BUY (Unchanged) | **TP: Bt 67.00** (From: Bt 65.00) | **4 SEPTEMBER 2023**

Change in Numbers | **Upside : 15.0%**

Moshi Moshi Retail Corp. (MOSHI TB)

A new brand, Garlic

PHANNARAI TIYAPITTAYARUT
662-779-9109
phannarai.von@thanachartsec.co.th

MOSHI launched a new store concept, Garlic, in mid-July. With decent market acceptance, it plans to open another two branches in 4Q23. Factoring in Garlic stores and our higher gross margin assumption, we lift our TP for MOSHI to Bt67. We reaffirm BUY on MOSHI as a top small-cap pick with a high 32% five-year EPS CAGR.

Raising our earnings and TP

We lift our earnings for MOSHI by 3-5% in 2023-25F and DCF-based TP by 3% to Bt67 from Bt65 to incorporate its latest plans for more branch openings and its gross margin improvement strategy. We raise our assumption to 27 new branches this year (from 23 earlier), mainly three new Garlic brand branches in 2H23, and lift our gross margin by 33/64/63bp in 2023-25F to 52.9/53.4/54.1%. We reaffirm our BUY rating on MOSHI as a top small-cap pick in the retail sector. The stock is in its early growth stage, offering a strong 32% five-year EPS CAGR in 2023-27F.

Garlic stores, a new brand

We visited the first Garlic store that opened in mid-July. This pilot 150-sqm store is a store-in-store branch located in Moshi Moshi's flagship store at Future Park Rangsit mall. The Garlic store sells more home décor items, complementing Moshi Moshi's lifestyle, gifts, and stationery products. Its first-month sales reached its target of Bt1m, implying sales/sqm are equivalent to existing Moshi Moshi stores. The store could thus achieve profit breakeven within the first few months, the same as Moshi stores, but with a higher gross margin of around 60% vs. Moshi Moshi's 56% due to higher product prices and a higher imported-product mix. It plans to open another two Garlic branches in 4Q23.

Increasing gross margin

Despite taking over the low-margin OK Station wholesale store in April, MOSHI expects 2H23 gross margin to be no lower than the 52.9% achieved in 1H23 (vs. 51.2% in 1H22). Strategies to grow gross margin are 1) increasing the imported-product sales mix back to the 65% pre-COVID level from 52% last year (recovering to 57% in July this year), 2) improving OK Station's gross margin from 20% originally by increasing direct import products from mid-September to 30% of OK Station's sales by end-1Q24, 3) raising sales in the higher-margin product category, i.e., pet accessories introduced in May this year, and from its higher-margin Garlic stores. We now assume gross margin expands by 52/50/67bp in 2023-25F to 52.9/53.4/54.1%, from 52.4% in 2022.

