

CENTRAL PLAZA HOTEL

THAILAND / TOURISM & LEISURE

CENTEL TB

BUY

UNCHANGED

Safe and sound in the low season

- Expect 2Q23 core profit of THB241m (vs THB291m in 2Q19); RevPAR of Thai hotels should exceed pre-Covid by 8%.
- Hua Hin hotel lease extension should provide long-term growth from larger room inventory, but comes with higher lease payments.
- Maintain BUY with lower DCF-derived TP of THB55/shr.

| | |
|-----------------|----------|
| TARGET PRICE | THB55.00 |
| CLOSE | THB45.50 |
| UP/DOWNSIDE | +20.9% |
| PRIOR TP | THB58.00 |
| CHANGE IN TP | -5.2% |
| TP vs CONSENSUS | -4.9% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 17,502 | 22,136 | 25,049 | 27,428 |
| Net profit | 398 | 1,703 | 2,119 | 2,368 |
| EPS (THB) | 0.29 | 1.26 | 1.57 | 1.75 |
| vs Consensus (%) | - | (4.5) | (16.6) | (18.6) |
| EBITDA | 3,741 | 5,262 | 6,210 | 6,982 |
| Recurring net profit | 398 | 1,703 | 2,119 | 2,368 |
| Core EPS (THB) | 0.29 | 1.26 | 1.57 | 1.75 |
| Chg. In EPS est. (%) | - | (20.4) | (19.3) | (15.8) |
| EPS growth (%) | nm | 327.8 | 24.4 | 11.8 |
| Core P/E (x) | 154.3 | 36.1 | 29.0 | 25.9 |
| Dividend yield (%) | - | 1.1 | 1.4 | 1.5 |
| EV/EBITDA (x) | 21.7 | 15.7 | 13.7 | 12.3 |
| Price/book (x) | 3.3 | 3.0 | 2.8 | 2.7 |
| Net debt/Equity (%) | 102.4 | 101.6 | 107.0 | 101.3 |
| ROE (%) | 2.2 | 8.8 | 10.1 | 10.6 |

2Q23 hotel revenue to drop by 27% q-q due to low season

RevPAR of Thai hotels should drop by 25% q-q in 2Q23, but still exceed pre-Covid by 8%. RevPAR of Bangkok hotels should exceed pre-Covid by 24%, while RevPAR of upcountry hotels should reach the pre-Covid level. RevPAR of Maldives hotels should plunge c50% q-q due to higher competition and supply (from guesthouses). RevPAR of Dubai hotels should decline by 5% q-q. We estimate the 2Q23 hotel EBITDA margin to fall to 31% (vs 40% in 1Q23), pressured by weak RevPAR, especially for the Maldives portfolio, and pre-operating expenses for its Osaka hotel, which opened in July. Thus, we expect a hotel business core profit of THB101m in 2Q23 (vs THB538m in 1Q23 and THB105m in 2Q19).

2Q23 food business operations should improve q-q

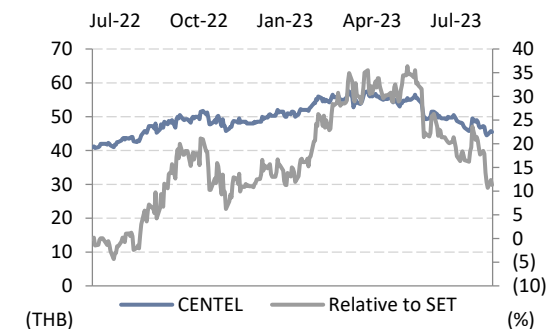
We expect 2Q23 SSSG of 3% y-y and TSSG of 7% y-y, led by dine-in sales. Food revenue should grow by 3% q-q and account for 96% of pre-Covid. We expect the 2Q23 food EBITDA margin to improve to 19% (vs 18% in 1Q23), and forecast a food business core profit of THB140m (vs THB91m in 1Q23 and THB185m in 2Q19). Overall, we expect a 2Q23 core profit of THB241m (vs THB629m in 1Q23 and THB291m in 2Q19).

Extension of lease contract at Hua Hin Airport for 34 years

CENTEL recently extended the lease contract for Centara Grand Hua Hin (7% of hotel revenue) with two sublease contracts: 4-year contract for the construction from May 2023-27 and 30 years from May 2027 onward to benefit utilisation. CENTEL has not provided the new lease payments yet. We estimate payments to increase from cTHB100m/year in 2019 and cTHB60m-70m/year during the Covid pandemic to cTHB150m-200m/year. In addition, CENTEL should spend more capex, up to THB3.0b, to renovate existing hotels and build a new building to increase the room count from 251 to 500 rooms.

Revising down core profit

We cut 2023-25E core profit by 16-20% to reflect the weak margins of both the hotel and food businesses and the higher lease payments for the Hua Hin hotel, and derive a 2024 DCF-TP of THB55/shr. CENTEL trades at 29x 2024E P/E (vs its five-year average of 27x). The weak share price is a buying opportunity to capture the strong 2H23E recovery, in our view.



| | | | |
|--------------------------------|-----------------------------|---------|----------|
| Share price performance | 1 Month | 3 Month | 12 Month |
| Absolute (%) | (6.7) | (16.9) | 12.3 |
| Relative to country (%) | (5.2) | (13.7) | 13.0 |
| Mkt cap (USD m) | 1,798 | | |
| 3m avg. daily turnover (USD m) | 4.8 | | |
| Free float (%) | 76 | | |
| Major shareholder | The Chirathivat group (62%) | | |
| 12m high/low (THB) | 58.25/39.50 | | |
| Issued shares (m) | 1,350.00 | | |

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

Register no. 080523

teerapol.udo@fssia.com, +66 2611 3535

Investment thesis

CENTEL has invested conservatively over the past five years, resulting in lower leverage with an IBD/E of only 0.8x in 1Q23. Its strong balance sheet was a key source of strength during the Covid-19 crisis. In our view, CENTEL is the hospitality provider with the lowest risk profile under our sector coverage.

