

### SABINA: Prediction of a temporary blip in 3Q19F profits

**Action:** A sharp fall in the price base, re-entering the “buy” zone

Although the prediction of 3Q19F profits of 117 million baht indicates a 1% fall q-q and a slower growth rate of 6% y-y vs 1H19 +22% y-y due to slowing income from the consumption environment and last year’s high base, there are bright spots in terms of revenue, the growth potential from TV and online shopping, and a steady growth in the profit rate. Overall, the profit prediction indicates that 3Q19F will be the second-best quarter, only below the previous quarter. Regarding the 22% fall in the stock price over one month, it has been a response to the weaker profits. We believe the company will resume its offensive strategy in the last quarter of the year, which is a high season. Retail should boost the growth of 4Q19F profits towards a double-digit rate. The current round of the fall in the price base is a good collection opportunity.

**Catalyst:** Prediction of a new high in annual profits for the 9<sup>th</sup> consecutive year, entering the end-of-year high season

**Earnings preview 3Q19F:** Net profits are predicted to be 117 million baht (+12% q-q, +6% y-y, or -1% q-q, +6% y-y when only normal profits are counted), representing a y-y slower growth and a -2% y-y decrease from the assessed revenue of 829 million baht. This is due to a slowing purchasing power and temporary conditions during the quarter, such as the bombings in August which affected the storefront channel (78% of revenue) especially during July and August. Another reason is the high base from last year from the relaunch of Doomm Doomm which met with a highly positive response. The TV and online shopping channel (10-12% of revenue) is predicted to continue to grow by 12% y-y. The performance in terms of profit rates is still good, as the gross margin is predicted to be 52.1%, an increase from the 49.3% rate in 3Q18 thanks to an increase in the proportion of products that SABINA outsourced to outside manufacturers. Outsourced products have an approximately 5% higher margin than products made in-house. Outsourced products are estimated to be 35% of total products compared to the 13% rate in 3Q18. There are also benefits from the strong baht.

**Outlook:** If the 3Q19F profits approximately match expectations, they will be 78% of the year’s total estimate. The year’s total estimate remains +19%. Profits in 4Q19F are predicted to grow by a double digit y-y due to offensive strategies in the end-of-year festive season. Other benefits are gained from the launch of the “Body bra” collection in September which was well-received. The profit rate is predicted to continue its steady growth similar to 9M19F due to the increase in the proportion of outsourcing.

### Investment Research and Investor Services

16 October 2019

Rating	Buy
Maintained	
TP20F (DCF)	THB 40.00
Closing price	27.25
Upside/Downside	46.8%

### Anchor Themes

Products are in the “4 essential needs” category, and there is an emphasis on lifestyle and beauty among women. It is also in the cycle that benefits from e-commerce, and there are benefits for both buyers and sellers from the service provider (market place). The current period is a period of building the market.

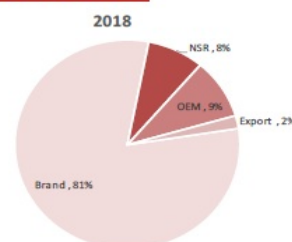
### Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	9,469.4
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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**CNS vs Consensus:** Out 2019F profit prediction is close to Consensus, while out 2020F profit is 11% higher than Consensus. The hypothesis is we are better at controlling costs (lower SG%A/Sales).

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)	38.9	26.2	22.0	18.6	15.5
BVPS (THB)	5.45	5.28	5.48	5.83	6.27
P/BV (x)	5.00	5.16	4.97	4.67	4.35
EV/EBITDA (x)	25.4	18.7	15.5	13.2	11.0
DPS (THB)	0.82	1.04	1.11	1.32	1.58
Dividend Yield (%)	3.0%	3.8%	4.1%	4.8%	5.8%
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 3Q19F

Profit & Loss Statement											
Year-end 31 Dec (THB mn)	3Q18	4Q18	1Q19	2Q19	3Q19F	y-y	q-q	2018	2019F	%y-y	%YTD
Revenue from sales (THBmn)	849	772	770	862	829	-2%	-4%	3,090	3,349	8%	73%
Gross Profit (THBmn)	419	417	421	453	432	3%	-5%	1,595	1,735	9%	75%
SG&A	284	327	304	313	290	2%	-7%	1,156	1,208	5%	75%
EBIT	138	93	121	146	147	6%	0%	452	540	19%	77%
Interest expense	0	1	1	2	-			1	3	81%	113%
Corporate tax	27	17	24	26	29	7%	12%	89	108	20%	74%
Other extraordinary items											
<b>Net Profit</b>	<b>110</b>	<b>75</b>	<b>95</b>	<b>105</b>	<b>117</b>	<b>6%</b>	<b>12%</b>	<b>362</b>	<b>406</b>	<b>12%</b>	<b>78%</b>
<b>Norm. Profit</b>	<b>110</b>	<b>75</b>	<b>95</b>	<b>119</b>	<b>117</b>	<b>6%</b>	<b>-1%</b>	<b>362</b>	<b>430</b>	<b>19%</b>	<b>77%</b>
<b>EPS (THB)</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>6%</b>	<b>-1%</b>	<b>1.04</b>	<b>1.24</b>	<b>19%</b>	<b>77%</b>
<b>Profitability Ratio (%)</b>											
Gross Margin (%)	49.3%	54.0%	54.7%	52.6%	52.1%			51.6%	51.8%		
SG&A/Sales (%)	33.5%	42.4%	39.5%	36.4%	35.0%			37.4%	36.1%		
Net Margin (%)	13.0%	9.8%	12.4%	12.2%	14.1%			11.7%	12.1%		
Norm profit Margin (%)	13.0%	9.8%	12.4%	13.8%	14.1%			11.7%	12.8%		

Sources: Company data, CNS IRIS

**Reference by NOMURA Securities**