

HOLD (From: BUY)**TP: Bt 34.00**

(From: Bt 37.00)

30 SEPTEMBER 2021

Change in Recommendation

Upside : 1.5%

Central Retail Corp Pcl (CRC TB)

A counterweight

We downgrade CRC to HOLD as we see its valuation as already fair and with the counterweight from its department store business slowing down the overall firm's earnings recovery. We also expect loss-making quarters in both 3Q21F and 4Q21F.

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Downgrading to HOLD

We downgrade our rating on CRC to HOLD (from Buy). *First*, we forecast CRC's recovery in its hardline (home DIY stores and electronics stores) and food (hypermarket/supermarket/CVS) businesses to be counterweighed by its fashion (department stores) business. We forecast CRC's earnings to return to 2019's level slower than its peers. *Second*, based on 2023F earnings, CRC trades at 30x PE, higher than Central Pattana (CPN TB, BUY, Bt53.00) at 26x, CP All (CPALL, BUY, Bt63.50) at 23x, Home Product Center (HMPRO, BUY, Bt13.60) at 25x and Siam Global House (GLOBAL, BUY, Bt20.90) at 21x. *Third*, we now forecast CRC to make losses in both 3Q-4Q21F and cut this year's earnings to a Bt1.5bn loss and by 24/11/5% in 2022-24F. Our DCF-based 12-month TP (2022F base year) is lowered to Bt34/share (from Bt37 previously).

Slowest turnaround from department stores

CRC classifies its department store business, i.e., Central and Robinson in Thailand and Rinascente in Italy, as fashion. Fashion made up 33% of CRC's revenue in 2019 and we expect it at 22% this year and 28% in 2024F. We see fashion being the slowest turnaround area for CRC compared to the other two business lines because department stores is a counter-trend business in the growing e-commerce era. Fashion's same-store sales (SSS) fell by 34% in 2020 and we expect another 15% drop this year.

Hardline shows the best outlook

Of the three business lines, we foresee the best outlook for hardline mainly from the home-improvement business of Thai Watsadu. Thai Watsadu still has room to expand and we expect it to benefit from a higher farm income base and upcoming government stimulus programs. We expect hardline sales to grow by 21/11/9% in 2022-24F and make up 35% of 2024F sales vs. 26% in 2019. CRC's food business comprises Tops supermarkets and the Family Mart convenience store chain in Thailand and GO! hypermarkets in Vietnam. With its expansion plan, we expect food segment sales to grow by 11/11/9% in 2022-24F and comprise 37% of sales in 2024F vs. 41% in 2019.

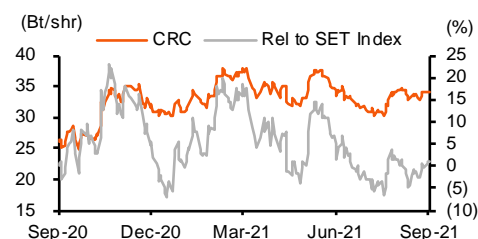
We prefer other retail plays

CRC's valuation is more expensive than many of its peers'. It is trading on a 30x PE multiple in 2023F vs. the sector average of 24x. We also expect CRC's profit to take longer to return to the pre-COVID level of 2019 in 2024F vs. 2023F for many of its peers. We prefer CPALL for its cheaper 23x 2023F PE and deleveraging and Lotus turnaround stories. We also prefer GLOBAL, which is trading on 21x 2023F PE, given the strong home-improvement market outlook. We also have HMPRO on our BUY list. See Exhibit 3 for a peer comparison.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|-------------------|---------|---------|---------|---------|
| Sales | 179,947 | 163,558 | 201,855 | 228,179 |
| Net profit | 46 | (1,462) | 4,291 | 6,663 |
| Consensus NP | — | 499 | 4,853 | 7,310 |
| Diff frm cons (%) | — | (393.1) | (11.6) | (8.8) |
| Norm profit | 46 | (1,462) | 4,291 | 6,663 |
| Prev. Norm profit | — | 2,743 | 5,660 | 7,524 |
| Chg frm prev (%) | — | (153.3) | (24.2) | (11.4) |
| Norm EPS (Bt) | 0.0 | (0.2) | 0.7 | 1.1 |
| Norm EPS grw (%) | (99.5) | na | na | 55.3 |
| Norm PE (x) | 4,235.3 | na | 47.1 | 30.3 |
| EV/EBITDA (x) | 13.1 | 14.4 | 10.4 | 9.0 |
| P/BV (x) | 3.8 | 4.0 | 3.7 | 3.4 |
| Div yield (%) | 1.2 | 0.0 | 0.8 | 1.3 |
| ROE (%) | 0.1 | na | 8.1 | 11.7 |
| Net D/E (%) | 82.8 | 104.8 | 112.7 | 101.4 |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|----------------------|
| Price as of 30-Sep-21 (Bt) | 33.50 |
| Market Cap (US\$ m) | 5,972.2 |
| Listed Shares (m shares) | 6,031.0 |
| Free Float (%) | 53.1 |
| Avg Daily Turnover (US\$ m) | 10.1 |
| 12M Price H/L (Bt) | 38.00/24.80 |
| Sector | Commerce |
| Major Shareholder | Central Group 35.06% |

Sources: Bloomberg, Company data, Thanachart estimates



Downgrading to HOLD

Cutting our earnings and TP, downgrading to HOLD

Central Retail Corporation Pcl (CRC), as a multi-business retailer in the fashion, hardline and food segments in Thailand, Vietnam and Italy, has been hit by weakening consumption because of the COVID pandemic and lockdown measures in Thailand and Vietnam. Given a slower-than-expected consumption recovery, we cut this year's earnings to a net loss of Bt1.5bn and by 24/11/5% in 2022-24F. Our DCF-based 12-month TP, using a 2022F base year, is lowered by 8% to Bt34/share, from Bt37 previously. Given limited potential share price upside, we downgrade our rating on the stock to HOLD from Buy.

