

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 12.00** (From: Bt14.50)

**Upside : 14.3%**

**10 OCTOBER 2024**

# Dohome Public Co Ltd (DOHOME TB)

## Weak 3Q24F

We expect DOHOME's 3Q24F earnings to be soft due to weaker-than-expected consumer spending, floods, and a fall in steel prices. This leads us to cut our TP by 17%. However, as DOHOME still offers a 24% three-year EPS CAGR, we maintain our BUY with a TP of Bt12.0.



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### Cutting our earnings and TP

We cut our earnings estimates for DOHOME by 15/24/27% in 2024-26F and DCF-based TP (rolled over to a 2025F base year) to Bt12.0 (from Bt14.50). This is due to its likely disappointing 3Q24F results, reflecting slow consumer spending, a flooding hit, and falling steel prices. Steel accounts for 30% of DOHOME's sales. Following our house view of a policy rate cut in December this year, we also move out our falling interest rate assumption for DOHOME from 2H24 to 2025F. A rate cut would affect DOHOME quickly as 90% of its interest-bearing debt is on floating rates. We maintain our BUY call on DOHOME as we still estimate a 24% EPS CAGR in 2025-27F, driven by an economic recovery, a resumption of government spending, large-format store expansion resuming, and falling interest expenses.

### 3Q24F profit to fall y-y and q-q

We estimate DOHOME's 3Q24F earnings at only Bt70m, down 23% y-y and 64% q-q. Note that 3Q is also usually the lowest season of the year. Despite new store openings, sales have been flat due to a 4.8% same-store sales growth (SSSG) decline because of weak consumer spending, the flooding impact, and a 10% q-q steel price drop. We also expect its gross margin to narrow to 16.2% in 3Q24F from 17.5% in 2Q24 because of falling steel prices and a lower sales mix of higher-margin decorative products. As DOHOME still has a high SG&A-to-sales ratio, the high operating leverage effect means a small sales drop results in a large fall in net profit.

### Expecting a recovery from 4Q24F

We expect DOHOME's business to improve in 4Q24F due to improving government spending, pent-up demand from the flooding period, post-flood demand for housing renovation, and improving consumer spending from the recovering economy. Steel prices so far in October are higher than the 3Q24 average by about 10%. We forecast DOHOME's core earnings at Bt161m, up 11% y-y and 130% q-q.

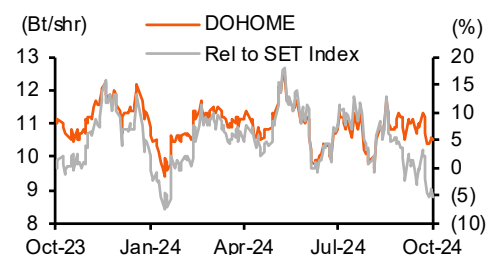
### Long-term drivers look intact

DOHOME remains a growth stock, and we estimate strong 27/24/21% EPS growth in 2025-27F. The key driver will likely be a resumption of large-format store openings next year, and we assume it will launch three new stores a year in 2025-27F to reach 33 stores in 2027F from 24 in 2024F. We estimate its gross margin to expand by 29/26/19bp to 17.4/17.6/17.8% due to its house-brand sales mix rising to 20.5/21.0/21.3% (20.0% in 2024F). We project 2% p.a. SSSG in 2025-27F.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	31,218	31,447	34,257	37,574
Net profit	585	667	844	1,045
Consensus NP	—	850	1,155	1,414
Diff frm cons (%)	—	(21.5)	(26.9)	(26.1)
Norm profit	532	667	844	1,045
Prev. Norm profit	—	787	1,110	1,438
Chg frm prev (%)	—	(15.2)	(23.9)	(27.3)
Norm EPS (Bt)	0.2	0.2	0.3	0.3
Norm EPS grw (%)	(37.3)	25.3	26.5	23.7
Norm PE (x)	63.8	50.9	40.2	32.5
EV/EBITDA (x)	28.1	24.3	22.7	20.4
P/BV (x)	2.8	2.6	2.5	2.3
Div yield (%)	0.0	0.0	0.1	0.1
ROE (%)	4.5	5.3	6.3	7.3
Net D/E (%)	139.1	124.0	126.5	124.9

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 10-Oct-24 (Bt)	10.50
Market Cap (US\$ m)	1,009.8
Listed Shares (m shares)	3,229.5
Free Float (%)	29.8
Avg Daily Turnover (US\$ m)	2.5
12M Price H/L (Bt)	12.40/9.42
Sector	Commerce
Major Shareholder	Tangmitpracha Family 64.10%

Sources: Bloomberg, Company data, Thanachart estimates

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## Cutting our earnings and TP

**DCF TP lowered by 17% to Bt12.0**

We lower our earnings estimates for Dohome Pcl (DOHOME) by 15/24/27/28% in 2024-27F and cut our DCF-based 12-month TP (base year rolled over to 2025F) by 17% to Bt12.0 from Bt14.5 previously to reflect the following assumption changes:

- 1) We cut this year's same-store sales growth (SSSG) to -5% from -3.2% earlier as 3Q24F was hit by weak consumer spending, flooding, and falling steel prices.
- 2) We lower our gross margin assumption from next year to incorporate falling gross margin h-h in 2H24F due to lower steel prices and a change in product mix towards more lower-margin construction materials, boosted by government spending. The steel price has dropped by 16% YTD. A 10% recovery has been seen in October MTD vs. the 3Q24 average.
- 3) We move out our falling interest rate assumption for DOHOME from 2H24 to 2025F due to our house view of a delayed policy rate cut.

