

## HOME PRODUCT CENTER

THAILAND / COMMERCE

## HMPRO TB

BUY

UNCHANGED

TARGET PRICE	THB13.20
CLOSE	THB9.15
UP/DOWNSIDE	+44.3%
PRIOR TP	THB13.20
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+12.1%

## The situation is still quite challenging

- We anticipate a 4Q24 core profit of THB1.7b (+18% q-q, +2% y-y), driven by new store sales and GPM from MegaHome house brand.
- For 2025, we expect SSSG to turn positive at 3% with a higher GPM, focused on driving sales of house brand products.
- Maintain BUY as dividend play with 4-5% yield and TP of THB13.2.

## We have neutral view on 4Q24E earnings

We expect a 4Q24 core profit of THB1.7b (+18% q-q, +2% y-y). The q-q increase is from seasonal effect and the y-y increase is from new store sales and a gross margin expansion from MegaHome's house brand. For 2024, we expect nine new stores totaling 137 stores. During 4Q24, three new stores were opened for HomePro, with one new store for MegaHome. We expect HomePro's SSSG to still be negative at 1% in 4Q24, due to a slow recovery in purchasing power and impacted by Ratchaphruek road construction by c1%. MegaHome's SSSG should turn positive at 4%, recovering from 3Q24's -3.9% due to benefitting from the post flood situation in the North and the government's budget disbursement normalization, including cash handouts to vulnerable groups.

## Operating margin driven by MegaHome's house brand

We expect a 4Q24 gross margin of 27.5% (3Q24: 27.1%, 4Q23: 27.3%). This expansion is thanks to an increase in MegaHome's house brand and a softer electrical appliance mix y-y due to switching events from HomePro Expo to HomePro Super Expo in stores themselves. We expect SG&A to sales of 20.4% (3Q24: 20.1%, 4Q23: 20.8%), decreasing 40bps y-y from electricity costs and pre-operating expenses thanks to the opening of more hybrid stores, helping to save pre-operating expenses.

## We expect earnings growth of c6-7% in 2025-26

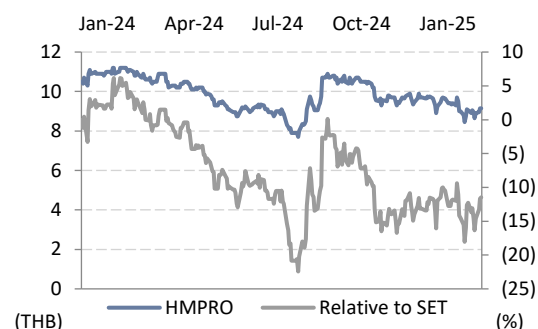
We fine-tune our 2024 net profit forecast by +1% and 2025-26 by +2-4%. In 2025, we expect SSSG for HomePro and MegaHome to turn positive at 3% and anticipate the opening of seven new stores, mostly in the hybrid store format, which uses less CAPEX and OPEX than the standalone format. Additionally, HMPRO plans to install solar roofs at c20 more sites per year, with c70 sites having already been completed. In terms of gross margin improvement, the focus remains on driving sales of house brand products for both HMPRO and MegaHome.

## We maintain our BUY as a dividend play with TP of THB13.2

We maintain our BUY recommendation with a TP of THB13.2. The key attraction of HMPRO remains its higher dividend yield compared to peers, expected at 4-5% in 2025, based on an 80% payout ratio. However, HMPRO's growth still faces some challenges, including a slow recovery in purchasing power and the real estate sector, including increased competition from Thai Watsadu, which has been aggressively expanding its stores.

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	72,822	72,922	77,161	81,561
Net profit	6,442	6,481	6,935	7,330
EPS (THB)	0.49	0.49	0.53	0.56
vs Consensus (%)	-	(2.6)	(1.1)	(4.3)
EBITDA	11,948	12,410	13,314	14,193
Recurring net profit	6,442	6,481	6,935	7,330
Core EPS (THB)	0.49	0.49	0.53	0.56
Chg. In EPS est. (%)	-	0.7	2.3	4.3
EPS growth (%)	3.6	0.6	7.0	5.7
Core P/E (x)	18.7	18.6	17.4	16.4
Dividend yield (%)	4.4	4.4	4.7	5.0
EV/EBITDA (x)	11.0	10.7	10.0	9.5
Price/book (x)	4.7	4.5	4.3	4.1
Net debt/Equity (%)	44.5	45.3	46.8	47.0
ROE (%)	25.9	24.8	25.3	25.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.2)	(5.2)	(15.3)
Relative to country (%)	(1.1)	2.4	(13.2)
Mkt cap (USD m)	3,564		
3m avg. daily turnover (USD m)	7.4		
Free float (%)	42		
Major shareholder	Land & Houses (30%)		
12m high/low (THB)	11.60/7.65		
Issued shares (m)	13,151.12		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

HMPRO is a leader in the retail home improvement business in Thailand. Established in 1995, it is a joint venture between Land and Houses and Quality Houses. HMPRO's stores are mainly located in Bangkok and its vicinity, accounting for over 36% of total stores. The Central, the North East, and the South have 15% of the stores, while the North and the East have 10% and 15%, respectively. However, the ones in Bangkok and its vicinity generate 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](http://www.homepro.co.th)

### Principal activities (revenue, 2023)

Sales - 93.8 %

Rental and service - 2.6 %

Others - 3.6 %

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 promotions, such as trade-ins.

