

HOME PRODUCT CENTER

THAILAND / COMMERCE

HMPRO TB

BUY

UNCHANGED

TARGET PRICE	THB13.60
CLOSE	THB10.80
UP/DOWNSIDE	+25.9%
PRIOR TP	THB16.00
CHANGE IN TP	-15.0%
TP vs CONSENSUS	-11.3%

Potentially weaker-than-expected 4Q23

- We expect a net profit of THB1.58b (+3.1% q-q, -4.5% y-y), down y-y due to slow purchasing power recovery and delayed purchases to benefit from the E-receipt tax campaign.
- Lower 2023-25 forecast to reflect weaker-than-expected purchasing power.
- Maintain our BUY call after decreasing our TP to THB13.60.

4Q23 net profit should be dull due to delayed purchases of big-ticket items to benefit from E-receipts

We anticipate a 4Q23 net profit of THB1.58b, up 3.0% q-q due to a high season, but down 4.5% y-y in line with a projected negative SSSG of 7% due to slow domestic purchasing power recovery, the E-receipt tax campaign, resulting in delayed purchases, and road construction around some HMPRO branches. The gross margin should jump y-y due to increased private brand exposure. The SG&A-to-sales would rise q-q and y-y due to employee bonuses and the expansion of two MegaHome and one HomePro, sending the total store count to 127 by end-2023.

A five-year plan aiming for THB100b revenue by 2028

HMPRO disclosed a five-year plan, aiming to achieve THB100b revenue by 2028, implying a five-year average growth rate of 7-7.5% p.a., an expansion to 170 branches, and an online channel expansion to increase B2B and B2C coverage to raise its new customer base. For 2024, HMPRO has set an investment budget of THB6-8b to fund its branch expansion target of 6-8, 2-3 of which would be a hybrid. Note that the plan is in line with our forecast.

Lower our 2023-25E net profit to factor in a lower-than-expected SSSG

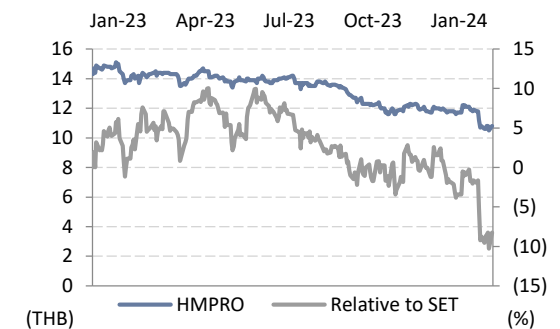
We have decreased our 2023-25E net profit by 3.3%, 6.6%, and 8.2%, respectively, to reflect a slower-than-expected purchasing power recovery. In 4Q23, we expect a negative SSSG of 7%, weakening from 3Q23 when it was -3.6%. In the short term, 1QTD SSSG should remain negative at 4-5% from the slow purchasing power recovery outlook and road construction around some HomePro branches, resulting in lower traffic.

Decrease our TP to THB13.60 but retain a BUY call due to an undemanding valuation

We have lowered our TP to THB13.60 to reflect a weaker-than-expected SSSG, in line with the slow purchasing power recovery outlook. However, we reaffirm our BUY rating on an attractive valuation. HMPRO traded on a 2024E P/E of 21x, its five-year average -2.5SD. Also, we expect the 2024-25 net profit to grow by 7% and 6%, respectively.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	69,389	72,650	77,947	83,555
Net profit	6,219	6,345	6,789	7,212
EPS (THB)	0.47	0.48	0.52	0.55
vs Consensus (%)	-	(3.0)	(4.4)	(8.0)
EBITDA	11,244	11,807	12,654	13,591
Recurring net profit	6,219	6,345	6,789	7,212
Core EPS (THB)	0.47	0.48	0.52	0.55
Chg. In EPS est. (%)	nm	(3.3)	(6.6)	(8.2)
EPS growth (%)	14.3	2.0	7.0	6.2
Core P/E (x)	22.8	22.4	20.9	19.7
Dividend yield (%)	3.5	3.6	3.8	4.1
EV/EBITDA (x)	13.5	13.0	12.2	11.5
Price/book (x)	5.9	5.6	5.3	5.0
Net debt/Equity (%)	40.8	43.6	46.7	50.2
ROE (%)	26.4	25.5	26.0	26.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.7)	(6.9)	(26.5)
Relative to country (%)	(5.0)	(6.1)	(10.2)
Mkt cap (USD m)	3,994		
3m avg. daily turnover (USD m)	7.6		
Free float (%)	42		
Major shareholder	Land & Houses (30%)		
12m high/low (THB)	15.10/10.40		
Issued shares (m)	13,151.12		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

HMPRO is the leader in the retail home improvement business, with a market share of over 35% and sales revenue of THB65b in 2022. Established in 1995, it is a joint venture between Land and Houses and Quality Houses.