### Ex 1: Key Assumption Changes

	2022	2023	2024F	2025F	2026F	2027F
<b>SSSG (%)</b>						
New	7.2	(9.5)	(5.0)	2.0	2.0	2.0
Old			(3.2)	2.0	2.0	2.0
<b>New stores - Large format (unchanged)</b>						
New stores	5	3	0	3	3	3
Total stores (YE)	21	24	24	27	30	33
<b>New stores - Dohome To Go</b>						
New	(2)	3	6	6	4	4
Old			8	6	4	4
<b>New stores - Dohome To Go (YE)</b>						
New	8	11	17	23	27	31
Old			19	25	29	33
<b>Gross margin (%)</b>						
New	15.6	15.7	17.1	17.4	17.6	17.8
Old			16.8	17.6	18.0	18.3
Change (bp)			31.7	(18.3)	(36.9)	(45.8)
<b>SG&amp;A/sales (%)</b>						
New	11.9	12.8	13.6	13.8	13.8	13.8
Old			13.1	13.3	13.2	13.1
Change (bp)			48.0	44.8	61.2	65.8
<b>Interest expenses (Bt m)</b>						
New	350	566	596	545	534	559
Old			545	485	493	504
Change (%)			9.5	12.5	8.2	10.8
<b>Normalized profit (Bt m)</b>						
New	849	532	667	844	1,045	1,268
Old			787	1,110	1,438	1,760
Change (%)			(15.2)	(23.9)	(27.3)	(28.0)

