

Sabina PCL. (SABINA)

“Outsource production and focus on marketing and product development”

Key takeaways from Analyst Meeting

1. The outlook of revenue from sales of SABINA brand continues to grow through its marketing activities and launching new products while the revenue from production sourcing business (9% of total revenue) shows no growth partly due to the impact of BREXIT.
2. Currently, the company has outsourced 33% of its production to factories abroad, increasing from 4% and 18% in 2017 and 2018 respectively. The products from this production outsourcing show a high gross margin of 62.2% comparing to that of the products from the company's own production line of 52.9% (1Q19 reference). The company has planned to continuously increase production outsourcing by selecting high quality factories in other countries where cost of production is lower than Thailand, for example China, CLMV and Africa.
3. Part of the benefits from saving on production cost will be allocated to the marketing and product development activities. Overall, the company has set the target for Net Profit Margin expansion at 1% annually (from 2018 base of 11.65%).
4. The business still has opportunity in foreign markets. Currently, the company has exported SABINA products to 7 countries, namely Vietnam, The Philippines, Myanmar, Laos, Cambodia, Bangladesh, and Pakistan, with total 108 points of sale.

1Q19 Performance Review

The company reported 1Q19 net profit of 95.2 Million Baht (+20%YoY,+26%QoQ) as a result of i) Revenue increased by 12% YoY to 774 million baht, with the revenue from sales through stores and online channel grew 8.2% and 61.5% respectively and ii) Gross Profit Margin increased to 54.7% comparing to 53.0% in 1Q18, reflecting the company's cost management by outsourcing part of its production to factories abroad.

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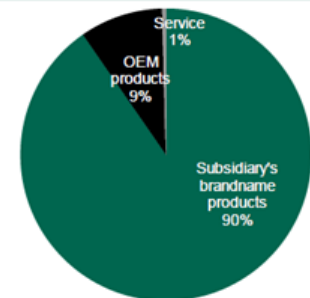
Close Price:Bt 29.5

Target Price Y19F:na

Business

The company manufactures and sells underwear to its subsidiaries and OEM customers which are the distributors of underwear abroad, with a main focus in European customers. Currently, the company has 3 factories located in Chai Nat, Yasothon, and Buriram provinces with combined production capacity of 8.8 million pieces per year. Sabina Fareast Co., Ltd. is the company's subsidiary that designs, manufactures, and distributes women's underwear under “Sabina” brand.

2018 Revenue Structure



Key Financial Summary

| Year End Dec. | 2016A | 2017A | 2018A |
|-------------------|-------|-------|-------|
| Revenue (Bt m) | 2,383 | 2,663 | 3,090 |
| Net Profit (Bt m) | 176 | 243 | 362 |
| NP Growth (%) | 6 | 38 | 49 |
| EPS (Bt) | 0.51 | 0.70 | 1.04 |
| PER (x) | 53.4 | 38.6 | 25.9 |
| BPS (Bt) | 5.05 | 5.45 | 5.28 |
| PBV (x) | 5.3 | 5.0 | 5.1 |
| DPS (Bt) | 0.24 | 0.82 | 1.04 |
| Div. Yield (%) | 0.9 | 3.0 | 3.9 |
| ROA (%) | 8 | 10 | 14 |
| ROE (%) | 10 | 13 | 20 |

Source: SET

Analyst:Pathompol Laowirayasak

Registration No.045337

Email:Pathompol.la@countrygroup.co.th

Tel.+66 2205 7000 ext.4406

Assistant Analyst:Rawisara Adsawalaowolaphong

Analyst Opinion

SABINA has shown continuous growth during the past 9 years, with management's vision to shift towards creating the company's own brand instead of being an OEM manufacturer for foreign brands. Stock currently trades at 24.9x Trailing PE which is higher than WACOAL, the market leader, which currently trades at 16.6x. We view that this is the result of SABINA's higher growth outlook following its continuously improving brand awareness. Therefore, we recommend investors to keep eyes on i) new product launches in the future and ii) foreign exchange rate of Thai Baht (THB) because the company will be better off from THB appreciation and worse off from THB depreciation, as the company is the net importer. The latest update on IAA Consensus, the 4 analysts who follow this stock had recommended "Buy" on this stock, with the average target price of 35.8 THB or 21% upside.

