

SIAM GLOBAL HOUSE

 THAILAND / COMMERCE

GLOBAL TB

BUY

Weak 3Q23E but positive signs apparent

- GLOBAL is the first mover in the one-stop service home improvement and construction material industry in Thailand.
- 3Q23E earnings of THB590m (-16% q-q, -24% y-y), dragged by SSSG which should decrease by 10% y-y.
- Reinitiate with BUY call and a 2024 DCF-based TP of THB20.5.

| | |
|-----------------|----------|
| TARGET PRICE | THB20.50 |
| CLOSE | THB16.60 |
| UP/DOWNSIDE | +23.5% |
| TP vs CONSENSUS | +8.9% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|---------------------|--------|--------|--------|--------|
| Revenue | 35,270 | 33,516 | 36,501 | 40,019 |
| Net profit | 3,487 | 2,921 | 3,331 | 3,788 |
| EPS (THB) | 0.73 | 0.58 | 0.67 | 0.76 |
| vs Consensus (%) | - | (5.8) | (4.4) | (4.4) |
| EBITDA | 4,941 | 4,405 | 4,964 | 5,600 |
| Core net profit | 3,487 | 2,921 | 3,331 | 3,788 |
| Core EPS (THB) | 0.73 | 0.58 | 0.67 | 0.76 |
| EPS growth (%) | (0.1) | (19.6) | 14.0 | 13.7 |
| Core P/E (x) | 22.9 | 28.4 | 24.9 | 21.9 |
| Dividend yield (%) | 1.8 | 1.4 | 1.6 | 1.8 |
| EV/EBITDA (x) | 18.8 | 21.5 | 19.2 | 17.1 |
| Price/book (x) | 3.7 | 3.5 | 3.2 | 2.9 |
| Net debt/Equity (%) | 59.3 | 47.8 | 45.6 | 43.2 |
| ROE (%) | 16.9 | 12.8 | 13.4 | 14.0 |

The company's background

Global House is a distribution centre for construction materials, decorative items, tools and equipment. In 2Q23, the company had 79 stores with 80% located in the northeastern, northern and central areas. The company divides its products into two groups: 1) the building material group, which contributes 39-49% of total sales; and 2) decorative items, which contribute 51-61% of total sales. Moreover, the company provides house-brand products which have a higher margin than others and contribute 24% of sales. We expect that the company will continue to expand its house-brand sales in order to expand its profitability.

3Q23 earnings still soft

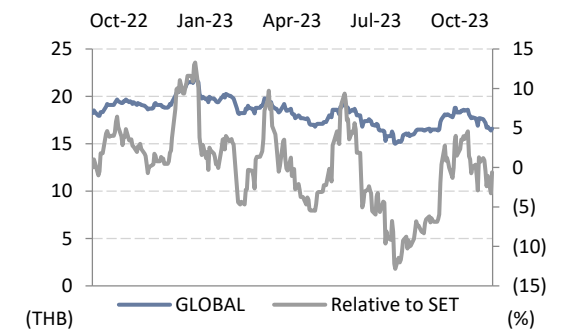
We estimate a 3Q23 net profit of THB590m, dropping 16% q-q and 24% y-y, dragged down by SSSG which should decrease by 10% y-y (vs 2Q23's -9.5% y-y). We expect the 3Q23 gross margin to be slightly soft at 25.3% (vs 25.4% in 2Q23 and 25.8% in 3Q22), dragged by price adjustments for steel products (steel contribute 15% of sales). We anticipate that SG&A to sales would increase to 16.9% (vs 16.7% in 2Q23 and 16.2% in 3Q22) due to a drop in sales. But, if we look in terms of baht amount, it would drop by 10% q-q and 3% y-y to THB1.3b from efficient cost control and a decrease in electricity costs.

A positive outlook in 4Q23 towards to 2024

If 3Q23 earnings are in line with our expectation, they would account for 75% of our full-year estimate. 4Q23 SSSG should be flat y-y on a normalised domestic steel price, and we expect no significant impairment loss from obsolete inventory (valued at THB137m in 4Q22). We expect 2024 net profit growth of 14% y-y with a positive outlook from 1) private consumption should continue to expand in 2024; 2) stimulus schemes to boost consumption and reduce the cost of living; and 3) the steel price should be stable or increase due to China's economic stimulus.

Reinitiate with a BUY call and 2024 TP of THB20.5/shr

We reinitiate coverage of GLOBAL with a BUY call and a 2024 DCF-TP of THB20.5, implying a 2024E P/E of 30.8x – above its 5Y average of 27.7x – to reflect the strong earnings outlook. We expect 2024-25 net profit growth at 14% CAGR.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------------------|---------|----------|
| Absolute (%) | (9.3) | 5.1 | (10.4) |
| Relative to country (%) | (2.1) | 9.4 | (3.5) |
| Mkt cap (USD m) | 2,238 | | |
| 3m avg. daily turnover (USD m) | 4.5 | | |
| Free float (%) | 35 | | |
| Major shareholder | Suriyawanakul Family (34%) | | |
| 12m high/low (THB) | 22.37/14.70 | | |
| Issued shares (m) | 5,001.80 | | |

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

Fundamental Investment Analyst on Securities; License no. 014530
 jitra.a@fssia.com, +66 2646 9966

Thada Jirachoenying

Research Assistant
 thada.j@fssia.com, +66 2646 9964

Investment thesis

GLOBAL is the first mover in the one-stop service home improvement and construction material industry in Thailand. GLOBAL's target market is low- to middle-income households in rural provinces. 80% of GLOBAL's stores are in central, northern, and northeastern Thailand, where purchasing power is highly related to farm income. Moreover, 35% of GLOBAL's customers are contractors and project based. Hence, the disbursement of government budgets, government spending on infrastructure, and rising farm incomes would be key catalysts for GLOBAL.

