BUY (Unchanged) | **TP: Bt 27.50** (From: Bt 25.00)

Change in Numbers | **Upside : 28.5%** | **15 JUNE 2021**

Small Cap Research

Siam Global House Pcl (GLOBAL TB)

Strong momentum

As GLOBAL's same-store sales YTD have remained above pre-COVID levels and the gross margin continues to hit new records, we raise our earnings by 2-7% over 2021-23F. Valuation looks attractive at 2022F PE of 29.2x, vs. a past-10-year average of 40x with a strong 27% three-year EPS CAGR. Reaffirm BUY as one of our top sector picks.

PHANNARAI TIYAPITTAYARUT
662-779-9109
phannarai.von@thanachartsec.co.th

Thanachart Securities

Solid 2Q21F in sight

We received positive messages from our discussion with GLOBAL's management. SSSG in April was expected by management to be positive 70% (a low base from a full month of country lockdown in April last year) and nearly 30% in May. This should bring April-May SSSG to over 40%. For June MTD, with no low-base effect, SSSG is still positive. Therefore, GLOBAL expects 2Q21F SSSG to be at least 30%, vs. -20% in 2Q20. This implies same-store revenues exceeding 2Q19 levels, despite it opening 12 new branches over the past two years. Gross margin is targeted to stay at a high level q-q as the high-margin private-label sales mix has remained at 21%, stable q-q, and steel prices (20% of sales) are rising q-q.

Little impact from COVID

Besides selling home decorative/building materials products, demand for which has been quite resilient amid the COVID pandemic, GLOBAL has 100% store exposure in the stronger upcountry provinces. Some 56% of branches are located in less COVID-affected areas in the North and Northeast, and reflected decent sales numbers. Stores that have seen a larger hit are those near Bangkok such as Nakhon Pathom, Samut Sakhon, Samut Prakan and outlets in tourist provinces, ie, Phuket.

Five new branches this year

As the third COVID wave caused inter-provincial travel difficulties while many provinces require 14-day quarantine for people coming from high COVID risk provinces including Bangkok, the branch openings this year have been cut to five, from the planned six previously. Two in Mahasarakam and Prachinburi were launched in 1Q21. The next one is scheduled to open in Udon Thani next month and another two in 4Q21 in Chiang Rai and Koh Samui. By end 2021, total branches in Thailand are targeted to reach 76 and the company's medium-term goal of having 101 stores is maintained. Next year, GLOBAL plans to ramp up expansion to six to seven stores per annum.

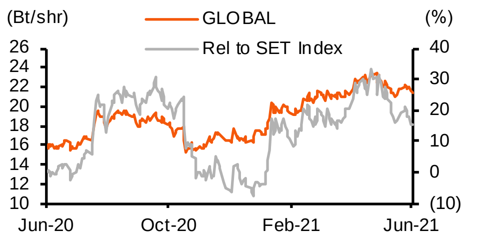
Raising our TP to Bt27.50

We boost our earnings by 2-7% over 2021-23F on stronger-than-expected SSSG and gross margin YTD. After rolling over our valuation base year to 2022F, we lift our DCF-based 12-month TP by 10% to Bt27.50, from Bt25 previously. GLOBAL offers a robust 27% three-year EPS CAGR over 2020-23F, vs. 18% growth pa over 2010-20. Its 2022F PE is 29.2x, below its past-10-year historical average of 40x. We reaffirm our BUY rating on GLOBAL as one of our top retail sector picks, along with Com7 Pcl (COM7 TB, Bt67.00, BUY).

