

BUY (Unchanged)

Change in Numbers

TP: Bt 18.50 (From: Bt 17.50)**Upside : 26.7%****24 NOVEMBER 2021**

Home Product Center (HMPRO TB)

Back to pre-pandemic level

With 10-15% same-store sales (SSS) growth QTD, HMPRO's sales are set to surpass pre-COVID levels in 2019 with record-high revenue in 4Q21F. We see HMPRO as a growth stock with earnings likely to post a record in 2022F and 19% 2021-24F EPS CAGR. As shares trade 22% below the 2019 peak, we reaffirm our BUY with a higher TP of Bt18.5.

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Faster-than-expected sales recovery

Post lockdown easing with all branches reopened from September, sales quickly rebounded and momentum is even stronger in 4QTD. In 4QTD, SSSG has been positive by 10-15% for both HomePro (+1% in 9M21) and Mega Home (+5% to 6% in 9M21). This implies sales are surpassing the 2019 pre-COVID level and we expect record-high sales revenues in 4Q21F. However, HomePro Malaysia (2% of sales) still has negative SSSG at -10% to -15% (-25% for 9M21) on the COVID impact.

Expanding customer base online

Apart from an in-store sales recovery, sales are also rising due to its online activities. From 21-25 October, HMPRO held the HomePro Super Expo at stores and online to replace its major event, HomePro Expo, normally held twice a year but which couldn't go ahead amid COVID-19. In November, its 11.11 campaign was well received with 30-40% online sales growth on that day. We believe online is the new normal for shopping with HMPRO attracting more impulse buying from Gen Y customers. E-commerce sales grew by 40% y-y to 7.1% of 9M21 sales, up from 5.2% in 9M20.

Earnings to hit a record high next year

As we expect 7% sales growth in 2022F on 5% SSSG and the gross margin widening by 35bps y-y to 25.92% (higher than 25.73% in 2019) backed by a higher private-label sales mix and scale benefits, we forecast record-high profit of Bt6.5bn next year, or 21% growth. Upside risk could come from rental income where the company expects rental rates to return to 2019 levels by mid-2022. As the current rate is still at a 20% discount to the 2019 level, we assume the rate returns to normal in the middle of 2023.

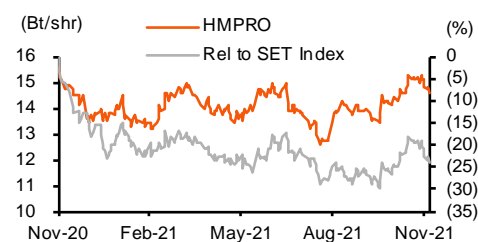
Raising our earnings and TP

We lift our earnings for 2021-32F by 6% p.a. on average as we assume higher SSSG (+10% in 4Q21F vs. -5% previously) and raise our DCF-based 12-month TP, using a 2022F base year, by 6% to Bt18.5 from Bt17.5. We maintain our BUY call on HMPRO as it is the market leader in the home-improvement segment where we expect demand to grow along with Thailand's urbanization rate of 52% at present while we anticipate growing spending on home modernization and people following the smart home trend. We view HMPRO as a growth stock and estimate record profit in 2022F with a 19% three-year EPS CAGR over 2021-24F. Valuation is not excessive, in our view, at 29.5x 2022F PE, falling to 24.7x in 2023F vs. its five-year pre-COVID-19 average of 29.5x. The current share price is also 22% below its peak price of Bt18.6 in 2019.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|-------------------|--------|--------|--------|--------|
| Sales | 59,874 | 62,997 | 67,869 | 73,246 |
| Net profit | 5,155 | 5,364 | 6,499 | 7,776 |
| Consensus NP | — | 5,280 | 6,234 | 7,057 |
| Diff frm cons (%) | — | 1.6 | 4.3 | 10.2 |
| Norm profit | 5,155 | 5,364 | 6,499 | 7,776 |
| Prev. Norm profit | — | 5,103 | 6,114 | 7,287 |
| Chg frm prev (%) | — | 5.1 | 6.3 | 6.7 |
| Norm EPS (Bt) | 0.4 | 0.4 | 0.5 | 0.6 |
| Norm EPS grw (%) | (16.5) | 4.1 | 21.2 | 19.6 |
| Norm PE (x) | 37.2 | 35.8 | 29.5 | 24.7 |
| EV/EBITDA (x) | 20.6 | 19.1 | 16.6 | 14.4 |
| P/BV (x) | 8.9 | 8.7 | 8.1 | 7.4 |
| Div yield (%) | 2.1 | 2.2 | 2.7 | 3.2 |
| ROE (%) | 24.1 | 24.6 | 28.4 | 31.4 |
| Net D/E (%) | 46.8 | 38.0 | 33.7 | 21.8 |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|----------------------|
| Price as of 24-Nov-21 (Bt) | 14.60 |
| Market Cap (US\$ m) | 5,759.8 |
| Listed Shares (m shares) | 13,151.2 |
| Free Float (%) | 40.8 |
| Avg Daily Turnover (US\$ m) | 10.8 |
| 12M Price H/L (Bt) | 15.60/12.60 |
| Sector | Commerce |
| Major Shareholder | Land & Houses 30.23% |

