BUY (Unchanged)

Change in Numbers

TP: Bt 30.00 (Unchanged)

Upside : 53.1%

15 JUNE 2022

Small Cap Research

Siam Global House Pcl (GLOBAL TB)

A temporary slowing of growth

With last year's record profit and the high earnings base in 2Q21, we forecast GLOBAL to post flat earnings y-y in 2Q22F before 15/21% growth in 2H22F and 2023F. GLOBAL remains a BUY, but given less enticing short-term growth, we prefer reopening stocks CPALL and CPN, with stronger growth over 2Q-4Q22F and 2023F.



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Muted growth in 2Q22F

We forecast GLOBAL to deliver Bt972m of profit in 2Q22F, flat y-y and down by 16% q-q. Apart from a high earnings base due to peak quarterly sales last year of Bt8.9bn and a gross margin of 25.89% in 2Q21, we expect its same-store sales (SSS) to have turned negative in May by a mid-single digit (+7.4% in 1Q22 and +5% in April) due to falling building materials sales (40% sales mix) on less construction activities and the early rain this year. We expect the gross margin to fall by 23bp q-q to 25.89% as the steel price began to decline in May, leading to a lower steel selling price and gross margin, but we expect this to be cushioned by a rising house-brand sales mix to 23.5% from 21% in 2Q21.

Store expansion delay this year

Due to the COVID spread among construction workers, the company guides for five new branch openings this year (1 in 1Q22, 1 in 3Q22F, 3 in 4Q22F), lower than its 7-store target. Despite this, it expects to resume seven new branch openings a year from next year as it believes in expansion opportunities in second-tier districts where the building materials modern trade penetration is low at 30%. We forecast its domestic branches to increase from 75 last year to 101 in 2025F.

Long-term growth story intact

We still regard GLOBAL as a growth stock in the underpenetrated home improvement segment. In addition to drivers from store additions, we expect the gross margin to expand with a growing private-brand sales mix, which has increased by 2% pa from 14% in 2017 to 23.5% this year with a long-term target of 30%. The overseas profit contribution from Myanmar, Laos and Cambodia has been strong at 3.2% of total profit last year, and we forecast it to rise to 4.4/4.9/5.7% of 2022-24F profit backed by store expansion in three existing countries and new contribution from Indonesia this year and the Philippines from next year.

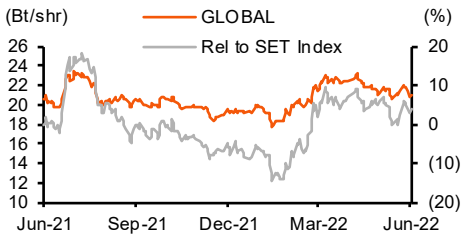
BUY, but no longer a top pick

With earnings cuts of 3-4% in 2022-24F on lower SSSG and new store assumptions for this year, but a base year rollover to 2023, our DCF-based TP is unchanged at Bt30. We reiterate BUY call but remove it as a sector top pick on a less enticing short-term earnings outlook. Having been resilient during the COVID period with record profit in 2021 on solid home-improvement demand and an all-time high gross margin from rising private brands and a higher steel margin, we forecast slower 9% earnings growth in 2Q-4Q22F. We prefer reopening stocks, CPALL TB (BUY, Bt61.5) and CPN TB (BUY, Bt60.25), with stronger core EPS growth in 2Q-4Q22F of 66% and 190% and into 2023F.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	33,498	35,841	39,545	44,330
Net profit	3,344	3,746	4,529	5,501
Consensus NP	—	3,620	4,049	4,580
Diff frm cons (%)	—	*3.5*	*11.9*	*20.1*
Norm profit	3,344	3,746	4,529	5,501
Prev. Norm profit	—	3,882	4,717	5,729
Chg frm prev (%)	—	*(3.5)*	*(4.0)*	*(4.0)*
Norm EPS (Bt)	0.7	0.8	0.9	1.1
Norm EPS grw (%)	70.5	11.8	20.8	21.5
Norm PE (x)	28.1	25.1	20.8	17.1
EV/EBITDA (x)	22.0	19.9	16.6	13.6
P/BV (x)	4.8	4.2	3.8	3.3
Div yield (%)	1.2	1.6	1.9	2.3
ROE (%)	18.3	18.0	19.2	20.5
Net D/E (%)	67.9	48.0	37.6	26.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 15-Jun-22 (Bt)	19.60
Market Cap (US$ m)	2,686.0
Listed Shares (m shares)	4,801.7
Free Float (%)	32.0
Avg Daily Turnover (US$ m)	7.7
12M Price H/L (Bt)	23.38/17.63
Sector	Commerce
Major Shareholder	SCG Distribution Co.,Ltd 32.37%

