

HOME PRODUCT CENTER

THAILAND / COMMERCE

HMPRO TB

BUY

The leading player in home improvement

- The leading player in the home improvement sector with a c35% market share based on sales revenue of THB65b in 2022.
- 3Q23E earnings of THB1.56b, down by 3.6% q-q from seasonality, up 1.8% y-y from new stores, though SSSG should drop by 2.5%.
- Reinitiate with BUY call and a 2024 DCF-based TP of THB16.0.

TARGET PRICE	THB16.00
CLOSE	THB12.30
UP/DOWNSIDE	+30.1%
TP vs CONSENSUS	-5.4%

KEY STOCK DATA

YE Dec (THB m)	2022E	2023E	2024E	2025E
Revenue	69,389	75,128	81,242	87,726
Net profit	6,219	6,564	7,268	7,860
EPS (THB)	0.47	0.50	0.55	0.60
vs Consensus (%)	-	(2.3)	(3.3)	(3.1)
EBITDA	11,244	11,971	13,148	14,284
Core net profit	6,219	6,564	7,268	7,860
Core EPS (THB)	0.47	0.50	0.55	0.60
EPS growth (%)	14.3	5.6	10.7	8.1

The company's background

HMPRO is the leading player in the home improvement sector with a c35% market share based on sales revenue of THB65b in 2022. The company was established in 1995 as a joint venture between Land and Houses and Quality Houses. As of 2Q23, HMPRO has a total of 123 stores and plans to open another four stores to reach 127 stores in 2023.

3Q23 earnings impacted by seasonality

We project a 3Q23 net profit of THB1.56b, down by 3.6% q-q due to seasonal effect and increasing by 1.8% y-y from sales growth. We expect retail sales of THB16.5b, dropping by 7.2% q-q from seasonality and rising 3.8% y-y due mainly to its store expansion, especially Mega Home expanding to a total of eight stores to offset same-store sales growth, which should be negative at c2.5% from the high base last year after the full-scale reopening following the Omicron outbreak. We expect its gross margin to slightly increase q-q to 26.4% from a smaller sales proportion of home appliances in 2Q23, while dropping y-y from the MegaHome expansion, leading the sales proportion from MegaHome to have a lower margin than the HomePro format. We anticipate SG&A to sales to slightly drop to 19.4% (vs 2Q23's 19.5% and 3Q22's 19.7%) as there was only one store opened to replace a store that was closed in 2Q23.

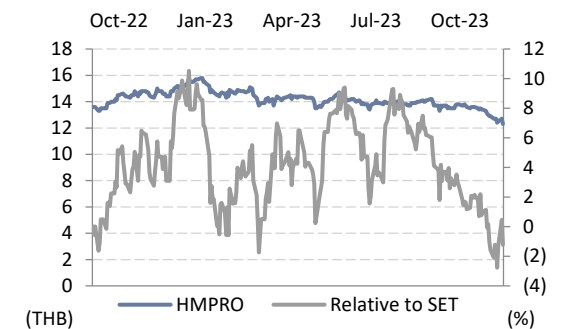
Positive outlook in 4Q23 towards 2024

If 3Q23 earnings are in line with our expectation, they would account for 73% of our full-year estimate. We believe 4Q23 will be a good quarter from the festive season to boost customer spending for decorations and replacing furniture and/or home appliances. There are several catalysts in 2024: 1) private consumption would be a key driver for the Thai economy; 2) stimulus schemes to boost consumption and reduce household cost of living; 3) continued store expansion and expanding its gross margin from a targeted increase in house-brand sales proportion by 1-2% per year.

Reinitiate with a BUY call and 2024 TP of THB16.0/shr

We reinitiate coverage of HMPRO with a BUY call and a 2024 DCF-TP of THB16.0, implying a 2024E P/E of 29.0x, lower than its 5-year average P/E of 32.8x. HMPRO currently trades at 22.3x 2024E P/E, -2.2SD of its 5-year average, which we think is cheap, and there are several catalysts for its 2024 earnings performance.

Core P/E (x)	26.0	24.6	22.3	20.6
Dividend yield (%)	3.1	3.3	3.6	3.9
EV/EBITDA (x)	15.3	14.5	13.3	12.3
Price/book (x)	6.7	6.3	6.0	5.7
Net debt/Equity (%)	40.8	44.0	46.8	49.8
ROE (%)	26.4	26.4	27.7	28.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.6)	(12.1)	(6.8)
Relative to country (%)	(2.4)	(8.5)	0.3
Mkt cap (USD m)	4,360		
3m avg. daily turnover (USD m)	7.9		
Free float (%)	42		
Major shareholder	Land & Houses (30%)		
12m high/low (THB)	15.90/12.00		
Issued shares (m)	13,151.12		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

HMPRO is the leading player in the home improvement sector, with a c35% market share based on sales revenue of THB65b in 2022. The company was established in 1995 as a joint venture between Land and Houses and Quality Houses.

