

## **Anchor: Consumer Spending Recovery**

### **What beautiful is SABINA**

The overall investment has passed the most fluctuated period from the external factor and the fund flow out, whereas the strength of domestic economy has been recovered and the performance of listed companies makes SET be more attractive with the inexpensive valuation, accounted for PER 15x which is the significant fundamental support indicator. Also, it is time for high-reason spending which is the main factor supporting Domestic stocks leading the market.

Strategy team chooses stocks by using the following criteria:

- 1) the company gets the benefits from consumption that is gradually recovered.
- 2) the products are based on 4 requisites and meets customers' lifestyle that they are interested in appearance and beauty,
- 3) the company has the high capability in the competition and good performance that has been growing and the stock is still under own.

### **Key analysis in this anchor report includes**

- SABINA (TP19F 40): a lady-lingerie manufacturer and distributor that has everything such as product quality, brand awareness, distribution channels. The company has 51% of gross margin, 12% of net margin which is higher than the other competitors in the industry. The company still have potentials to grow from the benefits of product champions that is popular in the market and the increase in the distribution channels that have high margin resulting in stable growth during 2018-20F with the average CAGR of 19%. Also, the stock price is interesting after the liquidity issue has been solved and the stock is still under owned

### **What beautiful is SABINA**

Actions: Suggestion of "buy" with TP based DCF of THB 40

We suggest to "buy" with TP based on DCF of THB 40 (WACC 9.3%, TV Growth 3%) due to

- 1) the success in transforming a business from the manufacture to be the brand owner that is very popular

2) being the products based on 4 requisites and having everything such as brand, marketing and strong distribution channels with the market size of THB 1.2 million

3) the profit in 2018-20F is forecasted to have the stable growth with the average CAGR of 19% from the revenue generated from product champion

4) the interesting stock price after increasing liquidity and still being under owned.

**Catalysts: still enjoy product champion + expected high profit in 4Q18**

SABINA has been lady-lingerie manufacturer and distributor for long times but still maintained the strength in business operation and transformed a business model from original equipment manufacturer (OEM) to the brand owner that is very popular (91% of revenue) through strong distribution channels, outstanding marketing strategies, virtual marketing creating trend and work-of-mouth (“Doomm Doomm”, “V shape like Choompoo”. Also, the company introduces new innovative products to the marketing. As of today, there are many product champions such as Doomm Doomm Series, Wireless bra which still consistently generates the profit. This reflects the company’s profitability that are 51% of gross margin, 12% of net margin, the increase in profit for over 8 years (2010 – 2017) with 25% of CAGR and also strong financial position with net cash and high FCF (low investment cost).

Outlook: we forecast that the profit in 2019 – 20F will grow by the annual average CAGR of 18% through sales volume and profit margin. The sales volume is forecasted to be increased by 9% on average per year from the existing products contributing margin and new products through many distribution channels especially for NSR (TV Shopping + Online). The profit is expected to be increased by CAGR of 30% per year (vs that in past 2 years that grew 150%) and the revenue from this channel increased from 8% in this year to 13% during 3 years. The profit margin is expected to be higher though NSR that contributes high margin and the cost of operation that increases the proportion of outsourcing from 14% in this year to be 25%. The outsourcing has lower cost of production than OEM production. For our OEM production, the production capacity will not be increased but maintain utilization rate of 95% and mainly focuses on high-margin products and creating value to the brand.

### Valuation: still under owned and trading at the right point

The stock price after no liquidity issue is very interesting and still under owned by trading at PER 19F of 23.5x due to the tendency of higher profit, high cash flow and profitability and being beauty product based on 4 requisites that have high room for growth. Compared with WACOAL that has PER of 17 – 21x, it is different because

1) WACOAL is only the manufacturer, whereas distribution is handled by other companies. In contrast, SABINA is the manufacturer and distributor of the brand. It should be “Buy” at higher valuation.

2) WACOAL has the limitation in stock liquidity resulting to unable to know the truly fundamental price.

### Nomura vs Consensus: -

Year-end 31 Dec (THB mn)	FY 16	FY 17	FY 18F	FY 19F	FY 20F
Revenue	2,383	2,659	3,149	3,418	3,725
EBITDA	275	355	545	643	748
Norm Profit	176	243	394	469	551
Net Profit	176	243	394	469	551
EPS (THB)	0.51	0.70	1.13	1.35	1.59
EPS Growth (%)	6%	38%	62%	19%	18%
PER (x)	62.8	45.4	28.0	23.5	20.0
BVPS (THB)	5.05	5.45	5.41	5.74	6.11
P/BV (x)	6.29	5.82	5.87	5.53	5.20
EV/EBITDA (x)	39.9	29.8	19.7	16.5	14.1
DPS (THB)	0.24	0.82	1.02	1.21	1.43
Dividend Yield (%)	0.8%	2.6%	3.2%	3.8%	4.5%
ROE (%)	10.3%	13.3%	20.9%	24.2%	26.8%
Int bearing D/E (x)	0.06	0.01	0.05	0.04	0.02

Sources: Company data, CNS IRIS

## Initial coverage

### Investment Research and Investor Services

14 November 2018

Rating	<b>Buy</b>
TP19F (DCF)	THB 40.0
Closing price	30.00
Upside/Downside	33.3%

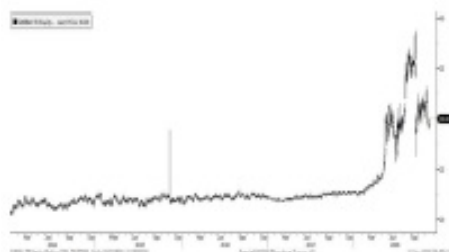
### Anchor Themes

สินค้ากลุ่มปัจจัย 4 และการให้ความสำคัญ  
กับไลฟ์สไตล์และความงามของผู้บริโภคใน  
ทุกกลุ่มช่วงอายุ สร้างความยั่งยืนต่อภาพ  
อุตสาหกรรม

