

BUY (Unchanged)

Change in Numbers

TP: Bt 30.00

Upside : 39.5%

(Unchanged)

10 MARCH 2022

Small Cap Research

Siam Global House Pcl (GLOBAL TB)

On a solid growth path

As a provincial home-improvement retailer gaining market share from traditional players with plenty of room for expansion in secondary districts upcountry, GLOBAL is firming up its plans for growth outside home in Southeast Asian countries. As an undervalued growth stock, we reaffirm our BUY call as a top sector pick.

**PHANNARAI TIYPITTAYARUT**

662-779-9109

phannarai.von@thanachartsec.co.th

Remains a top sector pick

After a 4Q beat on surprisingly high gross margin and equity income from Myanmar and Laos, we lift our earnings by an average of 4% p.a. in 2022-32F, factoring in our higher SG&A/sales assumptions as GLOBAL resumes aggressive store openings this year (seven domestic branches, one in Cambodia and expenses from preparations to launch its first Philippines branch next year). Incorporating a stock dividend payment, our DCF-based 12-month TP (2022F base year) is unchanged at Bt30. We reaffirm our BUY on GLOBAL as a top sector pick given that it's a growth stock in the underpenetrated modern-trade home-improvement segment in Thailand and Southeast Asia. While growth is not decelerating and record profits are continuing, its 26.6x 2022F PE looks undemanding vs. its 32.6x five-year historical average PE in 2017-21 and the 32.0x sector average.

Private labels driving gross margin

Amid fears of a gross margin hit from steel prices peaking in 3Q21, 4Q21 gross margin was high at 25.47%, above the 25.07% in 9M21. The main reason was sales of private-label goods rising to 23% in 4Q21 from 21% in 9M21. With the setting-up of a subsidiary in China in 3Q21 to procure private labels and the first lot likely to hit the shelves from late 1Q22F, GLOBAL's house-brand sales mix should rise to 23.5% in 2022F and reach 30% in 2029F as management believes 50% of its decorative goods can be private-label goods (sales mix is 40% construction materials: 60% decoratives). Note that every 1% increase in private-label sales mix would drive gross margin up by 26pp.

Stronger overseas profit

Last year, GLOBAL had exposure to the home-improvement business in three countries abroad – one branch in Cambodia (55% owned), eight in Myanmar (15%) and six in Laos (17%). In February 2022, its 50:50 JV with SCG raised its stake by 9.25% to 22% in listed home-improvement retailer "Depo Bangunan" in Indonesia (10 stores), passing the ownership threshold to book equity income (GLOBAL indirectly holds 11%). With its first greenfield Philippines branch due to open in 2023, GLOBAL will have presence in five Southeast Asian countries where modern-trade penetration is still low. We project overseas profit to contribute 3.8%/4.3%/5.1% in 2022-24F, up from 3.2% in 2021.

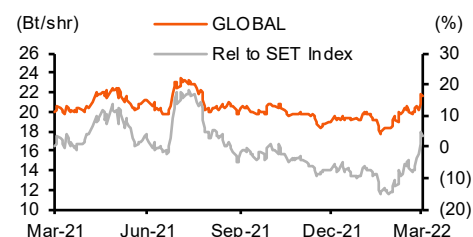
Safe from inflation and rising commodity prices

While GLOBAL can raise product prices to reflect higher product costs and pass on rising logistics cost to vendors, the Russia-Ukraine war has pushed up steel prices, which is positive to SSSG and gross margin given its 15-20% steel sales mix. In January-February, sales momentum was strong with 8% SSSG.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	33,498	36,894	41,077	46,001
Net profit	3,344	3,882	4,717	5,729
Consensus NP	—	3,517	3,968	4,586
Diff frm cons (%)	—	10.4	18.9	24.9
Norm profit	3,344	3,882	4,717	5,729
Prev. Norm profit	—	3,799	4,580	5,503
Chg frm prev (%)	—	2.2	3.0	4.1
Norm EPS (Bt)	0.7	0.8	1.0	1.2
Norm EPS grw (%)	70.5	15.9	21.4	21.5
Norm PE (x)	30.8	26.6	21.9	18.0
EV/EBITDA (x)	23.8	21.1	17.4	14.2
P/BV (x)	5.3	4.6	4.1	3.6
Div yield (%)	1.1	1.5	1.8	2.2
ROE (%)	18.3	18.6	19.8	21.1
Net D/E (%)	67.9	51.3	41.2	27.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 10-Mar-22 (Bt)	21.50
Market Cap (US\$ m)	2,993.7
Listed Shares (m shares)	4,601.7
Free Float (%)	32.1
Avg Daily Turnover (US\$ m)	7.7
12M Price H/L (Bt)	23.38/17.63
Sector	Commerce
Major Shareholder	SCG Distribution Co.,Ltd 32.27%

Sources: Bloomberg, Company data, Thanachart estimates



Remains a top sector pick

Lifting earnings after 4Q21 beat, but TP stays the same on stock dividend payment

Following a surprise 4Q21 profit beat on higher-than-expected gross margin from a jump in sales of private brands and equity income from investment in home-improvement retailers in Myanmar and Laos, we boost our earnings estimates by an average of 4% p.a. in 2022-32F as we also factor in our higher SG&A/sales assumptions since Siam Global House Pcl's (GLOBAL) aggressive branch expansion program resumed this year, with its plan for seven new branches in Thailand and one in Cambodia. There will also be expenses from preparations for the opening of its first store in the Philippines scheduled for next year. Incorporating the dilution impact from a stock dividend payment at 23:1, our DCF-based 12-month TP (2022F base year) is unchanged at Bt30/share.

