Home Product Center (HMPRO TB) - BUY, Price Bt15.1, TP Bt19.0

Results Comment

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In-line 1Q22 results

- HMPRO disclosed 1Q22 net profit of Bt1,511m, an increase of 11% y-y, in line with us at 23% of our full-year profit but 4% below consensus estimates.
- Key drivers were 1) sales revenues growth of 5% y-y to Bt15,761m on a 3% SSSG, 2) gross margin on sales improving by 26bp y-y to 25.99% (private label sales mix rose to 20.4%, from 19.5% in 1Q21 and 4Q21), 3) rental income growth of 27% y-y and 8% q-q to Bt411m.
- However, SG&A/sales increased to 17.75% from 17.47% in 1Q21 on higher employees' salaries and welfare related to COVID ie regular ATK testings, rising utilities expense, an increase of property tax of Bt20-30m/quarter starting this year and rental expense paid for Homepro Electric Expo event held from 11-20 March.
- Rental income growth of 27% y-y was mainly from a one-time Bt30-40m rental income collected from vendors joining Electric Expo, Bt10m rental revenue from new Bangna Km 1 branch opened in 4Q21, and recovering rent from three branches those were temporarily closed for some period in 1Q21. Rent discounts overall were still 10%, same as in 1Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	15,377	16,457	13,387	16,570	16,172
Gross profit	**4,035**	**4,212**	**3,391**	**4,619**	**4,352**
SG&A	2,686	2,859	2,560	3,220	2,870
Operating profit	1,804	1,850	1,221	2,190	1,983
EBITDA	**2,605**	**2,647**	**2,030**	**2,992**	**2,756**
Other income	458	499	391	794	503
Other expense	7	7	32	(23)	0
Interest expense	107	102	108	99	94
Profit before tax	**1,694**	**1,743**	**1,082**	**2,115**	**1,891**
Income tax	331	311	212	340	380
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**1,362**	**1,433**	**870**	**1,775**	**1,511**
Normalized profit	**1,362**	**1,433**	**870**	**1,775**	**1,511**
EPS (Bt)	0.10	0.11	0.07	0.13	0.11
Normalized EPS (Bt)	0.10	0.11	0.07	0.13	0.11

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	5	24	68,059	73,472
Gross profit	**(6)**	**8**	**24**	**18,394**	**20,192**
SG&A	(11)	7	24	11,997	12,394
Operating profit	(9)	10	23	8,502	10,106
EBITDA	**(8)**	**6**	**23**	**12,122**	**13,934**
Other income	(37)	10	24	2,104	2,308
Other expense			na	0	0
Interest expense	(6)	(12)	25	370	351
Profit before tax	**(11)**	**12**	**23**	**8,131**	**9,756**
Income tax	12	15	25	1,545	1,854
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**(15)**	**11**	**23**	**6,586**	**7,902**
Normalized profit	**(15)**	**11**	**23**	**6,586**	**7,902**
EPS (Bt)	(15)	11	23	0.50	0.60
Normalized EPS (Bt)	(15)	11	23	0.50	0.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	5,479	3,200	2,263	4,546	4,686
A/C receivable	1,319	1,409	1,192	1,675	1,333
Inventory	11,613	11,684	11,780	12,572	12,875
Other current assets	447	427	372	127	152
Investment	3,865	3,797	3,737	3,675	3,649
Fixed assets	28,284	28,010	27,768	27,584	27,388
Other assets	7,561	8,053	7,979	8,407	8,515
Total assets	**58,567**	**56,581**	**55,092**	**58,586**	**58,597**
S-T debt	3,818	2,790	4,298	4,414	6,522
A/C payable	13,651	13,574	11,714	13,973	13,086
Other current liabilities	2,296	2,070	1,662	2,124	2,285
L-T debt	10,007	10,045	10,083	8,943	5,968
Other liabilities	5,846	6,349	6,285	6,242	6,333
Minority interest	0	0	0	0	0
Shareholders' equity	**22,949**	**21,754**	**21,049**	**22,890**	**24,404**
Working capital	(720)	(480)	1,258	274	1,122
Total debt	13,825	12,834	14,382	13,358	12,490
Net debt	**8,346**	**9,634**	**12,118**	**8,812**	**7,804**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	3.0	17.2	(13.9)	7.9	5.2
Operating profit growth	7.9	46.3	(32.6)	15.8	9.9
EBITDA growth	4.8	28.1	(21.6)	11.6	5.8
Norm profit growth	7.6	52.0	(37.9)	14.9	10.9
Norm EPS growth	7.6	52.0	(37.9)	14.9	10.9
Gross margin	26.2	25.6	25.3	27.9	26.9
Operating margin	11.7	11.2	9.1	13.2	12.3
EBITDA margin	16.9	16.1	15.2	18.1	17.0
Norm net margin	8.9	8.7	6.5	10.7	9.3
D/E (x)	0.6	0.6	0.7	0.6	0.5
Net D/E (x)	0.4	0.4	0.6	0.4	0.3
Interest coverage (x)	24.4	26.0	18.9	30.1	29.4
Interest rate	3.1	3.1	3.2	2.9	2.9
Effective tax rate	19.5	17.8	19.6	16.1	20.1
ROA	10.2	10.6	7.0	13.2	10.9
ROE	24.5	25.6	16.3	32.3	25.6

Sources: Company data, Thanachart estimates

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