Ex 1: Key Assumption Changes

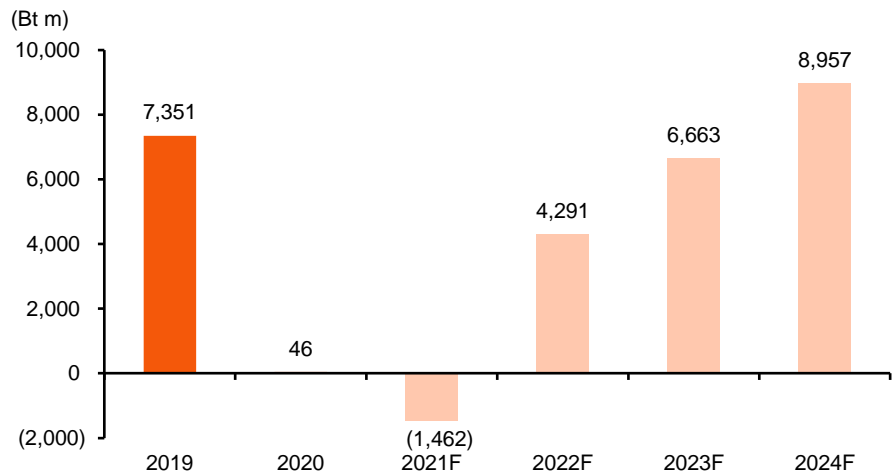
| | 2021F | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F |
|---------------------------------|------------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| SSSG (%) - New | (9) | 16 | 9 | 7 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fashion segment | (15) | 37 | 16 | 11 | 4 | 3 | 3 | 3 | 2 | 2 | 2 | 2 |
| Hardline segment | (5) | 10 | 7 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Food segment | (11) | 7 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| SSSG (%) - Old | (6) | 10 | 8 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fashion segment | (6) | 21 | 17 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Hardline segment | 5 | 5 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Food segment | (7) | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Revenue growth (%) - New | (9) | 23 | 12 | 10 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Fashion segment | (25) | 47 | 16 | 11 | 4 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Hardline segment | 10 | 21 | 11 | 9 | 8 | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Food segment | (12) | 11 | 11 | 9 | 9 | 8 | 8 | 8 | 7 | 7 | 7 | 7 |
| Revenue growth (%) - Old | (2) | 18 | 11 | 8 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Fashion segment | (17) | 30 | 16 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Hardline segment | 20 | 16 | 8 | 8 | 7 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Food segment | (7) | 12 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Sales of goods (Bt m) | | | | | | | | | | | | |
| New | 158,025 | 194,138 | 218,281 | 239,721 | 257,007 | 272,793 | 289,470 | 307,091 | 325,711 | 344,983 | 364,957 | 385,906 |
| Old | 170,535 | 200,510 | 223,058 | 241,145 | 258,541 | 275,807 | 294,152 | 313,654 | 334,394 | 356,099 | 378,882 | 403,016 |
| Change (%) | (7.3) | (3.2) | (2.1) | (0.6) | (0.6) | (1.1) | (1.6) | (2.1) | (2.6) | (3.1) | (3.7) | (4.2) |
| Normalized profit (Bt m) | | | | | | | | | | | | |
| New | (1,462) | 4,291 | 6,663 | 8,957 | 10,671 | 11,476 | 13,382 | 15,482 | 17,781 | 20,212 | 22,701 | 25,316 |
| Old | 2,743 | 5,660 | 7,524 | 9,379 | 11,243 | 12,319 | 14,541 | 16,968 | 19,605 | 22,379 | 25,217 | 28,092 |
| Change (%) | (153.3) | (24.2) | (11.4) | (4.5) | (5.1) | (6.8) | (8.0) | (8.8) | (9.3) | (9.7) | (10.0) | (9.9) |

Source: Thanachart estimates

Full recovery back to the 2019 level likely only in 2024F

First, we forecast the recovery of CRC's hardline (Thai Watsadu home DIY stores and electronics stores Power Buy in Thailand and Nguyen Kim in Vietnam) and food (hypermarket/supermarket/CVS) businesses to be counterweighed by its fashion (department stores) business. We estimate CRC's earnings to return to the 2019 level in 2024F, vs. 2023F for many of its peers.

