

# Minor International Plc (MINT)

**The worst has passed**

**Capital Nomura Securities Public Company Limited**

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June 2019

## Executive summary

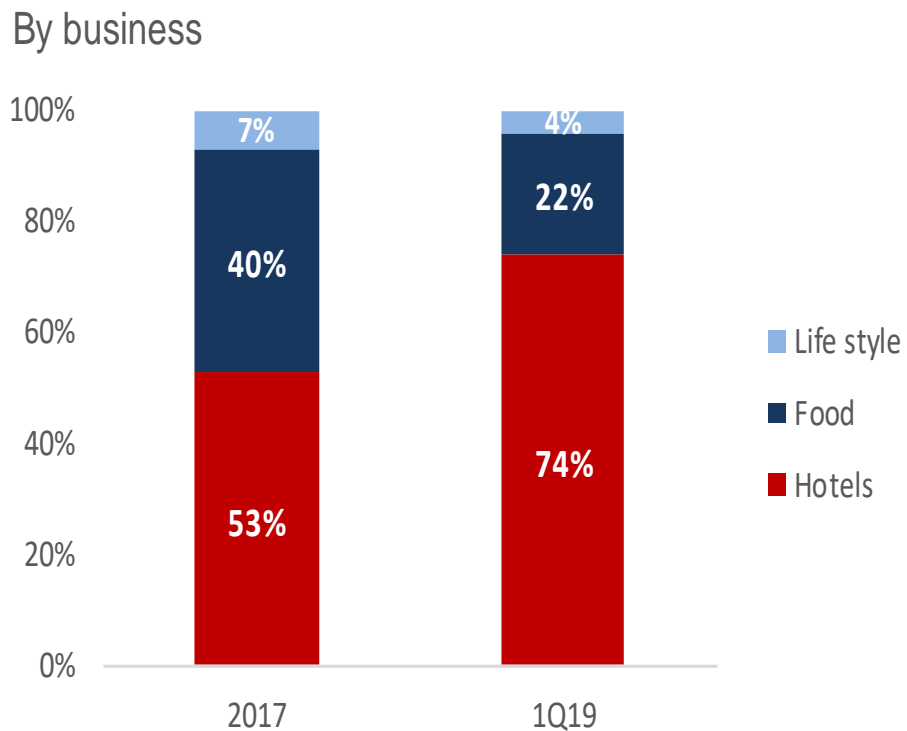
- CNS recommends **BUY** and chooses **MINT** as Top Pick of hotel sector with a target price 2019F of THB 48.00
- **Key investment theme for MINT in 2019**
  - Business
    - + Most of oversea hotels are in a good trend.
    - + Thailand port. is expected to recover faster than its peers.
    - + NHH's performance improves continuously.
    - Minor food is facing a tough time.
  - Earnings and valuation
    - + MINT's profits are expected to grow y-y every quarter from 2Q19F onward.
    - + MINT's forward PER is lower than its historical mean.

**Fig 1. Peers comparison**

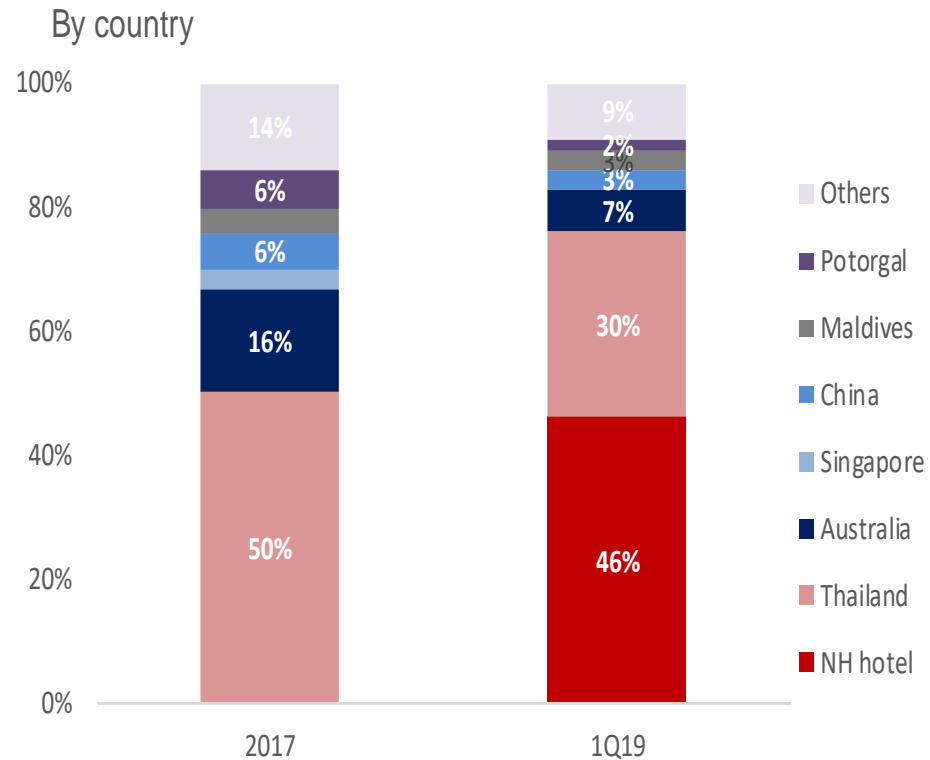
	Norm. profit			% y-y 19/18	CAGR 19-21F	PER (x)	PBV (x)	TP19F	% Upside/ Downside	Rating
	2018	2019F	2020F							
<b>Sector</b>	<b>8,670</b>	<b>9,550</b>	<b>10,942</b>	<b>10.2%</b>	<b>11.7%</b>					<b>Neutral</b>
MINT	5,957	6,947	8,031	16.6%	14.3%	25.6	2.0	48.00	25%	Buy
CENTEL	2,178	2,053	2,258	-5.7%	4.4%	22.5	3.5	41.00	15%	Neutral
ERW	535	551	653	2.9%	10.4%	30.2	2.4	7.10	8%	Neutral