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2018 Corporate Governance Report by Thai Institute of Directors Association (IOD)

A disclosure of the Corporate Governance Report by Thai Institute of Directors Association (IOD) is in compliance with the policy of The Securities and Exchange Commission Thailand (SEC). The IOD has conducted surveys and evaluated data from the companies registered in The Stock Exchange of Thailand (SET) and The MAI Stock Exchange (MAI). These data are publicly disclosed and accessible by any investors. Therefore, the result of this survey is a presentation of the third party's opinions, it is not a performance evaluation of the company, and the evaluation does not take into account the company's internal data. The result of such survey is the result as of the date appeared on the Corporate Governance Report of Thai Limited Companies only, therefore, the survey result may change after aforementioned date and, by any mean, The Country Group Securities PCL. does not confirm, verify, or certify the correctness of the aforementioned result of the survey.

เกณฑ์การจัดอันดับบริษัทกบิล



| Excellent (ดีเลิศ) | | | | ระดับคะแนน | | | | 90 — 100% | | | | | | |
|--------------------|--------|-------|-------|------------|-------|-------|--------|-----------|--------|--------|--------|-------|--------|--------|
| ADVANC | BCP | CNT | DTAC | GFSC | JSP | MAKRO | OGHI | P9H | RATCH | SCCC | SVI | TIP | TSTH | WINNER |
| AKP | BCPG | COL | DTC | GRAMMY | KBANK | MBK | OTO | P9L | ROBINS | SOC | SYNTEC | TISCO | TTCL | |
| AMATA | BRR | CPF | EA | GUNKUL | KCE | MCOT | PC9GH | PTG | S & J | SE-ED | TASCO | TKT | TU | |
| AMATAV | BS | CPH | EASTW | HANA | KXP | MINT | PDJ | PTT | SABINA | SS | TCAP | TMB | TVD | |
| ANAN | BWG | CPN | EGCO | HMPRO | KSL | MONO | PG | PTTEP | SAMART | SITHAI | THAI | TNDT | UAC | |
| AOT | CRFESH | CSL | GC | ICC | KTG | MTC | PHOL | PTTGC | SAMTEL | SNC | THANA | TOP | UV | |
| AP | CHO | CSS | GEL | ICHI | KTC | NCL | PLANB | PYLON | SAT | SPALI | THANI | TRC | VGI | |
| BAFS | CK | DELTA | GFPT | INTUCH | LHFG | NKI | PLANET | Q-LON | SC | SPnC | THCOM | TRU | VIH | |
| BANPU | CKP | DEMCO | GGC | IRPC | UT | NVD | PRG | QH | SCB | SSSC | THP | TRUE | WACOAL | |
| BAY | CM | DRT | GOLD | IVL | LPN | NYT | PRG | QTC | SCC | STEC | THREL | TSC | WAVE | |



