

Siam Makro Pcl (MAKRO TB) - U.R. , Price Bt42.75, TP Bt46.00**Results Comment**

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In-line 4Q21 core profit

- MAKRO reported strong 4Q21 net profit of Bt9,094m due to booking of one-time non-cash Bt6,714m gain on step acquisition related to the entire business transfer of Lotus's Thailand and Malaysia to become MAKRO's wholly-owned subsidiary on Oct 25th, 2021.
- Excluding this Bt6,714m gain and Bt197m expenses associated with the deal, 4Q21 core profit came to Bt2,577m divided into Bt2,180m profit from MAKRO's wholesale business and Bt397m profit contribution from Lotus's.
- MAKRO's 4Q21 profit was weaker-than-expected:** Wholesale business had Bt2,180m profit, up 2% y-y and 39% q-q, 10% below our estimates. Drivers were a 6% growth y-y in merchandise sales to Bt58.8bn (a 4.1% SSSG and new stores sales) and rising gross margin on sales to 11.17% (+24bp y-y from higher fresh food sales mix). Rising SG&A was a drag due to costs on business continuity management and preventive and disease control.
- Stronger-than-expected profit from Lotus's:** Acquired since Oct 25th, Lotus's contributed Bt37.5bn sales and Bt397m profit. This was above our expectation on a fast recovery in mall income post lockdown easing. Of 1m sqm leasable area, occupancy rate in Thailand rebounded to 90% and in Malaysia to 92% with less than 10% rent discount as of year end. Hypermarket sales had -6.1% SSSG in Thailand and -2.2% in Malaysia.
- 2021 core profit was Bt7,169m, Bt397m from Lotus's and Bt6,772m (3% missed) from MAKRO wholesale. Wholesale business had 3% profit growth from 3% sales growth (2.5% SSSG), gross margin on sales improving slightly by 2bp to 10.35% and lower loss from overseas business of Bt659m vs Bt701m loss in 2020.
- Since results were pretty much in line and share price has come down to below our Bt46 TP, we put our recommendation under review (currently a SELL rating).

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	
Revenue	57,161	55,878	54,723	54,739	100,205	
Gross profit	7,432	6,545	6,078	6,557	16,914	
SG&A	4,551	4,442	4,560	4,616	12,674	
Operating profit	2,882	2,102	1,518	1,941	4,240	
EBITDA	4,398	2,882	2,312	2,739	6,710	
Other income	(13)	219	233	232	206	
Other expense	0	0	0	0	0	
Interest expense	146	129	142	137	1,148	
Profit before tax	2,722	2,192	1,608	2,036	3,299	
Income tax	591	461	331	473	862	
Equity & invest. income	0	0	0	0	149	
Minority interests	(2)	3	10	10	(9)	
Extraordinary items	0	0	0	0	6,517	
Net profit	2,130	1,734	1,287	1,572	9,094	
Normalized profit	2,130	1,734	1,287	1,572	2,577	
EPS (Bt)	0.44	0.36	0.27	0.33	0.86	
Normalized EPS (Bt)	0.44	0.36	0.27	0.33	0.24	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	
Cash & ST investment	10,518	12,245	7,442	5,260	68,530	
A/C receivable	945	849	822	957	2,301	
Inventory	14,478	14,054	13,884	14,030	31,967	
Other current assets	2,310	2,093	2,053	2,136	7,203	
Investment	0	0	0	0	0	
Fixed assets	30,564	30,400	30,205	30,161	118,444	
Other assets	100,771	15,501	15,726	16,125	341,046	
Total assets	159,587	75,141	70,131	68,669	569,490	
S-T debt	6,051	2,690	2,634	983	31,199	
A/C payable	25,804	24,807	22,550	22,677	54,845	
Other current liabilities	8,619	8,988	7,755	7,844	32,167	
L-T debt	2,002	5,002	5,002	5,001	105,120	
Other liabilities	8,847	9,140	9,333	9,585	57,661	
Minority interest	86,024	484	483	497	501	
Shareholders' equity	22,239	24,031	22,374	22,081	287,997	
Working capital	(10,382)	(9,904)	(7,845)	(7,690)	(20,577)	
Total debt	8,053	7,692	7,636	5,984	136,319	
Net debt	(2,465)	(4,553)	194	724	67,790	

Income Statement		12M as				
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F	
Revenue	83	75	118	265,545	238,422	
Gross profit	158	128	135	36,094	28,466	
SG&A	175	179	143	26,293	19,296	
Operating profit	118	47	117	9,801	9,170	
EBITDA	145	53	125	14,643	12,558	
Other income	(11)	na	94	890	997	
Other expense			na	0	0	
Interest expense	736	684	283	1,557	554	
Profit before tax	62	21	104	9,134	9,613	
Income tax	82	46	116	2,128	2,019	
Equity & invest. income			na	149	6,692	
Minority interests	na	na	16	14	153	
Extraordinary items			na	6,517	0	
Net profit	479	327	195	13,687	14,439	
Normalized profit	64	21	102	7,169	14,439	
EPS (Bt)	162	94	164	2.13	1.29	
Normalized EPS (Bt)	(26)	(45)	108	1.11	1.29	

Financial Ratios						
(%)	4Q20	1Q21	2Q21	3Q21	4Q21	
Sales growth	2.9	(0.5)	7.1	1.6	75.3	
Operating profit growth	18.1	(1.0)	2.8	(1.6)	47.1	
EBITDA growth	45.2	(1.2)	11.2	(7.9)	52.6	
Norm profit growth	3.4	3.1	9.1	(0.0)	21.0	
Norm EPS growth	3.4	3.1	9.1	(0.0)	(45.1)	
Gross margin	13.0	11.7	11.1	12.0	16.9	
Operating margin	5.0	3.8	2.8	3.5	4.2	
EBITDA margin	7.7	5.2	4.2	5.0	6.7	
Norm net margin	3.7	3.1	2.4	2.9	2.6	
D/E (x)	0.4	0.3	0.3	0.3	0.5	
Net D/E (x)	(0.1)	(0.2)	0.0	0.0	0.2	
Interest coverage (x)	30.1	22.3	16.2	20.0	5.8	
Interest rate	6.8	6.6	7.4	8.1	6.5	
Effective tax rate	21.7	21.0	20.6	23.3	26.1	
ROA	8.0	6.3	7.8	9.8	4.7	
ROE	40.1	30.0	22.2	28.3	6.6	

Sources: Company data, Thanachart estimates

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