

BUY (Unchanged)

TP: Bt 43.00 (Unchanged)

6 NOVEMBER 2024

Change in Numbers

Upside : 36.5%

Central Retail Corp Pcl (CRC TB)

Expansion-led growth

CRC is a big-cap company that we expect to be able to grow from a high base, and we estimate a 13% EPS CAGR in 2025-27F. Its growth drivers are store openings, rental income growth, and falling interest expenses. We reaffirm our BUY on CRC with a TP of Bt43.



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A decent growth, big-cap stock; BUY

Despite our 4-5% p.a. earnings cuts for 2024-26F to reflect lower same-store sales (SSS) growth and falling equity income, we reaffirm our BUY on CRC with an unchanged DCF-based 12-month TP (rolled over to a 2025F base year) of Bt43. **First**, we believe CRC still has room for branch expansions for many years. **Second**, with interest expenses at 63% of 2024F earnings and 85% floating-rate IBD, CRC benefits from falling interest rates. **Third**, despite coming off a high base, we see CRC as a big-cap stock with decent, sustainable earnings growth at a 13% EPS CAGR in 2025-27F. **Lastly**, the stock price is down by 23% YTD to trade at PE multiples of 20.3/17.9x in 2025-26F despite our forecast for record core profit this year.

Branch expansions

We see room for CRC to continue to expand its branches and forecast expansions in most of its business lines (see Exhibit 3). In 9M24, it opened two department stores in Thailand, six Thai Watsadu home improvement stores, five GO Wholesale branches, four Tops supermarkets, one GO! mall, and two mini go! super outlets in Vietnam. In August, it acquired a 75% stake in Rev Runnr (No.1 Running Specialty Store), with 160 locations in Thailand and Malaysia. Recently, it announced the 3,000-sqm Odeon Beauty Hall, a project extension of its flagship Rinascente mall in Milan, Italy, which is due to open in May 2027. In this report, we factor the Odeon Beauty Hall into our model.

Same-store sales bottoming out

Same-store sales (SSS) have been weak along with the economy this year in Thailand, which has also suffered from flooding in the northern part of the country. However, we believe the worst is over, and SSS momentum should improve from -1% y-y in 2Q24 and -2.3% y-y in 3Q24F to +1.5% y-y in 4Q24F. Its October SSSG of its Thai businesses turned slightly positive at below 1% from -2% in 3Q24F from the mid-single digit SSSG of the fashion business from 76 department stores and other specialty stores. Our estimate of 1.5% y-y SSSG in 4Q24F is driven by growth from Thai businesses (71% of sales were from Thailand, 22% from Vietnam, and 7% from Italy in 1H24), and the Milan mall, where renovation finished at the end of last month.

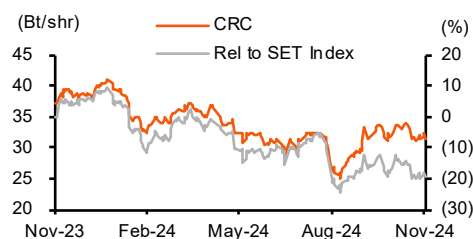
A 13% three-year EPS CAGR

Our 13% core EPS CAGR in 2025-27F estimate already factors in loss contributions of GO Wholesale, which we expect to make a profit in 2032F. Key drivers of our growth forecast are 1) 11-12% sales growth, with 70% of that from expansions, 2) 10% p.a. rental income growth from Robinson Lifestyle malls in Thailand, and GO! Malls in Vietnam, and 3) falling interest expenses due to lower debt costs from next year.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	231,438	248,192	275,473	308,522
Net profit	8,016	8,170	9,350	10,635
Consensus NP	—	8,692	10,030	11,587
Diff frm cons (%)	—	(6.0)	(6.8)	(8.2)
Norm profit	8,168	8,356	9,350	10,635
Prev. Norm profit	—	8,753	9,743	11,210
Chg frm prev (%)	—	(4.5)	(4.0)	(5.1)
Norm EPS (Bt)	1.4	1.4	1.6	1.8
Norm EPS grw (%)	17.9	2.3	11.9	13.7
Norm PE (x)	23.3	22.7	20.3	17.9
EV/EBITDA (x)	8.3	7.8	7.4	6.9
P/BV (x)	2.8	2.6	2.4	2.3
Div yield (%)	1.7	1.7	2.0	2.2
ROE (%)	12.6	11.6	12.5	13.1
Net D/E (%)	98.6	99.1	89.9	78.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 6-Nov-24 (Bt)	31.50
Market Cap (US\$ m)	5,557.0
Listed Shares (m shares)	6,031.0
Free Float (%)	57.8
Avg Daily Turnover (US\$ m)	9.9
12M Price H/L (Bt)	41.00/25.00
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P9



