

**BUY** (Unchanged)**TP: Bt 54.00** (From: Bt 53.00 )**9 FEBRUARY 2023**

Change in Numbers

Upside : 18.7%

# Central Retail Corp Pcl (CRC TB)

## A business remodeling

CRC is remodeling its department store business, which leads to a 2% hike in our DCF-based TP to Bt54. We reaffirm BUY on CRC as a big-cap growth retail stock with a 30% three-year EPS CAGR and potential value unlocking in the future from its group companies.

**PHANNARAI TIYAPITTAYARUT**

662-779-9109

phannarai.von@thanachartsec.co.th

### Department store transformation

CRC operates 75 department stores in Thailand (51 Robinson and 24 Central department stores), nine in Italy and 482 brand shops in Thailand and Italy. Along with its plan to open two or three new department stores a year, CRC also intends to remodel and modernize this business line. This includes upgrading its flagship Central Chidlom to become Southeast Asia's first luxury department store by 2Q24 and remodeling 14 of its Robinson stores to be higher-segment Central stores within five years. This would result in a rising mix of higher-margin products. We raise our gross margin on department store (called the "fashion" business line by CRC) sales assumptions by 72-212bp to 48.2% in 2023F and 49.6% in 2027F.

### Higher costs and capex

Due to higher capex assumptions for the above-mentioned plan, we raise our interest expense estimates by 25-30% from Bt3.4bn in 2022F to Bt4.2/4.1/3.8bn in 2023-25F. Rising interest rates since last year have also led to higher interest expenses. Another rising cost item is utility costs which made up approximately 2% of total revenues in 2022F. To reflect the continued increase in the fuel-adjusted tariff (Ft) since early this year, we revise up our SG&A/sales ratio assumptions by 40bp across the board to 29.5/29.0/28.7% in 2023-25F, from 29.4% in 2022F.

### Group companies' value-unlocking potential

CRC over the past few years has been restructuring and regrouping its businesses. It is also looking to spin off and list some of its group companies. It is listing e-book operator MEB this month. MEB is 75%-owned by COL Pcl (delisted), which is 99.7%-owned by CRC. After the listing, COL would own 55% of MEB. CRC also plans to list Thai Watsadu, its home-improvement business, in the future. We believe there are still other businesses that can be spun off and listed on the SET given the many businesses under the CRC group. CRC targets to expand its market cap by 2.5x by 2027.

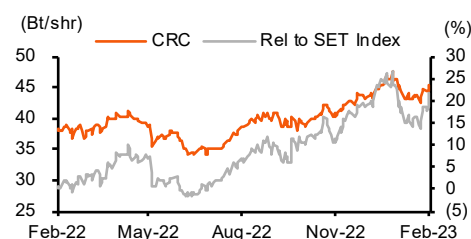
### Reaffirming BUY with a higher TP of Bt54

We reaffirm our BUY call on CRC as we see it as a high-quality, big-cap growth retail stock with a 30% three-year EPS CAGR in 2023-25F. CRC has many business lines with various store types that we believe it could create more value from. CRC increased its new food store formats last year to capture new demand patterns and customer groups (refer to *CRC – A new food store format*, published 7 October 2022). Now, it is remodeling its department store business which results in a net increase in earnings, after netting off rising utility and interest costs, of 2%. Accordingly, we boost our DCF-based 12-month TP (2023F base year) to Bt54/share (from Bt53 previously).

### COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	181,791	221,467	257,184	290,488
Net profit	59	6,295	8,565	11,417
Consensus NP	—	6,215	8,658	10,981
Diff frm cons (%)	—	1.3	(1.1)	4.0
Norm profit	59	6,295	8,565	11,417
Prev. Norm profit	—	6,115	9,079	11,547
Chg frm prev (%)	—	3.0	(5.7)	(1.1)
Norm EPS (Bt)	0.0	1.0	1.4	1.9
Norm EPS grw (%)	24.5	10,503.0	36.1	33.3
Norm PE (x)	4,622.1	43.6	32.0	24.0
EV/EBITDA (x)	17.1	11.9	10.6	9.3
P/BV (x)	4.9	4.5	4.2	3.7
Div yield (%)	0.7	0.9	1.2	1.7
ROE (%)	0.1	10.8	13.5	15.5
Net D/E (%)	102.8	98.2	108.1	96.0

