Central Retail Corp. Pcl (CRC TB) - HOLD, Price Bt38.75, TP Bt38

Results Comment

Phannarai Tiyapittayarut | Email: phannarai.von@thanachartsec.co.th

Strong recovery in 1Q22 as expected

- CRC continued earnings turnaround momentum from 4Q21 with 1Q22 net profit of Bt1,204m, up 200% y-y but down 49% q-q on seasonality impact (higher sales and gross margin in 4Q). However, it missed our Bt1,285m estimates by 6% on falling gross margin on hardline segment.
- With no lockdown and store closure in Thailand, Vietnam and Italy, merchandise sales increased by 16% y-y to Bt50.7bn driven by an 11% SSSG (22% SSSG for fashion segment, 6% for hardline segment, 5% for food segment). Despite this, SSS was still 19% behind pre COVID in 1Q19. This is because fashion and food businesses haven't recovered back.
- Gross margin on sales expanded by 72bp y-y to 23.5%, missed our 80bp forecast for 1Q22 and below its full-year guidance of 100-120bp). This was because of declining hardline gross margin on falling gross margin on steel and imported private-brand products. Gross margin on fashion and food improved y-y.
- Rental and service income rose by 5% y-y to Bt1,763m, driven by 8% y-y growth in Thailand to Bt1,420m but a 7% drag y-y in Vietnam to Bt343m.
- 1Q22 net profit came in line at 23% pf our 2022F. We maintain our HOLD call as the stock has reflected strong earnings turnaround at expensive PE of 44.3/31.5x in 2022-23F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	45,436	43,333	38,701	54,322	52,457
Gross profit	**11,224**	**10,825**	**9,291**	**14,605**	**13,191**
SG&A	13,655	13,840	13,854	15,718	14,689
Operating profit	1,120	(40)	(1,817)	3,254	2,271
EBITDA	**5,275**	**3,988**	**2,494**	**7,802**	**6,438**
Other income	3,595	3,044	2,781	4,443	3,817
Other expense	0	0	0	0	0
Interest expense	739	779	789	807	775
Profit before tax	**424**	**(750)**	**(2,571)**	**2,523**	**1,545**
Income tax	45	(291)	(339)	213	355
Equity & invest. income	80	33	12	154	135
Minority interests	(58)	(46)	(21)	(93)	(121)
Extraordinary items	0	0	0	0	0
Net profit	**401**	**(471)**	**(2,241)**	**2,371**	**1,204**
Normalized profit	**401**	**(471)**	**(2,241)**	**2,371**	**1,204**
EPS (Bt)	0.07	(0.08)	(0.37)	0.39	0.20
Normalized EPS (Bt)	0.07	(0.08)	(0.37)	0.39	0.20

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(3)	15	25	212,535	246,820
Gross profit	**(10)**	**18**	**23**	**57,256**	**67,964**
SG&A	(7)	8	23	62,804	72,639
Operating profit	(30)	103	24	9,350	11,831
EBITDA	**(17)**	**22**	**24**	**26,889**	**30,229**
Other income	(14)	6	25	15,096	16,709
Other expense			na	0	0
Interest expense	(4)	5	25	3,118	2,970
Profit before tax	**(39)**	**264**	**24**	**6,431**	**9,065**
Income tax	67	684	28	1,286	1,813
Equity & invest. income	(12)	68	45	300	347
Minority interests	na	na	73	(165)	(191)
Extraordinary items			na	0	0
Net profit	**(49)**	**200**	**23**	**5,280**	**7,408**
Normalized profit	**(49)**	**200**	**23**	**5,280**	**7,408**
EPS (Bt)	(49)	200	23	0.88	1.23
Normalized EPS (Bt)	(49)	200	23	0.88	1.23