As the Covid crisis subsides, we expect CENTEL to be in an expansion mode after the completion of renovations at two of its hotels (Samui and CentralWorld) and the opening of four big hotel projects: one in Dubai (opened in 2021), two in Maldives (2024-25), and one in Japan (2023).

CENTEL should benefit from China’s reopening given that Chinese guests accounted for 12% and 15% of room night bookings for Thai and Maldives hotels in 2019, respectively.

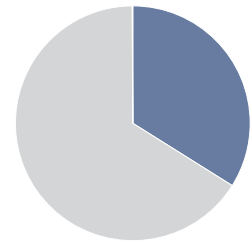
Company profile

CENTEL owns and operates 18 hotels in Thailand and the Maldives, and more than 1,000 restaurant outlets in Thailand.

www.centarahotelsresorts.com

Principal activities (revenue, 2022)

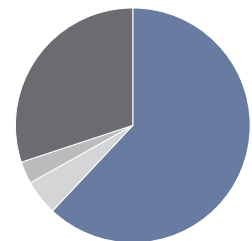
- Hotel revenue - 33.9 %
- F&B revenue - 66.0 %
- Rental income - 0.1 %



Source: Central Plaza Hotel

Major shareholders

- The Chirathivat group - 62.0 %
- Thai NVDR - 4.9 %
- Niti Osathanugrah - 3.1 %
- Others - 30.1 %



Source: Central Plaza Hotel

Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the recovery in global tourism; 2) improving consumption and economic growth resulting in strong SSSG; and 3) the recovery in Chinese tourist arrivals.

Risks to our call

Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Event calendar

| Date | Event |
|----------|---------------------------|
| Aug 2023 | 2Q23 results announcement |

Key assumptions

| | 2023E (%) | 2024E (%) | 2025E (%) |
|-------------------------------------|-----------|-----------|-----------|
| Owned & leased hotels | | | |
| - Number of owned hotel rooms (no.) | 5,566 | 5,696 | 6,006 |
| - Occupancy rate (OCC) | 67.5 | 77.1 | 77.4 |
| - RevPAR growth | 44 | 16 | 18 |
| Food business | | | |
| - Number of outlets (no.) | 1,577 | 1,656 | 1,722 |
| - Same-Store Sales Growth (SSSG) | 7 | 2 | 2 |
| - Total System Sales Growth (TSSG) | 13 | 7 | 6 |

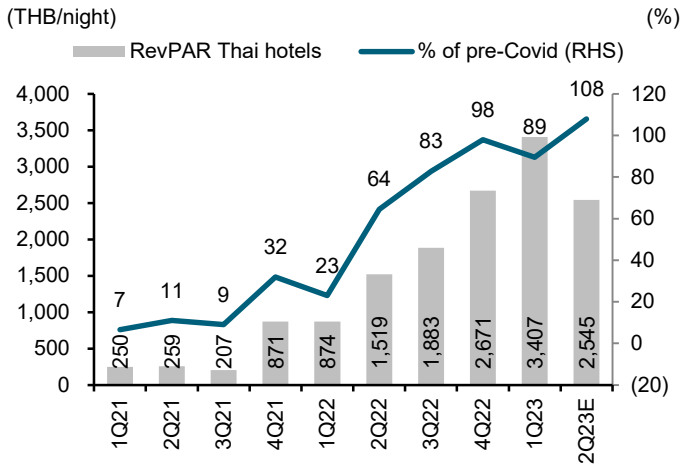
Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in OCC, we project a 2023 profit increase of 2%, and vice versa, all else being equal.
- For every 1% increase in SSSG, we project a 2023 profit increase of 2%, and vice versa, all else being equal.

