

BUY (Unchanged)

Change in Numbers

TP: Bt 25.00

Upside : 25.0%

(From: Bt 24.00)

26 NOVEMBER 2021

Small Cap Research

Sabina Pcl. (SABINA TB)

The re-entry point

SABINA's stronger-than-expected 3Q21 earnings bolster our view on its earnings turnaround trend. We lift our earnings by 15/6/3% in 2021-23F. With offline sales recovering from September onwards, 26% EPS growth p.a. in 2022-23F and trading at -1 STD PE, we see a clear re-entry point into this stock. Reaffirm BUY with a new TP of Bt25.0.

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Raising our earnings; BUY

We raise our earnings for SABINA by 15/6/3% in 2021-23F to reflect stronger-than-expected gross margin. Our 12-month DCF-based TP (2022F base year) is lifted to Bt25.0 from Bt24.0. We maintain our BUY rating on SABINA. *First*, we believe 3Q21 was the bottom quarter as its store retailing (offline) sales had already started to recover from September after the easing of the country lockdown. *Second*, we project strong earnings growth of 24/28% in 2022-23F vs. -33/-3% in 2020-21F. *Third*, dividend yields look decent at 3.9/ 4.8% in 2021-22F. *Fourth*, at -1 STD PE, SABINA is also trading at the bottom of its five-year historical PE band.

Sales recovering

The lockdown of 29 “dark-red zone” provinces in July and August hit SABINA's offline sales hard in those two months due to those provinces' sales accounting for 65% of its total offline sales. However, after its stores reopened in early September, its offline sales in the month rebounded to c.70% of the normal level and the sales trend has been stronger in October and November. Meanwhile, non-store retailing (online) sales and OEM exports have remained strong. Given the exit of smaller-brand and non-brand rivals during the COVID crisis, the increasing accessibility of the Sabina brand in the mass online market, and rising consumption as COVID-19 subsides; we estimate SABINA's total sales growth at 13% p.a. in 2022-23 vs. a 15% drop in 2021.

Expanding margin

SABINA's net margin declined to a bottom last year of 9.6% due to weak ladies underwear sales and a rising sales portion of low-margin fabric masks. Although its top line remains weak this year, a higher sales portion of high-margin ladies underwear, a rising sales portion in the high-margin online channel, effective marketing strategies and improving overall sales in 2022-23F, lead us to estimate net margin to fatten to 10.9%, 12.0% and 13.5% in 2021-23F. Thanks to SABINA's business strategy of gearing toward the online channel, we project its online sales portion to increase from 19.2% in 2020 to 25.2%, 26.1% and 27.6% in 2021-23F.

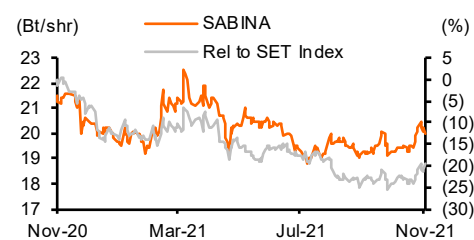
Improving 4Q21F earnings

We estimate SABINA's 4Q21F earnings to rise 4% y-y and 30% q-q to Bt73m. Its y-y earnings growth should be driven by rising gross margin and falling SG&A to sales. Meanwhile, we expect strong q-q earnings growth due to 1) improving sales mainly from the offline channel after the easing of the lockdown, and 2) operating margin widening from 12.0% in 3Q21 to 13.8% in 4Q21F on the back of economies of scale and rising cost management efficiency.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	2,898	2,473	2,794	3,169
Net profit	277	269	334	426
Consensus NP	—	267	335	422
Diff frm cons (%)	—	0.7	(0.3)	1.1
Norm profit	277	269	334	426
Prev. Norm profit	—	235	314	413
Chg frm prev (%)	—	14.6	6.3	3.3
Norm EPS (Bt)	0.8	0.8	1.0	1.2
Norm EPS grw (%)	(33.0)	(2.9)	24.3	27.6
Norm PE (x)	25.1	25.8	20.8	16.3
EV/EBITDA (x)	16.5	17.0	14.4	11.8
P/BV (x)	3.9	3.9	3.8	3.7
Div yield (%)	4.0	3.9	4.8	6.1
ROE (%)	15.1	15.0	18.5	23.1
Net D/E (%)	18.6	11.1	14.0	15.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 26-Nov-21 (Bt)	20.00
Market Cap (US\$ m)	206.9
Listed Shares (m shares)	347.5
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	0.4
12M Price H/L (Bt)	22.50/18.80
Sector	Fashion
Major Shareholder	Thanalongkorn Family 52.42%