Sources: Company data, Thanachart estimates

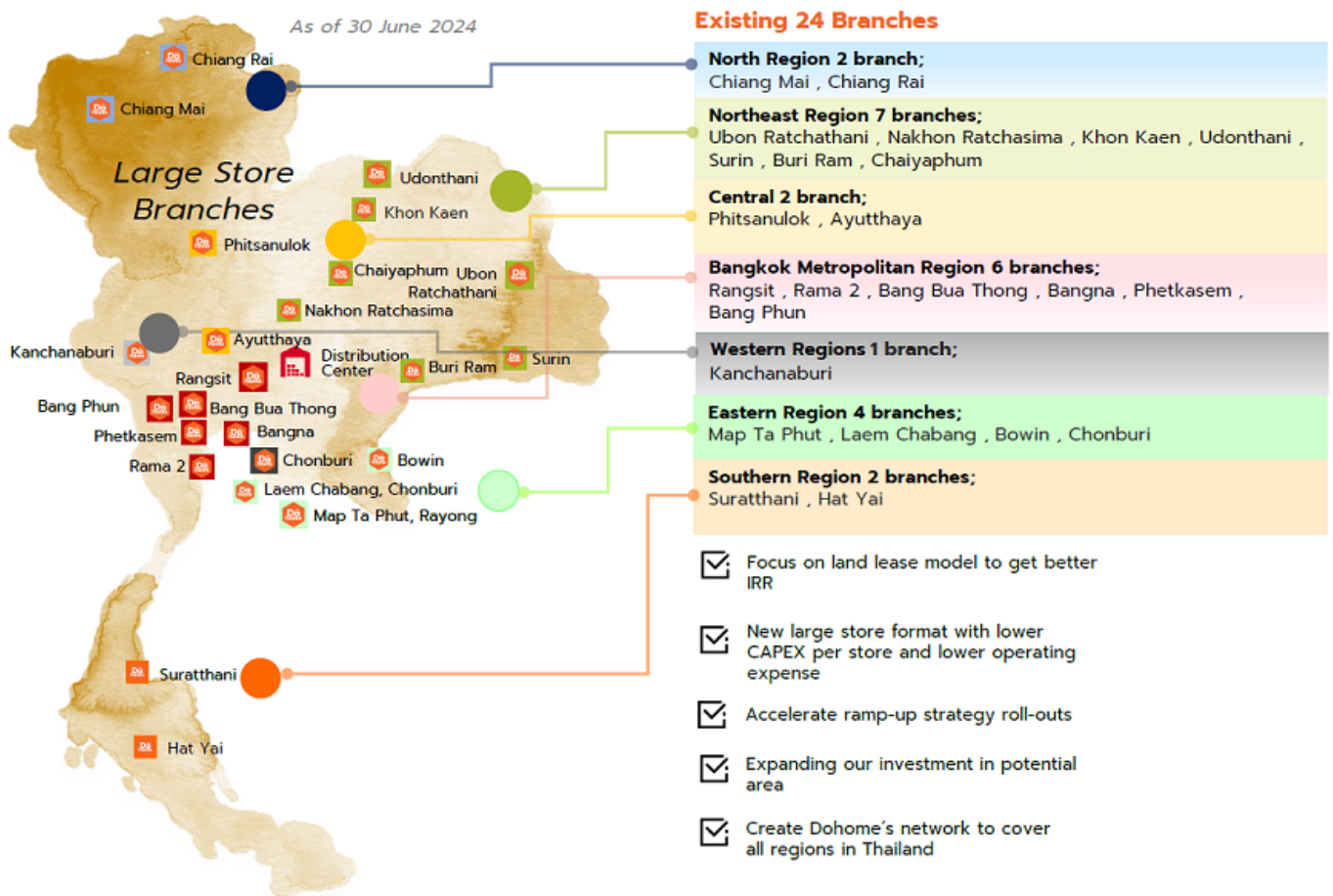
**Maintain BUY**

Despite DOHOME's high earnings volatility due to its high steel exposure and high operating leverage, we think its risk and return are balanced by its earnings upcycle. We maintain our BUY call.

**A high-growth home improvement play**

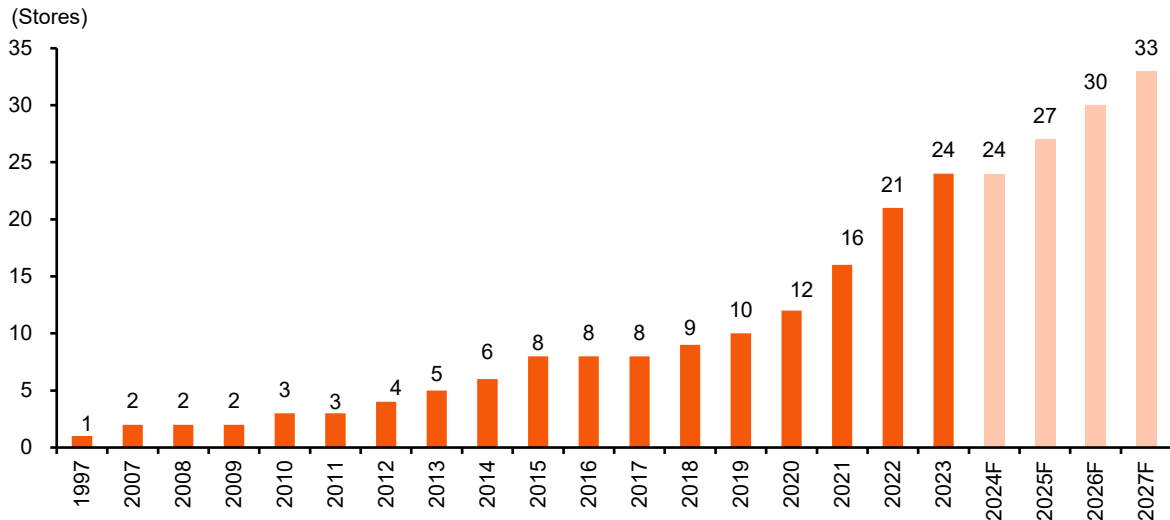
**First**, DOHOME is a high-growth home improvement play with room to open branches in other parts of Thailand, i.e., the northern and southern provinces, given that 70-80% of sales are from its stores in the Northeast (>60% of sales) and Bangkok & Greater Bangkok (>10% of sales). After listing in 2019, it opened three to four new branches/year with a long-term target of 40-50 stores. Due to the weak economy, the company hasn't opened any large-format stores this year. With more government spending kicking in from late 2Q24, the construction of two new branches started in July, and the company expects these to be completed and opened in 1H25. Recently, it secured the location for a third new branch next year, which is tentatively scheduled to open in late 2025.

**Ex 2: DOHOME's Store Network (2Q24)**



Source: Company data

### Ex 3: Branch Expansion (YE Store Number)



Sources: Company data, Thanachart estimates

#### **Growth looks set to resume from 4Q24F**

**Second,** we expect the short-term negative factors to interrupt earnings growth in 3Q24F before it resumes in 4Q24F. In addition to an anticipated improvement in the domestic economy, we see DOHOME as a beneficiary of a post-flood recovery and economic stimulus, such as accelerating government infrastructure and other projects and cash handouts.

#### **Promising growth with a 24% three-year EPS CAGR**

**Third,** we project DOHOME's earnings to enter an upcycle with a 24% EPS CAGR in 2025-27F due to the economy recovering, more government project spending, large-format store expansion resuming next year, and its cost of debt falling due to a policy rate cut.

### 3Q24F earnings preview

#### **We expect weak 3Q24F results**

We project 3Q24F net profit to be weak at Bt70m, down 23% y-y and 64% q-q.

#### **-4.8% SSSG in 3Q24F due to the flooding impact and falling steel prices**

**Sales and SSSG:** We estimate sales to increase slightly by 1% y-y to Bt7.46bn, supported by new stores, on -4.8% SSSG in 3Q24F. SSSG was at positive 2% in July, boosted by government projects, up from -5.3% in 2Q24 and -9.8% in 1Q24. However, steel prices declined, hitting their bottom in August, and flooding in Thailand during August-September brought down store traffic and caused SSS to turn to -10% in August and -6.5% in September. Since steel prices recovered in September and into October MTD and there has been post-flood pent-up demand in some provinces, i.e., Chiang Rai, October SSSG MTD moved into positive territory at a low-single-digit level. Therefore, we estimate flat 4Q24F SSS vs. -4.8% in 3Q24F.

