Central Plaza Hotel (CENTEL TB) - BUY

News update

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Disposal of assets of a JV

- **CENTEL divested Centara Grand Osaka.**
- **Operations continue under a long-term lease.**
- **The deal generates a one-time gain and improves cash flow.**
- **Minimal impact on core profit in short term.**

CENTEL announced the disposal of Centara Grand Osaka for JPY38.5bn, generating a significant gain. Despite the sale, its wholly owned subsidiary (Centara KK) will continue operating the hotel under a long-term lease, with revenue still consolidated. We view the transaction positively, expecting a one-time extra gain in 1Q26 and cash inflow in 2Q26 to strengthen the balance sheet and support higher-return reinvestment. The impact on core earnings is minimal in the short term, while enhancing medium- to long-term earnings. We maintain our BUY rating on CENTEL.

- CENTEL announced that its JV, Centara Osaka Tokutei Mokuteki Kaisha (Centara TMK), in which the Company holds a 53% stake, has disposed of the Centara Grand Osaka hotel asset to Osaka Namba Investors Godo Kaisha for JPY38.5bn (Bt8.0bn), compared with a book value of JPY22.6bn (Bt4.7bn) as of 31 December 2025. The transaction is expected to generate a double-digit return for the Company.
- The transaction involves the sale of trust beneficiary rights, which hold the leasehold rights to the land, hotel building, and FF&E.
- Following the asset disposal, Centara Osaka Japan Kabushiki Kaisha (Centara KK), a wholly owned subsidiary of CENTEL, will continue to lease and operate Centara Grand Osaka under a long-term lease agreement with a remaining tenure of c. 47 years. As a result, operating revenue will continue to be recognized in the Company's consolidated financial statements.

Comment:

- We have positive view on the deal.
- We expect CENTEL to recognize a gain on disposal under the equity method in 1Q26, which will be a non-recurring item. We estimate CENTEL will book one-time extra gain before tax and selling expenses c. JPY8.4bn (Bt1.76bn).
- CENTEL expects to receive cash proceeds in 2Q26 after Centara TMK settles project debt and returns capital to shareholders. We think this will help to strengthen CENTEL's balance sheet and financial position. It also has room to invest in new projects to get a higher return from investment in the new project.
- In 2025, Centara Grand Osaka (including both Propco (Centara TMK) and OpCo (Centara KK)) contributed c. 3% of total hotel EBITDA. Following the transaction, the Company will continue to recognize EBITDA from Centara KK at c. 2%, implying 1% reduction in recurring EBITDA (or c. 2% p.a. drop in normalized profit).

Key Valuations

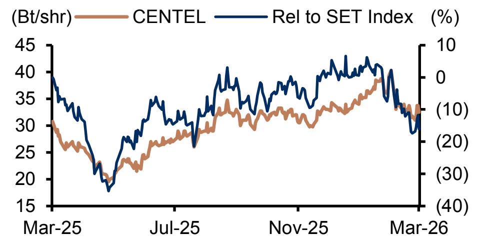
Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Revenue	23,954	25,311	26,828	28,230
Net profit	1,993	1,948	2,278	2,590
Norm net profit	1,866	1,948	2,278	2,590
Norm EPS (Bt)	1.4	1.4	1.7	1.9
Norm EPS gr (%)	(0.8)	4.4	16.9	13.7
Norm PE (x)	23.5	22.5	19.3	16.9
EV/EBITDA (x)	10.5	11.6	11.0	10.3
P/BV (x)	2.0	1.9	1.8	1.7
Div. yield (%)	2.1	2.0	2.3	2.7
ROE (%)	8.7	8.6	9.7	10.4
Net D/E (%)	66.9	109.4	108.4	97.2

Source: ttb wealth estimates

Stock Data

Closing price (Bt)	32.5
Target price (Bt)	39.0
Market cap (US$ m)	1,334
Avg daily turnover (US$ m)	4.5
12M H/L price (Bt)	40.25/19.50

Price Performance



Source: Bloomberg

- We see minimal short-term impact. However, we expect CENTEL to use the net proceeds from the transaction to repay debt or reinvest in new projects, which should enhance returns and support the bottom line.

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