

COMPANY RESULTS

Central Pattana (CPN TB)

3Q24: Results In Line; Well-positioned To Close 2024 With A New Record High

CPN posted a net profit of Bt4.1b in 3Q24 (flat yoy, 19% qoq). The results are in line with our expectations. The softened earnings were due to lower residential transfers and forex loss. However, CPN is well-positioned to close 2024 with record-high performance. We raise our earnings forecast for 2024-25 by 9% and 15% respectively. We like CPN for its fundamentals and undemanding valuation. Maintain BUY. Target price: Bt84.00.

3Q24 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q24	3Q24	yoy %	qoq %	9M23	9M24	yoy %
Sales and services	11,918	12,876	12,243	2.7	(4.9)	32,764	36,824	12.4
Operating EBIT	4,401	4,959	4,964	12.8	0.1	11,746	14,321	21.9
Equity income	579	524	633	9.4	20.8	1,587	1,753	10.4
Net profit	4,162	4,556	4,126	(0.9)	(9.4)	11,085	12,836	15.8
Percent	3Q23	2Q24	3Q24	yoy	qoq	9M23	9M24	yoy
Gross margin	51.6	54.1	56.8	5.1	2.7	51.8	55.1	3.4
SG&A to sales	14.3	14.8	16.2	1.9	1.3	6.7	7.3	0.5
EBIT margin	36.9	38.5	40.5	3.6	2.0	35.8	38.9	3.0
Net margin	34.9	35.4	33.7	(1.2)	(1.7)	33.8	34.9	1.0

Source: CPN, UOB Kay Hian

RESULTS

- In line with expectations.** Central Pattana (CPN) reported a net profit of Bt4.13b (flat yoy, -9% qoq). The results are in line with our expectation. Excluding accounting impacts, core performance was Bt3.9b (+2% yoy, -7% qoq). Although rental and hotel revenue increased yoy, lower condo transfers and forex losses (Bt340m) mainly from overseas operations resulted in a lower total income. 9M24 earnings of Bt12.8b (+16% yoy) accounted for 75% of our new full-year forecast.
- Revenue of the rental and service business rose to all-time high of Bt10.3m, up 10% yoy and 3% qoq, supported by newly-opened malls such as Central Westville, Central Nakhon Sawan, and Central Nakhon Pathom as well as an improvement in tenants' sales. Hotel revenue increased by 23% yoy and 4% qoq, with an improved overall occupancy rate of 71% (3Q23: 67%, 2Q24: 67%) and a new hotel (Hilton Garden Inn). Meanwhile, residential revenue declined significantly by 49% yoy and 49% qoq as transfers of key condominium projects were completed. Gross profit margin improved to 57% from 54% in 2Q24 and 52% in 3Q23 due to cost management and favourable energy pricing.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	35,575	45,613	50,073	52,349	53,641
EBITDA	19,473	24,924	28,181	29,851	31,184
Operating profit	10,923	16,379	19,029	20,042	20,618
Net profit (rep./act.)	10,760	15,062	17,006	18,097	18,563
Net profit (adj.)	10,760	15,062	17,006	18,097	18,563
EPS (Bt)	2.4	3.4	3.8	4.0	4.1
PE (x)	25.0	17.9	15.8	14.9	14.5
P/B (x)	3.3	2.9	2.7	2.4	2.2
EV/EBITDA (x)	17.9	14.0	12.4	11.7	11.2
Dividend yield (%)	1.9	3.0	3.2	3.4	3.4
Net margin (%)	30.2	33.0	34.0	34.6	34.6
Net debt/(cash) to equity (%)	90.4	77.7	70.8	63.6	61.2
Interest cover (x)	8.8	9.5	7.4	8.0	7.9
ROE (%)	13.9	17.3	17.6	17.1	16.1
Consensus net profit	-	-	16,350	17,735	18,344
UOBKH/Consensus (x)	-	-	1.04	1.02	1.01

Source: CPN, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt60.00
Target Price	Bt84.00
Upside	+40.0%

COMPANY DESCRIPTION

Thailand's largest retail property developer which focuses on developing retail properties like shopping malls in major cities for rental, as well as other mall-related businesses like F&B, hotels and residential properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CPN TB
Shares issued (m):	4,488.0
Market cap (Btm):	269,280.0
Market cap (US\$m):	7,704.7
3-mth avg daily t'over (US\$m):	15.3

