

**BUY** (Unchanged)  
Change in Numbers

**TP: Bt 17.50** (From: Bt 19.00 )  
**Upside : 22.4%**

**30 AUGUST 2021**

# Home Product Center (HMPRO TB)

## A post-lockdown play

We see HMPRO as a clear post-lockdown play as 30% of its closed stores will reopen from 1 September with a swift earnings recovery in 4Q21F. We estimate same-store sales to rebound from -20% y-y in 3Q21F to -5% y-y in 4Q21F. Reaffirm BUY with a new TP of Bt17.5.



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

### Easing lockdowns in Thailand and Malaysia

We expect HMPRO to benefit from the lockdown relaxation in Thailand from 1 September. All 32 closed stores (30% of its total of 108) are to reopen. Of the 32 closed stores, 29 are HomePro and three are building material-heavy Mega Home outlets. Malaysia has also relaxed its lockdown measures and all seven HomePro branches resumed normal operating hours from late August. Note that the full lockdown in Malaysia began on 1 June.

### E-commerce lessens lockdown impact

HMPRO has not been suffering only from the closed stores but also weak consumer spending and lower traffic during the third COVID wave. We estimate same-store sales (SSS) growth of -20% y-y in 3Q21F. However, e-commerce sales have helped to cushion some of the impact. HMPRO has also adjusted its product mix to better meet consumer demand during this period, eg, home entertainment, cooking appliances, home improvement and cleaners. E-commerce sales grew from 1.0% of sales pre-COVID to 5.0% in 2020 and 6.2% in 1H21. By amount, 1H21 e-commerce sales increased by 11% y-y.

### Swift recovery in 4Q21F

Despite factoring in weaker purchasing power, we expect a quick sales recovery after stores reopen in 4Q21F with SSSG of only -5% y-y vs. -20 y-y in 3Q21F. We estimate 3Q21F net profit of Bt850m, down 39% y-y and 41% q-q. In 4Q21F, we project profit of Bt1,458m, still down 6% y-y but up 72% q-q.

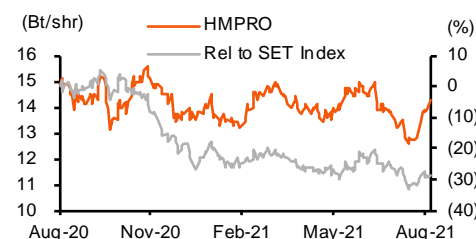
### Cutting our earnings, lowering TP to Bt17.5

Incorporating the lockdown impact, extra costs related to COVID-19 and a lower gross margin assumption from sales promotions, we cut our earnings by 9-12% over 2021-23F and revise down our DCF-based 12-month TP, using a 2022F base year, by 8% to Bt17.5/share from Bt19.0. We reaffirm our BUY rating on HMPRO as a quality play on the post-lockdown story. We also estimate 19-20% EPS growth during 2022-23F assuming no more store closures and an economic recovery. We see HMPRO shares as inexpensive trading at 30.8x PE on a yet-to-normalize earnings level in 2022F and 25.8x in 2023F. This compares with its 29.5x five-year pre-COVID historical average.

### COMPANY VALUATION

| Y/E Dec (Bt m)    | 2020A  | 2021F  | 2022F  | 2023F  |
|-------------------|--------|--------|--------|--------|
| Sales             | 59,874 | 60,117 | 64,353 | 69,324 |
| Net profit        | 5,155  | 5,103  | 6,114  | 7,287  |
| Consensus NP      | —      | 5,561  | 6,389  | 7,161  |
| Diff frm cons (%) | —      | (8.2)  | (4.3)  | 1.8    |
| Norm profit       | 5,155  | 5,103  | 6,114  | 7,287  |
| Prev. Norm profit | —      | 5,810  | 6,733  | 7,966  |
| Chg frm prev (%)  | —      | (12.2) | (9.2)  | (8.5)  |
| Norm EPS (Bt)     | 0.4    | 0.4    | 0.5    | 0.6    |
| Norm EPS grw (%)  | (16.5) | (1.0)  | 19.8   | 19.2   |
| Norm PE (x)       | 36.5   | 36.9   | 30.8   | 25.8   |
| EV/EBITDA (x)     | 20.2   | 19.4   | 17.0   | 14.8   |
| P/BV (x)          | 8.7    | 8.6    | 8.0    | 7.4    |
| Div yield (%)     | 2.1    | 2.2    | 2.6    | 3.1    |
| ROE (%)           | 24.1   | 23.5   | 27.0   | 29.8   |
| Net D/E (%)       | 46.8   | 39.3   | 35.6   | 24.1   |

### PRICE PERFORMANCE



### COMPANY INFORMATION

|                             |                      |
|-----------------------------|----------------------|
| Price as of 30-Aug-21 (Bt)  | 14.30                |
| Market Cap (US\$ m)         | 5,794.0              |
| Listed Shares (m shares)    | 13,151.2             |
| Free Float (%)              | 40.8                 |
| Avg Daily Turnover (US\$ m) | 10.4                 |
| 12M Price H/L (Bt)          | 15.60/12.60          |
| Sector                      | Commerce             |
| Major Shareholder           | Land & Houses 30.23% |