Sources: Bloomberg, Company data, Thanachart estimates

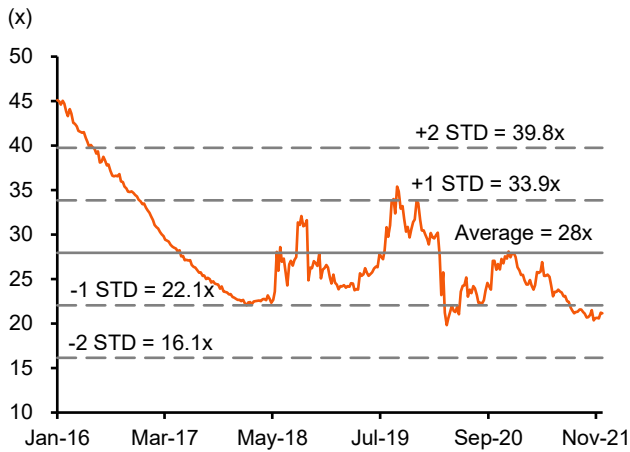


Ex 1: Changes In Key Assumptions And Earnings Revisions

	2019	2020	2021F	2022F	2023F	2024F
Gross margin (%)						
- New	54.4	47.4	49.6	50.1	50.7	51.0
- Old			48.6	48.9	49.2	49.5
- Change (pp)			1.0	1.3	1.4	1.5
Normalized profit (Bt m)						
- New	413	277	269	334	426	509
- Old			235	314	413	498
- Change (%)			14.6	6.3	3.3	2.1

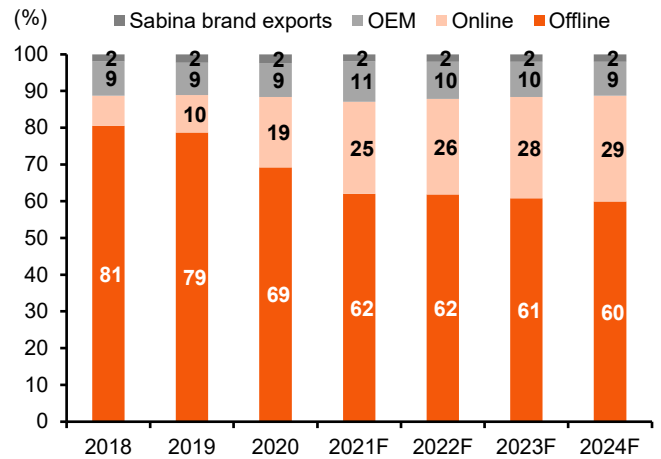
Sources: Company data, Thanachart estimates

Ex 2: SABINA'S PE Band Chart



Sources: Company data, Bloomberg, Thanachart estimates

Ex 3: SABINA'S Sales Breakdown By Distribution Channel



Sources: Company data, Thanachart estimates

Ex 4: New Product "Sabina Fong D"



