

BUY (Unchanged)
Change in Numbers

TP: Bt 18.50 (From: Bt 18.00)
Upside : 32.1%

10 MARCH 2023

Home Product Center (HMPRO TB)

Mega Home at full speed

HMPRO is rolling out its rural-model Mega Home stores at full speed this year with a medium-term target of 50 branches. Factoring in this plan, we lift our DCF-based TP by 3% to Bt18.5. As a sector laggard with a strong 16% EPS CAGR in 2023-25F, we reaffirm our BUY call.



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Reaffirming BUY with a higher Bt18.5 TP

Despite cutting our earnings by 2-3% in 2023-26F to reflect higher SG&A from rising electricity costs and store expansion expenses, we lift our estimates for HMPRO by 4% p.a. from 2027F mainly on higher Mega Home business profits as we assume faster store openings. As a laggard play in the retail sector with its share price falling 10% YTD while we expect continued record profits this year with a strong 16% three-year EPS CAGR, we reaffirm our BUY call on HMPRO and lift our DCF-based 12-month TP (2023F base year) by 3% to Bt18.5 from Bt18.0 previously. Its 26x 2023F is at a hefty discount to its 33x five-year historical average.

Mega Home, a new earnings driver

As COVID subsides and there is room to expand home building materials and improvement stores in both major and secondary districts upcountry, HMPRO is aggressively opening Mega Home stores this year with eight new branches. With 18 stores last year, we estimate Mega Home contributed Bt571m, or 9% of 2022 profit. In line with its plan to open up to 50 stores by 2029, we lift our total store number from 33 to 50 and forecast a 6x profit jump from now to Bt3.3bn in 2029F, or a 21% profit contribution.

New sales strategy for HomePro stores

Though the urban-model HomePro home furnishing stores are more mature, HMPRO plans to open one to two branches each year from 87 last year. Apart from its online channel that was launched during COVID with a 6.2% sales mix in 2022, this year it intends to expand its customer base to B2B customers and C+ customers and below with the HomePay credit scheme. It also aims to create an ecosystem for its products and services by offering product repairs, trade-ins and resale to speed up buying decisions. YTD, its SSSG is far better than peers' 5-6%.

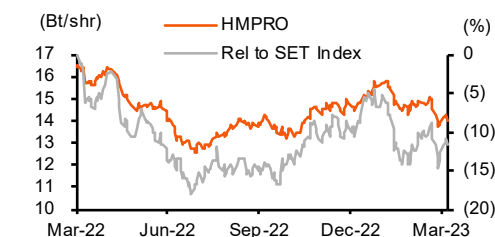
A 16% EPS CAGR in 2023-25F

While last year's profit was already back to the pre-pandemic level in 2019 of Bt6.2bn, we forecast a strong 16% three-year EPS CAGR. First, the HomePro business and rental income from 149,000 sqm of rental space is projected to see a 12% profit CAGR from new stores, 5% SSSG p.a., gross margin expansion from growing its private-brand sales mix from 20.8% in 2022 to 22.9% in 2025F and an 11% rental income CAGR from a higher occupancy rate and lower rent discounts. Second, Mega Home's solid profit growth from Bt571m in 2022 to Bt1.5bn in 2025F, driven by a doubling of its store number from 18 to 36, 2-3% SSSG p.a. and gross margin widening from scale benefits and its house-brand mix increasing from 17% to 20%. Third, the Malaysia business is no longer a drag as it turned a profit last year with seven HomePro branches there.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	66,811	74,229	83,240	91,256
Net profit	6,217	7,112	8,333	9,588
Consensus NP	—	6,975	7,692	8,242
Diff frm cons (%)	—	2.0	8.3	16.3
Norm profit	6,217	7,112	8,333	9,588
Prev. Norm profit	—	7,303	8,579	9,846
Chg frm prev (%)	—	(2.6)	(2.9)	(2.6)
Norm EPS (Bt)	0.5	0.5	0.6	0.7
Norm EPS grw (%)	14.3	14.4	17.2	15.1
Norm PE (x)	29.6	25.9	22.1	19.2
EV/EBITDA (x)	17.3	15.0	13.2	11.7
P/BV (x)	7.6	7.3	6.7	6.2
Div yield (%)	2.7	3.1	3.6	4.2
ROE (%)	26.4	28.8	30.5	33.6
Net D/E (%)	40.8	46.0	47.2	43.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 10-Mar-23 (Bt)	14.00
Market Cap (US\$ m)	5,250.7
Listed Shares (m shares)	13,151.2
Free Float (%)	40.9
Avg Daily Turnover (US\$ m)	11.0
12M Price H/L (Bt)	16.50/12.60
Sector	Commerce
Major Shareholder	Land & Houses 30.23%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P8

Raising our TP to Bt18.5

We lift our DCF TP by 3% on Mega Home's aggressive expansion plan

In this note, we have adjusted our assumptions as follows:

First, we raise our store expansion assumption for Mega Home stores to eight new branches this year, five each year in 2024-26F and three each year in 2027-29F (from one to three new stores p.a. earlier), according to the company's latest plan. This results in our expectation for lower profit from Mega Home in 2023-24F due to new stores' operating expenses and depreciation but higher profit from 2025F.