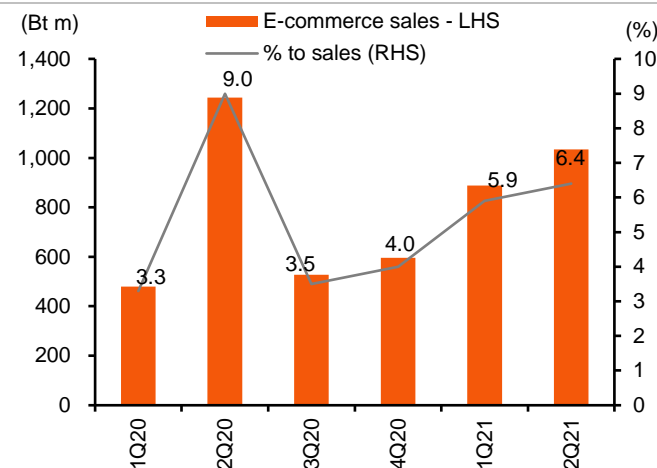
Sources: Bloomberg, Company data, Thanachart estimates

## Ex 1: Key Assumptions Changes

|                                  | 2021F  | 2022F | 2023F | 2024F | 2025F  | 2026F  | 2027F  | 2028F  | 2029F  | 2030F  | 2031F  | 2032F  |
|----------------------------------|--------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>SSSG (%)</b>                  |        |       |       |       |        |        |        |        |        |        |        |        |
| New                              | (2.7)  | 5.0   | 4.0   | 4.0   | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    |
| Old                              | (0.4)  | 4.0   | 4.0   | 4.0   | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    |
| <b>Gross margin on sales (%)</b> |        |       |       |       |        |        |        |        |        |        |        |        |
| New                              | 25.58  | 25.99 | 26.39 | 26.79 | 27.19  | 27.60  | 28.00  | 28.40  | 28.80  | 29.21  | 29.61  | 30.01  |
| Old                              | 25.64  | 26.04 | 26.43 | 26.83 | 27.24  | 27.64  | 28.04  | 28.44  | 28.84  | 29.24  | 29.64  | 30.04  |
| <b>SG&amp;A/sales (%)</b>        |        |       |       |       |        |        |        |        |        |        |        |        |
| New                              | 18.9   | 18.3  | 17.7  | 17.0  | 16.4   | 15.8   | 15.2   | 14.7   | 14.2   | 13.7   | 13.2   | 12.8   |
| Old                              | 18.2   | 17.7  | 16.9  | 16.3  | 15.7   | 15.1   | 14.6   | 14.0   | 13.5   | 13.0   | 12.5   | 12.1   |
| <b>Normalized profit (Bt m)</b>  |        |       |       |       |        |        |        |        |        |        |        |        |
| New                              | 5,103  | 6,114 | 7,287 | 8,534 | 9,845  | 11,118 | 12,612 | 14,217 | 15,972 | 17,855 | 19,797 | 21,747 |
| Old                              | 5,810  | 6,733 | 7,966 | 9,239 | 10,591 | 11,939 | 13,490 | 15,183 | 17,033 | 19,052 | 21,068 | 23,086 |
| Change (%)                       | (12.2) | (9.2) | (8.5) | (7.6) | (7.0)  | (6.9)  | (6.5)  | (6.4)  | (6.2)  | (6.3)  | (6.0)  | (5.8)  |

