

BUY (Unchanged)

Change in Numbers

TP: Bt 63.00 (From: Bt 60.00)

Upside : 35.5%

21 NOVEMBER 2024

Moshi Moshi Retail Corp. (MOSHI TB)

Branching out

With solid QTD same-store sales growth and its branch expansion ramping up next year, we raise our earnings estimates for MOSHI by 3-7% in 2024-27F. We reaffirm our BUY call on MOSHI as a small-cap growth stock with a 29% EPS CAGR in 2025-27F.



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Lifting our earnings and TP

We lift our earnings estimates for MOSHI by 3/3/5/7% in 2024-27F to reflect its very strong QTD same-store sales growth (SSSG) and higher expansion target of 34/40 stores (vs. our previous assumptions of 32/34) in 2024-25F. Our model also incorporates higher marketing costs on rising industry competition, new head office expenses, and JV losses. We raise our DCF-based 12-month TP, using a 2025F base year to Bt63/share (from Bt60) and reaffirm our BUY call. **First**, it is a high-growth stock with a 29% three-year EPS CAGR. **Second**, key drivers are in place: new products, new stores, and a gross margin expansion. **Third**, MOSHI's valuation looks inexpensive in our view, trading at 22.9/17.4x 2025-26F PE multiples vs. 30/32% EPS growth in those years.

Solid QTD SSSG at mid-20% level

Having solved its product supplier and inventory shortage problem in early 3Q24, it changed product displays at 70 stores to increase sales per sqm. The company is also conducting space analysis to utilize store space better to improve sales while allocating more shelf space for higher-margin items. With the launch of new NCT Dream k-pop products in October, QTD SSSG (1 October to 15 November) soared to the mid-20% level. We now expect 15% SSSG for 4Q24F, up from 5.7% in 3Q24 and -8.5% in 2Q24 (with an inventory shortage).

More aggressive expansion

While MOSHI is enlarging some of its existing stores to accommodate more product SKUs, it has set next year's expansion target at 40 new branches, comprising 31 Moshi Moshi retail stores in department stores/hypermarkets, five standalone stores near universities (80-100 sqm), and a new pilot format of four large standalone stores (300 sqm) in high-density areas. We expect its total store network to increase from 164 stores in 2024F to 281 in 2027F, or a 20% three-year expansion CAGR.

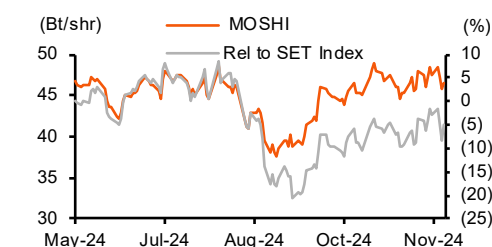
Insignificant impact from KKV so far

Since the first KKV store was launched in Thailand at The Mall Bangkapi shopping center on 31 October, sales of MOSHI's branch in the same mall still grew by 8-10% y-y in November MTD because the product overlap was low. However, we assume MOSHI spends more on marketing to retain its customer base as KKV has six more branches in the pipeline, and we cannot deny that MOSHI and KKV target the same young customer group. We also factor in a hike in administration costs of Bt12m p.a. to relocate its head office to The Mall Thapra early next year.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2023A | 2024F | 2025F | 2026F |
|-------------------|-------|-------|-------|--------|
| Sales | 2,530 | 3,094 | 3,713 | 4,570 |
| Net profit | 402 | 514 | 670 | 883 |
| Consensus NP | — | 494 | 604 | 726 |
| Diff frm cons (%) | — | 4.1 | 10.9 | 21.6 |
| Norm profit | 402 | 514 | 670 | 883 |
| Prev. Norm profit | — | 497 | 649 | 840 |
| Chg frm prev (%) | — | 3.5 | 3.2 | 5.1 |
| Norm EPS (Bt) | 1.2 | 1.6 | 2.0 | 2.7 |
| Norm EPS grw (%) | 28.3 | 28.0 | 30.4 | 31.8 |
| Norm PE (x) | 38.2 | 29.9 | 22.9 | 17.4 |
| EV/EBITDA (x) | 18.4 | 14.9 | 12.0 | 9.6 |
| P/BV (x) | 7.7 | 6.8 | 5.8 | 4.9 |
| Div yield (%) | 1.3 | 1.7 | 2.2 | 2.8 |
| ROE (%) | 22.4 | 22.6 | 27.2 | 30.5 |
| Net D/E (%) | (4.8) | (4.1) | (8.0) | (15.5) |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|------------------------|
| Price as of 21-Nov-24 (Bt) | 46.50 |
| Market Cap (US\$ m) | 442.9 |
| Listed Shares (m shares) | 330.0 |
| Free Float (%) | 25.0 |
| Avg Daily Turnover (US\$ m) | 1.3 |
| 12M Price H/L (Bt) | 59.50/37.50 |
| Sector | Commerce |
| Major Shareholder | Boonsongkor Family 75% |

Sources: Bloomberg, Company data, Thanachart estimates



Earnings and TP upgrades

We lift our DCF-based TP by 5% to Bt63

Factoring in a much stronger-than-expected 4QTD same-store sales (SSS) growth and Moshi Moshi Retail Corporation Pcl's (MOSHI) higher expansion target of 34/40 stores (vs. our previous assumptions of 32/34) in 2024-25F, we lift our earnings estimates by 3/3/5/7% in 2024-27F. On the cost side, we raise our SG&A/sales assumptions across the board as we assume it spends more on marketing to tackle the entrance of a new lifestyle retailer, KKV, which launched its first store in Thailand in 4Q24 with more branches lined up. We also incorporated a rise in costs of Bt12m p.a. from the relocation of its head office closer to town to The Mall Thapra shopping center. Lastly, we estimate a JV loss of Bt11m this year (a Bt4m loss in 3Q24 and a Bt7m loss in 4Q24F) as two exhibitions being held from 10 August until 31 December this year (Hello Kitty Exhibition: Celebration of Friendship and Sanrio Characters: FUNtastic Exhibition), under a 50:50 JV with Index Creative Village, have so far failed to meet their targets. Along with our earnings hikes, we lift our DCF-based 12-month TP (2025F base year) by 5% to Bt63/share (from Bt60).

