

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 24.00**

Upside : 21.8%

(From: Bt 25.00)

**3 SEPTEMBER 2021**

Small Cap Research

## Sabina Pcl. (SABINA TB)

### Post-lockdown small-cap play

We see SABINA as a lockdown victim given its 69% offline sales exposure in 2020. With the lockdown now being eased, we expect its earnings to bottom out in 3Q21F. We reaffirm our BUY rating on its post-COVID outlook and long-term fundamental trend of growing, higher-margin online sales and rising market share.

**SIRIPORN ARUNOTHAI**

662 – 779 9113

siriporn.aru@thanachartsec.co.th

#### Lockdown victim

We regard SABINA as a lockdown victim. It has suffered since the COVID third wave started in 2Q21 and we expect 3Q21F with earnings of only Bt40m, down 54% y-y and 37% q-q. With the lockdown being relaxed from this month onwards, its earnings should start to bottom out in 3Q21F. For the full year, however, we consider SABINA's business to be resilient with only a 15% earnings drop in 2021F. To reflect the severe COVID crisis this year that will likely have a longer-term impact on purchasing power, we cut our earnings forecasts in this report by 20%, 17% and 13% in 2021-23F and lower our DCF-based 12-month TP (2022F base year) to Bt24.0 (from Bt25.0).

#### Reaffirming BUY

We reaffirm our BUY rating on SABINA despite the COVID hiccup over the past two years. *First*, its long-term fundamental story of a growing market share and a rising higher-margin online sales mix remains intact. *Second*, COVID has hurt its competitors more and we believe SABINA's market share gain story has actually strengthened. COVID has also sped up the e-commerce trend. *Third*, SABINA is a small-cap, post-lockdown play in our view and we expect an earnings turnaround of 34% and 31% in 2022-23F. Lastly, at 21.7x PE on a yet-to-normalize earnings base in 2022F, SABINA seems inexpensive to us.

#### Structural growth story looks intact

COVID aside, we like SABINA, the second-largest ladies' underwear brand in Thailand, for its structural growth story. SABINA has been gaining market share, which rose to 13.6% in 2020 from 10.9% in 2019. The leader Thai Wacoal saw a market share drop to 13.9% in 2020 from 16.3% in 2019. We believe SABINA is gaining share from other players as well in the still-fragmented industry with the top three players controlling only 29% of the market. SABINA's more modern and forceful marketing strategy and its aggressive online penetration have contributed to its market share gains while pushing up the company's higher-margin online sales mix to 23% in 1H21 vs. 19.2% in 2020 and 3.6% in 2017.

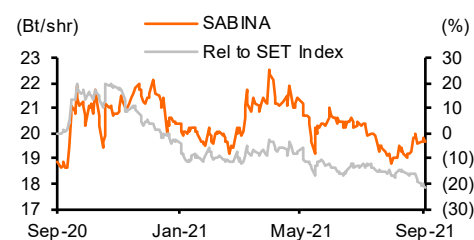
#### Our growth assumptions

We expect 2022-23F growth to be driven by 1) 14% p.a. sales growth with offline sales in the early teens, online sales in the high teens and exports in the early teens (see Exhibit 3); 2) net margin expanding from 9.6% in 2020 to 13.0% in 2023F on the back of a growing mix of online sales from 19.2% in 2020 to 28.5% in 2023F, rising procurement power and improved cost efficiency.

#### COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	2,898	2,453	2,793	3,182
Net profit	277	235	314	413
Consensus NP	—	249	346	415
Diff frm cons (%)	—	(5.8)	(9.0)	(0.6)
Norm profit	277	235	314	413
Prev. Norm profit	—	294	380	474
Chg frm prev (%)	—	(20.1)	(17.3)	(12.8)
Norm EPS (Bt)	0.8	0.7	0.9	1.2
Norm EPS grw (%)	(33.0)	(15.2)	34.0	31.3
Norm PE (x)	24.7	29.1	21.7	16.6
EV/EBITDA (x)	16.2	18.4	14.8	11.9
P/BV (x)	3.8	3.9	3.8	3.7
Div yield (%)	4.1	3.4	4.6	6.0
ROE (%)	15.1	13.2	17.5	22.5
Net D/E (%)	18.6	9.7	13.0	14.3