Sources: Bloomberg, Company data, Thanachart estimates

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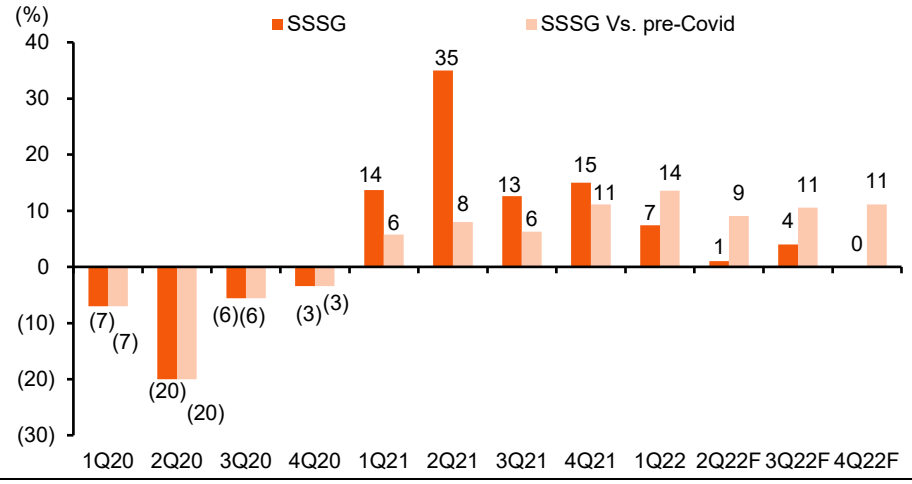
Thanachart Securities

Ex 1: Key Assumptions

	2019	2020	2021	2022F	2023F	2024F
SSSG (%)						
New	3.5	(9.0)	18.2	3.0	4.0	4.0
Old	3.5	(9.0)	18.2	5.5	4.0	4.0
New stores - Thailand						
New	5	5	4	5	7	7
Old	5	5	4	7	7	7
Gross margin (%) (unchanged)	22.58	23.89	25.17	25.38	25.84	26.30
House brand sales mix (%) (unchanged)	18.0	19.5	21.5	23.5	24.5	25.5
SG&A/sales (%)						
New	14.4	16.0	14.4	14.4	13.7	13.0
Old	14.4	16.0	14.4	14.2	13.5	12.8
Equity income (Bt m)						
New	29	23	81	132	155	171
Old	29	23	81	116	131	146
Overseas profit (Bt m)	47	39	106	164	223	314
Cambodia, Philippines (55%)	18	16	26	32	68	143
Equity income (Laos, Myanmar, Indonesia)	29	23	81	132	155	171
Overseas profit contribution (%)	2.3	2.0	3.2	4.4	4.9	5.7
Normalized profit (Bt m)						
New	2,093	1,956	3,344	3,746	4,529	5,501
Old	2,093	1,956	3,344	3,882	4,717	5,729
Change (%)	*0.0*	*0.0*	*0.0*	*(3.5)*	*(4.0)*	*(4.0)*

