

**BUY** (Unchanged)

**TP: Bt 53.00** (From: Bt 50.00)

**24 NOVEMBER 2022**

**Change in Numbers**

**Upside : 24.0%**

# Central Retail Corp Pcl (CRC TB)

## A big-cap growth stock

CRC has turned around faster than we'd expected earlier and we raise our earnings estimates by 5-7% in 2022-24F. We reaffirm our BUY call on the stock as one of our top retail sector picks as we see it as a big-cap growth stock with a 30% three-year EPS CAGR in 2023-25F.



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### Boosting our earnings

Strong 9M22 results and continued momentum so far in 4Q22 lead us to boost our earnings estimates for CRC by 5/7/6% in 2022-24F, and this is despite also factoring in rising costs, mainly utility costs. Our 2023F DCF-based 12-month TP is raised to Bt53 (from Bt50). CRC's strong turnaround areas have been pretty much across the board in its three core business lines, i.e., fashion or department stores, hardline or home improvement, and food retail. Exhibits 2 and 4 show each business line's turnaround momentum. CRC has also continued its store expansion plan as shown in Exhibit 8. We expect CRC's quarterly earnings to start to surpass the pre-COVID level from 1Q23F onward.

### Merchandise sales surpass 2019's level

CRC's types of income are merchandise sales (90% of 9M22 gross profit), rental (10% of gross profit), and equity income (13% of 9M22 profit). Merchandise sales surpassed the pre-COVID level in 9M22) and we estimate 2022F sales to surpass 2019's by 8%. While same-store sales (SSS) in 3Q22 were still at 94% of the pre-COVID level, there were additional sales from new stores and the acquisition of COL Pcl. By business line in 3Q22, fashion SSS recovered to 94% of 3Q19's level, hardline to 96%, and food to 92%. Within fashion, department store sales in Italy (25% of 3Q22 fashion sales) recovered the fastest with SSS surpassing 3Q19's by 4% while Thai department stores were still at 84%. So far in 4Q22, overall SSS growth has still been at a high-single-digit level. We estimate SSS growth of 21/10/6% in 2022-24F.

### Other businesses also recovering fast

With more rental space from expansions, 3Q22 rental income recovered to above Bt2bn/quarter, or 92% of 4Q19's peak. That was despite 3Q22's occupancy rate still being low at 88% (vs. 94% in 2019) with single-digit rent discounts. Our rental income growth estimates of 35/28/15% in 2022-24F imply a new high for income of Bt10bn in 2023F. That is also due to new branches of Robinson Lifestyle Malls in Thailand and Go! Malls in Vietnam. CRC also posted surprisingly high equity income of Bt500m in 9M22 (vs. Bt391m in 2019). We think this was due to the much-improved performance of its 25% Gucci (Thailand) and profit from 27%-held Grab Taxi Holdings (Thailand) acquired in 4Q21.

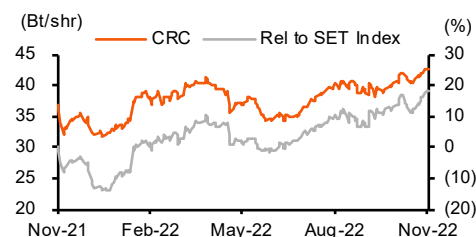
### A big-cap growth stock

We reaffirm BUY on CRC as a top sector pick along with CP All (CPALL TB, BUY, Bt63.25), not only for its strong business recovery but also as a big-cap growth stock with a 30% three-year EPS CAGR. Growth drivers are from swift turnaround of all business lines and store openings. The online platform threat is less of a worry to us too as CRC is very successful with its omnichannel sales (up from 3% of sales in 2019 to 18% in 9M22).

### COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	181,791	219,463	260,033	293,704
Net profit	59	6,115	9,079	11,547
Consensus NP	—	6,066	8,394	10,804
Diff frm cons (%)	—	0.8	8.2	6.9
Norm profit	59	6,115	9,079	11,547
Prev. Norm profit	—	5,833	8,458	10,904
Chg frm prev (%)	—	4.8	7.3	5.9
Norm EPS (Bt)	0.0	1.0	1.5	1.9
Norm EPS grw (%)	24.5	10,199.2	48.5	27.2
Norm PE (x)	4,342.7	42.2	28.4	22.3
EV/EBITDA (x)	16.3	11.5	9.9	8.8
P/BV (x)	4.6	4.3	3.9	3.5
Div yield (%)	0.7	0.9	1.4	1.8
ROE (%)	0.1	10.5	14.3	15.6
Net D/E (%)	102.8	98.4	96.8	86.1

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 24-Nov-22 (Bt)	42.75
Market Cap (US\$ m)	7,211.9
Listed Shares (m shares)	6,031.0
Free Float (%)	53.1
Avg Daily Turnover (US\$ m)	14.0
12M Price H/L (Bt)	42.75/31.75
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

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## Boosting our earnings and TP

**Raising our TP by 6% to Bt53/share**

Faster-than-expected recoveries in same-store sales (SSS) and rental income along with surprisingly strong equity income in 9M22 have prompted us to raise our profit estimates for Central Retail Corporation (CRC) by 5/7/6% in 2022-24F and this is despite us also factoring in rising costs, mainly utility costs. Our DCF-based 12-month TP, using a 2023F base year, is raised to Bt53/share (from Bt50 previously).

