

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 30.00**

Upside : 40.2%

(From: Bt 27.50)

**5 AUGUST 2021**

Small Cap Research

# Siam Global House Pcl (GLOBAL TB)

## Still in structural growth cycle

Amid concerns over falling steel prices, we believe GLOBAL remains in a structural growth cycle with plenty of room for new store openings, margin expansion and same-store sales growth. After a new earnings base of 57% growth this year, we estimate 20% p.a. growth in 2022-24F and 18% in 2025F. Reaffirm BUY.



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### A structural growth stock

We reaffirm our BUY on GLOBAL as we see it as an inexpensive structural growth stock. We estimate EPS growth of 57%/20%/20%/20% in 2021-24F and 18% in 2025F. We see room to grow in all key demand areas: new store openings, same-store sales (SSS) growth and margin expansion. Our numbers factor in falling steel prices next year while flat steel prices would push up earnings growth to 29% in 2022F. Due to stronger-than-expected 1H21 earnings (+73% y-y), we raise our earnings by 8-10% p.a. in 2021-23F and lift our DCF-based TP (2022F base year) to Bt30 from Bt27.5. GLOBAL looks cheap to us at 26.5x 2022F PE vs. its 33.5x five-year average.

### Expansion room for rural model

With a market position targeting urbanization and rural demand modernization, GLOBAL has plenty of room to open more stores. We estimate penetration of building materials and home-improvement modern trade at 30% for the rural model and 40% for the urban (higher end) model. In the more crowded main districts, GLOBAL only has 25 stores (out of its total of 73 stores) in small and secondary districts vs. an estimated 100 districts urbanizing in 10 years. We believe GLOBAL can add seven new stores p.a. to double its store number to 145 in 10 years (or 4-6% p.a. growth in selling area). Also, with continued market share gains vs. traditional shops, we foresee 4% p.a. SSS growth into 2025F being achievable.

### Margin expansion story continues

Including the falling steel price effect in 2019-20 and a jump in 2021, GLOBAL's gross margin expansion ranged between 31-173bp p.a. during 2015-1H21. In recent years (excluding the steel effect) expansion has been due to a rising house-brand portion, product mix adjustments and a more advanced IT system making it a leaner organization. We estimate GLOBAL's house brands to rise from 19.5% in 2020 to 30% by 2030F. We estimate every 1% rise in house-brand mix to increase gross margin by 25bp. There is also room to adjust product mix for modernizing demand, mostly decorative goods, and this could lift margin. We project gross margin to rise from 23.89% in 2020 to 27.19% in 2025F.

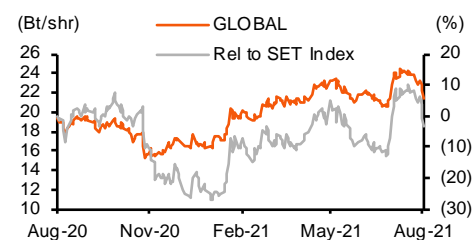
### Steel price effect

Steel accounted for 15% of sales in 2020 and 20% in 1H21. We estimate rising steel prices to add 10% to GLOBAL's profit in 2021F and we still project profit growth of 20% in 2022F even with a 20% price fall. We estimate the 46% steel price spike in 1H21 accounted for the 40bp rise in gross margin (out of the total 107bp increase).

### COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	26,803	31,935	35,111	38,730
Net profit	1,956	3,085	3,713	4,468
Consensus NP	—	3,032	3,374	3,849
Diff frm cons (%)	—	1.7	10.0	16.1
Norm profit	1,956	3,085	3,713	4,468
Prev. Norm profit	—	2,858	3,373	4,043
Chg frm prev (%)	—	7.9	10.1	10.5
Norm EPS (Bt)	0.4	0.7	0.8	1.0
Norm EPS grw (%)	(6.9)	57.3	20.2	20.3
Norm PE (x)	50.2	31.9	26.5	22.0
EV/EBITDA (x)	34.1	23.9	20.1	16.8
P/BV (x)	5.8	5.1	4.6	4.0
Div yield (%)	1.0	1.3	1.5	1.8
ROE (%)	11.9	17.1	18.3	19.5
Net D/E (%)	76.4	62.6	49.6	37.8

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 5-Aug-21 (Bt)	21.40
Market Cap (US\$ m)	2,961.7
Listed Shares (m shares)	4,601.7
Free Float (%)	32.1
Avg Daily Turnover (US\$ m)	8.9
12M Price H/L (Bt)	23.40/15.21
Sector	Commerce
Major Shareholder	Suriyawanakul family 33.66%

Sources: Bloomberg, Company data, Thanachart estimates

## A structural growth stock

**Raised long-term store expansion plan to 145 in 2031F, from 101 earlier**

As Siam Global House Pcl's (GLOBAL) 1H21 net profit came in stronger than we'd expected with growth of 73% y-y, boosted by SSSG of 24% in 1H21 and gross margin on sales hitting a new record at 25.68%, we raise our earnings estimates by 8-10% p.a. in 2021-23F and by 11-21% p.a. in 2024-32F as the company has raised its new branch expansion target in Thailand to 145 (from 101 previously). Our DCF-based 12-month TP, using a 2022F base year, is consequently lifted by 9% to Bt30 (from Bt27.5).