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	26,803	31,813	34,546	38,086
Net profit	1,956	2,858	3,373	4,043
Consensus NP	—	2,786	3,175	3,684
Diff frm cons (%)	—	*2.6*	*6.2*	*9.8*
Norm profit	1,956	2,858	3,373	4,043
Prev. Norm profit	—	2,676	3,302	3,974
Chg frm prev (%)	—	*6.8*	*2.1*	*1.7*
Norm EPS (Bt)	0.4	0.6	0.7	0.9
Norm EPS grw (%)	(6.9)	45.7	17.9	19.9
Norm PE (x)	50.2	34.4	29.2	24.4
EV/EBITDA (x)	34.1	25.2	21.4	17.9
P/BV (x)	5.8	5.2	4.7	4.2
Div yield (%)	1.0	1.2	1.4	1.6
ROE (%)	11.9	15.9	16.8	18.1
Net D/E (%)	76.4	65.6	52.9	42.0

PRICE PERFORMANCE

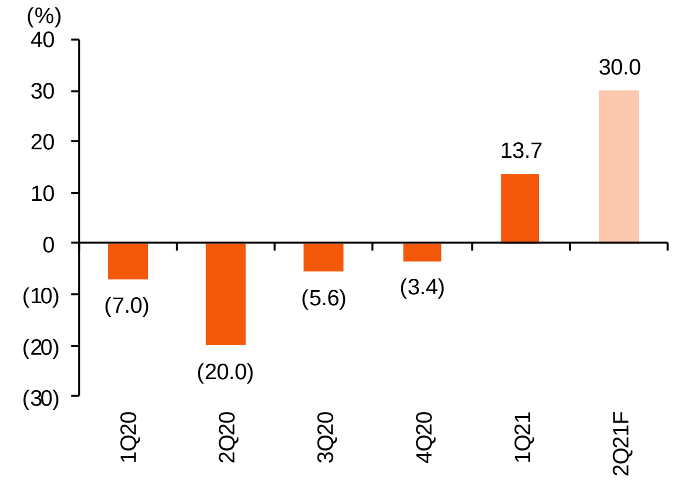


COMPANY INFORMATION

Price *as of* 15-Jun-21 (Bt)	21.40
Market Cap (US$ m)	3,163.9
Listed Shares (m shares)	4,601.7
Free Float (%)	32.1
Avg Daily Turnover (US$ m)	8.8
12M Price H/L (Bt)	23.40/15.21
Sector	Commerce
Major Shareholder	SCG Distribution 32.27%

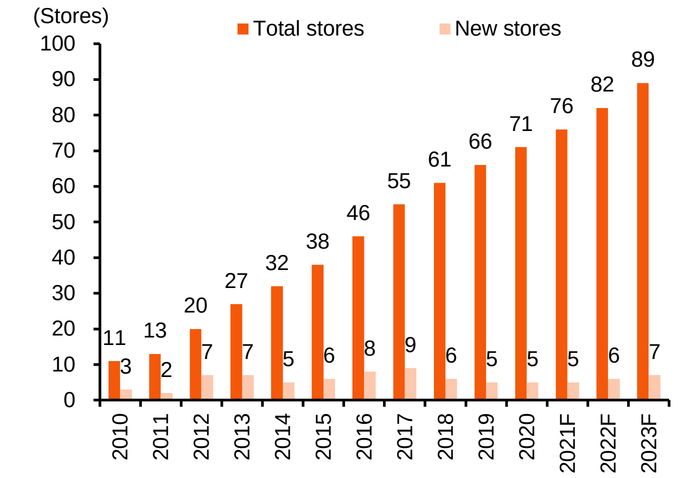
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Quarterly SSSG



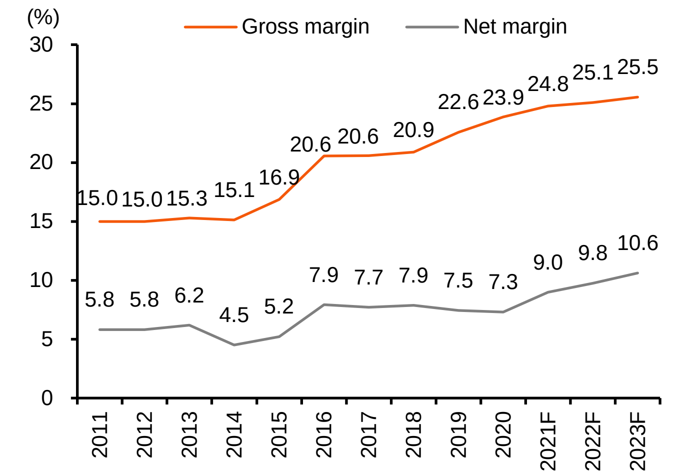
Sources: Company data, Thanachart estimates