As an undervalued growth stock, we reaffirm BUY as one of our top sector picks

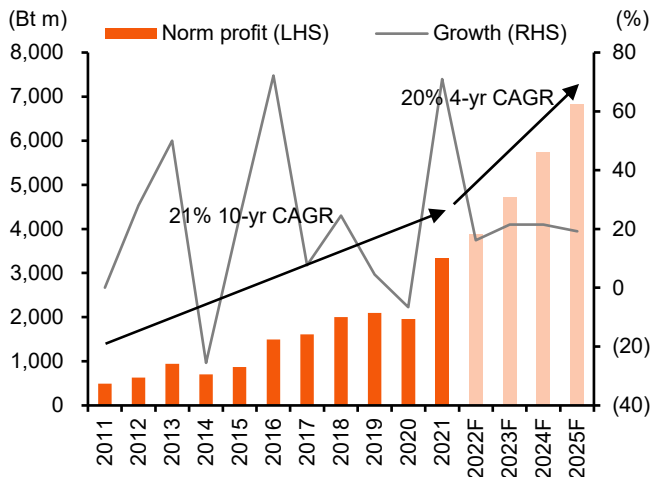
We reaffirm our BUY rating on GLOBAL as one of our top sector picks, in addition to COM7 Pcl (COM7 TB, BUY, Bt83.50) as a growth stock in the underpenetrated modern-trade home-improvement segment in Thailand and its growing international exposure via investments in home-improvement retailers in Southeast Asia. While growth is not slowing down with a 20% four-year EPS CAGR in 2022-25F and the company continuing to deliver record profits, its 26.6x 2022F PE looks undemanding to us, below the 32.0x sector average and trading at 1STD below its five-year historical average PE of 32.6x in 2017-21.

Ex 1: Key Assumption Changes

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
SSSG (%)											
New	5.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Old	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
New stores - Thailand (unchanged)	7	7	7	7	7	7	7	7	7	7	0
Store number (YE) - Thailand (unchanged)	82	89	96	103	110	117	124	131	138	145	145
Gross margin (%)											
New	25.4	25.8	26.3	26.8	27.2	27.7	28.1	28.6	28.8	29.0	29.2
Old	25.1	25.5	26.0	26.4	26.9	27.4	27.8	28.3	28.7	28.9	29.1
House-brand sales mix (%)											
New	23.5	24.5	25.5	26.5	27.5	28.5	29.5	30.5	30.5	30.5	30.5
Old	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0	30.0	30.0
SG&A/sales (%)											
New	14.2	13.5	12.8	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.9
Old	14.0	13.3	12.6	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6
Equity income (Bt m)											
New	116	131	146	161	175	188	202	217	232	249	263
Old	67	74	81	89	97	105	113	123	132	140	146
Overseas profit (Bt m)											
Cambodia, Philippines (55%)	33	71	148	209	229	249	269	291	310	330	348
Equity income (Laos, Myanmar, Indonesia)	116	131	146	161	175	188	202	217	232	249	263
Overseas profit contribution (%)	3.8	4.3	5.1	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2
Normalized profit (Bt m)											
New	3,882	4,717	5,729	6,828	7,768	8,782	9,877	11,071	12,223	13,463	14,422
Old	3,799	4,580	5,503	6,504	7,368	8,349	9,392	10,541	11,801	12,802	13,656
Change (%)	2	3	4	5	5	5	5	5	4	5	6