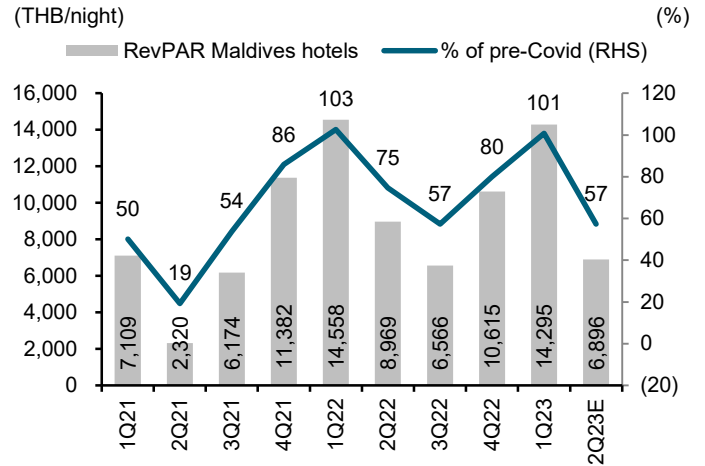
Source: FSSIA estimates

Exhibit 1: CENTEL's Thai hotels RevPAR



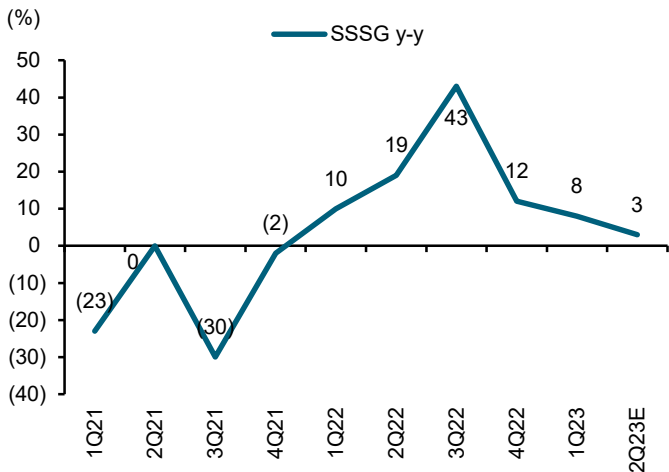
Sources: CENTEL; FSSIA estimates

Exhibit 2: CENTEL's Maldives hotels RevPAR



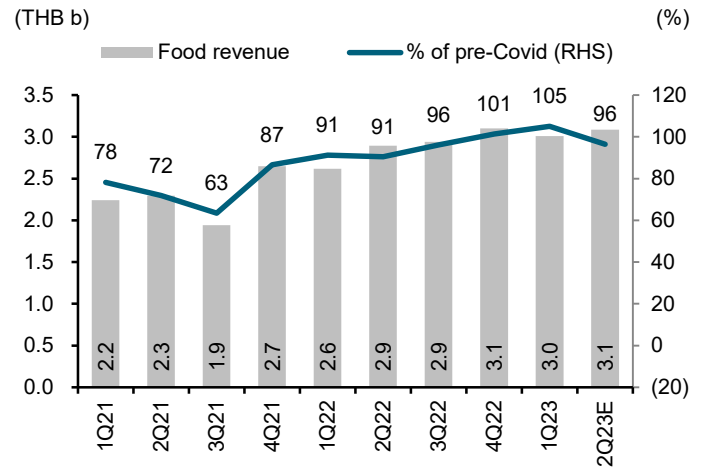
Note: RevPAR excludes F&B revenue since 1Q21
Sources: CENTEL; FSSIA estimates

Exhibit 3: SSSG



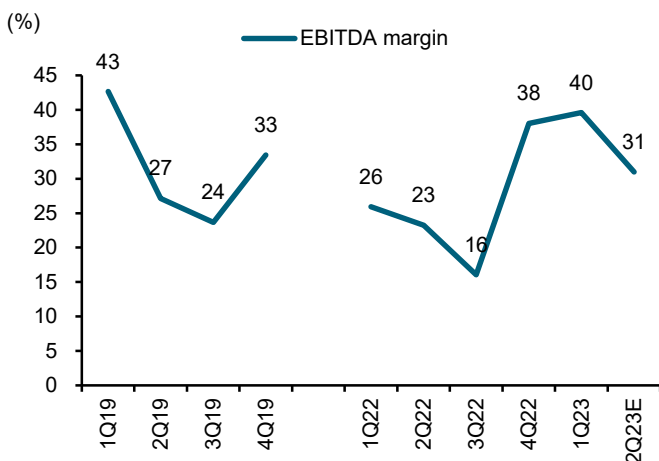
Sources: CENTEL; FSSIA estimates

Exhibit 4: Food business revenue



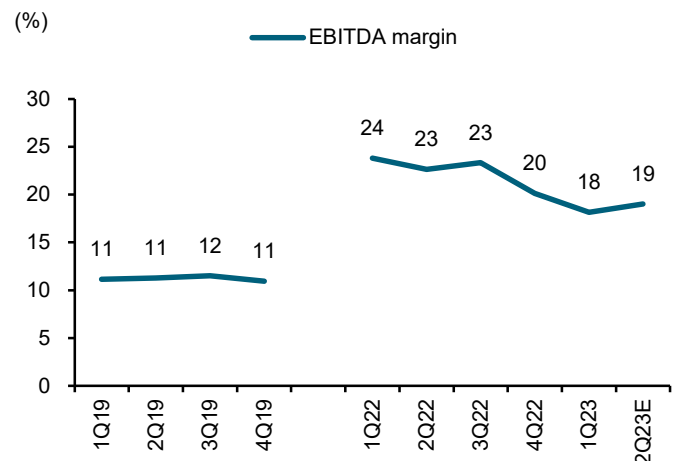
Sources: CENTEL; FSSIA estimates

Exhibit 5: EBITDA margin of hotel business



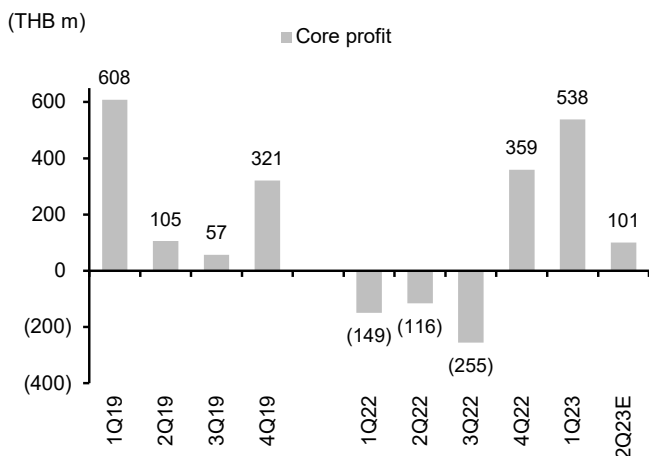
Note: Adopted TFRS16 since 1Q20
Sources: CENTEL; FSSIA estimates

Exhibit 6: EBITDA margin of food business



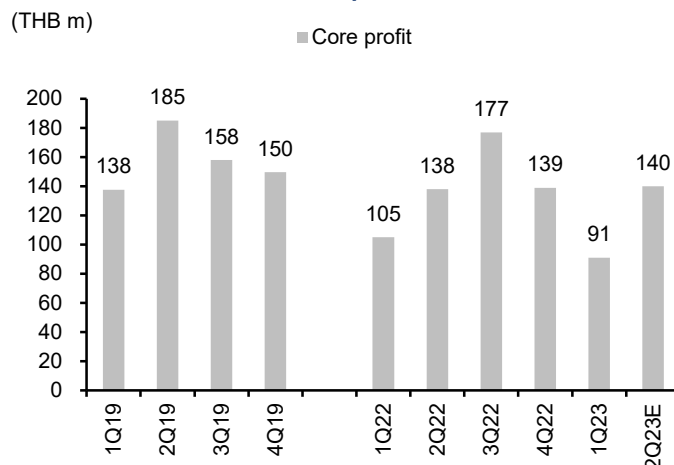
Note: Adopted TFRS16 since 1Q20
Sources: CENTEL; FSSIA estimates

