

**MK Restaurant Group Pcl (M TB) - BUY, Price Bt57.25, TP Bt71.00****Results Comment**

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**The turnaround in 3Q22 was in line**

- M's earnings were Bt408m, improved from Bt257m loss in 3Q21 but fell 7% q-q. The results were in line with our expectation.
- Revenues jumped 106% y-y from the COVID-led low base last year. The revenues were flat q-q despite 3Q is normally a weaker quarter due to continue turnaround in traffic.
- Gross margin was 65.2%, increased from the low base of 60.1% last year and flat q-q.
- SG&A to sales was 53.7%, falling from 78.2% due to operating leverage impact, but increased from 52.7% in 2Q22. We suspect this was due to M having opened
- M expects for further traffic resumption and for the improvement in gross margin as raw material price should fall from the current high level. We maintain BUY.

Income Statement (consolidated)						Income Statement (9M as)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	1,973	3,583	3,495	4,016	4,067	Revenue	1	106	72	16,049	19,109
<b>Gross profit</b>	<b>1,185</b>	<b>2,397</b>	<b>2,291</b>	<b>2,623</b>	<b>2,654</b>	<b>Gross profit</b>	<b>1</b>	<b>124</b>	<b>73</b>	<b>10,337</b>	<b>12,772</b>
SG&A	1,544	1,931	2,008	2,118	2,182	SG&A	3	41	71	8,894	9,925
Operating profit	(359)	466	283	505	471	Operating profit	(7)	na	87	1,443	2,847
<b>EBITDA</b>	<b>142</b>	<b>965</b>	<b>773</b>	<b>999</b>	<b>980</b>	<b>EBITDA</b>	<b>(2)</b>	<b>591</b>	<b>85</b>	<b>3,242</b>	<b>4,595</b>
Other income	51	46	64	50	55	Other income	11	9	29	579	623
Other expense	0	0	0	0	0	Other expense					
Interest expense	12	18	21	21	21	Interest expense	3	77	122	52	44
<b>Profit before tax</b>	<b>(320)</b>	<b>494</b>	<b>326</b>	<b>534</b>	<b>505</b>	<b>Profit before tax</b>	<b>(5)</b>	<b>na</b>	<b>69</b>	<b>1,970</b>	<b>3,425</b>
Income tax	(65)	90	51	89	86	Income tax	(3)	na	64	355	617
Equity & invest. income	(8)	(1)	(9)	(4)	(7)	Equity & invest. income	na	na	100	(20)	(20)
Minority interests	5	(4)	5	(2)	(4)	Minority interests	na	na	(22)	5	(32)
Extraordinary items	0	0	0	0	0	Extraordinary items					
<b>Net profit</b>	<b>(257)</b>	<b>399</b>	<b>271</b>	<b>439</b>	<b>408</b>	<b>Net profit</b>	<b>(7)</b>	<b>na</b>	<b>70</b>	<b>1,600</b>	<b>2,756</b>
<b>Normalized profit</b>	<b>(257)</b>	<b>399</b>	<b>271</b>	<b>439</b>	<b>408</b>	<b>Normalized profit</b>	<b>(7)</b>	<b>na</b>	<b>70</b>	<b>1,600</b>	<b>2,756</b>
EPS (Bt)	(0.28)	0.43	0.29	0.48	0.44	EPS (Bt)	(7)	na	70	1.74	2.99
Normalized EPS (Bt)	(0.28)	0.43	0.29	0.48	0.44	Normalized EPS (Bt)	(7)	na	70	1.74	2.99

  

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	7,018	7,689	7,881	7,903	7,151	Sales grow th	(48.1)	(0.6)	12.2	60.1	106.1
A/C receivable	177	167	145	120	105	Operating profit grow th	na	59.0	276.9	na	na
Inventory	331	392	400	408	385	EBITDA grow th	(86.7)	17.5	32.1	217.3	591.3
Other current assets	133	170	136	96	103	Norm profit grow th	na	14.2	205.0	na	na
Investment	874	873	863	859	858	Norm EPS grow th	na	14.2	205.0	na	na
Fixed assets	2,873	2,842	2,807	2,774	2,762	Gross margin	60.1	66.9	65.6	65.3	65.2
Other assets	7,299	7,436	7,557	7,153	7,812	Operating margin	(18.2)	13.0	8.1	12.6	11.6
<b>Total assets</b>	<b>18,704</b>	<b>19,569</b>	<b>19,789</b>	<b>19,314</b>	<b>19,175</b>	EBITDA margin	7.2	26.9	22.1	24.9	24.1
S-T debt	8	8	10	14	18	Norm net margin	(13.0)	11.1	7.7	10.9	10.0
A/C payable	1,047	1,355	1,240	1,212	1,150	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1,267	1,366	1,454	1,452	1,483	Net D/E (x)	(0.5)	(0.6)	(0.6)	(0.6)	(0.5)
L-T debt	0	0	0	0	0	Interest coverage (x)	11.8	54.8	36.1	48.3	46.1
Other liabilities	3,277	3,331	3,311	3,157	3,087	Interest rate	437.0	857.4	912.6	668.7	518.6
Minority interest	310	314	310	311	315	Effective tax rate	20.4	18.1	15.7	16.6	17.0
<b>Shareholders' equity</b>	<b>12,796</b>	<b>13,194</b>	<b>13,464</b>	<b>13,168</b>	<b>13,121</b>	ROA	(5.4)	8.3	5.5	9.0	8.5
Working capital	(539)	(796)	(695)	(683)	(660)	ROE	(8.0)	12.3	8.1	13.2	12.4
Total debt	8	8	10	14	18						
<b>Net debt</b>	<b>(7,009)</b>	<b>(7,680)</b>	<b>(7,871)</b>	<b>(7,889)</b>	<b>(7,132)</b>						

Sources: Company data, Thanachart estimates

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