

**RELATIVES VALUATION OF  
MODERNFORM GROUP PUBLIC COMPANY LIMITED**



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**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
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## **RELATIVES VALUATION OF MODERNFORM GROUP PUBLIC COMPANY LIMITED**

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M.M. (FINANCIAL MANAGEMENT)

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### **ABSTRACT**

This objective of thematic project is to study how to find the valuation of the company through stock price. In this project I selected Modernform group which is listed company in SET. I applied multiple valuation method to express the valuation of the stock price of Modern. Because of the ratio of the company in SET are not reasonable so I use the ratio from the company in emerging market which are in the furnishing sector. I calculated 3 ratios which composed of PE, P/BV and EV/EBITDA. The result of those ratios are different and EV/EBITDA seems to be the most reasonable among other multiple valuation methods as it gives the value that is closest to the market price. Target price from EV/EBITDA imply that Modern should be 14.38 Baht per share and undervalued so its recommend to buy.

**KEY WORDS:** multiples valuation, PE, P/BV, EV/EBITDA, undervalue

38 pages

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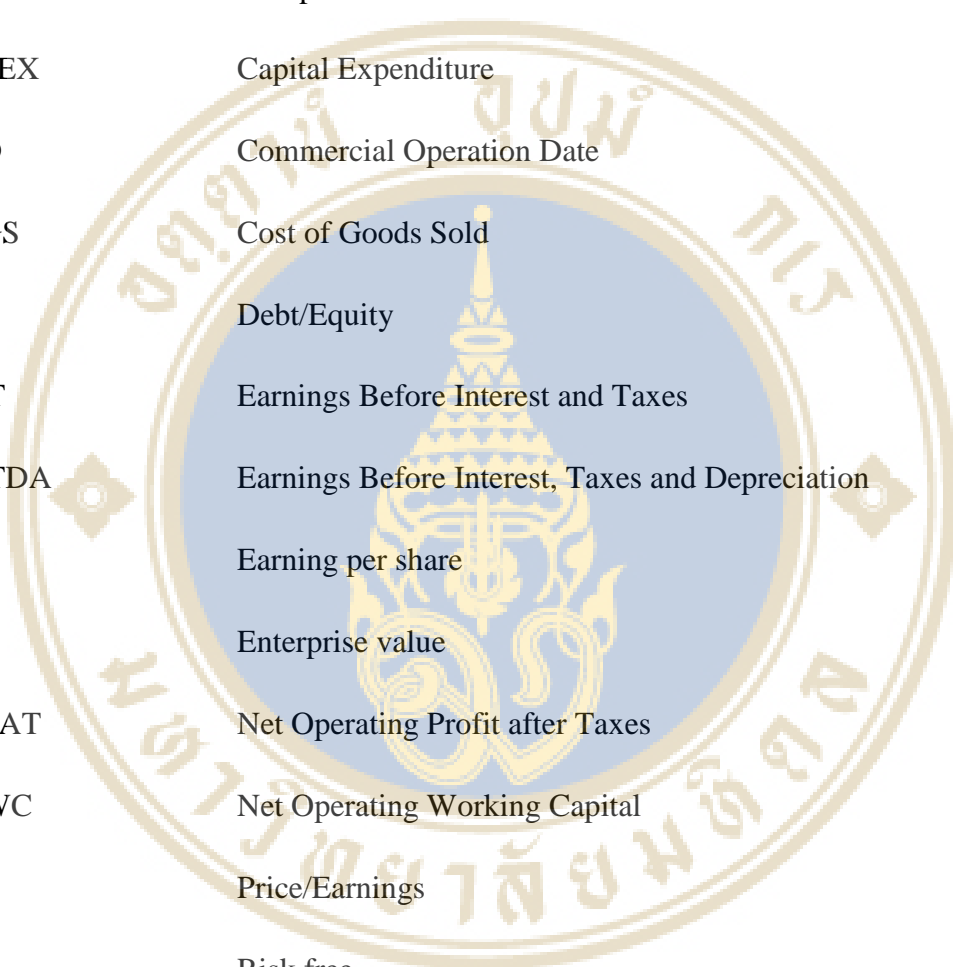
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## LIST OF ABBREVIATIONS



BV	Book value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
COD	Commercial Operation Date
COGS	Cost of Goods Sold
D/E	Debt/Equity
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes and Depreciation
EPS	Earning per share
EV	Enterprise value
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
P/E	Price/Earnings
R <sub>f</sub>	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense

## LIST OF ABBRAVIATIONS (cont.)

YOY                      Year on Year



## CHAPTER I VALUATIONS

### 1.1 Highlight

#### **Outstanding dividend play with a strong financial health**

Strong financial position; expected dividend yield at 10% in 2014. A strong financial status of Modernform together with the excess cash from selling of MFEC at a gain of Bt 461 mn resulted in a special dividend of 0.45 Baht/share and an interim dividend of 0.25 Baht/share. With a rising demand in office and residential furniture that leads to a high revenue and backlog altogether with a surge ROE at 30%, we do expect a dividend payment of 0.30 Baht/share for 2H14 performance, bringing about total dividend of 1 Baht/share, yielding 10% dividend p.a.

#### **Superb innovation and design attracts major residential developers**

Being in a strong competitive market, Modernform has continuously bringing in creativity and innovation into its products to attract new customers and boost up repurchase rate from loyal customers. Its differentiation strategy with superior design, matching with life style and performance workplace keeps the company being a leader in the residential and office furniture market and attracts major residential developers, thus pushing up the continuously demand from B2B market that would support sustainable growth of revenue in the long term.

#### **Bright in earning outlook due to strong delivery volume and backlog on hand**

Modernform has a backlog on hand of Bt 3.1 bn of which 60% will be delivered in 2H14. The residential furniture sales have continually rose up supported by clients from the LH and PS groups and will expand well again after a positive sign of political situation.

## Preparing for AEC

Modernform is preparing to expand its market ahead of the launch of the AEC to Cambodia, Laos, Myanmar and Vietnam. In addition, Modernform joined with “Versalink”, the company from Malaysia, who is the major furniture producer in the country. Lastly, Modernform plans to joint with ITOKI, the company from Japan, to support expanding the company’s market.

**Table 1.1 Financial Summary**

	2011A	2012A	2013A	2014F	2015F	2016F
Revenue (Btmn)	2,752	2,946	3,327	3,660	4,135	4,549
Gross Profit (Btmn)	1,086	1,191	1,371	1,437	1,624	1,786
EBIT (Btmn)	503	531	519	1,059	665	725
Net Profit (Btmn)	384	423	426	847	532	580
EPS (Bt)	0.52	0.53	0.57	1.13	0.71	0.77
EPS growth (%)	-7%	2%	7%	99%	-37%	9%
Dividend (Bt)	0.45	0.50	0.55	1.02	0.60	0.66
Dividend yield (%)	8.77%	5.84%	5.55%	9.77%	5.79%	6.3%
Book value (Bt)	3.08	3.20	3.77	3.88	3.99	4.10
PER (x)	9.7	15.31	15.39	14.67	13.46	12.33
PBV (x)	1.85	2.44	2.29	2.68	2.61	2.53
ROE (%)	16.51%	17.29%	15.82%	29.50%	18.01%	19.10%

Remark: EPS growth is very high in 2014 due to extraordinary income of 461 MB from selling MFEC shares.

## 1.2 Business Description

Modernform Home Decorative Products was established in 1978 as the first company of Modernform Group to import and distribute furniture fittings and accessories from Europe. In 1980, Modernform Group was established as Modernform Furniture to manufacture and distribute office furniture under brand Modernform Workplace and subsequently expanded its business scope to cover residential furniture and kitchen units under brands Modernform Exclusive Living and Modernform Kitchen respectively. In 1990, Modernform Group were restructured and consolidated as one flagship company, Modernform Group and then became a listed company the Stock Exchange of Thailand in 1992.

### **1.2.1 Furniture business**

These are the main products of the Company and are divided in to 6 groups as follows:

#### **Office Furniture Products**

Modernform Workplace products include office desks, shelves, filing cabinets, etc. A portion of Modernform Workplace consumer group includes architects, contractors, interior decorators, and developers. The government sector, hospitals and educational institutes are also another large consumer group.

The ideacoustic by Cyence Modernform is a result of a collaboration between Modernform and Siam Fiberglass, Siam Cement Group (SCG) is subsidiary in its construction material business.

#### **Residential Furniture Products**

Modernform Exclusive Living is luxury, in-style, modern and premium household furniture with elegant design; products include bed sets, closets, dressers, showcases, sideboards, sofas, day beds, and dining table set. Life by modernform is under the slogan “There is more to life” An ideal customer of the “life by modernform” furniture is the C to B+ group of consumers.

#### **Kitchen Furniture Products**

Modernform Kitchen is kitchen set which can be fitted to customer’s kitchens according to the available space with classic, contemporary, modern and varying designs. Kruabaan by modernform Home Kitchen by Modernform has been designed to accommodate heavy Thai-styled cooking. With this in mind, the Home Kitchen by Modernform is tough, resistant to flood, mold and termite and can be fully installed in a short time.

Bathroom Furniture Products “bathique by Modernform” the products included luxurious and premium modern-designed bathroom.

Outdoor furniture products “xteria by modernform” outdoor furniture included coffee set picnic, outdoor lounge, Garden bench, sun beds etc.

