CPN Retail Growth (CPNREIT TB) - BUY, Price Bt19.70, TP Bt24.00

Results Comment

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Weaker-than-expected 1Q22

- Excluding extra items, we estimate a normalized profit of Bt676m in 1Q22, recovering 25% y-y and 7% q-q. This was lower than expected due to slow recovery for malls and hotel in Chonburi province, which heavily relied on tourists, especially Chinese.
- Malls' average shopper traffic was 60-80% of normal traffic level (vs. 62% in 4Q21 and 57% in 1Q21), except for Pattaya City, Chonburi, that foot traffic remained low at just 30-40% of normal traffic level.
- Rental income from shopping malls (86% of revenue) recovered 22% y-y (and 6% q-q) on +16% same store rent growth and full-quarter contribution from two malls purchased.
- Shopping malls' rent discount fail to 17% in 1Q22 vs. 27% in 4Q21 and 1Q21. Average occupancy rate at all 7 malls was 92%, relatively flat q-q but dropped from 94% in 1Q21.
- Rental income from two office assets (14% of revenue) was relatively flat y-y and q-q. As for rental income from sublease of Hilton Pattaya hotel in Chonburi, CPNREIT waived the fixed rental payment for 1Q22 to the sublessee due to the ongoing COVID-19 pandemic, which was classified as the force majeure circumstance under the hotel sublease agreement.
- 1Q22 normalized profit accounts for 18%. We see some downside risk to our number.
- Extra items: non-cash gain from asset revaluation and non-cash interest expense from lease liability of Central Rama 2 (renewal) in accordance with TFRS 16
- CPNREIT announced to pay a dividend of Bt0.1814/share and a capital reduction of Bt0.0555/share. X-date is 18 May and payment date is 6 June 2022.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	937	787	637	1,023	1,084
Gross profit	**881**	**719**	**579**	**956**	**1,007**
SG&A	194	170	151	192	193
Operating profit	687	548	427	764	814
EBITDA	**687**	**548**	**427**	**764**	**814**
Other income	4	9	4	9	4
Other expense					
Interest expense	150	145	145	143	143
Profit before tax	**542**	**412**	**286**	**630**	**676**
Income tax					
Equity & invest. income					
Extraordinary items	(80)	(311)	(1,132)	518	(210)
Net Investment Income	**462**	**102**	**(846)**	**1,148**	**466**
Norm Net Invest. Income	**542**	**412**	**286**	**630**	**676**
EPS (Bt)	0.18	0.04	(0.33)	0.45	0.18
Normalized EPS (Bt)	0.21	0.16	0.11	0.25	0.26

Income Statement			**3M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	6	16	20	5,482	6,586
Gross profit	**5**	**14**	**20**	**5,125**	**6,190**
SG&A	0	(1)	25	772	888
Operating profit	7	18	19	4,354	5,303
EBITDA	**7**	**18**	**19**	**4,354**	**5,303**
Other income	(51)	(0)	14	31	36
Other expense			na		
Interest expense	(0)	(5)	22	661	679
Profit before tax	**7**	**25**	**18**	**3,724**	**4,660**
Income tax					
Equity & invest. income					
Extraordinary items	na	na	(42)	496	(1,406)
Net Investment Income	**(59)**	**1**	**11**	**4,220**	**3,254**
Norm Net Invest. Income	**7**	**25**	**18**	**3,724**	**4,660**
EPS (Bt)	(59)	1	11	1.64	1.27
Normalized EPS (Bt)	7	25	18	1.45	1.81

Balance Sheet					
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & equivalent	992	935	688	1,159	1,209
A/C receivable	864	894	966	893	987
Inventory					
Other current assets					
Investment	75,688	75,902	75,317	76,444	76,675
Fixed assets					
Other assets	477	443	439	475	388
Total assets	**78,022**	**78,174**	**77,410**	**78,971**	**79,260**
S-T debt					
A/C payable	175	128	123	158	139
Other current liabilities					
L-T debt	40,564	41,134	41,469	41,876	42,310
Other liabilities	2,245	2,233	2,196	2,147	2,290
Minority interest					
Shareholders' equity	**34,409**	**33,995**	**32,886**	**33,819**	**33,730**
Working capital	689	766	844	735	847
Total debt	41,193	41,817	42,204	42,848	43,101
Net debt	**40,201**	**40,882**	**41,517**	**41,689**	**41,891**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(19.3)	43.9	(41.4)	1.3	15.8
Operating profit growth	(25.9)	39.8	(51.1)	(3.7)	18.5
EBITDA growth	(25.9)	39.8	(51.1)	(3.7)	18.5
Norm profit growth	(32.6)	69.2	(60.2)	(1.8)	24.7
Norm EPS growth	(41.9)	45.8	(65.7)	(15.4)	24.7
Gross margin	94.1	91.3	90.8	93.5	92.9
Operating margin	73.4	69.7	67.1	74.7	75.1
EBITDA margin	73.4	69.7	67.1	74.7	75.1
Norm net margin	57.9	52.4	44.8	61.6	62.3
D/E (x)	1.2	1.2	1.3	1.3	1.3
Net D/E (x)	1.2	1.2	1.3	1.2	1.2
Interest rate	1.4	1.4	1.4	1.3	1.3
Effective tax rate	-	-	-	-	-
ROA	2.9	2.1	1.5	3.2	3.4
ROE	6.9	4.8	3.4	7.6	8.0
Dividend payout ratio (%)*	95.0	63.8	75.5	65.5	68.9

Sources: Company data, Thanachart estimates

*Based on normalized profit

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