### 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
25 Feb 2025	4Q24 results announcement

### Key assumptions

HMPRO	2023A	2024E	2025E	2026E
	(%)	(%)	(%)	(%)
SSSG	(0.5)	(4.0)	3.0	3.0
New store growth	9.4	7.0	5.1	4.9
Gross profit margin	26.6	26.7	26.8	26.9
SG&A to sales	19.6	19.5	19.5	19.5

Source: FSSIA estimates

- ### Earnings sensitivity
- For every 1% increase in SSSG, we estimate 2025 net profit to rise by 2.1%, and vice versa, all else being equal.
  - For every 0.1% increase in GPM, we estimate 2025 net profit to rise by 0.9%, and vice versa, all else being equal.
  - For every 0.1% increase in SG&A, we estimate 2025 net profit to fall by 0.9%, and vice versa, all else being equal.

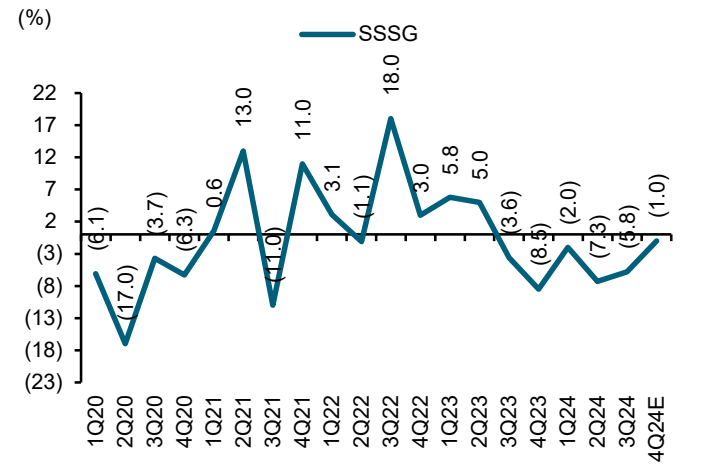
Source: FSSIA estimates

Exhibit 1: HMPRO – 4Q24 results preview

YE Dec 31	4Q23	1Q24	2Q24	3Q24	4Q24E	----- Change -----		2024E	Change	2025E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(THB m)	(y-y%)
Total revenue	18,177	18,788	18,535	17,013	18,586	9	2	72,922	0.1	77,161	5.8
Retail sales	16,881	17,664	17,398	15,930	17,307	9	3	68,299	0.0	72,346	5.9
Rental and service income	507	451	458	467	484	3	(5)	1,860	(1.2)	1,970	5.9
Other income	788	673	679	615	795	29	1	2,762	4.0	2,845	3.0
Gross profit	5,717	5,563	5,501	5,192	5,834	12	2	22,090	0.8	23,445	6.1
Operating costs	(3,507)	(3,273)	(3,339)	(3,203)	(3,534)	10	1	(13,349)	(0.4)	(14,137)	5.9
Operating profit	2,210	2,289	2,162	1,989	2,300	16	4	8,740	2.6	9,307	6.5
Other income (expense)	13	8	22	(36)	15	(143)	18	10	(64.4)	34	248.7
Interest expense	(166)	(158)	(162)	(180)	(188)	5	13	(687)	21.2	(672)	(2.3)
Profit before tax	2,058	2,140	2,022	1,773	2,126	20	3	8,061	1.1	8,668	7.5
Tax	(380)	(427)	(401)	(331)	(421)	27	11	(1,580)	3.1	(1,734)	9.7
Reported net profit	1,677	1,713	1,622	1,442	1,705	18	2	6,481	0.6	6,935	7.0
Recurring net profit	1,677	1,713	1,622	1,442	1,705	18	2	6,481	0.6	6,935	7.0
EPS (THB)	0.13	0.13	0.12	0.11	0.13	18	2	0.49	0.6	0.53	7.0
Recurring EPS (THB)	0.13	0.13	0.12	0.11	0.13	18	2	0.49	0.6	0.53	7.0
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	(%)	(ppt)
Retail sales margin	27.3	26.2	26.3	27.1	27.5	0.5	0.2	26.7	0.1	26.8	0.1
Rental margin	61.9	56.4	55.1	57.1	55.5	(1.6)	(6.4)	60.0	1.8	61.0	1.0
Operating margin	13.1	13.0	12.4	12.5	13.3	0.8	0.2	12.8	0.3	12.9	0.1
Recurring net margin	9.2	9.1	8.7	8.5	9.2	0.7	(0.1)	8.9	0.0	9.0	0.1
SG&A / sales	20.8	18.5	19.2	20.1	20.4	0.3	(0.4)	19.5	(0.1)	19.5	(0.0)
Operating statistics											
SSSG (%)											
HomePro	(8.5)	(2.0)	(7.3)	(5.8)	(1.0)			(4.0)		3.0	
MegaHome	(7.0)	(4.0)	(1.3)	(3.9)	4.0			(2.0)		3.0	
HomePro-Malaysia	(2.0)	1.0	(10.4)	(1.4)	(3.0)			(3.5)		3.0	
Number of stores (no.)											
Home Pro	89	89	90	92	95			95		99	
Home Pro S	5	5	5	5	5			5		5	
Mega Home	27	27	28	29	30			30		33	
Home Pro Malaysia	7	7	7	7	7			7		7	