Store expansions, SSSG, and GPM improvements are key growth drivers for GLOBAL, in our view. The company plans to improve its GPM by increasing the proportion of its house brand products.

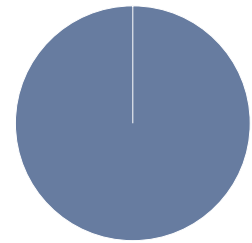
Company profile

Siam Global House is a leading Thai home-improvement product seller focusing on underpenetrated provincial markets. In November 2012, Siam Cement (SCC TB) became a 30% shareholder, providing GLOBAL with funding for store additions and expertise on how to improve operations, such as logistics.

www.globalhouse.co.th

Principal activities (revenue, 2022)

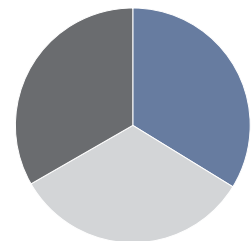
■ Sales - 100.0 %



Source: Siam Global House

Major shareholders

■ Suriyawanakul Family - 33.8 %
 ■ SCG Distribution Co., Ltd. - 32.9 %
 ■ Others - 33.3 %



Source: Siam Global House

Catalysts

Potential catalysts for GLOBAL include:

1. Increases in the steel price (steel contributes 15% of total sales).
2. The growth of the real estate sector.
3. Government measures to support agricultural prices.
4. Government spending on infrastructure.

Risks to our call

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..

Event calendar

| Date | Event |
|---------------|---------------------------|
| November 2023 | 3Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|-------------------|-------|-------|-------|
| | (%) | (%) | (%) |
| SSSG | (8.0) | 3.0 | 4.0 |
| New stores growth | 6.5 | 11.0 | 9.9 |
| GPM | 25.2 | 25.6 | 25.9 |
| SG&A to sales | 16.0 | 15.9 | 15.8 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 1.1%, 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.

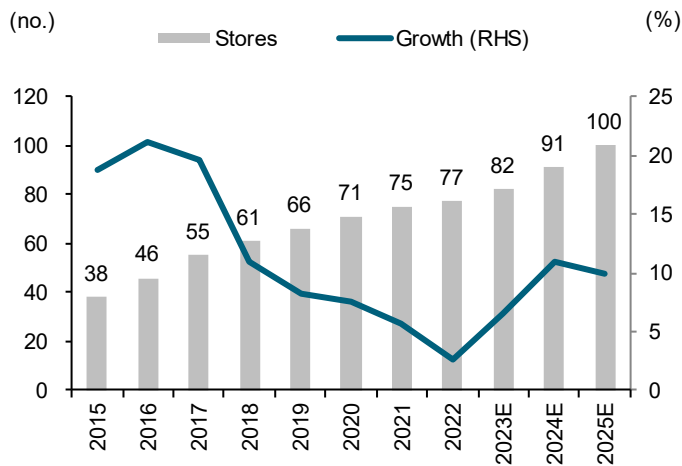
Source: FSSIA estimates

Company background

Global House is a distribution centre for construction materials, decorative items, tools and equipment. The important target customer segments are house owners, self-employed groups, technicians, small and medium contractors, small construction materials shops, and residential and building construction projects. In 2Q23, the company had 79 stores with 80% located in the northeastern, northern and central areas. The average area of its stores range from 11,000-32,000 sq.m, providing various products with more than 290,000 SKUs.

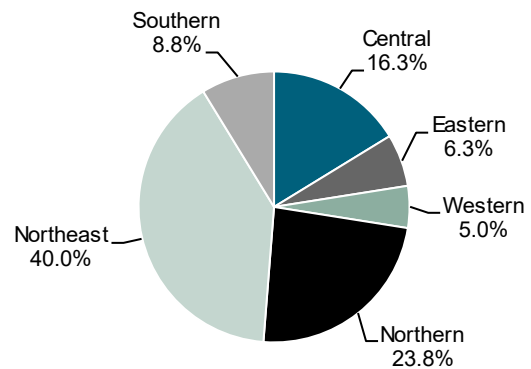
GLOBAL divides its products into two groups: 1) the building material group, which contributes 39-49% of total sales; and 2) decorative items, which contribute 51-61% of total sales. These are sourced from purchasing domestic products at about a 68% proportion. GLOBAL's business partners include more than 500 suppliers, with about 32% of imports coming from China and Vietnam from more than 200 suppliers. Moreover, the company provides house-brand products which have a higher margin than others and contribute 24% of sales. We expect that the company will continue to expand its house-brand sales in order to expand its profitability.