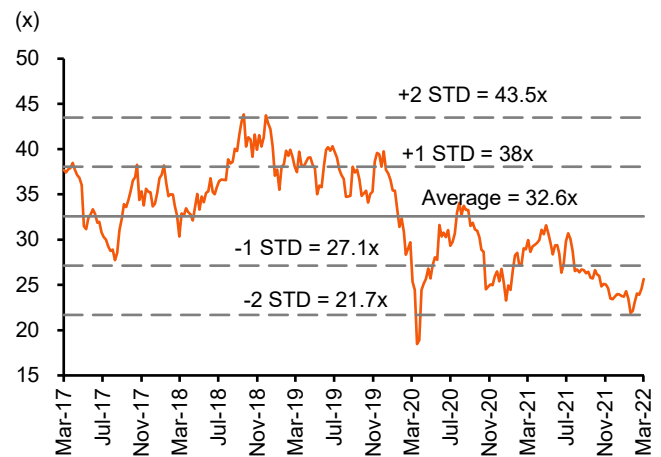
Source: Thanachart estimates

Ex 2: Delivering Record Profit



Sources: Company data, Thanachart estimates

Ex 3: GLOBAL's PE Band



Source: Bloomberg

Private labels driving gross margin

Jump in house-brand sales mix to 23% drove margin to a surprise high in 4Q21

Gross margin in 4Q21 came in surprisingly high at 25.47%, above the 25.07% recorded in 9M21, while the market had expected it to come down after steel prices reached a peak in 3Q21. The key driver was its private-label sales mix rising to 23% in 4Q21, increasing y-y and q-q from 21% in 9M21. Note that with no steel price benefit given the steel price decline in 2019-20, gross margin widened significantly by 169pp and 131pp, boosted by an increase in sales of private-label products from 16% of sales in 2018 to 18% in 2019 and 19.5% in 2020. Store renovations which were fully completed in 2019 and expansion into smaller districts in the provinces have supported growing private-label SKUs. During the COVID pandemic in 2020-21, GLOBAL opened nine stores upcountry to give it 75 branches in Thailand. From this year, it plans to resume seven new branch openings/year.

We project the house-brand sales mix to reach 30% by 2029F

Among the private labels, 90% are imported products from China. The rest are from many countries such as Vietnam, Taiwan, Indonesia, Malaysia, India and the US while some are locally sourced. In 3Q21, GLOBAL established a subsidiary in China to procure more private labels and the first lot should hit the shelves from late 1Q22F. We expect the house-brand sales mix to rise to 23.5% in 2022F (from 21.5% in 2021) before reaching 30% in 2029F as management believes 50% of its decorative goods can be private-label items (the sales mix is 40% construction materials: 60% decorative items). We estimate that every 1% increase in the private-label sales mix would drive up gross margin by 26pp. Assuming declining steel prices this year and gross margin on steel getting back to the 2020 level, we forecast a slight margin improvement of 21pp this year to 25.38%.

Ex 4: House-Brand Goods



House Brand Products Over 10,000 Items

Quality, You Can Touch



Source: Company data

Ex 5: Private Label Brands

Knob, Hinge and Door Accessories			
Kitchen Ware			
Hardware and Tools			
Furniture			
Ceramic		Roof	
Chemical			

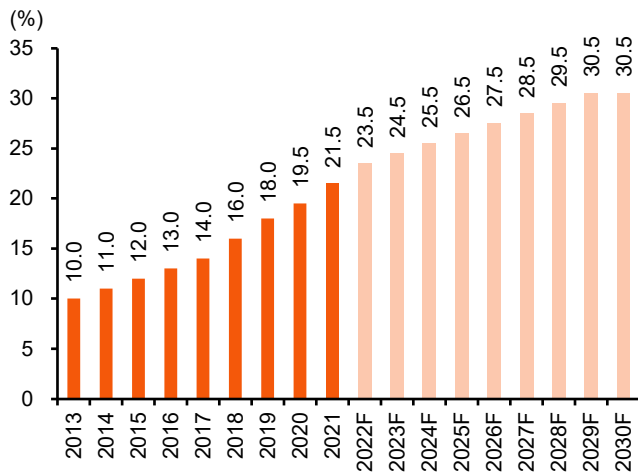
Source: Company data

Ex 6: Private Label Brands

Electric Appliance									
Sanitary Ware									
Door, Window and Floor					Cleaning				
Home and Garden									
Construction Material			The Vehicle			Fitness Equipment			

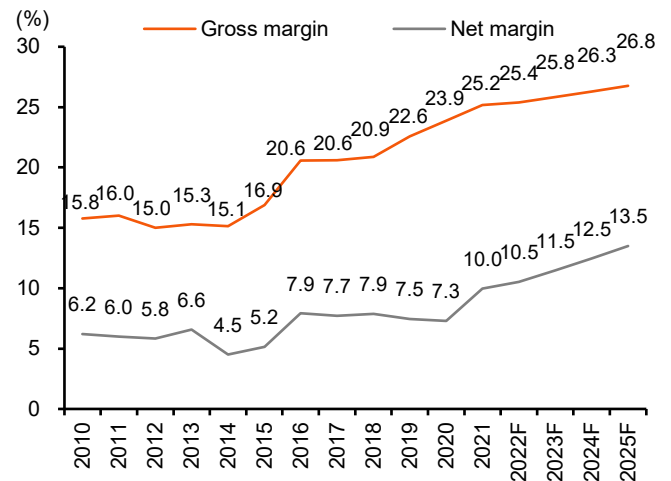
Source: Company data

Ex 7: Private-Label Sales Mix



Sources: Company data, Thanachart estimates

Ex 8: Gross Margin Expansion



Sources: Company data, Thanachart estimates

Stronger overseas profit

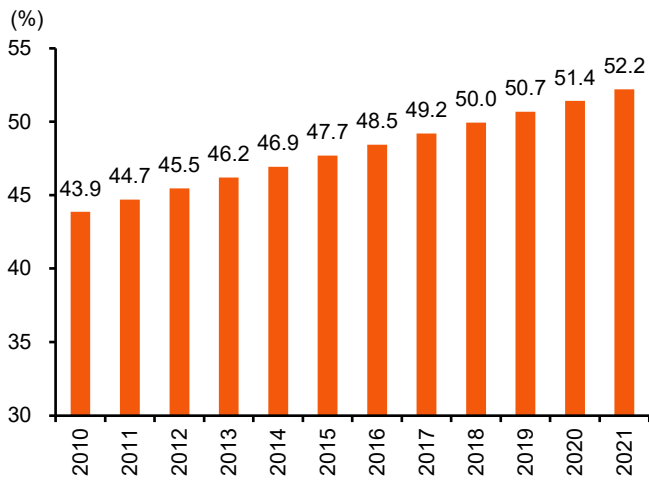
GLOBAL announced a plan to enter the Philippines and Indonesia in 4Q21

