

# Thailand Home Improvement

## Should pass the bottom in 2023

- 2H23E SSSG for home improvement to slightly drop to -1.2% (1H23 was -1.1%) due to the high base from HMPRO and ILM after fully reopening following the Omicron outbreak.
- A positive outlook for 2024, based on: 1) consumption is a key driver for the Thai economy; 2) government stimulus schemes; and 3) the steel prices should return to normal levels.
- We are OVERWEIGHT on Thai home improvement in 2024; DOHOME is our top pick.

### Consumption to be a key driver for Thai economy in 2024

In the latest GDP forecast from the Bank of Thailand (as of September 2023), the private consumption estimates were revised up in 2023 and 2024. In addition, government policies through consumer stimulus schemes could support private consumption growth, leading us to believe that in 2024, average SSSG for home improvement should grow by 5% y-y. A key risk in 2024 is the El Niño effect, which might drag agricultural GDP and pressure purchasing power in the agricultural sector. We have conducted sensitivity analyses for two policies, the wage hike and electricity price reduction, and determined a net impact of -6% on average for 2024 net profit, though incremental SSSG of 1.3% would offset the impact, all else being equal.

### 3Q23 could deliver mixed results; DOHOME and ILM to deliver growth both q-q and y-y

We expect DOHOME to post a 3Q23 net profit of THB78m (+98% q-q and +55% y-y), driven by less negative SSSG and no clearance of inventory. ILM could deliver a 3Q23 net profit of THB166m (+1.1% q-q, +8.5% y-y), driven by strong growth in tourist stores (contributing 32% of total sales), while HMPRO should deliver a 3Q23 net profit of THB1.56b, down by 3.6% q-q on seasonality and increasing by 1.8% y-y due mainly to its store expansion. GLOBAL should deliver a 3Q23 net profit of THB590m (-16% q-q, -24% y-y), dragged by lower SSSG by 10% y-y.

### Overweight call on 2024

We have an OVERWEIGHT call on Thai home improvement in 2024. We expect the aggregate 2023 net profit of the four home improvement companies under our coverage to drop by 3.3% y-y, led by GLOBAL and DOHOME as a result of weaker purchasing power in the northeastern region and the decrease in the steel price. However, we believe that in 2023, the sector's earnings should pass the bottom, and we anticipate 2024 net profit growth of 16% y-y. DOHOME is our top pick for its favorable earnings growth outlook, and we expect to see signs of a recovery in 3Q23.

### FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Dohome PCL	DOHOME TB	11.00	BUY	-	13.00	-	-	-
Siam Global House	GLOBAL TB	16.60	BUY	-	20.50	26.40	-22.35%	+23.5%
Home Product Center	HMPRO TB	12.30	BUY	-	16.00	18.30	-12.57%	+30.1%
Index Living Mall	ILM TB	23.00	BUY	-	26.70	24.80	+7.66%	+16.1%

Note: Priced at close of business 03/10/2023. Share prices and TPs are in listing currency.  
Source: FSSIA estimates



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## Investment thesis

We have an Overweight view in 2024 with positive catalysts as follows:

1. Consumption should be a key driver for the Thai economy in 2024.
2. Government stimulus schemes could support the growth of private consumption.
3. The steel prices should return to normal levels.
4. The companies under our coverage should resume store expansions after delaying store openings during the Covid-19 period.

We expect the aggregate 2023 net profit of the four home improvement companies under our coverage to drop by 3.3% y-y. We believe that it would pass the bottom, and we anticipate 2024 net profit growth of 16% y-y. Currently, home improvement trades at a 2024E P/E of 23.1x, which is still below the commerce sector.

## Catalysts

1. Positive outlook for private consumption growth in 2024.
2. Government policies to stimulate consumption.
3. Steel prices returning to normal levels.
4. The companies under our coverage should resume store expansions after delaying store openings during the Covid-19 period.

## Risks to our call

1. Lower-than-expected SSSG.
2. Worse-than-expected effect from El Nino, higher-than-expected impact on farm income.
3. Lower-than-expected GPM.
4. Higher-than-expected SG&A.

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- DOHOME PCL (DOHOME TB, BUY TP THB13.00)	
- SIAM GLOBAL HOUSE (GLOBAL TB, BUY TP THB20.50)	
- HOME PRODUCT CENTER (HMPRO TB, BUY TP THB16.00)	
- INDEX LIVING MALL (ILM TB, BUY TP THB26.70)	

## Event Calendar

Date	Event
November 2023	3Q23 results announcement

## Thai economy to be driven by consumption and tourism sectors

The Thai economy should continue to expand, driven by tourism and private consumption. The tourism sector should continue to benefit from tourist arrival growth – we expect tourist arrivals numbering 29.6m and 40m for 2023 and 2024, respectively.

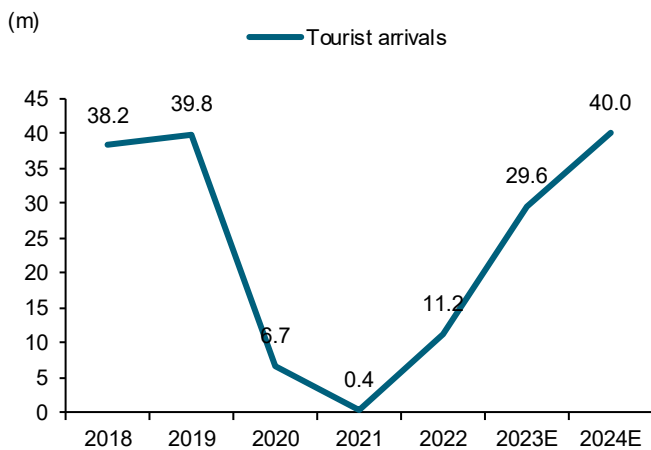
Private consumption should continue to expand, driven by medium- and high-income consumers. In addition, private consumption could be supported by improving employment and labor income, especially in the service and self-employed sectors, along with real non-farm labor income which expanded by 2.4% q-q in 2Q23. Purchasing power would be less pressured by headline inflation remaining at a low level from the high base last year, cost-of-living subsidies, and lower energy and electricity prices in line with the natural gas prices and domestic retail oil prices. Nevertheless, in 2H23, there is upward pressure on raw food prices due to El Niño, leading to an upside risk to inflation.

The consumer price index (CPI) in August 2023 slightly increased, reaching 53.4 from 53.3 in the previous month thanks to 1) the Thai economic recovery, especially in the tourism and service sectors; 2) the new government; and 3) the expectation of government stimulus through private consumption.

### Stimulus policy

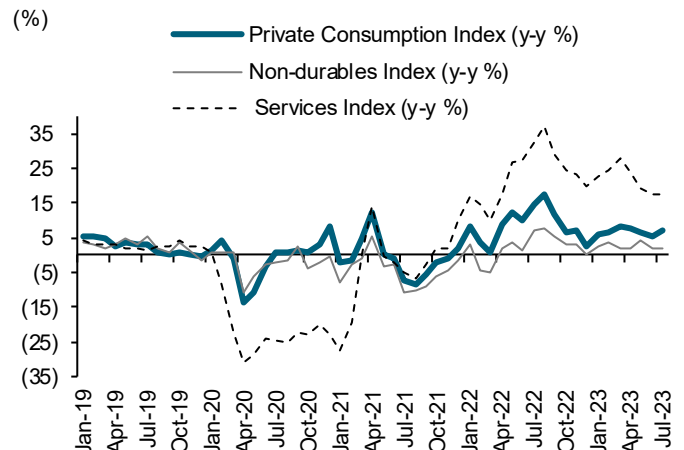
The short-term stimulus policy, the “10,000-baht digital wallet” policy, could benefit domestic consumption. According to the policy statement, one of the priorities of the economic stimulus policies under the new government is to stimulate through consumption. The 10,000-baht digital wallet policy provides all Thai citizens aged 16 and older 10,000 in a digital currency, which can be used to purchase various daily necessities, excluding some items/activities such as cigarettes, alcohol, and gambling. The digital wallet must be spent in local shops within a 4km radius of people’s residence, except in some rural areas. This policy is expected to launch within the first quarter of 2024. The government expects to allocate a budget of approximately THB560b covering about 55 million adults.

**Exhibit 1: Tourist arrival forecast**



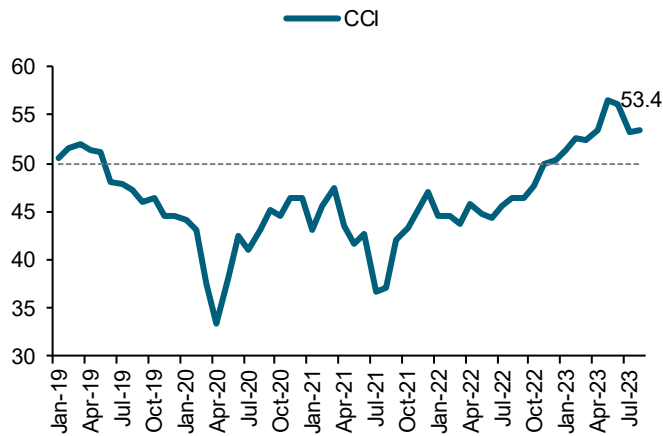
Sources: Ministry of Tourism and Sports (MOTS); FSSIA estimates

**Exhibit 2: Private consumption (y-y %)**



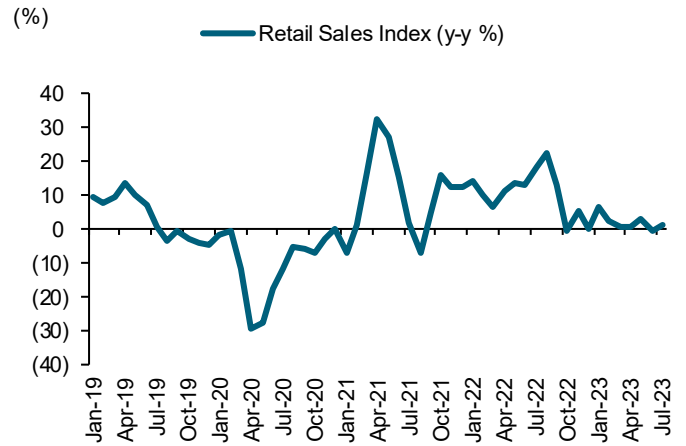
Source: Bank of Thailand (BOT)

Exhibit 3: Consumer confidence index



Source: BOT

Exhibit 4: Retail sales index



Source: BOT

Exhibit 5: Macroeconomic projections as of September 2023

Annual percentage change	2022*	2023	2024
GDP growth	2.6	2.8 (3.6)	4.4 (3.8)
Domestic demand	4.1	3.2 (2.5)	4.1 (3.2)
<b>Private consumption</b>	<b>6.3</b>	<b>6.1 (4.4)</b>	<b>4.6 (2.9)</b>
Private investment	5.1	1.0 (1.7)	4.9 (4.9)
Government consumption	0.2	-3.1 (-2.8)	1.4 (1.1)
Public investment	-4.9	1.3 (2.5)	4.8 (6.8)
Exports of goods and services	6.8	3.8 (7.3)	6.7 (6.7)
Imports of goods and services	4.1	-0.1 (0.9)	6.3 (5.5)

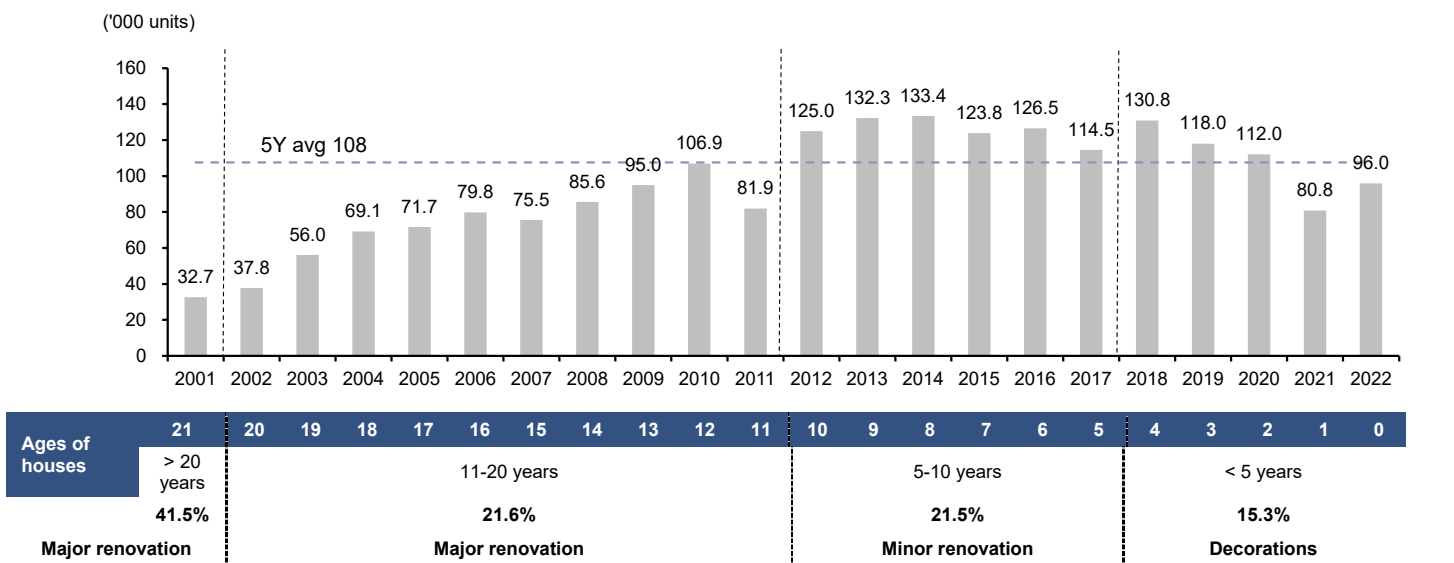
Note: \*Outturns; ( ) Previous projection in Monetary Policy Report Q2/2023  
Source: BOT

## There is still demand for home improvement and renovation

The new registered housing numbers in metropolitan Bangkok and its vicinity have continuously increased since 1988 to 2022, reaching 3.5m units at a 12.3% CAGR, with the new housing trend in 2022 growing by 2.8% y-y. Broken down by property age, the proportion of more than 20 years is 41.5% to total units, 10-20 years is 21.6% to total units, which encompasses major renovations (structural upgrades, furniture changes), 5-10 years is 21.5%, which encompasses minor renovations (furniture changes), and 0-4 years is 15.3%, which is the decoration period.

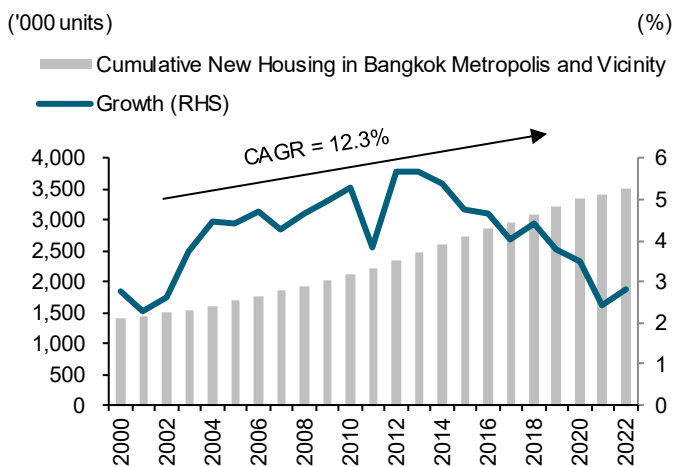
We believe Thailand continues to have a demand for home building and home renovation, based on the upward trend of the new housing numbers. We see potential in the home improvement market from those houses aged 11-20 years and more than 20 years, which make up a large proportion (63.1%) of the housing in metropolitan Bangkok and its vicinity, whose owners tend to have major renovations done to their homes.

**Exhibit 6: New housing numbers in metropolitan Bangkok\***



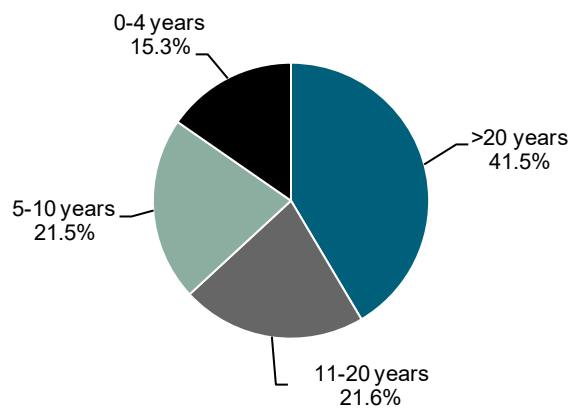
\*Note: includes housing projects, apartments, condominiums, and self-built housing  
Sources: BOT; FSSIA's compilation

**Exhibit 7: Cumulative new housing in metropolitan Bangkok and vicinity**



Source: BOT

**Exhibit 8: Housing breakdown by age**



Source: BOT

## 2H23E SSSG trend to soften y-y from high base

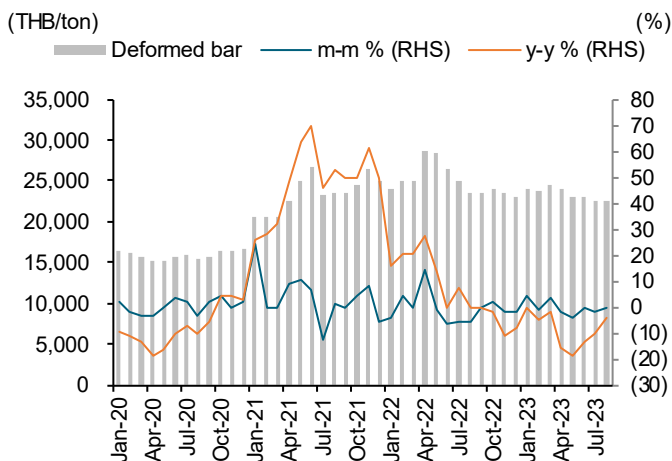
We anticipate that same-store sales growth (SSSG) in 2H23 for home improvement could slightly soften to -1.2% from -1.1% in 1H23, mainly from the high base effect for HMPRO and ILM after fully reopening in 2H22 from the Omicron outbreak and the “Shop Dee Mee Kuen” stimulus package in 1Q23 offering tax deductions. However, SSSG for GLOBAL and DOHOME should improve following the return of the steel price to its normal level, reflecting that the domestic steel price is trending less negatively. The steel price still affects both total sales and SSSG for GLOBAL and DOHOME, which have steel sales contributions of 15% and 30% to sales, respectively. We expect an improvement in steel market sentiment from China’s local governments, which should provide support to infrastructure spending and the property sector. In addition, we see positive sentiment from the domestic steel price, which has a less negative trend.