With a high building materials sales mix that increased to 51-52% in 3Q24F, DOHOME has been benefiting from accelerating government budget spending. The SSS of back-office customers, i.e., contractors and resellers, recovered from -18% to -20% in 1Q24 to -8% to -9% in 2Q24 and a mid-single-digit positive level in 3Q24F.

#### **Higher gross margin y-y, but down q-q**

**Gross margin:** Pressured by the 10% steel price drop q-q and its rising low-margin building materials sales mix, we expect gross margin to fall by 127bp q-q from 17.5% in 2Q24 to 16.2% in 3Q24F but rising by 75bp y-y from 15.5% in 3Q23 from an improvement in the private-brand gross margin to 33% from 31% in 3Q23.

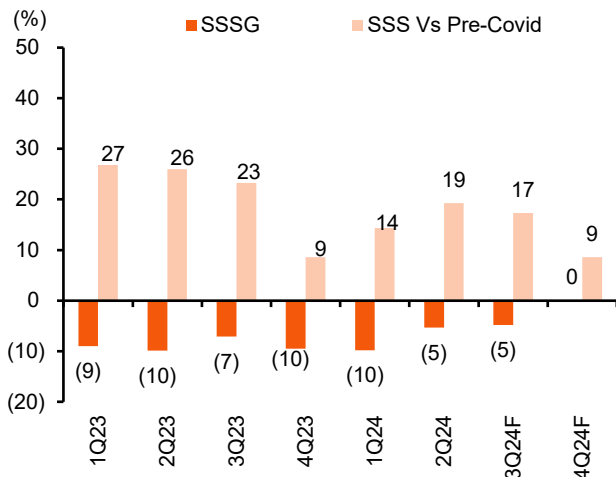
**Rising SG&A/sales**

**SG&A:** Due to its high SG&A, mostly fixed costs, a narrower gross margin expansion y-y in 3Q24F does not look as if it will be enough to cover the rising SG&A from an increase in its large-format stores from 21 as of 2Q23 to 24 at the end of 3Q24F and its small-format Dohome To Go stores from eight to 15 branches. We estimate SG&A/sales to rise to 14.1% in 3Q24F from 13.7% in 2Q24 and 13.1% in 3Q23.

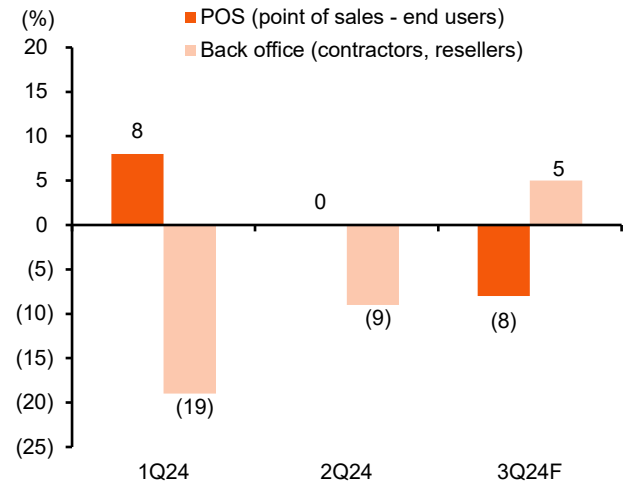
**Ex 4: 3Q24F Preview**

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q23	4Q23	1Q24	2Q24	3Q24F	(q-q%)	(y-y%)
Revenue	7,431	7,331	7,959	8,016	7,556	(6)	2
<b>Gross profit</b>	<b>1,148</b>	<b>1,238</b>	<b>1,416</b>	<b>1,401</b>	<b>1,224</b>	<b>(13)</b>	<b>7</b>
SG&A	973	1,021	1,024	1,099	1,065	(3)	9
Operating profit	175	216	392	302	159	(47)	(9)
<b>EBITDA</b>	<b>402</b>	<b>449</b>	<b>640</b>	<b>550</b>	<b>409</b>	<b>(26)</b>	<b>2</b>
Other income	77	118	64	80	72	(10)	(7)
Other expenses	0	(3)	1	1	0		
Interest expenses	145	158	153	146	146	(0)	1
<b>Profit before tax</b>	<b>108</b>	<b>178</b>	<b>303</b>	<b>235</b>	<b>85</b>	<b>(64)</b>	<b>(21)</b>
Income tax	17	34	58	42	15	(64)	(9)
Equity & invest. Income	0	0	0	0	0		
Minority interest	0	(0)	0	(0)	0		
Extraordinary items	0	53	0	0	0		
<b>Net profit</b>	<b>91</b>	<b>197</b>	<b>244</b>	<b>193</b>	<b>70</b>	<b>(64)</b>	<b>(23)</b>
<b>Normalized profit</b>	<b>91</b>	<b>144</b>	<b>244</b>	<b>193</b>	<b>70</b>	<b>(64)</b>	<b>(23)</b>