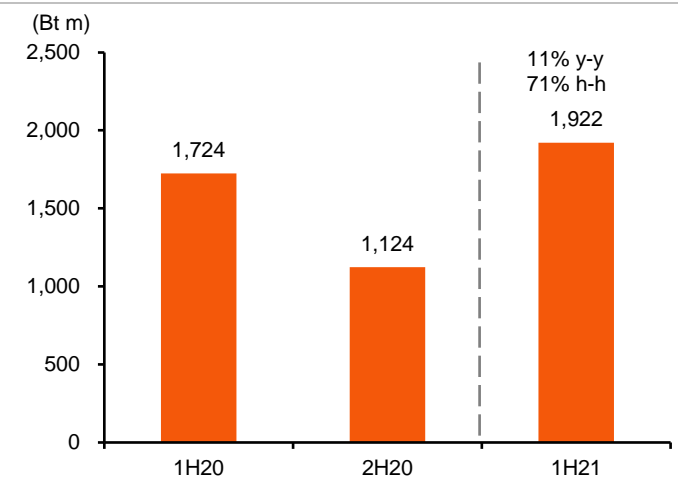
Source: Thanachart estimates

## Ex 2: E-commerce Sales Mix



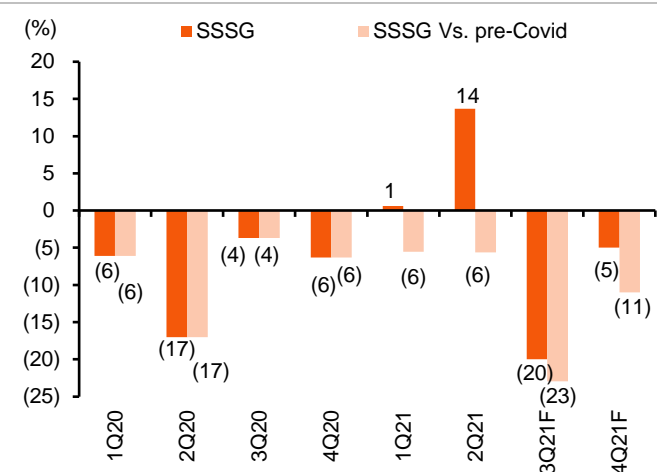
Sources: Company data, Thanachart

## Ex 3: Growing E-commerce Sales In 1H21



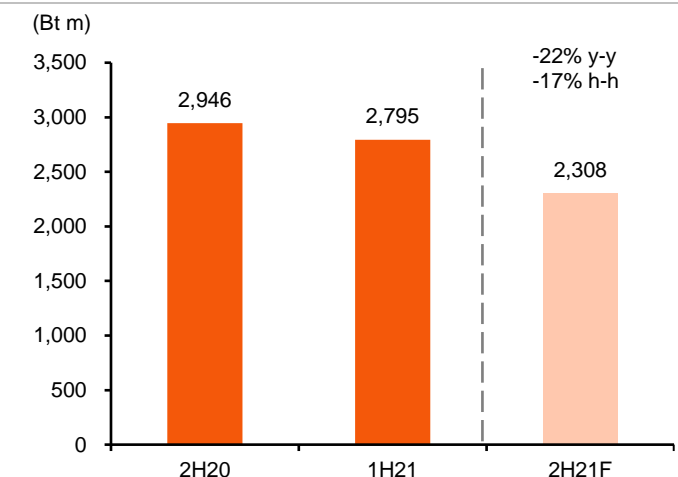
Sources: Company data, Thanachart

## Ex 4: HMPRO's SSSG



Sources: Company data, Thanachart estimates

## Ex 5: 2H21F Profit Forecast



Sources: Company data, Thanachart estimates

Ex 6: 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                  |         | 11,260 | 12,844 | 14,461 | 16,134 | 17,944 | 19,861 | 21,905 | 24,119 | 26,514 | 28,955 | 31,359 |                |
| Free cash flow          |         | 5,145  | 8,122  | 10,366 | 11,523 | 12,988 | 14,541 | 16,193 | 17,979 | 19,910 | 22,857 | 24,755 | 367,175        |
| PV of free cash flow    |         | 5,130  | 6,975  | 8,248  | 8,496  | 8,679  | 8,964  | 9,207  | 9,431  | 9,634  | 10,204 | 9,709  | 144,007        |
| Risk-free rate (%)      | 2.5     |        |        |        |        |        |        |        |        |        |        |        |                |
| Market risk premium (%) | 8.0     |        |        |        |        |        |        |        |        |        |        |        |                |
| Beta                    | 0.8     |        |        |        |        |        |        |        |        |        |        |        |                |
| WACC (%)                | 7.9     |        |        |        |        |        |        |        |        |        |        |        |                |
| Terminal growth (%)     | 2.0     |        |        |        |        |        |        |        |        |        |        |        |                |
| Enterprise value - add  | 238,683 |        |        |        |        |        |        |        |        |        |        |        |                |
| Net debt                | 8,585   |        |        |        |        |        |        |        |        |        |        |        |                |
| Minority interest       | 0       |        |        |        |        |        |        |        |        |        |        |        |                |
| Equity value            | 230,098 |        |        |        |        |        |        |        |        |        |        |        |                |
| # of shares (m)         | 13,151  |        |        |        |        |        |        |        |        |        |        |        |                |
| Equity value/share (Bt) | 17.50   |        |        |        |        |        |        |        |        |        |        |        |                |