Sources: Bloomberg, Company data, Thanachart estimates

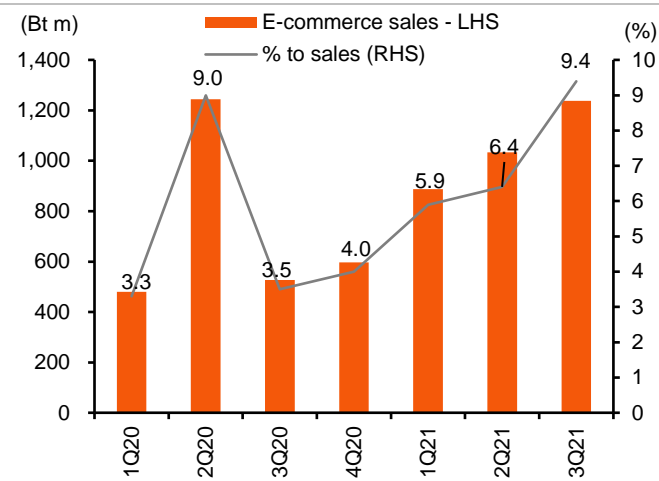


Ex 1: Key Assumption Changes

| | 2021F | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F |
|---------------------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| SSSG (%) | | | | | | | | | | | | |
| New | 3.3 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Old | (2.7) | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Normalized profit (Bt m) | | | | | | | | | | | | |
| New | 5,364 | 6,499 | 7,776 | 9,080 | 10,445 | 11,787 | 13,349 | 15,025 | 16,857 | 18,823 | 20,848 | 22,877 |
| Old | 5,103 | 6,114 | 7,287 | 8,534 | 9,845 | 11,118 | 12,612 | 14,217 | 15,972 | 17,855 | 19,797 | 21,747 |
| Change (%) | 5.1 | 6.3 | 6.7 | 6.4 | 6.1 | 6.0 | 5.8 | 5.7 | 5.5 | 5.4 | 5.3 | 5.2 |

