

**MC GROUP Pcl (MC TB) - BUY, Price Bt9.65, TP Bt11.00****Results Comment**

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**Strong earnings turnaround in 2QFY22**

- MC reported a strong earnings turnaround in 2QFY22 as expected with Bt231m net profit, up 2% y-y and 879% q-q.
- The q-q sharp recovery was due to store re openings post lockdown lifting from September.
- Earnings increased slightly y-y despite the impact from COVID pandemic on consumption. Sales revenues were down 12% y-y but more than offset by a record high gross margin of 65.1% (vs 60.5% in 2QFY21 and 61.4% in 1QFY22) from strategy to lower sales promotions and price discounts and its ability to control SG&A well.
- 1HFY22 profit came to 65% of our FY22F. If strong sales recovery momentum continues and gross margin is sustainable at high level, there is upside to our numbers.
- It is paying 1HFY22 DPS of Bt0.32/share at 101% payout. XD is on Feb 24th with payment date on Mar 10th.
- Board approved capital reduction by written off 8m repurchased shares (1% of total) under the share repurchase program as it has no intention to sell given that it has sufficient cash flow to finance operations. Paid-up shares will reduce by 1% from 800m shares to 792m shares, this will lift EPS by 1% and higher DPS/share..

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	1,134	776	531	438	995	Revenue	127	(12)	48	3,008	3,672
<b>Gross profit</b>	<b>686</b>	<b>471</b>	<b>289</b>	<b>269</b>	<b>648</b>	<b>Gross profit</b>	<b>141</b>	<b>(6)</b>	<b>50</b>	<b>1,823</b>	<b>2,233</b>
SG&A	409	361	290	243	370	SG&A	52	(10)	46	1,340	1,591
Operating profit	276	110	(1)	26	277	Operating profit	973	0	63	483	641
<b>EBITDA</b>	<b>445</b>	<b>194</b>	<b>96</b>	<b>124</b>	<b>371</b>	<b>EBITDA</b>	<b>199</b>	<b>(17)</b>	<b>58</b>	<b>860</b>	<b>1,012</b>
Other income	9	5	8	5	11	Other income	113	14	49	32	40
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	6	9	7	5	5	Interest expense	(9)	(26)	35	29	30
<b>Profit before tax</b>	<b>279</b>	<b>107</b>	<b>1</b>	<b>26</b>	<b>284</b>	<b>Profit before tax</b>	<b>1,002</b>	<b>2</b>	<b>64</b>	<b>487</b>	<b>651</b>
Income tax	51	19	(15)	2	53	Income tax	3,003	3	59	92	130
Equity & invest. income	(1)	6	0	(1)	1	Equity & invest. income	na	na	na	0	0
Minority interests	(1)	(1)	2	0	(0)	Minority interests	na	na	na	0	0
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>226</b>	<b>93</b>	<b>18</b>	<b>24</b>	<b>231</b>	<b>Net profit</b>	<b>879</b>	<b>2</b>	<b>65</b>	<b>394</b>	<b>521</b>
<b>Normalized profit</b>	<b>226</b>	<b>93</b>	<b>18</b>	<b>24</b>	<b>231</b>	<b>Normalized profit</b>	<b>879</b>	<b>2</b>	<b>65</b>	<b>394</b>	<b>521</b>
EPS (Bt)	0.28	0.12	0.02	0.03	0.29	EPS (Bt)	879	2	65	0.49	0.65
Normalized EPS (Bt)	0.28	0.12	0.02	0.03	0.29	Normalized EPS (Bt)	879	2	65	0.49	0.65
Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	(%)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Cash & ST investment	1,845	1,743	1,864	1,828	1,997	Sales grow th	0.2	4.3	(3.4)	(43.8)	(12.2)
A/C receivable	411	309	202	190	300	Operating profit grow th	13.4	24.7	na	(80.4)	0.5
Inventory	1,408	1,369	1,250	1,368	1,278	EBITDA grow th	66.9	74.3	68.1	(32.3)	(16.6)
Other current assets	23	19	7	7	7	Norm profit grow th	(0.3)	19.8	(53.6)	(78.3)	2.0
Investment	0	0	0	0	0	Norm EPS grow th	(0.3)	19.8	(53.6)	(78.3)	2.0
Fixed assets	25	352	343	333	334	Gross margin	60.5	60.7	54.5	61.4	65.1
Other assets	1,965	1,621	1,547	1,443	1,309	Operating margin	24.4	14.2	(0.1)	5.9	27.9
<b>Total assets</b>	<b>5,678</b>	<b>5,412</b>	<b>5,214</b>	<b>5,170</b>	<b>5,223</b>	EBITDA margin	39.3	25.0	18.0	28.3	37.3
S-T debt	0	0	0	0	0	Norm net margin	20.0	11.9	3.4	5.4	23.2
A/C payable	484	403	283	307	353	D/E (x)	-	-	-	-	-
Other current liabilities	484	478	438	449	494	Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
L-T debt	0	0	0	0	0	Interest coverage (x)	70	22	14	24	79
Other liabilities	940	944	891	788	678	Interest rate	na	na	na	na	na
Minority interest	12	12	11	11	11	Effective tax rate	18.4	17.5	(1,901.0)	6.7	18.8
<b>Shareholders' equity</b>	<b>3,758</b>	<b>3,574</b>	<b>3,591</b>	<b>3,615</b>	<b>3,688</b>	ROA	16.3	6.7	1.3	1.8	17.8
Working capital	1,335	1,274	1,170	1,251	1,225	ROE	24.3	10.1	2.0	2.6	25.3
Total debt	0	0	0	0	0						
<b>Net debt</b>	<b>(1,845)</b>	<b>(1,743)</b>	<b>(1,864)</b>	<b>(1,828)</b>	<b>(1,997)</b>						

Sources: Company data, Thanachart estimates

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