Sabina Pcl (SABINA TB) - BUY, Price Bt19.40, TP Bt24.00

Results Comment

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Weak 3Q21, but higher-than-expected

- SABINA reported Bt55m net profit in 3Q21, down 36% y-y and 12% q-q. This was higher than our earnings forecast but it was in line with the Street's forecast. The beat items were stronger margin and lower SG&A to sales expenses.
- SABINA's sales declined by 33% y-y and 14% q-q to Bt541m due to the third COVID wave. With the lockdown of 29 dark-red zone provinces, SABINA's offline sales decreased by 52% y-y and 30% q-q in 3Q21. Meanwhile, online sales increased by 25% y-y and 22% q-q. Sabina export decreased by 56% y-y and 59% q-q but OEM increased by 2% y-y and 12% q-q in 3Q21.
- SABINA's gross margin increased to 50.4% in 3Q21 from 47.1% in 3Q20 and 49.3% in 2Q21. One price campaign allowed SABINA to earn a higher margin than a percentage price reduction. On the manufacturing side, SABINA also resumed its more profitable underwear production than fabric mask production in 3Q20.
- 9M21 earnings accounted for 84% of our full-year forecast. With improving COVID situation, the easing of lockdown and Thailand's reopening, we see SABINA's operation should be stronger in 4Q21F and 2022F. Together with its current share price already reflected its weak 3Q21 earnings, we maintain BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	809	758	665	626	541
Gross profit	**381**	**381**	**317**	**309**	**273**
SG&A	277	292	224	237	208
Operating profit	103	89	93	72	65
EBITDA	**124**	**116**	**114**	**93**	**83**
Other income	6	(1)	7	7	6
Other expense	0	0	0	0	0
Interest expense	2	2	1	1	1
Profit before tax	**107**	**87**	**99**	**78**	**70**
Income tax	22	16	20	15	15
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**86**	**70**	**78**	**63**	**55**
Normalized profit	**86**	**70**	**78**	**63**	**55**
EPS (Bt)	0.25	0.20	0.23	0.18	0.16
Normalized EPS (Bt)	0.25	0.20	0.23	0.18	0.16

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(14)	(33)	75	2,453	2,793
Gross profit	**(12)**	**(28)**	**75**	**1,192**	**1,365**
SG&A	(12)	(25)	73	912	988
Operating profit	(9)	(37)	82	279	377
EBITDA	**(11)**	**(33)**	**76**	**381**	**476**
Other income	(17)	(2)	98	21	24
Other expense			na	0	0
Interest expense	6	(39)	52	7	7
Profit before tax	**(10)**	**(35)**	**84**	**293**	**393**
Income tax	(3)	(32)	86	59	79
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**(12)**	**(36)**	**84**	**235**	**314**
Normalized profit	**(12)**	**(36)**	**84**	**235**	**314**
EPS (Bt)	(12)	(36)	84	0.68	0.91
Normalized EPS (Bt)	(12)	(36)	84	0.68	0.91

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	52	63	49	52	70
A/C receivable	440	436	423	399	372
Inventory	1,453	1,404	1,331	1,337	1,367
Other current assets	236	260	304	306	217
Investment	0	0	0	0	0
Fixed assets	270	268	261	259	246
Other assets	345	374	348	320	328
Total assets	**2,797**	**2,804**	**2,716**	**2,673**	**2,600**
S-T debt	660	559	456	470	480
A/C payable	225	213	160	174	157
Other current liabilities	28	81	52	45	70
L-T debt	0	0	0	0	0
Other liabilities	160	156	161	166	177
Minority interest	0	0	0	0	0
Shareholders' equity	**1,723**	**1,795**	**1,886**	**1,818**	**1,717**
Working capital	1,667	1,628	1,593	1,562	1,582
Total debt	660	559	456	470	480
Net debt	**608**	**496**	**407**	**417**	**409**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(4.3)	(5.6)	(1.1)	(5.0)	(33.1)
Operating profit growth	(29.9)	(26.4)	13.3	10.7	(37.0)
EBITDA growth	(22.2)	(12.7)	0.4	4.9	(33.0)
Norm profit growth	(26.4)	(27.4)	11.3	24.3	(35.7)
Norm EPS growth	(26.4)	(27.4)	11.3	24.3	(35.7)
Gross margin	47.1	50.3	47.6	49.3	50.4
Operating margin	12.7	11.7	14.0	11.5	12.0
EBITDA margin	15.3	15.3	17.1	14.9	15.3
Norm net margin	10.6	9.3	11.8	10.0	10.2
D/E (x)	0.4	0.3	0.2	0.3	0.3
Net D/E (x)	0.4	0.3	0.2	0.2	0.2
Interest coverage (x)	62.6	59.3	82.1	81.5	68.7
Interest rate	1.1	1.3	1.1	1.0	1.0
Effective tax rate	20.1	18.9	20.7	19.6	21.1
ROA	12.0	10.0	11.4	9.3	8.4
ROE	19.7	16.0	17.0	13.5	12.5

Sources: Company data, Thanachart estimates

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