Ex 2: Branch Expansion – Thailand



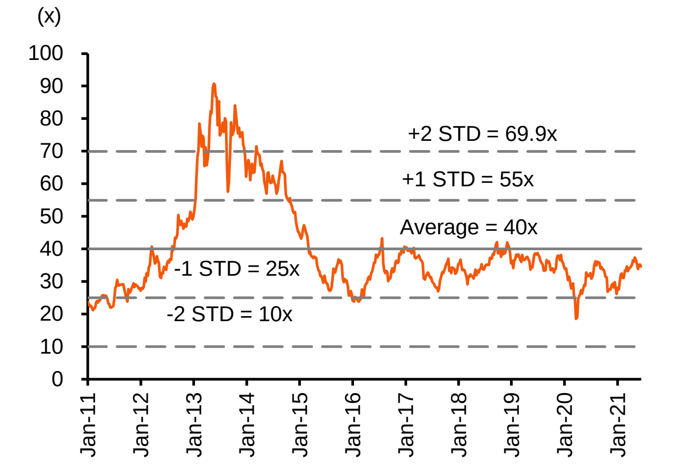
Sources: Company data, Thanachart estimates

Ex 3: Gross Margin Vs. Net Margin



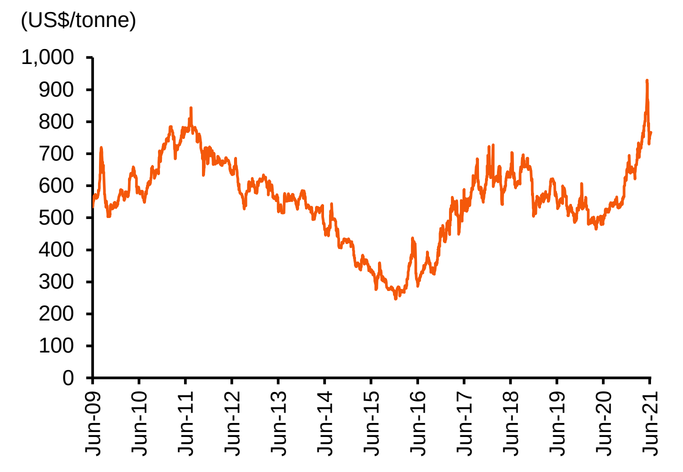
Sources: Company data, Thanachart estimates

Ex 4: GLOBAL's PE



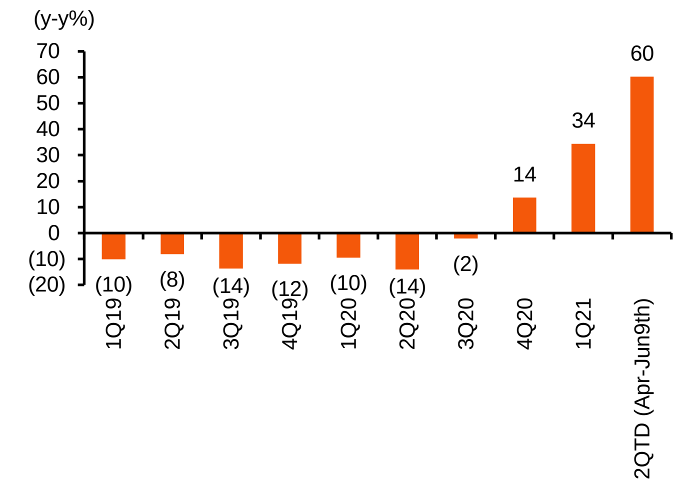
Sources: Bloomberg, Thanachart estimates