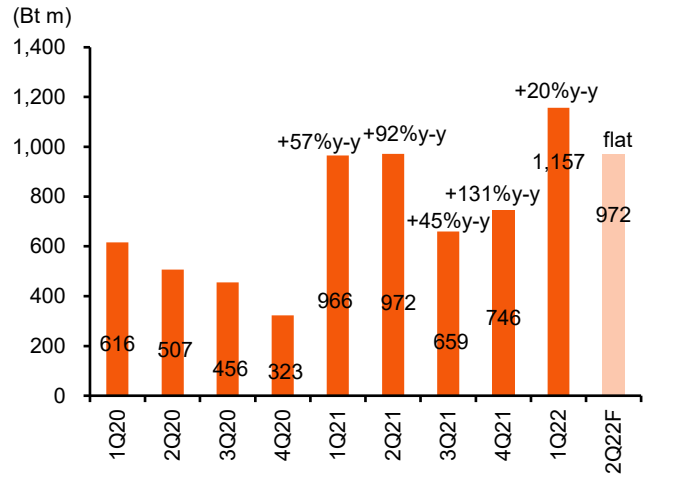
Sources: Company data, Thanachart estimates

Ex 2: Quarterly SSSG



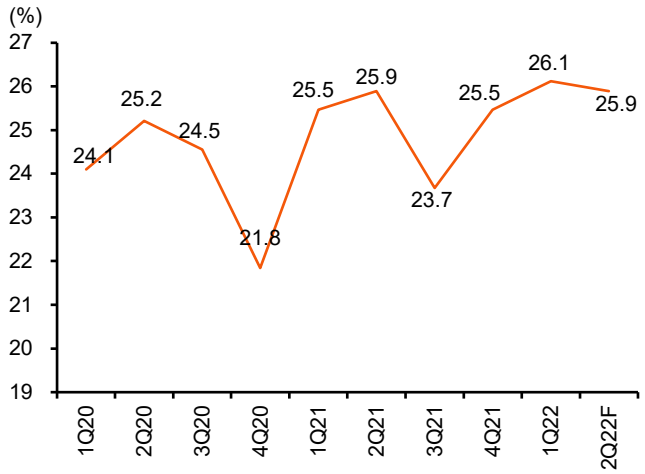
Sources: Company data, Thanachart estimates

Ex 3: Quarterly Net Profit



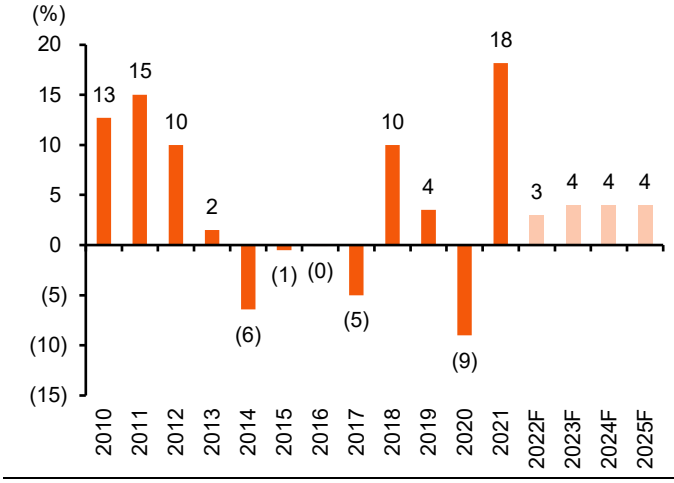
Sources: Company data, Thanachart estimates

