

Srinanaporn Marketing Pcl (SNNP TB) - HOLD

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Analyst Meeting**Analyst Meeting Takeaways**

- **Hiccups in Vietnam**
 - **Strength in Thailand**
 - **Cost-saving strategies**
 - **Maintain HOLD**
- Despite a top-line decline, we expect SNNP's earnings to grow slightly in 3Q24F, driven by growth in Thailand and cost-saving measures. Earnings are likely to come in slightly above expectations. We maintain a HOLD rating.
 - We estimate SNNP's 3Q24F normalized earnings at Bt162m, representing a 3% y-y and 2% q-q increase. We earlier had anticipated a slight decline.
 - While revenues are expected to fall mid-single digits, margin improvements should support earnings growth.
 - The key Vietnam market likely saw a y-y decline of over 20%. SNNP had to resolve pricing disruptions caused by smaller distributors offering excessive discounts. To recap, SNNP fully penetrated modern trade in 2020-23 and then began expanding into rural areas. Unlike urban modern trade, rural expansion required partnerships with many small local distributors. In 1H24, some of these distributors provided aggressive discounts that threatened SNNP's pricing strategy. The company addressed this issue in 3Q24, eliminating these distributors, and expects operations with qualified partners to normalize in 4Q24. However, given the lower income levels in rural areas, only moderate growth is expected in this segment.
 - Domestic business grew around 10% y-y. Despite a subdued market, SNNP's new products gained attention and market share.
 - Gross margin is expected to improve due to:
 - 1) SNNP's operational efficiency improvements
 - 2) A better product mix driven by new products in Thailand
 - In conclusion, although earnings are not as weak as initially expected, we prefer to wait and see how growth resumes in Vietnam. We maintain a HOLD rating on SNNP. At a high-teen PE with single-digit earnings growth, we view the stock as fairly valued.

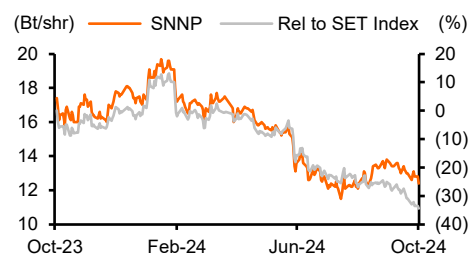
Key Valuations

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	6,016	6,484	6,992	7,595
Net profit	636	739	817	890
Norm net profit	636	739	817	890
Norm EPS (Bt)	0.7	0.8	0.9	0.9
Norm EPS gr (%)	23.3	16.3	10.6	8.9
Norm PE (x)	18.7	16.1	14.6	13.4
EV/EBITDA (x)	12.7	10.7	9.5	8.4
P/BV (x)	3.7	3.4	3.2	3.0
Div. yield (%)	3.9	4.5	5.0	5.4
ROE (%)	20.3	22.1	22.8	23.2
Net D/E (%)	11.1	(7.1)	(11.3)	(20.2)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	12.40
Target price (Bt)	18.50
Market cap (US\$ m)	355
Avg daily turnover (US\$ m)	1.1
12M H/L price (Bt)	19.70/11.50

Price Performance

Source: Bloomberg

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