Source: Thanachart estimates

## Valuation Comparison

### Ex 7: Valuation Comparison With Regional Peers

| Name                   | BBG code  | Country     | EPS growth |             | PE          |             | P/BV        |             | EV/EBITDA   |             | Div. yield |            |
|------------------------|-----------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
|                        |           |             | 21F        | 22F         | 21F         | 22F         | 21F         | 22F         | 21F         | 22F         | 21F        | 22F        |
|                        |           |             | (%)        | (%)         | (x)         | (x)         | (x)         | (x)         | (x)         | (x)         | (%)        | (%)        |
| Marks & Spencer        | MKS LN    | Britain     | (86.7)     | na          | 73.7        | 11.8        | 0.9         | 1.3         | 8.7         | 6.3         | 0.0        | 0.7        |
| J Sainsbury PLC        | SBRY LN   | Britain     | (44.4)     | 97.3        | 25.7        | 13.0        | 0.8         | 0.9         | 6.7         | 5.8         | 5.1        | 4.0        |
| Tesco                  | TSCO LN   | Britain     | (53.0)     | 83.3        | 22.7        | 12.4        | 1.1         | 1.4         | 8.7         | 7.3         | 3.5        | 4.1        |
| Carrefour SA           | CA FP     | France      | 13.5       | 12.4        | 12.0        | 10.7        | 1.3         | 1.3         | 6.8         | 6.4         | 3.2        | 3.6        |
| Casino Guichard        | CO FP     | France      | 37.0       | 16.5        | 11.4        | 9.8         | 0.8         | 0.8         | 7.3         | 7.0         | 4.2        | 6.4        |
| L'Oreal SA             | OR FP     | France      | 19.5       | 9.8         | 46.3        | 42.1        | 7.3         | 6.7         | 28.3        | 26.2        | 1.1        | 1.2        |
| Alimentation Couche    | ATD/B CN  | Canada      | 22.7       | (3.5)       | 21.7        | 22.5        | 4.8         | 4.4         | 10.3        | 10.6        | 0.6        | 0.7        |
| Aeon                   | 8267 JP   | Japan       | na         | na          | na          | 88.5        | 2.4         | 2.6         | 10.5        | 8.8         | 1.2        | 1.2        |
| Kao Corporation        | 4452 JP   | Japan       | 1.3        | 10.7        | 24.7        | 22.3        | 3.3         | 3.2         | 12.2        | 11.4        | 2.2        | 2.3        |
| Lion Corporation       | 4912 JP   | Japan       | (25.7)     | 6.8         | 24.7        | 23.2        | 2.1         | 2.0         | 11.0        | 10.3        | 1.3        | 1.4        |
| Shiseido Co. Ltd       | 4911 JP   | Japan       | na         | 27.7        | 63.3        | 49.5        | 5.6         | 5.3         | 26.5        | 18.7        | 0.7        | 0.8        |
| Lawson                 | 2651 JP   | Japan       | (56.6)     | 95.4        | 60.2        | 30.8        | 2.0         | 2.0         | 4.2         | 3.7         | 2.8        | 2.8        |
| Seven & I Holdings     | 3382 JP   | Japan       | (25.7)     | 44.6        | 26.5        | 18.3        | 1.6         | 1.5         | 6.3         | 5.2         | 2.1        | 2.2        |
| Lotte Corp             | 004990 KS | South Korea | 167.9      | 20.0        | 11.3        | 9.4         | 0.6         | 0.5         | 9.1         | 8.9         | 3.4        | 3.8        |
| Shinsegae              | 004170 KS | South Korea | na         | 24.3        | 10.8        | 8.7         | 0.7         | 0.6         | 8.3         | 8.1         | 0.7        | 0.8        |
| Amore Pacific Group    | 002790 KS | South Korea | 193.6      | 19.8        | 25.7        | 21.5        | 1.5         | 1.4         | 6.0         | 5.0         | 0.7        | 0.7        |
| Best Buy Co Inc        | BBY US    | USA         | 22.9       | (2.4)       | 12.1        | 12.4        | 7.0         | 7.1         | 6.7         | 7.0         | 1.9        | 2.3        |
| Wal-Mart Stores        | WMT US    | USA         | 12.7       | 4.1         | 23.3        | 22.4        | 4.8         | 4.4         | 11.9        | 11.5        | 1.5        | 1.5        |
| Home Depot Inc         | HD US     | USA         | 21.3       | 4.2         | 22.2        | 21.3        | 283.7       | 2,566.5     | 15.5        | 15.1        | 1.9        | 2.1        |
| Yonghui Superstores    | 601933 CH | China       | (63.7)     | 85.6        | 41.9        | 22.6        | 1.8         | 1.8         | 22.5        | 16.3        | 2.7        | 3.2        |
| Sa International       | 178 HK    | Hong Kong   | na         | na          | na          | 86.8        | 3.5         | 3.2         | na          | 22.6        | 0.0        | 1.0        |
| Dairy Farm Intl Hldgs  | DFI SP    | Hong Kong   | (27.0)     | 57.5        | 28.1        | 17.9        | 3.8         | 3.5         | 12.7        | 11.5        | 3.1        | 4.4        |
| President Chain Store  | 2912 TT   | Taiwan      | (5.3)      | 18.1        | 30.7        | 26.0        | 7.6         | 7.2         | 12.7        | 11.8        | 3.0        | 3.3        |
| 7-Eleven Malaysia      | SEM MK    | Malaysia    | (6.3)      | 35.6        | 33.8        | 24.9        | 19.7        | 20.8        | 9.1         | 8.9         | 2.1        | 2.6        |
| Berli Jucker *         | BJC TB    | Thailand    | (0.5)      | 25.7        | 37.2        | 29.6        | 1.2         | 1.2         | 14.4        | 13.9        | 1.3        | 1.7        |
| COM7 *                 | COM7 TB   | Thailand    | 40.8       | 34.5        | 40.7        | 30.3        | 18.6        | 15.8        | 27.0        | 20.8        | 2.0        | 2.7        |
| CP All *               | CPALL TB  | Thailand    | (34.9)     | 70.9        | 59.6        | 34.9        | 5.7         | 5.2         | 16.7        | 14.4        | 0.8        | 1.4        |
| Central Pattana *      | CPN TB    | Thailand    | (44.7)     | 127.5       | 83.4        | 36.6        | 3.3         | 3.1         | 22.7        | 16.7        | 0.8        | 1.4        |
| Central Retail Corp. * | CRC TB    | Thailand    | na         | 106.4       | 75.9        | 36.8        | 3.8         | 3.6         | 11.4        | 9.9         | 0.5        | 1.1        |
| Siam Global House *    | GLOBAL TB | Thailand    | 57.3       | 20.2        | 32.6        | 27.1        | 5.3         | 4.7         | 24.4        | 20.5        | 1.2        | 1.5        |
| Home Product*          | HMPRO TB  | Thailand    | (1.0)      | 19.8        | 36.9        | 30.8        | 8.6         | 8.0         | 19.4        | 17.0        | 2.2        | 2.6        |
| Siam Makro *           | MAKRO TB  | Thailand    | 10.2       | 8.0         | 27.7        | 25.6        | 8.2         | 7.6         | 16.0        | 15.0        | 2.7        | 3.1        |
| Mc Group *             | MC TB**   | Thailand    | (20.6)     | 29.5        | 21.0        | 16.2        | 2.1         | 2.1         | 8.3         | 7.5         | 4.8        | 5.9        |
| <b>Average</b>         |           |             | <b>4.4</b> | <b>37.0</b> | <b>34.4</b> | <b>27.2</b> | <b>12.9</b> | <b>81.9</b> | <b>13.2</b> | <b>11.8</b> | <b>2.0</b> | <b>2.4</b> |