Exhibit 1: Back to expansion after Covid-19



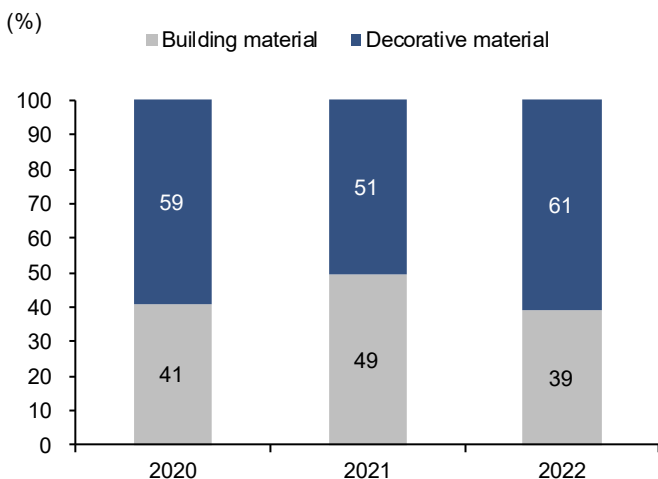
Sources: GLOBAL; FSSIA estimates

Exhibit 2: Store breakdown by region



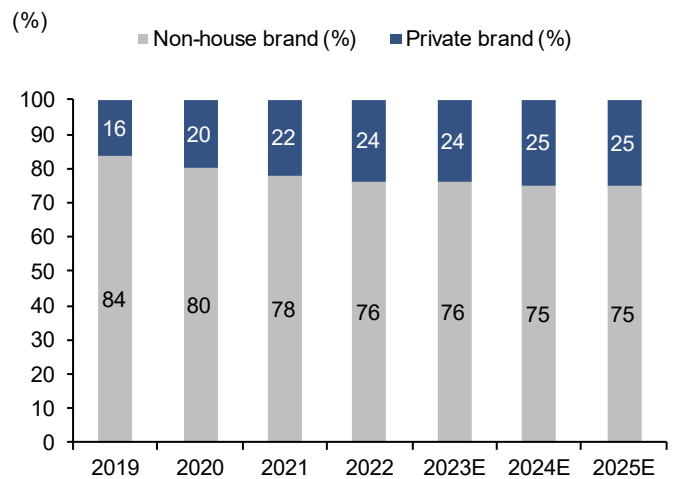
Source: GLOBAL as of 2Q23

Exhibit 3: Sales breakdown by product category



Source: GLOBAL

Exhibit 4: House-brand contribution



Sources: GLOBAL; FSSIA estimates

3Q23 earnings preview

We estimate a 3Q23 net profit of THB590m, dropping 16% q-q and 24% y-y, dragged down by SSSG which should decrease by 10% y-y (vs 2Q23's -9.5% y-y). Although the domestic steel price is beginning to show signs of recovery, the steel price (we use deformed bars to reflect the trend of steel prices) decreased by 10% y-y in July, and in August the decrease was less significant with a 4% drop y-y (steel contributes 15% of sales). However, SSSG was still soft with the low season for home improvement due to the rainy season.

We expect the 3Q23 gross margin to be slightly soft at 25.3% (vs 25.4% in 2Q23 and 25.8% in 3Q22), dragged by price adjustments for steel products. We anticipate that SG&A to sales would increase to 16.9% (vs 16.7% in 2Q23 and 16.2% in 3Q22) due to a drop in sales. But, if we look in terms of baht amount, it would drop by 10% q-q and 3% y-y to THB1.3b from efficient cost control and a decrease in electricity costs.

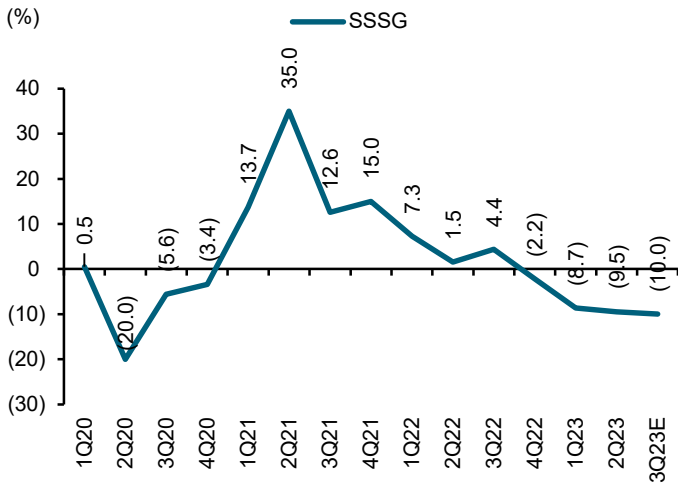
If 3Q23 earnings are in line with our expectation, they would account for 75% of our full-year estimate. We anticipate that 4Q23 SSSG should be flat y-y thanks to the domestic steel price normalising, and expect no significant impairment loss from obsolete inventory which was valued at THB137m in 4Q22. We estimate 2024 net profit growth of 14% y-y with a positive outlook as follows: 1) private consumption should continue to expand in 2024, supported by a tourism recovery leading to higher growth momentum in the services sector, which would benefit employment and labor income, thereby increasing household purchasing power; 2) stimulus schemes to boost consumption and reduce the cost of living; and 3) the steel price should remain stable or increase due to China's economic stimulus.

