

10 November 2020

Consumer Cyclical | Leisure & Entertainment

## Central Pattana (CPN TB)

**Buy** (Maintained)

### Stronger-Than-Expected 3Q20; BUY

Target Price (Return): THB58.00 (31.8%)  
 Price: THB44.00  
 Market Cap: USD6,438m  
 Avg Daily Turnover (THB/USD): 326m/9.95m

#### Analyst

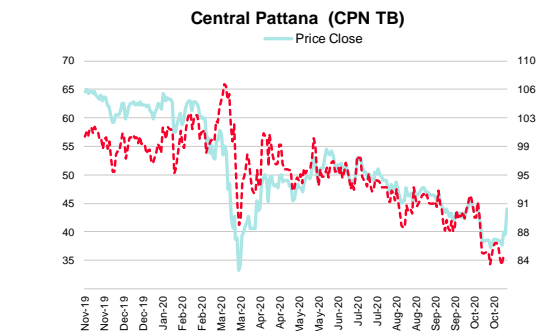
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- **BUY, 12-month THB58.00 TP (DCF) from THB56.00, 32% upside and c.1% yield.** Central Pattana 3Q20 was stronger-than-expected. We see an improving momentum in 4Q20F, driven by mall performance and cost controls. FY21F profits may turn to a strong 55% growth from a low base.
- **Robust profit margins.** The company reported its Q3 results on Monday, with a THB2.48bn net profit (-12% YoY, +431% QoQ). Excluding one-time extra gains of THB119m, related to financial instruments, core profit totalled THB2.36bn (-16% YoY, +659% QoQ). It beat Street forecasts by 54% on better-than-expected GPM and opex-to-sales ratio. Full-quarter operations of its retail malls, post-COVID-19 lockdowns, resulted in a strong recovery in overall customer traffic at its retail malls as well as sales performance, and smaller rental rate discounts given to its tenants. Efficient cost controls at its store and headquarter levels enhanced profit margins. These factors supported a QoQ jump and lowered the YoY decline of its bottomline profits.
- **Improving momentum in mall performance.** Average occupancy rate (OR) was flattish YoY and QoQ, at 91%. Most tenants opened their stores as usual, with a limited and temporary effect of early contract termination at less than 0.5% of total contracts. Same-store rental rates for the quarter was c.-20% YoY vs 9M20 of -29% YoY, reflecting rental rate discounts of 23-24% from 2Q20's >30%. Overall customer traffic recovered to 80% of pre-pandemic levels, 90% at its local demand-oriented malls in Bangkok and upcountry areas, and c.65% at its malls in tourist destinations. Those in Pattaya and Koh Samui remained weak.
- **Superior cost controls.** EBIT margin rose strongly by 4.8ppts YoY and 26.2ppts QoQ. CPN's cost control measures were efficient, resulting in its variable and fixed costs going down YoY, mainly utility, marketing, and other unnecessary expenses. GPM and opex-to-sales ratio improved QoQ on the back of reviving retail mall operations.
- **4Q20F outlook:** We expect improving sentiment for its retail mall operations, based on indirect benefits from the year-end tax rebate for shopping campaigns, and controllable marketing expenses during the festive season. Rental rate discounts may marginally improve. We also foresee no material impact from temporary political rallies, on store traffic. We should see earnings momentum continue to improve in the final quarter.
- **Seeking stronger housing income.** 3Q20 residential revenue fell 38% YoY from a high base, but increased 19% QoQ on the majority transfer of its high-rise projects in Ubon Rtchathani and Chiangmai. We expect improving sales momentum in 4Q20 – the industry's high season – based on more high-rise unit transfers, along with low-rise projects in Bangkok and the upcountry. Management expects FY20 housing sales of THB 2.0bn (-31% YoY), to contribute 7% of group topline (2019: 8%).
- **We fine-tuned CPN's core earnings** by <1% for FY20F-FY22F, and expect core profit to fall 42% this year before turning to a 55% growth from a low base. We are still optimistic on its business expansion outlook. The stock is attractive for long-term investment.