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 9-Feb-23 (Bt)	45.50
Market Cap (US\$ m)	8,199.9
Listed Shares (m shares)	6,031.0
Free Float (%)	53.1
Avg Daily Turnover (US\$ m)	15.7
12M Price H/L (Bt)	47.50/34.25
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

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## Group companies' value-unlocking potential

### *Business remodeling and value unlocking across all three business segments*

As a multi-format, multi-category Thai retailer with an objective since listing three years ago of adjusting its traditional physical business model in three segments (fashion, hardline, food) to suit the consumer behaviors of the future, Central Retail Corp (CRC) has so far made a number of strides. It has built a solid omni-channel platform with its omni sales contribution jumping from 3% in 2019 to 18% in 2022. This helped to drive a swift business turnaround from the COVID crisis. Last year, it launched new food store formats. 1) Standalone Tops Supermarket outlets were introduced to capture the rising trend of Bangkokians shopping for groceries near their homes. 2) To penetrate the upcountry market with small-sized hypermarkets (2,000-sqm selling area), it launched Go! Hypermarket. 3) Tops Club was introduced as a membership-based premium grocery store. 4) It also diversified into health and wellness with 12 Tops Care drug stores and 29 Tops Vita vitamin stores. In 2H23, it plans to launch a sizable new business in Thailand before rolling this out in Vietnam. These new formats extended its growth beyond its existing food-store model. This year, it has embarked on the transformation of its fashion business.

Ex 1: CRC's Business Lines



Source: Company data

### *Spinning off MEB with many more that could be spun off in the future*

CRC is also looking to spin off and list some of its group companies. After acquiring a 99.7% stake in COL Pcl (delisted) two years ago for Bt12bn, it is listing COL's 75%-subsidiary MEB Corporation, an e-book operator, this month with a Bt8.5bn market cap based on the IPO price. After the listing, COL would still own 55% in MEB. COL also owns two other businesses – OfficeMate office supplies and B2S book and stationery stores. CRC also plans to list Thai Watsadu, its home-improvement business, in the future. We believe other businesses can be spun off and listed on the SET, given the many businesses under the CRC group. CRC targets to expand its market cap by 2.5x by 2027.

Ex 2: Unlocking COL's Value



Source: Company data

Department store transformation

Expecting higher fashion gross margin from department store upgrade

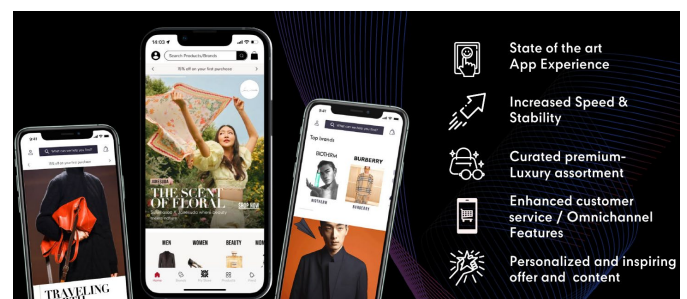
This year, CRC plans to remodel its business under the fashion segment. As of 2022, it was operating 75 department stores in Thailand (51 Robinson and 24 Central department stores), nine Rinascente department stores in Italy, and 482 brand shops in Thailand and Italy. Along with its plan to open two to three new department stores a year, the company is remodeling and modernizing this business line. This includes enhancing its flagship Central Chidlom to become Southeast Asia's first luxury department store by 2Q24 and remodeling 14 Robinson department stores to become higher-segment Central department stores within five years. This would result in a rising mix of higher-margin products. We lift our gross margin on fashion sales by 72-212bp to 48.2% in 2023F and 49.6% in 2027F.