#### PRICE PERFORMANCE



#### COMPANY INFORMATION

Price as of 3-Sep-21 (Bt)	19.70
Market Cap (US\$ m)	209.9
Listed Shares (m shares)	347.5
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	0.4
12M Price H/L (Bt)	22.50/18.60
Sector	Fashion
Major Shareholder	Thanalongkorn Family 52.42%

Sources: Bloomberg, Company data, Thanachart estimates

## Cutting our earnings forecasts and TP

**Earnings cut due to the COVID crisis and weak purchasing power**

We see Sabina Pcl (SABINA) as a COVID crisis and lockdown victim because 79% and 69% of its revenues in 2019 and 2020 were contributed by offline sales. It has suffered since the third COVID wave started in 2Q21 and we expect 3Q21F earnings of just Bt40m, down 54% y-y and 37% q-q. With the lockdown being relaxed from this month onwards, we expect its earnings to start to bottom out in 3Q21F, despite remaining weak in 4Q21F.

We therefore cut our earnings estimates by 20%, 17% and 13% in 2021-23F and our DCF-based 12-month TP, using a 2022F base year, to Bt24.0 from Bt25.0 to reflect the lockdown impact and COVID situation this year and weak purchasing power because of the economic slowdown. Details of our new assumptions are shown in Exhibit 1.

### Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021F	2022F	2023F
<b>SSSG (%)</b>					
- New	2.8	(21.3)	(23.0)	18.0	15.0
- Previous	—	—	(11.0)	15.0	12.0
- Change (pp)	—	—	(12.0)	3.0	3.0
<b>Online sales growth (%)</b>					
- New	32.3	65.2	14.0	18.0	22.0
- Previous	—	—	10.0	20.0	25.0
- Change (pp)	—	—	4.0	(2.0)	(3.0)
<b>OEM growth (%)</b>					
- New	—	(7.5)	3.0	10.0	8.0
- Previous	—	—	15.0	12.0	10.0
- Change (pp)	—	—	(12.0)	(2.0)	(2.0)
<b>Sabina brand export growth (%)</b>					
- New	26.7	(7.9)	(20.0)	16.0	13.0
- Previous	—	—	10.0	15.0	12.0
- Change (pp)	—	—	(30.0)	1.0	1.0
<b>Gross margin (%)</b>					
- New	54.4	47.4	48.6	48.9	49.2
- Previous	—	—	47.5	47.7	47.9
- Change (pp)	—	—	1.1	1.1	1.4
<b>SG&amp;A to sales (%)</b>					
- New	38.9	35.7	37.2	35.4	33.6
- Previous	—	—	34.4	32.8	31.2
- Change (pp)	—	—	2.8	2.6	2.4
<b>Normalized profit (Bt m)</b>					
- New	413	277	235	314	413
- Previous	—	—	294	380	474
- Change (%)	—	—	(20.1)	(17.3)	(12.8)

Sources: Company data, Thanachart estimates

## Earnings turnaround in 2022-23F

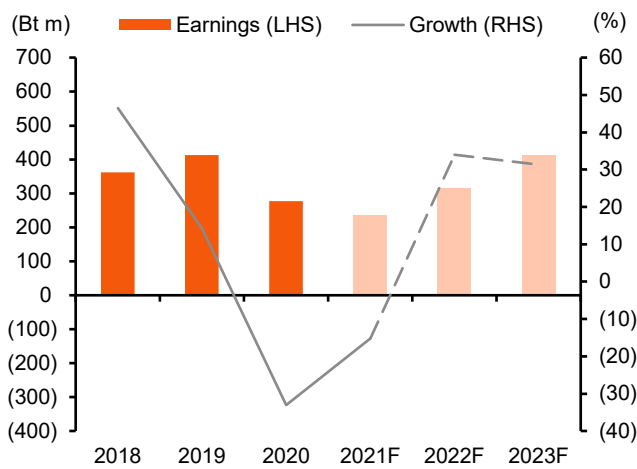
**33% EPS growth p.a. in 2022-23F**

We estimate SABINA's earnings to turn around with 34% growth in 2022F and 31% in 2023F after a 15% earnings decline in 2021F. We expect the company's earnings growth drivers in the next two years to be as follows:

**First**, we estimate 14% p.a. sales growth with offline sales in the early teens, online sales in the high teens and exports in the early teens.

