

10 June 2020

Consumer Cyclical | Leisure & Entertainment

Minor International (MINT TB)

Sell (Maintained)

Earnings Are Reality; Keep SELL

Target Price (Return): THB16.00 (-33.1%)
 Price: THB23.90
 Market Cap: USD3,513m
 Avg Daily Turnover (THB/USD) 1,367m/39.4m

- **Keep SELL and DCF-based THB16.00 TP, 33% downside.** We have no doubt over Minor International's financial discipline and long-term balance sheet and liquidity outlook, but its earnings recovery may be slower than its local hotel peers, as COVID-19 remains within its overseas locations. Although losses are likely to bottom out in 2Q20, the 3Q20 outlook may still be weaker than 1Q20's, when it posted a THB1.77bn net loss.
- **In MINT's Tuesday business updates,** hotels' 5M20 organic occupancy rates (OR) stood at 32% (5M19: 68%) – an average revenue/available room (RevPar) of -55% YoY. Among all its hotels (535 in 2019), 27% opened as at end May. 19% and 10% of MINT's hotels in Europe and the Americas remained open. All Australia and New Zealand hotels stayed operational, with c.20-30% OR. Locally, three out of 28 hotels (Bangkok: 1, Hua Hin: 2) were re-opened. It plans more re-openings from June.
- **Fast food development.** MINT booked -15.8% and -20.5% YoY SSSG and TSSG in 5M20. 83%, 95%, and 80% of food outlets in Thailand, China, and Australia were re-opened by end May. Gradual easing of social distancing measures since early June by the Thai authorities has raised outlet space utilisation for more customers. China operations were profitable at store level in April-May – a pre-crisis level recovery by June is possible.
- **A slight recovery.** MINT's food business has a faster recovery outlook vis-à-vis its hotels, but contributions have become much smaller post 2018's NH Hotel Group M&A. As COVID-19 is still spreading in some of its locations (eg Latin America and Europe), this may extend MINT's worldwide hotel networks re-opening completion date, and its recovery may be slower than its local peers. In Thailand, we believe MINT's focus here may still not be sufficient to turn operations profitable. We believe the hotel side will remain the key drag to earnings this year and the next.
- **Mitigation plans on the way.** MINT has attained its 2Q20-4Q20 debt covenant testing waiver from its bondholders from its 1.75x IBD/E ratio. Its loan facility lenders may also grant a waiver in the latter half of June, which could strongly support balance sheet flexibility. MINT is also aiming for FY20 expenses to be down 25% from 2019's on various cost-saving plans, ie rent, supplier, and employee payments. We see further downside to our FY20F THB4.27bn net loss, where total expenses could drop 29% YoY.
- **MINT's share price rallied 74% in 2.5 months** from an almost 8-year low in late March. We believe this was on Street's expectation of a tourism recovery and solutions to MINT's liquidity issues, but overlooks its awaiting estimated losses in 2Q20-3Q20. COVID-19's aftereffect on the world economy may dampen travel demand and undermine its global business diversification strategy in the near term. Our view: MINT needs three years to bring bottomline back to pre-pandemic levels.

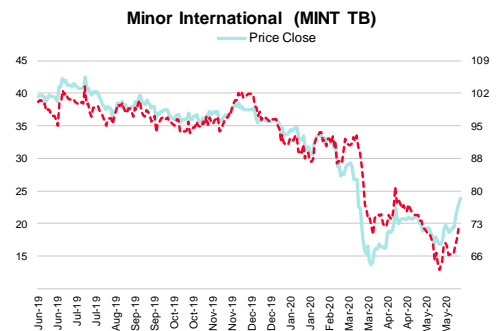
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(33.6)	25.8	(10.7)	(36.3)	(37.9)
Relative	(24.7)	12.2	(25.2)	(28.9)	(24.9)
52-wk Price low/high (THB)				13.70	– 42.50



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	74,938	119,023	75,063	99,596	118,044
Recurring net profit (THBm)	5,728	7,060	(4,266)	2,477	4,942
Recurring net profit growth (%)	5.8	23.3	(160.4)	-	99.5
Recurring P/E (x)	19.27	15.64	na	44.56	22.34
P/B (x)	2.1	1.8	1.9	1.8	1.7
P/CF (x)	4.60	2.63	na	8.40	7.30
Dividend Yield (%)	1.7	na	na	0.8	1.3
EV/EBITDA (x)	13.61	9.65	24.56	13.00	10.47
Return on average equity (%)	8.6	18.6	(7.1)	4.1	7.8
Net debt to equity (%)	138.7	115.3	145.2	139.9	128.7

