MC GROUP Pcl (MC TB) - BUY, Price Bt9.20, TP Bt12.50

Results Comment

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Weak 4QFY21 results, in line

- MC reported 4QFY21 net profit of Bt18m, down 51% y-y and 81% q-q, in line with our Bt15m earnings preview.
- Very weak 4QFY21 results were caused by COVID impact on consumption while no cost savings from store rental waiver and personnel expense like in 4QFY20 during country lockdown.
- 4QFY21 sales decreased by 3% y-y and 32% q-q to Bt531m. E-commerce sales (13% of sales) were a drag dropping by 51% y-y and 26% q-q to Bt70m from high revenues base due to a shift to online purchase during lockdown period and sales of COVID protection items ie fabric masks and face shields last year. Offline sales grew by 13% y-y to Bt461m on a 12.1% SSSG from low base.
- FY21 net profit increased by 9% y-y to Bt446m. Excluding one-off item, normalized profit was flat (+0.4% y-y) on 1% sales growth, driven by 3% growth in freestanding shop sales, and expanding gross margin to 59.6% vs 57.8% in FY20. E-commerce sales increased slightly by 1% y-y to Bt389m (12% of FY21 sales).
- As of 30 Jun 21, point of sales reduced to 636, down from 657 point of sales as of Jun 20, mainly because it closed 18 modern trade point of sales last year.
- 2HFY21 DPS is Bt0.20/share, XD on Nov 4th with payment date on Nov 25th.
- Since MC temporarily closed around 40% of its stores during the current lockdown measure and economic momentum is weak, soft 1QFY22F is expected.
- We put our BUY rating under review.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4QFY20**	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**
Revenue	550	779	1,134	776	531
Gross profit	**313**	**473**	**686**	**471**	**289**
SG&A	283	341	409	361	290
Operating profit	30	132	276	110	(1)
EBITDA	**57**	**183**	**445**	**194**	**96**
Other income	9	6	9	5	8
Other expense	0	0	0	0	0
Interest expense	0	6	6	9	7
Profit before tax	**39**	**132**	**279**	**107**	**1**
Income tax	1	22	51	19	(15)
Equity & invest. income	0	(0)	(1)	6	0
Minority interests	0	(1)	(1)	(1)	2
Extraordinary items	(2)	0	0	0	0
Net profit	**36**	**109**	**226**	**93**	**18**
Normalized profit	**38**	**109**	**226**	**93**	**18**
EPS (Bt)	0.05	0.14	0.28	0.12	0.02
Normalized EPS (Bt)	0.05	0.14	0.28	0.12	0.02

Income Statement			12M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	(32)	(3)	95	3,220	3,322
Gross profit	**(39)**	**(7)**	**94**	**1,919**	**2,020**
SG&A	(20)	3	98	1,401	1,353
Operating profit	na	na	84	518	666
EBITDA	**(51)**	**68**	**129**	**918**	**763**
Other income	48	(9)	69	29	50
Other expense			na	0	0
Interest expense	(24)	na	na	28	0
Profit before tax	**(99)**	**(98)**	**79**	**519**	**717**
Income tax	na	na	65	78	136
Equity & invest. income	(93)	(10)	na	5	0
Minority interests	na	1,341	na	(0)	0
Extraordinary items			na	0	0
Net profit	**(81)**	**(51)**	**83**	**446**	**580**
Normalized profit	**(81)**	**(54)**	**83**	**446**	**580**
EPS (Bt)	(81)	(51)	83	0.56	0.73
Normalized EPS (Bt)	(81)	(54)	83	0.56	0.73

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4QFY20**	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**
Cash & ST investment	1,481	748	862	659	729
A/C receivable	266	287	411	309	202
Inventory	1,408	1,433	1,408	1,369	1,250
Other current assets	37	912	1,006	1,103	1,143
Investment	0	0	0	0	0
Fixed assets	404	368	25	352	343
Other assets	488	1,689	1,965	1,621	1,547
Total assets	**4,084**	**5,437**	**5,678**	**5,412**	**5,214**
S-T debt	0	0	0	0	0
A/C payable	283	325	484	403	283
Other current liabilities	129	419	484	478	438
L-T debt	0	0	0	0	0
Other liabilities	79	990	940	944	891
Minority interest	11	11	12	12	11
Shareholders' equity	**3,581**	**3,690**	**3,758**	**3,574**	**3,591**
Working capital	1,391	1,395	1,335	1,274	1,170
Total debt	0	0	0	0	0
Net debt	**(1,481)**	**(748)**	**(862)**	**(659)**	**(729)**

Financial Ratios					
(%)	**4QFY20**	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**
Sales growth	(24.6)	2.8	0.2	4.3	(3.4)
Operating profit growth	(50.8)	32.3	13.4	24.7	na
EBITDA growth	(36.8)	46.4	66.9	74.3	68.1
Norm profit growth	(73.7)	7.7	(0.3)	19.8	(53.6)
Norm EPS growth	(73.7)	7.7	(0.3)	19.8	(53.6)
Gross margin	56.9	60.7	60.5	60.7	54.5
Operating margin	5.4	16.9	24.4	14.2	(0.1)
EBITDA margin	10.4	23.5	39.3	25.0	18.0
Norm net margin	7.0	14.0	20.0	11.9	3.4
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)
Interest coverage (x)	35,637	29	70	22	14
Interest rate	na	na	na	na	na
Effective tax rate	2.3	17.0	18.4	17.5	(1,901.0)
ROA	3.8	9.1	16.3	6.7	1.3
ROE	4.3	12.0	24.3	10.1	2.0

Sources: Company data, Thanachart estimates

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