4	10.4
ROA (%)	(7.4)	0.7	5.6	5.2	5.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-Hop Inn hotel	921	3,600	5,571	5,872	6,026
Hop Inn Thailand	339	646	870	970	1,098
Hop Inn Philippines	154	318	455	552	697
Others	71	65	93	469	569

Sources: The Erawan Group; FSSIA estimates

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The Erawan Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(2,040)	(278)	688	746	861
Depreciation	936	872	907	977	1,082
Associates & minorities	-	-	-	-	-
Other non-cash items	701	193	38	19	22
Change in working capital	(1,056)	1,207	261	103	56
Cash flow from operations	(1,460)	1,994	1,894	1,845	2,021
Capex - maintenance	(1,588)	(722)	(1,089)	(3,879)	(1,389)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	(15)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,588)	(737)	(1,089)	(3,879)	(1,389)
Dividends paid	0	0	0	(275)	(298)
Equity finance	2,014	0	0	1,079	0
Debt finance	(1,538)	(692)	1,450	2,303	(2,000)
Other financing cash flows	2,192	(274)	(25)	(30)	(33)
Cash flow from financing	2,667	(967)	1,425	3,077	(2,331)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(380)	290	2,230	1,043	(1,699)
Free cash flow to firm (FCFF)	(2,526.87)	1,714.43	1,381.57	(1,393.43)	1,277.98
Free cash flow to equity (FCFE)	(2,394.52)	289.75	2,230.28	239.65	(1,400.81)

Per share (THB)

FCFF per share	(0.52)	0.35	0.28	(0.28)	0.26
FCFE per share	(0.49)	0.06	0.46	0.05	(0.29)
Recurring cash flow per share	(0.09)	0.17	0.36	0.36	0.40

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	25,682	26,373	27,473	31,363	32,763
Less: Accumulated depreciation	(6,274)	(7,089)	(7,996)	(8,973)	(10,055)
Tangible fixed assets (net)	19,409	19,285	19,478	22,390	22,708
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	48	63	63	63	63
Cash & equivalents	1,242	1,532	3,762	4,806	3,106
A/C receivable	100	160	160	160	160
Inventories	39	43	58	65	68
Other current assets	1,274	291	440	495	528
Current assets	2,655	2,026	4,420	5,525	3,862
Other assets	338	338	338	338	338
Total assets	22,450	21,712	24,298	28,316	26,971
Common equity	6,012	5,698	6,410	7,960	8,522
Minorities etc.	11	23	23	24	24
Total shareholders' equity	6,023	5,722	6,434	7,984	8,546
Long term debt	14,237	13,935	14,935	17,238	15,238
Other long-term liabilities	880	846	846	846	846
Long-term liabilities	15,117	14,781	15,781	18,084	16,084
A/C payable	143	235	315	352	368
Short term debt	690	300	750	750	750
Other current liabilities	478	675	1,019	1,146	1,223
Current liabilities	1,311	1,209	2,083	2,248	2,341
Total liabilities and shareholders' equity	22,450	21,712	24,298	28,316	26,971
Net working capital	793	(415)	(675)	(778)	(835)
Invested capital	20,587	19,271	19,203	22,012	22,274

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	1.33	1.26	1.41	1.63	1.74
Tangible book value per share	1.33	1.26	1.41	1.63	1.74

Financial strength

Net debt/equity (%)	227.2	222.0	185.3	165.1	150.7
Net debt/total assets (%)	61.0	58.5	49.1	46.6	47.8
Current ratio (x)	2.0	1.7	2.1	2.5	1.6
CF interest cover (x)	(3.6)	1.6	4.9	1.4	(1.2)

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(10.9)	(79.9)	32.3	32.1	27.8
Recurring P/E @ target price (x) *	(14.0)	(102.7)	41.5	41.3	35.8
Reported P/E (x)	(10.8)	(99.0)	31.2	32.1	27.8
Dividend yield (%)	-	-	1.2	1.2	1.4
Price/book (x)	3.7	3.9	3.5	3.0	2.8
Price/tangible book (x)	3.7	3.9	3.5	3.0	2.8
EV/EBITDA (x) **	(50.3)	36.0	16.3	15.6	13.7
EV/EBITDA @ target price (x) **	(59.2)	42.6	19.4	18.5	16.2
EV/invested capital (x)	1.7	1.8	1.8	1.7	1.7

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: The Erawan Group; FSSIA estimates

