BUY	(Unchanged)	TP: Bt 73.00	(From: Bt 70.00)	6 JULY 2022
Change in Numbers		Upside : 21.7%		

Central Pattana Pcl (CPN TB)

Diversification kick-starts

In June CPN announced its plans to expand into hotel and self-storage businesses as part of its long-term business diversification policy under the business model of a retail-led, mixed-use developer. We like the move and reaffirm our BUY call on CPN with a Bt73TP.

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Planning 37 hotels by 2026

In June, CPN announced its plan to expand into the hotel business with a Bt10bn investment budget for 37 hotels in 27 provinces within five years. The hotels would mostly be located in its mixed-use project compounds. Its sister company Central Plaza Hotel (CENTEL TB, BUY, Bt41.75) would manage the hotels under three brands, i.e., Centara (upscale), Centara One (lifestyle midscale) and Go! Hotel (premium budget). With this plan, CPN's hotel portfolio would rise from 560 keys (two hotels) now to over 4,000. The first hotel, Centara Korat, is due to be launched this September, followed by the next two in Ubon Ratchathani and Bowin (an industrial area). CPN expects hotel revenues to grow to 10% of the total in 2026, from 3% in 2019.

Self-storage business JV

CPN last week invested in a 30% stake in a JV company which is 60%-owned by a leading logistics provider, JWD Infologistics Pcl (JWD TB, BUY, Bt13.20) and 10% by Store It! Management in Singapore. The JV, JWD Store It!, started a few years ago with six branches and combined storage space of 13,000 sqm. CPN plans to help to speed up branch openings in its malls, office buildings, hotels and residential projects. JWD targets nine new branches to reach 15 in total this year. The long-term target is 100,000 sqm of storage space by 2025 and breakeven next year from Bt22/18m losses in 2020/21.

Flat rent discounts q-q in 2Q22F

Rent discounts in April and May 2022 were flat from 1Q22 at 16% (vs. 41% discounts in 2Q21). That was despite mall traffic improving from 65% of the pre-COVID 2019 level in March to 69% in April and 77% in May driven by higher traffic at tourist malls. The flat rent discount q-q in 2Q22F was below our earlier 12% forecast. We believe it was due to a more cautious consumption outlook amid the inflationary environment and more COVID infections. We revise our rent discount assumptions to 16/15/10% (from 12/8/3%) in 2Q-4Q22F to 13% discount this year and no more next year vs. 34/39% discounts in 2020-21.

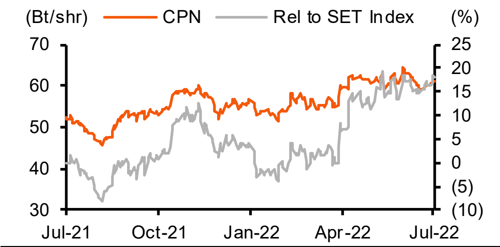
Reaffirm BUY

We trim our 2022-33F earnings by 2% to factor in our new rent assumptions and contribution from the new logistics JV and three hotel investments in 2022-23F (see Exhibit 13 for our earnings revisions). We leave the remaining 34 new hotels as upside. After the revisions, we forecast 134/35/21% core earnings growth for CPN and reaffirm BUY with a new SOTP-derived TP (2023F base year) of Bt73 (from Bt70). We see CPN as a strong post-COVID earnings turnaround play. Three new malls at Sri Racha, Ayutthaya and Chanthaburi opened in 4Q21-2Q22 and they have 80%-plus occupancy rates vs. 65-70% profit break-even levels.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	24,515	32,441	38,747	43,420
Net profit	7,148	9,292	12,067	14,240
Consensus NP	—	9,411	11,814	13,364
Diff frm cons (%)	—	*(1.3)*	*2.1*	*6.6*
Norm profit	3,379	7,904	10,679	12,873
Prev. Norm profit	—	8,313	11,168	13,235
Chg frm prev (%)	—	*(4.9)*	*(4.4)*	*(2.7)*
Norm EPS (Bt)	0.8	1.8	2.4	2.9
Norm EPS grw (%)	(35.7)	133.9	35.1	20.5
Norm PE (x)	79.7	34.1	25.2	20.9
EV/EBITDA (x)	27.9	19.5	15.8	13.5
P/BV (x)	3.7	3.4	3.1	2.8
Div yield (%)	1.0	1.4	1.8	2.1
ROE (%)	4.8	10.4	12.9	14.1
Net D/E (%)	92.2	85.3	75.2	66.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 6-Jul-22 (Bt)	60.00
Market Cap (US$ m)	7,517.0
Listed Shares (m shares)	4,488.0
Free Float (%)	65.7
Avg Daily Turnover (US$ m)	16.5
12M Price H/L (Bt)	64.25/45.75
Sector	PROP
Major Shareholder	Central Holding Co., Ltd 26.21%