Ex 3: Store Transformation Program



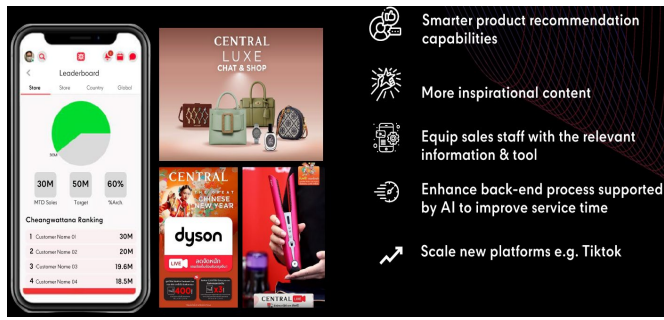
Source: Company data

Ex 4: To Become #1 Premium Omnichannel App



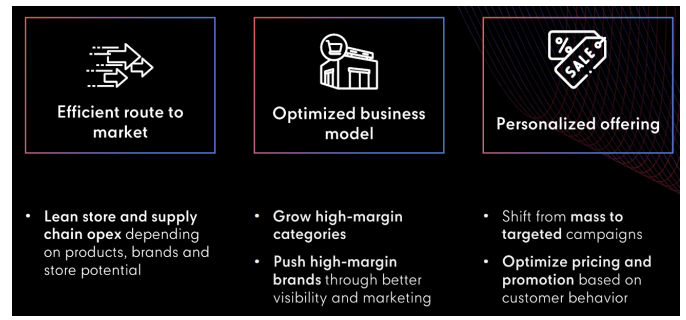
Source: Company data

## Ex 5: Personal Shopping &amp; Social Commerce



Source: Company data

## Ex 6: Bringing Operating Model To Full Potential



Source: Company data

## Ex 7: Changes In Our Key Assumptions

	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<b>SSSG (%) - New</b>	(21)	(5)	22	9	6	5	4	4	5	5	5	5	5	5
Fashion segment	(34)	(5)	44	12	8	4	3	3	3	3	3	3	2	2
Hardline segment	(14)	3	9	7	5	5	5	5	5	5	5	5	5	5
Food segment	(10)	(12)	18	8	5	5	5	5	5	5	5	5	5	5
<b>SSSG (%) - Old</b>	(21)	(5)	21	10	6	5	4	4	5	5	5	5	5	5
Fashion segment	(34)	(5)	42	13	8	4	3	3	3	3	3	3	3	2
Hardline segment	(14)	3	9	7	5	5	5	5	5	5	5	5	5	5
Food segment	(10)	(12)	18	10	5	5	5	5	5	5	5	5	5	5
<b>Gross margin on sales (%)</b>														
New	23.2	23.8	25.6	26.3	26.4	26.3	26.1	25.9	25.8	25.6	25.5	25.3	25.2	25.1
Old	23.2	23.8	25.3	26.0	26.0	25.8	25.6	25.4	25.2	25.0	24.9	24.8	24.7	24.6
Change (bp)	0	0	36	31	44	54	55	57	59	56	54	52	50	48
<b>Fashion gross margin (%)</b>														
New	45.5	44.5	47.4	48.2	48.7	49.2	49.4	49.6	49.8	49.8	49.8	49.8	49.8	49.8
Old	45.5	44.5	47.0	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5
Change (bp)	0	0	42	72	122	172	192	212	232	232	232	232	232	232
<b>SG&amp;A/sales (%)</b>														
New	31.7	31.4	29.4	29.5	29.0	28.7	28.5	28.4	28.4	28.3	28.3	28.2	28.1	28.1
Old	31.7	31.4	29.2	29.1	28.6	28.3	28.1	28.0	28.0	27.9	27.8	27.8	27.7	27.7
Change (bp)	0	0	24	40	40	41	41	41	41	41	41	41	41	41
<b>Interest expense (Bt m)</b>														
New	2,950	3,113	3,373	4,177	4,125	3,843	3,550	3,619	3,241	2,858	2,437	1,976	1,226	243
Old	2,950	3,113	3,228	3,203	3,292	3,009	2,826	2,784	2,466	2,082	1,834	1,438	377	220
Change (%)	0	0	4	30	25	28	26	30	31	37	33	37	225	10
<b>Normalized profit (Bt m)</b>														
New	46	59	6,295	8,565	11,417	13,706	15,734	16,779	18,279	19,946	21,738	23,701	25,994	28,602
Old	46	59	6,115	9,079	11,547	13,538	15,362	16,362	17,673	19,335	20,985	22,893	25,363	27,926
Change (%)	0	0	3	(6)	(1)	1	2	3	3	3	4	4	2	2

