

SABINA : SABINA | SET

Investment Research and Investor Services

14 August 2020

Equity: Fashion

SABINA: 2Q is performing better than expected and has surpassed the lowest point

Actions: It is likely to recommend “buying” from TP21F at 23.5 Baht.

Net profit 2Q20 is at 50 million Baht (-58% y-y, -28% q-q), better than expected by 14%. The profit reduced y-y, q-q is in line with the retail- and consumer-based group; however, the profit has surpassed the lowest point with the improved spending atmosphere. The Company shall return to conduct marketing activities that are distinctive and attract a good amount of attention. The profits are expected to recover h-h in 2H20F back to the base profit close to 1Q20 where it was at 70–80 million Baht per quarter (recover q-q for 4 consecutive quarters from now) and shall return to growth y-y in 2021F +24%. It is recommended to “buy”. In the short-run, the profit has surpassed the lowest point and continues to be a laggard share in other consumer-based groups, which is a good buying zone. If there is a policy to stimulate consumption, it will be a positive psychological impact to shares and receiving dividends 1H20 at 0.35 Baht (Yield 2%, XD 26 August)

Catalysts: Profits in 2H20F is expected to recover. If there is a consumption stimulation policy implemented, it will be an additional drive.

Earnings result 2Q20: Net profit is at 50 million Baht (-58% y-y, -28% q-q). During COVID-19, the main revenue was impacted at 90% of total revenue, with approximately 585 branches being closed (80% of total revenue) for 1.5 months. The revenue was at 635 million Baht (-26% y-y), which exceeded the expectation, and the revenue sources were separated into branches at 402 million Baht (-43% y-y), OEM at 65 million Baht (+12% y-y), exports at 8 million Baht (-47% y-y), and there was only NSR channel (Online + TV Shopping) which made 184 million Baht (+109% y-y) including additional revenue from fabric masks (mainly from OEM as well as establishing own brand towards the end of the period) at approximately 50–60 million Baht. In regard to Gross Margin, it decreased to 36.5% compared to 2Q19/1Q20 52.6%/52.9%, due to reasons including strong promotions which were launched subsequent to the opening of the shopping malls in order to manage the cash flow, revenue from contracted fabric masks manufacturing had a lower margin than usual and the proportion of hired manufacturing from external suppliers (sourcing) was expected to decrease to 40% compared to 2Q19/1Q20 at 35%/50%.

Outlook 2020F: Profits of 1H20 is calculated at 46% of total annual profit estimation of 265 million Baht (-36%). Estimation of profits 2H20F will recover h-h at 70–80 million Baht per quarter and recover q-q in 4 quarters from now (however, y-y in 2H20F will reduce in line with consumer-based group). Subsequent to the opening of the shopping malls, the revenue returned to approximately 85% that of pre-COVID-19 (exceeding our expectation which was set at 2H20F -25% y-y). It is believed that the return of new products launching can be expected to drive more sales (usually the launches occur towards the end of 3Q) from the previous times where cash flow management was the main focus.

Valuation: It is still laggard in the consumer-based group and trading valuation is non-expensive.

Shares trading price of PER21F at 18 times, lower than 5 years average which is at 20 times. This is seen as a good investment entry point and it is recommended to “buy”.

Rating	Buy
TP21F (DCF)	THB 23.5
Closing price	17.00
Upside/Downside	35.8%

Anchor Themes

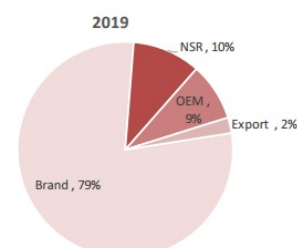
Products are in the “4 essentials” category. Women put an emphasis on lifestyles and beauty. The business is well-placed to gain benefits from E-commerce which represents benefits for both buyers and sellers from the marketplace. It is also a period of building up the market.

Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	6,011.8
12-mth High/Low (THB)	33.25/13.90
3-mth avg daily turnover (THBmn)	23.68
Foreign Limit/ Actual (%)	49.00/9.37
Expected Free Float (%)	42.22
NVDR (%)	0.82
Dividend Policy (%)	At least 40%
Par Value (THB)	1.00

2Q20	Actual	CNS estimate	Actual vs Estimate
Sale	635	537	18.4%
Gross profit	232	255	-8.9%
% GPM	36.5%	47.5%	
SG&A	191	198	-3.5%
SG&A/Sales	30.0%	36.9%	
Norm profit	50	44	14.3%
% Norm margin	7.9%	8.2%	
Net profit	50	44	14.3%
Extra items			

Revenue Structure



Strategy Analysts

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CNS vs Consensus Profit estimation of 2020F is close to the consensus.

Forecast & Valuation					
Year-end 31 Dec (THB mn)	FY 18	FY 19	FY 20F	FY 21F	FY 22F
Revenue	3,090	3,279	2,440	2,850	3,179
EBITDA	497	581	387	467	586
Norm Profit	362	427	265	329	421
Net Profit	362	413	265	329	421
EPS (THB)	1.04	1.19	0.76	0.95	1.21
EPS Growth (%)	49%	14%	-36%	24%	28%
PER (x)	16.6	14.5	22.7	18.3	14.3
BVPS (THB)	5.28	5.36	4.93	5.18	5.53
P/BV (x)	3.28	3.23	3.51	3.34	3.13
EV/EBITDA (x)	11.7	10.9	14.9	12.5	10.0
DPS (THB)	1.04	1.19	0.69	0.86	1.10
Dividend Yield (%)	6.0%	6.9%	4.0%	5.0%	6.4%
ROE (%)	19.4%	23.1%	14.8%	18.7%	22.6%
Int bearing D/E (x)	0.09	0.30	0.20	0.19	0.18

Source: Company data, CNS IRIS

Figure 1: Earning result 2Q20

Profit & Loss Statement													
Year-end 31 Dec (THB mn)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	y-y	q-q	2019	2020F	%y-y	%YTD
Revenue from sales (THBmn)	772	770	862	844	803	672	635	-26%	-6%	3,279	2,440	-26%	54%
Gross Profit (THBmn)	417	421	453	456	455	356	232	-49%	-35%	1,785	1,303	-27%	45%
SG&A	327	304	313	310	334	274	191	-39%	-30%	1,262	985	-22%	47%
EBIT	93	121	146	149	122	91	66	-55%	-28%	538	342	-36%	46%
Interest expense	1	1	2	3	3	3	2	46%	-18%	8	11	26%	49%
Corporate tax	17	24	26	30	22	18	13	-50%	-28%	103	66	-35%	47%
Other extraordinary items													
Net Profit	75	95	105	117	97	70	50	-52%	-28%	413	265	-36%	46%
Norm. Profit	75	95	119	117	97	70	50	-58%	-28%	427	265	-38%	46%
EPS (THB)	0.2	0.3	0.3	0.3	0.3	0.2	0.1	-58%	-28%	1.19	0.76	-36%	46%
Profitability Ratio (%)													
Gross Margin (%)	54.0%	54.7%	52.6%	54.0%	56.7%	52.9%	36.5%			54.4%	53.4%		
SG&A/Sales (%)	42.4%	39.5%	36.4%	36.8%	41.6%	40.7%	30.0%			38.5%	40.4%		
Net Margin (%)	9.8%	12.4%	12.2%	13.8%	12.0%	10.5%	7.9%			12.6%	10.9%		
Norm profit Margin (%)	9.8%	12.4%	13.8%	13.8%	12.0%	10.5%	7.9%			13.0%	10.9%		

Source: Company data, CNS IRIS

Reference by Capital Nomura Securities Public Company Limited