CENTRAL RETAIL CORP (CRC TB)



THAILAND / SET / COMMERCE

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A snowflake out of a cloudy sky in 4Q24

- Spending confidence is yet to recover, slowing the growth of CRC
- We think CRC's will benefit from a festive spending during 4Q24
- Initiated with a BUY and TP of THB40

Fashion-driven, Confidence-dependent

In 2024, demand for discretionary products fell short of expectations, reflecting broader economic challenges in Thailand and weighing on key segments such as fashion and hardline. CRC's earnings remain heavily influenced by its significant exposure to discretionary categories. Over 50% of CRC's profit comes from its fashion segment, while hardline products contribute 30% and food accounts for the remaining 20%. This reliance on discretionary spending highlights CRC's vulnerability to economic fluctuations, making it more sensitive to shifts in consumer confidence and spending patterns (Exhibit 1).

Diversified strength, but discretionary headwinds loom

Despite these challenges, CRC's diversified revenue streams across Thailand, Vietnam (food business), and Italy (fashion business) supported a 6% revenue growth to THB194b in 9M24. However, this growth fell short of investor expectations, resulting in a YTD stock price decline of 17%. The market's reaction highlights concern about CRC's vulnerability to discretionary spending trends, even as its geographic diversification provides some degree of resilience against localized economic pressures (Exhibit 2).

Will Festive winds bring Snowflakes to 4Q24?

The festive season in 4Q24E is traditionally CRC's strongest quarter, driven by its fashion segment, the company's most profitable category. Early signs are promising, with QTD SSSG for fashion turning positive at around 2%, while food remains at -1%, primarily due to FX impacts; operationally, the food segment shows positive momentum. This seasonal boost could attract short-term fund flows, offering potential for a near-term lift in CRC's stock price.

Uncertainty to Opportunity: CRC's valuation play

Shopping malls remain integral to Thai daily life, and we believe that consumer spending confidence could recover by 2H25E, supported by the mass distribution of the THB10,000 government scheme, which is likely to boost spending and directly benefit CRC. Currently, CRC is trading at a blended forward P/E of 20x, below its 2-year average of 24x, reflecting ongoing economic uncertainties in Thailand. As consumer confidence improves, we anticipate a valuation uplift toward its historical trading average, presenting a upside opportunity.

Initiated with a BUY and TP of THB40

We initiated coverage on CRC with a BUY and a TP of THB40, implying a 25E P/E of 23x. aligned with its 2-year historical average of 24x. its diversified revenue streams across multiple countries and a strong recovery outlook in its fashion segment, which benefits from seasonal spending in 4Q24E.

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ESG Rating: AAA CG Rating: AAAAA

BUY	
Target Price 12M (THB)	40.00
VS. BB Consensus TP (%)	+0.2%
Share Price (THB)	34.00
Upside/Downside	+17.6%

Share Data

Market Cap (THB m)	205,054.00
Par (THB)	1.00
Free Float (%)	57.77
Issued shares (m shares)	6,031

Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	248,391	262,354	275,308	288,316
Net profit	8,016	9,463	10,186	11,735
Core net profit	8,016	9,463	10,186	11,735
vs Consensus (%)	-	11.0	4.6	5.9
Net profit growth (%)	11.7	18.0	7.6	15.2
Core net profit growth (%)	11.7	18.0	7.6	15.2
EPS (THB)	1.33	1.57	1.69	1.95
Core EPS (THB)	1.33	1.57	1.69	1.95
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.55	0.63	0.68	0.78
P/E (x)	30.85	21.67	20.13	17.47
P/BV (x)	4.49	3.69	2.80	2.58
ROE (%)	12.41	13.49	13.33	14.06
Dividend yield (%) Source: Financial Stateme	1.04	1.34	1.85	1.99

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	8.80	5.43	8.80	(17.07)
Market	10.09	4.23	0.17	(18.89)
12M High/Low	(THB)		41.	50 / 24.20



Major Shareholders (%) as of 07 May 2024

Central Department Store	35.06
Deutsche Bank AG Singapore PWM	4.61
Thai NVDR Company Limited	3.49

