Central Retail Corp. Pcl (CRC TB) - HOLD, Price Bt36.0, TP Bt34.0

Results Comment

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A huge loss in 3Q21, in line

- CRC reported net loss of Bt2,241m due to lockdown impact in both Thailand and Vietnam, a larger loss than Bt471m loss in 2Q21 and from a profit of Bt837m in 3Q20. It came in line with our estimates.
- Total retail sales fell by 11% y-y and 10% q-q to Bt37.7bn, brought down by -23% SSSG. It consolidated COL since 1Q21 and omni-channel sales grew by 112% y-y (due to partial lockdown) and contributed 24% of total sales.
- 3Q21 SSSG was -23% y-y (-35% vs pre-COVID, slightly better than -36% during countrywide lockdown in 2Q20). Fashion was the most hit (-35% SSSG), followed by hardline (-18%) and food (-13%). By country, Thailand and Vietnam SSSG was negative by mid twenties due to stricter lockdown, while Italy posted positive high-teen as COVID is more relieved and all department stores open as normal.
- Rental income dropped by 43% y-y and 30% q-q to Bt1.04bn as leasable area in Thailand and Vietnam was temporarily closed by 60%.
- Gross margin on sales declined by 79bp y-y and 27bp q-q to 23.1% on falling fashion sales mix and rising omni-channel sales. Rental gross margin also contracted to 58% (69% in 3Q20, 72% in 2Q21).
- Despite falling revenues, SG&A rose by 5% y-y and flat q-q on COL consolidation, shrinkage and obsolete provision, FX loss from weaker Baht and COVID protection expenses.
- As 4QTD SSSG recovered fast to +high single digit, we maintain our 2021F net loss forecast of Bt1.5bn and expect it to turn profit quickly in 4Q21F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	43,956	47,387	45,436	43,333	38,701
Gross profit	**11,309**	**12,506**	**11,224**	**10,825**	**9,291**
SG&A	13,245	14,781	13,655	13,840	13,854
Operating profit	1,614	1,338	1,120	(40)	(1,817)
EBITDA	**5,994**	**5,589**	**5,275**	**3,988**	**2,494**
Other income	3,617	3,691	3,595	3,044	2,781
Other expense	0	0	0	0	0
Interest expense	771	775	739	779	789
Profit before tax	**910**	**640**	**424**	**(750)**	**(2,571)**
Income tax	125	(472)	45	(291)	(339)
Equity & invest. income	84	(11)	80	33	12
Minority interests	(31)	(45)	(58)	(46)	(21)
Extraordinary items	0	0	0	0	0
Net profit	**837**	**1,056**	**401**	**(471)**	**(2,241)**
Normalized profit	**837**	**1,056**	**401**	**(471)**	**(2,241)**
EPS (Bt)	0.14	0.18	0.07	(0.08)	(0.37)
Normalized EPS (Bt)	0.14	0.18	0.07	(0.08)	(0.37)

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(11)	(12)	78	163,558	201,855
Gross profit	**(14)**	**(18)**	**76**	**41,507**	**56,066**
SG&A	0	5	78	53,310	63,581
Operating profit	na	na	(56)	1,317	8,330
EBITDA	**(37)**	**(58)**	**66**	**17,893**	**25,758**
Other income	(9)	(23)	70	13,390	16,125
Other expense			na	0	0
Interest expense	1	2	76	3,029	3,217
Profit before tax	**na**	**na**	**201**	**(1,442)**	**5,394**
Income tax	na	na	na	0	1,079
Equity & invest. income	(63)	(85)	57	220	270
Minority interests	na	na	52	(240)	(295)
Extraordinary items			na	0	0
Net profit	**na**	**na**	**na**	**(1,462)**	**4,291**
Normalized profit	**na**	**na**	**na**	**(1,462)**	**4,291**
EPS (Bt)	na	na	na	(0.24)	0.71
Normalized EPS (Bt)	na	na	na	(0.24)	0.71

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	24,060	17,786	13,586	15,349	14,840
A/C receivable	3,992	4,570	4,057	3,821	4,045
Inventory	34,149	34,296	35,255	35,470	34,455
Other current assets	10,162	10,526	10,917	11,122	10,753
Investment	1,134	1,331	1,112	992	1,034
Fixed assets	54,700	55,461	57,170	57,744	59,412
Other assets	122,128	115,211	125,872	127,273	129,406
Total assets	**250,326**	**239,180**	**247,969**	**251,771**	**253,945**
S-T debt	61,295	34,388	45,374	46,265	41,294
A/C payable	32,890	31,569	24,478	27,480	25,477
Other current liabilities	20,551	23,091	26,056	22,451	23,325
L-T debt	8,444	29,492	29,315	34,502	41,039
Other liabilities	66,430	64,924	64,362	64,350	64,948
Minority interest	2,329	2,321	2,597	2,596	2,628
Shareholders' equity	**58,388**	**53,394**	**55,787**	**54,127**	**55,234**
Working capital	5,252	7,296	14,834	11,811	13,023
Total debt	69,738	63,880	74,689	80,767	82,333
Net debt	**45,679**	**46,094**	**61,104**	**65,418**	**67,493**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(12.1)	(14.2)	(10.2)	13.9	(12.0)
Operating profit growth	(31.5)	(68.1)	(33.6)	na	na
EBITDA growth	24.8	(18.2)	(9.1)	248.7	(58.4)
Norm profit growth	(39.5)	(60.8)	(46.0)	na	na
Norm EPS growth	(52.9)	(69.5)	(46.0)	na	na
Gross margin	25.7	26.4	24.7	25.0	24.0
Operating margin	3.7	2.8	2.5	(0.1)	(4.7)
EBITDA margin	13.6	11.8	11.6	9.2	6.4
Norm net margin	1.9	2.2	0.9	(1.1)	(5.8)
D/E (x)	1.1	1.1	1.3	1.4	1.4
Net D/E (x)	0.8	0.8	1.0	1.2	1.2
Interest coverage (x)	7.8	7.2	7.1	5.1	3.2
Interest rate	4.3	4.6	4.3	4.0	3.9
Effective tax rate	13.7	(73.7)	10.7	38.9	13.2
ROA	1.4	1.7	0.7	(0.8)	(3.5)
ROE	5.8	7.6	2.9	(3.4)	(16.4)

Sources: Company data, Thanachart estimates

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