### Key Data

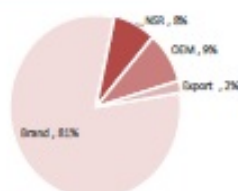
Shares in Issue (mn)	347.5
Market Cap (THBmn)	10,425
12-mth High/Low (THB)	38.75/23.4
Dividend Policy (%)	At least 40%
Par Value (THB)	1.00

### Technical Chart



Sources: Bloomberg

### Revenue Structure



### Strategy Analysts

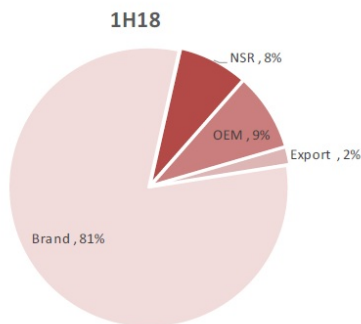
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02-287-6779, 02-638-577

- SABINA has been a lady-lingerie manufacturer for more than 30 years (It was formerly known as Jintana Lingerie). Currently, it has been operated by 2<sup>nd</sup> – 3<sup>rd</sup> generation of the owner. There are many groups of customers. Currently, the operating capacity in 5 factors is 12 million units per year and has the utilization rate of 95%. For distribution channels, they are 1) 81 own stores and 2) 420 retail stores including modern trade and traditional trade 3) NSR (Non-Store Retailing) that can be divided into 3 TV shopping channels (O Shopping, true SELECT, HIGH Shopping), E-commerce and overseas markets in 7 countries that are CLMV, Philippines, Bangladesh, Pakistan with totaling of 112 distribution channels.

Figure 1: Product offerings

	Budget (<THB350)	Medium (THB350-700)	Medium-High (THB700-1,000)	High (>THB1,000)
Children (6-15 years)		Sabina	Cool Teen	
Teens (15-25 years)		Pretty	SERIES 2000mm	Soft Collection
Young women (25-45 years)	HaBpy	PANTY ZONE	Sbn SPORT	MAGOTE MAE
Women (> 45 years)		FUNCTION BRA	Maternity	PERFECT bra

Figure 2: Revenue contribution



ที่มา: CNS IRIS, Company data

Figure 3: Historical earnings

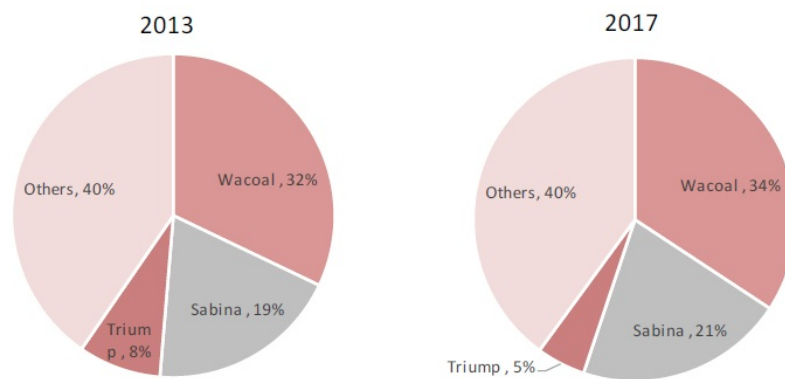


### Key facts for Investment

- 1) the market share ranked as the 2<sup>nd</sup> high due to the approximated market size of THB 1.2 billion: there is no precise amount of market size. It is from the company's basic estimation forecasting the market size of lady-lingerie is around THB 1.2 billion (calculated from female population excluding girls of 28 million people \* the average

purchasing amount of THB 420 a person per year). SABINA has the market share accounted by 20% which is lower than WACOAL whose market share is accounted by 34%. We believe that SABINA has rooms increasing market share by 1) the size of market that tends to be grow from the increase in female production of 1% on average and inflation of 1 – 2%. 2) the importance of appearance and beauty, the new products continually introduced by the company resulting in the higher rate of repeated purchase. 3) the high capability in competition and increase in distribution channels.

**Figure 4: Market share**



ที่มา: CNS IRIS

- 2) changing the business model from original equipment manufacturer (OEM) to brand owner: Over past 10 years, the company changed the business strategy from original equipment manufacturer (OEM) that cannot control to a brand owner that have value and more sustainability. It has been successful. As of today, the revenue generated from own brand is accounted for more than 91% of total revenue compared with that in 2006 accounted for 40%, and also the earnings from OEM is accounted for 9% of total profit. However, the company aims to maintain the revenue from OEM at the same level because OEM focuses on high-quality products for European brand resulting in having high margin of OEM which is close to the branded products and knowing trend that has been changed (e.g. design, texture, technology and etc.)

Figure 5: OEM Customers



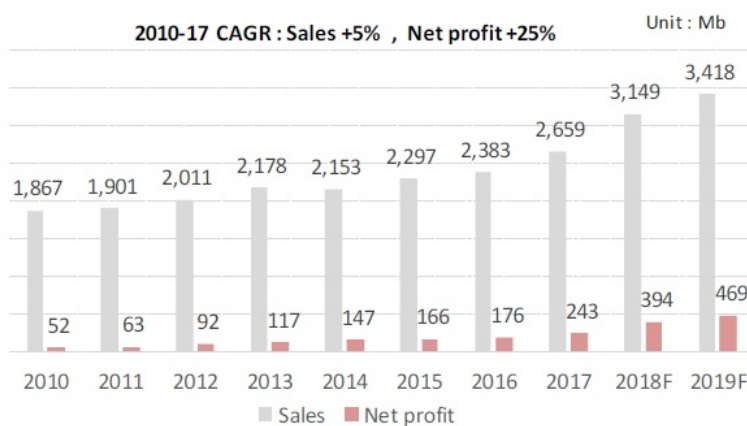
Figure 6: OEM revenue vs Brand revenue



ที่มา: CNS IRIS, Company date

- 3) good product, reasonable price, outstanding marketing, many distribution channels: the profit has been increased for many years (2010 – 2017) with the annual average CAGR of 25%. This is good reflection showing that the company have high capability in competition in many aspects.