Ex 5: Steel Price



Source: Bloomberg

Ex 6: Steel Price Change



Sources: Bloomberg, Thanachart estimates

Ex 7: Key Assumption Changes

	2021F	2022F	2023F
SSSG (%)			
New	12.0	3.0	4.0
Old	8.5	4.0	4.0
New stores – Thailand			
New	5	6	7
Old	6	6	6
Gross margin (%)			
New	24.79	25.09	25.55
Old	24.29	24.75	25.21
Normalized profit (Bt m)			
New	2,858	3,373	4,043
Old	2,676	3,302	3,974
Change (%)	*7*	*2*	*2*

Source: Thanachart estimates

Ex 8: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
EBITDA		5,046	5,979	6,980	7,901	8,756	9,568	10,432	11,302	12,193	12,947	13,743	
Free cash flow		2,900	3,104	5,737	7,483	8,789	7,992	8,750	9,481	10,513	11,202	11,869	197,962
PV of free cash flow		2,892	2,702	4,658	5,668	6,079	5,134	5,220	5,254	5,412	5,356	5,029	83,873
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	7.2												
Terminal growth (%)	2.0												
Enterprise value - add investments	139,276												
Net debt (2021F)	12,610												
Minority interest	257												
Equity value	126,410												
# of shares (m)	4,602												
Equity value / share (Bt)	**27.50**												
Investment: (Bt m)													
Land @ Muang Thong Thani	2,000												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 9: Valuation Comparison With Regional Peers

			EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
Name	BBG code	Country	21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Marks & Spencer	MKS LN	Britain	(86.7)	na	64.0	10.9	0.8	1.1	8.1	6.1	0.0	1.8
J Sainsbury PLC	SBRY LN	Britain	(44.4)	87.3	21.2	11.3	0.7	0.7	5.8	5.2	6.2	4.6
Tesco	TSCO LN	Britain	(53.0)	78.4	20.8	11.6	1.0	1.1	8.3	7.0	3.8	4.5
Carrefour SA	CA FP	France	11.6	13.1	12.4	11.0	1.4	1.3	6.0	5.7	3.1	3.5
Casino Guichard	CO FP	France	32.4	15.3	12.9	11.2	0.7	0.7	6.7	6.5	6.2	5.8
L'Oreal SA	OR FP	France	15.0	9.5	47.2	43.1	7.1	6.7	27.0	25.1	1.1	1.2
Aeon	8267 JP	Japan	na	na	na	94.9	2.5	2.6	10.7	9.0	1.2	1.2
Kao Corporation	4452 JP	Japan	2.6	11.0	25.3	22.8	3.5	3.3	12.8	11.9	2.1	2.2
Lion Corporation	4912 JP	Japan	(26.0)	5.8	26.2	24.7	2.3	2.2	11.4	10.7	1.2	1.3
Shiseido Co. Ltd	4911 JP	Japan	na	126.9	126.4	55.7	6.6	6.2	31.1	21.0	0.6	0.7
Lotte Shopping	023530 KS	S. Korea	na	118.3	31.6	14.5	0.4	0.3	10.8	10.2	2.7	3.0
Shinsegae	004170 KS	S. Korea	na	21.4	12.0	9.9	0.8	0.7	9.0	8.5	0.6	0.7
Amore Pacific Group	002790 KS	S. Korea	169.5	28.7	37.6	29.2	2.1	2.0	7.7	6.9	0.4	0.5
Wal-Mart Stores	WMT US	USA	12.0	5.5	25.2	23.9	4.7	4.7	12.1	12.0	1.5	1.6
Home Depot Inc	HD US	USA	19.3	17.5	25.7	21.9	127.1	125.6	17.5	15.3	1.9	2.1
Sa International	178 HK	Hong Kong	na	na	na	na	4.4	4.0	na	24.2	0.0	1.1
Berli Jucker *	BJC TB	Thailand	31.4	7.0	27.9	26.1	1.2	1.2	12.9	12.1	1.8	1.9
COM7 *	COM7 TB	Thailand	45.8	25.9	38.0	30.2	17.8	15.4	25.1	20.5	2.1	2.7
CP All *	CPALL TB	Thailand	15.7	16.0	32.1	27.7	5.0	4.6	15.9	14.3	1.6	1.8
Central Pattana *	CPN TB	Thailand	3.4	42.4	45.8	32.2	3.3	3.1	18.3	15.6	1.1	1.5
Central Retail Corp. *	CRC TB	Thailand	na	35.2	44.2	32.7	3.5	3.3	10.5	8.9	0.9	1.2
Siam Global House *	GLOBAL TB	Thailand	45.7	17.9	34.4	29.2	5.2	4.7	25.2	21.4	1.2	1.4
Home Product*	HMPRO TB	Thailand	18.6	15.8	31.2	26.9	8.5	7.9	17.5	15.6	2.6	3.0
Siam Makro *	MAKRO TB	Thailand	13.4	10.3	24.5	22.2	7.6	7.0	14.0	13.0	3.3	3.6
Mc Group *	MC TB	Thailand	28.6	21.3	13.6	11.2	2.1	2.1	8.3	6.8	7.2	8.8
Average			**13.4**	**33.2**	**33.9**	**26.5**	**8.8**	**8.5**	**13.9**	**12.5**	**2.2**	**2.5**

