MC GROUP Pcl (MC TB) - BUY

Earnings Preview

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3QFY22F earnings preview

- **We forecast 3QFY22F profit of Bt106m, a 14% y-y growth…**
- **…backed by higher gross margin and cost savings.**
- **Strong 4QFY22F expected, maintain our FY22F profit.**
- **BUY for cheap PE, high yield and a 25% FY23F EPS growth.**

- We forecast MC's 3QFY22F (Jan-Mar) net profit of Bt106m, an increase of 14% y-y and a decrease of 54% q-q on high season in Oct-Dec. The y-y performance is expected to be driven by improving gross margin and a good cost control.
- With a wider spread of Omicron and the termination of the shopping tax incentives, Shop Dee Mee Kuen, in mid of Feb, we estimate MC's SSSG turning negative in February and March and ending the quarter with -6% SSSG. So its 3QFY22F sales are projected to fall by 5% y-y and 26% q-q to Bt737m. By store locations, upcountry stores have a better recovery in foot traffic to 70-80% of pre-COVID vs 60-70% for Bangkok stores. MC outlets have performed well and it opened four new MC Outlets in 3QFY22, increasing from five at end 2QFY22.
- As it continued the lower price discount strategy initiated since last quarter, gross margin is expected to maintain a high level q-q at 65% and grow y-y from 60.7% in 3QFY21. Cost savings also continued, we therefore project SG&A declining by 4% y-y and 6% q-q.
- Looking into 4QFY22F, we foresee a strong profit of Bt128m, a 20% growth q-q and a big jump y-y from Bt18m profit in 4QFY21 when COVID caused softening consumption in Apr-Jun last year. SSSG started to recover in late March when MC held MC Fair Factory Sale and has turned positive in April MTD. Gross margin is expected to maintain at 65%, a big leap from 54.5% in 4QFY21.
- We reaffirm BUY rating on MC to Bt13 TP for its cheap 14.7/11.7x PE in FY22-23F, a high dividend yield of 6.8/8.5% in FY22-23F and a strong 25% EPS growth in FY23F assuming no more temporary store closure from lockdown policy. Note that in FY22F, we forecast a 10% EPS growth despite a lockdown impact in 1QFY22.

Key Valuations

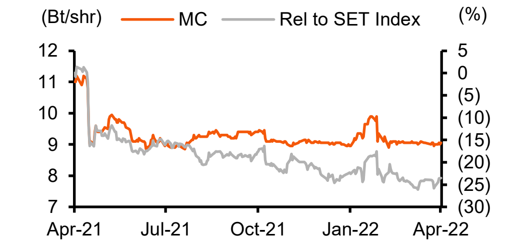
Y/E Jun (Bt m)	2021A	2022F	2023F	2024F
Revenue	3,220	2,928	3,587	3,857
Net profit	446	488	610	708
Norm net profit	446	488	610	708
Norm EPS (Bt)	0.6	0.6	0.8	0.9
Norm EPS gr (%)	0.4	9.6	25.0	16.0
Norm PE (x)	16.1	14.7	11.7	10.1
EV/EBITDA (x)	5.8	5.2	4.5	4.1
P/BV (x)	2.0	2.0	2.0	1.9
Div. yield (%)	6.1	6.8	8.5	9.9
ROE (%)	12.4	13.6	16.8	19.2
Net D/E (%)	(51.7)	(58.4)	(58.3)	(58.4)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	9.05
Target price (Bt)	13.00
Market cap (US$ m)	208
Avg daily turnover (US$ m)	0.2
12M H/L price (Bt)	11.20/8.85

Price Performance



Source: Bloomberg

Ex 1: 3QFY22F Earnings Preview

Yr-end Jun (Bt m)	Income Statement					Change	
	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22F	*(q-q%)*	*(y-y%)*
Revenue	776	531	438	995	737	*(26)*	*(5)*
Gross profit	**471**	**289**	**269**	**648**	**479**	***(26)***	***2***
SG&A	361	290	243	370	347	*(6)*	*(4)*
Operating profit	110	(1)	26	277	133	*(52)*	*21*
EBITDA	**194**	**96**	**124**	**371**	**229**	***(38)***	***18***
Other income	5	8	5	11	6	*(44)*	*11*
Other expense	0	0	0	0	0		
Interest expense	9	7	5	5	6	*28*	*(31)*
Profit before tax	**107**	**1**	**26**	**284**	**133**	***(53)***	***24***
Income tax	19	(15)	2	53	27	*(50)*	*42*
Equity & invest. income	6	0	(1)	1	1	*52*	*(83)*
Minority interests	(1)	2	0	(0)	(1)	*na*	*na*
Extraordinary items	0	0	0	0	0		
Net profit	**93**	**18**	**24**	**231**	**106**	***(54)***	***14***
Normalized profit	**93**	**18**	**24**	**231**	**106**	***(54)***	***14***

Sources: Company data, Thanachart estimates

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