Central Pattana (CPN TB)

Acquisition Of Additional Stake In Central Embassy

Highlights

- CPN's announcement of its additional investment in Central Embassy is slightly positive.
- The total project value of Central Embassy is Bt83b, and will be financed through 70% debt and 30% equity.
- We estimate upside to CPN's earnings of 0.4% in 2028 and 0.6% in 2029.
- Maintain BUY with a target price of Bt80.00.

Analysis

- **Transaction is slightly positive.** We see CPN's announcement of additional investment in the Central Embassy project as slightly positive.
- **Transaction details.** The first transaction involves CE Holding, a JV between CPN (49%) and Central Group (51%), acquiring a 49% stake in Central and Hongkong Land (CHKL) from Hongkong Land (HKL). Following the transaction, CE Holding will own 100% of CHKL and the Central Embassy 2 (CE2) project. The second transaction involves CHKL entering into a 30-year lease for the Central Embassy shopping mall portion of Central Embassy 1 (CE1), with the lease agreement transaction expected to be executed in 2Q27. Following both transactions, CPN's effective stake in CE1 will increase from 0% to 49%, while its effective stake in CE2 will increase from 25% to 49%.
- **Project value and funding.** The total project value of Central Embassy, comprising CE1 (the shopping mall under the lease, excluding Park Hyatt) and CE2, is estimated at Bt83b, financed through 70% debt and 30% equity. The project IRR is estimated at around 9%, while the equity IRR is expected to reach double-digits.
- **Valuation.** a) CE1: The company did not disclose the lease agreement value. However, based on our preliminary assessment, we estimate the lease value at around Bt27.8b, assuming a value equivalent to 1.5x the project's initial investment cost. The premium reflects CE1's proven success as an established brownfield project, lower execution risk, and project IRR comparable to previous M&A transactions; b) CE2: CE Holding acquired the stake at a price equivalent to HKL's historical investment, which we estimate at approximately Bt10b.
- **Slightly positive to earnings.** CPN will continue to recognise its investment in CE Holding under the equity method, with no impact on its IBD/E ratio. We estimate upside to CPN's earnings of 0.4% in 2028 and 0.6% in 2029, based on the following assumptions: a) project value of Bt27.8b for CE1 and Bt55.2b for CE2, approximately 3x the land value, and b) CE1 revenue growth of 10% and EBIT margin of 45%.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	50,184.2	50,034.1	53,104.2	57,344.6	59,500.3
EBITDA	28,039.5	29,517.4	32,689.8	35,465.5	37,172.6
Operating profit	18,831.8	20,313.6	22,242.3	24,244.4	25,227.9
Net profit (rep./act.)	16,729.0	18,841.3	20,023.8	21,825.4	22,807.0
Net profit (adj.)	15,594.0	16,721.3	19,631.8	21,433.4	22,415.0
EPS	3.5	3.7	4.4	4.8	5.0
PE (x)	17.8	16.6	14.1	12.9	12.4
P/B (x)	2.8	2.5	2.3	2.2	2.0
EV/EBITDA (x)	12.5	11.5	10.6	9.8	9.3
Dividend yield (%)	3.4	3.9	4.2	4.5	4.8
Net margin (%)	33.3	37.7	37.7	38.1	38.3
Net debt/(cash) to equity(%)	63.8	48.3	49.5	45.8	42.4
Interest cover (x)	7.5	8.0	8.3	8.8	9.0
ROE (%)	17.4	17.9	17.5	17.6	17.0
Consensus net profit	n.a	n.a	19,332.6	20,817.3	21,912.0
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Central Pattana, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt61.75
Target Price	Bt80.00
Upside	29.55%

Stock Data

Sector	Real Estate
Bloomberg ticker	CPN TB
Shares issued (m)	4,488.0
Market cap (Btm)	277,134.0
Market cap (US$m)	8,258.4
3-mth avg daily t'over (US$m)	15.6

Price Performance (%)

52-week high/low				Bt70.0/Bt50.2
1mth	3mth	6mth	1yr	YTD
(4.6)	(8.5)	(0.8)	11.8	11.8

