

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 27.00**

Upside : 35.7%

(Unchanged)

15 DECEMBER 2022

Small Cap Research

# Siam Global House Pcl (GLOBAL TB)

## A laggard play

We see GLOBAL as a laggard play in the Thai retail sector with relatively flat share-price performance this year. We believe this was due to the market shifting interest to other re-opening stocks. We reiterate our BUY call on GLOBAL, with an attractive 22x 2023F PE vs. 15% EPS CAGR over 2023-25F.



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### A laggard play, reiterate BUY

We reiterate our BUY call on GLOBAL. *First*, the stock looks like a laggard play to us with 3% YTD share price performance vs. the sector average of 11%. *Second*, the relatively flat share-price performance was against 13% 2022F EPS growth and we expect another 15% three-year EPS CAGR over 2023-25F with GLOBAL still being in mid-cycle growth, in an unsaturated home improvement market. The industry still offers solid room for store expansion and same-store sales (SSS) growth, in our view. *Third*, we expect GLOBAL to have room to increase margin further from a better product mix and higher mix of house-brand items. *Lastly*, due to its underperformance this year, GLOBAL looks more attractive to us vs. peers at -2STD or 22x 2023F PE vs. a 25.4x sector average and its 33x five-year average. See Exhibit 1 for our earnings revisions.

### A 15% three-year EPS CAGR

GLOBAL was resilient during the COVID years with -7/71/13% earnings growth in 2020-22F. We expect a 15% three-year EPS CAGR over 2023-25F with most key drivers in place. We forecast 2-3% p.a. SSS growth in 2023-25F, which is conservative to us given high inflation and GLOBAL's new store format that sells more lifestyle products. We forecast gross margin to expand from 25.97% in 2022F to 27.35% in 2025F on business scale, better product mix and higher mix of house-brand products. We also expect GLOBAL to open seven new stores per year to reach 98 branches in 2025F. GLOBAL has identified 100 secondary districts nationwide with enough demand for home improvement stores and it only has exposure in only 28 of those.

### Strong margin despite falling steel price

GLOBAL's gross margin is resilient against falling steel prices. Steel accounts for around 15% of its sales this year and steel rebar price has fallen by 27% YTD. However, GLOBAL's gross margin rose to 26.1% in 9M22 vs. 25.1% in 9M21. A key margin driver is a continued increase in house brand sales to 23.5% of total sales in 9M22 vs. 21.0% in 9M21. GLOBAL's house brand products are 90% imported from China. Other margin drivers are product price increase to cover inflation and rising product mix of higher-margin goods, where we believe more lifestyle store formats will help.

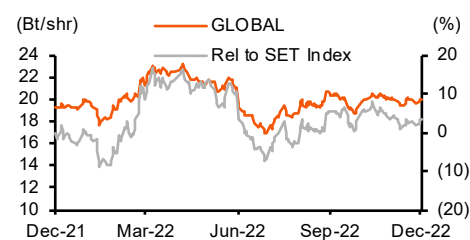
### A higher profitability company

We expect GLOBAL's ROE to be 18.2% in 2022F vs. 13.7% in 2019 and we expect it to rise to 19.3% in 2025F. A larger sales base, improving margin and improving asset turnover are set to drive ROE to a new level. Given its higher profitability and with a lower trading PE, GLOBAL looks attractive to us.

### COMPANY VALUATION

| Y/E Dec (Bt m)    | 2021A  | 2022F  | 2023F  | 2024F  |
|-------------------|--------|--------|--------|--------|
| Sales             | 33,498 | 35,848 | 38,257 | 42,127 |
| Net profit        | 3,344  | 3,798  | 4,293  | 5,002  |
| Consensus NP      | —      | 3,699  | 4,042  | 4,536  |
| Diff frm cons (%) | —      | 2.7    | 6.2    | 10.3   |
| Norm profit       | 3,344  | 3,798  | 4,293  | 5,002  |
| Prev. Norm profit | —      | 3,741  | 4,271  | 4,967  |
| Chg frm prev (%)  | —      | 1.5    | 0.5    | 0.7    |
| Norm EPS (Bt)     | 0.7    | 0.8    | 0.9    | 1.0    |
| Norm EPS grw (%)  | 70.5   | 13.4   | 12.9   | 16.5   |
| Norm PE (x)       | 28.5   | 25.1   | 22.3   | 19.1   |
| EV/EBITDA (x)     | 22.3   | 20.0   | 17.8   | 15.0   |
| P/BV (x)          | 4.9    | 4.3    | 3.8    | 3.4    |
| Div yield (%)     | 1.2    | 1.6    | 1.8    | 2.1    |
| ROE (%)           | 18.3   | 18.2   | 18.2   | 18.9   |
| Net D/E (%)       | 67.9   | 48.9   | 39.6   | 25.6   |

### PRICE PERFORMANCE



### COMPANY INFORMATION

|                             |                                 |
|-----------------------------|---------------------------------|
| Price as of 15-Dec-22 (Bt)  | 19.90                           |
| Market Cap (US\$ m)         | 2,736.8                         |
| Listed Shares (m shares)    | 4,801.7                         |
| Free Float (%)              | 32.0                            |
| Avg Daily Turnover (US\$ m) | 5.3                             |
| 12M Price H/L (Bt)          | 23.20/16.90                     |
| Sector                      | Commerce                        |
| Major Shareholder           | SCG Distribution Co.,Ltd 32.37% |

Sources: Bloomberg, Company data, Thanachart estimates

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## A laggard play

**We fine-tune our earnings  
with an unchanged Bt27 TP**

We fine-tune our earnings up by 1-2% in 2022-24F to reflect higher SSSG assumptions for this year (3.8% vs 3.0% earlier) as sales momentum in 4QTD has been stronger than our expectation and our higher gross margin forecasts (by 39bp p.a. to 25.97/26.43/26.89% in 2022-24F) while raising SG&A on higher electricity cost due to the rise in fuel tariff (FT). Our DCF TP is unchanged at Bt27/share.