Pursuing its vision to become a regional player, GLOBAL announced two important steps to enter the Philippines and Indonesian home-improvement markets. In 4Q21, it established a company (55% owned) with a local partner, Filipino Business Alliance, to launch GLOBAL stores in the Philippines with the first branch targeted to open in 2023. Later, it disclosed a subscription to the IPO shares of a listed home-improvement retailer in Indonesia, Depo Bangunan, for a 12.75% stake through its 50:50 JV, Global House International Co Ltd (GHI), with SCG Distribution Co Ltd, in which it indirectly holds a 6.38% stake. Before this, GLOBAL had exposure to the home-improvement business in three countries – one GLOBAL branch in Cambodia (55% owned) and investments in home-improvement retailers in Myanmar and Laos, i.e., PRO1 Global Home Center with eight branches in Myanmar (15% indirect holding) and Souvanny Home Center with six stores in Laos (17% indirect holding).

We project its overseas business contribution to rise to 5.1% of 2024F profit

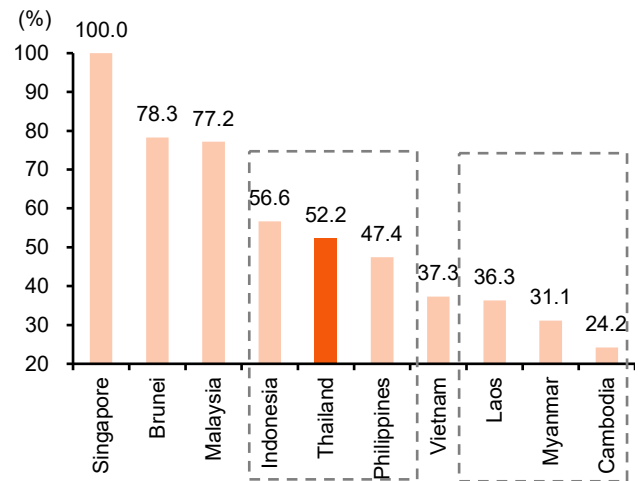
In February this year, GHI acquired a 9.25% additional stake in Depo Bangunan with 10 branches in Indonesia to bring its holding to 22%, which passed the ownership threshold to book equity income (GLOBAL indirectly holds 11%). By next year with the first branch in the Philippines scheduled to open, GLOBAL will have presence in five Southeast Asian countries where modern-trade penetration is still low. We estimate overseas profit to contribute 3.8%/4.3%/5.1% in 2022-24F, up from 3.2% in 2021.

Ex 9: Thailand's Urbanization



Source: www.statista.com

Ex 10: Urbanization In Southeast Asia



Source: www.statista.com

Ex 11: Global House – Phnom Penh (Cambodia)



Source: Company data

Ex 12: Inside The Store (Cambodia)



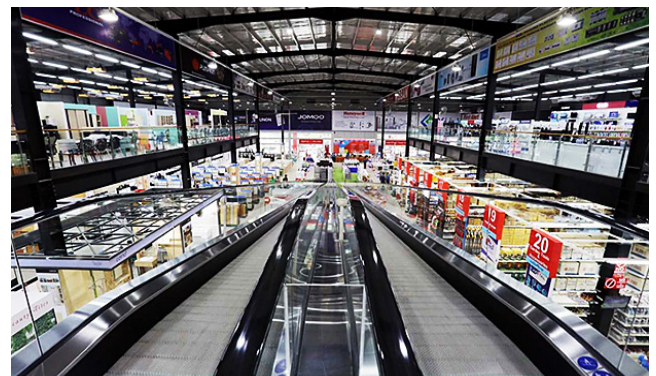
Source: Company data

Ex 13: PRO1 Global Home Center (Myanmar)



Source: Company data

Ex 14: Inside The Store (Myanmar)



Source: Company data

Ex 15: Souvanny Home Center (Laos)

Source: Company data

Ex 16: Inside The Store (Laos)

Source: Company data

Ex 17: Depo Bangunan (Indonesia)

Source: Company data

Ex 18: Inside The Store (Indonesia)

