

CP All Pcl (CPALL TB) - BUY, Price Bt65.25, TP Bt75.00**Results Comment**

Phannarai Tiypittayarut | Email: phannarai.von@thanachartsec.co.th

Weak 3Q21, a miss on high SG&A

- CPALL reported weak 3Q21 net profit of Bt1.49bn, down 63% y-y and 32% q-q, 37% below consensus on high SG&A expenses of 7-Eleven business.
- While MAKRO's cash and carry business was resilient during the Jul-Aug lockdown with flat profit y-y in 3Q21, key drags were 7-Eleven CVS with impact from lower operating hours due to night curfew and its 40%-owned Lotus with falling hypermarket sales and mall rental income.
- 7-Eleven's total revenues were down by 8% y-y to Bt75.5bn on -9.2% SSSG (better than our -14.7% forecast) and total product margin improved by 10bp y-y and q-q to 26.6% driven by 50bp increase in non-foods items to 26.5% on growing sales of medicines, healthcare goods and household products.
- However, SG&A (company only) reduced by only 1% y-y to Bt22.2bn on COVID-related expenses such as bubble & seal, vaccine procurement, additional personnel and logistics cost to ensure product availability at stores during curfew period. EBIT (company only) then fell by 33% y-y.
- Equity loss from Lotus (net of SPV's interest cost on bridging loan) rising to Bt282m vs Bt36m equity income in 1Q21 and Bt129m equity loss in 2Q21 on Lotus's negative SSSG by mid to high single digit y-y and a 30-35% fall in rental income.
- 9M21 net profit made up 61% of 2021F. Though there is earnings downside, we maintain BUY as situation has improved. Post curfew lifting, 7-Eleven's SSSG turns positive MTD in Nov and we expect less cost pressure.
- Maintain BUY to Bt75 TP.

