Central Retail Corp. Pcl (CRC TB) - BUY

Earnings Preview

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Continuing recovery in 3Q22F

- **A strong profit recovery y-y expected in 3Q22F to Bt1.2bn.**
- **Drivers are growing retail sales and rental income.**
- **But rising SG&A should cause falling profit q-q.**
- **Strong 3Q22F profit, recovering to 88% of pre-COVID.**

- We estimate CRC's 3Q22F earnings at Bt1,215m after a Bt2.2bn loss in 3Q21 from the lockdown hit, but down 18% q-q on rising expenses from more store openings in 2H22, higher marketing expense from Central Department Store's 75th anniversary and growing utility cost. Sales recovered nicely but SG&A is expected to grow every quarter from 28.0% in 1Q22 to 29.3% in 2Q22 and 30.0% in 3Q22F.
- For y-y basis, 3Q22F profit is considered strong at back to 88% of its pre-COVID profit in 3Q19. We expect 3Q22F same-store sales (SSS) growth of 39% y-y, driven by most of its business lines, i.e., fashion at 80% y-y growth, hardline or home improvement at 27% y-y, and food at 21% y-y. By country, we expect Vietnam to see the best SSS growth of 65% in line with the country's strong economic recovery from a stringent lockdown for almost three months in 3Q21, followed by 45-50% SSS growth for Italy and mid-30s SSSG for Thailand.
- Despite weak spending season in 3Q, we estimate 3Q22F retail sales to increase by 2% q-q to Bt51.9bn (+38% y-y) on country reopening and sales from new stores.
- Rental income is expected to grow 98% y-y and 5% q-q to Bt2,063m. We estimate average occupancy rate to maintain at 85% but rent discounts lowering from 10-15% in 1Q22 and high-single digit in 2Q22 to low-to-mid single digit in 3Q22F. Thus, rental gross margin should improve y-y and q-q to 74%.
- Overall SSS in 3Q22F is projected at 91% of the pre-COVID 2019 level, recovering the most since COVID spread from 1Q20. By business line, fashion had the fastest turnaround in the past few quarters with SSS in 3Q22F at 91% of the pre-COVID level (85% in 2Q22, 70% in 1Q22), hardline at 96% (90% in 2Q22), and food at 92% (89% in 2Q22). We also expect fashion sales turnaround to drive retail sales' gross margin by 250bp y-y and 8bp q-q to 25.6% in 3Q22F.
- We maintain our BUY call on CRC to Bt50 TP.

Key Valuations

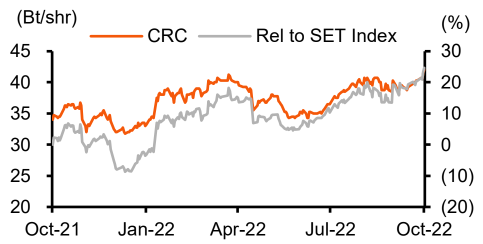
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	181,791	220,314	253,693	286,201
Net profit	59	5,833	8,458	10,904
Norm net profit	59	5,833	8,458	10,904
Norm EPS (Bt)	0.0	1.0	1.4	1.8
Norm EPS gr (%)	24.5	na	45.0	28.9
Norm PE (x)	4,266.5	43.4	29.9	23.2
EV/EBITDA (x)	16.1	11.0	9.8	8.6
P/BV (x)	4.5	4.2	3.9	3.5
Div. yield (%)	0.7	0.9	1.3	1.7
ROE (%)	0.1	10.0	13.4	15.7
Net D/E (%)	102.8	82.3	79.7	65.7

Source: Thanachart estimates

Stock Data

Closing price (Bt)	42.00
Target price (Bt)	50.00
Market cap (US$ m)	6,655
Avg daily turnover (US$ m)	13.4
12M H/L price (Bt)	41.50/31.75

Price Performance



Source: Bloomberg

Ex 1: 3Q22F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q21	4Q21	1Q22	2Q22	3Q22F	(q-q%)	(y-y%)
Revenue	38,701	54,322	52,457	53,166	54,034	*2*	*40*
Gross profit	**9,291**	**14,605**	**13,191**	**14,468**	**14,809**	***2***	***59***
SG&A	13,854	15,718	14,689	15,583	16,210	*4*	*17*
Operating profit	(1,817)	3,254	2,271	2,491	2,298	*(8)*	*na*
EBITDA	**2,494**	**7,802**	**6,438**	**6,714**	**6,548**	***(2)***	***163***
Other income	2,781	4,443	3,817	3,660	3,755	*3*	*35*
Other expense	0	0	0	0	0		
Interest expense	789	807	775	828	860	*4*	*9*
Profit before tax	**(2,571)**	**2,523**	**1,545**	**1,717**	**1,493**	***(13)***	***na***
Income tax	(339)	213	355	256	299	*17*	*na*
Equity & invest. Income	12	154	135	144	140	*(3)*	*1,048*
Minority interests	(21)	(93)	(121)	(118)	(120)	*na*	*na*
Extraordinary items	0	0	0	0	0		
Net profit	**(2,241)**	**2,371**	**1,204**	**1,486**	**1,215**	***(18)***	***na***
Normalized profit	**(2,241)**	**2,371**	**1,204**	**1,486**	**1,215**	***(18)***	***na***

Sources: Company data, Thanachart estimates

Ex 2: SSSG

SSSG (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22F
Fashion	(28)	(58)	(22)	(27)	(20)	29	(35)	17	22	56	80
Hardline	(3)	(29)	(8)	(11)	(4)	24	(18)	14	6	2	27
Food	3	(15)	(13)	(17)	(20)	(11)	(13)	(2)	5	18	21
Total SSSG (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(16)**	**10**	**(23)**	**9**	**11**	**24**	**39**
SSSG vs pre-COVID (%)	**(13)**	**(36)**	**(15)**	**(20)**	**(27)**	**(30)**	**(35)**	**(13)**	**(19)**	**(13)**	**(9)**
Net profit (Bt m)	**743**	**(2,590)**	**837**	**1,056**	**401**	**(471)**	**(2,241)**	**2,371**	**1,204**	**1,486**	**1,215**

Sources: Company data, Thanachart estimates

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