| Very Good (ดีมาก) | | | | ระดับคะแนน | | | | 80 — 89% | | | |
|-------------------|-------|--------|--------|------------|--------|-------|--------|----------|--------|--------|-------|
| ZS | ASK | BPP | DCORP | GULF | DOOL | MFEC | POI | SANKO | TCC | TOA | UOBKH |
| AAV | ASN | BROOK | DDD | HARN | KTS | MK | PJW | SAWAD | TEAM | TOG | UP |
| ACAP | ASP | BTW | EASON | HPT | L8E | MOONG | PLAT | SCG | TFG | TPA | UPF |
| AIG | ATF30 | CBG | ECF | HTC | LAINNA | MSC | PM | SCI | TRMAMA | TPAC | UPOIC |
| AH | AU | CEN | ECL | HYDRO | LDC | MTI | PORT | SCN | THRE | TPBI | UT |
| AHC | AUCT | CENTEL | EE | ICN | LH | NCH | PPP | SE | TICOM | TPCORP | UWC |
| AIRA | AYUD | CGH | EPG | ILINK | LHK | NEP | PREB | SEAFECO | TIPCO | TRITN | VNT |
| AIT | BA | CHEWA | ERW | INET | LOXLEY | NINE | PRECHA | SEAOL | TK | TRT | WHAUP |
| AKR | BBL | CHG | ETE | IRC | LRH | NOBLE | PRINC | SELUC | TKN | TSE | WICE |
| ALLA | BOMG | CHOW | FN | ITD | LST | KOK | PRM | SENA | TKS | TSR | WIK |
| ALT | BEC | CI | FNS | JAS | M | NSI | PT | SFP | TM | TSTE | XIO |
| AMA | BEM | CIMBT | FORTH | JCKH | MACO | NTV | QLT | SIAM | TMC | TTA | YUASA |
| AMANAH | BPT | CNS | FPI | JIN | MAJOR | NWR | RICHY | SINGER | TMI | TTW | ZMICO |
| APCO | BPRM | COM7 | FSMART | JWO | MALEE | OCC | RML | SRI | TMILL | TVI | |
| AQUA | BZ | COMAN | FVC | K | MBKET | OGC | RS | SKE | TMT | TVO | |
| ARIP | BJC | CPALL | GBX | KBS | MC | ORI | RMI | SMK | TNITY | TWP | |
| ARROW | BJCHI | CSC | GCAP | KCAR | MEGA | PAP | S | SMPC | TNL | TWPC | |
| ASIA | BLA | CSP | GLOBAL | KGI | METCO | PATO | S11 | SMT | TNP | U | |
| ASIMAR | BOL | DCC | GLOW | KXC | MFC | PB | SALEE | SNP | TNR | UMI | |



| Good (ดี) | | | | ระดับคะแนน | | | | 70 — 79% | | | |
|-----------|--------|-------|-------|------------|--------|--------|-------|----------|--------|-------|-------|
| TUP | BEAUTY | CITY | EMC | GTB | JTS | MDX | PF | RPC | SPCG | THG | UNIQ |
| ABICO | BGT | CMO | DPCO | GVT | JUBILE | META | PICO | RPH | SPG | THMUI | VCOM |
| ABM | BH | CMR | DSSO | HTECH | KASET | MILL | PIMO | SAMCO | WQ | TIC | VIBHA |
| AEC | BIG | COLOR | ESTAR | IFS | KCM | MJD | PK | SAPPE | SRICHA | TITLE | VPO |
| AEONTS | BLAND | CPL | FE | IHL | KIAT | MM | PL | SCP | SSC | TIW | WIN |
| AF | BM | CPT | FLOYD | II | KWC | MODERN | PLE | SF | SSP | TMD | WORK |
| AJ | BR | CRD | FOCUS | INOX | KWG | MPG | PMTA | SGF | STANLY | TOPP | WP |
| ALUCON | BROCK | CSR | FSS | INSURE | KYE | NC | PPPM | SGP | STPI | TPCH | WPH |
| AMARIN | B8BM | CTW | FTE | IRCP | LALIN | NDR | PRIN | SKN | SUN | TRPP | ZIGA |
| AMC | BTNC | CWT | GENCO | IT | LEE | NETBAY | PSTC | SKR | SUPER | TPOLY | |
| AS | CCET | D | GIFT | ITEL | LPH | NNCL | PTL | SKY | SVQA | TTI | |
| ASAP | CCP | DCON | GJS | J | MATCH | NPK | RCI | SLP | T | TVT | |
| AEEFA | CGO | DIGI | GLANC | JCK | MATI | OCEAN | RCL | SMT | TCCC | TYCN | |
| ASIAN | CHARAN | DIMET | GPI | JMART | MBAX | PAF | RJH | SOLAR | TCMC | UEC | |
| BCH | CHAYO | BKH | GREEN | JMT | M-CHAI | PDG | ROUNA | SPA | THE | UMS | |



No Logo Given

| Satisfactory (พอใช้) | ระดับคะแนน | 60 — 69% |
|----------------------|------------|-------------|
| Pass (ผ่าน) | ระดับคะแนน | 50 — 59% |
| N/A | ระดับคะแนน | ต่ำกว่า 50% |

Anti-Corruption Progress Indicator by Thai Institute of Directors Association (IOD)

A disclosure of the result of Anti-Corruption Progress Indicator of the registered companies in Stock Exchange of Thailand (SET) evaluated by Thai Institute of Directors Association (IOD) and disclosed by The Securities and Exchange Commission Thailand (SEC) is in compliance with the policy and plan to develop sustainability for registered companies. The result of the IOD's evaluation is based on data from the registered company's declaration forms i.e. Form 56-1, Form 56-2, documents, or any other reports related to the registered companies.