Ex 1: Key Assumption Changes

| | 2023 | 2024F | 2025F | 2026F | 2027F |
|---|------|-------|-------|-------|-------|
| SSSG (%) | | | | | |
| New | 16.9 | 3.0 | 3.0 | 3.0 | 2.0 |
| Old | | (0.5) | 3.0 | 3.0 | 2.0 |
| New stores | | | | | |
| New | 25 | 33 | 40 | 39 | 38 |
| Old | | 32 | 34 | 34 | 34 |
| No. of branches (YE) | | | | | |
| Retail | 124 | 152 | 183 | 214 | 245 |
| Wholesale | 3 | 3 | 3 | 3 | 3 |
| Garlic | 3 | 3 | 3 | 3 | 3 |
| OK Station | 1 | 1 | 1 | 1 | 1 |
| Standalone | 0 | 5 | 10 | 15 | 20 |
| Large-standalone | 0 | 0 | 4 | 7 | 9 |
| Average gross margin - exc. JV (%) | | | | | |
| New | 53.4 | 54.0 | 54.6 | 55.1 | 55.6 |
| Old | | 54.1 | 54.7 | 55.2 | 55.7 |
| Change (bp) | | (13) | (10) | (12) | (9) |
| SG&A/sales (%) | | | | | |
| New | 32.2 | 31.5 | 31.0 | 30.3 | 29.8 |
| Old | | 31.5 | 30.5 | 29.5 | 28.9 |
| Change (bp) | | 0 | 45 | 75 | 85 |
| JV loss (Bt m) | | | | | |
| New | | (11) | 0 | 0 | 0 |
| Old | | 0 | 0 | 0 | 0 |
| Normalized profit (Bt m) | | | | | |
| New | 402 | 514 | 670 | 883 | 1,098 |
| Old | | 497 | 649 | 840 | 1,027 |
| Change (%) | | 3.5 | 3.2 | 5.1 | 6.9 |

Sources: Company data, Thanachart estimates

We reaffirm our BUY rating on MOSHI.

A strong 29% three-year EPS CAGR is boosted by...

First, as the market leader in Thailand's growing lifestyle product industry, it is a high-growth stock with a 29% three-year EPS CAGR.

Second, key drivers are in place: new products, new stores, and a gross margin expansion.

- 1) **New product expansion**
- 2) **A 20% three-year store expansion CAGR**
- 3) **Gross margin expansion**
- 4) **Scale benefits**

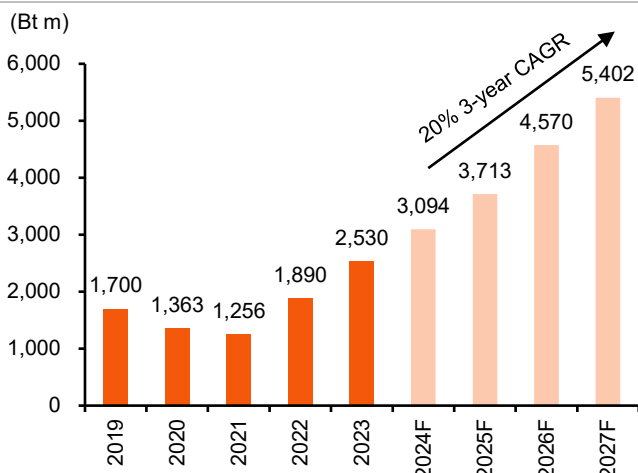
New products: MOSHI has 13 product categories with over 22,000 SKUs. It is looking to expand its product selection with new product lines and IP merchandise to offer customers more choices. It planned to launch 10,000 new SKUs this year, but it has already beat this with 12,000 YTD. Besides the new product categories and lines, it has ad hoc collaboration projects with well-known Thai designers and exclusive cartoon licenses. With regular launches of new products, customers will likely visit its stores more often. MOSHI's own-designed and OEM products differentiate it from other lifestyle stores.

New stores: Converting from traditional family gift shops to modern-trade stores in 2016, MOSHI has room to explore new store formats. From the main target of opening Moshi Moshi retail stores in department stores and supermarkets, last year it introduced a new brand, Garlic home décor stores, and this year, a new smaller-sized standalone format targeting demand near universities. Next year, from 1Q25, it plans to launch its first large-sized standalone format aiming at high-density areas in Bangkok and upcountry. We estimate a 20% three-year store expansion CAGR from 164 branches as of 2024F to 281 branches in 2027F. Over the longer term, MOSHI has identified 400 potential locations for a store presence.

Gross margin expansion: Despite an imported inventory hiccup in 2Q24, it quickly lifted its imported sales mix back to 60% in 3Q24 (slightly ahead of the nearly 60% in 1Q24), from 55-56% in 2Q24. For its OK Station wholesale store acquired in 2Q23, its imported sales mix rose from nothing to 25% with a target to reach 30%. Since the gross margin on imported products is higher than on local OEM products, we estimate its blended gross margin from all store formats to rise by 60bp y-y this year to 54.0% due to a higher imported sales mix of 59% in 2024F from 57% in 2023, also backed by the higher margin of some collaborative products. We project gross margin to expand by 59/56/50bp in 2025-27F to 54.6/55.1/55.6% in those years due to its imported sales mix rising to 61/62/63% vs. the company's target to achieve 63-65% next year.