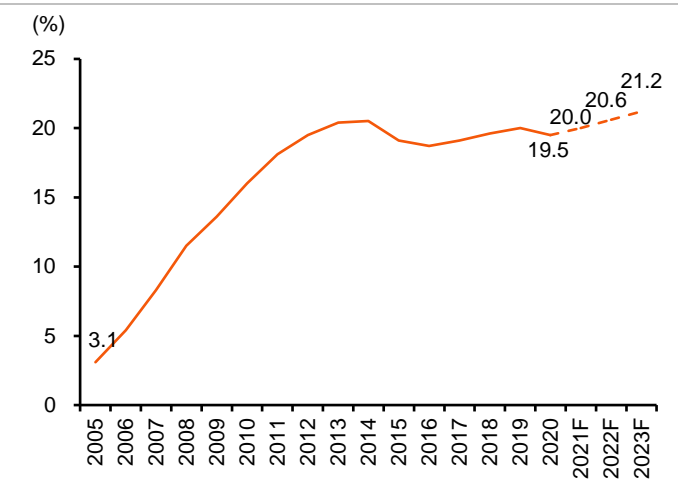
Source: Thanachart estimates

Ex 2: E-commerce Sales Mix



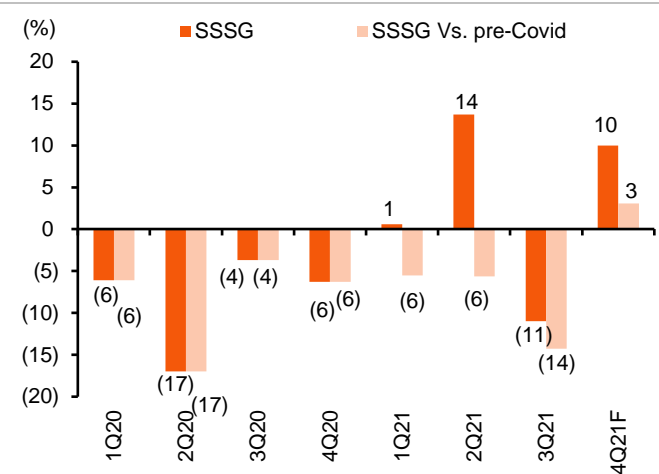
Source: Company data

Ex 3: Private Label Sales Mix



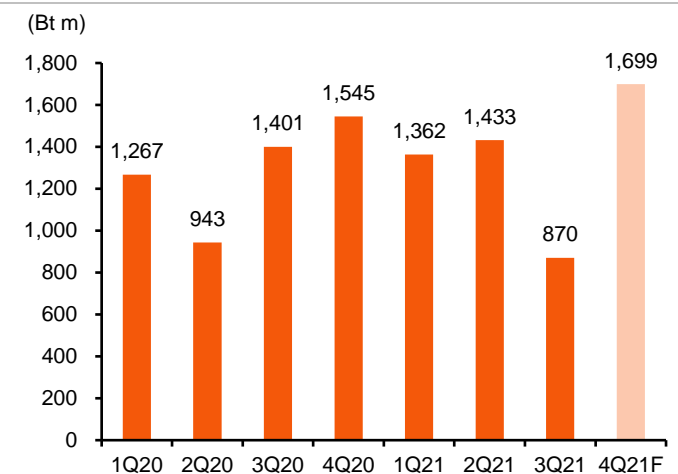
Sources: Company data, Thanachart estimates

Ex 4: Quarterly SSSG



Sources: Company data, Thanachart estimates

Ex 5: Quarterly Net Profit



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 | 11,722 | 13,429 | 15,117 | 16,858 | 18,742 | 20,738 | 22,865 | 25,167 | 27,657 | 30,194 | 32,687 | |
| Free cash flow | 5,527 | 8,612 | 10,909 | 12,108 | 13,633 | 15,249 | 16,967 | 18,825 | 20,832 | 23,855 | 25,822 | 385,694 |
| PV of free cash flow | 5,512 | 7,403 | 8,692 | 8,943 | 9,130 | 9,425 | 9,677 | 9,909 | 10,121 | 10,696 | 10,177 | 152,005 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 0.8 | | | | | | | | | | | |
| WACC (%) | 7.9 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Enterprise value - add | 251,691 | | | | | | | | | | | |
| Net debt | 8,353 | | | | | | | | | | | |
| Minority interest | 0 | | | | | | | | | | | |
| Equity value | 243,338 | | | | | | | | | | | |
| # of shares (m) | 13,151 | | | | | | | | | | | |
| Equity value/share (Bt) | 18.50 | | | | | | | | | | | |