Sources: Company data, Thanachart estimates

**Ex 5: Quarterly SSS**

Sources: Company data, Thanachart estimates

**Ex 6: SSS Breakdown By Customers**

Sources: Company data, Thanachart estimates

**Ex 7: 12-month DCF-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	2,268	2,566	2,922	3,293	3,711	4,158	4,539	4,843	5,098	5,363	5,603	
Free cash flow	(879)	(572)	(380)	188	633	1,106	3,541	4,226	4,692	4,932	5,153	96,090
PV of free cash flow	(877)	(499)	(309)	143	450	734	2,138	2,374	2,453	2,399	2,332	43,496
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	7.1											
Terminal growth (%)	2.0											
Enterprise value - add investments	54,836											
Net debt (2024F)	16,079											
Minority interest	0											
Equity value	38,756											
# of shares (m)	3,234											
<b>Equity value/share (Bt)</b>	<b>12.0</b>											

Sources: Company data, Thanachart estimates

Note: No. of shares used in DCF calculation includes 4m shares reserved for the exercise of ESOP2-W1 and ESOP2-W2

## Valuation Comparison

### Ex 8: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
Marks & Spencer	MKS LN	Britain	39.9	(1.3)	15.2	15.4	2.2	1.1	7.4	5.1	1.2	3.9
J Sainsbury PLC	SBRY LN	Britain	(3.2)	4.7	12.4	11.8	0.8	0.9	5.2	5.1	4.9	5.0
Tesco	TSCO LN	Britain	12.7	10.5	13.6	12.3	1.9	2.0	7.3	7.1	3.6	4.0
Carrefour SA	CA FP	France	14.6	17.3	8.5	7.2	0.9	0.9	5.6	5.2	5.9	6.1
Casino Guichard	CO FP	France	128.1	(141.4)	1.5	na	0.2	0.2	5.7	5.5	0.0	0.0
L'Oreal SA	OR FP	France	4.5	9.7	30.6	27.9	6.5	5.9	20.5	19.3	1.8	1.9
Alimentation Couche	ATD/B CN	Canada	(2.0)	5.6	na	na	na	na	11.2	10.3	na	na
Aeon	8267 JP	Japan	39.9	19.7	80.1	66.9	3.1	2.8	9.4	9.2	1.0	1.1
Kao Corporation	4452 JP	Japan	132.4	14.4	30.4	26.6	3.2	3.1	14.2	12.8	2.2	2.2
Lion Corporation	4912 JP	Japan	11.0	0.2	24.7	24.7	1.7	1.6	9.9	9.4	1.6	1.7
Shiseido Co. Ltd	4911 JP	Japan	9.7	190.5	75.1	25.9	2.3	2.2	15.0	11.1	1.6	1.7
Lawson	2651 JP	Japan	112.2	na	na	na	na	na	na	na	na	na
Seven & I Holdings	3382 JP	Japan	(15.7)	17.7	25.6	21.7	1.7	1.6	9.1	8.7	1.6	1.8
Lotte Corp	004990 KS	South Korea	na	na	na	11.1	0.4	0.4	8.6	8.7	6.2	7.1
Shinsegae	004170 KS	South Korea	1.4	11.6	5.2	4.6	0.3	0.3	6.7	6.3	2.7	2.8
Amore Pacific Group	002790 KS	South Korea	89.6	4.9	9.6	9.2	0.6	0.6	6.8	5.0	1.8	1.7
Best Buy Co Inc	BBY US	USA	2.1	9.2	15.7	14.4	6.4	6.4	8.0	7.5	3.8	4.0
Wal-Mart Stores	WMT US	USA	13.3	10.9	32.8	29.6	7.2	6.5	16.3	15.0	1.0	1.1
Home Depot Inc	HD US	USA	(0.5)	4.4	27.7	26.6	na	na	18.7	17.9	2.2	2.3
Levi Strauss & Co.	LEVI US	USA	12.8	14.0	15.4	13.5	3.6	3.2	9.6	9.0	2.6	2.9
Yonghui Superstores	601933 CH	China	118.4	150.0	na	92.3	4.8	4.6	13.8	14.8	0.0	0.6
Sa International	178 HK	Hong Kong	na	(17.2)	9.2	11.1	2.1	na	6.1	7.9	6.0	6.4
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	31.0	12.2	14.9	13.3	2.7	2.6	7.8	7.2	4.2	5.4
President Chain Store	2912 TT	Taiwan	8.5	8.3	25.6	23.7	7.0	6.7	9.0	8.8	3.4	3.6
7-Eleven Malaysia	SEM MK	Malaysia	71.2	(1.8)	16.9	17.2	5.2	4.7	9.0	8.3	1.5	3.0
Berli Jucker *	BJC TB	Thailand	8.0	7.0	20.0	18.7	0.8	0.8	11.1	10.7	3.5	3.7
COM7 *	COM7 TB	Thailand	4.3	22.3	20.3	16.6	6.7	5.6	13.7	11.5	2.9	3.5
CP All *	CPALL TB	Thailand	33.3	17.5	25.3	21.5	4.8	4.3	9.9	8.9	2.0	2.3
CP Axtra *	CPAXT TB *	Thailand	24.7	18.0	31.4	26.6	1.1	1.1	12.6	11.6	2.2	2.6
Central Pattana *	CPN TB	Thailand	13.9	8.0	18.9	17.5	3.0	2.7	13.4	12.6	2.9	3.0
Central Retail Corp. *	CRC TB	Thailand	7.2	11.3	23.1	20.7	2.8	2.6	8.3	7.9	1.7	1.9
Dohome *	DOHOME TB	Thailand	25.3	26.5	50.9	40.2	2.6	2.5	24.3	22.7	0.0	0.1
Siam Global House *	GLOBAL TB	Thailand	11.2	16.0	28.7	24.8	3.4	3.1	22.1	19.6	1.2	1.4
Home Product*	HMPRO TB	Thailand	1.6	10.7	21.3	19.2	5.4	5.0	11.9	11.0	3.8	4.2
MC Group *	MC TB	Thailand	11.9	20.1	13.4	11.2	2.6	2.5	5.0	6.1	7.4	8.8
Moshi Moshi Retail*	MOSHI TB *	Thailand	23.7	30.7	30.1	23.0	6.6	5.7	15.0	12.2	1.6	2.1
<b>Average</b>			<b>29.3</b>	<b>15.9</b>	<b>24.2</b>	<b>22.6</b>	<b>3.2</b>	<b>2.9</b>	<b>11.1</b>	<b>10.3</b>	<b>2.6</b>	<b>3.1</b>