Imported furniture fittings and interior decorative products “Home Decorative products” imports furniture fittings from Germany, Italy, Denmark, Spain, Austria, United States of America, China, Singapore and Malaysia for its own

furniture production and distribute them throughout the country to other furniture manufacturers and end-users.

**Table 1.2 Revenue of Modern**

	2009	%	2010	%	2011	%	2012	%	2013	%	CAGR (%)
Sale income	2,264	94.5%	2,783	93.2%	2,752	92.0%	2,946	93.2%	3,327	93.6%	10.10%
Rental income	67	2.8%	66	2.2%	68	2.3%	70	2.2%	75	2.1%	2.86%
Service income	24	1.0%	47	1.6%	51	1.7%	78	2.5%	92	2.6%	39.92%
Other income	41	1.7%	91	3.0%	120	4.0%	68	2.2%	61	1.7%	10.44%
<b>Total revenue</b>	<b>2,396</b>	<b>100.0%</b>	<b>2,987</b>	<b>100.0%</b>	<b>2,991</b>	<b>100.0%</b>	<b>3,162</b>	<b>100.0%</b>	<b>3,555</b>	<b>100.0%</b>	<b>10.37%</b>

The major source of revenue derived from selling furniture and part of furniture. The CAGR of sales and total revenue over the past 5 years was approximately 10.10% and 10.37%, respectively. Modernform primarily distributes their furniture on B2B (Business to business) which generates income around 80% and the other 20% is selling via retail channel.

### 1.2.2 Business strategies

Modernform has a strategies to increase growth in both of sales volume and profit so Modernform continues to implement as following;

1.2.2.1 Manage to strengthen gross profit. Modernform keep maintaining the satisfied margin rate as Modernform has always been known as the leader of introducing new products to the market. MODERN continues to implement “Soulmate” campaign to emphasize the long term partnership with the consumers. Moreover, Modernform continues to implement “Value Engineering” to reduce and maintain effective costing.

1.2.2.2 Product development to focus on new innovation to create valuable uniqueness and to maintain our status as a design leader.

1.2.2.3 Continue the business alliance strategy for both domestic and overseas market to support company’s growth and strength

1.2.2.4 Be Creative, Be Aggressive is the Corporate Theme to strongly promote innovation inside the company workforce and the company always supports employees’ participations in work improvement through brainstorming, implementation and evaluation.

From these strategies, Modernform and subsidiaries keep continuing growth in both sales volume and profits and maintain financial strength with positive retained earnings. And make modernform ready to further growth and further investment in new business.

### **1.2.3 Subsidiaries**

There are 4 subsidiary companies and associated companies under Modernform Group Public Company Limited as following:

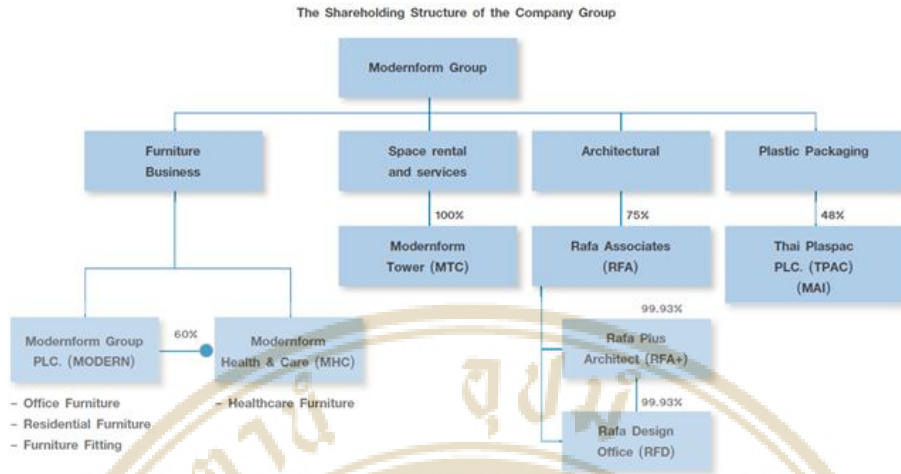
Modernform Tower Company Limited (MTC) was founded in 1991 by Modernform Group Public Company Limited who invested 100 percent in the company.

Modernform Health and Care Company Limited (MHC) was founded in 2005 to manufacture, distribute, import, export as well as provide maintenance services to healthcare products for hospital, rehabilitation center and household uses.

Rafa Associated Company Limited (RFA) was founded in 2006 to provide design consulting services and supervise construction projects and holds shares in limited partnerships, limited companies and public companies (Holdings Company). Modernform Group Public Company Limited holds 75 percent of its registered capital. The company holds common shares in 2 subsidiary and affiliated companies; namely, Rafa Design Office Co., Ltd and Rafa Plus Architect Co., Ltd, all of which are involved in architectural design business.

Thai Plaspac Public Company Limited main business is to produce plastic bottles and seals as well as plastic parts in various shapes and forms as needed by customers in each industry. Modernform Plc held its equity to 48 per cent. Thai Plaspac Plc has been listed in the MAI (Market for Alternative Investment) since 2005.

### **1.2.4 The Business Structure of the Company Group**



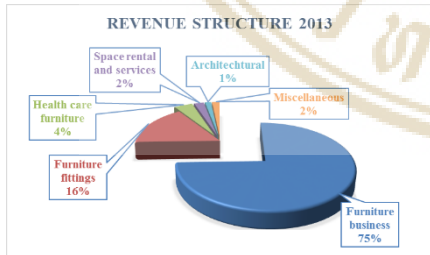
**Figure 1.1 Modern’s business structure**

**1.2.5 Revenue structure**

**Table 1.3 Modern’s revenue structure**

	2013
Furniture business	2,649
Furniture fittings	585
Health care furniture	143
Space rental and services	75
Architectural	47
Miscellaneous	57
<b>Total</b>	<b>3,556</b>

Source: Company data



**Figure 1.2 Modern’s revenue structure**



## 1.3 Industry Overview and Competitive Positioning

### 1.3.1 Macro-Economic Analysis

#### 1.3.1.1 Slowing GDP growth is a downside risk

Economic Forecasts (YoY)(%)	2013	2014F			2015F		
		Mar-14	Jun-14	Sep-14	Mar-15	Jun-15	Sep-15
GDP growth	2.9	2.7	1.5	1.5	4.8	5.5	4.8
Private Consumption Expenditure	0.3	0.3	0.2	1.1	4.6	4.7	4
Government Consumption Expenditure	4.9	2.9	3.5	4.5	2.4	2.7	2.9
Private Investment	-2.8	-0.5	-2.6	-2.8	10.2	11.2	10.2
Public Investment	1.3	1.7	1.1	3.3	2.7	9.7	9.9
Nominal Export in USD	-0.2	4.5	3	0	6.5	6	4
Nominal Import in USD	-0.4	3	-3.6	-6.8	7.5	12	9.5
Headline Inflation	2.2	2.5	2.6	2.2	2.3	2.5	2.1
Core Inflation	1	1.5	1.7	1.6	1.3	1.4	1.3

**Table 1.4 Economic forecast**

Source: Bank of Thailand

In the year 2014 we expected that GDP would be highly increased as a consequence of the military intervention in May but the actual GDP growth rate is lower than the forecast. Therefore, the central bank decided to maintain 2014 forecast of GDP growth at 1.5% by offsetting an under expected GDP growth with an increase in consumption and investment.

In 3Q15 the forecast of GDP growth was cut from 5.5% to 4.8% because exports are expected to slow down and some businesses are likely to further delay their investment in order to wait and see a positive signal from a recovery in an export sector.

#### 1.3.1.2 GDP Forecasts next year

The Bank of Thailand forecasted that GDP growth will be strong in 1H15 because of strengthening fiscal boost and better economic outlook which will drive the overall economy and support business's expansion.

### 1.3.2 Private Construction Growth (%)

**Table 1.5 Private Construction**

	2013				2014	
	Q1	Q2	Q3	Q4	Q1	Q2
Residential	10.3	10.7	6.4	-5.3	-6.1	-1.7
Commercial	8.5	4.9	4.3	-4.4	-8	-7.7
Factory	14.1	3.6	3.5	-0.8	-5.7	-5
Others	2.9	0.1	1.2	-3.9	-13.3	-14.8
Total	8.9	7.1	4.8	-4.5	-7.8	-5.2

Source: National accounts office

For Modernform, the core business is producing and distributing furniture through housing project and furniture, furniture fittings and architectural hardware businesses still grow continuously with increasing according to property development sector and in general, people have much more confidence to higher consumption including household and office products, because of the positive trend in political atmosphere. Moreover, Modernform has high-end to medium level of real estate companies such as LH, AP, SIRI, PS etc. and also distributing to office market. So, the historical of private construction growth is an implication for future growth.

Private construction dropped by 5.2% but better than a previous quarter as a result of upward trend of overall economy in respond to changes in political situation that come up with positive sign. Consequently, drives demand in residential, commercial building and factory construction.

