

SABINA: Expect solid revenue recover in 4Q21



Update

A solid earnings recovery trend with an attractive dividend yield at 4%-5%. We maintain BUY rating and roll over target price to Bt26.25 (+19% from previous TP) based on 24xPE'22E, which is close to Thailand consumer discretionary sector.

- We expect 4Q21 earnings to recover both YoY and QoQ driven by 1) strong revenue recovery from new products launch and online marketing campaign, 2) an increase in gross profit margin after changing promotion strategy, and 3) better cost structure.
- We maintain our positive view toward its 2022-23E outlook, driven by 1) a solid revenue in "product champions" such as Body Bra, Seamless Fit, Wireless Bra, Level Bra, and Sabina Fong D, 2) solid e-commerce sales contribution, 3) ongoing OEM orders, 4) an increase in gross profit margin after changing promotion strategy, and 5) growth opportunities in oversea market.

Valuation table

Year end Dec	19A	20A	21E	22E	23E
PE (x)	16.7	25.0	25.4	18.2	16.1
Recurring net profit growth (%)	14.3	(33.0)	(1.7)	39.7	13.1
Recurring EPS (Bt)	1.19	0.80	0.78	1.09	1.24
Recurring EPS growth (%)	14.3	(33.0)	(1.7)	39.7	13.1
PBV (x)	3.7	3.9	3.9	3.9	3.9
BVPS (Bt)	5.4	5.2	5.2	5.2	5.2
ROE (%)	22.4	15.1	15.2	21.2	23.9
DPS (Bt)	1.19	0.80	0.78	1.09	1.24
Dividend yield (%)	6.0	4.0	3.9	5.5	6.2
Enterprise value (Bt m)	7,237	7,309	7,130	7,176	7,288
EV-to-EBITDA (x)	13.0	18.6	18.4	13.8	12.5

Sabina PCL

Recommendation: BUY

Current price: Bt19.9

Target price: Bt26.25

Up/(downside): 32%

IOD: 5 out of 5

CAC: Certified

Stock data

RIC code	SABINA.BK
Index	.SETI
SET Index (11 November 2021)	1,632.44
Market cap (Bt m)	6,915
Shares outstanding (million)	348
Par (Bt)	1.00



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SABINA: Expect earnings recovery in 4Q21 onwards

Story

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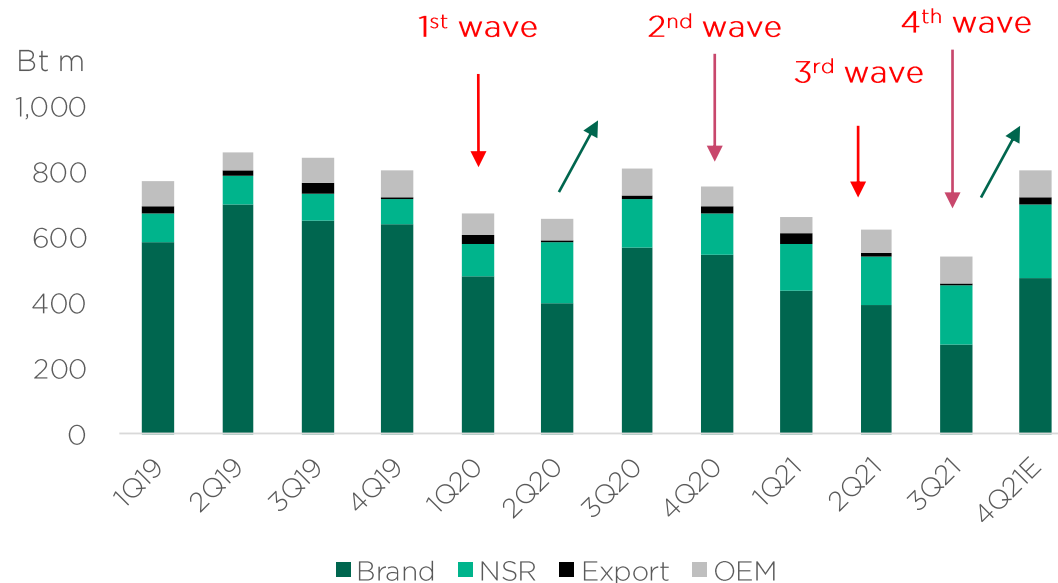
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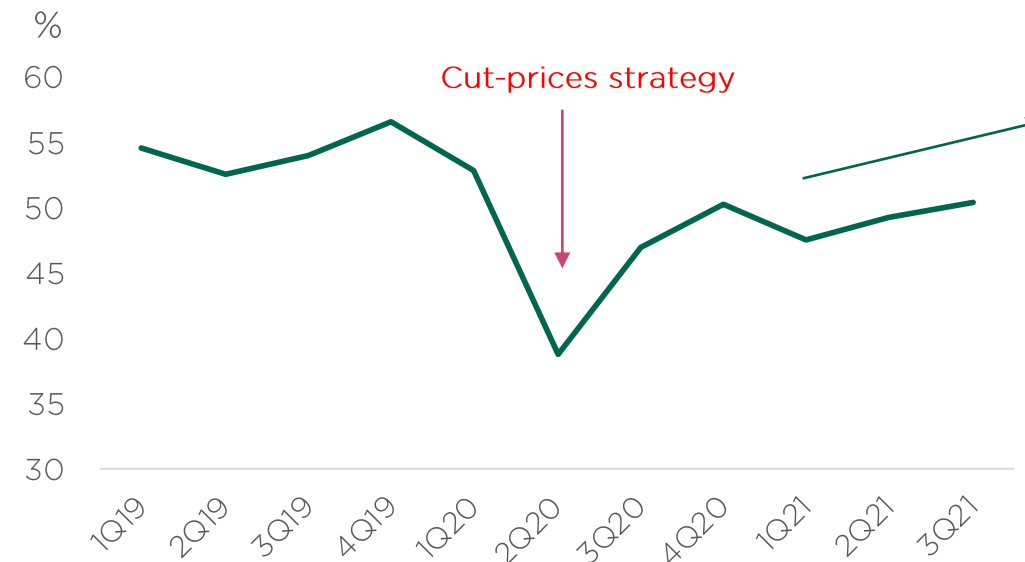
Value