Exhibit 7: Hotel business core profit



Sources: CENTEL; FSSIA estimates

Exhibit 8: Food business core profit



Sources: CENTEL; FSSIA estimates

Exhibit 9: 2Q23 results preview

| | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23E | Change | | 2023E | Change |
|------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (y-y %) |
| Sales | 4,193 | 4,433 | 5,195 | 5,530 | 4,924 | (11) | 17 | 22,136 | 56 |
| - Hotel operations | 1,298 | 1,492 | 2,094 | 2,520 | 1,839 | (27) | 42 | 9,082 | 185 |
| - Food and beverage | 2,895 | 2,941 | 3,101 | 3,010 | 3,086 | 3 | 7 | 13,054 | 27 |
| COGS (Incl. depreciation) | (2,519) | (2,669) | (3,021) | (3,049) | (2,762) | (9) | 10 | (12,394) | 38 |
| Gross profit | 1,674 | 1,764 | 2,174 | 2,481 | 2,162 | (13) | 29 | 9,742 | 95 |
| SG&A | (1,619) | (1,710) | (1,658) | (1,837) | (1,800) | (2) | 11 | (7,430) | 26 |
| Operating profit | 55 | 54 | 516 | 644 | 362 | (44) | 560 | 2,312 | 141 |
| Net other income | 147 | 139 | 227 | 333 | 154 | (54) | 5 | 725 | 88 |
| Interest expense | (177) | (184) | (193) | (186) | (186) | 0 | 5 | (809) | 1 |
| Pretax profit | 25 | 9 | 551 | 792 | 330 | (58) | 1,245 | 2,227 | 133 |
| Income Tax | 12 | (51) | (65) | (84) | (60) | (29) | (587) | (267) | (278) |
| Share profit from associates | 7 | 7 | 7 | 7 | 7 | 0 | (1) | (107) | (32) |
| Share profit from JV | (25) | (55) | 16 | (34) | (11) | (67) | (57) | | |
| Minority interest | 3 | 12 | (11) | (52) | (25) | (52) | (835) | (150) | (168) |
| Core profit | 22 | (78) | 498 | 629 | 241 | (62) | 994 | 1,703 | 122 |
| Extraordinaries, GW & FX | 0 | 0 | 0 | 0 | 0 | | | 0 | |
| Reported net profit | 22 | (78) | 498 | 629 | 241 | (62) | 994 | 1,703 | 123 |
| Shares out (end Q, m) | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 | 0 | 0 | 1,350 | 0 |
| Pre-ex EPS | 0.02 | (0.06) | 0.37 | 0.47 | 0.18 | (62) | 994 | 1.26 | (122) |
| EPS | 0.02 | (0.06) | 0.37 | 0.47 | 0.18 | (62) | 994 | 1.26 | (123) |
| COGS Excl. depreciation | (1,711) | (1,876) | (2,256) | (2,328) | (2,041) | (12) | 19 | (9,444) | 66 |
| Depreciation | (807) | (793) | (765) | (721) | (721) | 0 | (11) | (2,950) | (1) |
| EBITDA | 1,016 | 993 | 1,515 | 1,706 | 1,244 | (27) | 22 | 5,262 | 121 |
| Key Ratios | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (ppt) |
| Gross margin | 40 | 40 | 42 | 45 | 44 | (1) | 4 | 44 | 8 |
| SG&A/Revenue | 39 | 39 | 32 | 33 | 37 | 3 | (2) | 34 | (9) |
| Hotel EBITDA margin | 23 | 16 | 38 | 40 | 31 | (9) | 8 | | 0 |
| Food EBITDA margin | 23 | 23 | 20 | 18 | 19 | 1 | (3) | | 0 |
| Total EBITDA margin | 23 | 21 | 28 | 29 | 24 | (5) | 1 | 24 | 6 |
| Net profit margin | 1 | (2) | 10 | 11 | 5 | (6) | 4 | 8 | 18 |
| Operating stats | | | | | | | | | |
| Hotel | | | | | | | | | |
| OCC - Maldives (%) | 66 | 52 | 68 | 89 | 56 | | | | |
| OCC - Thailand (%) | 45 | 52 | 66 | 76 | 65 | | | | |
| ARR - Maldives (THB) | 13,647 | 12,627 | 15,634 | 16,151 | 12,361 | | | | |
| ARR - Thailand (THB) | 3,410 | 3,612 | 4,053 | 4,461 | 3,901 | | | | |
| RevPAR - Maldives (THB) | 8,969 | 6,566 | 10,615 | 14,295 | 6,896 | | | | |
| RevPAR Thailand (THB) | 1,519 | 1,883 | 2,671 | 3,407 | 2,545 | | | | |
| Food | | | | | | | | | |
| SSSG (y-y %) | 19 | 43 | 12 | 8 | 3 | | | | |
| TSSG (y-y %) | 25 | 51 | 18 | 15 | 8 | | | | |

Sources: CENTEL; FSSIA estimates

Forecast and TP revisions

We revise down our core profit estimates by 16-20% over 2023-25 to reflect the higher lease expense from the Hua Hin hotel, a lower EBITDA margin for the hotel business from the weak outlook for Maldives RevPAR, and a lower EBITDA margin for the food business from rising raw material costs. We roll forward our DCF valuation base to 2024 and derive a new TP of THB55/shr.

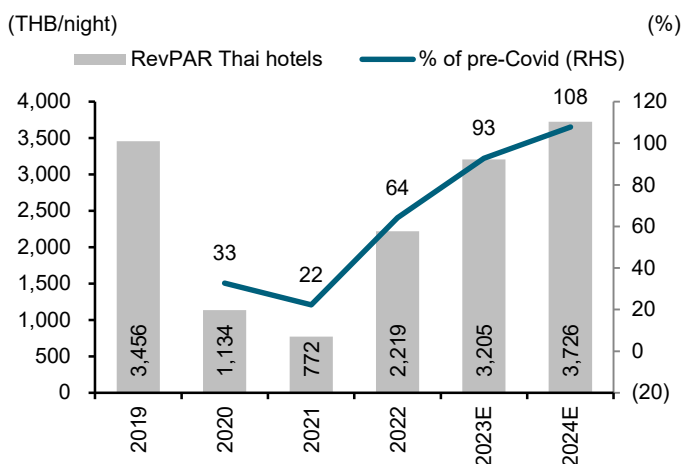
After our revisions, we conservatively forecast RevPAR of Thai and Maldives hotels to be below the pre-Covid level in 2023 and exceed pre-Covid in 2024. We forecast a 2023 core profit of THB1.7b, relatively in line with 2019’s core profit, consisting of a THB1.1b core profit from the hotel business and a THB0.6b core profit from the food business.