### 1.3.3 Industry Analysis:

#### ▪ Real Estate

**Table 1.6 Real Estate**

<i>Unit : million baht or otherwise stated</i>								
	2012	2013	2014	2014	2014	2014	2014	Cumulative
			Apr	May	June	July	August	from Jan
<b>New Housing (in Bangkok Metropolis and Vicinity.)</b>	<b>125,002</b>	<b>132,302</b>	<b>10,773</b>	<b>12,136</b>	<b>8,003</b>	<b>10,602</b>	....	<b>61,711</b>
(units)	(52.7)	(5.8)	(-7.1)	(-35.1)	(-19.6)	(-23.1)		(-14.6)
Housing Project	23,174	37,577	1,963	2,754	2,868	2,894	....	17,936
	(-14.2)	(62.2)	(-25.1)	(-24.8)	(-14.8)	(-33.1)		(-11.3)
Apartments and Condominiums	78,391	71,440	6,985	7,410	2,895	5,355	....	29,679
	(125.7)	(-8.9)	(-7.0)	(-43.3)	(-39.4)	(-30.3)		(-24.5)
Self-Built Housing	23,437	23,285	1,825	1,972	2,240	2,353	....	14,096
	(16.4)	(-0.6)	(24.4)	(-0.2)	(23.1)	(31.4)		(10.8)

*(Figures in parentheses represent the percentage changes from the same period of the previous year.)*

*(P = Preliminary)*

Source: Bank of Thailand

We referred to the statistics of new housing registration units from real estate sector as an industry analysis due to the fact that Modernform's revenue from residential and office furniture is the biggest portion of the total revenue, of which 80% derived from housing and condominium projects and 20% from retail customers and the major customers are in Bangkok Metropolitan and vicinity area. Hence, these numbers were used to analyze trend of real estate sector.

From table above, we can see that after a military intervention in May the number of apartment and condominium units has slightly increased a few months after that because of an increase in consumer's confidence about the political situation which would have a positive impact to the economy. As a consequence, they have more confidence in their decisions to purchase a residence.

An increasing in the number of new housing registration units implies a positive benefit to Modernform as more orders are expected to flow in from the partners in housing projects as well as from retail customers who has more purchasing power as indicated by an increase in household consumption growth. Furthermore, many residential developers who are Modernform's partners try to capture an opportunity of high growth economy in other big cities area by expanding their

investment projects to cover those provinces and this potential would be beneficial to Modernform.

#### ▪ **Strong growth in the next year 2015**

Even though property development sector was impacted by a political crisis and labor shortage during the first half of 2014 which cause a reservation of residence dropped by 21%, it was recovered in 3Q14, increasing 20-25% from 2Q14 in residence. It was estimated that in 4Q14 the reservation of residence will likely to increase but the estimated overall growth in 2014 would be around 5%. The record from "Home and Condo shows 31<sup>th</sup>" which was held in October 2014 reported that the demand for residence increased by 20% from the previous fair which drove up the confidence of the property developers that the next year will be the golden year of real estate sector.

#### ▪ **Bangkok Office Market**

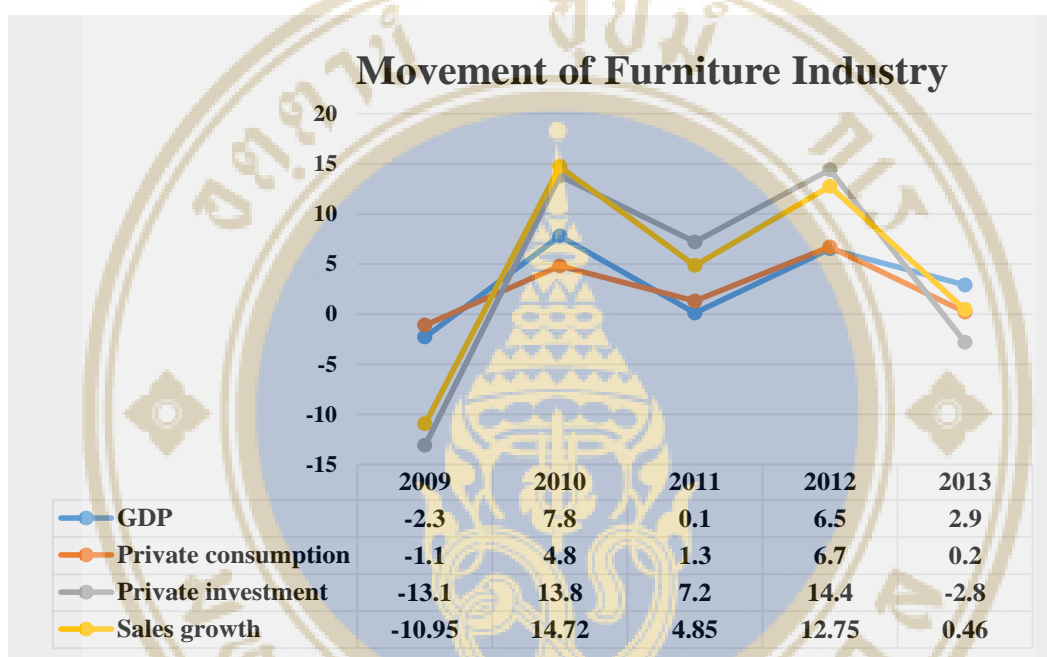
Besides residential, Modernform also has other revenue portion from an office market. From CBRE market view, Quarter 2'2014, the total office supply in Bangkok increased to 8.2 million square metres., a 1.1% increase Q-o-Q and a 1.6% increase Y-o-Y. The overall vacancy rate was 9.7% in Q2 2014, rising by 0.5 percentage points Q-o-Q but dropping by 1.4 percentage points Y-o-Y. This is the first quarter that vacancy rose after falling for ten consecutive quarters since Q3 2011 but this was due to the increase in supply which is expected to be occupied over the next two quarters. It is expected that the situation of tight supply and falling vacancy rates will continue so rents are expected to increase further in the future. This situation would add more opportunities for revenue growth for Modernform as well.

▪ Movement of sales growth in furniture industry

Table 1.7 GDP Forecast

	2014F	2015F
GDP	1	3.5-4.5
Private consumption	0.7	2.6
Private investment	-1	4.8

Source: NESDB



Source: NESDB

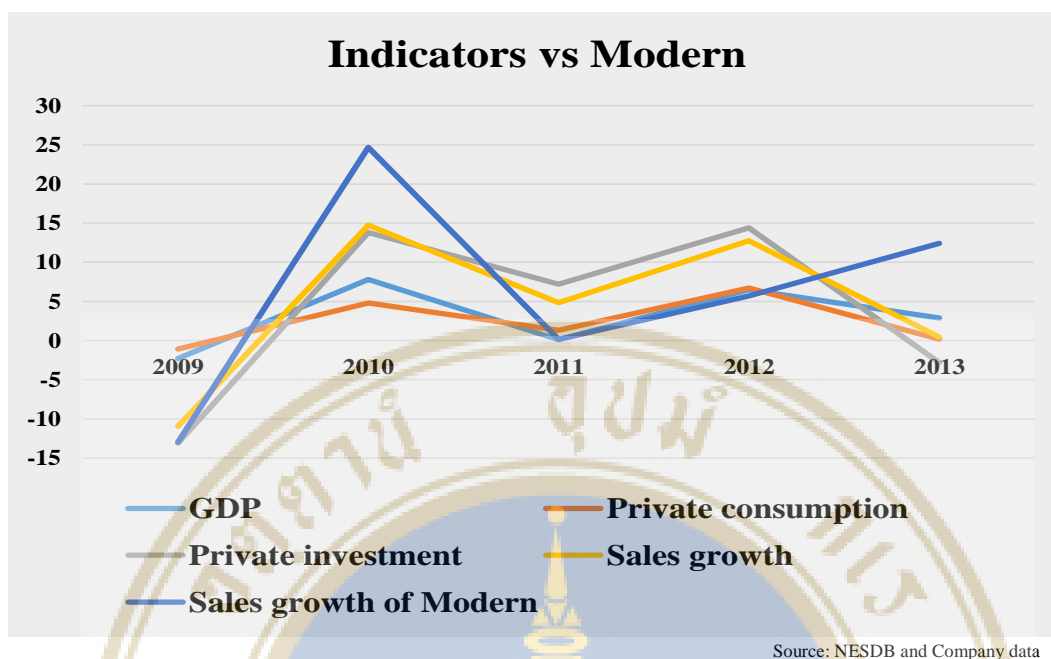
Figure 1.3 Movement of furniture industry

From graph above, we can see the the trend that when GDP, Private consumption and private investment have movement, Sales growth of furniture and related product manufacturing also moves in the same direction.

Table 1.8 Furnishing ompany revenue and market share

Company	Total Operating Revenue	Market share
Index Living Mall Co Ltd	7,674,433	31%
S.B.Furniture Industry Co Ltd	4,443,010	18%
Modernform Group Pcl	3,527,715	14%
Rockworth Pcl	793,427	3%
Other	8,601,990	34%
<b>Total</b>	<b>25,040,575</b>	<b>100%</b>

Source: EMIS



**Figure 1.4 Relationship between Modern and indicators**

Based on an industry analysis, we expected that a furniture and related product manufacturing industry will perform well in the continuing year as the forecast GDP, Private consumption and investment in year 2015 are expected to highly increase. As a consequence, we also predicted that sales growth of Modernform will be increased following the above mentioned indicators but to the higher extent because it is currently a market leader in a furniture and related product manufacturing industry. In our opinion, Modernform has a great potential to generate sales growth around 13 percent in the next year 2015 owing to the launch of AEC.

#### **1.4 Competition Analysis**

Over the years past, furniture industry has been developed for new products and new designs that mix between modern technology and contemporary design which useful for customers and match what the target market want. Furniture will grow according to real estate sector such as hotel, residence, office. For example, the increase of new home will drive demand on furniture, decoration and interior design. The demand on residence are driven from increasing in purchasing power of people. The more furniture sector growth, the more competitor join in.