Risks

Quarterly revenue by segment



Gross profit margin (%)



Strong 4Q21 earnings: We expect earnings in 4Q21 to recover both YoY and QoQ driven by 1) new products launched such as Sabina Fong D which its have a good feedback from customers and Plus Size collection for plus size woman, 2) solid OEM orders which its have backlog until Feb 2022, and 3) solid e-commerce sales from big marketing campaign 11.11 and 12.12, 4) an increase in customers traffic after re-opening stores.

Improving profit margin: Gross profit margin should continue to increase after bottom in 1Q21 supported by changing promotion strategy to One price campaign from Cut-prices strategy.

Solid earnings outlook in 2022-23: We believe SABINA will show significant recovery in 2022-23 supported by 1) a solid revenue in “product champions” such as Body Bra, Seamless Fit, Wireless Bra, Level Bra, and Sabina Fong D, 2) solid e-commerce sales contribution, 3) ongoing OEM orders, 4) an increase in gross profit margin after changing promotion strategy, and 5) growth opportunities in oversea market.

SABINA: Updated Scorecard

(Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	%QoQ	%YoY
Revenue	809	758	665	626	541	(13.5)	(33.1)
Cost of sales	(428)	(377)	(348)	(317)	(268)	(15.5)	(37.4)
Gross profit	381	381	317	309	273	(11.6)	(28.3)
SG&A	(277)	(294)	(224)	(237)	(208)	(12.2)	(25.1)
Other (exp)/inc	-	-	0	0	-	(100.0)	na
EBIT	103	87	93	72	65	(9.3)	(37.0)
Finance cost	(2)	(2)	(1)	(1)	(1)	5.6	(39.0)
Other inc/(exp)	6	1	7	7	6	(17.1)	(1.7)
Earnings before taxes	107	87	99	78	70	(10.3)	(34.9)
Income tax	(22)	(16)	(20)	(15)	(15)	(3.2)	(31.8)
Earnings after taxes	86	70	78	63	55	(12.0)	(35.7)
Equity income	-	-	-	-	-	na	na
Minority interest	-	-	-	-	-	na	na
Earnings from cont. operations	86	70	78	63	55	(12.0)	(35.7)
Forex gain/(loss) & unusual items	0	(0)	0	(0)	-	nm	nm
Net profit	86	70	78	63	55	(12.0)	(35.7)
EBITDA	114	99	104	83	75	(10.7)	(34.9)
Recurring EPS (Bt)	0.25	0.20	0.23	0.18	0.16	(12.0)	(35.7)
Reported EPS (Bt)	0.25	0.20	0.23	0.18	0.16	(12.0)	(35.7)
Profits (%)	3Q20	4Q20	1Q21	2Q21	3Q21	chg QoQ	chg YoY
Gross margin	47.1	50.3	47.6	49.3	50.4	1.1	3.4
Operating margin	14.1	13.0	15.6	13.3	13.8	0.4	(0.4)
Net margin	10.6	9.3	11.8	10.0	10.2	0.2	(0.4)