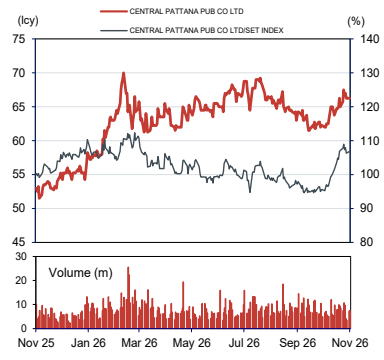
Major Shareholders (%)

Central Holding	26.21
Thai NVDR Company Limited	7.97
Social Security Office	2.71

Balance Sheet Metrics

FY26 NAV/Share (Bt)	26.5
FY26 Net Debt/Share (Bt)	13.1

Price Chart

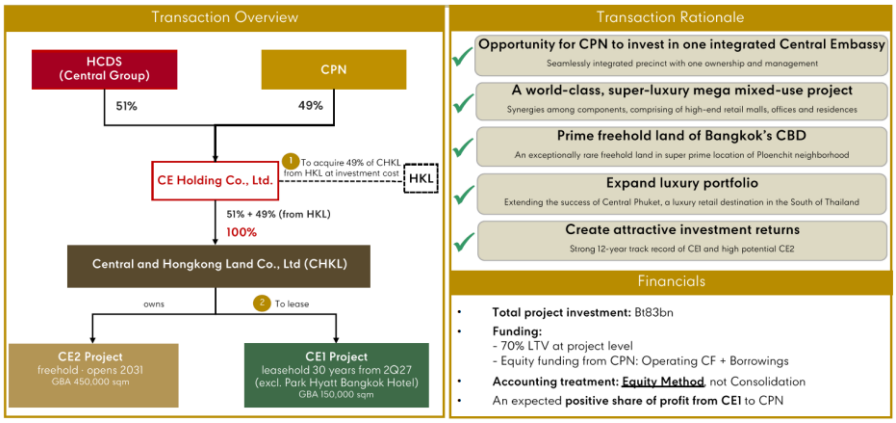


Source: Bloomberg

Company Description

CPN is a real estate developer and operator of retail properties, primarily shopping malls, under the "Central" brand across Thailand. Its portfolio also includes office buildings, hotels, and mixed-use developments integrated with its retail assets.

Central Embassy Transaction



Source: Central Pattana, UOB Kay Hian

- **Project overview.** a) CE1 refers to the existing Central Embassy shopping mall, excluding the Park Hyatt hotel. The project has a gross building area (GBA) of 450,000 sqm and net leasable area (NLA) of over 40,000 sqm. Originally owned by Central Group, the CE1 mall commenced operations in 2014 and has delivered satisfactory operating performance, with an occupancy rate of over 90% and revenue growth of more than 10% CAGR over the past five years. Luxury brands contribute approximately 50% of total revenue, supporting rental rates of around 2x CPN's portfolio average; b) CE2 is a mixed-use development currently under construction, comprising a shopping mall extension, office space, and condominium units. The project is expected to commence operations in 2031.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt80.00.** We use a SOTP methodology, valuing CPN's core business at Bt79.8/share based on DCF, with a WACC of 7.0% and terminal growth of 1.5%. The residential business is valued at Bt0.20/share based on 5x 2026F PE. Our target price implies a 2027F PE of 12.9x and EV/EBITDA of 9.8x. We maintain an optimistic outlook on CPN, underpinned by its long-term strategic expansion and growing asset base.

Earnings Revision/Risk

- **No earnings revision.**

Share Price Catalyst

- New shopping mall launch, strong foot traffic, gross margin expansion.

Environment, Social, Governance (ESG) Updates

CG Report: 5, SET ESG Rating: AAA

Environmental

- 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

- 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

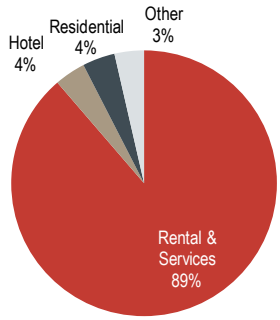
- CPN prioritises ethical, transparent, and auditable business conduct for sustainable growth through a Code of Conduct and CG Principles handbook.