Sources: Company data, Thanachart estimates

## 4Q22F preview

**Strong 4Q22F operations  
but almost flat y-y profit on  
the low tax rate in 4Q21**

We estimate CRC to post 4Q22F net profit of Bt2.4bn, increasing by 3% y-y and 107% q-q. We expect earnings before tax to rise by 13% y-y and 86% q-q. The 4Q21 effective tax rate was abnormally low at 8.4%, while we assume a normal 20% rate in 4Q22F. We project merchandise sales to grow by 13% y-y and 14% q-q to Bt59.6bn on strong 8% same-store-sales growth (SSSG). As we expect robust growth from fashion sales, gross margin on sales should expand nicely by 180bp y-y (in line with 9M22) to 27.4%. Meanwhile, rental income looks set to grow by 30% y-y to Bt2.1bn because of lower rental discounts in the mid-to-high single digits compared with 20-25% discounts in 4Q21. With rising costs from marketing expenses, the planned opening of more stores, and higher electricity prices, we estimate SG&A/sales to increase y-y to 30.0% in 4Q22F (SG&A/total revenues of 28.0% vs. 27.3% in 9M22) vs. 28.9% in 4Q21 but almost flat q-q.

### Ex 8: 4Q22F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	4Q21	1Q22	2Q22	3Q22	4Q22F	(q-q%)	(y-y%)
Revenue	54,322	52,457	53,166	54,189	61,655	14	13
<b>Gross profit</b>	<b>14,605</b>	<b>13,191</b>	<b>14,468</b>	<b>14,967</b>	<b>17,824</b>	<b>19</b>	<b>22</b>
SG&A	15,718	14,689	15,583	16,378	18,519	13	18
Operating profit	3,254	2,271	2,491	2,342	3,704	58	14
<b>EBITDA</b>	<b>7,802</b>	<b>6,438</b>	<b>6,714</b>	<b>6,730</b>	<b>8,314</b>	<b>24</b>	<b>7</b>
Other income	4,443	3,817	3,660	3,808	4,440	17	(0)
Other expense	0	0	0	0	0		
Interest expense	807	775	828	868	901	4	12
<b>Profit before tax</b>	<b>2,523</b>	<b>1,545</b>	<b>1,717</b>	<b>1,529</b>	<b>2,843</b>	<b>86</b>	<b>13</b>
Income tax	213	355	256	502	566	13	165
Equity & invest. Income	154	135	144	232	250	8	63
Minority interests	(93)	(121)	(118)	(85)	(96)	na	na
Extraordinary items	0	0	0	0	0		
<b>Net profit</b>	<b>2,371</b>	<b>1,204</b>	<b>1,486</b>	<b>1,173</b>	<b>2,431</b>	<b>107</b>	<b>3</b>
<b>Normalized profit</b>	<b>2,371</b>	<b>1,204</b>	<b>1,486</b>	<b>1,173</b>	<b>2,431</b>	<b>107</b>	<b>3</b>

Sources: Company data, Thanachart estimates

### Ex 9: 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	24,071	29,167	33,064	36,599	39,108	41,529	44,000	46,480	49,001	51,336	53,607	
Free cash flow	(6,464)	4,994	8,551	11,684	19,079	23,366	25,524	27,711	32,911	40,887	43,264	666,806
PV of free cash flow	(6,446)	4,308	6,850	8,693	12,898	14,603	14,750	14,807	16,262	18,677	17,418	268,462
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.7											
Terminal growth (%)	2.0											
Enterprise value - add investments	391,281											
Net debt	62,505											
Minority interest	3,113											
Equity value	325,663											
# of shares (m)	6,031											
<b>Equity value/share (Bt)</b>	<b>54</b>											

