HOLD (Unchanged)

Change in Numbers

TP: Bt 38.00 (From: Bt 34.00)

Downside : 5.0%

6 APRIL 2022

Thanachart Securities

Central Retail Corp Pcl (CRC TB)

In the price

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Both CRC's domestic and overseas businesses have been turning around fast after last year's COVID crisis. However, we believe the current share price at 46x/33x PEs in 2022-23F reflects the turnaround momentum and growth prospects. Maintain HOLD.

Swift turnaround but still a HOLD

CRC saw its earnings nearly disappear over the past two COVID years. A turnaround started in 4Q21 with strong momentum carrying on so far into this year in all key markets – Thailand, Vietnam and Italy. The turnaround has been stronger than we had expected earlier and we lift our 2022-24F earnings by 23/11/3% and DCF-based 12-month TP (2022F base year) by 12% to Bt38 (from Bt34). However, we believe CRC's valuation reflects its turnaround outlook at 46x/33x PEs in 2022-23F, vs. the 31x/24x sector averages. We thus maintain our HOLD call.

Business line outlook

CRC has three core business lines. Fashion or department store accounted for 33% of 2019's merchandise sales, food or modern trade 41% and hardline or home improvement/electronics store 26%. We expect the mix to be 23%:38%:39% in five years in 2026F. All lines were hit by the COVID crisis for the past two years, and all are now turning around. Leaving the turnaround aside and looking at the long-term outlook, the two areas that should still experience above organic growth are home improvement and food. CRC targets to expand its home-improvement Thai Watsadu by 10 stores p.a. in five years vs. 65 existing stores and GO! Hypermarkets in Vietnam (categorized as the food business) by four to six stores p.a. vs. the existing 37.

Additional drivers

Aside from the business line growth above, CRC has additional growth drivers via cost synergies, a more aggressive omni-channel sales network to reduce the threat from online competition to its traditional physical store business, and potential M&As. Exhibit 12 shows its M&As since listing. The most recent M&A was the office supplies and equipment physical and online store COL Pcl (not listed), which was owned by the Central Group of companies. COL was taken over in February 2021 and we expect it to contribute Bt854m/915m/951m in profit to CRC in 2022-24F. We also expect the omni-channel sales ratio to rise from 3.0% of total sales in 2019 to 25% in 2024F.

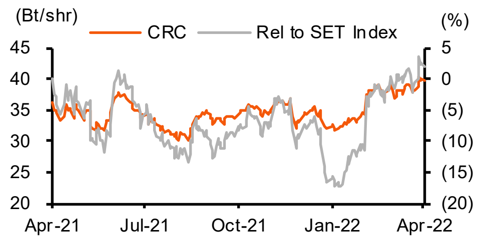
Traditional fashion business plans

Fashion was the hardest-hit of CRC's segments with sales dropping by 33% from 2019 to Bt42.8bn in 2021. Contribution is mostly from 83 department stores and 378 brand shops. With no further lockdown impact on department stores, we project sales to recover to 2019 levels in 2023F with a 5% three-year sales CAGR over 2023-26F based on an expansion plan of two to three new department stores/year and 20-30 brand shops/year. The e-commerce threat has shifted the sales channel to online. The omni-channel sales mix of the fashion segment grew from 4.4% in 2019 to 28.0% last year.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	181,791	212,535	246,820	276,990
Net profit	59	5,280	7,408	9,258
Consensus NP	—	5,418	7,848	10,115
Diff frm cons (%)	—	*(2.5)*	*(5.6)*	*(8.5)*
Norm profit	59	5,280	7,408	9,258
Prev. Norm profit	—	4,291	6,663	8,957
Chg frm prev (%)	—	*23.1*	*11.2*	*3.4*
Norm EPS (Bt)	0.0	0.9	1.2	1.5
Norm EPS grw (%)	24.5	8,793.2	40.3	25.0
Norm PE (x)	4,063.3	45.7	32.6	26.1
EV/EBITDA (x)	15.4	11.0	9.9	8.9
P/BV (x)	4.3	4.0	3.7	3.4
Div yield (%)	0.8	0.9	1.2	1.5
ROE (%)	0.1	9.1	11.9	13.1
Net D/E (%)	102.8	85.4	85.3	74.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 5-Apr-22 (Bt)	40.00
Market Cap (US$ m)	7,219.5
Listed Shares (m shares)	6,031.0
Free Float (%)	53.1
Avg Daily Turnover (US$ m)	12.8
12M Price H/L (Bt)	40.25/30.25
Sector	Commerce
Major Shareholder	Central Group 35.06%

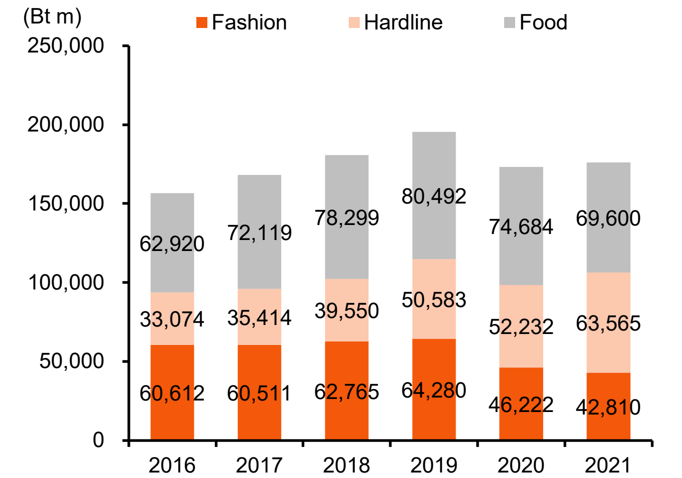
Sources: Bloomberg, Company data, Thanachart estimates