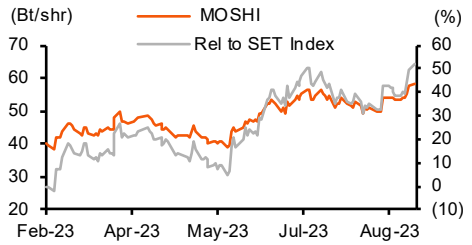
A strong 32% five-year EPS CAGR

We regard MOSHI as a high-growth company with a 32% EPS CAGR in 2023-27F, justifying its 34/25x 2024-25F PE. In addition to the strong expansion of Moshi Moshi retail stores from 110 branches as of 2Q23 to a long-term target of 300-400 branches nationwide, it is exploring new store models, i.e., standalone stores targeting the upcountry market (two in 2H23) that could be developed into franchise stores in the future and Garlic home décor stores (three in 2H23). Note that we don't assume any new Garlic stores from next year.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	1,890	2,701	3,574	4,403
Net profit	253	389	571	771
Consensus NP	—	377	521	693
Diff frm cons (%)	—	*3.2*	*9.6*	*11.4*
Norm profit	253	389	571	771
Prev. Norm profit	—	379	542	738
Chg frm prev (%)	—	*2.6*	*5.2*	*4.5*
Norm EPS (Bt)	0.9	1.2	1.7	2.3
Norm EPS grw (%)	90.8	24.2	46.8	35.2
Norm PE (x)	61.4	49.4	33.7	24.9
EV/EBITDA (x)	24.0	23.5	17.8	13.8
P/BV (x)	11.9	13.6	10.7	8.4
Div yield (%)	5.6	0.8	1.2	1.6
ROE (%)	19.7	25.7	31.9	37.8
Net D/E (%)	(46.9)	(44.7)	(51.5)	(62.8)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 4-Sep-23 (Bt)	58.25
Market Cap (US$ m)	545.9
Listed Shares (m shares)	330.0
Free Float (%)	25.0
Avg Daily Turnover (US$ m)	2.3
12M Price H/L (Bt)	57.50/29.09
Sector	Commerce
Major Shareholder	Boonsongkor Family 75%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P11

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Thanachart Securities

Raising our earnings and TP

Our TP rises 3% to reflect Garlic stores and higher gross margin assumptions

Factoring in Moshi Moshi Retail Corp Pcl's (MOSHI) latest guidance for more branch openings this year and higher gross margin, we raise our earnings projections by 3-5% in 2023-25F and lift our DCF-based 12-month TP (2024F base year) by 3% to Bt67/share, from Bt65 previously. The company has revised up its new store target to 27 this year (eight in 1H23 and 19 in 2H23), from 23 earlier, by adding three branches under its new Garlic brand in 2H23 and increasing the number of new Moshi Moshi stores to 21 from 20. MOSHI expects its 2H23 gross margin to be maintained h-h at 52.9% in spite of a larger sales contribution from the low-margin OK Station wholesale store acquired in April this year. As the new guidance appears reasonable in our view, we revise up our new store opening assumption to 27 new branches this year (from 23 earlier) and lift our gross margin estimates by 33/64/63bp in 2023-25F to 52.9/53.4/54.1%.

Ex 1: Key Assumptions

	2022	2023F	2024F	2025F
Sales revenues (Bt m)				
New	1,890	2,701	3,574	4,403
Old	1,890	2,682	3,513	4,339
Change (%)	*0.0*	*0.7*	*1.7*	*1.5*
SSSG (%) - unchanged	**41**	**20**	**10**	**5**
New stores				
New	10	27	27	33
Old	10	23	27	33
No. of branches (YE)	**106**	**133**	**160**	**193**
Retail	103	124	149	179
Wholesale	3	3	3	3
Garlic	0	3	3	3
OK Station	0	1	1	1
Standalone	0	2	4	7
Average gross margin (%)				
New	52.4	52.9	53.4	54.1
Old	52.4	52.6	52.8	53.5
Change (bp)	*0*	*33*	*64*	*63*
GP by store type (%)				
Retail shops	54.8	56.2	56.4	56.6
Wholesale shops	37.7	40.0	40.0	40.0
Garlic		60.0	60.0	60.0
OK Station		23.0	27.5	29.0
Standalone		56.2	56.4	56.6
Normalized profit (Bt m)				
New	253	389	571	771
Old	253	379	542	738
Change (%)	*0.0*	*2.6*	*5.2*	*4.5*

Sources: Company data, Thanachart estimates

We reaffirm our BUY rating on MOSHI as a top small-cap pick in retail sector.

Strengthening its leading position via proactive store expansion

First, MOSHI's market position in the growing lifestyle products market in Thailand is strengthening and we expect its market share to rise further. By sales market share, MOSHI's share increased from 3% in the year it was established in 2016 to 38% in 2021 and 40% last year. While the No.3 player, Daiso, is not expanding, and the No.2 player, Miniso, operated at a loss last year, MOSHI has a concrete medium-term expansion plan of 20 new Moshi Moshi stores (not including the expansion of other store formats) each year in 2023-25. Meanwhile, its lower price points compared with those of its peers (50% of revenues come from products priced below Bt60) enable it to expand into lower-spending sales channels in Bangkok, such as hypermarkets and provincial markets. We assume 27/27/33 new branches in 2023-25F, from 106 branches in 2022.

