

**SABINA: The main profit for 2Q19 makes a new quarterly high.**

**Action: Strong Basic Elements, recommend to “buy”**

We still recommend to “buy” and to apply TP20F by referring to DCF (WACC 8.8%, TV Growth 2.5%) at 40 baht. The main profit for 2Q19 is a new quarterly high at 119 (+23% y-y, +25% q-q) closed to the expected value. (It is 10% better than the market expectations). The revenue has been growing significantly in almost all channels. The profit margin is consistently good. If the total of the employee benefit reserve fund is 14 million baht, net profits also grew well to 105 million baht (+9% y-y, +10% q-q). The overall profit of 1H19 accounted for 50% of this year's forecast and still rising well (+19%). In our opinion, SABINA is one of the attractive mid small caps that match the E-commerce investment theme (E-commerce is a very successful sales channel and is the main key driver) and trade war (gain significant benefit). The company announced a 1H19 dividend of 0.57 baht/share (Yield 2%, XD this August 26<sup>th</sup>).

**Catalyst: The full-year profit is expected to make a new high for the 9<sup>th</sup> consecutive year.**

**Earning Results 2Q19:** The profit is normally good and close to the expected value of 119 million baht (+ 23% y-y, + 25% q-q). It is the highest quarterly value due to both revenue and profit margin growth. The 862 million baht revenue (+10% yy, +12% q-q) is from the success of the “Seamless Fit” collection. (This collection was launched at the end of February 2019.) The revenue is in full quarter and growing in all channels. (Brand +9% y-y, OEM +1%, Export +1% including NSR (online+TV shopping) (The income proportion increased from 8% in 2018 to 11%) +31% y-y. The profit margin is still performing well with the gross margin at 36.4% vs 2Q18/1Q19 50.5%/54.7% according to the increasing outsourcing proportion by SABINA. The margin is higher than own manufacturing from 4-8% to 35%. Meanwhile, SG&A/Sales moved up a little bit from 35.4% in 2Q18 to 36.4% because of the market focus and the increasing new product promotion. However, this was not a surprise and in accordance with the company plan.

**Outlook:** 1H19 profit accounted for 50% of the full-year forecast and still makes a new high for the 9th consecutive year. (The main profit +19%). In our opinion, the business still has an upward trend in opportunities. The driving factors are both revenue and profit margin growth that is performing well due to the strength of marketing and the new offerings that meet the consumer needs. (3Q19 launched the new product group with the Japanese cartoon patterns to target teenagers. Sumikko Gurashi and Mamegoma” is in the Premium “L-Special” product group to highlight the brand image.) There is an evaluation for the full-year revenue increasing to +9% (VS the company goal of 10%), and the net margin growth from 110 bps y-y to 12.8% (VS the company goal of +100 bps.) This is based on the outsourcing proportion increase and the growth in NSR channels with the margin higher than on the average. In the short term, we expect that the 3Q-4Q19F profit is rising in a stable way with y-y for every quarter from both revenue and profit margin which is still in good condition.

## Investment Research and Investor Services

14 August 2019

<b>Rating</b>	<b>Buy</b>
Maintained	
<b>TP20F (DCF)</b>	<b>THB 40.00</b>
<b>Closing price</b>	<b>29.00</b>
<b>Upside/Downside</b>	<b>37.9%</b>

### Anchor Themes

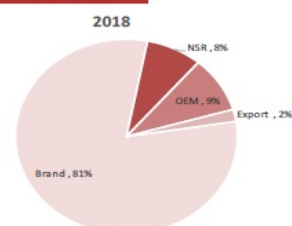
The four requisite products, the concentration on lifestyles and beauty issue of ladies, including those issues still in a position that benefits from e-commerce, beneficial to both buyers and sellers by the service provider (Market place), and still building the market position.

### Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	10,077.5
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

2Q19	Actual	CNS estimate	Actual vs Estimate
<b>Sale</b>	862	885	-2.6%
<b>Gross profit</b>	453	458	-1.2%
% GPM	52.6%	51.8%	
<b>SG&amp;A</b>	313	311	0.7%
SG&A/Sales	36.4%	35.2%	
<b>Norm profit</b>	119	120	-1.4%
% Norm margin	13.8%	13.6%	
<b>Net profit</b>	105	104	0.3%
Extra items	(14)	(16)	

### Revenue Structure



### Strategy Analysts

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

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)	41.4	27.9	23.4	19.8	16.5
BVPS (THB)	5.45	5.28	5.48	5.83	6.27
P/BV (x)	5.32	5.49	5.29	4.97	4.63
EV/EBITDA (x)	27.1	19.9	16.5	14.0	11.7
DPS (THB)	0.82	1.04	1.11	1.32	1.58
Dividend Yield (%)	2.8%	3.6%	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

Figure 1: Earnings result 2Q19

Profit & Loss Statement									
Year-end 31 Dec (THB mn)	2Q18	1Q19	2Q19	y-y	q-q	2018	2019F	%y-y	%YTD
Revenue from sales (THBmn)	783	770	862	10%	12%	3,090	3,349	8%	49%
Gross Profit (THBmn)	396	421	453	14%	8%	1,595	1,735	9%	50%
SG&A	277	304	313	13%	3%	1,156	1,208	5%	51%
EBIT	121	121	146	21%	21%	452	540	19%	49%
Interest expense	0	1	2	700%	20%	1	3	81%	113%
Corporate tax	24	24	26	7%	7%	89	108	20%	47%
Other extraordinary items									
<b>Net Profit</b>	96	95	105	9%	10%	362	406	12%	49%
<b>Norm. Profit</b>	96	95	119	23%	25%	362	430	19%	50%
EPS (THB)	0.3	0.3	0.3	23%	25%	1.04	1.24	19%	50%
<b>Profitability Ratio (%)</b>									
Gross Margin (%)	50.5%	54.7%	52.6%			51.6%	51.8%		
SG&A/Sales (%)	35.4%	39.5%	36.4%			37.4%	36.1%		
Net Margin (%)	12.3%	12.4%	12.2%			11.7%	12.1%		
Norm profit Margin (%)	12.3%	12.4%	13.8%			11.7%	12.8%		

Sources: Company data, CNS IRIS

Reference to Capital Nomura Securities