Sources: Bloomberg, Company data, Thanachart estimates

Planning 37 hotels by 2026

Diversifying into hotel business with a plan for 37 hotels by 2026

As part of Central Pattana Pcl's (CPN) vision to become a retail-led mixed-use developer to diversify from its core shopping mall space rental business to supporting businesses of offices, residential projects and hotels located next to its malls, CPN in early June announced a plan to expand into the hotel business with a Bt10bn investment budget for 37 hotels in 27 provinces within five years. The hotels would mostly be located in its mixed-use project compounds. Its sister company Central Plaza Hotel (CENTEL TB, BUY, Bt41.75) would manage the hotels and receive management fees under three brands, i.e. Centara (upscale), Centara One (lifestyle midscale) and Go! Hotel (premium budget). With this plan, CPN's hotel portfolio would increase from 560 keys (two hotels at present; Hilton Pattaya hotel and Centara Udon Thani hotel) to more than 4,000. The first hotel, Centara Korat, is scheduled to be launched this September, followed by the next two in Ubon Ratchathani and Bowin (an industrial area) likely next year. Some other locations in the pipeline are Ayutthaya, Rayong, Sri Racha, Chonburi and Chiang Rai. CPN expects hotel revenues to grow to 10% of total revenues in 2026, up from 3% in 2019. In 2026, it aims for office rental revenues at 8% of the total, and residential revenues of 10% whereas it expects rental income from retail malls to decline to 72% from 85% in 2019.

We expect half of new hotels to be located next to its malls and support traffic

With Bt10bn of investment over a five-year period (already included in its Bt118bn five-year capex plan over 2022-26) and small-sized hotels with 100-200 rooms each where half of them would likely be built on existing land bank adjacent to its malls, we don't expect losses in the first few operating years to be material compared to CPN's net profit of Bt9.3bn-15.9bn in 2022-26F. We see benefits from them being mixed-use projects in that they would help to boost traffic at CPN's malls and vice versa which would be positive for its malls' rental rate increases as well as tenant retention.

The first three hotels should contribute small losses, at less than 1% of 2022-25F profit

We factor the first three hotels into our projections with a combined loss of Bt21/46/39/22m in 2022-25F (less than 1% of net profit in those years) and profit contributions from 2026F based on a 60-70% profit break-even occupancy rate. In normal years before COVID, mid-scale hotels would normally take an average of two years before making profits.

Ex 1: Our Assumptions For The Three Hotels

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Centara Korat (opening: Sep 2022)												
No of rooms	218	218	218	218	218	218	218	218	218	218	218	218
Occupancy rate (%)	30	40	50	60	70	80	80	80	80	80	80	80
Room rate (Bt/night/room)	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360	3,461
growth (%)		3	3	3	3	3	3	3	3	3	3	3
F&B/room revenue ratio (%)	30	30	30	30	30	30	35	40	40	40	40	40
Other revenue/room revenue ratio (%)	5	5	5	5	5	5	5	5	5	5	5	5
GP (%)	30	30	30	30	35	35	35	40	40	40	40	40
Net profit (loss) (Bt m)	***(21)***	***(23)***	***(15)***	***(7)***	***10***	***19***	***23***	***38***	***40***	***42***	***44***	***46***
Ubon Ratchathani (opening: mid-2023F)												
No of rooms		200	200	200	200	200	200	200	200	200	200	200
Occupancy rate (%)		30	40	50	60	70	80	80	80	80	80	80
Room rate (Bt/night/room)		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360
growth (%)			3	3	3	3	3	3	3	3	3	3
F&B/room revenue ratio (%)		30	30	30	30	30	30	30	30	30	30	30
Other revenue/room revenue ratio (%)		5	5	5	5	5	5	5	5	5	5	5
GP (%)		30	30	30	30	30	30	30	30	30	30	30
Net profit (loss) (Bt m)		***(20)***	***(21)***	***(14)***	***(6)***	***10***	***18***	***19***	***30***	***31***	***33***	***34***
Bowin (opening: mid-2023F)												
No of rooms		100	100	100	100	100	100	100	100	100	100	100
Occupancy rate (%)		30	40	50	60	70	80	80	80	80	80	80
Room rate (Bt/night/room)		900	927	955	983	1,013	1,043	1,075	1,107	1,140	1,174	1,210
growth (%)			3	3	3	3	3	3	3	3	3	3
F&B/room revenue ratio (%)		10	10	10	10	10	10	10	10	10	10	10
Other revenue/room revenue ratio (%)		5	5	5	5	5	5	5	5	5	5	5
GP (%)		30	30	30	30	35	35	35	40	40	40	40
Net profit (loss) (Bt m)		***(3)***	***(2)***	***(1)***	***0***	***2***	***4***	***4***	***6***	***6***	***6***	***6***
Total profit (loss) contribution) (Bt m)	**(21)**	**(46)**	**(39)**	**(22)**	**4**	**31**	**45**	**62**	**76**	**79**	**83**	**86**

Source: Thanachart estimates

Ex 2: Centara Korat

CENTARA KORAT

Designed to be the centre of the community, Centara Korat will anchor Central Korat, the largest mixed-use project in Northeastern Thailand and a new all-in-one leisure and lifestyle destination for the region. Located in Central Korat on the main Mitrapap Road at the gateway to Isan, Centara is well poised to cater to multi-generational families, long-stay guests, and MICE business travellers to the region's main provinces, which also include Ubon Ratchathani, Udon Thani, Khon Kaen, and Buriram. Korat is located a 3.5-hours drive from Bangkok, and is served by its own domestic airport.

