

**Central Retail Corp. Pcl (CRC TB) - BUY, Price Bt41.50, TP Bt50.00** | Results Comment

Phannarai Tiypittayarut | Email: phannarai.von@thanachartsec.co.th

**Strong 3Q22 recovery, in line**

- CRC reported strong earnings turnaround in 3Q22 as expected with Bt1,173m net profit, turned from a Bt2.2bn loss in 3Q21 from the lockdown hit, but down 21% q-q on rising expenses from more store openings in 2H22 (higher personnel and depre), higher marketing expense from Central Department Store's 75th anniversary and increased utility cost.
- Key drivers were 1) merchandise sales growth of 38% y-y and 2% q-q to Bt52.1bn, 2) gross margin on sales improved by 272bp y-y and 31bp q-q to 25.8% on higher fashion sales mix to 26% (25% in 2Q22, 22% in 3Q21), 3) rental income growth of 86% y-y and 4% q-q to Bt1,678m mainly on lower rent discount to mid-to-high single digit (>40% disc in 3Q21).
- 3Q22 SSSG was 43%, fashion led the growth with an 84% SSSG, followed by 27% for hardline and 22% for food segment.
- Equity income rose massively to Bt232m v Bt12m in 3Q21 and Bt144m in 2Q22, driven by stronger profit from its 25% Gucci (Thailand) – major contribution, 28.9% Watson stores and 26.8% Grab (Thailand) invested since 4Q21.
- 9M22 net profit made up 66% of our 2022F.
- We see upside to our earnings this year as 4QTD SSSG was strong at high single digit positive (vs our 3% forecast for 4Q22F) despite last year's high base after lockdown lifting, gross margin on sales expanded by 188bp y-y in 9M22 (vs our +111bp for 2022F), and 9M22 equity income already surpassed our full-year forecast.
- Though 4Q22F is expected to be pressured by rising SG&A as we have seen rising SG&A/sales q-q since beginning of this year, the positive catalysts above may support flat 4Q22F profit y-y (we now project 4Q22F profit falling by 17% y-y).

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	38,701	54,322	52,457	53,166	54,189	Revenue	2	40	73	220,314	253,693
<b>Gross profit</b>	<b>9,291</b>	<b>14,605</b>	<b>13,191</b>	<b>14,468</b>	<b>14,967</b>	<b>Gross profit</b>	<b>3</b>	<b>61</b>	<b>73</b>	<b>58,517</b>	<b>69,266</b>
SG&A	13,854	15,718	14,689	15,583	16,378	SG&A	5	18	73	63,649	72,819
Operating profit	(1,817)	3,254	2,271	2,491	2,342	Operating profit	(6)	na	70	10,157	13,251
<b>EBITDA</b>	<b>2,494</b>	<b>7,802</b>	<b>6,438</b>	<b>6,714</b>	<b>6,730</b>	<b>EBITDA</b>	<b>0</b>	<b>170</b>	<b>72</b>	<b>27,695</b>	<b>31,649</b>
Other income	2,781	4,443	3,817	3,660	3,808	Other income	4	37	73	15,487	17,008
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	789	807	775	828	868	Interest expense	5	10	80	3,102	2,925
<b>Profit before tax</b>	<b>(2,571)</b>	<b>2,523</b>	<b>1,545</b>	<b>1,717</b>	<b>1,529</b>	<b>Profit before tax</b>	<b>(11)</b>	<b>na</b>	<b>66</b>	<b>7,254</b>	<b>10,530</b>
Income tax	(339)	213	355	256	502	Income tax	96	na	77	1,451	2,106
Equity & invest. income	12	154	135	144	232	Equity & invest. income	61	1,797	102	500	574
Minority interests	(21)	(93)	(121)	(118)	(85)	Minority interests	na	na	69	(470)	(539)
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>(2,241)</b>	<b>2,371</b>	<b>1,204</b>	<b>1,486</b>	<b>1,173</b>	<b>Net profit</b>	<b>(21)</b>	<b>na</b>	<b>66</b>	<b>5,833</b>	<b>8,458</b>
<b>Normalized profit</b>	<b>(2,241)</b>	<b>2,371</b>	<b>1,204</b>	<b>1,486</b>	<b>1,173</b>	<b>Normalized profit</b>	<b>(21)</b>	<b>na</b>	<b>66</b>	<b>5,833</b>	<b>8,458</b>
EPS (Bt)	(0.37)	0.39	0.20	0.25	0.19	EPS (Bt)	(21)	na	66	0.97	1.40
Normalized EPS (Bt)	(0.37)	0.39	0.20	0.25	0.19	Normalized EPS (Bt)	(21)	na	66	0.97	1.40