Exploring new store models and rolling out new product lines

Second, in addition to the strong expansion plan for Moshi Moshi retail stores from 110 branches as of 2Q23 to a long-term target of 300-400 branches nationwide, potential upside could come from new store models, i.e., standalone stores targeting upcountry markets, which could be developed into franchise stores, Garlic home décor stores, the shop-in-shop model in department stores, and store expansion into neighboring countries. Note that we don't assume any new Garlic stores from next year. Apart from new store models, growth should also come from product expansion by launching new product categories, seasonal products and new cartoon-licensed products.

A strong earnings-growth company

Third, we regard MOSHI as a high earnings-growth company with a 32% EPS CAGR in 2023-27F, justifying its 34/25x 2024-25F PE, or 0.72/0.71x PEG in 2024-25F.

Garlic stores, a new brand

Opening home décor Garlic stores

We visited the first Garlic store that was opened in mid-July. This pilot 150-sqm store is a store-in-store branch located in Moshi Moshi's flagship retail store at Future Park Rangsit mall with 631 sqm of sellable area. The Garlic store sells more home décor items which complement Moshi Moshi's lifestyle, gifts, and stationery products. The focus category is diffusers, perfume, and incense with high gross margins. With more home decorative items, Garlic attracts more male customers vs. current MOSHI's customer profile, which is 90% female with 40% of revenues coming from customers aged 18-25 years old. Its first-month sales reached its target of Bt1m, implying sales/sqm are equivalent to those of its existing Moshi Moshi stores. The store could, therefore, achieve profit breakeven within the first few months, the same as Moshi Moshi stores, but with a higher gross margin of around 60% vs. Moshi Moshi's 56% due to higher product prices and a higher imported-product mix. It plans to open another two Garlic branches in 4Q23. If the Garlic store model works well, management intends to expand Garlic stores along with Moshi Moshi retail stores in nearby locations if possible.

Ex 2: 1st Garlic Store @ Future Park Rangsit Mall

Sources: Company data, Thanachart

Ex 3: Diffusers

Sources: Company data, Thanachart

Ex 4: Socks And Homeware

Sources: Company data, Thanachart

Ex 5: Decorative Artificial Flowers

Sources: Company data, Thanachart

Ex 6: Soap And Toothbrush Holders

Sources: Company data, Thanachart

Ex 7: Stationery Organizers And Holders

Sources: Company data, Thanachart

Ex 8: Vases

Sources: Company data, Thanachart

Ex 9: T-Shirts

Sources: Company data, Thanachart

Ex 10: Lamps

Sources: Company data, Thanachart

Ex 11: Portrait Frames And Wooden Calendars

Sources: Company data, Thanachart

Ex 12: Laundry Baskets And Bags

Sources: Company data, Thanachart

Ex 13: Tableware

Sources: Company data, Thanachart

Gross margin strategies

MOSHI targets a 50bp improvement in gross margin this year

Despite taking over the low-margin OK Station, the largest wholesale gifts and stationery store, on April 18 this year, MOSHI expects a 2H23 gross margin of no lower than the 52.9% achieved in 1H23 (vs. 51.2% in 1H22). To recap, 1H23 revenues were 82.7% from retail stores (110 branches), 16.6% from wholesale stores (acquired OK Station in April to give a total of four wholesale branches, while the Moshi Moshi wholesale branch at Sampeng was expanded from only one floor to four floors in July 2022), and 0.7% from other channels (online, pop-up stores), vs. 87.1%:11.8%:1.1% in 1H22.

A medium-to-long term plan to grow gross margin further

We estimate gross margin to expand by 52/50/67bp in 2023-25F to 52.9/53.4/54.1%, from 52.4% in 2022. Strategies to grow gross margin in the medium to long term are as follows.