CENTARA KORAT

880 Mittraphap Road, Tumbon Nai Mueang, District Muang, Nakhon Ratchasima

centarahotelsresorts.com/cko
+66 (0) 4425 1234
cko@chr.co.th

ACCOMMODATION

- 218 rooms ranging from 32 to 107 sqm in a contemporary wooden design
- A choice of King, Twin and Double / Double beds. Also, daybed is available in all rooms.
- All rooms are non-smoking
- Dinnerware in all guestrooms, with additional microwave available in Suites.
- Connecting rooms and wheelchair-accessible rooms are available

FACILITIES & SERVICES

- Rooftop swimming pool
- Sky Lounge
- Fitness centre with training area, boxing and yoga classes
- Complimentary Wi-Fi internet access
- Laundry and dry-cleaning service
- Daily housekeeping
- Complimentary onsite parking available
- Meetings facilities

RESTAURANTS & BARS

- House of Kin: an all-day dining restaurant featuring Thai, Japanese, international and pastries and bakery
- Rooftop Pool: serving snacks and beverages

Source: Company data

Ex 2: Centara Korat (Con't)

ACCOMMODATION

ROOM FACTS AT A GLANCE							IN-ROOM FEATURES										
ROOM TYPE		Number of rooms	Room size (m²)	Balcony size (m²)	Total living space (m²)	Maximum occupancy (AD + CH)	Day bed	Individually controlled air-conditioning	Shower	Bathtub	Minibar	Tea and coffee making facilities	In-room safe	Hairdryer	Satellite TV	Complimentary wireless internet access	Separate living / dining room
Deluxe	King	50	32		32	3AD or 2AD + 1CH	•	•	•		•	•	•	•	•	•	
	Twin	56	32		32	3AD or 2AD + 1CH	•	•	•		•	•	•	•	•	•	
Premium Deluxe	King	28	35		35	3AD or 2AD + 1CH	•	•	•		•	•	•	•	•	•	
Studio	King	22	37	2*	37 - 39	3AD or 2AD + 1CH	•	•	•	•	•	•	•	•	•	•	
	Double / Double	56	37	2*	37 - 39	3AD or 2AD + 1CH	•	•	•	•	•	•	•	•	•	•	
Executive Suite	King	6	105	2	107	3AD or 2AD + 2CH	•	•	•	•	•	•	•	•	•	•	•

*Available in some units

RESTAURANTS & BARS

VENUE	TYPE OF CUISINE	CAPACITY (SEATS)	OPENING HOURS	LOCATION
House of Kin	Thai, Japanese, international, and pastries and bakery	170	06:30 - 10:30 / 11:30 - 14:00 / 18:00 - 23:00	Ground Floor
Rooftop Pool	Snacks and beverages	40	10:00 - 17:00	20th Floor
In-room dining	Thai cuisine	-	06:00 - 23:00	All guestrooms

MEETINGS & EVENTS

VENUE	LOCATION	AREA (M²)	SIZE (M X M)	CEILING (M)	CLASSROOM	THEATRE	COCKTAIL	U SHAPE	BANQUET
KORAT BALLROOM	2nd Floor	572	14.4 x 39.7	7.8	324	620	650	240	500
KORAT 1	2nd Floor	314	14.4 x 21.8	7.8	216	280	320	124	250
KORAT 2	2nd Floor	252	14.4 x 17.5	7.8	180	240	280	96	200
CHUM PHON	2nd Floor	99	14.7 x 6.8	3.3	90	150	140	80	80
PHON LAN	2nd Floor	99	14.7 x 6.8	3.3	90	150	140	80	80
PHON SAEN	2nd Floor	87	9.5 x 9.2	3.3	60	84	90	44	50
CHAINARONG	2nd Floor	78	9.5 x 8.2	3.3	48	74	90	44	40

Source: Company data

Self-storage business JV

Partnering with JWD by investing 30% in JWD Store It!

On 30 June, CPN invested Bt100m for a 30% stake in a JV which is 60%-owned by a leading logistics provider JWD Infologistics Pcl (JWD TB, BUY, Bt13.20) and 10%-held by Store It! Management in Singapore. The JV, JWD Store It!, started a few years ago. As of 1Q22, it had six branches – five in Bangkok at Siam, Srikreetha, Thiam Ruammit, Ramintra and Rama 9 and one at Patong in Phuket – with combined storage space of 13,825 sqm and 55% average occupancy. It offers self-storage facilities mostly on a monthly basis with 24/7 access. It made a net loss of Bt17.7m in 2021 and Bt21.9m in 2020.

CPN plans to help speed up branch openings in its malls, office buildings, hotels and residential projects in over 30 provinces and expand to tap a wide range of customers including B2B and B2C customers such as mall tenants who want to store products/equipment, condominium residents and hotel guests. JWD targets nine new branches to reach 15 in total this year. The long-term target is 100,000 sqm of storage space by 2025. As its break-even level is at 60% occupancy, it targets to break even next year. As it is in an expansion period and it may take some time to ramp up occupancy, we estimate the JV to make losses of Bt25/10m in 2022-23F and break even in 2024F. The 30% shared loss for CPN is minimal at Bt4/3m in 2022-23F. Though future profit contributions look small, we view this self-storage business as complementary to CPN's businesses in accommodating its customers and creating a strong ecosystem.