Its stores are mainly in Bangkok and vicinity. They accounted for over 36% of total stores. Also, the Central, the North East, and the South have 15%, while the North and the East have 10-15%, respectively. However, the ones in Bangkok and its vicinity generated over 40-50% of total revenue.

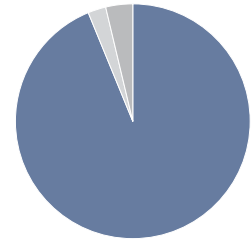
Company profile

HMPRO is the leader in the home improvement business. It has comprehensive product and service offerings for buildings, homes, and residential units' construction, decoration, expansion, repair, and improvement, targeting mid-to-high-end customers. In 2011-12, HMPRO expanded its HMPRO unit to Malaysia and its retail and wholesale units, focusing on building materials and structural products under the MegaHome brand. Also, it operates a space rental business under the Market Village brand.

www.homepro.co.th

Principal activities (revenue, 2022)

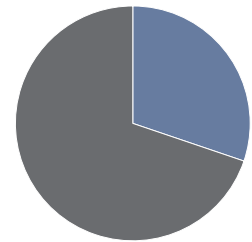
- Sales - 93.8 %
- Rental and service - 2.5 %
- Others - 3.7 %



Source: Home Product Center

Major shareholders

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



Source: Home Product Center

Catalysts

Potential catalysts to our TP include 1) domestic consumption and tourism recoveries, 2) the consumption stimulus to boost domestic purchasing power, 3) an increase of 1-2% p.a. in the house-brand sales to raise the gross margin, and 4) sales promotion, such as trade-in.

Risks to our call

Key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) slower-than-expected recovery in domestic consumption and tourist arrivals, and 3) operating losses from overseas units.

Event calendar

Date	Event
Feb 2024	4Q23 results announcement

Key assumptions

HMPRO	2023E (%)	2024E (%)	2025E (%)
SSSG	0.5	5.0	5.0
New store growth	8.5	5.5	5.2
Gross profit margin	26.4	26.4	26.6
SG&A to sales	19.7	19.6	19.7

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2024 net profit to rise by 1.9%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2024 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A, we estimate 2024 net profit to fall by 0.9%, and vice versa, all else being equal.

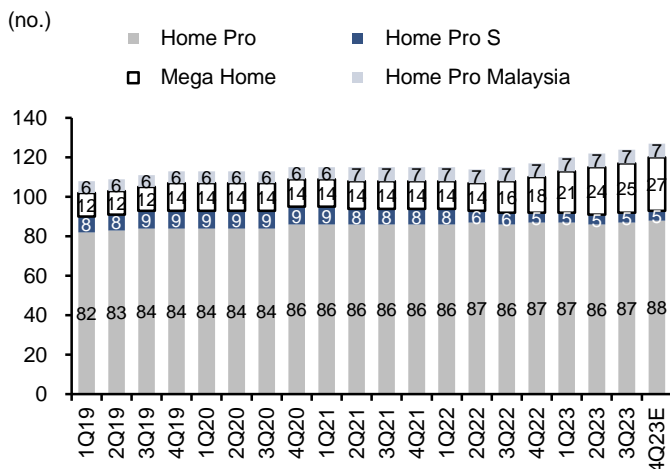
Source: FSSIA estimates

Exhibit 1: 4Q23 results preview

YE Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23E	Change		2023E	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Total revenue	18,468	18,252	18,903	17,491	18,005	2.9	(2.5)	72,650	77,947	7.3
Retail sales	17,115	17,223	17,789	16,390	16,656	1.6	(2.7)	68,058	73,189	7.5
Rental and service income	464	477	464	434	458	5.6	(1.3)	1,833	1,971	7.5
Other income	889	551	650	666	891	33.7	0.2	2,758	2,786	1.0
Gross profit	5,626	5,328	5,593	5,280	5,618	6.4	(0.2)	21,819	23,280	6.7
Operating costs	(3,493)	(3,192)	(3,466)	(3,237)	(3,521)	8.8	0.8	(13,416)	(14,368)	7.1
Operating profit	2,134	2,135	2,127	2,043	2,097	2.6	(1.7)	8,403	8,913	6.1
Other income (expense)	8	2	11	(1)	10	(1,592)	16.6	22	34	55.8
Interest expense	(130)	(133)	(130)	(138)	(141)	1.8	8.8	(543)	(565)	4.1
Profit before tax	2,016	2,004	2,008	1,904	1,966	3.2	(2.5)	7,882	8,382	6.3
Tax	(362)	(393)	(388)	(371)	(385)	3.7	6.3	(1,537)	(1,593)	3.6
Reported net profit	1,654	1,611	1,620	1,533	1,581	3.1	(4.4)	6,345	6,789	7.0
Recurring net profit	1,654	1,611	1,620	1,533	1,581	3.1	(4.4)	6,345	6,789	7.0
EPS (THB)	0.13	0.12	0.12	0.12	0.12	3.1	(4.5)	0.48	0.52	7.0
Recurring EPS (THB)	0.13	0.12	0.12	0.12	0.12	3.1	(4.5)	0.48	0.52	7.0
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Retail sales margin	26.1	26.1	26.3	26.7	26.6	(0.1)	0.5	26.4	26.4	(0.0)
Operating margin	12.5	12.4	12.0	12.5	12.6	0.1	0.1	12.3	12.2	(0.2)
Recurring net margin	9.0	8.8	8.6	8.8	8.8	0.0	(0.2)	8.7	8.7	(0.0)
SG&A / sales	20.4	18.5	19.5	19.7	21.1	1.4	0.7	19.7	19.6	(0.1)
Operating statistics										
SSSG (%)										
HomePro	3.0	5.8	5.0	(3.6)	(7.0)			0.5	5.0	
MegaHome	0.0	0.0	(2.0)	(1.5)	(6.0)			0.0	2.0	
HomePro-Malaysia	12.0	8.0	(11.0)	(6.0)	(2.0)			(5.0)	3.0	
Number of stores (no.)										
Home Pro	87	87	86	87	88			88	90	
Home Pro S	5	5	5	5	5			5	7	
Mega Home	18	21	24	25	27			27	30	
Home Pro Malaysia	7	7	7	7	7			7	7	