Swift turnaround but still a HOLD

Slim profits in 2020-21

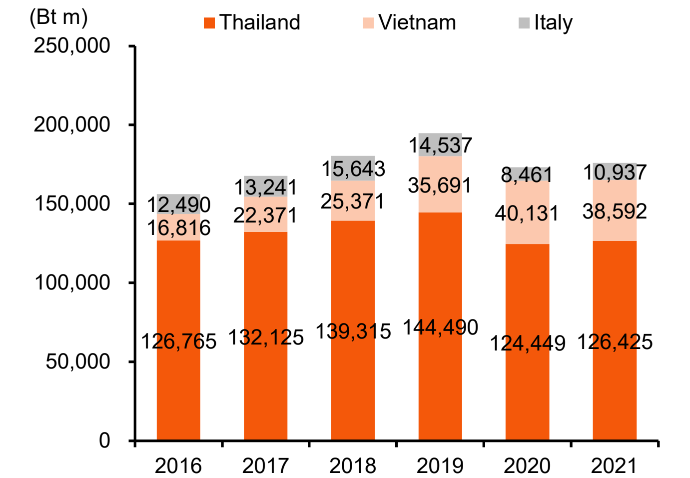
Central Retail Corp Pcl (CRC), which operates multi-format retail stores of the Chirathivat family's Central Group, was hit hard when the COVID pandemic started in early 2020, causing the temporary closure of many of its stores during lockdowns in the three countries it has businesses in – Thailand (72% of 2021 sales), Vietnam (22%) and Italy (6%). The company made very slim profits in both 2020-21. By country, sales in Italy fell the most by 25% over the past two years given its exposure to only one business, department stores, that suffered a direct lockdown impact, followed by a 13% decline in Thailand while Vietnam sales increased by 8% due to the consolidation of Nguyen Kim electronics stores from 7 June 2019. By segment, fashion was the hardest hit with sales dropping by 33%, and then foods with a 14% decline while hardline was the most resilient on growing hardline sales in Thailand mainly from Thai Watsadu building materials and home-improvement stores and the acquisition of COL Pcl (not listed; formerly COL TB), which sells office supplies and stationery, in February 2021.

Ex 1: Sales By Segment



Source: Company data

Ex 2: Sales By Country



Source: Company data

Stronger-than-expected turnaround started from 4Q21

46x/33x PEs in 2022-23F reflect turnaround story, maintain HOLD

Post lockdown lifting in all three countries, starting from Italy in the middle of April 2021, Thailand from September 2021 and Vietnam from 4Q21, the 4Q21 marked the beginning of an earnings turnaround that was stronger than we had expected. As the recovery is continuing with low-teens same-store sales (SSS) growth in 1Q22F, we lift our earnings forecasts by 23%/11%/3% for 2022-24F and DCF-based 12-month TP, using a 2022F base year, by 12% to Bt38 (from Bt34 previously). Our SSS growth assumptions are 12.4%/8.7%/5.5% in 2022-24F, after falling by 20.8% in 2020 and 5.0% in 2021. However, we believe CRC's valuation already reflects the turnaround prospects at 46x/33x PE multiples in 2022-23F vs. the sector averages of 31x/24x. We thus maintain our HOLD call.

Ex 3: Quarterly SSSG

(%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22F	2Q22F	3Q22F	4Q22F
Fashion	(28)	(58)	(22)	(27)	(20)	29	(35)	17	28	na	na	na
Hardline	(3)	(29)	(8)	(11)	(4)	24	(18)	14	5	na	na	na
Food	3	(15)	(13)	(17)	(20)	(11)	(13)	(2)	5	na	na	na
Avg SSSG	**(13)**	**(36)**	**(15)**	**(20)**	**(16)**	**10**	**(23)**	**9**	**12**	**13**	**25**	**0**
SSSG vs pre-COVID	**(13)**	**(36)**	**(15)**	**(20)**	**(27)**	**(30)**	**(35)**	**(13)**	**(18)**	**(20)**	**(19)**	**(13)**
Net profit (Bt m)	**743**	**(2,590)**	**837**	**1,056**	**401**	**(471)**	**(2,241)**	**2,371**	**na**	**na**	**na**	**na**

Sources: Company data, Thanachart estimates

Ex 4: Key Assumption Changes

	2020	2021	2022F	2023F	2024F
SSSG (%) – New	**(21)**	**(5)**	**12**	**9**	**6**
Fashion segment	(34)	(5)	27	17	9
Hardline segment	(14)	3	10	7	5
Food segment	(10)	(12)	4	5	4
SSSG (%) – Old	**(21)**	**(9)**	**16**	**9**	**7**
Fashion segment	(34)	(15)	37	16	11
Hardline segment	(14)	(5)	10	7	5
Food segment	(10)	(11)	7	6	5
Revenue growth (%) - New	**(11)**	**2**	**16**	**16**	**12**
Fashion segment	(28)	(7)	29	16	9
Hardline segment	3	22	16	16	13
Food segment	(7)	(7)	9	14	13
Revenue growth (%) - Old	**(11)**	**(9)**	**23**	**12**	**10**
Fashion segment	(28)	(25)	47	16	11
Hardline segment	3	10	21	11	9
Food segment	(7)	(12)	11	11	9
Sales of goods (Bt m)					
New	173,138	175,975	204,524	236,324	264,597
Old	173,138	158,025	194,138	218,281	239,721
Change (%)	*0.0*	*11.4*	*5.3*	*8.3*	*10.4*
Gross margin on sales (%)					
New	23.2	23.8	25.1	25.4	25.5
Old	23.2	23.7	25.9	26.4	26.6
Normalized profit (Bt m)					
New	46	59	5,280	7,408	9,258
Old	46	(1,462)	4,291	6,663	8,957
Change (%)	*0.0*	*na*	*23.1*	*11.2*	*3.4*