A decent growth, big-cap stock; BUY

**BUY with an unchanged
Bt43 TP**

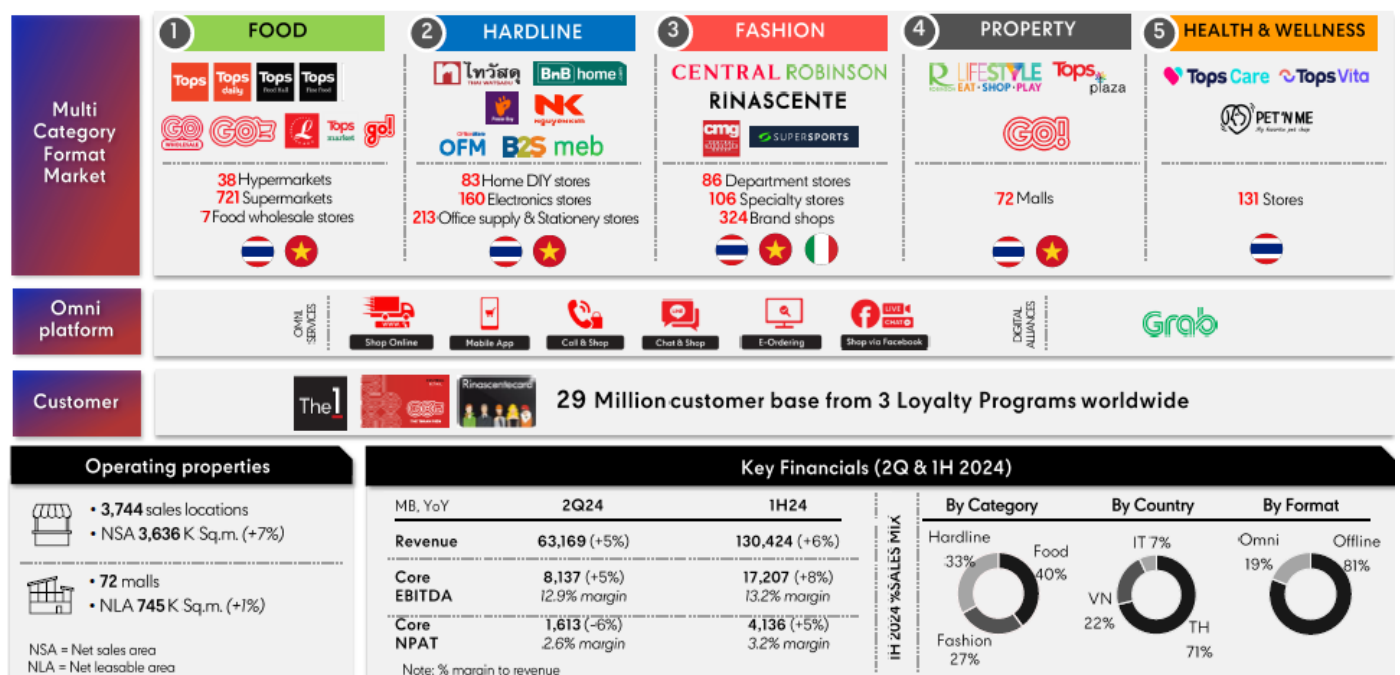
Factoring in weaker-than-expected same-store sales (SSS) growth, falling equity income, and higher interest expenses this year due to the delay in the policy rate cut to October, our 2024-26F earnings for Central Retail Corporation Pcl (CRC) are cut by 5/4/5%. However, our DCF-based 12-month TP of Bt43 is unchanged as we roll over the base year to 2025F. Also, we incorporate the Odeon Beauty Hall, a project extension of its existing Rinascente department store in Milan, Italy, scheduled for completion in May 2027.

We maintain our BUY rating on CRC.

**Multi-format platform
allows branch openings for
many years**

First, we believe CRC still has room to open new branches for many years. Since listing in 2020, the company has remodeled and expanded the stores of existing businesses while exploring new business opportunities, including M&As. Currently, it operates multi-category store formats under three key segments – food, hardline, and fashion, plus property (rental income) and health & wellness in Thailand, Vietnam, and Italy.