32% of HMPRO's stores are located in the Bangkok area, which contributed c40% of total sales as of 2Q23, so its earnings are less impacted by the slower-than-expected recovery in the agricultural sector. Despite the slowdown in the property sector in 2018-20, HMPRO has continued to deliver double-digit earnings growth, while its 2022 earnings were already above the pre-Covid level by 101% in 2019.

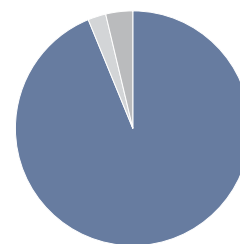
Company profile

HMPRO is a home-improvement product seller that targets the mid- to high-end segment. From 2013, it started to expand aggressively, both with its HomePro stores and in the budget segment with its Mega Home stores. It also expanded to Malaysia by setting up a store around the end of 2014.

www.homepro.co.th

Principal activities (revenue, 2021)

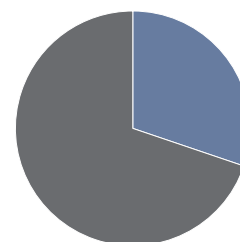
- Sales - 93.8 %
- Rental and service - 2.5 %
- Others - 3.7 %



Source: Home Product Center

Major shareholders

- Land & Houses - 30.2 %
- Others - 69.8 %



Source: Home Product Center

Catalysts

Potential catalysts include 1) the Thai economy should drive by consumption; 2) stimulus schemes under the new government should stimulate consumption and reduce the cost of living; 3) the company is continuing its store expansion and plans to expand its gross margin by boosting its house-brand sales proportion by 1-2% per year; and 4) marketing campaigns through new services.

Risks to our call

The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.

Event calendar

Date	Event
October 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSSG	5.0	5.0	5.0
New store growth	8.5	7.1	6.6
Gross profit margin	26.2	26.4	26.6
SG&A to sales	19.3	19.1	19.1

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 1.6%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A, we estimate 2023 net profit to fall by 0.9%, and vice versa, all else being equal.

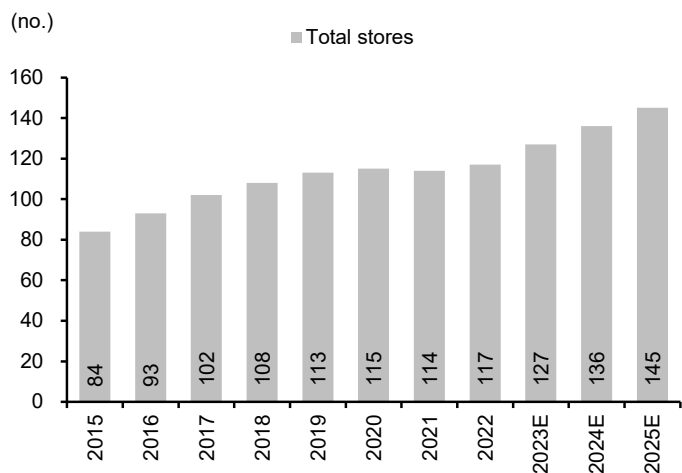
Source: FSSIA estimates

Company background

HMPRO is the leading player in the home improvement sector with a c35% market share based on sales revenue of THB65b in 2022. The company was established in 1995 as a joint venture between Land and Houses and Quality Houses. As of 2Q23, HMPRO has a total of 123 stores and plans to open another four stores (one store for HomePro and three stores for MegaHome) to reach 127 in 2023. 2022 revenue was mostly contributed from HomePro at a proportion of 84-86% of total sales, MegaHome 11-13% of total sales and HomePro Malaysia with 2% of total sales.

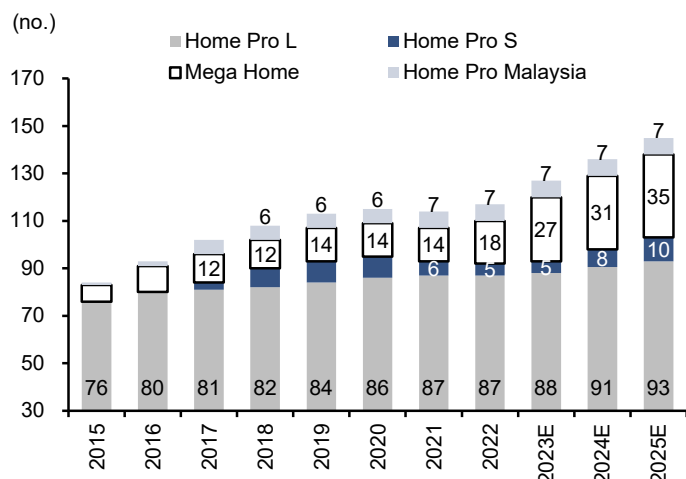
The company categorizes its products into two groups and one service as follows: 1) Hard Line: Tools, Paint, Home Improvement, Bathroom and Sanitary Ware, Kitchen, Home Appliances and Electrical Equipment, which contributes c80% of sales; 2) Soft Line: Bedding, Home Textiles, Furniture, Lighting, Household Decorative Products, and Household Accessories, which contributes c18% of sales; and 3) Home Service covers repairs and home improvement services which contributes c2% of sales. 32% of total stores are located in the Bangkok area, which contributed c40% of total sales as of 2Q23.

