

SABINA: Feminine charm is getting started

Action: Recommend gradually "Buy" following strong rebound yesterday

Maintain Positive Outlook. There were significant numbers of attendants in the Analyst Meeting yesterday, and we believe the market will start to see a clear growth trend of the company in both revenue and profit margin, which we estimate a core profit margin of +19% for this year. And for the near term, a 2Q19F core profit margin is estimated to reach a quarterly new high at 120 (+25% Y-Y, +26% Q-Q) from a full quarter success of the new product "Seamless Fit" which becomes one of the Product Champions that support an outstanding revenue growth in every channel, as well as continuing good profit margin. We view SABINA as an interesting Mid Small Cap stock that can go well with investment themes of both E-commerce (a very successful and key driver channel) and Trade War (significant beneficiary). Maintain "Buy" recommendation, by gradually taking into port following a strong 9% rebound yesterday.

Catalyst: For near term - good 2Q19F. For full year – New high for 9 consecutive years.

Significant beneficiary from Trade War: By increasing proportion of products that SABINA outsources production of some product parts to third-party manufacturers (China, Vietnam) and with higher bargaining power, we can see a significant increase in this outsourced production from 13% of total production in 9M18 to 18% in 4Q18 and strongly accelerated to 33% in 1Q19, and the possibility of medium term target of 40% at the end of 2020F and 50% at the end of 2021F, while those outsourced products have higher margin than the company's self-manufactured products by 5-9% (imply 2020F gross margin of 53% vs. our estimation of 52%).

Maintain growth target for this year: The company set a 2019F target for a 10-15% increase in revenue (vs. our estimation of +8%) and the net margin target of +100 bps per year (vs. our estimation of +110 bps), mainly from a significantly improving gross margin from the outsourced products, which could increase higher than 100 bps per year by now(1Q19 +170 bps Y-Y).

Investment Research and Investor Services

25 July 2019

Rating	Buy
Maintained	
TP19F (DCF)	THB 35.00
Closing price	29.50
Upside/Downside	18.6%

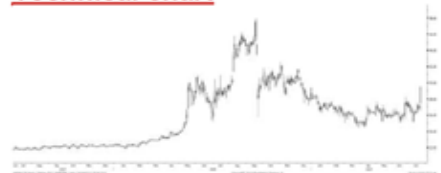
Anchor Themes

The product is in 4 basic human needs category and emphasizes on women's lifestyle and beauty and is one of the products that can take advantages of the E-commerce cycle with benefits to both buyers and sellers from the fact that the Market Place is still in an early stage of building markets.

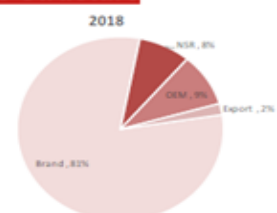
Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	10,251.3
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

Anuwat Srikajornratkul
Analyst Registration No. 045698
Anuwat.srikajornratkul@th.nomura.com
02-081-2779, 02-638-5779

However, the company will allocate part of this benefit for more marketing activities (focusing in online channel) to strengthen its brand value. Overall, we estimate the core profit for this year at +19%, another new high for 9 consecutive years.

Estimate a quarterly New High for 2Q19F profit: Estimate a core profit of 120 million baht (+25% Y-Y, +26%Q-Q) from the success of “Seamless Fit”, the new product that becomes one of the Product Champions. Full quarter revenue recognition is estimated at 885 million baht (+13% Y-Y, +15% Q-Q) and the profit margin will be as good as that of 1Q19.

E-Commerce supports NSR channel: SABINA is viewed to be taking advantage of the E-Commerce cycle which is not much available in the market, where the NSR channel (Online + TV Shopping) is still a significant key driver. Launched at the end of 2017, currently this channel accounted for 12% of total revenue (with a target of 20% in 2020F), which we view this channel has a chance for high growth by reaping double benefits of having a product champion with good marketing that creates good trend and a new E-Commerce industry structure that the Market Place is still in a stage of building markets, offering promotions and high discount which are the benefits of the buyers and the online sellers. Besides, this channel has advantages on the margin which is slightly higher than those normal channels, fast stock management, and can maintain brand image by substituting discounts offered in other channels.

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)	42.2	28.4	23.8	20.1	16.8
BVPS (THB)	5.45	5.28	5.48	5.83	6.27
P/BV (x)	5.41	5.59	5.38	5.06	4.71
EV/EBITDA (x)	27.6	20.2	16.8	14.3	12.0
DPS (THB)	0.82	1.04	1.11	1.32	1.58
Dividend Yield (%)	2.8%	3.5%	3.8%	4.5%	5.4%
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

Reference: Nomura