| 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 | 135,457 | 137,004 | 133,339 | 137,370 | 130,298 | Revenue | (5) | (4) | 72 | 557,640 | 613,332 |
| Gross profit | 34,034 | 33,994 | 32,070 | 33,287 | 31,274 | Gross profit | (6) | (8) | 72 | 135,059 | 151,167 |
| SG&A | 27,307 | 27,232 | 26,217 | 27,438 | 26,602 | SG&A | (3) | (3) | 73 | 110,253 | 121,005 |
| Operating profit | 6,727 | 6,763 | 5,852 | 5,849 | 4,672 | Operating profit | (20) | (31) | 66 | 24,807 | 30,162 |
| EBITDA | 11,722 | 11,956 | 11,034 | 11,147 | 9,995 | EBITDA | (10) | (15) | 70 | 45,950 | 52,871 |
| Other income | 32 | 44 | 33 | 22 | 22 | Other income | 4 | (30) | 18 | 419 | 479 |
| Other expense | 0 | 0 | 0 | 0 | 0 | Other expense | | | na | 0 | 0 |
| Interest expense | 1,991 | 2,678 | 2,901 | 3,529 | 2,600 | Interest expense | (26) | 31 | 78 | 11,576 | 8,259 |
| Profit before tax | 4,768 | 4,129 | 2,984 | 2,341 | 2,095 | Profit before tax | (11) | (56) | 54 | 13,649 | 22,382 |
| Income tax | 682 | 511 | 370 | 234 | 253 | Income tax | 8 | (63) | 35 | 2,457 | 4,029 |
| Equity & invest. income | (1) | (63) | 36 | (129) | (282) | Equity & invest. income | na | na | 79 | (475) | 6,692 |
| Minority interests | (99) | (144) | (110) | (72) | (91) | Minority interests | na | na | 56 | (485) | (6,984) |
| Extraordinary items | 11 | 161 | 59 | 284 | 24 | Extraordinary items | (92) | 108 | na | 0 | 0 |
| Net profit | 3,998 | 3,573 | 2,599 | 2,190 | 1,493 | Net profit | (32) | (63) | 61 | 10,232 | 18,061 |
| Normalized profit | 3,986 | 3,411 | 2,540 | 1,906 | 1,469 | Normalized profit | (23) | (63) | 58 | 10,232 | 18,061 |
| EPS (Bt) | 0.42 | 0.37 | 0.26 | 0.22 | 0.14 | EPS (Bt) | (36) | (67) | 60 | 1.03 | 1.90 |
| Normalized EPS (Bt) | 0.42 | 0.35 | 0.25 | 0.18 | 0.14 | Normalized EPS (Bt) | (26) | (67) | 56 | 1.03 | 1.90 |
| Balance Sheet | | | | | | Financial Ratios | | | | | |
| (consolidated) | | | | | | 9M as | | | | | |
| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | (%) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Cash & ST investment | 48,813 | 40,626 | 36,541 | 31,038 | 26,369 | Sales growth | (3.9) | (7.3) | (8.5) | 7.3 | (3.8) |
| A/C receivable | 1,599 | 1,650 | 1,685 | 1,607 | 2,100 | Operating profit growth | (19.9) | (23.2) | (32.4) | 10.0 | (30.6) |
| Inventory | 29,684 | 31,749 | 30,804 | 30,355 | 31,385 | EBITDA growth | 6.7 | 4.2 | (17.9) | 8.9 | (14.7) |
| Other current assets | 6,887 | 7,379 | 7,792 | 7,587 | 8,722 | Norm profit growth | (29.2) | (44.1) | (54.6) | (34.0) | (63.1) |
| Investment | 408 | 85,586 | 85,781 | 85,683 | 85,476 | Norm EPS growth | (30.6) | (46.0) | (57.1) | (37.3) | (67.4) |
| Fixed assets | 119,613 | 120,199 | 120,566 | 121,014 | 121,926 | Gross margin | 25.1 | 24.8 | 24.1 | 24.2 | 24.0 |
| Other assets | 236,645 | 236,165 | 235,748 | 235,803 | 236,685 | Operating margin | 5.0 | 4.9 | 4.4 | 4.3 | 3.6 |
| Total assets | 443,650 | 523,354 | 518,917 | 513,087 | 512,662 | EBITDA margin | 8.7 | 8.7 | 8.3 | 8.1 | 7.7 |
| S-T debt | 36,310 | 20,882 | 23,204 | 24,185 | 22,825 | Norm net margin | 2.9 | 2.5 | 1.9 | 1.4 | 1.1 |
| A/C payable | 65,324 | 72,778 | 67,037 | 65,885 | 63,100 | D/E (x) | 1.9 | 2.5 | 2.5 | 2.7 | 2.6 |
| Other current liabilities | 25,583 | 29,723 | 25,288 | 23,627 | 24,840 | Net D/E (x) | 1.4 | 2.1 | 2.1 | 2.3 | 2.3 |
| L-T debt | 142,073 | 221,503 | 222,522 | 224,675 | 224,758 | Interest coverage (x) | 5.9 | 4.5 | 3.8 | 3.2 | 3.8 |
| Other liabilities | 66,596 | 66,874 | 66,257 | 66,029 | 66,297 | Interest rate | 4.7 | 5.1 | 4.8 | 5.7 | 4.2 |
| Minority interest | 14,718 | 14,836 | 14,966 | 14,843 | 14,829 | Effective tax rate | 14.3 | 12.4 | 12.4 | 10.0 | 12.1 |
| Shareholders' equity | 93,047 | 96,759 | 99,643 | 93,844 | 96,012 | ROA | 5.6 | 5.2 | 4.3 | 4.3 | 3.2 |
| Working capital | (34,040) | (39,379) | (34,548) | (33,923) | (29,615) | ROE | 17.8 | 14.4 | 10.3 | 7.9 | 6.2 |
| Total debt | 178,383 | 242,384 | 245,726 | 248,859 | 247,583 | | | | | | |
| Net debt | 129,570 | 201,759 | 209,185 | 217,822 | 221,214 | | | | | | |

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 143 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, AOT16C2202A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BANP16C2202A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCH16C2203A, BCPG16C2111A, BEC16C2202A, BGRI16C2110A, BGRI16C2112A, CBG16C2201A, CBG16C2202A, CHG16C2111A, CHG16C2112A, CHG16C2202A, COM716C2110A, COM716C2112A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2202A, DELT16C2112A, DELT16C2202A, DOHO16C2111A, DOHO16C2112A, DOHO16C2202A, DTAC16C2112A, EA16C2110A, EA16C2201A, EGCO16C2110A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, IVL16C2202A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMAR16C2202A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KBAN16C2202A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTT16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, S5016C2112D, S5016P2112D, SAWA16C2112A, SAWA16C2202A, SCB16C2111A, SCB16C2112A, SCB16C2201A, SCB16C2202A, SCC16C2112A, SCGP16C2202A, SCGP16C2201A, SPAL16C2202A, SPRC16C2201A, STA16C2112A, STA16C2201A, STEC16C2110A, STEC16C2201A, STGT16C2111A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TU16C2110A, TU16C2111A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BCPG, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA) . Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)