Central Retail Corp. Pcl (CRC TB) - HOLD

Analyst Meeting

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CRC 2022 Forum

- **2022 sales growth of 15-20%, EBITDA growth by 2x of sales.**
- **New business (5th pillar) will be announced this year.**
- **Omni-channel sales to rise to 25%.**
- **Jan SSSG is positive by late twenties.**

- **<u>2022 guidance:</u>** CRC sets sales growth target of 15-20% this year. By segment, fashion will grow the most by 30-35% from low base, hardline by 15-20% and food by 5-10%. By country, Thailand and Vietnam is expected to deliver 15-20% sales growth and 10-15% for Italy. Gross margin will improve from rising high-margin fashion sales mix. SG&A/sales should stay flat y-y despite sales growth given SG&A on new business. EBITDA growth is targeted to increase by 2x of sales growth. Capex is Bt18-20bn, 40% for store expansion (total 500 new stores; large format expansions are three Robinson Lifestyle malls, 7-10 Thai Watsadu stores and one GO! Hypermarket in Vietnam) and 35% for store renovation.
- New developments this year will be the announcement of new business which will be the 5th pillar in addition to current businesses of fashion, food, hardline and property (rental). It targets a spinoff of Meb, an online e-book store (part of COL that it acquired in Feb last year), for IPO this year.
- CRC has been successful in developing omni-channel sales platform with omni-channel sales mix rising from 9.5% in 2020 to 20% in 2021 and targets 25% this year with sales acceleration through Central app and its O2O channels; personal shoppers, e-ordering and social commerce.
- A strong turnaround seen from 4Q21 and momentum continues into January this year. We forecast Bt2.3bn net profit, up 120% y-y and turned from a net loss of Bt2.2bn in 3Q21. Key drivers are expected to be total revenue growth of 14% y-y and 39% q-q to be quarterly highest of last year. 4Q21F SSSG is expected to turn positive by 9%, or -13% vs pre COVID which is the best quarter since 1Q20 (before COVID pandemic). By country, Italy has the best SSS growth of over 50% due to easing COVID situation, followed by Vietnam with low-teen SSSG while Thailand has the lowest SSSG of low single digit. By segment, fashion has the best turnaround with 17% SSSG, followed by hardline 13% while food is expected to register negative SSSG by 3%. January SSSG is expected to carry positive SSSG of 28%, or SSS of 7% below pre COVID with numbers turning positive for all three countries and all three segments. The "Shop Dee Mee Kuen" campaign is projected to boost SSSG by 4%.
- Though we see upside to our earnings projection, a full turnaround likely takes another two years and it's more expensive than peers by PE. Maintain HOLD for its strong earnings recovery in 2022-23F.

Key Valuations

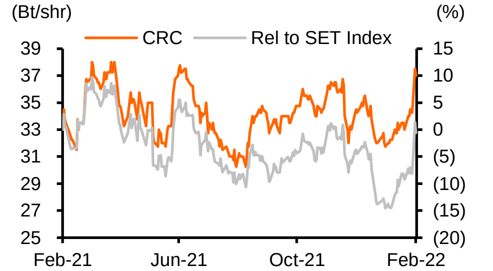
Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	179,947	163,558	201,855	228,179
Net profit	46	(1,462)	4,291	6,663
Norm net profit	46	(1,462)	4,291	6,663
Norm EPS (Bt)	0.0	(0.2)	0.7	1.1
Norm EPS gr (%)	(99.5)	na	na	55.3
Norm PE (x)	4,677.8	na	52.0	33.5
EV/EBITDA (x)	14.2	15.6	11.2	9.7
P/BV (x)	4.2	4.4	4.1	3.8
Div. yield (%)	1.1	0.0	0.8	1.2
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)	37.00
Target price (Bt)	34.00
Market cap (US$ m)	6,775
Avg daily turnover (US$ m)	11.8
12M H/L price (Bt)	38.00/30.25

Price Performance



Source: Bloomberg

Ex 1: CRC's 4Q22F Earnings Preview

Yr-end Jun (Bt m)	Income Statement					Change	
	4Q20	1Q21	2Q21	3Q21	4Q21F	*q-q%*	*y-y%*
Revenue	47,387	45,436	43,333	38,701	53,904	*39*	*14*
Gross profit	**12,506**	**11,224**	**10,825**	**9,291**	**14,498**	***56***	***16***
SG&A	14,781	13,655	13,840	13,854	15,520	*12*	*5*
Operating profit	1,338	1,120	(40)	(1,817)	3,206	*na*	*140*
EBITDA	**5,589**	**5,275**	**3,988**	**2,494**	**7,713**	***209***	***38***
Other income	3,691	3,595	3,044	2,781	4,278	*54*	*16*
Other expense	0	0	0	0	0		
Interest expense	775	739	779	789	813	*3*	*5*
Profit before tax	**640**	**424**	**(750)**	**(2,571)**	**2,443**	***na***	***282***
Income tax	(472)	45	(291)	(339)	199	*na*	*na*
Equity & invest. income	(11)	80	33	12	120	*880*	*na*
Minority interests	(45)	(58)	(46)	(21)	(40)	*na*	*na*
Extraordinary items	0	0	0	0	0		
Net profit	**1,056**	**401**	**(471)**	**(2,241)**	**2,323**	***na***	***120***
Normalized profit	**1,056**	**401**	**(471)**	**(2,241)**	**2,323**	***na***	***120***

Sources: Company data, Thanachart estimates

Ex 2: Quarterly SSSG

SSSG (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21F
Fashion	(28)	(58)	(22)	(27)	(20)	29	(35)	17
Hardline	(3)	(29)	(8)	(11)	(4)	24	(18)	13
Food	3	(15)	(13)	(17)	(20)	(11)	(13)	(3)
Total SSSG (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(16)**	**10**	**(23)**	**9**
SSSG vs pre-COVID (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(27)**	**(30)**	**(35)**	**(13)**
Net profit (Bt m)	**743**	**(2,590)**	**837**	**1,056**	**401**	**(471)**	**(2,241)**	**2,323**

Sources: Company data, Thanachart estimates

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