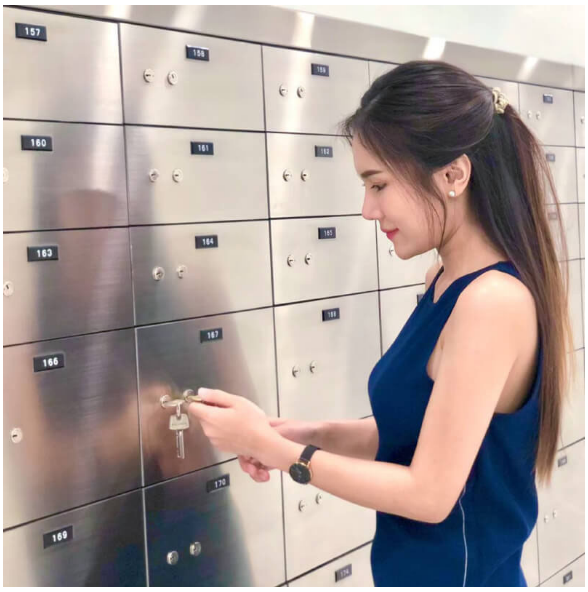
Ex 3: Store It! Siam Branch

Source: Company data

Ex 4: Store It! Patong (Phuket) Branch

Source: Company data

Ex 5: Safe/Deposit Box



Source: Company data

Ex 6: Wine Bank

Source: Company data

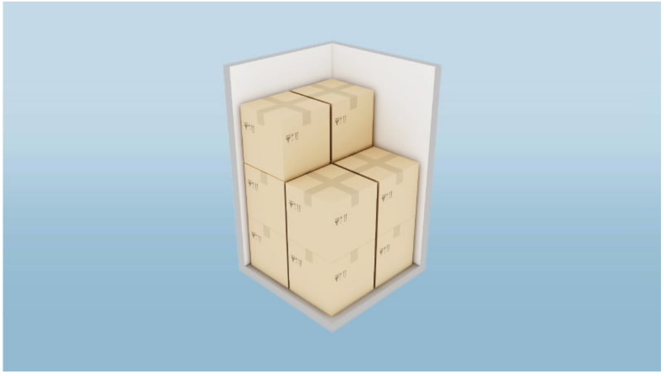
Ex 7: Air-Conditioned Locker

Source: Company data

Ex 8: Non Air-Conditioned Locker

Source: Company data

Ex 9: XXS-Sized Storage (0.5-1.4SQM) – Bt1,000/Month



Source: Company data

Ex 10: M-Sized Storage (5-10SQM) – Bt4,640/Month

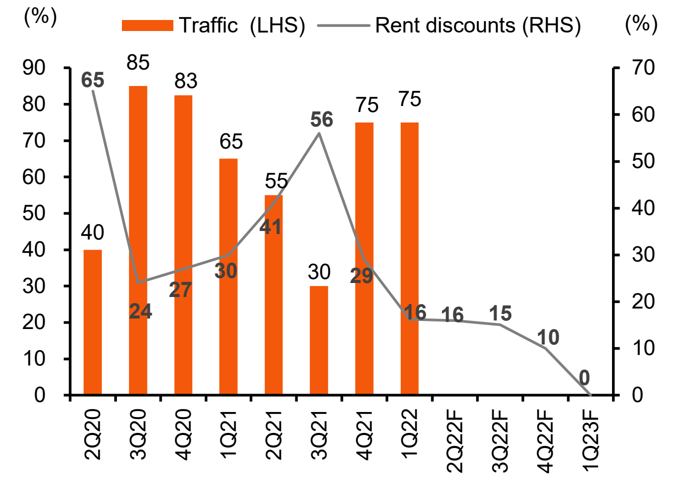
Source: Company data

Flat rent discounts q-q in 2Q22F

2Q22F rent discounts are maintained from 1Q22 on consumption caution

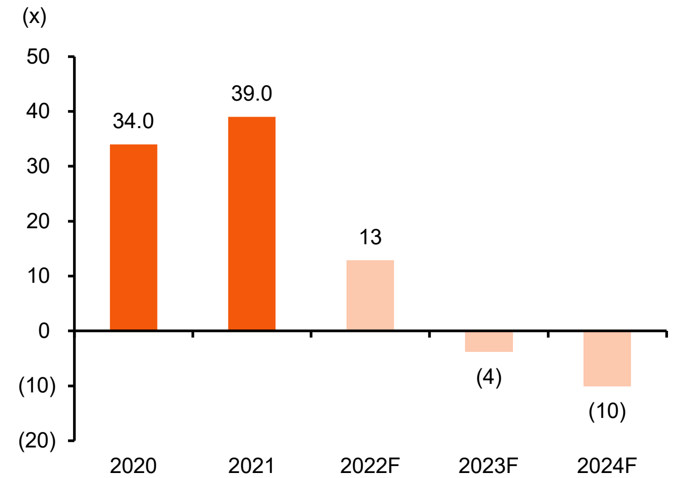
Rent discounts in April and May 2022 were flat from 1Q22 at 16%. That was despite mall traffic improving from 65% of the pre-COVID 2019 level in March to 69% in April and 77% in May, driven by higher traffic at tourist malls. The flat rent discounts q-q in 2Q22F were below our earlier 12% projection, likely a result of a more cautious outlook on consumption during the inflationary environment and more COVID infections. But this doesn't change the strong business recovery trend and we expect a sharp fall in rent discounts y-y from discounts of 41% in 2Q21 to 16% in 2Q22F. We revise up our rent discount assumptions to 16/15/10% (from 12/8/3%) in 2Q-4Q22F to 13% discount this year (10% previously) and no more discounts next year vs. 34/39% discounts in 2020-21.

