

MC GROUP Pcl (MC TB) - BUY**Earnings Preview**

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Strong turnaround in 2QFY22F

- **2QFY22F profit of Bt229m, +872% q-q and +1% y-y.**
 - **Positive surprise on gross margin at a record high at 65%.**
 - **New format, MC Outlet, has 30-50% sales/sqm above avg.**
 - **It expects FY22F profit not lower than FY21.**
- MC looks set to surprise us and the market with very strong earnings turnaround in 2QFY22F with Bt229m net profit, up 872% q-q from bottom quarter in 1QFY22F due to store closure during Jul-Aug lockdown and 1% y-y.
 - Offline sales are turning around much faster than expected with around -6% SSSG vs our -20% assumption. This should drive sales recovery of 128% q-q and cushion sales to fall by 12% y-y.
 - Gross margin will be a positive surprise, likely achieve a new record of 65% vs 61.4% in 1QFY22 and 59.6% in FY21, boosted by lower sales promotions and price discounts.
 - Jan MTD momentum remains strong with positive SSSG being seen. The company expects gross margin to be sustainably high in a range of 60-65% and FY22F (Jul21-Jun22) net profit not lower than FY21 (13% earnings upside to our forecast).
 - The new format, Mc Outlet, has a good momentum so far. Five new Mc Outlets were launched in 2QFY22F in PTT gas stations at Wangnoi, Saraburi, Yasothon, Sriracha and Chiang Rai with higher sales/sqm than average store by 30-50%. 11 more outlets will be launched by FY22F. Together with existing 54 mcmc shops in PTT gas stations converting to Mc Outlets, it will have 70 MC Outlets by June 2022.
 - Reiterate BUY on MC for a strong earnings turnaround, successful new store format, cheap PE and high dividend yield of 6.1% for FY22F (assuming flat FY22F profit y-y per new guidance by the company).

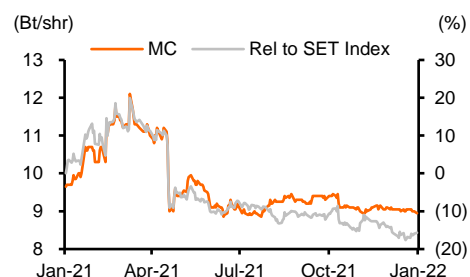
Key Valuations

Y/E Jun (Bt m)	2021A	2022F	2023F	2024F
Revenue	3,220	3,008	3,672	3,944
Net profit	446	394	521	599
Norm net profit	446	394	521	599
Norm EPS (Bt)	0.6	0.5	0.7	0.7
Norm EPS gr (%)	0.4	(11.5)	32.0	15.1
Norm PE (x)	16.2	18.3	13.8	12.0
EV/EBITDA (x)	7.2	7.6	6.7	6.3
P/BV (x)	2.0	2.0	2.0	2.0
Div. yield (%)	6.1	5.6	7.2	8.3
ROE (%)	12.4	11.0	14.5	16.4
Net D/E (%)	(17.2)	(18.0)	(10.5)	(8.7)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	9.00
Target price (Bt)	11.00
Market cap (US\$ m)	218
Avg daily turnover (US\$ m)	0.2
12M H/L price (Bt)	12.10/8.85

Price Performance

Source: Bloomberg

Ex 1: MC's 2QFY22F Earnings Preview

Yr-end Jun (Bt m)	Income Statement					Change	
	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22F	q-q%	y-y%
Revenue	1,134	776	531	438	998	128	(12)
Gross profit	686	471	289	269	648	141	(5)
SG&A	409	361	290	243	368	52	(10)
Operating profit	276	110	(1)	26	280	983	1
EBITDA	445	194	96	124	380	206	(15)
Other income	9	5	8	5	5	3	(45)
Other expense	0	0	0	0	0		
Interest expense	6	9	7	5	5	(3)	(21)
Profit before tax	279	107	1	26	280	990	0
Income tax	51	19	(15)	2	50	2,843	(2)
Equity & invest. income	(1)	6	0	(1)	(1)	na	na
Minority interests	(1)	(1)	2	0	0	(15)	na
Extraordinary items	0	0	0	0	0		
Net profit	226	93	18	24	229	872	1
Normalized profit	226	93	18	24	229	872	1

Sources: Company data, Thanachart estimates

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