**Our DCF-based TP is lifted to Bt30; GLOBAL is still one of our top picks**

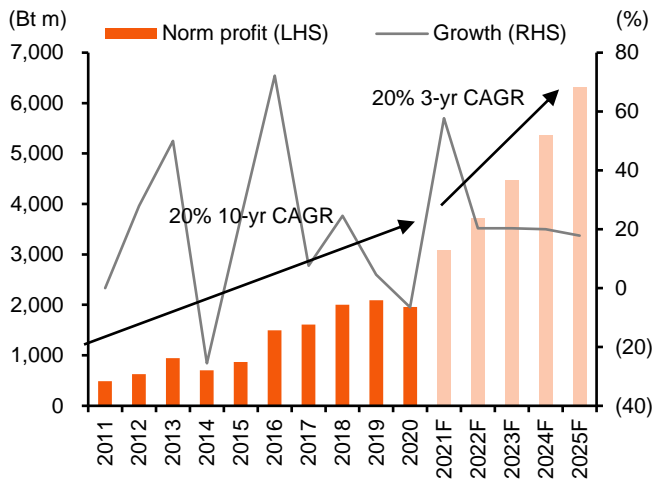
We reaffirm our BUY call on GLOBAL as one of our top picks in the retail sector (our other picks are Com7 Pcl (COM7 TB, BUY, Bt62.75) and CP All Pcl (CPALL TB, BUY, Bt57.5) for strong momentum in 2H21F despite the COVID pandemic and the robust growth outlook longer term. Despite a new, higher earnings base this year from 57% growth, we estimate sustained 20% EPS growth each year in 2022-24F and another 18% in 2025F. Note that our projections factor in a 20% fall in steel prices next year and flat prices from 2023F onwards. Even without the positive steel price impact, we believe all key growth drivers are in place, i.e., new store openings, same-store sales (SSS) growth and margin expansion. Valuation wise, GLOBAL, in our view, is an inexpensive structural growth stock trading at 26.5x 2022F PE vs. its five-year average PE of 33.5x.

### Ex 1: Key Assumptions Changes

	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>SSSG (%)</b>							
New	(0.1)	(8.9)	12.7	5.0	4.0	4.0	4.0
Old	(0.1)	(8.9)	12.0	3.0	4.0	4.0	4.0
<b>No of new stores - Thailand</b>							
New	5	5	5	6	7	7	7
Old	5	5	5	6	7	4	3
<b>Store number (YE) - Thailand</b>							
New	66	71	76	82	89	96	103
Old	66	71	76	82	89	93	96
<b>Gross margin (%)</b>							
New	22.6	23.9	25.5	25.8	26.3	26.7	27.2
Old	22.6	23.9	24.8	25.1	25.5	26.0	26.5
<b>House brand sales mix (%) - unchanged</b>							
New	18.0	19.5	21.0	22.0	23.0	24.0	25.0
<b>Normalized profit (Bt m)</b>							
New	2,093	1,956	3,085	3,713	4,468	5,359	6,317
Old	2,093	1,956	2,858	3,373	4,043	4,836	5,643
Change (%)	0.0	0.0	7.9	10.1	10.5	10.8	12.0

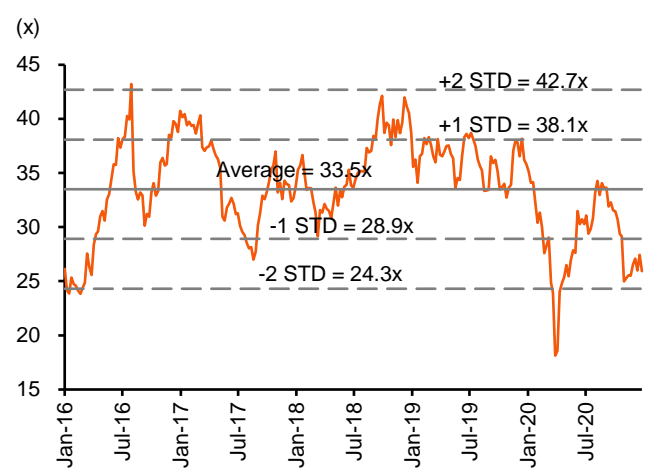
Sources: Company data, Thanachart estimates

Ex 2: Profit Profile



Sources: Company data, Thanachart estimates

Ex 3: GLOBAL's PE



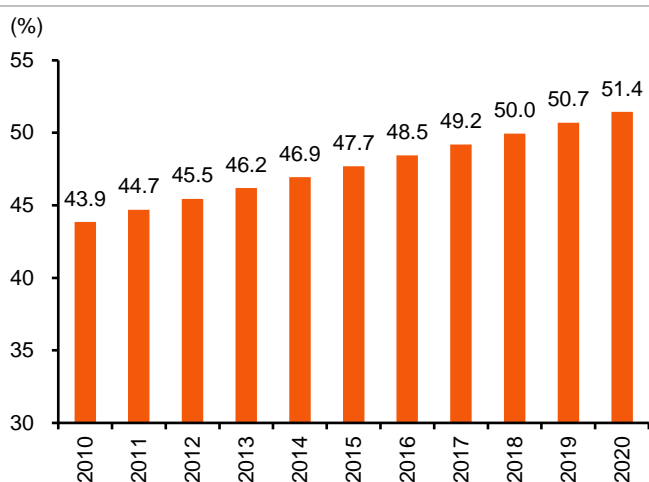
Sources: Bloomberg, Thanachart estimates