Source: Company, Thanachart estimates

## Valuation Comparison

### Ex 10: 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
Marks & Spencer	MKS LN	Britain	na	(25.8)	6.6	9.0	1.1	0.9	4.9	5.4	0.6	2.2
J Sainsbury PLC	SBRY LN	Britain	109.1	(5.7)	10.5	11.1	0.8	0.7	5.1	5.2	5.1	5.4
Tesco	TSCO LN	Britain	110.8	(2.3)	10.3	10.6	1.3	1.1	6.3	6.7	4.8	4.8
Carrefour SA	CA FP	France	5.9	12.5	11.0	9.8	1.2	1.1	6.5	6.1	3.5	3.9
Casino Guichard	CO FP	France	(65.4)	89.6	24.1	12.7	0.5	0.5	7.1	6.6	0.0	0.0
L'Oreal SA	OR FP	France	26.3	5.5	34.3	32.5	7.8	7.0	22.6	21.4	1.5	1.6
Alimentation Couche	ATD/B CN	Canada	7.9	14.4	na	na	na	na	9.9	9.5	na	na
Aeon	8267 JP	Japan	148.7	131.9	na	81.8	2.4	2.3	9.7	8.9	1.4	1.4
Kao Corporation	4452 JP	Japan	(15.8)	5.0	23.7	22.5	2.4	2.3	11.6	11.0	2.9	3.0
Lion Corporation	4912 JP	Japan	(5.2)	(6.3)	19.4	20.8	1.5	1.4	7.9	7.6	1.8	1.9
Shiseido Co. Ltd	4911 JP	Japan	(9.3)	74.7	81.4	46.6	4.8	4.5	25.5	18.9	1.5	0.9
Lawson	2651 JP	Japan	105.8	23.1	27.7	22.5	1.9	1.8	3.8	3.6	2.9	2.9
Seven & I Holdings	3382 JP	Japan	36.3	29.1	24.2	18.8	1.9	1.6	10.8	8.5	1.7	1.8
Lotte Corp	004990 KS	South Korea	24.1	16.7	8.5	7.3	0.5	0.4	9.3	8.8	4.7	5.3
Shinsegae	004170 KS	South Korea	21.7	4.1	6.0	5.7	0.5	0.5	5.7	5.6	1.4	1.5
Amore Pacific Group	002790 KS	South Korea	(56.4)	58.8	39.7	25.0	1.3	1.2	8.0	7.4	0.8	1.1
Best Buy Co Inc	BBY US	USA	(34.2)	2.3	13.1	12.8	6.7	7.4	6.9	6.8	4.0	4.1
Wal-Mart Stores	WMT US	USA	(5.1)	7.7	23.0	21.4	4.8	4.4	12.2	11.5	1.6	1.6
Home Depot Inc	HD US	USA	7.4	1.1	19.2	19.0	na	na	13.7	13.7	2.4	2.5
Levi Strauss & Co.	LEVI US	USA	0.8	(7.6)	12.2	13.2	3.8	3.2	8.6	8.6	2.3	2.7
Yonghui Superstores	601933 CH	China	72.5	na	na	46.2	3.3	3.3	23.2	15.9	1.0	1.2
Sa International	178 HK	Hong Kong	21.8	74.7	na	na	5.5	6.1	na	na	0.0	0.5
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(65.3)	na	98.2	22.4	3.9	3.5	12.3	10.3	1.2	3.4
President Chain Store	2912 TT	Taiwan	10.6	17.4	28.1	23.9	7.8	7.3	10.9	10.8	3.2	3.6
7-Eleven Malaysia	SEM MK	Malaysia	188.9	3.8	25.6	24.7	18.2	14.3	7.8	8.5	2.4	2.4
Berli Jucker *	BJC TB	Thailand	49.1	6.9	30.3	28.3	1.3	1.3	14.4	13.8	2.5	2.6
COM7 *	COM7 TB	Thailand	17.3	23.7	24.3	19.7	10.1	8.4	16.4	13.5	1.9	4.2
CP All *	CPALL TB	Thailand	59.0	60.3	49.3	30.8	5.4	4.9	13.5	11.4	1.0	1.6
Central Pattana *	CPN TB	Thailand	152.2	30.4	39.4	30.2	4.2	3.8	22.2	18.4	1.2	1.5
Central Retail Corp. *	CRC TB	Thailand	10,503	36.1	43.6	32.0	4.5	4.2	11.9	10.6	0.9	1.2
Siam Global House *	GLOBAL TB	Thailand	13.4	12.9	26.1	23.2	4.5	4.0	20.7	18.5	1.5	1.7
Home Product*	HMPRO TB	Thailand	14.0	17.7	31.2	26.5	8.2	7.6	17.5	15.3	2.6	3.0
Siam Makro *	MAKRO TB	Thailand	(35.8)	39.6	57.3	41.0	1.5	1.5	18.0	15.9	1.3	1.8
Mc Group *	MC TB**	Thailand	27.6	22.6	15.0	12.2	2.5	2.4	6.5	6.2	6.4	8.1
<b>Average</b>			<b>29.3</b>	<b>24.2</b>	<b>28.8</b>	<b>23.9</b>	<b>3.9</b>	<b>3.6</b>	<b>11.9</b>	<b>10.6</b>	<b>2.2</b>	<b>2.6</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 9 February 2023 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>	49.88	54.00	8%
<b>Net profit 22F (Bt m)</b>	6,215	6,295	1%
<b>Net profit 23F (Bt m)</b>	8,658	8,565	-1%
<b>Consensus REC</b>	<b>BUY: 17</b>	<b>HOLD: 5</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profits are in line with the Bloomberg consensus estimate.
- Our DCF-based TP is 8% above the Street's. This could be due to us factoring in more branch expansion over the long term and higher gross margin on fashion sales.

