# Central Retail Corp. Pcl (CRC TB) - HOLD

Earnings Preview

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## 2Q22F preview

- **Improving 2Q22F profit y-y and q-q on business reopenings.**
- **Fashion to lead the growth and drive gross margin.**
- **Hardline sales are likely weaker than expected.**
- **Earnings turnaround is within expectation. Maintain HOLD.**

- We forecast CRC's 2Q22F net profit of Bt1,459m, turning from net loss in 2Q21 and increasing by 21% q-q. Performance is expected to improve both y-y and q-q as all countries; Thailand, Vietnam and Italy, have resumed all businesses with no store closures. Key drivers are expected to be a 22% SSSG (we estimate a 55% SSSG for fashion segment, 4% for hardline segment, 16% for food segment) which boosts merchandise sales growth of 23% y-y to Bt51.5bn and gross margin on sales improving by 185bp y-y to 25.2% on rising fashion sales mix (highest gross margin among all segments) given its strongest SSSG as fashion has been hit the most during COVID over the past two years.
- By country, Italy is projected to continue strong sales recovery from 1Q22 with the best SSSG of over 50% y-y (lockdown until April last year), followed by over 30% SSSG for Vietnam (lockdown in June last year) and mid-to-high-teen SSSG for Thailand.
- Comparing to pre COVID, a 22% SSSG in 2Q22F (implies -14% SSS vs pre COVID in 2Q19) improves q-q from 1Q22 (-19% SSS vs 1Q19). Fashion and food SSS have recovered faster than expected though they have yet recover back to pre COVID (still -16% for fashion and -12% food). Been resilient than other segments in 2020-21, hardline is weaker than expected with a forecasted 4% SSSG (-8% SSS vs 2Q19) which implies a softer sales momentum as hardline SSS had recovered back to pre COVID in 4Q21-1Q22. This is in line with the industry where home renovation and building activities are slowing down in 2Q22F on strong demand during COVID, early rainy season this year and deterred spending due to higher building materials prices.
- 1H22F sales growth of 19% is on track to achieve the company's guidance for 2022 of a 15-20% merchandise sales growth. MTD SSSG in July (1-20 July) is over 40% on low base from lockdowns in Thailand and Vietnam.
- Earnings turnaround is within our and market expectation, maintain HOLD. CRC's valuation is demanding vs peers at 42/30x 2022-23F PE.

### Key Valuations

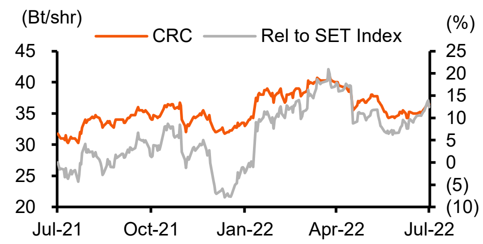
| Y/E Dec (Bt m) | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|
| Revenue | 181,791 | 212,535 | 246,820 | 276,990 |
| Net profit | 59 | 5,280 | 7,408 | 9,258 |
| Norm net profit | 59 | 5,280 | 7,408 | 9,258 |
| Norm EPS (Bt) | 0.0 | 0.9 | 1.2 | 1.5 |
| Norm EPS gr (%) | 24.5 | na | 40.3 | 25.0 |
| Norm PE (x) | 3,707.8 | 41.7 | 29.7 | 23.8 |
| EV/EBITDA (x) | 14.4 | 10.2 | 9.2 | 8.3 |
| P/BV (x) | 3.9 | 3.7 | 3.4 | 3.1 |
| Div. yield (%) | 0.8 | 1.0 | 1.3 | 1.7 |
| ROE (%) | 0.1 | 9.1 | 11.9 | 13.7 |
| Net D/E (%) | 102.8 | 85.4 | 85.3 | 74.2 |

Source: Thanachart estimates

### Stock Data

| | |
|---|---|
| Closing price (Bt) | 36.50 |
| Target price (Bt) | 38.00 |
| Market cap (US$ m) | 5,981 |
| Avg daily turnover (US$ m) | 13.6 |
| 12M H/L price (Bt) | 41.25/30.25 |

### Price Performance




Source: Bloomberg

### Ex 1: 2Q22F Earnings Preview

| Yr-end Dec (Bt m) | Income Statement | | | | | Change | |
|---|---|---|---|---|---|---|---|
| | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22F | (q-q%) | (y-y%) |
| Revenue | 43,333 | 38,701 | 54,322 | 52,457 | 53,448 | 2 | 23 |
| **Gross profit** | **10,825** | **9,291** | **14,605** | **13,191** | **14,389** | **9** | **33** |
| SG&A | 13,840 | 13,854 | 15,718 | 14,689 | 15,501 | 6 | 12 |
| Operating profit | (40) | (1,817) | 3,254 | 2,271 | 2,548 | 12 | na |
| **EBITDA** | **3,988** | **2,494** | **7,802** | **6,438** | **6,748** | **5** | **69** |
| Other income | 3,044 | 2,781 | 4,443 | 3,817 | 3,715 | (3) | 22 |
| Other expense | 0 | 0 | 0 | 0 | 0 | | |
| Interest expense | 779 | 789 | 807 | 775 | 780 | 1 | 0 |
| **Profit before tax** | **(750)** | **(2,571)** | **2,523** | **1,545** | **1,823** | **18** | **na** |
| Income tax | (291) | (339) | 213 | 355 | 365 | 3 | na |
| Equity & invest. income | 33 | 12 | 154 | 135 | 100 | (26) | 205 |
| Minority interests | (46) | (21) | (93) | (121) | (100) | na | na |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | | |
| **Net profit** | **(471)** | **(2,241)** | **2,371** | **1,204** | **1,459** | **21** | **na** |
| **Normalized profit** | **(471)** | **(2,241)** | **2,371** | **1,204** | **1,459** | **21** | **na** |

Sources: Company data, Thanachart estimates

### Ex 2: SSSG VS Pre-COVID

| SSSG (%) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22F |
|---|---|---|---|---|---|---|---|---|---|---|
| Fashion | (28) | (58) | (22) | (27) | (20) | 29 | (35) | 17 | 22 | 55 |
| Hardline | (3) | (29) | (8) | (11) | (4) | 24 | (18) | 14 | 6 | 4 |
| Food | 3 | (15) | (13) | (17) | (20) | (11) | (13) | (2) | 5 | 16 |
| **Total SSSG (%)** | **(13)** | **(36)** | **(15)** | **(20)** | **(16)** | **10** | **(23)** | **9** | **11** | **22** |
| **SSSG vs pre-COVID (%)** | **(13)** | **(36)** | **(15)** | **(20)** | **(27)** | **(30)** | **(35)** | **(13)** | **(19)** | **(14)** |
| **Net profit (Bt m)** | **743** | **(2,590)** | **837** | **1,056** | **401** | **(471)** | **(2,241)** | **2,371** | **1,204** | **1,459** |

Sources: Company data, Thanachart estimates

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