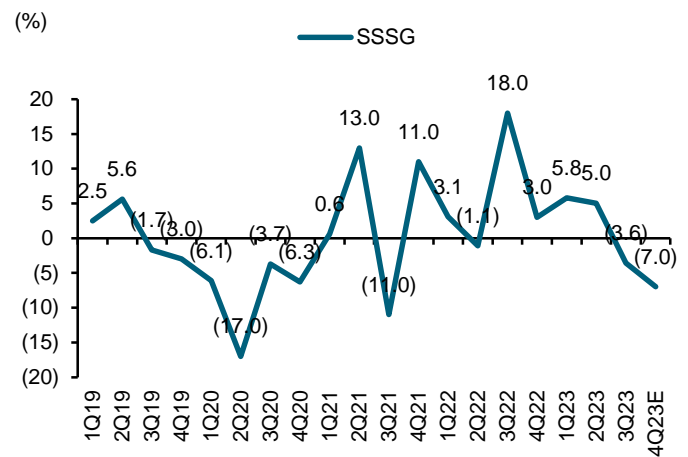
Sources: HMPRO; FSSIA estimates

Exhibit 2: Stores breakdown by format



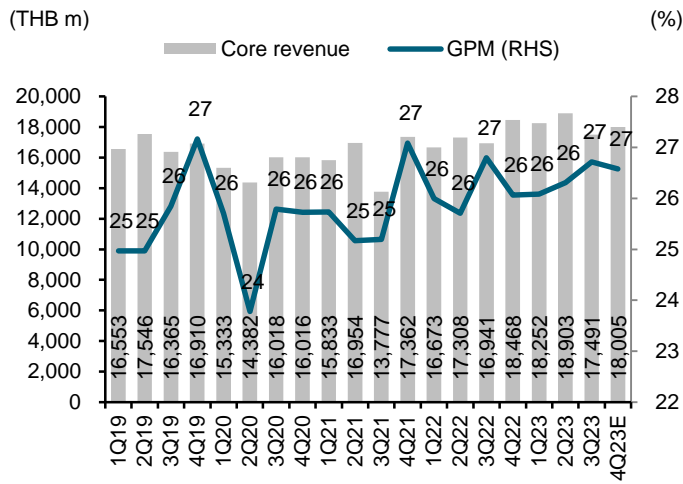
Sources: HMPRO; FSSIA estimates

Exhibit 3: Quarterly same-store sales growth (SSSG)