Source: Company data

Ex 5: New "Mad Moiselle" Collection



Source: Company data

Ex 6: One Price Campaign



Source: Company data

Ex 7: Online Sales Promotion



Source: Company data

Ex 8: 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	453	568	669	747	801	829	844	859	874	891	908	—
Free cash flow	306	402	536	578	583	641	669	681	693	707	721	11,532
PV of free cash flow	305	348	432	426	398	406	392	370	349	316	297	4,758
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.4											
Terminal growth (%)	2.0											
Enterprise value - add investments	8,801											
Net debt (end 2021F)	199											
Minority interest	0											
Equity value	8,602											
# of shares (m)	347											
Equity value / share (Bt)	25.00											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 9: 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	20.1	27.3	22.7	4.5	na	17.8	15.1	0.2	0.4
Page Industries Ltd	PAG IN	India	na	na	na	na	na	na	na	na	na	0.7
Wacoal Holdings Corp	3591 JP	Japan	na	473.3	115.5	20.1	0.6	0.6	18.0	8.1	2.0	2.5
PVH Corp	PVH US	US	na	na	na	13.6	1.7	1.6	40.4	8.3	0.0	0.1
Triumph Group Inc	TGI US	US	na	na	na	26.6	na	na	19.0	14.9	0.0	0.0
Hanesbrands Inc	HBI US	US	34.4	3.3	9.4	9.1	7.5	5.1	8.4	8.0	3.1	3.2
L Brands Inc	LB US	US	46.3	39.3	na	na	na	na	na	na	na	na
Sabina Pcl *	SABINA TB	Thailand	(2.9)	24.3	25.8	20.8	3.9	3.8	17.0	14.4	3.9	4.8
Average			26.0	112.1	44.5	18.8	3.7	2.8	20.1	11.5	1.5	1.7

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

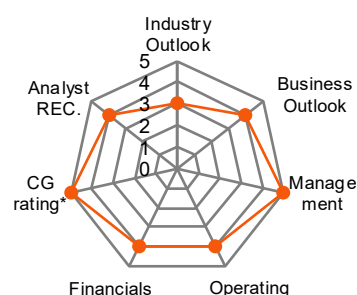
Based on 26-Nov-2021 closing prices

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

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

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
Target price (Bt)	23.93	25.00	4%
Net profit 21F (Bt m)	267	269	1%
Net profit 22F (Bt m)	335	334	0%
Consensus REC	BUY: 5	HOLD: 0	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and DCF-based TP are in line with the Bloomberg consensus numbers.

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

Improving sales in 2022-23F after COVID-19 subsides

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	3,280	2,898	2,473	2,794	3,169
Cost of sales	1,494	1,525	1,247	1,393	1,563
Gross profit	1,786	1,373	1,226	1,401	1,606
% gross margin	54.4%	47.4%	49.6%	50.1%	50.7%
Selling & administration expenses	1,276	1,034	908	1,001	1,091
Operating profit	509	339	318	399	515
% operating margin	15.5%	11.7%	12.8%	14.3%	16.2%
Depreciation & amortization	48	103	102	100	99
EBITDA	558	442	420	499	614
% EBITDA margin	17.0%	15.3%	17.0%	17.9%	19.4%
Non-operating income	15	16	23	24	25
Non-operating expenses	0	0	0	0	0
Interest expense	(8)	(9)	(5)	(6)	(7)
Pre-tax profit	516	346	336	418	533
Income tax	103	69	67	84	107
After-tax profit	413	277	269	334	426
% net margin	12.6%	9.6%	10.9%	12.0%	13.5%
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	413	277	269	334	426
Normalized profit	413	277	269	334	426
EPS (Bt)	1.2	0.8	0.8	1.0	1.2
Normalized EPS (Bt)	1.2	0.8	0.8	1.0	1.2

BALANCE SHEET

Strong balance sheet

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	2,407	2,163	1,980	2,066	2,159
Cash & cash equivalent	243	225	225	215	205
Account receivables	492	436	373	421	477
Inventories	1,564	1,404	1,299	1,336	1,370
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	326	358	392
Total assets	3,018	2,804	2,565	2,664	2,769
LIABILITIES:					
Current liabilities:	1,035	853	693	753	805
Account payables	367	213	171	191	214
Bank overdraft & ST loans	565	559	424	470	489
Current LT debt	0	0	0	0	0
Others current liabilities	103	81	98	92	102
Total LT debt	0	0	0	0	0
Others LT liabilities	122	156	81	88	94
Total liabilities	1,157	1,009	774	841	899
Minority interest	0	0	0	0	0
Preferreds 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)
Retained earnings	1,298	1,237	1,233	1,266	1,312
Shareholders' equity	1,861	1,795	1,790	1,823	1,870
Liabilities & equity	3,018	2,804	2,565	2,664	2,769