Increasing imported sales mix back to 65% pre-COVID level

First, increasing its imported-product sales mix back to the 65% pre-COVID level from 52% last year. Post-COVID, the company quickly ramped up its imported sales mix to 54% in 1Q23, 56% in 2Q23, and 57% in July this year. We estimate an imported-product sales mix of 56% this year before rising by 1% p.a. to reach 60% in 2027F. We assume about a 20% gross margin gap between imported and local products.

Bringing in direct imports to OK Station store

Second, improving OK Station's gross margin from 20% originally by increasing direct import products from mid-September to 30% of OK Station sales by end-1Q24. We estimate OK Station's gross margin at 23.0%, 27.5% and 29.0% in 2023-25F.

Ex 14: OK Station At Sampeng, Bangkok

Sources: Company data, Thanachart

Ex 15: Pens, Pencils, Pencil Cases

Sources: Company data, Thanachart

Ex 16: Tableware, Lunchboxes, Water Bottles

Sources: Company data, Thanachart

Ex 17: Combs, Mirrors

Sources: Company data, Thanachart

Ex 18: Artificial Flowers, Clocks, Gift Bags

Sources: Company data, Thanachart

Ex 19: Home Decors, Dolls

Sources: Company data, Thanachart

Launching new, higher-margin products

Third, raising the sales of its higher-margin products, its 13th product category, of pet accessories for dogs and cats (mostly imported products) that were introduced in May this year and rolled over to 45 Moshi Moshi branches at end-2Q23, and from its higher-margin Garlic stores.

Ex 20: Pet Town @ Future Park Rangsit Mall

Sources: Company data, Thanachart

Ex 21: Pet Toys

Sources: Company data, Thanachart

Ex 22: Pet Toys

Sources: Company data, Thanachart

Ex 23: Pet Accessories

Sources: Company data, Thanachart

Ex 24: 12-month DCF-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA	835	1,092	1,395	1,712	2,048	2,412	2,808	3,244	3,722	4,219	4,758	
Free cash flow	486	680	934	1,194	1,463	1,754	2,070	2,417	2,799	3,190	3,619	38,958
PV of free cash flow	486	557	693	802	869	938	998	1,050	1,096	1,125	1,095	11,785

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	10.5
Terminal growth (%)	2.0
Enterprise value - add	21,495
Net debt	(631)
Minority interest	0
Equity value	22,126
# of shares (m)	330
Equity value/share (Bt)	**67**