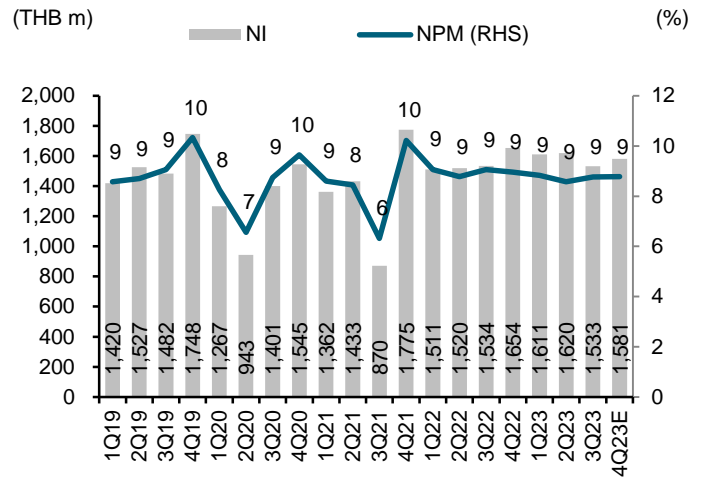
Sources: HMPRO; FSSIA estimates

Exhibit 4: Quarterly revenue and GPM



Sources: HMPRO; FSSIA estimates

Exhibit 5: Quarterly net income and NPM



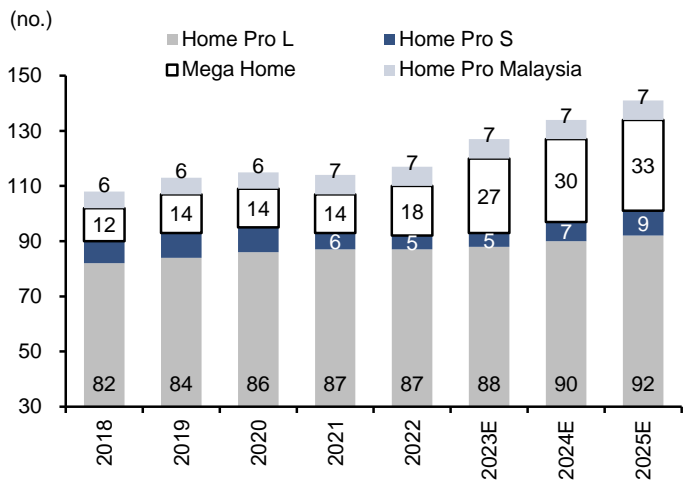
Sources: HMPRO; FSSIA estimates

Exhibit 6: Revise earnings downward to account for lower-than-expected SSSG

	Current			Previous			Change		
	2023E	2024E	2025E	2022E	2023E	2024E	2022E	2023E	2024E
Revenues (THB m)	72,650	77,947	83,555	75,128	81,242	87,726	(3.3)	(4.1)	(4.8)
SSSG (%)	0.5	5.0	5.0	5.0	5.0	5.0	(4.5)	0.0	0.0
Gross margin (%)	26.4	26.4	26.6	26.2	26.4	26.6	0.2	0.0	0.0
Private brand proportion (%)	21.5	22.3	23.0	21.5	22.3	23.0	0.0	0.0	0.0
No. of new stores	10	7	7	10	9	9	0.0	(2.0)	(2.0)
SG&A expenses to sales (%)	19.7	17.5	17.4	19.3	17.5	17.4	0.4	0.0	0.0
Net profit (THB m)	6,345	6,789	7,212	6,564	7,268	7,860	(3.3)	(6.6)	(8.2)

