CP All Pcl (CPALL TB) - BUY, Price Bt63.50, TP Bt75.00

Results Comment

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Improving 1Q22, but 10% miss

- CPALL reported a good earnings recovery with 1Q22 normalized profit of Bt3,502m, up 38% y-y and 25% q-q, driven by improving performance of 7-Eleven CVS. However, profit came in 10% below consensus. A miss was from its 59.92% MAKRO with a 22% earnings miss on higher SG&A from both wholesale and retail businesses.
- With falling stake in MAKRO from 93.08% in 1Q21 to 59.92% in 1Q22, MAKRO, despite owning 100% in Lotus Thailand and Malaysia, contributed lower profit to CPALL of Bt1,229m (36% to CPALL's profit) from Bt1,614m in 1Q21.
- 7-Eleven CVS business recovered nicely with company's only net profit of Bt2,026m, up 114% y-y from Bt947m in 1Q21.
- Strong CVS operations were from 1) sales growth of 15% from a 13% SSSG (traffic/store/day increased by 3% y-y to 871 persons on improved consumption and people fear less of going out and spending/ticket rose by 9% y-y to Bt84), 2) new 7-Eleven branch openings of 666 branches from 1Q21 to 13,253 stores as of 1Q22, or 5% increase, 3) company's only SG&A/sales fell to 27.0% from 28.4% in 1Q21 on larger sales.
- Nonetheless, total product margin fell by 20bp y-y to 26.1%. Food margin contracted by 30bp y-y to 26.0% on rising mix of lower-margin food products while non-food margin rose by 30bp y-y to 26.4%. Food sales mix grew to 73.9%, from 72.8% in 1Q21.
- 1Q22 profit accounted for 19% of our full-year forecast. We see around 10-15% downside to our 2022F profit. We maintain BUY for a good recovery in 7-Eleven business.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	133,339	137,370	130,298	184,737	199,662
Gross profit	**32,070**	**33,287**	**31,274**	**44,274**	**47,075**
SG&A	26,217	27,438	26,602	36,610	38,295
Operating profit	5,852	5,849	4,672	7,664	8,780
EBITDA	**11,034**	**11,147**	**9,995**	**22,113**	**16,916**
Other income	33	22	22	52	69
Other expense	0	0	0	0	0
Interest expense	2,901	3,529	2,600	3,613	3,825
Profit before tax	**2,984**	**2,341**	**2,095**	**4,103**	**5,025**
Income tax	370	234	253	836	946
Equity & invest. income	36	(129)	(282)	149	224
Minority interests	(110)	(72)	(91)	(625)	(801)
Extraordinary items	59	284	24	3,913	(49)
Net profit	**2,599**	**2,190**	**1,493**	**6,704**	**3,453**
Normalized profit	**2,540**	**1,906**	**1,469**	**2,791**	**3,502**
EPS (Bt)	0.26	0.22	0.14	0.72	0.36
Normalized EPS (Bt)	0.25	0.18	0.14	0.28	0.36

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	8	50	33	613,332	679,522
Gross profit	**6**	**47**	**31**	**151,167**	**169,631**
SG&A	5	46	32	121,005	133,357
Operating profit	15	50	29	30,162	36,274
EBITDA	**(24)**	**53**	**32**	**52,871**	**60,566**
Other income	32	111	14	479	263
Other expense			na	-	-
Interest expense	6	32	46	8,259	7,550
Profit before tax	**22**	**68**	**22**	**22,382**	**28,988**
Income tax	13	156	23	4,029	5,218
Equity & invest. income	51	528	3	6,692	11,312
Minority interests	na	na	11	(6,984)	(9,680)
Extraordinary items	na	na	na	-	-
Net profit	**(48)**	**33**	**19**	**18,061**	**25,402**
Normalized profit	**25**	**38**	**19**	**18,061**	**25,402**
EPS (Bt)	(50)	36	19	1.90	2.72
Normalized EPS (Bt)	28	42	19	1.90	2.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	36,541	31,038	26,369	97,134	88,449
A/C receivable	1,685	1,607	2,100	3,341	2,546
Inventory	30,804	30,355	31,385	50,535	51,007
Other current assets	7,792	7,587	8,722	14,764	13,581
Investment	85,781	85,683	85,476	14,015	14,139
Fixed assets	120,566	121,014	121,926	211,533	210,590
Other assets	235,748	235,803	236,685	540,571	540,568
Total assets	**518,917**	**513,087**	**512,662**	**931,893**	**920,880**
S-T debt	23,204	24,185	22,825	62,057	64,726
A/C payable	67,037	65,885	63,100	106,863	100,287
Other current liabilities	25,288	23,627	24,840	45,968	42,295
L-T debt	222,522	224,675	224,758	311,679	304,153
Other liabilities	66,257	66,029	66,297	112,518	112,814
Minority interest	14,966	14,843	14,829	188,673	189,341
Shareholders' equity	**99,643**	**93,844**	**96,012**	**104,134**	**107,265**
Working capital	(34,548)	(33,923)	(29,615)	(52,988)	(46,734)
Total debt	245,726	248,859	247,583	373,737	368,878
Net debt	**209,185**	**217,822**	**221,214**	**276,603**	**280,429**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(8.5)	7.3	(3.8)	34.8	49.7
Operating profit growth	(32.4)	10.0	(30.6)	13.3	50.0
EBITDA growth	(17.9)	8.9	(14.7)	84.9	53.3
Norm profit growth	(54.6)	(34.0)	(63.1)	(18.2)	37.9
Norm EPS growth	(57.1)	(37.3)	(67.4)	(19.6)	42.0
Gross margin	24.1	24.2	24.0	24.0	23.6
Operating margin	4.4	4.3	3.6	4.1	4.4
EBITDA margin	8.3	8.1	7.7	12.0	8.5
Norm net margin	1.9	1.4	1.1	1.5	1.8
D/E (x)	2.5	2.7	2.6	3.6	3.4
Net D/E (x)	2.1	2.3	2.3	2.7	2.6
Interest coverage (x)	3.8	3.2	3.8	6.1	4.4
Interest rate	4.8	5.7	4.2	4.7	4.1
Effective tax rate	12.4	10.0	12.1	20.4	18.8
ROA	4.3	4.3	3.2	3.9	3.5
ROE	10.3	7.9	6.2	11.2	13.3

Sources: Company data, Thanachart estimates

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