MC GROUP Pcl (MC TB) - BUY, Price Bt9.10, TP Bt11.00

Results Comment

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Weak 1QFY22 from lockdown, in line

- MC reported 1QFY22 net profit of Bt24m, down 78% y-y but up 33% q-q, in line with our Bt25.7m earnings preview.
- In spite of the lockdown measure that caused the closure of 40% of its shops (246 out of a total of 618) for around two months in July and August, MC was able to generate profit backed by cost savings on store personnel, rental fees and marketing expenses.
- Sales decreased by 44% y-y and 17% q-q to Bt438m. Offline sales (freestanding shops, department stores, superstores) came down by 47% y-y and 22% q-q to Bt358m due to store closure for some period. E-commerce sales of Bt80m then contributed 18% sales mix, up from 13% in 1QFY21 and 4QFY21.
- Gross margin stayed high at 61.4%, up y-y from 60.7%, due to a greater mix of e-commerce and high-margin sales.
- As of 30 Sep 21, point of sales (POS) reduced to 633, down from 636 point of sales as of Jun 21, because it closed 3 modern trade point of sales. Excluding 9 international POSs and 6 mobile units, freestanding shops and modern trade shops had a total of 618 POSs.
- Although 1QFY22 made up only 6% of our FY22F, we maintain our earnings projection and expect improving operations from 2QFY22F as all stores have reopened since September.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue	779	1,134	776	531	438
Gross profit	**473**	**686**	**471**	**289**	**269**
SG&A	341	409	361	290	243
Operating profit	132	276	110	(1)	26
EBITDA	**183**	**445**	**194**	**96**	**124**
Other income	6	9	5	8	5
Other expense	0	0	0	0	0
Interest expense	6	6	9	7	5
Profit before tax	**132**	**279**	**107**	**1**	**26**
Income tax	22	51	19	(15)	2
Equity & invest. income	(0)	(1)	6	0	(1)
Minority interests	(1)	(1)	(1)	2	0
Extraordinary items	0	0	0	0	0
Net profit	**109**	**226**	**93**	**18**	**24**
Normalized profit	**109**	**226**	**93**	**18**	**24**
EPS (Bt)	0.14	0.28	0.12	0.02	0.03
Normalized EPS (Bt)	0.14	0.28	0.12	0.02	0.03

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(17)	(44)	15	3,008	3,672
Gross profit	**(7)**	**(43)**	**15**	**1,823**	**2,233**
SG&A	(16)	(29)	18	1,340	1,591
Operating profit	na	(80)	5	483	641
EBITDA	**30**	**(32)**	**14**	**860**	**1,012**
Other income	(37)	(22)	16	32	40
Other expense			na	0	0
Interest expense	(23)	(18)	18	29	30
Profit before tax	**3,269**	**(81)**	**5**	**487**	**651**
Income tax	na	(92)	2	92	130
Equity & invest. income	na	na	na	0	0
Minority interests	(94)	na	na	0	0
Extraordinary items			na	0	0
Net profit	**33**	**(78)**	**6**	**394**	**521**
Normalized profit	**33**	**(78)**	**6**	**394**	**521**
EPS (Bt)	33	(78)	6	0.49	0.65
Normalized EPS (Bt)	33	(78)	6	0.49	0.65

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Cash & ST investment	748	862	659	729	692
A/C receivable	287	411	309	202	190
Inventory	1,433	1,408	1,369	1,250	1,368
Other current assets	912	1,006	1,103	1,143	1,143
Investment	0	0	0	0	0
Fixed assets	368	25	352	343	333
Other assets	1,689	1,965	1,621	1,547	1,443
Total assets	**5,437**	**5,678**	**5,412**	**5,214**	**5,170**
S-T debt	0	0	0	0	0
A/C payable	325	484	403	283	307
Other current liabilities	419	484	478	438	449
L-T debt	0	0	0	0	0
Other liabilities	990	940	944	891	788
Minority interest	11	12	12	11	11
Shareholders' equity	**3,690**	**3,758**	**3,574**	**3,591**	**3,615**
Working capital	1,395	1,335	1,274	1,170	1,251
Total debt	0	0	0	0	0
Net debt	**(748)**	**(862)**	**(659)**	**(729)**	**(692)**

Financial Ratios					
(%)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Sales growth	2.8	0.2	4.3	(3.4)	(43.8)
Operating profit growth	32.3	13.4	24.7	na	(80.4)
EBITDA growth	46.4	66.9	74.3	68.1	(32.3)
Norm profit growth	7.7	(0.3)	19.8	(53.6)	(78.3)
Norm EPS growth	7.7	(0.3)	19.8	(53.6)	(78.3)
Gross margin	60.7	60.5	60.7	54.5	61.4
Operating margin	16.9	24.4	14.2	(0.1)	5.9
EBITDA margin	23.5	39.3	25.0	18.0	28.3
Norm net margin	14.0	20.0	11.9	3.4	5.4
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Interest coverage (x)	29	70	22	14	24
Interest rate	na	na	na	na	na
Effective tax rate	17.0	18.4	17.5	(1,901.0)	6.7
ROA	9.1	16.3	6.7	1.3	1.8
ROE	12.0	24.3	10.1	2.0	2.6

Sources: Company data, Thanachart estimates

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