According to the furniture market is growing following to house and condominium sector growth, furniture companies try to compete in the market by making a strategic alliance with residential developers. There are a number of furniture and related product manufacturing companies in the market but Modernform has 2 important competitors which are Index living mall and S.B. furniture. Since these 2 competitors are not listed in the stock exchange of Thailand (SET), we used the best available competitor in SET, Rockworth, for our financial analysis.

- Rockworth

Rockworth Public Company Limited is Thailand's leading manufacturer, distributor and marketer of quality Office Systems Furniture. Established since 1972 to meet the emerging demands of companies in need of specialist design and superior quality in office furniture, the Rockworth name has since become recognized and respected throughout the region, famous for everything from design concepts to after-sales service. The company now has more than 700 dedicated employees and serves clients through a global network of authorized dealers in 22 countries.

- SB Furniture

Thailand's leading furniture brand providing Modern Italian Style, provides a wide range of product lines for home including furniture for the bedroom, living room, home entertainment units, home office, kitchen etc. There are 50 distribution channels, SB Design Square, SB Furniture showroom and Konzept Furniture showroom, which cover greater Bangkok and a further 200 dealers nationwide as well as exports to 40 overseas countries. Index Furniture

- Index Living Mall

Index Living Mall is a Thailand-based furniture retailer owned by Index Interfurn Group. With a concept of a "special mall" entirely devoted to displaying and selling the company's furniture. The company has 8 branches in Bangkok and 9 branches elsewhere in Thailand.

#### **1.4.1 Modernform ranks high in overall performance**



**Table 1.9 Performance of companies in the furnishing sector**

Unit: Million baht

Year 2013	Modernform	Index Living Mall	S.B.Furniture	Rockworth
Total Operating Revenue	3528	7674	4443	793
Operating profit (EBIT)	491	396	251	22
Net Profit(Loss)	420	362	162	-8
Total Assets	4234	9419	3710	792
Return on Assets (ROA)	9.93	3.84	4.38	-1.06
Return on Equity (ROE)	14.87	10.81	20.66	-2.11
Operating Profit Margin	14.13	3.55	-5.04	8.99
Debt to equity	0.498	1.815	3.719	0.994

ROA=Net profit/Total Asset,  
 ROE=Net profit/Shareholders' equity

Source: EMIS

Note : TA and E use ending balance not average

From the table above, it shows that in general Modernform has a higher performance than competitors by comparing the ratios among them. Although Modernform did not generate the highest operating revenue, it can generate the highest net profit. Comparing ROA and ROE, Modernform has a better performance in generating profit on asset and equity than competitors except for S.B. Furniture which can generate higher ROE. Modernform also has a higher operating profit margin which means that the company can generate profit from an operation better than competitors. Moreover, it also has a lower debt, indicating a low opportunity to bankrupt. All in all, Modernform in general has the best performance among peers.

## 1.5 Investment Summary

### Focusing on niche market

The company can respond to the customer's needs and produce customized furniture for customers' requirement. Moreover, Modernform has a further advantage on brand royalty from customers because they trust in Modernform brand. Customer target group of Modernform is in middle to high level such as LH, SPALI, SIRI and PS etc. of which sales growth of Modernform could follow an expansion of housing and condominium project.



### **High amount of backlog and continuously flow in orders**

Modernform has a Bt 3.1 bn backlog of which around 60-70% of income is expected to be received in this year. A long term relationship with contract partners together with a premium quality with the state-of-the-art design and function continuously drive more orders from existing customers and creating more demand from new customers. In addition, a rising demand in furniture would also support an increase in architectural income from subsidiary especially from project customers.

### **Positive operating cash flow with low debt ratio**

High gross profit margin on an average of 39% with EBIT margin around 15-16% would yield a positive operating cash flow to the company. The company financial leverage is quite low with a 33% debt ratio. Only 0.3% of total assets represent an interest-bearing debt and the company finances most of its assets by internally generated fund. Hence, the company is quite healthy with low solvency risk.

### **Several sources of income drive dividend payment higher**

Modernform receives revenue from several sources as we have already mentioned in revenue structure section which allows the company to pay high dividend over many years in the past. The dividend yield is always much higher than SET's and the average dividend payout ratio of Modernform over the past 5 years is around 86%, reaching the peak in 2013 at 97%.

### **Joint venture supports strong competition**

Modernform always seeks for an opportunity to expand their business and support the company strong growth in the future. The company plans to register for a joint venture with ITOKI who is the famous company from Japan which could expand their market to overseas and publish the Modernform brand to overseas market. Moreover, the company also invests in Versa link who is the furniture company from Malaysia by buying 5% of Versa link's shares in order to become a partner with them and use Versalink to fight with Malaysian furniture exporter to support a strong competitive market in both Thailand and Malaysia.

### Corporate Governance is very good

Modernform was classified as a “Very Good” corporate governance company which has score 4 out of 5. Owing to very good corporate governance, the company runs the business in the right ways that support an ability to improve value and competitiveness that leads to a sustainable growth.

## 1.6 Valuation

### Multiple Valuations

A valuation multiple is simply an expression of market value relative to a key statistic that is assumed to relate to that value. We consider using P/E, P/BV and EV/EBITDA ratio to express the valuation of Modernform by using a forward P/E, P/BV and EV/EBITDA from furniture sector of because the expected stock price from using furniture companies in a home sector in Thailand as a representative fluctuates to a greater extent due to a small number of sample size and the speculative price of stock.

We selected 4 companies which located in emerging countries and they operate in the same business as Modernform which is in furniture industry. We obtained company data from Bloomberg.

### Multiples of companies in emerging market

**Table 1.10 Multiples of companies in emerging market**

Furnishing Company	Forward PE (2014)	Forward EV/EBITDA (2014)	Trailing P/BV (2013)
MARKOR INTL HOME FURNISHIN-A	29.68	15.74	2.16
YOTRIO GROUP CO LTD-A	24.29	17.35	1.96
SUOFEIYA HOME COLLECTION C-A	27.59	18.22	3.80
GUANGDONG YIHUA TIMBER IND-A	16.82	9.84	1.18
Average	24.60	15.29	2.28

Source: Bloomberg

From the table above, we had already calculated the average of those ratios. We used forward P/E and EV/EBITDA which imply the expected ratio in 2014 and trailing P/BV in 2013 because Bloomberg does not provide forward P/BV.

### Price/Earnings Ratio (P/E)

In this valuation, P/E is common ratio that investors use to determine if a common's stock price is overvalued or overvalued. We calculated target price of Modernform by using average emerging forward PE of peer where we mention above which equal to 24.60. Then, we multiply with Modernform's forecast EPS which is 1.13 at year 2014. The result is target price at 27.76 baht.

**Table 1.11 P/E ratio**

P/E	2014F
P0 (at 22 Oct 14)	10.40
EPS (forecast in 2014)	1.13
PE	14.67
Avg forward P/E (2014)	24.60
<b>Target Price</b>	<b>27.76</b>

### Price/book Value Ratio (P/BV)

Price to book value is a useful measure where tangible assets are the source of value generation because it is a close linkage to return on equity. We calculated target price of Modernform again by using emerging trailing P/BV in 2013 and average them which equal to 2.28 and then multiply with 3.88 as a forecast Modernform's BV at 2014 so the target price is 8.83 baht.

**Table 1.12 P/BV ratio**

P/BV	2014F
P0 (at 22 Oct 14)	10.40
BV (forecast in 2014)	3.88
PBV	2.68
Avg trailing P/BV (2013)	2.28
<b>Target Price</b>	<b>8.83</b>

### EV/EBITDA

Enterprise value or EV is the cost of buying the right to the whole of an enterprise's core cash flow. It is equal to the estimated value of the operations of an

enterprise as represented by the value of the various claims on cash flow and profit. EBITDA is a proxy for operating cash flow, and EV/EBITDA is a price to cash flow multiple. We used forward EV/EBITDA from 4 companies that mention above and then we averaged them which is equal to 15.29 after that we multiply by forecast EBITDA of Modernform at year 2014 which is 642.14 and the result is 9816.78 and then plus excess cash 964.55 so we get market value of equity at 10,781.33. To find target price from EV/EBITDA, we divided by number of share which equals 750 so we got target price at 14.38 Baht per share.

**Table 1.13 EV/EBITDA ratio**

<b>EV/EBITDA</b>	<b>2014F</b>
EV (forecast in 2014)	10,189.63
EBITDA (forecast in 2014)	642.14
EV to EBITDA (forecast in 2014)	15.87
Avg forward EV/EBITDA (2014)	15.29
EV from Avg EV to EBIDA	9,816.78
Add: Excess cash (Current investment+Avai for sales investment+investment in asso.)	964.55
Less: Market value of debt	-
Market value of equity	10,781.33
No. of Share	750.00
<b>Target Price</b>	<b>14.38</b>

From a number of multiple valuation calculation, the expected stock price from EV/EBITDA seems to be the most reasonable among other multiple valuation methods as it gives the value that is closest to the market price. However, when comparing the price between multiple valuation and DCF method, we would prefer DCF method to multiple valuation method because it is relying on the fundamental expectations of the business and is influenced to a lesser extent by volatile external factors. The multiple valuation method could subject to more volatility in the circumstances that an industry is over or undervalued or when the peers are a kind of speculative stocks. In the end our recommended target price remains at 13.57 Baht per share according to DCF method.