### Expansion room for rural model

**We assume GLOBAL's branches double in number from now by 2031F**

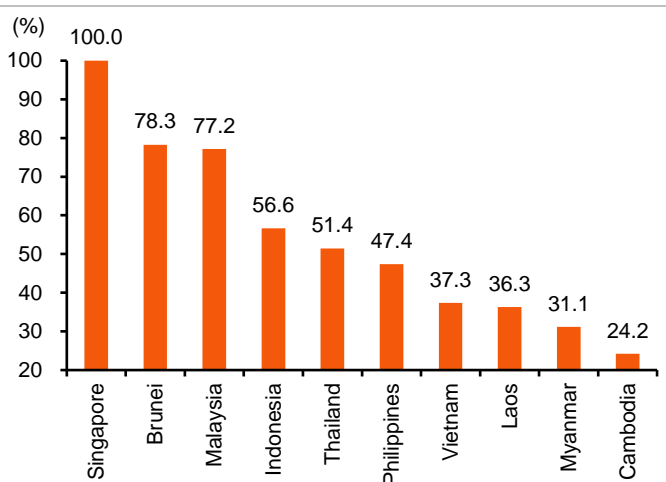
Having started up its business in one of the northeastern provinces, Roi Et, in 1997, GLOBAL seems to have a clear vision of being a provincial modern-trade building materials and home-decorative products retailer targeting urbanization and rural demand modernization. Since Thailand is in the midst of transforming from a rural to an urban country with a 51% urbanization rate currently, we foresee room for GLOBAL to expand further into new provinces and secondary districts of major cities along with urban growth while rival Home Product Center Pcl (HMPRO TB, BUY, Bt13.00) will likely have more limited room for expansion given its mid-to-high-income focus and 40% of its business coming from Bangkok where modern trade is well penetrated.

Ex 4: Thailand's Urbanization



Source: www.statista.com

Ex 5: Urbanization In Southeast Asia



Source: www.statista.com

**Building materials & home improvement modern-trade market share still low at 35%**

Modern-trade operators have around a 35% share of the building materials and home-improvement market where we estimate the penetration rate at 30% for the rural model and 40% for the urban (higher end) model. Therefore, we expect GLOBAL's growth to materialize via branch expansion and market share gains over traditional players. As a one-stop shopping place offering all-about-home products, which is quite a new store concept in

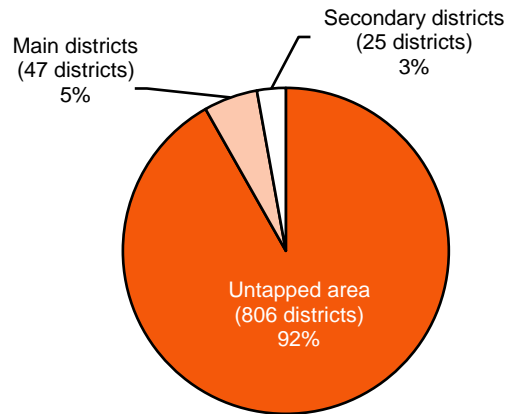
rural areas, GLOBAL's stores normally receive a good customer response and they have gained market share from traditional specialty stores. Post-store modernization completion in 2019 with air conditioners installed and the launch of La Mayon coffee shops in its stores, GLOBAL is speeding up to expand to secondary districts upcountry.

**Ex 6: GLOBAL Has Stores In 58 Provinces**



Sources: Company data, Thanachart estimates

**Ex 7: Current Exposure In 72 Districts**



Sources: Company data, Thanachart estimates

**Ex 8: GLOBAL's New Look**



Source: Company data

**Ex 9: La Mayon Coffee Shops**



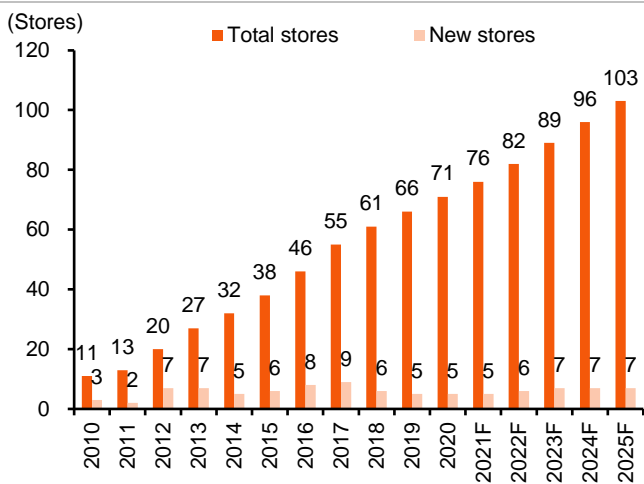
Source: Company data

**GLOBAL is currently exposed to only 25 secondary provinces**

Of GLOBAL's 73 domestic branches as of 2Q21, all are upcountry and 25 of them are in small and secondary districts. We believe the home-improvement modern-trade penetration rate in the provinces is much lower than that of department stores and hypermarkets. As we estimate 100 urbanized districts in the next 10 years, this implies it can expand at a pace of seven branches/year over the period which would double the number of its domestic stores from 73 as of 2Q21 to 145 in 2031F. Its current locations only cover 19% of the country's total registered houses and 18% of the population. New branch openings of six to seven a year would boost selling area by 4-6% each year. With expansion into secondary districts, we assume smaller-sized stores of 12,000 sqm compared with 20,000-22,000 sqm ones in the past. Note that new store openings have never fallen below five each year since 2012. Even in 2020-21F with the COVID pandemic, GLOBAL has opened five new branches a year.