Second, HomePro's same-store sales (SSS) growth is lifted to 5% in 2023-25F, from 4% p.a., to reflect solid SSS growth YTD of 5-6% and its strategy of boosting sales via E-Commerce channels, expanding its customer base to the B2B segment (offices, hotels/resorts/spas, healthcare services, government agencies/schools) and C+ and below customers with the HomePay credit scheme, and offering complete product/service offerings (repairs, trade-ins, resale).

Third, higher profit contribution from lower-margin Mega Home leads us to lower our gross margin assumptions. We estimate gross margin to widen by 22/25/31bp in 2023-25F to 26.35/26.61/26.92%, in line with the company's guidance for 20bp gross margin expansion this year (30bp increase for both HomePro and Mega Home stores).

Last, higher SG&A/sales assumption from rising electricity costs and expansion expenses.

Ex 1: Key Assumption Changes

	2022	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Branch expansion - new	4	10	8	7	7	4	4	4	1	1	1	0
HomePro - Thailand	0	2	2	1	1	1	1	1	1	1	1	0
HomePro - Malaysia	0	0	1	1	1	0	0	0	0	0	0	0
Mega Home	4	8	5	5	5	3	3	3	0	0	0	0
Branch expansion - old	4	5	6	4	4	2	2	2	2	1	1	0
HomePro - Thailand	0	2	2	1	1	1	1	1	1	1	1	0
HomePro - Malaysia	0	0	1	1	1	0	0	0	0	0	0	0
Mega Home	4	3	3	2	2	1	1	1	1	0	0	0
HomePro's SSSG (%)												
New	5.1	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Old	5.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Blended gross margin on sales (%)												
New	26.1	26.4	26.6	26.9	27.2	27.6	27.9	28.3	28.7	29.0	29.4	29.8
Old	26.1	26.4	26.7	27.1	27.4	27.8	28.2	28.6	29.0	29.4	29.8	30.3
Change (bp)	0	(6)	(12)	(15)	(20)	(25)	(30)	(35)	(39)	(41)	(44)	(46)
SG&A/sales (%)												
New	18.7	18.8	18.6	18.4	18.0	17.5	17.1	16.7	16.3	15.9	15.6	15.3
Old	18.7	18.5	18.1	17.7	17.4	17.0	16.7	16.4	16.1	15.9	15.6	15.4
Mega Home's profit (Bt m)												
New	571	732	1,145	1,516	1,928	2,425	2,867	3,359	3,862	4,191	4,540	4,910
Old	571	853	1,203	1,507	1,804	2,096	2,367	2,664	2,976	3,286	3,541	3,811
Change (%)	0	(14)	(5)	1	7	16	21	26	30	28	28	29
Normalized profit (Bt m)												
New	6,217	7,112	8,333	9,588	10,970	12,557	14,071	15,873	17,755	19,443	21,230	23,100
Old	6,217	7,303	8,579	9,846	11,152	12,344	13,757	15,264	16,864	18,522	20,201	21,974
Change (%)	0.0	(2.6)	(2.9)	(2.6)	(1.6)	1.7	2.3	4.0	5.3	5.0	5.1	5.1

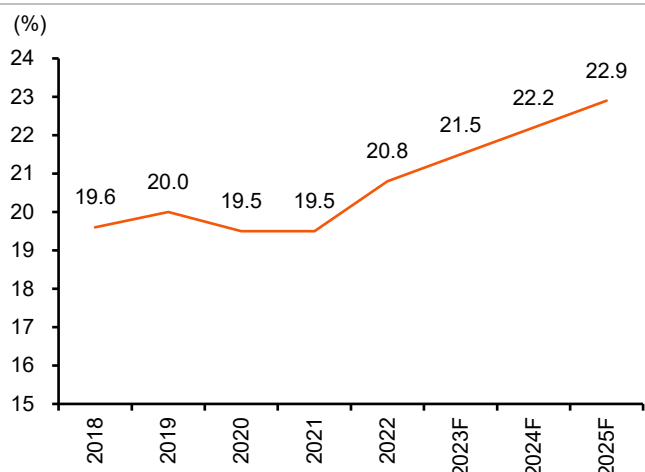
Sources: Company data, Thanachart estimates

Reaffirm BUY for...