Figure 7: Historical earnings



ที่มา: CNS IRIS, Company date

Product & Promotion: the company has experiences in manufacturing for many years and done R&D so that the company can introduce new products to the market including outstanding market strategies in many product groups “Fun, Playful, Attractive” and good viral marketing through presenters such as Celine Horwang, Choompoo Araya, Baifern and etc) resulting to have many product champions such as Doomm Doomm (2010), Modern V (2013), Perfect bra (2016) Wireless bra (2017 – 18) and have word of mouth for example, “Doomm Doomm”, “V

Shape like Choompoo”, “V Shape in 6 secs”, “Real Doom, Elegant Mound” leading the company have strong branded products and be the first choice.

**Figure 8: Strong marketing**

<i>Period</i>	<i>Topic / Series / Product</i>	<i>Link</i>	<i>No of views</i>
2011	Doom Doom / คริส หอวัง	<a href="https://www.youtube.com/watch?v=6_koeOI8aX0">https://www.youtube.com/watch?v=6_koeOI8aX0</a>	51K
2013	"ร่อนอกใน 6 วิ" / ขมพู่ อารยา	<a href="https://www.youtube.com/watch?v=3i0XvPPhrdI">https://www.youtube.com/watch?v=3i0XvPPhrdI</a>	1.1M
2016	"กระฉกวิเศษ" / Perfect bra	<a href="https://www.youtube.com/watch?v=6NkD8SXE8nY">https://www.youtube.com/watch?v=6NkD8SXE8nY</a>	2.2M
2017	Wireless shape / ขมพู่ อารยา	<a href="https://www.youtube.com/watch?v=kvO8U0VARWs">https://www.youtube.com/watch?v=kvO8U0VARWs</a>	3.9M
2017 - 18	Wireless shape / ขมพู่ อารยา	<a href="https://www.youtube.com/watch?v=kvO8U0VARWs">https://www.youtube.com/watch?v=kvO8U0VARWs</a>	3.3M
2018	Doom Doom / ใบเฟิร์น	<a href="https://www.youtube.com/watch?v=QwNikx3864g">https://www.youtube.com/watch?v=QwNikx3864g</a>	1.5M









ที่มา: CNS IRIS, Youtube

**Price:** the company has many varieties of products to serve many groups of customers. The price range is between THB 100 to THB 1,000. However, the products under product champions (Doomm Doomm, Modern V and etc) has the medium price with the range of THB 100 which is not expensive if compared with other products that are quite more expensive. The Sabina products are easily sold.









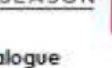



**Place:** there are strong distribution channels covering in many areas that can serve all groups of customers such as 1) 81 own stores and 2) 420 retail stores including modern trade and traditional trade 3) NSR (Non-Store Retailing) divided into 2 TV shopping channels (O Shopping, true SELECT, HIGH Shopping) and E-commerce and overseas markets in 7 countries that are CLMV, Philippines, Bangladesh, Pakistan totaling in 112 places.










Figure 9: Sale network channel

	Shop	Department stores and others	Modern Trade	Special Event
Distributors (1H2018)	  61 Shops	  79 Department stores 112 other channels	  306 Modern trade	  2-3 Events per quarter
Strengths	<ul style="list-style-type: none"> <li>■ Key channel for high value products</li> <li>■ Advertising channels</li> <li>■ Channels to gather customer behavior data for R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>■ Key channel for mid-end products</li> </ul>	<ul style="list-style-type: none"> <li>■ Key channel for low price products</li> </ul>	<ul style="list-style-type: none"> <li>■ Key channel to manage obsolete inventory</li> </ul>

Non-stores Retailing Channels (NSR)	
<ul style="list-style-type: none"> <li>□ TV Shopping               <ul style="list-style-type: none"> <li></li> <li></li> <li></li> </ul> </li> <li>□ Online               <ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> </ul> </li> <li>□ Direct Catalogue               <ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li></li> <li></li> </ul> </li> </ul>	

International store and POS 1H2018		
	Vietnam	52
	Philippines	27
	Myanmar	10
	Laos	5
	Cambodia	3
	Bangladesh	4
	Pakistan	9

ที่มา: Company data

- 4) the distribution channel of NSR as the key growth driver in the next future.

Since 2017, the company has expanded the distribution channel of NSR (Non-Store Retailing) into 1) TV Shopping and 2) E-commerce which has generated significant earnings from NSR channel. Within 1 year, it could generate the earnings of more than THB 100 million and the revenue in 1H18 was higher than that in last year. The revenue in 1H18 was THB 122 million which is accounted of more than 8% of total earnings.

From channel check, the information is in line. It shows that lingerie is top seller for TV shopping, while SABINA still does best in E-commerce compared with other brands by collecting information from Shoppe and Lazada. The interesting information can be summarized as follow:

- 1) The best seller of lingerie is non-branded product because it is very cheap.  
The price range is less than THB 100. It is normal since there are many shops and they compete each other by using pricing.
- 2) For branded products, they are mostly sold by the owners of the brand.  
Based on information of top 5 best sellers for each brand in Figure 11-12, it shows that SABINA does well and is the leader either in term of sales volume or of the number of products.

