# Central Retail Corp. Pcl (CRC TB) - BUY, Price Bt31.00, TP Bt37.00

Results Comment

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## Larger loss in 2Q21 than expected

- CRC reported Bt471m net loss in 2Q21, weaker than our estimates of Bt350m loss. Other income a miss.
- Sales revenues were Bt41.8bn, up 13% y-y (on +10% SSSG driven by fashion and hardline segments as in 2Q20 it closed non-food businesses for 1.5 months from country lockdown and sales contribution from COL acquired in 1Q21) but down 4% q-q (due to impact from COVID's 3rd wave). Food sales (39% of total sales) fell by 5% y-y and 13% q-q on weaker consumption.
- 2Q21 SSSG by country was +10% for Thailand, +110% in Italy and -13% in Vietnam. By segment, it was +29% for fashion, +24% for hardline and -11% for foods.
- Rental income was Bt1,248m, up 42% y-y (none of its stores were closed in 2Q21) but down 10% q-q (more rental discounts q-q).
- Omnichannel sales grew by 79% y-y to 17% of total sales vs 12% in 2Q20 and 13% in 1Q21.
- Gross margin on sales improved y-y and q-q to 23.3% (20.7% in 2Q20, 22.8% in 1Q21) from better margin on hardline business (Thai Watsadu) and full quarter consolidation of COL.
- Despite sales growth y-y, other income was down 9% y-y and 15% q-q.
- 1H21 net loss amounted to Bt70m. As negative earnings outlook continues into 3Q21F due to lockdown measures both in Thailand and Vietnam, there is significant downside to our 2021F.
- July SSSG was negative by mid twenty (-late twenty for Thailand, -mid twenty for VN, +low teen for Italy). August SSSG is expected to be weaker than July as current lockdown impacts 35-40% of selling area of Thai business and 30-35% in VN while impacts 60% of rental space in Thailand and VN.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
| Revenue | 38,029 | 43,956 | 47,387 | 45,436 | 43,333 |
| **Gross profit** | **8,226** | **11,309** | **12,506** | **11,224** | **10,825** |
| SG&A | 14,135 | 13,245 | 14,781 | 13,655 | 13,840 |
| Operating profit | (2,664) | 1,614 | 1,338 | 1,120 | (40) |
| **EBITDA** | **1,144** | **5,994** | **5,589** | **5,275** | **3,988** |
| Other income | 3,347 | 3,617 | 3,691 | 3,595 | 3,044 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 790 | 771 | 775 | 739 | 779 |
| **Profit before tax** | **(3,352)** | **910** | **640** | **424** | **(750)** |
| Income tax | (839) | 125 | (472) | 45 | (291) |
| Equity & invest. income | (6) | 84 | (11) | 80 | 33 |
| Minority interests | (71) | (31) | (45) | (58) | (46) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **(2,590)** | **837** | **1,056** | **401** | **(471)** |
| **Normalized profit** | **(2,590)** | **837** | **1,056** | **401** | **(471)** |
| EPS (Bt) | (0.43) | 0.14 | 0.18 | 0.07 | (0.08) |
| Normalized EPS (Bt) | (0.43) | 0.14 | 0.18 | 0.07 | (0.08) |

