CPN Retail Growth (CPNREIT TB) - BUY, Price Bt19.20, TP Bt22.00

Results Comment

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Good 2Q22 as expected

- Excluding extra items, we estimate a normalized profit of Bt807m in 2Q22, recovering 96% y-y and 16% q-q. This was as expected with 6M22 accounting for 47% of our full year forecast.
- Revenue of all three types of assets (shopping malls, office, hotel) has improved by 56% y-y and 11% q-q. With positive operating leverage, operating margin expanded.
- Rental income from shopping malls (76% of revenue) recovered 56% y-y on falling rental discounts and 4% q-q. Shopping malls' rent discount was 17% in 1Q22 vs. 41% in 2Q21 (and 17% in 1Q22). Average occupancy rate at all 7 malls was 92%, relatively flat y-y and q-q.
- Malls' average shopper traffic was 67% of normal traffic level (vs. 61% in 1Q22 and 45% in 2Q21). By location, malls in Bangkok, Chiang Mai and Lampang saw traffic at 65-80%. Only mall in Pattaya City, Chonburi province, saw foot traffic at just 30-60% of normal traffic level.
- Rental income from four office assets (17% of revenue) was up 11% y-y and 2% q-q. Rental income from sublease of Hilton Pattaya hotel in Chonburi (7%) was up 35% y-y vs. none in 1Q22 due to force majeure during Covid outbreak.
- 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 Bt0.28/share. X-date is 19 August and payment date is 2 September 2022.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	787	637	1,023	1,107	1,225
Gross profit	**719**	**579**	**956**	**1,030**	**1,143**
SG&A	170	151	192	193	189
Operating profit	548	427	764	837	954
EBITDA	**548**	**427**	**764**	**837**	**954**
Other income	9	4	9	4	4
Other expense					
Interest expense	145	145	143	143	151
Profit before tax	**412**	**286**	**630**	**698**	**807**
Income tax					
Equity & invest. income					
Extraordinary items	(311)	(1,132)	518	(233)	49
Net Investment Income	**102**	**(846)**	**1,148**	**466**	**856**
Norm Net Invest. Income	**412**	**286**	**630**	**698**	**807**
EPS (Bt)	0.04	(0.33)	0.45	0.18	0.33
Normalized EPS (Bt)	0.16	0.11	0.25	0.27	0.31

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	11	56	48	4,878	6,012
Gross profit	**11**	**59**	**48**	**4,536**	**5,621**
SG&A	(2)	11	52	741	842
Operating profit	14	74	47	3,795	4,779
EBITDA	**14**	**74**	**47**	**3,795**	**4,779**
Other income	(9)	(54)	30	28	34
Other expense					
Interest expense	5	4	48	610	629
Profit before tax	**16**	**96**	**47**	**3,214**	**4,184**
Income tax					
Equity & invest. income					
Extraordinary items	na	na	(306)	60	(1,736)
Net Investment Income	**84**	**741**	**40**	**3,274**	**2,448**
Norm Net Invest. Income	**16**	**96**	**47**	**3,214**	**4,184**
EPS (Bt)	84	741	40	1.27	0.95
Normalized EPS (Bt)	16	96	47	1.25	1.63

Balance Sheet					
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & equivalent	935	688	1,159	1,209	1,481
A/C receivable	894	966	893	987	873
Inventory					
Other current assets					
Investment	75,902	75,317	76,444	76,675	77,309
Fixed assets					
Other assets	443	439	475	388	438
Total assets	**78,174**	**77,410**	**78,971**	**79,260**	**80,101**
S-T debt					
A/C payable	128	123	158	139	151
Other current liabilities					
L-T debt	41,134	41,469	41,876	42,310	42,756
Other liabilities	2,233	2,196	2,147	2,290	2,278
Minority interest					
Shareholders' equity	**33,995**	**32,886**	**33,819**	**33,730**	**33,977**
Working capital	766	844	735	847	722
Total debt	41,817	42,204	42,848	43,101	43,694
Net debt	**40,882**	**41,517**	**41,689**	**41,891**	**42,213**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	43.9	(41.4)	1.3	18.2	55.6
Operating profit growth	39.8	(51.1)	(3.7)	21.8	73.9
EBITDA growth	39.8	(51.1)	(3.7)	21.8	73.9
Norm profit growth	69.2	(60.2)	(1.8)	28.9	95.8
Norm EPS growth	45.8	(65.7)	(15.4)	28.9	95.8
Gross margin	91.3	90.8	93.5	93.1	93.3
Operating margin	69.7	67.1	74.7	75.6	77.9
EBITDA margin	69.7	67.1	74.7	75.6	77.9
Norm net margin	52.4	44.8	61.6	63.1	65.9
D/E (x)	1.2	1.3	1.3	1.3	1.3
Net D/E (x)	1.2	1.3	1.2	1.2	1.2
Interest rate	1.4	1.4	1.3	1.3	1.4
Effective tax rate	-	-	-	-	-
ROA	2.1	1.5	3.2	3.5	4.1
ROE	4.8	3.4	7.6	8.3	9.5
Dividend payout ratio (%)*	63.8	75.5	65.5	66.7	-

Sources: Company data, Thanachart estimates

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