COMPANY UPDATE

3 October 2024

Home Product Center

Sector: Commerce

Bright Future Ahead Despite Current Headwinds

Bloomberg ticker	HMPRO TB
Recommendation	BUY (maintained)
Current price	Bt10.60
Target price	Bt13.00 (maintained)
Upside/Downside	+23%
EPS revision	No change

Bloomberg target price	Bt12.57
Bloomberg consensus	Buy 23 / Hold 3 / Sell 0

Stock data

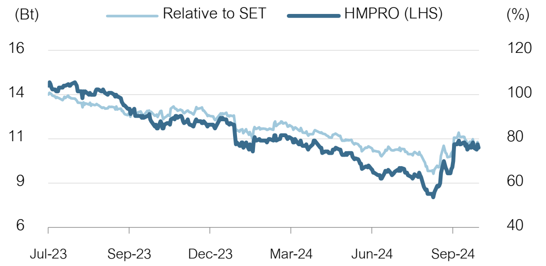
Stock price 1-year high/low	Bt12.50 / Bt7.65
Market cap. (Bt mn)	139,403
Shares outstanding (mn)	13,151
Avg. daily turnover (Bt mn)	341
Free float	41%
CG rating	Excellent
ESG rating	Excellent

Financial & valuation highlights

FY: Dec (Bt mn)	2022A	2023A	2024E	2025E
Revenue	65,091	68,283	73,195	77,302
EBITDA	11,242	11,945	12,571	13,474
Net profit	6,217	6,442	6,746	7,343
EPS (Bt)	0.47	0.49	0.51	0.56
Growth	14.3%	3.6%	4.7%	8.9%
Core EPS (Bt)	0.47	0.49	0.51	0.56
Growth	14.3%	3.6%	4.7%	8.9%
DPS (Bt)	0.40	0.42	0.44	0.47
Div. Yield	3.8%	3.9%	4.1%	4.5%
PER (x)	22.4	21.6	20.7	19.0
Core PER (x)	22.4	21.6	20.7	19.0
EV/EBITDA (x)	13.4	12.6	12.0	11.2
PBV (x)	5.7	5.5	5.2	4.9

Bloomberg consensus

Net profit	6,217	6,442	6,766	7,323
EPS (Bt)	0.47	0.49	0.51	0.56



Source: Aspen

Price performance	1M	3M	6M	12M
Absolute	17.1%	18.4%	-0.9%	-16.5%
Relative to SET	9.9%	5.8%	-6.1%	-15.3%

Major shareholders	Holding
1. L&H Public Company Limited	30.23%
2. Quality Houses Public Company Limited	19.87%
3. Thai NVDR Company Limited	8.32%

Analyst: Amnart Ngosawang (Reg. No. 029734)

Assistant Analyst: Pimpitsamai Tupinprom

We maintain our BUY recommendation on HMPRO, with a target price of Bt13.00. This valuation is based on a 2024E PER of 26x, which remains at -2 SD below its 5-year historical average. While we remain optimistic about HMPRO's long-term prospects, we anticipate a decline in 3Q24E profits of -4% YoY and -9% QoQ to Bt1.5bn. This is primarily due to our projected -0.4% YoY and -6% QoQ decrease in revenue, with same-store sales forecasted to drop by -5-6%. HomePro is expected to face the most significant sales slowdown, while MegaHome and HomePro Malaysia are anticipated to experience declines of -3-4% and -1-2%, respectively. Gross profit margin is projected to narrow by -50 bps YoY and -10 bps QoQ to 25% due to a higher mix of lower-margin MegaHome and private label, which generally generated at 20.7%. However, reduced utility expenses are expected to provide some offsetting benefit, potentially leading to SG&A expenses of Bt3.2bn (-2% YoY, -5% QoQ), representing 19.4% of total sales.

Despite our overall positive outlook for HMPRO, we acknowledge the downside risks to our earnings forecast for 2024. While our full-year estimate remains unchanged at Bt6.7bn (+5% YoY), the company's guidance suggests a potential shortfall in 4Q24E, with 9M24E profits expected to reach only 71% of the full-year projection. However, HMPRO's expansion plans, including the opening of two new stores by YE2024E, are expected to contribute to future growth. Looking ahead to 2025E, we project continued profit growth of +9% to Bt7.3bn.

HMPRO's share price has outperformed the SET Index by +10% and +6% over the past one and three months, driven by positive sentiment from the government's economic stimulus efforts. We remain optimistic about HMPRO's earnings prospects in 4Q24E-1Q25E, which we believe will further catalyze the stock's outperformance.