Exhibit 1: Number of stores



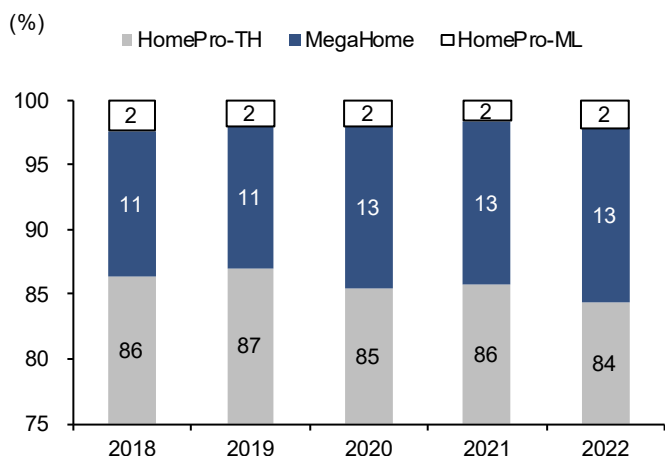
Sources: HMPRO; FSSIA estimates

Exhibit 2: Store breakdown by format



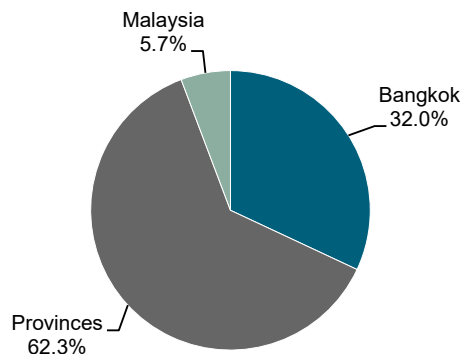
Sources: HMPRO; FSSIA estimates

Exhibit 3: Revenue contribution by format



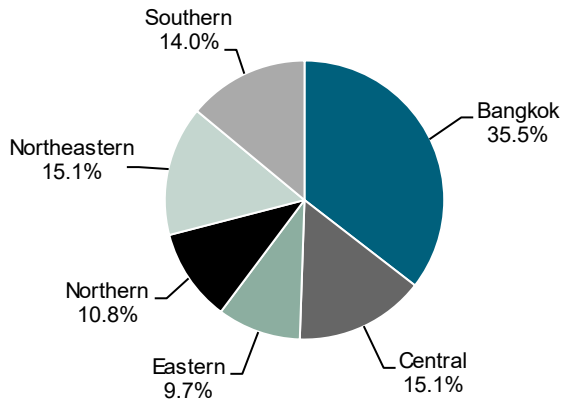
Source: HMPRO

Exhibit 4: 32% of total stores are located in the Bangkok area, which contributed c40% of total sales as of 2Q23



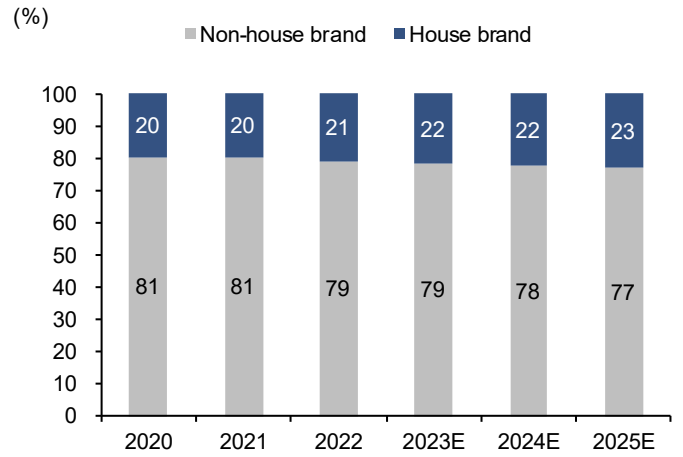
Source: HMPRO

Exhibit 5: Store breakdown by region



Source: HMPRO

Exhibit 6: Continuous increase in house brand



Sources: HMPRO; FSSIA estimates

3Q23 earnings preview

We project a 3Q23 net profit of THB1.56b, down by 3.6% q-q due to seasonal effect and increasing by 1.8% y-y from sales growth. We expect retail sales of THB16.5b, dropping by 7.2% q-q from seasonality and rising 3.8% y-y due mainly to its store expansion, especially Mega Home expanding to a total of eight stores to offset same-store sales growth, which should be negative at c2.5% from the high base last year after the full-scale reopening following the Omicron outbreak.