Ex 4: Quarterly Gross Margin



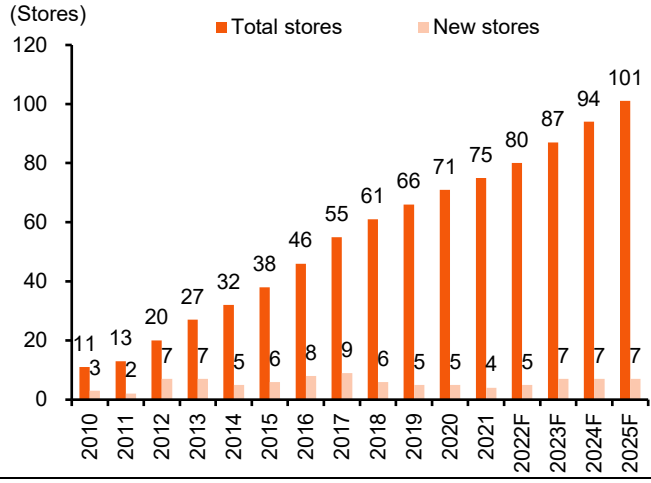
Sources: Company data, Thanachart estimates

Ex 5: SSSG



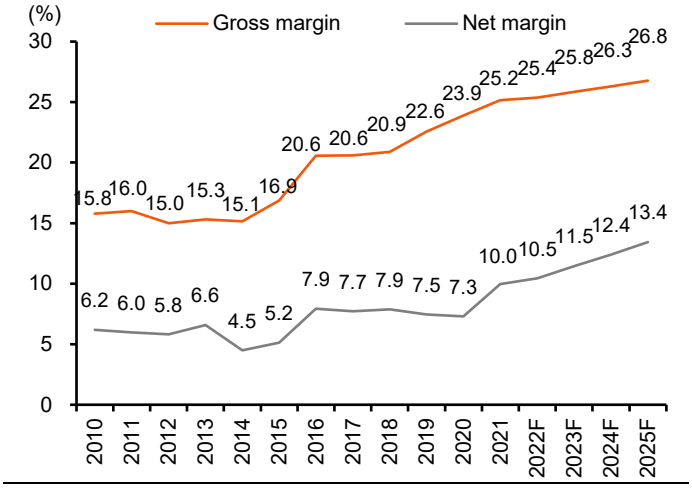
Sources: Company data, Thanachart estimates

Ex 6: Branch Expansion - Thailand



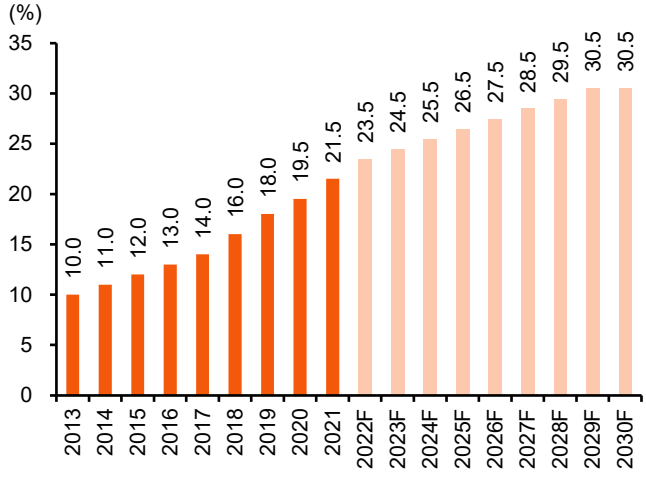
Sources: Company data, Thanachart estimates