Ex 1: CRC's Businesses



Source: Company data

Falling rate beneficiary

Second, with interest expenses at 63% of 2024F earnings and 85% of its interest-bearing debt on floating rates, CRC is a beneficiary of falling interest rates.

**A big-cap stock with a 13%
three-year EPS CAGR**

Third, we see CRC as a big-cap stock with decent and sustainable earnings growth at a 13% EPS CAGR in 2025-27F.

**Unjustified share price fall
amid record 2024F core
profit**

Lastly, the stock price has fallen by 23% YTD to trade on 20.3/17.9x PE multiples in 2025-26F despite our projection of record core profit this year.

Ex 2: Key Assumption Changes

	2020	2021	2022	2023	2024F	2025F	2026F	2027F
SSSG (%) - New	(20.8)	(5.0)	20.0	3.0	(0.2)	3.1	3.1	3.2
Fashion segment	(33.7)	(6.0)	38.0	12.0	1.6	2.0	1.7	1.7
Hardline segment	(14.3)	3.0	5.0	(4.0)	(5.1)	2.3	2.3	2.3
Food segment	(9.9)	(12.0)	15.0	(0.2)	2.5	4.5	4.5	4.5
SSSG (%) - Old					0.5	3.2	3.2	3.2
Fashion segment					2.0	2.0	1.7	1.7
Hardline segment					(3.3)	2.3	2.3	2.3
Food segment					2.5	4.5	4.5	4.5
Equity income (Bt m)								
New	132	279	820	990	850	910	973	1,041
Old					1,000	1,070	1,145	1,225
Change (%)					(15.0)	(15.0)	(15.0)	(15.0)
Interest expense (Bt m)								
New	2,950	3,113	3,479	4,642	5,183	4,788	4,704	4,552
Old					4,867	4,724	4,731	4,611
Change (%)					7	1	(1)	(1)
Normalized profit (Bt m)								
New	46	59	6,930	8,168	8,356	9,350	10,635	12,213
Old					8,753	9,743	11,210	12,695
Change (%)					(4.5)	(4.0)	(5.1)	(3.8)

Sources: Company data, Thanachart estimates

Branch expansions**Branch openings are its key growth driver**

Amid weak consumption, we see branch expansion as the key driver for CRC's 5% recurring profit growth y-y in 9M24F to Bt5.5bn. In 9M24, it opened two department stores in Thailand to bring them to a total of 76 stores (also closed down two stores at Rattanathibet and Srinakarin this year) under the brands Central and Robinson, six Thai Watsadu home improvement stores to bring the number to 85 branches nationwide, five GO Wholesale branches for a total of nine stores, four Tops supermarkets to total 172, one GO! mall to reach 40, and two mini go! Supermarkets to have 11 outlets in Vietnam.

Acquired the profitable Rev Runnr (No.1 Running Store)

We see room for CRC to continue to expand its branches and forecast expansions in most of its business lines, as shown in Exhibit 3. Apart from store expansions in its existing businesses, it acquired a 75% stake in Rev Runnr (No.1 Running Specialty Store), with 160 sales outlets in Thailand and Malaysia. Rev Runnr has 30 brands in its portfolio, including three exclusive ones: HOKA, Saucony, and Teva. It plans to expand into Vietnam and Singapore. Recently, it announced the Odeon Beauty Hall, a project extension of its existing Rinascente department store in Milan, Italy, scheduled for completion in May 2027. In this report, we factor the Odeon Beauty Hall into our model, assuming revenues (net of consignment) of Bt636m, Bt1,311m, and Bt1,350m in 2027-29F, adding 4/7/7% of revenues from nine Rinascente stores (current selling area of 61,000 sqm) on the Bt750m of capex spent during 2025-27F.

Ex 3: Stores (YE)

	2020	2021	2022	2023	2024F	2025F	2026F	2027F
<u>Fashion</u>	-	-						
- Department Store (Central, Robinson)	69	71	74	76	76	78	80	80
- Rinascente (Italy)	9	9	9	9	9	9	9	9
<u>Hardline</u>								
- Thai Watsadu + BnB Home (Thailand)	55	60	65	79	86	96	106	106
- Nguyen Kim (Vietnam)	59	51	51	53	53	53	53	53
<u>Food</u>								
<u>Food business in Thailand</u>								
- Supermarket (Tops Market, Central Food Hall)	139	148	160	168	176	184	192	192
- GO Wholesale	0	0	0	4	10	18	26	26
<u>Food business in Vietnam</u>								
- GO! Hypermarket	41	37	38	38	41	44	47	47
- Tops market, go!, Lanchi	22	29	35	42	47	52	57	57