# MINT's company profile

**Fig 2. Revenue breakdown by business**

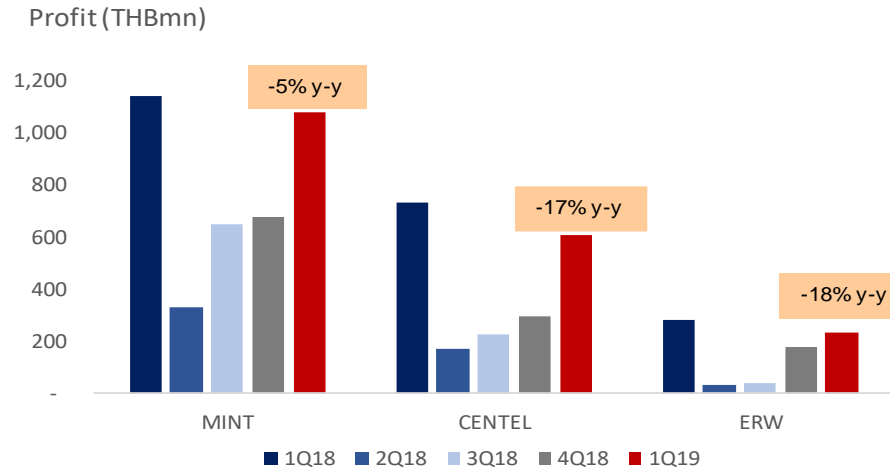


**Fig 3. Revenue breakdown by country**

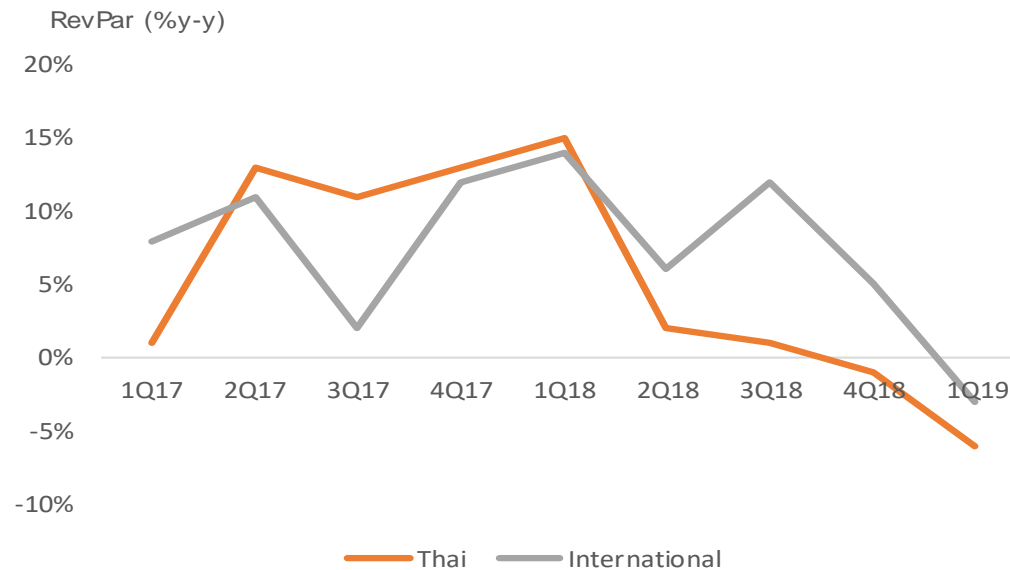


# Minor hotel – Organic performance is improving

**Fig 4. 1Q19's Minor hotel profit dropped less than its peers**



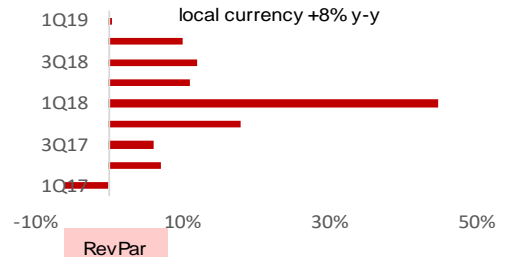
**Fig 5. A strong overseas portfolio of MINT minimized a slowdown of Chinese and Russian tourists of Thailand**