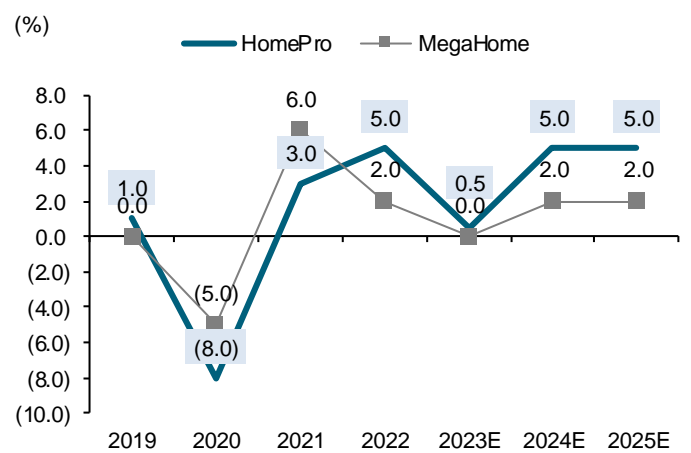
Source: FSSIA estimates

Exhibit 7: Stores breakdown by format



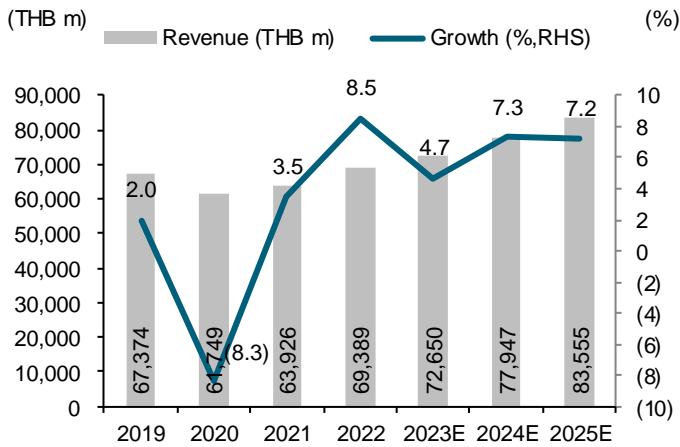
Sources: HMPRO; FSSIA estimates

Exhibit 8: SSSG breakdown by format



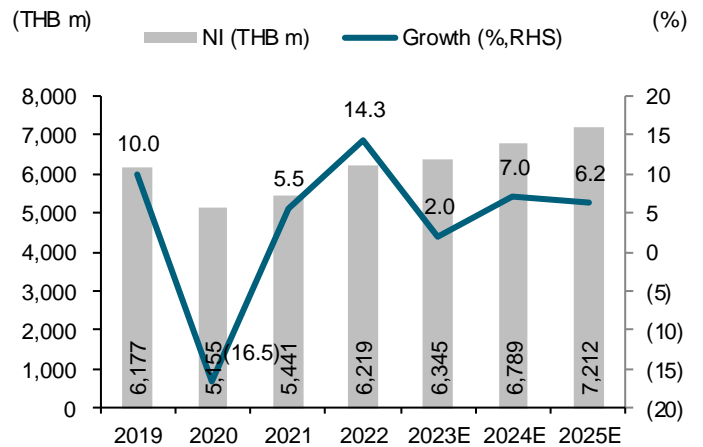
Sources: HMPRO; FSSIA estimates

Exhibit 9: Yearly revenue and growth



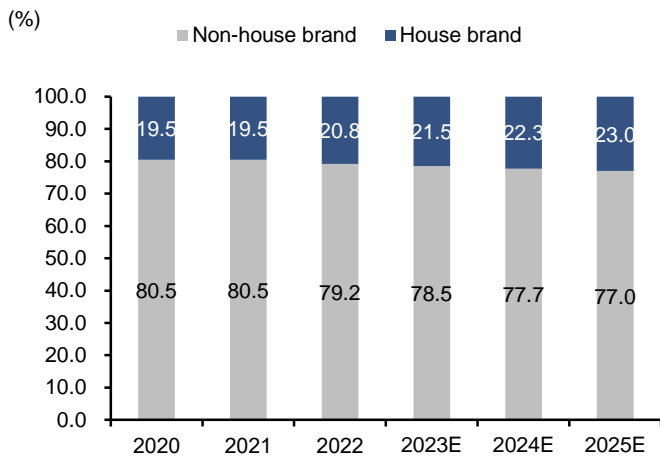
Sources: HMPRO; FSSIA estimates

Exhibit 10: Yearly net income and growth



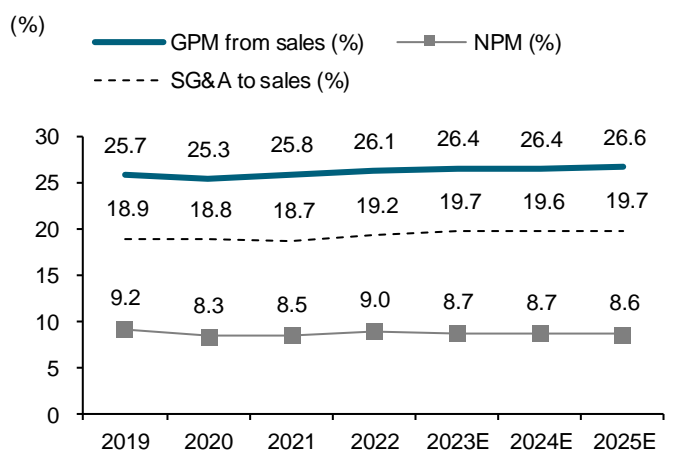
Sources: HMPRO; FSSIA estimates

Exhibit 11: Increase proportion of house brand



Sources: HMPRO; FSSIA estimates

Exhibit 12: Profitability



Sources: HMPRO; FSSIA estimates

Exhibit 13: DCF-based valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	6.6	
Terminal growth	2.0	
NPV		54
Add: terminal value		138
Sum of PV		191
Add: investment		0
Less: debt		13
Less: minorities		0
Residual ordinary equity		179
No. of shares (m)		13,151
Residual ordinary equity (THB/share)		13.6

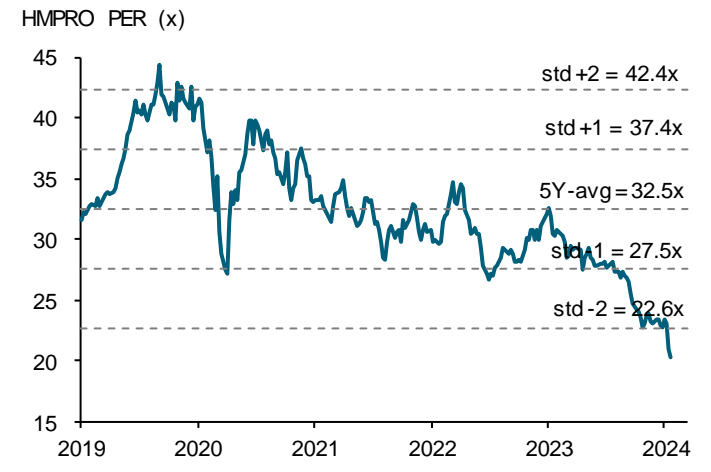
Source: FSSIA estimates

Exhibit 14: Sensitivity to 2024 target price

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.6%	14.6	16.1	17.9	20.4	23.8
	6.1%	13.0	14.1	15.5	17.3	19.6
	6.6%	11.6	12.5	13.6	14.9	16.7
	7.1%	10.5	11.2	12.1	13.1	14.4
	7.6%	9.6	10.2	10.8	11.7	12.7