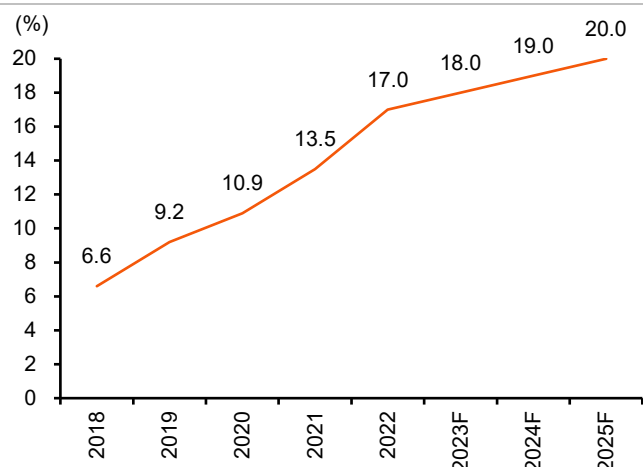
- 1) **Continued record profit**
- 2) **A new boost from the Mega Home business**
- 3) **Malaysia stores no longer a drag**
- 4) **High and expanding ROE**
- 5) **Lagging PE**

Despite cutting our earnings by 2-3% in 2023-26F on higher SG&A from rising electricity costs and store expansion expenses, we raise our earnings by 4% p.a. from 2027F, mainly on higher profit from the Mega Home business due to our assumption of more new stores opening. We reaffirm our BUY call on shares of HMPRO and lift our DCF-based 12-month TP (2023F base year) by 3% to Bt18.5, from Bt18.0 previously.

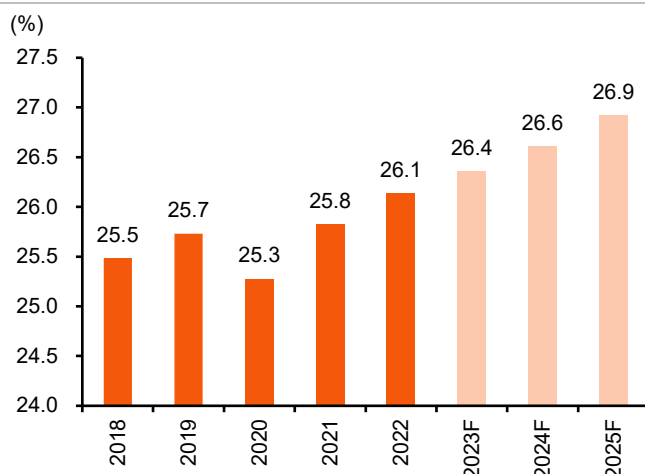
While HMPRO has been resilient, with last year's profit returning to the pre-pandemic level of Bt6.2bn in 2019, we estimate record-high profits again with healthy EPS growth of 14/17/15% in 2023-25F, backed by new HomePro and Mega Home store additions, SSSG, continued gross margin expansion from scale benefits, and growing private-label sales. As HMPRO kick-started the aggressive opening of Mega Home branches this year, Mega Home has become a new earnings driver, with its profit contribution looking set to rise from 9% last year (18 stores) to 21% in 2029F (50 stores). Having entered the Malaysia market in 2014 with seven branches at present, the Malaysia business turned profitable last year. Already the best by ROE among big-box retailers, on our estimates, we expect HMPRO's ROE to trend up from 26.4% last year to a new high of 33.6% in 2025F. It is a laggard play in the retail sector, with its share price falling by 10% YTD while its current 26x 2023F PE is at a substantial discount to its 33x five-year historical average.

Ex 2: Private Labels – HomePro

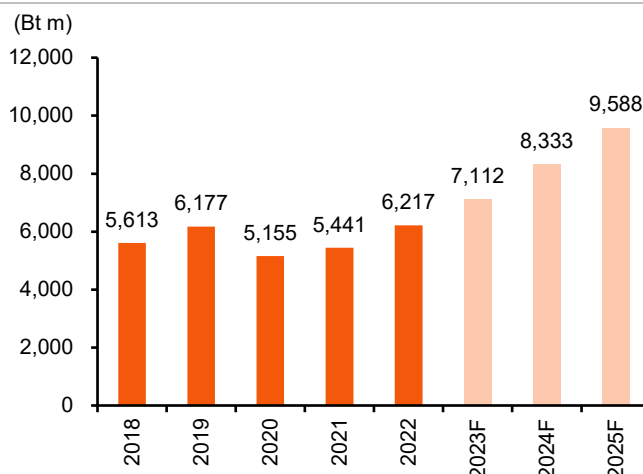
Sources: Company data, Thanachart estimates