Sources: Company data, Thanachart estimates

Ex 5: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

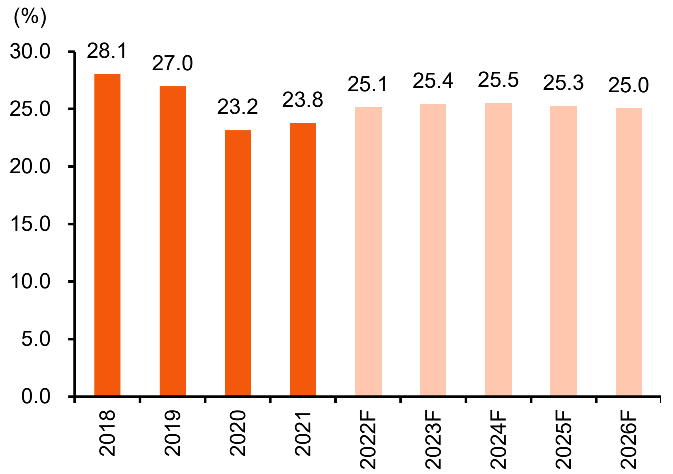
(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA		17,637	21,327	24,741	26,917	29,103	31,015	33,014	35,116	37,332	39,571	41,591	43,520	
Free cash flow		(5,416)	902	5,959	8,023	9,967	13,795	15,700	17,547	19,488	24,425	32,107	34,165	540,719
PV of free cash flow		(5,401)	781	4,796	6,006	6,941	8,705	9,174	9,496	9,767	11,337	13,800	12,909	204,304
Risk-free rate (%)	2.5													
Market risk premium (%)	8.0													
Beta	0.9													
WACC (%)	7.5													
Terminal growth (%)	2.0													
Enterprise value - add	292,615													
Net debt	60,752													
Minority interest	2,693													
Equity value	229,170													
# of shares (m)	6,031													
Equity value/share (Bt)	**38**													

Source: Thanachart estimates

We expect a full earnings recovery in 2023F, on par with most retail peers

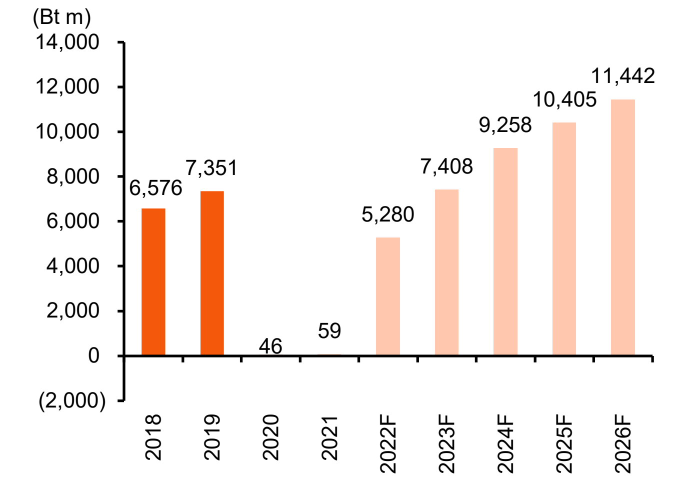
We forecast total merchandise sales this year to beat 2019 levels by 5% to Bt204.5bn, driven by hardline sales that we expect to be 46% above the 2019 level on the back of higher Thai Watsadu sales and the contribution from COL Pcl's office supplies and equipment business (ie, OfficeMate and B2S book/stationery stores) acquired last year. We estimate food sales to surpass 2019 levels in 2023F with the slowest sales recovery coming from the fashion segment which we estimate to only match 2019 sales in 2023F. But with gross margin on sales falling from 27.0% in 2019 to 23.8% last year on a lower sales mix of high-margin fashion sales while we project 25.1% in 2022F and 25.4% in 2023F, we expect a full earnings recovery next year to a profit of Bt7,408m, vs. core profit of Bt7,351m in 2019.

Ex 6: Declining Gross Margin In 2020-21 Vs. 2019



Sources: Company data, Thanachart estimates

Ex 7: We Forecast A Full Earnings Recovery In 2023F



Sources: Company data, Thanachart estimates

Business line outlook

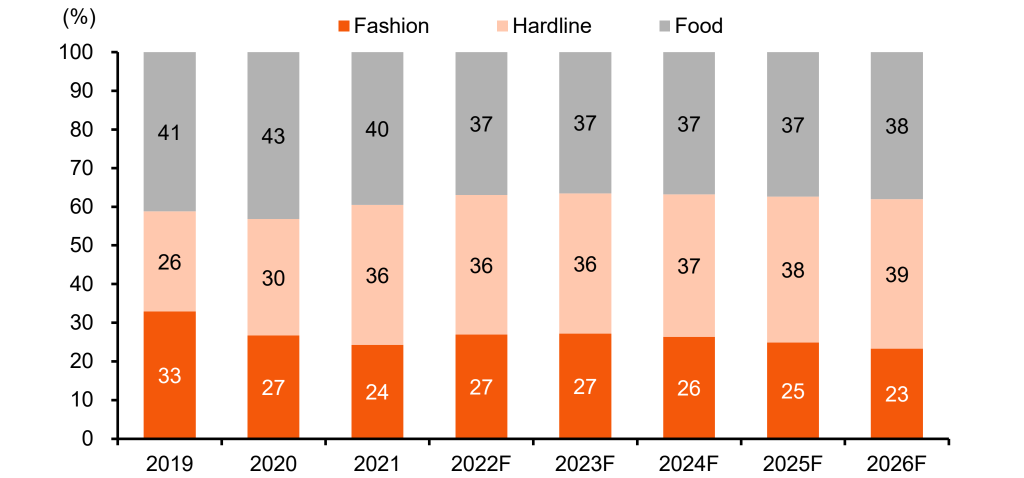
Fashion segment's sales fall from 33% in 2019 to 23% of total in 2026F