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates using normalized EPS growth, \*\* MC's fiscal year ends in June. The figures shown in the table are for FY22F and FY23F

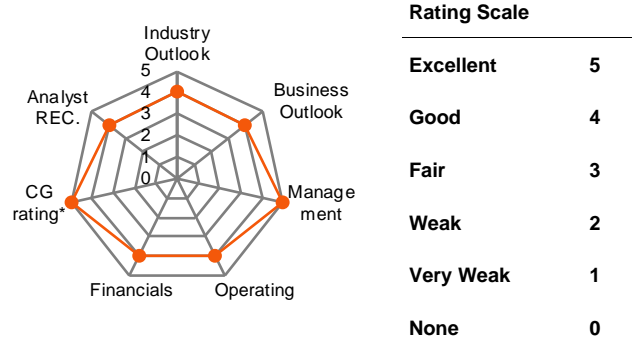
Based on 30 August 2021 closing price

## COMPANY DESCRIPTION

Home Product Center Pcl (HMPRO) is the leader in home-improvement retailing in Thailand with 40,000 SKUs for HomePro stores and 60,000-80,000 SKUs for Mega Home, and offers a full range of services from design, maintenance, installation and improvement. It operates 86 HomePro stores nationwide, seven Malaysia branches, eight HomePro S stores, and 14 Mega Home outlets. We believe it is capturing the so-called lifestyle trend by focusing more on the home renovation and lifestyle segments.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

## S — Strength

- Leader in the home-improvement business in Thailand with the largest store network and a 24% revenue market share.
- Prime locations are locked in.
- Strong bargaining power reflected in high rebate and other income.

## O — Opportunity

- Room to open more stores domestically along with the country's infrastructure development and EEC plan.
- New product coverage and new target groups.
- Expansion opportunities in other countries, starting with Malaysia and followed by Vietnam.

## W — Weakness

- Limited pricing power for some product categories.
- Highly capital-intensive business.

## T — Threat

- Possible implementation of the Retail and Wholesale Business Act.
- Competition from new entrants.
- Weak Thai economy.

## CONSENSUS COMPARISON

|                       | Consensus | Thanachart | Diff    |
|-----------------------|-----------|------------|---------|
| Target price (Bt)     | 15.79     | 17.50      | 11%     |
| Net profit 21F (Bt m) | 5,561     | 5,103      | -8%     |
| Net profit 22F (Bt m) | 6,389     | 6,114      | -4%     |
| Consensus REC         | BUY: 19   | HOLD: 6    | SELL: 2 |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit estimates for 2021-22F are 4-8% lower than the Street's, which we attribute to us having lower SSSG and gross-margin assumptions.
- Our DCF-based TP is 11% above the Bloomberg consensus, likely because we have more aggressive long-term assumptions for gross margin and cost efficiency.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our earnings forecasts would be if HMPRO were to fail to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors become more aggressive in store expansion than we presently expect.
- A prolonged period of the COVID-19 pandemic, an economic slowdown and a property market downturn would represent secondary downside risks.
- If HMPRO is unsuccessful with its stores abroad, this would represent another downside risk.