Ex 11: Traffic Vs. Rent Discounts



Sources: Company data, Thanachart estimates

Ex 12: Rent Discount Assumptions



Sources: Company data, Thanachart estimates

Reaffirm BUY

BUY as a strong turnaround play with a higher Bt73 SOTP-based TP

Incorporating our new, lower rent assumptions and the contribution from its recent 30% investment in the logistics JV and three hotels in 2022-23F, we trim our earnings by 2% in 2022-33F. Exhibit 13 shows our earnings revisions. We leave the remaining 34 new hotels as potential upside. After the revisions, we estimate 134/35/21% normalized earnings growth and reaffirm our BUY rating on CPN with a higher SOTP-based 12-month TP (rolled over to a 2023F base year) of Bt73/share (from Bt70 previously). We see CPN as a strong post-COVID earnings turnaround play driven by falling rent discounts or rental rate increases and mall expansions. It resumed mall openings in 4Q21. Three new malls at Sri Racha (launched in October last year), Ayutthaya (November 2021) and Chanthaburi (May 2022) were opened during 4Q21-2Q22 and they have more than 80% occupancy rates vs. their 65-70% profit break-even levels. As of 2Q22, CPN was operating 36 shopping malls in Thailand and one in Malaysia.

Ex 13: Earnings Revisions

	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
SS rental revenue growth (%)														
New	(34)	(8)	44	19	6	4	3	3	3	3	3	3	3	3
Old	(34)	(8)	48	19	5	3	3	3	3	3	3	3	3	3
Rent discounts (increases) vs 2019 (%)														
New	34	39	13	(4)	(10)	(14)	(18)	(21)	(25)	(29)	(33)	(37)	(41)	(45)
Old	34	39	10	(7)	(12)	(15)	(19)	(22)	(26)	(30)	(34)	(38)	(42)	(46)
Gross margin - rent (%)														
New	45.0	40.8	48.1	51.1	52.7	53.6	54.3	54.9	55.8	56.4	56.8	57.4	58.6	59.8
Old	45.0	40.8	49.1	52.0	53.3	53.9	54.5	55.1	56.1	56.6	57.1	57.6	58.8	60.0
Three hotels' profit contribution (Bt m)														
New	0	0	(21)	(46)	(39)	(22)	4	31	45	62	76	79	83	86
Old	0	0	0	0	0	0	0	0	0	0	0	0	0	0
JWD Store It!'s profit (Bt m)	(22)	(18)	(25)	(10)	0	5	10	10	10	10	10	10	10	10
JWD Store It!'s equity income (Bt m)	0	0	(4)	(3)	0	2	3	3	3	3	3	3	3	3
Normalized profit (Bt m)														
New	5,258	3,379	7,904	10,679	12,873	13,796	15,880	16,343	17,752	19,532	20,722	22,061	23,651	25,289
Old	5,258	3,379	8,313	11,168	13,235	14,006	16,067	16,509	17,912	19,688	20,850	22,193	23,812	25,458
Change (%)	*0.0*	*0.0*	*(4.9)*	*(4.4)*	*(2.7)*	*(1.5)*	*(1.2)*	*(1.0)*	*(0.9)*	*(0.8)*	*(0.6)*	*(0.6)*	*(0.7)*	*(0.7)*

Sources: Company data, Thanachart estimates

Ex 14: Our Sum-of-the-parts Valuation

SOTP valuation			(Bt m)
Risk-free rate (Rf) (%)	2.5	**Total present value of FCF**	**377,914**
Market risk premium (Rm-Rf) (%)	8.0	Less: net debt	75,320
Beta	0.95	Less: minority interest	9,065
Cost of equity (Ke) (%)	10.1	**Equity value**	**293,529**
After-tax cost of debt (Kd) (%)	1.4	No of shares (end-2023F) (m)	4,488
Debt to total assets (%)	35.0	**Equity value/share (Bt/share)**	**65.40**
WACC (%)	7.1	**plus Value of CPNREIT (30.3%-owned) (Bt/CPN share)**	**3.55**
		Value of CPNCG (25%-owned) (Bt/CPN share)	**0.28**
		Value of six land plots (Bt/CPN share)	**3.76**
		CPN's SOTP-based target price (Bt/share)	**73.00**