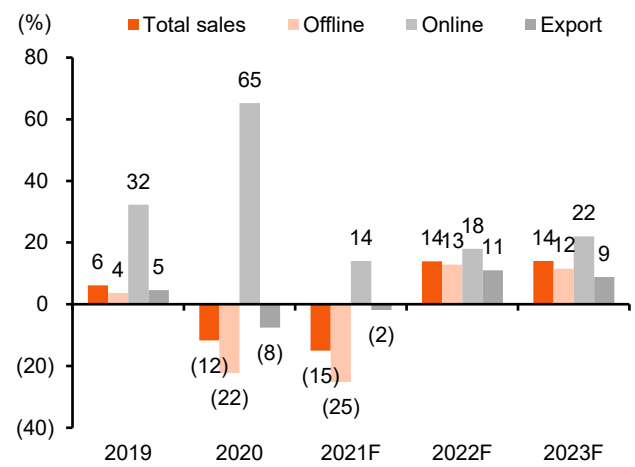
**Second**, we estimate the net margin to expand from 9.6% in 2020 and 9.6% in 2021F to 11.3% in 2022F and 13.0% in 2023F on a growing mix of online sales from 19.2% in 2020 to 25.7%, 26.6% and 28.5% in 2021-23F, rising procurement power and better cost efficiency.

**Ex 2: Earnings Growth Turnaround**



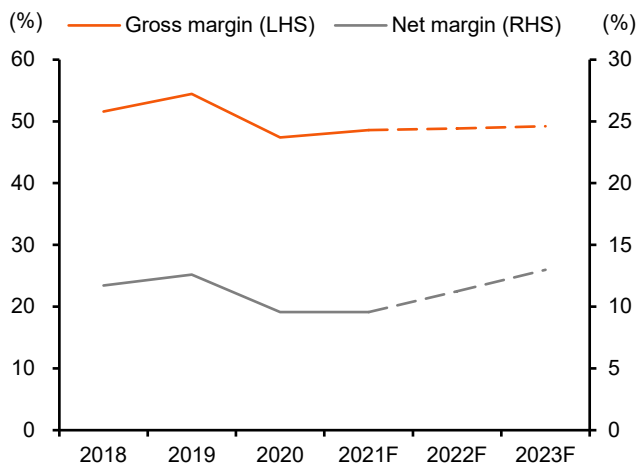
Sources: Company data, Thanachart estimates

**Ex 3: Sales Growth Resumption**



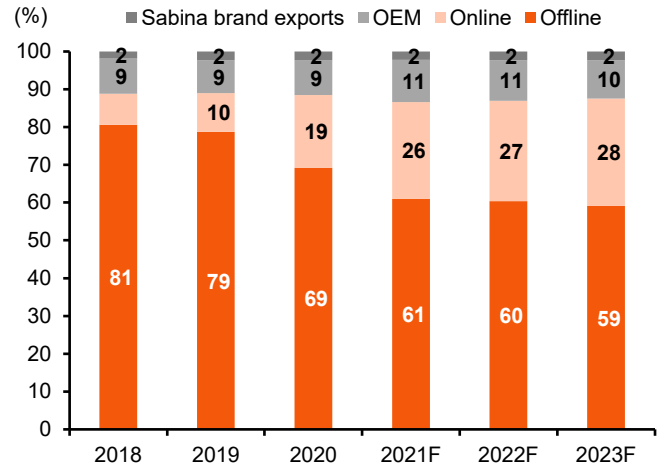
Sources: Company data, Thanachart estimates

**Ex 4: Margin Expansion**



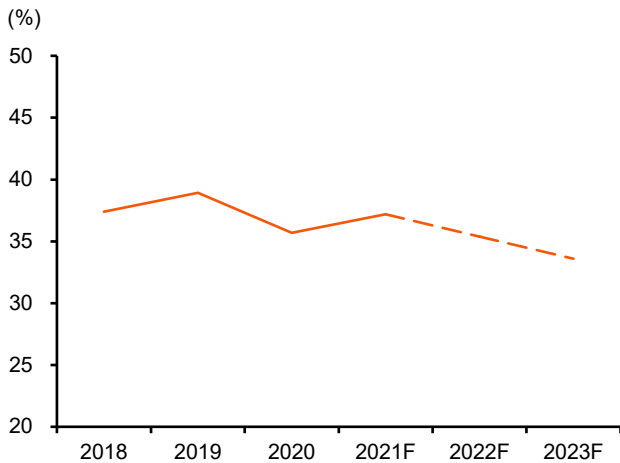
Sources: Company data, Thanachart estimates

