Central Plaza Hotel (CENTEL TB) - BUY, Price Bt29, TP Bt38

Results Comment

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Weaker-than-expected 2Q21 results

- CENTEL reported Bt606m loss in 2Q21 vs. Bt465m loss in 2Q20 and Bt476m loss in 1Q21. This was below ours and the market's expectation due to its higher-than-expected operating costs. The company's weak y-y and q-q earnings resulted from weak operations both in hotel and food businesses.
- Hotel business made Bt627m loss in 2Q21 vs. Bt506m loss in 2Q20 and Bt500m loss in 1Q21. An increase in loss in 2Q21 resulted from pre-opening expenses from Centara Reserve Samui of Bt34m, no subsidy for labor costs from Social Security Office as it had in 2Q20 and unrealized FX loss of Bt41m in 2Q21.
- CENTEL's hotel revenue increased by 132% y-y but down by 36% q-q to Bt322m in 2Q21. RevPar in 2Q21 was at Bt381/night, up by 266% y-y but down by 42% q-q. Average occupancy rate was at 12% in 2Q21 vs. 4.2% in 2Q20 and 14% in 1Q21. ARR in 2Q21 was at Bt3,214/room/night, up 29% y-y but down 34% q-q.
- CENTEL's food business made Bt20m profit in 2Q21, down 50% y-y and 20% q-q due to the government's restriction on restaurant dine-in service in order to control the COVID-19 spread.
- Food business' revenue grew by 8% y-y and 4% q-q to Bt2.4bn in 2Q21. Food's SSSG was flat in 2Q21 vs. -35.4% in 2Q20 and -23% in 1Q21.
- With rising severity of COVID-19 pandemic in Thailand and the dine-in ban in dark red zone provinces, we expect CENTEL still making loss in 2H21. However, we see CENTEL's current share price already reflected this negative impact, we thus maintain BUY on CENTEL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	2,249	2,997	3,160	2,682	2,566
Gross profit	**580**	**794**	**918**	**869**	**717**
SG&A	1,085	1,667	1,390	1,276	1,297
Operating profit	(505)	(873)	(472)	(407)	(580)
EBITDA	**347**	**(9)**	**378**	**403**	**236**
Other income	87	64	90	92	123
Other expense	0	0	0	0	0
Interest expense	143	191	164	165	172
Profit before tax	**(561)**	**(1,000)**	**(546)**	**(481)**	**(628)**
Income tax	(39)	(67)	(343)	(9)	(7)
Equity & invest. income	5	(23)	(10)	(9)	(13)
Minority interests	51	58	35	5	28
Extraordinary items	0	0	(1,189)	0	0
Net profit	**(465)**	**(897)**	**(1,367)**	**(476)**	**(606)**
Normalized profit	**(465)**	**(897)**	**(178)**	**(476)**	**(606)**
EPS (Bt)	(0.34)	(0.66)	(1.01)	(0.35)	(0.45)
Normalized EPS (Bt)	(0.34)	(0.66)	(0.13)	(0.35)	(0.45)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(4)	14	44	11,861	15,792
Gross profit	**(17)**	**24**	**38**	**4,202**	**6,395**
SG&A	2	20	49	5,219	5,764
Operating profit	na	na	na	(1,017)	631
EBITDA	**(41)**	**(32)**	**28**	**2,269**	**4,064**
Other income	35	41	67	321	353
Other expense			na	0	0
Interest expense	4	20	50	669	655
Profit before tax	**na**	**na**	**na**	**(1,364)**	**330**
Income tax	na	na	24	(68)	0
Equity & invest. income	na	na	42	(53)	(36)
Minority interests	452	(46)	31	105	25
Extraordinary items			na	0	0
Net profit	**na**	**na**	**na**	**(1,244)**	**319**
Normalized profit	**na**	**na**	**na**	**(1,244)**	**319**
EPS (Bt)	na	na	na	(0.92)	0.24
Normalized EPS (Bt)	na	na	na	(0.92)	0.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	3,452	2,898	2,824	2,778	3,021
A/C receivable	603	425	514	548	618
Inventory	727	707	782	724	709
Other current assets	216	246	286	335	359
Investment	519	516	513	510	507
Fixed assets	17,934	17,999	17,368	17,616	29,809
Other assets	13,984	13,833	13,063	13,096	12,660
Total assets	**37,434**	**36,624**	**35,350**	**35,606**	**47,682**
S-T debt	3,348	3,793	3,749	3,745	2,658
A/C payable	1,745	2,014	1,873	1,710	2,025
Other current liabilities	1,944	1,939	2,176	2,302	1,885
L-T debt	7,277	3,229	7,740	8,698	11,000
Other liabilities	10,518	13,927	9,597	9,282	11,135
Minority interest	367	337	293	329	351
Shareholders' equity	**12,234**	**11,385**	**9,923**	**9,541**	**18,629**
Working capital	(415)	(883)	(577)	(438)	(698)
Total debt	10,625	7,022	11,488	12,442	13,658
Net debt	**7,174**	**4,124**	**8,665**	**9,665**	**10,636**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(56.0)	(38.5)	(39.3)	(40.4)	14.1
Operating profit growth	na	na	na	na	na
EBITDA growth	(56.1)	na	(59.6)	(57.3)	(32.0)
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	25.8	26.5	29.0	32.4	27.9
Operating margin	(22.5)	(29.1)	(14.9)	(15.2)	(22.6)
EBITDA margin	15.4	(0.3)	12.0	15.0	9.2
Norm net margin	(20.7)	(29.9)	(5.6)	(17.7)	(23.6)
D/E (x)	0.9	0.6	1.2	1.3	0.7
Net D/E (x)	0.6	0.4	0.9	1.0	0.6
Interest coverage (x)	2.4	(0.0)	2.3	2.4	1.4
Interest rate	5.6	8.7	7.1	5.5	5.3
Effective tax rate	6.9	6.7	62.8	2.0	1.1
ROA	(5.0)	(9.7)	(2.0)	(5.4)	(5.8)
ROE	(14.9)	(30.4)	(6.7)	(19.6)	(17.2)

Sources: Company data, Thanachart estimates

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