

Central Pattana Pcl (CPN TB) - BUY**Earnings Preview**

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3Q21F earnings preview

- **Normalized loss expected from a partial country lockdown.**
 - **Mall traffic reduced to 40%, thus a 50-60% rent discount.**
 - **Bottom in 3Q21, October (MTD) traffic rebounded to 70-80%.**
 - **2 new malls will be launched in 4Q21.**
- We forecast normalized loss in 3Q21F of Bt512m, the second-time ever of loss making after Bt681m normalized loss in 2Q20 when there was a countrywide lockdown for 1.5 months in the quarter.
 - With a partial lockdown in July and August, 21 of CPN's 34 malls were temporarily closed. This caused average mall traffic falling to 40% of normal level (pre-COVID) in 3Q21, from 50-60% in 2Q21 and 80-90% in 3Q20. Average rent discounts offered to tenants then are expected at 50-60% vs 41% in 2Q21 and 23-24% in 3Q20.
 - Average occupancy rate (based on contracts) of 34 malls has maintained at 91%, stable y-y and q-q.
 - With an estimated total extra gain of Bt685m in 3Q21F; Bt412m (net of tax) rent discount amortization (due to larger rent discounts, we expect rent discount amortization in 3Q21F to be higher than Bt253m in 2Q21 and Bt127m in 3Q20), Bt340m investment income on Rama 2 lease renewal, Bt58m rental waiver of Hilton Pattaya from CPNREIT and Bt125m tax loss from transfer of CPNREIT's shares between subsidiary companies, we forecast 3Q21F net profit of Bt173m, down 93% y-y and 86% q-q.
 - In 3Q21, CPN consolidated SF TB for 56% in September and profit contribution from SF net of acquisition interest is expected to be slightly positive. As of Oct 18th, CPN tendered totaled 96% of SF's shares.
 - We believe 3Q21 was the bottom quarter and expect CPN to turn to profit as quick as in 4Q21F of Bt1.2bn since rent discounts should fall significantly q-q along with improving mall traffic to 70-80% in October MTD. The company also resumes mall expansion with two new shopping malls; Central Si Racha (opening this Oct 27th) and Central Ayutthaya (Nov 30th), launching in 4Q21. Both malls have over 80% of space being pre-leased and occupancy rate at launch should exceed its profit-breakeven occupancy at 60%.
 - We maintain our BUY call on CPN for a 68% three-year normalized EPS CAGR driven by business recovery from lower rent discounts which we project to disappear by mid-2023F and mall expansion with retail leasable space growing by 48% by 2025F.

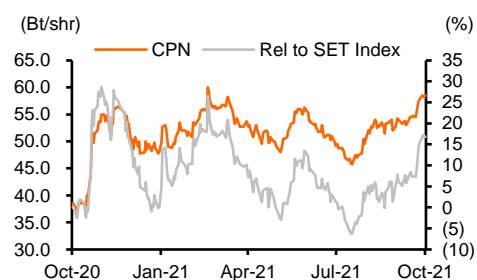
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	26,730	24,814	32,303	38,927
Net profit	9,557	7,497	8,569	11,603
Norm net profit	5,258	2,637	6,938	9,971
Norm EPS (Bt)	1.2	0.6	1.5	2.2
Norm EPS gr (%)	(54.3)	(49.9)	163.1	43.7
Norm PE (x)	49.9	99.6	37.8	26.3
EV/EBITDA (x)	20.8	24.3	16.9	14.1
P/BV (x)	3.8	3.6	3.3	3.0
Div. yield (%)	1.2	0.9	1.3	1.8
ROE (%)	7.5	3.7	9.1	12.0
Net D/E (%)	47.1	42.8	45.6	54.9

Source: Thanachart estimates

Stock Data

Closing price (Bt)	58.50
Target price (Bt)	64.00
Market cap (US\$ m)	7,864
Avg daily turnover (US\$ m)	17.3
12M H/L price (Bt)	60.00/37.25

Price Performance

Source: Bloomberg

Ex 1: 3Q21F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q20	4Q20	1Q21	2Q21	3Q21F	(q-q%)	(y-y%)
Revenue	7,159	7,931	6,382	5,665	4,027	(29)	(44)
Gross profit	3,450	3,696	2,863	2,091	759	(64)	(78)
SG&A	1,163	1,615	1,275	1,335	1,216	(9)	5
Operating profit	2,288	2,081	1,588	756	(458)	na	na
EBITDA	4,340	3,979	3,555	2,707	1,512	(44)	(65)
Other income	311	265	277	288	240	(17)	(23)
Other expense	0	0	0	0	0		
Interest expense	436	458	392	422	435	3	(0)
Profit before tax	2,162	1,888	1,473	622	(652)	na	na
Income tax	416	477	445	206	0		
Equity & invest. income	187	170	167	152	145	(4)	(22)
Minority interests	(20)	(44)	(2)	(16)	(5)	na	na
Extraordinary items	567	480	2,642	717	685	(4)	21
Net profit	2,481	2,017	3,835	1,269	173	(86)	(93)
Normalized profit	1,913	1,537	1,193	552	(512)	na	na

Sources: Company data, Thanachart estimates

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