### Ex 1: Key Assumptions Changes

|                                  | 2019  | 2020  | 2021  | 2022F | 2023F | 2024F |
|----------------------------------|-------|-------|-------|-------|-------|-------|
| <b>SSSG (%)</b>                  |       |       |       |       |       |       |
| New                              | 3.5   | (9.0) | 18.2  | 3.8   | 2.0   | 2.0   |
| Old                              | 3.5   | (9.0) | 18.2  | 3.0   | 2.0   | 2.0   |
| <b>New stores - Thailand</b>     |       |       |       |       |       |       |
| New                              | 5     | 5     | 4     | 2     | 7     | 7     |
| Old                              | 5     | 5     | 4     | 5     | 7     | 7     |
| <b>Gross margin (%)</b>          |       |       |       |       |       |       |
| New                              | 22.6  | 23.9  | 25.2  | 26.0  | 26.4  | 26.9  |
| Old                              | 22.6  | 23.9  | 25.2  | 25.6  | 26.0  | 26.5  |
| Change (bp)                      | 0     | 0     | 0     | 39    | 39    | 39    |
| <b>House brand sales mix (%)</b> |       |       |       |       |       |       |
| New                              | 18.0  | 19.5  | 21.5  | 23.6  | 24.6  | 25.6  |
| Old                              | 18.0  | 19.5  | 21.5  | 23.5  | 24.5  | 25.5  |
| <b>SG&amp;A/sales (%)</b>        |       |       |       |       |       |       |
| New                              | 14.4  | 16.0  | 14.4  | 14.7  | 14.6  | 14.3  |
| Old                              | 14.4  | 16.0  | 14.4  | 14.5  | 14.4  | 14.1  |
| <b>Equity income (Bt m)</b>      |       |       |       |       |       |       |
| New                              | 29    | 23    | 81    | 136   | 183   | 202   |
| Old                              | 29    | 23    | 81    | 112   | 155   | 171   |
| <b>Normalized profit (Bt m)</b>  |       |       |       |       |       |       |
| New                              | 2,093 | 1,956 | 3,344 | 3,798 | 4,293 | 5,002 |
| Old                              | 2,093 | 1,956 | 3,344 | 3,741 | 4,271 | 4,967 |
| Change (%)                       | 0.0   | 0.0   | 0.0   | 1.5   | 0.5   | 0.7   |

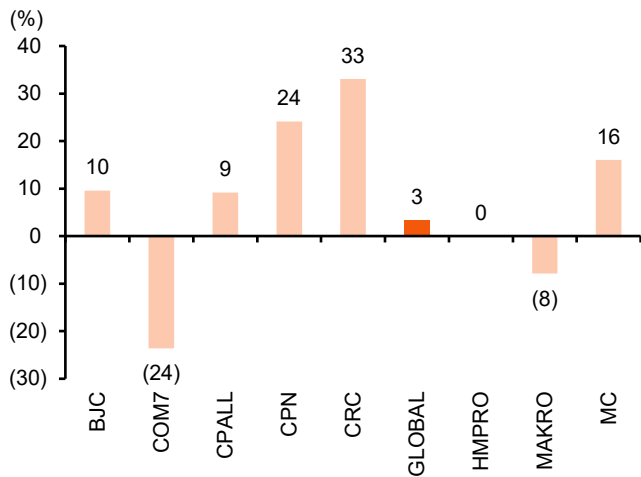
Sources: Company data, Thanachart estimates

We reiterate our BUY call on GLOBAL for the following reasons.

**Laggard play vs. retail  
peers**

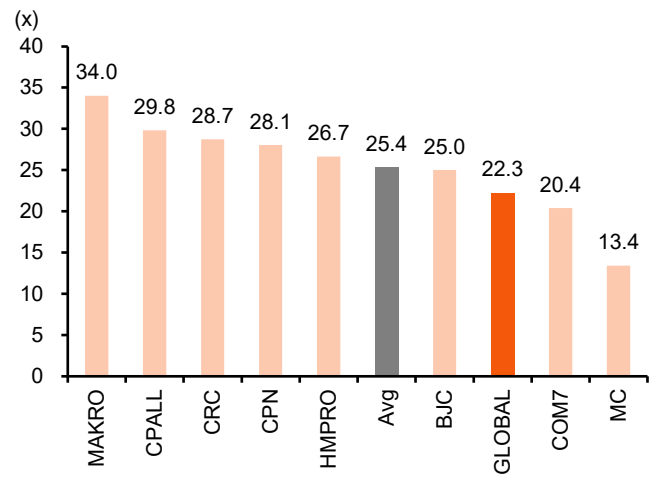
**First**, the stock looks like a laggard play to us with 3% YTD share-price performance vs. sector average of 11% (excluding COM7 which was down 24% YTD). We believe this was due to the market shifting interest to other re-opening stocks like Central Retail Corp Pcl (CRC TB, BUY, Bt43.25) and Central Pattana Pcl (CPN TB, BUY, Bt69.50).

**Ex 2: Retail Stocks' YTD Price Performance**



Sources: Company data, Thanachart estimates

**Ex 3: 2023F PE**



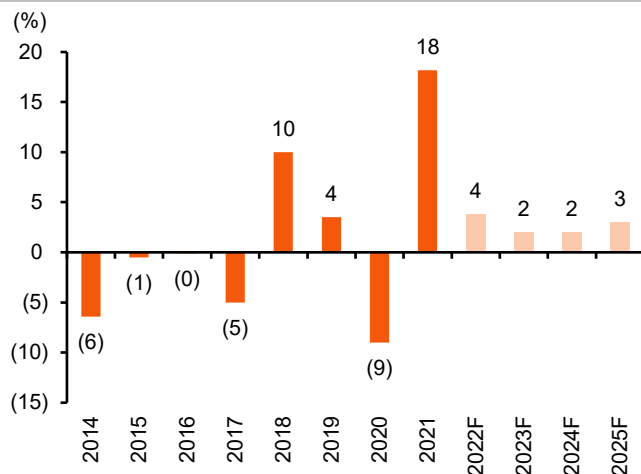
Sources: Company data, Thanachart estimates

**Profit shifted to a high base since 2021 with a 15% EPS CAGR in 2023-25F**

**Second**, its flat share price was against 13% 2022F EPS growth and we expect another 15% three-year EPS CAGR over 2023-25F with GLOBAL still being in mid-cycle growth, in an unsaturated home improvement market. The industry still offers solid room for store expansion and same-store sales (SSS) growth, in our view.