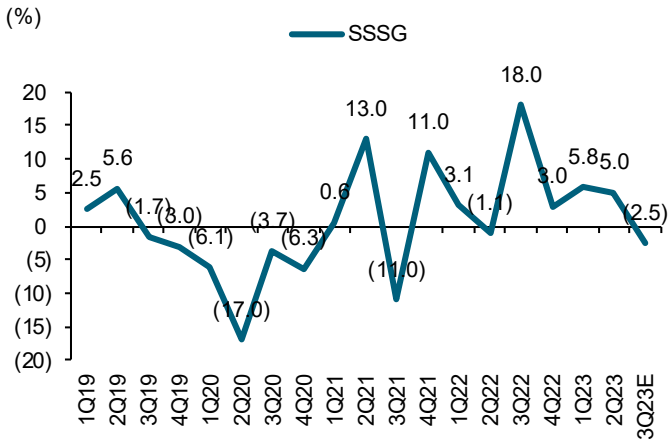
We expect its gross margin to slightly increase q-q to 26.4% from a smaller sales proportion of home appliances in 2Q23, while dropping y-y from the MegaHome expansion, leading the sales proportion from MegaHome to have a lower margin than the HomePro format. We anticipate SG&A to sales to slightly drop to 19.4% (vs 2Q23's 19.5% and 3Q22's 19.7%) as there was only one store opened to replace a store that was closed in 2Q23.

Exhibit 7: 3Q23 earnings previews

YE Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M23E	Change	9M23E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	%23E
Total revenue	16,941	18,468	18,252	18,903	17,584	(7.0)	3.8	54,738	7.5	73
- Retail sales	15,897	17,115	17,223	17,789	16,499	(7.2)	3.8	51,511	7.4	73
- Rental and service income	441	464	477	464	457	(1.3)	3.8	1,398	11.3	75
- Other income	604	889	551	650	627	(3.5)	3.8	1,829	8.3	70
Gross profit	5,119	5,626	5,328	5,593	5,255	(6.0)	2.7	16,176	8.0	73
Operating costs	(3,130)	(3,493)	(3,192)	(3,466)	(3,201)	(7.6)	2.3	(9,859)	9.2	72
Operating profit	1,989	2,134	2,135	2,127	2,054	(3.4)	3.3	6,317	6.1	74
Interest expense	(123)	(130)	(133)	(130)	(129)	(0.8)	4.9	(392)	24.5	76
Profit before tax	1,871	2,016	2,004	2,008	1,936	(3.6)	3.5	5,949	5.4	74
Tax	(337)	(362)	(393)	(388)	(375)	(3.5)	11.4	(1,156)	7.1	76
Reported net profit	1,534	1,654	1,611	1,620	1,561	(3.6)	1.8	4,793	5.0	73
Recurring net profit	1,534	1,654	1,611	1,620	1,561	(3.6)	1.8	4,793	5.0	73
EPS (THB)	0.12	0.13	0.12	0.12	0.12	(3.6)	1.8	0.36	5.0	73
Recurring EPS (THB)	0.12	0.13	0.12	0.12	0.12	(3.6)	1.8	0.36	5.0	73
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	
Retail sales margin	26.8	26.1	26.1	26.3	26.4	0.1	(0.4)	26.3	0.1	
Operating margin	12.5	12.5	12.4	12.0	12.5	0.5	(0.1)	12.3	(0.1)	
Recurring net margin	9.1	9.0	8.8	8.6	8.9	0.3	(0.2)	8.8	(0.2)	
SG&A / sales	19.7	20.4	18.5	19.5	19.4	(0.1)	(0.3)	19.1	0.3	
Operating statistics										
SSSG (%)	18.0	3.0	5.8	5.0	(2.5)					
Number of stores (no.)	115	117	120	122	123					
Home Pro	86	87	87	86	87					
Home Pro S	6	5	5	5	5					
Mega Home	16	18	21	24	24					
Home Pro Malaysia	7	7	7	7	7					