CRC has three core business lines. Fashion (Central, Robinson, Rinascente department stores, Supersports, CMG brand shops) accounted for 33% of 2019 merchandise sales, food or modern trade (Tops supermarkets, Family Mart CVS, GO! Hypermarkets/Lan Chi Mart supermarkets in Vietnam) made up 41% and hardline (Thai Watsadu, Power Buy, Nguyen Kim electronics stores) contributed 26%. All lines, except the hardline business' Thai Watsadu, were hit by the COVID crisis over the past two years, and are now turning around.

Stronger growth outlook from hardline and food

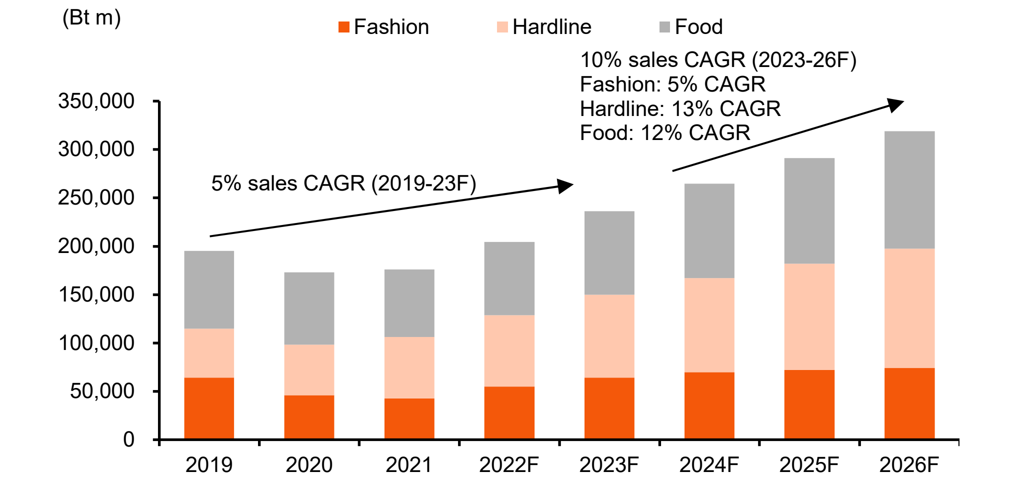
Leaving the turnaround aside and looking at the long-term outlook, the two areas that should still experience above organic growth are hardline (home improvement) and food. After a full recovery in 2023F, we estimate a 16% three-year EPS CAGR in 2023-26F, driven by growth in the hardline and food segments from outlet expansions of Thai Watsadu as CRC foresees an 8-9% CAGR over 2022-26 for building materials and home-improvement market growth in Thailand while its modern-trade share is still small at 20-25% (10 new stores p.a. planned in 2022-26 vs. 65 existing stores) and GO! Hypermarkets due to the low modern-trade penetration in Vietnam (four new stores this year and 5-6 p.a. planned in 2023-26 from 37 branches last year). We estimate a 10% three-year sales CAGR in 2023-26F; a 13% CAGR for hardline, 12% for food and 5% for fashion. We expect the mix to be 23% fashion, 38% food and 39% hardline in 2026F.

Ex 8: Sales Mix



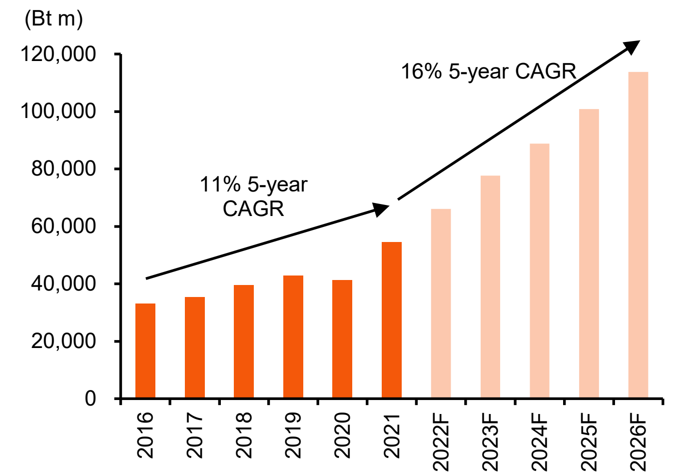
Sources: Company data, Thanachart estimates

Ex 9: A 10% Sales CAGR Over 2023-26F



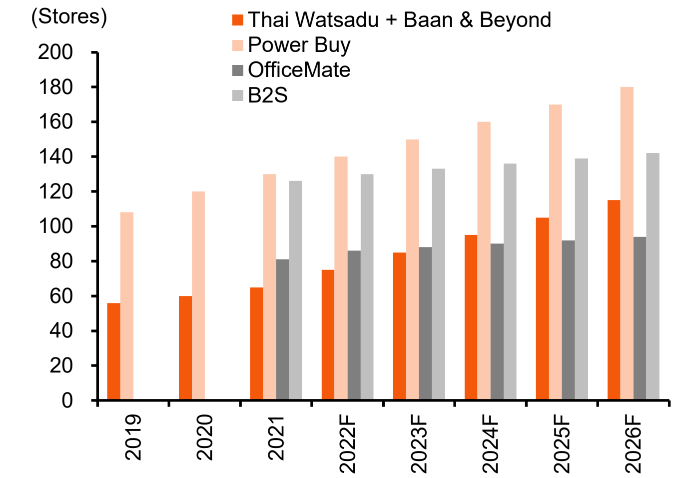
Sources: Company data, Thanachart estimates

