MK Restaurant Group Pcl (M TB) - BUY, Price Bt52.25, TP Bt71.00

Results Comment

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

Stronger-than-expected 2Q22 results

- M's earnings were Bt439m in 2Q22, increased from Bt99m loss in the COVID quarter in 2Q21 and increased by 62% q-q.
- Revenues increased by 60% y-y and 15% q-q. 2Q22 revenues were 90% of the pre-COVID level in 2Q19.
- Gross margin was 65.3% vs. 63.2% in 2Q21 and 65.6% in 1Q22 despite higher raw material cost. This was due to M having adjusted up its selling price in June.
- SG&A to sales was 53% vs. 71% in 2Q21 and 57% in 1Q22. Operating leverage was main reason.
- M expects gross margin to improve in 3Q22F due to the full impact of higher selling price.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	2,509	1,973	3,583	3,495	4,016
Gross profit	**1,585**	**1,185**	**2,397**	**2,291**	**2,623**
SG&A	1,770	1,544	1,931	2,008	2,118
Operating profit	(185)	(359)	466	283	505
EBITDA	**315**	**142**	**965**	**773**	**505**
Other income	65	51	46	64	50
Other expense	0	0	0	0	0
Interest expense	20	12	18	21	21
Profit before tax	**(140)**	**(320)**	**494**	**326**	**534**
Income tax	(42)	(65)	90	51	89
Equity & invest. income	(8)	(8)	(1)	(9)	(4)
Minority interests	7	5	(4)	5	(2)
Extraordinary items	0	0	0	0	0
Net profit	**(99)**	**(257)**	**399**	**271**	**439**
Normalized profit	**(99)**	**(257)**	**399**	**271**	**439**
EPS (Bt)	(0.11)	(0.28)	0.43	0.29	0.48
Normalized EPS (Bt)	(0.11)	(0.28)	0.43	0.29	0.48

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	15	60	47	16,049	19,109
Gross profit	**14**	**65**	**48**	**10,337**	**12,772**
SG&A	5	20	46	8,894	9,925
Operating profit	78	na	55	1,443	2,847
EBITDA	**(35)**	**60**	**39**	**3,242**	**4,595**
Other income	(22)	(24)	20	579	623
Other expense					
Interest expense	(3)	3	81	52	44
Profit before tax	**64**	**na**	**44**	**1,970**	**3,425**
Income tax	74	na	39	355	617
Equity & invest. income	na	na	65	(20)	(20)
Minority interests	na	na	69	5	(32)
Extraordinary items					
Net profit	**62**	**na**	**44**	**1,600**	**2,756**
Normalized profit	**62**	**na**	**44**	**1,600**	**2,756**
EPS (Bt)	62	na	44	1.74	2.99
Normalized EPS (Bt)	62	na	44	1.74	2.99

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	7,037	7,018	7,689	7,881	7,903
A/C receivable	150	177	167	145	120
Inventory	345	331	392	400	408
Other current assets	149	133	170	136	96
Investment	881	874	873	863	859
Fixed assets	2,990	2,873	2,842	2,807	2,774
Other assets	7,550	7,299	7,436	7,557	7,153
Total assets	**19,102**	**18,704**	**19,569**	**19,789**	**19,314**
S-T debt	14	8	8	10	14
A/C payable	1,026	1,047	1,355	1,240	1,212
Other current liabilities	1,287	1,267	1,366	1,454	1,452
L-T debt	0	0	0	0	0
Other liabilities	3,408	3,277	3,331	3,311	3,157
Minority interest	315	310	314	310	311
Shareholders' equity	**13,052**	**12,796**	**13,194**	**13,464**	**13,168**
Working capital	(531)	(539)	(796)	(695)	(683)
Total debt	14	8	8	10	14
Net debt	**(7,024)**	**(7,009)**	**(7,680)**	**(7,871)**	**(7,889)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	16.0	(48.1)	(0.6)	12.2	60.1
Operating profit growth	na	na	59.0	276.9	na
EBITDA growth	90.3	(86.7)	17.5	32.1	60.4
Norm profit growth	na	na	14.2	205.0	na
Norm EPS growth	na	na	14.2	205.0	na
Gross margin	63.2	60.1	66.9	65.6	65.3
Operating margin	(7.4)	(18.2)	13.0	8.1	12.6
EBITDA margin	12.5	7.2	26.9	22.1	12.6
Norm net margin	(4.0)	(13.0)	11.1	7.7	10.9
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Interest coverage (x)	15.6	11.8	54.8	36.1	24.4
Interest rate	480.4	437.0	857.4	912.6	668.7
Effective tax rate	30.0	20.4	18.1	15.7	16.6
ROA	(2.0)	(5.4)	8.3	5.5	9.0
ROE	(3.0)	(8.0)	12.3	8.1	13.2

Sources: Company data, Thanachart estimates

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