Source: Thanachart estimates

Valuation Comparison

Ex 25: Valuation Comparison With Regional Peers

			EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
Name	**BBG code**	**Country**	**23F**	**24F**	**23F**	**24F**	**23F**	**24F**	**23F**	**24F**	**23F**	**24F**
Marks & Spencer	MKS LN	Britain	(24.0)	11.5	12.5	11.3	1.3	1.3	6.4	5.7	1.5	2.8
J Sainsbury PLC	SBRY LN	Britain	(3.5)	(5.0)	11.1	11.7	0.7	0.8	5.4	5.4	5.3	5.2
Tesco	TSCO LN	Britain	(1.4)	3.8	11.4	11.0	1.2	1.4	6.8	6.7	4.4	4.6
Carrefour SA	CA FP	France	16.0	22.3	10.0	8.2	1.0	1.0	6.2	5.6	3.4	4.0
Casino Guichard	CO FP	France	92.3	na	na	80.2	0.1	0.1	5.7	5.0	0.0	0.0
L'Oreal SA	OR FP	France	9.7	8.6	33.6	31.0	7.5	6.7	22.8	21.1	1.6	1.7
Alimentation Couche	ATD/B CN	Canada	14.1	0.4	na	na	na	na	11.0	11.0	na	na
Aeon	8267 JP	Japan	129.1	1.6	95.5	93.9	2.6	2.7	9.6	9.2	1.2	1.2
Kao Corporation	4452 JP	Japan	(43.5)	75.0	47.0	26.8	2.8	2.8	15.5	12.4	2.6	2.7
Lion Corporation	4912 JP	Japan	(7.4)	9.9	24.0	21.9	1.6	1.6	9.6	9.0	1.6	1.7
Shiseido Co. Ltd	4911 JP	Japan	14.3	91.3	64.4	33.7	3.8	3.6	20.5	15.4	1.0	1.0
Lawson	2651 JP	Japan	26.7	48.5	30.3	20.4	2.5	2.6	9.3	7.0	2.1	2.8
Seven & I Holdings	3382 JP	Japan	32.7	(1.4)	18.4	18.7	1.5	1.5	7.8	7.6	1.8	2.0
Lotte Corp	004990 KS	South Korea	7.5	2.4	7.2	7.1	na	na	8.9	9.8	6.7	8.3
Shinsegae	004170 KS	South Korea	(6.6)	13.4	6.1	5.3	0.5	0.4	6.8	6.4	1.8	1.9
Amore Pacific Group	002790 KS	South Korea	15.3	23.3	26.0	21.0	0.9	0.9	7.8	6.6	0.9	1.2
Best Buy Co Inc	BBY US	USA	(6.2)	9.3	12.1	11.1	5.3	5.7	6.1	5.8	4.9	5.2
Wal-Mart Stores	WMT US	USA	6.9	8.9	24.8	22.7	5.1	4.6	12.4	11.6	1.4	1.4
Home Depot Inc	HD US	USA	(8.2)	6.1	21.8	20.5	na	na	15.1	14.5	2.5	2.7
Levi Strauss & Co.	LEVI US	USA	(22.6)	20.6	12.4	10.3	2.6	2.3	8.2	7.2	3.4	3.8
Yonghui Superstores	601933 CH	China	137.5	112.1	na	47.3	3.9	3.6	19.8	17.2	0.3	1.2
Sa International	178 HK	Hong Kong	98.7	na	na	11.8	3.7	3.0	45.1	9.2	0.4	0.8
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	na	62.1	21.2	13.1	3.2	2.8	7.2	6.2	3.8	5.8
President Chain Store	2912 TT	Taiwan	11.8	9.4	25.3	23.1	7.3	6.8	10.3	9.8	3.5	3.7
7-Eleven Malaysia	SEM MK	Malaysia	(1.3)	13.0	26.0	23.0	12.3	10.5	7.9	8.0	2.3	2.6
Berli Jucker *	BJC TB	Thailand	4.0	12.6	25.7	22.8	1.1	1.1	13.0	12.3	2.7	3.1
COM7 *	COM7 TB	Thailand	13.1	28.5	22.7	17.7	9.0	7.2	15.7	12.5	2.6	3.4
CP All *	CPALL TB	Thailand	35.3	36.2	34.9	25.6	5.3	4.7	13.1	11.4	1.4	2.0
CP Axtra *	CPAXT TB *	Thailand	34.0	28.8	35.9	27.9	1.2	1.2	13.6	11.8	2.1	2.7
Central Pattana *	CPN TB	Thailand	11.1	14.7	27.3	23.8	3.4	3.1	17.5	15.4	1.6	1.9
Central Retail Corp. *	CRC TB	Thailand	20.4	26.9	28.9	22.8	3.6	3.3	9.5	8.4	1.4	1.8
Siam Global House *	GLOBAL TB	Thailand	(7.4)	14.4	27.9	24.4	3.8	3.4	20.9	18.3	1.3	1.4
Home Product*	HMPRO TB	Thailand	11.0	14.9	25.7	22.4	7.1	6.6	14.8	13.2	3.1	3.6
MC Group *	MC TB	Thailand	32.5	18.1	16.0	13.5	2.8	2.7	7.3	7.1	6.2	7.3
Moshi Moshi Retail*	MOSHI TB *	Thailand	24.2	46.8	49.4	33.7	13.6	10.7	23.5	17.8	0.8	1.2
Average			**19.6**	**23.9**	**27.0**	**24.1**	**3.8**	**3.5**	**12.6**	**10.3**	**2.4**	**2.8**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth,