Ex 10: Growing Hardline Sales In Thailand



Sources: Company data, Thanachart estimates

Ex 11: Hardline Stores In Thailand (Year End)



Sources: Company data, Thanachart estimates

Additional drivers

Recent COL acquisition further strengthens hardline segment

Apart from physical store expansion, CRC has additional growth drivers from revenue and cost synergies across various business segments, a more aggressive omni-channel sales network to reduce the threat from online competition to its traditional physical store business, and prospective M&As. The most recent M&A was the office supplies and equipment physical and online store COL Pcl, which was owned by the Central Group of companies. COL was taken over in February 2021 and it strengthened the hardline segment and contributed Bt9bn in revenues and Bt735m in profits last year. We expect it to contribute Bt854m/915m/951m in profits to CRC in 2022-24F. As the company is still eyeing new businesses given its 1x net D/E, below its 2x covenant, which allows for more M&As, we see future earnings upside potential. Exhibit 12 shows its M&As since listing.

More M&As possible given 1x net D/E

Fast-growing omni sales lessens e-commerce threat

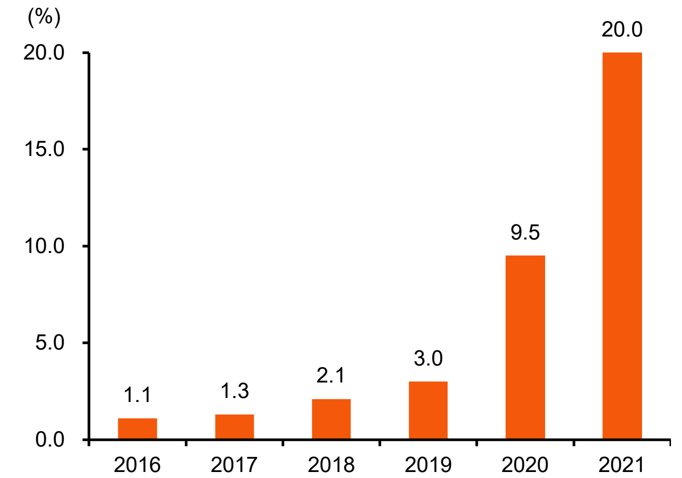
With the advantage of having an extensive physical retail network, CRC has become the leader in Thailand's omni-channel retailing with omni-channel sales jumping from a 3% sales mix in 2019 to 20% in 2021 on 500% sales growth over the past two years. The company plans to scale up its omni-channel network further to accelerate sales growth by adding more SKUs and covering all retail banners. We expect the omni-channel sales ratio to rise to 25% in 2024F.

Ex 12: CRC's M&As Since Listing

Company	Stake	Timing
Central FamilyMart Co Ltd	From 51% to 100%	May 2020
COL Pcl (OfficeMate, B2S)	99.7%	Feb 2021
	- COL has a 74.8% stake in Meb's E-Books	
Porto Worldwide Ltd	67%	Dec 2021
	- Porto has a 40% stake in GrabTaxi Holdings (Thailand) Co Ltd	
Before listing		
Nguyen Kim electronics stores	From 49% to 100%	Jun 2019
Robinson Department Store Pcl	From 53.8% to 98.4%	Share swap at listing

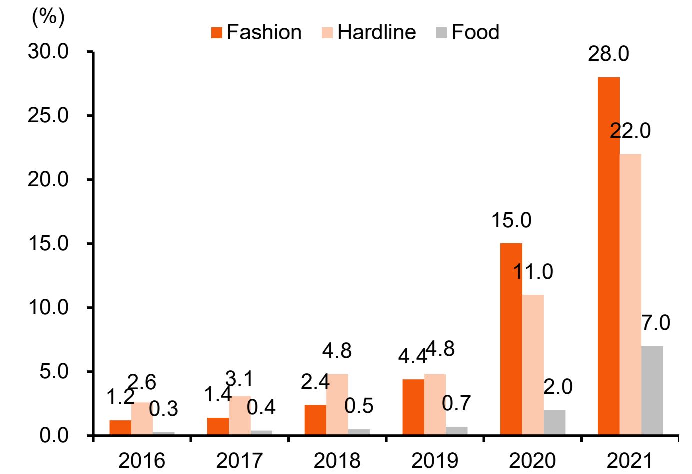
Sources: Company data, Thanachart compilation

Ex 13: A Swift Rise In Omni-Channel Sales Mix



Source: Company data

Ex 14: Omni-Channel Sales Mix By Segment



Source: Company data

Traditional fashion business plans

With no lockdown, we expect a strong sales turnaround for fashion in 2022-23F

Fashion was the hardest hit of CRC's segments with sales dropping by 33% from 2019 to Bt42.8bn in 2021. Contributions are mostly from 83 department stores (25 Central, 49 Robinson, 9 Rinascente outlets in Italy) and 378 brand shops under CMG's portfolio of 53 international brands in apparel, beauty and accessories, ie, Guess, Casio Watch, Polo Ralph Lauren, Calvin Klein Jeans, Clarins, Aesop, Dyson, Garmin. With no further lockdown impact on department stores, we project fashion sales growth of 29% this year to Bt55bn and 16% next year to Bt64bn, recovering to the 2019 level.