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 (x) | 22F (x) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (%) | 22F (%) |
| Marks & Spencer | MKS LN | Britain | (86.7) | na | 101.3 | 11.3 | 1.3 | 1.8 | 9.8 | 6.5 | 0.0 | 0.4 |
| J Sainsbury PLC | SBRY LN | Britain | (44.4) | 99.1 | 24.2 | 12.1 | 0.8 | 0.9 | 6.4 | 5.6 | 5.5 | 4.4 |
| Tesco | TSCO LN | Britain | (53.0) | 102.0 | 25.0 | 12.4 | 1.2 | 1.5 | 8.9 | 7.2 | 3.2 | 4.0 |
| Carrefour SA | CA FP | France | 13.8 | 14.5 | 11.3 | 9.8 | 1.3 | 1.1 | 6.4 | 6.0 | 3.5 | 4.0 |
| Casino Guichard | CO FP | France | 14.0 | 22.8 | 11.5 | 9.3 | 0.7 | 0.7 | 7.2 | 6.9 | 5.1 | 5.5 |
| L'Oreal SA | OR FP | France | 21.6 | 10.4 | 46.8 | 42.4 | 7.4 | 6.9 | 28.6 | 26.3 | 1.1 | 1.2 |
| Alimentation Couche | ATD/B CN | Canada | 22.7 | 2.0 | 21.4 | 21.0 | 4.7 | 4.3 | 10.0 | 9.9 | 0.6 | 0.7 |
| Aeon | 8267 JP | Japan | na | na | na | 88.6 | 2.3 | 2.4 | 9.9 | 8.5 | 1.3 | 1.3 |
| Kao Corporation | 4452 JP | Japan | (0.9) | 11.1 | 23.6 | 21.3 | 3.1 | 2.9 | 11.8 | 10.9 | 2.3 | 2.5 |
| Lion Corporation | 4912 JP | Japan | (26.0) | 3.3 | 23.1 | 22.4 | 2.1 | 1.9 | 10.3 | 9.7 | 1.4 | 1.4 |
| Shiseido Co. Ltd | 4911 JP | Japan | na | 38.3 | 66.4 | 48.0 | 5.4 | 5.1 | 25.8 | 17.8 | 0.7 | 0.8 |
| Lawson | 2651 JP | Japan | (56.6) | 99.0 | 65.2 | 32.8 | 2.2 | 2.2 | 5.3 | 4.7 | 2.6 | 2.6 |
| Seven & I Holdings | 3382 JP | Japan | (25.7) | 30.5 | 26.7 | 20.5 | 1.6 | 1.5 | 10.2 | 8.4 | 2.1 | 2.1 |
| Lotte Corp | 004990 KS | South Korea | na | (4.3) | 8.0 | 8.3 | 0.3 | 0.3 | 9.6 | 9.5 | 3.1 | 3.1 |
| Shinsegae | 004170 KS | South Korea | na | 8.9 | 8.1 | 7.5 | 0.6 | 0.5 | 7.4 | 6.9 | 0.8 | 0.9 |
| Amore Pacific Group | 002790 KS | South Korea | na | (8.2) | 18.3 | 19.9 | 1.2 | 1.2 | 6.1 | 5.3 | 0.8 | 0.7 |
| Best Buy Co Inc | BBY US | USA | 26.8 | (5.3) | 12.1 | 12.8 | 7.3 | 7.3 | 6.8 | 7.1 | 1.8 | 2.3 |
| Wal-Mart Stores | WMT US | USA | 14.8 | 5.3 | 22.7 | 21.6 | 4.8 | 4.4 | 11.9 | 11.5 | 1.5 | 1.5 |
| Home Depot Inc | HD US | USA | 29.2 | 5.3 | 26.3 | 25.0 | 562.5 | na | 18.1 | 17.5 | 1.5 | 1.6 |
| Yonghui Superstores | 601933 CH | China | na | na | na | 50.9 | 2.2 | 2.1 | 158.7 | 25.0 | 1.4 | 0.5 |
| Sa International | 178 HK | Hong Kong | na | na | na | na | 4.0 | 5.2 | na | na | 0.0 | 0.0 |
| Dairy Farm Intl Hldgs | DFI SP | Hong Kong | (40.2) | 88.5 | 30.8 | 16.3 | 3.5 | 3.3 | 12.5 | 14.3 | 2.9 | 4.5 |
| President Chain Store | 2912 TT | Taiwan | (11.2) | 25.6 | 32.7 | 26.1 | 9.0 | 7.8 | 12.4 | 11.9 | 2.8 | 3.3 |
| 7-Eleven Malaysia | SEM MK | Malaysia | (20.8) | 63.2 | 39.5 | 24.2 | 19.5 | 20.5 | 9.8 | 8.3 | 1.9 | 2.9 |
| Berli Jucker * | BJC TB | Thailand | (0.5) | 25.7 | 36.9 | 29.4 | 1.2 | 1.2 | 14.4 | 13.9 | 1.4 | 1.7 |
| COM7 * | COM7 TB | Thailand | 44.3 | 39.6 | 46.3 | 33.2 | 21.5 | 18.0 | 30.8 | 23.0 | 1.7 | 2.5 |
| CP All * | CPALL TB | Thailand | (37.9) | 84.8 | 61.1 | 33.1 | 5.6 | 5.1 | 17.6 | 14.9 | 0.8 | 1.5 |
| Central Pattana * | CPN TB | Thailand | (49.9) | 163.1 | 96.2 | 36.6 | 3.4 | 3.2 | 23.6 | 16.4 | 0.9 | 1.4 |
| Central Retail Corp. * | CRC TB | Thailand | na | na | na | 51.7 | 4.3 | 4.0 | 15.5 | 11.1 | 0.0 | 0.8 |
| Siam Global House * | GLOBAL TB | Thailand | 62.8 | 20.1 | 29.1 | 24.2 | 4.8 | 4.3 | 22.2 | 18.6 | 1.4 | 1.7 |
| Home Product* | HMPRO TB | Thailand | 4.1 | 21.2 | 35.8 | 29.5 | 8.7 | 8.1 | 19.1 | 16.6 | 2.2 | 2.7 |
| Siam Makro * | MAKRO TB | Thailand | (5.0) | 16.4 | 41.2 | 35.4 | 1.7 | 1.6 | 27.2 | 42.5 | 1.0 | 2.3 |
| Mc Group * | MC TB** | Thailand | (11.5) | 32.0 | 18.5 | 14.0 | 2.0 | 2.0 | 7.7 | 6.8 | 5.5 | 7.2 |
| Average | | | (8.7) | 36.2 | 34.8 | 26.6 | 21.3 | 4.2 | 18.2 | 12.8 | 1.9 | 2.2 |