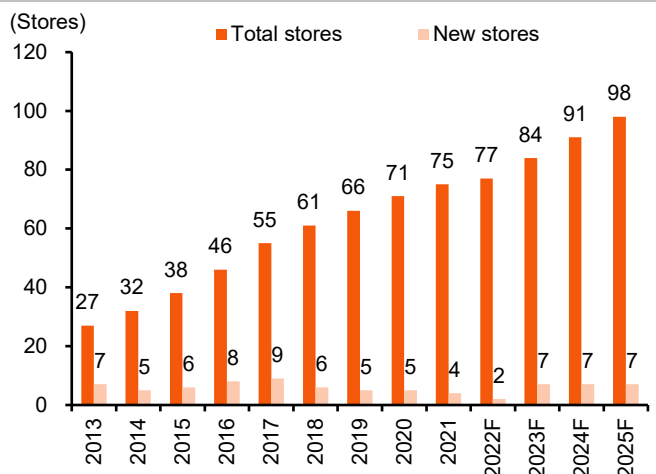
GLOBAL was resilient during the COVID years with -7/7/13% earnings growth in 2020-22F. Although its profit is off a high base in 2021 due to the lifting of lockdowns and higher steel price benefitting SSSG and gross margin, we expect it to continue to keep delivering new highs in earnings with a 15% EPS CAGR over 2023-25F. We expect the drivers to be: 1) 3.8/2.0/2.0/3.0% SSSG in 2022-25F, 2) gross margin expansion from economies of scale and a further rise in private-brand sales mix by 1pp/year to 26.6% by 2025F (long-term target is 30%) and , 3) expansion of 2/7/7/7 new stores in 2022-25F to reach 98 branches by 2025F. Along with its market focus to penetrate into second-tier districts to tap into rural demand for modernization, we believe it has room to expand by seven stores a year over the next 10 years given current exposure to 28 out of a total of 100 identified secondary districts.

**Ex 4: SSSG**



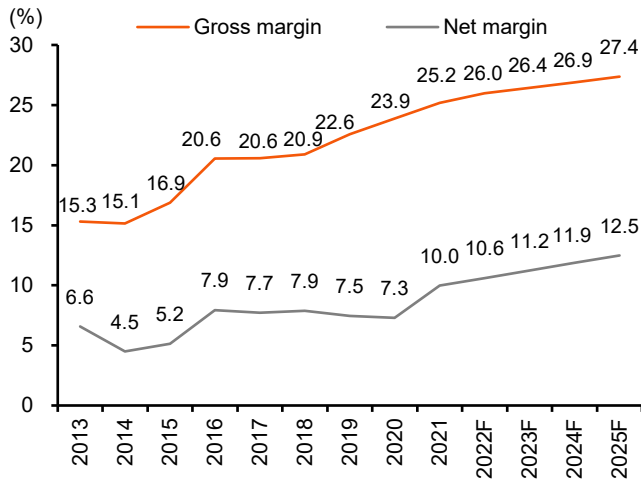
Sources: Company data, Thanachart estimates

**Ex 5: Branch Expansion**



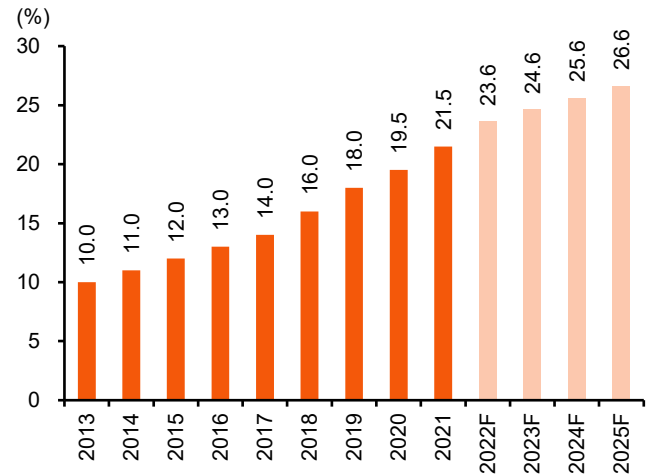
Sources: Company data, Thanachart estimates

**Ex 6: Margin Expansion**



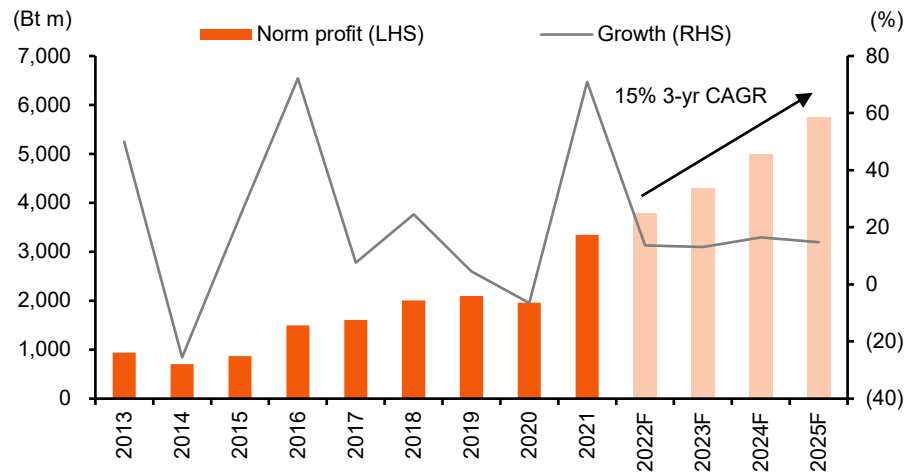
Sources: Company data, Thanachart estimates  
 Note: Net margin is calculated from net profit