But a 5% sales CAGR projected for 2023-26F

The e-commerce threat has shifted the sales channel to online. The omni-channel sales mix of the fashion segment grew from 4.4% in 2019 to 28.0% last year. Also, given the spread of COVID and weak consumption, the company opened only one new Robinson department store during 2020-21 while the number of brand shops declined from 421 in 2019 to 378 in 2021. We estimate a 5% three-year fashion sales CAGR in 2023-26F based on an expansion plan of two to three new department stores/year and 20-30 brand shops/year.

Ex 15: Fashion Segment Key Data

	2019	2020	2021
Fashion sales (Bt m)	64,280	46,222	42,810
Fashion EBITDA (Bt m)	15,458	7,011	7,080
Fashion omni-channel sales mix (%)	4.4	15.0	28.0
Fashion SSSG (%)	(3)	(34)	(5)
Total number of stores	**601**	**597**	**559**
- Department stores	82	82	83
- Brand shops	421	413	378
- Others	98	102	98

Source: Company data

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div. yield 22F (%)	Div. yield 23F (%)
Marks & Spencer	MKS LN	Britain	na	(14.0)	6.8	7.9	1.1	1.1	5.0	5.2	0.0	0.6
J Sainsbury PLC	SBRY LN	Britain	109.1	(0.4)	9.7	9.8	0.7	0.7	5.0	5.0	6.5	5.4
Tesco	TSCO LN	Britain	110.8	1.4	11.5	11.4	1.5	1.4	6.9	6.9	3.3	4.3
Carrefour SA	CA FP	France	20.2	14.1	11.1	9.7	1.3	1.2	5.9	5.5	2.9	3.3
Casino Guichard	CO FP	France	36.8	22.6	8.8	7.1	0.7	0.7	6.6	6.4	3.9	1.2
L'Oreal SA	OR FP	France	14.8	9.0	37.1	34.0	7.7	7.0	23.5	21.8	1.2	1.4
Alimentation Couche	ATD/B CN	Canada	6.7	2.2	na	na	na	na	10.6	10.9	na	na
Aeon	8267 JP	Japan	na	145.1	191.9	78.3	2.4	2.4	9.1	8.3	1.4	1.4
Kao Corporation	4452 JP	Japan	(1.2)	11.6	20.0	17.9	2.4	2.3	9.5	8.8	2.9	2.9
Lion Corporation	4912 JP	Japan	(6.6)	0.8	19.3	19.2	1.5	1.4	7.4	6.9	1.8	1.8
Shiseido Co. Ltd	4911 JP	Japan	33.8	59.7	54.0	33.8	4.6	4.2	18.7	13.9	0.8	1.5
Lawson	2651 JP	Japan	106.7	22.8	24.8	20.2	1.7	1.6	3.7	3.5	3.3	3.3
Seven & I Holdings	3382 JP	Japan	36.3	30.2	23.7	18.2	1.8	1.7	9.2	7.9	1.7	1.8
Lotte Corp	004990 KS	South Korea	17.7	29.1	9.5	7.4	0.4	0.4	12.7	12.7	3.3	3.7
Shinsegae	004170 KS	South Korea	12.3	16.0	7.8	6.7	0.7	0.6	7.4	6.9	0.7	0.8
Amore Pacific Group	002790 KS	South Korea	(22.0)	23.4	23.5	19.0	1.3	1.3	6.4	5.4	1.0	0.9
Best Buy Co Inc	BBY US	USA	(9.7)	17.2	10.4	8.9	7.5	7.0	5.4	4.9	2.3	3.0
Wal-Mart Stores	WMT US	USA	6.0	7.4	22.2	20.7	4.7	4.2	11.9	11.3	1.4	1.4
Home Depot Inc	HD US	USA	5.1	5.9	18.7	17.7	na	na	13.5	13.1	2.0	2.2
Yonghui Superstores	601933 CH	China	na	82.5	73.5	40.3	2.5	2.3	24.7	18.0	1.2	0.6
Sa International	178 HK	Hong Kong	na	na	na	32.9	4.2	3.9	na	19.3	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	40.8	38.4	21.7	15.7	3.2	2.9	10.0	8.6	3.0	3.8
President Chain Store	2912 TT	Taiwan	23.4	9.4	24.5	22.4	7.1	6.7	11.8	11.4	3.0	3.5
7-Eleven Malaysia	SEM MK	Malaysia	129.6	12.9	23.1	20.4	13.0	10.2	7.6	7.9	1.8	2.0
Berli Jucker *	BJC TB	Thailand	42.8	9.5	29.1	26.6	1.2	1.2	13.8	13.1	1.7	1.9
COM7 *	COM7 TB	Thailand	28.4	22.5	30.4	24.9	13.5	11.1	21.4	17.7	1.5	3.3
CP All *	CPALL TB	Thailand	121.5	43.0	34.6	24.2	5.3	4.7	15.4	13.0	1.4	2.1
Central Pattana *	CPN TB	Thailand	124.0	40.2	35.3	25.2	3.4	3.1	19.7	15.7	1.4	1.8
Central Retail Corp. *	CRC TB	Thailand	8,793.2	40.3	45.7	32.6	4.0	3.7	11.0	9.9	0.9	1.2
Siam Global House *	GLOBAL TB	Thailand	15.9	21.4	27.6	22.7	4.8	4.2	21.8	18.0	1.5	1.8
Home Product*	HMPRO TB	Thailand	21.1	20.0	32.3	27.0	9.0	8.2	18.2	15.8	2.5	3.0
Siam Makro *	MAKRO TB	Thailand	16.1	38.6	30.8	22.2	1.4	1.4	37.2	33.1	2.6	3.6
Mc Group *	MC TB**	Thailand	9.6	25.0	14.6	11.7	2.0	1.9	5.2	4.5	6.9	8.6
Average			**37.5**	**25.2**	**30.1**	**21.8**	**3.8**	**3.4**	**12.4**	**11.2**	**2.2**	**2.4**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