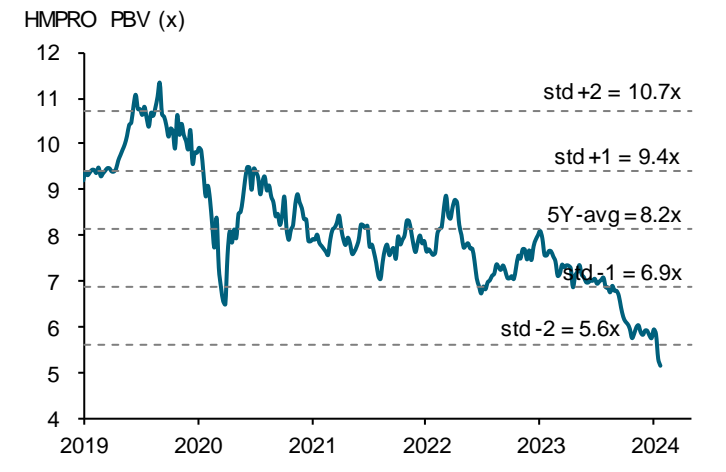
Sources: FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Commerce peers as of 29 January 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Consumer Staple														
CP All	CPALL TB	BUY	52.50	77.00	47	13,260	27.3	23.5	16.4	17.5	4.7	4.3	19.8	17.6
CP Aextra	CPAXT TB	BUY	29.00	36.00	24	8,627	35.7	28.9	2.9	3.6	1.0	1.0	10.8	10.1
Berli Jucker*	BJC TB	n/a	23.70	n/a	n/a	2,670	19.6	16.8	4.1	4.6	0.8	0.8	12.6	12.0
Consumer Staple average						24,557	27.5	23.1	7.8	8.6	2.2	2.0	14.4	13.2
Consumer Discretionary														
Com7	COM7 TB	BUY	21.60	30.00	39	1,448	16.5	14.8	41.6	41.7	6.6	5.8	11.7	10.6
Central Retail Corp	CRC TB	BUY	35.00	48.00	37	5,935	25.8	22.1	12.6	13.4	3.1	2.8	13.5	12.0
Home Improvement														
Index Living Mall	ILM TB	BUY	22.00	26.70	21	312	16.0	14.4	12.0	12.7	1.9	1.8	7.7	7.0
Home Product Center	HMPRO TB	BUY	10.80	13.60	26	3,994	22.4	20.9	25.5	26.0	5.6	5.3	13.0	12.2
Siam Global House	GLOBAL TB	BUY	15.40	18.00	17	2,166	28.0	25.5	12.1	12.2	3.2	3.0	21.1	19.3
Dohome	DOHOME TB	BUY	10.20	13.00	27	886	53.0	28.3	4.9	8.5	2.5	2.3	23.9	17.7
Home Improvement avg.						7,357	29.8	22.3	13.6	14.9	3.3	3.1	16.4	14.0
Consumer Discretionary avg.						14,741	26.9	21.0	18.1	19.1	3.8	3.5	15.2	13.1
Total average						39,298	27.1	21.7	14.7	15.6	3.3	3.0	14.9	13.2

Sources: *Bloomberg; FSSIA estimates

Financial Statements

Home Product Center

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	63,926	69,389	72,650	77,947	83,555
Cost of goods sold	(45,534)	(48,783)	(50,831)	(54,666)	(58,557)
Gross profit	18,392	20,607	21,819	23,280	24,998
Other operating income	-	-	-	-	-
Operating costs	(11,326)	(12,519)	(13,416)	(14,368)	(15,520)
Operating EBITDA	10,274	11,244	11,807	12,654	13,591
Depreciation	(3,208)	(3,156)	(3,404)	(3,741)	(4,113)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,066	8,088	8,403	8,913	9,478
Net financing costs	(408)	(428)	(521)	(531)	(574)
Associates	0	0	0	0	0
Recurring non-operating income	(23)	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	6,634	7,660	7,882	8,382	8,904
Tax	(1,194)	(1,441)	(1,537)	(1,593)	(1,692)
Profit after tax	5,441	6,219	6,345	6,789	7,212
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	5,441	6,219	6,345	6,789	7,212
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	5,441	6,219	6,345	6,789	7,212
Per share (THB)					
Recurring EPS *	0.41	0.47	0.48	0.52	0.55
Reported EPS	0.41	0.47	0.48	0.52	0.55
DPS	0.32	0.38	0.39	0.41	0.44
Diluted shares (used to calculate per share data)	13,151	13,151	13,151	13,151	13,151
Growth					
Revenue (%)	3.5	8.5	4.7	7.3	7.2
Operating EBITDA (%)	4.6	9.4	5.0	7.2	7.4
Operating EBIT (%)	6.4	14.5	3.9	6.1	6.3
Recurring EPS (%)	5.5	14.3	2.0	7.0	6.2
Reported EPS (%)	5.5	14.3	2.0	7.0	6.2
Operating performance					
Gross margin inc. depreciation (%)	28.8	29.7	30.0	29.9	29.9
Gross margin exc. depreciation (%)	33.8	34.2	34.7	34.7	34.8
Operating EBITDA margin (%)	16.1	16.2	16.3	16.2	16.3
Operating EBIT margin (%)	11.1	11.7	11.6	11.4	11.3
Net margin (%)	8.5	9.0	8.7	8.7	8.6
Effective tax rate (%)	18.0	18.8	19.5	19.0	19.0
Dividend payout on recurring profit (%)	77.4	80.4	80.4	80.4	80.4
Interest cover (X)	17.3	18.9	16.1	16.8	16.5
Inventory days	98.8	104.8	107.4	106.4	107.4
Debtor days	9.8	9.8	10.6	10.5	10.5
Creditor days	116.5	119.1	124.3	122.7	123.3
Operating ROIC (%)	22.3	24.7	23.9	23.7	23.3
ROIC (%)	15.3	16.5	15.8	15.7	15.5
ROE (%)	24.5	26.4	25.5	26.0	26.2
ROA (%)	10.1	10.6	10.0	9.9	9.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Sales	60,568	65,091	68,058	73,189	78,624
Rental and service	1,223	1,721	1,833	1,971	2,118
Others	2,135	2,578	2,758	2,786	2,814