## RISKS TO OUR INVESTMENT CASE

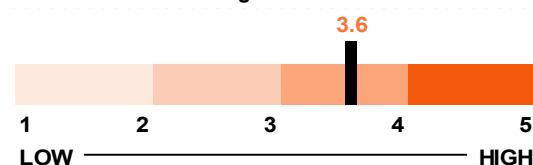
- There would be downside risk to our earnings forecasts if CRC fails to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors open stores more aggressively than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.

Sources: Bloomberg consensus, Thanachart estimates

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	YES	BBB	-	53.74	72.29	-	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**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- 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.
- 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 its forest restoration area to 2,154 rai in 2021.
- 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).

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- In 2021, the average employee training and development time was 13.8 hours/person/year with an average cost of Bt2,800/person.
- CRC promotes talent development for career progression and its internal succession plan. In 2021, job rotations stood at 61% of total new hires.
- Its Employee Joint Investment Program (EJIP) was established to encourage employee ownership of the company. The project timeline is from 1 April 2021 to 31 March 2024.
- 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.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- 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.
- 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.
- CRC has established risk-management guidelines according to international standards.
- 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.
- 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.

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	179,947	181,791	221,467	257,184	290,488
Cost of sales	134,948	135,847	161,017	184,793	208,237
<b>Gross profit</b>	<b>44,999</b>	<b>45,944</b>	<b>60,450</b>	<b>72,390</b>	<b>82,251</b>
% gross margin	25.0%	25.3%	27.3%	28.1%	28.3%
Selling & administration expenses	57,088	57,068	65,169	75,771	84,128
<b>Operating profit</b>	<b>1,973</b>	<b>2,518</b>	<b>10,808</b>	<b>14,361</b>	<b>17,866</b>
% operating margin	1.1%	1.4%	4.9%	5.6%	6.2%
Depreciation & amortization	16,558	17,041	17,388	18,612	19,855
<b>EBITDA</b>	<b>18,531</b>	<b>19,559</b>	<b>28,196</b>	<b>32,972</b>	<b>37,721</b>
% EBITDA margin	10.3%	10.8%	12.7%	12.8%	13.0%
Non-operating income	14,364	13,863	15,725	17,945	19,958
Non-operating expenses	0	0	0	0	0
Interest expense	(2,950)	(3,113)	(3,373)	(4,177)	(4,125)
<b>Pre-tax profit</b>	<b>(675)</b>	<b>(374)</b>	<b>7,633</b>	<b>10,388</b>	<b>13,955</b>
Income tax	(884)	(372)	1,679	2,078	2,791
<b>After-tax profit</b>	<b>209</b>	<b>(2)</b>	<b>5,954</b>	<b>8,310</b>	<b>11,164</b>
% net margin	0.1%	0.0%	2.7%	3.2%	3.8%
Shares in affiliates' Earnings	132	279	761	811	881
Minority interests	(295)	(217)	(420)	(557)	(628)
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>46</b>	<b>59</b>	<b>6,295</b>	<b>8,565</b>	<b>11,417</b>
<b>Normalized profit</b>	<b>46</b>	<b>59</b>	<b>6,295</b>	<b>8,565</b>	<b>11,417</b>
EPS (Bt)	0.0	0.0	1.0	1.4	1.9
Normalized EPS (Bt)	0.0	0.0	1.0	1.4	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	80,084	90,892	100,878
Cash & cash equivalent	17,742	18,088	18,181	19,204	20,040
Account receivables	4,570	4,860	6,068	8,455	9,550
Inventories	34,296	36,516	43,232	48,603	54,769
Others	10,570	10,455	12,603	14,629	16,519
Investments & loans	2,634	5,559	5,559	5,559	5,559
Net fixed assets	41,654	43,359	54,722	71,589	80,289
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>276,383</b>	<b>299,587</b>	<b>310,054</b>
<b>LIABILITIES:</b>					
Current liabilities:	89,049	111,662	112,118	128,113	135,606
Account payables	31,569	35,632	39,703	45,566	51,346
Bank overdraft & ST loans	31,625	36,905	40,343	47,333	47,362
Current LT debt	2,763	13,418	4,034	4,733	4,736
Others current liabilities	23,091	25,707	28,038	30,481	32,161
<b>Total LT debt</b>	<b>29,492</b>	<b>28,517</b>	<b>36,309</b>	<b>42,600</b>	<b>42,626</b>
Others LT liabilities	64,924	63,968	64,323	59,092	53,992
<b>Total liabilities</b>	<b>183,465</b>	<b>204,147</b>	<b>212,751</b>	<b>229,805</b>	<b>232,223</b>
Minority interest	2,321	2,693	3,113	3,669	4,298
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>12,555</b>	<b>18,148</b>	<b>25,568</b>
Shareholders' equity	53,394	56,388	60,520	66,113	73,533
<b>Liabilities &amp; equity</b>	<b>239,180</b>	<b>263,228</b>	<b>276,383</b>	<b>299,587</b>	<b>310,054</b>

