MK Restaurant Group Pcl (M TB) - BUY, Price Bt51.5, TP Bt67.0

Results Comment

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Better-than-expected 4Q21 results

- M made normalized profits of Bt399m, + 14% y-y and improved from Bt257m loss in 3Q21. The results beat our expectation on the SG&A ratio level.
- Revenues was flat from 4Q20 but jumped 82% from the lockdown-led low base in 3Q21. Against, the pre-COVID level in 4Q19, 4Q21 sales were still 20% lower. This was in line with our expectation.
- Gross margin was 66.9% vs. 66.3% in 4Q20 and 60.1% in 3Q20. The q-q increased was due to operating leverage impact.
- SG&A to sales fell to 54% in 4Q21 from 58% in 4Q20 and 78% in 3Q21. Aside from the operating leverage impact, this was mainly due to M's more efficient marketing spending.
- So far, M is seeing a continued turnaround with sales in January improved meaningfully from the low base in January 2021 while still fell around 20% from the pre-COVID January 2019.
- We reaffirm BUY on M.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	3,604	3,116	2,509	1,973	3,583
Gross profit	**2,391**	**2,000**	**1,585**	**1,185**	**2,397**
SG&A	2,098	1,925	1,770	1,544	1,931
Operating profit	293	75	(185)	(359)	466
EBITDA	**821**	**585**	**315**	**142**	**965**
Other income	77	45	65	51	46
Other expense	0	0	0	0	0
Interest expense	19	19	20	12	18
Profit before tax	**351**	**100**	**(140)**	**(320)**	**494**
Income tax	2	8	(42)	(65)	90
Equity & invest. income	2	(6)	(8)	(8)	(1)
Minority interests	(1)	2	7	5	(4)
Extraordinary items	0	0	0	0	0
Net profit	**349**	**89**	**(99)**	**(257)**	**399**
Normalized profit	**349**	**89**	**(99)**	**(257)**	**399**
EPS (Bt)	0.38	0.10	(0.11)	(0.28)	0.43
Normalized EPS (Bt)	0.38	0.10	(0.11)	(0.28)	0.43

Income Statement			**12M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	82	(1)	98	11,182	15,987
Gross profit	**102**	**0**	**99**	**7,167**	**10,292**
SG&A	25	(8)	97	7,170	8,569
Operating profit	na	59	2	(3)	1,723
EBITDA	**580**	**17**	**114**	**2,006**	**3,554**
Other income	(10)	(40)	74	207	298
Other expense			na		
Interest expense	46	(6)	119	69	7
Profit before tax	**na**	**41**	**183**	**135**	**2,014**
Income tax	na	3,703	587	(10)	363
Equity & invest. income	na	na	117	(23)	(20)
Minority interests	na	na	211	10	(31)
Extraordinary items			na		
Net profit	**na**	**14**	**218**	**131**	**1,601**
Normalized profit	**na**	**14**	**218**	**131**	**1,601**
EPS (Bt)	na	14	218	0.14	1.74
Normalized EPS (Bt)	na	14	218	0.14	1.74

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	7,663	7,773	7,037	7,018	7,689
A/C receivable	110	113	150	177	167
Inventory	418	358	345	331	392
Other current assets	119	123	149	133	170
Investment	895	889	881	874	873
Fixed assets	3,254	3,108	2,990	2,873	2,842
Other assets	7,895	7,693	7,550	7,299	7,436
Total assets	**20,353**	**20,058**	**19,102**	**18,704**	**19,569**
S-T debt	21	20	14	8	8
A/C payable	1,312	1,095	1,026	1,047	1,355
Other current liabilities	1,512	1,499	1,287	1,267	1,366
L-T debt	0	0	0	0	0
Other liabilities	3,661	3,509	3,408	3,277	3,331
Minority interest	324	322	315	310	314
Shareholders' equity	**13,523**	**13,612**	**13,052**	**12,796**	**13,194**
Working capital	(784)	(625)	(531)	(539)	(796)
Total debt	21	20	14	8	8
Net debt	**(7,642)**	**(7,754)**	**(7,024)**	**(7,009)**	**(7,680)**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	(19.6)	(17.9)	16.0	(48.1)	(0.6)
Operating profit growth	(58.6)	(77.8)	na	na	59.0
EBITDA growth	(9.3)	(36.5)	90.3	(86.7)	17.5
Norm profit growth	(46.7)	(73.9)	na	na	14.2
Norm EPS growth	(46.7)	(73.9)	na	na	14.2
Gross margin	66.3	64.2	63.2	60.1	66.9
Operating margin	8.1	2.4	(7.4)	(18.2)	13.0
EBITDA margin	22.8	18.8	12.5	7.2	26.9
Norm net margin	9.7	2.8	(4.0)	(13.0)	11.1
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.6)	(0.6)	(0.5)	(0.5)	(0.6)
Interest coverage (x)	44.0	30.2	15.6	11.8	54.8
Interest rate	352.6	381.3	480.4	437.0	857.4
Effective tax rate	0.7	8.0	30.0	20.4	18.1
ROA	7.0	1.8	(2.0)	(5.4)	8.3
ROE	10.5	2.6	(3.0)	(8.0)	12.3

Sources: Company data, Thanachart estimates

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