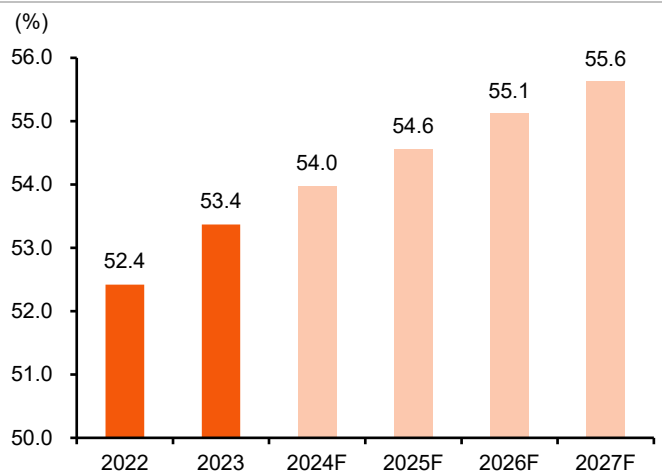
Third, its valuation appears inexpensive to us, trading at 22.9/17.4x 2025-26F PE multiples vs. 30/32% EPS growth in those years. MOSHI's financials also look outstanding, with no interest-bearing debt.

Ex 2: Our Sales Revenue Forecasts



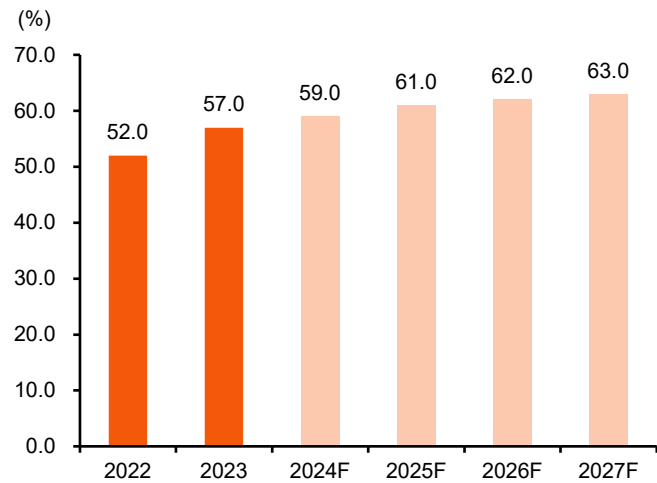
Sources: Company data, Thanachart estimates

Ex 3: Gross Margin On Sales



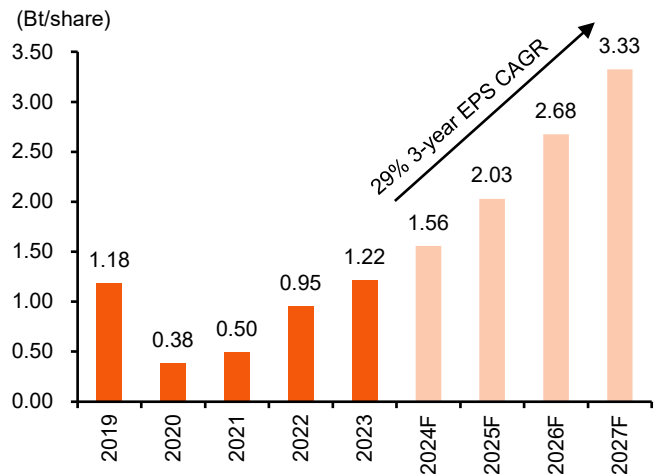
Sources: Company data, Thanachart estimates

Ex 4: Imported Sales Mix



Sources: Company data, Thanachart estimates

Ex 5: A 29% EPS CAGR In 2025-27F



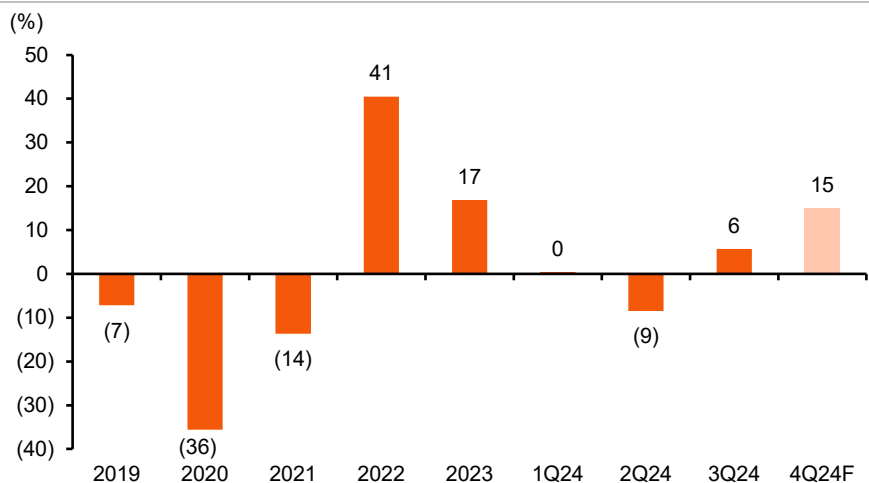
Sources: Company data, Thanachart estimates

Solid QTD SSSG at mid-20% level

Best 4QTD SSSG vs. retail peers

Having solved its product supplier and inventory shortage problem in early 3Q24, the company has implemented several product strategies, such as launching new product displays/furniture at 70 stores to enhance customers' experience, offering new products, and conducting space analysis to utilize store space better, and allocating more shelves space for higher-margin items. With the launch of new NCT Dream k-pop products in October, QTD SSSG (1 October to 15 November) soared to the mid-20% level. We now expect 15% SSSG for 4Q24F, improving from 5.7% in 3Q24 and -8.5% in 2Q24 (with an inventory shortage).

