Siam Makro Pcl (MAKRO TB) - U.R., Price Bt37.00, TP Bt46.00

Results Comment

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

Weak 1Q22, 22% below consensus

- MAKRO reported 1Q22 net profit of Bt2,050m, missed Bt2,618m earnings consensus by 22%.
- Despite consolidating 100% stake of Lotus Thailand and Malaysia since Oct 25th last year, its 1Q22 profit grew by only 18% y-y while EPS fell by 46% y-y on a 120% capital increase as part of Lotus shareholding restructuring within CP Group.
- Disappointing results were due to 1) its low SSSG recovery for both wholesale business (+1.0% SSSG for Makro cash&carry) and retail business (+0.4% for Lotus Thailand, -7.9% for Lotus Malaysia), 2) pressure from rising SG&A for wholesale (from new B2B Marketplace Maknet project, increased property tax, higher delivery cost, rising staff expenses) and retail (IT, rebranding).
- **Wholesale business**: 1Q22 net profit was Bt1,741m, almost flat y-y (+0.4%) and down 20% q-q. Merchandise sales grew by 3% y-y to Bt56.6bn on a 1% SSSG. Gross margin on sales improved by 27bp y-y to 10.35% on higher fresh food sales mix. However, SG&A/sales rose to 8.3% vs 7.9% in 1Q21 for the reasons mentioned earlier.
- **Retail business**: Lotus generated Bt309m profit, down from Bt397m profit contribution of 68 days in 4Q21. Falling profit q-q was due to seasonality impact and high SG&A expense. Total revenues grew by 6% y-y. Gross margin on sales improved by 10bp y-y but fell 130bp q-q to 18.8%.
- 1Q22 profit made up 14% of our full-year forecast. We see significant earnings downside and put our recommendation (current is a SELL) and TP under review.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	55,878	54,723	54,739	100,205	110,777
Gross profit	**6,545**	**6,078**	**6,557**	**16,914**	**18,263**
SG&A	4,442	4,560	4,616	12,674	14,616
Operating profit	2,102	1,518	1,941	4,240	3,648
EBITDA	**2,882**	**2,312**	**2,739**	**6,710**	**7,265**
Other income	219	233	232	206	439
Other expense	0	0	0	0	0
Interest expense	129	142	137	1,148	1,494
Profit before tax	**2,192**	**1,608**	**2,036**	**3,299**	**2,593**
Income tax	461	331	473	862	767
Equity & invest. income	0	0	0	149	224
Minority interests	3	10	10	(9)	0
Extraordinary items	0	0	0	6,517	0
Net profit	**1,734**	**1,287**	**1,572**	**9,094**	**2,050**
Normalized profit	**1,734**	**1,287**	**1,572**	**2,577**	**2,050**
EPS (Bt)	0.36	0.27	0.33	0.86	0.19
Normalized EPS (Bt)	0.36	0.27	0.33	0.24	0.19

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	11	98	46	238,422	257,886
Gross profit	**8**	**179**	**64**	**28,466**	**31,081**
SG&A	15	229	76	19,296	20,705
Operating profit	(14)	74	40	9,170	10,376
EBITDA	**8**	**152**	**58**	**12,558**	**13,890**
Other income	113	100	44	997	1,067
Other expense			na	0	0
Interest expense	30	1,056	270	554	708
Profit before tax	**(21)**	**18**	**27**	**9,613**	**10,735**
Income tax	(11)	66	38	2,019	2,254
Equity & invest. income	51		3	6,692	11,312
Minority interests	na	(86)	0	153	220
Extraordinary items			na	0	0
Net profit	**(77)**	**18**	**14**	**14,439**	**20,012**
Normalized profit	**(20)**	**18**	**14**	**14,439**	**20,012**
EPS (Bt)	(77)	(46)	15	1.29	1.79
Normalized EPS (Bt)	(20)	(46)	15	1.29	1.79