Ex 2: Full Recovery In 2024F

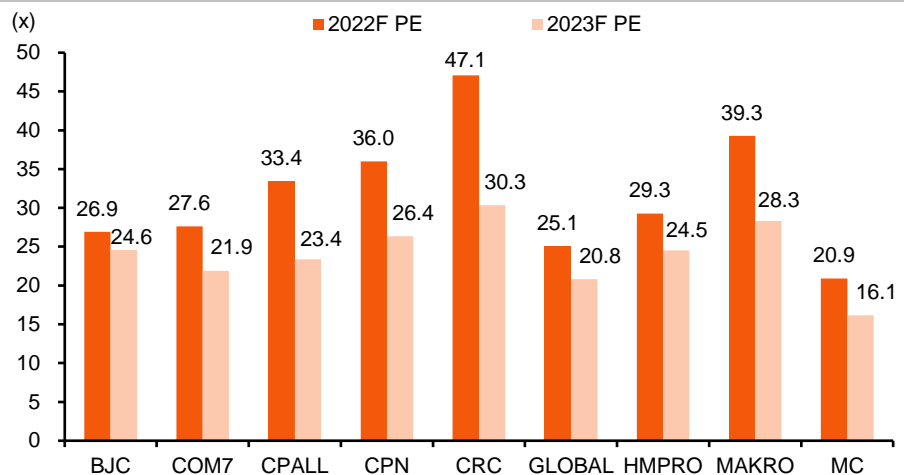


Sources: Company data, Thanachart estimates
 Note: Using normalized profit

Trades at 30x 2023F PE vs. peers' 24x average

Second, based on 2023F earnings, CRC trades at 30x PE, above the sector average of 24x, and higher than Central Pattana (CPN TB, BUY, Bt53.00) at 26x, CP All (CPALL, BUY, Bt63.50) at 23x, Home Product Center (HMPRO, BUY, Bt13.60) at 25x and Siam Global House (GLOBAL, BUY, Bt20.90) at 21x. We prefer other retail plays – CPALL for its cheaper 23x 2023F PE and deleveraging and Lotus turnaround stories driving a 50% three-year EPS CAGR in 2022-24F, and GLOBAL, which is trading on 21x 2023F PE for the strong home-improvement market outlook and it being a rural building materials and home improvement retailer gaining market share from traditional trade. We also have HMPRO on our BUY list. HMPRO is the leader in the home-improvement market, focusing more on big cities, and we expect it to deliver record profit in 2023F.

Ex 3: Retail Sector PE Comparison



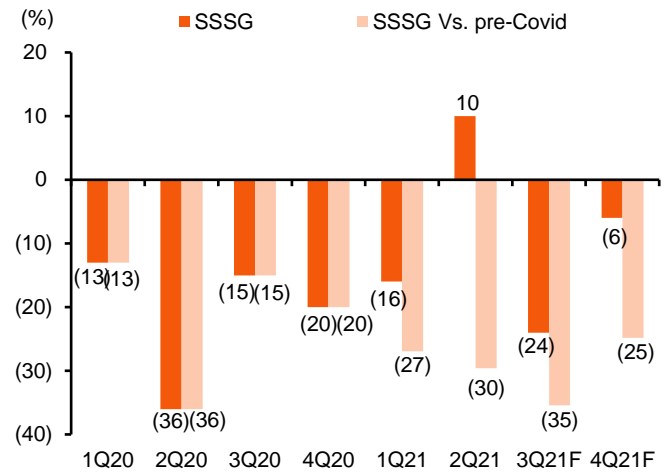
Sources: Company data, Thanachart estimates

We expect CRC to post losses in 3Q-4Q21F

Third, we forecast CRC to make a loss both in 3Q-4Q21F with a Bt1.4bn loss in 2H21F, from profit of Bt1.9bn in 2H20 and a small loss of Bt70m in 1H21. The lockdown in Thailand between July-August and a partial lockdown in Vietnam with non-food businesses in key cities being ordered to close since late May will cause a larger loss q-q from a Bt471m loss in 2Q21 to a Bt1.2bn loss in 3Q21F. Despite the gradual lifting of the lockdowns, we still forecast CRC to deliver a loss of Bt200m in 4Q21F, based on our average SSSG

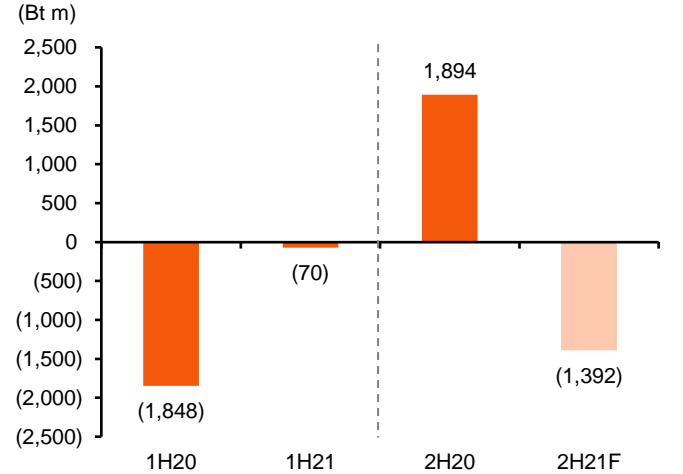
assumptions for all segments of +10/-24/-6% in 2Q-4Q21F (-30/-35/-25% SSSG vs. the pre-COVID level).

Ex 4: SSSG Vs. Pre-COVID Level



Sources: Company data, Thanachart estimates

Ex 5: 2H21F Profit



Sources: Company data, Thanachart estimates

Department stores a drag

Fashion is facing threats from weak consumption and the e-commerce era

Pre-COVID in 2019, the fashion business (mainly department stores; Central and Robinson department stores in Thailand and Rinascente in Italy, some branded shops and SuperSports) contributed 33% of CRC's total revenue. Fashion is a key drag on CRC's earnings recovery, being hit hard amid COVID as it involves discretionary spending, and will likely take more time to recover. Fashion's SSSG fell by 34% in 2020 and we expect another 15% drop this year, so we expect fashion to drop to 22% of sales this year before recovering to 28% of sales in 2024F. Fashion sales were at Bt64bn in 2019 and we estimate it takes five years to return to that level at Bt66bn in 2024F.