Sources: Company data, Thanachart estimates

Same-store sales bottoming out**We expect positive SSSG in 4Q24F**

With improving consumer sentiment in October, the October SSSG of CRC's Thailand business turned slightly positive at below 1% from -2% in 2Q-3Q24F. This was boosted by the mid-single digit SSSG of its fashion business from 76 department stores, including its flagship Central Chidlom department store, which has nearly completed a major renovation in December to become a world-class luxury destination and other specialty stores. In Italy, the 3Q24F SSSG of -5% was due to slower luxury spending with some impact from renovating its flagship Rinascente department store branch in Milan. Since the renovation of the Milan store was completed late last month, we expect 4Q24F SSSG to improve. In Vietnam, we estimate its food business to deliver at least flat SSSG as the Tet holiday next year falls earlier on 29 January vs. 10 February this year. Spending is normally a month ahead of this holiday, meaning a boost in late December this year. We believe SSS has bottomed out and expect 1.5% SSSG in 4Q24F, driven by growth from its Thai businesses (71% of sales are from Thailand, 22% from Vietnam, and 7% from Italy in 1H24).

Ex 4: SSSG

(%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F	4Q24F
SSS - total CRC	13.0	4.0	0.0	(2.0)	1.0	(1.0)	(2.3)	1.5
<u>By segment</u>								
Fashion	31	14	6	3	2	3	(2)	3
Hardline	0	(2)	(6)	(8)	(5)	(8)	(8)	(5)
Food	8	(2)	(3)	(5)	4	(1)	(1)	2
<u>By country</u>								
TH	16	5	3	(1)	0	(2)	(2)	1
Fashion	29	8	4	0	0	1	0	5
Hardline	6	2	0	(3)	(3)	(7)	(7)	(4)
Food	11	4	3	0	2	0	1	3
VN	(1)	(11)	(15)	(16)	2	(4)	(5)	(2)
Hardline	(28)	(23)	(37)	(34)	(20)	(15)	(18)	(13)
Food	6	(8)	(9)	(11)	5	(2)	(3)	0
Italy	37	26	10	9	9	6	(5)	0

Sources: Company data, Thanachart estimates

A 13% three-year EPS CAGR

Growth coming from branch expansions, rental income growth, and falling interest expenses

Our 13% core EPS CAGR in 2025-27F forecast already factors in loss contributions of GO Wholesale, which we expect to make a profit in 2032F. Key drivers of our growth expectation are 1) 11-12% sales growth, 70% from expansions, and 30% from our 3.1-3.2% SSSG assumption, 2) 10% p.a. rental income growth from Robinson Lifestyle malls in Thailand and GO! Malls in Vietnam, and 3) falling interest expense due to its lower cost of debt from next year.

3Q24F preview

We expect 3Q24F core profit to grow 6% y-y

We estimate CRC to deliver 3Q24F core profit of Bt1,404m, up 6% y-y but down 13% q-q on the seasonality effect. However, there will be a Bt150m (Bt120m net of tax) gain on the disposal of right-of-use assets due to a land acquisition by Thai Watsadu. Additionally, we estimate a 3Q24F net profit of Bt1,524m, rising by 33% y-y but falling 8% q-q. Note that CRC usually books some extra gains/losses every quarter, so some extra losses could hit our net profit forecast.

We expect CRC's core performance to be boosted by 4% merchandise sales growth to Bt55.3bn (-2.3% SSSG) from new stores and SG&A/total revenues falling to 28.0% vs. 28.9% in 3Q23 due to falling utility and depreciation costs and other cost-efficiency savings. We estimate gross margin on sales to decline by 50bp y-y due to a lower fashion sales mix as Italy's SSSG turned negative and a rising sales mix of its lowest-margin food sales from the opening of GO Wholesale branches.

By segment, we expect food and fashion to post slightly negative SSSG of 0.8% and 1.5%, respectively. Hardline will likely be the weakest with -8% SSSG (-18% SSSG for Vietnam electronics stores, -7% SSSG for Thailand hardline: -4% for Thai Watsadu and a more negative figure for PowerBuy).