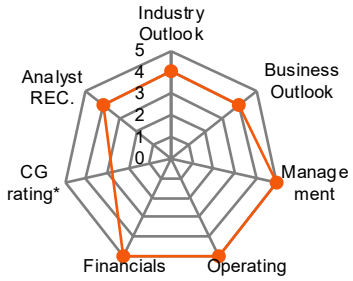
Based on 4 September 2023 closing price

COMPANY DESCRIPTION

Moshi Moshi Retail Corporation Pcl (MOSHI) operates a retail business that responds to the daily lifestyles of each group of consumers (lifestyle products) under the company's brand "Moshi Moshi". After opening its first store in 2016, it is now the market leader with a 40% sales market share in 2022. As of 2Q23, it had 114 branches in 45 provinces with over 22,000 product SKUs.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- No.1 lifestyle product retailer since 2019.
- In-house product designs with products exclusively available at Moshi Moshi.
- Strong financials.

W — Weakness

- Most stores are on rental contracts in malls and hypermarkets, and there is a risk of contract termination or rental increases.

O — Opportunity

- Expansion opportunities in Thailand and abroad.
- New store formats and new products.

T — Threat

- Competitive products from its online channel.
- Pandemics which may cause temporary store closures.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	59.17	67.00	13%
Net profit 23F (Bt m)	377	389	3%
Net profit 24F (Bt m)	521	571	10%
Consensus REC	**BUY: 4**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F net profits are 3-10% higher than the Bloomberg consensus numbers, likely as we factor in the OK Station acquisition and new, higher gross margin guidance.
- Our TP is 13% above the Street's, likely as we are more confident in its long-term branch and product expansions.

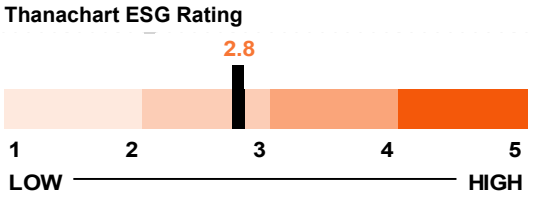
Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the economy is weaker than we presently expect.
- If competitors expand at a faster pace than we currently expect.

Source: Thanachart

MOSHI operates lifestyle product shops under the company's brand "Moshi Moshi". As of 2Q23, it had 114 branches in 45 provinces with over 22,000 product SKUs and one warehouse. We assign MOSHI an ESG score of 2.8, which is below the retail sector average. This reflects a lack of concrete targets for overall ESG issues.



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MOSHI	-	-	-	-	-	-	-	-	-

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, 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 – Environmental Policies & Guidelines – Energy Management – Carbon Management – Water Management – Waste Management	▪ MOSHI has no factories. It doesn't directly generate much greenhouse gas (GHG), but it is committed to reducing emissions by ensuring that freight vehicles are in a ready-to-use condition to prevent incomplete fuel combustion while it also has energy efficiency campaigns. ▪ MOSHI reduces material consumption and office supplies by reuse or recycling. ▪ MOSHI uses durable packaging instead of disposable packaging to save resources and reduce waste. ▪ MOSHI disposes waste and hazardous waste properly to reduce pollution. ▪ MOSHI designs and produces products from environmentally friendly materials.
SOCIAL – Human Rights – Staff Management – Health & Safety – Product Safety & Quality – Social Responsibility	▪ MOSHI supports and respects human rights. It treats employees equitably and fairly, promotes the employment of local workers, the disadvantaged, and the disabled. It has a non-discriminatory policy toward racial differences, religion, gender, age, education, beliefs, and any other matters. ▪ MOSHI provides employees with benefits, safety, and hygiene in the workplace to ensure work satisfaction. ▪ MOSHI offers personnel development by organizing continuous training to promote the abilities of employees. ▪ MOSHI joins community, school, and government organization activities to engage and make the community environment more livable.
GOVERNANCE & SUSTAINABILITY – Board – Ethics & Transparency – Business Sustainability – Risk Management – Innovation	▪ There are ten members on its Board of Directors (BOD), of whom four are independent directors and five are family members. ▪ MOSHI is committed to growing its business via corporate governance to ensure that the company and its subsidiaries operate with efficiency, fairness, transparency, and morality. ▪ The risk-management process is based on a good framework, in our view, comprising risk identification and risk assessment covering internal and external factors that may affect its operations from achieving its goals, including risks pertaining to strategy, finance, operations, legal, and regulatory compliance.