Central Embassy (CE1)



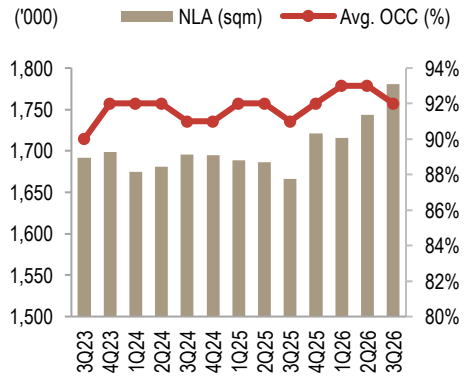
Source: Central Pattana, UOB Kay Hian

3Q26 Revenue Contributions



Source: Central Pattana, UOB Kay Hian

Shopping Mall NLA and Occupancy



Source: Central Pattana, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**50,034**	**53,104**	**57,345**	**59,500**
EBITDA	29,517	32,690	35,466	37,173
Deprec. & amort.	9,204	10,448	11,221	11,945
EBIT	20,314	22,242	24,244	25,228
Total other non-operating income	4,545	2,875	2,828	2,898
Associate contributions	2,414	3,428	3,771	3,959
Net interest income/(expense)	(3,705)	(3,922)	(4,054)	(4,116)
Pre-tax profit	**23,561**	**24,623**	**26,789**	**27,969**
Tax	(4,385)	(4,239)	(4,604)	(4,802)
Minorities	(335)	(360)	(360)	(360)
Net profit	**18,841**	**20,024**	**21,825**	**22,807**
Net profit (adj.)	16,721	19,632	21,433	22,415

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	196,352	210,292	220,833	230,150
Other LT assets	74,309	75,899	77,629	79,437
Cash/ST investment	8,806	7,189	9,005	10,143
Other current assets	23,156	23,599	24,153	24,517
Total assets	**302,623**	**316,980**	**331,620**	**344,248**
ST debt	19,980	17,880	13,880	22,580
Other current liabilities	18,939	19,562	20,838	21,324
LT debt	41,940	48,044	54,257	46,601
Other LT liabilities	102,504	103,016	103,531	104,049
Shareholders' equity	109,881	118,737	129,015	139,234
Minority interest	9,380	9,740	10,100	10,460
Total liabilities & equity	**302,623**	**316,980**	**331,620**	**344,248**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**37,194**	**31,012**	**34,128**	**35,234**
Pre-tax profit	23,561	24,623	26,789	27,969
Tax	(4,385)	(4,239)	(4,604)	(4,802)
Deprec. & amort.	9,204	10,448	11,221	11,945
Working capital changes	(1,564)	(183)	169	(5)
Non-cash items	10,378	363	553	127
Other operating cashflows	0	0	0	0
Investing	**(16,265)**	**(25,466)**	**(22,977)**	**(22,552)**
Capex (growth)	(12,289)	(24,388)	(21,762)	(21,262)
Investments	1,837	(1,371)	(1,508)	(1,584)
Others	(5,813)	293	293	294
Financing	**(17,416)**	**(7,163)**	**(9,336)**	**(11,543)**
Dividend payments	(9,531)	(10,771)	(11,548)	(12,587)
Issue of shares	0	(396)	0	0
Proceeds from borrowings	(7,590)	4,005	2,212	1,044
Others/interest paid	(296)	0	0	0
Net cash inflow (outflow)	**3,514**	**(1,617)**	**1,815**	**1,139**
Beginning cash & cash equivalent	**5,292**	**8,806**	**7,189**	**9,005**
Ending cash & cash equivalent	**8,806**	**7,189**	**9,005**	**10,143**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	59.0	61.6	61.8	62.5
Pre-tax margin	47.1	46.4	46.7	47.0
Net margin	37.7	37.7	38.1	38.3
ROA	6.2	6.5	6.7	6.8
ROE	17.9	17.5	17.6	17.0
Growth				
Turnover	(0.3)	6.1	8.0	3.8
EBITDA	5.3	10.8	8.5	4.8
Pre-tax profit	14.1	4.5	8.8	4.4
Net profit	12.6	6.3	9.0	4.5
Net profit (adj.)	7.2	17.4	9.2	4.6
EPS	7.2	17.4	9.2	4.6
Leverage				
Debt to total capital	51.9	51.3	49.0	46.2
Debt to equity	56.4	55.5	52.8	49.7
Net debt/(cash) to equity	48.3	49.5	45.8	42.4
Interest cover	8.0	8.3	8.8	9.0

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