**Ex 7: Private-Label Sales Mix**



Sources: Company data, Thanachart estimates

**Ex 8: Profit Growth**

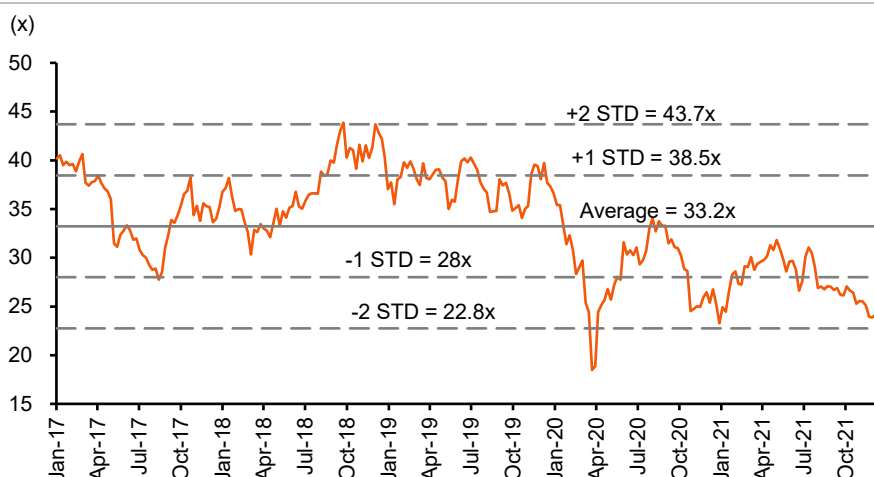


Sources: Company data, Thanachart estimates

*Cheaper than peers and below its historical trading range*

**Third**, due to its underperformance this year, GLOBAL looks attractive to us at -2STD or 22x 2023F PE vs. the sector average of 25.4x and its 33x five-year average.

## Ex 9: GLOBAL's PE Band



Sources: Bloomberg, Thanachart estimates

## 4Q22F preview

## We expect good 4Q22F results

We forecast GLOBAL to deliver Bt839m of profit in 4Q22F, increasing by 12 y-y and 8% q-q. In spite of a high sales base starting from 4Q21 after the lifting of lockdown, sales momentum has been stronger than expected with 2-3% SSSG in 4QTD (October and November). We forecast 2% SSSG for 4Q22F, which we expect to drive merchandise sales growth of 7% y-y and 8% q-q to Bt8.8bn. In 4Q22F, it has not opened any new stores as the three branches planned for 4Q22 were delayed to 1H23F. So far this year, it has launched two branches for a total of 77 stores in Thailand.

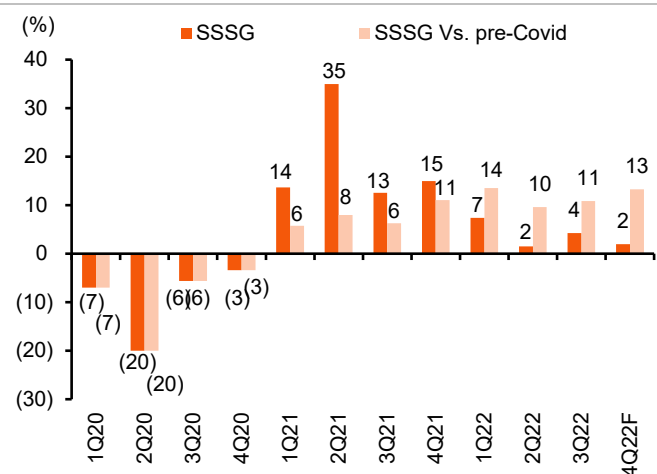
Although 4QTD steel price fell by 30% y-y and 12% q-q, the company guided for improving gross margin y-y in 4Q22F, boosted by a rising house-brand sales mix to 24% from 23.5% in 3Q22 and 23.0% in 4Q21. With the minimum wage increase from October and a new higher FT charge in the new round (Sep-Dec), we forecast rising SG&A/sales ratio to 15.8% in 4Q22F from 15.1% in 4Q21.

## Ex 10: 4Q22F Earnings Preview

| Yr-end Dec (Bt m)        | Income Statement |              |              |              |              | Change   |            |
|--------------------------|------------------|--------------|--------------|--------------|--------------|----------|------------|
|                          | 4Q21             | 1Q22         | 2Q22         | 3Q22         | 4Q22F        | (q-q%)   | (y-y%)     |
| Revenue                  | 8,246            | 9,634        | 9,220        | 8,170        | 8,825        | 8        | 7          |
| <b>Gross profit</b>      | <b>2,100</b>     | <b>2,517</b> | <b>2,438</b> | <b>2,104</b> | <b>2,252</b> | <b>7</b> | <b>7</b>   |
| SG&A                     | 1,243            | 1,244        | 1,316        | 1,320        | 1,390        | 5        | 12         |
| Operating profit         | 857              | 1,273        | 1,122        | 785          | 861          | 10       | 0          |
| <b>EBITDA</b>            | <b>1,175</b>     | <b>1,604</b> | <b>1,415</b> | <b>1,101</b> | <b>1,143</b> | <b>4</b> | <b>(3)</b> |
| Other income             | 75               | 171          | 200          | 177          | 169          | (4)      | 124        |
| Other expense            | (2)              | 0            | 0            | 0            | 0            |          |            |
| Interest expense         | 45               | 45           | 47           | 47           | 45           | (3)      | 1          |
| <b>Profit before tax</b> | <b>890</b>       | <b>1,399</b> | <b>1,275</b> | <b>915</b>   | <b>985</b>   | <b>8</b> | <b>11</b>  |
| Income tax               | 173              | 275          | 253          | 179          | 185          | 4        | 7          |
| Equity & invest. Income  | 33               | 39           | 9            | 43           | 45           | 5        | 37         |
| Minority interests       | (3)              | (7)          | (3)          | (4)          | (6)          | na       | na         |
| Extraordinary items      | (0)              | 0            | 0            | 0            | 0            |          |            |
| <b>Net profit</b>        | <b>746</b>       | <b>1,157</b> | <b>1,028</b> | <b>775</b>   | <b>839</b>   | <b>8</b> | <b>12</b>  |
| <b>Normalized profit</b> | <b>747</b>       | <b>1,156</b> | <b>1,028</b> | <b>774</b>   | <b>839</b>   | <b>8</b> | <b>12</b>  |