**Exhibit 9: Same-store sales growth (y-y %)**

SSSG	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	2H22*	1H23*	2H23E*
HMPRO	3.1%	-1.1%	18.0%	3.0%	5.8%	5.0%	-2.5%	10.5%	5.4%	-0.5%
GLOBAL	7.3%	1.5%	4.4%	-2.2%	-8.7%	-9.5%	-10.0%	1.1%	-9.1%	-6.5%
DOHOME	25.1%	10.8%	6.6%	-9.9%	-9.0%	-9.9%	-6.5%	-1.7%	-9.4%	-4.8%
ILM	11.0%	13.4%	34.3%	4.3%	8.5%	9.0%	11.0%	19.3%	8.8%	7.0%
<b>Average</b>	<b>11.6%</b>	<b>6.2%</b>	<b>15.8%</b>	<b>-1.2%</b>	<b>-0.8%</b>	<b>-1.3%</b>	<b>-2.0%</b>	<b>7.3%</b>	<b>-1.1%</b>	<b>-1.2%</b>

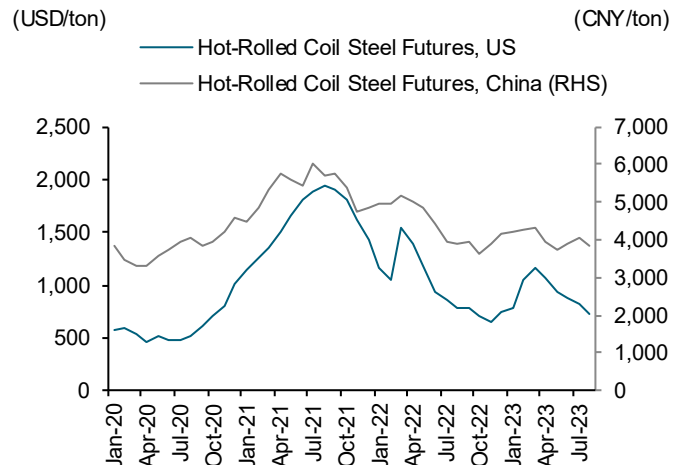
\*SSSG on half year: calculated by quarterly average  
Sources: Company data; FSSIA’s compilation

**Exhibit 10: Deformed bar (SD.40)**



Source: Ministry of Commerce

**Exhibit 11: Hot-rolled coil steel futures, US and China**



Source: Bloomberg

## Positive outlook in 2024

We have positive outlook in 2024 for the home improvement sector as follows:

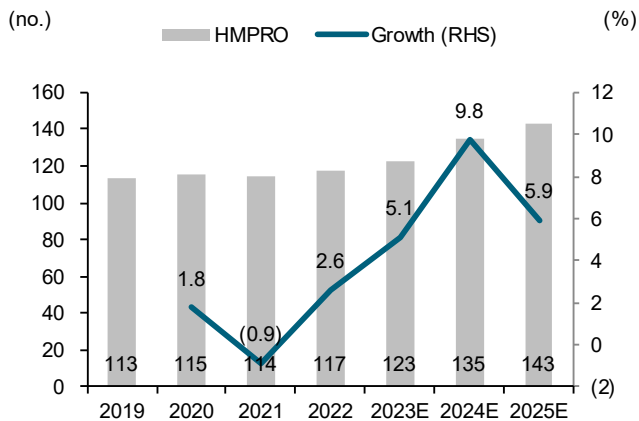
- 1) The continued recovery of the tourism sector, with an anticipated increase in tourist arrivals which should contribute to the revival of the economy linked to the tourism industry.
- 2) We expect that steel prices should pass the bottom in 2023 and gradually recover in 2024, but there are risks with the real estate sector in China which are still pressuring the steel prices. Rising steel prices would be positive for GLOBAL and DOHOME, having a 15% and 30% proportion of steel sales, respectively.
- 3) We project that companies under our coverage will resume store expansions after delaying store openings during the Covid-19 period.
- 4) Government policies should stimulate private consumption, e.g. through the 10,000 digital currency wallet and schemes reducing the cost of living to boost household purchasing power.
- 5) We expect SSSG for the home improvement sector to improve to 5.0% on average in 2024 from 0.3% in 2023E, driven by GLOBAL and DOHOME

### Exhibit 12: Same-store sales growth

Same-store sales growth	2022	2023E	2024E	2025E
HMPRO	5.0%	5.0%	5.0%	5.0%
GLOBAL	2.5%	-7.0%	3.0%	4.0%
DOHOME	7.2%	-5.0%	6.0%	5.0%
ILM	13.0%	8.4%	6.1%	3.8%
<b>Average</b>	<b>6.9%</b>	<b>0.3%</b>	<b>5.0%</b>	<b>4.4%</b>

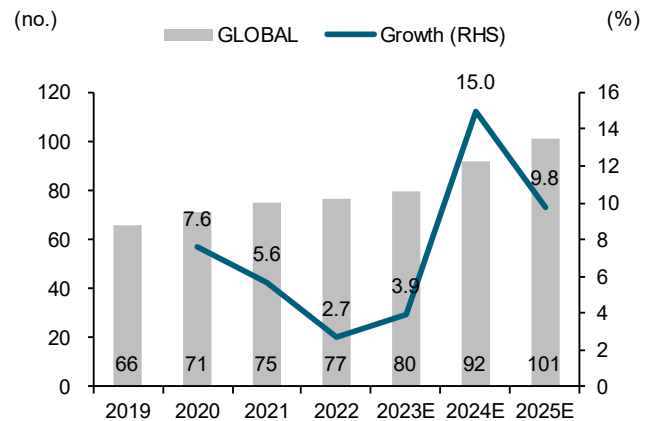
Sources: Company data; FSSIA estimates

### Exhibit 13: HMPRO store expansion



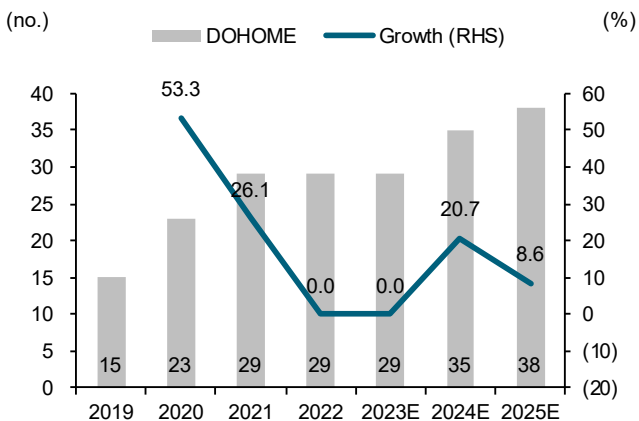
Sources: HMPRO; FSSIA estimates

### Exhibit 14: GLOBAL store expansion



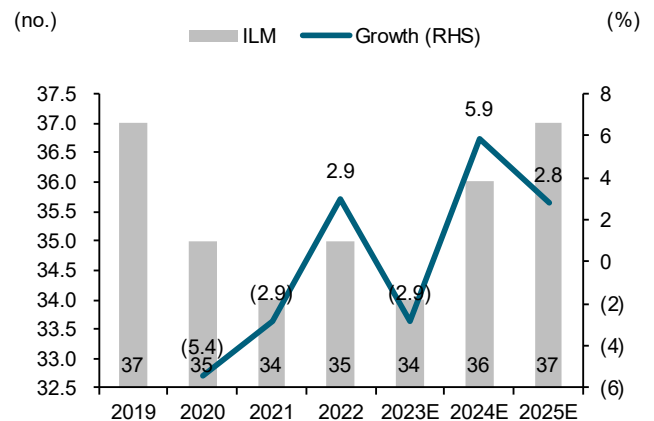
Sources: GLOBAL; FSSIA estimates

### Exhibit 15: DOHOME store expansion



Sources: DOHOME; FSSIA estimates

### Exhibit 16: ILM store expansion



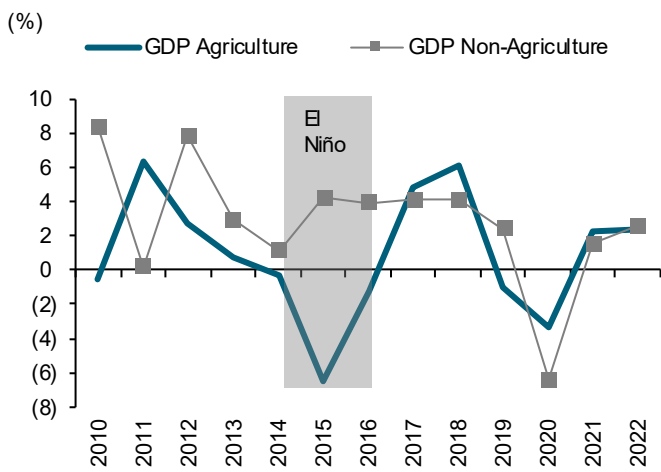
Sources: ILM; FSSIA estimates

## El Niño could pose a risk to agricultural 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 affected the agricultural GDP by dropping 6.5% and 1.2%, respectively.

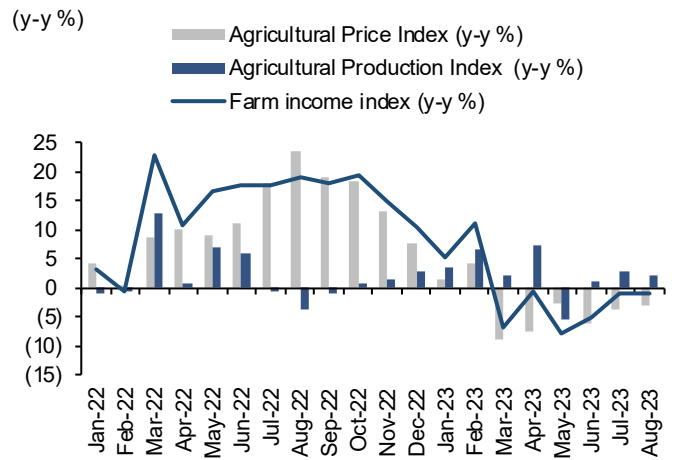
El Niño is one of the risks that would impact purchasing power in the agricultural sector, especially in the northeastern region. Meanwhile, El Niño should be a contributing factor to help foresee inflation, as higher agricultural product prices could lead to increased prices for raw foods including the costs of livestock feed. The companies with the largest concentration of stores in the northeast (GLOBAL, DOHOME) might be affected by decreasing farm incomes. However, in the short term, we see signs of a farm income recovery, with a slower decline at -1% compared to -8% in May 2023.

**Exhibit 17: El Niño impact on agricultural GDP**



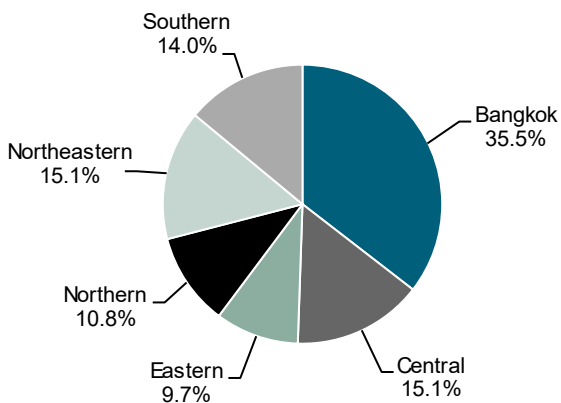
Source: BOT

**Exhibit 18: Recovery trend for farm income**



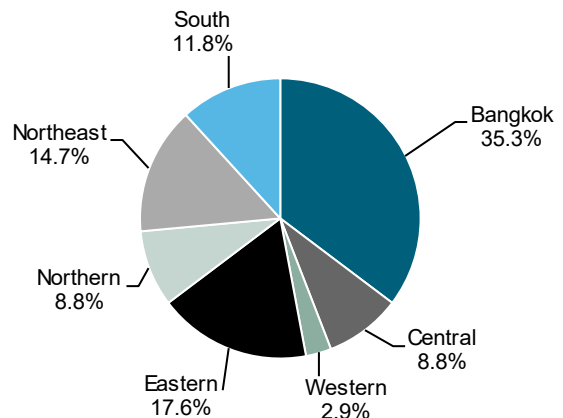
Source: Office of Agricultural Economics

**Exhibit 19: HMPRO store breakdown by location**



Source: HMPRO as of 2Q23

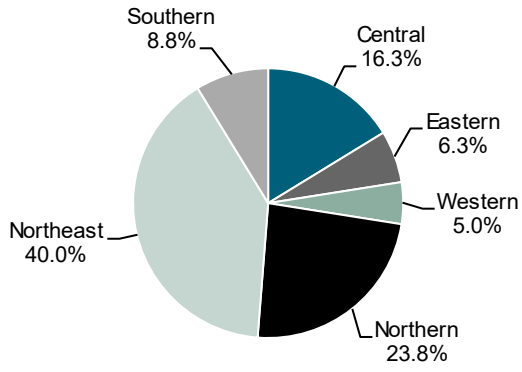
**Exhibit 20: ILM store breakdown by location**



Source: ILM as of 2Q23

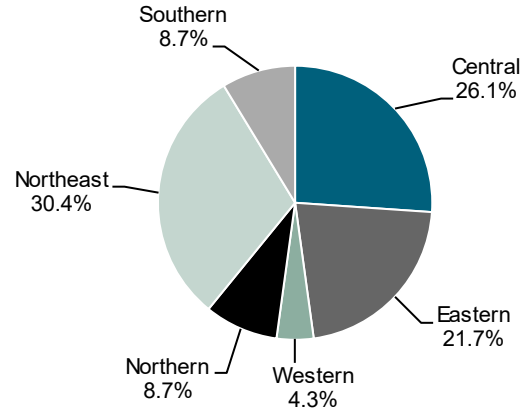


Exhibit 21: GLOBAL store breakdown by location



Source: GLOBAL as of 2Q23

Exhibit 22: DOHOME store breakdown by location



Source: DOHOME as of 2Q23

## Effect from government policies

We expect two government policies to have an impact on home improvement:

1. Raising minimum wage.
2. Reducing electricity costs.

We conducted sensitivity analyses on the potential earnings impacts within the home improvement sector for the two aforementioned policies and found that the net impact on average would be -6% to 2024E net profit. We also determined that an incremental increase in SSSG by 1.3% would be able to offset the net impact of those policies.

### Exhibit 23: Sensitivity analysis of minimum wage hike by 13% to THB400

2024E	Employee expense to sales (%)	% temp employee (%)	Negative to NP (%)	SSSG offset (%)
HMPRO	7.4%	50%	4.2%	1.5%
GLOBAL	6.6%	50%	3.7%	1.3%
DOHOME	6.4%	50%	10.7%	2.0%
ILM	17.6%	50%	12.2%	2.0%
<b>Average</b>	<b>9.5%</b>	<b>50%</b>	<b>7.7%</b>	<b>1.7%</b>

Source: FSSIA estimates

### Exhibit 24: Sensitivity analysis of decrease in fuel tariff by 8% to THB4.1/kWh

2024E	Utility expense to sales (%)	Positive to NP (%)
HMPRO	2.2%	1.5%
GLOBAL	1.1%	0.7%
DOHOME	0.7%	1.4%
ILM	3.6%	3.1%
<b>Average</b>	<b>1.9%</b>	<b>1.7%</b>

Source: FSSIA estimates

### Exhibit 25: Net impact of minimum wage hike and reduced FT

2024E	Net impact on NP (%)	SSSG offset (%)
HMPRO	-2.6%	0.9%
GLOBAL	-3.0%	1.1%
DOHOME	-9.3%	1.7%
ILM	-9.1%	1.5%
<b>Average</b>	<b>-6.0%</b>	<b>1.3%</b>

Source: FSSIA estimates

## Exhibit 26: 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)
<b>Consumer Staple</b>														
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
<b>Consumer Staple average</b>						<b>26,670</b>	<b>30.1</b>	<b>25.1</b>	<b>7.8</b>	<b>8.7</b>	<b>2.5</b>	<b>2.3</b>	<b>15.7</b>	<b>14.4</b>
<b>Consumer Discretionary</b>														
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
<b>Home Improvement</b>														
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
<b>Home Improvement avg.</b>						<b>7,827</b>	<b>31.7</b>	<b>23.2</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.5</b>
<b>Consumer Discretionary avg.</b>						<b>16,175</b>	<b>29.5</b>	<b>22.3</b>	<b>18.9</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>42,845</b>	<b>29.7</b>	<b>23.2</b>	<b>15.2</b>	<b>16.6</b>	<b>3.8</b>	<b>3.5</b>	<b>15.9</b>	<b>13.8</b>

Sources: \*Bloomberg; FSSIA estimates

# DOHOME PCL DOHOME TB

THAILAND / COMMERCE

**BUY**

## The tough times have passed

- A large one-stop home product destination, originally located in Ubon Ratchathani, focusing on construction materials.
- 3Q23E earnings of THB78m (+98% q-q, +55% y-y) driven by less negative SSSG at -6.5% y-y due to the normalised steel price.
- Initiate with BUY call and a 2024 DCF-based TP of THB13.0.

TARGET PRICE	THB13.00
CLOSE	THB11.00
UP/DOWNSIDE	+18.2%
TP vs CONSENSUS	+19.0%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	31,321	31,840	35,961	40,081
Net profit	774	595	1,112	1,517
EPS (THB)	0.27	0.19	0.36	0.49
vs Consensus (%)	-	(16.7)	(12.2)	(15.5)
EBITDA	2,074	2,120	3,075	3,897
Recurring net profit	774	595	1,112	1,517
Core EPS (THB)	0.27	0.19	0.36	0.49
EPS growth (%)	(58.0)	(27.7)	87.0	36.4

### The company's background

The company was established in 1983, and was originally located in Ubon Ratchathani. As of 2Q23, the company has a total of 29 stores (Dohome 21 stores, Dohome ToGo 8 stores), of which more than 95% of total sales are contributed by Dohome stores in the XL and L sizes. The company categorises its products into three main groups, which are construction materials contributing 45-50% of total sales, repair materials contributing 37-38% to total sales, and decoration materials contributing 17-19% to total sales as of 2022.

### 3Q23 should pass the bottom

We anticipate a 3Q23 net profit of THB78m (+98% q-q, +55% y-y) driven by less negative SSSG at -6.5% y-y (vs -9.9% in 2Q23) thanks to the domestic steel price normalising (steel contributes 30% of total sales), and no clearance of inventory like in 2Q23, resulting in a potential gross margin expansion to 15.5% in 3Q23 (vs 14.0% in 2Q23 and 3Q22). SG&A to sales should increase to 13.2% (vs 12.4% in 2Q23 and 12.6% in 3Q22) due to pre-operating expenses from the store expansion in 3Q23, with 2 stores expected to open – Chiang Rai and Ayutthaya.

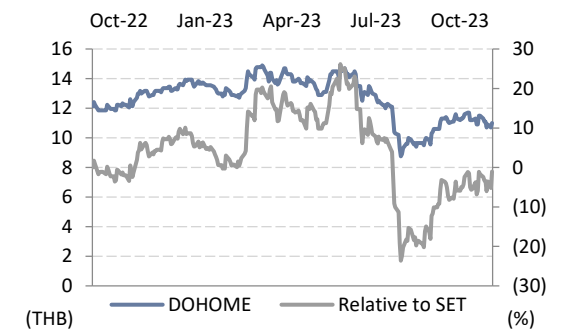
### A positive outlook in 4Q23 towards to 2024

If 3Q23 earnings are in line with our estimate, its 9M23 net profit of THB376m (-54% y-y) would account for 63% of our full-year forecast. We still have a positive view for 4Q23 under the assumption that 1) the steel price would remain stable or increase due to China's economic stimulus; 2) SSSG in 4Q23 should be positive after the flooding in Ubon Ratchathani last year; and 3) an extra gain on an item from an insurance claim valued at THB60m-65m might be booked in 4Q23 or 1Q24. For 2024, we estimate a 2024 net profit of THB1.1b (+87% y-y), we expect that the Thai economy could potentially see GDP growth and stimulus schemes to boost consumption and reduce the cost of living.