# Most of overseas hotels are in a good trend

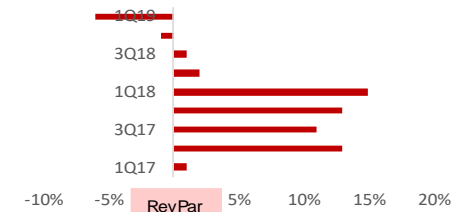
## Portugal – Strong growth to continue

- Shift of European tourists to geopolitical stable regions
- ADR and margin would be increased from Hotel renovations and rebrand to higher end category



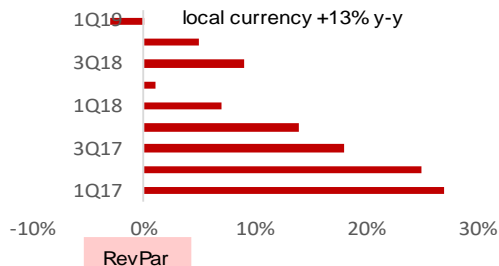
## Thailand – Improving trend

- RevPar dropped in 4Q18 and 1Q19 from soft China and Europe market.
- However, Q2TD RevPar has turned to be positive.



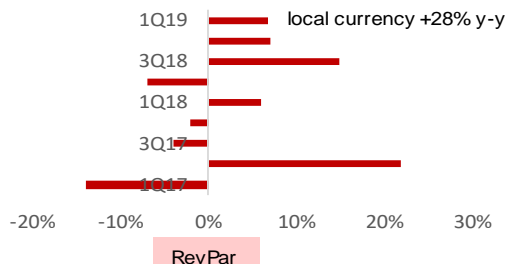
## Brazil – Growth potential

- Brazil's tourism numbers are steadily on the rise.
- RevPar of MINT hotels has grown double digit in BRL.



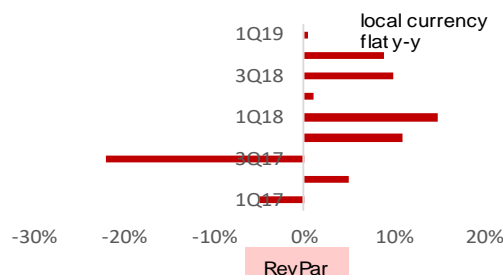
## Africa – Positive growth prospects fueled by robust demand

- Improving infrastructure and flight connectivity would increase domestic demand
- Victoria falls as a main attraction



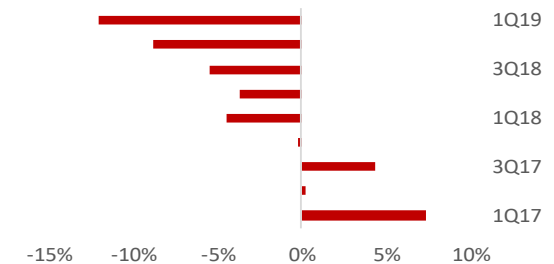
## Maldives – 1<sup>st</sup> time to increase ADR

- MINT has done a successful targeted marketing strategy to fulfill occupancy rate.
- So, in 1Q19 the hotel were able to increase rate slightly.



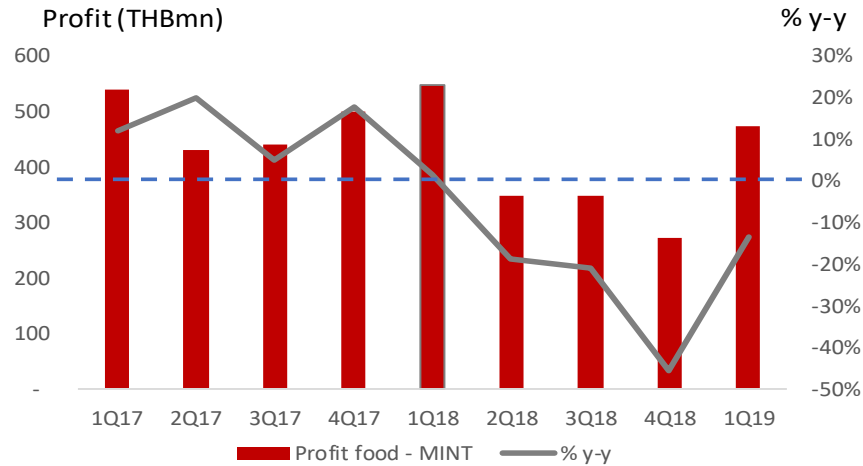
## Australia – Challenge from competition

- RevPar of MLR has declined for 5 consecutive quarters as a result of higher competition in key markets and the weakening of the AUD.