Sources: Company data, Thanachart

A growth stock with a 32% five-year EPS CAGR

Sales are mostly in cash, with very low accounts receivable

Clean B/S, with no interest-bearing debt

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	1,256	1,890	2,701	3,574	4,403
Cost of sales	578	899	1,271	1,664	2,020
Gross profit	**677**	**991**	**1,430**	**1,910**	**2,383**
% gross margin	53.9%	52.4%	52.9%	53.4%	54.1%
Selling & administration expenses	495	654	918	1,179	1,409
Operating profit	**183**	**337**	**512**	**730**	**974**
% operating margin	14.6%	17.8%	18.9%	20.4%	22.1%
Depreciation & amortization	276	279	280	300	319
EBITDA	**459**	**616**	**792**	**1,030**	**1,293**
% EBITDA margin	36.5%	32.6%	29.3%	28.8%	29.4%
Non-operating income	8	6	8	10	13
Non-operating expenses	1	6	6	6	6
Interest expense	(25)	(27)	(40)	(34)	(28)
Pre-tax profit	**167**	**322**	**486**	**713**	**964**
Income tax	35	69	97	143	193
After-tax profit	**131**	**253**	**389**	**571**	**771**
% net margin	10.5%	13.4%	14.4%	16.0%	17.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	**131**	**253**	**389**	**571**	**771**
Normalized profit	**131**	**253**	**389**	**571**	**771**
EPS (Bt)	0.5	0.9	1.2	1.7	2.3
Normalized EPS (Bt)	0.5	0.9	1.2	1.7	2.3

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	508	1,221	1,281	1,774	2,478
Cash & cash equivalent	238	756	631	921	1,441
Account receivables	9	9	18	24	30
Inventories	259	404	557	729	886
Others	2	52	75	99	122
Investments & loans	7	6	6	6	6
Net fixed assets	751	706	749	784	828
Other assets	727	868	781	687	585
Total assets	**1,993**	**2,801**	**2,818**	**3,251**	**3,898**
LIABILITIES:					
Current liabilities:	532	527	834	935	1,131
Account payables	166	224	348	456	554
Bank overdraft & ST loans	0	0	0	(0)	0
Current LT debt	0	0	0	0	0
Others current liabilities	366	303	486	479	577
Total LT debt	**0**	**0**	**0**	**0**	**0**
Others LT liabilities	507	664	572	526	474
Total liabilities	**1,039**	**1,191**	**1,406**	**1,460**	**1,605**
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	225	300	330	330	330
Share premium	0	1,178	1,178	1,178	1,178
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**729**	**132**	**(96)**	**282**	**785**
Shareholders' equity	954	1,610	1,412	1,790	2,293
Liabilities & equity	**1,993**	**2,801**	**2,818**	**3,251**	**3,898**

Sources: Company data, Thanachart estimates

Very high EBITDA/capex

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	167	322	486	713	964
Tax paid	(29)	(53)	(83)	(123)	(177)
Depreciation & amortization	276	279	280	300	319
Chg In w orking capital	(1)	(87)	(38)	(71)	(64)
Chg In other CA & CL / minorities	52	(102)	145	(50)	60
Cash flow from operations	**464**	**359**	**791**	**769**	**1,102**
Capex	(13)	(42)	(136)	(140)	(162)
Right of use	(111)	(336)	(100)	(100)	(100)
ST loans & investments	0	0	0	0	0
LT loans & investments	(7)	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(84)	133	(92)	(46)	(52)
Cash flow from investments	**(215)**	**(245)**	**(328)**	**(286)**	**(314)**
Debt financing	(132)	0	0	(0)	0
Capital increase	0	1,253	30	0	0
Dividends paid	0	(839)	(617)	(192)	(268)
Warrants & other surplus	0	(10)	0	0	0
Cash flow from financing	**(132)**	**404**	**(587)**	**(192)**	**(268)**
Free cash flow	**451**	**316**	**655**	**629**	**940**