Ex 5: 3Q24F Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q23	4Q23	1Q24	2Q24	3Q24F	(q-q%)	(y-y%)
Revenue	55,522	61,103	62,763	58,718	57,842	(1)	4
Gross profit	15,985	18,150	17,303	16,838	16,417	(3)	3
SG&A	17,206	18,612	17,530	17,694	17,361	(2)	1
Operating profit	2,779	4,240	4,213	3,337	3,156	(5)	14
EBITDA	7,301	8,836	8,712	7,883	7,756	(2)	6
Other income	4,054	4,792	4,492	4,283	4,160	(3)	3
Other expenses	0	0	0	0	0		
Interest expenses	1,215	1,278	1,140	1,303	1,400	7	15
Profit before tax	1,618	3,052	3,125	2,124	1,816	(14)	12
Income tax	469	98	760	554	472	(15)	1
Equity & invest. Income	283	86	306	164	180	10	(36)
Minority interest	(112)	(128)	(147)	(121)	(120)	na	na
Extraordinary items	(178)	227	(353)	47	120	155	na
Net profit	1,143	3,138	2,171	1,660	1,524	(8)	33
Normalized profit	1,321	2,911	2,524	1,613	1,404	(13)	6

Sources: Company data, Thanachart estimates

Ex 6: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	35,467	37,473	40,484	43,220	45,522	47,755	50,560	48,738	51,234	54,141	57,224	
Free cash flow	9,376	12,031	17,065	21,556	27,604	29,432	32,694	31,598	33,323	35,682	38,169	503,430
PV of free cash flow	9,350	10,070	13,066	15,094	17,681	17,245	17,065	15,026	14,440	14,091	13,736	181,176
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	9.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	338,039											
Net debt	74,979											
Minority interest	3,744											
Equity value	259,316											
# of shares (m)	6,031											
Equity value/share (Bt)	43											

Source: Company, Thanachart estimates

Valuation Comparison

Ex 7: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
Marks & Spencer	MKS LN	Britain	39.9	(0.4)	16.3	16.4	2.3	1.2	7.8	4.9	1.1	3.7
J Sainsbury PLC	SBRY LN	Britain	(3.2)	5.6	11.4	10.8	0.8	0.8	5.0	4.9	5.3	5.6
Tesco	TSCO LN	Britain	12.7	11.7	13.7	12.2	1.9	2.0	7.3	7.1	3.6	4.0
Carrefour SA	CA FP	France	12.2	17.0	8.4	7.1	0.9	0.9	5.6	5.2	6.1	6.4
Casino Guichard	CO FP	France	128.1	(141.4)	1.0	na	0.2	0.3	5.3	5.1	0.0	0.0
L'Oreal SA	OR FP	France	1.1	9.6	28.5	26.0	5.9	5.3	18.7	17.8	1.9	2.0
Alimentation Couche	ATD/B CN	Canada	(2.0)	5.4	na	na	na	na	11.1	10.2	na	na
Aeon	8267 JP	Japan	39.9	15.1	85.8	74.6	3.3	3.0	9.8	9.6	0.9	1.0
Kao Corporation	4452 JP	Japan	132.6	12.3	28.1	25.0	3.0	2.8	12.8	11.8	2.3	2.4
Lion Corporation	4912 JP	Japan	11.0	0.2	24.0	24.0	1.6	1.5	9.6	9.1	1.6	1.7
Shiseido Co. Ltd	4911 JP	Japan	9.7	190.6	63.5	21.9	2.0	1.9	12.9	9.6	1.9	2.0
Lawson	2651 JP	Japan	112.2	na	na	na	na	na	na	na	na	na
Seven & I Holdings	3382 JP	Japan	(15.7)	(0.4)	24.2	24.3	1.6	1.5	8.8	8.6	1.7	1.8
Lotte Corp	004990 KS	South Korea	na	na	na	10.6	0.5	0.5	8.5	8.5	6.5	7.5
Shinsegae	004170 KS	South Korea	(17.0)	18.1	6.1	5.2	0.3	0.3	6.5	6.3	2.8	2.9
Amore Pacific Group	002790 KS	South Korea	na	(58.2)	5.1	12.2	0.7	0.7	8.3	6.4	3.1	1.7
Best Buy Co Inc	BBY US	USA	2.1	9.2	14.8	13.6	6.0	6.0	7.5	7.1	4.1	4.3
Wal-Mart Stores	WMT US	USA	13.0	11.4	34.2	30.7	7.5	6.8	17.0	15.6	1.0	1.0
Home Depot Inc	HD US	USA	(0.6)	4.5	26.7	25.5	na	na	18.1	17.3	2.3	2.4
Levi Strauss & Co.	LEVI US	USA	12.8	14.0	13.7	12.0	3.2	2.9	8.6	8.1	2.9	3.2
Yonghui Superstores	601933 CH	China	63.2	na	na	na	7.3	6.8	19.7	18.4	0.1	0.4
Sa International	178 HK	Hong Kong	na	(44.8)	7.8	14.2	1.8	1.7	5.3	5.5	7.1	6.5
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	31.0	12.2	16.1	14.3	2.9	2.8	8.1	7.5	3.9	5.0
President Chain Store	2912 TT	Taiwan	7.3	8.7	24.3	22.3	7.2	6.3	10.0	9.5	3.6	3.8
7-Eleven Malaysia	SEM MK	Malaysia	71.2	(1.8)	16.8	17.1	5.2	4.7	8.9	8.3	1.5	3.0
Berli Jucker *	BJC TB	Thailand	8.0	7.0	18.4	17.2	0.8	0.8	10.8	10.4	3.8	4.1
COM7 *	COM7 TB	Thailand	11.5	24.2	19.4	15.6	6.7	5.6	14.2	11.7	3.0	3.8
CP All *	CPALL TB	Thailand	33.3	17.5	24.4	20.8	4.6	4.1	9.6	8.7	2.0	2.4
CP Axtra *	CPAXT TB *	Thailand	24.7	18.0	33.4	28.3	1.2	1.2	13.2	12.2	2.1	2.5
Central Pattana *	CPN TB	Thailand	13.9	8.0	17.9	16.6	2.8	2.6	12.8	12.0	3.1	3.2
Central Retail Corp. *	CRC TB	Thailand	2.3	11.9	22.7	20.3	2.6	2.4	7.8	7.4	1.7	2.0
Dohome *	DOHOME TB	Thailand	25.3	26.5	50.4	39.8	2.6	2.4	24.1	22.5	0.0	0.1
Siam Global House *	GLOBAL TB	Thailand	(7.5)	16.9	33.1	28.3	3.3	3.0	25.3	22.2	1.1	1.2
Home Product*	HMPRO TB	Thailand	1.6	10.7	19.7	17.8	5.0	4.6	11.1	10.2	4.1	4.5
MC Group *	MC TB	Thailand	11.9	20.1	12.5	10.4	2.4	2.3	4.6	5.6	7.9	9.4
Moshi Moshi Retail*	MOSHI TB *	Thailand	23.7	30.7	30.2	23.1	6.7	5.7	15.1	12.2	1.6	2.1
Average			24.6	8.8	23.5	20.6	3.2	2.9	11.1	10.2	2.8	3.2