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	12,245	7,442	5,260	68,530	64,007
A/C receivable	849	822	957	2,301	1,955
Inventory	14,054	13,884	14,030	31,967	32,925
Other current assets	2,093	2,053	2,136	7,203	6,823
Investment	0	0	0	0	0
Fixed assets	30,400	30,205	30,161	118,444	117,392
Other assets	15,501	15,726	16,125	341,046	341,384
Total assets	**75,141**	**70,131**	**68,669**	**569,490**	**564,486**
S-T debt	2,690	2,634	983	31,199	31,436
A/C payable	24,807	22,550	22,677	54,845	52,253
Other current liabilities	8,988	7,755	7,844	32,167	27,865
L-T debt	5,002	5,002	5,001	105,120	104,521
Other liabilities	9,140	9,333	9,585	57,661	58,193
Minority interest	484	483	497	501	499
Shareholders' equity	**24,031**	**22,374**	**22,081**	**287,997**	**289,719**
Working capital	(9,904)	(7,845)	(7,690)	(20,577)	(17,373)
Total debt	7,692	7,636	5,984	136,319	135,957
Net debt	**(4,553)**	**194**	**724**	**67,790**	**71,951**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(0.5)	7.1	1.6	75.3	98.2
Operating profit growth	(1.0)	2.8	(1.6)	47.1	73.5
EBITDA growth	(1.2)	11.2	(7.9)	52.6	152.1
Norm profit growth	3.1	9.1	(0.0)	21.0	18.3
Norm EPS growth	3.1	9.1	(0.0)	(45.1)	(46.3)
Gross margin	11.7	11.1	12.0	16.9	16.5
Operating margin	3.8	2.8	3.5	4.2	3.3
EBITDA margin	5.2	4.2	5.0	6.7	6.6
Norm net margin	3.1	2.4	2.9	2.6	1.9
D/E (x)	0.3	0.3	0.3	0.5	0.5
Net D/E (x)	(0.2)	0.0	0.0	0.2	0.2
Interest coverage (x)	22.3	16.2	20.0	5.8	4.9
Interest rate	6.6	7.4	8.1	6.5	4.4
Effective tax rate	21.0	20.6	23.3	26.1	29.6
ROA	6.3	7.8	9.8	4.7	2.5
ROE	30.0	22.2	28.3	6.6	2.8

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 65 Derivative Warrants which are AMAT16C2206A , AOT16C2206A , AWC16C2207A , BAM16C2206A , BAM16C2207A , BANP16C2205A , BANP16C2207A , BCH16C2207A , BEC16C2207A , BGRI16C2205A , BLA16C2208A, BLA16C2205A , CBG16C2205A , CBG16C2207A , CHG16C2207A , COM716C2208A, COM716C2205A , CPF16C2205A , DOHO16C2207A , EA16C2205A , EA16C2206A , EA16C2207A , GPSC16C2205A , GPSC16C2206A , GPSC16C2207A , GULF16C2205A , GULF16C2207A , GUNK16C2205A , GUNK16C2206A , GUNK16C2207A , HANA16C2205A , HANA16C2207A , INTU16C2205A , IRPC16C2205A , IVL16C2206A , JMAR16C2205A , JMAR16C2206A , JMT16C2205A , JMT16C2207A , KBAN16C2208A, KBAN16C2206A , KCE16C2209A, KCE16C2208A, KCE16C2205A , KCE16C2205B , MEGA16C2207A , MINT16C2207A , OR16C2205A , PTT16C2205A , PTTE16C2209A, PTTG16C2207A , RCL16C2208A, RCL16C2205A , RS16C2205A , S5016C2206A , S5016P2206A , S5016P2206B , SAWA16C2205A , SCB16C2208A, SYNE16C2206A , TOP16C2206A , TRUE16C2205A , TRUE16C2205B , TTA16C2208A, TTA16C2207A , (underlying securities are AMATA , AOT , AWC , BAM , BANPU , BBL , BCH , BEC , BGRIM , BLA , CBG , CHG , COM7 , CPF , DOHOME , EA , GPSC , GULF , GUNKUL , HANA , INTUCH , IRPC , IVL , JMART , JMT , KBANK , KCE , MEGA , MINT , OR , PTT, PTTEP, PTTGC , RCL , RS , SAWAD , SCB, SET50 , 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)