Ex 6: SSSG



Sources: Company data, Thanachart estimates

4Q24F profit looks set to rise 35% y-y and 84% q-q

4Q24F preview: We estimate 4Q24F net profit of Bt199m, growing by 35% y-y and 84% q-q. Excluding a forecasted Bt7m JV loss, core profit would be Bt206m, rising by 40% y-y. We expect the drivers to be 1) 30% sales growth from SSSG and new branches, 2) gross margin (excluding its JV) widening by 50bp y-y to 54.8%, 3) scale benefits from a larger sales base causing a fall in SG&A/sales to 28.0% vs. 29.2% despite higher marketing costs for its eight-year anniversary campaign.

Ex 7: 4Q24F Preview

| Yr-end Dec (Bt m) | Income Statement | | | | | Change | |
|--------------------------|------------------|------------|------------|------------|------------|-----------|-----------|
| | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | (q-q%) | (y-y%) |
| Revenue | 789 | 692 | 637 | 736 | 1,030 | 40 | 30 |
| Gross profit | 429 | 379 | 338 | 389 | 543 | 40 | 27 |
| SG&A | 230 | 217 | 229 | 242 | 288 | 19 | 25 |
| Operating profit | 198 | 163 | 109 | 147 | 255 | 74 | 29 |
| EBITDA | 278 | 244 | 193 | 236 | 352 | 49 | 26 |
| Other income | 4 | 4 | 4 | 4 | 4 | 12 | 10 |
| Other expenses | (5) | (6) | (6) | (7) | (7) | na | na |
| Interest expenses | 16 | 17 | 18 | 19 | 19 | 1 | 18 |
| Profit before tax | 191 | 155 | 102 | 138 | 247 | 79 | 29 |
| Income tax | 44 | 30 | 21 | 30 | 48 | 60 | 10 |
| Equity & invest. Income | | | | | | | |
| Minority interest | | | | | | | |
| Extraordinary items | | | | | | | |
| Net profit | 147 | 125 | 81 | 108 | 199 | 84 | 35 |
| Normalized profit | 147 | 125 | 81 | 108 | 199 | 84 | 35 |

Sources: Company data, Thanachart estimates

More aggressive expansion

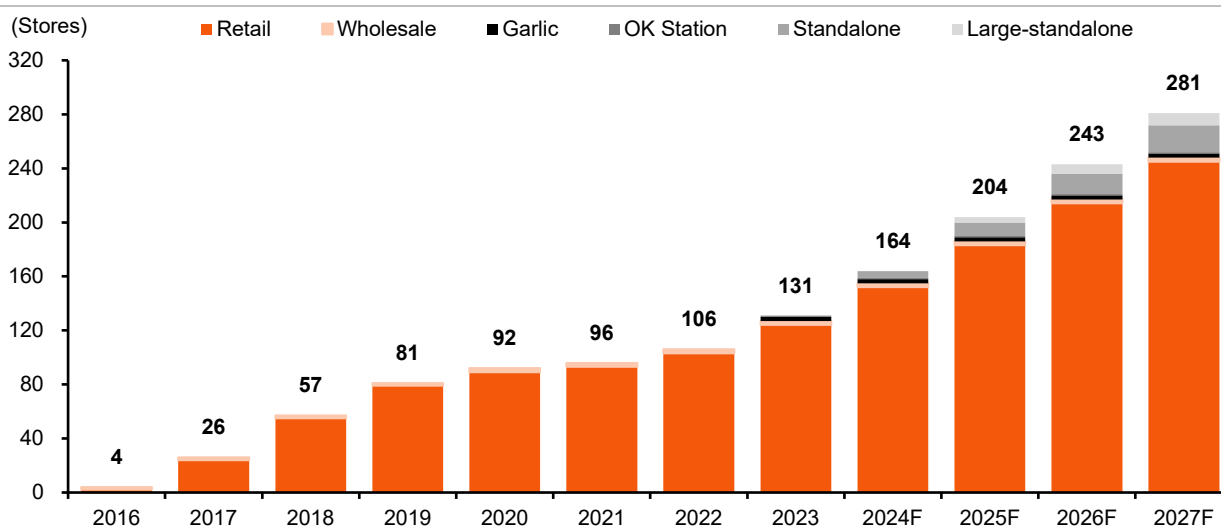
Enlarging existing stores and opening new larger-sized stores

To accommodate expanding product lines, more product SKUs, and visual merchandising, MOSHI targets to open more M-sized stores next year with selling areas of 150-250 sqm, compared to this year when it launched 60% of new stores under the S-sized format (80-150 sqm). It is looking to expand its store sizes for existing stores, with two to three stores negotiating to rent more space. One of them is to expand from 400 sqm to 600 sqm and another one from 200 sqm to 250-270 sqm.

40 new branches are planned for 2025

As for next year's expansion target, it plans to ramp up new store openings to 40 new branches, the highest ever, comprising 31 Moshi Moshi retail stores in department stores and hypermarkets, five standalone stores near universities (80-100 sqm), and a new pilot format of four large standalone stores (300 sqm) in high-density areas. We expect its total store network to increase from 164 stores in 2024F to 281 in 2027F, or a 20% three-year expansion CAGR.

Ex 8: Store Number (YE)



Sources: Company data, Thanachart estimates

Insignificant impact from KKV so far

With a new player, we assume MOSHI spends more on marketing

Since the first KKV store was launched in Thailand at The Mall Bangkok shopping center on 31 October, sales of MOSHI's branch in the same mall grew by 8-10% y-y in November MTD due to low product overlap. However, we assume MOSHI spends more on marketing to retain its customer base as KKV has six more branches in the pipeline, and we cannot deny that MOSHI and KKV target the same young customer group. On 26 November, KKV is due to launch its second, third, and fourth branches at The Mall Lifestore Ngamwongwan, The Mall Lifestore Thapra, and Terminal 21 Mall on Rama 3 Road.

