MK Restaurant Group Pcl (M TB) - BUY, Price Bt56.25, TP Bt68.0

Results Comment

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Lower-than-expected loss in 3Q21

- M reported a normalized loss of Bt257m in 3Q21 vs. Bt465m in 3Q20 and a loss of Bt99m in 2Q21. The loss was lower than our expectation after M managed to control its cost during the lockdown period better than we'd expected.
- Revenues fell 48% y-y and 21% q-q after most of its 700 restaurants were closed in July and in August only online orders were allowed.
- Gross margin fell to 60% from 67% in 3Q20 and 63% in 2Q21. This was due to operating leverage impact and that M sold more via its online channel during the dine-in restriction period in 3Q21. Online orders generate lower margin.
- SG&A to sales jumped to 78% from 53% in 3Q20 and 71% in 2Q21. Increasing SG&A to sales due to operating leverage impact. That said, the SG&A expense was lower than our previous expectation as M managed to control cost well during the quarter.
- So far, M is seeing a fast turnaround with sales in October returned to 75% of the 2019 level despite some dine-in restorations remaining.
- We reaffirm BUY on M.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	3,799	3,604	3,116	2,509	1,973
Gross profit	**2,534**	**2,391**	**2,000**	**1,585**	**1,185**
SG&A	2,004	2,098	1,925	1,770	1,544
Operating profit	530	293	75	(185)	(359)
EBITDA	**1,066**	**821**	**585**	**315**	**(359)**
Other income	75	77	45	65	51
Other expense	0	0	0	0	0
Interest expense	19	19	19	20	12
Profit before tax	**586**	**351**	**100**	**(140)**	**(320)**
Income tax	113	2	8	(42)	(65)
Equity & invest. income	(0)	2	(6)	(8)	(8)
Minority interests	(8)	(1)	2	7	5
Extraordinary items	0	0	0	0	0
Net profit	**465**	**349**	**89**	**(99)**	**(257)**
Normalized profit	**465**	**349**	**89**	**(99)**	**(257)**
EPS (Bt)	0.50	0.38	0.10	(0.11)	(0.28)
Normalized EPS (Bt)	0.50	0.38	0.10	(0.11)	(0.28)

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(21)	(48)	66	11,467	15,987
Gross profit	**(25)**	**(53)**	**66**	**7,270**	**10,549**
SG&A	(13)	(23)	71	7,419	8,569
Operating profit	na	na	na	(149)	1,980
EBITDA	**na**	**na**	**31**	**1,752**	**3,810**
Other income	(22)	(32)	57	281	298
Other expense					
Interest expense	(40)	(35)	89	58	7
Profit before tax	**na**	**na**	**na**	**74**	**2,271**
Income tax	na	na	na	(2)	409
Equity & invest. income	na	na	na	(20)	(20)
Minority interests	(25)	na	304	5	(31)
Extraordinary items					
Net profit	**na**	**na**	**na**	**60**	**1,811**
Normalized profit	**na**	**na**	**na**	**60**	**1,811**
EPS (Bt)	na	na	na	0.07	1.97
Normalized EPS (Bt)	na	na	na	0.07	1.97

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	6,812	7,663	7,773	7,037	7,018
A/C receivable	126	110	113	150	177
Inventory	318	418	358	345	331
Other current assets	106	119	123	149	133
Investment	893	895	889	881	874
Fixed assets	3,387	3,254	3,108	2,990	2,873
Other assets	8,146	7,895	7,693	7,550	7,299
Total assets	**19,788**	**20,353**	**20,058**	**19,102**	**18,704**
S-T debt	21	21	20	14	8
A/C payable	1,184	1,312	1,095	1,026	1,047
Other current liabilities	1,473	1,512	1,499	1,287	1,267
L-T debt	0	0	0	0	0
Other liabilities	3,582	3,661	3,509	3,408	3,277
Minority interest	323	324	322	315	310
Shareholders' equity	**13,204**	**13,523**	**13,612**	**13,052**	**12,796**
Working capital	(741)	(784)	(625)	(531)	(539)
Total debt	21	21	20	14	8
Net debt	**(6,791)**	**(7,642)**	**(7,754)**	**(7,024)**	**(7,009)**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(7.4)	(19.6)	(17.9)	16.0	(48.1)
Operating profit growth	(0.8)	(58.6)	(77.8)	na	na
EBITDA growth	46.7	(9.3)	(36.5)	90.3	na
Norm profit growth	(15.4)	(46.7)	(73.9)	na	na
Norm EPS growth	(15.4)	(46.7)	(73.9)	na	na
Gross margin	66.7	66.3	64.2	63.2	60.1
Operating margin	14.0	8.1	2.4	(7.4)	(18.2)
EBITDA margin	28.1	22.8	18.8	12.5	(18.2)
Norm net margin	12.2	9.7	2.8	(4.0)	(13.0)
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.5)	(0.6)	(0.6)	(0.5)	(0.5)
Interest coverage (x)	57.2	44.0	30.2	15.6	(29.8)
Interest rate	335.7	352.6	381.3	480.4	437.0
Effective tax rate	19.3	0.7	8.0	30.0	20.4
ROA	9.4	7.0	1.8	(2.0)	(5.4)
ROE	14.1	10.5	2.6	(3.0)	(8.0)

Sources: Company data, Thanachart estimates

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