Exhibit 10: Forecast revisions

| | Current | | | Previous | | | Change | | |
|-----------------------|---------|-------|-------|----------|-------|-------|--------|--------|--------|
| | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E |
| OCC (%) | 67.5 | 77.1 | 77.4 | 67.5 | 77.1 | 77.4 | 0.0 | 0.0 | 0.0 |
| RevPar (THB) | 3,205 | 3,726 | 4,407 | 3,205 | 3,726 | 4,407 | 0.0 | 0.0 | 0.0 |
| SSSG (%) | 7.0 | 2.0 | 2.0 | 8.0 | 2.0 | 2.0 | (1.0) | 0.0 | 0.0 |
| TSSG (%) | 13.0 | 7.0 | 6.0 | 15.0 | 7.0 | 6.0 | (2.0) | 0.0 | 0.0 |
| Total revenue (THB b) | 22.1 | 25.0 | 27.4 | 22.4 | 25.3 | 27.7 | (1.0) | (1.0) | (0.9) |
| EBITDA margin (%) | 23.8 | 24.8 | 25.5 | 26.2 | 26.3 | 25.8 | (2.4) | (1.5) | (0.3) |
| Core profit (THB m) | 1,703 | 2,119 | 2,368 | 2,138 | 2,624 | 2,813 | (20.4) | (19.3) | (15.8) |

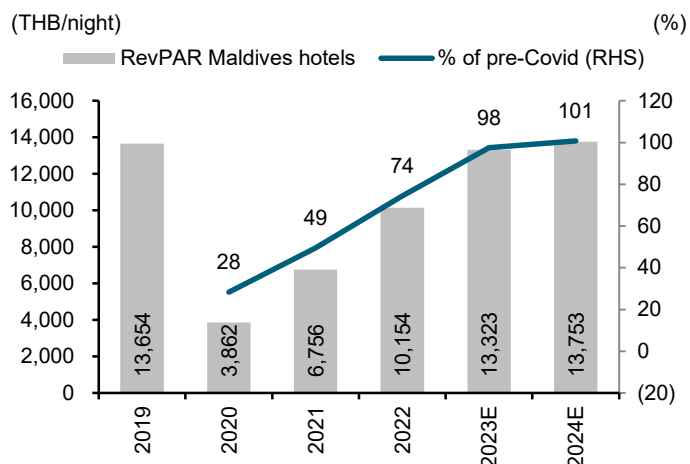
Note: Change of items in percentage terms are represented in ppt change
 Source: FSSIA estimates

Exhibit 11: CENTEL’s Thai hotels RevPAR, yearly



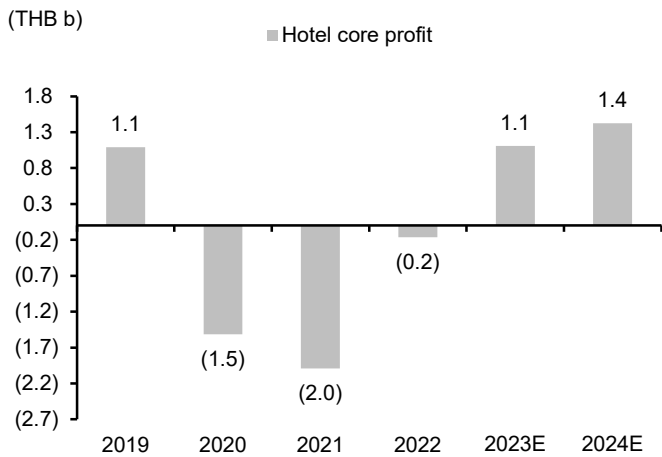
Sources: CENTEL; FSSIA estimates

Exhibit 12: CENTEL’s Maldives hotels RevPAR, yearly



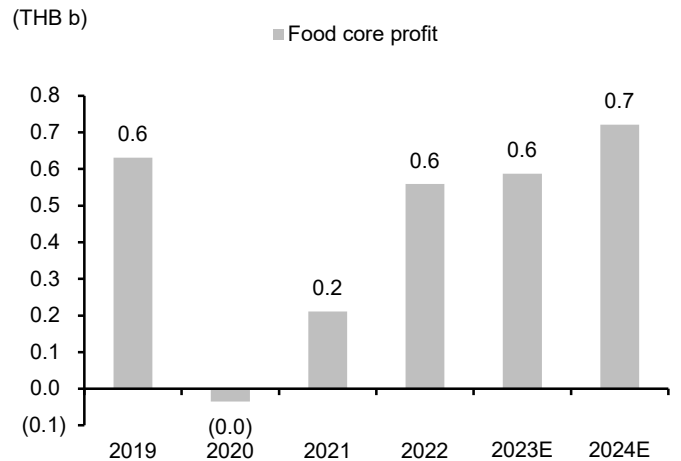
Sources: CENTEL; FSSIA estimates

Exhibit 13: Hotel core profit forecast



Sources: CENTEL; FSSIA estimates

Exhibit 14: Food core profit forecast



Sources: CENTEL; FSSIA estimates

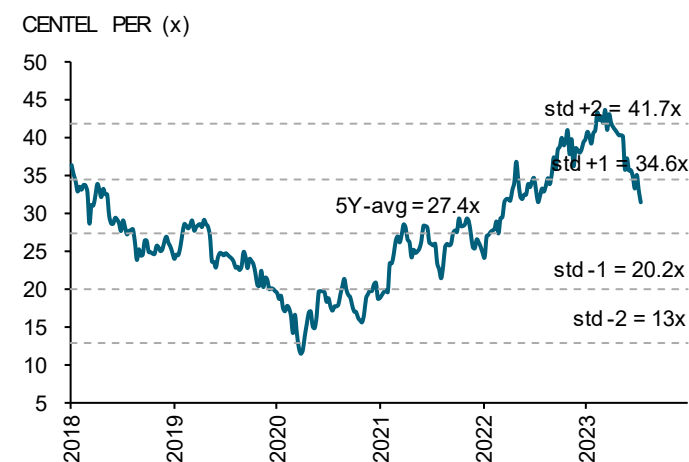
Exhibit 15: DCF valuation

| Cost of equity assumptions | | (%) | Cost of debt assumptions | | (%) |
|----------------------------|--|------|--------------------------|--|------|
| Risk-free rate | | 3.0 | Pre-tax cost of debt | | 3.5 |
| Market risk premium | | 8.0 | Marginal tax rate | | 20.0 |
| Stock beta | | 1.1 | | | |
| Cost of equity, Ke | | 11.8 | Net cost of debt, Kd | | 2.8 |
| Weight applied | | 60.0 | Weight applied | | 40.0 |
| WACC | | 8.2 | | | |