Event: 3Q24E Earnings Preview

- **Softer Earnings Expected in 3Q24E**

We forecast a decline in 3Q24E profit of -4% YoY and -9% QoQ to Bt1.5bn. Key factors contributing to this outlook include:

- Revenue is expected to reach Bt16bn, a slight decrease of -0.4% YoY and -6% QoQ. Same-store sales growth (SSSG) is estimated at around -5% to -6% (compared to -4.7% in 1H24). This drop is primarily driven by HomePro, which accounts for 80% of total sales, impacted by weaker consumer spending. Additional factors include the temporary closure of the Rattanathibet branch for the remainder of the year, expected to fully close by 4Q24E, and road construction near the Ratchaphruek branch, which will continue affecting business until early 2025E. In contrast, MegaHome's sales are expected to decline by a smaller margin of around -3% to -4%, and HomePro Malaysia by -1% to -2%. The company expanded its network in 3Q24E with three new stores, including one HomePro store and one hybrid store (HomePro + MegaHome). An additional two HomePro stores are planned for opening in 4Q24E.
- Gross profit margin is expected to be 25% in 3Q24E, down -50 bps YoY and -10 bps QoQ. This is due to the growing proportion of MegaHome sales, which have lower margins, and the impact of lower volumes. However, the house brand mix is projected to improve by approximately +30 bps across both formats, reaching about 20.7%.
- SG&A expenses are expected is anticipated to reduce by -2% YoY and -5% QoQ to Bt3.2bn in 3Q24E, in line with lower sales, reduced branch-opening costs, and decreased utility expenses. SG&A as a percentage of sales is expected to be 19.4%.

- **Maintaining Net Profit Forecast for 2024E/25E at Bt6.7/Bt7.3bn, a rise of +5%/+9% YoY**

We maintain our 2024E and 2025E net profit forecasts at Bt6.7bn and Bt7.3bn, representing growth of +5% and +9% YoY, respectively. However, the 3Q24E outlook remains weak, and we expect the 4Q24E trend to continue slowing. This is aligned with management's guidance, which anticipates a contraction in SSSG and stable GPM, indicating potential downside risk to our estimates. Profit for 1H24 accounts for 49% of the full-year forecast, with 9M24E expected to represent 71% of the total. As of the end of 3Q24E, HomePro operates 91 stores, HomePro S has 5 stores, MegaHome has 30 stores, and HomePro Malaysia operates 7 stores. There are two more HomePro store openings planned for 2H24E.

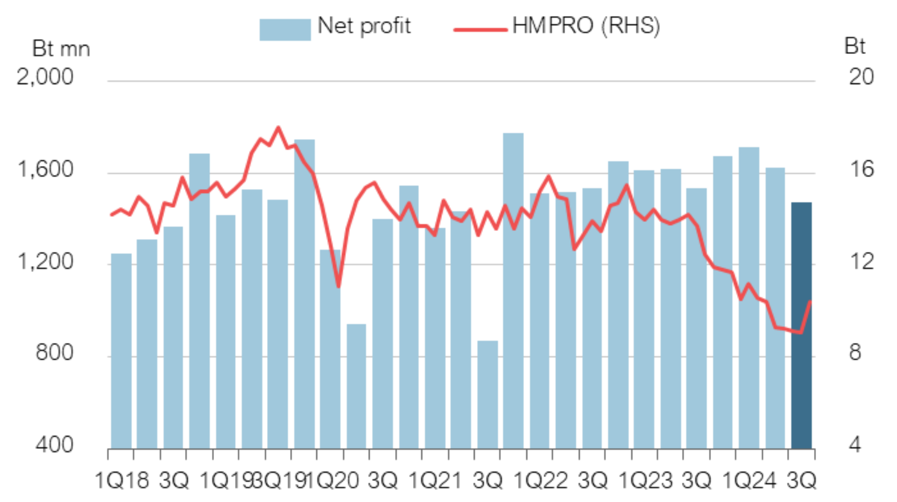
Valuation/Catalyst/Risk

We maintain a BUY recommendation with a target price of Bt13.00, based on a 2024E PER of 26x (-2 SD below the 5-year average). A potential recovery is anticipated if economic stimulus measures are implemented, which would help boost consumer purchasing power.