### Ex 1: Key Assumption Changes

	2020	2021	2022F	2023F	2024F	2025F
<b>SSSG (%) - New</b>	<b>(21)</b>	<b>(5)</b>	<b>21</b>	<b>10</b>	<b>6</b>	<b>5</b>
Fashion segment	(34)	(5)	42	13	8	4
Hardline segment	(14)	3	9	7	5	5
Food segment	(10)	(12)	18	10	5	5
<b>SSSG (%) - Old</b>	<b>(21)</b>	<b>(5)</b>	<b>19</b>	<b>9</b>	<b>6</b>	<b>5</b>
Fashion segment	(34)	(5)	38	17	9	4
Hardline segment	(14)	3	5	7	5	5
Food segment	(10)	(12)	18	5	5	5
<b>Blended gross margin on sales (%)</b>						
New	23.2	23.8	25.3	26.0	26.0	25.8
Old	23.2	23.8	24.9	25.4	25.4	25.2
Change (bp)	0	0	33	57	58	59
<b>Rental income (Bt m)</b>						
New	6,810	5,816	7,874	10,042	11,570	12,971
Old	6,810	5,816	7,501	9,593	11,154	12,614
Change (%)	0	0	5	5	4	3
<b>Equity income (Bt m)</b>						
New	132	279	700	650	720	798
Old	132	279	500	574	646	715
Change (%)	0	0	40	13	11	12
<b>SG&amp;A/sales (%)</b>						
New	31.7	31.4	29.2	29.1	28.6	28.3
Old	31.7	31.4	28.9	28.7	28.2	27.9
Change (bp)	0	0	30	36	37	38
<b>Normalized profit (Bt m)</b>						
New	46	59	6,115	9,079	11,547	13,538
Old	46	59	5,833	8,458	10,904	12,859
Change (%)	0	0	5	7	6	5

Sources: Company data, Thanachart estimates

**BUY as a top retail pick**

We reaffirm our BUY rating on shares of CRC as one of our top retail sector picks for the following reasons:

**Sales are turning around to pre-COVID level quickly**

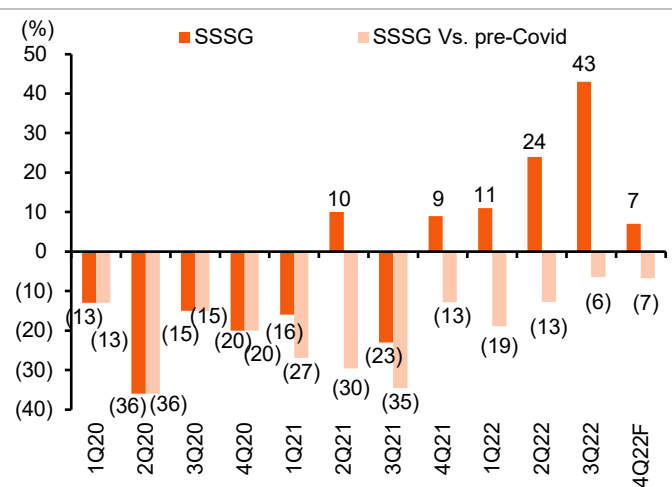
**First**, its swift turnaround with merchandise sales surpassing the pre-COVID 2019 level this year.

CRC's SSS have rebounded quickly along with the reopening of the country, with 3Q22 SSS recovering to 94% of the pre-COVID 2019 level. The robust turnaround has been across all of its business lines. Fashion's 3Q22 SSS was at 94% of 3Q19's level, hardline was at 96%, and food was at 92%. Strong SSS momentum has carried on into 4Q22F and QTD SSSG was at a high single-digit positive number. With continuing branch expansion during the COVID years in 2020-21 and the acquisition of the office supply company COL Pcl in February last year, we estimate CRC's goods sales to reach Bt211bn this year, 8% above 2019's level, on SSSG of 21/10/6% in 2022-24F after -21/-5% in 2020-21.