  

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	14,840	18,088	12,425	11,924	12,120	Sales growth	(12.0)	14.6	15.5	22.7	40.0
A/C receivable	4,045	4,860	4,759	4,834	4,736	Operating profit growth	na	143.3	102.7	na	na
Inventory	34,455	36,516	36,307	37,394	41,465	EBITDA growth	(58.4)	39.6	22.0	68.4	169.8
Other current assets	10,753	10,455	9,598	9,447	10,790	Norm profit growth	na	124.4	199.9	na	na
Investment	1,034	5,559	5,682	6,054	6,593	Norm EPS growth	na	124.4	199.9	na	na
Fixed assets	59,412	43,359	43,720	45,949	48,211	Gross margin	24.0	26.9	25.1	27.2	27.6
Other assets	129,406	144,392	142,552	144,477	147,085	Operating margin	(4.7)	6.0	4.3	4.7	4.3
<b>Total assets</b>	<b>253,945</b>	<b>263,228</b>	<b>255,042</b>	<b>260,079</b>	<b>271,000</b>	EBITDA margin	6.4	14.4	12.3	12.6	12.4
S-T debt	41,294	49,050	51,639	52,716	54,823	Norm net margin	(5.8)	4.4	2.3	2.8	2.2
A/C payable	25,477	36,905	32,000	33,985	35,264	D/E (x)	1.4	1.3	1.3	1.2	1.2
Other current liabilities	23,325	25,707	23,360	24,078	25,231	Net D/E (x)	1.2	1.0	1.1	1.0	1.0
L-T debt	41,039	28,517	24,734	24,528	26,901	Interest coverage (x)	3.2	9.7	8.3	8.1	7.7
Other liabilities	64,948	63,968	62,705	62,314	62,014	Interest rate	3.9	4.0	4.0	4.3	4.4
Minority interest	2,628	2,693	2,687	2,734	2,866	Effective tax rate	13.2	8.4	23.0	14.9	32.8
<b>Shareholders' equity</b>	<b>55,234</b>	<b>56,388</b>	<b>57,917</b>	<b>59,723</b>	<b>63,900</b>	ROA	(3.5)	3.7	1.9	2.3	1.8
Working capital	13,023	4,471	9,065	8,243	10,937	ROE	(16.4)	17.0	8.4	10.1	7.6
Total debt	82,333	77,567	76,373	77,244	81,724						
<b>Net debt</b>	<b>67,493</b>	<b>59,479</b>	<b>63,948</b>	<b>65,321</b>	<b>69,604</b>						

Sources: Company data, Thanachart estimates

**General Disclaimers And Disclosures:**

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 88 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2301A, ADVANC16C2302A, AMATA16C2212A, AOT16C2212A, AOT16C2302A, BANPU16C2212A, BANPU16C2302A, BBL16C2212A, BCH16C2211A, BGRIM16C2212A, BGRIM16C2301A, BGRIM16C2302A, BH16C2212A, BH16C2212B, BLA16C2212A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2211A, COM716C2211B, COM716C2211C, COM716C2302A, CPALL16C2211A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, DTAC16C2212A, EA16C2211A, EA16C2303A, ESSO16C2302A, FORTH16C2211A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2211A, HANA16C2301A, HANA16C2303A, IVL16C2211A, IVL16C2212A, IVL16C2301A, JMART16C2211A, JMART16C2303A, JMT16C2211A, JMT16C2302A, KBANK16C2211A, KBANK16C2301A, KBANK16C2302A, KCE16C2211A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, KTC16C2211A, MINT16C2211A, MINT16C2301A, MINT16C2302A, MTC16C2212A, MTC16C2301A, PSL16C2212A, PTG16C2211A, PTTEP16C2212A, PTTEP16C2303A, SAWAD16C2211A, SAWAD16C2302A, SCB16C2211A, SCB16C2301A, SCGP16C2212A, SCGP16C2303A, SET5016C2212A, SET5016C2212B, SET5016C2212C, SET5016P2212A, SET5016P2212B, SINGER16C2212A, SPRC16C2212A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, COM7, CPALL, CPN, CRC, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, KTC, MINT, MTC, PSL, PTG, PTTEP, SAWAD, SCB, SCGP, SET50, SINGER, SPRC, TIDLOR, TOP, TTA, VGI, TRUE). before making investment decisions.

**Note:** Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

**Note:** Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Disclosure of Interest of Thanachart Securities****Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)