Siam Global House (GLOBAL TB) - BUY, Price Bt22.8, TP Bt27.5

Results Comment

Phannarai Tiyapittayarut | Email: phannarai.von@thanachartsec.co.th

A record profit in 2Q21

- GLOBAL continued to deliver a new high net profit of Bt972m in 2Q21 (+92% y-y, +1% q-q), beats us and consensus by 8%.
- This was driven by record-high sales and gross margin.
- Sales revenues increased by 43% y-y and 2% q-q on +35% SSSG and five new branches opened over the past 12 months to reach 73 stores in Thailand as of 2Q21.
- A record gross margin of 25.89% vs 25.47% in 1Q21 and 25.21% in 2Q20 was boosted by both improving margin on branded goods and rising private-brand sales mix to 21% (19% in 2Q20). Higher steel price also helped and accounted for 20% of 2Q21 sales.
- With growing sales, SG&A/sales ratio was down to 14.1%, from 15.8% in 2Q20.
- Equity income from JV also jumped to Bt20m, increasing from Bt10m in 1Q21 and Bt5m in 2Q20, due to better store performance in Laos and Myanmar.
- 1H21 net profit already reached 68% of our 2021F, we see earnings upside on both sales and gross margin.
- Despite the lockdown period in July, MTD SSSG remains positive.
- Reaffirm BUY as a top pick in retail sector.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	6,218	6,439	6,871	8,679	8,888
Gross profit	**1,568**	**1,461**	**1,620**	**2,210**	**2,301**
SG&A	980	1,087	1,202	1,121	1,250
Operating profit	588	374	417	1,089	1,052
EBITDA	**878**	**672**	**720**	**1,394**	**1,370**
Other income	102	238	52	150	180
Other expense	15	0	0	3	0
Interest expense	62	60	53	48	46
Profit before tax	**613**	**552**	**417**	**1,187**	**1,185**
Income tax	105	99	84	226	232
Equity & invest. income	5	7	4	10	20
Minority interests	(6)	(5)	(3)	(6)	(2)
Extraordinary items	1	0	0	0	0
Net profit	**507**	**456**	**334**	**966**	**972**
Normalized profit	**506**	**456**	**334**	**966**	**972**
EPS (Bt)	0.12	0.10	0.08	0.22	0.22
Normalized EPS (Bt)	0.12	0.10	0.08	0.22	0.22

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	2	43	55	31,813	34,546
Gross profit	**4**	**47**	**57**	**7,886**	**8,667**
SG&A	11	28	50	4,740	4,906
Operating profit	(3)	79	68	3,146	3,762
EBITDA	**(2)**	**56**	**63**	**4,406**	**5,124**
Other income	20	76	52	636	691
Other expense	(85)	(97)	na	0	0
Interest expense	(5)	(26)	36	258	264
Profit before tax	**(0)**	**93**	**67**	**3,524**	**4,188**
Income tax	3	120	68	670	817
Equity & invest. income	102	316	110	28	30
Minority interests	na	na	33	(24)	(29)
Extraordinary items	(26)	(97)	na	0	0
Net profit	**1**	**92**	**68**	**2,858**	**3,373**
Normalized profit	**1**	**92**	**68**	**2,858**	**3,373**
EPS (Bt)	1	92	71	0.62	0.73
Normalized EPS (Bt)	1	92	71	0.62	0.73