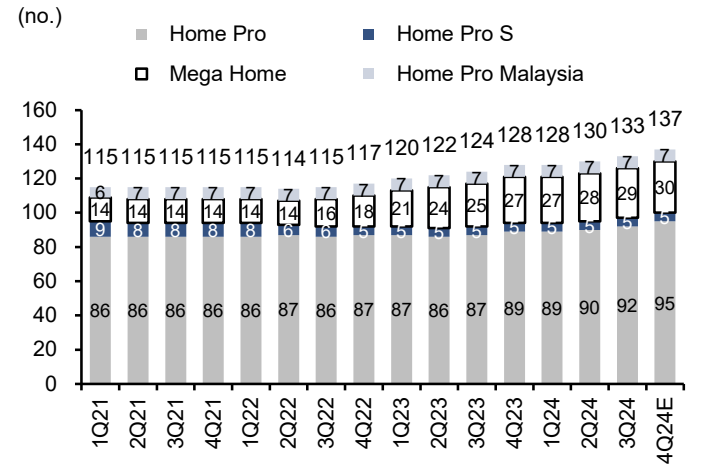
Sources: HMPRO; FSSIA estimates

Exhibit 2: HMPRO's SSSG



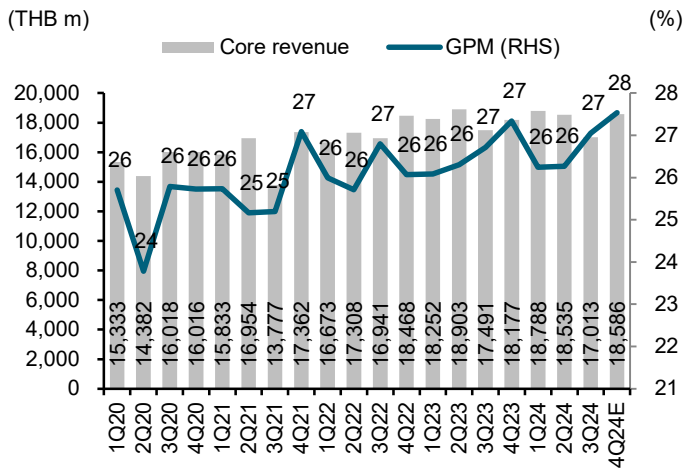
Sources: HMPRO; FSSIA estimates

Exhibit 3: Store expansion



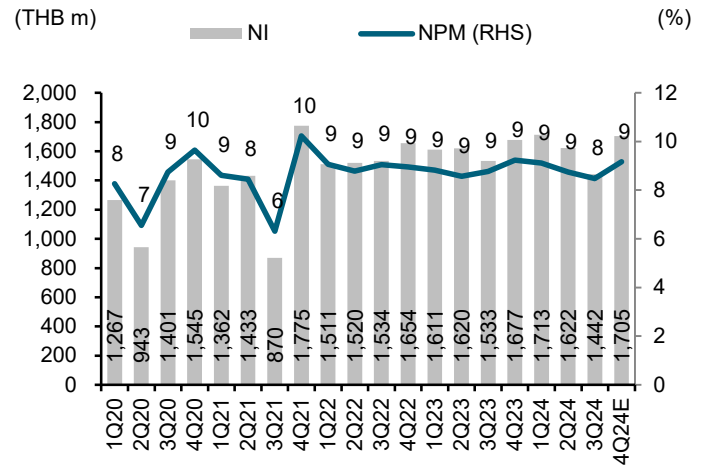
Sources: HMPRO; FSSIA estimates

Exhibit 4: Quarterly revenue and GPM



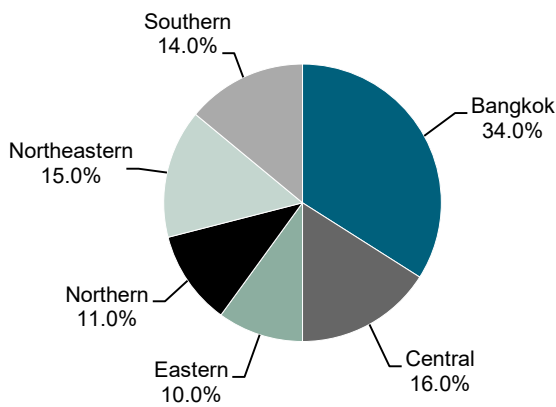
Sources: HMPRO; FSSIA estimates

Exhibit 5: Quarterly net profit and NPM



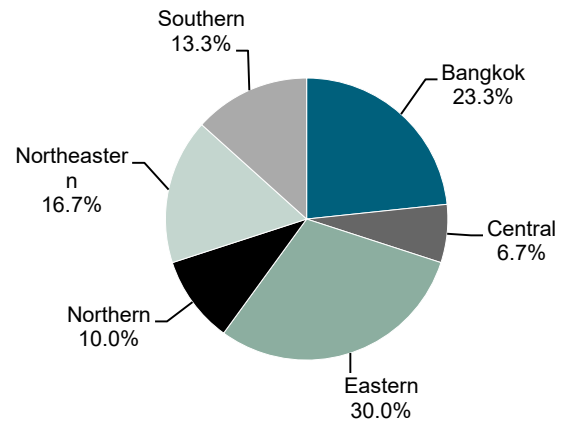
Sources: HMPRO; FSSIA estimates

Exhibit 6: HomePro stores breakdown by region



Sources: HMPRO; FSSIA estimates

Exhibit 7: MegaHome stores breakdown by region



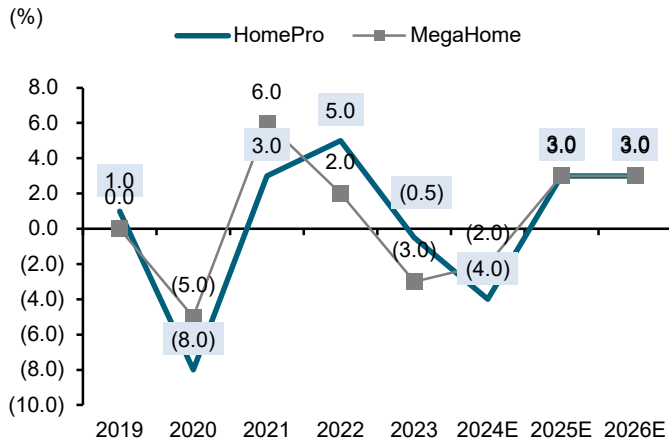
Sources: HMPRO; FSSIA estimates

Exhibit 8: Changes in key assumptions

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue (THB m)	72,922	77,161	81,561	72,872	77,094	81,475	0.1	0.1	0.1
SSSG (%)	(4.0)	3.0	3.0	(4.0)	3.0	3.0	0.0	0.0	0.0
Gross margin (%)	26.7	26.8	26.9	26.7	26.8	26.9	(0.0)	(0.0)	(0.0)
Private brand proportion (%)	21.0	21.3	21.6	21.0	21.3	21.6	0.0	0.0	0.0
No. of new stores	9	7	7	7	7	7	2.0	0.0	0.0
SG&A expenses to sales (%)	19.5	19.5	19.5	19.8	19.9	20.1	(0.2)	(0.4)	(0.6)
<b>Net profit (THB m)</b>	<b>6,481</b>	<b>6,935</b>	<b>7,330</b>	<b>6,433</b>	<b>6,779</b>	<b>7,029</b>	<b>0.7</b>	<b>2.3</b>	<b>4.3</b>