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates using normalized EPS growth, Based on 10 October 2024 closing price

## COMPANY DESCRIPTION

Dohome Pcl (DOHOME) is a leading home-improvement retailer with 40 years of experience providing products and services related to construction materials and home decorative products. As of 2Q24, it operated 24 large-format stores and 13 small-format stores in Thailand. Its distribution center in Pathum Thani province opened in 2018 and has a total warehouse area of 41,580 sqm.

Source: Thanachart

## COMPANY RATING



### Rating Scale

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

Source: Thanachart; CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- DOHOME's executives have 40 years of experience in the home-improvement segment.
- DOHOME's brand is well recognized in the market, particularly in the Northeast of Thailand.
- Complete product varieties, full services, and price leadership.

### O — Opportunity

- Still-high traditional trade home-improvement market share upcountry.
- Increased purchasing power and the urbanization trend.
- Expansion opportunities outside its core regions (Northeast, East, and Bangkok).

### W — Weakness

- Less store coverage nationwide.
- High credit sales of 28-29%.

### T — Threat

- Intensifying competition as key players; Global House, Thai Watsadu, and Mega Home are speeding up store expansion.
- Slow economic growth in the provinces.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	11.74	12.00	2%
Net profit 24F (Bt m)	850	667	-21%
Net profit 25F (Bt m)	1,155	844	-27%
Consensus REC	BUY: 6	HOLD: 7	SELL: 1

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profit estimates are 21/27% below the Bloomberg consensus numbers, likely due to our having lower SSSG and gross margin assumptions.
- However, our DCF-based TP is in line with the Street's. We think this is because we assume more store openings over the long term.

Sources: Bloomberg consensus, Thanachart estimates

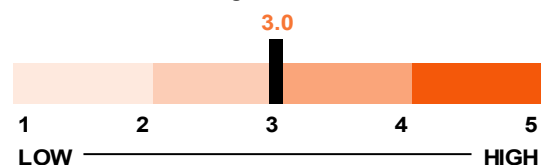
## RISKS TO OUR INVESTMENT CASE

- If the number of new stores opened is lower than our current assumption, this would negatively impact our earnings forecasts, representing the key downside risk to our call.
- If competition is stronger than our current expectations, DOHOME's SSS growth and margins would be subject to downside risk.
- Adverse fluctuations in steel prices would be a secondary downside risk.

Source: Thanachart

DOHOME is a modern-trade retailer in the home-improvement segment. It has 24 “Dohome” stores located mostly upcountry in Thailand and 13 small-sized Dohome To Go branches. Its business doesn’t release much greenhouse gas but has certain ESG targets. Our ESG score is 2.96.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	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)
DOHOME	-	-	-	-	56.01	42.62	22.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, 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)

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## Factors Our Comments

### ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- Environmental targets have been set to reduce energy usage, water usage, waste, and greenhouse gas emissions by 2% by 2024 and 7% by 2027.
- DOHOME imposes electricity-saving measures by setting air conditioner temperatures at 26-27 degrees Celsius, turning them off one hour before the store's closing time, and installing solar cell solutions.
- DOHOME manages debris and waste via water segregation and uses the 3Rs (Reduce, Reuse, Recycle) principle.
- It installs solar panels at every store, has a policy banning plastic bags, and has a campaign to reduce electricity consumption.

### SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- DOHOME recognizes human resources as the most valuable asset of its business operation. It carries out a transparent, equal, and fair employee policy without discrimination against the disabled, underprivileged, or people of different genders.
- In 2023, employees were 58% male and 42% female, and 50% of its high-level executives were female. There were 82 disabled employees.
- Personnel development includes training, job rotation, career path planning, succession planning, and talent management.
- For social participation, DOHOME promotes jobs in communities, supports educational institutions (toilet repair, school activities), and donates necessities and consumables to religious institutions.

### GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The board of directors (BOD) comprises eight members, three of whom are independent directors. Four are women, and five are from the Tangmitrphracha family, a major shareholder in the company.
- DOHOME has set up an internal audit department to evaluate the sufficiency of its internal control system and report to the audit committee. The risk management committee defines policies covering external and internal risks to be consistent with business strategies and directions.
- DOHOME emphasizes operating its business based on good corporate governance and provides various whistleblowing channels, including email, telephone, LineOfficial, a mail committee, whistleblowing and complaint boxes at specified locations, and the company's website.

Sources: Thanachart, Company data

## INCOME STATEMENT

*Sales growth from a construction demand recovery and new stores*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	31,321	31,218	31,447	34,257	37,574
Cost of sales	26,434	26,317	26,071	28,301	30,946
<b>Gross profit</b>	<b>4,887</b>	<b>4,901</b>	<b>5,376</b>	<b>5,956</b>	<b>6,629</b>
% gross margin	15.6%	15.7%	17.1%	17.4%	17.6%
Selling & administration expenses	3,728	3,988	4,280	4,722	5,193
<b>Operating profit</b>	<b>1,159</b>	<b>913</b>	<b>1,096</b>	<b>1,233</b>	<b>1,436</b>
% operating margin	3.7%	2.9%	3.5%	3.6%	3.8%
Depreciation & amortization	784	897	965	1,034	1,130
<b>EBITDA</b>	<b>1,943</b>	<b>1,811</b>	<b>2,061</b>	<b>2,268</b>	<b>2,566</b>
% EBITDA margin	6.2%	5.8%	6.6%	6.6%	6.8%
Non-operating income	227	313	324	354	387
Non-operating expenses	(3)	(4)	0	0	0
Interest expense	(350)	(566)	(596)	(545)	(534)
<b>Pre-tax profit</b>	<b>1,032</b>	<b>656</b>	<b>824</b>	<b>1,042</b>	<b>1,290</b>
Income tax	183	123	157	198	245
<b>After-tax profit</b>	<b>849</b>	<b>532</b>	<b>667</b>	<b>844</b>	<b>1,045</b>
% net margin	2.7%	1.7%	2.1%	2.5%	2.8%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	(0)	(0)	(0)	(0)
Extraordinary items	(75)	53	0	0	0
<b>NET PROFIT</b>	<b>774</b>	<b>585</b>	<b>667</b>	<b>844</b>	<b>1,045</b>
<b>Normalized profit</b>	<b>849</b>	<b>532</b>	<b>667</b>	<b>844</b>	<b>1,045</b>
EPS (Bt)	0.2	0.2	0.2	0.3	0.3
Normalized EPS (Bt)	0.3	0.2	0.2	0.3	0.3

*2023 profit hit by new stores' costs and rising interest expenses*

## BALANCE SHEET

*High floating-rate debt at 90% of total interest-bearing debt*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	15,659	15,044	15,631	16,581	17,703
Cash & cash equivalent	163	300	354	379	404
Account receivables	1,463	1,326	1,551	1,689	1,853
Inventories	13,761	13,264	13,571	14,344	15,261
Others	271	154	155	169	185
Investments & loans	0	0	0	0	0
Net fixed assets	16,016	17,356	17,381	18,586	19,666
Other assets	1,643	1,583	1,583	1,583	1,583
<b>Total assets</b>	<b>33,318</b>	<b>33,983</b>	<b>34,594</b>	<b>36,751</b>	<b>38,952</b>
<b>LIABILITIES:</b>					
Current liabilities:	16,456	15,869	16,224	17,213	18,123
Account payables	4,483	3,855	3,643	3,567	3,646
Bank overdraft & ST loans	11,161	10,873	11,503	12,478	13,240
Current LT debt	751	1,071	986	1,070	1,135
Others current liabilities	61	70	91	98	102
<b>Total LT debt</b>	<b>4,647</b>	<b>5,287</b>	<b>3,944</b>	<b>4,278</b>	<b>4,540</b>
Others LT liabilities	612	650	1,455	1,463	1,472
<b>Total liabilities</b>	<b>21,715</b>	<b>21,807</b>	<b>21,623</b>	<b>22,954</b>	<b>24,134</b>
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	2,907	3,089	3,234	3,234	3,234
Share premium	5,555	5,566	5,566	5,566	5,566
Warrants	0	0	0	0	0
Surplus	(595)	(596)	(596)	(596)	(596)
<b>Retained earnings</b>	<b>3,737</b>	<b>4,116</b>	<b>4,767</b>	<b>5,592</b>	<b>6,613</b>
Shareholders' equity	11,603	12,176	12,971	13,796	14,817
<b>Liabilities &amp; equity</b>	<b>33,318</b>	<b>33,983</b>	<b>34,594</b>	<b>36,751</b>	<b>38,952</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	1,032	656	824	1,042	1,290
Tax paid	(335)	(92)	(172)	(188)	(247)
Depreciation & amortization	784	897	965	1,034	1,130
Chg In working capital	(1,271)	6	(744)	(988)	(1,001)
Chg In other CA & CL / minorities	25	136	36	(17)	(11)
<b>Cash flow from operations</b>	<b>235</b>	<b>1,603</b>	<b>909</b>	<b>884</b>	<b>1,161</b>
Capex	(4,455)	(2,237)	(990)	(2,240)	(2,210)
Right of use	(684)	62	0	0	0
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	175	49	805	7	9
<b>Cash flow from investments</b>	<b>(4,963)</b>	<b>(2,126)</b>	<b>(185)</b>	<b>(2,233)</b>	<b>(2,201)</b>
Debt financing	4,639	672	(798)	1,393	1,089
Capital increase	487	194	144	0	0
Dividends paid	(54)	(20)	(16)	(19)	(24)
Warrants & other surplus	(484)	(186)	0	0	0
<b>Cash flow from financing</b>	<b>4,588</b>	<b>660</b>	<b>(670)</b>	<b>1,374</b>	<b>1,065</b>
<b>Free cash flow</b>	<b>(4,220)</b>	<b>(634)</b>	<b>(81)</b>	<b>(1,356)</b>	<b>(1,049)</b>