## 1.7 Financial statement analysis

### Summary figures from financial statements (Size analysis)

For Income statements of MODERN, revenue from sales is 3,327 MB and net profit is 426 MB. Cost of sales and selling and administrative expense represent around 1,956 MB and 1,055 MB, respectively. The gross profit represents around 1,371 MB. The company has total assets of 4,234 MB, total liabilities of 1,407 MB and total shareholders' equity of 2,827 MB. Total assets compose of current assets 2,569 MB and non-current assets 1,665 MB. The major items of assets are inventories, trade and other receivables, property, plant and equipment including investment properties, and available-for-sale investment. Total liabilities compose of current liabilities 1,282 MB and non-current liabilities 125 MB. The major liabilities come from customer deposits 741 MB and trade and other payables 445 MB. The major items in total shareholders' equity are unappropriated retained earnings followed by issues and paid up share capital and share premium. From the graph below, MODERN's size is bigger than ROCK in every aspect.

### Common size analysis

- Income statement

Total revenues compose of sales income 93.6%. The remaining revenues from rental income, service income and other income totally accounted for 3.7% of total revenues. Cost of sales and selling and administrative expense represents around 58.8% and 31.7% of sales, respectively. The gross profit and net profit is about 41.2% and 12.8% of sales.

- Balance sheet

Total assets compose of current assets 60.7% and non-current assets 39.3%. The major items in assets are inventory and trade accounts and other receivable, representing 28.6% and 23.1% respectively followed by property, plant and equipment including investment properties at 17.2% and available-for-sales investment at 13.6%. Total liabilities and equities compose of total liabilities 33.2%, of which 30.3% is current liabilities and 3.0% is non-current liabilities, and total

equities 66.8%, of which unappropriated retained earnings are 20.7% followed by issued and paid-up capital at 17.7% and share premium at 17.3%. The major items in current liabilities are trade accounts and other payable and customer deposits, which represents 10.5% and 17.5%, respectively.

- Comparing with competitors

For income statement, MODERN has lower proportion of cost of sales than ROCK, implying that ROCK might be less efficient than MODERN in terms of cost management. As a consequence, gross profit of MODERN is higher than ROCK. On the other hand, MODERN has more proportion of selling expense than ROCK which indicates that MODERN spent more in selling expenses in order to boost up sales. All in all, MODERN is better off in terms of net profit as it can generate net profit significantly higher than ROCK in 2013.

On assets side, MODERN has more proportion of trade accounts and other receivable and inventory while less proportion of property plant and equipment than ROCK. On liabilities and equities side, MODERN financed its assets with less proportion of debt than ROCK thus it is less risky in terms of financial leverage.

### **Trend analysis**

- Income statement

Over the past 5 years, the CAGR of sales was approximately at the rate of 10.10%. Revenue from sales increased because the delivery of project in 2013 from the backlog of orders was higher than last year due to a rising in demand for residence and office furniture mainly from residential projects. The trend of cost of sales, selling and admin expense are increasing in relation to an increase in sales. However, for cost of sales, when looking together with the common size percentage, the proportion of cost of sales to sales slightly decreased from last year owing to economies of scales in cost management. Selling and administrative expense increased mainly from a rising in salary and wages and other employee benefits, an increase in transportation and installation expenses due to the delay of a delivery and installation requested by the property developers as a consequence of political instability. An increase in selling expenses also includes an increase in advertising expense as the



company tried to drive sales volume by spending more in advertising in television media to promote brand recognition. The CAGR of net profit is about 8.96% over the past 5 years.

- Balance sheet

Trade accounts and other receivable, inventory and customer deposits significantly increase following an increase in sales, but a delay in delivery of inventory at the end of the year from political situation also brought about a delay in turning the customer deposits into revenue. Available-for-sales-investment had largely increased because of a reclassification of an investment in MFEC from investment in associates. Trade accounts and other payable also increase in relation to an increase in purchase to support an increase in sales. Issued and paid-up capital decreased because the company sold 30,000,000 units of treasury stocks and reduced its paid up share capital by 50,000,720 shares of treasury stock from the share repurchase program. Other reserves also decrease as the company no longer requires maintaining the reserve for treasury stocks. Unappropriated retained earnings increased following a reversal of appropriated retained earnings for treasury stocks.

**Financial ratios: Return**

Gross profit margin is on a rising trend, reaching the new high at 41% in 2013, which indicates that the company's ability to generate profit before SG&A expense from selling goods and rendering service has continuously improved over the past years. From the graph of gross profit margin of MODERN is higher than ROCK around 7%. ROA of MODERN at 11% is significantly higher than ROCK, implying that the company's ability to manage the business operation is better than its competitor in spite of a slightly decrease almost 2% YOY. The profit margin is higher than ROCK around 10%. The tax efficiency of MODERN is also higher than ROCK, while ROCK is better off in terms of asset turnover. A slightly decrease in ROA came mainly from an increase in proportion of trade and other receivables and inventories to sales which caused total asset turnover to be lower than prior year.

**Table 1.14 ROA**

ROA		2009A	2010A	MODERN			ROCK
				2011A	2012A	2013A	2013A
Profit Margin	%	12%	15%	13%	14%	12%	2%
Tax Efficiency	x	1.18	1.07	1.10	1.04	1.04	(1.31)
Asset Turnover	x	0.73	0.90	0.89	0.87	0.85	0.98
ROA	%	10%	14%	13%	13%	11%	-3%

(Note: ROA = EBIT (1-Implied tax rate)/Avg Total asset).

ROE of MODERN is at 16%, moving in the same direction as an ROA. In 2013 the ROE of MODERN is higher than ROCK about 18%, indicating that the company can generate more return to common shareholders than its competitors although it is slightly decrease by 1% YOY as a consequence of a decrease in ROA. The earnings leverage shows that the company is good in managing its financial costs as the ratio is consecutively very close to 1, which means that the NOPAT is very close to the net income due to a small amount of financial cost. The capital structure leverage of MODERN is also slightly increased from 1.38x to 1.45x as it has more liabilities than last year from an increase in customer deposits and higher trade and other payables.

**Table 1.15 ROE**

ROE		2009A	2010A	MODERN			ROCK
				2011A	2012A	2013A	2013A
ROA	%	10%	14%	13%	13%	11%	-3%
Earning Leverage	x	0.99	0.99	0.99	0.99	0.99	0.37
Capital Structure Leverage	x	1.23	1.27	1.33	1.38	1.45	2.31
ROE		12%	18%	17%	17%	16%	-2%

Fixed assets turnover of MODERN at 4.51x is more than double higher than ROCK as MODERN is more efficient in using fixed assets to generate sales. However, MODERN is less efficient than competitors in terms of total asset turnover (MODERN:0.85x ;ROCK: 0.98x) because of the high amount of inventories and trade accounts and other receivables.

### Financial ratios: Risk

- Short-term liquidity risk



Current ratio and quick ratio of MODERN imply that the company does not have a liquidity problem as the company's current assets is still much higher than its current liabilities (Current ratio = 2.00 times; Quick ratio = 1.06 times in 2013) even though both ratios are on a decreasing trend which indicates that the company is less liquid than before. On the other hand, both ratios of ROCK moved on a downward until 2011 and started to improve in 2012 to 2013 due to a decrease in accounts and other payables and a repayment of current portion of long term loan at the end of 2013.

Cash conversion cycle of MODERN is significantly longer than ROCK approximately 138 days, indicating that the average number of days after paying to suppliers and collecting cash from customers is longer for MODERN than ROCK. The major contributor came from a very long inventory conversion period and partly from the longer DSO of MODERN. Therefore, MODERN has higher risk than its competitors in this area.

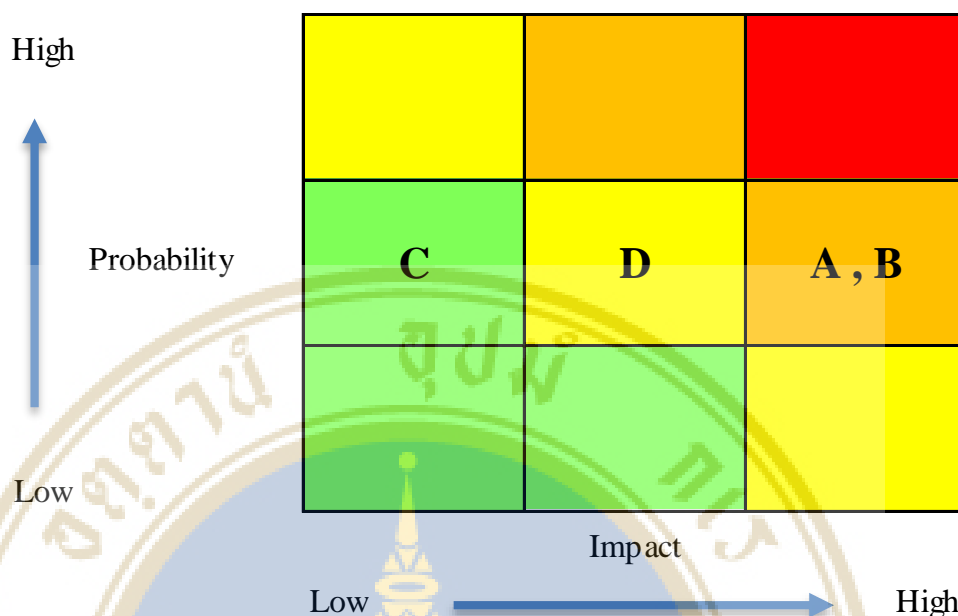
- **Long-term solvency risk**

Debt ratio of MODERN keeps increasing over time signaling an increase in long term risk to meet its obligation. However, the current debt ratio around 33% is still considered very low leverage and hence subject to low risk. The higher debt ratio on the other hand could help boost up the ROE. Debt to Equity ratio of MODERN is around 0.50x. However, of 100% of the total liabilities, the company has interest-bearing debt only 0.86% which is considered very low solvency risk. A very high interest coverage ratio of MODERN at 86.50x indicates that the company has no risk to meet an interest expense when it becomes due.