Securing market share through its fast-growing omni-channel sales

Another reason for the slower turnaround is the threat from the fast-growing e-commerce business that has been sped up by COVID with people buying more products online while staying home. To compete in the omni-channel era, CRC with its extensive store network and product varieties has prepared itself to secure market share. With the opening of its 75,000-sqm omni-channel distribution center (DC) in the Bangplee area, a prime logistics hub location in eastern Bangkok, in September last year and the launch of the Central App in October, CRC's omni-channel sales have grown from 3% of sales in 2019 to 9.5% in 2020 (+177% omni sales growth) and to 15% in 1H21 (+123% omni sales growth).

Ex 6: Yearly SSSG

| (%) | 16 | 17 | 18 | 19 | 20 | 21F | 22F | 23F | 24F |
|-----------------|------------|--------------|------------|--------------|---------------|--------------|-------------|------------|------------|
| Fashion | 0.6 | (2.0) | 1.1 | (2.5) | (33.7) | (15.3) | 36.9 | 16.4 | 11.3 |
| Hardline | (0.5) | (3.5) | (0.2) | (2.3) | (14.3) | (5.0) | 10.0 | 7.0 | 5.0 |
| Food | 3.9 | 2.2 | 2.2 | 2.4 | (9.9) | (11.0) | 7.0 | 6.0 | 5.0 |
| Avg SSSG | 1.7 | (0.5) | 1.3 | (0.4) | (20.8) | (9.0) | 16.0 | 9.2 | 6.8 |

Sources: Company data, Thanachart estimates

Ex 7: Quarterly SSSG

| (%) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21F |
|-------------------|---------------|---------------|---------------|---------------|---------------|-------------|---------------|
| Fashion | (28.0) | (58.0) | (21.8) | (27.0) | (20.0) | 29.0 | (30) to (40) |
| Hardline | (3.0) | (29.0) | (7.9) | (11.0) | (4.0) | 24.0 | (high teen) |
| Food | 3.0 | (15.0) | (13.0) | (17.0) | (20.0) | (11.0) | (low teen) |
| Avg SSSG | (13.0) | (36.0) | (15.0) | (20.0) | (16.0) | 10.0 | (24.0) |
| Net profit (Bt m) | 743 | (2,590) | 837 | 1,056 | 401 | (471) | (1,200) |

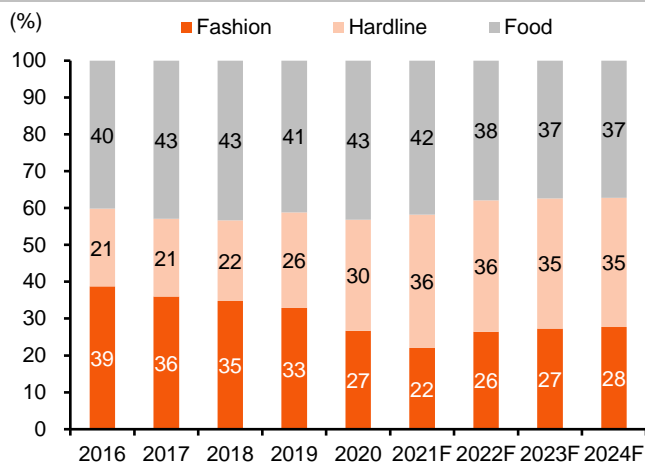
Sources: Company data, Thanachart estimates

Hardline offers the best outlook in our view

We see the best sales growth from hardline segment, from Thai Watsadu

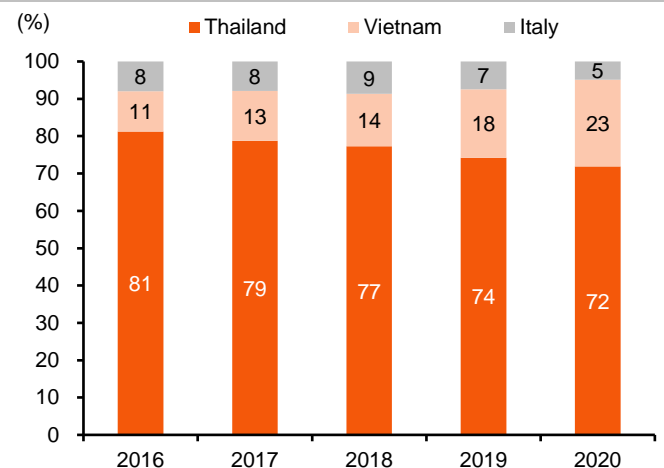
Of the three business lines, we foresee the strongest outlook for its hardline segment. In February this year, CRC completed the tender offer for COL Pcl (99.73%), adding OfficeMate office supply stores and B2S stationery stores to its portfolio. Besides this, the key growth area is its Thai Watsadu brand home-improvement business. Thai Watsadu still has room to expand and we expect it to benefit from higher base of farm income and the government's upcoming stimulus programs. It opened two Thai Watsadu branches in 1H21 to reach 56 stores nationwide and three more are scheduled to be launched in 2H21. We estimate hardline sales to grow 21/11/9% in 2022-24F and to account for 35% of sales in 2024F vs. 26% in 2019. We project hardline sales to increase from Bt51bn in 2019 to Bt84bn in 2024F, or by an 11% five-year sales CAGR. For CRC's food business, this comprises Tops supermarkets and the Family Mart convenience store chain in Thailand and GO! hypermarkets in Vietnam. We foresee faster food sales growth in Vietnam and expect three to five GO! hypermarkets to be opened each year. This would drive the food segment's sales to grow 11/11/9% in 2022-24F and to account for 37% of sales in 2024F vs. 41% in 2019.