**Ex 5: Rising Sales Mix From Online Sales Channel**



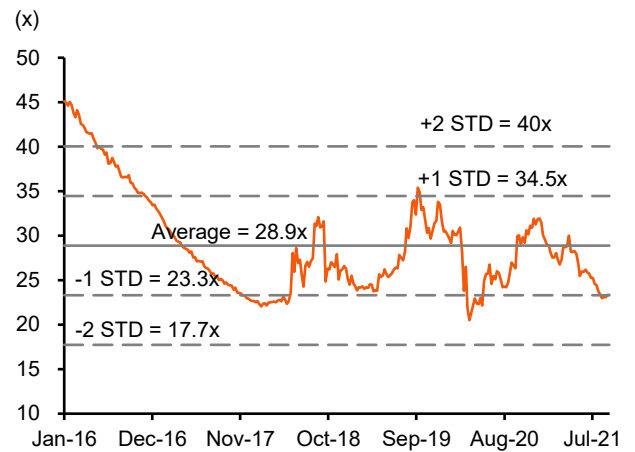
Sources: Company data, Thanachart estimates

**Ex 6: Falling SG&A To Sales**



Sources: Company data, Thanachart estimates

**Ex 7: SABINA's PE is Not Expensive In Our View**



Sources: Company data, Bloomberg, Thanachart estimates

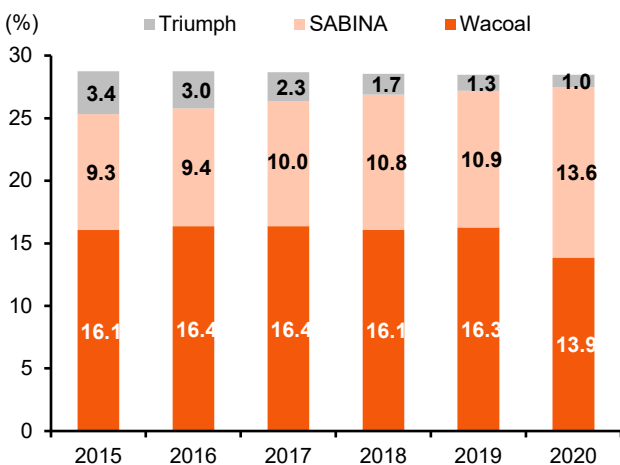
### Structural growth story looks intact

*Continues to gain market share from large and small players*

We continue to like SABINA for its structural growth story. It is the second-largest ladies' underwear brand in Thailand, ranking only behind the leader Thai Wacoal. However, SABINA has been gaining market share, rising to 13.6% in 2020 from 10.9% in 2019. Wacoal experienced a drop to 13.9% in 2020 from 16.3% in 2019. Meanwhile, SABINA's earnings have also been stronger so far this year. Despite the COVID impact, SABINA still made profits in 2020 and 1H21. Meanwhile, Wacoal's bottom line turned to a loss due to a bigger impact on its top line and also its higher production costs and SG&A expenses.

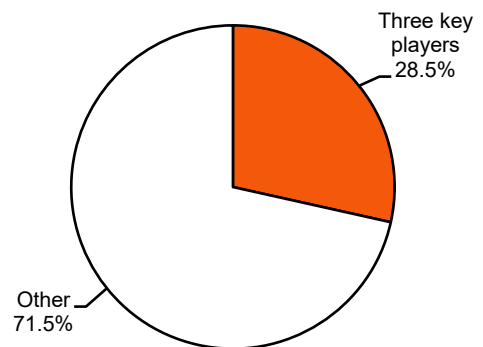
Besides Wacoal and Triumph, we also believe SABINA is gaining market share from other players in the still-fragmented industry with the top three players controlling only 29% of the market. We think this is because of SABINA's more modern and dynamic marketing strategy and its aggressive online penetration.