Sources: Home Product Center; FSSIA estimates

Financial Statements

Home Product Center

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	5,441	6,219	6,345	6,789	7,212
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	(61)	(51)	(66)
Cash flow from operations	7,438	9,763	9,688	10,480	11,259
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	37	191	150
Other investments (net)	(86)	(914)	(324)	(526)	(557)
Cash flow from investing	(1,944)	(5,837)	(5,832)	(6,434)	(7,115)
Dividends paid	(4,208)	(4,997)	(5,099)	(5,456)	(5,795)
Equity finance	0	0	0	0	0
Debt finance	(22)	1,946	2,982	809	2,308
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,230)	(3,052)	(2,117)	(4,646)	(3,488)
Non-recurring cash flows	0	0	0	0	0
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1,263	874	1,739	(601)	656
Free cash flow to firm (FCFF)	5,909.04	4,370.42	4,398.54	4,610.86	4,752.50
Free cash flow to equity (FCFE)	5,471.66	5,871.79	6,837.87	4,854.78	6,451.32

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	0.45	0.33	0.33	0.35	0.36
FCFE per share	0.42	0.45	0.52	0.37	0.49
Recurring cash flow per share	0.66	0.71	0.74	0.80	0.86

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	52,164	55,912	61,457	67,556	74,265
Less: Accumulated depreciation	(24,580)	(26,444)	(29,848)	(33,589)	(37,702)
Tangible fixed assets (net)	27,584	29,469	31,609	33,967	36,563
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	4,546	5,420	7,159	6,559	7,214
A/C receivable	1,675	2,069	2,166	2,324	2,491
Inventories	12,572	13,630	14,272	15,424	16,602
Other current assets	127	311	325	349	374
Current assets	18,920	21,430	23,923	24,655	26,681
Other assets	12,082	14,286	14,957	16,048	17,203
Total assets	58,586	65,185	70,490	74,670	80,447
Common equity	22,890	24,246	25,492	26,826	28,242
Minorities etc.	0	0	0	0	0
Total shareholders' equity	22,890	24,246	25,492	26,826	28,242
Long term debt	8,943	9,056	10,820	11,299	12,665
Other long-term liabilities	6,242	7,398	7,746	8,310	8,908
Long-term liabilities	15,185	16,454	18,566	19,609	21,573
A/C payable	13,973	15,812	16,490	17,749	19,028
Short term debt	4,414	6,248	7,465	7,796	8,738
Other current liabilities	2,123	2,425	2,476	2,690	2,866
Current liabilities	20,510	24,485	26,431	28,235	30,632
Total liabilities and shareholders' equity	58,586	65,184	70,489	74,670	80,447
Net working capital	(1,722)	(2,227)	(2,202)	(2,342)	(2,427)
Invested capital	37,945	41,528	44,365	47,673	51,339

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	1.74	1.84	1.94	2.04	2.15
Tangible book value per share	1.74	1.84	1.94	2.04	2.15

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	38.5	40.8	43.6	46.7	50.2
Net debt/total assets (%)	15.0	15.2	15.8	16.8	17.6
Current ratio (x)	0.9	0.9	0.9	0.9	0.9
CF interest cover (x)	19.4	26.5	24.8	21.6	23.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	26.1	22.8	22.4	20.9	19.7
Recurring P/E @ target price (x) *	32.9	28.8	28.2	26.3	24.8
Reported P/E (x)	26.1	22.8	22.4	20.9	19.7
Dividend yield (%)	3.0	3.5	3.6	3.8	4.1
Price/book (x)	6.2	5.9	5.6	5.3	5.0
Price/tangible book (x)	6.2	5.9	5.6	5.3	5.0
EV/EBITDA (x) **	14.7	13.5	13.0	12.2	11.5
EV/EBITDA @ target price (x) **	18.3	16.8	16.1	15.1	14.2
EV/invested capital (x)	4.0	3.7	3.5	3.2	3.0

