Siam Makro Pcl (MAKRO TB) - SELL, Price Bt49.75, TP Bt46.00

Results Comment

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Flat 3Q21, in line

- Despite the partial country lockdown in Jul-Aug, MAKRO was able to maintain 3Q21 net profit of Bt1,572m, flat y-y and increased by 22% q-q on improving gross margin due to seasonality effect. Results were in line with us and consensus.
- Flat y-y performance was mainly from a 2% rise in total revenues from a 1.3% SSSG which was offset by lower gross margin on merchandise sales by 18bp y-y to 10.48% on rising sales mix of low-margin dry foods and changing customer mix towards end consumers.
- The q-q profit growth was boosted by an increase in gross margin by 88bp due to seasonality that margin is normally higher in 3Q than 2Q.
- MAKRO didn't open any new branches in 3Q21. As of 3Q21, it operated 146 branches; 138 in Thailand and 8 overseas.
- 9M21 net profit accounted for 65% of our full-year forecast. We maintain earnings projection.
- We reiterate SELL on MAKRO. Although 9M21 profit increased by 4% y-y, MAKRO has increased capital to acquire Lotus in late October and later will offer new shares for PO in 4Q21, we expect EPS dilution from 4Q21F into 2022F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	53,871	56,799	55,878	54,723	54,739
Gross profit	**6,589**	**7,128**	**6,545**	**6,078**	**6,557**
SG&A	4,617	4,607	4,442	4,560	4,616
Operating profit	1,973	2,520	2,102	1,518	1,941
EBITDA	**2,974**	**4,037**	**2,882**	**2,312**	**2,739**
Other income	204	348	219	233	232
Other expense	0	0	0	0	0
Interest expense	154	146	129	142	137
Profit before tax	**2,023**	**2,722**	**2,192**	**1,608**	**2,036**
Income tax	462	591	461	331	473
Equity & invest. income	0	0	0	0	0
Minority interests	11	(2)	3	10	10
Extraordinary items	0	0	0	0	0
Net profit	**1,572**	**2,130**	**1,734**	**1,287**	**1,572**
Normalized profit	**1,572**	**2,130**	**1,734**	**1,287**	**1,572**
EPS (Bt)	0.33	0.44	0.36	0.27	0.33
Normalized EPS (Bt)	0.33	0.44	0.36	0.27	0.33

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	0	2	73	225,078	238,422
Gross profit	**8**	**(0)**	**72**	**26,729**	**28,466**
SG&A	1	(0)	74	18,365	19,296
Operating profit	28	(2)	66	8,364	9,170
EBITDA	**18**	**(8)**	**68**	**11,721**	**12,558**
Other income	(0)	14	72	949	997
Other expense			na	0	0
Interest expense	(4)	(11)	74	549	554
Profit before tax	**27**	**1**	**67**	**8,764**	**9,613**
Income tax	43	3	69	1,840	2,019
Equity & invest. income			na	0	6,692
Minority interests	(3)	(12)	25	91	153
Extraordinary items			na	0	0
Net profit	**22**	**(0)**	**65**	**7,015**	**14,439**
Normalized profit	**22**	**(0)**	**65**	**7,015**	**14,439**
EPS (Bt)	22	(0)	86	1.11	1.29
Normalized EPS (Bt)	22	(0)	86	1.11	1.29

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	6,022	10,518	12,245	7,442	5,260
A/C receivable	721	945	849	822	957
Inventory	13,131	14,478	14,054	13,884	14,030
Other current assets	1,944	2,310	2,093	2,053	2,136
Investment	0	0	0	0	0
Fixed assets	30,876	30,564	30,400	30,205	30,161
Other assets	15,255	15,219	15,501	15,726	16,125
Total assets	**67,949**	**74,034**	**75,141**	**70,131**	**68,669**
S-T debt	7,189	6,051	2,690	2,634	983
A/C payable	22,630	25,804	24,807	22,550	22,677
Other current liabilities	6,628	8,699	8,988	7,755	7,844
L-T debt	2,002	2,002	5,002	5,002	5,001
Other liabilities	8,721	8,767	9,140	9,333	9,585
Minority interest	482	471	484	483	497
Shareholders' equity	**20,297**	**22,239**	**24,031**	**22,374**	**22,081**
Working capital	(8,778)	(10,382)	(9,904)	(7,845)	(7,690)
Total debt	9,190	8,053	7,692	7,636	5,984
Net debt	**3,169**	**(2,465)**	**(4,553)**	**194**	**724**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	6.1	2.2	(0.5)	7.1	1.6
Operating profit growth	10.9	3.3	(1.0)	2.8	(1.6)
EBITDA growth	26.0	33.2	(1.2)	11.2	(7.9)
Norm profit growth	6.1	3.4	3.1	9.1	(0.0)
Norm EPS growth	6.1	3.4	3.1	9.1	(0.0)
Gross margin	12.2	12.5	11.7	11.1	12.0
Operating margin	3.7	4.4	3.8	2.8	3.5
EBITDA margin	5.5	7.1	5.2	4.2	5.0
Norm net margin	2.9	3.7	3.1	2.4	2.9
D/E (x)	0.5	0.4	0.3	0.3	0.3
Net D/E (x)	0.2	(0.1)	(0.2)	0.0	0.0
Interest coverage (x)	19.4	27.6	22.3	16.2	20.0
Interest rate	5.4	6.8	6.6	7.4	8.1
Effective tax rate	22.8	21.7	21.0	20.6	23.3
ROA	9.9	12.8	10.0	7.8	9.8
ROE	30.8	40.1	30.0	22.2	28.3

Sources: Company data, Thanachart estimates

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