

Home Product Center (HMPRO TB) - BUY, Price Bt14.50 TP Bt17.5

Results Comment

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Weak 3Q21 from partial lockdown

- HMPRO posted weak 3Q21 profit as expected at Bt870m, down 38% y-y and 39% q-q, due to partial country lockdown in Jul-Aug. Profit came in line with us but 14% below consensus.
- Retail sales fell by 13% y-y and 18% q-q to Bt13.2bn, despite temporary store closures from 20 July to end of August (29/94 HomePro stores, 4/14 Mega Home, all 7 Malaysia branches were closed till 22 Aug), cushioned by strong e-commerce sales that grew by 120% y-y to 9.4% of sales (6.2% in 1H21). This supported SSSG to decline by only 11% y-y.
- Rental income dropped by 55% y-y and 28% q-q to Bt217m as it offered rent discounts to tenants during lockdown period.
- Gross margin on sales decreased to 25.2% in 3Q21 from 25.79% in 3Q20 on rising sales from lower-margin products particularly home appliances and growing e-commerce sales mix.
- Private-label sales mix rose to 19.7% vs 19.5% in 3Q20 and 19.3% in 2Q21, a gradual improvement since hiccup in imported products from 4Q20 (18.9%).
- 9M21 profit accounted for 72% of our 2021F forecast. This implies we forecast 4Q21F profit to fall by 7% y-y but up 65% q-q on -5% SSSG. There is upside to our numbers given solid SSSG post lockdown of 5% in September and over 10% in October.
- We maintain our BUY call on HMPRO to Bt17.5 TP on a fast business recovery and a 19% three-year EPS CAGR.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	15,552	15,358	15,377	16,457	13,387	Revenue	(19)	(14)	75	60,117	64,353
Gross profit	4,237	4,133	4,035	4,212	3,391	Gross profit	(19)	(20)	72	16,092	17,572
SG&A	2,891	2,906	2,686	2,859	2,560	SG&A	(10)	(11)	71	11,350	11,791
Operating profit	1,812	1,892	1,804	1,850	1,221	Operating profit	(34)	(33)	73	6,721	7,931
EBITDA	2,589	2,681	2,605	2,647	2,030	EBITDA	(23)	(22)	72	10,148	11,563
Other income	468	665	458	499	391	Other income	(22)	(16)	68	1,979	2,151
Other expense	2	(5)	7	7	32	Other expense	358	1,507	na	0	0
Interest expense	110	108	107	102	108	Interest expense	6	(2)	75	422	383
Profit before tax	1,702	1,790	1,694	1,743	1,082	Profit before tax	(38)	(36)	72	6,300	7,548
Income tax	301	245	331	311	212	Income tax	(32)	(30)	71	1,197	1,434
Equity & invest. income	0	0	0	0	0	Equity & invest. income			na	0	0
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
Net profit	1,401	1,545	1,362	1,433	870	Net profit	(39)	(38)	72	5,103	6,114
Normalized profit	1,401	1,545	1,362	1,433	870	Normalized profit	(39)	(38)	72	5,103	6,114
EPS (Bt)	0.11	0.12	0.10	0.11	0.07	EPS (Bt)	(39)	(38)	72	0.39	0.46
Normalized EPS (Bt)	0.11	0.12	0.10	0.11	0.07	Normalized EPS (Bt)	(39)	(38)	72	0.39	0.46
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	3,206	3,283	5,479	3,200	2,263	Sales growth	(2.1)	(5.5)	3.0	17.2	(13.9)
A/C receivable	1,329	1,769	1,319	1,409	1,192	Operating profit growth	(5.8)	(14.8)	7.9	46.3	(32.6)
Inventory	9,877	10,345	11,613	11,684	11,780	EBITDA growth	(3.2)	(9.7)	4.8	28.1	(21.6)
Other current assets	475	432	447	427	372	Norm profit growth	(5.5)	(11.6)	7.6	52.0	(37.9)
Investment	3,766	3,880	3,865	3,797	3,737	Norm EPS growth	(5.5)	(11.6)	7.6	52.0	(37.9)
Fixed assets	28,899	28,741	28,284	28,010	27,768	Gross margin	27.2	26.9	26.2	25.6	25.3
Other assets	7,182	7,641	7,561	8,053	7,979	Operating margin	11.7	12.3	11.7	11.2	9.1
Total assets	54,735	56,091	58,567	56,581	55,092	EBITDA margin	16.6	17.5	16.9	16.1	15.2
S-T debt	5,835	5,324	3,818	2,790	4,298	Norm net margin	9.0	10.1	8.9	8.7	6.5
A/C payable	13,376	13,050	13,651	13,574	11,714	D/E (x)	0.7	0.6	0.6	0.6	0.7
Other current liabilities	1,751	2,236	2,296	2,070	1,662	Net D/E (x)	0.5	0.5	0.4	0.4	0.6
L-T debt	8,078	8,056	10,007	10,045	10,083	Interest coverage (x)	23.5	24.9	24.4	26.0	18.9
Other liabilities	5,676	5,860	5,846	6,349	6,285	Interest rate	3.1	3.2	3.1	3.1	3.2
Minority interest	0	0	0	0	0	Effective tax rate	17.7	13.7	19.5	17.8	19.6
Shareholders' equity	20,017	21,565	22,949	21,754	21,049	ROA	11.1	11.9	10.2	10.6	7.0
Working capital	(2,170)	(936)	(720)	(480)	1,258	ROE	28.0	29.7	24.5	25.6	16.3
Total debt	13,914	13,379	13,825	12,834	14,382						
Net debt	10,708	10,097	8,346	9,634	12,118						

Sources: Company data, Thanachart estimates

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