

Central Retail Corp. Pcl (CRC TB) - BUY**Earnings Preview**

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Soft 3Q23F core profit

- **3Q23F core profit of Bt1.3bn, down 10% y-y and 23% q-q.**
 - **Pressured by higher SG&A and interest expense.**
 - **Flat SSSG, but better gross margin.**
 - **Earning downside from new business, GO Wholesale**
- We forecast CRC to deliver weaker 3Q23F core profit of Bt1,314m, down 10% y-y from Bt1,458m in 3Q22 and 23% q-q from Bt1,717m in 2Q23.
 - Given Bt285m extra losses in 3Q22, 3Q23F net profit is expected to increase by 12% y-y. However, there could be extra items in 3Q23F which we have yet to include any in our 3Q23F earnings estimates.
 - At gross profit level, we expect a 6% growth y-y driven by a 2% growth in sales revenues to Bt53.2bn (flat SSSG with sales from new stores), a 14% rental income growth to Bt2.35bn and expanding gross margin on sales (on rising fashion sales mix) by 80bp y-y to 26.6%.
 - Average SSSG in 3Q23F is flat. By country, Vietnam business is still a drag (SSSG turning more negative by mid teen in 3Q23F from -11% in 2Q23). Italy is the strongest with a high single digit SSSG, followed by low single digit positive for Thailand. By segment, fashion is the best with a mid single digit SSSG while it is negative by mid single digit for hardline and low single digit for food.
 - Operational drags are rising SG&A/total revenues to 28.9% in 3Q23F vs 27.8% in 3Q22 and 28.5% in 2Q23 due to expenses from store expansion and cost from new business GO Wholesale and interest expense growing by 36% y-y to Bt1.18bn on rising cost of debt as its floated debt is high at 85%.
 - 4Q23F is the strongest quarter for high spending season; however, we see earnings downside from new business loss, GO Wholesale, with the first branch just opened on Oct 27th and a plan to open up to 40-45 branches by 2028.

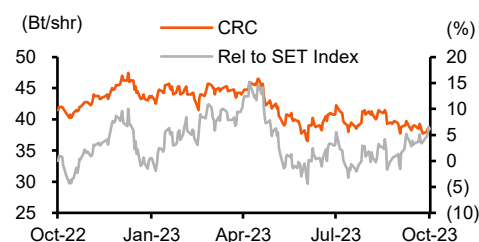
Key Valuations

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Revenue	219,898	242,770	274,456	303,861
Net profit	7,175	8,146	10,589	12,249
Norm net profit	6,930	8,347	10,589	12,249
Norm EPS (Bt)	1.1	1.4	1.8	2.0
Norm EPS gr (%)	na	20.4	26.9	15.7
Norm PE (x)	33.5	27.8	21.9	19.0
EV/EBITDA (x)	10.4	9.2	8.1	7.4
P/BV (x)	3.7	3.5	3.1	2.8
Div. yield (%)	1.2	1.4	1.8	2.1
ROE (%)	11.7	12.9	15.0	15.7
Net D/E (%)	101.2	88.4	79.0	64.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	38.50
Target price (Bt)	51.00
Market cap (US\$ m)	6,411
Avg daily turnover (US\$ m)	13.8
12M H/L price (Bt)	47.50/36.50

Price Performance

Source: Bloomberg

Ex 1: 3Q23F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q22	4Q22	1Q23	2Q23	3Q23F	(q-q%)	(y-y%)
Revenue	54,189	60,085	58,960	55,853	55,514	(1)	2
Gross profit	14,967	17,624	16,386	15,975	15,889	(1)	6
SG&A	16,170	18,041	16,935	17,130	17,232	1	7
Operating profit	2,698	3,807	3,628	2,969	2,618	(12)	(3)
EBITDA	7,086	8,199	7,874	7,326	7,068	(4)	(0)
Other income	3,956	4,278	4,245	4,209	4,040	(4)	2
Other expense	0	0	0	0	0		
Interest expense	868	1,007	1,031	1,117	1,180	6	36
Profit before tax	1,885	2,854	2,666	1,936	1,518	(22)	(19)
Income tax	573	494	602	418	334	(20)	(42)
Equity & invest. Income	232	309	299	322	280	(13)	21
Minority interests	(85)	(106)	(144)	(123)	(150)	na	na
Extraordinary items	(285)	747	(51)	(150)	0		
Net profit	1,173	3,311	2,168	1,567	1,314	(16)	12
Normalized profit	1,458	2,564	2,219	1,717	1,314	(23)	(10)

Sources: Company data, Thanachart estimates

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