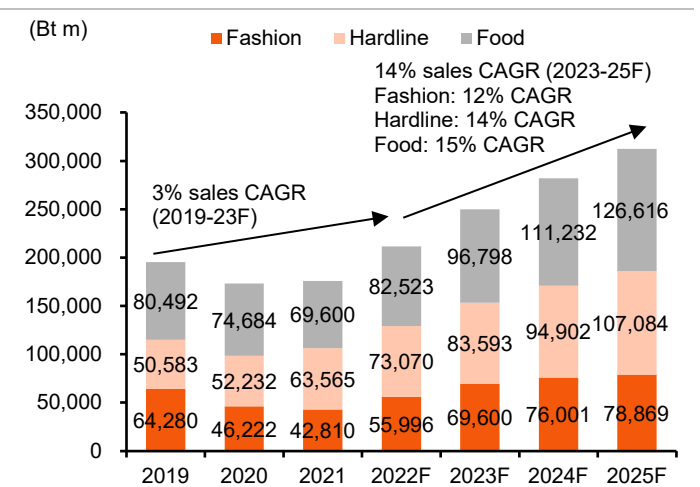
**Ex 2: SSSG Vs. Pre-COVID By Segment**

(%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22F
Fashion	(28)	(58)	(22)	(27)	(42)	(46)	(49)	(15)	(30)	(15)	(6)	(3)
Hardline	(3)	(29)	(8)	(11)	(7)	(12)	(24)	1	(1)	(10)	(4)	(4)
Food	3	(15)	(13)	(17)	(18)	(24)	(24)	(19)	(13)	(11)	(8)	(7)
<b>Total SSSG Vs. pre-COVID</b>	<b>(13)</b>	<b>(36)</b>	<b>(15)</b>	<b>(20)</b>	<b>(27)</b>	<b>(30)</b>	<b>(35)</b>	<b>(13)</b>	<b>(19)</b>	<b>(13)</b>	<b>(6)</b>	<b>(7)</b>

Sources: Company data, Thanachart estimates

**Ex 3: SSSG**

Sources: Company data, Thanachart estimates

**Ex 4: A Swift Sales Turnaround**

Sources: Company data, Thanachart estimates

**Set to deliver record-high rental and equity income**

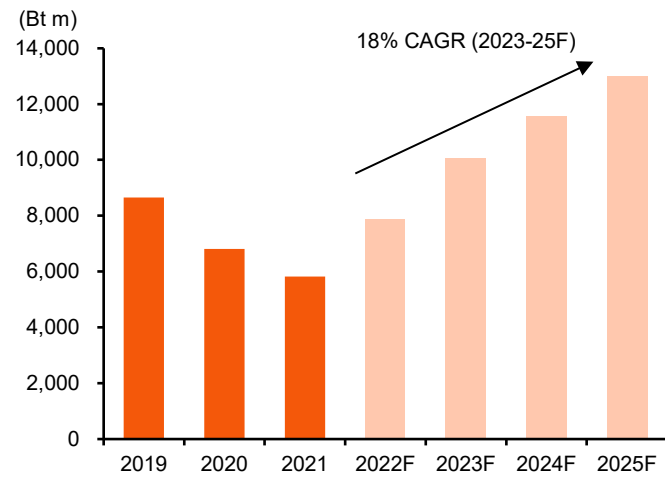
**Second**, we expect CRC to deliver record rental revenues and equity income.

3Q22 rental income of Bt2.07bn recovered to above Bt2bn/quarter for the first time since the COVID crisis began in 1Q20 at 92% of the peak quarterly rent of Bt2.2bn in 4Q19. This was despite the average occupancy rate as of 3Q22 being at 88% (vs. 94% in 2019) and continued mid-to-high single-digit rental discounts. With more rental space from store expansions, the total leasable area increased by 31% from 545,000 sqm as of 2019 to 713,000 sqm as of 3Q22 from new branches of Robinson Lifestyle Malls in Thailand and Go! Malls in Vietnam. This year, it has opened three Robinson Lifestyle Malls so far – Baanchang (Rayong province) in March with net leasable area (NLA) of 15,000 sqm (92% occupied), Thalang (Phuket) in August with 23,000 sqm of NLA (80% occupied), and Ratchapreuk (Bangkok vicinity, Nonthaburi province) in November with 26,000 sqm of NLA

(85% occupied). We estimate rental income growth of 35/28/15% in 2022-24F to achieve a new high rental income level of Bt10bn next year.

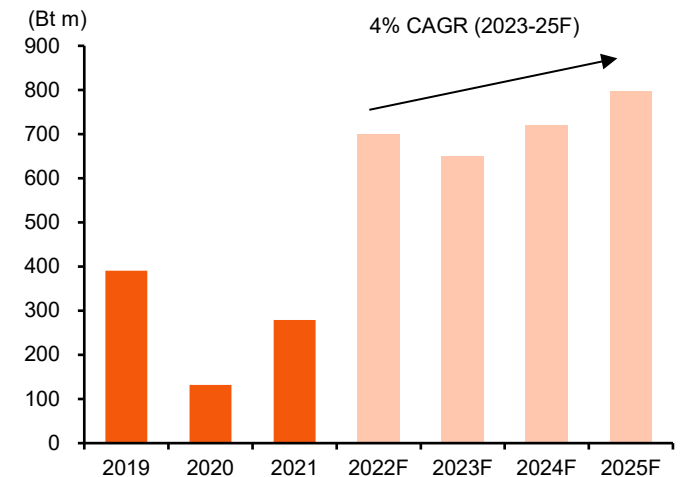
Besides, 9M22 equity income of Bt500m came in surprisingly high (vs. Bt391m in 2019) which we suspect was a result of the much-improved performance of its 25%-owned Gucci (Thailand) and profit contribution from 26.8% Grab Taxi Holdings (Thailand) acquired in 4Q21. We estimate equity income to grow by 2.5x this year to Bt700m from Bt279m/Bt132m in 2021-20.

