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Investment Research and Investor Services

14 May 2021

Equity: Fashion

SABINA: Profit of first quarter of 2021 (1Q21) continues to grow from cost reduction

Actions: Maintain advice “Buy” from TP21F 23.5 baht

Profit of first quarter of 2021 (1Q21) is at 78 million baht (+11%y-y, +12%q-q). This is a comeback as it is the first year-year growth in five quarters. Even though main revenue of store branches is still affected by the economic situations according to the consumer groups, but the online channel is still able to penetrate the market well and grows at +46% y-y, and the other part is a result from business cost reduction. Overall, it can be regarded as having good performance and it is expected that for the rest of the year, even though there may still be effects of the new wave of COVID-19, considering the profit base, which has been through cost structure adjustment, it can continue to grow y-y and expected profit of 2021F will be able to grow at 19%. It is still recommended for “Purchase” from TP21F with reference DCF (WACC 8.2%, TV Growth 2%) 23.5 baht. It is viewed that the profit trend can continue to grow while business, with strong brand and ability to create the trend well, will be able to grow according to E-commerce.

Catalysts: Profit of the remaining period can continue to grow y-y

Earnings result 1Q20: net profit is 78 million baht (+11%y-y, +12%q-q), although earning is stable y-y and -12% q-q from seasonal effect, especially main source of earning from sale of store branches (66% of earning) -9% y-y from second wave of COVID-19 +OEM (8% of earning) -14% y-y from problem of having insufficient cargo containers. However, earning from NSR channel (Online+ TV Shopping) continues to do well +46% y-y and is as a result of top brands fashion group sale during online promotion (Lazada, Shopee) and its income ratio has increased from 19% of last year to 22%, and the other reason is partly due to the reduction of business cost based on the same sale revenue of last year. However, SG&A declined by 50 million baht and this decline is likely due to the reduction in the number of daily employees, approximately 300 employees (based on annual report), reduction in rent and marketing cost. As for Gross margin, it has declined from 52.9% to 47.6% from promotion in order to manage cash flow and product mix (emphasis on low price products in this period)

Outlook 2021F: Profit of first quarter of year 2021 (1Q21) is 24% of estimated profit of 21F at 329 million baht (+24% y-y) which still remains stable, and it is viewed that Downside risk from new wave of COVID-19 is limited, and is expected not to exceed 5% from assumption with reference already based on Conservative (lower than Consensus 10%). By looking at the significant effect of cost reduction, this helps business performance of 2Q21F to have profit of around 60 million baht, with growth of +20% y-y, and that will grow y-y in every remaining quarter, based on the assumption that COVID-19 will not prolong until 3Q21.

Rating	Buy
Maintain	
TP21F (DCF)	THB 23.5
Closing price	19.80
Upside/Downside	18.7%

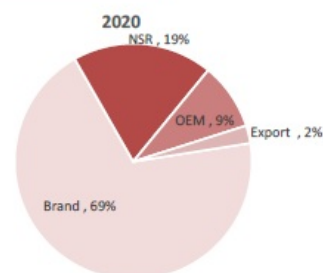
Anchor Themes

Products of basic necessity and products that supports new normal behaviors, both in esthetics and within the cycles which can benefit from E-commerce, beneficial for both sellers and buyers, from service providers (Marketplace) are still in the period of creating their market.

Key Data

Shares in Issue (mn)	347.5
Market Cap (THBmn)	6,880.5
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

Revenue Structure



Strategy Analysts

Anuwat Srikajornratkul

Analyst Registration No. 045698

Anuwat.srikajornratkul@th.nomura.com

02-081-2779, 02-638-5779

Valuation: Continue to Buy-Sell Valuation, Not Expensive

Trading share price of PER21F is 21 times, close to the 5-year average value, lower than value before the COVID-19 period, which was high at 25–30 times. This can be viewed as accumulated purchase point and having Div. yield of 4.3%, ROE 18% and low debt

CNS vs Consensus, estimated profit of 2021F is lower than Consensus 10%

Forecast & Valuation					
Year-end 31 Dec (THB mn)	FY 19	FY 20	FY 21F	FY 22F	FY 23F
Revenue	3,279	2,862	3,162	3,537	3,815
EBITDA	581	399	470	588	727
Norm Profit	427	277	329	421	530
Net Profit	413	277	329	421	530
EPS (THB)	1.19	0.80	0.95	1.21	1.52
EPS Growth (%)	14%	-33%	19%	28%	26%
PER (x)	16.6	24.9	20.9	16.4	13.0
BVPS (THB)	5.36	5.17	5.31	5.67	6.11
P/BV (x)	3.70	3.83	3.73	3.49	3.24
EV/EBITDA (x)	12.4	18.2	15.4	12.4	9.9
DPS (THB)	1.19	0.80	0.85	1.09	1.37
Dividend Yield (%)	6.0%	4.0%	4.3%	5.5%	6.9%
ROE (%)	23.1%	15.1%	18.1%	22.0%	0.0%
Int bearing D/E (x)	0.30	0.33	0.32	0.28	0.00

Source: Company data, IRIS Division – Capital Nomura Securities

Figure 1: Earning result 1Q21

Profit & Loss Statement															
Year-end 31 Dec (THB mn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	y-y	q-q	2020	2021F	%y-y	%YTD
Revenue from sales (THBmn)	770	862	844	803	672	635	799	755	665	-1%	-12%	2,862	3,162	10%	21%
Gross Profit (THBmn)	421	453	456	455	356	232	371	378	317	-11%	-16%	1,337	1,551	16%	20%
SG&A	304	313	310	334	274	191	277	292	224	-18%	-23%	1,034	1,136	10%	20%
EBIT	121	146	149	122	91	66	109	89	100	10%	13%	355	425	20%	24%
Interest expense	1	2	3	3	3	2	2	2	1	-51%	-29%	9	14	49%	10%
Corporate tax	24	26	30	22	18	13	22	16	20	13%	25%	69	82	19%	25%
Other extraordinary items															
Net Profit	95	105	117	97	70	50	86	70	78	11%	12%	277	329	19%	24%
Norm. Profit	95	119	117	97	70	50	86	70	78	11%	12%	277	329	19%	24%
EPS (THB)	0.3	0.3	0.3	0.3	0.2	0.1	0.2	0.2	0.2	11%	12%	0.80	0.95	19%	24%
Profitability Ratio (%)															
Gross Margin (%)	54.7%	52.6%	54.0%	56.7%	52.9%	36.5%	46.4%	50.1%	47.6%			46.7%	49.1%		
SG&A/Sales (%)	39.5%	36.4%	36.8%	41.6%	40.7%	30.0%	34.7%	38.7%	33.7%			36.1%	35.9%		
Net Margin (%)	12.4%	12.2%	13.8%	12.0%	10.5%	7.9%	10.7%	9.3%	11.8%			9.7%	10.4%		
Norm profit Margin (%)	12.4%	13.8%	13.8%	12.0%	10.5%	7.9%	10.7%	9.3%	11.8%			9.7%	10.4%		

Source: Company data, IRIS Division – Capital Nomura Securities

Reference to Capital Nomura Securities PCL.