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	1.24	1.53	(0.92)	0.54	1.07
Consumer Cyclical	DPS	0.40	-	-	0.19	0.32
Minor International	BVPS	11.64	13.21	12.71	13.24	14.13
MINT TB	Return on average equity (%)	8.6	18.6	(7.1)	4.1	7.8
Sell						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Valuation basis	Recurring P/E (x)	19.27	15.64	na	44.56	22.34
DCF	P/B (x)	2.1	1.8	1.9	1.8	1.7
	FCF Yield (%)	(102.3)	25.8	(18.9)	3.7	7.4
Key drivers	Dividend Yield (%)	1.7	-	-	0.8	1.3
i. A tourism industry recovery after COVID-19;	EV/EBITDA (x)	13.61	9.65	24.56	13.00	10.47
ii. Opening of new owned or JV hotels and restaurant outlets;	EV/EBIT (x)	21.44	17.09	na	29.87	20.01
iii. Consolidation of financial statements of acquired entities;						
iv. Successful launch of new products;						
v. Economies of scale in the operations of its business units.						
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Key risks	Total turnover	74,938	119,023	75,063	99,596	118,044
i. Weaker-than-expected tourism environment and consumption;	Gross profit	42,171	53,829	32,273	44,860	55,310
ii. Delays in the opening of new hotel properties and food & retail outlets;	EBITDA	16,032	21,105	9,162	17,150	20,781
iii. Rising competition among hotel and restaurant operators;	Depreciation and amortisation	(5,855)	(9,181)	(9,404)	(9,688)	(9,904)
iv. Weaker-than-expected cost controls, which may lower profit margins.	Operating profit	10,176	11,924	(243)	7,462	10,877
	Net interest	(2,869)	(4,081)	(4,019)	(4,004)	(3,976)
	Pre-tax profit	6,088	11,480	(4,261)	3,459	6,900
	Taxation	(1,337)	(486)	(206)	(865)	(1,725)
	Reported net profit	4,508	10,698	(4,266)	2,477	4,942
	Recurring net profit	5,728	7,060	(4,266)	2,477	4,942
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Company Profile	Change in working capital	6,931	(1,771)	(2,269)	(1,256)	(701)
MINT is a global company focused on three primary businesses: Restaurants, hotels, and a distribution business featuring lifestyle brands.	Cash flow from operations	24,024	42,005	(10,384)	13,138	15,118
	Capex	(136,922)	(13,500)	(10,500)	(9,000)	(7,000)
	Cash flow from investing activities	(143,263)	(5,970)	(11,070)	(9,598)	(7,628)
	Dividends paid	(2,071)	(1,848)	0	0	(867)
	Cash flow from financing activities	127,118	(35,464)	15,139	(2,472)	(4,045)
	Cash at beginning of period	4,881	12,760	13,331	7,016	8,084
	Net change in cash	7,879	571	(6,315)	1,068	3,445
	Ending balance cash	12,760	13,331	7,016	8,084	11,529
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	12,760	13,331	7,016	8,084	11,529
	Tangible fixed assets	135,441	125,304	143,589	143,863	141,903
	Total investments	17,465	16,096	15,848	15,768	15,694
	Total assets	268,081	254,184	260,726	265,215	269,170
	Short-term debt	17,633	9,971	17,612	27,412	38,730
	Total long-term debt	109,261	102,402	109,949	99,549	86,831
	Total liabilities	185,780	168,316	177,722	180,228	180,578
	Total equity	82,301	85,868	83,004	84,987	88,592
	Total liabilities & equity	268,081	254,184	260,726	265,215	269,170
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	36.2	58.8	(36.9)	32.7	18.5
	Recurrent EPS growth (%)	5.8	23.3	(160.4)	0.0	99.5
	Gross margin (%)	56.3	45.2	43.0	45.0	46.9
	Operating EBITDA margin (%)	21.4	17.7	12.2	17.2	17.6
	Net profit margin (%)	6.0	9.0	(5.7)	2.5	4.2
	Dividend payout ratio (%)	45.9	17.3	0.0	0.0	0.0
	Capex/sales (%)	182.7	11.3	14.0	9.0	5.9
	Interest cover (x)	3.55	2.92	(0.06)	1.86	2.74

Source: Company data, RHB

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Figure 1: MINT's DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	(243)	7,462	10,877	13,769	14,381	14,746	14,940	15,233	15,491	15,751
EBIT (1-t)	(254)	5,597	8,158	10,327	10,785	11,060	11,205	11,425	11,618	11,814
Depreciation & amortisation	9,404	9,688	9,904	10,121	10,339	10,558	10,779	11,001	11,293	11,622
Change in net working capital	(2,269)	(1,256)	(701)	(341)	518	(96)	22	0	(15)	17
Capex	(10,500)	(9,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(9,000)	(10,000)
Net free cash flow to firm	(3,619)	5,029	10,361	13,107	14,642	14,522	15,006	15,425	13,897	13,453
Terminal value										239,284
PV	(3,360)	4,336	8,295	9,745	10,108	9,309	8,933	8,526	7,133	120,455
Terminal growth	2.0%									
WACC	7.7%									
Total discounted firm value	183,480									
Less: Net debt	99,043									
Less: Minority interest	10,407									
Equity value	74,031									
Number of shares (m)	4,619									
Equity value per share (THB)	16.00									