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

Sources: Home Product Center; FSSIA estimates

Home Product Center PCL (HMPRO TB)

FSSIA ESG rating

87.20 /100
Exhibit 18: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★☆☆☆	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 19: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
DOHOME	42.34	--	--	--	5.00	5.00	Declared	Medium	37.50	--	--	37.19	20.00	4.17	46.91
GLOBAL	59.18	--	Y	Y	5.00	5.00	Declared	Low	53.10	--	--	36.48	41.00	3.24	52.38
HMPRO	87.20	Y	Y	Y	5.00	5.00	Certified	Low	66.54	AA	37.00	65.78	81.00	5.36	62.59
ILM	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
MEGA	54.48	--	Y	Y	4.00	4.00	Declared	Medium	66.56	--	--	58.59	24.00	2.39	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
Exhibit 20: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.33	2.48	3.72	3.82	3.88	3.90	4.43	5.36
BESG environmental pillar score	0.72	0.90	1.00	1.21	1.16	1.36	2.58	4.21
BESG social pillar score	3.21	3.22	7.34	7.42	7.72	7.47	7.70	8.17
BESG governance pillar score	3.47	3.69	3.92	3.83	3.85	3.82	3.62	4.08
ESG disclosure score	49.20	49.20	53.02	53.90	58.58	59.11	60.32	62.59
Environmental disclosure score	28.39	28.39	39.08	41.71	41.71	41.71	41.71	45.15
Social disclosure score	35.49	35.49	36.28	36.28	50.33	51.93	55.56	58.95
Governance disclosure score	83.59	83.59	83.59	83.59	83.59	83.59	83.59	83.59
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 1	1	1	1	1	0	0	0	0
GHG scope 2 location-based	91	85	92	84	85	63	64	71
GHG Scope 3	23	23	23	27	28	27	26	26
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	—	—	—	198
Renewable energy use	—	—	—	—	—	—	—	51
Electricity used	159	158	158	144	147	112	136	146
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 21: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	2	2	2	1	2	2
Waste recycled	—	—	2	2	2	1	2	2
Waste sent to landfills	—	—	—	0	0	0	0	0
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	931	872	858	895	934	712	840	898
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	Yes	Yes	Yes	No
Pct women in workforce	46	47	49	51	52	49	50	50
Pct disabled in workforce	1	1	1	1	1	1	1	1
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	Yes
Number of employees – CSR	9,280	9,238	8,172	8,221	8,351	10,771	10,601	11,359
Employee turnover pct	23	24	20	18	20	20	17	20
Total hours spent by firm - employee training	640,876	713,543	398,140	407,186	449,534	240,193	251,456	353,151
Social supply chain management	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	12	12	11	11	11	11	11	12
No. of independent directors (ID)	4	4	4	4	4	4	4	4
No. of women on board	1	1	1	1	1	1	1	1
No. of non-executive directors on board	11	11	10	10	9	9	9	10
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	12	12	12	12	12	14	12	12
Board meeting attendance pct	95	96	97	95	98	99	98	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	40	41	42	43	44	45	46	47
Age of the oldest director	70	71	72	73	74	75	76	77
No. of executives / company managers	17	16	17	19	18	21	25	24
No. of female executives	8	9	10	11	13	14	14	13
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	12	12	12	12	12	12	12	12
Audit meeting attendance %	100	97	100	100	97	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	1	1	1	1	1	1	1	1
No. of compensation committee meetings	3	2	2	2	2	2	2	4
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	3	2	2	2	2	2	2	4
Nomination meeting attendance %	100	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). (<i>The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.</i>)	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (<i>Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.</i>)	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																				
		<table border="1"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (<i>Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.</i>)																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Home Product Center	HMPRO TB	THB 10.80	BUY	Key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) slower-than-expected recovery in domestic consumption and tourist arrivals, and 3) operating losses from overseas units.
CP All	CPALL TB	THB 52.50	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
CP Axtra	CPAXT TB	THB 29.00	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 21.60	BUY	Downside risks to our P/E-based TP include 1) lower consumption and domestic purchasing power, 2) store cannibalization, and 3) product shortages.
Central Retail Corp	CRC TB	THB 35.00	BUY	Downside risks to our DCF-based TP include 1) a decline in domestic purchasing power, 2) lower-than-expected tourist arrivals, 3) an absence of the government's stimulus, and 4) a slower-than-expected economic recovery in Vietnam.
Index Living Mall	ILM TB	THB 22.00	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.
Siam Global House	GLOBAL TB	THB 15.40	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 10.20	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.

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 29-Jan-2024 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.