

2 November 2021

Consumer Cyclical | Retailing

## Siam Global House (GLOBAL TB)

**Buy** (Maintained)

### A Resilient Quarter; Keep BUY

Target Price (Return): THB24.00 (16.5%)  
 Price (Market Cap): THB20.60 (USD2,843m)  
 ESG score: 2.80 (out of 4)  
 Avg Daily Turnover (THB/USD) 289m/8.70m

- **Still BUY and DCF-based THB24.00 TP, 17% upside, c.2% yield.** In line strong 3Q21 results YoY were driven by positive SSSG, new stores, a steel price hike, and improving opex-to-sales ratio that led to a NPM increase. We are optimistic that Siam Global House can continue to deliver YoY earnings growth in 4Q21. Active new store openings and demand revivals for home improvement materials may drive FY22-23's growth outlook.
- **GLOBAL reported** in line 3Q21 earnings of THB659m (+44% YoY, -32% QoQ). The strong results YoY were mainly supported by sales growth, improving opex-to-sales ratios, and narrower finance costs. The QoQ decline was due to sluggish topline and profit margins on seasonality and pandemic effects. 9M21 earnings hit THB2.60bn (+64% YoY) on 27% sales growth, c.+19.8% SSSG, and EBIT margins expansion by 2.4ppts YoY.
- **Favourable topline.** THB7.68bn in sales (+19% YoY, -14% QoQ) was booked based on the expected c.+11.5% YoY SSSG (3Q20: -5.6%, 2Q21: +34.9%). Six stores opening in the last 12 months and the steel price hike supported YoY growth. Construction's low season and the pandemic third wave (nine stores stopped operations for a few weeks) led to the QoQ drop.
- **NPM up 1.4ppts YoY (-2.4ppts QoQ).** GPM was at 23.7% (-0.9ppts YoY, -2.2ppts QoQ) on product mix changes. The revenue growth also led to the 1.2ppts YoY decline in opex-to-sales ratio. Finance costs fell 31% YoY and 9% QoQ on the repayments of loans in 2Q21 and debentures in 3Q21. Net D/E ratio slightly increased to 0.72x (2Q21: 0.68x).
- **4Q21F outlook.** GLOBAL may still deliver impressive earnings growth YoY in the final quarter. We expected limited impact from the flooding to its stores and anticipate demand for home improvement products to spike after the flooding subsides. This should also boost foot traffic to its stores after lockdown measures were eased from 1 Sep onwards. The opening of two more stores by end 2021 could be another support. We keep our FY21F earnings possibly surging 64% YoY, then up 9-14% over FY22-23.
- **We like the ongoing aggressive opening** of new outlets vs other large-format retailers that strongly supports topline growth. It may ramp up the FY22-23 opening of new stores at seven more locations vs five in FY21F. These stores can effectively serve small contractors and project customers (45% of total sales). GLOBAL also announced 55% and 40% investments in Philippines JVs totalling c.THb666m, which may support longer-term targets to step up South-East Asia operations.
- **ESG.** We also expect further developments in sustainability practices. Based on our proprietary in-house methodology, we derive a 2.80 score and apply an 8% discount to our DCF-derived intrinsic value to arrive at our THB24.00 TP. Key risks: Slower-than-expected consumption recovery post lockdown, farm price volatility that may undermine the rural economy, negative changes in product sales mix, and steel price fluctuations.

#### Analyst

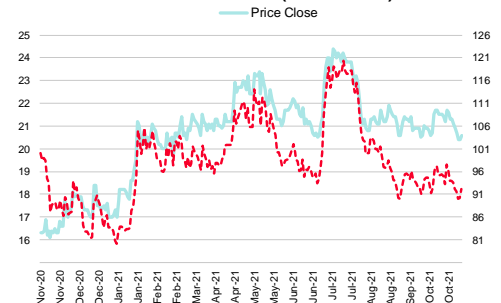
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	21.2	(1.4)	(9.7)	(8.0)	29.6
Relative	9.9	(1.9)	(15.7)	(9.9)	(5.5)
52-wk Price low/high (THB)				16.10 – 24.40	

Siam Global House (GLOBAL TB)



Source: Bloomberg

#### Overall ESG Score: 2.80 (out of 4)

##### E: GOOD

GLOBAL installed solar roofs at all its stores in 2019 under its Green Store project, which has lowered greenhouse gas emissions and opex. The company also installed automated storage and retrieval systems for new stores opened from 2016 onwards, and replaced diesel forklifts with electric ones. It has reduced the size of tax receipts and encourages back-office staff to go paperless.

##### S: GOOD

GLOBAL has created jobs among the elderly and handicapped segments – they comprise 1.1% of its workforce. It provides personal protective equipment to staff to reduce in-store operational accidents and supports skilled technicians to earn higher income by joining GLOBAL's home improvement servicing platform. It also promotes local growers in Nan Province to supply raw coffee beans to its owned La Mayon Coffee outlets.