Ex 8: Sales By Segment



Sources: Company data, Thanachart estimates

Ex 9: Sales By Geography



Source: Company data

Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

| (Bt m) | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | Terminal Value |
|--------------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|
| EBITDA | 16,997 | 21,187 | 24,887 | 27,826 | 30,486 | 33,114 | 35,910 | 38,890 | 42,064 | 45,444 | 49,097 | |
| Free cash flow | (2,937) | 1,770 | 5,214 | 8,136 | 13,638 | 15,848 | 18,179 | 20,652 | 23,318 | 26,144 | 29,159 | 446,955 |
| PV of free cash flow | (2,929) | 1,526 | 4,171 | 6,043 | 9,202 | 9,884 | 10,478 | 11,003 | 11,483 | 11,901 | 11,696 | 179,287 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 1.0 | | | | | | | | | | | |
| WACC (%) | 7.7 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Enterprise value - add | 263,745 | | | | | | | | | | | |
| Net debt | 56,158 | | | | | | | | | | | |
| Minority interest | 2,561 | | | | | | | | | | | |
| Equity value | 205,026 | | | | | | | | | | | |
| # of shares (m) | 6,031 | | | | | | | | | | | |
| Equity value/share (Bt) | 34 | | | | | | | | | | | |

Source: Thanachart estimates

Valuation Comparison

Ex 11: Valuation Comparison With Regional Peers

| Name | BBG code | Country | EPS growth | | PE | | P/BV | | EV/EBITDA | | Div. yield | |
|------------------------|-----------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| | | | 21F (%) | 22F (%) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (%) | 22F (%) |
| Marks & Spencer | MKS LN | Britain | (86.7) | na | 77.6 | 11.8 | 1.0 | 1.4 | 8.9 | 6.3 | 0.0 | 0.6 |
| J Sainsbury PLC | SBRY LN | Britain | (44.4) | 99.1 | 23.7 | 11.9 | 0.8 | 0.9 | 6.4 | 5.5 | 5.6 | 4.4 |
| Tesco | TSCO LN | Britain | (53.0) | 87.3 | 22.9 | 12.2 | 1.1 | 1.4 | 8.8 | 7.4 | 3.5 | 4.1 |
| Carrefour SA | CA FP | France | 12.4 | 13.3 | 11.3 | 10.0 | 1.2 | 1.1 | 6.4 | 6.1 | 3.5 | 3.8 |
| Casino Guichard | CO FP | France | 29.1 | 16.9 | 11.7 | 10.0 | 0.8 | 0.8 | 7.3 | 7.0 | 4.4 | 4.8 |
| L'Oreal SA | OR FP | France | 19.5 | 9.2 | 42.4 | 38.8 | 6.7 | 6.3 | 26.0 | 24.0 | 1.2 | 1.3 |
| Alimentation Couche | ATD/B CN | Canada | 22.7 | 2.3 | 20.7 | 20.2 | 4.5 | 4.2 | 9.7 | 9.5 | 0.6 | 0.7 |
| Aeon | 8267 JP | Japan | na | na | na | 88.3 | 2.5 | 2.6 | 10.5 | 8.9 | 1.2 | 1.2 |
| Kao Corporation | 4452 JP | Japan | 1.0 | 10.9 | 24.8 | 22.4 | 3.3 | 3.2 | 12.3 | 11.3 | 2.2 | 2.3 |
| Lion Corporation | 4912 JP | Japan | (25.5) | 4.7 | 23.7 | 22.7 | 2.1 | 2.0 | 10.5 | 9.8 | 1.3 | 1.4 |
| Shiseido Co. Ltd | 4911 JP | Japan | na | 28.4 | 62.6 | 48.7 | 5.8 | 5.3 | 26.7 | 18.5 | 0.7 | 0.8 |
| Lawson | 2651 JP | Japan | (56.6) | 98.6 | 61.2 | 30.8 | 2.1 | 2.0 | 4.2 | 3.7 | 2.7 | 2.7 |
| Seven & I Holdings | 3382 JP | Japan | (25.7) | 33.3 | 28.4 | 21.3 | 1.7 | 1.6 | 6.9 | 5.6 | 1.9 | 2.0 |
| Lotte Corp | 004990 KS | South Korea | 152.4 | 22.8 | 11.4 | 9.3 | 0.5 | 0.4 | 9.0 | 8.7 | 3.6 | 3.9 |
| Shinsegae | 004170 KS | South Korea | na | 32.3 | 11.3 | 8.5 | 0.7 | 0.7 | 8.3 | 7.9 | 0.7 | 0.8 |
| Amore Pacific Group | 002790 KS | South Korea | 199.3 | 14.1 | 22.0 | 19.3 | 1.3 | 1.3 | 5.5 | 4.7 | 0.8 | 0.7 |
| Best Buy Co Inc | BBY US | USA | 25.0 | (4.3) | 11.1 | 11.6 | 6.5 | 6.6 | 6.1 | 6.3 | 2.0 | 2.5 |
| Wal-Mart Stores | WMT US | USA | 13.7 | 4.3 | 22.1 | 21.2 | 4.6 | 4.3 | 11.4 | 11.0 | 1.5 | 1.5 |
| Home Depot Inc | HD US | USA | 21.4 | 4.6 | 23.1 | 22.1 | 295.6 | 2,674.0 | 16.1 | 15.7 | 1.8 | 2.0 |
| Yonghui Superstores | 601933 CH | China | na | na | na | 47.8 | 2.1 | 2.0 | 60.7 | 24.1 | 1.3 | 0.7 |
| Sa International | 178 HK | Hong Kong | na | na | na | 96.7 | 3.7 | 3.4 | na | 23.9 | 0.0 | 0.9 |
| Dairy Farm Intl Hldgs | DFI SP | Hong Kong | (27.0) | 57.5 | 26.9 | 17.1 | 3.6 | 3.3 | 12.4 | 14.0 | 3.2 | 4.6 |
| President Chain Store | 2912 TT | Taiwan | (7.7) | 20.6 | 30.9 | 25.6 | 8.3 | 7.3 | 12.1 | 11.3 | 3.0 | 3.4 |
| 7-Eleven Malaysia | SEM MK | Malaysia | (20.8) | 63.2 | 40.3 | 24.7 | 19.9 | 21.0 | 9.9 | 8.4 | 1.8 | 2.9 |
| Berli Jucker * | BJC TB | Thailand | (0.5) | 25.7 | 33.8 | 26.9 | 1.1 | 1.1 | 13.7 | 13.3 | 1.5 | 1.9 |
| COM7 * | COM7 TB | Thailand | 44.3 | 39.6 | 38.6 | 27.6 | 17.9 | 15.0 | 25.7 | 19.2 | 2.1 | 3.0 |
| CP All * | CPALL TB | Thailand | (37.9) | 84.8 | 61.8 | 33.4 | 5.7 | 5.1 | 17.8 | 15.1 | 0.8 | 1.5 |
| Central Pattana * | CPN TB | Thailand | (44.7) | 127.5 | 81.9 | 36.0 | 3.3 | 3.0 | 22.3 | 16.4 | 0.9 | 1.4 |
| Central Retail Corp. * | CRC TB | Thailand | na | na | na | 47.1 | 4.0 | 3.7 | 14.4 | 10.4 | 0.0 | 0.8 |
| Siam Global House * | GLOBAL TB | Thailand | 62.8 | 20.1 | 30.1 | 25.1 | 5.0 | 4.4 | 22.9 | 19.2 | 1.3 | 1.6 |
| Home Product* | HMPRO TB | Thailand | (1.0) | 19.8 | 35.1 | 29.3 | 8.2 | 7.6 | 18.5 | 16.2 | 2.3 | 2.7 |
| Siam Makro * | MAKRO TB | Thailand | (5.0) | 16.4 | 45.7 | 39.3 | 1.8 | 1.8 | 29.9 | 47.0 | 0.9 | 2.0 |
| Mc Group * | MC TB** | Thailand | (20.6) | 29.5 | 20.9 | 16.1 | 2.1 | 2.1 | 8.3 | 7.4 | 4.9 | 5.9 |
| Average | | | 5.4 | 35.1 | 33.0 | 28.3 | 13.0 | 84.9 | 14.7 | 12.8 | 1.9 | 2.3 |