### Initiate with a BUY call and 2024 TP of THB13.0/shr

We initiate coverage of DOHOME with a BUY call and a 2024 DCF-TP of THB13.0, implying a 2024E P/E of 36.2x, lower than its average 5Y P/E of 41.9x, with a positive outlook on 2024E earnings growth by 87% y-y, driven by tourism recovery and stimulus schemes to boost consumption.

Core P/E (x)	41.3	57.1	30.5	22.4
Dividend yield (%)	1.7	-	-	-
EV/EBITDA (x)	23.6	25.1	18.5	15.3
Price/book (x)	2.8	2.7	2.5	2.3
Net debt/Equity (%)	145.9	154.7	167.9	170.2
ROE (%)	6.9	4.9	8.5	10.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.7)	(9.1)	(8.7)
Relative to country (%)	5.0	(5.4)	(1.7)
Mkt cap (USD m)	916		
3m avg. daily turnover (USD m)	3.7		
Free float (%)	30		
Major shareholder	Tangmitpracha Family (36%)		
12m high/low (THB)	15.15/8.60		
Issued shares (m)	3,089.13		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

DOHOME is a large one-stop home product destination focusing on the northeast region under the concept of “Complete, Cheap and Good at DOHOME”.

We like DOHOME in terms of growth. We forecast 2023-25 earnings growth at a 24.9% CAGR – the highest in the home improvement sector. The steel price has adjusted downward from its elevated levels in 2021, and we expect the steel price should return to a normal level in 2H23.

We have a positive outlook from DOHOME entering the high season for construction, renovation, and home improvement in 1Q-2Q, sales from which normally contribute 60% of full-year earnings.

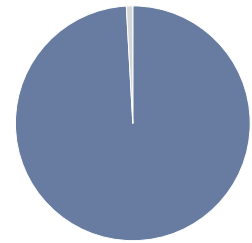
### Company profile

The Group operates retail, wholesale and services for construction materials and home decoration products, including related services under the trade name “DOHOME”. The concept is a “One-stop Home Products Destination”, which is a large distribution building with service areas consisting of sales areas and warehouses, approximately 22,000 - 65,000 square meters, and parking space..

[www.dohome.co.th](http://www.dohome.co.th)

### Principal activities (revenue, 2022)

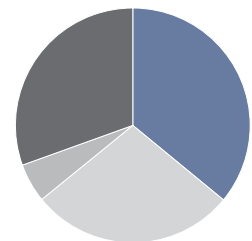
- Sales - 99.1 %
- Service income - 0.9 %



Source: Dohome PCL

### Major shareholders

- Tangmitphracha Family - 36.0 %
- Dohome Holding Company Limited - 28.2 %
- Amplus Holdings Limited - 5.4 %
- Others - 30.5 %



Source: Dohome PCL

### Catalysts

Potential catalysts for DOHOME include:

1. Increases in the steel price (steel contributes 30% 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

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; and 4) a worse-than-expected effect from El Nino..

### Event calendar

Date	Event
November 2023	3Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
SSSG (%)	(5.0)	6.0	5.0
Store expansion growth (%)	10.3	9.4	8.6
House brand (%)	20.0	21.0	22.0
GPM (%)	15.6	16.5	17.2
SG&A to sales	12.3	11.6	11.5

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 1.4%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 net profit to rise by 4.3%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A, we estimate 2023 net profit to fall by 4.0%, and vice versa, all else being equal.

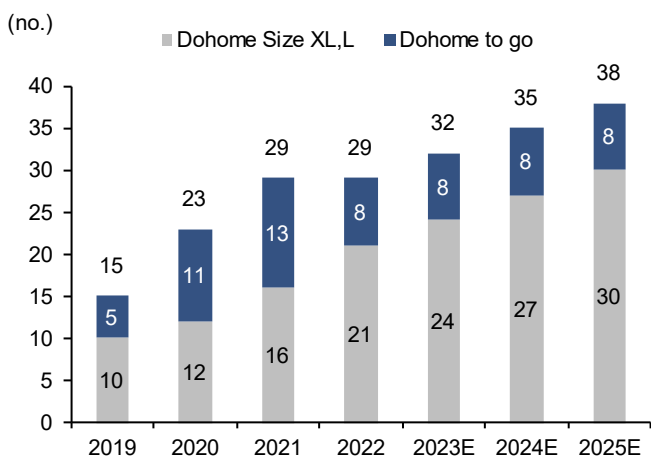
Source: FSSIA estimates

## Company background

The company was established in 1983 by Mr. Adisak Tangmitrphracha and Mrs. Nattaya Tangmitrphracha, originally located in Ubon Ratchathani to sell steel products, roofing materials, plywood and construction materials. As of 2Q23, the company has a total of 29 stores (Dohome 21 stores, Dohome ToGo 8 stores), of which more than 95% of total sales are contributed by Dohome stores in the XL and L sizes. The remaining sales are contributed by DOHOME ToGo. The company targets a large store expansion to 36 stores within 2025. However, we anticipate that the company will be able to open only 30 large stores in that timeframe, more conservative than the company's target, as historical data shows that the company has been opening an average of only 3-5 stores per year.

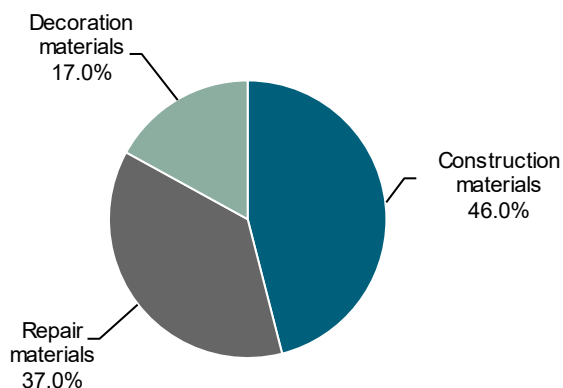
The company categorises its products into three main groups, which are construction materials contributing 45-50% of total sales, repair materials contributing 37-38% to total sales, and decoration materials contributing 17-19% to total sales as of 2022. In addition, the company provides house-brand products designed and/or made from the factory, which are exclusively sold for the company. This enables DOHOME to sell house-brand products with competitive prices and a higher gross margin than non-house brand products. The company targets a revenue contribution from house-brand products of 20% by 2023.

**Exhibit 27: Store breakdown by format**



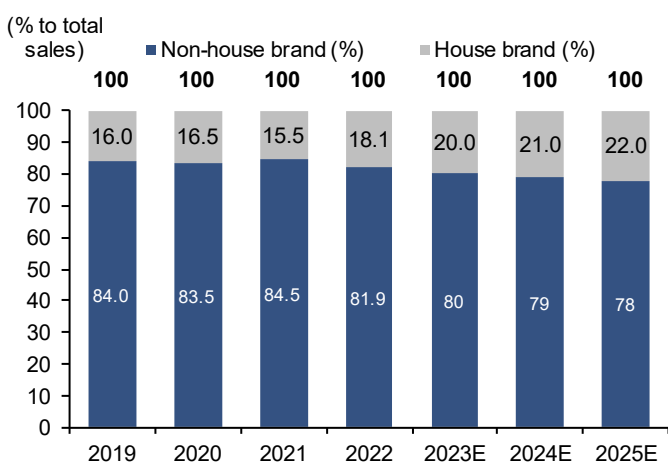
Sources: DOHOME; FSSIA estimates

**Exhibit 28: Product categories as of 2022**



Sources: DOHOME; FSSIA's compilation

**Exhibit 29: House-brand contribution**



Sources: DOHOME; FSSIA estimates

**Exhibit 30: Example of house-brand products**



Source: DOHOME

### 3Q23 should pass the bottom

We anticipate a 3Q23 net profit of THB78m (+98% q-q, +55% y-y) driven by less negative SSSG at -6.5% y-y (vs -9.9% in 2Q23) thanks to the domestic steel price normalising (steel contributes 30% of total sales), and no clearance of inventory like in 2Q23, resulting in a potential gross margin expansion to 15.5% in 3Q23 (vs 14.0% in 2Q23 and 3Q22). SG&A to sales should increase to 13.2% (vs 12.4% in 2Q23 and 12.6% in 3Q22) due to pre-operating expenses from the store expansion in 3Q23, with 2 stores expected to open – Chiang Rai and Ayutthaya.

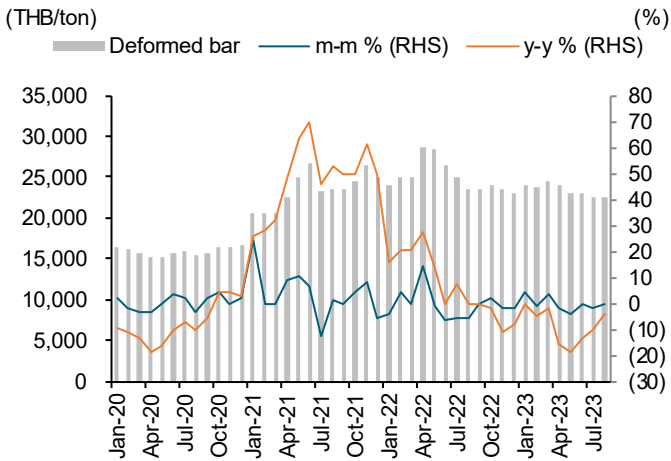
If 3Q23 earnings are in line with our estimate, its 9M23 net profit of THB376m (-54% y-y) would account for 63% of our full-year forecast. We still have a positive view for 4Q23 under the assumption that 1) the steel price would remain stable or increase due to China's economic stimulus; 2) SSSG in 4Q23 should be positive after the flooding in Ubon Ratchathani last year; and 3) an extra gain on an item from an insurance claim valued at THB60m-65m might be booked in 4Q23 or 1Q24.

#### Exhibit 31: 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)
<b>Total revenue</b>	<b>7,475</b>	<b>7,643</b>	<b>8,462</b>	<b>7,995</b>	<b>7,704</b>	<b>(4)</b>	<b>3</b>	<b>24,160</b>	<b>2</b>	<b>76</b>
- Retail sales	7,413	7,572	8,375	7,898	7,606	(4)	3	23,879	2	76
- Service income	62	71	86	96	98	2	58	281	37	100
Cost of sales	(6,428)	(6,594)	(7,065)	(6,876)	(6,510)	(5)	1	(20,451)	3	76
<b>Gross profit</b>	<b>1,048</b>	<b>1,049</b>	<b>1,397</b>	<b>1,119</b>	<b>1,194</b>	<b>7</b>	<b>14</b>	<b>3,710</b>	<b>(3)</b>	<b>75</b>
Operating costs	(942)	(1,005)	(1,001)	(993)	(1,017)	2	8	(3,010)	11	77
<b>Operating profit</b>	<b>106</b>	<b>44</b>	<b>396</b>	<b>126</b>	<b>177</b>	<b>40</b>	<b>67</b>	<b>699</b>	<b>(37)</b>	<b>67</b>
Other income	43	70	53	55	58	4	33	166	19	78
Other expenses	0	(76)	(6)	0	0	n/a	n/a	(6)	140	8
<b>EBIT</b>	<b>149</b>	<b>38</b>	<b>443</b>	<b>182</b>	<b>235</b>	<b>29</b>	<b>57</b>	<b>859</b>	<b>(31)</b>	<b>73</b>
Finance income	4	4	4	5	4	(21)	(10)	13	1	74
Interest expense	(90)	(111)	(122)	(141)	(142)	0	57	(405)	69	87
Profit before tax	63	(68)	324	46	97	113	53	467	(54)	64
Tax	(13)	17	(66)	(6)	(19)	213	48	(92)	(54)	65
Reported net profit	50	(51)	258	39	78	98	55	376	(54)	63
<b>Recurring net profit</b>	<b>50</b>	<b>(51)</b>	<b>258</b>	<b>39</b>	<b>78</b>	<b>98</b>	<b>55</b>	<b>376</b>	<b>(54)</b>	<b>63</b>
EPS (THB)	0.02	(0.02)	0.08	0.01	0.03	98	46	0.12	(57)	63
<b>Recurring EPS (THB)</b>	<b>0.02</b>	<b>(0.02)</b>	<b>0.08</b>	<b>0.01</b>	<b>0.03</b>	<b>98</b>	<b>46</b>	<b>0.12</b>	<b>(57)</b>	<b>63</b>
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
Gross margin	14.0	13.7	16.5	14.0	15.5	1.5	1.5	15.4	(0.9)	
Operating margin	1.4	0.6	4.7	1.6	2.3	0.7	0.9	2.9	(1.8)	
Recurring net margin	0.7	(0.7)	3.1	0.5	1.0	0.5	0.3	1.6	(1.9)	
EBITDA margin	4.9	3.3	7.8	5.0	0.0	(5.0)	(4.9)	4.4	(3.3)	
SG&A to revenue	12.6	13.2	11.8	12.4	13.2	0.8	0.6	12.5	1.0	
<b>Operating stat</b>										
SSSG (% y-y)	6.6	(9.9)	(9.0)	(9.9)	(6.5)					
Stores - L (no.)	20	21	21	21	23					

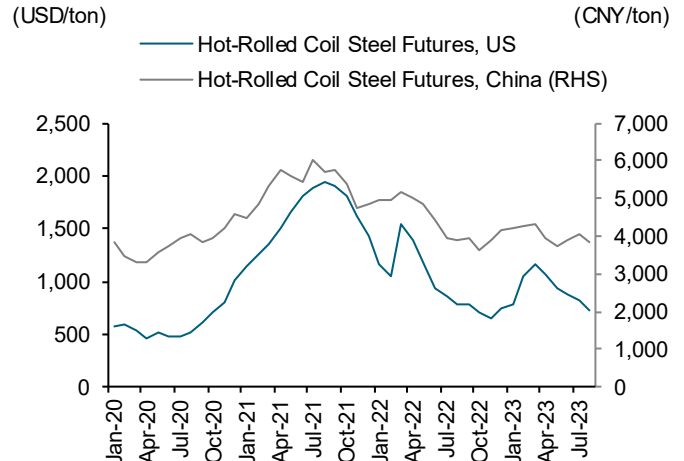
Sources: DOHOME; FSSIA estimates

**Exhibit 32: Domestic steel price recovery**



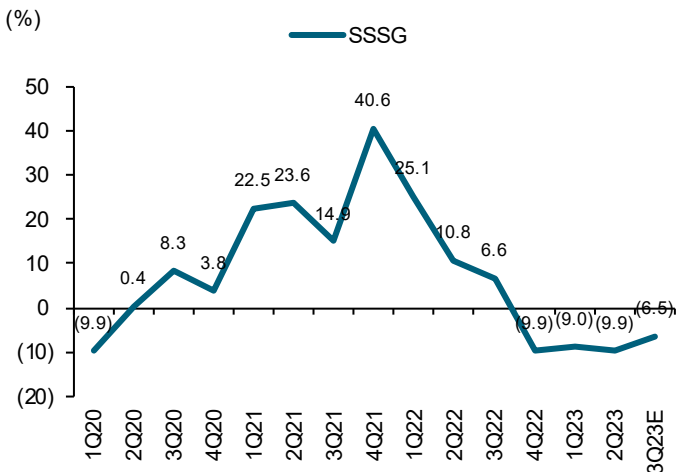
Source: Ministry of Commerce

**Exhibit 33: Steel price in US and China still soft**



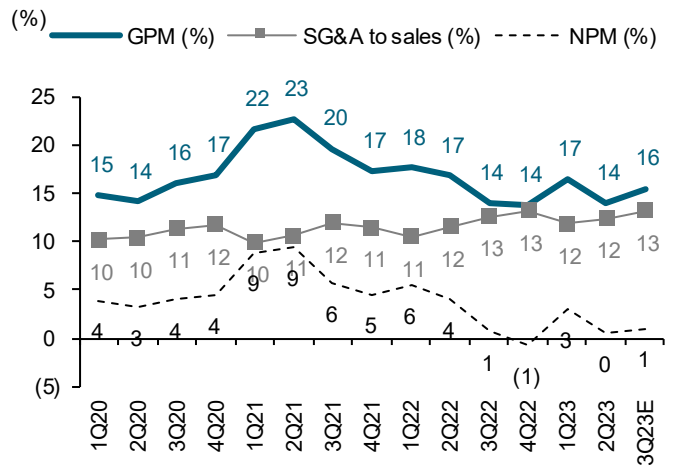
Source: Bloomberg

**Exhibit 34: Same-store sales growth**



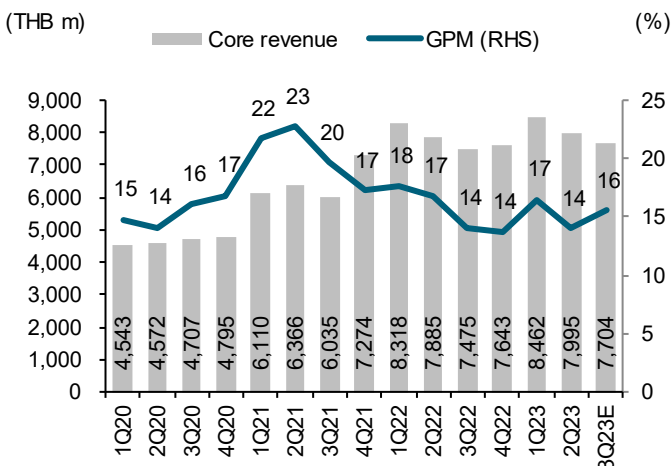
Sources: DOHOME; FSSIA estimates

**Exhibit 35: Quarterly profitability**



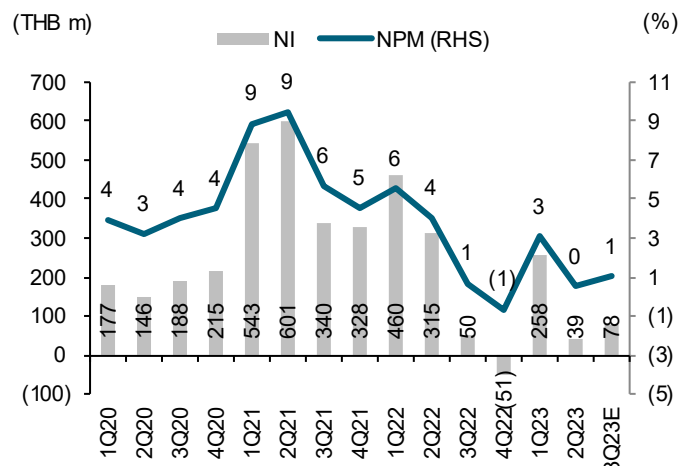
Sources: DOHOME; FSSIA estimates

**Exhibit 36: Quarterly revenue and gross margin**



Sources: DOHOME; FSSIA estimates

**Exhibit 37: Quarterly net profit and net margin**



Sources: DOHOME; FSSIA estimates



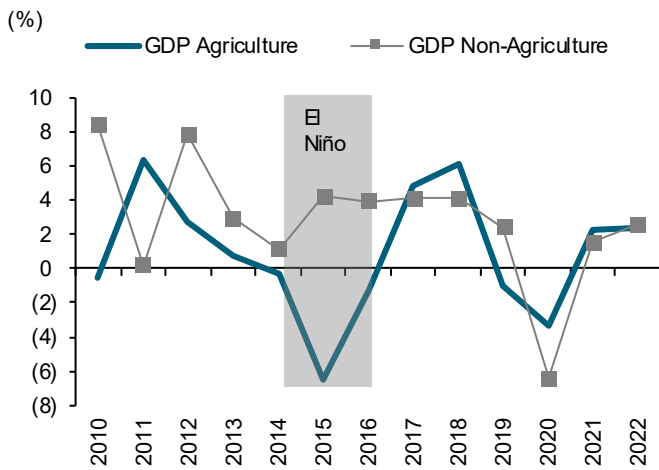
### El Niño could be a risk for agriculture purchasing power

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 DOHOME because over 60% 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.