## **1.8 Investment Risks and Downside Possibilities**

The company has set up risk management measures, scopes and practices for executives and staff to comply with to minimize potential business risks. In 2014, the company evaluated possible risks that could occur and may affect our operations as follows.

## Risk Matrix Table



**Figure 1.5 Risk matrix**

### **Risk from Economic Instability and expansion of real estate industry**

(A)

Regarding the income structure, the main source of income of company comes from domestic so risk occurs from economic in country. When sluggish consumption will effect to Modernform that reduce their sales. In addition, employment rates remain healthy while the local money market is quite relaxed due to low interest rates which should increase consumption and private sector investments. At the other front, the public sector is spending in mega infrastructure projects is likely to increase which should slow down the fall of domestic spending by a certain degree. This however is subject to how long the current political instability will last. Moreover, Modernform has subsidiaries are currently generating incomes from a variety of businesses and gathering with incomes from subsidiaries, we are able to minimize some business cyclical risks as each industry has its own different business cycle. An unstable economic is an important risk that we concern the most because it has a direct impact on sales growth of the company. In our opinion, this risk is moderate to high level.

### **Competition risk (B)**

At present, various businesses that we run witness fierce competitions both in terms of pricing and increasing manufacturers, distributors or new players. Yet, we are able to develop sophisticated products, select and import unique items that answer the desires of our customers, deliver quality services and continue to improve our sales, production and service processes. Thus, it helped us to be a leader in each market we are in and reduced competition risk. However, the barriers to entry in a furniture market is quite moderate to low especially if either direct and indirect competitors can develop a new technology to produce a furniture at lower cost with competitive quality, the company might lose market share and it would definitely affect our profitability. Therefore, we weigh competitor risk at moderate level.

### **Risks on Raw Material (C)**

The Company set a policy on consumption of high proportion of local high-quality raw materials. Their prices are moving along with the markets. Although the material prices increase sharply, there are a number of manufacturing plants. Therefore, the Company mitigates risks by comparing prices from several suppliers before ordering. In addition, with high volume of raw materials used, the Company wields bargaining power in negotiation with the manufacturing plants for the best conditions. It always monitors price movement. The fittings and supplies used in furniture production, such as finishing foil, hinges, drawer tracks, locks and other hardware items are mostly imported. Prices may fluctuate in response to foreign manufacturers or currency exchange rates, however, in recent periods such problems have not arisen as the Company imports its own fittings and supplies. As such, large order volumes placed enabled the Company to have high bargaining power and gain discounts from the foreign producers. Furthermore, the Company is aware of price changes several months in advance, allowing it sufficient time to adjust costs and prices accordingly. Due to Modernform has high bargaining power and not rely heavily on one supplier, we concludes that this risk at low level.

**Risk of inability to outsource on production (D)**

Currently the machine capacity of Modernform is around 90 % and the company did not plan to expand the factory or invest more in machine so they outsource the production around 20% in order to maintain profit margin about 37-38%. We considered this risk at moderate level because the company can manage the production volume by planning production volume that requires outsource in advance.



## CHAPTER II

### DATA

#### 2.1 Income statement

**Table 2.1 Income statement**

Income Statement	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
Unit Million Baht										
<b>Revenue</b>										
Sale income	2,264	2,783	2,752	2,946	3,327	3,660	4,135	4,549	5,004	5,504
Rental income	67	66	68	70	75	77	79	82	84	87
Service income	24	47	51	78	92	73	83	91	100	110
Other income	41	91	120	68	61	99	112	124	136	150
<b>Total revenue</b>	<b>2,396</b>	<b>2,987</b>	<b>2,991</b>	<b>3,162</b>	<b>3,555</b>	<b>3,910</b>	<b>4,410</b>	<b>4,846</b>	<b>5,324</b>	<b>5,851</b>
<b>Expenses</b>										
Cost of sales	1,442	1,700	1,666	1,755	1,956	2,223	2,512	2,763	3,039	3,343
Cost of services	13	24	25	41	60	40	45	50	55	60
Selling expenses	446	532	602	617	768	766	866	953	1,048	1,153
Administrative expenses	228	247	245	250	287	329	372	409	450	495
Other expenses	6	9	12	17	26	17	20	22	24	26
<b>Total expenses</b>	<b>2,135</b>	<b>2,512</b>	<b>2,550</b>	<b>2,680</b>	<b>3,097</b>	<b>3,376</b>	<b>3,814</b>	<b>4,196</b>	<b>4,616</b>	<b>5,077</b>
<b>Income before share of income from investments in associated companies, financial cost and corporate income tax</b>	<b>261</b>	<b>475</b>	<b>441</b>	<b>482</b>	<b>458</b>	<b>534</b>	<b>596</b>	<b>650</b>	<b>709</b>	<b>774</b>
Share of income from investments in associates	111	104	62	49	61	64	69	75	82	89
Extraordinary income						461				
<b>EBIT</b>	<b>372</b>	<b>579</b>	<b>503</b>	<b>531</b>	<b>519</b>	<b>1,059</b>	<b>665</b>	<b>725</b>	<b>791</b>	<b>863</b>
Financial cost	5	6	5	5	6	1	-	-	-	-
<b>EBT</b>	<b>367</b>	<b>573</b>	<b>498</b>	<b>526</b>	<b>513</b>	<b>1,058</b>	<b>665</b>	<b>725</b>	<b>791</b>	<b>863</b>
Tax expenses	65	145	114	103	87	212	133	145	158	173
<b>Net profit</b>	<b>302</b>	<b>428</b>	<b>384</b>	<b>423</b>	<b>426</b>	<b>847</b>	<b>532</b>	<b>580</b>	<b>633</b>	<b>690</b>

## 2.2 Balance Sheet

### Table 2.2 Balance Sheet

	Unit: Million Baht									
Balance Sheet	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	266	124	145	101	312	249	273	298	328	360
Current investments	-	-	89	10	10	10	10	10	10	10
Trade and other receivables	497	647	585	692	977	873	987	1,086	1,194	1,313
Inventories	749	851	878	1,093	1,210	1,240	1,401	1,541	1,695	1,864
Prepaid expenses	22	48	25	14	17	34	38	42	46	51
Others	19	26	25	34	43	38	42	47	51	56
<b>Total current assets</b>	<b>1,553</b>	<b>1,696</b>	<b>1,747</b>	<b>1,944</b>	<b>2,569</b>	<b>2,443</b>	<b>2,751</b>	<b>3,023</b>	<b>3,324</b>	<b>3,655</b>
<b>Non-current assets</b>										
Available-for-sale investments	20	25	351	579	576	550	434	368	297	214
Investments in associate	732	452	240	270	327	405	444	487	534	585
Investment properties	-	-	598	598	598	-	-	-	-	-
Less: Accumulated depreciation expense	-	-	(316)	(334)	(351)	-	-	-	-	-
Investment properties - net	-	-	282	264	247	-	-	-	-	-
Property, plant and equipment	2,076	2,143	1,554	1,591	1,633	2,287	2,344	2,403	2,463	2,524
Less: Accumulated depreciation expense	(1,276)	(1,360)	(1,055)	(1,107)	(1,152)	(1,611)	(1,722)	(1,836)	(1,952)	(2,071)
Property, plant and equipment - net	800	783	499	484	481	676	622	567	510	453
Goodwill	10	10	10	10	10	10	10	10	10	10
Other intangible assets - net	5	4	4	4	4	4	4	4	4	4
Leasehold rights - net	18	24	11	9	6	6	6	6	6	6
Other non-current assets	33	25	15	12	14	27	31	34	37	41
<b>Total non-current assets</b>	<b>1,618</b>	<b>1,323</b>	<b>1,412</b>	<b>1,632</b>	<b>1,665</b>	<b>1,677</b>	<b>1,551</b>	<b>1,476</b>	<b>1,399</b>	<b>1,313</b>
<b>Total assets</b>	<b>3,171</b>	<b>3,019</b>	<b>3,159</b>	<b>3,576</b>	<b>4,234</b>	<b>4,121</b>	<b>4,301</b>	<b>4,499</b>	<b>4,723</b>	<b>4,968</b>
<b>Liabilities and shareholders' equity</b>										
<b>Current liabilities</b>										
Bank overdrafts and short-term loans from financial institutions	25	34	2	66	11	-	-	-	-	-
Trade and other payables	260	295	337	419	445	442	524	569	626	689
Customer deposits	196	165	303	334	741	433	490	539	593	652
Advance and short-term loan related party	-	-	-	-	-	-	-	-	-	-
Income tax payable	37	99	58	59	55	129	81	88	96	105
Accrued expenses	31	38	-	-	-	-	-	-	-	-
Other current liabilities	64	71	23	32	30	80	90	99	109	120
<b>Total current liabilities</b>	<b>613</b>	<b>702</b>	<b>723</b>	<b>910</b>	<b>1,282</b>	<b>1,084</b>	<b>1,185</b>	<b>1,296</b>	<b>1,424</b>	<b>1,566</b>
<b>Non-current liabilities</b>										
Provision for long-term employee benefits	-	-	100	108	122	122	122	122	122	122
Deferred tax liabilities	-	-	-	-	3	3	3	3	3	3
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>108</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>
<b>Total liabilities</b>	<b>613</b>	<b>702</b>	<b>823</b>	<b>1,018</b>	<b>1,407</b>	<b>1,209</b>	<b>1,310</b>	<b>1,421</b>	<b>1,549</b>	<b>1,691</b>
<b>Shareholders' equity</b>										
Share capital										
<b>Registered</b>	<b>892</b>	<b>892</b>	<b>892</b>	<b>860</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>
Issued and paid-up	832	832	832	800	750	750	750	750	750	750
Share premium	734	734	734	734	733	733	733	733	733	733
Treasury stocks premium	-	-	-	-	146	146	146	146	146	146
Treasury stocks	(93)	(425)	(425)	(333)	-	-	-	-	-	-
Retained earnings										
Appropriated										
Statutory reserve - the Company	90	90	90	90	90	90	90	90	90	90
- the subsidiary	-	-	-	22	23	23	23	23	23	23
Others	93	425	425	333	-	-	-	-	-	-
Unappropriated	861	616	565	661	876	961	1,040	1,127	1,222	1,326
Other components of shareholders' equity	28	31	91	216	171	171	171	171	171	171
<b>Equity attributable to the owners of the Company</b>	<b>2,545</b>	<b>2,303</b>	<b>2,312</b>	<b>2,523</b>	<b>2,789</b>	<b>2,874</b>	<b>2,953</b>	<b>3,040</b>	<b>3,135</b>	<b>3,239</b>
Non-controlling interests of the subsidiaries	13	14	24	35	38	38	38	38	38	38
<b>Total shareholders' equity</b>	<b>2,558</b>	<b>2,317</b>	<b>2,336</b>	<b>2,558</b>	<b>2,827</b>	<b>2,912</b>	<b>2,991</b>	<b>3,078</b>	<b>3,173</b>	<b>3,277</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,171</b>	<b>3,019</b>	<b>3,159</b>	<b>3,576</b>	<b>4,234</b>	<b>4,121</b>	<b>4,301</b>	<b>4,499</b>	<b>4,723</b>	<b>4,968</b>