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth, ** MC's fiscal year ends in June. The figures shown in the table are for FY22F and FY23F
Based on 30 September 2021 closing price

COMPANY DESCRIPTION

Central Retail Corporation Pcl (CRC) is Thailand's leading retailer under Central Group's Chirathivat family. It operates multi-retail businesses (fashion, hardline, food) in eight retail formats (department stores, specialty stores, brand shops, supermarkets, hypermarkets, convenience stores, retail plazas, sales counters) in three countries (Thailand, Vietnam, Italy). As of 2020, it was running 3,764 sales locations in three countries with a net selling area of 3m sqm and net leasable area of 0.6m sqm.

Source: Thanachart

COMPANY RATING



Rating Scale

| | |
|------------------|----------|
| Excellent | 5 |
| Good | 4 |
| Fair | 3 |
| Weak | 2 |
| Very Weak | 1 |
| None | 0 |

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Leader in retail market in Thailand with multiple retail formats.
- Accelerating omni-channel platform in response to new consumption trends.
- Strong market position in each retail segment.

O — Opportunity

- Room to open more Thai Watsadu stores in the growing home-improvement sector.
- Strong growth opportunities in Vietnam from robust economic growth and low modern-trade penetration.
- More M&As.

W — Weakness

- Low returns on some businesses with model adjustments needed.
- Highly capital-intensive business and high operating expenses.

T — Threat

- Competition from new entrants.
- Weak Thai economy.
- Pandemic.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|------------------------------|----------------|----------------|----------------|
| Target price (Bt) | 38.96 | 34.00 | -13% |
| Net profit 21F (Bt m) | 499 | (1,462) | -393% |
| Net profit 22F (Bt m) | 4,853 | 4,291 | -12% |
| Consensus REC | BUY: 18 | HOLD: 1 | SELL: 0 |

HOW ARE WE DIFFERENT FROM THE STREET?

- We estimate a net loss in 2021F unlike the Bloomberg consensus, likely as we factor in a prolonged COVID situation and a slower-than-expected recovery in domestic consumption.
- Our TP is 13% lower than the Street's number, likely as we factor in a slower consumption recovery.