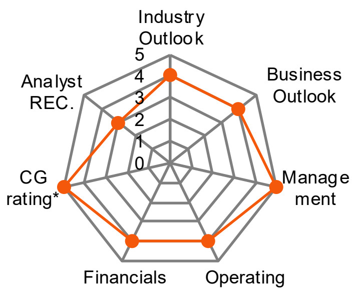
Based on 5 April 2022 closing price

COMPANY DESCRIPTION

Central Retail Corporation Pcl (CRC) is Thailand's leading retailer under Central Group's Chirathivat family. It operates multi-retail businesses (fashion, hardline, food) in eight retail formats (department stores, specialty stores, brand shops, supermarkets, hypermarkets, convenience stores, retail plazas, sales counters) in three countries (Thailand, Vietnam, Italy). As of end-2021, it was running 2,180 retail stores in three countries with a net selling area of 3.2m sqm and net leasable area of 0.66m sqm.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Leader in retail market in Thailand with multiple retail formats.
- Accelerating omni-channel platform in response to new consumption trends.
- Strong market position in each retail segment.

W — Weakness

- Low returns on some businesses with model adjustments needed.
- Highly capital-intensive business and high operating expenses.

O — Opportunity

- Room to open more Thai Watsadu stores in the growing home-improvement sector.
- Strong growth opportunities in Vietnam from robust economic growth and low modern-trade penetration.
- More M&As.

T — Threat

- Competition from new entrants.
- Weak Thai economy.
- Pandemic.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	42.43	38.00	-10%
Net profit 22F (Bt m)	5,418	5,280	-3%
Net profit 23F (Bt m)	7,848	7,408	-6%
Consensus REC	**BUY: 18**	**HOLD: 2**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profits are 3-6% below the Bloomberg consensus estimates, likely due to us having lower gross margin assumptions on the back of a falling fashion sales mix and higher omni-channel sales.
- Our DCF-based TP is therefore 10% lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- There would be downside risk to our earnings forecasts if CRC were to fail to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors become more aggressive in store expansion than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.
- A faster-than-expected economic recovery is the key upside risk to our call.

Source: Thanachart

EBITDA hit by COVID and lockdowns in 2020-21

We expect a full earnings recovery in 2023F

Well-controlled debt with net gearing at around 1x despite continuing M&A

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	179,947	181,791	212,535	246,820	276,990
Cost of sales	134,948	135,847	155,278	178,855	200,187
Gross profit	**44,999**	**45,944**	**57,256**	**67,964**	**76,803**
% gross margin	25.0%	25.3%	26.9%	27.5%	27.7%
Selling & administration expenses	57,088	57,068	62,804	72,639	80,879
Operating profit	**1,973**	**2,518**	**9,350**	**11,831**	**14,139**
% operating margin	1.1%	1.4%	4.4%	4.8%	5.1%
Depreciation & amortization	16,558	17,041	17,538	18,398	19,156
EBITDA	**18,531**	**19,559**	**26,889**	**30,229**	**33,296**
% EBITDA margin	10.3%	10.8%	12.7%	12.2%	12.0%
Non-operating income	14,364	13,863	15,096	16,709	18,429
Non-operating expenses	0	0	0	0	0
Interest expense	(2,950)	(3,113)	(3,118)	(2,970)	(2,999)
Pre-tax profit	**(675)**	**(374)**	**6,431**	**9,065**	**11,354**
Income tax	(884)	(372)	1,286	1,813	2,271
After-tax profit	**209**	**(2)**	**5,145**	**7,252**	**9,084**
% net margin	0.1%	0.0%	2.4%	2.9%	3.3%
Shares in affiliates' Earnings	132	279	300	347	388
Minority interests	(295)	(217)	(165)	(191)	(213)
Extraordinary items	0	0	0	0	0
NET PROFIT	**46**	**59**	**5,280**	**7,408**	**9,258**
Normalized profit	**46**	**59**	**5,280**	**7,408**	**9,258**
EPS (Bt)	0.0	0.0	0.9	1.2	1.5
Normalized EPS (Bt)	0.0	0.0	0.9	1.2	1.5

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	67,177	69,918	77,791	88,401	97,552
Cash & cash equivalent	17,742	18,088	18,181	19,204	20,040
Account receivables	4,570	4,860	5,823	8,115	9,107
Inventories	34,296	36,516	41,691	47,041	52,652
Others	10,570	10,455	12,096	14,041	15,753
Investments & loans	2,634	5,559	5,559	5,559	5,559
Net fixed assets	41,654	43,359	53,072	60,152	64,551
Other assets	127,715	144,392	127,047	122,576	114,358
Total assets	**239,180**	**263,228**	**263,470**	**276,689**	**282,019**
LIABILITIES:					
Current liabilities:	89,049	111,662	104,979	116,094	121,578
Account payables	31,569	35,632	38,288	44,101	49,361
Bank overdraft & ST loans	31,625	36,905	35,813	38,453	37,372
Current LT debt	2,763	13,418	3,581	3,845	3,737
Others current liabilities	23,091	25,707	27,297	29,694	31,107
Total LT debt	**29,492**	**28,517**	**32,232**	**34,608**	**33,635**
Others LT liabilities	64,924	63,968	63,694	58,361	53,041
Total liabilities	**183,465**	**204,147**	**200,905**	**209,063**	**208,254**
Minority interest	2,321	2,693	2,858	3,048	3,262
Preferreds shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,885	66,885	66,885	66,885	66,885
Warrants	0	0	0	0	0
Surplus	(30,299)	(24,951)	(24,951)	(24,951)	(24,951)
Retained earnings	**10,777**	**8,424**	**11,743**	**16,613**	**22,538**
Shareholders' equity	53,394	56,388	59,708	64,578	70,503
Liabilities & equity	**239,180**	**263,228**	**263,470**	**276,689**	**282,019**