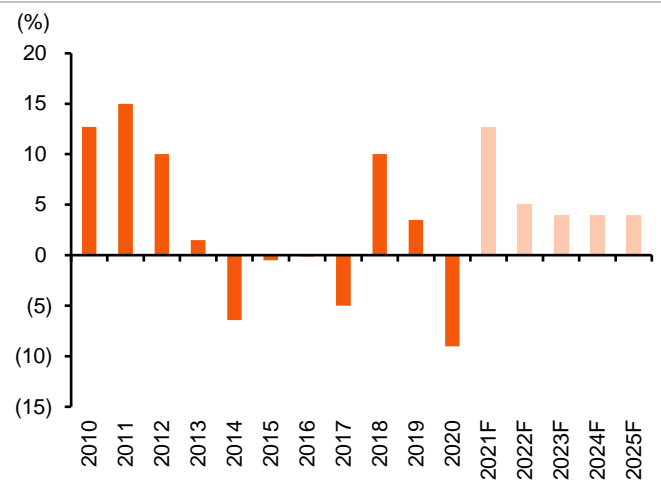
For SSSG, we assume 4% growth p.a. as we expect it to continuously gain market share from traditional retailers of construction materials and home-improvement specialty stores.

**Ex 10: Branch Expansion – Thailand**



Sources: Company data, Thanachart estimates

**Ex 11: SSSG**



Sources: Company data, Thanachart estimates

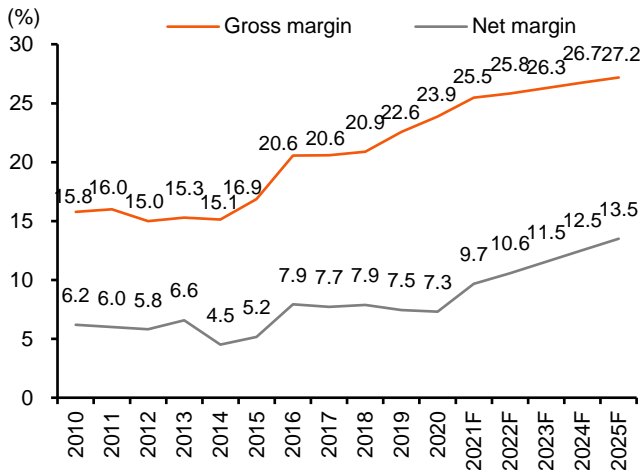
**Margin expansion story continues**

**We expect house brands to grow from 19.5% in 2020 to 30% in 2030F**

GLOBAL's gross margin on sales expanded in the range of 31-173bp in 2015-1H21, despite fluctuations in steel prices. With falling steel prices in 2019-20, gross margin widened sharply by 166bp and 131bp, respectively, because of a rising house-brand sales portion, product mix adjustments and a more advanced IT system facilitating a leaner organization. We project GLOBAL's house-brand sales mix to grow from 19.5% in 2020 to 30% in 2030F as we believe there is room to adjust its product mix for modernizing demand, mostly decorative goods. GLOBAL sells a wide range of home-related products from heavy construction materials to light decorative items and it can add more product varieties to include low-cost but good-quality products at reasonable prices, particularly home decorative goods where 50% can be private labels. It has 270,000 product SKUs with more than 10,000 house-brand items. Examples are knobs and door accessories, kitchenware, hardware and tools, furniture, ceramics, windows and floors, home and garden items, sanitary ware and electric appliances. Since gross margin on private labels is higher, we estimate that every 1% increase in the house-brand mix (keeping other things unchanged) would increase gross margin by 25bp. We project a 37-45bp improvement in gross margin/year based on our assumption that gross margin for both branded products and private brands rises by 20bp/year and we expect gross margin to fatten from 23.89% in 2020 to 27.19% in 2025F.

