MK Restaurant Group Pcl (M TB) - BUY, Price Bt51.75, TP Bt67.00

Results Comment

Pattadol Bunnak | Email: pattadol.bun@thanachartsec.co.th

Slightly-weaker-than-expected 1Q22

- M's earnings came in at Bt271m, increased 205% from the COVID-led low base in 1Q21 but fell 32% q-q on seasonal impact. Earnings were slightly weaker than expected on SG&A level.
- Revenues increased 12% y-y but fell 2% q-q. Earnings recovered to 80% of the pre-COVID period in 1Q19.
- Gross margin was 65.6% vs. 64.2% in 1Q21 and 66.9% in 4Q21. The main reason was operating leverage impact.
- SG&A to sales was 57% vs. 62% in 1Q21 and 54% in 4Q21. SG&A was slightly higher than expected on related expenses, e.g., staff and rental expenses, from M's new stores.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	3,116	2,509	1,973	3,583	3,495
Gross profit	**2,000**	**1,585**	**1,185**	**2,397**	**2,291**
SG&A	1,925	1,770	1,544	1,931	2,008
Operating profit	75	(185)	(359)	466	283
EBITDA	**585**	**315**	**142**	**965**	**773**
Other income	45	65	51	46	64
Other expense	0	0	0	0	0
Interest expense	19	20	12	18	21
Profit before tax	**100**	**(140)**	**(320)**	**494**	**326**
Income tax	8	(42)	(65)	90	51
Equity & invest. income	(6)	(8)	(8)	(1)	(9)
Minority interests	2	7	5	(4)	5
Extraordinary items	0	0	0	0	0
Net profit	**89**	**(99)**	**(257)**	**399**	**271**
Normalized profit	**89**	**(99)**	**(257)**	**399**	**271**
EPS (Bt)	0.10	(0.11)	(0.28)	0.43	0.29
Normalized EPS (Bt)	0.10	(0.11)	(0.28)	0.43	0.29

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	12	22	16,049	19,109
Gross profit	**(4)**	**15**	**22**	**10,337**	**12,772**
SG&A	4	4	23	8,894	9,925
Operating profit	(39)	277	20	1,443	2,847
EBITDA	**(20)**	**32**	**24**	**3,242**	**4,595**
Other income	39	43	11	579	623
Other expense					
Interest expense	22	11	41	52	44
Profit before tax	**(34)**	**224**	**17**	**1,970**	**3,425**
Income tax	(43)	538	14	355	617
Equity & invest. income	na	na	43	(20)	(20)
Minority interests	na	117	101	5	(32)
Extraordinary items					
Net profit	**(32)**	**205**	**17**	**1,600**	**2,756**
Normalized profit	**(32)**	**205**	**17**	**1,600**	**2,756**
EPS (Bt)	(32)	205	17	1.74	2.99
Normalized EPS (Bt)	(32)	205	17	1.74	2.99

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	7,773	7,037	7,018	7,689	7,881
A/C receivable	113	150	177	167	145
Inventory	358	345	331	392	400
Other current assets	123	149	133	170	136
Investment	889	881	874	873	863
Fixed assets	3,108	2,990	2,873	2,842	2,807
Other assets	7,693	7,550	7,299	7,436	7,557
Total assets	**20,058**	**19,102**	**18,704**	**19,569**	**19,789**
S-T debt	20	14	8	8	10
A/C payable	1,095	1,026	1,047	1,355	1,240
Other current liabilities	1,499	1,287	1,267	1,366	1,454
L-T debt	0	0	0	0	0
Other liabilities	3,509	3,408	3,277	3,331	3,311
Minority interest	322	315	310	314	310
Shareholders' equity	**13,612**	**13,052**	**12,796**	**13,194**	**13,464**
Working capital	(625)	(531)	(539)	(796)	(695)
Total debt	20	14	8	8	10
Net debt	**(7,754)**	**(7,024)**	**(7,009)**	**(7,680)**	**(7,871)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(17.9)	16.0	(48.1)	(0.6)	12.2
Operating profit growth	(77.8)	na	na	59.0	276.9
EBITDA growth	(36.5)	90.3	(86.7)	17.5	32.1
Norm profit growth	(73.9)	na	na	14.2	205.0
Norm EPS growth	(73.9)	na	na	14.2	205.0
Gross margin	64.2	63.2	60.1	66.9	65.6
Operating margin	2.4	(7.4)	(18.2)	13.0	8.1
EBITDA margin	18.8	12.5	7.2	26.9	22.1
Norm net margin	2.8	(4.0)	(13.0)	11.1	7.7
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.6)	(0.5)	(0.5)	(0.6)	(0.6)
Interest coverage (x)	30.2	15.6	11.8	54.8	36.1
Interest rate	381.3	480.4	437.0	857.4	912.6
Effective tax rate	8.0	30.0	20.4	18.1	15.7
ROA	1.8	(2.0)	(5.4)	8.3	5.5
ROE	2.6	(3.0)	(8.0)	12.3	8.1

Sources: Company data, Thanachart estimates

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