*We assume no new large-sized stores this year...*

*...but for openings to resume from 2025F*

**VALUATION**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	40.0	63.8	50.9	40.2	32.5
Normalized PE - at target price (x)	45.7	72.9	58.1	46.0	37.1
PE (x)	43.9	58.0	50.9	40.2	32.5
PE - at target price (x)	50.1	66.3	58.1	46.0	37.1
EV/EBITDA (x)	25.9	28.1	24.3	22.7	20.4
EV/EBITDA - at target price (x)	28.4	30.8	26.6	24.8	22.3
P/BV (x)	2.9	2.8	2.6	2.5	2.3
P/BV - at target price (x)	3.3	3.2	3.0	2.8	2.6
P/CFO (x)	144.7	21.2	37.4	38.4	29.2
Price/sales (x)	1.1	1.1	1.1	1.0	0.9
Dividend yield (%)	0.1	0.0	0.0	0.1	0.1
FCF Yield (%)	(12.4)	(1.9)	(0.2)	(4.0)	(3.1)
<b>(Bt)</b>					
Normalized EPS	0.3	0.2	0.2	0.3	0.3
EPS	0.2	0.2	0.2	0.3	0.3
DPS	0.0	0.0	0.0	0.0	0.0
BV/share	3.6	3.8	4.0	4.3	4.6
CFO/share	0.1	0.5	0.3	0.3	0.4
FCF/share	(1.3)	(0.2)	(0.0)	(0.4)	(0.3)

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	21.5	(0.3)	0.7	8.9	9.7
Net profit (%)	(57.4)	(24.4)	14.0	26.5	23.7
EPS (%)	(57.4)	(24.4)	14.0	26.5	23.7
Normalized profit (%)	(53.3)	(37.3)	25.3	26.5	23.7
Normalized EPS (%)	(53.3)	(37.3)	25.3	26.5	23.7
Dividend payout ratio (%)	2.6	2.7	2.5	2.5	2.5
<b>Operating performance</b>					
Gross margin (%)	15.6	15.7	17.1	17.4	17.6
Operating margin (%)	3.7	2.9	3.5	3.6	3.8
EBITDA margin (%)	6.2	5.8	6.6	6.6	6.8
Net margin (%)	2.7	1.7	2.1	2.5	2.8
D/E (incl. minor) (x)	1.4	1.4	1.3	1.3	1.3
Net D/E (incl. minor) (x)	1.4	1.4	1.2	1.3	1.2
Interest coverage - EBIT (x)	3.3	1.6	1.8	2.3	2.7
Interest coverage - EBITDA (x)	5.5	3.2	3.5	4.2	4.8
ROA - using norm profit (%)	2.8	1.6	1.9	2.4	2.8
ROE - using norm profit (%)	7.6	4.5	5.3	6.3	7.3
<b>DuPont</b>					
ROE - using after tax profit (%)	7.6	4.5	5.3	6.3	7.3
- asset turnover (x)	1.0	0.9	0.9	1.0	1.0
- operating margin (%)	4.4	3.9	4.5	4.6	4.9
- leverage (x)	2.7	2.8	2.7	2.7	2.6
- interest burden (%)	74.7	53.7	58.0	65.7	70.7
- tax burden (%)	82.3	81.2	81.0	81.0	81.0
WACC (%)	6.6	6.6	6.6	7.1	7.1
ROIC (%)	4.2	2.6	3.1	3.4	3.7
NOPAT (Bt m)	953	742	888	999	1,163
invested capital (Bt m)	27,999	29,107	29,051	31,244	33,328

Sources: Company data, Thanachart estimates

*A turnaround in net margin, ROA and ROE from their 2023 troughs*

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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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