Ex 9: 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 | 962 | 1,228 | 1,493 | 1,768 | 2,056 | 2,358 | 2,678 | 3,017 | 3,376 | 3,756 | 4,157 | |
| Free cash flow | 491 | 728 | 951 | 1,180 | 1,418 | 1,664 | 1,925 | 2,201 | 2,494 | 2,803 | 3,130 | 35,549 |
| PV of free cash flow | 490 | 602 | 715 | 807 | 881 | 915 | 958 | 992 | 1,017 | 1,034 | 995 | 11,298 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 0.9 | | | | | | | | | | | |
| WACC (%) | 10.0 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Enterprise value - add | 20,704 | | | | | | | | | | | |
| Net debt | (93) | | | | | | | | | | | |
| Minority interest | 0 | | | | | | | | | | | |
| Equity value | 20,797 | | | | | | | | | | | |
| # of shares (m) | 330 | | | | | | | | | | | |
| Equity value/share (Bt) | 63 | | | | | | | | | | | |

Source: Thanachart estimates

Valuation Comparison

Ex 10: 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 | (1.8) | 14.5 | 14.8 | 2.1 | 1.1 | 7.1 | 4.8 | 1.2 | 4.1 |
| J Sainsbury PLC | SBRY LN | Britain | (3.2) | 4.2 | 10.4 | 10.0 | 0.7 | 0.7 | 4.9 | 4.8 | 5.8 | 6.1 |
| Tesco | TSCO LN | Britain | 12.7 | 11.7 | 13.2 | 11.8 | 1.8 | 1.9 | 7.1 | 6.9 | 3.7 | 4.2 |
| Carrefour SA | CA FP | France | 10.6 | 17.4 | 8.1 | 6.9 | 0.9 | 0.8 | 5.6 | 5.1 | 6.4 | 6.7 |
| Casino Guichard | CO FP | France | 82.7 | 51.9 | na | na | 0.2 | 0.2 | 5.4 | 5.3 | 0.0 | 0.0 |
| L'Oreal SA | OR FP | France | 0.9 | 9.6 | 26.0 | 23.7 | 5.3 | 4.8 | 17.1 | 16.2 | 2.1 | 2.2 |
| Alimentation Couche | ATD/B CN | Canada | (2.0) | 5.7 | na | na | na | na | 11.5 | 10.6 | na | na |
| Aeon | 8267 JP | Japan | 39.9 | 10.5 | 81.8 | 74.1 | 3.1 | 2.9 | 9.5 | 9.4 | 1.0 | 1.1 |
| Kao Corporation | 4452 JP | Japan | 132.1 | 10.6 | 26.8 | 24.2 | 2.8 | 2.7 | 12.2 | 11.2 | 2.5 | 2.5 |
| Lion Corporation | 4912 JP | Japan | 8.6 | 3.6 | 26.7 | 25.8 | 1.8 | 1.7 | 10.4 | 9.8 | 1.5 | 1.6 |
| Shiseido Co. Ltd | 4911 JP | Japan | 1.8 | 166.2 | 60.3 | 22.7 | 1.8 | 1.7 | 12.4 | 9.4 | 2.2 | 2.3 |
| Lawson | 2651 JP | Japan | 112.2 | na | na | na | na | na | na | na | na | na |
| Seven & I Holdings | 3382 JP | Japan | (15.7) | (5.3) | 28.1 | 29.7 | 1.8 | 1.8 | 9.7 | 9.7 | 1.5 | 1.6 |
| Lotte Corp | 004990 KS | South Korea | na | na | na | 9.7 | 0.5 | 0.5 | 8.4 | 8.4 | 7.1 | 8.2 |
| Shinsegae | 004170 KS | South Korea | (20.3) | 13.1 | 5.4 | 4.8 | 0.3 | 0.3 | 7.2 | 6.8 | 3.2 | 3.3 |
| Amore Pacific Group | 002790 KS | South Korea | 140.6 | (42.8) | 6.8 | 11.9 | 0.5 | 0.5 | 8.5 | 6.7 | 2.7 | 2.0 |
| Best Buy Co Inc | BBY US | USA | 2.0 | 8.9 | 13.8 | 12.7 | 5.6 | 5.5 | 7.0 | 6.6 | 4.3 | 4.6 |
| Wal-Mart Stores | WMT US | USA | 14.3 | 11.2 | 35.3 | 31.7 | 7.7 | 7.0 | 17.6 | 16.1 | 1.0 | 1.0 |
| Home Depot Inc | HD US | USA | 0.2 | 4.3 | 26.5 | 25.4 | na | na | 18.0 | 17.3 | 2.2 | 2.4 |
| Levi Strauss & Co. | LEVI US | USA | 12.8 | 14.0 | 12.8 | 11.3 | 3.0 | 2.6 | 8.1 | 7.6 | 3.1 | 3.4 |
| Yonghui Superstores | 601933 CH | China | 55.3 | 179.4 | na | na | 7.0 | 6.7 | 20.2 | 18.1 | 0.1 | 0.2 |
| Sa International | 178 HK | Hong Kong | na | (71.3) | 7.6 | 26.4 | 1.7 | 1.7 | 5.4 | 6.9 | 7.3 | 4.7 |
| Dairy Farm Intl Hldgs | DFI SP | Hong Kong | 31.0 | 12.2 | 17.2 | 15.3 | 3.1 | 2.9 | 8.4 | 7.7 | 3.6 | 4.7 |
| President Chain Store | 2912 TT | Taiwan | 6.3 | 8.6 | 23.6 | 21.8 | 7.0 | 6.1 | 9.8 | 9.2 | 3.7 | 3.9 |
| 7-Eleven Malaysia | SEM MK | Malaysia | 71.2 | (1.8) | 17.7 | 18.0 | 5.5 | 4.9 | 9.2 | 8.6 | 1.5 | 2.9 |
| Berli Jucker * | BJC TB | Thailand | 8.0 | 7.0 | 18.3 | 17.1 | 0.8 | 0.8 | 10.7 | 10.4 | 3.8 | 4.1 |
| COM7 * | COM7 TB | Thailand | 11.5 | 24.2 | 19.0 | 15.3 | 6.6 | 5.5 | 14.0 | 11.5 | 3.1 | 3.8 |
| CP All * | CPALL TB | Thailand | 33.3 | 17.5 | 24.5 | 20.9 | 4.6 | 4.1 | 9.7 | 8.7 | 2.0 | 2.4 |
| CP Axtra * | CPAXT TB * | Thailand | 24.7 | 18.0 | 33.6 | 28.5 | 1.2 | 1.2 | 13.3 | 12.3 | 2.1 | 2.5 |
| Central Pattana * | CPN TB | Thailand | 13.9 | 8.0 | 17.6 | 16.3 | 2.8 | 2.5 | 12.7 | 11.9 | 3.1 | 3.2 |
| Central Retail Corp. * | CRC TB | Thailand | 2.3 | 11.9 | 24.2 | 21.6 | 2.8 | 2.6 | 8.2 | 7.8 | 1.6 | 1.9 |
| Dohome * | DOHOME TB | Thailand | 25.3 | 26.5 | 47.2 | 37.3 | 2.4 | 2.3 | 23.1 | 21.6 | 0.1 | 0.1 |
| Siam Global House * | GLOBAL TB | Thailand | (7.5) | 16.9 | 32.7 | 27.9 | 3.3 | 3.0 | 25.0 | 21.9 | 1.1 | 1.3 |
| Home Product* | HMPRO TB | Thailand | 1.6 | 10.7 | 19.6 | 17.7 | 4.9 | 4.6 | 11.0 | 10.2 | 4.1 | 4.5 |
| MC Group * | MC TB | Thailand | 11.9 | 20.1 | 12.0 | 10.0 | 2.3 | 2.2 | 4.3 | 5.3 | 8.3 | 9.8 |
| Moshi Moshi Retail* | MOSHI TB * | Thailand | 28.0 | 30.4 | 29.9 | 22.9 | 6.8 | 5.8 | 14.9 | 12.0 | 1.7 | 2.2 |
| Average | | | 26.1 | 18.0 | 23.9 | 20.9 | 3.1 | 2.8 | 11.1 | 10.2 | 2.9 | 3.2 |