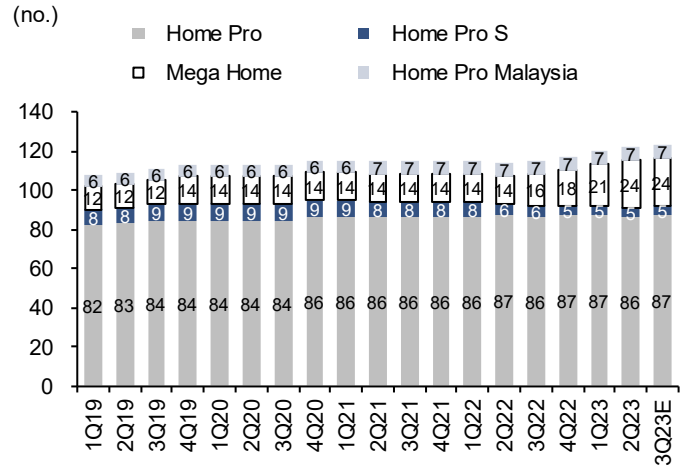
Sources: HMPRO; FSSIA estimates

Exhibit 8: Same-store sales growth



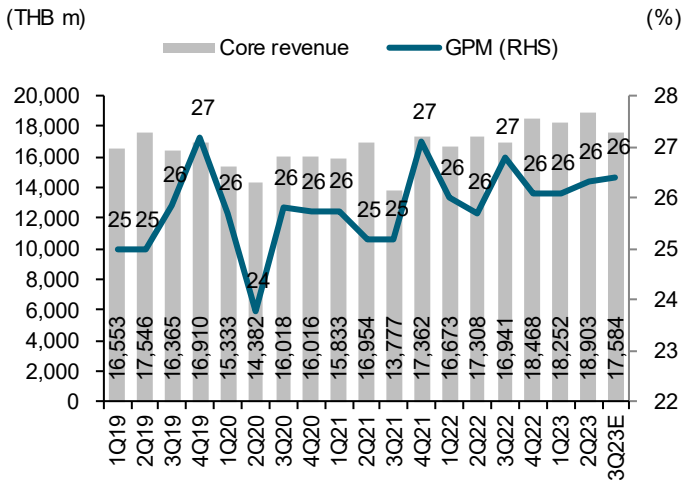
Sources: HMPRO; FSSIA estimates

Exhibit 9: Number of stores



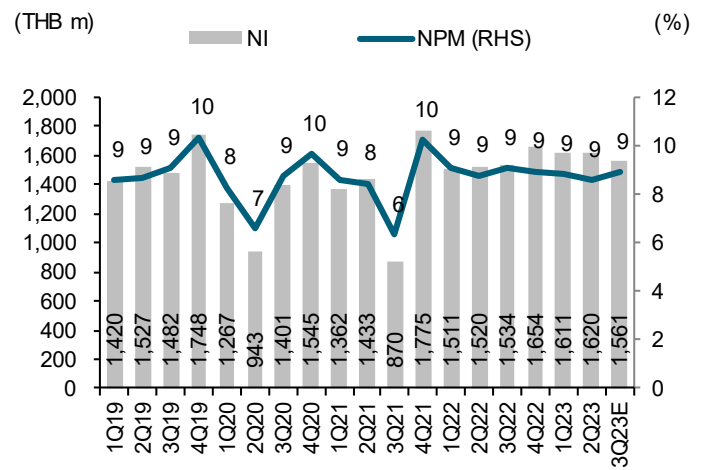
Sources: HMPRO; FSSIA estimates

Exhibit 10: Quarterly revenue and gross margin



Sources: HMPRO; FSSIA estimates

Exhibit 11: Quarterly net profit and net margin



Sources: HMPRO; FSSIA estimates

Valuation

We reinitiate coverage of HMPRO with a BUY call and a 2024 DCF-based TP of THB16.0, implying a 2024E P/E of 29.0x, lower than its 5-year average P/E of 32.8x. HMPRO currently trades at 22.3x 2024E P/E, -2.2SD of its 5-year average. We think the valuation is cheap with a positive outlook in 2024 for 1) the Thai economy should be driven by consumption according to the macroeconomic projections from the Bank of Thailand which forecasts private consumption to grow by 4.6%, rising from 2.9% in the previous forecast (as of September 2023); 2) stimulus schemes under the new government should stimulate consumption and reduce the cost of living in order to increase purchasing power; 3) the company continues to expand the number of its stores and plans to expand its gross margin by boosting its house-brand sales proportion by 1-2% per year; and 4) marketing campaigns through new services such as trade-in (exchanging old appliances and receiving up to THB5,000 off) to stimulating sales and synergy between HomePro and MegaHome to serve and improve the convenience for customers to purchase and pick up their goods.

Exhibit 12: DCF-based valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	6.6	
Terminal growth	2.0	
NPV		61
Add: terminal value		161
Sum of PV		222
Add: investment		0
Less: debt		13
Less: minorities		0
Residual ordinary equity		210
No. of shares (m)		13,151
Residual ordinary equity (THB/share)		16.0