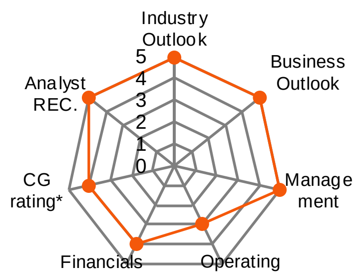
Sources: Bloomberg, Thanachart estimates
Note: * Thanachart estimates using normalized EPS growth
Based on 15 June 2021 closing price

COMPANY DESCRIPTION

Siam Global House (GLOBAL) is one of the leaders among modern-trade operators in the home-improvement segment under the brand "Global House". GLOBAL has 73 stores located upcountry in Thailand and one store in Cambodia.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- GLOBAL is a pure provincial play and we expect it to benefit fully once the upcountry economy starts growing again.
- GLOBAL's executives have many years of experience in the home-improvement segment.
- After Siam Cement's (SCC TB, Bt420.00, BUY) investment in GLOBAL in November 2012, we believe the company is a much stronger player, both operationally and financially.

W — Weakness

- No stores located in Bangkok.

O — Opportunity

- The change in consumer lifestyles to shop at modern-trade stores rather than at traditional stores.
- We see a faster and less risky growth path post SCC's share purchase in GLOBAL.
- Expanding opportunities in CLMV markets.

T — Threat

- Weak economic growth in the provinces.
- Intensifying competition from new rivals such as Thai Watsadu (Central group), HMPRO's Mega Home and other home-improvement operators.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	24.50	27.50	12%
Net profit 21F (Bt m)	2,786	2,858	3%
Net profit 22F (Bt m)	3,175	3,373	6%
Consensus REC	**BUY: 10**	**HOLD: 4**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profits are 3-6% above the Bloomberg consensus estimates, likely as a result of us assuming a higher SSSG this year given strong numbers YTD.
- Together with our base year rollover to 2022F, we believe this is why our TP is higher than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the number of new stores opened is lower than our assumptions, this would result in downside to our earnings forecasts, representing the key downside risk to our call.
- If competition is stronger than our current expectations, GLOBAL's SSS growth and margins would be subject to downside risk.