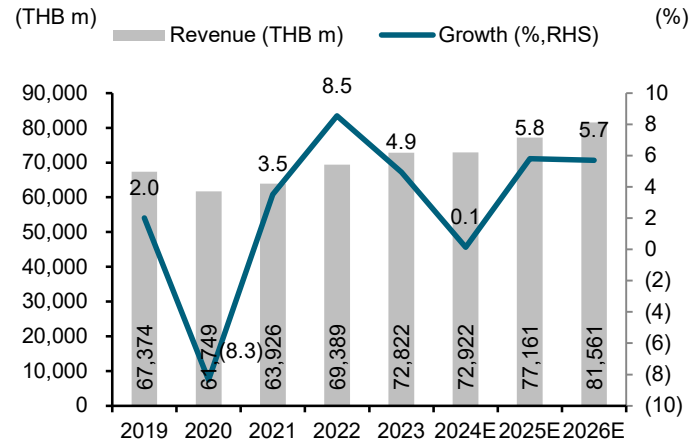
Source: FSSIA estimates

Exhibit 9: Yearly SSSG



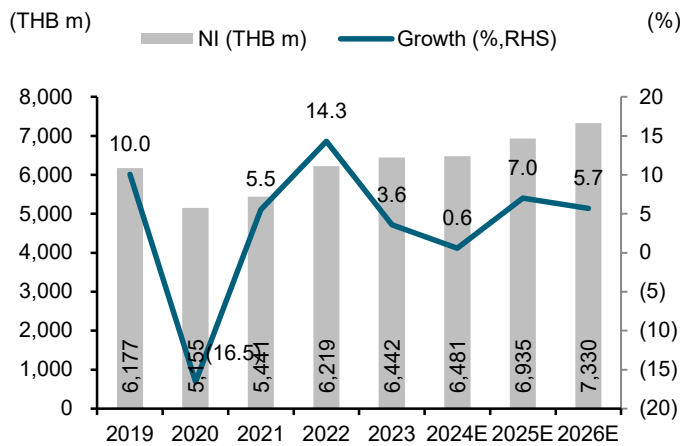
Sources: HMPRO; FSSIA estimates

Exhibit 10: Yearly revenue



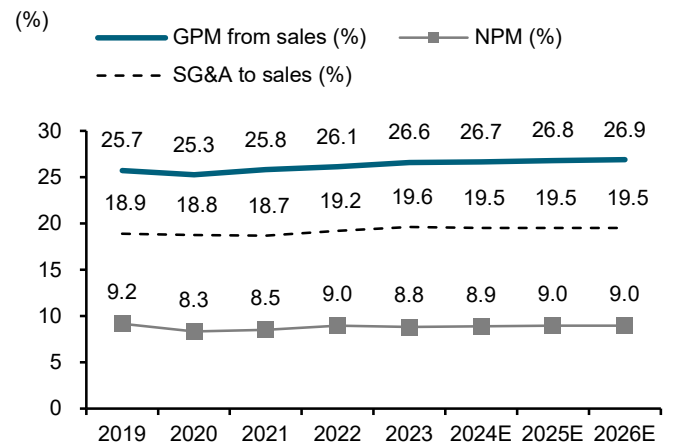
Sources: HMPRO; FSSIA estimates

Exhibit 11: Yearly core profit



Sources: HMPRO; FSSIA estimates

Exhibit 12: Profitability



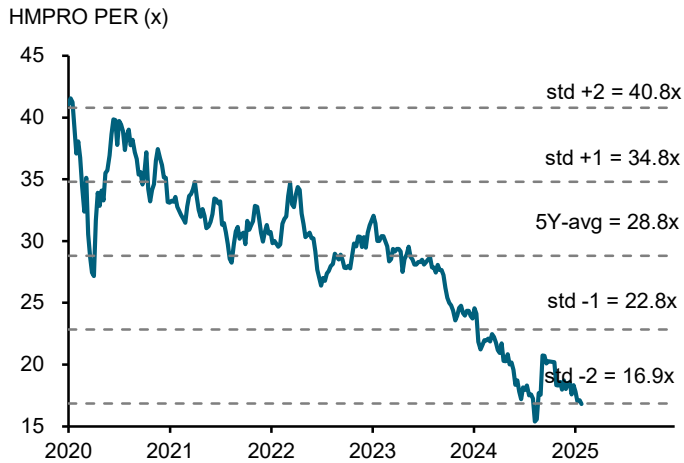
Sources: HMPRO; FSSIA estimates

Exhibit 13: DCF-derived TP for 2025

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	6.6%	
Terminal growth	2.0%	
NPV		59
Add: terminal value		128
Sum of PV		187
Add: investment		0
Less: debt		13
Less: minorities		0
Residual ordinary equity		174
No. of shares (m)		13,151
<b>Residual ordinary equity (THB/share)</b>		<b>13.2</b>

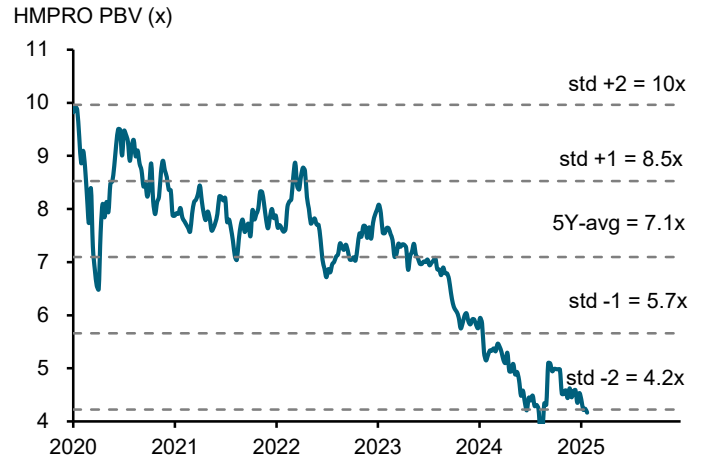
Source: FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 16: Commerce peers as of 29 Jan 2025