Source: Thanachart estimates

Valuation Comparison

Ex 15: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div. yield 22F (%)	Div. yield 23F (%)
Marks & Spencer	MKS LN	Britain	na	(22.1)	5.8	7.5	1.0	0.8	4.3	4.8	0.0	0.6
J Sainsbury PLC	SBRY LN	Britain	109.1	(9.1)	8.6	9.4	0.6	0.5	5.1	5.2	7.4	6.2
Tesco	TSCO LN	Britain	110.8	(2.3)	11.0	11.2	1.4	1.1	6.6	6.9	3.4	4.5
Carrefour SA	CA FP	France	16.8	18.0	10.1	8.6	1.2	1.1	5.3	4.9	3.3	3.6
Casino Guichard	CO FP	France	(12.6)	56.5	10.8	6.9	0.5	0.5	6.3	5.8	4.9	1.2
L'Oreal SA	OR FP	France	17.5	8.2	33.0	30.5	7.2	6.5	21.1	19.6	1.3	1.6
Alimentation Couche	ATD/B CN	Canada	7.9	0.9	na	na	na	na	9.1	9.5	na	na
Aeon	8267 JP	Japan	na	99.7	173.1	86.7	2.1	2.2	8.9	8.4	1.5	1.5
Kao Corporation	4452 JP	Japan	(7.9)	12.8	24.1	21.4	2.7	2.6	11.8	10.7	2.5	2.6
Lion Corporation	4912 JP	Japan	(8.0)	(0.1)	22.1	22.1	1.7	1.6	9.1	8.6	1.6	1.6
Shiseido Co. Ltd	4911 JP	Japan	9.6	75.3	56.1	32.0	4.0	3.7	19.1	13.8	0.9	1.8
Lawson	2651 JP	Japan	105.8	14.1	24.0	21.0	1.6	1.6	3.5	3.3	3.4	3.4
Seven & I Holdings	3382 JP	Japan	36.3	20.1	21.6	18.0	1.7	1.6	8.5	7.2	1.9	1.9
Lotte Corp	004990 KS	South Korea	(8.0)	39.8	12.5	8.9	0.5	0.5	10.5	9.9	3.2	4.4
Shinsegae	004170 KS	South Korea	18.2	15.7	6.1	5.2	0.5	0.5	6.1	5.7	0.8	1.4
Amore Pacific Group	002790 KS	South Korea	(24.4)	32.4	19.1	14.4	1.2	1.1	6.4	5.2	1.3	1.1
Best Buy Co Inc	BBY US	USA	(14.0)	14.4	8.1	7.1	5.4	5.3	4.7	4.4	3.1	4.0
Wal-Mart Stores	WMT US	USA	(0.7)	9.6	19.5	17.8	3.8	3.4	10.6	10.1	1.7	1.7
Home Depot Inc	HD US	USA	7.0	5.8	17.1	16.1	na	na	12.3	12.0	2.1	2.3
Yonghui Superstores	601933 CH	China	na	82.7	54.1	29.6	3.4	3.0	18.6	15.0	1.3	0.6
Sa International	178 HK	Hong Kong	na	na	na	56.7	3.8	3.8	na	26.3	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	4.1	78.4	28.6	16.0	3.2	2.9	9.4	8.7	3.1	3.4
President Chain Store	2912 TT	Taiwan	17.4	11.8	27.2	24.4	8.0	7.5	11.9	11.7	2.8	3.2
7-Eleven Malaysia	SEM MK	Malaysia	188.9	7.7	18.1	16.8	11.8	8.8	7.2	7.2	1.8	2.8
Berli Jucker *	BJC TB	Thailand	47.9	10.7	24.8	22.4	1.1	1.1	13.1	12.7	3.0	3.3
COM7 *	COM7 TB	Thailand	28.4	22.4	19.5	15.9	8.6	7.1	13.7	11.3	2.3	5.1
CP All *	CPALL TB	Thailand	66.1	57.4	43.5	27.6	5.0	4.5	12.6	10.6	1.1	1.8
Central Pattana *	CPN TB	Thailand	133.9	35.1	34.1	25.2	3.4	3.1	19.5	15.8	1.4	1.8
Central Retail Corp. *	CRC TB	Thailand	na	40.3	39.1	27.9	3.5	3.2	9.7	8.7	1.0	1.4
Siam Global House *	GLOBAL TB	Thailand	11.8	20.8	22.4	18.6	3.8	3.4	18.0	15.0	1.8	2.2
Home Product*	HMPRO TB	Thailand	21.1	20.5	25.1	20.9	6.9	6.4	14.4	12.5	3.2	3.8
Siam Makro *	MAKRO TB	Thailand	(20.6)	40.6	38.0	27.0	1.2	1.2	14.6	12.5	2.0	2.8
Mc Group *	MC TB**	Thailand	13.6	26.1	14.4	11.4	2.0	2.0	5.3	4.6	7.0	8.8
Average			**31.3**	**26.4**	**28.1**	**21.4**	**3.3**	**3.0**	**10.5**	**10.0**	**2.4**	**2.7**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

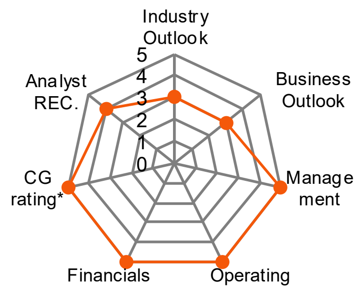
Based on 6 July 2022 closing price

COMPANY DESCRIPTION

Central Pattana Pcl (CPN) is Thailand's largest shopping mall developer with more than 30 years of experience. CPN currently manages 37 shopping malls, seven office buildings, two hotels and residential projects. The company is the leader in the retail development and management sector with the biggest share of Bangkok's retail market. It also invests in property fund/REITs with a 30.3% holding in CPNREIT and 25.0% in CPNCG.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Market leader with the most proactive expansion plans.
- The major shareholder, the Chirathivat family, has many businesses under its wing, mostly retail. Thus, a certain occupancy level is secured prior to project launches.
- Prime locations secured in Bangkok and first-tier provinces.