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	1,684	1,528	1,224	1,887	1,141
A/C receivable	721	727	666	620	585
Inventory	12,997	14,113	14,287	14,159	13,951
Other current assets	7	10	7	11	13
Investment	827	834	838	898	919
Fixed assets	16,447	16,743	14,148	17,214	17,087
Other assets	1,885	1,857	4,850	1,912	1,913
Total assets	**34,569**	**35,814**	**36,020**	**36,700**	**35,608**
S-T debt	12,124	12,727	12,076	10,860	10,114
A/C payable	3,014	3,356	2,988	3,619	2,968
Other current liabilities	277	116	197	950	1,002
L-T debt	1,528	1,528	2,303	1,803	1,861
Other liabilities	1,234	1,222	1,242	1,260	1,283
Minority interest	231	242	233	249	257
Shareholders' equity	**16,161**	**16,624**	**16,981**	**17,960**	**18,124**
Working capital	10,705	11,485	11,965	11,160	11,568
Total debt	13,652	14,254	14,379	12,663	11,975
Net debt	**11,967**	**12,726**	**13,155**	**10,776**	**10,833**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(15.7)	(1.1)	2.1	19.3	42.9
Operating profit growth	41.1	(0.5)	(59.2)	51.0	78.9
EBITDA growth	37.4	9.7	(43.5)	40.1	56.0
Norm profit growth	(2.7)	4.0	(43.7)	56.8	92.0
Norm EPS growth	(2.7)	4.0	(43.7)	56.8	92.0
Gross margin	25.2	22.7	23.6	25.5	25.9
Operating margin	9.5	5.8	6.1	12.5	11.8
EBITDA margin	14.1	10.4	10.5	16.1	15.4
Norm net margin	8.1	7.1	4.9	11.1	10.9
D/E (x)	0.8	0.9	0.8	0.7	0.7
Net D/E (x)	0.7	0.8	0.8	0.6	0.6
Interest coverage (x)	14.2	11.2	13.6	28.9	29.9
Interest rate	1.8	1.7	1.5	1.4	1.5
Effective tax rate	17.2	17.9	20.0	19.0	19.5
ROA	6.5	5.9	4.3	11.2	11.3
ROE	12.4	11.1	8.0	22.1	21.6

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 78 Derivative Warrants which are ACE16C2111A, ADVA16C2110A, AEON16C2108A, AOT16C2109A, BAM16C2110A, BANP16C2109A, BANP16C2110A, BCH16C2111B, BCH16C2111A, BCH16C2109A, BCPG16C2111A, BDMS16C2109A, BGRI16C2110A, BH16C2109A, CBG16C2108A, CBG16C2109A, CBG16C2109B, CHG16C2111A, COM716C2110A, CPAL16C2111A, CPAL16C2109A, CPF16C2108A, CPN16C2109A, DELT16C2108A, DELT16C2109A, DOHO16C2111A, EA16C2108A, EA16C2110A, EGCO16C2110A, EPG16C2109A, GPSC16C2109A, GPSC16C2110A, GUNK16C2108A, GUNK16C2110A, IRPC16C2108A, IRPC16C2110A, IVL16C2111A, IVL16C2109A, IVL16C2110A, JMAR16C2111A, JMT16C2110A, KBAN16C2111B, KBAN16C2111A, KBAN16C2108A, KBAN16C2109A, KCE16C2109A, KCE16C2110A, KTC16C2110A, KTC16C2110B, MINT16C2109A, MTC16C2108A, MTC16C2109A, OR16C2108A, OR16C2109A, PRM16C2109A, PTG16C2109A, PTT16C2109A, PTTG16C2111A, PTTG16C2108A, PTTG16C2110A, RBF16C2110A, RS16C2108A, RS16C2109A, S5016C2109D, S5016C2112A, S5016P2112A, S5016C2109C, S5016C2109A, S5016C2109B, S5016P2109A, S5016P2109B, SCGP16C2109A, STEC16C2110A, STGT16C2111A, TASC16C2109A, TQM16C2108A, TU16C2111A, TU16C2110A (underlying securities are ACE, ADVANC, AEONTS, AOT, BAM, BANPU, BCH, BCPG, BDMS, BGRIM, BH, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, EA, EGCO, EPG, GPSC, GUNKUL, IRPC, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, OR, PRM, PTG, PTT, PTTGC, RBF, RS, SET50, SCGP, STEC, STGT, TASCO, TQM, TU). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

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.