Central Pattana Pcl (CPN TB) - BUY, Price Bt63.00, TP Bt65.00

Results Comment

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Strong core profit, 8% beat

- CPN reported strong 1Q22 results, core profit of Bt2,158m beats us by 8% as rent discount falling faster than expected.
- 1Q22 net profit was Bt2,328m. Excluding two extra items; Bt349m (Bt279m net of tax) investment income on Rama 2 lease renewal and Bt136m (Bt109m net of tax) reversal of rent discount amortization, normalized profit was Bt2,158m, an increase of 72% y-y and 27% q-q, above our Bt2bn estimates by 8%.
- Key growth drivers were growing rental income on a swift fall in rent discount, higher hotel revenues and contribution from SF.
- Rental income grew by 24% y-y and 8% q-q to Bt7.2bn, mainly from lower rent discount offered to tenants (along with improving mall traffic and tenants' sales recovery) at 16% in 1Q22 (vs our 20% forecast), from 30% in 1Q21 and 29% in 4Q21 and 4% inorganic growth from SF.
- Average shopping mall occupancy rate was maintained at a high level of 91%.
- Hotel revenues increased by 88% y-y to Bt127m and made a gross profit of Bt87m (vs gross loss of Bt2m in 1Q21) as occupancy rates at two hotels; Hilton Pattaya and Centara Udonthani, increased to 49% in 1Q22 from 28% in 1Q21.
- Equity income jumped by 105% y-y to Bt343m. SF's JV shopping mall, Mega Bangna, acquired in September last year contributed Bt135m to total equity income in 1Q22.
- 1Q22 core profit came to 29% of our full-year forecast. There is earnings upside if it continues to lower rent discount further in remaining quarters of this year.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	6,382	5,665	4,609	7,859	7,914
Gross profit	**2,863**	**2,091**	**1,249**	**3,528**	**3,859**
SG&A	1,275	1,326	1,289	1,610	1,347
Operating profit	1,588	765	(40)	1,918	2,511
EBITDA	**3,555**	**2,716**	**1,974**	**4,111**	**4,602**
Other income	277	288	214	343	310
Other expense	0	0	0	0	0
Interest expense	392	422	436	540	529
Profit before tax	**1,473**	**631**	**(261)**	**1,721**	**2,293**
Income tax	381	138	28	260	438
Equity & invest. income	167	152	78	307	343
Minority interests	(2)	(16)	11	(74)	(39)
Extraordinary items	2,578	640	429	122	170
Net profit	**3,835**	**1,269**	**229**	**1,816**	**2,328**
Normalized profit	**1,257**	**629**	**(200)**	**1,694**	**2,158**
EPS (Bt)	0.85	0.28	0.05	0.40	0.52
Normalized EPS (Bt)	0.28	0.14	(0.04)	0.38	0.48

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	1	24	24	32,507	39,007
Gross profit	**9**	**35**	**26**	**15,115**	**19,690**
SG&A	(16)	6	22	6,176	7,216
Operating profit	31	58	28	8,938	12,473
EBITDA	**12**	**29**	**26**	**17,415**	**21,667**
Other income	(10)	12	24	1,267	1,355
Other expense			na	0	0
Interest expense	(2)	35	25	2,151	2,115
Profit before tax	**33**	**56**	**28**	**8,054**	**11,713**
Income tax	68	15	25	1,772	2,577
Equity & invest. income	12	105	25	1,379	1,580
Minority interests	na	na	43	(91)	(101)
Extraordinary items	39	(93)	10	1,631	1,631
Net profit	**28**	**(39)**	**25**	**9,201**	**12,246**
Normalized profit	**27**	**72**	**29**	**7,570**	**10,614**
EPS (Bt)	28	(39)	25	2.05	2.73
Normalized EPS (Bt)	27	72	29	1.69	2.37

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	6,015	5,233	4,457	3,131	3,641
A/C receivable	3,667	4,004	4,548	4,203	4,685
Inventory	0	0	0	0	0
Other current assets	14,630	14,628	15,718	16,181	16,211
Investment	10,468	10,438	34,287	39,984	40,004
Fixed assets	160,897	160,818	169,215	169,848	168,983
Other assets	26,880	28,287	29,647	30,074	31,356
Total assets	**222,557**	**223,408**	**257,872**	**263,421**	**264,879**
S-T debt	10,566	13,112	25,568	29,796	24,622
A/C payable	862	534	447	708	629
Other current liabilities	12,252	12,186	12,525	12,988	13,321
L-T debt	31,611	34,004	41,251	50,684	55,295
Other liabilities	86,483	84,281	87,561	87,170	86,771
Minority interest	8,084	8,100	19,128	8,973	8,875
Shareholders' equity	**72,700**	**71,192**	**71,391**	**73,102**	**75,366**
Working capital	2,806	3,470	4,101	3,495	4,056
Total debt	42,177	47,116	66,820	80,480	79,917
Net debt	**36,162**	**41,883**	**62,363**	**77,350**	**76,277**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(22.2)	64.7	(35.6)	(0.9)	24.0
Operating profit growth	(42.9)	na	na	(7.8)	58.1
EBITDA growth	(26.0)	120.1	(54.5)	3.3	29.4
Norm profit growth	(49.5)	na	na	5.8	71.7
Norm EPS growth	(49.5)	na	na	5.8	71.7
Gross margin	44.9	36.9	27.1	44.9	48.8
Operating margin	24.9	13.5	(0.9)	24.4	31.7
EBITDA margin	55.7	47.9	42.8	52.3	58.1
Norm net margin	19.7	11.1	(4.3)	21.6	27.3
D/E (x)	0.6	0.7	0.9	1.1	1.1
Net D/E (x)	0.5	0.6	0.9	1.1	1.0
Interest coverage (x)	9.1	6.4	4.5	7.6	8.7
Interest rate	3.5	3.8	3.1	2.9	2.6
Effective tax rate	25.9	21.8	(10.9)	15.1	19.1
ROA	2.8	1.7	0.4	3.4	4.0
ROE	7.1	3.5	(1.1)	9.4	11.6

Sources: Company data, Thanachart estimates

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