Result summary

- SABINA's 3Q21 net profit was at Bt55m (-36%YoY, -12%QoQ), the lowest in the past five quarters.
- The YoY and QoQ contraction pressured by a decrease in revenue to Bt541m (-33%YoY, -14%QoQ) as a result from cities lockdown, while online sales grew to Bt181m (+25%YoY) and contributed 34% of total sales.
- Gross profit margin increased to 50.4% from 47.1% in 3Q20 amid lockdown cities supported by changing promotion strategy to One price campaign from Cut-prices strategy.
- 3Q21 SG&A to sales ratio increased to 38.4% from 34.3% in 3Q20 due to a significant revenue dropped from the COVID-19 outbreak.

SABINA : Revenue breakdown

Story

Sales

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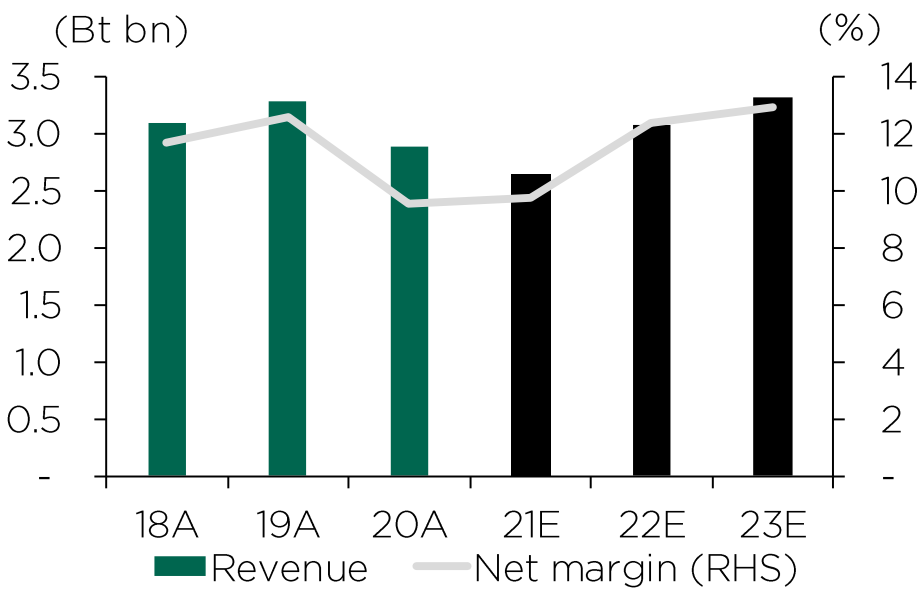
Value

Risks

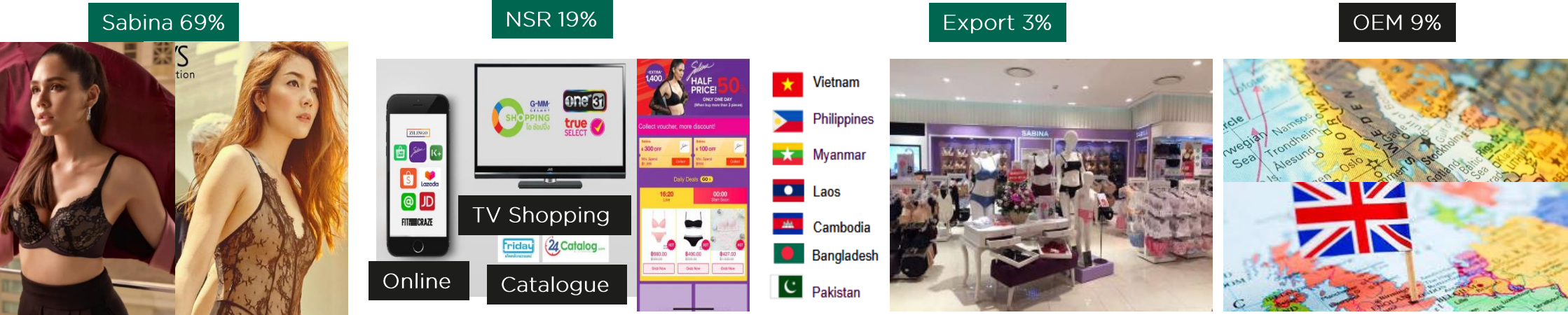
The company distributes its own-brand products (91% of total sales) through three main distribution channels — physical stores (69%), NSR (19%) and exports (3%). The remaining portion is distributed via OEM channels.