### Ex 5: Rental Income



Sources: Company data, Thanachart estimates

### Ex 6: Equity Income



Sources: Company data, Thanachart estimates

### Ex 7: Associates & JVs

Companies	Business	Ownership (%)	Net profit (Bt m)				
			2021	2020	2019	2018	2017
Kokuyo International (Thailand) Co Ltd	Office furniture	24.0	20	15	62	37	39
Luxury Goods (Thailand) Ltd	GUCCI	25.0	502	288	257	73	5
Bottega Veneta (Thailand) Ltd	Bottega	25.0	11	21	(51)	(6)	(4)
GrabTaxi Holdings (Thailand) Co Ltd	Grab	26.8	168	177	(188)	5	(0)
Central Watson Co Ltd	Watson	28.9	1,203	1,660	1,832	1,892	1,657
MUJI Retail (Thailand) Co Ltd	MUJI	50.0	28	23	72	80	71
Samsonite (Thailand) Co Ltd	Samsonite	50.4	(9)	(11)	180	174	217
Sunglass Hut (Thailand) Co Ltd	Sunglasses	51.0	(37)	(40)	(20)	(18)	(6)
Matsumoto Kiyoshi Co Ltd	Matsumoto Kiyoshi	51.0	(62)	(58)	(61)	(15)	2

Sources: Company data, BOL

**Solid post-recovery growth with a 30% EPS CAGR in 2023-25F**

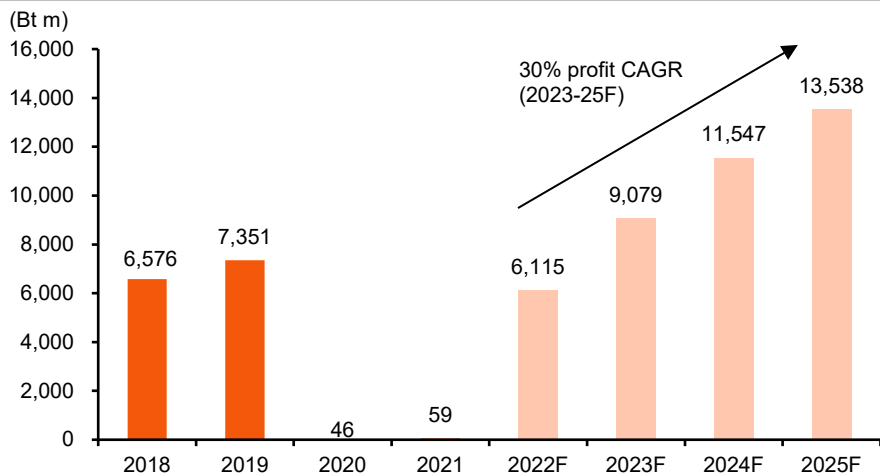
**Third**, CRC is a big-cap stock and we estimate a strong 30% three-year EPS CAGR in 2023-25F.

Given our expectation of a full earnings recovery next year with the return of foreign tourists, we estimate CRC to deliver 48/27/17% EPS growth in 2023-25F boosted by the swift turnaround of all of its business lines and new store openings. In 2023-25F, we expect the launch of two new Robinson department stores each year, 10 new Thai Watsadu stores a year, and the introduction of new food store formats, i.e., standalone Tops Supermarket, Tops Club, and Go! Hypermarket outlets in Thailand to lead to the opening of 41-43 new food stores each year. The threat from online platforms is less of a worry to us as CRC has been highly successful with its omnichannel sales, which rose from 3% of 2019 sales to 18% in 9M22, while CRC is targeting 25% by 2026.

**Ex 8: Store Expansion**

	2020	2021	2022F	2023F	2024F	2025F
<b><u>Fashion</u></b>						
- Robinson Department Store	1	2	3	2	2	2
<b><u>Hardline</u></b>						
<b><u>Hardline business in Thailand</u></b>						
- Thai Watsadu + Baan & Beyond	4	5	6	10	10	10
- Power Buy	12	10	10	10	10	10
<b><u>Hardline business in Vietnam</u></b>						
- Nguyen Kim	(11)	(8)	0	0	0	0
<b><u>Food</u></b>						
<b><u>Food business in Thailand</u></b>						
- Supermarket (Tops Market, Central Food Hall)	5	9	12	8	8	8
- Hypermarket (Tops Superstore)	0	(2)	0	0	0	0
- Tops Club	0	0	1	1	1	1
- Go! Hypermarket	0	0	4	4	2	2
- Mini Supermarket (Tops Daily + Super Koom)	21	38	17	20	20	20
- Family Mart (CVS)	(67)	(96)	(355)	0	0	0
<b><u>Food business in Vietnam</u></b>						
- Big C/GO! Hypermarket	4	(4)	1	4	4	4
- Lanchi Mart/Tops Supermarket	0	7	6	6	6	6

Sources: Company data, Thanachart estimates

**Ex 9: A 30% Three-year Profit CAGR in 2023-25F**

Sources: Company data, Thanachart estimates

**Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2023F**

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	23,862	28,404	31,799	34,887	37,024	39,234	41,734	44,244	46,796	49,159	51,455	
Free cash flow	(2)	4,157	12,266	14,964	19,000	21,092	23,261	25,457	30,664	38,642	41,017	637,161
PV of free cash flow	(2)	3,589	9,840	11,153	12,874	13,219	13,487	13,654	15,216	17,735	16,601	257,876
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	385,243											
Net debt	62,499											
Minority interest	3,113											
Equity value	319,631											
# of shares (m)	6,031											
<b>Equity value/share (Bt)</b>	<b>53</b>											

