Central Retail Corporation (CRC TB)

The Acquisition Of AEON Thailand

Analyst(s)

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Highlights

- CRC announced the acquisition of 100% of AEON (Thailand), which operates supermarkets under the Max Valu brand. The purchase price is lower than the cost of developing a greenfield operation.
- Management targets EBIT breakeven by 4Q27 and plans to rebrand the acquired stores under the Tops banner.
- Maintain BUY with a higher target price of Bt30.00 (from 25.50). We raise our 2026-27F earnings forecasts by 13%, reflecting strong earnings outlook.

Analysis

- **Positive over the long term.** Central Retail Corporation (CRC) announced the acquisition of 100% of AEON (Thailand), which operates supermarkets under the Max Valu brand. Management expects the transaction to be completed in Sep 26, funded by internal cash flow. The acquisition provides CRC with: a) land ownership, with the majority being freehold; b) 25 Max Valu supermarket stores with an average NSA of 1,200-1,500 sqm and five Max Valu Tan Jai stores; and c) a ready-to-eat (RTE) food production facility.
- **Purchase price is expected to be reasonable.** Management did not disclose the acquisition value but indicated that the purchase price is reasonable and lower than the cost of developing a greenfield operation, both in terms of capital requirements, eg capex and inventory, and investment duration.
- **Synergistic value.** CRC targets EBIT breakeven by 4Q27 and plans to rebrand the acquired stores under the **Tops** banner. Key benefits include: a) access to AEON's 0.9m customer base; b) stronger purchasing bargaining power; c) a larger store network to support product distribution; d) benefits from AEON's RTE food production facility, where RTE accounts for a higher proportion of sales than at Tops, d) a differentiated store format; e) improved distribution efficiency from adding 30 stores, with existing DC capacity sufficient to support the expansion; and f) potential synergies from shared back-office functions and other operating expenses.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	226,713.4	228,376.8	232,758.8	243,802.0	256,401.1
EBITDA	32,102.4	31,786.7	30,549.6	32,378.6	34,100.8
Operating profit	14,002.9	13,722.0	13,731.7	14,663.8	15,483.6
Net profit (rep./act.)	8,136.3	7,411.4	8,718.1	9,409.4	9,937.0
Net profit (adj.)	8,869.6	8,122.4	8,718.1	9,409.4	9,937.0
EPS	1.5	1.4	1.4	1.6	1.6
PE (x)	17.7	19.3	18.0	16.7	15.8
P/B (x)	2.3	2.4	2.4	2.2	2.0
EV/EBITDA (x)	5.2	4.1	4.1	3.8	3.4
Dividend yield (%)	2.1	5.0	4.3	2.4	2.6
Net margin (%)	3.6	3.2	3.8	3.9	3.9
Net debt/(cash) to equity(%)	190.8	147.8	135.8	118.1	100.6
Interest cover (x)	7.4	8.7	11.5	11.9	11.9
Consensus net profit	n.a	n.a	7,855.5	8,696.4	9,357.1
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	1.1

Source: Central Retail Corporation, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	Bt26.25
Target Price	Bt30.00
Upside	14.29%
Previous TP	Bt25.50

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	CRC TB
Shares issued (m)	6,031.0
Market cap (Btm)	158,310.0
Market cap (US$m)	4,790.0
3-mth avg daily t'over (US$m)	11.6

Price Performance (%)

52-week high/low				Bt27.75/Bt16.5
1mth	3mth	6mth	1yr	YTD
(4.3)	(5.3)	(3.8)	(18.2)	3.1

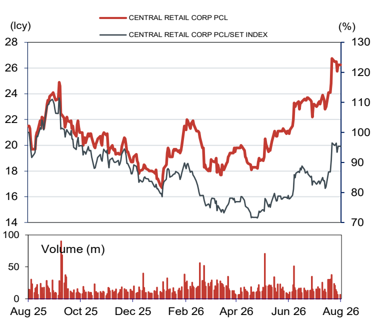
Major Shareholders (%)

HARNG CENTRAL DEPARTMENT STORE	35.06
DEUTSCHE BANK AG SINGAPORE PWM	4.61
SOCIAL SECURITY OFFICE	3.01

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.0
FY26 Net Debt/Share (Bt)	14.9

Price Chart



Source: Bloomberg

Company Description

Central Retail is the leading multi-format, multicategory retailing platform in Thailand. It is also growing internationally, securing leadership status in Italy and becoming one of the leaders in Vietnam.