| Income Statement | | | 6M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2021F | 2021F | 2022F |
| Revenue | (5) | 14 | 50 | 176,854 | 208,355 |
| **Gross profit** | **(4)** | **32** | **49** | **45,298** | **56,211** |
| SG&A | 1 | (2) | 51 | 53,459 | 62,825 |
| Operating profit | na | na | 18 | 5,998 | 9,726 |
| **EBITDA** | **(24)** | **249** | **41** | **22,574** | **27,155** |
| Other income | (15) | (9) | 46 | 14,428 | 16,621 |
| Other expense | | | na | 0 | 0 |
| Interest expense | 5 | (1) | 52 | 2,939 | 3,080 |
| **Profit before tax** | **na** | **na** | **(10)** | **3,328** | **6,927** |
| Income tax | na | na | (37) | 666 | 1,385 |
| Equity & invest. income | (59) | na | 35 | 320 | 400 |
| Minority interests | na | na | 43 | (240) | (282) |
| Extraordinary items | | | na | 0 | 0 |
| **Net profit** | **na** | **na** | **(3)** | **2,743** | **5,660** |
| **Normalized profit** | **na** | **na** | **(3)** | **2,743** | **5,660** |
| EPS (Bt) | na | na | (3) | 0.45 | 0.94 |
| Normalized EPS (Bt) | na | na | (3) | 0.45 | 0.94 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
| Cash & ST investment | 25,099 | 24,060 | 17,786 | 13,586 | 15,349 |
| A/C receivable | 3,087 | 3,992 | 4,570 | 4,057 | 3,821 |
| Inventory | 31,464 | 34,149 | 34,296 | 35,255 | 35,470 |
| Other current assets | 9,970 | 10,162 | 10,526 | 10,917 | 11,122 |
| Investment | 1,036 | 1,134 | 1,331 | 1,112 | 992 |
| Fixed assets | 54,158 | 54,700 | 55,461 | 57,170 | 57,744 |
| Other assets | 120,464 | 122,128 | 115,211 | 125,872 | 127,273 |
| **Total assets** | **245,279** | **250,326** | **239,180** | **247,969** | **251,771** |
| S-T debt | 65,884 | 61,295 | 34,388 | 45,374 | 46,265 |
| A/C payable | 24,772 | 32,890 | 31,569 | 24,478 | 27,480 |
| Other current liabilities | 22,813 | 20,551 | 23,091 | 26,056 | 22,451 |
| L-T debt | 7,940 | 8,444 | 29,492 | 29,315 | 34,502 |
| Other liabilities | 63,872 | 66,430 | 64,924 | 64,362 | 64,350 |
| Minority interest | 2,379 | 2,329 | 2,321 | 2,597 | 2,596 |
| **Shareholders' equity** | **57,618** | **58,388** | **53,394** | **55,787** | **54,127** |
| Working capital | 9,779 | 5,252 | 7,296 | 14,834 | 11,811 |
| Total debt | 73,824 | 69,738 | 63,880 | 74,689 | 80,767 |
| **Net debt** | **48,724** | **45,679** | **46,094** | **61,104** | **65,418** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
| Sales growth | (22.1) | (12.1) | (14.2) | (10.2) | 13.9 |
| Operating profit growth | na | (31.5) | (68.1) | (33.6) | na |
| EBITDA growth | (76.4) | 24.8 | (18.2) | (9.1) | 248.7 |
| Norm profit growth | na | (39.5) | (60.8) | (46.0) | na |
| Norm EPS growth | na | (52.9) | (69.5) | (46.0) | na |
| Gross margin | 21.6 | 25.7 | 26.4 | 24.7 | 25.0 |
| Operating margin | (7.0) | 3.7 | 2.8 | 2.5 | (0.1) |
| EBITDA margin | 3.0 | 13.6 | 11.8 | 11.6 | 9.2 |
| Norm net margin | (6.8) | 1.9 | 2.2 | 0.9 | (1.1) |
| D/E (x) | 1.2 | 1.1 | 1.1 | 1.3 | 1.4 |
| Net D/E (x) | 0.8 | 0.8 | 0.8 | 1.0 | 1.2 |
| Interest coverage (x) | 1.4 | 7.8 | 7.2 | 7.1 | 5.1 |
| Interest rate | 4.1 | 4.3 | 4.6 | 4.3 | 4.0 |
| Effective tax rate | 25.0 | 13.7 | (73.7) | 10.7 | 38.9 |
| ROA | (4.1) | 1.4 | 1.7 | 0.7 | (0.8) |
| ROE | (17.4) | 5.8 | 7.6 | 2.9 | (3.4) |

Sources: Company data, Thanachart estimates

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