Source: Company data

Safe from inflation and rising commodity prices

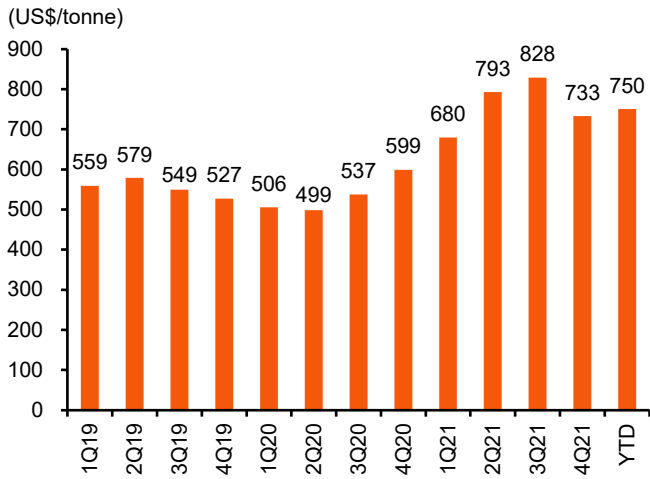
Inflation safety from ability to adjust selling prices

Higher logistics costs can be passed on to vendors

Steel price rise benefits SSSG and gross margin

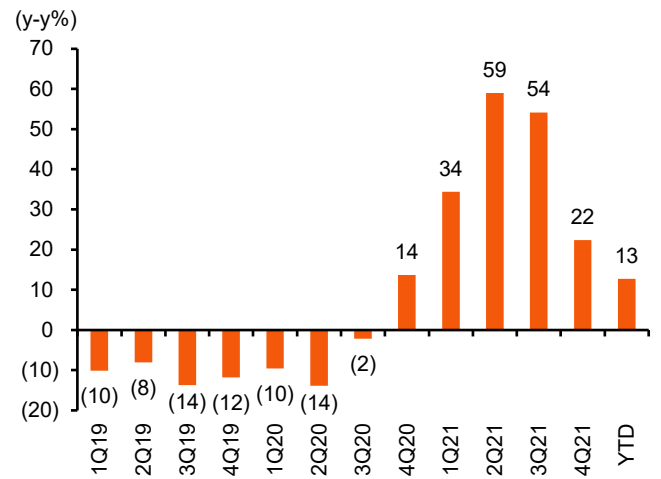
Amid the rising inflation environment, GLOBAL as a retailer of building materials and home decorative products can pass on higher product costs of manufacturers by raising selling prices. As for rising logistics costs it can pass these on to vendors/suppliers by negotiating for higher distribution center charges. The current Russia-Ukraine conflict has pushed up prices of commodities, including steel. The upward steel price trend is positive for GLOBAL's SSSG and gross margin given its 15-20% steel sales mix. YTD (1 January – 7 March 2022), steel prices have increased by 13% y-y and they are 2% higher than in 4Q21. Same-store sales have surpassed the pre-COVID level since 1Q21 because of resilient home-improvement demand and its market share gains over provincial traditional players. The strong momentum has continued into this year with 8% SSSG in January and February, or 14% above pre-COVID sales.

Ex 19: Steel Price



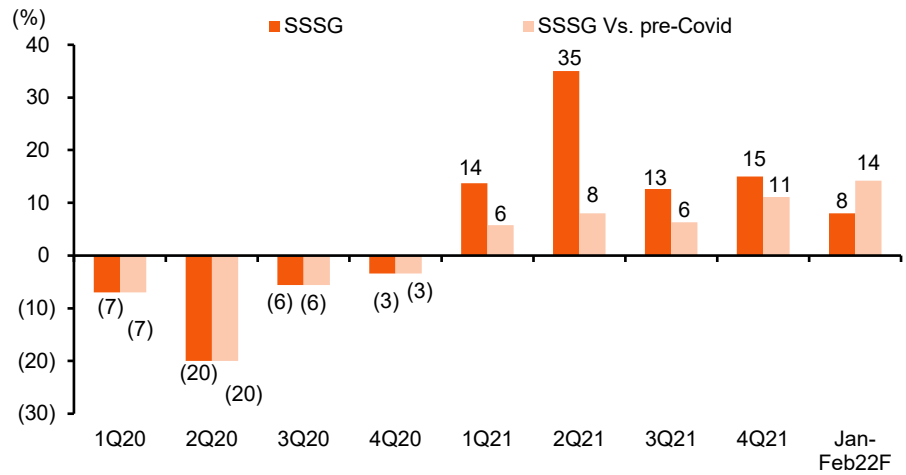
Source: Bloomberg

Ex 20: Steel Price Change



Sources: Bloomberg, Thanachart

Ex 21: SSSG Surpassing Pre-COVID Level



Sources: Company data, Thanachart estimates

Ex 22: 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	2033F	Terminal value
EBITDA	5,377	6,459	7,751	9,083	10,173	11,362	12,656	14,064	15,400	16,836	17,910	18,736	
Free cash flow	3,186	2,942	4,727	7,400	8,811	7,803	8,915	10,121	11,227	12,458	15,176	16,193	253,730
PV of free cash flow	3,177	2,543	3,798	5,526	6,117	4,906	5,187	5,451	5,596	5,748	6,479	6,075	95,182
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.9												
WACC (%)	7.6												
Terminal growth (%)	2.0												
Enterprise value - add investments	157,785.0												
Net debt (2021)	13,477.7												
Minority interest	275.2												
Equity value	144,032.1												
# of shares (m)	4,801.8												
Equity value / share (Bt)	30.00												

Investment: (Bt m)