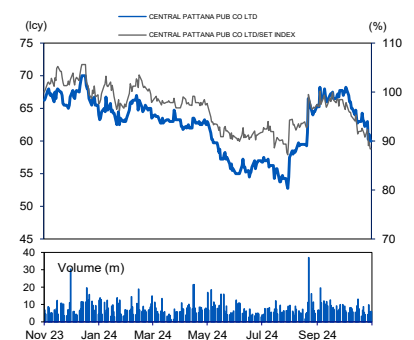
Price Performance (%)

52-week high/low	Bt70.00/Bt52.50			
1mth	3mth	6mth	1yr	YTD
(11.4)	13.7	(4.4)	(8.7)	(14.3)

Major Shareholders

	%
Central Holding Co., Ltd.	26.2
Thai Nvdr Company Limited	8.1
South East Asia Uk (Type C) Nominees Limited	2.7
FY24 NAV/Share (Bt)	22.46
FY24 Net Debt/Share (Bt)	15.90

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kasemsun Koonnara
 +662 659 8027
 Kasemsun@uobkayhian.co.th

- **Expect 4Q24 earnings to improve yoy but remain flat qoq.** We expect 4Q24 earnings to grow yoy, primarily driven by increased rental and hotel revenues, boosted by the high tourism season and contributions from launches of new projects. However, on a qoq basis, earnings are likely to remain flat as SG&A expenses are expected to weigh on profitability. Meanwhile, we foresee that CPN is well-positioned to close 2024 with a record-high net profit again.

EARNINGS REVISION

Year to 31 Dec (Btm)	2024F			2025F		
	New	Old	Chg.	New	Old	Chg.
Revenue	50,073	47,106	6.3%	52,349	47,773	9.6%
Operating profit	19,029	16,491	15.4%	20,042	16,535	21.2%
EBITDA	28,181	25,586	10.1%	29,851	26,221	13.8%
Equity Income	2,340	2,233	4.8%	2,410	2,345	2.8%
Net profit	17,006	15,594	9.1%	18,097	15,752	14.9%

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- We raise our earnings forecasts for 2024-25 by 9% and 15% respectively, to reflect better-than-expected gross margin and revenue.
- Risks include: a) lower-than-expected residential transfers, and b) higher-than-expected utility costs.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt84.00**, based on the SOTP method. We roll over target price to the end of 2025. We value CPN's core business at Bt84.60/share, based on DCF, assuming a WACC of 7.3%. Cash flows are discounted to 2024. We value the residential business at Bt1.40/share, assuming 7x 2024F PE.
- We expect earnings to reach a new record high again in 2024. We remain confident in the company's resilient financials, business strategy, and expansion plans for Central Krabi and Central Park in 2025, as well as additional projects that have yet to be announced, which we believe will support CPN's continued earnings growth in 2025. In addition, the company is trading at an undemanding valuation or below -1SD forward PE.

SHARE PRICE CATALYST

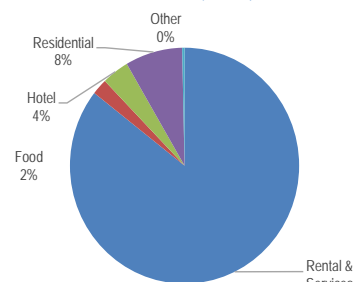
- a) Better-than-expected performance, especially from the rental and service business, b) announcement of new mixed-use projects, and c) better profitability.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: AA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - CPN is committed to reducing energy consumption and promoting renewable energy. The company also practices effective waste management by recycling, segregating waste, and minimising single-use plastics. • Social <ul style="list-style-type: none"> - CPN prioritises community engagement and green spaces. It provides educational programmes, health campaigns, and support for underprivileged groups. CPN also creates parks and gardens to provide recreational areas for visitors. • Governance <ul style="list-style-type: none"> - CPN prioritises ethical, transparent, and auditable business conduct for sustainable growth through a Code of Conduct and CG Principles handbook.