Fig 1: 3Q24E earnings preview

FY: Dec (Bt mn)	3Q24E	3Q23	YoY	2Q24	QoQ	9H24E	9M23	YoY
Revenues	16,329	16,390	-0.4%	17,398	-6.1%	51,391	51,403	0.0%
CoGS	(12,247)	(12,211)	0.3%	(13,034)	-6.0%	(38,506)	(38,444)	0.2%
Gross profit	4,082	4,180	-2.3%	4,364	-6.5%	12,885	12,958	-0.6%
SG&A	(3,168)	(3,237)	-2.1%	(3,339)	-5.1%	(9,780)	(9,895)	-1.2%
EBITDA	2,841	2,914	-2.5%	3,027	-6.1%	9,021	8,862	1.8%
Other inc./exps	1,061	1,100	-3.5%	1,137	-6.6%	3,322	3,241	2.5%
Interest expenses	(147)	(138)	6.5%	(139)	5.8%	(436)	(387)	12.6%
Income tax	(355)	(371)	-4.2%	(401)	-11.3%	(1,183)	(1,152)	2.7%
Core profit	1,473	1,533	-3.9%	1,622	-9.1%	4,808	4,764	0.9%
Net profit	1,473	1,533	-3.9%	1,622	-9.1%	4,808	4,764	0.9%
EPS (Bt)	0.11	0.12	-3.9%	0.12	-9.1%	0.37	0.36	0.9%
Gross margin	25.0%	25.5%		25.1%		25.1%	25.2%	
Net margin	9.0%	9.4%		9.3%		9.4%	9.3%	

Fig 2: Share price vs Quarterly profits



Source: Company, DAOL

Quarterly income statement

(Bt mn)	2Q23	3Q23	4Q23	1Q24	2Q24
Sales	17,789	16,390	16,881	17,664	17,398
Cost of sales	(13,310)	(12,211)	(12,460)	(13,225)	(13,034)
Gross profit	4,479	4,180	4,421	4,439	4,364
SG&A	(3,466)	(3,237)	(3,507)	(3,273)	(3,339)
EBITDA	2,994	2,914	3,084	3,154	3,027
Finance costs	(118)	(138)	(153)	(150)	(139)
Core profit	1,620	1,533	1,677	1,713	1,622
Net profit	1,620	1,533	1,677	1,713	1,622
EPS	0.12	0.12	0.13	0.13	0.12
Gross margin	25.2%	25.5%	26.2%	25.1%	25.1%
EBITDA margin	16.8%	17.8%	18.3%	17.9%	17.4%
Net profit margin	9.1%	9.4%	9.9%	9.7%	9.3%

Forward PER band

Balance sheet

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Cash & deposits	4,546	5,420	6,429	8,758	11,689
Accounts receivable	1,675	2,069	2,115	2,267	2,394
Inventories	12,572	13,630	13,965	14,970	15,810
Other current assets	127	311	150	161	170
Total cur. assets	18,920	21,430	22,659	26,156	30,063
Investments	3,675	4,329	4,412	4,412	4,412
Fixed assets	27,584	29,469	31,179	32,075	32,880
Other assets	8,407	9,957	10,798	11,575	12,224
Total assets	58,586	65,185	69,048	74,217	79,579
Short-term loans	1,232	1,074	2,040	2,187	2,309
Accounts payable	13,973	15,812	15,225	16,320	17,236
Current maturities	3,430	5,363	4,198	4,198	4,191
Other current liabilities	1,876	2,236	2,117	2,269	2,396
Total cur. liabilities	20,511	24,485	23,579	24,974	26,132
Long-term debt	13,809	14,897	18,354	20,747	23,247
Other LT liabilities	1,376	1,557	1,556	1,668	1,762
Total LT liabilities	15,185	16,454	19,910	22,415	25,009
Total liabilities	35,696	40,939	43,489	47,388	51,141
Registered capital	13,151	13,151	13,151	13,151	13,151
Paid-up capital	13,151	13,151	13,151	13,151	13,151
Share premium	646	646	646	646	646
Retained earnings	9,122	10,473	11,786	13,056	14,666
Others	(29)	(25)	(25)	(25)	(25)
Minority interests	0	0	0	0	0
Shares' equity	22,890	24,246	25,559	26,829	28,439

Income statement

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Sales	60,568	65,091	68,283	73,195	77,302
Cost of sales	(45,534)	(48,783)	(50,904)	(54,566)	(57,473)
Gross profit	15,034	16,308	17,379	18,630	19,829
SG&A	(11,326)	(12,519)	(13,401)	(14,200)	(14,997)
EBITDA	10,251	11,242	11,945	12,571	13,474
Depre. & amortization	(3,208)	(3,156)	(3,431)	(3,604)	(3,695)
Equity income	-	(2)	(1)		
Other income	3,335	4,298	4,537	4,538	4,947
EBIT	7,043	8,086	8,514	8,967	9,779
Finance costs	(408)	(428)	(540)	(608)	(668)
Income taxes	(1,194)	(1,441)	(1,533)	(1,613)	(1,768)
Net profit before MI	5,441	6,217	6,442	6,746	7,343
Minority interest	-	-	-	-	-
Core profit	5,441	6,217	6,442	6,746	7,343
Extraordinary items	-	-	-	-	-
Net profit	5,441	6,217	6,442	6,746	7,343