## 2.3 Statement of Cash Flow

Table 2.3 Statement of cash flow

Unit: Million Baht

Statement of Cash Flow (Million THB)	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Cash flow from operating activities</b>										
EBT	367	573	498	526	513	1,058	665	725	791	863
Depreciation and Amortization	105	105	109	95	97	108	111	114	116	119
Change in NOWC	30	(426)	26	(265)	(58)	(722)	(204)	(219)	(233)	(255)
Change in non-current assets	(1)	1	1	3	(2)	(13)	(4)	(3)	(3)	(4)
Change in non-current liabilities	-	-	-	(1)	(1)	-	-	-	-	-
Interest paid	(2)	(2)	(1)	(1)	(1)	(1)	-	-	-	-
Income tax paid	(69)	(83)	(155)	(102)	(101)	(138)	(181)	(138)	(150)	(164)
<b>Total cash from operations</b>	<b>430</b>	<b>168</b>	<b>478</b>	<b>255</b>	<b>447</b>	<b>293</b>	<b>387</b>	<b>479</b>	<b>521</b>	<b>560</b>
<b>Cash from investing activities</b>										
Increase in capital expenditure	(56)	(58)	(109)	(64)	(71)	(56)	(57)	(59)	(60)	(62)
Intangible and other assets	27	(6)	37	3	4	-	-	-	-	-
Increase in investment	(9)	130	(90)	(21)	(3)	446	116	66	71	83
Dividend received	52	288	61	45	33	27	30	32	35	38
<b>Total cash from investing activities</b>	<b>14</b>	<b>354</b>	<b>(101)</b>	<b>(37)</b>	<b>(37)</b>	<b>418</b>	<b>88</b>	<b>39</b>	<b>46</b>	<b>59</b>
<b>Cash from financing activities</b>										
Dividend paid	(220)	(340)	(324)	(326)	(415)	(762)	(452)	(493)	(538)	(587)
(Purchase) Sales of Treasury stocks	(48)	(333)	-	-	271	-	-	-	-	-
Other financing activities	(40)	9	(32)	64	(55)	(11)	-	-	-	-
<b>Total cash from financing activities</b>	<b>(308)</b>	<b>(664)</b>	<b>(356)</b>	<b>(262)</b>	<b>(199)</b>	<b>(773)</b>	<b>(452)</b>	<b>(493)</b>	<b>(538)</b>	<b>(587)</b>
Net change in cash	136	(142)	21	(44)	211	(63)	23	25	30	33
Beginning cash balance	130	266	124	145	101	312	249	273	298	328
Ending cash balance	266	124	145	101	312	249	273	298	328	360

## 2.4 Common Size

**Table 2.4 Common size of profit and loss statement**

Items	2008	2009	2010	2011	2012	2013
<b>Income Statement</b>						
<b>REVENUES</b>						
SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OTHER INCOME		0.0%				
RENTAL INCOME	2.4%	2.8%	2.4%	2.5%	2.4%	2.2%
SERVICES INCOME	0.0%	1.0%	1.7%	1.9%	2.7%	2.8%
DIVIDEND INCOME	0.0%	0.0%	0.0%	0.0%	0.9%	0.8%
GAIN ON DISPOSAL OF INVESTMENTS	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%
GAIN ON DISPOSAL OF INTANGIBLE ASSETS	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
GAIN ON FAIR VALUE ADJUSTMENTS OF INVESTMENTS	0.0%	0.0%	0.0%	2.3%	0.0%	0.0%
OTHER INCOMES - OTHERS	0.5%	1.2%	2.0%	2.1%	1.4%	1.0%
<b>TOTAL OTHER INCOME</b>		5.5%	7.3%	8.7%	7.3%	6.9%
<b>TOTAL REVENUES</b>	<b>102.9%</b>	<b>105.8%</b>	<b>107.3%</b>	<b>108.7%</b>	<b>107.3%</b>	<b>106.9%</b>
<b>EXPENSES</b>						
COST OF SALES	61.8%	63.7%	61.1%	60.5%	59.6%	58.8%
COST OF SERVICES	0.0%	0.6%	0.9%	0.9%	1.4%	1.8%
SELLING EXPENSES	12.2%	19.7%	19.1%	21.9%	20.9%	23.1%
ADMINISTRATIVE EXPENSES	14.2%	10.1%	8.9%	8.9%	8.5%	8.6%
OTHER EXPENSES	0.5%	0.3%	0.3%	0.4%	0.6%	0.8%
<b>TOTAL EXPENSES</b>	<b>88.6%</b>	<b>94.3%</b>	<b>90.3%</b>	<b>92.7%</b>	<b>91.0%</b>	<b>93.1%</b>
<b>TAX EXPENSES</b>	<b>14.3%</b>	<b>11.5%</b>	<b>17.1%</b>	<b>16.0%</b>	<b>16.4%</b>	<b>13.8%</b>
FOR USING THE EQUITY METHOD	4.3%	4.9%	3.7%	2.3%	1.7%	1.8%
<b>TAX EXPENSES</b>	<b>18.6%</b>	<b>16.4%</b>	<b>20.8%</b>	<b>18.3%</b>	<b>18.1%</b>	<b>15.6%</b>
FINANCE COSTS	-0.5%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
<b>PROFIT (LOSS) BEFORE INCOME TAX EXPENSES</b>	<b>18.1%</b>	<b>16.2%</b>	<b>20.6%</b>	<b>18.1%</b>	<b>17.9%</b>	<b>15.4%</b>
INCOME TAX EXPENSES	-3.7%	-2.9%	-5.2%	-4.1%	-3.5%	-2.6%
<b>NET PROFIT (LOSS)</b>	<b>14.3%</b>	<b>13.4%</b>	<b>15.4%</b>	<b>14.0%</b>	<b>14.4%</b>	<b>12.8%</b>





