CP All Pcl (CPALL TB) - BUY, Price Bt65.75, TP Bt75.00

Results Comment

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4Q21 core profit below expectation

- CPALL reported strong 4Q21 net profit of Bt6.7bn, boosted by Bt6,250m gain on step acquisition and Bt1,054m gain (net of tax) on sale of 90% stake in its subsidiary, All Now Management Co Ltd, a logistics company. Also, it booked Bt3,432m impairment loss on intangible assets.
- 4Q21 core profit was Bt2,791m, down 18% y-y, missed our estimates on lower profit contribution from MAKRO as CPALL's stake in MAKRO falling from 93.08% before Lotus's shareholding restructuring to 59.92% at present. Besides, MAKRO's profit from wholesale business of Bt2,180m (+2% y-y) was 10% below our estimates on high SG&A.
- However, performance of 7-Eleven CVS was relatively in line with SSSG turning positive by 1.3% on curfew lifting and resumption of domestic travelling. Its managed to maintain total product margin y-y at 26.2% (flat margin at 26.2% for food and 26.3% for non-food).
- 2021 core profit was Bt8,706m, down 45% y-y. While 7-Eleven business was impacted further from COVID and lockdown with -6.7% SSSG (falling store traffic with customers/store/day of 805 persons, down 15%) and falling product margin by 13bp to 26.4% on declining food margin by 30bp to 26.4%, it booked shared loss from Lotus's that generated net loss of around Bt500m last year and lower profit contribution from MAKRO due to ownership reduction.
- Net debt to adjusted equity fell to 0.9x as of 2021 vs 2x bond covenant.
- 2021 DPS is Bt0.60, XD on Apr 28th, to be paid on May 20th.
- Though results came in lower than expected and there is downside to our numbers, we maintain BUY call on CPALL as we believe earnings reached the bottom last year and a turnaround has been seen YTD on all businesses; 7-Eleven, Lotus's and MAKRO's wholesale.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	137,004	133,339	137,370	130,298	184,737
Gross profit	**33,994**	**32,070**	**33,287**	**31,274**	**44,274**
SG&A	27,232	26,217	27,438	26,602	36,610
Operating profit	6,763	5,852	5,849	4,672	7,664
EBITDA	**11,956**	**11,034**	**11,147**	**9,995**	**22,113**
Other income	44	33	22	22	52
Other expense	0	0	0	0	0
Interest expense	2,678	2,901	3,529	2,600	3,613
Profit before tax	**4,129**	**2,984**	**2,341**	**2,095**	**4,103**
Income tax	511	370	234	253	836
Equity & invest. income	(63)	36	(129)	(282)	149
Minority interests	(144)	(110)	(72)	(91)	(625)
Extraordinary items	161	59	284	24	3,913
Net profit	**3,573**	**2,599**	**2,190**	**1,493**	**6,704**
Normalized profit	**3,411**	**2,540**	**1,906**	**1,469**	**2,791**
EPS (Bt)	0.37	0.26	0.22	0.14	0.72
Normalized EPS (Bt)	0.35	0.25	0.18	0.14	0.28

Income Statement			**12M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	42	35	105	585,743	613,332
Gross profit	**42**	**30**	**104**	**140,905**	**151,167**
SG&A	38	34	106	116,867	121,005
Operating profit	64	13	97	24,038	30,162
EBITDA	**121**	**85**	**118**	**46,885**	**52,871**
Other income	133	19	31	129	479
Other expense			na	0	0
Interest expense	39	35	109	12,643	8,259
Profit before tax	**96**	**(1)**	**84**	**11,524**	**22,382**
Income tax	231	64	69	1,693	4,029
Equity & invest. income	na	na	48	(226)	6,692
Minority interests	na	na	185	(898)	(6,984)
Extraordinary items	16,504	2,328	na	4,279	0
Net profit	**349**	**88**	**127**	**12,985**	**18,061**
Normalized profit	**90**	**(18)**	**85**	**8,706**	**18,061**
EPS (Bt)	419	94	130	1.33	1.90
Normalized EPS (Bt)	108	(20)	83	0.86	1.90

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	40,626	36,541	31,038	26,369	97,134
A/C receivable	1,650	1,685	1,607	2,100	3,341
Inventory	31,749	30,804	30,355	31,385	50,535
Other current assets	7,379	7,792	7,587	8,722	14,764
Investment	85,586	85,781	85,683	85,476	14,015
Fixed assets	120,199	120,566	121,014	121,926	211,533
Other assets	236,165	235,748	235,803	236,685	540,571
Total assets	**523,354**	**518,917**	**513,087**	**512,662**	**931,893**
S-T debt	20,882	23,204	24,185	22,825	62,057
A/C payable	72,778	67,037	65,885	63,100	106,863
Other current liabilities	29,723	25,288	23,627	24,840	45,968
L-T debt	221,503	222,522	224,675	224,758	311,679
Other liabilities	66,874	66,257	66,029	66,297	112,518
Minority interest	14,836	14,966	14,843	14,829	188,673
Shareholders' equity	**96,759**	**99,643**	**93,844**	**96,012**	**104,134**
Working capital	(39,379)	(34,548)	(33,923)	(29,615)	(52,988)
Total debt	242,384	245,726	248,859	247,583	373,737
Net debt	**201,759**	**209,185**	**217,822**	**221,214**	**276,603**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	(7.3)	(8.5)	7.3	(3.8)	34.8
Operating profit growth	(23.2)	(32.4)	10.0	(30.6)	13.3
EBITDA growth	4.2	(17.9)	8.9	(14.7)	84.9
Norm profit growth	(44.1)	(54.6)	(34.0)	(63.1)	(18.2)
Norm EPS growth	(46.0)	(57.1)	(37.3)	(67.4)	(19.6)
Gross margin	24.8	24.1	24.2	24.0	24.0
Operating margin	4.9	4.4	4.3	3.6	4.1
EBITDA margin	8.7	8.3	8.1	7.7	12.0
Norm net margin	2.5	1.9	1.4	1.1	1.5
D/E (x)	2.5	2.5	2.7	2.6	3.6
Net D/E (x)	2.1	2.1	2.3	2.3	2.7
Interest coverage (x)	4.5	3.8	3.2	3.8	6.1
Interest rate	5.1	4.8	5.7	4.2	4.7
Effective tax rate	12.4	12.4	10.0	12.1	20.4
ROA	5.2	4.3	4.3	3.2	3.9
ROE	14.4	10.3	7.9	6.2	11.2

Sources: Company data, Thanachart estimates

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