Exhibit 5: 3Q23 earnings preview

| Year to Dec 31 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23E | ----- Change ----- | | ----- 9M23E ----- | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------------|--------------|-------------------|--------------|-----------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (y-y%) | %23E |
| Retail sales | 8,170 | 8,247 | 8,933 | 8,503 | 7,544 | (11) | (8) | 24,981 | (8) | 75 |
| Gross profit | 2,104 | 2,045 | 2,238 | 2,159 | 1,909 | (12) | (9) | 6,305 | (17) | 75 |
| Operating costs | (1,320) | (1,530) | (1,280) | (1,423) | (1,275) | (10) | (3) | (3,977) | 3 | 74 |
| Operating profit | 785 | 515 | 958 | 736 | 634 | (14) | (19) | 2,328 | (38) | 76 |
| Other income/expenses | 177 | 160 | 166 | 180 | 140 | (22) | (21) | 548 | 0.0 | 82 |
| Interest expense | (47) | (54) | (64) | (65) | (65) | (1) | 39 | (194) | 40 | 81 |
| Profit before tax | 915 | 620 | 1,060 | 851 | 709 | (17) | (23) | 2,619 | (27) | 75 |
| Tax | (179) | (118) | (209) | (167) | (139) | (17) | (22) | (516) | (27) | 75 |
| Associates | 43 | 29 | 35 | 22 | 25 | 16 | (42) | 82 | (10) | 72 |
| Minority interests | (4) | (5) | (4) | (2) | (4) | 145 | (7) | (9) | (36) | 51 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 | n/a | n/a | 0 | n/a | n/a |
| Reported net profit | 775 | 527 | 883 | 703 | 590 | (16) | (24) | 2,176 | (26) | 75 |
| Recurring net profit | 775 | 527 | 883 | 703 | 590 | (16) | (24) | 2,176 | (26) | 75 |
| EPS (THB) | 0.16 | 0.11 | 0.18 | 0.14 | 0.12 | (16) | (27) | 0.4 | (29) | 76 |
| Recurring EPS (THB) | 0.16 | 0.11 | 0.18 | 0.14 | 0.12 | (16) | (27) | 0.4 | (29) | 76 |
| Key ratios | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (ppt) | |
| Retail sales margin | 25.8 | 24.8 | 25.0 | 25.4 | 25.3 | (0.1) | (0.5) | 25.2 | (3.4) | |
| Operating margin | 9.6 | 6.2 | 10.7 | 8.7 | 8.4 | (0.3) | (1.2) | 9.3 | (31.1) | |
| Recurring net margin | 9.5 | 6.4 | 9.9 | 8.3 | 7.8 | (0.4) | (1.7) | 8.2 | (23.2) | |
| SG&A / Sales | 16.2 | 18.6 | 14.3 | 16.7 | 16.9 | 0.2 | 0.7 | 15.9 | 10.9 | |
| Operating stats | | | | | | | | | | |
| SSSG (%) | 4.4 | (2.2) | (8.7) | (9.5) | (10.0) | (0.5) | (14.4) | | | |
| Private brand (%) | 23.5 | 23.7 | 23.8 | 23.9 | 23.9 | 0.0 | 0.4 | | | |
| Number of stores (no.) | 77 | 77 | 78 | 79 | 81 | | | | | |

