MC GROUP Pcl (MC TB) - BUY, Price Bt8.80, TP Bt13.00

Results Comment

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Good 3QFY22, in line

- MC's 3QFY22 (Jan-Mar) net profit came in line with our estimates at Bt110m, an increase of 18% y-y and a decrease of 53% q-q on high season in Oct-Dec. The y-y performance was driven by improving gross margin and a good cost control amid falling sales caused by Omicron spread.
- 3QFY22F sales declined by 5% y-y and 26% q-q to Bt738m. With a wider spread of Omicron and the termination of the shopping tax incentives, Shop Dee Mee Kuen, in mid of Feb, MC's SSSG turned negative in February and March. By store locations, upcountry stores had a better recovery in foot traffic to 70-80% of pre-COVID vs 60-70% for Bangkok stores.
- E-commerce sales fell by 27% y-y and 32% q-q to Bt69m and contributed 9% of total sales vs 12% in 3QFY21 and 10% in 2QFY22.
- As it continued the lower price discount strategy initiated since last quarter, gross margin maintained a high level q-q at 65.3% and grew y-y from 60.7% in 3QFY21.
- SG&A fell by 4% y-y and 6% q-q on continued cost savings policy.
- 9MFY22 profit accounted for 75% of our FY22F. We maintain our earnings and BUY call.
- Looking into 4QFY22F, we foresee a strong profit of Bt124m, a 13% growth q-q and a big jump y-y from Bt18m profit in 4QFY21 when COVID caused softening consumption in Apr-Jun last year. SSSG started to recover in late March this year when MC held MC Fair Factory Sale and has turned positive in April. Gross margin is expected to maintain at 65%, a big leap from 54.5% in 4QFY21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Revenue	776	531	438	995	738
Gross profit	**471**	**289**	**269**	**648**	**482**
SG&A	361	290	243	370	347
Operating profit	110	(1)	26	277	135
EBITDA	**194**	**96**	**124**	**371**	**228**
Other income	5	8	5	11	5
Other expense	0	0	0	0	0
Interest expense	9	7	5	5	5
Profit before tax	**107**	**1**	**26**	**284**	**135**
Income tax	19	(15)	2	53	25
Equity & invest. income	6	0	(1)	1	(0)
Minority interests	(1)	2	0	(0)	0
Extraordinary items	0	0	0	0	0
Net profit	**93**	**18**	**24**	**231**	**110**
Normalized profit	**93**	**18**	**24**	**231**	**110**
EPS (Bt)	0.12	0.02	0.03	0.29	0.14
Normalized EPS (Bt)	0.12	0.02	0.03	0.29	0.14

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(26)	(5)	74	2,928	3,587
Gross profit	**(26)**	**2**	**75**	**1,860**	**2,288**
SG&A	(6)	(4)	76	1,269	1,552
Operating profit	(51)	23	74	591	736
EBITDA	**(39)**	**18**	**75**	**968**	**1,107**
Other income	(52)	(5)	48	43	53
Other expense			na	0	0
Interest expense	17	(37)	49	31	27
Profit before tax	**(52)**	**26**	**74**	**603**	**763**
Income tax	(54)	32	69	115	153
Equity & invest. income	na	na	na	0	0
Minority interests	na	na	na	0	0
Extraordinary items			na	0	0
Net profit	**(53)**	**18**	**75**	**488**	**610**
Normalized profit	**(53)**	**18**	**75**	**488**	**610**
EPS (Bt)	(53)	18	74	0.62	0.77
Normalized EPS (Bt)	(53)	18	74	0.62	0.77

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Cash & ST investment	1,743	1,864	1,828	1,997	1,851
A/C receivable	309	202	190	300	210
Inventory	1,369	1,250	1,368	1,278	1,286
Other current assets	19	7	7	7	6
Investment	0	0	0	0	0
Fixed assets	352	343	333	334	332
Other assets	1,621	1,547	1,443	1,309	1,334
Total assets	**5,412**	**5,214**	**5,170**	**5,223**	**5,018**
S-T debt	0	0	0	0	0
A/C payable	403	283	307	353	337
Other current liabilities	478	438	449	494	458
L-T debt	0	0	0	0	0
Other liabilities	944	891	788	678	668
Minority interest	12	11	11	11	11
Shareholders' equity	**3,574**	**3,591**	**3,615**	**3,688**	**3,544**
Working capital	1,274	1,170	1,251	1,225	1,159
Total debt	0	0	0	0	0
Net debt	**(1,743)**	**(1,864)**	**(1,828)**	**(1,997)**	**(1,851)**

Financial Ratios					
(%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Sales growth	4.3	(3.4)	(43.8)	(12.2)	(5.0)
Operating profit growth	24.7	na	(80.4)	0.5	22.8
EBITDA growth	74.3	68.1	(32.3)	(16.6)	17.6
Norm profit growth	19.8	(53.6)	(78.3)	2.0	18.3
Norm EPS growth	19.8	(53.6)	(78.3)	2.0	18.3
Gross margin	60.7	54.5	61.4	65.1	65.3
Operating margin	14.2	(0.1)	5.9	27.9	18.3
EBITDA margin	25.0	18.0	28.3	37.3	30.9
Norm net margin	11.9	3.4	5.4	23.2	14.9
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage (x)	22	14	24	79	41
Interest rate	na	na	na	na	na
Effective tax rate	17.5	(1,901.0)	6.7	18.8	18.3
ROA	6.7	1.3	1.8	17.8	8.6
ROE	10.1	2.0	2.6	25.3	12.1

Sources: Company data, Thanachart estimates

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