RISKS TO OUR INVESTMENT CASE

- There would be downside risk to our earnings forecasts if it fails to open new stores in line with our current expectations.
- Growth could be hindered if competitors become more aggressive in store expansion than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.
- A faster-than-expected economic recovery is an upside risk.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

INCOME STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|---------------|---------------|----------------|---------------|---------------|
| Sales | 204,009 | 179,947 | 163,558 | 201,855 | 228,179 |
| Cost of sales | 144,856 | 134,948 | 122,051 | 145,789 | 163,174 |
| Gross profit | 59,153 | 44,999 | 41,507 | 56,066 | 65,005 |
| % gross margin | 29.0% | 25.0% | 25.4% | 27.8% | 28.5% |
| Selling & administration expenses | 62,332 | 57,088 | 53,310 | 63,581 | 71,190 |
| Operating profit | 12,016 | 1,973 | 1,317 | 8,330 | 11,415 |
| % operating margin | 5.9% | 1.1% | 0.8% | 4.1% | 5.0% |
| Depreciation & amortization | 9,874 | 16,558 | 16,576 | 17,428 | 18,205 |
| EBITDA | 21,889 | 18,531 | 17,893 | 25,758 | 29,619 |
| % EBITDA margin | 10.7% | 10.3% | 10.9% | 12.8% | 13.0% |
| Non-operating income | 15,446 | 14,364 | 13,390 | 16,125 | 17,894 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (1,085) | (2,950) | (3,029) | (3,217) | (3,346) |
| Pre-tax profit | 11,181 | (675) | (1,442) | 5,394 | 8,364 |
| Income tax | 2,495 | (884) | 0 | 1,079 | 1,673 |
| After-tax profit | 8,686 | 209 | (1,442) | 4,315 | 6,691 |
| % net margin | 4.3% | 0.1% | -0.9% | 2.1% | 2.9% |
| Shares in affiliates' Earnings | 391 | 132 | 220 | 270 | 304 |
| Minority interests | (1,726) | (295) | (240) | (295) | (332) |
| Extraordinary items | 3,283 | 0 | 0 | 0 | 0 |
| NET PROFIT | 10,633 | 46 | (1,462) | 4,291 | 6,663 |
| Normalized profit | 7,351 | 46 | (1,462) | 4,291 | 6,663 |
| EPS (Bt) | 2.3 | 0.0 | (0.2) | 0.7 | 1.1 |
| Normalized EPS (Bt) | 1.6 | 0.0 | (0.2) | 0.7 | 1.1 |

Hit by COVID and lockdowns in 2020-21F

We expect it to turn profit in 2022F and make a full earnings recovery in 2024F

BALANCE SHEET

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS: | | | | | |
| Current assets: | 65,785 | 67,177 | 67,379 | 76,830 | 84,739 |
| Cash & cash equivalent | 11,676 | 17,742 | 18,181 | 19,204 | 20,040 |
| Account receivables | 4,383 | 4,570 | 4,481 | 6,636 | 7,502 |
| Inventories | 37,436 | 34,296 | 35,110 | 39,143 | 43,811 |
| Others | 12,290 | 10,570 | 9,607 | 11,847 | 13,386 |
| Investments & loans | 1,190 | 2,634 | 2,634 | 2,634 | 2,634 |
| Net fixed assets | 41,862 | 41,654 | 47,540 | 55,450 | 60,678 |
| Other assets | 74,669 | 127,715 | 126,092 | 121,741 | 113,751 |
| Total assets | 183,505 | 239,180 | 243,644 | 256,655 | 261,802 |
| LIABILITIES: | | | | | |
| Current liabilities: | 119,513 | 89,049 | 91,100 | 100,331 | 106,279 |
| Account payables | 37,101 | 31,569 | 21,735 | 25,962 | 29,058 |
| Bank overdraft & ST loans | 51,104 | 31,625 | 37,169 | 42,066 | 41,668 |
| Current LT debt | 429 | 2,763 | 3,717 | 4,207 | 4,167 |
| Others current liabilities | 30,880 | 23,091 | 28,478 | 28,096 | 31,386 |
| Total LT debt | 9,395 | 29,492 | 33,452 | 37,860 | 37,501 |
| Others LT liabilities | 17,078 | 64,924 | 65,513 | 60,865 | 55,619 |
| Total liabilities | 145,986 | 183,465 | 190,065 | 199,056 | 199,399 |
| Minority interest | 12,709 | 2,321 | 2,561 | 2,856 | 3,188 |
| Preferred shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 4,700 | 6,031 | 6,031 | 6,031 | 6,031 |
| Share premium | 13,039 | 66,885 | 66,885 | 66,885 | 66,885 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (6,110) | (30,299) | (30,299) | (30,299) | (30,299) |
| Retained earnings | 13,181 | 10,777 | 8,401 | 12,126 | 16,598 |
| Shareholders' equity | 24,810 | 53,394 | 51,018 | 54,743 | 59,215 |
| Liabilities & equity | 183,505 | 239,180 | 243,644 | 256,655 | 261,802 |

Well-controlled debt with net gearing at around 1x despite M&As lining up

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Earnings before tax | 11,181 | (675) | (1,442) | 5,394 | 8,364 |
| Tax paid | (2,898) | 108 | 293 | (1,169) | (1,524) |
| Depreciation & amortization | 9,874 | 16,558 | 16,576 | 17,428 | 18,205 |
| Chg In working capital | (4,060) | (2,578) | (10,560) | (1,961) | (2,437) |
| Chg In other CA & CL / minorities | 11,651 | (14,761) | 5,263 | (3,335) | 1,069 |
| Cash flow from operations | 25,748 | (1,349) | 10,130 | 16,358 | 23,677 |
| Capex | (1,464) | (16,350) | (13,500) | (16,577) | (15,000) |
| Right of use | 0 | (67,029) | (3,351) | (168) | (168) |
| ST loans & investments | 64 | (4) | 5 | 0 | 0 |
| LT loans & investments | 4,799 | (1,443) | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | (7,901) | 60,750 | (2,388) | (7,819) | (4,685) |
| Cash flow from investments | (4,502) | (24,076) | (19,235) | (24,564) | (19,852) |
| Debt financing | 18,810 | 2,953 | 10,459 | 9,794 | (797) |
| Capital increase | 0 | 55,177 | 0 | 0 | 0 |
| Dividends paid | (22,695) | (12,187) | (914) | (566) | (2,191) |
| Warrants & other surplus | (18,485) | (14,452) | 0 | 0 | 0 |
| Cash flow from financing | (22,371) | 31,491 | 9,545 | 9,229 | (2,988) |
| Free cash flow | 24,285 | (17,699) | (3,370) | (219) | 8,677 |

