Central Retail Corp. Pcl (CRC TB) - HOLD, Price Bt37.75, TP Bt34

Results Comment

Phannarai Tiyapittayarut | Email: phannarai.von@thanachartsec.co.th

A strong profit turnaround, in-line 4Q21

- CRC posted a strong earnings turnaround as expected with 4Q21 net profit of Bt2,371m, up 124% y-y and turned from loss in 3Q21. Profit came in-line with our earnings preview.
- Key drivers were merchandise sales growth of 16% y-y and 40% q-q to Bt52.7bn, the quarterly highest of last year. 4Q21 SSSG turned positive by 9%, or -13% vs pre COVID which was the best quarter since 1Q20 (before COVID pandemic). However, rental income was still down 11% y-y to Bt1,451m due to continuing rent discount in Thailand and Vietnam.
- By segment, fashion had the best turnaround with 17% SSSG, followed by hardline 14% while food registered negative SSSG by 2%. Due to higher fashion sales mix and better gross margin from hardline, gross margin on sales improved y-y and q-q to 25.6% vs 24.2% in 4Q20 and 23.1% in 3Q21.
- 2021 had a slim net profit of Bt59m, quite stable y-y from Bt46m in 2020, vs Bt7.3bn normalized profit in 2019.
- 2021 merchandise sales increased slightly by 1% y-y to Bt176bn driven by acquisition of COL in Feb last year, despite SSSG was negative by 6% caused by COVID impact and lockdown. By segment, only hardline had positive SSSG of 3% boosted by Thai Watsadu while it was -12% for food and -6% for fashion.
- 2021 DPS is Bt0.30/share, XD on May 9th, to be paid on May 27th.
- We expect a nice turnaround to continue this year. YTD SSSG was positive by low to mid-teen level and has turned positive for all countries (Thailand, Vietnam, Italy) and all segments (+>20% for fashion, +high single to low-teen for hardline, +low to mid-single digit for food). However, a full turnaround is expected in 2023F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	47,387	45,436	43,333	38,701	54,322
Gross profit	**12,506**	**11,224**	**10,825**	**9,291**	**14,605**
SG&A	14,781	13,655	13,840	13,854	15,718
Operating profit	1,338	1,120	(40)	(1,817)	3,254
EBITDA	**5,589**	**5,275**	**3,988**	**2,494**	**7,802**
Other income	3,691	3,595	3,044	2,781	4,443
Other expense	0	0	0	0	0
Interest expense	775	739	779	789	807
Profit before tax	**640**	**424**	**(750)**	**(2,571)**	**2,523**
Income tax	(472)	45	(291)	(339)	213
Equity & invest. income	(11)	80	33	12	154
Minority interests	(45)	(58)	(46)	(21)	(93)
Extraordinary items	0	0	0	0	0
Net profit	**1,056**	**401**	**(471)**	**(2,241)**	**2,371**
Normalized profit	**1,056**	**401**	**(471)**	**(2,241)**	**2,371**
EPS (Bt)	0.18	0.07	(0.08)	(0.37)	0.39
Normalized EPS (Bt)	0.18	0.07	(0.08)	(0.37)	0.39

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	40	15	111	181,791	201,855
Gross profit	**57**	**17**	**111**	**45,944**	**56,066**
SG&A	13	6	107	57,068	63,581
Operating profit	na	143	191	2,518	8,330
EBITDA	**213**	**40**	**109**	**19,559**	**25,758**
Other income	60	20	104	13,863	16,125
Other expense			na	0	0
Interest expense	2	4	103	3,113	3,217
Profit before tax	**na**	**294**	**26**	**(374)**	**5,394**
Income tax	na	na	na	(372)	1,079
Equity & invest. income	1,159	na	127	279	270
Minority interests	na	na	91	(217)	(295)
Extraordinary items			na	0	0
Net profit	**na**	**124**	**na**	**59**	**4,291**
Normalized profit	**na**	**124**	**na**	**59**	**4,291**
EPS (Bt)	na	124	na	0.01	0.71
Normalized EPS (Bt)	na	124	na	0.01	0.71

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	17,742	13,586	15,349	14,840	18,088
A/C receivable	4,570	4,057	3,821	4,045	4,860
Inventory	34,296	35,255	35,470	34,455	36,516
Other current assets	10,570	10,917	11,122	10,753	10,455
Investment	1,331	1,112	992	1,034	5,559
Fixed assets	55,461	57,170	57,744	59,412	43,359
Other assets	115,211	125,872	127,273	129,406	144,392
Total assets	**239,180**	**247,969**	**251,771**	**253,945**	**263,228**
S-T debt	34,388	45,374	46,265	41,294	49,050
A/C payable	31,569	24,478	27,480	25,477	36,905
Other current liabilities	23,091	26,056	22,451	23,325	25,707
L-T debt	29,492	29,315	34,502	41,039	28,517
Other liabilities	64,924	64,362	64,350	64,948	63,968
Minority interest	2,321	2,597	2,596	2,628	2,693
Shareholders' equity	**53,394**	**55,787**	**54,127**	**55,234**	**56,388**
Working capital	7,296	14,834	11,811	13,023	4,471
Total debt	63,880	74,689	80,767	82,333	77,567
Net debt	**46,138**	**61,104**	**65,418**	**67,493**	**59,479**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(14.2)	(10.2)	13.9	(12.0)	14.6
Operating profit growth	(68.1)	(33.6)	na	na	143.3
EBITDA growth	(18.2)	(9.1)	248.7	(58.4)	39.6
Norm profit growth	(60.8)	(46.0)	na	na	124.4
Norm EPS growth	(69.5)	(46.0)	na	na	124.4
Gross margin	26.4	24.7	25.0	24.0	26.9
Operating margin	2.8	2.5	(0.1)	(4.7)	6.0
EBITDA margin	11.8	11.6	9.2	6.4	14.4
Norm net margin	2.2	0.9	(1.1)	(5.8)	4.4
D/E (x)	1.1	1.3	1.4	1.4	1.3
Net D/E (x)	0.8	1.0	1.2	1.2	1.0
Interest coverage (x)	7.2	7.1	5.1	3.2	9.7
Interest rate	4.6	4.3	4.0	3.9	4.0
Effective tax rate	(73.7)	10.7	38.9	13.2	8.4
ROA	1.7	0.7	(0.8)	(3.5)	3.7
ROE	7.6	2.9	(3.4)	(16.4)	17.0

Sources: Company data, Thanachart estimates

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