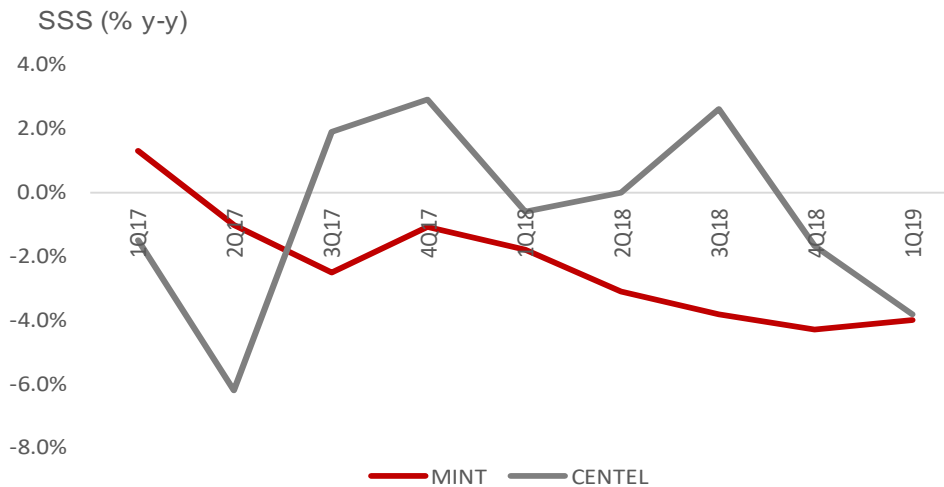


## But Minor food is facing a tough time

**Fig 6. Minor food's earnings have declined for 4 consecutive quarter**



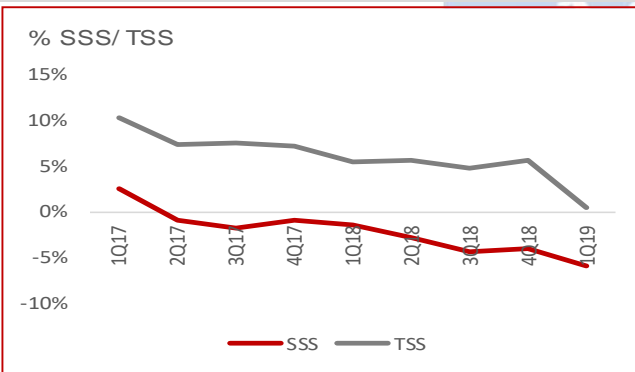
**Fig 7. Minor food's SSS have declined for 8 consecutive quarter**



# Major hubs of Minor food are in a difficult time

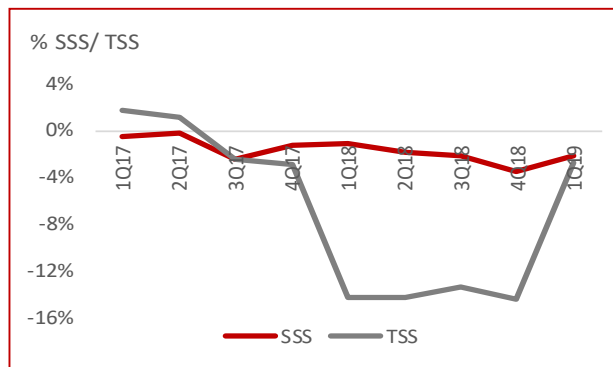
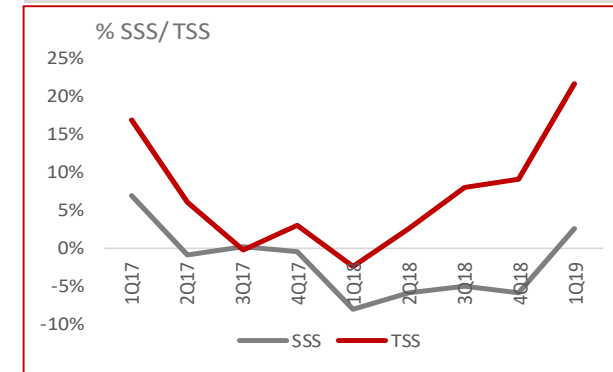
## Thailand – Facing a tough time

- Consumer confidence remains challenging.
- Upcountry SSS performance remains weaker because of a drop of farm income.
- Bangkok continues to be impacted by high competition and deliver service disruption.



## China – Successful restructuring plan

- SSS improved to the positive territory in 1Q19 as the outlet restructuring strategy started to pay off.
- Due to rapid outlet expansion, TSS increased significantly.



## Australia – Economy slowdown and rationalization program




- SSS has still declined as the country's economy continued to be challenging.
- TSS remains negative as part of rationalization program

## NH's company profile

### NH Hotel:

- Among top 10 European hotel chains and top 30 worldwide.
- Urban hotel operator with a diversified portfolio in the upscale segment.
- 352 hotels (owned, leased and managed) with 54,430 rooms in 28 countries

