Central Retail Corp. Pcl (CRC TB) - BUY, Price Bt30.75, TP Bt43.00

Results Comment

Phannarai Tiyapittayarut | Email: phannarai.von@thanachartsec.co.th

Strong core 3Q24, other income beats

- CRC reported 3Q24 net profit of Bt2.1bn, soared by 86% y-y and 28% q-q. Excluding total extra gains of Bt494m, 3Q24 core profit was Bt1.6bn, grew by 24% y-y and 1% q-q, 16% above our Bt1.4bn core profit estimates on a much higher-than-expected other income.
- Bt494m extra gains came from three items; Bt218m (net of tax) FX gain, Bt149m derivatives gain, and Bt128m gain on disposal of rights-of-use assets due to Thai Watsadu's land acquisition.
- The y-y performance was boosted by 5% merchandise sales growth to Bt55.9bn (-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. Other income (excluding interest income) rose by 10% y-y to Bt4,381m, ahead of 5% sales growth, due to increased promotional income from suppliers and PR advertisement.
- Gross margin on sales declined as expected by 44bp y-y to 26.3%. Besides rising lower-margin food sales mix to 41% (39% in 3Q23) from new business, GO Wholesale, gross margin by segment (fashion, food, hardline) also dropped y-y. Businesses with higher gross margin y-y were Thai Watsadu, GO! hypermarkets in VN and Rinascente dept stores in Italy.
- By segment, foods sales (+12% y-y) grew the most from GO Wholesale and new food outlets, followed by 5% fashion sales growth from Rev Runnr and new stores while hardline sales falling by 3% y-y.
- 3Q24 SSSG: food and fashion were slightly negative by 1% and 2%, respectively. Hardline was the weakest with -9% SSSG (-21% SSSG for Vietnam electronics stores, -7% SSSG for Thailand hardline: -4% for Thai Watsadu and a more negative figure for PowerBuy).
- As 3Q24 was a beat, there is upside to our 2024F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**
Revenue	55,522	61,103	62,763	58,718	58,339
Gross profit	**15,985**	**18,150**	**17,303**	**16,838**	**16,505**
SG&A	17,206	18,612	17,530	17,694	17,588
Operating profit	2,779	4,240	4,213	3,337	3,297
EBITDA	**7,301**	**8,836**	**8,712**	**7,883**	**7,787**
Other income	4,054	4,792	4,492	4,283	4,428
Other expense	0	0	0	0	0
Interest expense	1,215	1,278	1,140	1,303	1,307
Profit before tax	**1,618**	**3,052**	**3,125**	**2,124**	**2,038**
Income tax	469	98	760	554	436
Equity & invest. income	283	86	306	164	151
Minority interests	(112)	(128)	(147)	(121)	(117)
Extraordinary items	(178)	227	(353)	47	494
Net profit	**1,143**	**3,138**	**2,171**	**1,660**	**2,129**
Normalized profit	**1,321**	**2,911**	**2,524**	**1,613**	**1,635**
EPS (Bt)	0.19	0.52	0.36	0.28	0.35
Normalized EPS (Bt)	0.22	0.48	0.42	0.27	0.27

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2024F**	**2024F**	**2025F**
Revenue	(1)	5	72	248,192	275,473
Gross profit	**(2)**	**3**	**72**	**70,683**	**77,346**
SG&A	(1)	2	73	72,273	79,230
Operating profit	(1)	19	70	15,601	16,496
EBITDA	**(1)**	**7**	**72**	**33,753**	**35,467**
Other income	3	9	76	17,365	18,572
Other expense					
Interest expense	0	8	72	5,183	4,788
Profit before tax	**(4)**	**26**	**69**	**10,591**	**11,900**
Income tax	(21)	(7)	69	2,542	2,856
Equity & invest. income	(8)	(47)	73	850	910
Minority interests	na	na	na	(543)	(603)
Extraordinary items	952	na	na	(186)	0
Net profit	**28**	**86**	**73**	**8,170**	**9,350**
Normalized profit	**1**	**24**	**69**	**8,356**	**9,350**
EPS (Bt)	28	86	73	1.35	1.55
Normalized EPS (Bt)	1	24	69	1.39	1.55

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**
Cash & ST investment	9,889	14,371	10,722	9,188	6,732
A/C receivable	4,902	5,545	5,478	5,152	5,027
Inventory	45,883	46,413	45,555	45,684	46,456
Other current assets	13,105	13,627	12,609	12,496	11,953
Investment	7,091	6,314	6,837	6,799	6,296
Fixed assets	53,608	57,497	59,483	62,370	64,979
Other assets	146,754	143,331	144,881	146,960	141,970
Total assets	**281,231**	**287,097**	**285,564**	**288,648**	**283,414**
S-T debt	47,205	47,849	46,528	58,993	59,855
A/C payable	36,020	41,831	38,043	37,056	35,310
Other current liabilities	26,289	28,825	27,285	25,456	25,080
L-T debt	37,402	36,275	36,256	33,254	33,574
Other liabilities	63,429	62,056	61,839	60,532	60,078
Minority interest	3,303	3,201	3,365	3,285	3,459
Shareholders' equity	**67,583**	**67,060**	**72,249**	**70,071**	**66,056**
Working capital	14,764	10,126	12,990	13,780	16,172
Total debt	84,606	84,124	82,784	92,247	93,429
Net debt	**74,718**	**69,753**	**72,062**	**83,060**	**86,697**

Financial Ratios					
(%)	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**
Sales growth	2.5	1.7	6.4	5.1	5.1
Operating profit growth	3.0	11.4	16.2	12.4	18.7
EBITDA growth	3.0	7.8	10.6	7.6	6.7
Norm profit growth	(9.4)	13.5	13.7	(6.1)	23.8
Norm EPS growth	(9.4)	13.5	13.7	(6.1)	23.8
Gross margin	28.8	29.7	27.6	28.7	28.3
Operating margin	5.0	6.9	6.7	5.7	5.7
EBITDA margin	13.1	14.5	13.9	13.4	13.3
Norm net margin	2.4	4.8	4.0	2.7	2.8
D/E (x)	1.2	1.2	1.1	1.3	1.3
Net D/E (x)	1.1	1.0	1.0	1.1	1.2
Interest coverage (x)	6.0	6.9	7.6	6.1	6.0
Interest rate	5.8	6.1	5.5	6.0	5.6
Effective tax rate	29.0	3.2	24.3	26.1	21.4
ROA	1.9	4.1	3.5	2.2	2.3
ROE	7.9	17.3	14.5	9.1	9.6

Sources: Company data, Thanachart estimates

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