| DCF valuation estimate | (THB b) | (THB/share) | Comments |
|---------------------------------|-------------|-------------|---|
| NPV | 32.6 | 24.1 | WACC 8.2%, risk-free rate 3%, risk premium 8% |
| Terminal value | 61.1 | 45.2 | Terminal growth 2.5% |
| Cash & liquid assets | (1.1) | (0.8) | At end-2024E |
| Investments | 4.6 | 3.4 | At end-2024E |
| Debt | (22.5) | (16.7) | At end-2024E |
| Minorities | (0.4) | (0.3) | At end-2024E |
| Residual ordinary equity | 74.3 | 55.0 | |

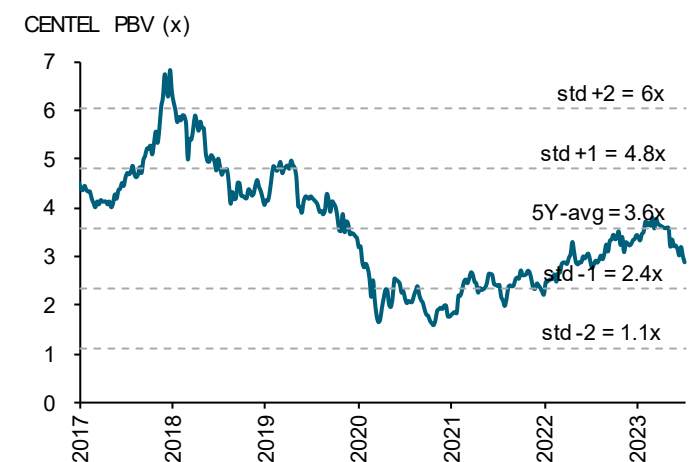
Source: FSSIA estimates

Exhibit 16: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 18: Peer comparisons as of 18 July 2023

| Company | BBG | Rec | Share price | | | Market cap (USD m) | PE | | | ROE | | PBV | | EV/ EBITDA | |
|-------------------------|-------------|-----|------------------|-----------------|---------------|-----------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current (LCY) | Target (LCY) | Upside (%) | | 23E (x) | 24E (x) | 25E (x) | 23E (%) | 24E (%) | 23E (x) | 24E (x) | 23E (x) | 24E (x) |
| Thailand | | | | | | | | | | | | | | | |
| Asset World Corp | AWC TB | BUY | 4.50 | 6.80 | 51 | 4,214 | 68.4 | 39.1 | 35.1 | 2.5 | 4.1 | 1.7 | 1.6 | 37.2 | 27.0 |
| Minor International | MINT TB | BUY | 32.75 | 40.00 | 22 | 5,242 | 34.3 | 26.7 | 23.6 | 7.0 | 9.2 | 2.1 | 2.8 | 10.8 | 10.8 |
| Central Plaza Hotel | CENTEL TB | BUY | 45.50 | 55.00 | 21 | 1,798 | 36.1 | 29.0 | 25.9 | 8.8 | 10.1 | 3.0 | 2.8 | 15.7 | 13.7 |
| Erawan Group | ERW TB | BUY | 4.64 | 5.70 | 23 | 615 | 33.8 | 34.8 | 30.6 | 10.4 | 9.2 | 3.3 | 2.9 | 15.8 | 14.7 |
| S Hotels & Resorts | SHR TB | BUY | 2.78 | 4.80 | 73 | 292 | 58.6 | 19.6 | 15.6 | 1.1 | 3.1 | 0.6 | 0.6 | 9.2 | 7.5 |
| Dusit Thani | DUSIT TB | BUY | 11.40 | 18.00 | 58 | 284 | 189.5 | 39.6 | 3.9 | 1.2 | 5.7 | 2.3 | 2.2 | 41.3 | 31.9 |
| Bound and Beyond | BEYOND TB | BUY | 12.70 | 24.00 | 89 | 108 | 158.3 | 16.7 | 13.1 | 0.4 | 3.6 | 0.6 | 0.6 | 12.2 | 8.7 |
| Thailand average | | | | | | 12,553 | 82.7 | 29.4 | 21.1 | 4.5 | 6.4 | 2.0 | 1.9 | 20.3 | 16.3 |
| Regional | | | | | | | | | | | | | | | |
| Btg Hotels Group | 600258 CH | n/a | 19.82 | n/a | n/a | 3,099 | 28.7 | 20.1 | 16.8 | 7.2 | 9.5 | 2.0 | 1.8 | 12.8 | 10.4 |
| Sh Jinjiang Intl Hotels | 900934 CH | n/a | 1.88 | n/a | n/a | 5,935 | 9.6 | 6.7 | 5.6 | 8.4 | 11.0 | 0.8 | 0.7 | 14.7 | 11.8 |
| Huangshan Tourism Dev. | 900942 CH | n/a | 0.75 | n/a | n/a | 1,119 | 12.5 | 9.6 | 8.6 | 7.2 | 9.0 | 0.9 | 0.8 | 10.8 | 9.1 |
| Genting Bhd | GENT MK | n/a | 4.20 | n/a | n/a | 3,562 | 15.4 | 10.8 | 9.3 | 3.9 | 4.7 | 0.5 | 0.5 | 6.1 | 5.5 |
| Huazhu Group | HTHT US | n/a | 41.44 | n/a | n/a | 13,207 | 29.8 | 24.6 | 20.4 | 27.5 | 24.7 | 8.2 | 6.5 | 16.9 | 14.2 |
| Indian Hotels | IH IN | n/a | 388.30 | n/a | n/a | 6,721 | 59.9 | 43.4 | 36.8 | 12.6 | 14.4 | 7.0 | 6.1 | 32.0 | 26.5 |
| Lemon Tree Hotels | LEMONTRE IN | n/a | 91.75 | n/a | n/a | 886 | 63.1 | 49.4 | 27.7 | 12.3 | 15.0 | 8.0 | 6.6 | 23.2 | 19.3 |
| Lippo Karawaci | LPKR IJ | n/a | 103.00 | n/a | n/a | 487 | 5.8 | 6.6 | 4.2 | 2.2 | 5.8 | 0.4 | 0.4 | 7.6 | 6.9 |
| Regional average | | | | | | 35,015 | 28.1 | 21.4 | 16.2 | 10.2 | 11.7 | 3.5 | 2.9 | 15.5 | 12.9 |
| Overall average | | | | | | 47,568 | 53.6 | 25.1 | 18.5 | 7.5 | 9.3 | 2.8 | 2.5 | 17.8 | 14.5 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