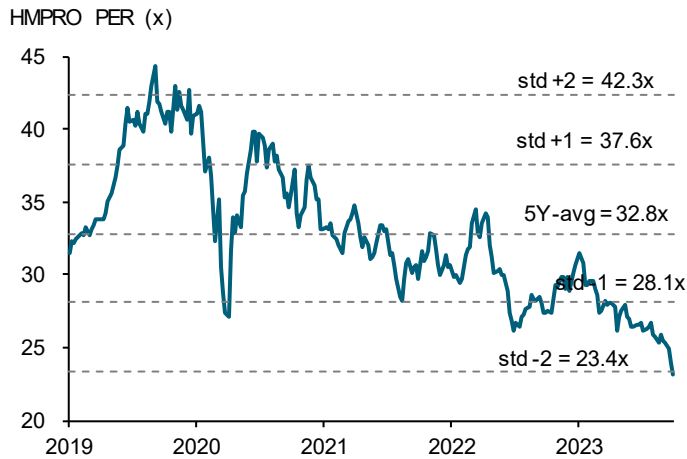
Sources: FSSIA estimates

Exhibit 13: Sensitivity to 2024 target price

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.6%	17.1	18.8	21.0	23.9	27.9
	6.1%	15.2	16.5	18.2	20.3	23.0
	6.6%	13.7	14.7	16.0	17.5	19.5
	7.1%	12.4	13.2	14.2	15.4	16.9
	7.6%	11.3	11.9	12.7	13.7	14.9

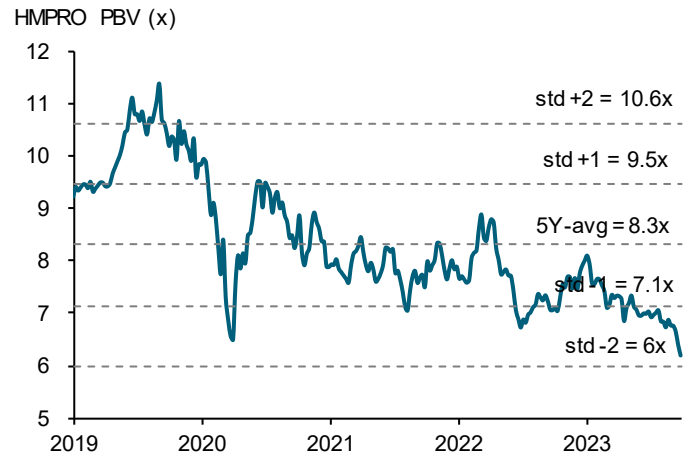
Source: FSSIA estimates

Exhibit 14: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 16: Commerce peers as of 3 October 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Consumer Staple														
CP All	CPALL TB	BUY	60.00	77.00	28	14,527	32.9	27.7	15.6	17.0	5.4	4.9	22.3	19.8
CP Aextra	CPAXT TB	BUY	31.50	38.00	21	8,983	37.3	30.0	3.1	3.8	1.1	1.1	11.6	10.7
Berli Jucker*	BJC TB	n/a	29.25	n/a	n/a	3,160	20.2	17.5	4.8	5.4	0.9	0.9	13.1	12.6
Consumer Staple average						26,670	30.1	25.1	7.8	8.7	2.5	2.3	15.7	14.4
Consumer Discretionary														
Com7	COM7 TB	BUY	31.25	40.00	28	2,009	21.7	18.0	44.8	46.7	9.1	7.8	15.4	13.0
Central Retail Corp*	CRC TB	n/a	39.00	n/a	n/a	6,340	28.3	23.0	12.7	14.3	3.5	3.1	11.5	10.5
Home Improvement														
Index Living Mall	ILM TB	BUY	23.00	26.70	16	313	16.7	15.1	12.0	12.7	2.0	1.9	8.0	7.2
Home Product Center	HMPRO TB	BUY	12.30	16.00	30	4,360	24.6	22.3	26.4	27.7	6.3	6.0	14.5	13.3
Siam Global House	GLOBAL TB	BUY	16.60	20.50	23	2,238	28.4	24.9	12.8	13.4	3.5	3.2	21.5	19.2
Dohome	DOHOME TB	BUY	11.00	13.00	18	916	57.1	30.5	4.9	8.5	2.7	2.5	25.1	18.5
Home Improvement avg.						7,827	31.7	23.2	14.0	15.6	3.6	3.4	17.3	14.5
Consumer Discretionary avg.						16,175	29.5	22.3	18.9	20.6	4.5	4.1	16.0	13.6
Total average						42,845	29.7	23.2	15.2	16.6	3.8	3.5	15.9	13.8