Land @ Muang Thong Thani 2,000

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 23: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)
Marks & Spencer	MKS LN	Britain	na	(11.4)	6.9	7.8	1.1	1.1	5.0	5.2	0.0	0.4
J Sainsbury PLC	SBRY LN	Britain	109.1	0.0	10.0	10.0	0.8	0.7	5.1	5.1	6.3	5.2
Tesco	TSCO LN	Britain	111.8	1.4	11.6	11.5	1.5	1.4	7.0	7.0	3.2	4.2
Carrefour SA	CA FP	France	20.1	12.9	10.3	9.2	1.2	1.1	5.7	5.3	3.1	3.5
Casino Guichard	CO FP	France	30.0	28.7	8.3	6.4	0.5	0.5	6.6	6.2	4.3	3.1
L'Oreal SA	OR FP	France	14.5	9.3	34.7	31.7	7.2	6.4	21.9	20.4	1.3	1.5
Alimentation Couche	ATD/B CN	Canada	3.4	(0.0)	na	na	na	na	9.2	9.5	na	na
Aeon	8267 JP	Japan	na	115.4	160.3	74.4	2.4	2.3	8.9	8.2	1.4	1.4
Kao Corporation	4452 JP	Japan	2.3	10.8	18.5	16.7	2.3	2.2	9.0	8.4	3.0	3.1
Lion Corporation	4912 JP	Japan	(7.3)	6.3	20.4	19.2	1.5	1.4	7.7	7.1	1.7	1.7
Shiseido Co. Ltd	4911 JP	Japan	44.4	54.0	45.3	29.4	4.2	3.8	15.6	12.2	0.9	1.3
Lawson	2651 JP	Japan	102.2	27.3	26.7	20.9	1.8	1.7	3.9	3.7	3.1	3.1
Seven & I Holdings	3382 JP	Japan	36.9	33.6	22.1	16.6	1.7	1.6	8.7	7.4	1.8	1.9
Lotte Corp	004990 KS	South Korea	17.7	29.1	8.7	6.8	0.4	0.3	9.3	9.3	3.6	4.1
Shinsegae	004170 KS	South Korea	8.1	20.0	8.0	6.7	0.6	0.6	7.2	6.8	0.7	0.8
Amore Pacific Group	002790 KS	South Korea	(24.7)	11.2	24.3	21.8	1.3	1.3	5.9	5.0	1.0	1.0
Best Buy Co Inc	BBY US	USA	(9.9)	19.6	11.3	9.4	8.1	7.6	6.3	5.7	2.2	2.8
Wal-Mart Stores	WMT US	USA	6.0	7.4	20.5	19.1	4.4	3.9	11.1	10.6	1.5	1.6
Home Depot Inc	HD US	USA	4.4	6.4	19.5	18.4	na	na	14.0	13.6	1.9	2.1
Yonghui Superstores	601933 CH	China	na	119.1	77.4	35.3	2.1	1.9	24.9	17.2	1.6	0.8
Sa International	178 HK	Hong Kong	na	na	na	29.3	3.7	3.5	na	14.4	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	40.8	37.7	18.2	13.2	2.7	2.5	13.9	9.9	3.6	4.6
President Chain Store	2912 TT	Taiwan	23.5	8.1	24.9	23.0	7.3	6.9	11.6	11.4	2.9	3.4
7-Eleven Malaysia	SEM MK	Malaysia	129.6	9.7	23.5	21.5	14.6	12.9	7.7	7.9	1.8	2.7
Berli Jucker *	BJC TB	Thailand	25.7	9.5	28.3	25.9	1.2	1.1	13.6	13.0	1.8	1.9
COM7 *	COM7 TB	Thailand	37.8	22.2	30.0	24.5	17.6	15.1	21.2	17.6	2.7	3.5
CP All *	CPALL TB	Thailand	84.8	43.0	34.6	24.2	5.3	4.7	15.4	13.0	1.4	2.1
Central Pattana *	CPN TB	Thailand	163.1	43.7	35.7	24.9	3.1	2.9	16.1	13.5	1.4	1.9
Central Retail Corp. *	CRC TB	Thailand	na	55.3	53.4	34.4	4.2	3.9	11.4	9.9	0.7	1.2
Siam Global House *	GLOBAL TB	Thailand	15.9	21.4	26.6	21.9	4.6	4.1	21.1	17.4	1.5	1.8
Home Product*	HMPRO TB	Thailand	21.1	20.0	32.7	27.3	9.1	8.3	18.4	16.0	2.4	2.9
Siam Makro *	MAKRO TB	Thailand	16.4	38.6	32.3	23.3	1.5	1.5	39.0	34.7	2.5	3.4
Mc Group *	MC TB**	Thailand	9.6	25.0	14.7	11.7	2.0	2.0	5.2	4.5	6.8	8.5
Average			37.1	26.1	29.0	21.1	3.9	3.5	12.1	10.8	2.3	2.5

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

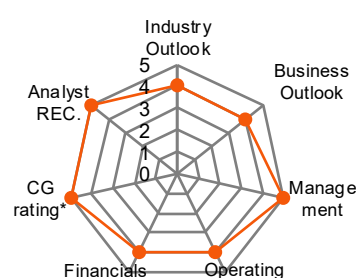
Based on 10 March 2022 closing price

COMPANY DESCRIPTION

Siam Global House (GLOBAL) is one of the leaders among modern-trade operators in the home-improvement segment under the brand “Global House”. GLOBAL has 75 stores located upcountry in Thailand and one store in Cambodia (55%). It has also invested abroad in the home-improvement business in Myanmar (15% indirect holding), Laos (17% indirect holding) and Indonesia (11% indirect holding).