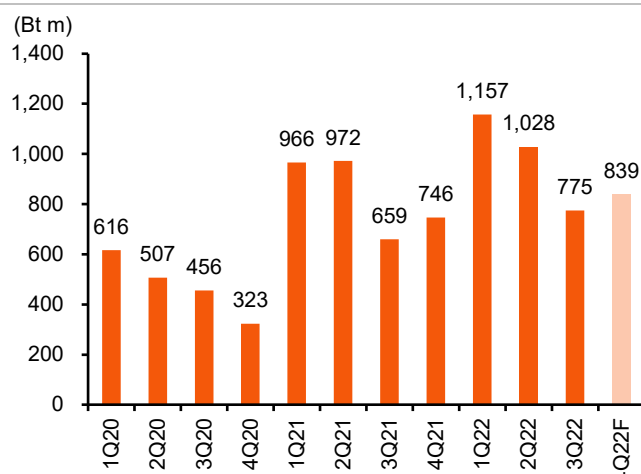
Sources: Company data, Thanachart estimates

## Ex 11: Quarterly SSSG



Sources: Company data, Thanachart estimates

## Ex 12: Quarterly Net Profit



Sources: Company data, Thanachart estimates

## Ex 13: 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                             | 5,849     | 6,771 | 7,683 | 8,637 | 9,678 | 10,813 | 12,050 | 13,219 | 14,477 | 15,566 | 16,285 |                |
| Free cash flow                     | 2,760     | 4,741 | 5,205 | 6,197 | 7,234 | 7,219  | 9,503  | 9,322  | 10,400 | 13,127 | 14,057 | 215,917        |
| PV of free cash flow               | 2,753     | 4,087 | 4,166 | 4,606 | 4,885 | 4,505  | 5,483  | 4,972  | 5,128  | 5,982  | 5,646  | 86,733         |
| Risk-free rate (%)                 | 2.5       |       |       |       |       |        |        |        |        |        |        |                |
| Market risk premium (%)            | 8.0       |       |       |       |       |        |        |        |        |        |        |                |
| Beta                               | 0.9       |       |       |       |       |        |        |        |        |        |        |                |
| WACC (%)                           | 7.7       |       |       |       |       |        |        |        |        |        |        |                |
| Terminal growth (%)                | 2.0       |       |       |       |       |        |        |        |        |        |        |                |
| Enterprise value - add investments | 140,947.3 |       |       |       |       |        |        |        |        |        |        |                |
| Net debt (2022F)                   | 11,011.6  |       |       |       |       |        |        |        |        |        |        |                |
| Minority interest                  | 295.3     |       |       |       |       |        |        |        |        |        |        |                |
| Equity value                       | 129,640.3 |       |       |       |       |        |        |        |        |        |        |                |
| # of shares (m)                    | 4,801.8   |       |       |       |       |        |        |        |        |        |        |                |
| Equity value / share (Bt)          | 27.00     |       |       |       |       |        |        |        |        |        |        |                |

## Investment: (Bt m)

Land @ Muang Thong Thani 2,000

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 14: Valuation Comparison With Regional Peers