Ex 7: Margin Expansion



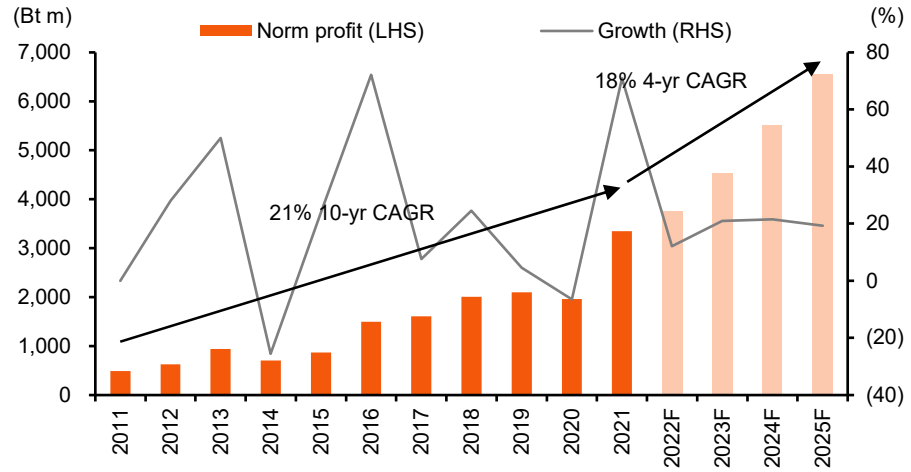
Sources: Company data, Thanachart estimates

Ex 8: Private-Label Sales Mix



Sources: Company data, Thanachart estimates

Ex 9: Growing Profit



Sources: Company data, Thanachart estimates

Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA	6,179	7,428	8,720	9,773	10,921	12,171	13,532	14,822	16,211	17,247	18,041	
Free cash flow	3,066	4,154	7,030	8,397	7,428	8,502	9,669	10,739	11,929	14,608	15,591	240,357
PV of free cash flow	3,057	3,583	5,631	6,247	5,021	5,313	5,587	5,738	5,894	6,672	6,278	96,786

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.9
WACC (%)	7.7
Terminal growth (%)	2.0
Enterprise value - add investments	157,809.4
Net debt (2022F)	13,477.7
Minority interest	275.2
Equity value	144,056.6
# 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 11: Valuation Comparison With Regional Peers