**Ex 8: SABINA's Market Share Gains**



Sources: Company data, BOL, Thanachart compilation

**Ex 9: Fragmented Ladies' Underwear Industry**



Source: Thanachart compilation

Ex 10: SABINA's Premium Camisole



Source: Company data

Ex 11: Sabina x Esther Bunny Collaboration



Source: Company data

Ex 12: SABINA's WFH Bras



Source: Company data

## Ex 13: 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 excl. depre from right of use	430	551	657	737	791	817	832	847	861	876	892	—
Free cash flow	275	387	485	494	570	627	657	668	680	692	704	11,264
PV of free cash flow	274	335	391	364	390	398	385	364	343	310	291	4,648
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.4											
Terminal growth (%)	2.0											
Enterprise value - add investments	8,492											
Net debt (end 2021F)	171											
Minority interest	0											
Equity value	8,320											
# of shares (m)	347											
<b>Equity value / share (Bt)</b>	<b>24.00</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 14: 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 (%)
Dollar Industries Ltd	DOLLAR IN	India	na	18.0	21.9	18.5	3.6	3.1	14.2	12.5	0.3	0.6
Page Industries Ltd	PAG IN	India	na	na	na	77.4	na	na	na	na	na	0.8
Wacoal Holdings Corp	3591 JP	Japan	na	na	135.3	23.8	0.7	0.7	23.0	10.4	1.7	2.1
PVH Corp	PVH US	US	na	na	na	14.1	1.8	1.7	40.9	8.8	0.0	0.1
Triumph Group Inc	TGI US	US	na	na	na	28.1	na	na	17.9	13.2	0.0	0.0
Hanesbrands Inc	HBI US	US	28.2	6.0	11.1	10.5	7.1	5.1	9.5	8.7	3.1	3.2
L Brands Inc	LB US	US	46.3	30.7	na	na	na	na	na	na	na	na
Sabina Pcl *	SABINA TB	Thailand	(15.2)	34.0	29.1	21.7	3.9	3.8	18.4	14.8	3.4	4.6
<b>Average</b>			<b>19.8</b>	<b>22.1</b>	<b>49.4</b>	<b>27.7</b>	<b>3.4</b>	<b>2.9</b>	<b>20.7</b>	<b>11.4</b>	<b>1.4</b>	<b>1.6</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

Based on 3 Sep 2021 closing prices

## COMPANY DESCRIPTION

Sabina Pcl (SABINA) is the second-largest manufacturer and distributor in the ladies' underwear market in Thailand. The company transformed from OEM to owned-brand products under the name "Sabina" in 2006. Products cover four customer target groups consisting of children, teens, adults and other products. In 2017, SABINA expanded its distribution channels from store retailing, OEM and Sabina brand exports to e-commerce sales.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Second-largest manufacturer and distributor in the ladies' underwear market in Thailand.
- Has the strong "Sabina" brand in Thailand.
- Owners and company executives have many years of experience in the ladies' underwear industry.

### O — Opportunity

- Thailand's rising consumption and economic expansion.
- Economic expansion in CLMV markets.
- China-US trade war.

### W — Weakness

- Small exposure to markets abroad.

### T — Threat

- Thailand and global economic slowdowns.
- Regulatory risk.
- COVID-19 outbreaks.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	23.01	24.00	4%
<b>Net profit 21F (Bt m)</b>	249	235	-6%
<b>Net profit 22F (Bt m)</b>	346	314	-9%
<b>Consensus REC</b>	<b>BUY: 4</b>	<b>HOLD: 1</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is slightly above the Bloomberg consensus number, despite our 2022F earnings being below the Street's, which we attribute to us having a more bullish view on SABINA's long-term prospects.