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth,

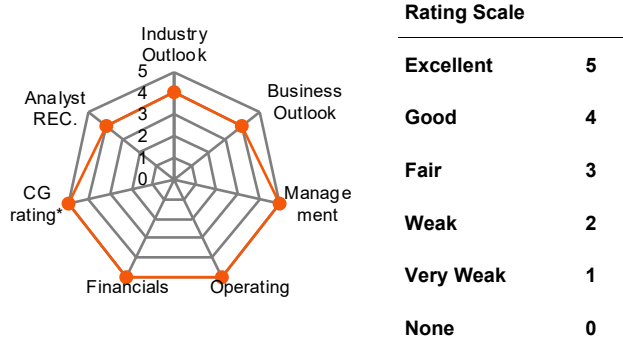
Based on 21 November 2024 closing price

COMPANY DESCRIPTION

Moshi Moshi Retail Corporation Pcl (MOSHI) operates a retail business that responds to the daily lifestyles of each group of its consumers (lifestyle products) under the company's "Moshi Moshi" brand. After opening its first store in 2016, it is now the market leader, with a 56% sales market share in 2023. As of 3Q24, it had 158 branches with over 22,000 product SKUs.

Source: Thanachart

COMPANY RATING



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 with no interest-bearing debts.

O — Opportunity

- Expansion opportunities in Thailand and abroad.
- New store formats and new products.
- Licensed character exhibition business.

W — Weakness

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

T — Threat

- Competitive products from online channel.
- Newcomers such as KKV from China.
- Pandemics which may cause temporary store closures.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|-----------------------|-----------|------------|---------|
| Target price (Bt) | 58.48 | 63.00 | 8% |
| Net profit 24F (Bt m) | 494 | 514 | 4% |
| Net profit 25F (Bt m) | 604 | 670 | 11% |
| Consensus REC | BUY: 8 | HOLD: 0 | SELL: 0 |

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are 4-11% above the Street's, likely as we incorporate stronger-than-expected 4Q24F SSSG and its new, higher expansion target.
- Consequently, our TP is 8% higher than the Bloomberg consensus number.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the economy becomes weaker than we presently expect, this would be the key downside risk to our call.
- If competitors expand faster than we currently expect, this would represent a secondary downside risk.

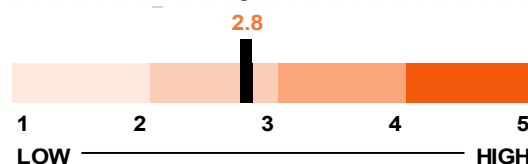
Source: Thanachart

Moshi Moshi Retail Corporation Pcl.

Sector: Services | Commerce

MOSHI operates lifestyle product shops under the company's brand "Moshi Moshi". As of 3Q24, it had 158 branches, with over 22,000 product SKUs and one warehouse. We assign MOSHI an ESG score of 2.8, below the retail sector average. This reflects a lack of concrete targets for overall ESG issues.