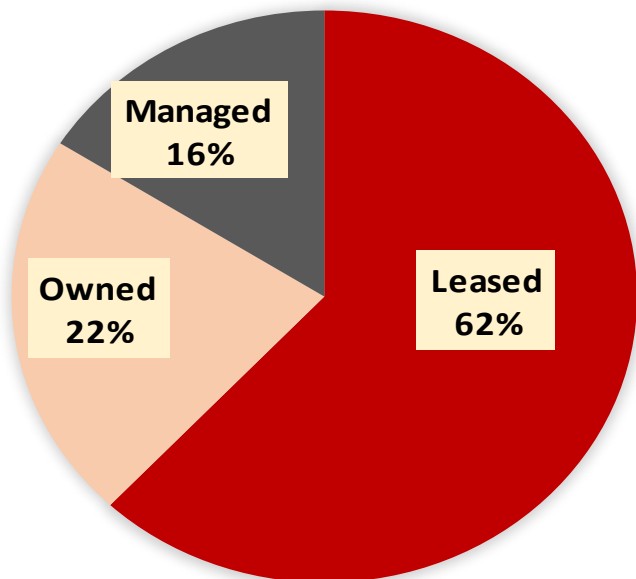
**Fig 8. NH hotel group brands**

	 UPSCALE 4* / MIDSACLE 3*	 NH COLLECTION HOTELS UPPER UPSCALE	 UPPER UPSCALE (DESIGN)
	Open	Open	Open
<b># Hotels</b>	<b>264</b>	<b>77</b>	<b>4</b>
Spain	83	28	1
Italy	38	12	1
Benelux	44	6	1
Central Europe	65	10	1
America	34	21	
<b># Rooms</b>	<b>38,753</b>	<b>11,988</b>	<b>978</b>
<b>% Rooms</b>	<b>71%</b>	<b>22%</b>	<b>2%</b>