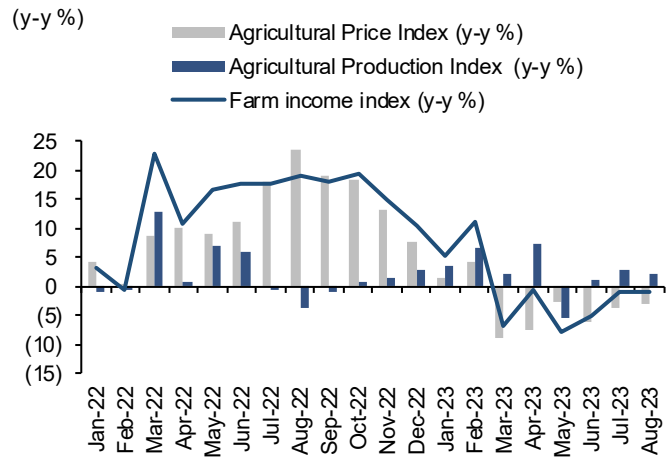
However, we are seeing improvements in agricultural production, which is a positive sign. This trend suggests a short-term recovery in farm income, which could foster positive sentiment for the company.

**Exhibit 38: El Niño impact on agricultural GDP**



Source: BOT

**Exhibit 39: Recovery trend for farm income**



Source: Office of Agricultural Economics

## Valuation

We initiate coverage of DOHOME with a BUY call and a 2024 DCF-based TP of THB13.0, implying a 2024E P/E of 36.2x, lower than its average 5Y P/E of 41.9x, with a positive outlook on 2024E earnings growth by 87% y-y. We believe in 2024, the Thai economy could see GDP growth. Moreover, stimulus schemes under the new government should boost consumption and reduce the cost of living.

### Exhibit 40: DCF-based valuation

DCF-derived TP	(%)	(THB m)
Discount rate (WACC)	7.0	
Terminal growth	2	
NPV (Value of the firm)		62,704
Net debt		(22,484)
Value of equity		40,221
# of shares		3,089
<b>Share price</b>		<b>13.0</b>

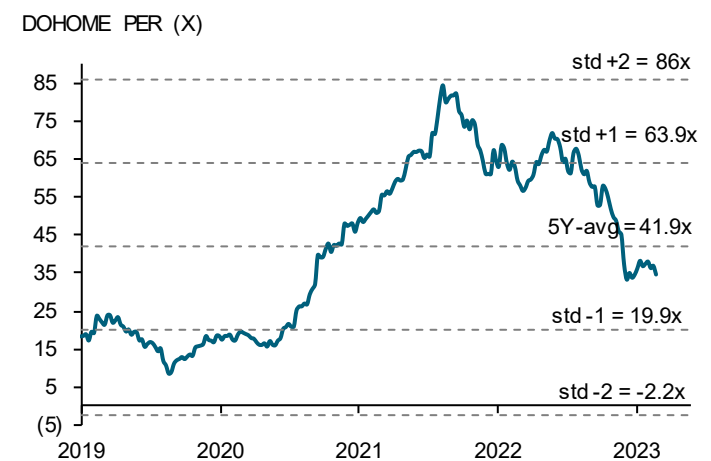
Source: FSSIA estimates

### Exhibit 41: Sensitivity to 2024 target price

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	6.0%	14.7	17.1	20.1	24.0	29.1
	6.5%	12.0	13.9	16.2	19.1	22.8
	7.0%	9.7	11.2	<b>13.0</b>	15.3	18.0
	7.5%	7.7	9.0	10.5	12.2	14.4
	8.0%	6.1	7.1	8.3	9.8	11.4

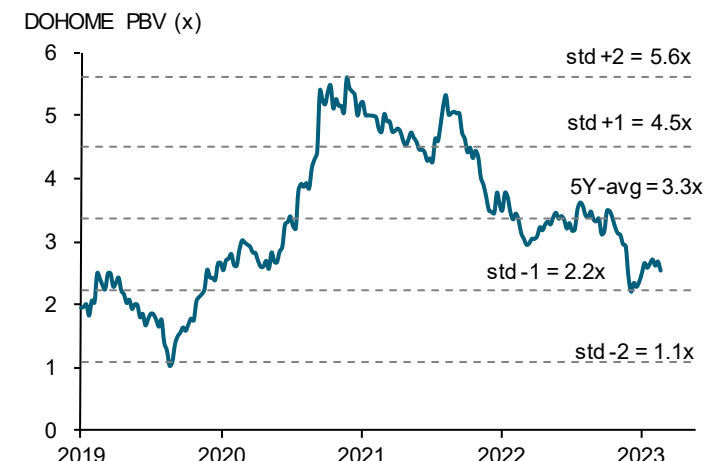
Source: FSSIA estimates

### Exhibit 42: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

### Exhibit 43: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 44: 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)
<b>Consumer Staple</b>														
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
<b>Consumer Staple average</b>						<b>26,670</b>	<b>30.1</b>	<b>25.1</b>	<b>7.8</b>	<b>8.7</b>	<b>2.5</b>	<b>2.3</b>	<b>15.7</b>	<b>14.4</b>
<b>Consumer Discretionary</b>														
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
<b>Home Improvement</b>														
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
<b>Home Improvement avg.</b>						<b>7,827</b>	<b>31.7</b>	<b>23.2</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.5</b>
<b>Consumer Discretionary avg.</b>						<b>16,175</b>	<b>29.5</b>	<b>22.3</b>	<b>18.9</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>42,845</b>	<b>29.7</b>	<b>23.2</b>	<b>15.2</b>	<b>16.6</b>	<b>3.8</b>	<b>3.5</b>	<b>15.9</b>	<b>13.8</b>

Sources: \*Bloomberg; FSSIA estimates

## Corporate Governance and ESG – DOHOME

### Board structure, 2022

Independent Directors (ID)	3/8 of board members, 4 female in board
Percentage of IDs on the board	37.5%
ID attendance at board meetings	100%,

Note: Chairman of the board is an ID, member of audit committee and Chairman of nomination and remuneration. Tangmirphracha Family holds 5 of 8 director positions with 31.46% stake in combine. The executive committee are the five of Tangmirphracha Family. The board is paid THB1.98m compensation in 2022.

### Audit Practices

Auditor	EY Office Limited
Fee track record	THB3.6m in 2022, THB3.35m in 2021, and THB4.45m in 2022

### ESG and sustainability management

**Vision** – “To be the hub in providing the complete, cheap and best products and services relating to construction materials and home decoration products to all groups of customers”. In 2023, DOHOME commits to control expenses by reviewing work procedures, and works out a strategy to increase gross profit margin (*extracted from the message from the Chairman of executive committee, Mr Adisak Tanmitpracha in 2022 One Report*).

DOHOME aims at driving business growth under the principles of social responsibility and sustainable development by looking after all stakeholders, the economy, the society and environment, with morality, ethics and code of conduct.

E/S/G	Materiality matrix	Operations and practices
<b>Economic &amp; sustainable operation</b>	Fair business operation	The company commits 1) to compete under commercial ethics, laws and fair trade; 2) against unfair competition such as acquiring confidential information of competitors; 3) against requesting/accepting or offering dishonest benefits; 4) respect other's intellectual property rights; and 5) promote and raise awareness on social responsibility among employees at all levels. DOHOME provides product consultation and information before buying, delivers and installs nationwide with skilful mechanics, and maintenance and repair by experienced staff. Its key customers are retail customers, resellers, contractors and construction projects and government agencies and state enterprises. Payment can be in cash, and credit within 30-60 days depending on supporting documents from banks and collateral value.
	R&D	The company did market research to be aware of relevant industry changes and performed customer surveys to understand expectations and problems in order to innovate or create new products and services to meet customers' demand and differentiate itself for sustainability.
	Product variety & pricing strategy	From R&D, the company tries to offer a variety of products for customers for one-stop shopping. DOHOME has house-brand products created by its own specialised team that can compete in both design and quality but at a better price. In 2022, house-brand accounted for 18.1% of sales, increasing from 15.5% in 2021, and 16.5% in 2020. The fast-moving items use competitive-based pricing. Steel is market-based pricing and target gross margin. Others such as home decoration and furniture use cost-plus pricing for sustaining target gross margin.
	Inventory management	One of the key strategies is to maintain sufficient inventory for sale. Purchase planning is applied for high turnover products together with daily random counts. In 2022, DOHOME owned a 44,685m <sup>2</sup> warehouse centre in Pathumthani, which will increase to 63,285m <sup>2</sup> in 2023. Installation of the ASRS system phase is believed to boost efficiency, from lower staff numbers, storing costs and delivery time.
	Quality control	Assessment of the approved vendor list will be revisited annually. Measures include business health, product quality, transportation, and services. In addition, there are guidelines for deteriorated and slow-moving goods, marketing efforts, and an agreement on returning or changing.
Technology & innovation	E-Commerce channel	DOHOME introduced a website for 24/7 online orders with a “Fast, Easy at Fingertips” concept in 2016, with customer service available via a call centre and Facebook
	Automated storage and retrieval system (ASRS)	DOHOME's warehouse is automated, believing this technology makes warehouse management more rapid, accurate and efficient for sustainable business growth. At the end of 2022, 12 out of 21 stores including distribution centres used the ASRS in full phase.
	ERP system for packing	ERP system is not only reducing box labels, but also improving the packing process for e-commerce products that help shorten working times and increase efficiency in packing.
<b>Cooperate Governance</b>	Anti-corruption	The company treats all stakeholders with transparency, integrity, straightforward, and accountability under good governance principles. It expresses determination by joining the “Thai Private Sector Collective Action Against Corruption” in an effort to tackle corruption and against any actions involving direct and indirect bribery.
	Employee training & career path	DOHOME performs regular personnel training to enhance knowledge, skills, and expertise. In 2022, the company spent THB27.9m in training staff, up from THB3.5m and THB1.9m in 2021 and 2020, respectively.
	Occupational safety & health	Each store has its own safety committee to execute DOHOME's standard of safety and responsibility to report and investigate the incident as well as implementing preventive and corrective measures. Employees will be trained on safety, both knowledge and the laws governing, before starting to work. In 2022, the accident rate per store was 7.24, with no fatal accidents.
<b>Social</b>	Human rights	The company rules policies to ensure fair treatment to employees on personnel management that recruitment, selection personnel development, performance evaluation, remuneration and promotion must be carried out in a transparent, equal, and fair manner in respect of diversity of race, sex, nationality, religion, language, colour, age, education, physical condition or social status. DOHOME also encourages and equally offers jobs to disabilities. For example, employment statistics in 2022 showed that the proportion of females to males in employment was 43:57 and for high-level executives it was 67:33. In 2022, there were 75 disabled employees. During the past three years, there were no major labour disputes which significantly affected the company's business, financial status, and operating results.
	Corporate Social Responsibility (CSR)	The company promotes jobs to community members nearby the store, sponsoring school projects, religious institutions, medical centres, and government agencies as well as providing assistance to communities suffering from disaster.
<b>Environment</b>	Green transport & supply chain	Awareness in pollution emissions and renewable resources brought DOHOME to green transport & supply chain. In day-to-day operations, the company adopts electronic documentation, reuses or recycles materials or equipment, uses renewable energy in transportation, loading trucks at full capacity, and selecting appropriate trucks to suit the purpose, etc.
	Environmentally friendly products	DOHOME encourages customers to use environmentally friendly products (from raw materials, production process and packaging), by promoting and demonstrating in order to increase opportunity of buying.
<b>Awards and recognitions</b>	National CG committee	Rated “Excellent” in the Thai Corporate Governance Report of Thailand list companies (CGR report)
	Thai Investors Association SET Award 2022	A score of 100 out of 100 for the quality of the Annual General Meeting (AGM) “The Best Investor Relations Award” under the group of companies with THB30b-100b market capitalisation

Sources: [2022 One report](#); FSSIA's compilation

## Financial Statements

Dohome PCL

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	25,785	31,321	31,840	35,961	40,081
Cost of goods sold	(20,578)	(26,434)	(26,873)	(30,041)	(33,181)
<b>Gross profit</b>	<b>5,207</b>	<b>4,887</b>	<b>4,967</b>	<b>5,921</b>	<b>6,899</b>
Other operating income	133	210	213	241	268
Operating costs	(2,836)	(3,806)	(3,996)	(4,261)	(4,685)
<b>Operating EBITDA</b>	<b>3,094</b>	<b>2,074</b>	<b>2,120</b>	<b>3,075</b>	<b>3,897</b>
Depreciation	(590)	(784)	(936)	(1,175)	(1,414)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,504</b>	<b>1,290</b>	<b>1,184</b>	<b>1,900</b>	<b>2,483</b>
Net financing costs	(239)	(333)	(449)	(525)	(608)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>2,266</b>	<b>957</b>	<b>735</b>	<b>1,375</b>	<b>1,875</b>
Tax	(448)	(183)	(140)	(263)	(358)
<b>Profit after tax</b>	<b>1,818</b>	<b>774</b>	<b>595</b>	<b>1,112</b>	<b>1,517</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,818</b>	<b>774</b>	<b>595</b>	<b>1,112</b>	<b>1,517</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,818</b>	<b>774</b>	<b>595</b>	<b>1,112</b>	<b>1,517</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.63	0.27	0.19	0.36	0.49
Reported EPS	0.63	0.27	0.19	0.36	0.49
DPS	0.07	0.19	0.00	0.00	0.00
Diluted shares (used to calculate per share data)	2,866	2,907	3,089	3,089	3,089
<b>Growth</b>					
Revenue (%)	37.7	21.5	1.7	12.9	11.5
Operating EBITDA (%)	89.7	(33.0)	2.2	45.0	26.7
Operating EBIT (%)	122.0	(48.5)	(8.2)	60.4	30.7
Recurring EPS (%)	104.8	(58.0)	(27.7)	87.0	36.4
Reported EPS (%)	104.8	(58.0)	(27.7)	87.0	36.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	20.2	15.6	15.6	16.5	17.2
Gross margin exc. depreciation (%)	22.5	18.1	18.5	19.7	20.7
Operating EBITDA margin (%)	12.0	6.6	6.7	8.6	9.7
Operating EBIT margin (%)	9.7	4.1	3.7	5.3	6.2
Net margin (%)	7.1	2.5	1.9	3.1	3.8
Effective tax rate (%)	19.8	19.1	19.1	19.1	19.1
Dividend payout on recurring profit (%)	11.1	70.0	-	-	-
Interest cover (X)	10.5	3.9	2.6	3.6	4.1
Inventory days	185.9	181.8	188.2	173.9	175.6
Debtor days	17.5	17.7	17.2	16.7	16.8
Creditor days	61.6	59.6	61.5	57.0	57.6
Operating ROIC (%)	10.3	4.2	3.3	4.8	5.6
ROIC (%)	9.9	4.0	3.1	4.5	5.1
ROE (%)	20.2	6.9	4.9	8.5	10.6
ROA (%)	8.4	3.4	2.7	3.9	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
	2021	2022	2023E	2024E	2025E
Sales	25,577	31,045	31,560	35,645	39,729
Service income	208	275	280	316	352

Sources: Dohome PCL; FSSIA estimates

## Financial Statements

Dohome PCL

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,818	774	595	1,112	1,517
Depreciation	590	784	936	1,175	1,414
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(2,634)	(1,060)	912	(703)	(625)
<b>Cash flow from operations</b>	<b>(227)</b>	<b>498</b>	<b>2,442</b>	<b>1,584</b>	<b>2,306</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(2,554)	(4,455)	(3,997)	(4,042)	(4,088)
Net acquisitions & disposals	(273)	(708)	(571)	(522)	(486)
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(2,827)</b>	<b>(5,163)</b>	<b>(4,568)</b>	<b>(4,565)</b>	<b>(4,573)</b>
Dividends paid	(202)	(542)	-	0	0
Equity finance	2,162	487	182	0	0
Debt finance	1,521	4,919	2,408	3,474	2,964
Other financing cash flows	(226)	(340)	(386)	(539)	(619)
<b>Cash flow from financing</b>	<b>3,255</b>	<b>4,524</b>	<b>2,204</b>	<b>2,935</b>	<b>2,345</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>202</b>	<b>(141)</b>	<b>78</b>	<b>(46)</b>	<b>78</b>
Free cash flow to firm (FCFF)	(2,795.45)	(4,314.40)	(1,659.12)	(2,437.55)	(1,641.01)
Free cash flow to equity (FCFE)	(1,758.97)	(85.25)	(104.43)	(45.61)	77.52
<b>Per share (THB)</b>					
FCFF per share	(0.90)	(1.40)	(0.54)	(0.79)	(0.53)
FCFE per share	(0.57)	(0.03)	(0.03)	(0.01)	0.03
Recurring cash flow per share	0.84	0.54	0.50	0.74	0.95
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	15,550	19,851	23,724	27,596	31,468
Less: Accumulated depreciation	(3,204)	(3,835)	(4,646)	(5,650)	(6,848)
<b>Tangible fixed assets (net)</b>	<b>12,346</b>	<b>16,016</b>	<b>19,078</b>	<b>21,945</b>	<b>24,619</b>
<b>Intangible fixed assets (net)</b>	<b>884</b>	<b>1,593</b>	<b>2,161</b>	<b>2,682</b>	<b>3,164</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	301	160	238	193	270
A/C receivable	1,571	1,463	1,542	1,742	1,941
Inventories	11,796	13,761	12,991	14,522	16,040
Other current assets	306	274	303	325	365
<b>Current assets</b>	<b>13,974</b>	<b>15,659</b>	<b>15,075</b>	<b>16,782</b>	<b>18,617</b>
Other assets	24	50	56	60	67
<b>Total assets</b>	<b>27,227</b>	<b>33,318</b>	<b>36,369</b>	<b>41,469</b>	<b>46,468</b>
Common equity	10,880	11,603	12,455	13,568	15,085
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>10,880</b>	<b>11,603</b>	<b>12,455</b>	<b>13,568</b>	<b>15,085</b>
Long term debt	2,940	5,164	6,423	8,382	9,471
Other long-term liabilities	82	95	105	113	127
<b>Long-term liabilities</b>	<b>3,021</b>	<b>5,259</b>	<b>6,528</b>	<b>8,494</b>	<b>9,598</b>
A/C payable	3,897	4,483	4,259	4,761	5,259
Short term debt	9,234	11,929	13,077	14,593	16,467
Other current liabilities	195	45	49	53	59
<b>Current liabilities</b>	<b>13,325</b>	<b>16,456</b>	<b>17,386</b>	<b>19,407</b>	<b>21,785</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,227</b>	<b>33,318</b>	<b>36,369</b>	<b>41,469</b>	<b>46,468</b>
Net working capital	9,581	10,971	10,528	11,775	13,028
Invested capital	22,834	28,631	31,823	36,462	40,879
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	3.80	3.99	4.03	4.39	4.88
Tangible book value per share	3.49	3.44	3.33	3.52	3.86
<b>Financial strength</b>					
Net debt/equity (%)	109.1	145.9	154.7	167.9	170.2
Net debt/total assets (%)	43.6	50.8	53.0	54.9	55.2
Current ratio (x)	1.0	1.0	0.9	0.9	0.9
CF interest cover (x)	4.3	14.1	9.7	8.6	7.9
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>17.3</b>	<b>41.3</b>	<b>57.1</b>	<b>30.5</b>	<b>22.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>20.5</b>	<b>48.8</b>	<b>67.5</b>	<b>36.1</b>	<b>26.5</b>
Reported P/E (x)	17.3	41.3	57.1	30.5	22.4
Dividend yield (%)	0.6	1.7	-	-	-
Price/book (x)	2.9	2.8	2.7	2.5	2.3
Price/tangible book (x)	3.2	3.2	3.3	3.1	2.9
EV/EBITDA (x) **	14.0	23.6	25.1	18.5	15.3
EV/EBITDA @ target price (x) **	15.9	26.4	28.0	20.5	16.9
EV/invested capital (x)	1.9	1.7	1.7	1.6	1.5
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Dohome PCL; FSSIA estimates