Source: Company, Thanachart estimates

## Valuation Comparison

### Ex 11: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Marks & Spencer	MKS LN	Britain	na	(30.0)	5.3	7.6	0.9	0.8	4.3	5.0	0.7	3.8
J Sainsbury PLC	SBRY LN	Britain	109.1	(8.7)	8.9	9.8	0.7	0.6	4.7	4.8	6.0	6.1
Tesco	TSCO LN	Britain	110.8	(2.8)	10.0	10.3	1.3	1.1	6.2	6.6	5.0	4.9
Carrefour SA	CA FP	France	7.9	13.9	10.7	9.4	1.2	1.1	6.5	6.0	3.5	4.0
Casino Guichard	CO FP	France	(58.0)	123.2	19.7	8.8	0.5	0.4	7.1	6.4	1.4	5.8
L'Oreal SA	OR FP	France	25.9	7.5	31.8	29.5	7.2	6.4	21.0	19.4	1.6	1.8
Alimentation Couche	ATD/B CN	Canada	7.9	13.6	na	na	na	na	10.0	9.7	na	na
Aeon	8267 JP	Japan	148.7	174.2	na	75.3	2.6	2.6	9.5	8.7	1.3	1.3
Kao Corporation	4452 JP	Japan	(13.8)	13.2	25.4	22.5	2.7	2.6	12.4	11.0	2.6	2.7
Lion Corporation	4912 JP	Japan	(5.9)	(6.4)	21.0	22.4	1.6	1.5	8.4	8.4	1.7	1.8
Shiseido Co. Ltd	4911 JP	Japan	(11.4)	87.1	74.6	39.9	4.2	4.0	23.4	16.7	1.7	1.1
Lawson	2651 JP	Japan	105.8	19.8	27.3	22.8	1.9	1.8	3.6	3.4	3.0	3.0
Seven & I Holdings	3382 JP	Japan	36.3	24.5	23.5	18.9	1.8	1.6	10.5	8.4	1.8	1.9
Lotte Corp	004990 KS	South Korea	19.0	9.6	8.9	8.1	0.4	0.4	9.5	9.1	4.7	4.7
Shinsegae	004170 KS	South Korea	23.1	11.1	5.6	5.1	0.5	0.5	5.4	5.4	1.5	1.6
Amore Pacific Group	002790 KS	South Korea	(52.5)	52.7	25.5	16.7	0.9	0.8	6.7	5.3	1.1	1.4
Best Buy Co Inc	BBY US	USA	(35.4)	6.1	12.8	12.0	6.3	7.2	6.8	6.5	4.1	4.6
Wal-Mart Stores	WMT US	USA	(5.9)	9.4	25.2	23.1	5.1	4.6	13.2	12.3	1.5	1.5
Home Depot Inc	HD US	USA	7.2	2.1	19.3	18.9	na	na	13.7	13.6	2.4	2.5
Yonghui Superstores	601933 CH	China	100.4	na	na	37.8	2.7	2.7	20.0	14.1	0.6	1.3
Sa International	178 HK	Hong Kong	21.8	62.0	na	na	2.8	3.3	na	na	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(75.5)	na	98.8	16.1	2.8	2.5	10.4	8.7	1.8	4.7
President Chain Store	2912 TT	Taiwan	10.8	15.9	27.8	24.0	7.7	7.1	11.0	10.8	3.3	3.7
7-Eleven Malaysia	SEM MK	Malaysia	181.5	6.6	22.8	21.4	15.0	11.2	8.4	8.4	2.3	2.4
Berli Jucker *	BJC TB	Thailand	49.1	6.9	26.2	24.5	1.1	1.1	13.4	12.9	2.9	3.1
COM7 *	COM7 TB	Thailand	18.3	18.7	25.3	21.3	10.6	8.8	17.6	15.0	1.8	3.9
CP All *	CPALL TB	Thailand	59.0	60.3	46.4	28.9	5.1	4.6	13.0	11.0	1.1	1.7
Central Pattana *	CPN TB	Thailand	152.2	30.4	36.6	28.1	3.9	3.5	20.9	17.3	1.3	1.6
Central Retail Corp. *	CRC TB	Thailand	10,199.2	48.5	42.2	28.4	4.3	3.9	11.5	9.9	0.9	1.4
Siam Global House *	GLOBAL TB	Thailand	11.7	14.1	24.9	21.8	4.2	3.8	19.7	17.3	1.6	1.8
Home Product*	HMPRO TB	Thailand	14.0	17.7	30.7	26.1	8.1	7.5	17.3	15.1	2.6	3.1
Siam Makro *	MAKRO TB	Thailand	(34.0)	46.8	50.0	34.0	1.4	1.3	16.3	14.0	1.5	2.2
Mc Group *	MC TB**	Thailand	27.5	20.5	12.7	10.6	2.1	2.1	5.3	5.1	7.9	9.5
<b>Average</b>			<b>30.8</b>	<b>28.0</b>	<b>27.6</b>	<b>22.1</b>	<b>3.6</b>	<b>3.3</b>	<b>11.5</b>	<b>10.2</b>	<b>2.3</b>	<b>3.0</b>