##### G: GOOD

GLOBAL has 10 members on its board. Four are independent directors and one director is female. The company pays THB68m or 3.2% of net profit as compensation for management in any given year. It has been actively developing its investor relation activities in recent times.

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Total turnover (THBm)	28,081	26,803	32,242	35,909	40,178
Recurring net profit (THBm)	2,105	1,955	3,203	3,483	3,978
Recurring net profit growth (%)	5.1	(7.1)	63.8	8.7	14.2
Recurring P/E (x)	40.15	45.33	28.96	27.22	23.83
P/B (x)	5.4	5.3	4.9	4.5	4.0
P/CF (x)	47.78	18.20	29.66	23.97	20.52
Dividend Yield (%)	1.2	1.1	1.7	1.8	2.1
EV/EBITDA (x)	25.81	26.59	20.26	18.89	16.69
Return on average equity (%)	13.7	11.9	17.6	17.1	17.8
Net debt to equity (%)	91.1	82.8	67.5	61.8	54.0

Source: Company data, RHB

## Financial Exhibits

Asia	Financial summary (THB)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Thailand	Recurring EPS	0.51	0.45	0.71	0.76	0.86
Consumer Cyclical	DPS	0.25	0.23	0.35	0.38	0.43
<b>Siam Global House</b>	BVPS	3.79	3.86	4.21	4.62	5.11
GLOBAL TB	Return on average equity (%)	13.7	11.9	17.6	17.1	17.8
Buy						
	<b>Valuation metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Valuation basis</b>	Recurring P/E (x)	40.15	45.33	28.96	27.22	23.83
DCF	P/B (x)	5.4	5.3	4.9	4.5	4.0
	FCF Yield (%)	(1.6)	2.9	1.9	1.6	2.3
	Dividend Yield (%)	1.2	1.1	1.7	1.8	2.1
<b>Key drivers</b>	EV/EBITDA (x)	25.81	26.59	20.26	18.89	16.69
i. Aggressive expansion of new stores;	EV/EBIT (x)	34.22	38.26	25.24	23.56	20.64
ii. Increase in sales contributed by high-margin products;						
iii. Increased demand for construction materials and home improvement products;						
	<b>Income statement (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Key risks</b>	Total turnover	28,081	26,803	32,242	35,909	40,178
i. Fluctuation of the domestic economy;	Gross profit	6,340	6,402	8,157	9,085	10,165
ii. Inventory build-up from its aggressive expansion;	EBITDA	3,787	3,816	5,164	5,666	6,390
iii. Delay in opening of new stores;	Depreciation and amortisation	(931)	(1,164)	(1,019)	(1,122)	(1,225)
	Operating profit	2,857	2,652	4,145	4,544	5,165
	Net interest	(268)	(246)	(224)	(224)	(224)
<b>Company Profile</b>	Pre-tax profit	2,607	2,430	3,980	4,383	5,006
Siam Global House is a Thailand-based distributor of home construction materials and equipment. It is a one-stop shopping home centre that offers construction materials, home decor products, tools and equipment used in construction, home improvement, and household and gardening decorations – these are retailed via a modern trade warehouse format. The company's stores cover many provinces nationwide.	Taxation	(493)	(455)	(756)	(877)	(1,001)
	Reported net profit	2,093	1,956	3,203	3,483	3,978
	Recurring net profit	2,105	1,955	3,203	3,483	3,978
	<b>Cash flow (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Change in working capital	(2,102)	998	(1,852)	(1,527)	(1,584)
	Cash flow from operations	1,768	4,868	3,126	3,954	4,621
	Capex	(3,110)	(2,274)	(1,370)	(2,450)	(2,450)
	Cash flow from investing activities	(3,066)	(3,236)	(1,409)	(2,453)	(2,453)
	Dividends paid	(823)	(863)	(814)	(1,601)	(1,741)
	Cash flow from financing activities	1,936	(1,706)	(1,724)	(1,570)	(1,707)
	Cash at beginning of period	662	1,299	1,224	1,217	1,149
	Net change in cash	638	(75)	(7)	(69)	460
	Ending balance cash	1,299	1,224	1,217	1,149	1,609
	<b>Balance sheet (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Total cash and equivalents	1,299	1,224	1,217	1,149	1,609
	Tangible fixed assets	16,105	17,148	17,499	18,827	20,053
	Total investments	1,315	1,339	1,339	1,339	1,339
	Total assets	35,986	36,020	38,578	40,891	43,637
	Short-term debt	15,163	12,091	11,079	11,079	11,079
	Total long-term debt	833	3,384	3,384	3,384	3,384
	Total liabilities	19,855	18,806	18,953	19,359	19,840
	Total equity	16,131	17,214	19,625	21,532	23,798
	Total liabilities & equity	35,986	36,020	38,578	40,891	43,637
	<b>Key metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Revenue growth (%)	10.5	(4.6)	20.3	11.4	11.9
	Recurrent EPS growth (%)	2.5	(11.4)	56.5	6.4	14.2
	Gross margin (%)	22.6	23.9	25.3	25.3	25.3
	Operating EBITDA margin (%)	13.5	14.2	16.0	15.8	15.9
	Net profit margin (%)	7.5	7.3	9.9	9.7	9.9
	Dividend payout ratio (%)	50.8	51.9	50.0	50.0	50.0
	Capex/sales (%)	11.1	8.5	4.2	6.8	6.1
	Interest cover (x)	10.7	10.8	18.5	20.3	23.0