Therefore, the result of this evaluation is a presentation of the third party's opinions. It is not a performance evaluation of the company registered in SET, and the evaluation does not take into account the company's internal data. The result of such evaluation is the result as of the date appeared on the report only, therefore, the evaluation result may change after aforementioned date and, by any mean, The Country Group Securities PCL. does not confirm, verify, or certify the correctness of the aforementioned result of the survey.

The data of companies participated in Thailand's Private Sector Collective Action Coalition against Corruption (Thai CAC) of IOD consists of 2 groups

| ได้รับการรับรอง CAC (Certified) | | | | | | | | | | | | | |
|---------------------------------|--------|-------|--------|--------|-------|-------|--------|--------|--------|--------|-------|--------|------|
| ADVANC | BLA | CPN | GCAP | IFS | KWC | MOONG | PE | PTT | SE-ED | SPRC | THRE | TPA | WHA |
| AKP | BROOK | CSC | GEL | INET | L&E | MSC | PG | PTTGC | SELIC | SRICHA | THREL | TPCORP | WICE |
| AMANAH | BRR | DCC | GFPT | INTUCH | LANNA | MTI | PHOL | PYLON | SENA | SSF | TICON | TRUE | |
| AP | BSBM | DEMCO | GGC | IRPC | LHFG | NBC | PL | Q-CON | SGP | SSI | TIP | TSC | |
| ASK | BTS | DIMET | GJS | IVL | LHK | NINE | PLANET | QH | SINGER | SSSC | TIPCO | TSH | |
| AYUD | BWG | DRT | GLOW | K | LPN | NKI | PLAT | QLT | SIRI | STA | TISCO | TTCL | |
| BAFS | CENEL | DTAC | GOLD | KASET | M | NMG | PM | RATCH | SIS | SUSCO | TKT | TU | |
| BANPU | CFRESH | DTC | GPSC | KBANK | MAKRO | NNCL | PPP | RML | SITHAI | SVI | TMB | TVD | |
| BAY | CGH | EASTW | GSTEL | KBS | MALEE | OCC | PPS | ROBINS | SMIT | SYNTEC | TMD | TVI | |
| BBL | CHEWA | ECL | GUNKUL | KCAR | MBAX | OCEAN | PREB | SABINA | SMK | TAE | TMILL | TWPC | |
| BCH | CHG | EGCO | HANA | KCE | MBK | OGC | PRG | SAT | SMPC | TASCO | TMT | U | |
| BCP | CNS | EPCO | HARN | KGI | MBKET | PATO | PRINC | SC | SNC | TFG | TNITY | UBIS | |
| BCPG | COM7 | FNS | HMPRO | KKP | MC | PB | PSH | SCB | SNP | TH | TNL | UOBKH | |
| BGRIM | CPALL | FSS | HTC | KSL | MCOT | PDG | PSTC | SCCC | SORKON | TFMAMA | TNP | VGI | |
| BUCHI | CPF | GBX | ICC | KTB | MINT | PDI | PT | SCG | SPC | THANI | TOG | VNT | |
| BKI | CPI | GC | IFEC | KTC | MONO | PDJ | PTG | SCN | SPI | THCOM | TOP | WACOAL | |

