

Siam Makro Pcl (MAKRO TB) - BUY, Price Bt34.75, TP Bt42.00**Results Comment**

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Stable 3Q22 profit, in line

- MAKRO reported 3Q22 net profit of Bt1,602m, increased slightly by 2% y-y and q-q, in line with us and consensus.
- In 3Q21, MAKRO didn't own any stake in Lotus's (Thailand and Malaysia); therefore, profit from Lotus's of Bt29m in 3Q22 was key reason for y-y earnings growth. But EPS fell by 54% y-y from rising shares from capital increase.
- Wholesale business:** 3Q22 profit was Bt1,573m, flat y-y but up 16% q-q. Merchandise sales grew by 12% y-y and 2% q-q to Bt60.3bn on an 8.9% SSSG driven by country reopening and tourism recovery. Gross margin on sales improved by 16bp y-y and 75bp q-q to 10.64% on higher fresh food sales mix boosted by HoReCa sales. High SG&A from B2B Marketplace Maknet project, rising utility cost and new store cost still pressured profit. SG&A/sales rose to 9.4% vs 8.4% in 3Q21 and 8.9% in 2Q22.
- Retail business:** Lotus generated Bt29m 3Q22 profit, down q-q from Bt217m profit in 2Q22 but improved significantly from Bt704m loss in 3Q21. Falling profit q-q was due to declining sales by 8% q-q to Bt49.9bn on seasonality factor and rising interest cost. The y-y turnaround was driven by 6% retail sales growth from new stores (flat SSSG in Thailand, -3.7% in Malaysia) and a 54% rental income growth to Bt3.3bn. Gross margin on sales was flat y-y but rose by 92bp q-q to 19.12%. High SG&A expenses owing to store expansion, new IT system, and rebranding cost drove SG&A/sales to 20.8% vs 19.4% in 2Q22, but good sign is SG&A amount fell by 1% q-q.
- 9M22 net profit made up 65% of our full-year forecast, maintain BUY to Bt42 TP.

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	54,739	100,205	110,777	117,933	114,963	Revenue	(3)	110	74	461,926	504,716
Gross profit	6,557	16,914	18,263	18,763	19,232	Gross profit	3	193	75	75,454	83,326
SG&A	4,616	12,674	14,616	15,776	16,031	SG&A	2	247	76	61,278	65,870
Operating profit	1,941	4,240	3,648	2,987	3,201	Operating profit	7	65	60	16,463	19,956
EBITDA	2,739	6,710	7,265	6,487	6,647	EBITDA	2	143	67	30,483	35,619
Other income	232	206	439	530	597	Other income	12	157	69	2,287	2,500
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	137	1,148	1,494	1,598	1,826	Interest expense	14	1,230	81	6,081	5,447
Profit before tax	2,036	3,299	2,593	1,920	1,972	Profit before tax	3	(3)	62	10,382	14,509
Income tax	473	862	767	549	603	Income tax	10	27	57	3,365	4,152
Equity & invest. income	0	149	224	202	230	Equity & invest. income	14		61	1,069	1,497
Minority interests	10	(9)	0	0	3	Minority interests	670	(65)	27	16	42
Extraordinary items	0	6,517	0	0	0	Extraordinary items			na	0	0
Net profit	1,572	9,094	2,050	1,573	1,602	Net profit	2	2	65	8,101	11,895
Normalized profit	1,572	2,577	2,050	1,573	1,602	Normalized profit	2	2	65	8,101	11,895
EPS (Bt)	0.33	0.86	0.19	0.15	0.15	EPS (Bt)	2	(54)	65	0.77	1.12
Normalized EPS (Bt)	0.33	0.24	0.19	0.15	0.15	Normalized EPS (Bt)	2	(54)	65	0.77	1.12
Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	5,260	68,530	64,007	43,160	27,460	Sales grow th	1.6	75.3	98.2	115.5	110.0
A/C receivable	957	2,301	1,955	1,937	2,010	Operating profit grow th	(1.6)	47.1	73.5	96.8	64.9
Inventory	14,030	31,967	32,925	33,716	34,374	EBITDA grow th	(7.9)	52.6	152.1	180.5	142.7
Other current assets	2,136	7,203	6,823	9,169	10,697	Norm profit grow th	(0.0)	21.0	18.3	22.2	1.9
Investment	0	0	0	0	0	Norm EPS grow th	(0.0)	(45.1)	(46.3)	(44.6)	(53.8)
Fixed assets	30,161	118,444	117,392	116,187	116,647	Gross margin	12.0	16.9	16.5	15.9	16.7
Other assets	16,125	341,046	341,384	343,604	344,583	Operating margin	3.5	4.2	3.3	2.5	2.8
Total assets	68,669	569,490	564,486	547,773	535,771	EBITDA margin	5.0	6.7	6.6	5.5	5.8
S-T debt	983	31,199	31,436	13,731	4,623	Norm net margin	2.9	2.6	1.9	1.3	1.4
A/C payable	22,677	54,845	52,253	52,067	43,982	D/E (x)	0.3	0.5	0.5	0.4	0.4
Other current liabilities	7,844	32,167	27,865	26,439	25,921	Net D/E (x)	0.0	0.2	0.2	0.3	0.3
L-T debt	5,001	105,120	104,521	108,197	113,056	Interest coverage (x)	20.0	5.8	4.9	4.1	3.6
Other liabilities	9,585	57,661	58,193	58,554	59,338	Interest rate	8.1	6.5	4.4	5.0	6.1
Minority interest	497	501	499	521	639	Effective tax rate	23.3	26.1	29.6	28.6	30.6
Shareholders' equity	22,081	287,997	289,719	288,265	288,211	ROA	9.8	4.7	2.5	2.3	2.5
Working capital	(7,690)	(20,577)	(17,373)	(16,413)	(7,598)	ROE	28.3	6.6	2.8	2.2	2.2
Total debt	5,984	136,319	135,957	121,928	117,679						
Net debt	724	67,790	71,951	78,767	90,220						

Sources: Company data, Thanachart estimates

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