Source: Thanachart

## INCOME STATEMENT

| FY ending Dec (Bt m)              | 2019A         | 2020A         | 2021F         | 2022F         | 2023F         |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sales                             | 65,253        | 59,874        | 60,117        | 64,353        | 69,324        |
| Cost of sales                     | 47,470        | 44,152        | 44,025        | 46,781        | 50,094        |
| <b>Gross profit</b>               | <b>17,783</b> | <b>15,722</b> | <b>16,092</b> | <b>17,572</b> | <b>19,231</b> |
| % gross margin                    | 27.3%         | 26.3%         | 26.8%         | 27.3%         | 27.7%         |
| Selling & administration expenses | 11,927        | 10,957        | 11,350        | 11,791        | 12,236        |
| <b>Operating profit</b>           | <b>7,977</b>  | <b>6,641</b>  | <b>6,721</b>  | <b>7,931</b>  | <b>9,346</b>  |
| % operating margin                | 12.2%         | 11.1%         | 11.2%         | 12.3%         | 13.5%         |
| Depreciation & amortization       | 2,942         | 3,182         | 3,427         | 3,632         | 3,802         |
| <b>EBITDA</b>                     | <b>10,919</b> | <b>9,822</b>  | <b>10,148</b> | <b>11,563</b> | <b>13,148</b> |
| % EBITDA margin                   | 16.7%         | 16.4%         | 16.9%         | 18.0%         | 19.0%         |
| Non-operating income              | 2,171         | 1,891         | 1,979         | 2,151         | 2,351         |
| Non-operating expenses            | (18)          | (8)           | 0             | 0             | 0             |
| Interest expense                  | (405)         | (459)         | (422)         | (383)         | (349)         |
| <b>Pre-tax profit</b>             | <b>7,604</b>  | <b>6,190</b>  | <b>6,300</b>  | <b>7,548</b>  | <b>8,997</b>  |
| Income tax                        | 1,427         | 1,035         | 1,197         | 1,434         | 1,709         |
| <b>After-tax profit</b>           | <b>6,177</b>  | <b>5,155</b>  | <b>5,103</b>  | <b>6,114</b>  | <b>7,287</b>  |
| % net margin                      | 9.5%          | 8.6%          | 8.5%          | 9.5%          | 10.5%         |
| Shares in affiliates' Earnings    | 0             | 0             | 0             | 0             | 0             |
| Minority interests                | 0             | 0             | 0             | 0             | 0             |
| Extraordinary items               | 0             | 0             | 0             | 0             | 0             |
| <b>NET PROFIT</b>                 | <b>6,177</b>  | <b>5,155</b>  | <b>5,103</b>  | <b>6,114</b>  | <b>7,287</b>  |
| <b>Normalized profit</b>          | <b>6,177</b>  | <b>5,155</b>  | <b>5,103</b>  | <b>6,114</b>  | <b>7,287</b>  |
| EPS (Bt)                          | 0.5           | 0.4           | 0.4           | 0.5           | 0.6           |
| Normalized EPS (Bt)               | 0.5           | 0.4           | 0.4           | 0.5           | 0.6           |

*Mega Home turned profitable from 2016 and we estimate Malaysia stores to break even from 2023F*

*We estimate earnings to grow at a 20% CAGR over 2021-23F*

## BALANCE SHEET

| FY ending Dec (Bt m)            | 2019A         | 2020A         | 2021F         | 2022F         | 2023F         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS:</b>                  |               |               |               |               |               |
| Current assets:                 | 15,690        | 15,828        | 15,404        | 16,327        | 17,114        |
| Cash & cash equivalent          | 2,860         | 3,283         | 3,389         | 3,542         | 3,598         |
| Account receivables             | 1,912         | 1,769         | 1,812         | 1,939         | 1,899         |
| Inventories                     | 10,421        | 10,345        | 9,770         | 10,381        | 11,117        |
| Others                          | 496           | 432           | 433           | 464           | 500           |
| Investments & loans             | 0             | 0             | 0             | 0             | 0             |
| Net fixed assets                | 35,707        | 28,741        | 29,611        | 30,982        | 30,734        |
| Other assets                    | 652           | 11,521        | 11,552        | 11,647        | 11,807        |
| <b>Total assets</b>             | <b>52,049</b> | <b>56,091</b> | <b>56,567</b> | <b>58,956</b> | <b>59,655</b> |
| <b>LIABILITIES:</b>             |               |               |               |               |               |
| Current liabilities:            | 22,289        | 20,610        | 20,651        | 21,624        | 21,792        |
| Account payables                | 14,069        | 13,050        | 13,268        | 14,098        | 15,097        |
| Bank overdraft & ST loans       | 281           | 1,249         | 599           | 595           | 485           |
| Current LT debt                 | 6,020         | 4,075         | 4,550         | 4,520         | 3,688         |
| Others current liabilities      | 1,919         | 2,236         | 2,235         | 2,412         | 2,522         |
| <b>Total LT debt</b>            | <b>7,072</b>  | <b>8,056</b>  | <b>6,825</b>  | <b>6,779</b>  | <b>5,532</b>  |
| Others LT liabilities           | 1,550         | 5,860         | 7,258         | 7,092         | 6,944         |
| <b>Total liabilities</b>        | <b>30,911</b> | <b>34,526</b> | <b>34,735</b> | <b>35,496</b> | <b>34,268</b> |
| Minority interest               | 0             | 0             | 0             | 0             | 0             |
| Preferreds shares               | 0             | 0             | 0             | 0             | 0             |
| Paid-up capital                 | 13,151        | 13,151        | 13,151        | 13,151        | 13,151        |
| Share premium                   | 646           | 646           | 646           | 646           | 646           |
| Warrants                        | 0             | 0             | 0             | 0             | 0             |
| Surplus                         | (61)          | (57)          | (57)          | (57)          | (57)          |
| <b>Retained earnings</b>        | <b>7,402</b>  | <b>7,824</b>  | <b>8,091</b>  | <b>9,718</b>  | <b>11,645</b> |
| Shareholders' equity            | 21,138        | 21,565        | 21,832        | 23,460        | 25,386        |
| <b>Liabilities &amp; equity</b> | <b>52,049</b> | <b>56,091</b> | <b>56,567</b> | <b>58,956</b> | <b>59,655</b> |

