

**Central Retail Corp. Pcl (CRC TB) - HOLD**

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**News Update****Considering to invest in Selfridges Group**

- **Central Group and Signa Holding will acquire Selfridges.**
  - **CRC may take part in the acquisition deal.**
  - **Given CRC's 2x debt covenant, it can invest Bt50bn or 28%.**
  - **Negative. Profit from Selfridges may not cover interest cost.**
- CRC received Flagship Undertaking Letter from Harnng Central Department Store Co Ltd (HCDS) to invest in Selfridges Group in which Central Group and Signa Holding (50:50) signed definitive agreement to acquire Selfridges Group, the department store operator in England, the Netherlands and Ireland. Note that the estimated acquisition price is Bt180bn.
  - CRC is considering to invest only in operations of all 18 department stores and Omni-channel, excluding property portion of Selfridges.
  - Investment timing can be before the deal closing or 90 days after deal closing.
  - CRC has debt covenant of 2.0x net gearing. As of 3Q21, net D/E stood at 1.1x. With remaining debt room, investment size can be up to Bt50bn in the deal or CRC investing up to 28% in Selfridges.
  - From the news sources, Selfridges had net profit of GBP31.1m in FY20 (ended 2 Feb 2020), falling from GBP82.2m in FY19.
  - Assuming CRC invests Bt50bn (28% stake), interest expense of Bt1bn (based on 2% funding cost) or Bt800m after tax is twice of Selfridges' profit of Bt400m for 28% ownership.
  - Since COVID still have impact on department store business in the UK, Ireland and the Netherlands, we expect Selfridges' profit contribution won't cover interest expense arising from this investment in the short-term period.
  - We thus view that it's a negative move if CRC decides to take part in the deal at current stage. Though we expect CRC to turn profit of Bt849m in 4Q21F on improving performance post lockdown easing and a strong profit growth to Bt4.3bn in 2022F, we maintain our HOLD call given 47x 2022F PE.

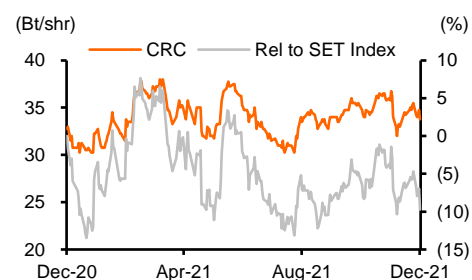
**Key Valuations**

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	179,947	163,558	201,855	228,179
Net profit	46	(1,462)	4,291	6,663
Norm net profit	46	(1,462)	4,291	6,663
Norm EPS (Bt)	0.0	(0.2)	0.7	1.1
Norm EPS gr (%)	(99.5)	na	na	55.3
Norm PE (x)	na	na	47.4	30.5
EV/EBITDA (x)	13.1	14.5	10.4	9.0
P/BV (x)	3.8	4.0	3.7	3.4
Div. yield (%)	1.2	0.0	0.8	1.3
ROE (%)	0.1	na	8.1	11.7
Net D/E (%)	82.8	104.8	112.7	101.4

Source: Thanachart estimates

**Stock Data**

Closing price (Bt)	33.75
Target price (Bt)	34.00
Market cap (US\$ m)	6,085
Avg daily turnover (US\$ m)	11.1
12M H/L price (Bt)	38.00/30.25

**Price Performance**

Source: Bloomberg

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