| Name                   | BBG code  | Country     | EPS growth  |             | PE          |             | P/BV       |            | EV/EBITDA   |             | Div. yield |            |
|------------------------|-----------|-------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|
|                        |           |             | 22F<br>(%)  | 23F<br>(%)  | 22F<br>(x)  | 23F<br>(x)  | 22F<br>(x) | 23F<br>(x) | 22F<br>(x)  | 23F<br>(x)  | 22F<br>(%) | 23F<br>(%) |
| Marks & Spencer        | MKS LN    | Britain     | na          | (29.0)      | 5.0         | 7.1         | 0.8        | 0.7        | 4.2         | 4.8         | 0.7        | 4.0        |
| J Sainsbury PLC        | SBRY LN   | Britain     | 109.1       | (8.3)       | 8.7         | 9.5         | 0.6        | 0.6        | 4.6         | 4.7         | 6.1        | 6.4        |
| Tesco                  | TSCO LN   | Britain     | 110.8       | (2.8)       | 9.5         | 9.8         | 1.2        | 1.0        | 6.0         | 6.4         | 5.2        | 5.2        |
| Carrefour SA           | CA FP     | France      | 7.6         | 13.5        | 10.2        | 9.0         | 1.1        | 1.1        | 6.4         | 5.9         | 3.7        | 4.2        |
| Casino Guichard        | CO FP     | France      | (49.4)      | 102.3       | 15.2        | 7.5         | 0.4        | 0.4        | 7.0         | 6.4         | 1.0        | 5.2        |
| L'Oreal SA             | OR FP     | France      | 26.1        | 7.0         | 31.7        | 29.6        | 7.2        | 6.5        | 21.0        | 19.6        | 1.6        | 1.8        |
| Alimentation Couche    | ATD/B CN  | Canada      | 7.9         | 13.7        | na          | na          | na         | na         | 10.2        | 9.8         | na         | na         |
| Aeon                   | 8267 JP   | Japan       | 148.7       | 174.2       | na          | 75.4        | 2.6        | 2.6        | 9.5         | 8.7         | 1.3        | 1.3        |
| Kao Corporation        | 4452 JP   | Japan       | (14.6)      | 14.2        | 24.7        | 21.6        | 2.6        | 2.5        | 12.1        | 10.7        | 2.8        | 2.8        |
| Lion Corporation       | 4912 JP   | Japan       | (6.6)       | (6.3)       | 20.8        | 22.2        | 1.6        | 1.5        | 8.4         | 8.3         | 1.7        | 1.8        |
| Shiseido Co. Ltd       | 4911 JP   | Japan       | (8.6)       | 84.8        | 78.1        | 42.2        | 4.6        | 4.3        | 25.0        | 17.9        | 1.5        | 1.0        |
| Lawson                 | 2651 JP   | Japan       | 105.8       | 19.9        | 27.9        | 23.3        | 1.9        | 1.9        | 3.7         | 3.5         | 2.9        | 2.9        |
| Seven & I Holdings     | 3382 JP   | Japan       | 36.3        | 27.1        | 23.3        | 18.3        | 1.8        | 1.6        | 10.4        | 8.3         | 1.8        | 1.9        |
| Lotte Corp             | 004990 KS | South Korea | 19.0        | 9.6         | 9.0         | 8.2         | 0.4        | 0.4        | 9.5         | 9.1         | 4.7        | 4.7        |
| Shinsegae              | 004170 KS | South Korea | 22.8        | 9.7         | 5.8         | 5.3         | 0.5        | 0.5        | 5.5         | 5.4         | 1.4        | 1.5        |
| Amore Pacific Group    | 002790 KS | South Korea | (54.9)      | 53.5        | 28.2        | 18.4        | 0.9        | 0.9        | 6.2         | 5.6         | 1.0        | 1.3        |
| Best Buy Co Inc        | BBY US    | USA         | (34.6)      | 4.0         | 12.4        | 11.9        | 6.4        | 7.1        | 6.5         | 6.3         | 4.3        | 4.5        |
| Wal-Mart Stores        | WMT US    | USA         | (5.9)       | 9.4         | 24.3        | 22.2        | 4.9        | 4.5        | 12.7        | 11.9        | 1.5        | 1.6        |
| Home Depot Inc         | HD US     | USA         | 7.3         | 1.4         | 20.0        | 19.7        | na         | na         | 14.2        | 14.1        | 2.3        | 2.4        |
| Yonghui Superstores    | 601933 CH | China       | 100.4       | na          | na          | 44.4        | 3.2        | 3.1        | 21.9        | 15.4        | 0.5        | 1.1        |
| Sa International       | 178 HK    | Hong Kong   | 21.8        | 62.0        | na          | na          | 4.9        | 5.7        | na          | na          | 0.0        | 0.0        |
| Dairy Farm Intl Hldgs  | DFI SP    | Hong Kong   | (75.5)      | na          | na          | 19.8        | 3.4        | 3.1        | 11.4        | 9.6         | 1.5        | 3.8        |
| President Chain Store  | 2912 TT   | Taiwan      | 10.3        | 17.6        | 28.8        | 24.5        | 7.9        | 7.4        | 11.1        | 11.0        | 3.1        | 3.5        |
| 7-Eleven Malaysia      | SEM MK    | Malaysia    | 188.9       | 5.1         | 20.6        | 19.6        | 13.4       | 10.1       | 7.4         | 7.6         | 2.5        | 2.7        |
| Berli Jucker *         | BJC TB    | Thailand    | 49.1        | 6.9         | 26.7        | 25.0        | 1.2        | 1.1        | 13.6        | 13.0        | 2.8        | 3.0        |
| COM7 *                 | COM7 TB   | Thailand    | 21.0        | 19.3        | 24.3        | 20.4        | 10.3       | 8.6        | 16.5        | 13.9        | 1.9        | 4.0        |
| CP All *               | CPALL TB  | Thailand    | 59.0        | 60.3        | 47.8        | 29.8        | 5.3        | 4.8        | 13.3        | 11.2        | 1.0        | 1.7        |
| Central Pattana *      | CPN TB    | Thailand    | 152.2       | 30.4        | 36.6        | 28.1        | 3.9        | 3.5        | 20.9        | 17.3        | 1.3        | 1.6        |
| Central Retail Corp. * | CRC TB    | Thailand    | 10,199.2    | 48.5        | 42.7        | 28.7        | 4.3        | 3.9        | 11.6        | 10.0        | 0.9        | 1.4        |
| Siam Global House *    | GLOBAL TB | Thailand    | 13.4        | 12.9        | 25.1        | 22.3        | 4.3        | 3.8        | 20.0        | 17.8        | 1.6        | 1.8        |
| Home Product*          | HMPRO TB  | Thailand    | 14.0        | 17.7        | 31.4        | 26.7        | 8.2        | 7.6        | 17.6        | 15.4        | 2.6        | 3.0        |
| Siam Makro *           | MAKRO TB  | Thailand    | (34.0)      | 46.8        | 50.0        | 34.0        | 1.4        | 1.3        | 16.3        | 14.0        | 1.5        | 2.2        |
| Mc Group *             | MC TB**   | Thailand    | 27.5        | 20.5        | 13.4        | 11.1        | 2.2        | 2.2        | 5.7         | 5.4         | 7.4        | 9.0        |
| <b>Average</b>         |           |             | <b>31.4</b> | <b>27.3</b> | <b>25.1</b> | <b>22.4</b> | <b>3.7</b> | <b>3.4</b> | <b>11.6</b> | <b>10.3</b> | <b>2.3</b> | <b>2.9</b> |

Sources: Bloomberg, Thanachart estimates

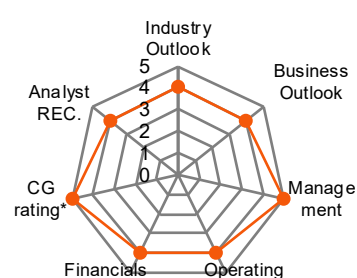
Note: \* Thanachart estimates using normalized EPS growth, \*\* MC's fiscal year ends in June. The figures shown in the table are for FY23F and FY24F  
Based on 15 December 2022 closing price

## 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 77 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

|                  |          |
|------------------|----------|
| <b>Excellent</b> | <b>5</b> |
| <b>Good</b>      | <b>4</b> |
| <b>Fair</b>      | <b>3</b> |
| <b>Weak</b>      | <b>2</b> |
| <b>Very Weak</b> | <b>1</b> |
| <b>None</b>      | <b>0</b> |

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, Bt332.00, SELL) 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 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.

### 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           |
|------------------------------|----------------|----------------|----------------|
| <b>Target price (Bt)</b>     | 24.33          | 27.00          | 11%            |
| <b>Net profit 22F (Bt m)</b> | 3,699          | 3,798          | 3%             |
| <b>Net profit 23F (Bt m)</b> | 4,042          | 4,293          | 6%             |
| <b>Consensus REC</b>         | <b>BUY: 13</b> | <b>HOLD: 4</b> | <b>SELL: 1</b> |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profit forecasts are 3-6% above the Bloomberg consensus numbers, which we attribute to us having higher gross margin and overseas profit assumptions.
- Our TP is therefore 11% 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 and new stores to boost sales*