## RISKS TO OUR INVESTMENT CASE

- If domestic or global consumption recovers more slowly than our current expectation, this would lead to downside risk to our earnings forecasts.
- If competition in Thailand's underwear industry is higher than our current expectation, this would cause downside risk to our earnings forecasts.
- If raw material prices or labour costs increase by more than we currently expect, this would also result in downside risk to our earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

## INCOME STATEMENT

Revenue growth likely to resume in 2022-23F after COVID-19 subsides

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	3,280	2,898	2,453	2,793	3,182
Cost of sales	1,494	1,525	1,262	1,428	1,615
<b>Gross profit</b>	<b>1,786</b>	<b>1,373</b>	<b>1,192</b>	<b>1,365</b>	<b>1,567</b>
% gross margin	54.4%	47.4%	48.6%	48.9%	49.2%
Selling & administration expenses	1,276	1,034	912	988	1,068
<b>Operating profit</b>	<b>509</b>	<b>339</b>	<b>279</b>	<b>377</b>	<b>498</b>
% operating margin	15.5%	11.7%	11.4%	13.5%	15.7%
Depreciation & amortization	48	103	102	100	99
<b>EBITDA</b>	<b>558</b>	<b>442</b>	<b>381</b>	<b>476</b>	<b>597</b>
% EBITDA margin	17.0%	15.3%	15.5%	17.1%	18.8%
Non-operating income	15	16	21	24	27
Non-operating expenses	0	0	0	0	0
Interest expense	(8)	(9)	(7)	(7)	(9)
<b>Pre-tax profit</b>	<b>516</b>	<b>346</b>	<b>293</b>	<b>393</b>	<b>516</b>
Income tax	103	69	59	79	103
<b>After-tax profit</b>	<b>413</b>	<b>277</b>	<b>235</b>	<b>314</b>	<b>413</b>
% net margin	12.6%	9.6%	9.6%	11.3%	13.0%
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>413</b>	<b>277</b>	<b>235</b>	<b>314</b>	<b>413</b>
<b>Normalized profit</b>	<b>413</b>	<b>277</b>	<b>235</b>	<b>314</b>	<b>413</b>
EPS (Bt)	1.2	0.8	0.7	0.9	1.2
Normalized EPS (Bt)	1.2	0.8	0.7	0.9	1.2

## BALANCE SHEET

Strong balance sheet

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<b>ASSETS:</b>					
Current assets:	2,407	2,163	1,955	2,060	2,163
Cash & cash equivalent	243	225	225	215	205
Account receivables	492	436	403	421	479
Inventories	1,564	1,404	1,244	1,330	1,372
Others	109	98	83	94	107
Investments & loans	5	5	5	5	5
Net fixed assets	282	268	254	236	213
Other assets	324	369	324	358	393
<b>Total assets</b>	<b>3,018</b>	<b>2,804</b>	<b>2,538</b>	<b>2,659</b>	<b>2,774</b>
<b>LIABILITIES:</b>					
Current liabilities:	1,035	853	684	758	818
Account payables	367	213	190	215	243
Bank overdraft & ST loans	565	559	396	450	471
Current LT debt	0	0	0	0	0
Others current liabilities	103	81	98	93	104
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others LT liabilities	122	156	81	88	94
<b>Total liabilities</b>	<b>1,157</b>	<b>1,009</b>	<b>765</b>	<b>846</b>	<b>912</b>
Minority interest	0	0	0	0	0
Preferred shares	0	0	0	0	0
Paid-up capital	348	348	347	347	347
Share premium	275	275	275	275	275
Warrants	0	0	0	0	0
Surplus	(60)	(65)	(65)	(65)	(65)
<b>Retained earnings</b>	<b>1,298</b>	<b>1,237</b>	<b>1,216</b>	<b>1,256</b>	<b>1,305</b>
Shareholders' equity	1,861	1,795	1,773	1,813	1,862
<b>Liabilities &amp; equity</b>	<b>3,018</b>	<b>2,804</b>	<b>2,538</b>	<b>2,659</b>	<b>2,774</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*No significant new  
investments in 2021-23*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	516	346	293	393	516
Tax paid	(98)	(140)	(34)	(88)	(91)
Depreciation & amortization	48	103	102	100	99
Chg In working capital	(515)	61	170	(79)	(72)
Chg In other CA & CL / minorities	(23)	60	7	(6)	(14)
<b>Cash flow from operations</b>	<b>(71)</b>	<b>430</b>	<b>538</b>	<b>319</b>	<b>437</b>
Capex	(31)	(29)	(30)	(25)	(20)
Right of use	0	(113)	(50)	(45)	(40)
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	(35)	42	(38)	(39)	(45)
<b>Cash flow from investments</b>	<b>(66)</b>	<b>(100)</b>	<b>(118)</b>	<b>(109)</b>	<b>(105)</b>
Debt financing	409	(6)	(163)	54	21
Capital increase	0	0	(1)	0	0
Dividends paid	(386)	(337)	(256)	(275)	(364)
Warrants & other surplus	(2)	(5)	0	0	0
<b>Cash flow from financing</b>	<b>21</b>	<b>(349)</b>	<b>(419)</b>	<b>(221)</b>	<b>(343)</b>
<b>Free cash flow</b>	<b>(103)</b>	<b>401</b>	<b>508</b>	<b>294</b>	<b>417</b>