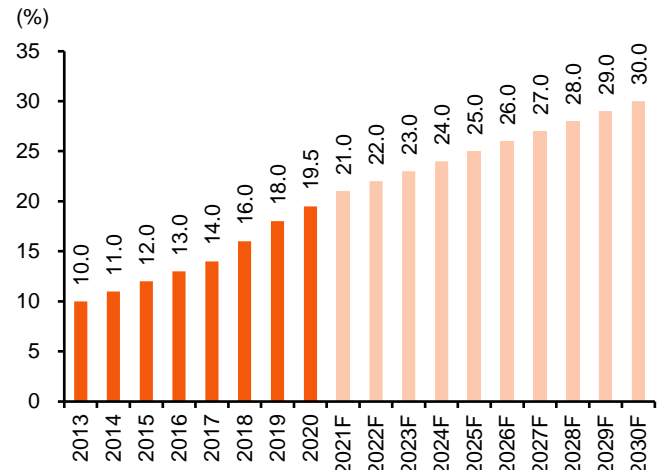


Ex 12: Gross Margin Expansion



Sources: Company data, Thanachart estimates

Ex 13: Private-Label Sales Mix



Sources: Company data, Thanachart estimates

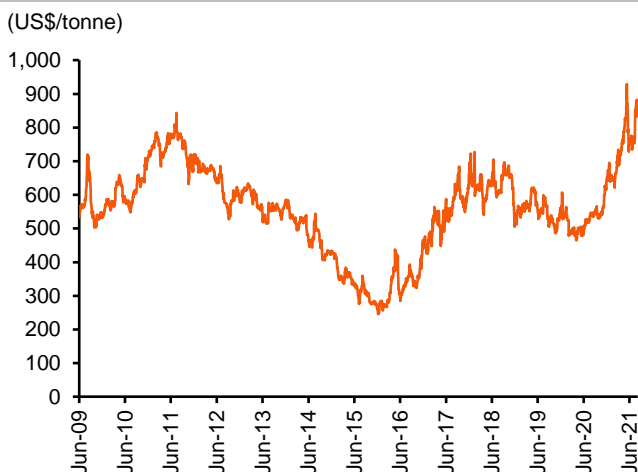
### Steel price effect

*Assuming flat steel price y-y in 2H21F, we expect 45% y-y profit growth in 2H21F*

*Assuming a 20% price fall next year, we estimate 20% EPS growth in 2022F*

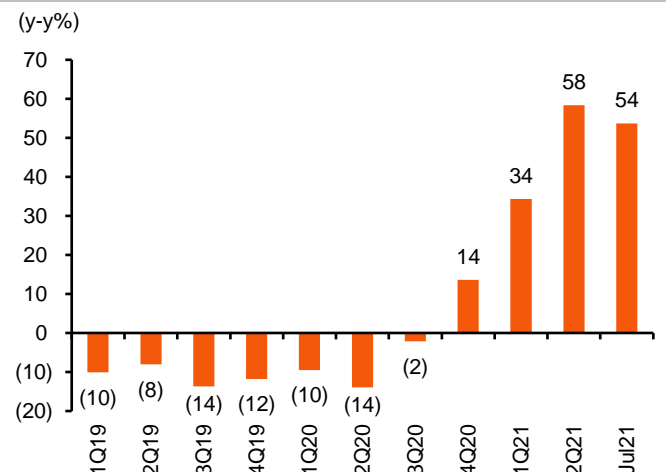
While GLOBAL benefits when steel price are rising given that 15-20% of sales come from steel products, growth is not all about steel but is also boosted by other drivers. We estimate rising steel prices to add 10% to GLOBAL's profit in 2021F and we still project profit growth of 20% in 2022F based on a 20% price fall assumption. We believe the 46% rise in steel prices in 1H21 accounted for the 40bp increase in gross margin (out the total 107bp rise). Assuming no positive impact from steel prices (flat steel prices in 2H21F y-y) in 2H21F, we estimate profit of Bt1,147m in 2H21F, or 45% growth y-y, after 73% y-y profit growth in 1H21. This is based on 2H21F's gross margin of 25.21%, up 56bp y-y.

Ex 14: Steel Prices



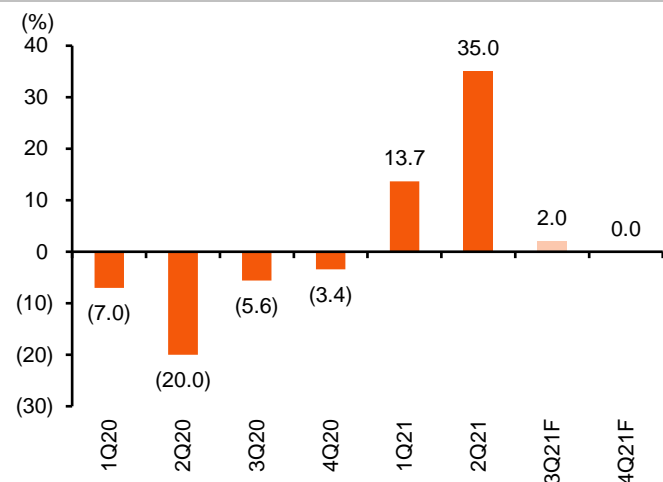
Source: Bloomberg

Ex 15: Steel Price Change



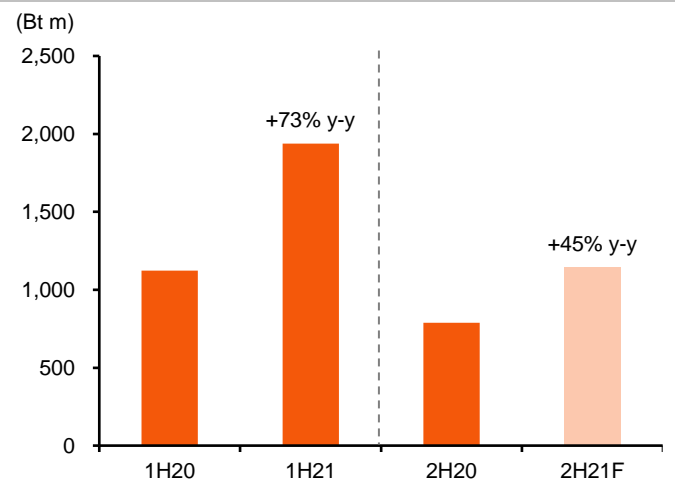
Sources: Bloomberg, Thanachart estimates