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 24 November 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 87 HomePro stores nationwide, seven Malaysia branches, seven 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



Rating Scale

| | |
|------------------|----------|
| Excellent | 5 |
| Good | 4 |
| Fair | 3 |
| Weak | 2 |
| Very Weak | 1 |
| None | 0 |

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) | 16.21 | 18.50 | 14% |
| Net profit 21F (Bt m) | 5,280 | 5,364 | 2% |
| Net profit 22F (Bt m) | 6,234 | 6,499 | 4% |
| Consensus REC | BUY: 20 | HOLD: 5 | SELL: 2 |

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit for 2021-22F are 2-4% above the Street's, which we attribute to us having higher SSSG assumptions.
- Our DCF-based TP is 14% above the Bloomberg consensus number, likely because we have more aggressive long-term assumptions for gross margins 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 | 62,997 | 67,869 | 73,246 |
| Cost of sales | 47,470 | 44,152 | 46,347 | 49,466 | 53,022 |
| Gross profit | 17,783 | 15,722 | 16,650 | 18,403 | 20,224 |
| % gross margin | 27.3% | 26.3% | 26.4% | 27.1% | 27.6% |
| Selling & administration expenses | 11,927 | 10,957 | 11,525 | 12,103 | 12,589 |
| Operating profit | 7,977 | 6,641 | 7,041 | 8,398 | 9,936 |
| % operating margin | 12.2% | 11.1% | 11.2% | 12.4% | 13.6% |
| Depreciation & amortization | 2,942 | 3,182 | 3,424 | 3,627 | 3,797 |
| EBITDA | 10,919 | 9,822 | 10,465 | 12,025 | 13,733 |
| % EBITDA margin | 16.7% | 16.4% | 16.6% | 17.7% | 18.7% |
| Non-operating income | 2,171 | 1,891 | 1,916 | 2,098 | 2,301 |
| Non-operating expenses | (18) | (8) | 0 | 0 | 0 |
| Interest expense | (405) | (459) | (418) | (374) | (336) |
| Pre-tax profit | 7,604 | 6,190 | 6,623 | 8,024 | 9,600 |
| Income tax | 1,427 | 1,035 | 1,258 | 1,525 | 1,824 |
| After-tax profit | 6,177 | 5,155 | 5,364 | 6,499 | 7,776 |
| % net margin | 9.5% | 8.6% | 8.5% | 9.6% | 10.6% |
| Shares in affiliates' Earnings | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| NET PROFIT | 6,177 | 5,155 | 5,364 | 6,499 | 7,776 |
| Normalized profit | 6,177 | 5,155 | 5,364 | 6,499 | 7,776 |
| 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 19% CAGR over 2021-24F