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) |
|-------|---------------|-------------------|------------|----------------|------------------|-------------------|--------------------|-----------------|-----------------|
| MOSHI | - | - | - | - | - | - | - | - | 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)

Note: Please see third party on "terms 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"> 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. 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 of waste and hazardous waste properly to reduce pollution. MOSHI designs and produces products from environmentally friendly materials. |
| SOCIAL <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility | <ul style="list-style-type: none"> MOSHI supports and respects human rights. It treats employees equitably and fairly and 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 employees' abilities. MOSHI joins community, school, and government organization activities to engage and make the community environment more livable. |
| GOVERNANCE & SUSTAINABILITY <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation | <ul style="list-style-type: none"> There are ten members on its Board of Directors (BOD), four of whom are independent directors and five of whom are family members. MOSHI is committed to growing its business through corporate governance, ensuring the company and its subsidiaries operate efficiently, fairly, transparently, and morally. 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 prevent its operations from achieving its goals, including risks pertaining to strategy, finance, operations, legal, and regulatory compliance. |

Sources: Company data, Thanachart

INCOME STATEMENT

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|-----------------------------------|------------|--------------|--------------|--------------|--------------|
| Sales | 1,890 | 2,530 | 3,094 | 3,713 | 4,570 |
| Cost of sales | 899 | 1,180 | 1,445 | 1,687 | 2,051 |
| Gross profit | 991 | 1,350 | 1,649 | 2,026 | 2,519 |
| % gross margin | 52.4% | 53.4% | 53.3% | 54.6% | 55.1% |
| Selling & administration expenses | 654 | 815 | 976 | 1,150 | 1,384 |
| Operating profit | 337 | 535 | 674 | 875 | 1,135 |
| % operating margin | 17.8% | 21.1% | 21.8% | 23.6% | 24.8% |
| Depreciation & amortization | 279 | 296 | 352 | 384 | 411 |
| EBITDA | 616 | 831 | 1,026 | 1,259 | 1,546 |
| % EBITDA margin | 32.6% | 32.9% | 33.2% | 33.9% | 33.8% |
| Non-operating income | 6 | 14 | 17 | 20 | 25 |
| Non-operating expenses | 6 | 15 | 26 | 18 | 23 |
| Interest expense | (27) | (53) | (74) | (76) | (79) |
| Pre-tax profit | 322 | 510 | 642 | 837 | 1,104 |
| Income tax | 69 | 108 | 128 | 167 | 221 |
| After-tax profit | 253 | 402 | 514 | 670 | 883 |
| % net margin | 13.4% | 15.9% | 16.6% | 18.0% | 19.3% |
| 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 | 253 | 402 | 514 | 670 | 883 |
| Normalized profit | 253 | 402 | 514 | 670 | 883 |
| EPS (Bt) | 0.9 | 1.2 | 1.6 | 2.0 | 2.7 |
| Normalized EPS (Bt) | 0.9 | 1.2 | 1.6 | 2.0 | 2.7 |

A growth stock with a 29% three-year EPS CAGR in 2025-27F

BALANCE SHEET

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS: | | | | | |
| Current assets: | 1,221 | 1,624 | 1,882 | 2,140 | 2,655 |
| Cash & cash equivalent | 756 | 95 | 93 | 211 | 489 |
| Account receivables | 9 | 12 | 15 | 18 | 22 |
| Inventories | 404 | 422 | 534 | 624 | 759 |
| Others | 52 | 1,095 | 1,239 | 1,287 | 1,384 |
| Investments & loans | 6 | 6 | 6 | 6 | 6 |
| Net fixed assets | 706 | 717 | 860 | 1,054 | 1,206 |
| Other assets | 868 | 1,296 | 1,366 | 1,419 | 1,452 |
| Total assets | 2,801 | 3,643 | 4,114 | 4,619 | 5,318 |
| LIABILITIES: | | | | | |
| Current liabilities: | 527 | 601 | 771 | 840 | 992 |
| Account payables | 224 | 283 | 356 | 416 | 506 |
| Bank overdraft & ST loans | 0 | 0 | 0 | (0) | 0 |
| Current LT debt | 0 | 0 | 0 | 0 | 0 |
| Others current liabilities | 303 | 318 | 415 | 424 | 487 |
| Total LT debt | 0 | 0 | 0 | 0 | 0 |
| Others LT liabilities | 664 | 1,060 | 1,073 | 1,131 | 1,178 |
| Total liabilities | 1,191 | 1,661 | 1,844 | 1,971 | 2,170 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 300 | 330 | 330 | 330 | 330 |
| Share premium | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 132 | 474 | 762 | 1,140 | 1,640 |
| Shareholders' equity | 1,610 | 1,982 | 2,270 | 2,648 | 3,148 |
| Liabilities & equity | 2,801 | 3,643 | 4,114 | 4,619 | 5,318 |

Sales are mostly in cash, with very low accounts receivable

Clean B/S, with no interest-bearing debts

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Earnings before tax | 322 | 510 | 642 | 837 | 1,104 |
| Tax paid | (53) | (86) | (120) | (150) | (202) |
| Depreciation & amortization | 279 | 296 | 352 | 384 | 411 |
| Chg In working capital | (87) | 38 | (42) | (33) | (49) |
| Chg In other CA & CL / minorities | (102) | (997) | (55) | (57) | (53) |
| Cash flow from operations | 359 | (239) | 777 | 982 | 1,210 |
| Capex | (42) | (84) | (222) | (280) | (246) |
| Right of use | (336) | (644) | (350) | (350) | (350) |
| 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 | 133 | 336 | 19 | 58 | 47 |
| Cash flow from investments | (245) | (392) | (553) | (572) | (549) |
| Debt financing | 0 | 0 | 0 | (0) | 0 |
| Capital increase | 1,253 | 30 | 0 | 0 | 0 |
| Dividends paid | (839) | (30) | (226) | (292) | (383) |
| Warrants & other surplus | (10) | (30) | 0 | 0 | 0 |
| Cash flow from financing | 404 | (30) | (226) | (292) | (383) |
| Free cash flow | 316 | (323) | 555 | 702 | 964 |