## VALUATION

*Decent dividend yield*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	16.5	24.7	29.1	21.7	16.6
Normalized PE - at target price (x)	20.2	30.1	35.5	26.5	20.2
PE (x)	16.5	24.7	29.1	21.7	16.6
PE - at target price (x)	20.2	30.1	35.5	26.5	20.2
EV/EBITDA (x)	12.8	16.2	18.4	14.8	11.9
EV/EBITDA - at target price (x)	15.5	19.6	22.3	18.0	14.4
P/BV (x)	3.7	3.8	3.9	3.8	3.7
P/BV - at target price (x)	4.5	4.6	4.7	4.6	4.5
P/CFO (x)	(95.6)	15.9	12.7	21.4	15.6
Price/sales (x)	2.1	2.4	2.8	2.5	2.2
Dividend yield (%)	6.0	4.1	3.4	4.6	6.0
FCF Yield (%)	(1.5)	5.9	7.4	4.3	6.1
<b>(Bt)</b>					
Normalized EPS	1.2	0.8	0.7	0.9	1.2
EPS	1.2	0.8	0.7	0.9	1.2
DPS	1.2	0.8	0.7	0.9	1.2
BV/share	5.4	5.2	5.1	5.2	5.4
CFO/share	(0.2)	1.2	1.6	0.9	1.3
FCF/share	(0.3)	1.2	1.5	0.8	1.2

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

*We expect earnings growth to resume in 2022-23F*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth Rate</b>					
Sales (%)	6.1	(11.6)	(15.3)	13.8	13.9
Net profit (%)	14.3	(33.0)	(15.2)	34.0	31.3
EPS (%)	14.3	(33.0)	(15.2)	34.0	31.3
Normalized profit (%)	14.3	(33.0)	(15.2)	34.0	31.3
Normalized EPS (%)	14.3	(33.0)	(15.2)	34.0	31.3
Dividend payout ratio (%)	99.9	100.3	100.0	100.0	100.0
<b>Operating performance</b>					
Gross margin (%)	54.4	47.4	48.6	48.9	49.2
Operating margin (%)	15.5	11.7	11.4	13.5	15.7
EBITDA margin (%)	17.0	15.3	15.5	17.1	18.8
Net margin (%)	12.6	9.6	9.6	11.3	13.0
D/E (incl. minor) (x)	0.3	0.3	0.2	0.2	0.3
Net D/E (incl. minor) (x)	0.2	0.2	0.1	0.1	0.1
Interest coverage - EBIT (x)	61.1	37.3	39.0	50.9	54.1
Interest coverage - EBITDA (x)	66.9	48.6	53.2	64.3	64.8
ROA - using norm profit (%)	14.7	9.5	8.8	12.1	15.2
ROE - using norm profit (%)	22.4	15.1	13.2	17.5	22.5
<b>DuPont</b>					
ROE - using after tax profit (%)	22.4	15.1	13.2	17.5	22.5
- asset turnover (x)	1.2	1.0	0.9	1.1	1.2
- operating margin (%)	16.0	12.2	12.2	14.3	16.5
- leverage (x)	1.5	1.6	1.5	1.4	1.5
- interest burden (%)	98.4	97.4	97.6	98.2	98.2
- tax burden (%)	80.1	80.1	80.0	80.0	80.0
WACC (%)	7.4	7.4	7.4	7.4	7.4
ROIC (%)	25.0	12.4	10.5	15.5	19.5
NOPAT (Bt m)	408	271	223	301	399
invested capital (Bt m)	2,183	2,129	1,944	2,048	2,128

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

#### 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