# Siam Global House (GLOBAL TB) - BUY, Price Bt19.4, TP Bt30.0

**Results Comment**

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## Moderate 2Q22, but 6% beat on GP

- GLOBAL reported 2Q22 net profit of Bt1,028m, a moderate growth of 6% y-y but fell by 11% q-q, 6% above our forecast and 5% higher than consensus on its record-high gross margin.
- Sales came in slightly better than expected with a 4% y-y growth to Bt9.2bn as SSSG turned positive quickly in June after a hit in May. We expect 2Q22F SSSG at 1.5% (vs our earlier flat SSSG projection). Sales growth was also from increasing store number by three branches y-y to 76 domestic stores as of 2Q22.
- Gross margin was a surprised at 26.45%, a new high, improving by 55bp y-y and 32bp q-q, despite falling gross margin on steel as steel price dropped by 10% y-y and 6% q-q. Rising private-label sales mix to 23.5% in 2Q22 vs 21.0% in 2Q21 (but flat q-q) was a key driver, but product price adjustment helped driving higher gross margin q-q.
- Equity income from JV (home improvement stores in Myanmar, Laos and Indonesia) was disappointing, falling a massive y-y and q-q to Bt9m, after showing strong growth since 2Q21. We need to find out the reason from the company.
- 1H22 net profit grew by 13% y-y, came in line at 58% of our full-year estimate (2H profit is usually lower than 1H on higher SG&A). Maintain BUY to Bt30 TP.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 |
| Revenue | 8,888 | 7,685 | 8,246 | 9,634 | 9,220 |
| **Gross profit** | **2,301** | **1,819** | **2,100** | **2,517** | **2,438** |
| SG&A | 1,250 | 1,192 | 1,243 | 1,244 | 1,316 |
| Operating profit | 1,052 | 627 | 857 | 1,273 | 1,122 |
| **EBITDA** | **1,370** | **950** | **1,175** | **1,604** | **1,415** |
| Other income | 180 | 213 | 75 | 171 | 200 |
| Other expense | 0 | (0) | (2) | 0 | 0 |
| Interest expense | 46 | 42 | 45 | 45 | 47 |
| **Profit before tax** | **1,185** | **799** | **890** | **1,399** | **1,275** |
| Income tax | 232 | 153 | 173 | 275 | 253 |
| Equity & invest. income | 20 | 17 | 33 | 39 | 9 |
| Minority interests | (2) | (4) | (3) | (7) | (3) |
| Extraordinary items | 0 | (0) | (0) | 0 | 0 |
| **Net profit** | **972** | **659** | **746** | **1,157** | **1,028** |
| **Normalized profit** | **972** | **659** | **747** | **1,156** | **1,028** |
| EPS (Bt) | 0.20 | 0.14 | 0.16 | 0.24 | 0.21 |
| Normalized EPS (Bt) | 0.20 | 0.14 | 0.16 | 0.24 | 0.21 |

| Income Statement | | | 6M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2022F | 2022F | 2023F |
| Revenue | (4) | 4 | 53 | 35,841 | 39,545 |
| **Gross profit** | **(3)** | **6** | **54** | **9,096** | **10,218** |
| SG&A | 6 | 5 | 50 | 5,143 | 5,398 |
| Operating profit | (12) | 7 | 61 | 3,952 | 4,820 |
| **EBITDA** | **(12)** | **3** | **57** | **5,264** | **6,251** |
| Other income | 17 | 11 | 52 | 717 | 830 |
| Other expense | | | na | 0 | 0 |
| Interest expense | 3 | 2 | 50 | 182 | 187 |
| **Profit before tax** | **(9)** | **8** | **60** | **4,487** | **5,463** |
| Income tax | (8) | 9 | 62 | 853 | 1,065 |
| Equity & invest. income | (78) | (58) | 36 | 132 | 155 |
| Minority interests | na | na | 50 | (20) | (24) |
| Extraordinary items | 65 | 1,394 | na | 0 | 0 |
| **Net profit** | **(11)** | **6** | **58** | **3,746** | **4,529** |
| **Normalized profit** | **(11)** | **6** | **58** | **3,746** | **4,529** |
| EPS (Bt) | (11) | 6 | 58 | 0.78 | 0.94 |
| Normalized EPS (Bt) | (11) | 6 | 58 | 0.78 | 0.94 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 |
| Cash & ST investment | 1,141 | 622 | 1,694 | 1,377 | 1,278 |
| A/C receivable | 585 | 629 | 674 | 701 | 737 |
| Inventory | 13,951 | 15,434 | 16,186 | 17,473 | 17,600 |
| Other current assets | 13 | 25 | 78 | 67 | 85 |
| Investment | 919 | 936 | 1,607 | 1,945 | 2,037 |
| Fixed assets | 17,087 | 16,946 | 17,099 | 17,098 | 17,102 |
| Other assets | 1,913 | 1,930 | 1,937 | 1,928 | 1,965 |
| **Total assets** | **35,608** | **36,523** | **39,275** | **40,588** | **40,804** |
| S-T debt | 10,114 | 11,278 | 13,111 | 12,453 | 12,269 |
| A/C payable | 2,968 | 2,848 | 2,543 | 3,257 | 2,944 |
| Other current liabilities | 1,002 | 152 | 358 | 615 | 532 |
| L-T debt | 1,861 | 1,861 | 2,139 | 1,975 | 2,876 |
| Other liabilities | 1,283 | 1,306 | 1,289 | 1,291 | 1,326 |
| Minority interest | 257 | 276 | 275 | 281 | 301 |
| **Shareholders' equity** | **18,124** | **18,802** | **19,561** | **20,716** | **20,555** |
| Working capital | 11,568 | 13,215 | 14,317 | 14,917 | 15,394 |
| Total debt | 11,975 | 13,139 | 15,249 | 14,428 | 15,146 |
| **Net debt** | **10,833** | **12,517** | **13,555** | **13,051** | **13,868** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 |
| Sales growth | 42.9 | 19.3 | 20.0 | 11.0 | 3.7 |
| Operating profit growth | 78.9 | 24.3 | 198.2 | 16.9 | 6.7 |
| EBITDA growth | 56.0 | 18.5 | 99.1 | 15.1 | 3.3 |
| Norm profit growth | 92.0 | 43.6 | 130.9 | 19.7 | 5.8 |
| Norm EPS growth | 92.0 | 43.6 | 130.9 | 19.7 | 5.8 |
| Gross margin | 25.9 | 23.7 | 25.5 | 26.1 | 26.4 |
| Operating margin | 11.8 | 8.2 | 10.4 | 13.2 | 12.2 |
| EBITDA margin | 15.4 | 12.4 | 14.3 | 16.7 | 15.3 |
| Norm net margin | 10.9 | 8.6 | 9.1 | 12.0 | 11.2 |
| D/E (x) | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 |
| Net D/E (x) | 0.6 | 0.7 | 0.7 | 0.6 | 0.7 |
| Interest coverage (x) | 29.9 | 22.8 | 26.3 | 35.6 | 30.4 |
| Interest rate | 1.5 | 1.3 | 1.3 | 1.2 | 1.3 |
| Effective tax rate | 19.5 | 19.1 | 19.5 | 19.7 | 19.8 |
| ROA | 11.3 | 7.8 | 8.4 | 12.1 | 10.6 |
| ROE | 21.6 | 14.3 | 15.6 | 23.0 | 19.9 |

Sources: Company data, Thanachart estimates

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