Home Product Center Pcl (HMRPO TB) - BUY

Analyst Meeting

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Key takeaways from analyst meeting

- **Increase sales via new stores, products and sales channels.**
- **Opening seven new branches this year, mainly Mega Home.**
- **To grow gross margin by 20-30bp/year in next five years.**
- **Low single-digit positive SSSG in Jan-Feb.**

- After posting a quarterly record net profit in 4Q21 with SSSG surpassing pre-COVID for the first quarter, we believe this was due to its flexibility to adjust products (towards WFH, entertainment @ home, cook @ home, exercise @ home, furniture, bedding & home living) and sales channels (capture the E-commerce trend with rising online sales mix from 1% in 2019 to 5% in 2020 and 6.8% in 2021). This year, it will turn more aggressive in branch expansion of seven new stores; 2 HomePro branches in Thailand and five Mega Homes (didn't open any over the past two years with 14 branches currently). As for E-commerce sales, it targets to reach 15% in five years. It targets 5-7% sales growth this year.
- It just invested 30% stake in OneStockHome, an online platform and marketplace selling construction materials and tools. This is to increase exposure in growing E-commerce activities on home construction materials segment and increase online sales channels to sell Mega Home products.
- Key growth strategy is to expand gross margin by 20-30bp/year over the next five years through expansion of private-label sales mix (from 19.5% to 25% for HomePro and from 14% to 30% for Mega Home), product assortment optimization of 3rd party brand and new higher-margin product additions ie furniture and softline.
- YTD, strong sales momentum continues with low single-digit SSSG in Jan and Feb.
- We reaffirm BUY call on HMPRO. Assuming no lockdown this year and key drivers are back in place; SSSG, branch expansion and gross margin improvement, we forecast a strong EPS growth resuming at 21%/20%/18% in 2022-24F.

Key Valuations

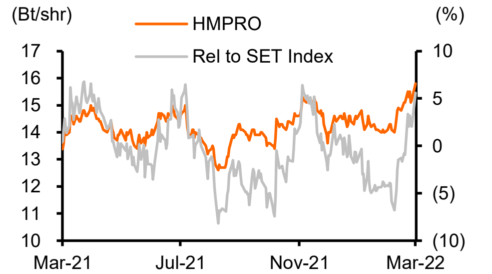
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	61,791	68,059	73,472	80,421
Net profit	5,441	6,586	7,902	9,315
Norm net profit	5,441	6,586	7,902	9,315
Norm EPS (Bt)	0.4	0.5	0.6	0.7
Norm EPS gr (%)	5.5	21.1	20.0	17.9
Norm PE (x)	38.2	31.5	26.3	22.3
EV/EBITDA (x)	21.1	17.8	15.4	13.4
P/BV (x)	9.1	8.7	8.0	7.3
Div. yield (%)	2.0	2.5	3.0	3.6
ROE (%)	24.5	28.2	31.8	34.4
Net D/E (%)	38.5	32.6	26.3	17.1

Source: Thanachart estimates

Stock Data

Closing price (Bt)	15.80
Target price (Bt)	19.00
Market cap (US$ m)	6,372
Avg daily turnover (US$ m)	11.8
12M H/L price (Bt)	15.50/12.60

Price Performance



Source: Bloomberg

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