Central Retail Corp. Pcl (CRC TB) - HOLD

Earnings Preview

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1Q22F preview

- **Earnings recovery continues in 1Q22F with Bt1.28bn profit.**
- **But Omicron caused softer momentum q-q.**
- **1Q22F is on track at low-range of its full-year guidance.**
- **Maintain HOLD for premium valuation vs peers**

- Due to no lockdown and store closure in 1Q22 and recovering sales of stores in tourist cities, we expect CRC to continue a strong earnings turnaround from 4Q21 into 1Q22F with net profit of Bt1,285m, up 220% y-y. Key drivers are expected to be a 12% SSSG (we estimate a 22% SSSG for fashion segment, 7% for hardline segment, 5% for food segment) which boosts merchandise sales growth of 15% y-y to Bt50.3bn and gross margin on sales improving by 80bp y-y to 23.6% on our forecast for higher fashion sales mix (highest gross margin among all segments) given its strongest SSSG as fashion has been hit the most during COVID in the past two years.
- By country, Italy is projected to deliver the best SSSG of over 50% y-y due to lockdown situation in 1Q21, followed by low-teen SSSG for Vietnam and mid-single-digit growth for Thailand.
- However, comparing to pre COVID, a 12% SSSG in 1Q22F implies SSS of 18% below pre COVID in 1Q19. This is because fashion and food businesses haven't recovered back. Comparing to 4Q21 where SSS was 13% lower than pre COVID, this indicates a softer sales momentum q-q in 1Q22F owing to a wider spread of Omicron. Together with high spending in 4Q and seasonally high gross margin, we expect 1Q22F net profit falling by 46% q-q.
- 1Q22 is on track to recovery, but at a low range of the company's guidance for 2022 of a 15-20% merchandise sales growth (we project 15% for 1Q22F) and gross margin expansion of 100-120bp y-y (we project +80bp y-y for 1Q22F). April SSSG has improved to 20%, or 16% below pre COVID but in line with our full-year assumption.
- We maintain HOLD rating on CRC to Bt38 TP. A strong earnings recovery this year is within our and market expectation and its share price has fully reflected the turnaround at expensive PE of 45.1/32.2x in 2022-23F.

Key Valuations

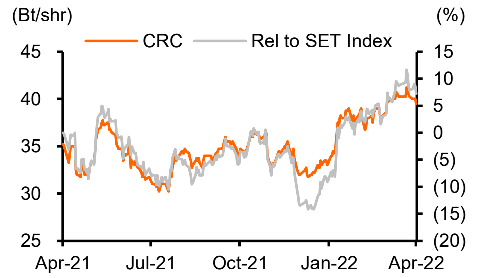
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	181,791	212,535	246,820	276,990
Net profit	59	5,280	7,408	9,258
Norm net profit	59	5,280	7,408	9,258
Norm EPS (Bt)	0.0	0.9	1.2	1.5
Norm EPS gr (%)	24.5	na	40.3	25.0
Norm PE (x)	4,012.6	45.1	32.2	25.7
EV/EBITDA (x)	15.3	10.8	9.8	8.8
P/BV (x)	4.2	4.0	3.7	3.4
Div. yield (%)	0.8	0.9	1.2	1.6
ROE (%)	0.1	9.1	11.9	13.7
Net D/E (%)	102.8	85.4	85.3	74.2

Source: Thanachart estimates

Stock Data

Closing price (Bt)	39.50
Target price (Bt)	38.00
Market cap (US$ m)	6,955
Avg daily turnover (US$ m)	12.6
12M H/L price (Bt)	41.25/30.25

Price Performance



Source: Bloomberg

Ex 1: 1Q22F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	1Q21	2Q21	3Q21	4Q21	1Q22F	*(q-q%)*	*(y-y%)*
Revenue	45,436	43,333	38,701	54,322	52,082	*(4)*	*15*
Gross profit	**11,224**	**10,825**	**9,291**	**14,605**	**13,199**	***(10)***	***18***
SG&A	13,655	13,840	13,854	15,718	15,082	*(4)*	*10*
Operating profit	1,120	(40)	(1,817)	3,254	2,375	*(27)*	*112*
EBITDA	**5,275**	**3,988**	**2,494**	**7,802**	**6,883**	***(12)***	***30***
Other income	3,595	3,044	2,781	4,443	4,303	*(3)*	*20*
Other expense	0	0	0	0	0		
Interest expense	739	779	789	807	820	*2*	*11*
Profit before tax	**424**	**(750)**	**(2,571)**	**2,523**	**1,600**	***(37)***	***277***
Income tax	45	(291)	(339)	213	320	*50*	*606*
Equity & invest. income	80	33	12	154	100	*(35)*	*24*
Minority interests	(58)	(46)	(21)	(93)	(95)	*na*	*na*
Extraordinary items	0	0	0	0	0		
Net profit	**401**	**(471)**	**(2,241)**	**2,371**	**1,285**	***(46)***	***220***
Normalized profit	**401**	**(471)**	**(2,241)**	**2,371**	**1,285**	***(46)***	***220***

Sources: Company data, Thanachart estimates

Ex 2: Quarterly SSSG

SSSG (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22F
Fashion	(28)	(58)	(22)	(27)	(20)	29	(35)	17	22
Hardline	(3)	(29)	(8)	(11)	(4)	24	(18)	14	7
Food	3	(15)	(13)	(17)	(20)	(11)	(13)	(2)	5
Total SSSG (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(16)**	**10**	**(23)**	**9**	**12**
SSSG vs pre-COVID (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(27)**	**(30)**	**(35)**	**(13)**	**(18)**
Net profit (Bt m)	**743**	**(2,590)**	**837**	**1,056**	**401**	**(471)**	**(2,241)**	**2,371**	**1,285**

Sources: Company data, Thanachart estimates

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