

Minor International - MINT

1QCY12 net profit jumped 166% q-q

Bloomberg | Reuters
MINT.TB | MINT.BK



Phillip Securities Research Pte Ltd
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Report type: Company Results

Company Overview

MINT operates hotels, leasable area in shopping malls, spas, leisure and franchised restaurants. Core revenue is derived from hotel and food businesses.

- 1QCY12 net profit hit recorded high and beat our forecast.
- Hotel business among other business units saw the most outstanding recovery with EBITDA from hotel and property segment rising 60% y-y, tantamount to 69.45 of the total amount.
- 2QCY12 earnings outlook for the food segment is likely to continue to grow, while acquisition of Oaks would help boost the hotel business' earnings performance.
- In view of a satisfactory upside, we have upgraded the stock to 'BUY' with a target price of Bt16.10/share.

What is the news?

MINT reported 1QCY12 net profit of Bt1,256mn, up 52.7% y-y and 166.2% q-q. This quarterly profit reached a recorded high and came in 19% above our estimates of Bt1,055mn.

How do we view this?

Hotel business recovered robustly in 1QCY12 while property sales and time-sharing program also helped drove EBITDA up 60% y-y to Bt1,559mn, arriving at 69.4% of the total amount.

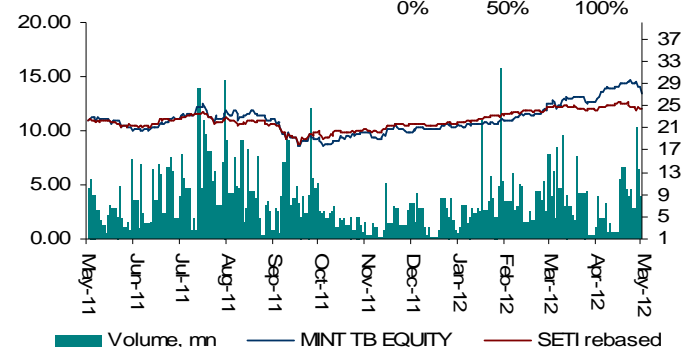
For 2QCY12, MINT is expected to deliver y-y strong profit growth despite low season effect in Thailand hotel industry. On q-q terms, such low effect would trim slightly the hotel unit's earnings performance but it would be offset by usually high occupancy rate of around 70-80% at Oaks with seasonal effect-free and Maldives high season tourism. In food business, YTD same store sales growth (SSSG) is forecast to grow 12-13%.

Investment Actions?

In view of a satisfactory upside, we have upgraded the stock to 'BUY' with a target price of Bt16.10/share.

Minor International

Rating	1.00	Buy
- Previous Rating	2.00	Accumulate
Target Price (Bt)	16.10	
- Previous Target Price (Bt)	16.10	
Closing Price (Bt)	13.50	
Expected Capital Gains (%)	19.3%	
Expected Dividend Yield (%)	2.1%	
Expected Total Return (%)	21.4%	
Raw Beta (Past 2yrs weekly data)	1.06	
Market Cap. (USD mn)	1,556	
Enterprise Value (USD mn)	2,165	
Market Cap. (Bt mn)	48,860	
Enterprise Value (Bt mn)	68,106	
3M Average Daily T/O (mn)	8.2	
52 week range	8.545455 - 15	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. MINOR Holding (Thai) Co.,Ltd	13.2
2. Mr.Nithi Osathanugrah	7.9
3. NVDR	4.5

Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btrmn)	18,873	28,068	33,512	37,048
Net Profit (Btrmn)	1,236	2,880	2,587	3,118
EPS (Bt)	0.38	0.88	0.79	0.95
Net Profit, adj. (Btrmn)	1,236	1,826	2,587	3,118
EPS, adj. (Bt)	0.38	0.56	0.79	0.95
P/E (X),adj.	35.5	24.2	17.1	14.2
BVPS (Bt)	4.22	4.56	5.16	5.80
P/B (X)	3.2	3.0	2.6	2.3
DPS (Bt)	0.15	0.20	0.29	0.35
Div. Yield (%)	1.1	1.5	2.1	2.6

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

DCF (WACC 9.90%, terminal g: 3%)

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1QCY12 net profit made recorded high and beat our forecasts

MINT reported 1QCY12 net profit of Bt1,256mn or Bt0.35/share, up 52.7% y-y and 166.2% q-q. The results hit recorded highs and came in 19% above our estimates of Bt1,055mn. Much of stronger-than-expected profits resulted from (i) an 11% effective tax rate below our 23% expected level; (ii) a 42% SG&A to sales below our 44% estimate.

Outstanding recovery in hotel business with highest EBITDA growth of 60% y-y in hotel & property segment, arriving at 69.4% of the total

The hotel business saw the healthiest recovery thanks to the high-season effect in Thailand tourism industry and contribution from Oaks. Average occupancy rate was as high as 73%, up 13% y-y and 5% q-q while revenue per available room (RevPar) reached Bt4,417/room/night, up 10.9% y-y and 18.2% q-q. Gross margin in turn decreased 7% y-y and 10.6% q-q to 52.5% as Oaks yielded low margin. Note that Oaks' occupancy rate is usually high at 70-80% throughout the entire year, which helps offset impact from low season effect in Thailand tourism industry.

In property business and time-sharing program, sales grew sequentially by 12.7% q-q to Bt891mn as an 8% of total saleable area in The St. Regis Hotel, Bangkok and a sale of a villa at the Estate Samui were realized as revenue. Ongoing sales increase in the hotel business and the time-sharing program helped raise EBITDA in the hotel and property business by 60% y-y to Bt1,559mn, arriving at 69.4% of the total amount.