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		24E	25E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Consumer Staple</b>														
CP All	CPALL TB	BUY	56.50	83.00	47	15,033	20.4	18.2	21.2	21.3	4.5	4.0	17.7	15.8
CP Extra	CPAXT TB	BUY	28.50	34.00	19	8,802	27.1	23.1	3.7	4.3	1.0	1.0	9.7	8.8
Berli Jucker	BJC TB	BUY	22.50	31.00	38	2,671	19.7	17.2	3.8	4.3	0.7	0.7	11.7	11.2
<b>Consumer Staple average</b>						<b>26,506</b>	<b>22.4</b>	<b>19.5</b>	<b>9.6</b>	<b>10.0</b>	<b>2.1</b>	<b>1.9</b>	<b>13.1</b>	<b>11.9</b>
<b>Consumer Discretionary</b>														
Com7	COM7 TB	BUY	23.50	30.00	28	1,639	17.7	16.4	36.1	33.2	5.9	5.0	12.2	10.8
Central Retail Corp	CRC TB	BUY	34.75	42.00	21	6,207	24.6	22.4	12.2	12.4	2.9	2.7	10.1	9.5
<b>Home Improvement</b>														
Index Living Mall	ILM TB	BUY	15.20	22.00	45	227	10.2	9.2	12.4	13.1	1.2	1.2	6.3	5.9
Home Product Center	HMPRO TB	BUY	9.15	13.20	44	3,564	18.6	17.4	24.8	25.3	4.5	4.3	10.7	10.0
Siam Global House	GLOBAL TB	BUY	11.30	16.70	48	1,741	25.0	20.6	9.9	11.3	2.4	2.3	19.8	17.1
Dohome	DOHOME TB	BUY	8.05	10.50	30	770	38.9	28.0	5.3	7.0	2.0	1.9	17.4	15.2
<b>Home Improvement avg.</b>						<b>6,302</b>	<b>23.1</b>	<b>18.8</b>	<b>13.1</b>	<b>14.2</b>	<b>2.5</b>	<b>2.4</b>	<b>13.5</b>	<b>12.0</b>
<b>Consumer Discretionary avg.</b>						<b>14,149</b>	<b>22.5</b>	<b>19.0</b>	<b>16.8</b>	<b>17.1</b>	<b>3.2</b>	<b>2.9</b>	<b>12.7</b>	<b>11.4</b>
<b>Total average</b>						<b>40,654</b>	<b>22.4</b>	<b>19.2</b>	<b>14.4</b>	<b>14.7</b>	<b>2.8</b>	<b>2.6</b>	<b>12.8</b>	<b>11.6</b>