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

- GLOBAL is a pure provincial play and we expect it to benefit fully from the growing upcountry economy.
- GLOBAL's executives have many years of experience in the home-improvement segment.
- After Siam Cement's (SCC TB, Bt377.00, BUY) investment in GLOBAL in November 2012, we believe the company is a much stronger player, both operationally and financially.

O — Opportunity

- A change in consumer lifestyles to shop at modern-trade stores rather than at traditional stores.
- We see a faster and less risky growth path after SCC's stake purchase in GLOBAL.
- Expanding opportunities in CLMV and Southeast Asia markets.

W — Weakness

- No stores located in Bangkok.

T — Threat

- Weak economic growth in the provinces.
- Intensifying competition from new rivals such as Thai Watsadu (Central group), HMPRO's Mega Home and other home-improvement operators.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	24.69	30.00	21%
Net profit 22F (Bt m)	3,517	3,882	10%
Net profit 23F (Bt m)	3,968	4,717	19%
Consensus REC	BUY: 14	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profits are 10-19% above the Bloomberg consensus numbers, which we attribute to us having higher gross margin, domestic store opening and overseas profit assumptions.
- Our TP is therefore 21% higher than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the number of new stores opened is lower than our assumption, this would result in downside to our earnings forecasts, representing the key downside risk to our call.
- If competition is stronger than our current expectations, GLOBAL's SSS growth and margins would be subject to downside risk.

Source: Thanachart

INCOME STATEMENT

We expect both existing stores' sales and new stores to boost sales

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	26,803	33,498	36,894	41,077	46,001
Cost of sales	20,401	25,067	27,531	30,463	33,902
Gross profit	6,402	8,431	9,363	10,614	12,099
% gross margin	23.9%	25.2%	25.4%	25.8%	26.3%
Selling & administration expenses	4,301	4,807	5,239	5,545	5,888
Operating profit	2,101	3,624	4,124	5,069	6,211
% operating margin	7.8%	10.8%	11.2%	12.3%	13.5%
Depreciation & amortization	1,164	1,264	1,324	1,462	1,612
EBITDA	3,265	4,888	5,448	6,530	7,822
% EBITDA margin	12.2%	14.6%	14.8%	15.9%	17.0%
Non-operating income	552	618	738	863	966
Non-operating expenses	0	0	0	0	0
Interest expense	(246)	(180)	(187)	(204)	(196)
Pre-tax profit	2,407	4,062	4,675	5,727	6,980
Income tax	455	783	888	1,117	1,361
After-tax profit	1,952	3,278	3,786	4,610	5,619
% net margin	7.3%	9.8%	10.3%	11.2%	12.2%
Shares in affiliates' Earnings	23	81	116	131	146
Minority interests	(20)	(15)	(20)	(25)	(37)
Extraordinary items	0	0	0	0	0
NET PROFIT	1,956	3,344	3,882	4,717	5,729
Normalized profit	1,956	3,344	3,882	4,717	5,729
EPS (Bt)	0.4	0.7	0.8	1.0	1.2
Normalized EPS (Bt)	0.4	0.7	0.8	1.0	1.2

BALANCE SHEET

GLOBAL has continued to open new stores

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	16,184	18,631	19,397	20,121	20,474
Cash & cash equivalent	1,224	1,772	1,287	1,178	1,234
Account receivables	666	674	1,516	2,251	2,521
Inventories	14,287	16,186	16,594	16,692	16,719
Others	7	0	0	0	0
Investments & loans	838	1,607	1,607	1,607	1,607
Net fixed assets	17,148	17,099	18,346	19,956	21,415
Other assets	1,850	1,937	1,933	1,944	1,969
Total assets	36,020	39,275	41,283	43,628	45,465
LIABILITIES:					
Current liabilities:	15,261	16,011	16,058	15,543	13,984
Account payables	2,988	2,543	4,149	4,590	5,109
Bank overdraft & ST loans	11,193	12,066	10,287	9,376	7,507
Current LT debt	884	1,045	1,286	1,172	938
Others current liabilities	197	358	337	405	430
Total LT debt	2,303	2,139	1,286	1,172	938
Others LT liabilities	1,242	1,289	1,364	1,315	1,269
Total liabilities	18,806	19,439	18,708	18,030	16,192
Minority interest	233	275	296	321	357
Preferreds shares	0	0	0	0	0
Paid-up capital	4,402	4,602	4,802	4,802	4,802
Share premium	4,739	4,739	4,739	4,739	4,739
Warrants	0	0	0	0	0
Surplus	(5)	46	46	46	46
Retained earnings	7,845	10,174	12,693	15,690	19,330
Shareholders' equity	16,981	19,561	22,280	25,277	28,917
Liabilities & equity	36,020	39,275	41,283	43,628	45,465

