

### SABINA : SABINA | SET

Investment Research and Investor Services

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Equity: Fashion

**SABINA: Tagged along the “Good Shopping Gets Refund” trend.**

**Actions: Maintain “Buy” recommendation from TP21F at 23.5 baht**

Besides being a laggard stock in the consumer group (i.e. Shopping Malls, Home Improvement, IT, Credit Cards, etc.), whose prices have increased as a result of the “Good Shopping Gets Refund” campaign, we believe the company will take this opportunity when the shopping atmosphere has recovered from such campaign to launch new products and focus on its unique and wave-making marketing strategy. While the stock price represents a profit-taking point from TP21F at 23.5 baht based on its DCF, we forecast the 3Q20F profit of 75 MB (+48% q-q, -36% y-y), a continued recovery q-q in 4Q20F from shopping’s high season, and expect a continuous q-q, y-y growth into 1H21F.

**Catalysts: Shop For Our Nation campaign helps create a better spending mood and bolsters the launch of new products.**

**Earnings preview 3Q20F:** We forecast a net profit of 75 MB (-36% y-y, +48% q-q) with a q-q recovery after the Lockdown period has passed, but still expect a y-y decline following the same overview of the consumer group. The revenue is estimated at 743 MB (-12% y-y, +17% q-q), 553 MB of which is from the branch stores which are the company’s main channel, and 120 MB expected from the NSR (On-line + TV Shopping) channel which is still performing well (+44% y-y). SABINA was also ranked as one of the best-selling brands during the monthly on-line promotion schemes (the 7th of the 7th month, the 8th of the 8th month, the 9th of the 9th month). The profit margin is estimated to decline, with gross margin estimated at 50% vs 3Q19/2Q20 54.0%/36.5% as a result of strong promotion activities in order to manage its cash flow, but the gross margin is getting better q-q. The margin from fabric face mask OEM is decreasing. While the revenue has declined, the majority of the expenses are still those fixed costs, despite some cost savings being achieved (i.e. rental expense, marketing expense, etc.), causing an expected SG&A/Sales ratio rise to 37.4% vs 3Q19/2Q20 36.8%/30.0%.

**Outlook 2020F:** If the 3Q20F profit turns out close to estimation, then the 9M20F profit will come close to 74% of the annual forecast at 265 MB (-36% y-y). We still maintain the forecast that expects the 4Q20F profit to recover q-q (it still declines y-y with the same overview as the consumer group) as a result of the shopping season. This season, it will receive a positive impact from the Good Shopping Gets Refund campaign, starting 23 Oct – 31 Dec, in which each individual will be eligible for tax deductions of up to 30,000 baht/person. This is a significant economic stimulus measure that aims right at the company’s target customers. The total spending money is forecasted to be over 100 billion baht. This is also a good opportunity to launch new products that we should witness soon (last year the company launched a new product “Body bra” with Baifern as a presenter at the end of September). Initially, we view the 4Q20F profit to stay within 80–85 MB range and expect a good recovery of +24% y-y in 2021.

**Valuation: Still a laggard stock in the consumer group and trading at inexpensive valuation.**

Stock price trades PER21F at 22x (average +0.5 SD), viewed as a profit-taking point because the trend has passed the lowest point and will gradually recover in line with the consumer group.

Rating	Buy
TP21F (DCF)	THB 23.5
Closing price	21.00
Upside/Downside	11.9%

### Anchor Themes

A product that is within the 4 basic necessities group, women emphasize lifestyle and beauty, including being a product in the cycle that benefits from e-commerce, where the marketplace provides benefits to both buyers and sellers, and the product is within the market creation phase.

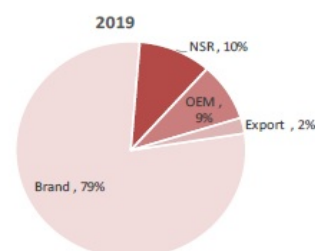
### Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	7,297.5
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

### Technical chart



### Revenue Structure



### Strategy Analysts

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**CNS vs Consensus:** Forecasted 2020F profit close to 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)	20.2	17.7	27.5	22.2	17.3
BVPS (THB)	5.28	5.36	4.93	5.18	5.53
P/BV (x)	3.98	3.92	4.26	4.05	3.80
EV/EBITDA (x)	14.3	13.1	18.2	15.3	12.2
DPS (THB)	1.04	1.19	0.69	0.86	1.10
Dividend Yield (%)	5.0%	5.7%	3.3%	4.1%	5.2%
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 preview 3Q20F**

Profit & Loss Statement														
Year-end 31 Dec (THB mn)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20F	y-y	q-q	2019	2020F	%y-y	%YTD
Revenue from sales (THBmn)	772	770	862	844	803	672	635	743	-12%	17%	3,279	2,440	-26%	84%
Gross Profit (THBmn)	417	421	453	456	455	356	232	372	-19%	60%	1,785	1,303	-27%	74%
SG&A	327	304	313	310	334	274	191	278	-10%	46%	1,262	985	-22%	75%
EBIT	93	121	146	149	122	91	66	97	-35%	47%	538	342	-36%	74%
Interest expense	1	1	2	3	3	3	2	3	16%	29%	8	11	26%	77%
Corporate tax	17	24	26	30	22	18	13	19	-37%	44%	103	66	-35%	75%
Other extraordinary items														
Net Profit	75	95	105	117	97	70	50	75	-36%	48%	413	265	-36%	74%
Norm. Profit	75	95	119	117	97	70	50	75	-36%	48%	427	265	-38%	74%
EPS (THB)	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.2	-36%	48%	1.19	0.76	-36%	74%
<b>Profitability Ratio (%)</b>														
Gross Margin (%)	54.0%	54.7%	52.6%	54.0%	56.7%	52.9%	36.5%	50.0%			54.4%	53.4%		
SG&A/Sales (%)	42.4%	39.5%	36.4%	36.8%	41.6%	40.7%	30.0%	37.4%			38.5%	40.4%		
Net Margin (%)	9.8%	12.4%	12.2%	13.8%	12.0%	10.5%	7.9%	10.1%			12.6%	10.9%		
Norm profit Margin (%)	9.8%	12.4%	13.8%	13.8%	12.0%	10.5%	7.9%	10.1%			13.0%	10.9%		

Source: Company data, CNS IRIS

**Reference by Capital Nomura Securities Public Company Limited**