Ex 3: Private Labels – Mega Home

Sources: Company data, Thanachart estimates

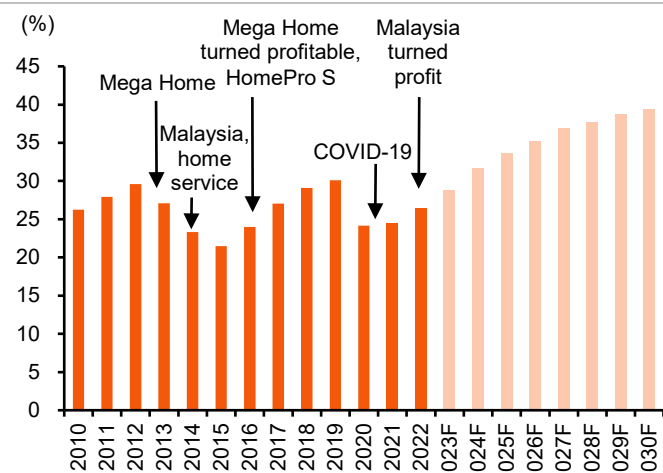
Ex 4: Blended Gross Margin On Sales

Sources: Company data, Thanachart estimates

Ex 5: Net Profit

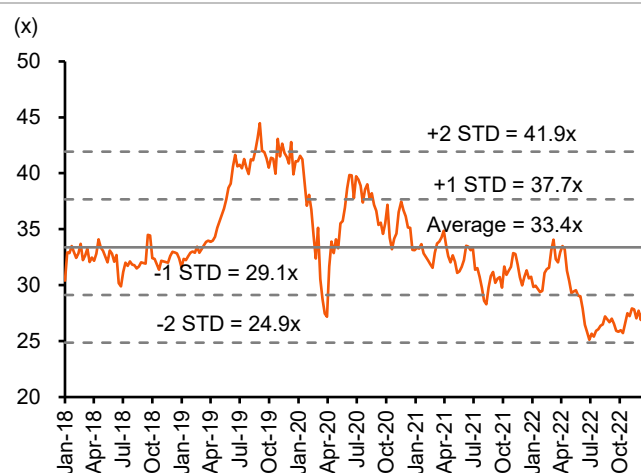
Sources: Company data, Thanachart estimates

Ex 6: Trending Up ROE



Sources: Company data, Thanachart estimates

Ex 7: HMPRO's PE Band



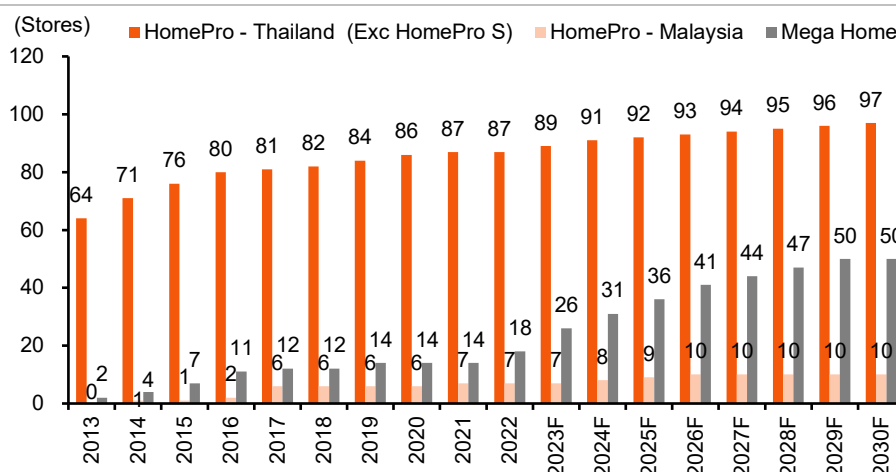
Sources: Bloomberg, Thanachart estimates

Mega Home, a new earnings driver

We estimate Mega Home's profit contribution to rise from 9% last year to 21% in 2029F

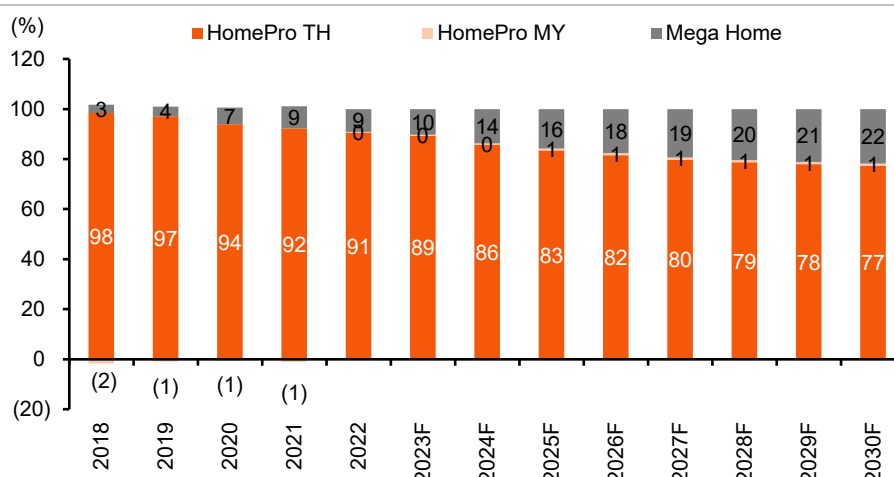
As COVID subsidies and there is room to expand home building materials and improvement stores in both major and secondary districts upcountry given a hefty 40% traditional trade market share in the provinces, HMPRO is aggressively opening Mega Home stores this year with a plan for eight new branches. With 18 stores last year, we estimate Mega Home contributed Bt571m, or 9% of 2022 profit. In line with its plan to open up to 50 stores by 2029, we lift our total store number from 33 to 50 and forecast a 6x profit jump from now to Bt3.3bn in 2029F, or a 21% profit contribution. Note that HMPRO fine-tuned Mega Home's model during the COVID period, and the stores have been doing well. Its private-brand sales mix jumped from 9.2% pre-COVID in 2019 to 17% last year. Profitability has been lifted with a 6.5-7% net margin.