Company Profile

Central Retail Corporation operates a diverse portfolio across three key categories: Food (40% of revenue), Fashion (28% of revenue), and Hardline (32% of revenue). The company's major brands include Central and Robinson in the department store sector, Tops and Go Wholesale in food retail, and Thai Watsadu in hardline products. Source: SETSMART, SET



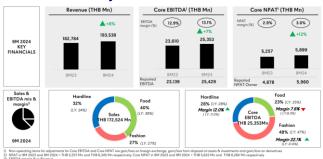






Sources: CRC

Exhibit 2: 9M24 key financials



Sources: CRC

Exhibit 3: Sales trend by business



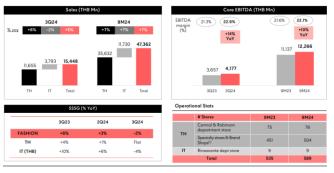
Sources: CRC

Exhibit 4: 9M24 stores expansion



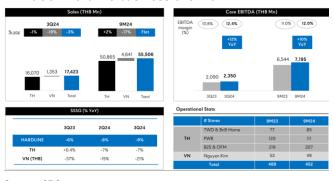
Sources: CRC

Exhibit 5: Fashion business overview



Sources: CRC

Exhibit 6: Hardline business overview



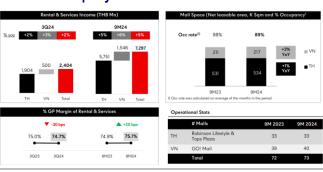
Sources: CRC

Exhibit 7: Food business overview



Sources: CRC

Exhibit 8: Property rental income



Sources: CRC





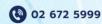


Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	15,617	14,814	18,390	26,591	36,306
Account receivable	11,270	12,693	14,195	15,772	17,423
Inventories	43,675	46,413	49,135	51,529	53,895
Others	5,969	6,037	6,064	6,090	6,116
Non-current assets					
Net fixed assets	49,045	57,497	60,095	58,242	56,166
Others	150,408	149,645	149,645	149,645	149,645
Total Assets	275,984	287,097	297,524	307,868	319,551
Current liabilities					
Account payable	39,828	41,831	44,285	46,442	48,576
ST borrowing	48,039	54,895	54,895	54,895	54,895
Others	20,621	21,779	23,003	24,139	25,280
Long-term liabilities					
Long-term debts	89,032	77,669	77,669	77,669	77,669
Others	13,579	20,662	20,662	20,662	20,662
Total liabilities	211,099	216,837	220,515	223,808	227,082
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Retained earnings	13,158	18,305	24,450	30,851	38,511
Others	42,934	42,724	42,724	42,724	42,724
Minority interest	2,762	3,201	3,805	4,455	5,204
Shareholders' equity	64,885	70,260	77,009	84,060	92,470

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue	236,031	248,391	262,354	275,308	288,316
Cost of goods sold	(188,151)	(196,892)	(208,440)	(218,595)	(228,635)
Gross profit	47,881	51,499	53,914	56,713	59,681
Operating expenses	(18,865)	(20,351)	(19,939)	(22,025)	(23,065)
Operating profit	29,015	31,148	33,975	34,689	36,616
EBIT	11,845	13,426	16,804	17,518	19,446
Depreciation	(17,171)	(17,722)	(17,171)	(17,171)	(17,171)
EBITDA	29,015	31,148	33,975	34,689	36,616
Non-operating income	214	298	0	0	0
Other incomes	0	0	0	0	0
Other non-op income	214	298	0	0	0
Non-operating expense	(3,479)	(4,642)	(5,077)	(5,037)	(4,905)
Interest expense	(3,479)	(4,642)	(5,077)	(5,037)	(4,905)
Other non-op expense	0	0	0	0	0
Equity income/(loss)	820	990	1,064	1,064	1,064
Pre-tax Profit	9,399	10,072	12,791	13,545	15,605
Extraordinary items					
Current taxation	(1,794)	(1,550)	(2,725)	(2,709)	(3,121)
Minorities	(430)	(506)	(604)	(650)	(749)
Net Profit	7,175	8,016	9,463	10,186	11,735
Core net profit	7,175	8,016	9,463	10,186	11,735
EPS (THB)	1.19	1.33	1.57	1.69	1.95
Core EPS (THB)	1.19	1.33	1.57	1.69	1.95