| ได้ประกาศเจตนารมณ์เข้าร่วม CAC (Declared) | | | | | | | | | | | | | |
|---|--------|--------|-------|--------|--------|-------|-------|--------|--------|--------|--------|--------|--------|
| 2S | ASIAN | BRR | CSC | FSMART | IFS | KWG | MJD | PDI | QLT | SINGER | SYNEX | TMT | UKEM |
| 7UP | ASIMAR | BSBM | CSR | FSS | ILINK | KYE | MK | PDJ | QTC | SIRI | SYNTEC | TNITY | UNIQ |
| A | ASK | BTNC | CSG | FTE | INET | L&E | ML | PE | RATCH | SIS | TAE | TNL | UOBKH |
| ABICO | AU | BTS | DCC | FVC | INOX | LALIN | MONO | PG | RML | SITHAI | TAKUNI | TNP | UPA |
| ACAP | AYUD | BUI | DEMCO | GBX | INSURE | LANNA | MOONG | PHOL | ROBINS | SKR | TASCO | TNR | UREKA |
| ADVANC | B | BWG | DIGI | GC | INTUCH | LDC | MPG | PIMO | ROCK | SMART | TBSP | TOG | UV |
| AEC | BAFS | CEN | DIMET | GCAP | IRC | LEE | MSC | PK | ROH | SMIT | TEAM | TOP | UWC |
| AF | BANPU | CENEL | DNA | GEL | IRPC | LHFG | MTI | PL | ROJNA | SMK | TFG | TPA | VGI |
| AGE | BAY | CFRESH | DRT | GFPT | ITEL | LHK | NBC | PLANB | RPC | SMPC | TH | TPCORP | VIBHA |
| AH | BBL | CGH | DTAC | GGC | IVL | LIT | NCH | PLANET | RWI | SNC | TFMAMA | TRP | VIH |
| AI | BCH | CHARAN | DTC | GIFT | J | LPN | NCL | PLAT | SAAM | SNP | THAI | TRTN | VNG |
| AIE | BCP | CHEWA | EA | GJS | JMART | LRH | NDR | PM | SABINA | SORKON | THANI | TRT | VNT |
| AIRA | BCPG | CHG | EASTW | GLOBAL | JMT | LTX | NINE | PPP | SAMCO | SPALI | THCOM | TRUE | WACOAL |
| AJ | BEAUTY | CHO | ECF | GLOW | JTS | M | NKI | PPS | SANKO | SPC | THE | TSC | WAVE |
| AKP | BRT | CHOTI | ECL | GOLD | JUBILE | MAKRO | NMG | PREB | SAPPE | SPCG | THIP | TSE | WHA |
| ALUCON | BGRIM | CHOW | EE | GPI | JUTHA | MALEE | NNCL | PRG | SAT | SPI | THRE | TSI | WICE |
| AMANAH | BH | CI | EFORL | GPSC | K | MATCH | NPPG | PRINC | SAUCE | SPPT | THREL | TSTE | WIN |
| AMARIN | BJC | CHG | EGCO | GREEN | KASET | MATI | NTV | PRM | SC | SPRC | TIC | TSH | XO |
| AMATA | BUCHI | CITY | EXH | GSTEL | KBANK | MBAX | NUSA | PRO | SCB | SR | TICON | TTCL | YUASA |
| AMATAV | BKD | CMC | EPCO | GUNKUL | KBS | MBK | OCC | PSH | SCCC | SRICHA | TIP | TI | ZMICO |
| ANAN | BKI | CNS | ERW | GYT | KCAR | MBKET | OCEAN | P&L | SOG | SSF | TIPCO | TTW | |
| AOT | BLA | COL | ESTAR | HANA | KCE | KCE | OGC | PSTC | SCI | SSI | TISCO | TU | |
| AP | BLAND | COM7 | ETE | HARN | KGI | MCOT | ORI | PT | SCN | SSSC | TKN | TVI | |
| APCO | BLISS | CPALL | EVER | HMPRO | KKP | MEGA | PACE | PTG | SEAOL | SST | TKT | TVO | |
| APURE | BM | CPF | FC | HTC | KSL | META | PAF | PTT | SE-ED | STA | TMB | TVT | |
| AQUA | BPP | CPI | FLOYD | IOC | KTB | MFEC | PAP | PTTGC | SELIC | STANLY | TMC | TWPC | |
| ARROW | BR | CPL | FN | ICHI | KTC | MIDA | PATO | PYLON | SENA | SUSCO | TMD | U | |
| AS | BROCK | CPN | FNS | IEC | KTECH | MILL | PB | Q-CON | SGP | SVI | TMI | UBIS | |
| ASIA | BROOK | CPR | FPI | IFEC | KWC | MINT | PDG | QH | SHANG | SYM | TMILL | UEC | |

Reference to Country Group Securities