BALANCE SHEET

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| ASSETS: | | | | | |
| Current assets: | 15,690 | 15,828 | 16,027 | 17,054 | 17,899 |
| Cash & cash equivalent | 2,860 | 3,283 | 3,389 | 3,542 | 3,598 |
| Account receivables | 1,912 | 1,769 | 1,899 | 2,045 | 2,007 |
| Inventories | 10,421 | 10,345 | 10,285 | 10,977 | 11,767 |
| Others | 496 | 432 | 454 | 489 | 528 |
| Investments & loans | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 35,707 | 28,741 | 29,514 | 30,891 | 30,648 |
| Other assets | 652 | 11,521 | 11,812 | 11,964 | 12,161 |
| Total assets | 52,049 | 56,091 | 57,353 | 59,909 | 60,709 |
| LIABILITIES: | | | | | |
| Current liabilities: | 22,289 | 20,610 | 21,341 | 22,401 | 22,596 |
| Account payables | 14,069 | 13,050 | 13,968 | 14,908 | 15,979 |
| Bank overdraft & ST loans | 281 | 1,249 | 587 | 578 | 462 |
| Current LT debt | 6,020 | 4,075 | 4,462 | 4,390 | 3,508 |
| Others current liabilities | 1,919 | 2,236 | 2,325 | 2,525 | 2,647 |
| Total LT debt | 7,072 | 8,056 | 6,693 | 6,586 | 5,263 |
| Others LT liabilities | 1,550 | 5,860 | 7,330 | 7,180 | 7,041 |
| Total liabilities | 30,911 | 34,526 | 35,364 | 36,166 | 34,900 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Preferred 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) |
| Retained earnings | 7,402 | 7,824 | 8,248 | 10,002 | 12,068 |
| Shareholders' equity | 21,138 | 21,565 | 21,989 | 23,743 | 25,809 |
| Liabilities & equity | 52,049 | 56,091 | 57,353 | 59,909 | 60,709 |

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Earnings before tax | 7,604 | 6,190 | 6,623 | 8,024 | 9,600 |
| Tax paid | (1,404) | (998) | (1,271) | (1,455) | (1,784) |
| Depreciation & amortization | 2,942 | 3,182 | 3,424 | 3,627 | 3,797 |
| Chg In working capital | (391) | (799) | 847 | 101 | 321 |
| Chg In other CA & CL / minorities | (312) | 267 | 22 | 45 | (3) |
| Cash flow from operations | 8,439 | 7,842 | 9,645 | 10,341 | 11,931 |
| Capex | (3,254) | 3,784 | (3,900) | (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) | 1,245 | (539) | (578) |
| Cash flow from investments | (2,985) | (2,699) | (2,961) | (5,255) | (3,844) |
| Debt financing | (3,879) | 7 | (1,638) | (188) | (2,321) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (4,866) | (4,076) | (4,118) | (4,746) | (5,710) |
| Warrants & other surplus | (0) | 5 | (822) | 0 | 0 |
| Cash flow from financing | (8,746) | (4,064) | (6,578) | (4,934) | (8,031) |
| Free cash flow | 5,186 | 11,627 | 5,745 | 5,641 | 8,681 |

