

14 August 2020

Consumer Cyclical | Leisure & Entertainment

Minor International (MINT TB)

Sell (Maintained)

Hotels Remain Under Pressure; Keep SELL

Target Price (Return): THB16.00 (-23.1%)
 Price: THB20.80
 Market Cap: USD3,531m
 Avg Daily Turnover (THB/USD) 1,738m/55.4m

- **Keep SELL and DCF-based THB16.00 FY20F TP. 23% downside.** Minor International's earnings have bottomed from its weakest-ever results in 2Q20. However, we continue to believe its 2H20 earnings will still be in the red and deeper than 1Q20 numbers. Normalisation for the hotel business may be a long way off, given the ongoing pandemic at its locations globally. We now estimate MINT's FY21 earnings at only a third of the pre-outbreak levels seen in 2019.

- **Weakest-ever quarter.** MINT posted a 2Q20 core loss of THB7.16bn (2Q19: THB2.1bn net profit) – which was also steeper than 1Q20's THB3.17bn core loss – and 11% lower than consensus' forecasts. The effects of COVID-19 adversely undermined all its businesses, mainly in April and May. MINT's poor hotel performance was the key reason behind the massive loss, with hotel revenue falling as much as 92% YoY (-88% QoQ), while its average revenue per available room (RevPar) for owned hotels plunged 95% YoY (-92% QoQ).

- **MINT's restaurant outlets** – mainly at its Thailand and Australia hubs – were temporarily closed by the two governments' intensive lockdown measures. However, a surge in the delivery and takeaway segments helped alleviate the tumble in dine-in sales, causing -23% YoY SSSG vs -31% YoY previously, as well as a 29% QoQ drop in total food revenue. Despite cost-cutting initiatives, fixed costs at MINT's hotels resulted in negative gross margins and EBITDA. Interest expense also jumped 79% YoY on rising borrowings and the new accounting standard on financial leases. A 1H20 core loss of THB10.34bn was recorded (1H19: THB2.73bn profit). Net D/E continued increasing to 2.6x from 1.2x as at end 2019.

- **A slow recovery in 2H20.** As international travel restrictions remain, we retain our view that MINT's negative earnings may gradually improve QoQ throughout the latter half of 2020. However, its earnings for this period may still be weaker than 1Q20's numbers. We expect its diversified locations globally to possibly cause its hotel business to recover slower than other Thai hoteliers under our coverage. MINT's overseas properties may also continue to be affected by COVID-19's resurgence in many countries. A small revenue contribution from domestic hotels (c.7-8% of group revenue in 2019) could see MINT minimally benefiting from the Government's initiatives to boost local tourism, and we have seen a monthly sequential pick-up in its average hotel occupancy rate. We also expect a stronger recovery for the food wing despite the upcoming challenge, ie a local consumption slowdown.

- **Keep SELL.** MINT's quarterly earnings already bottomed in 2Q20, but negative earnings should remain over 3Q20-4Q20 on upcoming risks. We still think it needs three years to bring bottomline back to pre-pandemic levels. MINT's FY21 earnings may only be a third of 2019's numbers. Key upside risk: Faster-than-expected recoveries at each of its locations.

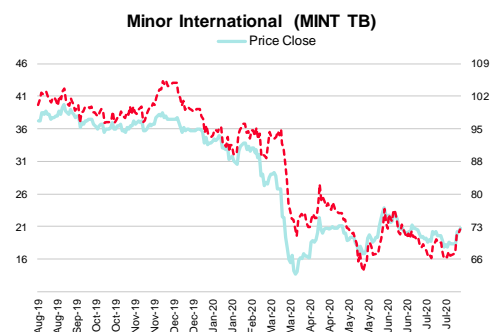
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(42.2)	6.7	7.8	(36.0)	(43.0)
Relative	(27.4)	6.4	3.8	(23.8)	(26.1)
52-wk Price low/high (THB)				13.70	– 39.75



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)	16.77	13.61	na	38.78	19.44
P/B (x)	1.8	1.6	1.6	1.6	1.5
P/CF (x)	4.00	2.29	na	7.31	6.35
Dividend Yield (%)	1.9	na	na	0.9	1.5
EV/EBITDA (x)	12.71	8.98	22.99	12.16	9.78
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

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)	16.77	13.61	na	38.78	19.44
DCF	P/B (x)	1.8	1.6	1.6	1.6	1.5
	FCF Yield (%)	(117.5)	29.7	(21.7)	4.3	8.5
Key drivers	Dividend Yield (%)	1.9	-	-	0.9	1.5
i. A tourism industry recovery after COVID-19;	EV/EBITDA (x)	12.71	8.98	22.99	12.16	9.78
ii. Opening of new owned or JV hotels and restaurant outlets;	EV/EBIT (x)	20.03	15.89	na	27.95	18.69
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 unit that features 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 2Q20 and 1H20 performance review