Figure 10: Feedback from E-commerce channel

Brand	Shopee		Lazada	
	Followers	No of SKU	Followers	No of SKU
SABINA	65,550	1,176	15,437	805
WACOAL	20,060	344	5,649	186
B'me By WACOAL	8,865	200	1,268	77
Triumph	2,071	108	397	-

Figure 11: Comparing Top5 best seller in Shopee

SABINA

Price	Sale/Month (Pieces)	Product
690	215 [1 แกรม 1]	Sabina เสื้อชั้นใน Wireless Shape (ไม่มีโครง) SBK255BK+SBK255CD สีเนื้อเข้ม/ดำ
690	174	Sabina เสื้อชั้นใน Wireless Shape (ไม่มีโครง) SBK255CD สีเนื้อเข้ม
390	89	Sabina เสื้อชั้นใน Doomm Doomm Sexyheart SBA4109BK สีดำ
690	81 [1 แกรม 1]	Sabina เสื้อชั้นใน Wireless Shape (ไม่มีโครง) SBK256CL+SBK256BK สีเนื้ออ่อน/สีดำ
390	77	Sabina เสื้อชั้นใน Modern V PBI944SD สีเทาเข้ม

WACOAL

Price	Sale/Month (Pieces)	Product
620	107	Wacoal Must Have Bra รุ่น WB3A14 สีเบจ(BE)
620	64	Wacoal Must Have Wireless Bra รุ่น WB3A14 สีดำ (BL)
790	52	Wacoal Wireless Bra รุ่น WB3X44 สีเบจ (BE)
799	52	**Bundle 2ชิ้นถูกกว่า** Wacoal Super Soft Bra รุ่น WH9A15 สีครีม(CR)
890	48	Wacoal Travel Bra รุ่น MM1243 สีเบจ (BE)

B'me By WACOAL

Price	Sale/Month (Pieces)	Product
290	75	B'me Treat Me Collection รุ่น ME1B80 สีน้ำตาล สีฟ้าเงิน
249	74	B'me เสื้อชั้นใน รุ่น ME1D07 สีน้ำตาล สีดำ
290	62	B'me เสื้อชั้นใน รุ่น ME1F64 สีน้ำตาล สีแดง
350	39	B'me เสื้อชั้นใน รุ่น ME1E33 สีดำ สีน้ำตาล
249	38	B'me เสื้อชั้นใน รุ่น ME1F49 สีเทา สีชมพู

Figure 12: Comparing Top5 best seller in Lazada

SABINA	
Price	Product
290	Habpy Lady รุ่น Lace cutting2 รหัส HBL504 สีดำ
390	Set Habpy Lady รหัส HBL533+HUL533 สีชมพู
290	Habpy Lady รหัส HBL511
290	Sabina Habpy Lady รหัส HBL533 สีชมพู
390	Perfect Bra รุ่น Peony รหัส SBD4040 สี เนื้ออ่อน
WACOAL	
Price	Product
529	Wireless bra บราไร้โครง 3/4 Cup - WB3A14
690	Wireless bra บราไร้โครง 3/4 Cup (สีดำ/BLACK)
1580	Wireless bra 3/4 Cup 1 เซ็ต 3 ชิ้น
529	Wireless bra บราไร้โครง 3/4 Cup - WB3A14
759	Wacoal Mood Travel Bra บราไร้โครง 3/4 Cup(สีเบจ/BEIGE) - MM1243BE
B'me By WACOAL	
Price	Product
309	B'me เสื้อชั้นในแฟชั่นไร้โครง รุ่น ME1H56 สีดำ / สีเนื้อ
290	B'me เสื้อชั้นในถอดสายได้ รุ่น ME1D18 สีน้ำเงิน / สีชมพู
441	B'me เสื้อชั้นในไร้โครง รุ่น ME1D31
553	B'me เสื้อชั้นในไร้โครง รุ่น ME1F20 สีดำ สีเทา สีน้ำเงิน
383	B'me เสื้อชั้นในไร้โครง รุ่น ME1D09 สีดำ

ที่มา: CNS IRIS, Shopee, Lazada

There are many positive factors on NSR channel as follow

- 1) Since the company sells products on their own through online channels or E-commerce, it helps the management system since it is easier than representative system (e.g. service, price cut issue and etc.)
- 2) It improves the rate of inventory turnover to be better and does not hurt on the image of brand
- 3) It has good EBIT margin, which is slightly higher than the normal channels. Although normally there is a special deal or hot promotion resulting in low gross margin, it compensates with SG&A that is saved (e.g. rental fee, administrative expense, partner assistance fee and etc.). This overall is considered worth it.
- 4) It increases the convenience to customers and no cannibalization because the most customers purchasing product from this channel are the existing customers that used to use or buy products before.

In summary, NSR channel becomes one of the important key drivers in other periods. The company aims to increase the profit from this channel to be 25% in 5 years.

- 5) Margin is second to none, The tendency of increase in NSR and Outsource. For the question whether the cheap price has impact on margin, we find that the profitability is under top rank if compared with others in the same industry (Figure 13-14) from

1) the business model that the owner is a manufacturer and distributors in some channels

2) good management in operation including staff management which lead them to be multiple skills. This reflects through maintaining the number of staffs hired by the company for over years (Figure 17), whereas the cost of raw materials has no big changes as well as the company has high negotiation power

3) the operation is controlled to create Economy of Scale by maintaining the utilization rate at 90 – 95%.

4) the increase in outsource/ NSR channel that has high margin.

