

SABINA : 4Q19F Profits Forecast to Return to 21% Growth y-y

Action: The price is in the zone of support. Recommendation "buy"

A positive outlook is agreed upon from analysts' meeting. Growth is forecast to continue this year, reducing the market's concern. The key drivers of good growth rates are the NSR channels (online + TV shopping + catalog) and the increase in the proportion of outsourcing. Meanwhile, the share price which has gone down along with the overall market situation still represents an investment opportunity, with a trading price in the zone of support PER 20F of only 15.8 times and a Div yield of 4.8%. The recommendation is "buy" from a TP based on DCF of 40 baht. We still commend the overall image of the business thanks to a strong brand, an ability to generate buzz, and a chance to grow with E-commerce, which is a high-growth opportunity. In the short term, there are positive factors from the profit trend of 4Q19F which is forecast to grow at a good rate of +21% y-y. In addition, we forecast new product launches at the end of this February.

Catalyst: A forecast of +21% 4Q19F profits y-y and a forecast of a 10th consecutive year of new high this year.

Objective for 2020F, an expansion both income and profit rate: The company's objectives for 2020F are a 6-8% increase in income, an increase in gross margin from increasing the proportion of outsourcing by 5% (from 30% to 35%) and a decrease of SG&A/Sales by 50 bps. These are lower than our estimates, which are +9% income, a 5% increase in the outsourcing proportion and -140bps SG&A/Sales. As for the important income key drivers of NSR channels (online + TV shopping + catalog), the objective is a 30% increase (equaling our estimates) and an increase in the proportion of income from 11% to 13% from the strength of the brand which has the highest online sales in the fashion sector, creating a high negotiating power against the marketplace. Furthermore, own channels of Facebook, Line and website will be added alongside a catalog system, which will help to reach new customer groups. Overall, our assessment is that the profits this year will continue to expand for the 10th consecutive year (estimated at +25%) but the forecast may be revised downward somewhat after 4Q19F.

TFRS 16 and the coronavirus? The company has not revealed the impact of the TFRS16 accounting standard (renting contract), but our preliminary assessment based on the balance sheet shows that although there is an increase in debt from out of the balance sheet, the financial status is still strong thanks to the previously low debt (net gearing 0.2). As for the P/L budget, we estimate that there are 100 out of the total of 500 branches which are paid in rent (the rest are revenue sharing) and are suitable for the conditions. Our initial forecast is that there will be interest results and deterioration costs which were a net increase from the former recording method of approximately 5-10 million baht, which represents 1-2% of this year's profits which are not yet included in the forecast. As for the impact of the coronavirus, the company has hired a manufacturer in Shantou, Guangdong Province (the latest number of infected people is around 207). There is no impact yet regarding logistics. In case of an extended period of production suspension, the company revealed that it already stockpiled products in advance before the Chinese New Year, including the new products planned for launch at the end of February.

Profits in 4Q19F still forecast at 91 million baht (+21% y-y, -22% q-q) This is based on the predicted return to growth in income by +6% y-y thanks to proactive marketing and positive results over the quarter from the new product "Body bra" (launched in late September) which was met with a positive reception. In addition, NSR channels are expected to see strong growth from the 11.11 and 12.12 events. The profit rate is also expected to grow thanks to the increase in the proportion of outsourcing, which has a 5% higher margin than in-house production. The profit rate is forecast to be at 30%, an improvement over the 18% rate in 4Q18.

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)	33.0	22.2	18.7	15.8	13.2
BVPS (THB)	5.45	5.28	5.48	5.83	6.27
P/BV (x)	4.24	4.37	4.22	3.96	3.69
EV/EBITDA (x)	21.3	15.8	13.0	11.1	9.2
DPS (THB)	0.82	1.04	1.11	1.32	1.58
Dividend Yield (%)	3.5%	4.5%	4.8%	5.7%	6.8%
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

Investment Research and Investor Services

29 January 2020

Rating	Buy
Maintained	
TP20F (DCF)	THB 40.00
Closing price	23.10
Upside/Downside	73.2%

Anchor Themes

Products are in the "4 essentials" category. Women put an emphasis on lifestyles and beauty. The business is well-placed to gain benefits from E-commerce which represents benefits for both buyers and sellers from the marketplace. It is also a period of building up the market.

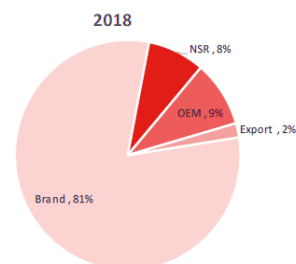
Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	8,027.25
12-mth High/Low (THB)	38.75/21.5
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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Figure 1: Earnings preview 4Q19F

Profit & Loss Statement									
Year-end 31 Dec (THB mn)	4Q18	3Q19	4Q19F	y-y	q-q	2018	2019F	%y-y	%YTD
Revenue from sales (THBmn)	772	844	818	6%	-3%	3,090	3,349	8%	98%
Gross Profit (THBmn)	417	456	446	7%	-2%	1,595	1,735	9%	102%
SG&A	327	310	332	2%	7%	1,156	1,208	5%	104%
EBIT	93	149	117	25%	-22%	452	540	19%	99%
Interest expense	1	3	3	238%	0%	1	3	81%	311%
Corporate tax	17	30	23	34%	-23%	89	108	20%	96%
Other extraordinary items									
Net Profit	75	117	91	21%	-22%	362	406	12%	100%
Norm. Profit	75	117	91	21%	-22%	362	430	19%	98%
EPS (THB)	0.2	0.3	0.3	21%	-22%	1.04	1.24	19%	98%
Profitability Ratio (%)									
Gross Margin (%)	54.0%	54.0%	54.5%			51.6%	51.8%		
SG&A/Sales (%)	42.4%	36.8%	40.6%			37.4%	36.1%		
Net Margin (%)	9.8%	13.8%	11.2%			11.7%	12.1%		
Norm profit Margin (%)	9.8%	13.8%	11.2%			11.7%	12.8%		

Sources: Company data, CNS IRIS

Reference by Capital Nomura Securities Public Company Limited