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	20.8	5.2	5.6	4.9	4.7
Operating profit	48.3	7.4	9.1	2.1	5.6
EBITDA	48.3	7.4	9.1	2.1	5.6
Net profit	11,985.2	11.7	18.0	7.6	15.2
Core net profit	11,985.2	11.7	18.0	7.6	15.2
EPS	11,985.2	11.7	18.1	7.6	15.2
Core EPS	11,985.2	11.7	18.1	7.6	15.2
Profitability (%)					
Gross margin	20.3	20.7	20.6	20.6	20.7
Operation margin	12.3	12.5	13.0	12.6	12.7
EBITDA margin	12.3	12.5	13.0	12.6	12.7
Net margin	3.0	3.2	3.6	3.7	4.1
ROE	12.1	12.4	13.5	13.3	14.1
ROA	2.7	2.8	3.2	3.4	3.7
Stability					
Interest bearing debt/equity (x)	2.1	1.9	1.7	1.6	1.4
Net debt/equity (x)	1.9	1.7	1.5	1.3	1.0
Interest coverage (x)	3.4	2.9	3.3	3.5	4.0
Interest & ST debt coverage (x)	0.2	0.2	0.3	0.3	0.3
Cash flow interest coverage (x)	0.1	0.1	0.1	0.1	0.1
Current ratio (x)	0.7	0.7	0.7	8.0	0.9
Quick ratio (x)	0.2	0.2	0.3	0.3	0.4
Net debt (THB m)	121,455	117,751	114,174	105,974	96,258
Activity					
Asset turnover (X)	0.8	0.8	0.9	0.9	0.9
Days receivables	17.4	18.7	19.7	20.9	22.1
Days inventory	84.7	86.0	86.0	86.0	86.0
Days payable	77.3	77.5	77.5	77.5	77.5
Cash cycle days	24.9	27.1	28.2	29.4	30.5

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow	16,139	19,795	18,477	19,120	19,833
Net profit	7,175	8,016	9,463	10,186	11,735
Depre.& amortization	17,171	17,722	17,171	17,171	17,171
Change in working capital	(3,258)	(942)	(575)	(703)	(770)
Others	(4,948)	(5,002)	(7,581)	(7,534)	(8,302)
Investment cash flow	(15,177)	(17,260)	(12,187)	(7,784)	(6,793)
Net CAPEX	(22,856)	(26,174)	(26,174)	(26,174)	(26,174)
Change in LT investment	(799)	7,424	6,894	11,986	13,790
Change in other assets	8,479	1,490	7,093	6,404	5,592
Free cash flow	962	2,534	6,290	11,336	13,041
Financing cash flow	(2,825)	(2,879)	(2,714)	(3,135)	(3,325)
Change in share capital	0	0	0	0	0
Net change in debt	69	438	604	650	749
Divident paid	(2,895)	(3,318)	(3,318)	(3,785)	(4,074)
Others	0	0	0	0	0
Net cash flow	(1,863)	(345)	3,576	8,201	9,715
Per share (THB)					
EPS	1.19	1.33	1.57	1.69	1.95
Core EPS	1.19	1.33	1.57	1.69	1.95
CFPS	4.11	4.35	4.52	4.64	4.92
BVPS	10.30	11.12	12.14	13.20	14.47
Sales/share	39.14	41.19	43.49	45.65	47.81
EBITDA/share	4.81	5.16	5.63	5.75	6.07
DPS	0.48	0.55	0.63	0.68	0.78
Valuation					
P/E (x)	38.9	30.9	21.7	20.1	17.5
P/BV (x)	3.42	4.49	3.69	2.80	2.58
Dividend yield (%)	1.25	1.04	1.34	1.85	1.99
Divdend payout ratio (%)	40.35	41.39	40.00	40.00	40.00





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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.

HOLD: Expected return between -10% and 10% over the next 12 months.

REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.

Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.

Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