The Erawan Group PCL (ERW TB)

FSSIA ESG rating

★ ★ ★

39.65 /100

Exhibit 15: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BEYOND	24.98	--	--	--	5.00	5.00	Certified	--	39.83	--	--	--	--	--	--
CENTEL	62.78	--	Y	Y	5.00	5.00	Certified	Medium	57.54	--	--	71.56	48.00	2.93	54.19
DUSIT	24.81	--	--	--	5.00	4.00	Certified	--	46.50	--	--	--	--	--	--
ERW	39.65	--	--	--	4.00	4.00	Certified	--	54.22	--	--	51.15	21.00	3.90	--
MINT	84.43	Y	Y	Y	5.00	4.00	Certified	Medium	57.57	AA	37.00	91.18	69.00	5.00	--
SHR	25.00	--	Y	Y	5.00	5.00	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	3.67	3.90
BESG environmental pillar score	—	—	3.30	—
BESG social pillar score	—	—	3.36	—
BESG governance pillar score	—	—	4.54	—
ESG disclosure score	—	—	43.34	—
Environmental disclosure score	—	—	16.40	—
Social disclosure score	—	—	29.87	—
Governance disclosure score	—	—	83.59	—
Environmental				
Emissions reduction initiatives	No	No	Yes	Yes
Climate change policy	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	Yes	Yes
GHG scope 1	—	—	8	10
GHG scope 2 location-based	—	—	34	32
GHG Scope 3	—	—	0	—
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	Yes	Yes
Energy efficiency policy	No	No	Yes	Yes
Total energy consumption	—	—	56,530	—
Renewable energy use	—	—	—	—
Electricity used	—	—	56,530	—
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	No	No	Yes	Yes
Hazardous waste	—	—	—	0
Total waste	—	—	—	0
Waste recycled	—	—	—	—
Waste sent to landfills	—	—	—	0
Environmental supply chain management	No	No	No	No
Water policy	No	No	Yes	Yes
Water consumption	—	—	—	1,187
Social				
Human rights policy	No	No	Yes	Yes
Policy against child labor	No	No	No	No
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	No	No	No	No
Equal opportunity policy	No	No	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	56	56
Pct disabled in workforce	—	—	4	11
Business ethics policy	No	No	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes	Yes
Health and safety policy	No	No	Yes	Yes
Lost time incident rate - employees	—	—	—	—
Total recordable incident rate - employees	—	—	0	—
Training policy	No	No	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	—	—	3,000	3,721
Employee turnover pct	—	—	25	—
Total hours spent by firm - employee training	—	—	88,371	101,024
Social supply chain management	No	No	No	Yes
Governance				
Board size	—	11	11	11
No. of independent directors (ID)	—	4	4	4
No. of women on board	—	2	2	2
No. of non-executive directors on board	—	9	9	9
Company conducts board evaluations	No	Yes	Yes	Yes
No. of board meetings for the year	—	11	12	13
Board meeting attendance pct	—	100	98	95
Board duration (years)	—	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	—	38	39	40
Age of the oldest director	—	68	69	70
No. of executives / company managers	—	7	6	6
No. of female executives	—	2	2	2
Executive share ownership guidelines	No	No	No	No
Size of audit committee	—	3	3	3
No. of ID on audit committee	—	3	3	3
Audit committee meetings	—	4	6	8
Audit meeting attendance %	—	100	100	100
Size of compensation committee	—	3	3	3
No. of ID on compensation committee	—	1	1	1
No. of compensation committee meetings	—	2	3	3
Compensation meeting attendance %	—	100	89	89
Size of nomination committee	—	3	3	3
No. of nomination committee meetings	—	2	2	2
Nomination meeting attendance %	—	100	100	100
Sustainability governance				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
NEGL	Low	Medium	High	Severe																									
0-10	10-20	20-30	30-40	40+																									
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">AAA</td> <td style="width: 25%;">8.571-10.000</td> <td style="width: 15%;">Leader:</td> <td style="width: 45%;">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																										
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
The Erawan Group	ERW TB	THB 4.90	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Asset World Corp	AWC TB	THB 3.84	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Minor International	MINT TB	THB 27.50	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 41.75	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
S Hotels and Resorts	SHR TB	THB 2.30	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Dusit Thani	DUSIT TB	THB 8.40	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Bound and Beyond	BEYOND TB	THB 12.40	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 19-Jan-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.