(1) Physical stores include department stores and modern trade outlets, retail stores and the company’s own shops in Thailand. (2) NSR (non-store retailing) refers to e-commerce platforms such as TV shopping, websites and applications. (3) The company also exports its products overseas with Cambodia, Laos, Myanmar, the Philippines and Vietnam being key markets.

The OEM (original equipment manufacturer) segment refers to production made to order from foreign customers from many countries including Britain, the US, Russia, Scandinavia and other European markets.



Sales by segment, 2020



SABINA: Summary financials

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Profit & loss (Bt m)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Revenue	3,280	2,898	2,624	3,070	3,320	809	758	665	626	541
Cost of goods sold	(1,494)	(1,525)	(1,325)	(1,474)	(1,577)	(428)	(377)	(348)	(317)	(268)
Gross profit	1,786	1,373	1,299	1,597	1,743	381	381	317	309	273
SG&A	(1,276)	(1,034)	(964)	(1,129)	(1,213)	(277)	(294)	(224)	(237)	(208)
Other (exp)/inc	(0)	-	-	-	-	-	-	0	0	-
Operating profit	509	339	335	468	530	103	87	93	72	65
Finance cost	(8)	(9)	(8)	(8)	(8)	(2)	(2)	(1)	(1)	(1)
Other inc/(exp)	15	16	13	15	15	6	1	7	7	6
Earnings before taxes	516	346	340	475	537	107	87	99	78	70
Income tax	(103)	(69)	(68)	(95)	(107)	(22)	(16)	(20)	(15)	(15)
After-tax profit	413	277	272	380	430	86	70	78	63	55
Equity income	-	-	-	-	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	-	-	-	-
Earnings from cont. operations	413	277	272	380	430	86	70	78	63	55
Forex gain/(loss) & unusual items	0	0	-	-	-	0	(0)	0	(0)	-
Net income	413	277	272	380	430	86	70	78	63	55
EBITDA	558	393	388	521	585	114	99	104	83	75
Recurring EPS (Bt)	1.19	0.80	0.78	1.09	1.24	0.25	0.20	0.23	0.18	0.16
Weighted average shares (m)	348	348	348	348	348	348	348	348	348	348
Balance sheet (Bt m)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Assets	3,018	2,804	2,571	2,651	2,810	2,797	2,804	2,716	2,673	2,600
Liabilities	1,157	1,009	776	856	1,014	1,073	1,009	830	855	883
Equity	1,861	1,795	1,795	1,795	1,795	1,723	1,795	1,886	1,818	1,717
Invested capital	2,178	2,184	2,005	2,051	2,163	2,236	2,184	2,119	2,046	2,424
Growth (YoY, %)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Revenue	6.1	(11.6)	(9.5)	17.0	8.1	(4.2)	(5.6)	(1.1)	(5.0)	(33.1)
Recurring EPS	14.3	(33.0)	(1.7)	39.7	13.1	(26.4)	(27.4)	11.3	24.3	(35.7)
Assets	16.0	(7.1)	(8.3)	3.1	6.0	(6.5)	(7.1)	(10.3)	(8.8)	(7.0)
Liabilities	50.9	(12.8)	(23.1)	10.4	18.5	(12.0)	(12.8)	(25.8)	(27.6)	(17.7)
Equity	1.4	(3.5)	-	(0.0)	-	(2.7)	(3.5)	(1.1)	3.8	(0.4)
Profits (%)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Gross margin	54.4	47.4	49.5	52.0	52.5	47.1	50.3	47.6	49.3	50.4
EBITDA margin	17.0	13.6	14.8	17.0	17.6	14.1	13.0	15.6	13.3	13.8
Net margin	12.6	9.6	10.4	12.4	12.9	10.6	9.3	11.8	10.0	10.2
ROE	22.4	15.1	15.2	21.2	23.9	19.7	16.0	17.0	13.5	12.5

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Investment ratings

BUY:	Expected return excluding dividends of more than 10% within the next 12 months.
HOLD:	Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL:	Expected return excluding dividends of less than -10% within the next 12 months.
NR:	Not Rated- Stock is not in our research coverage.

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