Sources: Company data, Thanachart estimates

*Working capital looks manageable despite the expansion of many of its formats*

## CASH FLOW STATEMENT

| FY ending Dec (Bt m)              | 2019A          | 2020A          | 2021F          | 2022F          | 2023F          |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Earnings before tax               | 7,604          | 6,190          | 6,300          | 7,548          | 8,997          |
| Tax paid                          | (1,404)        | (998)          | (1,237)        | (1,372)        | (1,673)        |
| Depreciation & amortization       | 2,942          | 3,182          | 3,427          | 3,632          | 3,802          |
| Chg In working capital            | (391)          | (799)          | 750            | 91             | 303            |
| Chg In other CA & CL / minorities | (312)          | 267            | (20)           | 32             | (9)            |
| <b>Cash flow from operations</b>  | <b>8,439</b>   | <b>7,842</b>   | <b>9,219</b>   | <b>9,932</b>   | <b>11,420</b>  |
| Capex                             | (3,254)        | 3,784          | (4,000)        | (4,700)        | (3,250)        |
| Right of use                      | 0              | (6,112)        | (306)          | (15)           | (15)           |
| ST loans & investments            | 0              | 0              | 0              | 0              | 0              |
| LT loans & investments            | 0              | 0              | 0              | 0              | 0              |
| Adj for asset revaluation         | 0              | 0              | 0              | 0              | 0              |
| Chg In other assets & liabilities | 269            | (371)          | 1,434          | (497)          | (550)          |
| <b>Cash flow from investments</b> | <b>(2,985)</b> | <b>(2,699)</b> | <b>(2,872)</b> | <b>(5,212)</b> | <b>(3,815)</b> |
| Debt financing                    | (3,879)        | 7              | (1,405)        | (81)           | (2,188)        |
| Capital increase                  | 0              | 0              | 0              | 0              | 0              |
| Dividends paid                    | (4,866)        | (4,076)        | (4,014)        | (4,487)        | (5,361)        |
| Warrants & other surplus          | (0)            | 5              | (822)          | 0              | 0              |
| <b>Cash flow from financing</b>   | <b>(8,746)</b> | <b>(4,064)</b> | <b>(6,241)</b> | <b>(4,567)</b> | <b>(7,549)</b> |
| <b>Free cash flow</b>             | <b>5,186</b>   | <b>11,627</b>  | <b>5,219</b>   | <b>5,232</b>   | <b>8,170</b>   |

Substantial capex to fund  
HomePro, Mega Home  
and HomePro Malaysia

## VALUATION

| FY ending Dec                       | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x)                   | 30.4  | 36.5  | 36.9  | 30.8  | 25.8  |
| Normalized PE - at target price (x) | 37.3  | 44.6  | 45.1  | 37.6  | 31.6  |
| PE (x)                              | 30.4  | 36.5  | 36.9  | 30.8  | 25.8  |
| PE - at target price (x)            | 37.3  | 44.6  | 45.1  | 37.6  | 31.6  |
| EV/EBITDA (x)                       | 18.2  | 20.2  | 19.4  | 17.0  | 14.8  |
| EV/EBITDA - at target price (x)     | 22.0  | 24.5  | 23.5  | 20.6  | 18.0  |
| P/BV (x)                            | 8.9   | 8.7   | 8.6   | 8.0   | 7.4   |
| P/BV - at target price (x)          | 10.9  | 10.7  | 10.5  | 9.8   | 9.1   |
| P/CFO (x)                           | 22.3  | 24.0  | 20.4  | 18.9  | 16.5  |
| Price/sales (x)                     | 2.9   | 3.1   | 3.1   | 2.9   | 2.7   |
| Dividend yield (%)                  | 2.7   | 2.1   | 2.2   | 2.6   | 3.1   |
| FCF Yield (%)                       | 2.8   | 6.2   | 2.8   | 2.8   | 4.3   |
| <b>(Bt)</b>                         |       |       |       |       |       |
| Normalized EPS                      | 0.5   | 0.4   | 0.4   | 0.5   | 0.6   |
| EPS                                 | 0.5   | 0.4   | 0.4   | 0.5   | 0.6   |
| DPS                                 | 0.4   | 0.3   | 0.3   | 0.4   | 0.4   |
| BV/share                            | 1.6   | 1.6   | 1.7   | 1.8   | 1.9   |
| CFO/share                           | 0.6   | 0.6   | 0.7   | 0.8   | 0.9   |
| FCF/share                           | 0.4   | 0.9   | 0.4   | 0.4   | 0.6   |