Figure 13: Comparing Gross margin

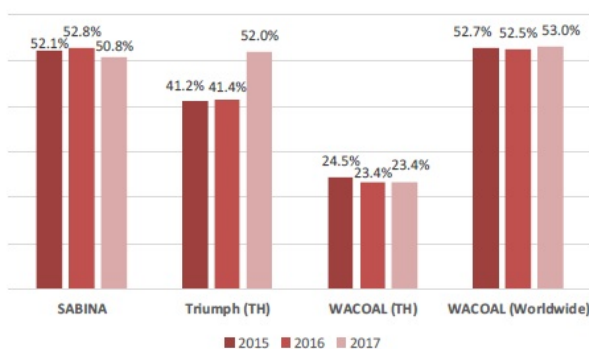


Figure 14: Comparing Net margin

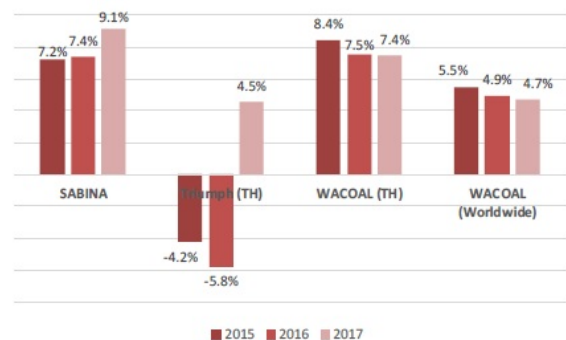


Figure 15: COGS Breakdown

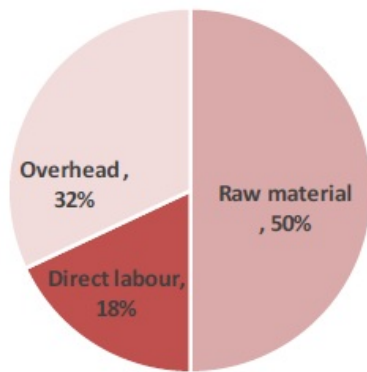


Figure 16: SABINA Profitability

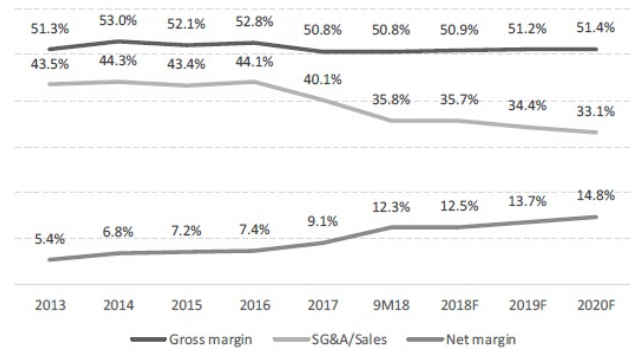
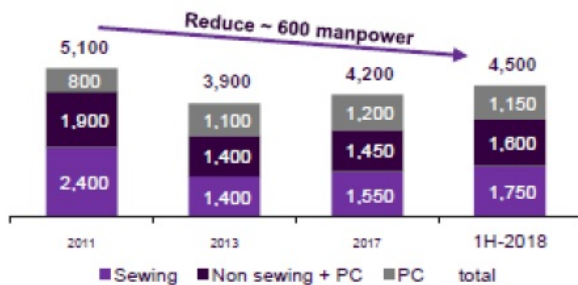


Figure 17: Improving man power efficiency



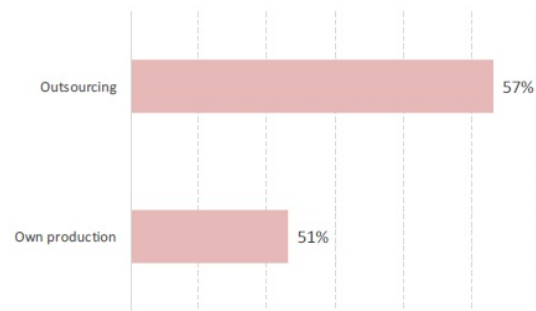
Source: CNS IRIS, Company data

For the trend of profitability, we still forecast that it will be positive or increase due to lower cost of production and high gross profit margin. In term of cost of production, it is from the increase in outsource (China and Vietnam) which gives lower cost than OEM production due to the market that is labor intensive. The overseas manufacturer (China, Vietnam) has the competitive advantage in the cost structure and there are more labors which leads that company to have negotiation power. However, the company focuses on OEM production for high quality products (high margin) and change the model to be asset light that does not require the investment in fixed asset but focuses on the increase in branch value. The company set the ratio of outsourcing production to be increased from 14% today to be 35% in 2022F which is still lower than the company's target ratio of 50%. The outsourcing product has high gross margin which is 6% on average.

Figure 18: Product sourcing



Figure 19: Gross margin by production



For revenue, the company focuses on high-margin channel that is NSR. Its EBIT margin is higher than the others by 3%. We estimate that the earnings from NSR will be increase in 5 years (CAGR) by 30% per year and the revenue contribution by channel will be increased from 8% in 1H18 to be 17% in 2022F which is nevertheless lower that the company's goal is targeted at 25%.

Figure 20: Revenue growth by channel

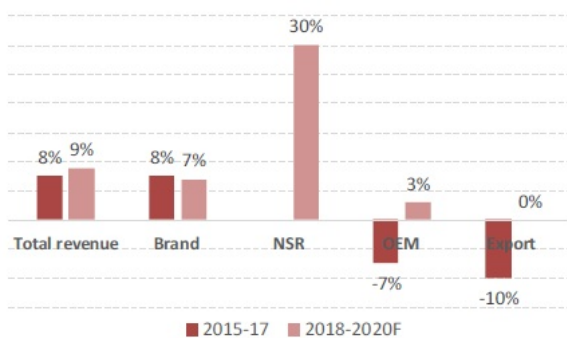


Figure 21: SABINA Profitability

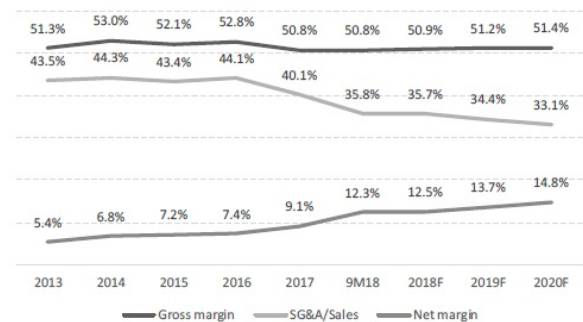
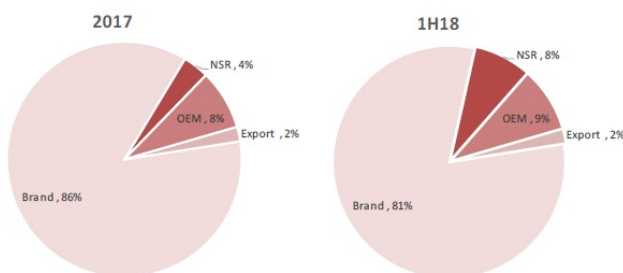