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth, Based on 6 November 2024 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, and sales counters) in three countries (Thailand, Vietnam, and Italy). As of end-2023, it operated a net selling area of 3.6m sqm and a net leasable area of 0.74m sqm.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Retail market leader 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 higher population, strong 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
Target price (Bt)	39.02	43.00	10%
Net profit 24F (Bt m)	8,656	8,170	-6%
Net profit 25F (Bt m)	9,975	9,350	-6%
Consensus REC	BUY: 21	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are 6% below the Bloomberg consensus numbers, likely as we incorporate a weaker-than-expected 9M24F performance.
- Our DCF-based TP is, however, 10% above the Street's, likely as we roll over our valuation base year to 2025F and assume more store openings in the longer term.

Sources: Bloomberg consensus, Thanachart estimates

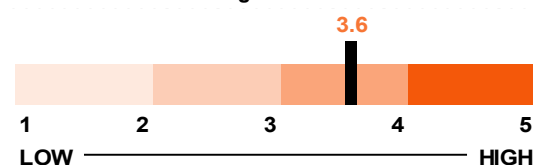
RISKS TO OUR INVESTMENT CASE

- 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 retail store formats in the fashion, food, and hardline segments in Thailand, Vietnam, and Italy. It operates a total space of 4.0m 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



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CRC	YES	YES	YES	BBB	70.53	65.45	84.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

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Factors

Our Comments

ENVIRONMENT

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

- Despite its business nature of not generating much greenhouse gas (GHG), CRC still sets ESG goals. By 2030, it targets to achieve the use of 100% friendly packaging, reduce food losses and waste by 30% (from 4,567 tonnes of food waste in 2023), and cut GHG emissions by 30% from 0.47m tonnes of CO2 equivalent in 2023 (baseline year).
- 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 areas (Central Green), and forest restoration.
- Packaging management: to phase out single-use plastic packaging "Say No to Plastic Bags", increase the use of reusable packaging "Bring Your Own Bag", increase the use of recycled-material and recyclable packaging through the "Bag for Life".