# SIAM GLOBAL HOUSE

# GLOBAL TB

THAILAND / COMMERCE

# 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

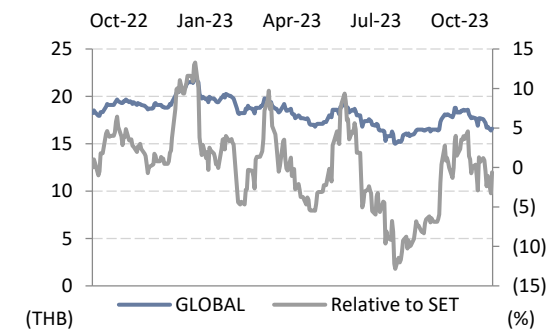
We estimate a 3Q23 net profit of THB590m, dropping 16% q-q and 24% y-y, dragged down by SSSG which should decrease by 10% y-y (vs 2Q23's -9.5% y-y). We expect the 3Q23 gross margin to be slightly soft at 25.3% (vs 25.4% in 2Q23 and 25.8% in 3Q22), dragged by price adjustments for steel products (steel 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


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## 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.

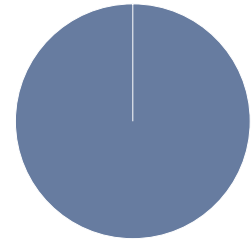
## Company profile

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](http://www.globalhouse.co.th)

## Principal activities (revenue, 2022)

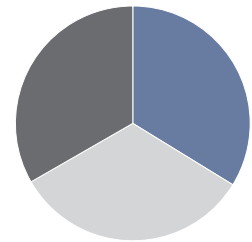
■ Sales - 100.0 %



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:

- Increases in the steel price (steel contributes 15% of total sales).
- The growth of the real estate sector.
- Government measures to support agricultural prices.
- 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

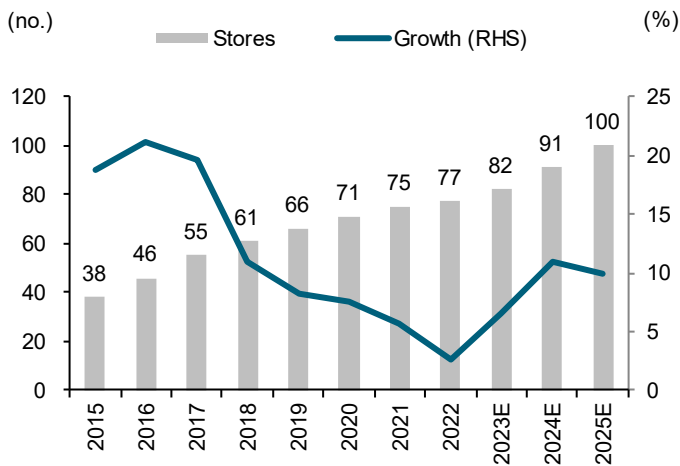


## Company background

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.

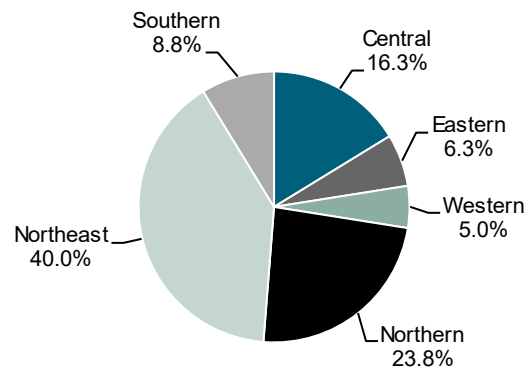
GLOBAL divides its products into two groups: 1) the building material group, which contributes 39-49% of total sales; and 2) decorative items, which contribute 51-61% of total sales. These are sourced from purchasing domestic products at about a 68% proportion. GLOBAL's business partners include more 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 45: Back to expansion after Covid-19**



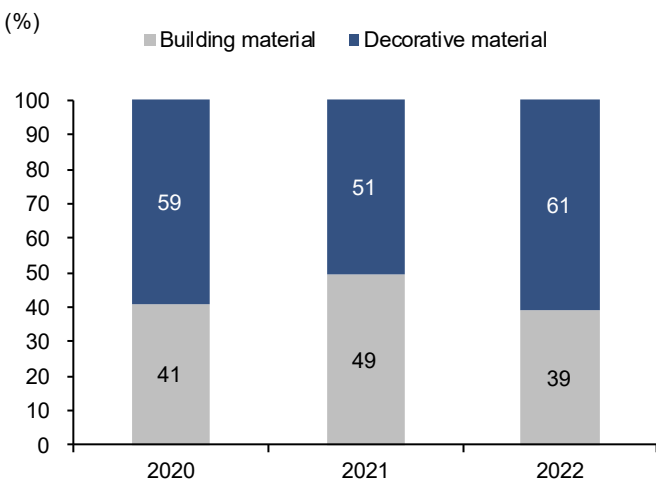
Sources: GLOBAL; FSSIA estimates

**Exhibit 46: Store breakdown by region**



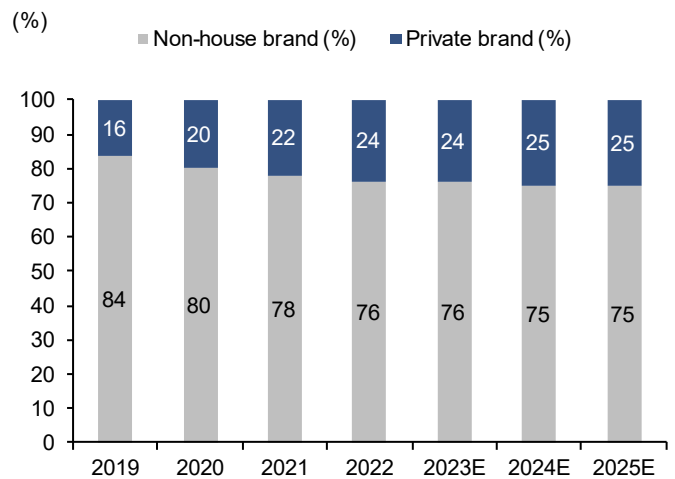
Source: GLOBAL as of 2Q23

**Exhibit 47: Sales breakdown by product category**



Source: GLOBAL

**Exhibit 48: 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.

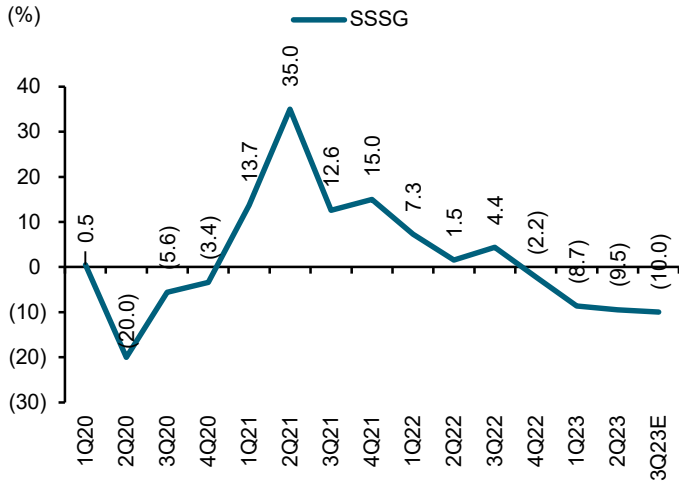
If 3Q23 earnings are in line with our expectation, they would account for 75% of our full-year estimate. We anticipate that 4Q23 SSSG should be flat y-y thanks to the domestic steel price normalising, and expect no significant impairment loss from obsolete inventory which was valued at THB137m in 4Q22. 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 49: 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
<b>Retail sales</b>	<b>8,170</b>	<b>8,247</b>	<b>8,933</b>	<b>8,503</b>	<b>7,544</b>	<b>(11)</b>	<b>(8)</b>	<b>24,981</b>	<b>(8)</b>	<b>75</b>
<b>Gross profit</b>	<b>2,104</b>	<b>2,045</b>	<b>2,238</b>	<b>2,159</b>	<b>1,909</b>	<b>(12)</b>	<b>(9)</b>	<b>6,305</b>	<b>(17)</b>	<b>75</b>
Operating costs	(1,320)	(1,530)	(1,280)	(1,423)	(1,275)	(10)	(3)	(3,977)	3	74
<b>Operating profit</b>	<b>785</b>	<b>515</b>	<b>958</b>	<b>736</b>	<b>634</b>	<b>(14)</b>	<b>(19)</b>	<b>2,328</b>	<b>(38)</b>	<b>76</b>
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
<b>Profit before tax</b>	<b>915</b>	<b>620</b>	<b>1,060</b>	<b>851</b>	<b>709</b>	<b>(17)</b>	<b>(23)</b>	<b>2,619</b>	<b>(27)</b>	<b>75</b>
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
<b>Recurring net profit</b>	<b>775</b>	<b>527</b>	<b>883</b>	<b>703</b>	<b>590</b>	<b>(16)</b>	<b>(24)</b>	<b>2,176</b>	<b>(26)</b>	<b>75</b>
EPS (THB)	0.16	0.11	0.18	0.14	0.12	(16)	(27)	0.4	(29)	76
<b>Recurring EPS (THB)</b>	<b>0.16</b>	<b>0.11</b>	<b>0.18</b>	<b>0.14</b>	<b>0.12</b>	<b>(16)</b>	<b>(27)</b>	<b>0.4</b>	<b>(29)</b>	<b>76</b>
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
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	
<b>Operating stats</b>										
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					

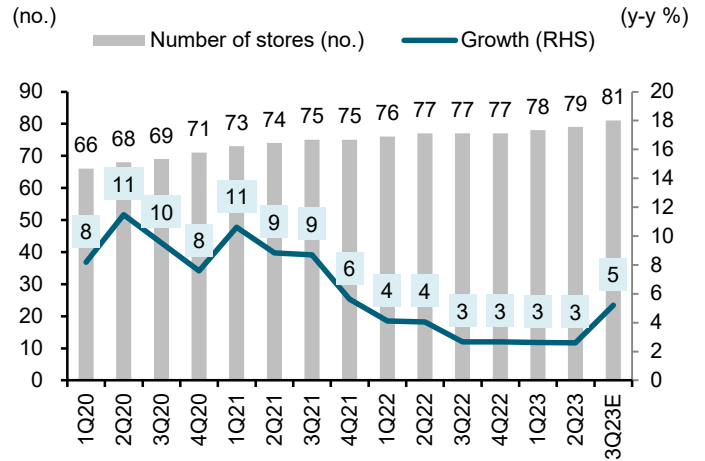
Sources: GLOBAL; FSSIA estimates

**Exhibit 50: Same-store sales growth**



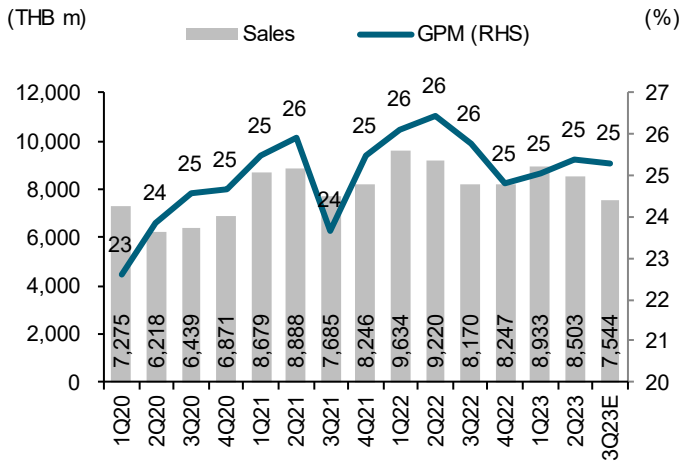
Sources: GLOBAL; FSSIA estimates

**Exhibit 51: Number of stores**



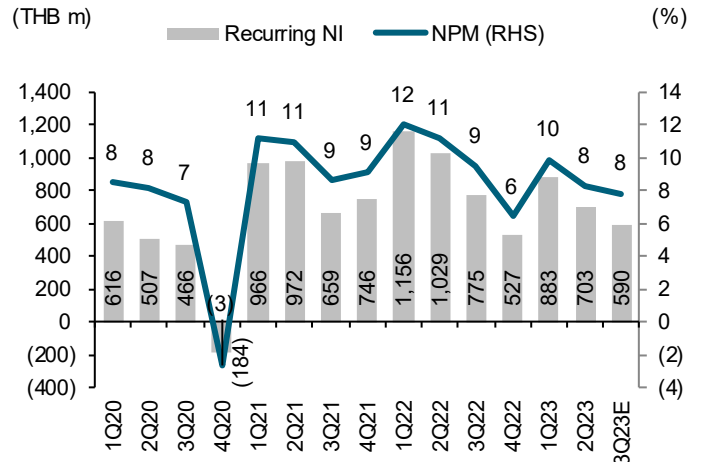
Sources: GLOBAL; FSSIA estimates

**Exhibit 52: Quarterly revenue and gross margin**



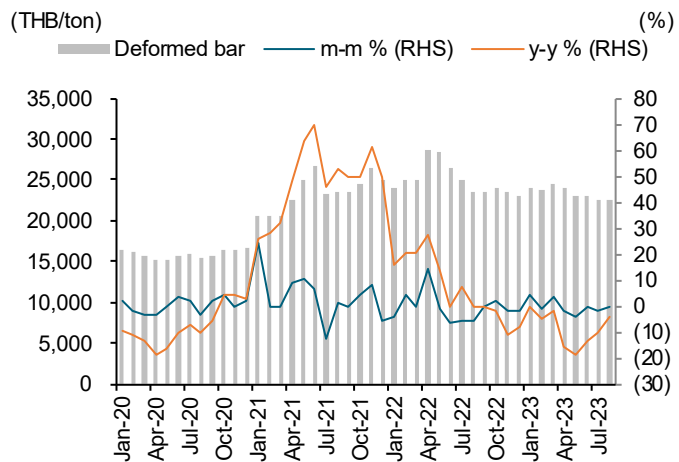
Sources: GLOBAL; FSSIA estimates

**Exhibit 53: Quarterly net profit and net margin**



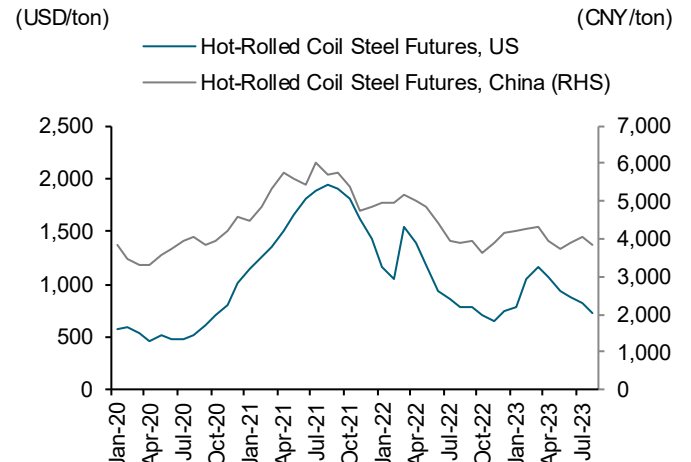
Sources: GLOBAL; FSSIA estimates

**Exhibit 54: Domestic steel price recovery**



Source: Ministry of Commerce

**Exhibit 55: Steel price in US and China still soft**



Source: Bloomberg

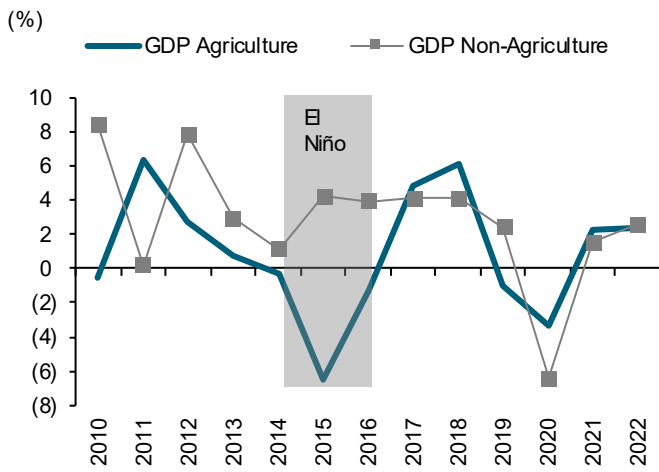
### El Niño could be a risk for agriculture purchasing power