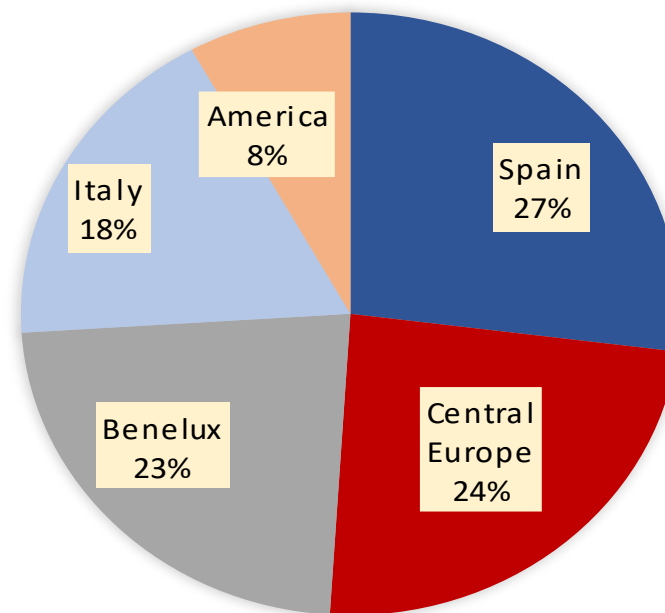


**NH's company profile**

**Fig 9. Revenue breakdown by operation**

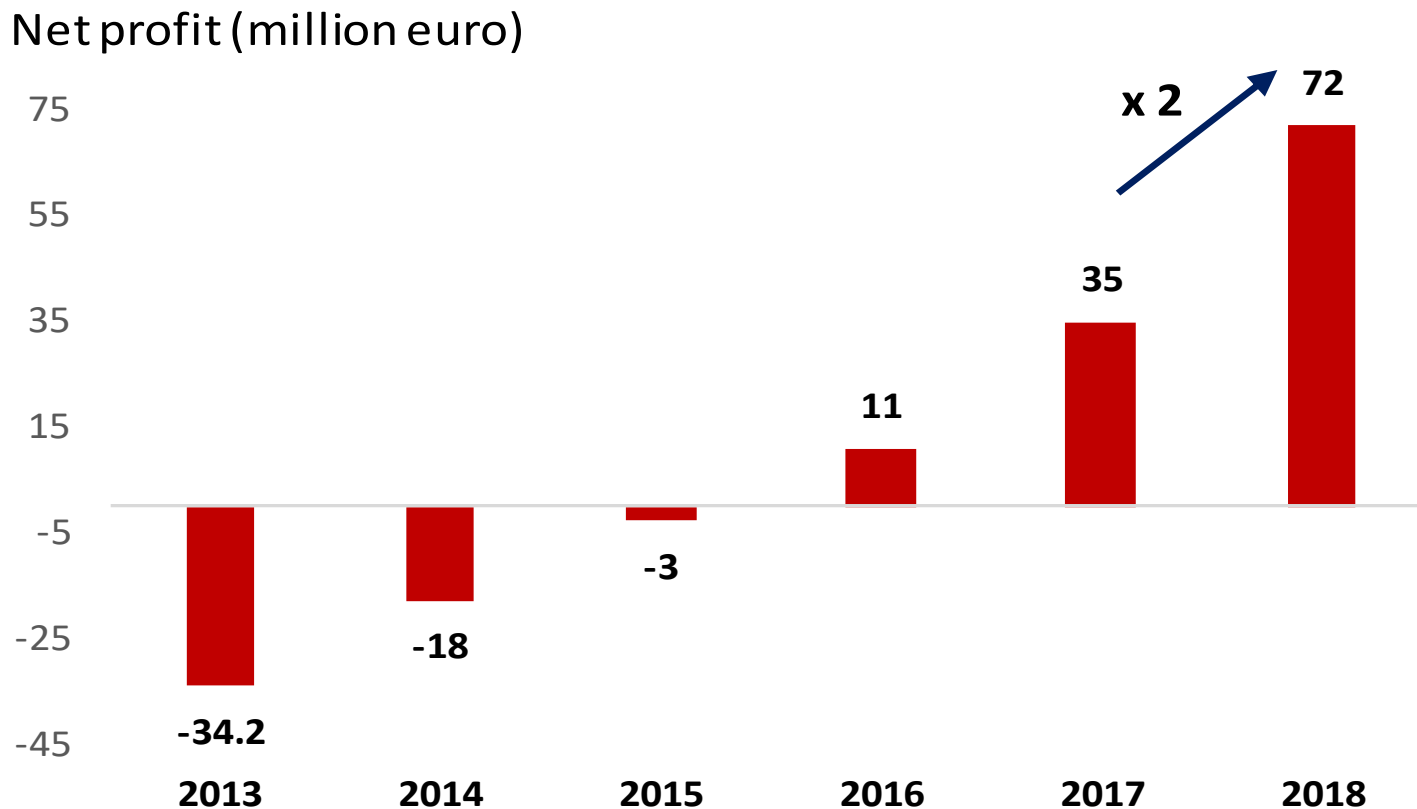


**Fig 10. Revenue breakdown by country**



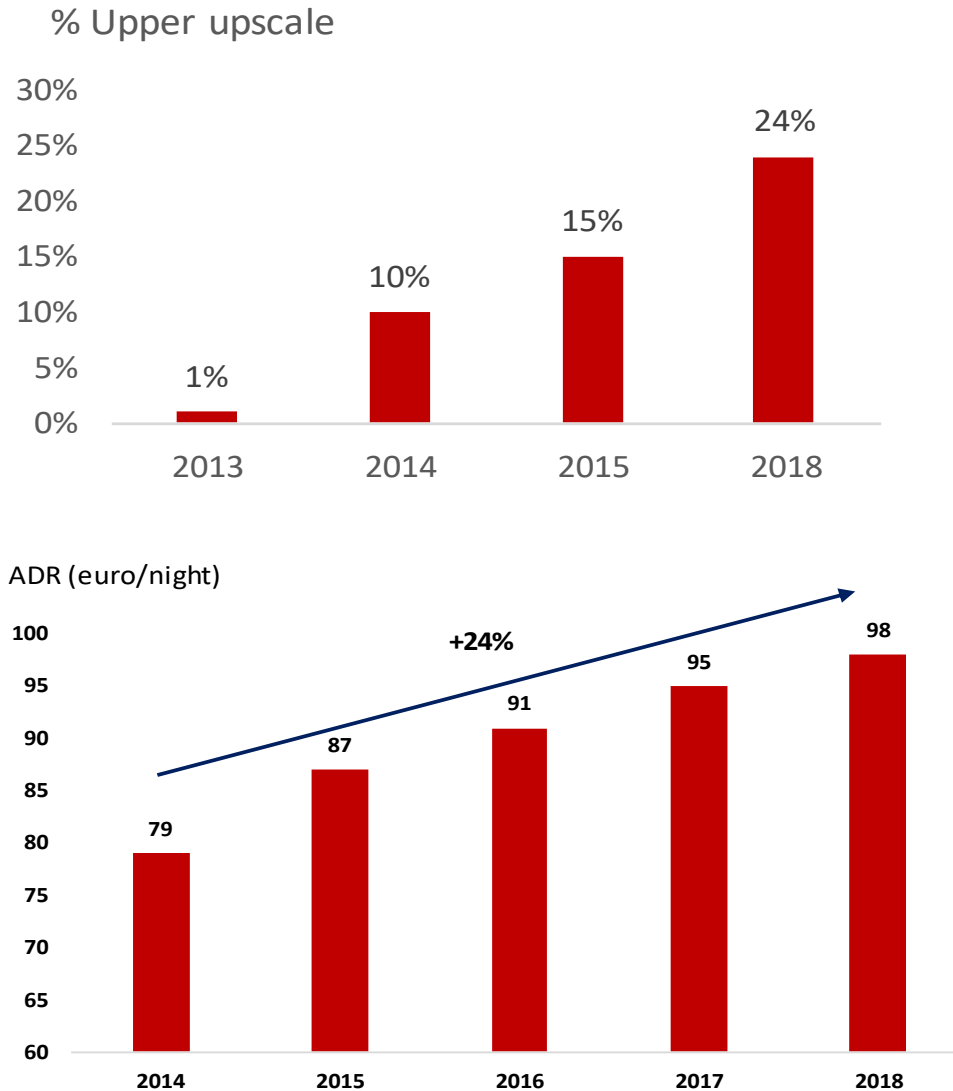
## Key performance indicators of NH hotel group