| FY ending Dec (Bt m)              | 2020A        | 2021A        | 2022F        | 2023F         | 2024F         |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|
| Sales                             | 26,803       | 33,498       | 35,848       | 38,257        | 42,127        |
| Cost of sales                     | 20,401       | 25,067       | 26,538       | 28,144        | 30,798        |
| <b>Gross profit</b>               | <b>6,402</b> | <b>8,431</b> | <b>9,311</b> | <b>10,113</b> | <b>11,330</b> |
| % gross margin                    | 23.9%        | 25.2%        | 26.0%        | 26.4%         | 26.9%         |
| Selling & administration expenses | 4,301        | 4,807        | 5,270        | 5,586         | 6,024         |
| <b>Operating profit</b>           | <b>2,101</b> | <b>3,624</b> | <b>4,041</b> | <b>4,527</b>  | <b>5,305</b>  |
| % operating margin                | 7.8%         | 10.8%        | 11.3%        | 11.8%         | 12.6%         |
| Depreciation & amortization       | 1,164        | 1,264        | 1,293        | 1,393         | 1,537         |
| <b>EBITDA</b>                     | <b>3,265</b> | <b>4,888</b> | <b>5,334</b> | <b>5,920</b>  | <b>6,842</b>  |
| % EBITDA margin                   | 12.2%        | 14.6%        | 14.9%        | 15.5%         | 16.2%         |
| Non-operating income              | 552          | 618          | 717          | 803           | 885           |
| Non-operating expenses            | 0            | 0            | 0            | 0             | 0             |
| Interest expense                  | (246)        | (180)        | (184)        | (195)         | (184)         |
| <b>Pre-tax profit</b>             | <b>2,407</b> | <b>4,062</b> | <b>4,574</b> | <b>5,136</b>  | <b>6,006</b>  |
| Income tax                        | 455          | 783          | 892          | 1,001         | 1,171         |
| <b>After-tax profit</b>           | <b>1,952</b> | <b>3,278</b> | <b>3,682</b> | <b>4,134</b>  | <b>4,835</b>  |
| % net margin                      | 7.3%         | 9.8%         | 10.3%        | 10.8%         | 11.5%         |
| Shares in affiliates' Earnings    | 23           | 81           | 136          | 183           | 202           |
| Minority interests                | (20)         | (15)         | (20)         | (24)          | (35)          |
| Extraordinary items               | 0            | 0            | 0            | 0             | 0             |
| <b>NET PROFIT</b>                 | <b>1,956</b> | <b>3,344</b> | <b>3,798</b> | <b>4,293</b>  | <b>5,002</b>  |
| <b>Normalized profit</b>          | <b>1,956</b> | <b>3,344</b> | <b>3,798</b> | <b>4,293</b>  | <b>5,002</b>  |
| EPS (Bt)                          | 0.4          | 0.7          | 0.8          | 0.9           | 1.0           |
| Normalized EPS (Bt)               | 0.4          | 0.7          | 0.8          | 0.9           | 1.0           |

## BALANCE SHEET

*GLOBAL has continued to open new stores*

| FY ending Dec (Bt m)            | 2020A         | 2021A         | 2022F         | 2023F         | 2024F         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS:</b>                  |               |               |               |               |               |
| Current assets:                 | 16,184        | 18,631        | 19,846        | 20,238        | 19,574        |
| Cash & cash equivalent          | 1,224         | 1,772         | 1,287         | 1,178         | 1,234         |
| Account receivables             | 666           | 674           | 1,473         | 2,096         | 2,308         |
| Inventories                     | 14,287        | 16,186        | 17,086        | 16,964        | 16,032        |
| Others                          | 7             | 0             | 0             | 0             | 0             |
| Investments & loans             | 838           | 1,607         | 1,607         | 1,607         | 1,607         |
| Net fixed assets                | 17,148        | 17,099        | 17,127        | 18,556        | 20,090        |
| Other assets                    | 1,850         | 1,937         | 1,912         | 1,889         | 1,893         |
| <b>Total assets</b>             | <b>36,020</b> | <b>39,275</b> | <b>40,493</b> | <b>42,290</b> | <b>43,165</b> |
| <b>LIABILITIES:</b>             |               |               |               |               |               |
| Current liabilities:            | 15,261        | 16,011        | 15,396        | 14,665        | 12,680        |
| Account payables                | 2,988         | 2,543         | 3,999         | 4,241         | 4,641         |
| Bank overdraft & ST loans       | 11,193        | 12,066        | 9,839         | 8,929         | 6,794         |
| Current LT debt                 | 884           | 1,045         | 1,230         | 1,116         | 849           |
| Others current liabilities      | 197           | 358           | 328           | 379           | 396           |
| <b>Total LT debt</b>            | <b>2,303</b>  | <b>2,139</b>  | <b>1,230</b>  | <b>1,116</b>  | <b>849</b>    |
| Others LT liabilities           | 1,242         | 1,289         | 1,359         | 1,301         | 1,250         |
| <b>Total liabilities</b>        | <b>18,806</b> | <b>19,439</b> | <b>17,984</b> | <b>17,082</b> | <b>14,780</b> |
| Minority interest               | 233           | 275           | 295           | 319           | 354           |
| 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            |
| <b>Retained earnings</b>        | <b>7,845</b>  | <b>10,174</b> | <b>12,626</b> | <b>15,302</b> | <b>18,445</b> |
| Shareholders' equity            | 16,981        | 19,561        | 22,213        | 24,888        | 28,031        |
| <b>Liabilities &amp; equity</b> | <b>36,020</b> | <b>39,275</b> | <b>40,493</b> | <b>42,290</b> | <b>43,165</b> |

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          | 4,574          | 5,136          | 6,006          |
| Tax paid                          | (502)          | (632)          | (926)          | (951)          | (1,153)        |
| Depreciation & amortization       | 1,164          | 1,264          | 1,293          | 1,393          | 1,537          |
| Chg In working capital            | 1,510          | (2,352)        | (243)          | (259)          | 1,120          |
| Chg In other CA & CL / minorities | (22)           | (18)           | 8              | 119            | 155            |
| <b>Cash flow from operations</b>  | <b>4,556</b>   | <b>2,323</b>   | <b>4,705</b>   | <b>5,438</b>   | <b>7,664</b>   |
| Capex                             | (2,207)        | (1,215)        | (1,250)        | (2,750)        | (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            | 157            | (40)           | (80)           |
| <b>Cash flow from investments</b> | <b>(2,124)</b> | <b>(1,832)</b> | <b>(1,093)</b> | <b>(2,790)</b> | <b>(3,081)</b> |
| Debt financing                    | (1,627)        | 870            | (2,951)        | (1,138)        | (2,668)        |
| Capital increase                  | 200            | 200            | 200            | 0              | 0              |
| Dividends paid                    | (863)          | (814)          | (1,346)        | (1,618)        | (1,859)        |
| Warrants & other surplus          | (218)          | (200)          | 0              | 0              | 0              |
| <b>Cash flow from financing</b>   | <b>(2,507)</b> | <b>56</b>      | <b>(4,097)</b> | <b>(2,756)</b> | <b>(4,527)</b> |
| <b>Free cash flow</b>             | <b>2,350</b>   | <b>1,108</b>   | <b>3,455</b>   | <b>2,688</b>   | <b>4,664</b>   |