Central Plaza Hotel

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|----------------|--------------|--------------|---------------|---------------|
| Revenue | 11,211 | 17,502 | 22,136 | 25,049 | 27,428 |
| Cost of goods sold | (7,613) | (10,494) | (12,394) | (13,946) | (15,146) |
| Gross profit | 3,598 | 7,008 | 9,742 | 11,103 | 12,282 |
| Other operating income | - | - | - | - | - |
| Operating costs | (5,075) | (6,400) | (7,430) | (8,283) | (9,042) |
| Operating EBITDA | 1,690 | 3,741 | 5,262 | 6,210 | 6,982 |
| Depreciation | (3,167) | (3,133) | (2,950) | (3,390) | (3,743) |
| Goodwill amortisation | - | - | - | - | - |
| Operating EBIT | (1,477) | 608 | 2,312 | 2,820 | 3,240 |
| Net financing costs | (611) | (547) | (638) | (695) | (774) |
| Associates | (64) | (44) | (107) | 13 | 58 |
| Recurring non-operating income | 208 | 491 | 446 | 626 | 707 |
| Non-recurring items | 45 | 0 | 0 | 0 | 0 |
| Profit before tax | (1,835) | 552 | 2,120 | 2,751 | 3,172 |
| Tax | 78 | (138) | (267) | (467) | (623) |
| Profit after tax | (1,757) | 414 | 1,853 | 2,284 | 2,549 |
| Minority interests | 24 | (16) | (150) | (165) | (182) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | (1,733) | 398 | 1,703 | 2,119 | 2,368 |
| Non-recurring items & goodwill (net) | (45) | 0 | 0 | 0 | 0 |
| Recurring net profit | (1,778) | 398 | 1,703 | 2,119 | 2,368 |
| Per share (THB) | | | | | |
| Recurring EPS * | (1.32) | 0.29 | 1.26 | 1.57 | 1.75 |
| Reported EPS | (1.28) | 0.29 | 1.26 | 1.57 | 1.75 |
| DPS | 0.00 | 0.00 | 0.50 | 0.63 | 0.70 |
| Diluted shares (used to calculate per share data) | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 |
| Growth | | | | | |
| Revenue (%) | (13.1) | 56.1 | 26.5 | 13.2 | 9.5 |
| Operating EBITDA (%) | 1.8 | 121.3 | 40.7 | 18.0 | 12.4 |
| Operating EBIT (%) | nm | nm | 280.0 | 22.0 | 14.9 |
| Recurring EPS (%) | nm | nm | 327.8 | 24.4 | 11.8 |
| Reported EPS (%) | nm | nm | 327.8 | 24.4 | 11.8 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 32.1 | 40.0 | 44.0 | 44.3 | 44.8 |
| Gross margin exc. depreciation (%) | 60.3 | 57.9 | 57.3 | 57.9 | 58.4 |
| Operating EBITDA margin (%) | 15.1 | 21.4 | 23.8 | 24.8 | 25.5 |
| Operating EBIT margin (%) | (13.2) | 3.5 | 10.4 | 11.3 | 11.8 |
| Net margin (%) | (15.9) | 2.3 | 7.7 | 8.5 | 8.6 |
| Effective tax rate (%) | 4.3 | 23.1 | 12.0 | 17.1 | 20.0 |
| Dividend payout on recurring profit (%) | - | - | 40.0 | 40.0 | 40.0 |
| Interest cover (X) | (2.1) | 2.0 | 4.3 | 5.0 | 5.1 |
| Inventory days | 62.8 | 43.9 | 35.5 | 29.7 | 30.2 |
| Debtor days | 21.4 | 21.2 | 24.7 | 30.2 | 36.1 |
| Creditor days | 186.5 | 152.0 | 115.6 | 92.3 | 93.8 |
| Operating ROIC (%) | (4.6) | 1.3 | 5.7 | 5.9 | 6.1 |
| ROIC (%) | (3.3) | 2.0 | 5.7 | 6.1 | 6.4 |
| ROE (%) | (12.7) | 2.2 | 8.8 | 10.1 | 10.6 |
| ROA (%) | (2.9) | 1.7 | 5.0 | 5.6 | 5.9 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Hotel revenue | 2,070 | 5,935 | 9,067 | 11,067 | 12,607 |
| F&B revenue | 9,127 | 11,553 | 13,054 | 13,968 | 14,806 |
| Rental income | 14 | 14 | 14 | 14 | 14 |

