CP All Pcl (CPALL TB) - BUY, Price Bt57.00, TP Bt73.00

Results Comment

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2Q21 dragged by interest cost, in line

- CPALL reported weak 2Q21 normalized profit of Bt1.9bn, down 34% y-y and 25% q-q, in line with our estimates.
- While improving 7-Eleven and MAKRO businesses drove EBIT growth of 10% y-y, key earnings drag was higher interest cost from investment in Lotus and one-time cost related to bridging loan repayment and debenture issues.
- MAKRO's (93.08%) net profit increased by 9% y-y to Bt1,287m and contributed 55% to CPALL's total net profit.
- Equity loss from Lotus (net of SPV's interest cost on bridging loan) was Bt129m vs Bt36m equity income in 1Q21 due to Lotus's weaker performance on hypermarket sales and rental income.
- Better 7-Eleven operations were due to 1) +2.1% SSSG, driven by rising spending/ticket to Bt82 from Bt79 in 2Q20 and Bt77 in 1Q21 from larger bill size and increasing 7-Delivery transaction to 10-12% of sales (10% in 1Q21, 3% in 2020). Despite 3rd COVID wave, daily sales/store grew y-y and q-q to Bt67,767, 2) new 7-Eleven branch openings with 156 stores opened in 2Q21 to 12,743 by quarter end (+654 branches from 2Q20, or 5.4% increase). A decline in total product margin narrowed to 10bp y-y (+20bp q-q) to 26.5% vs -50bp y-y in 1Q21 as non-food margin reached a new record at 26.7% (+90bp y-y) on growing sales of medicines, masks and other healthcare goods.
- 1H21 net profit accounted for 45% of our 2021F.
- As the board approved share divestment up to 90% (Bt2.34bn) in a subsidiary, ALL NOW Management Co Ltd, doing warehouse and logistics, by 4Q21F, we expect it to book gain from such transaction.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	127,989	135,457	137,004	133,339	137,370
Gross profit	**31,330**	**34,034**	**33,994**	**32,070**	**33,287**
SG&A	26,013	27,307	27,232	26,217	27,438
Operating profit	5,317	6,727	6,763	5,852	5,849
EBITDA	**10,241**	**11,722**	**11,956**	**11,034**	**11,147**
Other income	38	32	44	33	22
Other expense	0	0	0	0	0
Interest expense	1,976	1,991	2,678	2,901	3,529
Profit before tax	**3,379**	**4,768**	**4,129**	**2,984**	**2,341**
Income tax	434	682	511	370	234
Equity & invest. income	(0)	(1)	(63)	36	(129)
Minority interests	(55)	(99)	(144)	(110)	(72)
Extraordinary items	(2)	11	161	59	284
Net profit	**2,887**	**3,998**	**3,573**	**2,599**	**2,190**
Normalized profit	**2,890**	**3,986**	**3,411**	**2,540**	**1,906**
EPS (Bt)	0.29	0.42	0.37	0.26	0.22
Normalized EPS (Bt)	0.29	0.42	0.35	0.25	0.18

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	3	7	49	557,846	613,546
Gross profit	**4**	**6**	**48**	**135,145**	**151,256**
SG&A	5	5	49	110,075	121,036
Operating profit	(0)	10	47	25,070	30,220
EBITDA	**1**	**9**	**48**	**46,213**	**52,929**
Other income	(35)	(44)	25	219	275
Other expense			na	0	0
Interest expense	22	79	56	11,543	9,620
Profit before tax	**(22)**	**(31)**	**39**	**13,746**	**20,876**
Income tax	(37)	(46)	24	2,474	3,758
Equity & invest. income	na	na	104	(89)	970
Minority interests	na	na	36	(500)	(540)
Extraordinary items	377	na	na	0	0
Net profit	**(16)**	**(24)**	**45**	**10,682**	**17,548**
Normalized profit	**(25)**	**(34)**	**42**	**10,682**	**17,548**
EPS (Bt)	(17)	(26)	44	1.08	1.84
Normalized EPS (Bt)	(28)	(37)	41	1.08	1.84

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	29,745	48,813	40,626	36,541	31,038
A/C receivable	1,334	1,599	1,650	1,685	1,607
Inventory	28,860	29,684	31,749	30,804	30,355
Other current assets	6,346	6,887	7,379	7,792	7,587
Investment	369	408	85,586	85,781	85,683
Fixed assets	118,357	119,613	120,199	120,566	121,014
Other assets	235,740	236,645	236,165	235,748	235,803
Total assets	**420,752**	**443,650**	**523,354**	**518,917**	**513,087**
S-T debt	37,913	36,310	20,882	23,204	24,185
A/C payable	63,667	65,324	72,778	67,037	65,885
Other current liabilities	29,473	25,583	29,723	25,288	23,627
L-T debt	122,232	142,073	221,503	222,522	224,675
Other liabilities	66,247	66,596	66,874	66,257	66,029
Minority interest	14,630	14,718	14,836	14,966	14,843
Shareholders' equity	**86,588**	**93,047**	**96,759**	**99,643**	**93,844**
Working capital	(33,473)	(34,040)	(39,379)	(34,548)	(33,923)
Total debt	160,146	178,383	242,384	245,726	248,859
Net debt	**130,400**	**129,570**	**201,759**	**209,185**	**217,822**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(10.6)	(3.9)	(7.3)	(8.5)	7.3
Operating profit growth	(25.8)	(19.9)	(23.2)	(32.4)	10.0
EBITDA growth	6.1	6.7	4.2	(17.9)	8.9
Norm profit growth	(39.0)	(29.2)	(44.1)	(54.6)	(34.0)
Norm EPS growth	(41.2)	(30.6)	(46.0)	(57.1)	(37.3)
Gross margin	24.5	25.1	24.8	24.1	24.2
Operating margin	4.2	5.0	4.9	4.4	4.3
EBITDA margin	8.0	8.7	8.7	8.3	8.1
Norm net margin	2.3	2.9	2.5	1.9	1.4
D/E (x)	1.8	1.9	2.5	2.5	2.7
Net D/E (x)	1.5	1.4	2.1	2.1	2.3
Interest coverage (x)	5.2	5.9	4.5	3.8	3.2
Interest rate	5.2	4.7	5.1	4.8	5.7
Effective tax rate	12.8	14.3	12.4	12.4	10.0
ROA	4.7	5.6	5.2	4.3	4.3
ROE	12.5	17.8	14.4	10.3	7.9

Sources: Company data, Thanachart estimates

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