Central Pattana Pcl (CPN TB) - BUY, Price Bt59.00, TP Bt64.00

Results Comment

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Lower-than-expected 3Q21 norm loss

- CPN reported better-than-expected 3Q21 results with normalized loss of Bt137m vs our Bt512m loss estimates.
- This was due to an average of 56% rent discount in 3Q21, lower than our forecast for 62% discount and 65% discount in 2Q20 (country lockdown). Mall traffic recovered to 60-70% of normal level in Sep, from below 20% in July and August.
- 3Q21 net profit was in line at Bt229m (vs our Bt173m estimates), down 91% y-y and 82% q-q.
- There were 7 extra items amounted Bt366m; mainly Bt340m investment income on Rama 2 lease renewal, Bt54m (net of tax) rent discount amortization and Bt59m rental waiver of Hilton Pattaya hotel from CPNREIT.
- Rental income fell by 38% y-y and 19% q-q to Bt4.1bn on higher rent discount of 56% in 3Q21 (partial lockdown for almost two months) vs 41% in 2Q21 and 23-24% in 3Q20.
- Average occupancy rate at all 34 malls were maintained y-y and q-q at 91%.
- CPN consolidated SF for one month in Sep (56.26%). SF contributed Bt70m rental income (1.7% of CPN's rental income) but flat operating profit due to lockdown impact on SF's community malls. As Megabangna mall resumed normal operations quite fast, SF shared Bt20m equity income. Net of interest cost from SF's acquisition and SF's existing debt of not over Bt30m, net contribution from SF to CPN is less than Bt10m loss in 3Q21.
- 9M21 norm profit was Bt1.6bn, made up 61% of our full-year forecast. We see upside to our earnings as mall traffic rebounded fast to 70-75% of normal level in October from 30% traffic in 3Q21. Thus, rent discount in 4Q21F could be lower than our current 30% discount assumption.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	7,159	7,931	6,382	5,665	4,609
Gross profit	**3,450**	**3,696**	**2,863**	**2,091**	**1,249**
SG&A	1,163	1,615	1,275	1,335	1,274
Operating profit	2,288	2,081	1,588	756	(25)
EBITDA	**4,340**	**3,979**	**3,555**	**2,707**	**1,989**
Other income	311	265	277	288	330
Other expense	0	0	0	0	0
Interest expense	436	458	392	422	436
Profit before tax	**2,162**	**1,888**	**1,473**	**622**	**(130)**
Income tax	416	477	445	206	96
Equity & invest. income	187	170	167	152	78
Minority interests	(20)	(44)	(2)	(16)	11
Extraordinary items	567	480	2,642	717	366
Net profit	**2,481**	**2,017**	**3,835**	**1,269**	**229**
Normalized profit	**1,913**	**1,537**	**1,193**	**552**	**(137)**
EPS (Bt)	0.55	0.45	0.85	0.28	0.05
Normalized EPS (Bt)	0.43	0.34	0.27	0.12	(0.03)

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(19)	(36)	67	24,814	32,303
Gross profit	**(40)**	**(64)**	**73**	**8,449**	**14,536**
SG&A	(5)	10	74	5,261	6,138
Operating profit	na	na	73	3,189	8,398
EBITDA	**(27)**	**(54)**	**67**	**12,229**	**17,862**
Other income	15	6	81	1,111	1,233
Other expense			na	0	0
Interest expense	3	(0)	72	1,730	1,929
Profit before tax	**na**	**na**	**76**	**2,569**	**7,702**
Income tax	(53)	(77)	116	642	1,694
Equity & invest. income	(48)	(58)	50	791	1,021
Minority interests	na	na	9	(81)	(91)
Extraordinary items	(49)	(35)	77	4,860	1,631
Net profit	**(82)**	**(91)**	**71**	**7,497**	**8,569**
Normalized profit	**na**	**na**	**61**	**2,637**	**6,938**
EPS (Bt)	(82)	(91)	71	1.67	1.91
Normalized EPS (Bt)	na	na	61	0.59	1.55

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	8,478	7,219	6,015	5,233	4,457
A/C receivable	4,644	3,571	3,667	4,004	4,548
Inventory	0	0	0	0	0
Other current assets	11,496	12,975	14,630	14,628	15,718
Investment	8,157	8,185	10,468	10,438	34,287
Fixed assets	151,170	163,224	160,897	160,818	169,215
Other assets	37,813	26,478	26,880	28,287	29,647
Total assets	**221,758**	**221,652**	**222,557**	**223,408**	**257,872**
S-T debt	21,575	17,905	10,566	13,112	25,568
A/C payable	803	664	862	534	447
Other current liabilities	12,036	11,864	12,252	12,186	12,525
L-T debt	26,360	28,355	31,611	34,004	41,251
Other liabilities	86,353	85,741	86,483	84,281	87,561
Minority interest	8,289	8,333	8,084	8,100	19,128
Shareholders' equity	**66,343**	**68,790**	**72,700**	**71,192**	**71,391**
Working capital	3,841	2,907	2,806	3,470	4,101
Total debt	47,934	46,260	42,177	47,116	66,820
Net debt	**39,457**	**39,041**	**36,162**	**41,883**	**62,363**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(21.2)	(25.1)	(22.2)	64.7	(35.6)
Operating profit growth	(21.0)	(43.2)	(42.9)	na	na
EBITDA growth	(5.0)	(32.4)	(26.0)	119.3	(54.2)
Norm profit growth	(32.1)	(54.8)	(52.1)	na	na
Norm EPS growth	(32.1)	(54.8)	(52.1)	na	na
Gross margin	48.2	46.6	44.9	36.9	27.1
Operating margin	32.0	26.2	24.9	13.3	(0.5)
EBITDA margin	60.6	50.2	55.7	47.8	43.1
Norm net margin	26.7	19.4	18.7	9.7	(3.0)
D/E (x)	0.7	0.7	0.6	0.7	0.9
Net D/E (x)	0.6	0.6	0.5	0.6	0.9
Interest coverage (x)	9.9	8.7	9.1	6.4	4.6
Interest rate	3.8	3.9	3.5	3.8	3.1
Effective tax rate	19.2	25.3	30.2	33.1	(74.0)
ROA	4.1	3.4	2.6	1.5	1.0
ROE	11.8	9.1	6.7	3.1	(0.8)

Sources: Company data, Thanachart estimates

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