

1 August 2012

Central Plaza Hotel

Tourism
& Leisure
Neutral

Earnings upgrades start!

What's new: We attended the CENTEL analyst meeting yesterday. We expect a consensus earnings forecast upgrade, as reported 1H12 net profit (we expect Bt718m) will represent 77% of the street model. Our net profit forecast for FY12 is 14% ahead of the consensus. The meeting highlights follow:

Hotel guidance upgraded: In a positive surprise, CENTEL revised up its FY12 hotel RevPar growth guidance from 8-10% YoY to 10-11%, due to expanded expectations for 2H12 Hotel numbers. 2H12 RevPar will rise 12% YoY, up from 9% YoY in 1H12. Both volume and pricing will drive RevPar—an occupancy rate of 67% in 2H12 (64% in 2H11) and a 6% YoY growth in the mean hotel room rate.

Conservative FY12 Food business target: Management maintains its FY12 Food targets at 5-6% YoY SSSG and 26-28% TSSG. We think the actual numbers will probably exceed the guidance, as the 1H12 Food performance was strong—7.4% YoY SSSG and 32.2% TSSG. The conservative guidance may be due to the fact that the numbers for July were relatively weak. But the third-quarter is low season for the Food business; SSSG and TSSG should rise more strongly in 4Q12.

2Q12 sectoral earnings leader: We expect a core profit of Bt172m for 2Q12, up 303% YoY (but down 70% QoQ on seasonality; the first-quarter is normally the best of the year). The impressive estimated earnings growth was led by 34% YoY revenue expansion. Hotel RevPar will post a 14% YoY rise—the occupancy rate jumped from 58% in 2Q11 to 65% in 2Q12; the room rate inched up 2%. CENTEL will report strong Food TSSG of 36.2% YoY (acquired Ootoya in late 3Q11) and SSSG of 10.9%. The firm will set an Bt18m impairment on its investment in CTARAF. Thus, reported net profit will be Bt152m, up 256% YoY.

In comparison, we expect MINT to post bottom-line growth of 52%, while ERW is likely to see an earnings plunge—in 2Q11 it booked a huge gain from asset sales to property fund.

BUALUANG RESEARCH

Narumon Ekasamut
narumon.e@bualuang.co.th
+66 2 618 1345

BUY

 (maintained)

Target Price: Bt17.00
Price (01/08/2012): Bt15.30
CENTEL TB / CENT.BK

Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	11,163	13,946	15,339	16,843
Net profit (Btm)	550	1,062	1,322	1,585
EPS (Bt)	0.41	0.79	0.98	1.17
BLS/Consensus (x)	n.m.	1.14	1.14	1.06
EPS growth (%)	n.m.	+93.0%	+24.5%	+19.8%
Core profit (Btm)	640	1,082	1,322	1,585
Core EPS (Bt)	0.47	0.80	0.98	1.17
Core EPS growth (%)	n.m.	+69.1%	+22.2%	+19.8%
PER (x)	37.5	19.4	15.6	13.0
Core PER (x)	32.3	19.1	15.6	13.0
EV/EBITDA (x)	12.8	10.0	8.3	7.4
PBV (x)	3.4	3.1	2.8	2.5
Dividend (Bt)	0.15	0.31	0.39	0.47
Dividend yield (%)	1.0	2.1	2.6	3.1
ROE (%)	9.7	17.6	19.8	21.0
Net gearing (x)	1.6	1.4	1.1	0.9

CG Rating - 2011



QUICK VIEW

Scope for upside? We see the following scope for earnings upside. Firstly, the firm intends to buy out the other shareholders of two hotels in Phuket that it has controlling stakes in—one at Karon Beach (it currently holds 84%), the other at Kata Beach (50% stake). The deals would make for 3% upside to our FY13 model. Secondly, budget hotels—CENTEL plans to launch a new price segment in Sept with a mean room rate of Bt1,000/night. The firm expects to sign 3-4 management contracts. Over the long-term, there is potential for earnings upside from a new proprietary hotel (construction may start in 2014) and asset sales to a property fund (no details or timeline).