Sources: Central Plaza Hotel; FSSIA estimates

Financial Statements

Central Plaza Hotel

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------------|-----------------|----------------|----------------|----------------|----------------|
| Recurring net profit | (1,778) | 398 | 1,703 | 2,119 | 2,368 |
| Depreciation | 3,167 | 3,133 | 2,950 | 3,390 | 3,743 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 1,891 | (248) | 150 | 165 | 181 |
| Change in working capital | 109 | 54 | (1,241) | (477) | (570) |
| Cash flow from operations | 3,390 | 3,336 | 3,561 | 5,196 | 5,722 |
| Capex - maintenance | (13,597) | (1,201) | (5,000) | (7,000) | (5,000) |
| Capex - new investment | - | - | - | - | - |
| Net acquisitions & disposals | (1,178) | (644) | 0 | 0 | 0 |
| Other investments (net) | - | - | - | - | - |
| Cash flow from investing | (14,775) | (1,845) | (5,000) | (7,000) | (5,000) |
| Dividends paid | 0 | 0 | 0 | (681) | (847) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | 2,032 | (1,754) | 0 | 1,500 | 1,500 |
| Other financing cash flows | 9,974 | 45 | (146) | (161) | (178) |
| Cash flow from financing | 12,006 | (1,709) | (146) | 658 | 475 |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 621 | (218) | (1,585) | (1,146) | 1,197 |
| Free cash flow to firm (FCFF) | (10,667.15) | 2,217.57 | (629.27) | (967.23) | 1,611.96 |
| Free cash flow to equity (FCFE) | 620.72 | (217.80) | (1,584.84) | (464.76) | 2,043.97 |

Per share (THB)

| | | | | | |
|-------------------------------|--------|--------|--------|--------|------|
| FCFF per share | (7.90) | 1.64 | (0.47) | (0.72) | 1.19 |
| FCFE per share | 0.46 | (0.16) | (1.17) | (0.34) | 1.51 |
| Recurring cash flow per share | 2.43 | 2.43 | 3.56 | 4.20 | 4.66 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 59,581 | 59,125 | 64,125 | 71,125 | 76,125 |
| Less: Accumulated depreciation | (22,898) | (24,314) | (27,264) | (30,654) | (34,396) |
| Tangible fixed assets (net) | 36,683 | 34,811 | 36,861 | 40,472 | 41,729 |
| Intangible fixed assets (net) | 360 | 360 | 360 | 360 | 360 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 3,921 | 4,565 | 4,565 | 4,565 | 4,565 |
| Cash & equivalents | 3,354 | 3,137 | 1,552 | 406 | 1,602 |
| A/C receivable | 801 | 1,227 | 1,766 | 2,376 | 3,044 |
| Inventories | 748 | 1,024 | 811 | 906 | 979 |
| Other current assets | 829 | 927 | 1,069 | 1,210 | 1,325 |
| Current assets | 5,732 | 6,315 | 5,198 | 4,898 | 6,950 |
| Other assets | 1,896 | 2,115 | 2,115 | 2,115 | 2,115 |
| Total assets | 48,593 | 48,166 | 49,099 | 52,409 | 55,719 |
| Common equity | 18,076 | 18,518 | 20,221 | 21,658 | 23,179 |
| Minorities etc. | 355 | 373 | 376 | 380 | 384 |
| Total shareholders' equity | 18,432 | 18,891 | 20,597 | 22,039 | 23,563 |
| Long term debt | 22,265 | 21,671 | 21,671 | 23,171 | 24,671 |
| Other long-term liabilities | 2,939 | 2,952 | 2,952 | 2,952 | 2,952 |
| Long-term liabilities | 25,203 | 24,623 | 24,623 | 26,123 | 27,623 |
| A/C payable | 2,669 | 3,460 | 2,521 | 2,818 | 3,044 |
| Short term debt | 1,970 | 809 | 809 | 809 | 809 |
| Other current liabilities | 319 | 383 | 549 | 621 | 680 |
| Current liabilities | 4,958 | 4,652 | 3,878 | 4,248 | 4,533 |
| Total liabilities and shareholders' equity | 48,593 | 48,166 | 49,099 | 52,409 | 55,719 |
| Net working capital | (611) | (665) | 577 | 1,053 | 1,624 |
| Invested capital | 42,250 | 41,186 | 44,478 | 48,565 | 50,393 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Book value per share | 13.39 | 13.72 | 14.98 | 16.04 | 17.17 |
| Tangible book value per share | 13.12 | 13.45 | 14.71 | 15.78 | 16.90 |

Financial strength

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| Net debt/equity (%) | 113.3 | 102.4 | 101.6 | 107.0 | 101.3 |
| Net debt/total assets (%) | 43.0 | 40.2 | 42.6 | 45.0 | 42.9 |
| Current ratio (x) | 1.2 | 1.4 | 1.3 | 1.2 | 1.5 |
| CF interest cover (x) | 2.0 | 0.6 | (1.5) | 0.3 | 3.6 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|--------------|-------------|-------------|-------------|
| Recurring P/E (x) * | (34.5) | 154.3 | 36.1 | 29.0 | 25.9 |
| Recurring P/E @ target price (x) * | (41.8) | 186.5 | 43.6 | 35.0 | 31.4 |
| Reported P/E (x) | (35.4) | 154.3 | 36.1 | 29.0 | 25.9 |
| Dividend yield (%) | - | - | 1.1 | 1.4 | 1.5 |
| Price/book (x) | 3.4 | 3.3 | 3.0 | 2.8 | 2.7 |
| Price/tangible book (x) | 3.5 | 3.4 | 3.1 | 2.9 | 2.7 |
| EV/EBITDA (x) ** | 48.9 | 21.7 | 15.7 | 13.7 | 12.3 |
| EV/EBITDA @ target price (x) ** | 56.5 | 25.1 | 18.2 | 15.8 | 14.1 |
| EV/invested capital (x) | 2.0 | 2.0 | 1.9 | 1.8 | 1.7 |

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Central Plaza Hotel; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------|-----------|-----------|--------|---|
| Central Plaza Hotel | CENTEL TB | THB 45.50 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| Asset World Corp | AWC TB | THB 4.50 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| Minor International | MINT TB | THB 32.75 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| The Erawan Group | ERW TB | THB 4.64 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| S Hotels and Resorts | SHR TB | THB 2.78 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| Dusit Thani | DUSIT TB | THB 11.40 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| Bound and Beyond | BEYOND TB | THB 12.70 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 18-Jul-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.