Home Product Center (HMPRO TB) - BUY, Price Bt13.50, TP Bt19

Results Comment

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Moderate 2Q22, in line

- HMPRO reported 2Q22 net profit of Bt1,520m, up 6% y-y and 1% q-q, in line with consensus and our estimates.
- Key earnings drivers y-y were 1) growing sales revenues by 1% y-y to Bt16.3bn, mainly from new HomePro branch opened in 4Q21 at Bangna Km.1 and a 50-60% SSSG of HomePro branches in Malaysia. Slowing down home renovation activities and the early rain this year caused -1% SSSG for HomePro stores and -5% for Mega Home, 2) rental income growth of 34% y-y to Bt405m, 3) Gross margin on sales expanded by 54bp y-y to 25.71%.
- Recovering rental income was along with improving COVID situation and higher rent in tourist stores. However, average occupancy rate was at 90-95% vs 95-100% pre COVID and rent discounts were still 5-10%.
- Better gross margin was boosted by rising private-label sales to 20.6% in 2Q22, from 19.3% in 2Q21 and lower electronic sales mix due to early rainy season.
- 1H22 net profit increased by 8% y-y and accounted for 46% of our full-year forecast. 2H22F profit growth will be stronger on improving economy and low base in 3Q21 from lockdown.
- As of 2Q22, HMPRO operates 87 HomePro stores, 6 HomePro S, 14 Mega Home and 7 HomePro branches in Malaysia.
- Maintain BUY to Bt19 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Revenue	16,457	13,387	16,570	16,172	16,723
Gross profit	**4,212**	**3,391**	**4,619**	**4,352**	**4,424**
SG&A	2,859	2,560	3,220	2,870	3,026
Operating profit	1,850	1,221	2,190	1,983	1,983
EBITDA	**2,647**	**2,030**	**2,992**	**2,756**	**2,762**
Other income	499	391	794	503	586
Other expense	7	32	(23)	0	4
Interest expense	102	108	99	94	99
Profit before tax	**1,743**	**1,082**	**2,115**	**1,891**	**1,882**
Income tax	311	212	340	380	362
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**1,433**	**870**	**1,775**	**1,511**	**1,520**
Normalized profit	**1,433**	**870**	**1,775**	**1,511**	**1,520**
EPS (Bt)	0.11	0.07	0.13	0.11	0.12
Normalized EPS (Bt)	0.11	0.07	0.13	0.11	0.12

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	3	2	49	66,898	74,133
Gross profit	**2**	**5**	**48**	**18,195**	**20,494**
SG&A	5	6	49	12,103	13,037
Operating profit	(0)	7	47	8,478	10,138
EBITDA	**0**	**4**	**46**	**11,916**	**13,858**
Other income	17	17	46	2,386	2,681
Other expense		(49)	na	0	0
Interest expense	5	(3)	49	392	333
Profit before tax	**(0)**	**8**	**47**	**8,086**	**9,805**
Income tax	(5)	17	50	1,496	1,863
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**1**	**6**	**46**	**6,590**	**7,942**
Normalized profit	**1**	**6**	**46**	**6,590**	**7,942**
EPS (Bt)	1	6	46	0.50	0.60
Normalized EPS (Bt)	1	6	46	0.50	0.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	3,200	2,263	4,546	4,686	4,166
A/C receivable	1,409	1,192	1,675	1,333	1,450
Inventory	11,684	11,780	12,572	12,875	12,525
Other current assets	427	372	127	152	203
Investment	3,797	3,737	3,675	3,649	3,626
Fixed assets	28,010	27,768	27,584	27,388	27,832
Other assets	8,053	7,979	8,407	8,515	9,069
Total assets	**56,581**	**55,092**	**58,586**	**58,597**	**58,871**
S-T debt	2,790	4,298	4,414	6,522	7,379
A/C payable	13,574	11,714	13,973	13,086	13,469
Other current liabilities	2,070	1,662	2,124	2,285	2,114
L-T debt	10,045	10,083	8,943	5,968	6,011
Other liabilities	6,349	6,285	6,242	6,333	6,601
Minority interest	0	0	0	0	0
Shareholders' equity	**21,754**	**21,049**	**22,890**	**24,404**	**23,296**
Working capital	(480)	1,258	274	1,122	506
Total debt	12,834	14,382	13,358	12,490	13,390
Net debt	**9,634**	**12,118**	**8,812**	**7,804**	**9,224**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Sales growth	17.2	(13.9)	7.9	5.2	1.6
Operating profit growth	46.3	(32.6)	15.8	9.9	7.2
EBITDA growth	28.1	(21.6)	11.6	5.8	4.4
Norm profit growth	52.0	(37.9)	14.9	10.9	6.1
Norm EPS growth	52.0	(37.9)	14.9	10.9	6.1
Gross margin	25.6	25.3	27.9	26.9	26.5
Operating margin	11.2	9.1	13.2	12.3	11.9
EBITDA margin	16.1	15.2	18.1	17.0	16.5
Norm net margin	8.7	6.5	10.7	9.3	9.1
D/E (x)	0.6	0.7	0.6	0.5	0.6
Net D/E (x)	0.4	0.6	0.4	0.3	0.4
Interest coverage (x)	26.0	18.9	30.1	29.4	28.0
Interest rate	3.1	3.2	2.9	2.9	3.0
Effective tax rate	17.8	19.6	16.1	20.1	19.2
ROA	10.6	7.0	13.2	10.9	11.0
ROE	25.6	16.3	32.3	25.6	25.5

Sources: Company data, Thanachart estimates

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