## 2.5 Trend

Table 2.6 Trend of profit and loss statement

Items	2009	2010	2011	2012	2013
	MB	MB	MB	MB	MB
<b>Income Statement</b>					
<b>REVENUES</b>					
SALES	81.35	100.00	98.88	105.84	119.54
OTHER INCOME	-	-	-	-	-
RENTAL INCOME	101.76	100.00	102.84	105.61	112.96
SERVICES INCOME	51.15	100.00	109.60	166.26	195.95
DIVIDEND INCOME	-	-	-	100.00	107.04
GAIN ON DISPOSAL OF INVESTMENTS	-	100.00	-	-	-
GAIN ON DISPOSAL OF INTANGIBLE ASSETS	100.00	-	-	-	-
GAIN ON FAIR VALUE ADJUSTMENTS OF INVESTMENTS	-	-	100.00	-	-
OTHER INCOMES - OTHERS	52.21	100.00	99.18	74.16	58.78
<b>TOTAL REVENUES</b>	<b>80.21</b>	<b>100.00</b>	<b>100.14</b>	<b>105.85</b>	<b>119.02</b>
<b>EXPENSES</b>					
COST OF SALES	84.78	100.00	98.00	103.19	115.03
COST OF SERVICES	53.70	100.00	104.13	169.09	246.11
SELLING EXPENSES	83.81	100.00	113.10	115.93	144.45
ADMINISTRATIVE EXPENSES	92.55	100.00	99.47	101.52	116.35
OTHER EXPENSES	71.68	100.00	129.33	182.31	288.46
<b>TOTAL EXPENSES</b>	<b>84.99</b>	<b>100.00</b>	<b>101.51</b>	<b>106.65</b>	<b>123.30</b>
<b>PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES</b>	<b>54.97</b>	<b>100.00</b>	<b>92.92</b>	<b>101.64</b>	<b>96.42</b>
SHARES OF PROFITS FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	107.23	100.00	59.95	47.28	58.62
<b>PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES</b>	<b>64.33</b>	<b>100.00</b>	<b>87.02</b>	<b>91.91</b>	<b>89.65</b>
FINANCE COSTS	94.61	100.00	97.80	88.93	97.53
<b>PROFIT (LOSS) BEFORE INCOME TAX EXPENSES</b>	<b>64.03</b>	<b>100.00</b>	<b>86.92</b>	<b>91.94</b>	<b>89.57</b>
INCOME TAX EXPENSES	44.70	100.00	78.71	71.41	60.31
<b>NET PROFIT (LOSS)</b>	<b>70.57</b>	<b>100.00</b>	<b>89.69</b>	<b>98.89</b>	<b>99.47</b>

Table 2.7 Trend of balance sheet

Items	2009	2010	2011	2012	2013
	MB	MB	MB	MB	MB
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
CASH AND CASH EQUIVALENTS	214.94	100.00	117.44	81.83	252.84
CURRENT INVESTMENTS	-	-	100.00	10.74	11.23
TRADE ACCOUNTS AND OTHER RECEIVABLE	76.84	100.00	90.32	106.88	150.97
INVENTORIES	87.99	100.00	103.16	128.47	142.21
PREPAYMENTS	45.29	100.00	51.69	29.99	34.32
OTHER CURRENT ASSETS - OTHERS	73.90	100.00	96.42	132.39	168.62
<b>TOTAL CURRENT ASSETS</b>	<b>91.56</b>	<b>100.00</b>	<b>103.00</b>	<b>114.65</b>	<b>151.54</b>
<b>NON-CURRENT ASSETS</b>					
AVAILABLE-FOR-SALE INVESTMENT	79.98	100.00	1,434.36	2,362.86	2,350.20
INVESTMENT IN ASSOCIATES	161.97	100.00	53.14	59.73	72.28
INVESTMENT PROPERTIES - NET	-	-	100.00	93.80	87.54
PROPERTY, PLANT AND EQUIPMENTS - NET	102.24	100.00	63.79	61.80	61.48
GOODWILL - NET	100.00	100.00	100.00	100.00	100.00
INTANGIBLE ASSETS - NET	126.55	100.00	99.28	95.87	92.69
LEASEHOLD RIGHT - NET	75.53	100.00	47.07	38.25	26.17
OTHER NON-CURRENT ASSETS	129.69	100.00	56.80	44.95	54.59
<b>TOTAL NON-CURRENT ASSETS</b>	<b>122.34</b>	<b>100.00</b>	<b>106.79</b>	<b>123.34</b>	<b>125.83</b>
<b>TOTAL ASSETS</b>	<b>105.05</b>	<b>100.00</b>	<b>104.66</b>	<b>118.46</b>	<b>140.27</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	72.38	100.00	6.53	192.58	32.26
TRADE ACCOUNTS AND OTHER PAYABLE	88.14	100.00	114.40	142.16	150.99
CUSTOMER DEPOSITS	118.85	100.00	183.43	202.53	449.40
ADVANCES AND SHORT-TERM LOANS RELATED PARTIES	-	-	100.00	-	-
CORPORATE INCOME TAX PAYABLE	37.49	100.00	58.53	59.72	55.92
ACCRUED EXPENSE	80.82	100.00	-	-	-
OTHER CURRENT LIABILITIES - OTHERS	91.34	100.00	31.86	45.90	42.41
<b>TOTAL CURRENT LIABILITIES</b>	<b>87.39</b>	<b>100.00</b>	<b>102.98</b>	<b>129.77</b>	<b>182.78</b>
<b>NON-CURRENT LIABILITIES</b>					
PROVISION FOR LONG-TERM EMPLOYEE BENEFITS	-	-	100.00	107.66	122.32
DEFERRED TAX LIABILITIES	-	-	-	-	100.00
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>100.00</b>	<b>107.66</b>	<b>124.85</b>
<b>TOTAL LIABILITIES</b>	<b>87.39</b>	<b>100.00</b>	<b>117.25</b>	<b>145.13</b>	<b>200.60</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>SHARE CAPITAL</b>					
<b>REGISTERED</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>96.37</b>	<b>90.77</b>
ISSUED AND PAID-UP	100.00	100.00	100.00	96.11	90.11
SHARE PREMIUM	100.00	100.00	100.00	100.00	100.00
TREASURY STOCKS PREMIUM	-	-	-	-	100.00
TREASURY SHARES	21.78	100.00	100.00	78.22	-
RETAINED EARNINGS (DEFICIT) APPROPRIATED					
STATUTORY RESERVES - THE COMPANY	100.00	100.00	100.00	100.00	100.00
- THE SUBSIDIARY	-	-	-	100.00	101.88
OTHER RESERVES	21.78	100.00	100.00	78.22	-
RETAINED EARNINGS (DEFICIT) - UNAPPROPRIATED	139.81	100.00	91.75	107.32	142.15
OTHER COMPONENTS OF SHAREHOLDER'S EQUITY	89.12	100.00	294.88	696.02	550.65
<b>COMPANY</b>	<b>110.51</b>	<b>100.00</b>	<b>100.41</b>	<b>109.54</b>	<b>121.09</b>
NON-CONTROLLING INTERESTS	93.03	100.00	172.80	248.48	272.27
<b>TOTAL EQUITY</b>	<b>110.40</b>	<b>100.00</b>	<b>100.85</b>	<b>110.39</b>	<b>122.01</b>
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>105.05</b>	<b>100.00</b>	<b>104.66</b>	<b>118.46</b>	<b>140.27</b>

## 2.6 Financial Ratio

**Table 2.8 Financial ratio**

Key Financial Ratio	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Liquidity Ratio</b>										
Current Ratio (x)	2.53	2.42	2.42	2.14	2.00	2.25	2.32	2.33	2.33	2.33
Quick Ratio (x)	1.31	1.20	1.20	0.94	1.06	1.11	1.14	1.14	1.14	1.14
Cash Ratio (x)	0.43	0.18	0.20	0.11	0.24	0.23	0.23	0.23	0.23	0.23
<b>Efficiency Ratio</b>										
Total Asset Turnover (x)	0.73	0.90	0.89	0.87	0.85	0.88	0.98	1.03	1.09	1.14
Fixed Asset Turnover (x)	2.76	3.52	3.52	3.85	4.51	5.21	6.37	7.65	9.29	11.43
Acc Receivable Turnover (x)	4.71	4.87	4.47	4.61	3.99	3.96	4.45	4.39	4.39	4.39
Collection Period (days)	78	75	82	79	92	92	82	83	83	83
Inventory Turnover (x)	1.83	2.13	1.93	1.78	1.70	1.81	1.90	1.88	1.88	1.88
Days in Inventory (days)	200	172	189	205	215	201	192	194	194	194
Payables Turnover (x)	5.68	6.49	5.36	5.21	4.80	7.81	5.54	5.31	5.34	5.34
Payables Period (days)	64	56	68	70	76	47	66	69	68	68
Cash Conversion Cycle (days)	212.94	190.58	202.97	214.03	230.36	246.64	207.99	208.73	209.14	209.14
<b>Profitability Ratio</b>										
Gross Profit Margin (%)	36.31%	38.91%	39.46%	40.43%	41.21%	39.26%	39.26%	39.26%	39.26%	39.26%
EBIT Margin (%)	15.53%	19.38%	16.82%	16.79%	14.60%	27.09%	15.07%	14.95%	14.85%	14.75%
EBITDA Margin (%)	19.91%	22.90%	20.46%	19.80%	17.33%	29.85%	17.58%	17.30%	17.04%	16.79%
Net Profit Margin (%)	13.34%	15.38%	13.95%	14.36%	12.80%	23.13%	12.86%	12.74%	12.64%	12.54%
ROA (%)	9.82%	13.97%	12.56%	12.68%	11.04%	20.28%	12.63%	13.17%	13.72%	14.24%
ROE (%)	11.91%	17.56%	16.51%	17.29%	15.82%	29.50%	18.01%	19.10%	20.24%	21.40%
SG&A/Sale	30%	28%	31%	29%	32%	30%	30%	30%	30%	30%
<b>Solvency Ratio</b>										
Debt Ratio (%)	19.33%	23.25%	26.05%	28.47%	33.23%	29.34%	30.46%	31.58%	32.81%	34.04%
Debt to Equity Ratio (x)	0.24	0.30	0.35	0.40	0.50	0.42	0.44	0.46	0.49	0.52
Equity Multiply (x)	1.24	1.30	1.35	1.40	1.50	1.42	1.44	1.46	1.49	1.52
Long Term Debt Ratio (%)	0%	0%	3%	3%	3%	3%	3%	3%	3%	3%
Interest Coverage Ratio (x)	74.40	96.50	100.60	106.20	86.50	1235.49	0.00	0.00	0.00	0.00

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