			EPS growth		—— PE ——		—— P/BV ——		EV/EBITDA		— Div. yield —	
Name	BBG code	Country	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Marks & Spencer	MKS LN	Britain	na	(20.7)	5.8	7.3	1.0	0.9	4.3	4.7	0.0	0.6
J Sainsbury PLC	SBRY LN	Britain	109.1	(7.4)	8.3	9.0	0.6	0.5	5.0	5.3	7.6	6.4
Tesco	TSCO LN	Britain	110.8	(2.8)	10.6	10.9	1.3	1.1	6.5	6.7	3.5	4.7
Carrefour SA	CA FP	France	21.3	14.7	10.9	9.5	1.3	1.2	5.6	5.2	2.9	3.3
Casino Guichard	CO FP	France	(3.7)	51.8	11.0	7.2	0.6	0.5	6.5	6.0	4.4	0.9
L'Oreal SA	OR FP	France	17.8	8.4	29.4	27.1	6.5	5.9	18.9	17.5	1.5	1.8
Alimentation Couche	ATD/B CN	Canada	7.8	1.9	na	na	na	na	9.7	10.0	na	na
Aeon	8267 JP	Japan	na	129.0	157.4	68.8	2.0	2.0	8.7	8.1	1.7	1.7
Kao Corporation	4452 JP	Japan	(7.7)	12.9	21.6	19.1	2.4	2.3	10.5	9.6	2.8	2.9
Lion Corporation	4912 JP	Japan	(7.3)	0.9	19.8	19.6	1.5	1.4	8.0	7.5	1.7	1.8
Shiseido Co. Ltd	4911 JP	Japan	15.5	69.1	49.4	29.2	3.7	3.4	17.7	12.8	1.0	1.9
Lawson	2651 JP	Japan	105.8	14.1	23.3	20.4	1.6	1.5	3.4	3.2	3.5	3.5
Seven & I Holdings	3382 JP	Japan	36.3	20.1	21.3	17.8	1.6	1.5	8.4	7.1	1.9	1.9
Lotte Corp	004990 KS	South Korea	(8.0)	39.8	12.8	9.2	0.6	0.5	10.6	9.9	3.1	4.3
Shinsegae	004170 KS	South Korea	17.3	16.3	6.8	5.8	0.6	0.5	6.3	5.9	0.8	1.2
Amore Pacific Group	002790 KS	South Korea	(23.7)	32.9	20.4	15.4	1.2	1.2	6.7	5.4	1.2	1.0
Best Buy Co Inc	BBY US	USA	(13.8)	14.5	8.2	7.2	5.5	5.3	4.8	4.4	3.1	4.0
Wal-Mart Stores	WMT US	USA	0.0	8.9	18.6	17.1	3.7	3.3	10.2	9.7	1.8	1.8
Home Depot Inc	HD US	USA	6.7	6.1	16.8	15.8	na	na	12.1	11.8	2.2	2.4
Yonghui Superstores	601933 CH	China	na	106.0	62.2	30.2	3.4	3.1	19.0	15.2	1.2	0.6
Sa International	178 HK	Hong Kong	na	na	na	52.7	3.9	3.6	na	25.5	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	12.2	66.4	26.4	15.8	3.1	2.9	9.2	8.6	3.1	3.7
President Chain Store	2912 TT	Taiwan	15.9	11.5	26.6	23.9	7.7	7.2	11.5	11.4	2.9	3.4
7-Eleven Malaysia	SEM MK	Malaysia	188.9	7.7	17.8	16.5	11.6	8.7	7.1	7.1	1.9	2.9
Berli Jucker *	BJC TB	Thailand	47.9	10.7	27.2	24.5	1.2	1.2	13.6	13.2	2.8	3.1
COM7 *	COM7 TB	Thailand	28.4	22.4	22.9	18.7	10.1	8.3	16.1	13.3	2.0	4.4
CP All *	CPALL TB	Thailand	121.5	43.0	32.4	22.6	5.0	4.4	14.7	12.4	1.5	2.2
Central Pattana *	CPN TB	Thailand	146.0	34.3	32.5	24.2	3.4	3.1	19.0	15.4	1.4	1.9
Central Retail Corp. *	CRC TB	Thailand	na	40.3	40.0	28.5	3.5	3.3	9.8	8.9	1.0	1.4
Siam Global House *	GLOBAL TB	Thailand	11.8	20.8	25.1	20.8	4.2	3.8	19.9	16.6	1.6	1.9
Home Product*	HMPRO TB	Thailand	21.1	20.5	26.9	22.4	7.4	6.8	15.4	13.3	3.0	3.6
Siam Makro *	MAKRO TB	Thailand	(20.6)	40.6	38.0	27.0	1.2	1.2	14.6	12.5	2.0	2.8
Mc Group *	MC TB**	Thailand	9.6	25.0	15.1	12.1	2.0	2.0	5.4	4.7	6.6	8.3
Average			**34.5**	**26.9**	**27.3**	**20.5**	**3.3**	**3.0**	**10.6**	**10.0**	**2.4**	**2.7**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

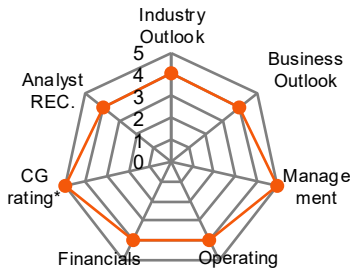
Based on 15 June 2022 closing price

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 76 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, Bt358.00, BUY) investment in GLOBAL in November 2012, we believe the company is a much stronger player, both operationally and financially.

W — Weakness

- No stores located in Bangkok.

O — Opportunity

- A change in consumer lifestyle 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.