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates using normalized EPS growth, \*\* MC's fiscal year ends in June. The figures shown in the table are for FY23F and FY24F  
Based on 24 November 2022 closing price

## COMPANY DESCRIPTION

Central Retail Corporation Pcl (CRC) is Thailand's leading retailer under Central Group's Chirathivat family. It operates multi-retail businesses (fashion, hardline, food) in eight retail formats (department stores, specialty stores, brand shops, supermarkets, hypermarkets, convenience stores, retail plazas, sales counters) in three countries (Thailand, Vietnam, and Italy). As of end-2021, it was running 1,851 retail stores in three countries with a net selling area of 3.2m sqm and net leasable area of 0.69m sqm.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* No CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leader in retail market in Thailand with multiple retail formats.
- Accelerating omni-channel platform in response to new consumption trends.
- Strong market position in each retail segment.

### O — Opportunity

- Room to open more Thai Watsadu stores in the growing home-improvement sector.
- Strong growth opportunities in Vietnam from robust economic growth and low modern-trade penetration.
- More M&As.

### W — Weakness

- Low returns on some businesses with model adjustments needed.
- Highly capital-intensive business and high operating expenses.

### T — Threat

- Competition from new entrants.
- Weak Thai economy.
- Pandemic.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	46.68	53.00	14%
<b>Net profit 22F (Bt m)</b>	6,066	6,115	1%
<b>Net profit 23F (Bt m)</b>	8,394	9,079	8%
<b>Consensus REC</b>	<b>BUY: 17</b>	<b>HOLD: 4</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F net profit is 8% higher than the Bloomberg consensus estimate, likely as we now factor in the faster-than-expected recoveries of sales and rental income.
- Our DCF-based TP is 14% above the Street's. This could be due to us having a higher store number assumption.

Sources: Bloomberg consensus, Thanachart estimates

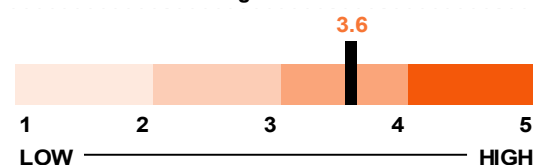
## RISKS TO OUR INVESTMENT CASE

- There would be downside risk to our earnings forecasts if CRC fails to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors open stores more aggressively than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.

Source: Thanachart

CRC is a multi-category retailer with various types of retail store formats in the segments of fashion, food, and hardline in Thailand, Vietnam, and Italy. It operates total space of 3.9m sqm. Our ESG score for CRC is relatively high at 3.6 as its business doesn't create much greenhouse gas and the company has clear targets and plans for ESG issues.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CRC	YES	YES	-	BB	-	62.22	59.22	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Despite its business nature of not creating much greenhouse gas (GHG), CRC still sets ESG goals. It targets to achieve by 2030 the use of 100% friendly packaging, reduce food losses and waste by 30% (from 3,785 tonnes of food waste in 2021), and cut GHG emissions by 30% from 0.4m tonnes of CO2 equivalent in 2021.</li> <li>Since 2018, it has complied with its "Central Retail Love the Earth" campaign that focuses on waste reduction (journey to zero), an increase in green area (Central Green), and forest restoration. It increased forest restoration area to 2,154 rai in 2021.</li> <li>In 2021, CRC raised the use of clean energy to 67% of total usage via solar rooftops. A total of 15 additional solar cell rooftops were installed in 2021, bringing the total to 40 (16 Robinson Department Stores, 15 Thai Watsadu stores in Thailand, and 9 GO! Mall outlets in Vietnam).</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>In 2021, the average employee training and development time was 13.8 hours/person/year with an average cost of Bt2,800/person.</li> <li>CRC promotes talent development for career progression and its internal succession plan. In 2021, job rotations stood at 61% of total new hires.</li> <li>The Employee Joint Investment Program (EJIP) was established to encourage employee ownership of the company. The project timeline is from 1 April 2021 – 31 March 2024.</li> <li>CRC selects products that are safe and of the highest quality by conducting inspections for the whole supply chain in compliance with the Food Safety System Certification (FSSC 22000). In 2021, total product recalls were at 25 SKUs with expenses of Bt0.8m incurred.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>The board of directors (BOD) comprises 15 members, five of whom are independent directors. Three directors are women and eight directors are from the Chirathivat family.</li> <li>Confirmed breaches of business ethics fell from 77 cases in 2019 to 62 in 2020 and 49 in 2021. Most involved internal regulatory non-compliance.</li> <li>CRC has established risk-management guidelines according to international standards.</li> <li>CRC aims to effectively promote a risk culture within the organization. This starts with raising risk awareness among employees at all levels through training in risk management which includes workplace safety and personal data privacy issues.</li> <li>CRC has an information system that enhances risk-management efficiency. The system helps support risk information, performance data, and risk management reporting to communicate the risk-management results to stakeholders.</li> </ul>