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

*No significant new
investments in 2022-23*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	516	346	336	418	533
Tax paid	(98)	(140)	(43)	(94)	(95)
Depreciation & amortization	48	103	102	100	99
Chg In working capital	(515)	61	127	(65)	(68)
Chg In other CA & CL / minorities	(23)	60	6	(6)	(14)
Cash flow from operations	(71)	430	528	352	455
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	(40)	(37)	(43)
Cash flow from investments	(66)	(100)	(120)	(107)	(103)
Debt financing	409	(6)	(134)	46	18
Capital increase	0	0	(1)	0	0
Dividends paid	(386)	(337)	(273)	(301)	(380)
Warrants & other surplus	(2)	(5)	0	0	0
Cash flow from financing	21	(349)	(408)	(255)	(361)
Free cash flow	(103)	401	498	327	435

VALUATION

*Inexpensive valuation in
our view*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	16.8	25.1	25.8	20.8	16.3
Normalized PE - at target price (x)	21.0	31.3	32.3	26.0	20.4
PE (x)	16.8	25.1	25.8	20.8	16.3
PE - at target price (x)	21.0	31.3	32.3	26.0	20.4
EV/EBITDA (x)	13.0	16.5	17.0	14.4	11.8
EV/EBITDA - at target price (x)	16.1	20.4	21.1	17.9	14.6
P/BV (x)	3.7	3.9	3.9	3.8	3.7
P/BV - at target price (x)	4.7	4.8	4.8	4.8	4.6
P/CFO (x)	(97.1)	16.1	13.1	19.7	15.3
Price/sales (x)	2.1	2.4	2.8	2.5	2.2
Dividend yield (%)	6.0	4.0	3.9	4.8	6.1
FCF Yield (%)	(1.5)	5.8	7.2	4.7	6.3
(Bt)					
Normalized EPS	1.2	0.8	0.8	1.0	1.2
EPS	1.2	0.8	0.8	1.0	1.2
DPS	1.2	0.8	0.8	1.0	1.2
BV/share	5.4	5.2	5.2	5.3	5.4
CFO/share	(0.2)	1.2	1.5	1.0	1.3
FCF/share	(0.3)	1.2	1.4	0.9	1.3

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

Earnings growth bounces back in 2022F due to an offline sales recovery

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	6.1	(11.6)	(14.7)	12.9	13.4
Net profit (%)	14.3	(33.0)	(2.9)	24.3	27.6
EPS (%)	14.3	(33.0)	(2.9)	24.3	27.6
Normalized profit (%)	14.3	(33.0)	(2.9)	24.3	27.6
Normalized EPS (%)	14.3	(33.0)	(2.9)	24.3	27.6
Dividend payout ratio (%)	99.9	100.3	99.9	99.9	99.9
Operating performance					
Gross margin (%)	54.4	47.4	49.6	50.1	50.7
Operating margin (%)	15.5	11.7	12.8	14.3	16.2
EBITDA margin (%)	17.0	15.3	17.0	17.9	19.4
Net margin (%)	12.6	9.6	10.9	12.0	13.5
D/E (incl. minor) (x)	0.3	0.3	0.2	0.3	0.3
Net D/E (incl. minor) (x)	0.2	0.2	0.1	0.1	0.2
Interest coverage - EBIT (x)	61.1	37.3	64.6	71.4	71.6
Interest coverage - EBITDA (x)	66.9	48.6	85.4	89.3	85.3
ROA - using norm profit (%)	14.7	9.5	10.0	12.8	15.7
ROE - using norm profit (%)	22.4	15.1	15.0	18.5	23.1
DuPont					
ROE - using after tax profit (%)	22.4	15.1	15.0	18.5	23.1
- asset turnover (x)	1.2	1.0	0.9	1.1	1.2
- operating margin (%)	16.0	12.2	13.8	15.1	17.0
- leverage (x)	1.5	1.6	1.5	1.4	1.5
- interest burden (%)	98.4	97.4	98.6	98.7	98.7
- 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	11.9	16.1	19.8
NOPAT (Bt m)	408	271	254	319	412
invested capital (Bt m)	2,183	2,129	1,990	2,079	2,154

Sources: Company data, Thanachart estimates

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