Source: RHB

Figure 2: MINT's key operating performance and assumptions

	2018	2019	2020F	2021F	2022F
% Revenue contributions					
Hotels	59	72	63	71	73
Food	29	19	28	22	20
Mixed-use properties	6	5	3	3	3
Retails	6	4	5	4	4
Hotel business					
- Number of hotel rooms					
Owned and leased	52,969	54,255	56,437	57,246	58,269
JV	2,026	2,026	2,109	2,309	2,309
Managed	13,311	14,932	16,999	20,143	23,167
Management letting rights	6,935	7,147	7,333	7,333	7,333
Total	75,241	78,360	82,878	87,031	91,078
- Owned and leased hotel performance					
Occupancy rate (%)	70	71	44	65	72
ARR (THB/room/night)	4,587	3,846	3,269	3,269	3,531
RevPar (THB/room/night)	3,190	2,729	1,438	2,125	2,542
Food business					
Number of outlets	2,270	2,377	2,425	2,522	2,673
Equity-owned outlets	1,159	1,198	1,217	1,256	1,316
Franchised	1,111	1,179	1,208	1,266	1,356
SSSG (%)	-3.3	-3	-15	0	3
Total food revenue growth (%)	10.3	2.7	-13.1	2.4	7.1

Source: Company data, RHB

Figure 3: MINT's updated average room occupancy rates

	Average Occupancy ⁽¹⁾ (System-wide)											
	Year ended 31 December			Three-month period ended 31 March			April			May		
	2019	2018	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
	(%)		ppt	(%)		ppt	(%)		ppt	(%)		ppt
Majority Owned Hotels	71	70	1	46	65	(19)	1	72	(71)	2	74	(72)
Thailand	76	77	(1)	53	82	(29)	1	79	(79)	1	67	(66)
Maldives	60	66	(6)	66	73	(7)	0	79	(79)	0	49	(49)
Europe and LATAM ⁽²⁾	71	70	1	46	65	(19)	1	72	(71)	9	56	(47)
Joint Ventures	52	53	(1)	41	56	(15)	7	55	(48)	13	42	(29)
Managed Hotels	64	63	1	48	64	(16)	4	60	(56)	7	58	(51)
MLRs ⁽³⁾	77	79	(2)	71	77	(6)	23	77	(54)	31	73	(42)
Average	70	69	1	49	66	(17)	4	71	(67)	6	71	(65)

Source: Company data

Figure 4: MINT's updated average RevPar

	RevPAR ⁽¹⁾ (System Wide)											
	Year ended 31 December			Three-month period ended 31 March			April			May		
	2019	2018	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
	(Baht / night)		%	(Baht / night)		%	(Baht / night)		%	(Baht / night)		%
Majority Owned Hotels	2,729	3,190	(14)	1,752	2,444	(28)	28	2,914	(99)	67	3,021	(98)
Thailand	4,654	4,872	(4)	3,889	5,951	(35)	26	4,783	(99)	110	3,316	(98)
Maldives	16,878	17,623	(4)	21,506	26,190	(18)	5	25,164	(100)	0	11,301	(100)
Europe and LATAM ⁽²⁾	2,607	2,853	(9)	1,599	2,211	(28)	28	2,767	(99)	60	3,006	(98)
Joint Ventures	4,136	4,343	(5)	3,067	4,063	(25)	222	3,892	(94)	411	2,076	(80)
Managed Hotels	2,823	3,361	(16)	2,234	3,172	(30)	243	3,407	(93)	388	2,445	(84)
MLRs ⁽³⁾	2,937	3,391	(13)	2,641	3,188	(17)	611	2,961	(79)	709	2,621	(73)
Average	2,793	3,318	(16)	1,935	2,655	(27)	115	3,014	(96)	187	2,882	(94)

Source: Company data

Figure 5: MINT's updated food business performance

	Year ended 31 December		Three-month period ended 31 March	April	May
	2018	2019		2020	
	(%)	(%)	(%)	(%)	(%)
Average Same-Store Sales	(3.3)	(3.0)	(10.5)	(25.6)	(28.1)
Thailand	(3.1)	(4.4)	(6.9)	1.6	(12.9)
Australia	(2.6)	(1.3)	(7.9)	(70.1)	(49.0)
China	(5.9)	0.1	(49.4)	(42.1)	(13.1)
Average Total-System Sales	0.2	5.0	(5.8)	(47.8)	(37.8)
Thailand	5.4	2.7	5.5	(28.0)	(25.7)
Australia	(13.3)	(1.2)	(12.5)	(83.1)	(53.0)
China	4.4	14.7	(59.1)	(40.9)	(15.6)

Source: Company data

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-04-13	Sell	16.0	20.1
2019-12-12	Buy	48.0	37.8
2018-10-30	Buy	50.0	35.3

Source: RHB, Bloomberg

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80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		พอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

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