Source: FSSIA estimates

## Financial Statements

### Home Product Center

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	69,389	72,822	72,922	77,161	81,561
Cost of goods sold	(48,783)	(50,904)	(50,832)	(53,717)	(56,768)
<b>Gross profit</b>	<b>20,607</b>	<b>21,918</b>	<b>22,090</b>	<b>23,445</b>	<b>24,794</b>
Other operating income	-	-	-	-	-
Operating costs	(12,519)	(13,401)	(13,349)	(14,137)	(14,955)
<b>Operating EBITDA</b>	<b>11,244</b>	<b>11,948</b>	<b>12,410</b>	<b>13,314</b>	<b>14,193</b>
Depreciation	(3,156)	(3,431)	(3,670)	(4,007)	(4,354)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>8,088</b>	<b>8,516</b>	<b>8,740</b>	<b>9,307</b>	<b>9,839</b>
Net financing costs	(428)	(540)	(678)	(637)	(674)
Associates	0	0	0	0	0
Recurring non-operating income	0	(2)	(2)	(2)	(2)
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>7,660</b>	<b>7,975</b>	<b>8,061</b>	<b>8,668</b>	<b>9,163</b>
Tax	(1,441)	(1,533)	(1,580)	(1,734)	(1,833)
<b>Profit after tax</b>	<b>6,219</b>	<b>6,442</b>	<b>6,481</b>	<b>6,935</b>	<b>7,330</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>6,219</b>	<b>6,442</b>	<b>6,481</b>	<b>6,935</b>	<b>7,330</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>6,219</b>	<b>6,442</b>	<b>6,481</b>	<b>6,935</b>	<b>7,330</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.47	0.49	0.49	0.53	0.56
Reported EPS	0.47	0.49	0.49	0.53	0.56
DPS	0.38	0.40	0.40	0.43	0.46
Diluted shares (used to calculate per share data)	13,151	13,151	13,151	13,151	13,151
<b>Growth</b>					
Revenue (%)	8.5	4.9	0.1	5.8	5.7
Operating EBITDA (%)	9.4	6.3	3.9	7.3	6.6
Operating EBIT (%)	14.5	5.3	2.6	6.5	5.7
Recurring EPS (%)	14.3	3.6	0.6	7.0	5.7
Reported EPS (%)	14.3	3.6	0.6	7.0	5.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	29.7	30.1	30.3	30.4	30.4
Gross margin exc. depreciation (%)	34.2	34.8	35.3	35.6	35.7
Operating EBITDA margin (%)	16.2	16.4	17.0	17.3	17.4
Operating EBIT margin (%)	11.7	11.7	12.0	12.1	12.1
Net margin (%)	9.0	8.8	8.9	9.0	9.0
Effective tax rate (%)	18.8	19.2	19.6	20.0	20.0
Dividend payout on recurring profit (%)	80.4	81.7	81.7	81.7	81.7
Interest cover (X)	18.9	15.8	12.9	14.6	14.6
Inventory days	104.8	106.1	108.3	106.1	106.9
Debtor days	9.8	10.5	10.6	10.3	10.3
Creditor days	119.1	119.3	117.8	115.0	115.3
Operating ROIC (%)	24.7	24.1	22.8	22.7	22.8
ROIC (%)	16.5	15.9	15.3	15.4	15.4
ROE (%)	26.4	25.9	24.8	25.3	25.5
ROA (%)	10.6	10.2	10.0	10.1	10.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Sales	65,091	68,283	68,299	72,346	76,574
Rental and service	1,721	1,882	1,860	1,970	2,085
Others	2,578	2,656	2,762	2,845	2,902