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

Strong and sustainable cash flows, on our estimates

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	2,407	4,062	4,675	5,727	6,980
Tax paid	(502)	(632)	(914)	(1,050)	(1,335)
Depreciation & amortization	1,164	1,264	1,324	1,462	1,612
Chg In working capital	1,510	(2,352)	355	(391)	222
Chg In other CA & CL / minorities	(22)	(18)	(15)	65	96
Cash flow from operations	4,556	2,323	5,425	5,813	7,575
Capex	(2,207)	(1,215)	(2,500)	(3,000)	(3,000)
Right of use	(1,270)	(12)	(1)	(1)	(1)
ST loans & investments	0	7	0	0	0
LT loans & investments	(23)	(769)	0	0	0
Adj for asset revaluation	(7)	51	0	0	0
Chg In other assets & liabilities	1,383	108	144	(63)	(93)
Cash flow from investments	(2,124)	(1,832)	(2,356)	(3,064)	(3,093)
Debt financing	(1,627)	870	(2,391)	(1,139)	(2,336)
Capital increase	200	200	200	0	0
Dividends paid	(863)	(814)	(1,363)	(1,720)	(2,089)
Warrants & other surplus	(218)	(200)	0	0	0
Cash flow from financing	(2,507)	56	(3,554)	(2,858)	(4,425)
Free cash flow	2,350	1,108	2,925	2,813	4,575

VALUATION

2022F PE is far below its 32.6x five-year average during 2017-21

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	52.5	30.8	26.6	21.9	18.0
Normalized PE - at target price (x)	73.3	43.0	37.1	30.5	25.1
PE (x)	52.5	30.8	26.6	21.9	18.0
PE - at target price (x)	73.3	43.0	37.1	30.5	25.1
EV/EBITDA (x)	35.5	23.8	21.1	17.4	14.2
EV/EBITDA - at target price (x)	47.9	32.1	28.5	23.7	19.5
P/BV (x)	6.1	5.3	4.6	4.1	3.6
P/BV - at target price (x)	8.4	7.3	6.5	5.7	5.0
P/CFO (x)	22.5	44.3	19.0	17.8	13.6
Price/sales (x)	3.7	3.0	2.7	2.4	2.2
Dividend yield (%)	1.0	1.1	1.5	1.8	2.2
FCF Yield (%)	2.3	1.1	2.8	2.7	4.4
(Bt)					
Normalized EPS	0.4	0.7	0.8	1.0	1.2
EPS	0.4	0.7	0.8	1.0	1.2
DPS	0.2	0.2	0.3	0.4	0.5
BV/share	3.6	4.1	4.6	5.3	6.0
CFO/share	1.0	0.5	1.1	1.2	1.6
FCF/share	0.5	0.2	0.6	0.6	1.0

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*Delivering record profit
and growth is not slowing
down*

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(4.6)	25.0	10.1	11.3	12.0
Net profit (%)	(6.6)	70.9	16.1	21.5	21.5
EPS (%)	(6.9)	70.5	15.9	21.4	21.5
Normalized profit (%)	(6.6)	70.9	16.1	21.5	21.5
Normalized EPS (%)	(6.9)	70.5	15.9	21.4	21.5
Dividend payout ratio (%)	51.9	35.1	40.0	40.0	40.0
Operating performance					
Gross margin (%)	23.9	25.2	25.4	25.8	26.3
Operating margin (%)	7.8	10.8	11.2	12.3	13.5
EBITDA margin (%)	12.2	14.6	14.8	15.9	17.0
Net margin (%)	7.3	9.8	10.3	11.2	12.2
D/E (incl. minor) (x)	0.8	0.8	0.6	0.5	0.3
Net D/E (incl. minor) (x)	0.8	0.7	0.5	0.4	0.3
Interest coverage - EBIT (x)	8.5	20.1	22.0	24.8	31.6
Interest coverage - EBITDA (x)	13.3	27.1	29.1	32.0	39.8
ROA - using norm profit (%)	5.4	8.9	9.6	11.1	12.9
ROE - using norm profit (%)	11.9	18.3	18.6	19.8	21.1
DuPont					
ROE - using after tax profit (%)	11.9	17.9	18.1	19.4	20.7
- asset turnover (x)	0.7	0.9	0.9	1.0	1.0
- operating margin (%)	9.9	12.7	13.2	14.4	15.6
- leverage (x)	2.2	2.1	1.9	1.8	1.6
- interest burden (%)	90.7	95.7	96.2	96.6	97.3
- tax burden (%)	81.1	80.7	81.0	80.5	80.5
WACC (%)	7.6	7.6	7.6	7.6	7.6
ROIC (%)	5.6	9.7	10.1	12.1	14.0
NOPAT (Bt m)	1,704	2,925	3,340	4,080	4,999
invested capital (Bt m)	30,136	33,039	33,851	35,819	37,066

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

Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

witchanan.tam@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

Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

sittichet.run@thanachartsec.co.th

Chak Reungsinpinya

Thematic Research, 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

Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

thaloengsak.kuc@thanachartsec.co.th