Ex 8: Store Number (YE)



Sources: Company data, Thanachart estimates

Ex 9: Earnings Breakdown



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	2034F	Terminal Value
EBITDA	12,792	14,666	16,527	18,502	20,618	22,719	24,988	27,335	29,411	31,626	33,941	36,253	
Free cash flow	2,885	5,589	7,901	10,741	13,890	15,585	17,416	20,799	22,455	24,225	26,571	28,411	417,141
PV of free cash flow	2,877	4,793	6,274	7,899	9,459	9,568	9,857	10,853	10,803	10,742	10,863	10,155	149,103
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.8												
WACC (%)	8.0												
Terminal growth (%)	2.0												
Enterprise value - add	253,246												
Net debt	9,883												
Minority interest	0												
Equity value	243,362												
# of shares (m)	13,151												
Equity value/share (Bt)	18.50												

Source: Thanachart estimates

Valuation Comparison

Ex 11: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
Marks & Spencer	MKS LN	Britain	(25.3)	(11.7)	8.8	10.0	0.9	0.9	5.4	5.6	2.2	4.0
J Sainsbury PLC	SBRY LN	Britain	(4.8)	(7.3)	10.7	11.6	0.7	0.6	5.2	5.2	5.5	5.1
Tesco	TSCO LN	Britain	(0.9)	(0.9)	11.0	11.1	1.2	1.2	6.9	6.9	4.6	4.6
Carrefour SA	CA FP	France	14.0	17.4	10.6	9.0	1.1	1.1	5.6	5.2	3.5	4.0
Casino Guichard	CO FP	France	na	(143.2)	10.4	na	0.3	0.3	6.5	6.4	0.0	9.5
L'Oreal SA	OR FP	France	6.6	9.2	31.6	28.9	6.8	6.1	21.1	19.5	1.7	1.9
Alimentation Couche	ATD/B CN	Canada	15.8	(4.1)	na	na	na	na	9.6	10.2	na	na
Aeon	8267 JP	Japan	120.2	15.3	84.7	73.5	2.3	2.3	8.9	8.5	1.4	1.4
Kao Corporation	4452 JP	Japan	(0.1)	11.5	23.4	21.0	2.3	2.3	11.2	10.1	3.0	3.1
Lion Corporation	4912 JP	Japan	(5.4)	9.4	21.6	19.8	1.5	1.4	8.2	7.7	1.8	1.9
Shiseido Co. Ltd	4911 JP	Japan	35.3	67.2	56.4	33.7	4.1	3.8	19.5	15.6	1.0	1.1
Lawson	2651 JP	Japan	24.4	10.2	24.0	21.8	2.0	1.9	3.9	3.8	2.7	2.7
Seven & I Holdings	3382 JP	Japan	31.6	6.6	19.3	18.1	1.6	1.5	8.7	8.4	1.8	1.9
Lotte Corp	004990 KS	South Korea	45.1	(7.3)	6.3	6.8	0.4	0.4	8.7	9.6	5.6	6.0
Shinsegae	004170 KS	South Korea	0.9	17.2	5.6	4.8	0.5	0.4	5.6	5.2	1.7	1.7
Amore Pacific Group	002790 KS	South Korea	62.0	24.1	20.6	16.6	1.0	0.9	6.5	5.5	1.3	1.5
Best Buy Co Inc	BBY US	USA	(3.1)	11.5	12.3	11.1	6.7	7.7	6.1	5.7	4.5	4.9
Wal-Mart Stores	WMT US	USA	0.6	10.3	22.3	20.2	4.4	4.0	11.2	10.6	1.7	1.7
Home Depot Inc	HD US	USA	(4.6)	6.0	18.1	17.1	na	na	13.1	12.7	2.9	3.1
Levi Strauss & Co.	LEVI US	USA	(7.6)	14.3	12.4	10.8	3.0	2.6	8.1	7.3	2.9	3.2
Yonghui Superstores	601933 CH	China	195.0	60.5	44.2	27.5	3.1	2.9	15.4	14.1	1.2	2.0
Sa International	178 HK	Hong Kong	87.3	na	na	25.9	5.5	5.5	na	16.9	0.6	5.7
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	na	47.7	19.8	13.4	3.7	3.3	8.7	7.8	4.0	5.7
President Chain Store	2912 TT	Taiwan	15.6	10.4	24.3	22.0	7.4	7.0	10.6	10.0	3.5	3.8
7-Eleven Malaysia	SEM MK	Malaysia	(1.3)	7.8	24.0	22.3	11.9	9.3	7.7	8.0	2.2	2.4
Berli Jucker *	BJC TB	Thailand	9.9	9.1	27.4	25.1	1.3	1.2	13.6	12.7	2.7	3.0
COM7 *	COM7 TB	Thailand	24.5	24.2	20.1	16.2	8.6	7.6	13.8	11.2	4.1	5.4
CP All *	CPALL TB	Thailand	59.9	38.9	28.2	20.3	4.5	4.0	10.8	9.1	1.8	2.5
Central Pattana *	CPN TB	Thailand	10.9	22.8	26.2	21.4	3.3	3.0	16.4	13.8	1.7	2.1
Central Retail Corp. *	CRC TB	Thailand	19.4	33.3	30.5	22.8	3.9	3.5	10.2	8.9	1.3	1.8
Siam Global House *	GLOBAL TB	Thailand	1.4	14.0	27.6	24.2	4.1	3.7	21.1	18.6	1.3	1.4
Home Product*	HMPRO TB	Thailand	14.4	17.2	25.9	22.1	7.3	6.7	15.0	13.2	3.1	3.6
Siam Makro *	MAKRO TB	Thailand	39.1	44.0	38.8	26.9	1.4	1.4	15.2	12.7	1.9	2.8
Mc Group *	MC TB	Thailand	27.6	22.6	14.1	11.5	2.3	2.3	6.0	5.8	6.8	8.6
Average			25.5	12.4	23.8	20.2	3.4	3.2	10.4	9.8	2.6	3.4