## Ex 16: Quarterly SSSG



Sources: Company data, Thanachart estimates

## Ex 17: 1H21 Vs. 2H21F Profit



Sources: Company data, Thanachart estimates

## Ex 18: 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	5,360	6,333	7,454	8,615	9,646	10,769	11,991	13,320	14,764	15,856	16,720	
Free cash flow	3,008	3,424	5,299	6,900	8,145	7,239	8,284	9,417	10,645	13,601	14,607	231,754
PV of free cash flow	3,000	2,963	4,265	5,167	5,553	4,571	4,844	5,100	5,340	6,319	5,995	95,113
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	7.5											
Terminal growth (%)	2.0											
Enterprise value - add investments	150,229.5											
Net debt (2021F)	12,133.0											
Minority interest	253.6											
Equity value	137,842.9											
# of shares (m)	4,601.7											
<b>Equity value / share (Bt)</b>	<b>30.00</b>											

## Investment: (Bt m)

Land @ Muang Thong Thani 2,000

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 19: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Marks & Spencer	MKS LN	Britain	(86.7)	na	57.2	9.4	0.7	1.0	7.7	5.7	0.0	1.1
J Sainsbury PLC	SBRY LN	Britain	(44.4)	96.4	24.0	12.2	0.8	0.9	9.6	8.4	5.5	4.2
Tesco	TSCO LN	Britain	(53.0)	82.4	20.9	11.4	1.0	1.3	8.3	7.1	3.8	4.4
Carrefour SA	CA FP	France	12.5	12.2	11.7	10.4	1.3	1.2	6.6	6.2	3.3	3.7
Casino Guichard	CO FP	France	29.8	18.5	11.5	9.7	0.8	0.7	7.5	6.9	5.7	5.1
L'Oreal SA	OR FP	France	18.1	9.6	47.0	42.9	7.3	6.8	28.5	26.4	1.1	1.2
Alimentation Couche	ATD/B CN	Canada	22.7	(4.4)	21.7	22.7	4.7	4.4	10.3	10.7	0.6	0.6
Aeon	8267 JP	Japan	na	na	na	90.9	2.5	2.6	10.7	8.9	1.2	1.2
Kao Corporation	4452 JP	Japan	1.7	10.4	25.0	22.7	3.4	3.2	12.5	11.6	2.2	2.3
Lion Corporation	4912 JP	Japan	(26.0)	6.1	24.1	22.7	2.1	2.0	10.6	9.8	1.3	1.4
Shiseido Co. Ltd	4911 JP	Japan	na	49.3	71.7	48.0	5.7	5.3	26.9	18.4	0.7	0.8
Lawson	2651 JP	Japan	(56.6)	94.5	61.3	31.5	2.1	2.0	4.2	3.7	2.7	2.7
Seven & I Holdings	3382 JP	Japan	(25.7)	51.9	27.3	18.0	1.6	1.5	6.6	5.4	2.0	2.1
Lotte Corp	004990 KS	South Korea	167.9	20.0	12.2	10.2	0.6	0.5	9.5	9.3	3.2	3.5
Shinsegae	004170 KS	South Korea	na	21.2	10.5	8.6	0.7	0.6	8.7	8.5	0.7	0.8
Amore Pacific Group	002790 KS	South Korea	193.6	19.8	27.1	22.7	1.6	1.5	6.5	5.4	0.7	0.6
Best Buy Co Inc	BBY US	USA	6.4	2.7	13.5	13.1	7.3	7.2	7.0	7.2	1.9	2.4
Wal-Mart Stores	WMT US	USA	6.6	4.8	24.0	22.9	4.8	4.5	12.1	11.7	1.5	1.5
Home Depot Inc	HD US	USA	18.7	4.2	23.2	22.2	142.4	254.1	16.1	15.7	1.8	2.0
Yonghui Superstores	601933 CH	China	(55.6)	57.3	37.0	23.5	2.0	1.9	21.4	16.6	2.9	3.3
Sa International	178 HK	Hong Kong	na	na	na	98.4	4.0	3.6	na	25.6	0.0	0.9
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(12.6)	48.7	23.9	16.1	3.7	3.4	12.5	11.2	3.6	4.7
President Chain Store	2912 TT	Taiwan	(4.8)	17.8	30.8	26.1	7.7	7.3	12.7	11.8	2.9	3.3
7-Eleven Malaysia	SEM MK	Malaysia	8.3	19.2	28.8	24.2	19.5	19.7	8.5	8.7	2.5	2.7
Berli Jucker *	BJC TB	Thailand	(0.5)	25.7	34.9	27.7	1.2	1.1	13.9	13.5	1.4	1.8
COM7 *	COM7 TB	Thailand	40.8	34.5	36.9	27.4	16.8	14.3	24.4	18.8	2.2	3.0
CP All *	CPALL TB	Thailand	(34.9)	70.9	53.4	31.2	5.1	4.7	15.4	13.2	0.9	1.6
Central Pattana *	CPN TB	Thailand	(44.7)	127.5	71.0	31.2	2.8	2.6	19.8	14.6	1.0	1.6
Central Retail Corp. *	CRC TB	Thailand	na	106.4	67.1	32.5	3.4	3.2	10.3	9.0	0.6	1.2
Siam Global House *	GLOBAL TB	Thailand	57.3	20.2	31.9	26.5	5.1	4.6	23.9	20.1	1.3	1.5
Home Product*	HMPRO TB	Thailand	12.7	15.9	29.4	25.4	7.7	7.1	16.3	14.6	2.7	3.2
Siam Makro *	MAKRO TB	Thailand	10.2	8.0	24.4	22.6	7.2	6.7	14.0	13.1	3.1	3.5
Mc Group *	MC TB	Thailand	21.1	8.0	13.2	12.3	2.0	1.9	7.7	6.9	7.3	7.9
<b>Average</b>			<b>6.5</b>	<b>35.3</b>	<b>32.1</b>	<b>26.6</b>	<b>8.5</b>	<b>11.6</b>	<b>12.8</b>	<b>11.7</b>	<b>2.2</b>	<b>2.5</b>