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	179,947	181,791	219,463	260,033	293,704
Cost of sales	134,948	135,847	160,287	187,518	211,659
<b>Gross profit</b>	<b>44,999</b>	<b>45,944</b>	<b>59,176</b>	<b>72,515</b>	<b>82,045</b>
% gross margin	25.0%	25.3%	27.0%	27.9%	27.9%
Selling & administration expenses	57,088	57,068	64,054	75,569	83,874
<b>Operating profit</b>	<b>1,973</b>	<b>2,518</b>	<b>10,323</b>	<b>14,156</b>	<b>17,312</b>
% operating margin	1.1%	1.4%	4.7%	5.4%	5.9%
Depreciation & amortization	16,558	17,041	17,591	18,608	19,646
<b>EBITDA</b>	<b>18,531</b>	<b>19,559</b>	<b>27,914</b>	<b>32,764</b>	<b>36,958</b>
% EBITDA margin	10.3%	10.8%	12.7%	12.6%	12.6%
Non-operating income	14,364	13,863	15,399	17,414	19,355
Non-operating expenses	0	0	0	0	0
Interest expense	(2,950)	(3,113)	(3,228)	(3,203)	(3,292)
<b>Pre-tax profit</b>	<b>(675)</b>	<b>(374)</b>	<b>7,293</b>	<b>11,157</b>	<b>14,234</b>
Income tax	(884)	(372)	1,459	2,231	2,847
<b>After-tax profit</b>	<b>209</b>	<b>(2)</b>	<b>5,835</b>	<b>8,925</b>	<b>11,387</b>
% net margin	0.1%	0.0%	2.7%	3.4%	3.9%
Shares in affiliates' Earnings	132	279	700	650	720
Minority interests	(295)	(217)	(420)	(496)	(560)
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>46</b>	<b>59</b>	<b>6,115</b>	<b>9,079</b>	<b>11,547</b>
<b>Normalized profit</b>	<b>46</b>	<b>59</b>	<b>6,115</b>	<b>9,079</b>	<b>11,547</b>
EPS (Bt)	0.0	0.0	1.0	1.5	1.9
Normalized EPS (Bt)	0.0	0.0	1.0	1.5	1.9

*EBITDA hit by COVID and lockdowns in 2020-21*

*We expect a full earnings recovery in 2023F*

## BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
<b>ASSETS:</b>					
Current assets:	67,177	69,918	79,719	91,864	102,066
Cash & cash equivalent	17,742	18,088	18,181	19,204	20,040
Account receivables	4,570	4,860	6,013	8,549	9,656
Inventories	34,296	36,516	43,036	49,320	55,669
Others	10,570	10,455	12,490	14,791	16,701
Investments & loans	2,634	5,559	5,559	5,559	5,559
Net fixed assets	41,654	43,359	54,520	64,390	73,298
Other assets	127,715	144,392	136,018	131,546	123,328
<b>Total assets</b>	<b>239,180</b>	<b>263,228</b>	<b>275,816</b>	<b>293,360</b>	<b>304,252</b>
<b>LIABILITIES:</b>					
Current liabilities:	89,049	111,662	111,839	124,907	132,772
Account payables	31,569	35,632	39,523	46,237	52,190
Bank overdraft & ST loans	31,625	36,905	40,340	43,483	43,616
Current LT debt	2,763	13,418	4,034	4,348	4,362
Others current liabilities	23,091	25,707	27,943	30,838	32,604
<b>Total LT debt</b>	<b>29,492</b>	<b>28,517</b>	<b>36,306</b>	<b>39,135</b>	<b>39,255</b>
Others LT liabilities	64,924	63,968	64,182	59,292	54,218
<b>Total liabilities</b>	<b>183,465</b>	<b>204,147</b>	<b>212,328</b>	<b>223,335</b>	<b>226,245</b>
Minority interest	2,321	2,693	3,113	3,609	4,169
Preferred shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,885	66,885	66,885	66,885	66,885
Warrants	0	0	0	0	0
Surplus	(30,299)	(24,951)	(24,951)	(24,951)	(24,951)
<b>Retained earnings</b>	<b>10,777</b>	<b>8,424</b>	<b>12,411</b>	<b>18,451</b>	<b>25,873</b>
Shareholders' equity	53,394	56,388	60,376	66,416	73,838
<b>Liabilities &amp; equity</b>	<b>239,180</b>	<b>263,228</b>	<b>275,816</b>	<b>293,360</b>	<b>304,252</b>