Very high EBITDA/capex

VALUATION

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Normalized PE (x) | 49.0 | 38.2 | 29.9 | 22.9 | 17.4 |
| Normalized PE - at target price (x) | 66.4 | 51.8 | 40.5 | 31.0 | 23.5 |
| PE (x) | 49.0 | 38.2 | 29.9 | 22.9 | 17.4 |
| PE - at target price (x) | 66.4 | 51.8 | 40.5 | 31.0 | 23.5 |
| EV/EBITDA (x) | 18.9 | 18.4 | 14.9 | 12.0 | 9.6 |
| EV/EBITDA - at target price (x) | 26.1 | 24.9 | 20.2 | 16.3 | 13.1 |
| P/BV (x) | 9.5 | 7.7 | 6.8 | 5.8 | 4.9 |
| P/BV - at target price (x) | 12.9 | 10.5 | 9.2 | 7.9 | 6.6 |
| P/CFO (x) | 34.6 | (64.2) | 19.8 | 15.6 | 12.7 |
| Price/sales (x) | 8.1 | 6.1 | 5.0 | 4.1 | 3.4 |
| Dividend yield (%) | 0.2 | 1.3 | 1.7 | 2.2 | 2.8 |
| FCF Yield (%) | 2.5 | (2.1) | 3.6 | 4.6 | 6.3 |
| (Bt) | | | | | |
| Normalized EPS | 0.9 | 1.2 | 1.6 | 2.0 | 2.7 |
| EPS | 0.9 | 1.2 | 1.6 | 2.0 | 2.7 |
| DPS | 0.1 | 0.6 | 0.8 | 1.0 | 1.3 |
| BV/share | 4.9 | 6.0 | 6.9 | 8.0 | 9.5 |
| CFO/share | 1.3 | (0.7) | 2.4 | 3.0 | 3.7 |
| FCF/share | 1.2 | (1.0) | 1.7 | 2.1 | 2.9 |

Sources: Company data, Thanachart estimates

PE has fallen to the sector average despite strong EPS growth for many years

FINANCIAL RATIOS

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|----------------------------------|-------|-------|-------|-------|-------|
| Growth Rate | | | | | |
| Sales (%) | 50.5 | 33.8 | 22.3 | 20.0 | 23.1 |
| Net profit (%) | 92.9 | 58.6 | 28.0 | 30.4 | 31.8 |
| EPS (%) | 90.8 | 28.3 | 28.0 | 30.4 | 31.8 |
| Normalized profit (%) | 92.9 | 58.6 | 28.0 | 30.4 | 31.8 |
| Normalized EPS (%) | 90.8 | 28.3 | 28.0 | 30.4 | 31.8 |
| Dividend payout ratio (%) | 11.8 | 49.3 | 49.3 | 49.3 | 49.3 |
| Operating performance | | | | | |
| Gross margin (%) | 52.4 | 53.4 | 53.3 | 54.6 | 55.1 |
| Operating margin (%) | 17.8 | 21.1 | 21.8 | 23.6 | 24.8 |
| EBITDA margin (%) | 32.6 | 32.9 | 33.2 | 33.9 | 33.8 |
| Net margin (%) | 13.4 | 15.9 | 16.6 | 18.0 | 19.3 |
| D/E (incl. minor) (x) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 |
| Net D/E (incl. minor) (x) | (0.5) | (0.0) | (0.0) | (0.1) | (0.2) |
| Interest coverage - EBIT (x) | 12.6 | 10.0 | 9.1 | 11.5 | 14.4 |
| Interest coverage - EBITDA (x) | 23.1 | 15.6 | 13.8 | 16.5 | 19.6 |
| ROA - using norm profit (%) | 10.6 | 12.5 | 12.5 | 15.3 | 17.8 |
| ROE - using norm profit (%) | 19.7 | 22.4 | 22.6 | 27.2 | 30.5 |
| DuPont | | | | | |
| ROE - using after tax profit (%) | 19.7 | 22.4 | 22.6 | 27.2 | 30.5 |
| - asset turnover (x) | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 |
| - operating margin (%) | 18.4 | 22.3 | 23.2 | 24.6 | 25.9 |
| - leverage (x) | 1.9 | 1.8 | 1.8 | 1.8 | 1.7 |
| - interest burden (%) | 92.4 | 90.5 | 89.7 | 91.6 | 93.3 |
| - tax burden (%) | 78.6 | 78.8 | 80.0 | 80.0 | 80.0 |
| WACC (%) | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| ROIC (%) | 37.0 | 49.3 | 28.6 | 32.2 | 37.2 |
| NOPAT (Bt m) | 265 | 421 | 539 | 700 | 908 |
| invested capital (Bt m) | 855 | 1,887 | 2,177 | 2,437 | 2,659 |

Sources: Company data, Thanachart estimates

Record profit in 2024F and 30/32% EPS growth in 2025-26F

High and rising ROE, based on our estimates

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3. Refinitiv (0-100)
4. S&P Global (0-100)
5. Moody's ESG Solutions (0-100)
6. SET ESG Rating (BBB-AAA)

SETESG Index (SETESG)

The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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| Score range | Description |
|--------------|---|
| CCC - B | LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks |
| BB - BBB - A | AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers |
| AA - AAA | LEADER: A company leading its industry in managing the most significant ESG risks and opportunities |

The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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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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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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