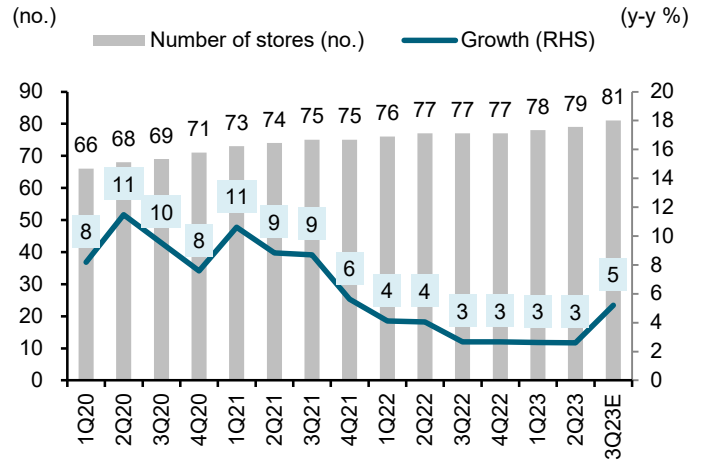
Sources: GLOBAL; FSSIA estimates

Exhibit 6: Same-store sales growth



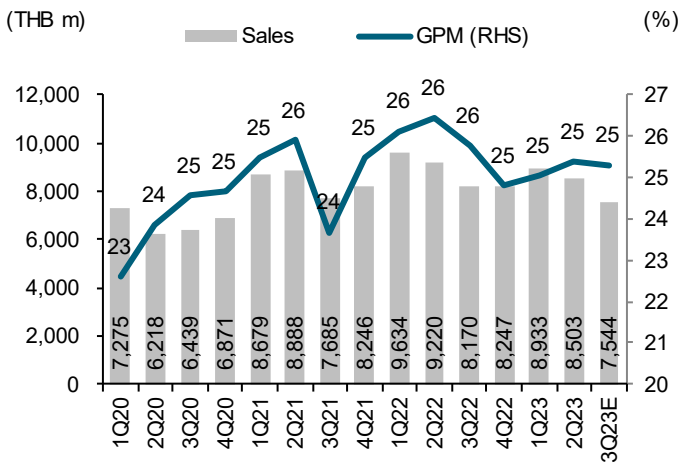
Sources: GLOBAL; FSSIA estimates

Exhibit 7: Number of stores



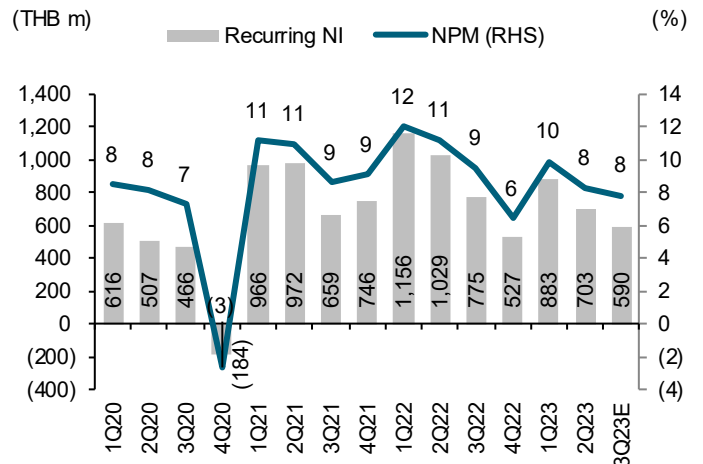
Sources: GLOBAL; FSSIA estimates

Exhibit 8: Quarterly revenue and gross margin



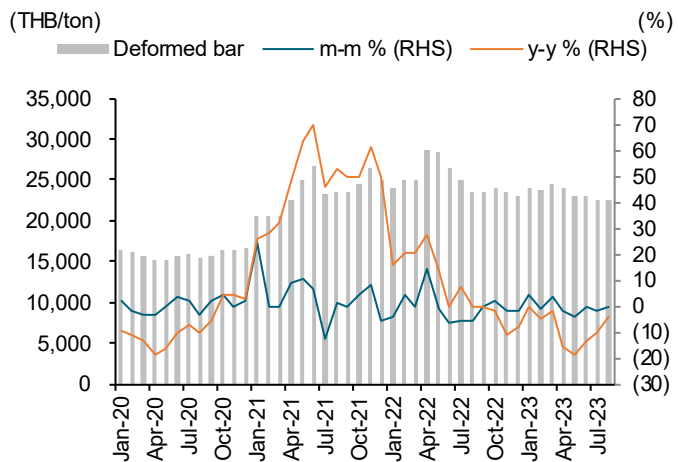
Sources: GLOBAL; FSSIA estimates

Exhibit 9: Quarterly net profit and net margin



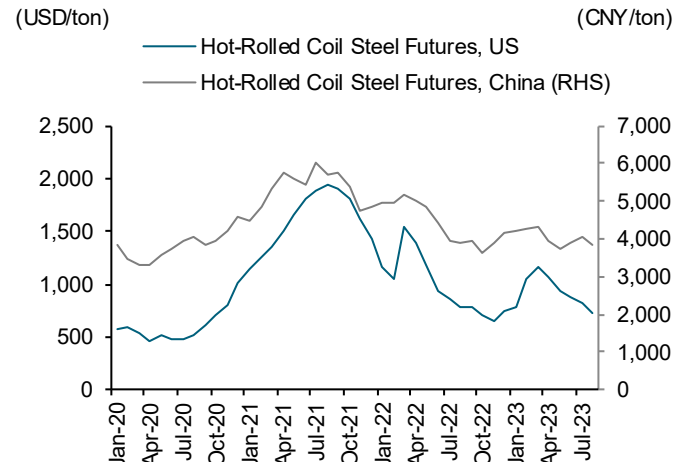
Sources: GLOBAL; FSSIA estimates

Exhibit 10: Domestic steel price recovery



Source: Ministry of Commerce

Exhibit 11: Steel price in US and China still soft



Source: Bloomberg

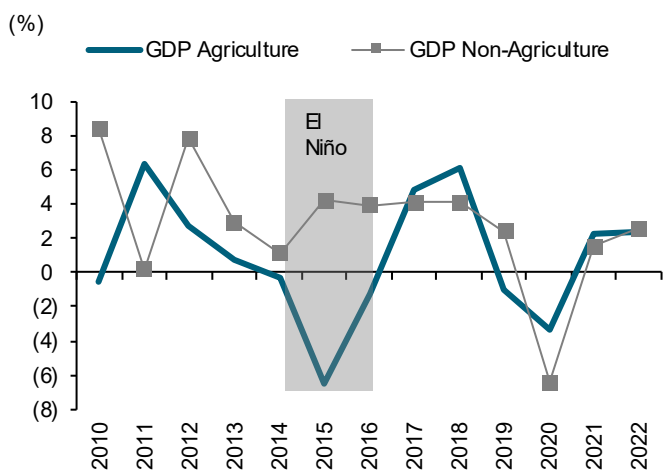
El Niño could be a risk for agriculture purchasing power

Thailand is trending towards a complete El Niño in 2024-25, which would result in reduced rainfall below the average level. Reduced water levels in dams could lead to drought and water shortages, directly affecting the agricultural sector and impacting agricultural production, including overall agricultural income. In 2015-16, Thailand experienced an El Niño which dropped the agricultural GDP by 6.5% and 1.2%, respectively.