FYE Dec (THBm)	2Q19	1Q20	2Q20	YoY % chg	QoQ % chg	1H19	1H20	YoY % chg	Remarks
Revenues from hotel operations	23,029	14,609	1,812	(92.1)	(87.6)	42,355	16,420	(61.2)	Adverse impact from COVID-19, which resulted in temporary property shutdowns. Softer performance of all key hubs amidst intense COVID-19 lockdown measures, mainly in Thailand and Australia.
Revenues from food & beverage	5,568	5,412	3,857	(30.7)	(28.7)	11,446	9,269	(19.0)	
Revenues from mixed use operations	970	719	191	(80.3)	(73.4)	2,143	910	(57.5)	Poor topline sales were mainly affected by the hotel business.
Revenues from retail	1,107	989	590	(46.7)	(40.4)	2,343	1,579	(32.6)	
Turnover	30,675	21,729	6,449	(79.0)	(70.3)	58,287	28,178	(51.7)	Rising interest expenses following an increase in loans and the new accounting standard on financial leases, ie Thai Financial Reporting Standards 16.
Gross profit	14,318	7,186	(1,507)	n.m.	n.m.	26,325	5,679	(78.4)	
EBIT	3,970	(1,931)	(6,697)	n.m.	n.m.	5,974	(8,628)	n.m.	The drop in hotel revenue was the major reason for the massive loss. Aggregated one-time expenses of THB1.29bn in 2Q20, mainly from redundancy costs from cost-cutting measures and FX losses.
EBIT margin (%)	12.9	(8.9)	(103.8)			10.2	(30.6)		
EBITDA	6,256	2,756	(1,616)	n.m.	n.m.	10,527	1,140	(89.2)	
EBITDA margin (%)	20.4	12.7	(25.1)			18.1	4.0		
Interest expense	(1,069)	(1,808)	(1,912)	78.9	5.8	(2,101)	(3,721)	77.1	
Pre-tax profit	2,900	(3,739)	(8,609)	n.m.	n.m.	3,873	(12,348)	n.m.	
Tax	(666)	384	974	n.m.	n.m.	(943)	1,358	n.m.	
Core profit	2,100	(3,173)	(7,163)	n.m.	n.m.	2,733	(10,335)	n.m.	
Net profit	1,786	(1,774)	(8,448)	n.m.	n.m.	2,369	(10,221)	n.m.	
Gross margin (%)	46.7	33.1	(23.4)			45.2	20.2		
SG&A/sales (%)	36.1	45.1	84.1			38.3	54.0		
Core profit margin (%)	6.8	(14.6)	(111.1)			4.7	(36.7)		
Net margin (%)	5.8	(8.2)	(131.0)			4.1	(36.3)		
Key indicators									
Owned hotel occupancy rate (%)	74	46	6	(68.0)	(40.0)	70	26	(44.0)	Still seeing a monthly sequential pick-up in average occupancy rates.
ARR (THB/day)	4,109	3,810	2,563	(37.6)	(32.7)	3,942	3,544	(10.1)	Lower demand since February from travel disruptions globally. This was mainly in the full month of April and first half of May, when hotels at all key markets – except Australia – were temporarily closed.
RevPar (THB/day)	3,053	1,752	144	(95.3)	(91.8)	2,752	929	(66.2)	
Number of equity-owned restaurants	1,139	1,181	1,184	4.0	0.3	1,139	1,184	4.0	This was on temporary closures of restaurants and dine-in businesses at its Thailand and Australia hubs. However, a surge in the delivery and takeaway segments partially helped alleviate the drop in dine-in sales.
Food SSSG (%)	(3.6)	-10.5	(23.0)	(19.4)	(12.5)	(3.8)	(15.9)	(12.1)	

Source: RHB

Figure 2: 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

Recommendation Chart



Date	Recommendation	Target Price	Price
2020-06-10	Sell	16.0	22.9
2019-12-12	Buy	48.0	37.8
2018-10-30	Buy	50.0	35.3

Source: RHB, Bloomberg

Source: RHB, Bloomberg

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ช่วงคะแนน Score	สัญลักษณ์ Rang Number of Logo	ความหมาย	Description
90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	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

ประกาศเจตนาธรรม 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

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
- ได้รับการรับรอง CAC

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