SOCIAL

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

- In 2023, the average employee training and development time was 18.1 hours/person/year with an average cost of Bt3,602/person.
- It provides an option for employees to work from home one day a week to save time and commuting expenses.
- Low-interest loans and educational loans for employees, spouses, and children.
- CRC selects safe and high-quality products by conducting inspections for the whole supply chain in compliance with the Food Safety System Certification (FSSC 22000).

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, 49 in 2021, and 28 in 2022. Most involved internal regulatory non-compliance.
- CRC has established risk-management guidelines according to international standards.
- CRC aims to effectively promote a risk-aware culture within the organization. This starts with raising risk awareness among employees at all levels through risk management training, including 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 and communicates risk-management results to stakeholders.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	219,898	231,438	248,192	275,473	308,522
Cost of sales	159,647	164,941	177,509	198,126	223,454
Gross profit	60,251	66,497	70,683	77,346	85,068
% gross margin	27.4%	28.7%	28.5%	28.1%	27.6%
Selling & administration expenses	64,540	69,834	72,273	79,230	86,663
Operating profit	11,539	13,615	15,601	16,496	18,105
% operating margin	5.2%	5.9%	6.3%	6.0%	5.9%
Depreciation & amortization	17,171	17,722	18,152	18,971	19,368
EBITDA	28,709	31,337	33,753	35,467	37,473
% EBITDA margin	13.1%	13.5%	13.6%	12.9%	12.1%
Non-operating income	16,041	17,250	17,365	18,572	19,901
Non-operating expenses	0	0	0	0	0
Interest expense	(3,479)	(4,642)	(5,183)	(4,788)	(4,704)
Pre-tax profit	8,273	9,271	10,591	11,900	13,603
Income tax	1,733	1,587	2,542	2,856	3,265
After-tax profit	6,540	7,685	8,049	9,044	10,338
% net margin	3.0%	3.3%	3.2%	3.3%	3.4%
Shares in affiliates' Earnings	820	990	850	910	973
Minority interests	(430)	(506)	(543)	(603)	(676)
Extraordinary items	245	(152)	(186)	0	0
NET PROFIT	7,175	8,016	8,170	9,350	10,635
Normalized profit	6,930	8,168	8,356	9,350	10,635
EPS (Bt)	1.2	1.3	1.4	1.6	1.8
Normalized EPS (Bt)	1.1	1.4	1.4	1.6	1.8

Strong EBITDA growth after COVID

We expect record profits to continue

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	76,532	79,956	85,009	91,403	98,125
Cash & cash equivalent	15,617	14,814	17,025	18,048	18,884
Account receivables	5,421	5,545	5,742	6,147	6,631
Inventories	43,675	46,413	48,146	51,567	55,098
Others	11,819	13,185	14,096	15,641	17,512
Investments & loans	6,318	6,314	6,314	6,314	6,314
Net fixed assets	49,045	57,497	67,944	73,274	78,206
Other assets	144,090	143,330	147,731	148,794	149,156
Total assets	275,984	287,097	306,999	319,785	331,801
LIABILITIES:					
Current liabilities:	108,488	118,505	120,313	126,761	132,320
Account payables	39,828	41,831	43,769	48,853	55,098
Bank overdraft & ST loans	34,954	30,917	36,802	36,751	35,558
Current LT debt	6,561	16,932	11,040	11,025	10,667
Others current liabilities	27,145	28,825	28,702	30,132	30,996
Total LT debt	39,780	36,275	44,162	44,101	42,670
Others LT liabilities	62,831	62,056	66,843	66,791	67,367
Total liabilities	211,099	216,837	231,318	237,654	242,357
Minority interest	2,762	3,201	3,744	4,347	5,023
Preferreds shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,761	66,761	66,761	66,761	66,761
Warrants	0	0	0	0	0
Surplus	(24,459)	(24,670)	(24,670)	(24,670)	(24,670)
Retained earnings	13,790	18,937	23,815	29,661	36,299
Shareholders' equity	62,123	67,060	71,937	77,783	84,421
Liabilities & equity	275,984	287,097	306,999	319,785	331,801