Sources: Bloomberg, Thanachart estimates

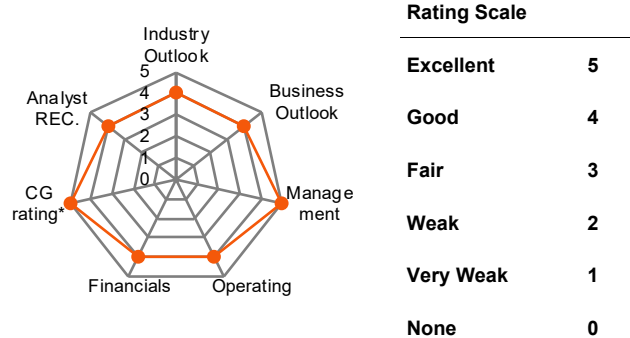
Note: * Thanachart estimates using normalized EPS growth,
Based on 10 March 2023 closing price

COMPANY DESCRIPTION

Home Product Center Pcl (HMPRO) is the leader in home-improvement retailing in Thailand with 50,000 SKUs for HomePro stores and 60,000-80,000 SKUs for Mega Home, and offers a full range of services from design, maintenance, installation and improvement. It operates 87 HomePro stores nationwide, seven Malaysia branches, five HomePro S stores, and 18 Mega Home outlets as of 2022. We believe it is capturing the so-called lifestyle trend by focusing more on the home renovation and lifestyle segments.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Leader in the home-improvement business in Thailand with the largest store network.
- Prime locations are locked in.
- Strong bargaining power reflected in high rebate and other income.

O — Opportunity

- Room to open more stores domestically along with the country's infrastructure development and EEC plan.
- New product coverage and new target groups.
- Expansion opportunities in other countries, starting with Malaysia and followed by Vietnam.

W — Weakness

- Cash conversion cycle turned a slight positive.
- Highly capital-intensive business.

T — Threat

- Intense competition for Mega Home as rivals are also speeding up branch openings.
- Weak Thai economy.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	17.46	18.50	6%
Net profit 23F (Bt m)	6,975	7,112	2%
Net profit 24F (Bt m)	7,692	8,333	8%
Consensus REC	BUY: 22	HOLD: 4	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2023-24F are 2-8% above the Street's, which we attribute to us having higher gross margin and new-store-expansion assumptions.
- Our DCF-based TP is 6% above the Bloomberg consensus number, likely because we have more aggressive long-term assumptions for gross margin and Mega Home expansion.

Sources: Bloomberg consensus, Thanachart estimates

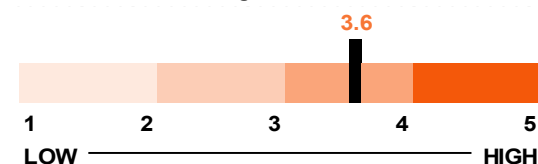
RISKS TO OUR INVESTMENT CASE

- The key downside risk to our earnings forecasts would be if HMPRO were to fail to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors become more aggressive in store expansion than we presently expect.
- An economic slowdown and a property market downturn would represent secondary downside risks.
- If HMPRO is unsuccessful with its stores abroad, this would represent another downside risk.