Sources: Home Product Center; FSSIA estimates



## Financial Statements

### Home Product Center

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	6,219	6,442	6,481	6,935	7,330
Depreciation	3,156	3,431	3,670	4,007	4,354
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	387	(968)	(60)	(114)	(121)
<b>Cash flow from operations</b>	<b>9,763</b>	<b>8,906</b>	<b>10,091</b>	<b>10,828</b>	<b>11,563</b>
Capex - maintenance	0	0	0	0	0
Capex - new investment	(5,041)	(5,142)	(5,656)	(5,826)	(6,000)
Net acquisitions & disposals	118	30	128	66	168
Other investments (net)	(914)	(24)	(10)	(410)	(426)
<b>Cash flow from investing</b>	<b>(5,837)</b>	<b>(5,136)</b>	<b>(5,537)</b>	<b>(6,170)</b>	<b>(6,257)</b>
Dividends paid	(4,997)	(5,260)	(5,292)	(5,662)	(5,985)
Equity finance	0	0	0	0	0
Debt finance	1,946	2,499	868	1,660	1,041
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(3,052)</b>	<b>(2,762)</b>	<b>(4,424)</b>	<b>(4,002)</b>	<b>(4,945)</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>874</b>	<b>1,008</b>	<b>130</b>	<b>656</b>	<b>361</b>
Free cash flow to firm (FCFF)	4,370.42	4,337.61	5,241.00	5,329.49	6,016.73
Free cash flow to equity (FCFE)	5,871.79	6,268.86	5,421.99	6,318.32	6,346.18
<b>Per share (THB)</b>					
FCFF per share	0.33	0.33	0.40	0.41	0.46
FCFE per share	0.45	0.48	0.41	0.48	0.48
Recurring cash flow per share	0.71	0.75	0.77	0.83	0.89
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	55,912	59,722	65,378	71,204	77,204
Less: Accumulated depreciation	(26,444)	(28,543)	(32,213)	(36,220)	(40,574)
<b>Tangible fixed assets (net)</b>	<b>29,469</b>	<b>31,179</b>	<b>33,165</b>	<b>34,984</b>	<b>36,630</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	5,420	6,429	6,559	7,214	7,575
A/C receivable	2,069	2,115	2,118	2,241	2,368
Inventories	13,630	13,965	14,015	14,884	15,807
Other current assets	311	150	151	159	168
<b>Current assets</b>	<b>21,430</b>	<b>22,659</b>	<b>22,842</b>	<b>24,498</b>	<b>25,919</b>
Other assets	14,286	15,210	15,231	16,116	17,035
<b>Total assets</b>	<b>65,185</b>	<b>69,048</b>	<b>71,237</b>	<b>75,598</b>	<b>79,585</b>
Common equity	24,246	25,559	26,748	28,020	29,365
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>24,246</b>	<b>25,559</b>	<b>26,748</b>	<b>28,020</b>	<b>29,365</b>
Long term debt	9,056	11,743	11,048	12,031	12,647
Other long-term liabilities	7,398	8,167	8,179	8,654	9,148
<b>Long-term liabilities</b>	<b>16,454</b>	<b>19,910</b>	<b>19,227</b>	<b>20,685</b>	<b>21,794</b>
A/C payable	15,812	15,225	15,217	16,095	17,025
Short term debt	6,248	6,060	7,623	8,300	8,725
Other current liabilities	2,425	2,294	2,423	2,497	2,675
<b>Current liabilities</b>	<b>24,485</b>	<b>23,579</b>	<b>25,262</b>	<b>26,893</b>	<b>28,425</b>
<b>Total liabilities and shareholders' equity</b>	<b>65,184</b>	<b>69,047</b>	<b>71,237</b>	<b>75,598</b>	<b>79,584</b>
Net working capital	(2,227)	(1,289)	(1,357)	(1,309)	(1,356)
Invested capital	41,528	45,100	47,039	49,791	52,310
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	1.84	1.94	2.03	2.13	2.23
Tangible book value per share	1.84	1.94	2.03	2.13	2.23
<b>Financial strength</b>					
Net debt/equity (%)	40.8	44.5	45.3	46.8	47.0
Net debt/total assets (%)	15.2	16.5	17.0	17.4	17.3
Current ratio (x)	0.9	1.0	0.9	0.9	0.9
CF interest cover (x)	26.5	22.1	17.3	20.1	19.3
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>19.3</b>	<b>18.7</b>	<b>18.6</b>	<b>17.4</b>	<b>16.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>27.9</b>	<b>26.9</b>	<b>26.8</b>	<b>25.0</b>	<b>23.7</b>
Reported P/E (x)	19.3	18.7	18.6	17.4	16.4
Dividend yield (%)	4.2	4.4	4.4	4.7	5.0
Price/book (x)	5.0	4.7	4.5	4.3	4.1
Price/tangible book (x)	5.0	4.7	4.5	4.3	4.1
EV/EBITDA (x) **	11.6	11.0	10.7	10.0	9.5
EV/EBITDA @ target price (x) **	16.3	15.5	15.0	14.0	13.2
EV/invested capital (x)	3.1	2.9	2.8	2.7	2.6