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

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)	7,633	10,388	13,955
Tax paid	108	694	(1,777)	(1,908)	(2,788)
Depreciation & amortization	16,558	17,041	17,388	18,612	19,855
Chg In working capital	(2,578)	1,552	(3,853)	(1,896)	(1,480)
Chg In other CA & CL / minorities	(14,761)	3,913	939	1,058	668
<b>Cash flow from operations</b>	<b>(1,349)</b>	<b>22,826</b>	<b>20,331</b>	<b>26,254</b>	<b>30,210</b>
Capex	(16,350)	(18,745)	(19,500)	(26,577)	(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)	(607)	(9,666)	(5,440)
<b>Cash flow from investments</b>	<b>(24,076)</b>	<b>(40,375)</b>	<b>(19,920)</b>	<b>(36,239)</b>	<b>(25,436)</b>
Debt financing	2,953	14,960	1,846	13,981	58
Capital increase	55,177	0	0	0	0
Dividends paid	(12,187)	(2,412)	(2,164)	(2,972)	(3,996)
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>(317)</b>	<b>11,009</b>	<b>(3,938)</b>
<b>Free cash flow</b>	<b>(17,699)</b>	<b>4,080</b>	<b>831</b>	<b>(323)</b>	<b>10,210</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)	5,752.4	4,622.1	43.6	32.0	24.0
Normalized PE - at target price (x)	6,827.1	5,485.5	51.7	38.0	28.5
PE (x)	5,752.4	4,622.1	43.6	32.0	24.0
PE - at target price (x)	6,827.1	5,485.5	51.7	38.0	28.5
EV/EBITDA (x)	16.9	17.1	11.9	10.6	9.3
EV/EBITDA - at target price (x)	19.5	19.8	13.8	12.2	10.6
P/BV (x)	5.1	4.9	4.5	4.2	3.7
P/BV - at target price (x)	6.1	5.8	5.4	4.9	4.4
P/CFO (x)	(197.2)	12.0	13.5	10.5	9.1
Price/sales (x)	1.5	1.5	1.2	1.1	0.9
Dividend yield (%)	0.9	0.7	0.9	1.2	1.7
FCF Yield (%)	(6.7)	1.5	0.3	(0.1)	3.7
<b>(Bt)</b>					
Normalized EPS	0.0	0.0	1.0	1.4	1.9
EPS	0.0	0.0	1.0	1.4	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	3.4	4.4	5.0
FCF/share	(3.0)	0.7	0.1	(0.1)	1.7