Source: Thanachart

HMPRO is a leading home improvement retailer with 87 large HomePro branches and five HomePro S in Thailand and seven HomePro stores in Malaysia. It also has 18 rural-model home construction materials under Mega Home stores. Our ESG score is 3.62, in the top range for the sector, as HMPRO is dedicated to ESG issues with a clear roadmap.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
HMPRO	YES	YES	YES	AA	65.63	68.1	78.27	37.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
ENVIRONMENT <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> HMPRO aims to cut greenhouse gas (GHG) emissions/store by 50% by 2030, with 38% achieved in 2022. In 2021, it released GHG emissions of 0.09mt CO₂e (scope 1, 2, 3). HMPRO targets to use 100% renewable energy in its company-owned store buildings by 2030. Solar cells have been installed since 2015, and there are 60 solar-roof installed stores to date, accounting for 26.9% renewable energy usage. 100% zero waste target by 2030, with 84% achieved in 2022. HMPRO intends to stop selling single-use plastic by 100% in 2025. ESG Award: Dow Jones Sustainability Indices, MSCI Global Sustainability Indexes, MSCI ESG Rating Indices, FTSE4Good Index, Sustainalytics (low risk rating), CDP Sustainability Index.
SOCIAL <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> HMPRO conducts an associate satisfaction survey annually and analyzes results in order to improve in every aspect such as welfare, occupational health, safety and working environment. There was 86.6% employee engagement in 2022. In 2021, women had a 58% share of all management positions. It targets zero accidents with a 0.31% accident rate/store in 2021. Eighty-nine disabled people were employed as of 2021, of 1.05% of total staff, higher than the 1% standard of the Empowerment of Persons With Disabilities Act, B.E. 2007. HMPRO has set a 50% target for eco-product sales by 2025, with 46.9% achieved in 2022.
GOVERNANCE & SUSTAINABILITY <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> The board of directors (BOD) comprises 12 members, four of whom are independent directors. There is one woman on the board. The BoD stipulates a corporate governance policy to have content that covers the vital principles of shareholders' rights, the equitable treatment of shareholders, the roles of stakeholders, disclosure and transparency. This is to be in line with the new Corporate Governance Code (CG Code) from The Securities and Exchange Commission, the regulations of the Thai Institute of Directors (IOD), and the international criteria at the regional level of the ASEAN CG Scorecard. HMPRO has complied with good corporate governance though its chairman of the Nomination and Remuneration Committee is not an independent director. HMPRO allocates human resources to have the responsibility to receive business ethics complaints, which employees can send directly by post or email.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	61,791	66,811	74,229	83,240	91,256
Cost of sales	45,534	48,783	53,956	60,267	65,795
Gross profit	16,257	18,029	20,273	22,973	25,461
% gross margin	26.3%	27.0%	27.3%	27.6%	27.9%
Selling & administration expenses	11,326	12,519	13,927	15,510	16,805
Operating profit	7,066	8,088	9,341	10,864	12,430
% operating margin	11.4%	12.1%	12.6%	13.1%	13.6%
Depreciation & amortization	3,208	3,156	3,705	4,058	4,353
EBITDA	10,274	11,244	13,047	14,922	16,783
% EBITDA margin	16.6%	16.8%	17.6%	17.9%	18.4%
Non-operating income	2,142	2,595	2,996	3,402	3,775
Non-operating expenses	(23)	(0)	0	0	0
Interest expense	(416)	(445)	(561)	(576)	(593)
Pre-tax profit	6,634	7,660	8,781	10,288	11,838
Income tax	1,194	1,441	1,668	1,955	2,249
After-tax profit	5,441	6,219	7,112	8,333	9,588
% net margin	8.8%	9.3%	9.6%	10.0%	10.5%
Shares in affiliates' Earnings	0	(2)	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	5,441	6,217	7,112	8,333	9,588
Normalized profit	5,441	6,217	7,112	8,333	9,588
EPS (Bt)	0.4	0.5	0.5	0.6	0.7
Normalized EPS (Bt)	0.4	0.5	0.5	0.6	0.7

We estimate a 16% EPS CAGR in 2023-25F with a larger Mega Home contribution

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	18,920	21,430	22,854	24,352	26,163
Cash & cash equivalent	4,546	5,420	5,489	4,945	5,213
Account receivables	1,675	2,069	2,237	2,509	2,500
Inventories	12,572	13,630	14,783	16,512	18,026
Others	127	311	345	387	424
Investments & loans	0	0	0	0	0
Net fixed assets	27,584	29,469	34,018	37,217	39,620
Other assets	12,082	14,286	14,769	15,305	15,754
Total assets	58,586	65,185	71,641	76,874	81,537
LIABILITIES:					
Current liabilities:	20,511	24,485	27,188	29,850	31,949
Account payables	13,973	15,812	17,000	18,988	20,730
Bank overdraft & ST loans	1,232	1,074	853	892	909
Current LT debt	3,183	5,174	6,485	6,782	6,911
Others current liabilities	2,124	2,425	2,850	3,187	3,399
Total LT debt	8,943	9,056	9,728	10,172	10,366
Others LT liabilities	6,242	7,398	9,532	9,504	9,454
Total liabilities	35,696	40,939	46,448	49,526	51,770
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	13,151	13,151	13,151	13,151	13,151
Share premium	646	646	646	646	646
Warrants	0	0	0	0	0
Surplus	(29)	(25)	(25)	(25)	(25)
Retained earnings	9,122	10,473	11,420	13,575	15,995
Shareholders' equity	22,890	24,246	25,193	27,348	29,767
Liabilities & equity	58,586	65,185	71,641	76,874	81,537