* 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 17: 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 18: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET ESG	SET ESG Rating	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 19: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.33</b>	<b>2.48</b>	<b>3.72</b>	<b>3.82</b>	<b>3.88</b>	<b>3.90</b>	<b>4.43</b>	<b>5.36</b>
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
<b>ESG disclosure score</b>	<b>49.20</b>	<b>49.20</b>	<b>53.02</b>	<b>53.90</b>	<b>58.58</b>	<b>59.11</b>	<b>60.32</b>	<b>62.59</b>
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
<b>Environmental</b>								
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 20: 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
<b>Social</b>								
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
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
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
<b>No. of executives / company managers</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>18</b>	<b>21</b>	<b>25</b>	<b>24</b>
No. of female executives	8	9	10	11	13	14	14	13
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	3	2	2	2	2	2	2	4
Nomination meeting attendance %	100	100	100	100	100	100	100	100
<b>Sustainability governance</b>								
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.																				
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 <b>SETESG inclusion</b> , 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. <b>SETESG Index</b> is extended from the SET ESG Ratings 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&amp;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 Sustainabilitycs	The Sustainabilitycs' 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 &amp; 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><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></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
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																			
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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Thada Jiracharoenying 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
Home Product Center	HMPRO TB	THB 9.15	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.
Index Living Mall	ILM TB	THB 15.20	BUY	Risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) a higher-than-expected SG&A.
Siam Global House	GLOBAL TB	THB 11.30	BUY	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.
Dohome	DOHOME TB	THB 8.05	BUY	Key risks to our DCF-based TP are 1) lower steel price and heavy clearance stock 2) lower farm income, which would affect purchasing power in the agricultural sector, 3) government disbursement, 4) a lower private brand mix and margin, and 5) higher expenses than expected.
CP All	CPALL TB	THB 56.50	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 28.50	BUY	Key downside risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A expenses; 4) an operating loss from its overseas units; 5) lower-than-expected synergy value; and 6) lower-than-expected losses in Happitat project.
Berli Jucker	BJC TB	THB 22.50	BUY	Key downside risks to our DCF-based TP could come from 1) competition with Lotus which could impact its sales and gross margin; and 2) a higher in raw material prices.
Com7	COM7 TB	THB 23.50	BUY	Risks to our P/E-based TP include 1) lower/higher domestic consumption and purchasing power, 2) store cannibalization/expansion, and 3) lower/higher-than-expected gross margin.
Central Retail Corp	CRC TB	THB 34.75	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.

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-2025 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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