W — Weakness

- Highly capital-intensive business.
- Long payback period.

O — Opportunity

- Expansion into second-tier provinces and Bangkok's suburbs.
- Opportunities to expand shopping malls in markets abroad, particularly Southeast Asian countries.

T — Threat

- Indirect competition from hypermarkets, especially upcountry.
- Risk of leasehold projects not being renewed.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	67.91	73.00	7%
Net profit 22F (Bt m)	9,411	9,292	-1%
Net profit 23F (Bt m)	11,814	12,067	2%
Consensus REC	**BUY: 19**	**HOLD: 5**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profits are in line with the Bloomberg consensus numbers.
- Our SOTP-derived TP is 7% above the Street's likely as we roll over our valuation base year to 2023F.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A slow economy would affect purchasing power, CPN's ability to increase rental rates, occupancy, and branch expansion, and represents the key downside risk to our call.
- Future unexpected events such as the closure and fire incidents at CentralWorld in the past would cause an earnings hiccup, and present a secondary downside risk.

Source: Thanachart

A hiccup in normalized profit in 2020-21 from COVID-19…

….but strong 134% and 35% normalized EPS growth in 2022-23F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	26,730	24,515	32,441	38,747	43,420
Cost of sales	15,037	14,784	17,079	19,122	20,412
Gross profit	**11,693**	**9,731**	**15,362**	**19,624**	**23,008**
% gross margin	43.7%	39.7%	47.4%	50.6%	53.0%
Selling & administration expenses	5,241	5,499	6,164	7,168	7,816
Operating profit	**6,452**	**4,231**	**9,198**	**12,456**	**15,192**
% operating margin	24.1%	17.3%	28.4%	32.1%	35.0%
Depreciation & amortization	7,906	8,124	8,476	9,194	9,970
EBITDA	**14,359**	**12,356**	**17,674**	**21,650**	**25,162**
% EBITDA margin	53.7%	50.4%	54.5%	55.9%	57.9%
Non-operating income	1,260	1,123	1,231	1,282	1,436
Non-operating expenses	0	0	0	0	0
Interest expense	(1,865)	(1,790)	(2,126)	(2,073)	(2,048)
Pre-tax profit	**5,848**	**3,564**	**8,303**	**11,665**	**14,580**
Income tax	1,301	807	1,827	2,566	3,208
After-tax profit	**4,547**	**2,757**	**6,476**	**9,099**	**11,373**
% net margin	17.0%	11.2%	20.0%	23.5%	26.2%
Shares in affiliates' Earnings	772	704	1,519	1,682	1,611
Minority interests	(60)	(81)	(91)	(101)	(111)
Extraordinary items	4,299	3,769	1,388	1,388	1,367
NET PROFIT	**9,557**	**7,148**	**9,292**	**12,067**	**14,240**
Normalized profit	**5,258**	**3,379**	**7,904**	**10,679**	**12,873**
EPS (Bt)	2.1	1.6	2.1	2.7	3.2
Normalized EPS (Bt)	1.2	0.8	1.8	2.4	2.9

An asset-based firm with shopping malls comprising the majority

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	23,765	23,515	25,100	29,630	33,296
Cash & cash equivalent	9,225	6,057	6,427	7,527	8,727
Account receivables	3,571	4,203	1,333	1,592	1,784
Inventories	0	0	0	0	0
Others	10,968	13,255	17,340	20,511	22,785
Investments & loans	9,117	41,038	41,038	41,038	41,038
Net fixed assets	163,224	169,848	182,072	195,678	209,908
Other assets	25,546	29,020	38,403	40,868	40,797
Total assets	**221,652**	**263,421**	**286,612**	**307,213**	**325,039**
LIABILITIES:					
Current liabilities:	30,433	43,492	44,620	47,369	48,580
Account payables	664	708	7,019	7,858	8,389
Bank overdraft & ST loans	11,958	17,959	12,262	11,980	11,803
Current LT debt	8,078	14,009	13,897	13,577	13,376
Others current liabilities	9,732	10,817	11,442	13,954	15,012
Total LT debt	**27,630**	**49,753**	**55,588**	**54,307**	**53,506**
Others LT liabilities	86,466	88,100	98,150	109,386	117,712
Total liabilities	**144,529**	**181,346**	**198,358**	**211,062**	**219,798**
Minority interest	8,333	8,973	9,065	9,166	9,277
Preferreds shares	0	0	0	0	0
Paid-up capital	2,244	2,244	2,244	2,244	2,244
Share premium	8,559	8,559	8,559	8,559	8,559
Warrants	0	0	0	0	0
Surplus	(932)	(619)	(619)	(619)	(619)
Retained earnings	**58,920**	**62,919**	**69,006**	**76,802**	**85,780**
Shareholders' equity	68,790	73,102	79,190	86,985	95,963
Liabilities & equity	**221,652**	**263,421**	**286,612**	**307,213**	**325,039**