Cash flow statement

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Net profit	5,441	6,217	6,442	6,746	7,343
Depreciation	(3,208)	(3,156)	(3,431)	(3,604)	(3,695)
Chg in working capital	(1,893)	(805)	(1,770)	(585)	(489)
Others	-	-	-	-	-
CF from operations	340	2,256	1,240	2,557	3,160
Capital expenditure	4,365	1,272	1,721	2,708	2,889
Others	205	(655)	(83)	-	-
CF from investing	4,570	617	1,638	2,708	2,889
Free cash flow	4,370	3,180	2,525	4,775	5,510
Net borrowings	468	2,863	3,258	2,540	2,616
Equity capital raised	-	(0)	0	-	-
Dividends paid	(4,208)	(4,866)	(5,129)	(5,475)	(5,734)
Others	93	4	0	-	-
CF from financing	(3,647)	(1,998)	(1,870)	(2,936)	(3,118)
Net change in cash	1,263	874	1,009	2,329	2,931

Key ratios

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Growth YoY					
Revenue	3.8%	7.5%	4.9%	7.2%	5.6%
EBITDA	4.4%	9.7%	6.3%	5.2%	7.2%
Net profit	5.5%	14.3%	3.6%	4.7%	8.9%
Core profit	5.5%	14.3%	3.6%	4.7%	8.9%
Profitability ratio					
Gross profit margin	24.8%	25.1%	25.5%	25.5%	25.7%
EBITDA margin	16.9%	17.3%	17.5%	17.2%	17.4%
Core profit margin	9.0%	9.6%	9.4%	9.2%	9.5%
Net profit margin	9.0%	9.6%	9.4%	9.2%	9.5%
ROA	9.3%	9.5%	9.3%	9.1%	9.2%
ROE	23.8%	25.6%	25.2%	25.1%	25.8%
Stability					
D/E (x)	1.56	1.69	1.70	1.77	1.80
Net D/E (x)	0.61	0.66	0.71	0.68	0.63
Interest coverage ratio	25.11	26.29	22.13	20.68	20.16
Current ratio (x)	0.92	0.88	0.96	1.05	1.15
Quick ratio (x)	0.31	0.32	0.37	0.45	0.55
Per share (Bt)					
Reported EPS	0.41	0.47	0.49	0.51	0.56
Core EPS	0.41	0.47	0.49	0.51	0.56
Book value	1.74	1.84	1.94	2.04	2.16
Dividend	0.35	0.40	0.42	0.44	0.47
Valuation (x)					
PER	22.42	21.64	20.67	18.98	18.14
Core PER	22.42	21.64	20.67	18.98	18.14
P/BV	5.75	5.45	5.20	4.90	4.66
EV/EBITDA	13.38	12.59	11.97	11.16	10.72
Dividend yield	3.8%	3.9%	4.1%	4.5%	4.7%

Corporate governance report of Thai listed companies 2023

CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100	▲▲▲▲▲	Excellent	ดีเลิศ
80-89	▲▲▲▲	Very Good	ดีมาก
70-79	▲▲▲	Good	ดี
60-69	▲▲	Satisfactory	ดีพอใช้
50-59	▲	Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

DAOL SEC's stock rating definition

BUY	The stock presents a good buying opportunity as it appears undervalued and/or will appreciate in the medium term. A return of the stock, excluding dividend, is expected to exceed 10%.
HOLD	The stock lacks a catalyst in the medium to long term, and there is uncertainty regarding earnings growth. A return of the stock is expected to be between 0% and 10%.
SELL	The stock appears overvalued and/or will perform poorly in the medium to long term, while there is major challenge at a company.

Notes: The expected returns may be subject to change at any time without notice.

ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environmental, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- **Environmental** criteria consider how the company safeguards the environment and conserves natural resources. DAOL SECURITIES (THAILAND) calculates how much revenue derives from a business operation that can be harmful to the environment.
- **Social** criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. It also consists of employee welfare. DAOL SECURITIES (THAILAND) analyzes the company's non-financial statement reports (news and announcements), including NGO-related activities, retrieved from Bloomberg.
- **Governance** ensures a company uses accurate and transparent accounting method, internal controls, risk assessments, shareholder rights, and anti-corruption policies. DAOL SECURITIES (THAILAND) relates the IOD's CG rating system.

DAOL SECURITIES (THAILAND)'S ESG Scale of Ratings

Excellent (5)	Very Good (4)	Good (3)	Satisfactory (2)	Pass (1)

DAOL SECURITIES (THAILAND) assigns an "n.a." to notify an insufficient information.