

CPN Retail Growth (CPNREIT TB) - BUY, Price Bt21.6, TP Bt24.0**Results Comment**

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Weak 3Q21 as expected

- CPNREIT reported a net loss of Bt846m. Excluding Bt766m non-cash loss from asset revaluation and Bt407m non-cash interest expense from lease liability of Central Rama 2 (renewal) in accordance with TFRS 16, we estimate a normalized profit of Bt286m, falling 60% y-y and 31% q-q. This was weak as expected.
- Rental income fell by 41% y-y and 19% q-q to Bt637m on higher rent discount and falling occupancy rate. 3Q21 rental discount was 54% in 3Q21 (partial lockdown for almost two months) vs. 41% in 2Q21 and 19% in 3Q20. Average occupancy rate at all 7 malls fall to 90% in 3Q20 vs. 91% in 2Q21 and 93% in 3Q20.
- 9M21 accounts for 68% of our full year forecast.
- Mall traffic has recovered to 60-70% of normal level in Oct from 32% in 3Q21. This should in turn lead to falling rent discounts. Hence, we see improving earnings momentum from 4Q21.
- CPNREIT announced to pay a capital reduction of Bt0.084/share. XN date is 19 November and payment date is 2 December 2021.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2022F	2023F
Revenue	1,088	1,010	937	787	637	Revenue	(19)	(41)	41	5,713	6,879
Gross profit	1,043	1,005	881	719	579	Gross profit	(20)	(45)	40	5,484	6,604
SG&A	169	211	194	170	151	SG&A	(11)	(11)	59	867	1,007
Operating profit	874	793	687	548	427	Operating profit	(22)	(51)	36	4,617	5,598
EBITDA	874	793	687	548	427	EBITDA	(22)	(51)	36	4,617	5,598
Other income	2	8	4	9	4	Other income	(59)	49	60	28	33
Other expense						Other expense					
Interest expense	159	159	150	145	145	Interest expense	0	(9)	62	704	706
Profit before tax	717	642	542	412	286	Profit before tax	(31)	(60)	31	3,941	4,925
Income tax						Income tax					
Equity & invest. income						Equity & invest. income					
Extraordinary items	(1,211)	(706)	(80)	(311)	(1,131)	Extraordinary items	na	na	(1,393)	109	(1,736)
Net Investment Income	(494)	(64)	462	102	(846)	Net Investment Income	na	na	(7)	4,050	3,188
Norm Net Invest. Income	717	642	542	412	286	Norm Net Invest. Income	(31)	(60)	68	3,941	4,925
EPS (Bt)	(0.22)	(0.03)	0.18	0.04	(0.33)	EPS (Bt)	na	na	(7)	1.58	1.24
Normalized EPS (Bt)	0.32	0.29	0.21	0.16	0.11	Normalized EPS (Bt)	(31)	(66)	31	1.53	1.92
Balance Sheet						Financial Ratios					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & equivalent	875	1,162	992	935	688	Sales grow th	(14.9)	(19.6)	(19.3)	43.9	(41.4)
A/C receivable	724	644	864	894	966	Operating profit grow th	(18.1)	(22.6)	(25.9)	39.8	(51.1)
Inventory						EBITDA grow th	(18.1)	(22.6)	(25.9)	39.8	(51.1)
Other current assets						Norm profit grow th	(24.4)	(29.6)	(32.6)	69.2	(60.2)
Investment	68,985	69,343	75,688	75,902	75,317	Norm EPS grow th	(24.4)	(29.6)	(41.9)	45.8	(65.7)
Fixed assets						Gross margin	95.9	99.5	94.1	91.3	90.8
Other assets	543	428	477	443	439	Operating margin	80.3	78.5	73.4	69.7	67.1
Total assets	71,127	71,577	78,022	78,174	77,410	EBITDA margin	80.3	78.5	73.4	69.7	67.1
S-T debt						Norm net margin	65.9	63.6	57.9	52.4	44.8
A/C payable	115	167	175	128	123	D/E (x)	0.5	1.5	1.2	1.2	1.3
Other current liabilities						Net D/E (x)	0.5	1.4	1.2	1.2	1.3
L-T debt	14,527	40,762	40,564	41,134	41,469	Interest rate	5.1	2.3	1.4	1.4	1.4
Other liabilities	27,742	1,973	2,245	2,233	2,196	Effective tax rate	-	-	-	-	-
Minority interest						ROA	4.0	3.6	2.9	2.1	1.5
Shareholders' equity	28,556	28,044	34,409	33,995	32,886	ROE	10.0	9.1	6.9	4.8	3.4
Working capital	610	478	689	766	844	Dividend payout ratio (%)*	64.8	90.0	95.0	63.8	75.5
Total debt	14,715	41,393	41,193	41,817	42,204						
Net debt	13,840	40,231	40,201	40,882	41,517						

Sources: Company data, Thanachart estimates

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