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(29.3)	(1.1)	(4.9)	(3.8)	(33.6)
Relative	(9.0)	(0.5)	0.0	(3.3)	(10.5)
52-wk Price low/high (THB)				33.25	– 65.00



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	33,728	36,719	27,779	37,203	42,295
Recurring net profit (THBm)	10,823	11,621	6,762	10,472	12,706
Recurring net profit growth (%)	9.4	7.4	(41.8)	54.9	21.3
Recurring EPS (THB)	2.41	2.59	1.51	2.33	2.83
DPS (THB)	1.10	0.80	0.61	0.93	1.13
Recurring P/E (x)	18.25	16.99	29.20	18.86	15.54
P/B (x)	3.00	2.74	2.53	2.30	2.10
Dividend Yield (%)	2.5	1.8	1.4	2.1	2.6
Return on average equity (%)	17.6	17.0	12.2	12.8	14.1
Net debt to equity (%)	36.8	37.5	37.7	21.8	10.8

Source: Company data, RHB

## Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	2.41	2.59	1.51	2.33	2.83
Consumer Cyclical	EPS	2.50	2.62	2.04	2.33	2.83
<b>Central Pattana</b>	DPS	1.10	0.80	0.61	0.93	1.13
CPN TB	BVPS	14.64	16.07	17.38	19.10	21.00
Buy	Return on average equity (%)	17.6	17.0	12.2	12.8	14.1
	Return on average assets (%)	7.9	7.1	5.5	6.2	7.2
<b>Valuation basis</b>						
DCF	<b>Valuation metrics</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
	Recurring P/E (x)	18.25	16.99	29.20	18.86	15.54
	P/B (x)	3.0	2.7	2.5	2.3	2.1
	Dividend Yield (%)	2.5	1.8	1.4	2.1	2.6
	EV/EBITDA (x)	11.42	10.14	13.06	9.67	8.13
<b>Key drivers</b>	<b>Income statement (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
i. Opening of new shopping mall projects;	Total turnover	33,728	36,719	27,779	37,203	42,295
ii. Renovation of existing projects, which may increase net leasable area and help improve the average rental rate;	Gross profit	17,266	18,633	12,036	17,540	20,324
iii. Improving domestic consumption, boosting customer traffic and income from revenue-sharing contracts.	EBITDA	19,379	21,906	17,162	21,907	24,845
	Depreciation and amortisation	(5,906)	(7,117)	(7,114)	(7,558)	(8,180)
	Operating profit	13,474	14,789	10,048	14,349	16,665
	Net interest	(426)	(811)	(1,842)	(1,641)	(1,245)
	Pre-tax profit	13,440	14,095	10,585	12,708	15,419
	Taxation	(2,057)	(2,286)	(1,354)	(2,097)	(2,544)
	Reported net profit	11,216	11,738	9,140	10,472	12,706
	Recurring net profit	10,823	11,621	6,762	10,472	12,706
<b>Key risks</b>	<b>Cash flow (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
i. Delays in the opening of new projects;	Change in working capital	(2,229)	(257)	7,933	1,375	(1,289)
ii. Popularity of online trading channels;	Cash flow from operations	(17,534)	20,619	28,491	21,876	23,773
iii. Uncertainties like natural disasters, riots, and terrorism.	Capex	(15,700)	(18,500)	(11,050)	(14,350)	(13,050)
	Cash flow from investing activities	(17,682)	(20,194)	(11,534)	(16,843)	(15,409)
	Dividends paid	(6,283)	(4,937)	(3,590)	(2,742)	(4,189)
	Cash flow from financing activities	35,819	(1,393)	(13,375)	(5,801)	(6,731)
	Cash at beginning of period	2,418	3,021	2,053	5,636	4,868
	Net change in cash	603	(968)	3,583	(768)	1,632
	Ending balance cash	3,021	2,053	5,636	4,868	6,500
<b>Company Profile</b>	<b>Balance sheet (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
Central Pattana is involved in retail property for rental. Its properties comprise large shopping complexes, and are branded under Central Plaza, Central Festival, and CentralWorld on top of other supportive businesses. Its portfolio mainly consists of shopping centres, offices, and hotels. CPN also invests in retail and office property funds, and acts as a property manager of the funds.	Total cash and equivalents	3,067	3,055	6,686	6,274	8,099
	Tangible fixed assets	125,181	127,919	130,819	137,611	142,480
	Total investments	11,992	13,924	14,202	14,487	14,776
	Total other assets	9,233	11,712	1,948	2,609	2,966
	Total assets	161,708	169,933	164,560	172,896	180,869
	Short-term debt	10,876	8,739	13,983	7,635	6,150
	Total long-term debt	19,522	24,471	25,285	19,150	13,000
	Total liabilities	87,532	89,471	78,245	78,851	78,307
	Shareholders' equity	65,726	72,128	77,982	85,711	94,228
	Minority interests	8,450	8,334	8,334	8,334	8,334
	Total equity	74,176	80,462	86,316	94,045	102,562
	Total liabilities & equity	161,708	169,933	164,560	172,896	180,869
	<b>Key metrics</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
	Revenue growth (%)	17.2	8.9	(24.3)	33.9	13.7
	Recurring net profit growth (%)	9.4	7.4	(41.8)	54.9	21.3
	Recurrent EPS growth (%)	9.4	7.4	(41.8)	54.9	21.3
	Gross margin (%)	51.2	50.7	43.3	47.1	48.1
	Recurring net profit margin (%)	32.1	31.6	24.3	28.1	30.0
	Dividend payout ratio (%)	56.0	42.1	39.3	26.2	33.0

