Central Plaza Hotel (CENTEL TB) - BUY, Price Bt41.50, TP Bt48.00

Results Comment

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Weaker-than-expected 1Q22 results

- CENTEL reported Bt44m loss in 1Q22 vs. Bt476m loss in 1Q21 and Bt152m profit in 4Q21. This was below ours and the market's expectation due to its higher-than-expected cost of goods sold and operating costs in hotel and food businesses.
- Hotel business made Bt149m loss in 1Q22 vs. Bt500m loss in 1Q21 and Bt32m loss in 4Q21. Y-Y earnings improvement was driven by revenue and margin. Q-Q earnings decline was due to falling margin.
- Its hotel revenue grew by 142% y-y and 6% q-q to Bt1.1bn in 1Q22. RevPar in 1Q22 was at Bt1,650/night, up by 150% y-y and 12% q-q. Average occupancy rate was at 29% in 1Q22 vs. 14% in 1Q21 and 30% in 4Q21. ARR in 1Q22 was at Bt5,639/room/night, up 15% y-y and 14% q-q.
- CENTEL's food business made Bt105m profit in 1Q22, up by 320% y-y but down 43% q-q. The y-y earnings growth was due to the country's reopening. The q-q earnings drop resulted from falling revenue and rising costs due to Omicron variant and rising inflation rate.
- Food business' revenue increased by 17% y-y but decreased by 1% q-q to Bt2.6bn in 1Q22. Food's SSSG in 1Q22 was at 10% vs. -23% in 1Q21 and -2% in 4Q21.
- With improving COVID situation, the country's reopening and domestic tourism stimulus package, we expect its hotel and food businesses' operation to improve in following quarters. We maintain BUY on CENTEL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	2,682	2,566	2,310	3,653	3,681
Gross profit	**869**	**717**	**553**	**1,459**	**1,396**
SG&A	1,276	1,297	1,256	1,246	1,413
Operating profit	(407)	(580)	(703)	214	(17)
EBITDA	**403**	**236**	**143**	**908**	**750**
Other income	92	123	114	95	201
Other expense	0	0	0	0	0
Interest expense	165	172	214	167	172
Profit before tax	**(481)**	**(628)**	**(803)**	**142**	**11**
Income tax	(9)	(7)	12	(74)	35
Equity & invest. income	(9)	(13)	(17)	(25)	0
Minority interests	5	28	29	(38)	(21)
Extraordinary items	0	0	0	0	0
Net profit	**(476)**	**(606)**	**(803)**	**152**	**(44)**
Normalized profit	**(476)**	**(606)**	**(803)**	**152**	**(44)**
EPS (Bt)	(0.35)	(0.45)	(0.60)	0.11	(0.03)
Normalized EPS (Bt)	(0.35)	(0.45)	(0.60)	0.11	(0.03)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	1	37	22	16,379	20,761
Gross profit	**(4)**	**61**	**21**	**6,629**	**9,326**
SG&A	13	11	23	6,027	7,443
Operating profit	na	na	na	602	1,883
EBITDA	**(17)**	**86**	**18**	**4,100**	**5,550**
Other income	111	119	44	461	489
Other expense			na	0	0
Interest expense	3	4	24	714	698
Profit before tax	**(92)**	**na**	**3**	**349**	**1,675**
Income tax	na	na	na	0	0
Equity & invest. income			-	(36)	16
Minority interests	na	na	na	0	(20)
Extraordinary items			na	0	0
Net profit	**na**	**na**	**na**	**313**	**1,671**
Normalized profit	**na**	**na**	**na**	**313**	**1,671**
EPS (Bt)	na	na	na	0.23	1.24
Normalized EPS (Bt)	na	na	na	0.23	1.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	2,778	3,021	3,326	3,855	3,989
A/C receivable	548	618	637	801	1,000
Inventory	724	709	693	748	709
Other current assets	335	359	361	328	335
Investment	510	507	504	500	497
Fixed assets	17,616	29,809	29,895	29,875	29,680
Other assets	13,096	12,660	12,466	12,484	12,089
Total assets	**35,606**	**47,682**	**47,880**	**48,593**	**48,300**
S-T debt	3,745	2,658	3,650	5,136	4,971
A/C payable	1,710	2,025	2,232	2,669	2,500
Other current liabilities	2,302	1,885	1,913	1,859	1,755
L-T debt	8,698	11,000	11,041	10,587	11,158
Other liabilities	9,282	11,135	10,740	9,910	9,510
Minority interest	329	351	324	355	374
Shareholders' equity	**9,541**	**18,629**	**17,980**	**18,076**	**18,032**
Working capital	(438)	(698)	(902)	(1,120)	(791)
Total debt	12,442	13,658	14,692	15,723	16,129
Net debt	**9,665**	**10,636**	**11,366**	**11,868**	**12,140**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(40.4)	14.1	(22.9)	15.6	37.3
Operating profit growth	na	na	na	na	na
EBITDA growth	(57.3)	(32.0)	na	140.1	86.2
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	32.4	27.9	23.9	39.9	37.9
Operating margin	(15.2)	(22.6)	(30.4)	5.8	(0.5)
EBITDA margin	15.0	9.2	6.2	24.9	20.4
Norm net margin	(17.7)	(23.6)	(34.8)	4.2	(1.2)
D/E (x)	1.3	0.7	0.8	0.9	0.9
Net D/E (x)	1.0	0.6	0.6	0.7	0.7
Interest coverage (x)	2.4	1.4	0.7	5.4	4.4
Interest rate	5.5	5.3	6.0	4.4	4.3
Effective tax rate	2.0	1.1	(1.5)	(51.9)	302.9
ROA	(5.4)	(5.8)	(6.7)	1.3	(0.4)
ROE	(19.6)	(17.2)	(17.6)	3.4	(1.0)

Sources: Company data, Thanachart estimates

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