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	13,586	15,349	14,840	18,088	12,425
A/C receivable	4,057	3,821	4,045	4,860	4,759
Inventory	35,255	35,470	34,455	36,516	36,307
Other current assets	10,917	11,122	10,753	10,455	9,598
Investment	1,112	992	1,034	5,559	5,682
Fixed assets	57,170	57,744	59,412	43,359	43,720
Other assets	125,872	127,273	129,406	144,392	142,552
Total assets	**247,969**	**251,771**	**253,945**	**263,228**	**255,042**
S-T debt	45,374	46,265	41,294	49,050	51,639
A/C payable	24,478	27,480	25,477	36,905	32,000
Other current liabilities	26,056	22,451	23,325	25,707	23,360
L-T debt	29,315	34,502	41,039	28,517	24,734
Other liabilities	64,362	64,350	64,948	63,968	62,705
Minority interest	2,597	2,596	2,628	2,693	2,687
Shareholders' equity	**55,787**	**54,127**	**55,234**	**56,388**	**57,917**
Working capital	14,834	11,811	13,023	4,471	9,065
Total debt	74,689	80,767	82,333	77,567	76,373
Net debt	**61,104**	**65,418**	**67,493**	**59,479**	**63,948**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(10.2)	13.9	(12.0)	14.6	15.5
Operating profit growth	(33.6)	na	na	143.3	102.7
EBITDA growth	(9.1)	248.7	(58.4)	39.6	22.0
Norm profit growth	(46.0)	na	na	124.4	199.9
Norm EPS growth	(46.0)	na	na	124.4	199.9
Gross margin	24.7	25.0	24.0	26.9	25.1
Operating margin	2.5	(0.1)	(4.7)	6.0	4.3
EBITDA margin	11.6	9.2	6.4	14.4	12.3
Norm net margin	0.9	(1.1)	(5.8)	4.4	2.3
D/E (x)	1.3	1.4	1.4	1.3	1.3
Net D/E (x)	1.0	1.2	1.2	1.0	1.1
Interest coverage (x)	7.1	5.1	3.2	9.7	8.3
Interest rate	4.3	4.0	3.9	4.0	4.0
Effective tax rate	10.7	38.9	13.2	8.4	23.0
ROA	0.7	(0.8)	(3.5)	3.7	1.9
ROE	2.9	(3.4)	(16.4)	17.0	8.4

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 76 Derivative Warrants which are AMAT16C2206A, AOT16C2206A, AWC16C2207A, BAM16C2206A, BAM16C2207A, BANP16C2205A, BANP16C2207A, BCH16C2207A, BEC16C2207A, BGRI16C2205A, BLA16C2205A, BLA16C2208A, CBG16C2205A, CBG16C2207A, CHG16C2207A, COM716C2205A, COM716C2208A, COM716C2209A, CPF16C2205A, DOHO16C2207A, EA16C2205A, EA16C2206A, EA16C2207A, EA16C2209A, GPSC16C2205A, GPSC16C2206A, GPSC16C2207A, GPSC16C2209A, GULF16C2205A, GULF16C2207A, GUNK16C2205A, GUNK16C2206A, GUNK16C2207A, GUNK16C2209A, HANA16C2205A, HANA16C2207A, HANA16C2209A, INTU16C2205A, IRPC16C2205A, IVL16C2206A, JMAR16C2205A, JMAR16C2206A, JMT16C2205A, JMT16C2207A, KBAN16C2206A, KBAN16C2208A, KBAN16C2209A, KCE16C2205A, KCE16C2205B, KCE16C2208A, KCE16C2209A, MEGA16C2207A, MINT16C2207A, OR16C2205A, PTG16C2209A, PTT16C2205A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2205A, RCL16C2208A, RS16C2205A, S5016C2206A, S5016C2209A, S5016P2206A, S5016P2206B, S5016P2209A, SAWA16C2205A, SCB16C2208A, SPRC16C2209A, SYNE16C2206A, TOP16C2206A, TRUE16C2205A, TRUE16C2205B, TTA16C2207A, TTA16C2208A (underlying securities are AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPF, DOHOME, EA, GPSC, GULF, GUNKUL, HANA, INTUCH, IRPC, IVL, JMART, JMT, KBANK, KCE, MEGA, MINT, OR, PTG, PTT, PTTEP, PTTGC, RBF, RCL, RS, SET50, SAWAD, SCB, SPRC, SYNEX, TOP, TRUE, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)