Sources: *Bloomberg; FSSIA estimates

Financial Statements

Home Product Center

Profit and Loss (THB m) Year Ending Dec	2021	2022E	2023E	2024E	2025E
Revenue	63,926	69,389	75,128	81,242	87,726
Cost of goods sold	(45,534)	(48,783)	(52,912)	(57,189)	(61,710)
Gross profit	18,392	20,607	22,215	24,053	26,016
Other operating income	-	-	-	-	-
Operating costs	(11,326)	(12,519)	(13,648)	(14,646)	(15,844)
Operating EBITDA	10,274	11,244	11,971	13,148	14,284
Depreciation	(3,208)	(3,156)	(3,404)	(3,741)	(4,113)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,066	8,088	8,568	9,407	10,172
Net financing costs	(408)	(428)	(482)	(455)	(491)
Associates	0	0	0	0	0
Recurring non-operating income	(23)	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	6,634	7,660	8,085	8,952	9,681
Tax	(1,194)	(1,441)	(1,521)	(1,684)	(1,821)
Profit after tax	5,441	6,219	6,564	7,268	7,860
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	5,441	6,219	6,564	7,268	7,860
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	5,441	6,219	6,564	7,268	7,860
Per share (THB)					
Recurring EPS *	0.41	0.47	0.50	0.55	0.60
Reported EPS	0.41	0.47	0.50	0.55	0.60
DPS	0.32	0.38	0.40	0.44	0.48
Diluted shares (used to calculate per share data)	13,151	13,151	13,151	13,151	13,151
Growth					
Revenue (%)	3.5	8.5	8.3	8.1	8.0
Operating EBITDA (%)	4.6	9.4	6.5	9.8	8.6
Operating EBIT (%)	6.4	14.5	5.9	9.8	8.1
Recurring EPS (%)	5.5	14.3	5.6	10.7	8.1
Reported EPS (%)	5.5	14.3	5.6	10.7	8.1
Operating performance					
Gross margin inc. depreciation (%)	28.8	29.7	29.6	29.6	29.7
Gross margin exc. depreciation (%)	33.8	34.2	34.1	34.2	34.3
Operating EBITDA margin (%)	16.1	16.2	15.9	16.2	16.3
Operating EBIT margin (%)	11.1	11.7	11.4	11.6	11.6
Net margin (%)	8.5	9.0	8.7	8.9	9.0
Effective tax rate (%)	18.0	18.8	18.8	18.8	18.8
Dividend payout on recurring profit (%)	77.4	80.4	80.4	80.4	80.4
Interest cover (X)	17.3	18.9	17.8	20.7	20.7
Inventory days	98.8	104.8	105.0	105.8	106.6
Debtor days	9.8	9.8	10.5	10.5	10.5
Creditor days	116.5	119.1	121.6	122.0	122.4
Operating ROIC (%)	22.3	24.7	24.6	25.1	25.2
ROIC (%)	15.3	16.5	16.1	16.4	16.5
ROE (%)	24.5	26.4	26.4	27.7	28.3
ROA (%)	10.1	10.6	10.2	10.3	10.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
	2021	2022E	2023E	2024E	2025E
Sales	60,568	65,091	70,656	76,588	82,879
Rental and service	1,223	1,721	1,868	2,024	2,191
Others	2,135	2,578	2,604	2,630	2,656

Sources: Home Product Center; FSSIA estimates

Financial Statements

Home Product Center

Cash Flow (THB m) Year Ending Dec	2021	2022E	2023E	2024E	2025E
Recurring net profit	5,441	6,219	6,564	7,268	7,860
Depreciation	3,208	3,156	3,404	3,741	4,113
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(1,211)	387	(44)	(58)	(69)
Cash flow from operations	7,438	9,763	9,924	10,951	11,904
Capex - maintenance	0	0	0	0	0
Capex - new investment	(2,051)	(5,041)	(5,545)	(6,099)	(6,709)
Net acquisitions & disposals	192	118	110	216	176
Other investments (net)	(86)	(914)	(570)	(607)	(644)
Cash flow from investing	(1,944)	(5,837)	(6,004)	(6,490)	(7,177)
Dividends paid	(4,208)	(4,997)	(5,275)	(5,840)	(6,316)
Equity finance	0	0	0	0	0
Debt finance	(22)	1,946	3,095	778	2,245
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,230)	(3,052)	(2,180)	(5,062)	(4,071)
Non-recurring cash flows	0	0	0	0	0
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1,263	874	1,739	(601)	656
Free cash flow to firm (FCFF)	5,909.04	4,370.42	4,432.97	4,950.18	5,252.13
Free cash flow to equity (FCFE)	5,471.66	5,871.79	7,013.93	5,239.38	6,971.59

Per share (THB)	2021	2022E	2023E	2024E	2025E
FCFF per share	0.45	0.33	0.34	0.38	0.40
FCFE per share	0.42	0.45	0.53	0.40	0.53
Recurring cash flow per share	0.66	0.71	0.76	0.84	0.91