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

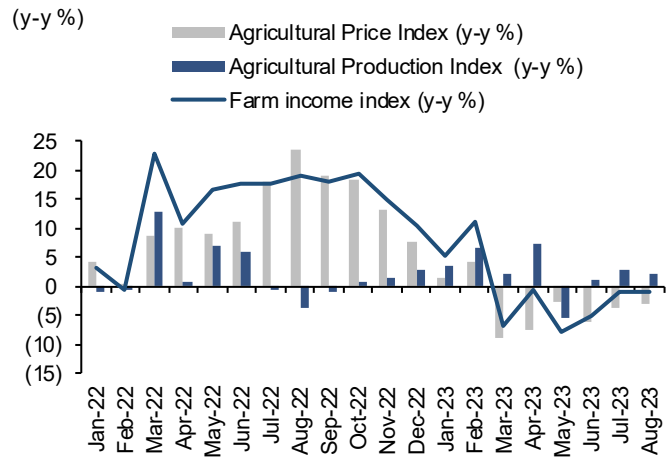
However, we are seeing improvements in agricultural production, which is a positive sign. This trend suggests a short-term recovery in farm income, which could foster positive sentiment for the company

**Exhibit 56: El Niño impact on agricultural GDP**



Source: BOT

**Exhibit 57: 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 58: 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
<b>Residual ordinary equity (THB/share)</b>		<b>20.5</b>

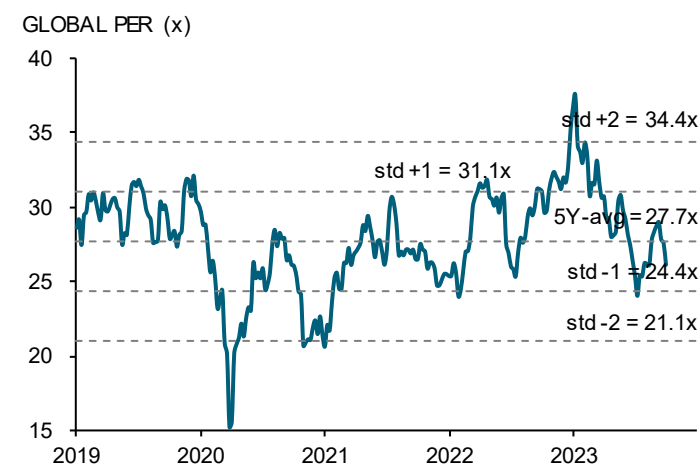
Sources: FSSIA estimates

#### Exhibit 59: 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	<b>20.5</b>	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

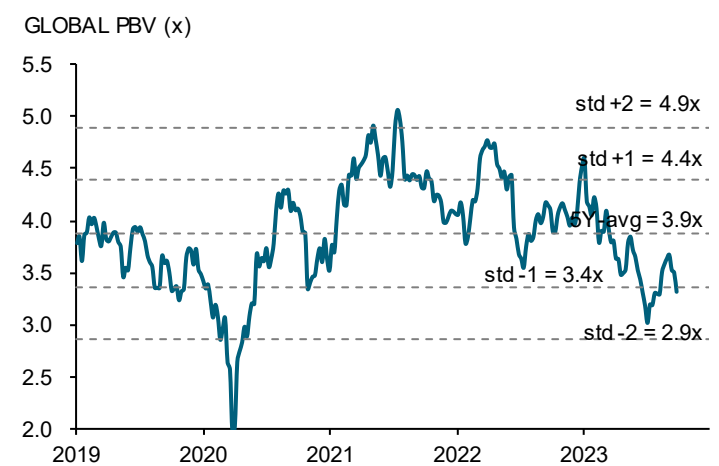
Source: FSSIA estimates

#### Exhibit 60: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

#### Exhibit 61: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 62: 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)
<b>Consumer Staple</b>														
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
<b>Consumer Staple average</b>						<b>26,670</b>	<b>30.1</b>	<b>25.1</b>	<b>7.8</b>	<b>8.7</b>	<b>2.5</b>	<b>2.3</b>	<b>15.7</b>	<b>14.4</b>
<b>Consumer Discretionary</b>														
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
<b>Home Improvement</b>														
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
<b>Home Improvement avg.</b>						<b>7,827</b>	<b>31.7</b>	<b>23.2</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.5</b>
<b>Consumer Discretionary avg.</b>						<b>16,175</b>	<b>29.5</b>	<b>22.3</b>	<b>18.9</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>42,845</b>	<b>29.7</b>	<b>23.2</b>	<b>15.2</b>	<b>16.6</b>	<b>3.8</b>	<b>3.5</b>	<b>15.9</b>	<b>13.8</b>

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)
<b>Gross profit</b>	<b>8,431</b>	<b>9,104</b>	<b>8,446</b>	<b>9,341</b>	<b>10,364</b>
Other operating income	0	0	0	0	-
Operating costs	(4,806)	(5,410)	(5,363)	(5,804)	(6,323)
<b>Operating EBITDA</b>	<b>4,889</b>	<b>4,941</b>	<b>4,405</b>	<b>4,964</b>	<b>5,600</b>
Depreciation	(1,264)	(1,246)	(1,322)	(1,427)	(1,559)
Goodwill amortisation	0	0	0	0	-
<b>Operating EBIT</b>	<b>3,625</b>	<b>3,695</b>	<b>3,083</b>	<b>3,538</b>	<b>4,041</b>
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
<b>Profit before tax</b>	<b>4,142</b>	<b>4,330</b>	<b>3,632</b>	<b>4,159</b>	<b>4,730</b>
Tax	(783)	(824)	(693)	(808)	(921)
<b>Profit after tax</b>	<b>3,359</b>	<b>3,506</b>	<b>2,939</b>	<b>3,351</b>	<b>3,809</b>
Minority interests	(15)	(19)	(18)	(20)	(22)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>3,344</b>	<b>3,487</b>	<b>2,921</b>	<b>3,331</b>	<b>3,788</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,344</b>	<b>3,487</b>	<b>2,921</b>	<b>3,331</b>	<b>3,788</b>
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
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)
<b>Cash flow from operations</b>	<b>2,379</b>	<b>5,019</b>	<b>4,278</b>	<b>3,909</b>	<b>4,348</b>
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
<b>Cash flow from investing</b>	<b>(2,066)</b>	<b>(2,167)</b>	<b>(1,852)</b>	<b>(3,066)</b>	<b>(3,269)</b>
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
<b>Cash flow from financing</b>	<b>157</b>	<b>(3,399)</b>	<b>(2,312)</b>	<b>(779)</b>	<b>(1,012)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>470</b>	<b>(547)</b>	<b>115</b>	<b>63</b>	<b>66</b>
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	2021	2022	2023E	2024E	2025E
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)
<b>Tangible fixed assets (net)</b>	<b>17,099</b>	<b>17,471</b>	<b>17,765</b>	<b>18,868</b>	<b>19,991</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>Current assets</b>	<b>18,631</b>	<b>17,568</b>	<b>17,643</b>	<b>18,857</b>	<b>20,298</b>
Other assets	2,037	2,285	2,171	2,365	2,592
<b>Total assets</b>	<b>39,275</b>	<b>39,148</b>	<b>39,737</b>	<b>42,597</b>	<b>45,756</b>
Common equity	19,561	21,788	23,844	25,904	28,238
Minorities etc.	275	304	322	341	363
<b>Total shareholders' equity</b>	<b>19,836</b>	<b>22,091</b>	<b>24,166</b>	<b>26,245</b>	<b>28,601</b>
Long term debt	3,268	3,252	2,669	2,927	3,153
Other long-term liabilities	160	176	160	166	174
<b>Long-term liabilities</b>	<b>3,427</b>	<b>3,428</b>	<b>2,829</b>	<b>3,093</b>	<b>3,327</b>
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
<b>Current liabilities</b>	<b>16,011</b>	<b>13,629</b>	<b>12,742</b>	<b>13,259</b>	<b>13,828</b>
<b>Total liabilities and shareholders' equity</b>	<b>39,275</b>	<b>39,148</b>	<b>39,737</b>	<b>42,597</b>	<b>45,756</b>
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	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>22.8</b>	<b>22.9</b>	<b>28.4</b>	<b>24.9</b>	<b>21.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>28.2</b>	<b>28.2</b>	<b>35.1</b>	<b>30.8</b>	<b>27.1</b>
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



# 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.

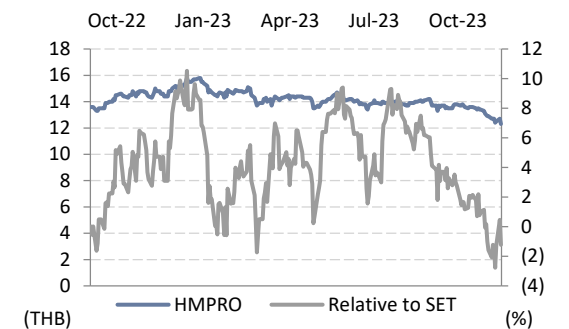
### Positive outlook in 4Q23 towards 2024

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.

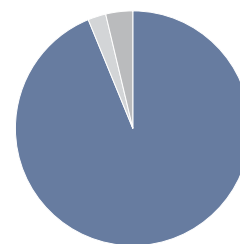
## Company profile

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](http://www.homepro.co.th)

## Principal activities (revenue, 2021)

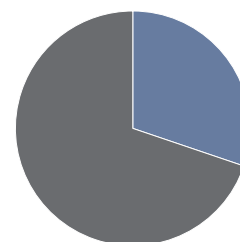
- Sales - 93.8 %
- Rental and service - 2.5 %
- Others - 3.7 %



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.

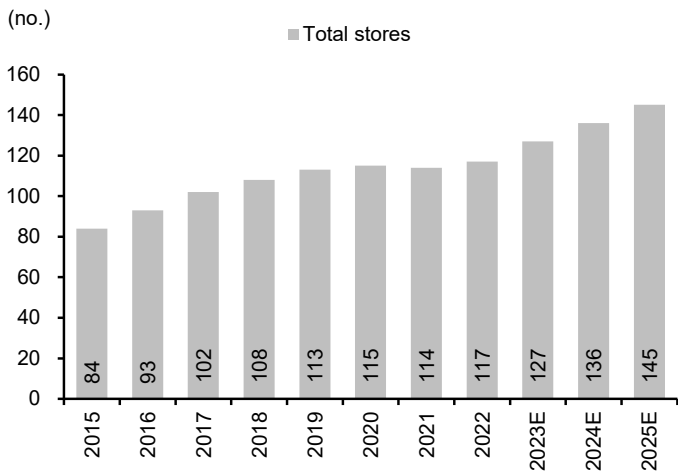
Source: FSSIA estimates

## 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.

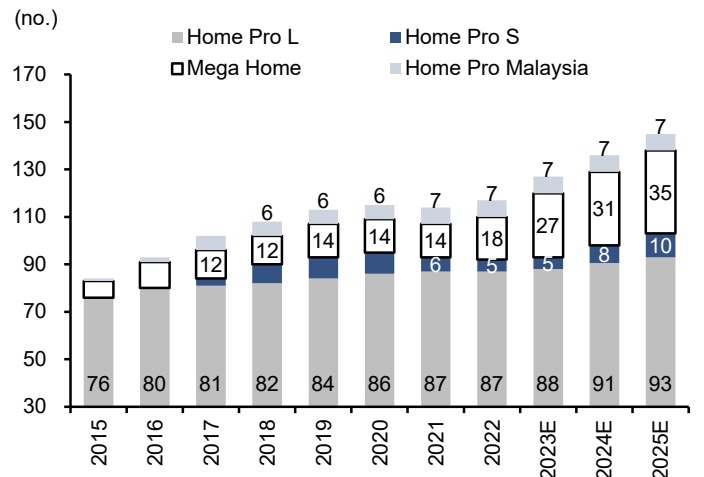
The company categorizes its products into two groups and one service as follows: 1) Hard Line: Tools, Paint, Home Improvement, Bathroom and Sanitary Ware, Kitchen, Home Appliances and Electrical Equipment, which contributes c80% of sales; 2) Soft Line: Bedding, Home Textiles, Furniture, Lighting, Household 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 63: Number of stores**



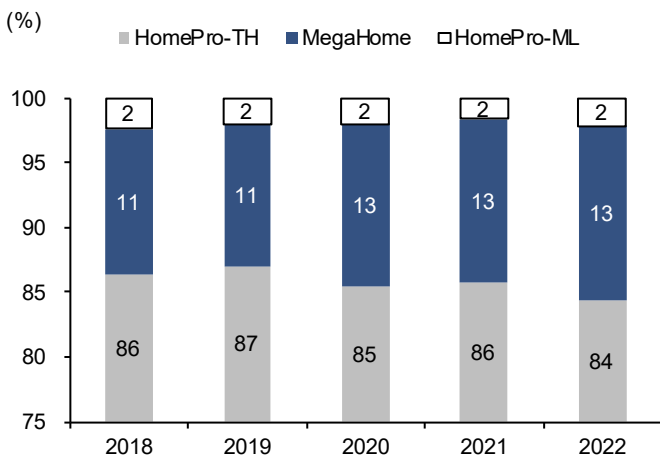
Sources: HMPRO; FSSIA estimates

**Exhibit 64: Store breakdown by format**



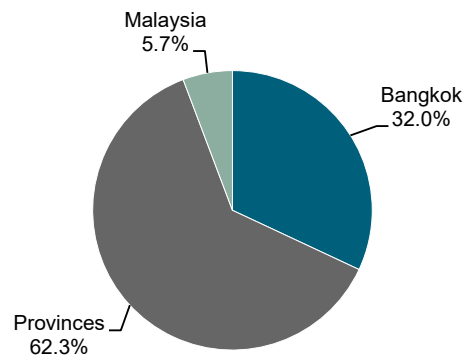
Sources: HMPRO; FSSIA estimates

**Exhibit 65: Revenue contribution by format**



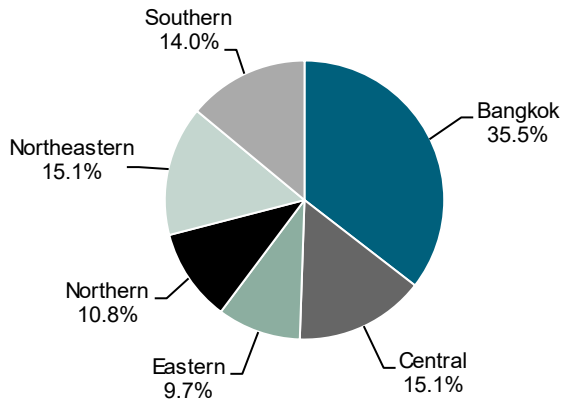
Source: HMPRO

**Exhibit 66: 32% of total stores are located in the Bangkok area, which contributed c40% of total sales as of 2Q23**



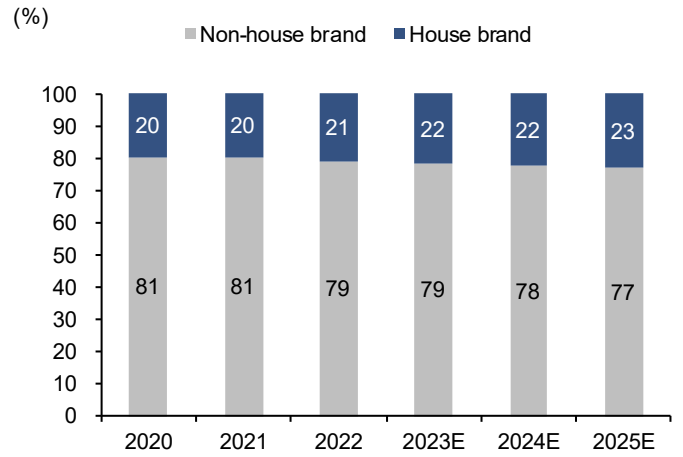
Source: HMPRO

**Exhibit 67: Store breakdown by region**



Source: HMPRO

**Exhibit 68: 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.

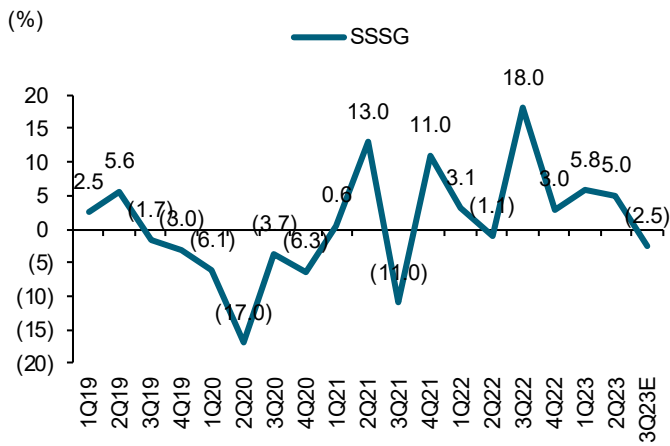
We expect its gross margin to slightly increase q-q to 26.4% from a smaller sales proportion of home appliances in 2Q23, while dropping y-y from the MegaHome expansion, leading the sales proportion from MegaHome to have a lower margin than the HomePro format. We anticipate SG&A to sales to slightly drop 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 69: 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
<b>Total revenue</b>	<b>16,941</b>	<b>18,468</b>	<b>18,252</b>	<b>18,903</b>	<b>17,584</b>	<b>(7.0)</b>	<b>3.8</b>	<b>54,738</b>	<b>7.5</b>	<b>73</b>
- 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
<b>Gross profit</b>	<b>5,119</b>	<b>5,626</b>	<b>5,328</b>	<b>5,593</b>	<b>5,255</b>	<b>(6.0)</b>	<b>2.7</b>	<b>16,176</b>	<b>8.0</b>	<b>73</b>
Operating costs	(3,130)	(3,493)	(3,192)	(3,466)	(3,201)	(7.6)	2.3	(9,859)	9.2	72
<b>Operating profit</b>	<b>1,989</b>	<b>2,134</b>	<b>2,135</b>	<b>2,127</b>	<b>2,054</b>	<b>(3.4)</b>	<b>3.3</b>	<b>6,317</b>	<b>6.1</b>	<b>74</b>
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
<b>Recurring net profit</b>	<b>1,534</b>	<b>1,654</b>	<b>1,611</b>	<b>1,620</b>	<b>1,561</b>	<b>(3.6)</b>	<b>1.8</b>	<b>4,793</b>	<b>5.0</b>	<b>73</b>
EPS (THB)	0.12	0.13	0.12	0.12	0.12	(3.6)	1.8	0.36	5.0	73
<b>Recurring EPS (THB)</b>	<b>0.12</b>	<b>0.13</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>(3.6)</b>	<b>1.8</b>	<b>0.36</b>	<b>5.0</b>	<b>73</b>
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
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	
<b>Operating statistics</b>										
SSSG (%)	18.0	3.0	5.8	5.0	(2.5)					
<b>Number of stores (no.)</b>	<b>115</b>	<b>117</b>	<b>120</b>	<b>122</b>	<b>123</b>					
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					