High PE looks justified by strong EPS for many years

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	117.2	61.4	49.4	33.7	24.9
Normalized PE - at target price (x)	134.7	70.6	56.9	38.8	28.7
PE (x)	117.2	61.4	49.4	33.7	24.9
PE - at target price (x)	134.7	70.6	56.9	38.8	28.7
EV/EBITDA (x)	33.0	24.0	23.5	17.8	13.8
EV/EBITDA - at target price (x)	38.0	27.8	27.1	20.6	16.0
P/BV (x)	16.1	11.9	13.6	10.7	8.4
P/BV - at target price (x)	18.6	13.7	15.7	12.3	9.6
P/CFO (x)	33.2	43.4	24.3	25.0	17.4
Price/sales (x)	15.3	10.2	7.1	5.4	4.4
Dividend yield (%)	0.0	5.6	0.8	1.2	1.6
FCF Yield (%)	2.9	2.0	3.4	3.3	4.9
(Bt)					
Normalized EPS	0.5	0.9	1.2	1.7	2.3
EPS	0.5	0.9	1.2	1.7	2.3
DPS	0.0	3.3	0.5	0.7	0.9
BV/share	3.6	4.9	4.3	5.4	6.9
CFO/share	1.8	1.3	2.4	2.3	3.3
FCF/share	1.7	1.2	2.0	1.9	2.8

Sources: Company data, Thanachart estimates

Record profit in 2023F and 47/35% EPS growth in 2024-25F

High and rising ROE

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	(7.9)	50.5	42.9	32.3	23.2
Net profit (%)	29.8	92.9	53.6	46.8	35.2
EPS (%)	29.8	90.8	24.2	46.8	35.2
Normalized profit (%)	29.8	92.9	53.6	46.8	35.2
Normalized EPS (%)	29.8	90.8	24.2	46.8	35.2
Dividend payout ratio (%)	0.0	426.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	53.9	52.4	52.9	53.4	54.1
Operating margin (%)	14.6	17.8	18.9	20.4	22.1
EBITDA margin (%)	36.5	32.6	29.3	28.8	29.4
Net margin (%)	10.5	13.4	14.4	16.0	17.5
D/E (incl. minor) (x)	0.0	0.0	0.0	(0.0)	0.0
Net D/E (incl. minor) (x)	(0.2)	(0.5)	(0.4)	(0.5)	(0.6)
Interest coverage - EBIT (x)	7.2	12.6	12.9	21.7	34.4
Interest coverage - EBITDA (x)	18.0	23.1	20.0	30.6	45.6
ROA - using norm profit (%)	6.5	10.6	13.8	17.6	21.6
ROE - using norm profit (%)	14.8	19.7	25.7	31.9	37.8
DuPont					
ROE - using after tax profit (%)	14.8	19.7	25.7	31.9	37.8
- asset turnover (x)	0.6	0.8	1.0	1.1	1.2
- operating margin (%)	15.3	18.4	19.5	20.9	22.5
- leverage (x)	2.3	1.9	1.9	1.8	1.8
- interest burden (%)	86.8	92.4	92.5	95.5	97.1
- tax burden (%)	78.8	78.6	80.0	80.0	80.0
WACC (%)	10.5	10.5	10.5	10.5	10.5
ROIC (%)	17.3	37.0	47.9	74.8	89.6
NOPAT (Bt m)	144	265	409	584	779
invested capital (Bt m)	716	855	781	869	853

Sources: Company data, Thanachart estimates

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Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research, Strategy
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert
Energy, Petrochemical
Tel: 662-779-9110
yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th

Nariporn Klangpremchitt
Analyst, Retail Market
Tel: 662-779-9107
nariporn.kla@thanachartsec.co.th