Source: Thanachart

We expect both existing stores' sales and new stores to boost sales

GLOBAL has continued to open new stores

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	28,081	26,803	31,813	34,546	38,086
Cost of sales	21,741	20,401	23,927	25,879	28,357
Gross profit	**6,340**	**6,402**	**7,886**	**8,667**	**9,729**
% gross margin	22.6%	23.9%	24.8%	25.1%	25.5%
Selling & administration expenses	4,038	4,301	4,740	4,906	5,142
Operating profit	**2,302**	**2,101**	**3,146**	**3,762**	**4,588**
% operating margin	8.2%	7.8%	9.9%	10.9%	12.0%
Depreciation & amortization	931	1,164	1,260	1,363	1,472
EBITDA	**3,232**	**3,265**	**4,406**	**5,124**	**6,060**
% EBITDA margin	11.5%	12.2%	13.8%	14.8%	15.9%
Non-operating income	544	552	636	691	762
Non-operating expenses	0	0	0	0	0
Interest expense	(268)	(246)	(258)	(264)	(293)
Pre-tax profit	**2,577**	**2,407**	**3,524**	**4,188**	**5,057**
Income tax	493	455	670	817	1,011
After-tax profit	**2,085**	**1,952**	**2,855**	**3,372**	**4,045**
% net margin	7.4%	7.3%	9.0%	9.8%	10.6%
Shares in affiliates' Earnings	29	23	28	30	33
Minority interests	(21)	(20)	(24)	(29)	(35)
Extraordinary items	0	0	0	0	0
NET PROFIT	**2,093**	**1,956**	**2,858**	**3,373**	**4,043**
Normalized profit	**2,093**	**1,956**	**2,858**	**3,373**	**4,043**
EPS (Bt)	0.5	0.4	0.6	0.7	0.9
Normalized EPS (Bt)	0.5	0.4	0.6	0.7	0.9

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	18,179	16,184	17,672	17,960	18,859
Cash & cash equivalent	1,299	1,224	1,287	1,178	1,234
Account receivables	1,271	666	1,307	1,893	2,087
Inventories	15,603	14,287	15,077	14,889	15,538
Others	7	7	0	0	0
Investments & loans	815	838	838	838	838
Net fixed assets	16,105	17,148	17,963	18,678	19,537
Other assets	887	1,850	1,948	1,992	2,051
Total assets	**35,986**	**36,020**	**38,421**	**39,469**	**41,286**
LIABILITIES:					
Current liabilities:	18,824	15,261	16,388	15,420	14,756
Account payables	3,399	2,988	3,605	3,900	4,273
Bank overdraft & ST loans	14,220	11,193	11,117	9,993	9,039
Current LT debt	953	884	1,390	1,249	1,130
Others current liabilities	252	197	276	278	314
Total LT debt	**833**	**2,303**	**1,390**	**1,249**	**1,130**
Others LT liabilities	198	1,242	1,425	1,428	1,432
Total liabilities	**19,855**	**18,806**	**19,203**	**18,096**	**17,318**
Minority interest	219	233	257	286	321
Preferreds shares	0	0	0	0	0
Paid-up capital	4,202	4,402	4,602	4,602	4,602
Share premium	4,739	4,739	4,739	4,739	4,739
Warrants	0	0	0	0	0
Surplus	2	(5)	(5)	(5)	(5)
Retained earnings	**6,969**	**7,845**	**9,624**	**11,751**	**14,311**
Shareholders' equity	15,912	16,981	18,960	21,087	23,647
Liabilities & equity	**35,986**	**36,020**	**38,421**	**39,469**	**41,286**

Sources: Company data, Thanachart estimates

Strong and sustainable cash flows, on our estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	2,577	2,407	3,524	4,188	5,057
Tax paid	(457)	(502)	(614)	(809)	(980)
Depreciation & amortization	931	1,164	1,260	1,363	1,472
Chg In w orking capital	(1,623)	1,510	(814)	(103)	(469)
Chg In other CA & CL / minorities	45	(63)	(44)	(63)	(35)
Cash flow from operations	**1,473**	**4,515**	**3,311**	**4,575**	**5,044**
Capex	(2,577)	(2,207)	(2,000)	(2,000)	(2,250)
Right of use	0	(1,270)	(64)	(64)	(64)
ST loans & investments	0	0	7	0	0
LT loans & investments	(29)	(23)	0	0	0
Adj for asset revaluation	3	(7)	0	0	0
Chg In other assets & liabilities	(449)	1,424	170	31	1
Cash flow from investments	**(3,052)**	**(2,083)**	**(1,887)**	**(2,032)**	**(2,313)**
Debt financing	3,074	(1,627)	(483)	(1,406)	(1,192)
Capital increase	200	200	200	0	0
Dividends paid	(823)	(863)	(1,079)	(1,246)	(1,483)
Warrants & other surplus	(235)	(218)	0	0	0
Cash flow from financing	**2,217**	**(2,507)**	**(1,361)**	**(2,652)**	**(2,675)**
Free cash flow	**(1,104)**	**2,309**	**1,311**	**2,575**	**2,794**

