

MK Restaurant Group Pcl (M TB) - BUY, Price Bt49.25, TP Bt68.00**Results Comment**

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Slightly weaker-than-expected 1Q23

- M's earnings were Bt325m, increased by 20% y-y and 1% q-q. Earnings were slightly weaker than our expectation on the expense level.
- Revenues grew 17% from the low base last year and was relatively flat at -1% from 4Q22 despite 1Q is normally a weaker quarter.
- Gross margin fell to 65.1% in 1Q23 vs. 65.6% in 1Q22 due to higher raw material cost. The margin was relatively flat q-q.
- SG&A to sales fell to 56.4% vs. 57.5% in 1Q22 due to operating leverage impact.
- We expect for M's quarterly improvement given 1) a continued traffic resumption and 2) trending down raw material and electricity costs.

Income Statement						Income Statement					
(consolidated)						3M as					
Yr-end Dec (Bt m)	1Q22	2Q22	3Q22	4Q22	1Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	3,495	4,016	4,067	4,149	4,089	Revenue	(1)	17	22	18,983	20,552
Gross profit	2,291	2,623	2,654	2,699	2,663	Gross profit	(1)	16	21	12,852	13,910
SG&A	2,008	2,118	2,182	2,337	2,307	SG&A	(1)	15	23	9,928	10,543
Operating profit	283	505	471	362	356	Operating profit	(2)	26	12	2,924	3,367
EBITDA	773	999	980	866	851	EBITDA	(2)	10	18	4,672	5,023
Other income	64	50	55	80	68	Other income	(16)	6	29	236	253
Other expense	0	0	0	0	0	Other expense					
Interest expense	21	21	21	23	23	Interest expense	(1)	8	47	49	32
Profit before tax	326	534	505	419	401	Profit before tax	(4)	23	13	3,111	3,588
Income tax	51	89	86	82	65	Income tax	(21)	28	12	560	646
Equity & invest. income	(9)	(4)	(7)	(9)	(7)	Equity & invest. income	na	na	na	(20)	(20)
Minority interests	5	(2)	(4)	(7)	(3)	Minority interests	na	na	na	(30)	(64)
Extraordinary items	0	0	0	0	0	Extraordinary items					
Net profit	271	439	408	321	325	Net profit	1	20	13	2,501	2,858
Normalized profit	271	439	408	321	325	Normalized profit	1	20	13	2,501	2,858
EPS (Bt)	0.29	0.48	0.44	0.35	0.35	EPS (Bt)	1	20	13	2.72	3.10
Normalized EPS (Bt)	0.29	0.48	0.44	0.35	0.35	Normalized EPS (Bt)	1	20	13	2.72	3.10

Balance Sheet						Financial Ratios					
(consolidated)						3M as					
Yr-end Dec (Bt m)	1Q22	2Q22	3Q22	4Q22	1Q23	(%)	1Q22	2Q22	3Q22	4Q22	1Q23
Cash & ST investment	7,881	7,903	7,151	7,779	8,054	Sales grow th	12.2	60.1	106.1	15.8	17.0
A/C receivable	145	120	105	121	123	Operating profit grow th	276.9	na	na	(22.3)	25.8
Inventory	400	408	385	414	413	EBITDA grow th	32.1	217.3	591.3	(10.2)	10.1
Other current assets	136	96	103	111	111	Norm profit grow th	205.0	na	na	(19.7)	20.1
Investment	863	859	858	850	882	Norm EPS grow th	205.0	na	na	(19.7)	20.1
Fixed assets	2,807	2,774	2,762	2,747	2,679	Gross margin	65.6	65.3	65.2	65.0	65.1
Other assets	7,557	7,153	7,812	7,879	7,936	Operating margin	8.1	12.6	11.6	8.7	8.7
Total assets	19,789	19,314	19,175	19,901	20,199	EBITDA margin	22.1	24.9	24.1	20.9	20.8
S-T debt	10	14	18	21	24	Norm net margin	7.7	10.9	10.0	7.7	8.0
A/C payable	1,240	1,212	1,150	1,449	1,342	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1,454	1,452	1,483	1,468	1,594	Net D/E (x)	(0.6)	(0.6)	(0.5)	(0.6)	(0.6)
L-T debt	0	0	0	0	0	Interest coverage (x)	36.1	48.3	46.1	37.1	36.9
Other liabilities	3,311	3,157	3,087	3,198	3,146	Interest rate	912.6	668.7	518.6	478.0	416.1
Minority interest	310	311	315	322	325	Effective tax rate	15.7	16.6	17.0	19.6	16.3
Shareholders' equity	13,464	13,168	13,121	13,443	13,767	ROA	5.5	9.0	8.5	6.6	6.5
Working capital	(695)	(683)	(660)	(914)	(805)	ROE	8.1	13.2	12.4	9.7	9.6
Total debt	10	14	18	21	24						
Net debt	(7,871)	(7,889)	(7,132)	(7,759)	(8,030)						

Sources: Company data, Thanachart estimates

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