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

*We expect strong EPS growth to resume from 2022F after COVID-19*

*We expect gross margins to continue to trend upward...*

*...and view this as one of HMPRO's key earnings-growth drivers*

*Best ROE among big-box retailers, on our estimates*

| FY ending Dec                    | 2019A  | 2020A  | 2021F  | 2022F  | 2023F  |
|----------------------------------|--------|--------|--------|--------|--------|
| <b>Growth Rate</b>               |        |        |        |        |        |
| Sales (%)                        | 2.1    | (8.2)  | 0.4    | 7.0    | 7.7    |
| Net profit (%)                   | 10.0   | (16.5) | (1.0)  | 19.8   | 19.2   |
| EPS (%)                          | 10.0   | (16.5) | (1.0)  | 19.8   | 19.2   |
| Normalized profit (%)            | 10.0   | (16.5) | (1.0)  | 19.8   | 19.2   |
| Normalized EPS (%)               | 10.0   | (16.5) | (1.0)  | 19.8   | 19.2   |
| Dividend payout ratio (%)        | 80.9   | 76.5   | 80.0   | 80.0   | 80.0   |
| <b>Operating performance</b>     |        |        |        |        |        |
| Gross margin (%)                 | 27.3   | 26.3   | 26.8   | 27.3   | 27.7   |
| Operating margin (%)             | 12.2   | 11.1   | 11.2   | 12.3   | 13.5   |
| EBITDA margin (%)                | 16.7   | 16.4   | 16.9   | 18.0   | 19.0   |
| Net margin (%)                   | 9.5    | 8.6    | 8.5    | 9.5    | 10.5   |
| D/E (incl. minor) (x)            | 0.6    | 0.6    | 0.5    | 0.5    | 0.4    |
| Net D/E (incl. minor) (x)        | 0.5    | 0.5    | 0.4    | 0.4    | 0.2    |
| Interest coverage - EBIT (x)     | 19.7   | 14.5   | 15.9   | 20.7   | 26.8   |
| Interest coverage - EBITDA (x)   | 26.9   | 21.4   | 24.1   | 30.2   | 37.7   |
| ROA - using norm profit (%)      | 11.6   | 9.5    | 9.1    | 10.6   | 12.3   |
| ROE - using norm profit (%)      | 30.1   | 24.1   | 23.5   | 27.0   | 29.8   |
| <b>DuPont</b>                    |        |        |        |        |        |
| ROE - using after tax profit (%) | 30.1   | 24.1   | 23.5   | 27.0   | 29.8   |
| - asset turnover (x)             | 1.2    | 1.1    | 1.1    | 1.1    | 1.2    |
| - operating margin (%)           | 12.3   | 11.1   | 11.2   | 12.3   | 13.5   |
| - leverage (x)                   | 2.6    | 2.5    | 2.6    | 2.6    | 2.4    |
| - interest burden (%)            | 94.9   | 93.1   | 93.7   | 95.2   | 96.3   |
| - tax burden (%)                 | 81.2   | 83.3   | 81.0   | 81.0   | 81.0   |
| WACC (%)                         | 7.9    | 7.9    | 7.9    | 7.9    | 7.9    |
| ROIC (%)                         | 21.0   | 17.5   | 17.2   | 21.1   | 23.8   |
| NOPAT (Bt m)                     | 6,480  | 5,530  | 5,444  | 6,424  | 7,570  |
| invested capital (Bt m)          | 31,651 | 31,662 | 30,417 | 31,811 | 31,494 |

Sources: Company data, Thanachart estimates



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**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](mailto:thanachart.res@thanachartsec.co.th)

**Pimpaka Nichgaroon, CFA**

Head of Research

Tel: 662-779-9199

[pimpaka.nic@thanachartsec.co.th](mailto:pimpaka.nic@thanachartsec.co.th)

**Pattarawan Wangmingmat**

Senior Technical Analyst

Tel: 662-779-9105

[pattarawan.wan@thanachartsec.co.th](mailto:pattarawan.wan@thanachartsec.co.th)

**Phannarai Tiypittayarut**

Property, Retail

Tel: 662-779-9109

[phannarai.von@thanachartsec.co.th](mailto:phannarai.von@thanachartsec.co.th)

**Sarachada Sornsong**

Bank, Finance, Insurance

Tel: 662-779-9106

[sarachada.sor@thanachartsec.co.th](mailto:sarachada.sor@thanachartsec.co.th)

**Sittichet Rungrassameephat**

Analyst, Quantitative

Tel: 662-483-8303

[sittichet.run@thanachartsec.co.th](mailto:sittichet.run@thanachartsec.co.th)

**Adisak Phupiphathirungul, CFA**

Retail Market Strategy

Tel: 662-779-9120

[adisak.phu@thanachartsec.co.th](mailto:adisak.phu@thanachartsec.co.th)

**Nuttapop Prasitsuksant**

Telecom, Utilities

Tel: 662-483-8296

[nuttapop.pra@thanachartsec.co.th](mailto:nuttapop.pra@thanachartsec.co.th)

**Rata Limsuthiwanpoom**

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

[rata.lim@thanachartsec.co.th](mailto:rata.lim@thanachartsec.co.th)

**Siriporn Arunothai**

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

[siriporn.aru@thanachartsec.co.th](mailto:siriporn.aru@thanachartsec.co.th)

**Thaloengsak Kucharoenpaisan**

Analyst, Retail Market

Tel: 662-483-8304

[thaloengsak.kuc@thanachartsec.co.th](mailto:thaloengsak.kuc@thanachartsec.co.th)

**Chak Reungsinpinya**

Energy, Petrochemical, Paper

Tel: 662-779-9104

[chak.reu@thanachartsec.co.th](mailto:chak.reu@thanachartsec.co.th)

**Pattadol Bunnak**

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

[pattadol.bun@thanachartsec.co.th](mailto:pattadol.bun@thanachartsec.co.th)

**Saksid Phadthananarak**

Construction, Transportation

Tel: 662-779-9112

[saksid.pha@thanachartsec.co.th](mailto:saksid.pha@thanachartsec.co.th)

**Witchanan Tambamroong**

Technical Analyst

Tel: 662-779-9123

[witchanan.tam@thanachartsec.co.th](mailto:witchanan.tam@thanachartsec.co.th)