Central Pattana Pcl (CPN TB) - BUY, Price Bt65.75, TP Bt73.00

Results Comment

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Strong 2Q22, and beat on one-off profit

- CPN posted a strong earnings turnaround as expected with normalized profit of Bt2.3bn, +268 y-y and +7% q-q. There were three extra items a combined Bt440m gain; Bt288m (net of tax) investment income on Rama 2 lease renewal, Bt124m (net of tax) reversal of rent discount amortization, and Bt276m gain (after tax) from sale of 10% investment in a JV, Vimarnsuriya Co Ltd, to Dusit Thani Pcl. 2Q22 net profit then came to Bt2.7bn, 10% above our estimates on one-off gain from JV share sale.
- Key drivers both y-y and q-q were higher mall rental income of 52% y-y (rent discounts lowered from 41% in 2Q21 to 15% in 2Q22) and 7% q-q (falling rent discounts by 1% q-q with revenues from new mall at Chantaburi opened in May) to Bt7.7bn.
- F&B revenues from food courts increased by 118% y-y and 31% q-q to Bt156m along with rising customer traffic to 85% in 2Q22 vs 55% in 2Q21 and 75% in 1Q22.
- Hotel revenues from 2 hotels (Centara Udon, Hilton Pattaya) grew by 331% y-y and 60% q-q to Bt203m with average occupancy rate rising to 60% in 2Q22 vs 49% in 1Q22 and 22% in 2Q21.
- Real estate sales were at Bt665m, +43% y-y and +53% q-q, driven by more launches of low-rise housing projects.
- 1H22 core profit came in line at 57% of our 2022F. Maintain BUY to Bt73.
- Share sale in Vimarnsuriya with CPN's remaining stake at 30% doesn't have downside to our earnings as the JV does a hotel and two residential projects in Dusit Thani project which we have yet to include revenues from this hotel and condos into our projection. CPN's stake in Dusit Thani mall remains 85% and office at 100%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	5,665	4,609	7,859	7,914	8,731
Gross profit	**2,091**	**1,249**	**3,528**	**3,859**	**4,323**
SG&A	1,326	1,289	1,610	1,347	1,424
Operating profit	765	(40)	1,918	2,511	2,900
EBITDA	**2,716**	**1,974**	**4,111**	**4,602**	**5,046**
Other income	288	214	343	310	251
Other expense	0	0	0	0	0
Interest expense	422	436	540	529	523
Profit before tax	**631**	**(261)**	**1,721**	**2,293**	**2,628**
Income tax	138	28	260	438	672
Equity & invest. income	152	78	307	343	384
Minority interests	(16)	11	(74)	(39)	(26)
Extraordinary items	640	429	122	170	440
Net profit	**1,269**	**229**	**1,816**	**2,328**	**2,753**
Normalized profit	**629**	**(200)**	**1,694**	**2,158**	**2,313**
EPS (Bt)	0.28	0.05	0.40	0.52	0.61
Normalized EPS (Bt)	0.14	(0.04)	0.38	0.48	0.52

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	10	54	51	32,441	38,747
Gross profit	**12**	**107**	**53**	**15,362**	**19,624**
SG&A	6	7	45	6,164	7,168
Operating profit	15	279	59	9,198	12,456
EBITDA	**10**	**86**	**55**	**17,674**	**21,650**
Other income	(19)	(13)	46	1,231	1,282
Other expense			na	0	0
Interest expense	(1)	24	49	2,126	2,073
Profit before tax	**15**	**317**	**59**	**8,303**	**11,665**
Income tax	54	388	61	1,827	2,566
Equity & invest. income	12	153	48	1,519	1,682
Minority interests	na	na	72	(91)	(101)
Extraordinary items	159	(31)	44	1,388	1,388
Net profit	**18**	**117**	**55**	**9,292**	**12,067**
Normalized profit	**7**	**268**	**57**	**7,904**	**10,679**
EPS (Bt)	18	117	55	2.07	2.69
Normalized EPS (Bt)	7	268	57	1.76	2.38

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	5,233	4,457	3,131	3,641	4,275
A/C receivable	4,004	4,548	4,203	4,685	4,012
Inventory	0	0	0	0	0
Other current assets	14,628	15,718	16,181	16,211	17,405
Investment	10,438	34,287	39,984	40,004	39,988
Fixed assets	160,818	169,215	169,848	168,983	165,207
Other assets	28,287	29,647	30,074	31,356	35,673
Total assets	**223,408**	**257,872**	**263,421**	**264,879**	**266,562**
S-T debt	13,112	25,568	29,796	24,622	31,856
A/C payable	534	447	708	629	987
Other current liabilities	12,186	12,525	12,988	13,321	13,627
L-T debt	34,004	41,251	50,684	55,295	50,769
Other liabilities	84,281	87,561	87,170	86,771	85,348
Minority interest	8,100	19,128	8,973	8,875	8,114
Shareholders' equity	**71,192**	**71,391**	**73,102**	**75,366**	**75,860**
Working capital	3,470	4,101	3,495	4,056	3,025
Total debt	47,116	66,820	80,480	79,917	82,625
Net debt	**41,883**	**62,363**	**77,350**	**76,277**	**78,350**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	64.7	(35.6)	(0.9)	24.0	54.1
Operating profit growth	na	na	(7.8)	58.1	279.0
EBITDA growth	120.1	(54.5)	3.3	29.4	85.8
Norm profit growth	na	na	5.8	71.7	268.1
Norm EPS growth	na	na	5.8	71.7	268.1
Gross margin	36.9	27.1	44.9	48.8	49.5
Operating margin	13.5	(0.9)	24.4	31.7	33.2
EBITDA margin	47.9	42.8	52.3	58.1	57.8
Norm net margin	11.1	(4.3)	21.6	27.3	26.5
D/E (x)	0.6	0.7	1.0	0.9	1.0
Net D/E (x)	0.5	0.7	0.9	0.9	0.9
Interest coverage (x)	6.4	4.5	7.6	8.7	9.6
Interest rate	3.8	3.1	2.9	2.6	2.6
Effective tax rate	21.8	(10.9)	15.1	19.1	25.6
ROA	1.7	0.4	3.4	4.0	4.1
ROE	3.5	(1.1)	9.4	11.6	12.2

Sources: Company data, Thanachart estimates

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