In food business, same store sale growth (SSSG) reached 7.6%, down -0.2% y-y and up 1.1% q-q. Numbers of outlet rose from 107 locations at the end of 1QCY11 to 1,264 at the end of 1QCY12. In the quarter, food business gained higher revenue as investment holding in Thai Express rose by 30% from 70% to 100%.

2QCY12 earnings outlook: food business growth to keep going and hotel business to get a boost from Oaks

For 2QCY12, we expect earnings to continue to grow y-y, potentially driven by (i) revenue consolidation from Oaks which should help offset impact from low seasonal effect in Thailand tourism industry as Oaks' occupancy rate has no seasonal impact with high occupancy rate of 80%; (ii) high season for tourism in Maldives. (iii) The food business is expected to grow sequentially with higher same store sale growth (SSSG). YTD same store sale growth (SSSG) of Thai restaurant was around 12-15% versus 7.6% in 1QCY12.

Upgrade to 'BUY' with target price of Bt16.10/share

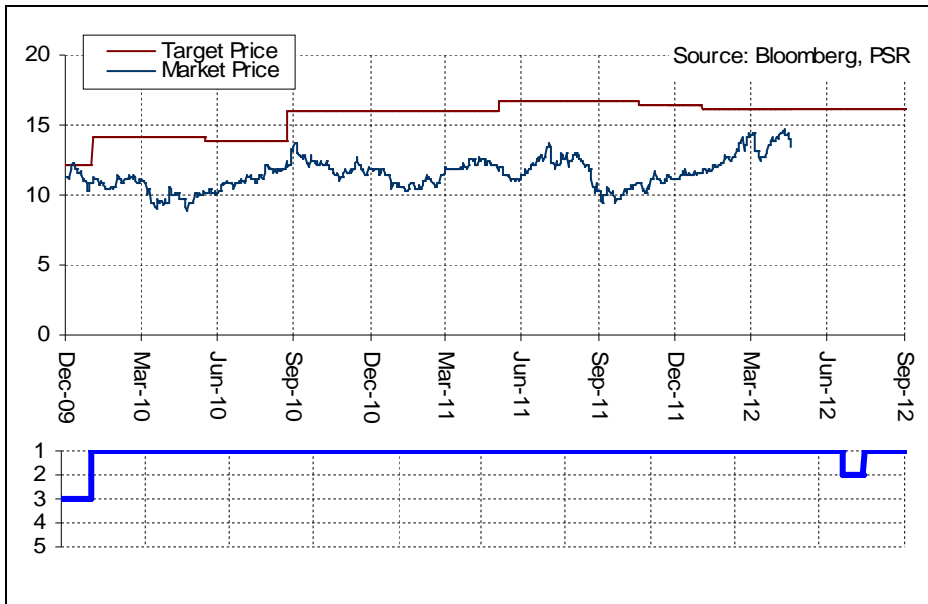
In view of a satisfactory upside, we have upgraded the stock to 'BUY' with a target price of Bt16.10/share.

MINT (Bt mn)	1Q12	4Q11	1Q11	y-y+/-	q-q+/-
Sales	8,434.13	7,204.41	6,443.44	30.89%	17.07%
Costs of sales	3,600.44	2,759.41	2,733.84	31.70%	30.48%
Gross profit	4,833.69	4,445.00	3,709.60	30.30%	8.74%
SG&A	3,536.67	3,751.80	2,858.68	23.72%	-5.73%
Operating profit	1,297.02	693.20	850.92	52.43%	87.11%
Equity income	138.99	62.10	101.85	36.47%	123.82%
Other income	256.65	78.39	140.89	82.16%	227.39%
EBITDA	2,230.37	1,365.10	1,505.83	48.12%	63.39%
Depreciation expense	537.71	531.40	412.17	30.46%	1.19%
EBIT	1,692.66	833.69	1,093.66	54.77%	103.03%
Interest expense	270.57	274.53	129.84	108.39%	-1.44%
EBT	1,422.09	559.17	963.82	47.55%	154.32%
Taxation	- 158.09	- 86.02	- 121.43	30.19%	83.79%
Minority	- 8.02	- 1.35	- 19.82	-59.53%	495.84%
Net profit	1,255.99	471.81	822.58	52.69%	166.21%
EPS (Bt)	0.35	0.14	0.25	40.32%	145.33%

Cost of sales/sales	42.69%	38.30%	42.43%	0.61%	11.45%
SG&A exp/sales	41.93%	52.08%	44.37%	-5.48%	-19.48%
Gross margin	57.31%	61.70%	57.57%	-0.45%	-7.11%
- Hotel	52.49%	58.71%	56.46%	-7.03%	-10.60%
- Food	67.11%	67.51%	65.21%	2.90%	-0.61%
Operating profit margin	15.38%	9.62%	13.21%	16.45%	59.83%
EBITDA margin	26.44%	18.95%	23.37%	13.16%	39.56%
Net profit margin	14.89%	6.55%	12.77%	16.65%	127.39%

Balance sheet (Bt mn)

Assets	42,019.76	40,865.20	34,403.11	22.14%	2.83%
Liabilities	25,765.37	25,930.70	19,729.49	30.59%	-0.64%
Paid-up (m shrs) - Par Bt1	3,284.90	3,275.23	3,265.36	0.60%	0.30%
Equities	16,254.39	14,934.51	14,673.62	10.77%	8.84%
Book value/share(Bt)	4.95	4.56	4.49	10.11%	8.52%
Debt/equity (x)	1.59	1.74	1.34	17.89%	-8.71%



Phillip Group Rating System		
Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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