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	21.8	16.1	12.9
Net profit (%)	(99.6)	28.3	10,503.0	36.1	33.3
EPS (%)	(99.7)	24.5	10,503.0	36.1	33.3
Normalized profit (%)	(99.4)	28.3	10,503.0	36.1	33.3
Normalized EPS (%)	(99.5)	24.5	10,503.0	36.1	33.3
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	27.3	28.1	28.3
Operating margin (%)	1.1	1.4	4.9	5.6	6.2
EBITDA margin (%)	10.3	10.8	12.7	12.8	13.0
Net margin (%)	0.1	(0.0)	2.7	3.2	3.8
D/E (incl. minor) (x)	1.1	1.3	1.3	1.4	1.2
Net D/E (incl. minor) (x)	0.8	1.0	1.0	1.1	1.0
Interest coverage - EBIT (x)	0.7	0.8	3.2	3.4	4.3
Interest coverage - EBITDA (x)	6.3	6.3	8.4	7.9	9.1
ROA - using norm profit (%)	0.0	0.0	2.3	3.0	3.7
ROE - using norm profit (%)	0.1	0.1	10.8	13.5	15.5
<b>DuPont</b>					
ROE - using after tax profit (%)	0.5	na	10.2	13.1	15.2
- asset turnover (x)	0.9	0.7	0.8	0.9	0.9
- operating margin (%)	na	na	5.0	5.7	6.2
- leverage (x)	5.4	4.6	4.6	4.5	4.2
- interest burden (%)	(29.7)	(13.7)	69.4	71.3	77.2
- tax burden (%)	na	na	78.0	80.0	80.0
WACC (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	2.7	2.5	7.2	9.3	10.1
NOPAT (Bt m)	1,973	2,518	8,430	11,488	14,293
invested capital (Bt m)	99,532	117,140	123,025	141,575	148,218

Sources: Company data, Thanachart estimates

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### SET THSI Index (SETTHSI)

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

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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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### Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: [thanachart.res@thanachartsec.co.th](mailto:thanachart.res@thanachartsec.co.th)

#### Pimpaka Nichgaroon, CFA

Head of Research

Tel: 662-779-9199

[pimpaka.nic@thanachartsec.co.th](mailto:pimpaka.nic@thanachartsec.co.th)

#### Pattarawan Wangmingmat

Senior Technical Analyst

Tel: 662-779-9105

[pattarawan.wan@thanachartsec.co.th](mailto:pattarawan.wan@thanachartsec.co.th)

#### Phannarai Tiyapittayarut

Property, Retail

Tel: 662-779-9109

[phannarai.von@thanachartsec.co.th](mailto:phannarai.von@thanachartsec.co.th)

#### Sarachada Sornsong

Bank, Finance

Tel: 662-779-9106

[sarachada.sor@thanachartsec.co.th](mailto:sarachada.sor@thanachartsec.co.th)

#### Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

[witchanan.tam@thanachartsec.co.th](mailto:witchanan.tam@thanachartsec.co.th)

#### Adisak Phupiphathirungul, CFA

Retail Market Strategy

Tel: 662-779-9120

[adisak.phu@thanachartsec.co.th](mailto:adisak.phu@thanachartsec.co.th)

#### Nuttapop Prasitsuksant

Telecom, Utilities

Tel: 662-483-8296

[nuttapop.pra@thanachartsec.co.th](mailto:nuttapop.pra@thanachartsec.co.th)

#### Rata Limsuthiwanpoom

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

[rata.lim@thanachartsec.co.th](mailto:rata.lim@thanachartsec.co.th)

#### Siriporn Arunothai

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

[siriporn.aru@thanachartsec.co.th](mailto:siriporn.aru@thanachartsec.co.th)

#### Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

[sittichet.run@thanachartsec.co.th](mailto:sittichet.run@thanachartsec.co.th)

#### Chak Reungsinpinya

Strategy, Insurance, Paper

Tel: 662-779-9104

[chak.reu@thanachartsec.co.th](mailto:chak.reu@thanachartsec.co.th)

#### Pattadol Bunnak

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

[pattadol.bun@thanachartsec.co.th](mailto:pattadol.bun@thanachartsec.co.th)

#### Saksid Phadthananarak

Construction, Transportation

Tel: 662-779-9112

[saksid.pha@thanachartsec.co.th](mailto:saksid.pha@thanachartsec.co.th)

#### Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

[yupapan.pol@thanachartsec.co.th](mailto:yupapan.pol@thanachartsec.co.th)

#### Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

[thaloengsak.kuc@thanachartsec.co.th](mailto:thaloengsak.kuc@thanachartsec.co.th)