Sources: Company data, Thanachart estimates

Working capital looks manageable despite the expansion of many of its formats

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	6,634	7,660	8,781	10,288	11,838
Tax paid	(1,351)	(1,277)	(1,671)	(1,841)	(2,201)
Depreciation & amortization	3,208	3,156	3,705	4,058	4,353
Chg In working capital	(1,211)	387	(133)	(12)	236
Chg In other CA & CL / minorities	231	(176)	235	19	(40)
Cash flow from operations	7,511	9,750	10,917	12,512	14,185
Capex	(2,051)	(5,041)	(8,000)	(7,000)	(6,500)
Right of use	(547)	(1,788)	(89)	(4)	(4)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	488	869	1,643	(652)	(584)
Cash flow from investments	(2,111)	(5,960)	(6,446)	(7,656)	(7,088)
Debt financing	(22)	1,946	1,763	779	340
Capital increase	0	0	0	0	0
Dividends paid	(4,208)	(4,866)	(5,344)	(6,178)	(7,169)
Warrants & other surplus	92	4	(822)	0	0
Cash flow from financing	(4,137)	(2,916)	(4,402)	(5,399)	(6,828)
Free cash flow	5,460	4,709	2,917	5,512	7,685

Rising capex to fund
HomePro and Mega Home
stores

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	33.8	29.6	25.9	22.1	19.2
Normalized PE - at target price (x)	44.7	39.1	34.2	29.2	25.4
PE (x)	33.8	29.6	25.9	22.1	19.2
PE - at target price (x)	44.7	39.1	34.2	29.2	25.4
EV/EBITDA (x)	18.8	17.3	15.0	13.2	11.7
EV/EBITDA - at target price (x)	24.5	22.5	19.5	17.2	15.3
P/BV (x)	8.0	7.6	7.3	6.7	6.2
P/BV - at target price (x)	10.6	10.0	9.7	8.9	8.2
P/CFO (x)	24.5	18.9	16.9	14.7	13.0
Price/sales (x)	3.0	2.8	2.5	2.2	2.0
Dividend yield (%)	2.3	2.7	3.1	3.6	4.2
FCF Yield (%)	3.0	2.6	1.6	3.0	4.2
(Bt)					
Normalized EPS	0.4	0.5	0.5	0.6	0.7
EPS	0.4	0.5	0.5	0.6	0.7
DPS	0.3	0.4	0.4	0.5	0.6
BV/share	1.7	1.8	1.9	2.1	2.3
CFO/share	0.6	0.7	0.8	1.0	1.1
FCF/share	0.4	0.4	0.2	0.4	0.6

Sources: Company data, Thanachart estimates

2023F PE is far below its
33x five-year average

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	3.2	8.1	11.1	12.1	9.6
Net profit (%)	5.5	14.3	14.4	17.2	15.1
EPS (%)	5.5	14.3	14.4	17.2	15.1
Normalized profit (%)	5.5	14.3	14.4	17.2	15.1
Normalized EPS (%)	5.5	14.3	14.4	17.2	15.1
Dividend payout ratio (%)	77.4	80.4	80.0	80.0	80.0
Operating performance					
Gross margin (%)	26.3	27.0	27.3	27.6	27.9
Operating margin (%)	11.4	12.1	12.6	13.1	13.6
EBITDA margin (%)	16.6	16.8	17.6	17.9	18.4
Net margin (%)	8.8	9.3	9.6	10.0	10.5
D/E (incl. minor) (x)	0.6	0.6	0.7	0.7	0.6
Net D/E (incl. minor) (x)	0.4	0.4	0.5	0.5	0.4
Interest coverage - EBIT (x)	17.0	18.2	16.7	18.8	21.0
Interest coverage - EBITDA (x)	24.7	25.3	23.3	25.9	28.3
ROA - using norm profit (%)	9.5	10.0	10.4	10.8	12.1
ROE - using norm profit (%)	24.5	26.4	28.8	30.5	33.6
DuPont					
ROE - using after tax profit (%)	24.5	26.4	28.8	30.5	33.6
- asset turnover (x)	1.1	1.1	1.1	1.1	1.2
- operating margin (%)	11.4	12.1	12.6	13.1	13.6
- leverage (x)	2.6	2.6	2.8	2.8	2.8
- interest burden (%)	94.1	94.5	94.0	94.7	95.2
- tax burden (%)	82.0	81.2	81.0	81.0	81.0
WACC (%)	8.0	8.0	8.0	8.0	8.0
ROIC (%)	18.3	20.7	22.2	23.9	25.0
NOPAT (Bt m)	5,794	6,566	7,567	8,800	10,069
invested capital (Bt m)	31,702	34,129	36,771	40,249	42,741

Sources: Company data, Thanachart estimates

*Profit was back to 2019
from last year and mid-
teens growth continues*

*Best ROE among big-box
retailers, on our 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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