

SABINA : very laggard. Buy signal

Action : Strong fundamental. Recommend to buy

We still recommend buying. As core profit is evaluated, we expect core profits in 2Q19F to be a new high in 120 (+25% y-y, +26% q-q). According to the success of the new product "seamless fit," Seamless fit becomes the product champion. Therefore, the revenue is growing almost entirely. Profit remains bright (including a reserved item of Bt16mn employee benefit. Net profit is expected to grow brightly to Bt104mn (+8% y-y, +10%q-q). We think SABINA is one of the most interesting mid small cap stock after mid and small cap stocks are becoming popular again. This price is good for both Valuation PER 19F 22 times and a good buy signal after being a laggard for a while. It fits both the theme of E-commerce (a successful channel and main key driver) and trade war (receives benefit significantly)

Catalyst (expect 3Q19F profit to grow for the whole year. It's a new high for the 9th year)

Earnings preview 2Q19F: profit is expected to amount to Bt104mn (+8% y-y, +10% q-q) Although we have a reserved item of Bt16mn employee benefits. The main operations remain strong at Bt120mn(+ 25% y-y, + 26%q-q). It's the peak in this quarter. It's because the profit and revenue remain unchanged. The expected revenue is Bt865mn(+ 13% y-y, +15% q-q). The success of collection "seamless fit" has a positive effect this quarter (the seamless fit was introduced to the market in February 2019). We expect to make good sales from every channel (Brand, OEM and NSR (online + TV shopping) they are still the main key drivers). While profit remains bright like 1Q19. SABINA has more bargaining power over supplier (China) because of the trade war. SABINA orders components. It has the higher margin than producing by themselves at 5 - 9%. It's increasing from 1Q18 at 14% of the goods. So, the overall goods are 33%. Making reference to being conservative (it's close to 1Q19). Therefore, It supports a gross margin to increase by 51.8% from 2Q18/1Q19 to 50.5%/54.7%. As we have a promotion in the second quarter, the q-q decreases seasonally.

Earnings preview

Investment Research and Investor Services

26 June 2019

Rating	Buy
Maintained	
TP19F (DCF)	THB 35.00
Closing price	27.50
Upside/Downside	27.3%

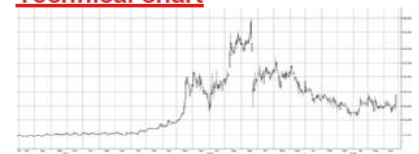
Anchor Themes:

Products in The four necessities of life. Putting priority to lifestyle and beauty of women. Receiving the benefit from E-commerce. The benefit to consumers, buyers and market place. Marketing is still in the planning stage.

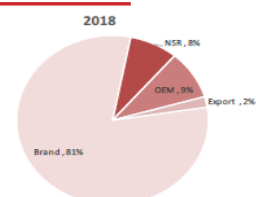
Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	9,556.3
12-mth High/Low (THB)	38.75/23.4
3-mth avg daily turnover (THBmn)	34.39
Foreign Limit/ Actual (%)	49.00/14.2
Expected Free Float (%)	19.35
NVDR (%)	3.11
Dividend Policy (%)	At least 40%
Par Value (THB)	1.00

Technical chart



Revenue Structure



Strategy Analysts

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Outlook : We still think that this business is in the high season because of its strong market power, new products that meet consumer demands. We expect the net profit to jump by 12% this year (core profit is + 19%). It continues to be a new high in the 9th year. It's because the revenue is expected to jump by 9% (business's target is +10%) and profit that continues to grow which is from 1) increase in production (we expect to jump to 20% this year) 2) NSR channel that has a higher margin than average. We expect profit in 3Q-4Q19F to grow in every quarter constantly while remain y-y the same. Both revenue and profit remain bright.

Forecast & Valuation					
Year-end 31 Dec (THB mn)	FY 17	FY 18	FY 19F	FY 20F	FY 21F
Revenue	2,659	3,090	3,349	3,643	3,980
EBITDA	355	497	588	688	817
Norm Profit	243	362	430	509	610
Net Profit	243	362	406	509	610
EPS (THB)	0.70	1.04	1.24	1.47	1.75
EPS Growth (%)	38%	49%	19%	18%	20%
PER (x)	39.3	26.4	22.2	18.8	15.7
BVPS (THB)	5.45	5.28	5.48	5.83	6.27
P/BV (x)	5.04	5.21	5.02	4.72	4.39
EV/EBITDA (x)	25.7	18.8	15.6	13.3	11.1
DPS (THB)	0.82	1.04	1.11	1.32	1.58
Dividend Yield (%)	3.0%	3.8%	4.1%	4.8%	5.7%
ROE (%)	13.3%	19.4%	23.0%	25.9%	29.0%
Int bearing D/E (x)	0.01	0.09	0.04	0.02	0.02

Sources: Company data, CNS IRIS

Figure 1: Earnings preview 2Q19F

Profit & Loss Statement									
Year-end 31 Dec (THB mn)	2Q18	1Q19	2Q19F	y-y	q-q	2018	2019F	%y-y	%YTD
Revenue from sales (THBmn)	783	770	885	13%	15%	3,090	3,349	8%	23%
Gross Profit (THBmn)	396	421	458	16%	9%	1,595	1,735	9%	24%
SG&A	277	304	311	12%	2%	1,156	1,208	5%	25%
EBIT	121	121	152	26%	26%	452	540	19%	22%
Interest expense	0	1	1	569%	0%	1	3	81%	51%
Corporate tax	24	24	30	25%	25%	89	108	20%	23%
Other extraordinary items									
Net Profit	96	95	104	8%	10%	362	406	12%	23%
Norm. Profit	96	95	120	25%	26%	362	430	19%	22%
EPS (THB)	0.3	0.3	0.3	25%	26%	1.04	1.24	19%	22%
Profitability Ratio (%)									
Gross Margin (%)	50.5%	54.7%	51.8%			51.6%	51.8%		
SG&A/Sales (%)	35.4%	39.5%	35.2%			37.4%	36.1%		
Net Margin (%)	12.3%	12.4%	11.8%			11.7%	12.1%		
Norm profit Margin (%)	12.3%	12.4%	13.6%			11.7%	12.8%		

Sources: Company data, CNS IRIS

Reference : NOMURA 26 JUNE 2019