*Well-controlled debt with net gearing at around 1x despite continuing M&A*

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Earnings before tax	(675)	(374)	7,293	11,157	14,234
Tax paid	108	694	(1,560)	(2,052)	(2,844)
Depreciation & amortization	16,558	17,041	17,591	18,608	19,646
Chg In working capital	(2,578)	1,552	(3,782)	(2,106)	(1,504)
Chg In other CA & CL / minorities	(14,761)	3,913	(177)	(2)	(250)
<b>Cash flow from operations</b>	<b>(1,349)</b>	<b>22,826</b>	<b>19,366</b>	<b>25,605</b>	<b>29,282</b>
Capex	(16,350)	(18,745)	(19,500)	(19,577)	(20,000)
Right of use	(67,029)	1,691	85	4	4
ST loans & investments	(4)	(98)	102	0	0
LT loans & investments	(1,443)	(2,926)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	60,750	(20,297)	328	(8,257)	(4,591)
<b>Cash flow from investments</b>	<b>(24,076)</b>	<b>(40,375)</b>	<b>(18,985)</b>	<b>(27,829)</b>	<b>(24,587)</b>
Debt financing	2,953	14,960	1,840	6,287	266
Capital increase	55,177	0	0	0	0
Dividends paid	(12,187)	(2,412)	(2,128)	(3,039)	(4,125)
Warrants & other surplus	(14,452)	5,348	0	0	0
<b>Cash flow from financing</b>	<b>31,491</b>	<b>17,895</b>	<b>(287)</b>	<b>3,248</b>	<b>(3,859)</b>
<b>Free cash flow</b>	<b>(17,699)</b>	<b>4,080</b>	<b>(134)</b>	<b>6,028</b>	<b>9,282</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Normalized PE (x)	5,404.8	4,342.7	42.2	28.4	22.3
Normalized PE - at target price (x)	6,700.6	5,383.9	52.3	35.2	27.7
PE (x)	5,404.8	4,342.7	42.2	28.4	22.3
PE - at target price (x)	6,700.6	5,383.9	52.3	35.2	27.7
EV/EBITDA (x)	16.0	16.3	11.5	9.9	8.8
EV/EBITDA - at target price (x)	19.2	19.4	13.7	11.8	10.5
P/BV (x)	4.8	4.6	4.3	3.9	3.5
P/BV - at target price (x)	6.0	5.7	5.3	4.8	4.3
P/CFO (x)	(185.3)	11.3	13.3	10.1	8.8
Price/sales (x)	1.4	1.4	1.2	1.0	0.9
Dividend yield (%)	0.9	0.7	0.9	1.4	1.8
FCF Yield (%)	(7.1)	1.6	(0.1)	2.3	3.6
<b>(Bt)</b>					
Normalized EPS	0.0	0.0	1.0	1.5	1.9
EPS	0.0	0.0	1.0	1.5	1.9
DPS	0.4	0.3	0.4	0.6	0.8
BV/share	8.9	9.3	10.0	11.0	12.2
CFO/share	(0.2)	3.8	3.2	4.2	4.9
FCF/share	(3.0)	0.7	(0.0)	1.0	1.5

Sources: Company data, Thanachart estimates

*PE looks justified given its high EPS growth*

## FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
<b>Growth Rate</b>					
Sales (%)	(11.8)	1.0	20.7	18.5	12.9
Net profit (%)	(99.6)	28.3	10,199.2	48.5	27.2
EPS (%)	(99.7)	24.5	10,199.2	48.5	27.2
Normalized profit (%)	(99.4)	28.3	10,199.2	48.5	27.2
Normalized EPS (%)	(99.5)	24.5	10,199.2	48.5	27.2
Dividend payout ratio (%)	5,214.2	3,047.5	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	25.0	25.3	27.0	27.9	27.9
Operating margin (%)	1.1	1.4	4.7	5.4	5.9
EBITDA margin (%)	10.3	10.8	12.7	12.6	12.6
Net margin (%)	0.1	(0.0)	2.7	3.4	3.9
D/E (incl. minor) (x)	1.1	1.3	1.3	1.2	1.1
Net D/E (incl. minor) (x)	0.8	1.0	1.0	1.0	0.9
Interest coverage - EBIT (x)	0.7	0.8	3.2	4.4	5.3
Interest coverage - EBITDA (x)	6.3	6.3	8.6	10.2	11.2
ROA - using norm profit (%)	0.0	0.0	2.3	3.2	3.8
ROE - using norm profit (%)	0.1	0.1	10.5	14.3	15.6
<b>DuPont</b>					
ROE - using after tax profit (%)	0.5	na	10.0	14.1	15.4
- asset turnover (x)	0.9	0.7	0.8	0.9	1.0
- operating margin (%)	na	na	4.8	5.5	6.0
- leverage (x)	5.4	4.6	4.6	4.5	4.1
- interest burden (%)	(29.7)	(13.7)	69.3	77.7	81.2
- tax burden (%)	na	na	80.0	80.0	80.0
WACC (%)	7.6	7.6	7.6	7.6	7.6
ROIC (%)	2.7	2.5	7.0	9.2	10.3
NOPAT (Bt m)	1,973	2,518	8,258	11,324	13,849
invested capital (Bt m)	99,532	117,140	122,875	134,179	141,030

Sources: Company data, Thanachart estimates

*Net margin looks to be on the way up*

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1. MSCI (CCC- AAA)
2. Arabesque S-Ray (0-100)
3. Refinitiv (0-100)
4. S&P Global (0-100)
5. Moody's ESG Solutions (0-100)

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Nowadays, long-term investment tends to be more focused on sustainable companies. The financial statement performance and the consideration in environmental, social and governance (ESG) perspective are keys aspects for analysis.

SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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Score range	Description
CCC - B	<b>LAGGARD:</b> A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	<b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	<b>LEADER:</b> A company leading its industry in managing the most significant ESG risks and opportunities

### The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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