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates using normalized EPS growth

Based on 5 August 2021 closing price

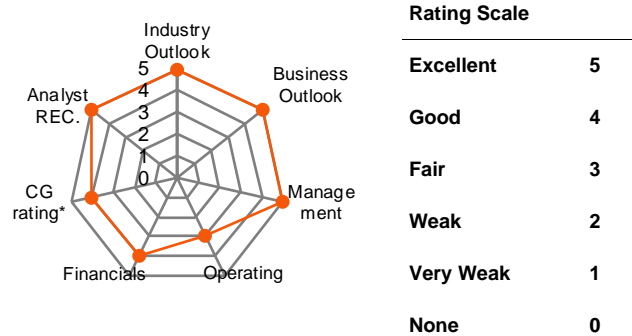


## COMPANY DESCRIPTION

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



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, Bt414.00, BUY) investment in GLOBAL in November 2012, we believe the company is a much stronger player, both operationally and financially.

### 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.

### W — Weakness

- No stores located in Bangkok.

### 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)	25.81	30.00	16%
Net profit 21F (Bt m)	3,032	3,085	2%
Net profit 22F (Bt m)	3,374	3,713	10%
Consensus REC	BUY: 11	HOLD: 3	SELL: 2

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profits are 2-10% above the Bloomberg consensus estimates, likely as a result of us assuming a higher SSSG and gross margin 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.

## 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.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

## INCOME STATEMENT

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

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	28,081	26,803	31,935	35,111	38,730
Cost of sales	21,741	20,401	23,800	26,038	28,547
<b>Gross profit</b>	<b>6,340</b>	<b>6,402</b>	<b>8,134</b>	<b>9,074</b>	<b>10,183</b>
% gross margin	22.6%	23.9%	25.5%	25.8%	26.3%
Selling & administration expenses	4,038	4,301	4,758	4,986	5,228
<b>Operating profit</b>	<b>2,302</b>	<b>2,101</b>	<b>3,376</b>	<b>4,088</b>	<b>4,954</b>
% operating margin	8.2%	7.8%	10.6%	11.6%	12.8%
Depreciation & amortization	931	1,164	1,253	1,350	1,460
<b>EBITDA</b>	<b>3,232</b>	<b>3,265</b>	<b>4,629</b>	<b>5,438</b>	<b>6,414</b>
% EBITDA margin	11.5%	12.2%	14.5%	15.5%	16.6%
Non-operating income	544	552	639	702	813
Non-operating expenses	0	0	0	0	0
Interest expense	(268)	(246)	(229)	(209)	(210)
<b>Pre-tax profit</b>	<b>2,577</b>	<b>2,407</b>	<b>3,786</b>	<b>4,581</b>	<b>5,558</b>
Income tax	493	455	719	893	1,112
<b>After-tax profit</b>	<b>2,085</b>	<b>1,952</b>	<b>3,066</b>	<b>3,688</b>	<b>4,446</b>
% net margin	7.4%	7.3%	9.6%	10.5%	11.5%
Shares in affiliates' Earnings	29	23	40	44	48
Minority interests	(21)	(20)	(21)	(19)	(27)
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>2,093</b>	<b>1,956</b>	<b>3,085</b>	<b>3,713</b>	<b>4,468</b>
<b>Normalized profit</b>	<b>2,093</b>	<b>1,956</b>	<b>3,085</b>	<b>3,713</b>	<b>4,468</b>
EPS (Bt)	0.5	0.4	0.7	0.8	1.0
Normalized EPS (Bt)	0.5	0.4	0.7	0.8	1.0