Figure 22: Revenue contribution by channel



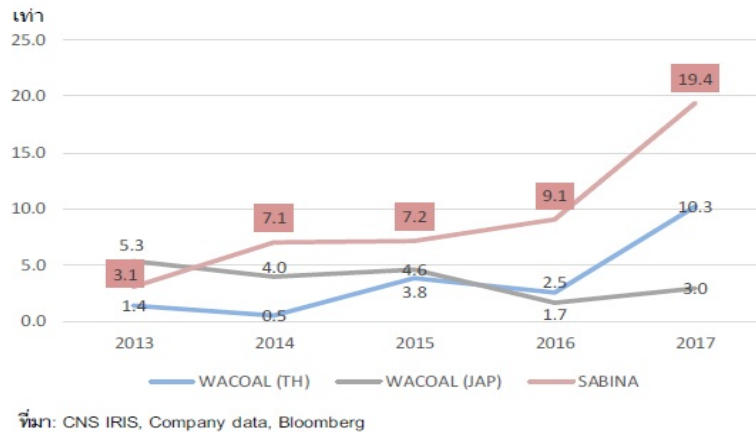
Source: CNS IRIS, Company data

- 6) High net cash and free cash flow. In term of financial position, the company has strong financial position because it has high net cash and cash flow. The tendency of growth in the next period focuses on outsourcing production resulting in lower CAPEX and higher free cash flow (CFO – Capex) 2018-20F with the increase in CAGR of 23%.



Compared with other companies, SABINA has high free cash flow through the comparison of capital (CFO/Capex).

**Figure 23: Less capital intensive**



- 7) the company enjoy on product champions. The profit in 3 years forecasts to be stable growth with CAGR of 18%. With the profit over 8 years (2010 – 2017), CAGR of 25% is the good reflection of SABINA showing that the company has the benefit from product champions. Also, the company continues to lunch new productions to the market through good marketing strategies. There are rooms for future growth from 1) new products in I lingerie group and other new group such as swimming suit that has been already launched 2) the increase in distribution channels in both domestic and overseas especially for NSR that is considered to be the key driver in these 3 years and 3) the expansion of target customers for adult person other than the current target customers that are teenagers and college students as well as the expansion of business in overseas market. At present, there are markets in 7 countries including foreign customers in Thailand. The company has selected the latest present, namely Miss Baifern who is very popular in china.

The profit in 3Q18 is still new high which reaches THB 100 million for the first time

Figure 24: Quarterly result

Profit & Loss Statement																
Year-end 31 Dec (THB mn)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	y-y	q-q	9M17	9M18	%y-y	2017	2018F	%y-y	%YTD
Revenue from sales (THBmn)	576	680	731	672	686	783	849	16%	8%	1,987	2,318	17%	2,659	3,149	18%	74%
Gross Profit (THBmn)	309	332	368	343	364	396	419	14%	6%	1,008	1,178	17%	1,352	1,604	19%	73%
SG&A	247	261	274	285	267	277	284	4%	3%	782	829	6%	1,067	1,124	5%	74%
EBIT	66	80	98	62	100	121	138	41%	14%	244	359	47%	305	494	62%	73%
Interest expense	1	1	0	0	0	0	0	136%	79%	1	1	-50%	1	1	-55%	105%
Corporate tax	14	16	20	10	21	24	27	37%	13%	50	72	44%	61	99	63%	73%
Other extraordinary items										-	-					
Net Profit	51	63	78	51	79	96	110	42%	14%	192	286	49%	243	394	62%	73%
Norm. Profit	51	63	78	51	79	96	110	42%	14%	192	286	49%	243	394	62%	73%
EPS (THB)	0.1	0.2	0.2	0.1	0.2	0.3	0.3	41%	14%	0.6	0.8	49%	0.70	1.13	62%	72%
Profitability Ratio (%)																
Gross Margin (%)	53.7%	48.8%	50.3%	51.1%	53.0%	50.5%	49.3%			50.8%	50.8%		50.8%	50.9%		
SG&A/Sales (%)	43.0%	38.4%	37.4%	42.3%	39.0%	35.4%	33.5%			39.4%	35.8%		40.1%	35.7%		
Net Margin (%)	8.9%	9.3%	10.7%	7.6%	11.6%	12.3%	13.0%			9.7%	12.3%		9.1%	12.5%		
Norm profit Margin (%)	8.9%	9.3%	10.7%	7.6%	11.6%	12.3%	13.0%			9.7%	12.3%		9.1%	12.5%		
Data source: CNS IRIS. Company data																

Source: CNS IRIS, Company data

The company reports that the profit in 3Q18 is new high and better than the projection. The profit was THB 110 million (+42% y-y, +14% q-q) which was better q-q although 2Q normally has the highest profit (School Break) from both the highest sales volume and margin.

For sales volumes (+16% y-y, +8% q-q), it still be better for both our own brand (90% of total profit) +9% y-y, +5% q-q which is from the launch of “Doomm Doomm” with the new presenter that has the good feedback as well as from the sales generated from NSR which was very well and for OEM product (10% of total profit) +74%y-y, +48% q-q that has many orders from overseas.

Net margin of 13% is new high for 3 consecutive years from the good sales volume which create the better economy of scale because the main expense is fixed cost which was apparently lower SG&A/Sales to be at 33.5% in both y-y, q-q, whereas the gross margin was at 49.3% which is lower in both y-y, q-q. For OEM products, they had lower gross margin than the average (but in term of EBIT margin, OEM product has high margin which is relatively close to the average)

The forecasted profit in 4Q18 continues to be better and double increased in y-y

For earning momentum, the profit tends to be better in 4Q18F and the growth will be significantly outstanding in y-y and relatively in q-q from the success in “Doomm Doomm” product. The sales volume is forecasted to be increased for both normal channels and NSR. The overall forecasted profit in 4Q18F is approximately THB 108 million +112% y-y. The one of



main reason is due to the lower base in the previous year from high SG&R through higher payment for staff's bonus.