Action: CENTEL is the best play for 2Q12 YoY profit growth. A consensus forecast upgrade would trigger a valuation re-rating. While the firm will deliver record earnings for FY12, its stock trades at FY12 PEG of 0.20x, far below the 0.26x it normally trades at two to three months ahead of the fourth-quarter high season. We maintain our BUY call with an unchanged YE13 target price of Bt17, pegged to a 20% discount to DCF value (12.5% WACC and 2% terminal growth rate).

Figure 1: CENTEL will report its best low season core profit on record in 2Q12

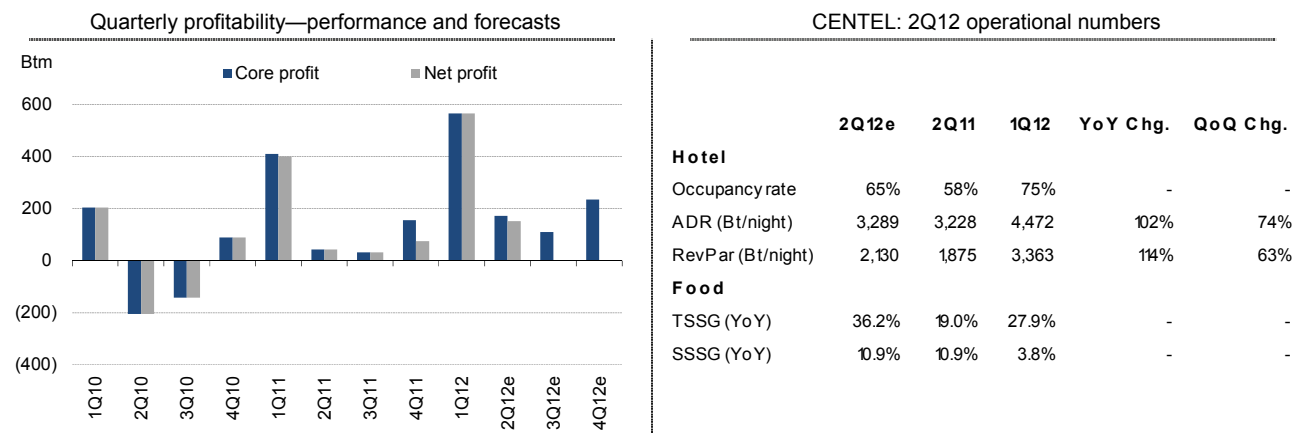


Figure 2: CENTEL will lead the sector in 2Q12 profit growth; scope for a consensus earnings forecast upgrade