**Fig 11. 2016 first year of positive result since 2008 and doubled in 2018 vs. previous year:**



# Growth strategy: Rebranded hotel to up-upper scale

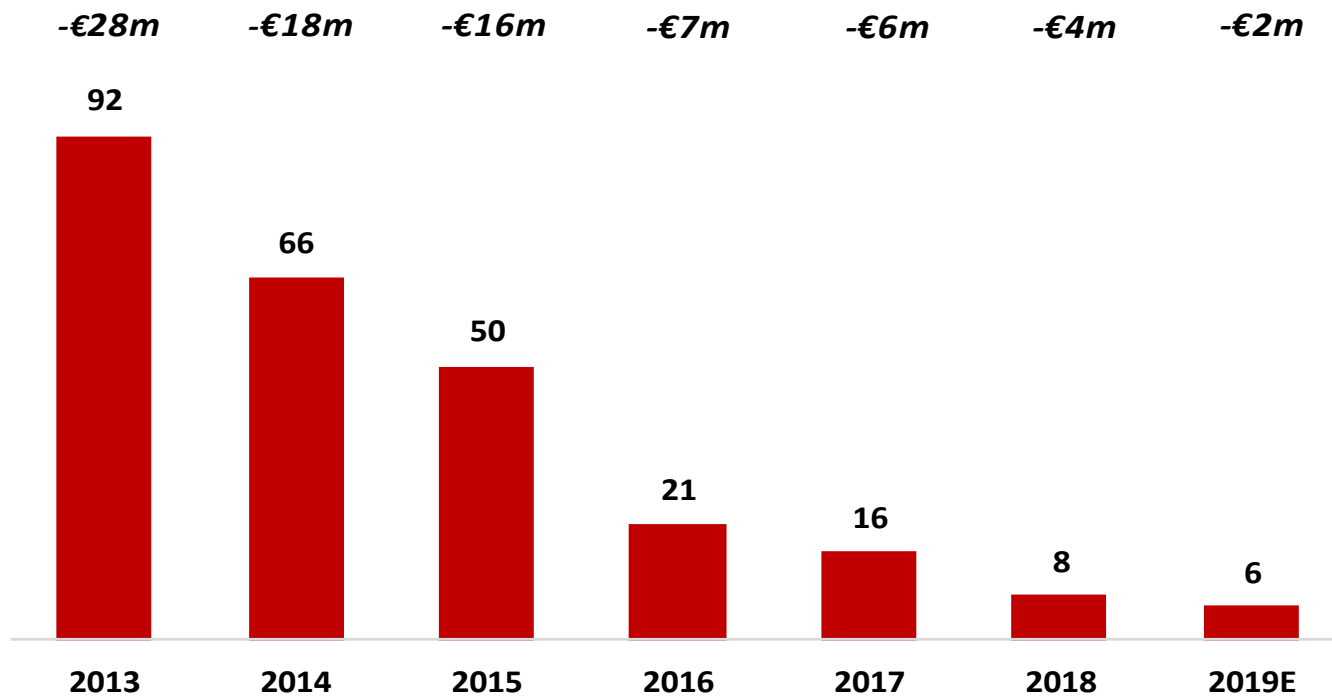
**Fig 12. Repositioning: Upper upscale hotels in 2018 are 24% of total port compared 1% in 2013**



# Growth strategy: Improved quality of leased portfolio through renegotiations and cancellation

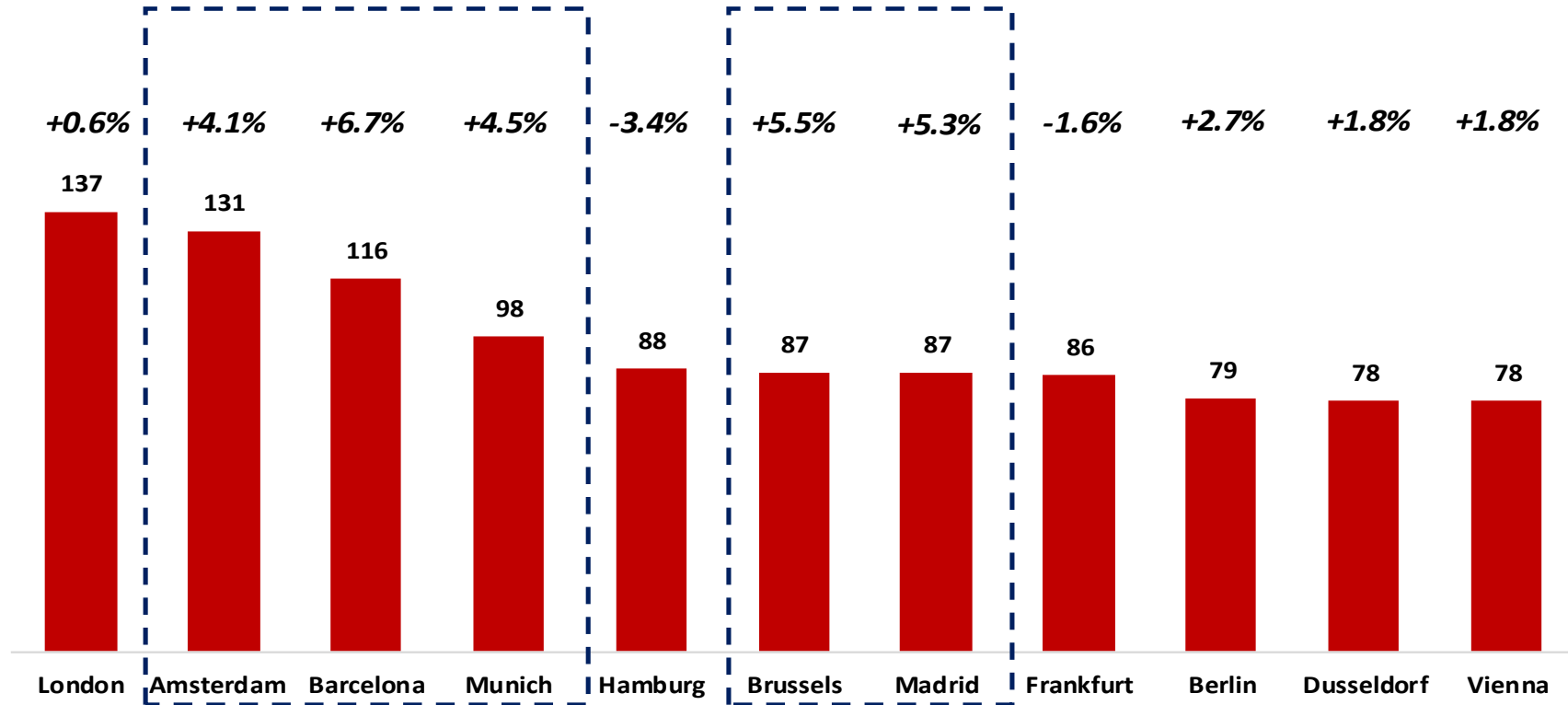
<b>Long-term sustainable contracts</b>	2014-2017	32 contracts canceled 109 renegotiated
	2018-2020	19 contracts will not be renovated or low probability of renovation 14 contracts are expected to be renegotiated