El Niño poses a risk to GLOBAL because c50% of the company’s revenue comes from the northeastern region, where the majority of the agricultural sector is located. As we mentioned, the impact of El Niño leads to a decrease in income for farmers and reduced purchasing power in the agricultural sector. This could potentially exert pressure on the company’s sales in 2024-25

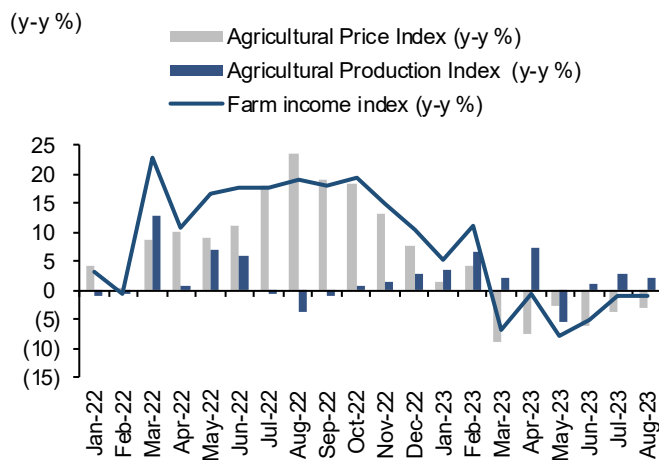
However, we are seeing improvements in agricultural production, which is a positive sign. This trend suggests a short-term recovery in farm income, which could foster positive sentiment for the company

Exhibit 12: El Niño impact on agricultural GDP



Source: BOT

Exhibit 13: Recovery trend for farm income



Source: Office of Agricultural Economics

Valuation

We reinitiate coverage of GLOBAL with a BUY call and a 2024 DCF-based TP of THB20.5, implying a 2024E P/E of 30.8x, higher than its 5-year average P/E of 27.7x – to reflect the strong earnings outlook. We estimate 2024 earnings growth of 14% y-y from several positive factors as follows: 1) the Thai economy could see GDP growth; 2) stimulus schemes under the new government should boost consumption and reduce the cost of living; and 3) the steel price should stabilise and reduce the level of pressure on SSSG that was placed on it in 2023.

Exhibit 14: DCF-based valuation

| DCF-derived TP | (%) | (THB b) |
|---|-----|-------------|
| Discount rate (WACC) | 7.3 | |
| Terminal growth | 2.0 | |
| NPV | | 28 |
| Add: terminal value | | 87 |
| Sum of PV | | 115 |
| Add: investment | | 0 |
| Less: debt | | 12 |
| Less: minorities | | 0 |
| Residual ordinary equity | | 102 |
| No. of shares (m) | | 5,002 |
| Residual ordinary equity (THB/share) | | 20.5 |

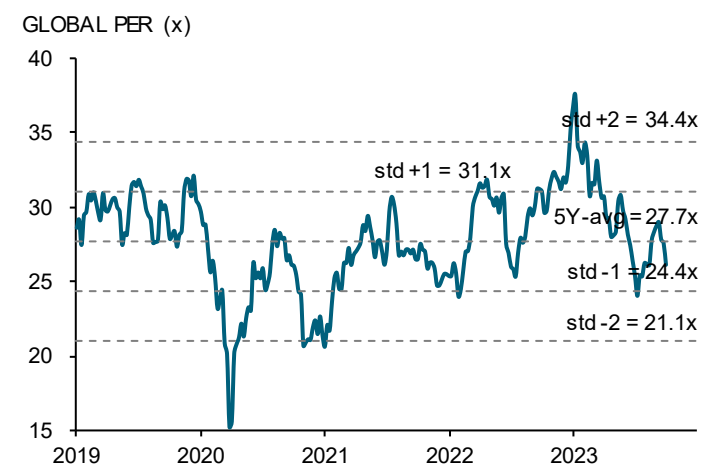
Sources: FSSIA estimates

Exhibit 15: Sensitivity to 2024 target price

| | | Terminal Growth | | | | |
|------|------|-----------------|------|-------------|------|------|
| | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| WACC | 6.3% | 22.1 | 24.1 | 26.5 | 29.5 | 33.5 |
| | 6.8% | 19.7 | 21.3 | 23.1 | 25.5 | 28.4 |
| | 7.3% | 17.7 | 19.0 | 20.5 | 22.3 | 24.5 |
| | 7.8% | 16.0 | 17.0 | 18.2 | 19.7 | 21.4 |
| | 8.3% | 14.5 | 15.4 | 16.4 | 17.5 | 18.9 |

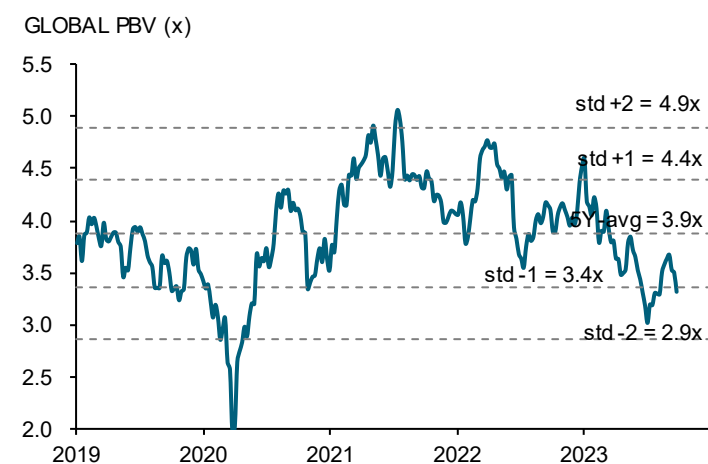
Source: FSSIA estimates

Exhibit 16: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 18: 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 Axtra | 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