## VALUATION

*Its 2023F PE is well below its five-year average (2017-21) of 33.2x*

| FY ending Dec                       | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x)                   | 48.6  | 28.5  | 25.1  | 22.3  | 19.1  |
| Normalized PE - at target price (x) | 65.9  | 38.7  | 34.1  | 30.2  | 25.9  |
| PE (x)                              | 48.6  | 28.5  | 25.1  | 22.3  | 19.1  |
| PE - at target price (x)            | 65.9  | 38.7  | 34.1  | 30.2  | 25.9  |
| EV/EBITDA (x)                       | 33.1  | 22.3  | 20.0  | 17.8  | 15.0  |
| EV/EBITDA - at target price (x)     | 43.5  | 29.2  | 26.4  | 23.6  | 20.0  |
| P/BV (x)                            | 5.6   | 4.9   | 4.3   | 3.8   | 3.4   |
| P/BV - at target price (x)          | 7.6   | 6.6   | 5.8   | 5.2   | 4.6   |
| P/CFO (x)                           | 20.9  | 41.0  | 20.3  | 17.6  | 12.5  |
| Price/sales (x)                     | 3.6   | 2.9   | 2.7   | 2.5   | 2.3   |
| Dividend yield (%)                  | 1.1   | 1.2   | 1.6   | 1.8   | 2.1   |
| FCF Yield (%)                       | 2.5   | 1.2   | 3.6   | 2.8   | 4.9   |
| <b>(Bt)</b>                         |       |       |       |       |       |
| Normalized EPS                      | 0.4   | 0.7   | 0.8   | 0.9   | 1.0   |
| EPS                                 | 0.4   | 0.7   | 0.8   | 0.9   | 1.0   |
| DPS                                 | 0.2   | 0.2   | 0.3   | 0.4   | 0.4   |
| BV/share                            | 3.6   | 4.1   | 4.6   | 5.2   | 5.8   |
| CFO/share                           | 1.0   | 0.5   | 1.0   | 1.1   | 1.6   |
| FCF/share                           | 0.5   | 0.2   | 0.7   | 0.6   | 1.0   |

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

| FY ending Dec                    | 2020A  | 2021A  | 2022F  | 2023F  | 2024F  |
|----------------------------------|--------|--------|--------|--------|--------|
| <b>Growth Rate</b>               |        |        |        |        |        |
| Sales (%)                        | (4.6)  | 25.0   | 7.0    | 6.7    | 10.1   |
| Net profit (%)                   | (6.6)  | 70.9   | 13.6   | 13.0   | 16.5   |
| EPS (%)                          | (6.9)  | 70.5   | 13.4   | 12.9   | 16.5   |
| Normalized profit (%)            | (6.6)  | 70.9   | 13.6   | 13.0   | 16.5   |
| Normalized EPS (%)               | (6.9)  | 70.5   | 13.4   | 12.9   | 16.5   |
| Dividend payout ratio (%)        | 51.9   | 35.1   | 40.0   | 40.0   | 40.0   |
| <b>Operating performance</b>     |        |        |        |        |        |
| Gross margin (%)                 | 23.9   | 25.2   | 26.0   | 26.4   | 26.9   |
| Operating margin (%)             | 7.8    | 10.8   | 11.3   | 11.8   | 12.6   |
| EBITDA margin (%)                | 12.2   | 14.6   | 14.9   | 15.5   | 16.2   |
| Net margin (%)                   | 7.3    | 9.8    | 10.3   | 10.8   | 11.5   |
| 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   | 22.0   | 23.2   | 28.9   |
| Interest coverage - EBITDA (x)   | 13.3   | 27.1   | 29.0   | 30.4   | 37.2   |
| ROA - using norm profit (%)      | 5.4    | 8.9    | 9.5    | 10.4   | 11.7   |
| ROE - using norm profit (%)      | 11.9   | 18.3   | 18.2   | 18.2   | 18.9   |
| <b>DuPont</b>                    |        |        |        |        |        |
| ROE - using after tax profit (%) | 11.9   | 17.9   | 17.6   | 17.6   | 18.3   |
| - asset turnover (x)             | 0.7    | 0.9    | 0.9    | 0.9    | 1.0    |
| - operating margin (%)           | 9.9    | 12.7   | 13.3   | 13.9   | 14.7   |
| - leverage (x)                   | 2.2    | 2.1    | 1.9    | 1.8    | 1.6    |
| - interest burden (%)            | 90.7   | 95.7   | 96.1   | 96.3   | 97.0   |
| - tax burden (%)                 | 81.1   | 80.7   | 80.5   | 80.5   | 80.5   |
| WACC (%)                         | 7.7    | 7.7    | 7.7    | 7.7    | 7.7    |
| ROIC (%)                         | 5.6    | 9.7    | 9.8    | 11.0   | 12.2   |
| NOPAT (Bt m)                     | 1,704  | 2,925  | 3,253  | 3,644  | 4,271  |
| invested capital (Bt m)          | 30,136 | 33,039 | 33,225 | 34,871 | 35,290 |

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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|        |       |              |
|--------|-------|--------------|
| 90-100 | ▲▲▲▲▲ | Excellent    |
| 80-89  | ▲▲▲▲  | Very Good    |
| 70-79  | ▲▲▲   | Good         |
| 60-69  | ▲▲    | Satisfactory |
| 50-59  | ▲     | Pass         |
| Below  |       | N/A          |

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