Positive FCF should resume from 2023F

VALUATION

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Normalized PE (x) | 21.4 | 4,235.3 | na | 47.1 | 30.3 |
| Normalized PE - at target price (x) | 21.7 | 4,298.5 | na | 47.8 | 30.8 |
| PE (x) | 14.8 | 4,235.3 | na | 47.1 | 30.3 |
| PE - at target price (x) | 15.0 | 4,298.5 | na | 47.8 | 30.8 |
| EV/EBITDA (x) | 9.4 | 13.1 | 14.4 | 10.4 | 9.0 |
| EV/EBITDA - at target price (x) | 9.6 | 13.2 | 14.6 | 10.5 | 9.1 |
| P/BV (x) | 6.3 | 3.8 | 4.0 | 3.7 | 3.4 |
| P/BV - at target price (x) | 6.4 | 3.8 | 4.0 | 3.7 | 3.5 |
| P/CFO (x) | 6.1 | (145.2) | 19.9 | 12.4 | 8.5 |
| Price/sales (x) | 1.0 | 1.1 | 1.2 | 1.0 | 0.9 |
| Dividend yield (%) | 0.0 | 1.2 | 0.0 | 0.8 | 1.3 |
| FCF Yield (%) | 15.4 | (9.0) | (1.7) | (0.1) | 4.3 |
| (Bt) | | | | | |
| Normalized EPS | 1.6 | 0.0 | (0.2) | 0.7 | 1.1 |
| EPS | 2.3 | 0.0 | (0.2) | 0.7 | 1.1 |
| DPS | 0.0 | 0.4 | 0.0 | 0.3 | 0.4 |
| BV/share | 5.3 | 8.9 | 8.5 | 9.1 | 9.8 |
| CFO/share | 5.5 | (0.2) | 1.7 | 2.7 | 3.9 |
| FCF/share | 5.2 | (3.0) | (0.6) | (0.0) | 1.4 |

Sources: Company data, Thanachart estimates

30x 2023F PE looks expensive vs. peers'

FINANCIAL RATIOS

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------------|--------|---------|---------|---------|---------|
| Growth Rate | | | | | |
| Sales (%) | 8.3 | (11.8) | (9.1) | 23.4 | 13.0 |
| Net profit (%) | (2.7) | (99.6) | na | na | 55.3 |
| EPS (%) | (2.7) | (99.7) | na | na | 55.3 |
| Normalized profit (%) | 11.8 | (99.4) | na | na | 55.3 |
| Normalized EPS (%) | 11.8 | (99.5) | na | na | 55.3 |
| Dividend payout ratio (%) | 0.0 | 5,214.2 | 40.0 | 40.0 | 40.0 |
| Operating performance | | | | | |
| Gross margin (%) | 29.0 | 25.0 | 25.4 | 27.8 | 28.5 |
| Operating margin (%) | 5.9 | 1.1 | 0.8 | 4.1 | 5.0 |
| EBITDA margin (%) | 10.7 | 10.3 | 10.9 | 12.8 | 13.0 |
| Net margin (%) | 4.3 | 0.1 | (0.9) | 2.1 | 2.9 |
| D/E (incl. minor) (x) | 1.6 | 1.1 | 1.4 | 1.5 | 1.3 |
| Net D/E (incl. minor) (x) | 1.3 | 0.8 | 1.0 | 1.1 | 1.0 |
| Interest coverage - EBIT (x) | 11.1 | 0.7 | 0.4 | 2.6 | 3.4 |
| Interest coverage - EBITDA (x) | 20.2 | 6.3 | 5.9 | 8.0 | 8.9 |
| ROA - using norm profit (%) | 4.1 | 0.0 | na | 1.7 | 2.6 |
| ROE - using norm profit (%) | 18.3 | 0.1 | na | 8.1 | 11.7 |
| DuPont | | | | | |
| ROE - using after tax profit (%) | 21.7 | 0.5 | na | 8.2 | 11.7 |
| - asset turnover (x) | 1.1 | 0.9 | 0.7 | 0.8 | 0.9 |
| - operating margin (%) | 6.0 | na | na | 4.3 | 5.1 |
| - leverage (x) | 4.5 | 5.4 | 4.6 | 4.7 | 4.5 |
| - interest burden (%) | 91.2 | (29.7) | (90.9) | 62.6 | 71.4 |
| - tax burden (%) | 77.7 | na | na | 80.0 | 80.0 |
| WACC (%) | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| ROIC (%) | 11.0 | 2.7 | 1.1 | 6.2 | 7.6 |
| NOPAT (Bt m) | 9,334 | 1,973 | 1,053 | 6,664 | 9,132 |
| invested capital (Bt m) | 74,061 | 99,532 | 107,175 | 119,672 | 122,511 |

Sources: Company data, Thanachart estimates

EBITDA margin looks to be on the way up

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