Sources: Company data, Thanachart estimates

Despite high capex, we only expect net gearing of 0.66-0.85x in 2022-24F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	5,848	3,564	8,303	11,665	14,580
Tax paid	(1,739)	(918)	(1,659)	(2,489)	(3,118)
Depreciation & amortization	7,906	8,124	8,476	9,194	9,970
Chg In w orking capital	(8,810)	(588)	9,181	581	338
Chg In other CA & CL / minorities	7,362	143	(2,483)	580	(56)
Cash flow from operations	**10,568**	**10,326**	**21,817**	**19,531**	**21,714**
Capex	(44,248)	(14,748)	(20,700)	(22,800)	(24,200)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	8,216	(31,920)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	30,073	1,957	2,431	10,524	10,125
Cash flow from investments	**(5,959)**	**(44,711)**	**(18,269)**	**(12,276)**	**(14,075)**
Debt financing	14,457	34,054	26	(1,883)	(1,178)
Capital increase	0	0	0	0	0
Dividends paid	(3,633)	(3,136)	(3,205)	(4,272)	(5,261)
Warrants & other surplus	(9,262)	300	0	0	0
Cash flow from financing	**1,561**	**31,218**	**(3,179)**	**(6,155)**	**(6,440)**
Free cash flow	**(33,680)**	**(4,422)**	**1,117**	**(3,269)**	**(2,486)**

2023F PE (using net profit) of 22.3x is below its 30x 5-year historical average from 2015-19

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	51.2	79.7	34.1	25.2	20.9
Normalized PE - at target price (x)	62.3	96.9	41.4	30.7	25.5
PE (x)	28.2	37.7	29.0	22.3	18.9
PE - at target price (x)	34.3	45.8	35.3	27.1	23.0
EV/EBITDA (x)	21.4	27.9	19.5	15.8	13.5
EV/EBITDA - at target price (x)	25.5	32.6	22.8	18.5	15.8
P/BV (x)	3.9	3.7	3.4	3.1	2.8
P/BV - at target price (x)	4.8	4.5	4.1	3.8	3.4
P/CFO (x)	25.5	26.1	12.3	13.8	12.4
Price/sales (x)	10.1	11.0	8.3	6.9	6.2
Dividend yield (%)	1.2	1.0	1.4	1.8	2.1
FCF Yield (%)	(12.5)	(1.6)	0.4	(1.2)	(0.9)
(Bt)					
Normalized EPS	1.2	0.8	1.8	2.4	2.9
EPS	2.1	1.6	2.1	2.7	3.2
DPS	0.7	0.6	0.8	1.1	1.3
BV/share	15.3	16.3	17.6	19.4	21.4
CFO/share	2.4	2.3	4.9	4.4	4.8
FCF/share	(7.5)	(1.0)	0.2	(0.7)	(0.6)

Sources: Company data, Thanachart estimates

We expect a swift recovery in earnings growth from this year post-COVID

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(27.2)	(8.3)	32.3	19.4	12.1
Net profit (%)	(18.6)	(25.2)	30.0	29.9	18.0
EPS (%)	(18.6)	(25.2)	30.0	29.9	18.0
Normalized profit (%)	(54.3)	(35.7)	133.9	35.1	20.5
Normalized EPS (%)	(54.3)	(35.7)	133.9	35.1	20.5
Dividend payout ratio (%)	32.9	37.7	40.0	40.0	40.0
Operating performance					
Gross margin (%)	43.7	39.7	47.4	50.6	53.0
Operating margin (%)	24.1	17.3	28.4	32.1	35.0
EBITDA margin (%)	53.7	50.4	54.5	55.9	57.9
Net margin (%)	17.0	11.2	20.0	23.5	26.2
D/E (incl. minor) (x)	0.6	1.0	0.9	0.8	0.7
Net D/E (incl. minor) (x)	0.5	0.9	0.9	0.8	0.7
Interest coverage - EBIT (x)	3.5	2.4	4.3	6.0	7.4
Interest coverage - EBITDA (x)	7.7	6.9	8.3	10.4	12.3
ROA - using norm profit (%)	2.7	1.4	2.9	3.6	4.1
ROE - using norm profit (%)	7.5	4.8	10.4	12.9	14.1
DuPont					
ROE - using after tax profit (%)	6.5	3.9	8.5	11.0	12.4
- asset turnover (x)	0.1	0.1	0.1	0.1	0.1
- operating margin (%)	28.9	21.8	32.1	35.5	38.3
- leverage (x)	2.8	3.4	3.6	3.6	3.5
- interest burden (%)	75.8	66.6	79.6	84.9	87.7
- tax burden (%)	77.8	77.4	78.0	78.0	78.0
WACC (%)	7.1	7.1	7.1	7.1	7.1
ROIC (%)	4.9	3.1	4.8	6.3	7.4
NOPAT (Bt m)	5,017	3,273	7,174	9,716	11,850
invested capital (Bt m)	107,232	148,766	154,510	159,322	165,922

Sources: Company data, Thanachart estimates

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Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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