The estimated profit during 2018-20F will be increased by CAGR of 18% on average

We forecast that the profit in 2018-20F is till stable growth with the average CAGR of 18% from better profit and margin. The revenue is forecasted to be increase 9% annually on average, which is mainly from NSR channel. The CAGR is estimated to increase by 30% whereas the margin will be increased from NSR channel that has higher margin and from the lower cost of production from outsourcing (Margin is better than OEM by 6%) which the ratio tends to be increased from 14% today to be 35% in 2022F.

**Figure 25: Financial summary**

Forecast & Valuation					
Year-end 31 Dec (THB mn)	FY 16	FY 17	FY 18F	FY 19F	FY 20F
Revenue	2,383	2,659	3,149	3,418	3,725
EBITDA	275	355	545	643	748
Norm Profit	176	243	394	469	551
Net Profit	176	243	394	469	551
EPS (THB)	0.51	0.70	1.13	1.35	1.59
EPS Growth (%)	6%	38%	62%	19%	18%
PER (x)	62.8	45.4	28.0	23.5	20.0
BVPS (THB)	5.05	5.45	5.41	5.74	6.11
P/BV (x)	6.29	5.82	5.87	5.53	5.20
EV/EBITDA (x)	39.9	29.8	19.7	16.5	14.1
DPS (THB)	0.24	0.82	1.02	1.21	1.43
Dividend Yield (%)	0.8%	2.6%	3.2%	3.8%	4.5%
ROE (%)	10.3%	13.3%	20.9%	24.2%	26.8%
Int bearing D/E (x)	0.06	0.01	0.05	0.04	0.02

**Figure 26: Assumption**

	2017A	2018F	2019F	2020F	2021F
Revenue (MB)	2659	3149	3418	3725	4078
Revenue growth	12%	18%	9%	9%	9%
- Brand	8%	10%	7%	7%	7%
- NSR	0%	192%	30%	30%	30%
- OEM	4%	33%	3%	3%	3%
- Export	-12%	13%	0%	0%	0%
Gross margin	50.8%	50.9%	51.2%	51.4%	51.7%
SG&A/Sales	40.1%	35.7%	34.4%	33.1%	31.7%
<b>Net profit (MB)</b>	<b>243</b>	<b>394</b>	<b>469</b>	<b>551</b>	<b>657</b>
EPS (Baht)	0.7	1.1	1.3	1.6	1.9
CAPEX (MB)	28	60	40	40	40

The estimated TP for 2019F based on DFC is at THB 40. The suggestion is to “buy”

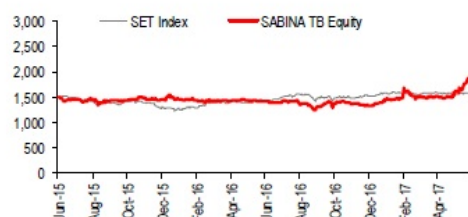
We estimate TP in 2019F based on DCF (WACC 9.3%, TV Growth 3%) at THB 40 which is accounted for implied PER of 29.6x due to the increase in profit, higher cash flow and profitability as well as products based on 4 requisites that are under beauty product and has the high growth opportunity.

Meanwhile, compared with the other company, namely WACOAL, which its stock has PER at 17-21x, it is not the clear comparison due to 1) the business under WACOAL is only manufacturing but the production distribution is handled by ICC which is a company under Sahapat Group, whereas SABINA is both a manufacturer and distributor. It should be traded at higher valuation 2) WACOAL has the limitation of stock liquidity that cannot reflect the true stock value.

# Key data on SABINA

Relative performance chart

SABINA vs SET Index



## Statement of financial position

As at 31 Dec (THBmn)	FY 16	FY 17	FY 18F	FY 19F	FY 20F
Cash + Current Investment	158	468	411	513	560
Accounts Receivable	314	342	384	394	429
Inventory	1,151	976	1,115	1,106	1,175
Other Current Assets	82	83	88	92	97
<b>Total Current Assets</b>	<b>1,706</b>	<b>1,869</b>	<b>1,997</b>	<b>2,104</b>	<b>2,260</b>
Fixed Assets	306	283	292	277	259
LT Investment	-	5	5	5	5
Other Assets	227	229	184	189	195
<b>Total Assets</b>	<b>2,238</b>	<b>2,387</b>	<b>2,479</b>	<b>2,576</b>	<b>2,720</b>
Accounts Payable	132	153	209	195	212
Short-term Loan and Overdraft	108	18	90	70	50
Current Portion of Long-Term Loans	-	-	-	-	-
Other Current Liabilities	44	58	79	91	105
<b>Total Current Liabilities</b>	<b>408</b>	<b>404</b>	<b>497</b>	<b>476</b>	<b>487</b>
LT Loans	-	-	-	-	-
Other Liabilities	76	88	102	106	110
<b>Total Liabilities</b>	<b>484</b>	<b>492</b>	<b>599</b>	<b>582</b>	<b>597</b>
Paid-up Capital	348	348	348	348	348
Share Premium	275	275	275	275	275
Retained Earnings	971	1,117	1,101	1,215	1,344
<b>Total Equity</b>	<b>1,754</b>	<b>1,895</b>	<b>1,880</b>	<b>1,994</b>	<b>2,123</b>
Minority Interest	-	-	-	-	-
<b>Total Liabilities and Equity</b>	<b>2,238</b>	<b>2,387</b>	<b>2,479</b>	<b>2,576</b>	<b>2,720</b>