Siam Global House

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|---------------|
| Revenue | 33,498 | 35,270 | 33,516 | 36,501 | 40,019 |
| Cost of goods sold | (25,067) | (26,166) | (25,070) | (27,159) | (29,655) |
| Gross profit | 8,431 | 9,104 | 8,446 | 9,341 | 10,364 |
| Other operating income | 0 | 0 | 0 | 0 | - |
| Operating costs | (4,806) | (5,410) | (5,363) | (5,804) | (6,323) |
| Operating EBITDA | 4,889 | 4,941 | 4,405 | 4,964 | 5,600 |
| Depreciation | (1,264) | (1,246) | (1,322) | (1,427) | (1,559) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | - |
| Operating EBIT | 3,625 | 3,695 | 3,083 | 3,538 | 4,041 |
| Net financing costs | (182) | (193) | (236) | (229) | (237) |
| Associates | 81 | 120 | 114 | 120 | 126 |
| Recurring non-operating income | 699 | 828 | 785 | 850 | 926 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 4,142 | 4,330 | 3,632 | 4,159 | 4,730 |
| Tax | (783) | (824) | (693) | (808) | (921) |
| Profit after tax | 3,359 | 3,506 | 2,939 | 3,351 | 3,809 |
| Minority interests | (15) | (19) | (18) | (20) | (22) |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 3,344 | 3,487 | 2,921 | 3,331 | 3,788 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 3,344 | 3,487 | 2,921 | 3,331 | 3,788 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.73 | 0.73 | 0.58 | 0.67 | 0.76 |
| Reported EPS | 0.73 | 0.73 | 0.58 | 0.67 | 0.76 |
| DPS | 0.23 | 0.30 | 0.23 | 0.27 | 0.30 |
| Diluted shares (used to calculate per share data) | 4,602 | 4,802 | 5,002 | 5,002 | 5,002 |
| Growth | | | | | |
| Revenue (%) | 25.0 | 5.3 | (5.0) | 8.9 | 9.6 |
| Operating EBITDA (%) | 46.7 | 1.1 | (10.8) | 12.7 | 12.8 |
| Operating EBIT (%) | 67.1 | 1.9 | (16.5) | 14.7 | 14.2 |
| Recurring EPS (%) | 63.5 | (0.1) | (19.6) | 14.0 | 13.7 |
| Reported EPS (%) | 63.5 | (0.1) | (19.6) | 14.0 | 13.7 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 25.2 | 25.8 | 25.2 | 25.6 | 25.9 |
| Gross margin exc. depreciation (%) | 28.9 | 29.3 | 29.1 | 29.5 | 29.8 |
| Operating EBITDA margin (%) | 14.6 | 14.0 | 13.1 | 13.6 | 14.0 |
| Operating EBIT margin (%) | 10.8 | 10.5 | 9.2 | 9.7 | 10.1 |
| Net margin (%) | 10.0 | 9.9 | 8.7 | 9.1 | 9.5 |
| Effective tax rate (%) | 19.3 | 19.6 | 19.7 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 31.7 | 41.1 | 40.0 | 40.0 | 40.0 |
| Interest cover (X) | 23.8 | 23.5 | 16.4 | 19.2 | 21.0 |
| Inventory days | 233.6 | 233.9 | 235.4 | 218.3 | 214.4 |
| Debtor days | 7.3 | 6.8 | 11.4 | 15.2 | 15.2 |
| Creditor days | 42.4 | 35.5 | 35.3 | 34.3 | 35.1 |
| Operating ROIC (%) | 11.9 | 11.7 | 9.6 | 10.7 | 11.5 |
| ROIC (%) | 12.9 | 12.7 | 10.7 | 11.6 | 12.3 |
| ROE (%) | 18.3 | 16.9 | 12.8 | 13.4 | 14.0 |
| ROA (%) | 9.4 | 9.4 | 8.0 | 8.7 | 9.2 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Sales | 33,498 | 35,270 | 33,516 | 36,501 | 40,019 |
| Others | 0 | 0 | 0 | 0 | 0 |