Aeon Thailand Historical Performance

Year to 31 Dec (Btm)	FY21	FY22	FY23	FY24	FY25
Profit and Loss					
Sales	5,376	4,654	4,172	4,132	3,818
Gross Profit	1,003	840	714	679	660
Operating expenses	(1,198)	(1,157)	(1,151)	(1,106)	(1,143)
Operating profit (loss)	119	(30)	(167)	(175)	(249)
Net profit	105	(42)	(186)	(207)	(272)
Balance sheet					
Assets	1,527	1,470	1,430	1,367	1,133
Liabilties	1,323	1,308	1,453	1,592	1,624
Equity	204	162	(24)	(225)	(490)
Key statistics (%)					
Sales growth	n.a.	-13.4	-10.4	-1.0	-7.6
Gross margin	18.7	18.0	17.1	16.4	17.3
SG&A-to-sales	22.3	24.9	27.6	26.8	29.9
Net margin	1.8	-0.9	-4.2	-4.7	-6.6

Source: Department of Business Development, UOB Kay Hian

- **No materials impact on 2027 earnings forecast.** AEON Thailand reported a net loss of Bt266m in FY25 and accumulated shareholders' deficit of Bt490m. We expect limited impact on CRC's balance sheet, with current net IBD/E at 0.9x. AEON Thailand has total liabilities of Bt1.6b, equivalent to only 1% of CRC's total liabilities. On earnings, if CRC achieves its EBIT breakeven target by 4Q27, we expect no material impact on 2027 earnings forecast, although the acquired business could generate a small loss during 4Q26-2Q27 before turning profitable in 2H27. We also see potential for CRC to utilise AEON Thailand's tax loss carryforwards from 2028 once the business becomes profitable.

Valuation/Recommendation

- **Maintain BUY with a higher target price of Bt30.00 (from 25.50).** We roll over our valuation to 12-month forward EPS and maintain a 20x PE multiple. We remain confident that CRC is in a recovery phase in 2026, with stronger expansion expected in 2027. The 2H26 outlook remains bright, supported by improving economic conditions, the cessation of losses from Nguyen Kim following its divestment in 2Q25, and significantly lower interest expenses.

Earnings Revision/Risk

- **Revise up earnings forecasts.** We revise our 2026-27F earnings estimate up by 13% to reflect a stronger-than-expected earnings outlook. We raise our 2026-27F gross margin assumptions by around 30-40bps, while increasing SG&A-to-sales assumptions by 20-40bps. Our 1H26F earnings account for 50% of our full-year 2026 earnings forecast.

Share Price Catalyst

- The acquisition of Aeon (Thailand); and strongest balance sheet since IPO.

Environment, Social, Governance (ESG) Updates

CG Report: 5 / SET ESG Rating: AA

Environmental

- Ensures energy-efficient operations and waste reduction across retail formats.

Social

- Prioritises diversity, inclusion, and fair labour practices across its regional workforce.

Governance

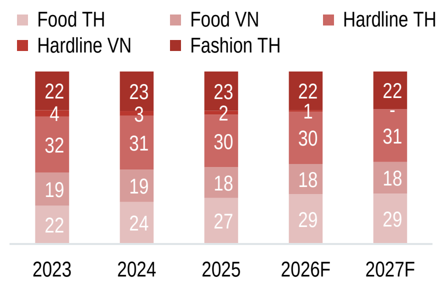
- Adheres to high governance standards under CRC's compliance framework.