Substantial capex to fund HomePro, Mega Home and HomePro Malaysia

VALUATION

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Normalized PE (x) | 31.1 | 37.2 | 35.8 | 29.5 | 24.7 |
| Normalized PE - at target price (x) | 39.4 | 47.2 | 45.4 | 37.4 | 31.3 |
| PE (x) | 31.1 | 37.2 | 35.8 | 29.5 | 24.7 |
| PE - at target price (x) | 39.4 | 47.2 | 45.4 | 37.4 | 31.3 |
| EV/EBITDA (x) | 18.5 | 20.6 | 19.1 | 16.6 | 14.4 |
| EV/EBITDA - at target price (x) | 23.2 | 25.8 | 24.0 | 20.9 | 18.1 |
| P/BV (x) | 9.1 | 8.9 | 8.7 | 8.1 | 7.4 |
| P/BV - at target price (x) | 11.5 | 11.3 | 11.1 | 10.2 | 9.4 |
| P/CFO (x) | 22.8 | 24.5 | 19.9 | 18.6 | 16.1 |
| Price/sales (x) | 2.9 | 3.2 | 3.0 | 2.8 | 2.6 |
| Dividend yield (%) | 2.6 | 2.1 | 2.2 | 2.7 | 3.2 |
| FCF Yield (%) | 2.7 | 6.1 | 3.0 | 2.9 | 4.5 |
| (Bt) | | | | | |
| 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 | 0.5 |
| BV/share | 1.6 | 1.6 | 1.7 | 1.8 | 2.0 |
| CFO/share | 0.6 | 0.6 | 0.7 | 0.8 | 0.9 |
| FCF/share | 0.4 | 0.9 | 0.4 | 0.4 | 0.7 |

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

| | FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|--|----------------------------------|--------|--------|--------|--------|--------|
| Growth Rate | | | | | | |
| | Sales (%) | 2.1 | (8.2) | 5.2 | 7.7 | 7.9 |
| <i>We expect strong EPS growth to resume from 2022F after COVID-19</i> | Net profit (%) | 10.0 | (16.5) | 4.1 | 21.2 | 19.6 |
| | EPS (%) | 10.0 | (16.5) | 4.1 | 21.2 | 19.6 |
| | Normalized profit (%) | 10.0 | (16.5) | 4.1 | 21.2 | 19.6 |
| | Normalized EPS (%) | 10.0 | (16.5) | 4.1 | 21.2 | 19.6 |
| | Dividend payout ratio (%) | 80.9 | 76.5 | 80.0 | 80.0 | 80.0 |
| Operating performance | | | | | | |
| <i>We expect gross margins to continue to trend upward...</i> | Gross margin (%) | 27.3 | 26.3 | 26.4 | 27.1 | 27.6 |
| | Operating margin (%) | 12.2 | 11.1 | 11.2 | 12.4 | 13.6 |
| | EBITDA margin (%) | 16.7 | 16.4 | 16.6 | 17.7 | 18.7 |
| | Net margin (%) | 9.5 | 8.6 | 8.5 | 9.6 | 10.6 |
| <i>...and view this as one of HMPRO's key earnings-growth drivers</i> | 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 | 0.3 | 0.2 |
| | Interest coverage - EBIT (x) | 19.7 | 14.5 | 16.8 | 22.4 | 29.5 |
| | Interest coverage - EBITDA (x) | 26.9 | 21.4 | 25.0 | 32.1 | 40.8 |
| | ROA - using norm profit (%) | 11.6 | 9.5 | 9.5 | 11.1 | 12.9 |
| | ROE - using norm profit (%) | 30.1 | 24.1 | 24.6 | 28.4 | 31.4 |
| DuPont | | | | | | |
| <i>Best ROE among big-box retailers, on our estimates</i> | ROE - using after tax profit (%) | 30.1 | 24.1 | 24.6 | 28.4 | 31.4 |
| | - asset turnover (x) | 1.2 | 1.1 | 1.1 | 1.2 | 1.2 |
| | - operating margin (%) | 12.3 | 11.1 | 11.2 | 12.4 | 13.6 |
| | - leverage (x) | 2.6 | 2.5 | 2.6 | 2.6 | 2.4 |
| | - interest burden (%) | 94.9 | 93.1 | 94.1 | 95.5 | 96.6 |
| | - 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 | 18.0 | 22.4 | 25.3 |
| | NOPAT (Bt m) | 6,480 | 5,530 | 5,703 | 6,803 | 8,048 |
| | invested capital (Bt m) | 31,651 | 31,662 | 30,342 | 31,755 | 31,444 |

Sources: Company data, Thanachart estimates

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