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)	25.45	30.00	18%
Net profit 22F (Bt m)	3,615	3,746	4%
Net profit 23F (Bt m)	4,024	4,529	13%
Consensus REC	**BUY: 13**	**HOLD: 3**	**SELL: 2**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profit forecasts are 4-13% above the Bloomberg consensus numbers, which we attribute to us having higher gross margin, domestic store opening and overseas profit assumptions.
- As we roll over our base year to 2023, our TP is therefore 18% 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

We expect both existing and new stores to boost sales

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	26,803	33,498	35,841	39,545	44,330
Cost of sales	20,401	25,067	26,745	29,327	32,671
Gross profit	**6,402**	**8,431**	**9,096**	**10,218**	**11,659**
% gross margin	23.9%	25.2%	25.4%	25.8%	26.3%
Selling & administration expenses	4,301	4,807	5,143	5,398	5,741
Operating profit	**2,101**	**3,624**	**3,952**	**4,820**	**5,918**
% operating margin	7.8%	10.8%	11.0%	12.2%	13.4%
Depreciation & amortization	1,164	1,264	1,312	1,430	1,580
EBITDA	**3,265**	**4,888**	**5,264**	**6,251**	**7,499**
% EBITDA margin	12.2%	14.6%	14.7%	15.8%	16.9%
Non-operating income	552	618	717	830	931
Non-operating expenses	0	0	0	0	0
Interest expense	(246)	(180)	(182)	(187)	(183)
Pre-tax profit	**2,407**	**4,062**	**4,487**	**5,463**	**6,667**
Income tax	455	783	853	1,065	1,300
After-tax profit	**1,952**	**3,278**	**3,634**	**4,398**	**5,367**
% net margin	7.3%	9.8%	10.1%	11.1%	12.1%
Shares in affiliates' Earnings	23	81	132	155	171
Minority interests	(20)	(15)	(20)	(24)	(36)
Extraordinary items	0	0	0	0	0
NET PROFIT	**1,956**	**3,344**	**3,746**	**4,529**	**5,501**
Normalized profit	**1,956**	**3,344**	**3,746**	**4,529**	**5,501**
EPS (Bt)	0.4	0.7	0.8	0.9	1.1
Normalized EPS (Bt)	0.4	0.7	0.8	0.9	1.1

GLOBAL has continued to open new stores

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	16,184	18,631	18,880	19,414	19,775
Cash & cash equivalent	1,224	1,772	1,287	1,178	1,234
Account receivables	666	674	1,473	2,167	2,429
Inventories	14,287	16,186	16,120	16,069	16,112
Others	7	0	0	0	0
Investments & loans	838	1,607	1,607	1,607	1,607
Net fixed assets	17,148	17,099	17,859	19,250	20,990
Other assets	1,850	1,937	1,912	1,914	1,936
Total assets	**36,020**	**39,275**	**40,258**	**42,185**	**44,309**
LIABILITIES:					
Current liabilities:	15,261	16,011	15,225	14,442	13,271
Account payables	2,988	2,543	4,030	4,419	4,923
Bank overdraft & ST loans	11,193	12,066	9,660	8,562	7,051
Current LT debt	884	1,045	1,207	1,070	881
Others current liabilities	197	358	328	391	416
Total LT debt	**2,303**	**2,139**	**1,207**	**1,070**	**881**
Others LT liabilities	1,242	1,289	1,359	1,307	1,261
Total liabilities	**18,806**	**19,439**	**17,791**	**16,820**	**15,413**
Minority interest	233	275	295	320	355
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**	**12,585**	**15,459**	**18,954**
Shareholders' equity	16,981	19,561	22,172	25,045	28,541
Liabilities & equity	**36,020**	**39,275**	**40,258**	**42,185**	**44,309**