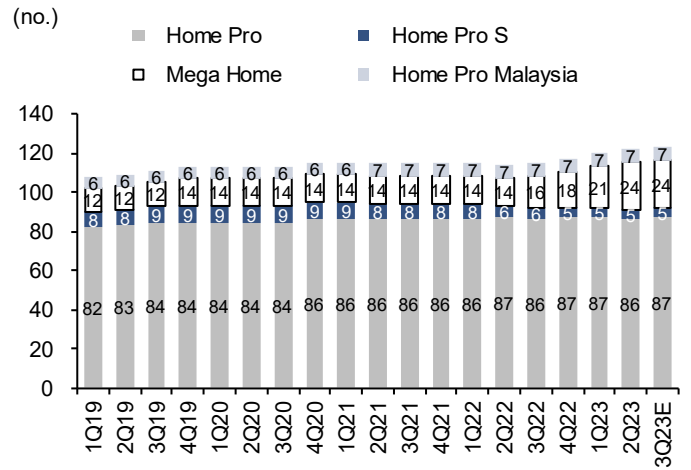
Sources: HMPRO; FSSIA estimates

**Exhibit 70: Same-store sales growth**



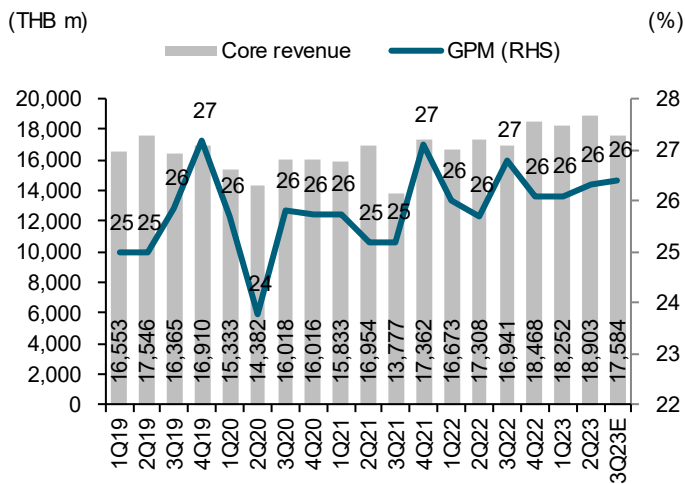
Sources: HMPRO; FSSIA estimates

**Exhibit 71: Number of stores**



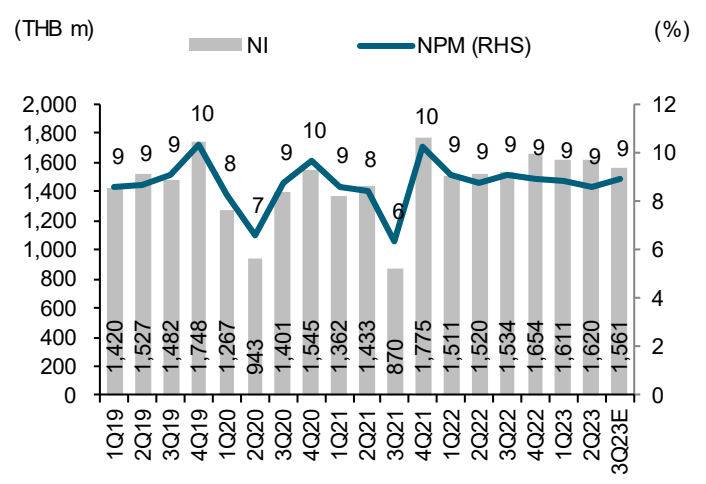
Sources: HMPRO; FSSIA estimates

**Exhibit 72: Quarterly revenue and gross margin**



Sources: HMPRO; FSSIA estimates

**Exhibit 73: 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 74: 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
<b>Residual ordinary equity (THB/share)</b>		<b>16.0</b>

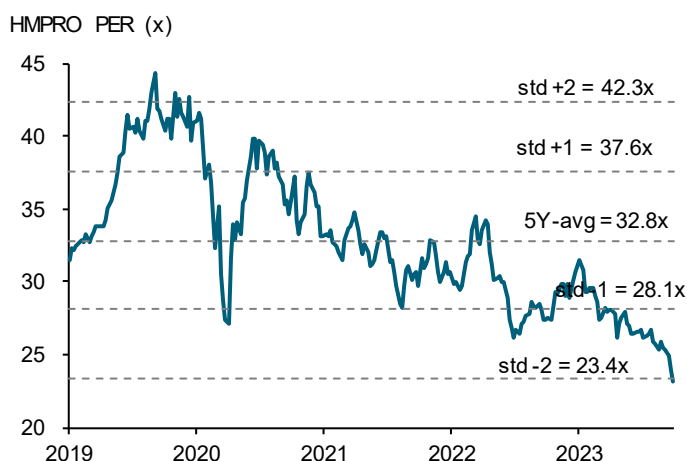
Sources: FSSIA estimates

### Exhibit 75: 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	<b>16.0</b>	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

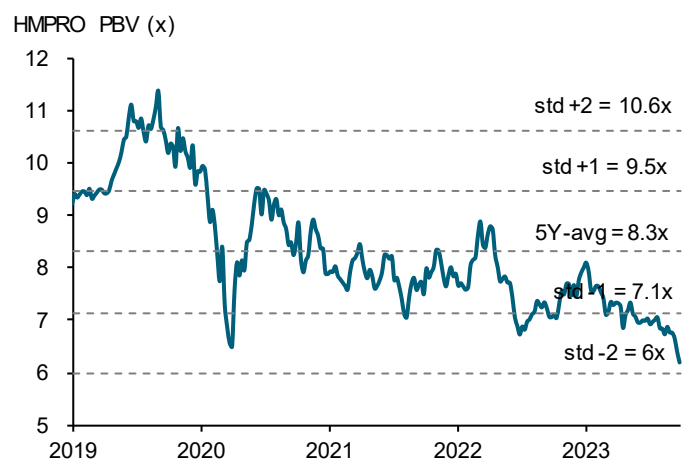
Source: FSSIA estimates

Exhibit 76: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 77: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 78: 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)
<b>Consumer Staple</b>														
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
<b>Consumer Staple average</b>						<b>26,670</b>	<b>30.1</b>	<b>25.1</b>	<b>7.8</b>	<b>8.7</b>	<b>2.5</b>	<b>2.3</b>	<b>15.7</b>	<b>14.4</b>
<b>Consumer Discretionary</b>														
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
<b>Home Improvement</b>														
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
<b>Home Improvement avg.</b>						<b>7,827</b>	<b>31.7</b>	<b>23.2</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.5</b>
<b>Consumer Discretionary avg.</b>						<b>16,175</b>	<b>29.5</b>	<b>22.3</b>	<b>18.9</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>42,845</b>	<b>29.7</b>	<b>23.2</b>	<b>15.2</b>	<b>16.6</b>	<b>3.8</b>	<b>3.5</b>	<b>15.9</b>	<b>13.8</b>

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)
<b>Gross profit</b>	<b>18,392</b>	<b>20,607</b>	<b>22,215</b>	<b>24,053</b>	<b>26,016</b>
Other operating income	-	-	-	-	-
Operating costs	(11,326)	(12,519)	(13,648)	(14,646)	(15,844)
<b>Operating EBITDA</b>	<b>10,274</b>	<b>11,244</b>	<b>11,971</b>	<b>13,148</b>	<b>14,284</b>
Depreciation	(3,208)	(3,156)	(3,404)	(3,741)	(4,113)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>7,066</b>	<b>8,088</b>	<b>8,568</b>	<b>9,407</b>	<b>10,172</b>
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
<b>Profit before tax</b>	<b>6,634</b>	<b>7,660</b>	<b>8,085</b>	<b>8,952</b>	<b>9,681</b>
Tax	(1,194)	(1,441)	(1,521)	(1,684)	(1,821)
<b>Profit after tax</b>	<b>5,441</b>	<b>6,219</b>	<b>6,564</b>	<b>7,268</b>	<b>7,860</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>5,441</b>	<b>6,219</b>	<b>6,564</b>	<b>7,268</b>	<b>7,860</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>5,441</b>	<b>6,219</b>	<b>6,564</b>	<b>7,268</b>	<b>7,860</b>
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
	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)
<b>Cash flow from operations</b>	<b>7,438</b>	<b>9,763</b>	<b>9,924</b>	<b>10,951</b>	<b>11,904</b>
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)
<b>Cash flow from investing</b>	<b>(1,944)</b>	<b>(5,837)</b>	<b>(6,004)</b>	<b>(6,490)</b>	<b>(7,177)</b>
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
<b>Cash flow from financing</b>	<b>(4,230)</b>	<b>(3,052)</b>	<b>(2,180)</b>	<b>(5,062)</b>	<b>(4,071)</b>
Non-recurring cash flows	0	0	0	0	0
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>1,263</b>	<b>874</b>	<b>1,739</b>	<b>(601)</b>	<b>656</b>
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)

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)
<b>Tangible fixed assets (net)</b>	<b>27,584</b>	<b>29,469</b>	<b>31,609</b>	<b>33,967</b>	<b>36,563</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>Current assets</b>	<b>18,920</b>	<b>21,430</b>	<b>24,592</b>	<b>25,480</b>	<b>27,718</b>
Other assets	12,082	14,286	15,468	16,726	18,061
<b>Total assets</b>	<b>58,586</b>	<b>65,185</b>	<b>71,669</b>	<b>76,174</b>	<b>82,343</b>
Common equity	22,890	24,246	25,535	26,963	28,507
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>22,890</b>	<b>24,246</b>	<b>25,535</b>	<b>26,963</b>	<b>28,507</b>
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
<b>Long-term liabilities</b>	<b>15,185</b>	<b>16,454</b>	<b>18,897</b>	<b>20,009</b>	<b>22,029</b>
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
<b>Current liabilities</b>	<b>20,510</b>	<b>24,485</b>	<b>27,237</b>	<b>29,201</b>	<b>31,807</b>
<b>Total liabilities and shareholders' equity</b>	<b>58,586</b>	<b>65,184</b>	<b>71,669</b>	<b>76,173</b>	<b>82,342</b>
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)

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

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
<b>Recurring P/E (x) *</b>	<b>29.7</b>	<b>26.0</b>	<b>24.6</b>	<b>22.3</b>	<b>20.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>38.7</b>	<b>33.8</b>	<b>32.1</b>	<b>29.0</b>	<b>26.8</b>
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

# INDEX LIVING MALL ILM TB

## THAILAND / COMMERCE

# BUY

UNCHANGED

## Good outlook but already priced in

- We expect a 3Q23 net profit of THB166m, growing both q-q and y-y, driven by tourist areas and consumption growth.
- We believe 2H23 and 2024 could benefit from the tourism and consumption recovery.
- Maintain BUY and roll over our TP to 2024 at THB26.7.

TARGET PRICE	THB26.70
CLOSE	THB23.00
UP/DOWNSIDE	+16.1%
PRIOR TP	THB24.80
CHANGE IN TP	+7.7%
TP vs CONSENSUS	+4.1%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,889	10,005	10,779	11,396
Net profit	659	694	771	836
EPS (THB)	1.31	1.37	1.53	1.66
vs Consensus (%)	-	(1.8)	(5.1)	(7.9)
EBITDA	1,807	1,913	2,038	2,144
Recurring net profit	659	694	771	836
Core EPS (THB)	1.31	1.37	1.53	1.66
Chg. In EPS est. (%)	-	0.3	2.4	2.4
EPS growth (%)	45.4	5.3	11.1	8.4
Core P/E (x)	17.6	16.7	15.1	13.9
Dividend yield (%)	2.6	3.8	4.0	4.4
EV/EBITDA (x)	8.7	8.0	7.2	6.6
Price/book (x)	2.0	2.0	1.9	1.8
Net debt/Equity (%)	71.0	61.1	49.3	37.7
ROE (%)	12.0	12.0	12.7	13.1

## Another good performance in 3Q23

We project a 3Q23 net profit of THB166m (+1.1% q-q, +8.5% y-y), driven by retail and online sales followed by continuous same-store sales growth (SSSG). We expect 3Q23 SSSG could grow 11% y-y from tourist areas (contributing about 32% to total sales) in line with the recovery of the tourism sector and domestic consumption. We expect a retail gross margin of 47.2%, slightly up from 47.1% in 2Q23. Retail sales remain a key contributor to ILM's sales proportion, which is its highest gross margin channel. We expect SG&A to sales of 37.4%, dipping from 37.5% in 2Q23 as we expect electricity costs to soften in 3Q23 vs 2Q23.

## A positive outlook in 4Q23

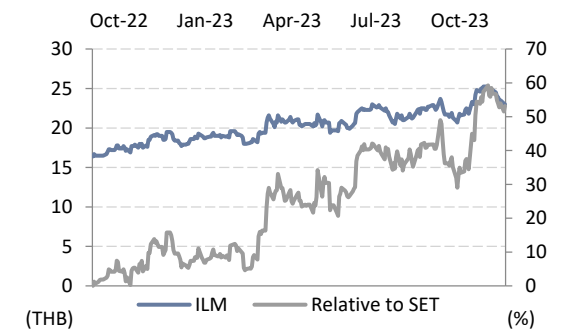
If 3Q23 earnings results are in line with our estimate, 9M23 earnings would account for 73% of our full-year earnings forecast. We maintain our full-year estimate of THB694m (+5.3% y-y), and 4Q23 earnings should be positive thanks to 1) the festive season in 4Q23 – we expect that total sales should continue to grow, supported by SSSG and the return of project sales following the recovery of the property sector; 2) a new store opening – Little Walk Krungthep Kreetha will fully book in 4Q23; and 3) a lower electricity price from THB4.45/kWh to THB3.99/kWh (-10%).

## Benefitting from stimulus and continuous store expansion

For our outlook in 2024, we believe ILM would benefit from the tourism and consumption recovery. We forecast a 2024 net profit of THB771m (+11.1% y-y), driven by expected SSSG of 6.1% y-y and an expected store expansion of three stores – two Index Living Mall stores and one Little Walk store, resulting in a total of 35 stores for Index Living Mall and four Little Walk stores. We expect its gross margin could expand to 45.6% in 2024 (vs 45.4% in 2023E), and expect SG&A to sales to slightly increase to 36.4% (vs 36.1% in 2023E) from the store expansion.

## Maintain BUY and roll over our TP to 2024 at THB26.7

We maintain our BUY call and roll over our DCF-based TP to 2024 at THB26.7/shr, implying a 2024E P/E of 17.5x, equal to the 5Y-avg P/E at +1.2SD (vs 5Y-avg P/E of 14.7x). We like ILM in terms of being the cheapest in the sector, which trades at a 2024E P/E of 15.1x, below its peers' 23.2x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.5	8.5	42.9
Relative to country (%)	13.8	13.0	53.8
Mkt cap (USD m)	313		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	25		
Major shareholder	Krobkrua Thammada Panich Co Ltd (40%)		
12m high/low (THB)	26.00/16.10		
Issued shares (m)	505.00		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

The company's growth is sustainable, with a diverse range of sales channels including physical stores, project sales, online channels and international expansion. The company has a plan to expand its stores by two to three stores per year. The company has also expanded into rental spaces through the brands "The Walk" and "Little Walk", which are community malls. The Walk and Little Walk have received positive feedback from both customers and tenants. As a result, the average occupancy rate has exceeded 80% of total space.

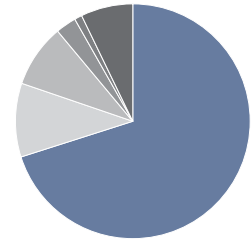
## Company profile

ILM is domestically well-known through its Index Living Mall outlets which retail furniture, home decoration items, and home electrical products (own-branded and others). The company also distributes products through various distribution channels in Thailand and abroad. ILM operates rental spaces in Index Living Mall and community mall buildings – The Walk, Little Walk and Index Mall.

[www.indexlivingmall.com](http://www.indexlivingmall.com)

## Principal activities (revenue, 2022)

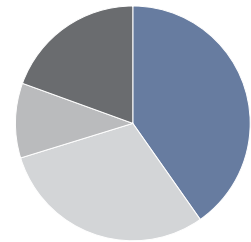
- Retail - 70.1 %
- Online - 10.2 %
- Project - 8.7 %
- Oversea - 2.8 %
- Dealer - 1.0 %
- Rental - 7.2 %



Source: Index Living Mall

## Major shareholders

- Krobkrua Thammada Panich Co Ltd - 40.3 %
- Patamasatayasonthi Family - 30.0 %
- Udomma huntisuk Family - 10.3 %
- Others - 19.5 %



Source: Index Living Mall

## Catalysts

Potential catalysts for ILM are 1) a faster-than-expected domestic consumption and tourism recovery; and 2) higher-than-expected demand for new houses, home improvement and home renovation.

## Risks to our call

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.

## Event calendar

Date	Event
November	3Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
SSSG (%)	8.4	6.1	3.8
Average occupancy rate (%)	86.0	87.4	88.6
GPM (%)	45.7	45.9	46.1
- GPM sales (%)	45.4	45.6	45.8
- GPM Rental (%)	49.7	49.9	49.6
SG&A to sales (%)	36.1	36.4	36.6

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 1%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 5.7%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 5.8%, and vice versa, all else being equal.