Source: Company data, RHB

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Figure 1: CPN's DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
<b>EBIT</b>	<b>10,048</b>	<b>14,349</b>	<b>16,665</b>	<b>18,244</b>	<b>19,574</b>	<b>20,500</b>	<b>21,443</b>	<b>22,483</b>	<b>23,568</b>	<b>24,713</b>
<b>EBIT (1-t)</b>	<b>8,390</b>	<b>11,982</b>	<b>13,915</b>	<b>15,234</b>	<b>16,344</b>	<b>17,118</b>	<b>17,905</b>	<b>18,773</b>	<b>19,679</b>	<b>20,636</b>
Depreciation & amortisation	7,114	7,558	8,180	8,538	8,931	9,242	9,501	9,822	9,782	9,907
Net working capital	7,933	1,375	(1,289)	1,521	(2,234)	(321)	40	22	(16)	21
Capex	(11,050)	(14,350)	(13,050)	(13,050)	(11,050)	(8,050)	(8,050)	(9,050)	(9,050)	(9,050)
<b>Net free cash flow to firm</b>	<b>(3,478)</b>	<b>3,814</b>	<b>10,334</b>	<b>9,201</b>	<b>16,459</b>	<b>18,631</b>	<b>19,316</b>	<b>19,524</b>	<b>20,427</b>	<b>21,472</b>
Terminal value										451,215
PV	(3,348)	3,401	8,535	7,039	11,665	12,231	11,747	10,999	10,660	228,505
Terminal growth	3.0%									
WACC	8.0%									
Total discounted firm value	301,433									
Less: Net debt	33,632									
Less: Minority interest	8,334									
Equity value	259,467									
Number of shares (m)	4,488									
<b>Equity value per share (THB)</b>	<b>58.00</b>									

Source: RHB

Figure 2: CPN's 3Q20 and 9M20 performance review

FYE Dec (THBm)	3Q19	2Q20	3Q20	YoY % chg	QoQ % chg	9M19	9M20	YoY % chg	Remarks
Turnover	9,089	4,279	7,318	-19.5	71.0	26,369	19,797	-24.9	Improving mall traffic and tenants' sales performance led to a stronger rental income and lower rental rate discounts QoQ.
Gross profit	4,531	1,224	3,609	-20.3	194.9	13,261	8,995	-32.2	
EBIT	3,619	789	3,265	-9.8	313.8	10,614	7,608	-28.3	Efficient opex controls improved EBIT and margins, both YoY and QoQ
EBIT margin (%)	39.8	18.4	44.6			40.3	38.4		
EBITDA	5,291	2,720	5,318	0.5	95.5	15,507	13,616	-12.2	
EBITDA margin (%)	58.2	63.6	72.7			58.8	68.8		
Interest expense	(224)	(490)	(436)	94.9	-11.0	(646)	(1,407)	117.8	TFRS16 caused an additional interest expense YoY
Pretax profit	3,395	299	2,829	-16.7	846.6	9,968	6,201	-37.8	
Tax	(608)	(20)	(448)	-26.4	2,177.8	(1,751)	(1,024)	-41.5	
Core profit	2,816	311	2,362	-16.1	659.1	8,219	5,162	-37.2	Significant earnings recovery on improving rental income and lower costs
Net profit	2,816	467	2,481	-11.9	431.0	8,133	7,540	-7.3	A net extra gain of THB119m related to financial instruments in 3Q20
Gross margin (%)	49.8	28.6	49.3			50.3	45.4		Cost control measures remained efficient (ie. utilities and unnecessary expenses), as all variable costs and fixed costs went down YoY
SG&A/sales (%)	18.0	25.3	15.9			18.1	18.3		Controllable marketing and back office expenses
Core profit margin (%)	31.0	7.3	32.3			31.2	26.1		
Net margin (%)	31.0	10.9	33.9			30.8	38.1		

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-05-22	Buy	56.0	49.3
2020-04-01	Buy	54.0	40.5
2020-01-31	Buy	79.0	60.8
2019-10-21	Buy	83.5	64.0
2019-01-22	Buy	93.0	75.8
2018-05-24	Buy	95.0	76.3

Source: RHB, Bloomberg

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80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIPP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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- ได้รับการรับรอง CAC

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