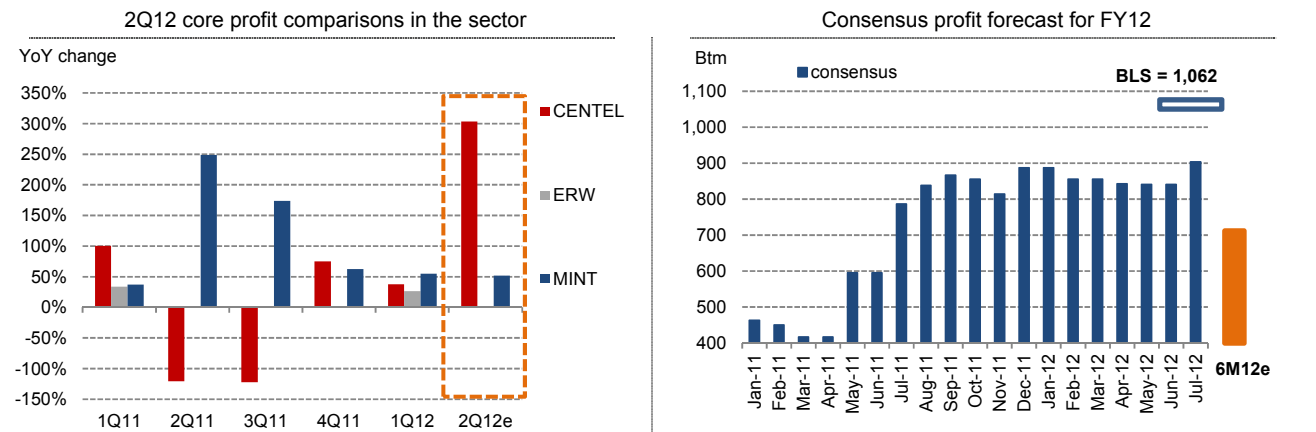
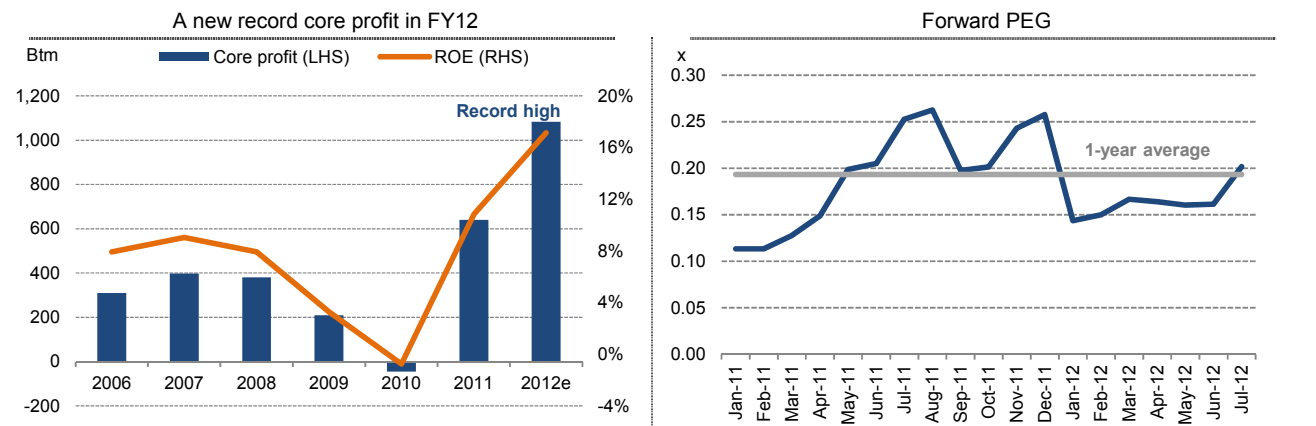


Figure 3: A valuation re-rating is deserved



Sources: SETSMART, Company data, Bualuang Research

BUALUANG SECURITIES PUBLIC COMPANY LIMITED – DISCLAIMER

BUALUANG SECURITIES PUBLIC COMPANY LIMITED (BLS) is a subsidiary of BANGKOK BANK PUBLIC COMPANY LIMITED (BBL). This document is produced based upon sources believed to be reliable but their accuracy, completeness or correctness is not guaranteed. The statements or expressions of opinion herein were arrived at after due and careful consideration to use as information for investment. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information shall be at the sole discretion and risk of the user.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY BE IN RELATIONSHIP WITH THE SECURITIES IN THIS REPORT. "Opinions, projections and other information contained in this report are based upon sources believed to be accurate including the draft prospectus, but no responsibility is accepted for any loss occasioned by reliance placed upon the contents hereof. Bualuang Securities Public Company Limited may from time to time perform investment, advisory or other services for companies mentioned in this report, as well as dealing (as principal or otherwise) in, or otherwise being interested in, any securities mentioned herein. This report does not constitute a solicitation to buy or sell any securities". Investors should carefully read details in the prospectus before making investment decision.


BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF DERIVATIVE WARRANTS on the securities ADVANC, AOT, BANPU, BAY, BCP, BEC, BGH, BH, BIGC, BJC, BLA, BTS, CPALL, CPF, DTAC, EGCO, ESSO, GLOW, HMPRO, HEMRAJ, INTUCH, IRPC, IVL, KBANK, KTB, LH, MINT, PS, PTT, PTTEP, PTTGC, SCB, SCC, SPALI, STA, TCAP, THAI, TISCO, TOP, TMB, TPIPL, TRUE, TUF. Before making an investment decision over a derivative warrant, a potential investor should carefully read the prospectus for the details of the said derivative warrant.

This research report was prepared by Bualuang Securities Public Company Limited and refers to research prepared by Morgan Stanley. Morgan Stanley does not warrant or guarantee the accuracy or completeness of its research reports. Morgan Stanley reserves copyright and other proprietary rights in the material reproduced in this report. Morgan Stanley is under no obligation to inform Bualuang Securities or you if the views or information referred to or reproduced in this research report change.

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

Score Range	Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.