## Cashflow statement

Year-end 31 Dec (THBmn)	FY 16	FY 17	FY 18F	FY 19F	FY 20F
Net Profit	175	243	394	469	551
Forex & other extraordinary adjustment	6	6	0	0	0
Depreciation & amortization	54	50	51	55	58
Net change in working capital & others	25	223	-105	-7	-80
Net operating cash flows	271	535	341	517	529
Net capital expenditure	-30	-28	-60	-40	-40
Free cash flow	241	508	281	477	489
Other items	-55	-317	194	0	0
Debt issue	-111	-90	72	-20	-20
Equity issue	0	0	0	0	0
Dividend paid	-73	-97	-410	-355	-422
Net financing cash flows	-184	-187	-338	-375	-442
Net cash	2	3	137	102	47
Net cash / (Debt) at beginning	39	41	44	181	283
Net Cash / (Debt) at ending	41	44	181	283	330

## Statement of comprehensive income

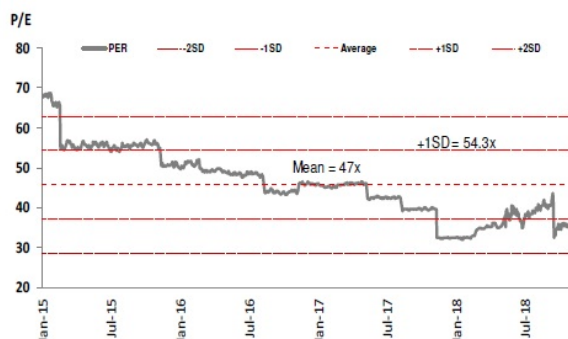
Year-end 31 Dec (THBmn)	FY 16	FY 17	FY 18F	FY 19F	FY 20F
Revenue	2,383	2,659	3,149	3,418	3,725
Cost of goods sold	(1,125)	(1,307)	(1,545)	(1,668)	(1,810)
Gross profit	1,258	1,352	1,604	1,750	1,915
SG&A	(1,051)	(1,067)	(1,124)	(1,176)	(1,232)
Share of profit or losses from investr	-	-	-	-	1
Other income	14	20	14	14	8
EBIT	221	305	494	588	690
Depreciation & amortisation	54	50	51	55	58
EBITDA	275	355	545	643	748
Interest expense	-3	-1	-1	-2	-1
Pre-tax profit (loss)	218	304	493	586	689
Tax	-42	-61	-99	-117	-138
After-tax profit (loss)	176	243	394	469	551
Other extraordinary items	0	0	0	0	0
Gn (Ls) from affiliates	0	0	0	0	0
Minority interests	0	0	0	0	0
Net profit (loss)	176	243	394	469	551
Normalised net profit (loss)	176	243	394	469	551
Reported EPS (THB)	0.51	0.70	1.13	1.35	1.59

## Valuation and ratios

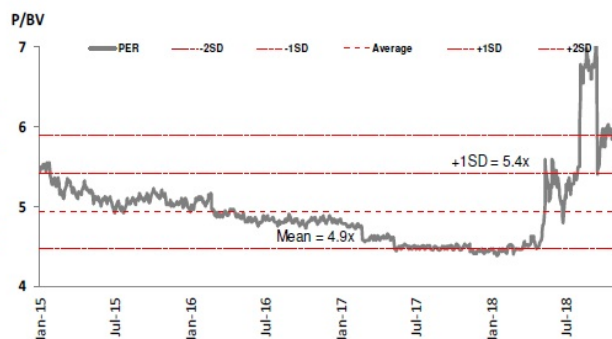
Year-end 31 Dec	FY 16	FY 17	FY 18F	FY 19F	FY 20F
<b>Per Share (THB)</b>					
EPS	0.51	0.70	1.13	1.35	1.59
DPS	0.24	0.82	1.02	1.21	1.43
BVPS	5.05	5.45	5.41	5.74	6.11
EV	29.9	28.7	29.1	28.7	28.5
<b>Multiplier (x)</b>					
PER	59.35	42.88	26.43	22.23	18.91
P/BV	5.94	5.50	5.55	5.23	4.91
EV/EBITDA	37.68	28.10	18.55	15.52	13.25
Dividend yield (%)	0.8%	2.7%	3.4%	4.0%	4.8%
<b>Growth (%)</b>					
Sales growth	3.8%	11.6%	18.4%	8.5%	9.0%
EBITDA growth	3.8%	28.9%	53.5%	18.1%	16.3%
Reported net profit growth	6.1%	38.4%	62.2%	18.9%	17.5%
Norm profit growth	6.1%	38.4%	62.2%	18.9%	17.5%
Reported EPS growth	6.1%	38.4%	62.2%	18.9%	17.5%
<b>Profitability Ratio (%)</b>					
Gross margin	52.8%	50.8%	50.9%	51.2%	51.4%
EBITDA margin	11.6%	13.3%	17.3%	18.8%	20.1%
EBIT margin	9.3%	11.5%	15.7%	17.2%	18.5%
Net margin	7.4%	9.1%	12.5%	13.7%	14.8%
ROE	10.3%	13.3%	20.9%	24.2%	26.8%
ROA	7.9%	10.5%	16.2%	18.6%	20.8%
ROCE	12.1%	15.4%	24.9%	28.0%	30.9%
<b>Asset Utilization (x)</b>					
Fixed asset turnover	7.49	9.03	10.94	12.00	13.88
Receivable turnover	7.45	8.10	8.21	8.68	8.68
Inventory turnover	0.98	1.23	1.39	1.51	1.54
Payable turnover	8.85	9.20	7.40	8.55	8.55
<b>Liquidity ratio (x)</b>					
Current ratio	4.18	4.63	4.02	4.42	4.64
Quick ratio	1.36	2.21	1.77	2.10	2.23
<b>Leverage ratios (x)</b>					
Liabilities / equity	0.28	0.26	0.32	0.29	0.28
Interest-bearing debt / equity	0.06	0.01	0.05	0.04	0.02
Interest coverage	67.67	210.53	759.42	319.43	499.96
Debt service coverage	-4.45	-0.68	-1.54	-1.33	-1.36

Source : CNS IRIS

## PER Band – SABINA



## PBV Band – SABINA



Refer : Nomura