Top Three Super Market Format

Supermarket stores	2023	2024	2025	2026F
Tops – CRC	168	165	172	206
Lotus's - CPAXT	175	178	178	180
BigC – BJC	48	50	53	55
Total	391	393	403	441

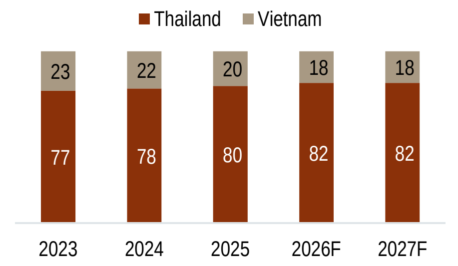
Source: Respective Companies, UOB Kay Hian

Sales Breakdown By Format



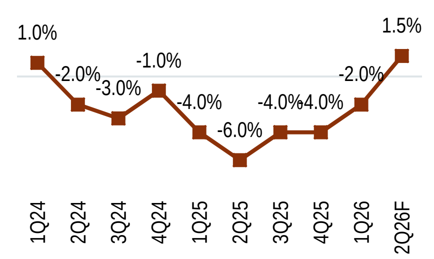
Source: Central Retail Corporation, UOB Kay Hian

Sales Breakdown By Countries



Source: Central Retail Corporation, UOB Kay Hian

Same-Store Sales Growth



Source: Central Retail Corporation, UOB Kay Hian

2Q26 Earnings Forecast

(Btm)	2Q25	2Q26F	yoy(%)
Sales	53,953	55,106	2.1
Gross profit	14,076	15,123	7.4
SG&A - core	16,272	16,697	2.6
Interest expense	975	697	(28.5)
Equity income	103	140	36.4
Core profit from continuing operation	944	1,492	58.0
Core profit	1,350	1,492	10.5
Net profit	1,142	1,492	30.7

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	228,377	232,759	243,802	256,401
EBITDA	31,787	30,550	32,379	34,101
Deprec. & amort.	18,065	16,818	17,715	18,617
EBIT	13,722	13,732	14,664	15,484
Total other non-operating income	22	22	22	22
Associate contributions	483	583	642	674
Net interest income/(expense)	(3,650)	(2,649)	(2,717)	(2,860)
Pre-tax profit	10,577	11,688	12,611	13,319
Tax	(3,482)	(2,610)	(2,813)	(2,972)
Minorities	(374)	(360)	(389)	(410)
Net profit	7,411	8,718	9,409	9,937
Net profit (adj.)	8,122	8,718	9,409	9,937

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	158,804	154,231	154,610	154,570
Other LT assets	17,750	19,494	20,368	21,007
Cash/ST investment	10,004	67,041	72,098	78,702
Other current assets	60,290	65,418	67,358	69,560
Total assets	246,848	306,183	314,434	323,838
ST debt	49,761	67,761	67,761	67,761
Other current liabilities	57,748	63,826	65,308	67,942
LT debt	56,978	88,978	88,978	88,978
Other LT liabilities	13,073	13,948	14,680	15,160
Shareholders' equity	65,469	66,036	71,685	77,564
Minority interest	3,819	5,633	6,022	6,432
Total liabilities & equity	246,848	306,183	314,434	323,838

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	32,216	26,847	27,054	29,397
Pre-tax profit	10,577	11,688	12,611	13,319
Tax	(3,482)	(2,610)	(2,813)	(2,972)
Deprec. & amort.	18,065	16,818	17,715	18,617
Working capital changes	(128)	3,315	(2,372)	227
Non-cash items	921	(2,364)	1,913	205
Other operating cashflows	6,264	0	0	0
Investing	1,669	(13,113)	(18,237)	(18,735)
Capex (growth)	14,677	(12,244)	(18,094)	(18,577)
Investments	4,078	(233)	(257)	(269)
Others	(17,086)	(636)	114	111
Financing	(32,834)	43,304	(3,760)	(4,058)
Dividend payments	(8,225)	(6,696)	(3,760)	(4,058)
Issue of shares	(615)	0	0	0
Proceeds from borrowings	[illegible]	50,000	0	0
Others/interest paid	10,851	0	0	0
Net cash inflow (outflow)	1,051	57,037	5,057	6,604
Beginning cash & cash equivalent	9,275	9,797	66,834	71,891
Ending cash & cash equivalent	10,326	66,834	71,891	78,495

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.9	13.1	13.3	13.3
Pre-tax margin	4.6	5.0	5.2	5.2
Net margin	3.2	3.8	3.9	3.9
Growth				
Net profit (adj.)	(8.4)	7.3	7.9	5.6
Leverage				
Debt to total capital	154.0	218.7	201.7	186.6
Debt to equity	163.0	237.4	218.6	202.1
Net debt/(cash) to equity	147.8	135.8	118.1	100.6
Interest cover	8.7	11.5	11.9	11.9