**Fig 13. Evolution of no. of leased hotels with negative EBITDA**



# Growth strategy: Favorable macro outlook with limited supply in key European markets

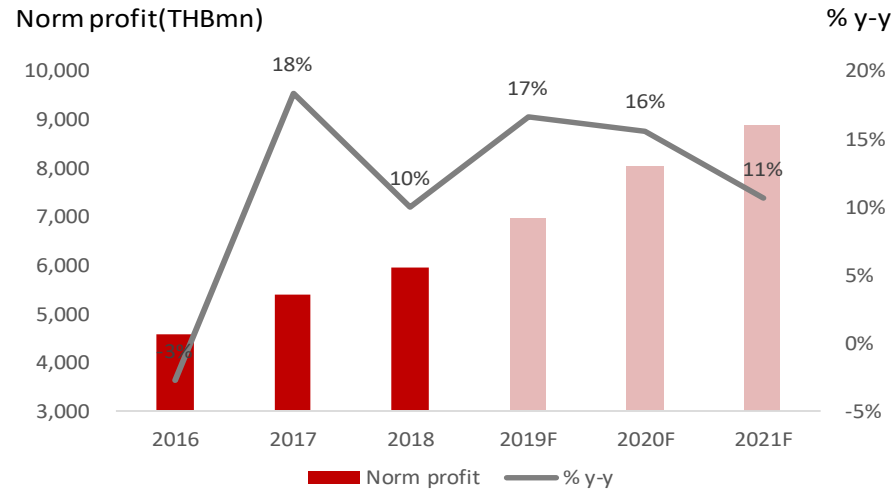
**Fig 14. Top European markets RevPar 2019 forecasts**



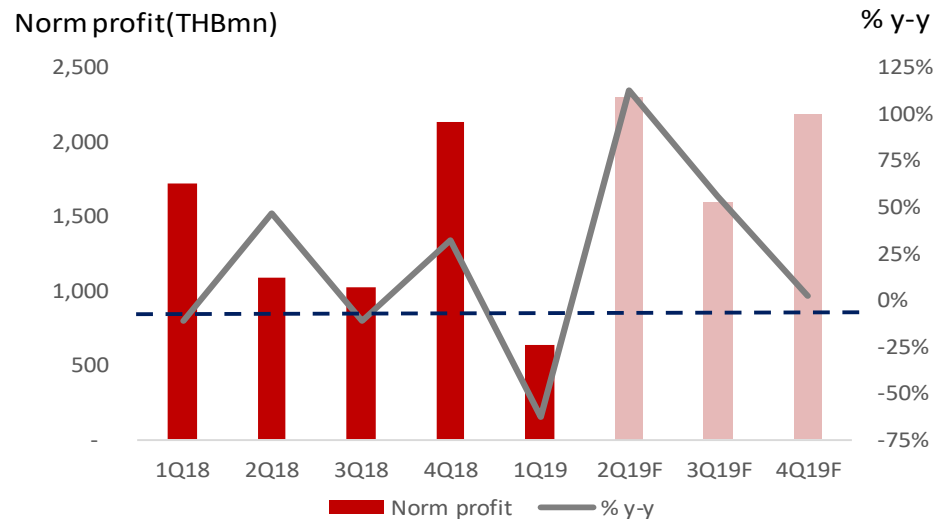
		Spain	Germany	Italy	Benelux
<b>Demand</b>	GDP growth forecast CAGR 17-22	2.1%	1.7%	1.0%	1.9%
	Tourism growth forecast CAGR 17-22	2.1%	2.0%	1.9%	3.2%
<b>Supply</b>	Room supply forecast CAGR 17-22	1.4%	0.8%	0.6%	0.1%

# The worst has passed

**Fig 15. An impressive growth is coming back in 2019F**



**Fig 16. MINT's profits are expected to grow y-y every quarter**



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- A "Buy" recommendation indicates that potential upside is 15% or more.
- A "Neutral" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A "Reduce" recommendation indicates that potential downside is 5% or more.

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