## BALANCE SHEET

*GLOBAL has continued to open new stores*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<b>ASSETS:</b>					
Current assets:	18,179	16,184	17,597	18,083	18,998
Cash & cash equivalent	1,299	1,224	1,287	1,178	1,234
Account receivables	1,271	666	1,312	1,924	2,122
Inventories	15,603	14,287	14,998	14,981	15,642
Others	7	7	0	0	0
Investments & loans	815	838	838	838	838
Net fixed assets	16,105	17,148	17,719	18,447	19,319
Other assets	887	1,850	1,950	2,005	2,065
<b>Total assets</b>	<b>35,986</b>	<b>36,020</b>	<b>38,105</b>	<b>39,373</b>	<b>41,220</b>
<b>LIABILITIES:</b>					
Current liabilities:	18,824	15,261	15,941	14,977	14,105
Account payables	3,399	2,988	3,586	3,924	4,302
Bank overdraft & ST loans	14,220	11,193	10,736	9,574	8,431
Current LT debt	953	884	1,342	1,197	1,054
Others current liabilities	252	197	277	282	319
<b>Total LT debt</b>	<b>833</b>	<b>2,303</b>	<b>1,342</b>	<b>1,197</b>	<b>1,054</b>
Others LT liabilities	198	1,242	1,426	1,431	1,436
<b>Total liabilities</b>	<b>19,855</b>	<b>18,806</b>	<b>18,709</b>	<b>17,605</b>	<b>16,595</b>
Minority interest	219	233	254	272	299
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)
<b>Retained earnings</b>	<b>6,969</b>	<b>7,845</b>	<b>9,806</b>	<b>12,159</b>	<b>14,991</b>
Shareholders' equity	15,912	16,981	19,142	21,495	24,327
<b>Liabilities &amp; equity</b>	<b>35,986</b>	<b>36,020</b>	<b>38,105</b>	<b>39,373</b>	<b>41,220</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*Strong and sustainable cash flows, on our estimates*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	2,577	2,407	3,786	4,581	5,558
Tax paid	(457)	(502)	(663)	(882)	(1,080)
Depreciation & amortization	931	1,164	1,253	1,350	1,460
Chg In working capital	(1,623)	1,510	(759)	(258)	(482)
Chg In other CA & CL / minorities	45	(63)	(21)	(31)	0
<b>Cash flow from operations</b>	<b>1,473</b>	<b>4,515</b>	<b>3,596</b>	<b>4,760</b>	<b>5,456</b>
Capex	(2,577)	(2,207)	(1,750)	(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	158	6	(21)
<b>Cash flow from investments</b>	<b>(3,052)</b>	<b>(2,083)</b>	<b>(1,649)</b>	<b>(2,058)</b>	<b>(2,335)</b>
Debt financing	3,074	(1,627)	(959)	(1,452)	(1,430)
Capital increase	200	200	200	0	0
Dividends paid	(823)	(863)	(1,124)	(1,360)	(1,636)
Warrants & other surplus	(235)	(218)	0	0	0
<b>Cash flow from financing</b>	<b>2,217</b>	<b>(2,507)</b>	<b>(1,884)</b>	<b>(2,812)</b>	<b>(3,066)</b>
<b>Free cash flow</b>	<b>(1,104)</b>	<b>2,309</b>	<b>1,846</b>	<b>2,760</b>	<b>3,206</b>

## VALUATION

*2022F PE is below its 33.5x five-year average during 2016-20*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	46.7	50.2	31.9	26.5	22.0
Normalized PE - at target price (x)	65.5	70.3	44.7	37.2	30.9
PE (x)	46.7	50.2	31.9	26.5	22.0
PE - at target price (x)	65.5	70.3	44.7	37.2	30.9
EV/EBITDA (x)	34.8	34.1	23.9	20.1	16.8
EV/EBITDA - at target price (x)	47.0	46.2	32.4	27.4	23.0
P/BV (x)	6.2	5.8	5.1	4.6	4.0
P/BV - at target price (x)	8.6	8.1	7.2	6.4	5.7
P/CFO (x)	66.4	21.7	27.4	20.7	18.0
Price/sales (x)	3.5	3.7	3.1	2.8	2.5
Dividend yield (%)	0.9	1.0	1.3	1.5	1.8
FCF Yield (%)	(1.1)	2.4	1.9	2.8	3.3
<b>(Bt)</b>					
Normalized EPS	0.5	0.4	0.7	0.8	1.0
EPS	0.5	0.4	0.7	0.8	1.0
DPS	0.2	0.2	0.3	0.3	0.4
BV/share	3.5	3.7	4.2	4.7	5.3
CFO/share	0.3	1.0	0.8	1.0	1.2
FCF/share	(0.2)	0.5	0.4	0.6	0.7

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

*We expect solid earnings growth from this year*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth Rate</b>					
Sales (%)	10.5	(4.6)	19.1	9.9	10.3
Net profit (%)	4.5	(6.6)	57.7	20.3	20.3
EPS (%)	4.2	(6.9)	57.3	20.2	20.3
Normalized profit (%)	4.5	(6.6)	57.7	20.3	20.3
Normalized EPS (%)	4.2	(6.9)	57.3	20.2	20.3
Dividend payout ratio (%)	41.2	51.9	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	22.6	23.9	25.5	25.8	26.3
Operating margin (%)	8.2	7.8	10.6	11.6	12.8
EBITDA margin (%)	11.5	12.2	14.5	15.5	16.6
Net margin (%)	7.4	7.3	9.6	10.5	11.5
D/E (incl. minor) (x)	1.0	0.8	0.7	0.5	0.4
Net D/E (incl. minor) (x)	0.9	0.8	0.6	0.5	0.4
Interest coverage - EBIT (x)	8.6	8.5	14.7	19.6	23.6
Interest coverage - EBITDA (x)	12.1	13.3	20.2	26.0	30.5
ROA - using norm profit (%)	6.2	5.4	8.3	9.6	11.1
ROE - using norm profit (%)	13.7	11.9	17.1	18.3	19.5
<b>DuPont</b>					
ROE - using after tax profit (%)	13.6	11.9	17.0	18.2	19.4
- asset turnover (x)	0.8	0.7	0.9	0.9	1.0
- operating margin (%)	10.1	9.9	12.6	13.6	14.9
- leverage (x)	2.2	2.2	2.1	1.9	1.8
- interest burden (%)	90.6	90.7	94.3	95.6	96.4
- tax burden (%)	80.9	81.1	81.0	80.5	80.0
WACC (%)	7.5	7.5	7.5	7.5	7.5
ROIC (%)	6.9	5.6	9.1	10.5	12.3
NOPAT (Bt m)	1,862	1,704	2,734	3,291	3,964
invested capital (Bt m)	30,619	30,136	31,275	32,285	33,631

Sources: Company data, Thanachart estimates

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