Siam Global House (GLOBAL TB) - BUY, Price Bt20.60, TP Bt30.00

Results Comment

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Strong 3Q21, 3% above consensus

- 3Q21 net profit was Bt659m, up 45% y-y but down 32% q-q on seasonality effect, 5% above our estimates and 3% higher than consensus.
- Key drivers were 1) 19% y-y sales growth on +12.6% SSSG despite some store closure during partial lockdown and sales from six new branches opened over the past 12 months to 74 branches in Thailand as of 3Q21, 2) SG&A/sales falling to 15.5% (16.7% in 3Q20), 3) solid equity income growth to Bt17m (Bt7m in 3Q20) due to strong operations of Myanmar branches.
- However, gross margin was disappointing at 23.67%, fell 88bp y-y and 222bp q-q to 23.67% on rising product costs particularly the imported products from China (also the impact from weak Baht against CNY) while it just managed to adjust the selling prices from late Sep. Private-label sales mix was stable y-y and q-q at 21%.
- 9M21 net profit grew by 65% y-y and made up 81% of our 2021F. We need to fine tune our profit forecast to reflect lower-than-expected gross margin in 3Q21 but this is likely offset by better-than-expected sales, SG&A and equity income.
- Oct SSSG remained strong, in line with that in 3Q21 while gross margin in Oct also recovered closing to its new gross margin guidance of 25% for 2021F, up from 23.89% last year (9M21 = 25.07%).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	6,439	6,871	8,679	8,888	7,685
Gross profit	**1,581**	**1,501**	**2,210**	**2,301**	**1,819**
SG&A	1,076	1,213	1,121	1,250	1,192
Operating profit	505	287	1,089	1,052	627
EBITDA	**802**	**590**	**1,394**	**1,370**	**950**
Other income	118	172	150	180	213
Other expense	7	0	3	0	(0)
Interest expense	60	53	48	46	42
Profit before tax	**556**	**406**	**1,187**	**1,185**	**799**
Income tax	99	84	226	232	153
Equity & invest. income	7	4	10	20	17
Minority interests	(5)	(3)	(6)	(2)	(4)
Extraordinary items	(4)	0	0	0	(0)
Net profit	**456**	**323**	**966**	**972**	**659**
Normalized profit	**459**	**323**	**966**	**972**	**659**
EPS (Bt)	0.10	0.07	0.22	0.22	0.15
Normalized EPS (Bt)	0.10	0.07	0.22	0.22	0.15

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(14)	19	77	32,875	36,145
Gross profit	**(21)**	**15**	**75**	**8,392**	**9,360**
SG&A	(5)	11	73	4,898	5,133
Operating profit	(40)	24	79	3,493	4,228
EBITDA	**(31)**	**19**	**78**	**4,747**	**5,578**
Other income	18	80	83	657	723
Other expense	na	na	na	0	0
Interest expense	(9)	(31)	59	231	212
Profit before tax	**(33)**	**44**	**81**	**3,919**	**4,738**
Income tax	(34)	54	82	745	924
Equity & invest. income	(16)	133	120	40	44
Minority interests	na	na	57	(22)	(19)
Extraordinary items	na	na	na	0	0
Net profit	**(32)**	**45**	**81**	**3,193**	**3,839**
Normalized profit	**(32)**	**44**	**81**	**3,193**	**3,839**
EPS (Bt)	(32)	45	85	0.69	0.83
Normalized EPS (Bt)	(32)	44	85	0.69	0.83

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	1,528	1,224	1,887	1,141	622
A/C receivable	727	666	620	585	629
Inventory	14,113	14,287	14,159	13,951	15,434
Other current assets	10	7	11	13	25
Investment	834	838	898	919	936
Fixed assets	16,743	14,148	17,214	17,087	16,946
Other assets	1,857	4,850	1,912	1,913	1,930
Total assets	**35,814**	**36,020**	**36,700**	**35,608**	**36,523**
S-T debt	12,727	12,076	10,860	10,114	11,278
A/C payable	3,356	2,988	3,619	2,968	2,848
Other current liabilities	116	197	950	1,002	152
L-T debt	1,528	2,303	1,803	1,861	1,861
Other liabilities	1,222	1,242	1,260	1,283	1,306
Minority interest	242	233	249	257	276
Shareholders' equity	**16,624**	**16,981**	**17,960**	**18,124**	**18,802**
Working capital	11,485	11,965	11,160	11,568	13,215
Total debt	14,254	14,379	12,663	11,975	13,139
Net debt	**12,726**	**13,155**	**10,776**	**10,833**	**12,517**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(1.1)	2.1	19.3	42.9	19.3
Operating profit growth	34.0	(71.9)	51.0	78.9	24.3
EBITDA growth	30.9	(53.7)	40.1	56.0	18.5
Norm profit growth	4.9	(45.5)	56.8	92.0	43.6
Norm EPS growth	4.9	(45.5)	56.8	92.0	43.6
Gross margin	24.5	21.8	25.5	25.9	23.7
Operating margin	7.8	4.2	12.5	11.8	8.2
EBITDA margin	12.4	8.6	16.1	15.4	12.4
Norm net margin	7.1	4.7	11.1	10.9	8.6
D/E (x)	0.9	0.8	0.7	0.7	0.7
Net D/E (x)	0.8	0.8	0.6	0.6	0.7
Interest coverage (x)	13.3	11.2	28.9	29.9	22.8
Interest rate	1.7	1.5	1.4	1.5	1.3
Effective tax rate	17.8	20.6	19.0	19.5	19.1
ROA	6.0	4.2	11.2	11.3	7.8
ROE	11.2	7.7	22.1	21.6	14.3

Sources: Company data, Thanachart estimates

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