Well-controlled debt with net gearing not over 1x despite continuing M&As

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	8,273	9,271	10,591	11,900	13,603
Tax paid	(1,458)	(1,449)	(2,533)	(2,731)	(3,162)
Depreciation & amortization	17,171	17,722	18,152	18,971	19,368
Chg In working capital	(3,524)	(858)	7	1,258	2,230
Chg In other CA & CL / minorities	(233)	943	(180)	417	(384)
Cash flow from operations	20,229	25,629	26,038	29,815	31,655
Capex	(22,856)	(26,174)	(28,600)	(24,300)	(24,300)
Right of use	2,059	1,555	78	4	4
ST loans & investments	98	(34)	38	0	0
LT loans & investments	(759)	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,256)	(1,532)	70	(866)	457
Cash flow from investments	(23,714)	(26,182)	(28,414)	(25,162)	(23,839)
Debt financing	2,455	2,829	7,880	(126)	(2,983)
Capital increase	(123)	0	0	0	0
Dividends paid	(1,809)	(2,895)	(3,293)	(3,504)	(3,997)
Warrants & other surplus	492	(185)	0	0	0
Cash flow from financing	1,014	(250)	4,587	(3,630)	(6,980)
Free cash flow	(2,628)	(545)	(2,562)	5,515	7,355

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	27.4	23.3	22.7	20.3	17.9
Normalized PE - at target price (x)	37.4	31.7	31.0	27.7	24.4
PE (x)	26.5	23.7	23.3	20.3	17.9
PE - at target price (x)	36.1	32.4	31.7	27.7	24.4
EV/EBITDA (x)	8.9	8.3	7.8	7.4	6.9
EV/EBITDA - at target price (x)	11.3	10.5	9.9	9.4	8.8
P/BV (x)	3.1	2.8	2.6	2.4	2.3
P/BV - at target price (x)	4.2	3.9	3.6	3.3	3.1
P/CFO (x)	9.4	7.4	7.3	6.4	6.0
Price/sales (x)	0.9	0.8	0.8	0.7	0.6
Dividend yield (%)	1.5	1.7	1.7	2.0	2.2
FCF Yield (%)	(1.4)	(0.3)	(1.3)	2.9	3.9
(Bt)					
Normalized EPS	1.1	1.4	1.4	1.6	1.8
EPS	1.2	1.3	1.4	1.6	1.8
DPS	0.5	0.6	0.5	0.6	0.7
BV/share	10.3	11.1	11.9	12.9	14.0
CFO/share	3.4	4.2	4.3	4.9	5.2
FCF/share	(0.4)	(0.1)	(0.4)	0.9	1.2

Sources: Company data, Thanachart estimates

Trading at a much lower PE than the average of 37.5x in 2021-23

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	21.0	5.2	7.2	11.0	12.0
Net profit (%)	11,985.2	11.7	1.9	14.4	13.7
EPS (%)	11,985.2	11.7	1.9	14.4	13.7
Normalized profit (%)	11,572.9	17.9	2.3	11.9	13.7
Normalized EPS (%)	11,572.9	17.9	2.3	11.9	13.7
Dividend payout ratio (%)	40.3	41.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	27.4	28.7	28.5	28.1	27.6
Operating margin (%)	5.2	5.9	6.3	6.0	5.9
EBITDA margin (%)	13.1	13.5	13.6	12.9	12.1
Net margin (%)	3.0	3.3	3.2	3.3	3.4
D/E (incl. minor) (x)	1.3	1.2	1.2	1.1	1.0
Net D/E (incl. minor) (x)	1.0	1.0	1.0	0.9	0.8
Interest coverage - EBIT (x)	3.3	2.9	3.0	3.4	3.8
Interest coverage - EBITDA (x)	8.3	6.8	6.5	7.4	8.0
ROA - using norm profit (%)	2.6	2.9	2.7	3.0	3.3
ROE - using norm profit (%)	11.7	12.6	11.6	12.5	13.1
DuPont					
ROE - using after tax profit (%)	11.0	11.9	11.2	12.1	12.7
- asset turnover (x)	0.8	0.8	0.8	0.9	0.9
- operating margin (%)	5.3	6.0	6.4	6.1	5.9
- leverage (x)	4.5	4.4	4.3	4.2	4.0
- interest burden (%)	70.4	66.6	67.1	71.3	74.3
- tax burden (%)	79.1	82.9	76.0	76.0	76.0
WACC (%)	8.9	8.9	8.9	9.3	9.3
ROIC (%)	7.8	8.8	8.7	8.5	9.1
NOPAT (Bt m)	9,122	11,285	11,856	12,537	13,760
invested capital (Bt m)	127,801	136,370	146,916	151,613	154,433

ROE looks to be on the way up

Sources: Company data, Thanachart estimates

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

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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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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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