Source: Company data, RHB

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Figure 1: GLOBAL's 3Q21 and 9M21 performance review

FYE Dec (THBm)	3Q20	2Q21	3Q21	YoY % chg	QoQ % chg	9M20	9M21	YoY % chg	Remarks
Turnover	6,439	8,888	7,685	19.3	(13.5)	19,932	25,251	26.7	YoY: Robust SSSG and the opening of six new stores in the past 12 months. QoQ: Low season for construction activities and effects of the COVID-19's third wave.
Gross profit	1,581	2,301	1,819	15.1	(20.9)	4,901	6,331	29.2	
EBIT	623	1,252	858	37.6	(31.5)	2,162	3,355	55.2	Strong sales and lowered opex-to-sales ratio accelerated the YoY EBIT growth.
EBIT margin (%)	9.7	14.1	11.2			10.8	13.3		
EBITDA	920	1,570	1,181	28.3	(24.8)	3,023	4,301	42.3	
EBITDA margin (%)	14.3	17.7	15.4			15.2	17.0		
Interest expense	(60)	(46)	(42)	(30.7)	(8.9)	(193)	(136)	(29.7)	Repayments of loans in 2Q21 and debentures in 3Q21.
Pre-tax profit	563	1,206	816	44.9	(32.3)	1,969	3,219	63.5	
Tax	(99)	(232)	(153)	54.1	(34.1)	(371)	(610)	64.3	
Net profit	459	972	659	43.6	(32.2)	1,581	2,597	64.2	YoY: Sales growth, improving opex-to-sales ratio and narrower finance costs. QoQ: Sluggish sales and profit margins due to seasonality and pandemic effects.
Gross margin (%)	24.5	25.9	23.7			24.6	25.1		Changes in product sales mix.
SG&A/sales (%)	16.7	14.1	15.5			15.5	14.1		
Net margin (%)	7.1	10.9	8.6			7.9	10.3		
<b>Key indicators</b>									
Total store number	69	74	75	6	1	69	75	6	
SSSG (%)	-5.6	34.9	11.5			-8.7	19.8		SSSG improved YoY from a low base and beneficiary to the steel price hike, but the SSSG momentum slowed down QoQ.

Source: Company data, RHB

## Recommendation Chart

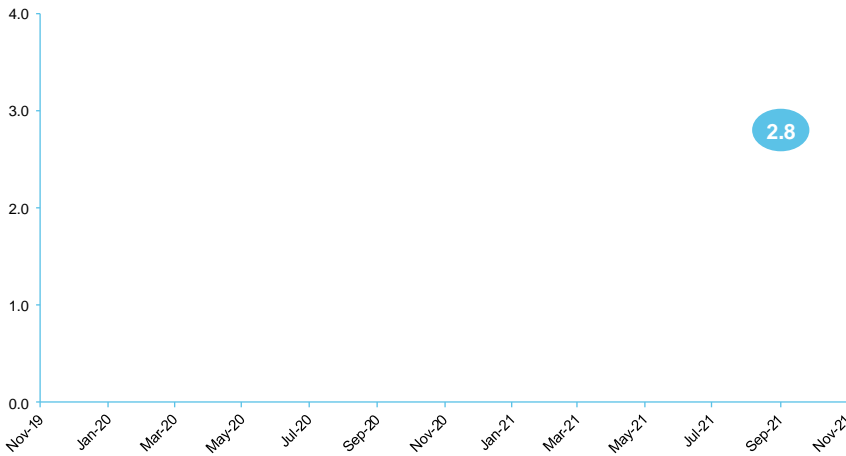


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2021-10-04	Buy	24.0	20.8
2020-07-07	Take Profit	17.5	16.9
2018-09-20	Take Profit	19.2	19.3
2018-06-13	Trading Buy	na	17.3
2018-06-12	Trading Buy	19.2	17.1

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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Analyst	Company
-	-

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