

M: Expected benefits from acquire 65% of Laem Charoen Seafood



M announced the Stock Exchange of Thailand on 6th September to acquire 65% of Laem Charoen Seafood (LCS) with an investment of Bt2bn.

Implication:

- Laem Charoen Seafood is a seafood restaurant chain with 27 branches nationwide.
- The company expects the deal will be completed by Dec 2019.
- With strong cash on balance sheet of Bt9.7bn in 2Q19, the company can complete this deal without additional debt requirement.
- We expect LCS will begin contribution of roughly 4%-5% of M's net profit in 2020 excluding synergy value between them.

In our opinion this M&A will to boost M's ROE. However, due to limited information available, we leave it for a potential upside. We maintain our BUY rating and a target price of Bt88 based on DCF, implying 26xPE'20E.

Valuation table

Year end Dec	17A	18A	19E	20E	21E
PE (x)	27.9	26.3	22.9	21.8	20.4
Recurring net profit growth (%)	15.5	6.1	14.8	5.2	6.7
Recurring EPS (Bt)	2.63	2.79	3.21	3.38	3.60
Recurring EPS growth (%)	15.4	6.1	14.8	5.2	6.7
PBV (x)	4.9	4.8	4.7	4.6	4.5
BVPS (Bt)	15.0	15.4	15.7	16.1	16.5
ROE (%)	17.8	18.4	20.6	21.2	22.1
DPS (Bt)	2.3	2.5	2.9	3.0	3.2
Dividend yield (%)	3.1	3.4	3.9	4.1	4.4
Enterprise value (Bt m)	57,939	57,873	56,708	55,470	54,161
EV-to-EBITDA (x)	17.5	17.2	14.7	13.7	12.6

Thanawich Boonchuwong
Registration No. 110556
thanawich.bo@countrygroup.co.th
+66 2 205 7000 ext. 4403

MK Restaurants Group PCL

Recommendation: BUY

Current price: Bt73.5

Target price: Bt88.0

Up/(downside): 20%

IOD: 4 out of 5

CAC: Certified

Stock data

RIC code	M.BK
Index	.SETI
SET Index (06/09/2019)	1,670.06
Market cap (Bt m)	67,685
Shares outstanding (million)	921
Par (Bt)	1.00