Balance Sheet (THB m) Year Ending Dec	2021	2022E	2023E	2024E	2025E
Tangible fixed assets (gross)	52,164	55,912	61,457	67,556	74,265
Less: Accumulated depreciation	(24,580)	(26,444)	(29,848)	(33,589)	(37,702)
Tangible fixed assets (net)	27,584	29,469	31,609	33,967	36,563
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	4,546	5,420	7,159	6,559	7,214
A/C receivable	1,675	2,069	2,240	2,422	2,616
Inventories	12,572	13,630	14,856	16,136	17,496
Other current assets	127	311	336	364	393
Current assets	18,920	21,430	24,592	25,480	27,718
Other assets	12,082	14,286	15,468	16,726	18,061
Total assets	58,586	65,185	71,669	76,174	82,343
Common equity	22,890	24,246	25,535	26,963	28,507
Minorities etc.	0	0	0	0	0
Total shareholders' equity	22,890	24,246	25,535	26,963	28,507
Long term debt	8,943	9,056	10,887	11,348	12,676
Other long-term liabilities	6,242	7,398	8,010	8,662	9,353
Long-term liabilities	15,185	16,454	18,897	20,009	22,029
A/C payable	13,973	15,812	17,165	18,568	20,053
Short term debt	4,414	6,248	7,511	7,829	8,745
Other current liabilities	2,123	2,425	2,560	2,804	3,009
Current liabilities	20,510	24,485	27,237	29,201	31,807
Total liabilities and shareholders' equity	58,586	65,184	71,669	76,173	82,342
Net working capital	(1,722)	(2,227)	(2,292)	(2,450)	(2,557)
Invested capital	37,945	41,528	44,785	48,243	52,067

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2021	2022E	2023E	2024E	2025E
Book value per share	1.74	1.84	1.94	2.05	2.17
Tangible book value per share	1.74	1.84	1.94	2.05	2.17

Financial strength	2021	2022E	2023E	2024E	2025E
Net debt/equity (%)	38.5	40.8	44.0	46.8	49.8
Net debt/total assets (%)	15.0	15.2	15.7	16.6	17.3
Current ratio (x)	0.9	0.9	0.9	0.9	0.9
CF interest cover (x)	19.4	26.5	27.0	25.9	28.9

Valuation	2021	2022E	2023E	2024E	2025E
Recurring P/E (x) *	29.7	26.0	24.6	22.3	20.6
Recurring P/E @ target price (x) *	38.7	33.8	32.1	29.0	26.8
Reported P/E (x)	29.7	26.0	24.6	22.3	20.6
Dividend yield (%)	2.6	3.1	3.3	3.6	3.9
Price/book (x)	7.1	6.7	6.3	6.0	5.7
Price/tangible book (x)	7.1	6.7	6.3	6.0	5.7
EV/EBITDA (x) **	16.6	15.3	14.5	13.3	12.3
EV/EBITDA @ target price (x) **	21.3	19.6	18.5	17.0	15.7
EV/invested capital (x)	4.5	4.1	3.9	3.6	3.4

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Home Product Center; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

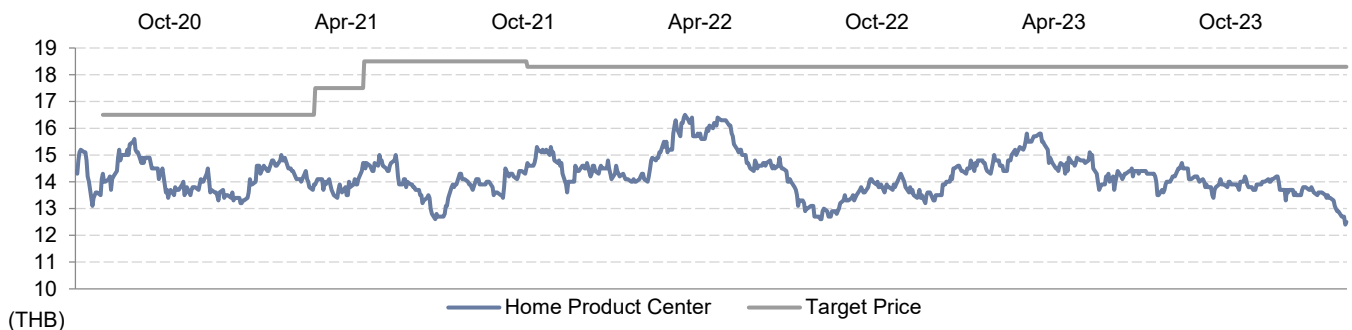
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

Home Product Center (HMPRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Oct-2020	BUY	16.50	08-Jun-2021	BUY	18.50	-	-	-
27-Apr-2021	BUY	17.50	26-Oct-2021	BUY	18.30			

Jitra Amornthum started covering this stock from 4-Oct-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Home Product Center	HMPRO TB	THB 12.30	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Index Living Mall	ILM TB	THB 23.00	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) higher-than-expected SG&A.
CP All	CPALL TB	THB 60.00	BUY	The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from CPAXT; and 3) a slower recovery in tourist arrival numbers and private consumption.
CP Axtra	CPAXT TB	THB 31.50	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.
Com7	COM7 TB	THB 31.25	BUY	Downside risks to our P/E-based TP include 1) lower consumer spending; 2) store cannibalisation; and 3) product shortages.
Dohome PCL	DOHOME TB	THB 11.00	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A; 4) higher-than-expected effect of El Nino
Siam Global House	GLOBAL TB	THB 16.60	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces and a larger-than-expected impact on farm income from the El Nino effect.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 3-Oct-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.