Sources: Company data, Thanachart estimates

Positive FCF resumed in 2021

32.6x 2023F PE looks expensive vs. peers'

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(675)	(374)	6,431	9,065	11,354
Tax paid	108	694	(1,398)	(1,650)	(2,271)
Depreciation & amortization	16,558	17,041	17,538	18,398	19,156
Chg In working capital	(2,578)	1,552	(3,482)	(1,828)	(1,343)
Chg In other CA & CL / minorities	(14,761)	3,913	(782)	(354)	(660)
Cash flow from operations	**(1,349)**	**22,826**	**18,307**	**23,631**	**26,237**
Capex	(16,350)	(18,745)	(18,000)	(16,577)	(15,000)
Right of use	(67,029)	1,691	85	4	4
ST loans & investments	(4)	(98)	102	0	0
LT loans & investments	(1,443)	(2,926)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	60,750	(20,297)	8,774	(8,777)	(4,911)
Cash flow from investments	**(24,076)**	**(40,375)**	**(9,039)**	**(25,350)**	**(19,907)**
Debt financing	2,953	14,960	(7,214)	5,280	(2,161)
Capital increase	55,177	0	0	0	0
Dividends paid	(12,187)	(2,412)	(1,961)	(2,538)	(3,333)
Warrants & other surplus	(14,452)	5,348	0	0	0
Cash flow from financing	**31,491**	**17,895**	**(9,174)**	**2,742**	**(5,494)**
Free cash flow	**(17,699)**	**4,080**	**307**	**7,054**	**11,237**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	5,057.1	4,063.3	45.7	32.6	26.1
Normalized PE - at target price (x)	4,804.2	3,860.2	43.4	30.9	24.8
PE (x)	5,057.1	4,063.3	45.7	32.6	26.1
PE - at target price (x)	4,804.2	3,860.2	43.4	30.9	24.8
EV/EBITDA (x)	15.1	15.4	11.0	9.9	8.9
EV/EBITDA - at target price (x)	14.5	14.8	10.5	9.5	8.5
P/BV (x)	4.5	4.3	4.0	3.7	3.4
P/BV - at target price (x)	4.3	4.1	3.8	3.5	3.3
P/CFO (x)	(173.4)	10.6	13.2	10.2	9.2
Price/sales (x)	1.3	1.3	1.1	1.0	0.9
Dividend yield (%)	1.0	0.8	0.9	1.2	1.5
FCF Yield (%)	(7.6)	1.7	0.1	2.9	4.7
(Bt)					
Normalized EPS	0.0	0.0	0.9	1.2	1.5
EPS	0.0	0.0	0.9	1.2	1.5
DPS	0.4	0.3	0.4	0.5	0.6
BV/share	8.9	9.3	9.9	10.7	11.7
CFO/share	(0.2)	3.8	3.0	3.9	4.4
FCF/share	(3.0)	0.7	0.1	1.2	1.9

Sources: Company data, Thanachart estimates

Net margin looks to be on the way up

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(11.8)	1.0	16.9	16.1	12.2
Net profit (%)	(99.6)	28.3	8,793.2	40.3	25.0
EPS (%)	(99.7)	24.5	8,793.2	40.3	25.0
Normalized profit (%)	(99.4)	28.3	8,793.2	40.3	25.0
Normalized EPS (%)	(99.5)	24.5	8,793.2	40.3	25.0
Dividend payout ratio (%)	5,214.2	3,047.5	40.0	40.0	40.0
Operating performance					
Gross margin (%)	25.0	25.3	26.9	27.5	27.7
Operating margin (%)	1.1	1.4	4.4	4.8	5.1
EBITDA margin (%)	10.3	10.8	12.7	12.2	12.0
Net margin (%)	0.1	(0.0)	2.4	2.9	3.3
D/E (incl. minor) (x)	1.1	1.3	1.1	1.1	1.0
Net D/E (incl. minor) (x)	0.8	1.0	0.9	0.9	0.7
Interest coverage - EBIT (x)	0.7	0.8	3.0	4.0	4.7
Interest coverage - EBITDA (x)	6.3	6.3	8.6	10.2	11.1
ROA - using norm profit (%)	0.0	0.0	2.0	2.7	3.3
ROE - using norm profit (%)	0.1	0.1	9.1	11.9	13.1
DuPont					
ROE - using after tax profit (%)	0.5	na	8.9	11.7	12.9
- asset turnover (x)	0.9	0.7	0.8	0.9	1.0
- operating margin (%)	na	na	4.5	4.9	5.2
- leverage (x)	5.4	4.6	4.5	4.3	4.0
- interest burden (%)	(29.7)	(13.7)	67.3	75.3	79.1
- tax burden (%)	na	na	80.0	80.0	80.0
WACC (%)	7.5	7.5	7.5	7.5	7.5
ROIC (%)	2.7	2.5	6.4	8.4	9.3
NOPAT (Bt m)	1,973	2,518	7,480	9,465	11,311
invested capital (Bt m)	99,532	117,140	113,153	122,280	125,208

Sources: Company data, Thanachart estimates

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