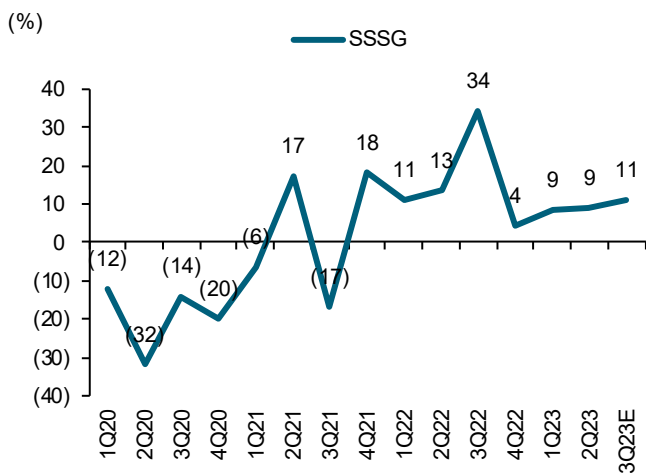
Source: FSSIA estimates

**Exhibit 79: 3Q23 earnings preview**

Year to Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		9M23		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(%23E)
<b>Total revenue</b>	<b>2,188</b>	<b>2,435</b>	<b>2,188</b>	<b>2,184</b>	<b>2,225</b>	<b>1.9</b>	<b>1.7</b>	<b>6,598</b>	<b>2.2</b>	<b>66</b>
- Retail sales	2,017	2,274	2,023	2,012	2,053	2.0	1.8	6,088	1.9	65
- Rental and Rendering of services	171	161	165	172	173	0.2	1.2	510	6.9	74
<b>Core COGS</b>	<b>(1,207)</b>	<b>(1,377)</b>	<b>(1,159)</b>	<b>(1,147)</b>	<b>(1,168)</b>	<b>1.8</b>	<b>(3.3)</b>	<b>(3,474)</b>	<b>(0.8)</b>	<b>64</b>
- COGS	(1,127)	(1,296)	(1,075)	(1,065)	(1,085)	1.9	(3.8)	(3,224)	(1.4)	63
- Cost of Rental and Rendering	(80)	(82)	(84)	(83)	(83)	0.2	3.6	(249)	8.4	72
<b>Gross profit</b>	<b>981</b>	<b>1,058</b>	<b>1,029</b>	<b>1,037</b>	<b>1,058</b>	<b>2.0</b>	<b>7.9</b>	<b>3,124</b>	<b>5.8</b>	<b>68</b>
Operating costs	(778)	(823)	(793)	(820)	(831)	1.4	6.9	(2,445)	5.7	68
<b>Operating profit</b>	<b>203</b>	<b>236</b>	<b>236</b>	<b>217</b>	<b>226</b>	<b>4.3</b>	<b>11.5</b>	<b>679</b>	<b>6.2</b>	<b>71</b>
Other income	32	35	24	32	27	(14.4)	(15.6)	83	(3.0)	72
Interest expense	(53)	(55)	(52)	(54)	(54)	0.9	2.3	(160)	0.0	63
Profit before tax	182	216	208	195	199	2.3	9.4	603	6.6	73
Tax	(30)	(32)	(34)	(31)	(34)	8.4	14.1	(99)	10.5	77
Non-recurring items	-	-	-	-	-	n/a	n/a	-	n/a	n/a
Reported net profit	153	183	174	164	166	1.1	8.5	503	5.9	73
<b>Recurring net profit</b>	<b>153</b>	<b>183</b>	<b>174</b>	<b>164</b>	<b>166</b>	<b>1.1</b>	<b>8.5</b>	<b>503</b>	<b>5.9</b>	<b>73</b>
EPS (THB)	0.30	0.36	0.35	0.32	0.33	1.1	8.5	1.00	5.9	73
<b>Recurring EPS (THB)</b>	<b>0.30</b>	<b>0.36</b>	<b>0.35</b>	<b>0.32</b>	<b>0.33</b>	<b>1.1</b>	<b>8.5</b>	<b>1.00</b>	<b>5.9</b>	<b>73</b>
<b>Key ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
Gross margin	44.8	43.5	47.0	47.5	47.5	0.4	1.2	47.3	1.6	
- Retail	44.1	43.0	46.9	47.1	47.2	0.2	1.2	47.0	1.8	
- Rental and Rendering of services	53.1	49.3	49.2	52.0	52.0	2.9	1.2	51.1	(0.7)	
Operating margin	10.7	11.1	11.9	11.4	11.4	(0.5)	(0.0)	11.5	0.3	
Recurring net margin	7.0	7.5	8.0	7.5	7.4	(0.5)	(0.1)	7.6	0.3	
SG&A / Sales	35.5	33.8	36.3	37.5	37.4	1.3	1.5	37.1	1.2	
<b>Operating statistics</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
SSSG (y-y%)	34.3	4.3	8.5	9.0	11.0	2.0	(23.3)			
Retails Sales (% to sales)	74	73	83	83	81	(1.9)	6.8	82	6	
Project Sales (% to sales)	9	13	3	3	3	0.2	(6.0)	3	(5)	
Oversea Sales (% to sales)	4	3	2	1	2	1.0	(1.6)	2	(1)	
Dealer Sales (% to sales)	1	1	1	1	1	0.0	(0.0)	1	(0)	
Online Sales (% to sales)	12	10	11	12	12	0.8	0.8	12	0	

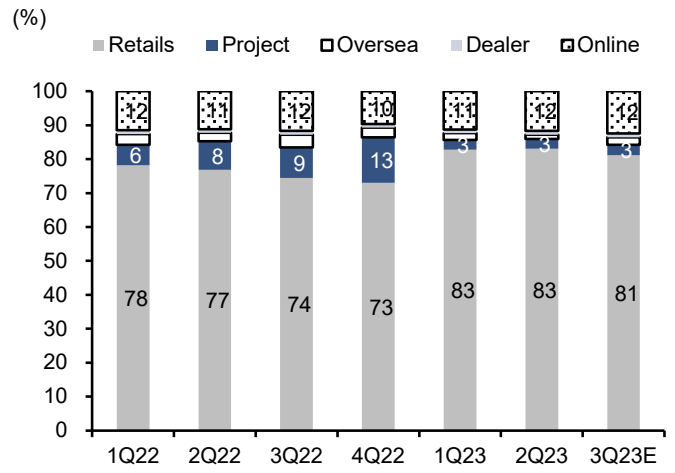
Sources: ILM; FSSIA estimates

**Exhibit 80: Same-store sales growth**



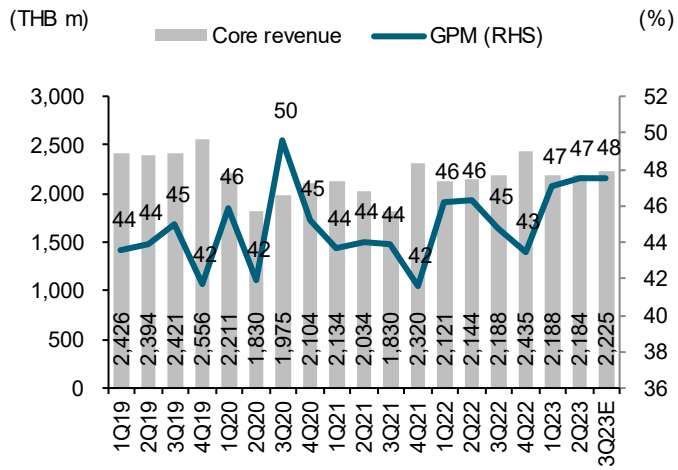
Sources: ILM; FSSIA estimates

**Exhibit 81: Revenue breakdown by channel**



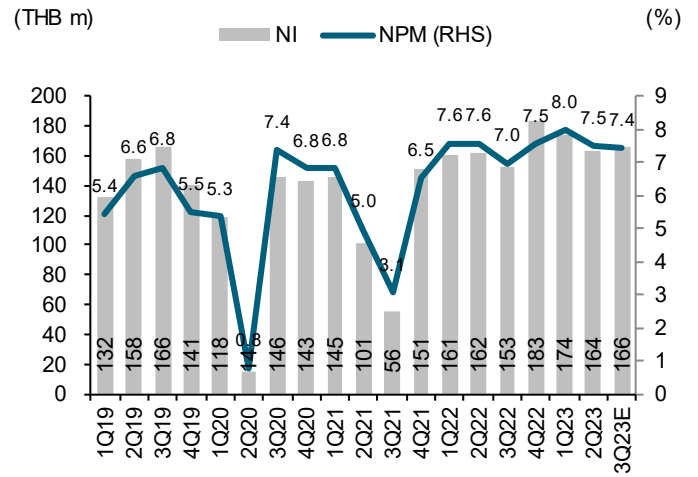
Sources: ILM; FSSIA estimates

**Exhibit 82: Revenue and gross margin**



Sources: ILM; FSSIA estimates

**Exhibit 83: Net profit and net margin**



Sources: ILM; FSSIA estimates

### Roll over our 2024 target price of THB26.7/shr

We maintain our BUY call and roll over our DCF-based TP to 2024 at THB26.7/shr, implying a 2024E P/E of 17.5x, equal to the 5Y-average P/E at +1.2SD (vs 5Y-average P/E of 14.7x). We like ILM in terms of being the cheapest in the sector, which trades at a 2024E P/E of 15.1x, below its peers' 23.2x.

#### Exhibit 84: DCF-based valuation

DCF-derived TP	(%)	(THB m)
Discount rate (WACC)	8.5	
Terminal growth	2	
FCFF		9,254
Terminal Value		7,303
Net Debt		(3,069)
Value of equity		13,488
No. of shares (m)		505
<b>Share price (THB/share)</b>		<b>26.7</b>

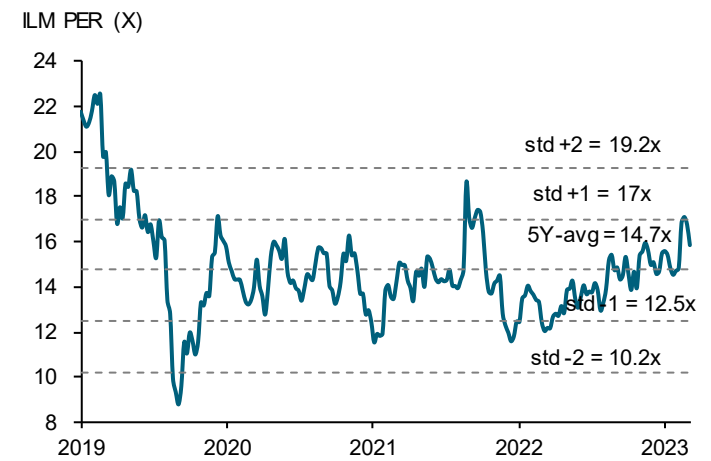
Source: FSSIA estimates

#### Exhibit 85: Sensitivity to 2024 target price

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.5%	28.5	29.8	31.5	33.4	35.8
	8.0%	26.4	27.6	28.9	30.5	32.3
	8.5%	24.7	25.6	<b>26.7</b>	28.0	29.5
	9.0%	23.1	23.9	24.8	25.9	27.1
	9.5%	21.7	22.4	23.2	24.1	25.1

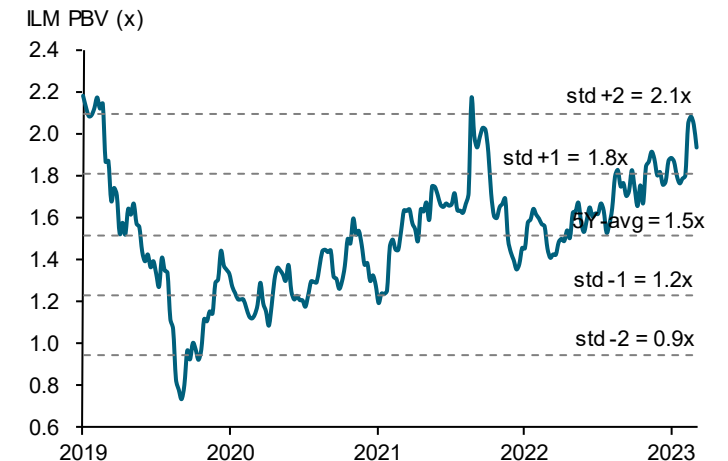
Source: FSSIA estimates

#### Exhibit 86: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

#### Exhibit 87: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 88: 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)
<b>Consumer Staple</b>														
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
<b>Consumer Staple average</b>						<b>26,670</b>	<b>30.1</b>	<b>25.1</b>	<b>7.8</b>	<b>8.7</b>	<b>2.5</b>	<b>2.3</b>	<b>15.7</b>	<b>14.4</b>
<b>Consumer Discretionary</b>														
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
<b>Home Improvement</b>														
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
<b>Home Improvement avg.</b>						<b>7,827</b>	<b>31.7</b>	<b>23.2</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.5</b>
<b>Consumer Discretionary avg.</b>						<b>16,175</b>	<b>29.5</b>	<b>22.3</b>	<b>18.9</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>42,845</b>	<b>29.7</b>	<b>23.2</b>	<b>15.2</b>	<b>16.6</b>	<b>3.8</b>	<b>3.5</b>	<b>15.9</b>	<b>13.8</b>

Sources: \*Bloomberg; FSSIA estimates



## Financial Statements

### Index Living Mall

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	8,317	8,889	10,005	10,779	11,396
Cost of goods sold	(4,724)	(4,877)	(5,434)	(5,828)	(6,143)
<b>Gross profit</b>	<b>3,593</b>	<b>4,011</b>	<b>4,571</b>	<b>4,951</b>	<b>5,253</b>
Other operating income	97	120	111	119	126
Operating costs	(2,914)	(3,136)	(3,614)	(3,921)	(4,168)
<b>Operating EBITDA</b>	<b>1,648</b>	<b>1,807</b>	<b>1,913</b>	<b>2,038</b>	<b>2,144</b>
Depreciation	(872)	(812)	(844)	(888)	(932)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>776</b>	<b>995</b>	<b>1,068</b>	<b>1,150</b>	<b>1,212</b>
Net financing costs	(246)	(214)	(246)	(236)	(221)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>529</b>	<b>781</b>	<b>822</b>	<b>914</b>	<b>991</b>
Tax	(76)	(122)	(128)	(143)	(155)
<b>Profit after tax</b>	<b>453</b>	<b>659</b>	<b>694</b>	<b>771</b>	<b>836</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>453</b>	<b>659</b>	<b>694</b>	<b>771</b>	<b>836</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>453</b>	<b>659</b>	<b>694</b>	<b>771</b>	<b>836</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.90	1.31	1.37	1.53	1.66
Reported EPS	0.90	1.31	1.37	1.53	1.66
DPS	0.44	0.60	0.87	0.92	1.02
Diluted shares (used to calculate per share data)	505	505	505	505	505
<b>Growth</b>					
Revenue (%)	2.4	6.9	12.6	7.7	5.7
Operating EBITDA (%)	(0.8)	9.7	5.9	6.5	5.2
Operating EBIT (%)	(0.3)	28.3	7.3	7.6	5.4
Recurring EPS (%)	7.6	45.4	5.3	11.1	8.4
Reported EPS (%)	7.6	45.4	5.3	11.1	8.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	43.2	45.1	45.7	45.9	46.1
Gross margin exc. depreciation (%)	53.7	54.3	54.1	54.2	54.3
Operating EBITDA margin (%)	19.8	20.3	19.1	18.9	18.8
Operating EBIT margin (%)	9.3	11.2	10.7	10.7	10.6
Net margin (%)	5.4	7.4	6.9	7.2	7.3
Effective tax rate (%)	14.4	15.6	15.6	15.6	15.6
Dividend payout on recurring profit (%)	48.9	46.0	63.5	60.2	61.7
Interest cover (X)	3.1	4.6	4.3	4.9	5.5
Inventory days	161.8	145.6	134.9	138.3	139.4
Debtor days	9.2	9.3	9.0	9.0	9.1
Creditor days	140.0	144.5	134.6	138.3	140.8
Operating ROIC (%)	10.7	15.1	16.8	18.7	20.5
ROIC (%)	5.6	7.6	8.3	9.1	9.8
ROE (%)	8.7	12.0	12.0	12.7	13.1
ROA (%)	5.1	6.8	7.2	7.7	8.0
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Retail	5,886	6,230	6,845	7,400	7,825
Online	1,001	903	1,266	1,380	1,490
Project	588	773	782	790	798
Oversea	284	253	337	375	403

Sources: Index Living Mall; FSSIA estimates

## Financial Statements

### Index Living Mall

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	453	659	694	771	836
Depreciation	872	812	844	888	932
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	484	311	195	228	210
<b>Cash flow from operations</b>	<b>1,809</b>	<b>1,782</b>	<b>1,733</b>	<b>1,887</b>	<b>1,978</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(374)	(587)	(647)	(670)	(694)
Net acquisitions & disposals	100	(40)	(25)	(3)	25
Other investments (net)	125	(2)	(2)	(2)	(1)
<b>Cash flow from investing</b>	<b>(150)</b>	<b>(629)</b>	<b>(673)</b>	<b>(675)</b>	<b>(671)</b>
Dividends paid	(222)	(303)	(441)	(464)	(515)
Equity finance	0	0	0	0	0
Debt finance	(1,104)	(674)	106	(827)	125
Other financing cash flows	(333)	(208)	(212)	(198)	(193)
<b>Cash flow from financing</b>	<b>(1,658)</b>	<b>(1,185)</b>	<b>(546)</b>	<b>(1,488)</b>	<b>(584)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>1</b>	<b>(32)</b>	<b>514</b>	<b>(277)</b>	<b>724</b>
Free cash flow to firm (FCFF)	1,905.54	1,367.18	1,305.58	1,447.28	1,528.66
Free cash flow to equity (FCFE)	222.34	270.70	954.21	187.07	1,239.45
<b>Per share (THB)</b>					
FCFF per share	3.77	2.71	2.59	2.87	3.03
FCFE per share	0.44	0.54	1.89	0.37	2.45
Recurring cash flow per share	2.62	2.91	3.05	3.29	3.50
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	12,803	13,001	13,309	13,617	13,925
Less: Accumulated depreciation	(7,891)	(8,314)	(8,819)	(9,344)	(9,890)
<b>Tangible fixed assets (net)</b>	<b>4,912</b>	<b>4,688</b>	<b>4,491</b>	<b>4,273</b>	<b>4,034</b>
<b>Intangible fixed assets (net)</b>	<b>3,244</b>	<b>2,979</b>	<b>2,975</b>	<b>2,957</b>	<b>2,923</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	107	75	588	311	1,035
A/C receivable	509	522	569	620	659
Inventories	1,658	1,586	1,807	1,938	2,041
Other current assets	12	14	15	17	18
<b>Current assets</b>	<b>2,287</b>	<b>2,197</b>	<b>2,980</b>	<b>2,886</b>	<b>3,753</b>
Other assets	1,913	2,168	2,214	2,255	2,279
<b>Total assets</b>	<b>12,356</b>	<b>12,032</b>	<b>12,660</b>	<b>12,371</b>	<b>12,990</b>
Common equity	5,310	5,668	5,921	6,228	6,549
Minorities etc.	1	0	0	0	0
<b>Total shareholders' equity</b>	<b>5,311</b>	<b>5,668</b>	<b>5,921</b>	<b>6,228</b>	<b>6,549</b>
Long term debt	3,603	3,029	2,764	2,743	2,746
Other long-term liabilities	588	615	676	743	793
<b>Long-term liabilities</b>	<b>4,190</b>	<b>3,644</b>	<b>3,440</b>	<b>3,486</b>	<b>3,539</b>
A/C payable	1,630	1,590	1,793	1,950	2,070
Short term debt	1,172	1,072	1,443	638	759
Other current liabilities	53	57	62	69	73
<b>Current liabilities</b>	<b>2,855</b>	<b>2,719</b>	<b>3,299</b>	<b>2,657</b>	<b>2,902</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,356</b>	<b>12,032</b>	<b>12,660</b>	<b>12,371</b>	<b>12,990</b>
Net working capital	497	474	536	556	575
Invested capital	10,567	10,310	10,216	10,041	9,811
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	10.51	11.22	11.73	12.33	12.97
Tangible book value per share	4.09	5.32	5.83	6.48	7.18
<b>Financial strength</b>					
Net debt/equity (%)	87.9	71.0	61.1	49.3	37.7
Net debt/total assets (%)	37.8	33.5	28.6	24.8	19.0
Current ratio (x)	0.8	0.8	0.9	1.1	1.3
CF interest cover (x)	3.4	5.0	7.5	4.6	9.7
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>25.6</b>	<b>17.6</b>	<b>16.7</b>	<b>15.1</b>	<b>13.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>29.8</b>	<b>20.5</b>	<b>19.4</b>	<b>17.5</b>	<b>16.1</b>
Reported P/E (x)	25.6	17.6	16.7	15.1	13.9
Dividend yield (%)	1.9	2.6	3.8	4.0	4.4
Price/book (x)	2.2	2.0	2.0	1.9	1.8
Price/tangible book (x)	5.6	4.3	3.9	3.6	3.2
EV/EBITDA (x) **	9.9	8.7	8.0	7.2	6.6
EV/EBITDA @ target price (x) **	11.0	9.7	8.9	8.1	7.4
EV/invested capital (x)	1.5	1.5	1.5	1.5	1.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Index Living Mall; 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) <sup>1</sup>

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) <sup>2</sup>

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) <sup>3</sup>

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) <sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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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Company	Ticker	Price	Rating	Valuation & Risks
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.
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.
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.
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; and 4) a worse-than-expected effect from El Nino.
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.

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 03-Oct-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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