Deserves to trade at high PE multiples, in our view…

…due to double-digit EPS growth of 27% p.a. over 2020-23F

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	46.7	50.2	34.4	29.2	24.4
Normalized PE - at target price (x)	60.0	64.5	44.2	37.5	31.3
PE (x)	46.7	50.2	34.4	29.2	24.4
PE - at target price (x)	60.0	64.5	44.2	37.5	31.3
EV/EBITDA (x)	34.8	34.1	25.2	21.4	17.9
EV/EBITDA - at target price (x)	43.4	42.7	31.6	26.9	22.5
P/BV (x)	6.2	5.8	5.2	4.7	4.2
P/BV - at target price (x)	7.9	7.4	6.7	6.0	5.4
P/CFO (x)	66.4	21.7	29.7	21.5	19.5
Price/sales (x)	3.5	3.7	3.1	2.9	2.6
Dividend yield (%)	0.9	1.0	1.2	1.4	1.6
FCF Yield (%)	(1.1)	2.4	1.3	2.6	2.8
(Bt)					
Normalized EPS	0.5	0.4	0.6	0.7	0.9
EPS	0.5	0.4	0.6	0.7	0.9
DPS	0.2	0.2	0.2	0.3	0.4
BV/share	3.5	3.7	4.1	4.6	5.1
CFO/share	0.3	1.0	0.7	1.0	1.1
FCF/share	(0.2)	0.5	0.3	0.6	0.6

Sources: Company data, Thanachart estimates

We expect solid earnings growth from this year

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	10.5	(4.6)	18.7	8.6	10.2
Net profit (%)	4.5	(6.6)	46.1	18.0	19.9
EPS (%)	4.2	(6.9)	45.7	17.9	19.9
Normalized profit (%)	4.5	(6.6)	46.1	18.0	19.9
Normalized EPS (%)	4.2	(6.9)	45.7	17.9	19.9
Dividend payout ratio (%)	41.2	51.9	40.0	40.0	40.0
Operating performance					
Gross margin (%)	22.6	23.9	24.8	25.1	25.5
Operating margin (%)	8.2	7.8	9.9	10.9	12.0
EBITDA margin (%)	11.5	12.2	13.8	14.8	15.9
Net margin (%)	7.4	7.3	9.0	9.8	10.6
D/E (incl. minor) (x)	1.0	0.8	0.7	0.6	0.5
Net D/E (incl. minor) (x)	0.9	0.8	0.7	0.5	0.4
Interest coverage - EBIT (x)	8.6	8.5	12.2	14.2	15.7
Interest coverage - EBITDA (x)	12.1	13.3	17.1	19.4	20.7
ROA - using norm profit (%)	6.2	5.4	7.7	8.7	10.0
ROE - using norm profit (%)	13.7	11.9	15.9	16.8	18.1
DuPont					
ROE - using after tax profit (%)	13.6	11.9	15.9	16.8	18.1
- asset turnover (x)	0.8	0.7	0.9	0.9	0.9
- operating margin (%)	10.1	9.9	11.9	12.9	14.0
- leverage (x)	2.2	2.2	2.1	1.9	1.8
- interest burden (%)	90.6	90.7	93.2	94.1	94.5
- tax burden (%)	80.9	81.1	81.0	80.5	80.0
WACC (%)	7.2	7.2	7.2	7.2	7.2
ROIC (%)	6.9	5.6	8.5	9.6	11.3
NOPAT (Bt m)	1,862	1,704	2,548	3,028	3,670
invested capital (Bt m)	30,619	30,136	31,570	32,400	33,712

Sources: Company data, Thanachart estimates

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For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

Chak Reungsinpinya
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th