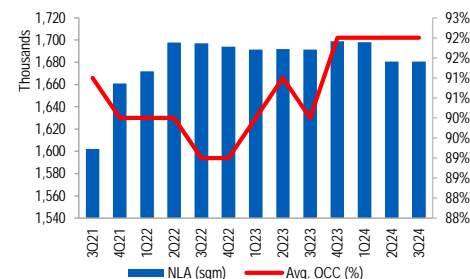
Source: CPN, UOB Kay Hian

REVENUE CONTRIBUTION (3Q24)



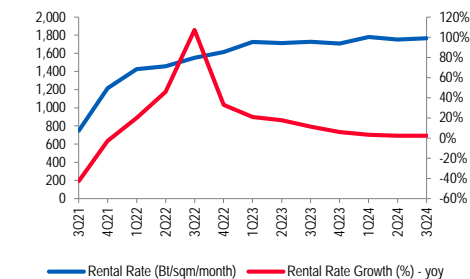
Source: CPN, UOB Kay Hian

QUARTERLY NLA AND OCC



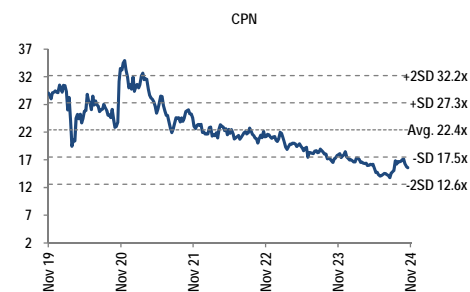
Source: CPN, UOB Kay Hian

QUARTERLY EFFECTIVE RENTAL RATE



Source: CPN, UOB Kay Hian

PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	45,613	50,073	52,349	53,641
EBITDA	24,924	28,181	29,851	31,184
Deprec. & amort.	8,546	9,153	9,809	10,566
EBIT	16,379	19,029	20,042	20,618
Total other non-operating income	2,794	3,473	3,575	3,682
Associate contributions	2,133	2,340	2,410	2,482
Net interest income/(expense)	(2,613)	(3,787)	(3,733)	(3,925)
Pre-tax profit	18,693	21,055	22,294	22,858
Tax	(3,461)	(3,830)	(3,977)	(4,075)
Minorities	(171)	(219)	(220)	(220)
Net profit	15,062	17,006	18,097	18,563
Net profit (adj.)	15,062	17,006	18,097	18,563

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	24,691	25,318	27,928	28,863
Pre-tax profit	18,693	21,055	22,294	22,858
Tax	(3,461)	(3,830)	(3,977)	(4,075)
Deprec. & amort.	8,546	9,153	9,809	10,566
Working capital changes	(414)	(1,600)	(336)	(438)
Non-cash items	1,326	540	138	(48)
Other operating cashflows	2,133	2,340	2,410	2,482
Investing	(18,472)	(16,501)	(18,310)	(23,006)
Capex (growth)	(11,636)	(18,487)	(20,107)	(24,597)
Investments	47,079	48,015	48,979	49,972
Others	(53,915)	(46,029)	(47,181)	(48,381)
Financing	(7,281)	(7,474)	(8,503)	(5,049)
Dividend payments	(5,182)	(8,078)	(8,503)	(9,049)
Proceeds from borrowings	(2,984)	1,000	0	4,000
Others/interest paid	885	(396)	0	0
Net cash inflow (outflow)	(1,061)	1,343	1,115	808
Beginning cash & cash equivalent	6,121	5,059	6,402	7,517
Ending cash & cash equivalent	5,059	6,402	7,517	8,326

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	177,088	186,423	196,721	210,752
Other LT assets	77,238	81,123	83,591	85,439
Cash/ST investment	5,059	6,402	7,517	8,326
Other current assets	20,487	22,306	23,045	23,711
Total assets	279,873	296,254	310,874	328,228
ST debt	36,999	31,499	35,099	32,999
Other current liabilities	16,869	17,629	18,169	18,349
LT debt	39,762	46,262	42,662	48,762
Other LT liabilities	85,661	91,532	95,798	99,236
Shareholders' equity	92,273	100,805	110,399	119,914
Minority interest	8,309	8,527	8,747	8,967
Total liabilities & equity	279,873	296,254	310,874	328,228

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	54.6	56.3	57.0	58.1
Pre-tax margin	41.0	42.0	42.6	42.6
Net margin	33.0	34.0	34.6	34.6
ROA	5.5	5.9	6.0	5.8
ROE	17.3	17.6	17.1	16.1
Growth				
Turnover	28.2	9.8	4.5	2.5
EBITDA	28.0	13.1	5.9	4.5
Pre-tax profit	39.9	12.6	5.9	2.5
Net profit	40.0	12.9	6.4	2.6
Net profit (adj.)	40.0	12.9	6.4	2.6
EPS	40.0	12.9	6.4	2.6
Leverage				
Debt to total capital	43.3	41.6	39.5	38.8
Debt to equity	83.2	77.1	70.4	68.2
Net debt/(cash) to equity	77.7	70.8	63.6	61.2
Interest cover (x)	9.5	7.4	8.0	7.9

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