Sources: Company data, Thanachart estimates

Strong and sustainable cash flows, on our estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	2,407	4,062	4,487	5,463	6,667
Tax paid	(502)	(632)	(887)	(1,003)	(1,275)
Depreciation & amortization	1,164	1,264	1,312	1,430	1,580
Chg In w orking capital	1,510	(2,352)	754	(254)	200
Chg In other CA & CL / minorities	(22)	(18)	5	94	124
Cash flow from operations	**4,556**	**2,323**	**5,670**	**5,730**	**7,296**
Capex	(2,207)	(1,215)	(2,000)	(2,750)	(3,250)
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	156	(61)	(94)
Cash flow from investments	**(2,124)**	**(1,832)**	**(1,844)**	**(2,812)**	**(3,345)**
Debt financing	(1,627)	870	(3,175)	(1,372)	(1,889)
Capital increase	200	200	200	0	0
Dividends paid	(863)	(814)	(1,336)	(1,655)	(2,006)
Warrants & other surplus	(218)	(200)	0	0	0
Cash flow from financing	**(2,507)**	**56**	**(4,310)**	**(3,027)**	**(3,895)**
Free cash flow	**2,350**	**1,108**	**3,670**	**2,980**	**4,046**

2023F PE is far below its five-year average (2017-21) of 32.6x

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	47.9	28.1	25.1	20.8	17.1
Normalized PE - at target price (x)	73.3	43.0	38.4	31.8	26.2
PE (x)	47.9	28.1	25.1	20.8	17.1
PE - at target price (x)	73.3	43.0	38.4	31.8	26.2
EV/EBITDA (x)	32.7	22.0	19.9	16.6	13.6
EV/EBITDA - at target price (x)	47.9	32.1	29.4	24.6	20.2
P/BV (x)	5.5	4.8	4.2	3.8	3.3
P/BV - at target price (x)	8.4	7.3	6.5	5.8	5.0
P/CFO (x)	20.5	40.4	16.6	16.4	12.9
Price/sales (x)	3.5	2.8	2.6	2.4	2.1
Dividend yield (%)	1.1	1.2	1.6	1.9	2.3
FCF Yield (%)	2.5	1.2	3.9	3.2	4.3
(Bt)					
Normalized EPS	0.4	0.7	0.8	0.9	1.1
EPS	0.4	0.7	0.8	0.9	1.1
DPS	0.2	0.2	0.3	0.4	0.5
BV/share	3.6	4.1	4.6	5.2	5.9
CFO/share	1.0	0.5	1.2	1.2	1.5
FCF/share	0.5	0.2	0.8	0.6	0.8

Sources: Company data, Thanachart estimates

Delivering record profit in the COVID year of 2021 with growth likely to continue

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(4.6)	25.0	7.0	10.3	12.1
Net profit (%)	(6.6)	70.9	12.0	20.9	21.5
EPS (%)	(6.9)	70.5	11.8	20.8	21.5
Normalized profit (%)	(6.6)	70.9	12.0	20.9	21.5
Normalized EPS (%)	(6.9)	70.5	11.8	20.8	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	11.0	12.2	13.4
EBITDA margin (%)	12.2	14.6	14.7	15.8	16.9
Net margin (%)	7.3	9.8	10.1	11.1	12.1
D/E (incl. minor) (x)	0.8	0.8	0.5	0.4	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	21.7	25.7	32.4
Interest coverage - EBITDA (x)	13.3	27.1	28.9	33.4	41.1
ROA - using norm profit (%)	5.4	8.9	9.4	11.0	12.7
ROE - using norm profit (%)	11.9	18.3	18.0	19.2	20.5
DuPont					
ROE - using after tax profit (%)	11.9	17.9	17.4	18.6	20.0
- asset turnover (x)	0.7	0.9	0.9	1.0	1.0
- operating margin (%)	9.9	12.7	13.0	14.3	15.5
- leverage (x)	2.2	2.1	1.9	1.7	1.6
- interest burden (%)	90.7	95.7	96.1	96.7	97.3
- tax burden (%)	81.1	80.7	81.0	80.5	80.5
WACC (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	5.6	9.7	9.7	11.8	13.8
NOPAT (Bt m)	1,704	2,925	3,201	3,880	4,764
invested capital (Bt m)	30,136	33,039	32,959	34,570	36,120

Sources: Company data, Thanachart estimates

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