Sources: Siam Global House; FSSIA estimates

Financial Statements

Siam Global House

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit | 3,344 | 3,487 | 2,921 | 3,331 | 3,788 |
| Depreciation | 1,264 | 1,246 | 1,322 | 1,427 | 1,559 |
| Associates & minorities | 27 | 9 | 0 | 0 | 0 |
| Other non-cash items | 15 | 19 | 18 | 20 | 22 |
| Change in working capital | (2,272) | 258 | 17 | (869) | (1,020) |
| Cash flow from operations | 2,379 | 5,019 | 4,278 | 3,909 | 4,348 |
| Capex - maintenance | (1,215) | (1,618) | (1,616) | (2,530) | (2,682) |
| Capex - new investment | 0 | 0 | 0 | 0 | 0 |
| Net acquisitions & disposals | (850) | (549) | (236) | (537) | (587) |
| Other investments (net) | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (2,066) | (2,167) | (1,852) | (3,066) | (3,269) |
| Dividends paid | (1,061) | (1,432) | (1,168) | (1,333) | (1,515) |
| Equity finance | 297 | 172 | 304 | 61 | 61 |
| Debt finance | 921 | (2,138) | (1,447) | 492 | 442 |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | 157 | (3,399) | (2,312) | (779) | (1,012) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 470 | (547) | 115 | 63 | 66 |
| Free cash flow to firm (FCFF) | 493.54 | 3,044.84 | 2,662.06 | 1,071.14 | 1,315.42 |
| Free cash flow to equity (FCFE) | 1,233.74 | 713.58 | 979.04 | 1,334.70 | 1,520.49 |
| Per share (THB) | | | | | |
| FCFF per share | 0.10 | 0.61 | 0.53 | 0.21 | 0.26 |
| FCFE per share | 0.25 | 0.14 | 0.20 | 0.27 | 0.30 |
| Recurring cash flow per share | 1.01 | 0.99 | 0.85 | 0.96 | 1.07 |
| Balance Sheet (THB m) Year Ending Dec | | | | | |
| Tangible fixed assets (gross) | 23,807 | 25,311 | 26,927 | 29,457 | 32,139 |
| Less: Accumulated depreciation | (6,708) | (7,840) | (9,162) | (10,589) | (12,147) |
| Tangible fixed assets (net) | 17,099 | 17,471 | 17,765 | 18,868 | 19,991 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 1,507 | 1,824 | 2,157 | 2,507 | 2,874 |
| Cash & equivalents | 1,694 | 1,147 | 1,262 | 1,325 | 1,392 |
| A/C receivable | 674 | 631 | 1,460 | 1,590 | 1,743 |
| Inventories | 16,186 | 15,747 | 14,881 | 15,898 | 17,115 |
| Other current assets | 78 | 42 | 40 | 43 | 48 |
| Current assets | 18,631 | 17,568 | 17,643 | 18,857 | 20,298 |
| Other assets | 2,037 | 2,285 | 2,171 | 2,365 | 2,592 |
| Total assets | 39,275 | 39,148 | 39,737 | 42,597 | 45,756 |
| Common equity | 19,561 | 21,788 | 23,844 | 25,904 | 28,238 |
| Minorities etc. | 275 | 304 | 322 | 341 | 363 |
| Total shareholders' equity | 19,836 | 22,091 | 24,166 | 26,245 | 28,601 |
| Long term debt | 3,268 | 3,252 | 2,669 | 2,927 | 3,153 |
| Other long-term liabilities | 160 | 176 | 160 | 166 | 174 |
| Long-term liabilities | 3,427 | 3,428 | 2,829 | 3,093 | 3,327 |
| A/C payable | 2,543 | 2,311 | 2,283 | 2,547 | 2,862 |
| Short term debt | 13,128 | 11,006 | 10,141 | 10,376 | 10,591 |
| Other current liabilities | 340 | 313 | 319 | 335 | 374 |
| Current liabilities | 16,011 | 13,629 | 12,742 | 13,259 | 13,828 |
| Total liabilities and shareholders' equity | 39,275 | 39,148 | 39,737 | 42,597 | 45,756 |
| Net working capital | 14,055 | 13,797 | 13,780 | 14,649 | 15,670 |
| Invested capital | 34,698 | 35,377 | 35,874 | 38,389 | 41,127 |
| * Includes convertibles and preferred stock which is being treated as debt | | | | | |
| Per share (THB) | | | | | |
| Book value per share | 4.25 | 4.54 | 4.77 | 5.18 | 5.65 |
| Tangible book value per share | 4.25 | 4.54 | 4.77 | 5.18 | 5.65 |
| Financial strength | | | | | |
| Net debt/equity (%) | 74.1 | 59.3 | 47.8 | 45.6 | 43.2 |
| Net debt/total assets (%) | 37.4 | 33.5 | 29.1 | 28.1 | 27.0 |
| Current ratio (x) | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 |
| CF interest cover (x) | 7.8 | 4.7 | 5.2 | 6.8 | 7.4 |
| Valuation | | | | | |
| Recurring P/E (x) * | 22.8 | 22.9 | 28.4 | 24.9 | 21.9 |
| Recurring P/E @ target price (x) * | 28.2 | 28.2 | 35.1 | 30.8 | 27.1 |
| Reported P/E (x) | 22.8 | 22.9 | 28.4 | 24.9 | 21.9 |
| Dividend yield (%) | 1.4 | 1.8 | 1.4 | 1.6 | 1.8 |
| Price/book (x) | 3.9 | 3.7 | 3.5 | 3.2 | 2.9 |
| Price/tangible book (x) | 3.9 | 3.7 | 3.5 | 3.2 | 2.9 |
| EV/EBITDA (x) ** | 18.7 | 18.8 | 21.5 | 19.2 | 17.1 |
| EV/EBITDA @ target price (x) ** | 22.4 | 22.6 | 26.0 | 23.1 | 20.6 |
| EV/invested capital (x) | 2.6 | 2.6 | 2.6 | 2.5 | 2.3 |
| * Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income | | | | | |

Sources: Siam Global House; 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.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------------------|-----------|-----------|--------|--|
| 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. |
| 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 |
| 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. |

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.